Bank of Georgia Group PLC

1st quarter 2018 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, which combines a **Banking Business** and an **Investment Business** ahead of the imminent demerger on 29 May 2018. The demerger, which will result into Investment Business's separation from the Group, was approved at the 2018 Annual General Meeting on 30 April 2018. Bank of Georgia Group PLC will be the holding company of the Banking Business following the demerger completion and effective from 29 May 2018.

The **Banking Business** comprises: a) retail banking and payment services, b) corporate investment banking and wealth management operations and c) banking operations in Belarus ("**BNB**"). JSC Bank of Georgia ("**Bank of Georgia**", "**BOG**" or the "**Bank**") is the core entity of the Group's Banking Business. The Banking Business targets to benefit from the underpenetrated banking sector in Georgia through both its retail banking and corporate investment banking services and aims to deliver on its strategy: (1) at least 20% ROAE, and (2) 15%-20% growth of its loan book.

The **Investment Business** or **Georgia Capital**, which is classified as discontinued operations in the Group's consolidated financial statements (**Discontinued Operations**, *see details on page 4*) comprise stakes in Georgia Global Utilities ("**Utility and Energy Business**" or "**GGU**"), m^2 Real Estate ("**Real Estate Business**" or "**m^2**"), Teliani Valley ("**Beverage Business**" or "**Teliani**"), Aldagi ("**Property and Casualty Insurance Business**" or "**Aldagi**"**),** Georgia Healthcare Group PLC ("**Healthcare Business**" or "**GHG**") – an LSE (London Stock Exchange) premium-listed company and has a 19.9% interest in the **Banking Business**. Georgia's fast-growing economy provides opportunities in a number of underdeveloped local sectors and Georgia Capital targets to capture these significant growth opportunities in the Georgian corporate sector.

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 tensions and instability; regulatory risk across a wide range of industries; cyber security, information systems and financial crime risk; investment business and investment business strategy risk; risks associated with the demerger and future performance; 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 BGEO Group PLC's Annual Report and Accounts 2017. 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, including Georgia Capital PLC or any of their associated entities, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities 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.

CONTENT

Bank of Georgia Group PLC announces the Group's first quarter 2018 consolidated results. Unless otherwise noted, numbers are for 1Q18 and comparisons are with 1Q17. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts.

Bank of Georgia Group reviewed the classification of the Investment Business at 31 March 2018 in its consolidated financial statements. Management believes that the distribution of the Investment Business to its shareholders is highly probable following the approval of the demerger at the 2018 Annual General Meeting on 30 April 2018. As a result, and in line with IFRS, Bank of Georgia Group PLC classified the Investment Business as "disposal group held for distribution" in the 1Q18 consolidated balance sheet and its results of operations are reported under the "discontinued operations" line as a single amount in the 1Q18 consolidated income statement. Comparative periods have been accordingly restated to reflect reclassification of the Investment Business from "continuing operations" into "discontinued operations." Assets and liabilities held by the Investment Business are also presented separately in the consolidated balance sheet as of 31 March 2018 under "assets of disposal group held for distribution" and "liabilities of disposal group held for distribution."

BANK OF GEORGIA GROUP HIGHLIGHTS

Continued outstanding profitability and balance sheet growth momentum

GEL thousands, except per share information	**1Q18**	**1Q17**	**Change y-o-y**	**4Q17**	**Change q-o-q**
Group					
Profit	128,559	108,173	18.8%	118,809	8.2%
Basic earnings per share	3.08	2.64	16.7%	3.05	1.0%
Book value per share	64.91	57.08	13.7%	65.22	-0.5%
Equity attributable to shareholders of the Group	2,429,515	2,174,172	11.7%	2,420,602	0.4%
Total assets	15,474,490	12,571,248	23.1%	15,168,669	2.0%
Banking Business					
Revenue	236,393	213,789	10.6%	260,312	-9.2%
Cost of credit risk	38,143	48,020	-20.6%	42,428	-10.1%
Profit	99,184	83,127	19.3%	107,134	-7.4%
Loans to customers and finance lease receivables	7,792,108	6,470,771	20.4%[1]	7,741,420	0.7%[1]
Client deposits and notes	7,296,110	5,622,023	29.8%[2]	7,078,058	3.1%[2]
ROAE	25.9%	23.7%		27.8%	
Net interest margin	7.0%	7.4%		7.3%	
Loan yields	13.9%	14.0%		14.3%	
Cost of funds	4.8%	4.6%		4.8%	
Cost / Income	37.0%	36.0%		38.3%	
Cost of risk	2.1%	2.4%		2.1%	
Leverage (times equity)	7.4	6.8		7.3	
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a		12.4%	
Investment Business[3]					
Revenue[4]	296,675	255,003	16.3%	300,572	-1.3%
EBITDA[4]	46,136	41,702	10.6%	52,424	-12.0%
Profit	29,375	25,046	17.3%	11,675	151.6%

Georgian economy continues to deliver strong growth momentum

- Georgian economic growth in 1Q18 accelerated to 5.2% as exports, remittances and tourism revenues grew at double digits. Annual inflation decreased to 2.8% in March 2018. The Lari strengthened against the US dollar by 6.9% during 1Q18 supported by strong external earnings and solid growth. Georgia's US dollar reserves continued to improve and stood at US$ 3.0 billion at 31 March 2018

[1] As of 31 March 2018, loans and finance lease receivables growth on a constant currency basis was 21.3% and 5.0% on y-o-y and q-o-q basis, respectively
[2] As of 31 March 2018, client deposits and notes growth on a constant currency basis was 30.9% and 8.1% on y-o-y and q-o-q basis, respectively
[3] Investment Business is classified as discontinued operations in Bank of Georgia Group's 1Q18 consolidated financial statements
[4] Includes results of GHG's operations, which is classified as discontinued operations in Group's and Georgia Capital's consolidated financial statements

BANKING BUSINESS HIGHLIGHTS

- **The Banking Business generated a strong quarterly profit of GEL 99.2mln in 1Q18** (up 19.3% y-o-y), while quarterly **ROAE reached 25.9% in 1Q18** (up 220bps y-o-y)
- **Bank of Georgia became the largest bank in Georgia based on its 36.2% market share of total assets at 31 March 2018**, according to the data published by National Bank of Georgia
- **Asset quality continued to improve during 1Q18.** NPLs to gross loans ratio decreased to 3.1% at 31 March 2018 (4.6% at 31 March 2017 and 3.8% at 31 December 2017). NPL coverage ratio stood at 111.4% at 31 March 2018 (102.9% at 31 December 2017 adjusted for IFRS 9 impact), while the NPL coverage ratio adjusted for discounted value of collateral stood at 147.2% at 31 March 2018 (126.9% at 31 March 2017 and 130.6% at 31 December 2017). The asset quality improvement positively impacted the cost of risk ratio, which stood at 2.1% in 1Q18 (2.4% in 1Q17 and 2.1% in 4Q17)
- **The Banking Business loan book growth on a constant-currency basis reached 21.3% y-o-y and 5.0% q-o-q at 31 March 2018.** Retail Banking loan book share in the total loan portfolio was 69.3% at 31 March 2018 (62.6% at 31 March 2017 and 68.0% at 31 December 2017)
- **Retail Banking ("RB") continued to deliver strong growth across all its business lines.** Retail Banking revenue reached GEL 170.7mln in 1Q18, up 20.9% y-o-y, but down 3.0% q-o-q due to seasonality. The Retail Banking net loan book reached GEL 5,155.3mln at 31 March 2018, up 32.5% y-o-y and up 2.2% q-o-q. The growth on a constant-currency basis was 33.3% y-o-y and 5.7% q-o-q. The number of Retail Banking clients reached 2.4mln at the end of 1Q18, up 7.7% from 2.2mln at the end of 1Q17 and up 1.8% from 4Q17
- **Our Retail Banking product to client ratio increased to 2.2 in 1Q18 from 2.0 in 1Q17.** By the end of 2017, we completed the transformation of our retail banking operations from a product-based model into a client-centric model, as well as the implementation of the client-centric model in our branches. We continue to see solid growth in sales volumes and the number of products sold to our clients in these branches, and this contributed to a 32.5% y-o-y growth in our retail loan book
- **Retail Banking client deposits** increased to GEL 3,304.3mln at 31 March 2018, up 38.0% y-o-y and up 1.1% q-o-q. Growth on a constant-currency basis was 39.3% y-o-y and 6.4% q-o-q
- **Corporate Investment Banking ("CIB") continued further growth in 1Q18 after delivering on its risk de-concentration and loan portfolio repositioning targets in 2017.** CIB's net loan book amounted to GEL 2,222.9mln at 31 March 2018, up 0.8% y-o-y and up 4.2% q-o-q on constant currency basis. The top 10 CIB client exposure was 10.3% at the end of 1Q18, down from 11.3% at 31 March 2017 and 10.7% at 31 December 2017
- **Investment Management's Assets Under Management ("AUM") increased to GEL 1,835.9mln in 1Q18**, up 18.3% y-o-y and largely flat q-o-q, reflecting higher bond issuance activity by our brokerage arm Galt & Taggart
- **De-dollarisation of the loan book and clients deposits continued.** Loan book in local currency accounted to 41.3% of the total book at 31 March 2018, compared to 33.5% a year ago and 38.3% in the previous quarter. The dollarisation of our loan book has decreased since last year as the demand for local currency denominated loans was stronger than the demand for foreign currency denominated loans, supported by the Government's de-dollarisation initiatives implemented at the beginning of last year. Client deposits in local currency represented 33.8% of the total deposit portfolio at 31 March 2018, compared to 26.7% at 31 March 2017 and 30.5% at 31 December 2017
- **Bank of Georgia continued to attract local currency funding to further support the increased demand on the local currency lending and the de-dollarisation of its loan book.** In 1Q18, the Bank raised GEL 25mln financing with maturity of up to three years from a Swiss investment company Symbiotics to finance the Bank's micro, small and medium sized enterprises. Moreover, the Bank once again co-operated with Black Sea Trade and Development Bank and secured GEL 75mln, with tranches up to five years duration, to finance the Bank's SME lending
- **On 23 April 2018 Fitch revised the Outlook of JSC Bank of Georgia's Long-Term Issuer Default Rating (IDR) from Stable to Positive and affirmed the IDR at BB-.** The revision of the Outlook to Positive reflects Fitch's view that the Bank's risk profile and financial metrics should benefit from the improving operating environment in Georgia
- **On 16 April 2018, International Finance Corporation named JSC Bank of Georgia as the Best Issuing Bank Partner for Women Owned Businesses in Europe and Central Asia for 2017**

INVESTMENT BUSINESS HIGHLIGHTS

- **Georgia Capital issued inaugural international corporate bonds in March 2018.** On 5 March 2018, JSC Georgia Capital priced US$ 300mln 6.125% notes due 2024 (the "**Issuance**"). The Issuance was the first international bond offering by a non-banking, non-state-backed company from Georgia. The proceeds from the issuance will be used to optimise the Group's capital structure ahead of the demerger and provide financing to the portfolio companies in order to take advantage of the attractive growth opportunities in Georgia
- **Our utility and energy business, GGU, delivered a stable performance in 1Q18.** In 1Q18, GGU continued its investments in water pipeline infrastructure, leading to continued growth in the regulated asset base. As a result of the successful implementation of a number of efficiency projects, GGU was able to significantly reduce its own electricity consumption in 1Q18. GGU also continued construction works on the 50MW Mestiachala HPPs in north-western Georgia, while the 46MW Zoti HPPs are under development
- **In 1Q18, our real estate business, m^2, sold 53 apartments with a total sales value of US$ 7.7mln reaching the highest ticket price per apartment in the history of m^2**, compared to 143 apartments sold with total sales value of US$ 10.1mln in 1Q17 and 165 apartments with a total sales value of US$ 14.5mln in 4Q17
- **In 1Q18, m^2 achieved the first milestone in its hotel development strategy and opened its first hotel in Tbilisi (the "Hotel") under the Ramada Encore brand**. The Hotel has a capacity of 152 rooms and will cater for the needs of the rapidly growing market for budget travellers in Georgia. During the first incomplete month of operation in March 2018, the Hotel's occupancy rate stood at 29%. m^2 has invested US$ 14mln in Hotel development, including the land
- **In 1Q18, m^2 acquired an 8,512 square metre land plot in Telavi, Kakheti region for a total cash consideration of US$ 1.5mln (excluding VAT) to develop a hotel with approximately 130 rooms.** The hotel construction will be carried out by m^2's construction arm. Telavi is the largest city in eastern Georgia and one of the major tourist destinations. The acquisition is in line with m^2's hotel development strategy to reach a capacity of 1,000 hotel rooms and capitalise on growing tourist inflows in the country
- **On 3 May 2018, m^2 acquired a partly constructed lifestyle hotel in Gudauri for a total cash consideration of US$7.2 million including VAT.** The Gudauri hotel is expected to add at least 134 rooms to m^2's portfolio and is conveniently located on the slopes in Gudauri, a leading ski resort in the Caucasus region, with ski-in and ski-out facilities. The skeleton of the building is already finished and the remaining construction works will be carried out by m^2's construction arm. m^2 expects the Gudauri hotel to open its doors to its first visitors in December 2018
- **Our property and casualty insurance business continued its organic growth and at 31 March 2018 Aldagi had 57,791 insured customers (up 47.2% y-o-y and up 21.2% q-o-q).** The strong performance was mainly driven by developing regional markets through the launch of livestock insurance; organic growth of motor insurance business; and the introduction of card insurance sales in 1Q18. The quality of the motor insurance portfolio improved significantly, benefiting from the termination of relationships with loss making clients. The number of new insurance policies written reached 46,934 in 1Q18 (up 48.1% y-o-y and up 26.9% q-o-q)
- In December 2017, the Parliament of Georgia approved **Border Motor Third Party Liability** Insurance (MTPL insurance for vehicles visiting Georgia either on a temporary or transit basis) through extensive cooperation with the Insurance State Supervision Service of Georgia (ISSSG). MTPL became mandatory from 1 March 2018 and the gross written premium in the first month of operations amounted to GEL 4.6mln, while 64,021 vehicles with foreign plates were insured. Aldagi's market share in Compulsory border MTPL in March 2018 was 18%
- **In February 2018, Georgia Capital acquired a 100% equity stake in a leading Georgian craft beer producer, Black Lion LLC (Black Lion) for the total consideration of $3.2mln.** Black Lion is the largest producer of a premium class craft beer in Georgia that launched sales in the beginning of 2016 and sold approximately 300,000 litres of craft beer in 2017, primarily targeting restaurants and bars in Tbilisi
- **In April 2018, JSC Georgia Capital has acquired a 60% indirect controlling interest in Kindzmarauli Marani, LLC ("Kindzmarauli") through a locally established special-purpose vehicle for a total consideration of US$7.25mln (representing a cash payment for an equity stake and the buyout of an existing shareholder loan).** Kindzmarauli is a producer of exquisite Georgian wines and spirits, which owns 350 hectares of vineyards in Georgia's Kakheti region. Georgia Capital will consolidate the results of Kindzmarauli's operations from the acquisition date, and expects that the acquisition will complement and strengthen its existing beverage business with an increased presence in the growing domestic and international markets for Georgian wine. With this acquisition, Georgia Capital's beverage business made a major step towards its wine business development strategy

to reach a vineyard base of 1,000 hectares over the next three years and has now reached 436 hectares of vineyards. This supports the beverage business' wine production, which has been further helped by significant growth opportunities in international markets provided by Georgia's various free trade agreements, including those with China and the European Union

- **Our healthcare business, GHG, delivered a strong performance in 1Q18 as it continued to deliver on its strategic priorities across its healthcare services and pharmacy and distribution businesses, while the medical insurance business delivered positive EBITDA.** Healthcare services EBITDA margin was 25.2% in 1Q18, compared to 25.3% in 1Q17 and 26.8% in 4Q17 reflecting the planned significant investment in new hospitals and polyclinics during 2017. The pharmacy and distribution business continued to generate a high EBITDA margin of 10.0% in 1Q18, compared to 7.8% in 1Q17 and 10.2% in 4Q17
- **GHG launched the 306-bed flagship Deka Hospital in Tbilisi in March, which added GEL 1.2mln to 1Q18 revenues**. Deka has a strong historic reputation and occupies a prime location in the north-east of Tbilisi. Following the completion of the renovation, the 306-bed Deka hospital serves as a flagship hospital, being the hospital of choice for high-quality elective medical care countrywide
- Following the partial opening of Tbilisi Referral Hospital in April 2017, GHG launched the remaining part of the hospital in December 2017, with an additional 112 renovated beds. The Hospital has already generated a 43% occupancy rate and contributed GEL 3.7mln to 1Q18 revenues

CHIEF EXECUTIVE OFFICER STATEMENT

In the first quarter of 2018, the last full quarter before the Group completes its planned demerger on 29 May 2018, the Group has delivered an extremely strong performance in all areas of the business, that resulted in an 18.8% year-on-year growth in profit for the quarter, to GEL 128.6 million, and earnings per share growth of 16.7% to GEL 3.08 per share. This strength reflects continued excellence from our Banking Business as well as increased momentum and strategic delivery from our Investment Businesses, both of which continue to be supported by Georgia's strong macroeconomic performance and business outlook.

From a macroeconomic perspective Georgia is going from strength to strength, with business momentum continuing to accelerate and tourism inflows into the country rising at unparalleled levels. In 1Q18, real GDP growth was at an estimated 5.2% year-on-year, with inflation remaining well contained at 2.8%. In addition, the Lari strengthened by 6.9% against the US Dollar during the first quarter. The National Bank of Georgia continues to increase Georgia's US dollar reserves and has recently been buying US Dollars, to mitigate further appreciation of the Lari.

The **Banking Business** delivered a strong result in what is traditionally the slow quarter of the year. On a constant-currency basis, the loan book grew 21.3% year-on-year, and 5.0% during the quarter. This reflected continued strong growth in Retail Banking, where the mortgage portfolio has increased by nearly 50% over the last 12 months, and in the corporate lending portfolio, which is now delivering high quality lending growth following the completion of our three year programme to reduce concentration risk at the end of last year. Whilst individual product loan yields have continued to remain stable, the recent pick-up of EUR denominated corporate lending and strong growth in the mortgage portfolio has contributed to a 30 basis point year-on-year reduction in the net interest margin. That said, we maintained our capital efficient approach within lending which, in addition to a reduction in credit risk, improved the return on average equity in the Banking Business to 25.9% in the quarter, compared to 23.7% in the first quarter last year. Costs remain well controlled, whilst ensuring that we continue to invest in building an increasingly strong customer franchise.

The Retail Banking customer franchise continues to grow strongly in all segments and the Retail Banking product to client ratio increased to 2.2, compared to 2.0 in the first quarter of last year. Asset quality continues to improve significantly. The Banking Business cost of risk ratio in the first quarter was 2.1%, in line with our medium-term cost of risk expectations. This was achieved at the same time that we continued to improve our asset quality, with non-performing lending reducing by 17.9% over the last three months, and the NPL Coverage ratio improving from 102.9% to 111.4% over the same period. The NPLs to Gross Loans ratio also reduced significantly, from 4.6% to 3.1%, over the last 12 months.

The Bank's capital and funding position remains strong. The National Bank of Georgia transitioned to Basel III standards, and introduced new capital adequacy requirements in December 2017 and on the new basis, the NBG (Basel III) Total capital and Tier 1 capital adequacy ratios were 17.3% and 12.4%, respectively, at the end of the first quarter, significantly in excess of the Bank's minimum capital requirements. Bank of Georgia continues to have strong capital ratios and high levels of internal capital generation.

The Group's Investment Business**, Georgia Capital,** is delivering its strategic priorities in each of its businesses together with strong growth and performance. Gross profit increased by 19.8% year-on-year to GEL 105.3[5] million, and net profit grew by 17.3% to GEL 29.4 million. In addition, the business is exploring further opportunities to expand into targeted service industries to increase the diversification and growth of its business portfolio.

Within the businesses, **Georgia Healthcare** posted net revenues of GEL 207 million during the quarter, an increase of 11.4%, reflecting a combination of high single-digit organic growth and the recent completion and launch of its 2 major hospital renovation projects. The first quarter EBITDA was GEL 31.4 million, an increase of 25.3%. The healthcare services EBITDA margin continues to be high at 25.2% and this is expected to improve towards 30%, as the dilutive effect of the significant roll-out impact of the two major hospital renovations and the ongoing roll-out of a nationwide chain of polyclinics starts to reduce. In the pharmacy and distribution business we continued to realise significant benefits from the integration of two leading pharmacy businesses and the EBITDA margin of 10.0% in the first quarter comfortably exceeded our target of "more than 8%" margin.

[5] Includes results of GHG's operations, which is classified as discontinued operations in Group's and Georgia Capital's consolidated financial statements

In our water utility and energy business, **GGU**, the management team continues to focus on improving energy efficiency, whilst investing in water pipeline infrastructure and growing the regulated asset base. GGU also continued construction and development works on 3 hydro power plant projects, totaling almost 100MW of planned additional capacity out of a targeted 1,000MW over the next five years.

The strong execution skills of our real estate business, **m^2 Real Estate**, continue to unlock considerable value in the real estate development business. During the first quarter of 2018, m^2 sold 53 apartments with a total sales value of $7.7 million, in addition to increasing its portfolio of yielding assets. In addition, strong progress has been made in the development of m^2's hotel development strategy with the opening in March 2018 of its first Ramada Encore hotel, as well as the acquisition of a number of hotel projects that put m^2 firmly on track to deliver its 1,000 hotel room strategy over the next three years.

The strong portfolio of new products developed by our property and casualty insurance business, **Aldagi**, supported 21.2% growth in insured customers over the last three months and Aldagi's position as the clear market leader in the fast-developing Georgian P&C insurance market. This strong growth was largely driven by the launch of livestock insurance, strong growth in the motor insurance business and the introduction of card insurance during the quarter.

Our beverage business, **Teliani**, increased its revenues by 94.4% year-on-year, primarily due to the launch of beer and lemonade production in 3Q17, and continued to diversify and expand its distribution network of wine and beer businesses, whilst also exploring investments targeting an increase in its vineyard base to 1,000 hectares over the next three years, from the current 86 hectares, which we already increased to 436 hectares in April 2018.

Following shareholder approval, on 30 April 2018, of the demerger of BGEO Group, this is the last quarterly report incorporating the results of both Bank of Georgia Group and Georgia Capital. The demerger is expected to be completed later this month, on 29 May 2018, when both companies will become separately listed on the premium segment of the London Stock Exchange. Over the last few years the Group has achieved remarkable growth and success in both the Banking and the Investment businesses. Leveraging on the continued success of Georgia and its expected future macroeconomic progress and strength, both businesses have exceptional customer franchises, management teams and employees that we, and the Board of Directors of both companies, expect to thrive as independent businesses that will build on their excellent track record for many years to come.

Irakli Gilauri,

Chairman and CEO, Georgia Capital PLC

Kaha Kiknavelidze,

CEO, Bank of Georgia Group PLC

FINANCIAL SUMMARY

INCOME STATEMENT *GEL thousands unless otherwise noted*	Bank of Georgia Group Consolidated 1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	Banking Business[6] 1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	Investment Business[6] 1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Net banking interest income	181,114	160,335	13.0%	183,498	-1.3%	180,123	160,880	12.0%	183,124	-1.6%	-	-	-	-	-
Net fee and commission income	34,185	29,786	14.8%	36,483	-6.3%	34,511	30,193	14.3%	36,738	-6.1%	-	-	-	-	-
Net banking foreign currency gain	14,913	12,526	19.1%	28,139	-47.0%	16,015	19,700	-18.7%	27,464	-41.7%	-	-	-	-	-
Net other banking income	5,518	2,783	98.3%	12,708	-56.6%	5,744	3,016	90.5%	12,986	-55.8%	-	-	-	-	-
Revenue	**235,730**	**205,430**	**14.7%**	**260,828**	**-9.6%**	**236,393**	**213,789**	**10.6%**	**260,312**	**-9.2%**	-	-	-	-	-
Operating expenses	**(86,279)**	**(76,102)**	**13.4%**	**(98,612)**	**-12.5%**	**(87,379)**	**(77,054)**	**13.4%**	**(99,742)**	**-12.4%**	-	-	-	-	-
Profit from associates	319	514	-37.9%	255	25.1%	319	514	-37.9%	255	25.1%	-	-	-	-	-
Operating income before cost of credit risk	**149,770**	**129,842**	**15.3%**	**162,471**	**-7.8%**	**149,333**	**137,249**	**8.8%**	**160,825**	**-7.1%**	-	-	-	-	-
Cost of credit risk	(38,143)	(48,020)	-20.6%	(42,428)	-10.1%	(38,143)	(48,020)	-20.6%	(42,428)	-10.1%	-	-	-	-	-
Profit before non-recurring items and income tax	**111,627**	**81,822**	**36.4%**	**120,043**	**-7.0%**	**111,190**	**89,229**	**24.6%**	**118,397**	**-6.1%**	-	-	-	-	-
Net non-recurring items	(2,948)	(1,695)	73.9%	(213)	NMF	(2,948)	(1,695)	73.9%	(213)	NMF	-	-	-	-	-
Profit before income tax expense	**108,679**	**80,127**	**35.6%**	**119,830**	**-9.3%**	**108,242**	**87,534**	**23.7%**	**118,184**	**-8.4%**	-	-	-	-	-
Income tax expense	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	-	-	-	-	-
Profit from continuing operations	**99,621**	**75,720**	**31.6%**	**108,780**	**-8.4%**	**99,184**	**83,127**	**19.3%**	**107,134**	**-7.4%**	-	-	-	-	-
Profit from discontinued operations[7]	28,938	32,453	-10.8%	10,029	NMF	-	-	-	-	-	29,375	25,046	17.3%	11,675	151.6%
Profit	**128,559**	**108,173**	**18.8%**	**118,809**	**8.2%**	**99,184**	**83,127**	**19.3%**	**107,134**	**-7.4%**	**29,375**	**25,046**	**17.3%**	**11,675**	**151.6%**
Earnings per share (basic)	**3.08**	**2.64**	**16.7%**	**3.05**	**1.0%**	**2.62**	**2.17**	**20.8%**	**2.86**	**-8.3%**	**0.46**	**0.47**	**-2.5%**	**0.19**	**141.5%**
Earnings per share (diluted)	**2.98**	**2.55**	**16.9%**	**2.90**	**2.8%**	**2.54**	**2.10**	**21.0%**	**2.72**	**-6.7%**	**0.44**	**0.45**	**-2.3%**	**0.18**	**145.7%**

BALANCE SHEET *GEL thousands unless otherwise noted*	Bank of Georgia Group Consolidated Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Banking Business[6] Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Investment Business[6] Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
Liquid assets	4,445,452	3,606,926	23.2%	4,373,251	1.7%	4,514,326	3,398,385	32.8%	4,346,509	3.9%	-	537,227	NMF	445,501	NMF
Cash and cash equivalents	*1,754,920*	*1,285,483*	*36.5%*	*1,582,435*	*10.9%*	*1,754,920*	*1,198,301*	*46.5%*	*1,516,401*	*15.7%*	-	*359,629*	*NMF*	*374,301*	*NMF*
Amounts due from credit institutions	*941,804*	*1,090,111*	*-13.6%*	*1,225,947*	*-23.2%*	*955,175*	*970,653*	*-1.6%*	*1,216,349*	*-21.5%*	-	*174,248*	*NMF*	*38,141*	*NMF*
Investment securities	*1,748,728*	*1,231,332*	*42.0%*	*1,564,869*	*11.7%*	*1,804,231*	*1,229,431*	*46.8%*	*1,613,759*	*11.8%*	-	*3,350*	*NMF*	*33,059*	*NMF*
Loans to customers and finance lease receivables	7,727,568	6,408,711	20.6%	7,690,450	0.5%	7,792,108	6,470,771	20.4%	7,741,420	0.7%	-	-	-	-	-
Property and equipment	324,810	1,353,661	-76.0%	988,436	-67.1%	324,810	299,875	8.3%	322,925	0.6%	-	1,053,786	NMF	661,176	NMF
Assets of disposal group held for distribution	2,447,592	-	NMF	1,136,417	115.4%	-	-	-	-	-	3,841,004	-	NMF	1,165,182	NMF
Total assets	**15,474,490**	**12,571,248**	**23.1%**	**15,168,669**	**2.0%**	**13,166,862**	**10,554,058**	**24.8%**	**12,907,678**	**2.0%**	**3,841,004**	**2,415,485**	**59.0%**	**2,763,913**	**39.0%**
Client deposits and notes	6,762,071	5,294,462	27.7%	6,712,482	0.7%	7,296,110	5,622,023	29.8%	7,078,058	3.1%	-	-	-	-	-
Amounts due to credit institutions	2,521,291	3,133,422	-19.5%	3,155,839	-20.1%	2,642,427	2,662,910	-0.8%	2,778,338	-4.9%	-	532,572	NMF	377,501	NMF
Borrowings from DFI	*1,191,605*	*1,376,864*	*-13.5%*	*1,624,347*	*-26.6%*	*1,191,605*	*1,143,408*	*4.2%*	*1,297,749*	*-8.2%*	-	*233,456*	*NMF*	*326,598*	*NMF*
Short-term loans from NBG	*729,244*	*1,005,404*	*-27.5%*	*793,528*	*-8.1%*	*729,244*	*1,005,404*	*-27.5%*	*793,528*	*-8.1%*	-	-	-	-	-
Loans and deposits from commercial banks	*600,442*	*751,154*	*-20.1%*	*737,964*	*-18.6%*	*721,578*	*514,098*	*40.4%*	*687,061*	*5.0%*	-	*299,116*	*NMF*	*50,903*	*NMF*
Debt securities issued	1,524,600	1,157,082	31.8%	1,709,152	-10.8%	1,569,404	827,025	89.8%	1,386,412	13.2%	-	335,773	NMF	357,442	NMF
Liabilities of disposal group held for distribution	1,837,869	-	NMF	516,663	NMF	-	-	-	-	-	1,964,463	-	-	619,026	217.3%
Total liabilities	**12,733,920**	**10,153,699**	**25.4%**	**12,436,299**	**2.4%**	**11,596,833**	**9,198,592**	**26.1%**	**11,354,976**	**2.1%**	**1,964,463**	**1,353,402**	**45.1%**	**1,584,245**	**24.0%**
Total equity	**2,740,570**	**2,417,549**	**13.4%**	**2,732,370**	**0.3%**	**1,570,029**	**1,355,466**	**15.8%**	**1,552,702**	**1.1%**	**1,876,541**	**1,062,083**	**76.7%**	**1,179,668**	**59.1%**

[6] Banking Business and Discontinued Operations financials do not include inter-business eliminations. Detailed financials, including inter-business eliminations are provided on pages 38 and 39

[7] Detailed Investment Business financials, which is classified as Discontinued Operations in Bank of Georgia Group's 1Q18 consolidated financial statements, are presented in Discussion of Investment Business results on page 22

BANKING BUSINESS RATIOS	1Q18	1Q17	4Q17
ROAA	3.1%	3.1%	3.4%
ROAE	25.9%	23.7%	27.8%
Net Interest Margin	7.0%	7.4%	7.3%
Loan Yield	13.9%	14.0%	14.3%
Liquid assets yield	3.6%	3.3%	3.4%
Cost of Funds	4.8%	4.6%	4.8%
Cost of Client Deposits and Notes	3.4%	3.5%	3.5%
Cost of Amounts Due to Credit Institutions	6.9%	6.3%	6.5%
Cost of Debt Securities Issued	7.7%	6.0%	7.8%
Cost / Income	37.0%	36.0%	38.3%
NPLs to Gross Loans to Clients	3.1%	4.6%	3.8%
NPL Coverage Ratio[8]	111.4%	87.1%	92.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	147.2%	126.9%	130.6%
Cost of Risk	2.1%	2.4%	2.1%
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a	12.4%
NBG (Basel III) Total Capital Adequacy Ratio	17.3%	n/a	17.9%

[8] NPL Coverage Ratio adjusted for IFRS 9 was 102.9% at 31 December 2017

DISCUSSION OF RESULTS

Discussion of Banking Business Results

*The Group's **Banking 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 Investment Banking** comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides private banking services to high net worth clients. (3) **BNB**, comprising JSC Belarusky Narodny Bank, principally provides retail and corporate banking services to clients in Belarus.*

REVENUE

GEL thousands, unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**	**4Q17**	**Change q-o-q**
Banking interest income	313,553	267,121	17.4%	312,950	0.2%
Banking interest expense	(133,430)	(106,241)	25.6%	(129,826)	2.8%
Net banking interest income	**180,123**	**160,880**	**12.0%**	**183,124**	**-1.6%**
Fee and commission income	51,213	43,702	17.2%	53,739	-4.7%
Fee and commission expense	(16,702)	(13,509)	23.6%	(17,001)	-1.8%
Net fee and commission income	**34,511**	**30,193**	**14.3%**	**36,738**	**-6.1%**
Net banking foreign currency gain	16,015	19,700	-18.7%	27,464	-41.7%
Net other banking income	5,744	3,016	90.5%	12,986	-55.8%
Revenue	**236,393**	**213,789**	**10.6%**	**260,312**	**-9.2%**
Net Interest Margin	7.0%	7.4%		7.3%	
Average interest earning assets	10,413,787	8,860,417	17.5%	10,008,953	4.0%
Average interest bearing liabilities	11,230,932	9,412,122	19.3%	10,824,561	3.8%
Average net loans and finance lease receivables, currency blended	7,749,210	6,638,473	16.7%	7,390,896	4.8%
Average net loans and finance lease receivables, GEL	3,085,905	2,035,225	51.6%	2,818,150	9.5%
Average net loans and finance lease receivables, FC	4,663,305	4,603,248	1.3%	4,572,746	2.0%
Average client deposits and notes, currency blended	7,038,125	5,730,360	22.8%	6,891,147	2.1%
Average client deposits and notes, GEL	2,315,919	1,408,778	64.4%	2,065,806	12.1%
Average client deposits and notes, FC	4,722,206	4,321,582	9.3%	4,825,341	-2.1%
Average liquid assets, currency blended	4,306,271	3,514,002	22.5%	4,279,369	0.6%
Average liquid assets, GEL	1,804,602	1,363,185	32.4%	1,660,337	8.7%
Average liquid assets, FC	2,501,669	2,150,817	16.3%	2,619,032	-4.5%
Excess liquidity (NBG)	456,999	406,213	12.5%	289,942	57.6%
Liquid assets yield, currency blended	3.6%	3.3%		3.4%	
Liquid assets yield, GEL	7.0%	7.3%		7.1%	
Liquid assets yield, FC	1.2%	0.7%		1.0%	
Loan yield, currency blended	13.9%	14.0%		14.3%	
Loan yield, GEL	21.1%	22.5%		21.3%	
Loan yield, FC	9.1%	10.3%		10.0%	
Cost of Funds, currency blended	4.8%	4.6%		4.8%	
Cost of Funds, GEL	7.0%	6.7%		7.0%	
Cost of Funds, FC	3.6%	3.8%		3.7%	
Cost / Income	37.0%	36.0%		38.3%	

Performance highlights

- **Strong revenue of GEL 236.4mln in 1Q18 (up 10.6% y-o-y)**. Y-o-y revenue growth was primarily driven by an increase in net banking interest income, which resulted from strong loan book growth. Additionally, net fee and commission income increased 14.3% y-o-y contributing to increase of revenues in 1Q18 y-o-y
- **Net banking interest income.** Our net banking interest income was up 12.0% y-o-y in 1Q18. The y-o-y increase was primarily driven by the strong growth of our Retail Banking loan book, which experienced 33.3% y-o-y constant currency growth in 1Q18
- **Net banking interest expense.** Our net banking interest expense was up 25.6% y-o-y in 1Q18, primarily due to the issuance of GEL 500mln Lari denominated bonds in June 2017 and increased deposit generation both in our Retail and Corporate Investment Banking operations

- **Our NIM was 7.0% in 1Q18.** 1Q18 NIM was down 40bps y-o-y due to the 10bps y-o-y decrease in loan yield and 20bps y-o-y increase in cost of funds. On a q-o-q basis, loan yield decreased by 40bps, while cost of funds remained flat, resulting in 30bps decline in 1Q18 NIM
- **Loan yield.** Currency blended loan yield was 13.9% in 1Q18 (down 10bps y-o-y and down 40bps q-o-q). Both local and foreign currency loan yields decreased y-o-y and q-o-q, reflecting change in product mix, impact from seasonality and higher loan related prepayment fees in 4Q17. At the same time the overall loan yield was positively impacted by a continued shift towards high-yielding local currency denominated loans in the total loan portfolio mix
- **Liquid assets yield.** Our liquid assets yield was 3.6% (up 30bps y-o-y and up 20bps q-o-q) in 1Q18. The foreign currency denominated liquid assets yield increased by 50bps y-o-y and 20bps q-o-q in 1Q18, as a result of the Federal Open Market Committee's decisions to raise interest rates, which triggered similar increases on interest rates paid by a) The National Bank of Georgia (the "**NBG**") on the Bank's obligatory reserves (foreign currency only) and b) correspondent banks on deposits placed by the Bank. This increase was partially offset by decline in local currency denominated liquid assets yield, which decreased by 30bps y-o-y and by 10bps q-o-q in 1Q18
- **Cost of funds.** Cost of funds stood at 4.8% in 1Q18 (up 20bps y-o-y and flat q-o-q). Despite the significant increase in cost of debt securities issued following the issuance of GEL 500mln 11.0% Lari denominated notes in 2Q17 (up 170bps y-o-y in 1Q18), cost of funds remained largely flat as a result of a decrease in the cost of client deposits and notes (down 10bps y-o-y and q-o-q)
- **Shift to the GEL denominated loan book and client deposits continued both in Retail Banking and Corporate Investment Banking.** Retail client loan book in foreign currency accounted for 46.0% of the total RB loan book at 31 March 2018 (54.2% at 31 March 2017 and 48.8% at 31 December 2017), while retail client foreign currency deposits comprised 71.0% of total RB deposits at 31 March 2018 (74.3% at 31 March 2017 and 72.1% at 31 December 2017). At 31 March 2018, 80.7% of CIB's loan book was denominated in foreign currency (82.1% at 31 March 2017 and 83.1% at 31 December 2017), while 60.2% of CIB deposits were denominated in foreign currency (69.4% at 31 March 2017 and 63.1% at 31 December 2017)
- **Net Loans to Customer Funds and DFI ratio**. Customer funds (client deposits and notes) increased by 29.8% y-o-y and 3.1% q-o-q to GEL 7,296.1mln driven by strong deposit generation in both the Retail and Corporate Investment Banking operations. Retail banking client deposits and notes grew by 38.0% y-o-y and 1.1% q-o-q to GEL 3,304.3mln, while CIB client deposits grew by 25.0% y-o-y and 5.9% q-o-q to GEL 3,661.7mln. Our borrowings from DFIs also increased by 4.2% y-o-y to GEL 1,191.6mln. As a result, our Net Loans to Customer Funds and DFI ratio, which is closely monitored by management, remained strong at 91.8% (down from 95.6% at 31 March 2017 and 92.4% at 31 December 2017) despite the strong growth of the loan book
- **Net fee and commission income.** Net fee and commission income performance y-o-y is mainly driven by the strong performance in our settlement operations supported by the success of our Express banking franchise
- **Net banking foreign currency gain.** The net banking foreign currency gain was down 18.7% y-o-y in 1Q18, primarily driven by lower volatility of the GEL exchange rate during the first quarter of 2018
- **Net other banking income.** Net other banking income increased y-o-y to GEL 5.7mln in 1Q18, largely driven by GEL 4.4mln net gains on derivative financial instruments recorded in 1Q18. Q-o-q decrease was primarily attributable to the GEL 7.3mln revaluation gain from investment properties recorded in 4Q17

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

GEL thousands, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Salaries and other employee benefits	(49,453)	(44,279)	11.7%	(55,789)	-11.4%
Administrative expenses	(25,633)	(22,519)	13.8%	(32,245)	-20.5%
Banking depreciation and amortisation	(11,522)	(9,525)	21.0%	(10,514)	9.6%
Other operating expenses	(771)	(731)	5.5%	(1,194)	-35.4%
Operating expenses	**(87,379)**	**(77,054)**	**13.4%**	**(99,742)**	**-12.4%**
Profit from associate	319	514	-37.9%	255	25.1%
Operating income before cost of credit risk	**149,333**	**137,249**	**8.8%**	**160,825**	**-7.1%**
Impairment charge on loans to customers	(41,006)	(41,341)	-0.8%	(41,911)	-2.2%
Impairment charge on finance lease receivables	13	(139)	NMF	492	-97.4%
Impairment charge on other assets and provisions	2,850	(6,540)	NMF	(1,009)	NMF
Cost of credit risk	**(38,143)**	**(48,020)**	**-20.6%**	**(42,428)**	**-10.1%**
Profit before non-recurring items and income tax	**111,190**	**89,229**	**24.6%**	**118,397**	**-6.1%**
Net non-recurring items	(2,948)	(1,695)	73.9%	(213)	NMF
Profit before income tax	**108,242**	**87,534**	**23.7%**	**118,184**	**-8.4%**
Income tax expense	(9,058)	(4,407)	105.5%	(11,050)	-18.0%
Profit	**99,184**	**83,127**	**19.3%**	**107,134**	**-7.4%**

- **Operating expenses amounted to GEL 87.4mln in 1Q18 (up 13.4% y-o-y and down 12.4% q-o-q).** Operating leverage deteriorated by 2.8 percentage points y-o-y and improved by 3.2 percentage points q-o-q in 1Q18. Higher salaries and employee benefits in 1Q18 compared to a year ago mainly reflected the strong organic growth of Retail Banking operations. At the same time, 13.8% y-o-y increase in administrative expenses in 1Q18 was primarily driven by increased personnel training costs. The 20.5% q-o-q decrease in administrative expenses reflected higher seasonal advertising and marketing activities in 4Q17
- **Cost of risk ratio.** The cost of risk ratio was 2.1% in 1Q18, down 30bps y-o-y and flat q-o-q. RB's 1Q18 cost of risk ratio was down 80bps y-o-y and up 80bps q-o-q, while CIB's cost of risk ratio was up 100bps y-o-y and down 190bps q-o-q
- **Quality of our loan book remains strong in 1Q18** as evidenced by following closely monitored metrics:

GEL thousands, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Non-performing loans					
NPLs	247,335	311,940	-20.7%	301,268	-17.9%
NPLs to gross loans	3.1%	4.6%		3.8%	
NPLs to gross loans, RB	1.3%	1.7%		1.3%	
NPLs to gross loans, CIB	5.3%	8.2%		7.5%	
NPL coverage ratio	111.4%	87.1%		92.7%	
NPL coverage ratio adjusted for the discounted value of collateral	147.2%	126.9%		130.6%	
Past due dates					
Retail loans - 15 days past due rate	1.2%	1.4%		0.9%	
Mortgage loans – 15 days past due rate	0.8%	0.9%		0.6%	

- **BNB – the Group's banking subsidiary in Belarus - generated a profit of GEL 2.3mln in 1Q18 (up from GEL 0.7mln in 1Q17**and down 36.4% q-o-q); BNB's earnings were positively impacted by decreased levels of cost of risk in 1Q18 compared to the first quarter of last year. While Belarus experienced weak macro-economic conditions in 2016 and 1Q17, the economy started to show signs of stabilisation during 2017. As a result, BNB's cost of credit risk significantly improved and was down 87.3% y-o-y in 1Q18
- BNB's loan book reached GEL 377.7mln at 31 March 2018, up 12.6% y-o-y, mostly reflecting an increase in corporate and consumer loans. Client deposits were GEL 288.3mln at 31 March 2018, up 22.2% y-o-y. This increase was primarily attributable to the agreement signed with BelSwissBank in June 2017, which allowed BNB to manage and service current and term deposit accounts and card operations of BelSwissBank's customers
- **BNB continues to remain strongly capitalised**, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. At 31 March 2018, total CAR was 14.8%, above the 10% minimum requirement of the National Bank of the Republic of Belarus ("**NBRB**"), while Tier I CAR was 9.9%, above NBRB's 6% minimum requirement. Return on Average Equity ("**ROAE**") was 12.3% in 1Q18 (3.4% in 1Q17and 18.5% in 4Q17). Strong capitalisation and improved profitability allowed BNB to distribute dividend in the amount of GEL 1.2mln in 1Q18 (GEL 1.2mln in 2017, the first capital return to the Bank since the BNB acquisition in 2008)
- **As a result, the Banking Business profit totalled GEL 99.2mln in 1Q18** (up 19.3% y-o-y and down 7.4% q-o-q), while **ROAE increased to 25.9% in 1Q18** (23.7% in 1Q17 and 27.8% in 4Q17)

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
Liquid assets	4,514,326	3,398,385	32.8%	4,346,509	3.9%
Liquid assets, GEL	1,740,858	1,298,701	34.0%	1,791,708	-2.8%
Liquid assets, FC	2,773,468	2,099,684	32.1%	2,554,801	8.6%
Net loans and finance lease receivables	7,792,108	6,470,771	20.4%	7,741,420	0.7%
Net loans and finance lease receivables, GEL	3,215,412	2,170,530	48.1%	2,968,832	8.3%
Net loans and finance lease receivables, FC	4,576,696	4,300,241	6.4%	4,772,588	-4.1%
Client deposits and notes	7,296,110	5,622,023	29.8%	7,078,058	3.1%
Amounts due to credit institutions	2,642,427	2,662,910	-0.8%	2,778,338	-4.9%
Borrowings from DFIs	1,191,605	1,143,408	4.2%	1,297,749	-8.2%
Short-term loans from central banks	729,244	1,005,404	-27.5%	793,528	-8.1%
Loans and deposits from commercial banks	721,578	514,098	40.4%	687,061	5.0%
Debt securities issued	1,569,404	827,025	89.8%	1,386,412	13.2%
Liquidity and CAR ratios					
Net loans / client deposits and notes	106.8%	115.1%		109.4%	
Net loans / client deposits and notes + DFIs	91.8%	95.6%		92.4%	
Liquid assets as percent of total assets	34.3%	32.2%		33.7%	
Liquid assets as percent of total liabilities	38.9%	36.9%		38.3%	
NBG liquidity ratio	36.5%	37.4%		34.4%	
Excess liquidity (NBG)	456,999	406,213	12.5%	289,942	57.6%
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a		12.4%	
NBG (Basel III) Total Capital Adequacy Ratio	17.3%	n/a		17.9%	

Our balance sheet remains highly liquid (NBG Liquidity ratio of 36.5%) **and strongly capitalised** (NBG Basel III Tier I ratio of 12.4%) **with a well-diversified funding base** (Client Deposits and notes to Total Liabilities of 62.9%).

- **Liquidity.** Liquid assets increased to GEL 4,514.3mln at 31 March 2018, up 32.8% y-o-y and up 3.9% q-o-q, largely driven by proceeds from the GEL 500mln Lari denominated bonds in June 2017, increase in local currency bonds, which are used by the Bank as collateral for short-term borrowings from the NBG, and additional proceeds as a result of the pushdown of $350mln Eurobonds of JSC BGEO Group in March 2018. Management successfully continued to deploy excess liquidity, accumulated as a result of these proceeds. As such, the NBG liquidity ratio stood at 36.5% at 31 March 2018 (37.4% at 31 March 2017 and 34.4% at 31 December 2017), above the regulatory minimum requirement of 30.0%, while the NBG liquidity coverage ratio was 135.2% at 31 March 2018 (112.4% at 31 December 2017), above the 100% minimum requirement level
- **Diversified funding base**. Debt securities issued grew by 89.8% y-o-y and by 13.2% q-o-q. The y-o-y increase was driven by the issuance of GEL 500mln Lari denominated bonds in June 2017, which positively contributed to GEL liquidity, allowing us to significantly reduce short-term borrowings from the NBG (down 27.5% y-o-y). On q-o-q basis, the 13.2% increase was due to above mentioned pushdown of $350mln Eurobonds from JSC BGEO Group in March 2018
- **Loan book**. Our net loan book and finance lease receivables reached GEL 7,792.1mln at 31 March 2018, up 20.4% y-o-y and up 0.7% q-o-q. As of 31 December 2017, retail book represented 69.3% of the total loan portfolio (62.6% at 31 March 2017 and 68.0% at 31 December 2017). While both local and foreign currency portfolios experienced y-o-y growth, the local currency loan portfolio demonstrated an outstanding increase of 48.1% y-o-y and 8.3% q-o-q, partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio
- **IFRS 9 implementation delivered – no impact on capital adequacy ratios.** The Group has completed its IFRS 9 implementation programme and adopted IFRS 9, Financial Instruments from 1 January 2018. The Bank recognised the impact from IFRS 9 adoption of approximately GEL 31.5mln, gross of income tax (GEL 28.6mln, net of income tax), as a reduction to shareholders' equity at the transition date on 1 January 2018. As allowed by IFRS 9, the Group did not restate prior-period data. IFRS 9 does not have any impact on regulatory capital and capital adequacy ratios. Through-the-cycle cost of risk is expected to remain unchanged
- **Amendments to Capital Adequacy requirements.** To transition to Basel III, National Bank of Georgia introduced new capital adequacy requirements in December 2017. According to the newly introduced methodology, at 31 March 2018 the Bank of Georgia's Basel III Tier 1 and Total Capital Adequacy ratios stood at 12.4% and 17.3%, respectively, as compared to minimum required level of 10.2% and 14.4%, respectively (12.4% and 17.9%, respectively, at 31 December 2017, above the minimum required level of 9.9% and 12.4%, respectively)
- Over the last few months, the National Bank of Georgia has been working with banking sector participants to create a greater focus on lending to corporate and SME clients, and in the mortgage sector as opposed to the unsecured consumer sector. In May 2018, NBG introduced temporary limits on retail loans disbursed with no formal proof of income whilst consultations with commercial banks take place towards the introduction of Retail Lending Guidelines, expected in early 2019. As a result of these policy changes, we anticipate stronger mortgage and SME lending growth, than unsecured consumer lending

Discussion of Banking Business 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 itself 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).

GEL thousands, unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**	**4Q17**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS					
Net banking interest income	135,327	111,511	21.4%	134,517	0.6%
Net fee and commission income	26,141	22,245	17.5%	28,511	-8.3%
Net banking foreign currency gain	6,111	6,492	-5.9%	8,407	-27.3%
Net other banking income	3,103	982	NMF	4,531	-31.5%
Revenue	**170,682**	**141,230**	**20.9%**	**175,966**	**-3.0%**
Salaries and other employee benefits	(32,112)	(27,865)	15.2%	(35,778)	-10.2%
Administrative expenses	(19,541)	(16,835)	16.1%	(22,461)	-13.0%
Banking depreciation and amortisation	(9,902)	(7,991)	23.9%	(9,020)	9.8%
Other operating expenses	(503)	(989)	-49.1%	(843)	-40.3%
Operating expenses	**(62,058)**	**(53,680)**	**15.6%**	**(68,102)**	**-8.9%**
Profit from associate	319	514	-37.9%	255	25.1%
Operating income before cost of credit risk	**108,943**	**88,064**	**23.7%**	**108,119**	**0.8%**
Cost of credit risk	(32,783)	(33,173)	-1.2%	(23,122)	41.8%
Profit before non-recurring items and income tax	**76,160**	**54,891**	**38.7%**	**84,997**	**-10.4%**
Net non-recurring items	(1,975)	(482)	NMF	(74)	NMF
Profit before income tax	**74,185**	**54,409**	**36.3%**	**84,923**	**-12.6%**
Income tax expense	(5,836)	(3,592)	62.5%	(7,335)	-20.4%
Profit	**68,349**	**50,817**	**34.5%**	**77,588**	**-11.9%**
BALANCE SHEET HIGHLIGHTS					
Net loans, Currency Blended	5,155,254	3,891,063	32.5%	5,044,372	2.2%
Net loans, GEL	2,782,812	1,783,345	56.0%	2,582,677	7.7%
Net loans, FC	2,372,442	2,107,718	12.6%	2,461,695	-3.6%
Client deposits, Currency Blended	3,304,319	2,393,754	38.0%	3,267,276	1.1%
Client deposits, GEL	959,084	616,383	55.6%	910,878	5.3%
Client deposits, FC	2,345,235	1,777,371	31.9%	2,356,398	-0.5%
of which:					
Time deposits, Currency Blended	1,838,699	1,426,012	28.9%	1,829,433	0.5%
Time deposits, GEL	412,140	255,955	61.0%	361,775	13.9%
Time deposits, FC	1,426,559	1,170,057	21.9%	1,467,658	-2.8%
Current accounts and demand deposits, Currency Blended	1,465,620	967,742	51.4%	1,437,843	1.9%
Current accounts and demand deposits, GEL	546,944	360,428	51.7%	549,103	-0.4%
Current accounts and demand deposits, FC	918,676	607,314	51.3%	888,740	3.4%
KEY RATIOS					
ROAE Retail Banking	31.5%	27.8%		36.6%	
Net interest margin, currency blended	8.3%	8.8%		8.4%	
Cost of risk	2.6%	3.4%		1.8%	
Cost of funds, currency blended	5.8%	5.3%		5.7%	
Loan yield, currency blended	15.9%	15.9%		15.9%	
Loan yield, GEL	22.4%	24.9%		22.7%	
Loan yield, FC	8.5%	9.4%		8.8%	
Cost of deposits, currency blended	2.8%	3.0%		2.8%	
Cost of deposits, GEL	4.8%	4.4%		4.5%	
Cost of deposits, FC	2.1%	2.6%		2.2%	
Cost of time deposits, currency blended	4.3%	4.4%		4.2%	
Cost of time deposits, GEL	8.9%	8.7%		8.9%	
Cost of time deposits, FC	3.0%	3.6%		3.1%	
Current accounts and demand deposits, currency blended	1.0%	0.9%		0.9%	
Current accounts and demand deposits, GEL	1.7%	1.4%		1.5%	
Current accounts and demand deposits, FC	0.6%	0.6%		0.5%	
Cost / income ratio	36.4%	37.6%		38.7%	

Performance highlights

- **Retail Banking delivered another strong quarterly result across all of its segments and generated total revenues of GEL 170.7mln in 1Q18 (up 20.9% y-o-y)**
- RB's net banking interest income grew by 21.4% y-o-y and 0.6% q-o-q in 1Q18 on the back of the strong growth in the Retail Banking loan portfolio. Record quarterly net banking interest income also reflects the benefits from the ongoing growth of the local currency loan portfolio, which generated 13.9ppts higher yield than the foreign currency loan portfolio in 1Q18
- **The Retail Banking net loan book reached GEL 5,155.3mln in 1Q18, up 32.5% y-o-y and up 2.2% q-o-q.** Our local currency denominated loan book grew at a faster pace (up 56.0% y-o-y and up 7.7% q-o-q) than the foreign currency denominated loan book (up 12.6% y-o-y and down 3.6% q-o-q). As a result, the local currency denominated loan book accounted for 54.0% of the total Retail Banking loan book at 31 March 2018, up from 45.8% at 31 March 2017 and 51.2% at 31 December 2017
- **The loan book growth was a product of continued strong loan origination levels delivered across all major Retail Banking segments:**

Retail Banking loan book by products

GEL million, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Loan Originations					
Consumer loans	364.2	302.4	20.4%	383.1	-4.9%
Mortgage loans	303.3	213.0	42.4%	359.3	-15.6%
Micro loans	283.6	236.5	20.0%	309.5	-8.3%
SME loans	130.8	118.9	10.0%	189.9	-31.1%
POS loans	50.1	42.7	17.3%	79.7	-37.1%
Outstanding Balance					
Consumer loans	1,292.1	944.0	36.9%	1,242.0	4.0%
Mortgage loans	1,763.3	1,187.0	48.5%	1,706.1	3.3%
Micro loans	1,077.2	872.8	23.4%	1,030.8	4.5%
SME loans	598.1	463.4	29.1%	606.5	-1.4%
POS loans	120.2	108.3	11.0%	130.8	-8.1%

- **Retail Banking client deposits increased to GEL 3,304.3mln, up 38.0% y-o-y and up 1.1% q-o-q**, despite a 20bps y-o-y decrease in the cost of deposits in 1Q18. The dollarisation level of our deposits decreased to 71.0% at 31 March 2018 from 74.3% at 31 March 2017 and from 72.1% at 31 December 2017. This is in line with the current decreasing trend of cost on foreign currency denominated deposits (down 50 bps y-o-y and down 10bps q-o-q in 1Q18) and an increasing trend of cost on local currency denominated deposits (up 40bps y-o-y and up 30bps q-o-q). The spread between the cost of RB's client deposits in GEL and foreign currency widened to 2.7ppts during 1Q18 (GEL: 4.8%; FC: 2.1%) compared to 1.8ppts in 1Q17 (GEL: 4.4%; FC: 2.6%) and 2.3ppts in 4Q17 (GEL: 4.5%; FC: 2.2%). Local currency denominated deposits increased at a faster pace to GEL 959.1mln (up 55.6% y-o-y and up 5.3% q-o-q), as compared to foreign currency denominated deposits that grew to GEL 2,345.2mln (up 31.9% y-o-y and largely flat q-o-q)
- **Retail Banking NIM was 8.3% in 1Q18, down 50bps y-o-y and down 10bps q-o-q.** The lower NIM y-o-y and q-o-q in 1Q18 was attributable to flat loan yields, while the cost of funds grew by 50bps y-o-y and 10bps q-o-q, primarily due to increased local currency funding costs
- **Strong y-o-y growth in Retail Banking net fee and commission income**. The 17.5% y-o-y increase in fee and commission income in 1Q18 was driven by an increase in settlement operations and the strong underlying growth in Solo and MSME platforms
- **RB cost of risk improved y-o-y in 1Q18.** RB cost of credit risk was GEL 32.8mln in 1Q18 (down 1.2% y-o-y). The cost of risk ratio was 2.6% in 1Q18, down from 3.4% in 1Q17 and up from 1.8% in 4Q17. The q-o-q increase in cost of risk is due to seasonal factors
- The number of Retail Banking clients reached c.2.4mln, up 7.7% y-o-y and up 1.8% q-o-q, while the number of total cards outstanding amounted to 2,246,396, up 7.0% y-o-y and up 0.9% q-o-q

- **Our Retail Banking business continues to deliver strong growth as we further develop our strategy,** as demonstrated by the following performance indicators:

Retail Banking performance indicators					
Volume information in GEL thousands	**1Q18**	**1Q17**	**Change y-o-y**	**4Q17**	**Change q-o-q**
Retail Banking Customers					
Number of new customers	63,621	46,270	37.5%	65,712	-3.2%
Number of customers	2,356,294	2,187,499	7.7%	2,315,038	1.8%
Cards					
Number of Cards issued	246,138	231,528	6.3%	324,974	-24.3%
Number of Cards outstanding	2,246,396	2,099,488	7.0%	2,227,000	0.9%
Express Pay terminals					
Number of Express Pay terminals	2,825	2,723	3.7%	2,842	-0.6%
Number of transactions via Express Pay terminals	25,835,081	25,159,733	2.7%	27,211,578	-5.1%
Volume of transactions via Express Pay terminals	1,496,169	968,802	54.4%	1,478,216	1.2%
POS terminals					
Number of Desks	9,300	8,814	5.5%	9,934	-6.4%
Number of Contracted Merchants	5,112	4,740	7.8%	5,341	-4.3%
Number of POS terminals	12,571	10,774	16.7%	13,291	-5.4%
Number of transactions via POS terminals	13,206,872	9,741,855	35.6%	12,874,756	2.6%
Volume of transactions via POS terminals	395,099	266,105	48.5%	423,565	-6.7%
Internet Banking					
Number of Active Users	238,618	167,769	42.2%	219,496	8.7%
Number of transactions via Internet Bank	1,487,062	1,719,348	-13.5%	1,513,437	-1.7%
Volume of transactions via Internet Bank	427,014	321,649	32.8%	425,930	0.3%
Mobile Banking					
Number of Active Users	207,485	83,726	147.8%	177,243	17.1%
Number of transactions via Mobile Bank	2,817,807	979,894	187.6%	2,323,573	21.3%
Volume of transactions via Mobile Bank	317,381	94,371	236.3%	278,856	13.8%

  - **Growth in the client base was due to the increased offering of cost-effective remote channels**. The strong increase to 2,356,294 customers in 1Q18 (up 7.7% y-o-y and up 1.8% q-o-q) reflects the 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** increased by 7.0% y-o-y in 1Q18. The increase reflected the launch of a loyalty programme Plus+ in July 2017, which is part of RB's customer-centric approach and our efforts to increase the Mass Retail segment's product to client ratio from current 1.8 to 3.0. We had 362,472 active Plus+ cards outstanding as at 31 March 2018
  - **The utilisation of Express Pay terminals continued to grow in 1Q18**. The 1Q18 volume of transactions increased to GEL 1,496.2mln (up 54.4% y-o-y and up 1.2% q-o-q), while the number of transactions increased by 2.7% y-o-y, but down q-o-q. The decline in number of transactions was primarily driven by the switch of customers to digital channels, such as internet and mobile bank. The fees charged to clients for transactions executed through express pay terminals amounted to GEL 5.2mln in 1Q18, largely flat y-o-y and q-o-q
  - **Digital penetration growth.** For mobile banking application, the number of transactions and the volume of transactions continue to show outstanding growth, primarily due to the introduction of our new mobile banking application in May 2017. The fully-transformed, user-friendly, multi-feature mobile banking application (mBank) continues to gain popularity. Since its launch on 29 May 2017, and over the course of the following ten months, approximately 332,387 downloads were made by the Bank's customers, while the previous application had less than 120,000 downloads since its launch. During the same period approximately 6.5 million online transactions were performed using the new 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 Internet Bank. In 1Q18, 9,088 loans were issued with a total value of GEL 14.3mln, and 2,324 deposits were opened with a total value of GEL 6.5mln through Internet Bank (565 loans with total value of GEL 1.6mln and 1,762 deposits with total value of GEL 2.7mln in 1Q17). Starting from 2018, our customers are able to take a loan via mBank as well. 5,111 loans were issued with total value of GEL 6.9mln using the mobile banking application during 1Q18

- **Solo, our premium banking brand, continues its strong growth momentum and investment in its lifestyle brand. The number of Solo clients reached 35,803 at 31 March 2018 (21,657 at 31 March 2017 and 32,104 at 31 December 2017), up 332.3% since its re-launch in April 2015.** We are on track to achieving our target of 40,000 Solo clients by the end of 2018. We have now launched 12 Solo lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 3 in major regional cities of Georgia. In 1Q18, annualised profit per Solo client was GEL 1,583 compared to a profit of GEL 74 and GEL 67 per Express and mass retail clients, respectively. Product to client ratio for Solo segment was 5.9, compared to 3.5 and 1.8 for Express and mass retail clients, respectively. While Solo clients currently represent 1.5% of our total retail client base, they contributed 24.4% to our retail loan book, 38.2% to our retail deposits, 13.6% and 20.8% to our net retail interest income and to our net retail fee and commission income, respectively, in 1Q18. The fee and commission income from the Solo segment increased y-o-y from GEL 2.6mln in 1Q17 to GEL 4.5mln in 1Q18. 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, continues to increase its client base. At 31 March 2018, Solo Club had 2,852 members, up 51.5% q-o-q

- **MSME banking continued to deliver solid growth.** The number of MSME segment clients reached 174,284 at 31 March 2018, up 33.6% y-o-y and up 5.1% q-o-q. MSME's loan portfolio was GEL 1,780.3mln at 31 March 2018 (up 33.2% y-o-y and up 2.4% q-o-q). MSME segment generated revenue of GEL 35.4mln in 1Q18 (up 28.3% y-o-y and down 3.9% q-o-q)
- **As a result, Retail Banking profit reached GEL 68.3mln in 1Q18 (up 34.5% y-o-y and down 11.9% q-o-q). Retail Banking continued to deliver an outstanding ROAE , which reached 31.5% in 1Q18 (27.8% in 1Q17 and 36.6% in 4Q17)**

Corporate 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 internationally through representative offices in London, Budapest, Istanbul, Tel Aviv and Limassol.

GEL thousands, unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**	**4Q17**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS					
Net banking interest income	38,232	37,949	0.7%	42,539	-10.1%
Net fee and commission income	6,198	5,666	9.4%	5,859	5.8%
Net banking foreign currency gain	6,644	11,429	-41.9%	15,585	-57.4%
Net other banking income	2,798	2,259	23.9%	7,710	-63.7%
Revenue	**53,872**	**57,303**	**-6.0%**	**71,693**	**-24.9%**
Salaries and other employee benefits	(12,595)	(12,346)	2.0%	(15,271)	-17.5%
Administrative expenses	(3,459)	(3,535)	-2.1%	(5,439)	-36.4%
Banking depreciation and amortisation	(1,309)	(1,217)	7.6%	(1,316)	-0.5%
Other operating expenses	(144)	(157)	-8.3%	(228)	-36.8%
Operating expenses	**(17,507)**	**(17,255)**	**1.5%**	**(22,254)**	**-21.3%**
Operating income before cost of credit risk	**36,365**	**40,048**	**-9.2%**	**49,439**	**-26.4%**
Cost of credit risk	(4,643)	(8,699)	-46.6%	(18,788)	-75.3%
Profit before non-recurring items and income tax	**31,722**	**31,349**	**1.2%**	**30,651**	**3.5%**
Net non-recurring items	(272)	(1,155)	-76.5%	(134)	103.0%
Profit before income tax	**31,450**	**30,194**	**4.2%**	**30,517**	**3.1%**
Income tax expense	(2,444)	(1,912)	27.8%	(2,840)	-13.9%
Profit	**29,006**	**28,282**	**2.6%**	**27,677**	**4.8%**
BALANCE SHEET HIGHLIGHTS					
Net loans and finance lease receivables, Currency Blended	2,222,902	2,226,884	-0.2%	2,260,107	-1.6%
Net loans and finance lease receivables, GEL	429,126	398,105	7.8%	383,058	12.0%
Net loans and finance lease receivables, FC	1,793,776	1,828,779	-1.9%	1,877,049	-4.4%
Client deposits, Currency Blended	3,661,710	2,929,377	25.0%	3,457,331	5.9%
Client deposits, GEL	1,457,437	897,239	62.4%	1,276,401	14.2%
Client deposits, FC	2,204,273	2,032,138	8.5%	2,180,930	1.1%
Time deposits, Currency Blended	1,351,490	1,136,852	18.9%	1,297,984	4.1%
Time deposits, GEL	569,850	138,404	311.7%	470,288	21.2%
Time deposits, FC	781,640	998,448	-21.7%	827,696	-5.6%
Current accounts and demand deposits, Currency Blended	2,310,220	1,792,525	28.9%	2,159,347	7.0%
Current accounts and demand deposits, GEL	887,587	758,835	17.0%	806,113	10.1%
Current accounts and demand deposits, FC	1,422,633	1,033,690	37.6%	1,353,234	5.1%
Letters of credit and guarantees, standalone*	605,778	506,433	19.6%	644,750	-6.0%
Assets under management	1,835,873	1,551,829	18.3%	1,857,495	-1.2%
RATIOS					
ROAE, Corporate Investment Banking	19.7%	18.6%		18.1%	
Net interest margin, currency blended	3.2%	3.4%		3.5%	
Cost of risk	1.3%	0.3%		3.2%	
Cost of funds, currency blended	4.4%	5.0%		4.3%	
Loan yield, currency blended	9.9%	10.7%		11.2%	
Loan yield, GEL	12.8%	12.5%		12.3%	
Loan yield, FC	9.4%	10.3%		11.0%	
Cost of deposits, currency blended	3.9%	3.9%		4.0%	
Cost of deposits, GEL	6.1%	6.6%		6.6%	
Cost of deposits, FC	2.5%	2.9%		2.5%	
Cost of time deposits, currency blended	5.7%	5.6%		6.0%	
Cost of time deposits, GEL	7.6%	9.6%		8.0%	
Cost of time deposits, FC	4.6%	5.1%		4.8%	
Current accounts and demand deposits, currency blended	2.7%	2.8%		2.8%	
Current accounts and demand deposits, GEL	5.2%	6.0%		5.7%	
Current accounts and demand deposits, FC	1.2%	0.9%		1.2%	
Cost / income ratio	32.5%	30.1%		31.0%	
Concentration of top ten clients	10.3%	11.3%		10.7%	

*Off-balance sheet item

Performance highlights

- **CIB continued growth in 1Q18 after delivering on the targets of loan portfolio risk de-concentration initiatives in 3Q17**. Net loan book reached GEL 2,222.9mln at 31 March 2018, up 0.8% y-o-y and up 4.2% q-o-q on a constant currency basis. The concentration of the top 10 CIB clients further decreased to 10.3% at 31 March 2018, down from 11.3% at 31 March 2017 and 10.7% at 31 December 2017
- CIB's net banking interest income was flat y-o-y and decreased by 10.1% q-o-q in 1Q18, driven by **NIM of 3.2%, down 20bps y-o-y and down 30bps q-o-q**. Currency blended loan yield decreased by 80bps y-o-y, which was partially offset by 60bps decrease in cost of funds. The q-o-q decrease in NIM was a result of the lower foreign currency denominated loan yields, on the back of our new EUR denominated loan origination, and higher loan related prepayment fees booked in 4Q17. These were partially offset by increases in the local currency loan yield and liquid assets yield q-o-q
- CIB's net fee and commission income reached GEL 6.2mln in 1Q18, up 9.4% y-o-y and up 5.8% q-o-q. The increase was largely driven by higher placement and advisory fees generated by our brokerage arm Galt & Taggart in 1Q18
- In 1Q18, dollarisation of our CIB deposits decreased to 60.2% as at 31 March 2018 from 69.4% a year ago, which was partially due to the State Treasury of Georgia's decision to place part of their GEL funds on deposits with local commercial banks in 3Q17. Another driver of GEL denominated deposits increase was the decrease in the interest rates on foreign currency deposits (2.5% in 1Q18, down from 2.9% in 1Q17). Consequently, total deposits amounted to GEL 3,661.7mln, up 25.0% y-o-y and up 5.9% q-o-q. On a constant currency basis, total CIB deposits were up 26.0% y-o-y and up 10.6% q-o-q
- **Net banking foreign currency gain.** CIB's net banking foreign currency gain was GEL 6.6mln in 1Q18, down 41.9% y-o-y, primarily driven by lower volatility of the GEL exchange rate during the first quarter of 2018
- **Net other banking income.** Net other banking income increased y-o-y to GEL 2.8mln in 1Q18. The y-o-y increase was mostly due to net gains from derivative financial instruments recorded in 1Q18. On q-o-q basis, net other banking income decreased by 63.7%, largely driven by revaluation gain of investment properties recorded in 4Q17, partially offset by higher net gains from derivative financial instruments in 1Q18
- **Cost of credit risk.** Cost of credit risk improved significantly to 1.3% in 1Q18 (down 190bps q-o-q), primarily driven by overall improvement in the CIB loan portfolio quality, following the successful risk de-concentration and loan portfolio repositioning initiatives last year
- As a result, Corporate Investment Banking profit was GEL 29.0mln in 1Q18 (up 2.6% y-o-y and up 4.8% q-o-q) and CIB ROAE reached 19.7% in 1Q18 compared to 18.6% a year ago and 18.1% in 4Q17

Performance highlights of wealth management operations

- **The AUM of the Investment Management segment increased to GEL 1,835.9mln in 1Q18, up 18.3% y-o-y and largely flat q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y increase in AUM reflected higher bond issuance activity by Galt & Taggart
- **Wealth Management deposits were GEL 1,057.8mln in 1Q18, up 0.9% y-o-y and up 1.8% q-o-q on a constant currency basis, growing at a compound annual growth rate (CAGR) of 11.5% over the last five-year period**. The cost of deposits stood at 3.5% in 1Q18, down 60bps y-o-y and flat q-o-q. Wealth Management deposit balances were negatively impacted by clients switching from deposits to local bonds, as Galt & Taggart has offered a number of local bond issuances, yielding higher rates than deposits
- We served 1,438 wealth management clients from 74 countries as of 31 March 2018, compared to 1,385 clients from 68 countries as of 31 March 2017 and 1,434 clients from 75 countries as of 31 December 2017
- **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 1Q18 Galt & Taggart acted as a:
    - co-manager of Georgia Capital's inaugural US$ 300mln international bond issuance due in 2024, in March 2018
    - lead manager for Black Sea Trade and Development Bank, facilitating a public placement of GEL 75mln local bonds in March 2018
  - In February 2018 Global Finance Magazine named Galt & Taggart as the *Best Investment Bank in Georgia* for the fourth consecutive year

Discussion of Investment Business Results

*The Group's investment business (the "**Investment Business**" or **Georgia Capital**[9]") is primarily comprised of six portfolio investments: Utility & Energy Business (GGU), Real Estate Business (m^2), Property and Casualty Insurance Business (Aldagi), Beverage Business (Teliani), Healthcare Business (GHG) and Banking Business[10] (BoG).*

Given the expectation, in line with Georgia Capital's strategy, that it is highly probable Georgia Capital will own less than a 50% stake in its healthcare business, GHG, at the end of 2018[11] and in line with IFRS, Georgia Capital continues to classify GHG as a "disposal group held for sale" in its 1Q18 balance sheet and GHG's results of operations are reported under the "discontinued operations" line as a single amount in the Georgia Capital's consolidated income statement. Assets and liabilities of GHG are also presented separately in the Georgia Capital's consolidated balance sheet as of 31 March 2018 under "assets of disposal group held for sale" and "liabilities of disposal group held for sale" lines.

INCOME STATEMENT

GEL thousands, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Gross utility and energy profit	20,850	17,527	19.0%	22,869	-8.8%
Gross insurance profit	6,852	6,890	-0.6%	6,305	8.7%
Gross real estate profit	3,937	2,589	52.1%	5,773	-31.8%
Gross beverage profit	4,471	2,317	93.0%	7,109	-37.1%
Other income	1,672	1,528	9.4%	2,502	-33.2%
Gross profit	**37,782**	**30,851**	**22.5%**	**44,558**	**-15.2%**
Operating expenses	(21,510)	(13,891)	54.8%	(22,675)	-5.1%
Impairment charge	(2,005)	(104)	NMF	(618)	NMF
EBITDA	**14,267**	**16,856**	**-15.4%**	**21,265**	**-32.9%**
Depreciation and amortisation	(8,972)	(5,598)	60.3%	(9,056)	-0.9%
Net foreign currency gain (loss)	5,878	5,771	1.9%	(5,797)	NMF
Interest income	3,934	2,532	55.4%	4,088	-3.8%
Interest expense	(9,524)	(6,770)	40.7%	(8,969)	6.2%
Profit before non-recurring items and income tax	**5,583**	**12,791**	**-56.4%**	**1,531**	**264.7%**
Net non-recurring items	(156)	113	NMF	(460)	-66.1%
Profit before income tax expense	**5,427**	**12,904**	**-57.9%**	**1,071**	**406.7%**
Income tax expense	(693)	(687)	0.9%	(1,666)	-58.4%
Profit (loss) from continuing operations	**4,734**	**12,217**	**-61.3%**	**(595)**	**NMF**
Profit from discontinued operations[12]	24,641	12,829	92.1%	12,270	100.8%
Profit	**29,375**	**25,046**	**17.3%**	**11,675**	**151.6%**
Earnings per share (basic)	**0.46**	**0.47**	**-2.5%**	**0.19**	**141.5%**
Earnings per share (diluted)	**0.44**	**0.45**	**-2.3%**	**0.18**	**145.7%**

Performance highlights

- **As a result of stable performance across all segments, the Investment Business recorded gross profit from continuing operations of GEL 37.8mln in 1Q18 (up 22.5% y-o-y). The Investment Business gross profit, adjusted to include gross profit of the discontinued operations, was GEL 105.3mln in 1Q18 (up 19.8% y-o-y)**
- **Operating expenses increased as a result of the organic growth of the businesses, where the most material** y-o-y impact was driven by Teliani's launch of beer operations
- **EBITDA from continuing operations of GEL 14.3mln in 1Q18 was down 15.4% y-o-y, due mainly to the beer launch and the impairment charge for utility business driven by IFRS 9 adoption. Investment Business EBITDA, adjusted to include EBITDA of the discontinued operations, was GEL 46.1mln in 1Q18 (up 10.6% y-o-y)**
- **Aldagi recorded gross insurance profit of GEL 6.9mln in 1Q18** (largely flat y-o-y and up 8.7% q-o-q). The strong q-o-q performance was mainly attributable to its organic growth primarily in the credit life insurance business line, as well as improved quality of the motor insurance portfolio, which benefited from the termination of relationships with loss making motor insurance clients
- **m^2 continued its strong project execution and sales momentum in 1Q18.** 53 apartments were sold with a total sales value of US$ 7.7mln in 1Q18 compared to 143 apartments sold with a total sales value of US$ 10.1mln in 1Q17 and 165 apartments with a total sales value of US$ 14.5mln in 4Q17. In 1Q18, gross real estate profit was GEL 3.9mln (up 52.1% y-o-y and down 31.8% q-o-q). Gross real estate profit decreased q-o-q as a result of business seasonality

[9] Investment Business is classified as discontinued operations within Bank of Georgia Group's 1Q18 consolidated financial statements
[10] Shortly after the proposed Demerger becomes effective, this stake is expected to be exchanged for a 19.9% stake in Bank of Georgia Group PLC. Following the exchange, for as long as Georgia Capital's stake in the Bank is greater than 9.9%, it will exercise its voting rights in the Bank in accordance with the votes cast by all other Bank shareholders on all shareholder votes
[11] The Group held 57% of GHG's equity stake as of 31 March 2018 (57% as of 31 December 2017, 64.3% as of 31 March 2017)
[12] Profit from discontinued operations includes GEL 7.7mln reversal of GHG's depreciation expense in line with IFRS requirements, GHG's underlying profit was GEL 16mln

- **GGU delivered significant growth of 19.0% y-o-y in gross profit driven by its strong performance in both utility and energy sales.** The y-o-y increase in water supply revenue from individuals was driven by the increased tariff effective from 1 January 2018, while water supply revenue from legal entities delivered stable growth, mainly due to the enhancement of GGU's metering programme. The y-o-y increase in revenues from electric power generation and sales was attributable to higher levels of water inflow in Zhinvali reservoir and the continuous reduction of GGU's own consumption of electricity, leading to increased sales volumes to third-parties. The q-o-q decline in 1Q18 was largely attributable to water consumption seasonality
- **Gross beverage profit increased by 93.0% y-o-y.** The growth was largely attributable to significant growth in Teliani's gross profit due to the launch of mainstream beer and lemonade production in the second half of 2017, as well as the strong performance of Teliani's wine business, where revenues reached GEL 4.6mln in 1Q18 (up 33.3% y-o-y). Additionally, Teliani's 2017 gross profit was positively impacted by the continued diversification of its distribution portfolio, whereby Teliani obtained the exclusive right to import and distribute Lavazza coffee in Georgia and added other non-alcoholic beverage distribution products in 2017. The q-o-q decrease in gross beverage profit (37.1%) was mainly attributable to seasonality of wine and sparkling wine sales
- **1Q18 profit from discontinued operations[13], which reflects the results of GHG's operations, increased by 22.8% on a y-o-y basis and by 33.9% on a quarterly basis.** The strong performance was driven by a strong quarter in the Pharmacy and distribution and Healthcare Services businesses. As a result, GHG achieved a record EBITDA of GEL 31.4mln in 1Q18 (up 25.3% y-o-y and up 1.7% q-o-q)

[13] Excluding GEL 7.7mln depreciation expense reversal impact

Investment Business[14] Segment Result Discussion

The segment results discussion is presented for Utility & Energy Business (GGU), Real Estate Business (m^2), Property and Casualty Insurance Business (Aldagi), Beverage Business (Teliani)and Healthcare Business (GHG[15]).

Utility & Energy Business (Georgia Global Utilities – GGU)[16]

Standalone results

Our Utility & Energy business is operated though the Group's wholly-owned subsidiary, Georgia Global Utilities (GGU), which represents a natural water utility monopoly in Georgia, with an upside in electricity generation**.** GGU has two main business lines - water utility and electric power generation. In the water utility business, GGU has a natural monopoly in Tbilisi and the surrounding area, where it provides wastewater services to 1.4mln people (more than one-third of Georgia's population). GGU also operates hydro power plants with a total capacity of 149.3 MW and invests in the development of renewable energy projects in the under-supplied Georgian energy sector. The Group anticipates further growth opportunities for GGU in both of its business lines: pursuing cost efficiencies within the water utility business by targeting improving the worn-out infrastructure[17] and reducing energy consumption internally to preserve the supply available for sale to third parties while also planning the construction of hydro, wind and solar power generation plants. Up to 53MW of hydro projects are currently already under construction, together with 46MW of hydro projects under development, and 100MW wind projects are at the feasibility stage and once complete, GGU expects to commence construction works. As a result, GGU expects to establish a renewable energy platform with 500MW installed capacity in the medium term, targeting 1,000MW installed capacity in a longer term.

Utility & Energy Business highlights

Water tariff & regulation. In December 2017, GNERC (Georgian National Energy and Water Supply Regulatory Commission), the independent body that regulates GGU's water and wastewater tariffs, has approved new tariffs for GGU for a three year regulatory period, effective from 1 January 2018. This is the first time the tariff has been set based on the new water and wastewater services tariff methodology adopted by GNERC in August 2017, which is based on international best practice and represents a hybrid method of "cost plus" and "incentive based" methodologies. Revenue is determined based on a company's Regulatory Asset Base (RAB) and compensates for investment and maintenance of new and existing regulatory assets, stimulates efficiency in the network through incentivising reduction in controllable operating expenses and delivers fair returns to investors in the utility business. The return on investment, referred to as WACC in the methodology, for the first regulatory period is set at 15.99% (up from 13.54% in 2017). As a result, new water and wastewater tariffs for individuals in Tbilisi, increased by 23.8% to GEL 3.89 (per month, per capita) for non-metered customers and to GEL 0.33 (per m^3) for metered customers. New tariffs for GGU's commercial customers, all of which are metered, decreased by 0.4% to GEL 4.40 (per m^3).

GWP, a wholly owned subsidiary of GGU which operates the water utility business in Tbilisi, had its credit rating of BB- reaffirmed with stable outlook by Fitch in February 2018.

[14] Investment Business is classified as discontinued operations in Bank of Georgia Group's 1Q18 consolidated financial statements
[15] Healthcare Business (GHG) is classified as discontinued operations in Georgia Capital's consolidated financial statements
[16] Prior to 2Q17, GGU's standalone results excluded the Group's renewable energy business results due to its absence from GGU's legal structure and insignificant size. Effective from 2Q17, we are reporting GGU results on a pro-forma basis together with renewable energy business and have retrospectively revised the comparable information accordingly. The Group owns 65% of renewable energy business
[17] GGU owns and operates a water supply network of around 3,150km and about 2,000km of wastewater pipelines. It also has 55 pumping stations, 101 service reservoirs with a total capacity of 305,000 m^3 and a water treatment plant. Around 560 million m3 of potable water is supplied from water production/treatment facilities annually. Due to poor condition of the water supply infrastructure, GGU heavily invests in improvement of its network and replacement of the depreciated asset base over time, leading to continuous growth in the regulated asset base. Moreover, through the reduction of the water supplied to its customers and respective water losses, GGU expects to reduce its own electricity consumption, which can be sold to third parties

INCOME STATEMENT	Utility[18]					Energy[18]					Total				
GEL thousands, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Revenue from water supply to legal entities	19,088	18,336	4.1%	22,215	-14.1%	-	-	-	-	-	19,088	18,336	4.1%	22,215	-14.1%
Revenue from water supply to individuals	9,769	7,911	23.5%	8,529	14.5%	-	-	-	-	-	9,769	7,911	23.5%	8,529	14.5%
Revenue from electric power sales	-	-	-	-	-	3,055	2,148	42.2%	3,892	-21.5%	2,155	1,191	80.9%	2,873	-25.0%
Other income	1,325	1,160	14.2%	2,278	-41.8%	4	4	-	5	-20.0%	1,329	1,164	14.2%	2,283	-41.8%
Revenue	**30,182**	**27,407**	**10.1%**	**33,022**	**-8.6%**	**3,059**	**2,152**	**42.1%**	**3,897**	**-21.5%**	**32,341**	**28,602**	**13.1%**	**35,900**	**-9.9%**
Salaries and benefits	(4,790)	(3,950)	21.3%	(5,155)	-7.1%	(346)	(307)	12.7%	(231)	49.8%	(5,136)	(4,257)	20.6%	(5,386)	-4.6%
Electricity and transmission costs	(5,722)	(5,913)	-3.2%	(5,311)	7.7%	(25)	(16)	56.3%	(27)	-7.4%	(4,847)	(4,972)	-2.5%	(4,319)	12.2%
Asset maintenance expenses	(1,250)	(1,066)	17.3%	(1,693)	-26.2%	(18)	(26)	-30.8%	(20)	-10.0%	(1,268)	(1,092)	16.1%	(1,713)	-26.0%
General and administrative expenses	(2,519)	(2,257)	11.6%	(3,229)	-22.0%	(649)	(419)	54.9%	(558)	16.3%	(3,168)	(2,676)	18.4%	(3,787)	-16.3%
Other operating expenses	(1,630)	(1,359)	19.9%	(1,560)	4.5%	(288)	(86)	NMF	(483)	-40.4%	(1,918)	(1,445)	32.7%	(2,043)	-6.1%
Operating expenses	**(15,911)**	**(14,545)**	**9.4%**	**(16,948)**	**-6.1%**	**(1,326)**	**(854)**	**55.3%**	**(1,319)**	**0.5%**	**(16,337)**	**(14,442)**	**13.1%**	**(17,248)**	**-5.3%**
Provisions for doubtful receivables	(1,449)	274	NMF	338	NMF	-	-	-	-	-	(1,449)	274	NMF	338	NMF
EBITDA	**12,822**	**13,136**	**-2.4%**	**16,412**	**-21.9%**	**1,733**	**1,298**	**33.5%**	**2,578**	**-32.8%**	**14,555**	**14,434**	**0.8%**	**18,990**	**-23.4%**
EBITDA Margin	*42%*	*48%*		*50%*		*57%*	*60%*		*66%*		*45%*	*50%*		*53%*	
Depreciation and amortisation	(5,233)	(4,135)	26.6%	(4,469)	17.1%	(884)	(686)	28.9%	(760)	16.3%	(6,117)	(4,821)	26.9%	(5,229)	17.0%
EBIT	**7,589**	**9,001**	**-15.7%**	**11,943**	**-36.5%**	**849**	**612**	**38.7%**	**1,818**	**-53.3%**	**8,438**	**9,613**	**-12.2%**	**13,761**	**-38.7%**
EBIT Margin	*25%*	*33%*		*36%*		*28%*	*28%*		*47%*		*26%*	*34%*		*38%*	
Net interest expense	(3,104)	(2,036)	52.5%	(2,975)	4.3%	(192)	(230)	-16.5%	(743)	-74.2%	(3,296)	(2,266)	45.5%	(3,718)	-11.4%
Net non-recurring expenses	-	-	-	(383)	NMF	(124)	-	NMF	(196)	-36.7%	(124)	-	NMF	(579)	-78.6%
Foreign exchange gain (loss)	1,786	(104)	NMF	(271)	NMF	(26)	(224)	-88.4%	(115)	-77.4%	1,760	(328)	NMF	(386)	NMF
Profit before income tax	**6,271**	**6,861**	**-8.6%**	**8,314**	**-24.6%**	**507**	**158**	**NMF**	**764**	**-33.6%**	**6,778**	**7,019**	**-3.4%**	**9,078**	**-25.3%**
Income tax expense	-	-	-	(210)	NMF	-	-	-	-	-	-	-	-	(210)	NMF
Profit	**6,271**	**6,861**	**-8.6%**	**8,104**	**-22.6%**	**507**	**158**	**NMF**	**764**	**-33.6%**	**6,778**	**7,019**	**-3.4%**	**8,868**	**-23.6%**
Attributable to:															
–Shareholders of the Group	6,271	6,861	-8.6%	8,104	-22.6%	693	316	119.3%	381	81.9%	6,964	7,177	-3.0%	8,485	-17.9%
–Non-controlling interests	-	-	-	-	-	(186)	(158)	17.7%	383	NMF	(186)	(158)	17.7%	383	NMF

Performance highlights

- **GGU recorded utility revenue of GEL 30.2mln (up 10.1% y-o-y and down 8.6% q-o-q) and energy revenue of GEL 3.1mln (up 42.1% y-o-y and down 21.5% q-o-q) in 1Q18, resulting in total revenues of GEL 32.3mln (up 13.1% y-o-y and down 9.9% q-o-q)**
  - Revenue from **water supply** to legal entities and individuals reached GEL 28.9mln in 1Q18 (up 9.9% y-o-y and down 6.1% q-o-q). Water supply revenue represented 95.6% of total utility revenue in 1Q18 (95.8% in 1Q17 and 93.1% in 4Q17). The q-o-q decrease in 1Q18 revenue from water supply services is attributable to water consumption seasonality, whereby sales in the fourth quarter are normally higher than in the first quarter. Revenue from legal entities is generally the largest element of GGU's total revenue and their water consumption pattern is reflected in GGU's quarterly revenues. The y-o-y increase in revenue from water supply to legal entities reflects enhanced measurement results based on GGU's metering programme (which entails the replacement of amortised or obsolete meters with advanced ultrasonic and electromagnetic meters), while y-o-y and q-o-q increase in revenue from water supply to individuals is mostly attributable to the increased residential tariff effective from 1 January 2018
  - Revenue from **electricity power sales** amounted to GEL 3.1mln in 1Q18 (up 42.2% y-o-y and down 21.5% q-o-q). The y-o-y increase in electricity power sales reflects higher water inflows to Zhinvali reservoir and significant savings in GGU's own consumption of electricity. The q-o-q decrease in 1Q18 in revenue from electricity power sales was driven by low average electricity selling price
  - The significant q-o-q decrease in other income in 1Q18 was due to the absence of one-off gains recorded in 4Q17 from the upward revaluation of investment property
- **Consolidated operating expenses amounted to GEL 16.3mln in 1Q18 (up 13.1% y-o-y and down 5.3% q-o-q). The increase in operating expenses on a y-o-y basis is primarily driven by the expansion of the business**:
  - Salaries and employee benefits were up 20.6% y-o-y and down 4.6% q-o-q in 1Q18. The y-o-y increase was primarily driven by the expansion of the business which started in 2Q17, while the q-o-q decrease is attributable to efficiently managing the salaries and employee benefits
  - Electricity and transmission costs were up 12.2% q-o-q in 1Q18, as a result of the increased electricity transmission fee (guaranteed capacity fee) effective from 1 January 2018. The y-o-y decrease in electricity and transmission costs were attributable to significant savings in own electricity consumption

[18] Utility and energy segment financials do not include inter-segment eliminations, detailed financials including inter-segment eliminations are presented on page 44

- General and administrative expenses were up 18.4% y-o-y in 1Q18 mainly driven by the property tax expense component, which increased due to higher asset base created through intensive capital expenditures

- **Consolidated provision for doubtful trade receivables was GEL 1.4mln in 1Q18 compared to reversal of GEL 0.3mln in 1Q17 and reversal of GEL 0.3mln in 4Q17**
  - From 1Q17 and as part of an ongoing process of reviewing its receivable provisioning methodology, GGU revisited certain estimates to enhance the method of provision estimation. Under the enhanced method GGU was able to identify its customers who were able to pay all of their monthly bills on time, i.e. who tended to have no overdue bills. This change in accounting estimate had a positive impact on the provision of doubtful receivables in 1Q17, resulting in lower receivables provision expenses in 2017. The q-o-q increase in provisions for doubtful trade receivables in 1Q18 was primarily driven by the adoption of IFRS 9 in combination with seasonally lower collection rates for legal entities (which is an industry collection rate pattern). IFRS 9 introduced a forward-looking expected credit loss (ECL) approach effective from 1 January 2018, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach compared with the previously existing incurred-loss impairment approach for financial instruments under IAS 39

- **As a result of the developments described above, GGU reported utility EBITDA of GEL 12.8mln (down 2.4% y-o-y and down 21.9% q-o-q) and energy EBITDA of GEL 1.7mln in 1Q18 (up 33.5% y-o-y and down 32.8 q-o-q), translating in total EBITDA of 14.6mln (up 0.8% y-o-y and down 23.4% q-o-q)**

- GGU reported depreciation and amortisation expense of GEL 6.1mln (up 26.9% y-o-y and up 17.0% q-o-q) driven by the additional investments into the company's infrastructure carried out during 2017 and 1Q18 in order to upgrade the network, further reduce water losses and achieve cost efficiencies

- **Profit for the reporting period of 1Q18 amounted to GEL 6.3mln (down 8.6% y-o-y and down 22.6% q-o-q) for the utility business and GEL 0.5mln (3.2x higher y-o-y and down 33.6% q-o-q) for the energy business**

STATEMENT OF CASH FLOW

GEL thousands; unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Cash received from customers	35,743	30,582	16.9%	44,768	-20.2%
Cash paid to suppliers	(11,966)	(11,330)	5.6%	(11,387)	5.1%
Cash paid to employees	(3,591)	(3,859)	-6.9%	(3,265)	10.0%
Interest received	180	419	-57.0%	800	-77.5%
Interest paid	(861)	(2,356)	-63.5%	(4,486)	-80.8%
Taxes paid	(1,743)	(1,757)	-0.8%	2,256	NMF
Restricted cash in Bank	-	945	NMF	(1,362)	NMF
Cash flow from operating activities	**17,762**	**12,644**	**40.5%**	**27,324**	**-35.0%**
Maintenance capex	(6,958)	(8,832)	-21.2%	(3,068)	126.8%
Operating cash flow after maintenance capex	**10,804**	**3,812**	**NMF**	**24,256**	**-55.5%**
Purchase of PPE and intangible assets	(47,628)	(15,337)	NMF	(86,947)	-45.2%
Proceeds from PPE and investment property sale	1,100	-	NMF	-	NMF
Restricted cash in Bank	2,567	(12,249)	-121.0%	5,876	-56.3%
Total cash used in investing activities	**(43,961)**	**(27,586)**	**59.4%**	**(81,071)**	**-45.8%**
Proceeds from borrowings	11,697	12,412	-5.8%	226,572	-94.8%
Repayment of borrowings	(2,744)	(4,328)	-36.6%	(107,616)	-97.5%
Contributions under share-based payment plan	-	-	-	(2,596)	NMF
Dividends paid	-	-	-	(28,244)	NMF
Capital increase	-	780	NMF	2,653	NMF
Total cash flow from financing activities	**8,953**	**8,864**	**1.0%**	**90,769**	**-90.1%**
Effect of exchange rates changes on cash	(2,064)	(693)	NMF	5,650	-136.5%
Total cash (outflow)/inflow	**(26,268)**	**(15,603)**	**68.4%**	**39,604**	**NMF**
Cash balance					
Cash, beginning balance	70,261	32,379	117.0%	30,657	129.2%
Cash, ending balance	**43,993**	**16,776**	**NMF**	**70,261**	**-37.4%**

- **GGU has an outstanding water supply receivable collection rate within the 95-99% range.** During 1Q18, the collection rate for legal entities and households was 99% and 95%, respectively. Although the Georgian water utility sector has historically had low receivables collection rates, as a result of GGU's arrangement with electricity suppliers since 2011, (which allows disconnection of non-paying water customers from the electricity network) GGU's collection rates remain very strong at approximately 96%. In return, electricity suppliers receive flat monetary compensation from GGU

- In 4Q17, GGU drew down less expensive funding from international financial institutions for the Utility Business in order to finance capital expenditures and refinance more expensive funding from local financial institutions totalling GEL 101.8mln. Proceeds from borrowings in 1Q18 relate to draw downs for 50MW Mestiachala HPPs project construction

BALANCE SHEET

GEL thousands; unless otherwise noted	**Mar-18**	**Mar-17**	**Change y-o-y**	**Dec-17**	**Change q-o-q**
Cash and cash equivalents	43,993	16,776	162.2%	70,261	-37.4%
Trade and other receivables	19,293	22,192	-13.1%	23,754	-18.8%
Prepayments and other assets	13,645	12,858	6.1%	15,546	-12.2%
Total current assets	**76,931**	**51,826**	**48.4%**	**109,561**	**-29.8%**
Property, plant and equipment	526,342	349,967	50.4%	489,509	7.5%
Investment Property	9,854	18,922	-47.9%	11,286	-12.7%
Intangible assets	1,959	1,359	44.2%	2,222	-11.8%
Other non-current assets	54,398	19,242	182.7%	51,908	4.8%
Total non-current assets	**592,553**	**389,490**	**52.1%**	**554,925**	**6.8%**
Total assets	**669,484**	**441,316**	**51.7%**	**664,486**	**0.8%**
Current borrowings	5,874	22,566	-74.0%	3,832	53.3%
Trade and other payables	32,641	28,391	15.0%	33,618	-2.9%
Provisions for liabilities and charges	3,576	743	NMF	3,102	15.3%
Other taxes payable	1,251	2,736	-54.3%	391	NMF
Total current liabilities	**43,342**	**54,436**	**-20.4%**	**40,943**	**5.9%**
Long term borrowings	311,520	91,534	NMF	308,373	1.0%
Deferred income	21,139	17,817	18.6%	20,753	1.9%
Total non-current liabilities	**332,659**	**109,351**	**NMF**	**329,126**	**1.1%**
Total liabilities	**376,001**	**163,787**	**129.6%**	**370,069**	**1.6%**
Total equity attributable to shareholders of the Group	**284,959**	**275,107**	**3.6%**	**284,291**	**0.2%**
Non-controlling interest	8,524	2,422	NMF	10,126	-15.8%
Total equity	**293,483**	**277,529**	**5.7%**	**294,417**	**-0.3%**
Total liabilities and equity	**669,484**	**441,316**	**51.7%**	**664,486**	**0.8%**

- The increase in property, plant and equipment is primarily due to the planned additional investments into GGU's infrastructure carried out during 2017 and 1Q18 in order to upgrade the network, further reduce water losses and achieve cost efficiencies. Additionally, approximately GEL 45.0mln of the y-o-y increase is attributable to the development and construction of renewable energy projects and approximately GEL 16.3mln of the y-o-y increase is driven by the Gardabani wastewater treatment plan rehabilitation works. Overall, 2017 and 2018 are capital-intensive years and this trend will continue until the end of 2018
- The GEL 1.4mln q-o-q decrease in investment property is attributable to the sale of a land plot (a non-core asset), while the y-o-y decrease is related to the reclassification of investment properties into property, plant and equipment
- The significant y-o-y increase in other non-current assets in 1Q18 is driven by additional prepayments to suppliers in relation to the development and construction of 50MW Mestiachala HPPs
- The y-o-y increase in borrowings and cash and cash equivalents at 31 March 2018 is due to additional funding obtained from international financial institutions and local banks in 4Q17 to support capital expenditure for developments of GGU's water supply network and renewable energy projects. During 2017, GGU secured long-term financing from international financial institutions (IFIs) for efficiency-related capital expenditure purposes, namely from European Investment Bank (EIB), The Netherlands Development Finance Company (FMO) and German Investment Corporation (DEG) at the GWP level (GGU's principal utility subsidiary)

Real estate business (m^2 Real Estate or m^2)

Standalone results

Our Real Estate Business is operated through the Group's wholly-owned subsidiary m^2, which develops residential and commercial properties and hotels in Georgia. m^2's business operations are divided into two segments: a housing development and a hospitality business. m^2's housing development business is comprised of: (a) a residential development arm engaged in housing development projects in Tbilisi; (b) a construction arm, BK Construction LLC, which engages in construction contracts with third-parties and generates fee income; and (c) m^2's franchise platform for developing third-party land plots using its brand name in order to generate fee income. m^2's hospitality business is comprised of: (a) rent-earning commercial assets, classified as investment property, with target yield of 10%; and (b) hotel developments across Georgia with a target of 1,000 rooms over the next three years.

INCOME STATEMENT	Housing development business[19]					Hospitality business[19]					Total				
GEL thousands, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Gross profit from apartment sales	2,922	1,290	126.5%	3,898	-25.0%	-	-	-	-	-	2,922	1,290	126.5%	3,898	-25.0%
Gross profit from operating leases	-	-	-	-	-	850	816	4.2%	851	-0.1%	850	816	4.2%	851	-0.1%
Gross profit from hospitality services	-	-	-	-	-	67	-	NMF	-	NMF	67	-	NMF	-	NMF
Revaluation of commercial property	-	479	NMF	99	NMF	-	-	-	(618)	NMF	-	479	NMF	(519)	NMF
Other income	178	11	NMF	56	NMF	9	-	NMF	-	NMF	90	11	NMF	56	60.7%
Gross profit	**3,100**	**1,780**	**74.2%**	**4,053**	**-23.5%**	**926**	**816**	**13.5%**	**233**	**NMF**	**3,929**	**2,596**	**51.3%**	**4,286**	**-8.3%**
Operating expenses	**(2,255)**	**(1,732)**	**30.2%**	**(2,398)**	**-6.0%**	**(366)**	**(102)**	**NMF**	**(297)**	**23.2%**	**(2,621)**	**(1,834)**	**42.9%**	**(2,695)**	**-2.7%**
EBITDA	**845**	**48**	**NMF**	**1,655**	**-48.9%**	**560**	**714**	**-21.6%**	**(64)**	**NMF**	**1,308**	**762**	**71.7%**	**1,591**	**-17.8%**
Depreciation and amortization	(134)	(63)	112.7%	(305)	-56.1%	(5)	(3)	66.7%	(10)	-50.0%	(139)	(66)	110.6%	(315)	-55.9%
Net foreign currency (loss) gain	(297)	(184)	61.4%	89	NMF	(10)	(10)	-	5	NMF	(307)	(194)	58.2%	94	NMF
Net interest income (expense)	99	180	-45.0%	151	-34.4%	(38)	(39)	2.6%	(53)	28.3%	61	141	-56.7%	98	-37.8%
Net non-recurring items	(31)	(73)	-57.5%	(191)	-83.8%	(1)	(3)	-66.7%	(6)	-83.3%	(32)	(76)	-57.9%	(197)	-83.8%
Profit before income tax	**482**	**(92)**	**NMF**	**1,399**	**-65.5%**	**506**	**659**	**-23.2%**	**(128)**	**NMF**	**891**	**567**	**57.1%**	**1,271**	**-29.9%**
Income tax (expense)	-	-	-	(468)	NMF	-	-	-	(13)	NMF	-	-	-	(481)	NMF
Profit	**482**	**(92)**	**NMF**	**931**	**-48.2%**	**506**	**659**	**-23.2%**	**(141)**	**NMF**	**891**	**567**	**57.1%**	**790**	**12.8%**

Performance highlights

During 1Q18 housing development business recorded GEL 0.5mln profit mainly by unlocking value through real estate development.

- Real estate development recorded gross profit from sales of apartments of GEL 2.9mln, which more than doubled y-o-y and was down 25.0% q-o-q. The significant y-o-y increase was largely attributable to **strong project execution and sales momentum in 1Q18.** During 1Q18, m^2 sold a total of 53 apartments with a total sales value of US$ 7.7mln, compared to 143 apartments sold with a total sales value of US$ 10.1mln during 1Q17 and 165 apartments with a total sales value of US$ 14.5mln in 4Q17. The average selling price per apartment was higher at US$ 134,670 during 1Q18 than in either 1Q17 (US$ 67,800) or 4Q17 (US$ 86,196) since all of the projects are at the completion stage when prices tend to increase
- **m^2 has a solid track record of selling apartments**. Out of the 1,691 apartments completed to date since inception, only 11 or 0.7% remain in stock as available for sale, of which, 4 have been leased out, contributing to the profit generated by hospitality business. The four on-going projects have a total capacity of 1,202 apartments, of which, 1,049 apartments or 87.3% are sold as of 31 March 2018. A total of 164 units remain available for sale, out of a total of 2,893 apartments either already developed or under development
- **m^2 has two upcoming projects in the residential pipeline enabling m^2 to continue its strong sales momentum in response to growing demand for affordable housing**. m^2 plans to construct and develop affordable housing projects on Digomi land with 129,536 square meter and Kavtaradze land with 19,616 square meters, both located in Tbilisi and owned by m^2. Construction and development of Digomi and Kavtaradze projects will start subject to city hall permits finalization and will last for 4 years and 2 years respectively. Both projects in total will add 3,697 apartments to m^2's housing development business portfolio
- In 1Q18 m^2's construction arm **started generating fees from its first major third-party** construction agreement to construct the shell and core of a new shopping mall and business centre located in Tbilisi's Saburtalo district. In parallel, it is also serving on-going m^2 projects, including residential and hotel development on Melikishvili avenue and the development of a recently acquired under construction hotel on Gergeti street

m^2's yielding asset portfolio continued its robust performance in 1Q18, while it opened doors to the first hotel guests on 10 March 2018. In aggregate, hospitality business generated a GEL 0.5mln net profit.

[19] Housing development and hospitality business financials do not include inter-business eliminations, detailed financials including inter-business eliminations are presented on page 45

- Gross profit from operating leases increased by 4.2% y-o-y and remained flat as compared to 4Q17, supported by growing occupancy rates. m^2's rent-earning assets are successfully leased out at an 90% occupancy rate and average yield of 10.3% during 1Q18 - m^2 retains commercial space (ground floor) at its own residential developments (representing up to 30% of total yielding portfolio) and acquires opportunistically the commercial space (representing over 70% of total yielding portfolio). At the same time, m^2 retains ownership of some of the apartments leased out to high quality strategic tenants, such as the US Embassy in Georgia, in its yielding asset portfolio

- In February 2018 m^2 launched its first hotel - Ramada Encore Tbilisi under an exclusive development agreement with Wyndham, which generated around GEL 0.1mln of gross profit with US$ 85 ADR and 29% occupancy rate in the first month of hotel operations. The hotel has a capacity of 152 rooms and will cater the needs of the rapidly growing market for budget travellers in Georgia. The company's investment in the hotel, including the land value, amounted to US$ 14mln

- **m^2 continued to build ground for its targeted 1,000 hotel room portfolio**. During 1Q18, m^2 acquired a land plot in Telavi, Kakheti for a total cash consideration of US$ 1.5mln (excluding VAT) and plans to build a hotel with 130 rooms. On 3 May 2018 m^2 made another acquisition of an under construction hotel in Gudauri with planned capacity of 134 rooms for a total cash consideration of US$7.2 million including VAT. Additionally, m^2 currently has two hotel projects under construction – an upscale hotel on Gergeti street in Tbilisi with an expected 100 rooms and Melikishvili hotel in Tbilisi with expected 125 rooms. The Ramada Encore in Kutaisi, which is in the design approval stage, is expected to add 121 rooms to the overall portfolio. As a result, together with the Ramada Encore Tbilisi, which has been operational since March 2018, m^2 currently has approximately 760 rooms of which 152 are operational and 608 are in the pipeline

As a result of the developments described above, in 1Q18 m^2 reported consolidated gross profit of GEL 3.9mln (up 51.3% y-o-y and down 8.3% q-o-q) and consolidated net profit of GEL 0.9mln (up 57.1% y-o-y and up 12.8% q-o-q).

BALANCE SHEET

GEL thousands, unless otherwise noted	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
Cash and cash equivalents	107,822	48,636	121.7%	34,751	NMF
Prepayments	45,656	17,842	155.9%	34,932	30.7%
Inventories	55,684	83,922	-33.6%	59,683	-6.7%
Investment property, of which:	145,738	110,831	31.5%	150,143	-2.9%
Land bank	*74,452*	*68,789*	*8.2%*	*72,902*	*2.1%*
Commercial real estate	*71,286*	*42,042*	*69.6%*	*77,241*	*-7.7%*
Property and equipment	51,917	9,110	NMF	49,641	4.6%
Other assets	16,910	25,381	-33.4%	21,679	-21.9%
Total assets	**423,727**	**295,722**	**43.3%**	**350,829**	**20.8%**
Amounts due to credit institutions	155,078	38,912	298.5%	58,992	162.9%
Debt securities issued	61,879	62,278	-0.6%	65,122	-5.0%
Deferred income	33,128	53,670	-38.3%	46,660	-29.0%
Other liabilities	17,531	7,657	129.0%	15,425	13.7%
Total liabilities	**267,616**	**162,517**	**64.7%**	**186,199**	**43.7%**
Share Capital	4,180	4,180	-	4,180	-
Additional paid-in capital	84,356	86,227	-2.2%	82,793	1.9%
Other reserves	4,299	13,469	-68.1%	14,460	-70.3%
Retained earnings	53,573	29,329	82.7%	52,779	1.5%
Total equity attributable to shareholders of the Group	**146,408**	**133,205**	**9.9%**	**154,212**	**-5.1%**
Non-controlling interest	9,703	-	NMF	10,418	-6.9%
Total equity	**156,111**	**133,205**	**17.2%**	**164,630**	**-5.2%**
Total liabilities and equity	**423,727**	**295,722**	**43.3%**	**350,829**	**20.8%**

- **m^2 continued to have a strong, diversified and well managed balance sheet.** At 31 March 2018, total assets were GEL 423.7mln (up 43.3% y-o-y and up 20.8% q-o-q), primarily comprised of 25.4% cash, 13.1% inventories (apartments in development), 34.4% investment property (land bank and commercial real estate) and 12.3% property, plant and equipment (constructed and under construction hotels). m^2 borrowed US$39 mln from Georgia Capital at the end of 1Q18 to refinance some of the existing borrowings and fund the on-going developments of hotels in pipeline

- m^2 currently has a land bank with a total value of GEL 74.5mln on its balance sheet, for both residential and commercial purposes. We do not expect the residential land bank to grow, as in line with its asset light strategy, m^2 plans to utilise its existing land plots within three to four years and, in parallel, start development of third party land plots under franchise agreements

- Since its inception, m^2 has unlocked US$ 19.5mln in total land value from seven completed projects, while an additional US$ 14.2mln in land value is expected to be unlocked from the four ongoing projects

- Prepayments as of 31 March 2018 primarily relate to prepaid construction works for residential and hospitality projects

Operating highlights

- m^2 has started eleven projects since its establishment in 2010, of which, seven projects have already been completed, while the construction of four projects is ongoing. m^2 has completed all of its projects on or ahead of scheduled time and within budget. The four on-going projects have the following characteristics:
  - **Kartozia Street project:** the largest ever project carried out by m^2, with a total of 801 apartments in a central location in Tbilisi, of which, 738 units are sold
  - **Kazbegi Avenue II project -** a mixed-use development with 303 residential apartments and a hotel with a capacity of 152 rooms. Of a total of 303 available apartments, 223 are sold
  - **50 Chavchavadze Avenue project -** the project is located in the central part of Tbilisi with a total of 82 apartments, of which, 74 are sold
  - **Melikishvili Avenue project** - a mixed-use four-star development with a capacity of 125 hotel rooms and 16 residential apartments, of which, 14 are already sold

OPERATING DATA
for completed and on-going projects, as of 31 March 2018

#	Project name	Number of apartments	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	Start date (construction)	Actual / Planned Completion date (construction)	Construction progress %
Completed projects		**1,691**	**1,680**	**99.3%**	**11**			
1	Chubinashvili Street	123	123	100.0%	-	Sep-10	Aug-12	100%
2	Tamarashvili Street	525	525	100.0%	-	May-12	Jun-14	100%
3	Kazbegi Street	295	295	100.0%	-	Dec-13	Feb-16	100%
4	Nutsubidze Street	221	221	100.0%	-	Dec-13	Sep-15	100%
5	Tamarashvili Street II	270	266	98.5%	4	Jul-14	Jun-16	100%
6	Moscow Avenue	238	238	100.0%	-	Sep-14	Jun-16	100%
7	Skyline	19	12	63.2%	7	Dec-15	Dec-17	100%
On-going projects		**1,202**	**1,049**	**87.3%**	**153**			
8	Kartozia Street	801	738	92.1%	63	Nov-15	Oct-18	84%
9	Kazbegi Street II	303	223	73.6%	80	Jun-16	Nov-18	52%
10	50 Chavchavadze Ave.	82	74	90.2%	8	Oct-16	Oct-18	84%
11	Melikishvili ave.	16	14	87.5%	2	Sep-17	May-19	11%
	Total	**2,893**	**2,729**	**94.3%**	**164**			

FINANCIAL DATA
for completed and on-going projects, as of 31 March 2018

#	Project name	Total Sales (US$ mln)	Recognised as revenue (US$ mln)	Deferred revenue (US$ mln)	Deferred revenue expected to be recognised as revenue in 2018	Land value unlocked (US$)	Realised & Expected IRR
Completed projects		**145.5**	**145.4**	**-**	**-**	**19.5**	
1	Chubinashvili street	9.9	9.9	-	-	0.9	47%
2	Tamarashvili street	48.9	48.9	-	-	5.4	46%
3	Kazbegi Street	27.2	27.2	-	-	3.6	165%
4	Nutsubidze Street	17.4	17.4	-	-	2.2	58%
5	Tamarashvili Street II	24.3	24.3	-	-	2.7	71%
6	Moscow avenue	12.3	12.3	-	-	1.6	31%
7	Skyline	5.4	5.4	-	-	3.1	329%
On-going projects		**84.6**	**62.3**	**22.3**	**21.9**	**14.2**	
8	Kartozia Street	51.9	41.0	10.9	10.9	5.8	60%
9	Kazbegi Street II	19.5	12.5	7.0	7.0	4.3	51%
10	50 Chavchavadze ave.	9.7	7.3	2.4	2.4	3.3	75%
11	Melikishvili ave.	3.5	1.5	2.0	1.6	0.8	101%
	Total	**230.1**	**207.7**	**22.3**	**22.0**	**33.7**	

Property and Casualty Insurance Business (Aldagi or P&C)

Standalone results

Our Property and Casualty (P&C) insurance business is operated through Georgia Capital's wholly-owned subsidiary Aldagi, which is a leading player in the local P&C insurance market with a market share of 37.8% based on gross premiums earned in 2017. The company offers a wide range of insurance products in Georgia to corporate and retail clients, covering more than 57,000 customers through five business lines: motor, property, credit life, liability and other insurance services. Aldagi's insurance products[20] are offered through its offices in Tbilisi and large cities across Georgia, a network of insurance agents, partner local banks and non–financial institutions (such as major car dealerships), insurance brokers and online portals.

Property and Casualty Insurance Business highlights

In line with Aldagi's strategy to grow revenue from the underpenetrated SME segment, starting from 2018, Aldagi has developed tailored insurance products for the following types of SME: small/home offices, restaurants & cafes, beauty shops, dental clinics, tourism, car rentals and stores & warehouses. These tailored insurance products are currently offered through Aldagi's direct distribution channel of sales managers and captive agents, who have managed to sell 210 insurance policies worth GEL 0.1mln of gross premiums starting from mid February 2018. By the end of 2018, SME products will also be offered through digital portals created especially for these sectors of SMEs.

- Based on the latest available market data as of 31 December 2017, Aldagi continues to be the most profitable insurance company in the local market with 84.0% share of the insurance industry profit and with best combined ratio on the market
- Aldagi continues to lead the market with a powerful distribution network of 286 points of sale and 517 sales agents as of 31 March 2018
- At 31 March 2018, Aldagi had 57,791 insured customers (up 47.2% y-o-y and up 21.2% q-o-q). The y-o-y increase in number of insured customers was mainly driven by tapping regional markets through launching livestock insurance, organic growth of motor insurance business line and introduction of card insurance sales in 1Q18. The number of new insurance policies written reached 46,934 in 1Q18 (up 48.1% y-o-y and up 26.9% q-o-q)

Starting from 1 January 2018 Aldagi offers new insurance product - card insurance to the Public Service Hall customers. The product provides insurance for any type of legal identity document (including ID cards, passports etc.) and was introduced in continuation of exclusive memorandum with Public Service Hall in 3Q17, which allowed its customers to electronically acquire affordable insurance products for any type of property registered in the public registry. At 31 March 2018, 11,237 insurance policies have been sold, significantly increasing Aldagi's client base.

INCOME STATEMENT

GEL thousands, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Gross premiums written	18,114	18,907	-4.2%	17,962	0.8%
Earned premiums, gross	19,950	18,520	7.7%	21,891	-8.9%
Earned premiums, net	**14,925**	**14,436**	**3.4%**	**16,578**	**-10.0%**
Insurance claims expenses, gross	(7,520)	(10,700)	-29.7%	(13,452)	-44.1%
Insurance claims expenses, net	**(6,092)**	**(5,637)**	**8.1%**	**(7,207)**	**-15.5%**
Acquisition costs, net	(1,413)	(1,677)	-15.7%	(2,662)	-46.9%
Net underwriting profit	**7,420**	**7,122**	**4.2%**	**6,709**	**10.6%**
Investment income	831	767	8.3%	814	2.1%
Net fee and commission income	145	99	46.5%	142	2.1%
Net investment profit	**976**	**866**	**12.7%**	**956**	**2.1%**
Salaries and employee benefits	(2,129)	(1,978)	7.6%	(2,258)	-5.7%
Selling, general and administrative expenses	(928)	(893)	3.9%	(830)	11.8%
Depreciation & Amortisation	(232)	(234)	-0.9%	(135)	71.9%
Impairment charges	(208)	(242)	-14.0%	(82)	153.7%
Net other operating income	199	172	15.7%	163	22.1%
Operating profit	**5,098**	**4,813**	**5.9%**	**4,523**	**12.7%**
Foreign exchange (loss) / gain	(503)	(425)	18.4%	452	NMF
Pre-tax profit	**4,595**	**4,388**	**4.7%**	**4,975**	**-7.6%**
Income tax expense	(693)	(638)	8.6%	(806)	-14.0%
Net profit	**3,902**	**3,750**	**4.1%**	**4,169**	**-6.4%**

[20] Aldagi's P&C products principally include the following: a) motor insurance covering vehicle damage and third-party liability with 23,240 active clients and a 40% market share, b) property insurance including commercial property coverage, contractor's performance and damage risks coverage with 22,805 active clients and a 37% market share, c) credit life insurance covering loan-linked life insurance services with a group of three active clients and a 30% market share, d) liability insurance covering financial risks, employer's liability, professional indemnity, general third party liability, etc. with 1,246 active clients and a 43% market share. Aldagi's other products include agro insurance, cargo insurance, livestock insurance, bankers blanket bond insurance, and directors' and officers' liability insurance services with 13,395 active clients and a 37% market share

Performance highlights

- **Aldagi recorded net underwriting profit of GEL 7.4mln in 1Q18 (up 4.2% y-o-y and up 10.6% q-o-q) as a result of the following:**
  - **Net earned premiums.** Net premiums earned reached GEL 14.9mln in 1Q18 (up 3.4% y-o-y and down 10.0% q-o-q). The y-o-y increase in 1Q18 was supported by organic growth of credit life, livestock insurance and cargo insurance businesses lines. Net premiums earned decreased q-o-q by 10.0% partially due to seasonality factors, but also as a result of: (a) the termination of relationships with loss-making clients to improve Aldagi's loss ratio and overall bottom line; and (b) the introduction of insurance regulator supervision fees for insurance companies (effective from 1 January 2018), representing 1% of gross premiums earned or GEL 0.2mln in 1Q18. As part of the risk management exercise, Aldagi revisited its reinsurance policies and terminated a reinsurance treaty for credit life insurance products as of 1 January 2018 given the combination of low loss ratio of the business and increased ability of Aldagi to fully retain risks in this business line. As a result, net premiums earned from credit life insurance grew by 26.9% y-o-y
  - **Net insurance claims.** Net insurance claims amounted to GEL 6.1mln in 1Q18 (up 8.1% y-o-y and down 15.5% q-o-q). The y-o-y increase in net insurance claims expenses in 1Q18 was primarily driven by overall increase in loss severity and frequency in motor insurance due to a business shift towards the retail segment, which is characterised by a higher loss ratio than the corporate segment. Insurance claims expenses were also impacted by two commercial property insurance claims following separate fire incidents in Tbilisi in February and March. A q-o-q decrease of 15.5% resulted from termination of relationships with loss-making clients
  - **Net acquisition costs** were GEL 1.4mln in 1Q18 (down 15.7% y-o-y and down 46.9% q-o-q). The decrease in net acquisition costs was driven by the recognition of GEL 0.4mln profit commission on reinsurance treaties in credit life, agro insurance and liability insurance business lines. Overall, commission ratio was down by 2ppts y-o-y and down by 5.1ppts q-o-q
  - **Aldagi's key ratios remained healthy during 1Q18** as evidenced by the following closely monitored metrics:

Key Ratios	1Q18	1Q17	4Q17
Combined ratio	72.4%	72.7%	78.5%
Expense ratio	31.6%	33.6%	35.0%
Loss ratio	40.8%	39.1%	43.5%

- **Net investment profit** increased to GEL 1.0mln in 1Q18 (up 12.7% y-o-y and up 2.1% q-o-q). Investment yield remained high at 10.1% in 1Q18 compared with 10.0% in 4Q17 and 9.6% in 1Q17, while interest earning investment portfolio increased to GEL 49.1mln (up 1.2% y-o-y and up 2.8% q-o-q), of which, GEL 18mln represents Aldagi's pension fund's investment portfolio
- **Salaries and employee benefits** reached GEL 2.1mln in 1Q18 (up 7.6% y-o-y and down 5.7% q-o-q) primarily as a result of establishment of new strategic development department in 2Q17 and the increase in headcount as a result of the organic growth of the business
- **Aldagi's operating profit reached GEL 5.1mln in 1Q18, up 5.9% y-o-y and up 12.7% q-o-q. Aldagi's net profit was GEL 3.9mln in 1Q18 (up 4.1% y-o-y and down 6.4% q-o-q)**

BALANCE SHEET

GEL thousands, unless otherwise noted	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
Cash and cash equivalents	2,071	6,143	-66.3%	4,186	-50.5%
Amounts due from credit institutions	29,273	27,450	6.6%	25,968	12.7%
Investment securities	4,423	2,562	72.6%	4,180	5.8%
Insurance premiums receivable, net	26,184	21,812	20.0%	28,491	-8.1%
Ceded share of technical provisions	17,881	14,998	19.2%	20,671	-13.5%
PPE and intangible assets, net	7,985	10,015	-20.3%	11,899	-32.9%
Goodwill	13,051	13,051	-	13,051	-
Deferred acquisition costs	2,750	1,658	65.9%	3,047	-9.7%
Pension fund assets	18,838	16,721	12.7%	18,536	1.6%
Other assets	9,529	4,926	93.4%	5,130	85.9%
Total assets	**131,985**	**119,336**	**10.6%**	**135,159**	**-2.3%**
Gross technical provisions	46,174	43,607	5.9%	50,272	-8.2%
Other insurance liabilities	9,691	8,640	12.2%	11,147	-13.1%
Current income tax liabilities	483	591	-18.3%	30	NMF
Pension benefit obligations	18,836	16,721	12.6%	18,536	1.6%
Derivative financial instruments	-	562	NMF	130	NMF
Other Liabilities	4,152	6,018	-31.0%	6,296	-34.1%
Total liabilities	**79,336**	**76,139**	**4.2%**	**86,411**	**-8.2%**
Total equity	**52,649**	**43,197**	**21.9%**	**48,748**	**8.0%**
Total liabilities and equity	**131,985**	**119,336**	**10.6%**	**135,159**	**-2.3%**

- **Aldagi continued to have a solid balance sheet**. As of 31 March 2018, total assets reached GEL 132.0mln (up 10.6% y-o-y and down 2.3% q-o-q) of which 41% is made up by investment portfolio (liquid assets), 35% of insurance and reinsurance receivables, and 24% of all other assets (property and equipment, intangible assets, goodwill and other assets). The y-o-y growth in assets was largely driven by 20.0% y-o-y increase in net insurance premiums receivable and 19.2% y-o-y increase in ceded share of technical provisions. The 8.1% decrease in gross technical provisions is a result of the partial settlement of a large claim that occurred in 4Q17 as a result of floods

- **Aldagi remains strongly capitalised**. Insurance companies in Georgia are subject to regulatory requirements. Since 1 January 2018, Aldagi is required to maintain a solvency ratio in excess of 100%. At 31 March 2018, Aldagi's solvency ratio was 205% as compared to 180% at 31 December 2017 and 193% at 31 March 2017

Beverage business (Teliani)

Standalone results

***Teliani** is a leading beverage producer and distributor in Georgia, combining three different business lines: a wine business, a beer business and a distribution business. Teliani's wine business produces and sells wine and vodka products under Teliani brand to local market and exports to 14 countries. Teliani's wine business targets to grow its vineyard base to 1,000 hectares from 86 hectares at 31 March 2018 over the next three years. The beer business produces mainstream beer and lemonade on the local market, while also owning 10 year exclusive license to produce Heineken, Krushovice and Amstel in Georgia and sell in Georgia, Armenia and Azerbaijan. The distribution business primarily distributes Teliani's wine and beer products as well as third-party products within Georgia. Georgia Capital owns 76% of Teliani's equity stake.*

INCOME STATEMENT

GEL thousands; unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Wine Business	4,593	3,446	33.3%	7,164	-35.9%
Beer Business	4,921	-	NMF	4,736	3.9%
Distribution Business	2,902	2,940	-1.3%	5,383	-46.1%
Revenue	**12,416**	**6,386**	**94.4%**	**17,283**	**-28.2%**
Wine Business	(2,228)	(1,831)	21.7%	(3,328)	-33.1%
Beer Business	(3,567)	-	NMF	(3,438)	3.8%
Distribution Business	(2,250)	(2,244)	0.3%	(4,195)	-46.4%
COGS	**(8,045)**	**(4,075)**	**97.4%**	**(10,961)**	**-26.6%**
Gross Profit	**4,371**	**2,311**	**89.1%**	**6,322**	**-30.9%**
Gross Profit Margin	*35.2%*	*36.2%*		*36.6%*	
Salaries and other employee benefits	(2,838)	(1,094)	159.4%	(2,542)	11.6%
Sales and marketing expenses	(1,048)	(238)	NMF	(1,497)	-30.0%
General and administrative expenses	(1,721)	(720)	139.0%	(1,577)	9.1%
Distribution expenses	(884)	(327)	170.3%	(957)	-7.6%
Other operating expenses	(455)	(88)	NMF	(147)	NMF
EBITDA	**(2,575)**	**(156)**	**NMF**	**(398)**	**NMF**
Of which, wine EBITDA	*600*	*392*	*53.2%*	*2,233*	*-73.1%*
Of which, beer EBITDA	*(3,004)*	*(561)*	*NMF*	*(2,775)*	*NMF*
Of which, distribution EBITDA	*(171)*	*15*	*NMF*	*144*	*NMF*
Net foreign currency gain (loss)	2,174	2,096	3.7%	(4,404)	NMF
Depreciation and amortization	(2,547)	(360)	NMF	(2,056)	23.9%
Net interest income/expense	(1,158)	(216)	NMF	(1,247)	-7.1%
Net non-recurring items	-	46	NMF	(47)	NMF
(Loss) profit before income tax	**(4,106)**	**1,410**	**NMF**	**(8,152)**	**-49.6%**
(Loss) Profit	**(4,106)**	**1,410**	**NMF**	**(8,152)**	**-49.6%**

Performance highlights

- **Teliani's revenues are up 94.4% y-o-y to GEL12.4 mln in 1Q18** (down 28.2% q-o-q). The y-o-y revenue increase was mainly driven by revenue generated by the beer and lemonade businesses that were launched in 3Q17 and organic growth of the wine business, which continued to increase its exports. The q-o-q decrease in revenues of 28.2% was due to seasonal nature of beverage business sales, however, Teliani achieved a well-diversified revenue mix in 1Q18, spread across all three different business lines: wine business (37.0%); distribution business (23.4%) and beer & lemonade business (39.6 %)
- In February 2018, Georgia Capital acquired a 100% equity stake in a leading Georgian craft beer producer, Black Lion LLC (Black Lion) for the total consideration of $3.2mln. Black Lion is the largest producer of a premium class craft beer in Georgia that launched sales in the beginning of 2016 and sold approximately 300,000 litres of craft beer in 2017, primarily targeting restaurants and bars in Tbilisi. Premium class craft beer complements the existing basket of beverage products offered by Teliani and further diversifies the current revenue mix, contributing GEL 0.2mln revenue since acquisition
- **Teliani's EBITDA of GEL 600 thousands from wine business almost doubled on a y-o-y basis and down 73% q-o-q.** The y-o-y increase was mainly driven by expanding wine export sales, constituting 77% of total wine revenue. Teliani significantly benefited from active marketing campaigns in Ukraine, translating into increased export sales by GEL 0.5mln up 56.3% y-o-y. Further Teliani entered the Chinese market in the second half of 2017, contributing GEL 0.2mln into Teliani's export sales revenue in 1Q18. Recent free trade agreements with China and EU are expected to provide further opportunities for growing wine exports. The q-o-q decrease was due to seasonal nature of wine & sparkling wine sales
- **Teliani recorded negative GEL 3mln EBITDA in 1Q18 from beer business as compared to negative GEL 2.8mln in 4Q17 and negative GEL 0.6mln in 1Q17.** The negative EBITDAs resulted from high marketing expenditures to compete with existing strong beer brands and obtain significant market share of Georgian beer market
- Throughout 2017 Teliani actively invested in beer facilities, launching its beer & lemonade business in 3Q17. This was reflected in the y-o-y growth of depreciation and amortisation expense. The y-o-y increase in net interest expense was in line with the increased balance of borrowed funds from international financial institutions (EBRD and DEG) to finance planned

capital expenditure. As borrowed funds are largely denominated in EUR, Teliani recorded gain from foreign currency driven by the appreciation of GEL against EUR in 1Q18

- As of 31 March 2018, Teliani is a market leader with 35% market share in premium hotels, restaurants and cafes and a modern trade segment based on bottled wine sales
- Teliani is the third largest market player based on mainstream beer sales in the highly concentrated Georgian beer market with 13% market share by litres and holds 21% market share of the total imported beer by litres at the end of 1Q18

Healthcare business (Georgia Healthcare Group or GHG)[21]

Standalone results

***GHG** is the largest integrated player in the fast-growing predominantly privately-owned Georgia Healthcare ecosystem with an aggregated value of GEL 3.5 billion. GHG is comprised of three different business lines: healthcare services business (consisting of a hospital business and polyclinics (ambulatory clinics)), pharmacy and distribution business and medical insurance business. BGEO Group owns 57.0% of GHG at 31 March 2018, with the remaining shares being held by the public (largely institutional investors). GHG's shares are listed on the London Stock Exchange. The results below refer to GHG standalone numbers and are based on GHG's reported results, which are published independently of the Group and available on GHG's web-site: [ghg.com.ge](ghg.com.ge)*

INCOME STATEMENT

GEL thousands; unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**	**4Q17**	**Change q-o-q**
Revenue, gross	**207,689**	**186,447**	**11.4%**	**197,637**	**5.1%**
Corrections & rebates	(693)	(623)	11.2%	(349)	98.6%
Revenue, net	**206,996**	**185,824**	**11.4%**	**197,288**	**4.9%**
Revenue from healthcare services	72,855	65,725	10.8%	68,094	7.0%
Revenue from pharmacy	126,868	111,399	13.9%	121,367	4.5%
Net insurance premiums earned	13,302	13,965	-4.7%	12,376	7.5%
Eliminations	(6,029)	(5,265)	14.5%	(4,549)	32.5%
Costs of services	**(143,153)**	**(129,746)**	**10.3%**	**(134,252)**	**6.6%**
Cost of healthcare services	(41,547)	(37,777)	10.0%	(38,227)	8.7%
Cost of pharmacy	(95,550)	(84,408)	13.2%	(90,743)	5.3%
Cost of insurance services	(11,894)	(12,734)	-6.6%	(11,163)	6.5%
Eliminations	5,840	5,173	12.9%	5,882	-0.7%
Gross profit	**63,843**	**56,078**	**13.8%**	**63,036**	**1.3%**
Salaries and other employee benefits	(20,439)	(17,728)	15.3%	(20,519)	-0.4%
General and administrative expenses	(12,637)	(13,352)	-5.4%	(12,266)	3.0%
Impairment of receivables	(1,188)	(1,121)	6.0%	(1,133)	4.9%
Other operating income	1,820	1,182	54.0%	1,761	3.4%
EBITDA	**31,399**	**25,059**	**25.3%**	**30,879**	**1.7%**
EBITDA healthcare services	18,552	16,819	10.3%	18,341	1.2%
EBITDA pharmacy	12,644	8,686	45.6%	12,430	1.7%
EBITDA insurance services	204	(444)	NMF	108	88.9%
EBITDA Margin healthcare services	*25.2%*	*25.3%*		*26.8%*	
EBITDA Margin pharmacy	*10.0%*	*7.8%*		*10.2%*	
Depreciation and amortisation[22]	(7,715)	(5,872)	31.4%	(6,967)	10.7%
Net interest expense	(8,563)	(7,119)	20.3%	(8,303)	3.1%
Net gains / (losses) from foreign currencies	1,899	2,778	-31.6%	(2,825)	NMF
Net non-recurring expense	(1,006)	(1,793)	-43.9%	(638)	57.7%
Profit before income tax expense	**16,014**	**13,054**	**22.7%**	**12,146**	**31.8%**
Income tax expense	(2)	(19)	-89.5%	(187)	-98.9%
Profit for the period	**16,012**	**13,035**	**22.8%**	**11,959**	**33.9%**
Attributable to:					
- shareholders of GHG	10,542	8,832	19.4%	7,785	35.4%
- non-controlling interests	5,470	4,203	30.1%	4,174	31.0%

Performance highlights

- **GHG delivered gross revenue of GEL 207.7mln in 1Q18 (up 11.4% y-o-y and up 5.1% q-o-q).** The q-o-q revenue increase was driven by strong growth in both healthcare services and pharmacy and distribution business as a result of the strong quarterly performance. The y-o-y revenue growth was largely attributable to the pharmacy and distribution business, which delivered record quarterly revenue of GEL 126.9 million driven by outstanding business performance and new variable sales initiatives, which led to double digit y-o-y growth of 13.9%. Healthcare services revenue was up 10.8% y-o-y, of which, 8.3% growth was organic
- **In 1Q18, GHG continued to focus on extracting operating efficiencies and synergies across the business lines.** The gross margin in the pharmacy and distribution business continued to improve q-o-q as well as y-o-y, mainly as a result of realised previously announced procurement synergies as the largest purchaser of pharmaceuticals in Georgia. Due to the usual seasonal promotions in March 2018, the q-o-q margin was down by 50 bps. Loss ratio in GHG's medical insurance business was slightly up q-o-q in 1Q18, although it had significantly improved on a y-o-y basis. The y-o-y improvement in loss ratio in 1Q18 primarily reflected the successful implementation of new initiatives to refocus on more profitable clients starting from 2Q17. The healthcare services gross margin progressed by 50 bps y-o-y, despite the impact of the Government's changes to UHC effective from May 2017 and the dilutive effect of launching two large, flagship hospitals. This was achieved by the successful ramp-up of the recently launched hospitals, as well as the introduction of cost control measures. The gross margin decreased q-o-q due to the impact of seasonally high utility costs

[21] GHG is classified as a disposal group held for sale and as a discontinued operation within 1Q18 results. Refer to page 22 for additional background
[22] Profit from discontinued operations in Georgia Capital's consolidated income statement is reported excluding GEL 7.7mln depreciation expense as required under IFRS

- **GHG reported strong EBITDA of GEL 31.4mln in 1Q18** (**up 25.3% y-o-y and up 1.7% q-o-q)**. The EBITDA margin for healthcare services business was 25.2% in 1Q18 (25.3% in 1Q17 and 26.8% in 4Q17). Overall the margins remain suppressed due to the roll-out of new flagship hospitals and polyclinics. GHG expects further margin improvement over the course of 2018 with the gradual ramp-up of newly launched healthcare facilities. The healthcare services business was the main contributor to GHG's EBITDA, contributing 59% in total EBITDA in 1Q18, followed by pharmacy and distribution business, contributing 40% in total EBITDA during 1Q18. Pharmacy and distribution business EBITDA margin was 10.0% in 1Q18, well ahead of its target of 8%. Medical insurance business also reported positive EBITDA in 1Q18, compared to the negative GEL 0.4mln posted in 1Q17
- **GHG's profit amounted to GEL 16.0mln in 1Q18 (up 22.8% y-o-y and up 33.9% q-o-q).** The pharmacy and distribution business was the main driver of 1Q18 profit by contributing GEL 10.8mln, followed by the healthcare services business with GEL 5.3mln contribution
- During 1Q18, GHG continued to invest in the development of its healthcare facilities. GHG spent a total of GEL 24.8mln in 1Q18 on capital expenditures, primarily on the finalising the renovation works on Regional Hospital (formerly Deka). Of this, maintenance capex was GEL 2.3mln in 1Q18
- Throughout 2017 GHG was actively engaged in sizeable development projects with significant investments in healthcare facilities. Following the launch of Regional Hospital (previously referred to as "Deka") GHG has now largely completed its major investment programme in creating high-quality care facilities with the necessary capacity to serve our patients. Going forward GHG will be shifting its focus towards the successful ramp-up of the newly launched hospitals and towards improving the utilisation and efficiency measures across its healthcare facilities, as well as Group-wide
- In 1Q18 GHG launched a district polyclinic in Tbilisi and through the acquisition of polyclinics and various campaigns, it has increased the number of registered patients in Tbilisi to c.108,000 as of March 2018. As a result, GHG currently operates 17 district polyclinics and 24 express outpatient clinics (the latter are mostly integrated into GHG's pharmacies and play a facilitating role for its pharma and district polyclinic patients)
- GHG's healthcare services market share based on the number of beds was 26.4% at 31 March 2018

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT	Bank of Georgia Group Consolidated					Banking Business					Investment Business[23]					Eliminations		
GEL thousands, unless otherwise noted	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	4Q17
Banking interest income	311,149	265,330	17.3%	310,589	0.2%	313,553	267,121	17.4%	312,950	0.2%	-	-	-	-	-	(2,404)	(1,791)	(2,361)
Banking interest expense	(130,035)	(104,995)	23.8%	(127,091)	2.3%	(133,430)	(106,241)	25.6%	(129,826)	2.8%	-	-	-	-	-	3,395	1,246	2,735
Net banking interest income	**181,114**	**160,335**	**13.0%**	**183,498**	**-1.3%**	**180,123**	**160,880**	**12.0%**	**183,124**	**-1.6%**	-	-	-	-	-	**991**	**(545)**	**374**
Fee and commission income	50,673	43,150	17.4%	53,290	-4.9%	51,213	43,702	17.2%	53,739	-4.7%	-	-	-	-	-	(540)	(552)	(449)
Fee and commission expense	(16,488)	(13,364)	23.4%	(16,807)	-1.9%	(16,702)	(13,509)	23.6%	(17,001)	-1.8%	-	-	-	-	-	214	145	194
Net fee and commission income	**34,185**	**29,786**	**14.8%**	**36,483**	**-6.3%**	**34,511**	**30,193**	**14.3%**	**36,738**	**-6.1%**	-	-	-	-	-	**(326)**	**(407)**	**(255)**
Net banking foreign currency gain	14,913	12,526	**19.1%**	28,139	**-47.0%**	16,015	19,700	**-18.7%**	27,464	**-41.7%**	-	-	-	-	-	(1,102)	(7,174)	675
Net other banking income	5,518	2,783	**98.3%**	12,708	**-56.6%**	5,744	3,016	**90.5%**	12,986	**-55.8%**	-	-	-	-	-	(226)	(233)	(278)
Revenue	**235,730**	**205,430**	**14.7%**	**260,828**	**-9.6%**	**236,393**	**213,789**	**10.6%**	**260,312**	**-9.2%**	-	-	-	-	-	**(663)**	**(8,359)**	**516**
Salaries and other employee benefits	(48,818)	(43,788)	11.5%	(55,144)	-11.5%	(49,453)	(44,279)	11.7%	(55,789)	-11.4%	-	-	-	-	-	635	491	645
Administrative expenses	(25,168)	(22,058)	14.1%	(31,760)	-20.8%	(25,633)	(22,519)	13.8%	(32,245)	-20.5%	-	-	-	-	-	465	461	485
Banking depreciation and amortisation	(11,522)	(9,525)	21.0%	(10,514)	9.6%	(11,522)	(9,525)	21.0%	(10,514)	9.6%	-	-	-	-	-	-	-	-
Other operating expenses	(771)	(731)	5.5%	(1,194)	-35.4%	(771)	(731)	5.5%	(1,194)	-35.4%	-	-	-	-	-	-	-	-
Operating expenses	**(86,279)**	**(76,102)**	**13.4%**	**(98,612)**	**-12.5%**	**(87,379)**	**(77,054)**	**13.4%**	**(99,742)**	**-12.4%**	-	-	-	-	-	**1,100**	**952**	**1,130**
Profit from associates	319	514	-37.9%	255	25.1%	319	514	-37.9%	255	25.1%	-	-	-	-	-	-	-	-
Operating income before cost of credit risk	**149,770**	**129,842**	**15.3%**	**162,471**	**-7.8%**	**149,333**	**137,249**	**8.8%**	**160,825**	**-7.1%**	-	-	-	-	-	**437**	**(7,407)**	**1,646**
Impairment charge on loans to customers	(41,006)	(41,341)	-0.8%	(41,911)	-2.2%	(41,006)	(41,341)	-0.8%	(41,911)	-2.2%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	13	(139)	NMF	492	-97.4%	13	(139)	NMF	492	-97.4%	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	2,850	(6,540)	NMF	(1,009)	NMF	2,850	(6,540)	NMF	(1,009)	NMF	-	-	-	-	-	-	-	-
Cost of credit risk	**(38,143)**	**(48,020)**	**-20.6%**	**(42,428)**	**-10.1%**	**(38,143)**	**(48,020)**	**-20.6%**	**(42,428)**	**-10.1%**	-	-	-	-	-	-	-	-
Profit before non-recurring items and income tax	**111,627**	**81,822**	**36.4%**	**120,043**	**-7.0%**	**111,190**	**89,229**	**24.6%**	**118,397**	**-6.1%**	-	-	-	-	-	**437**	**(7,407)**	**1,646**
Net non-recurring items	(2,948)	(1,695)	73.9%	(213)	NMF	(2,948)	(1,695)	73.9%	(213)	NMF	-	-	-	-	-	-	-	-
Profit before income tax	**108,679**	**80,127**	**35.6%**	**119,830**	**-9.3%**	**108,242**	**87,534**	**23.7%**	**118,184**	**-8.4%**	-	-	-	-	-	**437**	**(7,407)**	**1,646**
Income tax (expense) benefit	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	-	-	-	-	-	-	-	-
Profit from continuing operations	**99,621**	**75,720**	**31.6%**	**108,780**	**-8.4%**	**99,184**	**83,127**	**19.3%**	**107,134**	**-7.4%**	-	-	-	-	-	**437**	**(7,407)**	**1,646**
Profit from discontinued operations	28,938	32,453	-10.8%	10,029	NMF	-	-	-	-	-	29,375	25,046	17.3%	11,675	151.6%	(437)	7,407	(1,646)
Profit	**128,559**	**108,173**	**18.8%**	**118,809**	**8.2%**	**99,184**	**83,127**	**19.3%**	**107,134**	**-7.4%**	**29,375**	**25,046**	**17.3%**	**11,675**	**151.6%**	-	-	-
Attributable to:																		
– shareholders of the Group	115,952	100,431	*15.5%*	113,729	*2.0%*	98,784	82,640	*19.5%*	106,687	*-7.4%*	17,168	17,791	*-3.5%*	7,042	*143.8%*	-	-	-
– non-controlling interests	12,607	7,742	*62.8%*	5,080	*148.2%*	400	487	*-17.9%*	447	*-10.5%*	12,207	7,255	*68.3%*	4,633	*NMF*	-	-	-
Profit from continuing operations attributable to:																		
– shareholders of the Group	99,221	75,233	*31.9%*	108,333	*-8.4%*	98,784	82,640	*19.5%*	106,687	*-7.4%*	-	-	-	-	-	437	(7,407)	1,646
– non-controlling interests	400	487	*-17.9%*	447	*-10.5%*	400	487	*-17.9%*	447	*-10.5%*	-	-	-	-	-	-	-	-
Profit from discontinued operations attributable to:																		
– shareholders of the Group	16,731	25,198	*-33.6%*	5,396	*NMF*	-	-	-	-	-	17,168	17,791	*-3.5%*	7,042	*143.8%*	(437)	7,407	(1,646)
– non-controlling interests	12,207	7,255	*68.3%*	4,633	*NMF*	-	-	-	-	-	12,207	7,255	*68.3%*	4,633	*NMF*	-	-	-
Earnings per share (basic)	**3.08**	**2.64**	**16.7%**	**3.05**	**1.0%**													
– earnings per share from continuing operations	*2.64*	*1.97*	*34.0%*	*2.91*	*-9.3%*													
– earnings per share from discontinued operations	*0.44*	*0.67*	*-34.3%*	*0.14*	*NMF*													
Earnings per share (diluted)	**2.98**	**2.55**	**16.9%**	**2.90**	**2.8%**													
– earnings per share from continuing operations	*2.55*	*1.91*	*33.5%*	*2.77*	*-7.9%*													
– earnings per share from discontinued operations	*0.43*	*0.64*	*-32.8%*	*0.13*	*NMF*													

[23] Investment Business is classified as discontinued operations in Bank of Georgia Group's 1Q18 consolidated financial statements

BALANCE SHEET	Bank of Georgia Group Consolidated					Banking Business					Investment Business[24]					Eliminations		
GEL thousands, unless otherwise noted	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Mar-18	Mar-17	Dec-17
Cash and cash equivalents	1,754,920	1,285,483	36.5%	1,582,435	10.9%	1,754,920	1,198,301	46.5%	1,516,401	15.7%	-	359,629	NMF	374,301	NMF	-	(272,447)	(308,267)
Amounts due from credit institutions	941,804	1,090,111	-13.6%	1,225,947	-23.2%	955,175	970,653	-1.6%	1,216,349	-21.5%	-	174,248	NMF	38,141	NMF	(13,371)	(54,790)	(28,543)
Investment securities	1,748,728	1,231,332	42.0%	1,564,869	11.7%	1,804,231	1,229,431	46.8%	1,613,759	11.8%	-	3,350	NMF	33,059	NMF	(55,503)	(1,449)	(81,949)
Loans to customers and finance lease receivables	7,727,568	6,408,711	20.6%	7,690,450	0.5%	7,792,108	6,470,771	20.4%	7,741,420	0.7%	-	-	-	-	-	(64,540)	(62,060)	(50,970)
Accounts receivable and other loans	3,453	143,417	-97.6%	38,944	-91.1%	6,537	3,105	110.5%	3,572	83.0%	-	140,489	NMF	35,446	NMF	(3,084)	(177)	(74)
Insurance premiums receivable	-	51,595	NMF	30,573	NMF	-	-	-	-	-	-	53,256	NMF	30,854	NMF	-	(1,661)	(281)
Prepayments	79,600	101,297	-21.4%	149,558	-46.8%	79,600	27,355	NMF	61,501	29.4%	-	74,168	NMF	88,057	NMF	-	(226)	-
Inventories	10,371	205,132	-94.9%	100,194	-89.6%	10,371	9,186	12.9%	20,086	-48.4%	-	195,946	NMF	80,108	NMF	-	-	-
Investment property	218,142	285,996	-23.7%	353,565	-38.3%	218,142	154,618	41.1%	202,533	7.7%	-	131,378	NMF	155,367	NMF	-	-	(4,335)
Property and equipment	324,810	1,353,661	-76.0%	988,436	-67.1%	324,810	299,875	8.3%	322,925	0.6%	-	1,053,786	NMF	661,176	NMF	-	-	4,335
Goodwill	33,351	157,824	-78.9%	55,276	-39.7%	33,351	33,453	-0.3%	33,351	0.0%	-	124,371	NMF	21,925	NMF	-	-	-
Intangible assets	57,139	63,121	-9.5%	60,980	-6.3%	57,139	42,520	34.4%	55,525	2.9%	-	20,601	NMF	5,455	NMF	-	-	-
Income tax assets	13,189	11,277	17.0%	2,293	475.2%	13,189	6,986	88.8%	919	NMF	-	4,291	NMF	1,374	NMF	-	-	-
Other assets	113,823	182,291	-37.6%	188,732	-39.7%	117,289	107,804	8.8%	119,337	-1.7%	-	79,972	NMF	73,468	NMF	(3,466)	(5,485)	(4,073)
Assets of disposal group held for distribution	2,447,592	-	NMF	1,136,417	115.4%	-	-	-	-	-	3,841,004	-	NMF	1,165,182	NMF	(1,393,412)	-	(28,765)
Total assets	**15,474,490**	**12,571,248**	**23.1%**	**15,168,669**	**2.0%**	**13,166,862**	**10,554,058**	**24.8%**	**12,907,678**	**2.0%**	**3,841,004**	**2,415,485**	**59.0%**	**2,763,913**	**39.0%**	**(1,533,376)**	**(398,295)**	**(502,922)**
Client deposits and notes	6,762,071	5,294,462	27.7%	6,712,482	0.7%	7,296,110	5,622,023	29.8%	7,078,058	3.1%	-	-	-	-	-	(534,039)	(327,561)	(365,576)
Amounts due to credit institutions	2,521,291	3,133,422	-19.5%	3,155,839	-20.1%	2,642,427	2,662,910	-0.8%	2,778,338	-4.9%	-	532,572	NMF	377,501	NMF	(121,136)	(62,060)	-
Debt securities issued	1,524,600	1,157,082	31.8%	1,709,152	-10.8%	1,569,404	827,025	89.8%	1,386,412	13.2%	-	335,773	NMF	357,442	NMF	(44,804)	(5,716)	(34,702)
Accruals and deferred income	27,478	131,372	-79.1%	132,669	-79.3%	27,478	26,109	5.2%	42,207	-34.9%	-	105,263	NMF	90,462	NMF	-	-	-
Insurance contracts liabilities	-	71,620	NMF	46,402	NMF	-	-	-	-	-	-	71,620	NMF	46,402	NMF	-	-	-
Income tax liabilities	19,538	17,155	13.9%	20,959	-6.8%	19,538	15,493	26.1%	20,100	-2.8%	-	1,662	NMF	859	NMF	-	-	-
Other liabilities	41,073	348,586	-88.2%	142,133	-71.1%	41,876	45,032	-7.0%	49,861	-16.0%	-	306,512	NMF	92,553	NMF	(803)	(2,958)	(281)
Liabilities of disposal group held for distribution	1,837,869	-	NMF	516,663	NMF	-	-	-	-	-	1,964,463	-	NMF	619,026	NMF	(126,594)	-	(102,363)
Total liabilities	**12,733,920**	**10,153,699**	**25.4%**	**12,436,299**	**2.4%**	**11,596,833**	**9,198,592**	**26.1%**	**11,354,976**	**2.1%**	**1,964,463**	**1,353,402**	**45.1%**	**1,584,245**	**24.0%**	**(827,376)**	**(398,295)**	**(502,922)**
Share capital	1,151	1,153	-0.2%	1,151	0.0%	1,151	1,153	-0.2%	1,151	-	-	-	-	-	-	-	-	-
Additional paid-in capital	64,530	177,793	-63.7%	106,086	-39.2%	-	38,474	NMF	-	-	64,530	139,319	-53.7%	106,086	-39.2%	-	-	-
Treasury shares	(57)	(40)	42.5%	(66)	-13.6%	(57)	(40)	42.5%	(66)	-13.6%	-	-	-	-	-	-	-	-
Other reserves	101,967	55,679	83.1%	122,082	-16.5%	(117,684)	(54,267)	116.9%	(74,046)	58.9%	797,564	109,946	NMF	196,128	NMF	(577,913)	-	-
Retained earnings	2,246,096	1,939,587	15.8%	2,180,415	3.0%	1,679,497	1,364,143	23.1%	1,618,775	3.8%	694,686	575,444	20.7%	561,640	23.7%	(128,087)	-	-
Reserves of disposal group held for distribution	15,828	-	NMF	10,934	44.8%	-	-	-	-	-	15,828	-	NMF	10,934	44.8%	-	-	-
Total equity attributable to shareholders of the Group	**2,429,515**	**2,174,172**	**11.7%**	**2,420,602**	**0.4%**	**1,562,907**	**1,349,463**	**15.8%**	**1,545,814**	**1.1%**	**1,572,608**	**824,709**	**90.7%**	**874,788**	**79.8%**	**(706,000)**	**-**	**-**
Non-controlling interests	311,055	243,377	27.8%	311,768	-0.2%	7,122	6,003	18.6%	6,888	3.4%	303,933	237,374	28.0%	304,880	-0.3%	-	-	-
Total equity	**2,740,570**	**2,417,549**	**13.4%**	**2,732,370**	**0.3%**	**1,570,029**	**1,355,466**	**15.8%**	**1,552,702**	**1.1%**	**1,876,541**	**1,062,083**	**76.7%**	**1,179,668**	**59.1%**	**(706,000)**	**-**	**-**
Total liabilities and equity	**15,474,490**	**12,571,248**	**23.1%**	**15,168,669**	**2.0%**	**13,166,862**	**10,554,058**	**24.8%**	**12,907,678**	**2.0%**	**3,841,004**	**2,415,485**	**59.0%**	**2,763,913**	**39.0%**	**(1,533,376)**	**(398,295)**	**(502,922)**
Book value per share	**64.91**	**57.08**	**13.7%**	**65.22**	**-0.5%**													

[24] Investment Business is classified as discontinued operations in Bank of Georgia Group's 1Q18 consolidated financial statements

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Net banking interest income	6,544	8,702	-24.8%	6,021	8.7%
Net fee and commission income	2,277	2,350	-3.1%	2,421	-5.9%
Net banking foreign currency gain	3,277	1,798	82.3%	3,457	-5.2%
Net other banking income	117	109	7.3%	1,295	-91.0%
Revenue	**12,215**	**12,959**	**-5.7%**	**13,194**	**-7.4%**
Operating expenses	(7,721)	(6,401)	20.6%	(8,185)	-5.7%
Operating income before cost of credit risk	**4,494**	**6,558**	**-31.5%**	**5,009**	**-10.3%**
Cost of credit risk	(717)	(5,634)	-87.3%	(518)	38.4%
Net non-recurring items	(700)	(57)	NMF	(5)	NMF
Profit before income tax	**3,077**	**867**	**NMF**	**4,486**	**-31.4%**
Income tax expense	(779)	(199)	NMF	(875)	-11.0%
Profit	**2,298**	**668**	**NMF**	**3,611**	**-36.4%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Mar-18	Mar-17	Change y-o-y	Dec-17	Mar-18
Cash and cash equivalents	77,403	66,619	16.2%	104,309	-25.8%
Amounts due from credit institutions	10,387	3,981	NMF	10,499	-1.1%
Investment securities	40,819	95,758	-57.4%	73,415	-44.4%
Loans to customers and finance lease receivables	377,680	335,538	12.6%	399,516	-5.5%
Other assets	37,731	26,564	42.0%	37,096	1.7%
Total assets	**544,020**	**528,460**	**2.9%**	**624,835**	**-12.9%**
Client deposits and notes	288,337	235,877	22.2%	310,050	-7.0%
Amounts due to credit institutions	144,208	193,494	-25.5%	202,492	-28.8%
Debt securities issued	30,726	25,512	20.4%	28,512	7.8%
Other liabilities	7,331	5,186	41.4%	4,261	72.0%
Total liabilities	**470,602**	**460,069**	**2.3%**	**545,315**	**-13.7%**
Total equity	**73,418**	**68,391**	**7.4%**	**79,520**	**-7.7%**
Total liabilities and equity	**544,020**	**528,460**	**2.9%**	**624,835**	**-12.9%**

BANKING BUSINESS – IMPACT OF IFRS 9 ADOPTION

GEL thousands, unless otherwise stated	31 Dec 2017	IFRS 9 impact	1 Jan 2018
Cash and cash equivalents	1,516,401	(80)	1,516,321
Amounts due from credit institutions	1,216,349	(598)	1,215,751
Loans to customers and finance lease receivables	7,741,420	(30,519)	7,710,901
Other assets	119,337	3	119,340
Total assets	**12,907,678**	**(31,194)**	**12,876,484**
Income tax liabilities	20,100	(2,882)	17,218
Other liabilities	49,861	320	50,181
Total liabilities	**11,354,976**	**(2,562)**	**11,352,414**
Other reserves	(74,046)	3,256	(70,790)
Retained earnings	1,618,775	(31,767)	1,587,008
Non-controlling interests	6,888	(121)	6,767
Total equity	**1,552,702**	**(28,632)**	**1,524,070**
Total liabilities and equity	**12,907,678**	**(31,194)**	**12,876,484**

BANKING BUSINESS KEY RATIOS	1Q18	1Q17	4Q17
Profitability			
ROAA, Annualised	3.1%	3.1%	3.4%
ROAE, Annualised	25.9%	23.7%	27.8%
RB ROAE	*31.5%*	*27.8%*	*36.6%*
CIB ROAE	*19.7%*	*18.6%*	*18.1%*
Net Interest Margin, Annualised	7.0%	7.4%	7.3%
RB NIM	*8.3%*	*8.8%*	*8.4%*
CIB NIM	*3.2%*	*3.4%*	*3.5%*
Loan Yield, Annualised	13.9%	14.0%	14.3%
RB Loan Yield	*15.9%*	*15.9%*	*15.9%*
CIB Loan Yield	*9.9%*	*10.7%*	*11.2%*
Liquid Assets Yield, Annualised	3.6%	3.3%	3.4%
Cost of Funds, Annualised	4.8%	4.6%	4.8%
Cost of Client Deposits and Notes, Annualised	3.4%	3.5%	3.5%
RB Cost of Client Deposits and Notes	*2.8%*	*3.0%*	*2.8%*
CIB Cost of Client Deposits and Notes	*3.9%*	*3.9%*	*4.0%*
Cost of Amounts Due to Credit Institutions, Annualised	6.9%	6.3%	6.5%
Cost of Debt Securities Issued	7.7%	6.0%	7.8%
Operating Leverage, Y-O-Y	-2.8%	6.0%	-2.9%
Operating Leverage, Q-O-Q	3.2%	3.4%	-0.2%
Efficiency			
Cost / Income	37.0%	36.0%	38.3%
RB Cost / Income	*36.4%*	*37.6%*	*38.7%*
CIB Cost / Income	*32.5%*	*30.1%*	*31.0%*
Liquidity			
NBG Liquidity Ratio	36.5%	37.4%	34.4%
Liquid Assets To Total Liabilities	38.9%	36.9%	38.3%
Net Loans To Client Deposits and Notes	106.8%	115.1%	109.4%
Net Loans To Client Deposits and Notes + DFIs	91.8%	95.6%	92.4%
Leverage (Times)	7.4	6.8	7.3
Asset Quality:			
NPLs (in GEL)	247,335	311,940	301,268
NPLs To Gross Loans To Clients	3.1%	4.6%	3.8%
NPL Coverage Ratio	111.4%	87.1%	92.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	147.2%	126.9%	130.6%
Cost of Risk, Annualised	2.1%	2.4%	2.1%
RB Cost of Risk	*2.6%*	*3.4%*	*1.8%*
CIB Cost of Risk	*1.3%*	*0.3%*	*3.2%*
Capital Adequacy:			
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a	12.4%
NBG (Basel III) Total Capital Adequacy Ratio	17.3%	n/a	17.9%
Selected Operating Data:			
Total Assets Per FTE, BOG Standalone	1,854	1,598	1,832
Number Of Active Branches, Of Which:	282	279	286
- Express Branches (including Metro)	*156*	*130*	*156*
- Bank of Georgia Branches	*114*	*138*	*118*
- Solo Lounges	*12*	*11*	*12*
Number Of ATMs	842	813	850
Number Of Cards Outstanding, Of Which:	2,246,396	2,099,488	2,227,000
- Debit cards	*1,597,662*	*1,307,135*	*1,553,427*
- Credit cards	*648,734*	*792,353*	*673,573*
Number Of POS Terminals	12,571	10,774	13,216
FX Rates:			
GEL/US$ exchange rate (period-end)	2.4144	2.4452	2.5922
GEL/GBP exchange rate (period-end)	3.3932	3.0418	3.5005

	Mar-18	Mar-17	Dec-17
Full Time Employees, Group, Of Which:	26,453	24,091	25,795
Total Banking Business companies, of which:	7,102	6,605	7,045
- Full Time Employees, BOG Standalone	*5,505*	*5,183*	*5,501*
- Full Time Employees, BNB	*708*	*622*	*702*
- Full Time Employees, BB other	*889*	*800*	*842*
Total Investment Business[25] companies, of which:	*19,351*	*17,486*	*18,750*
- Full Time Employees, Georgia Healthcare Group	*15,482*	*14,510*	*15,070*
- Full Time Employees, Aldagi	*325*	*293*	*328*
- Full Time Employees, GGU	*2,651*	*2,373*	*2,631*
- Full Time Employees, m2	*232*	*84*	*156*
- Full Time Employees, Other	*661*	*226*	*565*

Shares Outstanding	**Mar-18**	**Mar-17**	**Dec-17**
Ordinary Shares	37,431,257	38,085,220	37,116,399
Treasury Shares	1,953,455	1,384,100	2,268,313
Total Shares Outstanding	39,384,712	39,469,320	39,384,712

[25] Investment Business is classified as discontinued operations in Bank of Georgia Group's 1Q18 consolidated financial statements

JSC GEORGIA CAPITAL HIGHLIGHTS

INCOME STATEMENT HIGHLIGHTS	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Stand-alone					
GEL thousands unless otherwise noted					
Dividend income	-	-	-	28,000	NMF
Interest income	3,790	-	NMF	629	NMF
Total Income	**3,790**	-	NMF	**28,629**	**-86.8%**
Operating expenses	(374)	(68)	NMF	(723)	-48.3%
Interest expense	(7,570)	(4,802)	57.6%	(3,955)	91.4%
Operating expenses	**(7,944)**	**(4,870)**	**63.1%**	**(4,678)**	**69.8%**
Net gains from disposal of shares in subsidiaries	-	9,573	NMF	-	NMF
Net foreign currency (loss) gain	(4,636)	154	NMF	4,799	NMF
(Loss) Profit	**(8,790)**	**4,857**	**NMF**	**28,750**	**NMF**

BALANCE SHEET HIGHLIGHTS	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
Stand-alone					
GEL thousands unless otherwise noted					
Cash and cash equivalents	341,252	3,192	NMF	219,002	55.8%
Debt securities owned	77,026	-	NMF	45,147	70.6%
Equity investments at fair value	706,000	-	NMF	-	NMF
Loans issued	248,167	-	NMF	34,221	NMF
Investments in subsidiaries	569,983	511,270	11.5%	561,571	1.5%
Other assets	1,295	-	NMF	108	NMF
Total assets	**1,943,723**	**514,462**	**NMF**	**860,049**	**126.0%**
Debt securities issued	658,006	-	NMF	-	NMF
Borrowings	-	160,228	NMF	272,279	NMF
Other liabilities	1,729	413	NMF	948	82.4%
Total liabilities	**659,735**	**160,641**	**NMF**	**273,227**	**141.5%**
Total equity	**1,283,988**	**353,821**	**NMF**	**586,822**	**118.8%**

CASH FLOW HIGHLIGHTS	1Q18	4Q17
Stand-alone		
GEL thousands unless otherwise noted		
Dividends received	-	28,000
Interest received	1,907	487
Interest paid	(21,785)	-
Holding costs	(312)	(688)
Funds used in/from operations	**(20,190)**	**27,799**
Investments in subsidiaries	(8,412)	(11,290)
Loans issued	(216,646)	-
Purchase of treasury/debt securities	(31,636)	-
Funds used in investing activities	**(256,693)**	**(11,290)**
Repayment of borrowings	(248,295)	-
Proceeds from debt securities issued	664,593	-
Proceeds from borrowings	-	119,029
Funds from financing activities	**416,297**	**119,029**
Net increase in cash and cash equivalents	**139,414**	**135,538**
Fx Effect	*(17,164)*	*4,714*
Beginning cash	219,002	78,752
Ending cash	341,252	219,002

INVESTMENT BUSINESS HIGHLIGHTS

INCOME STATEMENT	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Consolidated					
GEL thousands, unless otherwise stated					
Utility and energy revenue	30,654	27,236	12.5%	33,286	-7.9%
Cost of utility and energy	(9,804)	(9,709)	1.0%	(10,417)	-5.9%
Gross utility and energy profit	**20,850**	**17,527**	**19.0%**	**22,869**	**-8.8%**
Net insurance premiums earned	12,943	12,527	3.3%	13,512	-4.2%
Net insurance claims incurred	(6,091)	(5,637)	8.1%	(7,207)	-15.5%
Gross insurance profit	**6,852**	**6,890**	**-0.6%**	**6,305**	**8.7%**
Real estate revenue	29,207	19,781	47.7%	32,982	-11.4%
Cost of real estate	(25,270)	(17,192)	47.0%	(27,209)	-7.1%
Gross real estate profit	**3,937**	**2,589**	**52.1%**	**5,773**	**-31.8%**
Beverage revenue	12,516	7,145	75.2%	14,615	-14.4%
Cost of beverage	(8,045)	(4,828)	66.6%	(7,506)	7.2%
Gross beverage profit	**4,471**	**2,317**	**93.0%**	**7,109**	**-37.1%**
Other income	1,672	1,528	9.4%	2,502	-33.2%
Gross profit	**37,782**	**30,851**	**22.5%**	**44,558**	**-15.2%**
Salaries and other employee benefits	(11,053)	(6,259)	76.6%	(10,427)	6.0%
Administrative expenses	(9,882)	(7,456)	32.5%	(11,824)	-16.4%
Other operating expenses	(575)	(176)	NMF	(424)	35.6%
Impairment charge	(2,005)	(104)	NMF	(618)	NMF
EBITDA	**14,267**	**16,856**	**-15.4%**	**21,265**	**-32.9%**
Depreciation and amortisation	(8,972)	(5,598)	60.3%	(9,056)	-0.9%
Net foreign currency gain (loss)	5,878	5,771	1.9%	(5,797)	NMF
Interest income	3,934	2,532	55.4%	4,088	-3.8%
Interest expense	(9,524)	(6,770)	40.7%	(8,969)	6.2%
Net operating income before non-recurring items	**5,583**	**12,791**	**-56.4%**	**1,531**	**NMF**
Net non-recurring items	(156)	113	NMF	(460)	-66.1%
Profit before income tax expense from continuing operations	**5,427**	**12,904**	**-57.9%**	**1,071**	**NMF**
Income tax expense	(693)	(687)	0.9%	(1,666)	-58.4%
Profit (loss) from continuing operations	**4,734**	**12,217**	**-61.3%**	**(595)**	**NMF**
Profit from discontinued operations	24,641	12,829	92.1%	12,270	100.8%
Profit	**29,375**	**25,046**	**17.3%**	**11,675**	**151.6%**
Attributable to:					
– shareholders of the Group	17,168	17,791	*-3.5%*	7,042	*143.8%*
– non-controlling interests	12,207	7,255	*68.3%*	4,633	*163.5%*

BALANCE SHEET	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
Consolidated					
GEL thousands, unless otherwise stated					
Cash and cash equivalents	528,697	359,629	47.0%	374,301	41.2%
Amounts due from credit institutions	37,667	174,248	-78.4%	38,141	-1.2%
Debt securities owned	45,233	2,197	NMF	31,906	41.8%
Equity investments at fair value	707,153	1,153	NMF	1,153	NMF
Accounts receivable	32,669	140,489	-76.7%	35,446	-7.8%
Insurance premiums receivable	28,392	53,256	-46.7%	30,854	-8.0%
Inventories	77,626	195,946	-60.4%	80,108	-3.1%
Investment property	153,638	131,378	16.9%	155,367	-1.1%
Property and equipment	700,905	1,053,786	-33.5%	661,176	6.0%
Goodwill	24,275	124,371	-80.5%	21,925	10.7%
Intangible assets	5,233	20,601	-74.6%	5,455	-4.1%
Income tax assets	1,179	4,291	-72.5%	1,374	-14.2%
Prepayments	105,803	74,168	42.7%	88,057	20.2%
Other assets	189,768	79,972	137.3%	73,468	158.3%
Assets of disposal group held for sale	1,202,765	-	NMF	1,165,182	3.2%
Total assets	**3,841,003**	**2,415,485**	**59.0%**	**2,763,913**	**39.0%**
Accounts payable	42,012	133,720	-68.6%	46,479	-9.6%
Insurance contracts liabilities	43,103	71,620	-39.8%	46,402	-7.1%
Borrowings	381,070	532,572	-28.4%	377,501	0.9%
Debt securities issued	732,401	335,773	118.1%	357,442	104.9%
Income tax liabilities	545	1,662	-67.2%	859	-36.6%
Deferred income	64,035	73,970	-13.4%	73,066	-12.4%
Other liabilities	71,342	204,085	-65.0%	63,470	12.4%
Liabilities of disposal group held for sale	629,955	-	NMF	619,026	1.8%
Total liabilities	**1,964,463**	**1,353,402**	**45.1%**	**1,584,245**	**24.0%**
Total equity attributable to shareholders of the Group	**1,572,608**	**824,709**	**90.7%**	**874,788**	**79.8%**
Non-controlling interests	303,932	237,374	28.0%	304,880	-0.3%
Total equity	**1,876,540**	**1,062,083**	**76.7%**	**1,179,668**	**59.1%**
Total liabilities and equity	**3,841,003**	**2,415,485**	**59.0%**	**2,763,913**	**39.0%**

INCOME STATEMENT, GGU

GEL thousands, unless otherwise noted	Utility 1Q18	Utility 1Q17	Utility Change y-o-y	Utility 4Q17	Utility Change q-o-q	Energy 1Q18	Energy 1Q17	Energy Change y-o-y	Energy 4Q17	Energy Change q-o-q	Eliminations 1Q18	Eliminations 1Q17	Eliminations 4Q17	Consolidated 1Q18	Consolidated 1Q17	Consolidated Change y-o-y	Consolidated 4Q17	Consolidated Change q-o-q
Revenue from water supply to legal entities	19,088	18,336	4.1%	22,215	-14.1%	-	-	-	-	-	-	-	-	19,088	18,336	4.1%	22,215	-14.1%
Revenue from water supply to individuals	9,769	7,911	23.5%	8,529	14.5%	-	-	-	-	-	-	-	-	9,769	7,911	23.5%	8,529	14.5%
Revenue from electric power sales	-	-	-	-	-	3,055	2,148	42.2%	3,892	-21.5%	(900)	(957)	(1,019)	2,155	1,191	80.9%	2,873	-25.0%
Other income	1,325	1,160	14.2%	2,278	-41.8%	4	4	-	5	-20.0%	-	-	-	1,329	1,164	14.2%	2,283	-41.8%
Revenue	**30,182**	**27,407**	**10.1%**	**33,022**	**-8.6%**	**3,059**	**2,152**	**42.1%**	**3,897**	**-21.5%**	**(900)**	**(957)**	**(1,019)**	**32,341**	**28,602**	**13.1%**	**35,900**	**-9.9%**
Salaries and benefits	(4,790)	(3,950)	21.3%	(5,155)	-7.1%	(346)	(307)	12.7%	(231)	49.8%	-	-	-	(5,136)	(4,257)	20.6%	(5,386)	-4.6%
Electricity and transmission costs	(5,722)	(5,913)	-3.2%	(5,311)	7.7%	(25)	(16)	56.3%	(27)	-7.4%	900	957	1,019	(4,847)	(4,972)	-2.5%	(4,319)	12.2%
Assets maintenance expenses	(1,250)	(1,066)	17.3%	(1,693)	-26.2%	(18)	(26)	-30.8%	(20)	-10.0%	-	-	-	(1,268)	(1,092)	16.1%	(1,713)	-26.0%
General and administrative expenses	(2,519)	(2,257)	11.6%	(3,229)	-22.0%	(649)	(419)	54.9%	(558)	16.3%	-	-	-	(3,168)	(2,676)	18.4%	(3,787)	-16.3%
Other operating expenses	(1,630)	(1,359)	19.9%	(1,560)	4.5%	(288)	(86)	NMF	(483)	-40.4%	-	-	-	(1,918)	(1,445)	32.7%	(2,043)	-6.1%
Operating expenses	**(15,911)**	**(14,545)**	**9.4%**	**(16,948)**	**-6.1%**	**(1,326)**	**(854)**	**55.3%**	**(1,319)**	**0.5%**	**900**	**957**	**1,019**	**(16,337)**	**(14,442)**	**13.1%**	**(17,248)**	**5.3%**
Provisions for doubtful trade receivables	(1,449)	274	NMF	338	NMF	-	-	-	-	-	-	-	-	(1,449)	274	NMF	338	NMF
EBITDA	**12,822**	**13,136**	**-2.4%**	**16,412**	**-21.9%**	**1,733**	**1,298**	**33.5%**	**2,578**	**-32.8%**	**-**	**-**	**-**	**14,555**	**14,434**	**0.8%**	**18,990**	**-23.4%**
EBITDA Margin	*42%*	*48%*		*50%*		*57%*	*60%*		*66%*		*0%*	*0%*	*0%*	*45%*	*50%*		*53%*	
Depreciation and amortisation	(5,233)	(4,135)	26.6%	(4,469)	17.1%	(884)	(686)	28.9%	(760)	16.3%	-	-	-	(6,117)	(4,821)	26.9%	(5,229)	17.0%
EBIT	**7,589**	**9,001**	**-15.7%**	**11,943**	**-36.5%**	**849**	**612**	**38.7%**	**1,818**	**-53.3%**	**-**	**-**	**-**	**8,438**	**9,613**	**-12.2%**	**13,761**	**-38.7%**
EBIT Margin	*25%*	*33%*		*36%*		*28%*	*28%*		*47%*		*0%*	*0%*	*0%*	*26%*	*34%*		*38%*	
Net interest expense	(3,104)	(2,036)	52.5%	(2,975)	4.3%	(192)	(230)	-16.5%	(743)	-74.2%	-	-	-	(3,296)	(2,266)	45.5%	(3,718)	-11.4%
Net non-recurring expenses	-	-	-	(383)	NMF	(124)	-	NMF	(196)	-36.7%	-	-	-	(124)	-	NMF	(579)	-78.6%
Foreign exchange (loss) gain	1,786	(104)	NMF	(271)	NMF	(26)	(224)	-88.4%	(115)	-77.4%	-	-	-	1,760	(328)	NMF	(386)	NMF
EBT	**6,271**	**6,861**	**-8.6%**	**8,314**	**-24.6%**	**507**	**158**	**NMF**	**764**	**-33.6%**	**-**	**-**	**-**	**6,778**	**7,019**	**-3.4%**	**9,078**	**-25.3%**
Income tax expense	-	-	-	(210)	NMF	-	-	-	-	-	-	-	-	-	-	-	(210)	NMF
Profit	**6,271**	**6,861**	**-8.6%**	**8,104**	**-22.6%**	**507**	**158**	**NMF**	**764**	**-33.6%**	**-**	**-**	**-**	**6,778**	**7,019**	**-3.4%**	**8,868**	**-23.6%**
Attributable to:																		
– Shareholders of the Group	6,271	6,861	-8.6%	8,104	-22.6%	693	316	119.3%	381	81.9%	-	-	-	6,964	7,177	-3.0%	8,485	-17.9%
– Non-controlling interests	-	-	-	-	-	(186)	(158)	17.7%	383	NMF	-	-	-	(186)	(158)	17.7%	383	NMF

INCOME STATEMENT, m^2

GEL thousands, unless otherwise noted	Housing development Business					Hospitality Business					Eliminations			Consolidated				
	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	4Q17	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Revenue from sale of apartments	27,861	18,399	51.4%	30,788	-9.5%	-	-	-	-	-	-	-	-	27,861	18,399	51.4%	30,788	-9.5%
Cost of sale of apartments	(24,939)	(17,109)	45.8%	(26,890)	-7.3%	-	-	-	-	-	-	-	-	(24,939)	(17,109)	45.8%	(26,890)	-7.3%
Gross profit from sale of apartments	**2,922**	**1,290**	**126.5%**	**3,898**	**-25.0%**	-	-	-	-	-	-	-	-	**2,922**	**1,290**	**126.5%**	**3,898**	**-25.0%**
Revenue from operating lease	-	-	-	-	-	1,001	899	11.3%	986	1.5%	-	-	-	1,001	899	11.3%	986	1.5%
Cost of operating leases	-	-	-	-	-	(151)	(83)	81.9%	(135)	11.9%	-	-	-	(151)	(83)	81.9%	(135)	11.9%
Gross profit from operating leases	**-**	**-**	**-**	**-**	**-**	**850**	**816**	**4.2%**	**851**	**-0.1%**	**-**	**-**	**-**	**850**	**816**	**4.2%**	**851**	**-0.1%**
Revenue from hospitality services	-	-	-	-	-	344	-	NMF	-	NMF	-	-	-	344	-	NMF	-	NMF
Cost of hospitality services	-	-	-	-	-	(277)	-	NMF	-	NMF	-	-	-	(277)	-	NMF	-	NMF
Gross profit from hospitality services	**-**	**-**	**-**	**-**	**-**	**67**	**-**	**NMF**	**-**	**NMF**	**-**	**-**	**-**	**67**	**-**	**NMF**	**-**	**NMF**
Revaluation of commercial property	-	479	NMF	99	NMF	-	-	-	(618)	NMF	-	-	-	-	479	NMF	(519)	NMF
Gross real estate profit	**2,922**	**1,769**	**65.2%**	**3,997**	**-26.9%**	**917**	**816**	**12.4%**	**233**	**NMF**	**-**	**-**	**-**	**3,839**	**2,585**	**48.5%**	**4,230**	**-9.2%**
Other income	178	11	NMF	56	NMF	9	-	NMF	-	NMF	(97)	-	-	90	11	NMF	56	60.7%
Gross profit	**3,100**	**1,780**	**74.2%**	**4,053**	**-23.5%**	**926**	**816**	**13.5%**	**233**	**NMF**	**(97)**	**-**	**-**	**3,929**	**2,596**	**51.3%**	**4,286**	**-8.3%**
Salaries and other employee benefits	(829)	(396)	109.3%	(939)	-11.7%	(318)	(11)	NMF	(256)	24.2%	-	-	-	(1,147)	(407)	NMF	(1,195)	-4.0%
Administrative expenses	(1,426)	(1,336)	6.7%	(1,459)	-2.3%	(48)	(91)	-47.3%	(41)	17.1%	-	-	-	(1,474)	(1,427)	3.3%	(1,500)	-1.7%
Operating expenses	**(2,255)**	**(1,732)**	**30.2%**	**(2,398)**	**-6.0%**	**(366)**	**(102)**	**NMF**	**(297)**	**23.2%**	**-**	**-**	**-**	**(2,621)**	**(1,834)**	**42.9%**	**(2,695)**	**-2.7%**
EBITDA	**845**	**48**	**NMF**	**1,655**	**-48.9%**	**560**	**714**	**-21.6%**	**(64)**	**NMF**	**(97)**	**-**	**-**	**1,308**	**762**	**71.7%**	**1,591**	**-17.8%**
Depreciation and amortization	(134)	(63)	112.7%	(305)	-56.1%	(5)	(3)	66.7%	(10)	-50.0%	-	-	-	(139)	(66)	110.6%	(315)	-55.9%
Net foreign currency (loss) gain	(297)	(184)	61.4%	89	NMF	(10)	(10)	-	5	NMF	-	-	-	(307)	(194)	58.2%	94	NMF
Interest income	99	182	-45.6%	151	-34.4%	3	7	-57.1%	(6)	-150.0%	-	-	-	102	189	-46.0%	145	-29.7%
Interest expense	-	(2)	NMF	-	-	(41)	(46)	-10.9%	(47)	-12.8%	-	-	-	(41)	(48)	-14.6%	(47)	-12.8%
Net operating income (loss) before non-recurring items	**513**	**(19)**	**NMF**	**1,590**	**-67.7%**	**507**	**662**	**-23.4%**	**(122)**	**NMF**	**(97)**	**-**	**-**	**923**	**643**	**43.5%**	**1,468**	**-37.1%**
Net non-recurring items	(31)	(73)	-57.5%	(191)	-83.8%	(1)	(3)	-66.7%	(6)	-83.3%	-	-	-	(32)	(76)	-57.9%	(197)	-83.8%
Profit before income tax	**482**	**(92)**	**NMF**	**1,399**	**-65.5%**	**506**	**659**	**-23.2%**	**(128)**	**NMF**	**(97)**	**-**	**-**	**891**	**567**	**57.1%**	**1,271**	**-29.9%**
Income tax (expense)	-	-	-	(468)	NMF	-	-	-	(13)	NMF	-	-	-	-	-	-	(481)	NMF
Profit	**482**	**(92)**	**NMF**	**931**	**-48.2%**	**506**	**659**	**-23.2%**	**(141)**	**NMF**	**(97)**	**-**	**-**	**891**	**567**	**57.1%**	**790**	**12.8%**

Annex:

In this announcement the Management uses various alternative performance measures ("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 our operating performance and make day-to-day operating decisions.

Glossary

1. Return on average total assets (ROAA) equals Banking Business Profit for the period divided by monthly average total assets for the same period;
2. Return on average total equity (ROAE) equals Banking Business Profit for the period attributable to shareholders of BGEO divided by monthly average equity attributable to shareholders of BGEO for the same period;
3. Net Interest Margin (NIM) equals Net Banking Interest Income of the period divided by monthly Average Interest Earning Assets Excluding Cash for the same period; Interest Earning Assets Excluding Cash comprise: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares) and net Loans To Customers And Finance Lease Receivables;
4. Loan Yield equals Banking Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;
5. Cost of Funds equals banking interest expense of the period divided by monthly average interest bearing liabilities; interest bearing liabilities include: amounts due to credit institutions, client deposits and notes, and debt securities issued;
6. Operating Leverage equals percentage change in revenue less percentage change in operating expenses;
7. Cost / Income Ratio equals operating expenses divided by revenue;
8. NBG Liquidity Ratio equals daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;
9. Liquid assets include: cash and cash equivalents, amounts due from credit institutions and investment securities;
10. Liquidity Coverage Ratio equals high quality liquid assets (as defined by NBG) divided by net cash outflow over the next 30 days (as defined by NBG)
11. Leverage (Times) equals total liabilities divided by total equity;
12. NPL Coverage Ratio equals allowance for impairment of loans and finance lease receivables divided by NPLs;
13. NPL Coverage Ratio adjusted for discounted value of collateral equals allowance for impairment of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for impairment)
14. Cost of Risk equals 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;
15. NBG (Basel III) Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;
16. NBG (Basel III) Total Capital Adequacy ratio equals total capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
17. Loss ratio equals net insurance claims expense divided by net earned premiums
18. Expense ratio equals sum of acquisition costs and operating expenses divided by net earned premiums
19. Combined ratio equals sum of the loss ratio and the expense ratio
20. NMF – Not meaningful

Bank of Georgia Group PLC 1Q18 Results Conference Call Details

Bank of Georgia Group PLC ("**Bank of Georgia Group**" or the "**Group**") will publish its financial results for the 1st quarter 2018 at 07:00 London time on Monday, 21 May 2018. The results announcement will be available on the Group's website at www.bankofgeorgiagroup.com or www.bgeo.com. An investor/analyst conference call, organised by Bank of Georgia Group, will be held on, 21 May 2018, at 14:00 UK / 15:00 CET / 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.

Dial-in numbers:
Pass code for replays/Conference ID: **1597205**
International Dial-in: +44 (0) 2071 928000
UK: 08445718892
US: 16315107495
Austria: 019286559
Belgium: 024009874
Czech Republic: 228881424
Denmark: 32728042
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Norway: 23960264
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30-Day replay:
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International Dial in: +44 (0)1452550000
UK National Dial In: 08717000145
UK Local Dial In: 08443386600
USA Free Call Dial In: 1 (866) 247-4222

COMPANY INFORMATION

Bank of Georgia Group PLC

Registered Address

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

Stock Listing

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

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Share price information

Shareholders can access both the latest and historical prices via the websites,
www.bankofgeorgiagroup.com or www.BGEO.com