Bank of Georgia Group PLC

3rd quarter and first nine months 2019 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, the new parent company of BGEO Group PLC. The Group combined a **Banking Business** and an **Investment Business** prior to the Group demerger on 29 May 2018, which resulted in the Investment Business's separation from the Group effective from 29 May 2018.

The **Group** comprises: a) retail banking and payment services and b) corporate 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. 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.

3Q19 AND 9M19 RESULTS AND CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group's third quarter and the first nine months of 2019 consolidated financial results. Unless otherwise noted, numbers in this announcement are for 3Q19 and comparisons are with 3Q18. 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 7 November 2019, at 13:00 UK / 14:00 CET / 08:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional 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 2Q19 and 1H19 results announcement and in Annual Report and Accounts 2018. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

HIGHLIGHTS[1]

Continued strong momentum – excellent quarterly growth with improved asset quality and profitability

GEL thousands	3Q19	3Q18	Change y-o-y	2Q19	Change q-o-q	9M19	9M18	Change y-o-y
Banking Business Income Statement Highlights[2]								
Net interest income	188,682	185,335	1.8%	181,622	3.9%	553,245	552,166	0.2%
Net fee and commission income	48,009	39,481	21.6%	43,267	11.0%	133,456	111,838	19.3%
Net foreign currency gain	44,543	36,827	21.0%	36,700	21.4%	111,268	76,079	46.3%
Net other income / (expense)	3,728	7,437	-49.9%	(4,260)	NMF	3,035	16,888	-82.0%
Operating income	**284,962**	**269,080**	**5.9%**	**257,329**	**10.7%**	**801,004**	**756,971**	**5.8%**
Operating expenses	**(107,917)**	**(97,137)**	**11.1%**	**(98,558)**	**9.5%**	**(298,401)**	**(277,660)**	**7.5%**
Profit from associates	194	326	-40.5%	254	-23.6%	636	1,021	-37.7%
Operating income before cost of risk	**177,239**	**172,269**	**2.9%**	**159,025**	**11.5%**	**503,239**	**480,332**	**4.8%**
Cost of risk	(15,223)	(48,107)	-68.4%	(35,476)	-57.1%	(93,351)	(119,447)	-21.8%
Net operating income before non-recurring items	**162,016**	**124,162**	**30.5%**	**123,549**	**31.1%**	**409,888**	**360,885**	**13.6%**
Net non-recurring items	(5,019)	(3,747)	33.9%	(2,538)	97.8%	(9,132)	(20,458)	-55.4%
Profit before income tax expense and one-off costs	**156,997**	**120,415**	**30.4%**	**121,011**	**29.7%**	**400,756**	**340,427**	**17.7%**
Income tax expense	(22,697)	(9,316)	143.6%	(9,871)	129.9%	(43,104)	(24,060)	79.2%
Profit adjusted for one-off costs	**134,300**	**111,099**	**20.9%**	**111,140**	**20.8%**	**357,652**	**316,367**	**13.0%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	-	-	**(3,996)**	**NMF**	**(14,236)**	**(52,541)**	**-72.9%**
Profit	**134,300**	**111,099**	**20.9%**	**107,144**	**25.3%**	**343,416**	**263,826**	**30.2%**

GEL thousands	Sep-19	Sep-18	Change y-o-y	Jun-19	Change q-o-q
Banking Business Balance Sheet Highlights					
Liquid assets	5,099,111	4,696,808	8.6%	4,537,545	12.4%
Cash and cash equivalents	*1,369,169*	*1,237,867*	*10.6%*	*936,106*	*46.3%*
Amounts due from credit institutions	*1,834,220*	*1,398,061*	*31.2%*	*1,704,701*	*7.6%*
Investment securities	*1,895,722*	*2,060,880*	*-8.0%*	*1,896,738*	*-0.1%*
Loans to customers and finance lease receivables[3]	11,339,745	8,762,413	29.4%	10,579,710	7.2%
Property and equipment	364,405	315,980	15.3%	358,921	1.5%
Total assets	**17,540,692**	**14,314,932**	**22.5%**	**16,133,999**	**8.7%**
Client deposits and notes	9,613,718	7,932,536	21.2%	8,855,616	8.6%
Amounts due to credit institutions	3,437,718	3,006,739	14.3%	2,960,519	16.1%
Borrowings from DFIs	*1,355,426*	*1,261,960*	*7.4%*	*1,253,921*	*8.1%*
Short-term loans from NBG	*1,271,027*	*1,016,431*	*25.0%*	*1,001,496*	*26.9%*
Loans and deposits from commercial banks	*811,265*	*728,348*	*11.4%*	*705,102*	*15.1%*
Debt securities issued	2,175,820	1,578,532	37.8%	2,137,239	1.8%
Total liabilities	**15,500,833**	**12,644,984**	**22.6%**	**14,215,780**	**9.0%**
Total equity	**2,039,859**	**1,669,948**	**22.2%**	**1,918,219**	**6.3%**

Banking Business Key Ratios	3Q19	3Q18	2Q19	9M19	9M18
ROAA[2]	3.2%	3.2%	2.9%	3.0%	3.2%
ROAE[2]	26.8%	26.8%	22.9%	24.7%	26.2%
Net interest margin	5.1%	6.4%	5.4%	5.4%	6.8%
Loan yield	11.5%	13.5%	11.8%	11.8%	13.7%
Cost of funds	4.8%	5.0%	4.8%	4.8%	5.0%
Cost / income[4]	37.9%	36.1%	38.3%	37.3%	36.7%
NPLs to Gross loans to clients	2.9%	3.5%	3.2%	2.9%	3.5%
NPL coverage ratio	85.3%	91.7%	88.1%	85.3%	91.7%
NPL coverage ratio, adjusted for discounted value of collateral	129.3%	136.9%	131.5%	129.3%	136.9%
Cost of credit risk ratio	0.5%	2.0%	1.3%	1.1%	1.8%
NBG (Basel III) CET1 capital adequacy ratio	11.1%	11.0%	11.0%	11.1%	11.0%
NBG (Basel III) Tier I capital adequacy ratio	13.3%	11.0%	13.3%	13.3%	11.0%
NBG (Basel III) Total capital adequacy ratio	16.8%	15.9%	16.7%	16.8%	15.9%

[1] On 29 May 2018, the demerger of Bank of Georgia Group PLC's Investment Business to Georgia Capital PLC became effective. The results of operations of the Investment Business prior to demerger, as well as the gain recorded by the Group as a result of the Investment Business distribution are classified under the "discontinued operations". The Group and Banking Business detailed financials, as well as Discontinued Operations and inter-business eliminations for previous periods are presented on pages 19-21. Throughout this announcement, the discussion is focused on the Banking Business results, which represents the continuing business of the Group since the demerger

[2] The income statement adjusted profit excludes GEL 4.0mln in 2Q19 and GEL 14.2mln in 9M19 one-off employee costs (net of income tax) related to former CEO and executive management termination benefits. The amount is comprised of GEL 4.6mln in 2Q19 and GEL 12.4mln in 9M19 (gross of income tax) excluded from salaries and other employee benefits and GEL 4.0mln (gross of income tax) excluded from non-recurring items in 9M19. The income statement adjusted profit for 9M18 excludes GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. ROAE and ROAA have been adjusted accordingly for all periods presented. Full IFRS income statement is presented on pages 19 and 20. 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

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

[4] Cost/income ratio adjusted for GEL 4.6mln in 2Q19 and GEL 12.4mln in 9M19 one-off employee costs (gross of income tax) related to termination benefits of the former executive management

KEY RESULTS HIGHLIGHTS

- **Outstanding quarterly performance.** Profit adjusted for one-off costs totalled GEL 134.3mln in 3Q19 (up 20.9% y-o-y and up 20.8% q-o-q) and GEL 357.7mln in 9M19 (up 13.0% y-o-y), with profitability reaching 26.8% and 24.7% ROAE[5] in 3Q19 and in the first nine months of 2019, respectively
- **Strong asset quality.** The cost of credit risk ratio improved to 0.5% in 3Q19 (down 150bps y-o-y and down 80bps q-o-q) and to 1.1% in 9M19 (down 70bps y-o-y). NPLs to gross loans ratio decreased to 2.9% at 30 September 2019, while the NPL coverage ratio was 85.3% and the NPL coverage ratio adjusted for discounted value of collateral was 129.3%
- **Loan book growth totalled 29.4% y-o-y and 7.2% q-o-q at 30 September 2019.** Growth on a constant-currency basis was 20.6% y-o-y and 5.3% q-o-q. Retail Banking loan book share in the total loan portfolio was 65.8% at 30 September 2019 (69.8% at 30 September 2018 and 67.2% at 30 June 2019)
- **Dollarisation of the loan book and client deposits.** Loan book in local currency accounted for 41.1% of the total loan book at 30 September 2019 (39.3% a year ago and 39.9% in the previous quarter). Client deposits in local currency represented 30.7% of the total deposit portfolio at 30 September 2019 (34.4% a year ago and 31.4% in previous quarter)
- **Strong capital position.** Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital Adequacy ratios stood at 11.1%, 13.3% and 16.8%, respectively, at 30 September 2019, all comfortably above the minimum required level of 9.5%, 11.6% and 16.1%, respectively
- **Retail Banking ("RB") continued to deliver solid net interest income, coupled with strong net fee and commission income generation during the period.** The Retail Banking net loan book reached GEL 7,083.4mln at 30 September 2019, up 21.6% y-o-y and up 4.6% q-o-q. The growth was predominantly driven by mortgage and MSME lending. At the same time, RB client deposits increased to GEL 5,384.4mln at 30 September 2019, up 33.6% y-o-y and up 8.0% q-o-q. The Retail Banking net interest margin stabilised at 5.9% in the third quarter 2019
- **Corporate and Investment Banking ("CIB") demonstrated strong growth in 3Q19,** generating solid net interest income and net fee and commission income, coupled with strong asset quality. CIB's net loan book reached GEL 3,588.1mln at 30 September 2019, up 44.8% y-o-y and up 11.8% q-o-q. The growth on a constant-currency basis was 31.1% y-o-y and 9.1% q-o-q. The top 10 CIB client concentration was 9.4% at 30 September 2019 (9.9% at 30 September 2018 and 9.1% at 30 June 2019)
- **Assets Under Management ("AUM") within the Group's Investment Management business, increased to GEL 2,547.6mln in 3Q19**, up 16.9% y-o-y and up 1.7% q-o-q, reflecting an increase in client assets and bond issuances at Galt & Taggart, our brokerage subsidiary
- **Digital channels**. We have actively continued the further development of our digital strategy:
  - **The Bank continued to introduce new features to our mobile banking application and our internet bank,** introducing dedicated digital spaces in our branches to incentivise the movement of client activity to digital channels. As a result, the number of active internet and mobile banking users (up 8.6% and up 81.1% y-o-y, respectively), as well as the number and volume of transactions through our mobile and internet banking continued to expand (95.8% y-o-y increase in number of transactions and 76.2% y-o-y increase in volume of transactions during first nine months of 2019). In total, more than 93% of daily transactions were executed through digital channels during the first nine months of 2019
  - **In 1Q19, the Bank released a new business internet banking platform (Business iBank)** for MSME and corporate clients, which comes with many features designed to make its use an intuitive and smooth experience. We focused our efforts on making the Business iBank even more useful for business transactions, which should further incentivise offloading client activity to digital channels. As a result, we already saw a significant increase in the number and volume of transactions through Business iBank during the first nine months of 2019 (up 53.3% and up 32.0% y-o-y, respectively). 90% of daily transactions were executed through internet bank in the first nine months of 2019
  - **Digital ecosystem developments.** Following the launch of a cutting-edge full-service real estate digital platform, area.ge in 1Q19 and the acquisition of a leading Georgian e-commerce platform, extra.ge in 2Q19, **in September 2019, the Group launched Optimo – a digital solution for our MSME customers to run their business sales and solutions**. The platform is designed to address the needs of micro, small and medium sized enterprises in optimising their day-to-day operations and better managing their businesses in general. Optimo's cutting-edge digital inventory management and POS solution, with integrated software and a rich variety of functions and analytical tools, enables businesses to easily manage sales and inventory, as well as access their most recent data on sales transactions, inventory, revenues and profitability, anytime and anywhere, and make timely decisions with relevant information at hand

[5] 2Q19 and 9M19 ROAE adjusted for GEL 4.0mln and GEL 14.2mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management, respectively

CHIEF EXECUTIVE OFFICER'S STATEMENT

The third quarter of 2019 has been important in a number of ways and I would like to highlight two important messages:

1) we have turned the corner in the new banking regulatory environment and delivered excellent growth and profitability, and
2) the new management team has started to execute on our new strategy and this is being reflected throughout the business as we are delivering strong profitability coupled with market share gains, while investing in our future digital capabilities and brand franchise.

Given the significant changes in the regulatory environment over the last 12 months, 2019 is a new base year. Now, at the end of the third quarter, we can see how the year is shaping up. The high-yield, high-risk unsecured consumer loan portfolio is largely matured out of our balance sheet and has been replaced with a lower-risk, higher-volume portfolio, leading to lower systemic risk in the banking sector overall and therefore, in our loan profile. This is a new environment with a lower net interest margin and lower cost of credit risk. As a consequence, we have successfully reshuffled the portfolio composition and yet delivered net interest income growth of 3.9% q-o-q in the third quarter 2019, while net fee and commission income generation and net foreign currency gains both showed over 20% y-o-y growth. Some of the benefits of the lower-risk portfolio are already reflected in a lower cost of credit risk, which was down 150bps y-o-y to 0.5% in the third quarter of 2019. The historic cost of credit risk on the rebalanced portfolio mix is c.1.2%, and we expect the net interest margin to stabilise at around 5%. This combination has resulted in 5.9% y-o-y and 10.7% q-o-q growth of operating income and a 26.8% ROAE in 3Q19.

Our new mission has been established: we are here to help people achieve more of their potential. In this context, a new brand platform has been adopted and our first new brand campaign was launched in the beginning of October 2019. Bank of Georgia is the brand that stands for taking action and doing something about it; we are here to empower and support our customers and employees. Bank of Georgia is the general sponsor of the Olympic Committee and has just become general sponsor of the Paralympic Committee. We are here to support and celebrate people who strive to succeed, regardless of their challenges. This is all of us. This is what Bank of Georgia stands for.

Our new Corporate Social Responsibility strategy has been aligned with our new mission - to help people achieve more of their potential. We do this through focusing on three main pillars: education, employment and MSME development.

The success of our new strategy depends on two main pillars: customer satisfaction and employee engagement. We have revised the KPIs of the top management to include Net Promoter Score (NPS) and Employee Net Promoter Score (ENPS). There are very encouraging signs throughout the business lines showing improved customer satisfaction (CSAT) and higher employee engagement scores. Not to stop there, we have invested in the leading customer experience management platform, Medallia, which will help us capture and prioritise large amounts of customer feedback. It is being rolled out first throughout the Bank's digital channels.

The new management team is coming together and helping each other to take on challenges, or upsides as we refer to them internally. The entire team is working towards the common goal, and we are seeing strong numbers across all business lines, especially in Corporate and Investment Banking, SME and mortgages, growing at 26.8%[6], 31.5%[6] and 21.8% y-o-y, respectively, on a constant currency basis. While other loan products have delivered slower growth due to the new regulations, the overall loan book grew by 20.6% y-o-y on a constant currency basis at 30 September 2019.

We are investing in digital capabilities, doubling our digital staff over a 12 month period as announced in June 2019. On one side this has contributed to higher operating expenses, up 11.1% y-o-y in the third quarter of 2019; but the investment has also translated into results. As an example, this has already been reflected in a significantly higher number of mobile banking transactions, reaching 9.5 million in the third quarter, up 131.0% y-o-y. Overall, 93% of daily transactions are now performed through digital channels.

The Georgian economy continued to deliver strong real growth numbers, estimated at 5.7% in the third quarter of 2019. In July 2019, Russia banned direct flights to Georgia, resulting in slower growth of tourist arrivals. While the impact of fewer Russian tourists on the economy has been small, the negative expectations have partly resulted in the 6.0% depreciation of the GEL vs US Dollar exchange rate since 20 June 2019, which has had a subsequent impact on headline inflation, coming in at 6.4% in September 2019. To curb this inflation, the National Bank of Georgia has increased the monetary policy rate from 6.5% to 8.5% over the last two months. This is expected to result in slower mortgage growth for the next three to six months.

[6] The growth figures are presented excluding the reclassification of GEL 120mln loan portfolio from SME to CIB during the second quarter 2019

Notwithstanding this small "hiccup", we remain very positive on the Georgian economy. On 11 October 2019, S&P Global Ratings upgraded the Georgia's sovereign credit rating by one notch to BB, a testament to the positive changes as a result of the Government's recent reforms. With a ranking of 7th, Georgia remains in the top 10 of best places in the world to do business in 2020 according to the World Bank's ranking. Most notably, the recent corporate income tax reform has resulted in Georgian corporates having more equity which is starting to be leveraged and invested. Also, exports are showing healthy growth, while imports are shrinking, resulting in the expected current account deficit falling below 5% of GDP, down from the 2016 highs of 13.1%.

In summary, the new management has started to successfully execute on the new strategy, resulting in strong growth and profitability numbers in the significantly reshaped regulatory environment. Most importantly, the pace of positive change is accelerating and very encouraging.

Archil Gachechiladze,

CEO, Bank of Georgia Group PLC

6 November 2019

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	3Q19	3Q18	Change y-o-y	2Q19	Change q-o-q	9M19	9M18	Change y-o-y
Interest income	366,721	337,766	8.6%	342,224	7.2%	1,043,680	981,325	6.4%
Interest expense	(178,039)	(152,431)	16.8%	(160,602)	10.9%	(490,435)	(429,159)	14.3%
Net interest income	**188,682**	**185,335**	**1.8%**	**181,622**	**3.9%**	**553,245**	**552,166**	**0.2%**
Fee and commission income	76,166	60,413	26.1%	68,025	12.0%	206,721	167,319	23.5%
Fee and commission expense	(28,157)	(20,932)	34.5%	(24,758)	13.7%	(73,265)	(55,481)	32.1%
Net fee and commission income	**48,009**	**39,481**	**21.6%**	**43,267**	**11.0%**	**133,456**	**111,838**	**19.3%**
Net foreign currency gain	44,543	36,827	21.0%	36,700	21.4%	111,268	76,079	46.3%
Net other income / (expense)	3,728	7,437	-49.9%	(4,260)	NMF	3,035	16,888	-82.0%
Operating income	**284,962**	**269,080**	**5.9%**	**257,329**	**10.7%**	**801,004**	**756,971**	**5.8%**
Net interest margin	5.1%	6.4%		5.4%		5.4%	6.8%	
Average interest earning assets	14,643,462	11,422,113	28.2%	13,504,120	8.4%	13,651,149	10,929,220	24.9%
Average interest bearing liabilities	14,704,688	12,002,162	22.5%	13,378,168	9.9%	13,643,188	11,585,458	17.8%
Average net loans and finance lease receivables, currency blended	10,984,723	8,387,388	31.0%	10,004,743	9.8%	10,162,048	8,069,473	25.9%
Average net loans and finance lease receivables, GEL	4,425,551	3,420,314	29.4%	3,977,481	11.3%	4,026,375	3,270,009	23.1%
Average net loans and finance lease receivables, FC	6,559,172	4,967,074	32.1%	6,027,262	8.8%	6,135,673	4,799,464	27.8%
Average client deposits and notes, currency blended	9,276,227	7,547,942	22.9%	8,673,526	6.9%	8,766,483	7,288,896	20.3%
Average client deposits and notes, GEL	2,891,726	2,732,988	5.8%	2,860,563	1.1%	2,833,929	2,535,994	11.7%
Average client deposits and notes, FC	6,384,501	4,814,954	32.6%	5,812,963	9.8%	5,932,554	4,752,902	24.8%
Average liquid assets, currency blended	4,808,233	4,517,487	6.4%	4,528,508	6.2%	4,592,799	4,391,321	4.6%
Average liquid assets, GEL	2,081,990	2,071,502	0.5%	2,049,163	1.6%	2,069,463	1,912,933	8.2%
Average liquid assets, FC	2,726,243	2,445,985	11.5%	2,479,345	10.0%	2,523,336	2,478,388	1.8%
Liquid assets yield, currency blended	3.2%	3.8%		3.4%		3.4%	3.7%	
Liquid assets yield, GEL	6.4%	7.0%		6.1%		6.4%	6.9%	
Liquid assets yield, FC	0.8%	1.1%		1.1%		1.0%	1.3%	
Loan yield, currency blended	11.5%	13.5%		11.8%		11.8%	13.7%	
Loan yield, GEL	16.5%	19.9%		17.3%		17.3%	20.6%	
Loan yield, FC	8.2%	9.0%		8.2%		8.2%	9.0%	
Cost of funds, currency blended	4.8%	5.0%		4.8%		4.8%	5.0%	
Cost of funds, GEL	6.7%	7.2%		6.8%		6.8%	7.1%	
Cost of funds, FC	3.7%	3.6%		3.7%		3.7%	3.6%	
Cost / income[7]	37.9%	36.1%		38.3%		37.3%	36.7%	

Performance highlights

- **Solid operating income of GEL 285.0mln in 3Q19 (up 5.9% y-o-y and up 10.7% q-o-q), ending the first nine months of 2019 with operating income of GEL 801.0mln (up 5.8% y-o-y).** Operating income growth in 3Q19 and 9M19 was primarily driven by strong growth in net fee and commission income (up 21.6% y-o-y and up 11.0% q-o-q in 3Q19 and up 19.3% y-o-y in 9M19) and net foreign currency gains (up 21.0% y-o-y and up 21.4% q-o-q in 3Q19 and up 46.3% y-o-y in 9M19), which benefited from a high level of currency volatility in 2019
- **Our NIM was 5.1% in 3Q19 and 5.4% in 9M19.** During third quarter 2019, NIM was down 130bps y-o-y due to the 200bps y-o-y decrease in loan yield, largely reflecting our shift towards a higher quality, finer margin product mix on the back of tighter regulatory conditions for unsecured consumer lending, partially offset by 20bps y-o-y decline in cost of funds. On a q-o-q basis, loan yield decreased by 30bps, while cost of funds remained flat, resulting in 30bps q-o-q decline in 3Q19 NIM. On a nine months basis, loan yield was down 190bps y-o-y, while cost of funds decreased by 20bps y-o-y, causing NIM to decline by 140bps y-o-y. The decline in NIM was also partially driven by the increased minimum reserve requirements mandated by NBG as discussed in more detail later

[7] Adjusted for GEL 4.6mln in 2Q19 and GEL 12.4mln in 9M19 one-off employee costs (gross of income tax) related to termination benefits of the former executive management

- **Loan yield.** Currency blended loan yield was 11.5% in 3Q19 (down 200bps y-o-y and down 30bps q-o-q) and 11.8% in the first nine months of 2019 (down 190bps y-o-y). The y-o-y decline in loan yields during the third quarter and first nine months of 2019 was attributable to a decrease in both local and foreign currency loan yields, which primarily reflected the change in product mix in our loan portfolio
- **Liquid assets yield.** Both local currency and foreign currency denominated liquid assets yields decreased y-o-y in 3Q19 and 9M19. The foreign currency denominated liquid assets yields were down 30bps y-o-y in 3Q19 and 9M19, reflecting a) an increase in obligatory reserves with NBG, primarily driven by the changes in minimum reserve requirements mandated by NBG since September 2018, whereby the foreign currency funds raised by local banks carried up to a 25% reserve requirement depending on maturity, and further increase of this requirement up to 30% since May 2019 (although the mandatory reserve requirements on funds attracted in foreign currency was reduced to 25% in October 2019); b) starting from 12 July 2018, NBG reduced interest rates on foreign currency obligatory reserves from US Fed rate upper bound minus 50bps to Fed rate upper bound minus 200bps, floored at zero for US Dollar reserves, and from ECB rate minus 50bps to ECB rate minus 200bps, floored at negative 60bps for EUR denominated reserves (however, starting from 3 October 2019, following rates are in place - US Fed rate upper bound minus 50bps for US Dollar reserves, and ECB rate minus 20bps for EUR denominated reserves). As for the local currency denominated liquid assets yields, the y-o-y decline both in 3Q19 and 9M19 and q-o-q increase in 3Q19 was primarily driven by the NBG monetary policy rate movements
- **Cost of funds.** Cost of funds stood at 4.8% both in 3Q19 (down 20bps y-o-y and flat q-o-q) and in 9M19 (down 20bps y-o-y). Y-o-y decline in cost of funds in 3Q19 and 9M19 was primarily due to decline in the cost of client deposits and notes (down 40bps y-o-y in 3Q19 and down 20bps y-o-y in 9M19), which represented 63.1% of total interest-bearing liabilities at 30 September 2019. This decline offset the 40bps and 20bps y-o-y increase in cost of debt securities issued in 3Q19 and 9M19, respectively, 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, the cost of funds remained flat, driven by lower cost of amounts due to credit institutions on the back of repayment of US$ 65mln subordinated debt in April 2019, coupled with a decrease in Libor rate, partly offset by increased cost of debt securities issued as a result of issuance of the Additional Tier 1 capital subordinated notes
- **Net fee and commission income.** Net fee and commission income reached GEL 48.0mln in 3Q19 (up 21.6% y-o-y and up 11.0% q-o-q) and GEL 133.5mln in 9M19 (up 19.3% y-o-y). Outstanding growth was mainly driven by the strong performance in our settlement operations supported by the success of our Retail Banking franchise and a strong increase in fees and commission income from guarantees and letters of credit issued by the Corporate and Investment Banking business
- **Net foreign currency gain.** Net foreign currency gain was up 21.0% y-o-y and up 21.4% q-o-q in 3Q19, and up 46.3% y-o-y in 9M19, primarily due to increased client-driven flows, as well as the high level of currency volatility during 2019
- **Net other income.** Significant y-o-y decline in net other income in 9M19 was largely driven by net losses from derivative financial instruments (interest rate swap hedges) recorded during 2019 (the long-term contracts were closed in 3Q19), partially offset by net gains from investment securities during the same period

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

GEL thousands, unless otherwise noted [8]	3Q19	3Q18	Change y-o-y	2Q19	Change q-o-q	9M19	9M18	Change y-o-y
Salaries and other employee benefits	(59,539)	(54,107)	10.0%	(57,982)	2.7%	(169,938)	(157,485)	7.9%
Administrative expenses	(26,251)	(30,759)	-14.7%	(22,033)	19.1%	(71,025)	(83,254)	-14.7%
Depreciation, amortisation and impairment	(21,320)	(11,162)	91.0%	(17,295)	23.3%	(54,303)	(34,077)	59.4%
Other operating expenses	(807)	(1,109)	-27.2%	(1,248)	-35.3%	(3,135)	(2,844)	10.2%
Operating expenses	**(107,917)**	**(97,137)**	**11.1%**	**(98,558)**	**9.5%**	**(298,401)**	**(277,660)**	**7.5%**
Profit from associate	194	326	-40.5%	254	-23.6%	636	1,021	-37.7%
Operating income before cost of risk	**177,239**	**172,269**	**2.9%**	**159,025**	**11.5%**	**503,239**	**480,332**	**4.8%**
Expected credit loss / impairment charge on loans to customers	(13,617)	(43,505)	-68.7%	(32,436)	-58.0%	(86,170)	(113,716)	-24.2%
Expected credit loss / impairment charge on finance lease receivables	(333)	(426)	-21.8%	(557)	-40.2%	(1,336)	(678)	97.1%
Other expected credit loss / impairment charge on other assets and provisions	(1,273)	(4,176)	-69.5%	(2,483)	-48.7%	(5,845)	(5,053)	15.7%
Cost of risk	**(15,223)**	**(48,107)**	**-68.4%**	**(35,476)**	**-57.1%**	**(93,351)**	**(119,447)**	**-21.8%**
Net operating income before non-recurring items	**162,016**	**124,162**	**30.5%**	**123,549**	**31.1%**	**409,888**	**360,885**	**13.6%**
Net non-recurring items	(5,019)	(3,747)	33.9%	(2,538)	97.8%	(9,132)	(20,458)	-55.4%
Profit before income tax expense and one-off costs	**156,997**	**120,415**	**30.4%**	**121,011**	**29.7%**	**400,756**	**340,427**	**17.7%**
Income tax expense	(22,697)	(9,316)	143.6%	(9,871)	129.9%	(43,104)	(24,060)	79.2%
Profit adjusted for one-off costs	**134,300**	**111,099**	**20.9%**	**111,140**	**20.8%**	**357,652**	**316,367**	**13.0%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	-	-	(3,996)	NMF	(14,236)	(52,541)	-72.9%
Profit	**134,300**	**111,099**	**20.9%**	**107,144**	**25.3%**	**343,416**	**263,826**	**30.2%**

[8] The adjusted profit in the table excludes GEL 4.0mln in 2Q19 and GEL 14.2mln in 9M19 one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 4.6mln in 2Q19 and GEL 12.4mln in 9M19 (gross of income tax) excluded from salaries and other employee benefits and GEL 4.0mln (gross of income tax) excluded from non-recurring items in 9M19. The income statement adjusted profit for 9M18 excludes GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

- **Operating expenses** adjusted for one-off employee costs related to termination benefits of former executive management members (acceleration of share-based compensation) were GEL 107.9mln in 3Q19 (up 11.1% y-o-y and up 9.5% q-o-q) and GEL 298.4mln in 9M19 (up 7.5% y-o-y), driving the negative operating leverage of 5.2% y-o-y and 1.7% y-o-y in 3Q19 and 9M19, respectively. The increase in operating expenses was primarily driven by our increased investment in IT related resources as part of the Agile transformation process and focus on digitalisation
- The decline in **administrative expenses** and increase in **depreciation, amortisation and impairment expenses** is primarily driven by the adoption of a new standard IFRS 16, *Leases* replacing IAS 17, *Leases* effective 1 January 2019. As a result of the adoption of the standard the Group recorded on its balance sheet assets related to the right to use the rented properties together with corresponding liabilities for respective payments under the lease contracts. Excluding this impact, the increase in depreciation, amortisation and impairment expenses was due to increased investments during 2019
- **Improved asset quality.** The cost of credit risk ratio was 0.5% in 3Q19 (down 150bps y-o-y and down 80bps q-o-q) and 1.1% in the first nine months of 2019 (down 70bps y-o-y). RB's cost of credit risk ratio was 0.9% in 3Q19 (down 150bps y-o-y and down 70bps q-o-q) and 1.6% in 9M19 (down 60bps y-o-y), while CIB's cost of credit risk ratio stood at a net credit of 0.2% in 3Q19 (down from 1.5% in 3Q18 and down from 0.7% in 2Q19) and at 0.2% in the first nine months of 2019 (down 100bps y-o-y). The y-o-y and q-o-q decrease in RB's cost of credit risk ratio reflected improved loan portfolio quality due to our increasing focus on lending in the mortgage segment and to SME clients, while CIB's cost of credit risk ratio improvement was primarily driven by the recovery of several mid- to low-sized corporate loans in 2019
- **Quality of our loan book remained strong in 3Q19** as evidenced by the following closely monitored metrics:

GEL thousands, unless otherwise noted	Sep-19	Sep-18	Change y-o-y	Jun-19	Change q-o-q
Non-performing loans					
NPLs	339,118	312,203	8.6%	347,285	-2.4%
NPLs to gross loans	2.9%	3.5%		3.2%	
NPLs to gross loans, RB	1.8%	2.4%		2.1%	
NPLs to gross loans, CIB	5.0%	4.4%		5.3%	
NPL coverage ratio	85.3%	91.7%		88.1%	
NPL coverage ratio adjusted for the discounted value of collateral	129.3%	136.9%		131.5%	
Past due dates					
Retail loans - 15 days past due rate	1.3%	1.6%		1.5%	
Mortgage loans – 15 days past due rate	1.1%	1.3%		1.4%	

- **BNB – the Group's banking subsidiary in Belarus - continues to remain strongly capitalised**, with capital adequacy ratios well above the requirements of the National Bank of the Republic of Belarus ("**NBRB**"). At 30 September 2019, total capital adequacy ratio was 15.2%, above the 10% minimum requirement, while Tier I capital adequacy ratio was 9.4%, above NBRB's 7% minimum requirement. ROAE was 18.1% in 3Q19 (15.2% in 3Q18 and 9.8% in 2Q19) and 13.6% in 9M19 (12.8% in 9M18). *For detailed financial results of BNB, please see page 22*
- **Net non-recurring items.** Net non-recurring expenses adjusted for one-off costs amounted to GEL 5.0mln in 3Q19 (GEL 3.7mln in 3Q18 and GEL 2.5mln in 2Q19) and GEL 9.1mln in 9M19 (GEL 20.5mln in 9M18), largely reflecting legal fees incurred during the first nine months of 2019
- **Income tax expense.** Income tax expense amounted to GEL 22.7mln in 3Q19 (up 143.6% y-o-y and up 129.9% q-o-q) and GEL 43.1mln in 9M19 (up 79.2% y-o-y). The increase was primarily driven by a one-off GEL 8.5mln additional tax expense posted in the third quarter 2019 as a result of reassessment of deferred tax balances in relation to changes in the assumptions made in June 2018 relating to the amendments to the corporate taxation model applicable to financial institutions
- **Overall, profit adjusted for one-off costs** totalled GEL 134.3mln in 3Q19 (up 20.9% y-o-y and up 20.8% q-o-q) and GEL 357.7mln in the first nine months of 2019 (up 13.0% y-o-y), while ROAE[9] was 26.8% in 3Q19 (26.8% in 3Q18 and 22.9% in 2Q19) and 24.7% in 9M19 (26.2% in 9M18)

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Sep-19	Sep-18	Change y-o-y	Jun-19	Change q-o-q
Liquid assets	5,099,111	4,696,808	8.6%	4,537,545	12.4%
Liquid assets, GEL	2,136,320	2,072,122	3.1%	2,092,757	2.1%
Liquid assets, FC	2,962,791	2,624,686	12.9%	2,444,788	21.2%
Net loans and finance lease receivables	11,339,745	8,762,413	29.4%	10,579,710	7.2%
Net loans and finance lease receivables, GEL	4,655,533	3,444,621	35.2%	4,217,713	10.4%
Net loans and finance lease receivables, FC	6,684,212	5,317,792	25.7%	6,361,997	5.1%
Client deposits and notes	9,613,718	7,932,536	21.2%	8,855,616	8.6%
Amounts due to credit institutions	3,437,718	3,006,739	14.3%	2,960,519	16.1%
Borrowings from DFIs	1,355,426	1,261,960	7.4%	1,253,921	8.1%
Short-term loans from central banks	1,271,027	1,016,431	25.0%	1,001,496	26.9%
Loans and deposits from commercial banks	811,265	728,348	11.4%	705,102	15.1%
Debt securities issued	2,175,820	1,578,532	37.8%	2,137,239	1.8%

[9] ROAE adjusted for GEL 4.0mln in 2Q19 and GEL 14.2mln in 9M19 one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 9M18 ROAE adjusted for GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

	Sep-19	Sep-18	Jun-19
Liquidity and CAR ratios			
Net loans / client deposits and notes	118.0%	110.5%	119.5%
Net loans / client deposits and notes + DFIs	103.4%	95.3%	104.7%
Liquid assets / total assets	29.1%	32.8%	28.1%
Liquid assets / total liabilities	32.9%	37.1%	31.9%
NBG liquidity ratio	36.8%	32.5%	37.0%
NBG liquidity coverage ratio	118.5%	113.6%	114.3%
NBG (Basel III) Tier I capital adequacy ratio	13.3%	11.0%	13.3%
NBG (Basel III) Total capital adequacy ratio	16.8%	15.9%	16.7%

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 118.5%) **and strongly capitalised** (NBG Basel III Tier I capital adequacy ratio of 13.3%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 62.0%).

- **Liquidity.** Liquid assets stood at GEL 5,099.1mln at 30 September 2019, up 8.6% y-o-y and up 12.4% q-o-q. The notable increase over the year was in obligatory reserves with NBG, combined with excess liquidity deployed with credit institutions, NBG and Ministry of Finance. Increase in obligatory reserves with NBG was primarily driven by the changes in minimum reserve requirements mandated by NBG since September 2018, whereby the foreign currency funds raised by local banks carried up to 25% reserve requirement depending on maturity. The reserve requirement on foreign currency funds was further increased up to 30% depending on maturity starting from the end of May 2019. The NBG Liquidity coverage ratio was 118.5% at 30 September 2019 (113.6% at 30 September 2018 and 114.3% at 30 June 2019), well above the 100% minimum requirement level
- **Loan book**. Our net loan book and finance lease receivables reached GEL 11,339.7mln at 30 September 2019, up 29.4% y-o-y and up 7.2% q-o-q. As of 30 September 2019, the retail loan book represented 65.8% of the total loan portfolio (69.8% at 30 September 2018 and 67.2% at 30 June 2019). Both local and foreign currency portfolios experienced strong y-o-y growth of 35.2% and 25.7%, respectively. Furthermore, local currency denominated loan portfolio was up 10.4% q-o-q, while foreign currency denominated loan book grew by 5.1% q-o-q. The local currency loan portfolio growth was partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio
- **Dollarisation of our loan book and client deposits.** The retail client loan book in foreign currency accounted for 43.9% of the total RB loan book at 30 September 2019 (48.9% at 30 September 2018 and 45.9% at 30 June 2019), while retail client foreign currency deposits comprised 69.2% of total RB deposits at 30 September 2019 (71.7% at 30 September 2018 and 68.8% at 30 June 2019). At 30 September 2019, 82.1% of CIB's loan book was denominated in foreign currency (81.7% at 30 September 2018 and 83.6% at 30 June 2019), while 64.1% of CIB deposits were denominated in foreign currency (55.4% at 30 September 2018 and 63.2% at 30 June 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 103.4% at 30 September 2019 (95.3% at 30 September 2018 and 104.7% at 30 June 2019)
- **Diversified funding base**. Debt securities issued grew by 37.8% y-o-y and by 1.8% q-o-q at 30 September 2019. The y-o-y increase was primarily driven by the issuance of US$ 100 million Additional Tier 1 capital notes in March 2019 *(see details below)*
- **Capital Adequacy requirements.** Basel III Tier 1 and Total capital adequacy ratios stood at 13.3% and 16.8%, respectively, as of 30 September 2019 compared to a minimum required level of 11.6% and 16.1%, respectively. At the same time, Common Equity Tier 1 (CET1) ratio stood at 11.1% compared to a 9.5% minimum requirement at 30 September 2019. In March 2019, the Bank issued its inaugural US$ 100 million 11.125% Additional Tier 1 capital perpetual subordinated notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia at an issue price of 100.00% (the "Notes"). The Notes are listed on the Irish Stock Exchange and rated B- (Fitch). The issuance was the first international offering of Additional Tier 1 Capital Notes from Georgia and the South Caucasus region. Basel III regulations recently introduced in Georgia now enable this type of capital optimisation and this US Dollar issue provides the Bank with an opportunity to diversify its capital structure from a foreign currency perspective and provides a natural hedge against dollarisation in the economy. The regulatory approval on the classification of the Notes as Additional Tier 1 instruments was received in April 2019

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

GEL thousands, unless otherwise noted	3Q19	3Q18	Change y-o-y	2Q19	Change q-o-q	9M19	9M18	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[10]								
Net interest income	136,148	136,040	0.1%	128,167	6.2%	395,302	409,978	-3.6%
Net fee and commission income	36,696	30,651	19.7%	34,605	6.0%	103,735	85,943	20.7%
Net foreign currency gain	20,464	17,381	17.7%	18,070	13.2%	51,773	32,310	60.2%
Net other income / (expense)	581	2,021	-71.3%	(3,753)	NMF	(1,002)	6,791	NMF
Operating income	**193,889**	**186,093**	**4.2%**	**177,089**	**9.5%**	**549,808**	**535,022**	**2.8%**
Salaries and other employee benefits	(37,732)	(34,830)	8.3%	(36,691)	2.8%	(108,296)	(101,583)	6.6%
Administrative expenses	(17,585)	(22,619)	-22.3%	(14,992)	17.3%	(48,374)	(62,703)	-22.9%
Depreciation, amortisation and impairment	(17,973)	(9,556)	88.1%	(14,492)	24.0%	(45,753)	(29,276)	56.3%
Other operating expenses	(379)	(590)	-35.8%	(753)	-49.7%	(1,666)	(1,694)	-1.7%
Operating expenses	**(73,669)**	**(67,595)**	**9.0%**	**(66,928)**	**10.1%**	**(204,089)**	**(195,256)**	**4.5%**
Profit from associate	194	326	-40.5%	254	-23.6%	636	1,021	-37.7%
Operating income before cost of risk	**120,414**	**118,824**	**1.3%**	**110,415**	**9.1%**	**346,355**	**340,787**	**1.6%**
Cost of risk	(16,831)	(35,155)	-52.1%	(26,542)	-36.6%	(82,760)	(93,226)	-11.2%
Net operating income before non-recurring items	**103,583**	**83,669**	**23.8%**	**83,873**	**23.5%**	**263,595**	**247,561**	**6.5%**
Net non-recurring items	(575)	(1,948)	-70.5%	(64)	NMF	(915)	(12,753)	-92.8%
Profit before income tax expense and one-off costs	**103,008**	**81,721**	**26.0%**	**83,809**	**22.9%**	**262,680**	**234,808**	**11.9%**
Income tax expense	(14,060)	(5,998)	134.4%	(6,323)	122.4%	(26,484)	(15,233)	73.9%
Profit adjusted for one-off costs	**88,948**	**75,723**	**17.5%**	**77,486**	**14.8%**	**236,196**	**219,575**	**7.6%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	-	-	(3,067)	NMF	(10,142)	(33,544)	-69.8%
Profit	**88,948**	**75,723**	**17.5%**	**74,419**	**19.5%**	**226,054**	**186,031**	**21.5%**
BALANCE SHEET HIGHLIGHTS								
Net loans, currency blended	7,083,432	5,826,396	21.6%	6,771,223	4.6%	7,083,432	5,826,396	21.6%
Net loans, GEL	3,974,913	2,975,672	33.6%	3,661,673	8.6%	3,974,913	2,975,672	33.6%
Net loans, FC	3,108,519	2,850,724	9.0%	3,109,550	0.0%	3,108,519	2,850,724	9.0%
Client deposits, currency blended	5,384,371	4,029,996	33.6%	4,987,611	8.0%	5,384,371	4,029,996	33.6%
Client deposits, GEL	1,657,025	1,141,849	45.1%	1,553,653	6.7%	1,657,025	1,141,849	45.1%
Client deposits, FC	3,727,346	2,888,147	29.1%	3,433,958	8.5%	3,727,346	2,888,147	29.1%
of which:								
Time deposits, currency blended	3,074,292	2,193,682	40.1%	2,866,525	7.2%	3,074,292	2,193,682	40.1%
Time deposits, GEL	753,198	489,535	53.9%	704,286	6.9%	753,198	489,535	53.9%
Time deposits, FC	2,321,094	1,704,147	36.2%	2,162,239	7.3%	2,321,094	1,704,147	36.2%
Current accounts and demand deposits, currency blended	2,310,079	1,836,314	25.8%	2,121,086	8.9%	2,310,079	1,836,314	25.8%
Current accounts and demand deposits, GEL	903,827	652,314	38.6%	849,367	6.4%	903,827	652,314	38.6%
Current accounts and demand deposits, FC	1,406,252	1,184,000	18.8%	1,271,719	10.6%	1,406,252	1,184,000	18.8%
KEY RATIOS								
ROAE[10]	30.7%	30.9%		26.9%		27.6%	31.2%	
Net interest margin, currency blended	5.9%	7.2%		5.9%		6.0%	7.8%	
Cost of credit risk ratio	0.9%	2.4%		1.6%		1.6%	2.2%	
Cost of funds, currency blended	5.2%	5.8%		5.3%		5.3%	5.8%	
Loan yield, currency blended	12.8%	14.8%		12.9%		13.1%	15.4%	
Loan yield, GEL	17.0%	20.8%		17.7%		17.9%	21.7%	
Loan yield, FC	7.5%	7.9%		7.3%		7.5%	8.1%	
Cost of deposits, currency blended	3.0%	2.8%		3.0%		3.0%	2.8%	
Cost of deposits, GEL	5.0%	4.9%		5.2%		5.1%	4.9%	
Cost of deposits, FC	2.1%	2.0%		2.1%		2.1%	2.0%	
Cost of time deposits, currency blended	4.2%	4.2%		4.3%		4.3%	4.2%	
Cost of time deposits, GEL	8.4%	8.7%		8.7%		8.6%	8.8%	
Cost of time deposits, FC	2.9%	2.9%		2.9%		2.9%	2.9%	
Current accounts and demand deposits, currency blended	1.3%	1.1%		1.4%		1.3%	1.1%	
Current accounts and demand deposits, GEL	2.2%	2.1%		2.3%		2.2%	1.9%	
Current accounts and demand deposits, FC	0.7%	0.5%		0.8%		0.7%	0.6%	
Cost / income ratio[11]	38.0%	36.3%		37.8%		37.1%	36.5%	

[10] The income statement adjusted profit excludes GEL 3.1mln in 2Q19 and GEL 10.1mln in 9M19 one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 3.5mln in 2Q19 and GEL 8.6mln in 9M19 (gross of income tax) excluded from salaries and other employee benefits and GEL 2.9mln (gross of income tax) excluded from non-recurring items in 9M19. The income statement adjusted profit for 9M18 excludes GEL 33.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. The ROAE has been adjusted accordingly for all respective periods presented

[11] Cost/income ratio adjusted for GEL 3.5mln in 2Q19 and GEL 8.6mln in 9M19 one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Retail Banking delivered strong quarterly results in each of its major segments and generated operating income of GEL 193.9mln in 3Q19 (up 4.2% y-o-y and up 9.5% q-o-q) and GEL 549.8mln in 9M19 (up 2.8% y-o-y)**
- RB's net interest income was up 0.1% y-o-y and up 6.2% q-o-q in 3Q19, and down 3.6% y-o-y in 9M19, largely driven by the regulations introduced by the National Bank of Georgia on consumer lending in 2018. Net interest income still benefits from the growth of the local currency loan portfolio, which generated 9.5ppts and 10.4ppts higher yields than the foreign currency loan portfolio in 3Q19 and 9M19, respectively
- **The Retail Banking net loan book reached GEL 7,083.4mln in 3Q19, up 21.6% y-o-y and up 4.6% q-o-q. On a constant currency basis our retail loan book increased by 15.4% y-o-y and by 3.3% q-o-q in 3Q19.** Our local currency denominated loan book increased by 33.6% y-o-y and by 8.6% q-o-q, while the foreign currency denominated loan book grew by 9.0% y-o-y and was flat q-o-q. As a result, the local currency denominated loan book accounted for 56.1% of the Retail Banking loan book at 30 September 2019 (51.1% at 30 September 2018 and 54.1% at 30 June 2019)
- **The loan portfolio composition reflects the shift towards a higher quality, finer margin product mix on the back of tighter lending conditions for unsecured consumer lending.** The y-o-y and q-o-q loan book growth reflected continued strong loan origination levels in MSME and mortgage segments. The y-o-y decline in the mortgage loan originations is reflective of the consumer lending regulation change in 2018 becoming effective from 1 January 2019, which drove higher demand on this product in the second half of 2018 on the back of upcoming regulation expectations. Furthermore, the GEL devaluation since June 2019 has also contributed to slow down of originations, which is also reflected in q-o-q decrease:

Retail Banking loan book by products

GEL million, unless otherwise noted	3Q19	3Q18	Change y-o-y	2Q19	Change q-o-q	9M19	9M18	Change y-o-y
Loan originations								
Consumer loans	396.4	344.9	14.9%	407.6	-2.7%	1,110.5	1,055.6	5.2%
Mortgage loans	365.0	606.6	-39.8%	452.8	-19.4%	1,027.3	1,259.6	-18.4%
Micro loans	281.9	270.5	4.2%	323.4	-12.9%	892.4	802.7	11.2%
SME loans	273.9	190.5	43.8%	239.4	14.4%	727.8	474.0	53.5%
POS loans	20.9	23.5	-11.2%	18.4	13.5%	53.8	104.6	-48.6%
Outstanding balance								
Consumer loans	1,505.0	1,329.1	13.2%	1,447.5	4.0%	1,505.0	1,329.1	13.2%
Mortgage loans	2,948.5	2,254.1	30.8%	2,814.8	4.7%	2,948.5	2,254.1	30.8%
Micro loans	1,427.1	1,200.4	18.9%	1,408.4	1.3%	1,427.1	1,200.4	18.9%
SME loans[12]	899.1	703.2	27.9%	795.7	13.0%	899.1	703.2	27.9%
POS loans	37.1	66.5	-44.2%	38.2	-3.0%	37.1	66.5	-44.2%

- **Retail Banking client deposits increased to GEL 5,384.4mln as at 30 September 2019, up 33.6% y-o-y and up 8.0% q-o-q**. The dollarisation level of our deposits stood at 69.2% at 30 September 2019, compared to 71.7% at 30 September 2018 and 68.8% at 30 June 2019. The cost of foreign currency denominated deposits stood at 2.1% in 3Q19 and in 9M19, up 10bps y-o-y both in 3Q19 and in 9M19 and flat q-o-q. The cost of local currency denominated deposits increased by 10bps y-o-y and was down 20bps q-o-q in 3Q19 and increased by 20bps y-o-y in 9M19. The spread between the cost of RB's client deposits in GEL and foreign currency was 2.9ppts during 3Q19 (GEL: 5.0%; FC: 2.1%) compared to 2.9ppts in 3Q18 (GEL: 4.9%; FC: 2.0%) and 3.1ppts in 2Q19 (GEL: 5.2%; FC: 2.1%). On a nine months basis, the spread widened to 3.0ppts in 9M19 (GEL: 5.1%; FC: 2.1%) compared to 2.9ppts in 9M18 (GEL: 4.9%; FC: 2.0%). Local currency denominated deposits increased at a faster pace to GEL 1,657.0mln (up 45.1% y-o-y and up 6.7% q-o-q), as compared to foreign currency denominated deposits that grew to GEL 3,727.3mln (up 29.1% y-o-y and up 8.5% q-o-q)
- **Retail Banking NIM was 5.9% in 3Q19 (down 130bps y-o-y and flat q-o-q) and 6.0% in 9M19 (down 180bps y-o-y).** The y-o-y decline in NIM in 3Q19 and 9M19 was attributable to lower loan yields (down 200bps y-o-y in 3Q19 and down 230bps y-o-y in 9M19), mainly driven by the change in the Retail Banking loan portfolio product mix, with the lower yield-lower risk products share increasing in the total RB loan portfolio. Meanwhile, the cost of funds decreased by 60bps y-o-y in 3Q19 and by 50bps y-o-y in 9M19, primarily on the back of decrease in Libor and NBG monetary policy rates (although NBG increased the monetary policy rate twice in September 2019 by a cumulative 100bps and by another 100bps in October 2019). On a quarter-on-quarter basis, 10bps decline in loan yields were offset by 10bps decline in cost of funds, resulting in a flat NIM q-o-q in 3Q19
- **Strong growth in Retail Banking net fee and commission income**. The strong growth in net fee and commission income during all reported periods was driven by an increase in settlement operations and the strong underlying growth in our Solo, mass retail and MSME segments
- **RB's asset quality improved significantly in 3Q19 reflecting our increasing focus on lending in the mortgage segment and to finer margin SME clients.** Cost of credit risk ratio was 0.9% in 3Q19 (down from 2.4% in 3Q18 and from 1.6% in 2Q19) and 1.6% in 9M19 (down from 2.2% in 9M18)

[12] SME portfolio was up 31.5% y-o-y on a constant currency basis excluding the GEL 120mln loan portfolio reclassification from SME to CIB in the second quarter of 2019

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

Retail Banking performance indicators								
Volume information in GEL thousands	**3Q19**	**3Q18**	**Change y-o-y**	**2Q19**	**Change q-o-q**	**9M19**	**9M18**	**Change y-o-y**
Retail Banking customers								
Number of new customers	42,534	38,577	10.3%	41,175	3.3%	123,554	147,411	-16.2%
Number of customers	2,500,826	2,408,223	3.8%	2,475,292	1.0%	2,500,826	2,408,223	3.8%
Cards								
Number of cards issued	176,922	152,274	16.2%	183,106	-3.4%	536,113	589,964	-9.1%
Number of cards outstanding	2,121,830	2,192,870	-3.2%	2,122,006	0.0%	2,121,830	2,192,870	-3.2%
Express Pay terminals								
Number of Express Pay terminals	3,231	3,054	5.8%	3,177	1.7%	3,231	3,054	5.8%
Number of transactions via Express Pay terminals	26,644,743	27,001,597	-1.3%	27,499,428	-3.1%	80,895,309	80,315,870	0.7%
Volume of transactions via Express Pay terminals	2,193,261	1,757,019	24.8%	1,951,441	12.4%	5,910,238	4,892,501	20.8%
POS terminals								
Number of desks	15,185	10,078	50.7%	14,026	8.3%	15,185	10,078	50.7%
Number of contracted merchants	7,545	5,357	40.8%	6,832	10.4%	7,545	5,357	40.8%
Number of POS terminals	21,088	15,568	35.5%	19,667	7.2%	21,088	15,568	35.5%
Number of transactions via POS terminals	21,646,160	16,232,785	33.3%	20,805,141	4.0%	58,980,841	45,177,372	30.6%
Volume of transactions via POS terminals	707,049	534,430	32.3%	617,763	14.5%	1,813,010	1,399,724	29.5%
Internet banking								
Number of active users[13]	268,053	246,897	8.6%	268,357	-0.1%	268,053	246,897	8.6%
Number of transactions via internet bank	1,273,318	1,417,638	-10.2%	1,338,941	-4.9%	4,033,394	4,350,714	-7.3%
Volume of transactions via internet bank	579,426	530,368	9.2%	557,660	3.9%	1,627,543	1,409,326	15.5%
Mobile banking								
Number of active users[13]	448,176	247,418	81.1%	418,155	7.2%	448,176	247,418	81.1%
Number of transactions via mobile bank	9,516,173	4,119,141	131.0%	8,182,306	16.3%	24,396,405	10,170,235	139.9%
Volume of transactions via mobile bank	1,265,778	538,609	135.0%	1,025,298	23.5%	3,081,276	1,263,812	143.8%

- **Growth in the client base was due to the increased offering of cost-effective remote channels**. The increase to 2,500,826 customers as at 30 September 2019 (up 3.8% 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 increase in our Retail Banking net fee and commission income

- **The number of outstanding cards** decreased by 3.2% y-o-y and were largely flat q-o-q at 30 September 2019 primarily due to Express cards which have been declining in line with the recently introduced regulations on consumer lending. Excluding the Express cards, total number of cards outstanding as at 30 September 2019 increased by 21.0% y-o-y and 5.4% q-o-q. The number of Loyalty programme Plus+ cards, launched in July 2017 as part of RB's client-centric approach, reached 792,031 as at 30 September 2019, up 52.4% y-o-y and up 9.7% q-o-q

- **Digital channels**. We have actively continued the further development of our digital strategy. 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 offloading client activity to digital channels. As a result, the number of active internet and mobile banking users, as well as the number and volume of transactions through our mobile and internet banking continued to expand

  - **mBank digital penetration growth.** For our mobile banking application, the number of transactions (up 131.0% y-o-y and up 16.3% q-o-q in 3Q19 and up 139.9% y-o-y in 9M19) and the volume of transactions (up 135.0% y-o-y and up 23.5% q-o-q in 3Q19 and up 143.8% y-o-y in 9M19) continue to show outstanding growth. Since its launch on 29 May 2017, 1,091,241 downloads have been made by the Bank's customers. During the same period approximately 43.5 million transactions were performed using the application

  - **Significant growth in loans issued and deposits opened through Internet and Mobile Bank.** In 2017, we started actively offering loans and deposit products to our customers through the Internet Bank. In 9M19, 17,435 loans were issued with a total value of GEL 26.1mln, and 10,365 deposits were opened with a total value of GEL 24.2mln through Internet Bank. Starting from 2018, our customers have been able to apply for a loan and open a deposit account via mBank as well. In 9M19, 49,794 loans were issued with a total value of GEL 51.6mln, and 34,338 deposit accounts were opened with a total deposited amount of GEL 30.3mln using the mobile banking application. As a result, more than 93% of total daily transactions were executed through digital channels during 3Q19 and 9M19

  - **The utilisation of Express Pay terminals continued to grow in 3Q19**. The volume of transactions increased by 24.8% y-o-y and by 12.4% q-o-q in 3Q19 and increased by 20.8% y-o-y in 9M19, while number of transactions slightly decreased by 1.3% y-o-y and by 3.1% q-o-q in 3Q19 and increased by 0.7% y-o-y in 9M19. The decline in number of transactions was primarily due to the migration of customers to mobile and internet banking platforms. The fees charged to clients for transactions executed through express pay terminals amounted to GEL 5.7mln in 3Q19 (largely flat y-o-y and up 1.7% q-o-q) and GEL 16.9mln in 9M19 (up 3.0% y-o-y)

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

- **Digital ecosystem developments:**
  - **In 1Q19, the Group launched a cutting-edge full-service real estate digital platform, area.ge.** The platform is unique on the Georgian real estate market and is the first platform to be fully integrated with the Bank to provide its users a "one-click" live credit limit appraisal and mortgage application experience. The Group aims to boost its mortgage portfolio by gaining access to a new clientèle, and simultaneously offering value-added services to real estate developers and agencies. At 30 September 2019, up to 300,000 monthly unique visitors and 527 developers and real estate agencies were registered, and up to 5,000 mortgage leads have been generated through the platform, and disbursed mortgage loans amounted to c.GEL 10mln since the launch
  - **In 2Q19, the Group acquired a leading Georgian e-commerce platform, extra.ge.** Currently, the platform facilitates consumer-to-consumer (C2C) sales through its website and social media channels and has c.400,000 unique visitors per month. Around 50,000 verified registered buyers and sellers and c.20,000 products and services are listed on extra.ge. The Group is in process of transforming the platform into vibrant and dynamic full-scale digital marketplace and the full-scale re-launch is planned in the first quarter of 2020. The revamped extra.ge will facilitate consumer-to-consumer (C2C), business-to-consumer (B2C), and business-to-business (B2B) sales through its website and social media channels. In 2020, we target up to 600,000 unique visitors per month, around 100,000 verified registered buyers and sellers and c.100,000 products and services to be listed on extra.ge. The clients will be able to access their Bank of Georgia banking products in a fully integrated way: extra.ge will be integrated with the Bank's current flexible single sign-on and payment system and will offer the Bank's pre-approved instant installment loans to enable its customers to purchase selected products. The Bank's retail and MSME clients will enjoy the excellent opportunities of a new consumer experience and doing business in a dynamic and flexible digital marketplace
  - **In September 2019, the Group launched Optimo – a digital solution for our MSME customers to run their business sales and solutions**. The platform is designed to address the needs of micro, small and medium sized enterprises in optimising their day-to-day operations and better managing their businesses in general. Optimo's cutting-edge digital inventory management and POS solution, with integrated software and a rich variety of functions and analytical tools, enables businesses to easily manage sales and inventory, as well as access their most recent data on sales transactions, inventory, revenues and profitability, anytime and anywhere, and make timely decisions with relevant information at hand
- **Solo, our premium banking brand, continues its strong growth and investment in its lifestyle brand.** We have now 12 Solo lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 3 in major regional cities of Georgia. The number of Solo clients reached 51,692 at 30 September 2019 (41,720 at 30 September 2018 and 48,953 at 30 June 2019). **Solo is targeting doubling profit in 3 years to GEL 112mln through excellence in customer service, higher digitalisation and tailor-made bundled offerings.** In 3Q19, the product to client ratio for the Solo segment was 5.2, compared to 2.1 for our retail franchise. While Solo clients currently represent 2.1% of our total retail client base, they contributed 29.9% to our retail loan book, 40.0% to our retail deposits, 19.6% and 21.9% to our net retail interest income and to our net retail fee and commission income in 3Q19, respectively. The fee and commission income from the Solo segment reached GEL 6.7mln in 3Q19 (GEL 5.6mln in 3Q18 and GEL 6.6mln in 2Q19) and GEL 19.1mln in 9M19 (GEL 15.6mln in 9M18). Solo Club, a membership group within Solo which offers exclusive access to Solo products and offers ahead of other Solo clients at a higher fee, continued to increase its client base. At 30 September 2019, Solo Club had 5,152 members, up 45.0% y-o-y and up 7.2% q-o-q
- **MSME banking delivered strong growth.** The number of MSME segment clients reached 219,543 at 30 September 2019, up 17.4% y-o-y and up 0.7% q-o-q. MSME's loan portfolio reached GEL 2,498.9mln at 30 September 2019 (up 22.1% y-o-y and up 5.1% q-o-q) and client deposits and notes increased to GEL 758.7mln (up 10.5% y-o-y and up 6.4% q-o-q). The MSME segment generated operating income of GEL 57.2mln in 3Q19 (up 29.7% y-o-y and up 14.4% q-o-q) and GEL 152.6mln in 9M19 (up 31.4% y-o-y)
- **Retail Banking profit adjusted for one-off costs** (*see details in footnotes on page 12*) was GEL 88.9mln in 3Q19 (up 17.5% y-o-y and up 14.8% q-o-q) and GEL 236.2mln in 9M19 (up 7.6% y-o-y). Retail Banking continued to deliver a an outstanding ROAE[14] of 30.7% in 3Q19 (30.9% in 3Q18 and 26.9% in 2Q19) and 27.6% in 9M19 (31.2% in 9M18)

[14] ROAE adjusted for GEL 3.1mln in 2Q19 and GEL 10.1mln in 9M19 one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 9M18 ROAE adjusted for GEL 33.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

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	3Q19	3Q18	Change y-o-y	2Q19	Change q-o-q	9M19	9M18	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[15]								
Net interest income	45,571	42,076	8.3%	47,459	-4.0%	138,709	122,027	13.7%
Net fee and commission income	9,826	7,187	36.7%	7,113	38.1%	25,090	19,741	27.1%
Net foreign currency gain	19,766	13,815	43.1%	15,667	26.2%	48,537	30,718	58.0%
Net other income / (expense)	3,300	5,277	-37.5%	(392)	NMF	4,294	10,150	-57.7%
Operating income	**78,463**	**68,355**	**14.8%**	**69,847**	**12.3%**	**216,630**	**182,636**	**18.6%**
Salaries and other employee benefits	(15,304)	(13,827)	10.7%	(14,738)	3.8%	(42,481)	(40,147)	5.8%
Administrative expenses	(5,866)	(5,329)	10.1%	(4,004)	46.5%	(13,897)	(12,488)	11.3%
Depreciation, amortisation and impairment	(2,416)	(1,245)	94.1%	(1,933)	25.0%	(6,050)	(3,823)	58.3%
Other operating expenses	(241)	(432)	-44.2%	(302)	-20.2%	(746)	(828)	-9.9%
Operating expenses	**(23,827)**	**(20,833)**	**14.4%**	**(20,977)**	**13.6%**	**(63,174)**	**(57,286)**	**10.3%**
Operating income before cost of risk	**54,636**	**47,522**	**15.0%**	**48,870**	**11.8%**	**153,456**	**125,350**	**22.4%**
Cost of risk	1,239	(12,234)	NMF	(6,574)	NMF	(7,159)	(22,480)	-68.2%
Net operating income before non-recurring items	**55,875**	**35,288**	**58.3%**	**42,296**	**32.1%**	**146,297**	**102,870**	**42.2%**
Net non-recurring items	(3)	(776)	-99.6%	-	-	(75)	(5,978)	-98.7%
Profit before income tax expense and one-off costs	**55,872**	**34,512**	**61.9%**	**42,296**	**32.1%**	**146,222**	**96,892**	**50.9%**
Income tax expense	(7,444)	(2,433)	NMF	(3,169)	134.9%	(14,477)	(6,444)	124.7%
Profit adjusted for one-off costs	**48,428**	**32,079**	**51.0%**	**39,127**	**23.8%**	**131,745**	**90,448**	**45.7%**
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	-	-	-	(929)	NMF	(4,094)	(12,924)	-68.3%
Profit	**48,428**	**32,079**	**51.0%**	**38,198**	**26.8%**	**127,651**	**77,524**	**64.7%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, currency blended	3,588,099	2,477,267	44.8%	3,208,823	11.8%	3,588,099	2,477,267	44.8%
Net loans and finance lease receivables, GEL	640,555	453,908	41.1%	526,572	21.6%	640,555	453,908	41.1%
Net loans and finance lease receivables, FC	2,947,544	2,023,359	45.7%	2,682,251	9.9%	2,947,544	2,023,359	45.7%
Client deposits, currency blended	3,720,322	3,552,321	4.7%	3,427,166	8.6%	3,720,322	3,552,321	4.7%
Client deposits, GEL	1,337,082	1,583,941	-15.6%	1,260,869	6.0%	1,337,082	1,583,941	-15.6%
Client deposits, FC	2,383,240	1,968,380	21.1%	2,166,297	10.0%	2,383,240	1,968,380	21.1%
Time deposits, currency blended	1,321,057	1,739,849	-24.1%	1,252,061	5.5%	1,321,057	1,739,849	-24.1%
Time deposits, GEL	411,438	868,391	-52.6%	403,114	2.1%	411,438	868,391	-52.6%
Time deposits, FC	909,619	871,458	4.4%	848,947	7.1%	909,619	871,458	4.4%
Current accounts and demand deposits, currency blended	2,399,265	1,812,472	32.4%	2,175,105	10.3%	2,399,265	1,812,472	32.4%
Current accounts and demand deposits, GEL	925,644	715,550	29.4%	857,755	7.9%	925,644	715,550	29.4%
Current accounts and demand deposits, FC	1,473,621	1,096,922	34.3%	1,317,350	11.9%	1,473,621	1,096,922	34.3%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,282,865	679,324	88.8%	1,141,715	12.4%	1,282,865	679,324	88.8%
Assets under management	2,547,604	2,180,100	16.9%	2,504,280	1.7%	2,547,604	2,180,100	16.9%
RATIOS								
ROAE[15]	24.6%	22.6%		22.0%		24.5%	20.8%	
Net interest margin, currency blended	2.8%	3.4%		3.3%		3.1%	3.4%	
Cost of credit risk ratio	-0.2%	1.5%		0.7%		0.2%	1.2%	
Cost of funds, currency blended	4.9%	4.8%		4.7%		4.6%	4.6%	
Loan yield, currency blended	8.9%	10.8%		9.5%		9.1%	10.3%	
Loan yield, GEL	11.5%	13.5%		12.6%		11.8%	13.2%	
Loan yield, FC	8.4%	10.2%		8.9%		8.6%	9.8%	
Cost of deposits, currency blended	3.4%	4.4%		3.7%		3.5%	4.1%	
Cost of deposits, GEL	5.6%	6.6%		5.9%		5.7%	6.4%	
Cost of deposits, FC	2.2%	2.4%		2.2%		2.2%	2.4%	
Cost of time deposits, currency blended	5.4%	6.2%		5.7%		5.5%	6.0%	
Cost of time deposits, GEL	7.1%	7.7%		7.6%		7.3%	7.8%	
Cost of time deposits, FC	4.5%	4.5%		4.5%		4.4%	4.5%	
Current accounts and demand deposits, currency blended	2.3%	2.6%		2.4%		2.3%	2.7%	
Current accounts and demand deposits, GEL	4.7%	5.3%		4.8%		4.8%	5.3%	
Current accounts and demand deposits, FC	0.8%	0.7%		0.7%		0.7%	1.0%	
Cost / income ratio[16]	30.4%	30.5%		30.0%		29.2%	31.4%	
Concentration of top ten clients	9.4%	9.9%		9.1%		9.4%	9.9%	

[15] The income statement adjusted profit excludes GEL 0.9mln in 2Q19 and GEL 4.1mln in 9M19 one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 1.1mln in 2Q19 and GEL 3.8mln in 9M19 (gross of income tax) excluded from salaries and other employee benefits and GEL 1.1mln (gross of income tax) excluded from non-recurring items in 9M19. The income statement adjusted profit for 9M18 excludes GEL 12.9mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. The ROAE has been adjusted accordingly for all respective periods presented

[16] Cost/income ratio is adjusted for GEL 1.1mln in 2Q19 and GEL 3.8mln in 9M19 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 third quarter of 2019 and generated strong net fee and commission income and net foreign currency gains during the period, coupled with efficient cost discipline and improved asset quality, resulting in outstanding profitability during the quarter
- CIB delivered solid net interest income during the third quarter 2019 (up by 8.3% y-o-y, but slightly down by 4.0% q-o-q, and up by 13.7% y-o-y in 9M19). **CIB NIM was 2.8% in 3Q19 (down 60bps y-o-y and down 50bps q-o-q) and 3.1% in 9M19 (down 30bps y-o-y)**. In 3Q19, decline in NIM both y-o-y and q-o-q was due to an increase in cost of funds (up 10bps y-o-y and up 20bps q-o-q), coupled with a decline in currency blended loan yields (down 190bps y-o-y and down 60bps q-o-q). In the first nine months of 2019, 30bps y-o-y decrease in NIM was driven by flat cost of funds and 120bps decline in loan yields y-o-y
- **CIB's net fee and commission income reached GEL 9.8mln in 3Q19, up 36.7% y-o-y and up 38.1% q-o-q, ending the first nine months of 2019 with GEL 25.1mln net fee and commission income, up 27.1% y-o-y.** The outstanding growth in net fee and commission income in all periods presented was largely driven by increased fees from guarantees and letters of credit issued and higher placement fees during 2019
- **CIB's loan book and de-dollarisation**. CIB loan portfolio reached GEL 3,588.1mln at 30 September 2019, up 44.8% y-o-y and up 11.8% q-o-q. On a constant currency basis, CIB loan book was up 31.1% y-o-y and up 9.1% q-o-q (up 26.8% y-o-y excluding the GEL 120mln loan portfolio reclassification from SME to CIB in the second quarter 2019). The concentration of the top 10 CIB clients stood at 9.4% at 30 September 2019 (9.9% at 30 September 2018 and 9.1% at 30 June 2019). Foreign currency denominated net loans represented 82.1% of CIB's loan portfolio at 30 September 2019, compared to 81.7% a year ago and 83.6% at 30 June 2019. At 30 September 2019, 38.9% of total gross CIB loans were issued in foreign currency with exposure to foreign currency risk in regards of income, while 43.3% 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 64.1% at 30 September 2019 from 55.4% a year ago and from 63.2% at 30 June 2019. A y-o-y and q-o-q increase in foreign currency denominated deposits was partially due to local currency depreciation in 2019. Despite the y-o-y decline in interest rates on local currency deposits in 3Q19 and 9M19, the cost of deposits in local currency still remained well above the cost of foreign currency deposits
- **Net other income.** Significant y-o-y decline in net other income in 3Q19 and 9M19 was largely driven by net losses from derivative financial instruments (interest rate swap hedges) recorded during the first and second quarters of 2019 (the long-term contracts were closed in 3Q19). These losses were partially offset by net gains from investment securities during the same periods
- **Cost of credit risk.** CIB's cost of credit risk ratio remained well-controlled and stood at net credit of 0.2% in 3Q19 (down from 1.5% in 3Q18 and down from 0.7% in 2Q19) and at 0.2% in the first nine months of 2019 (down 100bps y-o-y), primarily driven by the improved quality of the CIB loan portfolio and the recovery of several mid- to low-sized corporate loans in 3Q19. At the same time, CIB's NPL coverage ratio was 78.5% at 30 September 2019 (87.5% as at 30 September 2018 and 83.7% at 30 June 2019)
- As a result, **CIB's profit adjusted for one-off costs** (*see details in footnotes on page 16*) was GEL 48.4mln in 3Q19, up 51.0% y-o-y and up 23.8% q-o-q, and GEL 131.7mln in 9M19, up 45.7% y-o-y. CIB ROAE[17] was 24.6% in 3Q19 (22.6% a year ago and 22.0% in 2Q19) and 24.5% in 9M19 (compared to 20.8% in 9M18)

Performance highlights of investment management operations

- **The Investment Management's AUM increased to GEL 2,547.6mln in 3Q19, up 16.9% y-o-y and up 1.7% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y and q-o-q increase in AUM mostly reflected increase in client assets and bond issuance activity at Galt & Taggart
- **Wealth Management deposits reached GEL 1,383.0mln in 3Q19, up 18.1% y-o-y and up 8.2% q-o-q, growing at a compound annual growth rate (CAGR) of 12.5% over the last five-year period**. The cost of deposits was 3.2% in 3Q19, flat y-o-y and down 10bps q-o-q, and 3.2% in 9M19, down 20bps y-o-y
- We served 1,537 wealth management clients from 77 countries as of 30 September 2019, compared to 1,510 clients as of 30 September 2018 and 1,531 clients as of 30 June 2019

[17] ROAE adjusted for GEL 0.9mln in 2Q19 and GEL 4.1mln in 9M19 one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 9M18 ROAE adjusted for GEL 12.9mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

- In January 2019, Bank of Georgia opened a new office in the centre of Tbilisi, dedicated to serving its wealth management clients. The office resides in a historic 19th century building, which originally used to house the First Credit Society of Georgia and is considered to be the first residence of a local banking institution. The design concept was derived from the integration of Georgian culture with western values, while the artistic expression of the building has been left intact. The new office coincides with a creation of a new brand identity of the Bank's wealth management business and is in line with its strategy to become the regional hub for private banking

- **Galt & Taggart, which brings under one brand corporate advisory, debt and equity capital markets research and brokerage services, continues to develop local capital markets in Georgia**
  - During the first nine months of 2019 Galt & Taggart acted as a:
    - lead manager of JSC Microfinance Organisation Crystal's GEL 15mln local public bond issuance due in 2021, in February 2019
    - co-manager of Bank of Georgia's inaugural US$ 100mln international Additional Tier 1 bond issuance, in March 2019
    - lead manager of JSC Microfinance Organisation Swiss Capital's GEL 10mln local public bond issuance due in 2021, in March 2019
    - lead manager for European Bank for Reconstruction and Development (EBRD), facilitating GEL 90mln local private bond issuance due in 2023, in March 2019
    - lead manager for Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. (FMO), facilitating GEL 26mln local private bond issuance due in 2024, in March 2019
    - buy-side advisor for Bank of Georgia Group on acquisition of *extra.ge* online platform, in May 2019
    - lead manager for Black Sea Trade and Development Bank (BSTDB), facilitating GEL 10mln local private bond issuance due in 2022, in June 2019
    - sole sell-side advisor of Linnaeus Capital Partners B.V. on a sale of 100% shareholding in Lilo1- logistics center, in June 2019
    - lead manager for EBRD, facilitating c.GEL 28mln local private bond issuance due in 2024, in July 2019
    - lead manager of Georgian Leasing Company LTD's US$ 10mln local public bond issuance due in 2021, in July 2019
    - lead manager for Black Sea Trade and Development Bank (BSTDB), facilitating GEL 5mln local private bond issuance due in 2022, in September 2019
  - In February 2019, *Global Finance Magazine* named Galt & Taggart *Best Investment Bank in Georgia* for the fifth consecutive year
  - In February 2019, Galt & Taggart together with JSC Bank of Georgia organised a conference under "*G&T Industry Series*" to discuss the findings of Galt & Taggart's research on Georgia's energy sector with an emphasis on ongoing reforms and their impact on the sector development. The conference gathered together all stakeholders including high level representatives from the Government, private sector and IFIs. A follow-up conference was held in April 2019 due to high interest from the Government and private sector participants. The Deputy Minister of Economy and Sustainable Development, Head of energy regulatory commission and Head of Georgian Energy Development Fund presented the Government's vision of the reform process, while Galt & Taggart focused on the reform vision from private sector perspective. Presentations were followed by panel discussions with key market players affected by the reform process
  - In May 2019, Galt & Taggart participated in a competitive tender process and won a three year exclusive mandate to manage the private pension fund of a large Georgian corporate client

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT (QUARTERLY)	Bank of Georgia Group Consolidated				
GEL thousands, unless otherwise noted	**3Q19**	**3Q18**	**Change y-o-y**	**2Q19**	**Change q-o-q**
Interest income	366,721	337,766	8.6%	342,224	7.2%
Interest expense	(178,039)	(152,431)	16.8%	(160,602)	10.9%
Net interest income	**188,682**	**185,335**	**1.8%**	**181,622**	**3.9%**
Fee and commission income	76,166	60,413	26.1%	68,025	12.0%
Fee and commission expense	(28,157)	(20,932)	34.5%	(24,758)	13.7%
Net fee and commission income	**48,009**	**39,481**	**21.6%**	**43,267**	**11.0%**
Net foreign currency gain	44,543	36,827	**21.0%**	36,700	**21.4%**
Net other income	3,728	7,437	**-49.9%**	(4,260)	**NMF**
Operating income	**284,962**	**269,080**	**5.9%**	**257,329**	**10.7%**
Salaries and other employee benefits (excluding one-offs)	(59,539)	(54,107)	10.0%	(57,982)	2.7%
One-off termination costs of former executive management (1)	-	-	-	(4,570)	NMF
Salaries and other employee benefits	(59,539)	(54,107)	10.0%	(62,552)	-4.8%
Administrative expenses	(26,251)	(30,759)	-14.7%	(22,033)	19.1%
Depreciation, amortisation and impairment	(21,320)	(11,162)	91.0%	(17,295)	23.3%
Other operating expenses	(807)	(1,109)	-27.2%	(1,248)	-35.3%
Operating expenses	**(107,917)**	**(97,137)**	**11.1%**	**(103,128)**	**4.6%**
Profit from associates	194	326	-40.5%	254	-23.6%
Operating income before cost of risk	**177,239**	**172,269**	**2.9%**	**154,455**	**14.8%**
Expected credit loss / impairment charge on loans to customers	(13,617)	(43,505)	-68.7%	(32,436)	-58.0%
Expected credit loss / impairment charge on finance lease receivables	(333)	(426)	-21.8%	(557)	-40.2%
Other expected credit loss / impairment charge on other assets and provisions	(1,273)	(4,176)	-69.5%	(2,483)	-48.7%
Cost of risk	**(15,223)**	**(48,107)**	**-68.4%**	**(35,476)**	**-57.1%**
Net operating income before non-recurring items	**162,016**	**124,162**	**30.5%**	**118,979**	**36.2%**
Net non-recurring items	(5,019)	(3,747)	33.9%	(2,538)	97.8%
Profit before income tax expense	**156,997**	**120,415**	**30.4%**	**116,441**	**34.8%**
Income tax expense (excluding one-offs)	(22,697)	(9,316)	143.6%	(9,871)	129.9%
Income tax benefit related to one-off termination costs, one-off demerger related expenses and one-off impact of re-measurement of deferred tax balances (2)	-	-	-	574	NMF
Income tax expense	(22,697)	(9,316)	143.6%	(9,297)	144.1%
Profit	**134,300**	**111,099**	**20.9%**	**107,144**	**25.3%**
One-off items (1)+(2)	**-**	**-**	**-**	***(3,996)***	***NMF***
Profit attributable to:					
– shareholders of the Group	133,687	110,651	*20.8%*	106,642	*25.4%*
– non-controlling interests	613	448	*36.8%*	502	*22.1%*
Earnings per share (basic)	**2.81**	**2.32**	**21.1%**	**2.23**	**26.0%**
Earnings per share (diluted)	**2.81**	**2.32**	**21.1%**	**2.23**	**26.0%**

INCOME STATEMENT (NINE MONTHS)	Bank of Georgia Group Consolidated			Banking Business			Discontinued Operations			Eliminations		
GEL thousands, unless otherwise noted	9M19	9M18	Change y-o-y	9M19	9M18	Change y-o-y	9M19	9M18	Change y-o-y	9M19	9M18	Change y-o-y
Interest income	1,043,680	976,537	6.9%	1,043,680	981,325	6.40%	-	-	-	-	(4,788)	NMF
Interest expense	(490,435)	(422,222)	16.2%	(490,435)	(429,159)	14.30%	-	-	-	-	6,937	NMF
Net interest income	**553,245**	**554,315**	**-0.2%**	**553,245**	**552,166**	**0.2%**	-	-	-	-	**2,149**	**NMF**
Fee and commission income	206,721	166,418	24.2%	206,721	167,319	23.5%	-	-	-	-	(901)	NMF
Fee and commission expense	(73,265)	(55,100)	33.0%	(73,265)	(55,481)	32.1%	-	-	-	-	381	NMF
Net fee and commission income	**133,456**	**111,318**	**19.9%**	**133,456**	**111,838**	**19.3%**	-	-	-	-	**(520)**	**NMF**
Net foreign currency gain	**111,268**	**75,404**	**47.6%**	**111,268**	**76,079**	**46.3%**	-	-	-	-	**(675)**	**NMF**
Net other income / (expense)	**3,035**	**16,335**	**-81.4%**	**3,035**	**16,888**	**-82.0%**	-	-	-	-	**(553)**	**NMF**
Operating income	**801,004**	**757,372**	**5.8%**	**801,004**	**756,971**	**5.8%**	-	-	-	-	**401**	**NMF**
Salaries and other employee benefits (excluding one-offs)	(169,938)	(156,430)	8.6%	(169,938)	(157,485)	7.9%	-	-	-	-	1,055	NMF
One-off termination costs of former executive management (1)	(12,412)	-	NMF	(12,412)	-	NMF	-	-	-	-	-	-
Salaries and other employee benefits	(182,350)	(156,430)	16.6%	(182,350)	(157,485)	15.8%	-	-	-	-	1,055	NMF
Administrative expenses	(71,025)	(82,644)	-14.1%	(71,025)	(83,254)	-14.7%	-	-	-	-	610	NMF
Depreciation, amortisation and impairment	(54,303)	(34,077)	59.4%	(54,303)	(34,077)	59.4%	-	-	-	-	-	-
Other operating expenses	(3,135)	(2,844)	10.2%	(3,135)	(2,844)	10.2%	-	-	-	-	-	-
Operating expenses	**(310,813)**	**(275,995)**	**12.6%**	**(310,813)**	**(277,660)**	**11.9%**	-	-	-	-	**1,665**	**NMF**
Profit from associates	636	1,021	-37.7%	636	1,021	-37.7%	-	-	-	-	-	-
Operating income before cost of risk	**490,827**	**482,398**	**1.7%**	**490,827**	**480,332**	**2.2%**	-	-	-	-	**2,066**	**NMF**
Expected credit loss / impairment charge on loans to customers	(86,170)	(113,716)	-24.2%	(86,170)	(113,716)	-24.2%	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(1,336)	(678)	97.1%	(1,336)	(678)	97.1%	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(5,845)	(5,053)	15.7%	(5,845)	(5,053)	15.7%	-	-	-	-	-	-
Cost of risk	**(93,351)**	**(119,447)**	**-21.8%**	**(93,351)**	**(119,447)**	**-21.8%**	-	-	-	-	-	-
Net operating income before non-recurring items	**397,476**	**362,951**	**9.5%**	**397,476**	**360,885**	**10.1%**	-	-	-	-	**2,066**	**NMF**
Net non-recurring items (excluding one-offs)	(9,132)	(20,286)	-55.0%	(9,132)	(20,458)	-55.4%	-	-	-	-	172	NMF
One-off termination costs of former CEO, one-off demerger related expenses (2)	(3,985)	(30,284)	-86.8%	(3,985)	(30,284)	-86.8%	-	-	-	-	-	-
Net non-recurring items	(13,117)	(50,570)	-74.1%	(13,117)	(50,742)	-74.1%	-	-	-	-	172	NMF
Profit before income tax expense from continuing operations	**384,359**	**312,381**	**23.0%**	**384,359**	**310,143**	**23.9%**	-	-	-	-	**2,238**	**NMF**
Income tax expense (excluding one-offs)	(43,104)	(24,060)	79.2%	(43,104)	(24,060)	79.2%	-	-	-	-	-	-
Income tax benefit related to one-off termination costs, one-off demerger related expenses and one-off impact of re-measurement of deferred tax balances (3)	2,161	(22,257)	NMF	2,161	(22,257)	NMF	-	-	-	-	-	-
Income tax expense	(40,943)	(46,317)	-11.6%	(40,943)	(46,317)	-11.6%	-	-	-	-	-	-
Profit from continuing operations	**343,416**	**266,064**	**29.1%**	**343,416**	**263,826**	**30.2%**	-	-	-	-	**2,238**	**NMF**
Profit from discontinued operations	-	107,899	NMF	-	-	-	-	110,137	NMF	-	(2,238)	NMF
Profit	**343,416**	**373,963**	**-8.2%**	**343,416**	**263,826**	**30.2%**	-	**110,137**	**NMF**	-	-	-
One-off items (1)+(2)+(3)	***(14,236)***	***(52,541)***	***-72.9%***	***(14,236)***	***(52,541)***	***-72.9%***						
Profit attributable to:												
– shareholders of the Group	*341,841*	*354,757*	*-3.6%*	*341,841*	*262,835*	*30.1%*	-	*91,922*	*NMF*	-	-	-
– non-controlling interests	*1,575*	*19,206*	*-91.8%*	*1,575*	*991*	*58.9%*	-	*18,215*	*NMF*	-	-	-
Profit from continuing operations attributable to:												
– shareholders of the Group	*341,841*	*265,073*	*29.0%*	*341,841*	*262,835*	*30.1%*	-	-	-	-	*2,238*	*NMF*
– non-controlling interests	*1,575*	*991*	*58.9%*	*1,575*	*991*	*58.9%*	-	-	-	-	-	-
Profit from discontinued operations attributable to:												
– shareholders of the Group	-	*89,684*	*NMF*	-	-	-	-	*91,922*	*NMF*	-	*(2,238)*	*NMF*
– non-controlling interests	-	*18,215*	*NMF*	-	-	-	-	*18,215*	*NMF*	-	-	-
Earnings per share (basic)	**7.16**	**8.20**	**-12.7%**									
– earnings per share from continuing operations	7.16	6.13	16.8%									
– earnings per share from discontinued operations	-	2.07	NMF									
Earnings per share (diluted)	**7.14**	**8.11**	**-12.0%**									
– earnings per share from continuing operations	7.14	6.06	17.8%									
– earnings per share from discontinued operations	-	2.05	NMF									

BALANCE SHEET

GEL thousands, unless otherwise noted	Sep-19	Sep-18	Change y-o-y	Jun-19	Change q-o-q
	Bank of Georgia Group Consolidated				
Cash and cash equivalents	1,369,169	1,237,867	10.6%	936,106	46.3%
Amounts due from credit institutions	1,834,220	1,398,061	31.2%	1,704,701	7.6%
Investment securities	1,895,722	2,060,880	-8.0%	1,896,738	-0.1%
Loans to customers and finance lease receivables	11,339,745	8,762,413	29.4%	10,579,710	7.2%
Accounts receivable and other loans	4,475	3,256	37.4%	3,688	21.3%
Prepayments	43,795	48,444	-9.6%	36,026	21.6%
Inventories	11,257	18,598	-39.5%	11,748	-4.2%
Right-of-use assets	106,130	-	NMF	105,874	0.2%
Investment property	193,499	216,715	-10.7%	178,764	8.2%
Property and equipment	364,405	315,980	15.3%	358,921	1.5%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	95,829	85,247	12.4%	93,515	2.5%
Income tax assets	7,682	28,236	-72.8%	5,080	51.2%
Other assets	202,426	105,884	91.2%	149,233	35.6%
Assets held for sale	38,987	-	NMF	40,544	-3.8%
Total assets	**17,540,692**	**14,314,932**	**22.5%**	**16,133,999**	**8.7%**
Client deposits and notes	9,613,718	7,932,536	21.2%	8,855,616	8.6%
Amounts due to credit institutions	3,437,718	3,006,739	14.3%	2,960,519	16.1%
Debt securities issued	2,175,820	1,578,532	37.8%	2,137,239	1.8%
Lease liabilities	105,285	-	NMF	100,172	5.1%
Accruals and deferred income	41,521	35,977	15.4%	34,748	19.5%
Income tax liabilities	39,251	38,705	1.4%	30,361	29.3%
Other liabilities	87,520	52,495	66.7%	97,125	-9.9%
Total liabilities	**15,500,833**	**12,644,984**	**22.6%**	**14,215,780**	**9.0%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	498,593	464,960	7.2%	493,890	1.0%
Treasury shares	(53)	(44)	20.5%	(49)	8.2%
Other reserves	28,472	34,283	-17.0%	46,744	-39.1%
Retained earnings	1,502,248	1,161,983	29.3%	1,367,632	9.8%
Total equity attributable to shareholders of the Group	**2,030,878**	**1,662,800**	**22.1%**	**1,909,835**	**6.3%**
Non-controlling interests	8,981	7,148	25.6%	8,384	7.1%
Total equity	**2,039,859**	**1,669,948**	**22.2%**	**1,918,219**	**6.3%**
Total liabilities and equity	**17,540,692**	**14,314,932**	**22.5%**	**16,133,999**	**8.7%**
Book value per share	**42.69**	**34.89**	**22.4%**	**40.06**	**6.6%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	3Q19	3Q18	Change y-o-y	2Q19	Change q-o-q	9M19	9M18	Change y-o-y
Net interest income	7,447	6,525	14.1%	6,360	17.1%	20,392	19,423	5.0%
Net fee and commission income	1,956	1,669	17.2%	1,798	8.8%	5,567	6,449	-13.7%
Net foreign currency gain	5,405	3,885	39.1%	4,779	13.1%	14,140	11,344	24.6%
Net other income	57	105	-45.7%	169	-66.3%	371	414	-10.4%
Operating income	**14,865**	**12,184**	**22.0%**	**13,106**	**13.4%**	**40,470**	**37,630**	**7.5%**
Operating expenses	(9,135)	(7,571)	20.7%	(8,890)	2.8%	(25,873)	(23,476)	10.2%
Operating income before cost of risk	**5,730**	**4,613**	**24.2%**	**4,216**	**35.9%**	**14,597**	**14,154**	**3.1%**
Cost of risk	293	(718)	NMF	(1,536)	NMF	(2,684)	(3,741)	-28.3%
Net non-recurring items	(1)	(3)	-66.7%	(13)	-92.3%	(64)	(708)	-91.0%
Profit before income tax expense	**6,022**	**3,892**	**54.7%**	**2,667**	**125.8%**	**11,849**	**9,705**	**22.1%**
Income tax expense	(1,193)	(885)	34.8%	(379)	NMF	(2,143)	(2,383)	-10.1%
Profit	**4,829**	**3,007**	**60.6%**	**2,288**	**111.1%**	**9,706**	**7,322**	**32.6%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Sep-19	Sep-18	Change y-o-y	Jun-19	Change q-o-q
Cash and cash equivalents	170,787	65,808	159.5%	93,097	83.5%
Amounts due from credit institutions	22,534	11,469	96.5%	18,301	23.1%
Investment securities	101,511	109,798	-7.5%	128,486	-21.0%
Loans to customers and finance lease receivables	556,541	394,749	41.0%	512,126	8.7%
Other assets	59,397	42,038	41.3%	57,098	4.0%
Total assets	**910,770**	**623,862**	**46.0%**	**809,108**	**12.6%**
Client deposits and notes	588,647	363,233	62.1%	503,309	17.0%
Amounts due to credit institutions	132,648	146,932	-9.7%	146,855	-9.7%
Debt securities issued	72,931	28,825	153.0%	50,238	45.2%
Other liabilities	8,239	4,433	85.9%	7,044	17.0%
Total liabilities	**802,465**	**543,423**	**47.7%**	**707,446**	**13.4%**
Total equity	**108,305**	**80,439**	**34.6%**	**101,662**	**6.5%**
Total liabilities and equity	**910,770**	**623,862**	**46.0%**	**809,108**	**12.6%**

BANKING BUSINESS KEY RATIOS	3Q19	3Q18	2Q19	9M19	9M18
Profitability					
ROAA, annualised[18]	3.2%	3.2%	2.9%	3.0%	3.2%
ROAA, annualised (unadjusted)	*3.2%*	*3.2%*	*2.8%*	*2.9%*	*2.6%*
ROAE, annualised[18]	26.8%	26.8%	22.9%	24.7%	26.2%
RB ROAE[18]	*30.7%*	*30.9%*	*26.9%*	*27.6%*	*31.2%*
CIB ROAE[18]	*24.6%*	*22.6%*	*22.0%*	*24.5%*	*20.8%*
ROAE, annualised (unadjusted)	*26.8%*	*26.8%*	*22.1%*	*23.7%*	*21.8%*
Net interest margin, annualised	5.1%	6.4%	5.4%	5.4%	6.8%
RB NIM	*5.9%*	*7.2%*	*5.9%*	*6.0%*	*7.8%*
CIB NIM	*2.8%*	*3.4%*	*3.3%*	*3.1%*	*3.4%*
Loan yield, annualised	11.5%	13.5%	11.8%	11.8%	13.7%
RB Loan yield	*12.8%*	*14.8%*	*12.9%*	*13.1%*	*15.4%*
CIB Loan yield	*8.9%*	*10.8%*	*9.5%*	*9.1%*	*10.3%*
Liquid assets yield, annualised	3.2%	3.8%	3.4%	3.4%	3.7%
Cost of funds, annualised	4.8%	5.0%	4.8%	4.8%	5.0%
Cost of client deposits and notes, annualised	3.2%	3.6%	3.3%	3.3%	3.5%
RB Cost of client deposits and notes	*3.0%*	*2.8%*	*3.0%*	*3.0%*	*2.8%*
CIB Cost of client deposits and notes	*3.4%*	*4.4%*	*3.7%*	*3.5%*	*4.1%*
Cost of amounts due to credit institutions, annualised	7.1%	7.4%	7.2%	7.2%	7.1%
Cost of debt securities issued	8.2%	7.8%	8.1%	8.0%	7.8%
Operating leverage, y-o-y[19]	-5.2%	6.8%	-4.2%	-1.7%	2.5%
Operating leverage, q-o-q[19]	1.2%	2.0%	-7.7%	0.0%	0.0%
Efficiency					
Cost / Income[19]	37.9%	36.1%	38.3%	37.3%	36.7%
RB Cost / Income[19]	*38.0%*	*36.3%*	*37.8%*	*37.1%*	*36.5%*
CIB Cost /Income[19]	*30.4%*	*30.5%*	*30.0%*	*29.2%*	*31.4%*
Cost / Income (unadjusted)	*37.9%*	*36.1%*	*40.1%*	*38.8%*	*36.7%*
Liquidity					
NBG liquidity ratio *(minimum requirement 30%)*	36.8%	32.5%	37.0%	36.8%	32.5%
NBG liquidity coverage ratio *(minimum requirement 100%)*	118.5%	0.0%	114.3%	118.5%	0.0%
Liquid assets to total liabilities	32.9%	37.1%	31.9%	32.9%	37.1%
Net loans to client deposits and notes	118.0%	110.5%	119.5%	118.0%	110.5%
Net loans to client deposits and notes + DFIs	103.4%	95.3%	104.7%	103.4%	95.3%
Leverage (times)	7.6	7.6	7.4	7.6	7.6
Asset quality:					
NPLs (in GEL)	339,118	312,203	347,285	339,118	312,203
NPLs to gross loans to clients	2.9%	3.5%	3.2%	2.9%	3.5%
NPL coverage ratio	85.3%	91.7%	88.1%	85.3%	91.7%
NPL coverage ratio, adjusted for discounted value of collateral	129.3%	136.9%	131.5%	129.3%	136.9%
Cost of credit risk, annualised	0.5%	2.0%	1.3%	1.1%	1.8%
RB Cost of credit risk	*0.9%*	*2.4%*	*1.6%*	*1.6%*	*2.2%*
CIB Cost of credit risk	*-0.2%*	*1.5%*	*0.7%*	*0.2%*	*1.2%*
Capital adequacy:					
NBG (Basel III) CET1 capital adequacy ratio	11.1%	11.0%	11.0%	11.1%	11.0%
Minimum regulatory requirement	*9.5%*	*8.0%*	*9.6%*	*9.5%*	*8.0%*
NBG (Basel III) Tier I capital adequacy ratio	13.3%	11.0%	13.3%	13.3%	11.0%
Minimum regulatory requirement	*11.6%*	*9.9%*	*11.6%*	*11.6%*	*9.9%*
NBG (Basel III) Total capital adequacy ratio	16.8%	15.9%	16.7%	16.8%	15.9%
Minimum regulatory requirement	*16.1%*	*14.9%*	*16.1%*	*16.1%*	*14.9%*
Selected operating data:					
Total assets per FTE	2,402	1,961	2,184	2,402	1,961
Number of active branches, of which:	276	285	276	276	285
- Express branches (including Metro)	*167*	*169*	*167*	*167*	*169*
- Bank of Georgia branches	*97*	*104*	*97*	*97*	*104*
- Solo lounges	*12*	*12*	*12*	*12*	*12*
Number of ATMs	911	858	890	911	858
Number of cards outstanding, of which:	2,121,830	2,192,870	2,122,006	2,121,830	2,192,870
- Debit cards	*1,674,105*	*1,603,960*	*1,634,843*	*1,674,105*	*1,603,960*
- Credit cards	*447,725*	*588,910*	*487,163*	*447,725*	*588,910*
Number of POS terminals	21,088	15,569	19,667	21,088	15,569
FX Rates:					
GEL/US$ exchange rate (period-end)	2.9552	2.6151	2.8687		
GEL/GBP exchange rate (period-end)	3.6319	3.4130	3.6384		

	Sep-19	Sep-18	Jun-19
Full time employees (FTE), of which:	7,304	7,300	7,386
- Full time employees, BOG standalone	*5,706*	*5,709*	*5,786*
- Full time employees, BNB	*584*	*705*	*632*
- Full time employees, BB other	*1,014*	*886*	*968*

Shares outstanding	Sep-19	Sep-18	Jun-19
Ordinary shares	47,574,153	47,656,452	47,669,887
Treasury shares	1,595,275	1,512,978	1,499,541
Total shares outstanding	49,169,428	49,169,430	49,169,428

[18] 2Q19 and 9M19 ratios adjusted for one-off employee costs related to termination benefits of the former CEO and executive management. 9M18 ratios adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances
[19] 2Q19 and 9M19 results 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 due to credit institutions, client deposits and notes, and debt securities issued;
- **Interest earning assets (excluding cash)** Amounts due from credit institutions, investment securities (but excluding corporate shares) and net loans to customers and finance lease receivables;
- **Leverage (times)** Total liabilities divided by total equity;
- **Liquid assets** Cash and cash equivalents, amounts due from credit institutions and investment securities;
- **Liquidity coverage ratio (LCR)** High quality liquid assets (as defined by NBG) divided by net cash outflows over the next 30 days (as defined by NBG);
- **Loan yield** Interest income from loans to customers and finance lease receivables divided by monthly average gross loans to customers and finance lease receivables;
- **NBG liquidity ratio** Daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;
- **NBG (Basel III) Common Equity Tier I 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
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