JSC Bank of Georgia and Subsidiaries
Interim Condensed Consolidated Financial Statements

30 June 2022

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Supervisory Board of JSC Bank of Georgia

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Bank of Georgia and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2022 and the related interim condensed
consolidated income statement and interim condensed consolidated statement of
comprehensive income for the six-month periods then ended, interim condenses consolidated statement of changes in equity and interim condenses consolidated cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condenses consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial statement based on our review.

Scope of review

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

Conclusion

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

Ruslan Khoroshvili
On behalf of EY LLC

29 August 2022

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Conclusion

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



Ruslan Khoroshvili
On behalf of EY LLC

29 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Notes	As at 30 June 2022 (unaudited)	As at 31 December 2021
Assets			
Cash and cash equivalents	6	2,762,427	1,494,452
Amounts due from credit institutions	7	1,751,791	1,917,939
Investment securities	8	3,195,007	2,563,961
Loans to customers and finance lease receivables	9	16,269,360	15,998,166
Accounts receivable and other loans		17,947	23,432
Prepayments		65,240	58,160
Inventories		5,414	6,243
Right-of-use assets		85,078	77,676
Investment properties		193,173	231,707
Property and equipment		352,245	343,025
Goodwill		33,453	33,453
Intangible assets		126,125	124,775
Income tax assets	10	816	292
Other assets	11	345,054	241,200
Assets held for sale		43,137	46,731
Total assets		**25,246,267**	**23,161,212**
Liabilities			
Client deposits and notes	12	15,169,232	14,081,438
Amounts owed to credit institutions	13	4,926,836	4,118,462
Debt securities issued	14	1,305,584	1,460,479
Lease liability		89,416	85,098
Accruals and deferred income		76,019	76,600
Income tax liabilities	10	50,420	110,868
Other liabilities	11	325,451	177,044
Total liabilities		**21,942,958**	**20,109,989**
Equity	16		
Share capital		27,994	27,994
Additional paid-in capital		172,215	180,969
Treasury shares		(10)	(10)
Other reserves		(68,205)	(24,070)
Retained earnings		3,171,315	2,866,340
Total equity		**3,303,309**	**3,051,223**
Total liabilities and equity		**25,246,267**	**23,161,212**

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

Mel Carvill — Supervisory Board Chairman

29 August 2022

The accompanying selected explanatory Notes on pages 6 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Notes	As at 30 June 2022 (unaudited)	As at 31 December 2021
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Archil Gachechiladze — Chief Executive Officer

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Mel Carvill — Supervisory Board Chairman

29 August 2022

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2022 (unaudited)	For the six months ended 30 June 2021 (unaudited)
Interest income calculated using EIR method		1,054,056	848,684
Other interest income		11,405	14,143
Interest income		**1,065,461**	**862,827**
Interest expense		(509,999)	(421,558)
Deposit insurance fees		(8,301)	(7,163)
Net interest income	17	**547,161**	**434,106**
Fee and commission income		237,468	168,949
Fee and commission expense		(121,341)	(78,361)
Net fee and commission income	18	**116,127**	**90,588**
Net foreign currency gain		188,823	40,505
Net other income		5,269	49,583
Operating income		**857,380**	**614,782**
Salaries and other employee benefits		(158,132)	(115,896)
Administrative expenses		(65,467)	(48,604)
Depreciation, amortisation and impairment		(46,060)	(40,415)
Other operating expenses		(2,411)	(1,588)
Operating expenses		**(272,070)**	**(206,503)**
Profit from associates		376	(4,132)
Operating income before cost of risk		**585,686**	**404,147**
Expected credit loss on loans to customers	19	(54,317)	(4,247)
Expected credit loss on finance lease receivables	19	(2,180)	(1,614)
Other expected credit (loss) / recovery	19	(5,204)	11,733
Impairment charge on other assets and provisions		(5,189)	(5,053)
Cost of risk		**(66,890)**	**819**
Net operating income before non-recurring items		**518,796**	**404,966**
Net non-recurring items		(29)	(417)
Profit before income tax expense		**518,767**	**404,549**
Income tax benefit (expense)	10	(57,604)	(34,077)
Profit for the Period		**461,163**	**370,472**
Basic and diluted earnings per share	16	16.4796	13.2388

The accompanying selected explanatory Notes on pages 6 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2022 (unaudited)	For the six months ended 30 June 2021 (unaudited)
Profit for the period		**461,163**	**370,472**
Other comprehensive (loss) income			
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent period:			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	(40,615)	(32,493)
– Realised gain on financial assets measured at FVOCI		(330)	(25,338)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement		3,006	(1,134)
– Loss from currency translation differences		(16,950)	(2,738)
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent period		**(54,889)**	**(61,703)**
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period:			
– Net income (loss) on investments in equity instruments designated at FVOCI		(369)	1,185
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**(369)**	**1,185**
Other comprehensive (loss) income for the period, net of tax		**(55,258)**	**(60,518)**
Total comprehensive income for the period		**405,905**	**309,954**

The accompanying selected explanatory Notes on pages 6 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total equity*
31 December 2020	**27,994**	**216,974**	**(10)**	**47,997**	**2,195,345**	**2,488,300**
Profit for the six months ended 30 June 2021 (unaudited)	-	-	-	-	370,472	370,472
Other comprehensive income for the six months ended 30 June 2021 (unaudited)	-	-	-	(59,794)	(724)	(60,518)
Total comprehensive income for the six months ended 30 June 2021 (unaudited)	**-**	**-**	**-**	**(59,794)**	**369,748**	**309,954**
Increase in equity arising from share-based payments	-	21,678	-	-	-	21,678
Contributions under share-based payment plan	-	(39,262)	-	-	-	(39,262)
30 June 2021 (unaudited)	**27,994**	**199,390**	**(10)**	**(11,797)**	**2,565,093**	**2,780,670**
31 December 2021	**27,994**	**180,969**	**(10)**	**(24,070)**	**2,866,340**	**3,051,223**
Profit for the six months ended 30 June 2022 (unaudited)	-	-	-	-	461,163	461,163
Other comprehensive income for the six months ended 30 June 2022 (unaudited)	-	-	-	(44,135)	(11,123)	(55,258)
Total comprehensive income for the six months ended 30 June 2022 (unaudited)	**-**	**-**	**-**	**(44,135)**	**450,040**	**405,905**
Increase in equity arising from share-based payments	-	47,680	-	-	-	47,680
Dividends to shareholders of the Bank (Note 16)	-	-	-	-	(145,065)	(145,065)
Contributions under share-based payment plan	-	(56,434)	-	-	-	(56,434)
30 June 2022 (unaudited)	**27,994**	**172,215**	**(10)**	**(68,205)**	**3,171,315**	**3,303,309**

The accompanying selected explanatory Notes on pages 6 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2022 (unaudited)	For the six months ended 30 June 2021 (unaudited)
Cash flows from operating activities			
Interest received		1,021,873	874,550
Interest paid		(502,728)	(424,814)
Fees and commissions received		219,821	168,984
Fees and commissions paid		(121,341)	(78,361)
Net cash inflow from real estate		9,115	17,650
Net realised gains from foreign currencies		192,889	56,957
Recoveries of loans to customers previously written off		55,307	33,250
Other income received (expense paid)		1,594	1,480
Salaries and other employee benefits paid		(110,452)	(94,218)
General and administrative and operating expenses paid		(67,996)	(57,290)
Cash flows from operating activities before changes in operating assets and liabilities		**698,082**	**498,188**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		65,273	(91,871)
Loans to customers and finance lease receivables		(1,057,475)	(1,040,882)
Prepayments and other assets		(35,233)	(1,715)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		749,622	(15,925)
Debt securities issued		50,300	(42,375)
Client deposits and notes		1,612,570	241,662
Other liabilities		32,971	5,697
Net cash flows used in operating activities before income tax		**2,116,110**	**(447,221)**
Income tax paid		(118,612)	-
Net cash flows used in operating activities		**1,997,498**	**(447,221)**
Cash flows from (used in) investing activities			
Net sales (purchases) of investment securities		(654,630)	357,612
Proceeds from sale of investment properties and assets held for sale		40,099	61,150
Proceeds from sale of property and equipment and intangible assets		7,575	142
Purchase of property and equipment and intangible assets		(61,864)	(48,377)
Dividends received		-	401
Net cash flows from (used in) investing activities		**(668,820)**	**370,928**
Cash flows used in financing activities			
Repurchase of debt securities issued		(99,148)	(19,625)
Repayment of the principal portion of the debt securities issued		(31,397)	(15,614)
Proceeds from Additional Tier 1		148,120	-
Cash payments for the principal portion of the lease liability		(8,570)	(14,492)
Contributions under share-based payment plan		(56,434)	(60,205)
Net cash used in financing activities		**(47,429)**	**(109,936)**
Effect of exchange rates changes on cash and cash equivalents		(13,230)	(92,790)
Effect of expected credit losses on cash and cash equivalents		(44)	15
Net decrease in cash and cash equivalents		**1,267,975**	**(279,004)**
Cash and cash equivalents, beginning of the period	6	**1,494,452**	**1,983,188**
Cash and cash equivalents, end of the period	6	**2,762,427**	**1,704,184**

The accompanying selected explanatory Notes on pages 6 to 44 are an integral part of these interim condensed consolidated financial statements.

1. Principal activities

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

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2022, the Bank has 212 operating outlets in all major cities of Georgia (31 December 2021: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

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

As at 30 June 2022, 31 December 2021, JSC BGEO Group ("JSC BGEO") was the principal shareholder of the Bank:

	As at	
Shareholder	*30 June 2022 (unaudited)*	*31 December 2021*
JSC BGEO Group	79.78%	79.78%
Bank of Georgia Group PLC	19.78%	19.78%
Others*	0.44%	0.44%
Total	**100.00%**	**100.00%**

* Shares listed on the Georgian Stock Exchange

2. Basis of preparation

General

These interim condensed consolidated financial statements for the six months ended 30 June 2022 were prepared, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

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

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2021, signed and authorized for release on 14 April 2022.

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

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

Going concern

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

3. Summary of significant accounting policies

Basis of consolidation

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

Amendments effective from 1 January 2022

Amendments to IFRS 3 - Reference to the Conceptual Framework

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

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

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

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

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

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

Annual Improvements to IFRS Standards 2018–2020

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

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

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

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

Application of New Accounting Policies - Repossessed Assets (land and buildings)

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

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

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

3. Summary of significant accounting policies (continued)

Share-based payment transactions fixed in monetary terms

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

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

4. Significant accounting judgements and estimates

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

Management Overlays and improvements to the ECL methodology

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

Forward-looking information

Forward-looking variable assumptions

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

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

Georgia

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

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

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Belarus

Key drivers	ECL scenario	Assigned weight	As at 30 June 2022				Assigned weight	As at 31 December 2021			
			2022Q3	2022Q4	2023Q1	2023Q2		2022Q1	2022Q2	2022Q3	2022Q4
GDP growth in %											
	Upside	10%	-7.28%	-6.72%	-5.82%	3.03%	25%	1.57%	1.38%	3.49%	5.25%
	Base case	50%	-8.59%	-8.81%	-8.51%	-0.57%	50%	0.22%	-0.63%	0.77%	1.88%
	Downside	40%	-9.90%	-10.90%	-11.20%	-4.18%	25%	-1.13%	-2.64%	-1.95%	-1.49%
BYN/USD exchange rate %											
	Upside	10%	2.40%	1.56%	2.31%	1.83%	25%	0.53%	0.21%	0.42%	1.06%
	Base case	50%	4.91%	4.32%	3.79%	2.56%	50%	3.84%	2.14%	1.90%	1.87%
	Downside	40%	7.14%	6.67%	5.00%	3.13%	25%	6.79%	3.94%	2.93%	2.51%
CPI inflation rate in %											
	Upside	10%	15.21%	13.58%	9.70%	-0.04%	25%	1.31%	-0.03%	-0.90%	-0.66%
	Base case	50%	18.81%	18.78%	16.50%	8.25%	50%	3.14%	1.74%	0.74%	1.70%
	Downside	40%	22.41%	23.98%	23.30%	16.55%	25%	4.91%	3.40%	2.23%	3.97%

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

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

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

Sensitivity of ECL to forward looking assumptions

	As at 30 June 2022				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	150,941	2.90%	2.75%	2.87%	3.00%
Residential mortgage loans	38,290	0.95%	0.94%	0.95%	0.97%
Micro and SME loans	75,163	1.92%	1.86%	1.91%	1.98%
Consumer loans	150,698	4.62%	4.52%	4.59%	4.72%
Gold – pawn loans	2,998	1.74%	1.74%	1.74%	1.74%

	As at 31 December 2021				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	156,237	2.90%	2.89%	2.90%	2.93%
Residential mortgage loans	33,036	0.82%	0.80%	0.81%	0.85%
Micro and SME loans	74,441	1.99%	1.93%	1.96%	2.13%
Consumer loans	136,035	4.56%	4.46%	4.54%	4.70%
Gold – pawn loans	2,074	1.25%	1.25%	1.25%	1.26%

Fair value of financial instruments

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

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Measurement of fair value of investment properties

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

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

5. Segment information

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

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

RB	- Retail Banking (excluding Retail Banking of BNB) - principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfers and settlement services, and handling of customers' deposits for both individuals and legal entities. The Retail Banking business targets the emerging retail, mass retail and mass affluent segments, together with small and medium-sized enterprises, and micro businesses.
CIB	- Corporate Investment Banking - comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides private banking services to high net worth clients and brokerage services through Galt & Taggart.
BNB	- Comprising JSC Belarusky Narodny Bank mainly, principally providing retail and corporate banking services in Belarus.

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

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

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

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

5. Segment information (continued)

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

	Retail Banking	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	353,897	172,120	21,098	46	547,161
Net fee and commission income	90,387	21,844	3,896	-	116,127
Net foreign currency gain	109,267	47,022	32,534	-	188,823
Net other income	2,036	5,042	(1,809)	-	5,269
Operating income	**555,587**	**246,028**	**55,719**	**46**	**857,380**
Operating expenses	(202,523)	(44,664)	(24,837)	(46)	(272,070)
Profit from associates	376	-	-	-	376
Operating income before cost of risk	**353,440**	**201,364**	**30,882**	**-**	**585,686**
Cost of risk	(84,871)	42,143	(24,162)	-	(66,890)
Net operating income before non-recurring items	**268,569**	**243,507**	**6,720**	**-**	**518,796**
Net non-recurring expense/loss	-	-	(29)	-	(29)
Profit before income tax	**268,569**	**243,507**	**6,691**	**-**	**518,767**
Income tax expense	(29,553)	(26,764)	(1,287)	-	(57,604)
Profit for the period	**239,016**	**216,743**	**5,404**	**-**	**461,163**
Assets and liabilities					
Total assets	16,714,251	7,573,789	985,687	(27,460)	25,246,267
Total liabilities	14,794,776	6,305,397	870,245	(27,460)	21,942,958
Other segment information					
Property and equipment	45,637	1,240	727	-	47,604
Intangible assets	12,889	834	2,081	-	15,804
Capital expenditure	**58,526**	**2,074**	**2,808**	**-**	**63,408**
Depreciation, amortisation and impairment	(41,356)	(2,088)	(2,616)	-	(46,060)

5. Segment information (continued)

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

	Retail Banking	*Corporate Investment banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	274,092	141,904	18,099	11	434,106
Net fee and commission income	68,607	18,789	3,192	-	90,588
Net foreign currency gain	21,988	11,942	6,575	-	40,505
Net other income	17,288	32,584	(185)	(104)	49,583
Operating income	**381,975**	**205,219**	**27,681**	**(93)**	**614,782**
Operating expenses	(155,111)	(33,488)	(17,997)	93	(206,503)
Profit from associates	(4,132)	-	-	-	(4,132)
Operating income before cost of risk	**222,732**	**171,731**	**9,684**	**-**	**404,147**
Cost of risk	(40,516)	41,030	305	-	819
Net operating income before non-recurring items	**182,216**	**212,761**	**9,989**	**-**	**404,966**
Net non-recurring expense/loss	-	(74)	(343)	-	(417)
Profit before income tax	**182,216**	**212,687**	**9,646**	**-**	**404,549**
Income tax expense	(14,994)	(17,136)	(1,947)	-	(34,077)
Profit for the period	**167,222**	**195,551**	**7,699**	**-**	**370,472**
Assets and liabilities					
Total assets	14,790,294	7,392,592	980,920	(2,594)	23,161,212
Total liabilities	13,056,451	6,209,869	846,263	(2,594)	20,109,989
Other segment information					
Property and equipment	25,759	1,569	275	-	27,603
Intangible assets	16,302	1,418	2,792	-	20,512
Capital expenditure	**42,061**	**2,987**	**3,067**	**-**	**48,115**
Depreciation, amortisation and impairment	(34,198)	(3,825)	(2,392)	-	(40,415)

6. Cash and cash equivalents

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Cash on hand	770,142	774,253
Current accounts with central banks, exduding obligatory reserves	188,185	126,627
Current accounts with credit institutions	1,014,598	364,912
Time deposits with credit institutions with maturities of up to 90 days	789,571	228,685
Cash and cash equivalents, gross	**2,762,496**	**1,494,477**
Less – Allowance for expected credit loss	(69)	(25)
Cash and cash equivalents, net	**2,762,427**	**1,494,452**

Of the above cash and cash equivalents as at 30 June 2022, GEL 1,614,416 (31 December 2021: GEL 417,228) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 1.73% interest per annum on these deposits (31 December 2021: up to 0.07%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts due from credit institutions

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Obligatory reserves with central banks	1,740,550	1,898,052
Time deposits with maturities of more than 90 days	7,322	15,488
Deposits pledged as security for open commitments	4,421	4,730
Amounts due from credit institutions, gross	**1,752,293**	**1,918,270**
Less – Allowance for expected credit loss	(502)	(331)
Amounts due from credit institutions, net	**1,751,791**	**1,917,939**

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

8. Investment securities

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Investment securities measured at FVOCI - debt instruments	3,078,647	2,558,542
Investment securities designated as at FVOCI - equity investments	4,558	5,419
Investment securities	**3,083,205**	**2,563,961**

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

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Ministry of Finance of Georgia treasury bonds*	1,711,420	1,312,001
Ministry of Finance of Georgia treasury bills**	150,410	82,196
Foreign treasury bonds	111,477	79,156
Certificates of deposit of central banks	87,008	39,410
Other debt instruments***	1,018,332	1,045,779
Investment securities designated as measured at FVOCI - debt instruments	**3,078,647**	**2,558,542**

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

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

Foreign treasury bonds comprise of Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL Nil (31 December 2021: GEL 15,992), Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 40,424 (31 December 2021: GEL 63,164) and United Kingdom Treasury Notes in amount of GEL 71,053 (31 December 2021: GEL Nil).

9. Loans to customers and finance lease receivables

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Commercial loans	5,207,484	5,380,396
Residential mortgage loans	4,020,973	4,022,058
Micro and SME loans	3,914,718	3,731,756
Consumer loans	3,264,026	2,981,305
Gold – pawn loans	172,119	165,417
Loans to customers at amortised cost, gross	**16,579,320**	**16,280,932**
Less – Allowance for expected credit loss	(418,090)	(401,823)
Loans to customers at amortised cost, net	**16,161,230**	**15,879,109**
Finance lease receivables, gross	**115,812**	**124,952**
Less – Allowance for expected credit loss	(7,682)	(5,895)
Finance lease receivables, net	**108,130**	**119,057**
Total loans to customers and finance lease receivables	**16,269,360**	**15,998,166**

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

Expected credit loss

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

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

Commercial loans at amortised cost, gross:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**4,764,048**	**374,933**	**223,401**	**18,014**	**5,380,396**
New financial asset originated or purchased	2,261,010	8,249	465	2,739	2,272,463
Transfer to Stage 1	67,899	(67,899)	-	-	-
Transfer to Stage 2	(490,151)	496,088	(5,937)	-	-
Transfer to Stage 3	(4,405)	(24,475)	28,880	-	-
Assets derecognised due to pass-through arrangement	(3,205)	(5)	-	-	(3,210)
Assets repaid	(2,067,131)	(56,705)	(61,982)	(6,366)	(2,192,184)
Resegmentation	86,614	1,037	(5,665)	-	81,986
Impact of modifications	1,662	702	290	(4)	2,650
Write-offs	-	-	(728)	-	(728)
Recoveries of amounts previously written off	-	-	39,217	-	39,217
Unwind of discount	-	-	(395)	116	(279)
Currency translation differences	(35,193)	(1,510)	(2,282)	-	(38,985)
Foreign exchange movement	(315,007)	(48,597)	(12,245)	(769)	(376,618)
Net other changes	37,435	3,106	2,637	(402)	42,776
Balance at 30 June 2022	**4,303,576**	**684,924**	**205,656**	**13,328**	**5,207,484**
Individually assessed	-	-	184,746	10,630	195,376
Collectively assessed	4,303,576	684,924	20,910	2,698	5,012,108
Balance at 30 June 2022	**4,303,576**	**684,924**	**205,656**	**13,328**	**5,207,484**

Commercial loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**12,992**	**6,893**	**133,426**	**2,926**	**156,237**
New financial asset originated or purchased	8,435	55	228	966	9,684
Transfer to Stage 1	651	(651)	-	-	-
Transfer to Stage 2	(2,547)	6,695	(4,148)	-	-
Transfer to Stage 3	(196)	(1,128)	1,324	-	-
Impact on ECL of exposures transferred between stages during the period	(214)	(2,198)	2,495	-	83
Assets derecognised due to pass-through arrangement	(55)	-	-	-	(55)
Assets repaid	(4,211)	(2,196)	(47,181)	(9)	(53,597)
Resegmentation	858	(360)	(740)	-	(242)
Impact of modifications	32	(33)	3	-	2
Write-offs	-	-	(728)	-	(728)
Recoveries of amounts previously written off	-	-	39,217	-	39,217
Unwind of discount	-	-	(395)	116	(279)
Currency translation differences	(1,190)	(1,511)	(2,724)	(26)	(5,451)
Foreign exchange movement	(336)	(717)	(4,785)	(669)	(6,507)
Net other measurement of ECL	(68)	15,123	(4,845)	2,367	12,577
Balance at 30 June 2022	**14,151**	**19,972**	**111,147**	**5,671**	**150,941**
Individually assessed	-	-	101,260	5,570	106,830
Collectively assessed	14,151	19,972	9,887	101	44,111
Balance at 30 June 2022	**14,151**	**19,972**	**111,147**	**5,671**	**150,941**

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**3,629,369**	**259,970**	**104,514**	**28,205**	**4,022,058**
New financial asset originated or purchased	676,208	-	-	6,698	682,906
Transfer to Stage 1	188,388	(188,243)	(145)	-	-
Transfer to Stage 2	(223,557)	247,473	(23,916)	-	-
Transfer to Stage 3	(30,196)	(24,471)	54,667	-	-
Assets repaid	(450,026)	(32,561)	(29,424)	(7,620)	(519,631)
Impact of modifications	54	27	(1,425)	(52)	(1,396)
Write-offs	-	-	(1,904)	(394)	(2,298)
Recoveries of amounts previously written off	-	-	2,420	175	2,595
Unwind of discount	-	-	216	20	236
Currency translation differences	(4,915)	(158)	(18)	-	(5,091)
Foreign exchange movement	(140,040)	(10,853)	(6,743)	(1,430)	(159,066)
Net other changes	1,053	(272)	(414)	293	660
Balance at 30 June 2022	**3,646,338**	**250,912**	**97,828**	**25,895**	**4,020,973**
Individually assessed	-	-	515	-	515
Collectively assessed	3,646,338	250,912	97,313	25,895	4,020,458
Balance at 30 June 2022	**3,646,338**	**250,912**	**97,828**	**25,895**	**4,020,973**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**9,701**	**3,803**	**17,039**	**2,493**	**33,036**
New financial asset originated or purchased	7,307	-	-	690	7,997
Transfer to Stage 1	2,659	(2,593)	(66)	-	-
Transfer to Stage 2	(1,690)	4,610	(2,920)	-	-
Transfer to Stage 3	(4,208)	(661)	4,869	-	-
Impact on ECL of exposures transferred between stages during the period	(879)	(1,964)	3,670	-	827
Assets repaid	(853)	(550)	(7,009)	(1,090)	(9,502)
Impact of modifications	1	1	408	61	471
Write-offs	-	-	(1,904)	(394)	(2,298)
Recoveries of amounts previously written off	-	-	2,420	175	2,595
Unwind of discount	-	-	216	20	236
Currency translation differences	(2)	(2)	(1)	-	(5)
Foreign exchange movement	(165)	(82)	(1,069)	(311)	(1,627)
Net other measurement of ECL	(2,835)	872	5,957	2,566	6,560
Balance at 30 June 2022	**9,036**	**3,434**	**21,610**	**4,210**	**38,290**
Individually assessed	-	-	28	-	28
Collectively assessed	9,036	3,434	21,582	4,210	38,262
Balance at 30 June 2022	**9,036**	**3,434**	**21,610**	**4,210**	**38,290**

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**3,280,149**	**293,473**	**151,499**	**6,635**	**3,731,756**
New financial asset originated or purchased	1,508,869	3,980	1,469	2,266	1,516,584
Transfer to Stage 1	170,742	(170,742)	-	-	-
Transfer to Stage 2	(256,916)	284,269	(27,353)	-	-
Transfer to Stage 3	(22,954)	(53,011)	75,965	-	-
Assets repaid	(996,535)	(63,157)	(29,009)	(5,633)	(1,094,334)
Resegmentation	(86,613)	(1,037)	5,373	-	(82,277)
Impact of modifications	142	37	(629)	(10)	(460)
Write-offs	-	-	(12,193)	(62)	(12,255)
Recoveries of amounts previously written off	-	-	5,261	49	5,310
Unwind of discount	-	-	687	25	712
Currency translation differences	(9,705)	(1,171)	(1,649)	-	(12,525)
Foreign exchange movement	(152,434)	(17,161)	(11,117)	(245)	(180,957)
Net other changes	37,096	2,318	3,696	54	43,164
Balance at 30 June 2022	**3,471,841**	**277,798**	**162,000**	**3,079**	**3,914,718**
Individually assessed	-	-	33,359	-	33,359
Collectively assessed	3,471,841	277,798	128,641	3,079	3,881,359
Balance at 30 June 2022	**3,471,841**	**277,798**	**162,000**	**3,079**	**3,914,718**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**28,177**	**6,556**	**39,584**	**124**	**74,441**
New financial asset originated or purchased	24,623	68	97	161	24,949
Transfer to Stage 1	4,523	(4,523)	-	-	-
Transfer to Stage 2	(5,195)	9,994	(4,799)	-	-
Transfer to Stage 3	(5,786)	(3,428)	9,214	-	-
Impact on ECL of exposures transferred between stages during the period	(538)	(3,750)	13,958	-	9,670
Assets repaid	(7,663)	(1,377)	(10,007)	(392)	(19,439)
Resegmentation	(858)	360	740	-	242
Impact of modifications	6	(13)	(297)	20	(284)
Write-offs	-	-	(12,193)	(62)	(12,255)
Recoveries of amounts previously written off	-	-	5,261	49	5,310
Unwind of discount	-	-	687	25	712
Currency translation differences	(121)	(134)	(987)	-	(1,242)
Foreign exchange movement	(814)	(130)	(2,153)	(45)	(3,142)
Net other measurement of ECL	(13,046)	2,737	5,721	789	(3,799)
Balance at 30 June 2022	**23,308**	**6,360**	**44,826**	**669**	**75,163**
Individually assessed	-	-	14,112	-	14,112
Collectively assessed	23,308	6,360	30,714	669	61,051
Balance at 30 June 2022	**23,308**	**6,360**	**44,826**	**669**	**75,163**

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**2,635,438**	**215,026**	**107,642**	**23,199**	**2,981,305**
New financial asset originated or purchased	1,629,310	4,216	609	5,218	1,639,353
Transfer to Stage 1	173,740	(173,550)	(190)	-	-
Transfer to Stage 2	(302,713)	333,342	(30,629)	-	-
Transfer to Stage 3	(75,752)	(75,922)	151,674	-	-
Assets repaid	(1,162,331)	(51,256)	(29,621)	(9,310)	(1,252,518)
Resegmentation	(1)	-	316	-	315
Impact of modifications	316	(77)	(8,898)	(854)	(9,513)
Write-offs	-	-	(68,790)	(3,225)	(72,015)
Recoveries of amounts previously written off	-	-	7,866	327	8,193
Unwind of discount	-	-	3,100	577	3,677
Currency translation differences	(15,460)	(95)	(163)	-	(15,718)
Foreign exchange movement	(43,174)	(1,925)	(819)	(338)	(46,256)
Net other changes	15,537	631	10,370	665	27,203
Balance at 30 June 2022	**2,854,910**	**250,390**	**142,467**	**16,259**	**3,264,026**
Individually assessed	-	-	1,076	-	1,076
Collectively assessed	2,854,910	250,390	141,391	16,259	3,262,950
Balance at 30 June 2022	**2,854,910**	**250,390**	**142,467**	**16,259**	**3,264,026**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**57,083**	**19,410**	**58,731**	**811**	**136,035**
New financial asset originated or purchased	74,787	747	288	595	76,417
Transfer to Stage 1	15,692	(15,679)	(13)	-	-
Transfer to Stage 2	(21,544)	34,134	(12,590)	-	-
Transfer to Stage 3	(35,152)	(17,496)	52,648	-	-
Impact on ECL of exposures transferred between stages during the period	(2,331)	(9,833)	27,468	-	15,304
Assets repaid	(24,573)	(4,736)	(16,783)	(2,262)	(48,354)
Impact of modifications	38	(8)	(4,241)	58	(4,153)
Write-offs	-	-	(68,790)	(3,225)	(72,015)
Recoveries of amounts previously written off	-	-	7,866	327	8,193
Unwind of discount	-	-	3,100	577	3,677
Currency translation differences	(133)	(19)	(70)	-	(222)
Foreign exchange movement	(136)	(33)	(464)	(33)	(666)
Net other measurement of ECL	(20,261)	16,038	32,499	8,206	36,482
Balance at 30 June 2022	**43,470**	**22,525**	**79,649**	**5,054**	**150,698**
Individually assessed	-	-	509	-	509
Collectively assessed	43,470	22,525	79,140	5,054	150,189
Balance at 30 June 2022	**43,470**	**22,525**	**79,649**	**5,054**	**150,698**

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**152,787**	**10,116**	**2,514**	**-**	**165,417**
New financial asset originated or purchased	72,711	1	31	-	72,743
Transfer to Stage 1	8,206	(8,206)	-	-	-
Transfer to Stage 2	(13,849)	14,634	(785)	-	-
Transfer to Stage 3	(1,697)	(1,576)	3,273	-	-
Assets repaid	(60,253)	(4,838)	(2,309)	-	(67,400)
Resegmentation	-	-	(24)	-	(24)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(187)	-	(187)
Recoveries of amounts previously written off	-	-	(8)	-	(8)
Currency translation differences	1	-	-	-	1
Foreign exchange movement	(15)	(2)	5	-	(12)
Net other changes	174	(9)	1,424	-	1,589
Balance at 30 June 2022	**158,065**	**10,120**	**3,934**	**-**	**172,119**
Individually assessed	-	-	-	-	-
Collectively assessed	158,065	10,120	3,934	-	172,119
Balance at 30 June 2022	**158,065**	**10,120**	**3,934**	**-**	**172,119**

Gold – pawn loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**1,822**	**11**	**241**	**-**	**2,074**
Transfer to Stage 1	8	(8)	-	-	-
Transfer to Stage 2	(6)	41	(35)	-	-
Transfer to Stage 3	(1)	(3)	4	-	-
Assets repaid	(7)	(1)	(40)	-	(48)
Write-offs	-	-	(187)	-	(187)
Recoveries of amounts previously written off	-	-	(8)	-	(8)
Net other measurement of ECL	715	(22)	474	-	1,167
Balance at 30 June 2022	**2,531**	**18**	**449**	**-**	**2,998**
Collectively assessed	2,531	18	449	-	2,998
Balance at 30 June 2022	**2,531**	**18**	**449**	**-**	**2,998**

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**3,287,844**	**314,215**	**168,476**	**25,849**	**3,796,384**
New financial asset originated or purchased	693,878	17	102	3,967	697,964
Transfer to Stage 1	288,606	(267,608)	(20,998)	-	-
Transfer to Stage 2	(175,439)	305,798	(130,359)	-	-
Transfer to Stage 3	(109,280)	(69,801)	179,081	-	-
Assets repaid	(454,609)	(56,060)	(37,834)	(4,739)	(553,242)
Resegmentation	(2)	-	-	-	(2)
Impact of modifications	995	666	621	12	2,294
Write-offs	-	-	(2,853)	(413)	(3,266)
Recoveries of amounts previously written off	-	-	584	92	676
Unwind of discount	-	-	49	(6)	43
Currency translation differences	(546)	(35)	(6)	-	(587)
Foreign exchange movement	(87,069)	(4,359)	(5,696)	(880)	(98,004)
Net other changes	(1,691)	(1,569)	246	42	(2,972)
Balance at 30 June 2021	**3,442,687**	**221,264**	**151,413**	**23,924**	**3,839,288**
Individually assessed	-	-	420	-	420
Collectively assessed	3,442,687	221,264	150,993	23,924	3,838,868
Balance at 30 June 2021	**3,442,687**	**221,264**	**151,413**	**23,924**	**3,839,288**

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

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**2,649,107**	**439,405**	**177,471**	**3,471**	**3,269,454**
New financial asset originated or purchased	1,526,045	9,209	549	2,677	1,538,480
Transfer to Stage 1	233,956	(227,297)	(6,659)	-	-
Transfer to Stage 2	(351,408)	413,106	(61,698)	-	-
Transfer to Stage 3	(68,830)	(64,838)	133,668	-	-
Assets repaid	(886,873)	(167,344)	(48,730)	(2,540)	(1,105,487)
Resegmentation	(120,747)	(37,004)	(11)	-	(157,762)
Impact of modifications	43	115	(2,419)	(3)	(2,264)
Write-offs	-	-	(23,853)	(171)	(24,024)
Recoveries of amounts previously written off	-	-	4,692	8	4,700
Unwind of discount	-	-	213	(9)	204
Currency translation differences	(1,246)	(68)	(230)	-	(1,544)
Foreign exchange movement	(95,255)	(14,790)	(5,296)	(101)	(115,442)
Net other changes	27,724	(1,515)	4,204	35	30,448
Balance at 30 June 2021	**2,912,516**	**348,979**	**171,901**	**3,367**	**3,436,763**
Individually assessed	-	-	26,501	-	26,501
Collectively assessed	2,912,516	348,979	145,400	3,367	3,410,262
Balance at 30 June 2021	**2,912,516**	**348,979**	**171,901**	**3,367**	**3,436,763**

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

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

Expected credit loss (continued)

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

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

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

Expected credit loss (continued)

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

Gold – pawn loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**39**	**16**	**172**	**-**	**227**
New financial asset originated or purchased	275	74	-	-	349
Transfer to Stage 1	29	(5)	(24)	-	-
Transfer to Stage 2	-	30	(30)	-	-
Transfer to Stage 3	(1)	(3)	4	-	-
Impact on ECL of exposures transferred between stages during the period	(24)	-	-	-	(24)
Assets repaid	(8)	(1)	(33)	-	(42)
Resegmentation	514	94	-	-	608
Write-offs	-	-	(100)	-	(100)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(1)	-	(1)
Net other measurement of ECL	(495)	61	138	-	(296)
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**
Collectively assessed	329	266	127	-	722
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**

Concentration of loans to customers

As at 30 June 2022, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,053,899 accounting for 6% of the gross loan portfolio of the Group (31 December 2021: GEL 1,187,521 and 7% respectively). An allowance of GEL 5,209 (31 December 2021: GEL 1,424) was established against these loans.

As at 30 June 2022, the concentration of loans granted by the Group to the ten largest third-party group of borrowers (borrower and its related parties) comprised GEL 1,812,766 accounting for 11% of the gross loan portfolio of the Group (31 December 2021: GEL 1,976,154 and 12% respectively). An allowance of GEL 10,251 (31 December 2021: GEL 6,128) was established against these loans.

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

Concentration of loans to customers (continued)

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

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,641,999	9,184,255
Trade	1,143,764	1,185,512
Manufacturing	1,043,127	1,189,008
Real estate	1,072,417	1,025,298
Hospitality	921,600	946,224
Electricity, gas and water supply	408,635	384,554
Construction	403,481	379,813
Service	288,595	307,602
Financial intermediation	257,503	261,965
Mining and quarrying	164,715	183,270
Transport & communication	215,118	234,512
Other	1,018,366	998,919
Loans to customers, gross	**16,579,320**	**16,280,932**
Less – Allowance for expected credit loss	(418,090)	(401,823)
Loans to customers, net	**16,161,230**	**15,879,109**

Loans have been extended to the following types of customers:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,641,999	9,184,255
Private companies	6,929,261	7,084,205
State-owned entities	8,060	12,472
Loans to customers, gross	**16,579,320**	**16,280,932**
Less – Allowance for expected credit loss	(418,090)	(401,823)
Loans to customers, net	**16,161,230**	**15,879,109**

Finance lease receivables

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

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

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

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

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

Finance lease receivables (continued)

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

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

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

Finance lease receivables, gross	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**81,174**	**17,584**	**16,612**	**9,582**	**124,952**
New financial asset originated or purchased	29,005	-	-	3,611	32,616
Transfer to Stage 1	18,381	(13,634)	(4,747)	-	-
Transfer to Stage 2	(16,921)	23,863	(6,942)	-	-
Transfer to Stage 3	(2,871)	(9,468)	12,339	-	-
Assets repaid	(35,163)	(6,837)	(4,686)	(2,524)	(49,210)
Resegmentation	9,570	3,830	1,823	-	15,223
Impact of modifications	50	-	-	-	50
Write-offs	-	-	(2,246)	-	(2,246)
Unwind of discount	-	-	3	40	43
Currency translation differences	(5,402)	(957)	383	-	(5,976)
Foreign exchange movement	29	(77)	10	(299)	(337)
Net other changes	191	(1)	35	472	697
Balance at 30 June 2022	**78,043**	**14,303**	**12,584**	**10,882**	**115,812**
Individually assessed	-	-	2,750	-	2,750
Collectively assessed	78,043	14,303	9,834	10,882	113,062
Balance at 30 June 2022	**78,043**	**14,303**	**12,584**	**10,882**	**115,812**

Finance lease receivables, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**1,126**	**763**	**2,810**	**1,196**	**5,895**
New financial asset originated or purchased	1,166	-	-	-	1,166
Transfer to Stage 1	1,060	(460)	(600)	-	-
Transfer to Stage 2	(1,073)	1,819	(746)	-	-
Transfer to Stage 3	(123)	(1,017)	1,140	-	-
Impact on ECL of exposures transferred between stages during the period	(986)	436	1,418	-	868
Assets repaid	(267)	(1,010)	(964)	(484)	(2,725)
Resegmentation	16	858	621	-	1,495
Impact of modifications	1	-	-	-	1
Write-offs	-	-	(925)	-	(925)
Unwind of discount	-	-	3	40	43
Currency translation differences	(89)	(40)	618	-	489
Foreign exchange movement	-	-	60	-	60
Net other measurement of ECL	153	(518)	435	1,245	1,315
Balance at 30 June 2022	**984**	**831**	**3,870**	**1,997**	**7,682**
Individually assessed	-	-	1,345	-	1,345
Collectively assessed	984	831	2,525	1,997	6,337
Balance at 30 June 2022	**984**	**831**	**3,870**	**1,997**	**7,682**

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 2020	**67,346**	**53,276**	**18,750**	**-**	**139,372**
New financial asset originated or purchased	46,350	-	468	2,021	48,839
Transfer to Stage 1	22,359	(22,338)	(21)	-	-
Transfer to Stage 2	(18,512)	29,840	(11,328)	-	-
Transfer to Stage 3	(710)	(10,697)	11,407	-	-
Assets repaid	(28,270)	(18,865)	(4,767)	(78)	(51,980)
Write-offs	-	-	(4,818)	-	(4,818)
Unwind of discount	-	-	3	-	3
Currency translation differences	(270)	-	(46)	-	(316)
Foreign exchange movement	811	1,591	(528)	(98)	1,776
Net other changes	(835)	(7)	(2)	151	(693)
Balance at 30 June 2021	**88,269**	**32,800**	**9,118**	**1,996**	**132,183**
Individually assessed	-	-	3,564	-	3,564
Collectively assessed	88,269	32,800	5,554	1,996	128,619
Balance at 30 June 2021	**88,269**	**32,800**	**9,118**	**1,996**	**132,183**

Finance lease receivables, ECL:

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

10. Taxation

The corporate income tax expense in income statement comprises:

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Current income (expense) benefit	(60,858)	(50,963)
Deferred income tax benefit	3,254	16,886
Income tax (expense) benefit	**(57,604)**	**(34,077)**

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

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

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

11. Other assets and other liabilities

Other assets comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Derivatives margin	1,406	18,586
Assets purchased for finance lease purposes	8,917	13,093
Receivables from remittance operations	50,604	34,996
Other receivables	20,888	18,463
Investments in associates	8,807	8,917
Derivative financial assets	131,139	135,079
Operating tax assets	11,389	7,000
Foreclosed assets	52,482	3,216
Other	74,176	16,216
Other assets, gross	**359,808**	**255,566**
Less – Allowance for impairment of other assets	(14,754)	(14,366)
Other assets, net	**345,054**	**241,200**

11. Other assets and other liabilities (continued)

Other liabilities comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Derivative financial liabilities	5,098	7,865
Creditors	32,824	28,447
Provisions	5,026	5,793
Other taxes payable	6,305	10,093
Payables for remittance operations	39,155	8,457
Accounts payable	2,745	3,423
Dividends payable	146,755	1,713
Advances received	1,465	265
Derivatives margin	72,431	98,844
Other	13,647	12,144
Other liabilities	**325,451**	**177,044**

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.

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

12. Client deposits and notes

The amounts due to customers include the following:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Current accounts	8,046,002	7,053,360
Time deposits	7,123,230	7,028,078
Client deposits and notes	**15,169,232**	**14,081,438**

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

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

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,176,873	8,399,292
Private enterprises	5,114,319	5,060,010
State and state-owned entities	878,040	622,136
Client deposits and notes	**15,169,232**	**14,081,438**

12. Client deposits and notes (continued)

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

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,176,873	8,399,292
Government services	869,614	613,710
Financial intermediation	1,153,048	1,433,939
Trade	956,660	853,235
Construction	635,772	664,695
Transport & communication	496,892	399,010
Manufacturing	482,622	443,864
Service	463,682	361,158
Real estate	191,314	214,670
Electricity, gas and water supply	112,691	112,244
Hospitality	101,890	70,375
Other	528,174	515,246
Client deposits and notes	**15,169,232**	**14,081,438**

13. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Short-term loans from National Bank of Georgia	2,242,322	1,413,333
Borrowings from international credit institutions	1,448,631	1,667,915
Correspondent accounts	392,313	170,411
Additional Tier 1	147,161	
Time deposits and inter-bank loans	118,581	198,037
	4,349,008	**3,449,696**
Non-convertible subordinated debt	577,828	668,766
Amounts due to credit institutions	**4,926,836**	**4,118,462**

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

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

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

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

14. Debt securities issued

Debt securities issued comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Eurobonds and notes issued	803,709	938,372
Additional Tier 1 capital notes issued	289,718	306,239
Local bonds	45,220	87,384
Certificates of deposit	166,937	128,484
Debt securities issued	**1,305,584**	**1,460,479**

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	**Additional Tier 1 capital notes issued**
Carrying amount at 31 December 2020	**1,442,298**	**282,407**
Repayment of the principal portion of the debt securities issued	(440,410)	-
Other movements	(36,582)	29,570
Carrying amount at 30 June 2021 (unaudited)	**965,306**	**311,977**
Carrying amount at 31 December 2021	**938,372**	**306,239**
Repurchase of debt securities issued	(99,148)	-
Repayment of the principal portion of the debt securities issued	(31,397)	-
Other movements	(4,118)	(16,521)
Carrying amount at 30 June 2022 (unaudited)	**803,709**	**289,718**

15. Commitments and contingencies

Legal

Sai-invest

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

Financial commitments and contingencies

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

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Credit-related commitments		
Guarantees issued	1,567,143	1,686,913
Letters of credit	83,130	71,676
Undrawn loan facilities	691,055	809,481
	2,341,328	**2,568,070**
Less – Cash held as security against letters of credit and guarantees (Note 12)	(121,365)	(117,379)
Less – Provisions	(5,026)	(5,793)
Operating lease commitments		
Not later than 1 year	1,625	1,875
Later than 1 year but not later than 5 years	2,471	2,486
Later than 5 years	718	986
	4,814	**5,347**
Capital expenditure commitments	**9,690**	**4,539**

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

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

16. Equity

Share capital

As at 30 June 2022 and 31 December 2021 authorized common capital comprised 43,308,125 shares. Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 30 June 2022, 31 December 2021 and 30 June 2021 remained unchanged at 27,993,660 shares issued correspondingly to GEL 27,994.

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2020	**27,993,660**	**27,994**
30 June 2021 (unaudited)	**27,993,660**	**27,994**
31 December 2021	**27,993,660**	**27,994**
30 June 2022 (unaudited)	**27,993,660**	**27,994**

16. Equity (continued)

Share capital (continued)

Treasury shares

The number of treasury shares held by the Group as at 30 June 2022, comprised 10,173 (31 December 2021: 10,173), with nominal amount of GEL 10 (31 December 2021: GEL 10).

Dividends

Shareholders are entitled to dividends in Georgian Lari.

On 20 June 2022, the Board of JSC Bank of Georgia declared a final dividend for 2021 of Georgian Lari 5.18 per share. Payment of the total GEL 145,065 final dividends was received by shareholders on 5 July 2022.

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

Nature and purpose of other reserves

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

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

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

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

Earnings per share

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Basic and diluted earnings per share		
Profit for the period attributable to ordinary shareholders of the Bank	461,163	370,472
Weighted average number of ordinary shares outstanding during the period	27,983,827	27,983,827
Earnings per share	16.4796	13.2388

17. Net interest income

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Interest income calculated using EIR method	**1,054,056**	**848,684**
From loans to customers	914,489	749,303
From investment securities	135,019	94,587
From amounts due from credit institutions	13,217	8,922
Net loss on modification of financial assets	(8,669)	(4,128)
Other interest income	**11,405**	**14,143**
From finance lease receivable	11,405	14,133
From other assets	-	10
Interest income	**1,065,461**	**862,827**
On client deposits and notes	(267,805)	(255,990)
On amounts owed to credit institutions	(202,427)	(123,883)
On debt securities issued	(49,550)	(56,780)
Interest element of cross-currency swaps	12,093	18,016
On lease liability	(2,310)	(2,921)
Interest expense	**(509,999)**	**(421,558)**
Deposit insurance fees	(8,301)	(7,163)
Net interest income	**547,161**	**434,106**

18. Net fee and commission income

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Settlements operations	189,964	134,797
Guarantees and letters of credit	17,382	17,043
Cash operations	13,765	8,266
Currency conversion operations	13,671	5,374
Brokerage service fees	16	45
Other	2,670	3,424
Fee and commission income	**237,468**	**168,949**
Settlements operations	(107,637)	(69,977)
Guarantees and letters of credit	(219)	(351)
Cash operations	(9,169)	(3,824)
Currency conversion operations	(1,519)	(685)
Insurance brokerage service fees	(595)	(530)
Other	(2,202)	(2,994)
Fee and commission expense	**(121,341)**	**(78,361)**
Net fee and commission income	**116,127**	**90,588**

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

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

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	(44)	-	-	-	-	(44)
Amounts due from credit institutions	(192)	-	-	-	-	(192)
Investment securities measured at amortised cost - debt instruments	(456)	-	-	-	-	(456)
Investment securities measured at FVOCI - debt instruments	(3,006)	-	-	-	-	(3,006)
Loans to customers at amortised cost	15,833	(17,302)	16,289	(57,469)	(11,668)	(54,317)
Finance lease receivables	53	(108)	(274)	(1,090)	(761)	(2,180)
Other financial assets	(1,908)	-	-	-	-	(1,908)
Financial guarantees	119	10	22	3	-	154
Letter of credit to customers	(7)	-	65	-	-	58
Other financial commitments	33	157	-	-	-	190
For the period ended 30 June 2022	**10,425**	**(17,243)**	**16,102**	**(58,556)**	**(12,429)**	**(61,701)**

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	15	-	-	-	-	15
Amounts due from credit institutions	23	-	-	-	-	23
Investment securities measured at FVOCI - debt instruments	1,134	-	-	-	-	1,134
Loans to customers at amortised cost	1,604	30,301	3,852	(39,651)	(353)	(4,247)
Finance lease receivables	(314)	(58)	(714)	(528)	-	(1,614)
Other financial assets	(252)	-	-	-	-	(252)
Financial guarantees	6,623	63	3,746	(8)	-	10,424
Letter of credit to customers	1,515	-	315	-	-	1,830
Other financial commitments	(1,085)	(356)	-	-	-	(1,441)
For the period ended 30 June 2021	**9,263**	**29,950**	**7,199**	**(40,187)**	**(353)**	**5,872**

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

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Legal fees	(785)	799
Impairment charge on other non-financial assets	4,780	1,274
Impairment charge on assets held for sale	1,194	1,558
Provision charge on legal claims	-	1,422
	5,189	**5,053**

20. Risk management

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Group primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 30 June 2022 was 0.0% (31 December 2021: 124.0%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 30 June 2022 was 0.0%, (31 December 2021: 132.5%), all comfortably above the NBG's minimum regulatory requirements.

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

21. Fair value measurements

Fair value hierarchy

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

At 30 June 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	193,173	193,173
Land	-	-	*9,914*	*9,914*
Residential properties	-	-	*129,516*	*129,516*
Non-residential properties	-	-	*53,743*	*53,743*
Investment securities	4,389	3,078,708	108	3,083,205
Other assets – derivative financial assets	-	131,139	-	131,139
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,751,791	-	1,751,791
Investment securities		111,802		111,802
Loans to customers and finance lease receivables	-	-	15,536,471	15,536,471
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	5,098	-	5,098
Liabilities for which fair values are disclosed				
Client deposits and notes	-	15,142,421	-	15,142,421
Amounts owed to credit institutions	-	3,723,293	1,203,543	4,926,836
Debt securities issued	-	1,072,906	214,371	1,287,277
Lease liability	-	1,870	91,922	93,792

At 31 December 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	231,707	231,707
Land	-	-	*11,762*	*11,762*
Residential properties	-	-	*152,167*	*152,167*
Non-residential properties	-	-	*67,778*	*67,778*
Investment securities	5,242	2,558,611	108	2,563,961
Other assets – derivative financial assets	-	135,079	-	135,079
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,917,939	-	1,917,939
Loans to customers and finance lease receivables	-	-	15,615,284	15,615,284
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	7,865	-	7,865
Liabilities for which fair values are disclosed				
Client deposits and notes	-	14,056,936	-	14,056,936
Amounts owed to credit institutions	-	3,453,121	665,341	4,118,462
Debt securities issued	-	1,316,918	215,791	1,532,709
Lease liability	-	2,787	89,018	91,805

21. Fair value measurements (continued)

Fair value hierarchy (continued)

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

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

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

	At 30 June 2022			*At 31 December 2021*		
	Carrying value 2022	*Fair value 2022*	*Unrecognised gain (loss) 2022*	*Carrying value 2021*	*Fair value 2021*	*Unrecognised gain (loss) 2021*
Financial assets						
Amounts due from credit institutions	1,751,791	1,751,791	-	1,917,939	1,917,939	-
Loans to customers and finance lease receivables	16,269,360	15,536,471	(732,889)	15,998,166	15,615,284	(382,882)
Financial liabilities						
Client deposits and notes	15,169,232	15,142,421	26,811	14,081,438	14,056,936	24,502
Amounts owed to credit institutions	4,926,836	4,926,836	-	4,118,462	4,118,462	-
Debt securities issued	1,305,584	1,287,277	18,307	1,460,479	1,532,709	(72,230)
Lease liability	89,416	93,792	(4,376)	85,098	91,805	(6,707)
Total unrecognised change in unrealised fair value			**(692,147)**			**(437,317)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

22. Maturity analysis of financial assets and liabilities

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

	At 30 June 2022							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,972,949	789,478	-	-	-	-	-	2,762,427
Amounts due from credit institutions	1,735,395	7,322	-	-	-	-	9,074	1,751,791
Investment securities	1,562,586	1,471,072	16,099	45,101	34,039	65,837	273	3,195,007
Loans to customers and finance lease	4,210	2,876,652	1,205,747	2,099,264	4,099,465	2,216,441	3,767,581	16,269,360
Total	**5,275,140**	**5,144,524**	**1,221,846**	**2,144,365**	**4,133,504**	**2,282,278**	**3,776,928**	**23,978,585**
Financial liabilities								
Client deposits and notes	3,181,455	3,063,677	995,842	6,422,631	1,031,928	209,199	264,500	15,169,232
Amounts owed to credit institutions	392,314	2,445,107	213,788	275,530	822,191	385,443	392,463	4,926,836
Debt securities issued	-	150,391	18,207	66,498	856,634	213,854	-	1,305,584
Lease liability	589	5,944	5,719	10,964	37,359	22,394	6,447	89,416
Total	**3,574,358**	**5,665,119**	**1,233,556**	**6,775,623**	**2,748,112**	**830,890**	**663,410**	**21,491,068**
Net	**1,700,782**	**(520,595)**	**(11,710)**	**(4,631,258)**	**1,385,392**	**1,451,388**	**3,113,518**	**2,487,517**
Accumulated gap	**1,700,782**	**1,180,187**	**1,168,477**	**(3,462,781)**	**(2,077,389)**	**(626,001)**	**2,487,517**	

	At 31 December 2021							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,265,780	228,672	-	-	-	-	-	1,494,452
Amounts due from credit institutions	1,893,732	7,744	7,744	-	-	-	8,719	1,917,939
Investment securities	1,157,889	1,282,083	7,083	12,486	12,998	88,776	2,646	2,563,961
Loans to customers and finance lease	2,965	3,046,019	937,783	1,981,480	4,000,593	2,276,915	3,752,411	15,998,166
Total	**4,320,366**	**4,564,518**	**952,610**	**1,993,966**	**4,013,591**	**2,365,691**	**3,763,776**	**21,974,518**
Financial liabilities								
Client deposits and notes	2,510,537	2,783,739	1,177,931	6,049,579	844,999	448,276	266,377	14,081,438
Amounts owed to credit institutions	170,411	1,635,122	147,011	343,720	903,976	509,173	409,049	4,118,462
Debt securities issued	-	37,429	16,376	169,718	1,014,078	222,878	-	1,460,479
Lease liability	-	5,993	5,596	10,037	34,020	22,171	7,281	85,098
Total	**2,680,948**	**4,462,283**	**1,346,914**	**6,573,054**	**2,797,073**	**1,202,498**	**682,707**	**19,745,477**
Net	**1,639,418**	**102,235**	**(394,304)**	**(4,579,088)**	**1,216,518**	**1,163,193**	**3,081,069**	**2,229,041**
Accumulated gap	**1,639,418**	**1,741,653**	**1,347,349**	**(3,231,739)**	**(2,015,221)**	**(852,028)**	**2,229,041**	

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

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

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

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

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

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

	At 30 June 2022			*At 31 December 2021*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	2,762,427	-	2,762,427	1,494,452	-	1,494,452
Amounts due from credit institutions	1,742,717	9,074	1,751,791	1,909,220	8,719	1,917,939
Investment securities	3,094,858	100,149	3,195,007	2,459,541	104,420	2,563,961
Loans to customers and finance lease	6,185,873	10,083,487	16,269,360	5,968,247	10,029,919	15,998,166
Accounts receivable and other loans	17,947	-	17,947	23,432	-	23,432
Prepayments	53,894	11,346	65,240	56,558	1,602	58,160
Inventories	5,414	-	5,414	6,243	-	6,243
Right-of-use assets	-	85,078	85,078	-	77,676	77,676
Investment properties	-	193,173	193,173	-	231,707	231,707
Property and equipment	-	352,245	352,245	-	343,025	343,025
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	126,125	126,125	-	124,775	124,775
Income tax assets	-	816	816	109	183	292
Other assets	290,705	54,349	345,054	230,592	10,608	241,200
Assets held for sale	43,137	-	43,137	46,731	-	46,731
Total assets	**14,196,972**	**11,049,295**	**25,246,267**	**12,195,125**	**10,966,087**	**23,161,212**
Client deposits and notes	13,663,605	1,505,627	15,169,232	12,521,786	1,559,652	14,081,438
Amounts owed to credit institutions	3,326,739	1,600,097	4,926,836	2,296,264	1,822,198	4,118,462
Debt securities issued	235,096	1,070,488	1,305,584	223,523	1,236,956	1,460,479
Lease liability	23,216	66,200	89,416	21,626	63,472	85,098
Accruals and deferred income	46,474	29,545	76,019	56,129	20,471	76,600
Income tax liabilities	27,688	22,732	50,420	85,270	25,598	110,868
Other liabilities	325,451	-	325,451	175,765	1,279	177,044
Total liabilities	**17,648,269**	**4,294,689**	**21,942,958**	**15,380,363**	**4,729,626**	**20,109,989**
Net	**(3,451,297)**	**6,754,606**	**3,303,309**	**(3,185,238)**	**6,236,461**	**3,051,223**

23. Related party disclosures

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

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

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

	At 30 June 2022 (unaudited)			*At 30 June 2021 (unaudited)*		
	The parent	*Entities under common control*	*Key management personnel**	*The parent*	*Entities under common control*	*Key management personnel**
Loans outstanding at 1 January, gross	**17,750**	**-**	**12,050**	**10,701**	**-**	**10,646**
Loans issued during the Period	-	-	4,234	4,947	-	2,589
Loan repayments during the Period	-	-	(5,234)	-	-	(3,344)
Other movements	(504)	-	(890)	(230)	-	(1,762)
Loans outstanding at 30 June, gross	**17,246**	**-**	**10,160**	**15,418**	**-**	**8,129**
Less: allowance for impairment at 30 June	-	-	(23)	-	-	(6)
Loans outstanding at 30 June, net	**17,246**	**-**	**10,137**	**15,418**	**-**	**8,123**
Interest income on loans	482	-	410	389	-	252
Expected credit loss	-	-	-	-	-	-
Deposits at 1 January	**29,813**	**176,898**	**31,127**	**7,098**	**69,520**	**32,619**
Deposits received during the Period	24,141	1,331	6,639	28,857	22,880	17,944
Deposits repaid during the Period	-	(103,527)	(10,435)	-	(575)	(21,342)
Other movements	-	(8,397)	(8,591)	-	33	(623)
Deposits at 30 June	**53,954**	**66,305**	**18,740**	**35,955**	**91,858**	**28,598**
Interest expense on deposits	(762)	(435)	(566)	(143)	(464)	(549)
Debt securities at 1 January	**5,746**	**737**	**-**	**708**	**737**	**-**
Debt securities received during the period	-	-	-	5,916	-	-
Debt securities repaid during the period	-	(462)	-	-	-	-
Other movements	(306)	(54)	-	(708)	-	-
Debt securities at 30 June	**5,440**	**221**	**-**	**5,916**	**737**	**-**
Interest expense on debt securities issued	(94)	-	-	(29)	-	-

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

Compensation of key management personnel comprised the following:

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Salaries and other benefits	4,714	5,052
Share-based payments compensation*	32,930	13,345
Total key management compensation	**37,644**	**18,397**

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

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2022 was 21 (31 December 2021: 20).

24. Capital adequacy

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

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

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

NBG (Basel III) capital adequacy ratio

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

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

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the consolidated statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2022 and 31 December 2021, was as follows:

	30 June 2022 (unaudited)	*31 December 2021*
Tier 1 capital	3,294,103	3,004,387
Less: Deductions - Goodwill	(33,453)	(33,453)
Tier 2 capital	1,171,738	1,253,467
Less: Deductions from capital	(10)	(10)
Total capital	**4,432,378**	**4,224,391**
Risk-weighted assets	**17,822,176**	**19,257,218**
Total capital ratio	24.9%	21.9%
Tier 1 capital ratio	18.3%	15.4%
Minimum capital adequacy ratio	**8.0%**	**8.0%**