BANK OF GEORGIA
GROUP PLC

Bank of Georgia Group PLC

2nd quarter and half-year 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. The Group combined a **Banking Business** and an **Investment Business** prior to the Group demerger on 29 May 2018, which resulted in the Investment Business's separation from the Group effective from 29 May 2018.

The **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 superior growth of the Georgian economy 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.

FORWARD LOOKING STATEMENTS

CONTENT

Bank of Georgia Group PLC announces the Group's second quarter 2018 and first half 2018 consolidated results. Unless otherwise noted, numbers are for 2Q18 and comparisons are with 2Q17. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts.

GROUP HIGHLIGHTS

Strong results driven by outstanding profitability and balance sheet growth momentum

GEL thousands, except per share information	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	1H18	1H17	Change y-o-y
Group								
Profit	129,229	123,628	4.5%	128,559	0.5%	257,788	231,800	11.2%
Basic earnings per share	2.77	3.10	-10.6%	3.08	-10.1%	5.82	5.74	1.4%
Book value per share[1]	34.12	58.83	-42.0%	64.91	-47.4%	34.12	58.83	-42.0%
Equity attributable to shareholders of the Group	1,630,432	2,215,053	-26.4%	2,429,515	-32.9%	1,630,432	2,215,053	-26.4%
Total assets	13,208,821	13,136,463	0.6%	15,474,490	-14.6%	13,208,821	13,136,463	0.6%
Number of Shares Outstanding	49,169,430	39,412,320	24.8%	39,384,712	24.8%	49,169,430	39,412,320	24.8%
Banking Business								
Revenue	252,460	212,038	19.1%	236,393	6.8%	488,852	425,827	14.8%
Cost of credit risk	39,670	40,015	-0.9%	38,143	4.0%	77,813	88,036	-11.6%
Profit before non-recurring items and income tax	120,021	91,632	31.0%	111,190	7.9%	231,211	180,861	27.8%
Loans to customers and finance lease receivables[2]	8,078,132	6,579,996	22.8%[3]	7,792,108	3.7%[3]	8,078,132	6,579,996	22.8%[3]
Client deposits and notes	7,174,234	5,655,341	26.9%[4]	7,296,110	-1.7%[4]	7,174,234	5,655,341	26.9%[4]
ROAE[5]	*25.2%*	*24.1%*		*25.9%*		*25.5%*	*23.9%*	
Net interest margin	*6.9%*	*7.3%*		*7.0%*		*7.0%*	*7.3%*	
Loan yields	*14.0%*	*14.3%*		*13.9%*		*13.9%*	*14.1%*	
Cost of funds	*5.0%*	*4.8%*		*4.8%*		*4.9%*	*4.7%*	
Cost / Income	*36.9%*	*38.1%*		*37.0%*		*36.9%*	*37.1%*	
Cost of risk	*1.7%*	*2.2%*		*2.1%*		*1.9%*	*2.3%*	
Leverage (times equity)	*7.1*	*6.8*		*7.4*		*7.1*	*6.8*	
NBG (Basel III) Tier I Capital Adequacy Ratio	*12.5%*	*n/a*		*12.4%*		*12.5%*	*n/a*	
Profit from discontinued operations[6]	80,762	36,297	122.5%	29,375	NMF	110,137	61,342	79.5%

Georgian economy continues to deliver strong growth momentum

- Economic growth in Georgia accelerated to 5.7% in 1H18, delivering its fastest pace of growth since 2012. Booming tourism, impressive growth in goods exports and remittances remain major contributors to economic expansion, while on-going growth-enhancing reforms strengthen growth outlook. Annual inflation fell to 2.2% in June 2018 and is expected to remain close to the National Bank of Georgia's 3.0% target for the full year. The Lari appreciated by 5.4% against the US Dollar during 1H18 and the foreign exchange market remained stable over the period. Georgia's US$ reserves stood at US$ 3.0 billion at 30 June 2018

Demerger Effective

- On 29 May 2018, the demerger of Bank of Georgia Group PLC's Investment Business to Georgia Capital PLC became effective. The results of operations of the Investment Business prior to demerger, as well as the gain recorded by the Group as a result of the Investment Business distribution are classified under the "discontinued operations" line as a single amount in the 2Q18 and 1H18 consolidated income statement. In line with IFRS, comparative periods have been accordingly restated to reflect the reclassification of the Investment Business from "continuing operations" into "discontinued operations." The Investment Business was already classified as "disposal group held for distribution" in the 1Q18 consolidated financial statements, as at that date the distribution of the Investment Business to the Group's shareholders was highly probable following the approval of the demerger at the 2018 Annual General Meeting on 30 April 2018. As a result, assets and liabilities held by the Investment Business as of 31 March 2018 were presented separately in the consolidated balance sheet under "assets of disposal group held for distribution" and "liabilities of disposal group held for distribution"

Interim Dividend

- On 31 July 2018, Bank of Georgia Group paid an interim dividend of GEL 2.44 per ordinary share (GBP 0.7585 per ordinary share) in respect of the period ended 30 June 2018 to ordinary shareholders of the Group. This implies a dividend yield of 4.0%, based on the closing price of the shares prior to the ex-dividend date (18 July 2018)

[1] The decline in Book value per share as at 30 June 2018 is driven by the demerger of Investment Business to Georgia Capital PLC on 29 May 2018 and the issuance and allotment of additional 9,784,716 Bank of Georgia Group shares (equivalent to 19.9% of Bank of Georgia Group's issued ordinary share capital) to Georgia Capital

[2] The Group completed its IFRS 9 implementation programme and adopted 'IFRS 9, Financial Instruments' standard from 1 January 2018. As allowed by IFRS 9, the Group did not restate prior-period data, therefore, comparatives are presented on an IAS 39 basis. In addition, throughout this Announcement, the gross loans to customers and respective allowance for impairment are presented net-off expected credit loss (ECL) on contractually accrued interest income. These do not have effect on the net loans to customers balance. Management believes that netted-off balances provide best representation of the Group's loan portfolio position

[3] As of 30 June 2018, loans and finance lease receivables growth on a constant currency basis was 21.5% and 2.8% on y-o-y and q-o-q basis, respectively

[4] As of 30 June 2018, client deposits and notes on a constant currency basis increased by 25.4% y-o-y and decreased by 2.6% q-o-q

[5] 2Q18 and 1H18 results adjusted for GEL 30.3mln demerger related costs, GEL 8.0mln demerger related corporate income tax gain, and GEL 30.3mln one-off impact of re-measurement of deferred tax balances (*see details on page 5 and 12*)

[6] Profit from discontinued operations in 2Q18 and 1H18 includes the results of operations of the Investment Business prior to demerger and GEL 90.7mln gain on Investment Business distribution

RESULTS HIGHLIGHTS

- **Strong quarterly results.** Profit before non-recurring items and income tax totalled GEL 120.0mln in 2Q18 (up 31.0% y-o-y and up 7.9% q-o-q) and GEL 231.2mln during the half year 2018 (up 27.8% y-o-y), while ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances was 25.2% in 2Q18 (up 110bps y-o-y and down 70bps q-o-q) and 25.5% in 1H18 (up 160bps y-o-y)
- **Asset quality was very strong during 2Q18.** NPLs to gross loans ratio decreased to 3.0% at 30 June 2018 (4.4% at 30 June 2017 and 3.1% at 31 March 2018). NPL coverage ratio stood at 110.5% at 30 June 2018 (111.4% at 31 March 2018 and 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 30 June 2018 (147.2% at 31 March 2018 and 131.5% at 30 June 2017). The asset quality improvement positively impacted the cost of risk ratio, which decreased to 1.7% in 2Q18 (2.2% in 2Q17 and 2.1% in 1Q18) and at 1.9% in 1H18 (2.3% in 1H17)
- **The loan book growth on a constant-currency basis reached 21.5% y-o-y and 2.8% q-o-q at 30 June 2018.** Retail Banking loan book share in the total loan portfolio was 70.1% at 30 June 2018 (66.1% at 30 June 2017 and 69.3% at 31 March 2018)
- **Retail Banking ("RB") continued to deliver strong growth across all its business lines.** Retail Banking revenue reached GEL 179.2mln in 2Q18, up 26.4% y-o-y and up 5.0% q-o-q, with half year 2018 revenue totaling GEL 349.9mln, up 23.6% y-o-y. The Retail Banking net loan book reached GEL 5,382.4mln at 30 June 2018, up 29.5% y-o-y and up 4.4% q-o-q. The growth on a constant-currency basis was 28.5% y-o-y and 3.7% q-o-q. The number of Retail Banking clients reached 2.4mln at the end of 2Q18, up 6.7% from 2.2mln at the end of 2Q17 and up 1.1% from 1Q18
- **Our Retail Banking product to client ratio increased to 2.2 in 2Q18, up from 2.0 in 2Q17.** We continue to see solid growth in sales volumes and the number of products sold to our clients in our branches which have been transformed using our client-centric model, contributing to a 29.5% y-o-y growth in our retail loan book
- **Retail Banking client deposits** increased to GEL 3,479.9mln at 30 June 2018, up 33.2% y-o-y and up 5.3% q-o-q. Growth on a constant-currency basis was 31.5% y-o-y and 4.2% q-o-q
- **Corporate Investment Banking ("CIB") continued further growth in 1H18 after delivering on its risk de-concentration and loan portfolio repositioning targets in 2017.** CIB's net loan book amounted to GEL 2,251.8mln at 30 June 2018, up 8.9% y-o-y and flat q-o-q on constant currency basis. The top 10 CIB client concentration was 10.2% at the end of 2Q18, down from 11.1% at 30 June 2017 and 10.3% at 31 March 2018
- **Investment Management's Assets Under Management ("AUM") increased to GEL 1,993.9mln in 2Q18**, up 19.7% y-o-y and up 8.6% q-o-q, reflecting higher bond issuance activity and servicing Georgia Capital by our brokerage arm Galt & Taggart
- **De-dollarisation of the loan book and clients deposits continued.** Loan book in local currency accounted for 41.7% of the total book at 30 June 2018, compared to 36.8% a year ago and 41.3% 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 and our goal to increase the share of local currency loans in our portfolio. Client deposits in local currency represented 37.9% of the total deposit portfolio at 30 June 2018, compared to 26.0% at 30 June 2017 and 33.8% at 31 March 2018
- **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 1H18, 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. Finally, the Bank secured GEL 160mln local currency financing with maturity of five years from Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. (FMO) in July 2018
- **Amendment to the current corporate taxation model.** On 12 June 2018, an amendment to the current corporate taxation model applicable to financial institutions, including banks and insurance businesses became effective. The change implies a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings starting from 1 January 2023, instead of 1 January 2019 as previously enacted in 2016. The change had an immediate impact on deferred tax asset and deferred tax liability balances attributable to previously recognised temporary differences arising from prior periods. The Group re-measured its deferred tax balances at 30 June 2018 and recognised a GEL 30.3mln one-off deferred income tax expense in 2Q18. This impact is a reversal of the one-off deferred tax gain recognised by the Group in 2016

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am delighted that the Bank of Georgia Group has continued to perform strongly throughout the first half of 2018, at a time when the Group, on 29 May 2018, completed the demerger of Bank of Georgia Group PLC's Investment Business to Georgia Capital PLC. The Group is now a banking business at its core, and throughout the demerger process the Banking Business has continued on its recent strong growth, high return trajectory whilst also continuing to significantly improve asset quality in the lending portfolios.

This performance has been supported by strong economic growth in Georgia, with real GDP growth in the first half of the year an estimated 5.7%. Business confidence remains strong, exports continue to grow rapidly and tourist inflows were at unparalleled levels during the first half. Annual inflation is currently running at around 2.2%, and is expected to remain close to the National Bank of Georgia's 3% target for the year. In addition, the foreign exchange market has remained stable during the period and the Georgian Lari appreciated 5.4% against the US Dollar during the first half.

At the consolidated Bank of Georgia Group PLC level, profit during the half year totalled GEL 257.8 million, an increase of 11% on the first half of 2017. This number was however impacted by a number of one-off items, largely related to the demerger process, but also reflecting a change to the Georgian corporate taxation model. These items are discussed in more detail in the "Bank of Georgia Group Highlights" section of this report. Focusing on the core Banking Business, profit before non-recurring items and income tax totalled GEL 231.2 million during the first half of 2018, an increase of 28%. On the same basis, profit in the second quarter of 2018 totalled GEL 120.0 million, an increase of 31% year-on-year, and 8% quarter-on-quarter.

The Banking Business delivered a strong result in the second quarter, with an adjusted return on equity of 25.2%. The loan book grew 23% year-on-year, and 4% during the quarter, reflecting continued strong growth in Retail Banking, where the mortgage portfolio has increased by 50% over the last 12 months, and our renewed focus in corporate lending, 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 banking sector's increasing focus on lending to finer margin corporate and SME clients, and in the mortgage sector, has led to a negative mix effect on the net interest margin, which was reduced by 10 basis points quarter on quarter to 6.9%. This shift in product mix, which we expect to continue, improves our asset quality metrics and we have seen stability in our net interest margin net of credit costs. Costs remain well controlled, and the Banking Business delivered positive operating leverage whilst continuing to invest in our strong customer franchise.

The Retail Banking customer franchise continues to grow strongly in all segments and delivered record quarterly net interest income of GEL 138.2 million in 2Q18. The Retail Banking product to client ratio increased to 2.2, compared to 2.0 in the first half of last year. This has been supported by increased penetration of our digital offers and the significantly increased use of our mobile banking application – mBank. In addition, we are firmly on track to deliver our targeted 40,000 Solo clients by the end of 2018, with over 39,000 clients already benefiting from Solo's concierge-style banking proposition.

Asset quality continues to improve significantly. The annualised cost of risk ratio in the first half of 2018 was 1.9%, and in the second quarter was 1.7%, now below our medium-term cost of risk expectations. This was achieved at the same time as improving other asset quality metrics, with non-performing lending reducing by 19% over the last twelve months, and the NPL Coverage ratio improving from 90% to 111% over the same period. The NPLs to Gross Loans ratio has also reduced significantly, from 4.4% to 3.0%, 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 17.5% and 12.5%, respectively, at the end of the first half, significantly in excess of the Bank's minimum capital requirements. Bank of Georgia continues to have strong capital and liquidity ratios and high levels of internal capital generation.

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 growth rates in the unsecured consumer sector to moderate, while expecting continued solid growth in mortgage and SME lending. Overall, our expectations for the full year customer lending growth of 15-20% remain unchanged.

There are currently a number of macroeconomic and currency pressures affecting some of Georgia's trading partners, particularly Turkey. Georgia has a well-diversified economy and has no significant reliance on any single country or sector to drive its expected macroeconomic growth over the next few years. During 2017, Georgia's exposure to Turkey accounted for only 6.1% of GDP, through a combination of remittances, FDI, exports and tourist arrivals. The exchange rate of the Georgian Lari to the US Dollar has weakened slightly during the last month, but only to levels seen during the beginning of the year. We are currently expecting the GEL USD exchange rate to be approximately 2.70 at the end of the year. The Bank to date has not seen any impact of the regional economic turbulence on its asset quality performance or expectations, but we continue to closely monitor developments in Turkey, including spillover effects, if any, on the Georgian economy. The Bank has no material direct exposure to Turkey, while the indirect exposure is limited to GEL 180.6 million tender, performance and advance guarantees, related to road construction projects in Georgia that are cash funded by the Georgian Government and operated by Turkish contractors.

Georgia's macroeconomic growth drivers are robust, and we expect this trend to continue – supported by the Georgian Government's ongoing growth-oriented reform programme, and prudent economic and monetary policies. Bank of Georgia is well positioned to capitalise on this growth and continue to deliver solid franchise growth, strong operational and capital efficiency, and superior returns to shareholders into the second half of 2018 and over the medium-term.

Kaha Kiknavelidze,

CEO, Bank of Georgia Group PLC

15 August 2018

FINANCIAL SUMMARY

INCOME STATEMENT (QUARTERLY)	Bank of Georgia Group Consolidated					Banking Business[7]					Discontinued Operations[7]				
GEL thousands unless otherwise noted	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q
Net interest income	187,488	160,099	17.1%	181,114	3.5%	186,330	160,308	16.2%	180,123	3.4%	-	-	-	-	-
Net fee and commission income	37,652	31,027	21.4%	34,185	10.1%	37,847	31,402	20.5%	34,511	9.7%	-	-	-	-	-
Net foreign currency gain	25,004	18,005	38.9%	14,913	67.7%	24,577	19,282	27.5%	16,015	53.5%	-	-	-	-	-
Net other income	3,380	777	NMF	5,518	-38.7%	3,706	1,046	NMF	5,744	-35.5%	-	-	-	-	-
Revenue	253,524	209,908	20.8%	235,730	7.5%	252,460	212,038	19.1%	236,393	6.8%	-	-	-	-	-
Operating expenses	**(92,580)**	**(79,826)**	**16.0%**	**(86,279)**	**7.3%**	**(93,145)**	**(80,785)**	**15.3%**	**(87,379)**	**6.6%**	-	-	-	-	-
Profit from associates	376	394	-4.6%	319	17.9%	376	394	-4.6%	319	17.9%	-	-	-	-	-
Operating income before cost of credit risk	**161,320**	**130,476**	**23.6%**	**149,770**	**7.7%**	**159,691**	**131,647**	**21.3%**	**149,333**	**6.9%**	-	-	-	-	-
Cost of credit risk	(39,670)	(40,015)	-0.9%	(38,143)	4.0%	(39,670)	(40,015)	-0.9%	(38,143)	4.0%	-	-	-	-	-
Profit before non-recurring items and income tax	**121,650**	**90,461**	**34.5%**	**111,627**	**9.0%**	**120,021**	**91,632**	**31.0%**	**111,190**	**7.9%**	-	-	-	-	-
Net non-recurring items	(43,875)	(1,017)	NMF	(2,948)	NMF	(44,047)	(1,017)	NMF	(2,948)	NMF	-	-	-	-	-
Profit before income tax expense	**77,775**	**89,444**	**-13.0%**	**108,679**	**-28.4%**	**75,974**	**90,615**	**-16.2%**	**108,242**	**-29.8%**	-	-	-	-	-
Income tax expense	(27,507)	(3,284)	NMF	(9,058)	NMF	(27,507)	(3,284)	NMF	(9,058)	NMF	-	-	-	-	-
Profit from continuing operations	**50,268**	**86,160**	**-41.7%**	**99,621**	**-49.5%**	**48,467**	**87,331**	**-44.5%**	**99,184**	**-51.1%**	-	-	-	-	-
Profit from discontinued operations	78,961	37,468	110.7%	28,938	NMF	-	-	-	-	-	80,762	36,297	122.5%	29,375	NMF
Profit	129,229	123,628	4.5%	128,559	0.5%	48,467	87,331	-44.5%	99,184	-51.1%	80,762	36,297	122.5%	29,375	NMF
Earnings per share (basic)	**2.77**	**3.10**	**-10.6%**	**3.08**	**-10.1%**	**1.13**	**2.27**	**-50.2%**	**2.64**	**-57.2%**					
Earnings per share (diluted)	**2.74**	**2.98**	**-8.1%**	**2.98**	**-8.1%**	**1.12**	**2.18**	**-48.6%**	**2.55**	**-56.1%**					
Earnings per share (basic) adjusted[8]						*2.31*	*2.27*	*1.8%*	*2.64*	*-12.5%*					
Earnings per share (diluted) adjusted[8]						*2.29*	*2.18*	*5.0%*	*2.55*	*-10.2%*					

INCOME STATEMENT (HALF-YEAR)	Bank of Georgia Group Consolidated			Banking Business[7]			Discontinued Operations[7]		
GEL thousands unless otherwise noted	1H18	1H17	Change y-o-y	1H18	1H17	Change y-o-y	1H18	1H17	Change y-o-y
Net interest income	368,602	320,434	15.0%	366,453	321,188	14.1%	-	-	-
Net fee and commission income	71,837	60,812	18.1%	72,357	61,594	17.5%	-	-	-
Net foreign currency gain	39,916	30,531	30.7%	40,591	38,982	4.1%	-	-	-
Net other income	8,898	3,561	149.9%	9,451	4,063	132.6%	-	-	-
Revenue	489,253	415,338	17.8%	488,852	425,827	14.8%	-	-	-
Operating expenses	**(178,858)**	**(155,930)**	**14.7%**	**(180,523)**	**(157,839)**	**14.4%**	-	-	-
Profit from associates	695	909	-23.5%	695	909	-23.5%	-	-	-
Operating income before cost of credit risk	**311,090**	**260,317**	**19.5%**	**309,024**	**268,897**	**14.9%**	-	-	-
Cost of credit risk	(77,813)	(88,036)	-11.6%	(77,813)	(88,036)	-11.6%	-	-	-
Profit before non-recurring items and income tax	**233,277**	**172,281**	**35.4%**	**231,211**	**180,861**	**27.8%**	-	-	-
Net non-recurring items	(46,823)	(2,711)	NMF	(46,995)	(2,711)	NMF	-	-	-
Profit before income tax expense	**186,454**	**169,570**	**10.0%**	**184,216**	**178,150**	**3.4%**	-	-	-
Income tax expense	(36,565)	(7,692)	NMF	(36,565)	(7,692)	NMF	-	-	-
Profit from continuing operations	**149,889**	**161,878**	**-7.4%**	**147,651**	**170,458**	**-13.4%**	-	-	-
Profit from discontinued operations	107,899	69,922	54.3%	-	-	-	110,137	61,342	79.5%
Profit	257,788	231,800	11.2%	147,651	170,458	-13.4%	110,137	61,342	79.5%
Earnings per share (basic)	**5.82**	**5.74**	**1.4%**	**3.64**	**4.24**	**-14.2%**			
Earnings per share (diluted)	**5.76**	**5.51**	**4.5%**	**3.60**	**4.08**	**-11.8%**			
Earnings per share (basic) adjusted[8]				*4.92*	*4.24*	*16.0%*			
Earnings per share (diluted) adjusted[8]				*4.86*	*4.08*	*19.1%*			

[7] Banking Business and Discontinued Operations financials do not include inter-business eliminations. Detailed financials, including inter-business eliminations are provided on pages 21, 22 and 23

[8] 2Q18 and 1H18 results adjusted for GEL 30.3mln demerger related costs, GEL 8.0mln demerger related corporate income tax gain, and GEL 30.3mln one-off impact of re-measurement of deferred tax balances (*see details on page 5 and 12*)

BALANCE SHEET

GEL thousands unless otherwise noted	Bank of Georgia Group Consolidated					Banking Business[9]					Discontinued Operations[9]				
	Jun-18	**Jun-17**	**Change y-o-y**	**Mar-18**	**Change q-o-q**	**Jun-18**	**Jun-17**	**Change y-o-y**	**Mar-18**	**Change q-o-q**	**Jun-18**	**Jun-17**	**Change y-o-y**	**Mar-18**	**Change q-o-q**
Liquid assets	4,266,417	3,942,743	8.2%	4,445,452	-4.0%	4,266,417	3,775,370	13.0%	4,514,326	-5.5%	-	549,426	NMF	-	-
Cash and cash equivalents	*1,546,863*	*1,454,387*	*6.4%*	*1,754,920*	*-11.9%*	*1,546,863*	*1,401,728*	*10.4%*	*1,754,920*	*-11.9%*	-	*349,166*	*NMF*	-	-
Amounts due from credit institutions	*993,862*	*1,090,259*	*-8.8%*	*941,804*	*5.5%*	*993,862*	*976,810*	*1.7%*	*955,175*	*4.1%*	-	*152,635*	*NMF*	-	-
Investment securities	*1,725,692*	*1,398,097*	*23.4%*	*1,748,728*	*-1.3%*	*1,725,692*	*1,396,832*	*23.5%*	*1,804,231*	*-4.4%*	-	*47,625*	*NMF*	-	-
Loans to customers and finance lease receivables	8,078,132	6,517,773	23.9%	7,727,568	4.5%	8,078,132	6,579,996	22.8%	7,792,108	3.7%	-	-	-	-	-
Property and equipment	313,627	1,418,453	-77.9%	324,810	-3.4%	313,627	303,396	3.4%	324,810	-3.4%	-	1,110,722	NMF	-	-
Assets of disposal group held for distribution	-	-	-	2,447,592	NMF	-	-	-	-	-	-	-	-	3,841,004	NMF
Total assets	**13,208,821**	**13,136,463**	**0.6%**	**15,474,490**	**-14.6%**	**13,208,821**	**11,060,955**	**19.4%**	**13,166,862**	**0.3%**	-	**2,527,043**	**NMF**	**3,841,004**	**NMF**
Client deposits and notes	7,174,234	5,319,398	34.9%	6,762,071	6.1%	7,174,234	5,655,341	26.9%	7,296,110	-1.7%	-	-	-	-	-
Amounts due to credit institutions	2,740,595	3,077,869	-11.0%	2,521,291	8.7%	2,740,595	2,602,304	5.3%	2,642,427	3.7%	-	538,533	NMF	-	-
Borrowings from DFI	*1,161,120*	*1,343,492*	*-13.6%*	*1,191,605*	*-2.6%*	*1,161,120*	*1,088,054*	*6.7%*	*1,191,605*	*-2.6%*	-	*255,438*	*NMF*	-	-
Short-term loans from NBG	*556,834*	*999,159*	*-44.3%*	*729,244*	*-23.6%*	*556,834*	*999,159*	*-44.3%*	*729,244*	*-23.6%*	-	-	-	-	-
Loans and deposits from commercial banks	*1,022,641*	*735,218*	*39.1%*	*600,442*	*70.3%*	*1,022,641*	*515,091*	*98.5%*	*721,578*	*41.7%*	-	*283,095*	*NMF*	-	-
Debt securities issued	1,527,452	1,582,431	-3.5%	1,524,600	0.2%	1,527,452	1,312,990	16.3%	1,569,404	-2.7%	-	319,033	NMF	-	-
Liabilities of disposal group held for distribution	-	-	-	1,837,869	NMF	-	-	-	-	-	-	-	-	1,964,463	NMF
Total liabilities	**11,571,235**	**10,628,270**	**8.9%**	**12,733,920**	**-9.1%**	**11,571,235**	**9,648,928**	**19.9%**	**11,596,833**	**-0.2%**	-	**1,430,877**	**NMF**	**1,964,463**	**NMF**
Total equity	**1,637,586**	**2,508,193**	**-34.7%**	**2,740,570**	**-40.2%**	**1,637,586**	**1,412,027**	**16.0%**	**1,570,029**	**4.3%**	-	**1,096,166**	**NMF**	**1,876,541**	**NMF**

BANKING BUSINESS RATIOS

	2Q18	**2Q17**	**1Q18**	**1H18**	**1H17**
ROAA[10]	3.1%	3.2%	3.1%	3.1%	3.2%
ROAE[10]	25.2%	24.1%	25.9%	25.5%	23.9%
Net Interest Margin	6.9%	7.3%	7.0%	7.0%	7.3%
Loan Yield	14.0%	14.3%	13.9%	13.9%	14.1%
Liquid assets yield	3.8%	3.4%	3.6%	3.7%	3.3%
Cost of Funds	5.0%	4.8%	4.8%	4.9%	4.7%
Cost of Client Deposits and Notes	3.6%	3.6%	3.4%	3.5%	3.5%
Cost of Amounts Due to Credit Institutions	7.2%	6.6%	6.9%	7.0%	6.4%
Cost of Debt Securities Issued	7.7%	7.1%	7.7%	7.8%	6.5%
Cost / Income	36.9%	38.1%	37.0%	36.9%	37.1%
NPLs to Gross Loans to Clients	3.0%	4.4%	3.1%	3.0%	4.4%
NPL Coverage Ratio	110.5%	90.2%	111.4%	110.5%	90.2%
NPL Coverage Ratio, Adjusted for discounted value of collateral	147.2%	131.5%	147.2%	147.2%	131.5%
Cost of Risk	1.7%	2.2%	2.1%	1.9%	2.3%
NBG (Basel III) Tier I Capital Adequacy Ratio	12.5%	n/a	12.4%	12.5%	n/a
NBG (Basel III) Total Capital Adequacy Ratio	17.5%	n/a	17.3%	17.5%	n/a

[9] Banking Business and Discontinued Operations financials do not include inter-business eliminations. Detailed financials, including inter-business eliminations are provided on pages 21, 22 and 23

[10] 2Q18 and 1H18 results adjusted for GEL 30.3mln demerger related costs, GEL 8.0mln demerger related corporate income tax gain, and GEL 30.3mln one-off impact of re-measurement of deferred tax balances (*see details on page 5 and 12*)

DISCUSSION OF RESULTS

The Group's business is primarily comprised of three segments. (1) ***Retail Banking*** *operations in Georgia principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfer and settlement services, and handling customers' deposits for both individuals as well as legal entities. Retail Banking targets the emerging retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. (2)* ***Corporate 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	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	1H18	1H17	Change y-o-y
Interest income	329,628	272,946	20.8%	313,553	5.1%	643,181	540,068	19.1%
Interest expense	(143,298)	(112,638)	27.2%	(133,430)	7.4%	(276,728)	(218,880)	26.4%
Net interest income	**186,330**	**160,308**	**16.2%**	**180,123**	**3.4%**	**366,453**	**321,188**	**14.1%**
Fee and commission income	55,693	45,903	21.3%	51,213	8.7%	106,906	89,605	19.3%
Fee and commission expense	(17,846)	(14,501)	23.1%	(16,702)	6.8%	(34,549)	(28,011)	23.3%
Net fee and commission income	**37,847**	**31,402**	**20.5%**	**34,511**	**9.7%**	**72,357**	**61,594**	**17.5%**
Net foreign currency gain	24,577	19,282	27.5%	16,015	53.5%	40,591	38,982	4.1%
Net other income	3,706	1,046	NMF	5,744	-35.5%	9,451	4,063	132.6%
Revenue	**252,460**	**212,038**	**19.1%**	**236,393**	**6.8%**	**488,852**	**425,827**	**14.8%**
Net Interest Margin	6.9%	7.3%		7.0%		7.0%	7.3%	
Average interest earning assets	10,787,812	8,799,432	22.6%	10,413,787	3.6%	10,607,869	8,852,691	19.8%
Average interest bearing liabilities	11,468,106	9,389,773	22.1%	11,230,932	2.1%	11,326,887	9,442,232	20.0%
Average net loans and finance lease receivables, currency blended	7,968,652	6,527,839	22.1%	7,749,210	2.8%	7,868,477	6,599,211	19.2%
Average net loans and finance lease receivables, GEL	3,305,404	2,284,483	44.7%	3,085,905	7.1%	3,192,832	2,158,329	47.9%
Average net loans and finance lease receivables, FC	4,663,248	4,243,356	9.9%	4,663,305	0.0%	4,675,645	4,440,882	5.3%
Average client deposits and notes, currency blended	7,253,758	5,713,293	27.0%	7,038,125	3.1%	7,124,489	5,736,084	24.2%
Average client deposits and notes, GEL	2,588,111	1,513,772	71.0%	2,315,919	11.8%	2,449,970	1,455,723	68.3%
Average client deposits and notes, FC	4,665,647	4,199,521	11.1%	4,722,206	-1.2%	4,674,519	4,280,361	9.2%
Average liquid assets, currency blended	4,349,730	3,621,790	20.1%	4,306,271	1.0%	4,301,382	3,592,112	19.7%
Average liquid assets, GEL	1,833,260	1,449,760	26.5%	1,804,602	1.6%	1,830,113	1,421,911	28.7%
Average liquid assets, FC	2,516,470	2,172,030	15.9%	2,501,669	0.6%	2,471,269	2,170,201	13.9%
Liquid assets yield, currency blended	3.8%	3.4%		3.6%		3.7%	3.3%	
Liquid assets yield, GEL	7.0%	7.1%		7.0%		6.9%	7.2%	
Liquid assets yield, FC	1.5%	0.9%		1.2%		1.3%	0.8%	
Loan yield, currency blended	14.0%	14.3%		13.9%		13.9%	14.1%	
Loan yield, GEL	20.9%	22.3%		21.1%		21.0%	22.4%	
Loan yield, FC	9.1%	10.0%		9.1%		9.1%	10.1%	
Cost of Funds, currency blended	5.0%	4.8%		4.8%		4.9%	4.7%	
Cost of Funds, GEL	7.2%	7.0%		7.0%		7.1%	6.8%	
Cost of Funds, FC	3.7%	3.7%		3.6%		3.6%	3.8%	
Cost / Income	36.9%	38.1%		37.0%		36.9%	37.1%	

Performance highlights

- **Strong revenue of GEL 252.5mln in 2Q18 (up 19.1% y-o-y and up 6.8% q-o-q), ending the half year 2018 with revenue of GEL 488.9mln (up 14.8% y-o-y)**. Y-o-y revenue growth was primarily driven by an increase in net interest income, which resulted from strong loan book growth. Additionally, net fee and commission income, net foreign currency gain, and net other income increased strongly in 2Q18 – all contributing to growth in revenues
- **Net interest income.** Net interest income was up 16.2% y-o-y and up 3.4% q-o-q in 2Q18 and was up 14.1% y-o-y in half year 2018. The y-o-y increase was primarily driven by the strong growth of our Retail Banking loan book, which experienced 28.5% y-o-y growth on constant currency basis
- **Our NIM was 6.9% in 2Q18 and 7.0% in 1H18.** 2Q18 NIM was down 40bps y-o-y due to the 30bps y-o-y decrease in loan yield, largely reflecting our shift towards a higher quality, finer margin product mix and tighter lending conditions for unsecured consumer lending, and 20bps y-o-y increase in cost of funds. On a q-o-q basis, loan yield increased by 10bps, while cost of funds also increased by 20bps, resulting in 10bps decline in 2Q18 NIM q-o-q. On a half year basis, loan yield was down 20bps and cost of funds was up 20bps y-o-y, driving 30bps y-o-y decline in 1H18 NIM

- **Loan yield.** Currency blended loan yield was 14.0% in 2Q18 (down 30bps y-o-y and up 10bps q-o-q) and was 13.9% during first half of 2018 (down 20bps y-o-y). The y-o-y decline in loan yield was attributable to decrease in both local and foreign currency loan yields, primarily reflecting the change in product mix in the loan portfolio. 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 3.8% in 2Q18 (up 40bps y-o-y and up 20bps q-o-q) and 3.7% 1H18 (up 40bps y-o-y). The foreign currency denominated liquid assets yield increased by 60bps y-o-y and 30bps q-o-q in 2Q18 and increased by 50bps y-o-y in 1H18, 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 10bps y-o-y and remained flat q-o-q in 2Q18 and decreased by 30bps y-o-y in 1H18. However, starting from July 2018, NBG reduced interest rates on foreign currency obligatory reserves (from US Fed rate minus 50bps to Fed rate minus 200bps, floored at zero for US Dollar reserves, and from ECB rate minus 20bps to ECB rate minus 200bps, floored at negative 60bps for EUR denominated reserves)
- **Cost of funds.** Cost of funds stood at 5.0% in 2Q18 (up 20bps y-o-y and q-o-q) and at 4.9% in 1H18 (up 20bps y-o-y). Y-o-y increase both in 2Q18 and 1H18 was primarily driven by increase in cost of debt securities issued following the issuance of GEL 500mln 11.0% Lari denominated notes in 2Q17 (up 60bps y-o-y in 2Q18 and up 130bps y-o-y in 1H18), coupled with increase in cost of amount due to credit institutions (up 60bps y-o-y in 2Q18 and 1H18) as a result of increased local currency denominated borrowings from DFIs and increase in Libor rate during the period. On a quarterly basis, the cost of funds increase in 2Q18 was largely driven by an increase in the cost of client deposits and notes (up 20bps q-o-q in 2Q18) attributable to significant growth in local currency deposits, both in corporate and retail segments, as well as 30bps q-o-q increase in cost of amount due to credit institutions
- **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 45.8% of the total RB loan book at 30 June 2018 (50.8% at 30 June 2017 and 46.0% at 31 March 2018), while retail client foreign currency deposits comprised 70.6% of total RB deposits at 30 June 2018 (71.4% at 30 June 2017 and 71.0% at 31 March 2018). At 30 June 2018, 80.2% of CIB's loan book was denominated in foreign currency (80.8% at 30 June 2017 and 80.7% at 31 March 2018), while 50.7% of CIB deposits were denominated in foreign currency (72.8% at 30 June 2017 and 60.2% at 31 March 2018)
- **Net Loans to Customer Funds and DFI ratio**. Our Net Loans to Customer Funds and DFI ratio, which is closely monitored by management, remained strong at 96.9% (down from 97.6% at 30 June 2017 and up from 91.8% at 31 March 2018)
- **Net fee and commission income.** Net fee and commission income reached GEL 37.8mln in 2Q18 (up 20.5% y-o-y and up 9.7% q-o-q) and GEL 72.4mln during first half 2018 (up 17.5% y-o-y). The growth was mainly driven by the strong performance in our settlement operations supported by the success of our Express banking franchise
- **Net foreign currency gain.** Net foreign currency gain was GEL 24.6mln in 2Q18 (up 27.5% y-o-y and up 53.5% q-o-q) and GEL 40.6mln during first half of 2018 (up 4.1% y-o-y)
- **Net other income.** Net other income increased to GEL 3.7mln in 2Q18 and GEL 9.5mln during first half of 2018, largely driven by net gains from derivative financial instruments recorded in 2Q18 and 1H18, partially offset by net losses from sale of property, plant and equipment and investment properties over the same periods

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

GEL thousands, unless otherwise noted	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	1H18	1H17	Change y-o-y
Salaries and other employee benefits	(53,925)	(47,507)	13.5%	(49,453)	9.0%	(103,378)	(91,786)	12.6%
Administrative expenses	(26,862)	(22,286)	20.5%	(25,633)	4.8%	(52,495)	(44,805)	17.2%
Depreciation and amortisation	(11,392)	(10,197)	11.7%	(11,522)	-1.1%	(22,914)	(19,722)	16.2%
Other operating expenses	(966)	(795)	21.5%	(771)	25.3%	(1,736)	(1,526)	13.8%
Operating expenses	**(93,145)**	**(80,785)**	**15.3%**	**(87,379)**	**6.6%**	**(180,523)**	**(157,839)**	**14.4%**
Profit from associate	376	394	-4.6%	319	17.9%	695	909	-23.5%
Operating income before cost of credit risk	**159,691**	**131,647**	**21.3%**	**149,333**	**6.9%**	**309,024**	**268,897**	**14.9%**
Expected credit loss / impairment charge on loans to customers	(35,678)	(37,756)	-5.5%	(41,006)	-13.0%	(76,684)	(79,097)	-3.1%
Expected credit loss / impairment charge on finance lease receivables	(266)	(67)	NMF	13	NMF	(253)	(207)	22.2%
Other expected credit loss / impairment charge on other assets and provisions	(3,726)	(2,192)	70.0%	2,850	NMF	(876)	(8,732)	-90.0%
Cost of credit risk	**(39,670)**	**(40,015)**	**-0.9%**	**(38,143)**	**4.0%**	**(77,813)**	**(88,036)**	**-11.6%**
Profit before non-recurring items and income tax	**120,021**	**91,632**	**31.0%**	**111,190**	**7.9%**	**231,211**	**180,861**	**27.8%**
Net non-recurring items	(44,047)	(1,017)	NMF	(2,948)	NMF	(46,995)	(2,711)	NMF
Profit before income tax	**75,974**	**90,615**	**-16.2%**	**108,242**	**-29.8%**	**184,216**	**178,150**	**3.4%**
Income tax expense	(27,507)	(3,284)	NMF	(9,058)	NMF	(36,565)	(7,692)	NMF
Profit	**48,467**	**87,331**	**-44.5%**	**99,184**	**-51.1%**	**147,651**	**170,458**	**-13.4%**

- **Operating expenses increased to GEL 93.1mln in 2Q18 (up 15.3% y-o-y and up 6.6% q-o-q) and to GEL 180.5mln during first half of 2018 (up 14.4% y-o-y).** The growth in revenues outpaced the growth in operating expenses both during 2Q18 and 1H18, leading to positive operating leverage during 1H18. Increase in salaries and employee benefits in 2Q18 and 1H18 mainly reflected the strong organic growth of Retail Banking operations. At the same time, 20.5% and 17.2% y-o-y increase in administrative expenses in 2Q18 and 1H18, respectively, was primarily driven by increased personnel training costs and legal and other professional services expenses

- **Cost of risk ratio.** The cost of risk ratio was 1.7% in 2Q18, down 50bps y-o-y and down 40bps q-o-q. RB's 2Q18 cost of risk ratio was down 90bps y-o-y and down 40bps q-o-q, while CIB's cost of risk ratio was up 10bps y-o-y and down 70bps q-o-q. On a half year basis, Banking Business cost of risk ratio was 1.9% in 1H18, down 40bps y-o-y, primarily driven by 80bps y-o-y improvement in RB's cost of risk ratio, partially offset by 60bps y-o-y increase in CIB's cost of risk ratio

- **Quality of our loan book remains strong in 2Q18** as evidenced by following closely monitored metrics:

GEL thousands, unless otherwise noted	Jun-18	Jun-17	Change y-o-y	Mar-18	Change q-o-q
Non-performing loans					
NPLs	247,861	304,320	-18.6%	247,335	0.2%
NPLs to gross loans	3.0%	4.4%		3.1%	
NPLs to gross loans, RB	1.5%	1.7%		1.3%	
NPLs to gross loans, CIB	4.8%	8.3%		5.3%	
NPL coverage ratio	110.5%	90.2%		111.4%	
NPL coverage ratio adjusted for the discounted value of collateral	147.2%	131.5%		147.2%	
Past due dates					
Retail loans - 15 days past due rate	1.6%	1.5%		1.2%	
Mortgage loans – 15 days past due rate	1.0%	1.0%		0.8%	

- **BNB – the Group's banking subsidiary in Belarus - generated a profit of GEL 2.0mln in 2Q18 (down 11.2% y-o-y and down 12.3% q-o-q) and GEL 4.3mln during first half of 2018 (up 46.8% y-o-y)**; BNB's earnings were positively impacted by decreased levels of cost of credit risk in 2Q18 and 1H18 y-o-y. 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 28.9% y-o-y in 2Q18 and down 65.9% y-o-y in 1H18

- BNB's loan book reached GEL 394.5mln at 30 June 2018, up 6.7% y-o-y and up 4.5% q-o-q, mostly reflecting an increase in corporate and consumer loans. Client deposits were GEL 297.8mln at 30 June 2018, up 12.9% y-o-y and up 3.3% q-o-q. The y-o-y 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 30 June 2018, total CAR was 14.6%, above the 10% minimum requirement of the National Bank of the Republic of Belarus ("**NBRB**"), while Tier I CAR was 9.6%, above NBRB's 6% minimum requirement. Return on Average Equity ("**ROAE**") was 10.8% in 2Q18 (13.3% in 2Q17 and 12.3% in 1Q18) and 11.5% in 1H18 (8.7% in 1H17). Strong capitalisation and improved profitability allowed BNB to distribute dividend in the amount of GEL 1.2mln in 1Q18 (GEL 1.2mln in 2017)

- **Overall, profit before non-recurring items and income tax totalled GEL 120.0mln in 2Q18 (up 31.0% y-o-y and up 7.9% q-o-q) and GEL 231.2mln during first half of 2018 (up 27.8% y-o-y), while ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances, increased to 25.2% in 2Q18 (24.1% in 2Q17 and 25.9% in 1Q18) and 25.5% in 1H18 (23.9% in 1H17)**

- **Net non-recurring items.** Net non-recurring expenses amounted to GEL 44.0mln in 2Q18 (GEL 1.0mln in 2Q17 and GEL 2.9mln in 1Q18) primarily comprising of GEL 30.3mln of demerger related costs and GEL 13.5mln spending on a CSR project to support the fiber-optic broadband infrastructure development in rural Georgia, which will provide all regions across the country with full access to high speed internet and will contribute to further development of the economy and education

- **Income tax expense.** Income tax expense amounted to GEL 27.5mln in 2Q18 (GEL3.3mln in 2Q17 and GEL 9.1mln in 1Q18) and GEL 36.6mln during first half of 2018 (GEL 7.7mln in 1H17). The significant increase in income tax expense both in 2Q18 and 1H18 was primarily driven by recognition of one-off impact of re-measurement of deferred tax balances in the amount of GEL 30.3mln as a result of amendment to the current corporate taxation model applicable to financial institutions in June 2018 (*see details on page 5*), partially offset by GEL 8.0mln demerger related corporate income tax gain

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Jun-18	Jun-17	Change y-o-y	Mar-18	Change q-o-q
Liquid assets	4,266,417	3,775,370	13.0%	4,514,326	-5.5%
Liquid assets, GEL	1,969,843	1,567,431	25.7%	1,740,858	13.2%
Liquid assets, FC	2,296,574	2,207,939	4.0%	2,773,468	-17.2%
Net loans and finance lease receivables	8,078,132	6,579,996	22.8%	7,792,108	3.7%
Net loans and finance lease receivables, GEL	3,369,952	2,423,340	39.1%	3,215,412	4.8%
Net loans and finance lease receivables, FC	4,708,180	4,156,656	13.3%	4,576,696	2.9%
Client deposits and notes	7,174,234	5,655,341	26.9%	7,296,110	-1.7%
Amounts due to credit institutions	2,740,595	2,602,304	5.3%	2,642,427	3.7%
Borrowings from DFIs	1,161,120	1,088,054	6.7%	1,191,605	-2.6%
Short-term loans from central banks	556,834	999,159	-44.3%	729,244	-23.6%
Loans and deposits from commercial banks	1,022,641	515,091	98.5%	721,578	41.7%
Debt securities issued	1,527,452	1,312,990	16.3%	1,569,404	-2.7%
Liquidity and CAR ratios					
Net loans / client deposits and notes	112.6%	116.4%		106.8%	
Net loans / client deposits and notes + DFIs	96.9%	97.6%		91.8%	
Liquid assets as percent of total assets	32.3%	34.1%		34.3%	
Liquid assets as percent of total liabilities	36.9%	39.1%		38.9%	
NBG liquidity ratio	30.2%	44.1%		36.5%	
NBG Liquidity Coverage Ratio	129.8%	n/a		135.2%	
NBG (Basel III) Tier I Capital Adequacy Ratio	12.5%	n/a		12.4%	
NBG (Basel III) Total Capital Adequacy Ratio	17.5%	n/a		17.3%	

Our balance sheet remains highly liquid (NBG Liquidity ratio of 30.2%) **and strongly capitalised** (NBG Basel III Tier I ratio of 12.5%) **with a well-diversified funding base** (Client Deposits and notes to Total Liabilities of 62.0%).

- **Liquidity.** Liquid assets increased to GEL 4,266.4mln at 30 June 2018, up 13.0% y-o-y and slightly down 5.5% q-o-q. The y-o-y growth was largely driven by an 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. The NBG average liquidity ratio was 30.2% for June 2018 (44.1% in June 2017 and 36.5% in March 2018), above the regulatory minimum requirement of 30.0%. That said, NBG liquidity ratio stood at 38.2% at 30 June 2018. At the same time, Liquidity coverage ratio was 129.8% at 30 June 2018 (135.2% at 31 March 2018), well above the 100% minimum requirement level
- **Diversified funding base**. Debt securities issued grew by 16.3% y-o-y and decreased by 2.7% q-o-q. The y-o-y increase was driven by the 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 8,078.1mln at 30 June 2018, up 22.8% y-o-y and up 3.7% q-o-q. As of 30 June 2018, retail book represented 70.1% of the total loan portfolio (66.1% at 30 June 2017 and 69.3% at 31 March 2018). While both local and foreign currency portfolios experienced y-o-y growth, the local currency loan portfolio demonstrated a solid increase of 39.1% y-o-y and 4.8% 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
- **Capital Adequacy requirements.** Basel III Tier 1 and Total Capital Adequacy ratios stood at 12.5% and 17.5%, respectively, as of 30 June 2018, as compared to minimum required level of 9.9% and 15.0%, respectively (12.4% and 17.3%, respectively, at 31 March 2018)
- **Digitalisation**. We actively continue the further development of our digital channels by introducing new features to both our mobile banking application and our internet bank on a quarterly basis. At the same time, we are introducing dedicated digital space in our branches to increase client penetration and incentivise offloading to digital channels. For details on digital penetration growth refer to *page 16* of this announcement

Discussion of Segment Results

Retail Banking (RB)

Retail Banking provides consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services and the handling of customer deposits for both individuals and legal entities (SME and micro businesses only). RB is 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	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	1H18	1H17	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	138,234	112,575	22.8%	135,327	2.1%	273,560	224,086	22.1%
Net fee and commission income	29,152	23,970	21.6%	26,141	11.5%	55,292	46,215	19.6%
Net foreign currency gain	10,158	6,060	67.6%	6,111	66.2%	16,269	12,552	29.6%
Net other income	1,664	(851)	NMF	3,103	-46.4%	4,768	131	NMF
Revenue	**179,208**	**141,754**	**26.4%**	**170,682**	**5.0%**	**349,889**	**282,984**	**23.6%**
Salaries and other employee benefits	(34,640)	(29,763)	16.4%	(32,112)	7.9%	(66,752)	(57,628)	15.8%
Administrative expenses	(20,542)	(16,084)	27.7%	(19,541)	5.1%	(40,084)	(32,919)	21.8%
Depreciation and amortisation	(9,818)	(8,644)	13.6%	(9,902)	-0.8%	(19,720)	(16,634)	18.6%
Other operating expenses	(602)	(905)	-33.5%	(503)	19.7%	(1,104)	(988)	11.7%
Operating expenses	**(65,602)**	**(55,396)**	**18.4%**	**(62,058)**	**5.7%**	**(127,660)**	**(108,169)**	**18.0%**
Profit from associate	376	394	-4.6%	319	17.9%	695	909	0.0%
Operating income before cost of credit risk	**113,982**	**86,752**	**31.4%**	**108,943**	**4.6%**	**222,924**	**175,724**	**26.9%**
Cost of credit risk	(31,762)	(31,352)	1.3%	(32,783)	-3.1%	(64,544)	(65,433)	-1.4%
Profit before non-recurring items and income tax	**82,220**	**55,400**	**48.4%**	**76,160**	**8.0%**	**158,380**	**110,291**	**43.6%**
Net non-recurring items	(27,099)	(760)	NMF	(1,975)	NMF	(29,075)	(1,242)	NMF
Profit before income tax	**55,121**	**54,640**	**0.9%**	**74,185**	**-25.7%**	**129,305**	**109,049**	**18.6%**
Income tax expense	(18,237)	(1,776)	NMF	(5,836)	NMF	(24,072)	(5,368)	NMF
Profit	**36,884**	**52,864**	**-30.2%**	**68,349**	**-46.0%**	**105,233**	**103,681**	**1.5%**
BALANCE SHEET HIGHLIGHTS								
Net loans, Currency Blended	5,382,405	4,155,326	29.5%	5,155,254	4.4%	5,382,405	4,155,326	29.5%
Net loans, GEL	2,914,670	2,044,087	42.6%	2,782,812	4.7%	2,914,670	2,044,087	42.6%
Net loans, FC	2,467,735	2,111,239	16.9%	2,372,442	4.0%	2,467,735	2,111,239	16.9%
Client deposits, Currency Blended	3,479,938	2,613,302	33.2%	3,304,319	5.3%	3,479,938	2,613,302	33.2%
Client deposits, GEL	1,021,776	747,234	36.7%	959,084	6.5%	1,021,776	747,234	36.7%
Client deposits, FC	2,458,162	1,866,068	31.7%	2,345,235	4.8%	2,458,162	1,866,068	31.7%
of which:								
Time deposits, Currency Blended	1,952,610	1,505,265	29.7%	1,838,699	6.2%	1,952,610	1,505,265	29.7%
Time deposits, GEL	437,120	286,649	52.5%	412,140	6.1%	437,120	286,649	52.5%
Time deposits, FC	1,515,490	1,218,616	24.4%	1,426,559	6.2%	1,515,490	1,218,616	24.4%
Current accounts and demand deposits, Currency Blended	1,527,328	1,108,037	37.8%	1,465,620	4.2%	1,527,328	1,108,037	37.8%
Current accounts and demand deposits, GEL	584,656	460,585	26.9%	546,944	6.9%	584,656	460,585	26.9%
Current accounts and demand deposits, FC	942,672	647,452	45.6%	918,676	2.6%	942,672	647,452	45.6%
KEY RATIOS								
ROAE Retail Banking[11]	30.5%	27.1%		31.5%		30.9%	27.5%	
Net interest margin, currency blended	8.0%	8.6%		8.3%		8.1%	8.7%	
Cost of risk	2.2%	3.1%		2.6%		2.4%	3.2%	
Cost of funds, currency blended	5.9%	5.9%		5.8%		5.9%	5.6%	
Loan yield, currency blended	15.8%	16.4%		15.9%		15.8%	16.1%	
Loan yield, GEL	22.0%	24.2%		22.4%		22.2%	24.5%	
Loan yield, FC	8.2%	9.2%		8.5%		8.3%	9.2%	
Cost of deposits, currency blended	2.9%	3.0%		2.8%		2.9%	3.0%	
Cost of deposits, GEL	4.9%	4.6%		4.8%		4.8%	4.5%	
Cost of deposits, FC	2.1%	2.4%		2.1%		2.1%	2.5%	
Cost of time deposits, currency blended	4.2%	4.4%		4.3%		4.2%	4.4%	
Cost of time deposits, GEL	8.7%	9.0%		8.9%		8.8%	8.8%	
Cost of time deposits, FC	3.0%	3.4%		3.0%		3.0%	3.4%	
Current accounts and demand deposits, currency blended	1.1%	1.0%		1.0%		1.1%	1.0%	
Current accounts and demand deposits, GEL	2.0%	1.7%		1.7%		1.9%	1.6%	
Current accounts and demand deposits, FC	0.6%	0.6%		0.6%		0.6%	0.6%	
Cost / income ratio	36.6%	38.8%		36.4%		36.5%	38.2%	

[11] 2Q18 and 1H18 results adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

Performance highlights

- **Retail Banking delivered another strong quarterly result across all of its segments and generated total revenues of GEL 179.2mln in 2Q18 (up 26.4% y-o-y and up 5.0% q-o-q) and revenue of GEL 349.9mln in 1H18 (up 23.6% y-o-y)**
- RB's net interest income grew by 22.8% y-o-y and by 2.1% q-o-q in 2Q18 and by 22.1% y-o-y during first half 2018 on the back of the strong growth in the Retail Banking loan portfolio. Record quarterly net interest income also reflects the benefits from the ongoing growth of the local currency loan portfolio, which generated 13.8ppts and 13.9ppts higher yield than the foreign currency loan portfolio in 2Q18 and 1H18, respectively
- **The Retail Banking net loan book reached GEL 5,382.4mln in 2Q18, up 29.5% y-o-y and up 4.4% q-o-q.** Our local currency denominated loan book grew at a faster pace (up 42.6% y-o-y and up 4.7% q-o-q) than the foreign currency denominated loan book (up 16.9% y-o-y and up 4.0% q-o-q). As a result, the local currency denominated loan book accounted for 54.2% of the total Retail Banking loan book at 30 June 2018, up from 49.2% at 30 June 2017 and 54.0% at 31 March 2018
- **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	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	1H18	1H17	Change y-o-y
Loan Originations								
Consumer loans	346.5	348.8	-0.7%	364.2	-4.9%	710.6	651.2	9.1%
Mortgage loans	349.7	225.9	54.8%	303.3	15.3%	653.0	438.8	48.8%
Micro loans	248.5	236.2	5.2%	283.6	-12.4%	532.1	472.6	12.6%
SME loans	152.7	132.9	15.0%	130.8	16.7%	283.6	251.8	12.6%
POS loans	30.9	55.9	-44.7%	50.1	-38.3%	81.1	98.7	-17.8%
Outstanding Balance								
Consumer loans	1,320.0	1,054.2	25.2%	1,292.1	2.2%	1,320.0	1,054.2	25.2%
Mortgage loans	1,922.1	1,282.0	49.9%	1,763.3	9.0%	1,922.1	1,282.0	49.9%
Micro loans	1,122.3	918.0	22.3%	1,077.2	4.2%	1,122.3	918.0	22.3%
SME loans	625.0	479.7	30.3%	598.1	4.5%	625.0	479.7	30.3%
POS loans	92.8	107.7	-13.8%	120.2	-22.8%	92.8	107.7	-13.8%

- **Retail Banking client deposits increased to GEL 3,479.9mln, up 33.2% y-o-y and up 5.3% q-o-q**. The dollarisation level of our deposits decreased to 70.6% at 30 June 2018 from 71.4% at 30 June 2017 and from 71.0% at 31 March 2018. This is in line with the current decreasing trend of cost on foreign currency denominated deposits (down 30 bps y-o-y and flat q-o-q in 2Q18 and down 40bps y-o-y in 1H18) and an increasing trend of cost on local currency denominated deposits (up 30bps y-o-y and up 10bps q-o-q in 2Q18 and up 30bps y-o-y in 1H18). The spread between the cost of RB's client deposits in GEL and foreign currency widened to 2.8ppts during 2Q18 (GEL: 4.9%; FC: 2.1%) compared to 2.2ppts in 2Q17 (GEL: 4.6%; FC: 2.4%) and 2.7ppts in 1Q18 (GEL: 4.8%; FC: 2.1%). On a half year basis, the spread was 2.7ppts in 1H18 (GEL: 4.8%; FC: 2.1%) compared to 2.0ppts in 1H17 (GEL: 4.5%; FC: 2.5%). Local currency denominated deposits increased at a faster pace to GEL 1,021.8mln (up 36.7% y-o-y and up 6.5% q-o-q), as compared to foreign currency denominated deposits that grew to GEL 2,458.2mln (up 31.7% y-o-y and up 4.8% q-o-q)
- **Retail Banking NIM was 8.0% in 2Q18 (down 60bps y-o-y and down 30bps q-o-q) and 8.1% during first half of 2018 (down 60bps y-o-y).** The decline in NIM was attributable to lower loan yields (down 60bps y-o-y and down 10bps q-o-q in 2Q18, and down 30bps y-o-y in 1H18), coupled with increased cost of funds (flat y-o-y and up 10bps q-o-q in 2Q18 and up 30bps y-o-y in 1H18), primarily due to increased local currency funding costs. The decline in loan yields was mainly driven by the change in the Retail Banking loan portfolio product mix, with the lower yield-lower risk products share increasing in total RB loan portfolio, which is already reflected in the improved RB cost of risk
- **Strong y-o-y growth in Retail Banking net fee and commission income**. The growth in net fee and commission income (up 21.6% y-o-y and up 11.5% q-o-q in 2Q18 and up 19.6% y-o-y during first half of 2018) was driven by an increase in settlement operations and the strong underlying growth in our Solo and MSME platforms
- **RB asset quality improved in 2Q18.** RB cost of credit risk was GEL 31.8mln in 2Q18 (up 1.3% y-o-y and down 3.1% q-o-q) and GEL 64.5mln during first half of 2018 (down 1.4% y-o-y). The cost of risk ratio improved to 2.2% in 2Q18 (down from 3.1% in 2Q17 and down from 2.6% in 1Q18) and to 2.4% in 1H18 (down from 3.2% in 1H17)
- The number of Retail Banking clients reached c.2.4mln, up 6.7% y-o-y and up 1.1% 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	**2Q18**	**2Q17**	**Change y-o-y**	**1Q18**	**Change q-o-q**	**1H18**	**1H17**	**Change y-o-y**
Retail Banking Customers								
Number of new customers	45,213	44,478	1.7%	63,621	-28.9%	108,834	90,748	19.9%
Number of customers	2,382,139	2,231,977	6.7%	2,356,294	1.1%	2,382,139	2,231,977	6.7%
Cards								
Number of Cards issued	191,552	218,187	-12.2%	246,138	-22.2%	437,690	449,715	-2.7%
Number of Cards outstanding	2,235,122	2,117,652	5.5%	2,246,396	-0.5%	2,235,122	2,117,652	5.5%
Express Pay terminals								
Number of Express Pay terminals	2,955	2,789	6.0%	2,825	4.6%	2,955	2,789	6.0%
Number of transactions via Express Pay terminals	27,479,192	26,385,633	4.1%	25,835,081	6.4%	53,314,273	51,545,366	3.4%
Volume of transactions via Express Pay terminals	1,639,313	1,008,436	62.6%	1,496,169	9.6%	3,135,482	1,977,238	58.6%
POS terminals								
Number of Desks	9,304	9,205	1.1%	9,300	0.0%	9,304	9,205	1.1%
Number of Contracted Merchants	5,382	5,133	4.9%	5,112	5.3%	5,382	5,133	4.9%
Number of POS terminals	12,815	11,303	13.4%	12,571	1.9%	12,815	11,303	13.4%
Number of transactions via POS terminals	15,737,715	11,416,810	37.8%	13,206,872	19.2%	28,944,587	21,158,665	36.8%
Volume of transactions via POS terminals	470,194	323,901	45.2%	395,100	19.0%	865,294	590,007	46.7%
Internet Banking								
Number of Active Users	243,377	166,874	45.8%	238,618	2.0%	243,377	166,874	45.8%
Number of transactions via Internet Bank	1,446,014	1,752,594	-17.5%	1,487,062	-2.8%	2,933,076	3,471,942	-15.5%
Volume of transactions via Internet Bank	451,944	334,094	35.3%	427,014	5.8%	878,958	655,742	34.0%
Mobile Banking								
Number of Active Users	228,980	127,129	80.1%	207,485	10.4%	228,980	127,129	80.1%
Number of transactions via Mobile Bank	3,233,287	1,232,713	162.3%	2,817,807	14.7%	6,051,094	2,212,607	173.5%
Volume of transactions via Mobile Bank	407,822	122,222	233.7%	317,381	28.5%	725,203	216,593	234.8%

  - **Growth in the client base was due to the increased offering of cost-effective remote channels**. The increase to 2,382,139 customers in 2Q18 (up 6.7% y-o-y and up 1.1% 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 5.5% y-o-y in 2Q18. 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 1.9 to 3.0. We had 454,650 active Plus+ cards outstanding as at 30 June 2018
  - **The utilisation of Express Pay terminals continued to grow in 2Q18**. The volume of transactions increased to GEL 1,639.3mln in 2Q18 (up 62.6% y-o-y and up 9.6% q-o-q) and to GEL 3,135.5mln in 1H18 (up 58.6% y-o-y). The number of transactions increased by 4.1% y-o-y and by 6.4% q-o-q in 2Q18 and by 3.4% y-o-y in first half of 2018. The fees charged to clients for transactions executed through express pay terminals amounted to GEL 5.5mln in 2Q18 (up 10.0% y-o-y and up 5.8% q-o-q) and GEL 10.7mln in 1H18 (up 3.9% y-o-y)
  - **Digital penetration growth.** For mobile banking application, the number of transactions and the volume of transactions continue to show outstanding growth. The fully-transformed, user-friendly, multi-feature mobile banking application (mBank) continues to gain popularity. Since its launch on 29 May 2017, approximately 393,912 downloads were made by the Bank's customers. During the same period approximately 9.7 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 1H18, 14,991 loans were issued with a total value of GEL 26.2mln, and 4,576 deposits were opened with a total value of GEL 11.6mln through Internet Bank (1,896 loans with total value of GEL 5.4mln and 3,527 deposits with total value of GEL 7.2mln in 1H17). Starting from 2018, our customers are able to take a loan via mBank as well. c.8,500 loans were issued with total value of c.GEL 12.5mln using the mobile banking application during 1H18

- **Solo, our premium banking brand, continues its strong growth momentum and investment in its lifestyle brand. The number of Solo clients reached 39,030 at 30 June 2018 (24,984 at 30 June 2017 and 35,803 at 31 March 2018), up 371.3% 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 2Q18, annualised profit[12] per Solo client was GEL 1,322 compared to a profit of GEL 80 and GEL 68 per Express and mass retail clients, respectively. Product to client ratio for Solo segment was 5.6, compared to 3.5 and 1.9 for Express and mass retail clients, respectively. While Solo clients currently represent 1.6% of our total retail client base, they contributed 25.3% to our retail loan book, 39.9% to our retail deposits, 14.0% and 23.1% to our net retail interest income and to our net retail fee and commission income, respectively, in 2Q18. The fee and commission income

[12] Adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

from the Solo segment reached GEL 5.5mln in 2Q18 (GEL 3.5mln in 2Q17 and GEL 4.5mln in 1Q18) and GEL 10.0mln in 1H18 (GEL 6.1mln in 1H17). 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 30 June 2018, Solo Club had 3,219 members, up 12.9% q-o-q

- **MSME banking continued to deliver solid growth.** The number of MSME segment clients reached 181,951 at 30 June 2018, up 18.3% y-o-y and up 4.4% q-o-q. MSME's loan portfolio was GEL 1,865.7mln at 30 June 2018 (up 27.0% y-o-y and up 4.8% q-o-q). MSME segment generated revenue of GEL 37.2mln in 2Q18 (up 32.2% y-o-y and up 5.0% q-o-q) and GEL 72.6mln in 1H18 (up 30.3% y-o-y)
- **As a result, Retail Banking profit before non-recurring items and income tax reached GEL 82.2mln in 2Q18 (up 48.4% y-o-y and up 8.0% q-o-q) and GEL 158.4mln during first half of 2018 (up 43.6% y-o-y). Retail Banking continued to deliver an outstanding ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances, which reached 30.5% in 2Q18 (27.1% in 2Q17 and 31.5% in 1Q18) and 30.9% in 1H18 (27.5% in 1H17)**

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	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	1H18	1H17	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	41,718	37,133	12.3%	38,232	9.1%	79,951	75,082	6.5%
Net fee and commission income	6,355	5,301	19.9%	6,198	2.5%	12,554	10,967	14.5%
Net foreign currency gain	10,259	10,409	-1.4%	6,644	54.4%	16,903	21,839	-22.6%
Net other income	2,078	1,929	7.7%	2,798	-25.7%	4,873	4,187	16.4%
Revenue	**60,410**	**54,772**	**10.3%**	**53,872**	**12.1%**	**114,281**	**112,075**	**2.0%**
Salaries and other employee benefits	(13,725)	(12,974)	5.8%	(12,595)	9.0%	(26,320)	(25,319)	4.0%
Administrative expenses	(3,700)	(3,516)	5.2%	(3,459)	7.0%	(7,159)	(7,051)	1.5%
Depreciation and amortisation	(1,269)	(1,263)	0.5%	(1,309)	-3.1%	(2,578)	(2,480)	4.0%
Other operating expenses	(253)	(188)	34.6%	(144)	75.7%	(396)	(346)	14.5%
Operating expenses	**(18,947)**	**(17,941)**	**5.6%**	**(17,507)**	**8.2%**	**(36,453)**	**(35,196)**	**3.6%**
Operating income before cost of credit risk	**41,463**	**36,831**	**12.6%**	**36,365**	**14.0%**	**77,828**	**76,879**	**1.2%**
Cost of credit risk	(5,603)	(5,030)	11.4%	(4,643)	20.7%	(10,246)	(13,729)	-25.4%
Profit before non-recurring items and income tax	**35,860**	**31,801**	**12.8%**	**31,722**	**13.0%**	**67,582**	**63,150**	**7.0%**
Net non-recurring items	(10,871)	(259)	NMF	(272)	NMF	(11,144)	(1,414)	NMF
Profit before income tax	**24,989**	**31,542**	**-20.8%**	**31,450**	**-20.5%**	**56,438**	**61,736**	**-8.6%**
Income tax expense	(8,550)	(1,053)	NMF	(2,444)	NMF	(10,993)	(2,965)	NMF
Profit	**16,439**	**30,489**	**-46.1%**	**29,006**	**-43.3%**	**45,445**	**58,771**	**-22.7%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, Currency Blended	2,251,837	2,037,831	10.5%	2,222,902	1.3%	2,251,837	2,037,831	10.5%
Net loans and finance lease receivables, GEL	445,239	390,779	13.9%	429,126	3.8%	445,239	390,779	13.9%
Net loans and finance lease receivables, FC	1,806,598	1,647,052	9.7%	1,793,776	0.7%	1,806,598	1,647,052	9.7%
Client deposits, Currency Blended	3,439,716	2,723,674	26.3%	3,661,710	-6.1%	3,439,716	2,723,674	26.3%
Client deposits, GEL	1,695,890	740,408	129.0%	1,457,437	16.4%	1,695,890	740,408	129.0%
Client deposits, FC	1,743,826	1,983,266	-12.1%	2,204,273	-20.9%	1,743,826	1,983,266	-12.1%
Time deposits, Currency Blended	1,675,804	979,001	71.2%	1,351,490	24.0%	1,675,804	979,001	71.2%
Time deposits, GEL	896,482	139,747	NMF	569,850	57.3%	896,482	139,747	NMF
Time deposits, FC	779,322	839,254	-7.1%	781,640	-0.3%	779,322	839,254	-7.1%
Current accounts and demand deposits, Currency Blended	1,763,912	1,744,673	1.1%	2,310,220	-23.6%	1,763,912	1,744,673	1.1%
Current accounts and demand deposits, GEL	799,408	600,661	33.1%	887,587	-9.9%	799,408	600,661	33.1%
Current accounts and demand deposits, FC	964,504	1,144,012	-15.7%	1,422,633	-32.2%	964,504	1,144,012	-15.7%
Letters of credit and guarantees, standalone*	657,902	514,079	28.0%	605,778	8.6%	657,902	514,079	28.0%
Assets under management	1,993,931	1,665,716	19.7%	1,835,873	8.6%	1,993,931	1,665,716	19.7%
RATIOS								
ROAE, Corporate Investment Banking[13]	20.0%	20.4%		19.7%		20.0%	19.5%	
Net interest margin, currency blended	3.5%	3.3%		3.2%		3.3%	3.3%	
Cost of risk	0.6%	0.5%		1.3%		1.0%	0.4%	
Cost of funds, currency blended	4.6%	4.8%		4.4%		4.5%	4.9%	
Loan yield, currency blended	10.4%	10.6%		9.9%		10.1%	10.6%	
Loan yield, GEL	13.2%	12.3%		12.8%		13.0%	12.4%	
Loan yield, FC	9.8%	10.2%		9.4%		9.6%	10.3%	
Cost of deposits, currency blended	4.1%	4.2%		3.9%		4.0%	4.0%	
Cost of deposits, GEL	6.4%	7.4%		6.1%		6.3%	7.1%	
Cost of deposits, FC	2.4%	2.9%		2.5%		2.5%	2.9%	
Cost of time deposits, currency blended	6.1%	5.8%		5.7%		5.9%	5.7%	
Cost of time deposits, GEL	7.8%	9.6%		7.6%		7.7%	9.6%	
Cost of time deposits, FC	4.6%	5.2%		4.6%		4.6%	5.1%	
Current accounts and demand deposits, currency blended	2.8%	3.3%		2.7%		2.8%	3.0%	
Current accounts and demand deposits, GEL	5.3%	7.0%		5.2%		5.3%	6.6%	
Current accounts and demand deposits, FC	1.0%	0.9%		1.2%		1.1%	0.9%	
Cost / income ratio	31.4%	32.8%		32.5%		31.9%	31.4%	
Concentration of top ten clients	10.2%	11.1%		10.3%		10.2%	11.1%	

* Off-balance sheet item

[13] 2Q18 and 1H18 results adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

Performance highlights

- **CIB continued further growth in 2Q18 after delivering on the targets of loan portfolio risk de-concentration initiatives in 2017**. Net loan book reached GEL 2,251.8mln at 30 June 2018, up 10.5% y-o-y and up 1.3% q-o-q (up 8.9% y-o-y and largely flat q-o-q on a constant currency basis). The concentration of the top 10 CIB clients stood at 10.2% at 30 June 2018, down from 11.1% at 30 June 2017 and 10.3% at 31 March 2018
- CIB's net interest income increased by 12.3% y-o-y and by 9.1% q-o-q in 2Q18 and increased by 6.5% y-o-y during the first half of 2018. **CIB NIM reached 3.5% in 2Q18, up 20bps y-o-y and up 30bps q-o-q, and remained flat y-o-y at 3.3% during the first half of 2018**. The y-o-y growth in net interest income both in 2Q18 and 1H18 reflects the decline in cost of funds, which was partially offset by a decline in currency blended loan yields over the same periods. On q-o-q basis, currency blended loan yield increased significantly by 50bps in 2Q18, which was partially offset by 20bps q-o-q increase in cost of funds
- CIB's net fee and commission income reached GEL 6.4mln in 2Q18, up 19.9% y-o-y and up 2.5% q-o-q. On a half year basis, net fee and commission income was GEL 12.6mln in 1H18, up 14.5% y-o-y. The y-o-y increase in net fee and commission income both in 2Q18 and 1H18 was largely driven by higher placement and advisory fees and higher income from guarantees and letters of credit over the same period. CIB's net fee and commission income represented 10.5% of total CIB revenue in 2Q18 compared to 9.7% in 2Q17 and represented 11.0% of total CIB revenue in 1H18 as compared to 9.8% in 1H17
- In 2Q18, dollarisation of our CIB deposits decreased to 50.7% as at 30 June 2018 from 72.8% a year ago and 60.2% as at 31 March 2018. Y-o-y decline 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 growth in GEL denominated deposits was further decrease in the interest rates on foreign currency deposits (2.4% in 2Q18, down from 2.9% in 2Q17 and down from 2.5% in 1Q18, and 2.5% in 1H18, down from 2.9% in 1H17). The cost of deposits in local currency also declined y-o-y, while remaining well above the yield of foreign currency deposits. Consequently, total deposits amounted to GEL 3,439.7mln, up 26.3% y-o-y and down 6.1% q-o-q. On a constant currency basis, total CIB deposits were up 25.1% y-o-y and down 6.8% q-o-q
- **Net foreign currency gain.** CIB's net foreign currency gain was GEL 10.3mln in 2Q18 (down 1.4% y-o-y and up 54.4% q-o-q) and GEL 16.9mln during first half of 2018 (down 22.6% y-o-y)
- **Net other income.** Net other income reached GEL 2.1mln in 2Q18 (up 7.7% y-o-y) and GEL 4.9mln during first half of 2018 (up 16.4% y-o-y). The y-o-y increase was mostly due to net gains from derivative financial instruments recorded in 2Q18 and 1H18, partially offset by net losses from sale of property, plant and equipment and investment properties over the same periods
- **Cost of credit risk.** CIB's cost of risk ratio remained well-controlled and stood at 0.6% in 2Q18 (slightly up 10bps y-o-y and down 70bps q-o-q) and at 1.0% in half year 2018 (up 60bps y-o-y). At the same time, CIB's NPL coverage ratio increased to 87.3% at 30 June 2018, up from 78.6% at 30 June 2017 and 87.7% at 31 March 2018
- As a result, Corporate Investment Banking profit before non-recurring items and income tax was GEL 35.9mln in 2Q18 (up 12.8% y-o-y and up 13.0% q-o-q) and GEL 67.6mln during first half of 2018 (up 7.0% y-o-y). CIB ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances reached 20.0% in 2Q18 (compared to 20.4% a year ago and 19.7% in 1Q18) and 20.0% in 1H18 (compared to 19.5% in 1H17)

Performance highlights of wealth management operations

- **The Investment Management's AUM increased to GEL 1,993.9mln in 2Q18, up 19.7% y-o-y and up 8.6% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y and q-o-q increase in AUM mostly reflected higher bond issuance activity and servicing Georgia Capital by Galt & Taggart
- **Wealth Management deposits were GEL 1,086.0mln in 2Q18, up 1.2% y-o-y and q-o-q on a constant currency basis, growing at a compound annual growth rate (CAGR) of 11.7% over the last five-year period**. The cost of deposits stood at 3.5% in 2Q18 and 1H18, down 50bps y-o-y for both periods and flat q-o-q in 2Q18
- We served 1,490 wealth management clients from 74 countries as of 30 June 2018, compared to 1,414 clients from 69 countries as of 30 June 2017 and 1,438 clients from 74 countries as of 31 March 2018

- **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 first half of 2018 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 and June 2018
    - lead manager for Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. (FMO), facilitating a public placement of GEL 160mln local bonds in July 2018
  - During 2Q18 Galt & Taggart renewed the agreement to manage the private pension fund of a large Georgian corporate client mandated a year ago through a competitive tender process
  - In February 2018 Global Finance Magazine named Galt & Taggart as the *Best Investment Bank in Georgia* for the fourth consecutive year; On 31 May 2018, Cbonds, one of the leading news agencies for financial data analysis and processing, named Galt & Taggart as the *Best Investment Bank in Georgia 2018* for the third consecutive year

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT (QUARTERLY)	Bank of Georgia Group Consolidated					Banking Business					Discontinued Operations					Eliminations		
GEL thousands, unless otherwise noted	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	2Q18	2Q17	1Q18
Interest income	327,244	271,006	20.8%	311,149	5.2%	329,628	272,946	20.8%	313,553	5.1%	-	-	-	-	-	(2,384)	(1,940)	(2,404)
Interest expense	(139,756)	(110,907)	26.0%	(130,035)	7.5%	(143,298)	(112,638)	27.2%	(133,430)	7.4%	-	-	-	-	-	3,542	1,731	3,395
Net interest income	**187,488**	**160,099**	**17.1%**	**181,114**	**3.5%**	**186,330**	**160,308**	**16.2%**	**180,123**	**3.4%**	-	-	-	-	-	**1,158**	**(209)**	**991**
Fee and commission income	55,332	45,359	22.0%	50,673	9.2%	55,693	45,903	21.3%	51,213	8.7%	-	-	-	-	-	(361)	(544)	(540)
Fee and commission expense	(17,680)	(14,332)	23.4%	(16,488)	7.2%	(17,846)	(14,501)	23.1%	(16,702)	6.8%	-	-	-	-	-	166	169	214
Net fee and commission income	**37,652**	**31,027**	**21.4%**	**34,185**	**10.1%**	**37,847**	**31,402**	**20.5%**	**34,511**	**9.7%**	-	-	-	-	-	**(195)**	**(375)**	**(326)**
Net foreign currency gain	**25,004**	**18,005**	**38.9%**	**14,913**	**67.7%**	**24,577**	**19,282**	**27.5%**	**16,015**	**53.5%**	-	-	-	-	-	**427**	**(1,277)**	**(1,102)**
Net other income	**3,380**	**777**	**NMF**	**5,518**	**-38.7%**	**3,706**	**1,046**	**NMF**	**5,744**	**-35.5%**	-	-	-	-	-	**(326)**	**(269)**	**(226)**
Revenue	**253,524**	**209,908**	**20.8%**	**235,730**	**7.5%**	**252,460**	**212,038**	**19.1%**	**236,393**	**6.8%**	-	-	-	-	-	**1,064**	**(2,130)**	**(663)**
Salaries and other employee benefits	(53,505)	(47,008)	13.8%	(48,818)	9.6%	(53,925)	(47,507)	13.5%	(49,453)	9.0%	-	-	-	-	-	420	499	635
Administrative expenses	(26,717)	(21,826)	22.4%	(25,168)	6.2%	(26,862)	(22,286)	20.5%	(25,633)	4.8%	-	-	-	-	-	145	460	465
Depreciation and amortisation	(11,392)	(10,197)	11.7%	(11,522)	-1.1%	(11,392)	(10,197)	11.7%	(11,522)	-1.1%	-	-	-	-	-	-	-	-
Other operating expenses	(966)	(795)	21.5%	(771)	25.3%	(966)	(795)	21.5%	(771)	25.3%	-	-	-	-	-	-	-	-
Operating expenses	**(92,580)**	**(79,826)**	**16.0%**	**(86,279)**	**7.3%**	**(93,145)**	**(80,785)**	**15.3%**	**(87,379)**	**6.6%**	-	-	-	-	-	**565**	**959**	**1,100**
Profit from associates	376	394	-4.6%	319	17.9%	376	394	-4.6%	319	17.9%	-	-	-	-	-	-	-	-
Operating income before cost of credit risk	**161,320**	**130,476**	**23.6%**	**149,770**	**7.7%**	**159,691**	**131,647**	**21.3%**	**149,333**	**6.9%**	-	-	-	-	-	**1,629**	**(1,171)**	**437**
Expected credit loss / impairment charge on loans to customers	(35,678)	(37,756)	-5.5%	(41,006)	-13.0%	(35,678)	(37,756)	-5.5%	(41,006)	-13.0%	-	-	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(266)	(67)	NMF	13	NMF	(266)	(67)	NMF	13	NMF	-	-	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(3,726)	(2,192)	70.0%	2,850	NMF	(3,726)	(2,192)	70.0%	2,850	NMF	-	-	-	-	-	-	-	-
Cost of credit risk	**(39,670)**	**(40,015)**	**-0.9%**	**(38,143)**	**4.0%**	**(39,670)**	**(40,015)**	**-0.9%**	**(38,143)**	**4.0%**	-	-	-	-	-	-	-	-
Profit before non-recurring items and income tax	**121,650**	**90,461**	**34.5%**	**111,627**	**9.0%**	**120,021**	**91,632**	**31.0%**	**111,190**	**7.9%**	-	-	-	-	-	**1,629**	**(1,171)**	**437**
Net non-recurring items	(43,875)	(1,017)	NMF	(2,948)	NMF	(44,047)	(1,017)	NMF	(2,948)	NMF	-	-	-	-	-	172	-	-
Profit before income tax	**77,775**	**89,444**	**-13.0%**	**108,679**	**-28.4%**	**75,974**	**90,615**	**-16.2%**	**108,242**	**-29.8%**	-	-	-	-	-	**1,801**	**(1,171)**	**437**
Income tax expense	(27,507)	(3,284)	NMF	(9,058)	NMF	(27,507)	(3,284)	NMF	(9,058)	NMF	-	-	-	-	-	-	-	-
Profit from continuing operations	**50,268**	**86,160**	**-41.7%**	**99,621**	**-49.5%**	**48,467**	**87,331**	**-44.5%**	**99,184**	**-51.1%**	-	-	-	-	-	**1,801**	**(1,171)**	**437**
Profit from discontinued operations	78,961	37,468	110.7%	28,938	NMF	-	-	-	-	-	80,762	36,297	122.5%	29,375	NMF	(1,801)	1,171	(437)
Profit	**129,229**	**123,628**	**4.5%**	**128,559**	**0.5%**	**48,467**	**87,331**	**-44.5%**	**99,184**	**-51.1%**	**80,762**	**36,297**	**122.5%**	**29,375**	**NMF**	-	-	-
Attributable to:																		
– shareholders of the Group	123,078	117,178	*5.0%*	115,952	*6.1%*	48,324	86,962	*-44.4%*	98,784	*-51.1%*	74,754	30,216	*147.4%*	17,168	*NMF*	-	-	-
– non-controlling interests	6,151	6,450	*-4.6%*	12,607	*-51.2%*	143	369	*-61.2%*	400	*-64.3%*	6,008	6,081	*-1.2%*	12,207	*-50.8%*	-	-	-
Profit from continuing operations attributable to:																		
– shareholders of the Group	50,125	85,791	*-41.6%*	99,221	*-49.5%*	48,324	86,962	*-44.4%*	98,784	*-51.1%*	-	-	-	-	-	1,801	(1,171)	437
– non-controlling interests	143	369	*-61.2%*	400	*-64.3%*	143	369	*-61.2%*	400	*-64.3%*	-	-	-	-	-	-	-	-
Profit from discontinued operations attributable to:																		
– shareholders of the Group	72,953	31,387	*132.4%*	16,731	*NMF*	-	-	-	-	-	74,754	30,216	*147.4%*	17,168	*NMF*	(1,801)	1,171	(437)
– non-controlling interests	6,008	6,081	*-1.2%*	12,207	*-50.8%*	-	-	-	-	-	6,008	6,081	*-1.2%*	12,207	*-50.8%*	-	-	-
Earnings per share (basic)	**2.77**	**3.10**	**-10.6%**	**3.08**	**-10.1%**													
– earnings per share from continuing operations	*1.13*	*2.27*	*-50.2%*	*2.64*	*-57.2%*													
– earnings per share from discontinued operations	*1.64*	*0.83*	*97.6%*	*0.44*	*NMF*													
Earnings per share (diluted)	**2.74**	**2.98**	**-8.1%**	**2.98**	**-8.1%**													
– earnings per share from continuing operations	*1.12*	*2.18*	*-48.6%*	*2.55*	*-56.1%*													
– earnings per share from discontinued operations	*1.62*	*0.80*	*102.5%*	*0.43*	*NMF*													

INCOME STATEMENT (HALF-YEAR)	Bank of Georgia Group Consolidated			Banking Business			Discontinued Operations			Eliminations		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**Change y-o-y**	**1H18**	**1H17**	**Change y-o-y**	**1H18**	**1H17**	**Change y-o-y**	**1H18**	**1H17**	**Change y-o-y**
Interest income	638,393	536,337	19.0%	643,181	540,068	19.10%	-	-	-	(4,788)	(3,731)	28.3%
Interest expense	(269,791)	(215,903)	25.0%	(276,728)	(218,880)	26.40%	-	-	-	6,937	2,977	133.0%
Net interest income	**368,602**	**320,434**	**15.0%**	**366,453**	**321,188**	**14.1%**	**-**	**-**	**-**	**2,149**	**(754)**	**NMF**
Fee and commission income	106,005	88,508	19.8%	106,906	89,605	19.3%	-	-	-	(901)	(1,097)	-17.9%
Fee and commission expense	(34,168)	(27,696)	23.4%	(34,549)	(28,011)	23.3%	-	-	-	381	315	21.0%
Net fee and commission income	**71,837**	**60,812**	**18.1%**	**72,357**	**61,594**	**17.5%**	**-**	**-**	**-**	**(520)**	**(782)**	**-33.5%**
Net foreign currency gain	**39,916**	**30,531**	**30.7%**	**40,591**	**38,982**	**4.1%**	**-**	**-**	**-**	**(675)**	**(8,451)**	**-92.0%**
Net other income	**8,898**	**3,561**	**149.9%**	**9,451**	**4,063**	**132.6%**	**-**	**-**	**-**	**(553)**	**(502)**	**10.2%**
Revenue	**489,253**	**415,338**	**17.8%**	**488,852**	**425,827**	**14.8%**	-	-	-	**401**	**(10,489)**	**NMF**
Salaries and other employee benefits	(102,323)	(90,797)	12.7%	(103,378)	(91,786)	12.6%	-	-	-	1,055	989	6.7%
Administrative expenses	(51,885)	(43,885)	18.2%	(52,495)	(44,805)	17.2%	-	-	-	610	920	-33.7%
Depreciation and amortisation	(22,914)	(19,722)	16.2%	(22,914)	(19,722)	16.2%	-	-	-	-	-	-
Other operating expenses	(1,736)	(1,526)	13.8%	(1,736)	(1,526)	13.8%	-	-	-	-	-	-
Operating expenses	**(178,858)**	**(155,930)**	**14.7%**	**(180,523)**	**(157,839)**	**14.4%**	**-**	**-**	**-**	**1,665**	**1,909**	**-12.8%**
Profit from associates	695	909	-23.5%	695	909	-23.5%	-	-	-	-	-	-
Operating income before cost of credit risk	**311,090**	**260,317**	**19.5%**	**309,024**	**268,897**	**14.9%**	**-**	**-**	**-**	**2,066**	**(8,580)**	**NMF**
Expected credit loss / impairment charge on loans to customers	(76,684)	(79,097)	-3.1%	(76,684)	(79,097)	-3.1%	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(253)	(207)	22.2%	(253)	(207)	22.2%	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(876)	(8,732)	-90.0%	(876)	(8,732)	-90.0%	-	-	-	-	-	-
Cost of credit risk	**(77,813)**	**(88,036)**	**-11.6%**	**(77,813)**	**(88,036)**	**-11.6%**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before non-recurring items and income tax	**233,277**	**172,281**	**35.4%**	**231,211**	**180,861**	**27.8%**	**-**	**-**	**-**	**2,066**	**(8,580)**	**NMF**
Net non-recurring items	(46,823)	(2,711)	NMF	(46,995)	(2,711)	NMF	-	-	-	172	-	-
Profit before income tax	**186,454**	**169,570**	**10.0%**	**184,216**	**178,150**	**3.4%**	**-**	**-**	**-**	**2,238**	**(8,580)**	**NMF**
Income tax expense	(36,565)	(7,692)	NMF	(36,565)	(7,692)	NMF	-	-	-	-	-	-
Profit from continuing operations	**149,889**	**161,878**	**-7.4%**	**147,651**	**170,458**	**-13.4%**	**-**	**-**	**-**	**2,238**	**(8,580)**	**NMF**
Profit from discontinued operations	107,899	69,922	54.3%	-	-	-	110,137	61,342	79.5%	(2,238)	8,580	NMF
Profit	**257,788**	**231,800**	**11.2%**	**147,651**	**170,458**	**-13.4%**	**110,137**	**61,342**	**79.5%**	-	-	-
Attributable to:												
– shareholders of the Group	*239,030*	*217,609*	*9.8%*	*147,108*	*169,602*	*-13.3%*	*91,922*	*48,007*	*91.5%*	-	-	-
– non-controlling interests	*18,758*	*14,191*	*32.2%*	*543*	*856*	*-36.6%*	*18,215*	*13,335*	*36.6%*	-	-	-
Profit from continuing operations attributable to:												
– shareholders of the Group	*149,346*	*161,022*	*-7.3%*	*147,108*	*169,602*	*-13.3%*	-	-	-	*2,238*	*(8,580)*	*NMF*
– non-controlling interests	*543*	*856*	*-36.6%*	*543*	*856*	*-36.6%*	-	-	-	-	-	-
Profit from discontinued operations attributable to:												
– shareholders of the Group	*89,684*	*56,587*	*58.5%*	-	-	-	*91,922*	*48,007*	*91.5%*	*(2,238)*	*8,580*	*NMF*
– non-controlling interests	*18,215*	*13,335*	*36.6%*	-	-	-	*18,215*	*13,335*	*36.6%*	-	-	-
Earnings per share (basic)	**5.82**	**5.74**	**1.4%**									
– earnings per share from continuing operations	3.64	4.24	-14.2%									
– earnings per share from discontinued operations	2.18	1.50	45.3%									
Earnings per share (diluted)	**5.76**	**5.51**	**4.5%**									
– earnings per share from continuing operations	3.60	4.08	-11.8%									
– earnings per share from discontinued operations	2.16	1.43	51.0%									

BALANCE SHEET	**Bank of Georgia Group Consolidated**					**Banking Business**					**Discontinued Operations**					**Eliminations**		
GEL thousands, unless otherwise noted	**Jun-18**	**Jun-17**	**Change y-o-y**	**Mar-18**	**Change q-o-q**	**Jun-18**	**Jun-17**	**Change y-o-y**	**Mar-18**	**Change q-o-q**	**Jun-18**	**Jun-17**	**Change y-o-y**	**Mar-18**	**Change q-o-q**	**Jun-18**	**Jun-17**	**Mar-18**
Cash and cash equivalents	1,546,863	1,454,387	6.4%	1,754,920	-11.9%	1,546,863	1,401,728	10.4%	1,754,920	-11.9%	-	349,166	NMF	-	-	-	(296,507)	-
Amounts due from credit institutions	993,862	1,090,259	-8.8%	941,804	5.5%	993,862	976,810	1.7%	955,175	4.1%	-	152,635	NMF	-	-	-	(39,186)	(13,371)
Investment securities	1,725,692	1,398,097	23.4%	1,748,728	-1.3%	1,725,692	1,396,832	23.5%	1,804,231	-4.4%	-	47,625	NMF	-	-	-	(46,360)	(55,503)
Loans to customers and finance lease receivables	8,078,132	6,517,773	23.9%	7,727,568	4.5%	8,078,132	6,579,996	22.8%	7,792,108	3.7%	-	-	-	-	-	-	(62,223)	(64,540)
Accounts receivable and other loans	4,878	155,463	-96.9%	3,453	41.3%	4,878	4,050	20.4%	6,537	-25.4%	-	152,309	NMF	-	-	-	(896)	(3,084)
Insurance premiums receivable	-	59,658	NMF	-	-	-	-	-	-	-	-	60,188	NMF	-	-	-	(530)	-
Prepayments	74,238	98,073	-24.3%	79,600	-6.7%	74,238	26,622	NMF	79,600	-6.7%	-	71,702	NMF	-	-	-	(251)	-
Inventories	11,085	204,433	-94.6%	10,371	6.9%	11,085	9,374	18.3%	10,371	6.9%	-	195,059	NMF	-	-	-	-	-
Investment property	218,224	306,140	-28.7%	218,142	0.0%	218,224	162,538	34.3%	218,142	0.0%	-	147,937	NMF	-	-	-	(4,335)	-
Property and equipment	313,627	1,418,453	-77.9%	324,810	-3.4%	313,627	303,396	3.4%	324,810	-3.4%	-	1,110,722	NMF	-	-	-	4,335	-
Goodwill	33,351	159,569	-79.1%	33,351	0.0%	33,351	33,453	-0.3%	33,351	0.0%	-	126,116	NMF	-	-	-	-	-
Intangible assets	61,462	77,150	-20.3%	57,139	7.6%	61,462	52,348	17.4%	57,139	7.6%	-	24,802	NMF	-	-	-	-	-
Income tax assets	21,792	6,453	NMF	13,189	65.2%	21,792	1,332	NMF	13,189	65.2%	-	5,121	NMF	-	-	-	-	-
Other assets	125,615	190,555	-34.1%	113,823	10.4%	125,615	112,476	11.7%	117,289	7.1%	-	83,661	NMF	-	-	-	(5,582)	(3,466)
Assets of disposal group held for distribution	-	-	-	2,447,592	NMF	-	-	-	-	-	-	-	-	3,841,004	NMF	-	-	(1,393,412)
Total assets	**13,208,821**	**13,136,463**	**0.6%**	**15,474,490**	**-14.6%**	**13,208,821**	**11,060,955**	**19.4%**	**13,166,862**	**0.3%**	**-**	**2,527,043**	**NMF**	**3,841,004**	**NMF**	**-**	**(451,535)**	**(1,533,376)**
Client deposits and notes	7,174,234	5,319,398	34.9%	6,762,071	6.1%	7,174,234	5,655,341	26.9%	7,296,110	-1.7%	-	-	-	-	-	-	(335,943)	(534,039)
Amounts due to credit institutions	2,740,595	3,077,869	-11.0%	2,521,291	8.7%	2,740,595	2,602,304	5.3%	2,642,427	3.7%	-	538,533	NMF	-	-	-	(62,968)	(121,136)
Debt securities issued	1,527,452	1,582,431	-3.5%	1,524,600	0.2%	1,527,452	1,312,990	16.3%	1,569,404	-2.7%	-	319,033	NMF	-	-	-	(49,592)	(44,804)
Accruals and deferred income	33,397	141,801	-76.4%	27,478	21.5%	33,397	28,639	16.6%	27,478	21.5%	-	113,162	NMF	-	-	-	-	-
Insurance contracts liabilities	-	81,446	NMF	-	-	-	-	-	-	-	-	81,446	NMF	-	-	-	-	-
Income tax liabilities	43,326	12,858	NMF	19,538	121.8%	43,326	11,291	NMF	19,538	121.8%	-	1,567	NMF	-	-	-	-	-
Other liabilities	52,231	412,467	-87.3%	41,073	27.2%	52,231	38,363	36.1%	41,876	24.7%	-	377,136	NMF	-	-	-	(3,032)	(803)
Liabilities of disposal group held for distribution	-	-	-	1,837,869	NMF	-	-	-	-	-	-	-	-	1,964,463	NMF	-	-	(126,594)
Total liabilities	**11,571,235**	**10,628,270**	**8.9%**	**12,733,920**	**-9.1%**	**11,571,235**	**9,648,928**	**19.9%**	**11,596,833**	**-0.2%**	**-**	**1,430,877**	**NMF**	**1,964,463**	**NMF**	**-**	**(451,535)**	**(827,376)**
Share capital	1,790	1,152	55.4%	1,151	55.5%	1,790	1,152	55.4%	1,151	55.5%	-	-	-	-	-	-	-	-
Additional paid-in capital	463,130	140,480	NMF	64,530	NMF	463,130	-	NMF	-	NMF	-	140,480	NMF	64,530	NMF	-	-	-
Treasury shares	(41)	(51)	-19.6%	(57)	-28.1%	(41)	(51)	-19.6%	(57)	-28.1%	-	-	-	-	-	-	-	-
Other reserves	26,268	114,822	-77.1%	101,967	-74.2%	26,268	(51,798)	NMF	(117,684)	NMF	-	166,620	NMF	797,564	NMF	-	-	(577,913)
Retained earnings	1,139,285	1,958,650	-41.8%	2,246,096	-49.3%	1,139,285	1,456,477	-21.8%	1,679,497	-32.2%	-	502,173	NMF	694,686	NMF	-	-	(128,087)
Reserves of disposal group held for distribution	-	-	-	15,828	NMF	-	-	-	-	-	-	-	-	15,828	NMF	-	-	-
Total equity attributable to shareholders of the Group	**1,630,432**	**2,215,053**	**-26.4%**	**2,429,515**	**-32.9%**	**1,630,432**	**1,405,780**	**16.0%**	**1,562,907**	**4.3%**	**-**	**809,273**	**NMF**	**1,572,608**	**NMF**	**-**	**-**	**(706,000)**
Non-controlling interests	7,154	293,140	-97.6%	311,055	-97.7%	7,154	6,247	14.5%	7,122	0.4%	-	286,893	NMF	303,933	NMF	-	-	-
Total equity	**1,637,586**	**2,508,193**	**-34.7%**	**2,740,570**	**-40.2%**	**1,637,586**	**1,412,027**	**16.0%**	**1,570,029**	**4.3%**	**-**	**1,096,166**	**NMF**	**1,876,541**	**NMF**	**-**	**-**	**(706,000)**
Total liabilities and equity	**13,208,821**	**13,136,463**	**0.6%**	**15,474,490**	**-14.6%**	**13,208,821**	**11,060,955**	**19.4%**	**13,166,862**	**0.3%**	**-**	**2,527,043**	**NMF**	**3,841,004**	**NMF**	**-**	**(451,535)**	**(1,533,376)**
Book value per share	**34.12**	**58.83**	**-42.0%**	**64.91**	**-47.4%**													

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	2Q18	2Q17	Change y-o-y	1Q18	Change q-o-q	1H18	1H17	Change y-o-y
Net interest income	6,354	7,946	-20.0%	6,544	-2.9%	12,898	16,647	-22.5%
Net fee and commission income	2,503	2,278	9.9%	2,277	9.9%	4,780	4,627	3.3%
Net foreign currency gain	4,182	2,818	48.4%	3,277	27.6%	7,459	4,616	61.6%
Net other income	192	155	23.9%	117	64.1%	309	266	16.2%
Revenue	**13,231**	**13,197**	**0.3%**	**12,215**	**8.3%**	**25,446**	**26,156**	**-2.7%**
Operating expenses	(8,184)	(7,233)	13.1%	(7,721)	6.0%	(15,905)	(13,634)	16.7%
Operating income before cost of credit risk	**5,047**	**5,964**	**-15.4%**	**4,494**	**12.3%**	**9,541**	**12,522**	**-23.8%**
Cost of credit risk	(2,305)	(3,240)	-28.9%	(717)	NMF	(3,022)	(8,874)	-65.9%
Net non-recurring items	(5)	2	NMF	(700)	-99.3%	(706)	(55)	NMF
Profit before income tax	**2,737**	**2,726**	**0.4%**	**3,077**	**-11.0%**	**5,813**	**3,593**	**61.8%**
Income tax expense	(721)	(455)	58.5%	(779)	-7.4%	(1,498)	(654)	129.1%
Profit	**2,016**	**2,271**	**-11.2%**	**2,298**	**-12.3%**	**4,315**	**2,939**	**46.8%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Jun-18	Jun-17	Change y-o-y	Mar-18	Change q-o-q
Cash and cash equivalents	86,932	61,709	40.9%	77,403	12.3%
Amounts due from credit institutions	10,719	4,154	158.0%	10,387	3.2%
Investment securities	38,815	99,333	-60.9%	40,819	-4.9%
Loans to customers and finance lease receivables	394,502	369,647	6.7%	377,680	4.5%
Other assets	40,833	24,835	64.4%	37,731	8.2%
Total assets	**571,801**	**559,678**	**2.2%**	**544,020**	**5.1%**
Client deposits and notes	297,756	263,681	12.9%	288,337	3.3%
Amounts due to credit institutions	161,332	195,466	-17.5%	144,208	11.9%
Debt securities issued	32,453	28,334	14.5%	30,726	5.6%
Other liabilities	3,723	4,662	-20.1%	7,331	-49.2%
Total liabilities	**495,264**	**492,143**	**0.6%**	**470,602**	**5.2%**
Total equity	**76,537**	**67,535**	**13.3%**	**73,418**	**4.2%**
Total liabilities and equity	**571,801**	**559,678**	**2.2%**	**544,020**	**5.1%**

BANKING BUSINESS KEY RATIOS	2Q18	2Q17	1Q18	1H18	1H17
Profitability					
ROAA, Annualised[14]	3.1%	3.2%	3.1%	3.1%	3.2%
ROAE, Annualised[14]	25.2%	24.1%	25.9%	25.5%	23.9%
RB ROAE[14]	*30.5%*	*27.1%*	*31.5%*	*30.9%*	*27.5%*
CIB ROAE[14]	*20.0%*	*20.4%*	*19.7%*	*20.0%*	*19.5%*
Net Interest Margin, Annualised	6.9%	7.3%	7.0%	7.0%	7.3%
RB NIM	*8.0%*	*8.6%*	*8.3%*	*8.1%*	*8.7%*
CIB NIM	*3.5%*	*3.3%*	*3.2%*	*3.3%*	*3.3%*
Loan Yield, Annualised	14.0%	14.3%	13.9%	13.9%	14.1%
RB Loan Yield	*15.8%*	*16.4%*	*15.9%*	*15.8%*	*16.1%*
CIB Loan Yield	*10.4%*	*10.6%*	*9.9%*	*10.1%*	*10.6%*
Liquid Assets Yield, Annualised	3.8%	3.4%	3.6%	3.7%	3.3%
Cost of Funds, Annualised	5.0%	4.8%	4.8%	4.9%	4.7%
Cost of Client Deposits and Notes, Annualised	3.6%	3.6%	3.4%	3.5%	3.5%
RB Cost of Client Deposits and Notes	*2.9%*	*3.0%*	*2.8%*	*2.9%*	*3.0%*
CIB Cost of Client Deposits and Notes	*4.1%*	*4.2%*	*3.9%*	*4.0%*	*4.0%*
Cost of Amounts Due to Credit Institutions, Annualised	7.2%	6.6%	6.9%	7.0%	6.4%
Cost of Debt Securities Issued	7.7%	7.1%	7.7%	7.8%	6.5%
Operating Leverage, Y-O-Y	3.8%	-0.1%	-2.8%	0.4%	2.9%
Operating Leverage, Q-O-Q	0.2%	-5.7%	3.2%	0.0%	0.0%
Efficiency					
Cost / Income	36.9%	38.1%	37.0%	36.9%	37.1%
RB Cost / Income	*36.6%*	*38.8%*	*36.4%*	*36.5%*	*38.2%*
CIB Cost / Income	*31.4%*	*32.8%*	*32.5%*	*31.9%*	*31.4%*
Liquidity					
NBG Liquidity Ratio	30.2%	44.1%	36.5%	30.2%	44.1%
Liquid Assets To Total Liabilities	36.9%	39.1%	38.9%	36.9%	39.1%
Net Loans To Client Deposits and Notes	112.6%	116.4%	106.8%	112.6%	116.4%
Net Loans To Client Deposits and Notes + DFIs	96.9%	97.6%	91.8%	96.9%	97.6%
Leverage (Times)	7.1	6.8	7.4	7.1	6.8
Asset Quality:					
NPLs (in GEL)	247,861	304,320	247,335	247,861	304,320
NPLs To Gross Loans To Clients	3.0%	4.4%	3.1%	3.0%	4.4%
NPL Coverage Ratio	110.5%	90.2%	111.4%	110.5%	90.2%
NPL Coverage Ratio, Adjusted for discounted value of collateral	147.2%	131.5%	147.2%	147.2%	131.5%
Cost of Risk, Annualised	1.7%	2.2%	2.1%	1.9%	2.3%
RB Cost of Risk	*2.2%*	*3.1%*	*2.6%*	*2.4%*	*3.2%*
CIB Cost of Risk	*0.6%*	*0.5%*	*1.3%*	*1.0%*	*0.4%*
Capital Adequacy:					
NBG (Basel III) Tier I Capital Adequacy Ratio	12.5%	n/a	12.4%	12.5%	n/a
NBG (Basel III) Total Capital Adequacy Ratio	17.5%	n/a	17.3%	17.5%	n/a
Selected Operating Data:					
Total Assets Per FTE, BOG Standalone	1,817	1,635	1,854	1,813	1,635
Number Of Active Branches, Of Which:	284	280	282	284	280
- Express Branches (including Metro)	*168*	*138*	*156*	*168*	*138*
- Bank of Georgia Branches	*104*	*131*	*114*	*104*	*131*
- Solo Lounges	*12*	*11*	*12*	*12*	*11*
Number Of ATMs	856	827	842	856	827
Number Of Cards Outstanding, Of Which:	2,235,122	2,117,652	2,246,396	2,235,122	2,117,652
- Debit cards	*1,607,087*	*1,342,214*	*1,597,662*	*1,607,087*	*1,342,214*
- Credit cards	*628,035*	*775,438*	*648,734*	*628,035*	*775,438*
Number Of POS Terminals	12,816	11,303	12,571	12,816	11,303
FX Rates:					
GEL/US$ exchange rate (period-end)	2.4516	2.4072	2.4144		
GEL/GBP exchange rate (period-end)	3.2209	3.1192	3.3932		

	Jun-18	Jun-17	Mar-18
Full Time Employees, Group, Of Which:	7,270	6,764	7,102
- Full Time Employees, BOG Standalone	*5,689*	*5,297*	*5,505*
- Full Time Employees, BNB	*699*	*649*	*708*
- Full Time Employees, BB other	*822*	*818*	*889*

Shares Outstanding	Jun-18	Jun-17	Mar-18
Ordinary Shares	47,779,684	37,652,034	37,431,257
Treasury Shares	1,389,746	1,760,286	1,953,455
Total Shares Outstanding	49,169,430	39,412,320	39,384,712

[14] 2Q18 and 1H18 results adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

Principal risks and uncertainties

Understanding our risks

The table below outlines the principal risks and uncertainties faced by the Group and their potential impact, as well the trends and outlook associated with these risks and the mitigating actions we take to address these risks. These are the risks relating to the Banking Business that were reported in the 2017 Annual Report of the BGEO Group PLC. If any of the following risks actually occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities.

CURRENCY AND MACROECONOMIC ENVIRONMENT	
PRINCIPAL RISK / UNCERTAINTY	**Macroeconomic factors relating to Georgia, including depreciation of the Lari against the US Dollar, may have a material impact on our loan book.**
KEY DRIVERS / TRENDS	The Group's operations are primarily located, and most of its revenue is sourced from, Georgia. Macroeconomic factors relating to Georgia, such as GDP, inflation and interest rates, may have a material impact on the quality of our loan portfolio, loan losses, our margins and customer demand for our products and services. Real GDP growth estimate for the first half of 2018 in Georgia increased to 5.7%, compared to Real GDP growth of 5.0% in 2017 and 2.8% in 2016, according to Geostat. Uncertain and volatile global economic conditions could have substantial political and macroeconomic ramifications globally which in turn could impact the Georgian economy. In the first half of 2018, the Lari appreciated against the US Dollar by 5.4%, after appreciating by 2.1% in 2017. The volatility of Lari against Dollar has affected, and may continue to adversely affect, the quality of our loan portfolio, as well as increase the cost of credit risk and impairment provisions. This is because our corporate, MSME and mortgage loan books are largely US Dollar-denominated and the majority of our customers' income is Lari-denominated. The creditworthiness of our customers may be adversely affected by the depreciation of Lari against US Dollar, which could result in them having difficulty repaying their loans. The depreciation of Lari may also adversely affect the value of our customers' collateral. As at 30 June 2018, approximately 80.2% and 45.8% of our corporate investment banking and retail loans, respectively, were denominated in foreign currency (predominantly US Dollars), while US Dollar income revenue loans covered 6.1% of retail gross loans and 40.3% of corporate investment banking gross loans. Our cost of risk was 1.9% in the first half 2018 compared to 2.3% in the first half 2017.
MITIGATION	The Group continuously monitors market conditions and reviews market changes, and also performs stress and scenario testing to test its position under adverse economic conditions, including adverse currency movements. The Asset and Liability Management Committee sets our open currency position limits and the Bank's proprietary trading position limits, which are currently more conservative than those imposed by the National Bank of Georgia (NBG), our regulator. The Treasury department manages our open currency position on a day-to-day basis. The open currency position is also monitored by the Quantitative Risk Management and Risk Analytics department. In order to assess the creditworthiness of our customers, we take into account currency volatility when there is a currency mismatch between the customer's loan and revenue. We allocate 75% additional capital to the foreign currency loans of clients, whose source of income is denominated in Lari. Our Credit Committees and Credit Risk Management department set counterparty limits by using a credit risk classification and scoring system for approving individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements. Since the beginning of 2016, we have focused on increasing local currency lending. We actively work with IFIs to raise long-term Lari funding to increase our Lari-denominated loans to customers. Furthermore, in June 2017, we completed the inaugural local currency denominated international bond issuance in the amount of GEL 500 million to support local currency lending. Applicable from the beginning of 2017, the NBG expanded the list of assets that banks are permitted to use as collateral for REPO transactions, which provides an additional funding source for our Lari-denominated loan book. As a result, as of 30 June 2018, our Lari-denominated loan book increased by 39.1% y-o-y and by 4.8% q-o-q, while our foreign currency-denominated loan book increased by 13.3% y-o-y and by 2.9% q-o-q.

REGIONAL INSTABILITY	
PRINCIPAL RISK / UNCERTAINTY	**The Georgian economy and our business may be adversely affected by regional tensions and instability.** The Group's operations are primarily located, and most of its revenue is sourced from, Georgia. The Georgian economy is dependent on economies of the region, in particular Russia, Turkey, Azerbaijan and Armenia who are key trading partners. There has been ongoing geopolitical tension, political instability, economic instability and military conflict in the region, which may have an adverse effect on our business and financial position.
KEY DRIVERS / TRENDS	Russian troops continue to occupy the Abkhazia and the Tskhinvali/South Ossetia regions and tensions between Russia and Georgia persist. Russia is opposed to the eastward enlargement of NATO, potentially, including former Soviet republics such as Georgia. The introduction of a free trade regime between Georgia and the EU in September 2014 and the visa-free travel in EU granted to Georgian citizens in March 2017 may intensify tensions between the countries. The Government has taken certain steps towards improving relations with Russia, but, as of the date of this Announcement, these have not resulted in any formal or legal changes in the relationship between the two countries. In April 2017, amendments to the Turkish constitution were approved by voters in a referendum. The proposed constitutional changes were originally scheduled for November 2019. However, in June 2018, as a result of early parliamentary and presidential elections the amendments became effective. The amendments which grant the president wider powers are expected to transform Turkey's system of government away from a parliamentary system and could have a negative impact on political stability in Turkey. Conflict remains unabated between Azerbaijan and Armenia.
MITIGATION	The Group actively monitors regional and local market conditions and risks related to political instability, and performs stress and scenario tests in order to assess our financial position. Responsive strategies and action plans are also developed. Despite tensions in the breakaway territories, Russia has continued to open its export market to Georgian exports since 2013. While lower global commodity prices and macroeconomic factors have affected Georgia's regional trading partners, leading to lower exports within the region, Georgia has benefited from increased exports earnings from non-traditional markets such as Switzerland, China, Egypt, Saudi Arabia, South Korea and Singapore. In April 2017, the IMF approved a new three-year US$285 million economic programme, aimed at preserving macroeconomic and financial stability and addressing structural weaknesses in the Georgian economy to support higher and inclusive growth. During the first half of 2018, Georgia delivered an estimated real GDP growth of 5.7%, whilst inflation was well contained at 2.2% in June 2018. Tourist arrivals and remittances, a significant driver of dollar inflows for the country, continued to increase. Tax revenues increased 5.8% y-o-y and were above the budgeted figure for the first half of 2018. The Georgian Government's fiscal position continues to be strong.
LOAN PORTFOLIO QUALITY	
PRINCIPAL RISK / UNCERTAINTY	**The Group may not be able to maintain the quality of its loan portfolio.** The quality of the Group's loan portfolio may deteriorate due to external factors beyond the Group's control such as negative developments in Georgia's economy or in the economies of its neighbouring countries, the unavailability or limited availability of credit information on certain of its customers, any failure of its risk management procedures or rapid expansion of its loan portfolio. The Group's corporate investment banking loan portfolio is concentrated and to the extent that such borrowers enter into further loan arrangements with the Group, this will increase the credit and general counterparty risk of the Group with respect to those counterparties and could result in deterioration of the Group's loan portfolio quality. Furthermore, the collateral values that the Group holds against the loans may decline, which may have an adverse effect on our business and financial position of the Group.
KEY DRIVERS / TRENDS	During the first six months of 2018, the Group's cost of risk was 1.9%, as compared to 2.3% in the first six months of 2017. Expected credit loss / impairment charges and, in turn, the Group's cost of credit risk could increase if a single large borrower defaults or a material concentration of smaller borrowers default. As of 30 June 2018, 31 December 2017 and 2016, the Group's non-performing loans accounted for 3.0%, 3.8%, and 4.2% of gross loans, respectively. The corporate investment banking loan portfolio is concentrated, with the Group's top ten corporate

	investment banking borrowers accounting for 10.2% of the loan portfolio (gross of allowances for impairment) as of 30 June 2018, as compared to 10.7% as of 31 December 2017 and 11.8% as of 31 December 2016. The top ten corporate investment banking borrowers accounted for 36.2% of the corporate investment banking gross loan portfolio as of 30 June 2018, as compared to 35.5% as of 31 December 2017 and 32.1% as of 31 December 2016. As of 30 June 2018, the Group held collateral against gross loans covering 83.6% of the total gross loans. The main forms of collateral taken in respect of corporate investment banking loans are liens over real estate, property plant and equipment, corporate guarantees, inventory, deposits and securities, transportation equipment and gold. The most common form of collateral accepted in retail banking loans is a lien over residential property. Downturns in the residential and commercial real estate markets or a general deterioration of economic conditions in the industries in which the Group's customers operate may result in illiquidity and a decline in the value of the collateral securing loans, including a decline to levels below the outstanding principal balance of those loans. In addition, declining or unstable prices of collateral in Georgia may make it difficult for the Group to accurately value collateral it holds. If the fair value of the collateral that the Group holds declines significantly in the future, it could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans past due more than 90 days. Further changes to laws or regulations may impair the value of such collateral.
MITIGATION	The Group continuously monitors market conditions and reviews market changes, and also performs stress and scenario testing to test its position under adverse economic conditions. Our Credit Committees and Credit Risk Management department set counterparty limits by using a credit risk classification and scoring system for approving individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements. The Group continuously monitors the market value of the collateral it holds against the loans. When evaluating collateral, the Group discounts the market value of the assets to reflect the liquidation value of the collateral. In terms of corporate investment banking loan portfolio concentration, the Group aims to adhere strictly to the limits set by the NBG for client exposures, monitors the level of concentration in its loan portfolio and the financial performance of its largest borrowers and uses collateral to minimise loss given default on its largest exposures, reduces guarantee exposures in the riskier sector and maintains a well-diversified loan book sector concentration.
REGULATORY RISK	
PRINCIPAL RISK / UNCERTAINTY	**The Group operates in an evolving regulatory environment and is subject to regulatory oversight of the National Bank of Georgia, supervising the banking sector and the securities market in Georgia.** The financial sector in Georgia is highly regulated. The regulatory environment continues to evolve. We, however, cannot predict what additional regulatory changes will be introduced in the future or the impact they may have on our operations.
KEY DRIVERS / TRENDS	Our banking operations must comply with capital adequacy and other regulatory ratios set by our regulator, the NBG, including reserve requirements and mandatory financial ratios. Our ability to comply with existing or amended NBG requirements may be affected by a number of factors, including those outside of our control, such as an increase in the Bank's risk-weighted assets, our ability to raise capital, losses resulting from deterioration in our asset quality and/or a reduction in income levels and/or an increase in expenses, decline in the value of the Bank's securities portfolio, as well as weakening of global and Georgian economies.
MITIGATION	Continued investment in our people and processes is enabling us to meet our current regulatory requirements and means that we are well placed to respond to any future changes in regulation. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfil our compliance obligations. Our compliance framework, at all levels, is subject to regular review by internal audit and external assurance providers.

LIQUIDITY RISK	
PRINCIPAL RISK / UNCERTAINTY	**The Group is exposed to liquidity risk when the maturities of its assets and liabilities do not coincide.** Although the Group expects to have sufficient funding over the next 18 months and beyond to execute its strategy and to have sufficient liquidity over the next 18 months and beyond, liquidity risk is nevertheless inherent in banking operations and may be heightened by a number of factors, including an over-reliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability. Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding as a result of global economic and financial factors. The availability of credit in emerging markets, in particular, is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence (for example, a downgrade in credit ratings of the Bank, the NBG or Georgia, or state interventions or debt restructurings in a relevant industry), could affect the price or availability of funding for the Group companies, operating in any of these markets.
KEY DRIVERS / TRENDS	The Group's current liquidity may be affected by unfavourable financial market conditions. If assets held by the Group in order to provide liquidity become illiquid or their value drops substantially, the Group may be required, or may choose, to rely on other sources of funding to finance its operations and future growth. Only a limited amount of funding, however, is available on the Georgian inter-bank market, and recourse to other funding sources may pose additional risks, including the possibility that other funding sources may be more expensive and less flexible. In addition, the Group's ability to access such external funding sources depends on the level of credit lines available to it, and this, in turn, is dependent on the Group's financial and credit condition, as well as general market liquidity. In terms of current and short-term liquidity, the Group is exposed to the risk of unexpected, rapid withdrawal of deposits by its customers in large volumes. Circumstances in which customers are more likely to withdraw deposits in large volumes rapidly include, among others, a severe economic downturn, a loss in consumer confidence, an erosion of trust in financial institutions or a period of social, economic or political instability. If a substantial portion of customers rapidly or unexpectedly withdraw their demand or term deposits or do not roll over their term deposits upon maturity, this could have a material adverse effect on the Group's business, financial condition and results of operations.
MITIGATION	The Group manages its liquidity risk through the liquidity risk management framework, which models the ability of the Group to meet its payment obligations under both normal conditions and crisis. The Group has developed a model based on the Basel III liquidity guidelines. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. Among other things, the Group maintains a diverse funding base comprising of short-term sources of funding (including retail banking and corporate investment banking customer deposits, inter-bank borrowings and borrowings from the NBG) and longer-term sources of funding (including term retail banking and corporate investment banking deposits, borrowing from international credit institutions, sales and purchases of securities and long-term debt securities). Client deposits and notes are one of the most important sources of funding for the Group. As of 30 June 2018, 31 December 2017 and 31 December 2016, 91.9%, 91.4%, and 91.5%, respectively, of client deposits and notes had contractual maturities of one year or less, of which 50.0%, 56.5%, and 53.9%, respectively, were payable on demand. However, as of the same dates, the ratio of net loans to client deposits and notes was 112.6%, 109.4%, and 116.1% respectively and the NBG liquidity ratios were 30.2%, 34.4%, and 37.7%, respectively.
OPERATIONAL RISK, CYBER-SECURITY, INFORMATION SYSTEMS AND FINANCIAL CRIME	
PRINCIPAL RISK / UNCERTAINTY	**We are at risk of experiencing cyber-security breaches, unauthorised access to our systems and financial crime, or failures in our banking activity processes or systems or human error, which could disrupt our customer services, result in financial loss, have legal or regulatory implications and/or affect our reputation.** We are highly dependent on the proper functioning of our risk management, internal controls and systems, and internal processes including those related to data protection, IT and information security in order to manage these threats.
KEY DRIVERS / TRENDS	Cyber-security threats have increased y-o-y and during the first half of 2018 we saw a number of major organisations subject to cyber-attacks, although fortunately, our operations were not materially affected. The external threat profile is continuously changing and we expect threats to continue to increase. Over the past few years, as our operations have expanded, we have seen an increase in electronic crimes, including fraud, although losses have not been significant. Money laundering, which the bank has certain

	responsibilities to guard against, has also increased globally in recent years.
MITIGATION	We have an integrated control framework encompassing operational risk management, IT systems, corporate and other data security, each of which is managed by a separate department. We also have an Anti-Money Laundering (AML) officer and controls. We identify and assess operational risk categories within our risk management framework, identify critical risk areas or groups of operations with an increased risk level and develop policies and security procedures to mitigate these risks. We have security controls in place including policies, procedures and security technologies. We also regularly carry out IT and information security checks internally and with the assistance of external consultants. We have sophisticated anti-virus protection and firewalls to help protect against potentially malicious software. We have increased our internal and external penetration testing and have back-up disaster recovery and business continuity plans in place across the Group. Access control and password protections have been improved in 2016 through the implementation of "Privileged Access Monitoring" for employees with the highest privileged access to confidential and customer data. We continue to invest in technology to enhance our ability to prevent, detect and respond to increasing and evolving threats. Our Internal Audit function provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems in place. These types of operational risk are on the Audit Committee's regular agenda and are also frequently discussed at the Board level.

Responsibility Statement

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

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

After making enquiries, the Directors considered it appropriate to adopt the going concern basis in preparing this Results Report.

The Directors of the Group are as follows:

Neil Janin
Kaha Kiknavelidze
Hanna Loikkanen
Alasdair Breach
Tamaz Georgadze
Jonathan Muir
Cecil Quillen

By order of the Board

Neil Janin
Chairman

Kaha Kiknavelidze
Chief Executive Officer

15 August 2018

Interim Condensed Consolidated Financial Statements

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INDEPENDENT REVIEW REPORT

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT REVIEW REPORT TO BANK OF GEORGIA GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Income Statement, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Statement of Cash Flows and related notes 1 to 25. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
15 August 2018

Notes:

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(Thousands of Georgian Lari)

	Notes	As at 30 June 2018 (unaudited)	As at 31 December 2017
Assets			
Cash and cash equivalents	6	1,546,863	1,582,435
Amounts due from credit institutions	7	993,862	1,225,947
Investment securities	8	1,725,692	1,564,869
Loans to customers and finance lease receivables	9	8,078,132	7,690,450
Accounts receivable and other loans		4,878	38,944
Insurance premiums receivable		-	30,573
Prepayments		74,238	149,558
Inventories		11,085	100,194
Investment properties	10	218,224	353,565
Property and equipment	11	313,627	988,436
Goodwill		33,351	55,276
Intangible assets		61,462	60,980
Income tax assets		21,792	2,293
Other assets		125,615	188,732
Assets of disposal group held for sale		-	1,136,417
Total assets		**13,208,821**	**15,168,669**
Liabilities			
Client deposits and notes	12	7,174,234	6,712,482
Amounts owed to credit institutions	13	2,740,595	3,155,839
Debt securities issued	14	1,527,452	1,709,152
Accruals and deferred income		33,397	132,669
Insurance contract liabilities		-	46,402
Income tax liabilities		43,326	20,959
Other liabilities		52,231	142,133
Liabilities of disposal group held for sale		-	516,663
Total liabilities		**11,571,235**	**12,436,299**
Equity	15		
Share capital		1,790	1,151
Additional paid-in capital		463,130	106,086
Treasury shares		(41)	(66)
Other reserves		26,268	122,082
Retained earnings		1,139,285	2,180,415
Reserves of disposal group held for sale		-	10,934
Total equity attributable to shareholders of the Group		**1,630,432**	**2,420,602**
Non-controlling interests		7,154	311,768
Total equity		**1,637,586**	**2,732,370**
Total liabilities and equity		**13,208,821**	**15,168,669**

The financial statements on page 35 to 76 were approved by the Board of Directors on 15 August 2018 and signed on its behalf by:

Kakhaber Kiknavelidze

Chief Executive Officer

15 August 2018

Bank of Georgia Group PLC

Registered No. 10917019

The accompanying selected explanatory notes on pages 42 to 76 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)*
Interest income calculated using EIR method		629,570	530,320
Other interest income		8,823	6,017
Interest income		**638,393**	**536,337**
Interest expense		(267,217)	(215,903)
Deposit insurance fees		(2,574)	-
Net interest income	17	**368,602**	**320,434**
Fee and commission income		106,005	88,508
Fee and commission expense		(34,168)	(27,696)
Net fee and commission income	18	**71,837**	**60,812**
Net foreign currency gain		39,916	30,531
Net other income		8,898	3,561
Revenue		**489,253**	**415,338**
Salaries and other employee benefits		(102,323)	(90,797)
Administrative expenses		(51,885)	(43,885)
Depreciation and amortisation		(22,914)	(19,722)
Other operating expenses		(1,736)	(1,526)
Operating expenses		**(178,858)**	**(155,930)**
Profit from associates		695	909
Operating income before cost of credit risk		**311,090**	**260,317**
Expected credit loss / impairment charge on loans to customers		(76,684)	(79,097)
Expected credit loss / impairment charge on finance lease receivables		(253)	(207)
Other expected credit loss		3,644	-
Impairment charge on other assets and provisions		(4,520)	(8,732)
Cost of credit risk		**(77,813)**	**(88,036)**

The accompanying selected explanatory notes on pages 42 to 76 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)*
Net operating income before non-recurring items		**233,277**	**172,281**
Net non-recurring items	19	(46,823)	(2,711)
Profit before income tax expense from continuing operations		**186,454**	**169,570**
Income tax expense	20	(36,565)	(7,692)
Profit for the period from continuing operations		**149,889**	**161,878**
Profit from discontinued operations	4	107,899	69,922
Profit for the period		**257,788**	**231,800**
Total profit attributable to:			
– shareholders of the Group		239,030	217,609
– non-controlling interests		18,758	14,191
		257,788	**231,800**
Profit from continuing operations attributable to:			
– shareholders of the Group		149,346	161,022
– non-controlling interests		543	856
		149,889	**161,878**
Profit from discontinued operations attributable to:			
– shareholders of the Group		89,684	56,587
– non-controlling interests		18,215	13,335
		107,899	**69,922**
Basic earnings per share:	15	5.8233	5.7354
– earnings per share from continuing operations		3.6384	4.2440
– earnings per share from discontinued operations		2.1849	1.4914
Diluted earnings per share:	15	5.7560	5.5085
– earnings per share from continuing operations		3.5964	4.0761
– earnings per share from discontinued operations		2.1596	1.4324

** Certain amounts do not correspond to the 2017 interim consolidated financial statement as they reflect the adjustments made for discontinued operations described in Note 4 .*

The accompanying selected explanatory notes on pages 42 to 76 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)*
Profit for the period		**257,788**	**231,800**
Other comprehensive (loss) income from continuing operations			
Other comprehensive (loss) income from continuing operations to be reclassified to profit or loss in subsequent periods:			
– Net change in fair value on investments in debt instruments measured at FVOCI		(5,280)	n/a
– Unrealized revaluation of available-for-sale securities		n/a	514
– Realised gain (loss) on financial assets measured at FVOCI reclassified to the consolidated income statement		357	n/a
– Realised gain on available-for-sale securities reclassified to the consolidated income statement		n/a	(1,974)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement		(702)	n/a
– Loss from currency translation differences		(5,923)	(8,628)
Income tax impact		(696)	28
Net other comprehensive (loss) income from continuing operations to be reclassified to profit or loss in subsequent periods		**(12,244)**	**(10,060)**
Other comprehensive income from continuing operations not to be reclassified to profit or loss in subsequent periods:			
– Revaluation of property and equipment		3,450	-
Net other comprehensive income from continuing operations not to be reclassified to profit or loss in subsequent periods		**3,450**	**-**
Other comprehensive (loss) income for the year from discontinued operations to be reclassified to profit or loss in subsequent periods	4	(10,881)	(16,576)
Other comprehensive (loss) income for the year, net of tax		**(19,675)**	**(26,636)**
Total comprehensive income for the period from continuing operations		141,095	151,818
Total comprehensive income for the period from discontinued operations		97,018	53,346
Total comprehensive income for the period		**238,113**	**205,164**
Total comprehensive income attributable to:			
– shareholders of the Group		219,063	191,656
– non-controlling interests		19,050	13,508
		238,113	**205,164**
Total comprehensive income from continuing operations attributable to:			
– shareholders of the Group		140,260	151,645
– non-controlling interests		835	173
		141,095	**151,818**
Total comprehensive income from discontinued operations attributable to:			
– shareholders of the Group		78,803	40,011
– non-controlling interests		18,215	13,335
		97,018	**53,346**

** Certain amounts do not correspond to the 2017 interim consolidated financial statement as they reflect the adjustments made for discontinued operations described in Note 4.*

The accompanying selected explanatory notes on pages 42 to 76 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Attributable to shareholders of the Group								
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Reserves of disposal group held for sale*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
31 December 2016	**1,154**	**183,872**	**(54)**	**74,399**	**-**	**1,872,496**	**2,131,867**	**256,346**	**2,388,213**
Effect of early adoption of IFRS 15	-	-	-	-		(29,050)	(29,050)	-	(29,050)
1 January 2017	**1,154**	**183,872**	**(54)**	**74,399**	**-**	**1,843,446**	**2,102,817**	**256,346**	**2,359,163**
Profit for the six months ended 30 June 2017 (unaudited)	-	-	-	-	-	217,609	217,609	14,191	231,800
Other comprehensive gain (loss) for the six months ended 30 June 2017 (unaudited)	-	-	-	(24,620)	-	(1,333)	(25,953)	(683)	(26,636)
Total comprehensive income for the six months ended 30 June 2017 (unaudited)	**-**	**-**	**-**	**(24,620)**	**-**	**216,276**	**191,656**	**13,508**	**205,164**
Depreciation of property and equipment revaluation reserve, net of tax	-	-	-	(429)	-	429	-	-	-
Increase in equity arising from share-based payments	-	24,632	16	-	-	-	24,648	1,140	25,788
Issue of share capital	-	-	-	-	-	-	-	-	-
Buyback and cancelation of own shares	(2)	(9,247)	-	-	-	-	(9,249)	-	(9,249)
Dividends to shareholders of the Group	-	-	-	-	-	(101,501)	(101,501)	-	(101,501)
Dilution of interests in subsidiaries	-	-	-	(220)	-	-	(220)	1,358	1,138
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	11,855	11,855
Sale of interests in existing subsidiaries	-	-	-	70,331	-	-	70,331	38,234	108,565
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	(4,639)	-	-	(4,639)	(54,045)	(58,684)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	-	24,743	24,743
Purchase of treasury shares	-	(58,777)	(13)	-	-	-	(58,790)	-	(58,790)
30 June 2017 (unaudited)	**1,152**	**140,480**	**(51)**	**114,822**	**-**	**1,958,650**	**2,215,053**	**293,139**	**2,508,192**
31 December 2017	**1,151**	**106,086**	**(66)**	**122,082**	**10,934**	**2,180,415**	**2,420,602**	**311,768**	**2,732,370**
Effect of adoption of IFRS 9 (Note 3)	-	-	-	3,267	-	(43,240)	(39,973)	(2,724)	(42,697)
1 January 2018	**1,151**	**106,086**	**(66)**	**125,349**	**10,934**	**2,137,175**	**2,380,629**	**309,044**	**2,689,673**
Profit for the six months ended 30 June 2018 (unaudited)	-	-	-	-	-	239,030	239,030	18,758	257,788
Other comprehensive gain (loss) for the six months ended 30 June 2018 (unaudited)	-	-	-	(17,575)	-	(2,392)	(19,967)	292	(19,675)
Total comprehensive income for the six months ended 30 June 2018 (unaudited)	**-**	**-**	**-**	**(17,575)**	**-**	**236,638**	**219,063**	**19,050**	**238,113**
Depreciation of property and equipment revaluation reserve, net of tax	-	-	-	(333)	-	333	-	-	-
Increase in equity arising from share-based payments	-	70,681	38	-	-	-	70,719	1,014	71,733
Dividends to shareholders of the Group	-	-	-	-	-	(5,412)	(5,412)	-	(5,412)
Dilution of interests in subsidiaries	-	-	-	-	-	-	-	1,876	1,876
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	(5,020)	-	-	(5,020)	(8,044)	(13,064)
Purchase of treasury shares	-	(93,113)	(13)	-	-	-	(93,126)	-	(93,126)
Issue of share capital (Note 15)	4,375,378	-	-	-	-	-	4,375,378	-	4,375,378
Capital reduction (Note 15)	(4,375,061)	(196,438)	-	-	-	196,293	(4,375,206)	-	(4,375,206)
Distribution of Investment Business to shareholders of the Group*	322	575,914	-	(76,153)	(10,934)	(1,425,742)	(936,593)	(315,786)	(1,252,379)
30 June 2018 (unaudited)	**1,790**	**463,130**	**(41)**	**26,268**	**-**	**1,139,285**	**1,630,432**	**7,154**	**1,637,586**

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

The accompanying selected explanatory notes on pages 42 to 76 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	*For the six months ended* 30 June 2018 (unaudited)	30 June 2017 (unaudited)*
Cash flows from (used in) operating activities			
Interest received		620,479	529,914
Interest paid		(262,639)	(209,378)
Fees and commissions received		114,976	93,467
Fees and commissions paid		(33,839)	(27,614)
Net realised gain from foreign currencies		38,895	31,143
Recoveries of loans to customers previously written off		21,793	21,196
Other income received (expense paid)		(18,883)	9,309
Salaries and other employee benefits paid		(90,967)	(79,868)
General and administrative and operating expenses paid		(64,197)	(52,501)
Cash flows from operating activities from continuing operations before changes in operating assets and liabilities		**325,618**	**315,668**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		156,427	(123,943)
Loans to customers and Finance lease receivables		(820,920)	(560,002)
Prepayments and other assets		(21,685)	(20,736)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		315,825	(396,948)
Debt securities issued		(77,419)	475,402
Client deposits and notes		379,874	380,475
Other liabilities		(9,432)	(10,551)
Net cash flows from operating activities from continuing operations before income tax		**248,288**	**59,365**
Income tax paid		(32,777)	(293)
Net cash flows from operating activities from continuing operations		**215,511**	**59,072**
Net cash flows from operating activities of discontinued operations		260,166	95,496
Net Cash flow from operating activities		**475,677**	**154,568**
Cash flows used in investing activities			
Net purchase of investment securities		(115,328)	(111,684)
Realized gain from trading securities		-	1,856
Proceeds from sale of investment properties		34,999	6,446
Proceeds from sale of property and equipment and intangible assets		3,292	464
Purchase of property and equipment and intangible assets		(28,840)	(30,470)
Net cash flows used in investing activities from continuing operations		**(105,877)**	**(133,388)**
Net cash flows used in investing activities of discontinued operations		(283,621)	(191,187)
Net cash flows used in investing activities		**(389,498)**	**(324,575)**

The accompanying selected explanatory notes on pages 42 to 76 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

(Thousands of Georgian Lari)

	Notes	30 June 2018 (unaudited)	30 June 2017 (unaudited)*
Cash flows (used in) from financing activities			
Buyback and cancelation of own shares	15	-	(9,249)
Dividends paid		(5,423)	(1,120)
Purchase of treasury shares		(76,719)	(57,744)
Purchase of additional interests in existing subsidiaries		-	(16,279)
Acquisition of addition shares in existing investments		-	(24,191)
Dividends received from discontinued operations		-	7,000
Cash disposed as a result of Investment Business distribution		(78,180)	-
Net cash used in financing activities from continuing operations		**(160,322)**	**(101,583)**
Net cash from (used in) financing activities of discontinued operations		2,334	137,650
Net cash used in financing activities		**(157,988)**	**36,067**
Effect of exchange rates changes on cash and cash equivalents		13,789	14,717
Net increase in cash and cash equivalents		**(58,020)**	**(119,223)**
Cash and cash equivalents, beginning of the period	6	**1,582,435**	**1,573,610**
Cash and cash equivalents of disposal group held for sale at the beginning of the period		**22,448**	**-**
Cash and cash equivalents, end of the period	6	**1,546,863**	**1,454,387**

** Certain amounts do not correspond to the 2017 interim consolidated financial statement as they reflect the adjustments made for discontinued operations described in Note 4.*

The accompanying selected explanatory notes on pages 42 to 76 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

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

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

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2018, the Bank has 284 operating outlets in all major cities of Georgia (31 December 2017: 286). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia.

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

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

As at 30 June 2018 and 31 December 2017, the following shareholders owned more than 4% of the total outstanding shares of BOGG. Other shareholders individually owned less than 3% of the outstanding shares.

	As at	
Shareholder	***30 June 2018 (unaudited)***	***31 December 2017 (unaudited)***
JSC Georgia Capital	19.90%	-
Harding Loevner Management LP	6.82%	8.32%
Schroders Investment Management	3.57%	4.86%
LGM Investments Ltd	2.97%	3.28%
Norges Bank Investment Management	2.58%	3.11%
Others	64.16%	74.07%
Total*	**100.00%**	**100.00%**

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

2. Basis of Preparation

General

The financial information set out in these interim condensed consolidated financial statements does not constitute Bank of Georgia Group PLC's statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory financial statements were prepared for the year ended 31 December 2017 under IFRS, as adopted by the European Union and reported on by BOGG's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

These interim condensed consolidated financial statements for the six months ended 30 June 2018 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Conduct Authority.

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

Assumptions and significant estimates in these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2017, signed and authorized for release on 7 March 2018.

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

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

Going concern

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

3. Summary of Significant Accounting Policies

Accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

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

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

IFRS 9 financial instruments

IFRS 9 replaces IAS 39 for annual periods commencing on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for half year 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

Changes to classification and measurement

IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories are replaced by:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI) with recycling to profit or loss upon disposal for debt instruments;
- fair value through other comprehensive income (FVOCI) without recycling to profit or loss for equity instruments; and
- amortised cost.

The accounting treatment for financial liabilities are largely the same as the requirements of IAS 39.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms as explained below. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Changes to the impairment estimation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairment by replacing IAS 39's incurred loss approach with forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record ECL on all of its debt financial assets at amortised cost or FVOCI, finance lease receivables, as well as loan commitments and financial guarantees. The allowance is based on the ECL associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.

Details of the Group's impairment method and quantitative impact of applying IFRS 9 as at 1 January 2018 are disclosed below.

Classification and Measurement Implementation

From 1 January 2018, the group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Financial instruments measured at amortised cost

From 1 January 2018 the Group measures Due from credit institutions, loans to customers and other financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Business model

There are three business models available under IFRS 9:

- Held to collect: It is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest form the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgment based on facts and circumstances at the date of the assessment. The business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors. The Group has considered quantitative factors (e.g,. the expected frequency and volume of sales) and qualitative factors such as how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel; the risks that affect the performance of the business model and, in particular, the way those risks are managed; and how managers of the business are compensated.

Solely Payments of Principal and Interest (SPPI)

If a financial asset is held in either to a Hold to Collect or a Hold to Collect and Sell business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on individual instrument basis.

Contractual cash flows, that represent solely payments of principal and Interest on the principal amount outstanding, are consistent with basic lending arrangement. Interest is consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are SPPI, the Group considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI.

If SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

Based on the assessment of contractual cash flows at initial recognition of Financial Assets outstanding at transition that were previously classified as loans and receivables, the Group did not identify any financial instruments that would fail SPPI.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Debt instruments at FVOCI

From 1 January 2018 the Group measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows, selling financial assets and holding such financial instruments for liquidity management purposes;
- The contractual terms of the financial asset meet the SPPI test.

These instruments comprise assets that had previously been classified as investment securities available-for-sale under IAS 39.

FVOCI debt investment securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI- option

Upon initial recognition, the Group elects to classify irrevocably its equity instruments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument by instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

Financial assets at FVTPL

Group of financial assets for which business model is other than held to collect and held to collect and sell are measured at FVTPL from the date of initial application of IFRS 9.

Derivatives recorded at fair value through profit or loss

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, Forwards and other similar instruments. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Net changes in the fair value of derivatives are included in net gain / loss from financial instruments measured at FVTPL excluding gain/loss on foreign exchange derivatives which are presented in net foreign currency gain.

Financial guarantees, letter of credits and other financial commitments

Financial guarantees, letter of credits and other financial commitments are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and an ECL provision.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Impairment Implementation

From 1 January 2018 the Group recorded the allowance for expected credit loss for all debt instruments that are measured at amortised cost, debt instruments at FVOCI and for financial guarantees, letter of credits and other financial commitments (thereafter collectively referred to as "financial instruments"). This contrasts to the IAS 39 impairment model which was not applicable to off balance sheet financial commitments, as these were instead covered by IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. The Group applies simplified approach for trade, lease and other receivables and contract assets and records lifetime expected losses on them.

The determination of impairment losses and allowance moves from an incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to an expected credit loss model under IFRS 9, where provisions are taken upon initial recognition of the financial instruments. Under IFRS 9, the Group evaluates individually whether objective evidence of impairment exists for loans to recognise lifetime expected credit losses for significant increases in credit risk since initial recognition. Where an evidence of such significant increases in credit risk at the individual instrument level is not available, assessment is performed on collective basis by considering information that is indicative of significant increase in credit risk for a group of financial instruments with similar characteristics.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 introduces a three stage approach to impairment for Financial Instruments that are performing at the date of origination or purchase. This approach is summarised as follows:

- Stage 1: The Group recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.
- Stage 2: The Group recognizes a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those Financial Instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the Financial Instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
- Stage 3: The Group recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 % for those Financial Instruments that are credit-impaired.

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are usually classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2. The Group recognises a credit loss allowance at an amount equal to 12 month expected credit losses for Financial Instruments in stage 1. Once Financial Instruments are transferred to stage 2, ECL is recognised at an amount equal to lifetime expected credit losses. Assets which have defaulted or are otherwise considered to be credit-impaired are allocated to Stage 3. When determining the staging of an asset, consideration is given to both the period over which the Group will be exposed to credit risk and the effect on the level of credit risk of a range of possible future economic conditions.

Purchased or originated credit-impaired (POCI) assets are financial Instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR(CAEIR).CAEIR takes into account all contractual terms of the financial asset and expected credit losses. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses where ECLs are calculated based on lifetime expected credit losses.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Key judgments and estimates

The implementation of IFRS 9 required management to make a number of judgments, assumptions and estimates. A summary of the key judgments made by management is set out below.

Definition of default, credit-impaired and cure

The Group's definition of default is based on quantitative and qualitative criteria. It is consistent with the definition used for internal credit risk management purposes and it corresponds with internal financial instrument risk classification rules. A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, insolvency proceedings of enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met.

An instrument is classified as credit-impaired if the counterparty is defaulted and/or the instrument is POCI.

Once the financial asset is classified as credit-impaired (except for POCIs) it remains as such unless all past due amounts have been rectified or there is general evidence of credit recovery. Minimum period of consecutive 6 months payment is applied as exit criteria to Financial Assets restructured due to credit risk other than corporate loan portfolio and debts instruments measured at FVOCI where exit criteria are determined as exit from bankruptcy or insolvency status, disappearance of liquidity problems or existence of other general evidence of credit recovery assessed on individual basis. For other credit-impaired financial Instruments exit criteria is determined as repayment of entire overdue amount.

Once credit-impaired financial asset meets default exit criteria, it remains in stage 2 at least for the next 12 consecutive months. After 12 consecutive payments it is transferred to stage 1
Once the Financial Asset is recognized as POCI, it retains this status until derecognized.

Significant Increase in Credit Risk

To identify significant increase in credit risk since initial recognition of the Financial Asset at individual financial instrument level, the Group is undertaking the holistic analysis of various factors including those which are specific to a particular financial instrument or to a borrower as well as those applicable to particular sub-portfolios. These criteria are:

- A quantitative test based on movements linked to internal and external credit rating grades available for particular Financial Asset or sub-portfolio. Downgrade is considered to be significant based on relative and/or absolute change in PD as compared to PD at initial recognition.;
- The days past due on individual contract level breached the threshold of 30 days.;
- Other qualitative indicators such as external market indicators of credit risk or general economic conditions.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Measurement of expected credit losses

ECL reflects an unbiased, probability-weighted estimate based on a combination of the following principal factors: probability of default (PD), loss given default (LGD) and exposure at default (EAD) which are further explained below:

PD estimation: The assessment of significant increase in credit risk and consequently whether a Financial Asset should be transferred from stage 1 to stage 2 is a relative measure, where the risk at the reporting date is compared to the risk at initial recognition. PDs have been used as part of this process. As the standard has been applied retrospectively at the initial application date, it has been necessary to source PDs at initial recognition and other risk information at 1 January 2018. . The Group estimates PD based on migration matrices which is further adjusted for macroeconomic expectations to represent the forward-looking estimators of the PD parameters. For loan portfolio other than corporate loans, PD is further adjusted considering time since financial instrument origination. The models incorporate both qualitative and quantitative information, and where practical build on information from top rating agencies, Credit Bureau or internal credit rating system. Since a Stage 3 Financial Instruments are defaulted, the probability of default is equal to 100%.

Loss given default (LGD): LGD is defined as the likely loss arising in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. The determination of the LGD takes into account expected future cash flows from collateral and other credit enhancements, or expected pay-outs from bankruptcy proceedings for unsecured claims and where applicable time to realization of collateral and the seniority of claims. The LGD is expressed as a percentage of the EAD.

Exposure of default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial asset. It represents the cash flows outstanding at the time of default, considering expected repayments interest payments and accruals discounted at the EIR. To calculate EAD for a Stage 1 Financial Instruments, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. For Stage 2, Stage 3 and POCI Financial Instruments, the exposure at default is considered for events over the lifetime of the instruments. The Group determines EAD differently for products with the repayment schedules and those without repayment schedules. For Financial Instruments with repayment schedules the Group estimates forward looking EAD using the contractual cash flow approach with further corrections for expected prepayments and add-on overdue. For products without the repayment schedules the Group estimates the forward looking EAD using the limit utilisation approach.

Forward-Looking Information

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward looking information obtainable without undue cost or effort, which takes into consideration past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into the Group's allowance for credit losses, the Group uses the macroeconomic forecasts provided by National Bank of Georgia. Macroeconomic variables covered by these forecasts are GDP and foreign exchange rate.

The determination of the probability weighted ECL requires evaluating a range of diverse and relevant future economic conditions. To accommodate this requirement, the Group uses three different economic scenarios in the ECL calculation: an upside (weight 0.25), a baseline (weight 0.50) and downside (weight 0.25), scenario relevant for respective portfolio. A weight is computed for each scenario by using a economic model that considers recent information as well as historical data provided by National Bank of Georgia.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Aggregation of financial instruments for collective assessment

For the purpose of a collective evaluation of impairment, financial instruments are grouped within homogeneous pools on the basis of credit risk characteristics such as asset type, industry, overdue buckets, collateralization level and other relevant factors.

Determination of expected life for revolving facilities

For revolving products the expected life of financial instrument is determined either with reference to the next renewal date or with the reference to the behavioural expected life of the financial instrument estimated based on the empirical observation of the lifetime.

De-recognition and Modification

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of Financial Instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms based on qualitative and quantitative criteria. If the terms are substantially different, the Group derecognises the original Financial Asset and recognises a "new" POCI asset at fair value if SPPI test is met. If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the Financial Asset and recognises a modification gain or loss in interest income. The new gross carrying amount is calculated by discounting the modified cash flows at the original effective interest rate.

Financial assets are derecognised when the contractual right to receive the cash flows from the assets have expired or when they have been transferred. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired)

Write offs

The Group reduces the gross carrying amount of a Financial Asset when there is no reasonable expectation of recovery, which is materially unchanged compared to IAS 39. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amounts. Any subsequent recoveries are credited to credit loss expense.

Interest Income Recognition

For Financial Instruments in Stage 1 and Stage 2, the Group calculates interest income by applying the Effective Interest Rate (EIR) to the gross carrying amount. Interest income for financial assets in Stage 3 is calculated by applying the EIR to the amortised cost (i.e. the gross carrying amount less credit loss allowance).For Financial Instruments classified as POCI only, interest income is calculated by applying a credit adjusted EIR to the amortised cost of these POCI assets. As a result of the amendments to International Accounting Standard 1: "presentation of Financial Statements" (IAS1) following IFRS 9, the Group will present interest revenue calculated using the EIR method separately in the income statement.

Hedge Accounting

IFRS 9 incorporates new hedge accounting rules that intend to better align hedge accounting with risk management practices. Generally, some restrictions under IAS 39 rules have been removed and a greater variety of hedging instruments and hedged items become available for hedge accounting. IFRS 9 includes an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting. The Group has not applied hedge accounting.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Transition disclosures

The following tables summarises the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

	Original classification under IAS 39	*Original carrying amount under IAS 39*	*Reclassi-fication*	*Remeasurement*		*New carrying amount under IFRS 9*	*New classification under IFRS 9*
				ECL	*Other*		
Cash and cash equivalents	Loans and receivables	1,582,435	-	(80)	-	1,582,355	Amortised cost
Amounts due from credit institutions	Loans and receivables	1,225,947	-	(598)	-	1,225,349	Amortised cost
Investment securities		1,564,869	-	-	-	1,564,869	
Debt securities	*Available for sale*	*1,563,515*	-	-	-	*1,563,515*	*FVOCI - debt*
Corporate shares	*Available for sale*	*1,354*	-	-	-	*1,354*	*FVOCI - equity*
Loans to customers	Loans and receivables	7,625,144	(6,881)	(30,017)	-	7,588,246	Amortised cost
Loans to customers	Loans and receivables	-	6,881	-	-	6,881	FVTPL
Accounts receivable and other loans	Loans and receivables	38,944	-	(6,822)	-	32,122	Amortised cost
Other assets - derivative financial assets	FVTPL	12,392	-	-	-	12,392	FVTPL
Other assets - trading securities	FVTPL	3,191	-	-	-	3,191	FVTPL
Income tax assets	-	2,293	-	-	-	2,293	-
Finance lease receivables	-	65,306	-	92	-	65,398	-
All other assets	-	1,911,731	-	1	-	1,911,732	-
Assets of disposal group held for sale	-	1,136,417	-	(6,535)	-	1,129,882	-
Total assets		**15,168,669**	**-**	**(43,959)**	**-**	**15,124,710**	
Provisions	-	(5,915)	-	(867)	-	(6,782)	-
Income tax liabilities	-	(20,959)	-	-	2,129	(18,830)	-
All other liabilities	-	(12,409,425)	-	-	-	(12,409,425)	-
Total liabilities		**(12,436,299)**	**-**	**(867)**	**2,129**	**(12,435,037)**	
Net impact on equity due to adopting IFRS 9 at 1 January 2018			**-**	**(44,826)**	**2,129**		

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

IFRS 9 had no impact on the Group's financial liabilities.

The application of these policies resulted in reclassification set out in the table above and explained below:

a) Loans to customers

As of 1 January 2018, the Group assessed its business model for loans to customers which are mostly held to collect the contractual cash flows. The Group has identified certain group of loans issued by one of the Group entities for which business model is other than held to collect and held to collect and sell. This loan portfolio which was previously classified at amortized cost was reclassified to FVTPL from the date of initial application. Change in measurement basis did not result in material re-measurement for the Group. The reminder of the Group's loans to customers is held to collect contractual cash flows, meets SPPI criteria and therefore is measured at amortised cost.

b) Securities

Investment securities other than equity instruments and those securities held for trading
As at 1 January 2018, the Group has assessed its liquidity portfolio which had previously been classified as AFS debt instruments. The Group concluded that these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets and meet SPPI criteria. Accordingly, the Group has classified these investments as debt instruments measured at FVOCI.

Equity instruments
The Group has elected to irrevocably designate investment securities of GEL 1,354 in a portfolio of non-trading equity securities at FVOCI as permitted under IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

Securities held for trading
The Group holds an investment of GEL 3,191 in a portfolio of investment securities which are held for trading. These securities were measured at FVTPL as were managed on a fair value basis. As part of the transition to IFRS 9, these securities are part of an "other" business model and so required to be classified as FVTPL.

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

	Other reserves
Other reserves	
Closing balance under IAS 39 (31 December 2017)	122,082
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	3,350
Income tax in relation to the above	(83)
Opening balance under IFRS 9 (1 January 2018)	125,349
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	2,180,415
Recognition of IFRS 9 ECLs including those measured at FVOCI (see below)	(45,452)
Income tax in relation to the above	2,212
Opening balance under IFRS 9 (1 January 2018)	2,137,175
Non-controlling interests	
Closing balance under IAS 39 (31 December 2017)	311,768
Recognition of IFRS 9 ECLs including those measured at FVOCI (see below)	(2,724)
Opening balance under IFRS 9 (1 January 2018)	309,044
Total change in equity due to adopting IFRS 9	**(42,697)**

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

The following table reconciles the aggregate opening loan loss provision allowance under IAS 39 and provisions for loan commitments and financial guarantees contracts in accordance with IAS 37 *Provisions, Contingent liabilities and Contingent Assets* to the ECL allowance under IFRS 9.

	Loan loss provision under IAS 39 / IAS 37	*Remeasurement*	*ECL net-off on accrued interest*	*ECLs under IFRS 9*
Loans and receivables (IAS 39) / Financial assets at amortized cost (IFRS 9)	**31 Dec 2017**			**1 January 2018**
Cash and cash equivalents	-	80	-	80
Amounts due from credit institutions	-	598	-	598
Loans to customers	276,885	30,017	17,273	324,175
Accounts receivable and other loans	4,003	6,822	-	10,825
Allowance of assets of disposal group held for sale	14,692	6,535	-	21,227
Other assets	42,225	(1)	-	42,224
	337,805	**44,051**	**17,273**	**399,129**
Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)				
Investment securities	-	3,350	-	3,350
	-	**3,350**	**-**	**3,350**
Finance lease receivables	**2,380**	**(92)**	**-**	**2,288**
Provisions	**5,915**	**867**	**-**	**6,782**
	346,100	**48,176**	**17,273**	**411,549**

Re-measurement in the above table is netted-off with the effect of ECL recognition on contractually accrued interest income ("ECL gross-up"). ECL gross-up did not affect net value of the Group's loan portfolio under IFRS 9.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Amendments effective from 1 January 2018

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. The amendment did not have material effect on Group's interim condensed consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments are applied retrospectively and are effective from 1 January 2018. The amendment did not have any material effect on the Group's interim condensed consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Since the Group's current practice is in line with the Interpretation, the amendment did not have any material effect on the Group's interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

4. Discontinued operations

Given the high probability of Investment Business distribution to its shareholders as at 31 March 2018 the Group classified the Investment Business as "disposal group held for sale" and its results of operations were reported under "discontinued operations" line as a single amount in the consolidated income statement. On 29 May 2018 the Demerger became effective and the Investment Business was distributed to the shareholders of the Group. For details refer to note 1 and note 15.

In 2017 the Group classified Georgia Healthcare Group ("GHG") "disposal group held for sale" and its results of operations are reported under "discontinued operations" line as a single amount in the consolidated income statement.

Below are presented income statement line items of the Group excluding intra-group elimination attributable to discontinued operations for the periods ended 30 June 2018 and 30 June 2017:

	For the six months ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Net insurance premiums earned	42,954	50,468
Net insurance claims incurred	(24,945)	(29,673)
Gross insurance profit	**18,009**	**20,795**
Healthcare and pharma revenue	326,655	342,923
Cost of healthcare and pharma services	(225,159)	(239,248)
Gross healthcare and pharma profit	**101,496**	**103,675**
Real estate revenue	47,787	58,657
Cost of real estate	(38,708)	(32,768)
Gross real estate profit	**9,079**	**25,889**
Utility and energy revenue	53,999	57,668
Cost of utility and energy	(15,635)	(18,108)
Gross utility and energy profit	**38,364**	**39,560**
Gross other profit	15,678	18,078
Revenue	**182,626**	**207,997**
Salaries and other employee benefits	(54,711)	(51,670)
Administrative expenses	(38,109)	(41,632)
Depreciation and amortisation	-	-
Other operating expenses	(3,828)	(5,274)
Operating expenses	**(96,648)**	**(98,576)**
Profit from associates	-	211
Net gains from disposal of investment businesses	90,653	-
Depreciation and amortisation	(15,192)	(24,257)
Net foreign currency gain (loss)	12,421	6,465
Interest income	8,854	6,511
Interest expense	(34,623)	(27,845)
Net operating income before non-recurring items and impairment	**148,091**	**70,506**
Impairment charge on insurance premiums receivable, accounts receivable, other assets and provisions	(5,078)	(3,853)
Net non-recurring items	(31,690)	(3,368)
Profit before income tax expense	**111,323**	**63,285**
Income tax (expense) benefit	(1,186)	(1,943)
Profit for the period	**110,137**	**61,342**

The difference between profit for the year and profit from discontinued operations presented in consolidated income statements is due to intra-group eliminations in amount of GEL (2,238) net income for the period ended 30 June 2018 (30 June 2017: GEL 8,580 net expense) for details refer to note 5.

(Thousands of Georgian Lari)

4. Discontinued operations (continued)

Below are presented other comprehensive statement line items of the Group attributable to discontinued operations for the periods ended 30 June 2018 and 30 June 2017:

	For the six months ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Other comprehensive (loss) income		
Other comprehensive (loss) income from continuing operations to be reclassified to profit or loss in subsequent periods:		
– Net change in fair value on investments in debt instruments measured at FVOCI	(695)	n/a
– Realised gain (loss) on financial assets measured at FVOCI reclassified to the consolidated income statement	650	-
– (Loss) gain from currency translation differences	(10,836)	(16,576)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(10,881)**	**(16,576)**
Other comprehensive (loss) income for the period from discontinued operations to be reclassified to profit or loss in subsequent periods	**(10,881)**	**(16,576)**
Total comprehensive income for the period from discontinued operations	**97,018**	**53,346**

Investment Business distribution is accounted for as a deduction from equity reserves in amount of the estimated fair value of the distributed business. Fair value of the distributed business was determined to be equal to the market value of GCAP's shares on the close of the listing date reduced for any cross-holding interest. The cross-holding interest originated on demerger since the Group had further issued and allotted 9,784,716 BOGG Shares (equivalent to 19.9% of BOGG's issued ordinary share capital) to GCAP in consideration for the transfer to BOGG of GCAP's stake in the JSC Bank of Georgia and JSC BG Financial. Fair value of the cross-holding interest was determined with reference to BOGG's quoted market price on the close of the demerger date adjusted for 12% holding discount determined with reference to observable information on discounts to net assets value for listed investment funds. The gain from IB Distribution amounted 90,653 GEL reflected in profit from discontinued operations.

5. Segment Information

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

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

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

RB	- Retail Banking (excluding Retail Banking of BNB) - principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfers and settlement services, and handling customers' deposits for both individuals as well as legal entities, The Retail Banking business targets the emerging retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses;
CIB	- 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;
BNB	- Comprising JSC Belarusky Narodny Bank, principally providing retail and corporate banking services in Belarus.

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the six months ended 30 June 2018 and 30 June 2017.

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the six months ended 30 June 2018 (unaudited):

	Banking Business								
	Retail banking	*Corporate investment banking*	*BNB*	*Other Banking Business*	*Banking Business Eliminations*	*Banking Business*	*Investment Business*	*Inter-Business Eliminatio*	*Group Total*
Net interest income	273,560	79,951	12,898	26	18	366,453	-	2,149	368,602
Net fee and commission income	55,292	12,554	4,780	(276)	7	72,357	-	(520)	71,837
Net foreign currency gain	16,269	16,903	7,459	(40)	-	40,591	-	(675)	39,916
Net other income	4,768	4,873	309	1	(500)	9,451	-	(553)	8,898
Revenue	**349,889**	**114,281**	**25,449**	**(292)**	**(475)**	**488,852**	**-**	**401**	**489,253**
Operating expenses	(127,660)	(36,453)	(15,905)	(980)	475	(180,523)	-	1,665	(178,858)
Profit from associates	695	-	-	-	-	695	-	-	695
Operating income (expense) before cost of credit risk	**222,924**	**77,828**	**9,544**	**(1,272)**	**-**	**309,024**	**-**	**2,066**	**311,090**
Cost of credit risk	(64,544)	(10,246)	(3,023)	-	-	(77,813)	-	-	(77,813)
Net operating income (loss) before non-recurring items	**158,380**	**67,582**	**6,521**	**(1,272)**	**-**	**231,211**	**-**	**2,066**	**233,277**
Net non-recurring (expense/loss)	(29,075)	(11,144)	(706)	(6,070)	-	(46,995)	-	172	(46,823)
Profit (loss) before income tax	**129,305**	**56,438**	**5,815**	**(7,342)**	**-**	**184,216**	**-**	**2,238**	**186,454**
Income tax expense	(24,072)	(10,993)	(1,500)	-	-	(36,565)	-	-	(36,565)
Profit (loss) for the period from continuing operations	**105,233**	**45,445**	**4,315**	**(7,342)**	**-**	**147,651**	**-**	**2,238**	**149,889**
Profit from discontinued operations	-	-	-	-	-	-	110,137	(2,238)	107,899
Profit (loss) for the period	**105,233**	**45,445**	**4,315**	**(7,342)**	**-**	**147,651**	**110,137**	**-**	**257,788**
Assets and liabilities									
Total assets	8,395,009	4,305,629	571,801	68,501	(132,119)	13,208,821	-	-	13,208,821
Total liabilities	7,429,506	3,743,966	495,264	34,618	(132,119)	11,571,235	-	-	11,571,235
Other segment information									
Property and equipment	17,058	1,967	808	-	-	19,833	127,834	-	147,667
Intangible assets	9,361	1,125	458	51	-	10,995	559	-	11,554
Capital expenditure	**26,419**	**3,092**	**1,266**	**51**	**-**	**30,828**	**128,393**	**-**	**159,221**
Depreciation & amortisation	(19,720)	(2,578)	(616)	-	-	(22,914)	-	-	(22,914)

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments for the six months ended 30 June 2017 (unaudited) and as at 31 December 2017:

	Banking Business								
	Retail banking	*Corporate investment banking*	*BNB*	*Other Banking Business*	*Banking Business Eliminations*	*Banking Business*	*Investment Business*	*Inter-Business Eliminatio*	*Group Total*
Net interest income	224,086	75,082	16,647	5,373	-	321,188	-	(754)	320,434
Net fee and commission income	46,215	10,967	4,627	(215)	-	61,594	-	(782)	60,812
Net foreign currency gain	12,551	21,839	4,616	(24)	-	38,982	-	(8,451)	30,531
Net other income	133	4,187	266	-	(523)	4,063	-	(502)	3,561
Revenue	**282,985**	**112,075**	**26,156**	**5,134**	**(523)**	**425,827**	**-**	**(10,489)**	**415,338**
Operating expenses	(108,169)	(35,196)	(13,634)	(1,363)	523	(157,839)	-	1,909	(155,930)
Profit from associates	909	-	-	-	-	909	-	-	909
Operating income (expense) before cost of credit risk	**175,725**	**76,879**	**12,522**	**3,771**	**-**	**268,897**	**-**	**(8,580)**	**260,317**
Cost of credit risk	(65,433)	(13,729)	(8,874)	-	-	(88,036)	-	-	(88,036)
Net operating income (loss) before non-recurring items	**110,292**	**63,150**	**3,648**	**3,771**	**-**	**180,861**	**-**	**(8,580)**	**172,281**
Net non-recurring (expense/loss)	(1,242)	(1,414)	(55)	-	-	(2,711)	-	-	(2,711)
Profit before income tax expense from continuing operations	**109,050**	**61,736**	**3,593**	**3,771**	**-**	**178,150**	**-**	**(8,580)**	**169,570**
Income tax expense	(5,368)	(2,965)	(654)	1,295	-	(7,692)	-	-	(7,692)
Profit (loss) for the period from continuing operations	**103,682**	**58,771**	**2,939**	**5,066**	**-**	**170,458**	**-**	**(8,580)**	**161,878**
Profit from discontinued operations	-	-	-	-	-	-	61,342	8,580	69,922
Profit (loss) for the period	**103,682**	**58,771**	**2,939**	**5,066**	**-**	**170,458**	**61,342**	**-**	**231,800**
Assets and liabilities									
Total assets	7,788,166	4,585,439	624,835	2,219	(92,981)	12,907,678	2,763,913	(502,922)	15,168,669
Total liabilities	6,927,986	3,974,452	545,315	204	(92,981)	11,354,976	1,584,245	(502,922)	12,436,299
Other segment information									
Property and equipment	17,406	2,476	684	73	-	20,639	126,406	-	147,045
Intangible assets	14,008	2,028	331	-	-	16,367	8,986	-	25,353
Capital expenditure	**31,414**	**4,504**	**1,015**	**73**	**-**	**37,006**	**135,392**	**-**	**172,398**
Depreciation & amortisation	(16,635)	(2,480)	(607)	-	-	(19,722)	-	-	(19,722)

(Thousands of Georgian Lari)

6. Cash and Cash Equivalents

	As at 30 June 2018 (unaudited)	*31 December 2017*
Cash on hand	434,630	447,807
Current accounts with central banks, excluding obligatory reserves	205,721	91,692
Current accounts with credit institutions	171,710	278,978
Time deposits with credit institutions with maturities of up to 90 days	734,904	763,958
	1,546,965	**1,582,435**
Less – Allowance for impairment	(102)	-
Cash and cash equivalents	**1,546,863**	**1,582,435**

As at 30 June 2018, GEL 870,940 (31 December 2017: GEL 932,030) was placed on current and time deposit accounts with internationally recognised Organization for Economic Cooperation and Development ("OECD") banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 2.50% interest per annum on these deposits (31 December 2017: up to 2.00%).

During the period expected credit loss recognized on cash and cash equivalents amounted GEL 35 (30 June 2017: n/a)

7. Amounts Due from Credit Institutions

	As at 30 June 2018 (unaudited)	*31 December 2017*
Obligatory reserves with central banks	925,107	1,000,566
Time deposits with maturities of more than 90 days	62,846	218,831
Inter-bank loan receivables	6,382	6,550
	994,335	**1,225,947**
Less – Allowance for impairment	(473)	-
Amounts due from credit institutions	**993,862**	**1,225,947**

Obligatory reserves with central banks represent amounts deposited with the NBG and National Bank of the Republic of Belarus (the "NBRB"). Credit institutions are required to maintain cash deposit (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by the statutory legislature. The Group earned 1.00% interest on obligatory reserves with NBG and NBRB for the period ended 30 June 2018 (31 December 2017: 1.00%).

During the period recovery of expected credit loss recognized on amounts due from credit institutions amounted GEL 124 (30 June 2017: n/a)

8. Investment Securities

	As at 30 June 2018 (unaudited)	*31 December 2017*
Georgian ministry of Finance treasury bonds*	964,669	847,839
Georgian ministry of Finance treasury bills	54,741	77,460
Certificates of deposit of central banks	54,078	73,415
Other debt instruments**	649,824	564,801
Corporate shares	2,380	1,354
Investment securities	**1,725,692**	**1,564,869**

** GEL 687,677 was pledged for short-term loans from the NBG (31 December 2017: GEL 448,558).*
*** GEL 272,000 was pledged for short-term loans from the NBG (31 December 2017: GEL 475,735).*

(Thousands of Georgian Lari)

8. Investment Securities (continued)

Other debt instruments as at 30 June 2018 include mostly bonds issued by European Bank for Reconstruction and Development ("EBRD") of GEL 248,995 (31 December 2017: GEL 268,057), GEL denominated bonds issued by the International Finance Corporation ("IFC") of GEL 110,447 (31 December 2017:GEL 110,862), GEL denominated bonds issued by the Asian Development Bank of GEL 65,337 (31 December 2017: GEL 65,245), and GEL denominated bonds issued by the Black Sea Trade and Development Bank of GEL 136,520 (31 December 2017: GEL 60,625).

During the period recovery of expected credit loss recognized on investment securities amounted GEL 703 (30 June 2017: n/a)

9. Loans to Customers and Finance Lease Receivables

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Commercial loans	2,555,345	2,594,424
Residential mortgage loans	1,930,512	1,712,515
Consumer loans	1,836,686	1,751,106
Micro and SME loans	1,880,515	1,776,044
Gold – pawn loans	77,567	67,940
Loans to customers, gross	**8,280,625**	**7,902,029**
Less – Allowance for loan impairment	(285,105)	(276,885)
Loans to customers, net	**7,995,520**	**7,625,144**
Finance Lease Receivables, gross	**84,495**	**67,686**
Less – Allowance for finance lease receivables impairment	(1,883)	(2,380)
Finance Lease Receivables , net	**82,612**	**65,306**
Loans to customers and finance lease receivables, net	**8,078,132**	**7,690,450**

Allowance for loan impairment

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

	30 June 2018 (unaudited)					
	Stage 1	*Stage 2*	*Stage 3*	*Purchased or credit impaired*	*Loans at FVTPL*	*Total*
Commercial loans	1,658,785	662,522	227,028	-	7,010	2,555,345
Residential mortgage loans	1,781,288	83,783	62,435	3,006	-	1,930,512
Consumer loans	1,568,922	160,450	106,640	674	-	1,836,686
Micro and SME loans	1,710,316	71,303	98,896	-	-	1,880,515
Gold – pawn loans	73,854	903	2,810	-	-	77,567
Loans to customers, gross	**6,793,165**	**978,961**	**497,809**	**3,680**	**7,010**	**8,280,625**

	30 June 2018 (unaudited)					
	Stage 1	*Stage 2*	*Stage 3*	*Purchased or credit impaired*	*Loans at FVTPL*	*Total*
Commercial loans	(4,332)	(3,073)	(119,895)	-	n/a	(127,300)
Residential mortgage loans	(223)	(31)	(3,458)	(60)	n/a	(3,772)
Consumer loans	(33,107)	(20,125)	(60,716)	(41)	n/a	(113,989)
Micro and SME loans	(6,357)	(3,115)	(30,572)	-	n/a	(40,044)
Allowance for loan impairment	**(44,019)**	**(26,344)**	**(214,641)**	**(101)**	**n/a**	**(285,105)**

(Thousands of Georgian Lari)

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

Allowance for loan impairment (continued)

	As at	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Commercial loans	12,365	8,776
Consumer loans	51,480	47,873
Micro and SME loans	10,902	19,865
Residential mortgage loans	1,937	2,583
Expected credit loss /impairment charge on loans to customers	**76,684**	**79,097**

Interest income accrued on loans, for which individual impairment allowances were recognised as at 30 June 2018 comprised GEL 21,138 (31 December 2017: GEL 20,510).

Concentration of loans to customers

As at 30 June 2018, the concentration of loans granted by the Group to the ten largest third party borrowers comprised GEL 852,123, accounting for 10% of the gross loan portfolio of the Group (31 December 2017: GEL 857,582 and 11%, respectively). An allowance of GEL 22,293 (31 December 2017: GEL 43,478) was established against these loans.

As at 30 June 2018, the concentration of loans granted by the Group to the ten largest third party group of borrowers comprised GEL 1,104,028, accounting for 13% of the gross loan portfolio of the Group (31 December 2017: GEL 1,072,450 and 14%, respectively). An allowance of GEL 37,890 (31 December 2017: GEL 75,628) was established against these loans.

As at 30 June 2018 and 31 December 2017, loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Individuals	4,730,948	4,297,215
Manufacturing	892,292	935,827
Trade	829,037	815,216
Real estate	403,321	432,352
Construction	324,671	368,509
Hospitality	319,494	283,527
Service	135,409	182,038
Transport & communication	121,126	114,926
Mining and quarrying	113,440	104,799
Electricity, gas and water supply	69,603	84,727
Financial intermediation	62,193	49,729
Other	279,091	233,164
Loans to customers, gross	**8,280,625**	**7,902,029**
Less – allowance for loan impairment	(285,105)	(276,885)
Loans to customers, net	**7,995,520**	**7,625,144**

Loans have been extended to the following types of customers:

	As at	
	30 June 2018	*31 December*
Private companies	3,537,142	3,604,814
Individuals	4,730,948	4,297,215
State-owned entities	12,535	-
Loans to customers, gross	**8,280,625**	**7,902,029**
Less – allowance for loan impairment	(285,105)	(276,885)
Loans to customers, net	**7,995,520**	**7,625,144**

(Thousands of Georgian Lari)

10. Investment Properties

	2018	*2017*
At 1 January	**353,565**	**288,227**
Additions*	41,595	34,949
Disposals	(37,186)	(7,011)
Net gains from revaluation of investment property	-	21,784
Demerger	(149,308)	-
Transfers (to) from property and equipment and other assets	20,514	(13,997)
Currency translation differences	(10,956)	(17,812)
At 30 June (Unaudited)	**218,224**	**306,140**

The additions comprise foreclosed properties, no cash transactions were involved.

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The date of latest revaluation is 31 December 2017 and was carried out by professional valuers.

11. Property and Equipment

As at 30 June 2018 the property and equipment no longer includes property and equipment of demerged Investment Business which amounted GEL 661,176 at the beginning of the reporting period.

12. Client Deposits and Notes

The client deposits and notes include the following:

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Time deposits	3,853,707	3,321,953
Current accounts	3,298,572	3,316,064
Promissory notes issued	21,955	74,465
Client deposits and notes	**7,174,234**	**6,712,482**
Held as security against letters of credit and guarantees (Note16)	**86,635**	**98,399**

As at 30 June 2018 and 31 December 2017 promissory notes issued by the Group comprise the notes privately held by financial institutions being effectively equivalents of certificates of deposits with fixed maturity and fixed interest rate. The average effective maturity of the notes was 5 months (31 December 2017: 23 months).

At 30 June 2018, client deposits and notes of GEL 1,227,479 (17%) were due to the 10 largest customers (31 December 2017: GEL 880,957 (13%)).

Client deposits and notes include accounts with the following types of customers:

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Individuals	4,052,264	3,883,940
Private enterprises	2,238,540	2,364,255
State and state-owned entities	883,430	464,287
Client deposits and notes	**7,174,234**	**6,712,482**

(Thousands of Georgian Lari)

12. Client Deposits and Notes (continued)

The breakdown of client deposits and notes by industry sector is as follows:

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Individuals	4,052,264	3,883,940
Government services	866,586	438,492
Trade	486,478	576,524
Financial intermediation	326,697	314,081
Service	285,605	297,393
Transport & communication	276,318	257,818
Construction	267,881	257,799
Manufacturing	194,031	224,230
Real estate	99,350	103,800
Electricity, gas and water supply	62,359	93,097
Hospitality	45,545	44,241
Other	211,120	221,067
Client deposits and notes	**7,174,234**	**6,712,482**

13. Amounts Owed to Credit Institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Borrowings from international credit institutions	957,045	1,423,840
Short-term loans from the National Bank of Georgia	556,861	793,528
Time deposits and inter-bank loans	682,975	305,287
Correspondent accounts	137,194	204,512
	2,334,075	**2,727,167**
Non-convertible subordinated debt	406,520	428,672
Amounts due to credit institutions	**2,740,595**	**3,155,839**

During the six months ended 30 June 2018, the Group paid up to 5.96% on USD borrowings from international credit institutions (six months ended 30 June 2017: up to 6.15%). During the six months ended 30 June 2018, the Group paid up to 9.26% on USD subordinated debt (six months ended 30 June 2017: up to 8.80%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 30 June 2018 and 31 December 2017 the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

(Thousands of Georgian Lari)

14. Debt Securities Issued

Debt securities issued comprise:

	As at *30 June 2018 (unaudited)*	*31 December 2017*
Eurobonds and notes issued	1,289,219	1,344,334
Local bonds	32,871	96,266
Certificates of deposit	205,362	268,552
Debt securities issued	**1,527,452**	**1,709,152**

15. Equity

Share capital

As at 30 June 2018, issued share capital comprised 49,169,430 common shares (31 December 2017: 39,384,712), all of which were fully paid). Each share has a nominal value of one (1) British Penny. Shares issued and outstanding as at 30 June 2018 are described below:

	Number	*Amount*
31 December 2016 (BGEO Group PLC)	**39,500,320**	**1,143**
Buyback and cancellation	(88,000)	9
30 June 2017 (BGEO Group PLC)	**39,412,320**	**1,152**
31 December 2017 (BGEO Group PLC)	**39,384,712**	**1,151**
Replacement of BGEO as the Group's parent	(39,384,712)	(1,151)
Establishement and share issue by the new parent company	39,384,714	4,375,378
Capital reduction	-	(4,373,910)
Issue of share capital in course of demerger	9,784,716	322
30 June 2018 (Bank of Georgia Group PLC)	**49,169,430**	**1,790**

Separate share capital of Bank of Georgia Group PLC is described below:

	Number of shares Ordinary	*Amount of shares Ordinary*
31 December 2017 (Bank of Georgia Group PLC)	**2**	**172**
Issue of share capital	39,384,712	4,375,206
Capital reduction	-	(4,373,910)
Issue of share capital in course of demerger	9,784,716	322
30 June 2018 (Bank of Georgia Group PLC)	**49,169,430**	**1,790**

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

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

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

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

(Thousands of Georgian Lari)

15. Equity (continued)

Treasury shares

Treasury shares are held by the Group solely for the employees future share-based compensation purposes.

The number of treasury shares held by the Group as at 30 June 2018 comprised 1,389,746 (31 December 2017: 2,268,313).

Nominal amount of treasury shares of GEL 41 as at 30 June 2018 comprise the Group's shares owned by the Group (31 December 2017: GEL 66).

Dividends

Shareholders are entitled to dividends in British Pounds Sterling.

In 2018 the Group distributed dividends on the shares vested and exercised during 2018.

On 1 June 2017, the Shareholders of BGEO Group PLC approved a final dividend for 2016 of Georgian Lari 2.6 per share. The currency conversion date was set at 26 June 2017, with the official GEL – GBP exchange rate of 3.0690, resulting in a GBP denominated final dividend of 0.8472 per share. Payment of the total GEL 101,501 final dividends was received by shareholders on 7 July 2017.

Earnings per share

	For six month ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Basic earnings per share		
Profit for the period attributable to ordinary shareholders of the Group	239,030	217,609
Profit for the period from continuing operations attributable to ordinary shareholders of the Group	149,346	161,022
Profit for the period from discontinued operations attributable to ordinary shareholders of the Group	89,684	56,587
Weighted average number of ordinary shares outstanding during the period	41,047,494	37,941,460
Basic earnings per share	5.8233	5.7354
Earnings per share from continuing operations	3.6384	4.2440
Earnings per share from discontinued operations	2.1849	1.4914

	For six month ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Diluted earnings per share		
Effect of dilution on weighted average number of ordinary shares:		
Dilutive unvested share options	479,488	1,562,952
Weighted average number of ordinary shares adjusted for the effect of dilution	41,526,982	39,504,412
Diluted earnings per share	5.7560	5.5085
Diluted earnings per share from continuing operations	3.5964	4.0761
Diluted earnings per share from discontinued operations	2.1596	1.4324

(Thousands of Georgian Lari)

16. Commitments and Contingencies

Legal

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

Financial commitments and contingencies

As at 30 June 2018 and 31 December 2017 the Group's financial commitments and contingencies comprised the following:

	30 June 2018 (unaudited)	*31 December 2017*
Credit-related commitments		
Guarantees issued	695,151	621,267
Undrawn loan facilities	272,028	261,397
Letters of credit	35,617	40,350
	1,002,796	**923,014**
Less – Cash held as security against letters of credit and guarantees (Note 12)	(86,635)	(98,399)
Less – Provisions	(2,815)	(5,915)
Operating lease commitments		
Not later than 1 year	18,751	22,731
Later than 1 year but not later than 5 years	40,601	54,620
Later than 5 years	23,253	25,671
	82,605	**103,022**
Capital expenditure commitments	**3,330**	**2,538**
Financial commitments and contingencies, net	**999,281**	**924,260**

During the period expected credit loss recognized on financial guarantees and letter of credits amounted GEL 2,852 (30 June 2017: n/a)

(Thousands of Georgian Lari)

17. Net Interest Income

	For the six month ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Interest income calculated using EIR method	629,570	530,320
From loans to customers measured at amortised cost	551,597	471,491
From investment securities	61,511	53,003
From amounts due from credit institutions	16,462	5,826
Other interest income	8,823	6,017
From finance lease receivable	8,170	6,017
From loans and advances to customers measured at FVTPL	653	-
Interest Income	**638,393**	**536,337**
On client deposits and notes	(118,686)	(98,363)
On amounts owed to credit institutions	(93,518)	(88,529)
On debt securities issued	(55,013)	(29,011)
Interest Expense	**(267,217)**	**(215,903)**
Deposit insurance fees	(2,574)	-
Net Interest Income	**368,602**	**320,434**

18. Net Fee and Commission Income

	For the six month ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Settlements operations	86,089	71,372
Guarantees and letters of credit	8,568	7,805
Cash operations	6,047	6,157
Currency conversion operations	185	240
Brokerage service fees	2,078	968
Advisory	955	-
Other	2,083	1,966
Fee and commission income	**106,005**	**88,508**
Settlements operations	(28,339)	(21,669)
Cash operations	(2,229)	(2,687)
Guarantees and letters of credit	(742)	(1,172)
Insurance brokerage service fees	(2,066)	(1,375)
Currency conversion operations	(8)	(11)
Other	(784)	(782)
Fee and commission expense	**(34,168)**	**(27,696)**
Net fee and commission income	**71,837**	**60,812**

(Thousands of Georgian Lari)

19. Net Non-recurring Items

	For the six month ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Demerger related expenses*	(30,284)	-
Corporate social responsibility expense**	(13,462)	-
Termination / sign-up compensation expenses	-	(1,719)
Other	(3,077)	(992)
Net non-recurring expense/loss	**(46,823)**	**(2,711)**

** Demerger related expenses comprise of: employee compensation expenses in amount of GEL 21,141 including acceleration of share-based compensation of Investment Business Employees, Demerger Costs recognised in the consolidated income statement in amount of GEL 7,736 and other demerger related expenses in amount of GEL 1,407*
*** Corporate social responsibility comprise of the one-off project to support the fiber-optic broadband infrastructure development in rural Georgia.*

20. Taxation

	For the six month ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Current income expense	(4,553)	(18,726)
Deferred income tax credit (expense)	(33,198)	9,091
Income tax (expense) credit	**(37,751)**	**(9,635)**
Income tax expense attributable to continuing operations	(36,565)	(7,692)
Income tax expense attributable to a discontinued operation (Note 4)	(1,186)	(1,943)

On 12 June 2018, an amendment to the current corporate taxation model applicable to financial institutions, including banks and insurance businesses became effective. The change implies a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings starting from 1 January 2023, instead of 1 January 2019 as previously enacted in 2016. The change had an immediate impact on deferred tax asset and deferred tax liability balances attributable to previously recognised temporary differences arising from prior periods. As at 30 June 2018, deferred tax assets and liabilities balances have been re-measured, in line with a new date for the change to be implemented. The Group has calculated the portion of deferred taxes that it expects to utilise before 1 January 2023 for financial businesses and has recognized respective portion of deferred tax assets and liabilities. During the transitional period the Group will only continue to recognize the portion of deferred tax assets and liabilities arising on items charged or credited to income statement during the same period, which it expects to utilize before 1 January 2023.

(Thousands of Georgian Lari)

21. Fair Value Measurements

Fair value hierarchy

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

30 June 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	218,224	218,224
Land	-	-	*29,458*	*29,458*
Residential properties	-	-	94,071	*94,071*
Non-residential properties	-	-	*94,695*	*94,695*
Investment securities	-	1,725,692	-	1,725,692
Other assets – derivative financial assets	-	31,604	-	31,604
Other assets – trading securities owned	4,429	-	-	4,429
Loans to customers at FVTPL	-	-	7,010	7,010
Assets for which fair values are disclosed				
Cash and cash equivalents	-	1,546,863	-	1,546,863
Amounts due from credit institutions	-	993,862	-	993,862
Loans to customers and finance lease receivables at amortised cost	-	-	8,190,167	8,190,167
Liabilities measured at fair value:				
Other liabilities – derivative financial liabilities	-	8,250	-	8,250
Liabilities for which fair values are disclosed				
Client deposits and notes	-	7,180,641	-	7,180,641
Amounts owed to credit institutions	-	2,378,823	361,772	2,740,595
Debt securities issued	-	1,311,593	238,233	1,549,826

31 December 2017	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	*353,565*	353,565
Land	-	-	*122,394*	*122,394*
Residential properties	-	-	*66,206*	*66,206*
Non-residential properties	-	-	*164,965*	*164,965*
Investment securities	-	1,563,531	1,338	1,564,869
Other assets – derivative financial assets	-	12,392	-	12,392
Other assets – trading securities owned	3,191	-	-	3,191
Total revalued property	-	-	252,583	252,583
Infrastructure assets	-	-	*252,583*	*252,583*
Assets for which fair values are disclosed				
Cash and cash equivalents	-	1,582,435	-	1,582,435
Amounts due from credit institutions	-	1,225,947	-	1,225,947
Loans to customers and finance lease receivables	-	-	7,822,351	7,822,351
Liabilities measured at fair value:				
Other liabilities – derivative financial liabilities	-	3,948	-	3,948
Liabilities for which fair values are disclosed				
Client deposits and notes	-	6,716,763	-	6,716,763
Amounts owed to credit institutions	-	2,625,385	530,454	3,155,839
Debt securities issued	-	1,355,930	364,818	1,720,748

(Thousands of Georgian Lari)

21. Fair Value Measurements (continued)

Fair value hierarchy (continued)

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

Loans to customers at fair value through profit or loss

Loans to customers measured at fair value through profit or loss are valued using discounted cash flow model. The inputs to this model are taken from observable markets where feasible, but where this is not feasible a degree of judgment is applied when determining appropriate inputs. Judgmental considerations include adjusting inputs for variables such as market liquidity and borrower specific credit risk.

Derivative financial instruments

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

Trading securities and investment securities

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

Fair value of financial assets and liabilities not carried at fair value

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

(Thousands of Georgian Lari)

21. Fair Value Measurements (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

	Carrying value 2018	*Fair value 2018*	*Unrecognised gain (loss) 2018*	*Carrying value 2017*	*Fair value 2017*	*Unrecognised loss 2017*
Financial assets						
Cash and cash equivalents	1,546,863	1,546,863	-	1,582,435	1,582,435	-
Amounts due from credit institutions	993,862	993,862	-	1,225,947	1,225,947	-
Loans to customers and finance lease receivables	8,071,122	8,190,167	119,045	7,690,450	7,822,351	131,901
Financial liabilities						
Client deposits and notes	7,174,234	7,180,641	(6,407)	6,712,482	6,716,763	(4,281)
Amounts owed to credit institutions	2,740,595	2,740,595	-	3,155,839	3,155,839	-
Debt securities issued	1,527,452	1,549,826	(22,374)	1,709,152	1,720,748	(11,596)
Total unrecognised change in unrealised fair value			**90,264**			**116,024**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

22. Maturity Analysis of Financial Assets and Liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	30 June 2018							
	On Demand	*Up to 3 Months*	*Up to 6 Months*	*Up to 1 Year*	*Up to 3 Years*	*Up to 5 Years*	*Over 5 Years*	*Total*
Financial assets								
Cash and cash equivalents	818,150	728,713	-	-	-	-	-	1,546,863
Amounts due from credit institutions	919,866	62,772	505	-	-	-	10,719	993,862
Investment securities	972,766	528,785	8,462	39,103	32,925	101,992	41,659	1,725,692
Loans to customers and finance lease	-	1,368,842	696,062	1,261,548	2,112,597	1,118,631	1,520,452	8,078,132
Total	**2,710,782**	**2,689,112**	**705,029**	**1,300,651**	**2,145,522**	**1,220,623**	**1,572,830**	**12,344,549**
Financial liabilities								
Client deposits and notes	1,250,765	1,714,365	626,044	3,000,314	507,386	41,201	34,159	7,174,234
Amounts owed to credit institutions	137,095	1,259,022	104,610	138,599	577,339	269,419	254,511	2,740,595
Debt securities issued	-	48,694	33,644	47,999	695,006	702,109	-	1,527,452
Total	**1,387,860**	**3,022,081**	**764,298**	**3,186,912**	**1,779,731**	**1,012,729**	**288,670**	**11,442,281**
Net	**1,322,922**	**(332,969)**	**(59,269)**	**(1,886,261)**	**365,791**	**207,894**	**1,284,160**	**902,268**
Accumulated gap	**1,322,922**	**989,953**	**930,684**	**(955,577)**	**(589,786)**	**(381,892)**	**902,268**	

(Thousands of Georgian Lari)

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

	31 December 2017							
	On Demand	*Up to 3 Months*	*Up to 6 Months*	*Up to 1 Year*	*Up to 3 Years*	*Up to 5 Years*	*Over 5 Years*	*Total*
Financial assets								
Cash and cash equivalents	824,629	757,806	-	-	-	-	-	1,582,435
Amounts due from credit institutions	1,003,214	185,572	3,410	21,493	-	1,759	10,499	1,225,947
Investment securities	788,692	641,380	3,061	49,962	21,012	58,916	1,846	1,564,869
Loans to customers and finance lease	-	1,233,630	609,491	1,397,004	2,012,016	1,156,137	1,282,172	7,690,450
Total	**2,616,535**	**2,818,388**	**615,962**	**1,468,459**	**2,033,028**	**1,216,812**	**1,294,517**	**12,063,701**
Financial liabilities								
Client deposits and notes	1,297,682	1,253,845	608,234	2,942,822	538,399	39,351	32,149	6,712,482
Amounts owed to credit institutions	205,019	1,105,365	146,260	343,653	545,558	326,458	483,526	3,155,839
Debt securities issued	-	42,030	122,895	130,982	719,725	693,520	-	1,709,152
Total	**1,502,701**	**2,401,240**	**877,389**	**3,417,457**	**1,803,682**	**1,059,329**	**515,675**	**11,577,473**
Net	**1,113,834**	**417,148**	**(261,427)**	**(1,948,998)**	**229,346**	**157,483**	**778,842**	**486,228**
Accumulated gap	**1,113,834**	**1,530,982**	**1,269,555**	**(679,443)**	**(450,097)**	**(292,614)**	**486,228**	

The Group's capability to discharge its liabilities relies on its ability to realise equivalent assets within the same period of time. In the Georgian marketplace, where most of the Group's business is concentrated, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. To reflect the historical stability of current accounts, the Group calculates the minimal daily balance of current accounts over the past two years and includes the amount in the less than 1 year category in the table above. The remaining current accounts are included in the on demand category. Obligatory reserves with central banks do not have contractual maturity and are allocated in the on demand category.

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

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

As at 30 June 2018 amounts due to customers amounted to GEL 7,174,234 (31 December 2017: GEL 6,712,482) and represented 62% (31 December 2017: 54%) of the Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 30 June 2018 amounts owed to credit institutions amounted to GEL 2,740,595 (31 December 2017: GEL 3,155,839) and represented 24% (31 December 2017: 25%) of total liabilities. As at 30 June 2018 debt securities issued amounted to GEL 1,527,452 (31 December 2017: GEL 1,709,152) and represented 13% (31 December 2017: 14%) of total liabilities.

The Bank was in compliance with regulatory liquidity requirements as at 30 June 2018 and 31 December 2017. In the Board's opinion, liquidity is sufficient to meet the Group's present requirements.

(Thousands of Georgian Lari)

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

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	30 June 2018			*31 December 2017*		
	Less than 1 Year	*More than 1 Year*	*Total*	*Less than 1 Year*	*More than 1 Year*	*Total*
Cash and cash equivalents	1,546,863	-	1,546,863	1,582,435	-	1,582,435
Amounts due from credit institutions	983,143	10,719	993,862	1,213,689	12,258	1,225,947
Investment securities	1,549,116	176,576	1,725,692	1,483,095	81,774	1,564,869
Loans to customers and finance lease	3,326,452	4,751,680	8,078,132	3,240,125	4,450,325	7,690,450
Accounts receivable and other loans	4,878	-	4,878	38,810	134	38,944
Insurance premiums receivable	-	-	-	30,538	35	30,573
Prepayments	31,613	42,625	74,238	112,122	37,436	149,558
Inventories	11,085	-	11,085	92,158	8,036	100,194
Investment properties	-	218,224	218,224	-	353,565	353,565
Property and equipment	-	313,627	313,627	-	988,436	988,436
Goodwill	-	33,351	33,351	-	55,276	55,276
Intangible assets	-	61,462	61,462	-	60,980	60,980
Income tax assets	21,670	122	21,792	1,155	1,138	2,293
Other assets	64,366	61,249	125,615	111,972	76,760	188,732
Assets of disposal group held for sale	-	-	-	1,136,417	-	1,136,417
Total assets	**7,539,186**	**5,669,635**	**13,208,821**	**9,042,516**	**6,126,153**	**15,168,669**
Client deposits and notes	6,591,488	582,746	7,174,234	6,102,583	609,899	6,712,482
Amounts owed to credit institutions	1,639,326	1,101,269	2,740,595	1,800,297	1,355,542	3,155,839
Debt securities issued	130,337	1,397,115	1,527,452	295,907	1,413,245	1,709,152
Accruals and deffered income	24,321	9,076	33,397	104,290	28,379	132,669
Insurance contracts liabilities	-	-	-	39,349	7,053	46,402
Income tax liabilities	847	42,479	43,326	9,617	11,342	20,959
Other liabilities	52,231	-	52,231	112,328	29,805	142,133
Liabilities of disposal group held for sale	-	-	-	516,663	-	516,663
Total liabilities	**8,438,550**	**3,132,685**	**11,571,235**	**8,981,034**	**3,455,265**	**12,436,299**
Net	**(899,364)**	**2,536,950**	**1,637,586**	**61,482**	**2,670,888**	**2,732,370**

23. Related Party Disclosures

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

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

(Thousands of Georgian Lari)

23. Related Party Disclosures (continued)

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

	2018 (unaudited)		*2017 (unaudited)*	
	Associates	*Key management personnel**	*Associates*	*Key management personnel**
Loans outstanding at 1 January, gross	**17,053**	**2,913**	**15,247**	**2,006**
Loans issued during the period	-	1,184	15,435	2,542
Loan repayments during the period	-	(1,836)	(15,088)	(4,147)
Other movements**	(17,053)	(1,607)	(361)	1,523
Loans outstanding at 30 June, gross	**-**	**654**	**15,233**	**1,924**
Less: allowance for impairment at 30 June	-	-	-	-
Loans outstanding at 30 June, net	**-**	**654**	**15,233**	**1,924**
Interest income on loans	529	56	607	89
Loan impairment charge	-	-	-	1
Deposits at 1 January	**2,005**	**38,842**	**1,241**	**28,419**
Deposits received during the period	-	9,435	-	27,379
Deposits repaid during the period	(763)	(930)	(831)	(11,752)
Other movements**	(502)	(32,135)	-	1,958
Deposits at 30 June	**740**	**15,212**	**410**	**46,004**
Interest expense on deposits	(2)	(222)	(1)	(373)
Other income	-	3	-	33

**** Key management personnel include members of Bank of Georgia Group PLC's and JSC BGEO Group's Board of Directors and Chief Executive Officer and Deputies of the Bank.***
***** Movements are mainly caused by the change in the list of respective related parties during the period due to the Demerger***

Compensation of key management personnel comprised the following:

	For the six month ended	
	30 June 2018 (unaudited)	**30 June 2017 (unaudited)**
Salaries and other benefits	4,735	3,940
Share-based payments compensation *	54,893	19,294
Cash compensations	2,273	-
Social security costs	35	36
Total key management compensation	**61,936**	**23,270**

** Share-based compensation included demerger related costs in amount of GEL 13,557 for key management personnel reflected in the non-recurring items (note 19) and GEL 23,278 reflected in discontinued operations (note 4).*

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2018 was 13 (30 June 2017: 20).

(Thousands of Georgian Lari)

24. Capital Adequacy

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

During six months ended 30 June 2018, the Bank and the Group complied in full with all its externally imposed capital requirements.

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

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

NBG (Basel III) capital adequacy ratio

In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements, including amendments to the regulation on capital adequacy requirements for commercial banks, and introduced new requirements on the determination of the countercyclical buffer rate, on the identification of systematically important banks, on determining systemic buffer requirements and on additional capital buffer requirements for commercial banks within Pillar 2. The NBG requires the Bank to maintain a minimum total capital adequacy ratio of 12.5% of risk-weighted assets, computed based on the bank's stand-alone special purpose financial statements prepared in accordance with NBG regulations and pronouncements, based on Basel III requirements. As at 30 June 2018 and 31 December 2017, the Bank's capital adequacy ratio on this basis was as follows:

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Tier 1 capital	1,225,122	1,141,845
Tier 2 capital	485,145	501,689
Total capital	**1,710,267**	**1,643,534**
Risk-weighted assets	**9,789,919**	**9,192,078**
Total capital ratio	**17.5%**	**17.9%**

25. Events after the Reporting Period

Dividend

On 9 July 2018 the board of directors of Bank of Georgia Group PLC has declared an interim dividend of GEL 2.44 per ordinary share in respect of the period ended 30 June 2018.

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 the Group divided by monthly average equity attributable to shareholders of the Group for the same period;
3. Net Interest Margin (NIM) equals Net 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 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 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 outflows 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 expected loss/ impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;
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 of 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. NMF – Not meaningful

Bank of Georgia Group PLC 2Q18 and 1H18 Results Conference Call Details

Bank of Georgia Group PLC ("**Bank of Georgia Group**" or the "**Group**") will publish its 2nd quarter and half-year 2018 financial results at 07:00 London time on Thursday, 16 August 2018. The results announcement will be available on the Group's website at www.bankofgeorgiagroup.com. An investor/analyst conference call, organised by the Bank of Georgia Group, will be held on, 16 August 2018, at 13:00 UK / 14:00 CET / 08:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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COMPANY INFORMATION

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Share price information

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