JSC Bank of Georgia and Subsidiaries
Interim Condensed Consolidated Financial Statements

30 June 2021

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Supervisory Board of JSC Bank of Georgia

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Bank of Georgia and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2021 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the six-month periods then ended, interim condenses consolidated statement of changes in equity and interim condenses consolidated cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condenses consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial statement based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Oleg Youshenkov
On behalf of EY LLC

24 August 2021

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Oleg Youshenkov
On behalf of EY LLC

24 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Thousands of Georgian Lari)

	Notes	As at 30 June 2021 (unaudited)	As at 31 December 2020
Assets			
Cash and cash equivalents	6	1,704,184	1,983,188
Amounts due from credit institutions	7	2,025,535	2,007,581
Investment securities	8	2,117,336	2,513,472
Loans to customers and finance lease receivables	9	14,609,579	14,003,526
Accounts receivable and other loans		22,879	1,501
Prepayments		48,321	43,638
Inventories		6,272	5,995
Right-of-use assets		81,610	82,804
Investment properties		239,243	234,835
Property and equipment		347,829	346,867
Goodwill		33,453	33,453
Intangible assets		120,262	110,361
Income tax assets	10	190	22,033
Other assets		177,503	316,404
Assets held for sale		45,294	62,648
Total assets		**21,579,490**	**21,768,306**
Liabilities			
Client deposits and notes	11	13,993,186	14,052,479
Amounts owed to credit institutions	12	3,039,005	3,124,939
Debt securities issued	13	1,441,015	1,567,558
Lease liability		91,359	95,201
Accruals and deferred income		52,984	51,408
Income tax liabilities	10	74,704	62,434
Other liabilities		106,567	325,987
Total liabilities		**18,798,820**	**19,280,006**
Equity	15		
Share capital		27,994	27,994
Additional paid-in capital		199,390	216,974
Treasury shares		(10)	(10)
Other reserves		(11,797)	47,997
Retained earnings		2,565,093	2,195,345
Total equity		**2,780,670**	**2,488,300**
Total liabilities and equity		**21,579,490**	**21,768,306**

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

Neil Janin — Supervisory Board Chairman

24 August 2021

The accompanying selected explanatory Notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Thousands of Georgian Lari)

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Neil Janin — Supervisory Board Chairman

24 August 2021

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Interest income calculated using EIR method		848,684	739,883
Other interest income		14,143	15,928
Interest income		**862,827**	**755,811**
Interest expense		(421,558)	(384,544)
Deposit insurance fees		(7,163)	(4,874)
Net interest income	16	**434,106**	**366,393**
Fee and commission income		168,949	122,484
Fee and commission expense		(78,361)	(62,641)
Net fee and commission income	17	**90,588**	**59,843**
Net foreign currency gain		40,505	53,059
Net other income		49,583	14,845
Operating income		**614,782**	**494,140**
Salaries and other employee benefits		(115,896)	(105,547)
Administrative expenses		(48,604)	(44,623)
Depreciation, amortisation and impairment		(40,415)	(39,144)
Other operating expenses		(1,588)	(1,953)
Operating expenses		**(206,503)**	**(191,267)**
Profit from associates		(4,132)	414
Operating income before cost of risk		**404,147**	**303,287**
Expected credit loss on loans to customers	18	(4,247)	(214,911)
Expected credit loss on finance lease receivables	18	(1,614)	(5,273)
Other expected credit (loss) / recovery	18	11,733	(21,851)
Impairment charge on other assets and provisions		(5,053)	(2,182)
Cost of risk		**819**	**(244,217)**
Net operating income before non-recurring items		**404,966**	**59,070**
Net non-recurring items	19	(417)	(41,323)
Profit before income tax expense		**404,549**	**17,747**
Income tax benefit (expense)	10	(34,077)	4,615
Profit for the Period		**370,472**	**22,362**
Basic and diluted earnings per share	15	13.2388	0.7991

The accompanying selected explanatory Notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Profit for the period		**370,472**	**22,362**
Other comprehensive (loss) income			
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent period:			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	(32,493)	36,522
– Realised gain on financial assets measured at FVOCI		(25,338)	(1,323)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI redassified to the consolidated income statement		(1,134)	312
– Loss from currency translation differences		(2,738)	(5,416)
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent period		**(61,703)**	**30,095**
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period:			
– Net income (loss) on investments in equity instruments designated at FVOCI		1,185	(774)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**1,185**	**(774)**
Other comprehensive (loss) income for the period, net of tax		**(60,518)**	**29,321**
Total comprehensive income for the period		**309,954**	**51,683**

The accompanying selected explanatory Notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total equity*
31 December 2019	**27,994**	**183,875**	**(10)**	**(30,874)**	**1,896,412**	**2,077,397**
Profit for the six months ended 30 June 2020 (unaudited)	-	-	-	-	22,362	22,362
Other comprehensive income for the six months ended 30 June 2020 (unaudited)	-	-	-	34,925	(5,604)	29,321
Total comprehensive income for the six months ended 30 June 2020 (unaudited)	**-**	**-**	**-**	**34,925**	**16,758**	**51,683**
Increase in equity arising from share-based payments	-	27,679	-	-	-	27,679
Contributions under share-based payment plan	-	(20,858)	-	-	-	(20,858)
30 June 2020 (unaudited)	**27,994**	**190,696**	**(10)**	**4,051**	**1,913,170**	**2,135,901**
31 December 2020	**27,994**	**216,974**	**(10)**	**47,997**	**2,195,345**	**2,488,300**
Profit for the year	-	-	-	-	370,472	370,472
Other comprehensive income for the year	-	-	-	(59,794)	(724)	(60,518)
Total comprehensive income for the year	**-**	**-**	**-**	**(59,794)**	**369,748**	**309,954**
Increase in equity arising from share-based payments	-	21,678	-	-	-	21,678
Contributions under share-based payment plan	-	(39,262)	-	-	-	(39,262)
30 June 2021 (unaudited)	**27,994**	**199,390**	**(10)**	**(11,797)**	**2,565,093**	**2,780,670**

The accompanying selected explanatory Notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Cash flows from operating activities			
Interest received		874,550	566,707
Interest paid		(424,814)	(372,540)
Fees and commissions received		168,984	137,489
Fees and commissions paid		(78,361)	(62,641)
Net cash inflow from real estate		17,650	10,136
Net realised gains from foreign currencies		56,957	52,149
Recoveries of loans to customers previously written off		33,250	14,592
Other income received (expense paid)		1,480	(4,605)
Salaries and other employee benefits paid		(94,218)	(77,868)
General and administrative and operating expenses paid		(57,290)	(59,391)
Cash flows from operating activities before changes in operating assets and liabilities		**498,188**	**204,028**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		(91,871)	30,356
Loans to customers and finance lease receivables		(1,040,882)	(199,441)
Prepayments and other assets		(1,715)	3,039
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		(15,925)	(511,210)
Debt securities issued		(42,375)	(212,383)
Client deposits and notes		241,662	989,809
Other liabilities		5,697	(34,722)
Net cash flows used in operating activities before income tax		**(447,221)**	**269,476**
Income tax paid		-	(17,445)
Net cash flows used in operating activities		**(447,221)**	**252,031**
Cash flows from (used in) investing activities			
Net sales (purchases) of investment securities		357,612	(286,342)
Proceeds from sale of investment properties and assets held for sale		61,150	19,904
Proceeds from sale of property and equipment and intangible assets		142	179
Purchase of property and equipment and intangible assets		(48,377)	(62,248)
Dividends received		401	632
Net cash flows from (used in) investing activities		**370,928**	**(327,875)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Cash flows used in financing activities			
Repurchase of debt securities issued		(19,625)	-
Repayment of the principal portion of the debt securities issued		(15,614)	(440,410)
Cash payments for the principal portion of the lease liability		(14,492)	(2,429)
Dividends paid		-	(28)
Contributions under share-based payment plan		(60,205)	(20,858)
Net cash used in financing activities		**(109,936)**	**(463,725)**
Effect of exchange rates changes on cash and cash equivalents		(92,790)	17,009
Effect of expected credit losses on cash and cash equivalents		15	58
Net decrease in cash and cash equivalents		**(279,004)**	**(522,502)**
Cash and cash equivalents, beginning of the period	6	**1,983,188**	**2,159,205**
Cash and cash equivalents, end of the period	6	**1,704,184**	**1,636,703**

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.

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2021, the Bank has 211 operating outlets in all major cities of Georgia (31 December 2020: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

The Bank and its remaining subsidiaries make up a group of companies (the "Group") mainly incorporated in Georgia and Belarus. Primary business activities include providing banking services to corporate and individual customers. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

As at 30 June 2021 and 31 December 2020, JSC BGEO Group ("JSC BGEO") was the principal shareholder of the Bank:

	As at	
Shareholder	***30 June 2021 (unaudited)***	***31 December 2020***
JSC BGEO Group	79.78%	79.78%
Bank of Georgia Group PLC	19.78%	19.78%
Others*	0.44%	0.44%
Total	**100.00%**	**100.00%**

**** Shares listed on the Georgian Stock Exchange.***

2. Basis of preparation

General

These interim condensed consolidated financial statements for the six months ended 30 June 2021 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

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

Assumptions and significant estimates other than disclosed in these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2020, signed and authorized for release on 16 April 2021.

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

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

Going concern

The Management Board has made an assessment of the Group's ability to continue as a going concern which also included assessment of forecast cash flows as a result of COVID-19 pandemic. The assessment specifically incorporated analysis of the COVID-19 pandemic impact implications on the Group's projected performance, liquidity, funding and capital positions. Based on this, the Management Board is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the interim condensed consolidated financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the interim condensed consolidated financial statements continue to be prepared on the going concern basis.

3. Summary of significant accounting policies

Basis of consolidation

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2020.

Amendments effective from 1 January 2021

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 Group has adopted the amendment, however the effect was not material for the Group's interim condensed consolidated financial statements.

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.
Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2021.

There were no IBOR replacements during the first six months of 2021, therefore the amendment did not have effect on Group's interim condensed consolidated financial statements. The Group is currently assessing the impact of the amendment for the future periods.

4. Significant accounting judgements and estimates

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

Given the unprecedented nature of the COVID-19 pandemic and the uncertainties associated with it, similar to the prior year, the Group continued to apply management overlays to the existing methodology and accounting judgements and estimates., The Group has made a number of changes in the significant judgements that were applied in the pre-COVID-19 reporting periods. The most significant changes to the standard methodology made for the reporting date were as follows:

Allowance for impairment of financial assets

Significant Increase in Credit Risk (SICR)

Back in 2020, in response to COVID-19 outbreak the Group implemented an initiative to grant 3 months payment holidays to its borrowers in order to significantly reduce the requirement for customers to physically visit Bank branches. Subsequent to that a number of restructurings (including prolongations, partial or full grace on principal and interest) were granted to customers who approached the bank with the request. In assessing whether the credit risk of a loan has significantly increased as a result, the Group has identified a series of qualitative and quantitative criteria based on undertaking the holistic analysis of various factors including those which are specific to a particular financial instrument or to a borrower as well as those applicable to particular sub-portfolios.

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 two 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 Group 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

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 Group segments its financial instruments into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types). Based on this information, the Group estimates the recovery rate (other than through collateral), cure rate and probability of re-default. Recovery through collateral is further considered in LGD calculations individually for each financial instrument. With the purpose to incorporate the uncertainties caused by the COVID-19 pandemic while determination of expected losses, the Group further discounted recovery and cure rates by 20 percent.

Forward-looking information

Forward-looking variable assumptions

To incorporate forward-looking information into the Group's allowance for credit losses, the Group uses the macroeconomic forecasts provided by National Bank of Georgia for Group companies operating in Georgia, while data used by Belarusky Narodny Bank ("BNB") is provided by a non-governmental research centre operating in Belarus. Macroeconomic variables covered by these forecasts and which the Group incorporated in its ECL model, include: GDP growth, foreign exchange rate and inflation rate which are updated for anticipated impact of COVID-19 pandemic.

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

The most significant period end assumptions used for ECL estimate as at 30 June 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 30 June 2021			Assigned weight	As at 31 December 2020		
			2021	2022	2023		2021	2022	2023
GDP growth in %									
	Upside	25%	5.00%	6.00%	5.00%	25%	-3.00%	6.00%	5.00%
	Base case	50%	4.00%	5.00%	5.00%	50%	-4.00%	4.50%	5.00%
	Downside	25%	1.00%	3.00%	4.50%	25%	-9.00%	2.50%	4.00%
GEL/USD exchange rate									
	Upside	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%
	Downside	25%	-10.00%	-5.00%	-5.00%	25%	-10.00%	-5.00%	5.00%
CPI inflation rate in %									
	Upside	25%	4.00%	3.00%	3.00%	25%	5.50%	4.00%	3.00%
	Base case	50%	4.50%	3.00%	3.00%	50%	4.50%	1.50%	2.50%
	Downside	25%	7.00%	4.00%	2.50%	25%	7.00%	2.00%	2.50%

The above information is based on the macroeconomic forecasts provided by the NBG as of March 2021.

Belarus

Key drivers	ECL scenario	Assigned weight	As at 30 June 2021				Assigned weight	As at 31 December 2020			
			2021Q3	2022Q4	2022Q1	2022Q2		2021Q1	2021Q2	2021Q3	2021Q4
GDP growth in %											
	Upside	10%	-0.40%	3.30%	1.80%	4.40%	10%	-0.40%	3.30%	1.80%	4.40%
	Base case	50%	-1.80%	1.30%	-0.95%	1.20%	50%	-1.80%	1.30%	-0.95%	1.20%
	Downside	40%	-3.20%	-0.90%	-3.65%	-2.00%	40%	-3.20%	-0.90%	-3.65%	-2.00%
BYN/USD exchange rate %											
	Upside	10%	-2.89%	1.95%	0.04%	-1.00%	10%	-2.89%	1.95%	0.04%	-1.00%
	Base case	50%	1.07%	3.20%	1.12%	0.41%	50%	1.07%	3.20%	1.12%	0.41%
	Downside	40%	5.04%	4.36%	2.10%	1.66%	40%	5.04%	4.36%	2.10%	1.66%
CPI inflation rate in %											
	Upside	10%	0.48%	0.73%	0.10%	1.58%	10%	0.48%	0.73%	0.10%	1.58%
	Base case	50%	2.02%	1.20%	0.48%	1.75%	50%	2.02%	1.20%	0.48%	1.75%
	Downside	40%	3.56%	1.66%	0.85%	1.90%	40%	3.56%	1.66%	0.85%	1.90%

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

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

Sensitivity of ECL to forward looking assumptions:

	As at 30 June 2021				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	153,930	3.05%	3.03%	3.05%	3.08%
Residential mortgage loans	52,452	1.37%	1.24%	1.25%	1.73%
Micro and SME loans	87,253	2.54%	2.31%	2.35%	3.14%
Consumer loans	111,525	4.62%	4.43%	4.52%	5.02%
Gold – pawn loans	722	0.47%	0.32%	0.33%	0.92%

	As at 31 December 2020				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	172,916	3.51%	3.48%	3.50%	3.55%
Residential mortgage loans	48,607	1.28%	1.05%	1.06%	1.95%
Micro and SME loans	102,352	3.13%	2.79%	2.83%	4.06%
Consumer loans	113,801	5.15%	4.78%	4.82%	6.18%
Gold – pawn loans	227	0.22%	0.21%	0.21%	0.23%

4. Significant accounting judgements and estimates (continued)

Post-model adjustments

Limitations in the Group'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, the Group applied post-model adjustments. The effect of such overlays as at 30 June 2021 amounted to GEL 85,134.

	As at 30 June 2021			
	Modelled ECL	*Post-model adjustments and management overlays*	*Total ECL*	*Adjustments as a % of total ECL*
Commercial loans	147,655	6,275	153,930	4.1%
Residential mortgage loans	24,013	28,439	52,452	54.2%
Micro and SME loans	65,459	21,794	87,253	25.0%
Consumer loans	83,179	28,346	111,525	25.4%
Gold – pawn loans	442	280	722	38.8%
Total	**320,748**	**85,134**	**405,882**	**21.0%**

	As at 31 December 2020			
	Modelled ECL	*Post-model adjustments and management overlays*	*Total ECL*	*Adjustments as a % of total ECL*
Commercial loans	168,306	4,610	172,916	2.7%
Residential mortgage loans	21,808	26,799	48,607	55.1%
Micro and SME loans	75,525	26,827	102,352	26.2%
Consumer loans	86,570	27,231	113,801	23.9%
Gold – pawn loans	173	54	227	23.8%
Total	**352,382**	**85,521**	**437,903**	**19.5%**

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values (Note 21). No specific adjustment due to COVID-19 was applied.

Measurement of fair value of investment properties

The Group 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. The last date of valuation of investment properties was 31 December 2020.

In order to identify whether there was any significant change in the real estate market since last revaluation that could indicate that investment properties are not stated at fair value as at the reporting date, the Group hired an independent valuator to perform real estate market research. The research results have revealed that no material change was noted on the real estate market since year ended 2020. Therefore, no revaluation was applied as at the reporting date.

5. Segment information

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

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

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

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

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

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

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

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

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

5. Segment information (continued)

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

	Retail Banking	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	265,936	150,060	18,099	11	434,106
Net fee and commission income	68,088	19,308	3,192	-	90,588
Net foreign currency gain	21,029	12,901	6,575	-	40,505
Net other income	17,203	32,669	(185)	(104)	49,583
Operating income	**372,256**	**214,938**	**27,681**	**(93)**	**614,782**
Operating expenses	(149,663)	(38,936)	(17,997)	93	(206,503)
Profit from associates	(4,132)	-	-	-	(4,132)
Operating income before cost of risk	**218,461**	**176,002**	**9,684**	**-**	**404,147**
Cost of risk	(40,486)	41,000	305	-	819
Net operating income before non-recurring items	**177,975**	**217,002**	**9,989**	**-**	**404,966**
Net non-recurring expense/loss	-	(74)	(343)	-	(417)
Profit before income tax	**177,975**	**216,928**	**9,646**	**-**	**404,549**
Income tax expense	(14,654)	(17,476)	(1,947)	-	(34,077)
Profit for the period	**163,321**	**199,452**	**7,699**	**-**	**370,472**
Assets and liabilities					
Total assets	13,790,530	6,815,992	978,234	(5,266)	21,579,490
Total liabilities	12,262,273	5,697,116	844,697	(5,266)	18,798,820
Other segment information					
Property and equipment	25,053	2,275	275	-	27,603
Intangible assets	16,144	1,576	2,792	-	20,512
Capital expenditure	**41,197**	**3,851**	**3,067**	**-**	**48,115**
Depreciation, amortisation and impairment	(33,679)	(4,344)	(2,392)	-	(40,415)

5. Segment information (continued)

The following table presents the income statement information regarding the Group's operating segments for the six months period ended 30 June 2020 and certain asset and liability information as at 31 December 2020:

	Retail Banking	*Corporate Investment banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	219,522	128,239	18,626	6	366,393
Net fee and commission income	40,326	16,327	3,190	-	59,843
Net foreign currency gain	28,591	20,188	4,280	-	53,059
Net other income	5,518	8,819	683	(175)	14,845
Operating income	**293,957**	**173,573**	**26,779**	**(169)**	**494,140**
Operating expenses	(139,522)	(35,110)	(16,804)	169	(191,267)
Profit from associates	414	-	-	-	414
Operating income before cost of risk	**154,849**	**138,463**	**9,975**	**-**	**303,287**
Cost of risk	(147,864)	(91,003)	(5,350)	-	(244,217)
Net operating income before non-recurring items	**6,985**	**47,460**	**4,625**	**-**	**59,070**
Net non-recurring expense/loss	(39,922)	(1,367)	(34)	-	(41,323)
Profit before income tax	**(32,937)**	**46,093**	**4,591**	**-**	**17,747**
Income tax expense	7,807	(2,150)	(1,042)	-	4,615
Profit (loss) for the period	**(25,130)**	**43,943**	**3,549**	**-**	**22,362**
Assets and liabilities					
Total assets	13,327,539	7,432,179	1,018,652	(10,064)	21,768,306
Total liabilities	11,990,822	6,413,151	886,097	(10,064)	19,280,006
Other segment information					
Property and equipment	58,301	5,833	616	-	64,750
Intangible assets	28,848	2,900	2,291	-	34,039
Capital expenditure	**87,149**	**8,733**	**2,907**	**-**	**98,789**
Depreciation, amortisation and impairment	(32,214)	(4,807)	(2,123)	-	(39,144)

6. Cash and cash equivalents

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Cash on hand	690,800	723,071
Current accounts with central banks, exduding obligatory reserves	253,772	158,588
Current accounts with credit institutions	505,534	582,952
Time deposits with credit institutions with maturities of up to 90 days	254,134	518,648
Cash and cash equivalents, gross	**1,704,240**	**1,983,259**
Less – Allowance for expected credit loss	(56)	(71)
Cash and cash equivalents, net	**1,704,184**	**1,983,188**

As at 30 June 2021, GEL 621,672 (31 December 2020: GEL 967,820) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 10.25% interest per annum on these deposits (31 December 2020: up to 0.21%). 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

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Obligatory reserves with central banks	1,957,896	1,994,662
Time deposits with maturities of more than 90 days	16,218	-
Deposits pledged as security for open commitments	4,946	1,855
Inter-bank loan receivables	46,849	11,464
Amounts due from credit institutions, gross	**2,025,909**	**2,007,981**
Less – Allowance for expected credit loss	(374)	(400)
Amounts due from credit institutions, net	**2,025,535**	**2,007,581**

Obligatory reserves with central banks represent amounts deposited with the NBG and National Bank of the Republic of Belarus (the "NBRB"). Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by regulation. The Group earned up to 0.00% interest on obligatory reserves with NBG and NBRB for the period ended 30 June 2021 (31 December 2020: 1.25%).

As at 30 June 2021, inter-bank loan receivables include GEL 46,849 deposits placed with non-OECD banks (31 December 2020: GEL 11,464).

8. Investment securities

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Investment securities measured at FVOCI - debt instruments	2,111,788	2,510,062
Investment securities designated as at FVOCI - equity investments	5,548	3,410
Investment securities	**2,117,336**	**2,513,472**

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Ministry of Finance of Georgia treasury bonds*	1,155,389	1,344,404
Ministry of Finance of Georgia treasury bills**	7,116	36,879
Foreign treasury bonds	122,710	159,537
Certificates of deposit of central banks	14,232	-
Other debt instruments***	812,341	969,242
Investment securities designated as measured at FVOCI - debt instruments	**2,111,788**	**2,510,062**

** Treasury bonds of GEL 999,059 was pledged for short-term loans from the NBG (31 December 2020: GEL 1,044,066), and GEL 90,360 was pledged as security for cash kept by the NBG at the Group's premises under cash custodian services (31 December 2020: GEL 8,188).*
*** No treasury bills were pledged for short-term loans from the NBG (31 December 2020: Nil), and 0 was pledged as security for cash kept by the NBG at the Group's premises under cash custodian services (31 December 2020: GEL 9,180).*
**** Corporate bonds of GEL 619,011 was pledged for short-term loans from the NBG (31 December 2020: GEL 685,901).*

Other debt instruments as at 30 June 2021 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 204,811 (31 December 2020: GEL 312,144), GEL-denominated bonds issued by International Finance Corporation of GEL 205,655 (31 December 2020: GEL 211,250), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL 163,444 (31 December 2020: GEL 162,949), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL 126,379 (31 December 2020: GEL 151,592), and GEL-denominated bonds issued by Asian Development Bank of GEL 61,571 (31 December 2020: GEL 61,350).

Foreign treasury bonds comprise of Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL 16,817 (31 December 2020: GEL 26,982), Ministry of Finance of the Republic of Poland treasury bonds in amount of GEL 16,567 (31 December 2020: Nil), Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 89,326 (31 December 2020: GEL 79,563) and US Treasury Notes in amount of Nil (31 December 2020: GEL 52,992).

9. Loans to customers and finance lease receivables

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Commercial loans	5,045,499	4,929,198
Residential mortgage loans	3,839,288	3,796,384
Micro and SME loans	3,436,763	3,269,454
Consumer loans	2,413,354	2,208,013
Gold – pawn loans	152,836	103,384
Loans to customers at amortised cost, gross	**14,887,740**	**14,306,433**
Less – Allowance for expected credit loss	(405,882)	(437,903)
Loans to customers at amortised cost, net	**14,481,858**	**13,868,530**
Finance lease receivables, gross	**132,183**	**139,372**
Less – Allowance for expected credit loss	(4,462)	(4,376)
Finance lease receivables, net	**127,721**	**134,996**
Total loans to customers and finance lease receivables	**14,609,579**	**14,003,526**

As at 30 June 2021, loans to customers carried at GEL 441,221 (31 December 2020: GEL 692,052) were pledged for short-term loans from the NBG.

Expected credit loss

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

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

Commercial loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**4,296,883**	**382,118**	**241,821**	**8,376**	**4,929,198**
New financial asset originated or purchased	2,134,795	23,968	440	-	2,159,203
Transfer to Stage 1	74,143	(74,143)	-	-	-
Transfer to Stage 2	(116,171)	136,286	(20,115)	-	-
Transfer to Stage 3	(4,319)	(26,133)	30,452	-	-
Assets derecognised due to pass-through arrangement	(25,034)	(1,582)	(124)	-	(26,740)
Assets repaid	(1,867,764)	(54,959)	(43,838)	(66)	(1,966,627)
Resegmentation	98,411	36,294	-	-	134,705
Impact of modifications	106	(2)	2	(2)	104
Write-offs	-	-	(3,991)	-	(3,991)
Recoveries of amounts previously written off	-	-	18,656	66	18,722
Unwind of discount	-	-	1,371	(8)	1,363
Currency translation differences	(3,586)	(298)	69	-	(3,815)
Foreign exchange movement	(189,208)	(13,481)	(7,744)	(264)	(210,697)
Net other changes	8,761	1,065	4,058	190	14,074
Balance at 30 June 2021	**4,407,017**	**409,133**	**221,057**	**8,292**	**5,045,499**
Individually assessed	-	-	210,666	-	210,666
Collectively assessed	4,407,017	409,133	10,391	8,292	4,834,833
Balance at 30 June 2021	**4,407,017**	**409,133**	**221,057**	**8,292**	**5,045,499**

Commercial loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**28,180**	**8,157**	**136,572**	**7**	**172,916**
New financial asset originated or purchased	2,721	1,375	150	3	4,249
Transfer to Stage 1	821	(821)	-	-	-
Transfer to Stage 2	(566)	8,910	(8,344)	-	-
Transfer to Stage 3	(46)	(75)	121	-	-
Impact on ECL of exposures transferred between stages during the year	(275)	(8,179)	2,401	-	(6,053)
Assets derecognised due to pass-through arrangement	(132)	(11)	(70)	-	(213)
Assets repaid	(5,888)	(467)	(28,721)	(66)	(35,142)
Resegmentation	193	298	-	-	491
Impact of modifications	1	1	2	-	4
Write-offs	-	-	(3,991)	-	(3,991)
Recoveries of amounts previously written off	-	-	18,656	66	18,722
Unwind of discount	-	-	1,371	(8)	1,363
Currency translation differences	(201)	(48)	(351)	-	(600)
Foreign exchange movement	(203)	(127)	(3,616)	-	(3,946)
Net other measurement of ECL	(9,098)	(1,810)	16,993	45	6,130
Balance at 30 June 2021	**15,507**	**7,203**	**131,173**	**47**	**153,930**
Individually assessed	-	-	126,790	-	126,790
Collectively assessed	15,507	7,203	4,383	47	27,140
Balance at 30 June 2021	**15,507**	**7,203**	**131,173**	**47**	**153,930**

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	**3,287,844**	**314,215**	**168,476**	**25,849**	**3,796,384**
New financial asset originated or purchased	693,878	17	102	3,967	697,964
Transfer to Stage 1	288,606	(267,608)	(20,998)	-	-
Transfer to Stage 2	(175,439)	305,798	(130,359)	-	-
Transfer to Stage 3	(109,280)	(69,801)	179,081	-	-
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(454,609)	(56,060)	(37,834)	(4,739)	(553,242)
Resegmentation	(2)	-	-	-	(2)
Impact of modifications	995	666	621	12	2,294
Write-offs	-	-	(2,853)	(413)	(3,266)
Recoveries of amounts previously written off	-	-	584	92	676
Unwind of discount	-	-	49	(6)	43
Currency translation differences	(546)	(35)	(6)	-	(587)
Foreign exchange movement	(87,069)	(4,359)	(5,696)	(880)	(98,004)
Net other changes	(1,691)	(1,569)	246	42	(2,972)
Balance at 30 June 2021	**3,442,687**	**221,264**	**151,413**	**23,924**	**3,839,288**
Individually assessed	-	-	420	-	420
Collectively assessed	3,442,687	221,264	150,993	23,924	3,838,868
Balance at 30 June 2021	**3,442,687**	**221,264**	**151,413**	**23,924**	**3,839,288**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**8,650**	**11,410**	**25,236**	**3,311**	**48,607**
New financial asset originated or purchased	11	1	7	101	120
Transfer to Stage 1	12,885	(10,097)	(2,788)	-	-
Transfer to Stage 2	(1,898)	19,640	(17,742)	-	-
Transfer to Stage 3	(708)	(3,492)	4,200	-	-
Impact on ECL of exposures transferred between stages during the year	(4,905)	(15,759)	11,312	-	(9,352)
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(1,016)	(2,021)	(5,618)	(776)	(9,431)
Resegmentation	2	-	-	-	2
Impact of modifications	-	-	11	10	21
Write-offs	-	-	(2,853)	(413)	(3,266)
Recoveries of amounts previously written off	-	-	584	92	676
Unwind of discount	-	-	49	(6)	43
Currency translation differences	-	(1)	(1)	-	(2)
Foreign exchange movement	(251)	211	(1,027)	(217)	(1,284)
Net other measurement of ECL	840	5,103	19,307	1,068	26,318
Balance at 30 June 2021	**13,610**	**4,995**	**30,677**	**3,170**	**52,452**
Individually assessed	-	-	31	-	31
Collectively assessed	13,610	4,995	30,646	3,170	52,421
Balance at 30 June 2021	**13,610**	**4,995**	**30,677**	**3,170**	**52,452**

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

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**26,157**	**20,571**	**55,560**	**64**	**102,352**
New financial asset originated or purchased	1,304	144	66	81	1,595
Transfer to Stage 1	15,886	(14,375)	(1,511)	-	-
Transfer to Stage 2	(5,885)	18,807	(12,922)	-	-
Transfer to Stage 3	(287)	(5,512)	5,799	-	-
Impact on ECL of exposures transferred between stages during the year	(3,756)	(11,044)	16,155	-	1,355
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(8,027)	(5,453)	(11,319)	(184)	(24,983)
Resegmentation	(709)	(392)	-	-	(1,101)
Impact of modifications	-	(7)	(1,736)	-	(1,743)
Write-offs	-	-	(23,853)	(171)	(24,024)
Recoveries of amounts previously written off	-	-	4,692	8	4,700
Unwind of discount	-	-	213	(9)	204
Currency translation differences	(49)	(22)	(301)	-	(372)
Foreign exchange movement	(553)	(43)	(1,415)	(44)	(2,055)
Net other measurement of ECL	2,173	7,349	21,207	596	31,325
Balance at 30 June 2021	**26,254**	**10,023**	**50,635**	**341**	**87,253**
Individually assessed	-	-	13,961	-	13,961
Collectively assessed	26,254	10,023	36,674	341	73,292
Balance at 30 June 2021	**26,254**	**10,023**	**50,635**	**341**	**87,253**

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**1,904,182**	**194,366**	**100,950**	**8,515**	**2,208,013**
New financial asset originated or purchased	1,111,694	3,303	1,119	3,776	1,119,892
Transfer to Stage 1	156,377	(139,780)	(16,597)	-	-
Transfer to Stage 2	(135,297)	194,062	(58,765)	-	-
Transfer to Stage 3	(80,098)	(64,516)	144,614	-	-
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(779,012)	(50,191)	(31,552)	(1,806)	(862,561)
Resegmentation	(31)	-	80	-	49
Impact of modifications	240	83	(4,585)	-	(4,262)
Write-offs	-	-	(38,438)	-	(38,438)
Recoveries of amounts previously written off	-	-	9,131	20	9,151
Unwind of discount	-	-	(346)	26	(320)
Currency translation differences	(1,720)	(7)	(31)	-	(1,758)
Foreign exchange movement	(22,213)	(653)	(402)	(97)	(23,365)
Net other changes	1,151	(1,148)	7,330	(380)	6,953
Balance at 30 June 2021	**2,155,273**	**135,519**	**112,508**	**10,054**	**2,413,354**
Individually assessed	-	-	1,688	-	1,688
Collectively assessed	2,155,273	135,519	110,820	10,054	2,411,666
Balance at 30 June 2021	**2,155,273**	**135,519**	**112,508**	**10,054**	**2,413,354**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**40,597**	**25,533**	**46,641**	**1,030**	**113,801**
New financial asset originated or purchased	7,026	799	268	182	8,275
Transfer to Stage 1	23,441	(15,755)	(7,686)	-	-
Transfer to Stage 2	(8,875)	32,333	(23,458)	-	-
Transfer to Stage 3	(1,305)	(11,406)	12,711	-	-
Impact on ECL of exposures transferred between stages during the year	(10,661)	(20,106)	26,143	-	(4,624)
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(20,303)	(6,825)	(16,603)	(291)	(44,022)
Resegmentation	-	-	-	-	-
Impact of modifications	(2)	(1)	(2,586)	-	(2,589)
Write-offs	-	-	(38,438)	-	(38,438)
Recoveries of amounts previously written off	-	-	9,131	20	9,151
Unwind of discount	-	-	(346)	26	(320)
Currency translation differences	(1)	(2)	(11)	-	(14)
Foreign exchange movement	(73)	(10)	(373)	(30)	(486)
Net other measurement of ECL	16,224	8,266	46,426	(125)	70,791
Balance at 30 June 2021	**46,068**	**12,826**	**51,819**	**812**	**111,525**
Individually assessed	-	-	556	-	556
Collectively assessed	46,068	12,826	51,263	812	110,969
Balance at 30 June 2021	**46,068**	**12,826**	**51,819**	**812**	**111,525**

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**97,776**	**3,879**	**1,729**	**-**	**103,384**
New financial asset originated or purchased	93,364	622	130	-	94,116
Transfer to Stage 1	4,139	(3,731)	(408)	-	-
Transfer to Stage 2	(8,977)	9,747	(770)	-	-
Transfer to Stage 3	(2,186)	(1,043)	3,229	-	-
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(63,081)	(3,020)	(1,834)	-	(67,935)
Resegmentation	22,369	710	(69)	-	23,010
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(100)	-	(100)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(1)	-	(1)
Currency translation differences	-	-	-	-	-
Foreign exchange movement	(9)	(5)	(5)	-	(19)
Net other changes	321	18	41	-	380
Balance at 30 June 2021	**143,716**	**7,177**	**1,943**	**-**	**152,836**
Individually assessed	-	-	-	-	-
Collectively assessed	143,716	7,177	1,943	-	152,836
Balance at 30 June 2021	**143,716**	**7,177**	**1,943**	**-**	**152,836**

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	275	74	-	-	349
Transfer to Stage 1	29	(5)	(24)	-	-
Transfer to Stage 2	-	30	(30)	-	-
Transfer to Stage 3	(1)	(3)	4	-	-
Impact on ECL of exposures transferred between stages during the year	(24)	-	-	-	(24)
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(8)	(1)	(33)	-	(42)
Resegmentation	514	94	-	-	608
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(100)	-	(100)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(1)	-	(1)
Currency translation differences	-	-	-	-	-
Foreign exchange movement	-	-	-	-	-
Net other measurement of ECL	(495)	61	138	-	(296)
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**
Individually assessed	-	-	-	-	-
Collectively assessed	329	266	127	-	722
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**

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

Expected credit loss (continued)

In 2020 there were significant transfers of loans to stage 2 and 3 as compared to previous periods. 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.

Commercial loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**3,410,544**	**349,494**	**161,744**	**7,661**	**3,929,443**
New financial asset originated or purchased	1,280,257	29,387	-	-	1,309,644
Transfer to Stage 1	239,313	(239,313)	-	-	-
Transfer to Stage 2	(292,276)	296,107	(3,831)	-	-
Transfer to Stage 3	(727)	(36,618)	37,345	-	-
Impact on ECL of exposures transferred between stages during the period	-	-	-	-	-
Assets derecognised due to pass-through arrangement	(21,592)	(6,620)	-	-	(28,212)
Assets repaid	(1,120,350)	(95,010)	(8,502)	(676)	(1,224,538)
Resegmentation	17,856	-	-	-	17,856
Impact of modifications	(744)	30	(6)	(7)	(727)
Write-offs	-	-	(6,483)	-	(6,483)
Recoveries of amounts previously written off	-	-	3,045	291	3,336
Unwind of discount	-	-	5,961	(259)	5,702
Currency translation differences	(18,510)	(655)	(1,316)	-	(20,481)
Foreign exchange movement	203,319	15,675	7,215	421	226,630
Net other changes	17,258	155	6,684	422	24,519
Balance at 30 June 2020	**3,714,348**	**312,632**	**201,856**	**7,853**	**4,236,689**
Individually assessed	-	-	193,949	-	193,949
Collectively assessed	3,714,348	312,632	7,907	7,853	4,042,740
Balance at 30 June 2020	**3,714,348**	**312,632**	**201,856**	**7,853**	**4,236,689**

Commercial loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**8,902**	**3,414**	**77,995**	**301**	**90,612**
New financial asset originated or purchased	1,959	919	-	-	2,878
Transfer to Stage 1	2,892	(2,892)	-	-	-
Transfer to Stage 2	(353)	1,028	(675)	-	-
Transfer to Stage 3	(9)	(7,547)	7,556	-	-
Impact on ECL of exposures transferred between stages during the period	(212)	(544)	12,288	-	11,532
Assets derecognised due to pass-through arrangement	(5)	(48)	-	-	(53)
Assets repaid	(5,495)	(989)	(4,201)	(443)	(11,128)
Resegmentation	72	-	-	-	72
Impact of modifications	1	8	(6)	-	3
Write-offs	-	-	(6,483)	-	(6,483)
Recoveries of amounts previously written off	-	-	3,045	291	3,336
Unwind of discount	-	-	5,961	(259)	5,702
Currency translation differences	(267)	(52)	(318)	-	(637)
Foreign exchange movement	(686)	(180)	2,514	(25)	1,623
Net other measurement of ECL	15,723	22,167	21,149	801	59,840
Balance at 30 June 2020	**22,522**	**15,284**	**118,825**	**666**	**157,297**
Individually assessed	-	-	115,616	-	115,616
Collectively assessed	22,522	15,284	3,209	666	41,681
Balance at 30 June 2020	**22,522**	**15,284**	**118,825**	**666**	**157,297**

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 1 January 2020	**2,764,959**	**160,038**	**109,413**	**32,273**	**3,066,683**
New financial asset originated or purchased	348,647	335	60	4,835	353,877
Transfer to Stage 1	103,303	(99,161)	(4,142)	-	-
Transfer to Stage 2	(275,155)	293,588	(18,433)	-	-
Transfer to Stage 3	(19,989)	(18,360)	38,349	-	-
Assets repaid	(272,680)	(17,097)	(15,699)	(3,033)	(308,509)
Resegmentation	218	-	-	-	218
Impact of modifications	(12,886)	(1,297)	(1,297)	(810)	(16,290)
Write-offs	-	-	(1,720)	(114)	(1,834)
Recoveries of amounts previously written off	-	-	122	58	180
Unwind of discount	-	-	216	84	300
Currency translation differences	(1,732)	(1)	(2)	-	(1,735)
Foreign exchange movement	112,846	4,215	5,372	1,482	123,915
Net other changes	57,263	10,178	3,640	1,300	72,381
Balance at 30 June 2020	**2,804,794**	**332,438**	**115,879**	**36,075**	**3,289,186**
Individually assessed	-	-	139	-	139
Collectively assessed	2,804,794	332,438	115,740	36,075	3,289,047
Balance at 30 June 2020	**2,804,794**	**332,438**	**115,879**	**36,075**	**3,289,186**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**461**	**160**	**6,588**	**1,808**	**9,017**
New financial asset originated or purchased	483	-	2	10	495
Transfer to Stage 1	632	(573)	(59)	-	-
Transfer to Stage 2	(828)	1,874	(1,046)	-	-
Transfer to Stage 3	(25)	(395)	420	-	-
Impact on ECL of exposures transferred between stages during the period	(158)	(848)	708	-	(298)
Assets repaid	(842)	(140)	(1,874)	(489)	(3,345)
Resegmentation	-	-	-	-	-
Impact of modifications	(44)	(43)	(179)	(48)	(314)
Write-offs	-	-	(1,720)	(114)	(1,834)
Recoveries of amounts previously written off	-	-	122	58	180
Unwind of discount	-	-	216	84	300
Currency translation differences	(16)	-	-	-	(16)
Foreign exchange movement	(258)	(51)	(324)	(101)	(734)
Net other measurement of ECL	6,525	8,267	20,772	5,309	40,873
Balance at 30 June 2020	**5,930**	**8,251**	**23,626**	**6,517**	**44,324**
Individually assessed	-	-	-	-	-
Collectively assessed	5,930	8,251	23,626	6,517	44,324
Balance at 30 June 2020	**5,930**	**8,251**	**23,626**	**6,517**	**44,324**

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 1 January 2020	**2,426,866**	**113,130**	**118,475**	**1,749**	**2,660,220**
New financial asset originated or purchased	763,397	3,775	-	303	767,475
Transfer to Stage 1	76,933	(74,821)	(2,112)	-	-
Transfer to Stage 2	(455,075)	462,052	(6,977)	-	-
Transfer to Stage 3	(8,784)	(36,135)	44,919	-	-
Assets repaid	(621,945)	(31,496)	(16,890)	(172)	(670,503)
Resegmentation	(17,844)	-	-	-	(17,844)
Impact of modifications	(6,684)	(909)	(1,229)	(4)	(8,826)
Write-offs	-	-	(9,219)	(919)	(10,138)
Recoveries of amounts previously written off	-	-	2,612	68	2,680
Unwind of discount	-	-	883	22	905
Currency translation differences	(7,717)	(985)	(518)	-	(9,220)
Foreign exchange movement	102,171	5,560	4,009	108	111,848
Net other changes	48,675	11,385	6,204	542	66,806
Balance at 30 June 2020	**2,299,993**	**451,556**	**140,157**	**1,697**	**2,893,403**
Individually assessed	-	-	20,158	-	20,158
Collectively assessed	2,299,993	451,556	119,999	1,697	2,873,245
Balance at 30 June 2020	**2,299,993**	**451,556**	**140,157**	**1,697**	**2,893,403**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**12,890**	**5,803**	**24,976**	**876**	**44,545**
New financial asset originated or purchased	861	587	-	-	1,448
Transfer to Stage 1	4,125	(3,695)	(430)	-	-
Transfer to Stage 2	(4,442)	5,973	(1,531)	-	-
Transfer to Stage 3	(76)	(1,866)	1,942	-	-
Impact on ECL of exposures transferred between stages during the period	(1,026)	(211)	1,328	-	91
Assets repaid	(4,617)	(864)	(5,633)	(95)	(11,209)
Resegmentation	(72)	-	-	-	(72)
Impact of modifications	(152)	(125)	(490)	-	(767)
Write-offs	-	-	(9,219)	(919)	(10,138)
Recoveries of amounts previously written off	-	-	2,612	68	2,680
Unwind of discount	-	-	883	22	905
Currency translation differences	(142)	(140)	(492)	-	(774)
Foreign exchange movement	60	100	465	53	678
Net other measurement of ECL	14,175	29,417	28,590	385	72,567
Balance at 30 June 2020	**21,584**	**34,979**	**43,001**	**390**	**99,954**
Individually assessed	-	-	7,325	-	7,325
Collectively assessed	21,584	34,979	35,676	390	92,629
Balance at 30 June 2020	**21,584**	**34,979**	**43,001**	**390**	**99,954**

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 1 January 2020	**1,856,795**	**110,158**	**108,414**	**9,741**	**2,085,108**
New financial asset originated or purchased	636,546	2,427	740	1,539	641,252
Transfer to Stage 1	77,934	(70,217)	(7,717)	-	-
Transfer to Stage 2	(183,949)	196,774	(12,825)	-	-
Transfer to Stage 3	(25,517)	(19,810)	45,327	-	-
Assets repaid	(558,235)	(32,097)	(28,991)	(1,414)	(620,737)
Resegmentation	(230)	-	93	-	(137)
Impact of modifications	(13,560)	(1,912)	(2,074)	(146)	(17,692)
Write-offs	-	-	(11,666)	(4)	(11,670)
Recoveries of amounts previously written off	-	-	8,367	11	8,378
Unwind of discount	-	-	2,053	25	2,078
Currency translation differences	(9,627)	(25)	(50)	-	(9,702)
Foreign exchange movement	12,741	1,288	1,174	196	15,399
Net other changes	63,291	10,177	5,394	311	79,173
Balance at 30 June 2020	**1,856,189**	**196,763**	**108,239**	**10,259**	**2,171,450**
Individually assessed	-	-	1,232	-	1,232
Collectively assessed	1,856,189	196,763	107,007	10,259	2,170,218
Balance at 30 June 2020	**1,856,189**	**196,763**	**108,239**	**10,259**	**2,171,450**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**16,823**	**6,345**	**49,325**	**214**	**72,707**
New financial asset originated or purchased	8,006	562	528	3	9,099
Transfer to Stage 1	7,652	(4,914)	(2,738)	-	-
Transfer to Stage 2	(7,444)	13,004	(5,560)	-	-
Transfer to Stage 3	(219)	(2,376)	2,595	-	-
Impact on ECL of exposures transferred between stages during the period	(3,510)	(3,831)	(1,813)	-	(9,154)
Assets repaid	(9,954)	(2,023)	(17,763)	(58)	(29,798)
Resegmentation	-	-	-	-	-
Impact of modifications	(510)	(279)	(1,086)	(11)	(1,886)
Write-offs	-	-	(11,666)	(4)	(11,670)
Recoveries of amounts previously written off	-	-	8,367	11	8,378
Unwind of discount	-	-	2,053	25	2,078
Currency translation differences	(36)	(6)	(47)	-	(89)
Foreign exchange movement	(68)	(12)	(129)	(15)	(224)
Net other measurement of ECL	25,402	18,482	37,818	793	82,495
Balance at 30 June 2020	**36,142**	**24,952**	**59,884**	**958**	**121,936**
Individually assessed	-	-	257	-	257
Collectively assessed	36,142	24,952	59,627	958	121,679
Balance at 30 June 2020	**36,142**	**24,952**	**59,884**	**958**	**121,936**

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 1 January 2020	**80,795**	**1,114**	**3,631**	**-**	**85,540**
New financial asset originated or purchased	49,721	-	-	-	49,721
Transfer to Stage 1	1,103	(533)	(570)	-	-
Transfer to Stage 2	(4,417)	4,805	(388)	-	-
Transfer to Stage 3	(2,061)	(307)	2,368	-	-
Assets repaid	(39,963)	(702)	(1,644)	-	(42,309)
Resegmentation	-	-	(93)	-	(93)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	18	-	18
Unwind of discount	-	-	(3)	-	(3)
Currency translation differences	-	-	-	-	-
Foreign exchange movement	92	(3)	(172)	-	(83)
Net other changes	1,678	171	396	-	2,245
Balance at 30 June 2020	**86,948**	**4,545**	**3,485**	**-**	**94,978**
Individually assessed	-	-	-	-	-
Collectively assessed	86,948	4,545	3,485	-	94,978
Balance at 30 June 2020	**86,948**	**4,545**	**3,485**	**-**	**94,978**

Gold – pawn loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**8**	**1**	**244**	**-**	**253**
New financial asset originated or purchased	-	-	-	-	-
Transfer to Stage 1	20	(3)	(17)	-	-
Transfer to Stage 2	(8)	25	(17)	-	-
Transfer to Stage 3	-	-	-	-	-
Impact on ECL of exposures transferred between stages during the period	(17)	(1)	-	-	(18)
Assets repaid	(9)	2	(57)	-	(64)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	18	-	18
Unwind of discount	-	-	(3)	-	(3)
Currency translation differences	-	-	-	-	-
Foreign exchange movement	(1)	-	-	-	(1)
Net other measurement of ECL	52	(8)	238	-	282
Balance at 30 June 2020	**45**	**16**	**348**	**-**	**409**
Individually assessed	-	-	-	-	-
Collectively assessed	45	16	348	-	409
Balance at 30 June 2020	**45**	**16**	**348**	**-**	**409**

Concentration of loans to customers

As at 30 June 2021, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,145,085 accounting for 8% of the gross loan portfolio of the Group (31 December 2020: GEL 1,213,986 and 8% respectively). An allowance of GEL 3,989 (31 December 2020: GEL 7,970) was established against these loans.

As at 30 June 2021, the concentration of loans granted by the Group to the ten largest third-party group of borrowers comprised GEL 1,852,117 accounting for 12% of the gross loan portfolio of the Group (31 December 2020: GEL 1,849,423 and 13% respectively). An allowance of GEL 8,430 (31 December 2020: GEL 11,285) was established against these loans.

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

Concentration of loans to customers (continued)

As at 30 June 2021 and 31 December 2020 loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Individuals	8,025,457	7,608,953
Trade	1,218,170	1,211,572
Manufacturing	1,074,802	1,158,581
Real estate	1,073,957	1,068,176
Hospitality	896,098	848,630
Electricity, gas and water supply	389,216	251,892
Construction	312,325	275,070
Service	291,061	276,759
Financial intermediation	243,789	123,689
Mining and quarrying	197,999	200,494
Transport & communication	195,254	303,030
Other	969,612	979,587
Loans to customers, gross	**14,887,740**	**14,306,433**
Less – Allowance for expected credit loss	(405,882)	(437,903)
Loans to customers, net	**14,481,858**	**13,868,530**

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:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Individuals	8,025,457	7,608,953
Private companies	6,848,120	6,677,346
State-owned entities	14,163	20,134
Loans to customers, gross	**14,887,740**	**14,306,433**
Less – Allowance for expected credit loss	(405,882)	(437,903)
Loans to customers, net	**14,481,858**	**13,868,530**

Finance lease receivables

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Minimum lease payments receivable	181,843	189,959
Less – Unearned finance lease income	(49,660)	(50,587)
	132,183	**139,372**
Less – Allowance for expected credit loss / impairment loss	(4,462)	(4,376)
Finance lease receivables, net	**127,721**	**134,996**

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

As at 30 June 2021**,** finance lease receivables carried at GEL 87,763 were pledged for inter-bank loans received from several credit institutions (31 December 2020: GEL 75,134).

As at 30 June 2021, the concentration of investment in the five largest lease receivables comprised GEL 22,068 or 17% of total finance lease receivables (31 December 2020: GEL 20,486 or 15%) and finance income received from them for the period ended 30 June 2021 comprised GEL 1,470 or 10% of total finance income from lease (31 December 2020: GEL 3,161 or 10%).

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

Finance lease receivables (continued)

Future minimum lease payments to be received after 30 June 2021 and 31 December 2020 are as follows:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Within 1 year	85,221	92,391
From 1 to 5 years	91,515	94,753
More than 5 years	5,107	2,815
Minimum lease payment receivables	**181,843**	**189,959**

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

Finance lease receivables, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**649**	**1,109**	**2,618**	**-**	**4,376**
New financial asset originated or purchased	748	-	258	-	1,006
Transfer to Stage 1	384	(384)	-	-	-
Transfer to Stage 2	(370)	1,478	(1,108)	-	-
Transfer to Stage 3	(5)	(476)	481	-	-
Impact on ECL of exposures transferred between stages during the year	(209)	(140)	1,718	-	1,369
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(227)	(337)	(345)	-	(909)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(1,488)	-	(1,488)
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	3	-	3
Currency translation differences	(10)	-	(33)	-	(43)
Foreign exchange movement	(6)	(83)	(94)	-	(183)
Net other measurement of ECL	(1)	-	332	-	331
Balance at 30 June 2021	**953**	**1,167**	**2,342**	**-**	**4,462**
Individually assessed	-	-	1,706	-	1,706
Collectively assessed	953	1,167	636	-	2,756
Balance at 30 June 2021	**953**	**1,167**	**2,342**	**-**	**4,462**

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 1 January 2020	**130,232**	**12,498**	**16,461**	**-**	**159,191**
New financial asset originated or purchased	43,477	-	-	-	43,477
Transfer to Stage 1	38,983	(36,788)	(2,195)	-	-
Transfer to Stage 2	(90,735)	91,675	(940)	-	-
Transfer to Stage 3	(3,163)	(35,132)	38,295	-	-
Assets repaid	(24,005)	(684)	(2,884)	-	(27,573)
Resegmentation	-	-	-	-	-
Impact of modifications	-	(973)	(199)	-	(1,172)
Write-offs	-	-	(6,006)	-	(6,006)
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	(4)	-	(4)
Currency translation differences	(1,308)	(70)	(90)	-	(1,468)
Foreign exchange movement	3,805	1,342	1,319	-	6,466
Net other changes	829	(84)	(229)	-	516
Balance at 30 June 2020	**98,115**	**31,784**	**43,528**	**-**	**173,427**
Individually assessed	-	-	873	-	873
Collectively assessed	98,115	31,784	42,655	-	172,554
Balance at 30 June 2020	**98,115**	**31,784**	**43,528**	**-**	**173,427**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**759**	**95**	**1,443**	**-**	**2,297**
New financial asset originated or purchased	137	-	-	-	137
Transfer to Stage 1	144	(140)	(4)	-	-
Transfer to Stage 2	(255)	256	(1)	-	-
Transfer to Stage 3	(168)	(2,555)	2,723	-	-
Impact on ECL of exposures transferred between stages during the period	232	2,492	2,806	-	5,530
Assets repaid	(270)	(13)	(96)	-	(379)
Resegmentation	-	-	-	-	-
Impact of modifications	-	(1)	(18)	-	(19)
Write-offs	-	-	(618)	-	(618)
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	(4)	-	(4)
Currency translation differences	(47)	(6)	(15)	-	(68)
Foreign exchange movement	-	1	(83)	-	(82)
Net other measurement of ECL	14	41	31	-	86
Balance at 30 June 2020	**546**	**170**	**6,164**	**-**	**6,880**
Individually assessed	-	-	42	-	42
Collectively assessed	546	170	6,122	-	6,838
Balance at 30 June 2020	**546**	**170**	**6,164**	**-**	**6,880**

10. Taxation

The corporate income tax expense in income statement comprises:

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Current income (expense) benefit	(50,963)	38,310
Deferred income tax expense	16,886	(33,695)
Income tax (expense) benefit	**(34,077)**	**4,615**

The income tax rate applicable to most of the Group's income is the income tax rate applicable to subsidiaries' income, which ranges from 15% to 25% (30 June 2020: from 15% to 25%).

As at 30 June 2021 and 31 December 2020 income tax assets and liabilities consist of the following:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Current income tax assets	-	21,841
Deferred income tax assets	190	192
Income tax assets	**190**	**22,033**
Current income tax liabilities	29,214	-
Deferred income tax liabilities	45,490	62,434
Income tax liabilities	**74,704**	**62,434**

11. Client deposits and notes

The amounts due to customers include the following:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Time deposits	7,861,126	8,017,755
Current accounts	6,132,060	6,034,724
Client deposits and notes	**13,993,186**	**14,052,479**

At 30 June 2021, amounts due to customers of GEL 2,806,742 (20%) were due to the ten largest customers (31 December 2020: GEL 2,951,893 (21%)).

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

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Individuals	7,848,976	7,780,114
Private enterprises	4,292,404	4,356,820
State and state-owned entities	1,851,806	1,915,545
Client deposits and notes	**13,993,186**	**14,052,479**

11. Client deposits and notes (continued)

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

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Individuals	7,848,976	7,780,114
Government services	1,839,447	1,866,346
Financial intermediation	1,014,769	833,326
Trade	771,004	858,733
Construction	557,480	588,880
Transport & communication	424,973	528,080
Manufacturing	336,920	317,955
Service	304,238	399,030
Real estate	185,791	162,775
Electricity, gas and water supply	94,009	75,212
Hospitality	68,066	65,825
Other	547,513	576,203
Client deposits and notes	**13,993,186**	**14,052,479**

12. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Borrowings from international credit institutions	1,511,757	1,440,901
Short-term loans from National Bank of Georgia	398,186	590,293
Time deposits and inter-bank loans	229,753	190,048
Correspondent accounts	217,601	196,049
	2,357,297	**2,417,291**
Non-convertible subordinated debt	681,708	707,648
Amounts due to credit institutions	**3,039,005**	**3,124,939**

During the period ended 30 June 2021, the Group paid up to 6.00% on US$ borrowings from international credit institutions (31 December 2020: up to 5.49%). During the period ended 30 June 2021, the Group paid up to 7.75% on Dollar subordinated debt (31 December 2020: up to 9.39%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 30 June 2021 and 31 December 2020, the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

In January 2021, the Bank drew down EUR 60 million under the loan agreements signed with the European Investment Bank ("EIB") with a maturity of seven years.

In March 2021, the Group drew down USD 10 million under the loan agreements signed with Cargill Financial Services International, Inc. maturing in September 2022.

In March 2021, the Bank drew down USD 20 million under subordinated syndicated loan agreement arranged by FMO - Dutch entrepreneurial development bank in collaboration with other participating lenders signed in December 2019 and amended in December 2020.

In May 2021, the Group drew down USD 10 million under the loan agreements signed with Cargill Financial Services International, Inc. maturing in October 2022.

13. Debt securities issued

Debt securities issued comprise:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Eurobonds and notes issued	965,306	1,020,428
Additional Tier 1 capital notes issued	311,977	323,320
Local bonds	64,661	82,892
Certificates of deposit	99,071	140,918
Debt securities issued	**1,441,015**	**1,567,558**

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	**Additional Tier 1 capital notes issued**
Carrying amount at 31 December 2019	**1,442,298**	**282,407**
Repayment of the principal portion of the debt securities issued	(440,410)	-
Other movements	45,287	18,654
Carrying amount at 30 June 2020 (unaudited)	**1,047,175**	**301,061**
Carrying amount at 31 December 2020	**1,020,428**	**323,320**
Repurchase of debt securities issued	(19,625)	-
Repayment of the principal portion of the debt securities issued	(15,614)	-
Other movements	(19,883)	(11,343)
Carrying amount at 30 June 2021 (unaudited)	**965,306**	**311,977**

14. Commitments and contingencies

Legal

Sai-invest

As at 30 June 2021, the Bank was engaged in litigation with Sai-Invest LLC in relation to a deposit pledge in the amount of EUR 7 million used to reduce the outstanding loan of LTD Sport Invest towards JSC Bank of Georgia. 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 Interim condensed consolidated statements.

Financial commitments and contingencies

As at 30 June 2021 and 31 December 2020**,** the Group's financial commitments and contingencies comprised the following:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Credit-related commitments		
Guarantees issued	1,542,048	1,490,028
Letters of credit	107,502	125,031
Undrawn loan facilities	719,036	685,533
	2,368,586	**2,300,592**
Less – Cash held as security against letters of credit and guarantees (Note 11)	(105,510)	(131,946)
Less – Provisions	(5,755)	(15,325)
Operating lease commitments		
Not later than 1 year	1,778	2,480
Later than 1 year but not later than 5 years	2,432	2,846
Later than 5 years	1,239	1,657
	5,449	**6,983**
Capital expenditure commitments	**3,930**	**2,863**

The Group discloses its undrawn loan facility balances based on the contractual terms and existing practice in regards to disbursement of these amounts. The balances are disclosed as commitments if the Group has an established practice of disbursing undrawn amounts without any subsequent approval. In 2020 the Group has modified its disbursement practice in regards to certain revolving credit facilities resulting in increased commitment balances.

15. Equity

Share capital

As at 30 June 2021 and 31 December 2020 authorized common capital comprised 43,308,125 shares. Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 30 June 2021 and 30 June 2020 are described below:

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2019	**27,993,660**	**27,994**
30 June 2020 (unaudited)	**27,993,660**	**27,994**
31 December 2020	**27,993,660**	**27,994**
30 June 2021 (unaudited)	**27,993,660**	**27,994**

15. Equity (continued)

Share capital (continued)

Treasury shares

The number of treasury shares held by the Group as at 30 June 2021, comprised 10,173 (31 December 2020: 10,173), with nominal amount of GEL 10 (31 December 2020: GEL 10).

Dividends

Shareholders are entitled to dividends in Georgian Lari.

No dividends have been declared in 2021 and 2020.

Nature and purpose of other reserves

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

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

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

Movements on this account during the period ended 30 June 2021 and 30 June 2020, are presented in the statements of other comprehensive income.

Earnings per share

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Basic and diluted earnings per share		
Profit for the period attributable to ordinary shareholders of the Bank	370,472	22,362
Weighted average number of ordinary shares outstanding during the period	27,983,827	27,983,827
Earnings per share	13.2388	0.7991

16. Net interest income

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Interest income calculated using EIR method	**848,684**	**739,883**
From loans to customers	749,303	652,529
From investment securities	94,587	78,286
From amounts due from credit institutions	8,922	14,045
Net loss on modification of financial assets	(4,128)	(4,977)
Other interest income	**14,143**	**15,928**
From finance lease receivable	14,133	15,888
From other assets	10	-
From loans and advances to customers measured at FVTPL	-	40
Interest income	**862,827**	**755,811**
On client deposits and notes	(255,990)	(193,177)
On amounts owed to credit institutions	(123,883)	(133,769)
On debt securities issued	(56,780)	(84,059)
Interest element of cross-currency swaps	18,016	29,267
On lease liability	(2,921)	(2,806)
Interest expense	**(421,558)**	**(384,544)**
Deposit insurance fees	(7,163)	(4,874)
Net interest income	**434,106**	**366,393**

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.

17. Net fee and commission income

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Settlements operations	134,797	94,332
Guarantees and letters of credit	17,043	14,410
Cash operations	8,266	6,592
Currency conversion operations	5,374	4,846
Brokerage service fees	45	13
Other	3,424	2,291
Fee and commission income	**168,949**	**122,484**
Settlements operations	(69,977)	(55,487)
Guarantees and letters of credit	(351)	(250)
Cash operations	(3,824)	(3,917)
Currency conversion operations	(685)	(979)
Insurance brokerage service fees	(530)	(561)
Other	(2,994)	(1,447)
Fee and commission expense	**(78,361)**	**(62,641)**
Net fee and commission income	**90,588**	**59,843**

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

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	15	-	-	-	-	15
Amounts due from credit institutions	23	-	-	-	-	23
Investment securities measured at FVOCI - debt instruments	1,134	-	-	-	-	1,134
Loans to customers at amortised cost	1,604	30,301	3,852	(39,651)	(353)	(4,247)
Finance lease receivables	(314)	(58)	(714)	(528)	-	(1,614)
Other financial assets	(252)	-	-	-	-	(252)
Financial guarantees	6,623	63	3,746	(8)	-	10,424
Letter of credit to customers	1,515	-	315	-	-	1,830
Other financial commitments	(1,085)	(356)	-	-	-	(1,441)
For the period ended 30 June 2021	**9,263**	**29,950**	**7,199**	**(40,187)**	**(353)**	**5,872**

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	58	-	-	-	-	58
Amounts due from credit institutions	(66)	-	-	-	-	(66)
Investment securities measured at FVOCI - debt instruments	(1,112)	-	-	-	-	(1,112)
Loans to customers at amortised cost	(47,600)	(67,957)	(40,396)	(52,889)	(6,069)	(214,911)
Finance lease receivables	166	(81)	28	(5,386)	-	(5,273)
Other financial assets	(12,660)	-	-	-	-	(12,660)
Financial guarantees	(6,041)	(544)	845	(10)	-	(5,750)
Letter of credit to customers	(1,490)	(215)	12	-	-	(1,693)
Other financial commitments	(658)	(18)	48	-	-	(628)
For the period ended 30 June 2020	**(69,403)**	**(68,815)**	**(39,463)**	**(58,285)**	**(6,069)**	**(242,035)**

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

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Legal fees	799	-
Impairment charge on other non-financial assets	1,274	903
Impairment charge on assets held for sale	1,558	1,195
Provision charge on legal claims	1,422	84
	5,053	**2,182**

19. Net non-recurring items

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Modification loss of financial assets*	-	(39,730)
Corporate social responsibility expense**	-	(1,454)
Other	(417)	(139)
Net non-recurring expense/loss	**(417)**	**(41,323)**

** Modification loss of financial assets: in response to the COVID-19 outbreak, the Group 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 Group's consolidated financial statements.*

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

20. Risk management

COVID-19 pandemic impact risk

The COVID-19 outbreak was declared as a global pandemic at the beginning of 2020 and spread throughout the world. The outlook still remains subject to uncertainty. The path of the pandemic, the availability of effective treatments and the associated impact on economic activity continue to remain inherently difficult to predict. On the upside, a faster than expected development and distribution of an effective vaccine is expected to boost confidence, support a rebound in tourism and investment, and accelerate the recovery.

In 2020, the National Bank of Georgia's (the "NBG") updated supervisory plan for the Georgian banking sector, which was mainly focused on the capital adequacy and liquidity initiatives that allowed the banking sector to support financially stressed customers through the global COVID-19 pandemic. In 2021, NBG has announced a released capital buffers rebuild plan and has updated the timeline for the phase-in of additional Basel III capital requirements for the banking sector. The Bank confirmed to NBG that no utilization of any of the Pillar 2 or conservation buffers that were waived during the last year is expected. Consequently, there is no longer any regulatory restriction for Bank of Georgia on making any capital distributions.

The Group continues to maintain a number of resilience protocols and a comprehensive Business Continuity Plan (BCP) aimed at curbing the spread of COVID-19 in Georgia and mitigating the negative impact on its business and the community. Further, the Group is actively monitoring the developing economic trends on the back of the COVID-19 pandemic and its impact on the business, customers and employees on an ongoing basis. There is still significant uncertainty over the magnitude of the global slowdown that will result from this pandemic, and the Group will continue to take appropriate actions to proactively manage evolving circumstances.

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Group primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 30 June 2021 was 124.5% (31 December 2020: 138.6%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 30 June 2021 was 136.8%, (31 December 2020: 137.5%), all comfortably above the NBG's minimum regulatory requirements.

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

21. Fair value measurements

Fair value hierarchy

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

At 30 June 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	239,243	239,243
Land	-	-	*15,203*	*15,203*
Residential properties	-	-	*167,946*	*167,946*
Non-residential properties	-	-	*56,094*	*56,094*
Investment securities	5,369	2,111,859	108	2,117,336
Other assets – derivative financial assets	-	32,803	-	32,803
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	2,025,535	-	2,025,535
Loans to customers and finance lease receivables	-	-	14,392,689	14,392,689
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	42,121	-	42,121
Liabilities for which fair values are disclosed				
Client deposits and notes	-	13,982,047	-	13,982,047
Amounts owed to credit institutions	-	2,350,612	688,393	3,039,005
Debt securities issued	-	1,357,430	163,296	1,520,726
Lease liability	-	3,728	94,002	97,730

At 31 December 2020	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	234,835	234,835
Land	-	-	*10,981*	*10,981*
Residential properties	-	-	*146,112*	*146,112*
Non-residential properties	-	-	*77,742*	*77,742*
Investment securities	3,229	2,510,135	108	2,513,472
Other assets – derivative financial assets	-	9,154	-	9,154
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	2,007,581	-	2,007,581
Loans to customers and finance lease receivables	-	-	13,707,669	13,707,669
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	247,520	-	247,520
Liabilities for which fair values are disclosed				
Client deposits and notes	-	14,039,791	-	14,039,791
Amounts owed to credit institutions	-	2,660,021	464,918	3,124,939
Debt securities issued	-	1,404,266	222,681	1,626,947
Lease liability	-	-	102,578	102,578

21. Fair value measurements (continued)

Fair value hierarchy (continued)

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

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

Fair value of financial assets and liabilities not carried at fair value

	At 30 June 2021			*At 31 December 2020*		
	Carrying value 2021	*Fair value 2021*	*Unrecognised gain (loss) 2021*	*Carrying value 2020*	*Fair value 2020*	*Unrecognised gain (loss) 2020*
Financial assets						
Amounts due from credit institutions	2,025,535	2,025,535	-	2,007,581	2,007,581	-
Loans to customers and finance lease receivables	14,609,579	14,392,689	(216,890)	14,003,526	13,707,669	(295,857)
Financial liabilities						
Client deposits and notes	13,993,186	13,982,047	11,139	14,052,479	14,039,791	12,688
Amounts owed to credit institutions	3,039,005	3,039,005	-	3,124,939	3,124,939	-
Debt securities issued	1,441,015	1,520,726	(79,711)	1,567,558	1,626,947	(59,389)
Lease liability	91,359	97,730	(6,371)	95,201	102,578	(7,377)
Total unrecognised change in unrealised fair value			**(291,833)**			**(349,935)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

22. Maturity analysis of financial assets and liabilities

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

	At 30 June 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	1,450,146	254,038	-	-	-	-	-	1,704,184
Amounts due from credit institutions	1,968,149	47,268	-	-	-	-	10,118	2,025,535
Investment securities	1,123,447	811,927	11,829	35,775	34,698	95,406	4,254	2,117,336
Loans to customers and finance lease	3,787	2,431,854	939,705	1,787,317	3,743,784	2,123,911	3,579,221	14,609,579
Total	**4,545,529**	**3,545,087**	**951,534**	**1,823,092**	**3,778,482**	**2,219,317**	**3,593,593**	**20,456,634**
Financial liabilities								
Client deposits and notes	2,006,685	3,804,433	1,017,593	5,604,020	936,330	360,272	263,853	13,993,186
Amounts owed to credit institutions	217,601	811,187	145,719	266,414	634,699	512,293	451,092	3,039,005
Debt securities issued	-	64,524	16,633	51,576	1,083,503	224,779	-	1,441,015
Lease liability	-	6,646	6,296	11,318	34,625	22,903	9,571	91,359
Total	**2,224,286**	**4,686,790**	**1,186,241**	**5,933,328**	**2,689,157**	**1,120,247**	**724,516**	**18,564,565**
Net	**2,321,243**	**(1,141,703)**	**(234,707)**	**(4,110,236)**	**1,089,325**	**1,099,070**	**2,869,077**	**1,892,069**
Accumulated gap	**2,321,243**	**1,179,540**	**944,833**	**(3,165,403)**	**(2,076,078)**	**(977,008)**	**1,892,069**	

	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	1,464,611	518,577	-	-	-	-	-	1,983,188
Amounts due from credit institutions	1,987,538	11,464	-	-	-	-	8,579	2,007,581
Investment securities	307,266	2,101,411	23,664	10,865	12,030	3,079	55,157	2,513,472
Loans to customers and finance lease	-	2,670,945	847,396	1,593,974	3,484,561	2,000,114	3,406,536	14,003,526
Total	**3,759,415**	**5,302,397**	**871,060**	**1,604,839**	**3,496,591**	**2,003,193**	**3,470,272**	**20,507,767**
Financial liabilities								
Client deposits and notes	2,206,718	3,761,277	1,164,090	5,348,350	967,733	344,506	259,805	14,052,479
Amounts owed to credit institutions	196,049	778,656	178,604	480,230	638,374	501,080	351,946	3,124,939
Debt securities issued	-	72,744	36,482	78,902	1,145,766	46,258	187,406	1,567,558
Lease liability	-	6,190	6,195	11,738	34,413	22,771	13,894	95,201
Total	**2,402,767**	**4,618,867**	**1,385,371**	**5,919,220**	**2,786,286**	**914,615**	**813,051**	**18,840,177**
Net	**1,356,648**	**683,530**	**(514,311)**	**(4,314,381)**	**710,305**	**1,088,578**	**2,657,221**	**1,667,590**
Accumulated gap	**1,356,648**	**2,040,178**	**1,525,867**	**(2,788,514)**	**(2,078,209)**	**(989,631)**	**1,667,590**	

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

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

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

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

As at 30 June 2021, client deposits and notes amounted to GEL 13,993,186 (31 December 2020: GEL 14,052,479) and represented 74% (31 December 2020: 73%) of the Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 30 June 2021, amounts owed to credit institutions amounted to GEL 3,039,005 (31 December 2020: GEL 3,124,939) and represented 16% (31 December 2020: 16%) of total liabilities. As at 30 June 2021, debt securities issued amounted to GEL 1,441,015 (31 December 2020: GEL 1,567,558) and represented 8% (31 December 2020: 8%) of total liabilities.

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

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, except for current accounts which are included in up to 1 year time bucket, noting that respective contractual maturity may expand over significantly longer periods:

	At 30 June 2021			*At 31 December 2020*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	1,704,184	-	1,704,184	1,983,188	-	1,983,188
Amounts due from credit institutions	2,015,417	10,118	2,025,535	1,999,002	8,579	2,007,581
Investment securities	1,982,978	134,358	2,117,336	2,443,206	70,266	2,513,472
Loans to customers and finance lease	5,162,663	9,446,916	14,609,579	5,112,315	8,891,211	14,003,526
Accounts receivable and other loans	22,879	-	22,879	1,501	-	1,501
Prepayments	46,693	1,628	48,321	42,510	1,128	43,638
Inventories	6,272	-	6,272	5,995	-	5,995
Right-of-use assets	-	81,610	81,610	-	82,804	82,804
Investment properties	-	239,243	239,243	-	234,835	234,835
Property and equipment	-	347,829	347,829	-	346,867	346,867
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	120,262	120,262	-	110,361	110,361
Income tax assets	-	190	190	21,841	192	22,033
Other assets	167,845	9,658	177,503	285,165	31,239	316,404
Assets held for sale	45,294	-	45,294	62,648	-	62,648
Total assets	**11,154,225**	**10,425,265**	**21,579,490**	**11,957,371**	**9,810,935**	**21,768,306**
Client deposits and notes	12,432,731	1,560,455	13,993,186	12,480,435	1,572,044	14,052,479
Amounts owed to credit institutions	1,440,921	1,598,084	3,039,005	1,633,539	1,491,400	3,124,939
Debt securities issued	132,733	1,308,282	1,441,015	188,128	1,379,430	1,567,558
Lease liability	24,260	67,099	91,359	24,123	71,078	95,201
Accruals and deferred income	40,719	12,265	52,984	42,441	8,967	51,408
Income tax liabilities	29,214	45,490	74,704	-	62,434	62,434
Other liabilities	105,864	703	106,567	299,964	26,023	325,987
Total liabilities	**14,206,442**	**4,592,378**	**18,798,820**	**14,668,630**	**4,611,376**	**19,280,006**
Net	**(3,052,217)**	**5,832,887**	**2,780,670**	**(2,711,259)**	**5,199,559**	**2,488,300**

23. Related party disclosures

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

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

The volumes of related party transactions, outstanding balances at 30 June 2021 and 30 June 2020, and related expenses and income for the period are as follows:

	At 30 June 2021 (unaudited)			*At 30 June 2020 (unaudited)*		
	The parent	*Entities under common control*	*Key management personnel**	*The parent*	*Entities under common control*	*Key management personnel**
Loans outstanding at 1 January, gross	**10,701**	**-**	**10,646**	**2,461**	**1,893**	**6,718**
Loans issued during the Period	4,947	-	2,589	7,683	-	3,585
Loan repayments during the Period	-	-	(3,344)	-	(1,350)	(3,399)
Other movements**	(230)	-	(1,762)	221	(543)	481
Loans outstanding at 30 June, gross	**15,418**	**-**	**8,129**	**10,365**	**-**	**7,385**
Less: allowance for impairment at 30 June	-	-	(6)	-	-	(16)
Loans outstanding at 30 June, net	**15,418**	**-**	**8,123**	**10,365**	**-**	**7,369**
Interest income on loans	389	-	252	105	160	169
Expected credit loss	-	-	-	-	-	(23)
Deposits at 1 January	**7,098**	**69,520**	**32,619**	**39,504**	**50,673**	**30,475**
Deposits received during the Period	28,857	22,880	17,944	1,261	2,323	7,429
Deposits repaid during the Period	-	(575)	(21,342)	(9,333)	(4,618)	(8,561)
Other movements**	-	33	(623)	250	(696)	1,862
Deposits at 30 June	**35,955**	**91,858**	**28,598**	**31,682**	**47,682**	**31,205**
Interest expense on deposits	(143)	(464)	(549)	(1,078)	(391)	(654)
				-	-	-

**** Key management personnel includes members of BOG's Supervisory Board, BOG's Management Board and Key Executives of the Group.***

Compensation of key management personnel comprised the following:

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Salaries and other benefits	5,052	5,583
Share-based payments compensation *	13,345	12,980
Total key management compensation	**18,397**	**18,563**

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2021 was 20 (31 December 2020: 20).

24. Capital adequacy

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

During the period ended 30 June 2021, the Bank and the Group complied in full with all its externally imposed capital requirements.

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

NBG (Basel III) capital adequacy ratio

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

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 phase-in 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.

24. Capital adequacy (continued)

As at 30 June 2021 and 31 December 2020, the Bank's capital adequacy ratio on this basis was as follows:

NBG (Basel III) capital adequacy ratio	***As at***	
	30 June 2021 (unaudited)	***31 December 2020***
Tier 1 capital	2,389,590	1,989,190
Tier 2 capital	782,067	830,145
Total capital	**3,171,657**	**2,819,335**
Risk-weighted assets	**16,598,810**	**16,040,094**
Tier 1 capital ratio	**14.4%**	**12.4%**
Total capital ratio	**19.1%**	**17.6%**
Min. requirement for Tier 1 capital ratio	**13.4%**	**9.2%**
Min. requirement for Total capital ratio	**17.7%**	**13.8%**

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the consolidated 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 30 June 2021 and 31 December 2020, was as follows:

	30 June 2021 (unaudited)	***31 December 2020***
Tier 1 capital	2,709,819	2,377,622
Less: Deductions - Goodwill	(33,453)	(33,453)
Tier 2 capital	1,187,743	1,278,661
Less: Deductions from capital	(10)	(10)
Total capital	**3,864,099**	**3,622,821**
Risk-weighted assets	**16,144,175**	**15,628,422**
Total capital ratio	23.9%	23.2%
Tier 1 capital ratio	16.6%	15.0%
Minimum capital adequacy ratio	**8.0%**	**8.0%**

25. Events after the reporting period

On 16 August 2021, the Board of Bank of Georgia Group PLC declared an interim dividend of GEL 1.48 per ordinary share for the six months ended 30 June 2021, payable to ordinary shareholders of Bank of Georgia Group PLC on the register of members at the close of business on 22 October 2021, in British Pounds Sterling.

In July 2021, to further support de-dollarisation of client deposits portfolio, the NBG mandated additional changes in minimum obligatory reserve requirements. The minimum obligatory reserve requirement of 25% and 15% on client deposits and notes attracted in foreign currencies are applied in case the client deposits and notes portfolio dollarisation level is more than 70%. If the dollarisation falls to 40% or below, the minimum obligatory reserve requirement falls to 10%. For the dollarisation level between 40% and 70%, the reserve requirement is set within 10%-25% and 10%-15% range, respectively. Following the change we expect that the Bank's reserves will be well above minimum requirements set by the NBG, expected impact on mandatory reserves is expected to be GEL 207.7 million.