Bank of Georgia Group PLC

3rd quarter and first nine months 2020 results

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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, which 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. In the medium to long-term, 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.

3Q20 AND 9M20 RESULTS

Bank of Georgia Group PLC announces the Group's consolidated financial results for the third quarter and the first nine months of 2020. Unless otherwise noted, numbers in this announcement are for 3Q20 and comparisons are with 3Q19. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts. This results announcement is also available on the Group's website at www.bankofgeorgiagroup.com.

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: macroeconomic risk, including currency fluctuations and depreciation of the Georgian Lari; regional instability; loan portfolio quality; regulatory risk; liquidity and funding risk; capital risk; operational risk, cyber security, information systems and financial crime risk; COVID-19 pandemic impact risk; climate change risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2019 and in 2Q20 and 1H20 results announcement. No part of this 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.

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IMPACT OF COVID-19 GLOBAL PANDEMIC

The impact of the COVID-19 global pandemic has tested the resilience and character of Bank of Georgia, together with that of all of our colleagues and customers. Our performance during the first nine months of 2020 was, therefore, significantly impacted by a number of factors:

- Measures implemented by the Georgian Government to address the COVID-19 crisis, including economic lockdown
- Measures introduced by the National Bank of Georgia (the "**NBG**") as a response to the COVID-19 crisis
- Actions implemented by the Group to address the COVID-19 crisis

Early in the evolution of the global pandemic, the Georgian Government took significant actions to successfully reduce the spread of the virus, which included flight bans, and school and business closures – essentially shutting down many areas of the economy. The lockdown restrictions resulted in a sharp reduction of economic activity in April and May, however, the Government's immediate response to the evolving COVID-19 pandemic enabled the domestic economy to reopen much faster than any other economy in the region and also resume domestic tourism in June. This was supported by an anti-crisis stimulus plan, which included a social assistance package for individuals, as well as tax exemptions and various funding mechanisms for businesses, and stimulus plans for various sectors of economy.

Local currency funding has experienced a significant pressure, resulting in an increase in interest rates in April and May, however, this impact was subsequently stabilised to more normal levels as a result of new local currency funding instruments introduced by the National Bank of Georgia in order to support the GEL liquidity.

In order to respond to the pandemic outbreak, the Group introduced a number of resilience protocols and a comprehensive Business Continuity Plan aimed at curbing the spread of COVID-19 in Georgia and mitigating the negative impact on our business and the community. We have put in place a number of initiatives to reduce physical interactions and prevent the spread of coronavirus, whilst maintaining the full banking capability required to support and assist our customers. This included fully moving back office staff to working from home, significantly enhancing the capacity of our call centre, temporarily closing the customer service support areas of express branches (mostly re-opened in June), with only the self-service terminals and ATM areas remaining open, implementing a three-month grace period on principal and interest payments on all retail loans to significantly reduce the requirement for customers to physically visit branches, applying more stringent risk assessment procedures during the lending process, incentivising the offloading of customer activity to digital channels through temporary removal of fees on transactions executed through our mobile and internet banking platforms, among others.

Over the last few weeks, Georgia has experienced the emergence of a second wave of infections, and the Bank has adjusted accordingly, moving large part of its back office staff to working from home, and reintroducing two-week shifts for certain departments and front office. We however do not expect a full-scale lockdown of economy despite the new wave of infections, based on the official statements of the Government. Targeted restrictions to contain the virus spread are expected, with some measures already in place since the beginning of November.

From a macroeconomic perspective, Georgia has experienced a better than expected recovery in business activity with GDP contracting by just 0.7% y-o-y in September and by 3.8% y-o-y in 3Q20, following a 12.3% y-o-y contraction in 2Q20. This recovery has been supported by fiscal stimulus, banking sector lending and a significant increase in remittances (up by 25.5% y-o-y in the third quarter). Notably, exports also increased by 8.6% y-o-y in September, and price pressures eased, with annual inflation retreating to 3.8% in September. The Georgian Lari weakened in September and depreciated by 7.0% against the US Dollar during the month, before regaining some of its lost value, partly as a result of the NBG's interventions. There has been some careful reopening of international borders, but we do not expect to see any significant levels of international tourism during the remainder of 2020. As a result, we currently expect the Georgian economy to contract by 5.1% in 2020, which is consistent with both the IMF and the Government forecasts, followed by real GDP growth of c.5% in 2021, based on the estimates of our brokerage and investment arm, Galt and Taggart.

Whilst our second quarter results were significantly impacted by the environment and the measures we have put in place to manage the crisis, we have seen significant recovery in economic activity since June 2020, which have been reflected in our third quarter results: lending activity has picked up and we saw a 60bps q-o-q increase in our net interest margin; net fee and commission income increased by 38.4% q-o-q, on the back of improved remittances, increased consumer demand as measured by banking card payment activities, and the recovery in VAT turnover of local businesses during the third quarter of 2020; our loan book has been performing better than expected in terms of portfolio quality, and client deposits increased by 7.1% q-o-q on a constant-currency basis. As a result, we delivered a return on equity of 26.0% in the third quarter of 2020.

We next outline the Group's third quarter and the first nine months of 2020 results highlights, a summary of those highlights, and the Chief Executive Officer's letter, before going into further detail.

3Q20 AND 9M20 RESULTS HIGHLIGHTS

GEL thousands	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[1]								
Net interest income	204,030	200,992	1.5%	174,936	16.6%	576,047	582,327	-1.1%
Net fee and commission income	45,532	48,009	-5.2%	32,901	38.4%	118,545	133,456	-11.2%
Net foreign currency gain	19,179	32,233	-40.5%	22,743	-15.7%	72,583	82,186	-11.7%
Net other income	7,750	3,728	107.9%	9,081	-14.7%	23,457	3,035	NMF
Operating income	**276,491**	**284,962**	**-3.0%**	**239,661**	**15.4%**	**790,632**	**801,004**	**-1.3%**
Operating expenses	**(102,612)**	**(107,917)**	**-4.9%**	**(105,158)**	**-2.4%**	**(313,778)**	**(298,401)**	**5.2%**
Profit from associates	214	194	10.3%	113	89.4%	628	636	-1.3%
Operating income before cost of risk	**174,093**	**177,239**	**-1.8%**	**134,616**	**29.3%**	**477,482**	**503,239**	**-5.1%**
Cost of risk	(10,942)	(15,223)	-28.1%	(10,221)	7.1%	(262,566)	(93,351)	NMF
Net operating income before non-recurring items	**163,151**	**162,016**	**0.7%**	**124,395**	**31.2%**	**214,916**	**409,888**	**-47.6%**
Net non-recurring items	254	(5,019)	NMF	(1,241)	NMF	(41,332)	(9,132)	NMF
Profit before income tax and one-off costs	**163,405**	**156,997**	**4.1%**	**123,154**	**32.7%**	**173,584**	**400,756**	**-56.7%**
Income tax expense	(15,051)	(22,697)	-33.7%	(8,470)	77.7%	(10,491)	(43,104)	-75.7%
Profit adjusted for one-off costs	**148,354**	**134,300**	**10.5%**	**114,684**	**29.4%**	**163,093**	**357,652**	**-54.4%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(14,236)	NMF
Profit	**148,354**	**134,300**	**10.5%**	**114,684**	**29.4%**	**163,093**	**343,416**	**-52.5%**

GEL thousands	Sep-20	Sep-19	Change y-o-y	Jun-20	Change q-o-q
BALANCE SHEET HIGHLIGHTS					
Liquid assets	6,339,663	5,099,111	24.3%	5,447,730	16.4%
Cash and cash equivalents	*2,154,224*	*1,369,169*	*57.3%*	*1,633,755*	*31.9%*
Amounts due from credit institutions	*1,980,195*	*1,834,220*	*8.0%*	*1,700,075*	*16.5%*
Investment securities	*2,205,244*	*1,895,722*	*16.3%*	*2,113,900*	*4.3%*
Loans to customers and finance lease receivables[2]	13,627,144	11,339,745	20.2%	12,599,092	8.2%
Property and equipment	390,401	364,405	7.1%	396,272	-1.5%
Total assets	**21,166,953**	**17,540,692**	**20.7%**	**19,183,966**	**10.3%**
Client deposits and notes	12,985,039	9,613,718	35.1%	11,583,139	12.1%
Amounts owed to credit institutions	3,757,646	3,437,718	9.3%	3,521,860	6.7%
Borrowings from DFIs	*1,807,472*	*1,355,426*	*33.4%*	*1,755,656*	*3.0%*
Short-term loans from central banks	*874,153*	*1,271,027*	*-31.2%*	*847,213*	*3.2%*
Loans and deposits from commercial banks	*1,076,021*	*811,265*	*32.6%*	*918,991*	*17.1%*
Debt securities issued	1,628,188	2,175,820	-25.2%	1,561,933	4.2%
Total liabilities	**18,795,816**	**15,500,833**	**21.3%**	**16,984,167**	**10.7%**
Total equity	**2,371,137**	**2,039,859**	**16.2%**	**2,199,799**	**7.8%**

KEY RATIOS	3Q20	3Q19	2Q20	9M20	9M19
ROAA[1]	3.0%	3.2%	2.4%	1.1%	3.0%
ROAE[1]	26.0%	26.8%	21.8%	9.9%	24.7%
Net interest margin	4.8%	5.4%	4.2%	4.7%	5.7%
Liquid assets yield	3.3%	3.2%	3.4%	3.5%	3.4%
Loan yield	10.7%	11.5%	10.2%	10.6%	11.8%
Cost of funds	4.7%	4.5%	4.8%	4.8%	4.5%
Cost / income[3]	37.1%	37.9%	43.9%	39.7%	37.3%
NPLs to Gross loans to clients	3.8%	2.9%	2.7%	3.8%	2.9%
NPL coverage ratio	76.8%	85.3%	115.7%	76.8%	85.3%
NPL coverage ratio, adjusted for discounted value of collateral	131.4%	129.3%	166.3%	131.4%	129.3%
Cost of credit risk ratio	0.2%	0.5%	-0.2%	2.4%	1.1%
NBG (Basel III) CET1 capital adequacy ratio	9.9%	11.1%	9.9%	9.9%	11.1%
NBG (Basel III) Tier I capital adequacy ratio	12.0%	13.3%	12.0%	12.0%	13.3%
NBG (Basel III) Total capital adequacy ratio	17.3%	16.8%	17.4%	17.3%	16.8%

[1] The income statement adjusted profit in 9M19 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, GEL 4.0mln (gross of income tax) excluded from non-recurring items and GEL 2.2mln tax benefit excluded from income tax expense. 9M19 ROAE and ROAA have been adjusted accordingly

[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 loan portfolio position

[3] Cost/income ratio in 9M19 is adjusted for GEL 12.4mln one-off employee costs (gross of income tax) related to termination benefits of former executive management

KEY RESULTS HIGHLIGHTS

- **Strong quarterly performance partially reflecting increased economic activity following the 2Q20 COVID-19 pandemic impact.** The Group generated profit of GEL 148.4mln in 3Q20 (up 10.5% y-o-y and up 29.4% q-o-q), mostly driven by improved net interest income and net fee and commission income, with profitability reaching 26.0% ROAE in 3Q20
- **Net interest margin**. Our NIM was 4.8% in 3Q20. Having reduced significantly in April and May, as a result of a reduction in retail lending activity, NIM was up 60bps q-o-q in the third quarter of 2020, mostly reflecting a strong rebound in customer activity since June 2020, while still maintaining high levels of liquidity in terms of 147.0% liquidity coverage ratio
- **Net fee and commission income** generation was strong in the third quarter of 2020 (up 38.4% q-o-q and down only 5.2% y-o-y). Since June 2020, we have seen strong recovery dynamics, as remittances has grown significantly and consumer demand, as measured by banking card payment activities, has improved. VAT turnover statistics have also demonstrated a recovery in business activity
- **Operating expenses** decreased by 4.9% y-o-y and by 2.4% q-o-q in 3Q20, mostly as a result of a number of cost optimisation initiatives in the second quarter of 2020. That said, the Group continues its investment in IT-related resources, digitalisation and marketing, as part of its key strategic priorities, and at the same time maintains its focus on efficiency and cost control
- **Loan book increased by 20.2% y-o-y and by 8.2% q-o-q at 30 September 2020.** Growth on a constant-currency basis was 12.8% y-o-y and 3.5% q-o-q. The y-o-y loan book growth reflected continued strong loan origination levels in Corporate, MSME and the mortgage segments during the pre-COVID-19 period, while the q-o-q increase reflected recovery in economic activity since June 2020
- **Client deposits and notes increased by 35.1% y-o-y and by 12.1% q-o-q at 30 September 2020.** On a constant-currency basis, client deposits and notes grew by 26.4% y-o-y and by 7.1% q-o-q. This strong deposit franchise growth reflects a consistent increase in monthly deposit balances of both our individual and business customers since May 2020
- **Asset quality.** The cost of credit risk ratio was 0.2% in 3Q20 (compared to 0.5% in 3Q19 and a net gain of 0.2% in 2Q20) and was 2.4% in the first nine months of 2020 (compared to 1.1% in 9M19). The y-o-y increase in cost of credit risk ratio during the first nine months of 2020 was primary driven by significant ECL provisions on loans to customers and finance lease receivables created for the full economic cycle during the first quarter of 2020, related to adverse macro-economic environment and expected negative impact on the creditworthiness of borrowers as a result of the COVID-19 pandemic. These assumptions were revisited to reflect the macro-economic forecast scenarios published by the NBG in May 2020 in the second quarter, and better visibility of the portfolio and the detailed review of creditworthiness of the borrowers in the third quarter. As a result of these analysis, the provisions recorded in 1Q20, proved overall to be sufficient. See details on *page 10*. In 3Q20, the cost of credit risk reflects a normalisation of the retail cost of credit risk, offset by a better than anticipated performance of the corporate lending portfolio
- **NPLs to gross loans increased** to 3.8% at 30 September 2020 (2.9% at 30 September 2019 and 2.7% at 30 June 2020), following a full portfolio review of corporate and SME customers, and significant portion of retail and micro segment borrowers in the third quarter, which is in line with the upfront ECL provision recorded for the full economic cycle in the first quarter of 2020. The NPL coverage ratio was 76.8% at 30 September 2020 (85.3% at 30 September 2019 and 115.7% at 30 June 2020). That said, the NPL coverage ratio adjusted for a discounted value of collateral was up y-o-y to 131.4% at 30 September 2020 (129.3% at 30 September 2019 and 166.3% at 30 June 2020). The y-o-y decline in NPL coverage ratio reflects the shift of the portfolio mix from high-yielding unsecured to more secured consumer lending since 2019 on the back of the consumer lending regulation, and is supported by the high level of collateralisation of our loan book
- **Solid capital adequacy position.** The Bank's capital adequacy ratios have remained robust, and comfortably above the minimum regulatory requirements. The Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 9.9%, 12.0% and 17.3%, respectively, all well above the minimum required levels of 6.9%, 8.7% and 13.3%, respectively, at 30 September 2020. A y-o-y decline in capital ratios was primarily due to a c.GEL 400mln general provision created in March 2020 under the local regulatory accounting basis in agreement with the NBG (and consistent with the NBG's guidance for the Georgian banking sector in general) that covers its current expectations of estimated credit losses on the Bank's lending book for the whole economic cycle. Capital ratios were largely flat q-o-q, as strong internal capital generation was offset by loan book growth and the local currency depreciation during the third quarter of 2020. See details of capital adequacy ratios movement during the third quarter on *page 11*
- **Strong liquidity and funding position.** The Bank's liquidity and funding positions have remained strong. As at 30 September 2020, the Bank's liquidity coverage ratio stood at 147.0% and net stable funding ratio at 137.5%, compared to the 100% minimum required level. The Bank maintained substantial excess liquidity in the second and third quarters of 2020, primarily for 1) risk mitigation purposes on the back of the ongoing COVID-19 crisis, as outflow of customer funds was expected at early stage of the pandemic outbreak, which however did not materialise. Client deposit balances continue to grow to date; and 2) the repayment of local currency bonds in June 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Group has delivered a very strong performance in the third quarter of 2020, against the backdrop of continuing challenge of the COVID-19 pandemic impact on the Georgian economy. I am particularly pleased that this has translated into strong operating income increase quarter-on-quarter, driven by both net interest income and net fee and commission income. Having taken a significant up-front credit loss provision for the full economic cycle in the first quarter of the year, the quality of our loan book has been very robust as the economy has started to recover from the pandemic-related lockdown in April and May, and our customers have substantially reduced their reliance on payment holidays on loans. Less than 1.5% of our lending portfolio is now using these payment holidays. Profit for the third quarter of 2020 totalled GEL 148.4 million, up 29.4% quarter-on-quarter and up 10.5% year-on-year. The annualised return on average equity in the third quarter was 26.0%.

From a macro-economic perspective, we have seen continued economic recovery since June with GDP contracting by just 0.7% y-o-y in September, significantly exceeding expectations. Whilst there has been some careful re-opening of international borders, international tourism has been minimal, with the Georgian hospitality sector having to rely on domestic tourism where possible. This significantly reduced foreign currency inflows during the usually very busy summer season, which was reflected in a 7.6% depreciation of the Georgian Lari against the US Dollar in 3Q20. However, the absence of international tourism has been mitigated by strong remittance flows, up more than 20% in each month of 3Q20, reduced goods trade deficit, and external funding support. We expect the Georgian economy to contract by 5.1% in 2020, which is close to both IMF and the Government forecasts, followed by the real GDP growth of c.5% in 2021, based on the estimates of our brokerage and investment arm.

Bank of Georgia's performance has been very strong in the third quarter:

- **The balance sheet has remained strong with better than expected levels of growth.** On a constant currency basis, our customer lending increased by 3.5%, and client deposits and notes increased significantly by 7.1% quarter-on-quarter at 30 September 2020, demonstrating Bank of Georgia's clear market leadership in deposits of individuals
- **Revenue growth has been excellent**. Net fee and commission income increased by 38.4% quarter-on-quarter, with net interest income growing at 16.6% in the third quarter of 2020, while still maintaining high levels of liquidity (LCR - 147.0%)
- **Net interest margin increased by 60 basis points, to 4.8%, in 3Q20.** Having reduced significantly during the second quarter, our net interest margin increased substantially in the third quarter, largely reflecting the increase in economic activity. We expect the net interest margin to remain broadly stable going forward
- **Our lending portfolio has performed better than expected.** Asset quality has remained robust. Following the economic downturn and subsequent re-opening, we have now individually reviewed all of our SME and corporate borrowers, and the provision estimated in the first quarter is proving to be sufficient. Our corporate, SME, and SOLO segment portfolios all continue to perform better than initially expected, with some specific recoveries in the corporate portfolio
- **Costs have been well-managed** with a 2.4% quarter-on-quarter reduction in operating expenses, following a review of our variable cost base. This is consistent with our expectation for broadly flat year-on-year operating costs during 2020, whilst ensuring that we continue to invest in building our core franchise capabilities
- **Our capital ratios have remained robust** and comfortably above our minimum regulatory requirements. The high level of internal capital generation has supported the strong loan growth in 3Q20, whilst offsetting the currency depreciation impact
- **Delivering superior levels of profitability.** In the third quarter of 2020, our annualised return on average equity was 26.0%.

We have continued the further development of our fully-integrated digital strategy, an important focus for us as we seek to digitalise our full banking platforms. We are leaders in the payments business in Georgia, with a 45% market share in volume, and a 48% share in the number of transactions in POS terminals. The use of our mobile and other digital platforms has substantially increased throughout the period of the economic lockdown; number of active users of our digital service channels continues to increase rapidly, and I was delighted with the 29.0% quarter-on-quarter growth in the number of mobile banking transactions, to 17.2 million, in the third quarter of 2020.

Our two clear strategic targets remain unchanged: to achieve at least 20% return on average equity and to deliver c.15% growth of the loan book, over time. These results are consistent with those targets, in what remain challenging times. After very low levels of COVID-19 cases, Georgia has recently experienced the emergence of some further waves of infection, although the Government expects the economy to remain open despite these new waves. Our ongoing performance, of course, continues to be affected by the COVID-19 economic impact, but our balance sheet is demonstrating robustness, asset quality is resilient, and the Group is very well-positioned for the future, with strong liquidity and funding, and capital resources.

I am delighted and proud of the way the management team and all of our colleagues have responded to recent challenges. Bank of Georgia continues to play a fundamentally important role in supporting our customers, the communities in which we live, and the Georgian economy. With our market leading payments franchise and mobile app popularity, combined with our clear focus on customer satisfaction and employee empowerment, we have laid the groundwork for the bank of the future.

Archil Gachechiladze,
CEO, Bank of Georgia Group PLC
16 November 2020

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	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
Interest income	407,666	366,721	11.2%	379,038	7.6%	1,175,029	1,043,680	12.6%
Interest expense	(203,636)	(165,729)	22.9%	(204,102)	-0.2%	(598,982)	(461,353)	29.8%
Net interest income	**204,030**	**200,992**	**1.5%**	**174,936**	**16.6%**	**576,047**	**582,327**	**-1.1%**
Fee and commission income	71,793	76,166	-5.7%	54,389	32.0%	197,076	206,721	-4.7%
Fee and commission expense	(26,261)	(28,157)	-6.7%	(21,488)	22.2%	(78,531)	(73,265)	7.2%
Net fee and commission income	**45,532**	**48,009**	**-5.2%**	**32,901**	**38.4%**	**118,545**	**133,456**	**-11.2%**
Net foreign currency gain	19,179	32,233	-40.5%	22,743	-15.7%	72,583	82,186	-11.7%
Net other income	7,750	3,728	107.9%	9,081	-14.7%	23,457	3,035	NMF
Operating income	**276,491**	**284,962**	**-3.0%**	**239,661**	**15.4%**	**790,632**	**801,004**	**-1.3%**
Net interest margin	4.8%	5.4%		4.2%		4.7%	5.7%	
Average interest earning assets	16,928,476	14,643,462	15.6%	16,668,289	1.6%	16,427,415	13,651,149	20.3%
Average interest bearing liabilities	17,323,145	14,704,688	17.8%	16,957,795	2.2%	16,833,871	13,643,188	23.4%
Average net loans and finance lease receivables, currency blended	12,997,553	10,984,723	18.3%	12,862,536	1.0%	12,679,609	10,162,048	24.8%
Average net loans and finance lease receivables, GEL	5,141,167	4,425,551	16.2%	4,984,078	3.2%	5,047,531	4,026,375	25.4%
Average net loans and finance lease receivables, FC	7,856,386	6,559,172	19.8%	7,878,458	-0.3%	7,632,078	6,135,673	24.4%
Average client deposits and notes, currency blended	12,252,445	9,276,227	32.1%	11,115,351	10.2%	11,294,784	8,766,483	28.8%
Average client deposits and notes, GEL	4,506,618	2,891,726	55.8%	3,602,387	25.1%	3,834,714	2,833,929	35.3%
Average client deposits and notes, FC	7,745,827	6,384,501	21.3%	7,512,964	3.1%	7,460,070	5,932,554	25.7%
Average liquid assets, currency blended	5,708,834	4,808,233	18.7%	5,297,130	7.8%	5,448,671	4,592,799	18.6%
Average liquid assets, GEL	2,409,989	2,081,990	15.8%	2,341,763	2.9%	2,314,102	2,069,463	11.8%
Average liquid assets, FC	3,298,845	2,726,243	21.0%	2,955,367	11.6%	3,134,569	2,523,336	24.2%
Liquid assets yield, currency blended	3.3%	3.2%		3.4%		3.5%	3.4%	
Liquid assets yield, GEL	7.7%	6.4%		7.5%		7.8%	6.4%	
Liquid assets yield, FC	0.1%	0.8%		0.1%		0.4%	1.0%	
Loan yield, currency blended	10.7%	11.5%		10.2%		10.6%	11.8%	
Loan yield, GEL	15.6%	16.5%		14.7%		15.3%	17.3%	
Loan yield, FC	7.5%	8.2%		7.3%		7.5%	8.2%	
Cost of funds, currency blended	4.7%	4.5%		4.8%		4.8%	4.5%	
Cost of funds, GEL	7.8%	6.7%		8.3%		8.0%	6.8%	
Cost of funds, FC	3.0%	3.2%		3.0%		2.9%	3.2%	
Cost / income [4]	37.1%	37.9%		43.9%		39.7%	37.3%	

Performance highlights

- **The Group generated strong operating income of GEL 276.5mln in 3Q20 (down 3.0% y-o-y and up 15.4% q-o-q), ending nine months of 2020 with operating income of GEL 790.6mln (slightly down by 1.3% y-o-y).** The y-o-y decrease in operating income in 3Q20 and 9M20 was primarily driven by the decline in net fee and commission income and net foreign currency gains on the back of slow-down of economic activity due to COVID-19 pandemic outbreak in March 2020. Strong q-o-q growth in operating income in 3Q20 was mainly due to increase in net interest income (up 16.6% q-o-q) and net fee and commission income (up 38.4% q-o-q), as a result of recovery in customer activity since June 2020
- **Our NIM was 4.8% in 3Q20 and 4.7% in 9M20.** NIM was down 60bps y-o-y and 100bps y-o-y in 3Q20 and 9M20, respectively, primarily due to the decline in currency blended loan yields (down 80bps y-o-y in 3Q20 and down 120bps y-o-y in 9M20), on the back of the slower lending activity due to the COVID-19 pandemic, and the effect of change in portfolio mix resulting from the consumer lending regulation introduced since 2019. This was coupled with higher levels of liquidity and an increase in the cost of funds (up 20bps y-o-y in 3Q20 and up 30bps y-o-y 9M20). NIM, on the other hand, improved by 60bps on a q-o-q basis, as the reopening of the economy and recovery dynamic in the client activity since June 2020 led to a 50bps increase in loan yields, coupled with a 10bps decline in the cost of funds in the third quarter of 2020

[4] The cost/income ratio in 9M19 is adjusted for GEL 12.4mln one-off employee costs (gross of income tax) related to termination benefits of former executive management

- **Liquid assets yield.** Currency blended liquid assets yield was 3.3% in 3Q20 (up 10bps y-o-y and down 10bps q-o-q) and 3.5% in 9M20 (up 10bps y-o-y). The local currency denominated liquid assets yield movement (up 130bps y-o-y and up 20bps q-o-q in 3Q20, and up 140bps y-o-y in 9M20) directly reflected the NBG's monetary policy rate changes (NBG increased monetary policy rate by cumulative of 250bps since September 2019, although reduced the policy rate three times by a cumulative 100bps in the second and third quarters of 2020). As for the foreign currency denominated liquid assets yield (down 70bps y-o-y and flat q-o-q in 3Q20, and down 60bps y-o-y in 9M20), it largely reflected the cut in US Fed rate in March 2020 (NBG accrues interest rate on US Dollar obligatory reserves of the banks at US Fed rate upper bound minus 50bps)
- **Cost of funds.** Cost of funds was 4.7% in 3Q20 (up 20bps y-o-y and down 10bps q-o-q) and 4.8% in 9M20 (up 30bps y-o-y). These changes were primarily driven by the movement of local currency denominated cost of funds (up 110bps y-o-y and down 50bps q-o-q in 3Q20, and up 120bps y-o-y in 9M20), which reflected the NBG's monetary policy rate changes (NBG increased monetary policy rate by cumulative of 250bps since September 2019, although reduced the policy rate three times by a cumulative 100bps in 2Q20 and 3Q20), partially offset by the impact of repayment of the GEL 500 million local currency bonds due at the beginning of June 2020
- **Net fee and commission income.** Net fee and commission income was GEL 45.5mln in 3Q20 (down 5.2% y-o-y and up 38.4% q-o-q) and GEL 118.5mln in the first nine months of 2020 (down 11.2% y-o-y). The y-o-y decline in 3Q20 was primarily due to the slower customer activity on the back of COVID-19 pandemic. However, economic activity has recovered significantly since June 2020, which is also reflected in the q-o-q increase in our net fee and commission income in 3Q20, primarily driven by increase in income from settlement and cash operations. On a nine-month basis, y-o-y decline in net fee and commission income in 9M20 was mainly driven by decrease in income from settlement and cash operations, as a result of slower customer activity due to COVID-19 pandemic in 2Q20 and temporary removal of fees on transactions executed through our mobile and internet banking platforms since mid-March 2020, for a two-month period, in order to decrease the customer visits to branches and incentivise the transfer of customers' activity to digital channels. This decline was partially offset by the strong net fees and commission income generation from guarantees and letters of credit issued by our Corporate and Investment Banking business
- **Net foreign currency gain.** Net foreign currency gain was down by 40.5% y-o-y and by 15.7% q-o-q in 3Q20, primarily due to lower currency volatility and client-driven flows during most of the third quarter of 2020. Lower net foreign currency gains from our subsidiary in Belarus also contributed to the decline
- **Net other income.** Significant y-o-y increase in net other income in the first nine months of 2020, was primarily driven by higher income from operating leases in 2020 and a GEL 2.4mln gain from revaluation of investment property (impact of changes in fair value on certain investment properties due to the lapse of the repurchase option granted to the former borrower) recorded in 2Q20. Furthermore, net losses from derivative financial instruments (interest rate swap hedges) incurred during 2019, also contributed to the y-o-y increase of net other income in 3Q20 and 9M20

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

GEL thousands, unless otherwise noted [5]	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
Salaries and other employee benefits	(58,171)	(59,539)	-2.3%	(60,656)	-4.1%	(175,365)	(169,938)	3.2%
Administrative expenses	(24,443)	(26,251)	-6.9%	(22,450)	8.9%	(73,914)	(71,025)	4.1%
Depreciation, amortisation and impairment	(19,125)	(21,320)	-10.3%	(21,139)	-9.5%	(61,654)	(54,303)	13.5%
Other operating expenses	(873)	(807)	8.2%	(913)	-4.4%	(2,845)	(3,135)	-9.3%
Operating expenses	**(102,612)**	**(107,917)**	**-4.9%**	**(105,158)**	**-2.4%**	**(313,778)**	**(298,401)**	**5.2%**
Profit from associate	214	194	10.3%	113	89.4%	628	636	-1.3%
Operating income before cost of risk	**174,093**	**177,239**	**-1.8%**	**134,616**	**29.3%**	**477,482**	**503,239**	**-5.1%**
Expected credit loss on loans to customers	(5,836)	(13,617)	-57.1%	11,621	NMF	(222,404)	(86,170)	158.1%
Expected credit loss on finance lease receivables	(2,371)	(333)	NMF	(3,387)	-30.0%	(7,644)	(1,336)	NMF
Other expected credit loss on other assets and provisions	(2,735)	(1,273)	114.8%	(18,455)	-85.2%	(32,518)	(5,845)	NMF
Cost of risk	**(10,942)**	**(15,223)**	**-28.1%**	**(10,221)**	**7.1%**	**(262,566)**	**(93,351)**	**NMF**
Net operating income before non-recurring items	**163,151**	**162,016**	**0.7%**	**124,395**	**31.2%**	**214,916**	**409,888**	**-47.6%**
Net non-recurring items	254	(5,019)	NMF	(1,241)	NMF	(41,332)	(9,132)	NMF
Profit before income tax and one-off costs	**163,405**	**156,997**	**4.1%**	**123,154**	**32.7%**	**173,584**	**400,756**	**-56.7%**
Income tax expense	(15,051)	(22,697)	-33.7%	(8,470)	77.7%	(10,491)	(43,104)	-75.7%
Profit adjusted for one-off costs	**148,354**	**134,300**	**10.5%**	**114,684**	**29.4%**	**163,093**	**357,652**	**-54.4%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(14,236)	NMF
Profit	**148,354**	**134,300**	**10.5%**	**114,684**	**29.4%**	**163,093**	**343,416**	**-52.5%**

- **Operating expenses** amounted to GEL 102.6mln in 3Q20, down 4.9% y-o-y and down 2.4% q-o-q, and GEL 313.8mln in 9M20, up by 5.2% y-o-y. The y-o-y increase in the first nine months of 2020 was primarily driven by the increased investments in IT related resources as part of the Agile transformation process, focus on digitalisation and investments in marketing. In addition, we incurred extraordinary expenses during the first half of 2020 in relation to the safety measures

[5] The adjusted profit in the table in 9M19 excludes GEL 14.2mln one-off employee costs (gross 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, GEL 4.0mln (gross of income tax) excluded from non-recurring items and GEL 2.2mln tax benefit excluded from income tax expense

implemented as a response to the COVID-19 outbreak. In the second quarter of 2020, we have initiated cost optimisation measures, the impact of which is already partially reflected in the third quarter of 2020 results, and we expect further improvements in the fourth quarter of this year

- **Asset quality.** The cost of credit risk ratio was 0.2% in 3Q20 (compared to 0.5% in 3Q19 and net gain of 0.2% in 2Q20) and was 2.4% in the first nine months of 2020 (compared to 1.1% in 9M19). The significant increase in cost of credit risk ratio in 9M20 was driven by the 1Q20 reserve builds, created for the full economic cycle, primarily related to the deterioration in the macro-economic environment and expected creditworthiness of borrowers due to the COVID-19 pandemic impact. As a result of these assumptions, we created additional reserves of GEL 220.2mln in the first quarter of 2020. In the second quarter, management revisited the assumptions used to estimate the amount of ECL provision to reflect the better visibility and the macro-economic forecast scenarios published by the NBG in May 2020 (see Group's 2Q20 and 1H20 results announcement for details of assumptions used).

  In the third quarter of 2020, the Group has completed an in-depth analysis of financial standing and creditworthiness of all corporate and SME borrowers, and a significant portion of retail and micro segment customers. As a result, additional ECL provisions on loans to customers and finance lease receivables in the amount of GEL 15.8mln were recorded for Retail Banking business, and a net ECL reversal of GEL 9.1mln in CIB segment. Based on the analysis, the Group concluded that overall, additional reserve of GEL 220.2mln, already created in the first quarter of 2020, was sufficient.

  Given that we are operating in a rapidly changing environment with a high level of uncertainty with regard to both the length and the severity of the COVID-19 impact, we are monitoring new facts and circumstances on a continuous basis

- **Quality of our loan book** is closely monitored by the below metrics. The y-o-y and q-o-q rise in non-performing borrowers in 3Q20 was primarily driven by the COVID-19 pandemic impact, resulting in increase of NPLs to gross loans to 3.8% at 30 September 2020, which is in line with the upfront ECL provision recorded for the full economic cycle in the first quarter of 2020. The y-o-y decline in NPL coverage ratio reflects the shift of portfolio mix from high-yielding unsecured to more secured consumer lending since 2019 on the back of the consumer lending regulation, and is supported by the high level of collateralisation of our loan book. That said, the NPL coverage ratio adjusted for discounted value of collateral increased y-o-y to 131.4% at 30 September 2020:

GEL thousands, unless otherwise noted	Sep-20	Sep-19	Change y-o-y	Jun-20	Change q-o-q
NON-PERFORMING LOANS					
NPLs	530,631	339,118	56.5%	355,260	49.4%
NPLs to gross loans	3.8%	2.9%		2.7%	
NPLs to gross loans, RB	2.8%	1.8%		1.9%	
NPLs to gross loans, CIB	5.7%	5.0%		4.1%	
NPL coverage ratio	76.8%	85.3%		115.7%	
NPL coverage ratio adjusted for the discounted value of collateral	131.4%	129.3%		166.3%	

- **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 30 September 2020, total capital adequacy ratio was 14.1%, well above the 12.5% minimum requirement, while Tier I capital adequacy ratio was 9.4%, again above the NBRB's 7.0% minimum requirement. ROAE was 2.2% in 3Q20 (18.1% in 3Q19 and 12.2% in 2Q20) and 4.7% in 9M20 (13.6% in 9M19), reflecting the COVID-19 pandemic impact in the first nine months of 2020. *For financial results highlights of BNB, see page 21*. We note the political unrest that is currently occurring in Belarus. There has so far been no material impact on the performance of our business in Belarus, but we continue to monitor the situation closely

- **Net non-recurring items.** Significant y-o-y increase in net non-recurring items during the first nine months of 2020 was primarily attributable to GEL 38.7mln and GEL 1.0mln one-off net loss on modification of financial assets in March and April of 2020, respectively, in relation to the three-month payment holidays on principal and interest offered to our retail banking clients, in order to reduce the requirement for customers to physically visit Bank branches and reduce the risk of COVID-19 virus spread. See Group's 2Q20 and 1H20 results announcement for details. In addition, in 1Q20, the Bank incurred GEL 1.2mln one-off costs to finance and donate 20,000 COVID-19 laboratory tests, 10 respirators, 50,000 face masks and 60,000 gloves to the Ministry of Health of Georgia, to support the battle to prevent the virus spread. These costs are also classified as non-recurring items

- **Income tax expense.** Relatively high income tax rate in 3Q19 and 9M19 was primarily driven by a one-off GEL 8.5mln additional tax expense recorded in the third quarter of 2019 as a result of reassessment of deferred tax balances. See Group's 3Q19 and 9M19 results announcement for details

- **Overall, the Group recorded profit** of GEL 148.4mln in 3Q20 (GEL 134.3mln in 3Q19 and GEL 114.7mln in 2Q20) and GEL 163.1mln in the first nine months of 2020 (compared to profit adjusted for one-off costs of GEL 357.7mln[6] in 9M19). The Group's ROAE was 26.0% in 3Q20 (26.8% in 3Q19 and 21.8% in 2Q20) and 9.9% in 9M20 (24.7%[6] in 9M19)

[6] Profit and ROAE in 9M19 exclude GEL 14.2mln one-off employee costs (gross of income tax) related to the former CEO and executive management termination benefits

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Sep-20	Sep-19	Change y-o-y	Jun-20	Change q-o-q
Liquid assets	6,339,663	5,099,111	24.3%	5,447,730	16.4%
Liquid assets, GEL	2,567,410	2,136,320	20.2%	2,461,639	4.3%
Liquid assets, FC	3,772,253	2,962,791	27.3%	2,986,091	26.3%
Net loans and finance lease receivables	13,627,144	11,339,745	20.2%	12,599,092	8.2%
Net loans and finance lease receivables, GEL	5,368,636	4,655,533	15.3%	5,001,418	7.3%
Net loans and finance lease receivables, FC	8,258,508	6,684,212	23.6%	7,597,674	8.7%
Client deposits and notes	12,985,039	9,613,718	35.1%	11,583,139	12.1%
Amounts owed to credit institutions	3,757,646	3,437,718	9.3%	3,521,860	6.7%
Borrowings from DFIs	1,807,472	1,355,426	33.4%	1,755,656	3.0%
Short-term loans from central banks	874,153	1,271,027	-31.2%	847,213	3.2%
Loans and deposits from commercial banks	1,076,021	811,265	32.6%	918,991	17.1%
Debt securities issued	1,628,188	2,175,820	-25.2%	1,561,933	4.2%
LIQUIDITY AND CAPITAL ADEQUACY RATIOS					
Net loans / client deposits and notes	104.9%	118.0%		108.8%	
Net loans / client deposits and notes + DFIs	92.1%	103.4%		94.5%	
Liquid assets / total assets	30.0%	29.1%		28.4%	
Liquid assets / total liabilities	33.7%	32.9%		32.1%	
NBG liquidity coverage ratio	147.0%	118.5%		135.4%	
NBG (Basel III) CET1 capital adequacy ratio	9.9%	10.6%		9.9%	
NBG (Basel III) Tier I capital adequacy ratio	12.0%	13.3%		12.0%	
NBG (Basel III) Total capital adequacy ratio	17.3%	16.8%		17.4%	

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 147.0%) **and strongly capitalised** (NBG Basel III Tier I capital adequacy ratio of 12.0%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 69.1%) at 30 September 2020.

- **Liquidity.** Liquid assets reached GEL 6,339.7mln at 30 September 2020, up 24.3% y-o-y and up 16.4% q-o-q. The notable increase over the year was in cash on hand, combined with excess liquidity deployed with credit institutions and in investment securities. The Bank maintained excess liquidity since the second quarter of 2020 primarily for 1) risk mitigation purposes on the back of the current COVID-19 crisis, as outflow of customer funds was expected at early stage of the pandemic outbreak, which however did not materialise. Client deposit balances continue to grow to date, and 2) the repayment of local currency bonds in June 2020. The NBG Liquidity coverage ratio was 147.0% at 30 September 2020 (118.5% at 30 September 2019 and 135.4% at 30 June 2020), well above the 100% minimum requirement level
- **Loan book**. Our net loan book and finance lease receivables amounted to GEL 13,627.1mln at 30 September 2020 (up 20.2% y-o-y and up 8.2% q-o-q). As of 30 September 2020, the retail loan book represented 65.7% of the total loan portfolio (65.8% at 30 September 2019 and 30 June 2020). Both local and foreign currency portfolios experienced solid y-o-y growth of 15.3% and 23.6%, respectively. Furthermore, local currency portfolio increased by 7.3% and foreign currency denominated loan portfolio grew by 8.7% 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 45.9% of the total RB loan book at 30 September 2020 (43.9% at 30 September 2019 and 45.6% at 30 June 2020), while retail client foreign currency deposits comprised 69.1% of total RB deposits at 30 September 2020 (69.2% at 30 September 2019 and 67.8% at 30 June 2020). At 30 September 2020, 82.7% of CIB's loan book was denominated in foreign currency (82.1% at 30 September 2019 and 82.6% at 30 June 2020), while 53.0% of CIB deposits were denominated in foreign currency (64.1% at 30 September 2019 and 51.9% at 30 June 2020)
- **Net loans to customer funds and DFI ratio**. Our net loans to customer funds and DFI ratio, which is closely monitored by management, stood at 92.1% at 30 September 2020 (103.4% at 30 September 2019 and 94.5% at 30 June 2020)
- **Diversified funding base**. Debt securities issued decreased by 25.2% y-o-y and increased by 4.2% q-o-q at 30 September 2020. The y-o-y decrease was attributable to the repayment of GEL 500mln local currency bonds at the beginning of June 2020, while the q-o-q increase in debt securities was mainly due to the local currency depreciation in the 3Q20
- **Solid capital position.** At 30 September 2020, following the measures put in place by the NBG as part of the COVID-19 supervisory plan in March 2020 (see details in the Group's 1Q20 results announcement), the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 9.9%, 12.0% and 17.3%, respectively, all comfortably above the minimum required levels of 6.9%, 8.7% and 13.3%, respectively. Below is presented the movement in capital adequacy ratios in 3Q20, as well as the potential impact of an additional 10% devaluation of GEL on different levels of capital:

	30 June 2020	Business growth	3Q20 profit	GEL devaluation	30 September 2020	Potential impact of additional 10% GEL devaluation
CET1 capital adequacy ratio	9.9%	-0.3%	0.8%	-0.5%	9.9%	-0.7%
Tier I capital adequacy ratio	12.0%	-0.4%	0.8%	-0.4%	12.0%	-0.6%
Total capital adequacy ratio	17.4%	-0.6%	0.8%	-0.3%	17.3%	-0.5%

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 and mass retail segment (through our Express and Bank of Georgia brands), (2) SME and micro businesses – MSME (through our Bank of Georgia brand), and (3) the mass affluent segment (through our SOLO brand).

GEL thousands, unless otherwise noted	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[7]								
Net interest income	126,837	142,202	-10.8%	102,667	23.5%	347,771	410,861	-15.4%
Net fee and commission income	34,744	36,696	-5.3%	22,184	56.6%	86,325	103,735	-16.8%
Net foreign currency gain	14,245	14,410	-1.1%	7,525	89.3%	43,404	36,214	19.9%
Net other income / (expense)	3,477	581	NMF	4,085	-14.9%	9,467	(1,002)	NMF
Operating income	**179,303**	**193,889**	**-7.5%**	**136,461**	**31.4%**	**486,967**	**549,808**	**-11.4%**
Salaries and other employee benefits	(40,481)	(37,732)	7.3%	(41,826)	-3.2%	(122,876)	(108,296)	13.5%
Administrative expenses	(18,199)	(17,585)	3.5%	(16,898)	7.7%	(55,829)	(48,374)	15.4%
Depreciation, amortisation and impairment	(15,704)	(17,973)	-12.6%	(17,610)	-10.8%	(51,203)	(45,753)	11.9%
Other operating expenses	(510)	(379)	34.6%	(550)	-7.3%	(1,608)	(1,666)	-3.5%
Operating expenses	**(74,894)**	**(73,669)**	**1.7%**	**(76,884)**	**-2.6%**	**(231,516)**	**(204,089)**	**13.4%**
Profit from associate	214	194	10.3%	113	89.4%	628	636	-1.3%
Operating income before cost of risk	**104,623**	**120,414**	**-13.1%**	**59,690**	**75.3%**	**256,079**	**346,355**	**-26.1%**
Cost of risk	(16,238)	(16,831)	-3.5%	(5,757)	NMF	(164,076)	(82,760)	98.3%
Net operating income before non-recurring items	**88,385**	**103,583**	**-14.7%**	**53,933**	**63.9%**	**92,003**	**263,595**	**-65.1%**
Net non-recurring items	219	(575)	NMF	(1,249)	NMF	(39,959)	(915)	NMF
Profit before income tax and one-off costs	**88,604**	**103,008**	**-14.0%**	**52,684**	**68.2%**	**52,044**	**262,680**	**-80.2%**
Income tax (expense) / benefit	(7,508)	(14,060)	-46.6%	(3,214)	133.6%	493	(26,484)	NMF
Profit adjusted for one-off costs	**81,096**	**88,948**	**-8.8%**	**49,470**	**63.9%**	**52,537**	**236,196**	**-77.8%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(10,142)	NMF
Profit	**81,096**	**88,948**	**-8.8%**	**49,470**	**63.9%**	**52,537**	**226,054**	**-76.8%**
BALANCE SHEET HIGHLIGHTS								
Net loans, currency blended	8,416,503	7,083,432	18.8%	7,797,191	7.9%	8,416,503	7,083,432	18.8%
Net loans, GEL	4,551,436	3,974,913	14.5%	4,241,765	7.3%	4,551,436	3,974,913	14.5%
Net loans, FC	3,865,067	3,108,519	24.3%	3,555,426	8.7%	3,865,067	3,108,519	24.3%
Client deposits, currency blended	6,699,215	5,384,371	24.4%	5,962,044	12.4%	6,699,215	5,384,371	24.4%
Client deposits, GEL	2,068,516	1,657,025	24.8%	1,921,108	7.7%	2,068,516	1,657,025	24.8%
Client deposits, FC	4,630,699	3,727,346	24.2%	4,040,936	14.6%	4,630,699	3,727,346	24.2%
of which:								
Time deposits, currency blended	4,077,658	3,074,292	32.6%	3,574,598	14.1%	4,077,658	3,074,292	32.6%
Time deposits, GEL	1,034,423	753,198	37.3%	973,050	6.3%	1,034,423	753,198	37.3%
Time deposits, FC	3,043,235	2,321,094	31.1%	2,601,548	17.0%	3,043,235	2,321,094	31.1%
Current accounts and demand deposits, currency blended	2,621,557	2,310,079	13.5%	2,387,446	9.8%	2,621,557	2,310,079	13.5%
Current accounts and demand deposits, GEL	1,034,093	903,827	14.4%	948,058	9.1%	1,034,093	903,827	14.4%
Current accounts and demand deposits, FC	1,587,464	1,406,252	12.9%	1,439,388	10.3%	1,587,464	1,406,252	12.9%
KEY RATIOS								
ROAE[7]	*25.0%*	*30.7%*		*16.4%*		*5.6%*	*27.6%*	
Net interest margin, currency blended	*4.8%*	*6.1%*		*4.0%*		*4.6%*	*6.3%*	
Cost of credit risk ratio	*0.8%*	*0.9%*		*0.2%*		*2.7%*	*1.6%*	
Cost of funds, currency blended	*5.7%*	*4.9%*		*5.9%*		*5.8%*	*5.1%*	
Loan yield, currency blended	*11.7%*	*12.8%*		*11.1%*		*11.5%*	*13.1%*	
Loan yield, GEL	*15.8%*	*17.0%*		*14.9%*		*15.5%*	*17.9%*	
Loan yield, FC	*6.7%*	*7.5%*		*6.6%*		*6.7%*	*7.5%*	
Cost of deposits, currency blended	*3.1%*	*2.6%*		*2.9%*		*2.9%*	*2.7%*	
Cost of deposits, GEL	*6.3%*	*5.0%*		*6.4%*		*6.1%*	*5.1%*	
Cost of deposits, FC	*1.5%*	*1.5%*		*1.4%*		*1.4%*	*1.6%*	
Cost of time deposits, currency blended	*4.3%*	*3.8%*		*4.3%*		*4.2%*	*3.9%*	
Cost of time deposits, GEL	*10.1%*	*8.4%*		*10.3%*		*9.9%*	*8.6%*	
Cost of time deposits, FC	*2.2%*	*2.3%*		*2.2%*		*2.2%*	*2.4%*	
Current accounts and demand deposits, currency blended	*1.1%*	*1.0%*		*0.9%*		*1.0%*	*1.0%*	
Current accounts and demand deposits, GEL	*2.4%*	*2.2%*		*2.3%*		*2.3%*	*2.2%*	
Current accounts and demand deposits, FC	*0.2%*	*0.1%*		*0.1%*		*0.1%*	*0.2%*	
Cost / income ratio[8]	*41.8%*	*38.0%*		*56.3%*		*47.5%*	*37.1%*	

[7] The income statement adjusted profit in 9M19 excludes GEL 10.1mln one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 8.6mln (gross of income tax) excluded from salaries and other employee benefits, GEL 2.9mln (gross of income tax) excluded from non-recurring items and GEL 1.4mln tax benefit excluded from income tax expense. 9M19 ROAE has been adjusted accordingly

[8] The cost/income ratio in 9M19 is adjusted for GEL 8.6mln one-off employee costs (gross of income tax) related to termination benefits of former executive management

Performance highlights

- **Retail Banking generated operating income of GEL 179.3mln in 3Q20** (down 7.5% y-o-y and up 31.4% q-o-q) and GEL 487.0mln in 9M20 (down 11.4% y-o-y), mostly reflecting the COVID-19 pandemic impact since March and improving trends in key economic indicators and rebound in customer activity since June 2020
- RB's net interest income was down 10.8% y-o-y in 3Q20 and down 15.4% y-o-y in 9M20, primarily reflecting the slow-down of economic activity on the back of COVID-19 pandemic outbreak in March 2020, as well as the effect of change in portfolio mix resulting from the consumer lending regulation introduced since 2019. On a q-o-q basis, following the recovery of customer activity and rebound of economic dynamics, net interest income grew significantly by 23.5% q-o-q in 3Q20. Net interest income still benefited from the growth of the local currency loan portfolio, which generated 9.1ppts and 8.8ppts higher yields than the foreign currency loan portfolio in 3Q20 and in 9M20, respectively
- **Retail Banking net loan book reached GEL 8,416.5mln at 30 September 2020, up 18.8% y-o-y and up 7.9% q-o-q. On a constant currency basis, retail loan book increased by 13.3% y-o-y and by 4.4% q-o-q in 3Q20.** Local currency denominated loan book increased by 14.5% y-o-y and by 7.3% q-o-q, while the foreign currency denominated loan book grew by 24.3% y-o-y and by 8.7% q-o-q. As a result, the local currency denominated loan book accounted for 54.1% of the Retail Banking loan book at 30 September 2020 (56.1% at 30 September 2019 and 54.4% at 30 June 2020). Currently, the consumer loan portfolio which is potentially most sensitive to foreign currency risk is largely de-dollarised, while share of retail mortgage loans in local currency accounted 43% at 30 September 2020
- The y-o-y loan book growth primarily reflected continued strong loan origination levels in MSME and mortgage segments, as well as secured consumer lending during the pre-COVID-19 period. The q-o-q increase in the loan originations is reflective of the recovery dynamics of the customer activity since June 2020:

RETAIL BANKING LOAN BOOK BY PRODUCTS

GEL million, unless otherwise noted	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
Loan originations								
Consumer loans	448,172	417,315	7.4%	143,060	213.3%	955,075	1,164,248	-18.0%
Mortgage loans	459,596	365,047	25.9%	63,195	627.3%	782,102	1,027,324	-23.9%
Micro loans	301,439	281,879	6.9%	75,397	299.8%	654,078	892,362	-26.7%
SME loans	353,294	273,884	29.0%	104,893	236.8%	755,701	727,822	3.8%
Outstanding balance								
Consumer loans	1,737,043	1,542,093	12.6%	1,652,327	5.1%	1,737,043	1,542,093	12.6%
Mortgage loans	3,550,606	2,948,476	20.4%	3,237,302	9.7%	3,550,606	2,948,476	20.4%
Micro loans	1,687,567	1,427,126	18.2%	1,586,847	6.3%	1,687,567	1,427,126	18.2%
SME loans	1,308,007	899,122	45.5%	1,166,933	12.1%	1,308,007	899,122	45.5%

- **Retail Banking client deposits increased to GEL 6,699.2mln at 30 September 2020, up 24.4% y-o-y and up 12.4% q-o-q.** The dollarisation level of deposits remained largely flat at 69.1% at 30 September 2020, compared to 69.2% at 30 September 2019 and 67.8% at 30 June 2020. The cost of foreign currency denominated deposits stood at 1.5% in 3Q20 (flat y-o-y and up 10bps q-o-q) and 1.4% in 9M20 (down 20bps y-o-y), while the cost of local currency denominated deposits increased by 130bps y-o-y and went down by 10bps q-o-q in 3Q20, and increased by 100bps y-o-y during first nine months of 2020. The spread between the cost of RB's client deposits in GEL and foreign currency was 4.8ppts during 3Q20 (GEL: 6.3%; FC: 1.5%), compared to 3.5ppts in 3Q19 (GEL: 5.0%; FC: 1.5%) and 5.0ppts in 2Q20 (GEL: 6.4%; FC: 1.4%). On the nine months basis, spread widened to 4.7ppts in 9M20 (GEL: 6.1%; FC: 1.4%), compared to 3.5ppts in 9M19 (GEL: 5.1%; FC: 1.6%)
- **Retail Banking NIM was 4.8% in 3Q20 (down 130bps y-o-y and up 80bps q-o-q) and 4.6% in 9M20 (down 170bps y-o-y).** The y-o-y decline in NIM in 3Q20 and 9M20 was mostly attributable to lower loan yields (down 110bps y-o-y in 3Q20 and down 160bps y-o-y in 9M20). In addition, cost of funds increased by 80bps y-o-y in 3Q20 and by 70bps y-o-y in 9M20, primarily on the back of increased NBG monetary policy rate (NBG increased monetary policy rate by cumulative of 250bps since September 2019, although NBG reduced the policy rate thrice by cumulative of 100bps in the second and third quarters of 2020). On a q-o-q basis, 60bps growth in loan yields coupled with 20bps decrease in cost funds, resulted in 80bps q-o-q increase in NIM in 3Q20
- **Retail Banking net fee and commission income**. Net fee and commission income generation decreased y-o-y both during the third quarter and the first nine months of 2020. The y-o-y decrease was primarily driven by slower customer activity due to COVID-19 pandemic and temporary removal of fees on transactions executed through our mobile and internet banking platforms since mid-March 2020, for a two-month period, in order to decrease customer visits to branches and incentivise the transfer of customers' activity to digital channels. Furthermore, lack of external tourism, as well as no Georgian's travelling abroad, resulted in significant decline in net fees charged on currency conversion operations. On a q-o-q basis, net fee and commission income increased by 56.6% in 3Q20, reflecting strong recovery dynamics in customer activity since June 2020
- **RB's asset quality.** Cost of credit risk ratio was 0.8% in 3Q20 (down from 0.9% in 3Q19 and up from 0.2% in 2Q20) and 2.7% in 9M20 (up from 1.6% 9M19). The increase in cost of credit risk ratio in the first nine months of 2020 was due to the IFRS 9 reserve builds, created for the full economic cycle in 1Q20, primarily related to deterioration of the macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 impact. These assumptions were further revisited to reflect the better visibility and the macro-economic forecast scenarios published by the NBG in May, and an in-depth review of significant portion of borrowers, resulting in additional ECL reserves for the RB segment in 2Q20 and 3Q20

- **Our Retail Banking business continued to further execute on our strategy towards continuous digitalisation,** as demonstrated by the following performance indicators:

RETAIL BANKING PERFORMANCE INDICATORS

Volume information in GEL thousands	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
Retail Banking customers								
Number of new customers	56,074	42,534	31.8%	27,214	106.0%	115,084	123,554	-6.9%
Number of customers	2,587,177	2,500,826	3.5%	2,540,721	1.8%	2,587,177	2,500,826	3.5%
Cards								
Number of cards issued	213,686	176,922	20.8%	92,315	131.5%	458,939	536,113	-14.4%
Number of cards outstanding	2,184,591	2,121,830	3.0%	2,178,053	0.3%	2,184,591	2,121,830	3.0%
Express Pay terminals								
Number of Express Pay terminals	3,130	3,231	-3.1%	3,118	0.4%	3,130	3,231	-3.1%
Number of transactions via Express Pay terminals	22,508,942	26,644,743	-15.5%	13,849,756	62.5%	59,292,767	80,895,309	-26.7%
Volume of transactions via Express Pay terminals	2,380,932	2,193,261	8.6%	1,550,286	53.6%	5,958,065	5,910,238	0.8%
POS terminals								
Number of desks	20,465	15,185	34.8%	17,248	18.7%	20,465	15,185	34.8%
Number of contracted merchants	9,829	7,545	30.3%	8,513	15.5%	9,829	7,545	30.3%
Number of POS terminals	25,706	21,088	21.9%	23,788	8.1%	25,706	21,088	21.9%
Number of transactions via POS terminals	28,790,910	21,646,160	33.0%	21,114,390	36.4%	72,517,194	58,980,841	23.0%
Volume of transactions via POS terminals	746,195	707,049	5.5%	532,544	40.1%	1,929,034	1,813,010	6.4%
Internet banking								
Number of active users [9]	140,592	268,053	-47.6%	247,342	-43.2%	140,592	268,053	-47.6%
Number of transactions via internet bank	1,080,287	1,273,318	-15.2%	973,336	11.0%	3,160,696	4,033,394	-21.6%
Volume of transactions via internet bank	543,202	579,426	-6.3%	583,328	-6.9%	1,780,752	1,627,543	9.4%
Mobile banking								
Number of active users [9]	671,959	448,176	49.9%	619,519	8.5%	671,959	448,176	49.9%
Number of transactions via mobile bank	17,197,028	9,516,173	80.7%	13,335,918	29.0%	42,986,783	24,396,405	76.2%
Volume of transactions via mobile bank	2,463,558	1,265,778	94.6%	1,766,710	39.4%	5,893,395	3,081,276	91.3%

- **Y-o-y and q-o-q growth in client base to 2,587,177 customers at 30 September 2020** was due to the increased offering of cost-effective remote channels and substantially improving our positioning in many key areas. Based on the latest research, Bank of Georgia is regarded as the most trusted financial institution in Georgia
- **The number of outstanding cards** increased by 3.0% y-o-y and by 0.3% q-o-q at 30 September 2020. The number of Loyalty programme Plus+ cards, reached 1,059,785 at 30 September 2020, up 33.8% y-o-y and up 10.8% q-o-q
- **Digital channels**. We have actively continued the further development of our digital strategy and therefore, more than 95% of the total daily transactions of individuals were executed through digital channels during the first nine months of 2020
  - **mBank and iBank digital penetration.** The Bank continued introducing new features to mobile banking application and internet bank and introducing dedicated digital spaces in our branches to incentivise transferring client activity to digital channels. The focus in this direction further increased after the COVID-19 pandemic outbreak, which the Bank responded to with various activities, such as instructive videos, incentives and call centre support for customers educating them how to use these digital channels. As a result of increased investments and efforts in this direction, the number of active users, as well as the number and volume of transactions through these channels, mostly mobile bank, continued to expand
  - **The utilisation of Express Pay terminals**. The Bank has a large network of self-service terminals throughout Georgia, which are used extensively by its customers. The decline in number of transactions y-o-y both in 3Q20 and in 9M20 was primarily due to the continuous migration of customers to the mobile banking platform, as well as slow-down in economic activity on the back of COVID-19 pandemic since March. On the other hand, number of transactions significantly increased on a q-o-q basis in 3Q20, mostly due to the rebound in customer activity since June 2020
- **Business iBank.** In 2019, the Bank released a new business internet banking platform for MSME and corporate clients, with features designed to make its use an intuitive and smooth experience. Since then, we have focused our efforts on making the Business iBank even more useful for business transactions to further incentivise transfer of client activity to digital channels. In the third quarter of 2020, the number (up 4.1% y-o-y and up 18.4% q-o-q) and volume (up 10.4% y-o-y and up 23.6% q-o-q) of Business iBank transactions increased, primarily reflecting the acceleration in business activities during the third quarter of 2020. On a nine months basis, both the number and volume of transactions through Business iBank grew by 4.9% and 6.1% y-o-y, respectively, and c.96% of daily transactions of legal entities were executed through the internet bank in 9M20
- In August 2020, *Global Finance Magazine* named Bank of Georgia *Best Consumer Digital Bank in Georgia in 2020*, including regional awards in sub-categories such as *Best Online Product Offering*, *Best Online Investment Management Services*, *Best Digital Bank in Lending* and *Best Trade Finance Services* in Central and Eastern Europe for 2020
- **SOLO, our premium banking brand, was the least impacted business from our Retail Banking segments, and continued its growth and investment in its lifestyle brand.** We have 11 SOLO lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 2 in major regional cities of Georgia. The number of SOLO clients reached 58,351 at 30 September 2020 (51,692 at 30 September 2019 and 56,207 at 30 June 2020). At 30 September 2020, the product to client

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

ratio for the SOLO segment was 4.9, compared to 2.1 for our retail franchise. While SOLO clients currently represent 2.3% of our total retail client base, they contributed 30.3% to our retail loan book, 39.2% to our retail deposits, 23.9% and 28.7% to our net retail interest income and to our net retail fee and commission income in 3Q20, respectively. The fee and commission income from the SOLO segment was GEL 7.9mln in 3Q20 (GEL 6.7mln in 3Q19 and GEL 5.5mln in 2Q20) and GEL 19.6mln in first nine months of 2020 (GEL 19.1mln in 9M19). 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 30 September 2020, SOLO Club had 5,555 members, up 7.8% y-o-y and largely flat q-o-q

- **MSME banking.** The number of MSME segment clients reached 228,349 at 30 September 2020, up 4.0% y-o-y and up 1.3% q-o-q. MSME's gross loan portfolio reached GEL 3,190.1mln (up 27.7% y-o-y and up 8.9% q-o-q) and client deposits and notes amounted to GEL 877.0mln (up 15.6% y-o-y and up 10.8% q-o-q) at 30 September 2020. The MSME segment generated operating income of GEL 49.2mln in 3Q20 (down 13.9% y-o-y and up 19.8% q-o-q) and GEL 140.8mln in the first nine months of 2020 (down 7.7% y-o-y), with the decline primarily driven by the slow-down in business activity on the back of COVID-19 pandemic outbreak and the temporary lockdown of the economy during April-May period
- **Digital ecosystem development.** Currently, our digital ecosystem covers ten verticals: fintech, real estate and housing, e-commerce, logistics, healthcare, lifestyle, loyalty, accounting services, auto and transportation and HR services. In 2019 and 2020, we launched three platforms – real estate platform *area.ge*, online marketplace platform *extra.ge* and an inventory management and point-of-sale solution for MSME customers *Optimo*. Key developments during 2020 are described below:
  - In 1Q20, the Group in response to COVID-19 outbreak accepted the social and commercial challenge to play a vital role in addressing accelerated digital service demand. Due to social distancing and restrictions imposed on commercial activities, the Group's digital ecosystem arm proactively restructured its operations and commercial offerings to adapt to the changing environment. Core focus fell on *extra.ge*, which after its acquisition in 2Q19, has been transformed into a vibrant and dynamic platform, one of the largest full-scale digital marketplaces in Georgia, and the full-scale re-launch was completed as planned in 1Q20. In 2Q20 and 3Q20, *extra.ge* mainly focused on acquisition of market share (supply and demand creation). Through different active campaigns and initiatives, the platform doubled the network of merchants operating in the country to 400+ vendors and 7,000+ private sellers, selling 110,000+ products and services, as well as significantly increased the number of registered users, delivering a 50% increase in cashless payments. *extra.ge* has also launched mobile application in private beta format. The commercial release of the application is planned in 4Q20
  - Following the COVID-19 outbreak, during the first quarter, the Group structured a unique digital solution for merchants who were faced by customer scarcity and a heavy burden of restrictions. With the packaged solution, branded as *Adapter*, the Group is offering a best-in-class solution to merchants, who can now undergo fast and efficient transformation to digital sales with just a simple plug-in. *Adapter* combines an integration of *Optimo*, an effective inventory and order management platform, with *extra.ge*, a digital marketplace, through which merchants can sell their products directly to customers remotely. *Adapter* quickly gained interest and popularity amongst market players, small merchants, as well as large physical marketplaces, which is evident through active negotiations and already onboarded partners. *Adapter* was highly accepted by hundreds of retailers and producers, exceeding initially planned targets. In 3Q20, the Group launched *Optimo RECA*, beta version of tailored solution for restaurants, cafes and hotels, which had a steady uptake
  - The COVID-19 outbreak significantly decreased activity in the real estate sector, therefore, directly impacting *area.ge*'s operations and performance. As such, in the second quarter of 2020, *area.ge* refocused its strategy towards facilitating and accelerating real estate sales, developing multiple solutions for real estate developer companies, which connect them closely with brokers and other market players, such as banks and financial institutions that provide mortgage loans as part of their product offering. In 3Q20, in response to the Government's new subsidised mortgage loan programme, the Group launched a new solution, *subsidireba.ge*
  - At the beginning of 2020, the Group reassessed its strategy, and in order to be able to meet wide range of customer needs, we decided to partner with others. With this aim, in 2Q20, the Group partnered with 500 Startups and the Georgia's Innovation and Technology Agency, and launched *500 Georgia Acceleration programme*. The programme focuses on accelerating the development of Georgian and international early stage startups operating in the region. In 3Q20, 15 companies from 10 different business verticals completed the programme and joined our Digital Area ecosystem. Since the launch, most of the startups have raised more than US$ 4.9 million from external international investors and venture funds. Currently, 15 additional companies are in the acceleration process, and with the Group's participation, total of c.US$ 1.4mln will be invested in the programme by the end of 2020
- **As a result, Retail Banking recorded a profit** in the amount of GEL 81.1mln in 3Q20 (GEL 88.9mln in 3Q19 and GEL 49.5mln in 2Q20), and GEL 52.5mln in the first nine months of 2020 (compared to profit adjusted for one-off costs of GEL 236.2mln[10] in 9M19). Retail Banking ROAE was 25.0% in 3Q20 (30.7% in 3Q19 and 16.4% in 2Q20) and 5.6% in 9M20 (27.6%[10] in 9M19). Low profitability in 9M20, resulted primarily from the increased cost of risk and non-recurring costs associated with the COVID-19 pandemic impact recorded in the first quarter of 2020

[10] Profit and ROAE in 9M19 exclude GEL 10.1mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

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 and subsidiaries in Tbilisi, London, Budapest, Istanbul and Tel Aviv.

GEL thousands, unless otherwise noted	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[12]								
Net interest income	68,454	51,827	32.1%	63,110	8.5%	200,905	152,232	32.0%
Net fee and commission income	9,500	9,826	-3.3%	9,197	3.3%	27,652	25,090	10.2%
Net foreign currency gain	4,976	13,510	-63.2%	11,431	-56.5%	24,941	35,014	-28.8%
Net other income	4,653	3,300	41.0%	4,825	-3.6%	14,160	4,294	NMF
Operating income	**87,583**	**78,463**	**11.6%**	**88,563**	**-1.1%**	**267,658**	**216,630**	**23.6%**
Salaries and other employee benefits	(13,034)	(15,304)	-14.8%	(14,170)	-8.0%	(37,764)	(42,481)	-11.1%
Administrative expenses	(4,483)	(5,866)	-23.6%	(3,488)	28.5%	(12,437)	(13,897)	-10.5%
Depreciation, amortisation and impairment	(2,352)	(2,416)	-2.6%	(2,434)	-3.4%	(7,259)	(6,050)	20.0%
Other operating expenses	(235)	(241)	-2.5%	(227)	3.5%	(761)	(746)	2.0%
Operating expenses	**(20,104)**	**(23,827)**	**-15.6%**	**(20,319)**	**-1.1%**	**(58,221)**	**(63,174)**	**-7.8%**
Operating income before cost of risk	**67,479**	**54,636**	**23.5%**	**68,244**	**-1.1%**	**209,437**	**153,456**	**36.5%**
Cost of risk	6,745	1,239	NMF	(2,536)	NMF	(91,691)	(7,159)	NMF
Net operating income before non-recurring items	**74,224**	**55,875**	**32.8%**	**65,708**	**13.0%**	**117,746**	**146,297**	**-19.5%**
Net non-recurring items	(1)	(3)	-66.7%	32	NMF	(1,375)	(75)	NMF
Profit before income tax and one-off costs	**74,223**	**55,872**	**32.8%**	**65,740**	**12.9%**	**116,371**	**146,222**	**-20.4%**
Income tax expense	(7,619)	(7,444)	2.4%	(4,246)	79.4%	(10,018)	(14,477)	-30.8%
Profit adjusted for one-off costs	**66,604**	**48,428**	**37.5%**	**61,494**	**8.3%**	**106,353**	**131,745**	**-19.3%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(4,094)	NMF
Profit	**66,604**	**48,428**	**37.5%**	**61,494**	**8.3%**	**106,353**	**127,651**	**-16.7%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, currency blended	4,389,114	3,588,099	22.3%	4,046,063	8.5%	4,389,114	3,588,099	22.3%
Net loans and finance lease receivables, GEL	759,898	640,555	18.6%	705,502	7.7%	759,898	640,555	18.6%
Net loans and finance lease receivables, FC	3,629,216	2,947,544	23.1%	3,340,561	8.6%	3,629,216	2,947,544	23.1%
Client deposits, currency blended	5,797,522	3,720,322	55.8%	5,042,772	15.0%	5,797,522	3,720,322	55.8%
Client deposits, GEL	2,724,735	1,337,082	103.8%	2,423,448	12.4%	2,724,735	1,337,082	103.8%
Client deposits, FC	3,072,787	2,383,240	28.9%	2,619,324	17.3%	3,072,787	2,383,240	28.9%
Time deposits, currency blended	2,814,979	1,321,057	113.1%	2,552,135	10.3%	2,814,979	1,321,057	113.1%
Time deposits, GEL	1,651,521	411,438	NMF	1,468,397	12.5%	1,651,521	411,438	NMF
Time deposits, FC	1,163,458	909,619	27.9%	1,083,738	7.4%	1,163,458	909,619	27.9%
Current accounts and demand deposits, currency blended	2,982,543	2,399,265	24.3%	2,490,637	19.8%	2,982,543	2,399,265	24.3%
Current accounts and demand deposits, GEL	1,073,214	925,644	15.9%	955,051	12.4%	1,073,214	925,644	15.9%
Current accounts and demand deposits, FC	1,909,329	1,473,621	29.6%	1,535,586	24.3%	1,909,329	1,473,621	29.6%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,520,262	1,282,865	18.5%	1,455,700	4.4%	1,520,262	1,282,865	18.5%
Assets under management[11]	2,739,991	2,478,506	10.6%	2,534,113	8.1%	2,739,991	2,478,506	10.6%
RATIOS								
ROAE[12]	*30.7%*	*24.6%*		*31.5%*		*17.1%*	*24.5%*	
Net interest margin, currency blended	*3.6%*	*3.2%*		*3.4%*		*3.7%*	*3.5%*	
Cost of credit risk ratio	*-1.1%*	*-0.2%*		*-1.7%*		*1.7%*	*0.2%*	
Cost of funds, currency blended	*3.4%*	*4.4%*		*3.7%*		*3.6%*	*4.1%*	
Loan yield, currency blended	*8.6%*	*8.9%*		*8.3%*		*8.6%*	*9.1%*	
Loan yield, GEL	*13.0%*	*11.5%*		*12.4%*		*13.0%*	*11.8%*	
Loan yield, FC	*7.7%*	*8.4%*		*7.5%*		*7.7%*	*8.6%*	
Cost of deposits, currency blended	*4.6%*	*3.2%*		*4.2%*		*4.2%*	*3.4%*	
Cost of deposits, GEL	*7.8%*	*5.6%*		*8.1%*		*7.7%*	*5.7%*	
Cost of deposits, FC	*1.8%*	*1.8%*		*1.7%*		*1.7%*	*1.9%*	
Cost of time deposits, currency blended	*6.7%*	*5.3%*		*6.4%*		*6.4%*	*5.4%*	
Cost of time deposits, GEL	*8.7%*	*7.1%*		*9.5%*		*9.0%*	*7.3%*	
Cost of time deposits, FC	*3.8%*	*4.4%*		*3.6%*		*3.7%*	*4.3%*	
Current accounts and demand deposits, currency blended	*2.7%*	*1.9%*		*2.4%*		*2.4%*	*2.1%*	
Current accounts and demand deposits, GEL	*6.4%*	*4.7%*		*6.4%*		*6.1%*	*4.8%*	
Current accounts and demand deposits, FC	*0.6%*	*0.3%*		*0.4%*		*0.4%*	*0.3%*	
Cost / income ratio[13]	*23.0%*	*30.4%*		*22.9%*		*21.8%*	*29.2%*	
Concentration of top ten clients	*9.5%*	*9.4%*		*7.3%*		*9.5%*	*9.4%*	

[11] We have amended the Assets under management definition in the third quarter of 2020 to exclude certain illiquid assets that we hold in custody, and include only the most liquid assets that are being traded on an ongoing basis, and where we earn material fees on holding or trading such assets. The previous period balances have been restated accordingly

[12] The income statement adjusted profit in 9M19 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, GEL 1.1mln (gross of income tax) excluded from non-recurring items and GEL 0.8mln tax benefit excluded from income tax expense. The 9M19 ROAE has been adjusted accordingly

[13] The cost/income ratio in 9M19 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 results.** CIB was least affected by the COVID-19 pandemic outbreak in terms of operating activity in the first nine months of 2020 and generated solid net interest income and net fee and commission income during the period, coupled with efficient cost discipline. This resulted in significant y-o-y increase in operating income before cost of risk, which was up 23.5% y-o-y in 3Q20 and up 36.5% y-o-y in 9M20
- CIB's net interest income demonstrated outstanding growth of 32.1% y-o-y and 8.5% q-o-q during the third quarter of 2020, and was up by 32.0% y-o-y in the first nine months of 2020. **CIB NIM was 3.6% in 3Q20 (up 40bps y-o-y and up 20bps q-o-q) and 3.7% in the first nine months of 2020 (up 20bps y-o-y)**. In 3Q20, 40bps y-o-y increase in NIM was primarily driven by 100bps y-o-y decrease in cost of funds, partially offset by 30bps y-o-y decline in currency blended loan yields, while 20bps q-o-q increase in NIM was the result of 30bps q-o-q increase in currency blended loan yields, coupled with 30bps q-o-q decline in cost of funds. On a nine months basis, cost of funds were down 50bps y-o-y, which was partially offset by 50bps y-o-y decline in currency blended loan yields, resulting in 20bps y-o-y increase in NIM in 9M20
- **CIB's net fee and commission income was GEL 9.5mln in 3Q20, down by 3.3% y-o-y and up 3.3% q-o-q, ending the first nine months of 2020 with GEL 27.7mln net fee and commission income, up 10.2% y-o-y.** The q-o-q and y-o-y growth in net fee and commission income in 3Q20 and 9M20, respectively, was largely driven by increased fees from guarantees and letters of credit issued
- **CIB's loan book and dollarisation**. CIB loan portfolio reached GEL 4,389.1mln at 30 September 2020, up 22.3% y-o-y and up 8.5% q-o-q. On a constant currency basis, CIB loan book was up 12.1% y-o-y and up 2.1% q-o-q. The concentration of the top 10 CIB clients was 9.5% at 30 September 2020 (9.4% at 30 September 2019 and 7.3% at 30 June 2020). Foreign currency denominated net loans represented 82.7% of CIB's loan portfolio at 30 September 2020, compared to 82.1% a year ago and 82.6% at 30 June 2020. At 30 September 2020, 40.9% of total gross CIB loans were issued in foreign currency with exposure to foreign currency risk in regards of income, while 42.0% of total gross CIB loans were issued in foreign currency with no or minimal exposure to foreign currency risk
- **Dollarisation of CIB deposits** decreased to 53.0% at 30 September 2020 from 64.1% a year ago and went slightly up from 51.9% at 30 June 2020. De-dollarisation of CIB's deposit portfolio was primarily supported by notable, 103.8% y-o-y increase in local currency denominated deposits and only 28.9% y-o-y growth in foreign currency denominated deposits in the third quarter of 2020, as a result of significant y-o-y increase in interest rates offered on local currency funds. The interest rates on local currency deposits increased significantly (up 220bps y-o-y and slightly down by 30bps q-o-q in 3Q20, and up 200bps y-o-y in 9M20), while interest rates on foreign currency deposits were largely stable (flat y-o-y and up 10bps q-o-q in 3Q20, and down 20bps y-o-y in 9M20), and the cost of deposits in local currency remained well above the cost of foreign currency deposits during 2020. The q-o-q decline in cost of deposits in local currency in 3Q20 was primarily driven by the deposits of Ministry of Finance of Georgia placed with the Bank starting from the end of second quarter of 2020. These represent lower yielding funds provided to the Banking system in order to support the local currency liquidity on the market. The increase in interest rates on local currency deposits during the first nine months of 2020 was mainly driven by the pressure on local currency funding during the first half of the year, however, this impact was subsequently stabilised to more normal levels as a result of the new local currency funding instruments introduced by the NBG to the market in order to support the GEL liquidity
- **Net other income.** Significant y-o-y increase in net other income during the first nine months of 2020 was largely driven by a gain on revaluation of investment property (impact of changes in fair value on certain investment properties due to the lapse of the repurchase option granted to the former borrower) recorded in the second quarter of 2020. Furthermore, the Group recorded net losses from derivative financial instruments (interest rate swap hedges) during 2019
- **Cost of credit risk.** CIB's cost of credit risk ratio stood at net gain of 1.1% in 3Q20 (compared to net gain 0.2% in 3Q19 and net gain of 1.7% in 2Q20) and was 1.7% in the first nine months of 2020 (compared to 0.2% in 9M19). The significant increase in cost of credit risk ratio in the first nine months of 2020 was driven by the IFRS 9 ECL reserve builds, created for the full economic cycle in the first quarter of 2020, primarily related to deterioration of the macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. This reflected additional reserves for borrowers operating across multiple sectors of the Georgian economy, with the largest impacts in tourism, trade, transportation, construction and real estate industries. These assumptions were further revisited during the second quarter to reflect the better visibility and the macro-economic forecast scenarios published by the NBG in May 2020. Furthermore, in the third quarter, the Group has completed an in-depth analysis of financial standing and creditworthiness of all corporate borrowers. Based on the analysis, the additional reserves booked in the first quarter proved largely sufficient. In 3Q20, revisited assumptions and amortisation of the loan portfolio resulted in a GEL 9.1mln net reversal of ECL on loans to customers and finance lease receivables, leading to a net gain of 1.1% in 3Q20 in terms of cost of credit risk ratio

- As a result, **CIB recorded a profit** of GEL 66.6mln in the third quarter of 2020 (GEL 48.4mln in 3Q19 and GEL 61.5mln in 2Q20), and GEL 106.4mln in the first nine months of 2020 (compared to profit adjusted for one-off costs of GEL 131.7mln[14] in 9M19). CIB's ROAE was 30.7% in 3Q20 (24.6% in 3Q19 and 31.5% in 2Q20) and 17.1% in 9M20 (24.5%[14] in 9M19)

Performance highlights of investment management operations

- **The Investment Management's AUM increased to GEL 2,740.0mln as at 30 September 2020, up 10.6% y-o-y and up 8.1% 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 deposits of Wealth Management franchise clients and client assets at Galt & Taggart, as well as depreciation of the local currency during 2020
- **Wealth Management deposits reached GEL 1,584.8mln as at 30 September 2020, up 14.6% y-o-y and up 7.9% q-o-q, growing at a compound annual growth rate (CAGR) of 9.3% over the last five-year period**. The cost of deposits stood at 3.2% in 3Q20 (flat y-o-y and up 20bps q-o-q) and at 3.1% in the first nine months of 2020 (down 10bps y-o-y)
- We served 1,554 wealth management clients from 78 countries as at 30 September 2020, compared to 1,537 clients as at 30 September 2019 and 1,553 clients as at 30 June 2020
- **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 the first nine months of 2020, Galt & Taggart acted as:
    - a lead manager for International Finance Corporation, facilitating a public placement of GEL 100mln local bond issuance in April 2020
    - a rating advisor for two microfinance organisations, assisting in obtaining credit rating from Scope Ratings
    - a lead placement agent for the Georgian Leasing Company, facilitating a public placement of US$ 10mln local bond issuance in August 2020
    - an advisor of one of the Georgian corporate companies during admission of its shares to trading on the Georgian Stock Exchange in August 2020
  - In February 2020, *Global Finance Magazine* named Galt & Taggart *Best Investment Bank in Georgia* for the sixth consecutive year
  - Galt and Taggart Research - recent activities:
    - In June 2020, Galt & Taggart published its view on Georgia's growth model in the context of global change triggered by COVID-19 pandemic
    - In July 2020, Galt & Taggart hosted a web-conference on Georgia's new growth model to discuss the findings with IFIs and other policy makers. The presentation was followed by panel discussion with the participation of high-level representatives from the International Monetary Fund, the World Bank, European Bank for Reconstruction and Development, the Government of Georgia and Bank of Georgia Group
    - In July 2020, Galt & Taggart published initiation coverage on Georgia's education sector
    - In July 2020, Galt & Taggart organised online meeting with JSC Bank of Georgia's clients to discuss macroeconomic development in Georgia

[14] Profit and ROAE in 9M19 are adjusted for GEL 4.1mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

SELECTED FINANCIAL AND OPERATING INFORMATION

INCOME STATEMENT	BANK OF GEORGIA GROUP CONSOLIDATED							
GEL thousands, unless otherwise noted	**3Q20**	**3Q19**	**Change y-o-y**	**2Q20**	**Change q-o-q**	**9M20**	**9M19**	**Change y-o-y**
Interest income	407,666	366,721	11.2%	379,038	7.6%	1,175,029	1,043,680	12.6%
Interest expense	(203,636)	(165,729)	22.9%	(204,102)	-0.2%	(598,982)	(461,353)	29.8%
Net interest income	**204,030**	**200,992**	**1.5%**	**174,936**	**16.6%**	**576,047**	**582,327**	**-1.1%**
Fee and commission income	71,793	76,166	-5.7%	54,389	32.0%	197,076	206,721	-4.7%
Fee and commission expense	(26,261)	(28,157)	-6.7%	(21,488)	22.2%	(78,531)	(73,265)	7.2%
Net fee and commission income	**45,532**	**48,009**	**-5.2%**	**32,901**	**38.4%**	**118,545**	**133,456**	**-11.2%**
Net foreign currency gain	19,179	32,233	-40.5%	22,743	-15.7%	72,583	82,186	-11.7%
Net other income	7,750	3,728	107.9%	9,081	-14.7%	23,457	3,035	NMF
Operating income	**276,491**	**284,962**	**-3.0%**	**239,661**	**15.4%**	**790,632**	**801,004**	**-1.3%**
Salaries and other employee benefits (excluding one-offs)	*(58,171)*	*(59,539)*	*-2.3%*	*(60,656)*	*-4.1%*	*(175,365)*	*(169,938)*	*3.2%*
One-off termination costs of former executive management (1)	-	-	-	-	-	-	*(12,412)*	*NMF*
Salaries and other employee benefits	(58,171)	(59,539)	-2.3%	(60,656)	-4.1%	(175,365)	(182,350)	-3.8%
Administrative expenses	(24,443)	(26,251)	-6.9%	(22,450)	8.9%	(73,914)	(71,025)	4.1%
Depreciation, amortisation and impairment	(19,125)	(21,320)	-10.3%	(21,139)	-9.5%	(61,654)	(54,303)	13.5%
Other operating expenses	(873)	(807)	8.2%	(913)	-4.4%	(2,845)	(3,135)	-9.3%
Operating expenses	**(102,612)**	**(107,917)**	**-4.9%**	**(105,158)**	**-2.4%**	**(313,778)**	**(310,813)**	**1.0%**
Profit from associates	214	194	10.3%	113	89.4%	628	636	-1.3%
Operating income before cost of risk	**174,093**	**177,239**	**-1.8%**	**134,616**	**29.3%**	**477,482**	**490,827**	**-2.7%**
Expected credit loss on loans to customers	(5,836)	(13,617)	-57.1%	11,621	NMF	(222,404)	(86,170)	158.1%
Expected credit loss on finance lease receivables	(2,371)	(333)	NMF	(3,387)	-30.0%	(7,644)	(1,336)	NMF
Other expected credit loss on other assets and provisions	(2,735)	(1,273)	114.8%	(18,455)	-85.2%	(32,518)	(5,845)	NMF
Cost of risk	**(10,942)**	**(15,223)**	**-28.1%**	**(10,221)**	**7.1%**	**(262,566)**	**(93,351)**	**NMF**
Net operating income before non-recurring items	**163,151**	**162,016**	**0.7%**	**124,395**	**31.2%**	**214,916**	**397,476**	**-45.9%**
Net non-recurring items (excluding one-offs)	*254*	*(5,019)*	*NMF*	*(1,241)*	*NMF*	*(41,332)*	*(9,132)*	*NMF*
One-off termination costs of former CEO (2)	-	-	-	-	-	-	*(3,985)*	*NMF*
Net non-recurring items	254	(5,019)	NMF	(1,241)	NMF	(41,332)	(13,117)	NMF
Profit before income tax expense	**163,405**	**156,997**	**4.1%**	**123,154**	**32.7%**	**173,584**	**384,359**	**-54.8%**
Income tax expense (excluding one-offs)	*(15,051)*	*(22,697)*	*-33.7%*	*(8,470)*	*77.7%*	*(10,491)*	*(43,104)*	*-75.7%*
Income tax benefit related to one-off termination costs of former CEO and executive management (3)	-	-	-	-	-	-	*2,161*	*NMF*
Income tax expense	(15,051)	(22,697)	-33.7%	(8,470)	77.7%	(10,491)	(40,943)	-74.4%
Profit	**148,354**	**134,300**	**10.5%**	**114,684**	**29.4%**	**163,093**	**343,416**	**-52.5%**
One-off items (1)+(2)+(3)	-	-	-	-	-	-	(14,236)	NMF
Profit attributable to:	147,704	133,687	10.5%	114,174	29.4%	162,363	341,841	-52.5%
– shareholders of the Group	650	613	6.0%	510	27.5%	730	1,575	-53.7%
– non-controlling interests								
Earnings per share (basic)	**3.11**	**2.81**	**10.7%**	**2.40**	**29.6%**	**3.41**	**7.16**	**-52.4%**
Earnings per share (diluted)	**3.11**	**2.81**	**10.7%**	**2.40**	**29.6%**	**3.41**	**7.14**	**-52.2%**

BALANCE SHEET	BANK OF GEORGIA GROUP CONSOLIDATED				
GEL thousands, unless otherwise noted	**Sep-20**	**Sep-19**	**Change y-o-y**	**Jun-20**	**Change q-o-q**
Cash and cash equivalents	2,154,224	1,369,169	57.3%	1,633,755	31.9%
Amounts due from credit institutions	1,980,195	1,834,220	8.0%	1,700,075	16.5%
Investment securities	2,205,244	1,895,722	16.3%	2,113,900	4.3%
Loans to customers and finance lease receivables	13,627,144	11,339,745	20.2%	12,599,092	8.2%
Accounts receivable and other loans	4,935	4,475	10.3%	4,060	21.6%
Prepayments	32,021	43,795	-26.9%	31,513	1.6%
Inventories	11,406	11,257	1.3%	13,901	-17.9%
Right-of-use assets	85,859	106,130	-19.1%	89,758	-4.3%
Investment property	221,517	193,499	14.5%	212,182	4.4%
Property and equipment	390,401	364,405	7.1%	396,272	-1.5%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	117,941	95,829	23.1%	116,355	1.4%
Income tax assets	40,484	7,682	NMF	54,595	-25.8%
Other assets	216,159	202,426	6.8%	139,945	54.5%
Assets held for sale	46,072	38,987	18.2%	45,212	1.9%
Total assets	**21,166,953**	**17,540,692**	**20.7%**	**19,183,966**	**10.3%**
Client deposits and notes	12,985,039	9,613,718	35.1%	11,583,139	12.1%
Amounts owed to credit institutions	3,757,646	3,437,718	9.3%	3,521,860	6.7%
Debt securities issued	1,628,188	2,175,820	-25.2%	1,561,933	4.2%
Lease liabilities	98,522	105,285	-6.4%	96,878	1.7%
Accruals and deferred income	43,474	41,521	4.7%	37,257	16.7%
Income tax liabilities	70,854	39,251	80.5%	70,171	1.0%
Other liabilities	212,093	87,520	142.3%	112,929	87.8%
Total liabilities	**18,795,816**	**15,500,833**	**21.3%**	**16,984,167**	**10.7%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	513,407	498,593	3.0%	500,887	2.5%
Treasury shares	(54)	(53)	1.9%	(54)	0.0%
Other reserves	38,201	28,472	34.2%	25,417	50.3%
Retained earnings	1,807,432	1,502,248	20.3%	1,662,164	8.7%
Total equity attributable to shareholders of the Group	**2,360,604**	**2,030,878**	**16.2%**	**2,190,032**	**7.8%**
Non-controlling interests	10,533	8,981	17.3%	9,767	7.8%
Total equity	**2,371,137**	**2,039,859**	**16.2%**	**2,199,799**	**7.8%**
Total liabilities and equity	**21,166,953**	**17,540,692**	**20.7%**	**19,183,966**	**10.3%**
Book value per share	**49.67**	**42.69**	**16.4%**	**46.07**	**7.8%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT HIGHLIGHTS *GEL thousands, unless otherwise stated*	3Q20	3Q19	Change y-o-y	2Q20	Change q-o-q	9M20	9M19	Change y-o-y
Net interest income	8,735	7,447	17.3%	9,157	-4.6%	27,361	20,392	34.2%
Net fee and commission income	1,220	1,956	-37.6%	1,486	-17.9%	4,410	5,567	-20.8%
Net foreign currency (loss) / gain	(42)	5,405	NMF	3,787	NMF	4,238	14,140	-70.0%
Net other (expense) / income	(110)	57	NMF	350	NMF	573	371	54.4%
Operating income	**9,803**	**14,865**	**-34.1%**	**14,780**	**-33.7%**	**36,582**	**40,470**	**-9.6%**
Operating expenses	(7,812)	(9,135)	-14.5%	(8,098)	-3.5%	(24,616)	(25,873)	-4.9%
Operating income before cost of risk	**1,991**	**5,730**	**-65.3%**	**6,682**	**-70.2%**	**11,966**	**14,597**	**-18.0%**
Cost of risk	(1,449)	293	NMF	(1,928)	-24.8%	(6,799)	(2,684)	153.3%
Net non-recurring items	36	(1)	NMF	(24)	NMF	2	(64)	NMF
Profit before income tax	**578**	**6,022**	**-90.4%**	**4,730**	**-87.8%**	**5,169**	**11,849**	**-56.4%**
Income tax benefit / (expense)	76	(1,193)	NMF	(1,010)	NMF	(966)	(2,143)	-54.9%
Profit	**654**	**4,829**	**-86.5%**	**3,720**	**-82.4%**	**4,203**	**9,706**	**-56.7%**

BALANCE SHEET HIGHLIGHTS *GEL thousands, unless otherwise stated*	Sep-20	Sep-19	Change y-o-y	Jun-20	Change q-o-q
Cash and cash equivalents	155,782	170,787	-8.8%	187,920	-17.1%
Amounts due from credit institutions	14,614	22,534	-35.1%	13,605	7.4%
Investment securities	74,936	101,511	-26.2%	93,549	-19.9%
Loans to customers and finance lease receivables	702,231	556,541	26.2%	638,713	9.9%
Other assets	47,394	59,397	-20.2%	50,667	-6.5%
Total assets	**994,957**	**910,770**	**9.2%**	**984,454**	**1.1%**
Client deposits and notes	596,360	588,647	1.3%	647,977	-8.0%
Amounts owed to credit institutions	209,535	132,648	58.0%	144,815	44.7%
Debt securities issued	49,214	72,931	-32.5%	57,289	-14.1%
Other liabilities	22,188	8,239	169.3%	12,873	72.4%
Total liabilities	**877,297**	**802,465**	**9.3%**	**862,954**	**1.7%**
Total equity	**117,660**	**108,305**	**8.6%**	**121,500**	**-3.2%**
Total liabilities and equity	**994,957**	**910,770**	**9.2%**	**984,454**	**1.1%**

KEY RATIOS	3Q20	3Q19	2Q20	9M20	9M19
Profitability					
ROAA, annualised[15]	3.0%	3.2%	2.4%	1.1%	3.0%
ROAA, annualised (unadjusted)	3.0%	3.2%	2.4%	1.1%	2.9%
ROAE, annualised[15]	26.0%	26.8%	21.8%	9.9%	24.7%
RB ROAE[15]	*25.0%*	*30.7%*	*16.4%*	*5.6%*	*27.6%*
CIB ROAE[15]	*30.7%*	*24.6%*	*31.5%*	*17.1%*	*24.5%*
ROAE, annualised (unadjusted)	26.0%	26.8%	21.8%	9.9%	23.7%
Net interest margin, annualised	4.8%	5.4%	4.2%	4.7%	5.7%
RB NIM	*4.8%*	*6.1%*	*4.0%*	*4.6%*	*6.3%*
CIB NIM	*3.6%*	*3.2%*	*3.4%*	*3.7%*	*3.5%*
Loan yield, annualised	10.7%	11.5%	10.2%	10.6%	11.8%
RB Loan yield	*11.7%*	*12.8%*	*11.1%*	*11.5%*	*13.1%*
CIB Loan yield	*8.6%*	*8.9%*	*8.3%*	*8.6%*	*9.1%*
Liquid assets yield, annualised	3.3%	3.2%	3.4%	3.5%	3.4%
Cost of funds, annualised	4.7%	4.5%	4.8%	4.8%	4.5%
Cost of client deposits and notes, annualised	3.8%	2.9%	3.5%	3.5%	3.0%
RB Cost of client deposits and notes	*3.1%*	*2.6%*	*2.9%*	*2.9%*	*2.7%*
CIB Cost of client deposits and notes	*4.6%*	*3.2%*	*4.2%*	*4.2%*	*3.4%*
Cost of amounts owed to credit institutions, annualised	6.9%	6.8%	7.3%	7.3%	7.0%
Cost of debt securities issued	7.0%	7.7%	7.7%	7.5%	7.6%
Operating leverage, y-o-y[16]	1.9%	-5.2%	-13.6%	-6.4%	-1.7%
Operating leverage, q-o-q[16]	17.8%	1.2%	-11.9%	0.0%	0.0%
Efficiency					
Cost / Income[16]	37.1%	37.9%	43.9%	39.7%	37.3%
RB Cost / Income[16]	*41.8%*	*38.0%*	*56.3%*	*47.5%*	*37.1%*
CIB Cost /Income[16]	*23.0%*	*30.4%*	*22.9%*	*21.8%*	*29.2%*
Cost / Income (unadjusted)	37.1%	37.9%	43.9%	39.7%	38.8%
Liquidity[17]					
NBG liquidity coverage ratio *(minimum requirement 100%)*	147.0%	118.5%	135.4%	147.0%	118.5%
Liquid assets to total liabilities	33.7%	32.9%	32.1%	33.7%	32.9%
Net loans to client deposits and notes	104.9%	118.0%	108.8%	104.9%	118.0%
Net loans to client deposits and notes + DFIs	92.1%	103.4%	94.5%	92.1%	103.4%
Leverage (times)	7.9	7.6	7.7	7.9	7.6
Asset quality:					
NPLs (in GEL)	530,631	339,118	355,260	530,631	339,118
NPLs to gross loans to clients	3.8%	2.9%	2.7%	3.8%	2.9%
NPL coverage ratio	76.8%	85.3%	115.7%	76.8%	85.3%
NPL coverage ratio, adjusted for discounted value of collateral	131.4%	129.3%	166.3%	131.4%	129.3%
Cost of credit risk, annualised	0.2%	0.5%	-0.2%	2.4%	1.1%
RB Cost of credit risk	*0.8%*	*0.9%*	*0.2%*	*2.7%*	*1.6%*
CIB Cost of credit risk	*-1.1%*	*-0.2%*	*-1.7%*	*1.7%*	*0.2%*
Capital adequacy:					
NBG (Basel III) CET1 capital adequacy ratio	9.9%	11.1%	9.9%	9.9%	11.1%
Minimum regulatory requirement	*6.9%*	*9.5%*	*6.9%*	*6.9%*	*9.5%*
NBG (Basel III) Tier I capital adequacy ratio	12.0%	13.3%	12.0%	12.0%	13.3%
Minimum regulatory requirement	*8.7%*	*11.6%*	*8.7%*	*8.7%*	*11.6%*
NBG (Basel III) Total capital adequacy ratio	17.3%	16.8%	17.4%	17.3%	16.8%
Minimum regulatory requirement	*13.3%*	*16.1%*	*13.3%*	*13.3%*	*16.1%*
Selected operating data:					
Total assets per FTE	2,976	2,402	2,671	2,976	2,402
Number of active branches, of which:	211	276	229	211	276
- Express branches (including Metro)	*105*	*167*	*121*	*105*	*167*
- Bank of Georgia branches	*95*	*97*	*97*	*95*	*97*
- SOLO lounges	*11*	*12*	*11*	*11*	*12*
Number of ATMs	947	911	940	947	911
Number of cards outstanding, of which:	2,184,591	2,121,830	2,178,053	2,184,591	2,121,830
- Debit cards	*1,879,970*	*1,674,105*	*1,828,691*	*1,879,970*	*1,674,105*
- Credit cards	*304,621*	*447,725*	*349,362*	*304,621*	*447,725*
Number of POS terminals	*25,706*	*21,088*	*23,787*	*25,706*	*21,088*
Number of Express pay terminals	3,130	3,231	3,118	3,130	3,231
FX Rates:					
GEL/US$ exchange rate (period-end)	3.2878	2.9552	3.0552		
GEL/GBP exchange rate (period-end)	4.2255	3.6319	3.7671		

	Sep-20	Sep-19	Jun-20
Full time employees (FTE), of which:	**7,112**	**7,304**	**7,181**
- Full time employees, BOG standalone	5,598	5,706	5,693
- Full time employees, BNB	538	584	543
- Full time employees, other	976	1,014	945

Shares outstanding	Sep-20	Sep-19	Jun-20
Ordinary shares	47,528,417	47,574,153	47,536,332
Treasury shares	1,641,011	1,595,275	1,633,096
Total shares outstanding	**49,169,428**	**49,169,428**	**49,169,428**

[15] The 9M19 ratios are adjusted for one-off employee costs related to termination benefits of the former CEO and executive management
[16] The 9M19 ratios are adjusted for one-off employee costs related to termination benefits of former executive management
[17] We stopped reporting the NBG liquidity ratio since 1 January 2020 due to the phase-out of the requirement of this ratio per NBG's regulations

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

COMPANY INFORMATION

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Share price information

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