Bank of Georgia Group PLC

1st quarter 2019 results

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www.bankofgeorgiagroup.com

ABOUT BANK OF GEORGIA GROUP PLC

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

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

1Q19 RESULTS AND CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group's first quarter 2019 consolidated results. Unless otherwise noted, numbers in this announcement are for 1Q19 and comparisons are with 1Q18. 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.

An investor/analyst conference call, organised by the Bank of Georgia Group, will be held on, 14 May 2019, at 14:00 UK / 15:00 CET / 09:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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FORWARD LOOKING STATEMENTS

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

HIGHLIGHTS[1]

Strong profitability and balance sheet growth, supported by outstanding capital and liquidity positions

GEL thousands, except per share information	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q
Banking Business Income Statement Highlights[2]					
Net interest income	182,941	180,249	1.5%	187,438	-2.4%
Net fee and commission income	42,180	34,511	22.2%	41,344	2.0%
Net foreign currency gain	30,025	14,253	110.7%	53,358	-43.7%
Net other income / (expense)	3,568	5,744	-37.9%	(9,073)	NMF
Operating income	**258,714**	**234,757**	**10.2%**	**273,067**	**-5.3%**
Operating expenses	**(91,927)**	**(87,379)**	**5.2%**	**(100,857)**	**-8.9%**
Profit from associates	188	318	-40.9%	318	-40.9%
Operating profit before cost of risk	**166,975**	**147,696**	**13.1%**	**172,528**	**-3.2%**
Cost of risk	(42,652)	(33,813)	26.1%	(40,778)	4.6%
Net operating profit before non-recurring items and income tax	**124,323**	**113,883**	**9.2%**	**131,750**	**-5.6%**
Net non-recurring items	(1,575)	(2,948)	-46.6%	(2,185)	-27.9%
Profit before income tax expense and one-off termination costs	**122,748**	**110,935**	**10.6%**	**129,565**	**-5.3%**
Income tax expense	(10,536)	(9,283)	13.5%	(10,888)	-3.2%
Profit adjusted for one-off termination costs	**112,212**	**101,652**	**10.4%**	**118,677**	**-5.4%**
One-off termination costs of former CEO and executive management (after tax)	(10, 240)	-	NMF	(3,861)	NMF
Profit	**101,972**	**101,652**	**0.3%**	**114,816**	**-11.2%**

GEL thousands, except per share information	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q
Banking Business Balance Sheet Highlights					
Liquid assets	4,502,390	4,514,326	-0.3%	4,540,032	-0.8%
Cash and cash equivalents	*1,162,168*	*1,754,920*	*-33.8%*	*1,215,799*	*-4.4%*
Amounts due from credit institutions	*1,391,630*	*955,175*	*45.7%*	*1,305,216*	*6.6%*
Investment securities	*1,948,592*	*1,804,231*	*8.0%*	*2,019,017*	*-3.5%*
Loans to customers and finance lease receivables[3]	9,570,691	7,819,773	22.4%	9,397,747	1.8%
Property and equipment	349,728	324,810	7.7%	344,059	1.6%
Total assets	**15,054,570**	**13,194,528**	**14.1%**	**14,798,303**	**1.7%**
Client deposits and notes	8,393,861	7,296,110	15.0%	8,133,853	3.2%
Amounts due to credit institutions	2,463,408	2,642,427	-6.8%	2,994,879	-17.7%
Borrowings from DFI	*1,309,976*	*1,191,605*	*9.9%*	*1,302,679*	*0.6%*
Short-term loans from NBG	*585,797*	*729,244*	*-19.7%*	*1,118,957*	*-47.6%*
Loans and deposits from commercial banks	*567,635*	*721,578*	*-21.3%*	*573,243*	*-1.0%*
Debt securities issued	2,045,428	1,569,404	30.3%	1,730,414	18.2%
Total liabilities	**13,135,789**	**11,597,058**	**13.3%**	**13,000,030**	**1.0%**
Total equity	**1,918,781**	**1,597,470**	**20.1%**	**1,798,273**	**6.7%**

Banking Business Key Ratios	1Q19	1Q18	4Q18
ROAA[2]	3.1%	3.2%	3.3%
ROAE[2]	24.5%	26.2%	27.0%
Net interest margin	5.8%	7.0%	6.0%
Loan yield	12.2%	13.9%	12.8%
Cost of funds	4.8%	4.8%	5.0%
Cost / income[4]	35.5%	37.2%	36.9%
NPLs to Gross loans to clients	3.3%	3.5%	3.3%
NPL coverage ratio	92.2%	101.2%	90.5%
NPL coverage ratio, adjusted for discounted value of collateral	132.6%	143.2%	129.9%
Cost of credit risk	1.7%	1.8%	1.1%
NBG (Basel III) Tier I capital adequacy ratio	12.7%	12.4%	12.2%
NBG (Basel III) Total capital adequacy ratio	17.1%	17.3%	16.6%

[1] On 29 May 2018, the demerger of Bank of Georgia Group PLC's Investment Business to Georgia Capital PLC became effective. The results of operations of the Investment Business prior to demerger, as well as the gain recorded by the Group as a result of the Investment Business distribution are classified under the "discontinued operations". The Group, Banking Business and Discontinued Operations detailed financials, including inter-business eliminations are provided on pages 19 and 20

[2] The income statement adjusted profit excludes GEL 10.2mln in 1Q19 (4Q18: GEL 3.9mln) one-off employee costs (net of income tax) related to former CEO and executive management termination benefits. The amount is comprised of GEL 4.0mln (gross of income tax) excluded from non-recurring items (4Q18: GEL 4.4mln) and GEL 7.8mln (gross of income tax) excluded from salaries and other employee benefits. 1Q19 and 4Q18 ROAE and ROAA have been adjusted accordingly. Full IFRS income statement is presented on page 19. Management believes that one-off employee termination costs do not relate to underlying performance of the Group, and hence, adjusted results provide the best representation of the Group's performance

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

[4] 1Q19 cost/income ratio adjusted for GEL 7.8mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

KEY RESULTS HIGHLIGHTS

- **Strong quarterly performance.** Profit adjusted for one-off termination costs of the former CEO and executive management totalled GEL 112.2mln in 1Q19, with profitability remaining high at 24.5%[5] ROAE
- **Solid Asset quality.** NPLs to gross loans ratio was 3.3% at 31 March 2019, while the NPL coverage ratio was 92.2% and the NPL coverage ratio adjusted for discounted value of collateral increased to 132.6%. The cost of credit risk ratio stood at 1.7% in 1Q19, down 10bps y-o-y and up 60bps q-o-q. The q-o-q increase reflected normal seasonality, as well as recent regulatory changes on unsecured consumer lending
- **Loan book growth was 22.4% y-o-y and 1.8% q-o-q at 31 March 2019.** Growth on a constant-currency basis was 14.7% y-o-y and 1.5% q-o-q. Retail Banking loan book share in the total loan portfolio was 70.0% at 31 March 2019 (69.5% at 31 March 2018 and 69.8% at 31 December 2018)
- **Strong capital position.** Basel III Tier 1 and Total Capital Adequacy ratios stood at 12.7% and 17.1%, respectively, as of 31 March 2019, both above the minimum required level of 11.6% and 16.1%, respectively. Common Equity Tier 1 (CET1) ratio stood at 12.7%, compared to a 9.6% minimum requirement at 31 March 2019 and already above the estimated fully-loaded Basel III CET1 requirement for 2021
- **In 1Q19, JSC Bank of Georgia issued an inaugural US$100 million 11.125% Additional Tier 1 Capital Perpetual Subordinated Notes.** Regulatory approval on the classification of these securities as Additional Tier 1 instruments was received in April 2019, therefore, the AT1 instruments were not reflected in the capital ratios reported as of 31 March 2019. This issuance has added approximately 230 basis points to the Bank's Tier 1 capital ratio, which is also now above the estimated fully-loaded Basel III Tier 1 capital requirement for 2021
- **Retail Banking ("RB") continued to deliver solid growth.** RB's operating income reached GEL 178.8mln in 1Q19, up 5.8% y-o-y and down 5.1% q-o-q. The Retail Banking net loan book reached GEL 6,389.6mln at 31 March 2019, up 23.2% y-o-y and up 2.0% q-o-q. The growth was predominantly driven by mortgage and micro and SME lending. At the same time, the RB client deposits increased to GEL 4,520.5mln at 31 March 2019, up 36.8% y-o-y and 4.2% q-o-q
- **Corporate Investment Banking ("CIB") demonstrated strong growth in 1Q19,** generating solid net interest income and net fee and commission income during the period, coupled with operating efficiencies and improved asset quality**.** CIB's net loan book reached GEL 2,652.8mln at 31 March 2019, up 19.4% y-o-y and up 1.3% q-o-q. The growth on a constant-currency basis was 9.2% y-o-y and 0.8% q-o-q. The top 10 CIB client concentration was 9.1% at the end of 1Q19 (10.3% at 31 March 2018 and 9.8% at 31 December 2018)
- **Assets Under Management ("AUM") within the Group's Investment Management business, increased to GEL 2,371.0mln in 1Q19**, up 29.1% y-o-y and up 4.4% q-o-q, reflecting an increase in client assets and bond issuances at Galt & Taggart, our brokerage subsidiary
- **De-dollarisation of the loan book and client deposits.** Loan book in local currency accounted for 39.3% of the total book at 31 March 2019 (41.2% a year ago and 38.3% in the previous quarter). Client deposits in local currency represented 32.9% of the total deposit portfolio at 31 March 2019 (33.8% a year ago and 32.5% in previous quarter)
- **Remote channels**. We have actively continued the further development of our digital strategy:
  - **The Bank continued introducing new features to both our mobile banking application and our internet bank** and introducing dedicated digital spaces in our branches to increase client penetration and incentivise offloading client activity to digital channels. As a result, the number of active internet and mobile banking users in 1Q19 reached 277,960 (up 16.5% y-o-y) and 382,152 (up 84.2% y-o-y), respectively. Both the number and volume of transactions through our mobile and internet banking continued to expand in 1Q19. In total, c.82% of daily banking transactions were executed through remote channels during first quarter of 2019
  - **In 1Q19, the Bank released a brand new business internet banking platform (Business iBank)** for MSME and corporate clients, which comes with many features designed to make its use an intuitive and smooth experience. We focused our efforts on making the Business iBank even more useful for business transactions, accounting, payments, money transfers, administration, which should further incentivise offloading client activity to digital channels
  - **In 1Q19, the Group launched a cutting-edge full-service real estate digital platform** that is unique in doing business in the Georgian real estate market. The platform offers a single space for the more convenient, timely and efficient interaction and information exchange to all stakeholders involved in buying, selling, renting, developing real estate in Georgia. We believe it is the most up-to-date, comprehensive and reliable offering in the Georgian real estate market and is the first platform to be fully integrated with the Bank to provide its users a "one-click" live credit limit appraisal and mortgage application experience. The Group aims to boost its mortgage portfolio by gaining access to and serving a new clientèle, and simultaneously offering value-added services to real estate developers and agencies

[5] 1Q19 ROAE adjusted for GEL 10.2mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

CHIEF EXECUTIVE OFFICER'S STATEMENT

In the first quarter of 2019, the Group delivered another period of good balance sheet and fee income growth, in the seasonally quiet first quarter of the year, combined with continued superior profitability. In addition, we have continued to build our fully integrated digital capacity; we improved our already strong capital position with the issuance of US$100 million Additional Tier 1 capital, and announced the strengthening of our executive management team. At the same time, the Bank has adopted a significant tranche of local regulatory changes and the Georgian economy has continued to achieve strong macro-economic growth.

Net profit for the quarter totalled GEL 102.0 million, despite the impact of GEL 10.2 million of one-off employee costs (net of income tax) related to termination benefits of former CEO and executive management members. Adjusting for these costs, net profit increased by 10.4% y-o-y to GEL 112.2 million, and the return on average equity was 24.5%. During the quarter, the Group delivered operating income of GEL 258.7 million, up 10.2% year-on-year, reflecting both customer lending growth and particularly strong levels of fee and commission income. Customer lending increased 22.4% over the last twelve months, and by 1.8% during the quarter, and we continue to expect c.15% customer lending growth for 2019.

During the quarter we actively continued the further development of our fully integrated digital strategy, an important focus for us as we seek to digitise our full banking platforms:

- Introducing new features to both our mobile banking application and our internet bank and introducing dedicated digital spaces in our branches. As a result, the number of active internet and mobile banking users in 1Q19 reached 277,960 (up 16.5% y-o-y) and 382,152 (up 84.2% y-o-y), respectively;
- Releasing a brand new business internet banking platform (Business iBank) for our MSME and corporate clients; and
- Launching a cutting-edge full-service real estate digital platform that is unique in doing business in the Georgian real estate market. This is the first platform to be fully integrated with the Bank to provide users with a "one-click" live credit limit appraisal and mortgage application experience.

From a macro-economic perspective, the economy continued to perform well, with Georgia's real GDP growth at 4.7% in 1Q19. External pressures continued to ease as goods exports, remittances and tourism all posted increases while imports declined. In the first three months of the year, inflation remained close to the National Bank of Georgia's 3% target, and at 3.7% in March 2019. With subdued inflation expectations, the NBG cut the policy rate to 6.5% in 1Q19. Continued growth in external inflows enabled the NBG to purchase US$186 million in 1Q19. This lifted international reserves to US$3.5 billion as of 31 March 2019. Despite these FX purchases, the Georgian Lari remained relatively stable against US$ throughout the quarter. Notably, Georgia's macro fundamentals remain strong with its track record of resilience to negative external developments. This was acknowledged by a one-notch sovereign credit rating upgrade from Fitch Ratings in February 2019 and an improved rating outlook from S&P in April 2019. Georgia's economic resilience continues to be underpinned by its diversified economic base and external economic linkages, as well as prudent economic policy-making and a healthy banking sector.

Whilst individual product loan yields have remained broadly stable, our increasing focus on lending in the mortgage segment and to finer margin corporate and SME clients, has led to a negative mix effect on the net interest margin, which reduced by 20 basis points quarter-on-quarter to 5.8% at the Group level, and by 30 basis points in the Retail Bank. This shift in product mix, which we expect to continue at a slower rate during 2019, improves asset quality and, particularly in the case of the mortgage portfolio, reduces the risk-asset and capital intensity of our lending growth. Costs remain well controlled and, adjusting for impact of the one-off employee termination costs, the Group delivered positive operating leverage of 5.0 percentage points y-o-y, and improved its cost/income ratio to 35.5%.

Asset quality continues to be extremely robust, reflecting our good lending discipline and the ongoing strength of the economy. The annualised cost of risk ratio in the quarter was 1.7%, broadly reflecting a very strong performance in CIB (annualised cost of risk of 0.1%), which offset the impact of first quarter seasonality and the new regulatory changes in the Retail Bank (annualised cost of risk of 2.4%), as we have reduced our Express lending portfolio significantly. This process has now been largely completed, and we expect the Retail Bank cost of risk to return to more normal levels over the next few quarters. The NPLs to gross loans ratio was stable at 3.3% during the quarter, 20 basis points lower than a year ago and flat q-o-q. Provisions coverage ratios improved during the quarter, and we continue to expect asset quality and credit metrics to remain strong over the medium-term.

The Retail Bank continues to deliver strong franchise growth. Customer lending increased 2.0% during the traditionally quietest quarter of the year, and 23.2% over the last 12 months, at a time when we have been integrating significant regulatory changes to income verification procedures, and payment-to-income and loan-to-value ratios targeted to refocus retail lending towards the high quality secured mortgage portfolio and MSME lending. MSME lending in the quarter was particularly strong, supported by the strength of the Georgian economy, growing by 4.7% in the quarter. Going forward, the Retail Bank's clear focus will be on capturing the significant growth opportunities in the mortgage and MSME portfolios. The overall impact of the regulatory changes has been the reduction of the net interest margin of the Retail Bank and, temporarily while the higher margin Express loan portfolio has been substantially run down, increase in the retail cost of credit risk ratio. Importantly however, the capital efficiency of this portfolio shift remains strong and the Retail Bank continues to deliver a very strong return on equity – 25.3% in the first quarter.

The Retail Bank now has almost 2.5 million customers, an increase of more than 4% over the last 12 months. Our fully transformed, user-friendly, multi-feature mobile banking application, mBank, continues to see significant growth in the number of digital transaction, growing 21.6% over the last three months alone. In addition, we have now comfortably exceeded our targeted 40,000 Solo clients by the end of 2018, with over 47,000 clients now benefiting from Solo's concierge-style banking proposition.

Corporate Investment Banking (CIB) performed particularly strongly during the quarter. Customer lending in CIB grew 1.3% quarter-on-quarter, while the net interest margin increased by 20 basis points to 3.4%. This strong performance in CIB was driven by a 31.5% y-o-y (17.5% q-o-q) growth in net fees and commission, and an increase of 26.8% in operating income y-o-y, that led to 52.3% y-o-y growth in profit (adjusted for one-off employee costs related to termination benefits of former CEO and executive management).

The Group's capital and funding position remains strong, and our issuance of US$100 million Additional Tier 1 capital in March 2019 has improved the efficiency of our capital structure, introduced a natural hedge against dollarisation in the economy and built in significant headroom over the fully-loaded Basel III capital requirements for 2021 that are currently being introduced. This Additional Tier 1 capital received regulatory approval in April 2019 and will therefore add approximately 230 basis points to our Tier 1 capital ratio with immediate effect. During April 2019, we took the opportunity to repay US$65 million of Tier 2 capital, and this will substantially reduce the carry-cost of the new Additional Tier 1 capital issuance. In addition, we continue to generate high levels of internal capital as a result of both the Group's high return on equity, and the improved risk asset intensity of our current and expected lending growth.

Over the last 12 months, the banking sector in Georgia has been in a significant transition period following the implementation of a number of regulatory changes, particularly affecting lending guidelines in the retail banking sector. Following the introduction, in January 2019, of the increase in the GEL 100,000 limit, to GEL 200,000, below which lending must be issued to individuals in GEL, we are not aware of any further significant new regulatory changes over the foreseeable future. Looking forward, we expect that banks will see a shift towards lending to corporates and the MSME sector, and in the mortgage sector, improving the overall quality of banking balance sheets, and driving further progress in the dedollarisation of the banking sector. This is expected to support increased capital efficiency, and continuing strong profitability for Bank of Georgia.

Having taken over as Chief Executive of the Bank during the quarter, I have been impressed by the strength of the Bank's customer franchise, and undisputed brand strength. We have considerably strengthened the executive management team and I look forward to working with the whole management team and colleagues to ensure we capture the many opportunities available in the Georgian financial services sector to develop more digital, efficient and modern financial services throughout Georgia.

Archil Gachechiladze,

CEO, Bank of Georgia Group PLC

13 May 2019

DISCUSSION OF RESULTS

The Group's business is primarily comprised 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 retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. (2)* ***Corporate 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	**1Q19**	**1Q18**	**Change y-o-y**	**4Q18**	**Change q-o-q**
Interest income	334,735	313,679	6.7%	345,760	-3.2%
Interest expense	(151,794)	(133,430)	13.8%	(158,322)	-4.1%
Net interest income	**182,941**	**180,249**	**1.5%**	**187,438**	**-2.4%**
Fee and commission income	62,531	51,213	22.1%	62,350	0.3%
Fee and commission expense	(20,351)	(16,702)	21.8%	(21,006)	-3.1%
Net fee and commission income	**42,180**	**34,511**	**22.2%**	**41,344**	**2.0%**
Net foreign currency gain	30,025	14,253	110.7%	53,358	-43.7%
Net other income / (expense)	3,568	5,744	-37.9%	(9,073)	NMF
Operating income	**258,714**	**234,757**	**10.2%**	**273,067**	**-5.3%**
Net interest margin	5.8%	7.0%		6.0%	
Average interest earning assets	12,752,388	10,434,536	22.2%	12,496,355	2.0%
Average interest bearing liabilities	12,717,669	11,230,932	13.2%	12,562,852	1.2%
Average net loans and finance lease receivables, currency blended	9,453,255	7,769,959	21.7%	9,095,309	3.9%
Average net loans and finance lease receivables, GEL	3,656,912	3,091,398	18.3%	3,529,999	3.6%
Average net loans and finance lease receivables, FC	5,796,343	4,678,561	23.9%	5,565,310	4.2%
Average client deposits and notes, currency blended	8,278,823	7,038,125	17.6%	7,946,145	4.2%
Average client deposits and notes, GEL	2,718,201	2,315,919	17.4%	2,654,640	2.4%
Average client deposits and notes, FC	5,560,622	4,722,206	17.8%	5,291,505	5.1%
Average liquid assets, currency blended	4,405,239	4,306,271	2.3%	4,481,396	-1.7%
Average liquid assets, GEL	2,066,605	1,804,602	14.5%	2,142,122	-3.5%
Average liquid assets, FC	2,338,634	2,501,669	-6.5%	2,339,274	0.0%
Liquid assets yield, currency blended	3.8%	3.6%		3.8%	
Liquid assets yield, GEL	6.8%	7.0%		6.8%	
Liquid assets yield, FC	1.1%	1.2%		1.0%	
Loan yield, currency blended	12.2%	13.9%		12.8%	
Loan yield, GEL	18.4%	21.0%		19.7%	
Loan yield, FC	8.3%	9.1%		8.3%	
Cost of funds, currency blended	4.8%	4.8%		5.0%	
Cost of funds, GEL	7.0%	7.0%		7.2%	
Cost of funds, FC	3.6%	3.6%		3.7%	
Cost / income[6]	35.5%	37.2%		36.9%	

Performance highlights

- **Solid operating income of GEL 258.7mln in 1Q19 (up 10.2% y-o-y).** Y-o-y operating income growth in 1Q19 was primarily driven by an impressive 22.2% growth in net fee and commission income and 1.5% increase in net interest income. Net foreign currency gains (up 110.7% y-o-y) also contributed to y-o-y growth in operating income during the first quarter 2019, although they were 43.7% lower than in the fourth quarter of 2018, which benefited from a high level of currency volatility
- **Our NIM was 5.8% in 1Q19.** During first quarter 2019, NIM was down 120bps y-o-y due to the 170bps y-o-y decrease in loan yield, largely reflecting our shift towards a higher quality, finer margin product mix on the back of tighter regulatory conditions for unsecured consumer lending, while cost of funds remained flat at 4.8%. On a q-o-q basis, loan yield decreased by 60bps, while cost of funds reduced by 20bps, resulting in 20bps q-o-q decline in 1Q19 NIM
- **Loan yield.** Currency blended loan yield was 12.2% in 1Q19 (down 170bps y-o-y and down 60bps q-o-q). The y-o-y and q-o-q decline in loan yields during the first quarter of 2019 was attributable to a decrease in both local and foreign currency loan yields, which primarily reflects the change in product mix in our loan portfolio

[6] 1Q19 cost/income ratio adjusted for GEL 7.8mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

- **Liquid assets yield.** Both local currency and foreign currency denominated liquid assets yields decreased y-o-y in 1Q19. However, the currency blended liquid assets yield increased to 3.8% in 1Q19 (up 20bps y-o-y and flat q-o-q), primarily reflecting an increase in the portion of higher yielding local currency liquid assets in the total liquid assets portfolio
- **Cost of funds.** Cost of funds stood at 4.8% in 1Q19 (flat y-o-y and down 20bps q-o-q). Y-o-y cost of funds remained stable on the back of a 10bps decline in the cost of client deposits and notes (which represent 65.1% of total interest-bearing liabilities), offsetting the 70bps increase in the cost of amounts due to credit institutions, primarily driven by increased local currency denominated borrowings from Development Finance Institutions (DFIs), and 10bps increase in cost of debt securities issued. On a q-o-q basis, decrease in cost of funds was due to lower costs of both client deposits and notes (down 10bps) and cost of amounts due to credit institutions (down 30bps, primarily on the back of decrease in Libor and NBG monetary policy rates), while cost of debt securities issued remained flat
- **Net fee and commission income.** The first quarter of 2019 was exceptionally strong in terms of net fee and commission income generation. Net fee and commission income reached GEL 42.2mln in 1Q19 (up 22.2% y-o-y and up 2.0% q-o-q). Y-o-y growth was mainly driven by the strong performance in our settlement operations supported by the success of our Retail Banking franchise and a strong increase in fees and commission income from guarantees and letters of credit issued by Corporate Investment Banking business
- **Net foreign currency gain.** In line with the increase of client-driven flows, as well as robust interest from foreign financial institutions in local currency, the net foreign currency gain was up 110.7% y-o-y, although they were 43.7% lower than in the fourth quarter of 2018, which primarily benefited from a high level of currency volatility
- **Net other income.** Net other income in 1Q19 largely reflects net gains from investment securities recorded during the quarter, partially offset by net losses from derivative financial instruments (interest rate swap hedges)

NET OPERATING PROFIT BEFORE NON-RECURRING ITEMS; COST OF RISK; PROFIT FOR THE PERIOD

GEL thousands, unless otherwise noted [7]	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q
Salaries and other employee benefits	(52,418)	(49,453)	6.0%	(58,331)	-10.1%
Administrative expenses	(22,741)	(25,633)	-11.3%	(30,010)	-24.2%
Depreciation and amortisation	(15,688)	(11,522)	36.2%	(11,365)	38.0%
Other operating expenses	(1,080)	(771)	40.1%	(1,151)	-6.2%
Operating expenses	**(91,927)**	**(87,379)**	**5.2%**	**(100,857)**	**-8.9%**
Profit from associate	188	318	-40.9%	318	-40.9%
Operating profit before cost of risk	**166,975**	**147,696**	**13.1%**	**172,528**	**-3.2%**
Expected credit loss / impairment charge on loans to customers	(40,117)	(36,676)	9.4%	(25,783)	55.6%
Expected credit loss / impairment charge on finance lease receivables	(446)	13	NMF	514	NMF
Other expected credit loss / impairment charge on other assets and provisions	(2,089)	2,850	NMF	(15,509)	-86.5%
Cost of risk	**(42,652)**	**(33,813)**	**26.1%**	**(40,778)**	**4.6%**
Net operating profit before non-recurring items and income tax	**124,323**	**113,883**	**9.2%**	**131,750**	**-5.6%**
Net non-recurring items	(1,575)	(2,948)	-46.6%	(2,185)	-27.9%
Profit before income tax and one-off termination costs	**122,748**	**110,935**	**10.6%**	**129,565**	**-5.3%**
Income tax expense	(10,536)	(9,283)	13.5%	(10,888)	-3.2%
Profit adjusted for one-off termination costs	**112,212**	**101,652**	**10.4%**	**118,677**	**-5.4%**
One-off termination costs of former CEO and executive management (after tax)	(10,240)	-	NMF	(3,861)	NMF
Profit	**101,972**	**101,652**	**0.3%**	**114,816**	**-11.2%**

- **Operating expenses** adjusted for one-off employee costs related to termination benefits of former executive management members (acceleration of share-based compensation) were GEL 91.9mln in 1Q19 (up 5.2% y-o-y and down 8.9% q-o-q), driving the positive operating leverage of 5.0% y-o-y and 3.6% q-o-q
- The decline in **administrative expenses** and increase in **depreciation and amortisation expenses** is primarily driven by adoption of a new standard IFRS 16, *Leases* replacing IAS 17, *Leases* effective 1 January 2019. As a result of the adoption of the standard the Group recorded on its balance sheet assets related to the right to use the rented properties together with corresponding liabilities for respective payments under the lease contracts. There was no material impact on overall operating expenses in 1Q19
- **Cost of credit risk ratio.** The cost of credit risk ratio was 1.7% in 1Q19, down 10bps y-o-y and up 60bps q-o-q. RB's cost of credit risk ratio was 2.4% in 1Q19, up 20bps y-o-y and up 70bps q-o-q, while CIB's cost of credit risk ratio was 0.1%, down 120bps y-o-y and up 30bps q-o-q. The y-o-y and q-o-q increase in RB's cost of credit risk ratio reflected tighter conditions on unsecured consumer lending, which primarily affected the quality of high-yielding express and micro express loans as expected in the short-term. The q-o-q increase was also due to seasonal factors

[7] The adjusted profit in the table excludes GEL 10.2mln in 1Q19 (4Q18: GEL 3.9mln) one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 4.0mln (gross of income tax) excluded from non-recurring items (4Q18: GEL 4.4mln) and GEL 7.8mln (gross of income tax) excluded from salaries and other employee benefits

- **Quality of our loan book remained strong in 1Q19** as evidenced by the following closely monitored metrics:

GEL thousands, unless otherwise noted	Mar-19	Mar-18	Change y-o-y	Dec-18	Change q-o-q
Non-performing loans					
NPLs	326,127	279,754	16.6%	318,356	2.4%
NPLs to gross loans	3.3%	3.5%		3.3%	
NPLs to gross loans, RB	2.2%	1.9%		2.1%	
NPLs to gross loans, CIB	5.7%	5.3%		5.6%	
NPL coverage ratio	92.2%	101.2%		90.5%	
NPL coverage ratio adjusted for the discounted value of collateral	132.6%	143.2%		129.9%	
Past due dates					
Retail loans - 15 days past due rate	1.3%	1.2%		1.1%	
Mortgage loans – 15 days past due rate	1.1%	0.8%		0.7%	

- **BNB – the Group's banking subsidiary in Belarus - continues to remain strongly capitalised**, with capital adequacy ratios well above the requirements of the National Bank of the Republic of Belarus ("**NBRB**"). At 31 March 2019, total capital adequacy ratio was 15.5%, above the 10% minimum requirement, while Tier I capital adequacy ratio was 9.6%, above NBRB's 6% minimum requirement. ROAE was 12.1% in 1Q19 (12.3% in 1Q18 and 19.5% in 4Q18). *For detailed financial results of BNB, please see page 21*

- **Net non-recurring items.** Net non-recurring expenses adjusted for one-off employee costs related to the termination benefits of former CEO (acceleration of share-based compensation) amounted to GEL 1.6mln in 1Q19 (GEL 2.9mln in 1Q18 and GEL 2.2mln in 4Q18). These largely reflect legal fees

- **Overall, profit adjusted for one-off employee costs related to termination benefits of the former CEO and executive management members (acceleration of share-based compensation) totalled GEL 112.2mln in 1Q19 (up 10.4% y-o-y and down 5.4% q-o-q), while ROAE[8] was 24.5% in 1Q19 (26.2% in 1Q18 and 27.0% in 4Q18)**

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Mar-19	Mar-18	Change y-o-y	Dec-18	Change q-o-q
Liquid assets	4,502,390	4,514,326	-0.3%	4,540,032	-0.8%
Liquid assets, GEL	2,005,142	1,740,858	15.2%	2,283,812	-12.2%
Liquid assets, FC	2,497,248	2,773,468	-10.0%	2,256,220	10.7%
Net loans and finance lease receivables	9,570,691	7,819,773	22.4%	9,397,747	1.8%
Net loans and finance lease receivables, GEL	3,758,320	3,222,735	16.6%	3,597,826	4.5%
Net loans and finance lease receivables, FC	5,812,371	4,597,038	26.4%	5,799,921	0.2%
Client deposits and notes	8,393,861	7,296,110	15.0%	8,133,853	3.2%
Amounts due to credit institutions	2,463,408	2,642,427	-6.8%	2,994,879	-17.7%
Borrowings from DFIs	1,309,976	1,191,605	9.9%	1,302,679	0.6%
Short-term loans from central banks	585,797	729,244	-19.7%	1,118,957	-47.6%
Loans and deposits from commercial banks	567,635	721,578	-21.3%	573,243	-1.0%
Debt securities issued	2,045,428	1,569,404	30.3%	1,730,414	18.2%
Liquidity and CAR ratios					
Net loans / client deposits and notes	114.0%	107.2%		115.5%	
Net loans / client deposits and notes + DFIs	98.6%	92.1%		99.6%	
Liquid assets / total assets	29.9%	34.2%		30.7%	
Liquid assets / total liabilities	34.3%	38.9%		34.9%	
NBG liquidity ratio	36.7%	36.5%		31.9%	
NBG liquidity coverage ratio	133.1%	135.2%		120.1%	
NBG (Basel III) Tier I capital adequacy ratio	12.7%	12.4%		12.2%	
NBG (Basel III) Total capital adequacy ratio	17.1%	17.3%		16.6%	

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 133.1%) **and strongly capitalised** (NBG Basel III Tier I capital adequacy ratio of 12.7%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 63.9%).

- **Liquidity.** Liquid assets stood at GEL 4,502.4mln at 31 March 2019, largely flat both y-o-y and q-o-q. The notable increase over the year was in obligatory reserves with NBG, combined with excess liquidity deployed with the credit institutions, NBG and Ministry of Finance. Increase in obligatory reserves with NBG was primarily driven by the changes in minimum reserve requirements mandated by NBG since September 2018, whereby the foreign currency funds raised by local banks now carry up to 25% reserve requirement depending on maturity. As announced by the NBG on 13 March 2019, the reserve requirements on foreign currency funds will increase up to 30% depending on maturity by the end of May 2019. The NBG Liquidity coverage ratio was 133.1% at 31 March 2019 (135.2% at 31 March 2018 and 120.1% at 31 December 2018), well above the 100% minimum requirement level

- **Loan book**. Our net loan book and finance lease receivables reached GEL 9,570.7mln at 31 March 2019, up 22.4% y-o-y and up 1.8% q-o-q. As of 31 March 2019, the retail book represented 70.0% of the total loan portfolio (69.5% at 31 March 2018

[8] 1Q19 ROAE adjusted for GEL 10.2mln (4Q18: GEL 3.9mln) one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

and 69.8% at 31 December 2018). Both local and foreign currency portfolios experienced strong y-o-y growth of 16.6% and 26.4%, respectively. Furthermore, local currency denominated loan portfolio was up 4.5% q-o-q. The local currency loan portfolio growth was partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio

- **Dollarisation of our loan book and client deposits.** The retail client loan book in foreign currency accounted for 48.6% of the total RB loan book at 31 March 2019 (46.2% at 31 March 2018 and 50.3% at 31 December 2018), while retail client foreign currency deposits comprised 69.4% of total RB deposits at 31 March 2019 (71.0% at 31 March 2018 and 69.7% at 31 December 2018). At 31 March 2019, 83.0% of CIB's loan book was denominated in foreign currency (80.7% at 31 March 2018 and 82.3% at 31 December 2018), while 60.2% of CIB deposits were denominated in foreign currency (60.2% at 31 March 2018 and 61.2% at 31 December 2018). De-dollarisation of loans and deposits is expected to pick-up the pace in 2019 as a result of the recent NBG-mandated increase of local currency loan threshold from GEL 100,000 to GEL 200,000 and increased mandatory reserve requirements on funds attracted in foreign currency introduced by NBG in March 2019
- **Net loans to customer funds and DFI ratio**. Our Net loans to customer funds and DFI ratio, which is closely monitored by management, remained strong at 98.6% (up from 92.1% at 31 March 2018 and down from 99.6% at 31 December 2018)
- **Diversified funding base**. Debt securities issued grew by 30.3% y-o-y and by 18.2% q-o-q. The y-o-y and q-o-q increase was primarily driven by the issuance of US$ 100 million Additional Tier 1 capital notes in March 2019 *(see details below)*
- **Capital Adequacy requirements.** Basel III Tier 1 and Total capital adequacy ratios stood at 12.7% and 17.1%, respectively, as of 31 March 2019 compared to a minimum required level of 11.6% and 16.1%, respectively. At the same time Common Equity Tier 1 (CET1) ratio stood at 12.7% compared to a 9.6% minimum requirement at 31 March 2019. In March 2019, the Bank issued inaugural US$ 100 million 11.125% Additional Tier 1 capital perpetual subordinated notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia at an issue price of 100.00% (the "Notes"). The Notes are listed on the Irish Stock Exchange and rated B- (Fitch). The issuance was the first international offering of Additional Tier 1 Capital Notes from Georgia and the South Caucasus region. Basel III regulations recently introduced in Georgia now enable this type of capital optimisation and this US Dollar issue provides the Bank with an opportunity to diversify its capital structure from a foreign currency perspective and provide a natural hedge against dollarisation in the economy. The Bank received regulatory approval on the classification of the Notes as Additional Tier 1 instruments in April 2019, therefore, it has not been reflected in the capital ratios reported as of 31 March 2019. This issuance added approximately 230 basis points to the Bank's Tier 1 capital ratio. That said, CET1 and Tier 1 capital adequacy ratios are already above the estimated fully-loaded requirements for 2021

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 four sub-segments: (1) the emerging retail segment (through our Express brand), (2) retail mass market segment; (3) SME and micro businesses – "MSME" (through our Bank of Georgia brand), and (4) the mass affluent segment (through our Solo brand).

GEL thousands, unless otherwise noted	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q
INCOME STATEMENT HIGHLIGHTS[9]					
Net interest income	130,987	135,454	-3.3%	136,895	-4.3%
Net fee and commission income	32,435	26,141	24.1%	32,915	-1.5%
Net foreign currency gain	13,240	4,349	NMF	24,047	-44.9%
Net other income / (expense)	2,168	3,102	-30.1%	(5,421)	NMF
Operating income	**178,830**	**169,046**	**5.8%**	**188,436**	**-5.1%**
Salaries and other employee benefits	(33,874)	(32,112)	5.5%	(37,052)	-8.6%
Administrative expenses	(15,796)	(19,541)	-19.2%	(21,620)	-26.9%
Depreciation and amortisation	(13,287)	(9,902)	34.2%	(9,857)	34.8%
Other operating expenses	(536)	(503)	6.6%	(638)	-16.0%
Operating expenses	**(63,493)**	**(62,058)**	**2.3%**	**(69,167)**	**-8.2%**
Profit from associate	188	318	-40.9%	318	-40.9%
Operating profit before cost of risk	**115,525**	**107,306**	**7.7%**	**119,587**	**-3.4%**
Cost of risk	(39,386)	(28,453)	38.4%	(37,488)	5.1%
Net operating profit before non-recurring items and income tax	**76,139**	**78,853**	**-3.4%**	**82,099**	**-7.3%**
Net non-recurring items	(276)	(1,976)	-86.0%	(778)	-64.5%
Profit before income tax and one-off termination costs	**75,863**	**76,877**	**-1.3%**	**81,321**	**-6.7%**
Income tax expense	(6,101)	(6,060)	0.7%	(6,155)	-0.9%
Profit adjusted for one-off termination costs	**69,762**	**70,817**	**-1.5%**	**75,166**	**-7.2%**
One-off termination costs of former CEO and executive management (after tax)	(7,075)	-	NMF	(2,939)	140.7%
Profit	**62,687**	**70,817**	**-11.5%**	**72,227**	**-13.2%**
BALANCE SHEET HIGHLIGHTS					
Net loans, currency blended	6,389,631	5,184,596	23.2%	6,267,071	2.0%
Net loans, GEL	3,286,042	2,790,705	17.7%	3,117,454	5.4%
Net loans, FC	3,103,589	2,393,891	29.6%	3,149,617	-1.5%
Client deposits, currency blended	4,520,521	3,304,319	36.8%	4,338,712	4.2%
Client deposits, GEL	1,385,451	959,084	44.5%	1,314,902	5.4%
Client deposits, FC	3,135,070	2,345,235	33.7%	3,023,810	3.7%
of which:					
Time deposits, currency blended	2,593,744	1,838,699	41.1%	2,430,311	6.7%
Time deposits, GEL	637,522	412,140	54.7%	566,490	12.5%
Time deposits, FC	1,956,222	1,426,559	37.1%	1,863,821	5.0%
Current accounts and demand deposits, currency blended	1,926,777	1,465,620	31.5%	1,908,401	1.0%
Current accounts and demand deposits, GEL	747,929	546,944	36.7%	748,412	-0.1%
Current accounts and demand deposits, FC	1,178,848	918,676	28.3%	1,159,989	1.6%
KEY RATIOS					
ROAE[9]	25.3%	31.8%		28.4%	
Net interest margin, currency blended	6.4%	8.2%		6.7%	
Cost of credit risk	2.4%	2.2%		1.7%	
Cost of funds, currency blended	5.6%	5.8%		5.7%	
Loan yield, currency blended	13.6%	15.8%		14.2%	
Loan yield, GEL	19.3%	22.4%		20.7%	
Loan yield, FC	7.7%	8.4%		7.4%	
Cost of deposits, currency blended	3.0%	2.8%		2.9%	
Cost of deposits, GEL	5.2%	4.8%		5.0%	
Cost of deposits, FC	2.1%	2.1%		2.1%	
Cost of time deposits, currency blended	4.3%	4.3%		4.2%	
Cost of time deposits, GEL	8.8%	8.9%		8.7%	
Cost of time deposits, FC	2.9%	3.0%		2.9%	
Current accounts and demand deposits, currency blended	1.3%	1.0%		1.2%	
Current accounts and demand deposits, GEL	2.2%	1.7%		2.1%	
Current accounts and demand deposits, FC	0.7%	0.6%		0.7%	
Cost / income ratio[10]	35.5%	36.7%		36.7%	

[9] The income statement adjusted profit excludes GEL 7.1mln in 1Q19 (4Q18: GEL 2.9mln) one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 2.9mln (gross of income tax) excluded from non-recurring items (4Q18: GEL 3.3mln) and GEL 5.2mln (gross of income tax) excluded from salaries and other employee benefits. The 1Q19 and 4Q18 ROAE has been adjusted accordingly

[10] 1Q19 cost/income ratio adjusted for GEL 5.2mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Retail Banking delivered solid quarterly results in each of its major segments, in the seasonally quiet quarter, and generated operating income of GEL 178.8mln in 1Q19 (up 5.8% y-o-y and down 5.1% q-o-q)**
- RB's net interest income was down 3.3% y-o-y and down 4.3% q-o-q in 1Q19 largely as a result of the regulations introduced by the National Bank of Georgia on consumer lending in 2018. Net interest income still benefits from the growth of the local currency loan portfolio, which generated 11.6ppts higher yield than the foreign currency loan portfolio in 1Q19
- **The Retail Banking net loan book reached GEL 6,389.6mln in 1Q19, up 23.2% y-o-y and up 2.0% q-o-q. On a constant currency basis our retail loan book increased by 17.1% y-o-y and by 1.7% q-o-q in 1Q19.** Our local currency denominated loan book increased by 17.7% y-o-y and by 5.4% q-o-q, while the foreign currency denominated loan book grew by 29.6% y-o-y and but decreased by 1.5% q-o-q. As a result, the local currency denominated loan book accounted for 51.4% of the total Retail Banking loan book at 31 March 2019 (53.8% at 31 March 2018 and 49.7% at 31 December 2018)
- **The loan portfolio composition reflects the shift towards a higher quality, finer margin product mix on the back of tighter lending conditions for unsecured consumer lending.** The y-o-y loan book growth reflected continued strong loan origination levels in MSME segment. The slow-down in loan originations in mortgage segment is primarily on the back of regulation on consumer lending effective 1 January 2019. The q-o-q decline in mortgage and consumer loan originations also reflected the seasonal factors:

Retail Banking loan book by products

GEL million, unless otherwise noted	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q
Loan originations					
Consumer loans	306.5	364.2	-15.8%	326.0	-6.0%
Mortgage loans	209.5	303.3	-30.9%	466.4	-55.1%
Micro loans	287.0	283.6	1.2%	263.6	8.9%
SME loans	214.5	130.8	64.0%	186.1	15.3%
POS loans	14.5	50.1	-71.1%	14.4	0.4%
Outstanding balance					
Consumer loans	1,381.5	1,293.5	6.8%	1,379.7	0.1%
Mortgage loans	2,578.5	1,771.5	45.6%	2,539.3	1.5%
Micro loans	1,310.8	1,098.2	19.4%	1,246.3	5.2%
SME loans	795.8	604.2	31.7%	758.7	4.9%
POS loans	44.4	120.2	-63.1%	58.6	-24.2%

- **Retail Banking client deposits increased to GEL 4,520.5mln, up 36.8% y-o-y and up 4.2% q-o-q**. The dollarisation level of our deposits decreased to 69.4% at 31 March 2019 from 71.0% at 31 March 2018 and from 69.7% at 31 December 2018. The cost of foreign currency denominated deposits stood at 2.1%, flat both y-o-y and q-o-q. The cost of local currency denominated deposits increased by 40bps y-o-y and by 20bps q-o-q in 1Q19. The spread between the cost of RB's client deposits in GEL and foreign currency widened to 3.1ppts during 1Q19 (GEL: 5.2%; FC: 2.1%) compared to 2.7ppts in 1Q18 (GEL: 4.8%; FC: 2.1%) and 2.9ppts in 4Q18 (GEL: 5.0%; FC: 2.1%)
- **Retail Banking NIM was 6.4% in 1Q19 (down 180bps y-o-y and down 30bps q-o-q).** The decline in NIM was attributable to lower loan yields (down 220bps y-o-y and down 60bps q-o-q), mainly driven by the change in the Retail Banking loan portfolio product mix, with the lower yield-lower risk products share increasing in total RB loan portfolio. Meanwhile, the cost of funds decreased by 20bps y-o-y and by 10bps q-o-q in 1Q19
- **Strong growth in Retail Banking net fee and commission income**. Exceptionally strong 24.1% y-o-y growth in net fee and commission income was driven by an increase in settlement operations and the strong underlying growth in our Solo and MSME segments
- **RB's cost of credit risk ratio was 2.4% in 1Q19** (up from 2.2% in 1Q18 and from 1.7% in 4Q18). The y-o-y and q-o-q increase in cost of credit risk ratio reflected tighter conditions on unsecured consumer lending, which primarily affected the quality of high-yielding express and micro express loans as expected in the short-term. The q-o-q increase in cost of credit risk ratio is also due to seasonal factors

- **Our Retail Banking business continued to deliver solid growth as we further develop our strategy towards continuous digitalisation,** as demonstrated by the following performance indicators:

Retail Banking performance indicators					
Volume information in GEL thousands	**1Q19**	**1Q18**	**Change y-o-y**	**4Q18**	**Change q-o-q**
Retail Banking customers					
Number of new customers	39,845	63,621	-37.4%	54,975	-27.5%
Number of customers	2,454,678	2,356,294	4.2%	2,440,754	0.6%
Cards					
Number of cards issued	176,085	246,138	-28.5%	243,843	-27.8%
Number of cards outstanding	2,139,239	2,246,396	-4.8%	2,177,273	-1.7%
Express Pay terminals					
Number of Express Pay terminals	3,152	2,825	11.6%	3,115	1.2%
Number of transactions via Express Pay terminals	26,751,138	25,835,081	3.5%	27,924,360	-4.2%
Volume of transactions via Express Pay terminals	1,765,536	1,496,169	18.0%	1,848,746	-4.5%
POS terminals					
Number of desks	12,766	9,300	37.3%	10,009	27.5%
Number of contracted merchants	5,902	5,112	15.5%	5,575	5.9%
Number of POS terminals[11]	17,684	12,571	40.7%	16,870	4.8%
Number of transactions via POS terminals	16,529,540	13,206,872	25.2%	16,932,793	-2.4%
Volume of transactions via POS terminals	488,198	395,099	23.6%	537,668	-9.2%
Internet banking					
Number of active users[12]	277,960	238,618	16.5%	295,226	-5.8%
Number of transactions via internet bank	1,421,135	1,487,062	-4.4%	1,541,779	-7.8%
Volume of transactions via internet bank	490,457	427,014	14.9%	620,273	-20.9%
Mobile banking					
Number of active users[12]	382,152	207,485	84.2%	333,698	14.5%
Number of transactions via mobile bank	6,697,926	2,817,807	137.7%	5,506,212	21.6%
Volume of transactions via mobile bank	790,201	317,381	149.0%	697,296	13.3%

  - **Growth in the client base was due to the increased offering of cost-effective remote channels**. The increase to 2,454,678 customers in 1Q19 (up 4.2% y-o-y and up 0.6% q-o-q) reflects sustained growth in our client base over recent periods and was one of the drivers of the increase in our Retail Banking net fee and commission income
  - **The number of outstanding cards** decreased by 4.8% y-o-y and by 1.7% q-o-q in 1Q19 primarily due to Express cards which have been declining in line with the recently introduced regulations on consumer lending. Excluding the Express cards, total number of cards outstanding at 31 March 2019 increased by 22.8% y-o-y and 4.0% q-o-q. Loyalty programme Plus+ cards, launched in July 2017 as part of RB's client-centric approach, almost doubled y-o-y. We had 651,009 active Plus+ cards outstanding as at 31 March 2019, up 9.9% q-o-q
  - **The utilisation of Express Pay terminals continued to grow in 1Q19 y-o-y**. The volume and the number of transactions increased by 18.0% and by 3.5% y-o-y, respectively. The fees charged to clients for transactions executed through express pay terminals amounted to GEL 5.7mln in 1Q19 (up 8.8% y-o-y and up 0.2% q-o-q)
  - **Digital penetration growth.** For our mobile banking application, mbank, the number of transactions (up 137.7% y-o-y and up 21.6% q-o-q) and the volume of transactions (up 149.0% y-o-y and up 13.3% q-o-q) continue to show outstanding growth. Since its launch on 29 May 2017, 765,177 downloads have been made by the Bank's customers. During the same period approximately 26.0 million online transactions were performed using the application
  - **Significant growth in loans issued and deposits opened through Internet and Mobile Bank.** In 2017, we started actively offering loans and deposit products to our customers through the Internet Bank. In 1Q19, 5,654 loans were issued with a total value of GEL 8.7mln, and 3,420 deposits were opened with a total value of GEL 8.8mln through Internet Bank. Starting from 2018, our customers have been able to apply for a loan via mBank as well. In 1Q19, 9,900 loans were issued with a total value of GEL 11.0mln using the mobile banking application. Moreover, in 3Q18 a new feature was added to mBank and our customers can now open a deposit via our mobile platform. During first quarter 2019, 8,199 (5,124 in 4Q18) deposit accounts were opened with a total deposited amount of GEL 5.7mln (GEL 3.1mln in 4Q18). As a result, the c.82% of total daily banking transactions were executed through digital channels during 1Q19

- **Solo, our premium banking brand, continues its strong growth and investment in its lifestyle brand.** We have now 12 Solo lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 3 in major regional cities of Georgia. The number of Solo clients reached 47,057 at 31 March 2019 (35,803 at 31 March 2018 and 44,292 at 31 December 2018), up 468.2% since its re-launch in April 2015. **Solo is targeting growth through increasing our engagement with existing clients and maximising profit per client and product per client measures.** In 1Q19, the product to client ratio for the Solo segment was 5.4, compared to 2.1 for our retail franchise. While Solo clients currently represent 1.9% of our total retail client base, they contributed 28.7% to our retail loan book, 38.7% to our retail deposits, 17.9% and 21.4% to our net retail interest income and to our net retail fee and commission income in 1Q19, respectively. The fee and commission

[11] Includes 2,650 POS terminals operating in public transportation network in 1Q19 and 4Q18
[12] The users that log-in in internet and mobile bank at least once in three months

income from the Solo segment reached GEL 5.8mln in 1Q19 (GEL 4.5mln in 1Q18 and GEL 5.6mln in 4Q18). Solo Club, launched in 2Q17, a membership group within Solo which offers exclusive access to Solo products and offers ahead of other Solo clients at a higher fee, continued to increase its client base. At 31 March 2019, Solo Club had 4,446 members, up 55.9% y-o-y and up 16.2% q-o-q

- **MSME banking delivered strong growth.** The number of MSME segment clients reached 207,833 at 31 March 2019, up 19.2% y-o-y and up 6.5% q-o-q. MSME's loan portfolio reached GEL 2,281.1mln at 31 March 2019 (up 26.2% y-o-y and up 4.8% q-o-q) and client deposits and notes increased to GEL 682.1mln (up 36.9% y-o-y and up 2.7% q-o-q). The MSME segment generated operating income of GEL 45.5mln in 1Q19 (up 27.1% y-o-y and down 8.0% q-o-q)
- **In 4Q18, the Bank introduced a new payment method, QR PAY to the local small business market.** QR PAY has been designed by the Bank as an alternative payment mechanism to the traditional point of sale terminal for small Georgian businesses that previously relied on cash transactions as a means for their customers to settle payments. QR PAY is a significant advantage for small businesses with low turnover. For customers who use Bank of Georgia's mobile bank and a debit or credit card, settling payments with QR PAY application is simple, safe and user-friendly. Currently, there are already up to 2,000 small businesses connected to QR PAY, with the number and the volume of transactions via QR PAY having increased around 8 and 4 times, respectively, since its launch. With QR PAY the Bank has now taken a step further and aims to make digital transactions even more widespread among both our retail and business clients
- **Retail Banking profit adjusted for one-off employee costs related to termination benefits of the former CEO and executive management members (acceleration of share-based compensation) was GEL 69.8mln in 1Q19 (down 1.5% y-o-y and down 7.2% q-o-q). Retail Banking continued to deliver a strong ROAE[13] of 25.3% in 1Q19 (31.8% in 1Q18 and 28.4% in 4Q18)**

[13] 1Q19 ROAE adjusted for GEL 7.1mln (4Q18: GEL 2.9mln) one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

CORPORATE 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 internationally through representative offices in London, Budapest, Istanbul, Tel Aviv and Limassol.

GEL thousands, unless otherwise noted	**1Q19**	**1Q18**	**Change y-o-y**	**4Q18**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS[14]					
Net interest income	45,679	38,232	19.5%	43,696	4.5%
Net fee and commission income	8,151	6,198	31.5%	6,939	17.5%
Net foreign currency gain	13,104	6,644	97.2%	23,984	-45.4%
Net other income / (expense)	1,386	2,797	-50.4%	(3,451)	NMF
Operating income	**68,320**	**53,871**	**26.8%**	**71,168**	**-4.0%**
Salaries and other employee benefits	(12,439)	(12,595)	-1.2%	(14,645)	-15.1%
Administrative expenses	(4,027)	(3,459)	16.4%	(4,921)	-18.2%
Depreciation and amortisation	(1,701)	(1,309)	29.9%	(1,122)	51.6%
Other operating expenses	(203)	(143)	42.0%	(347)	-41.5%
Operating expenses	**(18,370)**	**(17,506)**	**4.9%**	**(21,035)**	**-12.7%**
Operating profit before cost of risk	**49,950**	**36,365**	**37.4%**	**50,133**	**-0.4%**
Cost of risk	(1,824)	(4,643)	-60.7%	(3,407)	-46.5%
Net operating profit before non-recurring items and income tax	**48,126**	**31,722**	**51.7%**	**46,726**	**3.0%**
Net non-recurring items	(72)	(272)	-73.5%	(619)	-88.4%
Profit before income tax and one-off termination costs	**48,054**	**31,450**	**52.8%**	**46,107**	**4.2%**
Income tax expense	(3,864)	(2,444)	58.1%	(3,571)	8.2%
Profit adjusted for one-off termination costs	**44,190**	**29,006**	**52.3%**	**42,536**	**3.9%**
One-off termination costs of former CEO and executive management (after tax)	(3,165)	-	NMF	(922)	NMF
Profit	**41,025**	**29,006**	**41.4%**	**41,614**	**-1.4%**
BALANCE SHEET HIGHLIGHTS					
Net loans and finance lease receivables, currency blended	2,652,838	2,221,225	19.4%	2,618,489	1.3%
Net loans and finance lease receivables, GEL	451,360	428,556	5.3%	464,397	-2.8%
Net loans and finance lease receivables, FC	2,201,478	1,792,669	22.8%	2,154,092	2.2%
Client deposits, currency blended	3,531,840	3,661,710	-3.5%	3,473,054	1.7%
Client deposits, GEL	1,405,892	1,457,437	-3.5%	1,347,754	4.3%
Client deposits, FC	2,125,948	2,204,273	-3.6%	2,125,300	0.0%
Time deposits, currency blended	1,325,345	1,351,490	-1.9%	1,337,112	-0.9%
Time deposits, GEL	506,023	569,850	-11.2%	491,622	2.9%
Time deposits, FC	819,322	781,640	4.8%	845,490	-3.1%
Current accounts and demand deposits, currency blended	2,206,495	2,310,220	-4.5%	2,135,942	3.3%
Current accounts and demand deposits, GEL	899,869	887,587	1.4%	856,132	5.1%
Current accounts and demand deposits, FC	1,306,626	1,422,633	-8.2%	1,279,810	2.1%
Letters of credit and guarantees, standalone*	1,037,779	605,778	71.3%	1,035,630	0.2%
Assets under management	2,371,002	1,835,873	29.1%	2,271,543	4.4%
RATIOS					
ROAE[14]	27.1%	19.8%		28.5%	
Net interest margin, currency blended	3.4%	3.2%		3.2%	
Cost of credit risk	0.1%	1.3%		-0.2%	
Cost of funds, currency blended	4.1%	4.4%		4.6%	
Loan yield, currency blended	9.1%	9.9%		9.8%	
Loan yield, GEL	11.5%	12.8%		12.8%	
Loan yield, FC	8.6%	9.4%		9.2%	
Cost of deposits, currency blended	3.6%	3.9%		4.0%	
Cost of deposits, GEL	5.9%	6.1%		6.2%	
Cost of deposits, FC	2.1%	2.5%		2.3%	
Cost of time deposits, currency blended	5.6%	5.7%		5.9%	
Cost of time deposits, GEL	7.5%	7.6%		7.8%	
Cost of time deposits, FC	4.3%	4.6%		4.4%	
Current accounts and demand deposits, currency blended	2.3%	2.7%		2.3%	
Current accounts and demand deposits, GEL	4.8%	5.2%		4.9%	
Current accounts and demand deposits, FC	0.7%	1.2%		0.6%	
Cost / income ratio[15]	26.9%	32.5%		29.6%	
Concentration of top ten clients	9.1%	10.3%		9.8%	

* Off-balance sheet item

[14] The income statement adjusted profit excludes GEL 3.2mln in 1Q19 (4Q18: GEL 0.9mln) one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 1.1mln (gross of income tax) excluded from non-recurring items (4Q18: GEL 1.1mln) and GEL 2.7mln (gross of income tax) excluded from salaries and other employee benefits. The 1Q19 and 4Q18 ROAE has been adjusted accordingly

[15] 1Q19 cost/income ratio adjusted for GEL 2.7mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Corporate Investment Banking delivered strong quarterly results.** CIB continued further growth during the first quarter of 2019 and generated strong net interest income and net fee and commission income during the period, coupled with operating efficiencies and improved asset quality
- CIB's net interest income increased by 19.5% y-o-y and by 4.5% q-o-q in 1Q19. **CIB NIM reached 3.4% in 1Q19, up 20bps y-o-y and q-o-q**. In 1Q19, the y-o-y and q-o-q increase in NIM was primarily driven by lower cost of funds (down 30bps y-o-y and down 50bps q-o-q, standing at 4.1% at 31 March 2019), on the back of a decline in interest rates on both local and foreign currency deposits. The y-o-y and q-o-q decrease in cost of funds was slightly offset by decrease in currency blended loan yields, which were down 80bps y-o-y and down 70bps q-o-q in 1Q19, driven by the decline in both local and foreign currency loan yields
- **CIB's net fee and commission income reached GEL 8.2mln in 1Q19, up 31.5% y-o-y and up 17.5% q-o-q.** The outstanding y-o-y and q-o-q increase in net fee and commission income was largely driven by higher fees from guarantees and letters of credit issued and higher placement and advisory fees during the first quarter of 2019. CIB's net fee and commission income represented 11.9% of total CIB's operating income in 1Q19 as compared to 11.5% in 1Q18 and 9.8% in 4Q18
- **CIB's loan book and de-dollarisation**. CIB loan portfolio reached GEL 2,652.8mln as of 31 March 2019, up 19.4% y-o-y and up 1.3% q-o-q. On a constant currency basis, CIB loan book was up 9.2% y-o-y and up 0.8% q-o-q. The concentration of the top 10 CIB clients further decreased to 9.1% at 31 March 2019 (10.3% at 31 March 2018 and 9.8% at 31 December 2018). Foreign currency denominated loans represented 83.0% of CIB's loan portfolio as at 31 March 2019, compared to 80.7% a year ago and 82.3% at 31 December 2018. The increase in foreign currency denominated loans in 1Q19 y-o-y was partially due to local currency depreciation in the first quarter 2019. At 31 March 2019, 59.2% of CIB loan portfolio was US Dollar denominated, with 40.4% of total CIB loans issued to US Dollar income borrowers and 18.8% to non-US Dollar income borrowers
- As at 31 March 2019, **dollarisation of our CIB deposits** remained flat y-o-y at 60.2% and decreased from 61.2% as at 31 December 2018. A y-o-y decrease in foreign currency denominated deposits was in line with the decreasing trend in the interest rates on foreign currency deposits (down 40bps y-o-y and down 20bps q-o-q in 1Q19). Despite the decline in interest rates on local currency deposits, the cost of deposits in local currency still remained well above the cost of foreign currency deposits
- **Net other income.** Net other income in 1Q19 was largely composed of net gains from investment securities recorded during the quarter, partially offset by net losses from derivative financial instruments (interest rate swap hedges)
- **Cost of credit risk.** CIB's cost of credit risk ratio improved significantly y-o-y and stood at 0.1% in 1Q19 (compared to a cost of 1.3% in 1Q18 and net credit of 0.2% in 4Q18), primarily driven by the improved quality of the CIB loan portfolio. At the same time, CIB's NPL coverage ratio was 89.4% at 31 March 2019 (87.7% as at 31 March 2018 and 90.3% at 31 December 2018)
- As a result, **CIB's profit adjusted for one-off employee costs related to termination benefits of the former CEO and executive management members (acceleration of share-based compensation)** was GEL 44.2mln in 1Q19, up 52.3% y-o-y and up 3.9% q-o-q. CIB ROAE[16] reached 27.1% in 1Q19, compared to 19.8% a year ago and 28.5% in 4Q18

Performance highlights of wealth management operations

- **The Investment Management's AUM increased to GEL 2,371.0mln in 1Q19, up 29.1% y-o-y and up 4.4% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y and q-o-q increase in AUM mostly reflected increase in client assets and bond issuance activity at Galt & Taggart
- **Wealth Management deposits reached GEL 1,242.5mln in 1Q19, up 17.5% y-o-y and down 2.0% q-o-q, growing at a compound annual growth rate (CAGR) of 12.1% over the last five-year period**. The cost of deposits stood at 3.1% in 1Q19, down 40bps y-o-y and down 10bps q-o-q
- We served 1,535 wealth management clients from 76 countries as of 31 March 2019, compared to 1,438 clients as of 31 March 2018 and 1,528 clients as of 31 December 2018
- In January 2019, Bank of Georgia opened a brand new office in the centre of Tbilisi, dedicated to serving its wealth management clients. The office resides in a historic 19th century building, which originally used to house the First Credit

[16] 1Q19 ROAE adjusted for GEL 3.2mln (4Q18: GEL 0.9mln) one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

Society of Georgia and is considered to be the first residence of a local banking institution. The design concept was derived from the integration of Georgian culture with western values, while the artistic expression of the building has been left intact. The new office coincides with a creation of a new brand identity of the Bank's wealth management business and is in line with its strategy to become the regional hub for private banking

- **Galt & Taggart, which brings under one brand corporate advisory, debt and equity capital markets research and brokerage services, continues to develop local capital markets in Georgia**
  - During 1Q19 Galt & Taggart acted as a:
    - lead manager of JSC Microfinance Organisation Crystal's GEL 15mln local public bond issuance due in 2021, in February 2019
    - co-manager of Bank of Georgia's inaugural US$ 100mln international Additional Tier 1 bond issuance, in March 2019
    - lead manager of JSC Microfinance Organisation Swiss Capital's GEL 10mln local public bond issuance due in 2021, in March 2019
    - lead manager for European Bank for Reconstruction and Development (EBRD), facilitating GEL 90mln local private bond issuance due in 2023, in March 2019
    - lead manager for Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. (FMO), facilitating GEL 26mln local private bond issuance due in 2024, in March 2019
  - In February 2019, *Global Finance Magazine* named Galt & Taggart *Best Investment Bank in Georgia* for the fifth consecutive year
  - In February 2019, Galt & Taggart together with JSC Bank of Georgia organised a conference under "G&T Industry Series" to discuss the findings of Galt & Taggart's research on Georgia's energy sector with an emphasis on ongoing reforms and their impact on the sector development. The conference gathered together all stakeholders including high level representatives from the Government, private sector and IFIs

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT	Bank of Georgia Group Consolidated					Banking Business					Discontinued Operations					Eliminations		
GEL thousands, unless otherwise noted	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q	1Q19	1Q18	4Q18
Interest income	334,735	311,275	7.5%	345,760	-3.2%	334,735	313,679	6.7%	345,760	-3.2%	-	-	-	-	-	-	(2,404)	-
Interest expense	(151,794)	(130,035)	16.7%	(158,322)	-4.1%	(151,794)	(133,430)	13.8%	(158,322)	-4.1%	-	-	-	-	-	-	3,395	-
Net interest income	**182,941**	**181,240**	**0.9%**	**187,438**	**-2.4%**	**182,941**	**180,249**	**1.5%**	**187,438**	**-2.4%**	-	-	-	-	-	-	**991**	-
Fee and commission income	62,531	50,673	23.4%	62,350	0.3%	62,531	51,213	22.1%	62,350	0.3%	-	-	-	-	-	-	(540)	-
Fee and commission expense	(20,351)	(16,488)	23.4%	(21,006)	-3.1%	(20,351)	(16,702)	21.8%	(21,006)	-3.1%	-	-	-	-	-	-	214	-
Net fee and commission income	**42,180**	**34,185**	**23.4%**	**41,344**	**2.0%**	**42,180**	**34,511**	**22.2%**	**41,344**	**2.0%**	-	-	-	-	-	-	**(326)**	-
Net foreign currency gain	30,025	13,151	**128.3%**	53,358	**-43.7%**	30,025	14,253	**110.7%**	53,358	**-43.7%**	-	-	-	-	-	-	(1,102)	-
Net other income / (expense)	3,568	5,518	**-35.3%**	(9,073)	**NMF**	3,568	5,744	**-37.9%**	(9,073)	**NMF**	-	-	-	-	-	-	(226)	-
Operating income	**258,714**	**234,094**	**10.5%**	**273,067**	**-5.3%**	**258,714**	**234,757**	**10.2%**	**273,067**	**-5.3%**	-	-	-	-	-	-	**(663)**	-
Salaries and other employee benefits (excluding one-offs)	*(52,418)*	*(48,818)*	*7.4%*	*(58,331)*	*-10.1%*	*(52,418)*	*(49,453)*	*6.0%*	*(58,331)*	*-10.1%*	-	-	-	-	-	-	*635*	-
One-off termination costs of former executive management (1)	*(7,842)*	-	*NMF*	-	*NMF*	*(7,842)*	-	*NMF*	-	*NMF*	-	-	-	-	-	-	-	-
Salaries and other employee benefits	(60,260)	(48,818)	23.4%	(58,331)	3.3%	(60,260)	(49,453)	21.9%	(58,331)	3.3%	-	-	-	-	-	-	635	-
Administrative expenses	(22,741)	(25,168)	-9.6%	(30,010)	-24.2%	(22,741)	(25,633)	-11.3%	(30,010)	-24.2%	-	-	-	-	-	-	465	-
Depreciation and amortisation	(15,688)	(11,522)	36.2%	(11,365)	38.0%	(15,688)	(11,522)	36.2%	(11,365)	38.0%	-	-	-	-	-	-	-	-
Other operating expenses	(1,080)	(771)	40.1%	(1,151)	-6.2%	(1,080)	(771)	40.1%	(1,151)	-6.2%	-	-	-	-	-	-	-	-
Operating expenses	**(99,769)**	**(86,279)**	**15.6%**	**(100,857)**	**-1.1%**	**(99,769)**	**(87,379)**	**14.2%**	**(100,857)**	**-1.1%**	-	-	-	-	-	-	**1,100**	-
Profit from associates	188	318	-40.9%	318	-40.9%	188	318	-40.9%	318	-40.9%	-	-	-	-	-	-	-	-
Operating profit before cost of risk	**159,133**	**148,133**	**7.4%**	**172,528**	**-7.8%**	**159,133**	**147,696**	**7.7%**	**172,528**	**-7.8%**	-	-	-	-	-	-	**437**	-
Expected credit loss / impairment charge on loans to customers	(40,117)	(36,676)	9.4%	(25,783)	55.6%	(40,117)	(36,676)	9.4%	(25,783)	55.6%	-	-	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(446)	13	NMF	514	NMF	(446)	13	NMF	514	NMF	-	-	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(2,089)	2,850	NMF	(15,509)	-86.5%	(2,089)	2,850	NMF	(15,509)	-86.5%	-	-	-	-	-	-	-	-
Cost of risk	**(42,652)**	**(33,813)**	**26.1%**	**(40,778)**	**4.6%**	**(42,652)**	**(33,813)**	**26.1%**	**(40,778)**	**4.6%**	-	-	-	-	-	-	-	-
Net operating profit before non-recurring items and income tax	**116,481**	**114,320**	**1.9%**	**131,750**	**-11.6%**	**116,481**	**113,883**	**2.3%**	**131,750**	**-11.6%**	-	-	-	-	-	-	**437**	-
Net non-recurring items (excluding one-offs)	*(1,575)*	*(2,948)*	*-46.6%*	*(2,185)*	*-27.9%*	*(1,575)*	*(2,948)*	*-46.6%*	*(2,185)*	*-27.9%*	-	-	-	-	-	-	-	-
One-off termination costs of former CEO (2)	*(3,985)*	-	*NMF*	*(4,401)*	*-9.5%*	*(3,985)*	-	*NMF*	*(4,401)*	*-9.5%*	-	-	-	-	-	-	-	-
Net non-recurring items	(5,560)	(2,948)	88.6%	(6,586)	-15.6%	(5,560)	(2,948)	88.6%	(6,586)	-15.6%	-	-	-	-	-	-	-	-
Profit before income tax	**110,921**	**111,372**	**-0.4%**	**125,164**	**-11.4%**	**110,921**	**110,935**	**0.0%**	**125,164**	**-11.4%**	-	-	-	-	-	-	**437**	-
Income tax expense (excluding one-offs)	*(10,536)*	*(9,283)*	*13.5%*	*(10,888)*	*-3.2%*	*(10,536)*	*(9,283)*	*13.5%*	*(10,888)*	*-3.2%*	-	-	-	-	-	-	-	-
Income tax benefit related to one-off termination costs (3)	*1,587*	-	*NMF*	*540*	*NMF*	*1,587*	-	*NMF*	*540*	*NMF*	-	-	-	-	-	-	-	-
Income tax expense	(8,949)	(9,283)	-3.6%	(10,348)	-13.5%	(8,949)	(9,283)	-3.6%	(10,348)	-13.5%	-	-	-	-	-	-	-	-
Profit from continuing operations	**101,972**	**102,089**	**-0.1%**	**114,816**	**-11.2%**	**101,972**	**101,652**	**0.3%**	**114,816**	**-11.2%**	-	-	-	-	-	-	**437**	-
Profit from discontinued operations	-	28,938	NMF	-	-	-	-	-	-	-	-	29,375	NMF	-	-	-	(437)	-
Profit	**101,972**	**131,027**	**-22.2%**	**114,816**	**-11.2%**	**101,972**	**101,652**	**0.3%**	**114,816**	**-11.2%**	-	**29,375**	**NMF**	-	-	-	-	-
One-off termination costs (1)+(2)+(3)	***(10,240)***	-	***NMF***	***(3,861)***	***NMF***	***(10,240)***	-	***NMF***	***(3,861)***	***NMF***								
Profit attributable to:																		
– shareholders of the Group	101,512	118,420	*-14.3%*	114,240	*-11.1%*	101,512	101,252	*0.3%*	114,240	*-11.1%*	-	17,168	*NMF*	-	-	-	-	-
– non-controlling interests	460	12,607	*-96.4%*	576	*-20.1%*	460	400	*15.0%*	576	*-20.1%*	-	12,207	*NMF*	-	-	-	-	-
Profit from continuing operations attributable to:																		
– shareholders of the Group	101,512	101,689	*-0.2%*	114,240	*-11.1%*	101,512	101,252	*0.3%*	114,240	*-11.1%*	-	-	-	-	-	-	437	-
– non-controlling interests	460	400	*15.0%*	576	*-20.1%*	460	400	*15.0%*	576	*-20.1%*	-	-	-	-	-	-	-	-
Profit from discontinued operations attributable to:																		
– shareholders of the Group	-	16,731	*NMF*	-	-	-	-	-	-	-	-	17,168	*NMF*	-	-	-	(437)	-
– non-controlling interests	-	12,207	*NMF*	-	-	-	-	-	-	-	-	12,207	*NMF*	-	-	-	-	-
Earnings per share (basic)	**2.12**	**3.15**	**-32.7%**	**2.40**	**-11.7%**													
– earnings per share from continuing operations	*2.12*	*2.71*	*-21.8%*	*2.40*	*-11.7%*													
– earnings per share from discontinued operations	-	*0.44*	*NMF*	-	-													
Earnings per share (diluted)	**2.11**	**3.04**	**-30.6%**	**2.40**	**-12.1%**													
– earnings per share from continuing operations	*2.11*	*2.61*	*-19.2%*	*2.40*	*-12.1%*													
– earnings per share from discontinued operations	-	*0.43*	*NMF*	-	-													

BALANCE SHEET	Bank of Georgia Group Consolidated					Banking Business					Discontinued Operations					Eliminations		
GEL thousands, unless otherwise noted	Mar-19	Mar-18	Change y-o-y	Dec-18	Change q-o-q	Mar-19	Mar-18	Change y-o-y	Dec-18	Change q-o-q	Mar-19	Mar-18	Change y-o-y	Dec-18	Change q-o-q	Mar-19	Mar-18	Dec-18
Cash and cash equivalents	1,162,168	1,754,920	-33.8%	1,215,799	-4.4%	1,162,168	1,754,920	-33.8%	1,215,799	-4.4%	-	-	-	-	-	-	-	-
Amounts due from credit institutions	1,391,630	941,804	47.8%	1,305,216	6.6%	1,391,630	955,175	45.7%	1,305,216	6.6%	-	-	-	-	-	-	(13,371)	-
Investment securities	1,948,592	1,748,728	11.4%	2,019,017	-3.5%	1,948,592	1,804,231	8.0%	2,019,017	-3.5%	-	-	-	-	-	-	(55,503)	-
Loans to customers and finance lease receivables	9,570,691	7,755,233	23.4%	9,397,747	1.8%	9,570,691	7,819,773	22.4%	9,397,747	1.8%	-	-	-	-	-	-	(64,540)	-
Accounts receivable and other loans	3,134	3,453	-9.2%	2,849	10.0%	3,134	6,537	-52.1%	2,849	10.0%	-	-	-	-	-	-	(3,084)	-
Prepayments	31,621	79,600	-60.3%	44,294	-28.6%	31,621	79,600	-60.3%	44,294	-28.6%	-	-	-	-	-	-	-	-
Inventories	11,756	10,371	13.4%	13,292	-11.6%	11,756	10,371	13.4%	13,292	-11.6%	-	-	-	-	-	-	-	-
Right-of-use assets	91,248	-	NMF	-	NMF	91,248	-	NMF	-	NMF	-	-	-	-	-	-	-	-
Investment property	169,328	218,142	-22.4%	151,446	11.8%	169,328	218,142	-22.4%	151,446	11.8%	-	-	-	-	-	-	-	-
Property and equipment	349,728	324,810	7.7%	344,059	1.6%	349,728	324,810	7.7%	344,059	1.6%	-	-	-	-	-	-	-	-
Goodwill	33,352	33,351	0.0%	33,351	0.0%	33,352	33,351	0.0%	33,351	0.0%	-	-	-	-	-	-	-	-
Intangible assets	87,005	57,139	52.3%	83,366	4.4%	87,005	57,139	52.3%	83,366	4.4%	-	-	-	-	-	-	-	-
Income tax assets	19,446	13,189	47.4%	19,451	0.0%	19,446	13,189	47.4%	19,451	0.0%	-	-	-	-	-	-	-	-
Other assets	144,343	113,824	26.8%	126,008	14.6%	144,343	117,290	23.1%	126,008	14.6%	-	-	-	-	-	-	(3,466)	-
Assets held for sale	40,528	-	NMF	42,408	-4.4%	40,528	-	NMF	42,408	-4.4%	-	-	-	-	-	-	-	-
Assets of disposal group held for distribution	-	2,447,592	NMF	-	-	-	-	-	-	-	-	3,841,004	NMF	-	-	-	(1,393,412)	-
Total assets	**15,054,570**	**15,502,156**	**-2.9%**	**14,798,303**	**1.7%**	**15,054,570**	**13,194,528**	**14.1%**	**14,798,303**	**1.7%**	**-**	**3,841,004**	**NMF**	**-**	**-**	**-**	**(1,533,376)**	**-**
Client deposits and notes	8,393,861	6,762,071	24.1%	8,133,853	3.2%	8,393,861	7,296,110	15.0%	8,133,853	3.2%	-	-	-	-	-	-	(534,039)	-
Amounts due to credit institutions	2,463,408	2,521,291	-2.3%	2,994,879	-17.7%	2,463,408	2,642,427	-6.8%	2,994,879	-17.7%	-	-	-	-	-	-	(121,136)	-
Debt securities issued	2,045,428	1,524,600	34.2%	1,730,414	18.2%	2,045,428	1,569,404	30.3%	1,730,414	18.2%	-	-	-	-	-	-	(44,804)	-
Lease liabilities	78,364	-	NMF	-	NFM	78,364	-	NMF	-	NMF	-	-	-	-	-	-	-	-
Accruals and deferred income	48,449	27,478	76.3%	47,063	2.9%	48,449	27,478	76.3%	47,063	2.9%	-	-	-	-	-	-	-	-
Income tax liabilities	37,396	19,763	89.2%	28,855	29.6%	37,396	19,763	89.2%	28,855	29.6%	-	-	-	-	-	-	-	-
Other liabilities	68,883	41,073	67.7%	64,966	6.0%	68,883	41,876	64.5%	64,966	6.0%	-	-	-	-	-	-	(803)	-
Liabilities of disposal group held for distribution	-	1,837,869	NMF	-	-	-	-	-	-	-	-	1,964,463	NMF	-	-	-	(126,594)	-
Total liabilities	**13,135,789**	**12,734,145**	**3.2%**	**13,000,030**	**1.0%**	**13,135,789**	**11,597,058**	**13.3%**	**13,000,030**	**1.0%**	**-**	**1,964,463**	**NMF**	**-**	**-**	**-**	**(827,376)**	**-**
Share capital	1,618	1,151	40.6%	1,618	0.0%	1,618	1,151	40.6%	1,618	0.0%	-	-	-	-	-	-	-	-
Additional paid-in capital	495,452	64,530	NMF	480,555	3.1%	495,452	-	NMF	480,555	3.1%	-	64,530	NMF	-	-	-	-	-
Treasury shares	(42)	(57)	-26.3%	(51)	-17.6%	(42)	(57)	-26.3%	(51)	-17.6%	-	-	-	-	-	-	-	-
Other reserves	36,474	101,967	-64.2%	30,515	19.5%	36,474	(117,684)	NMF	30,515	19.5%	-	797,564	NMF	-	-	-	(577,913)	-
Retained earnings	1,376,834	2,273,536	-39.4%	1,277,732	7.8%	1,376,834	1,706,937	-19.3%	1,277,732	7.8%	-	694,686	NMF	-	-	-	(128,087)	-
Reserves of disposal group held for distribution	-	15,828	NMF	-	-	-	-	-	-	-	-	15,828	NMF	-	-	-	-	-
Total equity attributable to shareholders of the Group	**1,910,336**	**2,456,955**	**-22.2%**	**1,790,369**	**6.7%**	**1,910,336**	**1,590,347**	**20.1%**	**1,790,369**	**6.7%**	**-**	**1,572,608**	**NMF**	**-**	**-**	**-**	**(706,000)**	**-**
Non-controlling interests	8,445	311,056	-97.3%	7,904	6.8%	8,445	7,123	18.6%	7,904	6.8%	-	303,933	NMF	-	-	-	-	-
Total equity	**1,918,781**	**2,768,011**	**-30.7%**	**1,798,273**	**6.7%**	**1,918,781**	**1,597,470**	**20.1%**	**1,798,273**	**6.7%**	**-**	**1,876,541**	**NMF**	**-**	**-**	**-**	**(706,000)**	**-**
Total liabilities and equity	**15,054,570**	**15,502,156**	**-2.9%**	**14,798,303**	**1.7%**	**15,054,570**	**13,194,528**	**14.1%**	**14,798,303**	**1.7%**	**-**	**3,841,004**	**NMF**	**-**	**-**	**-**	**(1,533,376)**	**-**
Book value per share[17]	**39.88**	**65.64**	**-39.2%**	**37.59**	**6.1%**													

[17] The y-o-y decline in Book value per share as at 31 March 2019 is driven by the demerger of Investment Business to Georgia Capital PLC on 29 May 2018 and the issuance and allotment of additional 9,784,716 Bank of Georgia Group shares (equivalent to 19.9% of Bank of Georgia Group's issued ordinary share capital) to Georgia Capital

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	1Q19	1Q18	Change y-o-y	4Q18	Change q-o-q
Net interest income	6,585	6,544	0.6%	6,471	1.8%
Net fee and commission income	1,812	2,277	-20.4%	1,356	33.6%
Net foreign currency gain	3,955	3,277	20.7%	5,261	-24.8%
Net other income	147	117	25.6%	332	-55.7%
Operating income	**12,499**	**12,215**	**2.3%**	**13,420**	**-6.9%**
Operating expenses	(7,847)	(7,721)	1.6%	(8,785)	-10.7%
Operating profit before cost of risk	**4,652**	**4,494**	**3.5%**	**4,635**	**0.4%**
Cost of risk	(1,442)	(717)	101.1%	670	NMF
Net non-recurring items	(50)	(700)	-92.9%	(8)	NMF
Profit before income tax	**3,160**	**3,077**	**2.7%**	**5,297**	**-40.3%**
Income tax expense	(571)	(779)	-26.7%	(1,162)	-50.9%
Profit	**2,589**	**2,298**	**12.7%**	**4,135**	**-37.4%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Mar-19	Mar-18	Change y-o-y	Dec-18	Change q-o-q
Cash and cash equivalents	79,497	77,403	2.7%	110,340	-28.0%
Amounts due from credit institutions	20,556	10,387	97.9%	19,664	4.5%
Investment securities	116,082	40,819	NMF	67,734	71.4%
Loans to customers and finance lease receivables	451,665	377,680	19.6%	432,657	4.4%
Other assets	54,001	37,731	43.1%	50,155	7.7%
Total assets	**721,801**	**544,020**	**32.7%**	**680,550**	**6.1%**
Client deposits and notes	425,563	288,337	47.6%	389,001	9.4%
Amounts due to credit institutions	144,314	144,208	0.1%	162,823	-11.4%
Debt securities issued	53,846	30,726	75.2%	38,163	41.1%
Other liabilities	9,477	7,331	29.3%	5,300	78.8%
Total liabilities	**633,200**	**470,602**	**34.6%**	**595,287**	**6.4%**
Total equity	**88,601**	**73,418**	**20.7%**	**85,263**	**3.9%**
Total liabilities and equity	**721,801**	**544,020**	**32.7%**	**680,550**	**6.1%**

BANKING BUSINESS KEY RATIOS	1Q19	1Q18	4Q18
Profitability			
ROAA, annualised[18]	3.1%	3.2%	3.3%
ROAA, annualised (unadjusted)	2.8%	3.2%	3.2%
ROAE, annualised[18]	24.5%	26.2%	27.0%
RB ROAE[18]	*25.3%*	*31.8%*	*28.4%*
CIB ROAE[18]	*27.1%*	*19.8%*	*28.5%*
ROAE, annualised (unadjusted)	22.2%	26.2%	26.2%
Net interest margin, annualised	5.8%	7.0%	6.0%
RB NIM	*6.4%*	*8.2%*	*6.7%*
CIB NIM	*3.4%*	*3.2%*	*3.2%*
Loan yield, annualised	12.2%	13.9%	12.8%
RB Loan yield	*13.6%*	*15.8%*	*14.2%*
CIB Loan yield	*9.1%*	*9.9%*	*9.8%*
Liquid assets yield, annualised	3.8%	3.6%	3.8%
Cost of funds, annualised	4.8%	4.8%	5.0%
Cost of client deposits and notes, annualised	3.3%	3.4%	3.4%
RB Cost of client deposits and notes	*3.0%*	*2.8%*	*2.9%*
CIB Cost of client deposits and notes	*3.6%*	*3.9%*	*4.0%*
Cost of amounts due to credit institutions, annualised	7.6%	6.9%	7.9%
Cost of debt securities issued	7.8%	7.7%	7.8%
Operating leverage, y-o-y[19]	5.0%	-3.6%	3.8%
Operating leverage, q-o-q[19]	3.6%	2.6%	-2.3%
Efficiency			
Cost / Income[19]	35.5%	37.2%	36.9%
RB Cost / Income[19]	*35.5%*	*36.7%*	*36.7%*
CIB Cost /Income[19]	*26.9%*	*32.5%*	*29.6%*
Cost / Income (unadjusted)	38.6%	37.2%	36.9%
Liquidity			
NBG liquidity ratio *(minimum requirement 30%)*	36.7%	36.5%	31.9%
NBG liquidity coverage ratio *(minimum requirement 100%)*	133.1%	135.2%	120.1%
Liquid assets to total liabilities	34.3%	38.9%	34.9%
Net loans to client deposits and notes	114.0%	107.2%	115.5%
Net loans to client deposits and notes + DFIs	98.6%	92.1%	99.6%
Leverage (times)	6.8	7.3	7.2
Asset quality:			
NPLs (in GEL)	326,127	279,754	318,356
NPLs to gross loans to clients	3.3%	3.5%	3.3%
NPL coverage ratio	92.2%	101.2%	90.5%
NPL coverage ratio, adjusted for discounted value of collateral	132.6%	143.2%	129.9%
Cost of credit risk, annualised	1.7%	1.8%	1.1%
RB Cost of credit risk	*2.4%*	*2.2%*	*1.7%*
CIB Cost of credit risk	*0.1%*	*1.3%*	*-0.2%*
Capital adequacy:			
NBG (Basel III) Tier I capital adequacy ratio	12.7%	12.4%	12.2%
Minimum regulatory requirement	*11.6%*	*10.2%*	*11.4%*
NBG (Basel III) Total capital adequacy ratio	17.1%	17.3%	16.6%
Minimum regulatory requirement	*16.1%*	*14.4%*	*15.9%*
Selected operating data:			
Total assets per FTE	2,017	1,858	1,995
Number of active branches, of which:	276	282	276
- Express branches (including Metro)	*166*	*156*	*165*
- Bank of Georgia branches	*98*	*114*	*99*
- Solo lounges	*12*	*12*	*12*
Number of ATMs	886	842	876
Number of cards outstanding, of which:	2,139,239	2,246,396	2,177,273
- Debit cards	*1,627,070*	*1,597,662*	*1,630,235*
- Credit cards	*512,169*	*648,734*	*547,038*
Number of POS terminals[20]	17,684	12,571	16,870
FX Rates:			
GEL/US$ exchange rate (period-end)	2.6914	2.4144	2.6766
GEL/GBP exchange rate (period-end)	3.5147	3.3932	3.3955

	Mar-19	Mar-18	Dec-18
Full time employees (FTE), of which:	7,465	7,102	7,416
- Full time employees, BOG standalone	*5,886*	*5,505*	*5,828*
- Full time employees, BNB	*644*	*708*	*669*
- Full time employees, BB other	*935*	*889*	*919*

Shares outstanding	**Mar-19**	**Mar-18**	**Dec-18**
Ordinary shares	47,899,817	37,431,257	47,626,147
Treasury shares	1,269,611	1,953,455	1,543,281
Total shares outstanding	49,169,428	39,384,712	49,169,428

[18] 1Q19 and 4Q18 ratios adjusted for one-off employee costs related to termination benefits of the former CEO and executive management
[19] 1Q19 results adjusted for one-off employee costs related to termination benefits of the former executive management
[20] Includes 2,650 POS terminals operating in public transportation network in 1Q19 and 4Q18

GLOSSARY

- **Alternative performance measures (APMs)** In this announcement the management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. We believe that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate the Group's operating performance and make day-to-day operating decisions;
- **Cost of funds** Interest expense of the period divided by monthly average interest bearing liabilities;
- **Cost of credit risk** Expected loss/ impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;
- **Cost to income ratio** Operating expenses divided by operating income;
- **Interest bearing liabilities** Amounts due to credit institutions, client deposits and notes, and debt securities issued;
- **Interest earning assets (excluding cash)** Amounts due from credit institutions, investment securities (but excluding corporate shares) and net loans to customers and finance lease receivables;
- **Leverage (times)** Total liabilities divided by total equity;
- **Liquid assets** Cash and cash equivalents, amounts due from credit institutions and investment securities;
- **Liquidity coverage ratio (LCR)** High quality liquid assets (as defined by NBG) divided by net cash outflows over the next 30 days (as defined by NBG);
- **Loan yield** Interest income from loans to customers and finance lease receivables divided by monthly average gross loans to customers and finance lease receivables;
- **NBG liquidity ratio** Daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;
- **NBG (Basel III) Tier I capital adequacy ratio** Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **NBG (Basel III) Total capital adequacy ratio** Total regulatory capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **Net interest margin (NIM)** Net interest income of the period divided by monthly average interest earning assets excluding cash for the same period;
- **Non-performing loans (NPLs)** The principal and interest on loans overdue for more than 90 days and any additional potential losses estimated by management;
- **NPL coverage ratio** Allowance for expected credit loss/impairment loss of loans and finance lease receivables divided by NPLs;
- **NPL coverage ratio adjusted for discounted value of collateral** Allowance for expected credit loss/impairment loss of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for expected credit loss/impairment loss);
- **Operating leverage** Percentage change in operating income less percentage change in operating expenses;
- **Return on average total assets (ROAA)** Profit for the period divided by monthly average total assets for the same period;
- **Return on average total equity (ROAE)** Profit for the period attributable to shareholders of the Group divided by monthly average equity attributable to shareholders of the Group for the same period;
- **NMF** Not meaningful

COMPANY INFORMATION

Bank of Georgia Group PLC

Registered Address

84 Brook Street
London W1K 5EH
United Kingdom
www.bankofgeorgiagroup.com
Registered under number 10917019 in England and Wales

Secretary

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Stock Listing

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

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.
Investor Centre Web Address - www.investorcentre.co.uk.
Investor Centre Shareholder Helpline - +44 (0)370 873 5866

Share price information

Shareholders can access both the latest and historical prices via the website
www.bankofgeorgiagroup.com