Bank of Georgia Group PLC

1st quarter 2021 results

Name of authorised official of issuer responsible for making notification:
Natia Kalandarishvili, Head of Investor Relations and Funding

www.bankofgeorgiagroup.com

ABOUT BANK OF GEORGIA GROUP PLC

The Group: Bank of Georgia Group PLC (“**Bank of Georgia Group**” or the “**Group**” and on the LSE: **BGEO LN**) is a UK incorporated holding company, which comprises: a) retail banking and payment services (Retail Banking); and b) corporate banking, investment banking and wealth management operations (Corporate and Investment Banking) in Georgia; and c) banking operations in Belarus (“**BNB**”).

JSC Bank of Georgia (“**Bank of Georgia**”, “**BOG**”, or the “**Bank**”), the systematically important and leading universal bank in Georgia, is the core entity of the Group. The Bank is a leader in payments business and financial mobile application, with the strong retail and corporate banking franchise in Georgia. With a continued focus on increasing digitalisation and expanding technological and data analytics capabilities, the Group aims to offer more personalised solutions and seamless experiences to its customers to enable them to achieve more of their potential.

The Group aims to benefit from growth of the Georgian economy, and through both its Retail Banking and Corporate and Investment Banking services aims to deliver on its strategy, which is based on achieving at least 20% return on average equity (ROAE) and c.15% growth of its loan book in the medium term.

1Q21 RESULTS AND CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group’s consolidated financial results for the first quarter of 2021. Unless otherwise noted, numbers in this announcement are for 1Q21 and comparisons are with 1Q20. 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 Bank of Georgia Group, will be held on 19 May 2021, at 14:00 BST / 15:00 CEST / 09:00 EST.

Webinar instructions:

Please click the link below to join the webinar:
https://bankofgeorgia.zoom.us/j/97758137134?pwd=dERnVTBRdXNFWEwzRVZiY0U0ZnEvUT09
Webinar ID: **977 5813 7134**
Passcode: **171812**

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Participants, who will be joining through the webinar, can use the “raise hand” feature at the bottom of the screen to ask questions. Participants, who will be joining through the international dial-in number, can dial *9 to raise hand and ask questions.

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FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: macroeconomic risk, including currency fluctuations and depreciation of the Georgian Lari; regional instability; loan portfolio quality; regulatory risk; liquidity risk; capital risk; operational risk, cyber-security, information systems and financial crime risk; COVID-19 pandemic impact risk; climate change risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2020. 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.

COVID-19 PANDEMIC AND MACROECONOMIC DEVELOPMENTS

The COVID-19 pandemic has tested the resilience of our business and our customers, colleagues and communities. The pandemic and the measures introduced by the government, the National Bank of Georgia (the "NBG"), and the Group since the beginning of 2020 have had a major impact on our performance.

Strict lockdown measures introduced at the onset of the pandemic led to the containment of the virus in early 2020. However, as the restrictions were eased in the summer of 2020, a second wave of virus cases hit Georgia later in the year. The government introduced a partial lockdown from the end of November 2020 to early February 2021, leading to a decline in COVID-19 cases and allowing the gradual reopening of the domestic economy. The vaccination programme commenced in March 2021. The lockdowns resulted in a 6.2% y-o-y GDP contraction in 2020 and a 4.2% y-o-y contraction in 1Q21, but we already see the economic rebound and expect this to continue throughout 2021.

Economic growth resumed in March 2021, as real GDP growth came in at 4.0% y-o-y. All the restrictions, except for the overnight curfew, introduced at the end of November 2020 are now lifted. Notably, virus cases have picked up again from March 2021. That said, the economy is currently at a stage of overcoming the pandemic, supported by the vaccination roll-out and the government's commitment to secure sufficient vaccine doses in 2021.

Importantly, remittances have continued the strong growth trend and were up 28.4% y-o-y in 1Q21. Goods exports have also recovered to pre-pandemic levels during the first quarter. Despite these developments, the pressure on the local currency has been strong during the quarter amid growing virus cases and delays in international tourism recovery. The NBG has continued interventions to support the local currency, and raised the monetary policy rate by 50 basis points in March and by a further 100 basis points in April 2021 to address inflationary pressures as a result of the GEL weakness and the rise in world commodity prices. Annual inflation reached 7.2% in March and April 2021. Despite the interventions, international reserves remain high at US$ 4.1 billion as at 31 March 2021, largely reflecting increased donor funding.

Economic rebound is expected to continue throughout 2021, driven by the further lifting of restrictions, vaccination roll-out, improved domestic and external sentiments, and continued fiscal stimulus. That said, the COVID-19 pandemic still remains one of the key uncertainties in our growth outlook. Based on the estimates of our brokerage and investment arm, Galt & Taggart, we currently expect real GDP growth of 3.6% in 2021, assuming a slow return of international tourism. This forecast is in line with the International Financial Institutions' and government's growth projections that range from 3.5% to 4.0%. In the case of the reopening of land borders and a partial return of international tourism in the second half of 2021 (tourism arrivals increased by 182.2% y-o-y in April 2021), we would expect the GDP to grow at around 5.0% in 2021.

Our 1Q21 results were significantly impacted by the ongoing pandemic and the measures put in place to manage the crisis. The slowdown in economic recovery in January and February 2021, on the back of partial lockdown restrictions introduced at the end of 2020, primarily affected our Retail Banking results. Notwithstanding this slowdown, our lending activity has remained strong, operating income and, particularly, net interest income and net fee and commission income generation was up, and our loan book has performed better than expected in terms of portfolio quality. As a result, we delivered a return on average equity of 21.5% in the first quarter of 2021, while maintaining strong liquidity and capital positions.

We next outline the Group's first quarter of 2021 results highlights and the Chief Executive Officer's letter, before going into further detail.

1Q21 RESULTS HIGHLIGHTS

GEL thousands	1Q21	1Q20	Change y-o-y	4Q20	Change q-o-q
INCOME STATEMENT HIGHLIGHTS					
Net interest income	212,332	197,080	7.7%	201,596	5.3%
Net fee and commission income	48,650	40,112	21.3%	46,958	3.6%
Net foreign currency gain	19,176	30,661	-37.5%	26,457	-27.5%
Net other income	23,482	6,627	NMF	25,016	-6.1%
Operating income	**303,640**	**274,480**	**10.6%**	**300,027**	**1.2%**
Operating expenses	**(107,359)**	**(106,008)**	**1.3%**	**(118,857)**	**-9.7%**
Profit from associates	167	301	-44.5%	154	8.4%
Operating income before cost of risk	**196,448**	**168,773**	**16.4%**	**181,324**	**8.3%**
Cost of risk	(44,117)	(241,403)	-81.7%	(38,431)	14.8%
Net operating income / (loss) before non-recurring items	**152,331**	**(72,630)**	**NMF**	**142,893**	**6.6%**
Net non-recurring items	17	(40,345)	NMF	21	-19.0%
Profit / (loss) before income tax	**152,348**	**(112,975)**	**NMF**	**142,914**	**6.6%**
Income tax (expense) / benefit	(13,424)	13,030	NMF	(11,065)	21.3%
Profit / (loss)	**138,924**	**(99,945)**	**NMF**	**131,849**	**5.4%**

GEL thousands	Mar-21	Mar-20	Change y-o-y	Dec-20	Change q-o-q
BALANCE SHEET HIGHLIGHTS					
Liquid assets	6,968,871	5,379,132	29.6%	6,531,357	6.7%
Cash and cash equivalents	*2,361,663*	*1,507,142*	*56.7%*	*1,970,955*	*19.8%*
Amounts due from credit institutions	*2,200,803*	*1,954,218*	*12.6%*	*2,016,005*	*9.2%*
Investment securities	*2,406,405*	*1,917,772*	*25.5%*	*2,544,397*	*-5.4%*
Loans to customers and finance lease receivables[1]	14,601,275	13,144,429	11.1%	14,192,078	2.9%
Property and equipment	385,352	380,580	1.3%	387,851	-0.6%
Total assets	**22,752,245**	**19,663,693**	**15.7%**	**22,035,920**	**3.3%**
Client deposits and notes	14,003,209	10,835,918	29.2%	14,020,209	-0.1%
Amounts owed to credit institutions	4,039,250	4,144,701	-2.5%	3,335,966	21.1%
Borrowings from DFIs	*2,222,967*	*1,689,610*	*31.6%*	*1,848,473*	*20.3%*
Short-term loans from central banks	*772,647*	*1,677,339*	*-53.9%*	*590,293*	*30.9%*
Loans and deposits from commercial banks	*1,043,636*	*777,752*	*34.2%*	*897,200*	*16.3%*
Debt securities issued	1,653,399	2,294,431	-27.9%	1,585,545	4.3%
Total liabilities	**20,064,595**	**17,616,438**	**13.9%**	**19,486,005**	**3.0%**
Total equity	**2,687,650**	**2,047,255**	**31.3%**	**2,549,915**	**5.4%**

KEY RATIOS	1Q21	1Q20	4Q20
ROAA	2.5%	-2.1%	2.4%
ROAE	21.5%	-18.6%	21.3%
Net interest margin	4.5%	5.0%	4.4%
Liquid assets yield	3.1%	3.9%	3.0%
Loan yield	10.4%	10.8%	10.4%
Cost of funds	4.5%	4.7%	4.6%
Cost / income	35.4%	38.6%	39.6%
NPLs to Gross loans to clients	3.6%	2.1%	3.7%
NPL coverage ratio	77.5%	147.2%	76.3%
NPL coverage ratio, adjusted for discounted value of collateral	127.8%	194.9%	128.8%
Cost of credit risk ratio	0.8%	7.4%	0.4%
NBG (Basel III) CET1 capital adequacy ratio	11.2%	8.3%	10.4%
NBG (Basel III) Tier I capital adequacy ratio	13.3%	10.6%	12.4%
NBG (Basel III) Total capital adequacy ratio	18.6%	15.3%	17.6%

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

KEY RESULTS HIGHLIGHTS

- **Robust quarterly performance notwithstanding the COVID-19 pandemic second-wave impact.** The Group generated strong operating income before cost of risk of GEL 196.4mln in 1Q21, up 16.4% y-o-y and up 8.3% q-o-q. Furthermore, profit in the first quarter of 2021 reached GEL 138.9mln, up 5.4% q-o-q, despite the slowdown in economic activity on the back of the COVID-19-related lockdown restrictions re-imposed during January-February 2021. The Group's ROAE was 21.5% in 1Q21, compared with 21.3% in 4Q20
- **Net interest margin** was down 50bps y-o-y and up 10bps q-o-q in the first quarter of 2021. The y-o-y decrease in NIM primarily reflected lower retail lending activity on the back of the economic slowdown, and continued high levels of liquidity. The q-o-q increase in NIM was mainly driven by the decline in cost of funds during the quarter
- **Strong net fee and commission income generation**. Since the second half of 2020, we have seen strong recovery dynamics, as remittances have grown significantly and consumer demand, reflected in banking card payment dynamics, has improved. VAT turnover statistics have also demonstrated a recovery in business activity. Although the recovery slowed down in 4Q20 and 1Q21 following new COVID-19-related restrictions, net fee and commission income was still up 21.3% y-o-y and up 3.6% q-o-q in 1Q21, primarily on the back of strong performance in settlement operations
- **Operating expenses.** We have continued investments in IT-related resources, digitalisation and marketing, in line with our strategic priorities, and, at the same time, maintained our focus on efficiency and cost control. As a result, operating expenses were largely flat y-o-y and down 9.7% q-o-q during the first quarter of 2021, the latter partly also reflecting seasonal trends. Our cost to income ratio improved to 35.4% during 1Q21, compared with 38.6% in 1Q20 and 39.6% in 4Q20
- **Loan book increased by 11.1% y-o-y and by 2.9% q-o-q at 31 March 2021.** Growth on a constant-currency basis was 7.1% y-o-y and 1.7% q-o-q. The y-o-y loan book growth partially reflected continued loan origination levels in Corporate, MSME and the mortgage segments notwithstanding the COVID-19 impact. The q-o-q decreased growth reflected the slowdown in economic activity amid the partial lockdown during January-February 2021
- **Client deposits and notes increased by 29.2% y-o-y and were largely flat q-o-q at 31 March 2021.** On a constant-currency basis, client deposits and notes grew by 25.4% y-o-y, but were down by 2.2% q-o-q. This strong deposit franchise growth reflects a consistent stability in deposit balances of both our individual and business customers
- **Cost of credit risk.** The cost of credit risk ratio was 0.8% in 1Q21, compared with 7.4% in 1Q20 and 0.4% in 4Q20. The Group recorded significant ECL provision on loans to customers and finance lease receivables created for the full economic cycle during the first quarter of 2020 to reflect the expected impact of the COVID-19 pandemic. We regularly revisit our ECL assumptions to reflect updated macroeconomic forecast scenarios, as well as better visibility of the portfolio and detailed reviews of the creditworthiness of borrowers. As a result of these analyses, we believe the provisions recorded in 1Q20, continue to be sufficient. See details on *page 9*
- **Asset quality.** NPLs to gross loans were 3.6% at 31 March 2021, compared with 2.1% at 31 March 2020 and 3.7% at 31 December 2020. The y-o-y rise in non-performing borrowers in 1Q21 was primarily driven by the COVID-19 pandemic impact, which is in line with the upfront ECL provision recorded for the full economic cycle in 2020. The NPL coverage ratio was 77.5% at 31 March 2021 (147.2% at 31 March 2020 and 76.3% at 31 December 2020), and the NPL coverage ratio adjusted for the discounted value of collateral was 127.8% at 31 March 2021 (194.9% at 31 March 2020 and 128.8% at 31 December 2020). The y-o-y decline in NPL coverage ratio reflects the portfolio mix shift from high-yielding unsecured to more secured consumer lending, and is supported by the high level of collateralisation of our loan book
- **Strong capital adequacy position.** The Bank's capital adequacy ratios have remained robust, and comfortably above the minimum regulatory requirements. The Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 11.2%, 13.3% and 18.6%, respectively, all well above the minimum required levels of 7.8%, 9.8% and 13.8%, respectively, at 31 March 2021. The q-o-q increase in capital ratios was primarily driven by strong internal capital generation, partially offset by the local currency devaluation impact during the quarter
- **Strong liquidity and funding positions.** As at 31 March 2021, the Bank's liquidity coverage ratio was 149.3% and net stable funding ratio was 140.1%, compared with the 100% minimum required level. The Bank continued to maintain excess liquidity during the first quarter of 2021, primarily for risk mitigation purposes on the back of the ongoing COVID-19 pandemic pressures. Client deposit balances continued to be stable during the first quarter of 2021, despite the gradual decrease of interest rates
- **In March 2021, Fitch Ratings revised the outlook of JSC Bank of Georgia to "Stable" from "Negative", while affirming its Long-Term Issuer Default Rating (IDR) at 'BB-'.** The revision of the Outlook to Stable reflects reduced pressure on the Bank's credit profile from the health crisis and contraction of the Georgian economy. Fitch Ratings expects that the Bank's pre-impairment profit is sufficient to absorb any additional credit losses from the pandemic without jeopardising its financial profile. The Bank has entered the crisis with healthy capital cushion and good performance metrics, and Fitch Ratings believes that the rating of the Bank reflects the tolerance for further moderate deterioration of asset quality

CHIEF EXECUTIVE OFFICER'S STATEMENT

The first quarter of 2021 was marked by a partial lockdown and the resulting lower levels of overall economic activity. Although GDP contracted by 4.2% year-on-year in the first quarter, we have seen activity levels picking up since March, with the easing of the restrictions. GDP grew by an estimated 4.0% in March, the first year-on-year growth since the beginning of the global pandemic. This, coupled with the rollout of the COVID-19 vaccination programme, is encouraging. We currently expect the Georgian economy to grow by an estimated 3.6% in 2021, supported by the further lifting of restrictions, the continuation of the vaccination programme, and a partial return of international tourists later in the year.

Throughout the first quarter of 2021, our banking franchise has demonstrated strong resilience. The high quality of our lending portfolios remains evident, especially in Corporate and Investment Banking. Despite a still challenging operating environment, the Group delivered strong profitability in the first quarter of 2021, with a 21.5% return on average equity, our fourth consecutive quarter of delivering a return on average equity above 20% during the pandemic.

Overall, Bank of Georgia's performance was robust in the first quarter of 2021:

- **The balance sheet has remained resilient against the backdrop of lower economic activity.** On a constant currency basis, our customer lending increased by 1.7% during the quarter
- **Operating income performance has been good**. Net interest income increased by 5.3% quarter-on-quarter, whilst net fee and commission income increased by 3.6% over the same period, in what is usually the quietest quarter in the year and notwithstanding the lockdown-related reduction in economic activity
- **Net interest margin increased by 10 basis points quarter-on-quarter to 4.5% in 1Q21,** largely reflecting a decline in the cost of funds. We expect the net interest margin to remain broadly stable going forward
- **Costs remain very well-managed** with a 9.7% quarter-on-quarter reduction in operating expenses, following a review of our variable cost base in 2020 and partly also reflecting seasonal trends. We continue to invest in building our core franchise capabilities, but have delivered a broadly flat cost base year-on-year. Our cost to income ratio improved significantly to 35.4% during the quarter
- **Our lending portfolio has performed well.** Having taken a significant up-front COVID-19-related credit loss provision for the full economic cycle in the first quarter of 2020, the quality of our loan book has been robust throughout the pandemic. We continue to conduct regular in-depth analyses of our customer lending portfolios, including an in-depth review of all of our SME and corporate borrowers, and we remain adequately provided for our overall expected credit losses relating to the COVID-19 pandemic. During the first quarter of 2021, our annualised cost of credit risk ratio was 0.8%, slightly better than our medium-term 1.0-1.2% annual expectation. The corporate lending portfolio, in particular, continues to perform very well. The non-performing loans ratio remained stable at 3.6% in 1Q21, compared with 3.7% in 4Q20
- **Our capital ratios have remained robust and comfortably above our minimum regulatory requirements**. Our high level of internal capital generation led to an increase of 80 basis points in the CET1 capital adequacy ratio during the quarter
- **Delivering superior levels of profitability.** In the first quarter of 2021, our annualised return on average equity was 21.5%

We continue to deliver on our strategy. The use of our mobile and internet platforms has gone up significantly throughout the past few months as we have added a variety of innovative features and launched new products. We had more than 787,000 active digital users at end of March 2021, up 27.0% year-on-year and up 3.6% quarter-on-quarter, with 39.1% of these customers using our mobile app and internet banking platform on a daily basis. The volume of transactions in our mobile app almost doubled year-on-year in the first quarter of 2021. In addition, as we keep focusing on empowering our customers and employees, we are seeing further improvements in customer satisfaction and employee empowerment measures, with Net Promoter Score reaching 49.3% in March 2021 and Employee Net Promoter Score reaching 59.7% in April 2021.

We are currently in discussions with our banking regulator, the National Bank of Georgia, with regard to the reintroduction of certain capital ratio buffers that were waived in the first quarter of 2020 as part of measures put in place by the NBG in its COVID-19 supervisory plan. These discussions should be completed over the next few weeks, and we will make an appropriate announcement at that time to confirm the specific details. The Board has near and medium-term expectations of strong profitability and internal capital generation, and is keen to resume the Group's dividend policy as soon as practicable, given the prevailing macroeconomic outlook and future growth expectations.

Archil Gachechiladze,
CEO, Bank of Georgia Group PLC
18 May 2021

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 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	1Q21	1Q20	Change y-o-y	4Q20	Change q-o-q
Interest income	428,580	388,326	10.4%	420,398	1.9%
Interest expense	(216,248)	(191,246)	13.1%	(218,802)	-1.2%
Net interest income	**212,332**	**197,080**	**7.7%**	**201,596**	**5.3%**
Fee and commission income	76,446	70,894	7.8%	77,382	-1.2%
Fee and commission expense	(27,796)	(30,782)	-9.7%	(30,424)	-8.6%
Net fee and commission income	**48,650**	**40,112**	**21.3%**	**46,958**	**3.6%**
Net foreign currency gain	19,176	30,661	-37.5%	26,457	-27.5%
Net other income	23,482	6,627	NMF	25,016	-6.1%
Operating income	**303,640**	**274,480**	**10.6%**	**300,027**	**1.2%**
Net interest margin	4.5%	5.0%		4.4%	
Average interest earning assets	18,932,570	15,827,796	19.6%	18,211,749	4.0%
Average interest bearing liabilities	19,345,778	16,339,697	18.4%	18,732,227	3.3%
Average net loans and finance lease receivables, currency blended	14,340,661	12,274,814	16.8%	13,848,691	3.6%
Average net loans and finance lease receivables, GEL	5,873,004	4,988,497	17.7%	5,603,018	4.8%
Average net loans and finance lease receivables, FC	8,467,657	7,286,317	16.2%	8,245,673	2.7%
Average client deposits and notes, currency blended	13,942,631	10,473,930	33.1%	13,272,191	5.1%
Average client deposits and notes, GEL	5,313,836	3,298,908	61.1%	4,943,412	7.5%
Average client deposits and notes, FC	8,628,795	7,175,022	20.3%	8,328,779	3.6%
Average liquid assets, currency blended	6,732,512	5,322,430	26.5%	6,460,344	4.2%
Average liquid assets, GEL	2,600,231	2,208,730	17.7%	2,661,240	-2.3%
Average liquid assets, FC	4,132,281	3,113,700	32.7%	3,799,104	8.8%
Liquid assets yield, currency blended	3.1%	3.9%		3.0%	
Liquid assets yield, GEL	7.6%	8.0%		7.1%	
Liquid assets yield, FC	0.1%	1.0%		0.0%	
Loan yield, currency blended	10.4%	10.8%		10.4%	
Loan yield, GEL	14.8%	15.6%		15.2%	
Loan yield, FC	7.2%	7.5%		7.1%	
Cost of funds, currency blended	4.5%	4.7%		4.6%	
Cost of funds, GEL	7.8%	7.9%		7.7%	
Cost of funds, FC	2.8%	2.9%		2.9%	
Cost / income	35.4%	38.6%		39.6%	

Performance highlights

- **The Group generated strong operating income of GEL 303.6mln in 1Q21, up 10.6% y-o-y and up 1.2% q-o-q.** The y-o-y and q-o-q increase in operating income was primarily driven by strong net interest income (up 7.7% y-o-y and up 5.3% q-o-q) and net fee and commission income (up 21.3% y-o-y and up 3.6% q-o-q) generation, notwithstanding the slowdown in economic activity on the back of the COVID-19 pandemic, and the second lockdown-related restrictions during January-February 2021

- **Our NIM was 4.5% in 1Q21, down 50bps y-o-y and up 10bps q-o-q.** The y-o-y decline in NIM was primarily due to the 40bps y-o-y decline in currency blended loan yield (on the back of slower consumer lending activity due to the COVID-19 pandemic and the effect of change in portfolio mix resulting in higher level of secured mortgage lending), partially offset by 20bps decline in cost of funds (reflecting the impact of the GEL 500 million local currency bonds repayment in June 2020, and the NBG's monetary policy rate changes, partially offset by the increase in client deposits and notes and higher levels of liquidity). On a q-o-q basis, loan yields stood flat, while cost of funds was down 10bps, resulting in a 10bps increase in 1Q21 NIM

- **Liquid assets yield.** Currency blended liquid assets yield was 3.1% in 1Q21, down 80bps y-o-y and up 10bps q-o-q. The local currency denominated liquid assets yield movement in 1Q21 (down 40bps y-o-y and up 50bps q-o-q) directly reflected the NBG's monetary policy rate changes (NBG decreased monetary policy rate by a cumulative of 100bps since April 2020, but increased the policy rate by 50bps in March 2021). The foreign currency denominated liquid assets yield movement in 1Q21 (down 90bps y-o-y and up 10bps q-o-q) largely reflected the cut in the US Fed rate in March 2020 (the NBG accrues interest rate on banks' US Dollar obligatory reserves at the US Fed rate upper bound minus 50bps)

- **Cost of funds** was 4.5% in the first quarter of 2021, down 20bps y-o-y and down 10bps q-o-q. Local currency denominated cost of funds was down 10bps y-o-y and up 10bps q-o-q in 1Q21, reflecting the NBG's monetary policy rate changes and the impact of the repayment of the GEL 500 million local currency bonds due in the beginning of June 2020. The cost of foreign currency denominated funds was down 10bps both y-o-y and q-o-q, largely driven by the Libor rate decline as well as attracting certain borrowings from credit institutions at lower rates during the quarter

- **Net fee and commission income** reached GEL 48.7mln in 1Q21, up 21.3% y-o-y and up 3.6% q-o-q. Both y-o-y and q-o-q increase was mainly driven by the strong performance in our settlement operations, notwithstanding the slowdown in economic activity on the back of the COVID-19 pandemic and the second lockdown-related restrictions during January-February 2021

- **Net foreign currency gain** was down 37.5% y-o-y and down 27.5% q-o-q in 1Q21. The movement in net foreign currency gain directly reflected the level of currency volatility and client-driven flows

- **Net other income.** The significant y-o-y increase in net other income during the first quarter of 2021 was mainly driven by net gains from the sale of real estate properties (assets held for sale) and net gains from the sale of investment securities. On a q-o-q basis, this increase was offset by the impact of a gain on the revaluation of investment property recorded in 4Q20

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

GEL thousands, unless otherwise noted	1Q21	1Q20	Change y-o-y	4Q20	Change q-o-q
Salaries and other employee benefits	(60,223)	(56,538)	6.5%	(64,243)	-6.3%
Administrative expenses	(23,563)	(27,021)	-12.8%	(31,617)	-25.5%
Depreciation, amortisation and impairment	(22,561)	(21,390)	5.5%	(21,283)	6.0%
Other operating expenses	(1,012)	(1,059)	-4.4%	(1,714)	-41.0%
Operating expenses	**(107,359)**	**(106,008)**	**1.3%**	**(118,857)**	**-9.7%**
Profit from associate	167	301	-44.5%	154	8.4%
Operating income before cost of risk	**196,448**	**168,773**	**16.4%**	**181,324**	**8.3%**
Expected credit loss on loans to customers	(28,236)	(228,189)	-87.6%	(14,579)	93.7%
Expected credit loss on finance lease receivables	(931)	(1,885)	-50.6%	(381)	144.4%
Other expected credit loss and impairment charge on other assets and provisions	(14,950)	(11,329)	32.0%	(23,471)	-36.3%
Cost of risk	**(44,117)**	**(241,403)**	**-81.7%**	**(38,431)**	**14.8%**
Net operating income / (loss) before non-recurring items	**152,331**	**(72,630)**	**NMF**	**142,893**	**6.6%**
Net non-recurring items	17	(40,345)	NMF	21	-19.0%
Profit / (loss) before income tax	**152,348**	**(112,975)**	**NMF**	**142,914**	**6.6%**
Income tax (expense) / benefit	(13,424)	13,030	NMF	(11,065)	21.3%
Profit / (loss)	**138,924**	**(99,945)**	**NMF**	**131,849**	**5.4%**

- **Operating expenses.** We continued investments in IT-related resources as part of the agile transformation process, focus on digitalisation and investments in marketing, and at the same time maintained our focus on cost efficiencies. Operating expenses were largely flat y-o-y and down 9.7% q-o-q during the first quarter of 2021, the latter partly reflecting seasonal trends. As a result, our cost to income ratio improved to 35.4% during 1Q21, compared with 38.6% in 1Q20 and 39.6% in 4Q20

- **Cost of risk** was down 81.7% y-o-y and up 14.8% q-o-q in 1Q21, reflecting a combination of the following factors:
  - **Cost of credit risk ratio** was 0.8% in 1Q21, compared with 7.4% in 1Q20 and 0.4% in 4Q20. The 7.4% cost of credit risk ratio in 1Q20 reflected the IFRS 9 ECL reserve builds created for the full economic cycle related to the deterioration of the macroeconomic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic. The Group continuously revisits the assumptions used in the reserve builds to reflect better visibility and up-to-date macroeconomic forecast scenarios, as well as ongoing in-depth analyses of the financial standing and the creditworthiness of our borrowers. Based on these analyses, additional ECL provisions on loans to customers and finance lease receivables in the amount of GEL 30.9mln were recorded for the Retail Banking business, and net ECL reversal of GEL 2.5mln for the Corporate and Investment Banking segment in 1Q21. Given that we are operating in a rapidly changing environment with a high level of uncertainty with regard to both the length and the severity of the COVID-19 impact, we continue to monitor new facts and circumstances on a continuous basis
  - **Expected credit loss and impairment charge on other assets and provisions**. The Group recorded a GEL 15.0mln ECL and impairment charge on other assets and provisions in 1Q21. This mainly comprised a GEL 21.0mln expense accrued for certain legal fees, which was partially offset by a GEL 6.4mln reversal of reserves on guarantees issued

- **Quality of the loan book**. The y-o-y rise in non-performing borrowers in 1Q21 was primarily driven by the COVID-19 pandemic impact, resulting in an increase of NPLs to gross loans to 3.6% at 31 March 2021, which is in line with the upfront ECL provision recorded for the full economic cycle in 2020. NPLs to gross loans improved slightly q-o-q

  The y-o-y decline in NPL coverage ratio reflects the shift of portfolio mix from high-yielding unsecured to more secured consumer lending, and is supported by the high level of collateralisation of our loan book

GEL thousands, unless otherwise noted	**Mar-21**	**Mar-20**	**Change y-o-y**	**Dec-20**	**Change q-o-q**
NON-PERFORMING LOANS					
NPLs	534,626	284,038	88.2%	545,837	-2.1%
NPLs to gross loans	3.6%	2.1%		3.7%	
NPLs to gross loans, RB	3.3%	1.5%		3.5%	
NPLs to gross loans, CIB	4.0%	2.9%		3.9%	
NPL coverage ratio	77.5%	147.2%		76.3%	
NPL coverage ratio adjusted for the discounted value of collateral	127.8%	194.9%		128.8%	

- **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 2021, total capital adequacy ratio was 14.2%, well above the 12.5% minimum requirement, while Tier I capital adequacy ratio was 10.2%, again above the NBRB's 7.0% minimum requirement. ROAE was 10.1% in 1Q21 (negative 0.6% profitability in 1Q20 and ROAE of 19.1% in 4Q20), reflecting the COVID-19 pandemic impact. *For financial results highlights of BNB, see page 21*

- **Net non-recurring items** in 1Q20 primarily comprised GEL 38.7mln one-off net losses on modification of financial assets recorded in March 2020. These losses were related to the three-month payment holidays on principal and interest payments offered to our retail banking clients to reduce the requirement for customers to physically visit the branches and reduce the risk of the spread of the virus. In addition, in 1Q20, the Bank incurred GEL 1.2mln one-off costs to finance and donate 20,000 COVID-19 laboratory tests, 10 ventilators, 50,000 face masks and 60,000 gloves to the Ministry of Health of Georgia, to help curb the spread of the virus. These costs were classified as non-recurring items

- **Overall, the Group recorded profit** of GEL 138.9mln in 1Q21, compared with the loss of GEL 99.9mln in 1Q20 and the profit of GEL 131.8mln in 4Q20. The Group's ROAE was 21.5% in 1Q21, compared with the negative profitability in 1Q20 and ROAE of 21.3% in 4Q20

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	**Mar-21**	**Mar-20**	**Change y-o-y**	**Dec-20**	**Change q-o-q**
Liquid assets	6,968,871	5,379,132	29.6%	6,531,357	6.7%
Liquid assets, GEL	2,515,544	2,240,367	12.3%	2,694,091	-6.6%
Liquid assets, FC	4,453,327	3,138,765	41.9%	3,837,266	16.1%
Net loans and finance lease receivables	14,601,275	13,144,429	11.1%	14,192,078	2.9%
Net loans and finance lease receivables, GEL	6,029,913	4,978,238	21.1%	5,803,576	3.9%
Net loans and finance lease receivables, FC	8,571,362	8,166,191	5.0%	8,388,502	2.2%
Client deposits and notes	14,003,209	10,835,918	29.2%	14,020,209	-0.1%
Amounts owed to credit institutions	4,039,250	4,144,701	-2.5%	3,335,966	21.1%
Borrowings from DFIs	2,222,967	1,689,610	31.6%	1,848,473	20.3%
Short-term loans from central banks	772,647	1,677,339	-53.9%	590,293	30.9%
Loans and deposits from commercial banks	1,043,636	777,752	34.2%	897,200	16.3%
Debt securities issued	1,653,399	2,294,431	-27.9%	1,585,545	4.3%
LIQUIDITY AND CAPITAL ADEQUACY RATIOS					
Net loans / client deposits and notes	104.3%	121.3%		101.2%	
Net loans / client deposits and notes + DFIs	90.0%	104.9%		89.4%	
Liquid assets / total assets	30.6%	27.4%		29.6%	
Liquid assets / total liabilities	34.7%	30.5%		33.5%	
NBG liquidity coverage ratio	149.3%	121.2%		138.6%	
NBG (Basel III) CET1 capital adequacy ratio	11.2%	8.3%		10.4%	
NBG (Basel III) Tier I capital adequacy ratio	13.3%	10.6%		12.4%	
NBG (Basel III) Total capital adequacy ratio	18.6%	15.3%		17.6%	

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 149.3%) **and strongly capitalised** (NBG Basel III CET1 capital adequacy ratio of 11.2%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 69.8%) as at 31 March 2021.

- **Liquidity.** Liquid assets reached GEL 6,968.9mln at 31 March 2021, up 29.6% y-o-y and up 6.7% q-o-q. The notable increase over the year was in investment securities, combined with excess liquidity deployed with credit institutions. The Bank continues to maintain excess liquidity primarily for risk mitigation purposes on the back of the ongoing COVID-19 pandemic pressures. The NBG Liquidity coverage ratio was 149.3% at 31 March 2021 (121.2% at 31 March 2020 and 138.6% at 31 December 2020), well above the 100% minimum requirement level

- **Loan book.** Our net loan book and finance lease receivables amounted to GEL 14,601.3mln at 31 March 2021, up 11.1% y-o-y and up 2.9% q-o-q. At 31 March 2021, the retail loan book represented 65.5% of the total loan portfolio (64.3% at 31 March 2020 and 65.2% 31 December 2020). Local currency portfolio experienced strong y-o-y and q-o-q growth of 21.1% and 3.9%, respectively, which was partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio
- **Net loans to customer funds and DFI ratio**. Our net loans to customer funds and DFI ratio, which is closely monitored by management, stood at 90.0% at 31 March 2021, compared with 104.9% at 31 March 2020 and 89.4% at 31 December 2020
- **Diversified funding base**. Debt securities issued decreased by 27.9% y-o-y and increased by 4.3% q-o-q at 31 March 2021. The y-o-y decrease was attributable to the repayment of GEL 500mln local currency bonds at the beginning of June 2020. On a q-o-q basis, increase in debt securities issued was mainly due to the depreciation of the local currency during the quarter
- **Solid capital position.** At 31 March 2021, following the measures put in place by the NBG as part of the COVID-19 supervisory plan in March 2020 (see details in *Group's 1Q20 results announcement*), the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 11.2%, 13.3% and 18.6%, respectively, all comfortably above the minimum required levels of 7.8%, 9.8% and 13.8%, respectively. The movement in capital adequacy ratios in 1Q21, and the potential impact of an additional 10% devaluation of local currency on different levels of capital is as follows:

	31 December 2020	**1Q21 profit**	**GEL devaluation**	**New Tier 2 facility**	**31 March 2021**	**Potential impact of additional 10% GEL devaluation**
CET1 capital adequacy ratio	10.4%	1.2%	-0.4%	–	11.2%	-0.8%
Tier I capital adequacy ratio	12.4%	1.2%	-0.3%	–	13.3%	-0.7%
Total capital adequacy ratio	17.6%	1.2%	-0.3%	0.1%	18.6%	-0.6%

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

GEL thousands, unless otherwise noted	1Q21	1Q20	Change y-o-y	4Q20	Change q-o-q
INCOME STATEMENT HIGHLIGHTS					
Net interest income	131,448	118,266	11.1%	125,969	4.3%
Net fee and commission income	37,385	29,398	27.2%	34,660	7.9%
Net foreign currency gain	11,109	21,634	-48.7%	13,477	-17.6%
Net other income	8,841	1,906	NMF	13,918	-36.5%
Operating income	**188,783**	**171,204**	**10.3%**	**188,024**	**0.4%**
Salaries and other employee benefits	(40,055)	(40,568)	-1.3%	(44,821)	-10.6%
Administrative expenses	(18,393)	(20,732)	-11.3%	(24,339)	-24.4%
Depreciation, amortisation and impairment	(18,914)	(17,889)	5.7%	(17,828)	6.1%
Other operating expenses	(630)	(551)	14.3%	(1,087)	-42.0%
Operating expenses	**(77,992)**	**(79,740)**	**-2.2%**	**(88,075)**	**-11.4%**
Profit from associate	167	301	-44.5%	154	8.4%
Operating income before cost of risk	**110,958**	**91,765**	**20.9%**	**100,103**	**10.8%**
Cost of risk	(31,296)	(142,079)	-78.0%	(18,986)	64.8%
Net operating income / (loss) before non-recurring items	**79,662**	**(50,314)**	**NMF**	**81,117**	**-1.8%**
Net non-recurring items	156	(38,929)	NMF	149	4.7%
Profit / (loss) before income tax	**79,818**	**(89,243)**	**NMF**	**81,266**	**-1.8%**
Income tax (expense) / benefit	(5,834)	11,215	NMF	(5,218)	11.8%
Profit / (loss)	**73,984**	**(78,028)**	**NMF**	**76,048**	**-2.7%**
BALANCE SHEET HIGHLIGHTS					
Net loans, currency blended	9,048,924	7,950,477	13.8%	8,734,706	3.6%
Net loans, GEL	5,001,447	4,157,645	20.3%	4,809,383	4.0%
Net loans, FC	4,047,477	3,792,832	6.7%	3,925,323	3.1%
Client deposits, currency blended	7,414,743	5,973,729	24.1%	7,101,743	4.4%
Client deposits, GEL	2,240,838	1,703,686	31.5%	2,224,163	0.7%
Client deposits, FC	5,173,905	4,270,043	21.2%	4,877,580	6.1%
of which:					
Time deposits, currency blended	4,564,157	3,520,769	29.6%	4,262,597	7.1%
Time deposits, GEL	1,141,648	865,443	31.9%	1,025,442	11.3%
Time deposits, FC	3,422,509	2,655,326	28.9%	3,237,155	5.7%
Current accounts and demand deposits, currency blended	2,850,586	2,452,960	16.2%	2,839,146	0.4%
Current accounts and demand deposits, GEL	1,099,190	838,243	31.1%	1,198,721	-8.3%
Current accounts and demand deposits, FC	1,751,396	1,614,717	8.5%	1,640,425	6.8%
KEY RATIOS					
ROAE	*20.7%*	*-25.5%*		*22.0%*	
Net interest margin, currency blended	*4.6%*	*4.9%*		*4.5%*	
Cost of credit risk ratio	*1.4%*	*7.4%*		*0.6%*	
Cost of funds, currency blended	*5.4%*	*5.8%*		*5.5%*	
Loan yield, currency blended	*11.1%*	*11.8%*		*11.2%*	
Loan yield, GEL	*15.2%*	*15.7%*		*15.4%*	
Loan yield, FC	*6.1%*	*6.8%*		*6.0%*	
Cost of deposits, currency blended	*2.7%*	*2.6%*		*2.9%*	
Cost of deposits, GEL	*5.9%*	*5.7%*		*6.0%*	
Cost of deposits, FC	*1.3%*	*1.3%*		*1.5%*	
Cost of time deposits, currency blended	*3.8%*	*3.9%*		*4.0%*	
Cost of time deposits, GEL	*9.5%*	*9.3%*		*9.8%*	
Cost of time deposits, FC	*1.9%*	*2.0%*		*2.1%*	
Current accounts and demand deposits, currency blended	*1.1%*	*0.9%*		*1.1%*	
Current accounts and demand deposits, GEL	*2.4%*	*2.3%*		*2.3%*	
Current accounts and demand deposits, FC	*0.2%*	*0.0%*		*0.2%*	
Cost / income ratio	*41.3%*	*46.6%*		*46.8%*	

Performance highlights

- **Retail Banking generated strong operating income of GEL 188.8mln in the first quarter of 2021, up 10.3% y-o-y and up 0.4% q-o-q.** Robust net interest income and net fee and commission income generation were main contributors to the y-o-y increase in operating income. Largely flat operating income q-o-q primarily reflected the impact of the partial economic lockdown in January-February 2021
- Retail Banking net interest income was up 11.1% y-o-y and up 4.3% q-o-q in 1Q21, largely reflecting the 13.8% y-o-y growth in customer lending. **RB NIM was 4.6% in 1Q21, down 30bps y-o-y and up 10bps q-o-q.** The y-o-y decline in NIM in 1Q21 was mostly attributable to lower loan yields (down 70bps y-o-y), driven by the slowdown of economic activity on the back of COVID-19 pandemic, as well as the effect of change in portfolio mix resulting in higher level of secured mortgage lending. Retail Banking net interest income still benefited from the growth of the local currency denominated loan portfolio, which generated 9.1ppts higher yield than the foreign currency denominated loan portfolio in 1Q21. On a q-o-q basis, the 10bps increase in NIM was mainly attributable to 10bps decline in cost of funds in 1Q21, primarily reflecting the decline in the cost of both local and foreign currency denominated client deposits and notes during the quarter
- **Retail Banking net loan book reached GEL 9,048.9mln at 31 March 2021, up 13.8% y-o-y and up 3.6% q-o-q. On a constant currency basis, retail loan book increased by 10.5% y-o-y and by 2.8% q-o-q in 1Q21.** Local currency denominated loan book increased by 20.3% y-o-y and by 4.0% q-o-q, while the foreign currency denominated loan book grew by 6.7% y-o-y and by 3.1% q-o-q in 1Q21. As a result, the local currency denominated loan book accounted for 55.3% of the Retail Banking loan book at 31 March 2021 (52.3% at 31 March 2020 and 55.1% at 31 December 2020). The consumer loan portfolio, which is typically most sensitive to foreign currency risk, is now largely de-dollarised, while the share of retail mortgage loans in local currency was 46.4% at 31 March 2021
- The y-o-y loan book growth reflected strong loan origination levels in all segments of the Retail Banking business. The q-o-q decline in the loan origination levels is reflective of the slowdown of economic activity on the back of the partial lockdown in place in January-February 2021, coupled with typical seasonal factors:

RETAIL BANKING LOAN BOOK BY PRODUCTS

GEL million, unless otherwise noted	1Q21	1Q20	Change y-o-y	4Q20	Change q-o-q
Loan originations					
Consumer loans	455,590	363,843	25.2%	518,313	-12.1%
Mortgage loans	420,064	259,310	62.0%	647,580	-35.1%
Micro loans	408,581	277,241	47.4%	391,914	4.3%
SME loans	371,256	297,514	24.8%	362,858	2.3%
Outstanding balance					
Consumer loans	1,809,839	1,631,298	10.9%	1,763,017	2.7%
Mortgage loans	3,812,962	3,332,205	14.4%	3,733,658	2.1%
Micro loans	1,783,166	1,600,263	11.4%	1,701,501	4.8%
SME loans	1,505,649	1,233,054	22.1%	1,424,330	5.7%

- **Retail Banking client deposits increased to GEL 7,414.7mln at 31 March 2021, up 24.1% y-o-y and up 4.4% q-o-q.** The dollarisation level of deposits stood at 69.8% at 31 March 2021, compared with 71.5% at 31 March 2020 and 68.7% at 31 December 2020. The cost of foreign currency denominated deposits stood at 1.3% in 1Q21 (flat y-o-y and down 20bps q-o-q), while the cost of local currency denominated deposits was 5.9% in 1Q21 (up 20bps y-o-y and down 10bps q-o-q). The spread between the cost of RB's client deposits in GEL and foreign currency was 4.6ppts in 1Q21 (GEL: 5.9%; FC: 1.3%), compared with 4.4ppts in 1Q20 (GEL: 5.7%; FC: 1.3%) and 4.5ppts in 4Q20 (GEL: 6.0%; FC: 1.5%)
- **Retail Banking net fee and commission income**. Net fee and commission income generation increased significantly by 27.2% y-o-y and by 7.9% q-o-q in the first quarter of 2021, notwithstanding the slowdown in economic activity on the back of the COVID-19 pandemic, and the second lockdown-related restrictions during January-February 2021. The increase was mainly driven by strong performance in settlement operations both y-o-y and q-o-q
- **RB's cost of credit risk ratio** was 1.4% in 1Q21, down from 7.4% in 1Q20 and up from 0.6% in 4Q20. The 7.4% cost of credit risk ratio in 1Q20 reflected the IFRS 9 ECL reserve builds created for the full economic cycle related to the deterioration of the macroeconomic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. The Group continuously revisits the assumptions used in the reserve builds to reflect better visibility and up-to-date macroeconomic forecast scenarios, and the creditworthiness of borrowers. Based on the ongoing analyses, the Group recorded additional ECL reserves on loans to customers in the Retail Banking segment in 1Q21, resulting in a 1.4% cost of credit risk ratio during the quarter

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

Volume information in GEL thousands	1Q21	1Q20	Change y-o-y	4Q20	Change q-o-q
Retail Banking customers					
Number of new customers	37,901	31,796	19.2%	46,815	-19.0%
Number of customers	2,641,237	2,567,097	2.9%	2,616,480	0.9%
Cards					
Number of cards issued	191,547	152,938	25.2%	255,333	-25.0%
Number of cards outstanding	2,111,254	2,160,942	-2.3%	2,137,744	-1.2%
Express Pay terminals					
Number of Express Pay terminals	3,125	3,183	-1.8%	3,020	3.5%
Number of transactions via Express Pay terminals	16,784,029	22,934,069	-26.8%	21,002,305	-20.1%
Volume of transactions via Express Pay terminals	2,322,601	2,026,846	14.6%	2,601,145	-10.7%
POS terminals					
Number of desks	22,889	16,123	42.0%	21,331	7.3%
Number of contracted merchants	13,298	7,764	71.3%	11,763	13.0%
Number of POS terminals	30,053	22,472	33.7%	27,184	10.6%
Number of transactions via POS terminals	27,455,781	22,611,894	21.4%	27,378,339	0.3%
Volume of transactions via POS terminals	705,118	650,294	8.4%	741,638	-4.9%
Internet banking					
Number of active users [2]	133,237	287,301	-53.6%	142,832	-6.7%
Number of transactions via internet bank	918,907	1,107,073	-17.0%	1,057,994	-13.1%
Volume of transactions via internet bank	584,089	654,221	-10.7%	678,385	-13.9%
Mobile banking					
Number of active users [2]	750,440	567,036	32.3%	717,599	4.6%
Number of transactions via mobile bank	21,242,482	12,453,837	70.6%	19,538,695	8.7%
Volume of transactions via mobile bank	3,279,566	1,663,128	97.2%	3,047,189	7.6%

- **Sustained growth in client base to more than 2.6 million customers** at 31 March 2021 reflected increased offering of cost-effective remote channels and improvements in our products and services in many key areas. Based on the independent research conducted in spring 2021, Bank of Georgia is regarded as the most trusted financial institution and top of mind in Georgia

- **The number of outstanding cards** remained largely flat at 31 March 2021 mainly due to slower customer activity during January-February 2021 on the back of the partial lockdown-related restrictions. The number of Loyalty programme Plus+ cards reached 1,217,662 at 31 March 2021, up 34.3% y-o-y and up 4.8% q-o-q

- **Digital channels**. We have continued to develop our digital channels and provide superior digital experiences to our customers. c.96% of total daily transactions of individuals were executed through digital channels during 1Q21

  - **mBank and iBank digital offloading.** The Bank has continued to develop digital products and upgrade digital channels' functionalities to refine end-to-end digital journeys and incentivise transferring customer activity to digital channels. New innovative products and features have been introduced recently, including digital card, peer-to-peer payments, bill splitting and money request, fully digital consumer lending process, online instalment loans, digital onboarding, embedded online chat, and the fully redesigned iBank, among others. As a result of increased investments and efforts, the number of active users, as well as the number and volume of transactions through these channels, particularly, mBank, continue to expand rapidly

  - **The use of Express Pay terminals**. The Bank has a large network of self-service terminals throughout Georgia, which are used extensively by our customers. Self-service terminals are viewed as the key transition channel from physical to digital, and the migration has been significant over the past few years. The decline in the number of transactions both y-o-y and q-o-q in 1Q21 was primarily due to the continuous migration of customer activity to the financial mobile app, as well as the slowdown in economic activity on the back of the COVID-19 pandemic outbreak

  - **Business iBank.** Since the release of a new business internet banking platform for our MSME and corporate clients, we have focused on making the Business iBank even more useful for business transactions to further incentivise the transfer of client activity to digital channels. As a result, we saw a y-o-y increase in the number and volume of transactions through Business iBank during 1Q21 (up 2.9% and up 18.8%, respectively). On a quarterly basis, the number of transactions through the Business iBank was down 16.1% and the volume of transactions was down 8.8%, primarily due to decreased economic activity during January-February 2021. Overall, c.97% of daily transactions of legal entities were executed through the Business iBank in the first quarter of 2021

  - **Business mBank.** We launched the application in the first quarter of 2021 to offer full digital experience to our business customers. Our goal is to make the Business mBank useful for immediate business transactions, payments, accounting, money transfers, and administration, considering customer preferences and best practices. Our business customers are now able to have a single view of their finances on-the-go

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

- **SOLO, our premium banking brand, continued its growth and investment in its lifestyle brand.** We have 11 SOLO lounges, of which nine are located in Tbilisi, the capital of Georgia, and two in major regional cities of Georgia. The number of SOLO clients reached 62,556 at 31 March 2021 (56,327 at 31 March 2020 and 60,330 at 31 December 2020). At 31 March 2021, the product to client ratio for the SOLO segment was 4.7, compared with 2.1 for our retail franchise. While SOLO clients currently represent 2.4% of our total retail client base, they contributed 30.3% to our retail loan book, 38.9% to our retail deposits, 24.9% and 21.6% to our net retail interest income and to our net retail fee and commission income in 1Q21, respectively. The net fee and commission income from the SOLO segment was GEL 6.8mln in 1Q21 (GEL 6.1mln in 1Q20 and GEL 7.8mln in 4Q20). At 31 March 2021, 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 – had 5,568 members, largely flat y-o-y and q-o-q

- **MSME banking.** The number of MSME segment clients reached 233,191 at 31 March 2021, up 3.8% y-o-y and up 1.5% q-o-q. MSME's gross loan portfolio reached GEL 3,480.1mln (up 15.3% y-o-y and up 5.6% q-o-q) and client deposits and notes amounted to GEL 978.7mln (up 30.3% y-o-y and up 2.1% q-o-q) at 31 March 2021. The MSME segment generated operating income of GEL 53.3mln in 1Q21, up 5.6% y-o-y and down 7.6% q-o-q, the latter primarily reflecting the second lockdown-related reduction in economic activity

- **Our digital ecosystem** rests on four main business verticals: real estate, e-commerce, logistics, and point of sale. In 2019-1Q21, we launched four platforms – real estate platform *area.ge*, online marketplace *extra.ge*, inventory management and point-of-sale solution for MSMEs *Optimo* and a full logistics services solution - *IZiBox*.

  During the first quarter of 2021, the Group has further developed these platforms, enlarging its network of partners, introducing new features and products, and increasing its customer base through active campaigns and initiatives.

  500 Georgia Acceleration programme (launched in 2020 in partnership with 500 Startups and Georgia's Innovation and Technology Agency to help accelerate the development of Georgian and international early stage startups operating in the region). During 2020 and the first quarter of 2021, 28 companies from ten different business verticals (fintech, healthcare, lifestyle, accounting services, auto and transportation, HR services, travel and hospitality, Adtech, Agtech, Natural Language Processing (NLP) and communications) completed the programme, and currently are candidates to join our Digital Area ecosystem. Since the launch, the startups have raised more than US$ 5.5 million from external international investors and venture capital funds. In the second quarter of 2021, four of the 28 startups will complete the final acceleration stage in San Francisco.

  During 2018-1Q21, the Group has invested c.US$ 6.5 million in the development of the Digital Area Ecosystem, of which investment in 2020 amounted US$ 2.7 million. The Group plans an additional investment in the range of US$ 3-10 million during 2021-2023

- **Retail Banking recorded a profit** of GEL 74.0mln in 1Q21, compared with the loss of GEL 78.0mln in 1Q20 reflecting the COVID-19 pandemic impact, and the profit of GEL 76.0mln in 4Q20. Retail Banking ROAE was 20.7% in 1Q21, compared with the negative profitability in 1Q20 and ROAE of 22.0% in 4Q20

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 London, Budapest, Istanbul, and a subsidiary in Tel Aviv.

GEL thousands, unless otherwise noted	**1Q21**	**1Q20**	**Change y-o-y**	**4Q20**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS					
Net interest income	72,532	69,341	4.6%	66,736	8.7%
Net fee and commission income	9,655	8,955	7.8%	10,933	-11.7%
Net foreign currency gain	4,521	8,534	-47.0%	11,017	-59.0%
Net other income	15,069	4,681	NMF	10,184	48.0%
Operating income	**101,777**	**91,511**	**11.2%**	**98,870**	**2.9%**
Salaries and other employee benefits	(14,905)	(10,561)	41.1%	(14,588)	2.2%
Administrative expenses	(3,503)	(4,466)	-21.6%	(5,215)	-32.8%
Depreciation, amortisation and impairment	(2,492)	(2,473)	0.8%	(2,400)	3.8%
Other operating expenses	(271)	(296)	-8.4%	(471)	-42.5%
Operating expenses	**(21,171)**	**(17,796)**	**19.0%**	**(22,674)**	**-6.6%**
Operating income before cost of risk	**80,606**	**73,715**	**9.3%**	**76,196**	**5.8%**
Cost of risk	(12,066)	(95,902)	-87.4%	(22,264)	-45.8%
Net operating income / (loss) before non-recurring items	**68,540**	**(22,187)**	**NMF**	**53,932**	**27.1%**
Net non-recurring items	(73)	(1,406)	-94.8%	-	NMF
Profit / (loss) before income tax	**68,467**	**(23,593)**	**NMF**	**53,932**	**27.0%**
Income tax (expense) / benefit	(6,864)	1,847	NMF	(4,079)	68.3%
Profit / (loss)	**61,603**	**(21,746)**	**NMF**	**49,853**	**23.6%**
BALANCE SHEET HIGHLIGHTS					
Net loans and finance lease receivables, currency blended	4,752,895	4,391,652	8.2%	4,662,273	1.9%
Net loans and finance lease receivables, GEL	982,124	768,968	27.7%	947,036	3.7%
Net loans and finance lease receivables, FC	3,770,771	3,622,684	4.1%	3,715,237	1.5%
Client deposits, currency blended	6,123,346	4,285,356	42.9%	6,394,734	-4.2%
Client deposits, GEL	2,934,200	1,310,129	124.0%	3,346,032	-12.3%
Client deposits, FC	3,189,146	2,975,227	7.2%	3,048,702	4.6%
Time deposits, currency blended	2,663,401	1,740,893	53.0%	3,322,179	-19.8%
Time deposits, GEL	1,678,355	583,015	NMF	2,299,346	-27.0%
Time deposits, FC	985,046	1,157,878	-14.9%	1,022,833	-3.7%
Current accounts and demand deposits, currency blended	3,459,945	2,544,463	36.0%	3,072,555	12.6%
Current accounts and demand deposits, GEL	1,255,845	727,114	72.7%	1,046,686	20.0%
Current accounts and demand deposits, FC	2,204,100	1,817,349	21.3%	2,025,869	8.8%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,640,556	1,520,149	7.9%	1,585,421	3.5%
Assets under management[3]	3,091,462	2,704,411	14.3%	2,769,192	11.6%
RATIOS					
ROAE	*24.1%*	*-10.6%*		*20.7%*	
Net interest margin, currency blended	*3.6%*	*4.0%*		*3.3%*	
Cost of credit risk ratio	*-0.2%*	*8.3%*		*0.4%*	
Cost of funds, currency blended	*3.3%*	*3.5%*		*3.6%*	
Loan yield, currency blended	*8.6%*	*8.9%*		*8.5%*	
Loan yield, GEL	*12.2%*	*13.7%*		*12.7%*	
Loan yield, FC	*7.6%*	*7.8%*		*7.6%*	
Cost of deposits, currency blended	*4.9%*	*3.7%*		*4.7%*	
Cost of deposits, GEL	*8.1%*	*7.3%*		*7.8%*	
Cost of deposits, FC	*1.5%*	*1.6%*		*1.8%*	
Cost of time deposits, currency blended	*7.3%*	*6.0%*		*6.9%*	
Cost of time deposits, GEL	*9.2%*	*9.4%*		*8.8%*	
Cost of time deposits, FC	*3.6%*	*3.6%*		*3.7%*	
Current accounts and demand deposits, currency blended	*2.6%*	*2.0%*		*2.6%*	
Current accounts and demand deposits, GEL	*6.3%*	*5.5%*		*6.2%*	
Current accounts and demand deposits, FC	*0.6%*	*0.2%*		*0.7%*	
Cost / income ratio	*20.8%*	*19.4%*		*22.9%*	
Concentration of top ten clients	*9.5%*	*9.6%*		*9.7%*	

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

Performance highlights

- **Corporate and Investment Banking delivered strong quarterly results.** CIB generated strong net interest income and net fee and commission income during the first quarter of 2021, coupled with continuous cost discipline. This resulted in the increase of operating income before cost of risk, up 9.3% y-o-y and up 5.8% q-o-q in 1Q21
- CIB's net interest income increased by 4.6% y-o-y and by 8.7% q-o-q during the first quarter of 2021, largely reflecting a 8.2% y-o-y lending growth. **CIB NIM was 3.6% in 1Q21, down 40bps y-o-y and up 30bps q-o-q**. In 1Q21, 40bps y-o-y decrease in NIM was primarily driven by 30bps y-o-y decrease in currency blended loan yields, partially offset by 20bps y-o-y decline in cost of funds, while the 30bps q-o-q increase in CIB's NIM reflected a 30bps decrease in cost of funds, coupled with a 10bps increase in currency blended loan yields q-o-q
- **CIB's net fee and commission income was GEL 9.7mln in 1Q21, up 7.8% y-o-y and down 11.7% q-o-q.** The y-o-y growth in net fee and commission income in 1Q21 was largely driven by increased income generated from settlement operations, and brokerage and advisory service fees. On a q-o-q basis, the decline in net fee and commission income was mainly attributable to lower fees generated from guarantees and letters of credit issued primarily due to seasonal factors
- **CIB's loan book and dollarisation**. CIB loan portfolio reached GEL 4,752.9mln at 31 March 2021, up 8.2% y-o-y and up 1.9% q-o-q. On a constant currency basis, CIB loan book was up 2.9% y-o-y and up 0.4% q-o-q in 1Q21. The concentration of the top 10 CIB clients was 9.5% at 31 March 2021 (9.6% at 31 March 2020 and 9.7% at 31 December 2020). Foreign currency denominated net loans represented 79.3% of CIB's loan portfolio at 31 March 2021, compared with 82.5% a year ago and 79.7% at 31 December 2020. At 31 March 2021, 38.8% of total gross CIB loans were issued in foreign currency with exposure to foreign currency risk with regard to income, while 40.8% of total gross CIB loans were issued in foreign currency with no or minimal exposure to foreign currency risk
- **Dollarisation of CIB deposits** was 52.1% at 31 March 2021, compared with 69.4% a year ago and 47.7% at 31 December 2020. De-dollarisation of CIB's deposit portfolio y-o-y was primarily supported by a significant, 124.0% y-o-y increase in local currency denominated deposits, reflecting the placement of funds by the Ministry of Finance of Georgia with the Bank starting from the end of 2Q20. The interest rates on local currency deposits increased significantly (up 80bps y-o-y and up 30bps q-o-q in 1Q21), while interest rates on foreign currency deposits declined (down 10bps y-o-y and down 30bps q-o-q), and the cost of deposits in local currency remained well above the cost of foreign currency deposits in 1Q21. The increase in interest rates on local currency deposits was mainly driven by the pressure on local currency funding during the first half of 2020, however, this impact subsequently stabilised to more or less normal levels as a result of new local currency funding instruments introduced by the NBG to the market, as well as the deposits of the Ministry of Finance of Georgia placed with banks starting from the end of the second quarter of 2020
- **Net other income.** Significant y-o-y and q-o-q increase in net other income during the first quarter of 2021 was mainly driven by net gains from the sale of real estate properties (assets held for sale) and net gains from the sale of investment securities. On a q-o-q basis, this increase was partially offset by the impact of a gain on revaluation of the investment property recorded in 4Q20
- **CIB's cost of risk** was down 87.4% y-o-y and down 45.8% q-o-q in 1Q21, reflecting a combination of the following factors:
  - **Cost of credit risk** was a net gain of 0.2% in 1Q21, compared with cost of credit risk ratio of 8.3% in 1Q20 and 0.4% in 4Q20. The 8.3% cost of credit risk ratio in 1Q20 reflected the IFRS 9 ECL reserve builds, created for the full economic cycle related to the deterioration of the macroeconomic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. The Group continuously revisits the assumptions used in the reserve builds to reflect better visibility and up-to-date macroeconomic forecast scenarios, as well as in-depth analyses of the financial standing and the creditworthiness of corporate borrowers. Based on these analysis, the Group recorded a GEL 2.5mln net ECL reversal on loans to customers and finance lease receivables in 1Q21, resulting in a net gain of 0.2% in terms of cost of credit risk ratio during the quarter
  - **Expected credit loss and impairment charge on other assets and provisions**. The Group recorded GEL a 14.5mln ECL and impairment charge on other assets and provisions in 1Q21. This mainly comprised a GEL 21.0mln expense accrued for certain legal fees, which was partially offset by a GEL 6.4mln reversal of reserves on guarantees issued
- As a result, **CIB recorded a profit** of GEL 61.6mln in the first quarter of 2021, compared with the loss of GEL 21.7mln in 1Q20 reflecting the COVID-19 pandemic impact, and the profit of GEL 49.9mln in 4Q20. CIB's ROAE was 24.1% in 1Q21, compared with negative profitability in 1Q20 and 20.7% ROAE in 4Q20

Performance highlights of Investment Management operations

- Our strong Investment Management franchise comprises **the Bank's regional Wealth Management practice and the leading investment bank in Georgia, Galt & Taggart**. Our strategic objective in Investment Management is to focus on profitable growth through diversifying our Wealth Management offerings, unlocking the retail brokerage potential, and fully digitalising brokerage services
- **The Investment Management's AUM increased to GEL 3,091.5mln as at 31 March 2021, up 14.3% y-o-y and up 11.6% q-o-q**. This comprises: 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. Both y-o-y and q-o-q increase in AUM mostly reflected the increase in client assets at Galt & Taggart, as well as the depreciation of local currency during the periods presented
- **Strong international presence and diversified customer base across multiple geographies**. We served 1,593 wealth management customers from 78 countries as at 31 March 2021, compared with 1,563 customers as at 31 March 2020 and 1,578 customers as at 31 December 2020
- **Wealth Management deposits amounted to GEL 1,563.2mln as at 31 March 2021, down 5.8% y-o-y and up 3.8% q-o-q, growing at a compound annual growth rate (CAGR) of 8.3% over the last five-year period**. The cost of deposits was 2.7% in 1Q21, down 30bps y-o-y and down 20bps q-o-q
- **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.**
  - **Our brokerage business demonstrated strong growth in the first quarter of 2021**. Gross revenue of brokerage business reached GEL 2.0mln in 1Q21, up 32.0% y-o-y and up 3.3% q-o-q. This was mostly driven by our online brokerage offered in partnership with Saxo Bank under a white label offering, which generated gross revenue of GEL 1.5mln in 1Q21, up 51.4% y-o-y and largely flat q-o-q
    - We see significant upsides in the brokerage business in Georgia. Historically, we have focused on providing brokerage services to our wealth management customers, whereas the retail investor participation in the securities market has been limited. **We are extending our offerings to the wider retail and mass affluent segments**
    - In line with the Group's overall digital strategy, we are digitalising our brokerage offerings. Over the past few years we have significantly enhanced our back- and front-end processes to improve overall customer experience and engagement with brokerage services. **Our single-view client dashboard**, a product combining investment banking products into a single channel, continues to improve overall customer experience and reporting tools. **In 2021, we plan to launch a mobile application** to increase the usage and participation of the retail segment in this business and to further improve customer experiences
  - In March 2021, Galt & Taggart, through a competitive bidding process, was awarded a contract to provide financial and legal consultancy services to Georgian State Electrosystem (GSE) and advise on accessing capital markets and raising commercial financing
  - In April 2021, Galt & Taggart acted as a Co-manager and facilitated a successful pricing of Georgia's US$ 500 million 2.750% 5-year sovereign Eurobond. Goldman Sachs International and J.P. Morgan Securities plc acted as Joint Global Coordinators and Joint Bookrunners on the transaction along with ICBC Standard Bank plc, while two local investment banks acted as Co-managers. The Eurobond was met with strong investor demand, with orders reaching US$ 2.0 billion. This marks a historic transaction for Georgia as it secured financing at the lowest coupon and yield in the history of the country
  - **Galt and Taggart is a leading research house in Georgia supporting our brokerage business and CIB activities with an in-depth quality macro and sector research coverage**. Galt & Taggart publishes research reports on Georgia's and regional economies, key economic sectors coverage in Georgia, regional fixed income securities, and global macro trends, among others. We had more than 6,500 unique subscribers as at 31 March 2021

SELECTED FINANCIAL AND OPERATING INFORMATION

INCOME STATEMENT	BANK OF GEORGIA GROUP CONSOLIDATED				
GEL thousands, unless otherwise noted	**1Q21**	**1Q20**	**Change y-o-y**	**4Q20**	**Change q-o-q**
Interest income	428,580	388,326	10.4%	420,398	1.9%
Interest expense	(216,248)	(191,246)	13.1%	(218,802)	-1.2%
Net interest income	**212,332**	**197,080**	**7.7%**	**201,596**	**5.3%**
Fee and commission income	76,446	70,894	7.8%	77,382	-1.2%
Fee and commission expense	(27,796)	(30,782)	-9.7%	(30,424)	-8.6%
Net fee and commission income	**48,650**	**40,112**	**21.3%**	**46,958**	**3.6%**
Net foreign currency gain	19,176	30,661	**-37.5%**	26,457	**-27.5%**
Net other income	23,482	6,627	**NMF**	25,016	**-6.1%**
Operating income	**303,640**	**274,480**	**10.6%**	**300,027**	**1.2%**
Salaries and other employee benefits	(60,223)	(56,538)	6.5%	(64,243)	-6.3%
Administrative expenses	(23,563)	(27,021)	-12.8%	(31,617)	-25.5%
Depreciation, amortisation and impairment	(22,561)	(21,390)	5.5%	(21,283)	6.0%
Other operating expenses	(1,012)	(1,059)	-4.4%	(1,714)	-41.0%
Operating expenses	**(107,359)**	**(106,008)**	**1.3%**	**(118,857)**	**-9.7%**
Profit from associates	167	301	-44.5%	154	8.4%
Operating income before cost of risk	**196,448**	**168,773**	**16.4%**	**181,324**	**8.3%**
Expected credit loss on loans to customers	(28,236)	(228,189)	-87.6%	(14,579)	93.7%
Expected credit loss on finance lease receivables	(931)	(1,885)	-50.6%	(381)	144.4%
Other expected credit loss and impairment charge on other assets and provisions	(14,950)	(11,329)	32.0%	(23,471)	-36.3%
Cost of risk	**(44,117)**	**(241,403)**	**-81.7%**	**(38,431)**	**14.8%**
Net operating income / (loss) before non-recurring items	**152,331**	**(72,630)**	**NMF**	**142,893**	**6.6%**
Net non-recurring items	17	(40,345)	NMF	21	-19.0%
Profit / (loss) before income tax expense	**152,348**	**(112,975)**	**NMF**	**142,914**	**6.6%**
Income tax (expense) / benefit	(13,424)	13,030	NMF	(11,065)	21.3%
Profit / (loss)	**138,924**	**(99,945)**	**NMF**	**131,849**	**5.4%**
Profit / (loss) attributable to:					
– shareholders of the Group	138,214	(99,515)	NMF	131,220	5.3%
– non-controlling interests	710	(430)	NMF	629	12.9%
Earnings / (loss) per share (basic)	**2.87**	**(2.09)**	**NMF**	**2.76**	**4.0%**
Earnings / (loss) per share (diluted)	**2.87**	**(2.08)**	**NMF**	**2.76**	**4.0%**

BALANCE SHEET

GEL thousands, unless otherwise noted	BANK OF GEORGIA GROUP CONSOLIDATED				
	Mar-21	**Mar-20**	**Change y-o-y**	**Dec-20**	**Change q-o-q**
Cash and cash equivalents	2,361,663	1,507,142	56.7%	1,970,955	19.8%
Amounts due from credit institutions	2,200,803	1,954,218	12.6%	2,016,005	9.2%
Investment securities	2,406,405	1,917,772	25.5%	2,544,397	-5.4%
Loans to customers and finance lease receivables	14,601,275	13,144,429	11.1%	14,192,078	2.9%
Accounts receivable and other loans	6,051	3,460	74.9%	2,420	150.0%
Prepayments	33,921	42,144	-19.5%	27,593	22.9%
Inventories	10,775	13,342	-19.2%	10,340	4.2%
Right-of-use assets	81,056	92,335	-12.2%	83,208	-2.6%
Investment property	246,441	208,776	18.0%	231,241	6.6%
Property and equipment	385,352	380,580	1.3%	387,851	-0.6%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	129,044	112,152	15.1%	125,806	2.6%
Income tax assets	3,668	71,500	-94.9%	22,033	-83.4%
Other assets	208,135	134,578	54.7%	325,994	-36.2%
Assets held for sale	44,305	47,914	-7.5%	62,648	-29.3%
Total assets	**22,752,245**	**19,663,693**	**15.7%**	**22,035,920**	**3.3%**
Client deposits and notes	14,003,209	10,835,918	29.2%	14,020,209	-0.1%
Amounts owed to credit institutions	4,039,250	4,144,701	-2.5%	3,335,966	21.1%
Debt securities issued	1,653,399	2,294,431	-27.9%	1,585,545	4.3%
Lease liabilities	97,488	104,976	-7.1%	95,635	1.9%
Accruals and deferred income	59,455	34,470	72.5%	53,894	10.3%
Income tax liabilities	57,541	80,601	-28.6%	62,434	-7.8%
Other liabilities	154,253	121,341	27.1%	332,322	-53.6%
Total liabilities	**20,064,595**	**17,616,438**	**13.9%**	**19,486,005**	**3.0%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	532,787	483,006	10.3%	526,634	1.2%
Treasury shares	(34)	(54)	-37.0%	(54)	-37.0%
Other reserves	61,857	7,141	NMF	71,227	-13.2%
Retained earnings	2,079,362	1,546,456	34.5%	1,939,122	7.2%
Total equity attributable to shareholders of the Group	**2,675,590**	**2,038,167**	**31.3%**	**2,538,547**	**5.4%**
Non-controlling interests	12,060	9,088	32.7%	11,368	6.1%
Total equity	**2,687,650**	**2,047,255**	**31.3%**	**2,549,915**	**5.4%**
Total liabilities and equity	**22,752,245**	**19,663,693**	**15.7%**	**22,035,920**	**3.3%**
Book value per share	**55.59**	**42.88**	**29.6%**	**53.41**	**4.1%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change y-o-y	4Q20	Change q-o-q
GEL thousands, unless otherwise stated					
Net interest income	8,347	9,469	-11.8%	8,888	-6.1%
Net fee and commission income	1,570	1,703	-7.8%	1,268	23.8%
Net foreign currency gain	3,546	493	NMF	1,963	80.6%
Net other (expense) / income	(237)	334	NMF	1,240	NMF
Operating income	**13,226**	**11,999**	**10.2%**	**13,359**	**-1.0%**
Operating expenses	(8,342)	(8,706)	-4.2%	(8,334)	0.1%
Operating income before cost of risk	**4,884**	**3,293**	**48.3%**	**5,025**	**-2.8%**
Cost of risk	(755)	(3,422)	-77.9%	2,819	NMF
Net non-recurring items	(66)	(10)	NMF	(128)	-48.4%
Profit / (loss) before income tax	**4,063**	**(139)**	**NMF**	**7,716**	**-47.3%**
Income tax expense	(726)	(32)	NMF	(1,768)	-58.9%
Profit / (loss)	**3,337**	**(171)**	**NMF**	**5,948**	**-43.9%**

BALANCE SHEET HIGHLIGHTS	Mar-21	Mar-20	Change y-o-y	Dec-20	Change q-o-q
GEL thousands, unless otherwise stated					
Cash and cash equivalents	192,338	150,349	27.9%	163,193	17.9%
Amounts due from credit institutions	66,673	13,141	NMF	20,042	NMF
Investment securities	94,952	81,592	16.4%	94,459	0.5%
Loans to customers and finance lease receivables	705,261	671,854	5.0%	698,542	1.0%
Other assets	50,418	54,981	-8.3%	42,416	18.9%
Total assets	**1,109,642**	**971,917**	**14.2%**	**1,018,652**	**8.9%**
Client deposits and notes	587,724	643,614	-8.7%	589,152	-0.2%
Amounts owed to credit institutions	347,018	143,374	142.0%	234,641	47.9%
Debt securities issued	20,761	51,063	-59.3%	34,067	-39.1%
Other liabilities	17,498	13,407	30.5%	28,237	-38.0%
Total liabilities	**973,001**	**851,458**	**14.3%**	**886,097**	**9.8%**
Total equity	**136,641**	**120,459**	**13.4%**	**132,555**	**3.1%**
Total liabilities and equity	**1,109,642**	**971,917**	**14.2%**	**1,018,652**	**8.9%**

KEY RATIOS	**1Q21**	**1Q20**	**4Q20**
Profitability			
ROAA, annualised	2.5%	-2.1%	2.4%
ROAE, annualised	21.5%	-18.6%	21.3%
RB ROAE	*20.7%*	*-25.5%*	*22.0%*
CIB ROAE	*24.1%*	*-10.6%*	*20.7%*
Net interest margin, annualised	4.5%	5.0%	4.4%
RB NIM	*4.6%*	*4.9%*	*4.5%*
CIB NIM	*3.6%*	*4.0%*	*3.3%*
Loan yield, annualised	10.4%	10.8%	10.4%
RB Loan yield	*11.1%*	*11.8%*	*11.2%*
CIB Loan yield	*8.6%*	*8.9%*	*8.5%*
Liquid assets yield, annualised	3.1%	3.9%	3.0%
Cost of funds, annualised	4.5%	4.7%	4.6%
Cost of client deposits and notes, annualised	3.8%	3.1%	3.8%
RB Cost of client deposits and notes	*2.7%*	*2.6%*	*2.9%*
CIB Cost of client deposits and notes	*4.9%*	*3.7%*	*4.7%*
Cost of amounts owed to credit institutions, annualised	6.2%	7.6%	6.6%
Cost of debt securities issued	6.9%	7.6%	7.0%
Operating leverage, y-o-y	9.3%	-9.2%	-0.8%
Operating leverage, q-o-q	10.9%	1.5%	-7.3%
Efficiency			
Cost / Income	35.4%	38.6%	39.6%
RB Cost / income	*41.3%*	*46.6%*	*46.8%*
CIB Cost /income	*20.8%*	*19.4%*	*22.9%*
Liquidity			
NBG liquidity coverage ratio *(minimum requirement 100%)*	149.3%	121.2%	138.6%
Liquid assets to total liabilities	34.7%	30.5%	33.5%
Net loans to client deposits and notes	104.3%	121.3%	101.2%
Net loans to client deposits and notes + DFIs	90.0%	104.9%	89.4%
Leverage (times)	7.5	8.6	7.6
Asset quality:			
NPLs (in GEL)	534,626	284,038	545,837
NPLs to gross loans to clients	3.6%	2.1%	3.7%
NPL coverage ratio	77.5%	147.2%	76.3%
NPL coverage ratio, adjusted for discounted value of collateral	127.8%	194.9%	128.8%
Cost of credit risk, annualised	0.8%	7.4%	0.4%
RB Cost of credit risk	*1.4%*	*7.4%*	*0.6%*
CIB Cost of credit risk	*-0.2%*	*8.3%*	*0.4%*
Capital adequacy:			
NBG (Basel III) CET1 capital adequacy ratio	11.2%	8.3%	10.4%
Minimum regulatory requirement	*7.8%*	*6.9%*	*7.4%*
NBG (Basel III) Tier I capital adequacy ratio	13.3%	10.6%	12.4%
Minimum regulatory requirement	*9.8%*	*8.7%*	*9.2%*
NBG (Basel III) Total capital adequacy ratio	18.6%	15.3%	17.6%
Minimum regulatory requirement	*13.8%*	*13.3%*	*13.8%*
Selected operating data:			
Total assets per FTE	3,054	2,676	2,993
Number of active branches, of which:	211	233	211
- Express branches (including Metro)	*105*	*124*	*105*
- Bank of Georgia branches	*95*	*97*	*95*
- SOLO lounges	*11*	*12*	*11*
Number of ATMs	963	939	960
Number of cards outstanding, of which:	2,111,255	2,160,942	2,137,744
- Debit cards	*1,877,281*	*1,791,937*	*1,873,433*
- Credit cards	*233,974*	*369,005*	*264,311*
Number of POS terminals	30,053	22,472	27,184
Number of Express pay terminals	3,125	3,183	3,020
FX Rates:			
GEL/US$ exchange rate (period-end)	3.4118	3.2845	3.2766
GEL/GBP exchange rate (period-end)	4.6929	4.0725	4.4529

	Mar-21	**Mar-20**	**Dec-20**
Full time employees (FTE), of which:	**7,450**	**7,349**	**7,363**
- Full time employees, BOG standalone	*5,889*	*5,851*	*5,821*
- Full time employees, BNB	*536*	*550*	*537*
- Full time employees, other	*1,025*	*948*	*1,005*

Shares outstanding	**Mar-21**	**Mar-20**	**Dec-20**
Ordinary shares	48,130,454	47,528,704	47,530,584
Treasury shares	1,038,974	1,640,724	1,638,844
Total shares outstanding	**49,169,428**	**49,169,428**	**49,169,428**

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
- **Basic earnings per share** Profit for the period attributable to shareholders of the Group divided by the weighted average number of outstanding ordinary shares over the same year
- **Book value per share** Total equity attributable to shareholders of the Group divided by ordinary shares outstanding at period-end; Ordinary shares outstanding at period-end equals number of ordinary shares at period-end less number of treasury shares at period-end
- **Cost of credit risk** Expected loss on loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period
- **Cost of funds** Interest expense of the period divided by monthly average interest bearing liabilities
- **Cost to income ratio** Operating expenses divided by operating income
- **Interest-bearing liabilities** Amounts owed to credit institutions, client deposits and notes, and debt securities issued
- **Interest-earning assets (excluding cash)** Amounts due from credit institutions, investment securities (but excluding corporate shares) and net loans to customers and finance lease receivables
- **Leverage (times)** Total liabilities divided by total equity
- **Liquid assets** Cash and cash equivalents, amounts due from credit institutions and investment securities
- **Liquidity coverage ratio (LCR)** High quality liquid assets (as defined by NBG) divided by net cash outflows over the next 30 days (as defined by NBG)
- **Loan yield** Interest income from loans to customers and finance lease receivables divided by monthly average gross loans to customers and finance lease receivables
- **NBG (Basel III) Common Equity Tier I (CET1) capital adequacy ratio** Common Equity Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions
- **NBG (Basel III) Tier I capital adequacy ratio** Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions
- **NBG (Basel III) Total capital adequacy ratio** Total regulatory capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions
- **Net interest margin (NIM)** Net interest income of the period divided by monthly average interest earning assets excluding cash for the same period
- **Net stable funding ratio (NSFR)** available amount of stable funding (as defined by NBG) divided by the required amount of stable funding (as defined by NBG)
- **Non-performing loans (NPLs)** The principal and interest on loans overdue for more than 90 days and any additional potential losses estimated by management
- **NPL coverage ratio** Allowance for expected credit loss of loans and finance lease receivables divided by NPLs
- **NPL coverage ratio adjusted for discounted value of collateral** Allowance for expected credit loss of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for expected credit loss)
- **Operating leverage** Percentage change in operating income less percentage change in operating expenses
- **Return on average total assets (ROAA)** Profit for the period divided by monthly average total assets for the same period
- **Return on average total equity (ROAE)** Profit for the period attributable to shareholders of the Group divided by monthly average equity attributable to shareholders of the Group for the same period
- **NMF** Not meaningful

COMPANY INFORMATION

Bank of Georgia Group PLC

Registered Address

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

Secretary

Link Company Matters Limited
65 Gresham Street
London EC2V 7NQ
United Kingdom

Stock Listing

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

Contact Information

Bank of Georgia Group PLC Investor Relations
Telephone: +44(0) 203 178 4052; +995 322 444444 (9282)
E-mail: ir@bog.ge

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY
United Kingdom

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

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Investor Centre Web Address - www.investorcentre.co.uk.
Investor Centre Shareholder Helpline - +44 (0)370 873 5866

Share price information

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