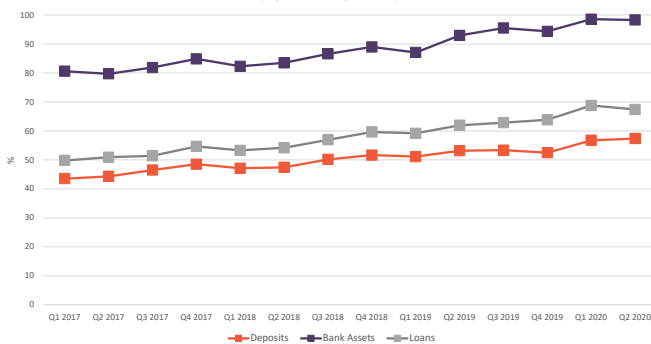


- By the end of the second quarter of 2020, loans and deposits, expressed as a percentage of GDP, increased by 3.6 and 4.9 percentage points, respectively, compared to the beginning of the year.
- By the end of the second quarter of 2020, bank assets, expressed as a percentage of GDP, increased to 98.4%.
- By the end of July of 2020, the volume of loans was increased by 19%, compared to July of 2019.
- The average interest rates on loans in January-July of 2020 denominated in national currencies were 0.9 percentage points higher than in January-July of 2019, while the average interest rates on loans denominated in foreign currencies were 0.8 percentage points less.
- By the end of July of 2020, the volume of deposits in Georgia was increased by 21%, compared to July of 2019.
- The average interest rates on deposits in January-July of 2020 denominated in national currencies were 1.2 percentage points higher than in January-July of 2019, while the average interest rates on deposits denominated in foreign currencies were 0.4 percentage points less.
- In January-July of 2020 trade had the highest share of total loans with 29.5%.
- In January-July of 2020, share of construction in total loans increased by 3.6 percentage points, while share of financial intermediation decreased by 8.2 percentage points, compared to the corresponding period of 2019.
- According to the World Bank, Georgia's ratio of non-performing loans to total loans decreased in 2019, compared to 2018, by 0.8 percentage points and dropped to 1.9%.
- By the end of July of 2020 the rates of dollarization on loans and deposits were increased by 0.3 and 8 percentage points, compared to the corresponding period of 2019. The rates rose to 56.9% and 61.3%, respectively.

Monetary aggregates (loans, deposits, bank assets) to GDP (%) (Q1, 2017-Q2, 2020)



Source: National Bank of Georgia

Bank assets, loans and deposits, expressed as a percentage of GDP, had an overall upward trend since the first quarter of 2017.

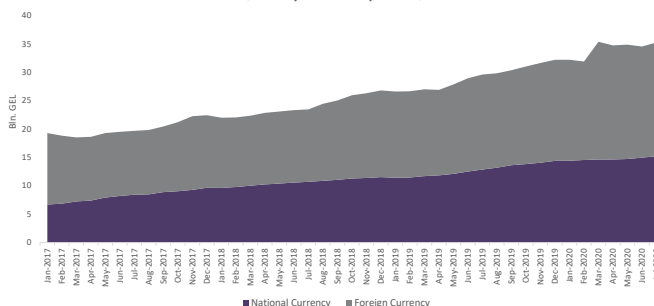
Bank assets, expressed as a percentage of GDP, experienced a rise by 3.9 percentage points by the end of the second quarter of 2020, compared to the beginning of the year. As a result, at the end of the second quarter of 2020 it reached 98.4%.

Loans, expressed as a percentage of GDP, increased by 3.6 percentage points by the end of the second quarter of 2020, compared to the beginning of the year, reaching 67.4%.

Deposits, expressed as a percentage of GDP, increased by 5 percentage points by the end of the second quarter of 2020, compared to the beginning of the year, reaching 57.4%.

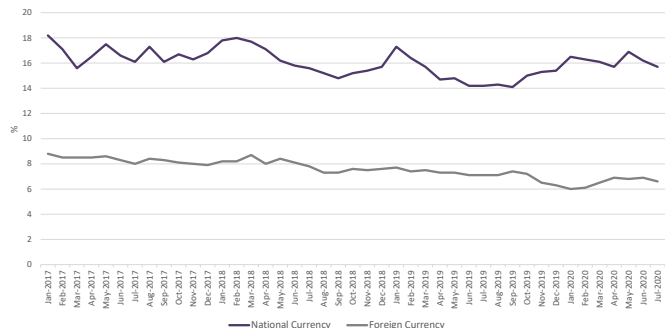
By the end of July of 2020, the volume of loans (excluding interbank loans) in Georgia was increased by 19%, compared to July of 2019 and amounted to 35.2 bln GEL. Loans denominated in foreign currency were increased by 20%, while loans denominated in local currency were increased by 18%. During January-July of 2020, the significant increase was recorded by the end of March of 2020, when the volume of loans was 31% higher compared to the end of March of 2019. In this period loans denominated in foreign currency were increased by 36%, while loans denominated in national currency were increased by 25%.

The volume of loans denominated in national and foreign currency (excluding interbank loans) (January, 2017-July, 2020)



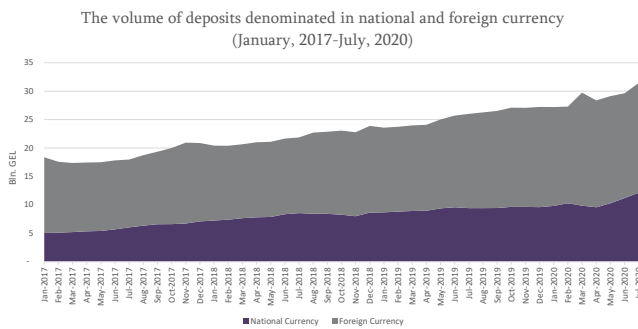
Source: National Bank of Georgia

Interest rates on loans (January, 2017-July, 2020)

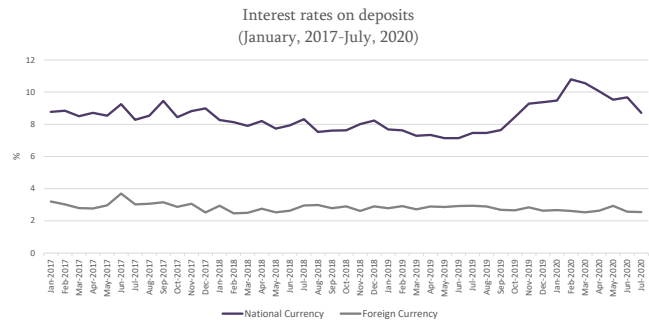


Source: National Bank of Georgia

In the period from January of 2017 to July of 2020 interest rates on loans denominated in national currency were characterized with more volatility than loans denominated in foreign currency. In July of 2020 interest rates on loans denominated in national currency were increased by 1.5 percentage points, compared to the corresponding period of 2019, and reached 15.7%, while interest rates on loans denominated in foreign currency were decreased by 0.5 percentage point and dropped to 6.6%. According to the data for July of 2020, the difference between interest rates on loans denominated in national and foreign currencies amounted to 9.1 percentage points, which is 2 percentage points higher than in the corresponding period of 2019. Moreover, the average interest rate on loans denominated in national currency from January of 2020 to July of 2020 was 16.2%, while the average interest rate on loans denominated in foreign currency was equal to 6.5%. In contrast, the average interest rates for the corresponding period in 2019 were 15.3% and 7.3%, respectively.



Source: National Bank of Georgia



Source: National Bank of Georgia

By the end of July of 2020, the volume of deposits in Georgia was increased by 21%, compared to the corresponding period of 2019 and amounted to 31.4 bln. GEL. By this period deposits denominated in foreign currency were increased by 16%, while deposits denominated in local currency were increased by 29%. The significant increase was recorded by the end of March of 2020, when the volume of deposits was 24% higher than in March of 2019. By this period deposits denominated in foreign currency were increased by 32%, while deposits denominated in national currency were increased by 10%.

In the period from January of 2017 to July of 2020 interest rates on deposits denominated in national currency were characterized with more volatility than deposits denominated in foreign currency. In July of 2020 interest rates on deposits denominated in national currency were 1.2 percentage points higher, compared to the corresponding period of 2019, and reached 8.7%, while interest rates on loans denominated in foreign currency were 0.4 percentage point lower and dropped to 2.5%. According to data for July of 2020, the difference between interest rates on deposits denominated in foreign and national currencies amounted to 6.2 percentage points, which is 1.7 percentage points higher than in the corresponding period of 2019. Moreover, the average interest rate on deposits denominated in national currency in January-July of 2020 was 9.8%, while the average interest rate on deposits denominated in foreign currency was equal to 2.6%. In comparison, in January-July of 2019 the figures were 7.4% and 2.9%, respectively.

In the period of January-July of 2020 the structure of loans by economic activity changed moderately compared to January-July of 2019.

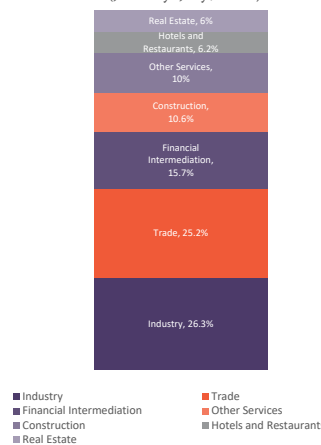
Trade had the highest share of loans in January-July of 2020 of 29.5%, which is 4.2 percentage points higher than in the corresponding period of 2019.

Industry had the second highest share of loans in January-July of 2020 of 25.9%, and it is worth noting that its share decreased by 0.4 percentage points compared to the corresponding period of 2019.

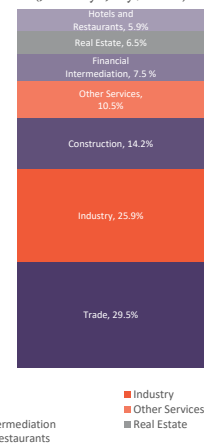
Construction in January-July of 2020 increased by 3.6 percentage points, compared to the corresponding period of 2019 and reached 14.2%.

Financial Intermediation loans, on the other hand, decreased by 8.2 percentage points, reaching 7.5%.

The structure of loans by economic activity (January-July, 2019)



The structure of loans by economic activity (January-July, 2020)



Source: National Bank of Georgia

It is important to analyze the ratio of non-performing loans to total gross loans in Georgia and compare the figures to other states, especially post-Soviet.

According to World Bank Open Data, Georgia's ratio of non-performing loans to total gross loans decreased by 2019 by 0.8 percentage points compared to 2018 and dropped to 1.9%.

To compare, another Eastern Partnership country, Belarus's ratio dropped by 2019 by 0.4 percentage points, compared to 2018. As a result, in 2019 Belarus recorded the ratio of 4.6%. Moreover, other post-Soviet states like Uzbekistan, Kyrgyz Republic and Latvia were not characterized with significant fluctuations in the period of 2018-2019. Their corresponding ratios in 2019 were 1.5%, 7.7% and 5%.

Basic Economic Indicators	2016	2017	2018	2019	2020 Q1
Nominal GDP (mln USD)	15 141.7	16 248.5	17 596.6	17 736.6*	3 780.3*
GDP per Capita (USD)	4 062.1	4 358.5	4 722.0	4 763.5*	1 017.1*
GDP Real Growth (%)	2.9%	4.8%	4.8%	5.1%*	2.2%*
Inflation	2.1%	6.0%	2.6%	4.9%	-
FDI (mln USD)	1 650.3	1 962.6	1 265.2	1 267.7*	165.4*
Unemployment Rate (%)	14.0%	13.9%	12.7%	11.6%	11.9%
External Debt (mln USD)	4 516	5 177	5 434	5 741	5 689
Poverty Rate (relative)	21.0%	22.3%	20.5%	20.1%	-

*preliminary data