



BANK OF GEORGIA
GROUP PLC

Bank of Georgia Group PLC

2nd quarter and half-year 2019 results

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ABOUT BANK OF GEORGIA GROUP PLC

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

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

2Q19 AND 1H19 RESULTS AND CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group’s second quarter and the first half of 2019 consolidated financial results. Unless otherwise noted, numbers in this announcement are for 2Q19 and comparisons are with 2Q18. The results are based on International Financial Reporting Standards (“**IFRS**”) as adopted by the European Union, are unaudited and derived from management accounts. This results announcement is also available on the Group’s website at www.bankofgeorgiagroup.com.

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

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FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional instability; loan portfolio quality; regulatory risk; liquidity risk; operational risk, cyber security, information systems and financial crime risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2018 and in this 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.

HIGHLIGHTS¹

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

GEL thousands	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
Banking Business Income Statement Highlights²								
Net interest income	181,622	186,582	-2.7%	182,941	-0.7%	364,563	366,831	-0.6%
Net fee and commission income	43,267	37,847	14.3%	42,180	2.6%	85,447	72,357	18.1%
Net foreign currency gain	36,700	25,000	46.8%	30,025	22.2%	66,724	39,252	70.0%
Net other income / (expense)	(4,260)	3,705	NMF	3,568	NMF	(691)	9,451	NMF
Operating income	257,329	253,134	1.7%	258,714	-0.5%	516,043	487,891	5.8%
Operating expenses	(98,558)	(93,144)	5.8%	(91,927)	7.2%	(190,485)	(180,523)	5.5%
Profit from associates	254	376	-32.4%	188	35.1%	442	695	-36.4%
Operating income before cost of risk	159,025	160,366	-0.8%	166,975	-4.8%	326,000	308,063	5.8%
Cost of risk	(35,476)	(37,526)	-5.5%	(42,652)	-16.8%	(78,129)	(71,340)	9.5%
Net operating income before non-recurring items	123,549	122,840	0.6%	124,323	-0.6%	247,871	236,723	4.7%
Net non-recurring items	(2,538)	(13,763)	-81.6%	(1,575)	61.1%	(4,112)	(16,711)	-75.4%
Profit before income tax expense and one-off costs	121,011	109,077	10.9%	122,748	-1.4%	243,759	220,012	10.8%
Income tax expense	(9,871)	(5,461)	80.8%	(10,536)	-6.3%	(20,407)	(14,744)	38.4%
Profit adjusted for one-off costs	111,140	103,616	7.3%	112,212	-1.0%	223,352	205,268	8.8%
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	(3,996)	(52,541)	-92.4%	(10,240)	-61.0%	(14,236)	(52,541)	-72.9%
Profit	107,144	51,075	109.8%	101,972	5.1%	209,116	152,727	36.9%

GEL thousands	Jun-19	Jun-18	Change y-o-y	Mar-19	Change q-o-q
Banking Business Balance Sheet Highlights					
Liquid assets	4,537,545	4,266,417	6.4%	4,502,390	0.8%
Cash and cash equivalents	936,106	1,546,863	-39.5%	1,162,168	-19.5%
Amounts due from credit institutions	1,704,701	993,862	71.5%	1,391,630	22.5%
Investment securities	1,896,738	1,725,692	9.9%	1,948,592	-2.7%
Loans to customers and finance lease receivables ³	10,579,710	8,108,647	30.5%	9,570,691	10.5%
Property and equipment	358,921	313,627	14.4%	349,728	2.6%
Total assets	16,133,999	13,239,336	21.9%	15,054,569	7.2%
Client deposits and notes	8,855,616	7,174,234	23.4%	8,393,861	5.5%
Amounts due to credit institutions	2,960,519	2,740,595	8.0%	2,463,408	20.2%
Borrowings from DFIs	1,253,921	1,161,120	8.0%	1,309,976	-4.3%
Short-term loans from NBG	1,001,496	556,834	79.9%	585,797	71.0%
Loans and deposits from commercial banks	705,102	1,022,641	-31.1%	567,635	24.2%
Debt securities issued	2,137,239	1,527,452	39.9%	2,045,428	4.5%
Total liabilities	14,215,780	11,571,671	22.8%	13,135,789	8.2%
Total equity	1,918,219	1,667,665	15.0%	1,918,780	0.0%

Banking Business Key Ratios	2Q19	2Q18	1Q19	1H19	1H18
ROAA ²	2.9%	3.1%	3.1%	3.0%	3.2%
ROAE ²	22.9%	25.4%	24.5%	23.7%	25.7%
Net interest margin	5.4%	6.9%	5.8%	5.6%	7.0%
Loan yield	11.8%	14.0%	12.2%	12.0%	13.9%
Cost of funds	4.8%	5.0%	4.8%	4.8%	4.9%
Cost / income ⁴	38.3%	36.8%	35.5%	36.9%	37.0%
NPLs to Gross loans to clients	3.2%	3.4%	3.3%	3.2%	3.4%
NPL coverage ratio	88.1%	99.4%	92.2%	88.1%	99.4%
NPL coverage ratio, adjusted for discounted value of collateral	131.5%	142.8%	132.6%	131.5%	142.8%
Cost of credit risk ratio	1.3%	1.6%	1.7%	1.5%	1.7%
NBG (Basel III) Tier I capital adequacy ratio	13.3%	12.5%	12.7%	13.3%	12.5%
NBG (Basel III) Total capital adequacy ratio	16.7%	17.5%	17.1%	16.7%	17.5%

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

Throughout this announcement, the discussion is focused on the Banking Business results, which represents the continuing business of the Group since the demerger.

² The income statement adjusted profit excludes GEL 4.0mln in 2Q19 (1Q19: GEL 10.2mln) and GEL 14.2mln in 1H19 one-off employee costs (net of income tax) related to former CEO and executive management termination benefits. The amount is comprised of GEL 4.6mln in 2Q19 (1Q19: GEL 7.8mln) and GEL 12.4mln in 1H19 (gross of income tax) excluded from salaries and other employee benefits and GEL 4.0mln (gross of income tax) excluded from non-recurring items in 1Q19 and in 1H19. The income statement adjusted profit for 2Q18 and 1H18 excludes GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. ROAE and ROAA have been adjusted accordingly for all periods presented. Full IFRS income statement is presented on pages 19 and 20. Management believes that one-off costs do not relate to underlying performance of the Group, and hence, adjusted results provide the best representation of the Group's performance.

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

⁴ Cost/income ratio adjusted for GEL 4.6mln in 2Q19 (1Q19: GEL 7.8mln) and GEL 12.4mln in 1H19 one-off employee costs (gross of income tax) related to termination benefits of the former executive management.

KEY RESULTS HIGHLIGHTS

- **Strong quarterly performance.** Profit adjusted for one-off costs totalled GEL 111.1mln in 2Q19 (up 7.3% y-o-y and down 1.0% q-o-q) and GEL 223.4mln in 1H19 (up 8.8% y-o-y), with profitability remaining high at 22.9% and 23.7% ROAE⁵ in 2Q19 and in the first half of 2019, respectively
- **Strong asset quality.** The cost of credit risk ratio improved to 1.3% in 2Q19 (down 30bps y-o-y and down 40bps q-o-q) and to 1.5% in 1H19 (down 20bps y-o-y). NPLs to gross loans ratio was 3.2% at 30 June 2019, while the NPL coverage ratio was 88.1% and the NPL coverage ratio adjusted for discounted value of collateral was 131.5%
- **Loan book growth reached 30.5% y-o-y and 10.5% q-o-q at 30 June 2019.** Growth on a constant-currency basis was 19.1% y-o-y and 6.4% q-o-q. Retail Banking loan book share in the total loan portfolio was 67.2% at 30 June 2019 (70.3% at 30 June 2018 and 70.0% at 31 March 2019)
- **Strong capital position.** Basel III Tier 1 and Total Capital Adequacy ratios stood at 13.3% and 16.7%, respectively, at 30 June 2019, both above the minimum required level of 11.6% and 16.1%, respectively. Common Equity Tier 1 (CET1) ratio stood at 11.0%, compared to a 9.6% minimum requirement at 30 June 2019. In March 2019, JSC Bank of Georgia issued an inaugural US\$100 million 11.125% Additional Tier 1 Capital Perpetual Subordinated Notes, with regulatory approval on the classification of these securities as Additional Tier 1 instruments received in April 2019
- **Retail Banking (“RB”) continued to deliver solid net interest income, coupled with strong net fee and commission income generation during the period.** The Retail Banking net loan book reached GEL 6,771.2mln at 30 June 2019, up 25.1% y-o-y and up 6.0% q-o-q. The growth was predominantly driven by mortgage and MSME lending. At the same time, the RB client deposits increased to GEL 4,987.6mln at 30 June 2019, up 43.3% y-o-y and up 10.3% q-o-q
- **Corporate and Investment Banking (“CIB”) demonstrated strong growth in 2Q19,** generating solid net interest income and net fee and commission income, coupled with operating efficiencies and strong asset quality. CIB’s net loan book reached GEL 3,208.8mln at 30 June 2019, up 42.6% y-o-y and up 21.0% q-o-q. The growth on a constant-currency basis was 25.3% y-o-y and 14.7% q-o-q. The top 10 CIB client concentration was 9.1% at 30 June 2019 (10.2% at 30 June 2018 and 9.1% at 31 March 2019)
- **Assets Under Management (“AUM”) within the Group’s Investment Management business, increased to GEL 2,504.3mln in 2Q19,** up 25.6% y-o-y and up 5.6% q-o-q, reflecting an increase in client assets and bond issuances at Galt & Taggart, our brokerage subsidiary
- **Dollarisation of the loan book and client deposits.** Loan book in local currency accounted for 39.9% of the total loan book at 30 June 2019 (41.7% a year ago and 39.3% in the previous quarter). Client deposits in local currency represented 31.4% of the total deposit portfolio at 30 June 2019 (37.9% a year ago and 32.9% in previous quarter)
- **Digital channels.** We have actively continued the further development of our digital strategy:
 - **The Bank continued introducing new features to our mobile banking application and our internet bank** and introducing dedicated digital spaces in our branches to incentivise offloading client activity to digital channels. As a result, the number of active internet and mobile banking users, as well as the number and volume of transactions through our mobile and internet banking continued to expand. In total, c.93% of daily banking transactions were executed through digital channels in 1Q19 and 2Q19
 - **In 1Q19, the Bank released a brand new business internet banking platform (Business iBank)** for MSME and corporate clients, which comes with many features designed to make its use an intuitive and smooth experience. We focused our efforts on making the Business iBank even more useful for business transactions, which should further incentivise offloading client activity to digital channels. As a result, we already saw significant increase in number and volume of transactions through new Business iBank in 2Q19 (up 33.8% and up 11.3% q-o-q, respectively). c.89% of daily banking transactions were executed through internet bank in 2Q19
 - **In 1Q19, the Group launched a cutting-edge full-service real estate digital platform, area.ge.** The platform is unique on the Georgian real estate market and is the first platform to be fully integrated with the Bank to provide its users a “one-click” live credit limit appraisal and mortgage application experience. The Group aims to boost its mortgage portfolio by gaining access to a new clientèle, and simultaneously offering value-added services to real estate developers and agencies. At 30 June 2019, more than 535,000 unique users and 527 developers were registered, and more than 3,800 mortgage leads have been generated through the platform, and disbursed mortgage loans amounted to more than GEL 6mln since the launch
 - **In 2Q19, the Group acquired a leading Georgian e-commerce platform, extra.ge.** The Platform facilitates consumer-to-consumer (C2C) and business-to-consumer (B2C) sales through its website and social media channels. Currently, extra.ge had c.350,000 returning visitors per month. Around 80,000 registered buyers and sellers and c.100,000 products and services are listed on extra.ge. The clients will be able to access their Bank of Georgia banking products in a fully integrated way: extra.ge will be integrated with the Bank’s current flexible single sign-on and payment system and will offer the Bank’s pre-approved instant installment loans to enable its customers to purchase selected products. Bank’s retail and MSME clients will enjoy the excellent opportunities of a new consumer experience and doing business in a dynamic and flexible digital marketplace
- **In July 2019, Bank of Georgia signed an agreement with Public Service Hall** over the next three years, whereby we gained the right to provide transactional services to c.4.3 million clients served annually by Public Service Hall throughout 23 locations in Georgia

⁵ 2Q19 and 1H19 ROAE adjusted for GEL 4.0mln and GEL 14.2mln one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management, respectively

CHIEF EXECUTIVE OFFICER'S STATEMENT

In the first half of 2019, the Group delivered another period of strong balance sheet and fee and commission income growth, which has continued to deliver superior profitability. Over the last 12 months, customer lending has increased by 30.5%, supported by 10.5% customer lending growth in the second quarter of 2019, which demonstrates the strength of the Bank of Georgia franchise. In addition, we have continued to build our fully integrated digital capacity; we improved our already strong capital position with the issuance of US\$100 million Additional Tier 1 capital notes, and strengthened our executive management team. At the same time, the Bank has successfully adopted a significant tranche of local regulatory changes and the Georgian economy has continued to deliver strong macro-economic growth, despite some regional uncertainties.

Net profit for the first half of 2019 totalled GEL 209.1 million, despite the impact of GEL 14.2 million of one-off employee costs (net of income tax) related to termination benefits of former CEO and executive management members. Adjusting for these and other 2018 demerger related costs, net profit increased by 8.8% year-on-year to GEL 223.4 million, and the return on average equity was 23.7%. On the same basis, during the second quarter, the Group delivered profit of GEL 111.1 million, up 7.3% year-on-year, reflecting both strong customer lending growth and double-digit growth in fee and commission income.

During the first half of 2019, we actively continued the further development of our fully integrated digital strategy, an important focus for us as we continue to digitise our full banking platforms:

- Introducing new features to our mobile banking application and introducing dedicated digital spaces in our branches. As a result, the number of active mobile banking users reached 418,155 at 30 June 2019, up 82.6% year-on-year and up 9.4% quarter-on-quarter;
- Releasing a brand new business internet banking platform (Business iBank) for our MSME and corporate clients in 1Q19. As a result, we already saw a significant increase in the number and volume of transactions through new Business iBank, up 33.8% and up 11.3% quarter-on-quarter, respectively, in 2Q19;
- Launching a cutting-edge full-service real estate digital platform, area.ge, that is unique in doing business in the Georgian real estate market. This is the first platform to be fully integrated with the Bank to provide users with a “one-click” live credit limit appraisal and mortgage application experience; and
- Acquiring a leading Georgian e-commerce platform, extra.ge, that facilitates consumer-to-consumer and business-to-consumer sales through its website and social media channels

From a macro-economic perspective, Georgia's economic performance remained strong in 2Q19 with an estimated 4.9% growth, rising reserves and improved external balance. Goods exports, remittances and tourism all posted increases in the second quarter, while imports continued to decline. Government infrastructure spending accelerated, but the fiscal deficit is projected to remain below 3% of GDP in 2019 reflecting the Government's emphasis on containing current spending. Annual inflation was 4.3% in June 2019, mostly reflecting the increase in excise tax on tobacco (excluding this one-off, inflation stood at 3.0%). As recent increases in inflation have been driven by temporary factors NBG has maintained its' key rate unchanged. Tighter lending standards slowed credit growth at 14.2% year-on-year excluding FX effect as of June 2019, making lending growth more sustainable and with higher quality. NBG continued to build-up reserves with US\$ 30 million FX purchases in the second quarter, and international reserves increased to US\$3.7 billion at 30 June 2019. However, these purchases, together with some currency speculation following the cancellation of direct flights from Russia, weakened GEL by 6.6% against the US dollar during the second quarter of 2019. Notwithstanding these pressures, Georgia's economic resilience continues to be underpinned by its diversified economic base and external economic linkages. While the direct Russian flight ban may slightly reduce Georgia's GDP growth, it is not expected to have any impact on the performance of the Group.

Whilst individual product loan yields have remained broadly stable, our increasing focus on lending in the mortgage segment and to finer margin corporate and SME clients has led to a negative mix effect on the net interest margin which, when combined with some competitive pricing pressure, increased minimum reserve requirements mandated by NBG and the carry-cost of our recent AT1 capital notes issuance, reduced the net interest margin by 40 basis points quarter-on-quarter to 5.4% in 2Q19. This shift in product mix, which we expect to continue at a slower rate during the remainder of 2019, improves asset quality and, particularly in the case of the mortgage portfolio, reduces the risk-asset and capital intensity of our lending growth. When we price individual products, we continue to ensure that we obtain a return on equity in excess of 20% on that product. In the Retail Banking segment, for example, the improved capital efficiency of our lending portfolio ensured that we increased the return on equity despite the net interest margin falling. Costs throughout the Group remain well-controlled and increased by 5.5% year-on-year in 1H19 (adjusted for one-off employee costs related to termination benefits of former CEO and executive management), reflecting the Bank's continuing investments in the Agile transformation process and the Bank-wide digital programmes.

Asset quality continues to be very robust, reflecting our good lending discipline and the ongoing strength of the economy. The annualised cost of credit risk ratio in the first half of 2019 was 1.5%, down 20bps year-on-year, broadly reflecting a very strong performance in the Corporate and Investment Banking business (annualised cost of credit risk ratio of 0.4%), which offset the impact of the new regulatory changes in the Retail Banking (annualised cost of credit risk ratio of 2.0%). The impact of these recent regulatory changes has now been largely completed, and the Retail Banking cost of credit risk ratio has now returned to more normal levels, as expected. As a result, the Group's cost of credit risk ratio reduced to 1.3% in the second quarter of 2019. The NPLs to gross loans ratio improved slightly to 3.2% at 30 June 2019, 20 basis points lower than a year ago and 10 basis points lower quarter-on-quarter. We continue to expect asset quality and credit metrics to remain strong over the medium-term.

The Retail Bank continues to deliver strong franchise growth and strong profitability. Customer lending increased by 6.0% during the second quarter of the year, and by 25.1% over the last 12 months. On a constant currency basis, the second quarter growth was 3.0% and the annual growth was 16.7%, at a time when we have been integrating significant regulatory changes to income verification procedures, and payment-to-income and loan-to-value ratios targeted to refocus retail lending towards the high quality secured mortgage portfolio and micro lending, where we are the most technologically advanced micro-lender in the country. Mortgage and micro lending were particularly strong, supported by the strength of the Georgian economy, growing by 9.2% and 7.4%, respectively, in the second quarter. Going forward, the Retail Bank's clear focus will continue to be on capturing the significant growth opportunities in the mortgage and MSME portfolios. The overall impact of the regulatory changes has been the reduction of the net interest margin of the Retail Bank, however, we are now seeing the overall credit risk in the Retail Banking reducing and leading to a sustainably lower Retail cost of credit risk ratio. Importantly, however, the capital efficiency of this portfolio shift remains strong and the Retail Bank continues to deliver a very strong return on equity – 25.3% in the first quarter and 26.9% in the second quarter of 2019 (adjusted for one-off employee costs related to termination benefits of former CEO and executive management).

The Retail Bank now has almost 2.5 million customers, an increase of 3.9% over the last 12 months. Our fully transformed, user-friendly, multi-feature mobile banking application, mBank, continues to see significant growth in the number of digital transactions, growing by 22.2% over the last three months alone, to over 8 million transactions in the second quarter. In addition, we have now comfortably exceeded our targeted 40,000 Solo clients by the end of 2018, with almost 50,000 clients now benefiting from Solo's concierge-style banking proposition.

Corporate and Investment Banking performed particularly strongly during the first half of 2019. On a constant currency basis, customer lending in CIB grew by 25.3% year-on-year and by 14.7% quarter-on-quarter, while the net interest margin remained broadly stable. This strong performance in CIB was driven by a 21.6% year-on-year growth in net fee and commission income during the first half of 2019, and an increase of 20.9% in operating income year-on-year, that led to 42.7% year-on-year growth in profit (adjusted for one-off employee costs related to termination benefits of former CEO and executive management, and other 2018 demerger related costs).

The Group's capital and funding position remains strong, and our issuance of US\$100 million Additional Tier 1 capital notes in March 2019 has improved the efficiency of our capital structure, introduced a natural hedge against dollarisation in the economy and built in significant headroom over the fully-loaded Basel III capital requirements for 2021 that are currently being phased-in. These Additional Tier 1 capital notes received regulatory approval in April 2019 and added approximately 230 basis points to our Tier 1 capital ratio. During April 2019, we took the opportunity to repay US\$65 million of Tier 2 capital subordinated debt, and this will substantially reduce the carry-cost of the new Additional Tier 1 capital notes issuance. In addition, we continue to generate high levels of internal capital as a result of both the Group's high return on equity, and the improved risk asset intensity of our current and expected lending growth. During the half of 2019, the Bank's NBG (Basel III) Tier 1 capital adequacy ratio increased from 12.2% in December 2018, to 13.3% in June 2019.

Bank of Georgia has an indisputably strong brand and customer franchise. Having taken over as Chief Executive of the Group during the first quarter, we have considerably strengthened the executive management team and we are working together to redefine the Group with high levels of digitalisation, the use of advanced analytics, and significantly improved efficiencies and processes to become the solution-based bank for our entire customer franchise. At the same time, the Bank has adapted to substantial regulatory change and has already reset its base for the coming years. We are achieving significant portfolio growth with continued profitability comfortably in excess of our targeted 20%+ return on equity level. With no further material regulatory changes expected, we are well placed to deliver strong growth over the next few years.

Archil Gachechiladze,
CEO, Bank of Georgia Group PLC
13 August 2019

DISCUSSION OF RESULTS

The Group's business is primarily comprised of three segments. (1) **Retail Banking** operations in Georgia principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfer and settlement services, and handling customers' deposits for both individuals as well as legal entities. Retail Banking targets the emerging retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. (2) **Corporate 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 Belaruskyy Narodnyy Bank, principally provides retail and corporate banking services to clients in Belarus.

OPERATING INCOME

GEL thousands, unless otherwise noted	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
Interest income	342,224	329,880	3.7%	334,735	2.2%	676,959	643,559	5.2%
Interest expense	(160,602)	(143,298)	12.1%	(151,794)	5.8%	(312,396)	(276,728)	12.9%
Net interest income	181,622	186,582	-2.7%	182,941	-0.7%	364,563	366,831	-0.6%
Fee and commission income	68,025	55,693	22.1%	62,531	8.8%	130,556	106,906	22.1%
Fee and commission expense	(24,758)	(17,846)	38.7%	(20,351)	21.7%	(45,109)	(34,549)	30.6%
Net fee and commission income	43,267	37,847	14.3%	42,180	2.6%	85,447	72,357	18.1%
Net foreign currency gain	36,700	25,000	46.8%	30,025	22.2%	66,724	39,252	70.0%
Net other income / (expense)	(4,260)	3,705	NMF	3,568	NMF	(691)	9,451	NMF
Operating income	257,329	253,134	1.7%	258,714	-0.5%	516,043	487,891	5.8%
Net interest margin	5.4%	6.9%		5.8%		5.6%	7.0%	
Average interest earning assets	13,504,120	10,817,599	24.8%	12,752,388	5.9%	13,159,460	10,632,795	23.8%
Average interest bearing liabilities	13,378,168	11,468,106	16.7%	12,717,669	5.2%	13,095,239	11,326,887	15.6%
Average net loans and finance lease receivables, currency blended	10,004,743	7,998,440	25.1%	9,453,255	5.8%	9,751,614	7,893,403	23.5%
Average net loans and finance lease receivables, GEL	3,977,481	3,313,608	20.0%	3,656,912	8.8%	3,825,608	3,199,612	19.6%
Average net loans and finance lease receivables, FC	6,027,262	4,684,832	28.7%	5,796,343	4.0%	5,926,006	4,693,791	26.3%
Average client deposits and notes, currency blended	8,673,526	7,253,758	19.6%	8,278,823	4.8%	8,487,934	7,124,489	19.1%
Average client deposits and notes, GEL	2,860,563	2,588,111	10.5%	2,718,201	5.2%	2,793,175	2,449,970	14.0%
Average client deposits and notes, FC	5,812,963	4,665,647	24.6%	5,560,622	4.5%	5,694,759	4,674,519	21.8%
Average liquid assets, currency blended	4,528,508	4,349,730	4.1%	4,405,239	2.8%	4,461,800	4,301,382	3.7%
Average liquid assets, GEL	2,049,163	1,833,260	11.8%	2,066,605	-0.8%	2,065,576	1,830,113	12.9%
Average liquid assets, FC	2,479,345	2,516,470	-1.5%	2,338,634	6.0%	2,396,224	2,471,269	-3.0%
Liquid assets yield, currency blended	3.4%	3.8%		3.8%		3.6%	3.7%	
Liquid assets yield, GEL	6.1%	7.0%		6.8%		6.5%	6.9%	
Liquid assets yield, FC	1.1%	1.5%		1.1%		1.1%	1.3%	
Loan yield, currency blended	11.8%	14.0%		12.2%		12.0%	13.9%	
Loan yield, GEL	17.3%	20.8%		18.4%		17.8%	21.0%	
Loan yield, FC	8.2%	9.0%		8.3%		8.2%	9.0%	
Cost of funds, currency blended	4.8%	5.0%		4.8%		4.8%	4.9%	
Cost of funds, GEL	6.8%	7.2%		7.0%		6.9%	7.1%	
Cost of funds, FC	3.7%	3.7%		3.6%		3.6%	3.6%	
Cost / income ⁶	38.3%	36.8%		35.5%		36.9%	37.0%	

Performance highlights

- Solid operating income of GEL 257.3mln in 2Q19 (up 1.7% y-o-y and down 0.5% q-o-q), ending six months of 2019 with operating income of GEL 516.0mln (up 5.8% y-o-y).** Y-o-y operating income growth in 2Q19 and 1H19 was primarily driven by strong growth in net fee and commission income (up 14.3% y-o-y in 2Q19 and up 18.1% y-o-y in 1H19) and net foreign currency gains (up 46.8% y-o-y in 2Q19 and up 70.0% y-o-y in 1H19), which benefited from a high level of currency volatility in 2019
- Our NIM was 5.4% in 2Q19 and 5.6% in 1H19.** During second quarter 2019, NIM was down 150bps y-o-y due to the 220bps y-o-y decrease in loan yield, largely reflecting competition driven pricing pressure and our shift towards a higher quality, finer margin product mix on the back of tighter regulatory conditions for unsecured consumer lending, partially offset by 20bps y-o-y decline in cost of funds. On a q-o-q basis, loan yield decreased by 40bps, while cost of funds remained flat, resulting in 40bps q-o-q decline in 2Q19 NIM. On a half year basis, loan yield was down by 190bps y-o-y, while cost of funds decreased by 10bps y-o-y, causing NIM to decline by 140bps y-o-y. The decline in NIM in all periods presented was also partially driven by the increased minimum reserve requirements mandated by NBG as discussed in more details below

⁶ Cost/income ratio is adjusted for GEL 4.6mln in 2Q19 (1Q19: GEL 7.8mln) and GEL 12.4mln in 1H19 one-off employee costs (gross of income tax) related to termination benefits of the former executive management

- **Loan yield.** Currency blended loan yield was 11.8% in 2Q19 (down 220bps y-o-y and down 40bps q-o-q) and 12.0% in the first half of 2019 (down 190bps y-o-y). The y-o-y and q-o-q decline in loan yields during the second quarter and first half of 2019 was attributable to a decrease in both local and foreign currency loan yields, which primarily reflected the change in product mix in our loan portfolio and competition driven pricing pressure on the market
- **Liquid assets yield.** Our liquid assets yield was 3.4% in 2Q19 (down 40bps y-o-y and q-o-q) and 3.6% in 1H19 (down 10bps y-o-y). The main contributor to y-o-y declining trend in both periods was decrease in foreign currency denominated liquid assets yields (down 40bps y-o-y in 2Q19 and down 20bps y-o-y in 1H19), reflecting a) increase in obligatory reserves with NBG, primarily driven by the changes in minimum reserve requirements mandated by NBG since September 2018, whereby the foreign currency funds raised by local banks carried up to 25% reserve requirement depending on maturity, and further increase of this requirement up to 30% since May 2019; b) starting from 12 July 2018, NBG reduced interest rates on foreign currency obligatory reserves (from US Fed rate minus 50bps to Fed rate minus 200bps, floored at zero for US Dollar reserves, and from ECB rate minus 20bps to ECB rate minus 200bps, floored at negative 60bps for EUR denominated reserves)
- **Cost of funds.** Cost of funds stood at 4.8% both in 2Q19 (down 20bps y-o-y and flat q-o-q) and in 1H19 (down 10bps y-o-y). Y-o-y decline in cost of funds in 2Q19 and 1H19 was primarily on the back of decline in the cost of client deposits and notes (down 30bps y-o-y in 2Q19 and down 20bps y-o-y in 1H19), which represented 63.5% of total interest-bearing liabilities. This decline offset the 40bps and 10bps y-o-y increase in cost of debt securities issued in 2Q19 and 1H19, respectively, as a result of the issuance of our inaugural US\$ 100 million Additional Tier 1 capital perpetual subordinated notes at the end of March 2019. On q-o-q basis, the cost of funds remained flat, driven by lower cost of amounts due to credit institutions on the back of repayment of US\$ 65mln subordinated debt in April 2019, coupled with decrease in Libor and NBG monetary policy rates, and offset by increased cost of debt securities issued as a result of issuance of the above mentioned Additional Tier 1 capital subordinated notes
- **Net fee and commission income.** Net fee and commission income reached GEL 43.3mln in 2Q19 (up 14.3% y-o-y and up 2.6% q-o-q) and GEL 85.4mln in 1H19 (up 18.1% y-o-y). Y-o-y growth was mainly driven by the strong performance in our settlement operations supported by the success of our Retail Banking franchise and a strong increase in fees and commission income from guarantees and letters of credit issued by the Corporate and Investment Banking business
- **Net foreign currency gain.** Net foreign currency gain was up 46.8% y-o-y and up 22.2% q-o-q in 2Q19, and up 70.0% y-o-y in 1H19, primarily due to increased client-driven flows, as well as a high level of currency volatility during first and second quarters of 2019
- **Net other income.** Significant y-o-y decline in net other income in 1H19 was largely driven by net losses from derivative financial instruments (interest rate swap hedges) recorded during the first and second quarters of 2019, partially offset by net gains from investment securities during the same period

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

GEL thousands, unless otherwise noted ⁷	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
Salaries and other employee benefits	(57,982)	(53,925)	7.5%	(52,418)	10.6%	(110,399)	(103,378)	6.8%
Administrative expenses	(22,033)	(26,862)	-18.0%	(22,741)	-3.1%	(44,774)	(52,495)	-14.7%
Depreciation and amortisation	(17,295)	(11,392)	51.8%	(15,688)	10.2%	(32,983)	(22,914)	43.9%
Other operating expenses	(1,248)	(965)	29.3%	(1,080)	15.6%	(2,329)	(1,736)	34.2%
Operating expenses	(98,558)	(93,144)	5.8%	(91,927)	7.2%	(190,485)	(180,523)	5.5%
Profit from associate	254	376	-32.4%	188	35.1%	442	695	-36.4%
Operating income before cost of risk	159,025	160,366	-0.8%	166,975	-4.8%	326,000	308,063	5.8%
Expected credit loss / impairment charge on loans to customers	(32,436)	(33,534)	-3.3%	(40,117)	-19.1%	(72,553)	(70,211)	3.3%
Expected credit loss / impairment charge on finance lease receivables	(557)	(266)	109.4%	(446)	24.9%	(1,003)	(253)	NMF
Other expected credit loss / impairment charge on other assets and provisions	(2,483)	(3,726)	-33.4%	(2,089)	18.9%	(4,573)	(876)	NMF
Cost of risk	(35,476)	(37,526)	-5.5%	(42,652)	-16.8%	(78,129)	(71,340)	9.5%
Net operating income before non-recurring items	123,549	122,840	0.6%	124,323	-0.6%	247,871	236,723	4.7%
Net non-recurring items	(2,538)	(13,763)	-81.6%	(1,575)	61.1%	(4,112)	(16,711)	-75.4%
Profit before income tax expense and one-off costs	121,011	109,077	10.9%	122,748	-1.4%	243,759	220,012	10.8%
Income tax expense	(9,871)	(5,461)	80.8%	(10,536)	-6.3%	(20,407)	(14,744)	38.4%
Profit adjusted for one-off costs	111,140	103,616	7.3%	112,212	-1.0%	223,352	205,268	8.8%
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	(3,996)	(52,541)	-92.4%	(10,240)	-61.0%	(14,236)	(52,541)	-72.9%
Profit	107,144	51,075	109.8%	101,972	5.1%	209,116	152,727	36.9%

- **Operating expenses** adjusted for one-off employee costs related to termination benefits of former executive management members (acceleration of share-based compensation) were GEL 98.6mln in 2Q19 (up 5.8% y-o-y and up 7.2% q-o-q) and

⁷ The adjusted profit in the table excludes GEL 4.0mln in 2Q19 (1Q19: GEL 10.2mln) and GEL 14.2mln in 1H19 one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 4.6mln in 2Q19 (1Q19: GEL 7.8mln) and GEL 12.4mln in 1H19 (gross of income tax) excluded from salaries and other employee benefits and GEL 4.0mln (gross of income tax) excluded from non-recurring items in 1Q19 and 1H19. The income statement adjusted profit for 2Q18 and 1H18 excludes GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

GEL 190.5mln in 1H19 (up 5.5% y-o-y), driving the negative operating leverage of 4.2% y-o-y and 7.7% q-o-q in 2Q19. The q-o-q increase in operating expenses was primarily driven by higher salaries and other employee benefits as a result of our increased investment in IT related resources as part of the Agile transformation process and focus on digitalisation

- The decline in **administrative expenses** and increase in **depreciation and amortisation expenses** is primarily driven by adoption of a new standard IFRS 16, *Leases* replacing IAS 17, *Leases* effective 1 January 2019. As a result of the adoption of the standard the Group recorded on its balance sheet assets related to the right to use the rented properties together with corresponding liabilities for respective payments under the lease contracts. There was no material impact on overall operating expenses in 1Q19 and 2Q19
- **Improved asset quality.** The cost of credit risk ratio was 1.3% in 2Q19 (down 30bps y-o-y and down 40bps q-o-q) and 1.5% in the first half of 2019 (down 20bps y-o-y). RB's cost of credit risk ratio was 1.6% in 2Q19 (down 40bps y-o-y and down 80bps q-o-q) and 2.0% in 1H19 (down 10bps y-o-y), while CIB's cost of credit risk ratio was 0.7% in 2Q19 (up 10bps y-o-y and up 60bps q-o-q) and 0.4% in 1H19 (down 60bps y-o-y). The y-o-y and q-o-q decrease in RB's cost of credit risk ratio reflected improved loan portfolio quality due to our increasing focus on lending in the mortgage segment and to finer margin SME clients
- **Quality of our loan book remained strong in 2Q19** as evidenced by the following closely monitored metrics:

<i>GEL thousands, unless otherwise noted</i>	Jun-19	Jun-18	Change y-o-y	Mar-19	Change q-o-q
Non-performing loans					
NPLs	347,285	283,768	22.4%	326,127	6.5%
NPLs to gross loans	3.2%	3.4%		3.3%	
NPLs to gross loans, RB	2.1%	2.1%		2.2%	
NPLs to gross loans, CIB	5.3%	4.8%		5.7%	
NPL coverage ratio	88.1%	99.4%		92.2%	
NPL coverage ratio adjusted for the discounted value of collateral	131.5%	142.8%		132.6%	
Past due dates					
Retail loans - 15 days past due rate	1.5%	1.6%		1.3%	
Mortgage loans – 15 days past due rate	1.4%	1.0%		1.1%	

- **BNB – the Group's banking subsidiary in Belarus - continues to remain strongly capitalised**, with capital adequacy ratios well above the requirements of the National Bank of the Republic of Belarus (“NBRB”). At 30 June 2019, total capital adequacy ratio was 15.7%, above the 10% minimum requirement, while Tier I capital adequacy ratio was 9.8%, above NBRB's 7% minimum requirement. ROAE was 9.8% in 2Q19 (10.8% in 2Q18 and 12.1% in 1Q19) and 10.8% in 1H19 (11.5% in 1H18). *For detailed financial results of BNB, please see page 22*
- **Net non-recurring items.** Net non-recurring expenses adjusted for one-off costs amounted to GEL 2.5mln in 2Q19 (GEL 13.8mln in 2Q18 and GEL 1.6mln in 1Q19) and GEL 4.1mln in 1H19 (GEL 16.7mln in 1H18), largely reflecting legal fees incurred during first and second quarter of 2019
- **Overall, profit adjusted for one-off costs** totalled GEL 111.1mln in 2Q19 (up 7.3% y-o-y and down 1.0% q-o-q), and GEL 223.4mln in the first half of 2019 (up 8.8% y-o-y), while ROAE⁸ was 22.9% in 2Q19 (25.4% in 2Q18 and 24.5% in 1Q19) and 23.7% in 1H19 (25.7% in 1H18)

BALANCE SHEET HIGHLIGHTS

<i>GEL thousands, unless otherwise noted</i>	Jun-19	Jun-18	Change y-o-y	Mar-19	Change q-o-q
Liquid assets	4,537,545	4,266,417	6.4%	4,502,390	0.8%
Liquid assets, GEL	2,092,757	1,969,843	6.2%	2,005,142	4.4%
Liquid assets, FC	2,444,788	2,296,574	6.5%	2,497,248	-2.1%
Net loans and finance lease receivables	10,579,710	8,108,647	30.5%	9,570,691	10.5%
Net loans and finance lease receivables, GEL	4,217,713	3,378,450	24.8%	3,758,320	12.2%
Net loans and finance lease receivables, FC	6,361,997	4,730,197	34.5%	5,812,371	9.5%
Client deposits and notes	8,855,616	7,174,234	23.4%	8,393,861	5.5%
Amounts due to credit institutions	2,960,519	2,740,595	8.0%	2,463,408	20.2%
Borrowings from DFIs	1,253,921	1,161,120	8.0%	1,309,976	-4.3%
Short-term loans from central banks	1,001,496	556,834	79.9%	585,797	71.0%
Loans and deposits from commercial banks	705,102	1,022,641	-31.1%	567,635	24.2%
Debt securities issued	2,137,239	1,527,452	39.9%	2,045,428	4.5%
Liquidity and CAR ratios					
Net loans / client deposits and notes	119.5%	113.0%		114.0%	
Net loans / client deposits and notes + DFIs	104.7%	97.3%		98.6%	
Liquid assets / total assets	28.1%	32.2%		29.9%	
Liquid assets / total liabilities	31.9%	36.9%		34.3%	
NBG liquidity ratio	37.0%	30.2%		36.7%	
NBG liquidity coverage ratio	114.3%	129.8%		133.1%	
NBG (Basel III) Tier I capital adequacy ratio	13.3%	12.5%		12.7%	
NBG (Basel III) Total capital adequacy ratio	16.7%	17.5%		17.1%	

⁸ ROAE adjusted for GEL 4.0mln in 2Q19 (1Q19: GEL 10.2mln) and GEL 14.2mln in 1H19 one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 2Q18 and 1H18 ROAE adjusted for GEL 52.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 114.3%) **and strongly capitalised** (NBG Basel III Tier I capital adequacy ratio of 13.3%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 62.3%).

- **Liquidity.** Liquid assets stood at GEL 4,537.5mln at 30 June 2019, up 6.4% y-o-y and up 0.8% q-o-q. The notable increase over the year was in obligatory reserves with NBG, combined with excess liquidity deployed with the credit institutions, NBG and Ministry of Finance. Increase in obligatory reserves with NBG was primarily driven by the changes in minimum reserve requirements mandated by NBG since September 2018, whereby the foreign currency funds raised by local banks carried up to 25% reserve requirement depending on maturity. The reserve requirement on foreign currency funds was further increased up to 30% depending on maturity starting from the end of May 2019. The NBG Liquidity coverage ratio was 114.3% at 30 June 2019 (129.8% at 30 June 2018 and 133.1% at 31 March 2019), well above the 100% minimum requirement level
- **Loan book.** Our net loan book and finance lease receivables reached GEL 10,579.7mln at 30 June 2019, up 30.5% y-o-y and up 10.5% q-o-q. As of 30 June 2019, the retail loan book represented 67.2% of the total loan portfolio (70.3% at 30 June 2018 and 70.0% at 31 March 2019). Both local and foreign currency portfolios experienced strong y-o-y growth of 24.8% and 34.5%, respectively. Furthermore, local currency denominated loan portfolio was up 12.2% q-o-q, while foreign currency denominated loan book grew by 9.5% q-o-q. The local currency loan portfolio growth was partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio
- **Dollarisation of our loan book and client deposits.** The retail client loan book in foreign currency accounted for 45.9% of the total RB loan book at 30 June 2019 (46.0% at 30 June 2018 and 48.6% at 31 March 2019), while retail client foreign currency deposits comprised 68.8% of total RB deposits at 30 June 2019 (70.6% at 30 June 2018 and 69.4% at 31 March 2019). At 30 June 2019, 83.6% of CIB's loan book was denominated in foreign currency (80.2% at 30 June 2018 and 83.0% at 31 March 2019), while 63.2% of CIB deposits were denominated in foreign currency (50.7% at 30 June 2018 and 60.2% at 31 March 2019). De-dollarisation of loans and deposits is expected to pick-up pace as a result of the recent NBG-mandated increase of local currency loan threshold from GEL 100,000 to GEL 200,000 from 1 January 2019 and increased mandatory reserve requirements on funds attracted in foreign currency introduced by NBG since May 2019
- **Net loans to customer funds and DFI ratio.** Our net loans to customer funds and DFI ratio, which is closely monitored by management, remained strong at 104.7% at 30 June 2019 (up from 97.3% at 30 June 2018 and up from 98.6% at 31 March 2019)
- **Diversified funding base.** Debt securities issued grew by 39.9% y-o-y and by 4.5% q-o-q at 30 June 2019. The y-o-y increase was primarily driven by the issuance of US\$ 100 million Additional Tier 1 capital notes in March 2019 (*see details below*)
- **Capital Adequacy requirements.** Basel III Tier 1 and Total capital adequacy ratios stood at 13.3% and 16.7%, respectively, as of 30 June 2019 compared to a minimum required level of 11.6% and 16.1%, respectively. At the same time, Common Equity Tier 1 (CET1) ratio stood at 11.0% compared to a 9.6% minimum requirement at 30 June 2019. In March 2019, the Bank issued inaugural US\$ 100 million 11.125% Additional Tier 1 capital perpetual subordinated notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia at an issue price of 100.00% (the "Notes"). The Notes are listed on the Irish Stock Exchange and rated B- (Fitch). The issuance was the first international offering of Additional Tier 1 Capital Notes from Georgia and the South Caucasus region. Basel III regulations recently introduced in Georgia now enable this type of capital optimisation and this US Dollar issue provides the Bank with an opportunity to diversify its capital structure from a foreign currency perspective and provides a natural hedge against dollarisation in the economy. The regulatory approval on the classification of the Notes as Additional Tier 1 instruments was received in April 2019

DISCUSSION OF SEGMENT RESULTS

RETAIL BANKING (RB)

Retail Banking provides consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services and the handling of customer deposits for both individuals and legal entities (SME and micro businesses only). RB is represented by the following four sub-segments: (1) the emerging retail segment (through our Express brand), (2) retail mass market segment; (3) SME and micro businesses – “MSME” (through our Bank of Georgia brand), and (4) the mass affluent segment (through our Solo brand).

<i>GEL thousands, unless otherwise noted</i>	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
INCOME STATEMENT HIGHLIGHTS⁹								
Net interest income	128,167	138,485	-7.5%	130,987	-2.2%	259,154	273,938	-5.4%
Net fee and commission income	34,605	29,153	18.7%	32,435	6.7%	67,039	55,292	21.2%
Net foreign currency gain	18,070	10,581	70.8%	13,240	36.5%	31,309	14,929	109.7%
Net other income / (expense)	(3,753)	1,664	NMF	2,168	NMF	(1,582)	4,770	NMF
Operating income	177,089	179,883	-1.6%	178,830	-1.0%	355,920	348,929	2.0%
Salaries and other employee benefits	(36,691)	(34,639)	5.9%	(33,874)	8.3%	(70,564)	(66,752)	5.7%
Administrative expenses	(14,992)	(20,544)	-27.0%	(15,796)	-5.1%	(30,788)	(40,084)	-23.2%
Depreciation and amortisation	(14,492)	(9,818)	47.6%	(13,287)	9.1%	(27,779)	(19,720)	40.9%
Other operating expenses	(753)	(602)	25.1%	(536)	40.5%	(1,290)	(1,105)	16.7%
Operating expenses	(66,928)	(65,603)	2.0%	(63,493)	5.4%	(130,421)	(127,661)	2.2%
Profit from associate	254	376	-32.4%	188	35.1%	442	695	-36.4%
Operating income before cost of risk	110,415	114,656	-3.7%	115,525	-4.4%	225,941	221,963	1.8%
Cost of risk	(26,542)	(29,618)	-10.4%	(39,386)	-32.6%	(65,930)	(58,072)	13.5%
Net operating income before non-recurring items	83,873	85,038	-1.4%	76,139	10.2%	160,011	163,891	-2.4%
Net non-recurring items	(64)	(8,829)	-99.3%	(276)	-76.8%	(339)	(10,803)	-96.9%
Profit before income tax expense and one-off costs	83,809	76,209	10.0%	75,863	10.5%	159,672	153,088	4.3%
Income tax expense	(6,323)	(3,173)	99.3%	(6,101)	3.6%	(12,425)	(9,236)	34.5%
Profit adjusted for one-off costs	77,486	73,036	6.1%	69,762	11.1%	147,247	143,852	2.4%
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	(3,067)	(33,544)	-90.9%	(7,075)	-56.7%	(10,142)	(33,544)	-69.8%
Profit	74,419	39,492	88.4%	62,687	18.7%	137,105	110,308	24.3%
BALANCE SHEET HIGHLIGHTS								
Net loans, currency blended	6,771,223	5,414,566	25.1%	6,389,631	6.0%	6,771,223	5,414,566	25.1%
Net loans, GEL	3,661,673	2,923,737	25.2%	3,286,042	11.4%	3,661,673	2,923,737	25.2%
Net loans, FC	3,109,550	2,490,829	24.8%	3,103,589	0.2%	3,109,550	2,490,829	24.8%
Client deposits, currency blended	4,987,611	3,479,938	43.3%	4,520,521	10.3%	4,987,611	3,479,938	43.3%
Client deposits, GEL	1,553,653	1,021,776	52.1%	1,385,451	12.1%	1,553,653	1,021,776	52.1%
Client deposits, FC	3,433,958	2,458,162	39.7%	3,135,070	9.5%	3,433,958	2,458,162	39.7%
<i>of which:</i>								
Time deposits, currency blended	2,866,525	1,952,610	46.8%	2,593,744	10.5%	2,866,525	1,952,610	46.8%
Time deposits, GEL	704,286	437,120	61.1%	637,522	10.5%	704,286	437,120	61.1%
Time deposits, FC	2,162,239	1,515,490	42.7%	1,956,222	10.5%	2,162,239	1,515,490	42.7%
Current accounts and demand deposits, currency blended	2,121,086	1,527,328	38.9%	1,926,777	10.1%	2,121,086	1,527,328	38.9%
Current accounts and demand deposits, GEL	849,367	584,656	45.3%	747,929	13.6%	849,367	584,656	45.3%
Current accounts and demand deposits, FC	1,271,719	942,672	34.9%	1,178,848	7.9%	1,271,719	942,672	34.9%
KEY RATIOS								
ROAE ⁹	26.9%	30.6%		25.3%		26.2%	31.1%	
Net interest margin, currency blended	5.9%	7.9%		6.4%		6.1%	8.1%	
Cost of credit risk ratio	1.6%	2.0%		2.4%		2.0%	2.1%	
Cost of funds, currency blended	5.3%	5.9%		5.6%		5.4%	5.9%	
Loan yield, currency blended	12.9%	15.7%		13.6%		13.2%	15.8%	
Loan yield, GEL	17.7%	22.0%		19.3%		18.4%	22.2%	
Loan yield, FC	7.3%	8.2%		7.7%		7.5%	8.3%	
Cost of deposits, currency blended	3.0%	2.9%		3.0%		3.0%	2.9%	
Cost of deposits, GEL	5.2%	4.9%		5.2%		5.2%	4.8%	
Cost of deposits, FC	2.1%	2.1%		2.1%		2.1%	2.1%	
Cost of time deposits, currency blended	4.3%	4.2%		4.3%		4.3%	4.2%	
Cost of time deposits, GEL	8.7%	8.7%		8.8%		8.7%	8.8%	
Cost of time deposits, FC	2.9%	3.0%		2.9%		2.9%	3.0%	
Current accounts and demand deposits, currency blended	1.4%	1.1%		1.3%		1.3%	1.1%	
Current accounts and demand deposits, GEL	2.3%	2.0%		2.2%		2.2%	1.9%	
Current accounts and demand deposits, FC	0.8%	0.6%		0.7%		0.7%	0.6%	
Cost / income ratio ¹⁰	37.8%	36.5%		35.5%		36.6%	36.6%	

⁹ The income statement adjusted profit excludes GEL 3.1mln in 2Q19 (1Q19: GEL 7.1mln) and GEL 10.1mln in 1H19 one-off employee costs (net of income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 3.5mln in 2Q19 (1Q19: GEL 5.2mln) and GEL 8.6mln in 1H19 (gross of income tax) excluded from salaries and other employee benefits and GEL 2.9mln (gross of income tax) excluded from non-recurring items in 1Q19 and 1H19. The income statement adjusted profit for 2Q18 and 1H18 excludes GEL 33.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. The ROAE has been adjusted accordingly for all respective periods presented

¹⁰ Cost/income ratio adjusted for GEL 3.5mln in 2Q19 (1Q19: GEL 5.2mln) and GEL 8.6mln in 1H19 one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Retail Banking delivered solid quarterly results in each of its major segments and generated operating income of GEL 177.1mln in 2Q19 (down 1.6% y-o-y and down 1.0% q-o-q) and GEL 355.9mln in 1H19 (up 2.0% y-o-y)**
- RB's net interest income was down 7.5% y-o-y and down 2.2% q-o-q in 2Q19, and down 5.4% y-o-y in 1H19, largely as a result of the regulations introduced by the National Bank of Georgia on consumer lending in 2018. Net interest income still benefits from the growth of the local currency loan portfolio, which generated 10.4ppts and 10.9ppts higher yields than the foreign currency loan portfolio in 2Q19 and 1H19, respectively
- **The Retail Banking net loan book reached GEL 6,771.2mln in 2Q19, up 25.1% y-o-y and up 6.0% q-o-q. On a constant currency basis our retail loan book increased by 16.7% y-o-y and by 3.0% q-o-q in 2Q19.** Our local currency denominated loan book increased by 25.2% y-o-y and by 11.4% q-o-q, while the foreign currency denominated loan book grew by 24.8% y-o-y and was by 0.2% q-o-q. As a result, the local currency denominated loan book accounted for 54.1% of the total Retail Banking loan book at 30 June 2019 (54.0% at 30 June 2018 and 51.4% at 31 March 2019)
- **The loan portfolio composition reflects the shift towards a higher quality, finer margin product mix on the back of tighter lending conditions for unsecured consumer lending.** The y-o-y and q-o-q loan book growth reflected continued strong loan origination levels in MSME and mortgage segments:

Retail Banking loan book by products*GEL million, unless otherwise noted*

	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
Loan originations								
Consumer loans	407.6	346.5	17.6%	306.5	33.0%	714.0	710.6	0.5%
Mortgage loans	452.8	349.7	29.5%	209.5	116.1%	662.3	653.0	1.4%
Micro loans	323.4	248.5	30.2%	287.0	12.7%	610.5	532.1	14.7%
SME loans	239.4	152.7	56.8%	214.5	11.6%	453.9	283.6	60.1%
POS loans	18.4	30.9	-40.5%	14.5	27.3%	32.9	81.1	-59.4%
Outstanding balance								
Consumer loans	1,447.5	1,322.1	9.5%	1,381.5	4.8%	1,447.5	1,322.1	9.5%
Mortgage loans	2,814.8	1,931.3	45.7%	2,578.5	9.2%	2,814.8	1,931.3	45.7%
Micro loans	1,408.4	1,144.6	23.0%	1,310.8	7.4%	1,408.4	1,144.6	23.0%
SME loans	795.7	631.9	25.9%	795.8	0.0%	795.7	631.9	25.9%
POS loans	38.2	92.8	-58.8%	44.4	-13.8%	38.2	92.8	-58.8%

- **Retail Banking client deposits increased to GEL 4,987.6mln, up 43.3% y-o-y and up 10.3% q-o-q.** The dollarisation level of our deposits decreased to 68.8% at 30 June 2019 from 70.6% at 30 June 2018 and from 69.4% at 31 March 2019. The cost of foreign currency denominated deposits stood at 2.1% in 2Q19 and in 1H19, flat both y-o-y and q-o-q. The cost of local currency denominated deposits increased by 30bps y-o-y and was flat q-o-q in 2Q19 and increased by 40bps y-o-y in 1H19. The spread between the cost of RB's client deposits in GEL and foreign currency widened to 3.1ppts during 2Q19 (GEL: 5.2%; FC: 2.1%) compared to 2.8ppts in 2Q18 (GEL: 4.9%; FC: 2.1%) and 3.1ppts in 1Q19 (GEL: 5.2%; FC: 2.1%). On a half year basis, the spread was 3.1ppts in 1H19 (GEL: 5.2%; FC: 2.1%) compared to 2.7ppts in 1H18 (GEL: 4.8%; FC: 2.1%). Local currency denominated deposits increased at a faster pace to GEL 1,553.7mln (up 52.1% y-o-y and up 12.1% q-o-q), as compared to foreign currency denominated deposits that grew to GEL 3,434.0mln (up 39.7% y-o-y and up 9.5% q-o-q)
- **Retail Banking NIM was 5.9% in 2Q19 (down 200bps y-o-y and down 50bps q-o-q) and 6.1% in 1H19 (down 200bps y-o-y).** The decline in NIM was attributable to lower loan yields (down 280bps y-o-y and down 70bps q-o-q in 2Q19 and down 260bps y-o-y in 1H19), mainly driven by the change in the Retail Banking loan portfolio product mix, with the lower yield-lower risk products share increasing in total RB loan portfolio. Meanwhile, the cost of funds decreased by 60bps y-o-y and by 30bps q-o-q in 2Q19 and by 50bps y-o-y in 1H19, primarily on the back of decrease in Libor and NBG monetary policy rates
- **Strong growth in Retail Banking net fee and commission income.** The strong growth in net fee and commission income during all reported periods was driven by an increase in settlement operations and the strong underlying growth in our Solo, mass retail and MSME segments
- **RB's asset quality improved in 2Q19 reflecting our increasing focus on lending in the mortgage segment and to finer margin SME clients.** Cost of credit risk ratio was 1.6% in 2Q19 (down from 2.0% in 2Q18 and from 2.4% in 1Q19) and 2.0% in 1H19 (down from 2.1% in 1H18)

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

Retail Banking performance indicators

Volume information in GEL thousands	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
Retail Banking customers								
Number of new customers	41,175	45,213	-8.9%	39,845	3.3%	81,020	108,834	-25.6%
Number of customers	2,475,292	2,382,139	3.9%	2,454,678	0.8%	2,475,292	2,382,139	3.9%
Cards								
Number of cards issued	183,106	191,552	-4.4%	176,085	4.0%	359,191	437,690	-17.9%
Number of cards outstanding	2,122,006	2,235,122	-5.1%	2,139,239	-0.8%	2,122,006	2,235,122	-5.1%
Express Pay terminals								
Number of Express Pay terminals	3,177	2,955	7.5%	3,152	0.8%	3,177	2,955	7.5%
Number of transactions via Express Pay terminals	27,499,428	27,479,192	0.1%	26,751,138	2.8%	54,250,566	53,314,273	1.8%
Volume of transactions via Express Pay terminals	1,951,441	1,639,313	19.0%	1,765,536	10.5%	3,716,977	3,135,482	18.5%
POS terminals								
Number of desks	14,026	9,304	50.8%	12,766	9.9%	14,026	9,304	50.8%
Number of contracted merchants	6,832	5,382	26.9%	5,902	15.8%	6,832	5,382	26.9%
Number of POS terminals ¹¹	19,667	12,815	53.5%	17,684	11.2%	19,667	12,815	53.5%
Number of transactions via POS terminals	20,805,141	15,737,715	32.2%	16,529,540	25.9%	37,334,681	28,944,587	29.0%
Volume of transactions via POS terminals	617,763	470,194	31.4%	488,198	26.5%	1,105,961	865,294	27.8%
Internet banking								
Number of active users ¹²	268,357	243,377	10.3%	277,960	-3.5%	268,357	243,377	10.3%
Number of transactions via internet bank	1,338,941	1,446,014	-7.4%	1,421,135	-5.8%	2,760,076	2,933,076	-5.9%
Volume of transactions via internet bank	557,660	451,944	23.4%	490,457	13.7%	1,048,117	878,958	19.2%
Mobile banking								
Number of active users ¹²	418,155	228,980	82.6%	382,152	9.4%	418,155	228,980	82.6%
Number of transactions via mobile bank	8,182,306	3,233,287	153.1%	6,697,926	22.2%	14,880,232	6,051,094	145.9%
Volume of transactions via mobile bank	1,025,298	407,822	151.4%	790,201	29.8%	1,815,498	725,203	150.3%

- **Growth in the client base was due to the increased offering of cost-effective remote channels.** The increase to 2,475,292 customers in 2Q19 (up 3.9% y-o-y and up 0.8% q-o-q) reflects sustained growth in our client base over recent periods and was one of the drivers of the increase in our Retail Banking net fee and commission income
- **The number of outstanding cards decreased by 5.1% y-o-y and by 0.8% q-o-q in 2Q19** primarily due to Express cards which have been declining in line with the recently introduced regulations on consumer lending. Excluding the Express cards, total number of cards outstanding as at 30 June 2019 increased by 19.2% y-o-y and 5.2% q-o-q. The number of Loyalty programme Plus+ cards, launched in July 2017 as part of RB's client-centric approach, reached 721,700 as at 30 June 2019, up 58.7% y-o-y and up 10.9% q-o-q
- **The utilisation of Express Pay terminals continued to grow in 2Q19.** The volume of transactions increased by 19.0% y-o-y and by 10.5% q-o-q in 2Q19 and increased by 18.5% y-o-y in 1H19, while number of transactions increased by 0.1% y-o-y and by 2.8% q-o-q in 2Q19 and increased by 1.8% y-o-y in 1H19. The fees charged to clients for transactions executed through express pay terminals amounted to GEL 5.6mln in 2Q19 (up 1.3% y-o-y and down 1.8% q-o-q) and GEL 11.2mln in 1H19 (up 4.9% y-o-y)
- **Digital penetration growth.** For our mobile banking application, mbank, the number of transactions (up 153.1% y-o-y and up 22.2% q-o-q in 2Q19 and up 145.9% y-o-y in 1H19) and the volume of transactions (up 151.4% y-o-y and up 29.8% q-o-q in 2Q19 and up 150.3% y-o-y in 1H19) continue to show outstanding growth. Since its launch on 29 May 2017, 869,631 downloads have been made by the Bank's customers. During the same period approximately 34.0 million transactions were performed using the application
- **Significant growth in loans issued and deposits opened through Internet and Mobile Bank.** In 2017, we started actively offering loans and deposit products to our customers through the Internet Bank. In 2Q19, 5,814 loans were issued with a total value of GEL 8.8mln, and 3,447 deposits were opened with a total value of GEL 7.0mln through Internet Bank. Starting from 2018, our customers have been able to apply for a loan via mBank as well. In 2Q19, 16,385 loans were issued with a total value of GEL 18.4mln using the mobile banking application. Moreover, in 3Q18 a new feature was added to mBank and our customers can now open a deposit via our mobile platform. During second quarter 2019, 8,782 deposit accounts were opened with a total deposited amount of GEL 7.9mln. As a result, around 93% of total daily banking transactions were executed through digital channels during 2Q19 and 1H19
- **Solo, our premium banking brand, continues its strong growth and investment in its lifestyle brand.** We have now 12 Solo lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 3 in major regional cities of Georgia. The number of Solo clients reached 48,953 at 30 June 2019 (39,030 at 30 June 2018 and 47,057 at 31 March 2019). **Solo is targeting doubling profit in 3 years to GEL 112mln through excellence in customer service, higher digitalisation and tailor-made bundled offering.** In 2Q19, the product to client ratio for the Solo segment was 5.3, compared to 2.1 for our

¹¹ Includes 2,892 and 2,650 POS terminals operating in public transportation network in 2Q19 and 1Q19, respectively

¹² The users that log-in in internet and mobile bank at least once in three months

retail franchise. While Solo clients currently represent 2.0% of our total retail client base, they contributed 29.7% to our retail loan book, 39.4% to our retail deposits, 18.5% and 22.8% to our net retail interest income and to our net retail fee and commission income in 2Q19, respectively. The fee and commission income from the Solo segment reached GEL 6.6mln in 2Q19 (GEL 5.5mln in 2Q18 and GEL 5.8mln in 1Q19) and GEL 12.4mln in 1H19 (GEL 10.0mln in 1H18). Solo Club, launched in 2Q17, a membership group within Solo which offers exclusive access to Solo products and offers ahead of other Solo clients at a higher fee, continued to increase its client base. At 30 June 2019, Solo Club had 4,805 members, up 49.3% y-o-y and up 8.1% q-o-q

- **MSME banking delivered strong growth.** The number of MSME segment clients reached 217,913 at 30 June 2019, up 19.8% y-o-y and up 4.9% q-o-q. MSME's loan portfolio reached GEL 2,376.7mln at 30 June 2019 (up 25.4% y-o-y and up 4.2% q-o-q) and client deposits and notes increased to GEL 713.0mln (up 47.8% y-o-y and up 4.5% q-o-q). The MSME segment generated operating income of GEL 49.9mln in 2Q19 (up 32.4% y-o-y and up 9.8% q-o-q) and GEL 95.4mln in 1H19 (up 32.5% y-o-y)
- **Retail Banking profit adjusted for one-off costs** (*see details in footnotes on page 12*) was GEL 77.5mln in 2Q19 (up 6.1% y-o-y and up 11.1% q-o-q) and GEL 147.2mln in 1H19 (up 2.4% y-o-y). Retail Banking continued to deliver a strong ROAE¹³ of 26.9% in 2Q19 (30.6% in 2Q18 and 25.3% in 1Q19) and 26.2% in 1H19 (31.1% in 1H18)

¹³ ROAE adjusted for GEL 3.1mln in 2Q19 (1Q19: GEL 7.1mln) and GEL 10.1mln in 1H19 one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 2Q18 and 1H18 ROAE adjusted for GEL 33.5mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

CORPORATE AND INVESTMENT BANKING (CIB)

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

GEL thousands, unless otherwise noted	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
INCOME STATEMENT HIGHLIGHTS¹⁴								
Net interest income	47,459	41,718	13.8%	45,679	3.9%	93,138	79,951	16.5%
Net fee and commission income	7,113	6,355	11.9%	8,151	-12.7%	15,264	12,554	21.6%
Net foreign currency gain	15,667	10,259	52.7%	13,104	19.6%	28,771	16,903	70.2%
Net other income / (expense)	(392)	2,078	NMF	1,386	NMF	994	4,873	-79.6%
Operating income	69,847	60,410	15.6%	68,320	2.2%	138,167	114,281	20.9%
Salaries and other employee benefits	(14,738)	(13,725)	7.4%	(12,439)	18.5%	(27,177)	(26,320)	3.3%
Administrative expenses	(4,004)	(3,700)	8.2%	(4,027)	-0.6%	(8,031)	(7,159)	12.2%
Depreciation and amortisation	(1,933)	(1,269)	52.3%	(1,701)	13.6%	(3,634)	(2,578)	41.0%
Other operating expenses	(302)	(253)	19.4%	(203)	48.8%	(505)	(396)	27.5%
Operating expenses	(20,977)	(18,947)	10.7%	(18,370)	14.2%	(39,347)	(36,453)	7.9%
Operating income before cost of risk	48,870	41,463	17.9%	49,950	-2.2%	98,820	77,828	27.0%
Cost of risk	(6,574)	(5,603)	17.3%	(1,824)	NMF	(8,398)	(10,246)	-18.0%
Net operating income before non-recurring items	42,296	35,860	17.9%	48,126	-12.1%	90,422	67,582	33.8%
Net non-recurring items	-	(4,930)	NMF	(72)	NMF	(72)	(5,203)	-98.6%
Profit before income tax expense and one-off costs	42,296	30,930	36.7%	48,054	-12.0%	90,350	62,379	44.8%
Income tax expense	(3,169)	(1,567)	102.2%	(3,864)	-18.0%	(7,032)	(4,010)	75.4%
Profit adjusted for one-off costs	39,127	29,363	33.3%	44,190	-11.5%	83,318	58,369	42.7%
One-off termination costs of former CEO and executive management (after tax), one-off demerger related expenses (after tax) and one-off impact of re-measurement of deferred tax balances	(929)	(12,924)	-92.8%	(3,165)	-70.6%	(4,094)	(12,924)	-68.3%
Profit	38,198	16,439	132.4%	41,025	-6.9%	79,224	45,445	74.3%
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, currency blended	3,208,823	2,250,160	42.6%	2,652,838	21.0%	3,208,823	2,250,160	42.6%
Net loans and finance lease receivables, GEL	526,572	444,669	18.4%	451,360	16.7%	526,572	444,669	18.4%
Net loans and finance lease receivables, FC	2,682,251	1,805,491	48.6%	2,201,478	21.8%	2,682,251	1,805,491	48.6%
Client deposits, currency blended	3,427,166	3,439,716	-0.4%	3,531,840	-3.0%	3,427,166	3,439,716	-0.4%
Client deposits, GEL	1,260,869	1,695,890	-25.7%	1,405,892	-10.3%	1,260,869	1,695,890	-25.7%
Client deposits, FC	2,166,297	1,743,826	24.2%	2,125,948	1.9%	2,166,297	1,743,826	24.2%
Time deposits, currency blended	1,252,061	1,675,804	-25.3%	1,325,345	-5.5%	1,252,061	1,675,804	-25.3%
Time deposits, GEL	403,114	896,482	-55.0%	506,023	-20.3%	403,114	896,482	-55.0%
Time deposits, FC	848,947	779,322	8.9%	819,322	3.6%	848,947	779,322	8.9%
Current accounts and demand deposits, currency blended	2,175,105	1,763,912	23.3%	2,206,495	-1.4%	2,175,105	1,763,912	23.3%
Current accounts and demand deposits, GEL	857,755	799,408	7.3%	899,869	-4.7%	857,755	799,408	7.3%
Current accounts and demand deposits, FC	1,317,350	964,504	36.6%	1,306,626	0.8%	1,317,350	964,504	36.6%
Letters of credit and guarantees, standalone*	1,141,715	657,902	73.5%	1,037,779	10.0%	1,141,715	657,902	73.5%
Assets under management	2,504,280	1,993,931	25.6%	2,371,002	5.6%	2,504,280	1,993,931	25.6%
RATIOS								
ROAE ¹⁴	22.0%	20.1%		27.1%		24.5%	20.0%	
Net interest margin, currency blended	3.3%	3.5%		3.4%		3.4%	3.3%	
Cost of credit risk ratio	0.7%	0.6%		0.1%		0.4%	1.0%	
Cost of funds, currency blended	4.7%	4.6%		4.1%		4.4%	4.5%	
Loan yield, currency blended	9.5%	10.4%		9.1%		9.2%	10.2%	
Loan yield, GEL	12.6%	13.2%		11.5%		12.0%	13.0%	
Loan yield, FC	8.9%	9.8%		8.6%		8.7%	9.6%	
Cost of deposits, currency blended	3.7%	4.1%		3.6%		3.6%	4.0%	
Cost of deposits, GEL	5.9%	6.4%		5.9%		5.9%	6.3%	
Cost of deposits, FC	2.2%	2.4%		2.1%		2.1%	2.5%	
Cost of time deposits, currency blended	5.7%	6.1%		5.6%		5.6%	5.9%	
Cost of time deposits, GEL	7.6%	7.8%		7.5%		7.5%	7.7%	
Cost of time deposits, FC	4.5%	4.6%		4.3%		4.4%	4.6%	
Current accounts and demand deposits, currency blended	2.4%	2.8%		2.3%		2.4%	2.8%	
Current accounts and demand deposits, GEL	4.8%	5.3%		4.8%		4.8%	5.3%	
Current accounts and demand deposits, FC	0.7%	1.0%		0.7%		0.7%	1.1%	
Cost / income ratio ¹⁵	30.0%	31.4%		26.9%		28.5%	31.9%	
Concentration of top ten clients	9.1%	10.2%		9.1%		9.1%	10.2%	

*Off-balance sheet item

¹⁴ The income statement adjusted profit excludes GEL 0.9mln in 2Q19 (1Q19: GEL 3.2mln) and GEL 4.1mln in 1H19 one-off employee costs (net-off income tax) related to the former CEO and executive management termination benefits. The amount is comprised of GEL 1.1mln in 2Q19 (1Q19: GEL 2.7mln) and GEL 3.8mln in 1H19 (gross of income tax) excluded from salaries and other employee benefits and GEL 1.1mln (gross of income tax) excluded from non-recurring items in 1Q19 and in 1H19. The income statement adjusted profit for 2Q18 and 1H18 excludes GEL 12.9mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances. The ROAE has been adjusted accordingly for all respective periods presented

¹⁵ Cost/income ratio is adjusted for GEL 1.1mln in 2Q19 (1Q19: GEL 2.7mln) and GEL 3.8mln in 1H19 one-off employee costs (gross of income tax) related to termination benefits of the former executive management

Performance highlights

- **Corporate and Investment Banking delivered strong quarterly results.** CIB continued further growth during the second quarter of 2019 and generated strong net interest income and net fee and commission income during the period, coupled with solid operating efficiencies and asset quality
- CIB's net interest income increased by 13.8% y-o-y and by 3.9% q-o-q in 2Q19, and by 16.5% y-o-y in 1H19. **CIB NIM stood at 3.3% in 2Q19 (down 20bps y-o-y and down 10bps q-o-q) and 3.4% in 1H19 (up 10bps y-o-y).** In 2Q19, NIM was down 10bps q-o-q, as 60bps increase in cost of funds was partially offset by 40bps q-o-q growth in currency blended loan yields, while NIM was 20bps down y-o-y, on the back of 90bps decline in currency-blended loan yields coupled with 10bps increase in cost of funds. In the first half of 2019, 10bps y-o-y increase in NIM was supported by 10bps decrease in cost of funds, partially offset by 100bps decline in loan yields y-o-y
- **CIB's net fee and commission income reached GEL 7.1mln in 2Q19, up 11.9% y-o-y and down 12.7% q-o-q, ending the first half of 2019 with GEL 15.3mln fee and commission income, up 21.6% y-o-y.** The strong y-o-y increase in net fee and commission income in 2Q19 and 1H19 was largely driven by higher fees from guarantees and letters of credit issued and higher placement fees during 2019
- **CIB's loan book and de-dollarisation.** CIB loan portfolio reached GEL 3,208.8mln at 30 June 2019, up 42.6% y-o-y and up 21.0% q-o-q. On a constant currency basis, CIB loan book was up 25.3% y-o-y and up 14.7% q-o-q. The concentration of the top 10 CIB clients stood at 9.1% at 30 June 2019 (10.2% at 30 June 2018 and 9.1% at 31 March 2019). Foreign currency denominated loans represented 83.6% of CIB's loan portfolio at 30 June 2019, compared to 80.2% a year ago and 83.0% at 31 March 2019. The increase in foreign currency denominated loans in 2Q19 y-o-y and q-o-q was partially due to local currency depreciation in the first and second quarters of 2019. At 30 June 2019, 54.5% of CIB loan portfolio was US Dollar denominated, with 38.7% of total CIB loans issued to US Dollar income borrowers and 15.8% to non-US Dollar income borrowers
- In 2Q19, **dollarisation of our CIB deposits** increased to 63.2% at 30 June 2019 from 50.7% a year ago and from 60.2% at 31 March 2019. A y-o-y and q-o-q increase in foreign currency denominated deposits was partially due to local currency depreciation in the first and second quarters of 2019. Despite the y-o-y decline in interest rates on local currency deposits in 2Q19 and 1H19, the cost of deposits in local currency still remained well above the cost of foreign currency deposits
- **Net other income.** Significant y-o-y decline in net other income in 1H19 was largely driven by net losses from derivative financial instruments (interest rate swap hedges) recorded during the first and second quarters of 2019, partially offset by net gains from investment securities during the same period
- **Cost of credit risk.** CIB's cost of credit risk ratio remained well-controlled and stood at 0.7% in 2Q19 (up 10bps y-o-y and up 60bps q-o-q) and at 0.4% in the first half of 2019 (down 60bps y-o-y), primarily driven by the improved quality of the CIB loan portfolio. At the same time, CIB's NPL coverage ratio was 83.7% at 30 June 2019 (87.2% as at 30 June 2018 and 89.4% at 31 March 2019). The slight decline in NPL coverage ratio y-o-y and q-o-q was primarily due to the local currency depreciation in the second quarter of 2019
- As a result, **CIB's profit adjusted for one-off costs** (see details in footnotes on page 16) was GEL 39.1mln in 2Q19, up 33.3% y-o-y and down 11.5% q-o-q, and GEL 83.3mln in 1H19, up 42.7% y-o-y. CIB ROAE¹⁶ was 22.0% in 2Q19 (compared to 20.1% a year ago and 27.1% in 1Q19) and 24.5% in 1H19 (compared to 20.0% in 1H18)

Performance highlights of wealth management operations

- **The Investment Management's AUM increased to GEL 2,504.3mln in 2Q19, up 25.6% y-o-y and up 5.6% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y and q-o-q increase in AUM mostly reflected increase in client assets and bond issuance activity at Galt & Taggart
- **Wealth Management deposits reached GEL 1,278.6mln in 2Q19, up 17.7% y-o-y and up 2.9% q-o-q, growing at a compound annual growth rate (CAGR) of 11.7% over the last five-year period.** The cost of deposits was 3.3% in 2Q19, down 20bps y-o-y and up 20bps q-o-q, and 3.2% in 1H19, down 30bps y-o-y
- We served 1,531 wealth management clients from 74 countries as of 30 June 2019, compared to 1,490 clients as of 30 June 2018 and 1,535 clients as of 31 March 2019

¹⁶ ROAE adjusted for GEL 0.9mln in 2Q19 (1Q19: GEL 3.2mln) and GEL 4.1mln in 1H19 one-off employee costs (net of income tax) related to termination benefits of the former CEO and executive management. 2Q18 and 1H18 ROAE adjusted for GEL 12.9mln demerger related expenses (net of income tax) and one-off impact of re-measurement of deferred tax balances

- In January 2019, Bank of Georgia opened a brand new office in the centre of Tbilisi, dedicated to serving its wealth management clients. The office resides in a historic 19th century building, which originally used to house the First Credit Society of Georgia and is considered to be the first residence of a local banking institution. The design concept was derived from the integration of Georgian culture with western values, while the artistic expression of the building has been left intact. The new office coincides with a creation of a new brand identity of the Bank's wealth management business and is in line with its strategy to become the regional hub for private banking
- **Galt & Taggart, which brings under one brand corporate advisory, debt and equity capital markets research and brokerage services, continues to develop local capital markets in Georgia**
 - During the first half of 2019 Galt & Taggart acted as a:
 - lead manager of JSC Microfinance Organisation Crystal's GEL 15mln local public bond issuance due in 2021, in February 2019
 - co-manager of Bank of Georgia's inaugural US\$ 100mln international Additional Tier 1 bond issuance, in March 2019
 - lead manager of JSC Microfinance Organisation Swiss Capital's GEL 10mln local public bond issuance due in 2021, in March 2019
 - lead manager for European Bank for Reconstruction and Development (EBRD), facilitating GEL 90mln local private bond issuance due in 2023, in March 2019
 - lead manager for Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. (FMO), facilitating GEL 26mln local private bond issuance due in 2024, in March 2019
 - buy-side advisor for Bank of Georgia Group on acquisition of *extra.ge* online platform, in May 2019
 - lead manager for Black Sea Trade and Development Bank (BSTDB), facilitating GEL 10mln local private bond issuance due in 2022, in June 2019
 - sole sell-side advisor of Linnaeus Capital Partners B.V. on a sale of 100% shareholding in Lilo1- logistics center, in June 2019
 - lead manager for EBRD, facilitating c.GEL 28mln local private bond issuance due in 2024, in July 2019
 - In February 2019, *Global Finance Magazine* named Galt & Taggart *Best Investment Bank in Georgia* for the fifth consecutive year
 - In February 2019, Galt & Taggart together with JSC Bank of Georgia organised a conference under "*G&T Industry Series*" to discuss the findings of Galt & Taggart's research on Georgia's energy sector with an emphasis on ongoing reforms and their impact on the sector development. The conference gathered together all stakeholders including high level representatives from the Government, private sector and IFIs. A follow-up conference was held in April 2019 due to high interest from the Government and private sector participants. The Deputy Minister of Economy and Sustainable Development, Head of energy regulatory commission and Head of Georgian Energy Development Fund presented the Government's vision of the reform process, while Galt & Taggart focused on the reform vision from private sector perspective. Presentations were followed by panel discussions with key market players affected by the reform process
 - In May 2019, Galt & Taggart participated in a competitive tender process and won a three year exclusive mandate to manage the private pension fund of a large Georgian corporate client

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT (QUARTERLY)

	Bank of Georgia Group Consolidated					Banking Business					Discontinued Operations				Eliminations			
	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	2Q19	2Q18	1Q19
Interest income	342,224	327,496	4.5%	334,735	2.2%	342,224	329,880	3.7%	334,735	2.2%	-	-	-	-	-	-	(2,384)	-
Interest expense	(160,602)	(139,756)	14.9%	(151,794)	5.8%	(160,602)	(143,298)	12.1%	(151,794)	5.8%	-	-	-	-	-	-	3,542	-
Net interest income	181,622	187,740	-3.3%	182,941	-0.7%	181,622	186,582	-2.7%	182,941	-0.7%	-	-	-	-	-	-	1,158	-
Fee and commission income	68,025	55,332	22.9%	62,531	8.8%	68,025	55,693	22.1%	62,531	8.8%	-	-	-	-	-	-	(361)	-
Fee and commission expense	(24,758)	(17,680)	40.0%	(20,351)	21.7%	(24,758)	(17,846)	38.7%	(20,351)	21.7%	-	-	-	-	-	-	166	-
Net fee and commission income	43,267	37,652	14.9%	42,180	2.6%	43,267	37,847	14.3%	42,180	2.6%	-	-	-	-	-	-	(195)	-
Net foreign currency gain	36,700	25,427	44.3%	30,025	22.2%	36,700	25,000	46.8%	30,025	22.2%	-	-	-	-	-	-	427	-
Net other income / (expense)	(4,260)	3,379	NMF	3,568	NMF	(4,260)	3,705	NMF	3,568	NMF	-	-	-	-	-	-	(326)	-
Operating income	257,329	254,198	1.2%	258,714	-0.5%	257,329	253,134	1.7%	258,714	-0.5%	-	-	-	-	-	-	1,064	-
Salaries and other employee benefits (excluding one-offs)	(57,982)	(53,505)	8.4%	(52,418)	10.6%	(57,982)	(53,925)	7.5%	(52,418)	10.6%	-	-	-	-	-	-	420	-
One-off termination costs of former executive management (1)	(4,570)	-	NMF	(7,842)	-41.7%	(4,570)	-	NMF	(7,842)	-41.7%	-	-	-	-	-	-	-	-
Salaries and other employee benefits	(62,552)	(53,505)	16.9%	(60,260)	3.8%	(62,552)	(53,925)	16.0%	(60,260)	3.8%	-	-	-	-	-	-	420	-
Administrative expenses	(22,033)	(26,717)	-17.5%	(22,741)	-3.1%	(22,033)	(26,862)	-18.0%	(22,741)	-3.1%	-	-	-	-	-	-	145	-
Depreciation and amortisation	(17,295)	(11,392)	51.8%	(15,688)	10.2%	(17,295)	(11,392)	51.8%	(15,688)	10.2%	-	-	-	-	-	-	-	-
Other operating expenses	(1,248)	(965)	29.3%	(1,080)	15.6%	(1,248)	(965)	29.3%	(1,080)	15.6%	-	-	-	-	-	-	-	-
Operating expenses	(103,128)	(92,579)	11.4%	(99,769)	3.4%	(103,128)	(93,144)	10.7%	(99,769)	3.4%	-	-	-	-	-	-	565	-
Profit from associates	254	376	-32.4%	188	35.1%	254	376	-32.4%	188	35.1%	-	-	-	-	-	-	-	-
Operating income before cost of risk	154,455	161,995	-4.7%	159,133	-2.9%	154,455	160,366	-3.7%	159,133	-2.9%	-	-	-	-	-	-	1,629	-
Expected credit loss / impairment charge on loans to customers	(32,436)	(33,534)	-3.3%	(40,117)	-19.1%	(32,436)	(33,534)	-3.3%	(40,117)	-19.1%	-	-	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(557)	(266)	109.4%	(446)	24.9%	(557)	(266)	109.4%	(446)	24.9%	-	-	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(2,483)	(3,726)	-33.4%	(2,089)	18.9%	(2,483)	(3,726)	-33.4%	(2,089)	18.9%	-	-	-	-	-	-	-	-
Cost of risk	(35,476)	(37,526)	-5.5%	(42,652)	-16.8%	(35,476)	(37,526)	-5.5%	(42,652)	-16.8%	-	-	-	-	-	-	-	-
Net operating income before non-recurring items	118,979	124,469	-4.4%	116,481	2.1%	118,979	122,840	-3.1%	116,481	2.1%	-	-	-	-	-	-	1,629	-
Net non-recurring items (excluding one-offs)	(2,538)	(13,591)	-81.3%	(1,575)	61.1%	(2,538)	(13,763)	-81.6%	(1,575)	61.1%	-	-	-	-	-	-	172	-
One-off termination costs of former CEO, one-off demerger related expenses (2)	-	(30,284)	NMF	(3,985)	NMF	-	(30,284)	NMF	(3,985)	NMF	-	-	-	-	-	-	-	-
Net non-recurring items	(2,538)	(43,875)	-94.2%	(5,560)	-54.4%	(2,538)	(44,047)	-94.2%	(5,560)	-54.4%	-	-	-	-	-	-	172	-
Profit before income tax expense from continuing operations	116,441	80,594	44.5%	110,921	5.0%	116,441	78,793	47.8%	110,921	5.0%	-	-	-	-	-	-	1,801	-
Income tax expense (excluding one-offs)	(9,871)	(5,461)	80.8%	(10,536)	-6.3%	(9,871)	(5,461)	80.8%	(10,536)	-6.3%	-	-	-	-	-	-	-	-
Income tax benefit related to one-off termination costs, one-off demerger related expenses and one-off impact of re-measurement of deferred tax balances (3)	574	(22,257)	NMF	1,587	-63.8%	574	(22,257)	NMF	1,587	-63.8%	-	-	-	-	-	-	-	-
Income tax expense	(9,297)	(27,718)	-66.5%	(8,949)	3.9%	(9,297)	(27,718)	-66.5%	(8,949)	3.9%	-	-	-	-	-	-	-	-
Profit from continuing operations	107,144	52,876	102.6%	101,972	5.1%	107,144	51,075	109.8%	101,972	5.1%	-	-	-	-	-	-	1,801	-
Profit from discontinued operations	-	78,961	NMF	-	-	-	-	-	-	-	-	80,762	NMF	-	-	-	(1,801)	-
Profit	107,144	131,837	-18.7%	101,972	5.1%	107,144	51,075	109.8%	101,972	5.1%	-	80,762	NMF	-	-	-	-	-
One-off items (1)+(2)+(3)	(3,996)	(52,541)	-92.4%	(10,240)	-61.0%	(3,996)	(52,541)	-92.4%	(10,240)	-61.0%	-	-	-	-	-	-	-	-
Profit attributable to:																		
- shareholders of the Group	106,642	125,686	-15.2%	101,512	5.1%	106,642	50,932	109.4%	101,512	5.1%	-	74,754	NMF	-	-	-	-	-
- non-controlling interests	502	6,151	-91.8%	460	9.1%	502	143	NMF	460	9.1%	-	6,008	NMF	-	-	-	-	-
Profit from continuing operations attributable to:																		
- shareholders of the Group	106,642	52,733	102.2%	101,512	5.1%	106,642	50,932	109.4%	101,512	5.1%	-	-	-	-	-	-	1,801	-
- non-controlling interests	502	143	NMF	460	9.1%	502	143	NMF	460	9.1%	-	-	-	-	-	-	-	-
Profit from discontinued operations attributable to:																		
- shareholders of the Group	-	72,953	NMF	-	-	-	-	-	-	-	-	74,754	NMF	-	-	-	(1,801)	-
- non-controlling interests	-	6,008	NMF	-	-	-	-	-	-	-	-	6,008	NMF	-	-	-	-	-
Earnings per share (basic)	2.23	2.83	-21.2%	2.12	5.2%	2.23	1.19	87.4%	2.12	5.2%	-	-	-	-	-	-	-	-
- earnings per share from continuing operations	2.23	1.19	87.4%	2.12	5.2%	-	-	-	-	-	-	-	-	-	-	-	-	-
- earnings per share from discontinued operations	-	1.64	NMF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings per share (diluted)	2.23	2.80	-20.4%	2.11	5.7%	2.23	1.17	90.6%	2.11	5.7%	-	-	-	-	-	-	-	-
- earnings per share from continuing operations	2.23	1.17	90.6%	2.11	5.7%	-	-	-	-	-	-	-	-	-	-	-	-	-
- earnings per share from discontinued operations	-	1.63	NMF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

INCOME STATEMENT (HALF-YEAR)

GEL thousands, unless otherwise noted

	Bank of Georgia Group Consolidated			Banking Business			Discontinued Operations			Eliminations		Change y-o-y
	1H19	1H18	Change y-o-y	1H19	1H18	Change y-o-y	1H19	1H18	Change y-o-y	1H19	1H18	
Interest income	676,959	638,771	6.0%	676,959	643,559	5.20%	-	-	-	-	(4,788)	NMF
Interest expense	(312,396)	(269,791)	15.8%	(312,396)	(276,728)	12.90%	-	-	-	-	6,937	NMF
Net interest income	364,563	368,980	-1.2%	364,563	366,831	-0.6%	-	-	-	-	2,149	NMF
Fee and commission income	130,556	106,005	23.2%	130,556	106,906	22.1%	-	-	-	-	(901)	NMF
Fee and commission expense	(45,109)	(34,168)	32.0%	(45,109)	(34,549)	30.6%	-	-	-	-	381	NMF
Net fee and commission income	85,447	71,837	18.9%	85,447	72,357	18.1%	-	-	-	-	(520)	NMF
Net foreign currency gain	66,724	38,577	73.0%	66,724	39,252	70.0%	-	-	-	-	(675)	NMF
Net other income / (expense)	(691)	8,898	NMF	(691)	9,451	NMF	-	-	-	-	(553)	NMF
Operating income	516,043	488,292	5.7%	516,043	487,891	5.8%	-	-	-	-	401	NMF
Salaries and other employee benefits (excluding one-offs)	(110,399)	(102,323)	7.9%	(110,399)	(103,378)	6.8%	-	-	-	-	1,055	NMF
One-off termination costs of former executive management (1)	(12,412)	-	NMF	(12,412)	-	NMF	-	-	-	-	-	-
Salaries and other employee benefits	(122,811)	(102,323)	20.0%	(122,811)	(103,378)	18.8%	-	-	-	-	1,055	NMF
Administrative expenses	(44,774)	(51,885)	-13.7%	(44,774)	(52,495)	-14.7%	-	-	-	-	610	NMF
Depreciation and amortisation	(32,983)	(22,914)	43.9%	(32,983)	(22,914)	43.9%	-	-	-	-	-	-
Other operating expenses	(2,329)	(1,736)	34.2%	(2,329)	(1,736)	34.2%	-	-	-	-	-	-
Operating expenses	(202,897)	(178,858)	13.4%	(202,897)	(180,523)	12.4%	-	-	-	-	1,665	NMF
Profit from associates	442	695	-36.4%	442	695	-36.4%	-	-	-	-	-	-
Operating income before cost of risk	313,588	310,129	1.1%	313,588	308,063	1.8%	-	-	-	-	2,066	NMF
Expected credit loss / impairment charge on loans to customers	(72,553)	(70,211)	3.3%	(72,553)	(70,211)	3.3%	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(1,003)	(253)	NMF	(1,003)	(253)	NMF	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(4,573)	(876)	NMF	(4,573)	(876)	NMF	-	-	-	-	-	-
Cost of risk	(78,129)	(71,340)	9.5%	(78,129)	(71,340)	9.5%	-	-	-	-	-	-
Net operating income before non-recurring items	235,459	238,789	-1.4%	235,459	236,723	-0.5%	-	-	-	-	2,066	NMF
Net non-recurring items (excluding one-offs)	(4,112)	(16,539)	-75.1%	(4,112)	(16,711)	-75.4%	-	-	-	-	172	NMF
One-off termination costs of former CEO, one-off demerger related expenses (2)	(3,985)	(30,284)	-86.8%	(3,985)	(30,284)	-86.8%	-	-	-	-	-	-
Net non-recurring items	(8,097)	(46,823)	-82.7%	(8,097)	(46,995)	-82.8%	-	-	-	-	172	NMF
Profit before income tax expense from continuing operations	227,362	191,966	18.4%	227,362	189,728	19.8%	-	-	-	-	2,238	NMF
Income tax expense (excluding one-offs)	(20,407)	(14,744)	38.4%	(20,407)	(14,744)	38.4%	-	-	-	-	-	-
Income tax benefit related to one-off termination costs, one-off demerger related expenses and one-off impact of re-measurement of deferred tax balances (3)	2,161	(22,257)	NMF	2,161	(22,257)	NMF	-	-	-	-	-	-
Income tax expense	(18,246)	(37,001)	-50.7%	(18,246)	(37,001)	-50.7%	-	-	-	-	-	-
Profit from continuing operations	209,116	154,965	34.9%	209,116	152,727	36.9%	-	-	-	-	2,238	NMF
Profit from discontinued operations	-	107,899	NMF	-	-	-	-	110,137	NMF	-	(2,238)	NMF
Profit	209,116	262,864	-20.4%	209,116	152,727	36.9%	-	110,137	NMF	-	-	-
One-off items (1)+(2)+(3)	(14,236)	(52,541)	-72.9%	(14,236)	(52,541)	-72.9%	-	-	-	-	-	-
Profit attributable to:												
- shareholders of the Group	208,154	244,106	-14.7%	208,154	152,184	36.8%	-	91,922	NMF	-	-	-
- non-controlling interests	962	18,758	-94.9%	962	543	77.2%	-	18,215	NMF	-	-	-
Profit from continuing operations attributable to:												
- shareholders of the Group	208,154	154,422	34.8%	208,154	152,184	36.8%	-	-	-	-	2,238	NMF
- non-controlling interests	962	543	77.2%	962	543	77.2%	-	-	-	-	-	-
Profit from discontinued operations attributable to:												
- shareholders of the Group	-	89,684	NMF	-	-	-	-	91,922	NMF	-	(2,238)	NMF
- non-controlling interests	-	18,215	NMF	-	-	-	-	18,215	NMF	-	-	-
Earnings per share (basic)	4.35	5.95	-26.9%									
- earnings per share from continuing operations	4.35	3.76	15.7%									
- earnings per share from discontinued operations	-	2.19	NMF									
Earnings per share (diluted)	4.34	5.88	-26.2%									
- earnings per share from continuing operations	4.34	3.72	16.7%									
- earnings per share from discontinued operations	-	2.16	NMF									

BANK OF GEORGIA GROUP PLC

BALANCE SHEET

GEL thousands, unless otherwise noted	Bank of Georgia Group Consolidated				
	Jun-19	Jun-18	Change y-o-y	Mar-19	Change q-o-q
Cash and cash equivalents	936,106	1,546,863	-39.5%	1,162,168	-19.5%
Amounts due from credit institutions	1,704,701	993,862	71.5%	1,391,630	22.5%
Investment securities	1,896,738	1,725,692	9.9%	1,948,592	-2.7%
Loans to customers and finance lease receivables	10,579,710	8,108,647	30.5%	9,570,691	10.5%
Accounts receivable and other loans	3,688	4,878	-24.4%	3,134	17.7%
Prepayments	36,026	74,238	-51.5%	31,621	13.9%
Inventories	11,748	11,085	6.0%	11,756	-0.1%
Right-of-use assets	105,874	-	NMF	91,248	16.0%
Investment property	178,764	218,224	-18.1%	169,328	5.6%
Property and equipment	358,921	313,627	14.4%	349,728	2.6%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	93,515	61,462	52.2%	87,005	7.5%
Income tax assets	5,080	21,792	-76.7%	19,446	-73.9%
Other assets	149,233	125,615	18.8%	144,343	3.4%
Assets held for sale	40,544	-	NMF	40,528	0.0%
Total assets	16,133,999	13,239,336	21.9%	15,054,569	7.2%
Client deposits and notes	8,855,616	7,174,234	23.4%	8,393,861	5.5%
Amounts due to credit institutions	2,960,519	2,740,595	8.0%	2,463,408	20.2%
Debt securities issued	2,137,239	1,527,452	39.9%	2,045,428	4.5%
Lease liabilities	100,172	-	NMF	78,364	27.8%
Accruals and deferred income	34,748	33,397	4.0%	48,449	-28.3%
Income tax liabilities	30,361	43,762	-30.6%	37,396	-18.8%
Other liabilities	97,125	52,231	86.0%	68,883	41.0%
Total liabilities	14,215,780	11,571,671	22.8%	13,135,789	8.2%
Share capital	1,618	1,790	-9.6%	1,618	0.0%
Additional paid-in capital	493,890	463,130	6.6%	495,452	-0.3%
Treasury shares	(49)	(41)	19.5%	(42)	16.7%
Other reserves	46,744	26,268	78.0%	36,474	28.2%
Retained earnings	1,367,632	1,169,364	17.0%	1,376,834	-0.7%
Total equity attributable to shareholders of the Group	1,909,835	1,660,511	15.0%	1,910,336	0.0%
Non-controlling interests	8,384	7,154	17.2%	8,444	-0.7%
Total equity	1,918,219	1,667,665	15.0%	1,918,780	0.0%
Total liabilities and equity	16,133,999	13,239,336	21.9%	15,054,569	7.2%
Book value per share	40.06	34.75	15.3%	39.88	0.5%

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS	2Q19	2Q18	Change y-o-y	1Q19	Change q-o-q	1H19	1H18	Change y-o-y
<i>GEL thousands, unless otherwise stated</i>								
Net interest income	6,360	6,354	0.1%	6,585	-3.4%	12,945	12,898	0.4%
Net fee and commission income	1,798	2,503	-28.2%	1,812	-0.8%	3,611	4,780	-24.5%
Net foreign currency gain	4,779	4,182	14.3%	3,955	20.8%	8,734	7,459	17.1%
Net other income	169	192	-12.0%	147	15.0%	314	309	1.6%
Operating income	13,106	13,231	-0.9%	12,499	-4.9%	25,604	25,446	0.6%
Operating expenses	(8,890)	(8,184)	8.6%	(7,847)	13.3%	(16,737)	(15,905)	5.2%
Operating income before cost of risk	4,216	5,047	-16.5%	4,652	-9.4%	8,867	9,541	-7.1%
Cost of risk	(1,536)	(2,305)	-33.4%	(1,442)	6.5%	(2,977)	(3,022)	-1.5%
Net non-recurring items	(13)	(5)	NMF	(50)	-74.0%	(63)	(706)	-91.1%
Profit before income tax expense	2,667	2,737	-2.6%	3,160	-15.6%	5,827	5,813	0.2%
Income tax expense	(379)	(721)	-47.4%	(571)	-33.6%	(950)	(1,498)	-36.6%
Profit	2,288	2,016	13.5%	2,589	-11.6%	4,877	4,315	13.0%
BALANCE SHEET, HIGHLIGHTS	Jun-19	Jun-18	Change y-o-y	Mar-19	Change q-o-q			
<i>GEL thousands, unless otherwise stated</i>								
Cash and cash equivalents	93,097	86,932	7.1%	79,497	17.1%			
Amounts due from credit institutions	18,301	10,719	70.7%	20,556	-11.0%			
Investment securities	128,486	38,815	NMF	116,082	10.7%			
Loans to customers and finance lease receivables	512,126	394,502	29.8%	451,665	13.4%			
Other assets	57,098	40,833	39.8%	54,001	5.7%			
Total assets	809,108	571,801	41.5%	721,801	12.1%			
Client deposits and notes	503,309	297,756	69.0%	425,563	18.3%			
Amounts due to credit institutions	146,855	161,332	-9.0%	144,314	1.8%			
Debt securities issued	50,238	32,453	54.8%	53,846	-6.7%			
Other liabilities	7,044	3,723	89.2%	9,477	-25.7%			
Total liabilities	707,446	495,264	42.8%	633,200	11.7%			
Total equity	101,662	76,537	32.8%	88,601	14.7%			
Total liabilities and equity	809,108	571,801	41.5%	721,801	12.1%			

BANKING BUSINESS KEY RATIOS	2Q19	2Q18	1Q19	1H19	1H18
Profitability					
ROAA, annualised ¹⁷	2.9%	3.1%	3.1%	3.0%	3.2%
ROAA, annualised (unadjusted)	2.8%	1.6%	2.8%	2.8%	2.4%
ROAE, annualised ¹⁷	22.9%	25.4%	24.5%	23.7%	25.7%
<i>RB ROAE</i> ¹⁷	26.9%	30.6%	25.3%	26.2%	31.1%
<i>CIB ROAE</i> ¹⁷	22.0%	20.1%	27.1%	24.5%	20.0%
ROAE, annualised (unadjusted)	22.1%	12.5%	22.2%	22.2%	19.1%
Net interest margin, annualised	5.4%	6.9%	5.8%	5.6%	7.0%
<i>RB NIM</i>	5.9%	7.9%	6.4%	6.1%	8.1%
<i>CIB NIM</i>	3.3%	3.5%	3.4%	3.4%	3.3%
Loan yield, annualised	11.8%	14.0%	12.2%	12.0%	13.9%
<i>RB Loan yield</i>	12.9%	15.7%	13.6%	13.2%	15.8%
<i>CIB Loan yield</i>	9.5%	10.4%	9.1%	9.2%	10.2%
Liquid assets yield, annualised	3.4%	3.8%	3.8%	3.6%	3.7%
Cost of funds, annualised	4.8%	5.0%	4.8%	4.8%	4.9%
Cost of client deposits and notes, annualised	3.3%	3.6%	3.3%	3.3%	3.5%
<i>RB Cost of client deposits and notes</i>	3.0%	2.9%	3.0%	3.0%	2.9%
<i>CIB Cost of client deposits and notes</i>	3.7%	4.1%	3.6%	3.6%	4.0%
Cost of amounts due to credit institutions, annualised	7.2%	7.2%	7.6%	7.3%	7.0%
Cost of debt securities issued	8.1%	7.7%	7.8%	7.9%	7.8%
Operating leverage, y-o-y ¹⁸	-4.2%	4.1%	5.0%	0.3%	0.2%
Operating leverage, q-o-q ¹⁸	-7.7%	1.2%	3.6%	0.0%	0.0%
Efficiency					
Cost / Income ¹⁸	38.3%	36.8%	35.5%	36.9%	37.0%
<i>RB Cost / Income</i> ¹⁸	37.8%	36.5%	35.5%	36.6%	36.6%
<i>CIB Cost / Income</i> ¹⁸	30.0%	31.4%	26.9%	28.5%	31.9%
Cost / Income (unadjusted)	40.1%	36.8%	38.6%	39.3%	37.0%
Liquidity					
NBG liquidity ratio (<i>minimum requirement 30%</i>)	37.0%	30.2%	36.7%	37.0%	30.2%
NBG liquidity coverage ratio (<i>minimum requirement 100%</i>)	114.3%	129.8%	133.1%	114.3%	129.8%
Liquid assets to total liabilities	31.9%	36.9%	34.3%	31.9%	36.9%
Net loans to client deposits and notes	119.5%	113.0%	114.0%	119.5%	113.0%
Net loans to client deposits and notes + DFIs	104.7%	97.3%	98.6%	104.7%	97.3%
Leverage (times)	7.4	6.9	6.8	7.4	6.9
Asset quality:					
NPLs (in GEL)	347,285	283,768	326,127	347,285	283,768
NPLs to gross loans to clients	3.2%	3.4%	3.3%	3.2%	3.4%
NPL coverage ratio	88.1%	99.4%	92.2%	88.1%	99.4%
NPL coverage ratio, adjusted for discounted value of collateral	131.5%	142.8%	132.6%	131.5%	142.8%
Cost of credit risk, annualised	1.3%	1.6%	1.7%	1.5%	1.7%
<i>RB Cost of credit risk</i>	1.6%	2.0%	2.4%	2.0%	2.1%
<i>CIB Cost of credit risk</i>	0.7%	0.6%	0.1%	0.4%	1.0%
Capital adequacy:					
NBG (Basel III) CET1 capital adequacy ratio	11.0%	12.5%	12.7%	11.0%	12.5%
<i>Minimum regulatory requirement</i>	9.6%	8.0%	9.6%	9.6%	8.0%
NBG (Basel III) Tier I capital adequacy ratio	13.3%	12.5%	12.7%	13.3%	12.5%
<i>Minimum regulatory requirement</i>	11.6%	9.9%	11.6%	11.6%	9.9%
NBG (Basel III) Total capital adequacy ratio	16.7%	17.5%	17.1%	16.7%	17.5%
<i>Minimum regulatory requirement</i>	16.1%	15.0%	16.1%	16.1%	15.0%
Selected operating data:					
Total assets per FTE	2,184	1,821	2,017	2,184	1,821
Number of active branches, of which:	276	284	276	276	284
- <i>Express branches (including Metro)</i>	167	168	166	167	168
- <i>Bank of Georgia branches</i>	97	104	98	97	104
- <i>Solo lounges</i>	12	12	12	12	12
Number of ATMs	890	856	886	890	856
Number of cards outstanding, of which:	2,122,006	2,235,122	2,139,239	2,122,006	2,235,122
- <i>Debit cards</i>	1,634,843	1,607,087	1,627,070	1,634,843	1,607,087
- <i>Credit cards</i>	487,163	628,035	512,169	487,163	628,035
Number of POS terminals ¹⁹	19,667	12,816	17,684	19,667	12,816
FX Rates:					
GEL/US\$ exchange rate (period-end)	2.8687	2.4516	2.6914		
GEL/GBP exchange rate (period-end)	3.6384	3.2209	3.5147		
Full time employees (FTE), of which:					
	Jun-19	Jun-18	Mar-19		
- <i>Full time employees, BOG standalone</i>	7,386	7,270	7,465		
- <i>Full time employees, BNB</i>	5,786	5,689	5,886		
- <i>Full time employees, BB other</i>	632	699	644		
	968	882	935		
Shares outstanding					
	Jun-19	Jun-18	Mar-19		
Ordinary shares	47,669,887	47,779,684	47,899,817		
Treasury shares	1,499,541	1,389,746	1,269,611		
Total shares outstanding	49,169,428	49,169,430	49,169,428		

¹⁷ 2Q19, 1Q19 and 1H19 ratios adjusted for one-off employee costs related to termination benefits of the former CEO and executive management. 2Q18 and 1H18 ratios adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

¹⁸ 2Q19, 1Q19 and 1H19 results adjusted for one-off employee costs related to termination benefits of the former executive management

¹⁹ Includes 2,892 and 2,650 POS terminals operating in public transportation network in 2Q19 and 1Q19, respectively

PRINCIPAL RISKS AND UNCERTAINTIES

Understanding our risks

In the Group's 2018 Annual Report and Accounts we disclosed the principal risks and uncertainties and their potential impact, as well as the trends and outlook associated with these risks and the actions we take to mitigate these risks. We have updated this disclosure to reflect recent developments and this is set out in full below. If any of the following risks occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The order in which the principal risks and uncertainties appear does not denote their order of priority. It is not possible to fully mitigate all of our risks. Any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risks and uncertainties described below may not be the only ones the Group faces. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities.

CURRENCY AND MACROECONOMIC ENVIRONMENT	
PRINCIPAL RISK / UNCERTAINTY	Macroeconomic factors relating to Georgia, including depreciation of the Lari against the US Dollar, may have a material impact on our loan book.
KEY DRIVERS / TRENDS	<p>The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. Macroeconomic factors relating to Georgia, such as changes in GDP, inflation and interest rates, may have a material impact on the quality of our loan portfolio, loan losses, our margins, and customer demand for our products and services. The Georgian economy delivered a solid 4.9% estimated real GDP growth in the first half of 2019, after the real GDP growth of 4.7% in 2018 and 4.8% growth in 2017, according to Geostat. Uncertain and volatile global economic conditions could have substantial political and macroeconomic ramifications globally which in turn could impact the Georgian economy.</p> <p>In the first half of 2019, the Lari depreciated against the US Dollar by 7.2%, after depreciating by 3.3% in 2018. The volatility of Lari against the Dollar has affected, and may continue to adversely affect, the quality of our loan portfolio, as well as increase the cost of credit risk and expected credit loss/impairment provisions. The creditworthiness of our customers may be adversely affected by the depreciation of the Lari against the US Dollar, which could result in them having difficulty repaying their loans. The depreciation of the Lari may also adversely affect the value of our customers' collateral.</p> <p>At 30 June 2019, approximately 83.6% and 45.9% of our Corporate and Investment Banking and Retail Banking loans, respectively, were denominated in foreign currency (predominantly US Dollar), while US Dollar income revenue loans covered 5.8% of Retail Banking gross loans and 38.7% of Corporate and Investment Banking gross loans. Our cost of credit risk was 1.5% in the first half of 2019 compared to 1.7% in the first half of 2018.</p>
MITIGATION	<p>The Group continuously monitors market conditions and reviews market changes, and also performs stress and scenario testing to test its position under adverse economic conditions, including adverse currency movements.</p> <p>The Bank's Asset and Liability Management Committee sets our open currency position limits and the Bank's proprietary trading position limits, which are currently more conservative than those imposed by the National Bank of Georgia (NBG), our regulator. The Treasury department manages our open currency position on a day-to-day basis. The open currency position is also monitored by the Bank's Quantitative Risk Management and Risk Analytics department.</p> <p>In order to assess the creditworthiness of our customers, we take into account currency volatility when there is a currency mismatch between the customer's loan and the revenue. We allocate 75% additional capital to the foreign currency loans of clients, whose source of income is denominated in Lari.</p> <p>The Bank's Credit Committees and Credit Risk department set counterparty limits by using a credit risk classification and scoring system for approving individual transactions. The credit</p>

	<p>quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements.</p> <p>Since 2016, NBG has actively implemented various measures to de-dollarise the Georgian economy. In January 2019, in order to hedge the borrowers against foreign currency risks, NBG raised a threshold of small size loans that must be issued only in local currency from GEL 100,000 to GEL 200,000.</p> <p>Among NBG's initiatives towards de-dollarisation and increasing access to long-term lending in the local currency is Liquidity Coverage Ratio (LCR) under Basel III, effective since September 2017. NBG's preferential treatment for Georgian Lari is translated into 75% LCR for the local currency high quality liquid assets, while the mandatory ratio stands at 100% for the foreign currency as well as for all currencies in total.</p> <p>Moreover, NBG mandated changes in minimum reserve requirements on funds attracted in national and foreign currencies. NBG raised the minimum reserve requirement on foreign currency funds from 20% to 25% depending on maturity, effective from 1 September 2018, and then further to 30%, effective by the end of May 2019. In June 2018, in order to encourage the financial institutions to raise funding in the local currency, NBG decreased minimum reserve requirements on local currency funding from 7% to 5%.</p> <p>Since the beginning of 2016, we have focused on increasing local currency lending. We actively work with IFIs to raise long-term Lari funding to increase our Lari-denominated loans to customers. Furthermore, in June 2017, we completed the inaugural local currency denominated international bond issuance in the amount of GEL500 million to support local currency lending.</p> <p>Applicable from the beginning of 2017, the NBG expanded the list of assets that banks are permitted to use as collateral for REPO transactions, which provides an additional funding source for our Lari-denominated loan book.</p>
REGIONAL INSTABILITY	
PRINCIPAL RISK / UNCERTAINTY	<p>The Georgian economy and our business may be adversely affected by regional tensions and instability.</p> <p>The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. The Georgian economy is dependent on economies of the region, in particular Russia, Turkey, Azerbaijan and Armenia who are key trading partners.</p> <p>There has been ongoing geopolitical tension, political and economic instability and military conflict in the region, which may have an adverse effect on our business and financial position.</p>
KEY DRIVERS / TRENDS	<p>Russian troops continue to occupy the Abkhazia and the Tskhinvali/South Ossetia regions and tensions between Russia and Georgia persist. Russia is opposed to the eastward enlargement of the NATO, including the former Soviet republics such as Georgia. The introduction of a free trade regime between Georgia and the EU in September 2014 and the visa-free travel in the EU granted to Georgian citizens in March 2017 may intensify tensions between the neighbours. The Government has taken certain steps towards improving relations with Russia, but, as of the date of this announcement these have not resulted in any formal or legal changes in the relationship between the two countries.</p> <p>In June 2018, as a result of early parliamentary and presidential elections, amendments to the Turkish constitution became effective. The amendments which grant the president wider powers are expected to transform Turkey's system of government away from a parliamentary system which could have a negative impact on political stability in Turkey.</p> <p>On 8 July 2019, Russia's ban on direct flights to Georgia, imposed earlier in June over anti-occupation protests in Tbilisi, came into effect. The sanctions are expected to affect the Georgian tourism sector, however, they also provide more incentives to further diversify its tourist base.</p> <p>There is an ongoing conflict between Azerbaijan and Armenia which impacts the region.</p>

MITIGATION	<p>The Group actively monitors regional and local market conditions and risks related to political instability, and performs stress and scenario tests in order to assess our financial position. Responsive strategies and action plans are also developed.</p> <p>Recent Russian sanctions imposed on direct flights from Russia to Georgia are expected to weigh on Georgian economy, but unlike the 2006 Russian embargo, the country is better placed to deal with negative shocks. Georgia's key positives lie in its economic and trade diversification, the success of implemented reforms, its macroeconomic resilience, low public debt level and strong banking sector. These factors are expected to ensure economic resilience in the face of upcoming Russian sanctions on Georgia's tourism. Dealing with Russian sanctions is not a new challenge for Georgia. The 2006 Russian embargo forced Georgia to redirect its focus from Russian market, which expanded export destinations and improved the quality of Georgian products. This also deepened economic ties with the rest of the world, with the EU-Georgia free trade agreement signed in 2014, followed by free trade deals with China and other countries. Therefore, while lower global commodity prices and macroeconomic factors have affected Georgia's regional trading partners, leading to lower exports within the region, Georgia has benefited from increased exports earnings from non-traditional markets such as Switzerland, China, Egypt, Saudi Arabia, South Korea and Singapore. Hence, we believe that upcoming Russian sanctions will further intensify Georgia's economic diversification, use potential of new large markets – the EU and China, and enhance its institutions. Georgia's exposure (as defined by combination of four channels: exports, tourism, remittances and FDI) to Russia accounted for 9.3% of GDP in 2018.</p> <p>In April 2017, the IMF approved a new three-year US\$285 million economic programme, aimed at preserving macroeconomic and financial stability and addressing structural weaknesses in the Georgian economy to support a higher and inclusive growth. Implementation of the IMF programme is on track, with the authorities achieving all structural benchmarks set for specific periods. On 19 June 2019, the Executive Board of the IMF completed the Fourth Review of Georgia's economic reform programme. The completion of the review released Special Drawing Rights (SDR) 30 million (about US\$ 41.4 million) to Georgia, bringing total disbursements under the arrangement to SDR 150 million (about US\$ 207.2 million).</p> <p>During the first half of 2019, Georgia delivered an estimated real GDP growth of 4.9%, whilst inflation was above NBG's 3.0% target level and reached 4.3% in June 2019, mostly explained by increased excises on tobacco. Tourist arrivals and remittances, significant sources of Dollar inflows in the country, continued to increase. The current account deficit halved in the first quarter of 2019 and, despite the expected loss of tourism revenues from reduced arrivals from Russia, the external balance is expected to improve on the back of anticipated adjustments in imports.</p>
LOAN PORTFOLIO QUALITY	
PRINCIPAL RISK / UNCERTAINTY	<p>The Group may not be able to maintain the quality of its loan portfolio.</p> <p>The quality of the Group's loan portfolio may deteriorate due to external factors beyond the Group's control such as negative developments in Georgia's economy or in the economies of its neighbouring countries, the unavailability or limited availability of credit information on certain of its customers, any failure of its risk management procedures or rapid expansion of its loan portfolio.</p> <p>The Group's Corporate and Investment Banking loan portfolio is concentrated and to the extent that such borrowers enter into further loan arrangements with the Group, this will increase the credit and general counterparty risk of the Group with respect to those counterparties and could result in deterioration of the Group's loan portfolio quality.</p> <p>Furthermore, the collateral values that the Group holds against the loans may decline, which may have an adverse effect on the business and financial position of the Group.</p>
KEY DRIVERS / TRENDS	<p>During the first half of 2019, the Group's cost of credit risk ratio was 1.5%, as compared to 1.7% in the first six months of 2018. Expected credit loss/impairment charges and, in turn, the Group's cost of credit risk could increase if a single large borrower defaults or a material concentration of smaller borrowers default. As of 30 June 2019, 31 December 2018 and 2017, the Group's non-</p>

	<p>performing loans accounted for 3.2%, 3.3%, and 3.8% of gross loans, respectively.</p> <p>The Corporate and Investment Banking loan portfolio is concentrated, with the Group's top ten Corporate and Investment Banking borrowers accounting for 9.1% of the loan portfolio (gross of allowances for impairment) at 30 June 2019, as compared to 9.8% at 31 December 2018 and 10.7% at 31 December 2017.</p> <p>At 30 June 2019, the Group held collateral against gross loans covering 85.8% of the total gross loans. The main forms of collateral taken in respect of Corporate and Investment Banking loans are liens over real estate, property plant and equipment, corporate guarantees, inventory, deposits and securities, transportation equipment and gold. The most common form of collateral accepted in Retail Banking loans is a lien over residential property.</p> <p>Downturns in the residential and commercial real estate markets or a general deterioration of economic conditions in the industries in which the Group's customers operate may result in illiquidity and a decline in the value of the collateral securing loans, including a decline to levels below the outstanding principal balance of those loans. In addition, declining or unstable prices of collateral in Georgia may make it difficult for the Group to accurately value collateral it holds. If the fair value of the collateral that the Group holds declines significantly in the future, it could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans past due more than 90 days. Further changes to laws or regulations may impair the value of such collateral.</p>
MITIGATION	<p>The Group continuously monitors market conditions and reviews market changes, and also performs stress and scenario testing to test its position under adverse economic conditions.</p> <p>Our Credit Committees and Credit Risk department set counterparty limits by using a credit risk classification and scoring system for approving individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements.</p> <p>The Group continuously monitors the market value of the collateral it holds against the loans. When evaluating collateral, the Group discounts the market value of the assets to reflect the liquidation value of the collateral.</p> <p>In terms of Corporate and Investment Banking loan portfolio concentration, the Group aims to adhere strictly to the limits set by the NBG for client exposures, monitors the level of concentration in its loan portfolio and the financial performance of its largest borrowers and uses collateral to minimise loss given default on its largest exposures, reduces guarantee exposures in the riskier sector and maintains a well-diversified loan book sector concentration.</p> <p>In order to de-risk Georgian Banking sector and encourage responsible lending practice in the market, NBG introduced macroprudential policy instruments that modifies lending conditions to individuals. The payment-to-income ratio (PTI) and the loan-to-value ratio (LTV), effective since 1 November 2018 for commercial banks and since 1 January 2019 for all loan issuers, require the financial institutions to issue loans based on the rigorous assessment of clients' debt paying ability and aim at reducing high-risk products in the market. This initiative ensures the sustainability of the financial sector in the event of real estate price reductions and further reduces the risk of the loan portfolio quality.</p>
REGULATORY RISK	
PRINCIPAL RISK / UNCERTAINTY	<p>The Group operates in an evolving regulatory environment and is subject to regulatory oversight of the National Bank of Georgia, supervising the banking sector and the securities market in Georgia.</p> <p>The financial sector in Georgia is highly regulated. The regulatory environment continues to evolve. We, however, cannot predict what additional regulatory changes will be introduced in the future or the impact they may have on our operations.</p>
KEY DRIVERS /	Our banking operations must comply with capital adequacy and other regulatory ratios set by our

TRENDS	regulator, the NBG, including reserve requirements and mandatory financial ratios. Our ability to comply with existing or amended NBG requirements may be affected by a number of factors, including those outside of our control, such as an increase in the Bank's risk-weighted assets, our ability to raise capital, losses resulting from deterioration in our asset quality and/or a reduction in income levels and/or an increase in expenses, decline in the value of the Bank's securities portfolio, as well as weakening of global and Georgian economies.
MITIGATION	<p>Continued investment in our people and processes is enabling us to meet our current regulatory requirements and means that we are well placed to respond to any future changes in regulation.</p> <p>In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls, as required, to fulfil our compliance obligations.</p> <p>Our compliance framework, at all levels, is subject to regular review by the Bank's Internal Audit and external assurance service providers.</p>
LIQUIDITY RISK	
PRINCIPAL RISK / UNCERTAINTY	<p>The Group is exposed to liquidity risk when the maturities of its assets and liabilities do not coincide.</p> <p>Although the Group expects to have sufficient funding over the next 18 months and beyond to execute its strategy and to have sufficient liquidity over the next 18 months and beyond, liquidity risk is nevertheless inherent in banking operations and may be heightened by a number of factors, including an over-reliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability.</p> <p>Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding as a result of global economic and financial factors. The availability of credit in emerging markets, in particular, is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence (for example, a downgrade in credit ratings of the Bank, Georgia, or state interventions or debt restructurings in a relevant industry) could affect the price or availability of funding for the Group companies, operating in any of these markets.</p>
KEY DRIVERS / TRENDS	<p>The Group's current liquidity may be affected by unfavourable financial market conditions. If assets held by the Group in order to provide liquidity become illiquid or their value drops substantially, the Group may be required, or may choose, to rely on other sources of funding to finance its operations and future growth. Only a limited amount of funding, however, is available on the Georgian inter-bank market, and recourse to other funding sources may pose additional risks, including the possibility that other funding sources may be more expensive and less flexible. In addition, the Group's ability to access such external funding sources depends on the level of credit lines available to it, and this, in turn, is dependent on the Group's financial and credit condition, as well as general market liquidity.</p> <p>In terms of current and short-term liquidity, the Group is exposed to the risk of unexpected, rapid withdrawal of deposits by its customers in large volumes. Circumstances in which customers are more likely to withdraw deposits in large volumes rapidly include, among others, a severe economic downturn, a loss in consumer confidence, an erosion of trust in financial institutions or a period of social, economic or political instability. If a substantial portion of customers rapidly or unexpectedly withdraw their demand or term deposits or do not roll over their term deposits upon maturity, this could have a material adverse effect on the Group's business, financial condition and results of operations.</p>
MITIGATION	<p>The Group manages its liquidity risk through the liquidity risk management framework, which models the ability of the Group to meet its payment obligations under both normal conditions and crisis.</p> <p>The Bank has developed a model based on the Basel III liquidity guidelines. It maintains a solid</p>

	<p>buffer on top of Liquidity Coverage Ratio (LCR) requirement of 100% mandated by NBG since September 2017. A strong LCR enhances the Group's short-term resilience. Moreover, the Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which will come into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions.</p> <p>Among other things, the Group maintains a diverse funding base comprising of short-term sources of funding (including Retail Banking and Corporate and Investment Banking customer deposits, inter-bank borrowings and borrowings from the NBG) and longer-term sources of funding (including term Retail Banking and Corporate and Investment Banking deposits, borrowing from international credit institutions, sales and purchases of securities and long-term debt securities).</p> <p>Client deposits and notes are one of the most important sources of funding for the Group. As of 30 June 2019, 31 December 2018 and 31 December 2017, 89.4%, 90.8%, and 91.4%, respectively, of client deposits and notes had contractual maturities of one year or less, of which 54.8%, 55.1%, and 56.5%, respectively, were payable on demand. However, as of the same dates, the ratio of net loans to client deposits and notes was 119.5%, 115.5%, and 109.4%, respectively, and the NBG liquidity coverage ratios were 114.3%, 120.1%, and 112.4%, respectively.</p>
OPERATIONAL RISK, CYBER-SECURITY, INFORMATION SYSTEMS AND FINANCIAL CRIME	
PRINCIPAL RISK / UNCERTAINTY	<p>We are at risk of experiencing cyber-security breaches, unauthorised access to our systems and financial crime, or failures in our banking activity processes or systems or human error, which could disrupt our customer services, result in financial loss, have legal or regulatory implications and/or affect our reputation.</p> <p>We are highly dependent on the proper functioning of our risk management, internal controls and systems, and internal processes including those related to data protection, IT and information security in order to manage these threats.</p> <p>We may be adversely affected if we fail to mitigate the risk of our products and services being used to facilitate a financial crime.</p>
KEY DRIVERS / TRENDS	<p>Cyber-security threats have continued to increase over the past few years and we saw a number of major organisations subject to cyber-attacks, although fortunately, our operations were not materially affected. The external threat profile is continuously changing and we expect threats to continue to increase.</p> <p>Over the past few years, as our operations have expanded, we have seen an increase in electronic crimes, including fraud, although losses have not been significant. Money laundering (ML) and Terrorism financing (FT) risks, which the Bank has measures in place to guard against, continue to evolve globally. The Bank continues to face stringent regulatory and supervisory requirements related to the fight against ML/TF. Failure to comply with these requirements may lead to enforcement action by the regulator, which can result in a pecuniary penalty and negatively impact the Group's reputation.</p>
MITIGATION	<p>We have an integrated control framework encompassing operational risk management, IT systems, corporate and other data security, each of which is managed by a separate department.</p> <p>We have an anti-money laundering (AML)/counter-terrorist financing (CTF) framework which includes a risk-based approach (RBA) towards the ML/FT risks, know your customer (KYC), transaction monitoring, sanctions and transaction screening, transaction reporting, correspondent relationship assessment and monitoring, and training programmes. The framework is designed to comply with the local legislation, international standards (Financial Action Task Force (FATF) recommendations), and international financial sanctions programmes. We continue to enhance our AML compliance function by strengthening the Bank's AML compliance framework, policies and procedures (including ML/FT risk management policy, KYC and Customer Acceptance Policy). We have invested significant resources to further improve our ML/FT risk management capabilities (including transaction monitoring solutions). We have a regulatory</p>

	<p>change management process in place ensuring timely compliance with the new regulations.</p> <p>We identify and assess operational risk categories within our risk management framework, identify critical risk areas or groups of operations with an increased risk level and develop policies and security procedures to mitigate these risks.</p> <p>We have security controls in place including policies, procedures and security technologies. We also regularly carry out IT and information security checks internally and with the assistance of external consultants. We have sophisticated anti-virus protection and firewalls to help protect against potentially malicious software. We have increased our internal and external penetration testing and have back-up disaster recovery and business continuity plans in place across the Bank. We improved access control and password protections through the implementation of “Privileged Access Monitoring” for employees with the highest privileged access to confidential and customer data. We have implemented secure email gateway solution which decreased the number of malware attachments by 95%. We have also implemented a Security Information and Event Management (SIEM) solution which now gives us a complete view of the changes and events happening in our infrastructure. Oracle database firewall solution has been optimised. Oracle Audit Vault and Database Firewall (AVDF) includes an enterprise quality audit data warehouse, reporting and analysis tools, alert framework, audit dashboard, and sophisticated next-generation database firewall. We have created policies with the help of Cloud Data Loss Prevention (DLP) and now we monitor and restrict any critical data upload on our internal communication platform including pictures, office files, account numbers, etc. We have established a cyber-security framework, information security risk management framework and information security-related policies. We have dedicated a highly qualified team to security operations unit. We continue to invest in technology to enhance our ability to prevent, detect and respond to increasing and evolving threats.</p> <p>The Bank’s Internal Audit function provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems in place. These types of operational risk are on the Audit Committee’s regular agenda and are also frequently discussed at the Board level.</p>
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

We, the Directors, confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related parties’ transactions and changes therein)

After considering the Group’s financial and cash flow forecasts and all other available information and possible outcomes or responses to events, the Board is satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore, the Directors considered it appropriate to adopt the going concern basis in preparing this Results Report.

The Directors of the Group are as follows:

Neil Janin
Archil Gachechiladze
Hanna Loikkanen
Alasdair Breach
Tamaz Georgadze
Jonathan Muir
Cecil Quillen
Andreas Wolf
Véronique McCarroll

By order of the Board

Neil Janin
Chairman

Archil Gachechiladze
Chief Executive Officer

13 August 2019

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT REVIEW REPORT TO BANK OF GEORGIA GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report as at and for the six months ended 30 June 2019 which comprises Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Income Statement, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Statement of Cash Flows and related notes 1 to 24. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report as at and for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
13 August 2019

Notes:

1. The maintenance and integrity of the Bank of Georgia Group PLC's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2019***(Thousands of Georgian Lari)*

	<i>Notes</i>	<i>As at</i>	
		<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
Assets			
Cash and cash equivalents	7	936,106	1,215,799
Amounts due from credit institutions	8	1,704,701	1,305,216
Investment securities	9	1,896,738	2,019,017
Loans to customers and finance lease receivables	10	10,579,710	9,397,747
Accounts receivable and other loans		3,688	2,849
Prepayments		36,026	44,294
Inventories		11,748	13,292
Right of use assets		105,874	-
Investment properties		178,764	151,446
Property and equipment		358,921	344,059
Goodwill		33,351	33,351
Intangible assets		93,515	83,366
Income tax assets		5,080	19,451
Other assets		149,233	126,008
Assets held for sale		40,544	42,408
Total assets		16,133,999	14,798,303
Liabilities			
Client deposits and notes	11	8,855,616	8,133,853
Amounts owed to credit institutions	12	2,960,519	2,994,879
Debt securities issued	13	2,137,239	1,730,414
Lease liability		100,172	-
Accruals and deferred income		34,748	47,063
Income tax liabilities		30,361	28,855
Other liabilities		97,125	64,966
Total liabilities		14,215,780	13,000,030
Equity			
Share capital	15	1,618	1,618
Additional paid-in capital		493,890	480,555
Treasury shares		(49)	(51)
Other reserves		46,744	30,515
Retained earnings		1,367,632	1,277,732
Total equity attributable to shareholders of the Group		1,909,835	1,790,369
Non-controlling interests		8,384	7,904
Total equity		1,918,219	1,798,273
Total liabilities and equity		16,133,999	14,798,303

The financial statements on pages 35 to 69 were approved by the Board of Directors on 13 August 2019 and signed on its behalf by:

Archil Gachechiladze

Chief Executive Officer

13 August 2019

Bank of Georgia Group PLC

Registered No. 10917019

The accompanying selected explanatory notes on pages 42 to 69 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**For the year ended 30 June 2019***(Thousands of Georgian Lari)*

	<i>Notes</i>	<i>For the six months ended</i>	
		<i>30 June 2019</i>	<i>30 June 2018</i>
		<i>(unaudited)</i>	<i>(unaudited)*</i>
Interest income calculated using EIR method		665,752	629,948
Other interest income		11,207	8,823
Interest income		676,959	638,771
Interest expense		(308,569)	(267,217)
Deposit insurance fees		(3,827)	(2,574)
Net interest income	16	364,563	368,980
Fee and commission income		130,556	106,005
Fee and commission expense		(45,109)	(34,168)
Net fee and commission income	17	85,447	71,837
Net foreign currency gain		66,724	38,577
Net other (expense) income		(691)	8,898
Operating income		516,043	488,292
Salaries and other employee benefits		(122,811)	(102,323)
Administrative expenses		(44,774)	(51,885)
Depreciation and amortisation		(32,983)	(22,914)
Other operating expenses		(2,329)	(1,736)
Operating expenses		(202,897)	(178,858)
Profit from associates		442	695
Operating income before cost of risk		313,588	310,129

* Certain amounts do not correspond to the 2018 interim condensed consolidated financial statements as they reflect the adjustments made for the adoption of new standards as described in Note 5.

The accompanying selected explanatory notes on pages 42 to 69 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)**For the year ended 30 June 2019***(Thousands of Georgian Lari)*

	<i>Notes</i>	<i>For the six months ended</i>	
		<i>30 June 2019</i> <i>(unaudited)</i>	<i>30 June 2018</i> <i>(unaudited)*</i>
Operating income before cost of risk		313,588	310,129
Expected credit loss /impairment charge on loans to customers	10	(72,553)	(70,211)
Expected credit loss /impairment charge on finance lease receivables		(1,003)	(253)
Other expected credit (loss) / recovery		(1,014)	3,644
Impairment charge on other assets and provisions		(3,559)	(4,520)
Cost of risk		(78,129)	(71,340)
Net operating income before non-recurring items		235,459	238,789
Net non-recurring items	18	(8,097)	(46,823)
Profit before income tax expense from continuing operations		227,362	191,966
Income tax expense	19	(18,246)	(37,001)
Profit from continuing operations		209,116	154,965
Profit from discontinued operations	4	-	107,899
Profit for the period		209,116	262,864
Total profit attributable to:			
– shareholders of the Group		208,154	244,106
– non-controlling interests		962	18,758
		209,116	262,864
Profit from continuing operations attributable to:			
– shareholders of the Group		208,154	154,422
– non-controlling interests		962	543
		209,116	154,965
Profit from discontinued operations attributable to:			
– shareholders of the Group		-	89,684
– non-controlling interests		-	18,215
		-	107,899
Basic earnings per share:	15	4.3505	5.9469
– earnings per share from continuing operations		4.3505	3.7620
– earnings per share from discontinued operations		-	2.1849
Diluted earnings per share:	15	4.3350	5.8783
– earnings per share from continuing operations		4.3350	3.7187
– earnings per share from discontinued operations		-	2.1596

* Certain amounts do not correspond to the 2018 interim condensed consolidated financial statements as they reflect the adjustments made for the adoption of new standards as described in Note 5.

The accompanying selected explanatory notes on pages 42 to 69 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the year ended 30 June 2019***(Thousands of Georgian Lari)*

	<i>Notes</i>	<i>For the six months ended</i>	
		<i>30 June 2019 (unaudited)</i>	<i>30 June 2018 (unaudited)*</i>
Profit for the period		209,116	262,864
Other comprehensive (loss) income from continuing operations			
<i>Other comprehensive income (loss) from continuing operations to be reclassified to profit or loss in subsequent periods:</i>			
– Net change in fair value on investments in debt instruments measured at FVOCI		12,961	(5,280)
– Realised (gain) / loss on financial assets measured at FVOCI		(6,361)	357
– Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement		1,727	(702)
– Gain (loss) from currency translation differences		13,200	(5,923)
Income tax impact		-	(696)
Net other comprehensive income (loss) from continuing operations to be reclassified to profit or loss in subsequent periods		21,527	(12,244)
<i>Other comprehensive income from continuing operations not to be reclassified to profit or loss in subsequent periods:</i>			
– Revaluation of property and equipment reclassified to investment property		-	3,450
– Net gain on investments in equity instruments designated at FVOCI		185	-
Net other comprehensive income from continuing operations not to be reclassified to profit or loss in subsequent periods		185	3,450
Other comprehensive loss for the period from discontinued operations to be reclassified to profit or loss in subsequent periods	4	-	(10,881)
Other comprehensive income (loss) for the period, net of tax		21,712	(19,675)
Total comprehensive income for the period from continuing operations		230,828	146,171
Total comprehensive income for the period from discontinued operations		-	97,018
Total comprehensive income for the period		230,828	243,189
Total comprehensive income attributable to:			
– shareholders of the Group		229,727	224,139
– non-controlling interests		1,101	19,050
		230,828	243,189
Total comprehensive income from continuing operations attributable to:			
– shareholders of the Group		229,727	145,336
– non-controlling interests		1,101	835
		230,828	146,171
Total comprehensive income from discontinued operations			
– shareholders of the Group		-	78,803
– non-controlling interests		-	18,215
		-	97,018

* Certain amounts do not correspond to the 2018 interim condensed consolidated financial statements as they reflect the adjustments made for the adoption of new standards as described in Note 5.

The accompanying selected explanatory notes on pages 42 to 69 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the year ended 30 June 2019***(Thousands of Georgian Lari)*

	<i>Attributable to shareholders of the Group</i>						<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Other reserves</i>	<i>Reserves of disposal group held for sale</i>	<i>Retained earnings</i>			<i>Total</i>
31 December 2017	1,151	106,086	(66)	122,082	10,934	2,180,415	2,420,602	311,768	2,732,370
Adoption of IFRS 9 (Note 3)	-	-	-	3,267	-	(18,237)	(14,970)	(2,724)	(17,694)
1 January 2018	1,151	106,086	(66)	125,349	10,934	2,162,178	2,405,632	309,044	2,714,676
Profit for the six months ended 30 June 2018 (unaudited)	-	-	-	-	-	244,106	244,106	18,758	262,864
Other comprehensive income (loss) for the six months ended 30 June 2018 (unaudited)	-	-	-	(17,575)	-	(2,392)	(19,967)	292	(19,675)
Total comprehensive income (loss) for the six months ended 30 June 2018 (unaudited)	-	-	-	(17,575)	-	241,714	224,139	19,050	243,189
Depreciation of property and equipment revaluation reserve, net of tax	-	-	-	(333)	-	333	-	-	-
Increase in equity arising from share-based payments	-	70,681	38	-	-	-	70,719	1,014	71,733
Dividends to shareholders of the Group (Note 15)	-	-	-	-	-	(5,412)	(5,412)	-	(5,412)
Dilution of interests in subsidiaries	-	-	-	-	-	-	-	1,876	1,876
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	(5,020)	-	-	(5,020)	(8,044)	(13,064)
Purchase of treasury shares	-	(93,113)	(13)	-	-	-	(93,126)	-	(93,126)
Issue of share capital (Note 15)	4,375,378	-	-	-	-	-	4,375,378	-	4,375,378
Capital reduction (Note 15)	(4,375,061)	(196,438)	-	-	-	196,293	(4,375,206)	-	(4,375,206)
Distribution of Investment Business to shareholders of the Group*	322	575,914	-	(76,153)	(10,934)	(1,425,742)	(936,593)	(315,786)	(1,252,379)
30 June 2018 (unaudited)	1,790	463,130	(41)	26,268	-	1,169,364	1,660,511	7,154	1,667,665
31 December 2018	1,618	480,555	(51)	30,515	-	1,277,732	1,790,369	7,904	1,798,273
Profit for the six months ended 30 June 2019 (unaudited)	-	-	-	-	-	208,154	208,154	962	209,116
Other comprehensive income for the six months ended 30 June 2019 (unaudited)	-	-	-	16,229	-	5,344	21,573	139	21,712
Total comprehensive income for the six months ended 30 June 2019 (unaudited)	-	-	-	16,229	-	213,498	229,727	1,101	230,828
Increase in equity arising from share-based payments	-	37,893	13	-	-	-	37,906	-	37,906
Purchase of treasury shares	-	(24,558)	(11)	-	-	-	(24,569)	-	(24,569)
Dividends to shareholders of the Group (Note 15)	-	-	-	-	-	(123,598)	(123,598)	-	(123,598)
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	(621)	(621)
30 June 2019 (unaudited)	1,618	493,890	(49)	46,744	-	1,367,632	1,909,835	8,384	1,918,219

* Increase in additional paid in capital from distribution of Investment Business to shareholders of the Group includes Demerger costs in amount of GEL 23,170.

The accompanying selected explanatory notes on pages 42 to 69 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 30 June 2019

(Thousands of Georgian Lari)

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Interest received	655,576	620,479
Interest paid	(292,660)	(262,639)
Fees and commissions received	108,728	114,976
Fees and commissions paid	(45,109)	(33,839)
Net realised gain from foreign currencies	44,354	38,895
Recoveries of loans to customers previously written off	1,727	21,793
Other income received (expense paid)	8,443	(18,883)
Salaries and other employee benefits paid	(89,147)	(90,967)
General and administrative and operating expenses paid	(29,435)	(64,197)
Cash flows from operating activities from continuing operations before changes in operating assets and liabilities	362,477	325,618
<i>Net (increase) decrease in operating assets</i>		
Amounts due from credit institutions	(278,765)	156,427
Loans to customers and finance lease receivables	(779,163)	(820,920)
Prepayments and other assets	(9,271)	(21,685)
<i>Net increase (decrease) in operating liabilities</i>		
Amounts due to credit institutions	(124,375)	315,825
Debt securities issued	306,397	(77,419)
Client deposits and notes	273,561	379,874
Lease liability	(1,093)	-
Other liabilities	(13,322)	(9,432)
Net cash flows (used in) from operating activities from continuing operations before income tax	(263,554)	248,288
Income tax paid	(2,369)	(32,777)
Net cash flows (used in) from operating activities from continuing operations	(265,923)	215,511
Net cash flows from operating activities of discontinued operations	-	260,166
Net cash flows (used in) from operating activities	(265,923)	475,677
Cash flows from (used in) investing activities		
Net sales (purchases) of investment securities	131,599	(115,328)
Proceeds from sale of investment properties and assets held for sale	19,813	34,999
Proceeds from sale of property and equipment and intangible assets	2,913	3,292
Purchase of property and equipment and intangible assets	(50,543)	(28,840)
Dividends received	210	-
Net cash flows from (used in) investing activities from continuing operations	103,992	(105,877)
Net cash flows used in investing activities of discontinued operations	-	(283,621)
Net cash flows from (used in) investing activities	103,992	(389,498)

The accompanying selected explanatory notes on pages 42 to 69 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**For the year ended 30 June 2019***(Thousands of Georgian Lari)*

	<i>Notes</i>	<i>For the six months ended</i>	
		<i>30 June 2019</i> <i>(unaudited)</i>	<i>30 June 2018</i> <i>(unaudited)</i>
Cash flows used in financing activities			
Dividends paid		(123,765)	(5,423)
Purchase of treasury shares		(24,569)	(76,719)
Cash disposed as a result of Investment Business distribution		-	(78,180)
Net cash used in financing activities from continuing operations		(148,334)	(160,322)
Net cash from financing activities of discontinued operations		-	2,334
Net cash used in financing activities		(148,334)	(157,988)
Effect of exchange rates changes on cash and cash equivalents		30,509	13,789
Effect of expected credit losses on cash and cash equivalents		63	-
Net decrease in cash and cash equivalents		(279,693)	(58,020)
Cash and cash equivalents, beginning of the period	7	1,215,799	1,582,435
Cash and cash equivalents of disposal group held for sale, beginning of the period		-	22,448
Cash and cash equivalents, end of the period	7	936,106	1,546,863

The accompanying selected explanatory notes on pages 42 to 69 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

Bank of Georgia Group PLC (“BOGG”) is a public limited liability company incorporated in England and Wales with registered number 10917019. BOGG holds 99.55% of the share capital of JSC Bank of Georgia (the “Bank”) as at 30 June 2019, representing the Bank’s ultimate parent company. Together with the Bank and other subsidiaries, the Group makes up a group of companies (the “Group”) and provides banking, leasing, brokerage and investment management services to corporate and individual customers. The shares of BOGG (“BOGG Shares”) are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC’s Main Market for listed securities, effective 21 May 2018. The Bank is the Group’s main operating unit and accounts for most of the Group’s activities.

JSC Bank of Georgia was established on 21 October 1994 as a joint stock company (“JSC”) under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia (“NBG”; the Central Bank of Georgia) on 15 December 1994

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2019, the Bank has 276 operating outlets in all major cities of Georgia (31 December 2018: 276). The Bank’s registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia.

On 3 July 2017 BGEO Group PLC, (“BGEO”), former ultimate holding company of the Group, announced its intention to demerge BGEO Group PLC into a London-listed banking business (the “Banking Business”), Bank of Georgia Group PLC, and a London-listed investment business (the “Investment Business”), Georgia Capital PLC.

As part of the Demerger, Bank of Georgia Group PLC was incorporated and on 18 May 2018 issued 39,384,712 ordinary shares in exchange for the entire issued capital of BGEO Group PLC and became the parent company of BGEO. On 29 May 2018 the demerger (“Demerger”) of the Group’s investment business (“Investment Business”) to Georgia Capital PLC (“GCAP”) become effective. As a result of the Demerger, the Group distributed the investments in the Investment Business with a fair value of GEL 1,441,552 thousands to the shareholders of the Company. In addition, BOGG has issued and allotted a further 9,784,716 BOGG Shares (the “Consideration Shares”, equivalent to 19.9% of BOGG’s issued ordinary share capital) to GCAP in consideration for the transfer to BOGG by GCAP of GCAP’s stake in the JSC Bank of Georgia and JSC BG Financial. As set out in the BOGG prospectus dated 26 March 2018, for as long as GCAP’s percentage holding in BOGG is greater than 9.9%, GCAP will exercise its voting rights at BOGG general meetings in accordance with the votes cast by all other BOGG shareholders on BOGG votes at general meetings.

BOGG’s registered legal address is 84 Brook Street, London, W1K 5EH, England.

As at 30 June 2019 and 31 December 2018, the following shareholders owned more than 3% of the total outstanding shares of BOGG. Other shareholders individually owned less than 3% of the outstanding shares.

Shareholder	<i>As at</i>	
	<i>30 June 2019 (unaudited)</i>	<i>31 December 2018</i>
JSC Georgia Capital	19.90%	19.90%
Harding Loevner Management LP	4.93%	4.66%
JP Morgan Asset Management	3.01%	3.01%
Others	72.16%	72.43%
Total*	100.00%	100.00%

** For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares, which includes shares held in the trust for the share-based compensation purposes of the Group.*

(Thousands of Georgian Lari)

2. Basis of Preparation

General

The financial information set out in these interim condensed consolidated financial statements does not constitute Bank of Georgia Group PLC's statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory financial statements were prepared for the year ended 31 December 2018 under IFRS, as adopted by the European Union and reported on by BOGG's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim condensed consolidated financial statements of Bank of Georgia Group PLC represent continuation of consolidated financial statements of BGEO Group PLC prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

These interim condensed consolidated financial statements for the six months ended 30 June 2019 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgment at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

Assumptions and significant estimates in these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2018, signed and authorized for release on 27 March 2019.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts, which are presented in Georgian Lari, and unless otherwise noted.

The interim condensed consolidated financial statements are unaudited, reviewed by the auditors and their review conclusion is included in this report.

Going concern

The Board of Directors of BOGG has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the interim condensed consolidated financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the interim condensed consolidated financial statements continue to be prepared on the going concern basis.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

The nature and the effect of these changes are disclosed below.

Adoption of IFRS 16

The Group has adopted IFRS 16 from the mandatory adoption date of 1 January 2019. The Group has applied the new standard using a modified retrospective approach with no initial application effect on retained earnings as at 1 January 2019. As a result, the Group did not restate comparative amounts for the year prior to the first adoption date. The standard was applied to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

Right-of-use asset was measured on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid amounts recognized immediately before the date of initial application. As a result, the Group did not recognize any transition effect on its retained earnings on 1 January 2019.

The effect of transition to IFRS 16 on the Group's financial statements was as follows:

	<i>Effect of transition to IFRS 16</i>
Right of use assets	89,869
Prepayments reclassified to right of use assets	(14,352)
Lease liability	75,517

The below table shows the reconciliation between the operating lease commitments disclosed by the Group as at 31 December 2018 and the Lease liabilities recognized under the new standard as at 1 January 2019.

Lease liabilities recognised as at 1 January 2019	75,517
Effect of discounting (using the incremental borrowing rate as at 1 January 2019)	56,055
Recognition exemption for:	
- Short-term leases	729
- Leases of low-value assets	191
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	132,492

Lease contracts

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group considers the commencement date of the lease the date on which the lessor makes an underlying asset available for use to the Group. If the lease contract contains several lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices and accounts for them separately.

The Group's leasing activities include the leases of service centres, ATM spaces and warehouses. Lease payments are fixed in most cases. The contracts don't generally carry extension or termination options for the lease term and do not impose any covenants.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of IFRS 16 (continued)

Recognition of right of use assets and lease liability

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Under the new standard, the Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated amount for dismantling costs, if any. The right of use asset is subsequently depreciated using the straight-line method over the lease term. The Group applies the cost model to right of use assets, except for those assets that meet the definition of investment property, in which case the revaluation model is applied. As at 30 June 2019, there were no right of use assets meeting the definition of investment property.

The lease liability is initially measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method.

Recognition exemptions

The Group applies the recognition exemptions on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Modifications of lease contracts

If the lease contract is modified by either changing the scope of the lease, or the consideration for a lease that was not part of the original terms and conditions of the lease, the Group determines whether the modification results in:

- a separate lease; or
- a change in the accounting for the existing lease.

The Group accounts for a lease modification as a separate lease when both of the following conditions are met:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases commensurate with the stand-alone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

For the lease modifications that are not accounted as separate leases, the Group re-measures the lease liability by:

- decreasing the carrying amount of the right of use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease; or
- making a corresponding adjustment to the right of use asset for all other lease modifications.

Amendments effective from 1 January 2019

IAS 12, Income Taxes

The amendment to IAS 12 clarifies that the income tax consequences (if any) of dividends as defined in IFRS 9 (i.e. distributions of profits to holders of equity instruments in proportion to their holdings) must be recognised:

- at the same time as the liability to pay those dividends is recognised; and
- in profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognised the past transactions or events that generated the distributable profits from which the dividends are being paid.

The amendment did not have material effect on Group's interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

4. Discontinued Operations

In 2018 the Group classified the Investment Business as disposal group held for distribution and its results of operations were reported under “discontinued operations” as a single amount in the consolidated income statement. As a result, discontinued operations were further adjusted to reflect the whole Investment Business classification as disposal group held for distribution.

On 29 May 2018 the Demerger became effective and the Investment Business was distributed to the shareholders of the Group. For details refer to Note 1 and Note 15.

Below are presented income statement line items of the Group excluding intra-group elimination attributable to discontinued operations:

	<i>Period ended 29 May 2018</i>
Net insurance premiums earned	42,954
Net insurance claims incurred	(24,945)
Gross insurance profit	18,009
Healthcare and pharma revenue	326,655
Cost of healthcare and pharma services	(225,159)
Gross healthcare and pharma profit	101,496
Real estate revenue	47,787
Cost of real estate	(38,708)
Gross real estate profit	9,079
Utility and energy revenue	53,999
Cost of utility and energy	(15,635)
Gross utility and energy profit	38,364
Gross other profit	15,678
Revenue	182,626
Salaries and other employee benefits	(54,711)
Administrative expenses	(38,109)
Other operating expenses	(3,828)
Operating expenses	(96,648)
EBITDA	85,978
Net gains from disposal of investment businesses	90,653
Depreciation and amortisation	(15,192)
Net foreign currency gain	12,421
Interest income	8,854
Interest expense	(34,623)
Net operating income before non-recurring items and impairment	148,091
Impairment charge on insurance premiums receivable, accounts receivable, other assets and provisions	(5,078)
Net non-recurring items	(31,690)
Profit before income tax expense	111,323
Income tax expense	(1,186)
Profit for the period	110,137

(Thousands of Georgian Lari)

4. Discontinued Operations (continued)

The difference between profit for the year and profit from discontinued operations presented in consolidated income statements is due to intra-group eliminations in amount of GEL 2,238 net income for the year ended 31 December 2018.

Below are presented other comprehensive statement line items of the Group attributable to discontinued operations for the year ended 31 December 2018:

	<i>Period ended 29 May 2018</i>
Other comprehensive loss	
<i>Other comprehensive loss from discontinuing operations to be reclassified to profit or loss in subsequent periods:</i>	
– Net change in fair value on investments in debt instruments measured at FVOCI	(695)
– Realised loss on financial assets measured at FVOCI reclassified to the consolidated income statement	650
– Loss from currency translation differences	(10,836)
Net other comprehensive loss from discontinued operations to be reclassified to profit or loss in subsequent periods	(10,881)
Other comprehensive loss for the period from discontinued operations	(10,881)
Total comprehensive income for the period from discontinued operations	97,018

(Thousands of Georgian Lari)

5. Restatement and Reclassification

Changes in accounting policies

The Group has adopted IFRS 9 from the mandatory adoption date of 1 January 2018. As a result, in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2018, the Group recognized the reinstatement effect of previously written-off gross loans to customers due to the change in write-off policy, both on retained earnings as at 1 January 2018 and throughout the consolidated income statement of the Group for the year ended 31 December 2018. However, the reinstatement effect was not recognized within the interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2018. Therefore, the comparative amounts have been restated within these interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019.

Below are presented income statement line items of the Group affected by the reinstatement effect:

Consolidated income statement for the six months ended 30 June 2018	<i>As previously reported</i>	<i>Effect of the change</i>	<i>As currently reported</i>
Interest income calculated using EIR method	629,570	378	629,948
Net foreign currency gain	39,916	(1,339)	38,577
Expected credit loss /impairment charge on loans to customers	(76,684)	6,473	(70,211)
Income tax expense	(36,565)	(436)	(37,001)

Change in the presentation of financial statements

As a result of the Demerger, the Group has updated certain line items' titles within these interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019, in order to be in compliance with the current common practice evidenced throughout the financial institutions.

Below are presented income statement line items of the Group affected by the change:

Consolidated income statement for the six months ended 30 June 2018	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Revenue	488,292	(488,292)	-
Operating income	-	488,292	488,292
Operating income before cost of credit risk	310,129	(310,129)	-
Operating income before cost of risk	-	310,129	310,129
Cost of credit risk	(71,340)	71,340	-
Cost of risk	-	(71,340)	(71,340)

(Thousands of Georgian Lari)

6. Segment Information

The Group disaggregated revenue from contracts with customers by products and services for each of our segments, as the Group believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Group has aggregated the Investment Business segments and presented them as discontinued operations in one single segment.

For management purposes, the Group is organised into the following operating segments based on products and services as follows:

- | | |
|-----------------|---|
| <i>RB</i> | - Retail Banking (excluding Retail Banking of BNB) - principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfers and settlement services, and handling of customers' deposits for both individuals and legal entities, The Retail Banking business targets the emerging retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses; |
| <i>CIB</i> | - 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; |
| <i>BNB</i> | - Comprising JSC Belaruskly Narodny Bank, principally providing retail and corporate banking services in Belarus. |
| <i>Other BB</i> | - Comprising of holding companies: providing compliance, governance services for the Group's operating businesses and several small corporate and social responsibility companies. |

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured in the same manner as profit or loss in the consolidated income statement.

Transactions between operating segments are on an arm's length basis in a similar manner to transactions with third parties.

The Group's operations are primarily concentrated in Georgia, except for BNB, which operates in Belarus.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total operating income during the six months ended 30 June 2019 and 30 June 2018.

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following table presents the income statement and certain asset and liability information regarding the Group's operating segments as at and for the six months ended 30 June 2019:

	<i>Retail banking</i>	<i>Corporate investment banking</i>	<i>BNB</i>	<i>Other</i>	<i>Eliminations</i>	<i>Group Total</i>
Net interest income	259,154	93,138	12,945	(686)	12	364,563
Net fee and commission income	67,039	15,264	3,611	(478)	11	85,447
Net foreign currency gain (loss)	31,309	28,771	8,734	(2,090)	-	66,724
Net other (expense) income	(1,582)	994	314	55	(472)	(691)
Operating income	355,920	138,167	25,604	(3,199)	(449)	516,043
Operating expenses	(139,060)	(43,120)	(16,737)	(4,429)	449	(202,897)
Profit from associates	442	-	-	-	-	442
Operating income (expense) before cost of risk	217,302	95,047	8,867	(7,628)	-	313,588
Cost of risk	(65,930)	(8,398)	(2,977)	(824)	-	(78,129)
Net operating income (loss) before non-recurring items	151,372	86,649	5,890	(8,452)	-	235,459
Net non-recurring expense/loss	(3,220)	(1,176)	(63)	(3,638)	-	(8,097)
Profit (loss) before income tax	148,152	85,473	5,827	(12,090)	-	227,362
Income tax expense	(11,047)	(6,249)	(950)	-	-	(18,246)
Profit (loss) for the period	137,105	79,224	4,877	(12,090)	-	209,116
Assets and liabilities						
Total assets	10,252,786	5,082,924	809,108	84,196	(95,015)	16,133,999
Total liabilities	9,132,074	4,351,800	707,446	119,475	(95,015)	14,215,780
Other segment information						
Property and equipment	34,850	3,738	693	44	-	39,325
Intangible assets	14,156	1,316	861	-	-	16,333
Capital expenditure	49,006	5,054	1,554	44	-	55,658
Depreciation & amortisation	(27,779)	(3,634)	(1,568)	(2)	-	(32,983)

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following table presents the income statement and certain asset and liability information regarding the Group's operating segments as at and for the six months ended 30 June 2018:

	Banking Business						Investment Business	Inter-Business Eliminations	Group Total
	Retail banking	Corporate investment banking	BNB	Other Banking Business	Banking Business Eliminations	Banking Business			
Net interest income	273,938	79,951	12,898	26	18	366,831	-	2,149	368,980
Net fee and commission income	55,292	12,554	4,780	(276)	7	72,357	-	(520)	71,837
Net foreign currency gain (loss)	14,929	16,903	7,459	(39)	-	39,252	-	(675)	38,577
Net other income	4,770	4,873	309	-	(501)	9,451	-	(553)	8,898
Operating income	348,929	114,281	25,446	(289)	(476)	487,891	-	401	488,292
Operating expenses	(127,661)	(36,453)	(15,905)	(980)	476	(180,523)	-	1,665	(178,858)
Profit from associates	695	-	-	-	-	695	-	-	695
Operating income (expense) before cost of risk	221,963	77,828	9,541	(1,269)	-	308,063	-	2,066	310,129
Operating income (expense) before cost of risk	221,963	77,828	9,541	(1,269)	-	308,063	-	2,066	310,129
Cost of risk	(58,072)	(10,246)	(3,022)	-	-	(71,340)	-	-	(71,340)
Net operating income (loss) before non-recurring items	163,891	67,582	6,519	(1,269)	-	236,723	-	2,066	238,789
Net non-recurring (expense/loss) income/gain	(29,073)	(11,144)	(706)	(6,072)	-	(46,995)	-	172	(46,823)
Profit (loss) before income tax expense from continuing operations	134,818	56,438	5,813	(7,341)	-	189,728	-	2,238	191,966
Income tax expense	(24,510)	(10,993)	(1,498)	-	-	(37,001)	-	-	(37,001)
Profit (loss) for the period from continuing operations	110,308	45,445	4,315	(7,341)	-	152,727	-	2,238	154,965
Profit (loss) from discontinued operations	-	-	-	-	-	-	110,137	(2,238)	107,899
Profit (loss) for the period	110,308	45,445	4,315	(7,341)	-	152,727	110,137	-	262,864
Assets and liabilities									
Total assets	9,571,500	4,559,037	680,550	137,203	(149,987)	14,798,303	-	-	14,798,303
Total liabilities	8,455,246	3,955,420	595,287	144,064	(149,987)	13,000,030	-	-	13,000,030
Other segment information									
Property and equipment	17,058	1,967	808	-	-	19,833	127,834	-	147,667
Intangible assets	9,361	1,125	458	51	-	10,995	559	-	11,554
Capital expenditure	26,419	3,092	1,266	51	-	30,828	128,393	-	159,221
Depreciation & amortisation	(19,720)	(2,578)	(616)	-	-	(22,914)	-	-	(22,914)

(Thousands of Georgian Lari)

7. Cash and Cash Equivalents

	<i>As at</i>	
	30 June 2019 <i>(unaudited)</i>	31 December 2018
Cash on hand	474,800	502,060
Current accounts with central banks, excluding obligatory reserves	204,892	298,788
Current accounts with credit institutions	213,389	243,622
Time deposits with credit institutions with maturities of up to 90 days	43,104	171,471
Cash and cash equivalents	936,185	1,215,941
Less – Allowance for expected credit loss	(79)	(142)
Cash and cash equivalents	936,106	1,215,799

As at 30 June 2019, GEL 233,667 (31 December 2018: GEL 316,083) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 0.68% interest per annum on these deposits (31 December 2018: up to 3.00%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

During the period expected credit recovery recognized on cash and cash equivalents amounted GEL 63 (30 June 2018: expected credit loss of GEL 35).

8. Amounts Due from Credit Institutions

	<i>As at</i>	
	30 June 2019 <i>(unaudited)</i>	31 December 2018
Obligatory reserves with central banks	1,676,487	1,244,885
Time deposits with maturities of more than 90 days	16,601	43,484
Deposits pledged as security for open commitments	5,298	-
Inter-bank loan receivables	7,067	17,586
Amounts due from credit institutions	1,705,453	1,305,955
Less – Allowance for expected credit loss	(752)	(739)
Amounts due from credit institutions	1,704,701	1,305,216

Obligatory reserves with central banks represent amounts deposited with the NBG and National Bank of the Republic of Belarus (the “NBRB”). Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group’s ability to withdraw these deposits is restricted by regulation. The Group earned up to 0.50% interest on obligatory reserves with NBG and NBRB for the years ended 30 June 2019 (31 December 2018: 1.00%).

As at 30 June 2019, inter-bank loan receivables include GEL 7,067 (31 December 2018: GEL 17,586) placed with non-OECD banks.

During the period expected credit loss recognized on amounts due from credit institutions amounted GEL 13 (30 June 2018: expected credit loss of GEL 124).

(Thousands of Georgian Lari)

9. Investment Securities

	<i>As at</i>	
	<u>30 June 2019</u>	<u>31 December</u>
	<u>(unaudited)</u>	<u>2018</u>
Investment securities measured at FVOCI - debt instruments	1,894,171	2,018,061
Investment securities designated as at FVOCI - equity investments	2,567	956
Investment securities	1,896,738	2,019,017
	<i>As at</i>	
	<u>30 June 2019</u>	<u>31 December</u>
	<u>(unaudited)</u>	<u>2018</u>
Georgian ministry of Finance treasury bonds*	830,887	927,594
Georgian ministry of Finance treasury bills**	73,467	100,111
Certificates of deposit of central banks	83,782	71,156
Other debt instruments***	906,035	919,200
Investment securities measured at FVOCI - debt instruments	1,894,171	2,018,061
	<i>As at</i>	
	<u>30 June 2019</u>	<u>31 December</u>
	<u>(unaudited)</u>	<u>2018</u>
Corporate shares – quoted	1,416	-
Corporate shares – unquoted	1,151	956
Investment securities designated as at FVOCI - equity	2,567	956

* GEL 342,456 was pledged for short-term loans from the NBG (31 December 2018: GEL 573,517).

** GEL 57,152 was pledged for short-term loans from the NBG (31 December 2018: Nil).

*** GEL 484,895 was pledged for short-term loans from the NBG (31 December 2018: GEL 674,616).

Other debt instruments as at 30 June 2019 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 283,878 (31 December 2018: GEL 249,659), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL 163,688 (31 December 2018: 163,454), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL 146,609 (31 December 2018: GEL 136,504), GEL-denominated bonds issued by International Finance Corporation GEL 110,539 (31 December 2018: GEL 110,545), and GEL-denominated bonds issued by Asian Development Bank of GEL 65,008 (31 December 2018: GEL 65,145).

During the period expected credit loss recognised on investment securities measured at FVOCI - debt instruments amounted GEL 1,727 (30 June 2018: expected credit loss of GEL 703), which was mainly due to the increase in gross carrying value for the period.

10. Loans to Customers and Finance Lease Receivables

	<i>As at</i>	
	<u>30 June 2019</u>	<u>31 December</u>
	<u>(unaudited)</u>	<u>2018</u>
Commercial loans	3,579,098	2,956,446
Consumer loans	1,958,767	1,876,888
Micro and SME loans	2,328,948	2,129,215
Residential mortgage loans	2,826,778	2,549,453
Gold – pawn loans	84,202	80,770
Loans to customers at amortised cost, gross	10,777,793	9,592,772
Less – Allowance for expected credit loss	(333,540)	(311,843)
Loans to customers at amortised cost, net	10,444,253	9,280,929
Finance lease receivables, gross	138,313	110,087
Less – Allowance for expected credit loss	(2,856)	(1,648)
Finance lease receivables, net	135,457	108,439
Loans and advances to customers at FVTPL	-	8,379
Total loans to customers and finance lease receivables	10,579,710	9,397,747

(Thousands of Georgian Lari)

10. Loans to Customers and Finance Lease Receivables (continued)

As at 30 June 2019, loans to customers carried at GEL 554,990 (31 December 2018: GEL 357,342) were pledged for short-term loans from the NBG.

Allowance for loan impairment

Gross loans and impairment by stages of impairment are as follows:

	<i>30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Purchased or credit impaired</i>	<i>Total</i>
Commercial loans	2,960,836	332,329	278,424	7,509	3,579,098
Residential mortgage loans	2,556,456	131,648	112,526	26,148	2,826,778
Consumer loans	1,715,457	109,253	126,723	7,334	1,958,767
Micro and SME loans	2,089,316	97,493	140,282	1,857	2,328,948
Gold – pawn loans	78,617	780	4,805	-	84,202
Loans to customers, gross	9,400,682	671,503	662,760	42,848	10,777,793
	<i>30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Purchased or credit impaired</i>	<i>Total</i>
Commercial loans	(9,083)	(2,619)	(171,845)	(550)	(184,097)
Residential mortgage loans	(523)	(147)	(7,980)	(1,676)	(10,326)
Consumer loans	(16,883)	(7,558)	(60,690)	(296)	(85,427)
Micro and SME loans	(14,437)	(6,376)	(31,904)	(744)	(53,461)
Gold – pawn loans	(15)	(4)	(210)	-	(229)
Allowance for loan impairment	(40,941)	(16,704)	(272,629)	(3,266)	(333,540)
	<i>31 December 2018</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Purchased or credit impaired</i>	<i>Total</i>
Commercial loans	2,379,160	327,830	242,419	7,037	2,956,446
Residential mortgage loans	2,351,207	86,809	88,249	23,188	2,549,453
Consumer loans	1,650,080	101,146	121,191	4,471	1,876,888
Micro and SME loans	1,913,964	85,311	127,705	2,235	2,129,215
Gold – pawn loans	75,483	541	4,746	-	80,770
Loans to customers, gross	8,369,894	601,637	584,310	36,931	9,592,772
	<i>31 December 2018</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Purchased or credit impaired</i>	<i>Total</i>
Commercial loans	(6,119)	(5,552)	(156,384)	(523)	(168,578)
Residential mortgage loans	(238)	(31)	(5,383)	(1,089)	(6,741)
Consumer loans	(19,654)	(9,355)	(62,143)	(389)	(91,541)
Micro and SME loans	(9,439)	(5,453)	(29,726)	(70)	(44,688)
Gold – pawn loans	(12)	-	(283)	-	(295)
Allowance for loan impairment	(35,462)	(20,391)	(253,919)	(2,071)	(311,843)

(Thousands of Georgian Lari)

10. Loans to Customers and Finance Lease Receivables (continued)

Allowance for loan impairment (continued)

Expected credit loss/impairment charge on loans to customers

	For the six months ended	
	30 June 2019 <i>(unaudited)</i>	30 June 2018 <i>(unaudited)</i>
Commercial loans	8,044	12,365
Consumer loans	36,237	51,143
Micro and SME loans	24,298	4,712
Residential mortgage loans	3,917	1,991
Gold – pawn loans	57	-
Expected credit loss	72,553	70,211

During the six months ending 30 June 2019 loans to customers written off amounted GEL 70,980 (for the six months ending 30 June 2018: GEL 124,626) and recoveries of amounts previously written off amounted GEL 18,752 (for the six months ending 30 June 2018: GEL 18,518).

Concentration of loans to customers

As at 30 June 2019, the concentration of loans granted by the Group to the ten largest third party borrowers comprised GEL 988,990 accounting for 9% of the gross loan portfolio of the Group (31 December 2018: GEL 952,411 and 10% respectively). An allowance of GEL 80,247 (31 December 2018: GEL 45,658) was established against these loans.

As at 30 June 2019, the concentration of loans granted by the Group to the ten largest third party group of borrowers comprised GEL 1,309,414 accounting for 12% of the gross loan portfolio of the Group (31 December 2018: GEL 1,231,913 and 13% respectively). An allowance of GEL 4,386 (31 December 2018: GEL 43,687) was established against these loans.

As at 30 June 2019 and 31 December 2018, loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	As at	
	30 June 2019 <i>(unaudited)</i>	31 December 2018
Individuals	6,043,389	5,509,279
Manufacturing	1,227,277	1,101,649
Trade	1,181,332	1,032,155
Real estate	542,344	436,450
Construction	517,599	366,009
Hospitality	256,185	301,415
Service	207,787	128,535
Transport & communication	140,065	132,588
Mining and quarrying	138,402	127,835
Electricity, gas and water supply	80,838	76,574
Financial intermediation	68,015	62,180
Other	374,560	326,482
Loans to customers, gross	10,777,793	9,601,151
Less – Allowance for expected credit loss	(333,540)	(311,843)
Loans to customers, net	10,444,253	9,289,308

Loans have been extended to the following types of customers:

	As at	
	30 June 2019 <i>(unaudited)</i>	31 December 2018
Private companies	4,732,388	4,089,095
Individuals	6,043,389	5,509,279
State-owned entities	2,016	2,777
Loans to customers, gross	10,777,793	9,601,151
Less – Allowance for expected credit loss	(333,540)	(311,843)
Loans to customers, net	10,444,253	9,289,308

(Thousands of Georgian Lari)

11. Client Deposits and Notes

The amounts due to customers include the following:

	<i>As at</i>	
	<i>30 June 2019</i> <i>(unaudited)</i>	<i>31 December</i> <i>2018</i>
Time deposits	4,514,369	4,061,604
Current accounts	4,341,247	4,072,249
Client deposits and notes	8,855,616	8,133,853
Held as security against letters of credit and guarantees	115,609	125,393

At 30 June 2019, amounts due to customers of GEL 807,360 (9%) were due to the ten largest customers (31 December 2018: GEL 962,322 (12%)).

Amounts due to customers include accounts with the following types of customers:

	<i>As at</i>	
	<i>30 June 2019</i> <i>(unaudited)</i>	<i>31 December</i> <i>2018</i>
Individuals	5,636,954	4,832,966
Private enterprises	2,821,497	2,760,667
State and state-owned entities	397,165	540,220
Client deposits and notes	8,855,616	8,133,853

The breakdown of customer accounts by industry sector is as follows:

	<i>As at</i>	
	<i>30 June 2019</i> <i>(unaudited)</i>	<i>31 December</i> <i>2018</i>
Individuals	5,636,954	4,832,966
Trade	530,248	536,619
Construction	490,040	572,628
Financial intermediation	396,845	397,638
Government services	379,167	508,410
Transport & communication	360,962	342,745
Service	292,531	300,671
Manufacturing	253,435	178,619
Real estate	125,697	101,020
Hospitality	77,484	40,216
Electricity, gas and water supply	56,879	95,987
Other	255,374	226,334
Client deposits and notes	8,855,616	8,133,853

(Thousands of Georgian Lari)

12. Amounts Owed to Credit Institutions

Amounts due to credit institutions comprise:

	<i>As at</i>	
	<u>30 June 2019</u> <i>(unaudited)</i>	<u>31 December</u> <i>2018</i>
Borrowings from international credit institutions	1,078,863	989,740
Short-term loans from the National Bank of Georgia	1,001,496	1,118,957
Time deposits and inter-bank loans	356,579	214,479
Correspondent accounts	93,140	118,692
Other borrowings*	143,414	133,830
	<u>2,673,492</u>	<u>2,575,698</u>
Non-convertible subordinated debt	287,027	419,181
Amounts due to credit institutions	<u>2,960,519</u>	<u>2,994,879</u>

* Other borrowings represent borrowings from JSC Georgia Capital on arm's length terms.

During the six months ended 30 June 2019, the Group paid up to 6.50% on US\$ borrowings from international credit institutions (six months ended 30 June 2018: up to 5.96%). During the six months ended 30 June 2019, the Group paid up to 10.40% on Dollar subordinated debt (six months ended 30 June 2018: up to 9.26%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 30 June 2019 and 31 December 2018 the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

13. Debt Securities Issued

Debt securities issued comprise:

	<i>As at</i>	
	<u>30 June 2019</u> <i>(unaudited)</i>	<u>31 December</u> <i>2018</i>
Eurobonds and notes issued	1,413,429	1,349,853
Additional Tier 1 capital notes issued	289,701	-
Local bonds	58,024	57,389
Certificates of deposit	376,085	323,172
Debt securities issued	<u>2,137,239</u>	<u>1,730,414</u>

On 21 March 2019, JSC Bank of Georgia successfully priced inaugural US\$ 100 million offering of 11.125% Additional Tier 1 Capital Perpetual Subordinated Notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia (the "Notes"). The Notes are being issued in accordance with Regulation S and sold at an issue price of 100.00%.

(Thousands of Georgian Lari)

14. Commitments and Contingencies

Legal

Sai-invest

As at 30 June 2019, the Bank was engaged in a litigation proceeding with Sai-Invest LLC in relation to a deposit pledge in the amount of EUR 7 million used to reduce the outstanding loan of LTD Sport Invest towards JSC Bank of Georgia. The Bank's management is of the opinion that the probability of incurring material losses on this claim is low, and accordingly no provision has been made in these consolidated financial statements.

Rustavi Azoti

At 30 June 2019, the Bank was engaged in litigation proceedings in Tbilisi City Court with East-West United Bank S.A., Agrochim S.A. and Systema Holding Limited (claimants) in relation to foreclosure on security (movable and immovable property and intangible assets) through auction on a defaulted loan of Rustavi Azoti LLC. Claimants request reinstatement of the title to the property owned by Rustavi Azoti LLC and compensation of damages in the amount of around USD 93.6m. No provision has been made as the Bank's management believes that the claim is groundless and it is extremely unlikely that any significant loss will eventuate from this claim.

At 30 June 2019, BGEO Group Limited (former BGEO Group PLC), was engaged in litigation proceedings in the High Court of Justice of England and Wales (Commercial Court) with Roman Pipia (claimant), who asserts that BGEO Group Limited is liable to the claimant under Georgian law in relation to the loss of the Rustavi Azoti plant, which he alleges he formerly beneficially owned. The Bank had initiated the sale of collateral pledged by Rustavi Azoti LLC and its parent company to secure loans granted by the Bank following default by the borrowers in 2016. Based on the revised claim submitted in December 2018, the claimed amount is around USD 286.5m (alternatively USD 291m). No provision has been made as the Group believes that the claim is groundless and it is extremely unlikely that any significant loss will eventuate from this claim.

In the ordinary course of business, the Group and BOGG are subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group or BOGG.

Financial commitments and contingencies

As at 30 June 2019 and 31 December 2018 the Group's financial commitments and contingencies comprised the following:

	<i>As at</i>	
	<i>30 June 2019</i>	<i>31 December</i>
	<i>(unaudited)</i>	<i>2018</i>
Credit-related commitments		
Guarantees issued	1,123,051	1,015,566
Undrawn loan facilities	256,854	278,254
Letters of credit	46,412	42,009
	1,426,317	1,335,829
Less – Cash held as security against letters of credit and guarantees (Note 11)	(115,609)	(125,393)
Less – Provisions	(5,298)	(4,582)
Operating lease commitments		
Not later than 1 year	3,528	29,397
Later than 1 year but not later than 5 years	1,845	74,341
Later than 5 years	225	28,754
	5,598	132,492
Capital expenditure commitments	6,245	6,616

During the period expected credit recovery recognized on financial guarantees and letter of credits amounted GEL 663 (30 June 2018: expected credit loss of GEL 2,852).

(Thousands of Georgian Lari)

15. Equity

Share capital

As at 30 June 2019, issued share capital comprised 49,169,428 common shares of BOGG (31 December 2018: 49,169,428 of BOGG), all of which were fully paid. Each share has a nominal value of one (1) British Penny. Shares issued and outstanding as at 30 June 2019 are described below:

	<i>Number of shares Ordinary</i>	<i>Amount of shares Ordinary</i>
31 December 2017 (BGEO Group PLC)	39,384,712	1,151
Replacement of BGEO as the Group's parent	(39,384,712)	(1,151)
Establishment and share issue by the new parent company	39,384,714	4,375,378
Capital reduction	-	(4,373,910)
Issue of share capital in course of demerger	9,784,716	322
30 June 2018 (Bank of Georgia Group PLC) (unaudited)	49,169,430	1,790
31 December 2018 (Bank of Georgia Group PLC)	49,169,428	1,618
30 June 2019 (Bank of Georgia Group PLC) (unaudited)	49,169,428	1,618

As part of the Demerger, Bank of Georgia Group PLC was established and on 18 May 2018 issued 39,384,712 additional ordinary shares at nominal value of £32 each in exchange for the entire issued capital of BGEO Group PLC and became the parent company of BGEO. On 23 May 2018 the Company undertook a planned reduction of capital to create distributable reserves for Bank of Georgia Group PLC.

Following the reduction of capital, the nominal value of the Company's ordinary shares was reduced to one (1) British Penny from thirty-two (32) British Pounds. As a result of the capital reduction, resources which became distributable to the shareholders were fully reclassified to retained earnings. The reduction of capital was a legal and accounting adjustment without any changes in assets and liabilities of the Group.

(Thousands of Georgian Lari)

15. Equity (continued)

Share capital (continued)

On 29 May 2018 as a result of the Demerger the Company distributed its investment in the Investment Business with a fair value of GEL 1,441,552 thousands to the shareholders of BOGG.

On 29 May 2018 BOGG issued additional 9,784,716 ordinary shares at nominal value of one (1) British Penny each.

Treasury shares

Treasury shares are held by the Group solely for the purpose of future employee share-based compensation.

The number of treasury shares held by the Group as at 30 June 2019 comprised 1,499,541 (31 December 2018: 1,543,281), with nominal amount of GEL 49 (31 December 2018: GEL 51).

Dividends

Shareholders are entitled to dividends in British Pounds Sterling.

On 17 May 2019, the Shareholders of Bank of Georgia Group PLC declared a final dividend for 2018 of Georgian Lari 2.55 per share. The currency conversion date was set at 31 May 2019, with the official GEL: GBP exchange rate of 3.5337, resulting in a GBP-denominated final dividend of 0.7216 per share. Payment of the total GEL 123,598 final dividends was received by shareholders on 28 June 2019.

On 9 July 2018, the Shareholders of Bank of Georgia Group PLC declared an interim dividend for 2018 of Georgian Lari 2.44 per share. The currency conversion date was set at 20 July 2018, with the official GEL: GBP exchange rate of 3.2167, resulting in a GBP-denominated final dividend of 0.7585 per share. Payment of the total GEL 122,199 final dividends was received by shareholders on 27 July 2018.

Earnings per share

	For the six months ended	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<i>Basic earnings per share</i>		
Profit for the period attributable to ordinary shareholders of the Group	208,154	244,106
Profit for the period from continuing operations attributable to ordinary shareholders of the Group	208,154	154,422
Profit for the period from discontinued operations attributable to ordinary shareholders of the Group	-	89,684
Weighted average number of ordinary shares outstanding during the period	47,846,288	41,047,494
Basic earnings per share	4.3505	5.9469
Earnings per share from continuing operations	4.3505	3.7620
Earnings per share from discontinued operations	-	2.1849
	For the six months ended	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<i>Diluted earnings per share</i>		
Effect of dilution on weighted average number of ordinary shares:		
Dilutive unvested share options	170,395	479,488
Weighted average number of ordinary shares adjusted for the effect of dilution	48,016,683	41,526,982
Diluted earnings per share	4.3350	5.8783
Diluted earnings per share from continuing operations	4.3350	3.7187
Diluted earnings per share from discontinued operations	-	2.1596

(Thousands of Georgian Lari)

16. Net Interest Income

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income calculated using EIR method	665,752	629,948
From loans to customers	593,257	551,975
From investment securities	68,448	61,511
From amounts due from credit institutions	10,656	16,462
Net loss on modification of financial assets	(6,609)	-
Other interest income	11,207	8,823
From finance lease receivable	11,015	8,170
From loans and advances to customers measured at FVTPL	192	653
Interest Income	676,959	638,771
On client deposits and notes	(135,964)	(118,686)
On amounts owed to credit institutions	(95,683)	(93,518)
On debt securities issued	(74,504)	(55,013)
On lease liability	(2,418)	-
Interest Expense	(308,569)	(267,217)
Deposit insurance fees	(3,827)	(2,574)
Net Interest Income	364,563	368,980

17. Net Fee and Commission Income

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Settlements operations	103,186	86,089
Guarantees and letters of credit	11,220	8,568
Cash operations	6,611	6,047
Currency conversion operations	4,115	185
Brokerage service fees	1,895	2,078
Advisory	1,225	955
Other	2,304	2,083
Fee and commission income	130,556	106,005
Settlements operations	(36,856)	(28,339)
Cash operations	(3,816)	(2,229)
Guarantees and letters of credit	(683)	(742)
Insurance brokerage service fees	(1,129)	(2,066)
Currency conversion operations	(604)	(8)
Advisory	(83)	-
Other	(1,938)	(784)
Fee and commission expense	(45,109)	(34,168)
Net fee and commission income	85,447	71,837

(Thousands of Georgian Lari)

18. Net Non-recurring Items

	For the six months ended	
	30 June 2019	30 June 2018
	(unaudited)	(unaudited)
Demerger related expenses*	-	(30,284)
Corporate social responsibility expense**	-	(13,462)
Termination benefits	(3,985)	-
Other	(4,112)	(3,077)
Net non-recurring expense/loss	(8,097)	(46,823)

* Demerger-related expenses comprise of: employee compensation expenses in amount of GEL 21,141 including acceleration of share-based compensation of Investment Business employees, Demerger costs recognised in the consolidated income statement in amount of GEL 7,736 and other Demerger-related expenses in amount of GEL 1,407.

** Corporate social responsibility comprises the one-off project to support the fibre-optic broadband infrastructure development in rural Georgia.

19. Income Tax Expense

The corporate income tax expense comprises:

	For the six months ended	
	30 June 2019	30 June 2018
	(unaudited)	(unaudited)
Current income expense	(16,201)	(4,553)
Deferred income tax expense	(2,045)	(33,634)
Income tax expense	(18,246)	(38,187)
Income tax expense attributable to continuing operations	(18,246)	(37,001)
Income tax expense attributable to a discontinued operation (Note 4)	-	(1,186)

On 12 June 2018, an amendment to the current corporate taxation model applicable to financial institutions, including banks and insurance businesses, became effective. The change implies a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings starting from 1 January 2023, instead of 1 January 2019 as previously enacted in 2016.

(Thousands of Georgian Lari)

20. Fair Value Measurements

Fair value hierarchy

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

30 June 2019 (unaudited)	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Assets measured at fair value</i>				
Total investment properties	-	-	178,764	178,764
<i>Land</i>	-	-	7,060	7,060
<i>Residential properties</i>	-	-	81,748	81,748
<i>Non-residential properties</i>	-	-	89,956	89,956
Investment securities	-	1,895,587	1,151	1,896,738
Other assets – derivative financial assets	-	30,479	-	30,479
Other assets – trading securities owned	13,968	-	-	13,968
Loans to customers and finance lease receivables	-	-	-	-
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	936,106	-	936,106
Amounts due from credit institutions	-	1,704,701	-	1,704,701
Loans to customers and finance lease receivables	-	-	10,833,356	10,833,356
<i>Liabilities measured at fair value</i>				
Other liabilities – derivative financial liabilities	-	21,913	-	21,913
<i>Liabilities for which fair values are disclosed</i>				
Client deposits and notes	-	8,853,355	-	8,853,355
Amounts owed to credit institutions	-	2,464,444	496,075	2,960,519
Debt securities issued	-	2,034,178	108,991	2,143,169
Lease liability	-	100,172	-	100,172
31 December 2018				
<i>Assets measured at fair value</i>				
Total investment properties	-	-	151,446	151,446
<i>Land</i>	-	-	15,094	15,094
<i>Residential properties</i>	-	-	71,434	71,434
<i>Non-residential properties</i>	-	-	64,918	64,918
Investment securities	-	2,018,622	395	2,019,017
Other assets – derivative financial assets	-	35,557	-	35,557
Other assets – trading securities owned	4,652	-	-	4,652
Loans to customers and finance lease receivables	-	-	8,379	8,379
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	1,215,799	-	1,215,799
Amounts due from credit institutions	-	1,305,216	-	1,305,216
Loans to customers and finance lease receivables	-	-	9,359,858	9,359,858
<i>Liabilities measured at fair value</i>				
Other liabilities – derivative financial liabilities	-	11,569	-	11,569
<i>Liabilities for which fair values are disclosed</i>				
Client deposits and notes	-	8,129,794	-	8,129,794
Amounts owed to credit institutions	-	2,560,563	434,316	2,994,879
Debt securities issued	-	1,373,161	380,775	1,753,936

(Thousands of Georgian Lari)

20. Fair Value Measurements (continued)

Fair value hierarchy (continued)

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, forward foreign exchange contracts and option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations, as well as standard option pricing models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatilities.

Trading securities and investment securities

Trading securities and a certain part of investment securities are quoted equity and debt securities. Investment securities valued using a valuation technique or pricing models consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Fair value of financial instruments that are not carried at fair value in the financial statements

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments. The table does not include the fair values of non-financial assets and non-financial liabilities, or fair values of other smaller financial assets and financial liabilities, fair values of which are materially close to their carrying values.

	<i>Carrying value 2019</i>	<i>Fair value 2019</i>	<i>Unrecognised gain (loss) 2019</i>	<i>Carrying value 2018</i>	<i>Fair value 2018</i>	<i>Unrecognised loss 2018</i>
Financial assets						
Cash and cash equivalents	936,106	936,106	-	1,215,799	1,215,799	-
Amounts due from credit institutions	1,704,701	1,704,701	-	1,305,216	1,305,216	-
Loans to customers and finance lease receivables	10,579,710	10,833,356	253,646	9,389,368	9,359,858	(29,510)
Financial liabilities						
Client deposits and notes	8,855,616	8,853,355	2,261	8,133,853	8,129,794	4,059
Amounts owed to credit institutions	2,960,519	2,960,519	-	2,994,879	2,994,879	-
Debt securities issued	2,137,239	2,143,169	(5,930)	1,730,414	1,753,936	(23,522)
Lease liability	100,172	100,172	-	-	-	-
Total unrecognised change in unrealised fair value			249,977			(48,973)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

(Thousands of Georgian Lari)

21. Maturity Analysis of Financial Assets and Liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual maturities, except for current accounts as described below.

	30 June 2019 (unaudited)							Total
	On Demand	Up to 3 Months	Up to 6 Months	Up to 1 Year	Up to 3 Years	Up to 5 Years	Over 5 Years	
Financial assets								
Cash and cash equivalents	894,057	42,049	-	-	-	-	-	936,106
Amounts due from credit institutions	1,669,828	12,253	460	7,491	3,216	200	11,253	1,704,701
Investment securities	753,503	944,896	7,850	17,946	62,367	79,912	30,264	1,896,738
Loans to customers and finance lease	-	1,756,180	705,898	1,528,557	2,778,643	1,672,617	2,137,815	10,579,710
Total	3,317,388	2,755,378	714,208	1,553,994	2,844,226	1,752,729	2,179,332	15,117,255
Financial liabilities								
Client deposits and notes	1,757,155	1,675,299	726,605	3,759,822	833,744	59,692	43,299	8,855,616
Amounts owed to credit institutions	93,140	1,309,802	120,126	329,826	579,567	315,774	212,284	2,960,519
Debt securities issued	-	206,801	3,363	608,343	64,918	1,253,814	-	2,137,239
Lease liability	-	5,241	5,240	10,513	35,041	21,435	22,702	100,172
Total	1,850,295	3,197,143	855,334	4,708,504	1,513,270	1,650,715	278,285	14,053,546
Net	1,467,093	(441,765)	(141,126)	(3,154,510)	1,330,956	102,014	1,901,047	1,063,709
Accumulated gap	1,467,093	1,025,328	884,202	(2,270,308)	(939,352)	(837,338)	1,063,709	
	31 December 2018							Total
	On Demand	Up to 3 Months	Up to 6 Months	Up to 1 Year	Up to 3 Years	Up to 5 Years	Over 5 Years	
Financial assets								
Cash and cash equivalents	1,047,670	168,129	-	-	-	-	-	1,215,799
Amounts due from credit institutions	1,234,277	50,292	976	7,880	-	-	11,791	1,305,216
Investment securities	751,662	943,600	42,499	37,052	141,608	69,601	32,995	2,019,017
Loans to customers and finance lease	-	1,419,736	642,309	1,393,967	2,500,443	1,342,016	2,099,276	9,397,747
Total	3,033,609	2,581,757	685,784	1,438,899	2,642,051	1,411,617	2,144,062	13,937,779
Financial liabilities								
Client deposits and notes	1,528,349	1,524,125	732,660	3,602,837	654,676	52,372	38,834	8,133,853
Amounts owed to credit institutions	118,691	1,269,126	91,295	189,155	710,208	454,901	161,503	2,994,879
Debt securities issued	2	60,976	175,965	173,740	566,129	753,602	-	1,730,414
Total	1,647,042	2,854,227	999,920	3,965,732	1,931,013	1,260,875	200,337	12,859,146
Net	1,386,567	(272,470)	(314,136)	(2,526,833)	711,038	150,742	1,943,725	1,078,633
Accumulated gap	1,386,567	1,114,097	799,961	(1,726,872)	(1,015,834)	(865,092)	1,078,633	

The Group's capability to discharge its liabilities relies on its ability to realise equivalent assets within the same period of time. In the Georgian marketplace, where most of the Group's business is concentrated, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. To reflect the historical stability of current accounts, the Group calculates the minimum daily balance of current accounts over the past two years and includes the amount in the up to 1 year category in the table above. The remaining current accounts are included in the On demand category.

(Thousands of Georgian Lari)

21. Maturity Analysis of Financial Assets and Liabilities (continued)

The Group's principal sources of liquidity are as follows:

- deposits;
- borrowings from international credit institutions;
- inter-bank deposit agreements;
- debt issues;
- proceeds from sale of securities;
- principal repayments on loans;
- interest income; and
- fees and commissions income.

As at 30 June 2019 client deposits and notes amounted to GEL 8,855,616 (31 December 2018: GEL 8,133,853) and represented 62% (31 December 2018: 63%) of the Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 30 June 2019 amounts owed to credit institutions amounted to GEL 2,960,519 (31 December 2018: GEL 2,994,879) and represented 21% (31 December 2018: 23%) of total liabilities. As at 30 June 2019 debt securities issued amounted to GEL 2,137,239 (31 December 2018: GEL 1,730,414) and represented 15% (31 December 2018: 13%) of total liabilities. As at 30 June 2019 lease liability amounted to GEL 100,172 (31 December 2018: n/a) and represented 1% (31 December 2018: n/a) of total liabilities.

In the Board's opinion, liquidity is sufficient to meet the Group's present requirements.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, except for current accounts which are included in up to 1 year time bucket, noting that respective contractual maturity may expand over significantly longer periods:

	<i>30 June 2019 (unaudited)</i>			<i>31 December 2018</i>		
	<i>Less than 1 Year</i>	<i>More than 1 Year</i>	<i>Total</i>	<i>Less than 1 Year</i>	<i>More than 1 Year</i>	<i>Total</i>
Cash and cash equivalents	936,106	-	936,106	1,215,799	-	1,215,799
Amounts due from credit institutions	1,690,032	14,669	1,704,701	1,293,425	11,791	1,305,216
Investment securities	1,724,195	172,543	1,896,738	1,774,813	244,204	2,019,017
Loans to customers and finance lease	3,990,635	6,589,075	10,579,710	3,456,012	5,941,735	9,397,747
Accounts receivable and other loans	3,688	-	3,688	2,849	-	2,849
Prepayments	32,132	3,894	36,026	27,170	17,124	44,294
Inventories	11,748	-	11,748	12,818	474	13,292
Investment properties	-	178,764	178,764	-	151,446	151,446
Right of use assets	-	105,874	105,874	-	-	-
Property and equipment	-	358,921	358,921	-	344,059	344,059
Goodwill	-	33,351	33,351	-	33,351	33,351
Intangible assets	-	93,515	93,515	-	83,366	83,366
Income tax assets	4,866	214	5,080	19,328	123	19,451
Other assets	135,162	14,071	149,233	107,562	18,446	126,008
Assets held for sale	40,544	-	40,544	42,408	-	42,408
Total assets	8,569,108	7,564,891	16,133,999	7,952,184	6,846,119	14,798,303
Client deposits and notes	7,918,881	936,735	8,855,616	7,387,971	745,882	8,133,853
Amounts owed to credit institutions	1,852,894	1,107,625	2,960,519	1,668,267	1,326,612	2,994,879
Debt securities issued	818,507	1,318,732	2,137,239	410,683	1,319,731	1,730,414
Lease liability	20,993	79,179	100,172	-	-	-
Accruals and deferred income	25,974	8,774	34,748	41,287	5,776	47,063
Income tax liabilities	950	29,411	30,361	1,009	27,846	28,855
Other liabilities	97,125	-	97,125	64,966	-	64,966
Total liabilities	10,735,324	3,480,456	14,215,780	9,574,183	3,425,847	13,000,030
Net	(2,166,216)	4,084,435	1,918,219	(1,621,999)	3,420,272	1,798,273

(Thousands of Georgian Lari)

22. Related Party Disclosures

In accordance with IAS 24 “Related Party Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm’s length basis.

The volumes of related party transactions, outstanding balances at the year-end, and related expenses and income for the year are as follows:

	<i>30 June 2019 (unaudited)</i>		<i>30 June 2018 (unaudited)</i>	
	<i>Associates</i>	<i>Key management personnel*</i>	<i>Associates</i>	<i>Key management personnel*</i>
Loans outstanding at 1 January, gross	-	1,756	17,053	2,913
Loans issued during the period	-	2,529	-	1,184
Loan repayments during the period	-	(2,087)	-	(1,836)
Other movements**	-	337	(17,053)	(1,607)
Loans outstanding at 30 June, gross	-	2,535	-	654
Loans outstanding at 30 June, net	-	2,535	-	654
Interest income on loans	-	93	529	56
Expected credit loss	-	(14)	-	-
Deposits at 1 January	809	14,748	2,005	38,842
Deposits received during the period	712	20,791	-	9,435
Deposits repaid during the period	-	(2,955)	(763)	(930)
Other movements**	(401)	(1,105)	(502)	(32,135)
Deposits at 30 June	1,120	31,479	740	15,212
Interest expense on deposits	-	(447)	(2)	(222)
Other income	-	-	-	3

* *Key management personnel includes members of BOGG’s Board of Directors and key executives of the Group.*

** *Other movements during the six months ended 30 June 2018 mainly relate to the Demerger.*

Compensation of key management personnel comprised the following:

	<i>For the six months ended</i>	
	<i>30 June 2019 (unaudited)</i>	<i>30 June 2018 (unaudited)</i>
Salaries and other benefits	5,084	4,735
Share-based payments compensation *	26,712	54,893
Cash compensations	-	2,273
Social security costs	11	35
Total key management compensation	31,807	61,936

* *During the six months ended 30 June 2019, share-based compensation included an amount of GEL 3,985 (during the six months ended 30 June 2018: GEL 13,557) for key management personnel reflected in the non-recurring items and nil reflected in discontinued operations (during the six months ended 30 June 2018: GEL 23,278).*

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2019 was 16 (30 June 2018: 13).

(Thousands of Georgian Lari)

23. Capital Adequacy

The Group maintains an actively managed capital base to cover risks inherent to the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the NBG in supervising the Bank.

During the year ended 30 June 2019, the Bank and the Group complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

NBG (Basel III) capital adequacy ratio

In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements, including amendments to the regulation on capital adequacy requirements for commercial banks, and introduced new requirements on the determination of the countercyclical buffer rate, on the identification of systematically important banks, on determining systemic buffer requirements and on additional capital buffer requirements for commercial banks within Pillar 2. The NBG requires the Bank to maintain a minimum total capital adequacy ratio of risk-weighted assets, computed based on the Bank's standalone special purpose financial statements prepared in accordance with NBG regulations and pronouncements, based on Basel III requirements. As at 30 June 2019 and 31 December 2018, the Bank's capital adequacy ratio on this basis was as follows:

	<i>As at</i>	
	30 June 2019 <i>(unaudited)</i>	31 December 2018
Core Tier 1 capital	1,385,932	1,379,953
Additional Tier 1 capital	286,870	-
Tier 1 capital	1,672,802	1,379,953
Tier 2 capital	423,425	502,355
Total capital	2,096,227	1,882,308
Risk-weighted assets	12,558,785	11,338,660
Total capital ratio	16.7%	16.6%
Min Requirement	16.1%	15.9%

(Thousands of Georgian Lari)

24. Events after the Reporting Period

GEL 28 million 5-year loan agreement with EBRD

On 12 July 2019, JSC Bank of Georgia attracted a c. GEL 28 million loan from the European Bank for Reconstruction and Development (“EBRD”) with a maturity of 5 years. EBRD obtained the local currency funds through a private placement of GEL-denominated bonds arranged by Galt & Taggart - a wholly owned brokerage subsidiary of Bank of Georgia Group PLC.

JSC Bank of Georgia signs GEL 100 million 5-year loan agreement with IFC

On 1 August 2019, JSC Bank of Georgia and the International Finance Corporation (“IFC”) signed a GEL 100 million loan agreement with a maturity of 5 years. IFC will raise the local currency funds through a private placement of GEL-denominated bonds to be arranged by Galt & Taggart - a wholly owned brokerage subsidiary of Bank of Georgia Group PLC.

JSC Bank of Georgia signs US\$50 million Trade Finance Facility with Citi

On 24 July 2019, JSC Bank of Georgia has signed a one-year US\$50 million Trade Finance Facility (“the Facility”) with Citi. The Facility been arranged under the Continuing Agreement for Reimbursement of Trade Advances (“CARTA”), signed with Citi in 2011, and is the third successful transaction between Citi and Bank of Georgia under this agreement.

GLOSSARY

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

COMPANY INFORMATION

Bank of Georgia Group PLC

Registered Address

84 Brook Street
London W1K 5EH
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www.bankofgeorgiagroup.com

Registered under number 10917019 in England and Wales

Secretary

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Stock Listing

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

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.

Investor Centre Web Address - www.investorcentre.co.uk

Investor Centre Shareholder Helpline - +44 (0)370 873 5866

Share price information

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

www.bankofgeorgiagroup.com