

BGEO Group PLC (the "Company")

Memorandum setting out particulars of the proposed payments in relation to demerger (in accordance with section 226D Companies Act 2006)

A reference in this memorandum to the Circular is a reference to the circular to the shareholders of BGEO Group PLC dated 26 March 2018. Any terms not defined in this memorandum have the same meaning as in the Circular.

As a separate resolution at the General Meeting, Shareholders will be asked to approve the payments to Irakli Gilauri, as existing executive director, that are set out in this memorandum in relation to the Company's proposed demerger to separate the Company into a London-listed banking business (Bank of Georgia Group PLC - "**Bank**") and a London-listed investment business (Georgia Capital PLC - "**Georgia Capital**").

Except where indicated below, Mr Gilauri is being treated in the same way as non-board members of the Georgia Capital's executive management team and so this memorandum will refer to the "Executives" as the executive director of the Company and the non-board members of Georgia Capital's executive management team.

Existing contracts

Termination of the existing service contracts of the Executives would entitle them to:

- Cash salary until the demerger becoming effective,
- 6 to 12 months' cash salary after the demerger becoming effective, and
- Full vesting of all outstanding awards (for both deferred share salary and discretionary deferred shares).

Given that the termination is arising as a result of a demerger, alternative treatment was considered to be more appropriate as explained further below.

Replacement of existing awards

On the demerger, existing awards in the form of nil cost options over Company shares ("**Shares**") granted to Executives under The Rubicon Executive Equity Compensation Plan 2011 and The Bank of Georgia Group Senior Executive Equity Compensation Plan (the "**Employee Share Plans**") will be converted into awards over Bank shares and Georgia Capital shares, so that for each Share under an existing award, Executives will have an award over one Bank share and one Georgia Capital share.

Awards over shares in the Executives' future employing group will continue to vest in line with their original vesting schedule and all other awards will vest immediately. Therefore, for Executives who will be employed in Georgia Capital group, this means that the awards over Georgia Capital shares will have the same vesting schedule as the current awards over Shares but the awards over Bank shares will vest immediately.

It was considered appropriate for Executives to receive awards over shares in both companies rather than only over Bank shares and for awards to have only a partial acceleration of vesting (rather than the full acceleration that is envisaged in the Executives' service contracts). The proposal is intended to align the interests of Executives with their employing group after the demerger and mitigate conflicts of interest.

If for any reason, the scheme of arrangement takes place but the demerger does not take place, Executives will get equivalent awards over Bank shares, but all of their awards will have the same vesting schedule as the existing awards.

Deferred Share Salary after the Demerger - Georgia Capital

The service contracts of the Executives that will be joining Georgia Capital upon the demerger (the "**Georgia Capital Executives**") set out the deferred share salary in terms of Shares. These contracts will be terminated and new service contracts will be entered into upon the demerger.

Following the demerger, Irakli Gilauri and Avto Namicheishvili will not receive cash remuneration, only deferred share salary (in the form of nil-cost options over Georgia Capital shares). Other Georgia Capital Executives (Ekaterina Shavgulidze and Giorgi Alpaidze) will continue to receive both cash salary and deferred share salary under their respective service contracts.

Following the demerger, deferred share salary will be over Georgia Capital shares. The number of Georgia Capital shares subject to the deferred share salary will be adjusted from the existing service contracts, as determined by the Remuneration Committee of Georgia Capital (the "**Georgia Capital Remuneration Committee**") shortly after the demerger. The remuneration of Georgia Capital Executives will be adjusted so that their respective total salaries post demerger will be approximately 75 per cent of the value of their respective total salaries prior to demerger.

The determination as to the number Georgia Capital shares subject to deferred share salary will be made by the Georgia Capital Remuneration Committee within a month of the demerger. This will take into account the price differential between Shares and Georgia Capital shares at the time of the demerger. The respective share prices will be determined based on an average share price (over a period to be determined by the Georgia Capital Remuneration Committee) based on pre-demerger share prices in respect of Shares and post-demerger share prices in respect of Georgia Capital shares. The precise terms of the new service contracts, the methodology for establishing the average share prices and the number of Georgia Capital shares subject to the deferred share salary will be determined by the Georgia Capital Remuneration Committee after the demerger.

Deferred share salary awards are usually made in January of the next work year. Given the demerger is scheduled to occur in May 2018, the first portion of the deferred share salary for the period of the work year prior to the demerger would be paid in awards over Shares, and the second portion of the deferred share salary for the period of the work year after the demerger would be paid in awards over Georgia Capital shares. Georgia Capital Executives will receive their deferred share salary in respect of the first portion of 2018 prior to the demerger in awards (in the form of nil-cost options) over Shares and these will be granted prior to the demerger (and then converted as set out above). The deferred share salary for the second portion of 2018 after the demerger will be paid in awards (in the form of nil-cost options) over Georgia Capital shares. Such awards will be granted in January 2019 in line with the current grant cycle.

Discretionary deferred shares are usually awarded in the first few months after the end of the financial year. For full year 2018, discretionary deferred shares will be granted in the first few months of 2019 in line with the current grant cycle. These discretionary deferred shares will be paid in awards (in the form of nil-cost options) over Georgia Capital shares and be granted in respect of the full year 2018 (i.e. for the period pre- and post-demerger). As set out below, the discretionary deferred shares after the demerger will be capped at the number of shares granted under the deferred share salary. For FY18, whilst the deferred share salary paid in awards over Georgia Capital shares will be pro rated (as set out above), the cap for the discretionary deferred shares will not be pro rated.

The remuneration policy for the Company that was approved by shareholders at the AGM on 1 June 2017 (the "**Remuneration Policy**") only envisages deferred share salary and discretionary deferred shares being paid out in Shares. Following the demerger, these elements of remuneration will be paid out in Georgia Capital shares (as adjusted) so that the interests of Georgia Capital Executives are aligned with the interests of their employing group.

Compensation payment

As Georgia Capital Executives will be accepting a cancellation of their existing service contracts without full vesting of their existing awards and waiving other benefits under their contracts, entering into new service

contracts with a 25% reduction in their starting total salary post-Demerger, subject to extended vesting periods for awards granted with respect to deferred share salary and discretionary deferred shares, and some of the Georgia Capital Executives will be fully waiving their entitlement to cash salary, it has been decided that prior to the demerger, but conditional on shareholder approval and the demerger, the Georgia Capital Executives will receive a one-off award of nil-cost options over Shares, equal to their respective deferred share salary entitlement for the lower of (a) the number of months remaining after the demerger under their existing service contracts or (b) the period from the demerger until 1 May 2019. This award is to buy out Georgia Capital Executives from their existing service contracts. This award will then be converted to nil-cost options over Georgia Capital shares and Bank shares on demerger as described above.

Upon leaving the Company, the Remuneration Policy permits deferred share salary to be paid up until the end of the financial year in which the individual leaves. This would only permit Georgia Capital Executives, who will be leaving the Company, to obtain deferred share salary up until the end of FY18. As their service contracts give the Georgia Capital Executives specific entitlement up until part way through FY19 and as they will be receiving a lower base salary after the demerger, it is considered appropriate to buy the Georgia Capital Executives out of their existing contracts.

Payments outside the Remuneration Policy

The primary commercial difference therefore between the proposals and the current shareholder approved remuneration policy involves the compensation payment in the form of awards (nil cost options) over a number of Shares equal to the deferred share salary remaining under the Georgia Capital Executives' existing service contracts, which end in 2019. Under the Company's current remuneration policy, the Georgia Capital Executives could only be paid deferred share salary until the end of 2018. As noted above, the reason for paying this compensation payment is to buy out the Georgia Capital Executives from their existing contracts which are being terminated and their new contracts entitle them to approximately 25% lower total salary as valued at the time of the Demerger, extended vesting periods for awards granted with respect to deferred share salary and discretionary deferred shares, as well as certain Georgia Capital Executives fully waiving their entitlement to cash salary. The Georgia Capital Executives will also only be receiving partial vesting of outstanding awards upon the demerger, rather than full vesting to which they are entitled.

In line with other Executives (and reflecting the treatment of shareholders), as a consequence of the demerger, the executive director's outstanding awards over Shares will be converted into awards over Georgia Capital Shares and Bank Shares. Following the demerger, deferred share salary and discretionary deferred shares will also be paid out in awards over Georgia Capital Shares, as the Georgia Capital Executives (including the current executive director of the Company) will no longer be part of the Company's group.

In the event that these payments are not approved by shareholders, the executive director's outstanding awards at demerger would (pursuant to the terms of the awards) convert into awards over Bank Shares and be adjusted (i.e. increased) to reflect the demerger and the fact that Georgia Capital is no longer part of the group. These awards (in nil-cost options) would be fully vested upon demerger because the executive director would be treated under the terms of the awards as a good leaver. The remuneration committee of the Company would also have the discretion to award the executive director deferred share salary in relation to the period until the end of 2018 and the executive director will be entitled to certain benefits under his service contract. In these circumstances, the executive director would have no awards over Georgia Capital shares immediately after the demerger, his future employing group, and all of his awards will have fully vested compared to only his awards over Bank shares being fully vested as is current proposed subject to the Company's shareholders' approval. Given the commercial rationale of the demerger, this is seen as undesirable as this does not align the executive director's interests to his future employing group immediately from demerger.

Remuneration Policies

After the demerger, the remuneration committees of the Bank and Georgia Capital will determine and draft their own remuneration policies that they will put to shareholders for approval at the general meeting after they are listed (in 2019). In advance of that, the Bank and Georgia Capital will continue to operate

remuneration policies based on the existing Remuneration Policy, subject to the following changes after the demerger:

- Deferred share salary and discretionary deferred shares will be granted in the form of nil-cost options over the relevant company's shares.

In addition for Georgia Capital:

- Irakli Gilauri and Avto Namicheishvili will not receive cash salary. Their entire salary will be paid in deferred share salary.
- The number of discretionary deferred shares will be capped at the number of shares granted under the deferred share salary instead of being capped in terms of value of total salary,
- Deferred share salary will vest over 6 years straight line from the start of the year in which it is earned instead of over the current 5 year vesting period with a larger last year payment. For example, awards relating to FY18 will vest 20% in each of 2020-2024, rather than vesting 20% in each of 2020-2022 and 40% in 2023,
- Discretionary deferred shares will vest over 4 years from grant instead of the current 3 year vesting period. For example, awards relating to FY18 will be granted at the beginning of FY19 and will vest 25% in each of 2020-2023, rather than vesting 33.3% in each of 2020-2022.

This memorandum is required to be made available for inspection by the shareholders of the Company. It will therefore be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 84 Brook Street, London, W1K 5EH from the date of this document up to and including the date of the general meeting and for the duration of the general meeting. In addition, it will be available for inspection on the Company's website from 28 March 2018 until the Company's next accounts meeting.

28 March 2018