BANK OF GEORGIA
GROUP PLC

Bank of Georgia Group PLC

2nd quarter and half-year 2021 results

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www.bankofgeorgiagroup.com

ABOUT BANK OF GEORGIA GROUP PLC

The Group: Bank of Georgia Group PLC ("**Bank of Georgia Group**" or the "**Group**" and on the LSE: **BGEO LN**) is a UK incorporated holding company, which comprises: a) retail banking and payment services (Retail Banking); and b) corporate banking, investment banking and wealth management operations (Corporate and Investment Banking) in Georgia; and c) banking operations in Belarus ("BNB").

JSC Bank of Georgia ("**Bank of Georgia**", "**BOG**", or the "**Bank**"), the systematically important and leading universal bank in Georgia, is the core entity of the Group. The Bank is a leader in payments business and financial mobile application, with the strong retail and corporate banking franchise in Georgia. With a continued focus on increasing digitalisation and expanding technological and data analytics capabilities, the Group aims to offer more personalised solutions and seamless experiences to its customers to enable them to achieve more of their potential. Employee empowerment, customer satisfaction, and data-driven decisions, coupled with the strong banking franchise, are key enablers in enhancing and developing the Group's strategic objectives. With all these strategic building blocks the Group has laid the groundwork for the bank of the future, and is committed to delivering strong profitability and maximising shareholder value.

The Group aims to benefit from growth of the Georgian economy, and through both its Retail Banking and Corporate and Investment Banking services aims to deliver on its strategy, which is based on achieving at least 20% return on average equity (ROAE) and c.10% growth of its loan book in the medium term.

2Q21 AND 1H21 RESULTS AND CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group's consolidated financial results for the second quarter and the first half of 2021. Unless otherwise noted, numbers in this announcement are for 2Q21 and comparisons are with 2Q20. The results have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the United Kingdom and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the United Kingdom, are unaudited and derived from management accounts. This results announcement is also available on the Group's website at www.bankofgeorgiagroup.com.

An investor/analyst conference call, organised by Bank of Georgia Group, will be held on 17 August 2021, at 14:00 BST / 15:00 CEST / 09:00 EST.

Webinar instructions:

Please click the link below to join the webinar:
https://bankofgeorgia.zoom.us/j/97213488287?pwd=YVZ3NktkN3kxblc0WEZmSk5zeFJSUT09
Webinar ID: **972 1348 8287**
Passcode: **838397**

Or use the following international dial-in numbers available at: https://bankofgeorgia.zoom.us/u/adpOR8LHFt
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Passcode: **838397**

Participants, who will be joining through the webinar, can use the "raise hand" feature at the bottom of the screen to ask questions. Participants, who will be joining through the international dial-in number, can dial *9 to raise hand and ask questions.

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FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: macroeconomic risk, including currency fluctuations and depreciation of the Lari; regional and domestic instability; loan portfolio quality risk; regulatory risk; liquidity risk; capital risk; financial crime risk; cyber-security, information security and data privacy risk; operational risk; COVID-19 pandemic impact risk; climate change risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2020 and in this announcement. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

COVID-19 PANDEMIC AND MACROECONOMIC DEVELOPMENTS

The COVID-19 pandemic has tested the resilience of our business and our customers, colleagues and communities. The pandemic and the measures introduced by the government, the National Bank of Georgia (the "NBG"), and the Group since the beginning of 2020 have had a major impact on our performance during the last six quarters.

Strict lockdown measures introduced at the onset of the pandemic led to the containment of the virus in early 2020, however, as the restrictions were eased in the summer of 2020, a second wave of virus cases hit Georgia later in the year. The government introduced a partial lockdown from the end of November 2020 to early February 2021, leading to a decline in COVID-19 cases and allowing the gradual reopening of the domestic economy from March 2021. Mobility restrictions to contain the COVID-19 spread and a halt in international tourism resulted in a 6.2% year-on-year real GDP contraction in 2020, followed by a 4.5% year-on-year contraction in the first quarter of 2021. Sizeable donor support was mainly directed to assist households and businesses, and to strengthen the healthcare system.

However, since March 2021 with the removal of most of the restrictions, the economy has swiftly gained traction, and the second quarter 2021 economic indicators have significantly beaten expectations. The year-on-year estimated real GDP growth was 29.8% during the second quarter of 2021, and the overall year-on-year growth came in at 12.7% in the first half of 2021. Robust growth in remittances and exports, and a faster than expected rebound in tourism, along with fiscal stimulus, have supported the recovery. Notably, the economy already surpassed the pre-pandemic level as the estimated real GDP growth compared to the second quarter and the first half of 2019 was 12.6% and 5.7%, respectively.

Remittances have continued their strong growth trend and were up 40.8% year-on-year in the first half of 2021, and up 34.4% compared to 2019 levels. Goods exports also increased significantly by 25.2% year-on-year in the first half of the year, surpassing pre-pandemic level by 5.3%. Notably, tourism arrivals accelerated from April 2021 and tourism revenues accounted for c.21% of levels seen in 2019 in the first half of 2021. Strong external flows are expected to contribute to narrowing the current account deficit in 2021. The rise in world commodity prices, utility price increases and faster than expected recovery resumed price pressures in 2021 with annual inflation reaching 11.9% in July 2021. The NBG has responded by raising the monetary policy rate three times this year, reaching 10.0% in August 2021. A high inflation level is expected to continue throughout the year, before coming down in 2022 as temporary factors fade. Strong recovery dynamics, along with a tight monetary policy helped the local currency to partially regain its value against the US Dollar since May 2021, strengthening by 7.4% during the second quarter of 2021. Importantly, the international reserves remain high at US$ 3.9 billion as of 30 June 2021.

That said, virus cases have picked up significantly in July-August 2021, and the government responded by re-introduction of restrictions in August, such as wearing face masks in public places, restricting large gatherings, concerts and other activities, and closing municipal transportation, among others. Although vaccination rate is currently low, immunisation progress has significantly accelerated since end of July, which is encouraging, and the government has sufficient vaccine doses secured for 2021. The COVID-19 pandemic still remains one of the key uncertainties in our growth outlook and is a risk factor to derail the recovery, unless more than half of the population is vaccinated by the end of the year. High inflation and the possibility of further tightening of the monetary policy rate by the NBG may also have a significant impact on the growth outlook.

Based on the estimates of our brokerage and investment arm, Galt & Taggart, we currently expect real GDP growth of 8.6% in 2021, revised upwards from our previous forecast of 7.0% growth. The government and the IMF also revised Georgia's 2021 economic growth forecast upwards to 7.7% in July 2021, while the NBG expects higher growth of 8.5% in 2021. If the COVID-19-related risks do not materialise in the coming months, we also see the possibility of higher growth, at low double digits in 2021.

Our 2Q21 results were supported by this rebound in economic activity on the back of lifting of the lockdown restrictions and full reopening of the economy. Both our Retail Banking and Corporate and Investment Banking businesses delivered robust results in the second quarter of 2021. Our lending activity was strong, we saw a significant increase in operating income and, particularly, net interest income and net fee and commission income generation was up, and our loan book has performed better than expected in terms of portfolio quality. At the same time, we continued our focus on customer satisfaction and strengthened our digital banking franchise while maintaining a very healthy cost to income structure. As a result, we delivered a return on average equity of 29.4% in the second quarter of 2021 and 25.6% in the first half of 2021, while maintaining strong liquidity and capital positions.

We next outline the Group's second quarter and the first half of 2021 results highlights and the Chief Executive Officer's letter, before going into further detail.

2Q21 AND 1H21 FINANCIAL RESULTS HIGHLIGHTS

GEL thousands	2Q21	2Q20	Change y-o-y	1Q21	Change q-o-q	1H21	1H20	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	228,249	174,936	30.5%	212,332	7.5%	440,581	372,017	18.4%
Net fee and commission income	57,206	32,901	73.9%	48,650	17.6%	105,856	73,013	45.0%
Net foreign currency gain	22,082	22,743	-2.9%	19,176	15.2%	41,258	53,404	-22.7%
Net other income	27,438	9,081	NMF	23,482	16.8%	50,920	15,707	NMF
Operating income	**334,975**	**239,661**	**39.8%**	**303,640**	**10.3%**	**638,615**	**514,141**	**24.2%**
Operating expenses	**(121,818)**	**(105,158)**	**15.8%**	**(107,359)**	**13.5%**	**(229,177)**	**(211,167)**	**8.5%**
(Loss) / profit from associates	(4,299)	113	NMF	167	NMF	(4,132)	414	NMF
Operating income before cost of risk	**208,858**	**134,616**	**55.2%**	**196,448**	**6.3%**	**405,306**	**303,388**	**33.6%**
Cost of risk	14,033	(10,221)	NMF	(44,117)	NMF	(30,084)	(251,623)	-88.0%
Net operating income before non-recurring items	**222,891**	**124,395**	**79.2%**	**152,331**	**46.3%**	**375,222**	**51,765**	**NMF**
Net non-recurring items	(67)	(1,241)	-94.6%	17	NMF	(50)	(41,586)	-99.9%
Profit before income tax	**222,824**	**123,154**	**80.9%**	**152,348**	**46.3%**	**375,172**	**10,179**	**NMF**
Income tax (expense) / benefit	(20,654)	(8,470)	143.8%	(13,424)	53.9%	(34,078)	4,560	NMF
Profit	**202,170**	**114,684**	**76.3%**	**138,924**	**45.5%**	**341,094**	**14,739**	**NMF**

GEL thousands	Jun-21	Jun-20	Change y-o-y	Mar-21	Change q-o-q
BALANCE SHEET HIGHLIGHTS					
Liquid assets	5,904,270	5,447,730	8.4%	6,968,871	-15.3%
Cash and cash equivalents	*1,719,058*	*1,633,755*	*5.2%*	*2,361,663*	*-27.2%*
Amounts due from credit institutions	*2,035,487*	*1,700,075*	*19.7%*	*2,200,803*	*-7.5%*
Investment securities	*2,149,725*	*2,113,900*	*1.7%*	*2,406,405*	*-10.7%*
Loans to customers and finance lease receivables[1]	14,789,371	12,599,092	17.4%	14,601,275	1.3%
Property and equipment	387,014	396,272	-2.3%	385,352	0.4%
Total assets	**21,851,510**	**19,183,966**	**13.9%**	**22,752,245**	**-4.0%**
Client deposits and notes	13,944,383	11,583,139	20.4%	14,003,209	-0.4%
Amounts owed to credit institutions	3,224,577	3,521,860	-8.4%	4,039,250	-20.2%
Borrowings from DFIs	*1,927,225*	*1,755,656*	*9.8%*	*2,222,967*	*-13.3%*
Short-term loans from central banks	*398,186*	*847,213*	*-53.0%*	*772,647*	*-48.5%*
Loans and deposits from commercial banks	*899,166*	*918,991*	*-2.2%*	*1,043,636*	*-13.8%*
Debt securities issued	1,515,511	1,561,933	-3.0%	1,653,399	-8.3%
Total liabilities	**19,038,149**	**16,984,167**	**12.1%**	**20,064,595**	**-5.1%**
Total equity	**2,813,361**	**2,199,799**	**27.9%**	**2,687,650**	**4.7%**

KEY RATIOS	2Q21	2Q20	1Q21	1H21	1H20
ROAA	3.6%	2.4%	2.5%	3.1%	0.2%
ROAE	29.4%	21.8%	21.5%	25.6%	1.4%
Net interest margin	4.7%	4.2%	4.5%	4.6%	4.6%
Liquid assets yield	3.3%	3.4%	3.1%	3.2%	3.7%
Loan yield	10.4%	10.2%	10.4%	10.4%	10.6%
Cost of funds	4.5%	4.8%	4.5%	4.5%	4.8%
Cost / income	36.4%	43.9%	35.4%	35.9%	41.1%
NPLs to Gross loans to clients	3.5%	2.7%	3.6%	3.5%	2.7%
NPL coverage ratio	73.1%	115.7%	77.5%	73.1%	115.7%
NPL coverage ratio, adjusted for discounted value of collateral	122.2%	166.3%	127.8%	122.2%	166.3%
Cost of credit risk ratio	-0.6%	-0.2%	0.8%	0.1%	3.5%
NBG (Basel III) CET1 capital adequacy ratio	12.5%	9.9%	11.2%	12.5%	9.9%
NBG (Basel III) Tier I capital adequacy ratio	14.4%	12.0%	13.3%	14.4%	12.0%
NBG (Basel III) Total capital adequacy ratio	19.1%	17.4%	18.6%	19.1%	17.4%

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

KEY FINANCIAL RESULTS HIGHLIGHTS

- **Outstanding quarterly performance, reflecting the rebound in economic activity.** The Group generated strong operating income before cost of risk of GEL 208.9mln in 2Q21 (up 55.2% y-o-y and up 6.3% q-o-q) and GEL 405.3mln in 1H21 (up 33.6% y-o-y), with robust profitability – ROAE of 29.4% in 2Q21 and 25.6% in the first half of 2021
- **Net interest margin** was 4.7% in 2Q21, up 50bps y-o-y and up 20bps q-o-q, and stood flat y-o-y at 4.6% in 1H21. The increase in NIM primarily reflected the rebound in economic activity, coupled with the decline in cost of funds following the successful deployment of excess liquidity during the quarter
- **Strong net fee and commission income generation**. Net fee and commission income was up 73.9% y-o-y and up 17.6% q-o-q in 2Q21 and up 45.0% y-o-y in 1H21, reflecting strong fee and commission income generation in settlement operations on the back of the significant rebound in economic activity during the second quarter, and increase in fees generated from guarantees and letters of credit issued by the Corporate and Investment Banking business
- **Operating expenses**. We have continued investing in IT-related resources, digitalisation and marketing, in line with our strategic priorities, and, at the same time, maintained our focus on efficiency and cost control. As a result, our cost to income ratio stood at 36.4% in 2Q21 (down from 43.9% in 2Q20 and slightly up from 35.4% in 1Q21) and 35.9% in 1H21 (down from 41.1% in 1H20)
- **Loan book increased by 17.4% y-o-y and by 1.3% q-o-q at 30 June 2021.** Growth on a constant-currency basis was 13.7% y-o-y and 5.5% q-o-q. The y-o-y and q-o-q loan book growth reflected continued strong loan origination levels in all segments of our business, but particularly in the consumer, micro and SME portfolios
- **Client deposits and notes increased by 20.4% y-o-y and were largely flat q-o-q at 30 June 2021**. On a constant-currency basis, client deposits and notes grew by 17.4% y-o-y and by 4.1% q-o-q. This deposit franchise growth reflects a consistent stability in deposit balances of both our individual and business customers
- **Cost of credit risk.** The cost of credit risk ratio was a net gain of 0.6% in 2Q21 (a net gain of 0.2% in 2Q20 and cost of credit risk of 0.8% in 1Q21) and a cost of 0.1% in 1H21 (3.5% in 1H20). Having recorded a significant ECL provision in the first quarter of 2020, we are now seeing an increase in recoveries, particularly in our corporate lending portfolio, and a lower than normal level of new provision requirements. See details on *page 9*
- **Asset quality.** NPLs to gross loans stood at 3.5% at 30 June 2021, compared with 2.7% at 30 June 2020 and 3.6% at 31 March 2021. The NPL coverage ratio was 73.1% at 30 June 2021 (115.7% at 30 June 2020 and 77.5% at 31 March 2021), and the NPL coverage ratio adjusted for the discounted value of collateral was 122.2% at 30 June 2021 (166.3% at 30 June 2020 and 127.8% at 31 March 2021). The y-o-y rise in NPLs to gross loans and decrease in NPL coverage ratios at 30 June 2021, was mainly driven by the gradual increase in non-performing borrowers since the second quarter of 2020 on the back of the COVID-19 pandemic outbreak, while the upfront ECL provision for the full economic cycle on loan portfolio were created already in the first quarter of 2020
- **Strong capital adequacy position.** Considering the Bank's strong capital position, to ensure flexibility on capital distribution to shareholders, we have now confirmed to the NBG that we are no longer utilising, or expect to utilise, any of the Pillar 2 or conservation buffers that were waived last year. Consequently, there is no longer any regulatory restriction for Bank of Georgia on making any capital distributions. The Bank's capital adequacy ratios continue to be robust, and comfortably above the minimum regulatory requirements: At 30 June 2021, the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 12.5%, 14.4% and 19.1%, respectively, all well above the minimum required levels of 11.1%, 13.4% and 17.7%, respectively
- **Strong liquidity and funding positions.** As at 30 June 2021, after successfully deploying some excess liquidity during the second quarter, the Bank's liquidity coverage ratio was 124.5% and net stable funding ratio was 136.8%, still comfortably above the 100% minimum required level. The Bank continues to maintain excess liquidity at this level primarily for risk mitigation purposes on the back of the ongoing COVID-19 pandemic pressures

CHIEF EXECUTIVE OFFICER'S STATEMENT

Our team delivered an excellent performance in the second quarter of 2021, with the result being significant top and bottom-line growth. The Group's operations have also been supported by a strong rebound in economic activity. Estimated year-on-year real GDP growth was 12.7% in the first half of 2021 and 5.7% compared to the same period in 2019. The Lari has also been strong during 2Q21 and appreciated by 7.4% against the US Dollar.

Our franchise has continued to thrive, and we saw particularly impressive results in our market-leading payments business. The number of transactions in our POS terminals was up 71.9% year-on-year and up 32.2% quarter-on-quarter in the second quarter of 2021, translating into strong total net fee and commission income growth of 73.9% year-on-year and 17.6% quarter-on-quarter.

Lending growth in the second quarter was higher than expected, particularly in the consumer, micro and SME portfolios, and we expect this trend to continue for the rest of the year. On a constant currency basis, our customer lending increased by 5.5% quarter-on-quarter in 2Q21 which, coupled with the successful deployment of excess liquidity, supported a 30.5% year-on-year and a 7.5% quarter-on-quarter increase in net interest income in 2Q21. The quality of our loan portfolio is becoming even clearer, especially in Corporate and Investment Banking where we are now seeing good levels of recoveries, all this resulting in a net gain of 0.6% in terms of cost of credit risk ratio in the second quarter of 2021.

We keep building on the popularity of our mobile app to provide superior digital experiences to our customers and further increase digitalisation. We had 795,000 active digital users at 30 June 2021, up 19.3% year-on-year, and our mobile app is becoming more integrated into customers' daily lives with 40% of active digital customers using it every day. The number of transactions in our mobile app increased markedly in 2Q21, by 90.0% year-on-year and 19.3% quarter-on-quarter. 96% of daily transactions of individual customers are performed through digital channels. The next step and a big upside for us is to further boost product sales in digital channels. In the first half of 2021, our product offloading rate was around 21% and, as we add innovative digital products and design better end-to-end digital journeys, we plan to increase our product offloading rate to around 36% over the next 12 months.

What enables us to perform so well is our ongoing and rigorous focus on customer satisfaction and employee empowerment. Net Promoter Score was 43% in June 2021, slightly down from our previous March 2021 result, as the increase in the NBG's monetary policy rate contributed to deteriorated sentiments towards the banking system as a whole. We keep listening to our customers and improving customer experiences based on the constant feedback we receive from them, and, overall, we are pleased with the trend in customer satisfaction. Employee Net Promoter Score increased to 60% in April 2021, again reaching an all-time high.

Underpinned by strong franchise growth, better than expected loan portfolio quality and our strong capital and liquidity positions, the Group's profit in 2Q21 increased by 76.3% year-on-year to GEL 202.2 million. We continue to deliver strong profitability, with a 29.4% return on average equity in 2Q21, our fifth consecutive quarter of delivering a return on average equity above 20% during the pandemic. Our book value per share has increased by 27.8% over the last 12 months.

Considering Georgia's recent strong economic recovery, we have revised our expectations for full year 2021 economic growth upwards to 8.6%. Challenges remain, however, including political uncertainty, high inflation, which we believe is temporary, and the epidemiological situation, which we hope will improve as the vaccination rate picks up given the government's plan to vaccinate around 60% of the adult population by the end of year. We do not expect further broad lockdown measures.

Given the improving operating environment, the strength of our franchise and the capabilities we have put in place, we expect to maintain our recent business momentum going forward.

Capital and dividends

Throughout the pandemic and despite significant volatility in economic activity, Bank of Georgia has delivered excellent operating performance, with good top-line growth, well-managed costs, and robust asset quality and risk management. This has led to consistently delivering strong profitability while maintaining capital adequacy ratios comfortably above our minimum regulatory requirements. Our high level of internal capital generation, combined with the appreciation of the Lari against the US Dollar, led to a 130 basis points increase in the CET1 capital adequacy ratio in the second quarter of 2021.

As a result, considering the strength of the Bank's capital position, we have confirmed to the NBG that since end of May 2021 we are no longer using or expect to use any of the Pillar 2 or conservation buffers that were waived at the beginning of last year. There are no longer any regulatory restrictions on making capital distributions to shareholders. The Board has now decided to restore the payment of dividends to shareholders and has declared an interim dividend of GEL 1.48 per ordinary share in respect of the period ended 30 June 2021, payable to ordinary shareholders of Bank of Georgia Group PLC on 5 November 2021. See details on *page 11*.

Clearly, some uncertainties in the external environment remain, but these are expected to gradually reduce over the next few quarters. In the light of the evolving macroeconomic situation and expected levels of medium-term growth, the Board will more formally review the Group's capital repatriation policy in the second half of the year.

Archil Gachechiladze,
CEO, Bank of Georgia Group PLC
16 August 2021

DISCUSSION OF RESULTS

*The Group's business is composed of three segments. (1) **Retail Banking** operations in Georgia principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfer and settlement services, and handling customers' deposits for both individuals as well as legal entities. Retail Banking targets mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. (2) **Corporate and 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. (3) **BNB**, comprising JSC Belarusky Narodny Bank, principally provides retail and corporate banking services to clients in Belarus.*

OPERATING INCOME

GEL thousands, unless otherwise noted	**2Q21**	**2Q20**	**Change y-o-y**	**1Q21**	**Change q-o-q**	**1H21**	**1H20**	**Change y-o-y**
Interest income	446,636	379,038	17.8%	428,580	4.2%	875,216	767,364	14.1%
Interest expense	(218,387)	(204,102)	7.0%	(216,248)	1.0%	(434,635)	(395,347)	9.9%
Net interest income	**228,249**	**174,936**	**30.5%**	**212,332**	**7.5%**	**440,581**	**372,017**	**18.4%**
Fee and commission income	94,727	54,389	74.2%	76,446	23.9%	171,173	125,284	36.6%
Fee and commission expense	(37,521)	(21,488)	74.6%	(27,796)	35.0%	(65,317)	(52,271)	25.0%
Net fee and commission income	**57,206**	**32,901**	**73.9%**	**48,650**	**17.6%**	**105,856**	**73,013**	**45.0%**
Net foreign currency gain	22,082	22,743	-2.9%	19,176	15.2%	41,258	53,404	-22.7%
Net other income	27,438	9,081	NMF	23,482	16.8%	50,920	15,707	NMF
Operating income	**334,975**	**239,661**	**39.8%**	**303,640**	**10.3%**	**638,615**	**514,141**	**24.2%**
Net interest margin	4.7%	4.2%		4.5%		4.6%	4.6%	
Average interest earning assets	19,351,021	16,668,289	16.1%	18,932,570	2.2%	19,133,511	16,138,601	18.6%
Average interest bearing liabilities	19,574,436	16,957,795	15.4%	19,345,778	1.2%	19,412,502	16,544,278	17.3%
Average net loans and finance lease receivables, currency blended	14,852,631	12,862,536	15.5%	14,340,661	3.6%	14,595,985	12,486,425	16.9%
Average net loans and finance lease receivables, GEL	6,230,683	4,984,078	25.0%	5,873,004	6.1%	6,054,977	4,987,437	21.4%
Average net loans and finance lease receivables, FC	8,621,948	7,878,458	9.4%	8,467,657	1.8%	8,541,008	7,498,988	13.9%
Average client deposits and notes, currency blended	13,889,287	11,115,351	25.0%	13,942,631	-0.4%	13,903,495	10,788,743	28.9%
Average client deposits and notes, GEL	5,284,975	3,602,387	46.7%	5,313,836	-0.5%	5,319,952	3,516,911	51.3%
Average client deposits and notes, FC	8,604,312	7,512,964	14.5%	8,628,795	-0.3%	8,583,543	7,271,832	18.0%
Average liquid assets, currency blended	6,574,819	5,297,130	24.1%	6,732,512	-2.3%	6,608,636	5,299,872	24.7%
Average liquid assets, GEL	2,652,100	2,341,763	13.3%	2,600,231	2.0%	2,641,984	2,280,286	15.9%
Average liquid assets, FC	3,922,719	2,955,367	32.7%	4,132,281	-5.1%	3,966,652	3,019,586	31.4%
Liquid assets yield, currency blended	*3.3%*	*3.4%*		*3.1%*		*3.2%*	*3.7%*	
Liquid assets yield, GEL	*7.9%*	*7.5%*		*7.6%*		*7.8%*	*7.8%*	
Liquid assets yield, FC	*0.2%*	*0.1%*		*0.1%*		*0.2%*	*0.6%*	
Loan yield, currency blended	*10.4%*	*10.2%*		*10.4%*		*10.4%*	*10.6%*	
Loan yield, GEL	*14.9%*	*14.7%*		*14.8%*		*14.9%*	*15.2%*	
Loan yield, FC	*7.0%*	*7.3%*		*7.2%*		*7.1%*	*7.5%*	
Cost of funds, currency blended	*4.5%*	*4.8%*		*4.5%*		*4.5%*	*4.8%*	
Cost of funds, GEL	*7.8%*	*8.3%*		*7.8%*		*7.7%*	*8.1%*	
Cost of funds, FC	*2.7%*	*3.0%*		*2.8%*		*2.7%*	*2.9%*	
Cost / income	36.4%	43.9%		35.4%		35.9%	41.1%	

Performance highlights

- **The Group generated strong operating income of GEL 335.0mln in 2Q21 (up 39.8% y-o-y and up 10.3% q-o-q), ending six months of 2021 with operating income of GEL 638.6mln (up 24.2% y-o-y).** The y-o-y and q-o-q increase in operating income was primarily driven by strong net interest income (up 30.5% y-o-y and up 7.5% q-o-q in 2Q21, and up 18.4% y-o-y in 1H21) and net fee and commission income (up 73.9% y-o-y and up 17.6% q-o-q in 2Q21, and up 45.0% y-o-y in 1H21) generation, on the back of the rebound in economic activity in the second quarter of 2021
- **Our NIM was 4.7% in 2Q21 (up 50bps y-o-y and up 20bps q-o-q) and 4.6% in the first half of 2021 (flat y-o-y).** The y-o-y increase in NIM in 2Q21 was primarily due to the 20bps y-o-y increase in currency blended loan yields, coupled with 30bps decrease in cost of funds. On a six months basis, NIM was flat y-o-y in 1H21, reflecting 20bps decline in currency blended loan yields, offset by 30bps decline in cost of funds. The y-o-y decline in cost of funds both in 2Q21 and 1H21, primarily reflected the impact of the GEL 500mln local currency bonds repayment in June 2020, partially offset by the NBG's monetary policy rate changes). On a q-o-q basis, our NIM was up 20bps in 2Q21 (while both currency blended loan yields and cost of funds stood flat), primarily driven by successfully deploying the excess liquidity during the second quarter
- **Liquid assets yield.** Currency blended liquid assets yield was 3.3% in 2Q21 (down 10bps y-o-y and up 20bps q-o-q) and 3.2% in 1H21 (down 50bps y-o-y). The local currency denominated liquid assets yield movement (up 40bps y-o-y and up 30bps q-o-q in 2Q21, and flat y-o-y in 1H21) directly reflected the NBG's monetary policy rate changes (NBG decreased monetary policy rate by a cumulative of 100bps since April 2020, but increased the policy rate twice by a cumulative of

150bps during 1H21). As for the foreign currency denominated liquid assets yield, 40bps y-o-y decline in 1H21 largely reflected the cut in the US Fed in March 2020 (the NBG accrues interest rate on banks' US Dollar obligatory reserves at the US Fed rate upper bound minus 50bps), while 10bps y-o-y and q-o-q increase in 2Q21, was primarily due to the local currency appreciation during the second quarter, resulting in a lower average balance of interest-earning liquid assets. Overall, y-o-y decrease of higher yielding local currency denominated liquid assets portion in total interest-earning liquid assets portfolio in 2Q21 and 1H21, resulted in y-o-y decline in currency blended liquid assets yields during these periods

- **Cost of funds** was 4.5% in the second quarter of 2021 (down 30bps y-o-y and flat q-o-q) and in the first half of 2021 (down 30bps y-o-y). Local currency denominated cost of funds was down 50bps y-o-y in 2Q21, and down 40bps y-o-y in 1H21, reflecting the impact of the repayment of the GEL 500mln local currency bonds due in the beginning of June 2020, partially offset by the NBG's monetary policy rate changes. The cost of foreign currency denominated funds was down 30bps y-o-y and down 10bps q-o-q in 2Q21 and down 20bps y-o-y in 1H21, largely driven by the Libor rate decline as well as attracting certain borrowings from credit institutions at lower rates in 2021
- **Net fee and commission income** reached GEL 57.2mln in 2Q21 (up 73.9% y-o-y and up 17.6% q-o-q) and GEL 105.9mln in 1H21 (up 45.0% y-o-y). The outstanding performance was mainly driven by a strong fee and commission income generation in our settlement operations on the back of the rebound in the economic activity during the second quarter, and increase in fees generated from guarantees and letters of credit issued by the Corporate and Investment Banking business
- **Net foreign currency gain** was down 2.9% y-o-y and up 15.2% q-o-q in 2Q21, and down 22.7% y-o-y in 1H21. The movement in net foreign currency gain directly reflected the level of currency volatility and client-driven flows during the periods presented
- **Net other income** in the second quarter and the first half of 2021 was mainly attributable to the net gains from the sale of real estate properties and net gains from the sale of investment securities

NET OPERATING INCOME BEFORE NON-RECURRING ITEMS; COST OF RISK; PROFIT

GEL thousands, unless otherwise noted	**2Q21**	**2Q20**	**Change y-o-y**	**1Q21**	**Change q-o-q**	**1H21**	**1H20**	**Change y-o-y**
Salaries and other employee benefits	(68,812)	(60,656)	13.4%	(60,223)	14.3%	(129,035)	(117,194)	10.1%
Administrative expenses	(30,068)	(22,450)	33.9%	(23,563)	27.6%	(53,631)	(49,470)	8.4%
Depreciation, amortisation and impairment	(22,354)	(21,139)	5.7%	(22,561)	-0.9%	(44,915)	(42,529)	5.6%
Other operating expenses	(584)	(913)	-36.0%	(1,012)	-42.3%	(1,596)	(1,974)	-19.1%
Operating expenses	**(121,818)**	**(105,158)**	**15.8%**	**(107,359)**	**13.5%**	**(229,177)**	**(211,167)**	**8.5%**
(Loss) /profit from associate	(4,299)	113	NMF	167	NMF	(4,132)	414	NMF
Operating income before cost of risk	**208,858**	**134,616**	**55.2%**	**196,448**	**6.3%**	**405,306**	**303,388**	**33.6%**
Expected credit loss on loans to customers	25,140	11,621	116.3%	(28,236)	NMF	(3,096)	(216,568)	-98.6%
Expected credit loss on finance lease receivables	(683)	(3,387)	-79.8%	(931)	-26.6%	(1,614)	(5,273)	-69.4%
Other expected credit loss and impairment charge on other assets and provisions	(10,424)	(18,455)	-43.5%	(14,950)	-30.3%	(25,374)	(29,782)	-14.8%
Cost of risk	**14,033**	**(10,221)**	**NMF**	**(44,117)**	**NMF**	**(30,084)**	**(251,623)**	**-88.0%**
Net operating income before non-recurring items	**222,891**	**124,395**	**79.2%**	**152,331**	**46.3%**	**375,222**	**51,765**	**NMF**
Net non-recurring items	(67)	(1,241)	-94.6%	17	NMF	(50)	(41,586)	-99.9%
Profit before income tax	**222,824**	**123,154**	**80.9%**	**152,348**	**46.3%**	**375,172**	**10,179**	**NMF**
Income tax (expense) / benefit	(20,654)	(8,470)	143.8%	(13,424)	53.9%	(34,078)	4,560	NMF
Profit	**202,170**	**114,684**	**76.3%**	**138,924**	**45.5%**	**341,094**	**14,739**	**NMF**

- **Operating expenses.** We continued investing in IT-related resources as part of our agile transformation process, focus on digitalisation and investments in marketing, and at the same time maintained our focus on cost efficiencies. In the second quarter of 2020, we initiated cost optimisation measures, the impact of which has been reflected in subsequent quarters. Our cost to income ratio was 36.4% in 2Q21, down from 43.9% in 2Q20 and slightly up from 35.4% in 1Q21. On a six months basis, cost to income ratio improved to 35.9% in 1H21, down from 41.1% in 1H20
- Although the Bank's Pillar 2 capital buffers are duly rebuilt, following the NBG's instruction in July 2021 that the discretionary remuneration of the Bank's management board for the year 2020 should not be awarded, the Remuneration Committee of Bank of Georgia Group PLC and the Remuneration Committee of the Bank's Supervisory Board had no choice but to comply resulting in the CEO's discretionary remuneration for the year 2020 (66,214 shares in the amount of US$ 1,060,814), and the Bank's management board's discretionary remuneration for the year 2020 (137,029 shares in the amount of US$ 2,078,774), each of which were subject to the NBG's relevant requirements, not being awarded. The expense already accrued in the first quarter of 2021 was not material, therefore, we did not restate the 1Q21 results
- **Cost of risk** in 2Q21 and 1H21 reflected a combination of the following factors:
  - **Cost of credit risk** was a net gain of 0.6% in 2Q21 (a net gain of 0.2% in 2Q20 and cost of credit risk ratio of 0.8% in 1Q21) and cost of credit risk ratio of 0.1% in 1H21 (3.5% in 1H20). The 3.5% cost of credit risk ratio in 1H20 reflected the IFRS 9 ECL reserve builds, created for the full economic cycle in the first quarter of 2020, related to the deterioration of the macroeconomic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. The Group continuously revisits the assumptions to reflect better visibility and up-to-date macroeconomic forecast scenarios, as well as in-depth analyses of the financial standing and the creditworthiness of borrowers. The Group recorded additional ECL provisions on loans to customers and finance lease receivables in the amount of GEL 7.3mln for the Retail Banking business, and net ECL reversal of GEL 30.4mln for the Corporate and Investment Banking segment in 2Q21. The latter was primarily driven by the recovery of several corporate loans during the quarter. Given

that we are operating in a rapidly changing environment with a high level of uncertainty with regard to both the length and the severity of the COVID-19 impact, we continue to monitor new facts and circumstances on a continuous basis

  - **Expected credit loss and impairment charge on other assets and provisions**. The Group recorded a GEL 10.4mln and a GEL 25.4mln ECL and impairment charge on other assets and provision in 2Q21 and 1H21, respectively. This mainly comprised expenses accrued for certain legal fees (these are not expected to be incurred going forward), which were partially offset by reversal of reserves on guarantees issued

- **Quality of the loan book**. The y-o-y rise in NPLs to gross loans and decrease in NPL coverage ratios at 30 June 2021, was mainly driven by the gradual increase in non-performing borrowers since the second quarter of 2020 on the back of the COVID-19 pandemic outbreak, while the upfront ECL provisions for the full economic cycle on loan portfolio were created already in the first quarter of 2020

GEL thousands, unless otherwise noted	**Jun-21**	**Jun-20**	**Change y-o-y**	**Mar-21**	**Change q-o-q**
NON-PERFORMING LOANS					
NPLs	524,964	355,260	47.8%	534,626	-1.8%
NPLs to gross loans	3.5%	2.7%		3.6%	
NPLs to gross loans, RB	3.3%	1.9%		3.3%	
NPLs to gross loans, CIB	3.6%	4.1%		4.0%	
NPL coverage ratio	73.1%	115.7%		77.5%	
NPL coverage ratio adjusted for the discounted value of collateral	122.2%	166.3%		127.8%	

- **BNB – the Group's banking subsidiary in Belarus - continues to perform well and remain strongly capitalised**, with capital adequacy ratios well above the requirements of the National Bank of the Republic of Belarus ("**NBRB**"). At 30 June 2021, total capital adequacy ratio was 16.2%, well above the 12.5% minimum requirement, while Tier I capital adequacy ratio was 11.1%, again above the NBRB's 7.0% minimum requirement. ROAE was 12.8% in 2Q21 (12.2% in 2Q20 and 10.1% in 1Q21) and 11.4% in 1H21 (5.9% in 1H20), reflecting the rebound in economic activity. *For financial results highlights of BNB, see page 21*
- **Net non-recurring items** in the first half of 2020 primarily comprised GEL 39.7mln one-off net losses on modification of financial assets recorded mostly in March 2020. These losses were related to the three-month payment holidays on principal and interest payments offered to our retail banking clients to reduce the requirement for customers to physically visit the branches and reduce the risk of the spread of the virus. In addition, in 1Q20, the Bank incurred GEL 1.2mln one-off costs to finance and donate 20,000 COVID-19 laboratory tests, 10 ventilators, 50,000 face masks and 60,000 gloves to the Ministry of Health of Georgia, to help curb the spread of the virus. These costs were classified as non-recurring items
- **Overall, the Group recorded profit** of GEL 202.2mln in 2Q21 (up 76.3% y-o-y and up 45.5% q-o-q) and GEL 341.1mln in 1H21 (compared with the profit of GEL 14.7mln in 1H20). The Group's ROAE was 29.4% in 2Q21 (21.8% in 2Q20 and 21.5% in 1Q21) and 25.6% in the first half of 2021 (1.4% in 1H20)

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	**Jun-21**	**Jun-20**	**Change y-o-y**	**Mar-21**	**Change q-o-q**
Liquid assets	5,904,270	5,447,730	8.4%	6,968,871	-15.3%
Liquid assets, GEL	2,388,405	2,461,639	-3.0%	2,515,544	-5.1%
Liquid assets, FC	3,515,865	2,986,091	17.7%	4,453,327	-21.1%
Net loans and finance lease receivables	14,789,371	12,599,092	17.4%	14,601,275	1.3%
Net loans and finance lease receivables, GEL	6,438,426	5,001,418	28.7%	6,029,913	6.8%
Net loans and finance lease receivables, FC	8,350,945	7,597,674	9.9%	8,571,362	-2.6%
Client deposits and notes	13,944,383	11,583,139	20.4%	14,003,209	-0.4%
Amounts owed to credit institutions	3,224,577	3,521,860	-8.4%	4,039,250	-20.2%
Borrowings from DFIs	1,927,225	1,755,656	9.8%	2,222,967	-13.3%
Short-term loans from central banks	398,186	847,213	-53.0%	772,647	-48.5%
Loans and deposits from commercial banks	899,166	918,991	-2.2%	1,043,636	-13.8%
Debt securities issued	1,515,511	1,561,933	-3.0%	1,653,399	-8.3%
LIQUIDITY AND CAPITAL ADEQUACY RATIOS					
Net loans / client deposits and notes	106.1%	108.8%		104.3%	
Net loans / client deposits and notes + DFIs	93.2%	94.5%		90.0%	
Liquid assets / total assets	27.0%	28.4%		30.6%	
Liquid assets / total liabilities	31.0%	32.1%		34.7%	
NBG liquidity coverage ratio	124.5%	135.4%		149.3%	
NBG (Basel III) CET1 capital adequacy ratio	12.5%	9.9%		11.2%	
NBG (Basel III) Tier I capital adequacy ratio	14.4%	12.0%		13.3%	
NBG (Basel III) Total capital adequacy ratio	19.1%	17.4%		18.6%	

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 124.5%) **and strongly capitalised** (NBG Basel III CET1 capital adequacy ratio of 12.5%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 73.2%) as at 30 June 2021.

- **Liquidity.** Liquid assets stood at GEL 5,904.3mln at 30 June 2021, up 8.4% y-o-y and down 15.3% q-o-q. The notable increase over the year was mostly attributable to excess liquidity placed with credit institutions, as the Bank maintained excess liquidity since 2020 for risk mitigation purposes on the back of the current COVID-19 crisis. Q-o-q decrease in liquid assets is largely reflective of successfully deploying excess liquidity during the second quarter of 2021. As a result, the NBG Liquidity coverage ratio was 124.5% at 30 June 2021, down from 135.4% at 30 June 2020 and down from 149.3% at 31 March 2021, still comfortably above the 100% minimum requirement level

- **Loan book.** Our net loan book and finance lease receivables reached GEL 14,789.4mln at 30 June 2021, up 17.4% y-o-y and up 1.3% q-o-q. Growth on a constant-currency basis was 13.7% y-o-y and 5.5% q-o-q. At 30 June 2021, the retail loan book represented 65.6% of the total loan portfolio (65.8% at 30 June 2020 and 65.5% 31 March 2021). Local currency portfolio experienced strong y-o-y and q-o-q growth of 28.7% and 6.8%, respectively, which was partially driven by the government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio
- **Net loans to customer funds and Development Finance Institutions (DFI) ratio**. Our net loans to customer funds and DFI ratio, which is closely monitored by management, stood at 93.2% at 30 June 2021, compared with 94.5% at 30 June 2020 and 90.0% at 31 March 2021
- **Diversified funding base**. Debt securities issued decreased by 3.0% y-o-y and by 8.3% q-o-q at 30 June 2021. The y-o-y and q-o-q decrease was largely attributable to the appreciation of the local currency during the second quarter
- **Strong capital position and update on minimum capital requirements.** In April 2020, the NBG announced its updated supervisory plan for the Georgian banking sector, which was mainly focused on the capital adequacy and liquidity initiatives that allowed the banking sector to support financially stressed customers through the COVID-19 pandemic. From a capital adequacy perspective, a number of capital buffers were released, which reduced the minimum regulatory capital requirements at the time. During the period that banks partially or fully utilised the reduced Pillar 2 and conservation buffers, banks have not been able to make any form of capital distribution. Subsequently, the NBG has announced a released capital buffers rebuild plan and has updated the timeline for the phase-in of additional Basel III capital requirements for the banking sector.

  Throughout the pandemic, and the consequent significant reduction in economic activity, Bank of Georgia has delivered strong operating performance, with good operating income, well-managed costs, and robust asset quality. This has led to consistently delivering return on equity in excess of 20% over the last four quarters, and maintaining capital adequacy ratios comfortably above the minimum regulatory requirements.

  Considering the Bank's strong capital position, to ensure flexibility on capital distribution to shareholders, the Bank confirmed to the NBG that since end of May 2021, the Bank is no longer utilising, or expects to utilise, any of the Pillar 2 or conservation buffers that were waived last year. Consequently, there is no longer any regulatory restriction for Bank of Georgia on making any capital distributions.

  As a result of robust operating performance and strong internal capital generation, the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 12.5%, 14.4% and 19.1%, respectively, at 30 June 2021, all comfortably above the minimum required levels of 11.1%, 13.4% and 17.7%, respectively. The movement in capital adequacy ratios in 2Q21 and the potential impact of a 10% devaluation of local currency on different levels of capital is as follows:

	31 March 2021	2Q21 profit	Business growth	GEL appreciation	Tier 2 facility impact	30 June 2021	Potential impact of 10% GEL devaluation
CET1 capital adequacy ratio	11.2%	1.3%	-0.7%	0.7%	-	12.5%	-0.8%
Tier I capital adequacy ratio	13.3%	1.3%	-0.8%	0.6%	-	14.4%	-0.7%
Total capital adequacy ratio	18.6%	1.3%	-1.0%	0.5%	-0.3%	19.1%	-0.6%

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

Expected minimum capital requirements for 2021-2023

	Dec-21	Dec-22	Dec-23
CET1 capital requirement	11.6%	11.9%	12.2%
Tier 1 capital requirement	13.8%	14.3%	14.7%
Total capital requirement	17.9%	17.9%	17.9%

- **Dividends.** The Board today declared an interim dividend of GEL 1.48 per ordinary share in respect of the period ended 30 June 2021, payable to ordinary shareholders of Bank of Georgia Group PLC on the register of members at the close of business on 22 October 2021, in British Pounds Sterling, pursuant to the following timetable:

  Ex-Dividend Date: 21 October 2021
  Record Date: 22 October 2021
  Currency Conversion Date: 22 October 2021
  Payment Date: 5 November 2021

  The NBG Lari/British Pounds Sterling average exchange rate for the period 18 to 22 October 2021 will be used as the exchange rate on the Currency Conversion Date.

DISCUSSION OF SEGMENT RESULTS

RETAIL BANKING (RB)

Retail Banking provides consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services and the handling of customer deposits for both individuals and legal entities (SME and micro businesses only). RB is represented by the following sub-segments: (1) mass retail segment, (2) the mass affluent segment (through our SOLO brand), and (3) SME and micro businesses – MSME.

GEL thousands, unless otherwise noted	2Q21	2Q20	Change y-o-y	1Q21	Change q-o-q	1H21	1H20	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	135,064	102,667	31.6%	131,448	2.8%	266,512	220,934	20.6%
Net fee and commission income	44,223	22,184	99.3%	37,385	18.3%	81,608	51,581	58.2%
Net foreign currency gain	10,026	7,525	33.2%	11,109	-9.7%	21,135	29,159	-27.5%
Net other income	9,502	4,085	132.6%	8,841	7.5%	18,343	5,991	NMF
Operating income	**198,815**	**136,461**	**45.7%**	**188,783**	**5.3%**	**387,598**	**307,665**	**26.0%**
Salaries and other employee benefits	(48,230)	(41,826)	15.3%	(40,055)	20.4%	(88,285)	(82,394)	7.1%
Administrative expenses	(22,992)	(16,898)	36.1%	(18,393)	25.0%	(41,385)	(37,629)	10.0%
Depreciation, amortisation and impairment	(19,097)	(17,610)	8.4%	(18,914)	1.0%	(38,011)	(35,499)	7.1%
Other operating expenses	(429)	(550)	-22.0%	(630)	-31.9%	(1,059)	(1,103)	-4.0%
Operating expenses	**(90,748)**	**(76,884)**	**18.0%**	**(77,992)**	**16.4%**	**(168,740)**	**(156,625)**	**7.7%**
(Loss) / profit from associate	(4,299)	113	NMF	167	NMF	(4,132)	414	NMF
Operating income before cost of risk	**103,768**	**59,690**	**73.8%**	**110,958**	**-6.5%**	**214,726**	**151,454**	**41.8%**
Cost of risk	(10,435)	(5,757)	81.3%	(31,296)	-66.7%	(41,731)	(147,835)	-71.8%
Net operating income before non-recurring items	**93,333**	**53,933**	**73.1%**	**79,662**	**17.2%**	**172,995**	**3,619**	**NMF**
Net non-recurring items	211	(1,249)	NMF	156	35.3%	367	(40,178)	NMF
Profit before income tax	**93,544**	**52,684**	**77.6%**	**79,818**	**17.2%**	**173,362**	**(36,559)**	**NMF**
Income tax (expense) / benefit	(8,518)	(3,214)	NMF	(5,834)	46.0%	(14,352)	8,000	NMF
Profit	**85,026**	**49,470**	**71.9%**	**73,984**	**14.9%**	**159,010**	**(28,559)**	**NMF**
BALANCE SHEET HIGHLIGHTS								
Net loans, currency blended	9,222,637	7,797,191	18.3%	9,048,924	1.9%	9,222,637	7,797,191	18.3%
Net loans, GEL	5,397,390	4,241,765	27.2%	5,001,447	7.9%	5,397,390	4,241,765	27.2%
Net loans, FC	3,825,247	3,555,426	7.6%	4,047,477	-5.5%	3,825,247	3,555,426	7.6%
Client deposits, currency blended	7,334,708	5,962,044	23.0%	7,414,743	-1.1%	7,334,708	5,962,044	23.0%
Client deposits, GEL	2,316,486	1,921,108	20.6%	2,240,838	3.4%	2,316,486	1,921,108	20.6%
Client deposits, FC	5,018,222	4,040,936	24.2%	5,173,905	-3.0%	5,018,222	4,040,936	24.2%
of which:								
Time deposits, currency blended	4,459,824	3,574,598	24.8%	4,564,157	-2.3%	4,459,824	3,574,598	24.8%
Time deposits, GEL	1,184,271	973,050	21.7%	1,141,648	3.7%	1,184,271	973,050	21.7%
Time deposits, FC	3,275,553	2,601,548	25.9%	3,422,509	-4.3%	3,275,553	2,601,548	25.9%
Current accounts and demand deposits, currency blended	2,874,884	2,387,446	20.4%	2,850,586	0.9%	2,874,884	2,387,446	20.4%
Current accounts and demand deposits, GEL	1,132,215	948,058	19.4%	1,099,190	3.0%	1,132,215	948,058	19.4%
Current accounts and demand deposits, FC	1,742,669	1,439,388	21.1%	1,751,396	-0.5%	1,742,669	1,439,388	21.1%
KEY RATIOS								
ROAE	22.1%	16.4%		20.7%		21.4%	-4.7%	
Net interest margin, currency blended	4.5%	4.0%		4.6%		4.6%	4.4%	
Cost of credit risk ratio	0.3%	0.2%		1.4%		0.8%	3.7%	
Cost of funds, currency blended	5.5%	5.9%		5.4%		5.5%	5.9%	
Loan yield, currency blended	11.1%	11.1%		11.1%		11.1%	11.5%	
Loan yield, GEL	15.2%	14.9%		15.2%		15.2%	15.3%	
Loan yield, FC	5.9%	6.6%		6.1%		6.0%	6.8%	
Cost of deposits, currency blended	2.6%	2.9%		2.7%		2.7%	2.8%	
Cost of deposits, GEL	5.8%	6.4%		5.9%		5.8%	6.0%	
Cost of deposits, FC	1.2%	1.4%		1.3%		1.2%	1.4%	
Cost of time deposits, currency blended	3.6%	4.3%		3.8%		3.7%	4.1%	
Cost of time deposits, GEL	9.1%	10.3%		9.5%		9.3%	9.8%	
Cost of time deposits, FC	1.7%	2.2%		1.9%		1.8%	2.1%	
Current accounts and demand deposits, currency blended	1.0%	0.9%		1.1%		1.0%	0.9%	
Current accounts and demand deposits, GEL	2.4%	2.3%		2.4%		2.4%	2.3%	
Current accounts and demand deposits, FC	0.1%	0.1%		0.2%		0.2%	0.1%	
Cost / income ratio	45.6%	56.3%		41.3%		43.5%	50.9%	

Performance highlights

- **Retail Banking generated strong operating income reaching GEL 198.8mln in the second quarter of 2021 (up 45.7% y-o-y and up 5.3% q-o-q) and GEL 387.6mln in the first half of 2021 (up 26.0% y-o-y).** Robust net interest income and net fee and commission income generation were the main contributors to the increase in operating income in both periods presented
- Retail Banking net interest income was up 31.6% y-o-y and up 2.8% q-o-q in 2Q21 and up 20.6% y-o-y in 1H21, largely reflecting the 18.3% y-o-y growth in customer lending. **RB NIM was 4.5% in 2Q21 (up 50bps y-o-y and slightly down 10bps q-o-q) and 4.6% in 1H21 (up 20bps y-o-y).** The y-o-y increase in NIM both in 2Q21 and 1H21 was primarily reflecting a decline in the cost of funds (down 40bps y-o-y in 2Q21 and 1H21). Retail Banking net interest income also benefited from the growth of the local currency denominated loan portfolio, which generated 9.3ppts and 9.2ppts higher yield than the foreign currency denominated loan portfolio in 2Q21 and 1H21, respectively
- **Retail Banking net loan book reached GEL 9,222.6mln at 30 June 2021, up 18.3% y-o-y and up 1.9% q-o-q. On a constant currency basis, retail loan book increased by 15.5% y-o-y and by 5.0% q-o-q in 2Q21.** The local currency denominated loan book increased by 27.2% y-o-y and by 7.9% q-o-q, while the foreign currency denominated loan book grew by 7.6% y-o-y and decreased by 5.5% q-o-q in 2Q21, the latter mainly reflecting the appreciation of the local currency during the quarter. As a result, the local currency denominated loan book accounted for 58.5% of the Retail Banking loan book at 30 June 2021, compared with 54.4% at 30 June 2020 and 55.3% at 31 March 2021. The consumer loan portfolio, which is typically most sensitive to foreign currency risk, is now almost completely de-dollarised, while the share of retail mortgage loans in local currency was 48.9% at 30 June 2021
- The y-o-y and q-o-q loan book growth reflected continued strong loan origination levels in all segments of Retail Banking business, largely driven by the rebound in economic activity:

RETAIL BANKING LOAN BOOK BY PRODUCTS

GEL thousands, unless otherwise noted	2Q21	2Q20	Change y-o-y	1Q21	Change q-o-q	1H21	1H20	Change y-o-y
Loan originations								
Consumer loans	642,450	143,060	NMF	455,590	41.0%	1,098,041	506,903	116.6%
Mortgage loans	453,211	63,195	NMF	420,064	7.9%	873,275	322,505	NMF
Micro loans	406,099	75,397	NMF	408,581	-0.6%	814,679	352,639	131.0%
SME loans	389,201	104,893	NMF	371,256	4.8%	760,457	402,407	89.0%
Outstanding balance								
Consumer loans	1,981,332	1,652,327	19.9%	1,809,839	9.5%	1,981,332	1,652,327	19.9%
Mortgage loans	3,770,534	3,237,302	16.5%	3,812,962	-1.1%	3,770,534	3,237,302	16.5%
Micro loans	1,870,061	1,586,847	17.8%	1,783,166	4.9%	1,870,061	1,586,847	17.8%
SME loans	1,431,902	1,166,933	22.7%	1,505,649	-4.9%	1,431,902	1,166,933	22.7%

- **Retail Banking client deposits amounted to GEL 7,334.7mln at 30 June 2021, up 23.0% y-o-y and down 1.1% q-o-q.** The dollarisation level of deposits stood at 68.4% at 30 June 2021, compared with 67.8% at 30 June 2020 and 69.8% at 31 March 2021. The cost of foreign currency denominated deposits was 1.2% in 2Q21 (down 20bps y-o-y and down 10bps q-o-q) and 1H21 (down 20bps y-o-y), while the cost of local currency denominated deposits was 5.8% in 2Q21 (down 60bps y-o-y and down 10bps q-o-q) and 1H21 (down 20bps y-o-y). The spread between the cost of RB's client deposits in GEL and foreign currency was 4.6ppts in 2Q21 (GEL: 5.8%; FC: 1.2%), compared with 5.0ppts in 2Q20 (GEL: 6.4%; FC: 1.4%) and 4.6ppts in 1Q21 (GEL: 5.9%; FC: 1.3%). On a six months basis, the spread was 4.6ppts both in 1H21 (GEL: 5.8%; FC: 1.2%) and 1H20 (GEL: 6.0%; FC: 1.4%)
- **Retail Banking net fee and commission income**. Net fee and commission income generation was extremely strong, increasing by 99.3% y-o-y and by 18.3% q-o-q in the second quarter of 2021 and by 58.2% in the first half of 2021. The increase was mainly driven by strong performance in settlement operations, reflecting the rebound in economic activity during the second quarter
- **Retail Banking's cost of credit risk ratio** was 0.3% in 2Q21 (up from 0.2% in 2Q20 and down from 1.4% in 1Q21) and 0.8% in 1H21 (down from 3.7% in 1H20). The 3.7% cost of credit risk ratio in 1H20 reflected the IFRS 9 ECL reserve builds created for the full economic cycle in the first quarter of 2020, related to the deterioration of the macroeconomic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. The Group continuously revisits the assumptions used in the reserve builds to reflect better visibility and up-to-date macroeconomic forecast scenarios, and the creditworthiness of borrowers. Based on the ongoing analyses, the Group recorded additional ECL reserves on loans to customers in the Retail Banking segment in 2Q21, resulting in a 0.3% cost of credit risk ratio during the quarter

- **Our Retail Banking business continued to further execute our strategy of continuous digitalisation,** as demonstrated by the following performance indicators:

Volume information in GEL thousands	2Q21	2Q20	Change y-o-y	1Q21	Change q-o-q	1H21	1H20	Change y-o-y
Retail Banking customers								
Number of new customers	47,809	27,214	75.7%	37,901	26.1%	72,189	59,010	22.3%
Number of customers	2,573,729	2,540,721	1.3%	2,641,237	-2.6%	2,573,729	2,540,721	1.3%
Cards								
Number of cards issued	213,185	92,315	130.9%	191,547	11.3%	404,732	245,253	65.0%
Number of cards outstanding	2,079,783	2,178,053	-4.5%	2,111,254	-1.5%	2,079,783	2,178,053	-4.5%
Express Pay terminals								
Number of Express Pay terminals	3,141	3,118	0.7%	3,125	0.5%	3,141	3,118	0.7%
Number of transactions via Express Pay terminals	20,052,212	13,849,756	44.8%	16,784,029	19.5%	36,836,241	36,783,825	0.1%
Volume of transactions via Express Pay terminals	2,847,236	1,550,286	83.7%	2,322,601	22.6%	5,169,837	3,577,132	44.5%
POS terminals								
Number of desks	24,537	17,248	42.3%	22,889	7.2%	24,537	17,248	42.3%
Number of contracted merchants	15,839	8,513	86.1%	13,298	19.1%	15,839	8,513	86.1%
Number of POS terminals	33,772	23,788	42.0%	30,053	12.4%	33,772	23,788	42.0%
Number of transactions via POS terminals	36,300,567	21,114,390	71.9%	27,455,781	32.2%	63,756,348	43,726,284	45.8%
Volume of transactions via POS terminals	1,009,660	532,544	89.6%	705,118	43.2%	1,714,778	1,182,839	45.0%
Internet banking								
Number of active users [2]	129,521	247,342	-47.6%	133,237	-2.8%	129,521	247,342	-47.6%
Number of transactions via internet bank	992,560	973,336	2.0%	918,907	8.0%	1,911,467	2,080,409	-8.1%
Volume of transactions via internet bank	616,498	583,328	5.7%	584,089	5.5%	1,200,587	1,237,550	-3.0%
Mobile banking								
Number of active users [2]	763,365	619,519	23.2%	750,440	1.7%	763,365	619,519	23.2%
Number of transactions via mobile bank	25,334,501	13,335,918	90.0%	21,242,482	19.3%	46,576,983	25,789,755	80.6%
Volume of transactions via mobile bank	4,186,281	1,766,710	137.0%	3,279,566	27.6%	7,465,847	3,429,837	117.7%

- **Sustained client base of c.2.6 million customers** at 30 June 2021 reflected continuous increased offering of cost-effective remote channels and improvements in our products and services in many key areas. Based on the independent research conducted in spring 2021, Bank of Georgia is regarded as the most trusted financial institution and top of mind bank in Georgia

- **The number of outstanding cards** decreased by 4.5% y-o-y and by 1.5% q-o-q at 30 June 2021, mainly due to slower economic activity on the back of the COVID-19 pandemic. However, we already see a rebound in activity in the second quarter of 2021, reflected in strong issuances of new cards during the quarter. The number of Loyalty programme Plus+ cards reached 1,282,996 at 30 June 2021, up 34.1% y-o-y and up 5.4% q-o-q

- **Digital channels**. We have continued to develop our digital channels and provide superior digital experiences to our customers. More than 96% of total daily transactions of individuals were executed through digital channels[3] in 2Q21 and 1H21

  - **mBank and iBank digital offloading.** The Bank has continued to develop digital products and upgrade digital channels' functionalities to refine end-to-end digital journeys and incentivise transferring customer activity to digital channels. New innovative products and features have been introduced recently, including digital card, peer-to-peer payments, bill splitting and money request, fully digital consumer lending process, online instalment loans, digital onboarding, embedded online chat, and the fully redesigned iBank, among others. As a result of increased investments and efforts, the number of active users, as well as the number and volume of transactions through these channels, particularly, mBank, continue to expand rapidly. Furthermore, we see increased engagement of active users, as more than 40% of these customers are now using our mBank on a daily basis
  - **The use of Express Pay terminals**. The Bank has a large network of self-service terminals throughout Georgia, which are used extensively by our customers. Self-service terminals are viewed as the key transition channel from physical to digital, and the migration has been significant over the past few years. The increase in the number of transactions both y-o-y and q-o-q was primarily due to the rebound in economic activity during the second quarter of 2021
  - **Business iBank and mBank.** Since the release of a new business internet banking platform for our MSME and corporate clients, we have focused on making the Business iBank even more useful for business transactions to further incentivise the transfer of client activity to digital channels. In 2Q21, we have introduced new online chat to our customers. Furthermore, we launched the Business mBank application in 1Q21 to offer full digital experience to our business customers. Our goal is to make the Business mBank useful for immediate business transactions, payments, accounting, money transfers, and administration, taking into consideration customer preferences and best practices. Our business customers are now able to have a single view of their finances on-the-go. As a result, we saw a significant increase in number of active Business iBank and mBank users, reaching 41,243 users at 30 June 2021 (up 28.9% y-o-y and up 8.1%

[2] The users that log-in in internet and mobile bank at least once in three months.
[3] Digital channels comprise mBank and iBank, Express Pay terminals, ATMs, web platforms and call center.

q-o-q). We also saw a robust y-o-y and q-o-q increase in the number (up 39.2% y-o-y and up 25.8% q-o-q in 2Q21, and up 20.4% y-o-y in 1H21) and volume (up 64.7% y-o-y and 24.1% q-o-q in 2Q21, and 40.5% in 1H21) of transactions through Business iBank and mBank. Overall, c.97% of daily transactions of legal entities were executed through the Business iBank and mBank in the second quarter and the first half of 2021

- **Product offloading to digital channels.** Having achieved high transactions offloading rate to digital channels, the next step and a big upside for us is to further boost product sales in digital channels. In the first half of 2021, our product offloading rate[4] was around 21% and, as we add innovative digital products and design better end-to-end digital journeys, we plan to increase our product offloading rate to around 36% over the next 12 months

- **SOLO, our premium banking brand, continued its growth and investment in its lifestyle brand.** We have 11 SOLO lounges, of which nine are located in Tbilisi, the capital of Georgia, and two in major regional cities of Georgia. The number of SOLO clients reached 65,746 at 30 June 2021 (56,207 at 30 June 2020 and 62,556 at 31 March 2021). At 30 June 2021, the product to client ratio for the SOLO segment was 4.7, compared with 2.2 for our retail franchise. While SOLO clients currently represent 2.6% of our total retail client base, they contributed 29.7% to our retail loan book, 38.2% to our retail deposits, 25.8% and 20.7% to our net retail interest income and to our net retail fee and commission income in 2Q21, respectively. The net fee and commission income from the SOLO segment was GEL 7.6mln in 2Q21 (up 37.5% y-o-y and up 11.9% q-o-q) and GEL 14.4mln in the first half of 2021 (up 23.3% y-o-y). At 30 June 2021, SOLO Club – a membership group within SOLO, which offers exclusive access to SOLO products and offers ahead of other SOLO clients at a higher fee – had 5,631 members, up 1.2% y-o-y and up 1.1% q-o-q

- **MSME banking.** The number of MSME segment clients reached 239,501 at 30 June 2021, up 6.2% y-o-y and up 2.7% q-o-q. MSME's gross loan portfolio reached GEL 3,490.4mln (up 19.1% y-o-y and largely flat q-o-q) and client deposits and notes amounted to GEL 977.4mln (up 23.5% y-o-y and largely flat q-o-q) at 30 June 2021. The q-o-q change in both loan and deposit portfolios was mostly due to the local currency appreciation during the quarter. The MSME segment generated robust operating income of GEL 56.2mln in 2Q21 (up 36.8% y-o-y and up 5.4% q-o-q) and GEL 109.5mln in the first half of 2021 (up 19.6% y-o-y), primarily reflecting the strong rebound in economic activity during the quarter

- **Our digital ecosystem** rests on four main business verticals: real estate, e-commerce, logistics, and point of sale. In 2019-1H21, we launched four platforms – real estate platform area.ge, online marketplace extra.ge, inventory management and point-of-sale solution for MSMEs *Optimo* and a full logistics services solution - *IZiBox*.

  During the second quarter of 2021, the Group has further developed these platforms, enlarging its network of partners, introducing new features and products, and increasing its customer base through active campaigns and initiatives.

  500 Georgia Acceleration programme (launched in 2020 in partnership with 500 Startups and Georgia's Innovation and Technology Agency to help accelerate the development of Georgian and international early stage startups operating in the region). During 2020 and the first half of 2021, 28 companies from ten different business verticals (fintech; healthcare; lifestyle; accounting services; auto and transportation; HR services; travel and hospitality; Adtech; Agtech; Natural Language Processing and communications) completed the programme, and joined our Digital Area ecosystem. Since the launch, the startups have raised more than US$ 8.4 million from external international investors and venture capital funds. In August 2021, four of the 28 startups will complete the final acceleration stage in San Francisco

  During 2018-1H21, the Group has invested c.US$ 7.8 million in the development of the Digital Area Ecosystem. The Group plans an additional investment in the range of US$ 3-10 million during 2021-2023

- **Retail Banking recorded a profit** of GEL 85.0mln in 2Q21 (up 71.9% y-o-y and up 14.9% q-o-q) and GEL 159.0mln in 1H21 (compared with the loss of GEL 28.6mln in 1H20), reflecting the rebound in economic activity in the second quarter of 2021. Retail Banking ROAE was 22.1% in 2Q21 (16.4% in 2Q20 and 20.7% in 1Q21) and 21.4% in the first half of 2021 (compared with negative profitability in 1H20)

[4] Share of cards, loans and deposits activations via digital channels.

CORPORATE AND INVESTMENT BANKING (CIB)

CIB provides (1) loans and other credit facilities to Georgia's large corporate clients and other legal entities, excluding SME and micro businesses; (2) services such as fund transfers and settlements services, currency conversion operations, trade finance services and documentary operations as well as handling savings and term deposits; (3) finance lease facilities through the Bank's leasing operations arm, the Georgian Leasing Company; (4) brokerage services through Galt & Taggart; and (5) Wealth Management private banking services to high-net-worth individuals and offers investment management products in Georgia and internationally through representative offices in London and Istanbul, and a subsidiary in Tel Aviv.

GEL thousands, unless otherwise noted	2Q21	2Q20	Change y-o-y	1Q21	Change q-o-q	1H21	1H20	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	83,427	63,110	32.2%	72,532	15.0%	155,959	132,451	17.7%
Net fee and commission income	11,322	9,197	23.1%	9,655	17.3%	20,977	18,152	15.6%
Net foreign currency gain	9,027	11,431	-21.0%	4,521	99.7%	13,548	19,965	-32.1%
Net other income	18,176	4,825	NMF	15,069	20.6%	33,245	9,506	NMF
Operating income	**121,952**	**88,563**	**37.7%**	**101,777**	**19.8%**	**223,729**	**180,074**	**24.2%**
Salaries and other employee benefits	(14,498)	(14,170)	2.3%	(14,905)	-2.7%	(29,403)	(24,731)	18.9%
Administrative expenses	(4,978)	(3,488)	42.7%	(3,503)	42.1%	(8,481)	(7,954)	6.6%
Depreciation, amortisation and impairment	(2,020)	(2,434)	-17.0%	(2,492)	-18.9%	(4,512)	(4,907)	-8.0%
Other operating expenses	(166)	(227)	-26.9%	(271)	-38.7%	(437)	(523)	-16.4%
Operating expenses	**(21,662)**	**(20,319)**	**6.6%**	**(21,171)**	**2.3%**	**(42,833)**	**(38,115)**	**12.4%**
Operating income before cost of risk	**100,290**	**68,244**	**47.0%**	**80,606**	**24.4%**	**180,896**	**141,959**	**27.4%**
Cost of risk	23,407	(2,536)	NMF	(12,066)	NMF	11,341	(98,438)	NMF
Net operating income before non-recurring items	**123,697**	**65,708**	**88.3%**	**68,540**	**80.5%**	**192,237**	**43,521**	**NMF**
Net non-recurring items	(1)	32	NMF	(73)	-98.6%	(74)	(1,374)	-94.6%
Profit before income tax expense	**123,696**	**65,740**	**88.2%**	**68,467**	**80.7%**	**192,163**	**42,147**	**NMF**
Income tax expense	(10,914)	(4,246)	157.0%	(6,864)	59.0%	(17,778)	(2,398)	NMF
Profit	**112,782**	**61,494**	**83.4%**	**61,603**	**83.1%**	**174,385**	**39,749**	**NMF**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, currency blended	4,825,807	4,046,063	19.3%	4,752,895	1.5%	4,825,807	4,046,063	19.3%
Net loans and finance lease receivables, GEL	997,397	705,502	41.4%	982,124	1.6%	997,397	705,502	41.4%
Net loans and finance lease receivables, FC	3,828,410	3,340,561	14.6%	3,770,771	1.5%	3,828,410	3,340,561	14.6%
Client deposits, currency blended	6,185,302	5,042,772	22.7%	6,123,346	1.0%	6,185,302	5,042,772	22.7%
Client deposits, GEL	3,470,724	2,423,448	43.2%	2,934,200	18.3%	3,470,724	2,423,448	43.2%
Client deposits, FC	2,714,578	2,619,324	3.6%	3,189,146	-14.9%	2,714,578	2,619,324	3.6%
Time deposits, currency blended	3,090,526	2,552,135	21.1%	2,663,401	16.0%	3,090,526	2,552,135	21.1%
Time deposits, GEL	2,283,595	1,468,397	55.5%	1,678,355	36.1%	2,283,595	1,468,397	55.5%
Time deposits, FC	806,931	1,083,738	-25.5%	985,046	-18.1%	806,931	1,083,738	-25.5%
Current accounts and demand deposits, currency blended	3,094,776	2,490,637	24.3%	3,459,945	-10.6%	3,094,776	2,490,637	24.3%
Current accounts and demand deposits, GEL	1,187,129	955,051	24.3%	1,255,845	-5.5%	1,187,129	955,051	24.3%
Current accounts and demand deposits, FC	1,907,647	1,535,586	24.2%	2,204,100	-13.5%	1,907,647	1,535,586	24.2%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,623,571	1,455,700	11.5%	1,640,556	-1.0%	1,623,571	1,455,700	11.5%
Assets under management[5]	2,917,029	2,534,113	15.1%	3,091,462	-5.6%	2,917,029	2,534,113	15.1%
RATIOS								
ROAE	42.1%	31.5%		24.1%		33.4%	9.9%	
Net interest margin, currency blended	4.1%	3.4%		3.6%		3.9%	3.7%	
Cost of credit risk ratio	-2.5%	-1.7%		-0.2%		-1.4%	3.2%	
Cost of funds, currency blended	2.8%	3.7%		3.3%		3.1%	3.6%	
Loan yield, currency blended	8.5%	8.3%		8.6%		8.5%	8.7%	
Loan yield, GEL	13.3%	12.4%		12.2%		12.8%	13.1%	
Loan yield, FC	7.3%	7.5%		7.6%		7.5%	7.8%	
Cost of deposits, currency blended	4.4%	4.2%		4.9%		4.6%	4.0%	
Cost of deposits, GEL	7.4%	8.1%		8.1%		7.7%	7.5%	
Cost of deposits, FC	1.4%	1.7%		1.5%		1.5%	1.7%	
Cost of time deposits, currency blended	6.6%	6.4%		7.3%		6.9%	6.1%	
Cost of time deposits, GEL	8.2%	9.5%		9.2%		8.6%	9.0%	
Cost of time deposits, FC	3.6%	3.6%		3.6%		3.6%	3.7%	
Current accounts and demand deposits, currency blended	2.6%	2.4%		2.6%		2.6%	2.2%	
Current accounts and demand deposits, GEL	6.3%	6.4%		6.3%		6.3%	5.8%	
Current accounts and demand deposits, FC	0.4%	0.4%		0.6%		0.5%	0.3%	
Cost / income ratio	17.8%	22.9%		20.8%		19.1%	21.2%	
Concentration of top ten clients	8.8%	7.3%		9.5%		8.8%	7.3%	

[5] We have amended the assets under management definition in the third quarter of 2020 to exclude certain illiquid assets that we hold in custody, and include only the most liquid assets that are being traded on an ongoing basis, and where we earn material fees on holding or trading such assets. The previous period balances have been restated accordingly. Previously disclosed amount of assets under management was GEL 2,834,975 thousand at 30 June 2020.

Performance highlights

- **Corporate and Investment Banking delivered outstanding quarterly results.** CIB generated strong net interest and non-interest income during the second quarter and the first half of 2021, coupled with continuous cost discipline. As a result, the operating income before cost of risk reached GEL 100.3mln in 2Q21 (up 47.0% y-o-y and up 24.4% q-o-q) and GEL 180.9mln in 1H21 (up 27.4% y-o-y)
- CIB's net interest income increased by 32.2% y-o-y and by 15.0% q-o-q during the second quarter of 2021 and increased by 17.7% in the first half of 2021, largely reflecting 19.3% y-o-y lending growth. **CIB NIM was 4.1% in 2Q21 (up 70bps y-o-y and up 50bps q-o-q) and 3.9% in 1H21 (up 20bps y-o-y)**. In 2Q21, 70bps y-o-y increase in NIM was primarily driven by 20bps increase in currency blended loan yields, coupled with 90bps decline in cost of funds, while 50bps q-o-q increase in NIM was the result of 10bps decline in currency blended loan yields, offset by 50bps decrease in cost of funds. On a six months basis, currency blended loan yields were down by 20bps y-o-y, while cost of funds were also down 50bps, resulting in 20bps increase in NIM y-o-y in 1H21
- **CIB's net fee and commission income reached GEL 11.3mln in 2Q21 (up 23.1% y-o-y and up 17.3% q-o-q) and GEL 21.0mln in 1H21 (up 15.6% y-o-y).** The growth in net fee and commission income in all periods presented was largely driven by strong income generation from guarantees and letters of credit issued and income from settlement operations
- **CIB's loan book and dollarisation**. CIB loan portfolio totalled GEL 4,825.8mln at 30 June 2021, up 19.3% y-o-y and up 1.5% q-o-q. On a constant currency basis, CIB loan book was up 13.9% y-o-y and up 7.4% q-o-q. The concentration of the top 10 CIB clients was 8.8% at 30 June 2021 (7.3% at 30 June 2020 and 9.5% at 31 March 2021). Foreign currency denominated net loans represented 79.3% of CIB's loan portfolio at 30 June 2021, compared with 82.6% at 30 June 2020 and 79.3% at 31 March 2021. At 30 June 2021, 39.5% of total gross CIB loans were issued in foreign currency with exposure to foreign currency risk with regard to income, while 40.1% of total gross CIB loans were issued in foreign currency with no or minimal exposure to foreign currency risk
- **Dollarisation of CIB deposits** was 43.9% at 30 June 2021, compared with 51.9% a year ago and 52.1% at 31 March 2021. De-dollarisation of CIB's deposit portfolio was primarily supported by 43.2% y-o-y and 18.3% q-o-q increase in local currency denominated deposits, as a result of significantly higher interest rates offered on local currency funds. The interest rates on both local and foreign currency denominated deposits declined in 2Q21 y-o-y and q-o-q, and the cost of deposits in local currency remained well above the cost of foreign currency deposits
- **Net other income** generated in the second quarter and the first half of 2021 mainly comprised the net gains from the sale of real estate properties and net gains from the sale of investment securities
- **CIB's cost of risk in 2Q21 and 1H21 reflected a combination of the following factors:**
  - **Cost of credit risk.** CIB's cost of credit risk was a net gain of 2.5% in 2Q21 (a net gain of 1.7% in 2Q20 and a net gain of 0.2% in 1Q21) and a net gain of 1.4% in 1H21 (cost of credit risk ratio of 3.2% in 1H20). The 3.2% cost of credit risk ratio in 1H20 reflected the IFRS 9 ECL reserve builds, created for the full economic cycle related to the deterioration of the macroeconomic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. The Group continuously revisits the assumptions used in the reserve builds to reflect better visibility and up-to-date macroeconomic forecast scenarios, as well as in-depth analyses of the financial standing and the creditworthiness of corporate borrowers. The Group recorded a GEL 30.4mln and a GEL 32.8mln ECL reversal on loans to customers and finance lease receivables in 2Q21 and 1H21, respectively, primarily driven by the recovery of several corporate loans during these periods
  - **Expected credit loss and impairment charge on other assets and provisions** in the second quarter and the first half of 2021 mainly comprised expenses accrued for certain legal fees (these are not expected to be incurred going forward), partially offset by ECL reversal on guarantees issued
- As a result, **CIB recorded a profit** of GEL 112.8mln in the second quarter of 2021 (up 83.4% y-o-y and up 83.1% q-o-q) and GEL 174.4mln in the first half of 2021 (profit of GEL 39.7mln in1H20). CIB's ROAE was 42.1% in 2Q21 (31.5% in 2Q20 and 24.1% in 1Q21) and 33.4% in 1H21 (9.9% in 1H20, reflecting the COVID-19 pandemic impact)

Performance highlights of Investment Management operations

- Our strong Investment Management franchise comprises **the Bank's regional Wealth Management practice and the leading investment bank in Georgia, Galt & Taggart**. Our strategic objective in Investment Management is to focus on profitable growth through diversifying our Wealth Management offerings, unlocking the retail brokerage potential, and fully digitalising brokerage services
- **The Investment Management's AUM reached to GEL 2,917.0mln as at 30 June 2021, up 15.1% y-o-y and down 5.6% q-o-q**. This comprises: a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y increase in AUM mostly reflected the increase in client assets at Galt & Taggart, while the q-o-q decline largely reflected the appreciation of local currency in the second quarter of 2021
- **Strong international presence and diversified customer base across multiple geographies**. We served 1,593 wealth management customers from 79 countries as at 30 June 2021, compared with 1,553 customers as at 30 June 2020 and 1,593 customers as at 31 March 2021
- **Wealth Management deposits amounted to GEL 1,433.1mln as at 30 June 2021, down 2.4% y-o-y and down 8.3% q-o-q, growing at a compound annual growth rate (CAGR) of 8.2% over the last five-year period**. The cost of deposits was 2.6% in 2Q21 (down 40bps y-o-y and down 10bps q-o-q) and 2.7% in 1H21 (down 40bps y-o-y)
- **Galt & Taggart, which brings under one brand corporate advisory, debt and equity capital markets research and brokerage services, continues to develop local capital markets in Georgia**
  - **Our brokerage business demonstrated solid performance in the first half of 2021**. Gross revenue of brokerage business was GEL 1.9mln in 2Q21 (up 10.9% y-o-y and down 6.8% q-o-q) and GEL 3.8mln in 1H21 (up 20.9% y-o-y). This was mostly driven by our online brokerage offered in partnership with Saxo Bank under a white label offering, which generated gross revenue of GEL 1.3mln in 2Q21 (down 10.9% y-o-y and down 16.5% q-o-q) and GEL 2.8mln in 1H21 (up 14.9% y-o-y)
    - We see significant upsides in the brokerage business in Georgia. Historically, we have focused on providing brokerage services to our wealth management customers, whereas the retail investor participation in the securities market has been limited. **We are extending our offerings to the wider retail and mass affluent segments**
    - In line with the Group's overall digital strategy, we are digitalising our brokerage offerings. Over the past few years we have significantly enhanced our back- and front-end processes to improve overall customer experience and engagement with brokerage services. **Our single-view client dashboard**, a product combining investment banking products into a single channel, continues to improve overall customer experience and reporting tools. **In 2021, we plan to launch a mobile application** to increase the usage and participation of the retail segment in this business and to further improve customer experiences
  - In April 2021, Galt & Taggart acted as a Co-manager and facilitated a successful pricing of Georgia's US$ 500 million 2.750% 5-year sovereign Eurobond. Goldman Sachs International and J.P. Morgan Securities plc acted as Joint Global Coordinators and Joint Bookrunners on the transaction along with ICBC Standard Bank plc, while two local investment banks acted as Co-managers. The Eurobond was met with strong investor demand, with orders reaching US$ 2.0 billion. This marks a historic transaction for Georgia as it secured financing at the lowest coupon and yield in the history of the country
  - In May 2021, Galt & Taggart, through a competitive bidding process, was awarded a contract to design and implement support mechanism for capital markets development in Georgia. The overall objective of this project is to increase access to finance for companies through debt and equity capital markets. The Project is funded by the Delegation of the European Union in Georgia and implemented by the Capital Markets Development team of European Bank for Reconstruction and Development
  - In June 2021, Galt & Taggart acted as a Co-manager and facilitated a successful pricing of Georgian Railway's US$ 500 million 4.0% 7-year Eurobond. Citigroup and J.P. Morgan acted as Joint Lead Managers and Joint Bookrunners on the transaction. The strong investor demand led to 8.4x oversubscription as orders reached US$ 4.2 billion. This marks a historic transaction for the issuer as it secured financing at the lowest coupon and yield in its history
  - **Galt and Taggart is a leading research house in Georgia supporting our brokerage business and CIB activities with an in-depth quality macro and sector research coverage**. Galt & Taggart publishes research reports on Georgia's and regional economies, key economic sectors in Georgia, regional fixed income securities, and global macro trends, among others. Currently, we have more than 6,500 unique subscribers, and our research is available on all major international platforms (Bloomberg, Capital IQ, Refinitiv, etc.)

SELECTED FINANCIAL AND OPERATING INFORMATION

INCOME STATEMENT	BANK OF GEORGIA GROUP CONSOLIDATED							
GEL thousands, unless otherwise noted	**2Q21**	**2Q20**	**Change y-o-y**	**1Q21**	**Change q-o-q**	**1H21**	**1H20**	**Change y-o-y**
Interest income	446,636	379,038	17.8%	428,580	4.2%	875,216	767,364	14.1%
Interest expense	(218,387)	(204,102)	7.0%	(216,248)	1.0%	(434,635)	(395,347)	9.9%
Net interest income	**228,249**	**174,936**	**30.5%**	**212,332**	**7.5%**	**440,581**	**372,017**	**18.4%**
Fee and commission income	94,727	54,389	74.2%	76,446	23.9%	171,173	125,284	36.6%
Fee and commission expense	(37,521)	(21,488)	74.6%	(27,796)	35.0%	(65,317)	(52,271)	25.0%
Net fee and commission income	**57,206**	**32,901**	**73.9%**	**48,650**	**17.6%**	**105,856**	**73,013**	**45.0%**
Net foreign currency gain	22,082	22,743	-2.9%	19,176	15.2%	41,258	53,404	-22.7%
Net other income	27,438	9,081	NMF	23,482	16.8%	50,920	15,707	NMF
Operating income	**334,975**	**239,661**	**39.8%**	**303,640**	**10.3%**	**638,615**	**514,141**	**24.2%**
Salaries and other employee benefits	(68,812)	(60,656)	13.4%	(60,223)	14.3%	(129,035)	(117,194)	10.1%
Administrative expenses	(30,068)	(22,450)	33.9%	(23,563)	27.6%	(53,631)	(49,470)	8.4%
Depreciation, amortisation and impairment	(22,354)	(21,139)	5.7%	(22,561)	-0.9%	(44,915)	(42,529)	5.6%
Other operating expenses	(584)	(913)	-36.0%	(1,012)	-42.3%	(1,596)	(1,974)	-19.1%
Operating expenses	**(121,818)**	**(105,158)**	**15.8%**	**(107,359)**	**13.5%**	**(229,177)**	**(211,167)**	**8.5%**
(Loss) / profit from associates	(4,299)	113	NMF	167	NMF	(4,132)	414	NMF
Operating income before cost of risk	**208,858**	**134,616**	**55.2%**	**196,448**	**6.3%**	**405,306**	**303,388**	**33.6%**
Expected credit loss on loans to customers	25,140	11,621	116.3%	(28,236)	NMF	(3,096)	(216,568)	-98.6%
Expected credit loss on finance lease receivables	(683)	(3,387)	-79.8%	(931)	-26.6%	(1,614)	(5,273)	-69.4%
Other expected credit loss and impairment charge on other assets and provisions	(10,424)	(18,455)	-43.5%	(14,950)	-30.3%	(25,374)	(29,782)	-14.8%
Cost of risk	**14,033**	**(10,221)**	**NMF**	**(44,117)**	**NMF**	**(30,084)**	**(251,623)**	**-88.0%**
Net operating income before non-recurring items	**222,891**	**124,395**	**79.2%**	**152,331**	**46.3%**	**375,222**	**51,765**	**NMF**
Net non-recurring items	(67)	(1,241)	-94.6%	17	NMF	(50)	(41,586)	-99.9%
Profit before income tax	**222,824**	**123,154**	**80.9%**	**152,348**	**46.3%**	**375,172**	**10,179**	**NMF**
Income tax (expense) / benefit	(20,654)	(8,470)	143.8%	(13,424)	53.9%	(34,078)	4,560	NMF
Profit	**202,170**	**114,684**	**76.3%**	**138,924**	**45.5%**	**341,094**	**14,739**	**NMF**
Profit attributable to:								
– shareholders of the Group	201,239	114,174	76.3%	138,214	45.6%	339,454	14,659	NMF
– non-controlling interests	931	510	82.5%	710	31.1%	1,640	80	NMF
Earnings per share (basic)	**4.21**	**2.40**	**75.4%**	**2.87**	**46.7%**	**7.08**	**0.31**	**NMF**
Earnings per share (diluted)	**4.19**	**2.40**	**74.6%**	**2.87**	**46.0%**	**7.04**	**0.31**	**NMF**

BALANCE SHEET

GEL thousands, unless otherwise noted	BANK OF GEORGIA GROUP CONSOLIDATED				
	Jun-21	**Jun-20**	**Change y-o-y**	**Mar-21**	**Change q-o-q**
Cash and cash equivalents	1,719,058	1,633,755	5.2%	2,361,663	-27.2%
Amounts due from credit institutions	2,035,487	1,700,075	19.7%	2,200,803	-7.5%
Investment securities	2,149,725	2,113,900	1.7%	2,406,405	-10.7%
Loans to customers and finance lease receivables	14,789,371	12,599,092	17.4%	14,601,275	1.3%
Accounts receivable and other loans	2,475	4,060	-39.0%	6,051	-59.1%
Prepayments	33,903	31,513	7.6%	33,921	-0.1%
Inventories	10,476	13,901	-24.6%	10,775	-2.8%
Right-of-use assets	81,865	89,758	-8.8%	81,056	1.0%
Investment property	235,649	212,182	11.1%	246,441	-4.4%
Property and equipment	387,014	396,272	-2.3%	385,352	0.4%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	138,341	116,355	18.9%	129,044	7.2%
Income tax assets	190	54,595	-99.7%	3,668	-94.8%
Other assets	189,311	139,945	35.3%	208,135	-9.0%
Assets held for sale	45,294	45,212	0.2%	44,305	2.2%
Total assets	**21,851,510**	**19,183,966**	**13.9%**	**22,752,245**	**-4.0%**
Client deposits and notes	13,944,383	11,583,139	20.4%	14,003,209	-0.4%
Amounts owed to credit institutions	3,224,577	3,521,860	-8.4%	4,039,250	-20.2%
Debt securities issued	1,515,511	1,561,933	-3.0%	1,653,399	-8.3%
Lease liabilities	91,670	96,878	-5.4%	97,488	-6.0%
Accruals and deferred income	54,626	37,257	46.6%	59,455	-8.1%
Income tax liabilities	74,704	70,171	6.5%	57,541	29.8%
Other liabilities	132,678	112,929	17.5%	154,253	-14.0%
Total liabilities	**19,038,149**	**16,984,167**	**12.1%**	**20,064,595**	**-5.1%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	511,273	500,887	2.1%	532,787	-4.0%
Treasury shares	(52)	(54)	-3.7%	(34)	52.9%
Other reserves	11,975	25,417	-52.9%	61,857	-80.6%
Retained earnings	2,275,882	1,662,164	36.9%	2,079,362	9.5%
Total equity attributable to shareholders of the Group	**2,800,696**	**2,190,032**	**27.9%**	**2,675,590**	**4.7%**
Non-controlling interests	12,665	9,767	29.7%	12,060	5.0%
Total equity	**2,813,361**	**2,199,799**	**27.9%**	**2,687,650**	**4.7%**
Total liabilities and equity	**21,851,510**	**19,183,966**	**13.9%**	**22,752,245**	**-4.0%**
Book value per share	**58.86**	**46.07**	**27.8%**	**55.59**	**5.9%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT HIGHLIGHTS *GEL thousands, unless otherwise stated*	2Q21	2Q20	Change y-o-y	1Q21	Change q-o-q	1H21	1H20	Change y-o-y
Net interest income	9,752	9,157	6.5%	8,347	16.8%	18,099	18,626	-2.8%
Net fee and commission income	1,622	1,486	9.2%	1,570	3.3%	3,192	3,190	0.1%
Net foreign currency gain	3,029	3,787	-20.0%	3,546	-14.6%	6,575	4,280	53.6%
Net other income / (expense)	53	350	-84.9%	(237)	NMF	(184)	683	NMF
Operating income	**14,456**	**14,780**	**-2.2%**	**13,226**	**9.3%**	**27,682**	**26,779**	**3.4%**
Operating expenses	(9,656)	(8,098)	19.2%	(8,342)	15.8%	(17,998)	(16,804)	7.1%
Operating income before cost of risk	**4,800**	**6,682**	**-28.2%**	**4,884**	**-1.7%**	**9,684**	**9,975**	**-2.9%**
Cost of risk	1,061	(1,928)	NMF	(755)	NMF	306	(5,350)	NMF
Net non-recurring items	(277)	(24)	NMF	(66)	NMF	(343)	(34)	NMF
Profit before income tax expense	**5,584**	**4,730**	**18.1%**	**4,063**	**37.4%**	**9,647**	**4,591**	**110.1%**
Income tax expense	(1,222)	(1,010)	21.0%	(726)	68.3%	(1,948)	(1,042)	86.9%
Profit	**4,362**	**3,720**	**17.3%**	**3,337**	**30.7%**	**7,699**	**3,549**	**116.9%**

BALANCE SHEET HIGHLIGHTS *GEL thousands, unless otherwise stated*	Jun-21	Jun-20	Change y-o-y	Mar-21	Change q-o-q
Cash and cash equivalents	122,271	187,920	-34.9%	192,338	-36.4%
Amounts due from credit institutions	56,967	13,605	NMF	66,673	-14.6%
Investment securities	95,899	93,549	2.5%	94,952	1.0%
Loans to customers and finance lease receivables	657,473	638,713	2.9%	705,261	-6.8%
Other assets	45,624	50,667	-10.0%	50,418	-9.5%
Total assets	**978,234**	**984,454**	**-0.6%**	**1,109,642**	**-11.8%**
Client deposits and notes	493,355	647,977	-23.9%	587,724	-16.1%
Amounts owed to credit institutions	329,063	144,815	127.2%	347,018	-5.2%
Debt securities issued	6,583	57,289	-88.5%	20,761	-68.3%
Other liabilities	15,696	12,873	21.9%	17,498	-10.3%
Total liabilities	**844,697**	**862,954**	**-2.1%**	**973,001**	**-13.2%**
Total equity	**133,537**	**121,500**	**9.9%**	**136,641**	**-2.3%**
Total liabilities and equity	**978,234**	**984,454**	**-0.6%**	**1,109,642**	**-11.8%**

KEY RATIOS

	2Q21	2Q20	1Q21	1H21	1H20
Profitability					
ROAA, annualised	3.6%	2.4%	2.5%	3.1%	0.2%
ROAE, annualised	29.4%	21.8%	21.5%	25.6%	1.4%
RB ROAE	*22.1%*	*16.4%*	*20.7%*	*21.4%*	*-4.7%*
CIB ROAE	*42.1%*	*31.5%*	*24.1%*	*33.4%*	*9.9%*
Net interest margin, annualised	4.7%	4.2%	4.5%	4.6%	4.6%
RB NIM	*4.5%*	*4.0%*	*4.6%*	*4.6%*	*4.4%*
CIB NIM	*4.1%*	*3.4%*	*3.6%*	*3.9%*	*3.7%*
Loan yield, annualised	10.4%	10.2%	10.4%	10.4%	10.6%
RB Loan yield	*11.1%*	*11.1%*	*11.1%*	*11.1%*	*11.5%*
CIB Loan yield	*8.5%*	*8.3%*	*8.6%*	*8.5%*	*8.7%*
Liquid assets yield, annualised	3.3%	3.4%	3.1%	3.2%	3.7%
Cost of funds, annualised	4.5%	4.8%	4.5%	4.5%	4.8%
Cost of client deposits and notes, annualised	3.5%	3.5%	3.8%	3.6%	3.3%
RB Cost of client deposits and notes	*2.6%*	*2.9%*	*2.7%*	*2.7%*	*2.8%*
CIB Cost of client deposits and notes	*4.4%*	*4.2%*	*4.9%*	*4.6%*	*4.0%*
Cost of amounts owed to credit institutions, annualised	6.9%	7.3%	6.2%	6.6%	7.5%
Cost of debt securities issued	7.0%	7.7%	6.9%	7.0%	7.7%
Operating leverage, y-o-y	23.9%	-13.6%	9.3%	15.7%	-11.2%
Operating leverage, q-o-q	-3.1%	-11.9%	10.9%	0.0%	0.0%
Efficiency					
Cost / income	36.4%	43.9%	35.4%	35.9%	41.1%
RB Cost / income	*45.6%*	*56.3%*	*41.3%*	*43.5%*	*50.9%*
CIB Cost /income	*17.8%*	*22.9%*	*20.8%*	*19.1%*	*21.2%*
Liquidity					
NBG liquidity coverage ratio (minimum requirement 100%)	124.5%	135.4%	149.3%	124.5%	135.4%
Liquid assets to total liabilities	31.0%	32.1%	34.7%	31.0%	32.1%
Net loans to client deposits and notes	106.1%	108.8%	104.3%	106.1%	108.8%
Net loans to client deposits and notes + DFIs	93.2%	94.5%	90.0%	93.2%	94.5%
Leverage (times)	6.8	7.7	7.5	6.8	7.7
Asset quality:					
NPLs (GEL thousands)	524,964	355,260	534,626	524,964	355,260
NPLs to gross loans to clients	3.5%	2.7%	3.6%	3.5%	2.7%
NPL coverage ratio	73.1%	115.7%	77.5%	73.1%	115.7%
NPL coverage ratio, adjusted for discounted value of collateral	122.2%	166.3%	127.8%	122.2%	166.3%
Cost of credit risk, annualised	-0.6%	-0.2%	0.8%	0.1%	3.5%
RB Cost of credit risk	*0.3%*	*0.2%*	*1.4%*	*0.8%*	*3.7%*
CIB Cost of credit risk	*-2.5%*	*-1.7%*	*-0.2%*	*-1.4%*	*3.2%*
Capital adequacy:					
NBG (Basel III) CET1 capital adequacy ratio	12.5%	9.9%	11.2%	12.5%	9.9%
Minimum regulatory requirement	*11.1%*	*6.9%*	*7.8%*	*11.1%*	*6.9%*
NBG (Basel III) Tier I capital adequacy ratio	14.4%	12.0%	13.3%	14.4%	12.0%
Minimum regulatory requirement	*13.4%*	*8.7%*	*9.8%*	*13.4%*	*8.7%*
NBG (Basel III) Total capital adequacy ratio	19.1%	17.4%	18.6%	19.1%	17.4%
Minimum regulatory requirement	*17.7%*	*13.3%*	*13.8%*	*17.7%*	*13.3%*
Selected operating data:					
Total assets per FTE	2,863	2,671	3,054	2,863	2,671
Number of active branches, of which:	211	229	211	211	229
- Express branches	*105*	*121*	*105*	*105*	*121*
- Bank of Georgia branches	*95*	*97*	*95*	*95*	*97*
- SOLO lounges	*11*	*11*	*11*	*11*	*11*
Number of ATMs	972	940	963	972	940
Number of cards outstanding, of which:	2,079,786	2,178,053	2,111,255	2,079,786	2,178,053
- Debit cards	*1,889,213*	*1,828,691*	*1,877,281*	*1,889,213*	*1,828,691*
- Credit cards	*190,573*	*349,362*	*233,974*	*190,573*	*349,362*
Number of POS terminals	33,772	23,787	30,053	33,772	23,787
Number of Express pay terminals	3,141	3,118	3,125	3,141	3,183
FX Rates:					
GEL/US$ exchange rate (period-end)	3.1603	3.0552	3.4118		
GEL/GBP exchange rate (period-end)	4.3754	3.7671	4.6929		

	Jun-21	Jun-20	Mar-21
Full time employees (FTE), of which:	**7,633**	**7,181**	**7,450**
- Full time employees, BOG standalone	*6,050*	*5,693*	*5,889*
- Full time employees, BNB	*543*	*543*	*536*
- Full time employees, other	*1,040*	*945*	*1,025*

Shares outstanding	**Jun-21**	**Jun-20**	**Mar-21**
Ordinary shares	47,578,565	47,536,332	48,130,454
Treasury shares	1,590,863	1,633,096	1,038,974
Total shares outstanding	**49,169,428**	**49,169,428**	**49,169,428**

PRINCIPAL RISKS AND UNCERTAINTIES

In the Group's 2020 Annual Report and Accounts we disclosed the principal and emerging risks and uncertainties that are most likely to have an impact on our business model, strategic objectives, operations, future performance, solvency and liquidity. We also disclosed the potential impact, as well as the trends and outlook associated with these risks and the actions we take to mitigate them. We have updated this disclosure to reflect recent developments and this is set out in full below.

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

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

MACROECONOMIC ENVIRONMENT	
Principal risk / uncertainty	**Macroeconomic factors relating to Georgia, including depreciation of the Lari against the US Dollar, may have a material impact on our loan book.**
Key drivers / trends	The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. Macroeconomic factors relating to Georgia, such as changes in GDP, inflation and interest rates, may have a material impact on the quality of our loan portfolio, loan losses, our margins, and customer demand for our products and services. The estimated real GDP growth during the first half of 2021 was 12.7%, following a contraction of 6.2% in 2020. The growth was partly as a result of the low base in 2020, but also from a faster rebound than expected (the estimated real GDP growth compared to the first half of 2019 was 5.7%). This recovery was supported by robust exports and remittances and faster than expected recovery in tourism. That said, the pandemic still remains one of the key uncertainties in the growth outlook, but acceleration in vaccination process is expected to offset this risk. Uncertain and volatile global economic conditions could have substantial political and macroeconomic ramifications globally which, in turn, could impact the Georgian economy. In the first half of 2021, the Lari appreciated against the US Dollar by 3.5%, after depreciating by 14.3% in 2020. The volatility of the Lari against the US Dollar may adversely affect the quality of our loan portfolio, as well as increase the cost of credit risk and expected credit loss provisions. The creditworthiness of our customers may be adversely affected by the depreciation of the Lari against the US Dollar, which could result in them having difficulty repaying their loans. The depreciation of the Lari may also adversely affect the value of our customers' collateral. At 30 June 2021, approximately 41.3% and 79.6% of our gross Retail Banking and Corporate and Investment Banking loans, respectively, were denominated in foreign currency, while 6.7% of Retail Banking gross loans and 40.1% of Corporate and Investment Banking gross loans issued in foreign currency had no or minimal exposure to foreign currency risk. In the first quarter of 2020, following the COVID-19 pandemic outbreak, the Group created upfront provision for the full economic cycle in both Retail Banking and Corporate and Investment Banking businesses. This COVID-19-related charge was based on our expectations of future credit losses on our portfolio given the application of the future economic scenarios. The assumptions are being continuously revisited to reflect the macroeconomic forecast scenarios published by the NBG, and better visibility of the portfolio and the detailed review of creditworthiness of the borrowers. Based on these analyses, the reserves created in the first quarter of 2020 proved overall to be sufficient. As a result, our cost of credit risk ratio was 0.1% in the first half of 2021 compared to 3.5% in the first half of 2020. There still is uncertainty over the magnitude of the global slowdown that will result from the COVID-19 pandemic.
Mitigation	The Group continuously monitors market conditions and reviews market changes, and also performs stress and scenario testing to test its position under adverse economic conditions,

including adverse currency movements.

The Bank's Asset and Liability Management Committee sets our open currency position limits and the Bank's proprietary trading position limits, which are currently more conservative than those imposed by the NBG, our regulator. The Treasury department manages our open currency position on a day-to-day basis. The open currency position is also monitored by the Bank's Capital Adequacy and Financial Risk Management unit.

In order to assess the creditworthiness of our customers, we take into account currency volatility when there is a currency mismatch between the customer's loan and the revenue. In line with the NBG requirements, we assign up to 75% additional risk weighting to the foreign currency loans of clients, whose source of income is in Lari (this requirement was temporarily decreased to 25% since April 2020 by the NBG on the back of the COVID-19 outbreak; however, we have not modified our approach with regard to underwriting principles and this change has not affected our pricing decisions).

The Bank's Credit Committees and Credit Risk department set counterparty limits by using a credit risk classification and scoring system for approving individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements.

In order to encourage responsible lending practices in the market, the NBG has in place macroprudential policy instruments that regulate lending conditions to individuals. The payment-to-income ratio (PTI) and the loan-to-value ratio (LTV) require the financial institutions to issue loans based on the rigorous assessment of clients' debt paying ability and aim at reducing high-risk products in the market. This initiative ensures the sustainability of the financial sector in the event of real estate price reductions and further reduces the risk of the loan portfolio quality.

Since 2016, the NBG has actively implemented various measures to de-dollarise the Georgian economy. In January 2019, in order to hedge the borrowers against foreign currency risks, the NBG raised a threshold of small-sized loans that must be issued only in local currency from GEL 100,000 to GEL 200,000.

Among the NBG's initiatives towards de-dollarisation and increasing access to long-term lending in the local currency is Liquidity Coverage Ratio (LCR) under the Basel III framework, effective since September 2017. The NBG's preferential treatment for the Lari is translated into 75% LCR for the local currency high-quality liquid assets, while the mandatory ratio stands at 100% for foreign currency as well as for all currencies in total.

Moreover, since June 2018, in order to encourage the financial institutions to raise funding in the local currency, the NBG mandated changes in minimum reserve requirements on funds attracted in national and foreign currencies several times. Currently, 25% of customer deposits in foreign currencies are set aside as minimum reserves. In addition, the Bank maintains a minimum average balance of 5% of its customers' deposits in Lari at its correspondent account at the NBG. For Certificates of Deposit (CDs) and unsubordinated funding, the NBG requires the Bank to set aside 25% of CDs and borrowings in foreign currency with a remaining maturity of less than one year, 15% of CDs and borrowings in foreign currency with a remaining maturity of one to two years, and 5% of its unsubordinated local currency wholesale funding for borrowings with a remaining maturity of less than one year. There is no minimum reserves requirement for CDs denominated in local currency.

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

Since the beginning of 2016, we have focused on increasing local currency lending. We actively work with International Finance Institutions to raise long-term Lari funding to increase our Lari-denominated loans to customers. Furthermore, in June 2017, we completed the inaugural local

	currency denominated international bond issuance in the amount of GEL 500mln to support local currency lending. From the beginning of 2017, the NBG expanded the list of assets that banks are permitted to use as collateral for REPO transactions, which provides an additional funding source for our Lari-denominated loan book. This list further expanded since the second quarter of 2020 as part of the NBG's response to the COVID-19 pandemic. The government and the NBG have appropriate tools to help mitigate the economic threat to a degree, and to try to support economic recovery to resume growth quickly. The Georgian economy is well-diversified, both by sector, and in terms of trading partner country dependence. However, if the virus leads to a continued global shutdown a significant negative impact on areas of the Georgian economy is expected. We continue to monitor the COVID-19 pandemic outbreak's impact and to consider our continued business resilience.
REGIONAL AND DOMESTIC INSTABILITY	
Principal risk / uncertainty	**The Georgian economy and our business may be adversely affected by regional and domestic tensions and instability.** The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. The Georgian economy is well-diversified and there is no significant dependency on a single country. However, it is dependent on economies of the region, in particular Russia, Turkey, Azerbaijan and Armenia, which are key trading partners. There has been ongoing geopolitical tension, political and economic instability and military conflict in the region, which may have an adverse effect on our business and financial position. Furthermore, our business and financial position may be adversely affected by domestic political challenges and instability.
Key drivers / trends	Russian troops continue to occupy the Abkhazia and the Tskhinvali/South Ossetia regions, and tensions between Russia and Georgia persist. Russia is opposed to the Eastward enlargement of NATO, including the former Soviet republics such as Georgia. Therefore, Georgia's continued progression towards approximation to the EU and NATO may intensify tensions between Georgia and Russia. Developments such as the introduction of a free trade regime between Georgia and the EU in September 2014 and the visa-free travel in the EU granted to Georgian citizens in March 2017 similarly contribute to tensions. The government has taken certain steps towards improving relations with Russia but, as of the date of this announcement, these have not resulted in any formal or legal changes in the relationship between the two countries. In June 2018, as a result of early parliamentary and presidential elections, amendments to the Turkish constitution became effective. The amendments which grant the president wider powers are expected to transform Turkey's system of government away from a parliamentary system, which could have a negative impact on political stability in Turkey. On 8 July 2019, Russia's ban on direct flights to Georgia, imposed earlier in June over anti-occupation protests in Tbilisi, came into effect. The sanction affected the Georgian tourism sector; however, it also provided more incentives to further diversify the country's tourist base. We note that, after a two-month war between Azerbaijan and Armenia over Nagorno-Karabakh region, a ceasefire agreement was signed on 10 November 2020. The agreement confirmed territorial gains of Azerbaijan, opening a direct land link with Turkey. Soon after the agreement, the Turkish government announced plans to build a railway connecting to Azerbaijan directly. This decision may shift transportation routes in the region in the long term, which could negatively affect Georgia's aspiration to become the transport and logistics hub of the region. However, at this stage we do not assume that cargo flows will shift from the Georgian corridor in the medium term, considering the difficult landscape of this potential new route and uncertainties related to security. In addition, Georgia is currently experiencing certain political challenges. The domestic political situation escalated following attacks on media representatives on 5-6 July 2021 committed by a group of radicals, and experienced further strains at the end of July, when the ruling party pulled out from the EU-mediated agreement concluded in April 2021. An opposition boycott and media demands, and upcoming local elections in Autumn 2021, may result in further political tension,

	exacerbate uncertainty and negatively impact the recovery.
Mitigation	The Group actively monitors regional and local market conditions and risks related to political instability, and the Georgian government's response thereto. It performs stress and scenario tests to assess the impact on its financial position, and develops responsive strategies and action plans. While financial market turbulences and geopolitical tensions affect regional trading partners, Georgia's preferential trading regimes and well-diversified economy in terms of dependency on a single country, support the country to enhance resilience to regional external shocks. Although the COVID-19 pandemic had an adverse impact on the Georgian economy, which is highly dependent on tourism revenues, a series of state support measures aided by international financial institutions have partly mitigated the negative consequences of the pandemic. As a result, the Georgian economy contracted by 6.2% in 2020. We already see various sectors of the economy recovering on the back of a significant rebound in economic activity, resulting in y-o-y estimated real GDP growth of 12.7% during the first half of 2021, surpassing the 2019 pre-pandemic levels. Georgia is expected to surpass 2019 level of growth in 2021 as more people get vaccinated and tourism gradually comes back. We believe that Georgia's efforts to further diversify its economic linkages, use the potential of new large markets – the EU and China – and further enhance its institutions will enable the economy to deal with the external shocks relatively well. On 9 April 2021, the Executive Board of the International Monetary Fund (IMF) completed the Eighth Review of Georgia's economic reform programme supported by a four-year extended arrangement under the Extended Fund Facility (EFF). This was the last review under the arrangement and its completion released SDR 78 million (about US$ 111 million), bringing total disbursements to SDR 484 million (about US$ 687 million). On 19 July 2021, IMF concluded the 2021 Article IV Mission. Based on the IMF statement, as the recovery proceeds, the focus of fiscal policy should shift toward unwinding crisis support measures and bringing down the deficit and debt. The pandemic naturally led to sharp rise in the fiscal deficit and debt as the government provided support to businesses and households, and as revenues declined. Georgia's fiscal rule has been an essential anchor and source of policy credibility and the authorities' strong commitment to the fiscal rule is welcome. Faster than expected economic recovery has substantially improved the revenue outlook for 2021. In the planned supplementary budget, new revenues will largely finance additional healthcare costs as well as capital and other spending. Saving more of these revenues would help speed progress on the fiscal consolidation required to comply with the fiscal rule by 2023 and provide a buffer against risks. Accordingly, further revenue windfalls should be saved. The eventual unwinding of COVID-19 support measures as the pandemic recedes will help shrink the deficit, but additional adjustments are still needed. Faster deficit reduction in the 2022 budget would better balance the need for new revenue or saving measures over the next two years. The mission welcomes the NBG's appropriate increases in the monetary policy rate in March and April to help ensure that the temporary effects of commodity price increases and supply constraints remain transient and that inflation expectations stay anchored around the 3 percent target. With recovery now faster than expected, risks to inflation are tilted to the upside, and the NBG should be ready to promptly hike rates further if inflation expectations or core inflation suggest high inflation risks becoming entrenched. Overall, the inflation targeting framework and floating exchange rate regime have helped Georgia adjust to the COVID-19 shock and remain appropriate. Considering risks, including due to financial dollarisation, the NBG should continue prudent use of foreign exchange interventions to prevent disorderly market conditions. The recent introduction of differentiated reserve requirements on foreign exchange liabilities of banks could be a useful step to reduce deposit dollarisation. Notably, Fitch Ratings and S&P Global maintained Georgia's sovereign credit ratings unchanged in 2020 and 1H21, respectively, despite the COVID-19-induced economic crisis and sharp reduction of external earnings on the back of halt in international tourism. Both agencies underline Georgia's relatively strong institutional arrangements, in the regional context, and an ability to mobilise concessional financing from international financial institutions. Furthermore, on 6 August 2021, Fitch Ratings revised Georgia's sovereign credit rating outlook to Stable from Negative and affirmed at BB, which is a return to pre-pandemic indicator. According to Fitch Ratings, the outlook revision reflects a much-improved macroeconomic baseline, and confidence

	that the Georgian authorities will continue implementing policies supporting macroeconomic stability and medium-term sustainability of public finances. Fitch Ratings revised its 2021 real GDP growth estimate for Georgia upwards to 7.8% from 4.3%. For 2022-2023, the rating agency forecasts real GDP growth to average 5.4%, above the potential growth of 4.0-4.5%, supported by a more robust recovery in the tourism sector and an increase in investment. The Group closely monitors the current domestic political situation, related risks and the Georgian government's response thereto. The international community is closely involved in the process and acts as mediators between the government and the opposition parties. The desire to join the EU is likely to encourage Georgia's political players to put their differences behind them and to act more collaboratively.
LOAN PORTFOLIO QUALITY RISK	
Principal risk / uncertainty	**The Group may not be able to maintain the quality of its loan portfolio.** The quality of the Group's loan portfolio may deteriorate due to external factors beyond the Group's control such as negative developments in Georgia's economy or in the economies of its neighbouring countries, the unavailability or limited availability of credit information on certain of its customers, any failure of its risk management procedures or rapid expansion of its loan portfolio. The Group's Corporate and Investment Banking loan portfolio is concentrated and to the extent that such borrowers enter into further loan arrangements with the Group, this will increase the credit and general counterparty risk of the Group, with respect to those counterparties and could result in deterioration of the Group's loan portfolio quality. Furthermore, the collateral values that the Group holds against the loans may decline, which may have an adverse effect on the business and financial position of the Group.
Key drivers / trends	Expected credit loss and, in turn, the Group's cost of credit risk could increase if a single large borrower defaults or a material concentration of smaller borrowers default. The Corporate and Investment Banking loan portfolio is concentrated, with the Group's top ten Corporate and Investment Banking borrowers accounting for 8.8% of gross loans to customers and finance lease receivables at 30 June 2021, as compared to 9.7% at 31 December 2020 and 9.9% at 31 December 2019. As at 30 June 2021, the Group held collateral against gross loans covering 84.9% of the total gross loans to customers. The main forms of collateral taken in respect of Corporate and Investment Banking loans are liens over real estate, property, plant and equipment, corporate guarantees, inventory, deposits and securities, and transportation equipment. The most common form of collateral accepted in Retail Banking loans is a lien over residential property. Downturns in the residential and commercial real estate markets, or a general deterioration of economic conditions in the industries in which the Group's customers operate, may result in illiquidity and a decline in the value of the collateral securing loans, including a decline to levels below the outstanding principal balance of those loans. In addition, declining or unstable prices of collateral in Georgia may make it difficult for the Group to accurately value collateral it holds. If the fair value of the collateral that the Group holds declines significantly in the future, it could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans. Further changes to laws or regulations may impair the value of such collateral. During the first half of 2021, the Group's cost of credit risk ratio was 0.1%, as compared to 3.5% in the first half of 2020. The latter was driven by additional expected credit losses created for the full economic cycle in both Retail and Corporate and Investment Banking segments, primarily related to deterioration of macroeconomic environment and expected creditworthiness of borrowers as a result of the impact of the COVID-19 pandemic, which further proved overall to be sufficient. As of 30 June 2021, 31 December 2020 and 31 December 2019, the Group's non-performing loans accounted for 3.5%, 3.7% and 2.1% of gross loans to customers and finance lease receivables, respectively.
Mitigation	The Group continuously monitors market conditions and reviews market changes, and also performs stress and scenario testing to test its position under adverse economic conditions.

	Our Credit Committees and Credit Risk department set counterparty limits by using a credit risk classification and scoring system for approving individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements. The Group continuously monitors the market value of the collateral it holds against the loans. When evaluating collateral for provisioning purposes, the Group discounts the market value of the assets to reflect the liquidation value of the collateral. In terms of Retail Banking loan portfolio, when disbursing the loans to retail customers the Group strictly adheres to PTI and LTV ratios set by the NBG based on the rigorous assessment of clients' debt paying ability. This further reduces the risk of the loan portfolio quality in the event of real estate price reductions. To respond to challenges caused by the COVID-19 pandemic, the Group has adjusted the credit assessment criteria, both for business as well as household loans. The Group applied sector specific discounts to financial forecasts, increased discounts applied to rental income and increased LTV requirements prior to these adjustments materialising into real impact. The Group also actively monitored portfolio of impacted customers and offered suitable loan payment schedule modifications to meet customers' cash flow needs for them to be able to meet their credit obligations. In addition, in order to manage the risk at an appropriate level, the Group has temporarily ceased the lending to high-risk retail and micro-express loans segments. In terms of Corporate and Investment Banking loan portfolio concentration, the Group aims to adhere strictly to the limits set by the NBG for client exposures, as well as internally-set limits, monitors the level of concentration in its loan portfolio and the financial performance of its largest borrowers, uses collateral to minimise loss given default on its largest exposures and maintains a well-diversified loan book sector concentration.
REGULATORY RISK	
Principal risk / uncertainty	**We are at risk of failing to identify, assess, correctly interpret, comply with, or manage regulatory requirements,** leading to financial loss, legal or regulatory censure, and/or damage to the Group's reputation.
Key drivers / trends	The Group is subject to increasing regulatory requirements, and the competitive landscape in which we operate may change as a result of changes in regulation, the extent and impact of which may not be fully predicted. Since the Group is listed on the London Stock Exchange's main market for listed securities, it is subject to the UK Financial Conduct Authority regulations. The Group is subject to regulatory oversight of the National Bank of Georgia, which supervises the banking sector and the securities market in Georgia. Furthermore, the Group companies are also subject to relevant laws and regulations in Georgia, and the banking subsidiary in Belarus, BNB, is subject to regulatory oversight of the National Bank of the Republic of Belarus. Our ability to comply with existing or potential regulatory or legal requirements may be affected by a number of factors, including those outside of our control.
Mitigation	In order to ensure compliance with relevant regulations, the Group has established compliance policies and procedures that enable the integration of compliance risk management principles across the Group's operations. The Group compliance policies set the principles and standards for managing compliance risks across the Group and describe key roles and responsibilities of an independent group compliance function. The adherence to the policies is mandatory for all employees and is monitored through the relevant KPIs. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls, as required, to meet our compliance obligations.

	The Bank has taken further steps to effectively and efficiently mature its compliance risk management framework, including the development of a robust toolkit for the timely implementation of new regulatory requirements, and the establishment of a formal link and coordinated process of communication with the regulator. The Bank has policies and processes in place to identify, assess, and monitor related party transactions. Our compliance risk management framework, at all levels, is subject to regular review by the Bank's Internal Audit department and external assurance service providers.
LIQUIDITY RISK	
Principal risk / uncertainty	**The Group is exposed to liquidity risk when the maturities of its assets and liabilities do not coincide, as well as funding risk.** Although the Group expects to have sufficient funding over the next 12 months and beyond to execute its strategy and to have sufficient liquidity over the next 12 months and beyond, liquidity risk is nevertheless inherent in banking operations and may be heightened by a number of factors, including an over-reliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability. Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding as a result of global economic and financial factors. The availability of credit in emerging markets, in particular, is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence (for example, a downgrade in credit ratings of Bank of Georgia, Georgia, or state interventions or debt restructurings in a relevant industry) could affect the pricing or availability of funding for the Group companies, operating in any of these markets.
Key drivers / trends	The Group's current liquidity may be affected by unfavourable financial market conditions. If assets held by the Group in order to provide liquidity become illiquid or their value drops substantially, the Group may be required, or may choose, to rely on other sources of funding to finance its operations and future growth. Only a limited amount of funding, however, is available on the Georgian inter-bank market, and recourse to other funding sources may pose additional risks, including the possibility that other funding sources may be more expensive and less flexible. In addition, the Group's ability to access such external funding sources depends on the level of credit lines available to it, and this, in turn, is dependent on the Group's financial and credit condition, as well as general market liquidity. In terms of current and short-term liquidity, the Group is exposed to the risk of unexpected, rapid withdrawal of deposits by its customers in large volumes. Circumstances in which customers are more likely to withdraw deposits in large volumes rapidly include, among others, a severe economic downturn, a loss in consumer confidence, an erosion of trust in financial institutions or a period of social, economic or political instability. If a substantial portion of customers rapidly or unexpectedly withdraw their demand or term deposits or do not roll over their term deposits upon maturity, this could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, should the COVID-19 pandemic continue to cause disruption to economic activity in Georgia and globally, there could be adverse impacts on the Group's liquidity and funding positions.
Mitigation	The Group manages its liquidity risk through the liquidity risk management framework, which models the ability of the Group to meet its payment obligations under both normal conditions and crisis. The Bank has developed a model based on the Basel III liquidity guidelines. It maintains a solid buffer on top of the LCR requirement of 100%, mandated by the NBG since September 2017. A strong LCR enhances the Group's short-term resilience. Moreover, the Bank holds a comfortable buffer on top of the Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. Notably, both LCR and NSFR measures as implemented by the NBG are already more conservative compared with the

	minimum levels required under the Basel III framework. As of 30 June 2021, 31 December 2020 and 31 December 2019, the LCR was 124.5%, 138.6%, and 136.7%, respectively, while NSFR was 136.8%, 137.5% and 132.5%, at 30 June 2021, 31 December 2020 and 31 December 2019, respectively, all comfortably above the NBG's minimum regulatory requirement. Among other things, the Group maintains a diverse funding base comprising short-term sources of funding (including Retail Banking and Corporate and Investment Banking customer deposits, inter-bank borrowings and borrowings from the NBG) and longer-term sources of funding (including term Retail Banking and Corporate and Investment Banking deposits, borrowing from international credit institutions, and long-term debt securities). Client deposits and notes are one of the most important sources of funding for the Group. As at 30 June 2021, 31 December 2020 and 31 December 2019, 88.8%, 88.7%, and 90.4%, respectively, of client deposits and notes had contractual maturities of one year or less, of which 49.1%, 48.2%, and 55.2%, respectively, were payable on demand. As of the same dates, the ratio of net loans to client deposits and notes was 106.1%, 101.2%, and 118.4%, respectively, and the ratio of net loans to client deposits and notes and DFIs was 93.2%, 89.4%, and 103.2%, respectively. The Bank has strong support from International Financial Institutions. It has already attracted a number of new local and foreign currency long-term borrowings during 2020-2021 of more than US$ 200 million from the International Finance Corporation, the European Investment Bank, FMO – Dutch entrepreneurial development bank in collaboration with other participating lenders, and the European Bank for Reconstruction and Development, part of which has been drawn-down during 2020 and 2021. The Group currently has c.GEL 225mln undrawn long-term facilities from DFIs with up to five years of maturity, as well as strong pipeline to secure resources needed for the next 12 months. Furthermore, as part of its updated supervisory plan for the Georgian banking sector, aimed at elevating the negative financial and economic challenges created by the COVID-19 in Georgia, the NBG announced the readiness to revisit and reduce LCR requirements (on 1 May 2020, the NBG temporarily cancelled the 75% LCR requirement for local currency for a one-year period), as well as mandatory reserve requirements, if necessary. Moreover, the NBG has also introduced the FX swap instruments, and extended the eligibility criteria of collateral used for refinancing loan provided by the NBG; this may be revisited further, if necessary, to support the local currency liquidity.
CAPITAL RISK	
Principal risk / uncertainty	**The Bank faces the risk of not meeting the minimum capital adequacy requirements set by the NBG.** The Bank, like all regulated financial institutions in Georgia, is required to comply with capital adequacy ratios set by the NBG. The failure to maintain the minimum capital adequacy requirements may have a material adverse effect on the Group and may compromise its strategic targets.
Key drivers / trends	Since December 2017, the Bank is subject to the NBG capital adequacy regulation, which is based on the Basel III guidelines of the Basel Committee of Banking Supervision, with regulatory discretion applied by the NBG due to the specifics of the local banking industry. The new increased requirements are phased-in gradually with fully loaded requirement of capital adequacy ratios of risk-weighted assets effective by end of March 2023 (as amended in March 2020, and subsequently, as part of the NBG's response to the COVID-19 pandemic outbreak). Our ability to comply with existing or amended NBG requirements may be affected by a number of factors, including those outside of our control, such as an increase in the Bank's risk-weighted assets, our ability to raise capital, losses resulting from deterioration in our asset quality and/or a reduction in income levels and/or an increase in expenses, local currency volatility, as well as weakening of global and Georgian economies. In March 2020, as a response to the emerging COVID-19 pandemic, in agreement with the NBG, the Bank created a c.GEL 400mln general provision under the Bank's local regulatory accounting basis that is used to calculate the capital adequacy ratios. This provision covers the NBG's expectation of estimated credit losses on the Bank's lending book for the full economic

	cycle. This resulted in a decline in capital ratios in 2020, which still stood comfortably above the minimum regulatory requirements. That said, should the COVID-19 pandemic continue to cause disruption to economic activity in Georgia and globally, there could be further adverse impact on the Bank's capital adequacy position.
Mitigation	The Group maintains an actively managed capital base to cover risks inherent to its business. As part of our capital adequacy management framework, we continuously monitor market conditions and review market changes, and perform stress and scenario testing to test our position under adverse economic conditions, market and regulatory developments. Capital position is continuously monitored by the management, as well as the Board, to ensure prudent management and timely actions, when necessary. In 2019, we underwent a capital optimisation exercise to strengthen the Bank's capital position and enable the realisation of the potential upsides. For that, in March 2019, the Bank issued inaugural US$ 100 million Additional Tier 1 Capital Notes, which marks the first ever AT1 transaction from Georgia. This issuance helped Bank of Georgia optimise its capital structure from a foreign currency perspective, and provided a natural hedge against operating in a dollarised economy. Further, in December 2019, the Bank signed a ten-year US$ 107 million subordinated syndicated loan agreement arranged by FMO – Dutch entrepreneurial development bank in collaboration with other participating lenders, which qualifies for the Tier 2 capital instrument under the NBG Basel III framework. In addition, in December 2020, the Bank signed an amendment to the syndicated Tier 2 facility on increasing the loan exposure by additional US$ 20 million. In March 2020, given the level of uncertainty with regard to the global impact of COVID-19 and the potential length of time of that impact, the Board of Directors decided not to recommend a dividend for the 2019 year to shareholders at the 2020 Annual General Meeting. Furthermore, as part of its updated supervisory plan for the Georgian banking sector, aimed at elevating the negative financial and economic challenges created by COVID-19 in Georgia, in April 2020, the NBG implemented certain measures in relation to capital adequacy requirements to allow the banks to use existing regulatory capital buffers to support customers in the current financially stressed circumstances, to continue normal business activities as far as possible, and to support the economy through ongoing lending operations. From a capital adequacy perspective, a number of capital buffers were released, which reduced the minimum regulatory capital requirements at the time. During the period that banks partially or fully utilised the reduced Pillar 2 and conservation buffers, banks have not been able to make any form of capital distribution. Subsequently, the NBG has announced a released capital buffers rebuild plan and has updated the timeline for the phase-in of additional Basel III capital requirements for the banking sector. Throughout the pandemic, and the consequent significant reduction in economic activity, the Bank has delivered strong operating performance, with good operating income, well-managed costs, and robust asset quality. This has led to consistently delivering return on equity in excess of 20% over the last four quarters, and maintaining capital adequacy ratios comfortably above our minimum regulatory requirements. As a result, considering the Bank's strong capital position, the Bank has now confirmed to the NBG that we are no longer utilising, or expect to utilise, any of the Pillar 2 or conservation buffers that were waived in 2020. The Group's capital position remains robust, and comfortably above the minimum regulatory requirements. At 30 June 2021, the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 12.5%, 14.4% and 19.1%, respectively, all comfortably above the minimum required levels of 11.1%, 13.4% and 17.7%, respectively.
FINANCIAL CRIME RISK	
Principal risk / uncertainty	**We are at risk of knowingly or unknowingly facilitating illegal activity, including money laundering, fraud, bribery and corruption, tax evasion, sanctions evasion, financing of terrorism and proliferation, through the Bank.** We may be adversely affected if we fail to mitigate the risk of our products and services being used to facilitate financial crime, leading to

	financial loss, legal or regulatory censure and/or damage to our reputation.
Key drivers / trends	Financial crime risks continue to evolve globally. The Group faces stringent regulatory and supervisory requirements related to the management of financial crime risks. Failure to comply with these requirements may lead to enforcement action by the regulator, leading to financial loss and/or damage to the Group's reputation. Main sources of financial crime risk may arise from the following: – An inherent risk related to providing products and services to customers that may expose the Group to financial crime; – Inadequate controls to capture risk and/or reduce the residual impact and likelihood of financial crime risk; – Business activities with an unacceptable level of risk exposure may not be adequately managed. Globally, increased volume and speed of transactions/payments and digital transformation in financial services are fueling following trends in financial crime risk management: – Increased speed of service delivery – transaction are being executed more quickly, and therefore, the primary line of defense needs to use more advanced detection techniques and data to mitigate risks; – Identity fraud – the number of identity fraud, account takeover, fabricated client accounts is expected to rise globally. The Group will need to combine breadth of information with a more advanced data analytics and machine learning capabilities to be able to mitigate the risk; – Diagnose products (new and nontraditional) for money laundering — criminals are more likely to shift their attention to more nontraditional products, including trade finance, securities and insurance, and thus the Group will need more advanced technological solutions and comprehensive policies to prevent and detect money laundering across the Group.
Mitigation	Within the scope of the Group-wide financial crime risk management programme, all business units, support functions and subsidiaries are expected to consider the impact of their activities on the risk profile of the Group and take effective measures to ensure alignment with the Group's risk taking approach for financial crime. We have an anti-money laundering (AML)/counter-terrorist financing (CTF) framework, which includes a risk-based approach (RBA) towards the ML/FT risks. The framework is designed to comply with the local legislation, international standards (Financial Action Task Force (FATF) recommendations), and international financial sanctions programmes. The Bank has standards that define Know Your Customer (KYC), transaction monitoring, transaction screening procedures to comply with international economic sanctions regulations, customer activity monitoring and filing for mandatory and suspicious activity reports, correspondent relationship assessment and monitoring, and training of relevant staff ML/FT policies. To strengthen our ability to prevent and detect financial crime, we continue to enhance our AML risk management function. We have invested significant resources to further improve our ML/FT risk management capabilities, including advanced analytics and transaction monitoring solutions. We use an established risk governance structure to mitigate risks related to ML/FT, which implies three lines of defense model. As an organisation that is fully committed to the prevention of bribery and corruption, Bank of Georgia ensures that appropriate policies and effective controls are in place. The Bank has Know Your Employee (KYE) procedures, based on which the Bank conducts different screening procedures at recruitment, employment and departure stages of the employment. In the first half of 2021, there was no bribery or corruption incident registered in the Bank, and the Bank did not incur any bribery or corruption fines. The Bank's Internal Audit function provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems. Financial crime risks are on the regular agenda of the Audit and Risk Committees and are also frequently discussed at the Board level.

CYBER-SECURITY, INFORMATION SECURITY AND DATA PRIVACY RISK	
Principal risk / uncertainty	**We are at risk of failing to effectively govern, manage and control our data, as well as of experiencing the failure, unauthorised or erroneous use of information systems.** These could lead to unethical decisions, disrupt our critical services, result in financial loss, have legal or regulatory implications, and/or negatively affect our reputation.
Key drivers / trends	Cyber and information security threats have continued to increase over the past few years. Although, to date, neither our operations have been materially affected nor have we suffered a data breach, the external threat profile is continuously changing, and we expect threats to continue to increase. In addition, local data protection legislation in Georgia, which is approximated to the General Data Protection Regulation, requires robust and multidisciplinary approach to privacy organisation. We are committed to ensuring that personal data is handled in accordance with the requirements of laws of Georgia and state-of-the-art principles. While the country has already taken steps to align its laws with EU data protection instruments, further legislative developments are underway. Over the past few years, as we have accelerated our focus on digitalisation, coupled with the shift to remote work due to the COVID-19 pandemic, we have seen an increase in electronic crime rate, including fraud, however losses have not been significant. Further, the risks will need to be balanced against the requirements driven by the local regulatory reforms on Open Banking, aimed at alignment with the EU's Second Directive on Payment Services (PSD2). The NBG has taken a phased approach to implementing the reforms, and the process is expected to be completed by the end of 2021.
Mitigation	We have an integrated control framework encompassing operational risk management, IT systems, and corporate and other data security, each managed by a separate department. We are committed to ensuring that personal data is handled in accordance with the requirements of the Georgian data protection legislation and state-of-the-art principles. We have established a rigorous information security and privacy programme, which is aligned with current business and regulatory requirements and an emerging threat landscape. ***Policies and standards:*** We have in place privacy and information security policies, which outline the basic contours of the measures to take in the processing and handling of personal data to preserve the integrity, confidentiality and availability of the data. Designated Governance and Risk Management unit develops and maintains a comprehensive set of information security policies and standards, which are regularly reviewed by the unit to ensure that they are up to date. These policies and standards are reviewed and approved by the relevant governance bodies on an annual basis, are aligned with recognised industry standards, such as those determined by the National Institute of Standards and Technology (NIST), the International Organisation for Standardisation (ISO) and the General Data Protection Regulation (GDPR), and are made available to all relevant personnel through internal channels. We have embedded robust privacy standards and practices within corporate operations and structure and maintain a comprehensive set of information security and privacy policies and standards. ***Internal and external information security checks:*** To ensure the adequacy and effectiveness of our risk management, internal controls and systems in place, we carry out regular information security checks internally as well as with the assistance of external consultants. Our Internal Audit department independently evaluates the Bank's overall control environment, issues recommendations and monitors the implementation of control measures. Once a year, we engage external auditors to conduct a cyber-security audit. In addition, we regularly initiate authorised simulated attacks on our system, have an internationally recognised vendor conduct a penetration test once a year, and carry out vulnerability assessments on a quarterly basis. ***Access management:*** We have established access controls that are based on general principles, such as principle of least privilege access, separation of duties, defence in depth, and privileges commensurate with a particular role's duties. We continuously strive to keep the existing controls up to date. In response to our employees working remotely due to the COVID-19 pandemic outbreak and to address information and cyber-security risks, we have developed new monitoring rules and alerts, modified thresholds to detect anomalous activity, and tightened

	security requirements for gaining remote access. ***Vendor security:*** While effective relationships with vendors are essential to our success, we understand that they may pose significant risks to our information security. In addition, under the local data protection legislation, organisations are responsible for personal data managed by their third-parties. To this end, we have established a comprehensive procedure for evaluating the maturity of vendors' information security, data protection and business continuity practices. As part of the selection process, vendors are subject to information security and data protection due diligence. In line with the findings of vendors' information security due diligence, necessary contractual and technical controls are implemented. Existing vendor relationships are subject to, at a minimum, annual monitoring and review to determine their fulfilment of information security requirements. Termination of a relationship with a vendor is subject to exit procedures to ensure the protection of our information's confidentiality, integrity and availability. ***Awareness programmes:*** Building a privacy and information security strategy means changing the mindset and perspective of the entire organisation. Awareness raising is one of the key aspects of our privacy and information security framework. As part of the privacy and cyber-security programme, we conduct awareness campaigns to enable our employees to recognise information security concerns and respond accordingly. Information security training, including cyber-security and data privacy, is mandatory for all employees as part of the onboarding process, and afterwards once a year. On a quarterly basis, the Information Security department initiates a phishing campaign to test the ability of our staff to detect phishing attacks and respond duly. On a periodic basis, the Information Security department sends awareness emails and shares posts through internal channels regarding current information security threats. In response to the COVID-19 pandemic outbreak, we have developed a mandatory special training course for our employees on how to work remotely in a secure manner and protect themselves from the emerging information security threats. ***Privacy Strategy:*** To evaluate where an organisation currently stands with respect to the local data protection legislation, the GDPR and industry best practices, we regularly perform privacy gap assessments. The outcome of this exercise is a specific risk-based implementation plan with priority steps required to improve privacy compliance within the Bank. This helps us make informed decisions on the use of personal data, develop assumptions at the Board level, and increase control over privacy risks. The Data Protection Officer regularly reports to the Board of Directors on the status of implementation and compliance with personal data protection laws. As a result, the Bank's senior management as well as the Board of Directors are aware of relevant data protection matters at all times. The Bank's Internal Audit function provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems in place. Cyber-security and data privacy risks are on the Audit and Risk Committees' regular agenda and are also frequently discussed at the Board level.
OPERATIONAL RISK	
Principal risk / uncertainty	**We are at risk of incurring losses as a result of inadequate or failed internal processes, people and systems, or from external events.** Operational risk may result in losses emerging from following events, among others: – internal and external fraud, theft and unauthorised activity – business disruption and system failures; – employment practices; – clients, products and business practices; – damage to physical assets and infrastructure; – execution, delivery and process management.
Key drivers / trends	We are highly dependent on the proper functioning of our risk management, internal controls and systems, and internal processes. The objective of the Group's operational risk management is to keep operational risk at appropriate levels relative to the characteristics of the Group's business, the markets, its capital and liquidity positions, and the competitive, economic and regulatory environment. Deficiencies or ineffectiveness in operational risk management may result in inaccurate financial, regulatory or risk reporting, which may have adverse effect on accurate and

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timely visibility of the Group’s risk profile to our key stakeholders. This may deter the actions needed by each line of defense, including senior management and relevant committees to timely respond to the shift in the Group’s risk profile and undertake corrective measures.

The trends that are driving the need to transform other than above mentioned emerging risks stem from multiple sources:

- It is expected that regulation will continue to deepen and become more stringent as public becomes less tolerant of errors or inappropriate business practices;
- Customer expectations of banking products and services will change with the emergence of new technologies and new service models;
- Accelerating digitalisation and automation will make IT and data more sophisticated;
- The talent pool will need to shift to more IT, data savvy profiles to catch up with increased level of digitalisation and automation of processes.

As a result, ORM will need to adapt and manage the evolution of new types of risks (e.g. model, contagion), all of which will require new skills, tools, and resources.
</td></tr>
<tr><td>Mitigation</td><td>
The Group has a comprehensive and diversified set of risk management and mitigation practices and strategies in place, including the use of risk models in analysing and monitoring various risk groups. The assumptions and judgments used in the existing risk models may not fully anticipate the timing or the specifics of every event in the Group’s operating environment.

To manage operational risk, the Group has implemented and sustains a system of policies and procedures and has established a framework for anticipating, mitigating, controlling and communicating operational risks and the overall effectiveness of the internal control environment across the Group. Through effective alignment of roles and responsibilities related to operational risks among three lines of defense, the Group identifies, monitors, measures, reports on and manages risks and related controls.

Internal controls: We have designed internal controls that ensure the Bank has efficient and effective operations, safeguards its assets, produces reliable financial reports, and complies with applicable laws and regulations. The following elements of the internal control framework enable us to mitigate operational risks:

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

Policies and standards**:** Operational risk management department develops and maintains a comprehensive set of policies and standards, which are regularly reviewed to ensure that they are up to date. These policies and standards are reviewed and approved by the relevant governance bodies to ensure they are aligned with recognised industry standards, such as Organisation for Standardisation (ISO), and are made available to all relevant employees through internal channels.

Segregation of duties: The existing risk and control frameworks require that the appropriate segregation of duties is in place, so that the conflicting duties that potentially may result in the concealment of losses, errors or other inappropriate action are eliminated. Thus, one of the key objectives of ORM is to identify potential areas of conflict of interest and manage and monitor the risk.

Technology risk**:** The use of technology related to products, activities, processes and delivery channels exposes us to strategic, operational, and reputational risks and the possibility of a material financial loss. We manage this risk with an integrated approach to identifying, measuring, monitoring and managing technology risks that use the same principles as operational risk management.
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	Business resiliency and continuity: We are exposed to disruptive events, which could be severe and affect our inability to fulfil some or all of our business obligations. Incidents that damage the Bank's physical infrastructure, information technology infrastructures, or a pandemic that negatively impact human resources may result in significant financial losses for the Group, as well as for the industry. To provide resiliency against this risk, the Group has established a business continuity plan that is appropriate for the nature, size and complexity of our operations. The plan takes into account different types of scenarios to which the Group may be vulnerable. The Group continuously performs business impact analysis, recovery strategies, testing, training and awareness programmes, and communication and crisis management programmes. We identify and reassess critical business operations, cyclically or as needed, key internal and external dependencies and appropriate resilience levels. The identified plausible disruptive scenarios are assessed for their financial, operational and reputational impact, and the resulting risk assessment is the foundation for recovery objectives and measures and ultimately recovery plan. ***Outsourcing:*** The Group's sourcing policy ensures that outsourcing initiatives follow a defined process, including due diligence, risk evaluation and ongoing assurance. The following attributes support effective monitoring and management of the risk: – standards that define whether and how activities can be outsourced; – due diligence in the selection of potential service providers; process for identifying, managing and monitoring the associated risks, including the financial condition of the service provider; – sound contracting of outsourcing arrangements; and – establishment of viable contingency plans. ***Awareness programmes*:** We conduct awareness campaigns to enable our employees to recognise existing and potential risks and their role in risk management. Such training mandatory for all employees as part of the onboarding process and afterwards cyclically. The Bank's Internal Audit function provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems. These types of operational risks are on the Audit and Risk Committees' regular agenda and are also frequently discussed at the Board level. The Group is committed to continuous improvement of its risk management programme and is constantly adapting to the evolving operating environment by becoming more agile and developing relevant talent pool as well as capabilities necessary to continue delivering on the Group's key strategic objectives.
COVID-19 PANDEMIC IMPACT RISK	
Principal risk / uncertainty	**The COVID-19 outbreak was declared as a global pandemic at the beginning of 2020 and continues to rapidly spread throughout the world.** The spread of the virus has led to global shutdowns. Full lockdown in Georgia was introduced on 21 March 2020, and a state of emergency declared in the country, which lasted for around two months, after which the government started to gradually release restrictions and open the economy. The outbreak in Georgia at its early stage was not as severe as in many other countries, as the Georgian government took significant early actions to reduce the spread of the virus, which included early flight bans, and school and business closures, and continued with complete restrictions of all economic activities, other than essential stores and services. From mid-May 2020, businesses gradually reopened, but international flights resumed only to a limited number of countries from August 2020. A surge in COVID-19 cases in autumn resulted in further lockdown measures put in place in retail and hospitality sectors at the end of November 2020, as well as a curfew and a ban on public transportation, while avoiding a full-scale lockdown for other areas of the economy, unlike in April-May 2020. This has led to a decline in COVID-19 cases and allowed the gradual reopening of the domestic economy from March 2021. Virus cases have picked up again significantly in July-August 2021, and the government responded by re-introduction of restrictions in August, such as wearing face masks in public places, restricting large gatherings, concerts and other activities, and closing municipal transportation, among others. Although, vaccination rate is currently low, immunisation progress has significantly accelerated since end of July, which is encouraging, and the government has sufficient vaccine supplies secured for 2021. The COVID-19 pandemic still remains the key risk factor to derail the recovery unless more than half of the population is

	vaccinated by the end of the year. We are monitoring the impact on our business, customers and employees on an ongoing basis. There is still uncertainty over the magnitude of the global slowdown that will result from this pandemic. New COVID-19 variants and/or vaccination delays could derail the recovery as a result of required lockdowns and reduced external demand. The Georgian economy is well-diversified, both by sector and in terms of trading partner country dependence; however, if the virus leads to continued uncertainties, then a significant negative impact on the hospitality sector in Georgia is expected. This may also impact other areas of the Georgian economy, such as real estate. A prolonged COVID-19 spread, protectionism, and a protracted slowdown in major trading partners, along with intensified regional conflicts and security risks could harm investment and reduce external demand, especially tourism, for longer. Delays in structural reforms may deepen the damaging effects from the crisis.
Key drivers / trends	Economic activity in Georgia has slowed down significantly in 2020 in the wake of the COVID-19 pandemic, resulting in the real GDP contraction of 6.2% in 2020 on the back of the lockdown and the halt in international tourism. The government responded quickly to support businesses and households during each lockdown phases, including health-related spending, transfers targeting vulnerable households, and support to SMEs and businesses in hard-hit sectors. Georgian economy quickly regained its momentum during the first half of 2021, mainly supported by pent-up demand, strong goods exports, solid remittances, and a faster than expected rebound in tourism. Investments are also expected to contribute positively to growth in 2021 boosted by public infrastructure spending along with increased private sector activity. The estimated real GDP growth came in at 12.7% in the first half of 2021, beating market expectations, partly as a result of low base in 2020, but also from a faster rebound from external earnings (the estimated growth compared to the first half of 2019 was 5.7%). The rise in world commodity prices, utility price increases and faster than expected recovery resumed price pressures in 2021 with annual inflation coming at 11.9% in July 2021. The NBG responded by raising monetary policy rate three times this year, reaching 10.0% in August 2021. A high inflation is expected through the end of the year, before it declines in 2022 as temporary factors fade. Notably, strong recovery dynamics along with a tight monetary policy helped the local currency to partially regain its value against the US Dollar since May 2021, strengthening by 7.4% during the second quarter of 2021. Importantly, the international reserves remain high at US$ 3.9 billion as of 30 June 2021. The outlook remains subject to significant uncertainty as the vaccination rate is currently low and virus cases remain alleviated.
Mitigation	The Group has introduced a number of resilience protocols and a comprehensive Business Continuity Plan (BCP) aimed at curbing the spread of COVID-19 in Georgia and mitigating the negative impact on our business and the community. We started developing the BCP at the end of January 2020, such that all of our operations would be successfully adapted to the new operating environment, while establishing the health and safety of all our staff and customers as the number one priority. Our BCP was focused on four main pillars: operational continuity (employees and customers), supporting the public health system and communities, abundant liquidity, and strength of capital. Details of initiatives implemented as part of the BCP by the Group to respond to the COVID-19 pandemic outbreak are outlined in the Group's Annual Report 2020. We are monitoring the developing economic trends on the back of the COVID-19 pandemic and its impact on our business, customers and employees on an ongoing basis. There is still significant uncertainty over the magnitude of the global slowdown that will result from this pandemic, and we will continue to take appropriate actions to proactively manage evolving circumstances.
Emerging risk – Climate change	
Principal risk / uncertainty	**Climate-related risks are financial and non-financial risks that may arise from accelerating transition to a lower-carbon economy to meet the goals of the Paris Agreement as well as the actual physical damage that may materialise as a result of acute**

	or chronic weather events on the back of changing climate.
Key drivers / trends	Climate-related risks for the Bank's operations are subject to increasing regulatory scrutiny and require additional risk assessment actions. There is growing demand for climate-related disclosures by key stakeholders, including investors and creditors for aspects such as climate risk assessment and greenhouse gas emission reporting. Beginning with financial year 2021, as a premium-listed UK company, we are required to make disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We recognise climate change as an emerging risk and are beginning to consider and integrate climate-related risks, both physical and transition, into the overall risk management framework and decision-making processes across the Bank.
Mitigation	The Group's Environmental and Social Policy governs its environmental and social risk management procedures that enable us to identify, assess, manage, and monitor environmental and social risks in our lending and investment activities. Environmental and Social Risk Management procedures ensure that all commercial transactions are reviewed and evaluated against relevant Georgian environmental, social, health and safety, and labour laws and regulations as well as global ESG best practices. The Bank conducts extensive Environmental and Social Due Diligence on its clients and provides support and guidance where needed. We are committed to integrating sustainable finance principles into our credit risk management procedures, with our dedicated Environmental and Social team being part of the credit review process. In 2020, we expanded the Bank's consideration of climate-related issues and determined suitable next steps. In 2021, we have started an engagement with an external consultant to develop a comprehensive Climate Action Strategy and integrate climate-related risks into our risk management framework and business resilience assessments. We will be making climate-related disclosures in line with the TCFD recommendations for financial year 2021. We will address each of the four TCFD pillars – Governance, Strategy, Risk Management, and Metrics and Targets. Although we are just beginning our journey to better understand climate-related risks and opportunities and formulate our climate strategy, we will lay a solid groundwork in 2021 by focusing on the following key steps: – ensure that climate-related governance is in place; – raise climate awareness across the Bank and deepen our understanding of climate-related risks and opportunities; – develop climate-related scenario analysis, including a 2°C scenario, and assess how climate-related risks, both transition and physical risks, may affect the Bank's business, strategies, and financial performance over time; – consider climate-related opportunities across business segments; – perform a gap analysis of existing practices against the TCFD recommendations to identify areas for improvements and formulate action plans; – identify metrics for assessing climate-related risks and opportunities as well as information and data needs for climate-related disclosures; – continue to report on Scope 1, 2 and 3 GHG emissions and consider portfolio GHG emissions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related parties' transactions and changes therein).

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

The Directors of the Group are as follows:

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

By order of the Board

Neil Janin	**Archil Gachechiladze**
Chairman	Chief Executive Officer

16 August 2021

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT REVIEW REPORT

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT REVIEW REPORT TO BANK OF GEORGIA GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Income Statement, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Statement of Cash flows and related notes 1 to 25. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

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

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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

Ernst & Young LLP
London
16 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Thousands of Georgian Lari)

	Notes	*As at* *30 June 2021 (unaudited)*	*31 December 2020*
Assets			
Cash and cash equivalents	6	1,719,058	1,970,955
Amounts due from credit institutions	7	2,035,487	2,016,005
Investment securities	8	2,149,725	2,544,397
Loans to customers and finance lease receivables	9	14,789,371	14,192,078
Accounts receivable and other loans		2,475	2,420
Prepayments		33,903	27,593
Inventories		10,476	10,340
Right-of-use assets		81,865	83,208
Investment properties		235,649	231,241
Property and equipment		387,014	387,851
Goodwill		33,351	33,351
Intangible assets		138,341	125,806
Income tax assets	10	190	22,033
Other assets		189,311	325,994
Assets held for sale		45,294	62,648
Total assets		**21,851,510**	**22,035,920**
Liabilities			
Client deposits and notes	11	13,944,383	14,020,209
Amounts owed to credit institutions	12	3,224,577	3,335,966
Debt securities issued	13	1,515,511	1,585,545
Lease liability		91,670	95,635
Accruals and deferred income		54,626	53,894
Income tax liabilities	10	74,704	62,434
Other liabilities		132,678	332,322
Total liabilities		**19,038,149**	**19,486,005**
Equity	15		
Share capital		1,618	1,618
Additional paid-in capital		511,273	526,634
Treasury shares		(52)	(54)
Other reserves		11,975	71,227
Retained earnings		2,275,882	1,939,122
Total equity attributable to shareholders of the Group		**2,800,696**	**2,538,547**
Non-controlling interests		12,665	11,368
Total equity		**2,813,361**	**2,549,915**
Total liabilities and equity		**21,851,510**	**22,035,920**

The financial statements on page 43 to 88 were approved by the Board of Directors on and signed on its behalf by:

Archil Gachechiladze

Chief Executive Officer

16 August 2021

Bank of Georgia Group PLC

Registered No. 1091701

The accompanying selected explanatory Notes on pages 49 to 88 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	*For the six months ended* *30 June 2021 (unaudited)*	*30 June 2020 (unaudited)*
Interest income calculated using EIR method		861,073	751,436
Other interest income		14,143	15,928
Interest income		**875,216**	**767,364**
Interest expense		(427,472)	(390,473)
Deposit insurance fees		(7,163)	(4,874)
Net interest income	16	**440,581**	**372,017**
Fee and commission income		171,173	125,284
Fee and commission expense		(65,317)	(52,271)
Net fee and commission income	17	**105,856**	**73,013**
Net foreign currency gain		41,258	53,404
Net other income		50,920	15,707
Operating income		**638,615**	**514,141**
Salaries and other employee benefits		(129,035)	(117,194)
Administrative expenses		(53,631)	(49,470)
Depreciation, amortisation and impairment		(44,915)	(42,529)
Other operating expenses		(1,596)	(1,974)
Operating expenses		**(229,177)**	**(211,167)**
Profit from associates		(4,132)	414
Operating income before cost of risk		**405,306**	**303,388**
Expected credit loss on loans to customers	18	(3,096)	(216,568)
Expected credit loss on finance lease receivables	18	(1,614)	(5,273)
Other expected credit loss	18	11,788	(21,744)
Impairment charge on other assets and provisions	18	(37,162)	(8,038)
Cost of risk		**(30,084)**	**(251,623)**
Net operating income before non-recurring items		**375,222**	**51,765**
Net non-recurring items	19	(50)	(41,586)
Profit before income tax expense		**375,172**	**10,179**
Income tax (expense) gain	10	(34,078)	4,560
Profit for the period		**341,094**	**14,739**
Total profit attributable to:			
– shareholders of the Group		339,454	14,659
– non-controlling interests		1,640	80
		341,094	**14,739**
Basic earnings per share	15	7.0809	0.3080
Diluted earnings per share	15	7.0368	0.3079

The accompanying selected explanatory Notes on pages 49 to 88 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	*For the six months ended* *30 June 2021 (unaudited)*	*30 June 2020 (unaudited)*
Profit for the period		**341,094**	**14,739**
Other comprehensive (loss) income			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	(32,345)	34,171
– Realised gain on financial assets measured at FVOCI		(25,338)	(1,323)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement		(1,306)	205
– Loss from currency translation differences		(2,511)	(4,789)
Income tax impact	10	-	-
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		**(61,500)**	**28,264**
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
– Net income (loss) on investments in equity instruments designated at FVOCI		1,185	(828)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**1,185**	**(828)**
Other comprehensive (loss) income for the period, net of tax		**(60,315)**	**27,436**
Total comprehensive income for the period		**280,779**	**42,175**
Total comprehensive income attributable to:			
– shareholders of the Group		279,495	41,943
– non-controlling interests		1,284	232
		280,779	**42,175**

The accompanying selected explanatory Notes on pages 49 to 88 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Attributable to shareholders of the Group							
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
31 December 2019	**1,618**	**492,072**	**(64)**	**(7,481)**	**1,655,256**	**2,141,401**	**9,507**	**2,150,908**
Profit for the six months ended 30 June 2020 (unaudited)	-	-	-	-	14,659	14,659	80	14,739
Other comprehensive income for the six months ended 30 June 2020 (unaudited)	-	-	-	32,899	(5,615)	27,284	152	27,436
Total comprehensive income for the six months ended 30 June 2020 (unaudited)	**-**	**-**	**-**	**32,899**	**9,044**	**41,943**	**232**	**42,175**
Increase in equity arising from share-based payments	-	28,137	21	-	-	28,158	-	28,158
Purchase of treasury shares	-	(19,322)	(11)	-	-	(19,333)	-	(19,333)
Dividends to shareholders of the Group (Note 15)	-	-	-	-	(2,136)	(2,136)	-	(2,136)
Increase in share capital of subsidiaries	-	-	-	9	-	9	18	27
Dilution of interests in subsidiaries	-	-	-	(10)	-	(10)	10	-
30 June 2020 (unaudited)	**1,618**	**500,887**	**(54)**	**25,417**	**1,662,164**	**2,190,032**	**9,767**	**2,199,799**
31 December 2020	**1,618**	**526,634**	**(54)**	**71,227**	**1,939,122**	**2,538,547**	**11,368**	**2,549,915**
Profit for the six months ended 30 June 2021 (unaudited)	-	-	-	-	339,454	339,454	1,640	341,094
Other comprehensive income for the six months ended 30 June 2021 (unaudited)	-	-	-	(59,239)	(720)	(59,959)	(356)	(60,315)
Total comprehensive income for the six months ended 30 June 2021 (unaudited)	**-**	**-**	**-**	**(59,239)**	**338,734**	**279,495**	**1,284**	**280,779**
Increase in equity arising from share-based payments	-	21,838	22	-	-	21,860	-	21,860
Purchase of treasury shares	-	(37,199)	(20)	-	-	(37,219)	-	(37,219)
Dividends to shareholders of the Group (Note 15)	-	-	-	-	(1,974)	(1,974)	-	(1,974)
Increase in share capital of subsidiaries	-	-	-	(13)	-	(13)	13	-
30 June 2021	**1,618**	**511,273**	**(52)**	**11,975**	**2,275,882**	**2,800,696**	**12,665**	**2,813,361**

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The accompanying selected explanatory Notes on pages 49 to 88 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	*For the six months ended 30 June 2021 (unaudited)*	*For the six months ended 30 June 2020 (unaudited)*
Cash flows from operating activities			
Interest received		884,965	578,260
Interest paid		(430,728)	(378,469)
Fees and commissions received		171,206	140,288
Fees and commissions paid		(65,317)	(52,271)
Net cash inflow from real estate		17,397	6,284
Net realised gain from foreign currencies		56,971	52,059
Recoveries of loans to customers previously written off	9	33,250	14,592
Other income received (expense paid)		3,059	(3,442)
Salaries and other employee benefits paid		(107,175)	(89,036)
General and administrative and operating expenses paid		(60,973)	(61,418)
Cash flows from operating activities before changes in operating assets and liabilities		**502,655**	**206,847**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		(93,399)	29,290
Loans to customers and finance lease receivables		(1,037,324)	(194,329)
Prepayments and other assets		(6,528)	6,895
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		(34,569)	(528,940)
Debt securities issued		16,893	(212,495)
Client deposits and notes		223,886	1,007,920
Other liabilities		(7,234)	(41,188)
Net cash flows used in operating activities before income tax		**(435,620)**	**274,000**
Income tax paid		-	(17,500)
Net cash flows used in operating activities		**(435,620)**	**256,500**
Cash flows from (used in) investing activities			
Net sales (purchases) of investment securities		356,559	(288,691)
Proceeds from sale of investment properties and assets held for sale		61,115	23,512
Proceeds from sale of property and equipment and intangible assets		508	317
Purchase of property and equipment and intangible assets		(53,804)	(65,233)
Dividends received		401	632
Net cash flows from (used in) investing activities		**364,779**	**(329,463)**

The accompanying selected explanatory Notes on pages 49 to 88 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Cash flows from (used in) financing activities			
Repurchase of debt securities issued		(19,625)	-
Repayment of the principal portion of the debt securities issued		(15,614)	(440,410)
Cash payments for the principal portion of the lease liability		(14,582)	(2,502)
Dividends paid		(1,980)	(2,164)
Purchase of treasury shares		(37,219)	(19,333)
Net cash used in financing activities		**(89,020)**	**(464,409)**
Effect of exchange rates changes on cash and cash equivalents		(92,051)	17,445
Effect of expected credit losses on cash and cash equivalents		15	58
Net decrease in cash and cash equivalents		**(251,897)**	**(519,869)**
Cash and cash equivalents, beginning of the period	6	**1,970,955**	**2,153,624**
Cash and cash equivalents, end of the period	6	**1,719,058**	**1,633,755**

The accompanying selected explanatory Notes on pages 49 to 88 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal activities

Bank of Georgia Group PLC ("BOGG") is a public limited liability company incorporated in England and Wales with registered number 10917019. BOGG holds 99.55% of the share capital of JSC Bank of Georgia (the "Bank") as at 30 June 2021, representing the Bank's ultimate parent company. Together with the Bank and other subsidiaries, the Group makes up a group of companies (the "Group") and provides banking, leasing, brokerage and investment management services to corporate and individual customers. The shares of BOGG ("BOGG Shares") are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities, effective 21 May 2018. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

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

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

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

As at 30 June 2021, 31 December 2020, the following shareholders owned more than 3% of the total outstanding shares of BOGG. Other shareholders individually owned less than 3% of the outstanding shares.

	As at	
Shareholder	***30 June 2021 (unaudited)***	***31 December 2020***
JSC Georgia Capital**	19.90%	19.90%
Fidelity Investments	6.35%	6.15%
Harding Loevner LP	4.34%	4.50%
Van Eck Associates Corporation	3.48%	3.26%
Dimensional Fund Advisors (DFA) LP	2.99%	3.04%
Others	62.94%	63.15%
Total*	**100.00%**	**100.00%**

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

2. Basis of preparation

General

The financial information set out in these interim condensed consolidated financial statements does not constitute Bank of Georgia Group PLC's statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory financial statements were prepared for the year ended 31 December 2020 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and reported on by BOGG's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim condensed consolidated financial statements of Bank of Georgia Group PLC for the six months ended 30 June 2021 were prepared, in accordance with UK adopted International Accounting Standard 34 "Interim Financial Reporting" and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2020, signed and authorized for release on 30 March 2021.

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

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

Going concern

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

3. Summary of significant accounting policies

Basis of consolidation

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

Amendments effective from 1 January 2021

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

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

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

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

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

4. Significant accounting judgements and estimates

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

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

Allowance for impairment of financial assets

Significant Increase in Credit Risk (SICR)

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

Retail and Micro portfolio:

Transfer to stage 2 or 3 was made based on analysis of payment-to-income (PTI) ratios or other financial information as available, overdue days, grace period granted and other relevant parameters. If the borrower has made at least two consecutive payments subsequent to the grace period, the loan was not transferred to stage 3 and remained within the same stage unless other stage transfer rules were applicable.
Further, for the borrowers for which the credit risk was considered as significantly increased, Probability of Default (PD) of 100% were assigned in the downside scenario and the ECL was calculated as a weighted average of the scenario results.

Commercial and SME portfolio:

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

Measurement of expected credit losses

Loss given default (LGD): LGD is defined as the likely loss in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. The determination of the LGD takes into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and where applicable time to realisation of collateral and the seniority of claims. The Group segments its financial instruments into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types). Based on this information, the Group estimates the recovery rate (other than through collateral), cure rate and probability of re-default. Recovery through collateral is further considered in LGD calculations individually for each financial instrument. With the purpose to incorporate the uncertainties caused by the COVID-19 pandemic while determination of expected losses, the Group further discounted recovery and cure rates by 20 percent.

Forward-looking information

Forward-looking variable assumptions

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

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

The most significant period end assumptions used for ECL estimate as at 30 June 2021 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Georgia

Key drivers	ECL scenario	Assigned weight	As at 30 June 2021 2021	2022	2023	Assigned weight	As at 31 December 2020 2021	2022	2023
GDP growth in %									
	Upside	25%	5.00%	6.00%	5.00%	25.0%	-3.00%	6.00%	5.00%
	Base case	50%	4.00%	5.00%	5.00%	50.0%	-4.00%	4.50%	5.00%
	Downside	25%	1.00%	3.00%	4.50%	25.0%	-9.00%	2.50%	4.00%
GEL/USD exchange rate									
	Upside	25%	5.00%	5.00%	0.00%	25.0%	5.00%	5.00%	0.00%
	Base case	50%	0.00%	0.00%	0.00%	50.0%	0.00%	0.00%	0.00%
	Downside	25%	-10.00%	-5.00%	-5.00%	25.0%	-10.00%	-5.00%	5.00%
CPI inflation rate in %									
	Upside	25%	4.00%	3.00%	3.00%	25.0%	5.50%	4.00%	3.00%
	Base case	50%	4.50%	3.00%	3.00%	50.0%	4.50%	1.50%	2.50%
	Downside	25%	7.00%	4.00%	2.50%	25.0%	7.00%	2.00%	2.50%

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

Belarus

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

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

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

Sensitivity of ECL to forward looking assumptions

	As at 30 June 2021				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	158,418	3.03%	3.01%	3.02%	3.06%
Residential mortgage loans	52,454	1.37%	1.24%	1.25%	1.73%
Micro and SME loans	87,253	2.54%	2.31%	2.35%	3.14%
Consumer loans	111,525	4.62%	4.43%	4.52%	5.02%
Gold – pawn loans	722	0.47%	0.32%	0.33%	0.92%

	As at 31 December 2020				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	178,556	3.49%	3.46%	3.48%	3.53%
Residential mortgage loans	48,609	1.28%	1.05%	1.06%	1.95%
Micro and SME loans	102,352	3.13%	2.79%	2.83%	4.06%
Consumer loans	113,801	5.15%	4.78%	4.82%	6.18%
Gold – pawn loans	228	0.22%	0.21%	0.21%	0.23%

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates (continued)

Post-model adjustments

Limitations in the Group's impairment model or input data may be identified through the on-going assessment and validation of the output of the models. If management considers that impairment models do not sufficiently capture all material risks, appropriate adjustments are made to the ECL. In order to incorporate the uncertainties related to the economic outlook caused by COVID-19 pandemic into ECL calculated as at the end of the reporting period, the Group applied post-model adjustments. The effect of such overlays as at 30 June 2021 amounted to GEL 85,132 .

	As at 30 June 2021			
	Modelled ECL	Post-model adjustments and management overlays	Total ECL	Adjustments as a % of total ECL
Commercial loans	152,146	6,272	158,418	4.0%
Residential mortgage loans	24,015	28,439	52,454	54.2%
Micro and SME loans	65,459	21,794	87,253	25.0%
Consumer loans	83,178	28,347	111,525	25.4%
Gold – pawn loans	442	280	722	38.8%
Total	**325,240**	**85,132**	**410,372**	**20.7%**

	As at 31 December 2020			
	Modelled ECL	Post-model adjustments and management overlays	Total ECL	Adjustments as a % of total ECL
Commercial loans	173,946	4,610	178,556	2.6%
Residential mortgage loans	21,810	26,799	48,609	55.1%
Micro and SME loans	75,525	26,827	102,352	26.2%
Consumer loans	86,570	27,231	113,801	23.9%
Gold – pawn loans	174	54	228	23.7%
Total	**358,025**	**85,521**	**443,546**	**19.3%**

Fair value of financial instruments

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

Measurement of fair value of investment properties

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

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

5. Segment information

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

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

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

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

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

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

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

(Thousands of Georgian Lari)

5. Segment information (continued)

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

	Retail Banking	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	266,512	155,959	18,099	11	440,581
Net fee and commission income	81,608	20,977	3,192	79	105,856
Net foreign currency gain	21,135	13,548	6,575	-	41,258
Net other income	18,343	33,245	(184)	(484)	50,920
Operating income	**387,598**	**223,729**	**27,682**	**(394)**	**638,615**
Operating expenses	(168,740)	(42,833)	(17,998)	394	(229,177)
Profit from associates	(4,132)	-	-	-	(4,132)
Operating income before cost of risk	**214,726**	**180,896**	**9,684**	**-**	**405,306**
Cost of risk	(41,731)	11,341	306	-	(30,084)
Net operating income before non-recurring items	**172,995**	**192,237**	**9,990**	**-**	**375,222**
Net non-recurring expense/loss	367	(74)	(343)	-	(50)
Profit before income tax	**173,362**	**192,163**	**9,647**	**-**	**375,172**
Income tax expense	(14,352)	(17,778)	(1,948)	-	(34,078)
Profit for the period	**159,010**	**174,385**	**7,699**	**-**	**341,094**
Assets and liabilities					
Total assets	13,842,108	7,102,932	978,234	(71,764)	21,851,510
Total liabilities	12,251,180	6,014,036	844,697	(71,764)	19,038,149
Other segment information					
Property and equipment	27,054	2,328	275	-	29,657
Intangible assets	20,441	1,732	2,792	-	24,965
Capital expenditure	**47,495**	**4,060**	**3,067**	**-**	**54,622**
Depreciation, amortisation and impairment	(38,011)	(4,512)	(2,392)	-	(44,915)

(Thousands of Georgian Lari)

5. Segment information (continued)

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

	Retail Banking	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	220,934	132,451	18,626	6	372,017
Net fee and commission income	51,581	18,152	3,190	90	73,013
Net foreign currency gain (loss)	29,159	19,965	4,280	-	53,404
Net other (expense) income	5,991	9,506	683	(473)	15,707
Operating income	**307,665**	**180,074**	**26,779**	**(377)**	**514,141**
Operating expenses	(156,625)	(38,115)	(16,804)	377	(211,167)
Profit from associates	414	-	-	-	414
Operating income (expense) before cost of risk	**151,454**	**141,959**	**9,975**	**-**	**303,388**
Cost of risk	(147,835)	(98,438)	(5,350)	-	(251,623)
Net operating income (loss) before non-recurring items	**3,619**	**43,521**	**4,625**	**-**	**51,765**
Net non-recurring expense/loss	(40,178)	(1,374)	(34)	-	(41,586)
Profit (loss) before income tax	**(36,559)**	**42,147**	**4,591**	**-**	**10,179**
Income tax expense	8,000	(2,398)	(1,042)	-	4,560
Profit (loss) for the period	**(28,559)**	**39,749**	**3,549**	**-**	**14,739**
Assets and liabilities					
Total assets	13,382,575	7,699,107	1,018,652	(64,414)	22,035,920
Total liabilities	11,963,455	6,700,867	886,097	(64,414)	19,486,005
Other segment information					
Property and equipment	65,097	5,910	616	-	71,623
Intangible assets	36,176	2,958	2,291	-	41,425
Capital expenditure	**101,273**	**8,868**	**2,907**	**-**	**113,048**
Depreciation, amortisation and impairment	(35,499)	(4,907)	(2,123)	-	(42,529)

(Thousands of Georgian Lari)

6. Cash and cash equivalents

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Cash on hand	674,703	703,459
Current accounts with central banks, excluding obligatory reserves	253,773	158,588
Current accounts with credit institutions	536,504	590,331
Time deposits with credit institutions with maturities of up to 90 days	254,134	518,648
Cash and cash equivalents, gross	**1,719,114**	**1,971,026**
Less – Allowance for expected credit loss	(56)	(71)
Cash and cash equivalents, net	**1,719,058**	**1,970,955**

As at 30 June 2021, GEL 625,109 (31 December 2020: GEL 985,848) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 10.25% interest per annum on these deposits (31 December 2020: up to 0.21%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts due from credit institutions

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Obligatory reserves with central banks	1,957,896	1,994,662
Time deposits with maturities of more than 90 days	26,169	8,424
Deposits pledged as security for open commitments	4,946	1,856
Inter-bank loan receivables	46,850	11,463
Amounts due from credit institutions, gross	**2,035,861**	**2,016,405**
Less – Allowance for expected credit loss	(374)	(400)
Amounts due from credit institutions, net	**2,035,487**	**2,016,005**

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

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

(Thousands of Georgian Lari)

8. Investment securities

	As at	
	30 June 2021 (unaudited)	**31 December 2020**
Investment securities measured at FVOCI - debt instruments	2,139,920	2,539,019
Investment securities designated as measured at FVOCI - equity investments	9,805	5,378
Investment securities	**2,149,725**	**2,544,397**

	As at	
	30 June 2021 (unaudited)	**31 December 2020**
Ministry of Finance of Georgia treasury bonds*	1,155,389	1,344,404
Ministry of Finance of Georgia treasury bills**	7,116	36,879
Foreign treasury bonds	122,712	159,537
Certificates of deposit of central banks	14,232	-
Other debt instruments***	840,471	998,199
Investment securities measured at FVOCI - debt instruments	**2,139,920**	**2,539,019**

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

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

Foreign treasury bonds comprise of Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL 16,817 (31 December 2020: 26,982), Ministry of Finance of the Republic of Poland treasury bonds in amount of GEL 16,567 (31 December 2020: Nil), Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 89,328 (31 December 2020: GEL 79,563) and US Treasury Notes in amount of Nil (31 December 2020: 52,992).

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables

	As at	
	30 June 2021 (unaudited)	***31 December 2020***
Commercial loans	5,229,781	5,123,393
Residential mortgage loans	3,839,288	3,796,384
Micro and SME loans	3,436,763	3,269,454
Consumer loans	2,413,354	2,208,013
Gold – pawn loans	152,836	103,384
Loans to customers at amortised cost, gross	**15,072,022**	**14,500,628**
Less – Allowance for expected credit loss	(410,372)	(443,546)
Loans to customers at amortised cost, net	**14,661,650**	**14,057,082**
Finance lease receivables, gross	**132,183**	**139,372**
Less – Allowance for expected credit loss	(4,462)	(4,376)
Finance lease receivables, net	**127,721**	**134,996**
Total loans to customers and finance lease receivables	**14,789,371**	**14,192,078**

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

Expected credit loss

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

(Thousands of Georgian Lari)

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

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

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

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

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

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

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

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

Consumer loans at amortised cost, ECL:	*As at 30 June 2021*				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**40,597**	**25,533**	**46,641**	**1,030**	**113,801**
New financial asset originated or purchased	7,026	799	268	182	8,275
Transfer to Stage 1	23,441	(15,755)	(7,686)	-	-
Transfer to Stage 2	(8,875)	32,333	(23,458)	-	-
Transfer to Stage 3	(1,305)	(11,406)	12,711	-	-
Impact on ECL of exposures transferred between stages during the year	(10,661)	(20,106)	26,143	-	(4,624)
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(20,301)	(6,827)	(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	(3)	-	(11)	(15)	(29)
Foreign exchange movement	(73)	(10)	(373)	(15)	(471)
Net other measurement of ECL	16,224	8,266	46,426	(125)	70,791
Balance at 30 June 2021	**46,068**	**12,826**	**51,819**	**812**	**111,525**
Individually assessed	-	-	556	-	556
Collectively assessed	46,068	12,826	51,263	812	110,969
Balance at 30 June 2021	**46,068**	**12,826**	**51,819**	**812**	**111,525**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

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

Gold – pawn loans at amortised cost, ECL:	*As at 30 June 2021*				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**40**	**16**	**172**	**-**	**228**
New financial asset originated or purchased	275	74	-	-	349
Transfer to Stage 1	29	(5)	(24)	-	-
Transfer to Stage 2	-	30	(30)	-	-
Transfer to Stage 3	(1)	(3)	4	-	-
Impact on ECL of exposures transferred between stages during the year	(24)	-	-	-	(24)
Assets derecognised due to pass-through arrangement	-	-	-	-	-
Assets repaid	(8)	(1)	(33)	-	(42)
Resegmentation	514	94	-	-	608
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(100)	-	(100)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(1)	-	(1)
Currency translation differences	(1)	-	-	-	(1)
Foreign exchange movement	-	-	-	-	-
Net other measurement of ECL	(495)	61	138	-	(296)
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**
Individually assessed	-	-	-	-	-
Collectively assessed	329	266	127	-	722
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

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

Commercial loans at amortised cost, gross:	*As at 30 June 2020*				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**3,583,051**	**349,494**	**161,744**	**7,661**	**4,101,950**
New financial asset originated or purchased	1,274,881	29,387	-	-	1,304,268
Transfer to Stage 1	239,313	(239,313)	-	-	-
Transfer to Stage 2	(292,276)	296,107	(3,831)	-	-
Transfer to Stage 3	(727)	(36,618)	37,345	-	-
Assets derecognised due to pass-through arrangement	(21,592)	(6,620)	-	-	(28,212)
Assets repaid	(1,121,366)	(95,010)	(8,502)	(676)	(1,225,554)
Resegmentation	17,856	-	-	-	17,856
Impact of modifications	(744)	30	(6)	(7)	(727)
Write-offs	-	-	(6,483)	-	(6,483)
Recoveries of amounts previously written off	-	-	3,045	291	3,336
Unwind of discount	-	-	5,964	(259)	5,705
Currency translation differences	(18,510)	(655)	(1,316)	-	(20,481)
Foreign exchange movement	214,212	15,675	7,213	421	237,521
Net other changes	20,664	155	6,684	422	27,925
Balance at 30 June 2020	**3,894,762**	**312,632**	**201,857**	**7,853**	**4,417,104**
Individually assessed	-	-	193,949	-	193,949
Collectively assessed	3,894,762	312,632	7,908	7,853	4,223,155
Balance at 30 June 2020	**3,894,762**	**312,632**	**201,857**	**7,853**	**4,417,104**

Commercial loans at amortised cost, ECL:	*As at 30 June 2020*				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**16,903**	**3,414**	**77,995**	**298**	**98,610**
New financial asset originated or purchased	1,959	919	-	-	2,878
Transfer to Stage 1	2,892	(2,892)	-	-	-
Transfer to Stage 2	(353)	1,028	(675)	-	-
Transfer to Stage 3	(9)	(7,547)	7,556	-	-
Impact on ECL of exposures transferred between stages during the year	(212)	(544)	12,288	-	11,532
Assets derecognised due to pass-through arrangement	(5)	(48)	-	-	(53)
Assets repaid	(5,832)	(989)	(4,201)	(443)	(11,465)
Resegmentation	72	-	-	-	72
Impact of modifications	1	8	(6)	-	3
Write-offs	-	-	(6,483)	-	(6,483)
Recoveries of amounts previously written off	-	-	3,045	291	3,336
Unwind of discount	-	-	5,964	(259)	5,705
Currency translation differences	(267)	(52)	(318)	-	(637)
Foreign exchange movement	885	(180)	2,512	(25)	3,192
Net other measurement of ECL	16,145	22,167	21,148	804	60,264
Balance at 30 June 2020	**32,179**	**15,284**	**118,825**	**666**	**166,954**
Individually assessed	-	-	115,616	-	115,616
Collectively assessed	32,179	15,284	3,209	666	51,338
Balance at 30 June 2020	**32,179**	**15,284**	**118,825**	**666**	**166,954**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	***As at 30 June 2020***				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**2,764,959**	**160,038**	**109,413**	**32,273**	**3,066,683**
New financial asset originated or purchased	348,647	335	60	4,835	353,877
Transfer to Stage 1	103,303	(99,161)	(4,142)	-	-
Transfer to Stage 2	(275,155)	293,588	(18,433)	-	-
Transfer to Stage 3	(19,989)	(18,360)	38,349	-	-
Assets repaid	(272,680)	(17,097)	(15,699)	(3,033)	(308,509)
Resegmentation	218	-	-	-	218
Impact of modifications	(12,886)	(1,297)	(1,297)	(810)	(16,290)
Write-offs	-	-	(1,720)	(114)	(1,834)
Recoveries of amounts previously written off	-	-	122	58	180
Unwind of discount	-	-	215	84	299
Currency translation differences	(1,732)	(1)	(2)	-	(1,735)
Foreign exchange movement	112,847	4,215	5,371	1,482	123,915
Net other changes	57,264	10,178	3,640	1,300	72,382
Balance at 30 June 2020	**2,804,796**	**332,438**	**115,877**	**36,075**	**3,289,186**
Individually assessed	-	-	139	-	139
Collectively assessed	2,804,796	332,438	115,738	36,075	3,289,047
Balance at 30 June 2020	**2,804,796**	**332,438**	**115,877**	**36,075**	**3,289,186**

Residential mortgage loans at amortised cost, ECL:	***As at 30 June 2020***				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**461**	**160**	**6,588**	**1,808**	**9,017**
New financial asset originated or purchased	483	-	2	10	495
Transfer to Stage 1	632	(573)	(59)	-	-
Transfer to Stage 2	(828)	1,874	(1,046)	-	-
Transfer to Stage 3	(25)	(395)	420	-	-
Impact on ECL of exposures transferred between stages during the year	(158)	(848)	708	-	(298)
Assets repaid	(842)	(140)	(1,874)	(489)	(3,345)
Resegmentation	-	-	-	-	-
Impact of modifications	(44)	(43)	(179)	(48)	(314)
Write-offs	-	-	(1,720)	(114)	(1,834)
Recoveries of amounts previously written off	-	-	122	58	180
Unwind of discount	-	-	215	84	299
Currency translation differences	(16)	-	-	-	(16)
Foreign exchange movement	(258)	(51)	(323)	(101)	(733)
Net other measurement of ECL	6,525	8,267	20,772	5,309	40,873
Balance at 30 June 2020	**5,930**	**8,251**	**23,626**	**6,517**	**44,324**
Individually assessed	-	-	-	-	-
Collectively assessed	5,930	8,251	23,626	6,517	44,324
Balance at 30 June 2020	**5,930**	**8,251**	**23,626**	**6,517**	**44,324**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	As at 30 June 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**2,426,866**	**113,130**	**118,475**	**1,749**	**2,660,220**
New financial asset originated or purchased	763,397	3,775	-	303	767,475
Transfer to Stage 1	76,933	(74,821)	(2,112)	-	-
Transfer to Stage 2	(455,075)	462,052	(6,977)	-	-
Transfer to Stage 3	(8,784)	(36,135)	44,919	-	-
Assets repaid	(621,945)	(31,496)	(16,890)	(172)	(670,503)
Resegmentation	(17,844)	-	-	-	(17,844)
Impact of modifications	(6,684)	(909)	(1,229)	(4)	(8,826)
Write-offs	-	-	(9,219)	(919)	(10,138)
Recoveries of amounts previously written off	-	-	2,612	68	2,680
Unwind of discount	-	-	883	22	905
Currency translation differences	(7,717)	(985)	(518)	-	(9,220)
Foreign exchange movement	102,170	5,560	4,009	108	111,847
Net other changes	48,676	11,385	6,204	542	66,807
Balance at 30 June 2020	**2,299,993**	**451,556**	**140,157**	**1,697**	**2,893,403**
Individually assessed	-	-	20,158	-	20,158
Collectively assessed	2,299,993	451,556	119,999	1,697	2,873,245
Balance at 30 June 2020	**2,299,993**	**451,556**	**140,157**	**1,697**	**2,893,403**

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	*As at 30 June 2020*				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**1,856,795**	**110,158**	**108,414**	**9,741**	**2,085,108**
New financial asset originated or purchased	636,546	2,427	740	1,539	641,252
Transfer to Stage 1	77,934	(70,217)	(7,717)	-	-
Transfer to Stage 2	(183,949)	196,774	(12,825)	-	-
Transfer to Stage 3	(25,517)	(19,810)	45,327	-	-
Assets repaid	(558,235)	(32,097)	(28,991)	(1,414)	(620,737)
Resegmentation	(230)	-	93	-	(137)
Impact of modifications	(13,560)	(1,912)	(2,074)	(146)	(17,692)
Write-offs	-	-	(11,666)	(4)	(11,670)
Recoveries of amounts previously written off	-	-	8,367	11	8,378
Unwind of discount	-	-	2,053	25	2,078
Currency translation differences	(9,627)	(25)	(50)	-	(9,702)
Foreign exchange movement	12,741	1,288	1,178	196	15,403
Net other changes	63,288	10,177	5,394	311	79,170
Balance at 30 June 2020	**1,856,186**	**196,763**	**108,243**	**10,259**	**2,171,451**
Individually assessed	-	-	1,232	-	1,232
Collectively assessed	1,856,186	196,763	107,011	10,259	2,170,219
Balance at 30 June 2020	**1,856,186**	**196,763**	**108,243**	**10,259**	**2,171,451**

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	As at 30 June 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**80,794**	**1,114**	**3,632**	**-**	**85,540**
New financial asset originated or purchased	49,721	-	-	-	49,721
Transfer to Stage 1	1,103	(533)	(570)	-	-
Transfer to Stage 2	(4,417)	4,805	(388)	-	-
Transfer to Stage 3	(2,061)	(307)	2,368	-	-
Assets repaid	(39,963)	(702)	(1,644)	-	(42,309)
Resegmentation	-	-	(93)	-	(93)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	18	-	18
Unwind of discount	-	-	(4)	-	(4)
Currency translation differences	-	-	-	-	-
Foreign exchange movement	93	(3)	(171)	-	(81)
Net other changes	1,678	171	395	-	2,244
Balance at 30 June 2020	**86,948**	**4,545**	**3,485**	**-**	**94,978**
Individually assessed	-	-	-	-	-
Collectively assessed	86,948	4,545	3,485	-	94,978
Balance at 30 June 2020	**86,948**	**4,545**	**3,485**	**-**	**94,978**

Gold – pawn loans at amortised cost, ECL:	As at 30 June 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2020	**9**	**1**	**244**	**-**	**254**
New financial asset originated or purchased	-	-	-	-	-
Transfer to Stage 1	20	(3)	(17)	-	-
Transfer to Stage 2	(8)	25	(17)	-	-
Transfer to Stage 3	-	-	-	-	-
Impact on ECL of exposures transferred between stages during the year	(17)	(1)	-	-	(18)
Assets repaid	(9)	2	(57)	-	(64)
Resegmentation	-	-	-	-	-
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	18	-	18
Unwind of discount	-	-	(4)	-	(4)
Currency translation differences	-	-	-	-	-
Foreign exchange movement	(1)	-	-	-	(1)
Net other measurement of ECL	51	(8)	239	-	282
Balance at 30 June 2020	**45**	**16**	**348**	**-**	**409**
Individually assessed	-	-	-	-	-
Collectively assessed	45	16	348	-	409
Balance at 30 June 2020	**45**	**16**	**348**	**-**	**409**

Concentration of loans to customers

As at 30 June 2021, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,341,345 accounting for 9% of the gross loan portfolio of the Group (31 December 2020: GEL 1,415,618 and 10% respectively). An allowance of GEL 8,479 (31 December 2020: GEL 13,612) was established against these loans.

As at 30 June 2021, the concentration of loans granted by the Group to the ten largest third-party group of borrowers comprised GEL 2,048,376 accounting for 14% of the gross loan portfolio of the Group (31 December 2020: GEL 2,051,055 and 14% respectively). An allowance of GEL 12,920 (31 December 2020: GEL 16,927) was established against these loans.

(Thousands of Georgian Lari)

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

Concentration of loans to customers (continued)

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

	As at	
	30 June 2021 (unaudited)	***31 December 2020***
Individuals	8,025,457	7,608,953
Manufacturing	1,271,062	1,360,213
Trade	1,221,611	1,214,835
Real estate	1,073,957	1,068,176
Hospitality	896,098	848,630
Electricity, gas and water supply	389,216	251,892
Construction	312,325	275,070
Service	291,061	276,759
Financial intermediation	228,370	112,988
Mining and quarrying	197,999	200,494
Transport & communication	195,254	303,030
Other	969,612	979,588
Loans to customers, gross	**15,072,022**	**14,500,628**
Less – Allowance for expected credit loss	(410,372)	(443,546)
Loans to customers, net	**14,661,650**	**14,057,082**

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

Loans have been extended to the following types of customers:

	As at	
	30 June 2021 (unaudited)	***31 December 2020***
Individuals	8,025,457	7,608,953
Private companies	7,032,402	6,871,541
State-owned entities	14,163	20,134
Loans to customers, gross	**15,072,022**	**14,500,628**
Less – Allowance for expected credit loss	(410,372)	(443,546)
Loans to customers, net	**14,661,650**	**14,057,082**

Finance lease receivables

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

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

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

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

(Thousands of Georgian Lari)

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

Finance lease receivables (continued)

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

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

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

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

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

(Thousands of Georgian Lari)

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

Finance lease receivables (continued)

Finance lease receivables, gross	*As at 30 June 2020*				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**130,232**	**12,498**	**16,461**	**-**	**159,191**
New financial asset originated or purchased	43,477	-	-	-	43,477
Transfer to Stage 1	38,983	(36,788)	(2,195)	-	-
Transfer to Stage 2	(90,735)	91,675	(940)	-	-
Transfer to Stage 3	(3,163)	(35,132)	38,295	-	-
Assets repaid	(24,005)	(684)	(2,884)	-	(27,573)
Resegmentation	-	-	-	-	-
Impact of modifications	-	(973)	(199)	-	(1,172)
Write-offs	-	-	(6,006)	-	(6,006)
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	(4)	-	(4)
Currency translation differences	(1,308)	(70)	(90)	-	(1,468)
Foreign exchange movement	3,805	1,342	1,317	-	6,464
Net other changes	829	(81)	(230)	-	518
Balance at 30 June 2020	**98,115**	**31,787**	**43,525**	**-**	**173,427**
Individually assessed	-	-	873	-	873
Collectively assessed	98,115	31,787	42,652	-	172,554
Balance at 30 June 2020	**98,115**	**31,787**	**43,525**	**-**	**173,427**

Finance lease receivables, ECL:	*As at 30 June 2020*				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**759**	**95**	**1,443**	**-**	**2,297**
New financial asset originated or purchased	137	-	-	-	137
Transfer to Stage 1	144	(140)	(4)	-	-
Transfer to Stage 2	(255)	256	(1)	-	-
Transfer to Stage 3	(168)	(2,555)	2,723	-	-
Impact on ECL of exposures transferred between stages during the year	232	2,492	2,806	-	5,530
Assets repaid	(270)	(13)	(96)	-	(379)
Resegmentation	-	-	-	-	-
Impact of modifications	-	(1)	(18)	-	(19)
Write-offs	-	-	(618)	-	(618)
Recoveries of amounts previously written off	-	-	-	-	-
Unwind of discount	-	-	(4)	-	(4)
Currency translation differences	(47)	(6)	(15)	-	(68)
Foreign exchange movement	-	2	(85)	-	(83)
Net other measurement of ECL	14	40	33	-	87
Balance at 30 June 2020	**546**	**170**	**6,164**	**-**	**6,880**
Individually assessed	-	-	42	-	42
Collectively assessed	546	170	6,122	-	6,838
Balance at 30 June 2020	**546**	**170**	**6,164**	**-**	**6,880**

(Thousands of Georgian Lari)

10. Taxation

The corporate income tax expense in income statement comprises:

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Current income (expense) benefit	(50,964)	38,255
Deferred income tax credit (expense)	16,886	(33,695)
Income tax expense	**(34,078)**	**4,560**

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

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

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

11. Client deposits and notes

The amounts due to customers include the following:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Time deposits	7,869,924	8,025,100
Current accounts	6,074,459	5,995,109
Client deposits and notes	**13,944,383**	**14,020,209**

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

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

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Individuals	7,886,347	7,801,351
Private enterprises	4,206,230	4,303,313
State and state-owned entities	1,851,806	1,915,545
Client deposits and notes	**13,944,383**	**14,020,209**

(Thousands of Georgian Lari)

11. Client deposits and notes (continued)

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

	As at	
	30 June 2021 (unaudited)	***31 December 2020***
Individuals	7,886,347	7,801,351
Government services	1,839,447	1,866,346
Financial intermediation	922,298	778,226
Trade	771,125	858,474
Construction	557,480	588,880
Transport & communication	441,456	541,154
Manufacturing	337,165	317,961
Service	294,204	390,856
Real estate	183,995	159,503
Electricity, gas and water supply	94,009	75,221
Hospitality	68,066	65,825
Other	548,791	576,412
Client deposits and notes	**13,944,383**	**14,020,209**

12. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2021 (unaudited)	***31 December 2020***
Borrowings from international credit institutions	1,668,290	1,583,056
Short-term loans from National Bank of Georgia	398,186	590,293
Time deposits and inter-bank loans	258,792	258,920
Correspondent accounts	217,601	196,049
	2,542,869	**2,628,318**
		-
Non-convertible subordinated debt	681,708	707,648
		-
Amounts due to credit institutions	**3,224,577**	**3,335,966**

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

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

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

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

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

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

(Thousands of Georgian Lari)

13. Debt securities issued

Debt securities issued comprise:

	As at	
	30 June 2021 (unaudited)	*31 December 2020*
Eurobonds and notes issued	958,907	1,019,120
Additional Tier 1 capital notes issued	311,977	323,320
Local bonds	145,556	102,187
Certificates of deposit	99,071	140,918
Debt securities issued	**1,515,511**	**1,585,545**

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	Additional Tier 1 capital notes issued
Carrying amount at 31 December 2019	**1,406,200**	**282,407**
Repayment of the principal portion of the debt securities issued	(440,410)	-
Other movements	42,810	18,654
Carrying amount at 30 June 2020 (unaudited)	**1,008,600**	**301,061**
Carrying amount at 31 December 2020	**1,019,120**	**323,320**
Repurchase of debt securities issued	(19,625)	-
Repayment of the principal portion of the debt securities issued	(15,614)	-
Other movements	(24,974)	(11,343)
Carrying amount at 30 June 2021 (unaudited)	**958,907**	**311,977**

(Thousands of Georgian Lari)

14. Commitments and contingencies

Legal

Sai-invest

As at 30 June 2021, the Bank was engaged in litigation with Sai-Invest LLC in relation to a deposit pledge in the amount of EUR 7 million used to reduce the outstanding loan of LTD Sport Invest towards JSC Bank of Georgia. The Bank's management is of the opinion that the probability of incurring material losses on this claim is low, and, accordingly, no provision has been made in these Interim condensed consolidated statements.

Financial commitments and contingencies

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

	As at	
	30 June 2021 (unaudited)	***31 December 2020***
Credit-related commitments		
Guarantees issued	1,542,048	1,490,028
Letters of credit	107,502	125,031
Undrawn loan facilities	719,036	685,533
	2,368,586	**2,300,592**
Less – Cash held as security against letters of credit and guarantees (Note 11)	(105,510)	(131,946)
Less – Provisions	(6,955)	(15,325)
Operating lease commitments		
Not later than 1 year	1,778	2,356
Later than 1 year but not later than 5 years	2,432	2,774
Later than 5 years	1,239	1,657
	5,449	**6,787**
Capital expenditure commitments	**3,930**	**2,863**

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

15. Equity

Share capital

As at 30 June 2021 and 31 December 2020 issued share capital comprised 49,169,428 common shares of BOGG, all of which were fully paid. Each share has a nominal value of one (1) British penny. Shares issued and outstanding as at 30 June 2021 and 30 June 2020 are described below:

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2019	**49,169,428**	**1,618**
30 June 2020 (unaudited)	**49,169,428**	**1,618**
31 December 2020	**49,169,428**	**1,618**
30 June 2021 (unaudited)	**49,169,428**	**1,618**

(Thousands of Georgian Lari)

15. Equity (continued)

Share capital (continued)

Treasury shares

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

The number of treasury shares held by the Group as at 30 June 2021, comprised 1,590,863 (31 December 2020: 1,638,844), with nominal amount of GEL 52 (31 December 2020: GEL 54).

Dividends

Shareholders are entitled to dividends in Pounds Sterling.

In 2021 and 2020 the Group distributed dividends on the shares vested and exercised during 2021 and 2020, respectively.

No other dividends have been declared by Bank of Georgia Group PLC in 2021 and 2020.

Nature and purpose of other reserves

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

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

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

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

Earnings per share

	For the six months ended	
	30 June 2021 (unaudited)	***30 June 2020 (unaudited)***
Basic earnings per share		
Profit for the period attributable to ordinary shareholders of the Group	339,454	14,659
Weighted average number of ordinary shares outstanding during the period	47,939,475	47,596,373
Basic earnings per share	7.0809	0.308

	For the six months ended	
	30 June 2021 (unaudited)	***30 June 2020 (unaudited)***
Diluted earnings per share		
Effect of dilution on weighted average number of ordinary shares:		
Dilutive unvested share options	300,582	7,857
Weighted average number of ordinary shares adjusted for the effect of dilution	48,240,057	47,604,230
Diluted earnings per share	7.0368	0.3079

(Thousands of Georgian Lari)

16. Net interest income

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Interest income calculated using EIR method	**861,073**	**751,436**
From loans to customers	760,303	662,851
From investment securities	95,949	79,512
From amounts due from credit institutions	8,949	14,050
Net loss on modification of financial assets	(4,128)	(4,977)
Other interest income	**14,143**	**15,928**
From finance lease receivable	14,133	15,888
From other assets	10	-
From loans and advances to customers measured at FVTPL	-	40
Interest income	**875,216**	**767,364**
On client deposits and notes	(255,385)	(191,705)
On amounts owed to credit institutions	(129,317)	(141,766)
On debt securities issued	(57,842)	(83,432)
Interest element of cross-currency swaps	18,016	29,267
On lease liability	(2,944)	(2,837)
Interest expense	**(427,472)**	**(390,473)**
Deposit insurance fees	(7,163)	(4,874)
Net interest income	**440,581**	**372,017**

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

17. Net fee and commission income

	For the six months ended	
	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Settlements operations	135,202	94,669
Guarantees and letters of credit	17,043	14,410
Cash operations	6,336	5,673
Currency conversion operations	5,374	4,846
Brokerage service fees	3,728	3,193
Advisory	536	592
Other	2,954	1,901
Fee and commission income	**171,173**	**125,284**
Settlements operations	(54,170)	(42,967)
Guarantees and letters of credit	(351)	(250)
Cash operations	(4,237)	(4,276)
Currency conversion operations	(1,122)	(1,281)
Insurance brokerage service fees	(2,410)	(2,013)
Advisory	(33)	(36)
Other	(2,994)	(1,448)
Fee and commission expense	**(65,317)**	**(52,271)**
Net fee and commission income	**105,856**	**73,013**

(Thousands of Georgian Lari)

18. 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		POCI	
	Collective	Collective	Individual	Collective		Total
Cash and cash equivalents	15	-	-	-	-	15
Amounts due from credit institutions	23	-	-	-	-	23
Investment securities measured at FVOCI - debt instruments	1,306	-	-	-	-	1,306
Loans to customers at amortised cost	2,756	30,300	3,852	(39,651)	(353)	(3,096)
Finance lease receivables	(314)	(58)	(714)	(528)	-	(1,614)
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 30 June 2021	**10,470**	**29,949**	**7,199**	**(40,187)**	**(353)**	**7,078**

	Stage 1	Stage 2	Stage 3		POCI	
	Collective	Collective	Individual	Collective		Total
Cash and cash equivalents	58	-	-	-	-	58
Amounts due from credit institutions	(66)	-	-	-	-	(66)
Investment securities measured at amortised cost - debt instruments	(85)	-	-	-	-	(85)
Investment securities measured at FVOCI - debt instruments	(920)	-	-	-	-	(920)
Loans to customers at amortised cost	(49,255)	(67,957)	(40,396)	(52,888)	(6,072)	(216,568)
Finance lease receivables	166	(81)	28	(5,386)	-	(5,273)
Financial guarantees	(6,041)	(544)	845	(10)	-	(5,750)
Letter of credit to customers	(1,490)	(215)	12	-	-	(1,693)
Other financial commitments	(658)	(18)	48	-	-	(628)
For the period ended 30 June 2020	**(70,951)**	**(68,815)**	**(39,463)**	**(58,284)**	**(6,072)**	**(243,585)**

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

	For the six months ended	
	30 June 2021 (unaudited)	***30 June 2020 (unaudited)***
Legal fees	31,677	5,851
Impairment charge on other non-financial assets	2,505	908
Impairment charge on assets held for sale	1,558	1,195
Provision charge on legal claims	1,422	84
	37,162	**8,038**

19. Net non-recurring items

	For the six months ended	
	30 June 2021 (unaudited)	***30 June 2020 (unaudited)***
Modification loss of financial assets*	-	(39,730)
Corporate social responsibility expense**	-	(1,454)
Other	(50)	(402)
Net non-recurring expense/loss	**(50)**	**(41,586)**

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

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

20. Risk management

COVID-19 pandemic impact risk

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

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

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

Liquidity risk and funding management

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

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

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

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

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

(Thousands of Georgian Lari)

21. Fair value measurements

Fair value hierarchy

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

At 30 June 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	235,649	235,649
Land	-	-	*15,203*	*15,203*
Residential properties	-	-	*167,946*	*167,946*
Non-residential properties	-	-	*52,500*	*52,500*
Investment securities	6,043	2,139,991	3,691	2,149,725
Other assets – derivative financial assets	-	32,803	-	32,803
Other assets – trading securities owned	2,454	1,071	-	3,525
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	2,035,487	-	2,035,487
Loans to customers and finance lease receivables	-	-	14,572,480	14,572,480
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	42,121	-	42,121
Liabilities for which fair values are disclosed				
Client deposits and notes	-	13,933,244	-	13,933,244
Amounts owed to credit institutions	-	2,538,423	686,153	3,224,576
Debt securities issued	-	1,351,043	244,179	1,595,222
Lease liability	-	3,829	94,002	97,831

At 31 December 2020	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	231,241	231,241
Land	-	-	10,981	10,981
Residential properties	-	-	147,585	147,585
Non-residential properties	-	-	72,675	72,675
Investment securities	3,229	2,539,092	2,076	2,544,397
Other assets – derivative financial assets	-	9,154	-	9,154
Other assets – trading securities owned	5,731	-	-	5,731
	-	-	-	-
Assets for which fair values are disclosed	-	-	-	-
Amounts due from credit institutions	-	2,016,005	-	2,016,005
Loans to customers and finance lease receivables	-	-	13,896,221	13,896,221
	-	-	-	-
Liabilities measured at fair value	-	-	-	-
Other liabilities – derivative financial liabilities	-	247,520	-	247,520
	-	-	-	-
Liabilities for which fair values are disclosed	-	-	-	-
Client deposits and notes	-	14,007,521	-	14,007,521
Amounts owed to credit institutions	-	2,899,263	436,703	3,335,966
Debt securities issued	-	1,402,958	241,976	1,644,934
Lease liability	-	-	103,012	103,012

(Thousands of Georgian Lari)

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.

	At 30 June 2021			*At 31 December 2020*		
	Carrying value 2021	*Fair value 2021*	*Unrecognised gain (loss) 2021*	*Carrying value 2020*	*Fair value 2020*	*Unrecognised gain (loss) 2020*
Financial assets						
Amounts due from credit institutions	2,035,487	2,035,487	-	2,016,005	2,016,005	-
Loans to customers and finance lease receivables	14,789,371	14,572,480	(216,891)	14,192,078	13,896,221	(295,857)
Financial liabilities						
Client deposits and notes	13,944,383	13,933,244	11,139	14,020,209	14,007,521	12,688
Amounts owed to credit institutions	3,224,577	3,224,576	1	3,335,966	3,335,966	-
Debt securities issued	1,515,511	1,595,222	(79,711)	1,585,545	1,644,934	(59,389)
Lease liability	91,670	97,831	(6,161)	95,635	103,012	(7,377)
Total unrecognised change in unrealised fair value			**(291,623)**			**(349,935)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

(Thousands of Georgian Lari)

22. Maturity analysis of financial assets and liabilities

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

	At 30 June 2021							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,465,019	254,039	-	-	-	-	-	1,719,058
Amounts due from credit institutions	1,968,150	47,374	1,212	450	5,730	2,453	10,118	2,035,487
Investment securities	1,124,170	812,065	12,188	36,073	62,034	95,406	7,789	2,149,725
Loans to customers and finance lease	3,784	2,432,212	934,423	1,788,067	3,740,814	2,127,934	3,762,137	14,789,371
Total	**4,561,123**	**3,545,690**	**947,823**	**1,824,590**	**3,808,578**	**2,225,793**	**3,780,044**	**20,693,641**
Financial liabilities								
Client deposits and notes	1,949,085	3,804,903	1,018,805	5,603,329	942,262	362,478	263,521	13,944,383
Amounts owed to credit institutions	217,601	811,783	190,170	281,730	759,908	512,293	451,092	3,224,577
Debt securities issued	-	83,175	16,633	113,811	1,077,113	224,779	-	1,515,511
Lease liability	-	6,682	6,329	11,395	34,750	22,943	9,571	91,670
Total	**2,166,686**	**4,706,543**	**1,231,937**	**6,010,265**	**2,814,033**	**1,122,493**	**724,184**	**18,776,141**
Net	**2,394,437**	**(1,160,853)**	**(284,114)**	**(4,185,675)**	**994,545**	**1,103,300**	**3,055,860**	**1,917,500**
Accumulated gap	**2,394,437**	**1,233,584**	**949,470**	**(3,236,205)**	**(2,241,660)**	**(1,138,360)**	**1,917,500**	

	At 31 December 2020							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,452,379	518,576	-	-	-	-	-	1,970,955
Amounts due from credit institutions	1,987,538	12,054	539	1,931	4,161	1,203	8,579	2,016,005
Investment securities	309,234	2,101,428	23,996	11,165	12,013	31,404	55,157	2,544,397
Loans to customers and finance lease	-	2,671,296	842,716	1,594,714	3,482,213	2,189,857	3,411,282	14,192,078
Total	**3,749,151**	**5,303,354**	**867,251**	**1,607,810**	**3,498,387**	**2,222,464**	**3,475,018**	**20,723,435**
	-	-	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-
Client deposits and notes	2,167,103	3,761,867	1,164,650	5,349,181	971,894	345,709	259,805	14,020,209
Amounts owed to credit institutions	196,049	781,139	225,093	558,857	721,802	501,080	351,946	3,335,966
Debt securities issued	-	72,550	36,352	98,412	1,144,567	46,258	187,406	1,585,545
Lease liability	-	6,229	6,234	11,846	34,630	22,802	13,894	95,635
Total	**2,363,152**	**4,621,785**	**1,432,329**	**6,018,296**	**2,872,893**	**915,849**	**813,051**	**19,037,355**
Net	**1,385,999**	**681,569**	**(565,078)**	**(4,410,486)**	**625,494**	**1,306,615**	**2,661,967**	**1,686,080**
Accumulated gap	**1,385,999**	**2,067,568**	**1,502,490**	**(2,907,996)**	**(2,282,502)**	**(975,887)**	**1,686,080**	

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.

(Thousands of Georgian Lari)

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

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

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

As at 30 June 2021, client deposits and notes amounted to GEL 13,944,383 (31 December 2020: GEL 14,020,209) and represented 73% (31 December 2020: 72%) of the Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 30 June 2021, amounts owed to credit institutions amounted to GEL 3,224,577 (31 December 2020: GEL 3,335,966) and represented 17% (31 December 2020: 17%) of total liabilities. As at 30 June 2021, debt securities issued amounted to GEL 1,515,511 (31 December 2020: GEL 1,585,545) and represented 8% (31 December 2020: 8%) of total liabilities.

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

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

	At 30 June 2021			*At 31 December 2020*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	1,719,058	-	1,719,058	1,970,955	-	1,970,955
Amounts due from credit institutions	2,017,186	18,301	2,035,487	2,002,062	13,943	2,016,005
Investment securities	1,984,496	165,229	2,149,725	2,445,823	98,574	2,544,397
Loans to customers and finance lease	5,158,486	9,630,885	14,789,371	5,108,726	9,083,352	14,192,078
Accounts receivable and other loans	2,475	-	2,475	2,420	-	2,420
Prepayments	32,275	1,628	33,903	26,467	1,126	27,593
Inventories	10,476	-	10,476	10,340	-	10,340
Right-of-use assets	-	81,865	81,865	-	83,208	83,208
Investment properties	-	235,649	235,649	-	231,241	231,241
Property and equipment	-	387,014	387,014	-	387,851	387,851
Goodwill	-	33,351	33,351	-	33,351	33,351
Intangible assets	-	138,341	138,341	-	125,806	125,806
Income tax assets	-	190	190	21,841	192	22,033
Other assets	177,609	11,702	189,311	288,602	37,392	325,994
Assets held for sale	45,294	-	45,294	62,648	-	62,648
Total assets	**11,147,355**	**10,704,155**	**21,851,510**	**11,939,884**	**10,096,036**	**22,035,920**
Client deposits and notes	12,376,122	1,568,261	13,944,383	12,442,801	1,577,408	14,020,209
Amounts owed to credit institutions	1,501,284	1,723,293	3,224,577	1,761,138	1,574,828	3,335,966
Debt securities issued	213,619	1,301,892	1,515,511	207,314	1,378,231	1,585,545
Lease liability	24,406	67,264	91,670	24,309	71,326	95,635
Accruals and deferred income	42,352	12,274	54,626	30,536	23,358	53,894
Income tax liabilities	29,214	45,490	74,704	-	62,434	62,434
Other liabilities	131,975	703	132,678	306,299	26,023	332,322
Total liabilities	**14,318,972**	**4,719,177**	**19,038,149**	**14,772,397**	**4,713,608**	**19,486,005**
Net	**(3,171,617)**	**5,984,978**	**2,813,361**	**(2,832,513)**	**5,382,428**	**2,549,915**

(Thousands of Georgian Lari)

23. Related party disclosures

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

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

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

	At 30 June 2021 (unaudited)		*At 30 June 2020 (unaudited)*	
	Associates	*Key management personnel**	*Associates*	*Key management personnel**
Loans outstanding at 1 January, gross	**-**	**10,646**	**-**	**6,718**
Loans issued during the year	-	2,618	-	3,585
Loan repayments during the year	-	(3,394)	-	(3,399)
Other movements	-	(932)	-	481
Loans outstanding at 30 June, gross	**-**	**8,938**	**-**	**7,385**
Less: allowance for impairment at 30 June	-	-	-	(16)
Loans outstanding at 30 June, net	**-**	**8,938**	**-**	**7,369**
Interest income on loans	-	283	-	169
Expected credit loss	-	-	-	(23)
Deposits at 1 January	**166**	**32,619**	**3**	**30,475**
Deposits received during the year	-	17,948	83	7,429
Deposits repaid during the year	-	(21,347)	-	(8,561)
Other movements	-	(429)	-	1,862
Deposits at 30 June	**166**	**28,791**	**86**	**31,205**
Interest expense on deposits	-	(555)	-	(654)

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

Compensation of key management personnel comprised the following:

	For the six months ended	
	30 June 2021 (unaudited)	**30 June 2020 (unaudited)**
Salaries and other benefits	6,671	6,847
Share-based payments compensation	13,345	12,980
Total key management compensation	**20,016**	**19,827**

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

24. Capital adequacy

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

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

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

NBG (Basel III) capital adequacy ratio

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

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

Following capital adequacy initiatives were introduced:

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

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

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

(Thousands of Georgian Lari)

24. Capital adequacy (continued)

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

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

25. Events after the reporting period

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

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

GLOSSARY

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

COMPANY INFORMATION

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.
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Share price information

Shareholders can access both the latest and historical prices via the website
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