Bank of Georgia Group PLC

4th quarter and full year 2019
preliminary results

Name of authorised official of issuer responsible for making notification:
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www.bankofgeorgiagroup.com

ABOUT BANK OF GEORGIA GROUP PLC

The Group: Bank of Georgia Group PLC ("**Bank of Georgia Group**" or the "**Group**" – LSE: **BGEO LN**) is a UK incorporated holding company, the new parent company of BGEO Group PLC. The Group combined a **Banking Business** and an **Investment Business** prior to the Group demerger on 29 May 2018, which resulted in the Investment Business's separation from the Group effective from 29 May 2018.

The **Group** comprises: a) retail banking and payment services, and b) corporate and investment banking and wealth management operations in Georgia, and c) banking operations in Belarus ("**BNB**"). JSC Bank of Georgia ("**Bank of Georgia**", "**BOG**" or the "**Bank**"), the leading universal bank in Georgia, is the core entity of the Group. The Group targets to benefit from superior growth of the Georgian economy through both its retail banking and corporate and investment banking services and aims to deliver on its strategy, which is based on at least 20% ROAE and c.15% growth of its loan book.

4Q19 AND FY19 PRELIMINARY RESULTS CONFERENCE CALL DETAILS

Bank of Georgia Group PLC has today published its 4th quarter and full year 2019 preliminary financial results at 07:00 London time. This results announcement is also available on the Group's website at www.bankofgeorgiagroup.com. An investor/analyst conference call, organised by the Bank of Georgia Group, will be held on 13 February 2020, at 13:00 UK / 14:00 CET / 08:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional instability; loan portfolio quality; regulatory risk; liquidity risk; operational risk, cyber security, information systems and financial crime 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 2Q19 and 1H19 results announcement and in Annual Report and Accounts 2018. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

ABOUT THIS ANNOUNCEMENT

Bank of Georgia Group PLC announces the Group's fourth quarter 2019 and full year 2019 consolidated preliminary results. Unless otherwise noted, numbers are for 4Q19 and comparisons are with 4Q18. The results are based on International Financial Reporting Standards ("IFRS") as adopted by the European Union, are unaudited and derived from management accounts.

The information in this Announcement in respect of full year 2019 preliminary results, which was approved by the Board of Directors on 12 February 2020, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. Company and Bank of Georgia Group PLC's financial statements for the year ended 31 December 2018 were filed with the Registrar of Companies, and the audit reports were unqualified and contained no statements in respect of Sections 498 (2) or (3) of the UK Companies Act 2006. Bank of Georgia Group PLC's financial statements for the year ended 31 December 2019 will be included in the Annual Report and Accounts to be published in March 2020 and filed with the Registrar of Companies in due course.

Group Demerger

On 29 May 2018, the demerger of Bank of Georgia Group PLC's Investment Business to Georgia Capital PLC became effective. The results of operations of the Investment Business prior to demerger, as well as the gain recorded by the Group as a result of the Investment Business distribution are classified under the "discontinued operations". The Group and Banking Business detailed financials, as well as Discontinued Operations and inter-business eliminations for previous periods are presented on pages 20-22. Throughout this announcement, the discussion is focused on the Banking Business results, which represents the continuing business of the Group since the demerger.

Restatement of previously reported 1Q19-3Q19 periods

Since the fourth quarter 2018, the Group started to enter into certain cross-currency swap agreements to hedge net interest rate risk on Euro-denominated lending. Considering that during 2019 such contracts reached significant volume, the Group revisited the presentation of the effects of these agreements in its income statement. As a result, the Group concluded that certain reclassification is required to better reflect the risk management objective of the Group. In particular, effects of unwinding the locked-in interest differential was reclassified from net foreign currency gain to interest expense line in the income statement in the previously reported quarterly results of the year 2019. The Group did not restate the fourth quarter 2018 period as the impact was immaterial. The detailed reclassified income statement for 1Q -3Q periods of 2019, as well as effected and restated ratios are presented on page 22 of this announcement. The reclassification impact for the first nine months of 2019 amounted to GEL 29mln. The Group believes that such presentation provides better information to the users of the Group's financial statements regarding the Group's risk management strategy.

4Q19 AND FY19 RESULTS HIGHLIGHTS

Continued strong momentum – excellent quarterly growth and outstanding profitability

GEL thousands	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
Banking Business Income Statement Highlights[1]								
Net interest income	207,091	187,438	10.5%	200,992	3.0%	789,419	739,604	6.7%
Net fee and commission income	46,558	41,344	12.6%	48,009	-3.0%	180,014	153,182	17.5%
Net foreign currency gain	37,177	53,358	-30.3%	32,233	15.3%	119,363	129,437	-7.8%
Net other income / (expense)	18,439	(9,073)	NMF	3,728	NMF	21,474	7,815	NMF
Operating income	**309,265**	**273,067**	**13.3%**	**284,962**	**8.5%**	**1,110,270**	**1,030,038**	**7.8%**
Operating expenses	**(121,545)**	**(100,857)**	**20.5%**	**(107,917)**	**12.6%**	**(419,946)**	**(378,517)**	**10.9%**
Profit from associates	153	318	-51.9%	194	-21.1%	789	1,339	-41.1%
Operating income before cost of risk	**187,873**	**172,528**	**8.9%**	**177,239**	**6.0%**	**691,113**	**652,860**	**5.9%**
Cost of risk	(14,232)	(40,778)	-65.1%	(15,223)	-6.5%	(107,584)	(160,225)	-32.9%
Net operating income before non-recurring items	**173,641**	**131,750**	**31.8%**	**162,016**	**7.2%**	**583,529**	**492,635**	**18.5%**
Net non-recurring items	(1,591)	(2,185)	-27.2%	(5,019)	-68.3%	(10,723)	(22,643)	-52.6%
Profit before income tax expense and one-off costs	**172,050**	**129,565**	**32.8%**	**156,997**	**9.6%**	**572,806**	**469,992**	**21.9%**
Income tax expense	(15,515)	(10,888)	42.5%	(22,697)	-31.6%	(58,619)	(34,948)	67.7%
Profit adjusted for one-off costs	**156,535**	**118,677**	**31.9%**	**134,300**	**16.6%**	**514,187**	**435,044**	**18.2%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	(3,861)	NMF	-	-	(14,236)	(56,402)	-74.8%
Profit	**156,535**	**114,816**	**36.3%**	**134,300**	**16.6%**	**499,951**	**378,642**	**32.0%**

GEL thousands	Dec-19	Dec-18	Change y-o-y	Sep-19	Change q-o-q
Banking Business Balance Sheet Highlights					
Liquid assets	5,559,500	4,540,032	22.5%	5,099,111	9.0%
Cash and cash equivalents	*2,153,624*	*1,215,799*	*77.1%*	*1,369,194*	*57.3%*
Amounts due from credit institutions	*1,619,072*	*1,305,216*	*24.0%*	*1,834,195*	*-11.7%*
Investment securities	*1,786,804*	*2,019,017*	*-11.5%*	*1,895,722*	*-5.7%*
Loans to customers and finance lease receivables[2]	11,931,262	9,397,747	27.0%	11,339,745	5.2%
Property and equipment	379,788	344,059	10.4%	364,405	4.2%
Total assets	**18,569,497**	**14,798,303**	**25.5%**	**17,540,692**	**5.9%**
Client deposits and notes	10,076,735	8,133,853	23.9%	9,613,718	4.8%
Amounts owed to credit institutions	3,934,123	2,994,879	31.4%	3,437,718	14.4%
Borrowings from DFIs	*1,486,044*	*1,302,679*	*14.1%*	*1,355,426*	*9.6%*
Short-term loans from NBG	*1,551,953*	*1,118,957*	*38.7%*	*1,271,027*	*22.1%*
Loans and deposits from commercial banks	*896,126*	*573,243*	*56.3%*	*811,265*	*10.5%*
Debt securities issued	2,120,064	1,730,414	22.5%	2,175,820	-2.6%
Total liabilities	**16,418,589**	**13,000,030**	**26.3%**	**15,500,833**	**5.9%**
Total equity	**2,150,908**	**1,798,273**	**19.6%**	**2,039,859**	**5.4%**

Banking Business Key Ratios	4Q19	4Q18	3Q19	2019	2018
ROAA[1]	3.4%	3.3%	3.2%	3.1%	3.2%
ROAE[1]	29.9%	27.0%	26.8%	26.1%	26.4%
Net interest margin	5.4%	6.0%	5.4%	5.6%	6.5%
Liquid assets yield	3.7%	3.8%	3.2%	3.5%	3.8%
Loan yield	11.4%	12.8%	11.5%	11.7%	13.5%
Cost of funds	4.7%	5.0%	4.5%	4.6%	5.0%
Cost / income[3]	39.3%	36.9%	37.9%	37.8%	36.7%
NPLs to Gross loans to clients	2.1%	3.3%	2.9%	2.1%	3.3%
NPL coverage ratio	80.9%	90.5%	85.3%	80.9%	90.5%
NPL coverage ratio, adjusted for discounted value of collateral	139.6%	129.9%	129.3%	139.6%	129.9%
Cost of credit risk ratio	0.2%	1.1%	0.5%	0.9%	1.6%
NBG (Basel III) CET1 capital adequacy ratio	11.5%	12.2%	11.1%	11.5%	12.2%
NBG (Basel III) Tier I capital adequacy ratio	13.6%	12.2%	13.3%	13.6%	12.2%
NBG (Basel III) Total capital adequacy ratio	18.1%	16.6%	16.8%	18.1%	16.6%

[1] The full year 2019 income statement adjusted profit excludes GEL 14.2mln one-off employee costs (net of income tax) related to former CEO and executive management termination benefits. The amount is comprised of GEL 12.4mln (gross of income tax) excluded from salaries and other employee benefits and GEL 4.0mln (gross of income tax) excluded from non-recurring items. The income statement adjusted profit in 4Q18 excludes GEL 3.9mln one-off employee costs (net-off income tax) related to the former CEO termination benefits, which is comprised of GEL 4.4mln (gross of income tax) excluded from non-recurring items. In addition to this GEL 3.9mln one-off employee costs in 4Q18, the full year 2018 income statement adjusted profit excludes GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. ROAE and ROAA have been adjusted accordingly for all periods presented. Full IFRS income statement is presented on pages 20 and 21. Management believes that one-off costs do not relate to underlying performance of the Group, and hence, adjusted results provide the best representation of the Group's performance

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

[3] The full year 2019 cost/income ratio is adjusted for GEL 12.4mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

4Q19 AND FY19 RESULTS HIGHLIGHTS

- **Outstanding quarterly performance.** Profit adjusted for one-off costs totalled GEL 156.5mln in 4Q19 (up 31.9% y-o-y and up 16.6% q-o-q) and GEL 514.2mln in 2019 (up 18.2% y-o-y), with profitability reaching 29.9% ROAE[4] in 4Q19 and 26.1% in 2019
- **Loan book growth totalled 27.0% y-o-y and 5.2% q-o-q at 31 December 2019.** Growth on a constant-currency basis was 22.0% y-o-y and 7.1% q-o-q. Retail Banking loan book share in the total loan portfolio was 66.0% at 31 December 2019 (69.8% at 31 December 2018 and 65.8% at 30 September 2019)
- **Strong asset quality.** The cost of credit risk ratio improved to 0.2% in 4Q19 (down 90bps y-o-y and down 30bps q-o-q) and to 0.9% in 2019 (down 70bps y-o-y), primary reflecting our increasing focus on lending in the higher quality mortgage segment and to SME clients, as well as the recovery of several mid- to low-sized corporate loans. NPLs to gross loans ratio decreased to 2.1% at 31 December 2019 (down from 3.3% at 31 December 2018 and down from 2.9% at 30 September 2019), while the NPL coverage ratio stood at 80.9% and the NPL coverage ratio adjusted for discounted value of collateral to 139.6% (129.9% at 31 December 2018 and 129.3% at 30 September 2019)
- **Dollarisation of the loan book and client deposits.** Loan book in local currency accounted for 41.5% of the total loan book at 31 December 2019 (38.3% a year ago and 41.1% in 3Q19). The shift of the loan portfolio was partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio. Currently, the part of the loan portfolio which is most sensitive to foreign currency risk is largely de-dollarised. 72.6% of Retail Banking loans were issued in local currency during 2019. Client deposits in local currency represented 30.7% of the total deposit portfolio at 31 December 2019 (32.5% a year ago and 30.7% at 30 September 2019)
- **Strong capital position.** Basel III CET1, Tier 1 and Total Capital Adequacy ratios stood at 11.5%, 13.6% and 18.1%, respectively, at 31 December 2019, all comfortably above the minimum required levels of 10.1%, 12.2% and 17.1%, respectively
- **In December 2019, the Bank signed a ten-year US$ 107mln subordinated syndicated loan agreement** arranged by FMO - Dutch entrepreneurial development bank in collaboration with other participating lenders. The facility is expected to be treated as a Bank **Tier 2 capital instrument** (upon disbursement and approval of the National Bank of Georgia) under the Basel III framework, which will help to further improve the Bank's capital position. US$ 52mln was already drawn-down by the Bank and the regulatory approval on classification was received in December 2019. The rest of the facility is expected to be utilised within 6 months of 2020
- **Retail Banking ("RB") continued to deliver solid net interest income, coupled with net fee and commission income generation during 2019.** The Retail Banking net loan book reached GEL 7,427.7mln at 31 December 2019, up 18.5% y-o-y and up 4.9% q-o-q. The growth was predominantly driven by mortgage and MSME lending. At the same time, RB client deposits increased to GEL 5,712.5mln at 31 December 2019, up 31.7% y-o-y and up 6.1% q-o-q. The Retail Banking net interest margin stabilised at 5.7% in the fourth quarter and at 6.1% on a twelve months basis in 2019
- **Corporate and Investment Banking ("CIB") demonstrated outstanding growth in 4Q19,** generating strong net interest income and net fee and commission income, coupled with strong asset quality. CIB's net loan book reached GEL 3,804.4mln at 31 December 2019, up 45.3% y-o-y and up 6.0% q-o-q. The growth on a constant-currency basis was 37.4% y-o-y and 8.7% q-o-q. The top 10 CIB client concentration was 9.9% at 31 December 2019 (9.8% at 31 December 2018 and 9.4% at 30 September 2019)
- **Assets Under Management ("AUM") within the Group's Investment Management business, increased to GEL 2,567.2mln at 31 December 2019**, up 13.0% y-o-y and up 0.8% q-o-q, reflecting an increase in client assets and bond issuances at Galt & Taggart, our brokerage subsidiary
- **Digital channels**. We have actively continued the further development of our digital strategy:
  - **The Bank continued to introduce new features to our mobile banking application and our internet bank for individual customers**. As a result, the number of active internet and mobile banking users (largely flat and up 53.9% y-o-y, respectively), as well as the number and volume of transactions through our mobile and internet banking continued to expand (91.2% y-o-y increase in number of transactions and 73.3% y-o-y increase in volume of transactions during 2019). In total, more than 93% of daily transactions were executed through digital channels during 2019
  - **In 1Q19, the Bank released a new business internet banking platform (Business iBank)** for MSME and corporate clients, which comes with many features designed to make its use an intuitive and smooth experience. We focused our efforts on making the Business iBank even more useful for business transactions, which should further incentivise offloading client activity to digital channels. As a result, we already saw a significant increase in the number and volume of transactions through Business iBank during 2019 (up 57.6% and up 31.7% y-o-y, respectively). More than 93% of daily transactions of legal entities were executed through the internet bank during 2019
  - **Digital ecosystem developments.** In order to enhance our client-centric offering, we have developed a digital ecosystem with a number of integrated platforms aimed at providing the value-added solutions to our clients in addition to the traditional financial services. Currently, our digital ecosystem rests on two pillars: retail and MSME. Under the retail pillar, we launched a cutting-edge full-service real estate digital platform, ***area.ge*** in 1Q19 and acquired a leading Georgian e-commerce platform, ***extra.ge*** in 2Q19. Under the MSME pillar, in September 2019, we launched ***Optimo*** – a digital solution for our MSME customers to run their business sales and solutions. For more details on these platforms, please see page 16

[4] The full year 2019 ROAE is adjusted for GEL 14.2mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

CHIEF EXECUTIVE OFFICER'S STATEMENT

2019 was a year of significant progress for Bank of Georgia Group. The Group delivered excellent customer lending growth, strong profitability and a 32.0% increase in net profit to GEL 500 million, while substantially improving our customer positioning in many key areas. In all of the most recent surveys and data points, Bank of Georgia clearly comes out "top of mind" and is regarded as the most trusted financial institution throughout all age groups of the Georgian population.

In the fourth quarter of 2019, the Group delivered another period of strong balance sheet and fee income growth, combined with superior profitability, achieved as a result of excellent customer franchise growth, good cost management in both the Retail and Corporate and Investment Banking businesses, whilst continuing to invest in core capabilities, and achieving continued improvements in asset quality. During the fourth quarter 2019, the Group delivered operating income of GEL 309.3 million, up 13.3% year-on-year and up 8.5% quarter-on-quarter, and this, combined with a low cost of risk, led to net profit adjusted for one-off items for the quarter of GEL 156.5 million, an increase of 31.9% year-on-year and 16.6% compared to the third quarter of 2019. The Return on Average Equity in the fourth quarter 2019 increased to 29.9%, and earnings per share increased by 37.5% year-on-year, to GEL 3.30 in 4Q19.

For the full year 2019, operating income totalled GEL 1,110.3 million, an increase of 7.8%, and profit before income tax and one-off costs increased by 21.9% to GEL 572.8 million. The Group's capability to deliver strong Return on Average Equity continues, and profitability exceeded 26% for the full year 2019.

The last 12 months have been important in a number of ways and I would like to highlight a number of key messages:

1) the new management team has started to execute the Group's new strategy, which we outlined in June 2019, and this is being reflected throughout the business as we are delivering strong profitability, while investing in our future digital and IT capabilities, the renovation of our branch network, and our brand franchise. The results of these investments are already starting to deliver significant earnings growth, as well as improved client satisfaction and higher employee engagement scores;
2) we have also demonstrated clear progress in adapting to the new banking regulatory environment. In 2019, we exceeded our lending growth expectations and delivered strong profitability, in a banking sector that now has lower systemic credit risk and improving capital efficiency.

Given the significant changes in the regulatory environment over the last 12 months, 2019 was a year of transition which provides an excellent base for our future growth. The high-yield, higher-risk unsecured consumer loan portfolio has matured out of our balance sheet and has been replaced with a lower-risk, higher-volume portfolio, leading to lower overall sector systemic risk. This is a new environment with a lower net interest margin and lower cost of credit risk. As a consequence, we successfully reshuffled the Retail Banking portfolio composition towards more secured mortgage and MSME lending and yet delivered net interest income growth of 6.7% y-o-y, while net fee and commission income generation showed 17.5% y-o-y growth during 2019. We are also starting to experience some stabilisation in the net interest margin. Net of credit risk costs, the net interest margin has remained very resilient.

Some of the benefits of the lower-risk portfolio are now being reflected in a lower cost of credit risk, which was down 70 basis points y-o-y to 0.9% in 2019, and 90 basis points to 0.2% in the fourth quarter of 2019. We have also made significant progress in reducing our non-performing loans, and the ratio of NPLs to gross loans now stands at 2.1%, compared to 3.3% twelve months ago. The historical cost of credit risk on the rebalanced portfolio mix is c.1-1.2%, and going forward we expect the net interest margin to remain broadly stable.

We also continued to deliver strong progress in the Corporate and Investment Banking (CIB) business. Customer lending in CIB, on a constant currency basis, grew by 37.4% year-on-year, and 8.7% quarter-on-quarter as at 31 December 2019.

During the year, we clearly established our new mission: we are here to help people achieve more of their potential. In this context, a new brand platform has been adopted and our first new brand campaign was launched in the beginning of October 2019. Bank of Georgia is the brand that stands for taking action and doing something about it; we are here to empower and support our customers and employees. Bank of Georgia is the general sponsor of the Georgian Olympic Committee and has recently become general sponsor of the Paralympic Committee in Georgia. We are here to support and celebrate people who strive to succeed, regardless of their challenges. This is all of us. This is what Bank of Georgia stands for.

Our new Corporate Social Responsibility strategy has been aligned with our new mission - to help people achieve more of their potential. We do this through focusing on three main pillars: education, employment and MSME development.

The success of our new strategy depends on two main directions: customer satisfaction and employee engagement. We have revised the KPIs of the top management to include Net Promoter Score (NPS) and Employee Net Promoter Score (ENPS). There are very encouraging signs throughout the business lines showing improved customer satisfaction (CSAT) and higher employee engagement scores. Not to stop there, we have invested in the leading customer experience management platform, Medallia, which will help us capture and prioritise large amounts of customer feedback. It was first rolled out throughout the Bank's digital channels and we are planning to expand it to the call center and branches in 2020.

The new management team has come together and we are all benefiting from helping each other to take on challenges, or upsides as we refer to them internally. The entire team is working towards the common goal, and we are seeing strong numbers across all business lines, especially in Corporate and Investment Banking, SME and mortgages, growing at 33.1%[5], 43.9%[5] and 15.2% y-o-y, respectively, on a constant currency basis at 31 December 2019. While other loan products have delivered slower growth due to the new regulations, the overall loan book grew by 22.0% y-o-y at 31 December 2019 and by 7.1% in the fourth quarter alone on a constant currency basis.

We continue to benefit from our ongoing investment in our IT, digital and data capabilities, with the planned doubling of our digital staff over the 12-month period to June 2020. Whilst this has contributed to higher operating expenses, up 10.9% y-o-y in 2019 excluding one-off costs, I am delighted by how this investment is translating into results – in terms of both strong franchise growth and strong profitability. As an example, this has already been reflected in a significantly higher number of mobile banking transactions, which more than doubled during the year to 35.9 million transactions in 2019, as we continue to see a shift towards mobile banking from other channels. Overall, more than 93% of daily transactions are now performed through digital channels. Going forward we expect to continue investing in building these capabilities, but also further improve our cost to income ratio towards our targeted 35% level.

The Group's capital and funding position remains strong. Our capital ratios are comfortably ahead of our regulatory minimum requirements and we continue to generate high levels of internal capital as a result of both the Bank's high return on average equity, and the improved risk asset intensity of our lending growth. Over the medium term, we will continue to focus on managing our CET1 and Tier 1 capital adequacy ratios c.200 basis points over our minimum regulatory requirements.

At the 2020 Annual General Meeting, the Board intends to recommend an annual dividend for 2019 of GEL 2.67 per share payable in British Pounds Sterling at the prevailing rate. This represents a payout ratio of 26%, in the range of our dividend payout ratio target of 25-40%, and a 4.7% increase over last year's dividend per share.

The Georgian economy continued to deliver strong real growth numbers, estimated at 5.2% for 2019. Overall tourist numbers continued to increase, despite a reduction in the number of tourists from Russia following the direct flight ban introduced in July 2019. The country's current account deficit reduced significantly to estimated 4.1% of GDP in 2019, down from the 2016 highs of 12.4%, reflecting healthy growth in exports and lower imports; trends that we expect to see continued. While the impact of fewer Russian tourists on the economy has been small, the negative expectations have partly resulted in the 6.0% depreciation of the GEL vs US Dollar exchange rate since 20 June 2019, before strengthening in December and early 2020. This did however have an impact on headline inflation, which increased to 7.0% in December 2019. To curb this inflation, the National Bank of Georgia increased the monetary policy rate from 6.5% to 9.0% in the second half of 2019.

We remain very positive on the Georgian economy however. Business confidence remains strong and, in October 2019, S&P Global Ratings upgraded Georgia's sovereign credit rating by one notch to BB, a testament to the positive changes as a result of the Government's recent reforms. With a ranking of 7th, Georgia remains in the top 10 of best places in the world to do business in 2020 according to the World Bank's ranking. Most notably, the recent corporate income tax reform has resulted in Georgian corporates having more equity which is starting to be leveraged and invested.

In summary, the new management team has started to successfully execute on the Group's new strategy, resulting in strong growth and profitability in the significantly lower risk regulatory environment. Most importantly, the pace of positive change is accelerating and very encouraging - and the Group is very well positioned to continue to deliver excellent momentum and strong returns.

Archil Gachechiladze,

CEO, Bank of Georgia Group PLC

12 February 2020

[5] The growth figures are presented excluding the reclassification of GEL 120mln loan portfolio from SME to CIB during the second quarter 2019

DISCUSSION OF RESULTS

The Group's business is composed of three segments. (1) ***Retail Banking*** *operations in Georgia principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfer and settlement services, and handling customers' deposits for both individuals as well as legal entities. Retail Banking targets the emerging and mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. (2)* ***Corporate and Investment Banking*** *comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides private banking services to high net worth clients. (3)* ***BNB****, comprising JSC Belarusky Narodny Bank, principally provides retail and corporate banking services to clients in Belarus.*

OPERATING INCOME

GEL thousands, unless otherwise noted	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
Interest income	393,480	345,760	13.8%	366,721	7.3%	1,437,161	1,327,085	8.3%
Interest expense	(186,389)	(158,322)	17.7%	(165,729)	12.5%	(647,742)	(587,481)	10.3%
Net interest income	**207,091**	**187,438**	**10.5%**	**200,992**	**3.0%**	**789,419**	**739,604**	**6.7%**
Fee and commission income	77,472	62,350	24.3%	76,166	1.7%	284,193	229,670	23.7%
Fee and commission expense	(30,914)	(21,006)	47.2%	(28,157)	9.8%	(104,179)	(76,488)	36.2%
Net fee and commission income	**46,558**	**41,344**	**12.6%**	**48,009**	**-3.0%**	**180,014**	**153,182**	**17.5%**
Net foreign currency gain	37,177	53,358	-30.3%	32,233	15.3%	119,363	129,437	-7.8%
Net other income / (expense)	18,439	(9,073)	NMF	3,728	394.6%	21,474	7,815	174.8%
Operating income	**309,265**	**273,067**	**13.3%**	**284,962**	**8.5%**	**1,110,270**	**1,030,038**	**7.8%**
Net interest margin	5.4%	6.0%		5.4%		5.6%	6.5%	
Average interest earning assets	15,314,640	12,496,355	22.6%	14,643,443	4.6%	14,054,063	11,312,219	24.2%
Average interest bearing liabilities	15,886,722	12,562,852	26.5%	14,704,688	8.0%	14,203,556	11,814,475	20.2%
Average net loans and finance lease receivables, currency blended	11,762,692	9,095,309	29.3%	10,984,723	7.1%	10,563,962	8,331,812	26.8%
Average net loans and finance lease receivables, GEL	4,844,367	3,529,999	37.2%	4,425,551	9.5%	4,229,668	3,336,575	26.8%
Average net loans and finance lease receivables, FC	6,918,325	5,565,310	24.3%	6,559,172	5.5%	6,334,294	4,995,237	26.8%
Average client deposits and notes, currency blended	9,986,276	7,946,145	25.7%	9,276,227	7.7%	9,076,632	7,441,616	22.0%
Average client deposits and notes, GEL	3,093,464	2,654,640	16.5%	2,891,726	7.0%	2,904,441	2,557,565	13.6%
Average client deposits and notes, FC	6,892,812	5,291,505	30.3%	6,384,501	8.0%	6,172,191	4,884,051	26.4%
Average liquid assets, currency blended	5,287,479	4,481,396	18.0%	4,808,233	10.0%	4,767,599	4,395,537	8.5%
Average liquid assets, GEL	2,207,009	2,142,122	3.0%	2,081,990	6.0%	2,106,672	1,971,407	6.9%
Average liquid assets, FC	3,080,470	2,339,274	31.7%	2,726,243	13.0%	2,660,927	2,424,130	9.8%
Liquid assets yield, currency blended	3.7%	3.8%		3.2%		3.5%	3.8%	
Liquid assets yield, GEL	7.3%	6.8%		6.4%		6.6%	6.9%	
Liquid assets yield, FC	1.3%	1.0%		0.8%		1.1%	1.2%	
Loan yield, currency blended	11.4%	12.8%		11.5%		11.7%	13.5%	
Loan yield, GEL	16.3%	19.7%		16.5%		17.0%	20.4%	
Loan yield, FC	7.9%	8.3%		8.2%		8.1%	8.8%	
Cost of funds, currency blended	4.7%	5.0%		4.5%		4.6%	5.0%	
Cost of funds, GEL	7.5%	7.2%		6.7%		7.0%	7.2%	
Cost of funds, FC	3.0%	3.7%		3.2%		3.2%	3.6%	
Cost / income[6]	39.3%	36.9%		37.9%		37.8%	36.7%	

Performance highlights

- **Strong operating income of GEL 309.3mln in 4Q19 (up 13.3% y-o-y and up 8.5% q-o-q), ending the year 2019 with operating income of GEL 1,110.3mln (up 7.8% y-o-y).** Y-o-y operating income growth in 4Q19 and FY19 was primarily driven by an increase in net interest income (up 10.5% y-o-y in 4Q19 and up 6.7% y-o-y in 2019), which resulted from strong loan book growth during the year. Additionally, net fee and commission income and net other income contributed to y-o-y growth of operating income. The latter was primarily driven by the GEL 12.8mln gain recorded as a result of revaluation of investment property in the fourth quarter 2019
- **Our NIM was 5.4% in 4Q19 and 5.6% in 2019.** During the fourth quarter 2019, NIM was down 60bps y-o-y due to the 140bps y-o-y decrease in loan yield, largely reflecting our shift towards a higher quality, finer margin product mix on the back of tighter regulatory conditions for unsecured consumer lending, partially offset by 30bps y-o-y decline in cost of funds. On a twelve month basis, loan yield was down 180bps y-o-y, while cost of funds decreased by 40bps y-o-y, causing NIM to decline by 90bps y-o-y. The y-o-y decline in NIM was also partially driven by the increased minimum reserve requirements mandated by NBG as discussed in more detail later. On a q-o-q basis, loan yield decreased by 10bps and cost of funds increased by 20bps. However, liquid assets yield increased significantly by 50bps q-o-q, resulting in flat q-o-q 4Q19 NIM
- **Loan yield.** Currency blended loan yield was 11.4% in 4Q19 (down 140bps y-o-y and down 10bps q-o-q) and 11.7% in 2019 (down 180bps y-o-y). The y-o-y and q-o-q decline in loan yields during the fourth quarter and on a twelve month basis in

[6] The full year 2019 cost/income ratio is adjusted for GEL 12.4mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

2019 was attributable to a decrease in both local and foreign currency loan yields, which primarily reflected the change in product mix in our loan portfolio

- **Liquid assets yield.** Currency blended liquid assets yield was 3.7% in 4Q19 (down 10bps y-o-y and up 50bps q-o-q) and 3.5% in 2019 (down 30bps y-o-y). The y-o-y decline in liquid assets yield in 4Q19 despite the increase both in local and foreign currency denominated liquid assets yields, was primarily driven by the decline in the portion of higher yielding local currency liquid assets in the total liquid assets portfolio in 2019. The local currency denominated liquid assets yield movement (up 50bps y-o-y and up 90bps q-o-q in 4Q19 and down 30bps y-o-y in 2019) directly reflected the NBG monetary policy rate movements during the year. As for the foreign currency denominated liquid assets yields (up 30bps y-o-y and up 50bps q-o-q in 4Q19 and down 10bps y-o-y in 2019), it reflected a) an increase in obligatory reserves with NBG, primarily driven by the changes in minimum reserve requirements mandated by NBG since September 2018, whereby the foreign currency funds raised by local banks carried up to a 25% reserve requirement depending on maturity, and further increase of this requirement up to 30% since May 2019 (although the mandatory reserve requirements on funds attracted in foreign currency was reduced to 25% in October 2019); b) starting from 12 July 2018, NBG reduced interest rates on foreign currency obligatory reserves from US Fed rate upper bound minus 50bps to Fed rate upper bound minus 200bps, floored at zero for US Dollar reserves, and from ECB rate minus 50bps to ECB rate minus 200bps, floored at negative 60bps for EUR denominated reserves (however, starting from 3 October 2019, following rates are in place - US Fed rate upper bound minus 50bps for US Dollar reserves, and ECB rate minus 20bps for EUR denominated reserves)
- **Cost of funds.** Cost of funds stood at 4.7% in 4Q19 (down 30bps y-o-y and up 20bps q-o-q) and 4.6% in 2019 (down 40bps y-o-y). Y-o-y decline in cost of funds in 4Q19 and 2019 was primarily due to a decline in the cost of client deposits and notes (down 40bps y-o-y in 4Q19 and down 50bps y-o-y in 2019), coupled with the decline in cost of amounts owed to credit institutions (down 50bps y-o-y in 4Q19 and down 20bps y-o-y in 2019), on the back of decrease in Libor rate and lower average NBG monetary policy rate in 2019, as well as the repayment of US$ 65mln subordinated debt in April 2019. Furthermore, starting from 2019, the Bank entered into certain cross-currency swap agreements to hedge net interest rate risk on Euro lending, which contributed to the reduction of all components of cost of funds y-o-y. This decline in 4Q19 y-o-y was partially offset by the 10bps increase in cost of debt securities issued as a result of the issuance of inaugural US$ 100 million Additional Tier 1 capital perpetual subordinated notes at the end of March 2019. On a q-o-q basis, the 20bps q-o-q increase of cost of funds in 4Q19 was primarily due to cost of amounts owed to credit institutions on the back of increased NBG monetary policy rate in the fourth quarter 2019 (up 150bps since 25 September 2019)
- **Net fee and commission income.** Net fee and commission income reached GEL 46.6mln in 4Q19 (up 12.6% y-o-y) and GEL 180.0mln in 2019 (up 17.5% y-o-y). Growth was mainly driven by the strong fees and commission income generation from guarantees and letters of credit issued by our Corporate and Investment Banking business
- **Net foreign currency gain.** In line with currency volatility, client-driven flows, as well as robust interest from foreign financial institutions in local currency, the net foreign currency gain was up 15.3% q-o-q and down 30.3% y-o-y in 4Q19
- **Net other income.** Significant y-o-y and q-o-q increase in net other income both in 4Q19 and 2019 was largely driven by GEL 12.8mln net gains recorded as a result of the revaluation of investment property in the fourth quarter of 2019

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

GEL thousands, unless otherwise noted [7]	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
Salaries and other employee benefits	(61,504)	(58,331)	5.4%	(59,539)	3.3%	(231,443)	(215,816)	7.2%
Administrative expenses	(35,131)	(30,010)	17.1%	(26,251)	33.8%	(106,157)	(113,264)	-6.3%
Depreciation, amortisation and impairment	(23,815)	(11,365)	109.5%	(21,320)	11.7%	(78,118)	(45,442)	71.9%
Other operating expenses	(1,095)	(1,151)	-4.9%	(807)	35.7%	(4,228)	(3,995)	5.8%
Operating expenses	**(121,545)**	**(100,857)**	**20.5%**	**(107,917)**	**12.6%**	**(419,946)**	**(378,517)**	**10.9%**
Profit from associate	153	318	-51.9%	194	-21.1%	789	1,339	-41.1%
Operating income before cost of risk	**187,873**	**172,528**	**8.9%**	**177,239**	**6.0%**	**691,113**	**652,860**	**5.9%**
Expected credit loss / impairment charge on loans to customers	(7,985)	(25,783)	-69.0%	(13,617)	-41.4%	(94,155)	(139,499)	-32.5%
Expected credit loss / impairment charge on finance lease receivables	451	514	-12.3%	(333)	NMF	(885)	(164)	NMF
Other expected credit loss / impairment charge on other assets and provisions	(6,698)	(15,509)	-56.8%	(1,273)	NMF	(12,544)	(20,562)	-39.0%
Cost of risk	**(14,232)**	**(40,778)**	**-65.1%**	**(15,223)**	**-6.5%**	**(107,584)**	**(160,225)**	**-32.9%**
Net operating income before non-recurring items	**173,641**	**131,750**	**31.8%**	**162,016**	**7.2%**	**583,529**	**492,635**	**18.5%**
Net non-recurring items	(1,591)	(2,185)	-27.2%	(5,019)	-68.3%	(10,723)	(22,643)	-52.6%
Profit before income tax expense and one-off costs	**172,050**	**129,565**	**32.8%**	**156,997**	**9.6%**	**572,806**	**469,992**	**21.9%**
Income tax expense	(15,515)	(10,888)	42.5%	(22,697)	-31.6%	(58,619)	(34,948)	67.7%
Profit adjusted for one-off costs	**156,535**	**118,677**	**31.9%**	**134,300**	**16.6%**	**514,187**	**435,044**	**18.2%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	(3,861)	NMF	-	-	(14,236)	(56,402)	-74.8%
Profit	**156,535**	**114,816**	**36.3%**	**134,300**	**16.6%**	**499,951**	**378,642**	**32.0%**

[7] The full year 2019 adjusted profit in the table excludes GEL 14.2mln one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 12.4mln (gross of income tax) excluded from salaries and other employee benefits and GEL 4.0mln (gross of income tax) excluded from non-recurring items. The income statement adjusted profit in 4Q18 excludes GEL 3.9mln one-off employee costs (net-off income tax) related to the former CEO termination benefits, which is comprised of GEL 4.4mln (gross of income tax) excluded from non-recurring items. In addition to this GEL 3.9mln one-off employee costs in 4Q18, the full year 2018 income statement adjusted profit excludes GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

- **Operating expenses** adjusted for one-off employee costs related to termination benefits of former executive management members (acceleration of share-based compensation) were GEL 121.5mln in 4Q19 (up 20.5% y-o-y and up 12.6% q-o-q) and GEL 419.9mln in 2019 (up 10.9% y-o-y). The increase in salaries and other employee benefit expenses was mainly driven by increased investments in IT related resources as part of the Agile transformation process, focus on digitalisation, investments in marketing and branch network
- The y-o-y decline in **administrative expenses** and increase in **depreciation, amortisation and impairment expenses** in 2019 is primarily driven by the adoption of a new standard IFRS 16, *Leases* replacing IAS 17, *Leases* effective 1 January 2019. As a result of the adoption of the standard the Group recorded on its balance sheet assets related to the right to use the rented properties together with corresponding liabilities for respective payments under the lease contracts. Excluding this impact, the increase in depreciation, amortisation and impairment expenses was due to increased investments during 2019
- **Improved asset quality.** The cost of credit risk ratio was 0.2% in 4Q19 (down 90bps y-o-y and down 30bps q-o-q) and 0.9% on a twelve months basis in 2019 (down 70bps y-o-y). RB's cost of credit risk ratio was 0.2% in 4Q19 (down 150bps y-o-y and down 70bps q-o-q) and 1.2% in 2019 (down 90bps y-o-y), while CIB's cost of credit risk ratio stood at 0.5% in 4Q19 (up from a net credit of 0.2% in 4Q18 and 3Q19) and 0.2% in 2019 (down 60bps y-o-y). The y-o-y and q-o-q decrease in RB's cost of credit risk ratio reflected improved loan portfolio quality due to our increasing focus on lending in the mortgage segment and to SME clients, while CIB's cost of credit risk ratio improvement during the year was primarily driven by the recovery of several mid- to low-sized corporate loans in 4Q18 and first nine months of 2019
- **Quality of our loan book remained strong in 4Q19** as evidenced by the following closely monitored metrics. The improvement in NPLs to gross loans was primarily driven by write-off and recovery of several non-performing corporate loans during 4Q19. The NPL coverage ratio was also down due to write-offs during the fourth quarter 2019. That said, NPL coverage ratio adjusted for the discounted value of collateral improved both y-o-y and q-o-q at 31 December 2019:

GEL thousands, unless otherwise noted	Dec-19	Dec-18	Change y-o-y	Sep-19	Change q-o-q
Non-performing loans					
NPLs	252,695	318,356	-20.6%	339,118	-25.5%
NPLs to gross loans	2.1%	3.3%		2.9%	
NPLs to gross loans, RB	1.5%	2.1%		1.8%	
NPLs to gross loans, CIB	3.0%	5.6%		5.0%	
NPL coverage ratio	80.9%	90.5%		85.3%	
NPL coverage ratio adjusted for the discounted value of collateral	139.6%	129.9%		129.3%	

- **BNB – the Group's banking subsidiary in Belarus - continues to remain strongly capitalised**, with capital adequacy ratios well above the requirements of the National Bank of the Republic of Belarus ("**NBRB**"). At 31 December 2019, total capital adequacy ratio was 15.0%, above the 10% minimum requirement, while Tier I capital adequacy ratio was 9.1%, above NBRB's 7% minimum requirement. ROAE was 16.7% in 4Q19 (19.5% in 4Q18 and 18.1% in 3Q19) and 14.5% in 2019 (14.6% in 2018). *For detailed financial results of BNB, please see page 23*
- **Net non-recurring items.** Net non-recurring expenses adjusted for one-off costs amounted to GEL 1.6mln in 4Q19 (GEL 2.2mln in 4Q18 and GEL 5.0mln in 3Q19) and GEL 10.7mln in 2019 (GEL 22.6mln in 2018), largely reflecting legal fees incurred during 2019
- **Income tax expense.** Income tax expense amounted to GEL 15.5mln in 4Q19 (up 42.5% y-o-y and down 31.6% q-o-q) and GEL 58.6mln in 2019 (up 67.7% y-o-y). The q-o-q decline in 4Q19 was primarily driven by a one-off GEL 8.5mln additional tax expense posted in 3Q19 as a result of reassessment of deferred tax balances, in relation to changes in the assumptions made in June 2018 relating to the amendments to the corporate taxation model applicable to financial institutions, as applicable for the period starting from 1 January 2019
- **Overall, profit adjusted for one-off costs** totalled GEL 156.5mln in 4Q19 (up 31.9% y-o-y and up 16.6% q-o-q) and GEL 514.2mln in 2019 (up 18.2% y-o-y), while ROAE[8] was 29.9% in 4Q19 (27.0% in 4Q18 and 26.8% in 3Q19) and 26.1% on twelve month basis in 2019 (26.4% in 2018)

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Dec-19	Dec-18	Change y-o-y	Sep-19	Change q-o-q
Liquid assets	5,559,500	4,540,032	22.5%	5,099,111	9.0%
Liquid assets, GEL	2,245,740	2,283,812	-1.7%	2,136,320	5.1%
Liquid assets, FC	3,313,760	2,256,220	46.9%	2,962,791	11.8%
Net loans and finance lease receivables	11,931,262	9,397,747	27.0%	11,339,745	5.2%
Net loans and finance lease receivables, GEL	4,946,387	3,597,826	37.5%	4,655,533	6.2%
Net loans and finance lease receivables, FC	6,984,875	5,799,921	20.4%	6,684,212	4.5%
Client deposits and notes	10,076,735	8,133,853	23.9%	9,613,718	4.8%
Amounts owed to credit institutions	3,934,123	2,994,879	31.4%	3,437,718	14.4%
Borrowings from DFIs	1,486,044	1,302,679	14.1%	1,355,426	9.6%
Short-term loans from central banks	1,551,953	1,118,957	38.7%	1,271,027	22.1%
Loans and deposits from commercial banks	896,126	573,243	56.3%	811,265	10.5%
Debt securities issued	2,120,064	1,730,414	22.5%	2,175,820	-2.6%

[8] The full year 2019 ROAE is adjusted for GEL 14.2mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 4Q18 ROAE is adjusted for GEL 3.9mln one-off employee costs (net of income tax) related to termination benefits of the former CEO. In addition to this GEL 3.9mln one-off employee costs in 4Q18, the full year 2018 ROAE is adjusted for GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

	Dec-19	Dec-18	Sep-19
Liquidity and CAR ratios			
Net loans / client deposits and notes	118.4%	115.5%	118.0%
Net loans / client deposits and notes + DFIs	103.2%	99.6%	103.4%
Liquid assets / total assets	29.9%	30.7%	29.1%
Liquid assets / total liabilities	33.9%	34.9%	32.9%
NBG liquidity ratio	31.1%	31.9%	36.8%
NBG liquidity coverage ratio	136.7%	120.1%	118.5%
NBG (Basel III) CET1 capital adequacy ratio	11.5%	12.2%	11.1%
NBG (Basel III) Tier I capital adequacy ratio	13.6%	12.2%	13.3%
NBG (Basel III) Total capital adequacy ratio	18.1%	16.6%	16.8%

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 136.7%) **and strongly capitalised** (NBG Basel III Tier I capital adequacy ratio of 13.6%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 61.4%).

- **Liquidity.** Liquid assets stood at GEL 5,559.5mln at 31 December 2019, up 22.5% y-o-y and up 9.0% q-o-q. The notable increase over the year was in obligatory reserves with NBG, combined with excess liquidity deployed with credit institutions. The NBG Liquidity coverage ratio was 136.7% at 31 December 2019 (120.1% at 31 December 2018 and 118.5% at 30 September 2019), well above the 100% minimum requirement level
- **Loan book**. Our net loan book and finance lease receivables reached GEL 11,931.3mln at 31 December 2019, up 27.0% y-o-y and up 5.2% q-o-q. As of 31 December 2019, the retail loan book represented 66.0% of the total loan portfolio (69.8% at 31 December 2018 and 65.8% at 30 September 2019). Both local and foreign currency portfolios experienced strong y-o-y growth of 37.5% and 20.4%, respectively. Furthermore, local currency denominated loan portfolio was up 6.2% q-o-q, while foreign currency denominated loan book grew by 4.5% q-o-q. The local currency loan portfolio growth was partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio
- **Dollarisation of our loan book and client deposits.** The retail client loan book in foreign currency accounted for 43.7% of the total RB loan book at 31 December 2019 (50.3% at 31 December 2018 and 43.9% at 30 September 2019), while retail client foreign currency deposits comprised 68.0% of total RB deposits at 31 December 2019 (69.7% at 31 December 2018 and 69.2% at 30 September 2019). At 31 December 2019, 81.1% of CIB's loan book was denominated in foreign currency (82.3% at 31 December 2018 and 82.1% at 30 September 2019), while 65.9% of CIB deposits were denominated in foreign currency (61.2% at 31 December 2018 and 64.1% at 30 September 2019)
- **Net loans to customer funds and DFI ratio**. Our net loans to customer funds and DFI ratio, which is closely monitored by management, remained strong at 103.2% at 31 December 2019 (99.6% at 31 December 2018 and 103.4% at 30 September 2019)
- **Diversified funding base**. Debt securities issued grew by 22.5% y-o-y at 31 December 2019. The y-o-y increase was primarily driven by the issuance of US$ 100 million Additional Tier 1 capital notes in March 2019 *(see details below)*
- **Capital Adequacy requirements.** At 31 December 2019, the Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 11.5%, 13.6% and 18.1%, respectively, all comfortably above the minimum required levels of 10.1%, 12.2% and 17.1%, respectively
  - In March 2019, the Bank issued its inaugural US$ 100 million 11.125% Additional Tier 1 capital perpetual subordinated notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia at an issue price of 100.00% (the "Notes"). The Notes are listed on the Irish Stock Exchange and rated B- (Fitch). The issuance was the first international offering of Additional Tier 1 Capital Notes from Georgia and the South Caucasus region. The regulatory approval on the classification of the Notes as Additional Tier 1 instruments was received in April 2019
  - In December 2019, the Bank signed a ten-year US$ 107mln subordinated syndicated loan agreement arranged by FMO - Dutch entrepreneurial development bank in collaboration with other participating lenders (the Bank's existing and new partner financial institutions). The facility is expected to be treated as a Bank Tier 2 capital instrument (upon disbursement and approval of the National Bank of Georgia) under the Basel III framework, which will help to further improve the Bank's capital position. Of the total facility, US$ 52mln was already drawn-down by the Bank and the regulatory approval on classification was received in December 2019. The undrawn part of the facility is expected to be utilised as needed within six months of 2020

DISCUSSION OF SEGMENT RESULTS

RETAIL BANKING (RB)

Retail Banking provides consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services and the handling of customer deposits for both individuals and legal entities (SME and micro businesses only). RB is represented by the following sub-segments: (1) the emerging retail segment (through our Express brand), (2) retail mass market segment; (3) SME and micro businesses – "MSME" (through our Bank of Georgia brand), and (4) the mass affluent segment (through our Solo brand).

GEL thousands, unless otherwise noted	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[9]								
Net interest income	134,839	136,895	-1.5%	142,202	-5.2%	545,701	546,873	-0.2%
Net fee and commission income	32,775	32,915	-0.4%	36,696	-10.7%	136,510	118,858	14.9%
Net foreign currency gain	14,795	24,047	-38.5%	14,410	2.7%	51,009	56,357	-9.5%
Net other income / (expense)	9,233	(5,420)	NMF	581	NMF	8,230	1,372	NMF
Operating income	**191,642**	**188,437**	**1.7%**	**193,889**	**-1.2%**	**741,450**	**723,460**	**2.5%**
Salaries and other employee benefits	(39,683)	(37,052)	7.1%	(37,732)	5.2%	(147,982)	(138,635)	6.7%
Administrative expenses	(22,593)	(21,620)	4.5%	(17,585)	28.5%	(70,968)	(84,323)	-15.8%
Depreciation, amortisation and impairment	(20,383)	(9,857)	106.8%	(17,973)	13.4%	(66,136)	(39,134)	69.0%
Other operating expenses	(625)	(639)	-2.2%	(379)	64.9%	(2,286)	(2,332)	-2.0%
Operating expenses	**(83,284)**	**(69,168)**	**20.4%**	**(73,669)**	**13.1%**	**(287,372)**	**(264,424)**	**8.7%**
Profit from associate	153	318	-51.9%	194	-21.1%	789	1,339	-41.1%
Operating income before cost of risk	**108,511**	**119,587**	**-9.3%**	**120,414**	**-9.9%**	**454,867**	**460,375**	**-1.2%**
Cost of risk	(7,118)	(37,486)	-81.0%	(16,831)	-57.7%	(89,879)	(130,715)	-31.2%
Net operating income before non-recurring items	**101,393**	**82,101**	**23.5%**	**103,583**	**-2.1%**	**364,988**	**329,660**	**10.7%**
Net non-recurring items	68	(779)	NMF	(575)	NMF	(846)	(13,529)	-93.7%
Profit before income tax expense and one-off costs	**101,461**	**81,322**	**24.8%**	**103,008**	**-1.5%**	**364,142**	**316,131**	**15.2%**
Income tax expense	(8,910)	(6,155)	44.8%	(14,060)	-36.6%	(35,396)	(21,389)	65.5%
Profit adjusted for one-off costs	**92,551**	**75,167**	**23.1%**	**88,948**	**4.1%**	**328,746**	**294,742**	**11.5%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	(2,939)	NMF	-	-	(10,142)	(36,483)	-72.2%
Profit	**92,551**	**72,228**	**28.1%**	**88,948**	**4.1%**	**318,604**	**258,259**	**23.4%**
BALANCE SHEET HIGHLIGHTS								
Net loans, currency blended	7,427,721	6,267,071	18.5%	7,083,432	4.9%	7,427,721	6,267,071	18.5%
Net loans, GEL	4,181,192	3,117,454	34.1%	3,974,913	5.2%	4,181,192	3,117,454	34.1%
Net loans, FC	3,246,529	3,149,617	3.1%	3,108,519	4.4%	3,246,529	3,149,617	3.1%
Client deposits, currency blended	5,712,535	4,338,712	31.7%	5,384,371	6.1%	5,712,535	4,338,712	31.7%
Client deposits, GEL	1,829,133	1,314,902	39.1%	1,657,025	10.4%	1,829,133	1,314,902	39.1%
Client deposits, FC	3,883,402	3,023,810	28.4%	3,727,346	4.2%	3,883,402	3,023,810	28.4%
of which:								
Time deposits, currency blended	3,221,741	2,430,311	32.6%	3,074,292	4.8%	3,221,741	2,430,311	32.6%
Time deposits, GEL	817,879	566,490	44.4%	753,198	8.6%	817,879	566,490	44.4%
Time deposits, FC	2,403,862	1,863,821	29.0%	2,321,094	3.6%	2,403,862	1,863,821	29.0%
Current accounts and demand deposits, currency blended	2,490,794	1,908,401	30.5%	2,310,079	7.8%	2,490,794	1,908,401	30.5%
Current accounts and demand deposits, GEL	1,011,254	748,412	35.1%	903,827	11.9%	1,011,254	748,412	35.1%
Current accounts and demand deposits, FC	1,479,540	1,159,989	27.5%	1,406,252	5.2%	1,479,540	1,159,989	27.5%
KEY RATIOS								
ROAE[9]	31.4%	28.4%		30.7%		28.6%	30.3%	
Net interest margin, currency blended	5.7%	6.7%		6.1%		6.1%	7.5%	
Cost of credit risk ratio	0.2%	1.7%		0.9%		1.2%	2.1%	
Cost of funds, currency blended	5.3%	5.7%		4.9%		5.2%	5.8%	
Loan yield, currency blended	12.4%	14.2%		12.8%		12.9%	15.1%	
Loan yield, GEL	16.7%	20.7%		17.0%		17.6%	21.5%	
Loan yield, FC	6.8%	7.4%		7.5%		7.3%	7.9%	
Cost of deposits, currency blended	2.5%	2.9%		2.6%		2.6%	2.9%	
Cost of deposits, GEL	5.1%	5.0%		5.0%		5.1%	4.9%	
Cost of deposits, FC	1.4%	2.1%		1.5%		1.5%	2.0%	
Cost of time deposits, currency blended	3.8%	4.2%		3.8%		3.9%	4.2%	
Cost of time deposits, GEL	8.6%	8.7%		8.4%		8.6%	8.7%	
Cost of time deposits, FC	2.2%	2.9%		2.3%		2.3%	2.9%	
Current accounts and demand deposits, currency blended	0.9%	1.2%		1.0%		1.0%	1.1%	
Current accounts and demand deposits, GEL	2.2%	2.1%		2.2%		2.2%	2.0%	
Current accounts and demand deposits, FC	0.1%	0.7%		0.1%		0.2%	0.6%	
Cost / income ratio[10]	43.5%	36.7%		38.0%		38.8%	36.6%	

[9] The full year 2019 income statement adjusted profit excludes GEL 10.1mln one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 8.6mln (gross of income tax) excluded from salaries and other employee benefits and GEL 2.9mln (gross of income tax) excluded from non-recurring items. The income statement adjusted profit in 4Q18 excludes GEL 2.9mln one-off employee costs (net-off income tax) related to the former CEO termination benefits, which is comprised of GEL 3.3mln (gross of income tax) excluded from non-recurring items. In addition to this GEL 2.9mln one-off employee costs in 4Q18, the full year 2018 income statement adjusted profit excludes GEL 33.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. The ROAE has been adjusted accordingly for all respective periods presented

[10] The full year 2019 cost/income ratio is adjusted for GEL 8.6mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Retail Banking delivered solid quarterly results in each of its major segments and generated operating income of GEL 191.6mln in 4Q19 (up 1.7% y-o-y) and GEL 741.5mln in 2019 (up 2.5% y-o-y)**
- RB's net interest income was down 1.5% y-o-y and down 5.2% q-o-q in 4Q19, and largely flat on a twelve months basis in 2019, primarily driven by the regulations introduced by the National Bank of Georgia on consumer lending in 2018. Net interest income still benefits from the growth of the local currency loan portfolio, which generated 9.9ppts and 10.3ppts higher yields than the foreign currency loan portfolio in 4Q19 and 2019, respectively
- **Retail Banking net loan book reached GEL 7,427.7mln at 31 December 2019, up 18.5% y-o-y and up 4.9% q-o-q. On a constant currency basis retail loan book increased by 15.1% y-o-y and by 6.3% q-o-q in 4Q19.** Local currency denominated loan book increased by 34.1% y-o-y and by 5.2% q-o-q, while the foreign currency denominated loan book grew by 3.1% y-o-y and by 4.4% q-o-q. As a result, the local currency denominated loan book accounted for 56.3% of the Retail Banking loan book at 31 December 2019 (49.7% at 31 December 2018 and 56.1% at 30 September 2019). The shift of the loan portfolio was partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio. Currently, the part of the loan portfolio which is most sensitive to foreign currency risk is largely de-dollarised
- **The loan portfolio composition reflects the shift towards a higher quality, finer margin product mix on the back of tighter lending conditions for unsecured consumer lending.** The y-o-y and q-o-q loan book growth reflected continued strong loan origination levels in MSME and mortgage segments. The y-o-y decline in the mortgage loan originations is reflective of the consumer lending regulation change in 2018 becoming effective from 1 January 2019, which drove higher demand on this product in the second half of 2018 on the back of upcoming regulation expectations. Furthermore, the GEL devaluation since June 2019 has also contributed to slow down of originations:

Retail Banking loan book by products

GEL million, unless otherwise noted	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
Loan originations								
Consumer loans	412.5	436.5	-5.5%	396.4	4.1%	1,523.0	1,492.1	2.1%
Mortgage loans	411.1	555.1	-25.9%	365.0	12.6%	1,438.4	1,814.6	-20.7%
Micro loans	421.0	341.6	23.3%	281.9	49.4%	1,313.4	1,144.2	14.8%
SME loans	365.9	223.8	63.5%	273.9	33.6%	1,093.7	697.8	56.7%
POS loans	28.1	32.4	-13.2%	20.9	34.4%	81.9	137.0	-40.2%
Outstanding balance								
Consumer loans	1,549.0	1,379.7	12.3%	1,505.0	2.9%	1,549.0	1,379.7	12.3%
Mortgage loans	3,042.5	2,539.3	19.8%	2,948.5	3.2%	3,042.5	2,539.3	19.8%
Micro loans	1,492.0	1,246.3	19.7%	1,427.1	4.5%	1,492.0	1,246.3	19.7%
SME loans[11]	1,031.5	758.7	36.0%	899.1	14.7%	1,031.5	758.7	36.0%
POS loans	43.4	58.6	-25.8%	37.1	17.2%	43.4	58.6	-25.8%

- **Retail Banking client deposits increased to GEL 5,712.5mln as at 31 December 2019, up 31.7% y-o-y and up 6.1% q-o-q**. The dollarisation level of our deposits stood at 68.0% at 31 December 2019, compared to 69.7% at 31 December 2018 and 69.2% at 30 September 2019. The cost of foreign currency denominated deposits was down 70bps y-o-y and down 10bps q-o-q in 4Q19 and was down 50bps y-o-y in 2019, while the cost of local currency denominated deposits increased by 10bps y-o-y and q-o-q in 4Q19 and increased by 20bps y-o-y in 2019. The spread between the cost of RB's client deposits in GEL and foreign currency widened to 3.7ppts during 4Q19 (GEL: 5.1%; FC: 1.4%) compared to 2.9ppts in 4Q18 (GEL: 5.0%; FC: 2.1%) and 3.5ppts in 3Q19 (GEL: 5.0%; FC: 1.5%). On a twelve months basis, the spread widened to 3.6ppts in 2019 (GEL: 5.1%; FC: 1.5%) compared to 2.9ppts in 2018 (GEL: 4.9%; FC: 2.0%). Local currency denominated deposits increased at a faster pace to GEL 1,829.1mln (up 39.1% y-o-y and up 10.4% q-o-q), as compared to foreign currency denominated deposits that grew to GEL 3,883.4mln (up 28.4% y-o-y and up 4.2% q-o-q)
- **Retail Banking NIM was 5.7% in 4Q19 (down 100bps y-o-y and down 40bps q-o-q) and 6.1% in 2019 (down 140bps y-o-y).** The y-o-y decline in NIM in 4Q19 and 2019 was attributable to lower loan yields (down 180bps y-o-y in 4Q19 and down 220bps y-o-y in 2019), mainly driven by the change in the Retail Banking loan portfolio product mix, with the lower yield-lower risk products share increasing in the total RB loan portfolio. Meanwhile, the cost of funds decreased by 40bps y-o-y in 4Q19 and by 60bps y-o-y in 2019, primarily on the back of decrease in Libor rate and lower average NBG monetary policy rate during 2019, as well as net gains recorded in 2019 as a result of cross-currency swap agreements signed to hedge net interest rate risk on Euro lending. On a quarter-on-quarter basis, 40bps decline in loan yields were coupled by 40bps increase in cost of funds (NBG increased monetary policy rate by cumulative of 150bps since 25 September 2019), resulting in 40bps q-o-q decline in NIM in 4Q19
- **Strong growth in Retail Banking net fee and commission income**. The strong y-o-y growth in net fee and commission income during 2019 was driven by an increase in settlement operations and the strong underlying growth in our Solo, mass retail and MSME segments

[11] SME portfolio was up 43.9% y-o-y on a constant currency basis excluding the GEL 120mln loan portfolio reclassification from SME to CIB in the second quarter of 2019

- **RB's asset quality improved significantly in 4Q19 reflecting our increasing focus on lending in the mortgage segment and to finer margin SME clients.** Cost of credit risk ratio was 0.2% in 4Q19 (down from 1.7% in 4Q18 and from 0.9% in 3Q19) and 1.2% in 2019 (down from 2.1% in 2018)
- **Our Retail Banking business continued to deliver solid growth as we further develop our strategy towards continuous digitalisation,** as demonstrated by the following performance indicators:

Retail Banking performance indicators *Volume information in GEL thousands*	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
Retail Banking customers								
Number of new customers	55,303	54,975	0.6%	42,534	30.0%	178,857	202,386	-11.6%
Number of customers	2,540,466	2,440,754	4.1%	2,500,826	1.6%	2,540,466	2,440,754	4.1%
Cards								
Number of cards issued	230,540	243,843	-5.5%	176,922	30.3%	766,653	833,807	-8.1%
Number of cards outstanding	2,145,060	2,177,273	-1.5%	2,121,830	1.1%	2,145,060	2,177,273	-1.5%
Express Pay terminals								
Number of Express Pay terminals	3,217	3,115	3.3%	3,231	-0.4%	3,217	3,115	3.3%
Number of transactions via Express Pay terminals	27,434,540	27,924,360	-1.8%	26,644,743	3.0%	108,329,849	108,240,230	0.1%
Volume of transactions via Express Pay terminals	2,334,579	1,848,746	26.3%	2,193,261	6.4%	8,244,816	6,741,247	22.3%
POS terminals								
Number of desks	15,592	10,009	55.8%	15,185	2.7%	15,592	10,009	55.8%
Number of contracted merchants	7,519	5,575	34.9%	7,545	-0.3%	7,519	5,575	34.9%
Number of POS terminals	21,869	16,870	29.6%	21,088	3.7%	21,869	16,870	29.6%
Number of transactions via POS terminals	24,073,703	16,932,793	42.2%	21,646,160	11.2%	83,054,544	62,110,165	33.7%
Volume of transactions via POS terminals	742,067	537,668	38.0%	707,049	5.0%	2,555,076	1,937,392	31.9%
Internet banking								
Number of active users[12]	294,081	295,226	-0.4%	268,053	9.7%	294,081	295,226	-0.4%
Number of transactions via internet bank	1,268,672	1,541,779	-17.7%	1,273,318	-0.4%	5,302,066	5,892,493	-10.0%
Volume of transactions via internet bank	641,560	620,273	3.4%	579,426	10.7%	2,269,103	2,029,599	11.8%
Mobile banking								
Number of active users[12]	513,677	333,698	53.9%	448,176	14.6%	513,677	333,698	53.9%
Number of transactions via mobile bank	11,541,763	5,506,212	109.6%	9,516,173	21.3%	35,938,168	15,676,447	129.2%
Volume of transactions via mobile bank	1,564,891	697,296	124.4%	1,265,778	23.6%	4,646,167	1,961,108	136.9%

- **Growth in the client base was due to the increased offering of cost-effective remote channels**. The increase to 2,540,466 customers as at 31 December 2019 (up 4.1% y-o-y and up 1.6% q-o-q) reflects sustained growth in our client base over recent periods and was one of the drivers of the increase in our Retail Banking net fee and commission income in 2019
- **The number of outstanding cards** decreased by 1.5% y-o-y and increased by 1.1% q-o-q at 31 December 2019 primarily due to Express cards which have been declining in line with the recently introduced regulations on consumer lending. Excluding the Express cards, total number of cards outstanding as at 31 December 2019 increased by 23.3% y-o-y and 6.8% q-o-q. The number of Loyalty programme Plus+ cards, launched in July 2017 as part of RB's client-centric approach, reached 858,707 as at 31 December 2019, up 44.9% y-o-y and up 8.4% q-o-q
- **Digital channels**. We have actively continued the further development of our digital strategy. The Bank continued introducing new features to our mobile banking application and our internet bank and introducing dedicated digital spaces in our branches to incentivise offloading client activity to digital channels. As a result of investments, the number of active internet and mobile banking users, as well as the number and volume of transactions through our mobile and internet banking continued to expand
  - **mBank digital penetration growth.** For our mobile banking application, the number of transactions (up 109.6% y-o-y and up 21.3% q-o-q in 4Q19 and up 129.2% y-o-y in 2019) and the volume of transactions (up 124.4% y-o-y and up 23.6% q-o-q in 4Q19 and up 136.9% y-o-y in 2019) continue to show outstanding growth. Since its launch on 29 May 2017, 1,263,162 downloads have been made by the Bank's customers. During the same period approximately 55.0 million transactions were performed using the application
  - **Significant growth in loans issued and deposits opened through Internet and Mobile Bank of individual customers.** In 2017, we started actively offering loans and deposit products to our clients through the Internet Bank. In 2019, 22,605 loans were issued with a total value of GEL 34.5mln, and 14,811 deposits were opened with a total value of GEL 42.2mln through Internet Bank. Starting from 2018, our customers have been able to apply for a loan and open a deposit account via mBank as well. In 2019, 77,232 loans were issued with a total value of GEL 80.3mln, and 52,980 deposit accounts were opened with a total deposited amount of GEL 60.4mln using the mobile banking application. As a result, more than 93% of total daily transactions were executed through digital channels during 4Q19 and 2019
  - **The utilisation of Express Pay terminals continued to grow in 4Q19**. The volume of transactions increased by 26.3% y-o-y and by 6.4% q-o-q in 4Q19 and increased by 22.3% y-o-y in 2019, while the number of transactions slightly decreased by 1.8% y-o-y and increased by 3.0% q-o-q in 4Q19 and increased by 0.1% y-o-y in 2019. The decline in number of transactions was primarily due to the migration of customers to mobile and internet banking platforms. The fees charged to clients for transactions executed through express pay terminals amounted to GEL 6.1mln in 4Q19 (up 7.8% y-o-y and up 7.7% q-o-q) and GEL 23.0mln in 2019 (up 4.3% y-o-y)

[12] The users that log-in in internet and mobile bank at least once in three months

- **Digital ecosystem developments:**
  - **In 1Q19, the Group launched a cutting-edge full-service real estate digital platform, area.ge.** The platform is unique on the Georgian real estate market and is the first platform to be fully integrated with the Bank to provide its users a "one-click" live credit limit appraisal and mortgage application experience. The Group aims to boost its mortgage portfolio by gaining access to a new clientèle, and simultaneously offering value-added services to real estate developers and agencies. During 2019, more than 1,500,000 unique visitors and over 600 developers and real estate agencies were registered, and mortgage leads with a value of more than GEL 80 million have been generated through the platform since its launch in March 2019
  - **In 2Q19, the Group acquired a leading Georgian e-commerce platform, extra.ge.** Previously, the platform facilitated consumer-to-consumer (C2C) sales through its website and social media channels. Since the acquisition in May 2019, the extra.ge is being upgraded to support the marketplace with business-to-consumer (B2C) and business-to-business (B2B) sales, already having a network of the 100+ largest vendors onboard supporting its new strategy. As a result, the platform has grown to 109,000 registered users and up to two million unique visitors. The Group is in process of transforming the platform into a vibrant and dynamic full-scale digital marketplace and the full-scale re-launch is planned in the first quarter of 2020. The revamped extra.ge will facilitate consumer-to-consumer (C2C), business-to-consumer (B2C), and business-to-business (B2B) sales through its website and social media channels. In 2020, we target up to 600,000 unique visitors per month buying and selling c.100,000 unique products and services via the platform. The clients will be able to access their Bank of Georgia banking products in a fully integrated way: extra.ge will be integrated with the Bank's current flexible single sign-on and payment system and will offer the Bank's pre-approved instant installment loans to enable its customers to purchase selected products. The Bank's retail and MSME clients will enjoy the excellent opportunities of a new consumer experience and doing business in a dynamic and flexible digital marketplace
  - **In September 2019, the Group launched Optimo – a digital solution for our MSME customers to run their business sales and solutions**. The platform is designed to address the needs of micro, small and medium sized enterprises in optimising their day-to-day operations and better managing their businesses in general. Optimo challenges the status quo on the Georgian market, committing to the goal to change the MSME business environment by uniting the fragmented players under one community via providing access to technology, knowledge and services that were previously accessible only for big market players. Optimo's cutting-edge digital inventory management and POS solution, with integrated software and a rich variety of functions and analytical tools, enables businesses to easily manage sales and inventory, as well as access their most recent data on sales transactions, inventory, revenues and profitability, anytime and anywhere, and make timely decisions with relevant information at hand
- **Solo, our premium banking brand, continues its strong growth and investment in its lifestyle brand.** We have now 12 Solo lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 3 in major regional cities of Georgia. The number of Solo clients reached 54,542 at 31 December 2019 (44,292 at 31 December 2018 and 51,692 at 30 September 2019). **Solo is targeting doubling profit in 3 years to GEL 112mln through excellence in customer service, higher digitalisation and tailor-made bundled offerings.** In 4Q19, the product to client ratio for the Solo segment was 5.1, compared to 2.1 for our retail franchise. While Solo clients currently represent 2.1% of our total retail client base, they contributed 29.7% to our retail loan book, 38.8% to our retail deposits, 22.5% and 24.0% to our net retail interest income and to our net retail fee and commission income in 4Q19, respectively. The fee and commission income from the Solo segment reached GEL 6.4mln in 4Q19 (GEL 5.6mln in 4Q18 and GEL 6.7mln in 3Q19) and GEL 25.5mln in 2019 (GEL 21.2mln in 2018). Solo Club, a membership group within Solo which offers exclusive access to Solo products and offers ahead of other Solo clients at a higher fee, continued to increase its client base. At 31 December 2019, Solo Club had 5,482 members, up 43.3% y-o-y and up 6.4% q-o-q
- **MSME banking delivered strong growth.** The number of MSME segment clients reached 220,603 at 31 December 2019, up 13.0% y-o-y and up 0.5% q-o-q. MSME's loan portfolio reached GEL 2,697.4mln at 31 December 2019 (up 23.9% y-o-y and up 7.9% q-o-q) and client deposits and notes increased to GEL 807.7mln (up 21.6% y-o-y and up 6.5% q-o-q). The MSME segment generated operating income of GEL 55.8mln in 4Q19 (up 12.9% y-o-y and down 2.4% q-o-q) and GEL 208.4mln in 2019 (up 25.9% y-o-y)
- **Retail Banking profit adjusted for one-off costs** (*see details in footnotes on page 13*) was GEL 92.6mln in 4Q19 (up 23.1% y-o-y and up 4.1% q-o-q) and GEL 328.7mln in 2019 (up 11.5% y-o-y). Retail Banking continued to deliver an outstanding ROAE[13] of 31.4% in 4Q19 (28.4% in 4Q18 and 30.7% in 3Q19) and 28.6% in 2019 (30.3% in 2018)

[13] The full year 2019 ROAE is adjusted for GEL 10.1mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 4Q18 ROAE is adjusted for GEL 2.9mln one-off employee costs (net of income tax) related to termination benefits of the former CEO. In addition to this GEL 2.9mln one-off employee costs in 4Q18, the full year 2018 ROAE is adjusted for GEL 33.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

CORPORATE AND INVESTMENT BANKING (CIB)

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

GEL thousands, unless otherwise noted	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[14]								
Net interest income	65,642	43,696	50.2%	51,827	26.7%	217,874	165,723	31.5%
Net fee and commission income	11,928	6,939	71.9%	9,826	21.4%	37,018	26,680	38.7%
Net foreign currency gain	14,341	23,984	-40.2%	13,510	6.2%	49,355	54,702	-9.8%
Net other income / (expense)	9,212	(3,451)	NMF	3,300	179.2%	13,506	6,699	101.6%
Operating income	**101,123**	**71,168**	**42.1%**	**78,463**	**28.9%**	**317,753**	**253,804**	**25.2%**
Salaries and other employee benefits	(15,495)	(14,645)	5.8%	(15,304)	1.2%	(57,975)	(54,792)	5.8%
Administrative expenses	(8,989)	(4,921)	82.7%	(5,866)	53.2%	(22,886)	(17,409)	31.5%
Depreciation, amortisation and impairment	(2,387)	(1,122)	112.7%	(2,416)	-1.2%	(8,437)	(4,945)	70.6%
Other operating expenses	(295)	(347)	-15.0%	(241)	22.4%	(1,042)	(1,175)	-11.3%
Operating expenses	**(27,166)**	**(21,035)**	**29.1%**	**(23,827)**	**14.0%**	**(90,340)**	**(78,321)**	**15.3%**
Operating income before cost of risk	**73,957**	**50,133**	**47.5%**	**54,636**	**35.4%**	**227,413**	**175,483**	**29.6%**
Cost of risk	(7,389)	(3,408)	116.8%	1,239	NMF	(14,548)	(25,888)	-43.8%
Net operating income before non-recurring items	**66,568**	**46,725**	**42.5%**	**55,875**	**19.1%**	**212,865**	**149,595**	**42.3%**
Net non-recurring items	(217)	(619)	-64.9%	(3)	NMF	(293)	(6,597)	-95.6%
Profit before income tax expense and one-off costs	**66,351**	**46,106**	**43.9%**	**55,872**	**18.8%**	**212,572**	**142,998**	**48.7%**
Income tax expense	(5,344)	(3,570)	49.7%	(7,444)	-28.2%	(19,819)	(10,014)	97.9%
Profit adjusted for one-off costs	**61,007**	**42,536**	**43.4%**	**48,428**	**26.0%**	**192,753**	**132,984**	**44.9%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	(922)	NMF	-	-	(4,094)	(13,846)	-70.4%
Profit	**61,007**	**41,614**	**46.6%**	**48,428**	**26.0%**	**188,659**	**119,138**	**58.4%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, currency blended	3,804,448	2,618,489	45.3%	3,588,099	6.0%	3,804,448	2,618,489	45.3%
Net loans and finance lease receivables, GEL	720,375	464,397	55.1%	640,555	12.5%	720,375	464,397	55.1%
Net loans and finance lease receivables, FC	3,084,073	2,154,092	43.2%	2,947,544	4.6%	3,084,073	2,154,092	43.2%
Client deposits, currency blended	3,824,667	3,473,054	10.1%	3,720,322	2.8%	3,824,667	3,473,054	10.1%
Client deposits, GEL	1,305,230	1,347,754	-3.2%	1,337,082	-2.4%	1,305,230	1,347,754	-3.2%
Client deposits, FC	2,519,437	2,125,300	18.5%	2,383,240	5.7%	2,519,437	2,125,300	18.5%
Time deposits, currency blended	1,349,969	1,337,112	1.0%	1,321,057	2.2%	1,349,969	1,337,112	1.0%
Time deposits, GEL	366,847	491,622	-25.4%	411,438	-10.8%	366,847	491,622	-25.4%
Time deposits, FC	983,122	845,490	16.3%	909,619	8.1%	983,122	845,490	16.3%
Current accounts and demand deposits, currency blended	2,474,698	2,135,942	15.9%	2,399,265	3.1%	2,474,698	2,135,942	15.9%
Current accounts and demand deposits, GEL	938,383	856,132	9.6%	925,644	1.4%	938,383	856,132	9.6%
Current accounts and demand deposits, FC	1,536,315	1,279,810	20.0%	1,473,621	4.3%	1,536,315	1,279,810	20.0%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,376,196	1,035,630	32.9%	1,282,865	7.3%	1,376,196	1,035,630	32.9%
Assets under management	2,567,177	2,271,543	13.0%	2,547,604	0.8%	2,567,177	2,271,543	13.0%
RATIOS								
ROAE[14]	28.5%	28.5%		24.6%		25.6%	22.8%	
Net interest margin, currency blended	3.8%	3.2%		3.2%		3.6%	3.3%	
Cost of credit risk ratio	0.5%	-0.2%		-0.2%		0.2%	0.8%	
Cost of funds, currency blended	4.0%	4.6%		4.4%		4.1%	4.6%	
Loan yield, currency blended	9.2%	9.8%		8.9%		9.1%	10.2%	
Loan yield, GEL	12.5%	12.8%		11.5%		12.0%	13.1%	
Loan yield, FC	8.5%	9.2%		8.4%		8.6%	9.6%	
Cost of deposits, currency blended	3.3%	4.0%		3.2%		3.3%	4.1%	
Cost of deposits, GEL	6.1%	6.2%		5.6%		5.8%	6.4%	
Cost of deposits, FC	1.7%	2.3%		1.8%		1.8%	2.4%	
Cost of time deposits, currency blended	5.4%	5.9%		5.3%		5.4%	6.1%	
Cost of time deposits, GEL	7.6%	7.8%		7.1%		7.2%	7.9%	
Cost of time deposits, FC	4.2%	4.4%		4.4%		4.3%	4.5%	
Current accounts and demand deposits, currency blended	2.1%	2.3%		1.9%		2.1%	2.6%	
Current accounts and demand deposits, GEL	5.3%	4.9%		4.7%		4.9%	5.2%	
Current accounts and demand deposits, FC	0.2%	0.6%		0.3%		0.3%	0.9%	
Cost / income ratio[15]	26.9%	29.6%		30.4%		28.4%	30.9%	
Concentration of top ten clients	9.9%	9.8%		9.4%		9.9%	9.8%	

[14] The full year 2019 income statement adjusted profit excludes GEL 4.1mln one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 3.8mln (gross of income tax) excluded from salaries and other employee benefits and GEL 1.1mln (gross of income tax) excluded from non-recurring items. The income statement adjusted profit in 4Q18 excludes GEL 0.9mln one-off employee costs (net-off income tax) related to the former CEO termination benefits, which is comprised of GEL 1.1mln (gross of income tax) excluded from non-recurring items. In addition to this GEL 0.9mln one-off employee costs in 4Q18, the full year 2018 income statement adjusted profit excludes GEL 12.9mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. The ROAE has been adjusted accordingly for all respective periods presented

[15] The full year 2019 cost/income ratio is adjusted for GEL 3.8mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Corporate and Investment Banking delivered strong quarterly results.** CIB continued further growth during the fourth quarter of 2019 and generated strong net interest income and net fee and commission income during the period, coupled with efficient cost discipline and improved asset quality, resulting in outstanding profitability during the quarter and full year
- CIB delivered strong net interest income during the fourth quarter 2019 (up by 50.2% y-o-y and up by 26.7% q-o-q in 4Q19, and up by 31.5% y-o-y in 2019). **CIB NIM was 3.8% in 4Q19 (up 60bps y-o-y and q-o-q) and 3.6% in 2019 (up 30bps y-o-y)**. Increase in NIM y-o-y both in 4Q19 and in 2019 was due to a decrease in cost of funds (down 60bps y-o-y in 4Q19 and down 50bps y-o-y in 2019), partially offset by a decline in currency blended loan yields (down 60bps y-o-y in 4Q19 and down 110bps y-o-y in 2019). On a q-o-q basis, 60bps increase in NIM in 4Q19 was driven by 30bps increase in loan yields, coupled with 40bps decline in cost of funds
- **CIB's net fee and commission income reached GEL 11.9mln in 4Q19, up 71.9% y-o-y and up 21.4% q-o-q, ending the twelve months of 2019 with GEL 37.0mln net fee and commission income, up 38.7% y-o-y.** The outstanding growth in net fee and commission income in all periods presented was largely driven by increased fees from guarantees and letters of credit issued and higher placement fees during 2019
- **CIB's loan book and de-dollarisation**. CIB loan portfolio reached GEL 3,804.4mln at 31 December 2019, up 45.3% y-o-y and up 6.0% q-o-q. On a constant currency basis, CIB loan book was up 37.4% y-o-y and up 8.7% q-o-q (up 33.1% y-o-y excluding the GEL 120mln loan portfolio reclassification from SME to CIB in the second quarter 2019). The concentration of the top 10 CIB clients stood at 9.9% at 31 December 2019 (9.8% at 31 December 2018 and 9.4% at 30 September 2019). Foreign currency denominated net loans represented 81.1% of CIB's loan portfolio at 31 December 2019, compared to 82.3% a year ago and 82.1% at 30 September 2019. At 31 December 2019, 41.5% of total gross CIB loans were issued in foreign currency with exposure to foreign currency risk in regards of income, while 39.8% of total gross CIB loans were issued in foreign currency with no or minimal exposure to foreign currency risk
- **Dollarisation of CIB deposits** increased to 65.9% at 31 December 2019 from 61.2% a year ago and from 64.1% at 30 September 2019. A y-o-y increase in foreign currency denominated deposits was partially due to local currency depreciation in 2019. Despite the y-o-y decline in interest rates on local currency deposits in 4Q19 and 2019, the cost of deposits in local currency still remained well above the cost of foreign currency deposits
- **Net other income.** Significant y-o-y and q-o-q increase in net other income both in 4Q19 and 2019 was largely driven by net gains recorded as a result of the revaluation of investment property in the fourth quarter of 2019
- **Cost of credit risk.** CIB's cost of credit risk ratio remained well-controlled and stood at 0.5% in 4Q19 (compared to net credit of 0.2% both in 4Q18 and 3Q19) and at 0.2% in the twelve months of 2019 (down 60bps y-o-y), primarily driven by the improved quality of the CIB loan portfolio and the recovery of several mid- to low-sized corporate loans during 4Q18 and first nine months of 2019. At the same time, CIB's NPL coverage ratio was down to 62.0% at 31 December 2019 (90.3% as at 31 December 2018 and 78.5% at 30 September 2019), primarily driven by the write-off of several non-performing loans during the fourth quarter 2019
- As a result, **CIB's profit adjusted for one-off costs** (*see details in footnotes on page 17*) was GEL 61.0mln in 4Q19, up 43.4% y-o-y and up 26.0% q-o-q, and GEL 192.8mln in 2019, up 44.9% y-o-y. CIB ROAE[16] was 28.5% in 4Q19 (28.5% a year ago and 24.6% in 3Q19) and 25.6% in 2019 (compared to 22.8% in 2018)

Performance highlights of investment management operations

- **The Investment Management's AUM increased to GEL 2,567.2mln as at 31 December 2019, up 13.0% y-o-y and up 0.8% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y and q-o-q increase in AUM mostly reflected increase in client assets and bond issuance activity at Galt & Taggart
- **Wealth Management deposits reached GEL 1,404.8mln as at 31 December 2019, up 10.8% y-o-y and up 1.6% q-o-q, growing at a compound annual growth rate (CAGR) of 11.8% over the last five-year period**. The cost of deposits was 3.2% in 4Q19, flat y-o-y and q-o-q, and 3.2% in 2019, down 10bps y-o-y
- We served 1,557 wealth management clients from 77 countries as at 31 December 2019, compared to 1,528 clients as at 31 December 2018 and 1,537 clients as at 30 September 2019

[16] The full year 2019 ROAE is adjusted for GEL 4.1mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 4Q18 ROAE is adjusted for GEL 0.9mln one-off employee costs (net of income tax) related to termination benefits of the former CEO. In addition to this GEL 0.9mln one-off employee costs in 4Q18, the full year 2018 ROAE is adjusted for GEL 12.9mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

- In January 2019, Bank of Georgia opened a new office in the centre of Tbilisi, dedicated to serving its wealth management clients. The office resides in a historic 19th century building, which originally used to house the First Credit Society of Georgia and is considered to be the first residence of a local banking institution. The design concept was derived from the integration of Georgian culture with western values, while the artistic expression of the building has been left intact. The new office coincides with a creation of a new brand identity of the Bank's wealth management business and is in line with its strategy to become the regional hub for private banking

- **Galt & Taggart, which brings under one brand corporate advisory, debt and equity capital markets research and brokerage services, continues to develop local capital markets in Georgia**
  - During 2019 Galt & Taggart acted as a:
    - lead manager for several international finance institutions (IFIs) facilitating placement of c.GEL 320mln local public and private bond issuances denominated in Georgian Lari
    - lead manager for several Georgian corporates and microfinance organisations facilitating placement of c.GEL 205mln local public bond issuances denominated both in Georgian Lari and US$
    - co-manager of Bank of Georgia's inaugural US$ 100mln international Additional Tier 1 bond issuance, in March 2019
    - buy-side advisor for Bank of Georgia Group on acquisition of *extra.ge* online platform, in May 2019
    - sole sell-side advisor of Linnaeus Capital Partners B.V. on a sale of 100% shareholding in Lilo1- logistics center, in June 2019
  - In February 2019, *Global Finance Magazine* named Galt & Taggart *Best Investment Bank in Georgia* for the fifth consecutive year
  - In May 2019, Galt & Taggart participated in a competitive tender process and won a three year exclusive mandate to manage the private pension fund of a large Georgian corporate client
  - Galt and Taggart Research – "*G&T Industry Series*"
    - In February 2019, Galt & Taggart together with JSC Bank of Georgia organised a conference to discuss the findings of Galt & Taggart's research on Georgia's energy sector with an emphasis on ongoing reforms and their impact on the sector development. The conference gathered together all stakeholders including high level representatives from the Government, private sector and IFIs. A follow-up conference was held in April 2019 due to high interest from the Government and private sector participants. The Deputy Minister of Economy and Sustainable Development, Head of energy regulatory commission and Head of Georgian Energy Development Fund presented the Government's vision of the reform process, while Galt & Taggart focused on the reform vision from private sector perspective. Presentations were followed by panel discussions with key market players affected by the reform process
    - In July 2019, Galt & Taggart and JSC Bank of Georgia in cooperation with the Tbilisi City Hall organised a seminar for tourism sector representatives to discuss the effects of Russia's direct flight ban on tourism industry and the desired measures to mitigate consequences
    - In July 2019, Galt & Taggart published initiation report of Georgia's Auto Business sector
    - In July 2019, Galt & Taggart published Georgia's Wine & Spirits sector report, followed by a conference, which gathered wine producers and other sector players
    - In December 2019, Galt & Taggart organised a conference to discuss the findings of Galt & Taggart's research on Tbilisi Real Estate market, covering residential real estate, as well as retail, office and hotels. The conference gathered together all stakeholders and presentation was followed by panel discussion, with the participation of private sector representatives and vice-president of National Bank of Georgia.

SELECTED FINANCIAL AND OPERATING INFORMATION

INCOME STATEMENT (QUARTERLY)	Bank of Georgia Group Consolidated				
GEL thousands, unless otherwise noted	**4Q19**	**4Q18**	**Change y-o-y**	**3Q19**	**Change q-o-q**
Interest income	393,480	345,760	13.8%	366,721	7.3%
Interest expense	(186,389)	(158,322)	17.7%	(165,729)	12.5%
Net interest income	**207,091**	**187,438**	**10.5%**	**200,992**	**3.0%**
Fee and commission income	77,472	62,350	24.3%	76,166	1.7%
Fee and commission expense	(30,914)	(21,006)	47.2%	(28,157)	9.8%
Net fee and commission income	**46,558**	**41,344**	**12.6%**	**48,009**	**-3.0%**
Net foreign currency gain	37,177	53,358	-30.3%	32,233	15.3%
Net other income	18,439	(9,073)	NMF	3,728	NMF
Operating income	**309,265**	**273,067**	**13.3%**	**284,962**	**8.5%**
Salaries and other employee benefits	(61,504)	(58,331)	5.4%	(59,539)	3.3%
Administrative expenses	(35,131)	(30,010)	17.1%	(26,251)	33.8%
Depreciation, amortisation and impairment	(23,815)	(11,365)	109.5%	(21,320)	11.7%
Other operating expenses	(1,095)	(1,151)	-4.9%	(807)	35.7%
Operating expenses	**(121,545)**	**(100,857)**	**20.5%**	**(107,917)**	**12.6%**
Profit from associates	153	318	-51.9%	194	-21.1%
Operating income before cost of risk	**187,873**	**172,528**	**8.9%**	**177,239**	**6.0%**
Expected credit loss / impairment charge on loans to customers	(7,985)	(25,783)	-69.0%	(13,617)	-41.4%
Expected credit loss / impairment charge on finance lease receivables	451	514	-12.3%	(333)	NMF
Other expected credit loss / impairment charge on other assets and provisions	(6,698)	(15,509)	-56.8%	(1,273)	NMF
Cost of risk	**(14,232)**	**(40,778)**	**-65.1%**	**(15,223)**	**-6.5%**
Net operating income before non-recurring items	**173,641**	**131,750**	**31.8%**	**162,016**	**7.2%**
Net non-recurring items (excluding one-offs)	(1,591)	(2,185)	-27.2%	(5,019)	-68.3%
One-off termination costs of former CEO (1)	-	(4,401)	NMF	-	-
Net non-recurring items	(1,591)	(6,586)	-75.8%	(5,019)	-68.3%
Profit before income tax expense	**172,050**	**125,164**	**37.5%**	**156,997**	**9.6%**
Income tax expense (excluding one-offs)	(15,515)	(10,888)	42.5%	(22,697)	-31.6%
Income tax benefit related to one-off termination costs of former CEO (2)	-	540	NMF	-	-
Income tax expense	(15,515)	(10,348)	49.9%	(22,697)	-31.6%
Profit	**156,535**	**114,816**	**36.3%**	**134,300**	**16.6%**
One-off items (1)+(2)	**-**	***(3,861)***	***NMF***	**-**	**-**
Profit attributable to:					
– shareholders of the Group	155,823	114,240	*36.4%*	133,687	*16.6%*
– non-controlling interests	712	576	*23.6%*	613	*16.2%*
Earnings per share (basic)	**3.30**	**2.40**	**37.5%**	**2.81**	**17.4%**
Earnings per share (diluted)	**3.29**	**2.40**	**37.1%**	**2.81**	**17.1%**

INCOME STATEMENT (FULL YEAR)	Bank of Georgia Group Consolidated			Banking Business			Discontinued Operations			Eliminations		
GEL thousands, unless otherwise noted	**2019**	**2018**	**Change y-o-y**	**2019**	**2018**	**Change y-o-y**	**2019**	**2018**	**Change y-o-y**	**2019**	**2018**	**Change y-o-y**
Interest income	1,437,161	1,322,297	8.7%	1,437,161	1,327,085	8.3%	-	-	-	-	(4,788)	NMF
Interest expense	(647,742)	(580,544)	11.6%	(647,742)	(587,481)	10.3%	-	-	-	-	6,937	NMF
Net interest income	**789,419**	**741,753**	**6.4%**	**789,419**	**739,604**	**6.7%**	**-**	**-**	**-**	**-**	**2,149**	**NMF**
Fee and commission income	284,193	228,769	24.2%	284,193	229,670	23.7%	-	-	-	-	(901)	NMF
Fee and commission expense	(104,179)	(76,107)	36.9%	(104,179)	(76,488)	36.2%	-	-	-	-	381	NMF
Net fee and commission income	**180,014**	**152,662**	**17.9%**	**180,014**	**153,182**	**17.5%**	**-**	**-**	**-**	**-**	**(520)**	**NMF**
Net foreign currency gain	119,363	128,762	-7.3%	119,363	129,437	-7.8%	-	-	-	-	(675)	NMF
Net other income / (expense)	21,474	7,262	NMF	21,474	7,815	NMF	-	-	-	-	(553)	NMF
Operating income	**1,110,270**	**1,030,439**	**7.7%**	**1,110,270**	**1,030,038**	**7.8%**	**-**	**-**	**-**	**-**	**401**	**NMF**
Salaries and other employee benefits (excluding one-offs)	(231,443)	(214,761)	7.8%	(231,443)	(215,816)	7.2%	-	-	-	-	1,055	NMF
One-off termination costs of former executive management (1)	(12,412)	-	NMF	(12,412)	-	NMF	-	-	-	-	-	-
Salaries and other employee benefits	(243,855)	(214,761)	13.5%	(243,855)	(215,816)	13.0%	-	-	-	-	1,055	NMF
Administrative expenses	(106,157)	(112,654)	-5.8%	(106,157)	(113,264)	-6.3%	-	-	-	-	610	NMF
Depreciation, amortisation and impairment	(78,118)	(45,442)	71.9%	(78,118)	(45,442)	71.9%	-	-	-	-	-	-
Other operating expenses	(4,228)	(3,995)	5.8%	(4,228)	(3,995)	5.8%	-	-	-	-	-	-
Operating expenses	**(432,358)**	**(376,852)**	**14.7%**	**(432,358)**	**(378,517)**	**14.2%**	**-**	**-**	**-**	**-**	**1,665**	**NMF**
Profit from associates	789	1,339	-41.1%	789	1,339	-41.1%	-	-	-	-	-	-
Operating income before cost of risk	**678,701**	**654,926**	**3.6%**	**678,701**	**652,860**	**4.0%**	**-**	**-**	**-**	**-**	**2,066**	**NMF**
Expected credit loss / impairment charge on loans to customers	(94,155)	(139,499)	-32.5%	(94,155)	(139,499)	-32.5%	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(885)	(164)	NMF	(885)	(164)	NMF	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(12,544)	(20,562)	-39.0%	(12,544)	(20,562)	-39.0%	-	-	-	-	-	-
Cost of risk	**(107,584)**	**(160,225)**	**-32.9%**	**(107,584)**	**(160,225)**	**-32.9%**	**-**	**-**	**-**	**-**	**-**	**-**
Net operating income before non-recurring items	**571,117**	**494,701**	**15.4%**	**571,117**	**492,635**	**15.9%**	**-**	**-**	**-**	**-**	**2,066**	**NMF**
Net non-recurring items (excluding one-offs)	(10,723)	(22,471)	-52.3%	(10,723)	(22,643)	-52.6%	-	-	-	-	172	NMF
One-off termination costs of former CEO, one-off demerger related expenses (2)	(3,985)	(34,685)	-88.5%	(3,985)	(34,685)	-88.5%	-	-	-	-	-	-
Net non-recurring items	(14,708)	(57,156)	-74.3%	(14,708)	(57,328)	-74.3%	-	-	-	-	172	NMF
Profit before income tax expense from continuing operations	**556,409**	**437,545**	**27.2%**	**556,409**	**435,307**	**27.8%**	**-**	**-**	**-**	**-**	**2,238**	**NMF**
Income tax expense (excluding one-offs)	(58,619)	(34,948)	67.7%	(58,619)	(34,948)	67.7%	-	-	-	-	-	-
Income tax benefit related to one-off termination costs, one-off demerger related expenses and one-off impact of re-measurement of deferred tax balances (3)	2,161	(21,717)	NMF	2,161	(21,717)	NMF	-	-	-	-	-	-
Income tax expense	(56,458)	(56,665)	-0.4%	(56,458)	(56,665)	-0.4%	-	-	-	-	-	-
Profit from continuing operations	**499,951**	**380,880**	**31.3%**	**499,951**	**378,642**	**32.0%**	**-**	**-**	**-**	**-**	**2,238**	**NMF**
Profit from discontinued operations	-	107,898	NMF	-	-	-	-	110,136	NMF	-	(2,238)	NMF
Profit	**499,951**	**488,778**	**2.3%**	**499,951**	**378,642**	**32.0%**	**-**	**110,136**	**NMF**	**-**	**-**	**-**
One-off items (1)+(2)+(3)	***(14,236)***	***(56,402)***	***-74.8%***	***(14,236)***	***(56,402)***	***-74.8%***	**-**	**-**	**-**	**-**	**-**	**-**
Profit attributable to:												
– shareholders of the Group	*497,664*	*468,996*	*6.1%*	*497,664*	*377,075*	*32.0%*	-	*91,921*	*NMF*	-	-	-
– non-controlling interests	*2,287*	*19,782*	*-88.4%*	*2,287*	*1,567*	*45.9%*	-	*18,215*	*NMF*	-	-	-
Profit from continuing operations attributable to:												
– shareholders of the Group	*497,664*	*379,313*	*31.2%*	*497,664*	*377,075*	*32.0%*	-	-	-	-	*2,238*	*NMF*
– non-controlling interests	*2,287*	*1,567*	*45.9%*	*2,287*	*1,567*	*45.9%*	-	-	-	-	-	-
Profit from discontinued operations attributable to:												
– shareholders of the Group	-	*89,683*	*NMF*	-	-	-	-	*91,921*	*NMF*	-	*(2,238)*	*NMF*
– non-controlling interests	-	*18,215*	*NMF*	-	-	-	-	*18,215*	*NMF*	-	-	-
Earnings per share (basic)	**10.45**	**10.78**	**-3.1%**									
– earnings per share from continuing operations	10.45	8.72	19.8%									
– earnings per share from discontinued operations	-	2.06	NMF									
Earnings per share (diluted)	**10.42**	**10.71**	**-2.7%**									
– earnings per share from continuing operations	10.42	8.66	20.3%									
– earnings per share from discontinued operations	-	2.05	NMF									

BALANCE SHEET	Bank of Georgia Group Consolidated				
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**Change y-o-y**	**Sep-19**	**Change q-o-q**
Cash and cash equivalents	2,153,624	1,215,799	77.1%	1,369,194	57.3%
Amounts due from credit institutions	1,619,072	1,305,216	24.0%	1,834,195	-11.7%
Investment securities	1,786,804	2,019,017	-11.5%	1,895,722	-5.7%
Loans to customers and finance lease receivables	11,931,262	9,397,747	27.0%	11,339,745	5.2%
Accounts receivable and other loans	3,489	2,849	22.5%	4,475	-22.0%
Prepayments	42,632	44,294	-3.8%	43,795	-2.7%
Inventories	12,297	13,292	-7.5%	11,257	9.2%
Right-of-use assets	96,095	-	NMF	106,130	-9.5%
Investment property	225,073	151,446	48.6%	193,499	16.3%
Property and equipment	379,788	344,059	10.4%	364,405	4.2%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	106,290	83,366	27.5%	95,829	10.9%
Income tax assets	282	19,451	-98.6%	7,682	-96.3%
Other assets	143,154	126,008	13.6%	202,426	-29.3%
Assets held for sale	36,284	42,408	-14.4%	38,987	-6.9%
Total assets	**18,569,497**	**14,798,303**	**25.5%**	**17,540,692**	**5.9%**
Client deposits and notes	10,076,735	8,133,853	23.9%	9,613,718	4.8%
Amounts owed to credit institutions	3,934,123	2,994,879	31.4%	3,437,718	14.4%
Debt securities issued	2,120,064	1,730,414	22.5%	2,175,820	-2.6%
Lease liabilities	94,616	-	NMF	105,285	-10.1%
Accruals and deferred income	52,471	47,063	11.5%	41,521	26.4%
Income tax liabilities	37,918	28,855	31.4%	39,251	-3.4%
Other liabilities	102,662	64,966	58.0%	87,520	17.3%
Total liabilities	**16,418,589**	**13,000,030**	**26.3%**	**15,500,833**	**5.9%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	492,072	480,555	2.4%	498,593	-1.3%
Treasury shares	(64)	(51)	25.5%	(53)	20.8%
Other reserves	(7,481)	30,515	NMF	28,472	NMF
Retained earnings	1,655,256	1,277,732	29.5%	1,502,248	10.2%
Total equity attributable to shareholders of the Group	**2,141,401**	**1,790,369**	**19.6%**	**2,030,878**	**5.4%**
Non-controlling interests	9,507	7,904	20.3%	8,981	5.9%
Total equity	**2,150,908**	**1,798,273**	**19.6%**	**2,039,859**	**5.4%**
Total liabilities and equity	**18,569,497**	**14,798,303**	**25.5%**	**17,540,692**	**5.9%**
Book value per share	**45.36**	**37.59**	**20.7%**	**42.69**	**6.3%**

RESTATED QUARTERLY INCOME STATEMENT LINES AND RATIOS

RESTATED INCOME STATEMENT LINES (QUARTERLY)				
GEL thousands, unless otherwise noted	**1Q19**	**2Q19**	**3Q19**	**4Q19**
Interest income	334,735	342,224	366,721	393,480
Interest expense	(144,754)	(150,870)	(165,729)	(186,389)
Net interest income	**189,981**	**191,354**	**200,992**	**207,091**
Net foreign currency gain	22,985	26,968	32,233	37,177

RESTATED RATIOS	1Q19	2Q19	3Q19	4Q19
Net interest margin	6.0%	5.7%	5.4%	5.4%
Cost of funds	4.6%	4.5%	4.5%	4.7%
Cost of client deposits and notes	3.1%	3.1%	2.9%	3.0%
Cost of amounts owed to credit institutions	7.4%	6.9%	6.8%	7.4%
Cost of debt securities issued	7.5%	7.6%	7.7%	7.9%

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	4Q19	4Q18	Change y-o-y	3Q19	Change q-o-q	2019	2018	Change y-o-y
Net interest income	7,194	6,471	11.2%	7,447	-3.4%	27,586	25,894	6.5%
Net fee and commission income	1,602	1,356	18.1%	1,956	-18.1%	7,169	7,805	-8.1%
Net foreign currency gain	6,548	5,261	24.5%	5,405	21.1%	20,688	16,605	24.6%
Net other income	92	332	-72.3%	57	61.4%	463	745	-37.9%
Operating income	**15,436**	**13,420**	**15.0%**	**14,865**	**3.8%**	**55,906**	**51,049**	**9.5%**
Operating expenses	(9,493)	(8,785)	8.1%	(9,135)	3.9%	(35,366)	(32,261)	9.6%
Operating income before cost of risk	**5,943**	**4,635**	**28.2%**	**5,730**	**3.7%**	**20,540**	**18,788**	**9.3%**
Cost of risk	(7)	670	NMF	293	NMF	(2,691)	(3,069)	-12.3%
Net non-recurring items	(46)	(7)	NMF	(1)	NMF	(110)	(717)	-84.7%
Profit before income tax expense	**5,890**	**5,298**	**11.2%**	**6,022**	**-2.2%**	**17,739**	**15,002**	**18.2%**
Income tax expense	(1,261)	(1,163)	8.4%	(1,193)	5.7%	(3,404)	(3,545)	-4.0%
Profit	**4,629**	**4,135**	**11.9%**	**4,829**	**-4.1%**	**14,335**	**11,457**	**25.1%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Dec-19	Dec-18	Change y-o-y	Sep-19	Change q-o-q
Cash and cash equivalents	212,777	110,340	92.8%	170,787	24.6%
Amounts due from credit institutions	12,742	19,664	-35.2%	22,534	-43.5%
Investment securities	81,573	67,734	20.4%	101,511	-19.6%
Loans to customers and finance lease receivables	580,876	432,657	34.3%	556,541	4.4%
Other assets	55,102	50,155	9.9%	59,397	-7.2%
Total assets	**943,070**	**680,550**	**38.6%**	**910,770**	**3.5%**
Client deposits and notes	608,777	389,001	56.5%	588,647	3.4%
Amounts owed to credit institutions	144,621	162,823	-11.2%	132,648	9.0%
Debt securities issued	69,438	38,163	82.0%	72,931	-4.8%
Other liabilities	11,038	5,300	108.3%	8,239	34.0%
Total liabilities	**833,874**	**595,287**	**40.1%**	**802,465**	**3.9%**
Total equity	**109,196**	**85,263**	**28.1%**	**108,305**	**0.8%**
Total liabilities and equity	**943,070**	**680,550**	**38.6%**	**910,770**	**3.5%**

BANKING BUSINESS KEY RATIOS	4Q19	4Q18	3Q19	2019	2018
Profitability					
ROAA, annualised[17]	3.4%	3.3%	3.2%	3.1%	3.2%
ROAA, annualised (unadjusted)	*3.4%*	*3.2%*	*3.2%*	*3.1%*	*2.8%*
ROAE, annualised[17]	29.9%	27.0%	26.8%	26.1%	26.4%
RB ROAE[17]	*31.4%*	*28.4%*	*30.7%*	*28.6%*	*30.3%*
CIB ROAE[17]	*28.5%*	*28.5%*	*24.6%*	*25.6%*	*22.8%*
ROAE, annualised (unadjusted)	*29.9%*	*26.2%*	*26.8%*	*25.4%*	*22.9%*
Net interest margin, annualised	5.4%	6.0%	5.4%	5.6%	6.5%
RB NIM	*5.7%*	*6.7%*	*6.1%*	*6.1%*	*7.5%*
CIB NIM	*3.8%*	*3.2%*	*3.2%*	*3.6%*	*3.3%*
Loan yield, annualised	11.4%	12.8%	11.5%	11.7%	13.5%
RB Loan yield	*12.4%*	*14.2%*	*12.8%*	*12.9%*	*15.1%*
CIB Loan yield	*9.2%*	*9.8%*	*8.9%*	*9.1%*	*10.2%*
Liquid assets yield, annualised	3.7%	3.8%	3.2%	3.5%	3.8%
Cost of funds, annualised	4.7%	5.0%	4.5%	4.6%	5.0%
Cost of client deposits and notes, annualised	3.0%	3.4%	2.9%	3.0%	3.5%
RB Cost of client deposits and notes	*2.5%*	*2.9%*	*2.6%*	*2.6%*	*2.9%*
CIB Cost of client deposits and notes	*3.3%*	*4.0%*	*3.2%*	*3.3%*	*4.1%*
Cost of amounts owed to credit institutions, annualised	7.4%	7.9%	6.8%	7.1%	7.3%
Cost of debt securities issued	7.9%	7.8%	7.7%	7.7%	7.8%
Operating leverage, y-o-y[18]	-7.3%	3.8%	-5.2%	-3.2%	2.9%
Operating leverage, q-o-q[18]	-4.1%	-2.3%	1.2%	0.0%	0.0%
Efficiency					
Cost / Income[18]	39.3%	36.9%	37.9%	37.8%	36.7%
RB Cost / Income[18]	*43.5%*	*36.7%*	*38.0%*	*38.8%*	*36.6%*
CIB Cost /Income[18]	*26.9%*	*29.6%*	*30.4%*	*28.4%*	*30.9%*
Cost / Income (unadjusted)	*39.3%*	*36.9%*	*37.9%*	*38.9%*	*36.7%*
Liquidity					
NBG liquidity ratio *(minimum requirement 30%)*	31.1%	31.9%	36.8%	31.1%	31.9%
NBG liquidity coverage ratio *(minimum requirement 100%)*	136.7%	120.1%	118.5%	136.7%	120.1%
Liquid assets to total liabilities	33.9%	34.9%	32.9%	33.9%	34.9%
Net loans to client deposits and notes	118.4%	115.5%	118.0%	118.4%	115.5%
Net loans to client deposits and notes + DFIs	103.2%	99.6%	103.4%	103.2%	99.6%
Leverage (times)	7.6	7.2	7.6	7.6	7.2
Asset quality:					
NPLs (in GEL)	252,695	318,356	339,118	252,695	318,356
NPLs to gross loans to clients	2.1%	3.3%	2.9%	2.1%	3.3%
NPL coverage ratio	80.9%	90.5%	85.3%	80.9%	90.5%
NPL coverage ratio, adjusted for discounted value of collateral	139.6%	129.9%	129.3%	139.6%	129.9%
Cost of credit risk, annualised	0.2%	1.1%	0.5%	0.9%	1.6%
RB Cost of credit risk	*0.2%*	*1.7%*	*0.9%*	*1.2%*	*2.1%*
CIB Cost of credit risk	*0.5%*	*-0.2%*	*-0.2%*	*0.2%*	*0.8%*
Capital adequacy:					
NBG (Basel III) CET1 capital adequacy ratio	11.5%	12.2%	11.1%	11.5%	12.2%
Minimum regulatory requirement	*10.1%*	*9.5%*	*9.5%*	*10.1%*	*9.5%*
NBG (Basel III) Tier I capital adequacy ratio	13.6%	12.2%	13.3%	13.6%	12.2%
Minimum regulatory requirement	*12.2%*	*11.4%*	*11.6%*	*12.2%*	*11.4%*
NBG (Basel III) Total capital adequacy ratio	18.1%	16.6%	16.8%	18.1%	16.6%
Minimum regulatory requirement	*17.1%*	*15.9%*	*16.1%*	*17.1%*	*15.9%*
Selected operating data:					
Total assets per FTE	2,515	1,995	2,402	2,515	1,995
Number of active branches, of which:	272	276	276	272	276
- Express branches (including Metro)	*162*	*165*	*167*	*162*	*165*
- Bank of Georgia branches	*98*	*99*	*97*	*98*	*99*
- Solo lounges	*12*	*12*	*12*	*12*	*12*
Number of ATMs	933	876	911	933	876
Number of cards outstanding, of which:	2,145,060	2,177,273	2,121,830	2,145,060	2,177,273
- Debit cards	*1,749,524*	*1,630,235*	*1,674,105*	*1,749,524*	*1,630,235*
- Credit cards	*395,536*	*547,038*	*447,725*	*395,536*	*547,038*
Number of POS terminals	21,870	16,870	21,088	21,870	16,870
FX Rates:					
GEL/US$ exchange rate (period-end)	2.8677	2.6766	2.9552		
GEL/GBP exchange rate (period-end)	3.7593	3.3955	3.6319		

	Dec-19	Dec-18	Sep-19
Full time employees (FTE), of which:	**7,383**	**7,416**	**7,304**
- Full time employees, BOG standalone	*5,879*	*5,828*	*5,706*
- Full time employees, BNB	*565*	*669*	*584*
- Full time employees, BB other	*939*	*919*	*1,014*

Shares outstanding	Dec-19	Dec-18	Sep-19
Ordinary shares	47,210,876	47,626,147	47,574,153
Treasury shares	1,958,552	1,543,281	1,595,275
Total shares outstanding	**49,169,428**	**49,169,428**	**49,169,428**

[17] 4Q18 and the full year 2019 ratios are adjusted for one-off employee costs related to termination benefits of the former CEO and executive management. The full year 2018 ratios are adjusted for one-off employee costs related to termination benefits of the former CEO, demerger related expenses and one-off impact of re-measurement of deferred tax balances

[18] The full year 2019 results are adjusted for one-off employee costs related to termination benefits of the former executive management

GLOSSARY

- **Alternative performance measures (APMs)** In this announcement the management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. We believe that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate the Group's operating performance and make day-to-day operating decisions;
- **Cost of funds** Interest expense of the period divided by monthly average interest bearing liabilities;
- **Cost of credit risk** Expected loss/impairment charge for 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 liquidity ratio** Daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;
- **NBG (Basel III) Common Equity Tier I (CET1) capital adequacy ratio** Common Equity Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the 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/impairment loss of loans and finance lease receivables divided by NPLs;
- **NPL coverage ratio adjusted for discounted value of collateral** Allowance for expected credit loss/impairment loss of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for expected credit loss/impairment 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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Share price information

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