BANK OF GEORGIA
GROUP PLC

Bank of Georgia Group PLC

4th quarter and full year 2020 preliminary results

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www.bankofgeorgiagroup.com

ABOUT BANK OF GEORGIA GROUP PLC

The Group: Bank of Georgia Group PLC ("**Bank of Georgia Group**" or the "**Group**" – LSE: **BGEO LN**) is a UK incorporated holding company, which comprises: a) retail banking and payment services; and b) corporate banking, 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 systematically important and leading universal bank in Georgia, is the core entity of the Group. The Bank is a leader in payments business and financial mobile application, with the strong retail and corporate banking franchise in Georgia. With a continued focus on increasing digitalisation and expanding technological and data analytics capabilities, the Bank aims to offer more personalised solutions and seamless experiences to its customers to enable them to achieve more of their potential.

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

4Q20 AND FY20 PRELIMINARY RESULTS AND CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group's preliminary consolidated financial results for the fourth quarter and the full year of 2020. Unless otherwise noted, numbers in this announcement are for 4Q20 and comparisons are with 4Q19. 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.

The information in this Announcement in respect of full year 2020 preliminary results, which was approved by the Board of Directors on 24 February 2021, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. Company and Bank of Georgia Group PLC's consolidated financial statements for the year ended 31 December 2019 were filed with the Registrar of Companies, and the audit reports were unqualified and contained no statements in respect of Sections 498 (2) or (3) of the UK Companies Act 2006. Company and Bank of Georgia Group PLC's consolidated financial statements for the year ended 31 December 2020 will be included in the Annual Report and Accounts to be published in March 2021 and filed with the Registrar of Companies in due course.

An investor/analyst conference call, organised by the Bank of Georgia Group, will be held on 25 February 2021, at 13:00 GMT / 14:00 CET / 08:00 EST.

Webinar instructions:

Please click the link below to join the webinar:
https://bankofgeorgia.zoom.us/j/97731484877?pwd=ZFkxNmp6YWpaNTdBUFJkZjcza2pZZz09
Webinar ID: **977 3148 4877**
Passcode: **582237**

Or use the following international dial-in numbers available at: https://bankofgeorgia.zoom.us/u/adbPxP2FUw
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Passcode: **582237**

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

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FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: macroeconomic risk, including currency fluctuations and depreciation of the Georgian Lari; regional instability; loan portfolio quality; regulatory risk; liquidity and funding risk; capital risk; operational risk, cyber security, information systems and financial crime risk; COVID-19 pandemic impact risk; climate change risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2019 and in 2Q20 and 1H20 results announcement. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

IMPACT OF COVID-19 GLOBAL PANDEMIC

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

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

Georgia successfully contained the first wave of the pandemic by introducing tight lockdown measures, including a curfew and a ban on transportation in 2Q20. From mid-May, businesses gradually reopened, but international flights resumed only to a limited number of countries from August 2020. A surge in COVID-19 cases in autumn resulted in further lockdown measures put in place in the retail and hospitality sectors at the end of November 2020, as well as a curfew and a ban on public transportation, while avoiding a full-scale lockdown for other areas of the economy, unlike in April-May. The Government responded to the pandemic with higher healthcare spending, a social assistance package for individuals, as well as tax exemptions and various funding mechanisms for businesses, and stimulus plans for some sectors of the economy. This was financed with the support of international donors, as the ongoing IMF programme and trust in the Government's continued prudent macroeconomic policy-making enabled the authorities to mobilise significant donor funding.

Georgia's economy contracted by an estimated 6.5% y-o-y in 4Q20, reversing the recovery in 3Q20, on the back of the second wave of the COVID-19 cases and the new restrictions introduced by the Government. Domestic demand moderated due to the restrictions on mobility, as well as other restrictions introduced in large cities at the end of November 2020. Despite deceleration, the banking sector loan portfolio growth remained robust, increasing by 9.1% y-o-y on a constant currency basis, minimising the second wave impact of the pandemic on the economy. Importantly, remittances continued to grow and were up 15.7% y-o-y in 4Q20. This, along with an improved trade deficit and the NBG interventions, stabilised the local currency at the end of December 2020. International reserves increased to US$ 3.9 billion as at 31 December 2020, largely reflecting the increased donor funding. The NBG maintained a moderately tight monetary policy to anchor inflation expectations and limit any pass-through impact from local currency depreciation. Annual inflation dropped to 2.4% in December 2020 from 3.8% in previous months, mainly reflecting utility subsidies by the Government for low-energy consumers. Notably, on 12 February 2021, Fitch Ratings affirmed Georgia's sovereign credit rating at BB, supported by strong governance and business environment indicators as well as consistent and credible policy framework underpinning Georgia's relative resilience to shocks.

In 2021, projected economic growth in Georgia is expected to be driven by a gradual lifting of existing restrictions, a vaccination roll-out starting from March 2021, improved domestic and external sentiments, and continued fiscal stimulus. That said, the COVID-19 pandemic still remains one of the key uncertainties in the growth outlook. Based on the estimates of our brokerage and investment arm, Galt & Taggart, we currently expect real GDP growth at around 5.0% in 2021, assuming further re-opening of borders and partial tourism return in the second half of 2021. In a downside scenario, assuming slow return in tourism, the economic growth is expected at around 3.6% in 2021.

To respond to the pandemic outbreak in spring 2020, the Group introduced a number of resilience protocols and a comprehensive Business Continuity Plan aimed at mitigating the negative impact on our business, employees, customers and our communities. We have implemented measures to reduce physical interactions to prevent the virus spread, whilst maintaining the full banking capability required to support and assist our customers. This included fully moving back office staff to working from home, significantly ramping up the capacity of the call centre, temporarily closing the customer service support areas of Express branches (mostly re-opened in June), implementing a three-month grace period on principal and interest payments on all retail loans, applying more stringent risk assessment procedures during the lending process, incentivising the offloading of customer activity to digital channels through the temporary removal of fees on transactions executed through our mobile and internet banking platforms, among others. In the fourth quarter of 2020, following the emergence of the second wave of the COVID-19 cases, the Bank again adjusted accordingly, moving a large part of its back office staff to remote work and reintroducing two-week shifts for certain departments and the front office staff.

Whilst our second quarter results were significantly impacted by the environment and the measures we put in place to manage the crisis, we have seen significant recovery in economic activity since June 2020. The recovery slowed-down in 4Q20 on the back of new partial lockdown restrictions introduced at the end of November 2020, which primarily affected our Retail Banking results. Notwithstanding this slowdown, our lending activity has remained strong, operating income and, particularly, net fee and commission income generation was up, our loan book has been performing better than expected in terms of portfolio quality, and client deposits and notes continued to grow. As a result, we delivered a return on average equity of 21.3% in the fourth quarter of 2020, and a return on average equity in excess of 20% in each of the last three quarters of the year, while maintaining strong liquidity and capital positions.

We next outline the Group's fourth quarter and the full year results highlights and the Chief Executive Officer's letter, before going into further detail.

4Q20 AND FY20 RESULTS HIGHLIGHTS

GEL thousands	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[1]								
Net interest income	201,596	207,091	-2.7%	204,030	-1.2%	777,642	789,419	-1.5%
Net fee and commission income	46,958	46,558	0.9%	45,532	3.1%	165,503	180,014	-8.1%
Net foreign currency gain	26,457	37,177	-28.8%	19,179	37.9%	99,040	119,363	-17.0%
Net other income	25,016	18,439	35.7%	7,750	NMF	48,474	21,474	125.7%
Operating income	**300,027**	**309,265**	**-3.0%**	**276,491**	**8.5%**	**1,090,659**	**1,110,270**	**-1.8%**
Operating expenses	**(118,857)**	**(121,545)**	**-2.2%**	**(102,612)**	**15.8%**	**(432,635)**	**(419,946)**	**3.0%**
Profit from associates	154	153	0.7%	214	-28.0%	782	789	-0.9%
Operating income before cost of risk	**181,324**	**187,873**	**-3.5%**	**174,093**	**4.2%**	**658,806**	**691,113**	**-4.7%**
Cost of risk	(38,431)	(14,232)	NMF	(10,942)	NMF	(300,997)	(107,584)	NMF
Net operating income before non-recurring items	**142,893**	**173,641**	**-17.7%**	**163,151**	**-12.4%**	**357,809**	**583,529**	**-38.7%**
Net non-recurring items	21	(1,591)	NMF	254	-91.7%	(41,311)	(10,723)	NMF
Profit before income tax and one-off costs	**142,914**	**172,050**	**-16.9%**	**163,405**	**-12.5%**	**316,498**	**572,806**	**-44.7%**
Income tax expense	(11,065)	(15,515)	-28.7%	(15,051)	-26.5%	(21,555)	(58,619)	-63.2%
Profit adjusted for one-off costs	**131,849**	**156,535**	**-15.8%**	**148,354**	**-11.1%**	**294,943**	**514,187**	**-42.6%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(14,236)	NMF
Profit	**131,849**	**156,535**	**-15.8%**	**148,354**	**-11.1%**	**294,943**	**499,951**	**-41.0%**

GEL thousands	Dec-20	Dec-19	Change y-o-y	Sep-20	Change q-o-q
BALANCE SHEET HIGHLIGHTS					
Liquid assets	6,531,357	5,559,500	17.5%	6,339,663	3.0%
Cash and cash equivalents	*1,970,955*	*2,153,624*	*-8.5%*	*2,154,224*	*-8.5%*
Amounts due from credit institutions	*2,016,005*	*1,619,072*	*24.5%*	*1,980,195*	*1.8%*
Investment securities	*2,544,397*	*1,786,804*	*42.4%*	*2,205,244*	*15.4%*
Loans to customers and finance lease receivables[2]	14,192,078	11,931,262	18.9%	13,627,144	4.1%
Property and equipment	387,851	379,788	2.1%	390,401	-0.7%
Total assets	**22,035,920**	**18,569,497**	**18.7%**	**21,166,953**	**4.1%**
Client deposits and notes	14,020,209	10,076,735	39.1%	12,985,039	8.0%
Amounts owed to credit institutions	3,335,966	3,934,123	-15.2%	3,757,646	-11.2%
Borrowings from DFIs	*1,848,473*	*1,486,044*	*24.4%*	*1,807,472*	*2.3%*
Short-term loans from central banks	*590,293*	*1,551,953*	*-62.0%*	*874,153*	*-32.5%*
Loans and deposits from commercial banks	*897,200*	*896,126*	*0.1%*	*1,076,021*	*-16.6%*
Debt securities issued	1,585,545	2,120,064	-25.2%	1,628,188	-2.6%
Total liabilities	**19,486,005**	**16,418,589**	**18.7%**	**18,795,816**	**3.7%**
Total equity	**2,549,915**	**2,150,908**	**18.6%**	**2,371,137**	**7.5%**

KEY RATIOS	4Q20	4Q19	3Q20	2020	2019
ROAA[1]	2.4%	3.4%	3.0%	1.5%	3.1%
ROAE[1]	21.3%	29.9%	26.0%	13.0%	26.1%
Net interest margin	4.4%	5.4%	4.8%	4.6%	5.6%
Liquid assets yield	3.0%	3.7%	3.3%	3.4%	3.5%
Loan yield	10.4%	11.4%	10.7%	10.5%	11.7%
Cost of funds	4.6%	4.7%	4.7%	4.7%	4.6%
Cost / income[3]	39.6%	39.3%	37.1%	39.7%	37.8%
NPLs to Gross loans to clients	3.7%	2.1%	3.8%	3.7%	2.1%
NPL coverage ratio	76.3%	80.9%	76.8%	76.3%	80.9%
NPL coverage ratio, adjusted for discounted value of collateral	128.8%	139.6%	131.4%	128.8%	139.6%
Cost of credit risk ratio	0.4%	0.2%	0.2%	1.8%	0.9%
NBG (Basel III) CET1 capital adequacy ratio	10.4%	11.5%	9.9%	10.4%	11.5%
NBG (Basel III) Tier I capital adequacy ratio	12.4%	13.6%	12.0%	12.4%	13.6%
NBG (Basel III) Total capital adequacy ratio	17.6%	18.1%	17.3%	17.6%	18.1%

[1] The income statement adjusted profit in 2019 excludes GEL 14.2mln one-off employee costs (net of income tax) related to former CEO and executive management termination benefits. The amount is comprised of GEL 12.4mln (gross of income tax) excluded from salaries and other employee benefits, GEL 4.0mln (gross of income tax) excluded from non-recurring items and GEL 2.2mln tax benefit excluded from income tax expense. 2019 ROAE and ROAA have been adjusted accordingly

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

[3] Cost/income ratio in 2019 is adjusted for GEL 12.4mln one-off employee costs (gross of income tax) related to termination benefits of former executive management

KEY RESULTS HIGHLIGHTS

- **Georgia's economy contracted by an estimated 6.5% y-o-y in 4Q20**, on the back of the new restrictions introduced by the Government following the emergence of the second wave of the COVID-19 cases in the autumn 2020
- **Solid quarterly performance despite the COVID-19 pandemic second-wave impact.** The Group generated profit of GEL 131.8 million with profitability at 21.3% ROAE in the fourth quarter of 2020, notwithstanding the slow-down of economic activity following new restrictions put in place by the Georgian Government at the end of November 2020, which primarily affected our Retail Banking results
- **Net interest margin**. NIM was down 100bps y-o-y and 40bps q-o-q in 4Q20, and down 100bps y-o-y in 2020, largely reflecting the decline in retail lending activity on the back of the economic slow-down, and high levels of liquidity
- **Strong net fee and commission income generation in 4Q20**. Since June 2020, we have seen strong recovery dynamics, as remittances have grown significantly and consumer demand, as measured by banking card payment activities, has improved. VAT turnover statistics have also demonstrated a recovery in business activity. Although this recovery slowed-down in 4Q20 following the new restrictions, net fee and commission income was up 0.9% y-o-y and up 3.1% q-o-q in 4Q20
- **Operating expenses** decreased by 2.2% y-o-y in 4Q20, mostly as a result of a number of cost optimisation initiatives taken in 2Q20. That said, the Group continued its investment in IT-related resources, digitalisation and marketing, as part of its key strategic priorities, at the same time maintaining its focus on efficiency and cost control, which resulted in largely flat (up 3.0% y-o-y) operating expenses in 2020. The 15.8% q-o-q increase in operating expenses mainly related to seasonal factors
- **Loan book increased by 18.9% y-o-y and by 4.1% q-o-q at 31 December 2020.** Growth on a constant-currency basis was 10.2% y-o-y and 4.4% q-o-q. The y-o-y loan book growth partially reflected continued strong loan origination levels in Corporate, MSME and the mortgage segments during the pre-COVID-19 period. The q-o-q increase reflected increased level of economic activity since June 2020, notwithstanding the slow-down following the restrictions tightening in 4Q20
- **Client deposits and notes increased by 39.1% y-o-y and by 8.0% q-o-q at 31 December 2020.** On a constant-currency basis, client deposits and notes grew by 28.6% y-o-y and by 8.2% q-o-q. This strong deposit franchise growth reflects a consistent increase in monthly deposit balances of both our individual and business customers since May 2020
- **Cost of credit risk.** The cost of credit risk ratio was 0.4% in 4Q20 (compared to 0.2% in 4Q19 and 3Q20) and was 1.8% in 2020 (compared to 0.9% in 2019). The y-o-y increase in the cost of credit risk ratio in 2020 was primarily driven by the significant ECL provision on loans to customers and finance lease receivables, created for the full economic cycle during the first quarter of 2020. Our ECL assumptions were revisited to reflect the macro-economic forecast scenarios published by the NBG in May 2020 in the second quarter, and better visibility of the portfolio and the detailed review of creditworthiness of the borrowers in the third and fourth quarters. As a result of these analyses, the provisions recorded in 1Q20, proved overall to be sufficient. See details on *page 10*
- **Asset quality.** NPLs to gross loans were 3.7% at 31 December 2020 (2.1% at 31 December 2019 and 3.8% at 30 September 2020), which is in line with the upfront ECL provision recorded for the full economic cycle in 1Q20. Retail Banking NPLs to gross loans increased to 3.5% at 31 December 2020, from 2.8% at 30 September 2020, reflecting the partial lockdown and economic slowdown in the second quarter of 2020, while CIB's NPLs to gross loans ratio was down from 5.7% to 3.9% in 4Q20, on the back of recoveries during the quarter. The NPL coverage ratio was 76.3% at 31 December 2020 (80.9% at 31 December 2019 and 76.8% at 30 September 2020), and the NPL coverage ratio adjusted for a discounted value of collateral was 128.8% at 31 December 2020 (139.6% at 31 December 2019 and 131.4% at 30 September 2020). The y-o-y decline in NPL coverage ratio reflects the portfolio mix shift from high-yielding unsecured to more secured consumer lending, and is supported by the high level of collateralisation of our loan book
- **Strong capital adequacy position.** The Bank's capital adequacy ratios have remained robust, and comfortably above the minimum regulatory requirements. The Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 10.4%, 12.4% and 17.6%, respectively, all well above the minimum required levels of 7.4%, 9.2% and 13.8%, respectively, at 31 December 2020. The y-o-y decline in capital ratios was primarily due to a c.GEL 400mln general provision created in March 2020 under the local regulatory accounting basis in agreement with the NBG (and consistent with the NBG's guidance for the Georgian banking sector in general) that covers its current expectations of estimated credit losses on the Bank's lending book for the whole economic cycle. Q-o-q increase in capital ratios was primarily driven by strong internal capital generation, partially offset by business growth during the quarter. See details on capital adequacy ratio movement during the fourth quarter of 2020 on *page 11*
- **Strong liquidity and funding positions.** As at 31 December 2020, the Bank's liquidity coverage ratio stood at 138.6% and net stable funding ratio at 137.5%, compared to the 100% minimum required level. The Bank maintained substantial excess liquidity in 2020, primarily for 1) the repayment of local currency bonds in June 2020; and 2) risk mitigation purposes on the back of the ongoing COVID-19 crisis, as outflow of customer funds was possible at the early stage of the pandemic outbreak, which however did not materialise. Client deposit balances continue to grow strongly, despite two rounds of decrease of interest rates on foreign currency denominated customer deposits in the second half of 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

2020 was a year of unprecedented difficulties for all organisations across the world. For Bank of Georgia Group, the global pandemic has created significant challenges to manage through, while safeguarding the health and safety of our employees and customers. I am proud of the way the management team and all of our colleagues have responded to what remain ongoing challenges as we move into 2021. Bank of Georgia Group continues to play a fundamentally important role in supporting our customers, our communities, and the Georgian economy.

The partial lockdown restrictions put in place at the end of November 2020 in response to the second-wave of the COVID-19 cases has led Georgia's economy to contract by an estimated 6.5% y-o-y in 4Q20. Remittances, however, remained strong, growing by 15.7% y-o-y in 4Q20, which, combined with an improved trade deficit and the NBG interventions, stabilised the local currency. Annual inflation dropped to 2.4% in December 2020, mainly reflecting utility subsidies by the Government for low-energy consumers. Georgia's international reserves reached US$3.9 billion at 31 December 2020, on the back of increased donor funding. We currently expect the Georgian economy to grow by an estimated 5.0% in 2021, supported by the gradual lifting of restrictions, the start of a vaccination roll-out, and a partial return of international tourists later in 2021. In a downside scenario, assuming slow return in tourism, the economic growth is expected at around 3.6% in 2021.

Notwithstanding the partial lockdown since the end of November 2020, which primarily affected our Retail Banking operations, the Group delivered strong profitability in the fourth quarter of 2020. Our return on average equity was 21.3% in 4Q20, and we delivered a return on average equity in excess of 20% in each of the last three quarters of the year. Our customer franchise has been extremely resilient, translating into strong customer lending and deposit growth during the fourth quarter of 2020. Having taken a significant up-front COVID-19-related expected credit loss provision for the full economic cycle in the first quarter of 2020, the quality of our loan book has remained robust throughout the second-round lockdown in December 2020 and January 2021. The NPLs to gross loans remained stable at 3.7% in the fourth quarter, compared with 3.8% in 3Q20. In the fourth quarter, following an in-depth analysis of our customer lending portfolios, we raised additional provisions on loans to customers and finance lease receivables and guarantees issued, and our overall cost of risk increased quarter on quarter from GEL 10.9 million to GEL 38.4 million. During the pandemic second-wave, our retail customers' reliance on loan payment holidays has increased, with c.4.3% of our retail lending portfolio (excluding MSME portfolio) now using these payment holidays. The corporate lending portfolio continues to perform well, and in line with expectations, which is also reflected in NPL levels in the fourth quarter.

Bank of Georgia's performance was very resilient in the fourth quarter of 2020:

- **The balance sheet has remained strong with better than expected levels of growth.** On a constant currency basis, our customer lending increased by 4.4%, and client deposits and notes increased by 8.2% q-o-q at 31 December 2020
- **Operating income performance has been robust**. Net fee and commission income increased by 3.1% q-o-q in 4Q20, despite the second-wave lockdown-related reduction in economic activity, with net interest income remaining broadly flat
- **Net interest margin was down 40 basis points quarter-on-quarter in 4Q20, to 4.4%,** largely reflecting the decrease in economic activity in 4Q20. We expect the net interest margin to remain broadly stable going forward
- **Our lending portfolio has performed well.** We have performed individual in-depth review of all of our SME and corporate borrowers, and remain adequately provided for our overall expected credit losses relating to the COVID-19 pandemic
- **Costs remained well-managed** with a 2.2% year-on-year reduction in operating expenses in 4Q20, following a review of our variable cost base in 2Q20. We have limited our year-on-year growth in 2020 to 3.0%, despite a number of incremental operating expenses related to the pandemic and continued investment in building our digital and core franchise capabilities
- **Our capital ratios have remained robust**, comfortably above minimum regulatory requirements. The high level of internal capital generation supported the strong business growth in the quarter, resulting in a 50bps q-o-q increase in the CET1 ratio
- **Delivering superior levels of profitability.** In 4Q20, our annualised return on average equity was 21.3%

We have continued to focus on developing our digital platforms, and added new innovative features to mBank in 2020, including peer-to-peer payments, and bill split and money request functionalities, among others. We saw a remarkable 39.7% increase in the number of active mBank users in 2020, with more than a third using it on a daily basis. The number of mBank transactions was up 74.0%, and the volume of transactions almost doubled year-on-year in 2020. With our market leading payments franchise and the popularity of our financial mobile app, combined with our rigorous focus on customer satisfaction and employee empowerment, we have laid a robust groundwork for the bank of the future.

Our two clear medium-term strategic targets remain unchanged: achieve at least 20% return on average equity and deliver c.15% growth of the loan book. These results are consistent with the targets notwithstanding the adverse impact of the pandemic second-wave. Bank of Georgia Group remains extremely resilient, with a robust balance sheet and capital position, and we continue to make significant progress with our digital transformation. We expect Georgia to return to economic growth in 2021, and we are very well-positioned to both contribute to and benefit from this.

Archil Gachechiladze,
CEO, Bank of Georgia Group PLC
24 February 2021

DISCUSSION OF RESULTS

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

OPERATING INCOME

GEL thousands, unless otherwise noted	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
Interest income	420,398	393,480	6.8%	407,666	3.1%	1,595,427	1,437,161	11.0%
Interest expense	(218,802)	(186,389)	17.4%	(203,636)	7.4%	(817,785)	(647,742)	26.3%
Net interest income	**201,596**	**207,091**	**-2.7%**	**204,030**	**-1.2%**	**777,642**	**789,419**	**-1.5%**
Fee and commission income	77,382	77,472	-0.1%	71,793	7.8%	274,458	284,193	-3.4%
Fee and commission expense	(30,424)	(30,914)	-1.6%	(26,261)	15.9%	(108,955)	(104,179)	4.6%
Net fee and commission income	**46,958**	**46,558**	**0.9%**	**45,532**	**3.1%**	**165,503**	**180,014**	**-8.1%**
Net foreign currency gain	26,457	37,177	-28.8%	19,179	37.9%	99,040	119,363	-17.0%
Net other income	25,016	18,439	35.7%	7,750	NMF	48,474	21,474	125.7%
Operating income	**300,027**	**309,265**	**-3.0%**	**276,491**	**8.5%**	**1,090,659**	**1,110,270**	**-1.8%**
Net interest margin	4.4%	5.4%		4.8%		4.6%	5.6%	
Average interest earning assets	18,211,749	15,314,647	18.9%	16,928,476	7.6%	16,870,166	14,054,069	20.0%
Average interest bearing liabilities	18,732,227	15,886,722	17.9%	17,323,145	8.1%	17,292,171	14,203,556	21.7%
Average net loans and finance lease receivables, currency blended	13,848,691	11,762,692	17.7%	12,997,553	6.5%	12,966,440	10,563,962	22.7%
Average net loans and finance lease receivables, GEL	5,603,018	4,844,367	15.7%	5,141,167	9.0%	5,193,750	4,229,668	22.8%
Average net loans and finance lease receivables, FC	8,245,673	6,918,325	19.2%	7,856,386	5.0%	7,772,690	6,334,294	22.7%
Average client deposits and notes, currency blended	13,272,191	9,986,276	32.9%	12,252,445	8.3%	11,773,198	9,076,632	29.7%
Average client deposits and notes, GEL	4,943,412	3,093,464	59.8%	4,506,618	9.7%	4,104,920	2,904,441	41.3%
Average client deposits and notes, FC	8,328,779	6,892,812	20.8%	7,745,827	7.5%	7,668,278	6,172,191	24.2%
Average liquid assets, currency blended	6,460,344	5,287,479	22.2%	5,708,834	13.2%	5,691,417	4,767,599	19.4%
Average liquid assets, GEL	2,661,240	2,207,009	20.6%	2,409,989	10.4%	2,401,482	2,106,672	14.0%
Average liquid assets, FC	3,799,104	3,080,470	23.3%	3,298,845	15.2%	3,289,935	2,660,927	23.6%
Liquid assets yield, currency blended	3.0%	3.7%		3.3%		3.4%	3.5%	
Liquid assets yield, GEL	7.1%	7.3%		7.7%		7.6%	6.6%	
Liquid assets yield, FC	0.0%	1.3%		0.1%		0.3%	1.1%	
Loan yield, currency blended	10.4%	11.4%		10.7%		10.5%	11.7%	
Loan yield, GEL	15.2%	16.3%		15.6%		15.3%	17.0%	
Loan yield, FC	7.1%	7.9%		7.5%		7.4%	8.1%	
Cost of funds, currency blended	4.6%	4.7%		4.7%		4.7%	4.6%	
Cost of funds, GEL	7.7%	7.5%		7.8%		7.9%	7.0%	
Cost of funds, FC	2.9%	3.0%		3.0%		3.0%	3.2%	
Cost / income [4]	39.6%	39.3%		37.1%		39.7%	37.8%	

Performance highlights

- **The Group generated solid operating income of GEL 300.0mln in 4Q20 (down 3.0% y-o-y and up 8.5% q-o-q), ending 2020 with operating income of GEL 1,090.7mln (down 1.8% y-o-y).** The y-o-y decrease in operating income in 4Q20 and in 2020 was primarily driven by the slow-down in economic activity due to the COVID-19 pandemic, particularly affecting the Retail Banking segment. Robust q-o-q growth in operating income in 4Q20 was mainly due to increase in net other income, coupled with increase in net fee and commission income (up 3.1% q-o-q) and net foreign currency gains (up 37.9% q-o-q), as a result of recovery in customer activity since June 2020. This recovery slowed-down in 4Q20 following the new restrictions put in place by the Georgian Government to respond to the emerging COVID-19 second-wave
- **Our NIM was 4.4% in 4Q20 (down 100bps y-o-y and down 40bps q-o-q) and 4.6% in 2020 (down 100bps y-o-y).** The NIM decrease primarily reflected a decline in currency blended loan yields (down 100bps y-o-y and down 30bps q-o-q in 4Q20, and down 120bps y-o-y in 2020), on the back of the slower consumer lending activity due to the COVID-19 pandemic, and the effect of change in portfolio mix resulting in higher level of secured mortgage lending. On the other hand, despite the higher levels of liquidity, cost of funds were down 10bps y-o-y and q-o-q in 4Q20, and slightly up by 10bps y-o-y in 2020. The latter reflected the increase in client deposits and notes and higher levels of liquidity, coupled with the NBG's monetary policy rate changes, partially offset by the impact of the GEL 500 million local currency bonds repayment in June 2020

[4] The cost/income ratio in 2019 is adjusted for GEL 12.4mln one-off employee costs (gross of income tax) related to termination benefits of former executive management

- **Liquid assets yield.** Currency blended liquid assets yield was 3.0% in 4Q20 (down 70bps y-o-y and down 30bps q-o-q) and 3.4% in 2020 (down 10bps y-o-y). The local currency denominated liquid assets yield movement (down 20bps y-o-y and down 60bps q-o-q in 4Q20, and up 100bps y-o-y in 2020) directly reflected the NBG's monetary policy rate changes (NBG increased monetary policy rate by cumulative of 250bps since September 2019, although reduced the policy rate three times by a cumulative 100bps in the second and third quarters of 2020). The foreign currency denominated liquid assets yield reduction (down 130bps y-o-y and down 10bps q-o-q in 4Q20, and down 80bps y-o-y in 2020), largely reflected the cut in US Fed rate in March 2020 (NBG accrues interest rate on banks' US Dollar obligatory reserves at US Fed rate upper bound minus 50bps)
- **Cost of funds.** Cost of funds was 4.6% in 4Q20 (down 10bps y-o-y and q-o-q) and 4.7% in 2020 (up 10bps y-o-y). These changes were primarily driven by the movement of local currency denominated cost of funds (up 20bps y-o-y and down 10bps q-o-q in 4Q20, and up 90bps y-o-y in 2020), which reflected the NBG's monetary policy rate changes, and the impact of the repayment of the GEL 500 million local currency bonds due in the beginning of June 2020. In addition, the y-o-y increase in local currency denominated cost of funds in 4Q20 was driven by increase in the cost of client deposits and notes. The decrease in the foreign currency denominated cost of funds (down 10bps y-o-y and q-o-q in 4Q20, and down 20bps y-o-y in 2020) was in line with the Libor rate decline during 2020
- **Net fee and commission income.** Net fee and commission income was GEL 47.0mln in 4Q20 (up 0.9% y-o-y and up 3.1% q-o-q) and GEL 165.5mln in 2020 (down 8.1% y-o-y). The y-o-y decline in net fee and commission income in 2020 was mainly driven by the decrease of income from settlement and cash operations, due to slower customer activity as a result of the COVID-19 pandemic in 2Q20 and the temporary removal of fees on transactions executed through our mobile and internet banking platforms during the hard lockdown in the spring of 2020, for a two-month period, aimed at incentivising the use of digital channels. This decline was partially offset by the strong net fees and commission income generation from guarantees and letters of credit issued by our Corporate and Investment Banking business
- **Net foreign currency gain.** Net foreign currency gain was down 28.8% y-o-y and up 37.9% q-o-q in 4Q20, and was down 17.0% y-o-y in 2020. The movement in net foreign currency gain directly reflected the level of currency volatility and customer-driven flows. Lower net foreign currency gain from our subsidiary in Belarus also contributed to the overall y-o-y decline both in 4Q20 and 2020
- **Net other income.** Net other income increased significantly in all periods presented, primarily reflecting GEL 18.0mln net gains recorded as a result of the revaluation of investment property in 4Q20, mainly driven by the local currency devaluation in 2020. In addition, higher income from operating leases, as well as higher net gains from the sale of investment property also contributed to y-o-y increase in net other income in 2020. Furthermore, the Group recorded net losses from derivative financial instruments (interest rate swap hedges) in 2019

NET OPERATING INCOME BEFORE NON-RECURRING ITEMS; COST OF RISK; PROFIT[5]

GEL thousands, unless otherwise noted [6]	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
Salaries and other employee benefits	(64,243)	(61,504)	4.5%	(58,171)	10.4%	(239,607)	(231,443)	3.5%
Administrative expenses	(31,617)	(35,131)	-10.0%	(24,443)	29.3%	(105,531)	(106,157)	-0.6%
Depreciation, amortisation and impairment	(21,283)	(23,815)	-10.6%	(19,125)	11.3%	(82,937)	(78,118)	6.2%
Other operating expenses	(1,714)	(1,095)	56.5%	(873)	96.3%	(4,560)	(4,228)	7.9%
Operating expenses	**(118,857)**	**(121,545)**	**-2.2%**	**(102,612)**	**15.8%**	**(432,635)**	**(419,946)**	**3.0%**
Profit from associate	154	153	0.7%	214	-28.0%	782	789	-0.9%
Operating income before cost of risk	**181,324**	**187,873**	**-3.5%**	**174,093**	**4.2%**	**658,806**	**691,113**	**-4.7%**
Expected credit loss on loans to customers	(14,579)	(7,985)	82.6%	(5,836)	149.8%	(236,983)	(94,155)	151.7%
Expected credit loss on finance lease receivables	(381)	451	NMF	(2,371)	-83.9%	(8,025)	(885)	NMF
Other expected credit loss and impairment charge on other assets and provisions	(23,471)	(6,698)	NMF	(2,735)	NMF	(55,989)	(12,544)	NMF
Cost of risk	**(38,431)**	**(14,232)**	**NMF**	**(10,942)**	**NMF**	**(300,997)**	**(107,584)**	**NMF**
Net operating income before non-recurring items	**142,893**	**173,641**	**-17.7%**	**163,151**	**-12.4%**	**357,809**	**583,529**	**-38.7%**
Net non-recurring items	21	(1,591)	NMF	254	-91.7%	(41,311)	(10,723)	NMF
Profit before income tax and one-off costs	**142,914**	**172,050**	**-16.9%**	**163,405**	**-12.5%**	**316,498**	**572,806**	**-44.7%**
Income tax expense	(11,065)	(15,515)	-28.7%	(15,051)	-26.5%	(21,555)	(58,619)	-63.2%
Profit adjusted for one-off costs	**131,849**	**156,535**	**-15.8%**	**148,354**	**-11.1%**	**294,943**	**514,187**	**-42.6%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(14,236)	NMF
Profit	**131,849**	**156,535**	**-15.8%**	**148,354**	**-11.1%**	**294,943**	**499,951**	**-41.0%**

- **Operating expenses** amounted to GEL 118.9mln in 4Q20, down 2.2% y-o-y and up 15.8% q-o-q, and GEL 432.6mln in 2020, up by 3.0% y-o-y. In 2020, we continued investments in IT-related resources as part of the Agile transformation process, focus on digitalisation and investments in marketing. In addition, we incurred extraordinary expenses during 2020 in relation to the safety measures implemented as a response to the COVID-19 outbreak. That said, in the second quarter of 2020, we initiated a number of cost optimisation measures, which enabled us to maintain operating expenses largely flat y-o-y in 2020. The q-o-q increase in operating expenses in 4Q20 was largely related to seasonal factors

[5] In 2020, the Group allocated holding company operation results to the respective segments (Retail Banking, Corporate and Investment Banking, and BNB). The comparative periods were not restated as the change was not material and the information is deemed still comparable

[6] The adjusted profit in the table in 2019 excludes GEL 14.2mln one-off employee costs (gross of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 12.4mln (gross of income tax) excluded from salaries and other employee benefits, GEL 4.0mln (gross of income tax) excluded from non-recurring items and GEL 2.2mln tax benefit excluded from income tax expense

- **Cost of risk.** The cost of credit risk ratio stood at 0.4% in 4Q20 (compared to 0.2% in 4Q19 and 3Q20) and was 1.8% in 2020 (compared to 0.9% in 2019). The significant increase in cost of credit risk ratio in 2020 was driven by the 1Q20 reserve builds, created for the full economic cycle, primarily related to the deterioration in the macro-economic environment and expected creditworthiness of borrowers due to the COVID-19 pandemic impact. As a result of these assumptions, we created additional reserves of GEL 220.2mln in the first quarter of 2020. In the second quarter, management revisited the assumptions used to estimate the amount of ECL provision to reflect the better visibility and the macro-economic forecast scenarios published by the NBG in May 2020 (see Group's 2Q20 and 1H20 results announcement for details of assumptions used). In the third and fourth quarters of 2020, the Group has completed additional in-depth analysis of the financial standing and creditworthiness of all corporate and SME borrowers, and a significant portion of retail and micro segment customers. As a result, additional ECL provisions on loans to customers and finance lease receivables in the amount of GEL 13.5mln were recorded for Retail Banking business, and GEL 4.4mln in CIB segment in 4Q20. Given that we are operating in a rapidly changing environment with a high level of uncertainty with regard to both the length and the severity of the COVID-19 second-wave impact, we will continue to monitor new facts and circumstances on a continuous basis.

  As for the other expected credit loss and impairment charge on other assets and provisions of GEL 23.5mln in 4Q20, this mainly comprised additional reserves recorded by the Group in respect of assets held for sale, guarantees issued and other financial assets, and expenses accrued for certain legal fees

- **Quality of the loan book**. The y-o-y rise in non-performing borrowers in 4Q20 was primarily driven by the COVID-19 pandemic impact, resulting in an increase of NPLs to gross loans to 3.7% at 31 December 2020, which is in line with the upfront ECL provision recorded for the full economic cycle in 2020. Retail Banking NPLs to gross loans ratio increased to 3.5% at 31 December 2020, reflecting the partial lockdown and economic slowdown in the second quarter of 2020, while CIB's NPLs to gross loans ratio was down from 5.7% at 30 September 2020 to 3.9% at 31 December 2020, on the back of recoveries during the quarter.

  The y-o-y decline in NPL coverage ratio reflects the shift of portfolio mix from high-yielding unsecured to more secured consumer lending, and is supported by the high level of collateralisation of our loan book. The NPL coverage ratio adjusted for discounted value of collateral was 128.8% at 31 December 2020

GEL thousands, unless otherwise noted	**Dec-20**	**Dec-19**	**Change y-o-y**	**Sep-20**	**Change q-o-q**
NON-PERFORMING LOANS					
NPLs	545,837	252,695	116.0%	530,631	2.9%
NPLs to gross loans	3.7%	2.1%		3.8%	
NPLs to gross loans, RB	3.5%	1.5%		2.8%	
NPLs to gross loans, CIB	3.9%	3.0%		5.7%	
NPL coverage ratio	76.3%	80.9%		76.8%	
NPL coverage ratio adjusted for the discounted value of collateral	128.8%	139.6%		131.4%	

- **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 31 December 2020, total capital adequacy ratio was 13.9%, well above the 12.5% minimum requirement, while Tier I capital adequacy ratio was 9.3%, again above the NBRB's 7.0% minimum requirement. ROAE was 19.1% in 4Q20 (16.7% in 4Q19 and 2.2% in 3Q20) and 8.4% in 2020 (14.5% in 2019), reflecting the COVID-19 pandemic impact. *For financial results highlights of BNB, see page 21*. We continue to monitor the political situation in Belarus closely. There has so far been no material impact on the performance of our business in Belarus

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

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

- **Overall, the Group recorded profit** of GEL 131.8mln in 4Q20 (GEL 156.5mln in 4Q19 and GEL 148.4mln in 3Q20) and GEL 294.9mln in 2020 (compared to profit adjusted for one-off costs of GEL 514.2mln[7] in 2019). The Group's ROAE was 21.3% in 4Q20 (29.9% in 4Q19 and 26.0% in 3Q20) and 13.0% in 2020 (26.1%[7] in 2019)

[7] Profit and ROAE in 2019 exclude GEL 14.2mln one-off employee costs (gross of income tax) related to the former CEO and executive management termination benefits

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	**Dec-20**	**Dec-19**	**Change y-o-y**	**Sep-20**	**Change q-o-q**
Liquid assets	6,531,357	5,559,500	17.5%	6,339,663	3.0%
Liquid assets, GEL	2,694,091	2,245,740	20.0%	2,567,410	4.9%
Liquid assets, FC	3,837,266	3,313,760	15.8%	3,772,253	1.7%
Net loans and finance lease receivables	14,192,078	11,931,262	18.9%	13,627,144	4.1%
Net loans and finance lease receivables, GEL	5,803,576	4,946,387	17.3%	5,368,636	8.1%
Net loans and finance lease receivables, FC	8,388,502	6,984,875	20.1%	8,258,508	1.6%
Client deposits and notes	14,020,209	10,076,735	39.1%	12,985,039	8.0%
Amounts owed to credit institutions	3,335,966	3,934,123	-15.2%	3,757,646	-11.2%
Borrowings from DFIs	1,848,473	1,486,044	24.4%	1,807,472	2.3%
Short-term loans from central banks	590,293	1,551,953	-62.0%	874,153	-32.5%
Loans and deposits from commercial banks	897,200	896,126	0.1%	1,076,021	-16.6%
Debt securities issued	1,585,545	2,120,064	-25.2%	1,628,188	-2.6%
LIQUIDITY AND CAPITAL ADEQUACY RATIOS					
Net loans / client deposits and notes	101.2%	118.4%		104.9%	
Net loans / client deposits and notes + DFIs	89.4%	103.2%		92.1%	
Liquid assets / total assets	29.6%	29.9%		30.0%	
Liquid assets / total liabilities	33.5%	33.9%		33.7%	
NBG liquidity coverage ratio	138.6%	136.7%		147.0%	
NBG (Basel III) CET1 capital adequacy ratio	10.4%	11.5%		9.9%	
NBG (Basel III) Tier I capital adequacy ratio	12.4%	13.6%		12.0%	
NBG (Basel III) Total capital adequacy ratio	17.6%	18.1%		17.3%	

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 138.6%) **and strongly capitalised** (NBG Basel III Tier I capital adequacy ratio of 12.4%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 72.0%) at 31 December 2020.

- **Liquidity.** Liquid assets reached GEL 6,531.4mln at 31 December 2020, up 17.5% y-o-y and up 3.0% q-o-q. The notable increase over the year was in investment securities, combined with excess liquidity deployed with credit institutions. The Bank maintained substantial excess liquidity since the second quarter of 2020 primarily for 1) the repayment of local currency bonds in June 2020; and 2) risk mitigation purposes on the back of the current COVID-19 crisis, as outflow of customer funds was possible at the early stage of the pandemic outbreak, which however did not materialise. Client deposit balances continue to grow to date, despite two rounds of decrease of interest rates on foreign currency denominated customer deposits in the second half of 2020. The NBG Liquidity coverage ratio was 138.6% at 31 December 2020 (136.7% at 31 December 2019 and 147.0% at 30 September 2020), well above the 100% minimum requirement level
- **Loan book.** Our net loan book and finance lease receivables amounted to GEL 14,192.1mln at 31 December 2020 (up 18.9% y-o-y and up 4.1% q-o-q). As of 31 December 2020, the retail loan book represented 65.2% of the total loan portfolio (66.0% at 31 December 2019 and 65.7% 30 September 2020). Both local and foreign currency portfolios experienced strong y-o-y growth of 17.3% and 20.1%, respectively. Furthermore, local currency denominated portfolio increased by 8.1% and foreign currency denominated loan portfolio went up by 1.6% 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
- **Net loans to customer funds and DFI ratio**. Our net loans to customer funds and DFI ratio, which is closely monitored by management, stood at 89.4% at 31 December 2020 (103.2% at 31 December 2019 and 92.1% at 30 September 2020)
- **Diversified funding base**. Debt securities issued decreased by 25.2% y-o-y and by 2.6% q-o-q at 31 December 2020. The y-o-y decrease was attributable to the repayment of GEL 500mln local currency bonds at the beginning of June 2020, while the q-o-q decrease in debt securities was mainly due to the slight appreciation of the local currency in 4Q20
- **Solid capital position.** At 31 December 2020, following the measures put in place by the NBG as part of the COVID-19 supervisory plan in March 2020 (see details in *Group's 1Q20 results announcement*), the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 10.4%, 12.4% and 17.6%, respectively, all comfortably above the minimum required levels of 7.4%, 9.2% and 13.8%, respectively. The movement in capital adequacy ratios in 4Q20, and the potential impact of an additional 10% devaluation of local currency on different levels of capital is as follows:

	30 September 2020	**Business growth**	**4Q20 profit**	**GEL devaluation**	**31 December 2020**	**Potential impact of additional 10% GEL devaluation**
CET1 capital adequacy ratio	9.9%	-0.5%	1.0%	-	10.4%	-0.7%
Tier I capital adequacy ratio	12.0%	-0.6%	1.0%	-	12.4%	-0.6%
Total capital adequacy ratio	17.3%	-0.7%	1.0%	-	17.6%	-0.5%

DISCUSSION OF SEGMENT RESULTS

RETAIL BANKING (RB)

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

GEL thousands, unless otherwise noted	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[8]								
Net interest income	125,969	134,839	-6.6%	126,837	-0.7%	473,738	545,701	-13.2%
Net fee and commission income	34,660	32,775	5.8%	34,744	-0.2%	120,985	136,510	-11.4%
Net foreign currency gain	13,477	14,795	-8.9%	14,245	-5.4%	56,879	51,009	11.5%
Net other income	13,918	9,233	50.7%	3,477	NMF	23,390	8,230	NMF
Operating income	**188,024**	**191,642**	**-1.9%**	**179,303**	**4.9%**	**674,992**	**741,450**	**-9.0%**
Salaries and other employee benefits	(44,821)	(39,683)	12.9%	(40,481)	10.7%	(167,696)	(147,982)	13.3%
Administrative expenses	(24,339)	(22,593)	7.7%	(18,199)	33.7%	(80,169)	(70,968)	13.0%
Depreciation, amortisation and impairment	(17,828)	(20,383)	-12.5%	(15,704)	13.5%	(69,031)	(66,136)	4.4%
Other operating expenses	(1,087)	(625)	73.9%	(510)	113.1%	(2,696)	(2,286)	17.9%
Operating expenses	**(88,075)**	**(83,284)**	**5.8%**	**(74,894)**	**17.6%**	**(319,592)**	**(287,372)**	**11.2%**
Profit from associate	154	153	0.7%	214	-28.0%	782	789	-0.9%
Operating income before cost of risk	**100,103**	**108,511**	**-7.7%**	**104,623**	**-4.3%**	**356,182**	**454,867**	**-21.7%**
Cost of risk	(18,986)	(7,118)	NMF	(16,238)	16.9%	(183,061)	(89,879)	103.7%
Net operating income before non-recurring items	**81,117**	**101,393**	**-20.0%**	**88,385**	**-8.2%**	**173,121**	**364,988**	**-52.6%**
Net non-recurring items	149	68	119.1%	219	-32.0%	(39,811)	(846)	NMF
Profit before income tax and one-off costs	**81,266**	**101,461**	**-19.9%**	**88,604**	**-8.3%**	**133,310**	**364,142**	**-63.4%**
Income tax expense	(5,218)	(8,910)	-41.4%	(7,508)	-30.5%	(4,724)	(35,396)	-86.7%
Profit adjusted for one-off costs	**76,048**	**92,551**	**-17.8%**	**81,096**	**-6.2%**	**128,586**	**328,746**	**-60.9%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(10,142)	NMF
Profit	**76,048**	**92,551**	**-17.8%**	**81,096**	**-6.2%**	**128,586**	**318,604**	**-59.6%**
BALANCE SHEET HIGHLIGHTS								
Net loans, currency blended	8,734,706	7,427,721	17.6%	8,416,503	3.8%	8,734,706	7,427,721	17.6%
Net loans, GEL	4,809,383	4,181,192	15.0%	4,551,436	5.7%	4,809,383	4,181,192	15.0%
Net loans, FC	3,925,323	3,246,529	20.9%	3,865,067	1.6%	3,925,323	3,246,529	20.9%
Client deposits, currency blended	7,101,743	5,712,535	24.3%	6,699,215	6.0%	7,101,743	5,712,535	24.3%
Client deposits, GEL	2,224,163	1,829,133	21.6%	2,068,516	7.5%	2,224,163	1,829,133	21.6%
Client deposits, FC	4,877,580	3,883,402	25.6%	4,630,699	5.3%	4,877,580	3,883,402	25.6%
of which:								
Time deposits, currency blended	4,262,597	3,221,741	32.3%	4,077,658	4.5%	4,262,597	3,221,741	32.3%
Time deposits, GEL	1,025,442	817,879	25.4%	1,034,423	-0.9%	1,025,442	817,879	25.4%
Time deposits, FC	3,237,155	2,403,862	34.7%	3,043,235	6.4%	3,237,155	2,403,862	34.7%
Current accounts and demand deposits, currency blended	2,839,146	2,490,794	14.0%	2,621,557	8.3%	2,839,146	2,490,794	14.0%
Current accounts and demand deposits, GEL	1,198,721	1,011,254	18.5%	1,034,093	15.9%	1,198,721	1,011,254	18.5%
Current accounts and demand deposits, FC	1,640,425	1,479,540	10.9%	1,587,464	3.3%	1,640,425	1,479,540	10.9%
KEY RATIOS								
ROAE[8]	22.0%	31.4%		25.0%		10.0%	28.6%	
Net interest margin, currency blended	4.5%	5.7%		4.8%		4.5%	6.1%	
Cost of credit risk ratio	0.6%	0.2%		0.8%		2.1%	1.2%	
Cost of funds, currency blended	5.5%	5.3%		5.7%		5.7%	5.2%	
Loan yield, currency blended	11.2%	12.4%		11.7%		11.4%	12.9%	
Loan yield, GEL	15.4%	16.7%		15.8%		15.4%	17.6%	
Loan yield, FC	6.0%	6.8%		6.7%		6.5%	7.3%	
Cost of deposits, currency blended	2.9%	2.5%		3.1%		2.9%	2.6%	
Cost of deposits, GEL	6.0%	5.1%		6.3%		6.1%	5.1%	
Cost of deposits, FC	1.5%	1.4%		1.5%		1.4%	1.5%	
Cost of time deposits, currency blended	4.0%	3.8%		4.3%		4.1%	3.9%	
Cost of time deposits, GEL	9.8%	8.6%		10.1%		9.9%	8.6%	
Cost of time deposits, FC	2.1%	2.2%		2.2%		2.2%	2.3%	
Current accounts and demand deposits, currency blended	1.1%	0.9%		1.1%		1.0%	1.0%	
Current accounts and demand deposits, GEL	2.3%	2.2%		2.4%		2.3%	2.2%	
Current accounts and demand deposits, FC	0.2%	0.1%		0.2%		0.2%	0.2%	
Cost / income ratio[9]	46.8%	43.5%		41.8%		47.3%	38.8%	

[8] The income statement adjusted profit in 2019 excludes GEL 10.1mln one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 8.6mln (gross of income tax) excluded from salaries and other employee benefits, GEL 2.9mln (gross of income tax) excluded from non-recurring items and GEL 1.4mln tax benefit excluded from income tax expense. 2019 ROAE has been adjusted accordingly

[9] The cost/income ratio in 2019 is adjusted for GEL 8.6mln one-off employee costs (gross of income tax) related to termination benefits of former executive management

Performance highlights

- **Retail Banking generated operating income of GEL 188.0mln in 4Q20** (down 1.9% y-o-y and up 4.9% q-o-q) and GEL 675.0mln in 2020 (down 9.0% y-o-y), mostly reflecting the COVID-19 pandemic impact since March 2020 and improving trends in key economic indicators and rebound in customer activity since June 2020, albeit this recovery slowed-down in 4Q20 following the new restrictions put in place by the Government to respond to emerging COVID-19 cases increase
- Retail Banking net interest income was down 6.6% y-o-y and down 0.7% q-o-q in 4Q20, and was down 13.2% y-o-y in 2020. **RB NIM was 4.5% in 4Q20 and in 2020 (down 120bps y-o-y and down 30bps q-o-q in 4Q20, and down 160bps y-o-y in 2020).** The decline in NIM in 4Q20 and 2020 was mostly attributable to lower loan yields (down 120bps y-o-y and down 50bps q-o-q in 4Q20, and down 150bps y-o-y in 2020), primarily reflecting the slow-down of economic activity on the back of COVID-19 pandemic outbreak in March 2020, as well as the effect of change in portfolio mix resulting in higher level of secured mortgage lending. Retail Banking net interest income still benefited from the growth of the local currency denominated loan portfolio, which generated 9.4ppts and 8.9ppts higher yields than the foreign currency loan portfolio in 4Q20 and in 2020, respectively. In addition, cost of funds increased by 20bps y-o-y in 4Q20 and by 50bps y-o-y in 2020, primarily on the back of increase of cost of local currency denominated cost of client deposits and notes, and high levels of liquidity
- **Retail Banking net loan book reached GEL 8,734.7mln at 31 December 2020, up 17.6% y-o-y and up 3.8% q-o-q. On a constant currency basis, retail loan book increased by 11.0% y-o-y and by 3.9% q-o-q in 4Q20.** Local currency denominated loan book increased by 15.0% y-o-y and by 5.7% q-o-q, while the foreign currency denominated loan book grew by 20.9% y-o-y and by 1.6% q-o-q. As a result, the local currency denominated loan book accounted for 55.1% of the Retail Banking loan book at 31 December 2020 (56.3% at 31 December 2019 and 54.1% at 30 September 2020). The consumer loan portfolio, which is potentially most sensitive to foreign currency risk, is now largely de-dollarised, while the share of retail mortgage loans in local currency was 45.7% at 31 December 2020
- The y-o-y loan book growth primarily reflected continued strong loan origination levels in the secured consumer and mortgage segments. The q-o-q increase in the loan originations levels in all segments reflects the recovery of customer activity levels since June 2020:

RETAIL BANKING LOAN BOOK BY PRODUCTS

GEL million, unless otherwise noted	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
Loan originations								
Consumer loans	518,313	440,644	17.6%	448,172	15.7%	1,473,388	1,604,892	-8.2%
Mortgage loans	647,580	411,058	57.5%	459,596	40.9%	1,429,682	1,438,383	-0.6%
Micro loans	391,914	421,009	-6.9%	301,439	30.0%	1,045,992	1,313,371	-20.4%
SME loans	362,858	365,923	-0.8%	353,294	2.7%	1,118,559	1,093,744	2.3%
Outstanding balance								
Consumer loans	1,763,017	1,592,454	10.7%	1,737,043	1.5%	1,763,017	1,592,454	10.7%
Mortgage loans	3,733,658	3,042,506	22.7%	3,550,606	5.2%	3,733,658	3,042,506	22.7%
Micro loans	1,701,501	1,491,951	14.0%	1,687,567	0.8%	1,701,501	1,491,951	14.0%
SME loans	1,424,330	1,031,475	38.1%	1,308,007	8.9%	1,424,330	1,031,475	38.1%

- **Retail Banking client deposits increased to GEL 7,101.7mln at 31 December 2020, up 24.3% y-o-y and up 6.0% q-o-q.** The dollarisation level of deposits stood at 68.7% at 31 December 2020, compared to 68.0% at 31 December 2019 and 69.1% at 30 September 2020. The cost of foreign currency denominated deposits stood at 1.5% in 4Q20 (up 10bps y-o-y and flat q-o-q) and 1.4% in 2020 (down 10bps y-o-y), while the cost of local currency denominated deposits increased by 90bps y-o-y and went down by 30bps q-o-q in 4Q20, and increased by 100bps y-o-y in 2020. The spread between the cost of RB's client deposits in GEL and foreign currency was 4.5ppts during 4Q20 (GEL: 6.0%; FC: 1.5%), compared to 3.7ppts in 4Q19 (GEL: 5.1%; FC: 1.4%) and 4.8ppts in 3Q20 (GEL: 6.3%; FC: 1.5%). On the full year basis, spread widened to 4.7ppts in 2020 (GEL: 6.1%; FC: 1.4%), compared to 3.6ppts in 2019 (GEL: 5.1%; FC: 1.5%)
- **Retail Banking net fee and commission income**. Net fee and commission income generation increased by 5.8% y-o-y and was largely flat q-o-q in the fourth quarter of 2020, reflecting the recovery in customer activity during the second half of 2020. On a full year basis, the y-o-y decrease in net fee and commission income was primarily driven by slower customer activity due to COVID-19 pandemic and temporary removal of fees on transactions executed through our mobile and internet banking platforms from mid-March 2020, for a two-month period, in order to decrease customer visits to branches and incentivise the transfer of customer activity to digital channels. Furthermore, the lack of external tourism, as well as no Georgian's travelling abroad, resulted in a decline in net fees charged on currency conversion operations
- **RB's asset quality.** Cost of credit risk ratio was 0.6% in 4Q20 (up from 0.2% in 4Q19 and down from 0.8% in 3Q20) and 2.1% in 2020 (up from 1.2% 2019). The increase in cost of credit risk ratio in 2020 was due to the IFRS 9 reserve builds, created for the full economic cycle in 1Q20, primarily related to deterioration of the macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 impact. These assumptions were further revisited to reflect the better visibility and the macro-economic forecast scenarios published by the NBG in May, and an in-depth review of a significant proportion of borrowers in the second half of 2020, resulting in additional ECL reserves in the following quarters

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

Volume information in GEL thousands	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
Retail Banking customers								
Number of new customers	46,815	55,303	-15.3%	56,074	-16.5%	156,343	178,857	-12.6%
Number of customers	2,616,480	2,540,466	3.0%	2,587,177	1.1%	2,616,480	2,540,466	3.0%
Cards								
Number of cards issued	255,333	230,540	10.8%	213,686	19.5%	714,272	766,653	-6.8%
Number of cards outstanding	2,137,744	2,145,060	-0.3%	2,184,591	-2.1%	2,137,744	2,145,060	-0.3%
Express Pay terminals								
Number of Express Pay terminals	3,020	3,217	-6.1%	3,130	-3.5%	3,020	3,217	-6.1%
Number of transactions via Express Pay terminals	21,002,305	27,434,540	-23.4%	22,508,942	-6.7%	80,295,072	108,329,849	-25.9%
Volume of transactions via Express Pay terminals	2,601,145	2,334,579	11.4%	2,380,932	9.2%	8,559,210	8,244,816	3.8%
POS terminals								
Number of desks	21,331	15,592	36.8%	20,465	4.2%	21,331	15,592	36.8%
Number of contracted merchants	11,763	7,519	56.4%	9,829	19.7%	11,763	7,519	56.4%
Number of POS terminals	27,184	21,869	24.3%	25,706	5.7%	27,184	21,869	24.3%
Number of transactions via POS terminals	27,378,339	24,073,703	13.7%	28,790,910	-4.9%	99,895,533	83,054,544	20.3%
Volume of transactions via POS terminals	741,638	742,067	-0.1%	746,195	-0.6%	2,670,672	2,555,076	4.5%
Internet banking								
Number of active users [10]	142,832	294,081	-51.4%	140,592	1.6%	142,832	294,081	-51.4%
Number of transactions via internet bank	1,057,994	1,268,672	-16.6%	1,080,287	-2.1%	4,218,690	5,302,066	-20.4%
Volume of transactions via internet bank	678,385	641,560	5.7%	543,202	24.9%	2,459,137	2,269,103	8.4%
Mobile banking								
Number of active users [10]	717,599	513,677	39.7%	671,959	6.8%	717,599	513,677	39.7%
Number of transactions via mobile bank	19,538,695	11,541,763	69.3%	17,197,028	13.6%	62,525,478	35,938,168	74.0%
Volume of transactions via mobile bank	3,047,189	1,564,891	94.7%	2,463,558	23.7%	8,940,584	4,646,167	92.4%

- **Growth in client base to 2.6 million customers at 31 December 2020** was due to the increased offering of cost-effective remote channels and substantially improving our positioning in many key areas. Based on the independent research conducted in fall 2020, Bank of Georgia is regarded as the most trusted financial institution and top of mind in Georgia
- **The number of outstanding cards** was largely flat y-o-y at 31 December 2020. The number of Loyalty programme Plus+ cards, reached 1,161,948 at 31 December 2020, up 35.3% y-o-y and up 9.6% q-o-q
- **Digital channels**. We have actively continued the further development of our digital strategy and more than 95% of the total daily transactions of individuals were executed through digital channels during 2020
  - **mBank and iBank digital offloading.** The Bank continued to develop digital products and upgrade digital channels' functionalities to refine end-to-end digital journeys and incentivise transferring customer activity to digital channels. In 2020, new innovative products and features were introduced, including digital card, peer-to-peer payments, bill splitting and money request, fully digital consumer lending process, embedded online chat, and fully redesigned iBank, among others. As a result of increased investments and efforts in this direction, the number of active users, as well as the number and volume of transactions through these channels, particularly, mBank, continued to expand rapidly
  - **The utilisation of Express Pay terminals**. The Bank has a large network of self-service terminals throughout Georgia, which are used extensively by its customers. Self-service terminals are viewed as a key transition channel from physical to digital, and the migration has been significant over the past few years. The decline in number of transactions both y-o-y and q-o-q in 4Q20 and y-o-y in 2020 was primarily due to the continuous migration of customers activity to the mobile banking platform, as well as slow-down in economic activity since March 2020
- **Business iBank.** In 2019, the Bank released a new business internet banking platform for MSME and corporate clients, with features designed to make its use an intuitive and smooth experience. Since then, we have focused our efforts on making the Business iBank even more useful for business transactions to further incentivise the transfer of client activity to digital channels. In 4Q20, the number (up 1.7% y-o-y and up 11.4% q-o-q) and volume (up 12.1% y-o-y and up 17.8% q-o-q) of Business iBank transactions increased, primarily reflecting the acceleration in business activities during the second half of 2020. On a full year basis, the number and volume of transactions through Business iBank grew by 3.9% and 7.8% y-o-y, respectively, and 96% of daily transactions of legal entities were executed through the internet bank in 2020
- In December, 2020 *The Banker* named Bank of Georgia *Bank of the Year 2020 in Georgia*. In August 2020, *Global Finance Magazine* named Bank of Georgia *Best Consumer Digital Bank in Georgia in 2020*, including regional awards in sub-categories such as *Best Online Product Offering*, *Best Online Investment Management Services*, *Best Digital Bank in Lending* and *Best Trade Finance Services* in Central and Eastern Europe for 2020
- **SOLO, our premium banking brand, was the least impacted business from our Retail Banking segments, and continued its growth and investment in its lifestyle brand.** We have 11 SOLO lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 2 in major regional cities of Georgia. The number of SOLO clients reached 60,330 at 31 December 2020 (54,542 at 31 December 2019 and 58,351 at 30 September 2020). At 31 December 2020, the product to client ratio for the SOLO segment was 4.8, compared to 2.0 for our retail franchise. While SOLO clients currently represent

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

2.3% of our total retail client base, they contributed 30.4% to our retail loan book, 38.5% to our retail deposits, 21.5% and 27.8% to our net retail interest income and to our net retail fee and commission income in 4Q20, respectively. The fee and commission income from the SOLO segment was GEL 7.8mln in 4Q20 (GEL 6.4mln in 4Q19 and GEL 7.9mln in 3Q20) and GEL 27.4mln in 2020 (GEL 25.5mln in 2019). SOLO Club, a membership group within SOLO, which offers exclusive access to SOLO products and offers ahead of other SOLO clients at a higher fee, continued to increase its client base. At 31 December 2020, SOLO Club had 5,565 members, up 1.5% y-o-y and up 0.2% q-o-q

- **MSME banking.** The number of MSME segment clients reached 229,780 at 31 December 2020, up 4.2% y-o-y and up 0.6% q-o-q. MSME's gross loan portfolio reached GEL 3,295.5mln (up 22.2% y-o-y and up 3.3% q-o-q) and client deposits and notes amounted to GEL 958.3mln (up 18.6% y-o-y and up 9.3% q-o-q) at 31 December 2020. The MSME segment generated operating income of GEL 57.7mln in 4Q20 (up 3.5% y-o-y and up 17.3% q-o-q) and GEL 198.5mln in 2020 (down 4.7% y-o-y), with the latter decline primarily driven by the slow-down in business activity on the back of COVID-19 pandemic
- **Our digital ecosystem** has played an important role in supporting the Georgian economy through the COVID-19 pandemic, by both enhancing digitisation of businesses and partnering with the local startup ecosystem. It rests on four main business verticals: real estate, e-commerce, logistics, and point of sale. In 2019-2020, we launched three platforms – real estate platform *area.ge*, online marketplace *extra.ge* and inventory management and point-of-sale solution for MSMEs *Optimo*. Key developments during 2020 are described below:
  - In 1Q20, the Group in response to COVID-19 outbreak accepted the social and commercial challenge to play a vital role in addressing accelerated digital service demand. Due to social distancing and restrictions imposed on commercial activities, the Group's digital ecosystem arm proactively restructured its operations and commercial offerings to adapt to the changing environment. The core focus fell on *extra.ge*, which after its acquisition in 2Q19 has been transformed into one of the largest full-scale digital marketplaces in Georgia, and the full-scale re-launch was completed in 1Q20. In 2Q20 and 3Q20, *extra.ge* mainly focused on the acquisition of market share. 4Q20 was a very strong quarter on the back of the tightened restrictions put in place at the Government at the end of November, which stimulated online sales. The number of *extra.ge* visitors increased by 50% q-o-q, total registered users increased by 109%, and the number of completed orders more than doubled. *extra.ge* also launched the first ecommerce mobile app in Georgia in 4Q20. Through different active campaigns and initiatives, the platform doubled the network of merchants to 400+ vendors and 7,000+ private sellers, selling 110,000+ products and services, and significantly increased the number of registered users, delivering a 62% increase in cashless payments
  - Following the COVID-19 outbreak, the Group structured a unique digital solution for merchants who faced customer scarcity and a heavy burden of restrictions. With the best-in-class solution, *Adapter*, merchants can now undergo fast and efficient transformation to digital sales with just a simple plug-in. *Adapter* combines *Optimo*, an effective inventory and order management platform, with *extra.ge*, a digital marketplace, through which merchants can sell their products directly to remote customers. *Adapter* quickly gained popularity amongst market players, small merchants, and large physical marketplaces. *Adapter* was accepted by hundreds of retailers and producers, exceeding initial targets
  - The COVID-19 outbreak significantly decreased activity in the real estate sector, which directly impacted *area.ge's* operations. In 2Q20, *area.ge* refocused its strategy towards facilitating and accelerating real estate sales, developing multiple solutions for real estate development companies, which connect them closely with brokers and other market players, such as banks and financial institutions. In 3Q20, in response to the Government's new subsidised mortgage loan programme, the Group launched a solution, *subsidireba.ge*, one of the top visited websites on this programme
  - At the beginning of 2020, the Group reassessed its strategy, and in order to be able to meet the wide range of customer needs, we decided to partner with others. With this aim, in 2Q20, the Group partnered with 500 Startups and Georgia's Innovation and Technology Agency, and launched 500 Georgia Acceleration programme. The programme focuses on accelerating the development of Georgian and international early stage startups operating in the region. In 2020, 28 companies from ten different business verticals (fintech, healthcare, lifestyle, accounting services, auto and transportation, HR services, travel and hospitality, Adtech, Agtech, Natural Language Processing (NLP) and communications) completed the programme, and currently are candidates to join our Digital Area ecosystem. Since the launch, the startups have raised more than US$ 5.5 million from external international investors and venture capital funds. In 2Q21, four of the 28 startups will complete the final acceleration stage in San Francisco
  - During 2018-2020, the Group has invested c.US$ 6.5 million in the development of the Digital Area Ecosystem, of which investment in 2020 amounted US$ 2.7 million. The Group plans an additional investment in the range of US$ 3-10 million during 2021-2023
- **Retail Banking recorded a profit** of GEL 76.0mln in 4Q20 (GEL 92.6mln in 4Q19 and GEL 81.1mln in 3Q20), and GEL 128.6mln in 2020 (compared to profit adjusted for one-off costs of GEL 328.7mln[11] in 2019). RB ROAE was 22.0% in 4Q20 (31.4% in 4Q19 and 25.0% in 3Q20) and 10.0% in 2020 (28.6%[11] in 2019). The reduced profitability in 2020 reflected the lower NIM and operating income, and increased cost of risk and non-recurring costs relating to the COVID-19 pandemic

[11] Profit and ROAE in 2019 exclude GEL 10.1mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

CORPORATE AND INVESTMENT BANKING (CIB)

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

GEL thousands, unless otherwise noted	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
INCOME STATEMENT HIGHLIGHTS[13]								
Net interest income	66,736	65,642	1.7%	68,454	-2.5%	267,641	217,874	22.8%
Net fee and commission income	10,933	11,928	-8.3%	9,500	15.1%	38,585	37,018	4.2%
Net foreign currency gain	11,017	14,341	-23.2%	4,976	121.4%	35,959	49,355	-27.1%
Net other income	10,184	9,212	10.6%	4,653	118.9%	24,342	13,506	80.2%
Operating income	**98,870**	**101,123**	**-2.2%**	**87,583**	**12.9%**	**366,527**	**317,753**	**15.3%**
Salaries and other employee benefits	(14,588)	(15,495)	-5.9%	(13,034)	11.9%	(52,352)	(57,975)	-9.7%
Administrative expenses	(5,215)	(8,989)	-42.0%	(4,483)	16.3%	(17,652)	(22,886)	-22.9%
Depreciation, amortisation and impairment	(2,400)	(2,387)	0.5%	(2,352)	2.0%	(9,659)	(8,437)	14.5%
Other operating expenses	(471)	(295)	59.7%	(235)	100.4%	(1,231)	(1,042)	18.1%
Operating expenses	**(22,674)**	**(27,166)**	**-16.5%**	**(20,104)**	**12.8%**	**(80,894)**	**(90,340)**	**-10.5%**
Operating income before cost of risk	**76,196**	**73,957**	**3.0%**	**67,479**	**12.9%**	**285,633**	**227,413**	**25.6%**
Cost of risk	(22,264)	(7,389)	NMF	6,745	NMF	(113,955)	(14,548)	NMF
Net operating income before non-recurring items	**53,932**	**66,568**	**-19.0%**	**74,224**	**-27.3%**	**171,678**	**212,865**	**-19.3%**
Net non-recurring items	-	(217)	NMF	(1)	NMF	(1,375)	(293)	NMF
Profit before income tax and one-off costs	**53,932**	**66,351**	**-18.7%**	**74,223**	**-27.3%**	**170,303**	**212,572**	**-19.9%**
Income tax expense	(4,079)	(5,344)	-23.7%	(7,619)	-46.5%	(14,097)	(19,819)	-28.9%
Profit adjusted for one-off costs	**49,853**	**61,007**	**-18.3%**	**66,604**	**-25.2%**	**156,206**	**192,753**	**-19.0%**
One-off termination costs of former CEO and executive management (after tax)	-	-	-	-	-	-	(4,094)	NMF
Profit	**49,853**	**61,007**	**-18.3%**	**66,604**	**-25.2%**	**156,206**	**188,659**	**-17.2%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, currency blended	4,662,273	3,804,448	22.5%	4,389,114	6.2%	4,662,273	3,804,448	22.5%
Net loans and finance lease receivables, GEL	947,036	720,375	31.5%	759,898	24.6%	947,036	720,375	31.5%
Net loans and finance lease receivables, FC	3,715,237	3,084,073	20.5%	3,629,216	2.4%	3,715,237	3,084,073	20.5%
Client deposits, currency blended	6,394,734	3,824,667	67.2%	5,797,522	10.3%	6,394,734	3,824,667	67.2%
Client deposits, GEL	3,346,032	1,305,230	156.4%	2,724,735	22.8%	3,346,032	1,305,230	156.4%
Client deposits, FC	3,048,702	2,519,437	21.0%	3,072,787	-0.8%	3,048,702	2,519,437	21.0%
Time deposits, currency blended	3,322,179	1,349,969	146.1%	2,814,979	18.0%	3,322,179	1,349,969	146.1%
Time deposits, GEL	2,299,346	366,847	526.8%	1,651,521	39.2%	2,299,346	366,847	526.8%
Time deposits, FC	1,022,833	983,122	4.0%	1,163,458	-12.1%	1,022,833	983,122	4.0%
Current accounts and demand deposits, currency blended	3,072,555	2,474,698	24.2%	2,982,543	3.0%	3,072,555	2,474,698	24.2%
Current accounts and demand deposits, GEL	1,046,686	938,383	11.5%	1,073,214	-2.5%	1,046,686	938,383	11.5%
Current accounts and demand deposits, FC	2,025,869	1,536,315	31.9%	1,909,329	6.1%	2,025,869	1,536,315	31.9%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,585,421	1,376,196	15.2%	1,520,262	4.3%	1,585,421	1,376,196	15.2%
Assets under management[12]	2,769,192	2,490,144	11.2%	2,739,991	1.1%	2,769,192	2,490,144	11.2%
RATIOS								
ROAE [13]	20.7%	28.5%		30.7%		18.1%	25.6%	
Net interest margin, currency blended	3.3%	3.8%		3.6%		4.7%	3.6%	
Cost of credit risk ratio	0.4%	0.5%		-1.1%		1.4%	0.2%	
Cost of funds, currency blended	3.6%	4.0%		3.4%		3.6%	4.1%	
Loan yield, currency blended	8.5%	9.2%		8.6%		8.6%	9.1%	
Loan yield, GEL	12.7%	12.5%		13.0%		12.8%	12.0%	
Loan yield, FC	7.6%	8.5%		7.7%		7.7%	8.6%	
Cost of deposits, currency blended	4.7%	3.3%		4.6%		4.4%	3.3%	
Cost of deposits, GEL	7.8%	6.1%		7.8%		7.7%	5.8%	
Cost of deposits, FC	1.8%	1.7%		1.8%		1.7%	1.8%	
Cost of time deposits, currency blended	6.9%	5.4%		6.7%		6.6%	5.4%	
Cost of time deposits, GEL	8.8%	7.6%		8.7%		8.9%	7.2%	
Cost of time deposits, FC	3.7%	4.2%		3.8%		3.8%	4.3%	
Current accounts and demand deposits, currency blended	2.6%	2.1%		2.7%		2.5%	2.1%	
Current accounts and demand deposits, GEL	6.2%	5.3%		6.4%		6.1%	4.9%	
Current accounts and demand deposits, FC	0.7%	0.2%		0.6%		0.5%	0.3%	
Cost / income ratio [14]	22.9%	26.9%		23.0%		22.1%	28.4%	
Concentration of top ten clients	9.7%	9.9%		9.5%		9.7%	9.9%	

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

[13] The income statement adjusted profit in 2019 excludes GEL 4.1mln one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 3.8mln (gross of income tax) excluded from salaries and other employee benefits, GEL 1.1mln (gross of income tax) excluded from non-recurring items, and GEL 0.8mln tax benefit excluded from income tax expense. The 2019 ROAE has been adjusted accordingly

[14] The cost/income ratio in 2019 is adjusted for GEL 3.8mln one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Corporate and Investment Banking delivered strong results.** CIB was least affected by the COVID-19 pandemic outbreak in terms of operating activity in 2020 and generated solid net interest income and net fee and commission income throughout the period, coupled with efficient cost discipline. This resulted in y-o-y increase in operating income before cost of risk, which was up 3.0% y-o-y and up 12.9% q-o-q in 4Q20, and up 25.6% y-o-y in 2020
- CIB's net interest income increased by 1.7% y-o-y and was slightly down by 2.5% q-o-q during the fourth quarter of 2020, and demonstrated outstanding growth of 22.8% y-o-y in 2020. **CIB NIM was 3.3% in 4Q20 (down 50bps y-o-y and down 30bps q-o-q) and 4.7% in 2020 (up 110bps y-o-y)**. In 4Q20, 50bps y-o-y decrease in NIM was primarily driven by 70bps y-o-y decrease in currency blended loan yields, partially offset by 40bps y-o-y decline in cost of funds, while 30bps q-o-q decrease in NIM was the result of 20bps q-o-q increase in cost of funds, coupled with 10bps q-o-q decline in currency blended loan yields. On a full year basis, cost of funds decreased by 50bps y-o-y, which was partially offset by 50bps y-o-y decline in currency blended loan yields, resulting in 110bps y-o-y increase in NIM in 2020
- **CIB's net fee and commission income was GEL 10.9mln in 4Q20, down 8.3% y-o-y and up 15.1% q-o-q, reaching the full year of 2020 with GEL 38.6mln net fee and commission income, up 4.2% y-o-y.** The q-o-q and y-o-y growth in net fee and commission income in 4Q20 and 2020, respectively, was largely driven by increased fees generated from guarantees and letters of credit issued and brokerage service fees
- **CIB's loan book and dollarisation**. CIB loan portfolio reached GEL 4,662.3mln at 31 December 2020, up 22.5% y-o-y and up 6.2% q-o-q. On a constant currency basis, CIB loan book was up 10.4% y-o-y and up 6.5% q-o-q. The concentration of the top 10 CIB clients was 9.7% at 31 December 2020 (9.9% at 31 December 2019 and 9.5% at 30 September 2020). Foreign currency denominated net loans represented 79.7% of CIB's loan portfolio at 31 December 2020, compared to 81.1% a year ago and 82.7% at 30 September 2020. At 31 December 2020, 39.1% of total gross CIB loans were issued in foreign currency with exposure to foreign currency risk with regard to income, while 40.9% of total gross CIB loans were issued in foreign currency with no or minimal exposure to foreign currency risk
- **Dollarisation of CIB deposits** decreased to 47.7% at 31 December 2020 from 65.9% a year ago and from 53.0% at 30 September 2020. De-dollarisation of CIB's deposit portfolio was primarily supported by a significant, 156.4% y-o-y increase in local currency denominated deposits and only 21.0% y-o-y growth in foreign currency denominated deposits in 2020. The interest rates on local currency deposits increased significantly (up 170bps y-o-y and flat q-o-q in 4Q20, and up 190bps y-o-y in 2020), while interest rates on foreign currency deposits were largely flat (up 10bps y-o-y and flat q-o-q in 4Q20, and down 10bps y-o-y in 2020), and the cost of deposits in local currency remained well above the cost of foreign currency deposits during 2020. The increase in interest rates on local currency deposits during 2020 were mainly driven by the pressure on local currency funding during the first half of the year, however, this impact was subsequently stabilised to more normal levels as a result of the new local currency funding instruments introduced by the NBG to the market, as well as the deposits of the Ministry of Finance of Georgia placed with banks starting from the end of second quarter of 2020. These represent lower yielding funds provided to the Banking system in order to support the local currency liquidity on the market
- **Net other income.** Significant y-o-y increase in net other income during 2020 was mainly related to a gain on revaluation of investment property recorded in 4Q20, largely driven by the local currency devaluation in 2020, coupled with higher income from operating leases. Furthermore, the Group recorded net losses from derivative financial instruments (interest rate swap hedges) during 2019
- **Cost of risk.** CIB's cost of credit risk ratio stood at 0.4% in 4Q20 (compared to 0.5% in 4Q19 and a net gain of 1.1% in 3Q20) and was 1.4% in 2020 (compared to 0.2% in 2019). The significant increase in the cost of credit risk ratio in 2020 was driven by the IFRS 9 ECL reserve builds, created for the full economic cycle in 1Q20, primarily related to deterioration of the macro-economic environment and expected creditworthiness of borrowers as a result of the COVID-19 pandemic impact. This reflected additional reserves for borrowers operating across multiple sectors of the Georgian economy, with the largest impacts in tourism, trade, transportation, construction and real estate industries. These assumptions were further revisited during the second quarter to reflect the better visibility and the macro-economic forecast scenarios published by the NBG in May 2020. Furthermore, in the second half of 2020, the Group has completed an in-depth analysis of financial standing and creditworthiness of all corporate borrowers. Based on the analysis, the additional reserves booked in the first quarter proved largely sufficient. In 4Q20, a further in-depth analysis of corporate borrowers resulted in GEL 4.4mln additional ECL provisions on loans to customers and finance lease receivables, leading to a 0.4% cost of credit risk ratio.

  As for the other expected credit loss and impairment charge on other assets and provisions of GEL 17.9mln in 4Q20, this mainly comprised additional reserves recorded by the Group in respect of assets held for sale, guarantees issued and other financial assets, and expenses accrued for certain legal fees
- As a result, **CIB recorded a profit** of GEL 49.9mln in the fourth quarter of 2020 (GEL 61.0mln in 4Q19 and GEL 66.6mln in 3Q20), and GEL 156.2mln in 2020 (compared to profit adjusted for one-off costs of GEL 192.8mln[15] in 2019). CIB's ROAE was 20.7% in 4Q20 (28.5% in 4Q19 and 30.7% in 3Q20) and 18.1% in 2020 (25.6%[15] in 2019)

[15] Profit and ROAE in 2019 are adjusted for GEL 4.1mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management

Performance highlights of Investment Management operations

- Our strong Investment Management franchise comprises the **Bank's regional Wealth Management practice** and **the leading investment bank in Georgia, Galt & Taggart**. Our strategic objective in Investment Management is to focus on profitable growth through diversifying our Wealth Management offerings, unlocking the retail brokerage potential, and fully digitalising brokerage services
- **The Investment Management's AUM increased to GEL 2,769.2mln as at 31 December 2020, up 11.2% y-o-y and up 1.1% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y increase in AUM mostly reflected increase in client deposits of Wealth Management franchise customers and client assets at Galt & Taggart, as well as depreciation of the local currency during 2020
- **Strong international presence and diversified customer base across multiple geographies.** We served 1,578 wealth management customers from 78 countries as at 31 December 2020, compared to 1,557 customers as at 31 December 2019 and 1,554 customers as at 30 September 2020
- **Wealth Management deposits reached GEL 1,506.7mln as at 31 December 2020, up 7.3% y-o-y and down 4.9% q-o-q, growing at a compound annual growth rate (CAGR) of 8.0% over the last five-year period**. The cost of deposits stood at 2.9% in 4Q20 (down 30bps y-o-y and q-o-q) and at 3.1% in 2020 (down 10bps y-o-y)
- **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.** In February 2020, *Global Finance Magazine* named Galt & Taggart *Best Investment Bank in Georgia* for the sixth consecutive year
  - **Our brokerage business demonstrated a remarkable growth in 2020.** At 31 December 2020, the number of online brokerage customers increased to 876, up 70.8% y-o-y. Gross revenue of brokerage business reached GEL 6.5mln in 2020, up 75.4% y-o-y. This was mostly driven by our online brokerage, offered in partnership with Saxo Bank under a white label offering, which generated gross revenue of GEL 5.0mln in 2020, up 165.6% y-o-y
    - We see significant upsides in the brokerage business in Georgia. Historically, we have focused on providing brokerage services to our wealth management customers, whereas the retail investor participation in the securities market has been limited. **Going forward, we aim to extend our offerings to the wider retail and mass affluent segment**
    - In line with the Group's overall digital strategy, we are working on digitalising our brokerage offerings. Over the past few years we have made significant enhancements to our back- and front-end processes to improve customer experience and engagement in brokerage services. **In 2020, we launched a single-view client dashboard**, a product combining investment banking products into a single channel, which has improved overall customer experience and reporting tools. **In 2021, we also plan to launch the mobile application** to increase the usage and participation of the retail segment in this business and to enhance customer experiences
  - In 2020, Galt & Taggart facilitated c.GEL 100mln local private bond issuance of IFIs and the placement of c.GEL 70mln local public and private bonds of several Georgian corporates. In addition, Galt & Taggart acted as a rating advisor for two microfinance organisations, assisting in obtaining credit rating from Scope Ratings, and acted as an advisor for several Georgian corporates during admission of their shares to trading on the Georgian Stock Exchange
  - **Galt and Taggart is a top-of-mind research house in Georgia** supporting our brokerage business and CIB activities with an in-depth quality research coverage. In order to expand our brokerage efforts, we recently introduced our *Global Market Watch* coverage, which is our first step towards increasing retail investor participation in this segment. In 2020, Galt & Taggart published more than 70 research reports on Georgia's and regional economies, key sector coverage in Georgia, regional fixed income securities, and global macro trends. we had more than 6,500 unique subscribers as at 31 December 2020

SELECTED FINANCIAL AND OPERATING INFORMATION

INCOME STATEMENT — **BANK OF GEORGIA GROUP CONSOLIDATED**

GEL thousands, unless otherwise noted	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
Interest income	420,398	393,480	6.8%	407,666	3.1%	1,595,427	1,437,161	11.0%
Interest expense	(218,802)	(186,389)	17.4%	(203,636)	7.4%	(817,785)	(647,742)	26.3%
Net interest income	**201,596**	**207,091**	**-2.7%**	**204,030**	**-1.2%**	**777,642**	**789,419**	**-1.5%**
Fee and commission income	77,382	77,472	-0.1%	71,793	7.8%	274,458	284,193	-3.4%
Fee and commission expense	(30,424)	(30,914)	-1.6%	(26,261)	15.9%	(108,955)	(104,179)	4.6%
Net fee and commission income	**46,958**	**46,558**	**0.9%**	**45,532**	**3.1%**	**165,503**	**180,014**	**-8.1%**
Net foreign currency gain	26,457	37,177	**-28.8%**	19,179	**37.9%**	**99,040**	**119,363**	**-17.0%**
Net other income	25,016	18,439	**35.7%**	7,750	**NMF**	**48,474**	**21,474**	**125.7%**
Operating income	**300,027**	**309,265**	**-3.0%**	**276,491**	**8.5%**	**1,090,659**	**1,110,270**	**-1.8%**
Salaries and other employee benefits (excluding one-offs)	(64,243)	(61,504)	4.5%	(58,171)	10.4%	(239,607)	(231,443)	3.5%
One-off termination costs of former executive management (1)	-	-	-	-	-	-	(12,412)	NMF
Salaries and other employee benefits	(64,243)	(61,504)	4.5%	(58,171)	10.4%	(239,607)	(243,855)	-1.7%
Administrative expenses	(31,617)	(35,131)	-10.0%	(24,443)	29.3%	(105,531)	(106,157)	-0.6%
Depreciation, amortisation and impairment	(21,283)	(23,815)	-10.6%	(19,125)	11.3%	(82,937)	(78,118)	6.2%
Other operating expenses	(1,714)	(1,095)	56.5%	(873)	96.3%	(4,560)	(4,228)	7.9%
Operating expenses	**(118,857)**	**(121,545)**	**-2.2%**	**(102,612)**	**15.8%**	**(432,635)**	**(432,358)**	**0.1%**
Profit from associates	154	153	0.7%	214	-28.0%	782	789	-0.9%
Operating income before cost of risk	**181,324**	**187,873**	**-3.5%**	**174,093**	**4.2%**	**658,806**	**678,701**	**-2.9%**
Expected credit loss on loans to customers	(14,579)	(7,985)	82.6%	(5,836)	149.8%	(236,983)	(94,155)	151.7%
Expected credit loss on finance lease receivables	(381)	451	NMF	(2,371)	-83.9%	(8,025)	(885)	NMF
Other expected credit loss and impairment charge on other assets and provisions	(23,471)	(6,698)	NMF	(2,735)	NMF	(55,989)	(12,544)	NMF
Cost of risk	**(38,431)**	**(14,232)**	**NMF**	**(10,942)**	**NMF**	**(300,997)**	**(107,584)**	**NMF**
Net operating income before non-recurring items	**142,893**	**173,641**	**-17.7%**	**163,151**	**-12.4%**	**357,809**	**571,117**	**-37.3%**
Net non-recurring items (excluding one-offs)	21	(1,591)	NMF	254	-91.7%	(41,311)	(10,723)	NMF
One-off termination costs of former CEO (2)	-	-	-	-	-	-	(3,985)	NMF
Net non-recurring items	21	(1,591)	NMF	254	-91.7%	(41,311)	(14,708)	NMF
Profit before income tax expense	**142,914**	**172,050**	**-16.9%**	**163,405**	**-12.5%**	**316,498**	**556,409**	**-43.1%**
Income tax expense (excluding one-offs)	(11,065)	(15,515)	-28.7%	(15,051)	-26.5%	(21,555)	(58,619)	-63.2%
Income tax benefit related to one-off termination costs of former CEO and executive management (3)	-	-	-	-	-	-	2,161	NMF
Income tax expense	(11,065)	(15,515)	-28.7%	(15,051)	-26.5%	(21,555)	(56,458)	-61.8%
Profit	**131,849**	**156,535**	**-15.8%**	**148,354**	**-11.1%**	**294,943**	**499,951**	**-41.0%**
One-off items (1)+(2)+(3)	-	-	-	-	-	-	**(14,236)**	**NMF**
Profit attributable to:								
– shareholders of the Group	131,220	155,823	*-15.8%*	147,704	*-11.2%*	*293,584*	*497,664*	*-41.0%*
– non-controlling interests	629	712	*-11.7%*	650	*-3.2%*	*1,359*	*2,287*	*-40.6%*
Earnings per share (basic)	**2.76**	**3.30**	**-16.4%**	**3.11**	**-11.3%**	**6.17**	**10.45**	**-41.0%**
Earnings per share (diluted)	**2.76**	**3.29**	**-16.1%**	**3.11**	**-11.3%**	**6.17**	**10.42**	**-40.8%**

BALANCE SHEET

GEL thousands, unless otherwise noted	BANK OF GEORGIA GROUP CONSOLIDATED				
	Dec-20	**Dec-19**	**Change y-o-y**	**Sep-20**	**Change q-o-q**
Cash and cash equivalents	1,970,955	2,153,624	-8.5%	2,154,224	-8.5%
Amounts due from credit institutions	2,016,005	1,619,072	24.5%	1,980,195	1.8%
Investment securities	2,544,397	1,786,804	42.4%	2,205,244	15.4%
Loans to customers and finance lease receivables	14,192,078	11,931,262	18.9%	13,627,144	4.1%
Accounts receivable and other loans	2,420	3,489	-30.6%	4,935	-51.0%
Prepayments	27,593	42,632	-35.3%	32,021	-13.8%
Inventories	10,340	12,297	-15.9%	11,406	-9.3%
Right-of-use assets	83,208	96,095	-13.4%	85,859	-3.1%
Investment property	231,241	225,073	2.7%	221,517	4.4%
Property and equipment	387,851	379,788	2.1%	390,401	-0.7%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	125,806	106,290	18.4%	117,941	6.7%
Income tax assets	22,033	282	NMF	40,484	-45.6%
Other assets	325,994	143,154	127.7%	216,159	50.8%
Assets held for sale	62,648	36,284	72.7%	46,072	36.0%
Total assets	**22,035,920**	**18,569,497**	**18.7%**	**21,166,953**	**4.1%**
Client deposits and notes	14,020,209	10,076,735	39.1%	12,985,039	8.0%
Amounts owed to credit institutions	3,335,966	3,934,123	-15.2%	3,757,646	-11.2%
Debt securities issued	1,585,545	2,120,064	-25.2%	1,628,188	-2.6%
Lease liabilities	95,635	94,616	1.1%	98,522	-2.9%
Accruals and deferred income	53,894	52,471	2.7%	43,474	24.0%
Income tax liabilities	62,434	37,918	64.7%	70,854	-11.9%
Other liabilities	332,322	102,662	NMF	212,093	56.7%
Total liabilities	**19,486,005**	**16,418,589**	**18.7%**	**18,795,816**	**3.7%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	526,634	492,072	7.0%	513,407	2.6%
Treasury shares	(54)	(64)	-15.6%	(54)	0.0%
Other reserves	71,227	(7,481)	NMF	38,201	86.5%
Retained earnings	1,939,122	1,655,256	17.1%	1,807,432	7.3%
Total equity attributable to shareholders of the Group	**2,538,547**	**2,141,401**	**18.5%**	**2,360,604**	**7.5%**
Non-controlling interests	11,368	9,507	19.6%	10,533	7.9%
Total equity	**2,549,915**	**2,150,908**	**18.6%**	**2,371,137**	**7.5%**
Total liabilities and equity	**22,035,920**	**18,569,497**	**18.7%**	**21,166,953**	**4.1%**
Book value per share	**53.41**	**45.36**	**17.7%**	**49.67**	**7.5%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT HIGHLIGHTS *GEL thousands, unless otherwise stated*	4Q20	4Q19	Change y-o-y	3Q20	Change q-o-q	2020	2019	Change y-o-y
Net interest income	8,888	7,194	23.5%	8,735	1.8%	36,249	27,586	31.4%
Net fee and commission income	1,268	1,602	-20.8%	1,220	3.9%	5,678	7,169	-20.8%
Net foreign currency gain / (loss)	1,963	6,548	-70.0%	(42)	NMF	6,202	20,688	-70.0%
Net other income / (expense)	1,240	92	NMF	(110)	NMF	1,812	463	NMF
Operating income	**13,359**	**15,436**	**-13.5%**	**9,803**	**36.3%**	**49,941**	**55,906**	**-10.7%**
Operating expenses	(8,334)	(9,493)	-12.2%	(7,812)	6.7%	(32,950)	(35,366)	-6.8%
Operating income before cost of risk	**5,025**	**5,943**	**-15.4%**	**1,991**	**152.4%**	**16,991**	**20,540**	**-17.3%**
Cost of risk	2,819	(7)	NMF	(1,449)	NMF	(3,981)	(2,691)	47.9%
Net non-recurring items	(128)	(46)	NMF	36	NMF	(125)	(110)	13.6%
Profit before income tax	**7,716**	**5,890**	**31.0%**	**578**	**NMF**	**12,885**	**17,739**	**-27.4%**
Income tax (expense) / benefit	(1,768)	(1,261)	40.2%	76	NMF	(2,734)	(3,404)	-19.7%
Profit	**5,948**	**4,629**	**28.5%**	**654**	**NMF**	**10,151**	**14,335**	**-29.2%**

BALANCE SHEET HIGHLIGHTS *GEL thousands, unless otherwise stated*	Dec-20	Dec-19	Change y-o-y	Sep-20	Change q-o-q
Cash and cash equivalents	163,193	212,777	-23.3%	155,782	4.8%
Amounts due from credit institutions	20,042	12,742	57.3%	14,614	37.1%
Investment securities	94,459	81,573	15.8%	74,936	26.1%
Loans to customers and finance lease receivables	698,542	580,876	20.3%	702,231	-0.5%
Other assets	42,416	55,102	-23.0%	47,394	-10.5%
Total assets	**1,018,652**	**943,070**	**8.0%**	**994,957**	**2.4%**
Client deposits and notes	589,152	608,777	-3.2%	596,360	-1.2%
Amounts owed to credit institutions	234,641	144,621	62.2%	209,535	12.0%
Debt securities issued	34,067	69,438	-50.9%	49,214	-30.8%
Other liabilities	28,237	11,038	155.8%	22,188	27.3%
Total liabilities	**886,097**	**833,874**	**6.3%**	**877,297**	**1.0%**
Total equity	**132,555**	**109,196**	**21.4%**	**117,660**	**12.7%**
Total liabilities and equity	**1,018,652**	**943,070**	**8.0%**	**994,957**	**2.4%**

KEY RATIOS	4Q20	4Q19	3Q20	2020	2019
Profitability					
ROAA, annualised[16]	2.4%	3.4%	3.0%	1.5%	3.1%
ROAA, annualised (unadjusted)	*2.4%*	*3.4%*	*3.0%*	*1.5%*	*3.1%*
ROAE, annualised[16]	21.3%	29.9%	26.0%	13.0%	26.1%
RB ROAE[16]	*22.0%*	*31.4%*	*25.0%*	*10.0%*	*28.6%*
CIB ROAE[16]	*20.7%*	*28.5%*	*30.7%*	*18.1%*	*25.6%*
ROAE, annualised (unadjusted)	*21.3%*	*29.9%*	*26.0%*	*13.0%*	*25.4%*
Net interest margin, annualised	4.4%	5.4%	4.8%	4.6%	5.6%
RB NIM	*4.5%*	*5.7%*	*4.8%*	*4.5%*	*6.1%*
CIB NIM	*3.3%*	*3.8%*	*3.6%*	*4.7%*	*3.6%*
Loan yield, annualised	10.4%	11.4%	10.7%	10.5%	11.7%
RB Loan yield	*11.2%*	*12.4%*	*11.7%*	*11.4%*	*12.9%*
CIB Loan yield	*8.5%*	*9.2%*	*8.6%*	*8.6%*	*9.1%*
Liquid assets yield, annualised	3.0%	3.7%	3.3%	3.4%	3.5%
Cost of funds, annualised	4.6%	4.7%	4.7%	4.7%	4.6%
Cost of client deposits and notes, annualised	3.8%	3.0%	3.8%	3.6%	3.0%
RB Cost of client deposits and notes	*2.9%*	*2.5%*	*3.1%*	*2.9%*	*2.6%*
CIB Cost of client deposits and notes	*4.7%*	*3.3%*	*4.6%*	*4.4%*	*3.3%*
Cost of amounts owed to credit institutions, annualised	6.6%	7.4%	6.9%	7.1%	7.1%
Cost of debt securities issued	7.0%	7.9%	7.0%	7.4%	7.7%
Operating leverage, y-o-y[17]	-0.8%	-7.3%	1.9%	-4.8%	-3.2%
Operating leverage, q-o-q[17]	-7.3%	-4.1%	17.8%	0.0%	0.0%
Efficiency					
Cost / Income[17]	39.6%	39.3%	37.1%	39.7%	37.8%
RB Cost / Income[17]	*46.8%*	*43.5%*	*41.8%*	*47.3%*	*38.8%*
CIB Cost /Income[17]	*22.9%*	*26.9%*	*23.0%*	*22.1%*	*28.4%*
Cost / Income (unadjusted)	*39.6%*	*39.3%*	*37.1%*	*39.7%*	*38.9%*
Liquidity[18]					
NBG liquidity coverage ratio *(minimum requirement 100%)*	138.6%	136.7%	147.0%	138.6%	136.7%
Liquid assets to total liabilities	33.5%	33.9%	33.7%	33.5%	33.9%
Net loans to client deposits and notes	101.2%	118.4%	104.9%	101.2%	118.4%
Net loans to client deposits and notes + DFIs	89.4%	103.2%	92.1%	89.4%	103.2%
Leverage (times)	7.6	7.6	7.9	7.6	7.6
Asset quality:					
NPLs (in GEL)	545,837	252,695	530,631	545,837	252,695
NPLs to gross loans to clients	3.7%	2.1%	3.8%	3.7%	2.1%
NPL coverage ratio	76.3%	80.9%	76.8%	76.3%	80.9%
NPL coverage ratio, adjusted for discounted value of collateral	128.8%	139.6%	131.4%	128.8%	139.6%
Cost of credit risk, annualised	0.4%	0.2%	0.2%	1.8%	0.9%
RB Cost of credit risk	*0.6%*	*0.2%*	*0.8%*	*2.1%*	*1.2%*
CIB Cost of credit risk	*0.4%*	*0.5%*	*-1.1%*	*1.4%*	*0.2%*
Capital adequacy:					
NBG (Basel III) CET1 capital adequacy ratio	10.4%	11.5%	9.9%	10.4%	11.5%
Minimum regulatory requirement	*7.4%*	*10.1%*	*6.9%*	*7.4%*	*10.1%*
NBG (Basel III) Tier I capital adequacy ratio	12.4%	13.6%	12.0%	12.4%	13.6%
Minimum regulatory requirement	*9.2%*	*12.2%*	*8.7%*	*9.2%*	*12.2%*
NBG (Basel III) Total capital adequacy ratio	17.6%	18.1%	17.3%	17.6%	18.1%
Minimum regulatory requirement	*13.8%*	*17.1%*	*13.3%*	*13.8%*	*17.1%*
Selected operating data:					
Total assets per FTE	2,993	2,515	2,976	2,993	2,515
Number of active branches, of which:	211	272	211	211	272
- Express branches (including Metro)	*105*	*162*	*105*	*105*	*162*
- Bank of Georgia branches	*95*	*98*	*95*	*95*	*98*
- SOLO lounges	*11*	*12*	*11*	*11*	*12*
Number of ATMs	960	933	947	960	933
Number of cards outstanding, of which:	2,137,744	2,145,060	2,184,591	2,137,744	2,145,060
- Debit cards	*1,873,433*	*1,749,524*	*1,879,970*	*1,873,433*	*1,749,524*
- Credit cards	*264,311*	*395,536*	*304,621*	*264,311*	*395,536*
Number of POS terminals	27,184	21,870	25,706	27,184	21,870
Number of Express pay terminals	3,020	3,217	3,130	3,020	3,217
FX Rates:					
GEL/US$ exchange rate (period-end)	3.2766	2.8677	3.2878	3.2766	2.8677
GEL/GBP exchange rate (period-end)	4.4529	3.7593	4.2255	4.4529	3.7593

	Dec-20	Dec-19	Sep-20
Full time employees (FTE), of which:	**7,363**	**7,383**	**7,112**
- Full time employees, BOG standalone	*5,821*	*5,879*	*5,598*
- Full time employees, BNB	*537*	*565*	*538*
- Full time employees, other	*1,005*	*939*	*976*

Shares outstanding	Dec-20	Dec-19	Sep -20
Ordinary shares	47,530,584	47,210,876	47,528,417
Treasury shares	1,638,844	1,958,552	1,641,011
Total shares outstanding	**49,169,428**	**49,169,428**	**49,169,428**

[16] The 2019 ratios are adjusted for one-off employee costs related to termination benefits of the former CEO and executive management
[17] The 2019 ratios are adjusted for one-off employee costs related to termination benefits of former executive management
[18] We stopped reporting the NBG liquidity ratio since 1 January 2020 due to the phase-out of the requirement of this ratio per NBG's regulations

GLOSSARY

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

COMPANY INFORMATION

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Share price information

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