



# TBC BANK GROUP PLC

## 2Q AND 1H 2019 FINANCIAL RESULTS

[www.tcbankgroup.com](http://www.tcbankgroup.com)



## TBC BANK GROUP PLC (“TBC Bank”) 2Q AND 1H 2019 PRELIMINARY UNAUDITED CONSOLIDATED FINANCIAL RESULTS

### Forward-Looking Statements

*This document contains forward-looking statements; such forward-looking statements contain known and unknown risks, uncertainties and other important factors, which may cause the actual results, performance or achievements of TBC Bank Group PLC (“the Bank” or the “Group”) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on numerous assumptions regarding the Bank’s present and future business strategies and the environment in which the Bank will operate in the future. Important factors that, in the view of the Bank, could cause actual results to differ materially from those discussed in the forward-looking statements include, among others, the achievement of anticipated levels of profitability, growth, cost and recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Georgian economic, political and legal environment, financial risk management and the impact of general business and global economic conditions.*

*None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects are based are accurate or exhaustive or, in the case of the assumptions, entirely covered in the document. These forward-looking statements speak only as of the date they are made, and subject to compliance with applicable law and regulation the Bank expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in the document to reflect actual results, changes in assumptions or changes in factors affecting those statements.*

*Certain financial information contained in this presentation, which is prepared on the basis of the Group’s accounting policies applied consistently from year to year, has been extracted from the Group’s unaudited management’s accounts and financial statements. The areas in which the management’s accounts might differ from the International Financial Reporting Standards and/or U.S. generally accepted accounting principles could be significant; you should consult your own professional advisors and/or conduct your own due diligence for a complete and detailed understanding of such differences and any implications they might have on the relevant financial information contained in this presentation. Some numerical figures included in this report have been subjected to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables might not be an arithmetic aggregation of the figures that preceded them.*

## Second Quarter and First Half of 2019 Preliminary Unaudited Consolidated Financial Results Conference Call

TBC Bank Group PLC ("TBC PLC") publishes its preliminary unaudited and not reviewed consolidated financial results for the second quarter and first half of 2019 today at 7.00 am BST (10.00 am GET).

As a result, the call to discuss the result will take place today, on Monday, 29 July 2019 at 14.00 (BST) / 15.00 (CEST) / 9.00 (EST).

This results announcement has been brought forward today, for securities laws reasons connected to the today announcement of the share buy back programme.

Vakhtang Butskhrikidze, CEO, and Giorgi Shagidze, CFO, will host a conference call to discuss the results. Nikoloz Enukidze, the Chairman of TBC PLC's Board of Directors, will join the call and will be available for the questions.

Date & time: Monday, 29 July 2019 at 14.00 (BST) / 15.00 (CEST) / 9.00 (EST)

Please dial-in approximately five minutes before the start of the call quoting the password TBC:

|                                |                      |
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## Contacts

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**Zoltan Szalai**  
Director of International Media and  
Investor Relations

E-mail: ZSzalai@Tbcbank.com.ge  
Tel: +44 (0) 7908 242128  
Web: www.tbcbankgroup.com  
Address: 68 Lombard St, London EC3V  
9LJ, United Kingdom

**Anna Romelashvili**  
Head of Investor Relations

E-mail: IR@tbcbank.com.ge  
Tel: +(995 32) 227 27 27  
Web: www.tbcbankgroup.com  
Address: 7 Marjanishvili St. Tbilisi,  
Georgia 0102

**Investor Relations Department**

E-mail: IR@tbcbank.com.ge  
Tel: +(995 32) 227 27 27  
Web: www.tbcbankgroup.com  
Address: 7 Marjanishvili St. Tbilisi,  
Georgia 0102

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## TBC BANK Group PLC (“TBC Bank”)

### TBC Bank Announces Preliminary Unaudited 2Q and 1H 2019 Consolidated Financial Results:

**Underlying<sup>1</sup> Net Profit for 2Q 2019 up by 4.3% YoY to GEL 125.0 million**  
**Underlying<sup>1</sup> Net Profit for 1H 2019 up by 18.8% YoY to GEL 258.3 million**

*European Union Market Abuse Regulation EU 596/2014 requires TBC Bank Group PLC to disclose that this announcement contains Inside Information, as defined in that Regulation.*

*The quarterly and semi-annual financial information for 2019 and trends are not audited or reviewed.*

### TBC Bank – Background

TBC Bank is the largest banking group in Georgia, where 99.7% of its business is concentrated, with a 39.1% market share by total assets. It offers retail, corporate, and MSME banking nationwide.

These unaudited financial results are presented for TBC Bank Group PLC (“TBC Bank” or “the Group”), which was incorporated on 26 February 2016 as the ultimate holding company for JSC TBC Bank Georgia. TBC Bank became the parent company of JSC TBC Bank Georgia on 10 August 2016, following the Group’s restructuring. As this was a common ownership transaction, the results have been presented as if the Group existed at the earliest comparative date as allowed under the International Financial Reporting Standards (“IFRS”), as adopted by the European Union. TBC Bank successfully listed on the London Stock Exchange’s premium listing segment on 10 August 2016.

TBC Bank Group PLC financial results are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and the Companies Act 2006 applicable to companies reporting under IFRS. The Group classifies and separately discloses certain incomes and expenses, which are non-recurring by nature and are caused by extraordinary events, as one-off items in order to provide consistent view and enable better analysis of the financial performance of the Group. Adjusted performance is alternative performance measure and the reconciliation of the underlying profit and loss items with the reported profit and loss items and the underlying ratios are given under Annex 1 section on pages 17-18.

### Financial Highlights

#### 2Q 2019 P&L Highlights

- **Underlying<sup>1</sup> net profit amounted to GEL 125.0 million (2Q 2018: GEL 119.9 million; 1Q 2019: GEL 133.3 million)**
- *Net profit amounted to GEL 120.2 million (2Q 2018: GEL 102.4 million; 1Q 2019: GEL 133.3 million)*
- **Underlying<sup>1</sup> return on equity (ROE) amounted to 21.5% (2Q 2018: 24.9%; 1Q 2019: 23.8%)**
- *Return on equity (ROE) amounted to 20.7% (2Q 2018: 21.3%; 1Q 2019: 23.8%)*
- **Underlying<sup>1</sup> return on assets (ROA) amounted to 3.1% (2Q 2018: 3.7%; 1Q 2019: 3.6%)**
- *Return on assets (ROA) amounted to 3.0% (2Q 2018: 3.2%; 1Q 2019: 3.6%)*
- **Total operating income amounted to GEL 272.3 million, up by 5.4% YoY and up by 0.1% QoQ**
- **Underlying<sup>1</sup> cost to income was 38.1% (2Q 2018: 35.6%; 1Q 2019: 37.7%)**
- *Reported cost to income was 40.2% (2Q 2018: 35.6%; 1Q 2019: 37.7%)*
- **Cost of risk stood at 1.1% (2Q 2018: 1.8%; 1Q 2019: 1.4%)**
- *FX adjusted cost of risk stood at 0.8% (2Q 2018: 1.7%; 1Q 2019: 1.4%)*
- **Net interest margin (NIM) stood at 5.6% (2Q 2018: 7.1%; 1Q 2019: 6.1%)**
- *Risk adjusted net interest margin (NIM) stood at 4.8% (2Q 2018: 5.5%; 1Q 2019: 4.7%)*

<sup>1</sup> Excluding one-off items. Detailed information and effects are given in Annex 1 on pages 17-18.

### 1H 2019 P&L Highlights

- **Underlying<sup>1</sup> net profit amounted to GEL 258.3 million (1H 2018: GEL 217.4 million)**
- *Reported net profit amounted to GEL 253.5 million (1H 2018: GEL 200.0 million)*
- **Underlying<sup>1</sup> return on equity (ROE) without one-offs of 22.7% (1H 2018: 23.0%)**
- *Reported return on equity (ROE) amounted to of 22.3% (1H 2018: 21.2%)*
- **Underlying<sup>1</sup> return on assets (ROA) was 3.3% (1H 2018: 3.4%)**
- *Reported return on assets (ROA) was 3.3% (1H 2018: 3.1%)*
- **Total operating income for the period was up by 9.5% YoY to GEL 544.2 million**
- **Underlying<sup>1</sup> cost to income stood at 37.9% (1H 2018: 36.8%)**
- *Reported cost to income stood at 38.9% (1H 2018: 36.8%)*
- **Cost of risk on loans stood at 1.3% (1H 2018: 1.6%)**
- *FX adjusted cost of risk stood at 1.2% (1H 2018: 1.7%)*
- **Net interest margin (NIM) stood at 5.8% (1H 2018: 7.0%)**
- *Risk adjusted net interest margin (NIM) stood at 4.6% (1H 2018: 5.3%)*

### Balance Sheet Highlights as of 30 June 2019

- Total assets amounted to GEL 17,258.4 million as of 30 June 2019, up by 27.2% YoY and up by 13.9% QoQ
- Gross loans and advances to customers stood at GEL 11,141.4 million as of 30 June 2019, up by 25.2% YoY and up by 7.5% QoQ
- Net loans to deposits + IFI funding stood at 91.4% and Net Stable Funding Ratio (NSFR) stood at 130.4%
- NPLs were 3.1%, unchanged YoY and down by 0.2pp QoQ
- NPLs coverage ratios stood at 97.9%, or 206.0% with collateral, on 30 June 2019 compared, to 116.1% or 216.1% with collateral, as of 30 June 2018 and 100.1%, or 210.8% with collateral on 31 March 2019
- Total customer deposits amounted to GEL 9,876.8 million as of 30 June 2019, up by 24.5% YoY and up by 7.7% QoQ
- As of 30 June 2019, the Bank's Basel III Tier 1 and Total Capital Adequacy Ratios per NBG methodology stood at 12.4% and 17.4% respectively, while minimum requirements amounted to 11.9% and 16.7%

### Market Shares<sup>1</sup>

- Market share by total assets reached 39.1% as of 30 June 2019, up by 2.0pp YoY and up by 1.7pp QoQ
- Market share by total loans was 38.5% as of 30 June 2019, up by 0.2pp YoY and up by 0.1pp QoQ
- In terms of individual loans, TBC Bank had a market share of 39.6% as of 30 June 2019, down by 0.2pp YoY and up by 0.3pp QoQ. The market share for legal entity loans was 37.3%, up by 0.8pp YoY and down by 0.1pp QoQ
- Market share of total deposits reached 41.0% as of 30 June 2019, up by 1.5pp YoY and up by 0.6pp QoQ
- Market share of individual deposits stood at to 39.5%, down by 1.7pp YoY and unchanged on QoQ. In terms of legal entity deposits, TBC Bank holds a market share of 42.8%, up by 5.3pp YoY and up by 1.4pp QoQ.

TBC Bank Group PLC ("TBC PLC") announces that its final consolidated financial results for the second quarter and reviewed consolidated financial results for the first half of 2019 will be published on Thursday, 15 August 2019 at 7.00 am BST (10.00 am GET).

<sup>1</sup> Market share figures are based on data from the National Bank of Georgia (NBG). The NBG includes interbank loans for calculating market share in loans

## Recent Developments

### Buyback of shares

The Company has initiated a share buyback programme today.

### Board changes

- In July 2019, the Chairman Mamuka Khazaradze and Deputy Chairman Badri Japaridze stepped down from the board of TBC PLC, to focus on the allegations made against them regarding historic transactions that took place in 2007 and 2008. The Board has appointed Senior Independent Director Nikoloz Enukidze to serve as the Chairman of TBC Bank Group PLC, based on his deep knowledge of the bank, prior Chairmanship roles in the banking sector and extensive regional and international experience. *(For more information please see our press release at [www.tbcbankgroup.com](http://www.tbcbankgroup.com))*
- TBC Bank also strengthened its supervisory board by appointing Jyrki Koskelo as a member and Chairman of the TBC Bank Supervisory Board in May 2019 and Arne Berggren as a member of the TBC Bank Supervisory Board in July 2019.
  - Mr Koskelo serves and has served as a board member and senior advisor in multiple emerging market focused banks and companies. Prior to joining TBC, he held a number of senior leadership positions during his 24 years at the International Financial Corporation.
  - Mr Berggren currently serves as a member of the board of Bank of Cyprus and Piraeus Bank and has extensive experience of senior leadership and advisory roles in prominent financial institutions including the IMF, World Bank, Swedbank, Carnegie Investment Bank AB and the Swedish Ministry of Finance and Bank Support Authority.

### Awards

- Best Bank in Georgia from EMEA Finance Magazine – TBC Bank has been awarded the Best Bank in Georgia 2019 by the Global EMEA Finance magazine. This award is confirmation of the Bank’s outstanding financial performance, advanced digital capabilities and consistent focus on providing a superior customer experience. Alongside this, TBC Bank won the award for Best Investment Bank in Georgia 2018, whilst its subsidiary TBC Capital was named the Best Broker in Georgia 2018.
- Best Bank in Georgia 2019 award from Euromoney – TBC Bank has been named The Best Bank in Georgia 2019 at the Euromoney Awards for Excellence ceremony. The award recognizes our continuous efforts to provide the highest standard of customer experience in Georgia and develop the best multichannel capabilities in the region, while delivering consistently superior financial results.

### Internal control systems’ review

TBC Bank, with the assistance of one of the big four audit firms, has undertaken benchmarking and review of its ALM and Related Party policies and procedures compliance with local and international requirement. These reviews did not identify any material deficiencies.

## Support from NBG and International Partners

### *National Bank of Georgia (NBG)*

On 26 July 2019, the NBG issued the following statement: “In the light of recent events, National Bank of Georgia welcomes the decision of the founding shareholders to step down from the Board of Directors of TBC Bank Group PLC (which is a London based 100% shareholder of JSC TBC Bank).

National Bank of Georgia emphasizes that TBC Bank is one of the leading financial organization in the country and the region. It is a strong and robust financial institution. Since April 2019, Mamuka Khazaradze and Badri Japaridze no longer serve as the Supervisory Board members of JSC TBC Bank and the recent events will not have any impact on the operations of the bank.”

The full statement is available on the following website: [www.nbg.gov.ge](http://www.nbg.gov.ge)

### *European Bank for Reconstruction and Development (EBRD)*

On 25 July 2019, EBRD issued the following statement: “The EBRD notes the recent board changes at TBC Bank Group PLC. The bank is a solid financial institution led by a strong management and an independent board of directors.

We welcome the decision by the chairman and the deputy chairman of the bank to step down from the board at this time to focus on allegations made against them in a legal dispute.

We also welcome the strengthening of the board with the addition of independent directors with extensive executive level experience in financial institutions.

We expect a fair and transparent due process and a prompt resolution of the case with no adverse impact on the operations of the bank.

Meanwhile, the EBRD as a longstanding partner, shareholder and lender of TBC Bank will continue to work with and support TBC Bank Group PLC.”

The full statement is available on the following website: [www.ebrd.com](http://www.ebrd.com)

### *International Finance Corporation (IFC)*

On 25 July 2019, IFC issued the following statement: “IFC, a member of the World Bank Group, is aware of the developments around TBC Bank, noting the recent board changes at TBC Bank Group PLC. We welcome the decision by the chairman and the deputy chairman of the bank to step down from the board to focus on legal proceedings.

We note the leading role of TBC Bank in Georgia’s banking sector and expect a fair and transparent resolution of the case, with no adverse consequences for the bank’s operations. IFC was the first international financial institution to become a shareholder of TBC Bank in 2000, and we will continue to support TBC Bank Group PLC.

The banking sector’s growth is critical for the development of other sectors of the economy and our continued emphasis will be on strengthening the financial sector and increasing access to finance for businesses.”

The full statement is available on the following website: [www.ifc.org](http://www.ifc.org)



## Additional Funding

### *Senior Unsecured Bonds*

In June 2019, TBC Bank successfully issued debut USD 300 million 5-year 6.0% yield senior unsecured bonds, representing the lowest ever yield achieved by a Georgian issuer in the international debt capital markets.

| Main Terms    |   |
|---------------|---|
| Status        | Senior unsecured                          |
| Currency      | USD                                       |
| Issue Size    | 300,000,000                               |
| Maturity      | 5 years                                   |
| Interest Rate | 5.750% per annum payable semi-annually    |
| Denomination  | USD 200,000 x USD 1,000                   |
| Listing       | Euronext Dublin / Georgian Stock Exchange |

### *Additional Tier 1 Bond*

In July 2019, TBC Bank successfully issued USD 125 million 10.75% yield Additional Tier 1 Capital Perpetual Subordinated Notes, which represents the largest and lowest coupon Additional Tier 1 issue ever to have been priced by a Georgian issuer.

| Main Terms    |  |
|---------------|--|
| Status        | Additional Tier 1 Capital Perpetual Subordinated Notes |
| Currency      | USD  |
| Issue Size    | 125,000,000  |
| Maturity      | Perpetual, 5 year non call                             |
| Interest Rate | 10.775% per annum payable semi-annually                |
| Denomination  | USD 200,000 x USD 1,000                                |
| Listing       | Euronext Dublin / Georgian Stock Exchange              |

### *IFI Funding*

To meet future funding needs when and as required by the business, we have been working with our long term IFI partners – EBRD, ADB, EIB, FMO, DEG, Proparco, BSTDB, OFID, CDB, AIIB, Blue Orchard, EFSE, GCPF, GCF – on a funding pipeline of up to USD 900 million in total in 2019-2020, both in local currency and USD.

Under such approach, we have signed an agreement and attracted USD 10 million from Responsibility. The funds will be used to support SME Business growth.

## Development of Customer Focused Ecosystems

In order to integrate better with our customers, we have started to develop customer focused ecosystems, which are closely linked with our financial products and services and enable us to create synergies with our core banking offerings.

### E-commerce

*Our strategy is to develop an innovative e-commerce market place in Georgia, comprising:*

- An asset light platform (Intermediation);
- A diverse products range and fast delivery within 24 hours; and
- Exceptional customer service – NPS 80%+;

Our estimated investment for the next two years will be around USD 2-3 million.

*Our Progress*

- The soft launch of the marketplace took place in April and the full launch took place in May 2019.
- In 2Q 2019, Vendoo developed an analytical system, a logistics system, an SMS communication system and service monitoring for customers, as well as a portal for merchants for managing their assortment and sales.
- In addition, Vendoo enriched its existing product offering (comprising of electronics and personal care products) with gardening & housing, toys and household chemistry.

### Real Estate

*Our strategy is to create the first housing ecosystem in the region, with the following features:*

- An intuitive design & exceptional customer experience; and
- A diverse products range.

Our estimated investment for the next two years is set at around USD 2 million.

*Our Progress*

- We completed the rebranding process and launched a beta version of the platform in May 2019. The full launch is planned in October 2019.
- We have introduced the first the real-estate valuation service in Georgia, which provides independent valuation certificate within 24 hours.
- We have developed a premier agent service for brokers, which will allow them to enhance their value proposition.
- We have launched a customer contact center.

## Additional Information Disclosure

2Q 2019 Financial Results Call Presentation is disclosed on our Investor Relations website at [www.tbcbankgroup.com](http://www.tbcbankgroup.com) under [Results Announcement](#) section.

## Letter from the Chief Executive Officer

I would like to start my letter with an update about the recent board changes. As we announced last week due to recent developments, regarding historic transactions that took place in 2007 and 2008, the Chairman and Deputy Chairman have decided to step down from the board of TBC Bank Group PLC with immediate effect. They have both arrived at this decision after careful consideration in order to ensure that the allegations made against them do not affect the Group. Following their resignation, the Board has appointed, with immediate effect, Senior Independent Director Nikoloz Enukidze to serve as the Chairman of TBC Bank Group PLC. I would like to thank both the Chairman and Deputy Chairman for their invaluable contribution to the bank and welcome the appointment of Mr Enukidze with whom we have enjoyed excellent working relationship over past 6 years.

Despite recent board changes, we continue to operate in our usual manner capitalising on our leading market share, strong capital and liquidity positions and operational excellency for the benefit of our shareholders. I welcome the supporting statements made by the NBS, EBRD and IFC in support of TBC. In light of our strong financial position and current share price, we have initiated a share buyback programme that was approved by the board yesterday.

Now I am pleased to present our financial results for the second quarter 2019 and first half of 2019.

In the second quarter of 2019, we achieved an underlying consolidated net profit<sup>1</sup> of GEL 125.0 million, up by 4.3% year-on-year (our consolidated net reported profit was GEL 120.2 million, up by 17.4% year-on-year). The growth was mainly driven by an increase in net fee and commission income and other operating income, which was largely offset by a rise in operating expenses. Our operating expenses increased by 18.8% year-on-year, or by 12.7% on an underlying basis. Over the same period, provision expenses decreased by 4.9%, resulting in cost of risk of 1.1% (or FX adjusted cost of risk of 0.8%), driven by the decreasing share of higher-yield and higher-risk loans and improved performance across all segments. In the second quarter 2019, net interest income increased only by 1.2% year-on-year. The pressure on net interest income was related to a continued impact of the regulation implemented in January 2019, that limits the ability of banks to lend money to higher-yield retail customers, an increase in minimum reserve requirements for foreign currency funds, as well as competition in interest rates. As a result, net interest margin decreased by 0.5 percentage points quarter-on-quarter and stood at 5.6%. Our underlying return on equity reached 21.5%, while the underlying return on assets was 3.1% (our reported return on equity was 20.7%, while reported return on assets stood at 3.0%).

In the first half of 2019, our underlying net profit<sup>2</sup> stood at GEL 258.3 million, up by 18.8% year-on-year, which resulted in an underlying return on equity of 22.7% and an underlying return on assets of 3.3% (our consolidated reported net profit was GEL 253.5 million, up by 26.8% year-on-year, while our reported return on equity was 22.3%, and reported return on assets stood at 3.3%).

Regarding balance sheet growth, our loan book expanded by 25.2% year-on-year, or by 14.7% at a constant currency rate. As a result, our market share increased to 38.5%, up by 0.2 percentage points year-on-year. Over the same period, customer accounts grew by 24.5% year-on-year, or by 13.4% at a constant currency rate leading to a market share of 41.0%, up by 1.5 percentage points year-on-year.

We continue to operate with a strong capital base and a robust liquidity position. As of 30 June 2019, our total capital adequacy ratio (CAR) per Basel III guidelines stood at 17.4%, above the minimum requirement of 16.7%, while our tier I capital ratio was 12.4%, also above the minimum requirement of 11.9%. The proceeds from the issuance of AT1 bonds in the amount of USD 125 million will be reflected in our capital in July, increasing our total and tier 1 capital by approximately 2.5 percentage points. Our regulatory liquidity coverage ratio stood at 126% (which will be increased by around 12 percentage points by AT1), compared to the minimum requirement of 100%, while the ratio of net loans to deposits + IFI funding was 91% and the net stable funding ratio (NSFR) was 130%.

According to Geostat's initial estimates, real GDP increased by 4.9% in the first 5 months of 2019. While credit growth has moderated, external inflows were reasonably strong and, unlike in 2018, the fiscal stance was expansionary. Also, the current account deficit has narrowed in the first quarter and this tendency is likely to be sustained in the second quarter as well, driven by the improved trade balance and the growth in tourism and remittances inflows. Going forward, the recent restriction on flights from Russia to Georgia will have a substantial impact on tourism inflows. However, according to TBC Research, taking into account the increase in tourism inflows from other destinations and the

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<sup>1</sup> The difference between the underlying and reported net profit figures in the second quarter 2019 was caused by the one-off consulting costs in the amount of GEL 5.6 million related to the past events about TBC Bank

strengthening external balance, the growth will be still positive<sup>1</sup>. In terms of GDP growth, according to TBC Research as well as the National Bank of Georgia, real GDP is expected to increase by more than 4.0% in 2019, once again underlining the high growth potential and the resilience of the economy.

In May 2019, TBC Insurance entered the health insurance market. Our strategy is to focus on affluent individuals and to capture the affluent market by leveraging our strong brand name and cross-selling opportunities with payroll customers. Our medium term target is to reach 25% market share in the premium health insurance business.

I would also like to update you on the progress that we made in development of our ecosystems:

- Vendoo: The full launch of the platform took place in May 2019, and during the second quarter Vendoo focused on developing its various internal systems. In addition, Vendoo enriched its existing product offering (comprised of electronics and personal care products) with gardening & housing, toys and household chemistry and is already selling up to 15,000 different items.
- Livo: We completed the rebranding process and launched the beta version of the platform in May 2019, and we have already reached around 9,000 users daily. The full launch is planned in October 2019. We have introduced the first real-estate valuation service in Georgia, which provides an independent valuation certificate within 24 hours. We have also developed a premier agent service for brokers, which will allow them to enhance their value proposition, and we have launched a customer contact center.

We have also made progress in our international ventures:

- In Azerbaijan, Nikoil bank is in the process of a significant reorganization, which includes re-branding and a shift to digitalization. It has also opened four new branches during the second quarter 2019.
- In Uzbekistan, before the license is granted, we are working on core banking implementation, team formation and branch concept. At the same time, our newly acquired payment company, Payme, continued to grow rapidly, increasing its number of customers by 10.9% quarter-on-quarter to reach 1.4 million, while its revenue increased by 19.7% over the same quarter and amounted to around USD 700,000.

In terms of funding, I am pleased to report that in June 2019, our subsidiary, JSC TBC Bank successfully issued its first senior Eurobond in the amount of USD 300 million with a 5-year maturity and a coupon rate of 5.75% per annum, payable semi-annually. The bonds are priced at 6% yield, which represents the lowest ever yield achieved by a Georgian issuer in the international debt capital markets. The notes are listed on the regulated market of Euronext Dublin and on the Georgian Stock Exchange, making it the first dual-listed international offering of senior unsecured notes from Georgia. In July 2019, JSC TBC Bank also issued USD 125 million additional Tier 1 capital perpetual subordinated notes at 10.75% yield. This is the largest ever additional Tier 1 issue by a Georgian issuer, priced at the lowest ever coupon. The notes are listed on the regulated market of Euronext Dublin and on the Georgian Stock Exchange, making it the first dual-listed international offering of additional Tier 1 capital notes from Georgia.

Moreover, JSC TBC Bank strengthened its supervisory board by appointing Jyrki Koskelo as a member and Chairman of the JSC TBC Bank Supervisory Board in May 2019, and Arne Berggren as a member of the JSC TBC Bank Supervisory Board in July 2019. Mr Koskelo serves and has served as a board member and senior advisor in multiple emerging market focused banks and companies. Prior to joining TBC, he held number of senior leadership positions during his 24 years at The International Financial Corporation. Mr Berggren currently serves as a member of the board of Bank of Cyprus and Piraeus Bank and has extensive experience at senior leadership and advisory roles in prominent financial institutions including the IMF, World Bank, Swedbank, Carnegie Investment Bank AB and the Swedish Ministry of Finance and Bank Support Authority.

Finally, I would like to reiterate our medium term targets: ROE of above 20%, cost to income ratio below 35%, dividend pay-out ratio of 25-35% and loan book growth of 10-15%.

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<sup>1</sup> See “Russian Sanctions: Manageable Impact on the Growth and Still Betting on the GEL” at [www.tbcresearch.ge](http://www.tbcresearch.ge).

## Economic Overview

### *Economic growth*

According to Geostat's initial estimates, real GDP increased by 4.9% in the first 5 months of 2019. While the credit growth has moderated, the inflows were reasonably strong and unlike 2018, the fiscal stance was expansionary. At the same time, the flight ban imposed by Russia will lower growth going forward. According to TBC Research estimates, GDP is still expected to increase by over 4% for the FY 2019 and 2020.

In terms of the sectors, transport and communications (+12.7% YoY), as well as the trade and repairs sector (+6.7% YoY), contributed the most to the growth. At the same time, the education (+15.7% YoY) and healthcare sectors (+11.4% YoY) increased substantially, mainly due to higher budget spending on education (+57.7% YoY) and healthcare (+14.4% YoY) in 1Q 2019.

Similarly, strong growth was observed in hotels and restaurants (+13.1% YoY), and real estate (+11.1% YoY). All of the other major sectors also increased, with the exception of construction (-9.6% YoY), agriculture (-0.3% YoY), and manufacturing (-1.3% YoY). The decline in the construction sector was broadly expected to reflect the finalization of BP's pipeline construction project. The decline in the construction sector was also aggravated by the weakness of residential buildings construction, which is related to the slower mortgage growth and tighter construction permit regulations. On the other hand, strong government capital expenditures partly offset the decline.

The trade balance continued to improve in 2Q 2019 with exports of goods up by 10.3% while imports fell by 6.1%. As a result, the trade deficit improved significantly by 15.7% YoY over the same period, all in USD terms. The growth in tourism inflows also accelerated to an estimated 15.5% in 2Q 2019, compared to the 5.0% growth in 1Q 2019. Remittance inflows went up by 9.3% YoY over the same period, which is somewhat faster growth than in the previous quarter.

FDI inflows decreased by 6.3% YoY in the USD terms from 300 million USD in 1Q 2018 to 281 million USD in 1Q 2019 (in EUR and GEL, 1.9% and 0.9% YoY increase, respectively). As in 2018, the finalization of the South Caucasus Pipeline Extension Project and the change of ownership of non-resident companies to residents likely played a role in 1Q 2019 as well. As of the last four quarters ending in 1Q 2019, FDI inflows still stood at a strong 7.3% of GDP. Furthermore, 2018 gross fixed capital formation was at a solid 33.3% of GDP

The current account balance improvement trend continued in 1Q 2019 as well, with a deficit to same quarter GDP ratio of 6.2%: this is historically low, reflecting an improvement of 5.7pp YoY, with the strongest contribution coming from trade in goods. This positive tendency has likely been sustained in 2Q as well, judging from the trade balance, tourism and remittances inflows, as the figures described above suggest. Over the last four quarters, the current account deficit to GDP ratio stood at 6.4%, which is improvement of 1.3pp compared to the previous quarter. Despite the reduction, FDI inflows, which stood at 6.6% of GDP, remained the key source of financing the current account deficit. At the same time, over the first six months of 2019 the NBG bought 216 million USD, or around 3% of GDP over the same period, indicating that the inflows were sufficient for even higher growth. The recent restriction on flights from Russia to Georgia will have a substantial impact on tourism inflows. However, according to TBC Research, taking into account the increase in tourism inflows from other destinations and the strengthening external balance, the impact should be manageable<sup>1</sup>.

After the deceleration tendency from the beginning of the year, bank credit growth has stabilized at 12.7%<sup>2</sup> in May - only 0.4pp lower than the previous month. Corporate lending has strengthened to 13.6%, while MSME lending, although slowing somewhat to 15.5%, still maintained the highest growth rate. As for the retail credit, mortgage debt growth continued to normalize and stood at 27.7% YoY. The non-mortgage retail loan portfolio contracted by 5.4% YoY, almost unchanged from the previous months. Seasonally adjusted monthly growth figures of the non-mortgage credit showed some signs of bottoming out. At the same time, as the low base effect gradually comes into play, annual growth figures may strengthen going forward. Furthermore, there are ongoing discussions on a possible revision of the retail credit regulatory framework. In addition, the NBG assesses around 13% credit growth to be moderate.

<sup>1</sup> See "Russian Sanctions: Manageable Impact on the Growth and Still Betting on the GEL" at [www.tbcresearch.ge](http://www.tbcresearch.ge).

<sup>2</sup> TBC Research estimates

### *Inflation and the exchange rate*

An annual inflation stood at 4.3% in June 2019, over the same period, while core inflation<sup>1</sup> came in at 3.6%.

As of the end of June 2019, the USD/GEL exchange rate of GEL depreciated by 17.0% YoY, while the EUR/GEL exchange rate depreciated by 14.4% YoY. GEL also depreciated compared to the major trading country currencies, as evidenced by the weaker effective exchange rate. As of July 15th, the estimated real effective exchange rate was around 10% below its medium term average, also indicating potential pressures on inflation.

### *Going forward*

According to the IMF's recently published World Economic Outlook<sup>2</sup>, the Georgian economy is projected to grow by 4.6% in 2019 and 5.0% in 2020. Thereafter, the economy is expected to expand by 5.2%. Based on TBC Research estimates, taking into account the Russian flights ban, growth over the next 12 months should stand at around 4% with somewhat higher growth rates expected for FY 2019 and 2020.

More information on the Georgian economy and financial sector can be found at [www.tbcresearch.ge](http://www.tbcresearch.ge).

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<sup>1</sup> CPI inflation excluding the prices of food and beverages, energy, transport and administered prices

<sup>2</sup> IMF WEO April 2019 update

## Preliminary Unaudited Consolidated Financial Results Overview for 2Q 2019

This statement provides a summary of the unaudited business and financial trends for 2Q 2019 for TBC Bank Group plc and its subsidiaries. The quarterly financial information and trends are not audited or reviewed.

Starting from 1 January 2019, TBC Bank adopted IFRS 16. Therefore, the comparative information for 2018 is not comparable to the information presented for 2019.

TBC Bank Group PLC financial results are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and the Companies Act 2006 applicable to companies reporting under IFRS. The Group classifies and separately discloses certain incomes and expenses, which are non-recurring by nature and are caused by extraordinary events, as one-off items in order to provide consistent view and enable better analysis of the financial performance of the Group. Adjusted performance is alternative performance measure and the reconciliation of the underlying profit and loss items with the reported profit and loss items and the underlying ratios are given under Annex 1 section on pages 17-18.

Please note, that there might be slight differences in previous periods’ figures due to rounding.

### Income Statement Highlights

| <i>in thousands of GEL</i>                              | 2Q'19          | 1Q'19          | 2Q'18          | Change YoY   | Change QoQ   |
|---|----------------|----------------|----------------|--------------|--------------|
| Net Interest Income                                     | 190,481        | 196,958        | 188,204        | 1.2%         | -3.3%        |
| Net Fee and Commission Income                           | 43,534         | 41,807         | 39,162         | 11.2%        | 4.1%         |
| Other Operating Non-Interest Income                     | 38,287         | 33,181         | 31,052         | 23.3%        | 15.4%        |
| Provisioning Charges                                    | (33,372)       | (33,095)       | (35,091)       | -4.9%        | 0.8%         |
| <b>Operating Income after Provisions for Impairment</b> | <b>238,930</b> | <b>238,851</b> | <b>223,327</b> | <b>7.0%</b>  | <b>0.0%</b>  |
| Operating Expenses                                      | (109,383)      | (102,514)      | (92,090)       | 18.8%        | 6.7%         |
| <b>Reported Profit Before Tax</b>                       | <b>129,547</b> | <b>136,337</b> | <b>131,237</b> | <b>-1.3%</b> | <b>-5.0%</b> |
| <b>Underlying Profit Before Tax</b>                     | <b>135,152</b> | <b>136,337</b> | <b>131,237</b> | <b>3.0%</b>  | <b>-0.9%</b> |
| Reported Income Tax Expense                             | (9,329)        | (3,015)        | (28,799)       | -67.6%       | NMF          |
| Underlying Income Tax Expense                           | (10,170)       | (3,015)        | (11,373)       | -10.6%       | NMF          |
| <b>Reported Profit for the Period</b>                   | <b>120,218</b> | <b>133,322</b> | <b>102,438</b> | <b>17.4%</b> | <b>-9.8%</b> |
| <b>Underlying Profit for the Period</b>                 | <b>124,982</b> | <b>133,322</b> | <b>119,864</b> | <b>4.3%</b>  | <b>-6.3%</b> |

NMF – no meaningful figures

### Balance Sheet and Capital Highlights

| <i>in thousands of GEL</i>                  | Jun-19     |           | Mar-19     |           | Change QoQ |
|---|------------|-----------|------------|-----------|------------|
|   | GEL        | USD       | GEL        | USD       |            |
| Total assets                                | 17,278,364 | 6,023,064 | 15,172,306 | 5,637,329 | 13.9%      |
| Gross loans                                 | 11,141,360 | 3,883,766 | 10,366,915 | 3,851,867 | 7.5%       |
| Customer deposits                           | 9,876,813  | 3,442,958 | 9,166,789  | 3,405,956 | 7.7%       |
| Total equity                                | 2,369,005  | 825,811   | 2,347,756  | 872,318   | 0.9%       |
| Regulatory tier I capital (Basel III)       | 1,730,302  | 603,166   | 1,746,745  | 649,010   | -0.9%      |
| Regulatory total capital (Basel III)        | 2,430,135  | 847,121   | 2,421,461  | 899,703   | 0.4%       |
| Regulatory risk weighted assets (Basel III) | 13,986,201 | 4,875,449 | 12,689,740 | 4,714,922 | 10.2%      |

### Key Ratios

|                                   | 2Q'19 | 1Q'19 | 2Q'18 | Change YoY | Change QoQ |
|-----------------------------------|-------|-------|-------|------------|------------|
| Underlying ROE                    | 21.5% | 23.8% | 24.9% | -3.4 pp    | -2.3 pp    |
| Reported ROE                      | 20.7% | 23.8% | 21.3% | -0.6 pp    | -3.1 pp    |
| Underlying ROA                    | 3.1%  | 3.6%  | 3.7%  | -0.6 pp    | -0.5 pp    |
| Reported ROA                      | 3.0%  | 3.6%  | 3.2%  | -0.2 pp    | -0.6 pp    |
| NIM                               | 5.6%  | 6.1%  | 7.1%  | -1.5 pp    | -0.5 pp    |
| Underlying Cost to Income         | 38.1% | 37.7% | 35.6% | 2.5 pp     | 0.4 pp     |
| Reported Cost to Income           | 40.2% | 37.7% | 35.6% | 4.6 pp     | 2.5 pp     |
| Cost of Risk                      | 1.1%  | 1.4%  | 1.8%  | -0.7 pp    | -0.3 pp    |
| FX adjusted Cost of Risk          | 0.8%  | 1.4%  | 1.7%  | -0.9 pp    | -0.6 pp    |
| NPL to Gross Loans                | 3.1%  | 3.3%  | 3.1%  | 0.0 pp     | -0.2 pp    |
| Regulatory Tier 1 CAR (Basel III) | 12.4% | 13.8% | 13.4% | -1.0 pp    | -1.4 pp    |
| Regulatory Total CAR (Basel III)  | 17.4% | 19.1% | 17.0% | 0.4 pp     | -1.7 pp    |
| Leverage (Times)                  | 7.3x  | 6.5x  | 7.0x  | 0.3x       | 0.8x       |

## Preliminary Unaudited Consolidated Financial Results Overview for 1H 2019

This statement provides a summary of the unaudited business and financial trends for 1H 2019 for TBC Bank Group plc and its subsidiaries. The semi-annual financial information for 2019 and trends are not audited or reviewed.

Starting from 1 January 2019, TBC Bank adopted IFRS 16. Therefore, the comparative information for 2018 is not comparable to the information presented for 2019.

Please note, that there might be slight differences in previous periods' figures due to rounding.

TBC Bank Group PLC financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRS. The Group classifies and separately discloses certain incomes and expenses, which are non-recurring by nature and are caused by extraordinary events, as one-off items in order to provide consistent view and enable better analysis of the financial performance of the Group. Adjusted performance is alternative performance measure and the reconciliation of the underlying profit and loss items with the reported profit and loss items and the underlying ratios are given under Annex 1 section on pages 17-18.

### Income Statement Highlights

| <i>in thousands of GEL</i>                              | 1H'19          | 1H'18          | Change YoY   |
|---|----------------|----------------|--------------|
| Net Interest Income                                     | 387,439        | 363,607        | 6.6%         |
| Net Fee and Commission Income                           | 85,341         | 74,082         | 15.2%        |
| Other Operating Non-Interest Income                     | 71,468         | 59,428         | 20.3%        |
| Provisioning Charges                                    | (66,467)       | (74,554)       | -10.8%       |
| <b>Operating Income after Provisions for Impairment</b> | <b>477,781</b> | <b>422,563</b> | <b>13.1%</b> |
| Operating Expenses                                      | (211,897)      | (183,022)      | 15.8%        |
| <b>Reported Profit Before Tax</b>                       | <b>265,884</b> | <b>239,541</b> | <b>11.0%</b> |
| <b>Underlying Profit Before Tax</b>                     | <b>271,489</b> | <b>239,541</b> | <b>13.3%</b> |
| Reported Income Tax Expense                             | (12,344)       | (39,578)       | -68.8%       |
| Underlying Income Tax Expense                           | (13,185)       | (22,152)       | -40.5%       |
| <b>Reported Profit for the Period</b>                   | <b>253,540</b> | <b>199,963</b> | <b>26.8%</b> |
| <b>Underlying Profit for the Period</b>                 | <b>258,304</b> | <b>217,389</b> | <b>18.8%</b> |

### Balance Sheet and Capital Highlights

| <i>in thousands of GEL</i>                  | Jun-19     |           | Jun-18     |           | Change YoY |
|---|------------|-----------|------------|-----------|------------|
|   | GEL        | USD       | GEL        | USD       |            |
| Total assets                                | 17,278,364 | 6,023,064 | 13,583,510 | 5,540,671 | 27.2%      |
| Gross loans                                 | 11,141,360 | 3,883,766 | 8,895,947  | 3,628,629 | 25.2%      |
| Customer deposits                           | 9,876,813  | 3,442,958 | 7,932,585  | 3,235,677 | 24.5%      |
| Total equity                                | 2,369,005  | 825,811   | 1,943,684  | 792,823   | 21.9%      |
| Regulatory tier I capital (Basel III)       | 1,730,302  | 603,166   | 1,498,857  | 611,379   | 15.4%      |
| Regulatory total capital (Basel III)        | 2,430,135  | 847,121   | 1,908,398  | 778,430   | 27.3%      |
| Regulatory risk weighted assets (Basel III) | 13,986,201 | 4,875,449 | 11,200,354 | 4,568,589 | 24.9%      |

### Key Ratios

|                                   | 1H'19 | 1H'18 | Change YoY |
|-----------------------------------|-------|-------|------------|
| Underlying ROE                    | 22.7% | 23.0% | -0.3 pp    |
| Reported ROE                      | 22.3% | 21.2% | 1.1 pp     |
| Underlying ROA                    | 3.3%  | 3.4%  | -0.1 pp    |
| Reported ROA                      | 3.3%  | 3.1%  | 0.2 pp     |
| NIM                               | 5.8%  | 7.0%  | -1.2 pp    |
| Underlying Cost to Income         | 37.9% | 36.8% | 1.1 pp     |
| Reported Cost to Income           | 38.9% | 36.8% | 2.1 pp     |
| Cost of Risk                      | 1.3%  | 1.6%  | -0.3 pp    |
| FX adjusted Cost of Risk          | 1.2%  | 1.7%  | -0.5 pp    |
| NPL to Gross Loans                | 3.1%  | 3.1%  | 0.0 pp     |
| Regulatory Tier 1 CAR (Basel III) | 12.4% | 13.4% | -1.0 pp    |
| Regulatory Total CAR (Basel III)  | 17.4% | 17.0% | 0.4 pp     |
| Leverage (Times)                  | 7.3x  | 7.0x  | 0.3x       |



## Additional Disclosures

### 1) Reconciliation of reported IFRS consolidated figures with underlying numbers

| <i>in thousands of GEL</i>  | 2Q 2019           | 1H 2019           |
|---|-------------------|-------------------|
| <b>Reported net interest income</b>                                       | <b>190,481</b>    | <b>387,439</b>    |
| <b>Reported net fee and commission income</b>                             | <b>43,534</b>     | <b>85,341</b>     |
| <b>Reported gross Insurance Profit</b>                                    | <b>4,338</b>      | <b>8,067</b>      |
| <b>Reported Other operating income</b>                                    | <b>33,949</b>     | <b>63,401</b>     |
| <b>Reported operating income</b>  | <b>272,302</b>    | <b>544,248</b>    |
| <b>Reported total provision expenses</b>                                  | <b>(33,372)</b>   | <b>(66,467)</b>   |
| <b>Reported operating income after provisions</b>                         | <b>238,930</b>    | <b>477,781</b>    |
| <b>Reported Operating expenses</b>  | <b>(109,383)</b>  | <b>(211,897)</b>  |
| <i>One-off consulting fees</i>  | <i>(5,605)</i>    | <i>(5,605)</i>    |
| <b>Underlying Operating expenses</b>                                      | <b>(103,778)</b>  | <b>(206,292)</b>  |
| <b>Reported profit before tax</b>   | <b>129,547</b>    | <b>265,884</b>    |
| <b>Underlying profit before tax</b>                                       | <b>135,152</b>    | <b>271,489</b>    |
| <b>Reported income tax</b>  | <b>(9,329)</b>    | <b>(12,344)</b>   |
| <i>Effect on tax of one-off items</i>                                     | <i>841</i>        | <i>841</i>        |
| <b>Underlying income tax</b>  | <b>(10,170)</b>   | <b>(13,185)</b>   |
| <b>Reported net profit</b>  | <b>120,218</b>    | <b>253,540</b>    |
| <b>Underlying net profit</b>  | <b>124,982</b>    | <b>258,304</b>    |
| <b>Reported non-controlling interest (NCI)</b>                            | <b>220</b>        | <b>305</b>        |
| <i>Effect on NCI of one-off items</i>                                     | <i>-</i>          | <i>-</i>          |
| <b>Underlying NCI</b>   | <b>220</b>        | <b>305</b>        |
| <b>Reported net profit less NCI</b>                                       | <b>119,998</b>    | <b>253,235</b>    |
| <b>Underlying net profit less NCI</b>                                     | <b>124,762</b>    | <b>257,999</b>    |
| <i>in thousands of GEL</i>  | 2Q 2019           | 1H 2019           |
| <b>Average reported equity attributable to the PLC's equity holders</b>   | <b>2,325,788</b>  | <b>2,293,159</b>  |
| <i>Adjustment for one-off items on monthly average basis</i>              | <i>2,306</i>      | <i>3,807</i>      |
| <b>Average underlying equity attributable to the PLC's equity holders</b> | <b>2,328,094</b>  | <b>2,296,966</b>  |
| <b>Average reported total assets</b>                                      | <b>15,988,280</b> | <b>15,634,558</b> |
| <i>Adjustment for one-off items on monthly average basis</i>              | <i>-</i>          | <i>-</i>          |
| <b>Average underlying total assets</b>                                    | <b>15,988,280</b> | <b>15,634,558</b> |
|   | 2Q 2019           | 1H 2019           |
| Reported Cost to Income   | 40.2%             | 38.9%             |
| Underlying Cost to Income (APM)   | 38.1%             | 37.9%             |
| Reported Return on Equity   | 20.7%             | 22.3%             |
| Underlying Return on Equity (APM)   | 21.5%             | 22.7%             |
| Reported Return on Assets   | 3.0%              | 3.3%              |
| Underlying Return on Assets (APM)   | 3.1%              | 3.3%              |

| <i>in thousands of GEL</i>  | 2Q 2018           | 1H 2018           |
|---|-------------------|-------------------|
| <b>Reported net interest income</b>                                       | <b>188,204</b>    | <b>363,607</b>    |
| <b>Reported net fee and commission income</b>                             | <b>39,162</b>     | <b>74,082</b>     |
| <b>Reported gross Insurance Profit</b>                                    | <b>3,253</b>      | <b>5,299</b>      |
| <b>Reported Other operating income</b>                                    | <b>27,799</b>     | <b>54,129</b>     |
| <b>Reported operating income</b>  | <b>258,418</b>    | <b>497,117</b>    |
| <b>Reported total provision expenses</b>                                  | <b>(35,091)</b>   | <b>(74,554)</b>   |
| <b>Reported operating income after provisions</b>                         | <b>223,327</b>    | <b>422,563</b>    |
| <b>Reported Operating expenses</b>  | <b>(92,090)</b>   | <b>(183,022)</b>  |
| <b>Reported profit before tax</b>   | <b>131,237</b>    | <b>239,541</b>    |
| <b>Reported income tax</b>  | <b>(28,799)</b>   | <b>(39,578)</b>   |
| <i>Reversal of the one-off deferred tax gain</i>                          | <i>(17,426)</i>   | <i>(17,426)</i>   |
| <b>Underlying income tax</b>  | <b>(11,373)</b>   | <b>(22,152)</b>   |
| <b>Reported net profit</b>  | <b>102,438</b>    | <b>199,963</b>    |
| <b>Underlying net profit</b>  | <b>119,864</b>    | <b>217,389</b>    |
| <b>Reported non-controlling interest (NCI)</b>                            | <b>(151)</b>      | <b>1,616</b>      |
| <i>Effect on NCI of one-off items</i>                                     | <i>-</i>          | <i>-</i>          |
| <b>Underlying NCI</b>   | <b>(151)</b>      | <b>1,616</b>      |
| <b>Reported net profit less NCI</b>                                       | <b>102,589</b>    | <b>198,347</b>    |
| <b>Underlying net profit less NCI</b>                                     | <b>120,015</b>    | <b>215,773</b>    |
| <i>in thousands of GEL</i>  | 2Q 2018           | 1H 2018           |
| <b>Average reported equity attributable to the PLC's equity holders</b>   | <b>1,928,838</b>  | <b>1,887,954</b>  |
| <i>Adjustment for one-off items on monthly average basis</i>              | <i>4,357</i>      | <i>3,799</i>      |
| <b>Average underlying equity attributable to the PLC's equity holders</b> | <b>1,933,195</b>  | <b>1,891,753</b>  |
| <b>Average reported total assets</b>                                      | <b>12,979,958</b> | <b>12,811,990</b> |
| <i>Adjustment for one-off items on monthly average basis</i>              | <i>-</i>          | <i>-</i>          |
| <b>Average underlying total assets</b>                                    | <b>12,979,958</b> | <b>12,811,990</b> |
|   | 2Q 2018           | 1H 2018           |
| Reported Return on Equity   | 21.3%             | 21.2%             |
| Underlying Return on Equity (APM)   | 24.9%             | 23.0%             |
| Reported Return on Assets   | 3.2%              | 3.1%              |
| Underlying Return on Assets (APM)   | 3.7%              | 3.4%              |