



**BANK OF GEORGIA**  
GROUP PLC

# INVESTOR PRESENTATION

**2Q20 and 1H20 Financial Results**

20 August 2020

[www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com)



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This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: macroeconomic risk, including currency fluctuations and depreciation of the Georgian Lari; regional instability; loan portfolio quality; regulatory risk; liquidity and funding risk; capital risk; operational risk, cyber security, information systems and financial crime risk; COVID-19 pandemic impact risk; climate change risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2019 and in 2Q20 and 1H20 results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this presentation should be construed as a profit forecast.

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# GEORGIA MAINTAINS ITS POSITION AS A STELLAR PERFORMER GLOBALLY IN TERMS OF COVID-19 RESPONSE

## GOVERNMENT SAFETY MEASURES

- Since lifting quarantine restrictions, daily new cases have remained very low (unlike in many other countries, including neighboring Azerbaijan and Armenia), at between one and 25 cases a day, mostly related to transit cargo drivers.
- Georgia reopened its borders to the citizens of five EU countries – Germany, France, Estonia, Latvia, and Lithuania – arriving via direct flights, and business travelers from all countries with the prior approval of the relevant government agency.
- The Government maintains an informational website that provides live statistics on the spread of the virus in Georgia – [www.stopcov.ge](http://www.stopcov.ge)

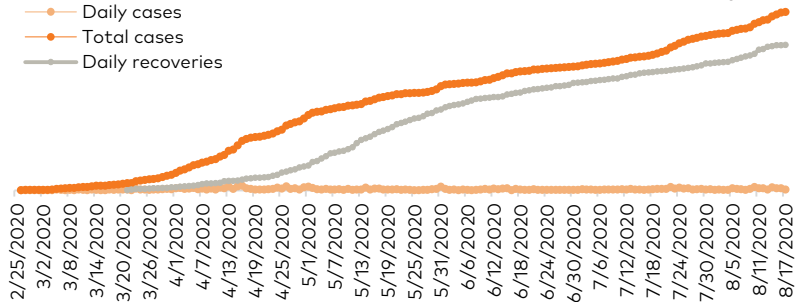
## COVID-19 STATISTICS IN GEORGIA

Source: [www.stopcov.ge](http://www.stopcov.ge)  
at 18:00, 17 August 2020



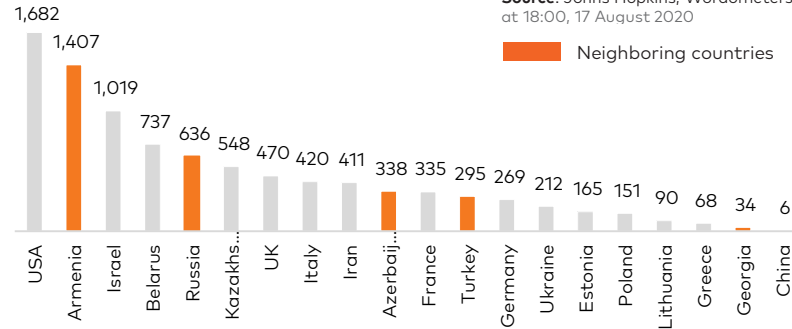
## COVID-19 STATISTICS IN GEORGIA, PERSONS

Source: NCDC  
at 18:00, 17 August 2020



## COVID-19 CASES PER 100,000 PERSONS

Source: Johns Hopkins, Wordometers  
at 18:00, 17 August 2020

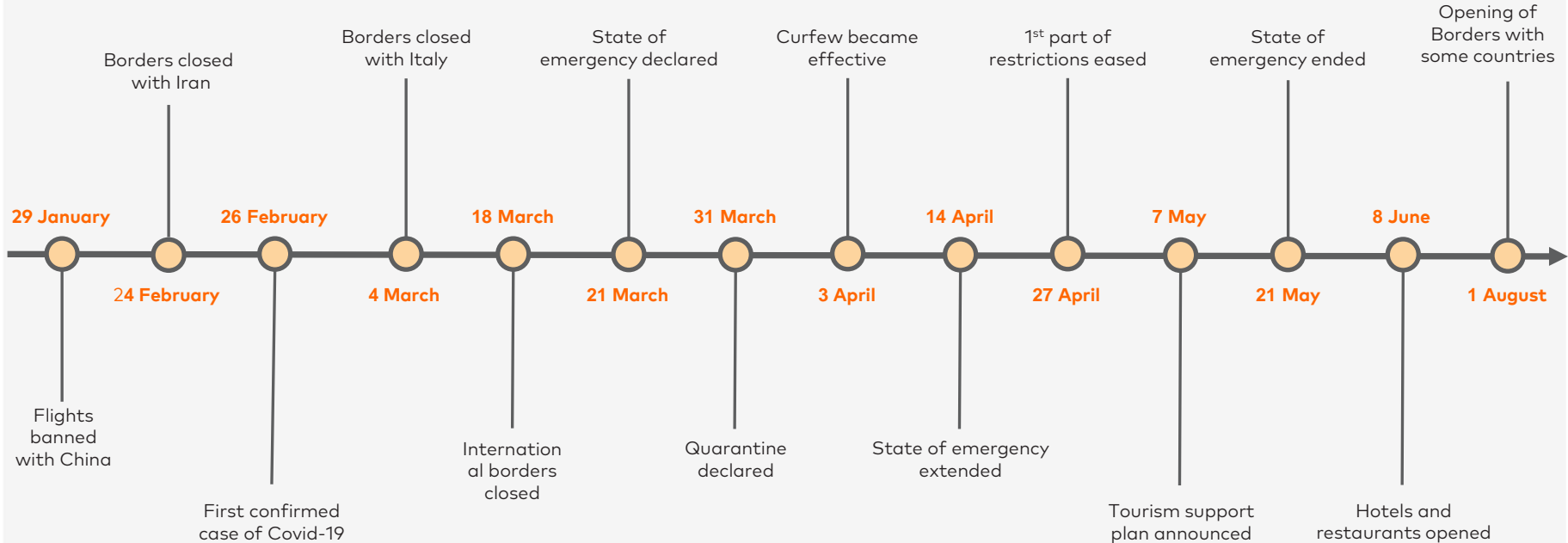


# GEORGIA UNDERTOOK PRE-CAUTIONARY MEASURES BEFORE PANDEMIC WAS DECLARED AND STRENGTHENED IT LATER

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## CHRONOLOGY OF PANDEMIC PREVENTIVE MEASURES IN GEORGIA

Source: NCDC and various official information



# GOVERNMENT'S SUPPORT MEASURES - COVID 19

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The Government announced a series of support measures designed to mitigate the negative economic impact of COVID-19. The Government's revised 2020 budget document was approved by Parliament in June 2020. The revised budget incorporates the fiscal parameters agreed with the IMF, US\$1.5 billion in donor funding and fiscal stimulus measures for businesses and households affected by the coronavirus pandemic. Business support is at 3.8% of GDP and social assistance is at 2.7% of GDP in 2020 revised budget document.

## SUPPORT TO BUSINESSES | 2020 BUDGET

Support package for businesses amounts to **GEL 1.889 billion**, or **3.8% of GDP**, and incorporates:

- GEL 330 million for credit-guarantee scheme
- GEL 600 million for local currency liquidity resources allocation to commercial banks
- GEL 180 million for support to agriculture sector, and construction sector, including interest rate subsidies on mortgage loans
- GEL 115 million for support to tourism sector, including subsidies on loan interest payments and exemption of property tax payments for hotels
- GEL 45 million for subsidies on flights and quarantine services support
- GEL 600 million additional VAT refund for businesses
- GEL 20 million for various support measures
- With the support of local banks, legal entities were given the opportunity of loan restructuring

## SUPPORT TO INDIVIDUALS | 2020 BUDGET

Social assistance package for individuals amounts to **GEL 1.375 billion**, or **2.7% of GDP**, and comprises: coverage of healthcare-related costs in respect of COVID-19; healthcare system preparedness improvement; one-off compensation for self-employed persons who lost their jobs; six-month compensation for private sector employees who lost their jobs; income tax relief to businesses who retain workers for six months; six-month compensation for vulnerable and large families, as well as adults and children with disabilities; subsidies for three-month utility bill payments.

## INTERNATIONAL SUPPORT

Georgian authorities have mobilised **US\$3.0 billion** financing from the International Monetary Fund (the "IMF") and other international partners (US, EU, World Bank, KfW, AFD, EBRD, EIB, ADB, etc.) to respond effectively to the COVID-19 pandemic associated economic crisis. Of this funding, US\$1.5 billion is earmarked for the public sector and US\$1.5 billion for the private sector.

The IMF's financing is c.US\$400 million, of which US\$200 million was already disbursed to the budget.

# NATIONAL BANK OF GEORGIA SUPERVISORY PLAN – COVID-19

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National Bank of Georgia

In March 2020, NBG introduced an updated Supervisory Plan for the banking sector with immediate effect, aimed at alleviating the negative financial and economic challenges created by the global COVID-19 pandemic. The measures 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:

- Combined buffer - the conservation buffer requirement of 2.5% of risk-weighted assets has been reduced to 0% indefinitely
- Pillar 2 requirements:
  - Currency induced credit risk buffer (CICR) requirement reduced by 2/3rds indefinitely
  - The phase-in of additional credit portfolio concentration risk buffer (HHI) and net GRAPE buffer requirements on CET1 and Tier 1 capital, planned at the end of March 2020, has been postponed indefinitely
  - The possibility of fully or partially releasing the remaining requirements of Pillar 2 buffers (HHI, CICR, net GRAPE), if necessary, remains open
- During the period the banks are allowed to partially or fully use these buffers, they are restricted to make capital distribution in any form
- This supervisory relief frees up GEL 1.6 billion of capital, which can be used for absorbance of potential losses or funding the real economy with GEL 16 billion. The banking sector has capital buffer of GEL 4 billion above the minimum requirements, which can be fully released in case of necessity

## General loan loss provisioning relating to COVID-19:

- NBG requested the Georgian banks to create general provisions under the local regulatory accounting basis used for calculation of capital adequacy ratios in 1Q20. The specific quantum of the provision reflected the NBG's current expectation of estimated credit losses on the lending book of the banking system for the whole economic cycle, given current economic expectations. The NBG considers the banking system capital ratios to be sufficiently in excess of the expected minimum capital requirements, to be able to absorb this upfront general provision, whilst maintaining sufficiently comfortable buffers over the required minimum capital ratios

## Liquidity initiatives

- Liquidity coverage ratio (LCR) requirements (for local and foreign currency, as well as total requirement) may be revisited and reduced, if necessary. On 1 May 2020, NBG temporarily cancelled the 75% LCR requirement for local currency for a one-year period, or until further communicated by NBG
- Mandatory reserve requirements may be revisited and reduced, if necessary
- The eligibility criteria for repo-eligible securities has already been extended by NBG and may be revisited further, if necessary, to support GEL liquidity

## Other initiatives

- The deadline for submitting previously planned stress testing results to NBG was postponed until the end of May, 2020
- NBG will not impose any monetary sanctions in case of breach of economic normatives and limits driven by external factors (e.g. reserves, exchange rate depreciation)
- NBG on-site audits, except for ongoing anti-money laundering reviews, postponed indefinitely
- All new regulatory changes and requirements postponed until September, 2020, or until further communicated by NBG. This does not apply to regulations with regard to open banking, XBRL reporting and resolution framework

# BANK OF GEORGIA'S BUSINESS CONTINGENCY PLAN – COVID-19

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The Group has introduced a number of resilience protocols and a comprehensive Business Continuity Plan (“BCP”) aimed at curbing the spread of COVID-19 in Georgia and mitigating the negative impact on our business and the community. We started developing the BCP at the end of January 2020, such that all of our operations would be successfully adapted to the new operating environment, while establishing the health and safety of all our staff and customers as the number one priority.

Our BCP is focused on three main pillars: Operating continuity and efficiency (employees, customers and community), capital, and liquidity and funding positions.

## SAFETY MEASURES

- The Bank's main branches remain open with additional security measures introduced. We reduced the physical presence of bankers in the Bank's service centres. Two-week shifts have been introduced in front offices and other service areas throughout the business, to ensure ongoing availability of team members
- Most Express branches remained open, however, the Bank has initiated the temporary closure of the customer service support areas of these branches, with only the self-service terminals and ATM areas remaining open
- Banking services, where possible, were conducted exclusively via call centres, operating remotely, with employees working from home with significantly increased capacity since March 2020
- A three-month grace period on principal and interest payments has been introduced on all retail loans in order to significantly reduce the requirement for customers to physically visit Bank branches
- We have further increased focus on our digitalisation strategy and introduced various initiatives to incentivise the transfer of our customers' activity to digital channels
- In the Bank's back office environments, the majority of staff are now working from home
- Additional safety measures have been introduced in our locations. Glass barriers have been installed for our teller/operators to ensure secure interaction with customers; all employees are required to wear gloves and face masks and are equipped with hand sanitisers. The Bank's premises, as well as ATMs and self-service terminals, are sanitised twice a day, and all employees and customers entering the Bank premises have to undergo mandatory body temperature checks. Maximum of three customers are allowed to enter the branch at the same time. Cash center is split in two locations and operating in two-week shifts, where employees have to follow even stricter protocols and procedures in order to minimise the infection risk due to direct interaction with cash



## SUPPORT TO CUSTOMERS AND COMMUNITY



- All retail clients have been given the opportunity to defer loan principal and interest payments for three months
- Corporate customers and all legal entities operating in the tourism industry have been given an immediate loan restructuring opportunity. Specific sectors include hotels, as well as restaurants, travel agencies, and passenger transportation companies, amongst others
- In order to ensure uninterrupted secure service for our customers and incentivise the use of remote channels, since mid-March 2020, we have temporarily removed fees for transactions executed through our internet and mobile banking platforms for a two month period. Furthermore, in collaboration with mobile service providers in Georgia, Bank of Georgia ensures full access to the mBank, even in the offline mode, without an internet connection. Finally, we launched a nationwide educational campaign with informative and instructive videos (more than 100 pieces of educational content), which help people to get familiar with and learn easily how to use the mBank application
- The Group also introduced a new online web-based platform *argacherde.ge* to help businesses survive while they are closed. The businesses listed on the platform offer vouchers to its customers for future services after the full reopening of the economy
- The Group's digital ecosystem arm introduced a combined packed solution of *Optimo* and *extra.ge*, branded as *Adapter*, which offers best-in-class solution to the merchants, who can now undergo fast and efficient transformation to digital sales with just a simple plug-in. With *Optimo* they get effective inventory and order management platform, which is digitally integrated with *extra.ge*, through which they can sell their products directly to customers remotely. This structured unique digital solution was highly accepted by hundreds of retailers and producers and enabled them to quickly adjust to the new challenging environment and restrictions
- Galt & Taggart together with JSC Bank of Georgia organised several web-conferences for its corporate and SME clients to discuss the COVID-19 impact on Georgian economy and Georgian economic outlook for 2020. The web-conferences were also attended by high-level representatives from the Georgian Government. The presentations were followed by a Q&A session, during which our business customers had the chance to hear directly from the Group, as well as Government representatives, and discuss the current challenges and plans to overcome those
- In collaboration with *charte.ge*, we financed one-year internet access for 300 impoverished families to help youngsters continue their education
- The Bank financed and donated 20,000 laboratory tests of COVID-19, 10 respirators, 50,000 face masks and 60,000 gloves to the Ministry of Health of Georgia to support the battle to prevent the virus spread

## CAPITAL ADEQUACY



### — **Robust capital position:**

The Bank's capital position remains robust, and comfortably above our minimum regulatory requirements. At 30 June 2020, having absorbed the full upfront GEL 400 million local regulatory accounting general provision (see details on *page 32*) in March 2020, the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 9.9%, 12.0% and 17.4% respectively, all well above the minimum required levels of 6.9%, 8.7% and 13.3%, respectively.

### — **Strengthening capital position through Tier 2 instruments:**

To further improve its capital position, in April 2020, the Bank drew-down a \$55 million second tranche of a Tier 2 capital instrument initially arranged in December 2019.

### — **Dividends:**

In March 2020, given the level of uncertainty with regard to the global impact of COVID-19 and the potential length of time of that impact, the Board of Directors decided not to recommend a dividend for the 2019 year to shareholders at the 2020 Annual General Meeting. As a result of the ongoing uncertainties, the Board has confirmed that the Group will not be distributing a 2019 dividend to shareholders. At part of the NBG's COVID-19 supervisory plan, during the period that banks partially or fully utilise Pillar 2 or conservation buffers, they are restricted from any form of capital distribution. Over time, the Group's dividend policy remains unchanged, and the Board plans to return to a targeted payout ratio range of 25-40% as soon as practically possible.

## LIQUIDITY AND FUNDING



### — **Strong liquidity and funding position:**

The Bank's liquidity and funding position has remained strong, and comfortably above minimum regulatory requirements. At 30 June 2020, the Bank's liquidity coverage ratio stood at 135.4% and net stable funding ratio at 136.6%, compared to required minimum levels of 100%.

### — **Strong support from IFIs:**

The Bank has strong support from International Financial Institutions, and has already attracted a number of new long-term borrowings both in local and foreign currencies over the last couple of months. These total more than US\$200 million from a combination of International Finance Corporation, European Investment Bank, FMO – the Dutch entrepreneurial development bank (in collaboration with other participating lenders) and European Bank for Reconstruction and Development, part of which has been drawn-down in the first half of 2020.

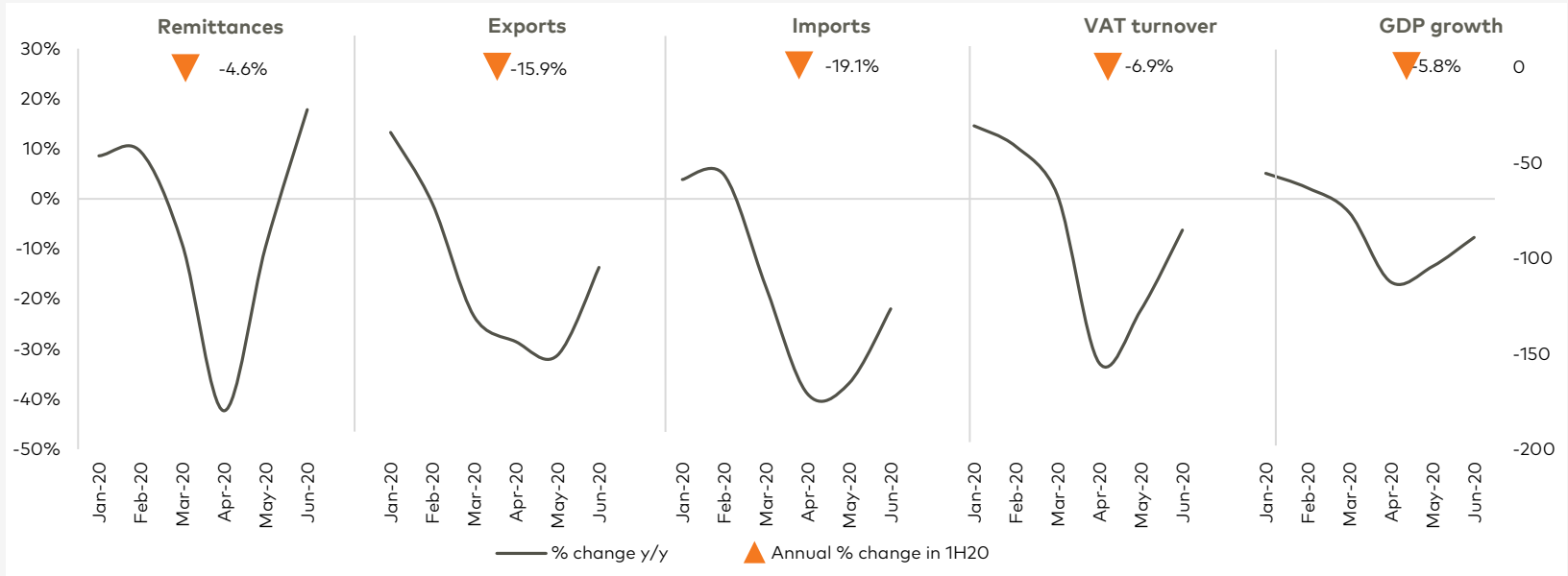
### — **Strong funding pipeline:**

We continue to work with our partner financial institutions and, expect to sign new long-term facilities of around US\$400 million during the next months. This will further improve our liquidity position and enable us to proactively support our customers and the forthcoming economic recovery.

# TRACKING GEORGIA'S ECONOMIC RECOVERY

## KEY INDICATORS SHOW IMPROVING TREND, WHILE REMITTANCES REBOUNDED STRONGLY

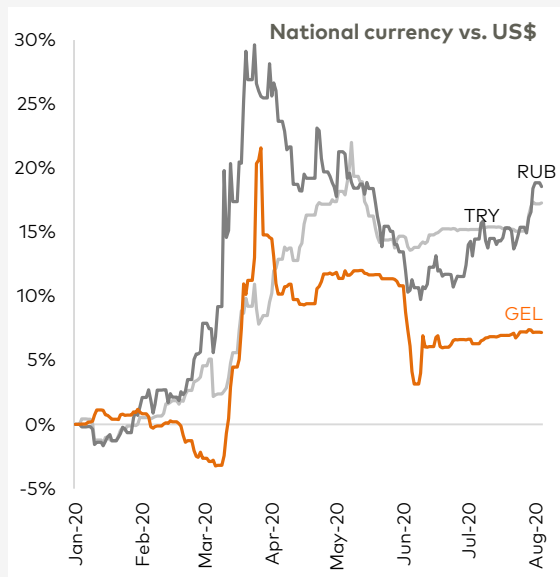
Source: Geostat, NBG



# TRACKING GEORGIA'S ECONOMIC RECOVERY

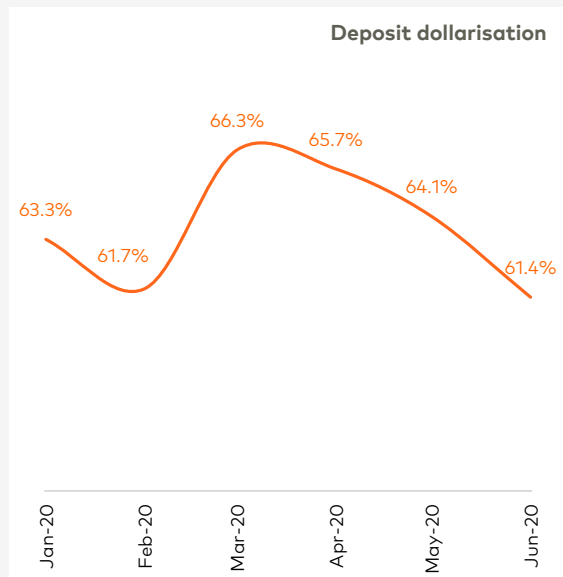
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## GEL STRENGTHENED FROM MID-MAY...



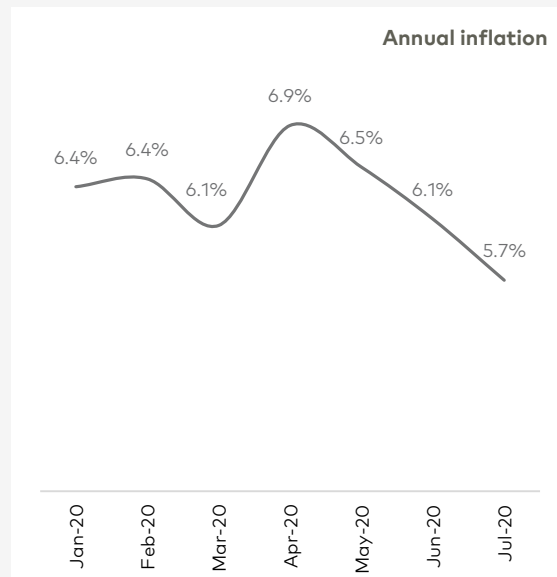
Source: Bloomberg  
Note: Index 1 January 2020 = 100, growth means depreciation

## ...IMPROVING DEPOSITORS MOOD TOWARD NATIONAL CURRENCY



Source: NBG

## ... AND HELPING ANNUAL INFLATION TO RETREAT GRADUALLY



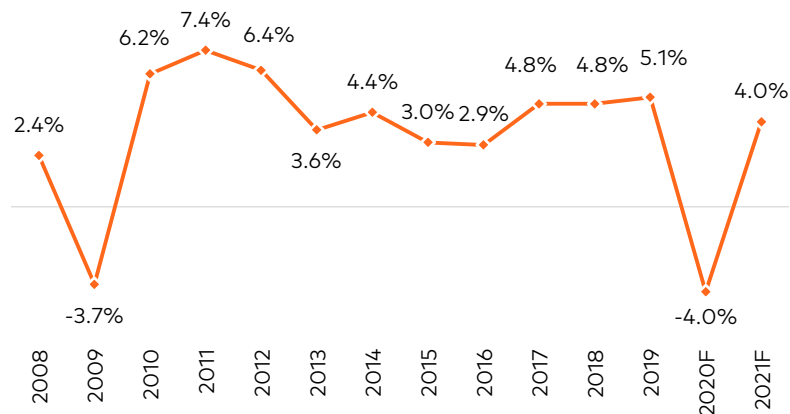
Source: NBG

# GEORGIA'S ECONOMIC OUTLOOK IN 2020

- With the COVID-19 pandemic, Georgia's economic outlook has significantly deteriorated. International Monetary Fund (IMF) expects Georgia's real GDP to decline by 4% in 2020 (forecast as of May 2020). Our brokerage and investment arm, Galt and Taggart's updated forecast assumes GDP to contract by 5.1% in 2020
- The Government's revised 2020 budget document was approved by Parliament of Georgia in June 2020. The revised budget incorporates the fiscal parameters agreed with the IMF, US\$ 1.5bn in donor funding and fiscal stimulus measures for businesses and households affected by the coronavirus pandemic
- The fiscal deficit is projected to increase to 8.5% of GDP due to the shortfall in revenues (GEL 1.45bn reduction compared to the initial budget) and an increase in expenditure for anti-crisis measures (GEL 1.4bn increase compared to the initial budget)
- The Government built a fiscal buffer totaling GEL 2.7bn into the revised budget. Such a buffer builds confidence as funds can be utilised in case the crisis deepens, or a recovery takes longer than currently projected to materialise

## GEORGIA'S ECONOMIC GROWTH FORECAST

Source: Geostat, IMF



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# BANK OF GEORGIA GROUP AT A GLANCE

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BANK OF GEORGIA  
GROUP PLC

RETAIL  
BANKING

CORPORATE AND  
INVESTMENT  
BANKING



WEALTH  
MANAGEMENT

BNB  
(BANK IN BELARUS)

## A LEADING BANKING GROUP IN GEORGIA

- Top Systemically important financial institution in Georgia
- A leading market position by assets, loans and deposits
- **Strong brand name recognition and retail banking franchise:** Offers the broadest range of financial products to the retail market through a network of 224 branches, 940 ATMs, 3,118 Express Pay Terminals and more than 2.5 million customers as of 30 June 2020
- **Sustainable high profitability with average ROAE of more than 20% over** the last four years on the back of solid NIM, low cost of credit risk and stringent cost control
- **Resilient credit profile:** Well-capitalised, diversified and high quality loan book and strong liquidity profile
- **High standards of transparency and governance:** The first entity from Georgia listed on the premium segment of the Main Market of the London Stock Exchange (LSE:BGEO) since February 2012. LSE listed through GDRs since 2006
- **The Group has been included in the FTSE 250 and FTSE All-share Index Funds since 18 June 2012**
- **The Group continues to be included in the global responsible investment index FTSE4Good**

## BANK OF GEORGIA'S CREDIT RATINGS

Agency	Rating	Outlook
	Ba3/Ba2	Stable
	BB-	Negative

# STRONG INSTITUTIONAL INVESTORS SUPPORT



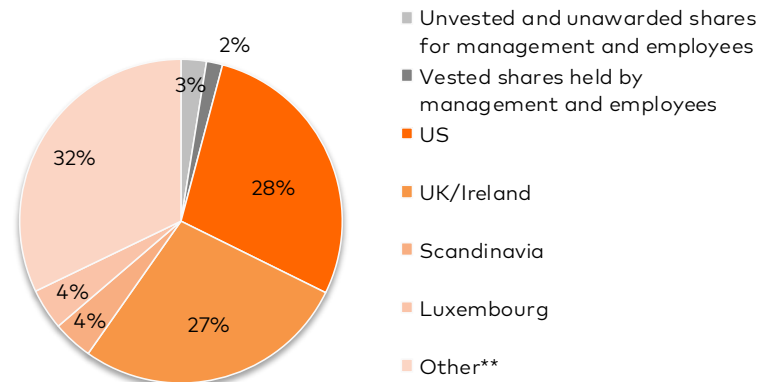
## TOP SHAREHOLDERS

As of 31 July 2020

Rank	Shareholder name	Ownership
1	JSC Georgia Capital*	19.90%
2	Harding Loevner LP	4.68%
3	Fidelity Investments	4.14%
4	Van Eck Associates Corporation	3.30%
5	Dimensional Fund Advisors (DFA) LP	3.04%
6	Norges Bank Investment Management	2.65%
7	JP Morgan Asset Management (UK) Ltd	2.60%
8	Vanguard Group Inc	2.56%
9	Jupiter Asset Management	2.44%
10	Grandeur Peak Global Advisors LLC	2.33%

## SHAREHOLDER STRUCTURE

As of 31 July 2020



\* JSC Georgia Capital will exercise its voting rights at the Group's general meetings in accordance with the votes cast by all other Group Shareholders, as long as JSC Georgia Capital's percentage holding in Bank of Georgia Group PLC is greater than 9.9%

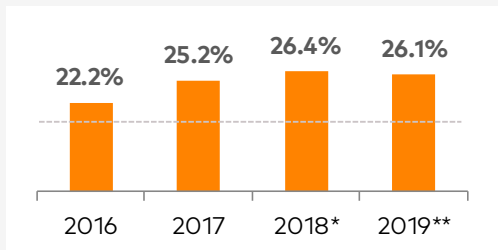
\*\* Includes 19.9% shareholding of JSC Georgia Capital



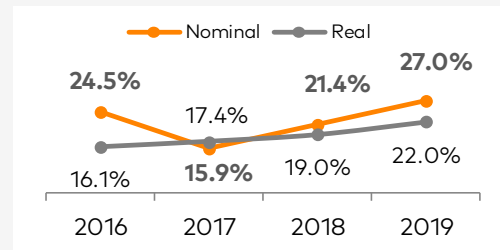
# TRACK RECORD OF DELIVERING STRONG RESULTS

— Key medium to long-term targets remain unchanged

ROAE  
**20%+**



Loan book growth  
**c.15%**



## ROBUST CAPITAL MANAGEMENT TRACK RECORD

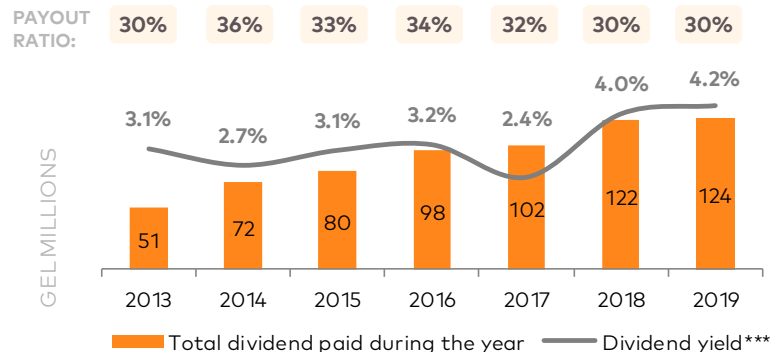
- **Capital position:** We aim to maintain **+200bps buffer** for CET1 and Tier 1 capital ratios over minimum regulatory requirement
- **Maintain regular dividend payouts:** Aiming **25-40%** dividend payout ratio
- **GEL 648mln+** cash dividend paid during 2013-2019, within the targeted **payout range** over past 7 years

\* Adjusted for GEL 30.3mln demerger related costs, GEL 8.0mln demerger related corporate income tax gain, GEL 30.3mln one-off impact of re-measurement of deferred tax balances and GEL 3.9mln (net of income tax) termination costs of the former CEO

\*\* Adjusted for GEL 14.2mln (net of income tax) termination costs of the former CEO and executive management

\*\*\* Dividend yield is calculated based on the closing price of shares immediately prior to ex-dividend date

## REGULAR DIVIDENDS



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# RESILIENT PERFORMANCE NOTWITHSTANDING THE SIGNIFICANT REDUCTION IN ECONOMIC ACTIVITY

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## 2Q20 AND 1H20 PERFORMANCE HIGHLIGHTS

Bank of Georgia Group's performance during the second quarter of 2020 was significantly impacted by a number of factors:

- Three very different economic realities in each different month in the second quarter, with signs of recovery in May and June
- Extraordinary environment and measures implemented by the Georgian Government to address the COVID-19 crisis
- Actions implemented by the Group to address the COVID-19 crisis

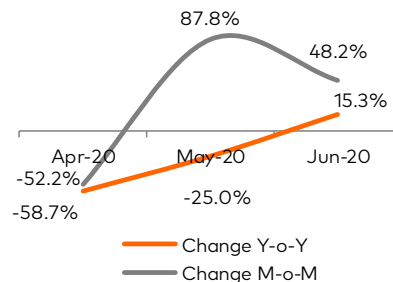
Our performance during the quarter has been extremely resilient, delivering strong profitability during a time when the Georgian economy has experienced its worst reduction in economic activity for more than a few decades:

- **The balance sheet has remained strong and stable.** On a constant currency basis, our customer lending has remained broadly flat q-o-q, as expected, and client deposits increased significantly by 11.9% during the quarter. Bank of Georgia is now the clear market leader in retail deposits
- **Operating income has been very resilient.** Despite an extensive economic lockdown, operating income remained robust with operating income down 12.7% q-o-q in 2Q20, but broadly flat y-o-y on a six months basis in the first half of 2020
- **Net interest margin is now increasing.** Having reduced significantly during April and May, as a result of the significant reduction in retail lending and high levels of liquidity, our net interest margin in July and August so far has been running c.30 basis points higher than the 4.2% margin in the second quarter of 2020
- **Our lending portfolios are performing better than expected.** Asset quality is robust, and the significant ECL provision made in the first quarter is proving to be sufficient, despite the expected GDP contraction being slightly worse than initially anticipated. Our corporate, SME and Solo portfolios have all performed better than our initial expectations
- **Our capital ratios have improved significantly.** During the second quarter of 2020, our capital ratios increased significantly, to levels well above our required minimum regulatory requirements
- **Our Return on Average Equity returned to more normal levels.** In the second quarter of 2020, we delivered an annualised ROAE of 21.8%

## TRACKING THE RECOVERY - KEY INDICATORS SHOW IMPROVING TREND

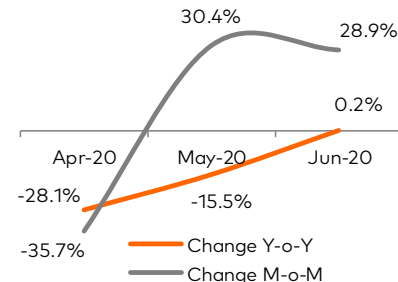
### BOG MONEY REMITTANCES

Volume of remittances through BOG in foreign currency terms

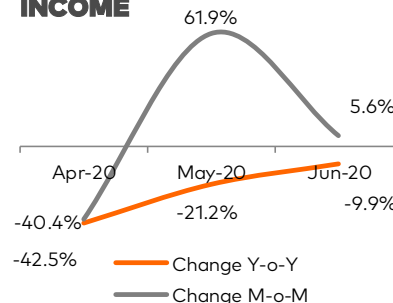


### BOG POS TRANSACTIONS

Volume of transactions through BOG

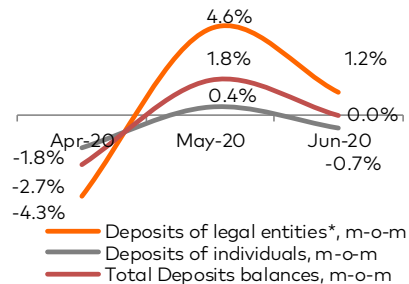


### NET FEE & COMMISSION INCOME



### DEPOSITS BALANCES

JSC Bank of Georgia standalone



\* Excludes MOF deposits

# 2Q20 AND 1H20 RESULTS HIGHLIGHTS

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## INCOME STATEMENT HIGHLIGHTS\*

<i>GEL thousands unless otherwise noted</i>	2Q20	2Q19	Change y-o-y	1Q20	Change q-o-q	1H20	1H19	Change y-o-y
Net interest income	174,936	191,354	-8.6%	197,080	-11.2%	372,017	381,335	-2.4%
Net fee and commission income	32,901	43,267	-24.0%	40,112	-18.0%	73,013	85,447	-14.6%
Net foreign currency gain	22,743	26,968	-15.7%	30,661	-25.8%	53,404	49,952	6.9%
Net other income / (expense)	9,081	(4,260)	NMF	6,627	37.0%	15,707	(691)	NMF
<b>Operating income</b>	<b>239,661</b>	<b>257,329</b>	<b>-6.9%</b>	<b>274,480</b>	<b>-12.7%</b>	<b>514,141</b>	<b>516,043</b>	<b>-0.4%</b>
<b>Operating expenses</b>	<b>(105,158)</b>	<b>(98,558)</b>	<b>6.7%</b>	<b>(106,008)</b>	<b>-0.8%</b>	<b>(211,167)</b>	<b>(190,485)</b>	<b>10.9%</b>
Profit from associates	113	254	-55.5%	301	-62.5%	414	442	-6.3%
<b>Operating income before cost of risk</b>	<b>134,616</b>	<b>159,025</b>	<b>-15.3%</b>	<b>168,773</b>	<b>-20.2%</b>	<b>303,388</b>	<b>326,000</b>	<b>-6.9%</b>
Cost of risk	(10,221)	(35,476)	-71.2%	(241,403)	-95.8%	(251,623)	(78,129)	NMF
<b>Net operating income / (loss) before non-recurring items</b>	<b>124,395</b>	<b>123,549</b>	<b>0.7%</b>	<b>(72,630)</b>	<b>NMF</b>	<b>51,765</b>	<b>247,871</b>	<b>-79.1%</b>
Net non-recurring items	(1,241)	(2,538)	-51.1%	(40,345)	-96.9%	(41,586)	(4,112)	NMF
<b>Profit / (loss) before income tax and one-off costs</b>	<b>123,154</b>	<b>121,011</b>	<b>1.8%</b>	<b>(112,975)</b>	<b>NMF</b>	<b>10,179</b>	<b>243,759</b>	<b>-95.8%</b>
Income tax (expense) / benefit	(8,470)	(9,871)	-14.2%	13,030	NMF	4,560	(20,407)	NMF
<b>Profit / (loss) adjusted for one-off costs</b>	<b>114,684</b>	<b>111,140</b>	<b>3.2%</b>	<b>(99,945)</b>	<b>NMF</b>	<b>14,739</b>	<b>223,352</b>	<b>-93.4%</b>
One-off termination costs of former CEO and executive management (after tax)	-	(3,996)	NMF	-	-	-	(14,236)	NMF
<b>Profit / (loss)</b>	<b>114,684</b>	<b>107,144</b>	<b>7.0%</b>	<b>(99,945)</b>	<b>NMF</b>	<b>14,739</b>	<b>209,116</b>	<b>-93.0%</b>

### Cost of risk:

— The higher cost of risk in 1Q20 and 1H20 was driven by GEL 220.2mln additional ECL provision, created for the full economic cycle in both the Retail and Corporate and Investment Banking segments, in the first quarter of 2020, related to adverse macro-economic environment and expected negative impact on creditworthiness of borrowers as a result of the COVID-19 pandemic. See details on page 30.

### Net non-recurring items:

— The Group recorded a GEL 38.7mln in March and GEL 1.0mln in April 2020 one-off net loss on modification of financial assets in relation to the three-month payment holidays on principal and interest offered to retail customers in March 2020, in order to reduce the requirement for customers to physically visit Bank branches and reduce the risk of COVID-19 virus spread. Interest continues to accrue on the outstanding principal of the loans and is distributed over the remaining period of each loan. The modification terms did not compound three-month accrued interest, and had therefore, under IFRS accounting, resulted in a one-off net loss on modification of loans to customers. This type of restructuring offered to our customers reflected the impact of the Bank's immediate social response to COVID-19 in Georgia, which management does not expect to recur.

\* The income statement adjusted profit excludes GEL 4.0mln in 2Q19 and GEL 14.2mln in 1H19 one-off employee costs (net of income tax) related to former CEO and executive management termination benefits. The amount in 2Q19 is comprised of GEL 4.6mln (gross of income tax) excluded from salaries and other employee benefits and GEL 0.6mln tax benefit excluded from income tax expense. The amount in 1H19 is comprised of GEL 12.4mln (gross of income tax) excluded from salaries and other employee benefits, GEL 4.0mln (gross of income tax) excluded from non-recurring items and GEL 2.2mln tax benefit excluded from income tax expense. Full IFRS income statement is presented on page 77

# 2Q20 AND 1H20 RESULTS HIGHLIGHTS

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## BALANCE SHEET HIGHLIGHTS\*

<i>GEL thousands</i>	Jun-20	Jun-19	Change y-o-y	Mar-20	Change q-o-q
Liquid assets	5,447,730	4,537,545	20.1%	5,379,132	1.3%
<i>Cash and cash equivalents</i>	1,633,755	936,106	74.5%	1,507,142	8.4%
<i>Amounts due from credit institutions</i>	1,700,075	1,704,701	-0.3%	1,954,218	-13.0%
<i>Investment securities</i>	2,113,900	1,896,738	11.4%	1,917,772	10.2%
Loans to customers and finance lease receivables	12,599,092	10,579,710	19.1%	13,144,429	-4.1%
Property and equipment	396,272	358,921	10.4%	380,580	4.1%
<b>Total assets</b>	<b>19,183,966</b>	<b>16,134,000</b>	<b>18.9%</b>	<b>19,663,693</b>	<b>-2.4%</b>
Client deposits and notes	11,583,139	8,855,616	30.8%	10,835,918	6.9%
Amounts owed to credit institutions	3,521,860	2,960,519	19.0%	4,144,701	-15.0%
<i>Borrowings from DFIs</i>	1,755,656	1,253,921	40.0%	1,689,610	3.9%
<i>Short-term loans from NBG</i>	847,213	1,001,496	-15.4%	1,677,339	-49.5%
<i>Loans and deposits from commercial banks</i>	918,991	705,102	30.3%	777,752	18.2%
Debt securities issued	1,561,933	2,137,239	-26.9%	2,294,431	-31.9%
<b>Total liabilities</b>	<b>16,984,167</b>	<b>14,215,780</b>	<b>19.5%</b>	<b>17,616,438</b>	<b>-3.6%</b>
<b>Total equity</b>	<b>2,199,799</b>	<b>1,918,220</b>	<b>14.7%</b>	<b>2,047,255</b>	<b>7.5%</b>

\* The detailed financials of the Group are presented on pages 77-82

## KEY RATIOS\*

	2Q20	2Q19	1Q20	1H20	1H19
ROAA**	2.4%	2.9%	-2.1%	0.2%	3.0%
ROAE**	21.8%	22.9%	-18.6%	1.4%	23.7%
Net interest margin	4.2%	5.7%	5.0%	4.6%	5.8%
Loan yield	10.2%	11.8%	10.8%	10.6%	12.0%
Liquid assets yield	3.4%	3.4%	3.9%	3.7%	3.6%
Cost of funds	4.8%	4.5%	4.7%	4.8%	4.6%
Cost of client deposits and notes	3.5%	3.1%	3.1%	3.3%	3.1%
Cost of amounts owed to credit institutions	7.3%	6.9%	7.6%	7.5%	7.1%
Cost of debt securities issued	7.7%	7.6%	7.6%	7.7%	7.5%
Cost / Income***	43.9%	38.3%	38.6%	41.1%	36.9%
NPLs to gross loans to clients	2.7%	3.2%	2.1%	2.7%	3.2%
NPL coverage ratio	115.7%	88.1%	147.2%	115.7%	88.1%
NPL coverage ratio, adjusted for discounted value of collateral	166.3%	131.5%	194.9%	166.3%	131.5%
Cost of credit risk ratio	-0.2%	1.3%	7.4%	3.5%	1.5%
NBG (Basel III) CET1 capital adequacy ratio	9.9%	11.0%	8.3%	9.9%	11.0%
NBG (Basel III) Tier I capital adequacy ratio	12.0%	13.3%	10.6%	12.0%	13.3%
NBG (Basel III) Total capital adequacy ratio	17.4%	16.7%	15.3%	17.4%	16.7%

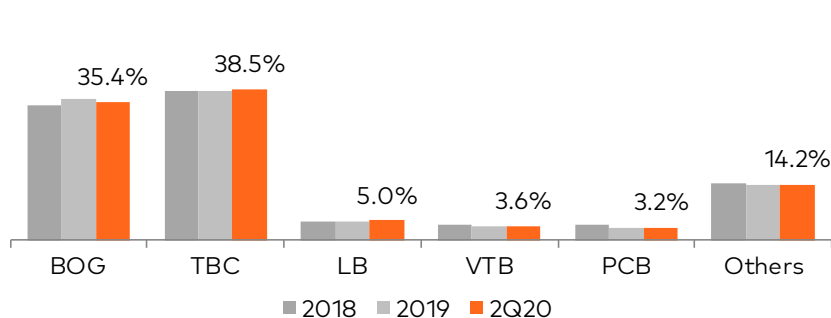
\*\* The 2Q19 and 1H19 ROAA and ROAE are adjusted for GEL 4.0mln and GEL 14.2 one-off employee costs (net of income tax), respectively, related to termination benefits of the former CEO and executive management

\*\*\* 2Q19 and 1H19 cost/income ratio is adjusted for GEL 4.6mln and GEL 12.4mln one-off employee costs (gross of income tax), respectively, related to termination benefits of the former executive management

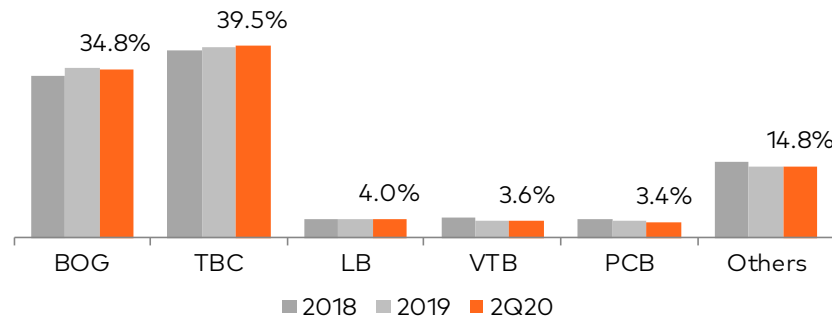
# THE COMPETITION

Leading market position in Georgia by assets (35.4%), loans (34.8%), client deposits (38.2%) and equity (30.6%)

## MARKET SHARE IN TOTAL ASSETS

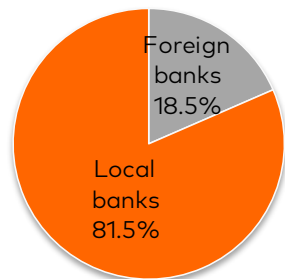


## MARKET SHARE IN GROSS LOANS

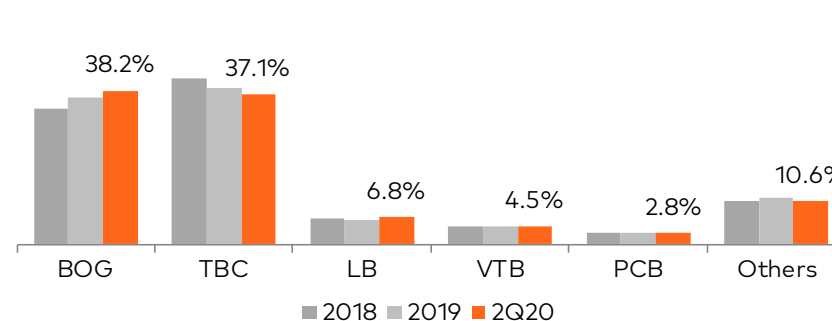


## FOREIGN BANKS MARKET SHARE BY ASSETS

No state ownership of commercial banks since 1994

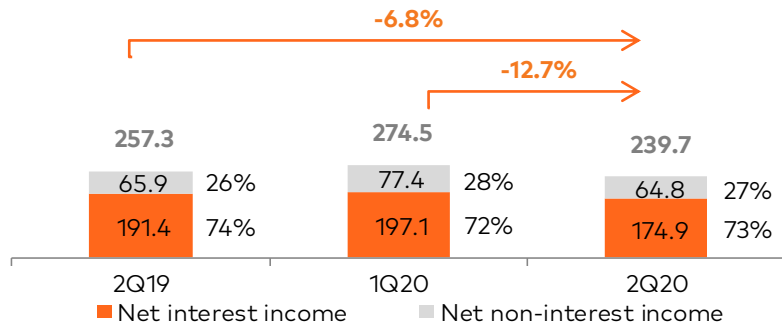


## MARKET SHARE IN CLIENT DEPOSITS

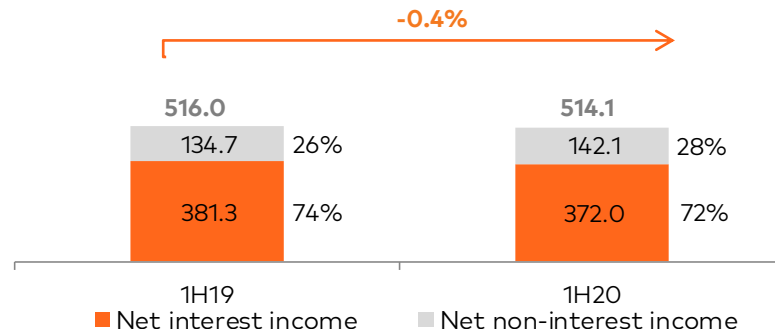


# STRONG UNDERLYING PERFORMANCE AMID COVID-19 IMPACT

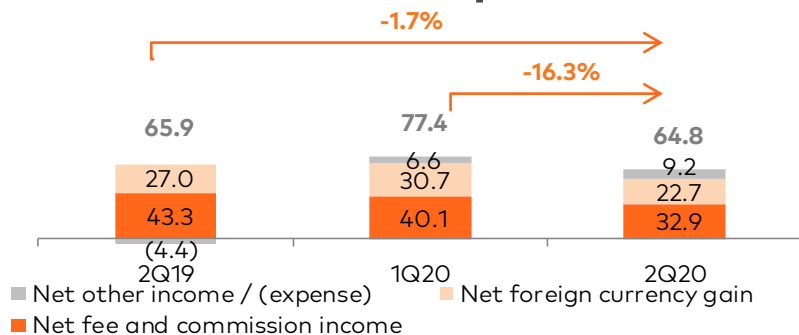
## OPERATING INCOME | QUARTERLY



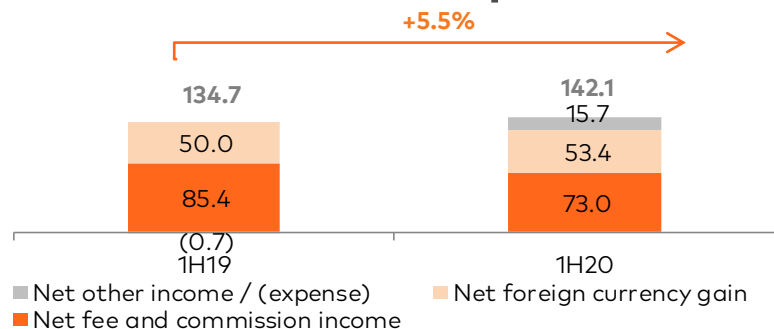
## OPERATING INCOME | HALF-YEAR



## NET NON-INTEREST INCOME | QUARTERLY

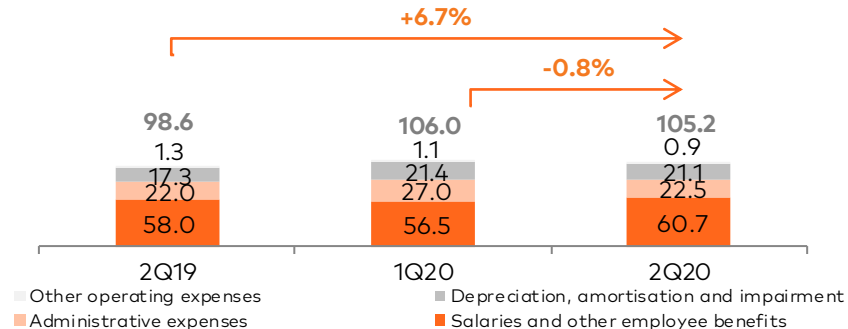


## NET NON-INTEREST INCOME | HALF-YEAR

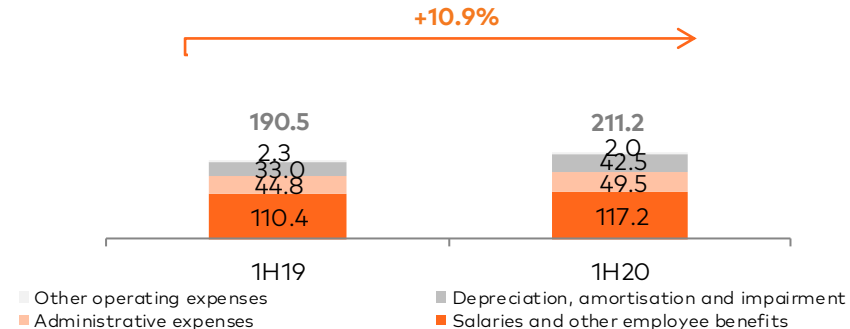


# STRONG UNDERLYING PERFORMANCE AMID COVID-19 IMPACT

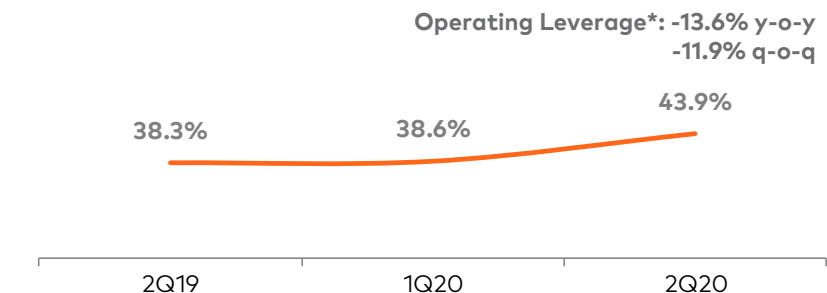
## OPERATING EXPENSES\* | QUARTERLY



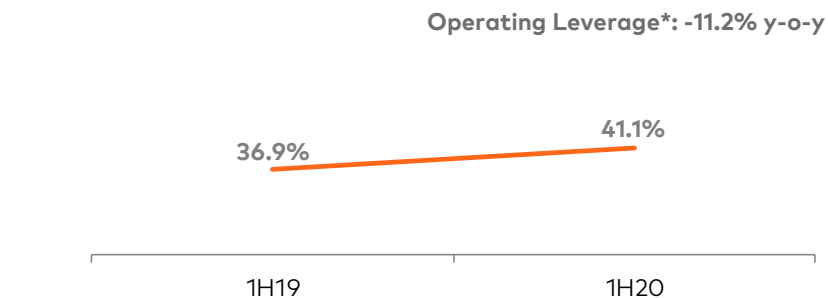
## OPERATING EXPENSES\* | HALF-YEAR



## COST / INCOME\* | QUARTERLY



## COST / INCOME\* | HALF-YEAR

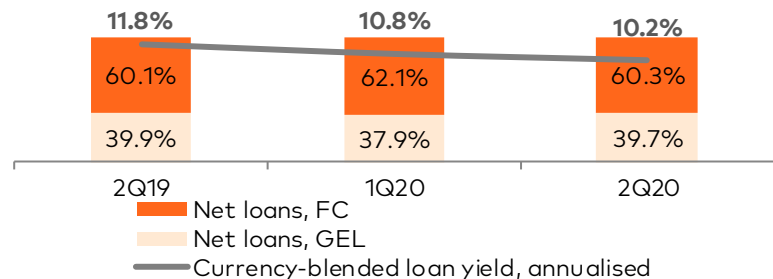


\* The 2Q19 and 1H19 operating expenses, cost to income ratio and operating leverage are adjusted for one-off costs. Please see details on one-offs on page 77

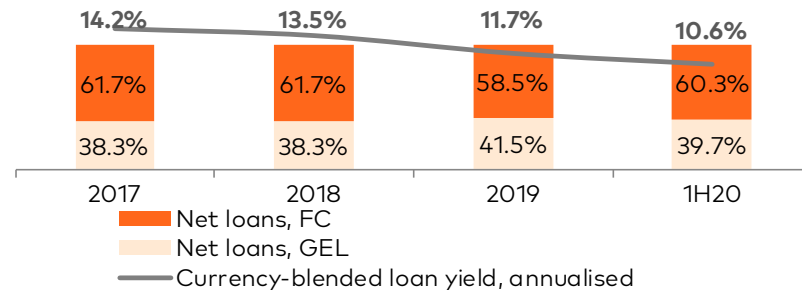


# SOLID INCOME NOTWITHSTANDING PRESSURE ON YIELDS

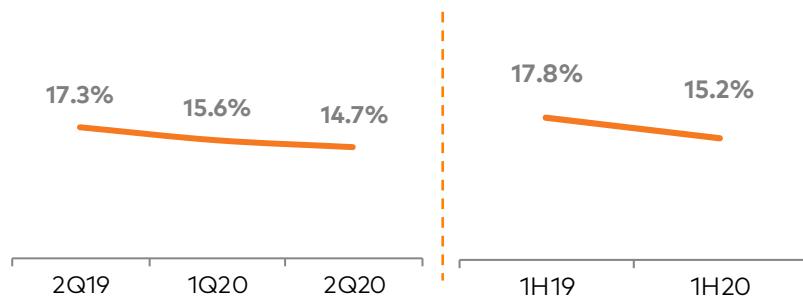
## LOAN YIELDS | QUARTERLY



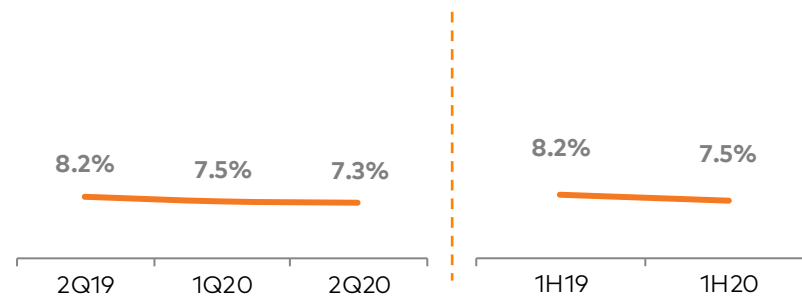
## LOAN YIELDS | HALF-YEAR



## LOAN YIELDS, LOCAL CURRENCY

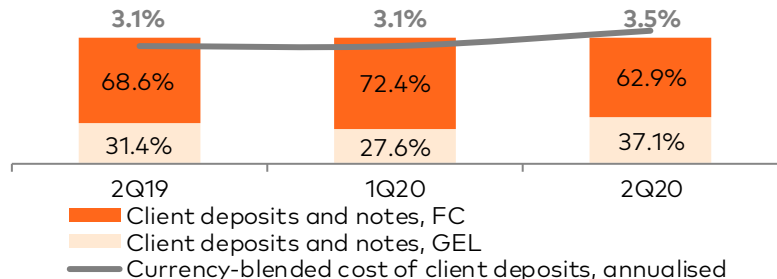


## LOAN YIELDS, FOREIGN CURRENCY

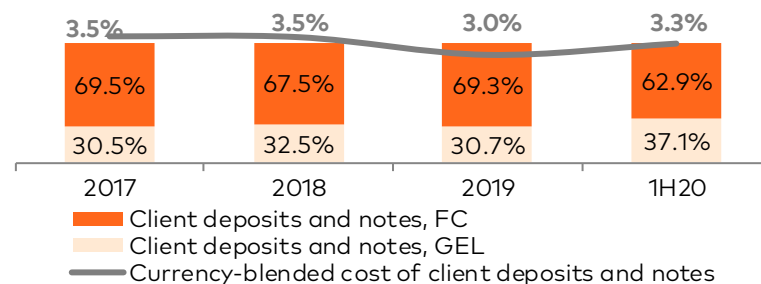


# STABLE COST OF FUNDING

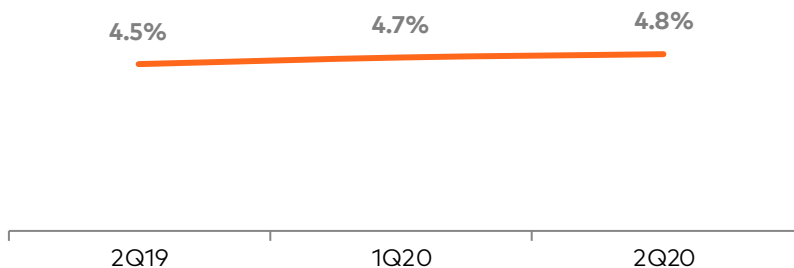
## COST OF CUSTOMER FUNDS | QUARTERLY



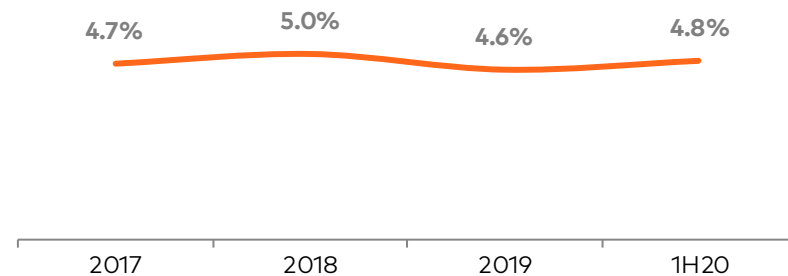
## COST OF CUSTOMER FUNDS | HALF-YEAR



## COST OF FUNDS | QUARTERLY



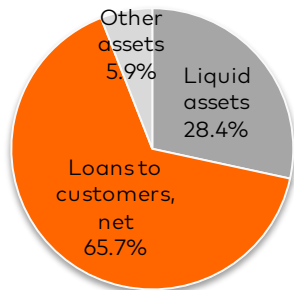
## COST OF FUNDS | HALF-YEAR



# DIVERSIFIED ASSET STRUCTURE AND LOAN PORTFOLIO

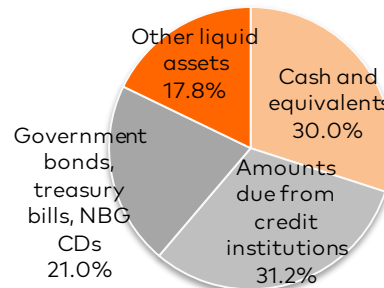
## TOTAL ASSETS | 30 JUNE 2020

Total: GEL 19.2bln



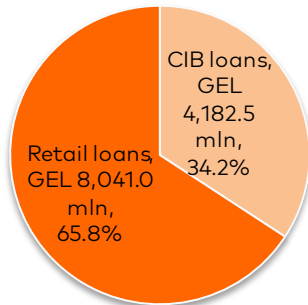
## LIQUID ASSETS | 30 JUNE 2020

Total: GEL 5.4bln

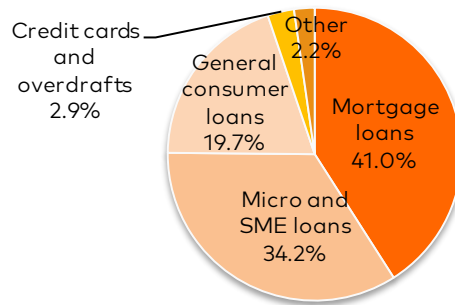


## LOANS BREAKDOWN | 30 JUNE 2020

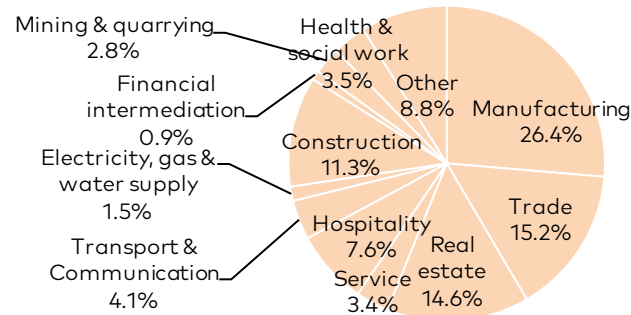
Total Gross Loans by segments  
Bank of Georgia standalone  
Total: GEL 12.2bln



Retail Banking Net Loans  
by product  
Total: GEL 7.8bln



Corporate and Investment Banking  
Gross Loans by sectors  
Total: GEL 4.2bln

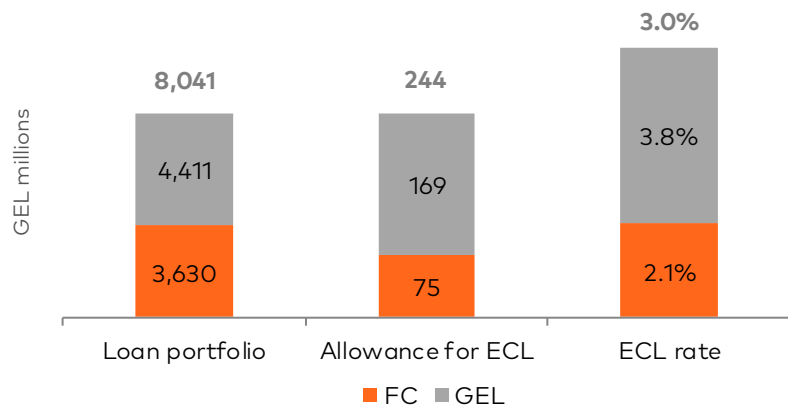


# LOAN PORTFOLIO BREAKDOWN

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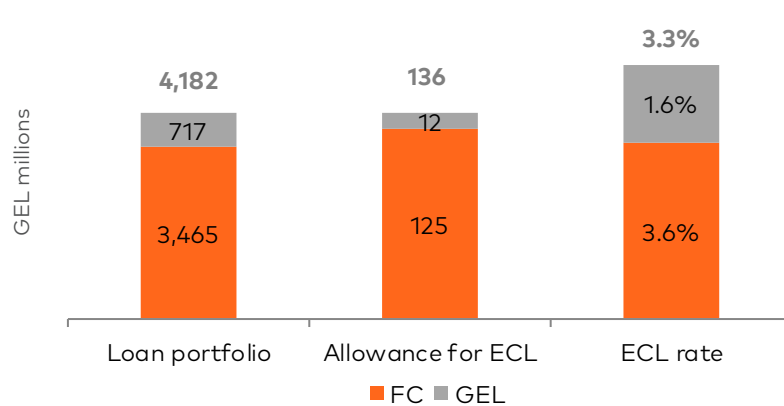
## RETAIL BANKING | 30 JUNE 2020

JSC Bank of Georgia standalone



## CORPORATE INVESTMENT BANKING | 30 JUNE 2020

JSC Bank of Georgia standalone

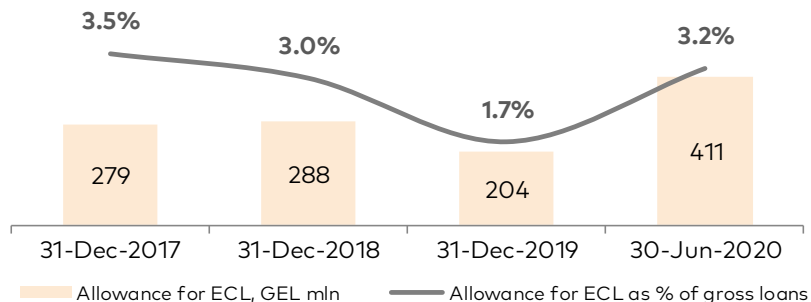


Amounts in GEL millions	RB Loan portfolio	% of total RB loan portfolio	Mortgages	Consumer loans*	SME & Micro	CB & WM Loan portfolio	% of total CIB loan portfolio
GEL loans*	4,411	54.9%	1,340	1,772	1,299	717	17.1%
FC loans not exposed to FC risk	600	7.5%	465	83	52	1,807	43.2%
FC loans exposed to FC risk	3,030	37.7%	1,432	195	1,403	1,658	39.7%
<b>Total</b>	<b>8,041</b>	<b>100.0%</b>	<b>3,237</b>	<b>2,050</b>	<b>2,754</b>	<b>4,182</b>	<b>100.0%</b>

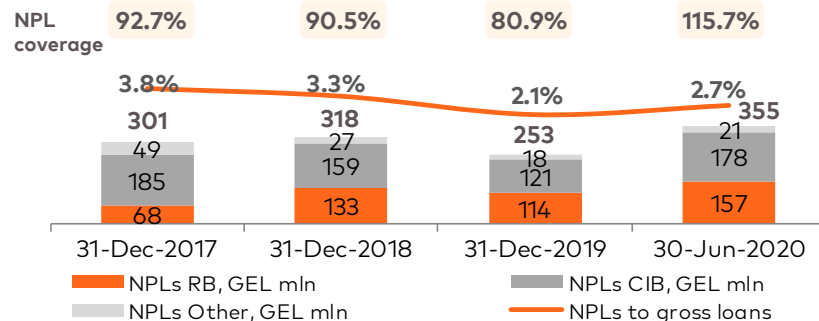
\* Includes credit cards

# RESILIENT LOAN PORTFOLIO QUALITY

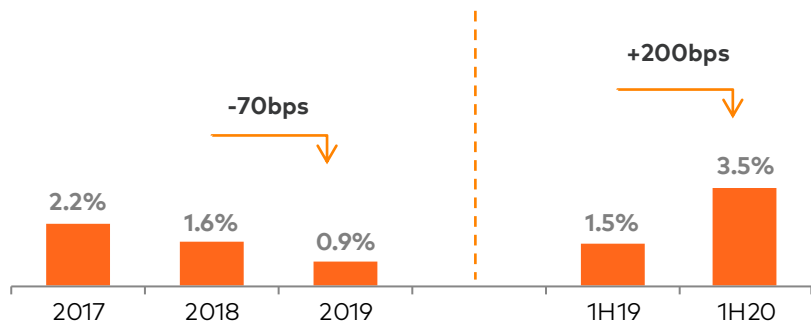
## EXPECTED CREDIT LOSS



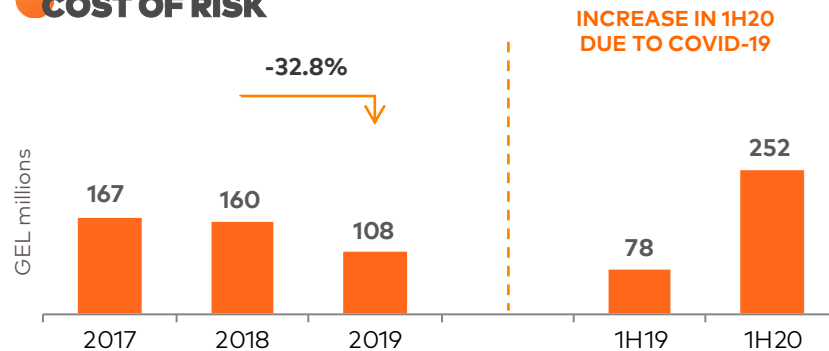
## NPL COMPOSITION



## COST OF CREDIT RISK



## COST OF RISK



# COST OF CREDIT RISK – COVID-19 IMPACT

The Group created additional reserves for expected credit losses for the full economic cycle of **GEL 220.2mln** in the first quarter of 2020, primarily related to deterioration of macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. For assumptions used to estimate the impact, see page 26 of 1Q20 Results Presentation. In 2Q20, Management revisited these assumptions to reflect the better visibility and the macro-economic forecast scenarios published by the NBG in May 2020:

## Macroeconomic assumptions:

- The Group used macro parameters based on the National Bank of Georgia's forecast scenarios – three scenarios (Baseline, Downside and Upside) with macro parameters for a three-year horizon with assigned respective probabilities. The weighted average of these scenario results were further considered in estimating expected credit losses (ECL).

## Other assumptions:

- Given the unprecedented nature of the COVID-19 pandemic and the uncertainties associated with it, we re-considered the existing impairment model and applied management overlays to the methodology to reflect a COVID-19 effect in ECL. In particular, granting three-month payment holidays to borrowers was not automatically considered as a SICR event (i.e. a trigger to transfer the exposures from Stage 1 to Stage 2). We performed a more in depth analysis of the loan portfolio and identified pools of exposures (tourism and hospitality sectors, among others, as well as some of the retail customers) that are most likely to suffer from pandemic consequences in the short to medium term, and transferred these exposures to Stage 2. The same treatment was used for borrowers who lost their job and income due to COVID-19 pandemic outbreak and who were included on the list for Government compensation programme;
- Further, to estimate the ECL for the above mentioned borrowers, in the downside scenario we assigned them Probability of Default (PD) of 1 and the ECL was calculated as a weighted average of the scenario results;
- We also applied a 5% haircut in Baseline and 15% haircut in Downside scenarios to real estate collateral values in GEL to reflect the NBG's forecast on real estate prices and adjusted Cure and Recovery rates downwards.

## Result:

- Based on these assumptions, the Group concluded that the additional reserve of GEL 220.2mln, already created in 1Q20, was sufficient. That said, the GEL 8.2mln net reversal of ECL on loans to customers and finance lease receivables in 2Q20, was primarily related to strengthening of local currency and the amortisation of the loan portfolio in the second quarter of 2020. Given that we are operating in a rapidly changing environment with a high level of uncertainty with regards to both the length and the severity of the COVID-19 impact, we are monitoring the new facts and circumstances on a continuous basis and will be updating the market on any significant changes in our assessments in the coming months.

### Baseline scenario (50% probability)

Macro parameter	2020	2021	2022
Real GDP growth	-4.0%	4.5%	5.0%
CPI Inflation	4.5%	1.5%	2.5%
GEL/US\$ rate	3.20	3.20	3.20

### Downside scenario (25% probability)

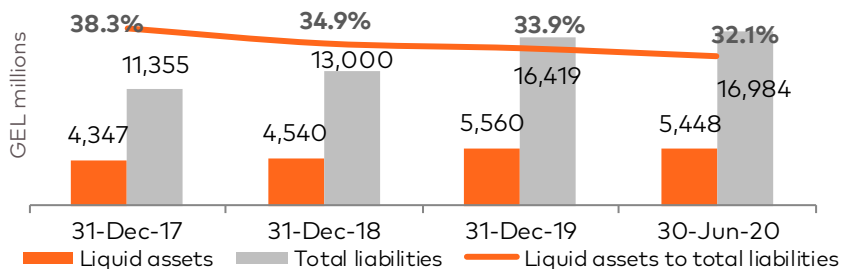
Macro parameter	2020	2021	2022
Real GDP growth	-9.0%	2.5%	4.0%
CPI Inflation	7.0%	2.0%	2.5%
GEL/US\$ rate	3.52	3.70	3.51

### Upside scenario (25% probability)

Macro parameter	2020	2021	2022
Real GDP growth	-3.0%	6.0%	5.0%
CPI Inflation	5.5%	4.0%	3.0%
GEL/US\$ rate	3.04	2.89	2.89

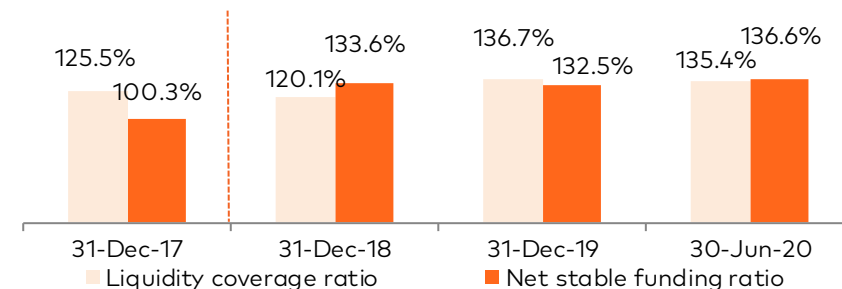
# STRONG LIQUIDITY

## LIQUID ASSETS TO TOTAL LIABILITIES



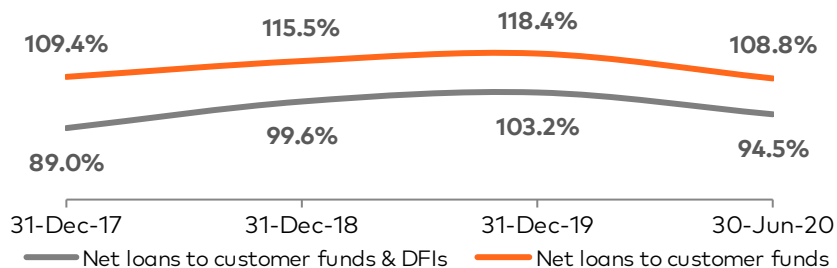
## LCR AND NSFR

JSC Bank of Georgia standalone (Basel III Liquidity)

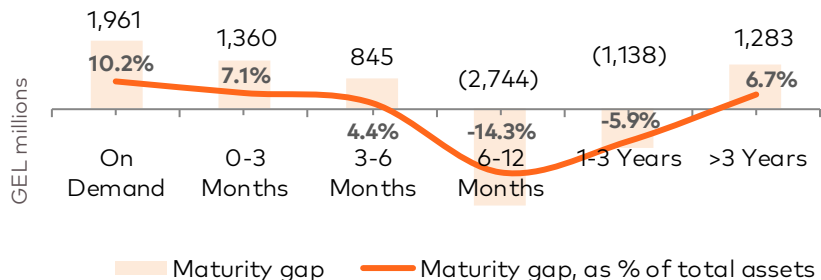


\* 2018-2020 ratios are calculated for standalone Bank of Georgia according to NBG guidelines

## NET LOANS TO CUSTOMER FUNDS & DFIS



## CUMULATIVE MATURITY GAP | 30 JUNE 2020



# STRONG NBG (BASEL III) CAPITAL ADEQUACY POSITION

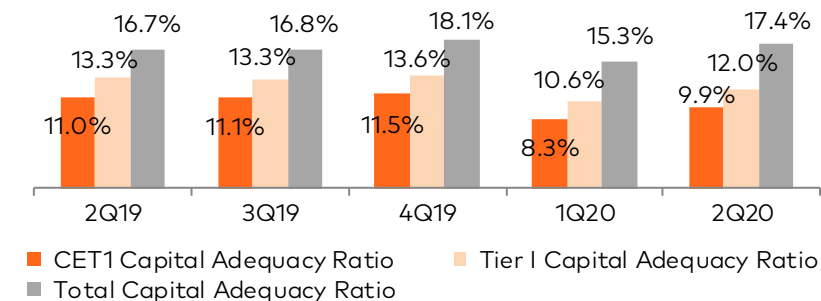
32

## NBG MEASURES AS A RESPONSE TO COVID-19

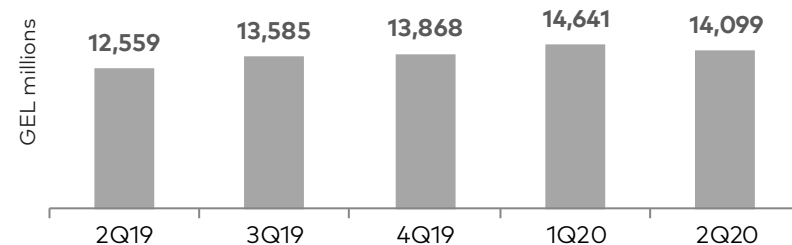
NBG's COVID-19 Supervisory Plan impact on capital adequacy ratios, effective since March 2020:

- **Combined buffer** - the conservation buffer requirement of 2.5% of risk-weighted assets has been reduced to 0% indefinitely;
- **Pillar 2 requirements:**
  - Currency induced credit risk buffer (CICR) requirement reduced by 2/3rds indefinitely;
  - The phase-in of additional credit portfolio concentration risk buffer (HHI) and net GRAPE buffer requirements on Common Equity Tier 1 (CET1) and Tier 1 capital, planned at the end of March 2020, has been postponed indefinitely;
  - The possibility of fully or partially releasing the remaining requirements of Pillar 2 buffers (HHI, CICR, net GRAPE), if necessary, remains open.
- **Capital distribution** - during the period the banks are allowed to partially or fully use the Pillar 2 and conservation buffers, the banks are restricted to make capital distribution in any form;
- **General loan loss provisioning relating to COVID-19.** The Bank's actual capital adequacy position at 30 June 2020 considers the additional general provision of GEL 400 million (approximately 3.3% of the Bank's lending portfolio subject to provision under the local regulatory accounting standards) booked under the Bank's local regulatory accounting basis in March 2020, which is used for calculation of the Bank's capital ratios, reflecting NBG's expectation of estimated credit losses on the Bank's lending book for the whole economic cycle, given current economic expectations.
- In the view of above, the Bank was subject to following minimum capital adequacy requirements at 30 June 2020: **CET1- 6.9%, Tier 1 – 8.7% and Total capital – 13.3%.**

## CAPITAL ADEQUACY RATIOS



## RISK WEIGHTED ASSETS





# STRONG NBG (BASEL III) CAPITAL ADEQUACY POSITION

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## CAPITAL MANAGEMENT

### Capital Adequacy

- Decline in capital ratios during 1H20 was primarily due to GEL 400 million general provision created for the full economic cycle in relation to COVID-19 impact
- Existing additional capital buffers (within **c.3.8% of RWAs**) reflecting differences in provisioning between NBG methodology and IFRS 9

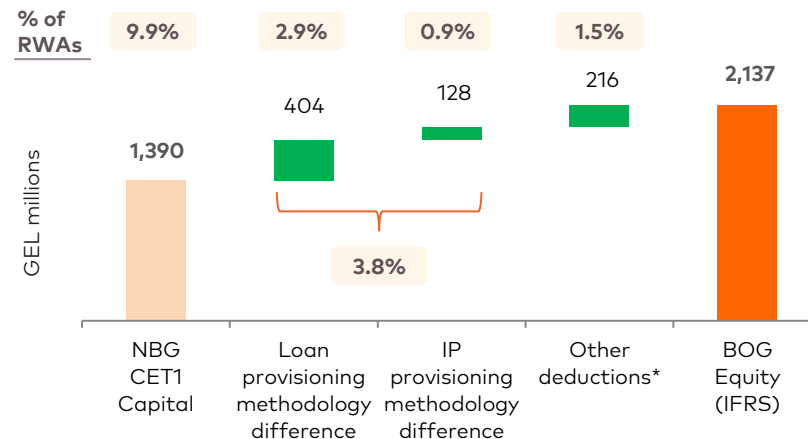
### Dividends

- In March 2020, given the level of uncertainty with regard to the global impact of COVID-19 and the potential length of time of that impact, the Board of Directors decided not to recommend a dividend for the 2019 year to shareholders at the 2020 AGM. As a result of the ongoing uncertainties, the Board has confirmed that the Group will not be distributing a 2019 dividend to shareholders.

### Tier 2 subordinated club facility

- To further improve the Bank's capital position, in April 2020, the Bank drew down a \$55 million second tranche of a Tier 2 capital instrument initially arranged in December 2019.

## BOG EQUITY VS. CET1 REG. CAPITAL | 30 JUN 2020



\* Revaluation reserve, investments in non-financial subsidiaries and intangible assets

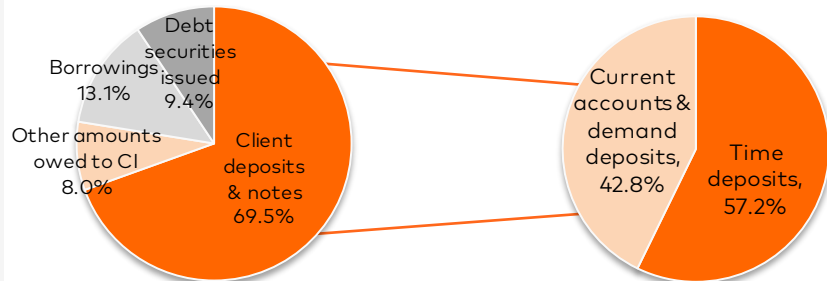
## CET1, TIER 1 AND TOTAL CAPITAL RATIOS EVOLUTION DURING 1H20

	Capital ratios 31 December 2019	Business growth	1H20 profit (excl. NBG general provision)	NBG general provision – COVID-19 impact	GEL devaluation	New Tier 2 facility impact	Other	Capital ratios 30 June 2020	Potential impact of additional 10% GEL devaluation
CET1 capital adequacy ratio	11.5%	-0.1%	1.7%	-2.6%	-0.3%	-	-0.3%	9.9%	-0.6%
Tier I capital adequacy ratio	13.6%	-0.1%	1.7%	-2.6%	-0.3%	-	-0.3%	12.0%	-0.5%
Total capital adequacy ratio	18.1%	-0.1%	1.7%	-2.5%	-0.3%	0.8%	-0.3%	17.4%	-0.4%

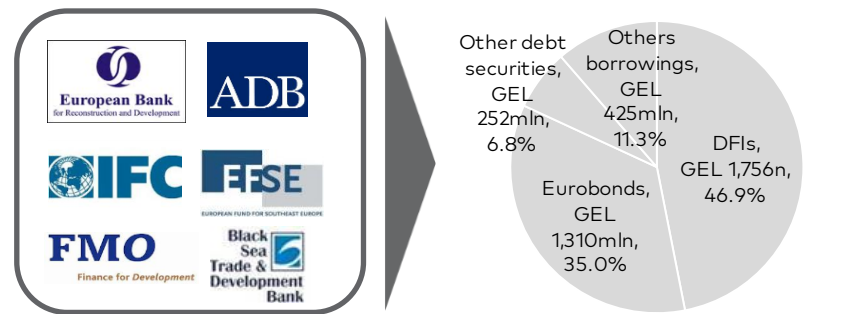
# WELL-ESTABLISHED FUNDING STRUCTURE | 30 JUNE 2020

## INTEREST BEARING LIABILITIES

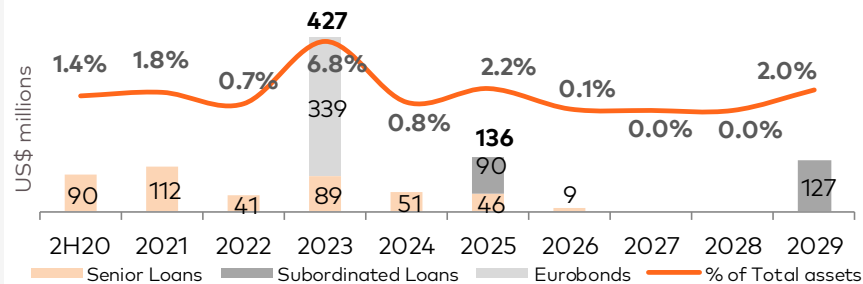
Interest Bearing Liabilities **GEL 16.7bln**



## WELL DIVERSIFIED INTERNATIONAL BORROWINGS



## BORROWED FUNDS MATURITY BREAKDOWN\*



\* converted at GEL/US\$ exchange rate of 3.0552 at 30 June 2020

## STRONG FUNDING PIPELINE

- At 30 June 2020, the Bank had **c.GEL 121 million undrawn loan facilities** from DFIs with up to seven years maturity
- In July 2020, the Bank signed **US\$ 100m 5-year multi-currency loan agreement with EBRD** allowing the Bank to draw-down the funds both in local and foreign (US Dollar and EURO) currencies
- Active communication on-going with partner financial institutions and signing of **new long-term facilities of around US\$400 million expected during the next months**. This will further improve liquidity position and enable to support customers and the economy during these unprecedented times

# RETAIL BANKING HIGHLIGHTS

AT 30 JUNE 2020 FOR JSC BANK OF GEORGIA STANDALONE

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Segments	Emerging & Mass Retail	Mass Affluent	MSME
Clients	2,259 k	56 k	225 k
Loans	GEL 2,690 mln	GEL 2,422 mln	GEL 2,929 mln
Deposits	GEL 2,819 mln	GEL 2,352 mln	GEL 791 mln
1H20 profit / (loss)	GEL (22) mln	GEL 11 mln	GEL (16) mln
P/C ratio	2.1	5.0	1.4
Branches	212	11	1

# RETAIL BANKING HIGHLIGHTS

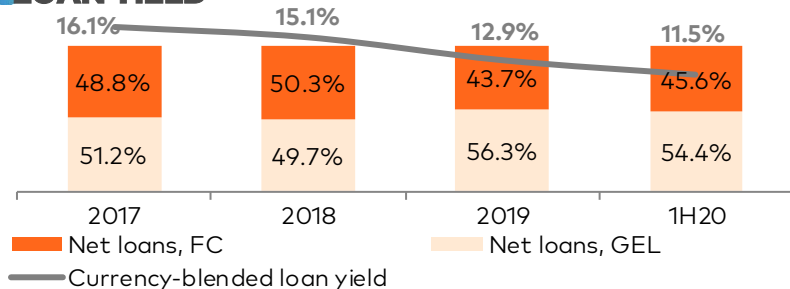
## INCOME STATEMENT HIGHLIGHTS\*

36

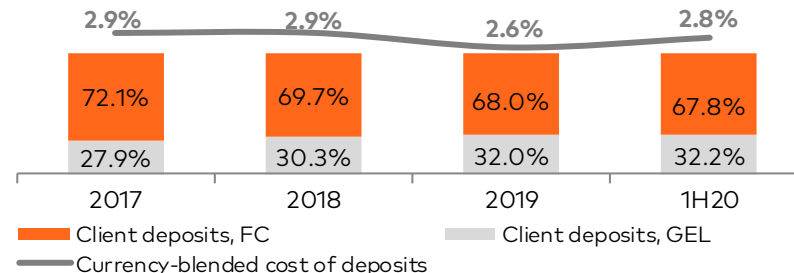
<i>GEL thousands unless otherwise noted</i>	2Q20	2Q19	Change y-o-y	1Q20	Change q-o-q	1H20	1H19	Change y-o-y
Net interest income	102,667	133,494	-23.1%	118,266	-13.2%	220,934	268,659	-17.8%
Net fee and commission income	22,184	34,605	-35.9%	29,398	-24.5%	51,581	67,039	-23.1%
Net foreign currency gain	7,525	12,743	-40.9%	21,634	-65.2%	29,159	21,804	33.7%
Net other income / (expense)	4,085	(3,753)	NMF	1,906	114.3%	5,991	(1,582)	NMF
<b>Operating income</b>	<b>136,461</b>	<b>177,089</b>	<b>-22.9%</b>	<b>171,204</b>	<b>-20.3%</b>	<b>307,665</b>	<b>355,920</b>	<b>-13.6%</b>
Salaries and other employee benefits	(41,826)	(36,691)	14.0%	(40,568)	3.1%	(82,394)	(70,564)	16.8%
Administrative expenses	(16,898)	(14,992)	12.7%	(20,732)	-18.5%	(37,629)	(30,788)	22.2%
Depreciation, amortisation and impairment	(17,610)	(14,492)	21.5%	(17,889)	-1.6%	(35,499)	(27,779)	27.8%
Other operating expenses	(550)	(753)	-27.0%	(551)	-0.2%	(1,103)	(1,290)	-14.5%
<b>Operating expenses</b>	<b>(76,884)</b>	<b>(66,928)</b>	<b>14.9%</b>	<b>(79,740)</b>	<b>-3.6%</b>	<b>(156,625)</b>	<b>(130,421)</b>	<b>20.1%</b>
Profit from associate	113	254	-55.5%	301	-62.5%	414	442	-6.3%
<b>Operating income / (loss) before cost of risk</b>	<b>59,690</b>	<b>110,415</b>	<b>-45.9%</b>	<b>91,765</b>	<b>-35.0%</b>	<b>151,454</b>	<b>225,941</b>	<b>-33.0%</b>
Cost of risk	(5,757)	(26,542)	-78.3%	(142,079)	-95.9%	(147,835)	(65,930)	124.2%
<b>Net operating income / (loss) before non-recurring items</b>	<b>53,933</b>	<b>83,873</b>	<b>-35.7%</b>	<b>(50,314)</b>	<b>NMF</b>	<b>3,619</b>	<b>160,011</b>	<b>-97.7%</b>
Net non-recurring items	(1,249)	(64)	NMF	(38,929)	-96.8%	(40,178)	(339)	NMF
<b>Profit / (loss) before income tax and one-off costs</b>	<b>52,684</b>	<b>83,809</b>	<b>-37.1%</b>	<b>(89,243)</b>	<b>NMF</b>	<b>(36,559)</b>	<b>159,672</b>	<b>NMF</b>
Income tax (expense) / benefit	(3,214)	(6,323)	-49.2%	11,215	NMF	8,000	(12,425)	NMF
<b>Profit / (loss) adjusted for one off costs</b>	<b>49,470</b>	<b>77,486</b>	<b>-36.2%</b>	<b>(78,028)</b>	<b>NMF</b>	<b>(28,559)</b>	<b>147,247</b>	<b>NMF</b>
One-off termination costs (after tax) *	-	(3,067)	NMF	-	-	-	(10,142)	NMF
<b>Profit / (loss)</b>	<b>49,470</b>	<b>74,419</b>	<b>-33.5%</b>	<b>(78,028)</b>	<b>NMF</b>	<b>(28,559)</b>	<b>137,105</b>	<b>NMF</b>

\* The income statement adjusted profit excludes GEL 3.1mln in 2Q19 and GEL 10.1mln in 1H19 one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits

## LOAN YIELD

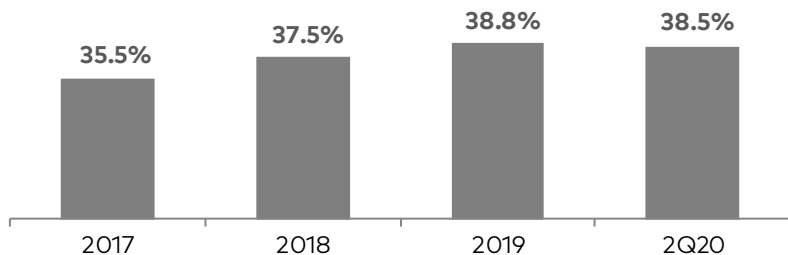


## COST OF CLIENT DEPOSITS

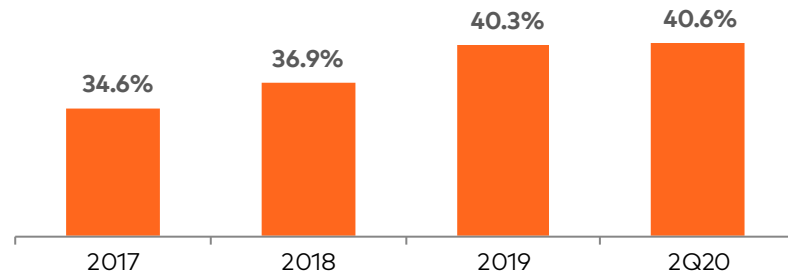


# RETAIL BANKING LOANS AND DEPOSITS

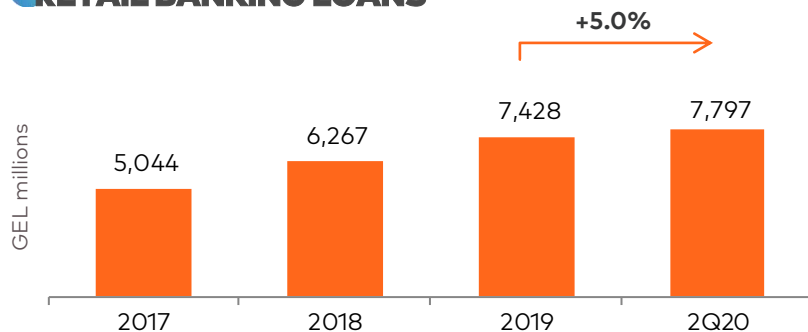
## MARKET SHARE – LOANS TO INDIVIDUALS



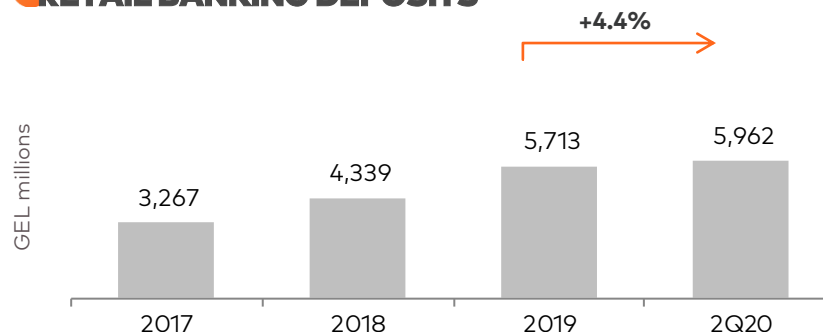
## MARKET SHARE – DEPOSITS TO INDIVIDUALS



## RETAIL BANKING LOANS

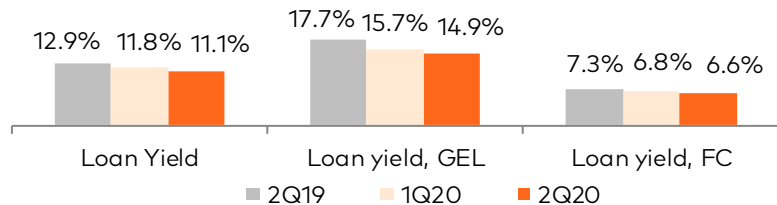


## RETAIL BANKING DEPOSITS

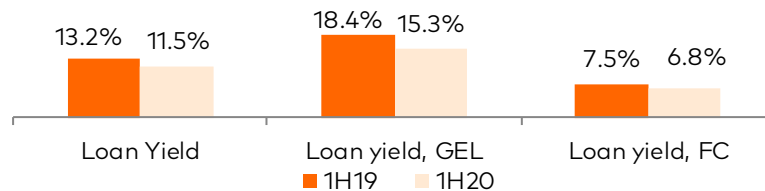


# RETAIL BANKING LOAN YIELD, COST OF DEPOSITS & NIM

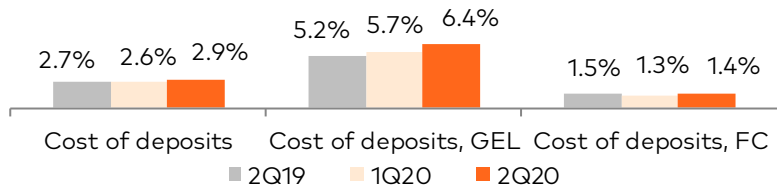
## RETAIL BANKING LOAN YIELD | QUARTERLY



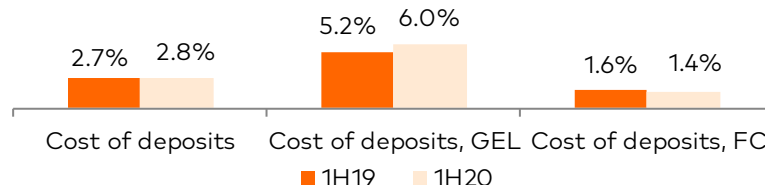
## RETAIL BANKING LOAN YIELD | HALF-YEAR



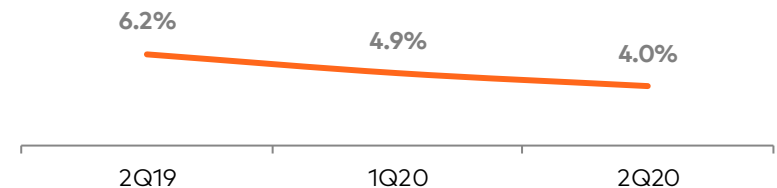
## RETAIL BANKING COST OF DEPOSITS | QUARTERLY



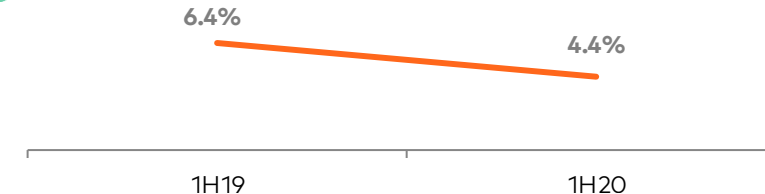
## RETAIL BANKING COST OF DEPOSITS | HALF-YEAR



## RETAIL BANKING NIM | QUARTERLY



## RETAIL BANKING NIM | HALF-YEAR

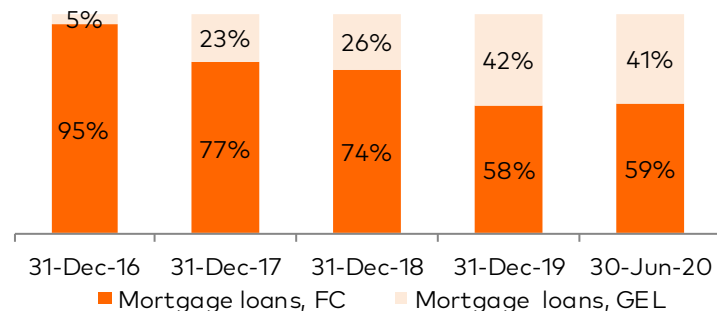


# RETAIL BANKING - LEADING RETAIL BANK IN GEORGIA

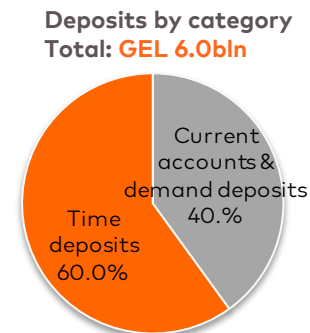
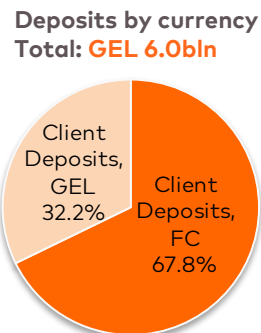
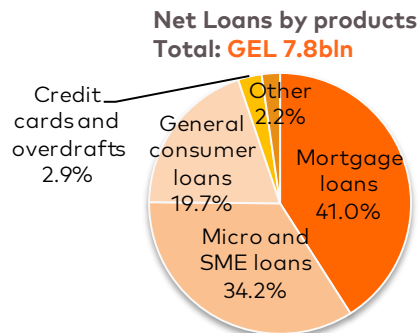
## RETAIL BANKING CLIENT DATA

Operating Data, GEL mln	30-Jun-20	31-Dec-19	31-Dec-18	31-Dec-17
<b>Number of total Retail clients, of which:</b>	<b>2,540,721</b>	<b>2,540,466</b>	<b>2,440,754</b>	<b>2,315,038</b>
<i>Number of Solo clients</i>	56,207	54,542	44,292	32,704
<b>Consumer loans &amp; other outstanding, volume</b>	<b>1,797</b>	<b>1,726</b>	<b>1,555</b>	<b>1,480</b>
Consumer loans & other outstanding, number	458,222	472,791	566,740	738,694
<b>Mortgage loans outstanding, volume</b>	<b>3,237</b>	<b>3,043</b>	<b>2,539</b>	<b>1,706</b>
Mortgage loans outstanding, number	48,085	46,907	39,007	26,643
<b>Micro &amp; SME loans outstanding, volume</b>	<b>2,754</b>	<b>2,523</b>	<b>2,005</b>	<b>1,637</b>
Micro & SME loans outstanding, number	80,989	81,739	68,832	53,732
<b>Credit cards and overdrafts outstanding, volume</b>	<b>252</b>	<b>245</b>	<b>290</b>	<b>308</b>
Credit cards and overdrafts outstanding, number	370,042	395,012	454,512	480,105
Credit cards outstanding, number, of which:	349,362	395,536	547,038	673,573
<i>American Express cards</i>	97,776	99,307	105,899	97,178

## MORTGAGE LOANS DOLLARISATION



## RETAIL BANKING PORTFOLIO | 30 JUNE 2020

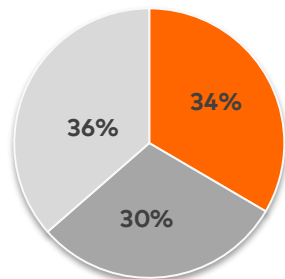


# DIVERSIFIED RETAIL PORTFOLIOS AND INCOME STREAMS

## BALANCE SHEET | 30 JUNE 2020

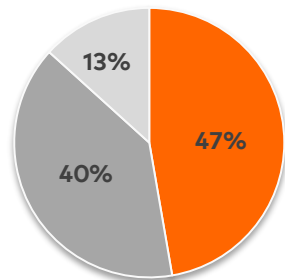
JSC Bank of Georgia Standalone

**Total Gross Loans**  
**GEL 8,041mln**



- Emerging/Mass Retail (GEL 2,690mln)
- Solo (GEL 2,422mln)
- MSME (GEL 2,929mln)

**Total Deposits**  
**GEL 5,962mln**

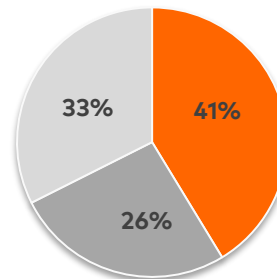


- Emerging/Mass Retail (GEL 2,819mln)
- Solo (GEL 2,352mln)
- MSME (GEL 791mln)

## INCOME STATEMENT | 1H20

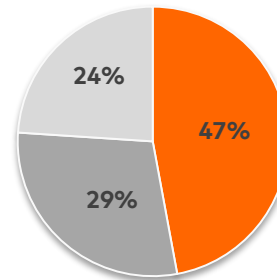
JSC Bank of Georgia Standalone

**Net Interest Income**  
**GEL 221mln**



- Emerging/Mass Retail (GEL 91mln)
- Solo (GEL 58mln)
- MSME (GEL 72mln)

**Net Fee & Commission Income**  
**GEL 40mln**



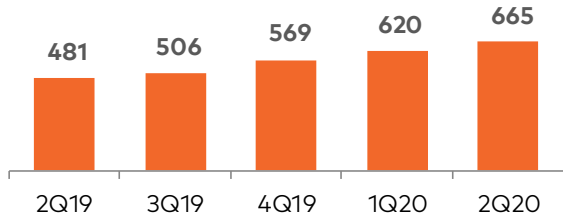
- Emerging/Mass Retail (GEL 19mln)
- Solo (GEL 12mln)
- MSME (GEL 10mln)



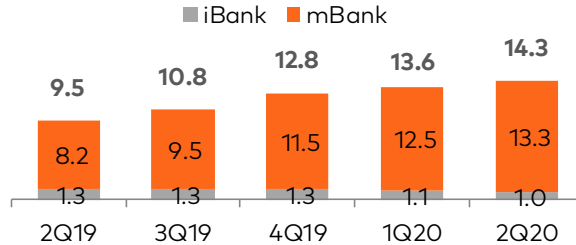
# RETAIL BANKING | DIGITAL PENETRATION

## MBANK/IBANK STATISTICS

Number of Active Users | '000

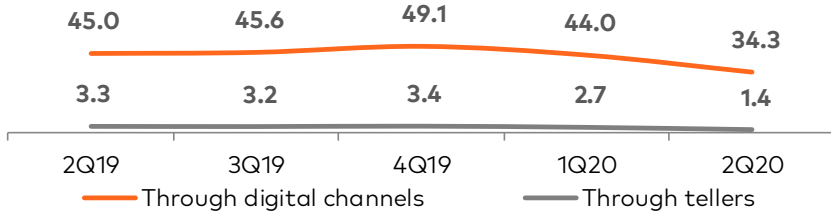


Number of transactions (millions)

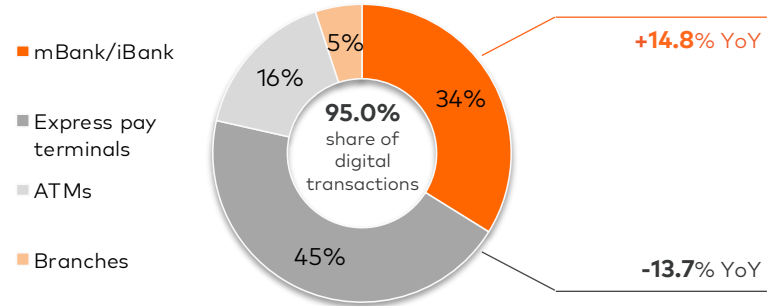


## DIGITAL VS NON-DIGITAL TRANSACTIONS

Number of transactions in millions



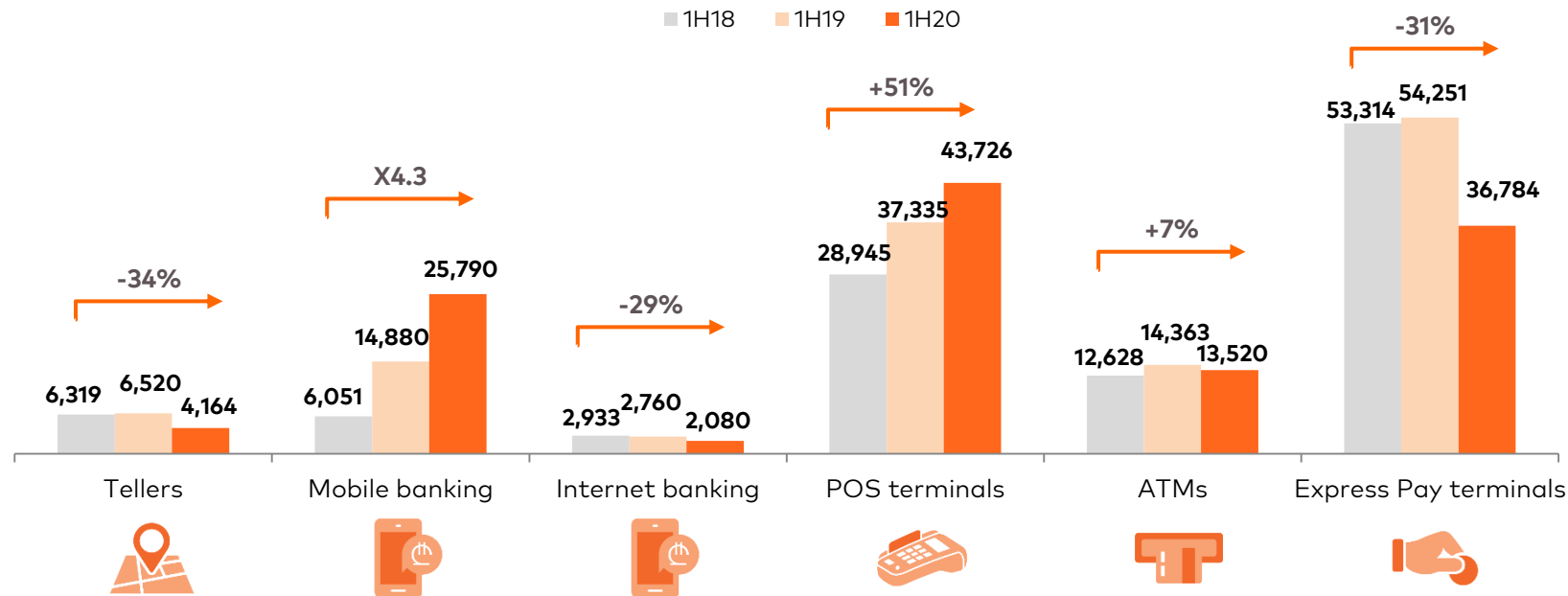
Transactions breakdown by channel | 1H20



Information on this slide depicts the usage of digital and non-digital channels by individual customers

# RETAIL BANKING | MULTICHANNEL PERFORMANCE

## NUMBER OF TRANSACTIONS '000



Information on this slide depicts the usage of channels by individual customers

# CORPORATE AND INVESTMENT BANKING HIGHLIGHTS

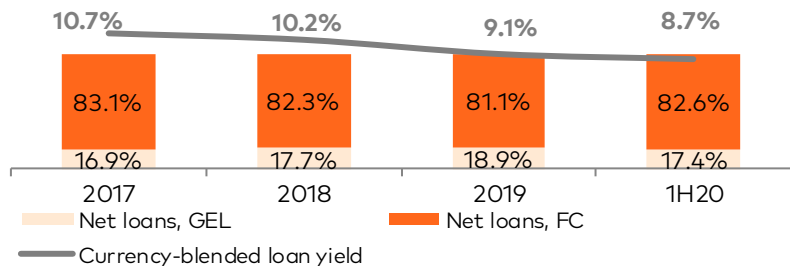
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## INCOME STATEMENT HIGHLIGHTS\*

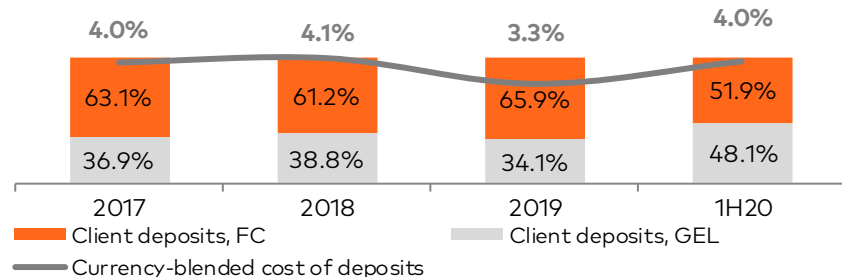
<i>GEL thousands unless otherwise noted</i>	2Q20	2Q19	Change y-o-y	1Q20	Change q-o-q	1H20	1H19	Change y-o-y
Net interest income	63,110	51,864	21.7%	69,341	-9.0%	132,451	100,405	31.9%
Net fee and commission income	9,197	7,113	29.3%	8,955	2.7%	18,152	15,264	18.9%
Net foreign currency gain	11,431	11,262	1.5%	8,534	33.9%	19,965	21,504	-7.2%
Net other income / (expense)	4,825	(392)	NMF	4,681	3.1%	9,506	994	NMF
<b>Operating income</b>	<b>88,563</b>	<b>69,847</b>	<b>26.8%</b>	<b>91,511</b>	<b>-3.2%</b>	<b>180,074</b>	<b>138,167</b>	<b>30.3%</b>
Salaries and other employee benefits	(14,170)	(14,738)	-3.9%	(10,561)	34.2%	(24,731)	(27,177)	-9.0%
Administrative expenses	(3,488)	(4,004)	-12.9%	(4,466)	-21.9%	(7,954)	(8,031)	-1.0%
Depreciation, amortisation and impairment	(2,434)	(1,933)	25.9%	(2,473)	-1.6%	(4,907)	(3,634)	35.0%
Other operating expenses	(227)	(302)	-24.8%	(296)	-23.3%	(523)	(505)	3.6%
<b>Operating expenses</b>	<b>(20,319)</b>	<b>(20,977)</b>	<b>-3.1%</b>	<b>(17,796)</b>	<b>14.2%</b>	<b>(38,115)</b>	<b>(39,347)</b>	<b>-3.1%</b>
<b>Operating income / (loss) before cost of risk</b>	<b>68,244</b>	<b>48,870</b>	<b>39.6%</b>	<b>73,715</b>	<b>-7.4%</b>	<b>141,959</b>	<b>98,820</b>	<b>43.7%</b>
Cost of risk	(2,536)	(6,574)	-61.4%	(95,902)	-97.4%	(98,438)	(8,398)	NMF
<b>Net operating income / (loss) before non-recurring items</b>	<b>65,708</b>	<b>42,296</b>	<b>55.4%</b>	<b>(22,187)</b>	<b>NMF</b>	<b>43,521</b>	<b>90,422</b>	<b>-51.9%</b>
Net non-recurring items	32	-	NMF	(1,406)	NMF	(1,374)	(72)	NMF
<b>Profit / (loss) before income tax and one-off costs</b>	<b>65,740</b>	<b>42,296</b>	<b>55.4%</b>	<b>(23,593)</b>	<b>NMF</b>	<b>42,147</b>	<b>90,350</b>	<b>-53.4%</b>
Income tax (expense) / benefit	(4,246)	(3,169)	34.0%	1,847	NMF	(2,398)	(7,032)	-65.9%
<b>Profit / (loss) adjusted for one off costs</b>	<b>61,494</b>	<b>39,127</b>	<b>57.2%</b>	<b>(21,746)</b>	<b>NMF</b>	<b>39,749</b>	<b>83,318</b>	<b>-52.3%</b>
One-off termination costs (after tax) *	-	(929)	NMF	-	-	-	(4,094)	NMF
<b>Profit / (loss)</b>	<b>61,494</b>	<b>38,198</b>	<b>61.0%</b>	<b>(21,746)</b>	<b>NMF</b>	<b>39,749</b>	<b>79,224</b>	<b>-49.8%</b>

\* The income statement adjusted profit excludes GEL 0.9mln in 2Q19 and GEL 4.1mln in 1H19 one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits

## LOAN YIELD

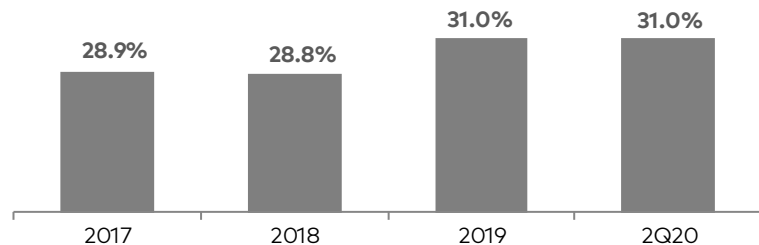


## COST OF CLIENT DEPOSITS

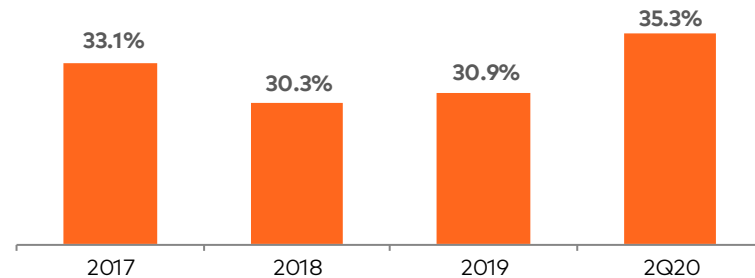


# CIB LOAN BOOK AND DEPOSITS

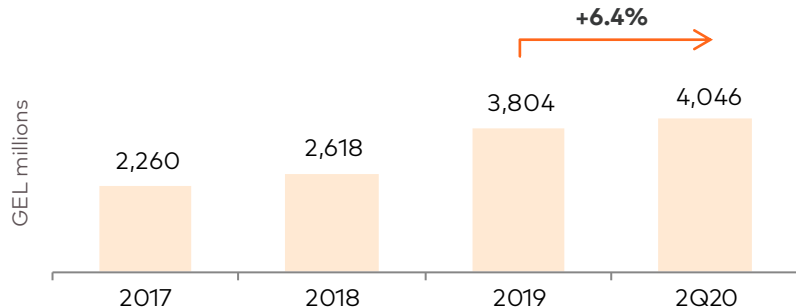
## MARKET SHARE – LOANS TO LEGAL ENTITIES



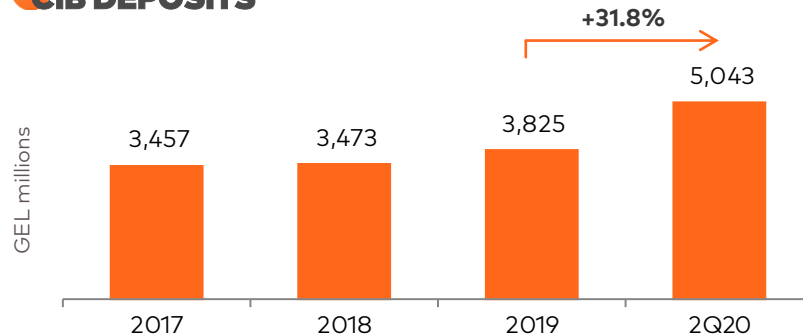
## MARKET SHARE – DEPOSITS TO LEGAL ENTITIES



## CIB NET LOANS



## CIB DEPOSITS

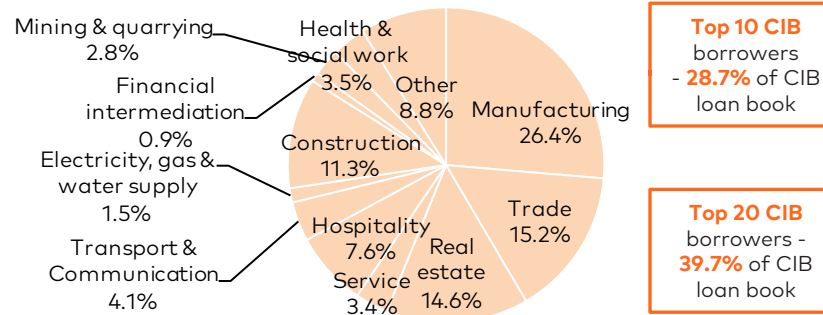


# CIB LOAN BOOK AND DEPOSITS

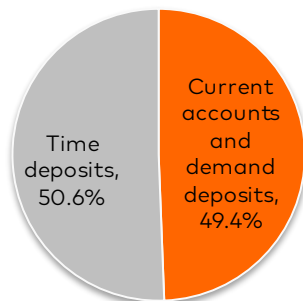
## HIGHLIGHTS

- **Leading corporate bank in Georgia**
- Integrated client coverage in key major sectors of the Georgian economy
- **2,852** corporate clients served by dedicated relationship bankers at 30 June 2020

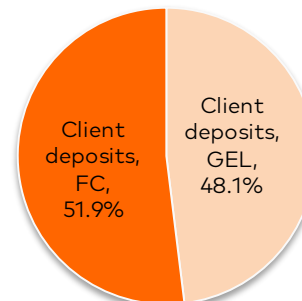
## GROSS LOAN BOOK BY SECTOR | 30 JUNE 2020



## DEPOSITS BY CATEGORY | 30 JUNE 2020

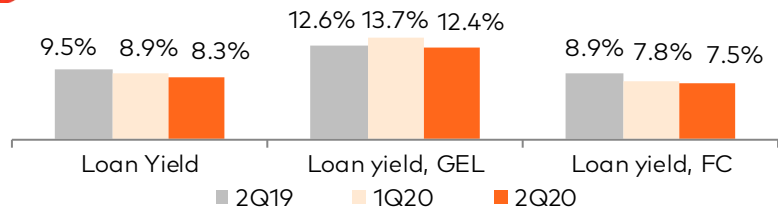


## DEPOSITS BY CURRENCY | 30 JUNE 2020

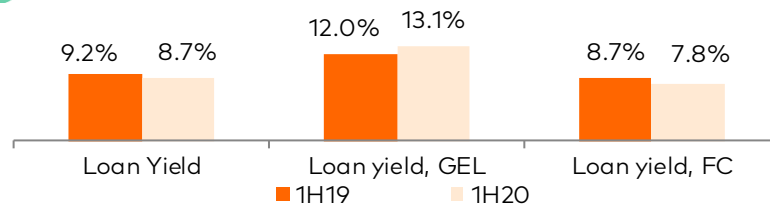


# CIB LOAN YIELD, COST OF DEPOSITS & NIM

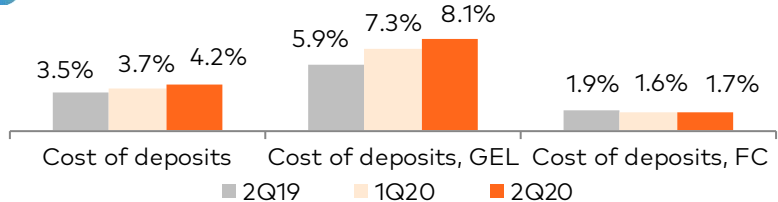
## CIB LOAN YIELD | QUARTERLY



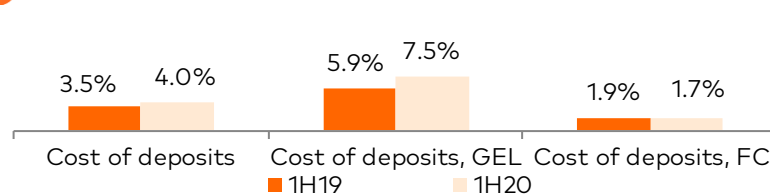
## CIB LOAN YIELD | HALF-YEAR



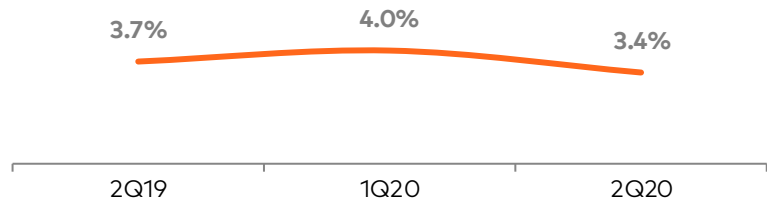
## CIB COST OF DEPOSITS | QUARTERLY



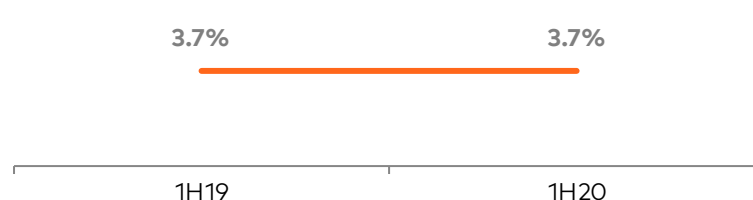
## CIB COST OF DEPOSITS | HALF-YEAR



## CIB NIM | QUARTERLY



## CIB NIM | HALF-YEAR



# BUILDING BLOCKS TO BECOME THE FINANCIAL SERVICES HUB

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**WEALTH MANAGEMENT AIM - TO INCREASE AUM TO US\$3.0BLN IN 5 YEARS TIME**

## STRONG INTERNATIONAL PRESENCE

- Israel (2008), UK (2010), Hungary (2012), Turkey (2013)



- AUM of GEL 2,835.0 million, up 13.2% y-o-y
- Diversified funding sources:
  - Georgia 39%
  - Israel 9%
  - UK 3%
  - Germany 2%
  - CIS 22%
  - Other 25%

## STRONG INTERNATIONAL PRESENCE

- Wealth Management Vision – Become the regional hub for wealth management offering
  - Business and tax friendly environment
  - Secure and attractive destination
  - Conservative regulation and high level of banking secrecy
  - Market dominated by two LSE listed banks with high standards of transparency
- Dedicated office in the centre of Tbilisi, since January 2019



# BUILDING BLOCKS TO BECOME THE FINANCIAL SERVICES HUB



**GALT AND TAGGART – LARGEST INVESTMENT BANK IN GEORGIA**

48

## BROKERAGE

- The leading brokerage house in the region
- The only international sub-custodian in the region
- The leading investment bank in the region
- Wide product coverage and Exclusive partner of SAXO Bank via White Label structure, that provides highly adaptive trading platform with professional tools, insights and world-class execution



## DCM/ECM

Galt & Taggart continues to develop local capital markets in Georgia. During 1H20, Galt & Taggart acted as a:

- lead manager for International Finance Corporation, facilitating a public placement of GEL 100mln local bond issuance in April 2020
- rating advisor for one of the microfinance organisations, assisting in obtaining credit rating from Scope Ratings

## RESEARCH

- Sector, macro and fixed income coverage
- Georgian quarterly macroeconomic update
- International distribution



Bloomberg



## CORPORATE ADVISORY

- Team with sector expertise and international M&A experience
- Proven track record of more than 30 completed transactions over the past 8 years



**Best Investment Bank in Georgia**

2020, 2019, 2018, 2017, 2016, 2015



# DIGITAL AREA ECOSYSTEM OVERVIEW



\*Digital Area as ecosystem orchestrator with ecosystem partners providing an interconnected set of services that allows users to fulfill a variety of needs in one integrated experience

# DIGITAL AREA ECOSYSTEM OVERVIEW

Coming soon in 2020

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## EXTRA



Mobile Apps (iOS / Android)



3PL (third party logistics) and C2C fulfillment)

## AREA



Launch of Digital Brokerage Services



Sales Management Solution for Real Estate Developers

## OPTIMO



HORECA Solution



OPTIMO Card for merchants and distributors



OPTIMO Business School

## 500 Startups



Growth Intensive Acceleration start



Selecting 15 Startups for Bootcamp

# CONTENTS

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 **RESPONSE TO COVID-19 AND TRACKING THE RECOVERY**

 **GROUP OVERVIEW**

 **2Q20 AND 1H20 RESULTS DISCUSSION**

 **GEORGIAN MACRO OVERVIEW**

 **APPENDICES**

# GEORGIA AT A GLANCE

52

## GENERAL FACTS

- Area: 69,700 sq km
- Population (2019): 3.7 mln
- Life expectancy: 74 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi
- Currency (code): Lari (GEL)



## ECONOMY

- Nominal GDP (Geostat) 2019: GEL 50.0bln (US\$17.7 bln)
- Real GDP growth rate 2015-2019: 3.0%, 2.9%, 4.8%, 4.8%, 5.1%
- Real GDP 2011-2019 annual average growth rate: 4.7%
- GDP per capita 2019 (PPP): US\$ 13,579
- Annual inflation (e-o-p) 2019: 7.0%
- External public debt to GDP 2019: 31.5%

## SOVEREIGN CREDIT RATINGS

Agency	Rating	Outlook	Affirmed
Moody's	Ba2	Stable	March 2020
FitchRatings	BB	Negative	August 2020
S&P Global	BB	Stable	October 2019

# GEORGIA'S KEY ECONOMIC DRIVERS

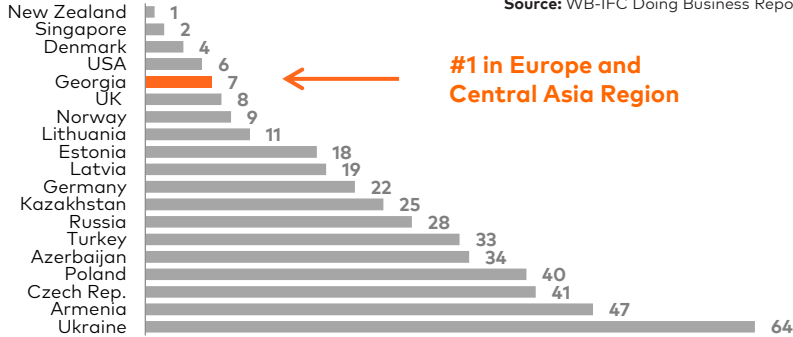
53

<b>Liberal economic policy</b>	<p><b>Top performer globally in WB Doing Business over the past 12 years</b></p> <ul style="list-style-type: none"><li>Liberty Act ensures a credible fiscal and monetary framework</li><li>Fiscal deficit/GDP capped at 3%; Government debt/GDP capped at 60%</li><li>Business friendly environment and low tax regime (attested by favourable international rankings)</li></ul>
<b>Regional logistics and tourism hub</b>	<p><b>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</b></p> <ul style="list-style-type: none"><li>Access to a market of 2.8bn customers without customs duties: Free trade agreements with EU, China, CIS, Turkey, Hong Kong and with EFTA countries. The GSP with USA, Canada and Japan</li><li>Tourism inflows stood at 18.4% of GDP in 2019 and total international arrivals reached 9.4mln visitors in 2019 (up 7.8% y-o-y), out of which tourist arrivals were up 6.8% y-o-y to 5.1mln visitors</li><li>Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes</li></ul>
<b>Strong FDI</b>	<p><b>An influx of foreign investors on the back of the economic reforms</b></p> <ul style="list-style-type: none"><li>FDI stood at US\$ 1.3bln (7.4% of GDP) in 2019</li><li>FDI averaged 8.7% of GDP in 2010-2019</li></ul>
<b>Support from international community</b>	<p><b>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</b></p> <ul style="list-style-type: none"><li>Visa-free travel to the EU - another major success in Georgian foreign policy. Georgians were granted free entrance to the EU countries from 28 March 2017</li><li>Discussions commenced with the USA to drive inward investments and exports</li><li>Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs</li></ul>
<b>Electricity transit hub potential</b>	<p><b>Developed, stable and competitively priced energy sector</b></p> <ul style="list-style-type: none"><li>Only 25% of hydropower capacity utilized; 150 renewable (HPPs/WPPs/SPPs) energypower plants are in various stages of construction or development</li><li>Georgia imports natural gas mainly from Azerbaijan</li><li>Significantly boosted transmission capacity with 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded</li><li>Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe</li></ul>
<b>Political environment</b>	<ul style="list-style-type: none"><li>Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU</li><li>Constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency</li><li>Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia</li><li>Despite resumed economic ties, exposure to Russia remains moderate. In 1H20, Russia accounted for 12.5% of Georgia's exports and 11.2% of imports; just 3.7% of cumulative FDI over 2003-1Q20</li></ul>

# GROWTH ORIENTED REFORMS

## EASE OF DOING BUSINESS | 2020

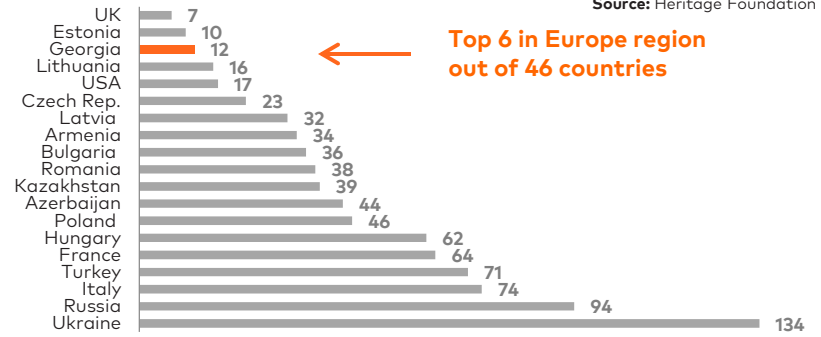
Source: WB-IFC Doing Business Report



#1 in Europe and Central Asia Region

## ECONOMIC FREEDOM INDEX | 2020

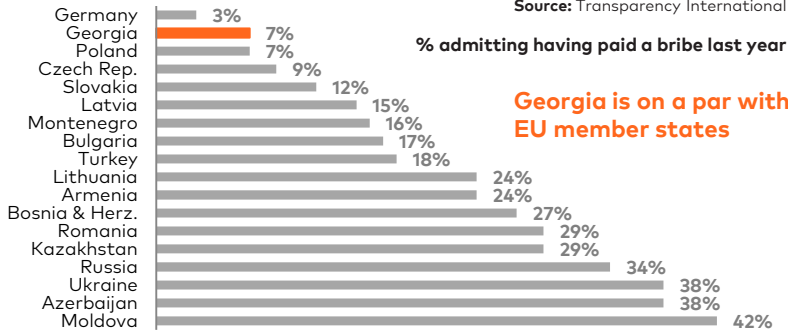
Source: Heritage Foundation



Top 6 in Europe region out of 46 countries

## GLOBAL CORRUPTION BAROMETER | 2017

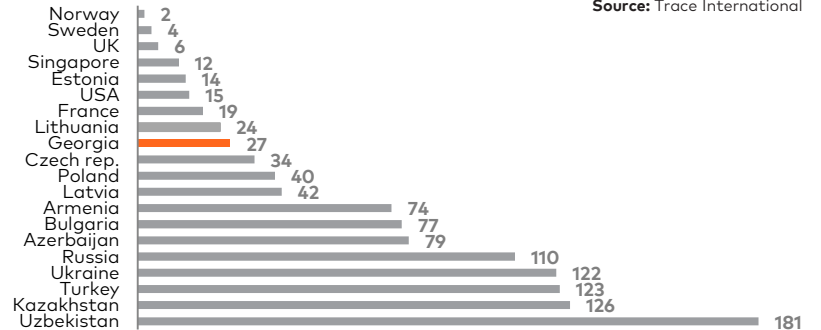
Source: Transparency International



Georgia is on a par with EU member states

## BUSINESS BRIBERY RISK | 2019

Source: Trace International



### ▪ Tax reform

- Corporate income tax reform
- Enhancing easiness of tax compliance
- Favorable tax rates for SME development

### ▪ Enhance business environment

- New insolvency law

### ▪ Capital market reform

- Boosting stock exchange activities
- Developing of local bond market

### ▪ Pension reform

- Implementation of private pension system

### ▪ PPP reform

- Transparent and efficient PPP framework

### ▪ Deposit insurance

- Boosting private savings
- Strengthening trust to financial system

### ▪ Responsible lending

- Decrease household exposure over indebtedness

### ▪ EU-Georgia association agreement agenda

- Deepening economic and political relations with EU

### ▪ Public investment management framework

- Improved efficiency of state projects

### ▪ General education reform

- Maximising quality of teaching in secondary schools

### ▪ Fundamental reform of higher education

- Based on the comprehensive research of the labor market needs

### ▪ Improvement of vocational education

- Increase involvement of the private sector in the professional education

### ▪ Promoting transit and tourism hub

- Development/enhancement of road, rail, air, maritime infrastructure

### ▪ Inclusive government

- Involvement of the private sector in legislative process

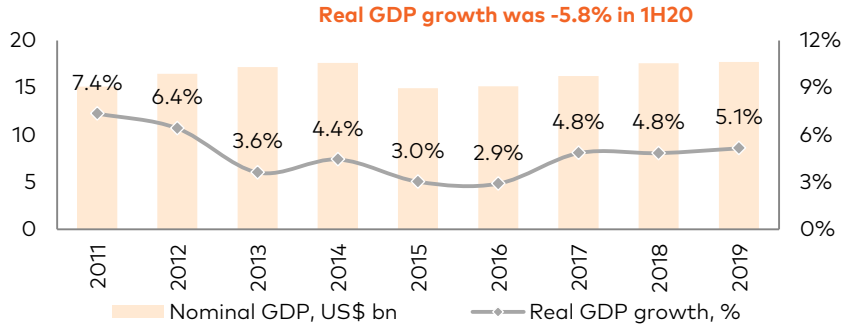
### ▪ Accounting reform

- Increased transparency and financial accountability
- Enhanced protection of shareholder rights

# DIVERSIFIED RESILIENT ECONOMY

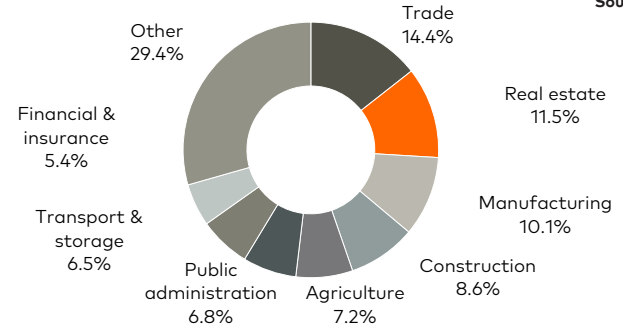
## GROSS DOMESTIC PRODUCT

Source: Geostat



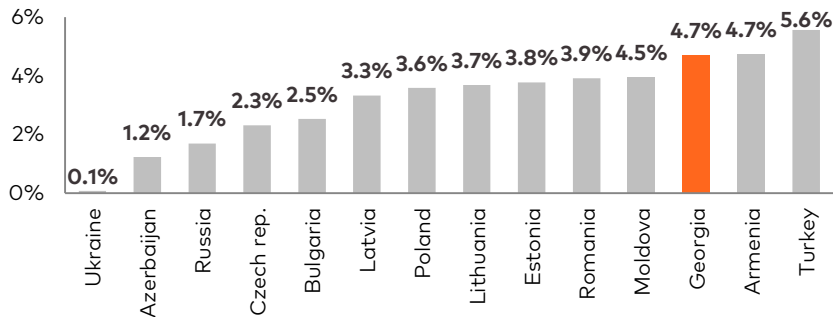
## DIVERSIFIED NOMINAL GDP STRUCTURE | 2019

Source: Geostat



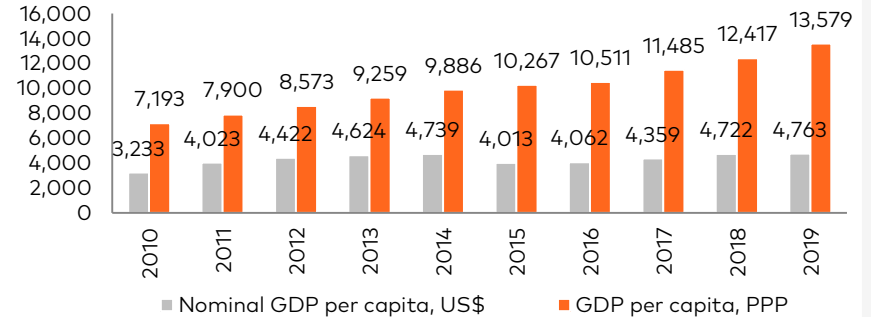
## COMPARATIVE REAL GDP GROWTH RATES, % (2011-2019 AVERAGE)

Source: IMF, Geostat



## GDP PER CAPITA

Source: IMF, Geostat, G&T

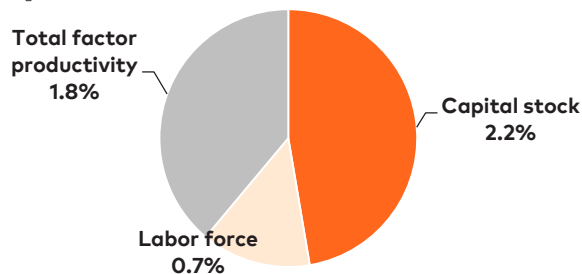




# CAPITAL AND PRODUCTIVITY HAVE BEEN THE MAIN ENGINES OF GROWTH SINCE 2004

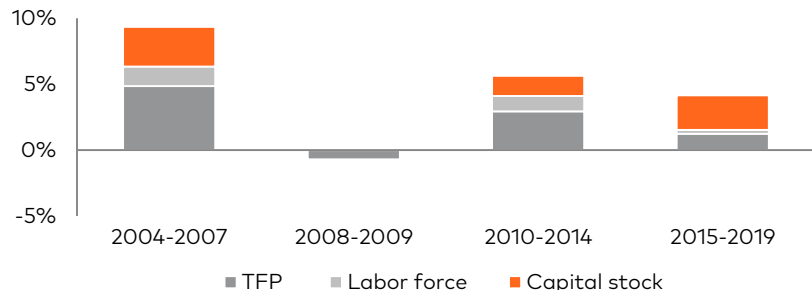
## OVERALL CONTRIBUTION OF CAPITAL, LABOR, AND TOTAL FACTOR PRODUCTIVITY (TFP) TO GROWTH, 2011-2019

Source: Geostat, Galt & Taggart



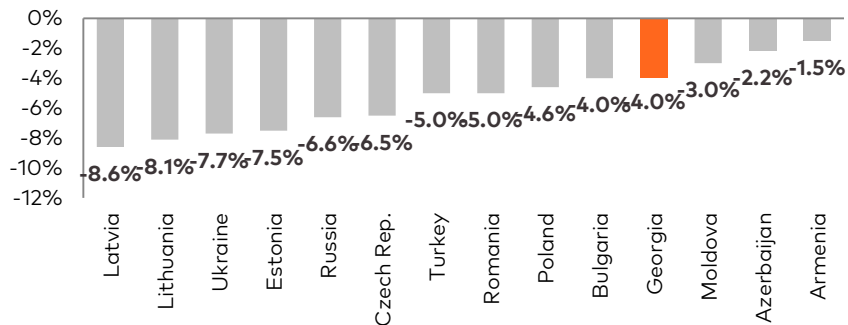
## CONTRIBUTIONS OF CAPITAL, LABOR, AND TFP TO GROWTH DURING PERIODS

Source: Geostat, Galt & Taggart



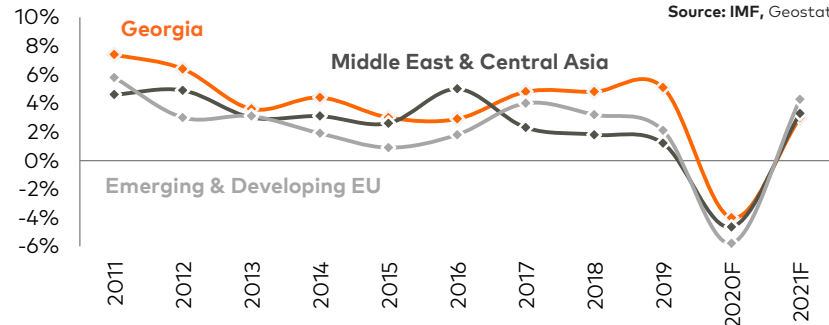
## REAL GDP GROWTH PROJECTION, 2020

Source: IMF



## REAL GDP GROWTH: GEORGIA, MIDDLE EAST & CENTRAL ASIA, EMERGING & DEVELOPING EU

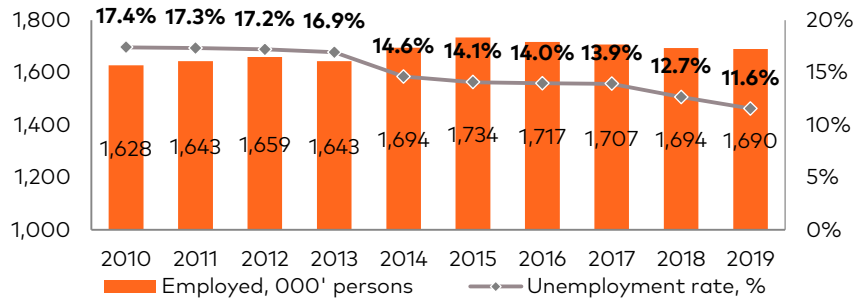
Source: IMF, Geostat



# FURTHER JOB CREATION IS ACHIEVABLE

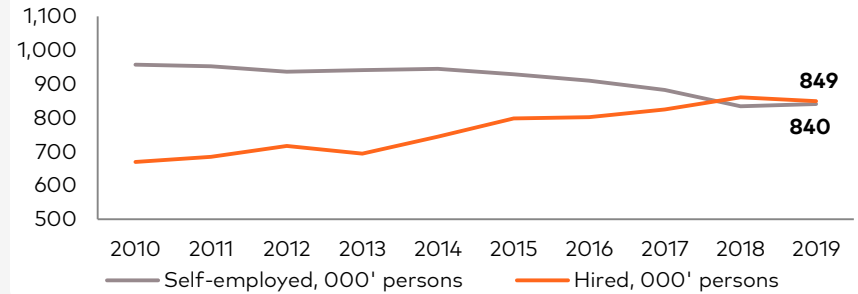
## UNEMPLOYMENT RATE DOWN 1.1PPTS Y/Y TO 11.6% IN 2019

Source: Geostat



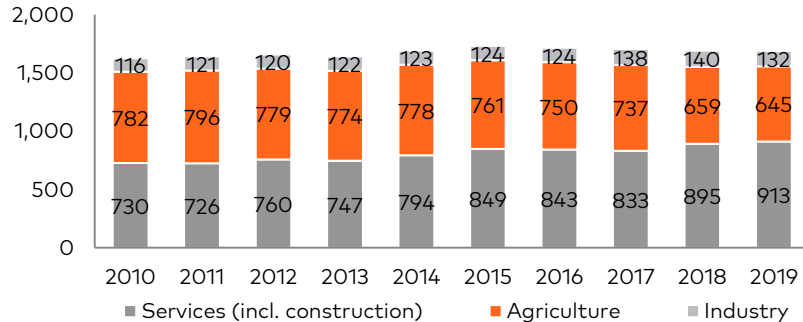
## HIRED WORKERS ON THE RISE

Source: Geostat



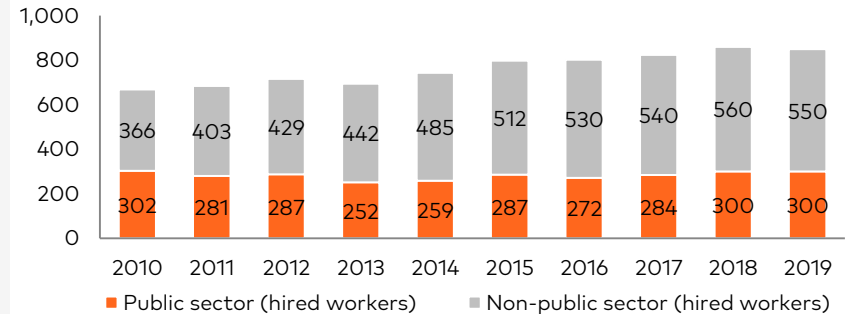
## SHARE OF SERVICES IN TOTAL EMPLOYMENT ON THE RISE

Source: Geostat



## PRIVATE SECTOR CREATES JOBS

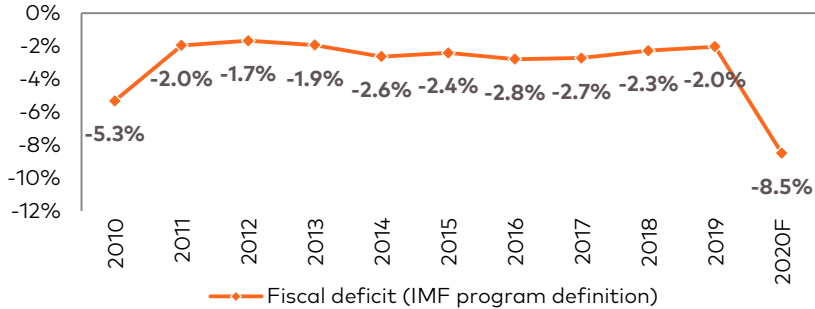
Source: Geostat



# LOW PUBLIC DEBT

## FISCAL DEFICIT

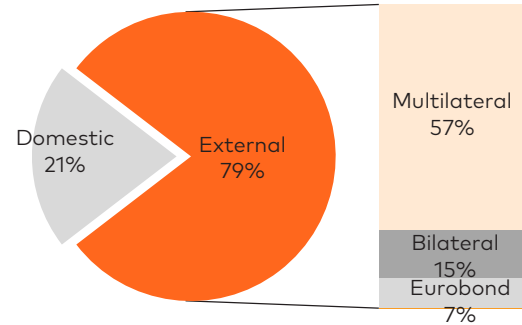
Source: MoF, IMF



Note: Deficit calculated as net lending / borrowing minus budget lending

## BREAKDOWN OF PUBLIC DEBT

Source: MoF, as of December 2019

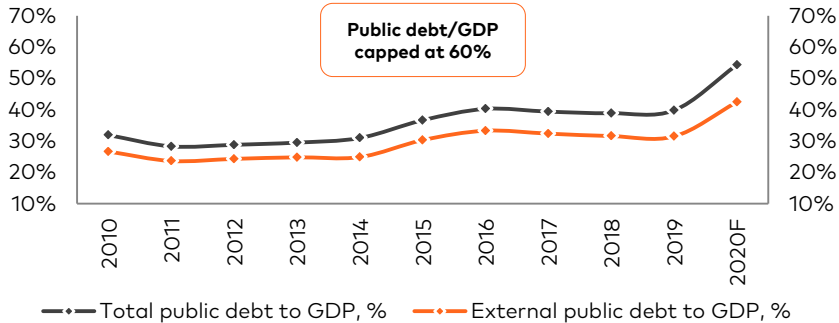


External public debt portfolio weighted average interest rate 2.1%

Contractual maturity 22 years

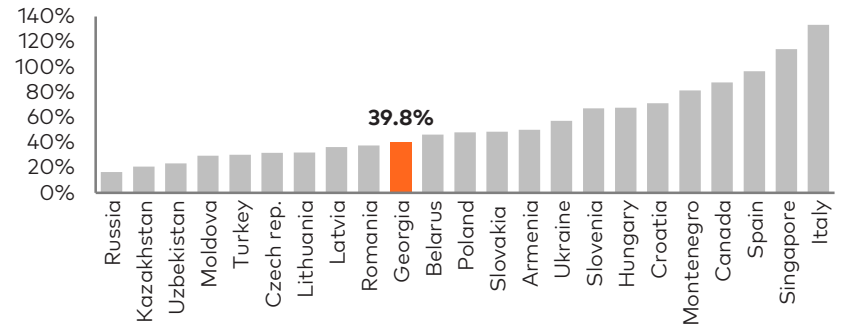
## PUBLIC DEBT AS % OF GDP

Source: IMF, MoF, Geostat



## GROSS GOVERNMENT DEBT/GDP | 2019

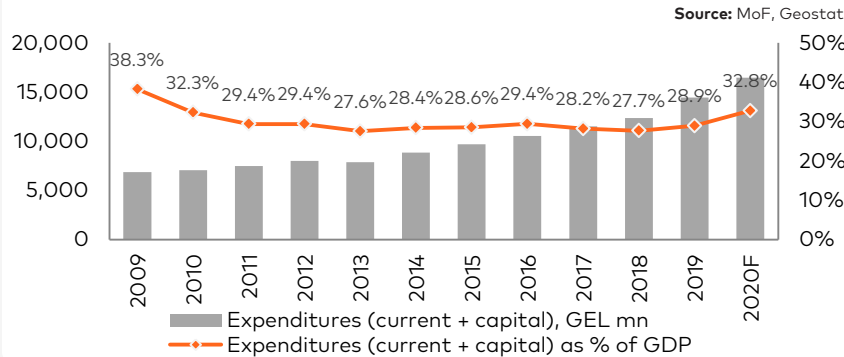
Source: IMF, MoF



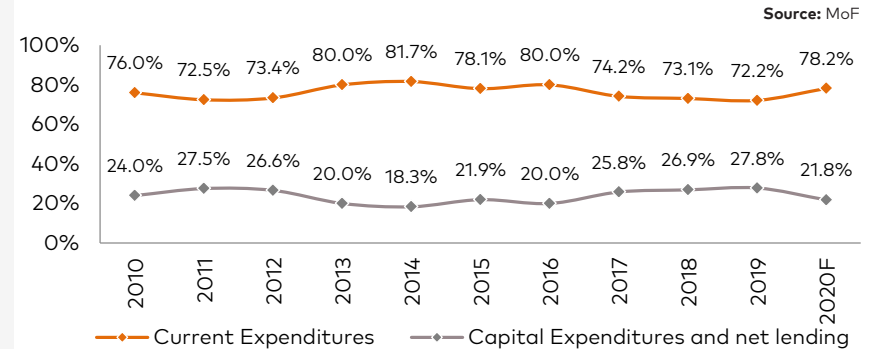
# INVESTING IN INFRASTRUCTURE AND SPENDING LOW ON SOCIAL

60

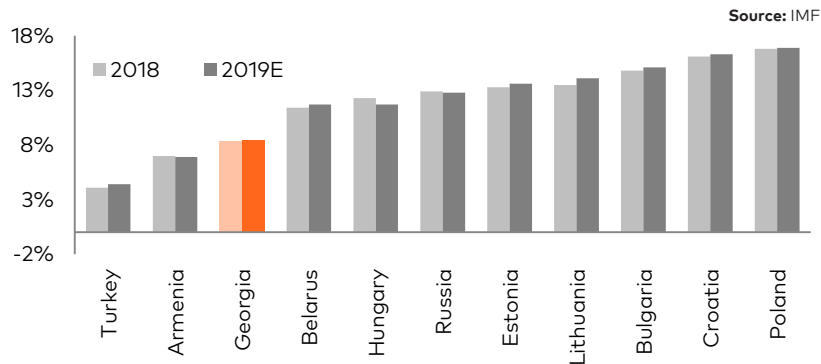
## BUDGET EXPENDITURES



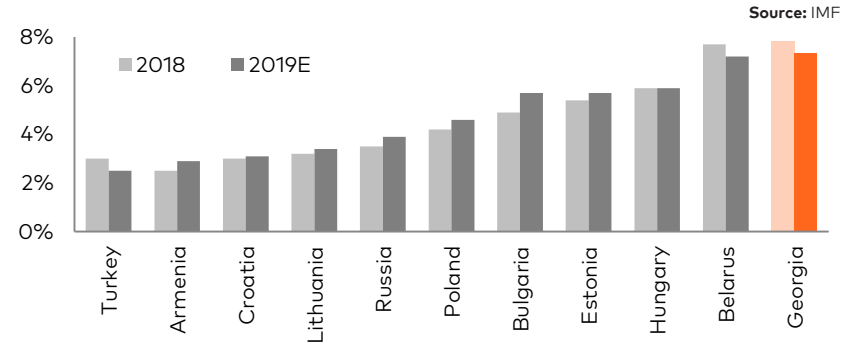
## EXPENDITURE BREAKDOWN: CURRENT VS. CAPITAL



## GOVERNMENT SOCIAL EXPENDITURE AS % OF GDP



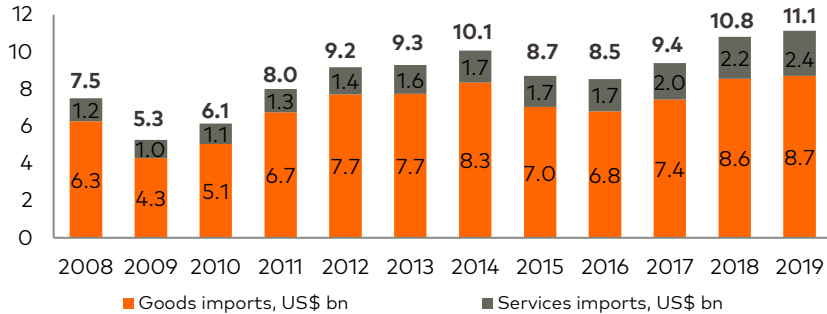
## GOVERNMENT CAPITAL EXPENDITURE AS % OF GDP



# DIVERSIFIED FOREIGN TRADE

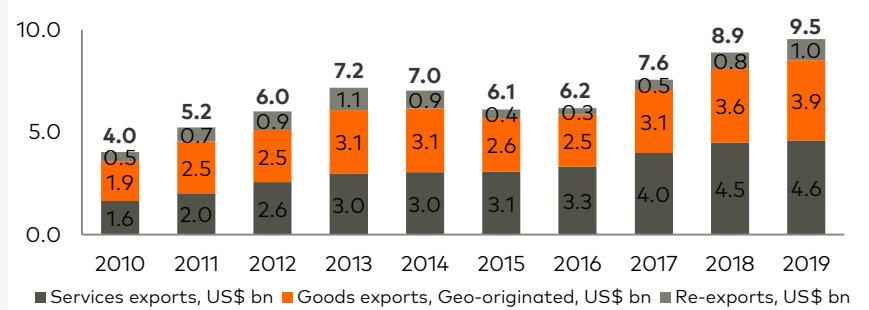
## IMPORTS OF GOODS AND SERVICES

Source: NBG – BOP statistics



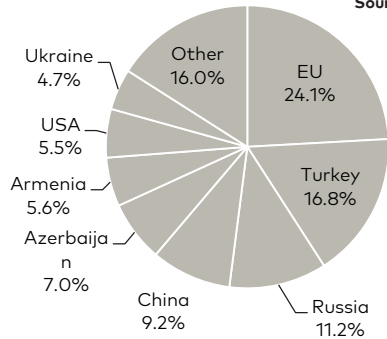
## EXPORTS OF GOODS AND SERVICES

Source: NBG – BOP statistics



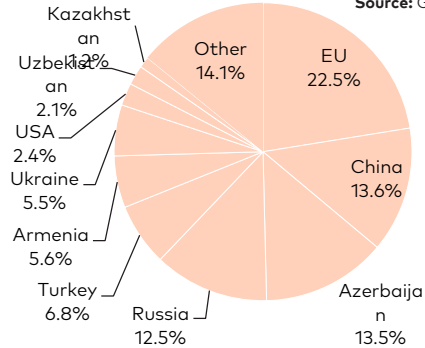
## IMPORTS BY COUNTRY, 1H20

Source: Geostat



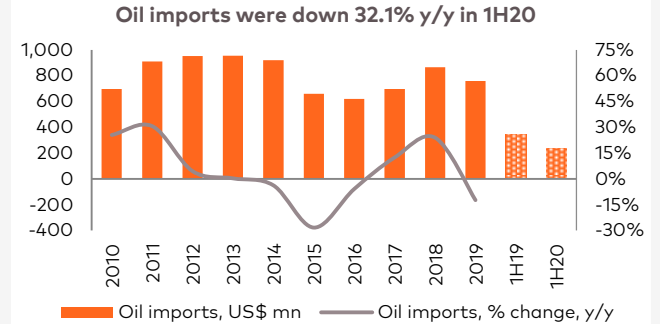
## EXPORTS BY COUNTRY, 1H20

Source: Geostat



## OIL IMPORTS

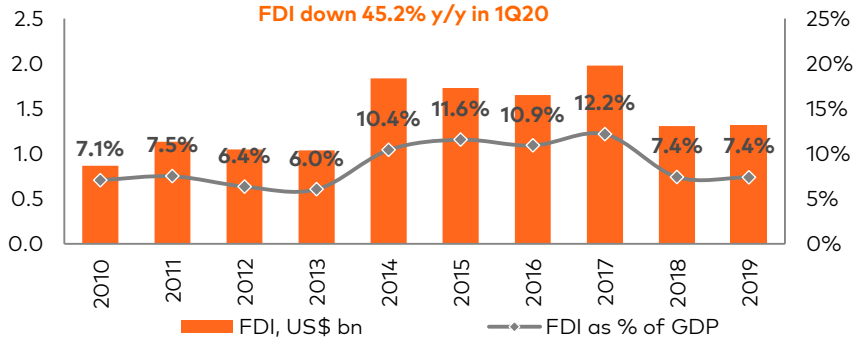
Source: Geostat



# DIVERSIFIED SOURCES OF CAPITAL

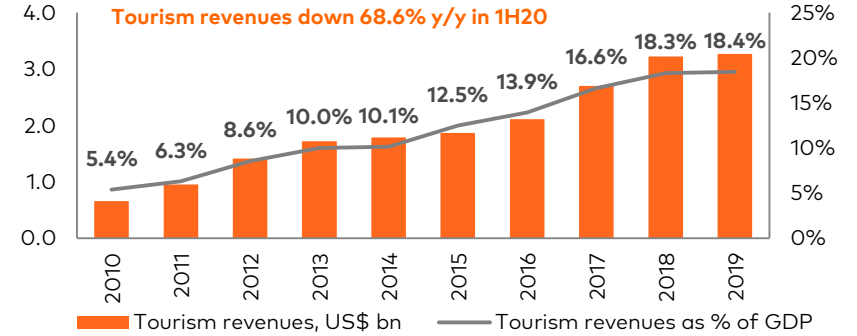
## STRONG FOREIGN INVESTOR INTEREST

Source: Geostat



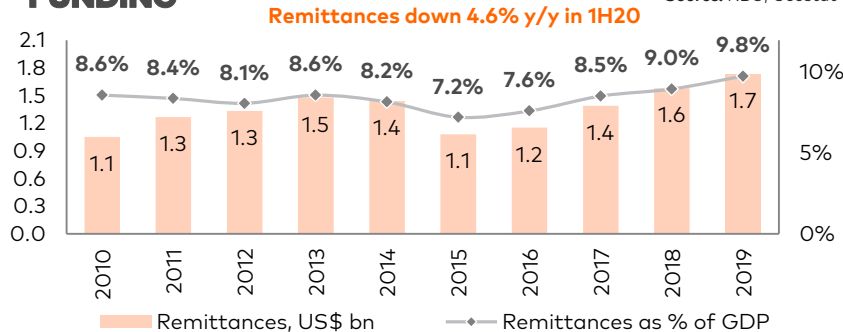
## TOURIST ARRIVALS AND REVENUES ON THE RISE

Source: NBG, Geostat



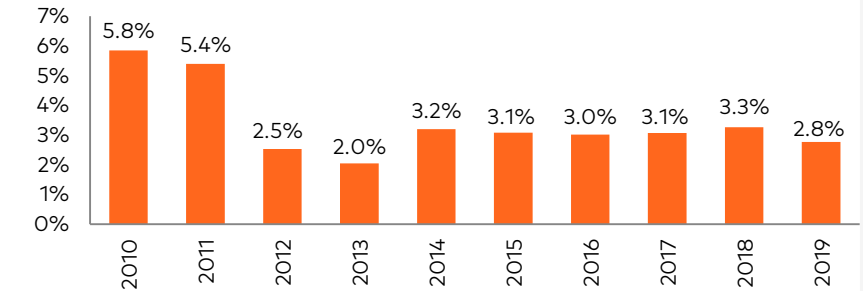
## REMITTANCES - STEADY SOURCE OF EXTERNAL FUNDING

Source: NBG, Geostat



## PUBLIC EXTERNAL BORROWING FOR CAPEX, % OF GDP

Source: MOF, Geostat

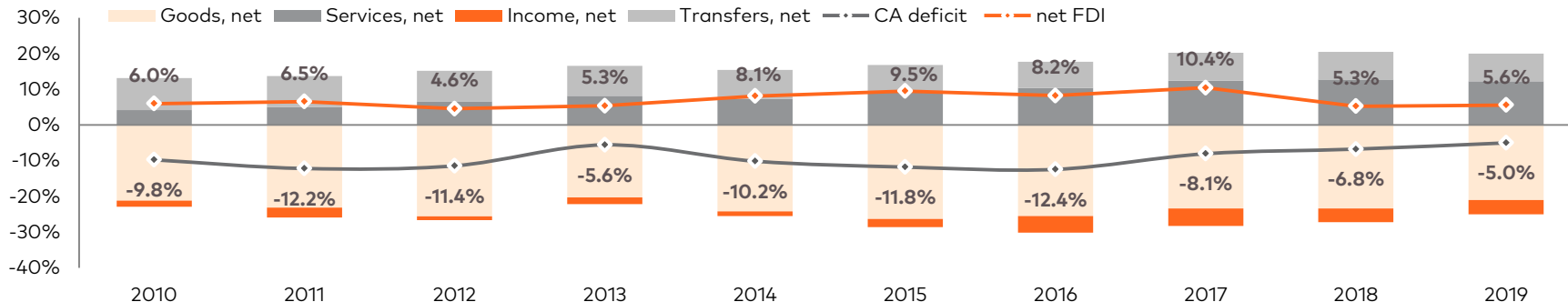


# CURRENT ACCOUNT DEFICIT SUPPORTED BY FDI

63

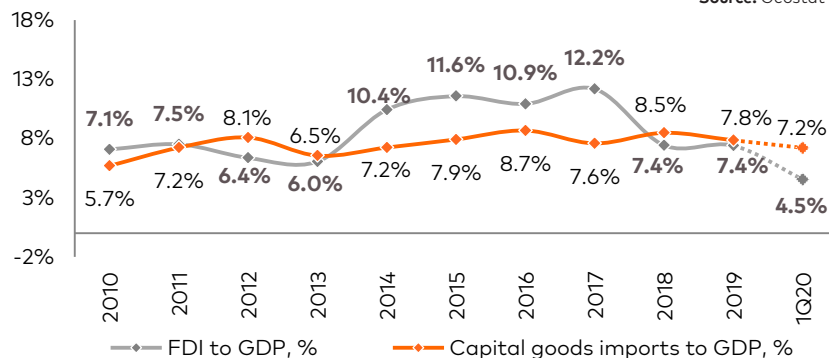
## CURRENT ACCOUNT BALANCE (% OF NOMINAL GDP)

Source: NBG, Geostat



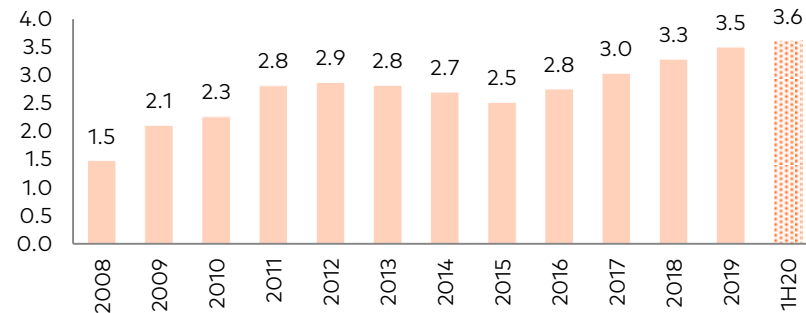
## FDI AND CAPITAL GOODS IMPORT

Source: Geostat



## BUILDING INTERNATIONAL RESERVES, US\$ BN

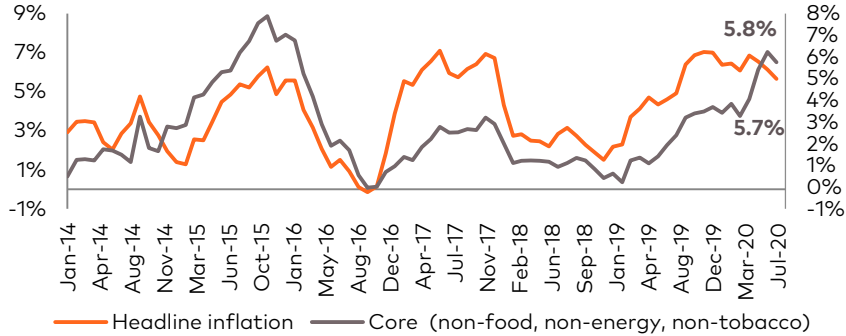
Source: NBG



# INFLATION TARGETING SINCE 2009

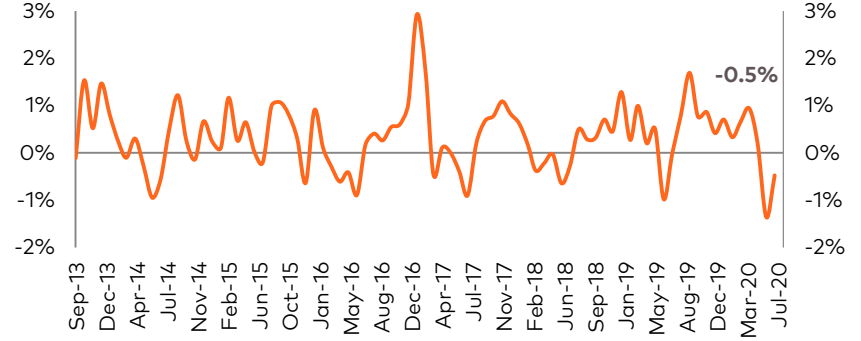
## ANNUAL INFLATION

Source: Geostat



## MONTHLY INFLATION

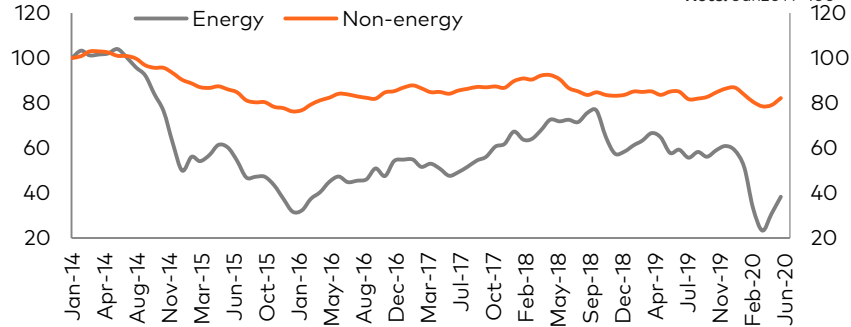
Source: Geostat



## WORLD COMMODITY PRICES

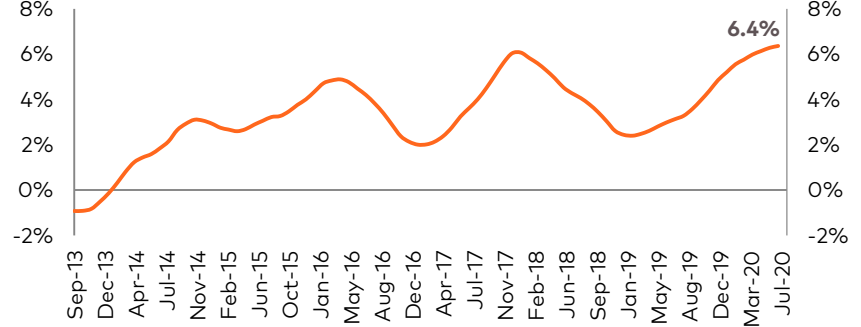
Source: World Bank

Note: Jan2014=100



## AVERAGE INFLATION

Source: Geostat



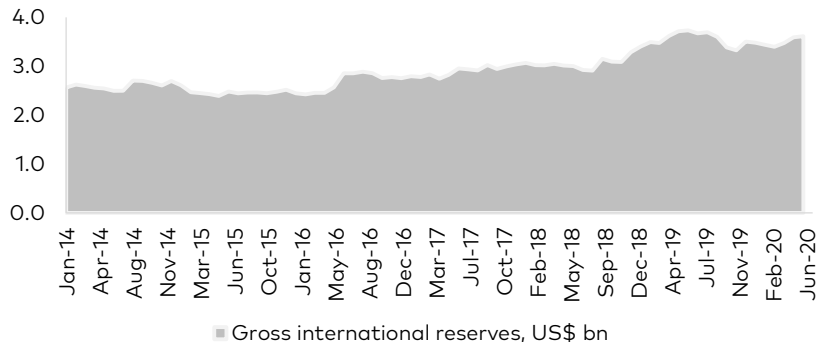


# INTERNATIONAL RESERVES SUFFICIENT TO FINANCE MORE THAN 3 MONTHS OF IMPORTS

65

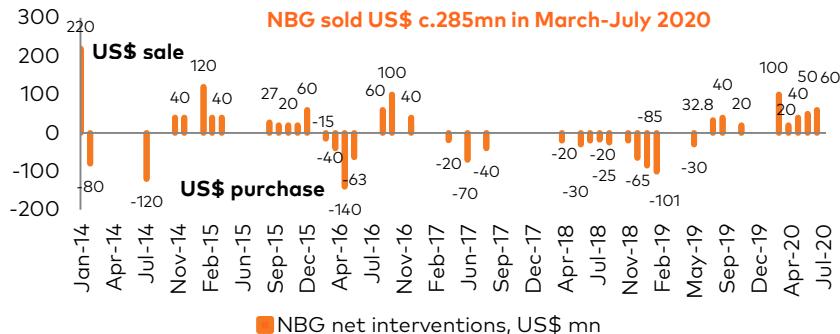
## INTERNATIONAL RESERVES

Source: NBG



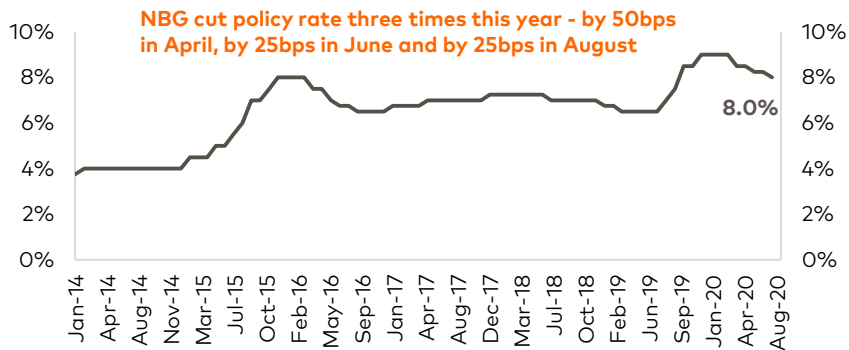
## CENTRAL BANK'S INTERVENTIONS

Source: NBG



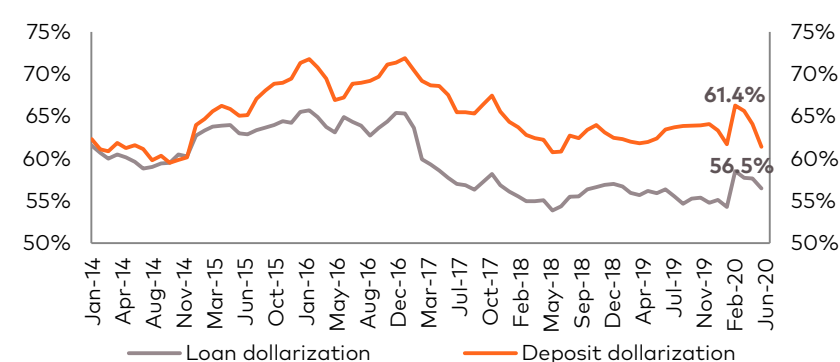
## MONETARY POLICY RATE

Source: NBG

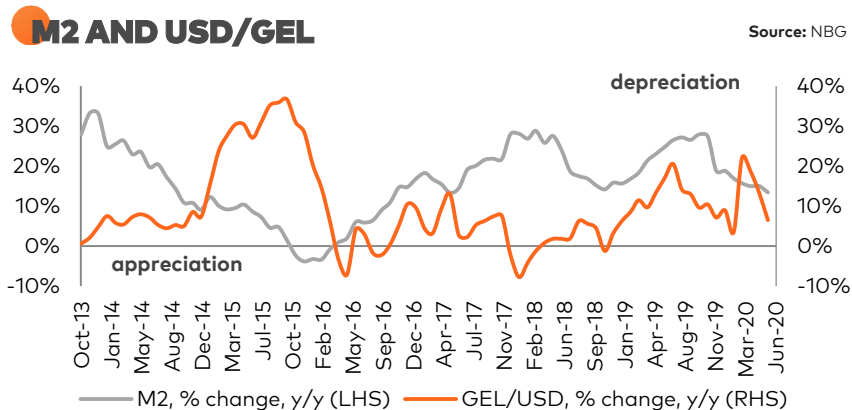
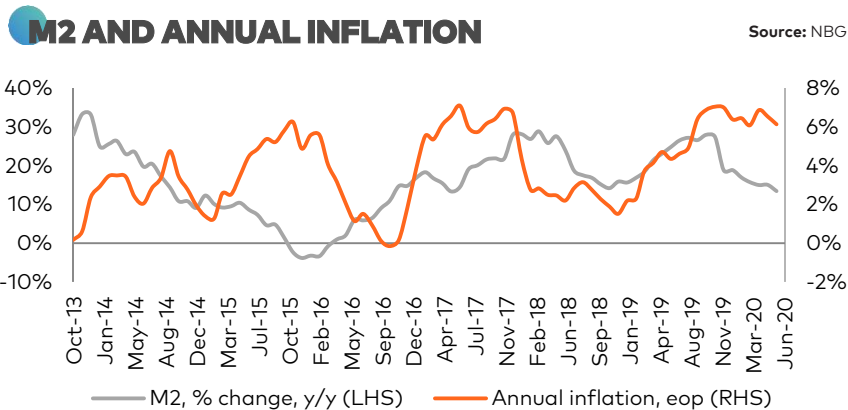
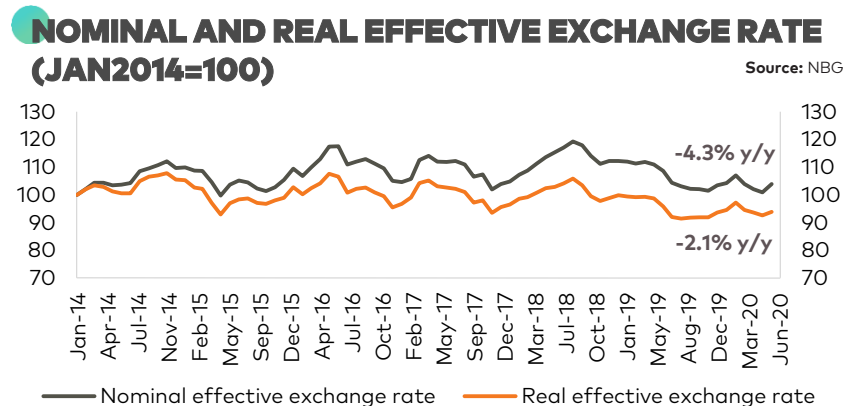
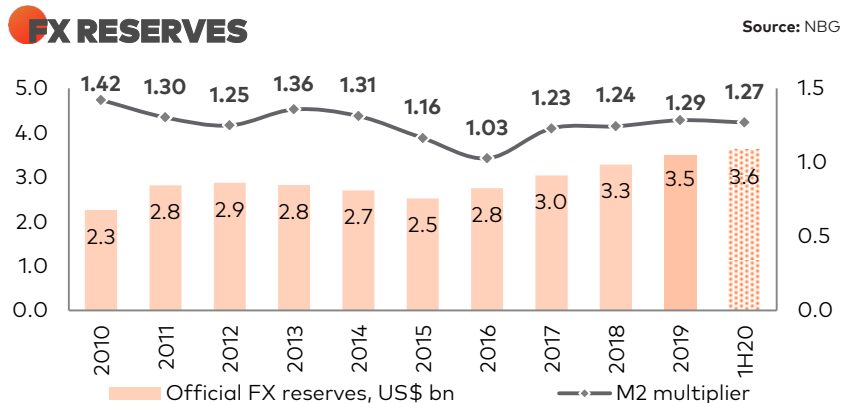


## LOAN AND DEPOSIT DOLLARIZATION

Source: NBG



# FLOATING EXCHANGE RATE - POLICY PRIORITY



# GROWING AND WELL-CAPITALISED BANKING SECTOR

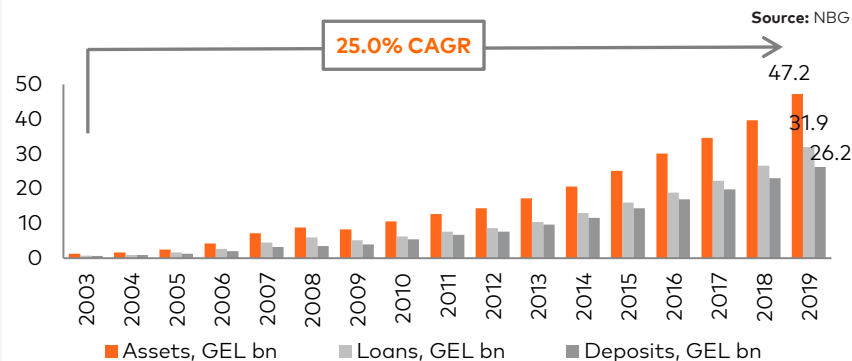
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## SUMMARY

- Prudent regulation and oversight ensuring financial stability
- Demonstrated strong resilience towards both domestic and external shocks **without single bank going bankrupt**
- **No nationalization** of the banks and no government ownership since 1994
- **Resilient to different shocks to the economy**, room for healthy credits growth with retail loans at 32.8% of GDP and total loans at 63.8% of GDP in 2019

Source: National Bank of Georgia, Geostat

## BANKING SECTOR ASSETS, LOANS AND DEPOSITS



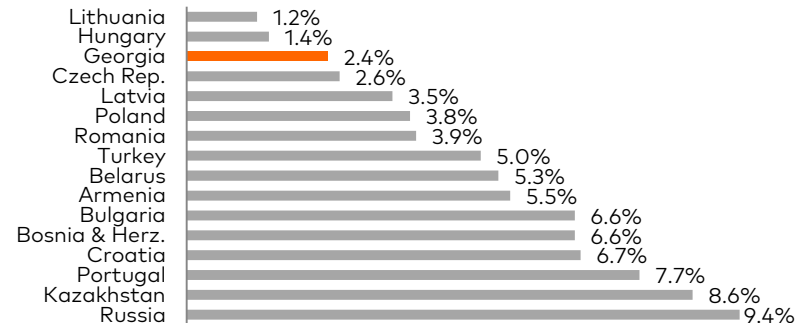
## BANKING SECTOR LOANS TO GDP, 2019

Source: IMF, Central Banks



## NON-PERFORMING LOANS, LATEST-2020

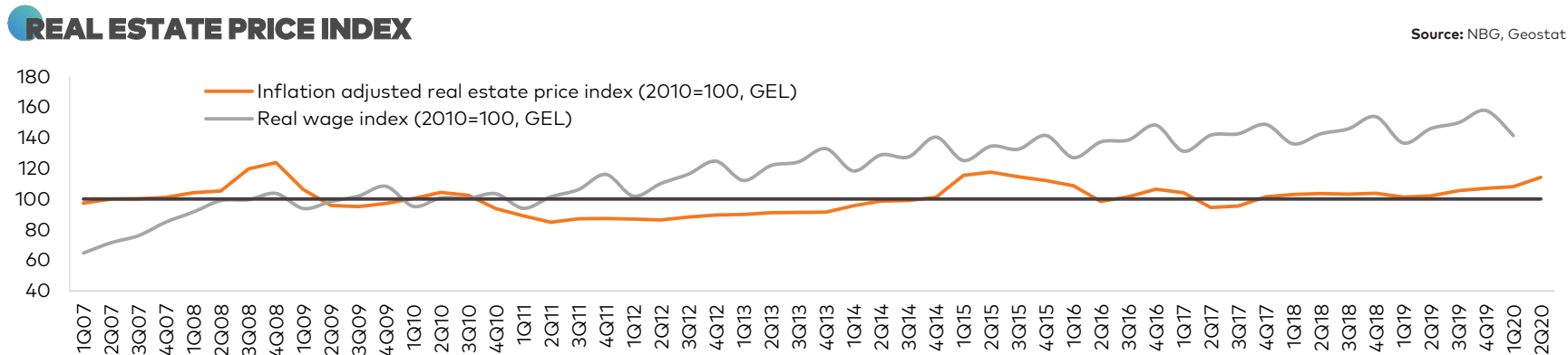
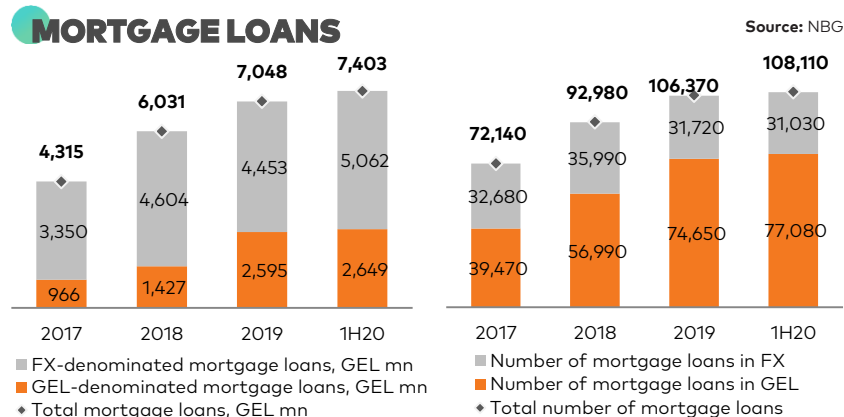
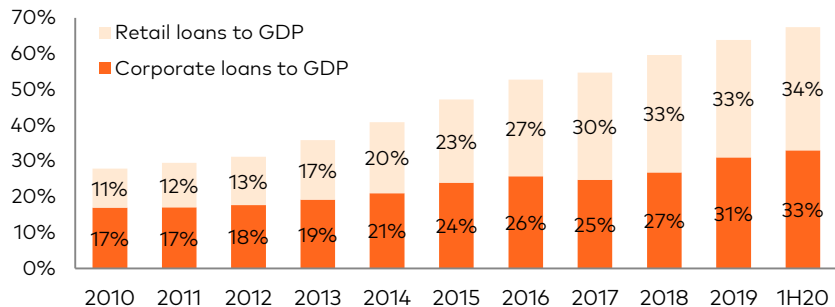
Source: IMF, NBG



# GROWING ECONOMY SUPPORTS HEALTHY CREDIT GROWTH

## BANKING SECTOR CORPORATE & RETAIL LOANS TO GDP

Source: NBG, Geostat

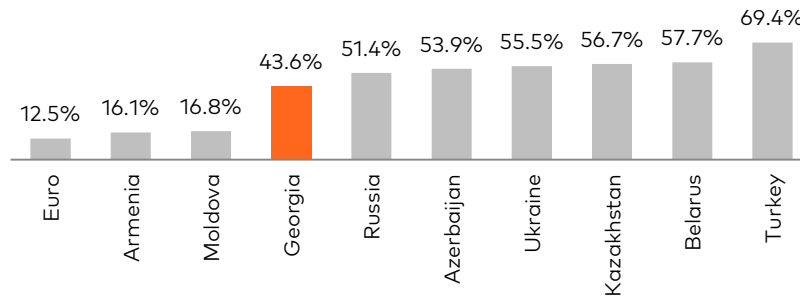


# FLEXIBLE FX REGIME SUPPORTS TO MACRO STABILITY

## CURRENCY WEAKENING VS. US\$

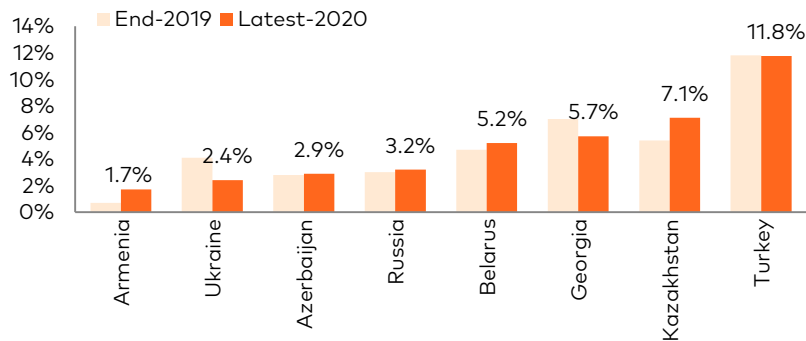
Source: Bloomberg

Note: US\$ per unit of national currency, period 1-Aug-2014 -31-July-2020



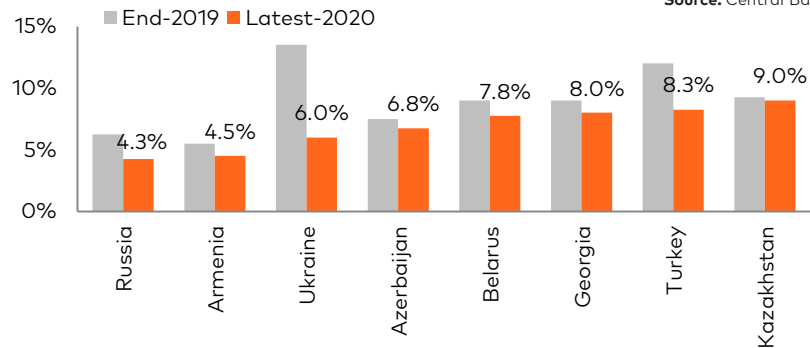
## INFLATION: GEORGIA AND PEERS

Source: Geostat



## MONETARY POLICY RATE: GEORGIA AND PEERS

Source: Central Banks

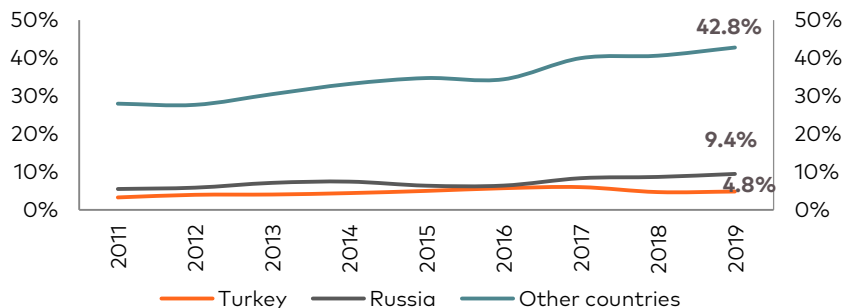


# EXPOSURE TO PARTNER COUNTRIES WELL DIVERSIFIED

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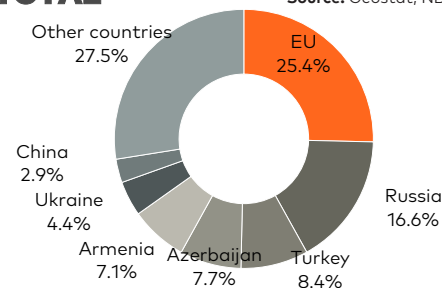
## EXPORTS, TOURISM, FDI AND REMITTANCES, % OF GDP

Source: Geostat, NBG, GNTA, Galt & Taggart



## WELL DIVERSIFIED ECONOMIC LINKAGES, 2019 (EXPORTS, TOURISM, FDI AND REMITTANCES), SHARE IN TOTAL

Source: Geostat, NBG, GNTA, Galt & Taggart



## SUMMARY

### In 2019:

- The EU (38% of total) remains the largest source of remittances, while Russia's share continue to decline (25% of total);
- The EU remains Georgia's largest FDI provider;
- Azerbaijan remains the top export market accounting for 13% of the total;
- Tourism sector demonstrated resilience to Russia's direct flight ban - strong growth of tourist arrivals from EU and other countries fully compensated reduced Russian tourist in 2H19.

## ECONOMIC LINKAGES BREAKDOWN

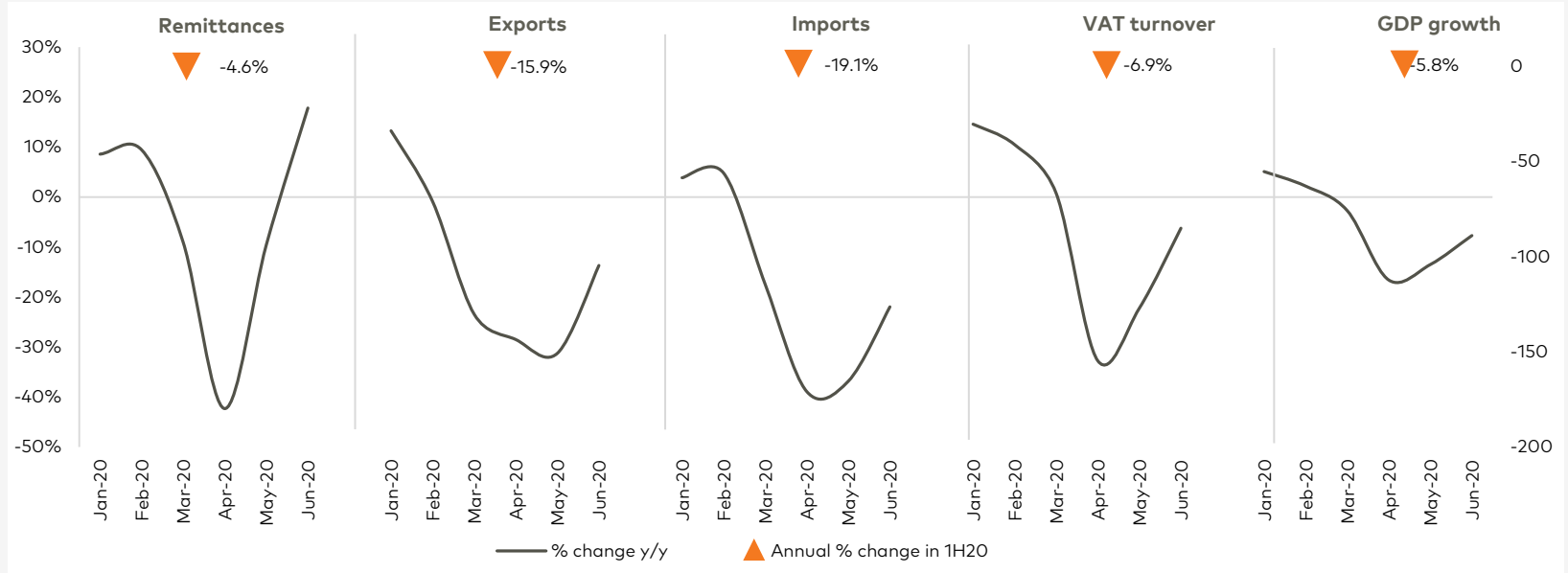
Source: Geostat, NBG, GNTA, Galt & Taggart

% of GDP, 2019	Exports	Tourism	FDI	Remittances	Total
<b>Total</b>	<b>21.4%</b>	<b>18.4%</b>	<b>7.4%</b>	<b>9.8%</b>	<b>57.0%</b>
EU	4.6%	2.4%	3.7%	3.7%	14.5%
Russia	2.8%	3.9%	0.3%	2.4%	9.4%
Turkey	1.1%	2.1%	1.0%	0.5%	4.8%
Ukraine	1.4%	0.7%	0.1%	0.2%	2.5%
Azerbaijan	2.9%	1.2%	0.2%	0.1%	4.4%
Armenia	2.4%	1.5%	0.1%	0.1%	4.1%
China	1.3%	0.2%	0.2%	0.0%	1.7%
Other countries	4.9%	6.5%	1.7%	2.6%	15.7%

# TRACKING GEORGIA'S ECONOMIC RECOVERY

## KEY INDICATORS SHOW IMPROVING TREND, WHILE REMITTANCES REBOUNDED STRONGLY

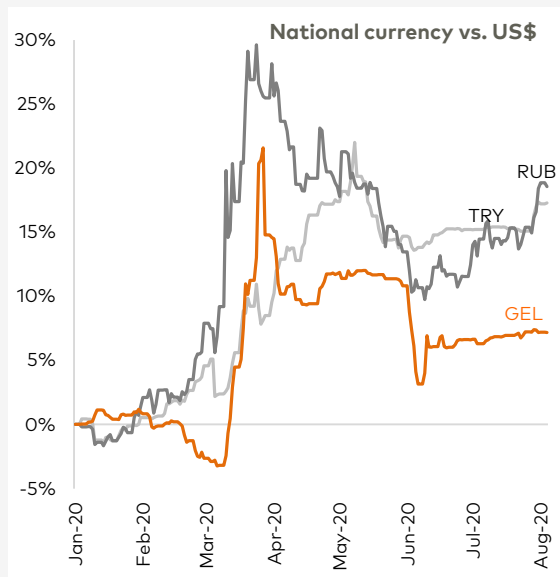
Source: Geostat, NBG



# TRACKING GEORGIA'S ECONOMIC RECOVERY

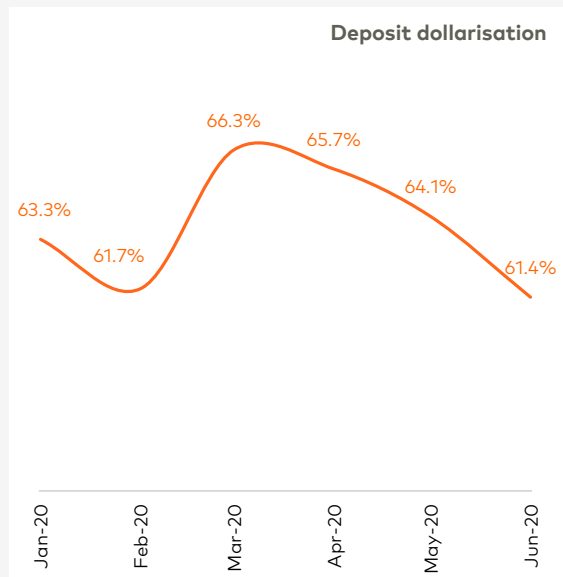
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## GEL STRENGTHENED FROM MID-MAY...



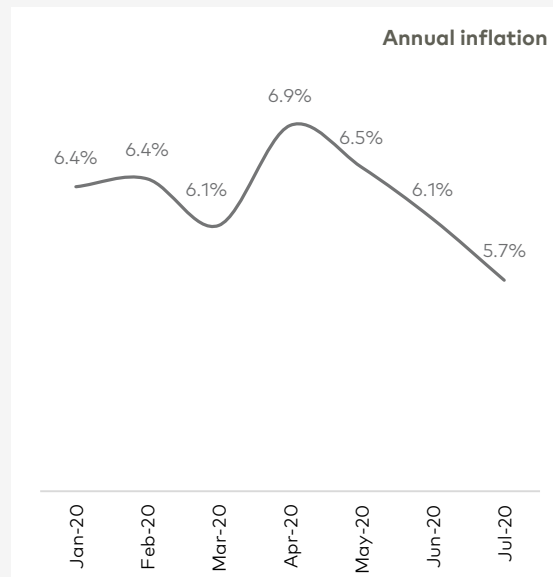
Source: Bloomberg  
Note: Index 1 January 2020 = 100, growth means depreciation

## ...IMPROVING DEPOSITORS MOOD TOWARD NATIONAL CURRENCY



Source: NBG

## ...AND HELPING ANNUAL INFLATION TO RETREAT GRADUALLY



Source: NBG



# CONTENTS

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 **RESPONSE TO COVID-19 AND TRACKING THE RECOVERY**

 **GROUP OVERVIEW**

 **1Q20 RESULTS DISCUSSION**

 **GEORGIAN MACRO OVERVIEW**

 **APPENDICES**

# BOARD OF DIRECTORS

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## ROBUST CORPORATE GOVERNANCE BASED ON UK CORPORATE GOVERNANCE CODE



### **Neil Janin, Independent Non-Executive Chairman**

Experience: formerly Director at McKinsey & Company in Paris; formerly co-chairman of the commission of the French Institute of Directors (IFA); formerly Chase Manhattan Banking New York and Paris



### **Archil Gachechiladze, Chief Executive Officer**

Experience: with the Group since 2009; originally joined as Deputy CEO, Corporate Banking; formerly: CEO of Georgian Global Utilities (formerly part of BGEO Group PLC ). Over 17 years' experience in the financial services



### **Hanna Loikkanen, Senior Independent Non-Executive Director**

Experience: currently advisor to East Capital Private Equity AB; Non-Executive Director of PJSC Rosbank; formerly: Senior executive at East Capital, FIM Group Russia, Nordea Finance, SEB



### **Al Breach, Independent Non-Executive Director**

Experience: Director of Gemsstock Ltd, The Browser and Furka Holdings AG, and advisor to East Capital; formerly: Head of Research, Strategist & Economist at UBS Russia and CIS, economist at Goldman Sachs



### **Tamaz Georgadze, Independent Non-Executive Director**

Experience: Executive Director and founder of Raisin GmbH (formerly SavingGlobal GmbH); formerly: Partner at McKinsey & Company in Berlin, aide to President of Georgia



### **Jonathan Muir, Independent Non-Executive Director**

Experience: CEO of LetterOne Holdings SA and of LetterOne Investment Holdings; formerly: CFO and Vice President of Finance and Control of TNK-BP, Partner at Ernst & Young



### **Cecil Quillen, Independent Non-Executive Director**

Experience: Partner at Linklaters LLP with nearly 30 years of experience in working on a broad spectrum of securities and finance matters



### **Véronique McCarroll, Independent Non-Executive Director**

Experience: 30 years' in Financial Services; Currently, Head of Strategy for Digital banking across Europe at Orange; formerly: Executive Director at Crédit Agricole CIB, Partner at McKinsey & Company, Oliver Wyman and Andersen/ Ernst & Young

# HIGHLY EXPERIENCED MANAGEMENT TEAM

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**SENIOR EXECUTIVE COMPENSATION POLICY APPLIES TO TOP EXECUTIVES AND ENVISAGES LONG-TERM DEFERRED AND DISCRETIONARY AWARDS OF SECURITIES AND NO CASH BONUSES TO BE PAID TO SUCH EXECUTIVES**



**Archil Gachechiladze, Chief Executive Officer**

With the Group since 2009. Previously, CEO of Georgian Global Utilities. Held various positions with the Group - Deputy CEO, CB; Deputy CEO, IM; CFO of BGEO Group; Deputy CEO, CIB. Over 17 years of experience of senior roles at TBC Bank, Lehman Brothers Private Equity, Salford Equity Partners, KPMG, World Bank, EBRD. Holds an MBA from Cornell University.



**Sulkhan Gvalia, Chief Financial Officer**

With the Group since 2004. Previously, founder and CEO of E-Space Limited, Tbilisi. Various positions with the Group - Chief Risk Officer and Head of Corporate Banking. Prior to joining the Group, served as Deputy CEO of TbilUniversalBank. Also, serves as non-executive independent director at Inecobank (Armenia) since 2018. Holds a law degree from Tbilisi State University.



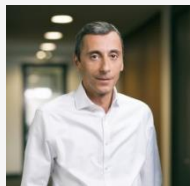
**Levan Kulijanishvili, Deputy CEO, Operations**

With the Group since 1997. Joined as a Junior Financial Analyst of the Bank. Held various senior positions - Deputy CEO in charge of finance, Head of Internal Audit, Head of Financial Monitoring, Head of Strategy and Planning, and Head of the Financial Analysis. Holds an MBA from Grenoble Graduate School of Business.



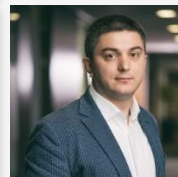
**George Chiladze, Deputy CEO, Chief Risk Officer**

With the Group since 2008. Joined as a Deputy CEO, finance at Bank. Left in 2011 and rejoined in 2013 as Deputy CEO, CRO. Prior to rejoining, he was Deputy CEO at the Partnership Fund. Prior to returning to Georgia in 2003, he worked at the programme trading desk at Bear Stearns in New York City. Holds a PhD in physics from Johns Hopkins University in Baltimore, Maryland.



**Mikheil Gomarteli, Deputy CEO, Emerging and Mass Retail**

With the Group since 1997. Mikheil is a textbook professional growth story made possible in our Group – he developed his way from selling debit cards door-to-door to successfully leading our Retail Banking franchise for over ten years now. Holds an undergraduate degree in Economics from Tbilisi State University.



**Vakhtang Bobokhidze, Deputy CEO, Information Technologies**

With the Group since 2005. Joined as Quality Control Manager. Left the Group in 2010 and rejoined the Group in December 2010. Prior to being appointed as Deputy CEO, served as Head of IT Department since 2016. Holds an MBA from Tbilisi State University.



**Giorgi Pailodze, Deputy CEO, Wealth Management and Investment Banking**

Joined in June 2019. Previously, VP at Evercore, London (2017-2019) and New York (2015-2017); worked in corporate and investment banking in Citigroup in New York (2013-2015). He started banking career in Georgia and held various managerial roles at TBC Bank and HSBC Bank Georgia. Holds an MBA from Cornell University.

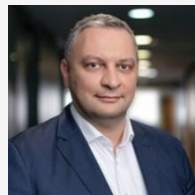
# HIGHLY EXPERIENCED MANAGEMENT TEAM

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## **Etuna Iremadze, Head of SOLO Business Banking**

With the Group since 2006. More than 18 years of experience in financial services. Previously, Head of Strategic Projects Department in Georgian Global Utilities (formerly part of BGEO Group). Held various positions within Group - Head of Blue Chip Corporate Banking Unit covering structured lending, M&As, significant buyouts in Georgia, project financing. Holds an MBA from Grenoble Graduate School of Business.



## **Zurab Masurashvili, Head of SME Business Banking**

With the Group since 2015. Extensive experience in financial services. Previously, Head of Express Business, Head of MSME Business, Head of Retail Business in the Bank. Prior to joining the Group, held several positions in international organisations - EBRD, the World Bank, GTZ, served as a Deputy Chairman of the Board of Directors in Privatbank. Holds a degree in Geology from Georgian Technical University.



## **Zurab Kokosadze, Head of Corporate Banking**

With the Group since 2003. Over 15 years of experience in financial services. Prior to his recent appointment, he served as Head of Corporate Banking under the direct supervision of Deputy CEO, Corporate and Investment Banking. Held various senior positions within Group – Senior Corporate Banker, FMCG Sector Head and Deputy Head of Corporate Banking. Holds an MBA from Grenoble Graduate School of Business.



## **Andro Ratiani, Head of Innovation**

With the Group since 2018. Extensive experience in the global financial services. Previously, Global Head of Product Management at IHS Markit, spent 6 years in UBS AG Investment & Wealth Management Bank in New York, worked in Wells Fargo during acquisition phase of Wachovia Bank. Started his career at the Bank's CIB Department. Holds a Master's degree in technology management from Columbia University.



## **Levan Gomshiasvili, Chief Marketing Officer**

With the Group since 2019. Extensive experience in marketing. Founder of HOLMES&WATSON, creative agency, where he acted as Account Manager for banking and other sector clients. Founder of Tbilisi School of Communication, an educational facility with an emphasis on ExEd. Started his career in Georgian Railway, covering advertising and project management. Holds MSc in Management from University of Edinburgh.



## **Nutsa Gogilashvili, Head of Customer Experience and HCM**

With the Group since 2016. Over 8 years of experience in financial services. Previously, Head of Strategic Processes of Corporate and Investment Banking and Head of Customer Experience Management in the Bank. Prior to joining the Group, held various senior positions in local and international financial institutions. Holds MSc in Finance from Cass Business School in London.

# GROUP INCOME STATEMENT

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GEL thousands, unless otherwise noted

	2Q20	2Q19	Change y-o-y	1Q19	Change q-o-q	1H20	1H19	Change y-o-y
Interest income	379,038	342,224	10.8%	388,326	-2.4%	767,364	676,959	13.4%
Interest expense	(204,102)	(150,870)	35.3%	(191,246)	6.7%	(395,347)	(295,624)	33.7%
<b>Net interest income</b>	<b>174,936</b>	<b>191,354</b>	<b>-8.6%</b>	<b>197,080</b>	<b>-11.2%</b>	<b>372,017</b>	<b>381,335</b>	<b>-2.4%</b>
Fee and commission income	54,389	68,025	-20.0%	70,894	-23.3%	125,284	130,556	-4.0%
Fee and commission expense	(21,488)	(24,758)	-13.2%	(30,782)	-30.2%	(52,271)	(45,109)	15.9%
<b>Net fee and commission income</b>	<b>32,901</b>	<b>43,267</b>	<b>-24.0%</b>	<b>40,112</b>	<b>-18.0%</b>	<b>73,013</b>	<b>85,447</b>	<b>-14.6%</b>
Net foreign currency gain	22,743	26,968	-15.7%	30,661	-25.8%	53,404	49,952	6.9%
Net other income / (expense)	9,081	(4,260)	NMF	6,627	37.0%	15,707	(691)	NMF
<b>Operating income</b>	<b>239,661</b>	<b>257,329</b>	<b>-6.9%</b>	<b>274,480</b>	<b>-12.7%</b>	<b>514,141</b>	<b>516,043</b>	<b>-0.4%</b>
<i>Salaries and other employee benefits(excluding one-offs)</i>	(60,656)	(57,982)	4.6%	(56,538)	7.3%	(117,194)	(110,399)	6.2%
<i>One-off termination costs of former executive management (1)</i>	-	(4,570)	NMF	-	-	-	(12,412)	NMF
Salaries and other employee benefits	(60,656)	(62,552)	-3.0%	(56,538)	7.3%	(117,194)	(122,811)	-4.6%
Administrative expenses	(22,450)	(22,033)	1.9%	(27,021)	-16.9%	(49,470)	(44,774)	10.5%
Depreciation, amortisation and impairment	(21,139)	(17,295)	22.2%	(21,390)	-1.2%	(42,529)	(32,983)	28.9%
Other operating expenses	(913)	(1,248)	-26.8%	(1,059)	-13.8%	(1,974)	(2,329)	-15.2%
<b>Operating expenses</b>	<b>(105,158)</b>	<b>(103,128)</b>	<b>2.0%</b>	<b>(106,008)</b>	<b>-0.8%</b>	<b>(211,167)</b>	<b>(202,897)</b>	<b>4.1%</b>
Profit from associates	113	254	-55.5%	301	-62.5%	414	442	-6.3%
<b>Operating income before cost of risk</b>	<b>134,616</b>	<b>154,455</b>	<b>-12.8%</b>	<b>168,773</b>	<b>-20.2%</b>	<b>303,388</b>	<b>313,588</b>	<b>-3.3%</b>
Expected credit loss on loans to customers	11,621	(32,436)	NMF	(228,189)	NMF	(216,568)	(72,553)	NMF
Expected credit loss on finance lease receivables	(3,387)	(557)	NMF	(1,885)	79.7%	(5,273)	(1,003)	NMF
Other expected credit loss on other assets and provisions	(18,455)	(2,483)	NMF	(11,329)	62.9%	(29,782)	(4,573)	NMF
<b>Cost of risk</b>	<b>(10,221)</b>	<b>(35,476)</b>	<b>-71.2%</b>	<b>(241,403)</b>	<b>-95.8%</b>	<b>(251,623)</b>	<b>(78,129)</b>	<b>NMF</b>
<b>Net operating income / (loss) before non-recurring items</b>	<b>124,395</b>	<b>118,979</b>	<b>4.6%</b>	<b>(72,630)</b>	<b>NMF</b>	<b>51,765</b>	<b>235,459</b>	<b>-78.0%</b>
<i>Net non-recurring items (excluding one-offs)</i>	(1,241)	(2,538)	-51.1%	(40,345)	-96.9%	(41,586)	(4,112)	NMF
<i>One-off termination costs of former CEO (2)</i>	-	-	-	-	-	-	(3,985)	NMF
Net non-recurring items	(1,241)	(2,538)	-51.1%	(40,345)	-96.9%	(41,586)	(8,097)	NMF
<b>Profit / (loss) before income tax</b>	<b>123,154</b>	<b>116,441</b>	<b>5.8%</b>	<b>(112,975)</b>	<b>NMF</b>	<b>10,179</b>	<b>227,362</b>	<b>-95.5%</b>
<i>Income tax (expense) / benefit (excluding one-offs)</i>	(8,470)	(9,871)	-14.2%	13,030	NMF	4,560	(20,407)	NMF
<i>Income tax benefit related to one-off termination costs of former CEO and executive management (3)</i>	-	574	NMF	-	-	-	2,161	NMF
Income tax (expense) / benefit	(8,470)	(9,297)	-8.9%	13,030	NMF	4,560	(18,246)	NMF
<b>Profit / (loss)</b>	<b>114,684</b>	<b>107,144</b>	<b>7.0%</b>	<b>(99,945)</b>	<b>NMF</b>	<b>14,739</b>	<b>209,116</b>	<b>-93.0%</b>
<b>One-off items (1)+(2)+(3)</b>	<b>-</b>	<b>(3,996)</b>	<b>NMF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,236)</b>	<b>NMF</b>
<b>Profit / (loss) attributable to:</b>								
– shareholders of the Group	114,174	106,642	7.1%	(99,515)	NMF	14,659	208,154	-93.0%
– non-controlling interests	510	502	1.6%	(430)	NMF	80	962	-91.7%
<b>Earnings / (loss) per share (basic)</b>	<b>2.40</b>	<b>2.23</b>	<b>7.6%</b>	<b>(2.09)</b>	<b>NMF</b>	<b>0.31</b>	<b>4.35</b>	<b>-92.9%</b>
<b>Earnings / (loss) per share (diluted)</b>	<b>2.40</b>	<b>2.23</b>	<b>7.6%</b>	<b>(2.08)</b>	<b>NMF</b>	<b>0.31</b>	<b>4.34</b>	<b>-92.9%</b>

# GROUP BALANCE SHEET

*GEL thousands, unless otherwise noted*

	Jun-20	Jun-19	Change y-o-y	Mar-20	Change q-o-q
Cash and cash equivalents	1,633,755	936,106	74.5%	1,507,142	8.4%
Amounts due from credit institutions	1,700,075	1,704,701	-0.3%	1,954,218	-13.0%
Investment securities	2,113,900	1,896,738	11.4%	1,917,772	10.2%
Loans to customers and finance lease receivables	12,599,092	10,579,710	19.1%	13,144,429	-4.1%
Accounts receivable and other loans	4,060	3,688	10.1%	3,460	17.3%
Prepayments	31,513	36,027	-12.5%	42,144	-25.2%
Inventories	13,901	11,748	18.3%	13,342	4.2%
Right-of-use assets	89,758	105,874	-15.2%	92,335	-2.8%
Investment property	212,182	178,764	18.7%	208,776	1.6%
Property and equipment	396,272	358,921	10.4%	380,580	4.1%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	116,355	93,515	24.4%	112,152	3.7%
Income tax assets	54,595	5,080	NMF	71,500	-23.6%
Other assets	139,945	149,233	-6.2%	134,578	4.0%
Assets held for sale	45,212	40,544	11.5%	47,914	-5.6%
<b>Total assets</b>	<b>19,183,966</b>	<b>16,134,000</b>	<b>18.9%</b>	<b>19,663,693</b>	<b>-2.4%</b>
Client deposits and notes	11,583,139	8,855,616	30.8%	10,835,918	6.9%
Amounts owed to credit institutions	3,521,860	2,960,519	19.0%	4,144,701	-15.0%
Debt securities issued	1,561,933	2,137,239	-26.9%	2,294,431	-31.9%
Lease liabilities	96,878	100,172	-3.3%	104,976	-7.7%
Accruals and deferred income	37,257	34,748	7.2%	34,470	8.1%
Income tax liabilities	70,171	30,361	131.1%	80,601	-12.9%
Other liabilities	112,929	97,125	16.3%	121,341	-6.9%
<b>Total liabilities</b>	<b>16,984,167</b>	<b>14,215,780</b>	<b>19.5%</b>	<b>17,616,438</b>	<b>-3.6%</b>
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	500,887	493,890	1.4%	483,006	3.7%
Treasury shares	(54)	(49)	10.2%	(54)	0.0%
Other reserves	25,417	46,743	-45.6%	7,141	NMF
Retained earnings	1,662,164	1,367,632	21.5%	1,546,456	7.5%
<b>Total equity attributable to shareholders of the Group</b>	<b>2,190,032</b>	<b>1,909,834</b>	<b>14.7%</b>	<b>2,038,167</b>	<b>7.5%</b>
Non-controlling interests	9,767	8,386	16.5%	9,088	7.5%
<b>Total equity</b>	<b>2,199,799</b>	<b>1,918,220</b>	<b>14.7%</b>	<b>2,047,255</b>	<b>7.5%</b>
<b>Total liabilities and equity</b>	<b>19,183,966</b>	<b>16,134,000</b>	<b>18.9%</b>	<b>19,663,693</b>	<b>-2.4%</b>
<b>Book value per share</b>	<b>46.07</b>	<b>40.06</b>	<b>15.0%</b>	<b>42.88</b>	<b>7.4%</b>

# BNB FINANCIAL HIGHLIGHTS

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<b>INCOME STATEMENT, HIGHLIGHTS</b> <i>GEL thousands, unless otherwise stated</i>	<b>2Q20</b>	<b>2Q19</b>	<b>Change y-o-y</b>	<b>1Q20</b>	<b>Change q-o-q</b>	<b>1H20</b>	<b>1H19</b>	<b>Change y-o-y</b>
Net interest income	9,157	6,360	44.0%	9,469	-3.3%	18,626	12,945	43.9%
Net fee and commission income	1,486	1,798	-17.4%	1,703	-12.7%	3,190	3,611	-11.7%
Net foreign currency gain	3,787	4,779	-20.8%	493	NMF	4,280	8,734	-51.0%
Net other income	350	169	107.1%	334	4.8%	683	314	117.5%
<b>Operating income</b>	<b>14,780</b>	<b>13,106</b>	<b>12.8%</b>	<b>11,999</b>	<b>23.2%</b>	<b>26,779</b>	<b>25,604</b>	<b>4.6%</b>
Operating expenses	(8,098)	(8,890)	-8.9%	(8,706)	-7.0%	(16,804)	(16,737)	0.4%
<b>Operating income before cost of risk</b>	<b>6,682</b>	<b>4,216</b>	<b>58.5%</b>	<b>3,293</b>	<b>102.9%</b>	<b>9,975</b>	<b>8,867</b>	<b>12.5%</b>
Cost of risk	(1,928)	(1,536)	25.5%	(3,422)	-43.7%	(5,350)	(2,977)	79.7%
Net non-recurring items	(24)	(13)	84.6%	(10)	140.0%	(34)	(63)	-46.0%
<b>Profit / (loss) before income tax expense</b>	<b>4,730</b>	<b>2,667</b>	<b>77.4%</b>	<b>(139)</b>	<b>NMF</b>	<b>4,591</b>	<b>5,827</b>	<b>-21.2%</b>
Income tax expense	(1,010)	(379)	NMF	(32)	NMF	(1,042)	(950)	9.7%
<b>Profit / (loss)</b>	<b>3,720</b>	<b>2,288</b>	<b>62.6%</b>	<b>(171)</b>	<b>NMF</b>	<b>3,549</b>	<b>4,877</b>	<b>-27.2%</b>

<b>BALANCE SHEET HIGHLIGHTS</b> <i>GEL thousands, unless otherwise stated</i>	<b>Jun-20</b>	<b>Jun-19</b>	<b>Change y-o-y</b>	<b>Mar-20</b>	<b>Change q-o-q</b>
Cash and cash equivalents	187,920	93,097	101.9%	150,349	25.0%
Amounts due from credit institutions	13,605	18,301	-25.7%	13,141	3.5%
Investment securities	93,549	128,486	-27.2%	81,592	14.7%
Loans to customers and finance lease receivables	638,713	512,126	24.7%	671,854	-4.9%
Other assets	50,667	57,098	-11.3%	54,981	-7.8%
<b>Total assets</b>	<b>984,454</b>	<b>809,108</b>	<b>21.7%</b>	<b>971,917</b>	<b>1.3%</b>
Client deposits and notes	647,977	503,309	28.7%	643,614	0.7%
Amounts owed to credit institutions	144,815	146,855	-1.4%	143,374	1.0%
Debt securities issued	57,289	50,238	14.0%	51,063	12.2%
Other liabilities	12,873	7,044	82.8%	13,407	-4.0%
<b>Total liabilities</b>	<b>862,954</b>	<b>707,446</b>	<b>22.0%</b>	<b>851,458</b>	<b>1.4%</b>
<b>Total equity</b>	<b>121,500</b>	<b>101,662</b>	<b>19.5%</b>	<b>120,459</b>	<b>0.9%</b>
<b>Total liabilities and equity</b>	<b>984,454</b>	<b>809,108</b>	<b>21.7%</b>	<b>971,917</b>	<b>1.3%</b>

# KEY RATIOS

	2Q20	2Q19	1Q20	1H20	1H19
<b>Profitability</b>					
ROAA, annualised **	2.4%	2.9%	-2.1%	0.2%	3.0%
ROAA, annualised (unadjusted)	2.4%	2.8%	-2.1%	0.2%	2.8%
ROAE, annualised **	21.8%	22.9%	-18.6%	1.4%	23.7%
<i>RB ROAE **</i>	16.4%	26.9%	-25.5%	-4.7%	26.2%
<i>CIB ROAE **</i>	31.5%	22.0%	-10.6%	9.9%	24.5%
ROAE, annualised (unadjusted)	21.8%	22.1%	-18.6%	1.4%	22.2%
Net interest margin, annualised	4.2%	5.7%	5.0%	4.6%	5.8%
<i>RB NIM</i>	4.0%	6.2%	4.9%	4.4%	6.4%
<i>CIB NIM</i>	3.4%	3.7%	4.0%	3.7%	3.7%
Loan yield, annualised	10.2%	11.8%	10.8%	10.6%	12.0%
<i>RB Loan yield</i>	11.1%	12.9%	11.8%	11.5%	13.2%
<i>CIB Loan yield</i>	8.3%	9.5%	8.9%	8.7%	9.2%
Liquid assets yield, annualised	3.4%	3.4%	3.9%	3.7%	3.6%
Cost of funds, annualised	4.8%	4.5%	4.7%	4.8%	4.6%
Cost of client deposits and notes, annualised	3.5%	3.1%	3.1%	3.3%	3.1%
<i>RB Cost of client deposits and notes</i>	2.9%	2.7%	2.6%	2.8%	2.7%
<i>CIB Cost of client deposits and notes</i>	4.2%	3.5%	3.7%	4.0%	3.5%
Cost of amounts due to credit institutions, annualised	7.3%	6.9%	7.6%	7.5%	7.1%
Cost of debt securities issued	7.7%	7.6%	7.6%	7.7%	7.5%
Operating leverage, y-o-y ***	-13.6%	-4.2%	-9.2%	-11.2%	0.3%
Operating leverage, q-o-q ***	-11.9%	-7.7%	1.5%	0.0%	0.0%
<b>Efficiency</b>					
Cost / Income ***	43.9%	38.3%	38.6%	41.1%	36.9%
<i>RB Cost / Income ***</i>	56.3%	37.8%	46.6%	50.9%	36.6%
<i>CIB Cost / Income ***</i>	22.9%	30.0%	19.4%	21.2%	28.5%
Cost / Income (unadjusted)	43.9%	40.1%	38.6%	41.1%	39.3%

\* For the description of Key Ratios, refer to page 86

\*\* The 2Q19 and 1H19 ratios are adjusted for one-off employee costs related to termination benefits of the former CEO and executive management

\*\*\* The 2Q19 and 1H19 ratios are adjusted for one-off employee costs related to termination benefits of the former executive management



# KEY RATIOS

## Liquidity

	2Q20	2Q19	1Q20	1H20	1H19
NBG liquidity coverage ratio ( <i>minimum requirement 100%</i> )	135.4%	114.3%	121.2%	135.4%	114.3%
Liquid assets to total liabilities	32.1%	31.9%	30.5%	32.1%	31.9%
Net loans to client deposits and notes	108.8%	119.5%	121.3%	108.8%	119.5%
Net loans to client deposits and notes + DFIs	94.5%	104.7%	104.9%	94.5%	104.7%
Leverage (times)	7.7	7.4	8.6	7.7	7.4

## Asset Quality:

NPLs (in GEL)	355,260	347,285	284,038	355,260	347,285
NPLs to gross loans to clients	2.7%	3.2%	2.1%	2.7%	3.2%
NPL coverage ratio	115.7%	88.1%	147.2%	115.7%	88.1%
NPL coverage ratio, adjusted for discounted value of collateral	166.3%	131.5%	194.9%	166.3%	131.5%
Cost of credit risk, annualised	-0.2%	1.3%	7.4%	3.5%	1.5%
<i>RB Cost of credit risk</i>	0.2%	1.6%	7.4%	3.7%	2.0%
<i>CIB Cost of credit risk</i>	-1.7%	0.7%	8.3%	3.2%	0.4%

## Capital Adequacy:

NBG (Basel III) CET1 capital adequacy ratio	9.9%	11.0%	8.3%	9.9%	11.0%
<i>Minimum regulatory requirement</i>	6.9%	9.6%	6.9%	6.9%	9.6%
NBG (Basel III) Tier I capital adequacy ratio	12.0%	13.3%	10.6%	12.0%	13.3%
<i>Minimum regulatory requirement</i>	8.7%	11.6%	8.7%	8.7%	11.6%
NBG (Basel III) Total capital adequacy ratio	17.4%	16.7%	15.3%	17.4%	16.7%
<i>Minimum regulatory requirement</i>	13.3%	16.1%	13.3%	13.3%	16.1%

\* For the description of Key Ratios, refer to page 86

# KEY OPERATING DATA

## Selected operating data:

	Jun-20	Jun-19	Mar-20
Total assets per FTE	2,671	2,184	2,676
Number of active branches, of which:	229	276	233
- Express branches (including Metro)	121	167	124
- Bank of Georgia branches	97	97	97
- Solo lounges	11	12	12
Number of ATMs	940	890	939
Number of cards outstanding, of which:	2,178,053	2,122,006	2,160,942
- Debit cards	1,828,691	1,634,843	1,791,937
- Credit cards	349,362	487,163	369,005
Number of POS terminals	23,787	19,667	22,472
Number of Express Pay terminals	3,118	3,177	3,183

## FX Rates:

GEL/US\$ exchange rate (period-end)	3.0552	2.8687	3.2845
GEL/GBP exchange rate (period-end)	3.7671	3.6384	4.0725

## Full time employees (FTE), of which:

	<b>7,181</b>	<b>7,386</b>	<b>7,349</b>
- Full time employees, BOG standalone	5,693	5,786	5,851
- Full time employees, BNB	543	632	550
- Full time employees, other	945	968	948

## Shares outstanding

Ordinary shares	47,536,332	47,669,887	47,528,704
Treasury shares	1,633,096	1,499,541	1,640,724
<b>Total shares outstanding</b>	<b>49,169,428</b>	<b>49,169,428</b>	<b>49,169,428</b>

# SOLO – A FUNDAMENTALLY DIFFERENT APPROACH TO PREMIUM BANKING

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At 30 June 2020, we were serving **56,207 Solo clients** through **11 Solo lounges**



## Solo offers:

- Tailor made banking solutions
- New financial products such as bonds
- Concierge-style environment
- Access to exclusive products and events
- Lifestyle opportunities

## Solo Club

Launched in second quarter of 2017, a membership group within Solo, which offers exclusive access to Solo products and services ahead of other Solo clients.

At 30 June 2020, Solo Club had 5,562 members, up 15.8% y-o-y and down 1.0% q-o-q

# SOLO – THINKING AHEAD OF CUSTOMERS NEEDS

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**Banking**

Customer-centric  
approach  
maximisation

**Lifestyle**

## TOP AFFLUENT

Advisory services in  
banking and lifestyle  
solutions



EDUCATION



TRAVEL



ENTERTAINMENT



HEALTH

## MASS AFFLUENT

Personal banking  
and lifestyle  
offering

# RETAIL BANKING – CLIENT-CENTRIC MODEL

At 30 June 2020, we have **76** branches operating on our client-centric model



# KEY RATIO DEFINITIONS

- **Cost of funds** Interest expense of the period divided by monthly average interest bearing liabilities;
- **Cost of credit risk** Expected loss on loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;
- **Cost to income ratio** Operating expenses divided by operating income;
- **Interest bearing liabilities** Amounts owed to credit institutions, client deposits and notes, and debt securities issued;
- **Interest earning assets (excluding cash)** Amounts due from credit institutions, investment securities (but excluding corporate shares) and net loans to customers and finance lease receivables;
- **Leverage (times)** Total liabilities divided by total equity;
- **Liquid assets** Cash and cash equivalents, amounts due from credit institutions and investment securities;
- **Liquidity coverage ratio (LCR)** High quality liquid assets (as defined by NBG) divided by net cash outflows over the next 30 days (as defined by NBG);
- **Loan yield** Interest income from loans to customers and finance lease receivables divided by monthly average gross loans to customers and finance lease receivables;
- **NBG (Basel III) Common Equity Tier I capital adequacy ratio** Common Equity Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **NBG (Basel III) Tier I capital adequacy ratio** Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **NBG (Basel III) Total capital adequacy ratio** Total regulatory capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **Net interest margin (NIM)** Net interest income of the period divided by monthly average interest earning assets excluding cash for the same period;
- **Non-performing loans (NPLs)** The principal and interest on loans overdue for more than 90 days and any additional potential losses estimated by management;
- **NPL coverage ratio** Allowance for expected credit loss of loans and finance lease receivables divided by NPLs;
- **NPL coverage ratio adjusted for discounted value of collateral** Allowance for expected credit loss of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for expected credit loss);
- **Operating leverage** Percentage change in operating income less percentage change in operating expenses;
- **Return on average total assets (ROAA)** Profit for the period divided by monthly average total assets for the same period;
- **Return on average total equity (ROAE)** Profit for the period attributable to shareholders of the Group divided by monthly average equity attributable to shareholders of the Group for the same period;
- **NMF** Not meaningful

# COMPANY INFORMATION

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## Registered Address

84 Brook Street  
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United Kingdom

Registered under number 10917019 in England and Wales

## Secretary

Link Company Matters Limited  
65 Gresham Street  
London EC2V 7NQ  
United Kingdom

## Stock Listing

London Stock Exchange PLC's Main Market for listed securities  
Ticker: "BGEO.LN"

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

Investor Centre Web Address - [www.investorcentre.co.uk](http://www.investorcentre.co.uk)  
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## Share price information

Shareholders can access both the latest and historical prices via the website, [www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com)