JSC Bank of Georgia
Separate Financial Statements

31 December 2020
Together with Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

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

Opinion

We have audited the separate financial statements of JSC Bank of Georgia (the Bank), which comprise the separate statement of financial position as at 31 December 2020, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at 31 December 2020 and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed it
Allowance for expected credit loss and application of IFRS 9 'Financial instruments'	
Given the significance of the allowance for expected credit loss on loans to customers to the Bank's financial position, the complexity and judgements related to the estimation of expected credit losses under newly adopted IFRS 9 Financial instruments ("IFRS 9"), we considered this area as a key audit matter. The impairment for loan losses is calculated using a combination of a collective provisioning model and individual loan provisions based on discounted cash flow analyses and regression-based forward-looking estimates. Both collective and individual provisioning depend on a number of assumptions and judgments such as: ► Accounting interpretations and modelling assumptions used to build the models for calculating the expected credit loss (ECL); ► Allocation of loans to stage 1, 2, 3 or POCI using criteria set in accordance with IFRS 9 considering the impact of COVID-19 and related relief measures such as payment deferrals and the identification of significant increase in credit risk (SICR); ► Inputs and assumptions used to estimate the impact of multiple economic scenarios, particularly those influenced by COVID-19, including any changes to scenarios required through 31 December 2020; ► appropriateness, completeness and valuation of post model adjustments, including the risk of double counting the effects of various assumptions; ► Estimation of probability of default (PD), loss given default (LGD) and exposure at default (EAD), including the valuation of collateral; and ► Measurement of individually assessed provisions, including expected future cash flows and the valuation of collateral ► Accuracy and adequacy of financial statement disclosures. As a consequence of the judgment involved in establishing the allowance and increased uncertainties in the current year, the use of different modelling techniques, assumptions and forecasts could produce significantly different estimates of the allowance for expected credit losses.	We obtained an understanding of the expected credit loss process and assessed the design and operating effectiveness of key controls, which included controls over the identification of loans to be subject to the individual allowance assessment, classification of borrowers into their respective risk grades and impairment stages, credit monitoring, data accuracy and completeness. For testing automated controls, we involved our IT specialists. We focused on analysis of the following areas during our audit: • evaluating credit risk models and assumptions used to estimate key provisioning parameters, and determine expected credit losses on a portfolio basis; • assessing management's judgement in relation to the identification of significant increases in credit risk on an individual and collective basis based on quantitative and qualitative criteria; • testing allocation of loans to respective impairment stages based on predefined criteria; • testing estimated future cash flows, including collateral-sourced cash flows, in relation to significant credit-impaired loans and advances to customers. • Assessing management's judgment in relation to the evaluation of the effect of current economic situation related to COIVD-19 pandemic on ECL calculation. Our audit procedures included evaluation of expected credit loss methodology developed by the Bank to calculate the allowance for loans and advances to customers. We assessed the reasonableness of the credit risk factors and thresholds selected by the management to determine whether significant increase in credit risk has occurred on individual and collective basis. For a sample of loans, we independently assessed whether they had been allocated to the appropriate stage, considering potential indicators of significant increase in credit risk or default and the rationale for movements between stages. We evaluated consistency of application of the criteria selected by the management as of the reporting date and assessed the reasonableness of any changes made to the methodology.

Key audit matter	How our audit addressed it
Allowance for expected credit loss and application of IFRS 9 'Financial instruments'	
Information on the impairment of loans to customers is included in Note 9, *Loans to Customers* and Note 27, *Risk Management*, to the separate financial statements.	To test allowance calculated on a collective basis, with the support of our internal modelling specialists, we evaluated underlying statistical models, key inputs and assumptions used and assessed incorporation of forward-looking information in the calculation of expected credit losses. We assessed the post-model adjustments which were applied in response to model ineffectiveness and risk event overlays as a result of COVID-19. With our modelling specialists, we assessed the completeness and appropriateness of these adjustments by considering the judgment and methodology applied. For a sample of significant credit-impaired corporate exposures, we challenged assumptions on estimated future cash flows, including value of collateral and probabilities of expected outcomes. We focused on the calculation of ECL for those borrowers that were most affected by current economic deterioration caused by COVID-19 pandemic. We assessed the adequacy and appropriateness of disclosures on the impairment of loans to customers.
Key audit matter	How our audit addressed it
Valuation of investment properties	
The Bank applies the fair value model for investment properties. The Bank engaged a professional valuer to determine the fair value of its investment properties. Real estate valuations are inherently uncertain and subject to an estimation process. Furthermore, the Bank's real estate properties are located primarily in Georgia, where the secondary market is relatively illiquid, which increases the judgement involved in determining these valuations. The significance and subjectivity of these valuations make them a key audit matter. In 2020 the deterioration of current economic condition, caused by COVID-19 pandemic and subsequent decline in business activity increased uncertainties concerning the fair value measurement of real estate assets, including key assumptions such as future rental yields and occupancy. The lack of activity in the market also contributes to difficulties in determining appropriate fair values.	We engaged our Real Estate specialists to evaluate a sample of the Bank's individually significant real estate valuations. The specialists' assessment included evaluation of the competence and objectivity of the external valuers engaged by the Bank, analysis of the methods and assumptions used and testing of the data provided by the valuers. We focused on the management judgements related to the effect of deterioration of current economic situation on the valuation of real estate. We assessed recognition of the results of the valuations and the Bank's disclosures in relation to the valuation of investment properties.

Key audit matter	How our audit addressed it
Allowance for expected credit loss and application of IFRS 9 'Financial instruments'	
Information on the valuation of investment properties is included to Note 3, Summary *of Significant Accounting Policies*, Note 11, *Investment Properties*, and Note 28, *Fair Value Measurements*, to the separate financial statements.	

Other information included in the Bank's 2020 Annual report

Other information consists of the information included in the Annual Report other than the separate financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.
Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

Building a better working world

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

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

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

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

Building a better working world

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

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



Oleg Youshenkov

On behalf of EY LLC

Tbilisi, Georgia

26 April 2021

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

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

Oleg Youshenkov

On behalf of EY LLC

Tbilisi, Georgia

26 April 2021

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Thousands of Georgian Lari)

	Notes	2020	2019	2018
Assets				
Cash and cash equivalents	6	1,828,236	1,933,646	1,109,388
Amounts due from credit institutions	7	1,986,555	1,600,387	1,282,764
Investment securities	8	2,419,013	1,679,450	1,864,818
Loans to customers and finance lease receivables	9	13,200,987	11,063,789	8,722,944
Accounts receivable and other loans		1,186	1,031	18,780
Prepayments		37,451	34,849	42,885
Inventories		5,795	5,719	8,377
Right-of-use assets	10	77,763	90,039	-
Investment properties	11	219,005	204,885	132,327
Property and equipment	10	330,269	322,576	294,647
Goodwill	12	33,453	33,453	33,453
Intangible assets		104,282	90,224	72,802
Investments in subsidiaries	13	151,311	151,311	158,981
Income tax assets	14	21,325	-	19,159
Other assets	15	272,568	102,622	93,942
Assets held for sale		60,859	36,285	42,408
Total assets		**20,750,058**	**17,350,266**	**13,897,675**
Liabilities				
Client deposits and notes	16	13,496,478	9,537,203	7,811,761
Amounts owed to credit institutions	17	2,830,706	3,479,369	2,559,277
Debt securities issued	18	1,450,598	1,998,803	1,635,929
Lease liability	10	89,812	88,535	-
Accruals and deferred income		46,318	44,070	40,038
Income tax liabilities	14	59,663	35,608	23,459
Other liabilities	15	301,287	97,957	59,721
Total liabilities		**18,274,862**	**15,281,545**	**12,130,185**
Equity	20			
Share capital		27,994	27,994	27,994
Additional paid-in capital		216,227	183,084	173,278
Treasury shares		(10)	(10)	(9)
Other reserves		60,848	(13,763)	33,341
Retained earnings		2,170,137	1,871,416	1,532,886
Total equity		**2,475,196**	**2,068,721**	**1,767,490**
Total liabilities and equity		**20,750,058**	**17,350,266**	**13,897,675**

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

26 April 2021

The accompanying Notes on pages 6 to 100 are an integral part of these financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Thousands of Georgian Lari)

	Notes	*2020*	*2019*	*2018*
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Total liabilities and equity		**20,750,058**	**17,350,266**	**13,897,675**

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

26 April 2021

The accompanying Notes on pages 6 to 100 are an integral part of these financial statements.

SEPARATE INCOME STATEMENT

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	*2020*	*2019*	*2018*
Interest income calculated using EIR method		1,471,673	1,330,854	1,247,608
Other interest income		516	547	2,194
Interest income		**1,472,189**	**1,331,401**	**1,249,802**
Interest expense		(747,925)	(581,597)	(547,293)
Deposit insurance fees		(9,106)	(6,359)	(4,847)
Net interest income	21	**715,158**	**743,445**	**697,662**
Fee and commission income		255,224	263,734	210,693
Fee and commission expense		(124,895)	(118,902)	(89,078)
Net fee and commission income	22	**130,329**	**144,832**	**121,615**
Net foreign currency gain		96,551	98,370	109,676
Net other income		40,314	15,573	3,352
Operating income		**982,352**	**1,002,220**	**932,305**
Salaries and other employee benefits	23	(196,663)	(201,671)	(182,360)
Administrative expenses	23	(84,612)	(85,139)	(96,698)
Depreciation, amortisation and impairment	10	(70,775)	(68,826)	(40,790)
Other operating expenses		(3,942)	(3,949)	(2,687)
Operating expenses		**(355,992)**	**(359,585)**	**(322,535)**
Profit from associates		782	789	1,339
Operating income before cost of risk		**627,142**	**643,424**	**611,109**
Expected credit loss on loans to customers	24	(236,828)	(85,970)	(137,618)
Expected credit loss on finance lease receivables	24	(8)	7	74
Other expected credit (loss) / recovery	24	(22,748)	127	(1,516)
Impairment charge on other assets and provisions		(9,514)	(10,146)	(17,040)
Cost of risk		**(269,098)**	**(95,982)**	**(156,100)**
Net operating income before non-recurring items		**358,044**	**547,442**	**455,009**
Net non-recurring items	25	(41,291)	(12,279)	(68,812)
Profit before income tax expense		**316,753**	**535,163**	**386,197**
Income tax expense	14	(18,032)	(57,433)	(52,895)
Profit for the year		**298,721**	**477,730**	**333,302**
Basic and diluted earnings per share	20	10.6747	17.0716	11.9777

The accompanying Notes on pages 6 to 100 are an integral part of these financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	2020	2019	2018
Profit for the year		**298,721**	**477,730**	**333,302**
Other comprehensive income (loss)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years:				
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	78,224	(40,705)	1,676
– Realised (gain) loss on financial assets measured at FVOCI		(2,965)	(6,219)	1,743
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI redassified to the consolidated income statement		(130)	(125)	827
Income tax impact	14	-	-	(140)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years		**75,129**	**(47,049)**	**4,106**
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:				
– Revaluation of property and equipment redassified to investment property		-	-	1,043
– Net loss on investments in equity instruments designated at FVOCI		(518)	(55)	(2,525)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years		**(518)**	**(55)**	**(1,482)**
Other comprehensive income (loss) for the year, net of tax		**74,611**	**(47,104)**	**2,624**
Total comprehensive income for the year		**373,332**	**430,626**	**335,926**

The accompanying Notes on pages 6 to 100 are an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total equity*
31 December 2017	**27,821**	**140,358**	**(9)**	**29,216**	**1,339,166**	**1,536,552**
Adoption of IFRS 15	-	-	-	-	(15,759)	(15,759)
Adoption of IFRS 9	-	-	-	2,719	(5,041)	(2,322)
1 January 2018	**27,821**	**140,358**	**(9)**	**31,935**	**1,318,366**	**1,518,471**
Profit for the year	-	-	-	-	333,302	333,302
Other comprehensive income for the year	-	-	-	2,624	-	2,624
Total comprehensive income for the year	**-**	**-**	**-**	**2,624**	**333,302**	**335,926**
Transfer of property and equipment revaluation reserve, net of tax	-	-	-	(3,743)	3,743	-
Increase in equity arising from share-based payments	-	82,483	-	-	-	82,483
Dividends to shareholders of the Bank (Note 20)	-	-	-	-	(120,000)	(120,000)
Sale of investments in equity instruments designated at FVOCI GCAP shares	-	-	-	2,525	(2,525)	-
Vesting of investment business shares to employees as a result of demerger	-	2,649	-	-	-	2,649
Issue of share capital (Note 20)	173	13,145	-	-	-	13,318
Contributions under share-based payment plan (Note 26)	-	(65,357)	-	-	-	(65,357)
31 December 2018	**27,994**	**173,278**	**(9)**	**33,341**	**1,532,886**	**1,767,490**
Profit for the year	-	-	-	-	477,730	477,730
Other comprehensive loss for the year	-	-	-	(47,104)	-	(47,104)
Total comprehensive income for the year	**-**	**-**	**-**	**(47,104)**	**477,730**	**430,626**
Increase in equity arising from share-based payments	-	61,114	-	-	-	61,114
Purchase of treasury shares	-	(106)	(1)	-	-	(107)
Dividends to shareholders of the Bank (Note 20)	-	-	-	-	(139,200)	(139,200)
Contributions under share-based payment plan (Note 26)	-	(51,202)	-	-	-	(51,202)
31 December 2019	**27,994**	**183,084**	**(10)**	**(13,763)**	**1,871,416**	**2,068,721**
Profit for the year	-	-	-	-	298,721	298,721
Other comprehensive income for the year	-	-	-	74,611	-	74,611
Total comprehensive income for the year	**-**	**-**	**-**	**74,611**	**298,721**	**373,332**
Increase in equity arising from share-based payments	-	54,200	-	-	-	54,200
Contributions under share-based payment plan (Note 26)	-	(21,057)	-	-	-	(21,057)
31 December 2020	**27,994**	**216,227**	**(10)**	**60,848**	**2,170,137**	**2,475,196**

The accompanying Notes on pages 6 to 100 are an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	2020	2019	2018
Cash flows from operating activities				
Interest received		1,331,561	1,301,682	1,228,822
Interest paid		(748,192)	(571,171)	(524,845)
Fees and commissions received		266,640	240,515	254,416
Fees and commissions paid		(124,895)	(118,902)	(89,078)
Net realised gain from foreign currencies		83,638	89,028	81,724
Recoveries of loans to customers previously written off	9	42,562	31,897	35,306
Cash received from (paid for) derivatives		1,601	(11,812)	-
Other income received		3,232	1,012	35,409
Salaries and other employee benefits paid		(142,463)	(145,039)	(132,469)
General and administrative and operating expenses paid		(86,520)	(66,019)	(103,783)
Cash flows from operating activities before changes in operating assets and liabilities		**627,164**	**751,191**	**785,502**
Net (increase) decrease in operating assets				
Amounts due from credit institutions		(138,730)	(203,247)	(39,100)
Loans to customers and finance lease receivables		(1,294,377)	(2,001,413)	(1,685,144)
Prepayments and other assets		8,858	27,918	(95,099)
Net increase (decrease) in operating liabilities				
Amounts due to credit institutions		(831,042)	831,010	(460,307)
Debt securities issued		(164,717)	(11,541)	897,650
Client deposits and notes		2,950,630	1,259,863	839,468
Other liabilities		(27,427)	22,057	17,703
Net cash flows from operating activities before income tax		**1,130,359**	**675,838**	**260,673**
Income tax paid		(15,302)	(26,125)	(61,699)
Net cash flows from operating activities		**1,115,057**	**649,713**	**198,974**
Cash flows (used in) from investing activities				
Net (purchases) sales of investment securities		(654,868)	135,718	(320,028)
Proceeds from sale of investment properties and assets held for sale		69,741	43,894	85,143
Proceeds from sale of property and equipment and intangible assets		390	5,163	1,299
Purchase of property and equipment and intangible assets		(91,849)	(90,326)	(90,046)
Dividends received		632	211	-
Net cash flows (used in) from investing activities		**(675,954)**	**94,660**	**(323,632)**
Cash flows (used in) from financing activities				
Repurchase of debt securities issued		(120,549)	-	-
Repayment of the principal portion of the debt securities issued		(440,410)	-	-
Proceeds from Additional Tier 1 debt securities issued		-	268,160	-
Cash payments for the principal portion of the lease liability		(8,691)	(5,959)	-
Dividends paid		(33)	(138,926)	(120,000)
Contributions under share-based payment plan (Note 26)		(21,057)	(51,202)	(65,357)
Purchase of treasury shares		-	(107)	-
Purchase of interests in existing subsidiaries		(604)	(1,088)	(1,343)
Issue of share capital (Note 20)		-	-	13,318
Net cash (used in) from financing activities		**(591,344)**	**70,878**	**(173,382)**
Effect of exchange rates changes on cash and cash equivalents		46,775	9,016	5,665
Effect of expected credit losses on cash and cash equivalents		56	(9)	(118)
Net (decrease) increase in cash and cash equivalents		**(105,410)**	**824,258**	**(292,493)**
Cash and cash equivalents, beginning of the year	6	**1,933,646**	**1,109,388**	**1,401,881**
Cash and cash equivalents, end of the year	6	**1,828,236**	**1,933,646**	**1,109,388**

The accompanying Notes on pages 6 to 100 are an integral part of these financial statements.

1. Principal activities

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

Primary business activities include providing banking services to corporate and individual customers. The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 31 December 2020, the Bank has 211 operating outlets in all major cities of Georgia (31 December 2019: 272, 31 December 2018: 276). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

As at 31 December 2017 BGEO Group PLC ("BGEO PLC", formerly known as Bank of Georgia Holdings PLC) was a public limited liability company incorporated in England and Wales and represented the ultimate parent company of the Bank. The shares of BGEO PLC were admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities, effective 28 February 2012.

Following the NBG's intention to regulate banks in Georgia on a standalone basis and thereby limit investment in nonbanking subsidiaries by locally regulated banking entities, the Bank completed a legal restructuring in August 2015. As a result, a new holding company was established under the laws of Georgia as a parent of the Bank by BGEO PLC – JSC BGEO Group ("JSC BGEO").

On 3 July 2017, BGEO Group PLC announced its intention to demerge BGEO Group PLC into a London-listed banking business, Bank of Georgia Group PLC, and a London-listed investment business, Georgia Capital PLC, by the end of the first half of 2018. The demerger (hereafter referred to as "the demerger") was completed on 29 May 2018 and as a result Bank of Georgia Group PLC ("BOGG PLC") became the 100% owner of JSC BGEO Group, principal shareholder of the Bank. As at 31 December 2020 Bank of Georgia Group PLC represented the ultimate parent company of the Bank.

As at 31 December 2020, 31 December 2019 and 31 December 2018, JSC BGEO was the principal shareholder of the Bank:

Shareholder	*31 December 2020*	*31 December 2019*	*31 December 2018*
JSC BGEO Group	79.78%	79.78%	79.78%
Bank of Georgia Group PLC	19.78%	19.78%	19.78%
Others*	0.44%	0.44%	0.44%
Total	**100.00%**	**100.00%**	**100.00%**

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

2. Basis of preparation

General

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2020 reporting. These separate financial statements have been prepared in accordance with the requirements of the Order No. 6 of the Service for Accounting, Reporting and Auditing Supervision ("SARAS"), dated 21 May 2019.

On 16 April 2021, the Bank has prepared consolidated financial statements, for the year ended 31 December 2020, in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2019 reporting. These consolidated financial statements are available on the Bank's official website (www.bankofgeorgia.ge).

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

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

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

2. Basis of preparation (continued)

Going concern

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

Subsidiaries, associates and corporate shares with shareholdings above 10%

The separate financial statements as at 31 December 2020, 31 December 2019 and 31 December 2018 include the following subsidiaries, associates and corporate shares with shareholdings above 10%:

	Proportion of voting rights and ordinary share capital held			*Investments*								
Subsidiaries	*31 December 2020*	*31 December 2019*	*31 December 2018*	*31 December 2020*	*31 December 2019*	*31 December 2018*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
Bank of Georgia Representative Office UK Limited	100.00%	100.00%	100.00%	-	-	-	United Kingdom	84 Brook Street, London W1K 5EH	Information Sharing and Market Research	17/8/2010	–	Limited Liability Company
Tree of Life Foundation NPO (formerly known as Bank of Georgia Future Foundation, NPO)	100.00%	100.00%	100.00%	-	-	-	Georgia	3 Pushkin Street, Tbilisi 0105	Charitable activities	25/8/2008	–	Non-profit Organization
Bank of Georgia Representative Office Hungary (a)	100.00%	100.00%	100.00%	6,886	6,282	5,194	Hungary	1054 Budapest, Szabadság tér 7; Bank Center	Representative Office	18/6/2012	–	Representative Office
Representative Office of JSC Bank of Georgia in Turkey	100.00%	100.00%	100.00%	-	-	-	Turkey	Süleyman Seba Caddesi No:48 A Blok Daire 82 Akaretler Beşiktaş 34357 Istanbul	Representative Office	25/12/2013	–	Representative Office
Georgia Financial Investments, LLC	100.00%	100.00%	100.00%	3,577	3,577	3,577	Israel	7 Menahem Begin, Ramat Gan 52681, Israel	Information Sharing and Market Research	9/2/2009	–	Limited Liability Company
Teaching University of Georgian Bank, LLC	(b)	(b)	100.00%	-	-	2,476	Georgia	#29 Mitskevichi Street, Tbilisi, 0194	Education	15/10/2013	–	Limited Liability Company
Benderlock Investments Limited	100.00%	100.00%	100.00%	58,745	58,745	58,745	Cyprus	Arch. Makariou III 58, IRIS TOWER, 8th floor, Flat/Office 702 P.C. 1075, Nicosia	Investments	12/5/2009	13/10/2009	Limited Liability Company
⇒ JSC Belarusky Narodny Bank (c)	99.98%	99.98%	99.98%	110,744	106,276	103,700	Belarus	Nezavisimosty Ave. 87A, Minsk, 220012	Banking	16/4/1992	3/6/2008	Joint Stock Company
⇒ BNB Leasing, LLC	99.90%	99.90%	99.90%	11	11	10	Belarus	Nezavisimosty Ave. 87A, room 3, Minsk, 220012	Leasing	30/3/2006	3/6/2008	Limited Liability Company
Georgian Leasing Company, LLC	100.00%	100.00%	100.00%	22,414	22,414	22,414	Georgia	3-5 Kazbegi Str.,Tbilisi	Leasing	29/10/2001	31/12/2004	Limited Liability Company
⇒ Prime Leasing	100.00%	100.00%	100.00%	2	2	2	Georgia	Didube-Chughureti district, №114, Ak. Tsereteli Ave., Tbilisi	Leasing	27/1/2012	21/1/2015	Limited Liability Company

	Proportion of voting rights and ordinary share capital held			*Investments*								
Associates	*31 December 2020*	*31 December 2019*	*31 December 2018*	*31 December 2020*	*31 December 2019*	*31 December 2018*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC Credit info (d)	21.08%	21.08%	21.08%	13,099	12,949	12,371	Georgia	2 Tarkhnishvili St., Tbilisi, Georgia	Financial intermediation	14/2/2005	14/2/2005	Joint Stock Company

	Proportion of voting rights and ordinary share capital held			*Investments*								
Investment securities, corporate shares	*31 December 2020*	*31 December 2019*	*31 December 2018*	*31 December 2020*	*31 December 2019*	*31 December 2018*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC United Clearing Center	16.67%	16.67%	16.67%	108	108	108	Georgia	5/1 Sulkhan-Saba St., Tbilisi, Georgia	Electronic payment services	22/07/2008	15/09/2008	Joint Stock Company

(a) The investment has been fully impaired in the separate financial statements as at 31 December 2020 and 31 December 2019.
(b) JSC Bank of Georgia sold its investment in Teaching University Georgian Bank in 2019.
(c) The presented amount is the total of investments made directly by JSC Bank of Georgia and Benderlock Investments Limited, at GEL 66,575 and GEL 44,169 , respectively.
(d) JSC Credit info initial investment amounted to GEL 95 , which has been increased to GEL 9,720 as a result of investment re-measurement to fair value, when an equity investment became an associate. The share of the investment's profits or losses has also been recognised in the income statement.

3. Summary of significant accounting policies

Mergers with subsidiaries and goodwill

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

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

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

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

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

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

Investments in subsidiaries

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

Investments in associates

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

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

3. Summary of significant accounting policies (continued)

Fair value measurement

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

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

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

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

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

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

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

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

Financial assets and liabilities

Classification and measurement for financial assets and liabilities

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

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

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Classification and measurement for financial assets and liabilities (continued)

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

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

All derivative instruments are measured at FVPL.

Measurement of financial instruments at initial recognition

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

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

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

Subsequent measurement of financial instruments

- *Financial instruments measured at amortised cost*

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

The details of these conditions are outlined below.

Business model

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

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

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

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Subsequent measurement of financial instruments (continued)

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

Solely Payments of Principal and Interest (SPPI)

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

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

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

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

- *Debt instruments at FVOCI*

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

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

- *Equity instruments at FVOCI – option*

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

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

- *Financial assets at FVTPL*

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

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Subsequent measurement of financial instruments (continued)

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

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

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

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

Offsetting

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

Cash and cash equivalents

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

Borrowings

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

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

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

Subordinated debt

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

3. Summary of significant accounting policies (continued)

Leases (policy applicable as at 1 January 2019)

The Bank as a lessee

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

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

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

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

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

- *Recognition exemptions*

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

- *Modifications of lease contracts*

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

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

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

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

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

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

The Bank as a lessor

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

- *Finance lease*

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

3. Summary of significant accounting policies (continued)

Leases (policy applicable as of 1 January 2019)

- *Operating lease*

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

Impairment of financial assets

Overview of the ECL principles

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

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

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

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

Staged approach to the determination of expected credit losses

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

- Stage 1: The Bank recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition. For those financial assets with a remaining maturity of less than 12 months, a probability of default (PD) is used that corresponds to the remaining maturity.
- Stage 2: The Bank recognises a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those financial instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the financial instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared with 12 months in Stage 1. Financial Instruments in stage 2 are not yet deemed to be credit-impaired.
- Stage 3: If the financial instrument is credit-impaired, it is then moved to Stage 3. The Bank recognises a loss allowance at an amount equal to lifetime expected credit losses, reflecting a PD of 100% for those financial instruments that are credit-impaired.

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

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

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

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Derecognition of financial assets

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

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

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

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

Derecognition and modification of financial assets

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

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

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

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

Forbearance and modified loans

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

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition of financial liabilities

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

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

Inventories

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

Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

Taxation

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

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

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

3. Summary of significant accounting policies (continued)

Taxation

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

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

Investment properties

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

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

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

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

Property and equipment

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Intangible assets

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

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

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

Provisions

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

Share-based payment transactions

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

Equity-settled transactions

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Equity

Share capital

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

Treasury shares

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

Dividends

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

Contingencies

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

Income and expense recognition

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

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest-bearing securities, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

Fee and commission income

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

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

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

3. Summary of significant accounting policies (continued)

Income and expense recognition (continued)

Customer loyalty programme

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

Performance obligations satisfied at a point in time

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

Dividend income

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

Non-recurring items

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

Functional, reporting currencies and foreign currency translation

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

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 31 December 2020, 31 December 2019 and 31 December 2018 were:

	Lari to GBP	*Lari to USD*	*Lari to EUR*	*Lari to BYN*
31 December 2020	4.4529	3.2766	4.0233	1.2647
31 December 2019	3.7593	2.8677	3.2095	1.3639
31 December 2018	3.3955	2.6766	3.0701	1.2418

3. Summary of significant accounting policies (continued)

Functional, reporting currencies and foreign currency translation (continued)

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

Adoption of new or revised standards and interpretations

Amendments effective from 1 January 2020

Amendments to IFRS 16: Covid-19-Related Rent Concessions

Accounting consequences of changes in lease payments depend on whether that change meets the definition of a lease modification, which IFRS 16 Leases defines as "a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease".

Amendment provided lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. If lessee applies the exemption, COVID-19-related rent concessions should be accounted as if they were not lease modifications. This results in accounting for the concession as variable lease payments in the period(s) in which payment reduction occurred. The amendment is effective for annual reporting periods beginning on or after 1 June 2020 with early application permitted.

The Bank has early adopted the Amendment.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

The amendment did not have material effect on Bank's separate financial statements.

Standards issued but not yet effective

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

IFRS 9 Financial Instruments – Fees in the "10%" test for derecognition of financial liabilities

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

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

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

Standards issued but not yet effective (continued)

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

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR.

The amendment includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis. The amendments apply for annual periods beginning on or after 1 January 2021. Earlier application is permitted.

The Bank is currently working on the transition and will apply amendment from its effective date 1 January 2021.

Other standards issued but not yet effective have no material impact on the Bank's separate financial statements.

4. Significant accounting judgements and estimates

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the separate 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 28).

Measurement of fair value of investment properties

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

The Bank performs valuation of its investment properties with a sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In order to identify any significant changes in the real estate market as a result of COVID-19 that could indicate that investment properties are not stated at fair value as at the reporting date, the Bank hired independent valuator to perform the valuation of its assets. Results of this valuation are presented in Note 11, while valuation inputs and techniques are presented in Note 28. The Bank's properties are spread across the different parts of the country. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium-sized properties, valuation of large properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however actual results could be different.

Allowance for financial assets

IFRS 9 requires management to make a number of judgements, assumptions and estimates that affect the allowance for ECL. Estimates and judgements are based on management's knowledge and historical experience.

The impact of COVID-19 resulted in the application of further judgement within those areas due to the limited recent experience of the economic and financial impacts of such an event. Given the unprecedented nature of the COVID-19 pandemic and the uncertainties associated with it, the Bank reconsidered the existing accounting judgements and estimates and applied management overlays to the methodology. As a result, the Bank has made a number of changes in the significant judgements that were applied as at the end of the previous reporting date. A summary of the key judgements made by management is set out below.

4. Significant accounting judgements and estimates (continued)

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

The Bank's definition of default is based on quantitative and qualitative criteria. The definition may differ across products. The definition is consistent with the definition used for internal credit risk management purposes and it corresponds with internal financial instrument risk classification rules. A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings of enforced liquidation have commenced, or there is other evidence that the payment obligations will not be fully met. The determination of whether a financial instrument is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees.

An instrument is classified as credit-impaired if the counterparty is defaulted and/or the instrument is POCI.

Once the financial asset is classified as credit-impaired (except for POCIs) it remains as such unless all past due amounts have been rectified or there is general evidence of credit recovery. A minimum period of six consecutive months' payment is applied as exit criteria to financial assets restructured due to credit risk other than corporate loan portfolio and debt instruments measured at FVOCI, where exit criteria are determined as exit from bankruptcy or insolvency status, disappearance of liquidity problems or existence of other general evidence of credit recovery assessed on individual basis. For other credit-impaired financial instruments, exit criteria is determined as repayment of the entire overdue amount other than through refinancing or foreclosure.

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

Significant increase in credit risk (SICR)

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

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

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

4. Significant accounting judgements and estimates (continued)

Significant increase in credit risk (SICR) (continued)

In response to COVID-19 outbreak the Bank came out with an initiative to grant three-month payment holidays to its borrowers in March 2020 in order to significantly reduce the requirement for customers to physically visit Bank branches. Such event was not automatically considered as SICR event (i.e. trigger to transfer the exposure from Stage 1 to Stage 2) and the exposure was only transferred to Stage 2 where there was an observable evidence of financial difficulties of the borrower indicating that the level of risk has increased significantly since loan origination.

Retail portfolio:

Subsequent to March 2020, the Bank continued to offer full or partial payment holiday options to the retail segment borrowers on a mass scale basis. In assessing whether the credit risk of the borrowers who accepted payment holidays has significantly increased, the Bank identified a series of qualitative and quantitative criteria based on holistic analysis of various factors. Loans with full grace granted (i.e. grace on principal as well as interest) were transferred either to Stage 2 or Stage 3 depending on payment-to-income (PTI) ratios, prolongation period and other relevant parameters.

Corporate:

The Bank applied individual approach to identify if SICR occurred since loan origination. The loan was transferred to stage 2 only when observable evidence of financial difficulties of the borrower indicated that the level of risk has increased significantly since loan origination. Specifically, if the borrower was not expected to fully serve the loan after release of lockdown measures, the loan was considered to have experienced SICR.

Measurement of expected credit losses

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

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

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

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

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

4. Significant accounting judgements and estimates (continued)

Assets considered in the ECL calculations

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

Forward-looking information

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

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

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

The economic environment remains uncertain and future impairment charges may be subject to further volatility depending on the longevity of the COVID-19 pandemic and related containment and other measures.

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

Forward-looking variable assumptions

The most significant period end assumptions used for ECL estimate as at 31 December 2020 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Georgia

Key drivers	ECL scenario	Assigned weight	As at 31 December 2020			Assigned weight	As at 31 December 2019			Assigned weight	As at 31 December 2018		
			2021	2022	2023		2020	2021	2022		2019	2020	2021
GDP growth in %													
	Upside	25%	-3.00%	6.00%	5.00%	25%	5.50%	6.00%	5.00%	25%	6.00%	5.50%	5.00%
	Base case	50%	-4.00%	4.50%	5.00%	50%	4.50%	5.00%	5.00%	50%	5.00%	5.00%	5.00%
	Downside	25%	-9.00%	2.50%	4.00%	25%	2.50%	3.50%	4.50%	25%	2.00%	2.50%	3.50%
GEL/USD exchange rate													
	Upside	25%	5.00%	5.00%	0.00%	25%	5.00%	5.00%	0.00%	25%	10.00%	5.00%	-5.00%
	Base case	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%
	Downside	25%	-10.00%	-5.00%	5.00%	25%	-10.00%	-5.00%	5.00%	25%	-15.00%	-10.00%	5.00%
CPI inflation rate in %													
	Upside	25%	5.50%	4.00%	3.00%	25%	4.50%	3.50%	3.00%	25%	3.40%	3.20%	3.00%
	Base case	50%	4.50%	1.50%	2.50%	50%	4.50%	2.50%	3.00%	50%	2.90%	3.00%	3.00%
	Downside	25%	7.00%	2.00%	2.50%	25%	7.00%	5.00%	3.00%	25%	4.50%	4.00%	3.00%

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

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

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

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 31 December 2020				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	155,315	3.39%	3.36%	3.38%	3.43%
Residential mortgage loans	48,552	1.30%	1.07%	1.07%	1.97%
Micro and SME loans	93,830	3.00%	2.65%	2.69%	3.97%
Consumer loans	112,811	5.52%	5.12%	5.16%	6.62%
Gold – pawn loans	227	0.22%	0.21%	0.21%	0.23%

	As at 31 December 2019				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	78,410	2.15%	2.14%	2.15%	2.17%
Residential mortgage loans	9,012	0.30%	0.29%	0.30%	0.30%
Micro and SME loans	37,944	1.50%	1.48%	1.49%	1.54%
Consumer loans	72,187	3.71%	3.67%	3.70%	3.77%
Gold – pawn loans	253	0.30%	0.30%	0.30%	0.30%

Aggregation of financial instruments for collective assessment

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

Determination of expected life for revolving facilities

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

Write-offs

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

Backtesting of ECL calculation model

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

4. Significant accounting judgements and estimates (continued)

Post-model adjustments

Limitations in the Bank's impairment model or input data may be identified through the on-going assessment and validation of the output of the models. If management considers that impairment models do not sufficiently capture all material risks, appropriate adjustments are made to the ECL. In order to incorporate the uncertainties related to the economic outlook caused by COVID-19 pandemic into ECL calculated as at the end of the reporting period, the Bank applied post-model adjustments. The effect of such overlays as at 31 December 2020 amounted to GEL 84,103 .

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

5. Segment information

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

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

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

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

CB - Corporate Banking - Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers.

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

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

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

The Bank's operations are primarily concentrated in Georgia.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's operating income in 2020, 2019 or 2018.

5. Segment information (continued)

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

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

5. Segment information (continued)

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

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

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Bank's operating segments as at and for the year ended 31 December 2018:

	Corporate Banking	*Retail Banking*	*Investment Banking*	*Total*
Net interest income	123,870	547,904	25,888	697,662
Net fee and commission income	22,305	98,489	821	121,615
Net foreign currency gain	50,343	55,386	3,947	109,676
Net other income	3,944	(597)	5	3,352
Operating income	**200,462**	**701,182**	**30,661**	**932,305**
Operating expenses	(59,638)	(251,843)	(11,054)	(322,535)
Profit from associates	-	1,339	-	1,339
Operating income (expense) before cost of risk	**140,824**	**450,678**	**19,607**	**611,109**
Cost of risk	(25,280)	(130,743)	(77)	(156,100)
Net operating income (loss) before non-recurring items	**115,544**	**319,935**	**19,530**	**455,009**
Net non-recurring expense/loss	(14,827)	(52,037)	(1,948)	(68,812)
Profit (loss) before income tax	**100,717**	**267,898**	**17,582**	**386,197**
Income tax expense	(13,758)	(36,735)	(2,402)	(52,895)
Profit (loss) for the year	**86,959**	**231,163**	**15,180**	**333,302**
Assets and liabilities				
Total assets	4,170,663	9,649,388	77,624	13,897,675
Total liabilities	3,657,346	8,406,444	66,395	12,130,185
Other segment information				
Property and equipment	5,690	47,745	399	53,834
Intangible assets	2,763	36,087	225	39,075
Capital expenditure	**8,453**	**83,832**	**624**	**92,909**
Depreciation, amortisation and impairment	(4,265)	(36,216)	(309)	(40,790)

6. Cash and cash equivalents

	2020	2019	2018
Cash on hand	683,147	650,552	489,919
Current accounts with central banks, exduding obligatory reserves	75,230	309,255	245,921
Current accounts with credit institutions	551,282	423,609	206,148
Time deposits with credit institutions with maturities of up to 90 days	518,648	550,357	167,518
Cash and cash equivalents, gross	**1,828,307**	**1,933,773**	**1,109,506**
Less – Allowance for expected credit loss	(71)	(127)	(118)
Cash and cash equivalents, net	**1,828,236**	**1,933,646**	**1,109,388**

As at 31 December 2020, GEL 946,463 (2019: GEL 832,879, 2018: GEL 311,524) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Bank in performing international settlements. The Bank earned up to 0.21% interest per annum on these deposits (2019: up to 2.20%, 2018: up to 2.50%). 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

	2020	2019	2018
Obligatory reserves with central banks	1,986,931	1,570,265	1,239,848
Time deposits with maturities of more than 90 days	-	5	43,459
Inter-bank loan receivables	-	30,414	-
Amounts due from credit institutions, gross	**1,986,931**	**1,600,684**	**1,283,307**
Less – Allowance for expected credit loss	(376)	(297)	(543)
Amounts due from credit institutions, net	**1,986,555**	**1,600,387**	**1,282,764**

Obligatory reserves with central banks represent amounts deposited with the NBG. Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw these deposits is restricted by regulation. The Bank earned up to 1.25% interest on obligatory reserves with NBG for the year ended 31 December 2020 (2019: 1.25%, 2018: 0.50%).

As at 31 December 2020, inter-bank loan receivables include GEL Nil deposits placed with non-OECD banks (2019: nil, 2018: GEL nil).

8. Investment securities

	2020	2019	2018
Investment securities measured at FVOCI - debt instruments	2,415,676	1,676,739	1,864,423
Investment securities designated as at FVOCI - equity investments	3,337	2,711	395
Investment securities	**2,419,013**	**1,679,450**	**1,864,818**

	2020	2019	2018
Ministry of Finance of Georgia treasury bonds*	1,344,404	647,886	899,024
Ministry of Finance of Georgia treasury bills**	36,879	120,519	100,111
Foreign treasury bonds	79,974	-	-
Certificates of deposit of central banks	-	-	11,512
Other debt instruments***	954,419	908,334	853,776
Investment securities measured at FVOCI - debt instruments	**2,415,676**	**1,676,739**	**1,864,423**

** Treasury bonds of GEL 1,044,066 was pledged for short-term loans from the NBG (2019: GEL 576,017, 2018: GEL 573,517), and GEL 8,188 was pledged as security for cash kept by the NBG at the Bank's premises under the cash custodian services (2019: nil, 2018: nil).*

*** No treasury bills were pledged for short-term loans from the NBG (2019: GEL 74,564, 2018: nil), and GEL 9,180 was pledged as security for cash kept by the NBG at the Bank's premises under the cash custodian services (2019: nil, 2018: nil).*

**** Corporate bonds of GEL 685,901 was pledged for short-term loans from the NBG (2019: GEL 684,546, 2018: GEL 674,616).*

8. Investment securities (continued)

Other debt instruments as at 31 December 2020 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 312,144 (2019: GEL 309,351, 2018: GEL 249,659), GEL-denominated bonds issued by International Finance Corporation of GEL 211,250 (2019: GEL 208,948, 2018: GEL 110,545), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL 162,949 (2019: GEL 156,494, 2018: GEL 163,454), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL 151,592 (2019: GEL 150,865, 2018: GEL 136,504), and GEL-denominated bonds issued by Asian Development Bank of GEL 61,350 (2019: GEL 58,863, 2018: GEL 65,145).

Foreign treasury bonds comprise of US Treasury Notes in amount of GEL 52,992 (2019: Nil , 2018: Nil), Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL 26,982 (2019: Nil , 2018: Nil) and Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 0 (2019: GEL 0, 2018: GEL 0).

9. Loans to customers and finance lease receivables

	2020	*2019*	*2018*
Commercial loans	4,584,832	3,649,795	2,551,358
Residential mortgage loans	3,745,679	3,051,970	2,548,643
Micro and SME loans	3,128,671	2,526,253	2,007,167
Consumer loans	2,045,258	1,943,440	1,817,362
Gold – pawn loans	103,384	85,539	80,771
Loans to customers at amortised cost, gross	**13,607,824**	**11,256,997**	**9,005,301**
Less – Allowance for expected credit loss	(410,735)	(197,806)	(288,513)
Loans to customers at amortised cost, net	**13,197,089**	**11,059,191**	**8,716,788**
Finance lease receivables, gross	**3,919**	**4,611**	**6,176**
Less – Allowance for expected credit loss	(21)	(13)	(20)
Finance lease receivables, net	**3,898**	**4,598**	**6,156**
Total loans to customers and finance lease receivables	**13,200,987**	**11,063,789**	**8,722,944**

As at 31 December 2020, loans to customers carried at GEL 692,052 (2019: GEL 577,246, 2018: GEL 357,342) were pledged for short-term loans from the NBG.

Expected credit loss

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

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

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**80,794**	**1,114**	**3,631**	**-**	**85,539**
New financial asset originated or purchased	139,676	-	475	-	140,151
Transfer to Stage 1	6,565	(4,313)	(2,252)	-	-
Transfer to Stage 2	(10,625)	11,552	(927)	-	-
Transfer to Stage 3	(5,331)	(877)	6,208	-	-
Assets repaid	(113,508)	(3,726)	(5,053)	-	(122,287)
Resegmentation	-	-	(263)	-	(263)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	6	-	6
Unwind of discount	-	-	6	-	6
Foreign exchange movement	148	8	(167)	-	(11)
Net other changes	56	121	124	-	301
Balance at 31 December 2020	**97,775**	**3,879**	**1,730**	**-**	**103,384**
Individually assessed	-	-	-	-	-
Collectively assessed	97,775	3,879	1,730	-	103,384
Balance at 31 December 2020	**97,775**	**3,879**	**1,730**	**-**	**103,384**

Gold – pawn loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**8**	**1**	**244**	**-**	**253**
New financial asset originated or purchased	-	-	-	-	-
Transfer to Stage 1	79	(6)	(73)	-	-
Transfer to Stage 2	(10)	45	(35)	-	-
Transfer to Stage 3	(1)	(1)	2	-	-
Impact on ECL of exposures transferred between stages during the year	(82)	(1)	-	-	(83)
Assets repaid	(17)	(4)	(227)	-	(248)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	6	-	6
Unwind of discount	-	-	6	-	6
Foreign exchange movement	(1)	-	1	-	-
Net other measurement of ECL	63	(18)	306	-	351
Balance at 31 December 2020	**39**	**16**	**172**	**-**	**227**
Individually assessed	-	-	-	-	-
Collectively assessed	39	16	172	-	227
Balance at 31 December 2020	**39**	**16**	**172**	**-**	**227**

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	**2,009,494**	**308,116**	**226,711**	**7,037**	**2,551,358**
New financial asset originated or purchased	4,027,936	163,280	6,632	-	4,197,848
Transfer to Stage 1	569,345	(569,345)	-	-	-
Transfer to Stage 2	(853,676)	878,060	(24,384)	-	-
Transfer to Stage 3	(10,482)	(42,704)	53,186	-	-
Assets derecognised due to pass-through arrangement	(60,246)	(17,550)	-	-	(77,796)
Assets repaid	(2,811,844)	(432,618)	(60,127)	(257)	(3,304,846)
Resegmentation	176,365	3,134	2,608	-	182,107
Impact of modifications	-	4	(233)	-	(229)
Write-offs	-	-	(93,673)	-	(93,673)
Recoveries of amounts previously written off	-	-	9,975	-	9,975
Unwind of discount	-	-	2,635	(143)	2,492
Foreign exchange movement	90,187	28,416	12,842	483	131,928
Net other changes	24,975	16,906	8,209	541	50,631
Balance at 31 December 2019	**3,162,054**	**335,699**	**144,381**	**7,661**	**3,649,795**
Individually assessed	-	-	139,697	-	139,697
Collectively assessed	3,162,054	335,699	4,684	7,661	3,510,098
Balance at 31 December 2019	**3,162,054**	**335,699**	**144,381**	**7,661**	**3,649,795**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	**2,560**	**3,501**	**151,163**	**525**	**157,749**
New financial asset originated or purchased	10,351	282	887	-	11,520
Transfer to Stage 1	1,082	(1,082)	-	-	-
Transfer to Stage 2	(2,885)	5,355	(2,470)	-	-
Transfer to Stage 3	(3,466)	(143)	3,609	-	-
Impact on ECL of exposures transferred between stages during the year	(156)	(221)	4,788	-	4,411
Assets derecognised due to pass-through arrangement	(439)	-	-	-	(439)
Assets repaid	(1,878)	(4,435)	(27,737)	-	(34,050)
Resegmentation	103	6	-	-	109
Impact of modifications	-	-	6	-	6
Write-offs	-	-	(93,673)	-	(93,673)
Recoveries of amounts previously written off	-	-	9,975	-	9,975
Unwind of discount	-	-	2,635	(143)	2,492
Foreign exchange movement	62	63	10,751	49	10,925
Net other measurement of ECL	109	(865)	10,271	(130)	9,385
Balance at 31 December 2019	**5,443**	**2,461**	**70,205**	**301**	**78,410**
Individually assessed	-	-	69,842	-	69,842
Collectively assessed	5,443	2,461	363	301	8,568
Balance at 31 December 2019	**5,443**	**2,461**	**70,205**	**301**	**78,410**

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:

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

Consumer loans at amortised cost, ECL:

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

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2018	**1,522,630**	**332,038**	**283,309**	**26,847**	**2,164,824**
New financial asset originated or purchased	2,573,389	88,529	9,875	-	2,671,793
Transfer to Stage 1	358,195	(358,073)	(122)	-	-
Transfer to Stage 2	(480,880)	530,296	(49,416)	-	-
Transfer to Stage 3	(23,976)	(37,819)	61,795	-	-
Assets derecognised (excluding write-offs)	(106,070)	(847)	-	-	(106,917)
Assets repaid	(1,954,759)	(244,936)	(67,918)	(13,664)	(2,281,277)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(39,657)	-	(39,657)
Recoveries of amounts previously written off	-	-	2,914	-	2,914
Unwind of discount	72	-	3,437	(151)	3,358
Net other changes	120,893	(1,072)	22,494	(5,995)	136,320
Balance at 31 December 2018	**2,009,494**	**308,116**	**226,711**	**7,037**	**2,551,358**
Individually assessed	-	-	225,000	988	225,988
Collectively assessed	2,009,494	308,116	1,711	6,049	2,325,370
Balance at 31 December 2018	**2,009,494**	**308,116**	**226,711**	**7,037**	**2,551,358**

Commercial loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2018	**2,427**	**2,548**	**160,284**	**5,506**	**170,765**
New financial asset originated or purchased	4,696	43	277	-	5,016
Transfer to Stage 1	1,338	(1,338)	-	-	-
Transfer to Stage 2	(444)	505	(61)	-	-
Transfer to Stage 3	(88)	-	88	-	-
Impact on ECL of exposures transferred between stages during the year	(373)	278	705	-	610
Assets derecognised (excluding write-offs)	-	-	-	-	-
Assets repaid	(1,613)	(794)	(13,470)	(415)	(16,292)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(39,657)	-	(39,657)
Recoveries of amounts previously written off	-	-	2,914	-	2,914
Unwind of discount	72	-	3,437	(151)	3,358
Net other measurement of ECL	(3,455)	2,259	36,646	(4,415)	31,035
Balance at 31 December 2018	**2,560**	**3,501**	**151,163**	**525**	**157,749**
Individually assessed	-	-	150,724	495	151,219
Collectively assessed	2,560	3,501	439	30	6,530
Balance at 31 December 2018	**2,560**	**3,501**	**151,163**	**525**	**157,749**

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2018	**1,583,403**	**83,581**	**52,043**	**751**	**1,719,778**
New financial asset originated or purchased	1,784,047	532	17	24,088	1,808,684
Transfer to Stage 1	161,836	(152,752)	(9,084)	-	-
Transfer to Stage 2	(226,504)	234,139	(7,635)	-	-
Transfer to Stage 3	(73,754)	(49,756)	123,510	-	-
Assets derecognised (excluding write-offs)	-	-	(1,830)	-	(1,830)
Assets repaid	(939,728)	(31,367)	(71,161)	(2,025)	(1,044,281)
Impact of modifications	-	-	(689)	(1)	(690)
Write-offs	-	-	(2,195)	(86)	(2,281)
Recoveries of amounts previously written off	-	-	2,338	-	2,338
Unwind of discount	-	-	414	21	435
Net other changes	61,097	2,432	2,521	440	66,490
Balance at 31 December 2018	**2,350,397**	**86,809**	**88,249**	**23,188**	**2,548,643**
Individually assessed	-	-	732	2,451	3,183
Collectively assessed	2,350,397	86,809	87,517	20,737	2,545,460
Balance at 31 December 2018	**2,350,397**	**86,809**	**88,249**	**23,188**	**2,548,643**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2018	**302**	**59**	**3,267**	**61**	**3,689**
New financial asset originated or purchased	1,309	-	-	595	1,904
Transfer to Stage 1	230	(92)	(138)	-	-
Transfer to Stage 2	(57)	209	(152)	-	-
Transfer to Stage 3	(982)	(37)	1,019	-	-
Impact on ECL of exposures transferred between stages during the year	(173)	(106)	1,436	-	1,157
Assets derecognised (excluding write-offs)	-	-	(41)	-	(41)
Assets repaid	(94)	(9)	(4,237)	(94)	(4,434)
Impact of modifications	-	-	-	4	4
Write-offs	-	-	(2,195)	(86)	(2,281)
Recoveries of amounts previously written off	-	-	2,338	-	2,338
Unwind of discount	-	-	414	21	435
Net other measurement of ECL	(298)	7	3,672	588	3,969
Balance at 31 December 2018	**237**	**31**	**5,383**	**1,089**	**6,740**
Individually assessed	-	-	-	-	-
Collectively assessed	237	31	5,383	1,089	6,740
Balance at 31 December 2018	**237**	**31**	**5,383**	**1,089**	**6,740**

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 2018	**1,523,616**	**50,879**	**84,652**	**3,401**	**1,662,548**
New financial asset originated or purchased	1,831,588	3,787	96	1,123	1,836,594
Transfer to Stage 1	83,195	(77,946)	(5,249)	-	-
Transfer to Stage 2	(184,483)	192,586	(8,103)	-	-
Transfer to Stage 3	(36,233)	(63,053)	99,286	-	-
Assets derecognised (excluding write-offs)	-	-	(956)	-	(956)
Assets repaid	(1,421,789)	(43,671)	(50,953)	(1,098)	(1,517,511)
Impact of modifications	-	-	(1,150)	(2)	(1,152)
Write-offs	-	-	(16,447)	(28)	(16,475)
Recoveries of amounts previously written off	-	-	7,198	-	7,198
Unwind of discount	-	-	2,197	10	2,207
Net other changes	27,049	1,508	7,328	(1,171)	34,714
Balance at 31 December 2018	**1,822,943**	**64,090**	**117,899**	**2,235**	**2,007,167**
Individually assessed	-	-	-	-	-
Collectively assessed	1,822,943	64,090	117,899	2,235	2,007,167
Balance at 31 December 2018	**1,822,943**	**64,090**	**117,899**	**2,235**	**2,007,167**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2018	**4,185**	**1,097**	**12,768**	**410**	**18,460**
New financial asset originated or purchased	8,136	-	-	201	8,337
Transfer to Stage 1	3,622	(2,473)	(1,149)	-	-
Transfer to Stage 2	(2,543)	3,686	(1,143)	-	-
Transfer to Stage 3	(1,782)	(2,117)	3,899	-	-
Impact on ECL of exposures transferred between stages during the year	(1,396)	(554)	109	-	(1,841)
Assets derecognised (excluding write-offs)	-	-	(200)	-	(200)
Assets repaid	(4,042)	(793)	(11,079)	(1)	(15,915)
Impact of modifications	-	-	-	(183)	(183)
Write-offs	-	-	(16,447)	(28)	(16,475)
Recoveries of amounts previously written off	-	-	7,198	-	7,198
Unwind of discount	-	-	2,197	10	2,207
Net other measurement of ECL	1,312	3,526	26,482	(339)	30,981
Balance at 31 December 2018	**7,492**	**2,372**	**22,635**	**70**	**32,569**
Individually assessed	-	-	-	-	-
Collectively assessed	7,492	2,372	22,635	70	32,569
Balance at 31 December 2018	**7,492**	**2,372**	**22,635**	**70**	**32,569**

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 2018	**1,513,534**	**146,925**	**75,340**	**88**	**1,735,887**
New financial asset originated or purchased	2,078,859	11,259	2,224	4,776	2,097,118
Transfer to Stage 1	272,003	(241,160)	(30,843)	-	-
Transfer to Stage 2	(456,760)	470,591	(13,831)	-	-
Transfer to Stage 3	(166,859)	(175,892)	342,751	-	-
Assets derecognised (excluding write-offs)	-	-	(363)	-	(363)
Assets repaid	(1,664,054)	(110,685)	(173,957)	(472)	(1,949,168)
Impact of modifications	-	-	(2,124)	59	(2,065)
Write-offs	-	-	(126,865)	(73)	(126,938)
Recoveries of amounts previously written off	-	-	22,743	-	22,743
Unwind of discount	-	-	5,839	16	5,855
Net other changes	14,420	(185)	19,981	77	34,293
Balance at 31 December 2018	**1,591,143**	**100,853**	**120,895**	**4,471**	**1,817,362**
Individually assessed	-	-	29	-	29
Collectively assessed	1,591,143	100,853	120,866	4,471	1,817,333
Balance at 31 December 2018	**1,591,143**	**100,853**	**120,895**	**4,471**	**1,817,362**

Consumer loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2018	**38,413**	**15,602**	**42,709**	**14**	**96,738**
New financial asset originated or purchased	92,211	2,050	883	255	95,399
Transfer to Stage 1	40,694	(26,099)	(14,595)	-	-
Transfer to Stage 2	(29,905)	36,752	(6,847)	-	-
Transfer to Stage 3	(52,632)	(21,261)	73,893	-	-
Impact on ECL of exposures transferred between stages during the year	(17,313)	(2,343)	26,556	-	6,900
Assets derecognised (excluding write-offs)	-	-	(3)	-	(3)
Assets repaid	(37,709)	(12,817)	(73,092)	(36)	(123,654)
Impact of modifications	-	-	-	(420)	(420)
Write-offs	-	-	(126,865)	(73)	(126,938)
Recoveries of amounts previously written off	-	-	22,743	-	22,743
Unwind of discount	-	-	5,839	16	5,855
Net other measurement of ECL	(14,298)	17,366	110,840	633	114,541
Balance at 31 December 2018	**19,461**	**9,250**	**62,061**	**389**	**91,161**
Individually assessed	-	-	29	-	29
Collectively assessed	19,461	9,250	62,032	389	91,132
Balance at 31 December 2018	**19,461**	**9,250**	**62,061**	**389**	**91,161**

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 2018	**65,670**	**431**	**1,839**	**-**	**67,940**
New financial asset originated or purchased	80,944	-	96	-	81,040
Transfer to Stage 1	4,300	(1,855)	(2,445)	-	-
Transfer to Stage 2	(3,396)	3,694	(298)	-	-
Transfer to Stage 3	(8,800)	(1,641)	10,441	-	-
Assets derecognised (excluding write-offs)	-	-	-	-	-
Assets repaid	(63,239)	(92)	(4,553)	-	(67,884)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(609)	-	(609)
Recoveries of amounts previously written off	-	-	113	-	113
Unwind of discount	-	-	8	-	8
Net other changes	4	4	155	-	163
Balance at 31 December 2018	**75,483**	**541**	**4,747**	**-**	**80,771**
Individually assessed	-	-	-	-	-
Collectively assessed	75,483	541	4,747	-	80,771
Balance at 31 December 2018	**75,483**	**541**	**4,747**	**-**	**80,771**

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2018	**-**	**-**	**34**	**-**	**34**
New financial asset originated or purchased	76	-	-	-	76
Transfer to Stage 1	22	-	(22)	-	-
Transfer to Stage 2	-	10	(10)	-	-
Transfer to Stage 3	(76)	-	76	-	-
Impact on ECL of exposures transferred between stages during the year	(22)	(10)	77	-	45
Assets derecognised (excluding write-offs)	-	-	-	-	-
Assets repaid	(3)	(1)	(220)	-	(224)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(609)	-	(609)
Recoveries of amounts previously written off	-	-	113	-	113
Unwind of discount	-	-	8	-	8
Net other measurement of ECL	14	1	836	-	851
Balance at 31 December 2018	**11**	**-**	**283**	**-**	**294**
Individually assessed	-	-	-	-	-
Collectively assessed	11	-	283	-	294
Balance at 31 December 2018	**11**	**-**	**283**	**-**	**294**

The contractual amounts outstanding on loans to customers that have been written off during the reporting period but are still subject to enforcement activity was GEL 48,700 (2019: GEL 58,627, 2018: GEL 67,001).

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

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

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

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

- for commercial loans: GEL 211,235 as at 31 December 2020 (2019: GEL 145,323, 2018: GEL 233,806);
- for residential mortgage loans: GEL 146,803 as at 31 December 2020 (2019: GEL 101,542, 2018: GEL 75,073);
- for micro and SME: GEL 148,438 as at 31 December 2020 (2019: GEL96,583, 2018: GEL98,175);
- for consumer loans: GEL 84,698 as at 31 December 2020 (2019: GEL 85,551, 2018: GEL 86,325); and
- gold – pawn loans: GEL 1,430 as at 31 December 2020 (2019: GEL 2,561, 2018: GEL 283).

Without taking into account the discounted value of collateral, the allowance for expected credit loss/impairment of loans would be GEL 344,920 higher as at 31 December 2020 (2019: GEL 279,914 higher, 2018: GEL 250,064 higher).

Concentration of loans to customers

As at 31 December 2020, the concentration of loans granted by the Bank to the ten largest third-party borrowers comprised GEL 1,213,986 accounting for 9% of the gross loan portfolio of the Bank (2019: GEL 1,023,217 and 9% respectively, 2018: GEL 788,216 and 9% respectively). An allowance of GEL 7,970 (2019: GEL 1,634, 2018: GEL 44,079) was established against these loans.

As at 31 December 2020, the concentration of loans granted by the Bank to the ten largest third-party group of borrowers comprised GEL 1,849,423 accounting for 14% of the gross loan portfolio of the Bank (2019: GEL 1,602,923 and 14% respectively, 2018: GEL 1,067,718 and 12% respectively). An allowance of GEL 11,285 (2019: GEL 60,953, 2018: GEL 42,108) was established against these loans.

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

Concentration of loans to customers (continued)

As at 31 December 2020, 31 December 2019 and 31 December 2018, loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	2020	*2019*	*2018*
Individuals	7,395,492	6,350,714	5,443,549
Manufacturing	1,086,377	1,075,292	882,848
Trade	1,025,082	1,095,800	851,918
Real estate	944,364	611,767	342,859
Hospitality	843,890	392,976	289,830
Transport & communication	279,607	219,474	105,528
Construction	268,114	566,756	351,906
Electricity, gas and water supply	251,433	49,117	76,574
Service	244,706	213,753	145,757
Mining and quarrying	200,407	117,613	127,835
Financial intermediation	92,405	68,247	61,691
Other	975,947	495,488	325,006
Loans to customers, gross	**13,607,824**	**11,256,997**	**9,005,301**
Less – Allowance for expected credit loss	(410,735)	(197,806)	(288,513)
Loans to customers, net	**13,197,089**	**11,059,191**	**8,716,788**

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:

	2020	*2019*	*2018*
Individuals	7,395,492	6,350,714	5,443,549
Private companies	6,192,198	4,891,681	3,558,975
State-owned entities	20,134	14,602	2,777
Loans to customers, gross	**13,607,824**	**11,256,997**	**9,005,301**
Less – Allowance for expected credit loss	(410,735)	(197,806)	(288,513)
Loans to customers, net	**13,197,089**	**11,059,191**	**8,716,788**

Finance lease receivables

	2020	*2019*	*2018*
Minimum lease payments receivable	6,318	7,720	8,281
Less – Unearned finance lease income	(2,399)	(3,109)	(2,105)
	3,919	**4,611**	**6,176**
Less – Allowance for expected credit loss / impairment loss	(21)	(13)	(20)
Finance lease receivables, net	**3,898**	**4,598**	**6,156**

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

As at 31 December 2020**,** finance lease receivables carried at GEL were pledged for inter-bank loans received from several credit institutions (2019: GEL , 2018:).

As at 31 December 2020, the concentration of investment in the five largest lease receivables comprised GEL 3,919 or 100% of total finance lease receivables (2019: GEL 4,599 or 100%, 2018: GEL 5,928 or 96%) and finance income received from them for the year ended 31 December 2020 comprised GEL 426 or 95% of total finance income from lease (2019: GEL 511 or 93%, 2018: GEL 792 or 36%).

Future minimum lease payments to be received after 31 December 2020, 31 December 2019 and 31 December 2018 are as follows:

	2020	*2019*	*2018*
Within 1 year	3,783	3,992	3,698
From 1 to 5 years	2,535	2,862	3,024
More than 5 years	-	866	1,559
Minimum lease payment receivables	**6,318**	**7,720**	**8,281**

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

Finance lease receivables (continued)

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

Finance lease receivables, gross	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2019	**4,611**	**-**	**-**	**-**	**4,611**
New financial asset originated or purchased	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Assets repaid	(1,161)	-	-	-	(1,161)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Foreign exchange movement	8	-	-	-	8
Net other changes	461	-	-	-	461
Balance at 31 December 2020	**3,919**	**-**	**-**	**-**	**3,919**
Individually assessed	-	-	-	-	-
Collectively assessed	3,919	-	-	-	3,919
Balance at 31 December 2020	**3,919**	**-**	**-**	**-**	**3,919**

Finance lease receivables, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2019	**13**	**-**	**-**	**-**	**13**
New financial asset originated or purchased	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Impact on ECL of exposures transferred between stages during the year	-	-	-	-	-
Assets repaid	(3)	-	-	-	(3)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Foreign exchange movement	-	-	-	-	-
Net other measurement of ECL	11	-	-	-	11
Balance at 31 December 2020	**21**	**-**	**-**	**-**	**21**
Individually assessed	-	-	-	-	-
Collectively assessed	21	-	-	-	21
Balance at 31 December 2020	**21**	**-**	**-**	**-**	**21**

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

Finance lease receivables (continued)

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	**6,176**	**-**	**-**	**-**	**6,176**
New financial asset originated or purchased	34	-	-	-	34
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Assets repaid	(2,246)	-	-	-	(2,246)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Foreign exchange movement	15	-	-	-	15
Net other changes	632	-	-	-	632
Balance at 31 December 2019	**4,611**	**-**	**-**	**-**	**4,611**
Individually assessed	-	-	-	-	-
Collectively assessed	4,611	-	-	-	4,611
Balance at 31 December 2019	**4,611**	**-**	**-**	**-**	**4,611**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	**20**	**-**	**-**	**-**	**20**
New financial asset originated or purchased	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Impact on ECL of exposures transferred between stages during the year	-	-	-	-	-
Assets repaid	(7)	-	-	-	(7)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Foreign exchange movement	-	-	-	-	-
Net other measurement of ECL	-	-	-	-	-
Balance at 31 December 2019	**13**	**-**	**-**	**-**	**13**
Individually assessed	-	-	-	-	-
Collectively assessed	13	-	-	-	13
Balance at 31 December 2019	**13**	**-**	**-**	**-**	**13**

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 2018	**6,697**	**-**	**-**	**-**	**6,697**
New financial asset originated or purchased	8,923	-	-	-	8,923
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Assets derecognised (excluding write-offs)	-	-	-	-	-
Assets repaid	(10,494)	-	-	-	(10,494)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Net other changes	1,050	-	-	-	1,050
Balance at 31 December 2018	**6,176**	**-**	**-**	**-**	**6,176**
Individually assessed	-	-	-	-	-
Collectively assessed	6,176	-	-	-	6,176
Balance at 31 December 2018	**6,176**	**-**	**-**	**-**	**6,176**

Finance lease receivables, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2018	**94**	**-**	**-**	**-**	**94**
New financial asset originated or purchased	125	-	-	-	125
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Impact on ECL of exposures transferred between stages during the year	-	-	-	-	-
Assets derecognised (excluding write-offs)	-	-	-	-	-
Assets repaid	(147)	-	-	-	(147)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Net other measurement of ECL	(52)	-	-	-	(52)
Balance at 31 December 2018	**20**	**-**	**-**	**-**	**20**
Individually assessed	-	-	-	-	-
Collectively assessed	20	-	-	-	20
Balance at 31 December 2018	**20**	**-**	**-**	**-**	**20**

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

	2020	*2019*	*2018*
Right-of-use assets	77,763	90,039	N/A
Lease liability	89,812	88,535	N/A

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

	2020	*2019*	*2018*
Short-term leases	(2,853)	(5,404)	N/A
Leases of low-value assets	(1,161)	(484)	N/A
	(4,014)	**(5,888)**	**N/A**

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

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

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

	Office buildings & service centres	*Total*
Cost		
1 January 2019	**75,865**	**75,865**
Additions	34,545	34,545
Disposals	(3,372)	(3,372)
31 December 2019	**107,038**	**107,038**
Accumulated impairment		
1 January 2019	**-**	**-**
31 December 2019	**-**	**-**
Accumulated depreciation		
1 January 2019	**-**	**-**
Depreciation charge	17,717	17,717
Disposals	(718)	(718)
31 December 2019	**16,999**	**16,999**
Net book value		
1 January 2019	**75,865**	**75,865**
31 December 2019	**90,039**	**90,039**

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

The movements in property and equipment were as follows:

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2019	**179,447**	**173,128**	**154,269**	**3,900**	**27,531**	**5,834**	**544,109**
Additions	249	8,742	27,939	1,057	-	25,962	63,949
Transfers	21,600	-	-	-	6,254	(27,854)	-
Transfers to investment properties	(11,068)	-	-	(22)	-	-	(11,090)
Transfers to assets held for sale	1,333	-	-	-	-	-	1,333
Transfers to other assets	(101)	(4,930)	(8,895)	-	-	(820)	(14,746)
Disposals	-	(90)	-	(84)	-	-	(174)
Write-offs	(293)	(3,004)	(3,396)	(174)	(2,990)	-	(9,857)
31 December 2020	**191,167**	**173,846**	**169,917**	**4,677**	**30,795**	**3,122**	**573,524**
Accumulated impairment							
31 December 2019	**1,359**	**-**	**-**	**-**	**-**	**-**	**1,359**
31 December 2020	**1,359**	**-**	**-**	**-**	**-**	**-**	**1,359**
Accumulated depreciation							
31 December 2019	**18,190**	**91,169**	**95,451**	**2,494**	**12,870**	**-**	**220,174**
Depreciation charge	3,761	11,819	16,377	782	4,614	-	37,353
Transfers	-	-	-	-	-	-	-
Transfers to investment properties	(2,160)	-	-	(20)	-	-	(2,180)
Transfers to assets held for sale	-	-	-	-	-	-	-
Transfers to other assets	-	(1,111)	(3,077)	-	-	-	(4,188)
Disposals	-	-	-	-	-	-	-
Write-offs	(265)	(2,617)	(3,390)	(134)	(2,857)	-	(9,263)
31 December 2020	**19,526**	**99,260**	**105,361**	**3,122**	**14,627**	**-**	**241,896**
Net book value							
31 December 2019	**159,898**	**81,959**	**58,818**	**1,406**	**14,661**	**5,834**	**322,576**
31 December 2020	**170,282**	**74,586**	**64,556**	**1,555**	**16,168**	**3,122**	**330,269**

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2018	**176,890**	**202,721**	**80,891**	**4,234**	**23,433**	**2,999**	**491,168**
Additions	1,469	25,816	28,560	558	-	22,593	78,996
Transfers	13,000	(51,830)	51,830	-	5,306	(18,306)	-
Transfers to investment properties	(3,211)	(3)	-	(47)	-	-	(3,261)
Transfers to other assets	-	(1,994)	(6,359)	-	-	(1,451)	(9,804)
Disposals	(4,100)	(76)	(170)	(845)	-	(1)	(5,192)
Write-offs	(4,601)	(1,506)	(483)	-	(1,208)	-	(7,798)
31 December 2019	**179,447**	**173,128**	**154,269**	**3,900**	**27,531**	**5,834**	**544,109**
Accumulated impairment							
31 December 2018	**1,359**	**-**	**-**	**-**	**-**	**-**	**1,359**
31 December 2019	**1,359**	**-**	**-**	**-**	**-**	**-**	**1,359**
Accumulated depreciation							
31 December 2018	**15,117**	**113,740**	**54,359**	**2,194**	**9,752**	**-**	**195,162**
Depreciation charge	4,445	10,551	13,350	687	4,326	-	33,359
Transfers	-	(31,200)	31,200	-	-	-	-
Transfers to investment properties	(331)	-	-	(36)	-	-	(367)
Transfers to other assets	-	(1,883)	(3,290)	-	-	-	(5,173)
Disposals	(80)	(39)	(38)	(351)	-	-	(508)
Write-offs	(961)	-	(130)	-	(1,208)	-	(2,299)
31 December 2019	**18,190**	**91,169**	**95,451**	**2,494**	**12,870**	**-**	**220,174**
Net book value							
31 December 2018	**160,414**	**88,981**	**26,532**	**2,040**	**13,681**	**2,999**	**294,647**
31 December 2019	**159,898**	**81,959**	**58,818**	**1,406**	**14,661**	**5,834**	**322,576**

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

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2017	**179,617**	**195,581**	**70,266**	**7,045**	**17,599**	**7,832**	**477,940**
Additions	-	23,855	13,317	918	-	15,744	53,834
Transfers	11,200	(972)	-	-	6,651	(16,879)	-
Transfers to investment properties	(14,472)	-	-	-	-	(3,741)	(18,213)
Transfers (to) from other assets	-	(12,874)	(2,201)	(1,101)	-	43	(16,133)
Revaluation	2,227	-	-	-	-	-	2,227
Disposals	(1,682)	(2,869)	(491)	(2,628)	(817)	-	(8,487)
31 December 2018	**176,890**	**202,721**	**80,891**	**4,234**	**23,433**	**2,999**	**491,168**
Accumulated impairment							
31 December 2017	**1,359**	**-**	**-**	**-**	**-**	**-**	**1,359**
31 December 2018	**1,359**	**-**	**-**	**-**	**-**	**-**	**1,359**
Accumulated depreciation							
31 December 2017	**15,454**	**116,107**	**47,630**	**3,982**	**5,522**	**-**	**188,695**
Depreciation charge	1,818	14,695	7,974	845	5,042	-	30,374
Transfers	-	-	-	-	-	-	-
Transfers to investment properties	(911)	-	-	-	-	-	(911)
Transfers (to) from other assets	-	(14,760)	(1,048)	-	-	-	(15,808)
Disposals	(1,244)	(2,302)	(197)	(2,633)	(812)	-	(7,188)
31 December 2018	**15,117**	**113,740**	**54,359**	**2,194**	**9,752**	**-**	**195,162**
Net book value							
31 December 2017	**162,804**	**79,474**	**22,636**	**3,063**	**12,077**	**7,832**	**287,886**
31 December 2018	**160,414**	**88,981**	**26,532**	**2,040**	**13,681**	**2,999**	**294,647**

11. Investment properties

	2020	*2019*	*2018*
At 1 January	**204,885**	**132,327**	**185,493**
Additions	79,761	107,988	66,159
Disposals	(39,388)	(36,578)	(74,278)
Net gains (losses) from revaluation of investment property	19,425	12,685	(1,184)
Net transfers to property and equipment, other assets and assets held for sale*	(45,678)	(11,537)	(43,863)
At 31 December	**219,005**	**204,885**	**132,327**

**** Comprised GEL 55,120 transfer to assets held for sale (2019: GEL 14,402 , 2018: GEL 54,687), GEL 8,910 transfer from property and equipment (2019: GEL 2,894 , 2018: GEL 17,302), GEL 532 transfer from finance lease receivables (2019: transfer to finance lease receivables GEL 29 and 2018: transfer to finance lease receivables GEL 6,478), and GEL - transfer to other assets - inventories (2019: nil, 2018: nil).***

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As at 31 December 2020, the fair values of the properties are based on valuations performed by accredited independent valuers. Refer to Note 28 for details on fair value measurements of investment properties.

12. Goodwill

Movements in goodwill were as follows:

	2020	*2019*	*2018*
Cost			
1 January	**33,453**	**33,453**	**33,453**
At 31 December	**33,453**	**33,453**	**33,453**
Accumulated impairment			
1 January	**-**	**-**	**-**
At 31 December	**-**	**-**	**-**
Net book value:			
1 January	**33,453**	**33,453**	**33,453**
At 31 December	**33,453**	**33,453**	**33,453**

Impairment test for goodwill

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

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

	2020	*2019*	*2018*
Retail Banking	23,488	23,488	23,488
Corporate Banking	9,965	9,965	9,965
Total	**33,453**	**33,453**	**33,453**

Key assumptions used in value-in-use calculations

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

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

	Corporate Banking			*Retail Banking*		
	2020, %	*2019, %*	*2018, %*	*2020, %*	*2019, %*	*2018, %*
Discount rate	4.4%	5.0%	4.7%	7.7%	6.7%	6.2%

Discount rates

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

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

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

Sensitivity to changes in assumptions

Management believes that reasonable possible changes to key assumptions used to determine the recoverable amount for each CGU will not result in an impairment of goodwill. The excess of value-in-use over carrying value is determined by reference to the net book value as at 31 December 2020. Possible change was taken as +/-1% in discount rate and growth rate.

13. Investments in subsidiaries

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

	2020	2019	2018
Bank of Georgia Representative Office UK Limited	-	-	-
Tree of Life Foundation NPO	-	-	-
Bank of Georgia Representative Office Hungary	-	-	5,194
Representative Office of JSC Bank of Georgia in Turkey	-	-	-
Georgia Financial Investments, LLC	3,577	3,577	3,577
Teaching University of Georgian Bank, LLC	-	-	2,476
Benderlock Investments Limited	58,745	58,745	58,745
JSC Belarusky Narodny Bank	66,575	66,575	66,575
Georgian Leasing Company, LLC	22,414	22,414	22,414
Investments in subsidiaries	**151,311**	**151,311**	**158,981**

The Bank assessed impairment indicators for all the subsidiaries. No such impairment indicators have been identified as at 31 December 2020, 31 December 2019 and 31 December 2018, except for Bank of Georgia Representative Office in Hungary, which has been fully impaired since 31 December 2019.

The key combined financial figures of Benderlock Investments Limited and JSC Belarusky Narodny Bank as at 31 December 2020, 31 December 2019 and 31 December 2018 are as follows:

	2020	2019	2018
Total assets	1,062,029	990,802	726,731
Total equity	175,880	156,928	132,089
Total comprehensive income	18,952	30,105	5,553
Cash paid	125,320	125,320	125,320
Cost of acquisition	**125,320**	**125,320**	**125,320**

The key consolidated financial figures of Georgian Leasing Company, LLC as at 31 December 2020, 31 December 2019 and 31 December 2018 are as follows:

	2020	2019	2018
Total assets	179,536	192,133	116,698
Total equity	21,905	26,634	20,645
Total comprehensive income	(4,746)	6,007	2,330
Cost of acquisition*	**22,414**	**22,414**	**22,414**

** In 2017, loans and receivables to Georgian Leasing Company, LLC in amount of GEL 12,348 was converted into capital of subsidiary.*

14. Taxation

The corporate income tax expense in income statement comprises:

	2020	2019	2018
Current income benefit (expense)	6,626	(45,887)	(34,154)
Deferred income tax expense	(24,658)	(11,546)	(18,741)
Income tax expense	**(18,032)**	**(57,433)**	**(52,895)**

Income tax expense in other comprehensive income comprises solely of deferred tax related to items charged or credited to other comprehensive income during the years ended 31 December 2020, 2019 and 2018 was as follows:

	2020	2019	2018
Net losses on investment securities	-	-	(140)
Income tax expense in other comprehensive income	**-**	**-**	**(140)**

The income tax rate applicable to the Bank's income is 15% (2019: 15%, 2018: 15%).

14. Taxation (continued)

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

The effective income tax rate differs from the statutory income tax rates. As at 31 December 2020, 31 December 2019 and 31 December 2018**,** a reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2020	*2019*	*2018*
Profit before income tax expense	**316,753**	**535,163**	**386,197**
Average tax rate	15%	15%	15%
Theoretical income tax expense at average tax rate	**(47,513)**	**(80,274)**	**(57,930)**
Non-taxable income	35,825	24,093	22,534
Non-deductible expenses	(3,321)	(1,504)	(2,764)
Correction of prior year declarations	(3,343)	-	-
Effects from changes in tax legislation	-	-	(15,696)
Other	320	252	961
Income tax expense	**(18,032)**	**(57,433)**	**(52,895)**

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

As at 31 December 2020, 31 December 2019 and 31 December 2018, income tax assets and liabilities consist of the following:

	2020	*2019*	*2018*
Current income tax assets	21,325	-	19,159
Deferred income tax assets	-	-	-
Income tax assets	**21,325**	**-**	**19,159**
Current income tax liabilities	-	603	-
Deferred income tax liabilities	59,663	35,005	23,459
Income tax liabilities	**59,663**	**35,608**	**23,459**

14. Taxation (continued)

Deferred tax assets and liabilities as at 31 December 2020, 31 December 2019 and 31 December 2018, and their movements for the respective years, are as follows:

		Origination and reversal of temporary differences					*Origination and reversal of temporary differences*		*Origination and reversal of temporary differences*
	2017	*In the income statement*	*IFRS 15 adoption*	*IFRS 9 adoption*	*In other comprehensive income*	*2018*	*In the income statement*	*2019*	*In the income statement*
Tax effect of deductible temporary differences:									
Cash and cash equivalents	-	8	-	10	-	18	1	19	(19)
Amounts due from credit institutions	-	4	-	77	-	81	(37)	44	(44)
Investment securities	-	-	-	-	-	-	66	66	(66)
Investment properties	-	-	-	-	-	-	-	-	59
Intangible assets	-	174	-	-	-	174	25	199	(199)
Lease liability	-	-	-	-	-	-	7,022	7,022	(2,120)
Accruals and deferred income	-	-	-	-	-	-	2,009	2,009	5,514
Other assets and liabilities	1,130	2,900	1,844	-	-	5,874	(4,234)	1,640	(1,573)
Deferred tax assets	**1,130**	**3,086**	**1,844**	**87**	**-**	**6,147**	**4,852**	**10,999**	**1,552**
Tax effect of taxable temporary differences:									
Amounts due to credit institutions	761	1,792	-	-	-	2,553	(654)	1,899	213
Debt securities issued	-	2,722	-	-	-	2,722	(411)	2,311	(687)
Investment securities	-	(109)	-	83	140	114	(114)	-	-
Loans to customers and finance lease	4,407	13,258	-	(1,176)	-	16,489	7,538	24,027	26,715
Property and equipment	211	5,831	-	-	-	6,042	3,118	9,160	(301)
Right-of-use assets	-	-	-	-	-	-	7,152	7,152	(2,688)
Investment properties	-	584	-	-	-	584	(356)	228	(228)
Assets held for sale	-	1,102	-	-	-	1,102	125	1,227	313
Other assets and liabilities	3,353	(3,353)	-	-	-	-	-	-	2,873
Deferred tax liabilities	**8,732**	**21,827**	**-**	**(1,093)**	**140**	**29,606**	**16,398**	**46,004**	**26,210**
Net deferred tax liabilities	**(7,602)**	**(18,741)**	**1,844**	**1,180**	**(140)**	**(23,459)**	**(11,546)**	**(35,005)**	**(24,658)**

15. Other assets and other liabilities

Other assets comprise:

	2020	*2019*	*2018*
Derivatives margin	210,816	2,093	-
Receivables from remittance operations	25,992	33,909	8,866
Other receivables	15,157	11,939	9,048
Investments in associates	13,099	12,949	12,371
Derivative financial assets	10,270	31,920	31,084
Foreclosed assets	5,082	5,663	1,458
Operating tax assets	2,934	5,911	112
Other	4,197	4,882	32,454
Other assets, gross	**287,547**	**109,266**	**95,393**
Less – Allowance for impairment of other assets	(14,979)	(6,644)	(1,451)
Other assets, net	**272,568**	**102,622**	**93,942**

15. Other assets and other liabilities (continued)

Other liabilities comprise:

	2020	*2019*	*2018*
Derivative financial liabilities	231,888	10,748	11,569
Creditors	33,680	25,464	11,330
Provisions	14,359	5,269	3,745
Payables for remittance operations	8,597	19,331	10,107
Other taxes payable	6,537	11,762	6,776
Dividends payable	1,545	1,578	1,304
Derivatives margin	-	12,532	-
Advances received	-	5,072	8,279
Other	4,681	6,201	6,611
Other liabilities	**301,287**	**97,957**	**59,721**

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

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

	2020		
	Notional amount	*Fair value*	
		Asset	*Liability*
Foreign exchange contracts			
Forwards and swaps – domestic	600,120	8,091	2,908
Forwards and swaps – foreign	6,836,950	630	227,878
Interest rate contracts			
Options - foreign (IR)	7,864	1,549	1,102
Total derivative assets / liabilities	**7,444,934**	**10,270**	**231,888**

	2019			*2018*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – domestic	783,400	5,620	1,202	721,906	3,110	981
Forwards and swaps – foreign	5,237,095	23,734	7,632	1,783,252	15,338	4,228
Interest rate contracts						
Forwards and swaps – foreign	-	-	-	1,109,990	12,636	6,360
Options - foreign (IR)	8,351	2,566	1,914	-	-	-
Total derivative assets / liabilities	**6,028,846**	**31,920**	**10,748**	**3,615,148**	**31,084**	**11,569**

16. Client deposits and notes

The amounts due to customers include the following:

	2020	*2019*	*2018*
Time deposits	7,584,777	4,571,710	3,767,421
Current accounts	5,911,701	4,965,493	4,044,340
Client deposits and notes	**13,496,478**	**9,537,203**	**7,811,761**

At 31 December 2020, amounts due to customers of GEL 2,951,893 (22%) were due to the ten largest customers (2019: GEL 828,952 (9%), 2018: GEL 966,873 (12%)).

16. Client deposits and notes (continued)

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

	2020	2019	2018
Individuals	7,406,060	6,072,006	4,611,854
Private enterprises	4,174,873	3,103,188	2,659,687
State and state-owned entities	1,915,545	362,009	540,220
Client deposits and notes	**13,496,478**	**9,537,203**	**7,811,761**

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

	2020	2019	2018
Individuals	7,406,060	6,072,006	4,611,854
Government services	1,866,346	320,470	508,410
Financial intermediation	824,730	562,668	457,293
Trade	773,058	460,504	478,417
Construction	563,026	598,319	549,444
Transport & communication	495,891	389,821	324,478
Service	423,482	302,430	307,572
Manufacturing	274,609	225,880	144,325
Real estate	146,293	96,010	81,316
Electricity, gas and water supply	75,212	93,757	95,987
Hospitality	65,825	62,084	40,216
Other	581,946	353,254	212,449
Client deposits and notes	**13,496,478**	**9,537,203**	**7,811,761**

Growth in Government services deposits were mainly driven by deposits placed by Ministry of Finance of Georgia and Pension Agency during the year ended 31 December 2020.

17. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	2020	2019	2018
Borrowings from international credit institutions	1,260,060	1,123,657	812,189
Short-term loans from National Bank of Georgia	590,293	1,551,953	1,118,100
Time deposits and inter-bank loans	75,813	78,156	90,903
Correspondent accounts	196,892	264,122	118,904
	2,123,058	**3,017,888**	**2,140,096**
Non-convertible subordinated debt	707,648	461,481	419,181
Amounts due to credit institutions	**2,830,706**	**3,479,369**	**2,559,277**

During the year ended 31 December 2020, the Bank paid up to 5.49% on US$ borrowings from international credit institutions (2019: up to 6.50%, 2018: up to 6.10%). During the year ended 31 December 2020, the Bank paid up to 9.39% on Dollar subordinated debt (2019: up to 11.13%, 2018: up to 10.00%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Bank maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 31 December 2020, 31 December 2019 and 31 December 2018, the Bank complied with all the Lender Covenants of the significant borrowings from international credit institutions.

17. Amounts owed to credit institutions (continued)

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

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

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

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

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

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

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

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

Facility provider	Commencement date	Maturity date	Interest rate	Currency	Original contractual value	Carrying value as at 31 December 2020	Carrying value as at 31 December 2019
International Finance Corporation	29-Jun-15	15-Jun-25	Libor + 7.5%	USD	90,000	293,964	258,020
FMO - Dutch entrepreneurial development bank	20-Dec-19	20-Dec-29	Libor + 5.65%	USD	107,000	347,087	144,778

18. Debt securities issued

Debt securities issued comprise:

	2020	*2019*	*2018*
Eurobonds and notes issued	1,020,428	1,442,298	1,350,921
Additional Tier 1 capital notes issued	323,320	282,407	-
Certificates of deposit	106,850	274,098	285,008
Debt securities issued	**1,450,598**	**1,998,803**	**1,635,929**

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

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

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	**Additional Tier 1 capital notes issued**
Carrying amount at 31 December 2017	**454,954**	**-**
Other movements	895,967	-
Carrying amount at 31 December 2018	**1,350,921**	**-**
Proceeds from debt securities issued	-	268,160
Other movements	91,377	14,247
Carrying amount at 31 December 2019	**1,442,298**	**282,407**
Repurchase of debt securities issued	(120,549)	-
Repayment of the principal portion of the debt securities issued	(440,410)	-
Other movements	139,089	40,913
Carrying amount at 31 December 2020	**1,020,428**	**323,320**

19. Commitments and contingencies

Legal

Sai-invest
As at 31 December 2020, 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 separate financial statements.

Rustavi Azoti
The dispute launched by East-West United Bank S.A., Agrochim S.A. and Systema Holding Limited (claimants) against the Bank, JSC BGEO Group and others (respondents) claiming restitution and/or damages(in the amount of circa 93.6 million US Dollars) in relation to foreclosure on security (movable and immovable property and intangible assets) through auction on a defaulted loan of Rustavi Azoti LLC, disclosed in 2019 financial statements, finalized in favour of the Bank and BGEO in December 2020, by Supreme Court of Georgia's full and final dismissal of all claims of claimants against respondents.

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

19. Commitments and contingencies (continued)

Financial commitments and contingencies

As at 31 December 2020, 31 December 2019 and 31 December 2018**,** the Bank's financial commitments and contingencies comprised the following:

	2020	*2019*	*2018*
Credit-related commitments			
Guarantees issued	1,460,511	1,321,380	991,816
Letters of credit	124,911	54,815	43,815
Undrawn loan facilities	624,386	221,187	237,222
	2,209,808	**1,597,382**	**1,272,853**
Less – Cash held as security against letters of credit and guarantees (Note 16)	(131,946)	(90,227)	(125,217)
Less – Provisions	(14,359)	(5,269)	(3,745)
Operating lease commitments			
Not later than 1 year	1,949	1,494	27,514
Later than 1 year but not later than 5 years	2,827	877	72,824
Later than 5 years	1,657	146	28,754
	6,433	**2,517**	**129,092**
Capital expenditure commitments	**2,561**	**4,275**	**6,616**

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

20. Equity

Share capital

As at 31 December 2020, 31 December 2019 and 31 December 2018, authorised common capital comprised 43,308,125 common shares. As at 31 December 2020, 31 December 2019 and 31 December 2018, issued share capital comprised 27,993,660 common shares, all of which were fully paid. Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 31 December 2020 are described below:

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2017	**27,821,150**	**27,821**
Issue of share capital	172,510	173
31 December 2018	**27,993,660**	**27,994**
31 December 2019	**27,993,660**	**27,994**
31 December 2020	**27,993,660**	**27,994**

Treasury shares

The number of treasury shares held by the Bank as at 31 December 2020, comprised 10,000 (31 December 2019: 10,173, 31 December 2018: 8,995), with nominal amount of GEL 10 (31 December 2019: GEL 10, 31 December 2018: GEL 9).

20. Equity (continued)

Dividends

Shareholders are entitled to dividends in Georgian Lari.

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

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

On 14 June 2018, the annual general meeting of shareholders' of JSC Bank of Georgia declared an interim dividend for 2018 of Georgian Lari 4.31 per share. Payment of the total GEL 120,000 interim dividends was received by shareholders on 2 July 2018.

Nature and purpose of other reserves

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

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

Earnings per share

	2020	2019	2018
Basic and diluted earnings per share			
Profit for the year attributable to ordinary shareholders of the Bank	298,721	477,730	333,302
Weighted average number of ordinary shares outstanding during the year	27,984,000	27,983,827	27,826,807
Earnings per share	10.6747	17.0716	11.9777

21. Net interest income

	2020	2019	2018
Interest income calculated using EIR method	**1,471,673**	**1,330,854**	**1,247,608**
From loans to customers	1,285,904	1,183,946	1,090,112
From investment securities	164,436	130,669	133,129
From amounts due from credit institutions	17,474	25,599	28,274
Net gain (loss) on modification of financial assets	3,859	(9,360)	(3,907)
Other interest income	**516**	**547**	**2,194**
From finance lease receivable	450	547	2,194
From other assets	66	-	-
Interest income	**1,472,189**	**1,331,401**	**1,249,802**
On client deposits and notes	(421,212)	(273,536)	(245,407)
On amounts owed to credit institutions	(236,810)	(191,672)	(190,896)
On debt securities issued	(132,292)	(154,654)	(110,990)
Interest element of cross-currency swaps	47,582	43,048	-
On lease liability	(5,193)	(4,783)	-
Interest expense	**(747,925)**	**(581,597)**	**(547,293)**
Deposit insurance fees	(9,106)	(6,359)	(4,847)
Net interest income	**715,158**	**743,445**	**697,662**

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

22. Net fee and commission income

	2020	*2019*	*2018*
Settlements operations	201,550	204,339	173,018
Guarantees and letters of credit	27,458	24,898	17,307
Cash operations	14,135	18,351	14,866
Currency conversion operations	8,438	10,870	1,610
Brokerage service fees	48	38	-
Other	3,595	5,238	3,892
Fee and commission income	**255,224**	**263,734**	**210,693**
Settlements operations	(113,927)	(106,077)	(80,660)
Guarantees and letters of credit	(126)	(1,092)	(889)
Cash operations	(5,398)	(5,947)	(4,742)
Currency conversion operations	(1,468)	(1,256)	(289)
Insurance brokerage service fees	(963)	(1,007)	(256)
Other	(3,013)	(3,523)	(2,242)
Fee and commission expense	**(124,895)**	**(118,902)**	**(89,078)**
Net fee and commission income	**130,329**	**144,832**	**121,615**

Revenue from customers

In 2020, the Bank recognised GEL 229,008 revenue from contracts with customers in the income statement, including fee and commission as well as net other income (2019: GEL 272,828, 2018: GEL 224,668).

Contract assets and liabilities

As at 31 December 2020, the Bank has recognised GEL 33,699 revenue-related contract liabilities (2019: GEL 25,709, 2018: GEL 21,627). Accounts receivable are recognised when the right to consideration becomes unconditional. Deferred revenue is recognised as revenue as we perform under the contract.

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

In 2020, the Bank recognised GEL 8,639 revenue (2019: GEL 7,222, 2018: GEL 6,873) that relates to carried-forward contract liabilities and is included in the deferred income.

Transaction price allocated to the remaining performance obligations

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

	In 1 year	**In 2 years**	**In 3 years**	**In 3 to 5 years**	**In 5 to 10 years**	**Total**
As at 31 December 2020	9,951	1,544	1,303	2,198	18,703	**33,699**
As at 31 December 2019	27,071	13,913	8,299	5,025	2,690	**56,998**
As at 31 December 2018	21,523	9,427	5,533	2,169	152	**38,804**

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

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

Salaries and other employee benefits

	2020	*2019*	*2018*
Salaries and bonuses	(193,755)	(199,044)	(181,502)
Pension costs	(2,908)	(2,627)	(858)
Salaries and other employee benefits	**(196,663)**	**(201,671)**	**(182,360)**

In 2020, salaries and bonuses include GEL 54,200 of the Equity Compensation Plan costs (2019: GEL 57,129, 2018: GEL 48,061), associated with the existing share-based compensation scheme approved in the Bank (Note 26).

The average number of staff employed by the Bank for the years ended 31 December 2020, 31 December 2019 and 31 December 2018, comprised:

Average number of employees for the year:	*2020*	*2019*	*2018*
Permanent employment:			
Top management	13	13	7
Middle management	49	43	50
Other employees	5,697	5,729	5,585
	5,759	**5,785**	**5,642**
Temporary employment:			
Top management	-	-	-
Middle management	-	-	-
Other employees	24	21	9
	24	**21**	**9**
Total	**5,783**	**5,806**	**5,651**

General and administrative expenses

	2020	*2019*	*2018*
Repairs and maintenance	(18,180)	(10,665)	(10,423)
Marketing and advertising	(18,958)	(16,608)	(16,168)
Operating taxes	(11,031)	(8,500)	(5,298)
Legal and other professional services	(8,810)	(10,795)	(9,842)
Office supplies	(5,509)	(5,166)	(5,185)
Communication	(4,681)	(4,525)	(4,155)
Occupancy and rent	(4,014)	(5,888)	(24,797)
Insurance	(3,057)	(2,769)	(2,290)
Travel expenses	(3,051)	(3,820)	(1,599)
Security	(2,502)	(1,392)	(2,593)
Personnel training and recruitment	(1,694)	(3,195)	(5,928)
Corporate hospitality and entertainment	(1,275)	(9,254)	(5,651)
Other	(1,850)	(2,562)	(2,769)
General and administrative expenses	**(84,612)**	**(85,139)**	**(96,698)**

Auditor remuneration

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

	2020	*2019*	*2018*
Fees for the audit of the Bank's annual financial statements	578	521	520
Expenditures for other assurance services	491	487	-
Total fees	**1,069**	**1,008**	**520**

The figures shown in the above table relate to fees paid to EY LLC ("EY") and its associates. No assurance or other services have been provided for the Bank by any other auditor during the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

24. Expected credit loss

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

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	56	-	-	-	-	56
Amounts due from credit institutions	(79)	-	-	-	-	(79)
Investment securities measured at FVOCI - debt instruments	130	-	-	-	-	130
Loans to customers at amortised cost	(64,896)	(52,126)	(56,156)	(62,439)	(1,211)	(236,828)
Finance lease receivables	(8)	-	-	-	-	(8)
Other financial assets	(13,948)	-	-	-	-	(13,948)
Financial guarantees	(4,086)	(33)	(3,091)	-	-	(7,210)
Letter of credit to customers	(1,317)	-	(380)	-	-	(1,697)
For the year ended 31 December 2020	**(84,148)**	**(52,159)**	**(59,627)**	**(62,439)**	**(1,211)**	**(259,584)**

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

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	(51)	-	-	-	-	(51)
Amounts due from credit institutions	(29)	-	-	-	-	(29)
Investment securities measured at FVOCI - debt instruments	(827)	-	-	-	-	(827)
Loans to customers at amortised cost	15,638	4,152	9,119	(170,154)	3,627	(137,618)
Finance lease receivables	74	-	-	-	-	74
Financial guarantees	(1,836)	18	304	83	-	(1,431)
Letter of credit to customers	186	15	-	621	-	822
For the year ended 31 December 2018	**13,155**	**4,185**	**9,423**	**(169,450)**	**3,627**	**(139,060)**

25. Net non-recurring items

	2020	2019	2018
Modification loss of financial assets*	(39,730)	-	-
Corporate social responsibility expense**	(1,454)	-	(11,478)
Termination benefits	-	(3,985)	(4,401)
Loss from sale of subsidiary	-	(2,828)	(3,659)
Demerger-related expenses***	-	-	(34,984)
Loss on early repayment of parent loan	-	-	(10,432)
Other	(107)	(5,466)	(3,858)
Net non-recurring expense/loss	**(41,291)**	**(12,279)**	**(68,812)**

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

*** In 2020, corporate social responsibly expense: in order to assist in the fight against the COVID-19 the Bank purchased and donated laboratory tests, respiratory equipment, etc. to the Government of Georgia on a one-off basis. In 2018, corporate social responsibility comprises the one-off project to support the fibre-optic broadband infrastructure development in rural Georgia.*

*** Demerger-related expenses comprise: employee compensation expenses in amount of GEL 31,913 including acceleration of share-based compensation of Investment Business employees, Demerger costs recognised in the Consolidated Income Statement in amount of GEL 1,663 and other Demerger-related expenses in amount of GEL 1,408.*

26. Share-based payments

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

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

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

In 2020, the Bank contributed GEL -54,200 (2019: GEL -61,114, 2018: GEL -82,483) as intra-group recharge under share-based compensation schemes described above.

Following the Demerger, BOGG's Remuneration Committee resolved to amend the contingent share-based compensation of Management Board members using estimated valuation of the relative share prices of BGEO before the Demerger and BOGG after the listing.

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

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

26. Share-based payments (continued)

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

In February 2018, BGEO's Remuneration Committee resolved to award 232,548 ordinary shares of BGEO Group PLC to the members of the Management Board and 79,050 ordinary shares of BGEO to the Bank's 16 executives. Shares awarded to the Management Board and the other 16 executives are subject to three-year vesting with continuous employment being the only vesting condition for both awards. The Bank considers 14 February 2018 as the grant date. The Bank estimates that the fair value of the shares awarded on 14 February 2018 was Georgian Lari 114.56 per share.

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

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

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

In 2018, the Management Board members signed new three-year fixed contingent share-based compensation agreements with the total of 82,000 ordinary shares of BGEO Group PLC and 115,000 ordinary shares of BOGG. The total amount of shares fixed to each executive will be awarded in three equal instalments during the three consecutive years starting January 2019, of which each award will be subject to a four-year vesting period. The Bank considers 16 February 2018, 23 March 2018 and 10 July 2018 as the grant dates for the awards. The Bank estimates that the fair value of the shares on 16 February 2018, 23 March 2018 and 10 July 2018 were Georgian Lari 115.03, 122.23 and 60.47, respectively.

The Bank grants share compensation to its non-executive employees. In January 2020, March 2019 and February 2018, the Supervisory Board of the Bank resolved to award 231,914, 256,436 and 158,960 ordinary shares, respectively, to its certain non-executive employees. All these awards are subject to three-year vesting, with continuous employment being the only vesting condition for all awards. The Bank considers 31 January 2020, 10 March 2019 and 14 February 2018 as the grant dates of these awards, respectively. The Bank estimates that the fair values of the shares awarded on 56.98, 56.51 and 114.56 were Georgian Lari 56.98, 56.51 and 114.56 per share, respectively.

Summary

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

The weighted average fair value of share-based awards at the grant date comprised Georgian Lari 55.89 per share in year ended 31 December 2020 (31 December 2019: Georgian Lari 56.92 per share, 31 December 2018: Georgian Lari 106.38).

The Bank's total share-based payment expenses for the year ended 31 December 2020 comprised GEL 54,200 (31 December 2019: GEL 61,114, 31 December 2018: GEL 82,483) and are included in "salaries and other employee benefits", as "salaries and bonuses". Below is the summary of the share-based payments-related data:

	2020	*2019*	*2018*
Total number of equity instruments awarded	1,002,576	1,701,106	667,558
– Among them, to Management Board	*424,793*	*1,259,000*	*429,548*
Weighted average value at grant date, per share (GEL in full amount)	55.89	56.92	106.38
Value at grant date, total (GEL)	**56,031**	**96,832**	**71,012**
Total expense recognised during the year (GEL)*	**(54,200)**	**(61,114)**	**(82,483)**

**** 2019 Expense recognised during the year includes GEL 3,985 recorded in non-recurring expenses. 2018 Expense recognised during the year includes GEL 34,422 recorded in non-recurring expenses.***

27. Risk management

Introduction

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

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

Risk Management structure

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

Committees operating under the Supervisory Board:

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

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

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

Other risk management bodies:

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

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

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

27. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems

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

Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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

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

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

Risk mitigation

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

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

Excessive risk concentration

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

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

27. Risk management (continued)

Credit risk

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

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

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

Derivative financial instruments

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

Credit-related commitment risks

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

Credit quality per class of financial assets

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

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

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

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

27. Risk management (continued)

Credit risk (continued)

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

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

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

27. Risk management (continued)

Credit risk (continued)

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

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

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

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

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

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

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

27. Risk management (continued)

Credit risk (continued)

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

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

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

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

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

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

27. Risk management (continued)

Credit risk (continued)

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

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

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

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

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

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

27. Risk management (continued)

Credit risk (continued)

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

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

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

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

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

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

27. Risk management (continued)

Credit risk (continued)

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

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

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

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

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

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
High grade	315,769	315,769
Standard grade	303,053	303,053
Low grade	765	765
Not rated	-	-
Balance at 31 December 2018	**619,587**	**619,587**

Amounts due from credit institutions	*Stage 1*	*Total*
High grade	26,982	26,982
Standard grade	1,256,325	1,256,325
Low grade	-	-
Not rated	-	-
Balance at 31 December 2018	**1,283,307**	**1,283,307**

27. Risk management (continued)

Credit risk (continued)

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	830,008	830,008
Standard grade	1,028,605	1,028,605
Low grade	6,246	6,246
Not rated	3,110	3,110
Balance at 31 December 2018	**1,867,969**	**1,867,969**

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,327,033	59,862	-	-	1,386,895
Standard grade	373,478	166,814	-	-	540,292
Low grade	102,328	73,296	-	6,050	181,674
Not rated	206,655	8,144	-	-	214,799
Defaulted					
Non-performing	-	-	171,738	-	171,738
Other	-	-	54,973	987	55,960
Balance at 31 December 2018	**2,009,494**	**308,116**	**226,711**	**7,037**	**2,551,358**

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,691,375	18,777	-	311	1,710,463
Standard grade	290,796	7,038	-	-	297,834
Low grade	319,076	60,994	-	533	380,603
Not rated	49,150	-	-	-	49,150
Defaulted					
Non-performing	-	-	23,239	3,455	26,694
Other	-	-	65,010	18,889	83,899
Balance at 31 December 2018	**2,350,397**	**86,809**	**88,249**	**23,188**	**2,548,643**

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,024,192	7,449	-	-	1,031,641
Standard grade	347,357	10,016	-	-	357,373
Low grade	240,321	45,920	-	5	286,246
Not rated	211,073	705	-	5	211,783
Defaulted					
Non-performing	-	-	70,438	1,979	72,417
Other	-	-	47,461	246	47,707
Balance at 31 December 2018	**1,822,943**	**64,090**	**117,899**	**2,235**	**2,007,167**

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	749,583	2,731	-	109	752,423
Standard grade	299,181	4,100	-	-	303,281
Low grade	483,340	93,786	-	194	577,320
Not rated	59,039	236	76	-	59,351
Defaulted					
Non-performing	-	-	38,535	214	38,749
Other	-	-	82,284	3,954	86,238
Balance at 31 December 2018	**1,591,143**	**100,853**	**120,895**	**4,471**	**1,817,362**

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	-	-	-	-	-
Standard grade	-	-	-	-	-
Low grade	-	-	-	-	-
Not rated	75,483	541	-	-	76,024
Defaulted					
Non-performing	-	-	369	-	369
Other	-	-	4,378	-	4,378
Balance at 31 December 2018	**75,483**	**541**	**4,747**	**-**	**80,771**

27. Risk management (continued)

Credit risk (continued)

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	6,176	-	-	-	6,176
Standard grade	-	-	-	-	-
Low grade	-	-	-	-	-
Not rated	-	-	-	-	-
Defaulted					
Non-performing	-	-	-	-	-
Other	-	-	-	-	-
Balance at 31 December 2018	**6,176**	**-**	**-**	**-**	**6,176**

Accounts receivable	*Stage 1*	*Total*
Not rated	18,780	18,780
Balance at 31 December 2018	**18,780**	**18,780**

Other financial assets	*Stage 1*	*Total*
Not rated	17,914	17,914
Balance at 31 December 2018	**17,914**	**17,914**

Guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	165,401	5,697	-	171,098
Standard grade	37,795	5,708	-	43,503
Low grade	17,791	466	-	18,257
Not rated	736,473	-	-	736,473
Defaulted				
Other	-	-	22,485	22,485
Balance at 31 December 2018	**957,460**	**11,871**	**22,485**	**991,816**

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	31,381	2,553	-	33,934
Standard grade	6,649	-	-	6,649
Low grade	-	2,355	-	2,355
Not rated	877	-	-	877
Defaulted				
Other	-	-	-	-
Balance at 31 December 2018	**38,907**	**4,908**	**-**	**43,815**

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	185,926	165	-	186,091
Standard grade	22,951	150	-	23,101
Low grade	19,349	3,495	-	22,844
Not rated	3,781	4	61	3,846
Defaulted				
Other	-	-	1,340	1,340
Balance at 31 December 2018	**232,007**	**3,814**	**1,401**	**237,222**

27. Risk management (continued)

Credit risk (continued)

The following table shows the ratio of the loan portfolio to the market value of collateral held by the Bank in respect of the portfolio. As at 31 December 2020, up to 76.2% of the collateral held has been re-valued within the last two years (31 December 2019: 72.9%). For residential mortgage loans, in cases where the collateral for a loan may not be officially registered until its construction is complete, respective loan is shown as unsecured, even though it is usually secured by the corporate guarantee of the construction company.

	As at 31 December 2020									
			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	4,584,832	572,992	602,524	1,057,709	87,797	124,255	1,052,751	131,764	314,779	640,261
ECL Coverage	3.39%	2.56%	0.47%	1.17%	0.18%	9.63%	8.71%	5.74%	2.83%	0.82%
Residential mortgage loans	3,745,679	64,018	968,053	1,885,175	431,607	199,633	127,956	9,315	2,236	57,686
ECL Coverage	1.30%	4.43%	0.03%	0.78%	2.63%	3.56%	7.95%	4.64%	3.31%	2.86%
Micro and SME loans	3,128,671	341,997	899,928	915,699	251,957	205,996	460,139	29,963	3,654	19,338
ECL Coverage	3.00%	10.80%	0.10%	1.06%	2.13%	5.65%	5.24%	6.50%	14.40%	13.70%
Consumer loans	2,045,258	1,111,529	443,882	383,889	62,457	23,479	16,216	1,055	640	2,111
ECL Coverage	5.52%	9.39%	0.13%	1.12%	3.28%	1.11%	7.21%	4.83%	1.72%	1.89%
Gold – pawn loans	103,384	-	3,338	23,313	72,392	1,748	2,576	2	-	15
ECL Coverage	0.22%	N/A	0.03%	0.06%	0.20%	2.06%	0.78%	0.00%	N/A	73.33%
Loans to customers at amortised cost, gross	**13,607,824**	**2,090,536**	**2,917,725**	**4,265,785**	**906,210**	**555,111**	**1,659,638**	**172,099**	**321,309**	**719,411**

	As at 31 December 2019									
			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	3,649,795	305,268	556,822	813,724	140,655	171,156	595,527	165,872	227,889	672,882
ECL Coverage	2.15%	1.21%	0.46%	0.00%	0.00%	0.22%	10.66%	0.32%	0.44%	1.00%
Residential mortgage loans	3,051,970	37,861	765,845	1,598,531	478,601	86,573	65,803	8,766	821	9,169
ECL Coverage	0.30%	3.78%	0.05%	0.04%	0.19%	1.68%	5.03%	7.28%	1.83%	1.91%
Micro and SME loans	2,526,253	315,832	737,905	773,048	170,420	147,257	343,450	22,747	9,281	6,313
ECL Coverage	1.50%	7.48%	0.20%	0.18%	0.47%	0.68%	2.33%	3.01%	7.45%	4.53%
Consumer loans	1,943,440	1,147,871	369,958	287,083	74,451	24,655	37,134	547	359	1,382
ECL Coverage	3.71%	6.13%	0.02%	0.17%	0.46%	1.12%	1.49%	14.44%	0.56%	1.52%
Gold – pawn loans	85,539	-	2,810	20,994	52,695	2,700	6,284	1	10	45
ECL Coverage	0.30%	N/A	0.00%	0.03%	0.28%	0.78%	0.51%	0.00%	80.00%	80.00%
Loans to customers at amortised cost, gross	**11,256,997**	**1,806,832**	**2,433,340**	**3,493,380**	**916,822**	**432,341**	**1,048,198**	**197,933**	**238,360**	**689,791**

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

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

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

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

27. Risk management (continued)

Credit risk (continued)

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

Financial assets modified during 2018:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	-	-
Residential mortgage loans	5,883	(690)
Micro and SME loans	20,810	(1,152)
Consumer loans	19,092	(2,065)
Gold – pawn loans	-	-
Loans to customers	**45,785**	**(3,907)**

The gross carrying value of loans that have previously been modified (when they were in Stage 2 or 3) which are now categorised as Stage 1, with loss allowance measured at an amount equal to 12 months expected losses, are shown in the table below (no such loans identified as at 31 December 2018):

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

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

27. Risk management (continued)

Credit risk (continued)

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

	2020			
	Georgia	*OECD*	*CIS and other foreign countries*	*Total*
Assets:				
Cash and cash equivalents	776,754	946,463	105,019	1,828,236
Amounts due from credit institutions	1,986,555	-	-	1,986,555
Investment securities	1,408,604	922,077	88,332	2,419,013
Loans to customers and finance lease receivables	13,200,987	-	-	13,200,987
All other assets	1,077,287	235,989	1,991	1,315,267
	18,450,187	**2,104,529**	**195,342**	**20,750,058**
Liabilities:				
Client deposits and notes	11,287,812	857,028	1,351,638	13,496,478
Amounts owed to credit institutions	742,831	2,044,365	43,510	2,830,706
Debt securities issued	-	1,450,598	-	1,450,598
Lease Liability	89,812	-	-	89,812
All other liabilities	169,744	237,112	412	407,268
	12,290,199	**4,589,103**	**1,395,560**	**18,274,862**
Net balance sheet position	**6,159,988**	**(2,484,574)**	**(1,200,218)**	**2,475,196**

	2019				2018			
	Georgia	*OECD*	*CIS and other foreign countries*	*Total*	*Georgia*	*OECD*	*CIS and other foreign countries*	*Total*
Assets:								
Cash and cash equivalents	1,008,882	832,879	91,885	1,933,646	789,037	311,524	8,827	1,109,388
Amounts due from credit institutions	1,569,954	30,433	-	1,600,387	1,255,782	26,982	-	1,282,764
Investment securities	792,613	827,974	58,863	1,679,450	1,020,244	779,097	65,477	1,864,818
Loans to customers and finance lease receivables	11,063,789	-	-	11,063,789	8,722,944	-	-	8,722,944
All other assets	1,045,493	27,332	169	1,072,994	883,151	34,578	32	917,761
	15,480,731	**1,718,618**	**150,917**	**17,350,266**	**12,671,158**	**1,152,181**	**74,336**	**13,897,675**
Liabilities:								
Client deposits and notes	7,486,614	805,466	1,245,123	9,537,203	6,075,044	656,499	1,080,218	7,811,761
Amounts owed to credit institutions	1,767,156	1,649,486	62,727	3,479,369	1,262,352	1,241,312	55,613	2,559,277
Debt securities issued	-	1,998,803	-	1,998,803	-	1,635,929	-	1,635,929
Lease Liability	88,535	-	-	88,535	-	-	-	-
All other liabilities	168,350	9,280	5	177,635	114,507	8,573	138	123,218
	9,510,655	**4,463,035**	**1,307,855**	**15,281,545**	**7,451,903**	**3,542,313**	**1,135,969**	**12,130,185**
Net balance sheet position	**5,970,076**	**(2,744,417)**	**(1,156,938)**	**2,068,721**	**5,219,255**	**(2,390,132)**	**(1,061,633)**	**1,767,490**

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Bank primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 31 December 2020 was 138.6% (2019: 136.7%, 2018: 120.1%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 31 December 2020 was 137.5%, (2019: 132.5%, 2018: 133.6%), all comfortably above the NBG's minimum regulatory requirements.

The Bank also matches the maturity of financial assets and financial liabilities and imposes a maximum limit on 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.

27. Risk management (continued)

Liquidity risk and funding management (continued)

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

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

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

Financial liabilities As at 31 December 2018	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	2,918,654	4,249,045	723,925	78,764	7,970,388
Amounts owed to credit institutions	1,341,749	173,406	1,068,662	302,379	2,886,196
Debt securities issued	26,685	347,441	1,604,609	-	1,978,735
Derivative financial liabilities	10,574	995	-	-	11,569
Other liabilities	48,152	-	-	-	48,152
Total undiscounted financial liabilities	**4,345,814**	**4,770,887**	**3,397,196**	**381,143**	**12,895,040**

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

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
31 December 2020	790,782	480,438	926,151	21,431	2,218,802
31 December 2019	440,748	242,684	782,161	138,581	1,604,174
31 December 2018	360,431	336,138	615,015	96,977	1,408,561

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

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

27. Risk management (continued)

Market risk

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

Interest rate risk

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

The sensitivity of the separate income statement is the effect of the assumed changes in interest rates on the net interest income for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2020. Changes in basis points are calculated as standard deviations of daily changes in floating rates over the last month multiplied by respective floating rates. During the years ended 31 December 2020, 2019 and 2018**,** sensitivity analysis did not reveal any significant potential effect on the Bank's equity.

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

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

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

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

Currency	*Increase in basis points 2018*	*Sensitivity of net interest income 2018*	*Sensitivity of other comprehensive income 2018*
GEL	6	251	1,019
EUR	1	50	(2)
USD	6	121	63

Currency	*Decrease in basis points 2018*	*Sensitivity of net interest income 2018*	*Sensitivity of other comprehensive income 2018*
GEL	6	(251)	(1,019)
EUR	1	(50)	2
USD	6	(121)	(63)

27. Risk management (continued)

Market risk (continued)

Currency risk

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

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2020 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement. The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the 12 months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. During the year ended 31 December 2020, year ended 31 December 2019 and year ended 31 December 2018, sensitivity analysis did not reveal any significant potential effect on the Bank's equity.

Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
	2020		*2019*		*2018*	
EUR	15.1%	148	7.9%	(308)	9.9%	36
USD	13.0%	1,340	6.4%	(2,915)	7.1%	2,230

Prepayment risk

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

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

The estimated effect of prepayment risk on net interest income of the Bank for the years ended 31 December 2020, 31 December 2019 and 31 December 2018, is as follows:

	Effect on net interest income
2020	(40,748)
2019	(40,014)
2018	(73,870)

27. Risk management (continued)

Operational risk

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

Cyber risk, AML and compliance risk

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

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

Operating environment

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

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

Regional instability

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

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

27. Risk management (continued)

Capital risk

The Bank faces the risk of not meeting the minimum capital adequacy requirements set by the NBG. The Bank, like all regulated financial institutions in Georgia, is required to comply with certain capital adequacy ratios set by the NBG. The failure to maintain the minimum capital adequacy requirements may have a material adverse effect on the Bank and may compromise its strategic targets.

The Bank maintains an actively managed capital base to cover risks inherent to its business. As part of its capital adequacy management framework, the Bank continuously monitors market conditions and review market changes, and performs stress and scenario testing to test its position under adverse economic conditions, market and regulatory developments. Capital position is continuously monitored by the management, as well as the Board, to ensure prudent management and timely actions, when necessary. For further details, please refer to Note 31.

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 remains subject to significant uncertainty. The path of the pandemic, the availability of effective treatments, and the associated impact on economic activity, are inherently difficult to predict. Consequently, economic activity in services will continue to suffer in the near term. On the upside, a faster than expected development and distribution of an effective vaccine could boost confidence, support a rebound in tourism and investment, and accelerate the recovery.

At the end of March 2020, the 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. The measures, which were introduced with immediate effect, were mainly focused on capital adequacy and liquidity initiatives that allow banks to use existing regulatory capital buffers to support customers in the current financially stressed circumstances, to continue normal business activities as far as possible, and to support the economy through ongoing lending operations.

The Bank has introduced 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.

Furthermore, as mentioned above, through mobilisation of financing from international organisations and though its anti-crisis stimulus plan, the Government announced a series of support measures and packages for individuals and businesses to mitigate the negative economic impact of COVID-19.

The Bank is 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 Bank will continue to take appropriate actions to proactively manage evolving circumstances.

Emerging risks

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

The Bank has identified Climate Risk as an emerging risk. As such, the Bank intends to integrate climate change-related risks into the credit risk framework and the business resilience assessments. In 2021, the Bank will be describing and managing climate-related risks in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

28. Fair value measurements

Fair value hierarchy

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

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

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

28. Fair value measurements (continued)

Fair value hierarchy (continued)

At 31 December 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	*132,327*	132,327
Land	-	-	*15,094*	*15,094*
Residential properties	-	-	*75,171*	*75,171*
Non-residential properties	-	-	*42,062*	*42,062*
Investment securities	-	1,864,423	395	1,864,818
Other assets – derivative financial assets	-	31,084	-	31,084
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,282,764	-	1,282,764
Loans to customers and finance lease receivables	-	-	8,678,666	8,678,666
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	11,569	-	11,569
Liabilities for which fair values are disclosed				
Client deposits and notes	-	7,807,863	-	7,807,863
Amounts owed to credit institutions	-	2,506,659	52,618	2,559,277
Debt securities issued	-	1,374,229	285,008	1,659,237

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

Derivative financial instruments

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

Trading securities and investment securities

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

Movements in Level 3 financial instruments measured at fair value

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

	At 31 December 2017	*Purchase of securities*	*At 31 December 2018*	*At 31 December 2019*	*Sale of investment securities*	*At 31 December 2020*
Level 3 financial assets						
Equity investment securities	201	194	395	395	(287)	108

28. Fair value measurements (continued)

Fair value hierarchy (continued)

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

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

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

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

	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
	2020		*2019*		*2018*	
Level 3 financial assets						
Equity investment securities	108	+/- 16	395	+/- 59	395	+/- 59

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

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

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

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

	2020	**Valuation technique**	**Significant unobservable inputs**	**MIN**	**MAX**	**Weighted average**	**Other key information**	**MIN**	**MAX**	**Weighted Average**
Investment property	**219,005**									
Land	10,981	Market approach	Price per square metre	0.001	2.639	0.742	Square metres, land	32	360,001	8,162
Residential properties	146,112	Market approach	Price per square metre	0.062	3.252	0.983	Square metres, building	15	782	186
Non-residential properties	61,912									
	53,738	Market approach	Price	34.582	2,190.655	885.635	Square metres, land	70	40,000	3,306
							Square metres, building	30	7,059	1,543
	7,658	Income approach	Rent per square metre	0.004	0.051	0.018	Square metres, building	103	2,021	685
			Occupancy rate	50%	85%	77%				
			Land price per square metre	0.638	1.379	1.051	Square metres, land	209	357	274
	516	Cost approach	Depreciated Replacement cost per square metre	0.763	0.901	0.840	Square metres, building	298	320	310

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

28. Fair value measurements (continued)

Financial instruments overview

Set out below is an overview of all financial instruments, other than cash and short-term deposits, held by the Bank as at 31 December 2020, 31 December 2019 and 31 December 2018:

	At 31 December 2020		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*
Financial assets			
Amounts due from credit institutions	1,986,555	-	-
Loans to customers and finance lease receivables	13,200,987	-	-
Accounts receivable and other loans	1,186	-	-
Equity instruments	-	3,337	-
Debt instruments	-	2,415,676	-
Interest rate contracts	-	-	1,549
Foreign currency derivative financial instruments	-	-	8,721
Total	**15,188,728**	**2,419,013**	**10,270**
Financial liabilities			
Client deposits and notes	13,496,478	-	-
Amounts owed to credit institutions	2,830,706	-	-
Debt securities issued	1,450,598	-	-
Lease liability	89,812	-	-
Trade and other payables (in other liabilities)	41,762	-	-
Interest rate contracts	-	-	1,102
Foreign currency derivative financial instruments	-	-	230,786
Total	**17,909,356**	**-**	**231,888**

	At 31 December 2019			*At 31 December 2018*		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*	*Loans and receivables*	*Available-for-sale*	*Fair value through profit or loss*
Financial assets						
Amounts due from credit institutions	1,600,387	-	-	1,282,764	-	-
Loans to customers and finance lease receivables	11,063,789	-	-	8,722,944	-	-
Accounts receivable and other loans	1,031	-	-	18,780	-	-
Equity instruments	-	2,711	-	-	395	-
Debt instruments	-	1,676,739	-	-	1,864,423	-
Interest rate contracts	-	-	2,566	-	-	12,636
Foreign currency derivative financial instruments	-	-	29,354	-	-	18,448
Total	**12,665,207**	**1,679,450**	**31,920**	**10,024,488**	**1,864,818**	**31,084**
Financial liabilities						
Client deposits and notes	9,537,203	-	-	7,811,761	-	-
Amounts owed to credit institutions	3,479,369	-	-	2,559,277	-	-
Debt securities issued	1,998,803	-	-	1,635,929	-	-
Lease liability	88,535	-	-	-	-	-
Trade and other payables (in other liabilities)	38,804	-	-	19,410	-	-
Interest rate contracts	-	-	1,914	-	-	6,360
Foreign currency derivative financial instruments	-	-	8,834	-	-	5,209
Total	**15,142,714**	**-**	**10,748**	**12,026,377**	**-**	**11,569**

28. Fair value measurements (continued)

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

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

	Carrying value 2020	*Fair value 2020*	*Unrecognised gain (loss) 2020*
Financial assets			
Amounts due from credit institutions	1,986,555	1,986,555	-
Loans to customers and finance lease receivables	13,200,987	12,911,712	(289,275)
Financial liabilities			
Client deposits and notes	13,496,478	13,483,208	13,270
Amounts owed to credit institutions	2,830,706	2,830,706	-
Debt securities issued	1,450,598	1,511,116	(60,518)
Lease liability	89,812	97,189	(7,377)
Total unrecognised change in unrealised fair value			**(343,900)**

	Carrying value 2019	*Fair value 2019*	*Unrecognised gain (loss) 2019*	*Carrying value 2018*	*Fair value 2018*	*Unrecognised gain (loss) 2018*
Financial assets						
Amounts due from credit institutions	1,600,387	1,600,387	-	1,282,764	1,282,764	-
Loans to customers and finance lease receivables	11,063,789	11,165,686	101,897	8,722,944	8,678,666	(44,278)
Financial liabilities						
Client deposits and notes	9,537,203	9,532,366	4,837	7,811,761	7,807,863	3,898
Amounts owed to credit institutions	3,479,369	3,479,369	-	2,559,277	2,559,277	-
Debt securities issued	1,998,803	2,056,375	(57,572)	1,635,929	1,659,237	(23,308)
Lease liability	88,535	89,406	(871)	-	-	-
Total unrecognised change in unrealised fair value			**48,291**			**(63,688)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

29. Maturity analysis of financial assets and liabilities

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

	At 31 December 2020							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,309,660	518,576	-	-	-	-	-	1,828,236
Amounts due from credit institutions	1,986,555	-	-	-	-	-	-	1,986,555
Investment securities	307,194	2,091,667	5,027	889	8,799	3,079	2,358	2,419,013
Loans to customers and finance lease	-	2,526,630	765,369	1,440,642	3,327,029	1,883,402	3,257,915	13,200,987
Total	**3,603,409**	**5,136,873**	**770,396**	**1,441,531**	**3,335,828**	**1,886,481**	**3,260,273**	**19,434,791**
Financial liabilities								
Client deposits and notes	2,083,695	3,515,473	1,077,347	5,299,307	918,471	343,453	258,732	13,496,478
Amounts owed to credit institutions	196,892	730,227	157,096	419,373	490,488	496,216	340,414	2,830,706
Debt securities issued	-	43,171	17,258	45,341	1,111,923	45,499	187,406	1,450,598
Lease liability	-	5,611	5,650	10,725	32,204	21,938	13,684	89,812
Total	**2,280,587**	**4,294,482**	**1,257,351**	**5,774,746**	**2,553,086**	**907,106**	**800,236**	**17,867,594**
Net	**1,322,822**	**842,391**	**(486,955)**	**(4,333,215)**	**782,742**	**979,375**	**2,460,037**	**1,567,197**
Accumulated gap	**1,322,822**	**2,165,213**	**1,678,258**	**(2,654,957)**	**(1,872,215)**	**(892,840)**	**1,567,197**	

	At 31 December 2019							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,383,326	550,320	-	-	-	-	-	1,933,646
Amounts due from credit institutions	1,569,954	30,433	-	-	-	-	-	1,600,387
Investment securities	299,163	1,220,311	4,584	464	46,849	105,190	2,889	1,679,450
Loans to customers and finance lease	-	1,539,973	715,242	1,489,690	3,104,969	1,600,616	2,613,299	11,063,789
Total	**3,252,443**	**3,341,037**	**719,826**	**1,490,154**	**3,151,818**	**1,705,806**	**2,616,188**	**16,277,272**
Financial liabilities								
Client deposits and notes	2,014,598	1,610,177	770,127	4,293,858	716,718	84,975	46,750	9,537,203
Amounts owed to credit institutions	264,122	1,698,024	97,838	267,486	423,000	383,386	345,513	3,479,369
Debt securities issued	-	43,778	627,132	42,801	244,973	876,535	163,584	1,998,803
Lease liability	-	5,350	5,175	9,588	31,502	20,096	16,824	88,535
Total	**2,278,720**	**3,357,329**	**1,500,272**	**4,613,733**	**1,416,193**	**1,364,992**	**572,671**	**15,103,910**
Net	**973,723**	**(16,292)**	**(780,446)**	**(3,123,579)**	**1,735,625**	**340,814**	**2,043,517**	**1,173,362**
Accumulated gap	**973,723**	**957,431**	**176,985**	**(2,946,594)**	**(1,210,969)**	**(870,155)**	**1,173,362**	

	At 31 December 2018							
	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	941,876	167,512	-	-	-	-	-	1,109,388
Amounts due from credit institutions	1,239,365	43,399	-	-	-	-	-	1,282,764
Investment securities	751,039	923,354	921	31,514	105,577	35,115	17,298	1,864,818
Loans to customers and finance lease	-	1,308,857	582,496	1,338,471	2,324,234	1,266,830	1,902,056	8,722,944
Total	**2,932,280**	**2,443,122**	**583,417**	**1,369,985**	**2,429,811**	**1,301,945**	**1,919,354**	**12,979,914**
Financial liabilities								
Client deposits and notes	1,500,440	1,407,397	643,427	3,555,472	613,952	52,520	38,553	7,811,761
Amounts owed to credit institutions	118,923	1,227,965	62,069	129,616	453,928	405,273	161,503	2,559,277
Debt securities issued	-	26,569	159,165	171,540	525,053	753,602	-	1,635,929
Total	**1,619,363**	**2,661,931**	**864,661**	**3,856,628**	**1,592,933**	**1,211,395**	**200,056**	**12,006,967**
Net	**1,312,917**	**(218,809)**	**(281,244)**	**(2,486,643)**	**836,878**	**90,550**	**1,719,298**	**972,947**
Accumulated gap	**1,312,917**	**1,094,108**	**812,864**	**(1,673,779)**	**(836,901)**	**(746,351)**	**972,947**	

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

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

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

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

As at 31 December 2020, client deposits and notes amounted to GEL 13,496,478 (2019: GEL 9,537,203, 2018: GEL 7,811,761) and represented 74% (2019: 62%, 2018: 64%) of the Bank's total liabilities. These funds continue to provide a majority of the Bank's funding and represent a diversified and stable source of funds. As at 31 December 2020, amounts owed to credit institutions amounted to GEL 2,830,706 (2019: GEL 3,479,369, 2018: GEL 2,559,277) and represented 15% (2019: 23%, 2018: 21%) of total liabilities. As at 31 December 2020, debt securities issued amounted to GEL 1,450,598 (2019: GEL 1,998,803, 2018: GEL 1,635,929) and represented 8% (2019: 13%, 2018: 13%) of total liabilities.

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

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

	At 31 December 2020		
	Less than 1 year	*More than 1 year*	*Total*
Cash and cash equivalents	1,828,236	-	1,828,236
Amounts due from credit institutions	1,986,555	-	1,986,555
Investment securities	2,404,777	14,236	2,419,013
Loans to customers and finance lease	4,732,641	8,468,346	13,200,987
Accounts receivable and other loans	1,186	-	1,186
Prepayments	22,323	15,128	37,451
Inventories	5,795	-	5,795
Right-of-use assets	-	77,763	77,763
Investment properties	-	219,005	219,005
Property and equipment	-	330,269	330,269
Goodwill	-	33,453	33,453
Intangible assets	-	104,282	104,282
Investments in subsidiaries	-	151,311	151,311
Income tax assets	21,325	-	21,325
Other assets	241,329	31,239	272,568
Assets held for sale	60,859	-	60,859
Total assets	**11,305,026**	**9,445,032**	**20,750,058**
Client deposits and notes	11,975,822	1,520,656	13,496,478
Amounts owed to credit institutions	1,503,588	1,327,118	2,830,706
Debt securities issued	105,770	1,344,828	1,450,598
Lease liability	21,986	67,826	89,812
Accruals and deferred income	23,351	22,967	46,318
Income tax liabilities	-	59,663	59,663
Other liabilities	275,264	26,023	301,287
Total liabilities	**13,905,781**	**4,369,081**	**18,274,862**
Net	**(2,600,755)**	**5,075,951**	**2,475,196**

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

	At 31 December 2019			*At 31 December 2018*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	1,933,646	-	1,933,646	1,109,388	-	1,109,388
Amounts due from credit institutions	1,600,387	-	1,600,387	1,282,764	-	1,282,764
Investment securities	1,524,522	154,928	1,679,450	1,706,828	157,990	1,864,818
Loans to customers and finance lease	3,744,905	7,318,884	11,063,789	3,229,824	5,493,120	8,722,944
Accounts receivable and other loans	1,031	-	1,031	18,780	-	18,780
Prepayments	20,873	13,976	34,849	25,783	17,102	42,885
Inventories	5,719	-	5,719	8,377	-	8,377
Right-of-use assets	-	90,039	90,039	-	-	-
Investment properties	-	204,885	204,885	-	132,327	132,327
Property and equipment	-	322,576	322,576	-	294,647	294,647
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	90,224	90,224	-	72,802	72,802
Investments in subsidiaries	-	151,311	151,311	-	158,981	158,981
Income tax assets	-	-	-	19,159	-	19,159
Other assets	89,673	12,949	102,622	79,136	14,806	93,942
Assets held for sale	36,285	-	36,285	42,408	-	42,408
Total assets	**8,957,041**	**8,393,225**	**17,350,266**	**7,522,447**	**6,375,228**	**13,897,675**
Client deposits and notes	8,688,760	848,443	9,537,203	7,106,736	705,025	7,811,761
Amounts owed to credit institutions	2,327,470	1,151,899	3,479,369	1,538,573	1,020,704	2,559,277
Debt securities issued	713,711	1,285,092	1,998,803	357,274	1,278,655	1,635,929
Lease liability	20,113	68,422	88,535	-	-	-
Accruals and deferred income	33,833	10,237	44,070	38,712	1,326	40,038
Income tax liabilities	603	35,005	35,608	-	23,459	23,459
Other liabilities	97,957	-	97,957	59,721	-	59,721
Total liabilities	**11,882,447**	**3,399,098**	**15,281,545**	**9,101,016**	**3,029,169**	**12,130,185**
Net	**(2,925,406)**	**4,994,127**	**2,068,721**	**(1,578,569)**	**3,346,059**	**1,767,490**

30. Related party disclosures

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

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

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

30. Related party disclosures (continued)

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

	At 31 December 2020				
	The parent	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**
Cash and cash equivalents at 31 December	**-**	**54,871**	**99**	**-**	**-**
Interest income on amounts due from credit institutions	-	-	6	-	-
Loans outstanding at 1 January, gross	**-**	**-**	**13,832**	**-**	**6,721**
Loans issued during the year	-	-	7,729	-	7,798
Loan repayments during the year	-	-	(19,190)	-	(5,322)
Other movements**	-	-	859	-	1,452
Loans outstanding at 31 December, gross	**-**	**-**	**3,230**	**-**	**10,649**
Less: allowance for impairment at 31 December	-	-	(89)	-	(8)
Loans outstanding at 31 December, net	**-**	**-**	**3,141**	**-**	**10,641**
Interest income on loans	-	-	1,541	-	424
Expected credit loss	-	-	(66)	-	(69)
Deposits at 1 January	**39,504**	**50,673**	**9,241**	**3**	**30,476**
Deposits received during the year	252	20,391	24,628	163	23,211
Deposits repaid during the year	(25,431)	(2,565)	(573)	-	(19,565)
Other movements**	(7,227)	855	(145)	-	(1,502)
Deposits at 31 December	**7,098**	**69,354**	**33,151**	**166**	**32,620**
Interest expense on deposits	(1,777)	(809)	(1,973)	-	(1,249)
Borrowings at 1 January	**-**	**-**	**232**	**-**	**-**
Borrowings received during the year	-	-	-	-	-
Borrowings repaid during the year	-	-	-	-	-
Other movements**	-	-	611	-	-
Borrowings at 31 December	**-**	**-**	**843**	**-**	**-**
Interest expense on borrowings	-	-	-	-	-
Debt securities at 1 January	**37,237**	**-**	**-**	**-**	**-**
Debt securities received during the period	708	-	-	-	-
Debt securities repaid during the period	(37,298)	-	-	-	-
Other movements**	61	-	-	-	-
Debt securities at 31 December	**708**	**-**	**-**	**-**	**-**
Interest expense on debt securities issued	(1,619)	-	-	-	-
Commitments and guarantees issued	-	-	-	-	176

	At 31 December 2019					*At 31 December 2018*				
	The parent	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**	*The parent*	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**
Cash and cash equivalents at 31 December	**-**	**36,397**	**18**	**-**	**-**	**-**	**36,505**	**72**	**-**	**-**
Interest income on amounts due from credit institutions	-	-	-	-	-	-	-	2	-	-
Loans outstanding at 1 January, gross	**-**	**-**	**17,224**	**-**	**1,654**	**-**	**101,956**	**14,800**	**-**	**2,361**
Loans issued during the year	-	380	9,891	-	6,347	-	26,030	14,866	-	2,768
Loan repayments during the year	-	(380)	(13,816)	-	(3,500)	-	(34,359)	(12,713)	-	(2,474)
Other movements**	-	-	533	-	2,220	-	(93,627)	271	-	(1,001)
Loans outstanding at 31 December, gross	**-**	**-**	**13,832**	**-**	**6,721**	**-**	**-**	**17,224**	**-**	**1,654**
Less: allowance for impairment at 31 December	-	-	(23)	-	(12)	-	-	(152)	-	-
Loans outstanding at 31 December, net	**-**	**-**	**13,809**	**-**	**6,709**	**-**	**-**	**17,072**	**-**	**1,654**
Interest income on loans	-	3	1,928	-	304	-	2,900	1,386	-	62
Expected credit loss	-	-	129	-	(30)	-	-	105	-	-
Deposits at 1 January	**46,012**	**31,628**	**4,175**	**327**	**14,472**	**42,720**	**396,678**	**1,942**	**33**	**25,718**
Deposits received during the year	16,533	29,666	6,110	-	21,222	3,299	2,701	3,266	361	9,363
Deposits repaid during the year	(22,816)	(9,952)	(917)	(103)	(14,402)	-	(24,649)	(1,308)	-	(774)
Other movements**	(225)	(669)	(127)	(221)	9,184	(7)	(343,102)	275	(67)	(19,835)
Deposits at 31 December	**39,504**	**50,673**	**9,241**	**3**	**30,476**	**46,012**	**31,628**	**4,175**	**327**	**14,472**
Interest expense on deposits	(1,761)	(849)	(1,057)	-	(1,117)	(989)	(564)	(809)	-	(410)
Borrowings at 1 January	**-**	**-**	**309**	**-**	**-**	**386,508**	**-**	**5,039**	**-**	**-**
Borrowings received during the year	-	-	-	-	-	-	-	26	-	-
Borrowings repaid during the year	-	-	-	-	-	-	-	(4,742)	-	-
Other movements**	-	-	(77)	-	-	(386,508)	-	(14)	-	-
Borrowings at 31 December	**-**	**-**	**232**	**-**	**-**	**-**	**-**	**309**	**-**	**-**
Interest expense on borrowings	-	-	-	-	-	(2,141)	-	(2)	-	-
Debt securities at 1 January	**-**	**-**	**-**	**-**	**-**	**-**	**27,329**	**-**	**-**	**-**
Debt securities received during the period	34,424	-	-	-	-	-	-	-	-	-
Debt securities repaid during the period	-	-	-	-	-	-	-	-	-	-
Other movements**	2,813	-	-	-	-	-	(27,329)	-	-	-
Debt securities at 31 December	**37,237**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest expense on debt securities issued	(1,150)	-	-	-	-	-	-	-	-	-
Commitments and guarantees issued	-	-	-	-	-	-	-	1,805	-	-

**** Key management personnel includes members of BOG's Supervisory Board, BOG's Management Board and key executives of the Bank.***
***** In 2019, other movements for the key management personnel accounts mainly relate to the net effect of the change of the key management members. In 2018, other movements mainly relate to the Demerger.***

30. Related party disclosures (continued)

Compensation of key management comprised the following:

	2020	2019	2018
Salaries and other benefits	9,197	13,041	4,504
Share-based payments compensation *	27,188	39,553	56,711
Social security costs	-	-	69
Total key management compensation	**36,385**	**52,594**	**61,284**

**** In 2019 and 2018, share-based compensation included GEL 3,985 and 28,347, respectively, for key management personnel reflected in the non-recurring items.***

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 26). The number of key management personnel at 31 December 2020 was 20 (31 December 2019: 22, 31 December 2018: 16).

31. Capital adequacy

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

During the year ended 31 December 2020, the Bank complied in full with all its externally imposed capital requirements.

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

NBG (Basel III) capital adequacy ratio

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

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

Following capital adequacy initiatives were introduced:

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

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

31. Capital adequacy (continued)

NBG (Basel III) capital adequacy ratio (continued)

As at 31 December 2020, 31 December 2019 and 31 December 2018, the Bank's capital adequacy ratio on this basis was as follows:

	2020	*2019*	*2018*
Tier 1 capital	1,989,190	1,887,571	1,379,953
Tier 2 capital	830,145	616,113	502,355
Total capital	**2,819,335**	**2,503,684**	**1,882,308**
Risk-weighted assets	**16,040,094**	**13,868,169**	**11,338,660**
Tier 1 capital ratio	**12.4%**	**13.6%**	**12.2%**
Total capital ratio	**17.6%**	**18.1%**	**16.6%**
Min. requirement for Tier 1 capital ratio	**9.2%**	**12.2%**	**11.4%**
Min. requirement for Total capital ratio	**13.8%**	**17.1%**	**15.9%**

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the separate statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 December 2020, 31 December 2019 and 31 December 2018, was as follows:

	2020	*2019*	*2018*
Tier 1 capital	2,414,358	2,056,986	1,697,992
Less: Deductions - Goodwill	(33,453)	(33,453)	(33,453)
Tier 2 capital	1,309,028	947,794	629,746
Less: Deductions from capital	(10)	(10)	(10)
Total capital	**3,689,923**	**2,971,317**	**2,294,275**
Risk-weighted assets	**17,029,786**	**14,428,008**	**11,541,618**
Total capital ratio	21.7%	20.6%	19.9%
Tier 1 capital ratio	14.0%	14.0%	14.4%
Minimum capital adequacy ratio	**8.0%**	**8.0%**	**8.0%**

32. Events after the reporting period

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 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.