Bank of Georgia Group PLC

1st quarter 2020 results

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

ABOUT BANK OF GEORGIA GROUP PLC

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

1Q20 RESULTS CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group's consolidated financial results for the first quarter of 2020. Unless otherwise noted, numbers in this announcement are for 1Q20 and comparisons are with 1Q19. 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 2020, at 14:00 UK / 15:00 CEST / 09:00 U.S Eastern Time.

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CONTENTS

FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: macroeconomic risk, including currency fluctuations and depreciation of the Georgian Lari; impact of COVID-19; regional instability; loan portfolio quality; regulatory risk; liquidity risk; operational risk, cyber security, information systems and financial crime risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2019. 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.

1Q20 RESULTS HIGHLIGHTS

The COVID-19 global pandemic has had a significant impact on people, the economy and the way we live and work. Our immediate, and first, priority has been the health and well-being of our employees and customers, Georgia and the protection of the Bank. In addition, we have maintained ongoing business continuity and operational efficiency, and ensured the long-term stability, strength and profitability of the Group. Our first quarter performance was robust and, unlike many banks around the world, we have taken a significant upfront general provision to cover expected credit losses throughout the economic cycle.
The Government of Georgia has managed the pandemic impact remarkably well, with strong containment of the disease, significant support packages to mitigate the economic impact, and recently announced plans to start to ease the lockdown and re-open the country to foreign tourists in July 2020.

While economic challenges and uncertainties remain, Bank of Georgia entered the situation as a highly profitable bank, with a strong market position and balance sheet, market leading digital capabilities and excellent people. We are proud of our support of the Government's measures to combat the disease and mitigate its economic impact, and are confident that we will meet the ongoing challenge to support our customers and play our full part in helping Georgia's recovery.

GEL thousands	**1Q20**	**1Q19**	**Change y-o-y**	**4Q19**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS[1]					
Net interest income	197,080	189,981	3.7%	207,091	-4.8%
Net fee and commission income	40,112	42,180	-4.9%	46,558	-13.8%
Net foreign currency gain	30,661	22,985	33.4%	37,177	-17.5%
Net other income	6,627	3,568	85.7%	18,439	-64.1%
Operating income	**274,480**	**258,714**	**6.1%**	**309,265**	**-11.2%**
Operating expenses	**(106,008)**	**(91,927)**	**15.3%**	**(121,545)**	**-12.8%**
Profit from associates	301	188	60.1%	153	96.7%
Operating income before cost of risk	**168,773**	**166,975**	**1.1%**	**187,873**	**-10.2%**
Cost of risk	(241,403)	(42,652)	NMF	(14,232)	NMF
Net operating (loss) / income before non-recurring items	**(72,630)**	**124,323**	**NMF**	**173,641**	**NMF**
Net non-recurring items	(40,345)	(1,575)	NMF	(1,591)	NMF
(Loss) / profit before income tax and one-off costs	**(112,975)**	**122,748**	**NMF**	**172,050**	**NMF**
Income tax benefit / (expense)	13,030	(10,536)	NMF	(15,515)	NMF
(Loss) / profit adjusted for one-off costs	**(99,945)**	**112,212**	**NMF**	**156,535**	**NMF**
One-off termination costs of former CEO and executive management (after tax)	-	(10,240)	NMF	-	-
(Loss) / profit	**(99,945)**	**101,972**	**NMF**	**156,535**	**NMF**

GEL thousands	**Mar-20**	**Mar-19**	**Change y-o-y**	**Dec-19**	**Change q-o-q**
BALANCE SHEET HIGHLIGHTS					
Liquid assets	5,379,132	4,502,390	19.5%	5,559,500	-3.2%
Cash and cash equivalents	*1,507,142*	*1,162,168*	*29.7%*	*2,153,624*	*-30.0%*
Amounts due from credit institutions	*1,954,218*	*1,391,630*	*40.4%*	*1,619,072*	*20.7%*
Investment securities	*1,917,772*	*1,948,592*	*-1.6%*	*1,786,804*	*7.3%*
Loans to customers and finance lease receivables[2]	13,144,429	9,570,691	37.3%	11,931,262	10.2%
Property and equipment	380,580	349,728	8.8%	379,788	0.2%
Total assets	**19,663,693**	**15,054,570**	**30.6%**	**18,569,497**	**5.9%**
Client deposits and notes	10,835,918	8,393,861	29.1%	10,076,735	7.5%
Amounts owed to credit institutions	4,144,701	2,463,408	68.3%	3,934,123	5.4%
Borrowings from DFIs	*1,689,610*	*1,309,976*	*29.0%*	*1,486,044*	*13.7%*
Short-term loans from central banks	*1,677,339*	*585,797*	*NMF*	*1,551,953*	*8.1%*
Loans and deposits from commercial banks	*777,752*	*567,635*	*37.0%*	*896,126*	*-13.2%*
Debt securities issued	2,294,431	2,045,428	12.2%	2,120,064	8.2%
Total liabilities	**17,616,438**	**13,135,789**	**34.1%**	**16,418,589**	**7.3%**
Total equity	**2,047,255**	**1,918,781**	**6.7%**	**2,150,908**	**-4.8%**

[1] The 1Q19 income statement adjusted profit excludes GEL 10.2mln one-off employee costs (net of income tax) related to former CEO and executive management termination benefits. The amount is comprised of GEL 7.8mln (gross of income tax) excluded from salaries and other employee benefits, GEL 4.0mln (gross of income tax) excluded from non-recurring items and GEL 1.6mln tax benefit excluded from income tax expense. 1Q19 ROAE and ROAA have been adjusted accordingly. Full IFRS income statement is presented on *page 25*. Management believes that one-off costs do not relate to underlying performance of the Group, and hence, adjusted results provide the best representation of the Group's performance during first quarter of 2019

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

KEY RATIOS	1Q20	1Q19	4Q19
ROAA[3]	-2.1%	3.1%	3.4%
ROAE[3]	-18.6%	24.5%	29.9%
Net interest margin	5.0%	6.0%	5.4%
Liquid assets yield	3.9%	3.8%	3.7%
Loan yield	10.8%	12.2%	11.4%
Cost of funds	4.7%	4.6%	4.7%
Cost / income[4]	38.6%	35.5%	39.3%
NPLs to Gross loans to clients	2.1%	3.3%	2.1%
NPL coverage ratio	147.2%	92.2%	80.9%
NPL coverage ratio, adjusted for discounted value of collateral	194.9%	132.6%	139.6%
Cost of credit risk ratio	7.4%	1.7%	0.2%
NBG (Basel III) CET1 capital adequacy ratio	8.3%	12.7%	11.5%
NBG (Basel III) Tier I capital adequacy ratio	10.6%	12.7%	13.6%
NBG (Basel III) Total capital adequacy ratio	15.3%	17.1%	18.1%

KEY RESULTS HIGHLIGHTS

- **Robust quarterly performance notwithstanding the COVID-19 pandemic impact.** The Group generated solid operating income before cost of risk of GEL 168.8mln during first quarter of 2020, mostly driven by stable net interest income and net fee and commission income, considering the slowdown in economic activity, as well as strong net foreign currency gains generated during the quarter
- **Net one-off loss on modification of financial assets.** We recorded a GEL 38.7mln one-off net loss on modification of financial assets in 1Q20 in relation to the three-month payment holidays on principal and interest offered to our retail banking clients in March 2020, in order to reduce the requirement for customers to physically visit Bank branches and reduce the risk of COVID-19 virus spread. Interest continues to accrue on the outstanding principal of the loans and is distributed over the remaining period of each loan. The modification terms do not compound the three-month accrued interest, and have therefore, under IFRS accounting this resulted in a one-off net loss on modification of loans to customers. This type of restructuring offered to our customers reflects the impact of the Bank's immediate social response to COVID-19 in Georgia, which management does not expect to recur. The net loss incurred as a result of these modifications has been classified as a non-recurring item in the income statement during the first quarter of 2020
- **Loan book growth reached 37.3% y-o-y and 10.2% q-o-q at 31 March 2020.** Growth on a constant-currency basis was 21.9% y-o-y and 1.5% q-o-q. The y-o-y loan book growth reflected continued strong loan origination levels in Corporate, MSME and mortgage segments during the pre-COVID-19 period, while the q-o-q trend reflects the slow-down of economic activity in March 2020 as a result of the COVID-19 pandemic outbreak
- **Client deposits and notes increased by 29.1% y-o-y and by 7.5% q-o-q at 31 March 2020.** On a constant-currency basis, client deposits and notes grew by 12.2% y-o-y, but were down by 2.4% q-o-q. The slight q-o-q decline in client deposits was due to immediate outflow of customer funds as a result of the COVID-19 outbreak shock in March 2020, which quickly stabilised
- **Asset quality.** The cost of credit risk ratio increased to 7.4% in 1Q20, up from 1.7% in 1Q19 and up from 0.2% in 4Q19. The higher cost of credit risk was primary driven by the increase of GEL 220.2mln in our ECL provision, created for the full economic cycle in both the Retail and Corporate and Investment Banking segments during the first quarter of 2020, related to adverse macro-economic environment and expected negative impact on creditworthiness of borrowers as a result of the COVID-19 pandemic
- The NPL coverage ratio increased to 147.2% as at 31 March 2020 (92.2% at 31 March 2019 and 80.9% at 31 December 2019) and the NPL coverage ratio adjusted for discounted value of collateral was 194.9% at 31 March 2020 (132.6% at 31 March 2019 and 139.6% at 31 December 2019)
- **Solid capital adequacy position.** The Bank's capital adequacy ratios have been strong, and remain comfortably above minimum regulatory requirements. Following the measures put in place by the NBG as part of the COVID-19 supervisory plan announced at the end of March 2020 (see details on *page 22*), the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 8.3%, 10.6% and 15.3%, respectively, all well above the minimum required levels of 6.9%, 8.7% and 13.3%, respectively, at 31 March 2020. The decline in capital ratios at 31 March 2020 was primarily due to a GEL 400 million general provision created under the Bank's local accounting basis in agreement with the National Bank of Georgia (the "NBG") that covers the NBG's current expectation of estimated credit losses on the Bank's lending book for the whole economic cycle
- **Strong liquidity and funding position.** The Bank's liquidity and funding positions have been strong, and remaining comfortably above minimum regulatory requirements. As at 31 March 2020, the Bank's liquidity coverage ratio stood at 121.2% and net stable funding ratio at 123.5%, compared to the 100% minimum required level. In addition, the Bank has strong support from International Financial Institutions. It has already attracted a number of new long-term borrowings both in local and foreign currencies during the past few months in 2020 of more than US$100 million from International Finance Corporation, European Investment Bank and FMO - Dutch entrepreneurial development bank (in collaboration with other participating lenders), most of which has been drawn-down in April 2020. Furthermore, we are actively working with our partner financial institutions and expect to sign new long-term facilities of around US$500 million during the next two to six months, which will further improve our liquidity position and enable us to support our customers and the economy in which we operate during these unprecedented times

[3] 1Q19 ROAE and ROAA are adjusted for GEL 10.2mln one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits
[4] 1Q19 cost/income ratio is adjusted for GEL 7.8mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

CHIEF EXECUTIVE OFFICER'S STATEMENT

These are unprecedented times, and I have been greatly impressed by the response to the new daily challenges faced by the management team and all of our colleagues and customers – which just underlines the strength and quality of the Bank's brand and customer franchise. Last year, we established the Bank's new mission: we are here to help people achieve more of their potential, and this clearly encompasses our desire to overcome all of our challenges to support our clients through the impact of the global pandemic and the current economic downturn.

Bank of Georgia has two clear strategic targets over time: to achieve at least 20% return on average equity, and to deliver c.15% growth of the loan book. These have not changed. Given our clear Georgia focus, our performance in the short-term will inevitably however be affected by the national state of emergency relating to COVID-19, and these targets are no longer appropriate for 2020. We will continue to update the market on a regular basis and as we get greater clarity on the significant current economic uncertainties. In the short-term, our performance and balance sheet remains very robust, asset quality is resilient and we remain comfortable, given our economic scenario stress-testing assumptions, with the incremental general provision created. The Group is also very well positioned with strong funding and liquidity, and capital resources, and we aim to ensure that this remains the case.

The first quarter of 2020 was characterised by two distinct periods for Bank of Georgia. During the first two months of 2020, the Group continued its very strong momentum from 2019 with strong growth and a performance consistent with, or slightly better than, the Group's external guidance and strategic targets. The COVID-19 global pandemic then created economic, medical and social challenges that are unprecedented in modern times. Whilst the full extent of the pandemic is very difficult to assess, the outbreak in Georgia has not been as severe as in many other countries, as the Georgian Government took significant early actions to reduce the spread of the virus, which included early flight bans, and school and business closures. This early action was essential to what has, so far, been an extremely well-managed response to the pandemic throughout the country. We are also encouraged with the Government's recent decision to start easing the lockdown restrictions in Tbilisi, as part of a gradual easing of restrictions, and to plan to re-open Georgia's borders to foreign tourists from 1 July 2020.

Economically, there will clearly be a significant negative impact in all areas of the economy, but, so far, this has been significantly mitigated by the extensive support packages that have been put in place by the Government. The anti-crisis stimulus plan includes a social assistance package for individuals, together with substantial support for businesses, including tax exemptions and various funding mechanisms for businesses. The Georgian Government, which has always had strong relations with the International Monetary Fund (the "IMF") and other development financial agencies, has initiated an approximately US$3 billion financing package from IMF and other international partners – US$1.5 billion is earmarked for the public sector and US$1.5 billion for the private sector. This package will support a substantial economic stimulus in 2020 estimated at 11-15% of GDP. Further details of this package, which ensures that Georgia is very well-placed to manage the economic impact of COVID-19, and other regulatory measures taken to support the banking sector, including an updated supervisory plan of the National Bank of Georgia, are contained on *page 22*.

While there is considerable uncertainty with regard to the macroeconomic outlook given the impact of falling exports, a complete ban on commercial international flights leading to the halt of tourism inflows, and lower remittances, the impact of this is expected to be largely offset by the international support package, lower import demand and reduced prices for imported oil. Our base case is for Georgian GDP to fall by c.3% in 2020. Along with most global currencies, the Georgian Lari devalued by 14.5% against the US Dollar during the first quarter of 2020, but has since stabilised.

Bank of Georgia's financial strength and business model has enabled us to play a significant role in the response to the emerging challenges. First and foremost, our priority was the health and well-being of our staff and customers, and we implemented a comprehensive business continuity plan to ensure that priority, together with sustaining the long-term stability, strength and profitability of the Group. Throughout the period of the pandemic, all of the Bank's main branches and most express branches have remained open, with employees working in split shifts and, where possible, from home. In essence, we have implemented a number of changes to reduce physical interaction to mitigate the spread of the COVID-19 virus; in particular, the implementation of a three-month grace period on principal and interest payments on all retail loans has significantly reduced the requirement for customers to physically visit branches.

Financial and balance sheet performance

There were two material impacts on our financial performance in the quarter as a result of the COVID-19 pandemic which total a combined GEL 258.9 million:

- On an IFRS basis, the Bank has created a GEL 220.2 million upfront provision for the full economic cycle in both the Retail and Corporate and Investment Banking businesses. This COVID-19 related charge is based on our expectations of future credit losses on our portfolio given the application of the future economic scenarios outlined on *page 11*. Unlike many other banks, we have not used IFRS 9 transitional relief and this charge reflects our full currently expected credit losses, related to the COVID-19 impact, over the economic cycle
- We have recorded a one-off net loss on modification of financial assets of GEL 38.7 million. This reflects the impact of the three-month grace period on principal and interest offered to our retail banking clients. Whilst interest continues to accrue, the loan modification terms do not compound the three-month accrued interest and, under IFRS accounting, result in a net loss on the modification of the loans

The Bank is regulated according to the National Bank of Georgia's local accounting basis, which generally requires higher levels of provisioning than IFRS. In agreement with NBG, the Bank created a GEL 400 million general provision under the Bank's local accounting basis. This provision covers the NBG's current expectation of estimated credit losses on the Bank's lending book for the whole economic cycle, given current economic expectations, and is the level of provisioning reflected in the Bank's regulatory capital ratios. As a result, from a capital perspective, having taken these significant upfront provisions, we now expect to see gradual quarterly improvements in our CET1, Tier 1 and Total capital adequacy ratios, which are already sufficiently above our minimum regulatory requirements.

The Group's financial performance was robust during the first quarter 2020, despite the initial impact of the COVID-19 pandemic, with net interest income growing 3.7% and overall operating income growing 6.1% year-on-year. Operating expenses were 15.3% higher year-on-year in 1Q20, reflecting a combination of investments in our IT resource and digitalisation platforms, our Agile transformation process and increased branch network costs to manage the significant COVID-19 changes. Operating income before cost of risk increased by 1.1% year-on-year to GEL 168.8 million in 1Q20. The impact of the specific GEL 258.9 million COVID-19 related changes, neither of which is expected to recur, led to the Group reporting a net loss for the quarter of GEL 99.9 million.

Throughout the period of the economic lockdown so far, our balance sheet has remained broadly stable on a constant currency basis, but grew strongly on a nominal basis reflecting the 12.7% GEL devaluation against the US Dollar during the first quarter of 2020. The currency has since stabilised. On a constant currency basis, our loan book grew by 1.5% in the quarter, whilst deposits decreased by 2.4%. On a nominal basis loan book growth was 10.2% in the quarter, with client deposits increasing 7.5%. Our net interest margin reduced by 40 basis points in the quarter to 5.0%, reflecting a continuing mix shift towards higher quality, lower risk and lower margin mortgage and SME lending and the impact of the increased NBG monetary policy rate on cost of funds, which has subsequently started to reverse.

Asset quality

Against the backdrop of the economic lockdown, the quality of our customer lending has so far been resilient, reflecting the significant reduction over the last few years in the portfolio risk. At the beginning of the pandemic lockdown our non-performing loans were at historically low levels. The absence of high levels of corporate leverage, and the strong Government support programmes both to individuals and corporates is also expected to partially mitigate the negative economic impact of COVID-19. In March 2020, the Bank agreed with the NBG to create a general provision of GEL 400 million under the Bank's local accounting basis, which is used for the calculation of the Bank's capital ratios. This represents 3.3% of the Bank's lending book subject to provision under the local accounting standards. The NBG considers the Bank's capital ratios to be sufficiently in excess of the expected minimum capital requirements, to be able to absorb this upfront general provision whilst maintaining a sufficiently comfortable buffer over the required minimum capital ratios.

On an IFRS basis, the Group has similarly taken an upfront provision, built to cover the expected credit losses in both the Retail and Corporate and Investment Banking business for the full economic cycle. This provision, of GEL 220.2 million, reflects expected credit losses based on a weighted average of our macroeconomic scenario stress-testing results, over a three-year horizon. Our base case scenario (50% probability) assumes negative GDP of 2.7% for 2020; our downside scenario (40% probability) assumes negative 7.0% GDP impact in 2020; and the upside scenario (10% probability) assumes 2.1% GDP growth in 2020. See further details in table of assumptions on *page 11*.

As a result, the annualised cost of credit risk in the quarter was 7.4%. The NPLs to gross loans ratio remained stable at 31 March 2020, at 2.1%, however, provisions coverage ratios improved during the quarter as a result of the significant provisions created. At 31 March 2020, the NPL coverage ratio increased to 147.2%, compared to 80.9% at 31 December 2019, and the provisions coverage ratio adjusted for discounted value of collateral was 194.9% at 31 March 2020, compared to 139.6% at 31 December 2019.

Capital and dividend

The Group's capital position remains robust, and comfortably above our minimum regulatory requirements. At 31 March 2020, having absorbed the full upfront GEL 400 million local accounting general provision, the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 8.3%, 10.6% and 15.3% respectively, all well above the minimum required levels of 6.9%. 8.7% and 13.3%, respectively. In addition, to further improve the Bank's capital position, in April 2020, the Bank drew down a $55 million second tranche of a Tier 2 capital instrument initially arranged last December.

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

Liquidity and funding

The Bank's liquidity and funding position has remained strong, and comfortably above minimum regulatory requirements. At 31 March 2020, the Bank's liquidity coverage ratio stood at 121.2% and net stable funding ratio at 123.5%, compared to required minimum levels of 100%. The Bank also has strong support from International Financial Institutions, and has already attracted a number of new long-term borrowings both in local and foreign currencies over the last couple of months. These total more than US$100 million from a combination of International Finance Corporation, European Investment Bank and FMO – the Dutch entrepreneurial development bank (in collaboration with other participating lenders). Furthermore, we continue to work with our partner financial institutions and, expect to sign new long-term facilities of around US$500 million during the next two to six months. This will further improve our liquidity position and enable us to proactively support our customers and the forthcoming economic recovery.

Increasing digital presence

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. The use of our mobile and digital platforms has substantially increased over the period of the economic lockdown, and our market leading digital and mobile presence is becoming a significant source of competitive advantage, which we expect to continue. The Bank has continued to introduce new features to our mobile banking application and internet bank to further incentivise the migration of client activity towards digital channels, and this focus has increased substantially since the start of the pandemic outbreak and economic lockdown.

Our digital channels now execute more than 94% of total daily transaction by individuals, and we expect this digitisation to continue at a rapid pace. The number of active mobile banking users in the first quarter increased by nearly 50% year-on-year, and 10% quarter-on-quarter to over 567,000 active users; the number of active Business iBank users, for our MSME and corporate clients, increased by 21% year-on-year; and, reflecting the impact of the economic lockdown, the Bank's digital ecosystem business proactively restructured its operations and commercial offerings to adapt to the changing environment.

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Finally, I must re-iterate my congratulations and thanks to all of our employees for the fantastic way in which they have responded to these challenges with remarkable professionalism and dedication in their focus to maintain the integrity of the banking system throughout the country.

Our priority, in response to the COVID-19 global pandemic, was first and foremost the health and well-being of our staff and customers, maintaining robust business continuity and operational efficiency, and ensuring the long-term stability, strength and profitability of the Group. I am confident that Bank of Georgia will emerge from this pandemic having achieved all of these priorities. We will of course continue to monitor developing economic trends and take appropriate actions to pro-actively manage evolving circumstances.

Archil Gachechiladze,
CEO, Bank of Georgia Group PLC
13 May 2020

DISCUSSION OF RESULTS

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

OPERATING INCOME

GEL thousands, unless otherwise noted	1Q20	1Q19	Change y-o-y	4Q19	Change q-o-q
Interest income	388,326	334,735	16.0%	393,480	-1.3%
Interest expense	(191,246)	(144,754)	32.1%	(186,389)	2.6%
Net interest income	**197,080**	**189,981**	**3.7%**	**207,091**	**-4.8%**
Fee and commission income	70,894	62,531	13.4%	77,472	-8.5%
Fee and commission expense	(30,782)	(20,351)	51.3%	(30,914)	-0.4%
Net fee and commission income	**40,112**	**42,180**	**-4.9%**	**46,558**	**-13.8%**
Net foreign currency gain	30,661	22,985	33.4%	37,177	-17.5%
Net other income	6,627	3,568	85.7%	18,439	-64.1%
Operating income	**274,480**	**258,714**	**6.1%**	**309,265**	**-11.2%**
Net interest margin	5.0%	6.0%		5.4%	
Average interest earning assets	15,827,796	12,752,388	24.1%	15,314,640	3.4%
Average interest bearing liabilities	16,339,697	12,717,669	28.5%	15,886,722	2.9%
Average net loans and finance lease receivables, currency blended	12,274,814	9,453,255	29.8%	11,762,692	4.4%
Average net loans and finance lease receivables, GEL	4,988,497	3,656,912	36.4%	4,844,367	3.0%
Average net loans and finance lease receivables, FC	7,286,317	5,796,343	25.7%	6,918,325	5.3%
Average client deposits and notes, currency blended	10,473,930	8,278,823	26.5%	9,986,276	4.9%
Average client deposits and notes, GEL	3,298,908	2,718,201	21.4%	3,093,464	6.6%
Average client deposits and notes, FC	7,175,022	5,560,622	29.0%	6,892,812	4.1%
Average liquid assets, currency blended	5,322,430	4,405,239	20.8%	5,287,479	0.7%
Average liquid assets, GEL	2,208,730	2,066,605	6.9%	2,207,009	0.1%
Average liquid assets, FC	3,113,700	2,338,634	33.1%	3,080,470	1.1%
Liquid assets yield, currency blended	3.9%	3.8%		3.7%	
Liquid assets yield, GEL	8.0%	6.8%		7.3%	
Liquid assets yield, FC	1.0%	1.1%		1.3%	
Loan yield, currency blended	10.8%	12.2%		11.4%	
Loan yield, GEL	15.6%	18.4%		16.3%	
Loan yield, FC	7.5%	8.3%		7.9%	
Cost of funds, currency blended	4.7%	4.6%		4.7%	
Cost of funds, GEL	7.9%	7.0%		7.5%	
Cost of funds, FC	2.9%	3.2%		3.0%	
Cost / income[5]	38.6%	35.5%		39.3%	

Performance highlights

- **The Group generated operating income of GEL 274.5mln in 1Q20 (up 6.1% y-o-y and down 11.2% q-o-q).** The q-o-q decline in operating income was driven by decrease in both interest and non-interest income, on the back of slow-down of economic activity due to COVID-19 pandemic outbreak in March 2020. In addition, the q-o-q decrease was attributable to GEL 12.8mln net gains recorded as a result of the revaluation of investment property in the fourth quarter of 2019
- **Our NIM was 5.0% in 1Q20.** During the first quarter of 2020, NIM was down 100bps y-o-y due to the 140bps y-o-y decrease in loan yield, coupled with 10bps y-o-y increase in cost of funds. On a q-o-q basis, loan yield decreased by 60bps, while cost of funds remained flat, resulting in a 40bps decline in 1Q20 NIM
- **Loan yield.** Currency blended loan yield was 10.8% in 1Q20 (down 140bps y-o-y and down 60bps q-o-q). Y-o-y and q-o-q decline in loan yield during the first quarter of 2020, was driven by the decline in both local and foreign currency loans yields, as well as increase in foreign currency denominated loan portfolio portion in total loan book in 1Q20 as a result of local currency depreciation, which generates lower yields than the local currency denominated loan portfolio
- **Liquid assets yield.** Currency blended liquid assets yield was 3.9% in 1Q20 (up 10bps y-o-y and up 20bps q-o-q). Both y-o-y and q-o-q increase in liquid assets yield was primarily driven by increase in local currency denominated liquid assets yields,

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

slightly offset by decreasing yields on foreign currency denominated liquid assets. The local currency denominated liquid assets yield movement (up 120bps y-o-y and up 70bps q-o-q in 1Q20) directly reflected the NBG's monetary policy rate movements (NBG increased monetary policy rate by cumulative of 200bps since September 2019 and by additional 50bps on 11 December 2019). As for the foreign currency denominated liquid assets yields (down 10bps y-o-y and down 30bps q-o-q in), it largely reflected decline in US Fed rate in March 2020 (NBG accrues interest rate on US Dollar obligatory reserves of the banks at US Fed rate upper bound minus 50bps)

- **Cost of funds.** Cost of funds stood at 4.7% in 1Q20 (up 10bps y-o-y and flat q-o-q). Y-o-y increase in cost of funds in 1Q20 was primarily due to a 20bps increase in cost of amounts owed to credit institutions, on the back of higher NBG monetary policy rate in 2020 (NBG increased monetary policy rate by cumulative of 200bps since September 2019 and by additional 50bps on 11 December 2019), coupled with the 10bps increase in cost of debt securities issued, as a result of the issuance of inaugural US$ 100 million Additional Tier 1 capital perpetual subordinated notes at the end of March 2019. On a q-o-q basis, cost of funds remained flat, driven by 10bps increase in cost of client deposits and notes, coupled with 20bps increase in cost of amounts owed to credit institutions as a result of increase in the NBG monetary policy rate in December 2019, and offset by 30bps q-o-q decrease in cost of debt securities issued (mostly due to the increased average balance of debt securities issued as a result of currency depreciation at the end of first quarter 2020)
- **Net fee and commission income.** Net fee and commission income was GEL 40.1mln in 1Q20 (down 4.9% y-o-y and down 13.8% q-o-q). Both y-o-y and q-o-q decline was mainly driven by decrease in fee and commission income from settlement operations, as a result of slower customer activity due to COVID-19 pandemic and temporary removal of fees on transactions executed through our mobile and internet banking platforms since mid-March 2020, for two-month period, in order to decrease the customer visits to branches and incentivise the transfer of customers' activity to digital channels. The y-o-y decline was partially offset by the strong fees and commission income generation from guarantees and letters of credit issued by our Corporate and Investment Banking business in 1Q20
- **Net foreign currency gain.** In line with currency volatility and client-driven flows, the Group recorded strong net foreign currency gain in 1Q20 (up 33.4% y-o-y and down 17.5% q-o-q)
- **Net other income.** Significant q-o-q decrease in net other income in 1Q20 was largely driven by GEL 12.8mln net gains recorded as a result of the revaluation of investment property in the fourth quarter of 2019

NET OPERATING (LOSS)/INCOME BEFORE NON-RECURRING ITEMS; COST OF RISK; (LOSS)/PROFIT

GEL thousands, unless otherwise noted [6]	1Q20	1Q19	Change y-o-y	4Q19	Change q-o-q
Salaries and other employee benefits	(56,538)	(52,418)	7.9%	(61,504)	-8.1%
Administrative expenses	(27,021)	(22,741)	18.8%	(35,131)	-23.1%
Depreciation, amortisation and impairment	(21,390)	(15,688)	36.3%	(23,815)	-10.2%
Other operating expenses	(1,059)	(1,080)	-1.9%	(1,095)	-3.3%
Operating expenses	**(106,008)**	**(91,927)**	**15.3%**	**(121,545)**	**-12.8%**
Profit from associate	301	188	60.1%	153	96.7%
Operating income before cost of risk	**168,773**	**166,975**	**1.1%**	**187,873**	**-10.2%**
Expected credit loss / impairment charge on loans to customers	(228,189)	(40,117)	NMF	(7,985)	NMF
Expected credit loss / impairment charge on finance lease receivables	(1,885)	(446)	NMF	451	NMF
Other expected credit loss / impairment charge on other assets and provisions	(11,329)	(2,089)	NMF	(6,698)	69.1%
Cost of risk	**(241,403)**	**(42,652)**	**NMF**	**(14,232)**	**NMF**
Net operating (loss) / income before non-recurring items	**(72,630)**	**124,323**	**NMF**	**173,641**	**NMF**
Net non-recurring items	(40,345)	(1,575)	NMF	(1,591)	NMF
(Loss) / profit before income tax and one-off costs	**(112,975)**	**122,748**	**NMF**	**172,050**	**NMF**
Income tax benefit / (expense)	13,030	(10,536)	NMF	(15,515)	NMF
(Loss) / profit adjusted for one-off costs	**(99,945)**	**112,212**	**NMF**	**156,535**	**NMF**
One-off termination costs of former CEO and executive management (after tax)	-	(10,240)	NMF	-	-
(Loss) / profit	**(99,945)**	**101,972**	**NMF**	**156,535**	**NMF**

- **Operating expenses** amounted to GEL 106.0mln in 1Q20, up 15.3% y-o-y and down 12.8% q-o-q. The y-o-y increase was primarily driven by increased investments in IT related resources as part of the Agile transformation process, focus on digitalisation, investments in marketing and branch network. In addition, we incurred extraordinary expenses during the first quarter of 2020 in relation to the safety measures implemented as a response to COVID-19 outbreak
- **Asset quality.** The cost of credit risk ratio increased to 7.4% in 1Q20, from 1.7% in 1Q19 and 0.2% in 4Q19. The y-o-y and q-o-q increase in cost of credit risk ratio was driven by the reserve builds, created for the full economic cycle in both Retail and Corporate and Investment Banking segments in the first quarter of 2020, primarily related to deterioration of macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. This reflected additional reserves for retail customers, as well as borrowers operating across multiple sectors of the economy, with the largest impacts in tourism, trade, transportation, construction and real estate industries.

[6] The 1Q19 adjusted profit in the table excludes GEL 10.2mln one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 7.8mln (gross of income tax) excluded from salaries and other employee benefits, GEL 4.0mln (gross of income tax) excluded from non-recurring items and GEL 1.6mln tax benefit excluded from income tax expense

The following assumptions were used to estimate the amount of reserves required for the whole economic cycle in the first quarter of 2020:

- In the absence of the consensus forecasts, we used macro parameters based on Galt & Taggart Research projections, which are similar to the expectations of the IMF. We determined three scenarios (Baseline, Downside and Upside) with macro parameters for a three-year horizon and assigned respective probabilities. The weighted average of these scenario results were further considered in estimating expected credit losses (ECL):

	Baseline (50% probability)			Downside (40% probability)			Upside (10% probability)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Real GDP growth	-2.7%	5.5%	5.0%	-7.0%	2.5%	3.5%	2.1%	7.0%	6.0%
CPI Inflation	4.7%	3.5%	3.0%	7.0%	5.0%	4.5%	4.2%	3.0%	3.0%
GEL/US$ rate	3.3	2.95	2.9	3.8	3.3	3.2	3.05	2.8	2.8

- Given the unprecedented nature of the COVID-19 pandemic and the uncertainties associated with it, we re-considered the existing impairment model and applied management overlays to the methodology to reflect a COVID-19 effect in ECL. In particular, granting three-month payment holidays to borrowers was not automatically considered as SICR event (i.e. a trigger to transfer the exposures from Stage 1 to Stage 2). We performed a more in depth analysis of the loan portfolio and identified pools of exposures (tourism and hospitality sectors, among others, as well as some of the retail customers) that were most likely to suffer from pandemic consequences in the short to medium term and, transferred these exposures to Stage 2
- Further, to estimate the ECL for certain borrowers, in the downside scenario we assigned them Probability of Default (PD) of 1 and used only a stressed value of the real estate collateral as an estimate of Loss Given Default (LGD). The ECL was calculated as a weighted average of the scenario results
- In order to reflect the effects of increased unemployment in the country in our ECL estimation, 12-month PD rates were amended using management expert judgment, resulting in an increase of 12-month PD rate by 5ppts in Baseline scenario and by 10ppts in Downside scenario. We also applied a 15% haircut in Baseline and 30% haircut in Downside scenario to real estate collateral values and adjusted Cure and Recovery rates. Where relevant, the Bank also used post model adjustments (credit rating override) for certain individually significant borrowers to reflect SICR driven by COVID-19 impact

As a result of these assumptions, we created additional reserves of GEL 220.2mln in the first quarter of 2020. Given that we are operating in a rapidly changing environment with a high level of uncertainty with regards to both the length and the severity of the COVID-19 impact, we are monitoring the new facts and circumstances on a continuous basis and will be updating the market on any significant changes in our assessments in the coming months

- **Quality of our loan book** is closely monitored by the following metrics. The y-o-y improvement in NPLs to gross loans was primarily driven by write-off of several non-performing corporate loans during 4Q19. The NPL coverage ratio and NPL coverage ratio adjusted for the discounted value of collateral improved both y-o-y and q-o-q at 31 March 2020, as a result of previously discussed reserve builds, created for the full economic cycle in the first quarter of 2020:

GEL thousands, unless otherwise noted	Mar-20	Mar-19	Change y-o-y	Dec-19	Change q-o-q
NON-PERFORMING LOANS					
NPLs	284,038	326,127	-12.9%	252,695	12.4%
NPLs to gross loans	2.1%	3.3%		2.1%	
NPLs to gross loans, RB	1.5%	2.2%		1.5%	
NPLs to gross loans, CIB	2.9%	5.7%		3.0%	
NPL coverage ratio	147.2%	92.2%		80.9%	
NPL coverage ratio adjusted for the discounted value of collateral	194.9%	132.6%		139.6%	

- **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 2020, total capital adequacy ratio was 13.8%, above the 12.5% minimum requirement, while Tier I capital adequacy ratio was 9.4%, above NBRB's 7.0% minimum requirement. BNB had negative 0.6% profitability in 1Q20, primarily due to COVID-19 impact, compared to ROAE of 12.1% in 1Q19 and 16.7% in 4Q19. *For financial results highlights of BNB, see page 27*
- **Net non-recurring items.** We recorded a GEL 38.7mln one-off net loss on modification of financial assets in 1Q20 in relation to the three-month payment holidays on principal and interest offered to our retail banking clients in March 2020, in order to reduce the requirement for customers to physically visit Bank branches and reduce the risk of COVID-19 virus spread. Interest continues to accrue on the outstanding principal of the loans and is distributed over the remaining period of each loan. The modification terms do not compound three-month accrued interest, and have therefore, under IFRS accounting, resulted in a one-off net loss on modification of loans to customers. This type of restructuring offered to our customers reflects the impact of the Bank's immediate social response to COVID-19 in Georgia, which management does not expect to recur. The net loss incurred as a result of these modifications has been classified as a non-recurring item in the income statement during the first quarter of 2020. In addition, in 1Q20, the Bank incurred GEL 1.2mln one-off costs to

finance and donate 20,000 laboratory tests of COVID-19, 10 respirators, 50,000 face masks and 60,000 gloves to the Ministry of Health of Georgia, to support the battle to prevent the virus spread. These costs are also classified as non-recurring items

- **Income tax expense.** The Group recorded income tax benefit of GEL 13.0mln in 1Q20, on the back of the net loss during the first quarter of 2020, compared to income tax expense of GEL 10.5mln in 1Q19 (adjusted for tax benefit on one-off costs) and GEL 15.5mln in 4Q19
- **Overall, the Group recorded a loss of** GEL 99.9mln in 1Q20, compared to profit of GEL 112.2mln[7] in 1Q19 and GEL 156.5mln in 4Q19. As such, the Group's profitability was negative in 1Q20, compared to the excellent ROAE of 24.5%[7] in 1Q19 and 29.9% in 4Q19

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Mar-20	Mar-19	Change y-o-y	Dec-19	Change q-o-q
Liquid assets	5,379,132	4,502,390	19.5%	5,559,500	-3.2%
Liquid assets, GEL	2,240,367	2,005,142	11.7%	2,245,740	-0.2%
Liquid assets, FC	3,138,765	2,497,248	25.7%	3,313,760	-5.3%
Net loans and finance lease receivables	13,144,429	9,570,691	37.3%	11,931,262	10.2%
Net loans and finance lease receivables, GEL	4,978,238	3,758,320	32.5%	4,946,387	0.6%
Net loans and finance lease receivables, FC	8,166,191	5,812,371	40.5%	6,984,875	16.9%
Client deposits and notes	10,835,918	8,393,861	29.1%	10,076,735	7.5%
Amounts owed to credit institutions	4,144,701	2,463,408	68.3%	3,934,123	5.4%
Borrowings from DFIs	1,689,610	1,309,976	29.0%	1,486,044	13.7%
Short-term loans from central banks	1,677,339	585,797	NMF	1,551,953	8.1%
Loans and deposits from commercial banks	777,752	567,635	37.0%	896,126	-13.2%
Debt securities issued	2,294,431	2,045,428	12.2%	2,120,064	8.2%
LIQUIDITY AND CAPITAL ADEQUACY RATIOS					
Net loans / client deposits and notes	121.3%	114.0%		118.4%	
Net loans / client deposits and notes + DFIs	104.9%	98.6%		103.2%	
Liquid assets / total assets	27.4%	29.9%		29.9%	
Liquid assets / total liabilities	30.5%	34.3%		33.9%	
NBG liquidity coverage ratio	121.2%	133.1%		136.7%	
NBG (Basel III) CET1 capital adequacy ratio	8.3%	12.7%		11.5%	
NBG (Basel III) Tier I capital adequacy ratio	10.6%	12.7%		13.6%	
NBG (Basel III) Total capital adequacy ratio	15.3%	17.1%		18.1%	

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 121.2%) **and strongly capitalised** (NBG Basel III Tier I capital adequacy ratio of 10.6%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 61.5%).

- **Liquidity.** Liquid assets stood at GEL 5,379.1mln at 31 March 2020, up 19.5% y-o-y and down 3.2% q-o-q. The notable increase over the year was in obligatory reserves with NBG, combined with excess liquidity deployed with credit institutions. The NBG Liquidity coverage ratio was 121.2% at 31 March 2020 (133.1% at 31 March 2019 and 136.7% at 31 December 2019), well above the 100% minimum requirement level
- **Loan book**. Our net loan book and finance lease receivables reached GEL 13,144.4mln at 31 March 2020, up 37.3% y-o-y and up 10.2% q-o-q. As of 31 March 2020, the retail loan book represented 64.3% of the total loan portfolio (70.0% at 31 March 2019 and 66.0% at 31 December 2019). Both local and foreign currency portfolios experienced strong y-o-y growth of 32.5% and 40.5%, respectively. 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. On a q-o-q basis, local currency denominated loan portfolio was largely flat, primarily due to the slow-down of economic activity as a result of the COVID-19 pandemic outbreak in March 2020, while foreign currency denominated loan book grew by 16.9% q-o-q, mostly reflecting the local currency depreciation during the first quarter of 2020
- **Dollarisation of our loan book and client deposits.** The retail client loan book in foreign currency accounted for 47.7% of the total RB loan book at 31 March 2020 (48.6% at 31 March 2019 and 43.7% at 31 December 2019), while retail client foreign currency deposits comprised 71.5% of total RB deposits at 31 March 2020 (69.4% at 31 March 2019 and 68.0% at 31 December 2019). At 31 March 2020, 82.5% of CIB's loan book was denominated in foreign currency (83.0% at 31 March 2019 and 81.1% at 31 December 2019), while 69.4% of CIB deposits were denominated in foreign currency (60.2% at 31 March 2019 and 65.9% at 31 December 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 104.9% at 31 March 2020 (98.6% at 31 March 2019 and 103.2% at 31 December 2019)

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

- **Diversified funding base**. Debt securities issued grew by 12.2% y-o-y and by 8.2% q-o-q at 31 March 2020. The y-o-y increase was primarily driven by the issuance of US$ 100 million Additional Tier 1 capital notes in March 2019, while q-o-q increase was primarily attributable to local currency depreciation during the first quarter of 2020

- **Solid capital position.** At 31 March 2020, following the measures put in place by the NBG as part of the COVID-19 supervisory plan (see details on *page 22*), the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 8.3%, 10.6% and 15.3%, respectively, all comfortably above the minimum required levels of 6.9%, 8.7% and 13.3%, respectively

  - **NBG supervisory plan – COVID-19 and related impact of the Bank's capital position.** The Bank's actual capital adequacy position at 31 March 2020 consider the additional general provision of GEL 400mln (approximately 3.3% of the Bank's lending portfolio subject to provision under the local accounting standards) booked under the Bank's local accounting basis, which is used for calculation of the Bank's capital ratios, in March 2020, reflecting NBG's expectation of estimated credit losses on the Bank's lending book for the whole economic cycle, given current economic expectations

  - **Internal capital generation and dividends.** The Group has recent track record of strong profitability and capacity to generate high levels of internal capital. In March 2020, given the level of uncertainty with regard to the global impact of COVID-19 and the potential length of time of that impact, the Board of Directors has decided not to recommend a dividend to shareholders at the 2020 Annual General Meeting, therefore, the Group will not be distributing 2019 dividends to shareholders this year

  - Below is presented **the movement in capital adequacy ratios** during the first quarter 2020 considering the recent developments, as well as the impact of additional 10% devaluation of GEL on different levels of capital:

	31 December 2019	Business growth	1Q20 profit (excl. general provision)	General provision – COVID-19 impact	GEL devaluation	Other	31 March 2020	Impact of additional 10% GEL devaluation
CET1 capital adequacy ratio	11.5%	-0.1%	0.5%	-2.5%	-0.8%	-0.3%	8.3%	-0.5%
Tier I capital adequacy ratio	13.6%	-0.1%	0.5%	-2.5%	-0.6%	-0.3%	10.6%	-0.4%
Total capital adequacy ratio	18.1%	-0.1%	0.5%	-2.4%	-0.5%	-0.3%	15.3%	-0.3%

  - **Further strengthening capital position through Tier 2 capital subordinated facility.** In December 2019, the Bank signed a ten-year US$ 107mln subordinated syndicated loan agreement arranged by FMO - Dutch entrepreneurial development bank in collaboration with other participating lenders (the Bank's existing and new partner financial institutions). Of the total facility, US$ 52mln was drawn-down by the Bank and the regulatory approval on classification as a Bank Tier 2 capital instrument under the Basel III framework was received in December 2019. The Bank drew-down the second tranche of the facility in the amount of US$55mln and received the regulatory approval on classification from NBG in April 2020, which further improves the overall capitalisation of the Bank

DISCUSSION OF SEGMENT RESULTS

RETAIL BANKING (RB)

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

GEL thousands, unless otherwise noted	**1Q20**	**1Q19**	**Change y-o-y**	**4Q19**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS[8]					
Net interest income	**118,266**	**135,165**	**-12.5%**	**134,839**	**-12.3%**
Net fee and commission income	29,398	32,435	-9.4%	32,775	-10.3%
Net foreign currency gain	21,634	9,062	138.7%	14,795	46.2%
Net other income	1,906	2,168	-12.1%	9,233	-79.4%
Operating income	**171,204**	**178,830**	**-4.3%**	**191,642**	**-10.7%**
Salaries and other employee benefits	(40,568)	(33,874)	19.8%	(39,683)	2.2%
Administrative expenses	(20,732)	(15,796)	31.2%	(22,593)	-8.2%
Depreciation, amortisation and impairment	(17,889)	(13,287)	34.6%	(20,383)	-12.2%
Other operating expenses	(551)	(536)	2.8%	(625)	-11.8%
Operating expenses	**(79,740)**	**(63,493)**	**25.6%**	**(83,284)**	**-4.3%**
Profit from associate	301	188	60.1%	153	96.7%
Operating income before cost of risk	**91,765**	**115,525**	**-20.6%**	**108,511**	**-15.4%**
Cost of risk	(142,079)	(39,386)	NMF	(7,118)	NMF
Net operating (loss) / income before non-recurring items	**(50,314)**	**76,139**	**NMF**	**101,393**	**NMF**
Net non-recurring items	(38,929)	(276)	NMF	68	NMF
(Loss) / profit before income tax and one-off costs	**(89,243)**	**75,863**	**NMF**	**101,461**	**NMF**
Income tax benefit / (expense)	11,215	(6,101)	NMF	(8,910)	NMF
(Loss) / profit adjusted for one-off costs	**(78,028)**	**69,762**	**NMF**	**92,551**	**NMF**
One-off termination costs of former CEO and executive management (after tax)	-	(7,075)	NMF	-	-
(Loss) / profit	**(78,028)**	**62,687**	**NMF**	**92,551**	**NMF**
BALANCE SHEET HIGHLIGHTS					
Net loans, currency blended	7,950,477	6,389,631	24.4%	7,427,721	7.0%
Net loans, GEL	4,157,645	3,286,042	26.5%	4,181,192	-0.6%
Net loans, FC	3,792,832	3,103,589	22.2%	3,246,529	16.8%
Client deposits, currency blended	5,973,729	4,520,521	32.1%	5,712,535	4.6%
Client deposits, GEL	1,703,686	1,385,451	23.0%	1,829,133	-6.9%
Client deposits, FC	4,270,043	3,135,070	36.2%	3,883,402	10.0%
of which:					
Time deposits, currency blended	3,520,769	2,593,744	35.7%	3,221,741	9.3%
Time deposits, GEL	865,443	637,522	35.8%	817,879	5.8%
Time deposits, FC	2,655,326	1,956,222	35.7%	2,403,862	10.5%
Current accounts and demand deposits, currency blended	2,452,960	1,926,777	27.3%	2,490,794	-1.5%
Current accounts and demand deposits, GEL	838,243	747,929	12.1%	1,011,254	-17.1%
Current accounts and demand deposits, FC	1,614,717	1,178,848	37.0%	1,479,540	9.1%
KEY RATIOS					
ROAE[8]	-25.5%	25.3%		31.4%	
Net interest margin, currency blended	4.9%	6.6%		5.7%	
Cost of credit risk ratio	7.4%	2.4%		0.2%	
Cost of funds, currency blended	5.8%	5.4%		5.3%	
Loan yield, currency blended	11.8%	13.6%		12.4%	
Loan yield, GEL	15.7%	19.3%		16.7%	
Loan yield, FC	6.8%	7.7%		6.8%	
Cost of deposits, currency blended	2.6%	2.7%		2.5%	
Cost of deposits, GEL	5.7%	5.2%		5.1%	
Cost of deposits, FC	1.3%	1.6%		1.4%	
Cost of time deposits, currency blended	3.9%	4.0%		3.8%	
Cost of time deposits, GEL	9.3%	8.8%		8.6%	
Cost of time deposits, FC	2.0%	2.5%		2.2%	
Current accounts and demand deposits, currency blended	0.9%	1.0%		0.9%	
Current accounts and demand deposits, GEL	2.3%	2.2%		2.2%	
Current accounts and demand deposits, FC	0.0%	0.3%		0.1%	
Cost / income ratio[9]	46.6%	35.5%		43.5%	

[8] The 1Q19 income statement adjusted profit excludes GEL 7.1mln one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 5.2mln (gross of income tax) excluded from salaries and other employee benefits, GEL 2.9mln (gross of income tax) excluded from non-recurring items and GEL 1.0mln tax benefit excluded from income tax expense. The 1Q19 ROAE has been adjusted accordingly

[9] The 1Q19 cost/income ratio is 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 despite the COVID-19 pandemic impact and generated operating income of GEL 171.2mln in 1Q20 (down 4.3% y-o-y and down 10.7% q-o-q)**
- RB's net interest income was down by 12.5% y-o-y and down by 12.3% q-o-q in 1Q20, primarily reflecting the slow-down in economic activity on the back of COVID-19 pandemic outbreak in March 2020. Net interest income still benefited from the growth of the local currency loan portfolio during the pre-COVID-19 period, which generated 8.9ppts higher yields than the foreign currency loan portfolio in 1Q20
- **Retail Banking net loan book reached GEL 7,950.5mln at 31 March 2020, up 24.4% y-o-y and up 7.0% q-o-q. On a constant currency basis, retail loan book increased by 13.7% y-o-y and was largely flat q-o-q in 1Q20.** Local currency denominated loan book increased by 26.5% y-o-y and was largely flat q-o-q, while the foreign currency denominated loan book grew by 22.2% y-o-y and by 16.8% q-o-q. As a result, the local currency denominated loan book accounted for 52.3% of the Retail Banking loan book at 31 March 2020 (51.4% at 31 March 2019 and 56.3% at 31 December 2019). Currently, the part of the Retail Banking loan portfolio which is most sensitive to foreign currency risk is largely de-dollarised
- **The loan portfolio composition reflects the shift towards a higher quality, lower margin product mix on the back of tighter lending conditions for unsecured consumer lending since 1 January 2019.** The y-o-y and q-o-q loan book growth reflected continued strong loan origination levels in MSME and mortgage segments, as well as secured consumer lending during the pre-COVID-19 period. The q-o-q decline in the loan originations is reflective of the slow-down of the economic activity in March 2020 as a result of COVID-19 pandemic outbreak:

RETAIL BANKING LOAN BOOK BY PRODUCTS

GEL million, unless otherwise noted	1Q20	1Q19	Change y-o-y	4Q19	Change q-o-q
Loan originations					
Consumer loans	347,434	306,493	13.4%	412,538	-15.8%
Mortgage loans	259,310	209,514	23.8%	411,058	-36.9%
Micro loans	277,241	287,038	-3.4%	421,009	-34.1%
SME loans	297,514	214,520	38.7%	365,923	-18.7%
POS loans	16,409	14,469	13.4%	28,106	-41.6%
Outstanding balance					
Consumer loans	1,591,216	1,381,499	15.2%	1,549,010	2.7%
Mortgage loans	3,332,205	2,578,536	29.2%	3,042,506	9.5%
Micro loans	1,600,263	1,310,758	22.1%	1,491,951	7.3%
SME loans	1,233,054	795,792	54.9%	1,031,475	19.5%
POS loans	40,082	44,369	-9.7%	43,444	-7.7%

- **Retail Banking client deposits increased to GEL 5,973.7mln as at 31 March 2020, up 32.1% y-o-y and up 4.6% q-o-q**. The dollarisation level of our deposits stood at 71.5% at 31 March 2020, compared to 69.4% at 31 March 2019 and 68.0% at 31 December 2019. The cost of foreign currency denominated deposits was down 30bps y-o-y and down 10bps q-o-q, while the cost of local currency denominated deposits increased by 50bps y-o-y and by 60bps q-o-q in 1Q20. The spread between the cost of RB's client deposits in GEL and foreign currency widened to 4.4ppts during 1Q20 (GEL: 5.7%; FC: 1.3%), compared to 3.6ppts in 1Q19 (GEL: 5.2%; FC: 1.6%) and 3.7ppts in 4Q19 (GEL: 5.1%; FC: 1.4%)
- **Retail Banking NIM was 4.9% in 1Q20, compared to 6.6% in 1Q19 and 5.7% in 4Q19.** The y-o-y and q-o-q decline in NIM was mostly attributable to lower loan yields (down 180bps y-o-y and down 60bps q-o-q). In addition, the cost of funds increased by 40bps y-o-y and by 50bps q-o-q in 1Q20, primarily on the back of increased NBG monetary policy rate (NBG increased monetary policy rate by cumulative of 200bps since September 2019 and by additional 50bps on 11 December 2019)
- **Retail Banking net fee and commission income**. Retail Banking still generated solid net fee and commission income during first quarter of 2020, considering the COVID-19 impact, which was primarily driven by settlement operations and the strong franchise of our SOLO and MSME segments. The y-o-y and q-o-q decline was mainly due to slower customer activity on the back of COVID-19 pandemic and temporary removal of fees on transactions executed through our mobile and internet banking platforms since mid-March 2020, for a two-month period, in order to decrease the customer visits to branches and incentivise the transfer of customers' activity to digital channels
- **RB's asset quality.** Cost of credit risk ratio increased to 7.4% in 1Q20, up from 2.4% in 1Q19 and up from 0.2% in 4Q19, driven by the IFRS 9 reserve builds, created for the full economic cycle in the first quarter of 2020, primarily related to deterioration of the macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 impact

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

RETAIL BANKING PERFORMANCE INDICATORS

Volume information in GEL thousands	1Q20	1Q19	Change y-o-y	4Q19	Change q-o-q
Retail Banking customers					
Number of new customers	31,796	39,845	-20.2%	55,303	-42.5%
Number of customers	2,567,097	2,454,678	4.6%	2,540,466	1.0%
Cards					
Number of cards issued	152,938	176,085	-13.1%	230,540	-33.7%
Number of cards outstanding	2,160,942	2,139,239	1.0%	2,145,060	0.7%
Express Pay terminals					
Number of Express Pay terminals	3,183	3,152	1.0%	3,217	-1.1%
Number of transactions via Express Pay terminals	22,934,069	26,751,138	-14.3%	27,434,540	-16.4%
Volume of transactions via Express Pay terminals	2,026,846	1,765,536	14.8%	2,334,579	-13.2%
POS terminals					
Number of desks	16,123	12,766	26.3%	15,592	3.4%
Number of contracted merchants	7,764	5,902	31.5%	7,519	3.3%
Number of POS terminals	22,472	17,684	27.1%	21,869	2.8%
Number of transactions via POS terminals	22,611,894	16,529,540	36.8%	24,073,703	-6.1%
Volume of transactions via POS terminals	650,294	488,198	33.2%	742,067	-12.4%
Internet banking					
Number of active users[10]	287,301	277,960	3.4%	294,081	-2.3%
Number of transactions via internet bank	1,107,073	1,421,135	-22.1%	1,268,672	-12.7%
Volume of transactions via internet bank	654,221	490,457	33.4%	641,560	2.0%
Mobile banking					
Number of active users[10]	567,036	382,152	48.4%	513,677	10.4%
Number of transactions via mobile bank	12,453,837	6,697,926	85.9%	11,541,763	7.9%
Volume of transactions via mobile bank	1,663,128	790,201	110.5%	1,564,891	6.3%

- **Growth in client base was due to the increased offering of cost-effective remote channels**. The increase to 2,567,097 customers as at 31 March 2020 (up 4.6% y-o-y and up 1.0% q-o-q) reflects sustained growth in our client base over recent periods and was one of the drivers of the solid Retail Banking net fee and commission income in the first quarter of 2020

- **The number of outstanding cards** increased by 1.0% y-o-y and by 0.7% q-o-q at 31 March 2020. The number of Loyalty programme Plus+ cards (launched in July 2017 as part of RB's client-centric approach), reached 906,985 as at 31 March 2020, up 39.3% y-o-y and up 5.6% q-o-q

- **Digital channels**. We have actively continued the further development of our digital strategy and therefore, more than 94% of total daily transactions of individuals were executed through digital channels during the first quarter of 2020

  - **mBank and iBank digital penetration.** The Bank continued introducing new features to our mobile banking application and our internet bank and introducing dedicated digital spaces in our branches to incentivise transferring client activity to digital channels. The focus in this direction further increased after the COVID-19 pandemic outbreak, which the Bank responded to with various activities, such as instructive videos, incentives and call center support for customers educating them how to use these digital channels. As a result of increased investments and efforts in this direction, the number of active mobile and internet banking users, as well as the number and volume of transactions through these channels continued to expand

  - **The utilisation of Express Pay terminals**. The Bank has a large network of self-service terminals throughout Georgia, which are used extensively by its customers. The decline in number of transactions both y-o-y and q-o-q in 1Q20, was primarily due to the continuous migration of customers to mobile banking platform

- **Business iBank.** In 2019, the Bank released a new business internet banking platform for MSME and corporate clients, which comes with many features designed to make its use an intuitive and smooth experience. Since then, we have focused our efforts on making the Business iBank even more useful for business transactions to further incentivise transfer of client activity to digital channels. As a result, we saw a significant y-o-y increase in the number and volume of transactions through Business iBank during 1Q20 (up 26.1% and up 15.0% y-o-y, respectively). c.95% of daily transactions of legal entities were executed through the internet bank during the first quarter of 2020

- **Digital ecosystem development.** In order to enhance our client-centric offering, we have developed a digital ecosystem with a number of integrated platforms aimed at providing the valued-added solutions to our clients in addition to the financial services they receive from the Bank. Currently, our digital ecosystem rests on two pillars: retail and MSME. Under the retail pillar, we launched two platforms in 2019 – real estate platform *area.ge* and online marketplace platform *extra.ge*. Under the MSME pillar, we launched *Optimo* in 2019 – a digital solution for our MSME customers to run their business sales and solutions

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

- In 1Q20, the Group in response to COVID-19 outbreak accepted social and commercial challenge to play a vital role in addressing accelerated digital service demand. Due to social distancing and restrictions imposed on commercial activities, the Group's digital ecosystem arm proactively restructured its operations and commercial offerings to adapt to the changing environment. Core focus fell on *extra.ge*, which after its acquisition in 2Q19, has been transformed into a vibrant and dynamic full-scale digital marketplace and the full-scale re-launch was completed as planned in the first quarter of 2020. Currently, the platform has been upgraded from consumer-to-consumer (C2C) to business-to-consumer (B2C) and business-to-business (B2B) sales platform, already having a network of more than 200 largest vendors operating in the country
- Following the COVID-19 outbreak, during the first quarter of 2020, the Group structured a unique digital solution for merchants who were faced by customer scarcity and heavy burden of restrictions. The Group has merged *extra.ge* and *Optimo* - a cutting-edge digital inventory management and POS solution with integrated software and a rich variety of functions and analytical tools, to address traditional retailers' key challenges: 1) lack of competence to create and harness the e-commerce solution; 2) lack of internal tools and sufficient procedures to support digital sales; and 3) lack of appropriate infrastructure to deliver the products sold. As such, with the packaged solution, branded as *Adapter*, the Group is offering a best-in-class solution to the merchants, who can now undergo fast and efficient transformation to digital sales with just a simple plug-in. With *Optimo* they get effective inventory and order management platform, which is digitally integrated with *extra.ge*, through which they can sell their products directly to customers remotely. Since its introduction, *Adapter* quickly gained interest and popularity amongst market players, small merchants, as well as large physical marketplaces, which is evident through active negotiations and already onboarded partners. *Adapter* was highly accepted by hundreds of retailers and producers, exceeding initially planned targets

- **SOLO, our premium banking brand, continued its strong growth and investment in its lifestyle brand.** We have 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 56,327 at 31 March 2020 (47,057 at 31 March 2019 and 54,542 at 31 December 2019). At 31 March 2020, the product to client ratio for the SOLO segment was 5.0, compared to 2.1 for our retail franchise. While SOLO clients currently represent 2.2% of our total retail client base, they contributed 30.6% to our retail loan book, 40.2% to our retail deposits, 26.7% and 25.7% to our net retail interest income and to our net retail fee and commission income in 1Q20, respectively. The fee and commission income from the SOLO segment was GEL 6.1mln in 1Q20 (GEL 5.8mln in 1Q19 and GEL 6.4mln in 4Q19). SOLO Club, a membership group within SOLO, which offers exclusive access to SOLO products and offers ahead of other SOLO clients at a higher fee, continued to increase its client base. At 31 March 2020, SOLO Club had 5,620 members, up 26.4% y-o-y and up 2.5% q-o-q
- **MSME banking.** The number of MSME segment clients reached 224,641 at 31 March 2020, up 8.1% y-o-y and up 1.8% q-o-q. MSME's gross loan portfolio reached GEL 3,017.1mln (up 32.3% y-o-y and up 11.9% q-o-q) and client deposits and notes amounted to GEL 750.9mln (up 10.1% y-o-y and down 7.0% q-o-q) at 31 March 2020. The MSME segment generated operating income of GEL 50.5mln in 1Q20 (up 11.0% y-o-y and down 9.5% q-o-q)
- **Retail Banking recorded a loss** in the amount of GEL 78.0mln in 1Q20, compared to profit of GEL 69.8mln[11] in 1Q19 and GEL 92.6mln in 4Q19. As such, Retail Banking's profitability was negative in 1Q20, compared to outstanding ROAE of 25.3%[11] in 1Q19 and 31.4% in 4Q19. This resulted primarily from the increased cost of risk and non-recurring costs associated with the impact of COVID-19

[11] The 1Q19 profit and ROAE are adjusted for GEL 7.1mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

CORPORATE AND INVESTMENT BANKING (CIB)

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

GEL thousands, unless otherwise noted	**1Q20**	**1Q19**	**Change y-o-y**	**4Q19**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS[12]					
Net interest income	69,341	48,541	42.9%	65,642	5.6%
Net fee and commission income	8,955	8,151	9.9%	11,928	-24.9%
Net foreign currency gain	8,534	10,242	-16.7%	14,341	-40.5%
Net other income	4,681	1,386	NMF	9,212	-49.2%
Operating income	**91,511**	**68,320**	**33.9%**	**101,123**	**-9.5%**
Salaries and other employee benefits	(10,561)	(12,439)	-15.1%	(15,495)	-31.8%
Administrative expenses	(4,466)	(4,027)	10.9%	(8,989)	-50.3%
Depreciation, amortisation and impairment	(2,473)	(1,701)	45.4%	(2,387)	3.6%
Other operating expenses	(296)	(203)	45.8%	(295)	0.3%
Operating expenses	**(17,796)**	**(18,370)**	**-3.1%**	**(27,166)**	**-34.5%**
Operating income before cost of risk	**73,715**	**49,950**	**47.6%**	**73,957**	**-0.3%**
Cost of risk	(95,902)	(1,824)	NMF	(7,389)	NMF
Net operating (loss) / income before non-recurring items	**(22,187)**	**48,126**	**NMF**	**66,568**	**NMF**
Net non-recurring items	(1,406)	(72)	NMF	(217)	NMF
(Loss) / profit before income tax and one-off costs	**(23,593)**	**48,054**	**NMF**	**66,351**	**NMF**
Income tax benefit / (expense)	1,847	(3,864)	NMF	(5,344)	NMF
(Loss) / profit adjusted for one-off costs	**(21,746)**	**44,190**	**NMF**	**61,007**	**NMF**
One-off termination costs of former CEO and executive management (after tax)	-	(3,165)	NMF	-	-
(Loss) / profit	**(21,746)**	**41,025**	**NMF**	**61,007**	**NMF**
BALANCE SHEET HIGHLIGHTS					
Net loans and finance lease receivables, currency blended	4,391,652	2,652,838	65.5%	3,804,448	15.4%
Net loans and finance lease receivables, GEL	768,968	451,360	70.4%	720,375	6.7%
Net loans and finance lease receivables, FC	3,622,684	2,201,478	64.6%	3,084,073	17.5%
Client deposits, currency blended	4,285,356	3,531,840	21.3%	3,824,667	12.0%
Client deposits, GEL	1,310,129	1,405,892	-6.8%	1,305,230	0.4%
Client deposits, FC	2,975,227	2,125,948	39.9%	2,519,437	18.1%
Time deposits, currency blended	1,740,893	1,325,345	31.4%	1,349,969	29.0%
Time deposits, GEL	583,015	506,023	15.2%	366,847	58.9%
Time deposits, FC	1,157,878	819,322	41.3%	983,122	17.8%
Current accounts and demand deposits, currency blended	2,544,463	2,206,495	15.3%	2,474,698	2.8%
Current accounts and demand deposits, GEL	727,114	899,869	-19.2%	938,383	-22.5%
Current accounts and demand deposits, FC	1,817,349	1,306,626	39.1%	1,536,315	18.3%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,520,149	1,037,779	46.5%	1,376,196	10.5%
Assets under management	2,704,411	2,371,002	14.1%	2,567,177	5.3%
RATIOS					
ROAE[12]	-10.6%	27.1%		28.5%	
Net interest margin, currency blended	4.0%	3.6%		3.8%	
Cost of credit risk ratio	8.3%	0.1%		0.5%	
Cost of funds, currency blended	3.5%	3.8%		4.0%	
Loan yield, currency blended	8.9%	9.1%		9.2%	
Loan yield, GEL	13.7%	11.5%		12.5%	
Loan yield, FC	7.8%	8.6%		8.5%	
Cost of deposits, currency blended	3.7%	3.5%		3.3%	
Cost of deposits, GEL	7.3%	5.9%		6.1%	
Cost of deposits, FC	1.6%	1.9%		1.7%	
Cost of time deposits, currency blended	6.0%	5.5%		5.4%	
Cost of time deposits, GEL	9.4%	7.5%		7.6%	
Cost of time deposits, FC	3.6%	4.2%		4.2%	
Current accounts and demand deposits, currency blended	2.0%	2.1%		2.1%	
Current accounts and demand deposits, GEL	5.5%	4.8%		5.3%	
Current accounts and demand deposits, FC	0.2%	0.3%		0.2%	
Cost / income ratio[13]	19.4%	26.9%		26.9%	
Concentration of top ten clients	9.6%	9.1%		9.9%	

[12] The 1Q19 income statement adjusted profit excludes GEL 3.2mln one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 2.7mln (gross of income tax) excluded from salaries and other employee benefits, GEL 1.1mln (gross of income tax) excluded from non-recurring items and GEL 0.6mln tax benefit excluded from income tax expense. The 1Q19 ROAE has been adjusted accordingly

[13] The 1Q19 cost/income ratio is 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 and Investment Banking delivered strong quarterly results.** CIB continued further growth during the first quarter of 2020 and generated strong net interest income and net fee and commission income during the period, coupled with efficient cost discipline. This resulted in 47.6% y-o-y increase and only 0.3% q-o-q decline in operating income before cost of risk in 1Q20
- CIB delivered strong net interest income during the first quarter of 2020 (up by 42.9% y-o-y and up by 5.6% q-o-q). **CIB NIM was 4.0% in 1Q20 (up 40bps y-o-y and up 20bps q-o-q)**. Increase in NIM both y-o-y and q-o-q was due to a decrease in cost of funds (down 30bps y-o-y and down 50bps q-o-q), partially offset by a decline in currency blended loan yields (down 20bps y-o-y and down 30bps q-o-q)
- **CIB's net fee and commission income was GEL 9.0mln in 1Q20, up 9.9% y-o-y and down 24.9% q-o-q.** The y-o-y growth in net fee and commission income was largely driven by increased fees from guarantees and letters of credit issued, while q-o-q decline was mostly due to slow-down of economic activity on the back of COVID-19 pandemic outbreak and higher placement fees generated in 4Q19
- **CIB's loan book and dollarisation**. CIB loan portfolio reached GEL 4,391.7mln at 31 March 2020, up 65.5% y-o-y and up 15.4% q-o-q. On a constant currency basis, CIB loan book was up 40.9% y-o-y and up 3.4% q-o-q. The concentration of the top 10 CIB clients stood at 9.6% at 31 March 2020 (9.1% at 31 March 2019 and 9.9% at 31 December 2019). Foreign currency denominated net loans represented 82.5% of CIB's loan portfolio at 31 March 2020, compared to 83.0% a year ago and 81.1% at 31 December 2019. At 31 March 2020, 39.4% of total gross CIB loans were issued in foreign currency with exposure to foreign currency risk in regards of income, while 43.4% of total gross CIB loans were issued in foreign currency with no or minimal exposure to foreign currency risk
- **Dollarisation of CIB deposits** increased to 69.4% at 31 March 2020 from 60.2% a year ago and from 65.9% at 31 December 2019. A y-o-y increase in foreign currency denominated deposits was partially due to local currency depreciation during the first quarter of 2020. The interest rates on local currency deposits increased, while interest rates on foreign currency deposits declined both y-o-y and q-o-q in 1Q20, and the cost of deposits in local currency remained well above the cost of foreign currency deposits
- **Net other income.** Significant q-o-q decrease in net other income in 1Q20 was largely driven by net gains recorded as a result of the revaluation of investment property in the fourth quarter of 2019
- **Cost of credit risk.** CIB's cost of credit risk ratio increased significantly up to 8.3% in 1Q20 (compared to 0.1% in 1Q19 and 0.5% in 4Q19), driven by the IFRS 9 ECL reserve builds, created for the full economic cycle in the first quarter of 2020, primarily related to deterioration of macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 impact. This reflected additional reserves for borrowers operating across multiple sectors of the economy, with the largest impacts in tourism, trade, transportation, construction and real estate industries. At the same time, CIB's NPL coverage ratio was up to 111.8% at 31 March 2020 (89.4% as at 31 March 2019 and 62.0% at 31 December 2019), primarily driven by these additional reserve builds
- As a result, **CIB recorded a loss** in the amount of GEL 21.7mln during the first quarter of 2020, compared to profit of GEL 44.2mln[14] in 1Q19 and GEL 61.0mln in 4Q19. CIB profitability was negative in 1Q20, compared to outstanding ROAE of 27.1%[14] in 1Q19 and 28.5% in 4Q19

Performance highlights of investment management operations

- **The Investment Management's AUM increased to GEL 2,704.4mln as at 31 March 2020, up 14.1% y-o-y and up 5.3% 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 depreciation of the local currency during the first quarter of 2020
- **Wealth Management deposits reached GEL 1,658.7mln as at 31 March 2020, up 33.5% y-o-y and up 18.1% q-o-q, growing at a compound annual growth rate (CAGR) of 12.7% over the last five-year period**. The cost of deposits was 3.0% in 1Q20, down 10bps y-o-y and down 20bps q-o-q
- We served 1,563 wealth management clients from 79 countries as at 31 March 2020, compared to 1,535 clients as at 31 March 2019 and 1,557 clients as at 31 December 2019

[14] The 1Q19 profit and ROAE are adjusted for GEL 3.2mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

- **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 2020, Galt & Taggart acted as a:
    - lead manager for International Finance Corporation, facilitating a public placement of GEL 100mln local bond issuance in April 2020
    - rating advisor for one of the microfinance organisations, assisting in obtaining credit rating from Scope Ratings
  - In February 2020, *Global Finance Magazine* named Galt & Taggart *Best Investment Bank in Georgia* for the sixth consecutive year
  - Galt and Taggart Research activities in 1Q20:
    - In March 2020, Galt & Taggart together with JSC Bank of Georgia organised a web-conference to discuss the COVID-19 impact on the Georgian economy and various economic scenarios for 2020. The web-conference was attended by c.200 guests, including the Bank's corporate clients and high-level representatives from the Georgian Government. The presentation was followed by a Q&A session, during which the Minister of Economy and Sustainable Development of Georgia addressed participants and commented on the Government's support measures for private sector
    - In March 2020, Galt & Taggart continued its web-conference series on COVID-19 developments and organised a web-conference, this time for the Bank's SME clients, to discuss virus impact on Georgian economy, which was followed by a Q&A session

RESPONSE TO COVID-19 PANDEMIC OUTBREAK

MEASURES IMPLEMENTED BY THE GOVERNMENT OF GEORGIA

The first case of coronavirus in the country was confirmed on 26 February 2020. As of 11 May 2020, Georgia has reported a total of 638 confirmed cases, with 317 recovered and 11 deaths. Georgia has responded to the virus outbreak promptly in an extraordinary resilient and co-operative manner, which has also been acknowledged by the international community. Importantly, currently, Georgia has one of the lowest active coronavirus cases globally at 16 per 100,000 persons.

Safety measures. The following swift and decisive actions have proven critical in containing the virus spread so far:

- Before international flights were banned entirely on 18 March 2020, travel was initially banned from China and Iran in January and February 2020, respectively
- Full lockdown was introduced on 21 March 2020, and state of emergency declared in the country, which is now in place until 22 May 2020
- 14-day mandatory quarantine period imposed on citizens returning to Georgia from other countries
- Educational process suspended and educational institutions switched to distance learning
- All public transportation is closed, except for vehicles and taxis operating with regulatory approval
- All economic activities, other than grocery stores, pharmacies, food and pharmacy products delivery services, gas stations, banks and post offices, are restricted completely
- The Government maintains an informational website that provides live statistics on the spread of the virus in Georgia – www.stopcov.ge

Anti-crisis stimulus plan. The Government announced a series of support measures designed to mitigate the negative economic impact of COVID-19. The anti-crisis plan was presented by the Prime Minister of Georgia on 24 April 2020 and includes a social assistance package for individuals, as well as tax exemptions and various funding mechanisms for businesses. A total of GEL 3.5 billion (7% of GDP) will be allocated for implementing the economic stimulus plan, of which GEL 1.035 billion will be used to support citizens, GEL 2.11 billion to support businesses, and GEL 350 million will be spent to enhance the country's healthcare system. The stimulus plan may be further expanded and the 2020 revised Government budget document, which will be available in May 2020, will detail the full picture of measures.

Support to businesses

- Property and income tax payments postponed for four months until 1 November 2020 for hospitality sector companies; Approximately 4,500 companies affected, and around GEL 90 million will remain in this sector of the economy. This initiative was further updated as part of Tourism recovery plan presented on 7 May 2020 (see below): Tourism sector companies will fully be exempted from property tax payments in 2020 (resulting in savings of GEL 45 million), while personal income tax payments for this sector companies will be postponed until the end of 2020 (around GEL 90 million)
- Small-size hotels will receive a bank loan interest payment subsidy for six months; GEL 10 million has been allocated for the measure and around 850 companies already registered. This initiative was further updated as part of Tourism recovery plan presented on 7 May 2020 (see below): GEL 60 million has been allocated to subsidise bank loan interest payments for hotels, which will affect around 3,000 hotels operating in hospitality industry. Additional GEL 5 million will be allocated to support travel agencies and tourist guide operators
- Hotels offered to turn into quarantine zones at a specified rate reimbursed by the Government
- Customs clearance for car importers postponed for 90 days until 1 September 2020; Around 38,000 importers affected, resulting in savings of GEL 50 million
- For all infrastructure projects, the State has insured against an increase in the price of construction materials totalling c.GEL 200 million
- With the support of local banks, legal entities were given the opportunity of loan restructuring; 7,000 legal entities have already benefited
- VAT refunds to double to approximately GEL 1.2 billion from initially planned GEL 600 million
- Government subsidised prices of nine food products – rice, buckwheat, pasta, oil, flour, wheat, milk powder, sugar and beans; Agreement concluded with large importers, allocating GEL 15 million for the measure
- Support to agriculture development (grants, bank loans and irrigation systems)
- GEL 600 million long-term local-currency resource to be provided to commercial banks

- GEL 500 million will be allocated for supporting businesses, through:
  - GEL 300 million credit guarantee scheme – GEL 2 billion loan portfolio coverage, with 90% guarantee cover on new loans and 30% on restructured loans
  - Co-financing scheme under the State programme "Produce in Georgia" – loan/lease co-financing period increase from 24 to 36 months; interest rate co-financing mechanism change; increase the coverage of the programme; lower minimum loan/lease limit; increase working capital funding

Support to individuals

- Individuals who lost jobs during the pandemic will receive a monthly allowance of GEL 200 for a period of six months
- Individuals with monthly salary of GEL 750, who have not been laid-off during the pandemic, will be exempt from income tax payments for the next six months; In case of monthly salary of GEL 1,500, the exemption will apply to the GEL 750 tax base
- Self-employed or unemployed individuals who are able to prove that they lost income due to the pandemic outbreak, will receive GEL 300 as a one-off assistance
- Socially disadvantaged groups (320,000 people), as well as adults and children with disabilities (40,000 people), will be entitled to a monthly financial assistance of GEL 600 for the next six months
- Three-month utility payments (electricity, water and sanitation charges for more than 1.2 million families and natural gas payments for more than 670,000 families) of GEL 150 million will be subsidised by the Government
- With the support of the local commercial banks, retail clients were given the opportunity to defer loan payments for three months; 600,000 citizens have already benefited from this measure

Reopening timeline

- On 24 April 2020, the Prime Minister of Georgia presented a timeline for gradually lifting the coronavirus-related restrictions and resuming economic activity. The reopening plan commenced on 27 April 2020 and will be executed in six phases, two weeks per stage, depending on the epidemiological situation in the country. On 7 May 2020, the Prime Minister announced an update to the plan, with target to re-open Georgia's borders to foreign tourists from 1 July 2020, while domestic tourism will resume from June 15th. Detailed Tourism Recovery plan was presented as a top priority with GEL 200 million allocated to this industry initiatives and aim to promote Georgia as a safe destination, which will be shortly followed by support schemes for agriculture, construction and development, and anti-crisis actions in education

International support. Georgian authorities have mobilised US$3.0 billion financing from the International Monetary Fund (the "**IMF**") and other international partners (US, EU, World Bank, KFW, AFD, EBRD, EIB, ADB, etc.) to respond effectively to the COVID-19 pandemic associated economic crisis. Georgia's long-lasting ties with these institutions, prudent economic policymaking of recent years and the country's aspiration to democratic changes made this support from long-standing partners possible. Of this funding, US$1.5 billion (9.9% of GDP) is earmarked for the public sector and US$1.5 billion for the private sector. The IMF's financing is c.US$400 million, of which US$200 million will be made available immediately to the budget, US$100 million to the National Bank of Georgia (the "**NBG**") in the second half of 2020, and another US$100 million in 2021. With this support, the estimated stimulus in 2020 will be substantial at 11-15% of GDP, which will help to finance healthcare and macroeconomic stabilisation initiatives

NATIONAL BANK OF GEORGIA SUPERVISORY PLAN – COVID-19

At the end of March 2020, NBG introduced an updated supervisory plan for the Georgian banking sector, aimed at alleviating the negative financial and economic challenges created by the global COVID-19 pandemic in Georgia. The measures, which were introduced with immediate effect, were mainly focused on capital adequacy and liquidity initiatives that allow banks to use existing regulatory capital buffers to support customers in the current financially stressed circumstances, to continue normal business activities as far as possible, and to support the economy through ongoing lending operations.

- **Capital adequacy initiatives**
  - Combined buffer - the conservation buffer requirement of 2.5% of risk-weighted assets has been reduced to 0% indefinitely
  - Pillar 2 requirements:
    - Currency induced credit risk buffer (CICR) requirement reduced by 2/3rds indefinitely
    - The phase-in of additional credit portfolio concentration risk buffer (HHI) and net GRAPE buffer requirements on Common Equity Tier 1 (CET1) and Tier 1 capital, planned at the end of March 2020, has been postponed indefinitely

  - The possibility of fully or partially releasing the remaining requirements of Pillar 2 buffers (HHI, CICR, net GRAPE), if necessary, remains open
- During the period the banks are allowed to partially or fully use the Pillar 2 and conservation buffers, the banks are restricted to make capital distribution in any form

- **General loan loss provisioning relating to COVID-19**. NBG requested the Georgian banks to create general provisions under the local accounting basis that is used for calculation of capital adequacy ratios in the first quarter of 2020. The specific quantum of the provision reflected the NBG's current expectation of estimated credit losses on the lending book of the banking system for the whole economic cycle, given current economic expectations. The NBG considers the banking system capital ratios to be sufficiently in excess of the expected minimum capital requirements, to be able to absorb this upfront general provision, whilst maintaining sufficiently comfortable buffers over the required minimum capital ratios

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

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

BANK OF GEORGIA'S BUSINESS CONTINGENCY PLANNING – COVID-19

The Group has introduced a number of resilience protocols and a comprehensive Business Continuity Plan (the "**BCP**") aimed at curbing the spread of COVID-19 in Georgia and mitigating the negative impact on our business and the community. We started developing the BCP at the end of January 2020, such that all of our operations would be successfully adapted to the new operating environment, while establishing the health and safety of all our staff and customers as the number one priority. Our BCP is focused on three main pillars: Operating efficiency (employees, customers and community), capital, and liquidity and funding positions

Operating efficiency. The Group has put in place a number of initiatives in order to reduce physical interaction and prevent the spread of coronavirus, whilst maintaining the full banking capability required to support and assist our customers.

Safety measures

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

day, and all employees and customers entering the Bank premises have to undergo mandatory body temperature checks. Maximum of three customers are allowed to enter the branch at the same time. Cash center is split in two locations and operating in two-week shifts, where employees have to follow even stricter protocols and procedures in order to minimise the infection risk due to direct interaction with cash

Support to customers and community

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

Capital, liquidity and funding positions. See detailed plans and initiatives put in place to further strengthen our capital and liquidity and funding positions on *pages 8 and 13*

GEORGIAN ECONOMIC OUTLOOK IN 2020

With the COVID-19 pandemic, Georgia's economic outlook has clearly deteriorated. The IMF expects real GDP to decline by 4% in 2020 and the expectations of our investment arm, Galt & Taggart, are consistent with the IMF's projections. According to the IMF, falling exports, halted tourism, and weaker remittances are expected to widen the current account deficit to 10.5% of GDP in 2020. Urgent balance-of-payments needs resulting from the COVID-19 shock are expected to amount to c.US$ 1.6 billion in 2020-2021, and this gap is being financed through international support mobilised from IMF and other international financial institutions. Notably, Galt & Taggart has a different view on the current account deficit – projected at 6% of GDP in 2020. This is based on the anticipated significant reduction in imports due to savings in oil imports and demand collapse, largely compensating for the tourism revenue loss in 2020.

The fiscal deficit is expected to temporarily widen to 8.5% of GDP in 2020 based on the IMF's projections, as revenues decline and spending rises to offset the social and economic impact of the pandemic. Importantly, the mobilised financing from international community also allows for the building of buffers for additional policy space, if risks further widen.

Galt & Taggart's baseline scenario assumes that the pandemic fades and the economy reopens in the second half of 2020, however, the projections are subject to more than usual uncertainty. In a more adverse scenario, Galt & Taggart expects normalisation process to take longer and the Georgian economy to contract by 6%.

SELECTED FINANCIAL AND OPERATING INFORMATION

INCOME STATEMENT	BANK OF GEORGIA GROUP CONSOLIDATED				
GEL thousands, unless otherwise noted	**1Q20**	**1Q19**	**Change y-o-y**	**4Q19**	**Change q-o-q**
Interest income	388,326	334,735	16.0%	393,480	-1.3%
Interest expense	(191,246)	(144,754)	32.1%	(186,389)	2.6%
Net interest income	**197,080**	**189,981**	**3.7%**	**207,091**	**-4.8%**
Fee and commission income	70,894	62,531	13.4%	77,472	-8.5%
Fee and commission expense	(30,782)	(20,351)	51.3%	(30,914)	-0.4%
Net fee and commission income	**40,112**	**42,180**	**-4.9%**	**46,558**	**-13.8%**
Net foreign currency gain	30,661	22,985	**33.4%**	37,177	**-17.5%**
Net other income	6,627	3,568	**85.7%**	18,439	**-64.1%**
Operating income	**274,480**	**258,714**	**6.1%**	**309,265**	**-11.2%**
Salaries and other employee benefits (excluding one-offs)	*(56,538)*	*(52,418)*	*7.9%*	*(61,504)*	*-8.1%*
One-off termination costs of former executive management (1)	-	*(7,842)*	*NMF*	-	-
Salaries and other employee benefits	(56,538)	(60,260)	-6.2%	(61,504)	-8.1%
Administrative expenses	(27,021)	(22,741)	18.8%	(35,131)	-23.1%
Depreciation, amortisation and impairment	(21,390)	(15,688)	36.3%	(23,815)	-10.2%
Other operating expenses	(1,059)	(1,080)	-1.9%	(1,095)	-3.3%
Operating expenses	**(106,008)**	**(99,769)**	**6.3%**	**(121,545)**	**-12.8%**
Profit from associates	301	188	60.1%	153	96.7%
Operating income before cost of risk	**168,773**	**159,133**	**6.1%**	**187,873**	**-10.2%**
Expected credit loss / impairment charge on loans to customers	(228,189)	(40,117)	NMF	(7,985)	NMF
Expected credit loss / impairment charge on finance lease receivables	(1,885)	(446)	NMF	451	NMF
Other expected credit loss / impairment charge on other assets and provisions	(11,329)	(2,089)	NMF	(6,698)	69.1%
Cost of risk	**(241,403)**	**(42,652)**	**NMF**	**(14,232)**	**NMF**
Net operating (loss) / income before non-recurring items	**(72,630)**	**116,481**	**NMF**	**173,641**	**NMF**
Net non-recurring items (excluding one-offs)	*(40,345)*	*(1,575)*	*NMF*	*(1,591)*	*NMF*
One-off termination costs of former CEO (2)	-	*(3,985)*	*NMF*	-	-
Net non-recurring items	(40,345)	(5,560)	NMF	(1,591)	NMF
(Loss) / profit before income tax	**(112,975)**	**110,921**	**NMF**	**172,050**	**NMF**
Income tax benefit / (expense) (excluding one-offs)	*13,030*	*(10,536)*	*NMF*	*(15,515)*	*NMF*
Income tax benefit related to one-off termination costs of former CEO and executive management (3)	-	*1,587*	*NMF*	-	-
Income tax benefit / (expense)	13,030	(8,949)	NMF	(15,515)	NMF
(Loss) / profit	**(99,945)**	**101,972**	**NMF**	**156,535**	**NMF**
One-off items (1)+(2)+(3)	**-**	**(10,240)**	**NMF**	**-**	**-**
(Loss) / profit attributable to:					
– shareholders of the Group	(99,515)	101,512	NMF	155,823	NMF
– non-controlling interests	(430)	460	NMF	712	NMF
(Loss) / earnings per share (basic)	**(2.09)**	**2.12**	**NMF**	**3.30**	**NMF**
(Loss) / earnings per share (diluted)	**(2.08)**	**2.11**	**NMF**	**3.29**	**NMF**

BALANCE SHEET	BANK OF GEORGIA GROUP CONSOLIDATED				
GEL thousands, unless otherwise noted	**Mar-20**	**Mar-19**	**Change y-o-y**	**Dec-19**	**Change q-o-q**
Cash and cash equivalents	1,507,142	1,162,168	29.7%	2,153,624	-30.0%
Amounts due from credit institutions	1,954,218	1,391,630	40.4%	1,619,072	20.7%
Investment securities	1,917,772	1,948,592	-1.6%	1,786,804	7.3%
Loans to customers and finance lease receivables	13,144,429	9,570,691	37.3%	11,931,262	10.2%
Accounts receivable and other loans	3,460	3,134	10.4%	3,489	-0.8%
Prepayments	42,144	31,621	33.3%	42,632	-1.1%
Inventories	13,342	11,756	13.5%	12,297	8.5%
Right-of-use assets	92,335	91,248	1.2%	96,095	-3.9%
Investment property	208,776	169,328	23.3%	225,073	-7.2%
Property and equipment	380,580	349,728	8.8%	379,788	0.2%
Goodwill	33,351	33,352	0.0%	33,351	0.0%
Intangible assets	112,152	87,005	28.9%	106,290	5.5%
Income tax assets	71,500	19,446	NMF	282	NMF
Other assets	134,578	144,343	-6.8%	143,154	-6.0%
Assets held for sale	47,914	40,528	18.2%	36,284	32.1%
Total assets	**19,663,693**	**15,054,570**	**30.6%**	**18,569,497**	**5.9%**
Client deposits and notes	10,835,918	8,393,861	29.1%	10,076,735	7.5%
Amounts owed to credit institutions	4,144,701	2,463,408	68.3%	3,934,123	5.4%
Debt securities issued	2,294,431	2,045,428	12.2%	2,120,064	8.2%
Lease liabilities	104,976	78,364	34.0%	94,616	10.9%
Accruals and deferred income	34,470	48,449	-28.9%	52,471	-34.3%
Income tax liabilities	80,601	37,396	115.5%	37,918	112.6%
Other liabilities	121,341	68,883	76.2%	102,662	18.2%
Total liabilities	**17,616,438**	**13,135,789**	**34.1%**	**16,418,589**	**7.3%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	483,006	495,452	-2.5%	492,072	-1.8%
Treasury shares	(54)	(42)	28.6%	(64)	-15.6%
Other reserves	7,141	36,474	-80.4%	(7,481)	NMF
Retained earnings	1,546,456	1,376,834	12.3%	1,655,256	-6.6%
Total equity attributable to shareholders of the Group	**2,038,167**	**1,910,336**	**6.7%**	**2,141,401**	**-4.8%**
Non-controlling interests	9,088	8,445	7.6%	9,507	-4.4%
Total equity	**2,047,255**	**1,918,781**	**6.7%**	**2,150,908**	**-4.8%**
Total liabilities and equity	**19,663,693**	**15,054,570**	**30.6%**	**18,569,497**	**5.9%**
Book value per share	**42.88**	**39.88**	**7.5%**	**45.36**	**-5.5%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT HIGHLIGHTS	1Q20	1Q19	Change y-o-y	4Q19	Change q-o-q
GEL thousands, unless otherwise stated					
Net interest income	9,469	6,585	43.8%	7,194	31.6%
Net fee and commission income	1,703	1,812	-6.0%	1,602	6.3%
Net foreign currency gain	493	3,955	-87.5%	6,548	-92.5%
Net other income	334	147	127.2%	92	NMF
Operating income	**11,999**	**12,499**	**-4.0%**	**15,436**	**-22.3%**
Operating expenses	(8,706)	(7,847)	10.9%	(9,493)	-8.3%
Operating income before cost of risk	**3,293**	**4,652**	**-29.2%**	**5,943**	**-44.6%**
Cost of risk	(3,422)	(1,442)	137.3%	(7)	NMF
Net non-recurring items	(10)	(50)	-80.0%	(46)	-78.3%
Profit before income tax expense	**(139)**	**3,160**	**NMF**	**5,890**	**NMF**
Income tax expense	(32)	(571)	-94.4%	(1,261)	-97.5%
(Loss) / profit	**(171)**	**2,589**	**NMF**	**4,629**	**NMF**

BALANCE SHEET HIGHLIGHTS	Mar-20	Mar-19	Change y-o-y	Dec-19	Change q-o-q
GEL thousands, unless otherwise stated					
Cash and cash equivalents	150,349	79,497	89.1%	212,777	-29.3%
Amounts due from credit institutions	13,141	20,556	-36.1%	12,742	3.1%
Investment securities	81,592	116,082	-29.7%	81,573	0.0%
Loans to customers and finance lease receivables	671,854	451,665	48.8%	580,876	15.7%
Other assets	54,981	54,001	1.8%	55,102	-0.2%
Total assets	**971,917**	**721,801**	**34.7%**	**943,070**	**3.1%**
Client deposits and notes	643,614	425,563	51.2%	608,777	5.7%
Amounts owed to credit institutions	143,374	144,314	-0.7%	144,621	-0.9%
Debt securities issued	51,063	53,846	-5.2%	69,438	-26.5%
Other liabilities	13,407	9,477	41.5%	11,038	21.5%
Total liabilities	**851,458**	**633,200**	**34.5%**	**833,874**	**2.1%**
Total equity	**120,459**	**88,601**	**36.0%**	**109,196**	**10.3%**
Total liabilities and equity	**971,917**	**721,801**	**34.7%**	**943,070**	**3.1%**

KEY RATIOS	1Q20	1Q19	4Q19
Profitability			
ROAA, annualised[15]	-2.1%	3.1%	3.4%
ROAA, annualised (unadjusted)	*-2.1%*	*2.8%*	*3.4%*
ROAE, annualised[15]	-18.6%	24.5%	29.9%
RB ROAE[15]	*-25.5%*	*25.3%*	*31.4%*
CIB ROAE[15]	*-10.6%*	*27.1%*	*28.5%*
ROAE, annualised (unadjusted)	*-18.6%*	*22.2%*	*29.9%*
Net interest margin, annualised	5.0%	6.0%	5.4%
RB NIM	*4.9%*	*6.6%*	*5.7%*
CIB NIM	*4.0%*	*3.6%*	*3.8%*
Loan yield, annualised	10.8%	12.2%	11.4%
RB Loan yield	*11.8%*	*13.6%*	*12.4%*
CIB Loan yield	*8.9%*	*9.1%*	*9.2%*
Liquid assets yield, annualised	3.9%	3.8%	3.7%
Cost of funds, annualised	4.7%	4.6%	4.7%
Cost of client deposits and notes, annualised	3.1%	3.1%	3.0%
RB Cost of client deposits and notes	*2.6%*	*2.7%*	*2.5%*
CIB Cost of client deposits and notes	*3.7%*	*3.5%*	*3.3%*
Cost of amounts owed to credit institutions, annualised	7.6%	7.4%	7.4%
Cost of debt securities issued	7.6%	7.5%	7.9%
Operating leverage, y-o-y[16]	-9.2%	5.0%	-7.3%
Operating leverage, q-o-q[16]	1.5%	3.6%	-4.1%
Efficiency			
Cost / Income[16]	38.6%	35.5%	39.3%
RB Cost / Income[16]	*46.6%*	*35.5%*	*43.5%*
CIB Cost /Income[16]	*19.4%*	*26.9%*	*26.9%*
Cost / Income (unadjusted)	*38.6%*	*38.6%*	*39.3%*
Liquidity			
NBG liquidity coverage ratio *(minimum requirement 100%)*	121.2%	133.1%	136.7%
Liquid assets to total liabilities	30.5%	34.3%	33.9%
Net loans to client deposits and notes	121.3%	114.0%	118.4%
Net loans to client deposits and notes + DFIs	104.9%	98.6%	103.2%
Leverage (times)	8.6	6.8	7.6
Asset quality:			
NPLs (in GEL)	284,038	326,127	252,695
NPLs to gross loans to clients	2.1%	3.3%	2.1%
NPL coverage ratio	147.2%	92.2%	80.9%
NPL coverage ratio, adjusted for discounted value of collateral	194.9%	132.6%	139.6%
Cost of credit risk, annualised	7.4%	1.7%	0.2%
RB Cost of credit risk	*7.4%*	*2.4%*	*0.2%*
CIB Cost of credit risk	*8.3%*	*0.1%*	*0.5%*
Capital adequacy:			
NBG (Basel III) CET1 capital adequacy ratio	8.3%	12.7%	11.5%
Minimum regulatory requirement	*6.9%*	*9.6%*	*10.1%*
NBG (Basel III) Tier I capital adequacy ratio	10.6%	12.7%	13.6%
Minimum regulatory requirement	*8.7%*	*11.6%*	*12.2%*
NBG (Basel III) Total capital adequacy ratio	15.3%	17.1%	18.1%
Minimum regulatory requirement	*13.3%*	*16.1%*	*17.1%*
Selected operating data:			
Total assets per FTE	2,676	2,017	2,515
Number of active branches, of which:	233	276	272
- Express branches (including Metro)	*124*	*166*	*162*
- Bank of Georgia branches	*97*	*98*	*98*
- SOLO lounges	*12*	*12*	*12*
Number of ATMs	939	886	933
Number of cards outstanding, of which:	2,160,942	2,139,239	2,145,060
- Debit cards	*1,791,937*	*1,627,070*	*1,749,524*
- Credit cards	*369,005*	*512,169*	*395,536*
Number of POS terminals	22,472	17,684	21,870
Number of Express pay terminals	3,183	3,152	3,217
FX Rates:			
GEL/US$ exchange rate (period-end)	3.2845	2.6914	2.8677
GEL/GBP exchange rate (period-end)	4.0725	3.5147	3.7593

	Mar-20	Mar-19	Dec-19
Full time employees (FTE), of which:	**7,349**	**7,465**	**7,383**
- Full time employees, BOG standalone	*5,851*	*5,886*	*5,879*
- Full time employees, BNB	*550*	*644*	*565*
- Full time employees, other	*948*	*935*	*939*

Shares outstanding	**Mar-20**	**Mar-19**	**Dec-19**
Ordinary shares	47,528,704	47,899,817	47,210,876
Treasury shares	1,640,724	1,269,611	1,958,552
Total shares outstanding	**49,169,428**	**49,169,428**	**49,169,428**

[15] The 1Q19 ratios are adjusted for one-off employee costs related to termination benefits of the former CEO and executive management
[16] The 1Q19 ratios are adjusted for one-off employee costs related to termination benefits of the former executive management

GLOSSARY

- **Alternative performance measures (APMs)** In this announcement the management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. We believe that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate the Group's operating performance and make day-to-day operating decisions;
- **Cost of funds** Interest expense of the period divided by monthly average interest bearing liabilities;
- **Cost of credit risk** Expected loss/impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;
- **Cost to income ratio** Operating expenses divided by operating income;
- **Interest bearing liabilities** Amounts owed to credit institutions, client deposits and notes, and debt securities issued;
- **Interest earning assets (excluding cash)** Amounts due from credit institutions, investment securities (but excluding corporate shares) and net loans to customers and finance lease receivables;
- **Leverage (times)** Total liabilities divided by total equity;
- **Liquid assets** Cash and cash equivalents, amounts due from credit institutions and investment securities;
- **Liquidity coverage ratio (LCR)** High quality liquid assets (as defined by NBG) divided by net cash outflows over the next 30 days (as defined by NBG);
- **Loan yield** Interest income from loans to customers and finance lease receivables divided by monthly average gross loans to customers and finance lease receivables;
- **NBG (Basel III) Common Equity Tier I (CET1) capital adequacy ratio** Common Equity Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **NBG (Basel III) Tier I capital adequacy ratio** Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **NBG (Basel III) Total capital adequacy ratio** Total regulatory capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- **Net interest margin (NIM)** Net interest income of the period divided by monthly average interest earning assets excluding cash for the same period;
- **Non-performing loans (NPLs)** The principal and interest on loans overdue for more than 90 days and any additional potential losses estimated by management;
- **NPL coverage ratio** Allowance for expected credit loss/impairment loss of loans and finance lease receivables divided by NPLs;
- **NPL coverage ratio adjusted for discounted value of collateral** Allowance for expected credit loss/impairment loss of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for expected credit loss/impairment loss);
- **Operating leverage** Percentage change in operating income less percentage change in operating expenses;
- **Return on average total assets (ROAA)** Profit for the period divided by monthly average total assets for the same period;
- **Return on average total equity (ROAE)** Profit for the period attributable to shareholders of the Group divided by monthly average equity attributable to shareholders of the Group for the same period;
- **NMF** Not meaningful

COMPANY INFORMATION

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Share price information

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