GEORGIA

(acting through the Ministry of Finance of Georgia)

U.S.$500,000,000 2.750% Notes due 2026

ISSUE PRICE: 99.422%

The U.S.$500,000,000 2.750% Notes due 2026 (the "**Notes**") to be issued by Georgia, acting through the Ministry of Finance of Georgia (the "**Issuer**" or "**Georgia**"), will mature on 22 April 2026 (the "**Maturity Date**") and, unless previously purchased and cancelled, will be redeemed at their principal amount on that date.

The Notes will bear interest from, and including, 22 April 2021 at the rate of 2.750% per annum payable semi-annually in arear on 22 April and 22 October in each year, commencing on 22 October 2021.

This Offering Circular comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"), nor listing particulars given in compliance with the listing rules made under Part VI of the FSMA by the UK Financial Conduct Authority (the "**FCA**") pursuant to the FSMA. Application has been made for the Notes to be admitted to the official list of the FCA (the "**Official List**") and to trading on the main market (the "**Market**") of the London Stock Exchange plc (the "**London Stock Exchange**").

The Notes are being offered (i) in offshore transactions in reliance on, and as defined in, Regulation S (the "**Regulation S Notes**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (ii) in the United States only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A of the Securities Act ("**Rule 144A**") in reliance on, and in compliance with, Rule 144A (the "**Rule 144A Notes**").

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Georgia's long-term foreign currency debt has been assigned a rating of BB by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), a rating of BB by Fitch Ratings Limited ("**Fitch**") and a rating of Ba2 by Moody's Investors Service, Ltd. ("**Moody's**"). The Notes are expected to be assigned the same ratings.

Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Notes involves certain risks. See the section headed "*Risk Factors*" in this Offering Circular.

The Regulation S Notes will be represented by beneficial interests in a global unrestricted note certificate (the "**Regulation S Global Note**") in registered form without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about 22 April 2021 (the "**Issue Date**") with a common depositary for, and in respect of interests held through, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in the Regulation S Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. The Rule 144A Notes will initially be represented by a global restricted note certificate (the "**Rule 144A Global Note**" and, together with the Regulation S Global Note, the "**Global Notes**") in registered form, without interest coupons attached, which will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**") on or about the Issue Date. Beneficial interests in the Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Clearing and Settlement*". Except as described herein, definitive registered certificates evidencing holdings of Notes issued in exchange for beneficial interests in the Global Notes will be available only in certain limited circumstances. See "*Provisions Relating to the Notes while in Global Form*".

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International **J.P. Morgan**

Joint Bookrunner

ICBC

Co-managers (no underwriting commitment)

Galt & Taggart **TBC Capital**

This Offering Circular is dated 20 April 2021

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best knowledge of the Issuer the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of the Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Manager) in connection with the issue and offering of the Notes. None of the Managers or any of their directors, affiliates, advisers and agents has made any independent verification of the information contained in this Offering Circular in connection with the issue or offering of the Notes (the "**Offering**") and no representation or warranty, express or implied, is made by any of the Managers or their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Offering Circular is, is to be construed as, or shall be relied upon as, a representation or warranty, whether to the past or the future, by any of the Managers or their respective directors, affiliates, advisers or agents in any respect.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular. Any other representation or information should not be relied upon as having been authorised by the Issuer or the Managers. The contents of this Offering Circular are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

Information included herein that is identified as being derived from information published by the Issuer or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Issuer. All other information herein with respect to the Issuer is included herein as a public official statement made on the authority of the Ministry of Finance.

Neither the delivery of this Offering Circular nor the Offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the Offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes and the admission of the Notes to the Official List and to trading on the Market. The Issuer and the Managers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Managers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Georgia of acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

Solely for the purposes of each UK manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**UK distributor**") should take into consideration the UK manufacturers' target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the UK manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISTRIBUTED BY THE U.S. SECURITIES AND EXCHANGE COMMISSIONS, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

ENFORCEABILITY OF JUDGMENTS AND ARBITRAL AWARDS

The Issuer is a foreign sovereign state outside the United States and the United Kingdom, and a substantial portion of the assets of the Issuer are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States or the United Kingdom upon the Issuer or to enforce against the Issuer in or through courts located in the United States or the United Kingdom judgments obtained in courts located in the United States or the United Kingdom, respectively, or elsewhere, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

It may not be possible to enforce in the courts of Georgia any foreign court judgment (including a judgment obtained from a United States court or a court located in the United Kingdom) against Georgia that is predicated upon the laws of a foreign jurisdiction, such as English law, without a re-examination of the merits of such judgment in the Georgian courts, although a re-examination of the merits of a judgment is not conducted as a general rule. In addition, foreign court judgments against Georgia will not be recognised or enforceable in Georgian courts in certain circumstances.

Pursuant to Article 68.2 of the Law of Georgia on Private International Law, foreign court judgments will not be recognised and enforceable in Georgian courts if:

- the matter is within the exclusive competence of Georgia;
- there is a violation in the service of process or other procedures under the law of the country of the court which rendered the judgment;
- a dispute involving the same subject matter between the same parties has already been decided by a Georgian court or by a foreign court, judgment of which has been recognised in Georgia;
- the court rendering the judgment is not considered competent to adjudicate the dispute under Georgian legislation;
- the country whose court has rendered the judgment does not recognise judgments of Georgian courts;
- a dispute involving the same subject matter between the same parties is already being heard in a Georgian court; or
- the judgment of the foreign court contradicts fundamental principles of Georgian law.

No treaty exists between Georgia and many Western jurisdictions, including many EU jurisdictions, the United Kingdom and the United States, for the reciprocal enforcement of foreign court judgments.

In addition, the Terms and Conditions of the Notes are governed by English law and provide that disputes arising from, or in connection with, the Notes shall be settled by arbitration. Georgia is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"). Therefore, an arbitration award obtained in a country, which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to the terms of the New York Convention and compliance with Georgian civil procedure regulations, the Law of Georgia on Arbitration and other procedures and requirements established by Georgian legislation. It may be difficult, however, to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial transactions, certain procedural ambiguities and Georgian courts' inability to enforce such orders, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

Furthermore, the choice of English law as the governing law of the Terms and Conditions of the Notes and the transaction documents may not be given effect, and the recognition or enforcement of foreign court judgments and arbitral awards may be limited, by application of the Georgian law principle requiring compliance with mandatory provisions of the law of the country most closely connected to the transaction, including mandatory provisions of Georgian law. The nature and scope of such mandatory provisions are subject to a considerable degree of discretionary authority of the court in which recognition or enforcement of the judgment or arbitral award is being sought.

Georgia is a sovereign state. There is a risk that, notwithstanding the limited waiver of sovereign immunity by Georgia in connection with the Notes, a foreign court judgment or arbitral award would not be recognised in Georgia or enforced against certain assets of Georgia in certain jurisdictions, including Georgia (including the imposition of any arrest order or the attachment or seizure of such assets and their subsequent sale), without Georgia having specifically consented to such enforcement at the time when the enforcement is sought. See "*Risk Factors—Enforcement of Judgments, including Foreign Judgments and Arbitral Awards*".

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Offering Circular, as well as written and oral statements that Georgia and its representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, are or may be deemed to be "**forward-looking statements**". Statements that are not historical facts, including, without limitation, statements about Georgia's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as at the date on which they are made and Georgia undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. Georgia cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policies and the pace of economic and legal reforms; (ii) expectations about the behaviour of the economy if certain economic and fiscal policies are implemented; (iii) the outlook for inflation, exchange rates, interest rates, foreign investment, trade and fiscal accounts; and (iv) estimates of debt repayment and debt service.

In addition to the factors described in this Offering Circular, including, but not limited to, those discussed under "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward-looking statements made herein: (i) the ongoing impact of the COVID-19 pandemic; (ii) decisions of international organisations regarding the terms of their financial assistance to Georgia and accordingly the net cash flow to or from such international organisations over the life of the Notes; (iii) adverse external factors, such as changes in the credit rating of Georgia, higher international interest rates, low commodity prices or recessionary conditions or low growth in Georgia's trading partners or increases in world oil, gas and other commodities prices, which could each decrease Georgia's fiscal and foreign exchange revenues and could negatively affect the current account, balance of payments and international reserves and cause or contribute to recession or low growth in Georgia; (iv) adverse domestic factors, such as recession, decline in foreign direct investment ("**FDI**") and portfolio investment, high domestic inflation, high domestic interest rates, exchange rate volatility, difficulties in borrowing in the domestic and foreign markets, trade and political disputes between Georgia and the Russian Federation ("**Russia**"), reduced remittances, political uncertainty or lack of political consensus, any of which could lead to lower growth in Georgia and lower international currency reserves; (v) relations with creditors; and (vi) political factors in Georgia, which may affect, inter alia, the timing and structure of economic reforms and the climate for FDI.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references in this Offering Circular to the "**Government**" or to the "**Parliament**" are to the central government or to the Parliament of Georgia, respectively; and references to the "**CIS**" are to the Commonwealth of Independent States.

References in this Offering Circular to "**GEL**" and "**Lari**" are to the currency of Georgia; references to "**U.S. Dollars**" and "**U.S.$**" are to the currency of the United States; references to "**Euros**" and "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union; and references to "**SDRs**" are to special drawing rights allocated by the International Monetary Fund (the "**IMF**").

Gross Domestic Product ("**GDP**") is a measure of the total value of final products and services produced in a country. "**Nominal GDP**" measures the total value of final production in current prices. "**Real GDP**" measures the total value of final production in constant prices, thus allowing historical GDP comparisons that exclude the effect of inflation. For the purposes of this Offering Circular, Real GDP figures are calculated by reference to 2015 prices. Unless otherwise stated, references in this Offering Circular to "**GDP**" are to Real GDP figures.

References to the "**State Budget**" are to the consolidated budget of the Government and references to the "**Budget**" include (i) the State Budget (which is the Budget of the Government), (ii) the budgets for the autonomous republics and (iii) all other budgets for local governments. References to "local governments" are to self-governments, as defined under applicable Georgian law.

References to laws, including the Budget, refer to such laws (and the Budget), as amended from time-to-time.

Unless otherwise stated, all annual information, including budgetary information for Georgia, is based on calendar years. Unless otherwise stated, all budgetary and statistical information for the year ended 31 December 2020 is preliminary and subject to revision and amendment. Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary reflecting such rounding, and figures which are totals may not be the arithmetical aggregate of their components.

Statistical data appearing in this Offering Circular has, unless otherwise stated, been obtained from the National Statistics Office of Georgia ("**Geostat**"), the Ministry of Finance, the Ministry of Economy and Sustainable Development and the National Bank of Georgia (the "**NBG**"). Statistics are maintained by these sources in Lari, U.S. Dollars or Euros, as applicable. Certain statistics recorded in currencies other than Lari have been converted into Lari at the exchange rates indicated in this Offering Circular. Similar statistics may be obtained from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Although every effort has been made to include in this Offering Circular the most reliable and the most consistently presented data, no assurance can be given that such data were compiled or prepared on a basis consistent with international standards. However, as far as the Government is aware and is able to ascertain from the information published by these entities, the information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading.

EXCHANGE RATE HISTORY

For ease of presentation, certain financial information included herein is presented as translated into U.S. Dollars and Euros.

The following tables set forth the exchange rate history for the periods indicated, expressed in Lari per U.S. Dollar and Lari per Euro, respectively, and not adjusted for inflation, as published by the NBG.

Lari to U.S. Dollar Exchange Rate History

	Low	High	Average	Period End
	(Lari per U.S.$1.00)			
2021 (up to and including 12 April)	3.4069	3.4464	3.4265	3.4260
2020	2.7735	3.4842	3.1097	3.2766
2019	2.6404	2.9808	2.8192	2.8677
2018	2.3912	2.7656	2.5345	2.6766
2017	2.3824	2.7674	2.5086	2.5922
2016	2.1272	2.7846	2.3667	2.6468

Source: NBG

Lari to Euro Exchange Rate History

	Low	High	Average	Period End
	(Lari per €1.00)			
2021 (up to and including 12 April)	4.0136	4.0646	4.0411	4.0646
2020	3.0291	4.0304	3.5519	4.0233
2019	2.9778	3.3158	3.1553	3.2095
2018	2.8261	3.1766	2.9913	3.0701
2017	2.5357	3.2440	2.8322	3.1044
2016	2.3866	2.8999	2.6172	3.1044

As of 12 April 2021, the exchange rates published by the NBG were GEL 3.4260 = U.S.$1.00 and GEL 4.0464 = €1.00, respectively.

The rates in the above tables may differ from the actual rates used in the preparation of the information appearing in this Offering Circular. The inclusion of these exchange rates is not meant to suggest that any amount of the currencies specified above has been, or could be, converted into the applicable currency at the rates indicated or at any other rate.

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OVERVIEW

The overview below describes the principal terms of the Notes and is qualified in its entirety by the more detailed information contained elsewhere in this Offering Circular. Capitalised terms used herein and not otherwise defined have the respective meanings given to them in the terms and conditions of the Notes (the "**Terms and Conditions of the Notes**").

Issuer:	Georgia, acting through the Ministry of Finance of Georgia
Legal Entity Identifier:	2138007T8RLEVDMLQ257
Notes:	U.S.$500,000,000 2.750 per cent. Notes due 2026
Issue Date:	22 April 2021
Maturity Date:	22 April 2026
Issue Price:	99.422 per cent of the principal amount of the Notes
Interest:	The Notes bear interest from 22 April 2021 at 2.750 per cent. per annum, payable semi-annually in arrear, on 22 April and 22 October in each year, commencing on 22 October 2021.
Redemption:	The Issuer will redeem the Notes at their principal amount on the Maturity Date. See "*Terms and Conditions of the Notes—5. Redemption and Purchase*".
Denominations:	The Notes will be offered and sold, and may only be transferred, in minimum principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000.
Status:	The Notes are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External General Government Indebtedness of the Issuer, from time to time outstanding, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External General Government Indebtedness and, in particular, shall have no obligation to pay other External General Government Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*, as further described under "*Terms and Conditions of the Notes—1. Form, Denomination, Title and Status*".
Events of Default:	The Terms and Conditions of the Notes will permit the acceleration of the Notes following the occurrence of certain events of default. Holders of not less than 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.

	If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any such declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further force or effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto. See "Terms and Conditions of the Notes—8. Events of Default".
Negative Pledge:	So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of the assets or revenues present or future of the Government of Georgia or the Ministry of Finance of Georgia to secure any of its External General Government Indebtedness, or any guarantee of or indemnity in respect of any External General Government Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in Condition 11) of the Noteholders. See "*Terms and Conditions of the Notes—3. Negative Pledge*".
Taxation:	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Georgia or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is required by law, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set out in "*Terms and Conditions of the Notes—7. Taxation*".
Modification and Amendment:	The Terms and Conditions of the Notes may be modified as a single series of Notes or, in respect of other debt securities containing substantively similar aggregation provisions to those applicable to the Notes. Each such amendment will be binding on all Noteholders, whether or not they voted in favour of such amendment or at all.

	See "*Terms and Conditions of the Notes—11. Meetings of Noteholders, Written Resolutions*".
Governing Law:	The Notes will be governed by English law.
Listing and Admission to Trading:	Application has been made for the Notes to be admitted to the Official List and to trading on the Market of the London Stock Exchange.
Ratings:	Georgia's long-term foreign currency debt has been assigned a rating of BB by S&P, a rating of BB by Fitch and a rating of Ba2 by Moody's. The Notes are expected to be assigned the same ratings.
Use of Proceeds:	The gross proceeds of the issue of the Notes will be U.S.$500,000,000. In addition, the Issuer will pay certain fees and expenses out of the State Budget. The proceeds of the offering will be applied to general governmental purposes.
Transfer Restrictions:	The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. See "*Transfer Restrictions*".
Risk Factors:	For a discussion of certain risk factors relating to the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes. See "*Risk Factors*".
Fiscal Agent, Exchange Agent, Registrar, Transfer Agent and Paying Agent:	Citibank, N.A., London Branch
ISINs:	XS2334109423 (Regulation S Global Note) US37311PAB67 (Rule 144A Global Note)
Common Codes:	233410942 (Regulation S Global Note) 233456969 (Rule 144A Global Note)

RISK FACTORS

Investment in the Notes involves a high degree of risk. Potential investors should carefully review this entire Offering Circular and, in particular, should consider, among other things, all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest.

These risk factors, individually or together, could have a material adverse effect on Georgia's ability to repay principal of, and make payments of interest and other amounts due on, the Notes. The value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment.

Georgia believes that the risk factors described below represent the principal risks in relation to Georgia and the Notes. Prospective investors should, however, note that there may be additional risks and uncertainties that Georgia currently considers immaterial or of which Georgia is currently unaware, and any of these risks and uncertainties could have similar effects as those set forth below or other adverse effects. Prospective purchasers of Notes should make such inquiries as they think appropriate regarding Georgia and the Notes.

Risks Factors Relating to Georgia

The Impact of the COVID-19 Pandemic

As with many other countries, the spread of COVID-19 has had a material adverse effect on Georgia, its citizens, its civil society and its economy. As of 12 April 2021, Georgia had confirmed 288,755 recorded cases of COVID-19 and an aggregate of 3,883 COVID-19-related deaths since the beginning of the pandemic. The pandemic has adversely affected, and may continue to adversely affect, the Georgian economy, particularly in light of its significant reliance on tourism. Georgia's real GDP contracted by 6.2% in 2020. Tourism revenues decreased by 83.4% in 2020, including a 95.5% decrease in the period from April to December of 2020, according to the NBG. The Government of Georgia has taken a broad array of measures seeking to mitigate the economic and social consequences of the COVID-19 pandemic. These have included increased Government spending under a number of programmes intended to provide support to individuals and businesses and drawing on external financings. See "*Economy of Georgia—The COVID-19 Outbreak in Georgia*". The further consequences of the COVID-19 pandemic, as a matter of public health and of economic performance, globally and in Georgia, cannot be predicted. Were a severe new wave of COVID-19 to sweep Georgia, especially if it resulted in further lockdowns, the economy could be further damaged, further spending could be incurred by the Government, and trade and tourism could further diminish. In addition, although the Georgian economy is generally becoming less dependent on the economies of neighbouring countries, a significant downturn in neighbouring economies in light of the outbreak of a further wave of the COVID-19 pandemic in the region might have a negative impact on the Georgian economy. Any failure on the part of the Government to effectively address the consequences of COVID-19 could lead to social unrest and public discontent, as well as heightened levels of unemployment and poverty. Even without further lockdowns within the country, the Georgian economy will still be affected by the global impact of the pandemic and its effects on the global economy. There can be no assurance that the measures introduced by the Government will be effective in preventing the further spread of COVID-19 or reducing the negative economic effects caused by the pandemic in Georgia or that more restrictive measures will not be implemented.

Regional Tensions and Disruptions in Neighbouring Markets

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has two breakaway territories within its borders, Abkhazia and the Tskhinvali region/South Ossetia. Ongoing political tensions within the region have led to sporadic outbreaks of violence and the straining of diplomatic relations between Georgia and Russia. Russia imposed sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed the international border and a state of war was declared. Although an EU-brokered ceasefire was signed, calling for the withdrawal of Russian troops, Russia recognised the independence of the breakaway regions and tensions still persist. Russia is opposed to the eastward enlargement of NATO, including former Soviet republics such as Georgia. Therefore, Georgia's continued progression towards closer economic and political ties with the European Union and NATO may exacerbate tensions between Georgia and Russia. Developments, such as the introduction of a free trade regime between Georgia and the European Union in September 2014, and the visa-free travel in the European Union granted to Georgian citizens in March 2017, similarly contributed to such tensions. In July 2019, Russia imposed a ban on direct flights from Russia to Georgia as part of the Russian state response to mass anti-occupation demonstrations in Tbilisi in June 2019.

Further geopolitical disharmony in the region, most notably between Azerbaijan and Armenia (where tensions escalated and hostilities broke out during 2020 in relation to Nagorno-Karabakh) and among Turkey, Syria and Russia, may also have an adverse impact on Georgia. In particular, tensions between Turkey and Syria have recently escalated and Georgia's economic stability may be affected by potential deterioration in relations between these two countries.

Further geopolitical developments in the region could cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Economic Instability

Since the dissolution of the Soviet Union in the early 1990s, Georgia's society and economy have undergone a rapid transformation from a one-party state with a centrally-planned economy to a pluralist democracy with a market economy. This transformation has been marked by periods of significant instability resulting at various times in declines in GDP, hyperinflation, an unstable currency, high levels of state debt relative to GDP, the existence of a "black" and "grey" market economy, high unemployment and underemployment and the impoverishment of a portion of the Georgian population.

Real GDP growth in Georgia was 5.0% in 2019 and 4.8% in 2018, according to Geostat. This rebound in growth was supported by the stronger external economic environment, which was reflected in increased foreign currency remittances from Georgians working abroad, higher net exports from Georgia and increased FDI. Global growth has, however, been severely impacted by the COVID-19 outbreak, with shrinking demand and damaged global supply chains. Georgia's real GDP in 2020 contracted by 6.2% year-on-year according to preliminary estimates, with the negative effects of COVID-19 reversing the trend of economic growth. Mobility restrictions, evaporating tourism revenues and shrinking external demand have constrained economic activity. This has resulted in an adverse effect on the liquidity and financial condition of customers in Georgia. In addition, rising commodity prices and imported inflation have created sustained pressure on prices, constraining the monetary policy from adopting a further accommodating stance. According to Geostat, average annual inflation was 5.2% in 2020, above the 3.0% target. Market turmoil, economic deterioration and political instability in Georgia may cause consumer spending to decline and have a material adverse effect on Georgia's growth prospects. Uncertain and volatile global and regional economic conditions, such as the unpredictability of U.S. regulatory and fiscal policies, the outbreak of COVID-19 and the resulting impact on global economic conditions and travel restrictions, the potential adoption of trade restrictions, the United Kingdom's post-Brexit-related uncertainties, economic and political instability in Turkey and in the region more broadly and heightened geopolitical risk, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on Georgia's economy.

The Georgian economy is diversified, with no significant dependency on a single country, although Russia, Turkey, Azerbaijan and Armenia are significant trading partners. Russia is one of the largest markets for Georgian exports and imports, accounting for 13.0%, 13.1% and 13.2% of Georgia's total exports and 10.0%, 10.3% and 11.1% of Georgia's total imports in 2018, 2019 and 2020, respectively, according to Geostat. Following a recession and depreciation in 2015 and 2016, the Russian Rouble rebounded in 2017 against the U.S. Dollar. In 2018, the Russian Rouble depreciated again against the U.S. Dollar by 17.1%, and then appreciated by 10.9% in 2019. COVID-19 related recession risks and plunging oil prices have led to further depreciation in the Russian Rouble. Turkey represents the largest source of Georgian imports, accounting for 15.7%, 17.0% and 17.5% of total imports in 2018, 2019 and 2020, respectively, according to Geostat. Turkey's economy grew by 3.0% in 2018, 0.9% in 2019 and 1.8% in 2020. Adverse economic conditions in Turkey are a potential obstacle to the growth of the Georgian economy. Azerbaijan and Armenia accounted for 15.0% and 13.4%, 13.2% and 8.5% and 11.4% and 5.6% of total exports in 2018, 2019 and 2020, respectively. Following its devaluation by 49.7% against the U.S. Dollar and 44.1% against the Euro during 2015, the Azerbaijan Manat stabilised throughout 2017, 2018 and 2019. The Armenian Dram also experienced a period of stability during 2017, 2018 and 2019, having depreciated by 14.9% against the U.S. Dollar in the period between 1 October 2014 and 27 February 2015. However, hostilities in Nagorno-Karabakh during 2020 contributed to renewed volatility in these currencies and have generally destabilised the region.

The economic slowdowns and currency depreciations experienced by Georgia's main trading partners resulted in lower exports from and remittances to Georgia during the period from 2014 to 2016, while the acceleration of growth in regional economies since 2017 has supported strong growth in exports and remittances. Of particular note is remittance inflows from Azerbaijan in 2020, which increased over 2.4 times year-on-year to reach U.S.$53.9 million. However, as Russia and Azerbaijan depend significantly on oil prices and the wider region in turn depends significantly on Russia, Georgia is also exposed to oil price fluctuations, which affect it both as an importer of energy as well as a small open economy that depends on regional economic conditions. Crude oil prices declined as a result of a disagreement in oil production cuts among OPEC+ members in March 2020. As a result, in April 2020 the Urals oil price dropped to U.S.$18.22 per barrel, but the price has since recovered to over U.S.$60 per barrel. Any continued oil price volatility and/or pandemic related restrictions, as well as any further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy, cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Exchange Rates and Inflation

Following the economic and political instability of the early 1990s and subsequent hyperinflation, the Georgian economy underwent a process of dollarization, whereby the U.S. Dollar and other freely convertible currencies became the major means of payment and wealth accumulation in Georgia. See "*Monetary System—Dollarization*" for more details.

There was significant instability in the Lari/U.S. Dollar exchange rate following the Russian financial crisis of August 1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. The NBG allowed the Lari to depreciate by 28.5% in 2015 and by a further 10.5% in 2016, aimed at alleviating the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. The Lari generally appreciated against the U.S. Dollar and other major international currencies in the first half of 2016, primarily due to an increase in the number of tourists travelling to Georgia, but experienced depreciation in the second half of 2016 and in 2017 and 2018 due in part to negative expectations surrounding the collapse of the Turkish Lira, and in 2019 due in part to negative expectations surrounding Russia's direct flight ban. The Lari depreciated significantly in 2020 as a result of the ongoing COVID-19 outbreak, which resulted in a sudden cessation and deterioration in the outlook for traditional sources of foreign exchange inflows such as tourism revenues and merchandise exports. The NBG introduced a U.S.$400 million currency swap facility, sold U.S.$1,076 million of foreign currency reserves from March 2020 through February 2021 to provide foreign currency liquidity and reduced the monetary policy rate by 100 basis points to 8.0% during April-August 2020. However, on 17 March 2021, the NBG decided to increase its policy rate by 0.5 percentage points to 8.5% due to increased inflation risks stemming from price increases in international commodity markets, higher production pandemic related costs and persistence of depreciated exchange rate. The NBG has committed to remaining active in providing foreign currency liquidity and curbing Lari depreciation expectations. Although foreign currency reserves provide adequate cover in the short term and exchange rates against hard currencies have stabilised after initial volatility, any sustained depreciation in the Lari could create risks regarding the scope of policy action. The ability of the Government and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and FDI inflows, and any failure to do so or a major depreciation or further devaluation of the Lari could adversely affect Georgia's economy. According to information published by Geostat, annual inflation in Georgia, as measured by the average annual Consumer Price Index, was 2.6%, 4.9% and 5.2% in 2018, 2019 and 2020, respectively. There is no guarantee that the Georgian economy will not be further affected by domestic or global increases in food, consumer products and oil prices. Deflation, while increasing the purchasing power of the Lari, could adversely affect FDI. On the other hand, high and sustained inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence.

Any of these events could lead to deterioration in the performance of Georgia's economy, and result in the Government being unable to repay principal of, and make payments of interest on, the Notes or cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Currency Regulation

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, the total volume of commercial banks' trading turnover in the Lari-U.S. Dollar and Lari-Euro markets (including activities of the NBG) amounted to U.S.$56.8 billion and €36.0 billion in 2020, respectively, as compared to U.S.$48.8 billion and €28.7 billion, respectively, in 2019, and U.S.$32.0 billion and €11.4 billion, respectively, in 2018. Excluding activities of the NBG, the total volume of trading turnover in the Lari-U.S. Dollar market amounted to U.S.$55.3 billion in 2020, as compared to U.S.$ 48.5 billion in 2019 and U.S.$31.8 billion in 2018 (the NBG was not active in the Euro market). According to the NBG, it had U.S.$3.9 billion in gross official reserves as at December 2020 as compared to U.S.$3.5 billion as at December 2019 and U.S.$3.3 billion as at December 2018. While these reserves are expected to be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy.

Any of foregoing could have an adverse impact on the Georgian economy, cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Political Risk

Since its independence from the former USSR in 1991, Georgia has experienced an ongoing and substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. However, business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of existing reform policies, or as a result of a rejection of reform policies by the President of Georgia (the "**President**"), the parliament or others.

In October 2010, the Georgian Parliament approved certain amendments to the Constitution of Georgia (the "**Constitution**") that were intended to enhance the primary governing authority of the Georgian Parliament, to increase the powers of the Prime Minister of Georgia (the "**Prime Minister**"), and to limit the scope of functions of the President. The Georgian Parliament adopted certain constitutional amendments further limiting the powers of the President in March 2013. In October 2017 and March 2018, the Georgian Parliament made numerous changes to the Constitution introducing, inter alia, the indirect election of the President by the Georgian Parliament, a fully proportional electoral system of the Georgian Parliament starting from 2024, special status for agricultural land, and raising the minimum age for members of the Georgian Parliament and the President. The changes adopted in October 2017 and March 2018 entered into force in December 2018. Furthermore, following public demonstrations in June 2019, the Government announced commitments to switching to a fully proportional electoral system for the 2020 elections, instead of waiting until the 2024 elections. This commitment was not approved by the Georgian Parliament, which led to protests by major political parties in Georgia. As a political consensus, which was reached with the involvement of foreign diplomats stationed in Georgia, it was agreed that, for the purposes of 2020 elections, 30 members of the Georgian Parliament would be selected through a majoritarian system, while the remaining 120 members of the Georgian Parliament would be selected through proportional representation with the electoral threshold of 1% of the votes. Although a political consensus was reached, relevant constitutional amendments were suspended after the Government declared a state of emergency on 21 March 2020 in relation to the spread of COVID-19. On 29 June 2020, however, the Georgian Parliament voted to adopt the constitutional amendments. Parliamentary elections were held in Georgia in October 2020 to elect 150 members of the Georgian Parliament, however, the results of elections are contested by the opposition parties that have not taken their seats in the Parliament and demanded snap elections and the release of prisoners of demonstrations of June 2019. On 18 February 2021, the Prime Minister, Giorgi Gakharia, resigned from his position amid disagreements with the ruling party. On 22 February 2021, Irakli Garibashvili became the Prime Minister of Georgia. The EU mediated negotiations between the ruling party and the opposition parties in March 2021 and on 19 April 2021 the ruling party and opposition signed an EU mediated agreement aimed at ending the crisis. The pursuit of reforms and economic growth may be hindered in the event of a renewal of the impasse and any political instability in Georgia may have a material adverse effect on Georgia's economy, cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Developing Legal System

Georgia's legal framework is still developing, with several fundamental civil, criminal, tax, administrative, financial and commercial laws having only recently become effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in its application, including in relation to such legislation's enforceability.

On 27 June 2014, Georgia entered into the EU Association Agreement and established the Deep and Comprehensive Free Trade Area ("**DCFTA**") (effective since 1 September 2014) with the European Union, which envisages bilateral trade liberalisation with the European Union with effect from 1 July 2016. The implementation of the EU Association Agreement and the DCFTA may require Georgia to conform to EU trade-related and sector-specific legislation, which is expected to be challenging, especially in the areas of environmental protection and customer safety, including product and safety information, among others.

Other changes in governmental policy are expected, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the EU Association Agreement may place a significant burden on regulatory bodies, divert their resources from ongoing reforms and decrease their efficiency.

In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in financial, commercial and corporate law matters than judges and courts in certain other countries, such as the European Union and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on Georgia's economy, cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Georgia's Credit Rating

Georgia's long-term foreign currency debt rating has been assigned a rating of "BB" with a negative outlook by S&P, a rating of "BB" with a negative outlook by Fitch and a rating of "Ba2" with a stable outlook by Moody's. The Notes are expected to be assigned the same ratings. These ratings are sub-investment grade. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any change in the rating of the Notes could adversely affect the price that a purchaser will be willing to pay for the Notes, cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Legal Proceedings

Georgia is a party to a number of legal proceedings, including claims against Georgia seeking potentially significant amounts. See "*Description of Georgia—Legal Proceedings*". Although the Government rejects the claims forming the basis for these legal proceedings, if such legal proceedings are ultimately determined adversely to Georgia, any requirement on the part of Georgia to pay significant amounts as a result thereof could result in the Government being unable to repay principal of, and make payments of interest on, the Notes or cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

Climate Change and Weather Extremes

As a country with a forested and mountainous ecosystem and over 300 kilometres of coastline, coupled with its current reliance on coal and other fossil fuels, Georgia is potentially vulnerable to global warming and climate change, which could have a material impact on Georgia's economy, and in particular, the agriculture and energy sectors. Advances in energy production are at risk from climate impacts such as reduced river flows which impede hydropower productivity (a renewable power source that is utilised to meet Georgia's growing energy demands, particularly in the summer months), and thereby further increasing reliance on coal and fossil fuels, and landslides that disrupt supply. Climate change is expected to exacerbate the frequency, intensity and severity of natural disasters. Without effective remedial action, the projected rise in average temperatures is expected eventually to result in heat waves and droughts; a fall in river flows, lake levels and water supply; de-forestation, landslides and mudflows; frequent and intense forest wildfires; and increased flooding. This could be especially harmful to Georgia given its topography and geography, and taking into account the importance of agriculture to its economy. Rising temperatures and unpredictable seasonal rains have negative implications for Georgia's agricultural sector, which employs a significant portion of the population and is the livelihood of a majority of the country's poor. Accordingly, negative implications for the agricultural sector resulting from climate change may have a significant impact on the Georgian economy and may raise social tensions. Weather extremes, the frequency of which may be increasing due to global warming, can cause a sharp rise in food prices, inflation and hardship to the rural poor. Georgia's dependence on the tourism sector is also threatened by climate variability and change. The country's popular skiing, hiking and beach destinations are under increasing threat from natural disasters exacerbated by climate change. Any or all of the foregoing could have a material adverse effect on macroeconomic conditions in Georgia.

Hydropower is important to Georgia's economy but is subject to civil opposition

Hydropower accounts for more than 80% of Georgia's generation capacity. The Government is committed to expanding the installed base of hydropower to help mitigate dependence on fossil fuels. However, hydropower has its opponents, particularly citizens who live downstream from hydropower plants. For example, the Namakhvani hydropower plant ("**HPP**") is currently the subject of opposition and local unrest. As part of the Government's hydropower strategy, the tender for the development of the

Namakhvani HPP was announced in December 2015. If developed, with 433 MW of installed capacity Namakhvani will be the largest HPP constructed in Georgia since independence and second in size only to the Enguri HPP. An implementation agreement to develop the Namakhvani HPP was signed in April 2019. By the beginning of 2020, a construction permit was issued and mobilization for commencement of the construction works began. However, the relevant efforts were met with resistance from the local population alleging that the project is not geologically sound and that it endangers the region. The situation intensified in early 2021 and several large demonstrations were held to protest the construction works. Following the public outcry, a special hearing was held at the Parliament and the Government pledged to suspend construction works until additional studies are prepared and prove to be satisfactory. In addition, the Government appointed its own representative as company director to monitor the project development. Similar protests have occurred with regard to several other major HPP projects, including the Hudoni, Nenskra and Kirnati HPPs, resulting in significant delays of works. A failure to resolve these issues could have a material adverse effect on Georgia's ability to meet its climate-related goals and on macroeconomic conditions in Georgia.

Risks Factors Relating to Investments in the Emerging Markets

Higher Volatility, Risks of Downturns and "Contagion" Effect

Investing in securities involving emerging markets, such as Georgia, involves a higher degree of risk than investments in securities of corporate or sovereign issuers of more developed markets. These higher risks include, but are not limited to, higher volatility, limited liquidity, a narrow export base, current account deficits and changes in the political, economic, social, legal and regulatory environment. Emerging economies, such as the Georgian economy, are subject to rapid change and are vulnerable to market conditions and economic downturns elsewhere in the world. Emerging markets may also experience more instances of corruption of government officials and misuse of public funds than more mature markets.

In addition, international investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by "contagion" effects in the past, including following the 1998 Russian financial crisis and the more recent global financial crisis. No assurance can be given that it will not be affected by similar effects in the future.

As a consequence, an investment in Georgia carries risks that are not typically associated with investing in more mature markets. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Georgia, including elements of information provided in this Offering Circular. See "*—Statistical Information*". Prospective investors should also note that emerging economies such as Georgia's are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment decision.

Statistical Information

A range of ministries and institutions, including the Ministry of Finance, the NBG, the Ministry of Energy, Geostat and the Ministry of Economy and Sustainable Development, produce statistics relating to Georgia and its economy. Georgia subscribed to the IMF's Special Data Dissemination Standard in May 2010, but data improvements in certain areas are still being made. Statistical weaknesses, if they persist, may impede the ability to assess accurately the level of indebtedness and the general economic condition of Georgia. In addition, these statistics may be more limited in scope and published less frequently than statistics published by other countries, which could result in difficulties with monitoring key fiscal and economic indicators. Statistical data appearing in this Offering Circular has, unless otherwise stated, been obtained from public sources and documents. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source.

In addition, Georgia's official financial and economic statistics are subject to review and amendment as part of a regular confirmation process. Accordingly, financial and economic statistics may differ from previously published figures and may be subsequently amended, adjusted or revised.

Risks Factors Relating to the Notes

Suitability of the Notes

Prospective investors must determine the suitability of an investment in Notes in the light of their own respective circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in Notes;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in Notes and the impact the Notes will have on their overall investment portfolios;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in Notes, including where the currency for principal or interest payments is different from its currencies;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for currency, economic, interest rate and other factors that may affect their investments and ability to bear the applicable risks.

Enforcement of Foreign Judgments and Arbitral Awards

It may not be possible to effect service of process against Georgia in courts outside Georgia or in a jurisdiction to which Georgia has not explicitly submitted. Foreign court judgments against Georgia will not be recognised and enforceable in Georgian courts if: (i) the matter is within exclusive competence of Georgia; (ii) there is a violation in the service of process or other procedures under the law of the country of the court which rendered the judgment; (iii) a dispute involving the same subject matter between the same parties has already been decided by a Georgian court or by a foreign court, judgment of which has been recognised in Georgia; (iv) the court rendering the judgment is not considered competent to adjudicate the dispute under Georgian legislation; (v) the country whose court has rendered the judgment does not recognise the judgments of Georgian courts; (vi) a dispute involving the same subject matter between the same parties is already being heard in a Georgian court; or (vii) the judgment of the foreign court contradicts fundamental legal principles of Georgia. No treaty exists between Georgia and many Western jurisdictions, including many EU jurisdictions, the United Kingdom and the United States, for the reciprocal enforcement of foreign court judgments.

The payment by the Issuer of judgments and arbitral awards against it has historically been delayed as a result of administrative, legal and political obstacles. Judgments and arbitral awards against the Issuer must be provided for in the Budget Law or an amendment of the Budget Law before they can be paid. The passing of any such law or amendment of such law is subject to political uncertainty. Therefore, claimants who have successfully brought actions against the Issuer may not receive any monetary compensation or may only receive such compensation after significant delays.

The foreign exchange reserves of Georgia are controlled and administered by the NBG, which, under the Constitution, is an independent central bank legally distinct from the Government. Under the Terms and Conditions of the Notes, such reserves will not be available to satisfy any claim or judgment in respect of the Notes.

In addition, the Terms and Conditions of the Notes are governed by English law and provide that disputes arising from or in connection with the Notes shall be settled by arbitration. Georgia is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Therefore, an arbitration award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to the terms of the New York Convention and compliance with Georgian civil procedure regulations and other procedures and requirements established by Georgian legislation. However, it may be difficult to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial transactions, certain procedural ambiguities, official and unofficial political resistance to the enforcement of awards against Georgia in favour of foreign investors, Georgian courts' inability to enforce such orders and corruption, thereby introducing delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

Furthermore, the choice of English law as the governing law of the Notes and the transaction documents may not be given effect, and the recognition or enforcement of foreign court judgments and arbitral awards may be limited, by application of the Georgian law principle requiring compliance with mandatory provisions of the law of the country most closely connected to the transaction, including mandatory provisions of Georgian law. The nature and scope of such mandatory provisions are subject to a considerable degree of discretionary authority by the court in which recognition or enforcement of the judgment or arbitral award is being sought.

Georgia is a sovereign state. There is a risk that, notwithstanding the limited waiver of sovereign immunity by Georgia in connection with the Notes, a claimant will not be able to have the foreign court judgment or arbitral award recognised in Georgia or to enforce a court judgment/arbitral award against certain assets of Georgia in certain jurisdictions, including Georgia (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale), without Georgia having specifically consented to such enforcement at the time when the enforcement is sought. See "*Terms and Conditions of the Notes—Governing Law and Jurisdiction*". In addition, certain state-owned assets are statutorily exempt from court enforcement procedures within Georgia.

Change of law

The Terms and Conditions of the Notes are governed by, and shall be construed in accordance with, English law in effect as at the date of this Offering Circular. No assurances can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Modification

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Volatility of the Trading Market

The market for the Notes will be influenced by economic and market conditions in Georgia and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, the Member States of the EU and elsewhere. There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that events in Georgia, in the region or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Notes or that economic and market conditions will not have any other adverse effect. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the financial condition of Georgia or other factors.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to the depreciation of the U.S. Dollar or appreciation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. Dollars would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

USE OF PROCEEDS

The gross proceeds of the issue of the Notes will be U.S.$500,000,000. In addition, the Issuer will pay certain fees and expenses out of the State Budget. The proceeds of the offering will be applied to general governmental purposes.

DESCRIPTION OF GEORGIA

Introduction

Following a period of economic collapse in the early 1990s and the impact of the financial crisis in Russia in 1998, Georgia has made substantial economic progress since 2000. Beginning in 2003 and following a peaceful uprising marked by mass demonstrations over the conduct of parliamentary elections, general discontent at widespread corruption and the slow pace of reforms (the "**Rose Revolution**"), the Government pursued a wave of broad comprehensive reforms, which resulted in a period of relatively strong economic growth through 2008. The combined direct and indirect effects of the 2008 Russia-Georgia war (the "**2008 Russia-Georgia War**") and the global financial crisis on the Georgian economy resulted in a recession from the second half of 2008 through the first half of 2009. The economy returned to growth in the second half of 2009 and growth accelerated during the next several years. Starting in the second half of 2014, the Georgian economy was affected by falling global commodity prices and the contagion effect of the recession in Russia, as well as by the depreciation of the currencies of Georgia's main trading partners. From the end of 2016 until 2020, economic growth in Georgia had been accelerating due to more favourable external conditions. Following one of the strongest years with respect to all around economic performance in 2019, with economic growth of 5.0%, 2020 brought many challenges to the Georgian economy, with external and internal demand shrinking due to closed borders and lockdown measures intended to limit the acceleration of the COVID-19 pandemic. According to preliminary estimates, Georgia's real GDP contracted by 6.2% in 2020, due to government imposed restrictions and the significant decrease in tourism revenues, both of which weighed heavily on economic performance. Recovery is expected to begin in 2021, as and when the pandemic starts to be brought under control.

Area and Population

Georgia is located to the east of the Black Sea. By virtue of its geographic position, it controls much of the Caucasus Mountains and the routes that run through them. Georgia has a land area of 69,700 square kilometres. Georgia is bordered by Russia to the north, Azerbaijan to the east, Armenia and Turkey to the south and the Black Sea to the west. Georgia's terrain is largely mountainous, with the Great Caucasus Mountains in the north and the Lesser Caucasus Mountains in the south. Kolkhetis Dablobi (the Kolkhida Lowland) opens to the Black Sea in the west, with the Mtkvari River Basin in the east. Georgia's natural resources include forests, hydropower, manganese, iron ore, copper and coal deposits, as well as insignificant oil deposits. In the west, Georgia's coastal climate and soils allow the growth of tea and citrus fruits in particular.

Georgia consists of nine regions divided into 65 districts. Adjara and Abkhazia, as autonomous republics, and Tbilisi, Georgia's capital city, are separately administered. Since the restoration of Georgia's independence in 1991, separatist movements increasingly moved towards armed hostilities in Abkhazia and the Tskhinvali region/South Ossetia in the 1990s. See "*Risk Factors—Risks Relating to Georgia—Regional Tensions*" and "*— Conflicts over Abkhazia and the Tskhinvali region/South Ossetia*".

The following table sets forth a breakdown of Georgia's estimated population by age and gender as at 1 January 2020.

Georgia's Population (1)

		Gender	
Age	**% of Population**	**Male**	**Female**
0-14	20.42	395,238	363,780
15-64	64.47	1,183,069	1,213,060
65 and over	15.11	211,972	349,739

Total	**100.0**	**1,790,279**	**1,926,579**

Note:
(1) In Government controlled territories of Georgia, i.e., excluding Abkhazia and the Tskhinvali region/South Ossetia.

Source: Geostat.

At the date of the last census in 2014, the majority (86.8%) of the population was ethnic Georgian. Minority ethnic groups in Georgia include Azeri (6.3%), Armenians (4.5%), Russians (0.7%) and others (1.7%). At the same date, the population was mainly comprised of Orthodox Christians (83.4%), together with Muslims (10.7%), Armenian-Gregorian (2.9%), Catholics (0.5%) and others (2.3%). The official language of Georgia is Georgian, whilst in Abkhazia, the official language is Abkhazian. As at the date of the last census in 2014, 26.7% of the population had a higher education, 17.4% had a professional education degree, and 36.7% had attained the general education (secondary education) level. As at 31 December 2017, the literacy rate for the population over the age of 15 was 99.4% (source: The World Bank).

History of Georgia

The history of the territory comprising the modern state of Georgia is marked by periods of invasion and subjugation by neighbouring empires. The first Georgian state emerged 2,800 years ago. In the eleventh and twelfth centuries, a powerful Georgian state controlled broad sections of the South Caucasus; however, from the thirteenth century onwards, Georgia fragmented into several kingdoms and faced repeated invasions from the Ottoman, Persian and Mongol empires.

In the late eighteenth century, the Georgian monarchs began efforts to gain Russian protection from the Persians. Due to Georgia's weak position, the Russian Empire could dictate the terms of its protection and, from 1801, the Russian Empire gradually annexed Georgia's entire territory.

The overthrow of the Russian Czar in 1917 and the events leading up to the Bolshevik revolution of October 1917 resulted in the declaration of independence of the Georgian state on 26 May 1918. Georgian independence lasted until 1921, when the Red Army invaded Georgia and forced out the independent government. Georgia was annexed into the Soviet Union, from 1922 until 1936, as part of the Transcaucasian Soviet Federated Socialist Republic and, from 1936, as a separate Soviet socialist republic.

In the late 1980s, with the collapse of communism in Eastern Europe, a Georgian independence movement developed, particularly after Soviet soldiers used lethal force to disperse Georgian pro-independence protesters in April 1989 in Tbilisi. In his role as opposition leader, former President Gamsakhurdia formed a new nationalist, pro-independence political bloc in 1990 and, in October 1990, this coalition won elections to the newly-constituted Parliament.

By 1991, former President Gamsakhurdia had begun to assert Georgia's independence from Moscow. He took steps to bring the Georgian KGB and the Georgian Ministry of Internal Affairs (previously run from Moscow) under his control, refused to attend meetings called by Gorbachev to preserve the former Soviet Union and, rather than agreeing to Georgia's participation in Gorbachev's March 1991 referendum on preserving a federation of Soviet republics, organised a separate referendum on Georgian independence that was approved by 99% of Georgian voters. The Parliament passed a declaration of independence from the Soviet Union on 9 April 1991, and the Georgian people elected Mr Gamsakhurdia as President.

Former President Gamsakhurdia's political opponents joined in a coalition with paramilitary groups and demanded that former President Gamsakhurdia resign and call new parliamentary elections. Former President Gamsakhurdia refused to compromise. On 22 December 1991, intense fighting broke out in central Tbilisi. Gunfire and bombs severely damaged central Tbilisi and former President Gamsakhurdia fled the city in early January 1992 to seek refuge outside Georgia.

Although fighting was taking place in central Tbilisi in late 1991, at the same time, the Soviet Union was disintegrating and Georgia achieved widespread international recognition as an independent state. On 23 March 1992, the independence of Georgia as a sovereign state was recognised by EU countries and, on 31 July 1992, Georgia became the 179th member of the United Nations (the "**UN**").

After former President Gamsakhurdia was forced from office in early 1992, a military council made up of the political and paramilitary leaders of the opposition took control. In March 1992, Eduard Shevardnadze, former Foreign Minister of the Soviet Union, returned to Georgia at the invitation of the military council and a new legislative body, the State Council, was created until parliamentary elections were held in October 1992. The newly-elected Parliament created the post of head of government for Mr. Shevardnadze, which was combined with his existing position as Chairman of the Parliament.

On 24 September 1993, Gamsakhurdia returned to Georgia to organise an uprising against the Shevardnadze government. Gamsakhurdia's supporters were able to overrun much of western Georgia. Units of the Russian Army were sent into Georgia to assist the Government. Gamsakhurdia's rebellion collapsed; he died on 31 December 1993. Subsequently, Shevardnadze's government joined the CIS.

In early 1993, Mr. Shevardnadze called for extensive revisions of the constitution. This process led to the drafting of a new constitution and its adoption in August 1995. Mr. Shevardnadze was elected as President under the new constitution in November 1995. Although he was re-elected in April 2000, Mr. Shevardnadze resigned in November 2003 following the Rose Revolution. See "*Risk Factors—Risk Factors relating to Georgia—Political Risk*".

President Saakashvili, who was the principal leader of the Rose Revolution that ousted former President Shevardnadze, was elected President in January 2004 by an overwhelming majority of the vote. President Saakashvili consolidated his position when his National Movement-Democratic Front won a Constitutional majority. President Saakashvili's key policies include fighting corruption, improving pay, pensions and living standards for average Georgians and steering Georgia towards NATO and European Union membership. He has also pledged to restore Georgia's territorial integrity by fully returning Abkhazia and the Tskhinvali region/South Ossetia to Georgian sovereignty.

On 27 April 1999, Georgia became the 41st member state of the Council of Europe (the "**CoE**").

Notwithstanding the unexpected, accidental death of former Prime Minister Zhvania in early 2005, the first few years of President Saakashvili's term in office were marked by relative political stability and the introduction of policies oriented towards the acceleration of political and economic reforms.

In 2007, however, there were a number of high-profile incidents involving state privatisation issues and private property rights, where the Government evicted both commercial and residential tenants from properties in Tbilisi on the grounds of illegal construction or privatisation. In October 2007, there was a wave of popular protests against President Saakashvili. The formerly weak and fragmented opposition organised a series of anti-Government rallies across the country, which culminated in a mass demonstration in front of the Parliament in Tbilisi. Among other things, the opposition demanded electoral reform and that parliamentary elections should be brought forward to their originally anticipated date in spring 2008, rather than the new date in autumn 2008 as prescribed by a subsequent constitutional amendment. The opposition accused President Saakashvili of being authoritarian and of not taking sufficient action to alleviate poverty. The opposition leaders of the United National Council chose businessman Levan Gachechiladze, an unaffiliated member of the opposition, as their candidate for President.

On 7 November 2007, after five days of demonstrations blocking the main avenue outside the Parliament building, riot police broke up the demonstrations and a two-week state of emergency banning all privately-owned broadcast media and public gatherings was imposed. On 8 November 2007, President Saakashvili announced that early presidential elections would be called for 5 January 2008, thereby reducing his constitutional term by a year, and that a plebiscite would be held on rescheduling parliamentary elections for spring 2008. In November 2007, President Saakashvili made a number of changes to the cabinet before stepping down.

A number of international observers arrived in Georgia for the elections on 5 January 2008. On 6 January 2008, the International Election Observation Mission, comprising the Organisation for Security and Co-Operation in Europe (the "**OSCE**") and the Office for Democratic Institutions and Human Rights, the OSCE parliamentary Assembly, the parliamentary Assembly of the CoE and the European Parliament, issued a joint Statement of Preliminary Findings and Conclusions. This statement reported that the process "was in essence consistent with most OSCE and CoE commitments and standards for democratic elections, but significant challenges were revealed which need to be addressed urgently".

Following the January 2008 election, the opposition party claimed irregularities and fraud, notably in regions inhabited by national minorities. On 13 January 2008, Georgia's Central Election Committee approved the final election results and announced that President Saakashvili had won 53.5% of the vote, sufficient for outright victory in the first round, against the 25.7% achieved by Gachechiladze. All other candidates received less than 10.0% each. In March 2008, the OSCE issued a final report, which is publicly available. The OSCE report concluded that, while the election was broadly consistent with most OSCE commitments and other international standards for democratic elections, the election suffered from shortcomings in relation to vote counting and tabulation, the investigation of complaints regarding irregularities and political polarisation in the run-up to the election.

The political environment of Georgia remained polarised. Although it appeared that the opposition suffered from increasing fragmentation, intermittent demonstrations led by certain opposition parties and leaders continued after the presidential election, largely as a result of constitutional amendments adopted on 12 March 2008, which amended the electoral system ahead of parliamentary elections on 21 May 2008. These demonstrations were largely peaceful, with certain opposition leaders negotiating with representatives of the political leadership on their demands for electoral reform.

In the parliamentary elections on 21 May 2008, President Saakashvili's United National Movement won 119 out of 150 seats. International observers have agreed with the OSCE's conclusion that the elections showed that the Government had made efforts to conduct the elections in line with OSCE and CoE commitments, but that compliance with such standards was uneven and incomplete. Half of the opposition boycotted the new Parliament, citing alleged voter intimidation, a lack of media balance and a lack of fair adjudication of complaints. Consequently, by-elections were held in Adjara and Tbilisi on 3 November 2008 and legislation was passed by the Parliament in autumn 2009 permitting those individuals who had previously boycotted the New Parliament to be seated in May 2008.

In December 2009, the Parliament also amended the Electoral Code of Georgia to provide for the direct election of Tbilisi's mayor and the expansion of the Tbilisi city council in the municipal elections held on 30 May 2010. Further amendments implemented in March 2010 modified certain candidacy requirements. The United National Movement's candidate was elected mayor of Tbilisi with 55.2% of the vote in the May 2010 elections. This election marked the first time in recent history that a major political contest in Georgia was conceded without argument or threat of protest. The United National Movement party won over two-thirds of the votes cast in the election outside Tbilisi. In its review of the municipal elections held on 30 May 2010, the OSCE concluded that evident progress towards meeting OSCE commitments and other international standards for democratic elections had been made, but that significant shortcomings remained, including deficiencies in the legal framework and its implementation, an uneven playing field and isolated cases of election-day fraud, despite efforts by the authorities and the election administration to address such problems.

In October 2010, the Parliament approved certain constitutional amendments that were intended to enhance the primary governing authority of the Parliament, to increase the powers of the Prime Minister, and to limit the scope of functions of the President. Parliament adopted certain constitutional amendments further limiting the powers of the President in March 2013.

In October 2011, the opposition political party, Georgian Dream, was established. In February 2012, the party formed a coalition with the Republican Party of Georgia, the Free Democrats, the National Forum and the Industry Will Save Georgia parties. In October 2012, Georgian Dream won 65 seats in Parliament and President Saakashvili admitted defeat, with the opposition forming a government. This was the first democratic transition of power in Georgia in the post-Soviet era. In November 2013, Giorgi Margvelashvili of the Georgian Dream coalition won the Georgian presidential election. Subsequently, a new constitution came into effect which devolved significant power from the President to the Prime Minister.

The next presidential election was held in October 2018. Following amendments to the constitution (as described below), these elections were the last presidential elections held by direct vote. In subsequent elections, the President will be elected by the College of Electors. Salome Zourabichvili was elected President, running as an independent with the support of the Georgian Dream party.

In October 2017 and March 2018, Parliament made numerous changes to the Constitution introducing, inter alia, the indirect election of the President by Parliament, a fully proportional electoral system of members of Parliament starting from 2024, special status for agricultural land, and raising the minimum age for members of Parliament and the President. The changes adopted in October 2017 and March 2018 entered into force in December 2018. Furthermore, following public demonstrations in June 2019 that began after certain Russian officials visited Parliament, the Government committed to switching to a fully proportional electoral system for the 2020 elections, instead of waiting until the 2024 elections. This commitment was not approved by Parliament, which led to protests by major political parties in Georgia. As a political consensus, which was reached with the involvement of foreign diplomats stationed in Georgia, it was agreed that, for the purposes of 2020 elections, 30 members of Parliament would be selected through a majoritarian system, while the remaining 120 members of Parliament would be selected through proportional representation with the electoral threshold of 1% of the votes. Although a political consensus was reached, relevant constitutional amendments were suspended after the Government declared a state of emergency on 21 March 2020 in relation to the spread of COVID-19. On 29 June 2020, however, Parliament voted to adopt the constitutional amendments.

Parliamentary elections were held in Georgia in October 2020 to elect 150 members of the Georgian Parliament through the majoritarian system and proportional representation combined voting, however, the results of elections are contested by the opposition parties that have not taken their seats in the Parliament and demanded snap elections and the release of prisoners of demonstrations of June 2019. On 18 February 2021, the Prime Minister, Giorgi Gakharia, resigned from his position amid disagreements with the ruling party. On 22 February 2021, Irakli Garibashvili became the Prime Minister of Georgia. The EU mediated negotiations between the ruling party and the opposition parties in March 2021 and on 19 April 2021 the ruling party and opposition signed an EU mediated agreement aimed at ending the crisis.

Conflicts over Abkhazia and the Tskhinvali region/South Ossetia

In 1991, Georgia's declaration of independence was followed by increased tensions in the autonomous regions of Abkhazia and Tskhinvali region/South Ossetia, which both demanded full independence.

Intensification of separatist sentiments which led to escalation of the conflict in 1992-1993 and armed hostilities between the Georgian and Abkhaz sides resulted in some 300,000 internally displaced persons ("**IDPs**") and refugees.

The 2008 Russia-Georgia War which started on 7 August 2008 led to the further displacement of 60,000 people from the Tskhinvali region/South Ossetia.

On 12 August 2008, an EU-mediated ceasefire agreement (the "**Ceasefire Agreement**") was signed between Russia and Georgia. Among other things, the Ceasefire Agreement obliged the parties to halt the hostilities immediately and withdraw their forces to their pre-war positions. Georgia has fully implemented its obligations under the Ceasefire Agreement.

Following the 2008 Russia-Georgia War, Georgia declared its withdrawal from the CIS. The withdrawal became effective in August 2009.

On 26 August 2008, Russia recognised the independence of Georgia's regions of Abkhazia and the Tskhinvali region/South Ossetia.

In late 2008, Geneva International Discussions were launched with the participation of Georgia, Russia and the United States, with the EU, UN and OSCE acting as mediators. The aim of the Geneva International Discussions was to tackle the security and humanitarian challenges stemming from the 2008 Russia-Georgia War. As a result of the continuing Geneva International Discussions, the participants agreed to establish joint Incident Prevention and Response Mechanisms in Gali and Ergneti, which seek to tackle any immediate security-related incidents and humanitarian problems on the ground in Abkhazia and the Tskhinvali region/South Ossetia.

The Government of Georgia continues to implement the peaceful conflict resolution policy and has undertaken concrete steps in this direction. Georgia remains in full compliance with the EU-mediated Ceasefire Agreement, and has unilaterally reaffirmed the non-use of force commitment both at the executive (in 2010) and legislative (in 2013 and 2016) levels whilst adhering to its international obligations.

In addition to exploring diplomatic conflict resolution strategies, Georgia has also implemented a reconciliation and engagement policy which is geared towards the communities divided by the occupation line. The reconciliation and engagement policy is aimed at increasing confidence building between the communities affected by the 2008 Russia-Georgia War, and facilitates person to person contacts across the divide. The reconciliation and engagement policy is aimed at improving the socio-economic conditions of conflict-affected people living in Abkhazia and the Tskhinvali region/South Ossetia by means of providing various services and sharing the benefits of Georgia's European integration and the DCFTA. In 2010, the Government of Georgia adopted the "State Strategy on Occupied Territories: Engagement through Cooperation" and a corresponding Engagement Action Plan, which have been endorsed by intergovernmental organisations, NGOs and certain international political leaders. This strategic policy and action plan seek to counter the isolation and division of Abkhazia and the Tskhinvali region/South Ossetia, and create a favourable environment for increasing cooperation and person to person interaction within divided communities. In 2018, the Government of Georgia intensified efforts to achieve its goal of fulfilling the terms of the reconciliation and engagement policy by introducing a new peace initiative entitled "A Step to a Better Future".

The Constitution and the President

The Constitution of Georgia was adopted on 24 August 1995. Following an amendment to the Constitution in February 2004, the Prime Minister replaced the President as the Head of Government. The President of Georgia is the Head of State, responsible for representing Georgia in foreign relationships. Prior to the 2018 presidential election, the President was elected by popular vote for a five-year term and was eligible to serve for one additional five-year term. However, following amendments to the Constitution in October 2017 and March 2018, the method of electing the President changed from election by popular vote to election by the College of Electors starting in 2024. President Salome Zourabichvili was elected President following the last presidential election on 28 October 2018, and will serve a six-year term until 2024, after which the College of Electors will elect the next President.

Legal acts of the President require the countersignature of the Prime Minister except for the cases specified for the Constitution. Political responsibility for countersigned legal acts lies with the Government.

The Government

The Government of Georgia is the supreme body of executive branch that implements the domestic and foreign policies of the country and is accountable to the Parliament.

The structure and internal operations of the Government, including the ministers, ministries, regional offices of the ministries and state sub-structural institutions, are regulated under the Law on the Structure, Authority and Rule of Activities of the Government of Georgia, adopted in February 2004.

The Government has the power under the Constitution to adopt decrees and resolutions. It is led by the Prime Minister, the ministers and the state ministers (who are ministers appointed to deal with acts of supreme state importance). The Prime Minister appoints one of the members of the Government as Deputy Prime Minister.

As the head of the Government, the Prime Minister determines and organises the activities of the Government, exercises co-ordination and control over the activities of the members of the Government and signs the legal acts of the Government. The Prime Minister also has the power to appoint other members of the Government, as well as to dismiss members of the Government in accordance with the procedure and in circumstances envisaged by law.

Each minister can make decisions independently on the matters falling within his or her competence. Furthermore, ministers are authorised to issue orders to implement laws and resolutions of the Government.

The Parliament

According to the Constitution, the Parliament is the supreme representative body of Georgia. It exercises legislative power, determines the principal direction of domestic and foreign policy and exercises control over the activity of the Government. In 1995, the Parliament was established as a unicameral body with 235 members, each elected for a term of four years by popular vote. Constitutional amendments passed on 23 February 2005 provided for a reduction in the number of members of Parliament to 150 members, with additional amendments resulting in the 150 members being comprised of 77 members elected by a proportional system plus 73 members elected by a majoritarian system, each representing a geographic district.

Following public demonstrations in June 2019 that began after certain Russian officials visited Parliament, the Government committed to switching to a fully proportional electoral system for the 2020 elections, instead of the 2024 elections. This commitment was not approved by Parliament, which led to protests by major political parties in Georgia. As a political consensus, which was reached with the involvement of foreign diplomats stationed in Georgia, it was agreed that, for the purposes of 2020 elections, 30 members of Parliament would be selected through a majoritarian system, while the remaining 120 members of Parliament would be selected through proportional representation with the electoral threshold of 1% of the votes. Although a political consensus was reached, relevant constitutional amendments were suspended after the Government declared a state of emergency on 21 March 2020 in relation to the spread of COVID-19. On 29 June 2020, however, Parliament voted to adopt the constitutional amendments such that starting with the October 2020 elections, 30 members of Parliament would be selected through a majoritarian system, while the remaining 120 members of Parliament would be selected through proportional representation.

The Parliament is empowered to ratify, reject and annul international treaties and agreements, including those which by their terms require ratification and those which:

- provide for Georgia's accession to international organisations or intergovernmental union;
- are of a military character;
- pertain to the territorial integrity of the state or change of the state frontiers;
- are related to borrowing or lending by the state; or
- require a change in domestic legislation.

In addition, the President must sign bills adopted by the Parliament. The Chair of the Parliament has the authority to sign and pass a draft bill into law if the President fails to sign the law within a defined term. Under the Constitution, the President may dissolve the Parliament, in the circumstances envisaged by the Constitution.

The Parliament is empowered to hold a vote of confidence or vote of no-confidence in the Government, which is passed by a simple majority of the total number of members of the Parliament. The Prime Minister can also initiate a vote of confidence in the Government.

Judicial System

The common courts in Georgia consist of: (i) the district (city) courts, which are the courts of first instance; (ii) the appellate courts, which consider appeals from the district (city) courts; and (iii) the Supreme Court of Georgia, the final court of appeal, which has jurisdiction over civil, criminal and administrative matters. Specialised courts may be created only within the system of common courts. A military court may be created during martial law and only within the system of common courts. The creation of extraordinary courts is prohibited; however, in common courts, cases may be heard by juries, as prescribed under Georgian law.

The Constitutional Court is a separate judicial body of Georgia, exclusively dealing with matters concerning the Constitution of Georgia and the conduct of constitutional proceedings. It was established in 1996 and consists of nine judges. The nine judges, called the Plenum, adjudicate constitutional claims either sitting as the Plenum or, where permitted, using two boards. Each board consists of four judges and adjudicates on behalf of the entire nine-judge Constitutional Court on a case-by-case basis. The President appoints three members of the Constitutional Court, the Parliament elects three members, and the Supreme Court appoints three members. The term limit for members of the Constitutional Court is ten years. The Constitutional Court elects the President of the Constitutional Court from among its members for a term of five years, and he may not be re-elected. The President of the Constitutional Court is responsible for:

- convening and presiding over the sittings of the Plenum of the Constitutional Court, while the smaller boards are presided over by the Vice Presidents of the Constitutional Court who sit thereon;
- signing the decisions passed by the Plenum;
- submitting the rules of the Constitutional Court to the Plenum for approval;

- maintaining general guidance over the functioning of the staff of the Constitutional Court; and
- appointing and dismissing staff members.

On 1 October 2010, Georgia introduced jury trials pursuant to the new Code of Criminal Procedures in an attempt to boost public confidence in the judicial system. The Code of Criminal Procedures has been amended in recent years to introduce provisions for prosecuting minors in line with best international practices, witnesses to be interrogated in the court and in front of a judge, as opposed to interrogation by investigative authorities, improving the mechanisms of adversarial process and empowering defence with additional procedural rights. Special provisions were incorporated to enable the relevant authorities to deal with domestic violence. In addition, a number of amendments were made to ensure that the criminal procedures are in compliance with the Constitutional amendments. The offences for which jury trials are available under the Code of Criminal Procedures cover three categories – less serious, serious and particularly serious, however jury trials are predominantly utilised in respect of serious and particularly serious crimes. The system was modelled on common law jurisdictions, and, accordingly, "not guilty" verdicts are not subject to prosecutorial appeal.

Regional Administration

Georgia consists of nine regions divided into 65 districts. Adjara and Abkhazia, as autonomous republics, and Tbilisi, the capital city of Georgia, are separately administered. In practice, the Georgian regional administration system consists of the administration of each of the regions and the administration of the autonomous republics of Abkhazia and Adjara and the self-governing systems of the administrative districts, including all cities, towns, villages and communities in those districts, and Tbilisi and six other major cities.

The main administrative body of Tbilisi is the City Council, the Sakrebulo, which is an elected body headed by its Chairman, who is appointed by the Council from among its members. The City Council has the power to approve the city budget and any changes to it and to set local taxes. The mayor, who is directly elected, is accountable to the City Council and can be recalled if a vote of no confidence against the mayor is passed by at least two thirds of the City Council members.

International Relations

Georgia has established bilateral and diplomatic relations with 189 countries and has 67 diplomatic missions and 8 general consulates abroad. Georgia hosts 64 diplomatic and consular missions on its territory, including diplomatic missions of the European Commission. Georgia enjoys favourable visa regimes with 74 countries (subject to current travel restrictions in light of the COVID-19 pandemic), including those within the EU, while Georgia has abolished visa requirements for citizens of more than 98 countries worldwide.

Georgia is a member of a number of international and regional organisations, including the UN, the IMF, the World Bank, the International Development Association, the CoE, the EBRD, the World Trade Organisation (the "**WTO**"), the Organisation for Democracy and Economic Development - GUAM ("**GUAM**"), and the OSCE. Georgia is actively pursuing NATO membership and has expressed a long-term ambition of attaining EU membership. Georgia is also a party to a number of multilateral and bilateral treaties, including the New York Convention and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Georgia's long-term political priorities include gaining membership in both the EU and NATO.

United States

Since regaining its independence, Georgia has developed a robust strategic partnership with the United States. Since the early 1990s, the United States has been a firm supporter of Georgia's sovereignty and territorial integrity, its democratic reforms, economic development and Euro-Atlantic integration. Beginning in 1996, American interest in Georgia increased substantially with the signing of the first of three international oil and gas pipeline deals. The Baku–Tbilisi–Ceyhan oil export pipeline (the "**BTC Pipeline**") and the South Caucasus Pipeline gas pipeline (the "**SCP Pipeline**") are considered to be crucial to supplying oil and gas from the Caspian Sea basin to Western Europe along routes that avoid both Russia and Iran.

Following the 2008 Russia-Georgia War, the United States provided a U.S.$1 billion aid package for Georgia to meet the country's "pressing humanitarian need" and "to facilitate its economic reconstruction".

USAID has provided approximately $1.7 billion to Georgia since 1999, when USAID's Mission presence in Georgia was established. Since 1992, the total amount spent in Georgia exceeds U.S.$1.8 billion. Currently, 35 USAID programs with a total value of over U.S.$242 million support Georgia's development as a democracy. The U.S. government and various civil and military agencies provided significant support to aid with Georgia's response to the COVID-19 pandemic.

Relations between Georgia and the United States are founded upon the U.S.-Georgia Charter on Strategic Partnership (the "**Charter**"). The Charter provides an effective framework for facilitating cooperation in all priority areas identified within the Charter, including democracy, defence and security, trade and economy as well as person to person and cultural exchanges. Significant budget allocations and support expressed through a number of legislative acts highlight the longstanding bipartisan support of the U.S. Congress to Georgia. A bilateral partnership in the areas of defence and security has also been developing successfully and has allowed Georgia to significantly increase its defence capabilities, resilience and interoperability with NATO. Over the past several years, Georgia has received American Javelin missile systems and increased funding through the Foreign Military Financing ("**FMF**") program, and has continued its successful implementation of the bilateral Georgia Defence Readiness Program ("**GDRP**"). The United States and Georgia have developed strong military-to-military relations, serve together in international missions and hold the annual Noble Partner and Agile Spirit military exercises together.

Both the United States and Georgia have expressed their commitment to continue working together to enhance their cooperation in all areas of strategic partnership.

European Union

EU membership is a foreign policy priority for Georgia. In 2009, Georgia joined the EU's Eastern Partnership. In 2014, Georgia signed the Association Agreement with the EU, which formalised Georgia's intent to build closer relations with the EU. The Association Agreement recognised Georgia's European aspirations, historical links and the commonality of values between Georgia and members of the EU. The Association Agreement has significantly decreased the political distance between the EU and Georgia and set the stage for Georgia's deep economic integration into the union, pursuant to the DCFTA between the EU and Georgia, which allows for comprehensive legal and normative convergence of Georgia with the EU, and is ultimately intended to achieve gradual and far-reaching access to the EU's internal market for Georgia. The Association Agreement provides the core legal basis of EU-Georgian relations and serves as a roadmap for Georgia's reforms, guiding its transformation into a democratic, resilient and economically prosperous European country. Participation in EU framework programmes and enhanced cooperation with EU specialised agencies have further contributed to increased EU-Georgian sectoral cooperation and have offered incentives for Georgia's further legislative and institutional harmonisation with EU policies and standards.

In 2017, the EU and Georgia established a short-stay visa free regime that allows Georgian citizens to travel in EU countries/Schengen area for 90 days within a period of 180 days. This has given a considerable boost to the mobility of businesses, students, scholars and artists from Georgia, who have travelled extensively in the EU during the last five years. This regime was preceded by the conclusion of visa facilitation and readmission agreements and the launch of the visa liberalisation dialogue in 2012, which laid the groundwork for important institutional and legislative reforms in areas such as human rights, border management, migration and public order.

In 2017, Georgia also became a contracting party to the Energy Community, which enables Georgia to gradually integrate into the European energy market in legal and practical terms. Georgia's participation in the Energy Community also provides opportunities to discuss and propose energy related projects on a regional and European scale.

In 2018, the EU decided to extend its Trans-European Networks of Transport to Georgia. The extension of the European transport network to Georgia, combined with the implementation of the DCFTA, also have the potential to boost trade relations. Since 2019, the EU and Georgia have been discussing issues of legal approximation and projects in the field of transport. EU and Georgia have concluded a Common Aviation Area Agreement, which entered into force in 2020 and established conditions for the progressive liberalisation of air transport between the EU and Georgia.

The EU plays a key role in promoting security and stability in Georgia, especially since the 2008 Russia-Georgia War, through the work of the EU Monitoring Mission, the EU's co-chairmanship of the Geneva International Discussions and the EU's non-recognition policy of the independence of Abkhazia and the Tskhinvali region/South Ossetia. In 2017, the EU and Georgia launched a high level Strategic Security Dialogue to step up cooperation in the areas of foreign policy and security. Since 2015, Georgia has contributed to EU crisis management missions and operations in Ukraine, Central African Republic and Mali.

In 2020, Georgia announced its intention to expedite effective implementation of the Association Agreement with the aim of preparing Georgia for the filing of its application for EU membership in 2024.

NATO

Membership in NATO is one of Georgia's top foreign and security policy priorities. The Georgian people support NATO membership, which has also achieved a broad consensus among the major political parties. Georgia's cooperation with NATO started in the early 1990s, when Georgia joined NATO's partnership formats. The integration process to enable Georgia to join NATO commenced in 2002, when Georgia officially declared its Euro-Atlantic aspiration at the NATO's Prague Summit.

In 2008, NATO's members stated their intention that Georgia would become a member of NATO. This decision was affirmed in final documents at all subsequent summits. Since the Bucharest Summit in 2008, Georgia's cooperation with NATO has progressed significantly and has developed in multiple directions.

Georgia has implemented all necessary mechanisms to prepare for NATO membership. These integral mechanisms include the NATO-Georgia Commission ("**NGC**"), the Annual National Programme ("**ANP**") and the Substantial NATO-Georgia Package ("**SNGP**").

The NGC serves as a forum for both political consultations and practical cooperation between Georgia and NATO, and supervises the process established at the 2008 Bucharest Summit. Georgia has utilised the ANP for more than a decade. Within the framework of the ANP, Georgia annually plans reforms in five main areas: political and economic, defence, resources, security, and legal issues. ANP implementation assessments by NATO have consistently been positive. The SNGP is another practical tool aimed at improving Georgia's defence capabilities, increasing its resilience, enhancing interoperability with NATO and supporting NATO's membership preparation process. In 2019, NATO and Georgia agreed to update and refresh the SNGP. The refreshed SNGP was adopted in 2020 to align the package provided under the SNGP with modern security challenges.

Since 2011, Georgia has been officially recognised by NATO as an aspirant country.

In 2014, NATO granted Georgia NATO Enhanced Opportunities Partner ("**EOP**") status along with four NATO partner countries (Australia, Jordan, Sweden and Finland). This status has been renewed by NATO twice in subsequent periods.

Over the last two decades, Georgia has proved to be one of NATO's most committed and reliable partners, and has demonstrated its ability to share the burden of collective security. Georgia has actively participated in NATO-led international missions in Kosovo and Iraq, and has taken part in the Active Endeavour Operation. From 2004 to 2014, Georgia actively participated in NATO's ISAF mission in Afghanistan. Georgia provided over 1,500 servicemen for the mission, and was the top non-NATO troop contributor. Since 2015, after the completion of the ISAF mission, Georgia has been participating in a NATO-led Resolute Support Mission ("**RSM**") in Afghanistan. Georgia currently has 860 personnel deployed on the ground for the RSM under different allied commands, making Georgia one of the largest overall contributors, and the largest contributor per capita, to the mission. Moreover, Georgia contributes financially to the development of the Afghan National Security Forces.

Security in the Black Sea region has become one of NATO's major concerns in recent years. In light of Georgia's Black Sea coast and its NATO aspirations, it is actively engaged in NATO's efforts to strengthen security in the Black Sea region. Georgia participates in strategic discussions on Black Sea security issues and shares information and analysis of the current situation in the region with NATO on a regular basis at the NATO headquarters. Moreover, cooperation is ongoing on concrete, practical initiatives based on the 2018 Brussels Summit and the 2019 and 2020 NATO Foreign Ministerial decisions.

More recently, NATO's visibility in Georgia has increased significantly. The North Atlantic Council, which is the main decision-making body of NATO and is comprised of NATO ambassadors, visited Georgia five times. In addition, the Military Committee, which is the principal military body of NATO, has visited Georgia on three occasions. Moreover, NATO naval forces regularly visit Georgia's Black Sea ports.

United Nations

Georgia has been a member of the UN since 1992 and is a member of several UN specialised agencies. Georgia participates in UN activities in the areas of security, human rights and sustainable development, including participation in all three aspects: economic, social and environmental. Georgia was a member of the UN Economic and Social Council ("**ECOSOC**") during the period from 2014 to 2016, and the UN Human Rights Council during the period from 2016 to 2018. A number of UN programmes, funds and specialised agencies have a presence in Georgia, such as the United Nations Development Programme ("**UNDP**"), the United Nations Population Fund ("**UNFPA**"), the United Nations Children's Fund ("**UNICEF**"), UN-Women, the Office of the UN High Commissioner for Refugees and the Office of the UN High Commissioner for Human Rights.

Council of Europe

Georgia has been a member of the CoE since 1999. Georgia actively cooperates with the CoE by honouring its statutory obligations and specific commitments, in order to improve democracy, human rights and the rule of law in the country. The CoE's actions in Georgia cover a range of cooperation activities and mechanisms that evaluate Georgia's progress in fulfilling the standards of the organisation. Georgia has benefited from CoE co-operation programmes under Action Plans since 2013, which are focused on protecting and promoting human rights, including social rights ensuring justice, strengthening democratic governance, as well as developing confidence-building measures and countering corruption, money-laundering, cybercrime and manipulation of sports competitions. The CoE Office in Tbilisi has a presence in Georgia, coordinating the implementation of the Action Plans and other cooperation programmes. Georgian legislators are actively represented and involved in the work of the Parliamentary Assembly of the Council of Europe ("**PACE**") and the CoE's Congress of Regional and Local Authorities.

Georgia first assumed the Presidency of the CoE's Committee of Ministers from 27 November 2019 to 15 May 2020. In order to further promote and strengthen human rights, democracy and the rule of law, Georgia's Presidency focused on the following four priorities: human rights and environmental protection; civil participation in decision-making; child friendly justice (including converging experience on restorative justice in Europe); and strengthening democracy through education, culture and youth engagement. A joint declaration by outgoing and incoming CoE Committee of Ministers' Presidencies (Georgia, Greece and Germany) was adopted as one of the priorities of the Georgian Presidency - "Human Rights and Environmental protection", which laid the groundwork for prioritising the topic across the whole organisation (Secretary General's office, PACE, Congress). The Georgian Presidency has continued the work of the Committee of Ministers, despite the challenges posed by the COVID-19 pandemic.

OSCE

Georgia has been a member of the OSCE since 1992. Georgia is engaged in all three dimensions of the OSCE: Political-Military, Economic and the Environmental and Human Dimension. Georgia actively cooperates with OSCE institutions, including the Office for Democratic Institutions and Human Rights ("**ODIHR**"), the OSCE High Commissioner on National Minorities ("**HCNM**"), and the OSCE Representative on Freedom of the Media ("**RFoM**"), on issues related to security, human rights, the rule of law, democracy, media freedom, ethnic minorities, development, and refinement of legislation. Georgian legislators are actively represented and involved in the work of the OSCE Parliamentary Assembly.

Representation of Georgia at International Organisations

One of Georgia's foreign policy priorities is to increase its participation and representation at UN bodies and other international organisations. During the period 2020-2021, several Georgian candidatures were successfully elected to the following positions: Professor Gocha Lordkipanidze was elected as a Judge of the International Criminal Court ("**ICC**") for the term 2021-30 at the elections held during the 19th Session of the Assembly of States Parties to the Rome Statute in December, 2020; H.E. Mr. Zurab Pololikashvili was re-elected to the post of the Secretary-General of the World Tourism Organisation ("**UNWTO**") for the period of 2022-2025 at the 113th Session of the UNWTO Executive Council in January 2021 (the candidacy of Mr. Pololikashvili will be approved at the 24th Session of the General Assembly in the second half of 2021); and Ms. Sopio Kiladze was elected as a member of the Committee on the Rights of the Child ("**CRC**") for the term 2021-25 in November 2021.

World Trade Organisation and Other Trade Regimes

Georgia joined the WTO on 14 June 2000 and immediately entered a round of multilateral trade negotiations, as well as bilateral negotiations with the other member states.

After signing the Protocol on Accession to the Marrakesh Agreement establishing the WTO, Georgia joined several WTO agreements and made commitments under the WTO Annexes to this Protocol. Georgia is therefore bound by the maximum customs tariff rates on imports, subject to special consent of the WTO members. Since its accession to the WTO in 2000, Georgia has been working on reducing tariffs and non-tariff barriers to trade. In 2006, the Government abolished import tariffs on almost 90% of goods.

Georgia has most-favoured-nation trading relationships with all WTO members, Japan, Canada, Norway, the United States and Switzerland. In 2008, Georgia's GSP+ privileges granted by Turkey were replaced by a free trade agreement between Georgia and Turkey, pursuant to which customs tariffs on industrial products have been fully eliminated, although a number of agricultural products are excluded by both parties. In 2007, Georgia and the United States signed a Trade and Investment Framework Agreement and, in January 2009, Georgia signed the Georgia-U.S. Charter on Strategic Partnership, which, inter alia, covers issues of trade between the two countries. See "—*United States*". In June 2014, Georgia signed an Association Agreement and the DCFTA with the EU, followed by the signing of a Free Trade Agreement ("**FTA**") between the EFTA and Georgia in 2016, entering into force on 1 September 2017 for Georgia, Iceland and Norway, and 1 May 2018 for Switzerland and Liechtenstein. Georgia signed a FTA with China in 2017, and in 2018, it signed an FTA with Hong Kong.

Georgia also continues to maintain favourable trade relations with all remaining CIS members (other than Russia).

Relationships with Regional Organisations

GUAM

GUAM, a regional platform consisting of Georgia, Ukraine, Azerbaijan and Moldova, was established in 1997 as a strategic alliance of its members with the aim of cooperating in the areas of energy, transport, trade and economy, information technology, culture, science and education, tourism and the fight against terrorism, organised crime and drug trafficking. In May 2006, through the adoption of a charter and other founding documents, GUAM has transformed into the fully-fledged international Organisation for Democracy and Economic Development, with its permanent secretariat located in Kiev, Ukraine. The priorities of the Organisation for Democracy and Economic Development are the strengthening of democracy, ensuring the supremacy of law, human rights and fundamental freedoms, stability and security in the region, combating international terrorism, separatism and extremism, deepening European integration, achieving sustainable development and improving the welfare of states.

Relationships with Neighbouring Countries

A key priority of Georgia's foreign policy is the development of policy based on balanced and mutually cooperation in the South Caucasus and Black Sea region, based on the principles of sovereignty, territorial integrity and good neighbourliness. To that end, Georgia has maintained favourable relations with Armenia, Azerbaijan and Turkey. By contrast, particularly in the periods leading up to and following the 2008 Russia-Georgia War, Georgia's relations with Russia have significantly deteriorated.

Armenia

Building on their historic relations, in recent years, Georgia and Armenia have increased their bilateral cooperation, especially in such areas as energy, transport, trade, education and culture. High-level meetings between various branches of the two governments are regularly held, with specific issues of cooperation discussed within the framework of the intergovernmental Commission on Economic Cooperation between the Republic of Armenia and Georgia. Georgia and Armenia are also parties to an FTA. In addition, the neighbouring countries hold many programmes for cultural exchange.

Azerbaijan

Azerbaijan and Georgia have enjoyed almost three decades of strategic partnership. Georgia has continued to expand its strategic partnership with Azerbaijan, particularly in economic, energy, transportation and humanitarian matters. High-level visits between the leaders of the two countries are frequent. Georgia and Azerbaijan are also parties to an FTA.

Russia

Georgia's political relations with Russia have been strained since Georgia regained its independence following the break-up of the Soviet Union in 1991. Following the 2008 Russia-Georgia War, and

Russia's recognition of the independence of Abkhazia and the Tskhinvali region/South Ossetia, on 2 September 2008, Georgia terminated diplomatic relations between the two countries. Following a 12 year legal proceedings, in 2021, the European Court of Human Rights held Russia accountable for major human rights violations during the 2008 Russia-Georgia War and indicated that Russia continued to exercise "effective control" over Tskhinvali region/South Ossetia and Abkhazia after the 2008 Russia-Georgia War. See "*Risk Factors—Risk Factors Relating to Georgia—Regional Tensions*" and "—*Conflicts over Abkhazia and the Tskhinvali region/South Ossetia*".

Despite the deterioration of political relations between the two states, an economic relationship between the two countries has continued, with both countries engaging in a "normalisation" process that since 2012 has brought renewed trade between the two countries. Despite increased travel between the two countries as a result of the "normalisation" process, Russia suspended air travel to Georgia from July 2019. In 2020, imports from Russia to Georgia totalled U.S.$888 million, or 11.0% of the total imports that flowed into Georgia, whilst Georgia exported U.S.$441 million, or 13.2% of its total exports to Russia. See "*External Sector—Exports*" and "*External Sector—Imports*".

Turkey

The Republic of Turkey is Georgia's strategic partner, and Turkey has been the main trading partner of Georgia since 2007 with Georgia benefiting from GSP+ status from Turkey. In 2020, imports from Turkey accounted for 17.6% of total imports. On 21 November 2007, Georgia's GSP+ privileges granted by Turkey were replaced by an FTA between Georgia and Turkey, pursuant to which customs tariffs on industrial products have been fully eliminated, although a number of agricultural products are excluded by both parties. Additionally, in 2017, Georgia and Turkey signed the Declaration on Setting up a Joint Economic and Trade Commission to increase economic cooperation between the countries. Georgia and Turkey have also abolished visa requirements for each other's citizens, cooperate on customs issues, with steps being taken to simplify and harmonise official procedures related to border crossings and the joint use of land at customs entry points.

Georgia is also cooperating closely with Turkey and Azerbaijan on a number of energy and transportation projects to facilitate the connectivity of Central Asian and Caspian resources to the European markets. The Baku-Tbilisi-Kars Railway, Baku-Tbilisi-Ceyhan oil pipelines, Baku-Tbilisi-Erzurum gas pipeline, Southern Gas Corridor, Trans-Anatolian Pipeline ("**TANAP**") and Trans-Adriatic Pipeline ("**TAP**") and the Lapis Lazuli project are key projects that ensure Asia and the West maintain close links.

Legal Proceedings

Georgia is from time to time a party to a number of legal and arbitral proceedings, including claims against Georgia seeking potentially significant amounts. Such proceedings arise in the ordinary course of its governmental operations. Georgia believes that such proceedings are without merit, and the Government rejects the claims forming the basis for these legal and arbitral proceedings. Except for the proceedings described below, Georgia believes that such proceedings, if determined adversely to it, would not individually or in the aggregate, have a material adverse impact on its financial or reserves position.

Anaklia Development Consortium

On 29 July 2020, Georgia received a request for arbitration filed by Anaklia Development Consortium LLC (the "**Anaklia Development Consortium**") under an investment agreement dated 3 October 2016 (the "**Anaklia Port Investment Agreement**"). Anaklia Development Consortium argues that, as of November 2017, representatives of the Government commenced a series of actions in an effort to remove Anaklia Development Consortium from the Anaklia port project. Anaklia Development Consortium alleges that, as a result of these actions, it has become impossible for it to comply with its obligations under the Anaklia Port Investment Agreement, prompting it to issue a notice of force majeure. Anaklia

Development Consortium does not accept the termination of the Anaklia Port Investment Agreement by the Government or penalties accrued as a result of the termination. Anaklia Development Consortium claims that Georgia breached its obligations under the Anaklia Port Investment Agreement and Georgian law. It has requested a ruling declaring that the termination of the Anaklia Port Investment Agreement was wrongful and ordering Georgia to compensate it for damages in an amount not less than U.S.$1.5 billion. This action remains at the procedural stage.

Also on 29 July 2020, Georgia received a request for arbitration filed by Bob Meijer under the Bilateral Investment Treaty between Georgia and the Kingdom of the Netherlands (the "**Bilateral Investment Treaty**"). Mr. Meijer claims that the actions taken by Georgia in relation to the Anaklia Port project constitute a breach of Georgia's obligations under the Bilateral Investment Treaty. Mr. Meijer claims that he had personally invested approximately U.S.$500 million in the development and construction of the Anaklia Port before establishing his wholly owned company which made a further investment of at least U.S.$4 million in the project. Mr. Meijer has argued that the conduct of various state entities has resulted in the removal of Anaklia Development Consortium from the project and has deprived him of his rights under the Bilateral Investment Treaty. Mr. Meijer has requested a ruling declaring that Georgia breached its obligations under the Bilateral Investment Treaty and international law, and ordering Georgia to pay damages in an amount that is to be further specified. This action remains at the procedural stage.

ECONOMY OF GEORGIA

Gross Domestic Product

Mostly driven by higher consumption expenditures, Real GDP grew by 5.0% in 2019, having grown by 4.8% in 2018. Real GDP contracted by 6.2% in 2020, as a result of reduced tourism levels, as well as the general impact of restrictions and social distancing measures aimed at containing the spread of COVID-19. The Government estimates that real GDP will grow by 3.5% in 2021.

The following table sets forth certain information about Georgia's GDP for the periods indicated:

Gross Domestic Product

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020[(1)]**
Nominal GDP *(GEL million)*	35,836	40,762	44,599	49,253	49,407
Nominal GDP *(U.S.$ million)[(2)]*	15,142	16,249	17,597	17,471	15,888
Real GDP *(GEL million)[(3)]*	34,921	36,612	38,386	40,298	37,815
Real GDP *(U.S.$ million)[(2)]*	14,755	14,595	15,145	14,294	12,160
Real GDP growth – year-on-year *(%)[(4)]*	2.9	4.8	4.8	5.0	(6.2)
Nominal GDP per capita *(U.S.$)[(5)]*	4,062	4,359	4,722	4,696	4,274

Notes:
(1) 2020 figures are preliminary.
(2) Converted to U.S. Dollars at the period average official exchange rate of the NBG.
(3) Calculated on the basis of 2015 prices.
(4) The Real GDP percentage change for a particular year indicates the percentage change from the previous year.
(5) Calculated as Nominal GDP in U.S. Dollars divided by the estimated population.

Source: Geostat.

The highest share of GDP was attributable to consumption in 2020. The share of investments decreased slightly, while there was a decline in the share of service exports, from around 26.0% of GDP in 2019 to 10.0% of GDP in 2020. As imports contributed a negative share to GDP, this also decreased in 2020.

The following table sets forth the structure of Nominal GDP by expenditure for the periods indicated:

Structure of Nominal GDP by Expenditure in Current Prices

	Year ended 31 December[(1)]				
	2016	**2017**	**2018**	**2019**	**2020**
	(GEL millions)				
Final Consumption Expenditure	30,487	34,115	36,801	41,206	45,656
Households	23,925	27,214	29,728	33,864	37,486
Non-profit institutions serving households (NPISH)	1,076	1,255	1,182	885	1,038
General government	5,486	5,647	5,891	6,458	7,132
Individual - goods and services	2,047	2,092	2,212	2,539	2,649
Collective services	3,439	3,554	3,678	3,919	4,484
Gross capital formation	10,805	11,124	12,543	12,460	12,921
Gross fixed capital formation	9,505	10,391	11,216	11,837	12,110
Changes in inventories	1,301	733	1,327	624	811
Exports of goods and services	14,621	18,965	22,549	27,000	18,456
Exports of goods	6,780	8,956	11,168	13,978	13,595

Exports of services	7,841	10,010	11,380	13,022	4,861
Imports of goods and services	(20,077)	(23,443)	(27,293)	(31,414)	(27,626)
Imports of goods	(15,969)	(18,512)	(21,600)	(24,555)	(23,131)
Imports of services	(4,109)	(4,931)	(5,693)	(6,859)	(4,495)
GDP at market prices	**35,836**	**40,762**	**44,599**	**49,253**	**49,407**

Note:
(1) 2020 figures are not available.

Source: Geostat.

Share of Nominal GDP by Expenditure in Current Prices

	Year ended 31 December(1)				
	2016	**2017**	**2018**	**2019**	**2020**
			(%)		
Final Consumption Expenditure	85.1	83.7	82.5	83.7	92.4
Households	66.8	66.8	66.7	68.8	75.9
Non-profit institutions serving households (NPISH)	3.0	3.1	2.7	1.8	2.1
General government	15.3	13.9	13.2	13.1	14.4
Individual - goods and services	5.7	5.1	5.0	5.2	5.4
Collective services	9.6	8.7	8.2	8.0	9.1
Gross capital formation	30.2	27.3	28.1	25.3	26.2
Gross fixed capital formation	26.5	25.5	25.1	24.0	24.5
Changes in inventories	3.6	1.8	3.0	1.3	1.6
Exports of goods and services	40.8	46.5	50.6	54.8	37.4
Exports of goods	18.9	22.0	25.0	28.4	27.5
Exports of services	21.9	24.6	25.5	26.4	9.8
Imports of goods and services	(56.0)	(57.5)	(61.2)	(63.8)	(55.9)
Imports of goods	(44.6)	(45.4)	(48.4)	(49.9)	(46.8)
Imports of services	(11.5)	(12.1)	(12.8)	(13.9)	(9.1)
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Real GDP growth was negative 6.2% in 2020. A decline in exports contributed in this reduction in the amount of 20.9%, mainly due to a decline in exports of services of approximately 65.0%. Consumption positively contributed at 4.5%, while imports also had a positive contribution to economic growth (unlike in previous years) (at 11.1%) as imports declined by approximately 17.0%.

Real Growth

	Year ended 31 December(1)				
	2016	**2017**	**2018**	**2019**	**2020**
			(%)		
Final Consumption Expenditure	(3.1)	6.3	5.1	7.0	5.4
Households and NPISH	(5.7)	7.4	5.8	7.2	5.4
General government	10.9	1.1	1.6	5.7	5.7
Individual - goods and services	25.0	0.4	3.1	10.8	(0.5)
Collective services	3.9	1.5	0.7	2.7	9.7
Gross capital formation	13.3	(2.3)	6.5	(5.9)	(3.4)

Gross fixed capital formation	7.3	3.4	1.9	(0.1)	(4.8)
Changes in inventories	88.8	(44.0)	72.0	(55.2)	23.0
Exports of goods and services	8.7	11.7	10.1	9.8	(38.2)
Exports of goods	7.9	10.7	16.5	15.6	(13.6)
Exports of services	9.5	12.6	4.3	4.0	(64.5)
Imports of goods and services	2.4	8.1	10.3	6.6	(17.4)
Imports of goods	1.7	7.2	8.4	4.3	(11.5)
Imports of services	5.3	11.6	17.2	15.4	(38.6)
GDP at market prices	**2.9**	**4.8**	**4.8**	**5.0**	**(6.2)**

Contribution to Real Growth

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
			(%)		
Final Consumption Expenditure	(2.8)	5.3	4.3	5.8	4.5
Households and NPISH	(4.3)	5.2	4.1	5.0	3.8
General government	1.6	0.2	0.2	0.8	0.7
Individual - goods and services	1.2	0.0	0.2	0.5	0.0
Collective services	0.4	0.1	0.1	0.2	0.8
Gross capital formation	3.5	(0.7)	1.8	(1.7)	(0.9)
Gross fixed capital formation	1.8	0.9	0.5	0.0	(1.2)
Changes in inventories	1.7	(1.6)	1.3	(1.6)	0.3
Exports of goods and services	3.6	4.8	4.7	4.9	(20.9)
Exports of goods	1.6	2.0	3.6	3.9	(3.9)
Exports of services	2.0	2.7	1.1	1.0	(17.1)
Imports of goods and services	(1.4)	(4.5)	(5.9)	(4.1)	11.1
Imports of goods	(0.8)	(3.2)	(3.8)	(2.1)	5.7
Imports of services	(0.6)	(1.3)	(2.1)	(2.0)	5.4
GDP at market prices	**2.9**	**4.8**	**4.8**	**5.0**	**(6.2)**

Principal Sectors of the Economy

Due to the economic reforms and actions aimed at achieving private sector competitiveness, the structure of the economy significantly improved in recent years and economic growth became more broad-based, diversified and inclusive. In the period from 2016 to 2019, consumption, as well as investments and exports, positively contributed to economic growth. Almost every sector of the economy had positive contributions to economic growth in during 2016 to 2019. This included agriculture, which had declined in terms of real value added during the period from 2006 to 2012. Productivity in agriculture sector has substantially improved during the period from 2016 to 2019. In 2020, real GDP contracted by 6.2%. This decrease was due to the decline in economic activity, both within Georgia and due to the spread of the COVID-19 pandemic in the region. In 2020, growth was observed only in the following areas: agriculture, forestry and fishing; human health and social work activities; education; public administration and defence: compulsory social security; and mining and quarrying.

The Government, through state support programs and mechanisms, contributed to the development of the manufacturing and food processing sectors. The manufacturing sector had a positive contribution to economic growth, export diversification and productivity enhancement. In 2020, the share of the manufacturing sector in GDP amounted to 10.8% and, despite COVID-19 related challenges, real value added in this sector has not declined.

The following table sets forth the composition of Georgia's Nominal GDP by economic activity for the periods indicated:

Nominal GDP by Economic Activity

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020[(1)]**
	(GEL millions)				
Agriculture, forestry and fishing	2,615	2,544	3,016	3,204	3,641
Mining and quarrying	385	420	457	596	873
Manufacturing	2,792	3,504	3,940	4,368	4,693
Electricity, gas, steam and air conditioning supply	653	776	980	1,009	970
Water supply; sewerage, waste management and remediation activities	280	324	293	350	305
Construction	2,791	3,215	3,213	3,681	3,848
Wholesale and retail trade; repair of motor vehicles and motorcycles	4,385	4,949	5,406	6,161	6,281
Transportation and storage	1,786	2,247	2,462	2,838	2,543
Accommodation and food service activities	1,054	1,437	1,800	2,223	1,321
Information and communication	914	1,003	1,077	1,324	1,324
Financial and insurance activities	1,791	2,071	2,350	2,181	2,127
Real estate activities	3,997	4,247	4,431	4,946	5,058
Professional, scientific and technical activities	855	945	1,005	1,113	951
Administrative and support service activities	381	429	510	607	398
Public administration and defence; compulsory social security	2,712	2,638	2,900	2,992	3,195
Education	1,485	1,609	1,740	1,883	2,010
Human health and social work activities	1,388	1,565	1,633	1,796	2,006
Arts, entertainment and recreation	962	1,045	1,182	1,510	1,296
Other service activities	297	344	347	311	373
Activities of households as employers; undifferentiated goods and services producing activities of household for own use	34	35	37	45	54
Nominal GDP at basic prices	**31,556**	**35,348**	**38,779**	**43,138**	**43,266**
Taxes on products	4,449	5,604	6,031	6,348	6,400
Subsidies on products	(169)	(190)	(210)	(233)	259
Nominal GDP at market prices	**35,836**	**40,762**	**44,599**	**49,253**	**49,407**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth the contribution of various economic sectors to Nominal GDP for the periods indicated:

Contribution to Nominal GDP by Economic Activity

	Year ended 31 December

	2016	2017	2018	2019	2020(1)
			(% of Nominal GDP)		
Agriculture, forestry and fishing	8.3	7.2	7.8	7.4	8.4
Mining and quarrying	1.2	1.2	1.2	1.4	2.0
Manufacturing	8.8	9.9	10.2	10.1	10.8
Electricity, gas, steam and air conditioning supply	2.1	2.2	2.5	2.3	2.2
Water supply; sewerage, waste management and remediation activities	0.9	0.9	0.8	0.8	0.7
Construction	8.8	9.1	8.3	8.5	8.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	13.9	14.0	13.9	14.3	14.5
Transportation and storage	5.7	6.4	6.3	6.6	5.9
Accommodation and food service activities	3.3	4.1	4.6	5.2	3.1
Information and communication	2.9	2.8	2.8	3.1	3.1
Financial and insurance activities	5.7	5.9	6.1	5.1	4.9
Real estate activities	12.7	12.0	11.4	11.5	11.7
Professional, scientific and technical activities	2.7	2.7	2.6	2.6	2.2
Administrative and support service activities	1.2	1.2	1.3	1.4	0.9
Public administration and defence; compulsory social security	8.6	7.5	7.5	6.9	7.4
Education	4.7	4.6	4.5	4.4	4.6
Human health and social work activities	4.4	4.4	4.2	4.2	4.6
Arts, entertainment and recreation	3.0	3.0	3.0	3.5	3.0
Other service activities	0.9	1.0	0.9	0.7	0.9
Activities of households as employers; undifferentiated goods and services producing activities of household for own use	0.1	0.1	0.1	0.1	0.1
Taxes on products	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth the real growth by sector for the periods indicated (based on 2015 prices):

Real Growth by Sector

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020(1)**
			(%)		
Agriculture, forestry and fishing	(2.8)	(7.7)	13.8	0.7	3.6
Mining and quarrying	4.8	2.8	3.4	8.2	1.5
Manufacturing	3.7	1.7	4.1	1.3	0.0
Electricity, gas, steam and air conditioning supply	5.7	8.2	6.3	5.3	(7.4)
Water supply; sewerage, waste management and remediation activities	10.0	15.0	(9.5)	21.5	(11.1)
Construction	10.7	5.8	(7.2)	0.7	(4.7)
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.5	4.4	5.5	8.3	(5.6)

Transportation and storage	(6.8)	11.6	4.5	8.4	(22.3)
Accommodation and food service activities	5.0	21.0	10.5	18.5	(37.9)
Information and communication	(6.1)	9.2	3.4	21.4	(0.7)
Financial and insurance activities	9.0	15.5	11.6	(7.5)	(5.0)
Real estate activities	5.3	4.4	2.1	4.1	(0.1)
Professional, scientific and technical activities	12.1	4.1	4.6	7.1	(18.4)
Administrative and support service activities	22.0	5.4	15.4	12.5	(37.9)
Public administration and defence; compulsory social security	2.8	(3.2)	7.6	(1.6)	1.8
Education	0.0	4.4	6.5	4.9	3.1
Human health and social work activities	4.9	8.3	2.5	6.8	7.9
Arts, entertainment and recreation	3.0	5.7	7.6	22.1	(18.9)
Other service activities	4.2	6.6	(1.2)	(12.3)	7.1
Activities of households as employers; undifferentiated goods and services producing activities of household for own use	4.4	0.4	4.4	18.1	11.6
Real GDP at basic prices	**3.1**	**4.7**	**4.9**	**5.1**	**(5.9)**
Taxes on products	1.3	5.6	4.9	4.2	(7.5)
Subsidies on products	3.4	4.8	7.9	5.8	5.5
Real GDP at market prices	**2.9**	**4.8**	**4.8**	**5.0**	**(6.2)**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth real growth by sector in percentage points for the periods indicated (based on 2015 prices):

Real Growth by Sector

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020(1)**
	(percentage points)				
Agriculture, forestry and fishing	(0.2)	(0.6)	0.9	0.0	0.2
Mining and quarrying	0.1	0.0	0.0	0.1	0.0
Manufacturing	0.3	0.1	0.4	0.1	0.0
Electricity, gas, steam and air conditioning supply	0.1	0.2	0.1	0.1	(0.2)
Water supply; sewerage, waste management and remediation activities	0.1	0.1	(0.1)	0.1	(0.1)
Construction	0.7	0.4	(0.6)	0.1	(0.3)
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.1	0.5	0.7	1.0	(0.7)
Transportation and storage	(0.4)	0.6	0.2	0.5	(1.3)
Accommodation and food service activities	0.1	0.6	0.4	0.7	(1.7)
Information and communication	(0.2)	0.2	0.1	0.5	0.0
Financial and insurance activities	0.5	0.8	0.6	(0.4)	(0.2)
Real estate activities	0.6	0.5	0.2	0.4	0.0
Professional, scientific and technical activities	0.3	0.1	0.1	0.2	(0.4)
Administrative and support service activities	0.2	0.1	0.2	0.1	(0.5)
Public administration and defence; compulsory social security	0.2	(0.2)	0.5	(0.1)	0.1

Education	0.0	0.2	0.3	0.2	0.1
Human health and social work activities	0.2	0.3	0.1	0.2	0.3
Arts, entertainment and recreation	0.1	0.2	0.2	0.6	(0.6)
Other service activities	0.0	0.1	0.0	(0.1)	0.0
Activities of households as employers; undifferentiated goods and services producing activities of household for own use	0.0	0.0	0.0	0.0	0.0
GDP at basic prices	**2.8**	**4.2**	**4.2**	**4.4**	**(5.2)**
Taxes on products	0.1	0.7	0.7	0.6	(1.0)
Subsidies on products	0.0	0.0	0.0	0.0	0.0
Real GDP at market prices	**2.9**	**4.8**	**4.8**	**5.0**	**(6.2)**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

Despite a significant contraction in Real GDP of 6.2% in 2020 due to the impact of the COVID-19 pandemic, Real GDP growth in the pre-pandemic period averaged 4.9% in the period from 2009 to 2019. During this period, the main contributors to overall Real GDP growth were the following sectors: wholesale and retail trade/repair of motor vehicles and motorcycles (0.7 percentage point contribution; 6.1% growth in real terms); accommodation and food service activities (0.6 percentage point contribution; 16.7% growth in real terms); transportation and storage (0.4 percentage point contribution; 8.2% growth in real terms); and real estate activities (0.4 percentage point contribution; 3.5% growth in real terms).

In 2020, when production in all other sectors was decreasing due to the economic slowdown, agriculture, forestry and fishing activities increased by 3.6% in real terms, contributing 0.2 percentage points to real GDP growth in 2020. In addition, the human health and social work sector had a positive contribution to overall Real GDP growth, reaching real growth of 7.9% with a contribution of 0.3 percentage points. However, due to the effects of the COVID-19 pandemic, other sectors, which historically have had positive contributions to Real GDP growth, contracted in real terms. In particular, the accommodation and food service activities sector contracted by 37.9% in real terms, with a contribution of -1.7 percentage points to overall growth. The transportation and storage sector also recorded a significant decrease of -22.3% in real terms (-1.3 percentage point contribution). Even though the wholesale and retail trade/repair of motor vehicles and motorcycles activities sector contracted by relatively less compared to other sectors (-5.6% in real terms in 2020), it contributed significantly to overall growth (-0.7 percentage points) due to high share of this sector in GDP (14.1% of nominal GDP in 2016-2020). On the other hand, real estate activities contracted by only -0.1% in real terms due to the Government program subsidising newly issued mortgage loans introduced at the end of 2020.

Agriculture, Forestry and Fishing

In 2020, agriculture accounted for 8.4% of Georgia's Nominal GDP, compared to 7.4% in 2019. Despite the severe impact of the COVID-19 pandemic on the tourism and other sectors, agriculture grew by 3.6% in 2020 as a result of high demand for commodity exports and health-related products. In recent years, the Government introduced several state support programs in the agricultural sector oriented towards improving access to finance, technology upgrades and quality improvement of food products. However, challenges still remain and addressing them is a key focus of Georgia's development policy.

Georgia's main agricultural export commodities are wine, hazelnuts, mineral water, spirituous beverages, livestock, fruits (including citrus fruits), fruit and vegetable juices, vegetables and tea. The Government believes that Georgia has significant untapped agricultural potential and could significantly increase the size and value of its agricultural production. In this regard, the Government's agricultural policy seeks to promote FDI in the agricultural sector and provides incentives to develop agribusiness through purchases of land on concessional terms, privatisations, allocations for livestock breeding, agricultural machinery and irrigation infrastructure and the abolition of tax on transactions involving agricultural property.

The Government's objectives for the agriculture sector are to further diversify crop production, enhance competitiveness on international markets, expand export markets and support business representatives to ensure quality standards and address non-tariff barriers. In 2020, the domestic export of agricultural products increased by 6.3% and average growth in the period from 2016 to 2020 was 7.0%. In recent years, there has been an increase in volumes of wine (by 123.0% compared to 2015), mineral water (by 56.0%) and spirituous beverages (by 143.0%) exported to the EU market.

In addition, in order to help foster Georgia's food security, the Government supports the further development of production of both high-value crops for export and staples (such as grains and cereals) for the domestic market. The Government also provides technical support for the development, improvement and modernisation of the sector's infrastructure, including in relation to air cargo terminals, logistic centres and warehouses. Improvements in food safety measures and the use of modern equipment and processing facilities have also supported the growth of livestock production in recent years.

The following table sets forth Georgia's annual production of certain agricultural products for the periods indicated:

Manufacturing

In 2020, manufacturing accounted for 10.8% of Georgia's Nominal GDP, compared to 10.1% in 2019 and 8.8% in 2016 as a result of high export demand. Average growth in the manufacturing sector in the period from 2016 to 2019 was 2.7%.

Georgia's manufacturing sector is dominated by food processing (including beverages), manufacturing of metals, non-metallic mineral products and chemical production.

The Georgian manufacturing sector is currently in the process of modernisation. Production facilities at many companies are being upgraded to conform to international standards in line with increased domestic and international demand.

Excluding processed food and beverages, the share of manufacturing products in domestic export exceeded 22.0% in 2020, mainly represented by ferroalloys, fertilisers and clothes.

As part of its state support programs and new FDI strategy, the Government places particular emphasis on the development of pharmaceuticals production, durable electronics and instruments, food and beverage processing, furniture, textiles and apparel and the production of specialised building materials.

Cultivating the development of manufacturing opportunities presents an opportunity for near-term economic activity, but also has an important role to play in bolstering the resilience of overall economy.

Construction

Construction accounted for 8.9% of Georgia's Nominal GDP in 2020, compared to 8.5% in 2019 as a result of Government subsidies for first home mortgages. In the period from 2016 to 2019, average real growth of construction value added was 2.5%. This was due in part to increasing public capital expenditures.

In 2020, approximately 70.6% of permits issued for new construction projects were for the construction of residential buildings, 5.8% of permits were for trade facilities, 4.5% were for industrial and warehouse facilities, 2.7% were for hotels and 1.4% were for administrative buildings. In 2020, over 2,134 construction projects were completed. In 2020, the number of permits issued for new construction projects increased for educational institutions (by 54.9%), car parks (by 30.8%), preschool establishments (88.9%) and sports buildings and grounds (by 29.2%).

Significant reforms have been carried out in recent years to simplify the system of issuing permits in the construction sector, and construction businesses are now permitted to use the technical regulations of 37 countries (who are members of the Organisation for Economic Co-operation and Development (the "**OECD**") and EU members) for their construction projects. The Government has also eliminated the need for construction licences and has simplified the process for the issuance of construction permits. See also "*Public Finance—Structural Policy—Economic Reforms*".

Transportation and Storage

Transportation and storage accounted for 5.9% of Georgia's Nominal GDP in 2020, compared to 6.5% in 2019 as a result of restrictions on tourism and lockdown measures. A significant decline was observed in air freight and passenger transportation in 2020, while overall cargo transportation increased by 1.3% and amounted to 42.9 million tonnes in 2020. In 2016-2019, average growth of real value added in the transportation and storage was 4.4%.

Georgia has significant potential for the development of transport services and communication systems. Located at the crossroads of Europe and Central Asia, Georgia is a bridge connecting several important economic regions, including the European Union, the CIS, Turkey and the Caucasus Region. It is a key link in the shortest transit route between Western Europe and Central Asia for the transport of oil and gas, as well as general cargo. Georgia's oil and gas pipelines, Black Sea ports, railway systems and airports are playing an increasingly important role in linking East and West. See "*—Electricity and Gas*".

The further integration of Georgia in European and international transport systems, global supply and logistics chains is a priority for the Government. Georgia will continue its active engagement in various transport connectivity initiatives and will contribute to increasing the competitiveness and reliability of transport routes linking Europe and Asia (including the Baku-Tbilisi-Kars Railway, Baku-Tbilisi-Ceyhan oil pipelines, Baku-Tbilisi-Erzurum gas pipeline, Southern Gas Corridor, TANAP, TAP, and the Lapis Lazuli project). Particular attention will be given to strengthening international cooperation on corridor digitalisation and smooth Black Sea connectivity.

In 2020, Georgian Railway carried 11.1 million tonnes of cargo and cargo transportation by land was 31.8 million tonnes.

In 2020, 16.9 million tonnes of cargo were processed at Georgia's sea ports and terminals on the Black Sea, Batumi Sea Port (3.5 million tonnes), Poti Sea Port (7.4 million tonnes), Kulevi Sea Terminal (1.7 million tonnes) and Supsa Sea Terminal (4.2 million tonnes). Georgia's ports and terminals serve as key links in the transportation corridor between Asia, the Caucasus and Europe. Additionally, they contribute to the growth of the Georgian railway, since oil products originating in Central Asia and Azerbaijan and exported through the seaports are transported, inter alia, by rail across Georgia.

The following table sets forth cargo transportation by type for the periods indicated:

Cargo Transportation

	2016	**2017**	**2018**	**2019**	**2020**	**% change**
	(millions of tonnes, except as otherwise noted)					
Civil aviation	0.033	0.032	0025	0.025	0.020	(21.2)%
Land	30.4	30.7	31.1	31.4	31.8	1.1%
Railway	11.9	10.7	10.0	10.9	11.1	1.9%
Total	**42.3**	**41.5**	**41.1**	**42.3**	**42.9**	**1.3%**

The following table sets forth processed cargo by port for the periods indicated:

Processed cargo

	2016	2017	2018	2019	2020	% change
	(millions of tonnes, except as otherwise noted)					
Poti Sea Port	6.3	6.7	6.3	8.6	7.4	(14.0)%
Batumi Sea Port	5.6	4.2	3.7	3.3	3.5	8.0%
Kulevi Terminal	1.6	1.6	1.4	1.6	1.7	9.7%
Supsa Terminal	4.1	3.8	3.7	3.7	4.2	11.5%
Total	**17.6**	**16.3**	**15.1**	**17.2**	**16.9**	**(2.1)%**

Georgian sea ports are linked with the ports of Iliychevsk (Ukraine) by direct railway-ferry lines and with Burgas (Bulgaria) ports by direct Ro-Ro lines. In addition, Georgia is currently in negotiations with Turkey and other countries to establish direct ferry connections.

In 2020, over 0.8 million passengers passed through Georgia's three main international airports, Tbilisi International Airport, Batumi International Airport and Kutaisi International Airport. This compared to 5.2 million passengers in 2019, with the decrease being due to the impact of COVID-19. In recent years, the interest of foreign airlines in Georgia has significantly increased and 31 Airlines currently operate in the Georgian aviation market. Direct air connections are available from Tbilisi to more than 50 cities.

The following table sets forth passengers by type for the periods indicated:

Passengers

	2016	2017	2018	2019	2020	% change
	(millions, except as otherwise noted)					
Civil aviation	2.8	4.1	5.0	5.2	0.8	(84.1)%
Land	373.0	383.1	393.4	404.0	304.5	(24.6)%
Railway	2.5	2.7	2.8	3.0	0.9	(69.7)%
Total	**378.3**	**389.8**	**401.3**	**412.2**	**306.2**	**(25.7)%**

In December 2010, Georgia signed the "Common Aviation Area Agreement between the European Union and its Member States and Georgia", under which Georgia harmonised its legislation with European standards and implemented EU aviation rules in areas such as aviation safety, security, environment, consumer protection, air traffic management, economic regulation, competition issues and social aspects. There are direct flights between Georgia and 32 European cities.

In addition, Georgia is a member of the European Civil Aviation Conference (which it joined in 2005) and EUROCONTROL (which it joined in 2012), which integrate Georgia in the European air navigation system and ensure that its national air control system is in line with European standards.

Tourism

Before the COVID-19 pandemic, tourism represented one of the fastest growing sectors of the Georgian economy and it will remain an important part of the Georgian economy and its pathway to recovery. Tourism revenues decreased by 83.4% in 2020, including a 95.5% decrease in the period from April to December of 2020, as a result of the measures implemented by the Government to address the COVID-

19 pandemic, according to NBG. Georgia's tourism industry has achieved remarkable growth over the past decade. In 2019, the tourism sector's aggregate direct and indirect contribution to GDP amounted to nearly 12.0%. In 2019, international tourism receipts reached a record high of U.S.$3.3 billion, which represented growth of 1.4% over the previous year. The number of international visitors grew by 7.3% and amounted to 7.7 million in 2019. International tourism revenues accounted more than 70.0% of service export and 19.0% of GDP. It is worth mentioning that significant improvement was observed in the structure of tourism flows, with the share of tourist visits in total visitor visits increased from 61.1% to 65.8% in the period from 2016 to 2019, with the share of EU visitors increasing from 4.9% in 2016 to 6.3% in 2019 and the share of neighbouring countries decreasing to 71.4% in 2019 from 75.4% in 2016. In 2019, the number of EU visitors increased by 83.4% compared to 2016 (28.0% growth on average). In addition, the share of air transport visitors increased from 18.5% to 23.7% in the period from 2016 to 2019.

Georgia continues to pursue steps that will enable the swift, yet safe revival of its domestic and international tourism industry. In recent years, the Government has made special efforts to develop tourism products and services that will be in high demand in the post-crisis period, such as niche tourism products: eco, agro, spa, adventure, wine and gastronomy. This can be considered as a competitive advantage for Georgia to swiftly address the challenges it has faced.

The COVID-19 Outbreak in Georgia

The Georgian economy has been affected by adverse developments in the global economy arising from the outbreak of COVID-19. The outbreak, which originated in the city of Wuhan in Hubei province in China in November 2019, has since spread to the rest of the country and globally. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Based on reports by individual governments, as of 12 April 2021, more than 136 million people had been infected globally and around 3 million deaths have resulted from COVID-19 infection. Most countries across the world have implemented travel restrictions and/or advised against travel and imposed travel bans on visitors travelling from certain countries, and to mitigate economic consequences, provided fiscal stimulus packages, wage and unemployment support, subsidies to businesses, and implemented quantitative easing, among other measures. While vaccines have been developed and are in the course of being rolled out globally, the infection has continued to spread and new variants of the virus have developed for which vaccines are not effective or are less effective. The COVID-19 outbreak and the measures taken by various governments have had a severe impact on global macroeconomic conditions, with the International Monetary Fund ("**IMF**") forecasting in January 2021 that the global economy would decrease from a 2.9% growth rate in 2019 to a contraction of 3.5% in 2020.

The spread of COVID-19 has adversely affected, and may continue to adversely affect, the Georgian economy, particularly in light of its significant reliance on tourism. Georgia's real GDP contracted by 6.2% in 2020. As of 12 April 2021, Georgia had confirmed 288,755 recorded cases of COVID-19 and 3,883 deaths.

In February and March of 2020, Georgia introduced a number of measures aimed at containing the COVID-19 pandemic, including suspensions of direct air traffic with a number of countries, bans of inbound foreigners who had transited via these countries and medical screening for travellers who had been in certain jurisdictions. Tourism revenues decreased by 83.4% in 2020, including a 95.5% decrease in the period from April to December of 2020, as a result of these measures, according to NBG.

In March 2020, the President of Georgia declared a nationwide state of emergency effective until 21 April 2020, which was subsequently extended to 22 May 2020. As the result of the state of emergency, most international air, maritime and land travel was suspended, gatherings and manifestations were restricted, and the Government was granted additional powers to intervene in the management of businesses and private companies to restrict or prohibit their activities or to instruct them to carry out specific tasks and additional powers to regulate prices for basic consumption products, drugs and medical services essential for human life and health. In March 2020, the Government also closed two municipalities in one of the Georgian regions and declared both municipalities as quarantine zones due to the possible transmission of COVID-19. Among other restrictions, exit from and entrance into the municipality territories (excluding the residents of these municipalities) were prohibited during the term of the state of emergency.

In March 2020, the Government announced certain additional measures during the term of the state of emergency comprising, among other things, the following measures:

- a nationwide curfew in effect from 9 p.m. to 6 a.m. starting from 31 March 2020;
- a suspension of all public transport, including the metro;
- a prohibition of gatherings of more than three people (later changed to ten people), excluding, inter alia, pharmacies and food markets, where people must keep a distance from one another;
- a suspension of economic activities, except in relation to, inter alia, banking activities, financial services, medical services, food and essential industries and other principal industries in the country (the list of permitted economic activities was amended by the Government on several occasions), such as major infrastructure projects, oil, minerals, metals and other principal production materials; and
- screening via special checkpoints in all self-governing cities, which are Tbilisi, Batumi, Kutaisi, Rustavi, Poti, Zugdidi, Ozurgeti, Mtskheta, Ambrolauri, Akhaltsikhe, Telavi and Gori.

On 26 November 2020, the Government announced a nationwide multi-phased two-month restriction plan which commenced on 28 November 2020 in order to slow the spread of the COVID-19 outbreak. This included placing the eight largest Georgian cities and ski resorts in partial lockdown. Nationwide restrictions, effective from 28 November 2020 through 31 January 2021, included:

- a nation-wide curfew in effect from 9 p.m. to 5 a.m., with two exceptions on New Year's and Orthodox Christmas nights;
- the closure of restaurants and other food facilities, except for takeaway, delivery and drive-in services;
- the closure of gyms and swimming pools;
- conferences, training and cultural and entertainment events being required to be conducted online; and
- a cessation of activities of sport, art and cultural clubs.

The following additional restrictions, effective from 28 November through 24 December 2020 and again from 3 January to 1 February 2021, applied to the eight largest cities in the country (Tbilisi, Kutaisi, Batumi, Rustavi, Zugdidi, Poti, Gori and Telavi), as well as the ski resorts of Bakuriani, Gudauri, Mestia and Goderdzi:

- all shops/ shopping malls were required to switch to remote trade, except for grocery, chemist and hygiene shops, newsstands, pharmacies, pet shops, and pet pharmacies. Outdoor and indoor marketplaces, except for agrarian markets, were required to close;
- all municipal and inter-city transport was suspended;

- studies in secondary schools, vocational schools and universities (other than medical universities) were required to be conducted remotely. Private and public nursery schools were required to close; and

- hotels in winter resorts were only permitted to be used for quarantine purposes, and ski lifts and trails were required to shut down.

The Government commenced the gradual easing of restrictions from 1 February 2021, including:

- regular flights resumed;

- in Batumi, Zugdidi, Gori, Poti and Telavi, municipal transport resumed during weekdays;

- shops and malls reopened (except during weekends) in all eight of the largest cities in the country; and

- in-person studies resumed at schools throughout the country, except in Tbilisi, Kutaisi, and Rustavi. Nursery schools, along with in-person studies in schools of vocational and higher education, resumed on 1 March 2021.

Due to favourable epidemiological developments, a further easing of restrictions commenced on 4 February 2021, including:

- municipal transport resumed in Tbilisi, Kutaisi and Rustavi from 8 February 2021 (with restrictions still applying on weekends);

- indoor and outdoor markets opened a week earlier than planned, from 8 February 2021 (with restrictions still applying on weekends);

- in-person studies resumed at schools in Tbilisi, Kutaisi and Rustavi from 15 February 2021, instead of 1 March 2021 (with parents having the option to select distance learning); and

- restaurants and food services resumed outdoor operation from 15 February 2021.

At the end of February, the Government announced a further gradual easing of remaining restrictions from 25 February 2021 through 15 March 2021. Following 15 March 2021, the only remaining material restrictions are the nationwide curfew from 9 p.m. to 5 a.m. and restrictions on maritime and land entry to Georgia.

Georgian authorities have mobilised U.S.$3.0 billion financing from the IMF and other international partners (the United States, the European Union, the World Bank, Kreditanstalt für Wiederaufbau, L'Agence Française de Développement, the European Bank for Reconstruction and Development (the "**EBRD**"), the European Investment Bank and Asian Development Bank, among others) to respond effectively to the economic crisis stemming from the COVID-19 pandemic. Of this funding, U.S.$1.5 billion is earmarked for the public sector and U.S.$1.5 billion is earmarked for the private sector. The IMF financing accounts for approximately U.S.$400 million of the total, of which U.S.$334 million has already been disbursed, following the 6th (U.S.$200 million, 1 May 2020) and 7th (U.S.$114 million, 16 December 2020) reviews under the Extended Fund Facility.

In April 2020, the Government announced a GEL 3.5 billion package to address the COVID-19 crisis, which included social aid (GEL 1.03 billion), economic support and business aid (GEL 2.1 billion) and anti-pandemic measures (GEL 0.35 billion). The package included the following measures:

- the suspension of property and income taxes for companies operating in the tourism industry;

- an interest subsidy for small- and medium-sized hotels;

- acceleration of VAT refunds, increased capital expenditure;
- payment for utility services for low-income households;
- unemployment benefits, subsidies for nine products, including sugar, wheat, buckwheat, beans, rice, pasta, sunflower oil and milk powder;
- hedging against increases in costs of construction materials;
- income tax exemptions for hired employees with a salary of up to GEL 750;
- one-off transfers to the self-employed;
- additional aid for families that fall below a specified social score threshold or with three or more children, as well as disabled people;
- pension indexation from January 2021;
- credit guarantee schemes; and
- agriculture grants and a relaxation of upper limits on financing through the programme "Produce in Georgia".

Moreover, special support packages have been unveiled in support of the agriculture and real estate sectors comprising the following measures:

- co-financing for the agriculture sector;
- direct subsidies and grants for farmers;
- mortgage interest rate subsidies, guarantees and insurance for the real estate sector; and
- a sharp acceleration of government demand for housing intended for refugees.

The Government also announced plans to direct additional funds to address increased healthcare expenditure. Commercial banks also suspended loan payments for retail loans. In November 2020, in connection with the announcement of a second lockdown, the Government announced the extension of certain of the economic support and business aid measures which had expired on 1 November 2020 as well as certain other measures, including measures to support the tourism and restaurant industries. These measures will cost the Government a further GEL 1.1 billion, bringing the total COVID-19 support package to GEL 4.6 billion.

Georgia received 43,000 doses of the Vaxzevria (AstraZeneca) vaccine and commenced its vaccination programme on 15 March 2021. The Government estimates that approximately 4 million doses of vaccine will be required to cover approximately 60% of the adult population. Georgia has a guarantee to receive 1,484,400 vaccine doses from the COVAX platform in 2021 and expects the remaining doses to come from alternative sources.

Immediate Economic Consequences

The immediate economic consequences of the COVID-19 outbreak, and the measures taken to combat the pandemic, have had significant and rippling effects across the Georgian economy, as illustrated by the following:

- after three years in a row of 5.0% growth in real GDP, in 2020, Georgia's Real GDP declined by 6.2%;

- the 2020 state budget was revised in June 2020 to forecast: a decline in 2020 GDP of 4.0% (compared to the original expectation of an increase of 4.5%), and a budget deficit of GEL 4.3 billion, or 8.5% of GDP (compared to the original expectation of a deficit of GEL 1.3 billion, or 2.5% of GDP);
- exports of goods and services decreased by 12.0% while imports decrease by 15.6% in 2020 compared to 2019;
- the Lari exhibited volatility, opening the year at GEL2.85/dollar, weakening to GEL3.37/US$ on 27 March 2020, its weakest position over the past five years, and recovering to GEL2.96/US$ as of 6 June 2020 before weakening again to GEL3.27/US$ as at 31 December 2020;
- the NBG introduced a U.S.$400 million currency swap facility and sold U.S.$1,076 million of its foreign currency reserves between March 2020 and February 2021 (inclusive) to provide foreign currency liquidity. It also reduced the monetary policy rate by 100 basis points to 8.0% during April-August 2020. However, on 17 March 2021, the NBG decided to increase its policy rate by 0.5 percentage points to 8.5% due to increased inflation risks stemming from price increases in the international commodity markets, higher production pandemic related costs and the persistence of a depreciated Lari exchange rate;
- in the Georgian banking sector, over the period from 31 December 2019 to 31 December 2020, total loans increased from GEL31,957 million to GEL38,235 million while the percentage of non-performing loans increased from 4.0% to 8.0%; and
- the Georgian authorities have mobilised a total amount of U.S.$3.0 billion in financing received from the IMF and other international partners (including the United States, the European Union, the World Bank, Kreditanstalt für Wiederaufbau, L'Agence Française de Développement, the EBRD, the European Investment Bank and Asian Development Bank, among others) to respond effectively to the economic crisis stemming from the COVID-19 pandemic. Of this funding, U.S.$1.5 billion is earmarked for the public sector and U.S.$1.5 billion is earmarked for the private sector. IMF financing accounts for approximately 406 million SDR of the total (Total Outstanding), of which 226 million SDR (approximately U.S.$315 million has already been disbursed, following the sixth (147 million SDR (approximately U.S.$201 million as of 1 May 2020) and seventh (79 million SDR (approximately U.S.$114 million as of 16 December 2020) reviews under the Extended Fund Facility. 78 million SDR was disbursed following the eighth review on 13 April 2021.

Labour and Social Policies

Employment and Labour

In 2020, the estimated total working population of Georgia (i.e., the labour force aged 15 and over) was approximately 1.5 million people, representing a decrease of 3.1% from 2019. In 2020, 18.5% of the labour force was unemployed and 26.0% was self-employed, primarily in agriculture, trade and services.

The following table sets forth key estimated employment and unemployment indicators for the periods indicated:

Employment Indicators[1]

	2016	2017	2018	2019	2020
	(in thousands of people, unless otherwise indicated)				
Total population	3,729	3,726	3,730	3,724	3,717
Labour force (aged 15 and over)	1,654	1,641	1,605	1,573	1,524

Average monthly earnings *(GEL)*	940	999	1,068	1,129	1,227
Average monthly earnings *(U.S.$)*	397	398	422	401	395
Employed	1,295	1,287	1,296	1,296	1,242
Unemployed	359	355	309	277	282
Activity rate *(%)*(1)	55.0	54.5	52.9	51.8	50.5
Unemployment rate *(%)*	21.7	21.6	19.2	17.6	18.5
Employment rate by age *(%)*(2)					
15-24 years	28.5	35.9	32.1	30.0	N/A
25-34 years	52.5	53.6	54.0	55.5	N/A
35-44 years	57.9	55.2	56.9	57.2	N/A
45-54 years	52.0	50.7	52.1	52.9	N/A
55-64 years	49.3	45.4	46.7	46.2	N/A
65 years and over	20.4	18.5	18.2	19.0	N/A

Notes:
(1) Labour force aged 15 and over as a percentage of the population aged 15 and over.
(2) 2020 figures are not available.

Source: Geostat.

The average nominal monthly wage in Georgia has grown over the last few years and reached GEL 1,227 in 2020, compared to GEL 940 in 2016, with 2.2% annual real growth rate on average. Approximately 19.1% of the working population is employed by the Government in 2019. In addition, foreign nationals working in Georgia are not required to have work permits.

Unemployment in Georgia remains relatively high, although it had been declining since 2009. There was a recent spike in unemployment in 2020 due to the impact of the COVID-19 pandemic. Nonetheless, the unemployment rate in 2020, at 18.5%, remained below the level in 2018 and prior years.

Social Protection System

The Social Protection system has undergone a substantial transformation during recent decades. In 2006, the Parliament adopted the Law on Social Assistance, which is aimed at the provision of fair, targeted and effective assistance to the population through a streamlined system. This system is centred on a unified national database of vulnerable families, which assigns such families respective evaluation scores based on which families are eligible for graduated levels of assistance.

Targeted social assistance program for families below the poverty line was introduced in 2005. The methodology for assessing the socio-economic status of households has been revised several times over the years. The last methodology review was conducted in 2015. A differentiated social assistance system and child benefit system were introduced. Under the current methodology, the lower the household welfare index, the more assistance the family receives from the state. In 2009, the amount of subsistence allowance for a single-member household was GEL 30 per month, with GEL 24 per month added for each additional family member. From July 2013, the subsistence allowance was doubled to 60 GEL per member, and 48 GEL for each subsequent family member. The assessment methodology takes into account the needs of the family and the special status of the family members (e.g., persons with a disability or chronic illness, minors, pensioners). Child support has also increased from GEL 10 in 2009 to GEL 50 from 2019 (20 GEL cash assistance and 30 GEL food voucher). In December 2020, 146 619 families (representing 524,598 persons) were receiving the subsistence allowance.

Various vulnerable groups, including persons with disabilities, children with disabilities, survivors, victims of political repression, territorial integrity, freedom and independence of Georgia, as well as persons with disabilities in other countries, are provided with a monthly financial assistance package, the Social Package, which was introduced by the Government in 2012.

State Budget allocations for social benefits for these target groups of the population were GEL 793 million in 2020, compared to GEL 741.3 million in 2019 (actual), representing an increase of 7%. For 2021, the budgeted amount is GEL 816 million, representing an increase of 2.9%.

In recent years, Georgia has also taken steps to reform the child-care system, which includes the strengthening of the deinstitutionalisation process, such as through policies of returning children to their biological families or putting them in foster care. Since 2005, approximately 40 child care homes have been closed and approximately 5,000 children have been transferred to alternative services or have been returned to their biological families.

Pensioners above the retirement age (60 for women and 65 for men), of which there were approximately 783,700 as at 31 December 2020, are provided with a state pension, the amount of which gradually increased from GEL 80 per month in 2010 to GEL 220 (for pensioners under the age 70) and GEL 250 per month (for pensioners above the age 70) in 2020. From 2021, pension indexation has been introduced, as described below under "*—Pensions*". Pensioners living in mountainous regions receive additional pension benefits. In 2020, the total actual funding of the State Pension amounted to 2.2 billion.

The Law on State Compensation and State Academic Stipends introduced social protection guarantees for representatives of law enforcement authorities, judges, high-ranking diplomats and other key workers, for special service to Georgia. Since 2013, the principles of compensation calculation have been changed and the compensation is automatically calculated based on the increase in the amount of state pensions. In 2020, approximately 22,250 Georgians were receiving State compensations and State academic stipends, at a cost to the State Budget of GEL 118.6 million.

The spread of COVID-19 had a severe impact on the Georgian economy, with a particularly pronounced impact on the rapidly developing tourism and hospitality sectors. In response to the COVID-19 pandemic, the Government prepared an anti-crisis plan. The plan involves direct support for various categories of citizens, such as employees, self-employed persons and vulnerable social groups, with the total package amounting to GEL 3.6 billion in 2020, which was fully utilised. This included:

- Healthcare and COVID-19 case management (GEL 417.8 million);
- Social support to vulnerable groups (GEL 918.1 million); and
- Supporting business and additional economic support packages (GEL 2,270.4 million).

Specifically, in 2020, the following measures have been taken in the direction of social protection of the population (with amounts shown representing actual spending in 2020):

- Social protection of the population (GEL 918.1 million);
- Energy subsidies (waste management and water supply) (GEL 382.7 million);
- Social allowances for households whose social rating is between 65,000 and 100,000) (GEL 64.7 million);
- Social allowances for persons with severe disabilities (GEL 26.0 million);
- Social allowances for children under the age of 18 (GEL 187.8 million), including funds from the STOPCOV fund in the amount of GEL 122.8 million;
- Compensation for employees who have lost their jobs or were on unpaid leave (GEL 131.2 million);

- Compensation for various categories of self-employed persons (GEL 110.8 million); and
- Student grants (GEL 14.8 million).

A package for COVID-19 related measures of GEL 1.3 billion is budgeted for 2021.

Universal Health Care

To increase access to and quality of healthcare in Georgia, in February 2013, the Universal Health Care Program ("**UHC**") was launched. The UHC offered a minimum service package guarantee for the entire Georgian population with no state or private insurance. The program provides citizens with better financial and geographic access to primary health care and urgent hospital and outpatient services.

Over the past several years, the UHC's design has been improved and differential packages have been launched for socially vulnerable people, pensioners, children aged 0-6, teachers, students, internally displaced persons, persons with disabilities and others. Special packages have also been introduced for citizens with different amounts of income. Funding of the UHC is gradually increasing, with actual funding in 2020 amounting to GEL 964 million, which was 6% of total State Budget spending.

Pensions

Pillar 1 - Universal Pension System

In 2020, the Parliament approved an indexation rule for universal pensions which has applied from January 2021. This was a very important reform, addressing ageing of the population, maintaining the replacement rate and removing pension decisions from the political process.

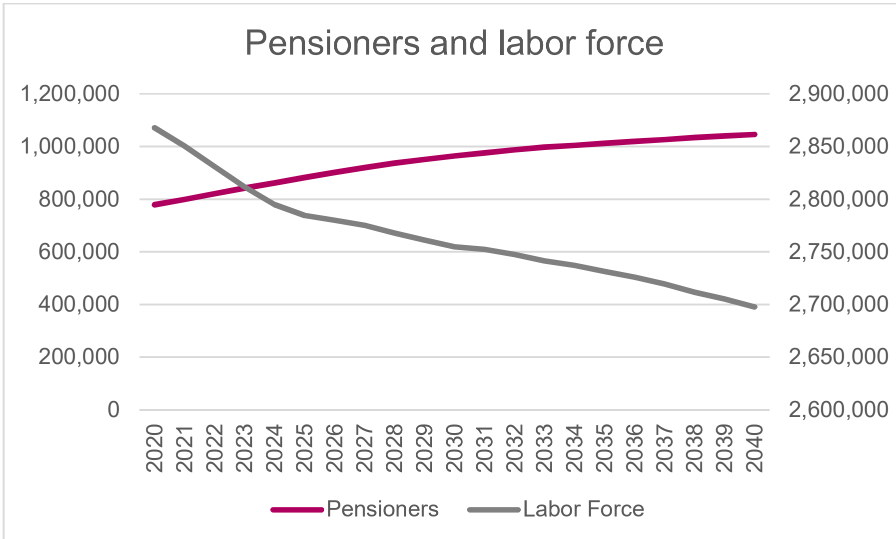
The age for entitlement to pensions is 60 years for women and 65 years for men. According to the new indexation rule, there are two grades of pensions: pensions for persons below 70 years of age; and pensions for persons 70 years of age and above. For pensioners below 70 years of age, pension entitlements are indexed to inflation (with the increase amounting to at least GEL 20 monthly). For pensioners 70 years of age and above, pension entitlements increase annually in line with inflation plus 80% of real economic growth (with the increase amounting to at least GEL 25 monthly). In 2020, the replacement rate was 18% and 20% for pensioners below 70 years of age and pensioners 70 years of age and above, respectively. The indexation formula mitigates the pressure of ageing on the pension expenditure and maintains replacement rate more for those people with more limited working ability.

Pillar 2 - funded pensions

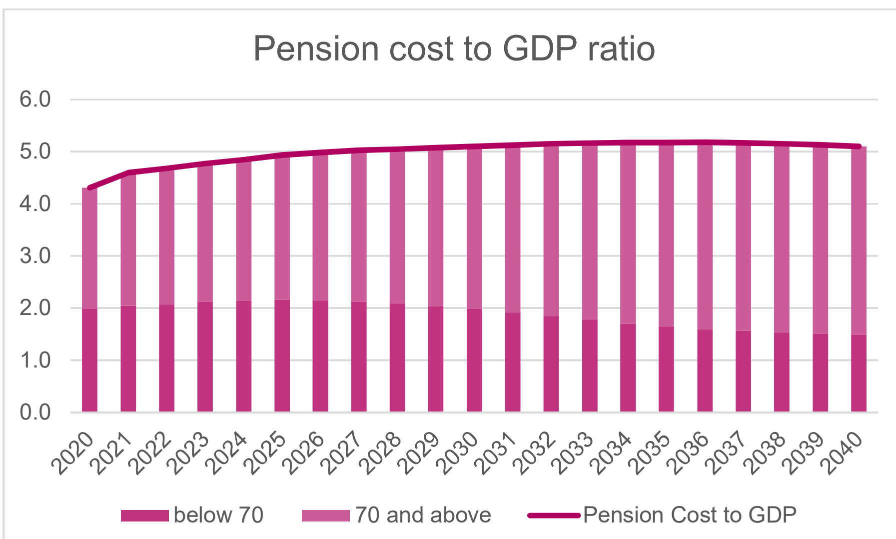
In order to address the ageing of the population, achieve a sustainable replacement rate and ensure the long-term sustainability of the pension system, in 2019, Georgia introduced a funded pension pillar. This is defined contribution system with the participation of employees, employers and the Government, who each contribute 2% of the employee's gross salary. Taking into account the tax deductibility of the contributions of the employee and the employer, the contributions are effectively 1.6%, 1.6% and 2.8% for the employee, employer and the Government, respectively.

The funded pension system has significant benefits not only for employees, but for employers and the entire Georgian economy. A Regulatory Impact Assessment ("**RIA**") has estimated a cumulative 4.2% acceleration of economic growth and a 2 percentage point reduction in the savings-investment imbalance as a result of the funded pension system, with the results expected to materialise within the next 5-10 years.

The following graph shows data on the number of pensioners and the labour force for the periods indicated:



The following graph shows the pension cost to GDP ratio for the periods indicated:



EXTERNAL SECTOR

International Trade Policy

Georgia became a member of the WTO in June 2000. On 27 June 2014, Georgia entered into the EU Association Agreement and established the DCFTA (effective since 1 September 2014) with the European Union, which envisages bilateral trade liberalisation with the European Union with effect from 1 July 2016. By entering into the EU Association Agreement Georgia benefits from the elimination of all customs duties for goods originating in Georgia being imported into the EU. In 2008, Georgia's GSP+ privileges granted by Turkey were replaced by a free trade agreement between Georgia and Turkey, pursuant to which customs tariffs on industrial products have been fully eliminated, although a number of agricultural products are excluded by both parties. Georgia also entered into a Free Trade Agreement between the EFTA and Georgia in 2016, entering into force on 1 September 2017 for Georgia, Iceland and Norway, and 1 May 2018 for Switzerland and Liechtenstein. Georgia signed a Free Trade Agreement with China in 2017, and in 2018, it signed a Free Trade Agreement with Hong Kong.

Georgia's entry into the Association Agreement with the EU has had a favourable result on the volumes of trade with EU member states, which increased steadily between 2016 and 2018, before declining slightly, by 13.0%, in 2019 and more significantly, by 23.9%, in 2020 due to the impact of COVID-19. From 2016 to 2019, imports from EU countries increased by 10.5% and exports to EU countries increased by 43.6%. In 2020, imports from EU countries decreased by 19.7%, while exports to EU countries also decreased by 11.8%. These decreases were primarily due to the impact of COVID-19.

The following table sets forth certain statistics relating to Georgia's trade with the EU:

Trade with the European Union

	2016	**2017**	**2018**	**2019**	**2020[1]**
			(U.S.$ millions)		
Imports	(2,084)	(2,126)	(2,453)	(2,303)	(1,849)
Exports	550	642	713	790	697
Trade Balance	**(1,534)**	**(1,484)**	**(1,740)**	**(1,513)**	**(1,152)**
			(%)		
Percentage of Total Imports	28	26	26	24	23
Percentage of Total Exports	26	23	21	21	21

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

Georgia has signed a number of economic cooperation agreements with neighbouring CIS countries. The most significant of these agreements are bilateral free trade agreements with Armenia, Azerbaijan, Kazakhstan, Turkmenistan and Ukraine, as well as Russia. The volume of trade with CIS countries has increased in recent years. Imports from CIS countries increased by 35.7% between the years 2016 to 2018, before declining by 9.4% in 2019 (due to lower imports from Ukraine, Armenia and Turkmenistan) and by 2.0% in 2020. Exports to CIS countries increased by 175.8% between 2016 and 2019, driven by Azerbaijan, Russia and Ukraine (exports to Azerbaijan and Ukraine declined before 2016 and then started to increase, while exports to Russia have been increasing). In 2020, exports to CIS countries decreased by 26.2%, due to the impact of COVID-19 on demand.

The following table sets forth certain statistics relating to Georgia's trade with CIS member states, including Russia:

Trade with the Commonwealth of Independent States

	2016	2017	2018	2019	2020(1)
			(U.S.$ millions)		
Imports	(1,986)	(2,322)	(2,695)	(2,441)	(2,393)
Exports	741	1,194	1,689	2,044	1,509
Trade Balance	**(1,245)**	**(1,128)**	**(1,006)**	**(397)**	**(884)**
			(%)		
Percentage of Total Imports	27	29	29	26	30
Percentage of Total Exports	35	43	50	54	45

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

In June 2007, a Trade and Investment Framework Agreement was signed between Georgia and the United States, followed in January 2009 by the Georgia-U.S. Charter on Strategic Partnership, which, inter alia, covers issues of trade between the two countries. Georgia has signed double taxation treaties with 56 states. See "*Public Finance—Taxation Policy—International Taxation and Liberalisation of Customs Procedures*".

Tariffs

Georgia does not apply quantitative restrictions or non-tariff barriers, except when justified by health, safety and environmental protection considerations. VAT and excise tax apply equally to imported and local products. Licensing requirements remain in effect for the import of certain medicine, weapons, explosive materials and radioactive products.

In 2010, the Customs Code was combined with the existing tax code to create the unified Tax Code, which came into effect on 1 January 2011. Pursuant to the Tax Code, tariffs on most agricultural products and certain construction materials that are produced in Georgia are subject to rates of 5% and 12%. Georgia's weighted average import tariff is among the lowest in the world. See "*Public Finance—Taxation Policy*".

International Trade Dynamics

Georgia is an open economy, and the value of foreign trade in goods and services represented 94.0% of GDP in 2020, compared to 118.6% of GDP in 2019. Georgia's trade balance has been characterised by a structural deficit, as a result of high prices for imported energy and commodities and the import of capital goods as Georgia re-industrialises with the benefit of increased private capital inflows. Georgia's external trade balance in services has been positive, as a result of its growing tourism sector, although tourism dropped off significantly in 2020 due to the impact of the COVID-19 pandemic. Turkey, the EU, Ukraine, the United States and Azerbaijan have been among Georgia's five largest trading partners over the past five years.

For balance of payment statistics, the NBG adjusts customs data based on the *Balance of Payments—5th Edition* (published by the IMF), which takes into account, *inter alia*, trade partners' mirror statistics, the cost of repairing goods, adding value of goods purchased in ports and shuttle trade and converting certain import data.

Exports

In 2020, Georgia's principal exports were copper ores and concentrates, motorcars (predominantly re-export), ferro-alloys, wine, hazelnuts and other nuts, waters, natural or artificial mineral and aerated waters and medicaments in measured doses. Due to Georgia's geographic location, transport services (including transit fees generated by the pipelines that traverse Georgian territory) and the logistics sector have been a significant generator of export revenues, enabling Georgia to become a net services exporter.

The following table sets forth the value of Georgia's exports of goods by product:

Exports of Goods by Value

	2016	2017	2018	2019	2020[1]
			(U.S.$ millions)		
Copper ores and concentrates	312	422	504	649	729
Motor cars	171	245	429	733	404
Ferro-alloys	169	306	353	303	247
Wine of fresh grapes	114	171	197	223	210
Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages	92	127	129	127	132
Waters, natural or artificial mineral and aerated waters, not containing added sugar	80	96	118	134	117
Medicaments put up in measured doses	107	141	147	172	99
Gold unwrought or in semi-manufactured forms, or in powder form	81	71	70	73	98
Hazelnuts and other nuts	180	83	70	67	94
Precious metal ores and concentrates	5	1	0	11	90
Mineral or chemical fertilisers, nitrogenous	66	76	92	95	72
T-shirts and other vests, knitted or crocheted	39	45	41	39	40
Waters, mineral and aerated waters, containing added sugar	12	18	27	27	32
Cigars, cheroots, cigarillos and cigarettes	10	42	149	54	29
Live bovine animals	37	36	30	22	28
Citrus fruit, fresh or dried	12	11	15	21	27
Apricots, cherries, peaches, plums and sloes, fresh	3	4	8	13	24
Instruments and appliances used in medicine	8	12	21	22	24
Live sheep and goats	11	7	4	14	21
Flours, meals and pellets, unfit for human consumption; greaves	15	13	15	10	20
Cyanides, cyanide oxides and complex cyanides	10	15	21	17	20
Other	585	803	940	972	785
Total:	**2,117**	**2,746**	**3,380**	**3,798**	**3,342**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth the value of Georgia's exports of goods, in percentage terms, by product for the periods indicated:

Breakdown of Exports of Goods by Value

	2016	2017	2018	2019	2020(1)
			(%)		
Copper ores and concentrates	14.8	15.4	14.9	17.1	21.8
Motor cars	8.1	8.9	12.7	19.3	12.1
Ferro-alloys	8.0	11.2	10.4	8.0	7.4
Wine of fresh grapes	5.4	6.2	5.8	5.9	6.3
Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages	4.3	4.6	3.8	3.4	4.0
Waters, natural or artificial mineral and aerated waters, not containing added sugar	3.8	3.5	3.5	3.5	3.5
Medicaments put up in measured doses	5.1	5.1	4.4	4.5	3.0
Gold unwrought or in semi-manufactured forms, or in powder form	3.8	2.6	2.1	1.9	2.9
Hazelnuts and other nuts	8.5	3.0	2.1	1.8	2.8
Precious metal ores and concentrates	0.2	0.0	0.0	0.3	2.7
Mineral or chemical fertilisers, nitrogenous	3.1	2.8	2.7	2.5	2.2
T-shirts and other vests, knitted or crocheted	1.8	1.6	1.2	1.0	1.2
Waters, mineral and aerated waters, containing added sugar	0.6	0.7	0.8	0.7	0.9
Cigars, cheroots, cigarillos and cigarettes	0.5	1.5	4.4	1.4	0.9
Live bovine animals	1.7	1.3	0.9	0.6	0.8
Citrus fruit, fresh or dried	0.5	0.4	0.4	0.6	0.8
Apricots, cherries, peaches, plums and sloes, fresh	0.1	0.2	0.2	0.3	0.7
Instruments and appliances used in medicine	0.4	0.4	0.6	0.6	0.7
Live sheep and goats	0.5	0.2	0.1	0.4	0.6
Flours, meals and pellets, unfit for human consumption; greaves	0.7	0.5	0.5	0.3	0.6
Cyanides, cyanide oxides and complex cyanides	0.5	0.5	0.6	0.5	0.6
Other	27.6	29.3	27.8	25.6	23.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth Georgia's exports of goods by country of destination for the periods indicated:

Exports of Goods by Country of Destination by Value

	2016	2017	2018	2019	2020(1)
			(U.S.$ millions)		
China	174	202	199	223	476
Azerbaijan	153	274	508	509	441
Russia	207	398	438	497	441
Bulgaria	161	187	259	284	312
Ukraine	74	127	180	251	217
Turkey	173	217	241	202	191
Armenia	153	214	286	433	188
Switzerland	82	72	77	83	107

Spain	41	59	62	46	84
United States	68	122	160	132	80
Uzbekistan	71	64	80	89	73
Germany	85	46	51	54	62
Kazakhstan	40	52	91	67	48
Belarus	18	28	28	44	47
Lithuania	25	35	43	45	36
Italy	73	69	43	40	35
France	25	27	45	29	33
United Arab Emirates	32	37	44	65	31
Iran	47	77	74	71	29
Poland	9	19	15	28	28
Other	406	421	454	605	384
Total	**2,117**	**2,746**	**3,380**	**3,798**	**3,342**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth Georgia's exports of goods by country of destination in percentage terms of total exports for the periods indicated:

Breakdown of Exports of Goods by Country of Destination

	2016	**2017**	**2018**	**2019**	**2020(1)**
			(%)		
China	8.2	7.3	5.9	5.9	14.3
Azerbaijan	7.2	10.0	15.0	13.4	13.2
Russia	9.8	14.5	13.0	13.1	13.2
Bulgaria	7.6	6.8	7.7	7.5	9.3
Ukraine	3.5	4.6	5.3	6.6	6.5
Turkey	8.2	7.9	7.1	5.3	5.7
Armenia	7.2	7.8	8.5	11.4	5.6
Switzerland	3.9	2.6	2.3	2.2	3.2
Spain	2.0	2.2	1.8	1.2	2.5
United States	3.2	4.4	4.7	3.5	2.4
Uzbekistan	3.4	2.3	2.4	2.3	2.2
Germany	4.0	1.7	1.5	1.4	1.8
Kazakhstan	1.9	1.9	2.7	1.8	1.4
Belarus	0.9	1.0	0.8	1.2	1.4
Lithuania	1.2	1.3	1.3	1.2	1.1
Italy	3.4	2.5	1.3	1.1	1.0
France	1.2	1.0	1.3	0.8	1.0
United Arab Emirates	1.5	1.4	1.3	1.7	0.9
Iran	2.2	2.8	2.2	1.9	0.9
Poland	0.4	0.7	0.5	0.7	0.9
Other	19.2	15.3	13.4	15.9	11.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

Over the period from 2016 to 2019, the value of Georgia's exports of goods increased significantly, from U.S.$2,117 million in 2016 to U.S.$3,798 in 2020, an increase of 79.4%. The overall increase over this period was principally due to the increased exports of copper ores and concentrates (which was due in part to higher copper prices), motorcars and ferro-alloys. In 2020, exports decreased by 12.0% to U.S.$3,342 million, due to reduced demand from trading partners in the context of the COVID-19 pandemic.

Imports

Georgian imports are primarily comprised of petroleum and petroleum products, motorcars, medicines and copper ore and concentrates. Due to Georgia's status as a regional hub for trade, some of the goods imported into Georgia, such as motorcars, are subsequently re-exported to neighbouring countries.

The following table sets forth the value of Georgia's imports of goods by product category for the periods indicated:

Imports of Goods by Value

	2016	**2017**	**2018**	**2019**	**2020[(1)]**
			(U.S.$ millions)		
Motor cars	525	590	840	1,108	780
Copper ore and concentrates	249	338	397	604	533
Petroleum and petroleum oils	620	697	864	757	499
Medicaments put up in measured doses	326	345	339	355	327
Petroleum gases and other gaseous hydrocarbons	315	307	291	328	295
Telephone sets, including telephones for cellular networks or for other wireless networks	177	205	198	212	165
Wheat and muslin	86	98	115	109	108
Cigars, cheroots, cigarillos and cigarettes	102	103	187	105	89
Precious metal ores and concentrates	2	4	6	6	77
Motor vehicles for the transport of goods	70	72	75	72	72
New pneumatic tyres, of rubber	52	72	81	91	68
Automatic data processing machines and units thereof.	62	98	127	76	65
Electrical energy	22	67	76	78	65
Meat and edible offal, of the poultry, fresh, chilled or frozen	58	62	62	65	62
Structures and parts of structures of iron or steel	97	67	71	72	61
Motor vehicles for the transport of ten or more persons	16	32	11	48	55
Sugar and chemically pure sucrose	66	68	58	50	51
Other bars and rods of iron or non-alloy steel	54	45	82	58	51
Flat-rolled products of non-alloy steel, of a width of more than 600 mm, clad or coated	39	55	57	52	50
Other tubes, pipes and hollow profiles, of iron or steel.	49	54	60	60	49
Other	4,356	4,680	5,366	5,210	4,510
Total	**7,342**	**8,057**	**9,362**	**9,517**	**8,030**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth Georgia's imports of goods, in percentage terms, by product for the periods indicated:

Breakdown of Imports of Goods by Value

	2016	2017	2018	2019	2020[(1)]
			(%)		
Motor cars	7.2	7.3	9.0	11.6	9.7
Copper ore and concentrates	3.4	4.2	4.2	6.3	6.6
Petroleum and petroleum oils	8.4	8.7	9.2	8.0	6.2
Medicaments put up in measured doses	4.4	4.3	3.6	3.7	4.1
Petroleum gases and other gaseous hydrocarbons	4.3	3.8	3.1	3.4	3.7
Telephone sets, including telephones for cellular networks or for other wireless networks	2.4	2.5	2.1	2.2	2.1
Wheat and muslin	1.2	1.2	1.2	1.1	1.3
Cigars, cheroots, cigarillos and cigarettes	1.4	1.3	2.0	1.1	1.1
Precious metal ores and concentrates	0.0	0.0	0.1	0.1	1.0
Motor vehicles for the transport of goods	1.0	0.9	0.8	0.8	0.9
New pneumatic tyres, of rubber	0.7	0.9	0.9	1.0	0.8
Automatic data processing machines and units thereof.	0.8	1.2	1.4	0.8	0.8
Electrical energy	0.3	0.8	0.8	0.8	0.8
Meat and edible offal, of the poultry, fresh, chilled or frozen	0.8	0.8	0.7	0.7	0.8
Structures and parts of structures of iron or steel	1.3	0.8	0.8	0.8	0.8
Motor vehicles for the transport of ten or more persons	0.2	0.4	0.1	0.5	0.7
Sugar and chemically pure sucrose	0.9	0.8	0.6	0.5	0.6
Other bars and rods of iron or non-alloy steel	0.7	0.6	0.9	0.6	0.6
Flat-rolled products of non-alloy steel, of a width of more than 600 mm, clad or coated	0.5	0.7	0.6	0.5	0.6
Other tubes, pipes and hollow profiles, of iron or steel.	0.7	0.7	0.6	0.6	0.6
Other	59.3	58.1	57.3	54.7	56.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth the value of Georgia's imports by country of origin for the periods indicated:

Imports by Country of Origin by Value

	2016	2017	2018	2019	2020[(1)]
			(U.S.$ millions)		
Turkey	1,354	1,374	1,474	1,617	1,407
Russia	681	790	935	977	888
China	548	733	834	859	709
United States	231	331	501	679	555
Azerbaijan	493	567	593	559	493
Armenia	217	281	335	268	422
Germany	432	455	467	502	407

Ukraine	418	447	515	416	391
Italy	263	218	232	228	183
Brazil	77	96	131	117	163
Japan	200	159	244	257	161
Netherlands	218	158	211	179	157
France	120	135	265	166	153
Poland	102	128	144	170	134
Romania	190	191	209	212	120
Bulgaria	150	156	182	125	110
United Arab Emirates	138	146	157	163	109
Spain	90	101	105	109	89
Belgium	62	75	83	107	81
Chad	14	47	23	127	77
Other	1,344	1,470	1,722	1,681	1,221
Total	**7,342**	**8,057**	**9,362**	**9,517**	**8,030**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth Georgia's imports of goods by country of origin, in percentage terms of total imports, for the periods indicated:

Breakdown of Imports of Goods by Country of Origin

	2016	2017	2018	2019	2020(1)
			(%)		
Turkey	18.4	17.1	15.7	17.0	17.5
Russia	9.3	9.8	10.0	10.3	11.1
China	7.5	9.1	8.9	9.0	8.8
United States	3.1	4.1	5.4	7.1	6.9
Azerbaijan	6.7	7.0	6.3	5.9	6.1
Armenia	3.0	3.5	3.6	2.8	5.3
Germany	5.9	5.6	5.0	5.3	5.1
Ukraine	5.7	5.6	5.5	4.4	4.9
Italy	3.6	2.7	2.5	2.4	2.3
Brazil	1.0	1.2	1.4	1.2	2.0
Japan	2.7	2.0	2.6	2.7	2.0
Netherlands	3.0	2.0	2.3	1.9	2.0
France	1.6	1.7	2.8	1.7	1.9
Poland	1.4	1.6	1.5	1.8	1.7
Romania	2.6	2.4	2.2	2.2	1.5
Bulgaria	2.0	1.9	1.9	1.3	1.4
United Arab Emirates	1.9	1.8	1.7	1.7	1.4
Spain	1.2	1.3	1.1	1.1	1.1
Belgium	0.8	0.9	0.9	1.1	1.0
Chad	0.2	0.6	0.2	1.3	1.0
Other	18.3	18.2	18.4	17.7	15.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

Over the period from 2016 to 2020, the value of Georgia's imports of goods increased from U.S.$7,342 million to U.S.$8,030, an increase of 9.4%. The increase over the period was principally due to a significant increase in motorcar imports as well as copper ores and concentrates (which was in turn due in part to higher copper prices) and precious metal ores and concentrates. Imports decreased by 15.6% in 2020 to U.S.$8,030 million, due to the impact of the COVID-19 pandemic, which reduced economic activity in Georgia.

Foreign Direct Investment

Georgia relies on net foreign direct investment inflows to cover its current account deficit. Foreign direct investment has been supported by the full convertibility of the Lari since 1997 and has been an important source of financing for the Georgian economy since the Rose Revolution.

Net foreign direct investment inflows began to decrease beginning in 2018, with decreases of 34.0% that year. Foreign direct investment remained flat in 2020. This has been due in part to the completion of several large infrastructure projects, for example the TANAP pipeline in June 2018. Since 2016, there has been a relatively high level of reinvestment as a percentage of total foreign direct investment, which shows that Georgia's economic policy and improved business environment are positively perceived by investors. In 2020, foreign direct investment decreased by 52.9% due to the impact of the COVID-19 pandemic. It is worth noting, however, that foreign direct investment in the third quarters of 2020 were higher than in the first and second quarters. However, in the fourth quarter of 2020, there was negative U.S.$102.8 million of FDI in Georgia, reflecting ownership transfers from non-resident to resident units in several companies, according to Geostat.

There are no restrictions on foreign ownership of property or assets in Georgia, except that there are certain restrictions on foreign ownership of agricultural land and shares in a Georgian registered legal entity owning such land. There are no restrictions on the repatriation of profits from Georgia, subject to compliance with applicable tax laws.

The following table sets forth the countries of origin of FDI into Georgia for the periods indicated:

FDI by Country of Origin

	2016	2017	2018	2019	2020[1)]
			(U.S.$ millions)		
United Kingdom	88	249	183	237	308
Netherlands	77	355	210	100	172
Turkey	220	256	50	175	108
United States	60	79	104	111	93
Malta	29	10	26	(11)	28
Luxembourg	116	101	50	69	27
Russia	28	51	74	54	26
Germany	24	(95)	40	22	24
Denmark	(7)	(4)	15	3	22
Iraq	0	0	(7)	(13)	18
Slovakia	(1)	3	4	0	16
Ukraine	11	6	1	25	12
Marshall Islands	4	3	2	34	9
Sweden	3	2	1	5	8
France	(88)	21	25	19	8

Japan	6	18	5	40	7
Estonia	20	18	15	2	7
Armenia	4	7	10	14	7
Others	1,057	897	498	424	(281)
Total	**1,653**	**1,978**	**1,306**	**1,311**	**617**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

The following table sets forth the countries of origin of FDI, in percentage terms of total FDI, into Georgia for the periods indicated:

Breakdown of FDI by Country of Origin

	2016	**2017**	**2018**	**2019**	**2020**(1)
			(%)		
United Kingdom	5.3	12.6	14.0	18.0	49.9
Netherlands	4.7	18.0	16.1	7.7	27.9
Turkey	13.3	13.0	3.8	13.4	17.5
United States	3.6	4.0	7.9	8.5	15.1
Malta	1.8	0.5	2.0	(0.8)	4.5
Luxembourg	7.0	5.1	3.8	5.3	4.3
Russia	1.7	2.6	5.6	4.2	4.1
Germany	1.5	(4.8)	3.1	1.7	3.8
Denmark	(0.4)	(0.2)	1.2	0.2	3.6
Iraq	0.0	0.0	(0.5)	(1.0)	2.9
Slovakia	(0.1)	0.1	0.3	0.0	2.6
Ukraine	0.7	0.3	0.1	1.9	1.9
Marshall Islands	0.3	0.1	0.1	2.6	1.4
Sweden	0.2	0.1	0.1	0.4	1.3
France	(5.3)	1.1	1.9	1.5	1.3
Japan	0.4	0.9	0.4	3.0	1.1
Estonia	1.2	0.9	1.2	0.2	1.1
Armenia	0.3	0.4	0.7	1.1	1.1
Others	64.0	45.4	38.2	32.4	(45.6)
Total	**100**	**100**	**100**	**100**	**100**

Note:
(1) 2020 figures are preliminary.

Source: Geostat.

In the period from 2010 to 2020, 22.0% of FDI was in the transport and communications sector, 16.0% was in the financial sector, 12.3% was in the energy sector, 10.5% was in the manufacturing sector, 9.4% was in the construction sector, 8.1% was in the real estate sector, 4.3% was in the mining sector, 4.1% was in the hotels and restaurants sector and 13.2% was in other sectors.

The Georgian National Investment Agency ("**GNIA**") was originally established in 2002, and was revamped pursuant to laws passed by the Parliament on 30 June 2006 and 4 March 2015, aimed at supporting investment in the Georgian economy. Under the new law, investors in the Georgian economy were granted expanded access to certain information licences and permits, and the GNIA was directed to assist investors in obtaining such information, licences and permits.

The GNIA facilitated foreign direct investment in Georgia by assisting investors in establishing businesses in Georgia, helping in project implementation, liaising with the Government and providing information on investment opportunities in the country, as well as investment-related regulations and laws. In its export promotion activities, the GNIA helped to find markets for products, undertook market studies and seek out partners for joint ventures aimed at increasing the volume of exports and development of Georgian enterprises. The GNIA also organised international conferences, business-forums, trade fairs and exhibitions.

In 2017, the GNIA was replaced by the LEPL Enterprise Georgia, the primary purpose of which is to improve business environment, develop the private sector, promote the Georgian investment climate and support exports. The agency (a) develops and supports local production and provides financial assistance in the form of guarantees and co-financing with financial institutions; (b) increases the export potential of Georgia through the promotion of Georgian products, increasing volumes and diversification of exported goods; and (c) attracts FDI. The agency supports investors by providing information and liaising with various administrative bodies.

Georgia is an attractive destination for foreign direct investment due to its reputation for transparency and ease of doing business. Georgia was ranked seventh (second in Europe and Central Asia) in the World Bank-IFC Doing Business Report for Ease of Doing Business 2020. Its ranking in Transparency International's 2017 Global Corruption Barometer is also consistent with the rankings of EEA Member States. In the World Bank's Worldwide Governance Indicators survey, Georgia is among the highest rated eastern European (EU member and candidate) countries. As noted above, Georgia is also party to FTAs with the EU, China, the CIS Member States, Turkey and Hong Kong, as well as European Free Trade Association countries. It also benefits from a Generalised System of Preferences with the United States, Canada and Japan. Georgia also enjoys political support from NATO, the EU, the United States, the United Nations and the World Trade Organisation, of which it has been a member since 2000.

Balance of Payments and External Debt

The following table sets forth certain information regarding Georgia's balance of payments for the periods indicated:

Balance of Payments

	2016		2017		2018		2019		2020[(1)]	
	(U.S.$ millions)	*(% of GDP)[(2)]*	*(U.S.$ millions)*	*(% of GDP)[(2)]*	*(U.S.$ millions)*	*(% of GDP)[(2)]*	*(U.S.$ millions)*	*(% of GDP)[(2)]*	*(U.S.$ millions)*	*(% of GDP)[(2)]*
Current account balance	**(1,885)**	**(12.5)**	**(1,308)**	**(8.0)**	**(1,190)**	**(6.8)**	**(957)**	**(5.5)**	**(1,962)**	**(12.3)**
Trade balance	(3,869)	(25.6)	(3,801)	(23.4)	(4,112)	(23.4)	(3,726)	(21.3)	(3,141)	(19.8)
Export	2,931	19.4	3,634	22.4	4,448	25.3	4,990	28.6	4,375	27.5
Import	(6,800)	(44.9)	(7,435)	(45.8)	(8,560)	(48.6)	(8,716)	(49.9)	(7,515)	(47.3)
Services (net)	1,564	10.3	2,014	12.4	2,241	12.7	2,169	12.4	135	0.8
Exports	3,295	21.8	3,976	24.5	4,482	25.5	4,586	26.3	1,583	10.0
Imports	(1,731)	(11.4)	(1,962)	(12.1)	(2,241)	(12.7)	(2,418)	(13.8)	(1,449)	(9.1)
Factor income (net)	(701)	(4.6)	(794)	(4.9)	(684)	(3.9)	(775)	(4.4)	(765)	(4.8)
Transfers (net)	1,121	7.4	1,273	7.8	1,364	7.8	1,375	7.9	1,809	11.4
Capital and financial account balance	**1,877**	**12.4**	**1,337**	**8.2**	**1,282**	**7.3**	**986**	**5.6**	**1,945**	**12.2**
Capital account	58	0.4	84	0.5	77	0.4	48	0.3	41	0.3

Financial account	1,819	12.0	1,253	7.7	1,205	6.9	938	5.4	1,904	12.0
Foreign direct investments	1,653	10.9	1,978	12.2	1,306	7.4	1,311	7.5	617	3.9
Portfolio investments............	42	0.3	(76)	(0.5)	(47)	(0.3)	707	4.0	(183)	(1.2)
Financial derivatives.............	(4)	0.0	(0)	0.0	(1)	0.0	4	0.0	27	0.2
Other investments ..	783	5.2	(137)	(0.8)	567	3.2	(600)	(3.4)	1,771	11.1
Change of foreign exchange reserves increase	(245)	(1.6)	(242)	(1.5)	(279)	(1.6)	(202)	(1.2)	(305)	(0.9)

Notes:
(1) Figures for 2020 are preliminary and are NBG estimates.
(2) Calculated as a percentage of Georgia's Nominal GDP in U.S. Dollars.

Source: NBG.

Georgia's current account deficit decreased throughout the period from 2016 to 2019, as a result of growing exports, including travel and tourism (which is included in services (net)). As a percentage of GDP, the current account balance also declined during this period, from 12.5% of GDP in 2016 to 5.5% of GDP in 2019. Georgia's current account deficit decreased by 19.6% in 2019, 9.0% in 2018 and 30.6% in 2017. In 2020, the current account deficit increased by 104.9%, due to reduced economic activity in the region as a result of the COVID-19 pandemic, reduced exports and a significant reduction in revenues from tourism. Exports declined by 12% in 2020, but increased in some sectors such as transportation, mining, and agriculture (with total share of 4.8% in export change). The highest reduction in exports as well as imports was observed in wholesale and retail trade. Transfers from Italy and the United States contributed the most significant share in increasing of remittances, FDI decreased by 52.9%, but the United Kingdom and the Netherlands contributed positively, with an approximate 10.9 percentage point change in FDI.

The trade deficit remained relatively stable during the period from 2016 to 2019, decreasing by 3.7%. As a percentage of GDP, the trade deficit decreased from 25.6% in 2016 to 21.3% in 2019. In 2020, the trade deficit decreased by 15.7%, due to a higher decline in imports than in exports as a result of the COVID-19 pandemic. Services (net) increased by 38.6% from 2016 to 2019, driven by increasing levels of tourism to Georgia. In 2020, there was a sharp decrease of 93.8% due to tourism declining to almost zero amid the COVID-19 pandemic.

Net foreign direct investment inflows began to decrease beginning in 2018, with decreases of 43.5% that year. Foreign direct investment remained flat in 2020. This has been due in part to the completion of several large infrastructure projects, for example the TANAP pipeline in June 2018. In 2020, foreign direct investment decreased by 52.9% due to the impact of the COVID-19 pandemic.

Current Account Dynamics

In 2019 the current account deficit was 5.5% of GDP, a decrease of almost 50% as compared to 2016. This improvement was mainly driven by Georgia's growing tourism industry and an improved trade balance.

% of GDP

	2016	**2017**	**2018**	**2019**	**2020**
			(%)		
Current Account Balance......................................	**(12.5)**	**(8.0)**	**(6.8)**	**(5.5)**	**(12.3)**

Goods	(25.6)	(23.4)	(23.4)	(21.3)	(19.8)
Services	10.3	12.4	12.7	12.4	0.8
Income	(4.6)	(4.9)	(3.9)	(4.4)	(4.8)
Current Transfers	7.4	7.8	7.8	7.9	11.4

Structural Current Account Deficit

As a result of a relatively high negative international investment position ("**IIP**"), net investment income contributes almost 10% of GDP to the current account deficit. Increasing investment income reduces the visibility of adjustments in the current account balance, which, excluding investment income, was positive from 2017 through 2019.

% of GDP

	2016	2017	2018	2019	2020
			(%)		
Current Account Balance	**(12.5)**	**(8.0)**	**(6.8)**	**(5.5)**	**(12.3)**
Investment Income	(8.3)	(8.7)	(7.8)	(9.1)	(7.9)
Primary Current Account	(4.1)	0.7	1.1	3.6	(4.5)

External Debt Sustainability Analysis

During the period from 2016 to 2019, Georgia experienced a sharp decrease in net external debt, predominantly as a result of the reduction in the current account deficit and strong FDI inflows. It is anticipated that the temporary increase in net external debt in 2020 will subside in the coming years, aided by an increase in tourism income.

Georgia stress tests its external debt projections based on a number of shock scenarios. In each of the stress tests undertaken, net external debt maintains a downward trajectory after an initial upward trajectory immediately following the impact of the shock. Stress tests indicate that net external debt is most vulnerable to exchange rate depreciation. The below simulations do not assume a potential increase in external demand due to depreciation.

Net External Debt Scenarios (as a % of GDP)

	2019	2020	2021	2025	2030
			(%)		
Baseline	61.0	77.0	80.2	64.6	45.0
Cumulative 10% contraction of Real GDP growth in 5 years	61.0	77.0	81.7	71.7	51.2
Real Interest Rate shock +300 basis points in next 5 years	61.0	77.0	82.4	75.4	54.6
One-time Real Depreciation by 30%	61.0	77.0	103.1	85.2	63.2
FDI outflow -3% during 5 years	61.0	77.0	83.2	78.9	57.6
Current Transfers	61.0	77.0	80.2	64.6	45.0

Dependence on Other Countries

The following tables set forth certain information regarding Georgia's dependence on other countries, together with the sectors from which the dependency relates:

Russia

	2016	2017	2018	2019	2020
			(%)		
Tourism	5.5	6.4	7.2	6.2	1.1
Remittances	4.7	4.5	3.9	3.4	4.1
Export	2.5	3.9	3.7	4.0	5.0
Dependence	12.7	14.8	14.9	13.6	10.2

Ukraine

	2016	2017	2018	2019	2020
			(%)		
Tourism	1.5	1.4	1.4	1.5	0.4
Remittances	0.2	0.3	0.2	0.3	1.0
Export	0.9	1.2	1.5	2.0	2.5
Dependence	2.6	2.9	3.1	3.8	3.8

Turkey

	2016	2017	2018	2019	2020
			(%)		
Tourism	5.3	4.2	3.7	3.5	1.1
Remittances	1.0	1.1	0.9	0.8	1.2
Export	2.1	2.1	2.0	1.6	2.2
Dependence	8.4	7.4	6.6	5.9	4.5

EU

	2016	2017	2018	2019	2020
			(%)		
Tourism	2.8	2.8	3.4	3.8	0.9
Remittances	4.4	4.2	4.6	5.2	8.8
Export	6.8	6.5	6.2	6.6	8.1
Dependence	14.0	13.5	14.2	15.6	17.8

During the period 2016-2020, Georgia's dependency on the EU and Ukraine has increased substantially, in a concerted move away from its former dependency on Russia and Turkey.

Dependence on Remittances

The table below sets forth the source, by country, of net inflows of remittances into Georgia for the periods indicated:

Net Remittance Inflows[(1)]

	2016	2017	2018	2019	2020[(4)]
			(U.S.$ millions)		
Italy	120	145	189	235	293
Russian Federation	307	366	367	350	285
United States	124	138	155	174	215
Greece	114	133	161	182	209

Israel	58	114	147	158	153
Germany	26	30	37	46	70
Ukraine	0	4	3	16	63
Turkey	77	92	82	61	59
Spain	29	34	39	44	45
Azerbaijan	6	6	8	8	38
France	10	12	17	23	25
Poland	1	2	17	29	24
United Kingdom	16	15	15	16	18
Canada	9	11	12	13	18
Ireland	5	5	8	9	14
Others	58	69	94	131	109
Total	**959**	**1,177**	**1,350**	**1,496**	**1,639**
Net Remittances/GDP (%)(2)(3)	6.3	7.2	7.7	8.6	10.3

Notes:
(1) The figures in this table are comprised of remittances made by electronic money transfer operators. The NBG estimates that net remittances for balance of payments purposes, calculated according to *Balance of Payments—5th Edition* (published by the IMF), for 2020 was U.S.$1,809 million.
(2) 2020 GDP figures are preliminary.
(3) Calculated as a percentage of Georgia's Nominal GDP in U.S. Dollars.
(4) Figures for 2020 are preliminary.

Source: NBG.

Net remittance inflows into Georgia increased significantly in the period 2016 to 2020. In 2020, net remittance inflows totalled U.S.$1,639 million, compared to U.S.$959 million in 2016, a 70.9% increase. This increase was primarily due to the improved economic circumstances and increased earning power of Georgian citizens abroad, as well as increased use of the formal banking and money transfer system. Remittances increased in every year from 2016 to 2020, with an increase of 22.7% in 2017, an increase of 14.7% in 2018, an increase of 10.8% in 2019 and an increase of 9.6% in 2020.

Remittances from Russia to Georgia have accounted for the highest proportion of net remittance inflows into Georgia over the period 2016 from 2020 and totalled U.S.$285 million, or 17.4% of total remittances, in 2020, U.S.$350 million, or 23.4% of total remittances, in 2019, U.S.$367 million, or 27.2% of total remittances, in 2018, U.S.$366 million, or 31.0% of total remittances, in 2017 and U.S.$307 million, or 32.0% of total remittances, in 2016. These figures illustrate the continuing importance of economic ties between Georgia and Russia, notwithstanding the deterioration of political relations between the two governments following the 2008 Russia-Georgia War. Remittances from Russia declined 18.6% in 2020 due to lower oil prices and ruble depreciation. The decline in remittances from Russia in 2020 was due to lower oil prices as well as ruble depreciation. This decline was compensated by an increase in remittances from European countries as well as the United States.

Although remittance inflows have been increasing since 2016, their share in current account payments has been steadily declining over the same period.

MONETARY SYSTEM

National Bank of Georgia

The NBG is the central bank of Georgia. The NBG is an autonomous public entity governed by the Organic Law on the National Bank of Georgia (the "**NBG Law**"), which was adopted in September 2009 and replaced the previous Organic Law on the National Bank of Georgia adopted in June 1995. The NBG is independent of the Government and is accountable to the Parliament. The Georgian Constitution, along with the NBG Law, guarantees the independence of the NBG.

The NBG Law sets out the principal responsibilities of the NBG. The NBG's primary objective is to ensure price stability. Secondary objectives of the NBG under the NBG Law include ensuring the stability and transparency of the financial system and facilitating sustainable economic growth.

The NBG is responsible for implementing monetary and foreign exchange policies, supervising the banking sector, regulating other financial services (excluding insurance), as well as dealing with foreign reserves and acting as the fiscal agent and banker for the Government.

The supreme governing body of the NBG is a board, which consists of nine members. The President of Georgia proposes board candidates to the Parliament, and the Parliament endorses candidates for a seven-year term. The board then selects the governor of the NBG, whose appointment is subject to confirmation by the President of Georgia. The board of the NBG appoints three vice governors of the NBG upon nomination by the governor of the NBG.

Monetary Policy of the NBG

The NBG is responsible for the formulation and implementation of monetary policy. The Monetary Policy Committee (the "**MPC**"), established within the NBG, is responsible for the development and implementation of the NBG's monetary and foreign exchange policies. The MPC consists of the governor, three vice governors, the executive director and the heads of relevant divisions and departments. The MPC acts as an adviser to the governor of the NBG, who retains the power to make final policy decisions.

The MPC meets twice per quarter to discuss monetary policy and advise the governor of the NBG on the NBG's main policy rate. The main policy rate and the MPC's statement are published on the NBG website on the same day in Georgian and English. The NBG had cut the main policy rate from 7.25% in January 2018 to at 6.5% in March 2019 and then raised it in several steps, following the Russian flight ban, to 9% in December 2019 due to increased inflationary pressures. During the period from April to August of 2020, amid the COVID-19 pandemic and the expected decline in aggregate demand, the main policy rate was cut three times, to 8%. Most recently, it was raised to 8.5% in March 2021 in response to the risk of higher than targeted inflation expectations, the persistence of depreciation of the exchange rate and price increases in the international commodity markets. These measures were related to the impact of the COVID-19 pandemic on the Georgian economy.

Since January 2009, the NBG's primary monetary policy objective is to ensure price stability and, in doing so, the NBG has the authority to determine appropriate inflation target indicators. Under the NBG Law, the NBG must submit each year to the Parliament its proposed monetary and foreign exchange frameworks, which contain an inflation target for the following three years. Upon adoption by the Parliament, the inflation target becomes binding on the NBG. The inflation target for 2021-2023 is 3%. In the event that Parliament does not adopt the NBG's proposals, the NBG can, nevertheless, work within the scope of its own targets.

Since early 2006, the NBG has taken active steps to modernise its monetary policy formulation and operations and has added several new monetary policy tools. The principal inflation-targeting instrument that the NBG employs is a short-term interest rate, the one-week refinancing rate for loans offered to commercial banks on auction basis (the "**Refinancing Rate**"). The Refinancing Rate was introduced by the NBG in September 2008 for NBG refinancing loans auctioned to supply short- term liquidity to the domestic banking system. The NBG's liquidity projection group meets once a week to make projections of shortages of liquidity in the banking sector, following which auctions are announced for the following day.

In addition to refinancing loans, the NBG uses other monetary policy instruments including, inter alia: (i) open market operations executed with NBG Certificates of Deposits ("**CDs**") and government securities; (ii) standing facilities (such as overnight loans and deposits); and (iii) minimum reserve requirements. Moreover, temporary liquidity supply instruments were introduced in the spring of 2020, during the initial stages of the COVID-19 pandemic. The NBG provides overnight lending facilities to commercial banks in the form of overnight loans, provided that sufficient correspondent eligible collateral is provided. Through the use of overnight loans and deposits, an interest rate corridor is set within the interbank market, which contributes to the reduction of interest rate volatility.

The NBG establishes minimum reserve requirements, which are determined separately in Lari and foreign currencies according to average attracted funds. Currently, the reserve requirements on funds with a remaining maturity up to one year and on all deposits attracted in Lari, is 5%. The reserve requirements on funds with a remaining maturity up to one year and on all deposits, attracted in a foreign currency, is 25%. For foreign currency borrowed funds with a remaining maturity of 1-2 years, the reserve requirement amounts to 15%. Borrowed funds with a remaining maturity of over one year denominated in Lari, and over two years in a foreign currency, are exempt from the reserve requirements. Capital and funds equivalent to capital are exempt from reserve requirements. See "*—Banking Supervision—Key Prudential Requirements*".

In line with the global trend to reform domestic interest rate benchmarks, the NBG updated the Tbilisi Interbank Rate ("**TIBR**") in August 2018. In March 2019, the NBG, with the assistance of the EBRD and market participants, introduced new term TIBR indices using a backward-looking term rate compounding methodology linked to the historical TIBR index. The NBG publishes these money indices daily.

The NBG uses discretionary as well as rule-based foreign exchange interventions to sell or buy foreign currency on the interbank foreign exchange market in order to aid the achievement of price and financial stability objectives and to accumulate international reserves. In 2019, in addition to discretionary foreign exchange auctions, the NBG introduced foreign exchange options auctions, which offer market participants the right to purchase Lari within a predetermined timeframe, but only if the exchange rate has appreciated above the previous 20-day average. These options are intended to result in the automatic accumulation of international reserves when market conditions allow, without impacting the long-term trend in the exchange rate. Moreover, in the spring of 2020, rule-based interventions were introduced to limit excess daily volatility. See "*—Banking Supervision—Key Prudential Requirements—COVID-19 related relaxations*" for more information on the NBG's measures addressing the effects of COVID-19 pandemic.

Liquidity and Credit Aggregates

The following table sets forth the liquidity and credit aggregates for the Georgian banking sector as at the dates indicated:

Liquidity and Credit Aggregates

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020**(1)
	(GEL millions)				
Liquid Assets (core)(1)	7,016	7,480	7,471	8,810	11,013

Liquid Assets (broad measure)[(2)]	7,905	9,146	9,343	10,474	13,200
Short-term liabilities	17,264	20,092	22,956	27,609	33,259
Total loans	6,820	6,356	7,533	9,752	11,706
Loans to public sector...	18,934	22,301	26,602	31,957	38,235
Loans to private sector (excluding interbank loans)	28	1	3	77	146
Interbank loans	18,875	22,280	26,593	31,837	38,073

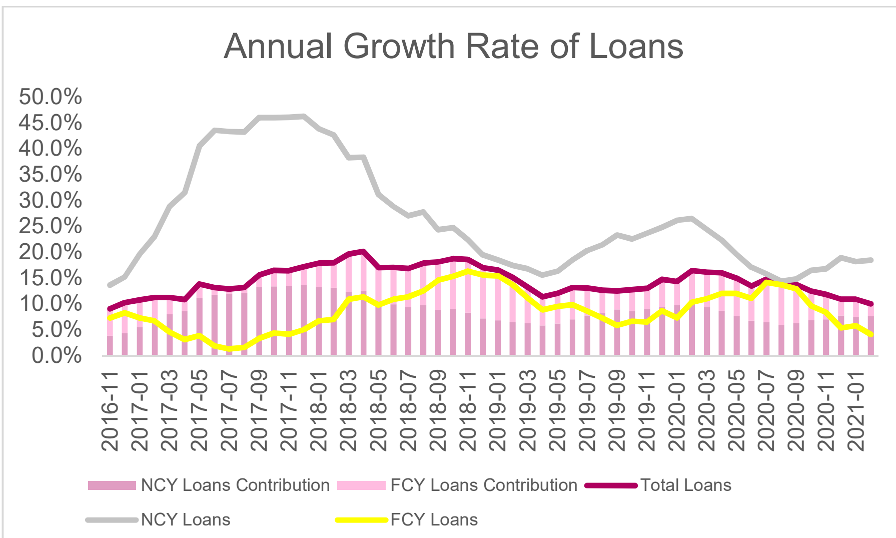
Notes:

(1) The instruments in (i) and (ii) below are classified as core liquid assets.

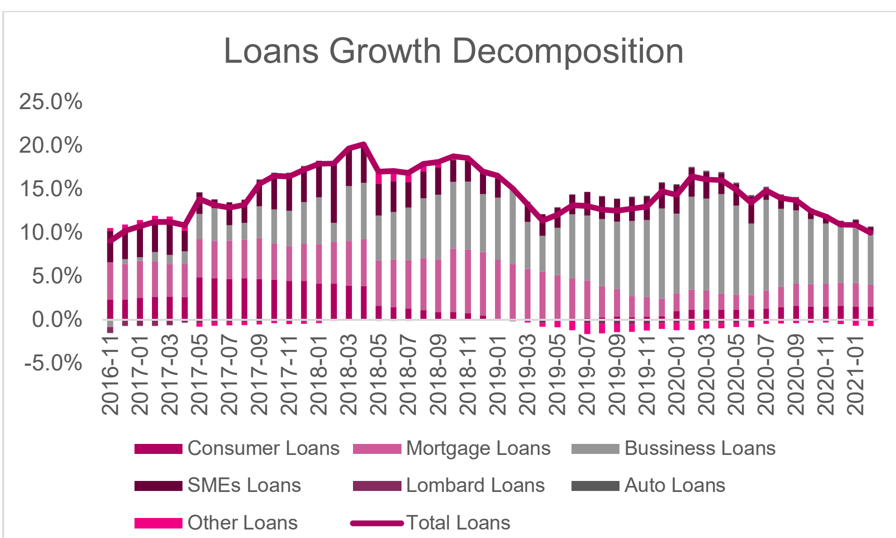
(2) The broad measure of liquid assets includes: (i) currency; (ii) deposits and other financial assets that are available either on demand or within three months or less; and (iii) securities that are traded in liquid markets (including repo markets) that can be readily converted into cash, with insignificant risk of change in value under normal business conditions.

Source: NBG

The following graph shows NBG data on the annual growth rate of loans for the periods indicated:



The following graph shows the NBG data on loans growth by type of loan for the periods indicated:



Dollarization

Following the economic and political uncertainties of the early 1990s and subsequent hyperinflation, the Georgian economy underwent a process of dollarization, whereby the U.S. Dollar and other freely convertible currencies became the major means of payment and wealth accumulation in Georgia. This process was encouraged by the financial liberalisation of the mid-1990s, which allowed domestic financial intermediation to be conducted in both national and foreign currencies.

Dollarization subsided with the stabilisation of the economy in 1995, only to increase again after the Russian financial crisis of 1998. The dollarization rate declined between 2004 and 2008, with foreign currency deposits declining from 90.0% of all client deposits in January 2004 to 78.0% in December 2007, while loan dollarization declined by 10.1 percentage points to 81.9% (excluding exchange rate effects). However, the dollarization rate then increased as a result of the combined effects of the 2008 Russia-Georgia War and the global financial crisis. Since 2009, dollarization has generally been on a declining trend, although the rate of dollarization has fluctuated due to market conditions. The de-dollarization process accelerated from the beginning of 2017, when the NBG, together with the Government took measures to enhance de-dollarization. While de-dollarization is a long term process, positive dynamics have already been observed. In February 2021, dollarization of loans and deposits in the banking sector decreased by 10.2 percentage points and 9.7 percentage points to 55.2% and 61.6%, respectively, in comparison with December 2016 (excluding exchange rate effects).

Monetary Aggregates

Monetization of the Georgian economy, expressed as the ratio of broad money (M3) to Nominal GDP, was 44.3% in 2016, 44.7% in 2017, 46.5% in 2018 and 49.5% in 2019 and was estimated at 61.5% in 2020. The Georgian economy is a highly dollarised economy, as described above under "—*Dollarization*". In 2020, the M2 and M3 monetary aggregates increased by 18.8% and 24.6%, respectively. The de-dollarization trend contributed to recent growth in M2, while exchange rate movements have affected M3, which also includes foreign currency deposits.

The table below sets forth certain statistics relating to money aggregates at the end of the periods indicated:

Money Aggregates

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020**[(1)]
	(GEL millions)				
Currency in Circulation	2,999.3	3,308.9	3,565.5	4,137.0	4,661.4
Money Outside Banks (M0)	2,371.7	2,690.0	2,831.6	3,244.3	3,732.6
Money Aggregate (M1)	5,555.5	6,936.6	7,842.9	9,149.6	10,037.2
Money Aggregate (M2)	6,526.6	8,350.3	9,676.0	11,495.5	13,659.7
Money Aggregate (M3)	15,886.6	18,204.4	20,738.6	24,380.1	30,379.6
Money Aggregate (M3) year-on-year growth rate *(%)*	21.1	14.6	13.9	17.6	24.6
Money Aggregate (M3) share of GDP *(%)*	44.3	44.7	46.5	49.5	61.5
Reserve Money	6,332.5	6,842.9	7,865.5	8,912.4	10,769.3
Reserve Money year-on-year growth rate *(%)*	28.0	8.1	14.8	13.4	20.8
Deposits in Lari	4,891.5	6,712.0	8,014.4	9,648.8	12,855.4
Deposits in foreign currencies	12,344.6	14,227.7	14,758.4	17,437.0	21,619.8
Loans in Lari	6,347.9	9,157.7	11,270.6	13,788.3	16,117.7
Loans in foreign currencies	11,134.8	12,440.8	14,202.9	16,714.3	20,404.4

Source: NBG.

Inflation and Interest Rates

CPI is used as a broad measure of inflation in Georgia. CPI statistics are collected and calculated on a monthly basis by Geostat and published on its website on the third business day of every month.

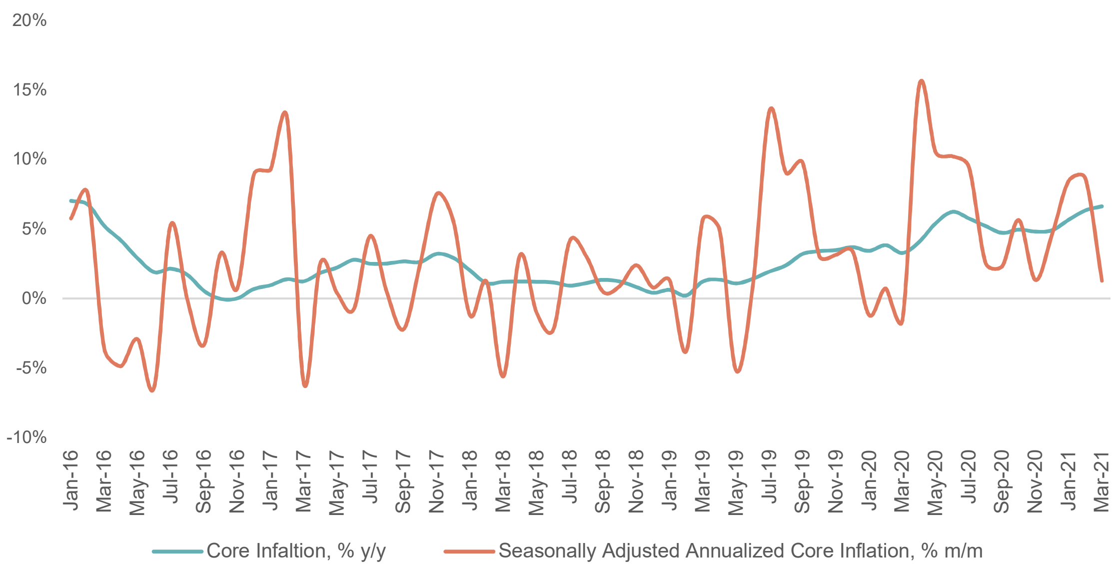
The following table sets forth certain CPI information for the periods indicated:

CPI Inflation Rates

	2016	2017	2018	2019	2020[1]
			(%)		
CPI (period average)	**2.2%**	**6.0%**	**2.6%**	**4.9%**	**5.2%**
Food	1.3%	7.1%	2.3%	8.6%	10.8%
Non-Food	2.6%	5.6%	2.7%	3.5%	3.0%
Services	3.4%	2.6%	2.1%	3.3%	2.5%
CPI (period ended 31 December)	**1.8%**	**6.7%**	**1.5%**	**7.0%**	**2.4%**
Food	1.3%	7.7%	1.7%	12.8%	6.7%
Non-Food	2.1%	6.3%	1.4%	4.8%	0.5%
Services	2.2%	3.1%	1.8%	4.4%	0.9%

Source: Geostat.

The following chart shows core CPI data for the periods indicated:



Inflation Trends

During the period from 2010 to 2020, inflation averaged 3.6%. Since the beginning of 2020, inflation rate dynamics are under significant pressure due to the impact of the COVID-19 pandemic. Restrictions due to the spread of COVID-19 virus have slowed down production, which has led to increased costs and have in turn affected the price of final products. In addition, Lari depreciation increases the costs of firms that have loans denominated in foreign currencies, which, together with imported inflation, leads to higher inflation. At the same time, due to pandemic-related social distancing measures and the halting of international tourism, both domestic and foreign demand declined, which had a downward impact on inflation. Overall, annual inflation reached high of 6.9% in April 2020 and then declined to 2.4% in

December 2020. Utility subsidisation also contributed to the decline in inflation in December 2020 and January and February 2021.

Inflation Components

The following table sets forth the composition of the CPI and the relative weight of such components in calculating CPI for 2020:

Composition of the CPI

	(%)
Food and non-alcoholic beverages	31.3
Transportation	12.1
Housing, water, electricity, gas and other fuels	9.0
Health	7.8
Alcoholic beverages and tobacco	6.4
Furnishings, household equipment and routine	5.9
Hotels, cafes and restaurants	5.4
Education	5.0
Clothing and footwear	3.9
Communication	3.8
Recreation and culture	3.8
Miscellaneous goods and services	5.5
Total	**100.0**

Source: Geostat.

The following table sets forth the annual average inflation rates for the components of CPI in Georgia for the periods indicated:

Inflation Rates of CPI Components

	2016	2017	2018	2019	2020
			(%)		
All items	2.2	6.0	2.6	4.9	5.2
Food and non-alcoholic beverages	1.7	6.8	2.2	8.2	10.6
Alcoholic beverages and tobacco	12.1	17.1	5.9	16.3	6.4
Clothing and footwear	(2.9)	(3.0)	(6.1)	(7.1)	0.4
Housing, water, electricity, gas and other fuels	3.6	1.6	4.3	2.0	0.8
Furnishings, household equipment and routine	2.3	1.3	1.4	1.4	8.0
Health	5.2	6.1	4.8	3.4	6.5
Transportation	(5.2)	15.1	4.6	2.9	(3.6)
Communication	3.5	(0.2)	(1.6)	(2.2)	(0.1)
Recreation and culture	2.0	0.3	1.5	5.3	(1.9)
Education	2.0	1.4	1.6	2.6	2.3
Hotels, cafes and restaurants	5.4	2.7	3.6	3.8	6.5
Miscellaneous goods and services	2.8	3.4	1.0	2.6	8.7

Source: Geostat.

Interest Rates

The following table sets forth the average market interest rates for deposits in Georgian banks for the periods indicated:

Market Interest Rates on Deposits[1]

	2016	2017	2018	2019	2020
			(%)		
January	5.2	4.4	5.5	5.9	6.9
February	5.3	4.8	5.1	5.7	8.0
March	5.3	4.4	5.1	5.6	7.9
April	5.0	4.1	5.1	5.5	6.8
May	5.2	4.9	5.4	5.5	7.0
June	4.9	4.7	5.8	5.2	7.2
July	5.2	5.3	5.8	5.4	6.7
August	4.1	5.6	5.6	5.3	6.4
September	4.5	5.0	5.7	5.1	6.5
October	4.5	5.2	5.3	6.0	6.3
November	4.4	5.4	5.8	6.7	6.3
December	4.5	4.4	5.7	6.4	6.3

Note:

(1) These figures include interest rates on deposits for both Lari and foreign currency deposits, as well as interest rates for both individual depositors in Georgian banks and institutional and corporate depositors.

Source: NBG

Interest rates on deposits have historically varied, sometimes significantly, depending on the currency of the deposit and the identity of the depositor.

Exchange Rates and Exchange Rate Policy

Georgia's national currency, the Lari, was introduced in 1995 and was pegged to the U.S. Dollar. The NBG made the Lari fully convertible in 1997. At the end of 1998, the NBG abandoned the fixed exchange rate regime and moved to a managed floating exchange rate regime, which it still maintains. The official exchange rate of the Lari against the U.S. Dollar is determined on each business day as the weighted average rate of interbank foreign exchange transactions recorded through the electronic trading system. The exchange rate of the Lari against other currencies is determined by way of a cross-rate calculation of the exchange rate of the Lari against the U.S. Dollar and the exchange rate of other foreign currencies against the U.S. Dollar at international foreign exchange markets. The official exchange rates are published on the NBG's website before 5:00 pm, Tbilisi time, each business day and are effective for the next day.

The following table sets forth the exchange rate history for the periods indicated, expressed in Lari per U.S. Dollar and not adjusted for inflation, as published by the NBG:

Lari to U.S. Dollar Exchange Rate History

	Low	High	Average	Period End
		(Lari per U.S.$1.00)		
2021 (up to and including 12 April)	3.4069	3.4464	3.4265	3.4260
2020	2.7735	3.4842	3.1097	3.2766
2019	2.6404	2.9808	2.8192	2.8677
2018	2.3912	2.7656	2.5345	2.6766

2017	2.3824	2.7674	2.5086	2.5922
2016	2.1272	2.7846	2.3667	2.6468

Source: NBG

The following table sets forth the exchange rate history for the periods indicated, expressed in Lari per Euro and not adjusted for inflation, as published by the NBG:

Lari to Euro Exchange Rate History

	Low	High	Average	Period End
		(Lari per €1.00)		
2021 (up to and including 23 March)	4.0136	4.0646	4.0411	4.0646
2020	3.0291	4.0304	3.5519	4.0233
2019	2.9778	3.3158	3.1553	3.2095
2018	2.8261	3.1766	2.9913	3.0701
2017	2.5357	3.2440	2.8322	3.1044
2016	2.3866	2.8999	2.6172	2.7940

Source: NBG

The Lari per U.S. Dollar and Euro exchange rates reported by the NBG on 12 April 2021 were GEL 3.4260 and GEL 4.0646, respectively.

Issuing Money and Regulating its Circulation

The NBG has the exclusive right to issue bank notes and coins in Georgia. The NBG is responsible for the printing of bank notes and the minting of coins, the security and safekeeping of bank notes and coins intended for circulation and the custody and destruction of bank notes and coins withdrawn from circulation.

Net Foreign Assets

As at 31 December 2020, the gross official reserves of the NBG were U.S.$3.91 billion. Georgia's reserves at the NBG are consistent with internationally-accepted prudential levels, and Georgia's foreign exchange reserves represented 5.3 months of imports of goods and services as at 28 February 2021 and was also within the recommended boundaries of the IMF's Assessing Reserve Adequacy ("**ARA**") metrics.

The following table sets forth the net foreign assets of the NBG in Lari as at the end of each period indicated:

Net Foreign Assets

	Net Foreign Assets	Gross Official Reserves	Use of IMF Resources	Foreign exchange reserves[(1)]
		(GEL millions)		*(in months of imports of goods and services)*
2020	10,914.6	12,813.4	1,219.0	5.1
2019	8,760.6	10,053.6	720.5	3.6
2018	7,816.4	8,802.9	447.5	3.4
2017	7,121.7	7,878.4	221.6	3.6
2016	6,765.0	7,295.8	15.1	3.6

Note:
(1) Foreign exchange reserves are calculated as Gross Official Reserves excluding holdings of SDRs. The 2020 data is calculated using balance of payment data for third quarter 2020.

Source: NBG

The following table sets forth the net foreign assets of the NBG in U.S. Dollars as at the end of each period indicated:

Net Foreign Assets in U.S. Dollars

	Net Foreign Assets	Gross Official Reserves	Use of IMF Resources
		(U.S.$ millions)(1)	
2020	3,331.1	3,910.6	372.0
2019	3,054.9	3,505.8	251.2
2018	2,920.3	3,288.8	167.2
2017	2,747.4	3,039.3	85.5
2016	2,555.9	2,756.5	5.7

Note:
(1) GEL amounts have been converted into U.S. Dollar amounts using the period-end exchange rate specified under the heading "Exchange Rate History".

Source: NBG

The NBG's net foreign assets are predominantly comprised of foreign currency reserves, which are held in a mixture of foreign currencies, SDRs and reserves from the IMF.

Banking Sector

As at 31 December 2020, there were 15 commercial banks operating in Georgia, of which 14 had foreign capital participation. The Government of Georgia has no capital participation in the Georgian banking industry.

As at 31 December 2020, the total assets of the Georgian banking sector were GEL 56,871 million, compared to GEL 47,183 million as at 31 December 2019, an increase of GEL 9,688 million or 20.5%, which was primarily due to both the depreciation of the exchange rate and also real growth in the loan portfolios of Georgian banks. The majority of the assets of Georgian banks are comprised of loans, which accounted for GEL 35,793 million, or 62.9% of total assets, as at 31 December 2020. The share of foreign (non-resident) ownership in total assets and total capital of the system was 85.1% for assets and 84.2% for capital.

There are no restrictions under applicable Georgian law on the foreign ownership of banks. Georgia's two largest banks are listed on the Premium segment of the Main Market of the London Stock Exchange and have significant foreign ownership. The NBG believes that, in general, increasing foreign investment in the Georgian banking sector has supported the development of a competitive and resilient banking market.

Following losses in 2020, principally due to a deterioration in the quality of the credit portfolio and high liquidity buffers being maintained by the banks, the Georgian banking sector is expected to return to profitability in 2021. Despite the COVID-19 pandemic, the Georgian banking sector emerged in 2021 in stable financial condition. The NBG expects profitability to increase as a result of the pre-COVID-19 capital and liquidity positions of banks, the support of international financial institutions and the fiscal, monetary and supervisory policies enacted in response to the COVID-19 pandemic.

The following table sets forth the aggregate balance sheet and certain key ratios of the Georgian banking sector as at the dates indicated:

Aggregate Balance Sheet and Key Ratios of Banking Sector in Georgia

	As at 31 December				
	2016	2017	2018	2019	2020
			(GEL millions)		
Cash	1,252	1,218	1,429	1,770	1,985
Balances on Correspondent Accounts	5,837	6,354	6,080	7,073	9,062
Securities for Dealing Operations	2	0	0	0	12
Investment Securities[1]	2,661	3,325	4,162	4,383	6,059
Net Loans	17,757	21,131	25,291	30,610	35,793
Accrued Interest and Dividends	240	236	295	369	689
Equity Investments	478	184	174	201	206
Fixed Assets	1,177	1,306	1,327	1,757	1,732
Other Assets	745	839	926	1,022	1,332
Total Assets	**30,149**	**34,594**	**39,683**	**47,183**	**56,871**
Bank Deposits	1,311	1,094	868	1,004	797
Demand Deposits	*7,702*	*8,540*	*9,674*	*11,304*	*18,502*
Time Deposits	*9,289*	*11,242*	*13,362*	*14,934*	*16,126*
Non-Bank Deposits	16,991	19,782	23,036	26,239	34,628
Accrued Interest and Dividends Payable	153	157	206	240	283
Borrowed Funds	6,689	7,561	7,979	9,487	11,509
Other Liabilities	1,026	1,566	2,462	4,467	3,805
Total Liabilities	**26,171**	**30,159**	**34,551**	**41,438**	**51,023**
Share Capital	953	929	1,018	1,042	1,042
Share Premium and Reserves	1,273	1,127	1,145	1,129	1,163
Retained Earnings	1,751	2,379	2,970	3,574	3,644
Equity	**3,978**	**4,435**	**5,132**	**5,745**	**5,848**
Total Liabilities and Equity	**30,149**	**34,594**	**39,683**	**47,183**	**56,871**
Key Ratios					
Net Loans/Total Assets (%)	59	61	64	65	63
Liquid Assets(2)/Total Assets (%)	24	22	19	19	19
Net Loans/Total Deposits (%)	97	101	106	112	101
Net Loans/Non-Bank Deposits (%)	105	107	110	117	103
Total Deposits/Total Liabilities (%)	70	69	69	66	69
Demand Deposits/Total Deposits (%)	42	41	40	41	52
Borrowed Funds/Total Liabilities (%)	26	25	23	23	23

Notes:

(1) "Investment securities" comprise local currency-denominated T-bills, T-bonds and the NBG's Certificates of Deposits, all of which are eligible as collateral for the NBG's refinancing facility as well as overnight and intraday loans. See "*General Government Debt*".

(2) "Liquid Assets" is defined as cash, certain balances held with other financial institutions and certain securities in accordance with the NBG regulations.

Source: NBG

The following table sets forth the aggregate profit and loss statement and certain key ratios of the Georgian banking sector for the periods indicated:

Aggregate Profit and Loss Statement and Key Ratios of the Banking Sector in Georgia

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
			(GEL millions)		
Interest Income	2,366	2,762	3,286	3,572	3,980
Interest Expense	1,017	1,248	1,467	1,728	2,184
Net Interest Income	**1,350**	**1,514**	**1,818**	**1,843**	**1,796**
Non-Interest Income	752	821	885	925	902
Non-Interest Expense	945	1,089	1,200	1,317	1,288
Net Non-Interest Income	**(193)**	**(267)**	**(315)**	**(391)**	**(386)**
Net Profit (Loss)	**679**	**870**	**915**	**954**	**99**
Key Ratios					
Return on Average Assets *(%)*	3.1	3.1	3.0	2.5	0.2
Return on Average Equity *(%)*	22.1	23.3	23.3	20.3	1.4
Net Interest Margin *(%)*	5.2	4.8	5.0	4.3	3.5
Cost to Income(1) *(%)*	45.1	46.7	44.4	47.6	47.8
Operational Profitability(2) *(%)*	4.4	4.0	4.2	3.4	2.8

Notes:

(1) "Cost to Income" is defined as non-interest expense divided by the sum of net interest income and non-interest income and adjusted for gains or losses on dealing.

(2) "Operational Profitability" is defined as pre-impairment income adjusted for gains or losses on dealing.

Source: NBG

Non-Performing Loans

Non-performing loans ("**NPLs**") increased in 2020 from GEL 1,414 million as at 31 December 2019 to GEL 3,203 million as at 31 December 2020, an increase of 126.5%. This increase was due to the adverse impact of the COVID-19 pandemic on the Georgian economy, as well as related Lari depreciation. The ratio of NPLs to total loans was 8.2% as at 28 February 2021, 8.0% as at 31 December 2020, 4.0% as at 31 December 2019, 6.0% as at 31 December 2018, 6.0% as at 31 December 2017 and 7.0% as at 31 December 2016. The ratio of NPLs to total loans was 2.6% as at 28 February 2021 in accordance with the IMF methodology.

The following table sets forth certain statistics relating to NPLs as at the dates indicated:

Non-Performing Loans

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
NPLs(1) (*GEL millions*)	1,380	1,337	1,480	1,414	3,203
Total outstanding loans (*GEL millions*)	18,934	22,301	26,602	31,957	38,235
NPLs(1)/total loans (*%*)	7%	6%	6%	4%	8%
Reserves for loan losses/Total loans (*%*)	6%	5%	5%	4%	6%
NPL coverage ratio(1)(2)	49%	47%	46%	44%	38%
NPL coverage ratio(1)(3)	85%	87%	88%	95%	76%

Equity/Net loans (%)	22%	21%	20%	19%	16%

Note:
(1) The NPL figures presented are calculated in accordance with the NBG's methodology.
(2) Reserves for NPLs divided by NPLs.
(3) Reserves for total loans divided by NPLs.

Source: NBG

Banking Supervision

Key Prudential Requirements

The principal laws regulating the Georgian banking sector are the NBG Law and the Law on Activities of Commercial Banks of Georgia (the "**Banking Law**"). The NBG supervises the banking sector. The Banking Law (i) sets out the list of permitted and prohibited activities for banks and (ii) establishes the framework for (x) the licensing of banks in Georgia and (y) the regulation of banking activity supervision. The NBG supervises Georgian commercial banks under risk-based supervision principles within the framework of a general risk assessment program ("**GRAPE**") approved in 2014. GRAPE is a continuous cycle of risk-based supervision aimed at assessing the risk levels of commercial banks and developing relevant supervisory actions. Risk assessment is mainly based on the "CAMEL" assessment framework, the consultative documents on the Core Principles of Effective Banking Supervision by the Basel Committee of Banking Supervision (the "**BCBS**" or the "**Basel Committee**"), and other international best practices. Within the GRAPE framework, commercial banks' risk levels are assessed by the NBG according to the following risk categories: (i) credit risk; (ii) liquidity risk; (iii) market risk; (iv) operational risk; and (v) business model and profitability risk, while also considering commercial banks' (vi) macroeconomic environment, (vii) group structure and (viii) corporate governance. The assessment involves evaluation of inherent risks and their mitigating factors in each risk category (except in relation to corporate governance risks), during which risk categories are assigned risk weights and risk scores.

After assessing these risks and their potential impact, the NBG determines the level of supervision necessary and puts into place appropriate measures to mitigate the risks identified. As part of such supervisory measures, the NBG can require a commercial bank to increase the amount of resources allocated to mitigate significant risks. In addition, based on GRAPE assessments, banks may be required to hold additional capital as part of Pillar 2 requirements for risks which are not adequately covered in Pillar 1 of the capital adequacy framework described below. Supervisory measures can be taken at any time the NBG deems such measures necessary, whether following a general assessment of a bank's risk profile, or after obtaining specific information which the NBG deems to warrant a specific measure.

Capital Regulations

The NBG adopted a Basel III compliant capital adequacy framework for commercial banks in 2013. In 2017, the NBG introduced significant changes to Georgian regulatory capital regulations. These amendments were intended to bring Pillar 1 minimum requirements in Georgia in line with the framework established by the BCBS and to implement additional capital requirements under Pillar 2 of Basel III. The amendments also designated three commercial banks in Georgia as domestic systemically important banks ("**DSIBs**"). DSIBs are required to set aside more Common Equity Tier 1 Capital relative to risk weighted assets ("**RWAs**"), with the requirements being phased in from the end of 2018 to the end of 2021.

All commercial banks were also required to have regulatory capital of no less than GEL 50 million starting from 31 December 2018.

Pillar 1 requirements (including combined buffer requirements)

The 2017 amendments to the regulation on capital adequacy requirements for commercial banks made Pillar 1 minimum requirements in Georgia compatible with the Basel III framework established by the BCBS. The amendments included:

- the separation of the 2.5% capital conservation buffer, which was previously merged with minimum capital requirements (Common Equity Tier 1 Capital, Tier 1 Capital and Total Regulatory Capital). The minimum regulatory capital requirements are:
    - Common Equity Tier 1 Capital adequacy ratio of at least 4.5%;
    - Tier 1 Capital adequacy ratio of at least 6.0%; and
    - Total Regulatory Capital adequacy ratio of at least 8.0%; and
- the introduction of a requirement that banks hold an additional 'combined buffer' through Common Equity Tier 1 Capital, consisting of capital conservation, countercyclical and systemic buffers.

The rate for the capital conservation buffer has been set at 2.5% of RWAs, while a 0% rate has been set for the countercyclical buffer. The countercyclical buffer can vary within the range of 0% to 2.5% and will be reviewed quarterly based on the prevailing financial and macroeconomic environment.

For DSIBs, the requirements are set at 2.5% of RWA for two such banks and 1.5% for the third bank. DSIBs must comply with additional capital buffer requirement phased in gradually over the period from 2017 to 2021.

Pillar 2 requirements

In accordance with the Basel III framework, the NBG also introduced additional capital buffer requirements for commercial banks within Pillar 2 that are based on a supervisory review and assessment process and deal with bank-specific risks that are not sufficiently covered under Pillar 1, including: an unhedged currency-induced risk buffer ("**CICR**"), a credit portfolio concentration buffer ("**HHI**"), a net stress-test buffer and a net GRAPE buffer.

The NBG has introduced credit portfolio, single client/group and sector concentration buffers from 1 April 2018, and the net stress test buffer became effective from 1 October 2020, although it was set at 0%. Capital buffers under Pillar 2 should be proportionately incorporated in capital requirements (Common Equity Tier 1 Capital of 4.5%, Tier 1 Capital of 6.0% and Total Regulatory Capital of 8.0%). The phase-in of Pillar 2 buffers distribution over capital elements will be implemented over a five-year transitional period (until 1 April 2022), during which the required composition of the buffers will become more stringent by increasing the required proportions of Common Equity Tier 1 and Tier 1 Capital.

Pillar 3 requirements

In June 2017, the NBG adopted a Regulation on Disclosure Requirements for commercial banks under Pillar 3, requiring commercial banks to disclose qualitative and quantitative information about their regulatory capital elements, RWAs, risk management, remuneration of senior management and other material issues, within the framework of Basel III. Pillar 3 quarterly and annual reporting forms are available on the official website of the NBG.

COVID-19 related relaxations

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

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

Capital adequacy initiatives. The NBG introduced the following capital adequacy initiatives:

- Combined buffer - the conservation buffer requirement of 2.5% of RWAs was reduced to 0% indefinitely;
- Pillar 2 requirements:
  - the CICR requirement was reduced by two-thirds indefinitely;
  - the phase-in of the additional HHI and net GRAPE buffer requirements on Common Equity Tier 1 (CET1) and Tier 1 capital, which had been planned for the end of March 2020, were postponed indefinitely;
  - the possibility of fully or partially releasing the remaining requirements of Pillar 2 buffers (HHI, CICR, net GRAPE), if necessary, was introduced; and
  - during the period for which banks are allowed to partially or fully use the Pillar 2 and conservation buffers, the banks are restricted from making capital distribution in any form;

General loan loss provisioning relating to COVID-19. The NBG took a forward-looking approach and requested Georgian banks to create general provisions under local provisioning rules in order to recognise expected credit losses for the full cycle of the crisis already in March 2020. The banks conducted a portfolio assessment based on certain assumptions and different scenarios. Starting from September 2020, the NBG developed a methodology that instructed banks based on a baseline scenario to allocate existing general reserves to specific reserves and began an asset quality review ("**AQR**") process. As of the date of this Offering Circular, Georgia is in line with the assumptions that were used in assessing the impact of COVID-19 on the banking system and more than 80% of general reserves created have already been allocated to specific reserves.

The NBG considered the banking system's capital ratios to be sufficiently in excess of the expected minimum capital requirements to be able to absorb upfront general provisions, whilst maintaining sufficiently comfortable buffers over the required minimum capital ratios.

Liquidity initiatives: The NBG introduced the following liquidity initiatives:

- Activation of swap instruments (up to a limit of U.S.$400 million) for financial institutions, through which GEL liquidity will be provided to the system;
- Activation of the stand-by swap instrument, which enables banks to obtain necessary GEL liquidity in exchange for foreign currency at a penalty rate;
- Providing GEL liquidity to the EBRD through swaps (up to a limit of U.S.$200 million) enabling the EBRD to secure reliable access to GEL liquidity and continue lending in local currency to the private sector;
- Enabling commercial banks to receive liquidity support from the NBG against collateral for their SME loan portfolios;
- A relaxation of the 75% GEL liquidity coverage ratio ("**LCR**") requirement for one year, i.e. until 1 May 2021;

- Enabling microfinance institutions to attract funding from commercial banks with the support of the National Bank within the limits of their SME loan portfolios; and

- Interventions in the foreign exchange market including activation of a new mechanism of interventions based on new rules.

Other initiatives: The NBG introduced the following other initiatives:

- the deadline for submitting previously planned stress testing results to the NBG was postponed until the end of May 2020;

- it was announced that the NBG would not impose any monetary sanctions in the case of breach of economic normatives and limits driven by external factors (e.g., reserves and exchange rate depreciation);

- NBG on-site inspections, except for ongoing anti-money laundering reviews, were postponed indefinitely; and

- all new regulatory changes and requirements were postponed until September 2020, or until further communicated by the NBG.

The following table sets forth certain statistics relating to capital adequacy ratios as at the dates indicated:

	Year ended at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
Equity/Total Assets	13.2	12.8	12.9	12.2	10.3
NBG Tier I Capital Adequacy Ratio	9.9	9.1	13.5	14.6	12.8
NBG Total Capital Adequacy Ratio	15.0	15.2	18.4	19.4	17.6

Source: NBG.

Provisioning

Banks are required to set aside adequate provisions to cover potential losses on loans and other risk assets and review those provisions and report them to the regulator on a monthly basis. NBG regulations set forth the provisioning requirements for the creation of loan loss reserves. Loans are classified into five groups according to their risk exposure and subject to varying provisioning requirements. The following provisioning requirements are set forth for loan loss reserves: 2% for standard loans, 10% for loans on watch, 30% for sub-standard loans, 50% for doubtful loans and 100% for bad loans (classified as "loss"). See also "*—Capital regulations—COVID-19 related relaxations*" above.

Other Mandatory Prudential Ratios

Apart from mandatory capital adequacy ratios, the NBG is authorised to set other prudential ratios, including lending limits, leverage ratios and other economic ratios.

Bank Governance

In September 2018, the NBG adopted the Corporate Governance Code. The Corporate Governance Code implements internationally recognised practices, including the BCBS's guidelines on Corporate Governance Principles for Banks, OECD Principles of Corporate Governance, requirements of EU directives (CRD IV – CRR) and recommendations of the EBA. The Corporate Governance Code sets forth requirements in respect of composition of supervisory boards, which includes providing requirements on gender diversity in the board and a minimum number of independent board members. Namely, the supervisory board should be comprised of a sufficient number of members commensurate with the size and complexity of the bank. Additionally, no less than one third of supervisory board members and at least two members should be independent, with at least 20% and at least one member of the supervisory board being female. In addition, the Corporate Governance Code defines the standards for creating supervisory board committees, duties and responsibilities of the board of directors, risk management, internal audit and remuneration standards. The supervisory board retains primary responsibility for corporate governance within a commercial bank at all times.

Regulation of Commercial Bank Directors/Management and Supervisory Board Members

Persons discharging managerial or supervisory functions of commercial banks must fulfil the "fit and proper" compatibility criteria in order to ensure they are fit for their position.

The "fit and proper" compatibility criteria apply to the following persons discharging managerial or supervisory functions: members of the supervisory board and the management board of commercial banks; and other persons discharging managerial or supervisory functions of commercial banks who are authorised to undertake responsibilities independently or jointly with one or more persons on behalf of such banks.

Resolution Framework

In December 2019, with the assistance and support of IMF technical experts the Georgian Parliament adopted the Resolution Framework, which is based on the highest international standards, including Financial Stability Board's ("**FSB**") standards and, in some respects, the Bank Recovery and Resolution Directive ("**BRRD**") applicable in the European Union. The Resolution Framework was adopted through amendments to the Banking Law and the NBG Law. In addition, relevant secondary normative acts were adopted within the resolution framework by the NBG and the Ministry of Finance. The NBG and commercial banks in Georgia cooperated closely on the respective draft laws to ensure that the Georgian regulations reflect the principal traits of the BRRD and international best practice.

In the event of financial difficulties of a bank, the framework ensures early and effective responses and broad powers of the NBG to resolve or restructure that bank with the aim of protecting financial stability, depositors and critical functions of the bank while minimizing the use of public funds for resolution purposes. The framework also protects the rights of senior creditors via the no creditor worse off ("**NCWO**") principle and no mandatory bail-in requirement during resolution.

Deposit Insurance

In June 2017, the Georgian Parliament adopted a new Law on System of Deposit Insurance, according to which deposits of individuals were subject to insurance coverage up to the amount of GEL 5,000 which was increased to GEL 15,000 from July 2020. Most provisions of this law became effective from 1 January 2018, except the provision regarding determination of specific percentage of a monthly premium by the Deposit Insurance Agency which entered into force on 1 January 2020. The insurance premium payable by commercial banks consists of: (i) an initial premium of GEL 100,000; (ii) a monthly premium, which shall not exceed 0.067% of Lari-denominated deposits and 0.1% of foreign currency-denominated deposits, provided that the specific percentage of the premium for each commercial bank will be determined by the Deposit Insurance Agency on an annual basis through a risk-based assessment of the bank; and (iii) a special premium determined by the Deposit Insurance Agency if upon occurrence of an insurance event there are insufficient funds in the deposit insurance fund to compensate the insured deposits. In September 2020, a new law on mandatory deposit insurance of legal entities was introduced to the Parliament.

Operation of Clearing and Settlement Facility

The NBG is empowered to assist banks to organise facilities for the clearing and settlement of interbank payments and may establish procedures and issue such regulations relating thereto as it deems appropriate to ensure the efficient operation of the payment system.

Supervision and Licensing

The NBG is responsible for the supervision of the activities of commercial banks, banking groups, non-bank depositary institutions, brokers (except insurance brokers), securities' registrars, asset management companies, central depository, specialised depository, stock exchange, microfinance organisations, reporting companies, investment funds, payment system operators, payment service providers, credit information bureau, currency exchange offices and loan providers.

The NBG has the power to issue and revoke licences and registrations (if applicable), carry out inspections, impose restrictions and sanctions and place banks and non-bank depository institutions (as well as certain other financial institutions) into temporary administration and/or resolution and/or liquidation.

In December 2017, the Georgian Parliament adopted amendments to the NBG Law, authorising the NBG to carry out supervision of the banking groups (groups of legal entities comprising a commercial bank and its parent company/companies, subsidiaries of the bank and its parent company/companies, associated entities, joint ventures, including domestic and foreign, being financial institutions and/or entities engaged in banking related activities and/or banking holdings). The NBG has the power to: (i) audit the financial statements and other documents of relevant entities both on an individual and consolidated basis; (ii) have full access to the data and documents relating to the supervisory board, management and staff of each member of the banking groups; (iii) assess the risk profile, risk management framework and internal control mechanisms of the banking groups; (iv) set requirements regarding formation of the banking groups' structures, including to request changes (simplifications) to the ownership structure and/or group structure if the existing structure hinders the implementation of effective supervision and/or threatens or may threaten the stability and healthy functioning of the commercial bank and/or financial sector; and (v) set capital adequacy, information disclosure, fit and proper persons criteria, corporate governance, reporting and/or other audit related requirements for each commercial bank/member within the group.

Regulation of Reporting Rules and Capital Requirements

The NBG sets accounting and reporting rules and procedures for entities subject to its supervision, including commercial banks and non-bank depositary institutions and is entitled to carry out an audit of all of the relevant documents of such institutions and their subsidiaries. The NBG has the power to determine minimum capital requirements, among others, for banks and non-bank depositary institutions and to obtain information about sources of capital, as well as owners and beneficial owners of significant interests in commercial banks. The NBG issues various regulations related to its supervisory functions.

Operation of Clearing and Settlement Facility

The NBG is entitled to establish procedures and issue regulations relating to clearing and non-cash settlement, organise implementation of the payment systems and provide service and administration of such systems to ensure their efficient operation. The NBG has the power to assist banks with organising and supervising payment systems.

Reporting

Not later than 1 October each year, the NBG submits a draft document on the main directions of the monetary and foreign exchange policy for the following three years to the Georgian Parliament for approval by the end of that year. If the Georgian Parliament fails to approve the draft document on the main directions of the monetary and foreign exchange policy by the end of the respective year, the NBG operates in accordance with its draft proposals. The draft document on the main directions of monetary and foreign exchange policy includes the targeted level of inflation, the main instruments of monetary policy used to attain the targeted inflation rate and a discussion of potential risks.

Within four months of the end of each fiscal year, the NBG submits a report on the implementation of its monetary and foreign exchange policies to the Georgian Parliament for its approval.

Insolvency Regime

The NBG is entitled to revoke the banking licence of any bank that becomes insolvent, as well as under certain other circumstances. Upon revocation of its licence, the bank is liquidated in accordance with the procedure set forth in the Banking Law. If the liquidated commercial bank was a payment system operator or a settlement agent, upon appointment, the liquidator must settle transfer orders received by the system prior to his appointment, establish settlement positions of the system participants and execute settlement in accordance with the Payment Systems Law. Upon the liquidation of a commercial bank, creditors holding financial collateral are entitled to the preferential satisfaction of their claim secured by such financial collateral.

Bank Resolution

In accordance with the new resolution framework, which became effective from January 2021, the NBG has been mandated to resolve critical problems of commercial banks at an early stage of financial difficulties, to facilitate an alternative to resolution instead of mandatory liquidation and to ensure resolution is carried out in a swift and efficient manner while taking a hands-on approach and also ensuring minimum distress to the relevant commercial bank's clients, investors and the market generally. The NBG is authorised to put in place expanded supervisory measures and/or appoint a temporary administrator in the early stages of a bank's financial and/or operational difficulties. Should such recovery measures fail and the circumstances indicate that the bank is either still failing or likely to fail based on the NBG's assessment, the NBG has the power to take over the management of the bank to resolve financial and/or operational difficulties. The grounds for resolution are the same as for license revocation.

The following resolution measures are available to the NBG: (i) merger of a commercial bank with another bank; (ii) sale of shares and/or assets of the bank to a third party; (iii) transfer of shares and/or assets of the bank to a bridge bank; (iv) recapitalisation of the bank by means of an issuance of new shares; or (v) a write-down or conversion of its obligations (bail-in). The proposed measures undertaken to resolve financial and/or operational difficulties are intended to ensure that (i) no creditor incurs greater losses than would have been incurred if the bank had been wound up under liquidation proceedings; (ii) creditors of the bank bear losses after the shareholders in accordance with the order of priority of their claims under liquidation proceedings; (iii) creditors of the same class are treated in an equitable manner; and (iv) the shareholders of the bank bear losses first.

It is noteworthy that the 2019 amendments provide that the Ministry of Finance can provide temporary public funding to support implementation of resolution actions when financial stability issues are still in place and no private solution is available. However, it should be noted that, unlike the BRRD, which has a precondition of 8% bail-in for receipt of state funding, the Georgian resolution framework does not contain such a precondition but rather merely states that before temporary funding is available all shares, other regulatory capital instruments, other subordinated debt, debt with contractual write-down features and conversion provisions and any other claims of direct and indirect owners should have been written down and/or converted. Together with NCWO principles, the NBG's approach represents a balanced model protecting creditors' interests, on the one hand, and the financial stability of the Georgian banking system, on the other hand.

Financial collateral, netting and derivatives

The Georgian Parliament, following consultation with the EBRD, passed the Derivatives Law. The Derivatives Law came into force in January 2020. The Derivatives Law is formulated based on international best practice (with a particular emphasis on Georgian market specifications), and will regulate the local financial markets together with amending Georgian capital market legislation. The EBRD was heavily involved in providing technical assistance to the NBG in drafting the Derivatives Law, and assisted with drafting the package and capacity-building. The Derivatives Law project was also coordinated with, and supported by, the ISDA. An ISDA legal opinion on Georgia was issued in July 2020.

The new law provides for the enforceability of derivatives transactions, including netting, close-out netting and financial collateral, amends a number of laws and reinforces the key related concepts, such as settlement finality. The new law puts Georgia on the derivatives' and netting map, allowing companies to safely and efficiently hedge their risk and exposure, including foreign exchange and interest rate, contributing to the development of a local currency financial market. Notably, the introduction of the notion of netting reduces the capital requirements which lowers the costs of derivative transactions.

Capital Markets

The Georgian economy is highly bank-based, with nearly 95% of the financial sector assets concentrated in the banking sector. The capital markets are at an early stage of development. Plain vanilla bonds and ordinary shares are the most prevalent instruments of market-based financing.

Throughout the past few years, however, the bond market has become relatively active, amounting to approximately 16% of GDP in 2020, including treasury bills and notes and bonds issued by corporations and international financial institutions ("**IFIs**"). Treasury bills and notes accounted for the largest share of the domestic bond market, at 11.7% of GDP in 2020, followed by corporate and IFI bonds, the vast majority of which are listed on the Georgian Stock Exchange. During 2019 and 2020, there was a significant increase in foreign-listed securities offered on the local market through dual listings (reaching U.S.$625 million) and 2020 marked the first issuance of U.S. Dollar denominated depositary receipts (depositary notes), in the amount of U.S.$200 million, executed in accordance with the newly introduced regulatory framework.

Publicly listed stocks mainly include privatised companies, with only 10 issuers listed on the Georgian Stock Exchange (of which four were admitted to trading). Large initial public offerings ("**IPOs**") of Georgian companies are mainly carried out on foreign markets, with two banks and one private equity company listed on the London Stock Exchange, with an aggregate market capitalization of approximately U.S.$2.1 billion as at 31 December 2020.

The following table sets forth the evolution of corporate and IFI bonds outstanding from 2014 to 2020:

	As at 31 December						
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	(GEL millions)						
Treasury Bills and Notes	1,303	1,617	1,996	2,395	2,818	3,766	5,792
IFI and Corporate Bonds	106	404	836	1,161	1,549	1,932	2,039
Public Corporate Bonds	56	151	260	232	379	541	644
Private Corporate Bonds	—	—	142	282	238	204	216

Public IFI Bonds	—	—	107	107	565	725	825
Private IFI Bonds	50	253	327	540	367	462	354
Dual Listings and Depositary Notes	—	—	—	—	—	1,792	2,703
Dual Listings	—	—	—	—	—	1792	2,048
Global Depositary Notes	—	—	—	—	—	—	655

Development of the Capital Markets

Over the past few years, several important measures have been implemented to promote the development of the capital markets in Georgia. Since 2016, policy initiatives have been introduced under the formally approved capital markets development strategy. Some of the most significant accomplishments and incentives introduced by the NBG with the support of Government, private sector and IFIs are summarised below:

- *Monetary policy incentives*: Since 2014, corporate bonds have been accepted for repo transactions, triggering a rapid expansion of domestic bond issuance activity, which grew at a compound annual growth rate of approximately 40% (for corporate and IFI bonds) since 2016;

- *Special tax regime*: Since 2017, a zero tax rate has applied on capital gains and income from listed corporate securities;

- *Pension reform*: In 2019, a second pillar pension system was implemented, reaching nearly GEL 1.2 billion by the end of January 2021. This is expected to have a favourable effect on the development of the local capital markets. In 2020, the Pension Agency Investment Board adopted its Investment Policy Document and took active steps towards streamlining its investment activities. For further detail of the pension indexation, see "*Economy of Georgia—Labour and Social Policies—Pensions*";

- *IOSCO membership*: Since 2018, the NBG has been an associate member of the International Organization of Securities Commissions ("**IOSCO**"), with the signature process for the IOSCO Memorandum of Understanding ongoing;

- *Law on Derivatives*: In 2019, derivatives legislation was introduced based on international best practice (ISDA legal opinion on enforceability of close-out netting), with the aim of supporting diversification and standardization of the derivatives market. The NBG is actively working on standardizing derivatives agreements, which are necessary for counterparties to fully benefit from the legal protections provided by the legislation;

- *Upgraded capital markets infrastructure*: A unified and integrated Government Securities Clearing System ("**GCSS**") has been introduced, providing safe custody and settlement services for government and corporate securities in line with the highest international standards;

- *Primary Dealer System*: In 2020, a Primary Dealer System was introduced with the aim of enhancing growth and providing liquidity for the treasury market. See also "*Public Debt—General Government Debt Management Strategy 2019-2021—Primary Dealers*";

- Capital markets legal and regulatory reform/"*first generation reform*": In 2020, a capital markets legal and regulatory reform was introduced, incorporating two important legal acts, the "Law of Georgia on Securities market" amendments adopted on 7 July 2020 and the "Investment Funds Law of Georgia" introduced on 14 July 2020 (effective as of 19 October 2021) and finalised by the updating and adoption of additional capital market regulations. These laws and regulations are in full compliance with the best international practices of securities market regulations and the IOSCO principles and are described below:

- Amendments to the "Law of Georgia on Securities market" (the "**Securities Market Law**"): the amendments were focused on improving the level of transparency among issuers of public securities by setting requirements regarding periodic and ongoing financial/non-financial and insider information, simplifying the prospectus approval process for public issuances and eliminating public status for entities privatised during the 1990s, a majority of which were incapable of meeting regulatory requirement due to their small scale and financial position; and

- "The Law of Georgia on Investment Funds" is based on international principles and regulatory models, incorporating certain requirements of the Alternative Investment Fund Managers Directive (the "**AIFMD**") and UCITS (Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009). Along with this legislation, a special tax regime has been introduced based on best practices from leading countries such as Ireland and Luxembourg.

Going forward, Georgia's capital markets development strategy for the coming years must address some of the key challenges faced by the local capital markets as well as support the aforementioned initiatives by further streamlining the regulatory framework and policy incentives in line with international best practices, reinforcing the development of instruments and vehicles that have the ability at least partially to address scale constraints relevant for small open economies such as Georgia (particularly focusing on development investment funds) and further enhancing market integrity through improved transparency and corporate governance by issuers of public securities, among others.

AML Legislation

On 30 October 2019, the Georgian Parliament adopted the Law of Georgia on Facilitating Prevention of Money Laundering and Terrorism Financing (the "**AML Law**"). The AML Law repealed and replaced the Law of Georgia on Facilitating the Elimination of the Legalisation of Illegal Income, which was adopted in June 2003. The AML Law was adopted in line with recommendations of the Financial Action Task Force (the "**FATF**") and Georgia's commitments under the EU Association Agreement to implement the Fourth Money Laundering Directive 2015/849 of 20 May 2015 of the European Parliament and of the CoE "On Prevention of the Use of the Financial System for the Purposes of Money Laundering or Terrorist Financing", and to bring national legislation in line with the Convention of the CoE "On Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism".

According to the AML Law, the Inter-Agency Commission (which was established by the Government) is charged with developing and monitoring the implementation of a National Risk Assessment Report and Action Plan. The Inter-Agency Commission is chaired by the Minister of Finance, including senior officials from all of the relevant government agencies.

The Financial Monitoring Service ("**FMS**") monitors and supervises anti-money laundering measures and issues orders setting out additional measures and reporting requirements. The FMS operates as an independent body under the auspices of the Government. The FMS conducts its activities in close cooperation with the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism ("**MONEYVAL**"), which is the anti-money laundering body of the CoE, of which Georgia is a member, and in accordance with FATF recommendations and EU directives (although Georgia is not a member of the FATF or the EU).

Under the AML Law, financial institutions and other monitoring entities are required to undertake certain preventive measures when (i) establishing business relations; (ii) carrying out occasional transactions:

(a) above GEL 15,000 or its equivalent in any other currency or (b) that are wire transfers above GEL 3,000 or its equivalent in any other currency; and (iii) the monitoring entity has doubts about the veracity or adequacy of previously obtained customer identification data. Potential preventive measures include identifying customers and verifying customers' identity using reliable independent sources, identifying beneficial owners and taking reasonable measures to verify the identity of beneficial owners, identifying the purposes and nature of business relationships, and conducting ongoing due diligence of business relationships. Furthermore, monitoring entities are required to apply enhanced preventive measures for specific customers, including politically exposed persons and customers from high-risk countries and activities.

Under the AML Law and applicable FMS regulations, financial institutions are obliged to monitor all suspicious transactions, irrespective of their value, and promptly report suspicious transactions to the FMS. If the FMS receives a report of a transaction that it believes may be related to the laundering of illicit income or financing terrorism, the report must be forwarded to the appropriate departments of the relevant enforcement agencies. Since 2004, the FMS is a member of the Egmont Group and is actively involved in its activity.

The NBG is designated as the supervisory authority for financial sector representatives. It uses tailored supervisory tools and techniques for determining the frequency and intensity of anti-money laundering and combating the financing of terrorism ("**AML/CFT**") supervisory measures. Decisions regarding the utilization of various supervisory means and effective allocation of resources are based on the supervisory principles stipulated in the Supervisory Framework of the National Bank of Georgia on Combating Money Laundering and Financing of Terrorism, adopted on 1 January 2019.

The NBG's tools for achieving its objectives in relation to the prevention of illicit income legalization/terrorism financing include off-site supervision and on-site inspections of supervised financial sector representatives; assigning the appropriate level of supervisory attention to identify risks; executing relevant supervisory measures; and close communication with the supervised sector and competent authorities.

On 17 September 2020, MONEYVAL adopted the Fifth Round Mutual Evaluation Report of Georgia. The report underlines the effectiveness of the NBG's supervisory approach and outlines significant improvements after the previous MONEYVAL mutual evaluation process in 2011. According to the report:

- The NBG's supervisory approach is fully risk-based. The NBG has established an effective supervisory cycle and conducts a proportionate number of inspections given the size and materiality of the sectors under its supervision. The NBG has a comprehensive understanding of sectoral and individual institution risks; and
- The NBG has had a proven impact on the compliance of entities under its supervision. Due to the NBG's efforts, banks and core non-bank financial institutions assign high priority to AML/CFT compliance functions and have sophisticated AML/CFT internal controls.

The NBG is authorised to carry out on-site and off-site inspections of anti-money laundering issues arising in the financial sector and has dedicated budget resources and personnel to carry out such inspections. The NBG reports any breach of the AML Law or related regulations to the FMS.

PUBLIC FINANCE

Fiscal Policy

Fiscal Rules

The Organic Law on Economic Liberty defines the fiscal rules applicable to the Government, which are as follows: (i) the debt rule, which provides for a ceiling for consolidated General Government Debt (as defined in "*General Government Debt*"), combined with the present value of commitments made under general Government public-private partnerships ("**PPP**") at 60% of nominal GDP for the relevant year; (ii) the deficit rule, which caps the deficit at 3% of nominal GDP; (iii) the revenue rule, which provides that new general Government taxes may not be introduced or increased without a referendum agreement (other than excise taxes or increases that are temporary in nature). The Law requires that the budget is planned and set within these limits. There are two escape clauses under the Law, which permit the above limits to be breached: (i) a state of emergency is declared under Georgian legislation; and (ii) in the event of a recession, which is defined as real GDP growth declining by at least 2 percentage points in two consecutive quarters compared to average GDP growth over a 10-year period.

Revenues

One of the cornerstones of Georgia's fiscal policy is its growth friendly tax policy. This is achieved by applying low tax rates and relying more on indirect taxes and other tax regimes which have less opportunity for distortion. In the World Bank's 2020 Doing Business report, Georgia was ranked third in terms of the total tax and contribution rate, which was 9.9% (after Brunei Darussalam (8.0%) and Vanuatu (8.5%). This survey calculates the total tax and contribution rate based on the taxes and mandatory contributions that a medium- sized company would have to pay in a given year and measures the administrative burden of paying taxes and contributions and complying with post-filing procedures.

Georgia has been continuously implementing measures aimed at achieving a simplified and business friendly tax system with a lower level of distortions. In 2017, a new corporate income tax regime was introduced which taxes corporate profits only upon their distribution to individuals. The loss in revenue was compensated by higher excise taxes. See "*—Taxation Policy*" below for further detail of the new corporate income tax regime.

Another important reform in the area of tax policy that was implemented recently was the automated VAT refund system. Every VAT declaration now proceeds to a fully automated risk scoring system without any human intervention, with 90% of declarations being checked automatically checked and any tax credit being refunded within days.

Despite these measures, Georgia maintains a reasonable tax to GDP ratio, which was 22.2% in 2020, one of the highest in the region.

Georgia also places significant emphasis on the improvement of tax administration. It recently conducted a Tax Administration Diagnostic Assessment Tool ("**TADAT**") assessment jointly with the IMF, which demonstrated significant progress made by the tax authorities.

Georgia also recently started to conduct regular tax expenditure analysis. Focusing on the main areas where tax exemptions are applied and their inefficiencies is useful for suggesting areas for further reform. According to this analysis, reducing tax exemptions has been suggested as a measure for improving the growth friendliness of the Georgian economy while reducing distortions in the tax system.

Structure of Revenues

The Government's principal sources of revenue are taxes, grants from international institutions and agencies and other revenues, including transferred profits (dividends) from Government-owned entities and other sources of non-tax revenue. The Government also receives revenue in the form of grants.

Total revenues declined from GEL 13,350 million in 2019 to GEL 12,420 million in 2020, a decrease of 7.0%. Total revenues grew during the period from 2016 to 2019, from GEL 9,623 million in 2016 to GEL 13,350 million in 2019, an increase of 38.7%. Total revenues increased year-on-year by 14.8% in 2017, 6.4% in 2018 and 13.5% in 2019, before declining by 7.0% in 2020 due to the impact of COVID-19. The overall growth in revenues from 2016 to 2019 was principally a result of higher tax revenues on individuals as well as higher taxes VAT receipts. This was partially offset by lower corporation tax due to a switch to a new corporate income tax regime in 2017, as described below under "—*Tax Policy*".

In 2020, tax revenues accounted for 88.4% of total revenues. Tax revenues include personal income tax, profit tax, VAT, excise, import tax, property tax and tax on international trade. See "—*Taxation Policy*".

Non-tax revenues are mainly comprised of transferred profits (dividends) from Government-owned entities, administrative fees, fines, penalties and forfeits, interest and dividend payments. Another source of general Government receipts is proceeds from the privatisation of non-financial state assets.

The following table sets forth the structure of revenues for the periods indicated:

	2016	2017	2018	2019	2020
			(GEL millions)		
Revenues	**9,623**	**11,051**	**11,761**	**13,350**	**12,420**
Taxes	8,750	9,909	10,445	11,860	10,964
Taxes on income, profit and capital gains	3,353	3,675	3,984	4,349	4,246
Payable by individuals	2,479	2,919	3,247	3,483	3,327
Payable by corporations(1)	1,056	757	737	866	919
Taxes on property	363	394	441	474	434
Taxes on goods and services	4,756	5,573	5,893	6,746	6,457
General taxes on goods and services (VAT)	3,686	4,123	4,427	5,239	4,837
Excises	1,070	1,451	1,466	1,507	1,619
Taxes on international trade	70	72	73	79	74
Other taxes(2)	25	195	54	212	(232)
Grants	282	304	341	422	403
Other revenue	592	838	975	1,067	1,038
Revenues/GDP (%)	28.3	29.2	26.4	27.1	25.4
Tax revenues/(GDP)	25.7	26.2	23.4	24.1	22.2

Notes:
(1) From 2017, the new corporate income tax regime came into force.
(2) Includes cash outflows due to tax credit refunds.

Source: Ministry of Finance

Expenditures

Another key feature of Georgia's fiscal policy is adherence to a lean government principle. Georgia has historically maintained a low level of current expenditures as a percentage of GDP. The Government has introduced several measures and regulations aimed at reducing expenditures, including reducing the number of ministries and placing centralised controls on certain categories of current expenditures. Prior to the onset of the COVID-19 pandemic, current expenditures were on a downward trend and the IMF had noted that "Georgia's public sector balance sheet is in relatively healthy shape, with assets exceeding liabilities, and is comparatively lean".

On the other hand, the level of capital expenditures remains high, at 8-9% of GDP. Under the spatial development plan of the Government introduced in 2016, capital expenditures are focused on the construction of a spinal highway network. This comprises an East-West highway and a South-North corridor aiming at untapping the country's logistics potential and the developmental potential of the regions outside Georgia's capital city of Tbilisi.

In 2013, Georgia introduced its Universal Health Care system, which is one of the pillars of the social safety net. Expenditures under it the Universal Health Care System are on average 1.7% of GDP. In past years, the resilience of the healthcare system has grown due to the program, which was demonstrated in Georgia's relatively successful management of the COVID-19 pandemic.

In 2020, Georgia introduced a basic pension indexation mechanism, which has applied since January 2021. According to this mechanism, retirement benefits for citizens under the age of 70 will increase at the rate of inflation with a minimum increase of GEL 20 per month, whilst for citizens aged 70 and above retirement benefits will increase by inflation plus 80% of real economic growth with a minimum increase of GEL 25 per month. Pension indexation is intended to achieve the long-term sustainability of the pension system. For further detail of the pension indexation, see "*Economy of Georgia—Labour and Social Policies—Pensions*".

Structure of Expenses

Total expenses have increased over the past five years, from GEL 10,136 million in 2016 to GEL 16,979 million in 2020, an increase of 67.5%. Total expenses increased year-on-year by 4.6% in 2017, 3.3% in 2018 and 10.8% in 2019. Total expenses increased significantly, by 23.2%, in 2020 due to the government's fiscal response to the COVID-19 pandemic. The principal reasons for the overall increases in expenses in the period from 2016 to 2019 were increased expenditures on purchases of goods and services, interest and social benefits.

	2016	2017	2018	2019	2020
			(GEL millions)		
Total Expenditure	**10,136**	**11,248**	**12,125**	**14,257**	**16,979**
Expenses	8,786	9,194	9,496	10,518	12,958
Compensation of employees	1,753	1,649	1,685	1,785	1,851
Use of goods and services	1,394	1,536	1,584	1,659	1,881
Interest	403	482	520	611	769
External	195	238	269	324	337
Domestic	208	244	252	287	433
Subsidies	701	871	849	990	1,450
Grants	82	64	66	126	237
Social benefits	3,394	3,544	3,732	4,198	5,575
Other expenses(1)	1,059	1,050	1,060	1,150	1,195
Net acquisition of non-financial assets	1,351	2,054	2,629	3,739	4,021
Increase (capital spending)	1,718	2,314	2,860	3,945	4,229
Decrease (privatisation proceeds)	(367)	(260)	(231)	(206)	(208)
Current expenses/(GDP) (%)	25.8	24.3	21.3	21.4	26.2
Capital spending(2)/GDP (%)	6.7	8.7	8.1	8.5	9.0

Notes:

(1) Includes wages and salaries in the education sector.
(2) Includes increase in non-financial assets and budget lending.

Source: Ministry of Finance

Management of Fiscal Deficit

The Government has a track record of fiscal discipline and relatively low budget deficits. In the aftermath of the regional economic crisis of 2014-2016, the Government introduced fiscal reforms quickly, including fiscal repair measures and fiscal buffers. Georgia has historically (prior to the onset of COVID-19) run high operating surpluses, which contributes to fiscal resilience. Government savings have also made the Georgian public sector one the most solvent globally.

The following table sets forth the general Government fiscal balance for the periods indicated:

General Government Fiscal Balance

	2016	2017	2018	2019	2020
	(GEL millions, unless otherwise indicated)				
Net lending / borrowing................................	(545)	(197)	(364)	(907)	(4,559)
Net budget lending	481	915	657	111	55
Augmented net lending / borrowing (IMF program definition)......................................	(1,025)	(1,113)	(1,021)	(1,019)	(4,615)
Operating surplus	837	1,857	2,265	2,832	(538)
Net lending / borrowing / GDP (%).............					
Augmented net lending / borrowing / GDP (%)...	(1.6)	(0.5)	(0.8)	(1.8)	(9.2)
Operating balance/GDP *(%)*	(3.0)	(2.9)	(2.3)	(2.1)	(9.3)

Budget Code of Georgia

The Budget Code of Georgia, adopted on 18 December 2009 (the "**Budget Code**"), defines the principles of the budgetary system and regulates the preparation of the Budget and the Budget's approval, execution, reporting and monitoring. The Budget Code establishes the Budget, which consolidates: (i) the State Budget (which is the budget of the central Government); (ii) the budgets for the autonomous republics of Abkhazia and Adjara; and (iii) budgets for the municipalities (local governments). It also defines the budgetary relations and responsibilities of the central Government, the governments of the autonomous republics and all local governments. See "*Description of Georgia—Regional Administration*". The Budget Code was updated further to include the PFM reform progress, including moving from traditional organization based budgeting to program budgeting.

Since 2012, the State Budget and since 2013, the Budgets of Autonomous Republics and Municipal Budgets are planned program based. The budgets of the autonomous republics and the local governments are independent from the State Budget and authorise expenditure with a regional or municipal scope. The major source of municipal own revenue since 2019 is shared VAT receipts (which replaced the equalization transfer mechanism which previously applied), as well as property tax and local fees and levies. Municipalities receive capital transfers for investment projects through the State Budget Fund for Regional Infrastructure projects. Rules for allocating resources to municipalities for investment projects are defined by the Government.

The Ministry of Finance supervises and coordinates the preparation, execution and reporting of the State Budget. The Minister of Finance is empowered to issue orders to ensure that the budget process at all levels of government is carried out in a uniform manner in compliance with the requirements of the Budget Code and other applicable laws. For example, on 8 July 2011, Order No. 385 ("**Order No. 385**") was issued by the Minister of Finance. This instrument set forth the principles applicable to, as well as the methodology for, program budgeting as described below under "*—Improving Budget Management*". In addition, Budget figures are also discussed with IMF missions in the context of the annual Article IV visits.

The Budget Code regulates the distribution of budget revenues. Generally, all taxes except property taxes and shared VAT (as referred to above) is directed to the State Budget. Receipts from non-financials assets are directed to the Budget of the governments the relevant property is owned by (in cases where the property is located on municipal or autonomous republic territory, the proceeds are shared pursuant to ratios defined by the Budget Code). Property taxes are allocated to the budgets of local governments. Since 2019, VAT is a shared tax among the state Budget and the municipal budgets. Municipalities receive 19% of actually accumulated VAT, which is distributed to municipalities according to the formula set forth in the Budget Code.

Local governments are not permitted to incur General Government Debt (as defined below), which is the exclusive prerogative of the Government (acting through the Ministry of Finance). See "*General Government Debt*". Local governments are permitted to raise tax revenue only through limited property tax levies and fees. The Government also allocates funds to local governments. Local governments may take loans from the Government and/or other lenders only with the consent of the Government.

Budget Process

Georgia starts preparing for the next year's Budget from 1 March of each year. The Government issues a Decree which regulates the timeline, templates and other rules for updating the BDD Document (as defined below) and preparing for the submission of the Budget. From March to July, the Ministry of Finance and the line ministries work on medium-term action plans and discuss preliminary ceilings. The Ministry of Finance analyses macroeconomic projections and revenue forecasts and the Government informs the Parliament regarding the Macro-Fiscal Framework. By early July of each year, the Ministry of Finance prepares the draft updated BDD Document for the relevant year and sets spending ceilings for all spending agencies. Spending units submit their budget proposals to the Ministry of Finance prior to 1 September. By 15 September of each year, the Ministry of Finance submits to the Government the basic framework of the draft State Budget for the upcoming year. The Government then submits a full draft State Budget package to the Parliament before 1 October. Parliamentary committees prepare recommendations and discuss the recommendations from the State Accounting Office ("**SAO**") and return the package to the Government for further elaboration. The Budget package is submitted to the Parliament two more times and discussed at the plenary session. Pursuant to the Budget Code, the State Budget is required to be approved by the Parliament for each upcoming year by the third Friday of December but no later than 31 December of the preceding year. The 2021 State Budget was approved by Parliament on 29 December 2020. See "*—2020 and 2021 State Budgets and Impact of COVID-19*".

In practice, the Government has amended its annual State Budgets, sometimes several times in the same year. For example, in 2020 Government had one amendment in June as a response to changing fiscal framework because of Pandemic. The need to amend the State Budget has historically arisen as a result of higher-than-expected tax revenue due to the improving tax compliance rate, and better-than- expected economic performance of the Georgian economy, resulting in further increases in tax revenue, and external events such as the 2008 Russia-Georgia War, the global financial crisis and the COVID-19 pandemic. The timeline for the Parliament to discuss and amend the State Budget is regulated by the Budget Code.

No extra-budgetary revenues or expenses are permitted.

Improving Budget Management

Georgia has been implementing public finance management ("**PFM**") reforms since 2004. These reforms have been based on the framework set by the PFM Strategies and annual action plans. Georgia has been monitoring the progress of its reform through different international assessment tools and instruments, including Public Expenditure and Financial Assessment ("**PEFA**"), Fiscal Transparency Evaluation ("**FTE**"), Public Investment Management Assessment ("**PIMA**") and Open Budget Survey ("**OBS**").

Since 1 January 2008, the State Budget has been fully compliant with the new GFSM 2001 classification, on a cash basis. Since 2009, all the municipalities have followed the same standard. Georgia has updated its Budget classification further and starting from 2019, it is based on GFSM 2014. The GFSM based Budget classification is built into the PFM electronic system for Budget planning (e-Budget) and e-Treasury. Since 2015, all commercial bank accounts of municipalities as well as of legal entities of public law ("**LEPLs**") were transferred under a single treasury account. This allows for real-time, accurate accounting for budget operations in line with GFSM 2014 standards.

In 2006, the Government introduced and adopted its first Basic Data and Directions Document (the "**BDD Document**"), which serves as the medium-term budgetary framework ("**MTBF**") and fiscal strategy document for Georgia's Budget system. The document covers the Budget year plus a three-year period and is updated annually on a rolling basis and distributed to the Government's ministries and agencies. The BDD Document provides not only data analysing the previous year's fiscal performance and the outline of the next year's financial plans, but also the Government's medium-term strategy and priorities for action for the upcoming years, along with the expected results and outcomes for that period. The document defines the macro-fiscal medium-term and approves ceilings for State Budget spending units for the medium term. This BDD Document is based on medium-term actions plans of the line ministries and serves as a basis for annual Budget planning. The medium-term planning laid out in the BDD Document is based on the Medium-Term Expenditure Framework principle (the "**MTEF**"), which was established in 2006. The BDD Document and MTEF provide the Government's ministries and agencies with a framework within which to operate and within which they can set out their priorities and a justification of those priorities, a needs assessment and the amount of funds requested, as well as expected outcomes and criteria for judging success and effectiveness. Line ministries are allowed to submit their Budget proposals to the Ministry of Finance through the e-Budget system within the ceiling identified by the BDD Document and if needed request extra ceiling demands in the relevant templates.

In order to enhance the medium-term planning process across the line ministries, the Government issues a decree each year prior to 1 March setting forth templates, rules and procedures for preparing medium-term action plans and submitting funding needs to the Ministry of Finance. The decree usually requires line ministries to create a working-group with the participation of all policy units and heads of subordinate institutions for the process of medium-term and annual budget planning. The decree also sets templates for differentiating the funding demands for the continuation of existing policies and the introduction of new policies or policy changes.

From the 2012 Budget, program budgeting was introduced, with the budget reflecting the medium-term priorities of the Government and programmes of Ministries and spending agencies and funding for the programmes targeted at achieving those priorities. Order No. 284 of 10 March 2010 on the Programme Budgeting Implementation Plan identified programme budget activities for 2010, 2011 and 2012. In 2009 and 2010, the main works were completed in cooperation with pilot ministries. Taking into consideration recommendations of the IMF, World Bank and other international organisations and examples of other countries and based on the experience of the pilot ministries and suggestions worked out during the meetings with spending agencies, the Programme Budget Methodology was prepared and approved by Order No. 385. The methodology also includes instructions on Capital Budget and Performance Reporting forms. The program budget templates are also built into the electronic system for Budget planning (e-Budget). The program budget methodology has undergone major amendments since its first approval in 2011.

The Government has started to introduce a Public Investment Management ("**PIM**") component as a further layer of PFM reform. The World Bank and other international partners have supported the Government in preparing the necessary methodological guidance and piloting the system. The PIM system sets forth a comprehensive framework for public investment projects from the point of initiation to post-implementation evaluation. It envisages pre-selecting and selecting projects (with a value of GEL 5 million or more) based on economic analysis before these projects become part of the pipeline. The process for selecting projects based on the above methodology is still in early pilot phase. The ultimate goal is to include the list of selected projects as part of the BDD Document and negotiate the financing of investment projects from the list as part of the regular Budget negotiation process. This is expected to lead to more efficient and effective projects being financed since the decisions will be made on economic analysis but also considering social and other impacts pursuant to a rule-based approach. This is also expected to make the budget implementation process even smoother, since the projects included in the framework will be pre-analysed. The 2020 and 2021 State Budget draft packages included economic analysis for selected new PIM projects.

The scope of the Budget package has expanded significantly due to these reforms. In addition to the draft Budget law the package includes many annexes, including a Debt Sustainability Analysis; public debt information; fiscal risk assessments; pessimistic reconciliations of projections of different periods for the same medium-term cycle. Since the 2020 state budget amendment and the 2021 state budget were above the fiscal rule ceiling (which was permitted as the escape clauses were triggered), a plan for returning to a level within the ceilings was also part of the Budget package.

Transparency and citizen participation have also been key focuses as part of PFM reform. Georgia publishes all Budget related documentation, making it available to the public. Citizen's guides are prepared and published on the Ministry of Finance official website. In 2019, a special portal, www.EBTPS.mof.ge, was created with the assistance of international donors and was launched in 2020. The portal provides a questionnaire survey for citizens interested in the budgeting process and also provides access to all Budget related public information. There is an awareness raising campaign for the portal, although it was paused in the context of the COVID-19 pandemic.

Georgia monitors its progress through different international instruments. The Government conducts regular self-assessments with PEFA methodology which are validated by the PEFA secretariat. This methodology is also used for assessing the municipalities. IMF instruments such as the Fiscal Transparency Code and PIMA were conducted and action plans were agreed and followed. Georgia has been scoring impressively high on OBS and has been ranked fifth for the past two assessments with extensive open budget information availability.

2020 and 2021 State Budgets and Impact of COVID-19

The following table sets forth the initial and actual consolidated budget for 2020 and the consolidated budget for 2021, as approved by the Parliament:

2020 and 2021 State Budgets

	2020 Pre-COVID-19 Projection	2020 Actual	2021 Projection
Revenues	**13,612**	**12,421**	**13,402**
Taxes	12,305	10,979	12,045
Taxes on income, profit and capital gains	4,695	4,246	4,532
Payable by individuals	3,725	3,327	3,581

Payable by corporations	970	919	951
Taxes on property	498	434	417
Taxes on goods and services	6,830	6,457	6,949
General taxes on goods and services (VAT)	5,430	4,837	5,367
Excises	1,400	1,619	1,582
Taxes on international trade	80	74	77
Other taxes(1)	202	(232)	70
Grants	317	460	357
Other revenue	990	983	1,000
Total Expenditure	**14,869**	**16,982**	**17,393**
Expenses	11,410	12,960	13,407
Compensation of employees	1,896	1,851	1,955
Use of goods and services	1,772	1,881	2,070
Interest	761	770	933
External	321	337	388
Domestic	440	433	545
Subsidies	1,031	1,452	1,285
Grants	127	237	170
Social benefits	4,556	5,575	5,573
Other expenses	1,267	1,196	1,421
Net acquisition of non-financial assets	3,459	4,022	3,986
Increase (capital spending)	3,689	4,229	4,236
Decrease (privatisation proceeds)	230	208	250
Net lending/(borrowing)	**(1,257)**	**(4,560)**	**(3,991)**

Note:
(1) Includes cash outflows due to tax credit refunds

Source: Ministry of Finance.

Actual revenues in 2020 were lower than budgeted revenues mostly due to lower tax collections affected by the outbreak of COVID-19 pandemic. Total expenditures in 2020 were higher than budgeted expenditures, reflecting the effect of Governmental programmes implemented to address effects of the outbreak of COVID-19 pandemic. Net borrowing in 2020 was also higher than budgeted net borrowing due to the implementation of Governmental programmes addressing the outbreak of COVID-19 pandemic and lower than budgeted tax collections.

Fiscal Risk Management

Georgia started the implementation of mechanisms for identifying and evaluating fiscal risks in 2014 through reporting financial data for major state owned entities ("**SOEs**"). In addition to macroeconomic risks, SOEs and PPP projects continue to be one of the main sources of fiscal risks for the country. The Government has taken concrete steps to address the challenges faced by SOEs, primarily by focusing on improving fiscal transparency. Substantial progress has been made in disclosing fiscal risks arising from SOEs in the Government's Fiscal Risk Statement. The Ministry of Finance also introduced a Fiscal Risk Management Unit in 2017. In 2020, Georgia, along with the rest of the world, was severely affected by the COVID-19 pandemic. The pandemic confirmed the need for the timely identification of risks and the importance of developing mechanisms for risk mitigation.

In the second quarter of 2020, the Ministry of Finance conducted a sectorization exercise with respect to SOEs, which laid the groundwork for reform of the SOE sector. Georgia is the first country to undertake such an exercise in accordance with the GFSM 2014 standard in Central Asia and Eastern Europe. Also in the second quarter of 2020, PPP value for money ("**VFM**") Guidelines were adopted, which are intended to assist in assessing fiscal risks and the availability of public finance for PPP projects. Georgia's policy is no longer to offer power producers power purchase agreements ("**PPAs**") in order to avoid increasing the level of contingent liabilities. These measures have helped to minimise risk in the context of the adverse effects of the COVID-19 pandemic.

Georgia intends to continue to strengthen its fiscal risk management capabilities through its ambitious plan for implementing OECD corporate governance practices across the SOE sector.

Relationship with the IMF

In 2017, the Executive Board of the IMF approved a three-year Extended Fund Facility ("**EFF**") program for Georgia. The main objectives of the program were strengthening reserves, achieving effective fiscal consolidation and guiding the Government in economic reforms. Georgia has a good record of achieving targets and meeting structural benchmarks, making the program one of the most successful globally. To ensure a smooth and stable election year, in early 2020, the Government requested a one-year extension of the program without an additional financing request. The extension provided Georgia with immediate support in the context of the COVID-19 pandemic.

The new government remains committed to starting a new programme with the IMF to maintain strong international support in the coming years and achieve effective consolidation in the medium term.

Structural Policy

Doing Business

According to the World Bank's "Doing Business 2020" survey, Georgia ranks seventh among 190 countries. Georgia has made significant progress in the rankings and is in the list of top ten countries by three indicators, including Starting a Business (ranked second), Registering Property (ranked fifth) and Protecting Minority Investors (ranked seventh). Georgia has improved in six indicators out of 10: Starting a Business, Dealing with Construction Permits, Paying Taxes, Getting Electricity, Trading Across Borders and Resolving Insolvency. According to "Doing Business 2020", Georgia is ranked highest within the Eastern Europe & Central Asia region (which includes 23 countries). With 51 institutional and regulatory reforms, Georgia is the Top Improver since 2003 in Eastern Europe & Central Asia region and globally. It has been featured on the list of top 10 improvers for three consecutive Doing Business cycles.

World Bank "Worldwide Governance Indicators"

Georgia's governance indicators outperform those of regional peer countries. According to the World Bank "Worldwide Governance Indicators", in recent years Georgia has achieved significant progress in all six indicators. In particular, substantial progress was made in the "Government Effectiveness" and "Regulatory Quality" indicators. According to the latest data, from 2019, Georgia ranks 37th in the "Regulatory Quality" indicator, with a score of 82.69. The indicator captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Georgia improved its ranking by six positions compared to the previous year in the "Government Effectiveness" indicator ranking 49th globally with a score of 76,92. This indicator assesses perceptions of the quality of public services, the quality of the civil service and the degree of independence from political pressures, the quality of policy formulation and implementation and the credibility of the government's commitment to such policies.

Economic Reforms

In recent years, Georgia has made tangible progress in building strong economic fundamentals and an institutional framework for private sector development. Although proactively dealing with the negative effects of the COVID-19 pandemic is the Government's priority in the near term, Georgia remains committed to continuing to introduce structural reforms and focusing on long-term development priorities which ultimately are intended to sustain a durable and inclusive recovery. Decisive implementation of structural reforms is critical to support the recovery and limit the long-term impact of the COVID-19 pandemic.

Capital Markets

Despite COVID-19 related challenges, the Government is continuing efforts to support the development of the domestic capital markets, which has been a longstanding area of focus. Domestic capital accumulation is taking place, bolstered by the country's economic development as well as pension reforms, while at the same time demand for long-term domestic capital is increasing. The development of the domestic capital markets is a crucial part of efficiently connecting these two macroeconomic trends. The development of the domestic capital markets is also expected to support Larization in a market based way, reduce external vulnerabilities, advance efficient mechanisms for savings allocation and promote structural improvement of the economy.

In 2020, the Parliament adopted two important pieces of legislation: amendments to the Securities Market Law and the Investment Funds Law. These changes, together with supporting regulations, streamline investment fund registration and asset management, as contain detailed prohibitions on insider dealing and new definitions regarding accredited investors as well new corporate governance principles. See "*Monetary System—Capital Markets—Development of the Capital Markets*" for more detail regarding these legislative and regulatory changes.

Insolvency

The new "Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors" is expected to help further improve the business and investment environment. Creation of an efficient insolvency framework has been a challenge for many years. To address this, the Government, in close cooperation with IFIs, implemented fundamental insolvency reforms. In September 2020, the Parliament approved a new insolvency law providing for a resilient framework that is intended to maximise recovery values, as well ensure adequate protection of creditors' rights, timely and efficient insolvency processes and an effective rehabilitation framework in line with best international practice. The reform will have important economic implications, including the improvement of access to finance, the development of the capital and overall financial markets, transparency and predictability of the business environment, protection of investors, increasing productivity and efficient utilization of economic assets.

PPP

In 2020, the Government made the PPP framework fully operational by approving the value for money ("**VFM**") methodology following the recommendations of the IMF Technical Assistance and incorporating this methodology into the PPP/VFM Guidelines. The new PPP framework is intended to promote investment and enhance cooperation between the state and the private sector, thus increasing the efficiency and productivity of public infrastructure and services.

Development of Alternative Financing Mechanisms

Development of alternative financing mechanisms is one of the most important avenues for promoting access to finance. This is an area where Georgia has significant room for improvement. Within the framework of "Development of Alternative Financing Mechanisms for MSMEs", the Government is considering the development of the regulatory framework applicable to factoring and leasing in line with best international practices, as an important tool to support private sector competitiveness.

Land Registration

Ongoing land registration continues to be important for rural and agricultural development. Land cadastres are important for protecting property rights, simplifying land transactions and providing collateral for borrowing. The Government has been assisting citizens in searching for property ownership documents and facilitating dispute resolution through mediation.

Energy

The Government is committed to continuing to promote energy savings and independence, security in energy supply and energy efficiency. It is committed to expanding Georgia's power generation capacity in a fiscally sustainable manner and promoting energy generation from renewable sources through a feed-in premium scheme to limit fiscal risks. Such a scheme has already been approved by the Government. The Government has also approved a new Electricity Market Concept Design that is expected to become operational in 2021. A new Natural Gas Market Concept Design has also been developed and is in the pipeline for approval. The Government is also developing a national energy and climate plan.

Further Development of State Support Mechanisms

The Government of Georgia has prioritised small- and medium-sized enterprise ("**SME**") development, as this represents the main source of private sector growth, job creation and innovation. Developing new instruments, in line with best international practice, to support SMEs and improve access to finance is an uninterrupted and dynamic process. In order to address COVID-19 related challenges and ease pressure on the business sector, the Government has launched new state support instruments and has tailored existing programs. Examples include the introduction of a Credit Guarantee Scheme and an FDI grant program. These are aimed at addressing areas of specific economic concerns surrounding the COVID-19 pandemic, providing liquidity and supporting investment and economic recovery.

Enterprise Georgia

In order to support private sector competitiveness, the "Enterprise Georgia" agency (which falls under the Ministry of Economy and Sustainable Development) conducts programs and activities in three specific areas: supporting local production, facilitating exports, and attracting FDI.

In terms of export facilitation, "Enterprise Georgia" has a strategic vision for the exploitation of new export markets by involving more private companies in international exhibitions, cooperating with international donor/partner organizations to identify sectors and products with high export potential, improving educational programs and developing new modules and assisting private companies in obtaining international certificates and adapting to international standards (including the standards set forth in the DCFTA).

"Enterprise Georgia" promotes the development of SMEs by supporting industrial manufacturing and the hotel industry through several avenues, including the provision of technical assistance, co-financing of business loans approved by local commercial banks, the provision of partial collateral guarantees, co-financing of leased equipment and micro-assistance via grant mechanisms.

In order to attract FDI, "Enterprise Georgia" prepares investment proposals for priority sectors, selects potential investor companies, engages in proactive outreach and plans meetings with target companies to present investment opportunities in Georgia. "Enterprise Georgia" assists foreign investors before, during and after the investment process (including systematic aftercare services).

Taxation Policy

The Government has been reforming its taxation policy since 2004, including through the introduction of a new tax code in 2005, which reduced the number of taxes from 21 to seven (excluding tariffs) and simplified the tax system. In 2007, personal income and social tax were combined into one aggregate tax, after the abolition of the social tax.

In 2006, a new Law on Customs Tariffs was enacted, streamlining the customs tariffs so that only three rates (12%, 5% and 0%) are in force. In 2007, the Government adopted new legislation to further decrease customs fees, with the aim of stimulating trade. As a result of these reforms, all imports, except for a small number of agricultural goods, construction materials and certain other goods are subject to 0% customs tariffs. Georgia's weighted average import tariff is among the lowest in the world. Excise tax is payable for the production, import, transit or export of a limited number of goods subject to excise tax in Georgia, such as oil, tobacco, alcohol, automobiles and certain other products and the supply of mobile communication services and condensed natural gas and natural gas for automobiles. Excise tax rates are fixed per physical unit of excisable good and vary from product to product. See "*External Sector—International Trade Agreements—Tariffs*".

In 2010, a further new Tax Code was introduced, which came into effect on 1 January 2011. The Tax Code combines the old tax and customs codes.

Effective 1 January 2017, Georgia switched to a new corporate income tax system. Retained profits are no longer taxable until they are distributed. The new regime is not aimed to exempt profits from taxation but rather is designed to defer taxation. Consequently, taxpayers no longer need to determine taxable gross income and allowable deductions in order to arrive at the taxable profits, but rather the standard corporate income tax rate of 15% is applicable to the grossed-up value of the following transactions: profit distribution; costs incurred not related to economic activity; free of charge distributions; and over limit representative expenses. Commercial banks, credit unions, insurance companies, microfinance organisations, and loan providers will become subject to this corporate income tax regime after 1 January 2023.

Taxation Rates

Tax rates in Georgia are generally low. The personal income tax rate is set at 20%. Withholding tax rates on interest and dividends are 5%. Individual entrepreneurs with an annual turnover of below GEL 500,000 may register as a small business and pay a 1% tax on their turnover. This rate increases to 3% if annual turnover exceeds GEL 500,000. Under the Tax Code, the corporate income tax rate is 15%. Georgia has 56 effective DTAs and pursuant to these treaties, withholding tax rates on interest and dividends paid to non-residents vary from 0% to 5 %. VAT is at a rate of 18%. A VAT exemption is applied to various goods and services, inter alia, medical care, exports and education.

Customs Code of Georgia

From September 2019, a new Customs Code was enacted, which regulates all issues regarding the legal relations involved in the movement of passengers, goods and vehicles across the customs border of Georgia, the amount of payment of customs duties and the terms of administration.

Administrative Reforms

The Government has simplified a number of administrative procedures, including tax collection mechanisms and the dispute resolution procedure. In addition, under the Tax Code a number of on-line services have been introduced to simplify compliance procedures for taxpayers and to aid communication between taxpayers and the tax authorities. Such communication was further improved by the Advance Tax Ruling (which provides for binding interpretations of the Tax Code), Private Tax Agent and Tax Deal mechanisms. In addition, a tax ombudsman introduced to secure the protection of taxpayers' rights.

International Taxation and Liberalisation of Customs Procedures

Georgia has entered into double taxation treaties with 56 states, including the neighbouring countries of Armenia, Azerbaijan and Turkey and 23 EU member states. Georgia also has an agreement with Turkey, its largest trading partner, to enter into a simplified customs regime and streamline the procedure at customs checkpoints on the border with Turkey to encourage a faster and more efficient border crossing. It has entered into similar regimes with neighbouring countries, including Armenia and Azerbaijan.

Further, Georgia has effective FTAs with all CIS countries, EU countries, EFTA states (Iceland, Liechtenstein, Norway and the Swiss Confederation) and China. These FTAs permit a reduction or exemption from import duties.

On 27 June 2014, Georgia signed the DCFTA with the EU, which envisages bilateral trade liberalization with the EU. This agreement entered into force on 1 July 2016

Beneficial Tax Regimes

Georgian tax legislation also extends certain tax benefits to the following regimes:

International Company

The Government allows companies in the IT and maritime services business to obtain International Company status. An International Company is located outside the free industrial zone ("**FIZ**"). Distribution of dividends by an International Company is also not taxed. Profit is taxed at 5%. Furthermore, property (other than land) used for the relevant activities is exempt from property tax.

Customs/Bonded Warehouse

A customs/bonded warehouse is an area within the customs territory of Georgia comprising territorially separate buildings and/or land plots, under which the permitted activities are carried out. The customs warehousing procedure allows the warehousing of foreign goods in a customs warehouse, in the warehouse of the customs authorities or another place of storage, which does not entail (i) an obligation to pay import duty or (ii) the protective measures applied to trade.

Special Trading Company

The status of a special trading company is granted to companies carrying out trade and export activities, a list of which is determined by law, provided that the annual turnover of such entity generated from an auxiliary business is less than GEL 1 million. A Special Trading Company is exempt from profit tax on income received from selling and re-exporting of foreign goods.

Free Industrial Zones

The status of a Free Industrial Zone Company is granted to the entities located inside a FIZ. Income received by a Free Industrial Zone Company from its permitted activities conducted in a Free Industrial Zone is exempt from profit tax. Furthermore, it is taxed with 4% flat rate on the market price of goods supplied to a person registered outside FIZ in mainland Georgia (excluding supply to another Free Industrial Zone Company).

GENERAL GOVERNMENT DEBT

General

In accordance with the Organic Law of Georgia on Economic Freedom, general Government debt (the "**General Government Debt**") comprises (i) debt defined under the Law of Georgia on Public Debt, excluding the debt of NBG with respect to IMF and (ii) debt incurred as loans by budgetary organisations, except debt incurred from other budgetary organisations. General Government Debt is composed of internal general government debt ("**Internal General Government Debt**") and external general government debt ("**External General Government Debt**").

In accordance with the Organic Law of Georgia on Economic Freedom, the ceiling for consolidated General Government Debt, combined with the present value of commitments made under PPP is set at 60% of nominal GDP for the relevant year. The ceiling is included in the annual budget law. Under the 2020 Budget Law, the ceiling for General Government Debt was GEL 28,395.5 million, or 54.4% of nominal GDP, of which GEL 22,428.7 million was allocated to External General Government Debt and GEL 5,966.8 million was allocated to Internal General Government Debt. Under the 2021 Budget Law, the ceiling for General Government Debt is GEL 33,680.1 million, of which GEL 27,734.2 million is allocated to External General Government Debt and GEL 5,945.8 million is allocated to Internal General Government Debt.

General Government Debt Management Strategy 2019-2021

The General Government Debt Management Strategy document summarises the government's debt management targets and guidelines for the period from 2019-2021. The document is prepared according to the medium-term debt management strategy ("**MTDS**") methodology developed by the IMF and the World Bank and reflects the recommendations received from consultations with them, as well as international practices.

The main objectives of the General Government Debt Management Strategy are:

- to meet the Government's financial needs, while minimising medium- and long-term costs, consistent with a prudent degree of risk. This objective entails maintaining general government debt at a sustainable level with minimal costs, considering refinancing risk, interest rate risk and exchange rate risk;

- to develop the domestic market of government securities, which entails increasing liquidity, transparency and predictability of the market. One of the main issues in the development of this market has been the need to increase volumes of existing securities in order to attract investors to invest in domestic government securities, and correspondingly expand the investor base. A more developed domestic market should decrease budget expenses for debt service and reduce risks in the medium and long term. A developed government securities market is expected to support the development of the domestic capital markets, which in turn should create additional GEL denominated financial resources available for market participants; and

- to increase the share of domestic debt over the medium term, which is in line with the Government's agenda of reducing the level of dollarization across the economy. Due to the COVID-19 pandemic, the process of de-dollarization has been temporarily suspended, which has resulted in a delay in achieving the strategic goal of a year-on-year increase in the share of domestic debt. Throughout the pandemic, while mobilizing additional financial resources, preference has been given to foreign currency denominated debt to support foreign reserves.

Primary Dealers

In November 2020, Georgia introduced a Market Making Pilot Programme in Debt Securities of the Republic of Georgia, which is intended as the first step in establishing a Primary Dealer system with the aim of lowering the cost of issuance while establishing a reliable yield curve and attracting new investors into the market. The deepening of the government securities market should contribute to the development of the whole financial market, encourage savings and enable the NBG to use indirect instruments of monetary policy.

Primary Dealers are expected to contribute to financial market development by acting as intermediaries between the issuer of the relevant securities and investors, by contributing to the process of diversification of the investor base and enhancing the secondary market liquidity via regular price quoting and the provision of appropriate trading and settlement infrastructure for every participant in the market.

To pave the way for the introduction of a fully-fledged Primary Dealer system, it was considered appropriate to start with a Market-Making Pilot Program ("**MMPP**") with a narrower focus than a fully-fledged Primary Dealer system. The aim is to establish a simplified set of duties and privileges in order to better assess benefits and drawbacks and calibrate the system before expanding it to the wider local currency government securities market. This should facilitate the gradual development of the market making capacity of the financial intermediaries and minimise the financial risks to which they are exposed in the early development stages.

General Government Debt

The following table sets forth certain key statistics with regard to Georgia's General Government Debt for the periods indicated:

General Government Debt(1)

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
		(U.S.$ millions)			
General Government Debt	**5,454**	**6,196**	**6,482**	**6,945**	**9,050**
Internal General Government Debt	944	1,105	1,214	1,453	1,888
External General Government Debt	4,510	5,092	5,267	5,492	7,162
Interest payments	**159**	**188**	**198**	**213**	**238**
Internal General Government Debt	77	92	91	98	130
External General Government Debt	83	95	106	115	108
Total General Government Debt Service	**580**	**776**	**947**	**1,018**	**1,008**
Internal General Government Debt	369	510	559	579	609
External General Government Debt	211	266	388	439	400
Total General Government Debt/GDP(3) *(%)*	**40.3%**	**39.4%**	**38.9%**	**40.4%**	**60.0%**
Internal General Government Debt/GDP(3) *(%)*	7.0%	7.0%	7.3%	8.5%	12.5%
External General Government Debt/GDP(3) *(%)*	33.3%	32.4%	31.6%	32.0%	47.5%
Total General Government Debt/Budget Revenue	149.2%	147.1%	146.7%	154.3%	239.1%
Total General Government Debt Service/Budget Revenue	15.3%	18.2%	21.0%	22.5%	26.1%
External General Government Debt Service/Exports *(%)*	8.1%	8.8%	11.1%	13.0%	20.9%

Notes:

(1) Excluding obligations of the NBG to the IMF, which are used for the sole purpose of replenishing international reserves of the NBG, are the exclusive liabilities of the NBG.

(2) Calculated as a percentage of Georgia's Nominal GDP.

(3) Percentages calculated using U.S. Dollar GDP figures. GEL amounts have been converted into U.S. Dollar amounts by Geostat.

Source: Ministry of Finance.

In 2020, the General Government Debt to GDP ratio increased but according to projections it is expected to stabilise and exhibit a downward trend in the coming years. The following table shows the joint projections of the General Government Debt to GDP ratio applying relevant assumptions regarding other variables of the authorities and IMF.

	Projections					
	2021	**2022**	**2023**	**2024**	**2025**	**2026**
			(%)			
Economic Growth	3.5	5.8	5.5	5.2	5.2	5.2
Deficit as % of GDP	7.4	4.0	2.6	2.3	2.3	2.3
Debt as % of GDP	60.8	57.9	56.6	54.5	52.8	51.2

As at 31 December 2020, the average time to maturity ("**ATM**") of the total portfolio was 7.52 years, with external debt at 8.69 years and internal debt at 3.07 years. The weighted average interest rate of the aggregate portfolio was 2.84%, with external debt at 1.33% and internal debt at 8.58%.

Internal General Government Debt

Internal General Government Debt, as at 31 December 2020, was comprised of: (i) the non-marketable debt of the Government owed to the NBG, totalling GEL 353 million; (ii) the debt of the Government owed to the NBG that has been converted into marketable government securities, totalling GEL 152 million; (iii) outstanding Treasury securities (including treasury bills ("**T-bills**") and treasury notes ("**T-notes**")), totalling GEL 5,807 million; and (iv) loans of budgetary organisations, totalling GEL 41 million.

To provide the NBG with better monetary policy tools, foster a market in government securities and provide for the orderly repayment of certain Government debt owed to the NBG, the Ministry of Finance and the NBG entered into a memorandum of understanding on 20 March 2006 providing for the gradual conversion of GEL 833 million of outstanding, non-marketable Government debt owed to the NBG into marketable securities (the "**Government Bonds**"), with maturities ranging from 16 to 60 months. Under the memorandum of understanding, this conversion will continue until 2025, and the underlying debt will be fully repaid in 2030. All outstanding Government Bonds are used by the NBG in open market operations.

The following table sets forth the period-end composition of Georgia's outstanding Internal Public General Government and the ceilings on Internal General Government Debt under the relevant State Budget Laws as at the dates indicated:

Internal General Government Debt

	As at 31 December					
	2016	**2017**	**2018**	**2019**	**2020**	
			(GEL millions)			*(U.S.$ millions)*(1)
Obligations to the NBG(2)	503	468	433	393	353	108
Obligations under T-bills	633	705	600	799	780	238
Obligations under T-notes	1,406	1,725	2,233	3,008	5,028	1,535
Loans of budgetary organisations	—	—	—	7	41	13
Total Internal General Government Debt	**2,542**	**2,898**	**3,266**	**4,207**	**6,201**	**1,893**

Internal General Government ceiling[5]	3,178	3,540	3,925	4,110	5,967	1,821

Notes
(1) GEL amounts have been converted into U.S. Dollar amounts using the period-end exchange rate specified under the heading "*Exchange Rate History*".
(2) Consists of the non-marketable debt of the Government owed to the NBG and the debt of the Government owed to the NBG that has been converted into marketable government securities.
(3) As set in the annual budget laws.

Source: Ministry of Finance.

The following table sets forth the marketable Internal General Government Debt securities (T-bills, T-notes and Government Bonds) outstanding as at the dates indicated:

Marketable Internal General Government Debt Securities by Maturity

	As at 31 December					
	2016	**2017**	**2018**	**2019**	**2020**	
			(GEL millions)			*(U.S.$ millions)[1]*
T-bills (12 month maturity)	633	585	480	540	660	201
T-bills (6 month maturity)	—	120	120	259	120	37
Government Bonds (2 year maturity).....	579	699	825	1,043	1,530	467
Government Bonds (5 year maturity).....	655	774	1,056	1,472	2,261	690
Government Bonds (10 years maturity)	173	253	353	493	1,237	378

Note:
(1) GEL amounts have been converted into U.S. Dollar amounts using the period-end exchange rate specified under the heading "*Exchange Rate History*".

Source: Ministry of Finance.

As at 31 March 2021, the Government had issued GEL 60 million and GEL 177.65 million of T-bills and T-Notes, respectively. In 2020, it issued GEL 1,010 million and GEL 2,557 million of T-bills and T-notes, respectively. In 2019, it issued GEL 930 million and GEL 1,410 million of T-bills and T-Notes, respectively. In 2020, GEL 1,040 million of T-bills and GEL 665 million T-Notes were redeemed. In 2019, the weighted average T-bill yield was 7.67% and the weighted average T-note yield was 8.35%, and in 2020, the weighted average T-bill yield was 8.5% and the weighted average T-note yield was 8.6%. Aggregate outstanding T-bills and T-notes amounted to GEL 5,808 million as at 31 December 2020.

External General Government Debt

The outstanding External General Government Debt of Georgia (excluding exclusive liabilities of the NBG), as at 31 December 2020, was U.S.$7,162 million and was comprised of: (i) multilateral debt (excluding exclusive liabilities of the NBG) of U.S.$5,010 million; (ii) bilateral debt of U.S.$1,650 million; (iii) the U.S.$500,000,000 6.875% Notes due 2021 issued in April 2011 (the "**2011 Notes**"); and (iv) guaranteed debt of U.S.$2 million. Approximately 93% of Georgia's External General Government Debt is owed to official development creditors (such as international financial institutions and bilateral donors), of which 92% represents concessional loans with favourable interest rate and maturity terms, and 1% represents legacy debt. The remaining 7% represents the aggregate outstanding principal amount of the 2011 Notes. As at December 2020, the weighted average interest rate of Georgia's External General Government Debt was approximately 1.33% per annum and the average contractual maturity was 8.7 years, of which concessional loans had a weighted average interest rate of 0.88% per annum and an average time to maturity of 9.4 years, while legacy debt had a weighted average interest rate of 3.52% per annum and an average time to maturity of 2.3 years and the 2011 Notes had a weighted average interest rate of 6.88% per annum. As at 31 December 2020, approximately 51% of Georgia's External

General Government Debt portfolio carried fixed interest rates, and the remainder carried floating rates. The average interest rate of concessional fixed rate and floating rate debt was 0.55% and EURIBOR plus 0.88%, respectively, as at 31 December 2020.

The following table sets forth Georgia's External General Government Debt structure as at the dates indicated:

	As at 31 December				
	2016	2017	2018	2019	2020
			(U.S.$ millions)		
Multilateral creditors, of which:	**3,265**	**3,765**	**3,839**	**3,927**	**5,010**
Asian Development Bank	929	1,059	1,143	1,250	1,444
Asian Infrastructure Investment Bank	—	9	14	27	160
Council of Europe Development Bank	—	—	—	1	3
EBRD	91	134	124	132	199
EIB	268	379	480	568	740
European Union	11	28	44	43	163
IBRD	681	858	890	805	1,131
IDA	1,151	1,162	1,065	910	920
International Fund for Agriculture Development	27	30	30	33	36
IMF (Budget Support)(1)	108	107	49	—	212
Nordic Environment Finance Corporation	—	—	—	1	3
Bilateral creditors, of which:	**743**	**825**	**927**	**1,063**	**1,650**
Armenia	11	10	9	7	5
Azerbaijan	10	9	8	7	5
Austria	12	15	21	19	19
China	3	2	2	1	1
France	90	139	216	331	580
Germany (KfW)	253	268	325	375	731
Iran	8	7	6	5	4
Japan	191	210	215	212	217
Kazakhstan	28	22	18	13	9
Kuwait	14	12	11	9	9
Netherlands	1	1	1	1	—
Russia	79	71	61	51	41
Turkey	19	17	15	13	11
United States	25	23	20	18	16
2011 Notes	**500**	**500**	**500**	**500**	**500**
Guaranteed External General Government Debt	**2**	**2**	**2**	**2**	**2**
Total External General Government Debt(1)	**4,510**	**5,092**	**5,268**	**5,492**	**7,162**
Limit of the total External General Government Debt under the annual State Budget law	**4,311**	**4,929**	**5,368**	**5,757**	**6,845**

Note:

(1) Excluding obligations of the NBG to the IMF, which are used for the sole purpose of replenishing international reserves of the NBG, are the exclusive liabilities of the NBG and are not guaranteed by Georgia.

Source: Ministry of Finance.

The following table sets forth External General Government Debt by currency as at the dates indicated:

External General Government Debt by Currency

	As at 31 December				
	2016	2017	2018	2019	2020
			(U.S.$ millions or equivalents)(1)		
U.S. Dollar	1,614	1,721	1,789	1,849	1,885

Euro	748	1,124	1,397	1,737	3,215
Japanese Yen	191	210	215	212	217
Kuwaiti Dinar	14	12	11	9	9
Chinese Yuan	3	2	2	1	1
SDRs	1,940	2,022	1,854	1,684	1,834
Total[(2)]	**4,510**	**5,092**	**5,267**	**5,492**	**7,162**

Notes:

(1) Non-U.S. Dollar amounts have been converted into U.S. Dollar amounts using the period-end exchange rate specified under the heading "*Exchange Rate History*".

(2) Excluding obligations of the NBG to the IMF, which are used for the sole purpose of replenishing international reserves of the NBG, are the exclusive liabilities of the NBG and are not guaranteed by Georgia.

Source: Ministry of Finance.

During 2020, U.S.$2,298.8 million was raised from bilateral and multilateral organisations, of which 45% bears a fixed interest rate. The following table shows mobilised resources by donor:

Financial Resources Mobilised from Development Organizations During 2020

	Year ended 31 December		
	Budget Support Loans	**Investment Loans**	**Total**
		(U.S.$ millions)	
ADB	490.40	41.48	531.88
AFD	208.68	68.13	276.81
AIIB	52.77	99.95	152.72
EU	176.73	-	176.73
EBRD	-	192.77	192.77
IBRD	100.38	182.32	282.7
KfW	312.34	171.57	483.91
IMF	201.28	-	201.28
Total	**1,542.58**	**756.22**	**2,298.8**

General Government Debt Service

The following table sets forth the total General Government Debt service, as well as total borrowings as at the dates indicated:

General Government Debt Service

	As at 31 December					
	2016	**2017**	**2018**	**2019**	**2020**	
			(GEL millions)			*(U.S.$ millions)*[(1)]
Internal General Government Debt service[(2)]	977	1,323	1,496	1,660	1,994	609
Principal	775	1,084	1,251	1,379	1,567	478
Interest	203	239	244	281	427	130
External General Government Deb service[(3)]	503	665	984	1,241	1,238	400
Principal	308	427	715	917	902	292
Interest	195	237	269	324	336	108
Total General Government Debt service	**1,480**	**1,987**	**2,479**	**2,901**	**3,233**	**1,008**
Total borrowing	1,459	1,652	1,878	2,335	7,351	2,244
Internal borrowing (net	378	399	422	949	2,026	618

External borrowing	1,081	1,252	1,455	1,387	5,325	1,625

Notes:
(1) GEL amounts have been converted into U.S. Dollar amounts using the period-end exchange rate specified under the heading "*Exchange Rate History*".
(2) Includes T-notes and excludes T-bills (which are issued at a discount).
(3) Excluding contingent liabilities and obligations of the NBG to the IMF, which are used for the sole purpose of replenishing international reserves of the NBG, are the exclusive liabilities of the NBG and are not guaranteed by Georgia.

Source: Ministry of Finance.

The following table sets forth the projected total external General Government Debt service requirements for the periods indicated as at 31 December 2020:

Projected Total External General Government Debt Service Requirements(1)(2)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					(U.S.$ millions)					
Principal	814.5	360.1	382.5	422.3	440.3	417.8	415.6	427.3	402.7	345.5
Interest	80.5	56.5	51.4	45.5	40.1	35.3	31.2	27.3	23.3	19.8
Total	**895.1**	**416.6**	**433.9**	**467.8**	**480.5**	**453.1**	**446.8**	**454.6**	**426.0**	**365.3**

Notes:
(1) Excluding obligations of the NBG to the IMF, which are used for the sole purpose of replenishing international reserves of the NBG, are the exclusive liabilities of the NBG and are not guaranteed by Georgia.
(2) The table is based on assumptions concerning the dynamics of disbursements under the existing loan agreements with Georgia's external development partners.

Source: Ministry of Finance.

Multilateral and Bilateral Development Organisations

The Government benefits from long-standing and close relationships with a broad base of multilateral and bilateral development organisations, including the IMF, the World Bank, Asian Development Bank ("**ADB**"), the European Investment Bank (the "**EIB**"), the Asian Infrastructure Investment Bank ("**AIIB**"), the Council of Europe Development Bank, the European Bank for Reconstruction and Development (the "**EBRD**"), KfW Development Bank and Agence Française de Développement. Loans from multilateral and bilateral development organisations account for a significant portion of Georgia's total borrowings. The Government enters into two types of loans from creditors: project loans, which are directly connected to particular investment projects, and program loans, which support Government reforms. These loans are used to finance vital state projects such as highway modernisation, infrastructure rehabilitation, energy sector enhancement, support of agriculture sector and other projects in different sectors of the economy. Alongside this financial assistance, Georgia benefits from a high level of expert assistance from multilateral and bilateral development organisations throughout project implementation cycles.

See also "*Public Finance—Relationship with the IMF*".

Sovereign Ratings

Starting from 2017, all of three of the major credit rating agencies began upgrading the sovereign credit rating of Georgia to BB/Ba2. These upgrades were notable in the context of regional shocks during the period from 2014-2016. Georgia was the only country in the region not to be downgraded. Rather, Georgia was upgraded by Moody's in 2017, followed by Fitch and S&P in 2019. All three rating agencies cited increased economic resilience and significantly improved macroeconomic management relative to Georgia's peer countries as the key reasons for the upgrades.

Notwithstanding the COVID-19 pandemic and the ensuing economic crisis, all three rating agencies affirmed their ratings at BB/Ba2 ratings, although the outlook was changed to negative from stable by

Fitch in 2020 and S&P in 2021. S&P has cited the more prolonged effect of the pandemic on Georgia's tourism industry as the main downside factor driving the change in outlook.

TERMS AND CONDITIONS OF THE NOTES

The issue of the Notes is authorised pursuant to Article 2 of the Law of Georgia on State Debt, Decree of the Government of Georgia № 584, dated 8 April 2021. An international fiscal agency agreement dated 22 April 2021 (the "**International Fiscal Agency Agreement**") will be entered into in relation to the Notes between Georgia, acting through the Ministry of Finance of Georgia (the "**Issuer**"), Citibank, N.A., London Branch as fiscal agent and a paying and transfer agent and Citigroup Global Markets Europe AG as registrar. The fiscal agent, the paying and transfer agents and the registrar for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Paying and Transfer Agents**" and the "**Registrar**". The expression "**Paying and Transfer Agents**" shall include the Paying and Transfer Agents and the Fiscal Agent. The International Fiscal Agency Agreement includes the form of the Notes. Copies of the International Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying and Transfer Agents. The holders of the Notes (the "**Noteholders**") are deemed to have notice of all the provisions of the International Fiscal Agency Agreement applicable to them.

1. FORM, DENOMINATION, TITLE AND STATUS

(a) **Form and denomination**: The Notes are in registered form, serially numbered and in principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "authorised denomination").

(b) **Title**: Title to the Notes will pass by transfer and registration as described in Condition 2. The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related certificate, as appropriate) or anything written on it or on the certificate in respect of it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder. For this purpose, "holder" shall mean the person in whose name a Note is registered in the Register (as defined in Condition 2(a)).

(c) **Status**: The Notes constitute direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness (as defined in Condition 3) of the Issuer, from time to time outstanding; provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

2. REGISTRATION AND TRANSFER OF NOTES

(a) **Registration**: The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of Notes.

(b) **Transfer**: Notes may, subject to the terms of the International Fiscal Agency Agreement and to Conditions 2(c) and 2(d), be transferred in whole or in part in an authorised denomination by lodging the relevant Note (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days (as defined in Condition 6(c)), in the place of the specified office of the Registrar, of any duly made application for the transfer of a Note, deliver a new Note to the transferee (and, in the case of a transfer of part only of a Note, deliver a Note for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Note by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) **Formalities free of charge:** Any such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

(d) **Closed Periods**: Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) (i) during the period of 15 calendar days ending on and including the day immediately prior to 22 April 2026 (the "**Final Maturity Date**"); or (ii) during the period of 7 calendar days ending on (and including) any Record Date (as defined in Condition 6(a)) in respect of any payment of interest on the Notes.

3. NEGATIVE PLEDGE

(a) **Restriction**: So long as any Note remains outstanding (as defined in the International Fiscal Agency Agreement) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") (other than a Permitted Security Interest) upon the whole or any part of the assets or revenues present or future of Georgia or the Government of Georgia or the Ministry of Finance of Georgia to secure any Public External Indebtedness, or any guarantee of or indemnity in respect of any Public External Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in Condition 11(a)) of the Noteholders.

(b) **Definitions**: For the purposes of this Condition:

(i) "**Public External Indebtedness**" means any present or future indebtedness of Georgia or any other person (I) in the form of, or represented by, bonds, notes, debentures or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in or purchased and sold on any stock exchange, over-the-counter or other securities market and (II) denominated or payable, or at the option of the holder thereof payable, in a currency other than the lawful currency of Georgia;

(ii) "**Permitted Security Interest**" means (I) any Security upon assets created for the purpose of financing the acquisition of such assets; or (II) any Security existing on assets at the time of their acquisition; or (III) any Security arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; or (IV) any Security created for the purpose of any Project Financing provided that such

Security is upon (A) assets which are the subject of such Project Financing and (B) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such assets; or (V) the renewal or extension of any Security described in (I) to (IV) (inclusive) above, provided that (x) the principal amount of the Public External Indebtedness secured thereby is not increased, (y) such renewal or extension shall be no more restrictive than the original Security and (z) the Security has not been extended to any additional assets; and

(iii) "**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance the acquisition, construction, development or exploitation of any assets pursuant to which the persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project.

4. INTEREST

Each Note bears interest from and including 22 April 2021 at the rate of 2.750% per annum payable semi-annually in arrear on 22 April and 22 October in each year (each an "**Interest Payment Date**"), commencing 22 October 2021. Each Note will cease to bear interest from and including the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) up to but excluding whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (b) the day which falls seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these Conditions).

If interest is required to be calculated for a period of less than an Interest Period, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed. The period beginning on and including 22 April 2021 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

5. REDEMPTION AND PURCHASE

(a) **Redemption**: Unless previously purchased and cancelled, the principal of the Notes will be redeemed at their principal amount on the Final Maturity Date.

(b) **Purchase**: The Issuer may, directly or through any of its agencies or instrumentalities, at any time purchase Notes in the open market or otherwise at any price. Any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for any other purpose pursuant to Conditions 8, 11 or 12.

(c) **Cancellation**: All Notes purchased by or on behalf of the Issuer may be cancelled or held and resold, provided that any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of Condition 11. Any Notes so purchased and cancelled may not be re-issued or resold.

6. PAYMENTS

(a) **Method of payment**: Payment of principal in respect of the Notes will be made to the persons shown in the Register at the close of business on the Record Date and subject to the surrender of the Notes at the specified office of any Paying and Transfer Agent. Payments of interest will be made to the persons shown in the Register at close of business on the relevant Record Date. For this purpose, "**Record Date**" means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment. Each such payment will be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

(b) **Payments subject to fiscal laws**: All payments in respect of the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(c) **Delay in payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day or (ii) if the holder is late in surrendering (where so required) the relevant Note(s).

In these Conditions "**business day**" means a day on which commercial banks and foreign exchange markets are open in the relevant city and (where such surrender is required by these Conditions) in the place of the specified office of the relevant Paying and Transfer Agent to whom the relevant Note is surrendered.

(d) **Paying and Transfer Agents**: The initial Registrar and Paying and Transfer Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying and Transfer Agent and/or the Registrar and appoint additional or other Paying and Transfer Agents, provided that it will maintain (i) a Registrar and a Fiscal Agent and (ii) Paying and Transfer Agents having specified offices in at least two major European cities.

7. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Georgia or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) **Other connection**: to a holder, or to a third party on behalf of a holder, who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Georgia other than the mere holding of the Note; or

(b) **Surrendered for payment more than 30 days after the Relevant Date**: surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days.

In these Conditions "**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Fiscal Agent as provided in the International Fiscal Agency Agreement on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 7.

8. EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs and is continuing:

(a) **Non-payment**: the Issuer fails to pay any amount of interest on any of the Notes when due and such failure continues for a period of 10 days; or

(b) **Breach of other obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer (with a copy to the Fiscal Agent at its specified office) by any Noteholder; or

(c) **Cross-acceleration**: (i) any Public External Indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any Public External Indebtedness of the Issuer is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Public External Indebtedness of any other person, provided that the aggregate amount of such Public External Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Moratorium**: the Issuer declares a general moratorium on the payment of principal of, or interest in respect of, any Public External Indebtedness of the Issuer or any present or future guarantee given by the Issuer for, or indemnity given by the Issuer in respect of, any Public External Indebtedness or is unable, or officially admits its inability, to pay its Public External Indebtedness, or under any present or future guarantee given by the Issuer for, or indemnity given by the Issuer in respect of, any Public External Indebtedness, as it falls due or commences negotiations with one or more of its creditors with a view to the general rescheduling of all or part of its Public External Indebtedness or any present or future guarantee given by the Issuer for, or indemnity given by the Issuer in respect of, any Public External Indebtedness; or

(e) **IMF**: the Issuer becomes ineligible to use the general resources, or ceases to be a member, of the International Monetary Fund ("**IMF**") or the IMF suspends the provision of any line of credit or any other facility granted by it to the Issuer the aggregate maximum principal amount of which, alone or together with other such lines of credit or facilities so suspended, if any, equals or exceeds U.S.$25,000,000 (other than by mutual agreement as a result of which the Issuer's eligibility to use the general resources of the IMF is not affected); or

(f) **Performance prevented:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the International Fiscal Agency Agreement or any of such obligations shall be or become unenforceable or invalid; or

(g) **Repudiation**: the Issuer repudiates its obligations under the Notes or does any act or thing evidencing its intention to do so, or otherwise denies that the Notes or any of them constitute the legal, valid, binding and enforceable obligations of the Issuer; or

(h) **Consents etc.**: any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to perform its obligations under the Notes or the International Fiscal Agency Agreement or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which adversely affects any right or claim of any of the Noteholders in respect of any payment due pursuant to these Conditions,

then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer in accordance with Condition 14. If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any such declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent) in accordance with Condition 14, whereupon the relevant declaration shall be withdrawn and shall have no further force or effect. No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

9. PRESCRIPTION

Claims in respect of principal and interest shall be prescribed and will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10. REPLACEMENT OF NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

11. MEETINGS OF NOTEHOLDERS, WRITTEN RESOLUTIONS

(a) **Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions**:

(i) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the International Fiscal Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(ii) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the International Fiscal Agency Agreement and described in Condition 11(i)) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(iii) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the International Fiscal Agency Agreement. If the International Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(iv) The notice convening any meeting will specify, *inter alia*;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(F) whether Condition 11(b), or Condition 11(c), or Condition 11(d) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Issuer in accordance with Condition 11(f);

(I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 11(g); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(v) In addition, the International Fiscal Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to this Condition 11(a) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

(vi) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(vii) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(viii) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(ix) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(x) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 11 and Condition 12 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(b) **Modification of this Series of Notes only**:

(i) Any modification of any provision of, or any action in respect of, these Conditions or the International Fiscal Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(ii) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 11(a) by a majority of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.

(iii) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter more than 50% of the aggregate principal amount of the outstanding Notes.

(iv) Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(v) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) Multiple Series Aggregation – Single limb voting:

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 11(a), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(v) The "**Uniformly Applicable**" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).

(vi) It is understood that a proposal under paragraph (c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(vii) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 11(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) **Multiple Series Aggregation – Two limb voting**:

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 11(a), as supplemented if necessary, which is passed by a majority of:

(A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(v) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 11(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters**: In these Conditions, "**Reserved Matter**" means any proposal:

(i) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single

Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(vi) to change the definition of "**Uniformly Applicable**";

(vii) to change the definition of "**outstanding**" or to modify the provisions of Condition 11(i);

(viii) to change the legal ranking of the Notes set out in Conditions 1(c) and/or 3;

(ix) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, as set out in Condition 8;

(x) to change the law governing the Notes, the courts or arbitral tribunals to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken (including the obligation to maintain an agent for service of process in England) or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 17;

(xi) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(xii) to modify the provisions of this Condition 11(e);

(xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Terms and Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) **Information**: Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 11(b), Condition 11(c) or Condition 11(d), the Issuer shall publish in accordance with Condition 12, and provide the Fiscal Agent with the following information:

(A) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroecomic outlook;

(B) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(C) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(D) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 11(a)(iv)(G).

(g) **Claims Valuation**: For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 11(c) and Condition 11(d), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) **Manifest error, etc.**: The Notes, these Conditions and the provisions of the International Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the International Fiscal Agency Agreement may agree to modify any provision hereof or thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

(i) **Notes controlled by the Issuer**: For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) Condition 11(a) and (c) Condition 8, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

(A) "**public sector instrumentality**" means the National Bank of Georgia, any department, ministry or agency of the Government of Georgia or any corporation, trust, financial institution or other entity owned or controlled by the Government of Georgia; and

(B) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 12(d) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) **Publication**: The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 12(g).

(k) **Exchange and Conversion**: Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

12. AGGREGATION AGENT; AGGREGATION PROCEDURES

(a) **Appointment**: The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the International Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) **Extraordinary Resolutions**: If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) **Written Resolutions**: If a Written Resolution has been proposed under the Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) **Certificate**: For the purposes of Condition 12(b) and Condition 12(c), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 11(b), Condition 11(c) or Condition 11(d), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution:

The certificate shall:

(A) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(B) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 11(i) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) **Notification**: The Aggregation Agent will cause each determination made by it for the purposes of this Condition 12 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(f) **Binding nature of determinations; no liability**: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 12 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Manner of publication**: The Issuer will publish all notices and other matters required to be published pursuant to the International Fiscal Agency Agreement including any matters required to be published pursuant to Condition 11, this Condition 12 and Condition 8:

(i) through Euroclear Bank SA/NV, Clearstream Banking S.A. and The Depository Trust Company and/or any other clearing system in which the Notes are held;

(ii) in such other places and in such other manner as may be required by applicable law or regulation; and

(iii) in such other places and in such other manner as may be customary.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

14. NOTICES

All notices to Noteholders shall be mailed to them at their respective addresses appearing in the Register and shall be deemed to have been given on the fourth weekday (excluding Saturday and Sunday) after the date of mailing.

15. CURRENCY INDEMNITY

United States dollar (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under any Note, the Issuer shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order, until paid in full.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW AND JURISDICTION

(a) **Governing law**:

The International Fiscal Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**

Any dispute arising out of or in connection with the Notes (including any dispute as to their existence, validity or termination or any non-contractual obligation arising out of or in connection with the International Fiscal Agency Agreement, the Notes or this Condition 17 (a "**Dispute**") shall be resolved by arbitration with seat (or legal place) in London, England conducted in the English language by three arbitrators pursuant to the rules of the London Court of International Arbitration ("**LCIA**") save that, unless the parties agree otherwise, the third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA.

In any such arbitration, in the event of a declared public health emergency by either the World Health Organisation (the "**WHO**") or a national Government, as a consequence of which it is inadvisable or prohibited for the parties and/or their legal representatives to travel to, or attend any hearing ordered by the tribunal, the following shall apply:

(i) any such hearing shall be held via video or telephone conference upon the order of the tribunal;

(ii) the parties agree that no objection shall be taken to the decision, order or award of the tribunal following any such hearing on the basis that the hearing was held by video or telephone conference; and

(iii) in exceptional circumstances only the tribunal shall have the discretion to order that a hearing shall be held in person, but only after full and thorough consideration of the prevailing guidance of the WHO and any relevant travel or social distancing restrictions or guidelines affecting the parties and/or their legal representatives and the implementation of appropriate mitigation.:

(c) **Waiver of immunity**:

The Issuer hereby irrevocably waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever of any order, award or judgment made or given in connection with any Proceedings provided, however, that immunity is not waived with respect to (i) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961, "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963 or otherwise used by a diplomat or consular mission of Georgia or any agency or instrumentality thereof (except as may be necessary to effect service of process), (ii) property of a military character or under the control of a military authority or defence agency, (iii) property located in Georgia and dedicated to a public, governmental or cultural use (as opposed to a commercial use) or (iv) for the avoidance of doubt, (A) property of the National Bank of Georgia, whether or not held in a Georgian or a non-Georgian bank or any other financial institutions, or (B) property located in Georgia of any type covered by Article 21 of the Law of Georgia on Enforcement Proceedings. Georgia reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law.

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Notes

The Notes will be evidenced on issue by the Regulation S Global Note (which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and the Rule 144A Global Note (which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of DTC).

Beneficial interests in the Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Clearing and Settlement—Book-Entry Ownership*". By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not located in the United States.

Beneficial interests in the Rule 144A Global Note may only be held through DTC at any time. See "*Clearing and Settlement—Book-Entry Ownership*". By acquisition of a beneficial interest in the Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the International Fiscal Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the International Fiscal Agency Agreement, and with respect to Rule 144A Notes, as set forth in Rule 144A, and the Rule 144A Global Note will bear the legend set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note and only upon receipt by Citigroup Global Markets Europe AG (the "**Registrar**") of a written certification (in the form provided in the International Fiscal Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note and in accordance with Regulation S.

A beneficial interest in the Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in the Rule 144A Global Note for as long as it remains such an interest. A beneficial interest in the Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of the definitive registered certificates ("**Note Certificates**"). No Notes will be issued in bearer form.

Legends

The holder of a Note Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Note Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Note Certificate, the Issuer will deliver only Rule 144A Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Amendments to Terms and Conditions of the Notes

Each Global Note contains provisions that apply to the Notes that it evidences, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions.

Payments

Payments of principal and interest in respect of the Notes evidenced by a Global Note will be made to the person who appears at the relevant time in the Register as the holder of the Notes against presentation for endorsement by the Fiscal Agent and, if no further payment fails to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Fiscal Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

Notices

Notices to Noteholders may be given by delivery of the notice to the relevant clearing systems for communication by them to entitled account Noteholders.

Meetings

The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each integral U.S.$1,000 in principal amount of Notes.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

Exchange for Note Certificates

Exchange

The Regulation S Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Note Certificates if: (i) it is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 of the Terms and Conditions of the Notes which would not be suffered were the Notes in definitive form, by the Issuer giving notice to the Registrar and the Noteholders, in each case of its intention to exchange interests in the Regulation S Global Note for Note Certificates on or after the Exchange Date (as defined below) specified in the notice.

Each Rule 144A Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Note Certificates if (i) DTC or its successor depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or is at any time unable to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 of the Terms and Conditions of the Notes which would not be suffered were the Notes in definitive form, by the Issuer giving notice to the Registrar and the Noteholders, in each case of its intention to exchange interests in the Rule 144A Global Note for Note Certificates on or after the Exchange Date (as defined below) specified in the notice.

"**Exchange Date**" means a day falling not later than 60 calendar days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Paying and Transfer Agent is located.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

Delivery

If any of the events described in "*—Exchange*" above occurs, the relevant Global Note shall be exchangeable in full but not in part for Note Certificates and the Issuer will, free of charge to the Noteholders (but against such indemnity as the Registrar or any relevant Paying and Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Note Certificates to be executed and delivered to the Registrar for completion and despatch to the relevant Noteholders. A person having an interest in the relevant Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (b) in the case of the Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Except as otherwise permitted, Note Certificates issued in exchange for an interest in the Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the ***"Clearing Systems"****) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the International Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

The Clearing Systems

Custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership*" and "*—Settlement and Transfer of Notes*" below.

Investors may hold their interests in a Global Note directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Rule 144A Notes represented by the Rule 144A Global Note among Direct Participants on whose behalf it acts with respect to Rule 144A Notes and receives and transmits distributions of principal and interest on Rule 144A Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Independent Participants with which beneficial owners of Rule 144A Notes have accounts with respect to the Rule 144A Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their beneficial owners. Accordingly, although beneficial owners who hold Rule 144A Notes through Direct Participants or Indirect Participants will not possess Rule 144A Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Participants will receive payments and will be able to transfer their interest in respect of the Rule 144A Notes.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Provisions Relating to the Notes while in Global Form—Exchange for Note Certificates*", DTC will cause its custodian to surrender the Rule 144A Global Note for exchange for Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Payments through DTC

Payments of principal and interest in respect of a Global Note registered in the name of, or in the name of a nominee for, DTC will be made to the order of such nominee as the registered holder of such Note.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note evidencing Regulation S Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Note evidencing the Rule 144A Notes will have an ISIN, Common Code and a CUSIP number and will be deposited with the Custodian and registered in the name of Cede & Co. as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Note held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder of such Global Note in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Notes, unless and until interests in any Global Note held within a Clearing System are exchanged for Note Certificates.

No Clearing System has knowledge of the actual Beneficial Owners of the Notes held within such Clearing System and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of

Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note (subject to the certification procedures provided in the International Fiscal Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note (subject to the certification procedures provided in the International Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Notes among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Settlement of Pre-issue Trades

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

TAXATION

Georgian Tax

The following is a summary of certain Georgian tax considerations of issue, ownership and disposition of Notes for both residents and non-residents of Georgia pursuant to applicable Georgian legislation.

The following summary is included for general information only. Prospective investors should consult their own tax adviser as to the tax consequences under the laws of Georgia of the acquisition, ownership and disposition of the Notes. Such laws and regulations are subject to change or varying interpretations, possibly with retroactive effect. As with other areas of Georgian legislation, tax law and practice in Georgia is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that changes may be made in the law or in the current interpretation of the law or current practice, including changes that could have a retroactive effect. Accordingly, it is possible that payments to be made to the holders of the Notes could become subject to taxation in ways that cannot be anticipated as at the date of this Offering Circular.

Tax on Issue of the Notes

No state duty or similar tax will be payable in Georgia upon the issue of the Notes.

Tax Implications for Residents and Non-Residents of Georgia

Tax on Interest Payments

Interest paid on state debt securities is exempt from corporate profit tax and personal income tax.

Tax on Payment of Principal

The principal amount received on redemption of the Notes by resident and non-resident legal entities and individuals will not be treated as their taxable income and, therefore, will not be subject to corporate profit or personal income taxation in Georgia to the extent that the redemption price at maturity does not exceed the original issue price. Income received from the sale of state debt securities is exempt from corporate profit tax and personal income tax.

U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the "issue price" (as defined below under "*—Original Issue Discount*") in the initial offering and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as estate or gift tax laws). The summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax rules (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad, U.S. holders that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement or investors whose functional currency is not the U.S. Dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes (as described below under "*—Original Issue Discount*") constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Original Issue Discount

Unless the Notes are treated as issued with less than a statutorily defined de minimis amount of OID, a U.S. Holder will be required to include a portion of the OID in gross income as interest in each taxable year or portion thereof in which the U.S. Holder holds the Notes even if the U.S. Holder has not received a cash payment in respect of the OID.

The Notes will not be treated as issued with less than a statutorily defined de minimis amount of OID if the amount of OID is equal to or more than 0.25 per cent. multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date. The amount of a Note's OID is the excess of the Note's stated redemption price at maturity over its issue price. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. In general, the stated redemption price at maturity of a Note is the total of all payments provided by the Notes that are not payments of qualified stated interest. In general, an interest payment on a debt instrument is qualified stated interest if it is one of a series of stated interest payments on a debt instrument that are unconditionally payable at least annually at a single fixed rate.

U.S. Holders of Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Notes. The amount of OID includible in income by a U.S. Holder of a Note is the sum of the daily portions of OID with respect to the Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Note's adjusted issue price at the beginning of the accrual period and the Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of interest on the Note allocable to the accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period, and decreased by (y) the amount of payments previously made on the Note that were not interest payments.

Sale, exchange, retirement or other taxable disposition

A U.S. Holder generally will recognise gain or loss on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference between the amount realised on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's adjusted tax basis in the Note, in each case as determined in U.S. Dollars. A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. Dollar cost increased by the amount of OID included in the U.S. Holder's income with respect to the Note and reduced by the amount of any principal paid on the Note. The amount realised does not include the amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income.

Gain or loss realised by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale, exchange, retirement or other taxable disposition of Notes.

Backup Withholding and Information Reporting

Payments of principal, interest and accruals of OID on, and the proceeds of sale, exchange, retirement or other taxable disposition of, the Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. In addition, backup withholding may apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult with their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets".

FATCA

In relation to the provisions of U.S. federal income tax law commonly known as the Foreign Account Tax Compliance Act ("**FATCA**"), the Issuer believes that it satisfies the requirements of FATCA to be treated as a Governmental Entity as defined in Annex II to the Agreement between the United States of

America and the Government of Georgia to Improve International Tax Compliance and to Implement FATCA and thus exempt from FATCA withholding and reporting in connection with the Notes. Accordingly, the Issuer does not expect to enter into an agreement with the Internal Revenue Service or otherwise to become a Participating FFI for FATCA purposes. As a result, the Issuer does not expect to withhold any amount in respect of FATCA from any payment it will make on the Notes or report financial account information in respect of FATCA in connection with the Notes.

SUBSCRIPTION AND SALE

Goldman Sachs International and J.P. Morgan Securities plc (together, the "**Joint Global Coordinators and Joint Bookrunners**"), ICBC Standard Bank Plc (the "**Joint Bookrunner**" and, together with the Joint Global Coordinators and Joint Bookrunners, the "**Joint Bookrunners**"), JSC Galt & Taggart and TBC Capital LLC as Co-managers with no underwriting commitment (the "**Co-managers**" and, together with the Joint Bookrunners, the "**Managers**") have, in a subscription agreement dated 20 April 2021 (the "**Subscription Agreement**") and entered into between the Issuer and the Managers upon the terms and subject to the conditions contained therein, agreed severally to subscribe and pay for the Notes at their issue price of 99.422% of their principal amount, in the amounts as follows:

	Principal amount of Notes (U.S.$)
Joint Bookrunners	
Goldman Sachs International	166,800,000
ICBC Standard Bank Plc	166,800,000
J.P. Morgan Securities plc	166,400,000
Total	**500,000,000**

The Issuer has agreed to pay to the Managers a fee in respect of their agreement to subscribe and pay for the Notes. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Managers have agreed, severally and not jointly, to offer the Notes for resale in the United States initially only to persons who they reasonably believe to be QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes are being offered and sold by the Managers outside the United States in accordance with Regulation S. The Subscription Agreement provides that the Managers may through their respective U.S. affiliates resell a portion of the Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A, or another available exemption from registration under the Securities Act.

ICBC Standard Bank Plc is restricted in its U.S. securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that may be offered or sold by other underwriters in the United States. ICBC Standard Bank Plc shall offer and sell the Securities constituting part of its allotment solely outside the United States.

United Kingdom

Each Manager has represented and agreed that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Georgia

Subject to compliance with (i) the administrative procedure applicable to issuance of foreign currency denominated securities by the State of Georgia; and (ii) the regulations applicable to insider trade and market manipulation, under current securities laws in Georgia, there are no restrictions on the offer or sale of foreign currency denominated state bonds, such as the Notes.

Each Manager has represented and agreed that it has complied and will comply with all applicable provisions of Georgian law with respect to anything done by it in relation to the Notes in, from or otherwise involving Georgia.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of the Notes.

Hong Kong

Each Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Russia

Each Manager has agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any person (including legal entities) resident, incorporated, established or having their usual residence in Russia or to any person located within the territory of Russia unless and to the extent otherwise permitted under Russian law.

General

No action has been taken by the Issuer or any Manager that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Each Manager has undertaken that it will comply, to the best of its knowledge and belief and in all material respects, with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular.

TRANSFER RESTRICTIONS

Each purchaser of Rule 144A Notes, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acting for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Issuer, and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has the full power to make the foregoing representations, agreements and acknowledgements on behalf of each such account.

2. It understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any State or another jurisdiction of the United States.

3. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB.

4. It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Fiscal Agent in accordance with applicable law, will bear a legend to substantially the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

5. It acknowledges that the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

6. It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note. Before any interest in a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the International Fiscal Agency Agreement) as to compliance with applicable securities laws.

7. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of the Regulation S Notes, by accepting delivery of this Offering Circular and the Notes, will have been deemed to have represented, agreed and acknowledged that:

1. It is, or at the time the Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) that it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs or (b) to a non U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that Regulation 5 Notes will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Rule 144A Global Note, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the International Fiscal Agency Agreement) as to compliance with applicable securities laws.

4. It acknowledges that the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Regulation S Notes is no longer accurate, it shall promptly notify the Issuer and the Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

GENERAL INFORMATION

Authorisation

The issue of the Notes has been authorised by the Government.

Listing of Notes

An application has been made to admit the Notes to listing on the Official List and to trading on the Market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or around the Issue Date, subject only to the issue of the Notes.

Litigation

Except as disclosed in the section headed "*Legal Proceedings*" of this Offering Circular, the Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Issuer's financial position.

No Significant Change

There has been no significant change in the tax and budgetary systems, General Government debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer since 31 December 2020.

Documents available for inspection

So long as the Notes are listed on the London Stock Exchange, copies of the Fiscal Agency Agreement may be inspected at the offices of the Issuer, as set forth on the back cover of this Offering Circular and the latest Law of Georgia "On the State Budget of Georgia" (in Georgian) will be available on the Internet site www.mof.ge. This Internet site does not form part of this Offering Circular, whether for the purpose of the approval or the listing of the Notes or otherwise.

Interested Persons

No person involved in the Offering has any interest in the Offering which is material to the Offering.

Delivery of Global Notes

The Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In respect of the Regulation S Notes, the ISIN is XS2334109423, the common code is 233410942, the CFI is DBFNFR and the FISN is MINISTRY OF FIN/EUR NT 22001231 RES. In respect of the Rule 144A Notes the ISIN is US37311PAB67, the common code is 233456969, the CFI is DBFUFR and the FISN is GA ACTING THRU /NT 20260422 UNSEC.

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 2138007T8RLEVDMLQ257.

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