BANK OF GEORGIA
GROUP PLC

Bank of Georgia Group PLC

Third quarter and first nine months 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 **Group** 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**"), the leading universal bank in Georgia, is the core entity of the Group. The Group targets to benefit from superior growth of the Georgian economy through both its retail banking and corporate investment banking services and aims to deliver on its strategy, which is based on at least 20% ROAE and 15%-20% growth of its loan book.

CONTENT

Bank of Georgia Group PLC announces the Group's third quarter 2018 and first nine months 2018 consolidated results. Unless otherwise noted, numbers are for 3Q18 and comparisons are with 3Q17. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts.

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 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"

HIGHLIGHTS

Continued outstanding profitability and solid balance sheet growth momentum

GEL thousands, except per share information	3Q18	3Q17	Change y-o-y	2Q18	Change q-o-q	9M18	9M17	Change y-o-y
Banking Business								
Revenue	266,605	223,196	19.4%	252,460	5.6%	755,457	649,023	16.4%
Cost of credit risk	52,736	36,833	43.2%	39,670	32.9%	130,549	124,869	4.5%
Profit before non-recurring items and income tax	117,058	101,155	15.7%	120,021	-2.5%	348,269	282,016	23.5%
Basic earnings per share[1]	2.18	2.49	-12.4%	2.31	-5.6%	7.07	6.73	5.1%
Loans to customers and finance lease receivables[2]	8,724,825	6,951,493	25.5%[3]	8,078,132	8.0%[3]	8,724,825	6,951,493	25.5%[3]
Client deposits and notes	7,932,536	6,549,904	21.1%[4]	7,174,234	10.6%[4]	7,932,536	6,549,904	21.1%[4]
ROAE[1]	25.8%	25.1%		*25.2%*		25.7%	24.3%	
Net interest margin	6.4%	7.3%		*6.9%*		6.8%	7.3%	
Loan yields	13.5%	14.3%		*14.0%*		13.8%	14.2%	
Cost of funds	5.0%	4.8%		*5.0%*		5.0%	4.7%	
Cost / Income	36.4%	38.2%		*36.9%*		36.8%	37.5%	
Cost of risk	2.2%	2.0%		*1.7%*		2.0%	2.2%	
Leverage (times equity)	*7.7*	*6.9*		*7.1*		*7.7*	*6.9*	
NBG (Basel III) Tier I Capital Adequacy Ratio	*11.0%*	*n/a*		*12.5%*		*11.0%*	*n/a*	

Georgian economy remains resilient to external developments

GDP growth reached 4.9% in 9M18 supported by an increase in goods exports, tourism arrivals, and remittances. Banking sector credit expansion also supported economic activity, while deposit and loan dollarisation continued to decline. Annual inflation fell to 2.7% in September 2018 and is expected to remain close to the National Bank of Georgia's 3.0% target for the full year. The NBG has been accumulating foreign currency reserves throughout the year with the level reaching US$ 3.2 billion, a record high, at the end of September 2018. Georgia improved its ranking to 6th globally in the World Bank's 2019 Doing Business report, reflecting continued emphasis on regulatory improvements. Exchange rate flexibility and prudent macroeconomic policies continue to serve the economy well, demonstrating resilience towards negative shocks coming from the recent depreciation of the Turkish Lira, and volatility on regional financial markets

[1] 2Q18 and 9M18 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 12*)
[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-of expected credit loss (ECL) on contractually accrued interest income. These do not have an effect on the net loans to customers balance. Management believes that netted-off balances provide the best representation of the Group's loan portfolio position
[3] As of 30 September 2018, loans and finance lease receivables grew on a constant currency basis by 21.5% y-o-y and 3.9% q-o-q
[4] As of 30 September 2018, client deposits and notes increased on a constant currency basis by 16.9% y-o-y and 6.0% q-o-q

RESULTS HIGHLIGHTS

- **Strong quarterly performance.** Profit before non-recurring items and income tax totalled GEL 117.1mln in 3Q18 (up 15.7% y-o-y and down 2.5% q-o-q) and GEL 348.3mln during the first nine months of 2018 (up 23.5% y-o-y), while profitability remained high with 25.8% ROAE[5] in 3Q18 (up 70bps y-o-y and up 60bps q-o-q) and 25.7% in 9M18 (up 140bps y-o-y)
- **Solid Asset quality.** NPLs to gross loans ratio was 3.0% at 30 September 2018 (4.1% at 30 September 2017 and 3.0% at 30 June 2018). NPL coverage ratio stood at 102.9% at 30 September 2018 (110.5% at 30 June 2018), while the NPL coverage ratio adjusted for discounted value of collateral stood at 141.4% at 30 September 2018 (147.2% at 30 June 2018). At the same time, the cost of risk ratio was 2.2% in 3Q18, 2.0% adjusted for currency devaluation impact (2.0% in 3Q17 and 1.7% in 2Q18) and 2.0% in 9M18 y-o-y (down from 2.2% in 9M17)
- **The loan book growth reached 25.5% y-o-y and 8.0% q-o-q at 30 September 2018.** Growth on a constant-currency basis was 21.5% y-o-y and 3.9% q-o-q. Retail Banking loan book share in the total loan portfolio was 69.6% at 30 September 2018 (68.4% at 30 September 2017 and 70.1% at 30 June 2018)
- **Retail Banking ("RB") continued to deliver solid growth across its business lines.** Retail Banking revenue reached GEL 183.6mln in 3Q18, up 17.9% y-o-y and up 2.5% q-o-q, with the first nine months 2018 revenue totaling GEL 533.5mln, up 21.6% y-o-y. The Retail Banking net loan book reached GEL 5,787.1mln at 30 September 2018, up 27.4% y-o-y and up 7.5% q-o-q. The growth on a constant-currency basis was 24.1% y-o-y and 4.2% q-o-q and was predominantly driven by mortgage lending as a result of the Bank's concentrated effort to grow this business following the recent and upcoming regulatory changes. The number of Retail Banking clients reached 2.4mln at the end of 3Q18, up 6.8% from 2.3mln at the end of 3Q17 and up 1.1% from 2Q18
- **Retail Banking client deposits** increased to GEL 4,030.0mln at 30 September 2018, up 40.4% y-o-y and up 15.8% q-o-q. Growth on a constant-currency basis was 35.1% y-o-y and 10.6% q-o-q
- **Corporate Investment Banking ("CIB") continued further growth in 9M18 after delivering on its risk de-concentration and loan portfolio repositioning targets in 2017.** CIB's net loan book reached GEL 2,478.9mln at 30 September 2018, up 24.3% y-o-y and up 10.1% q-o-q. The growth on a constant-currency basis was 19.0% y-o-y and 4.5% q-o-q. The top 10 CIB client concentration was 9.9% at the end of 3Q18 (10.4% at 30 September 2017 and 10.2% at 30 June 2018)
- **Investment Management's Assets Under Management ("AUM") increased to GEL 2,180.1mln in 3Q18**, up 19.9% y-o-y and up 9.3% q-o-q, reflecting increase in client assets and bond issuance at Galt & Taggart, our brokerage subsidiary
- **De-dollarisation of the loan book and clients deposits.** Loan book in local currency accounted for 39.3% of the total book at 30 September 2018, compared to 38.7% a year ago and 41.7% in the previous quarter. The dollarisation of our loan book has been decreasing 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. However, on the back of the tighter regulation for unsecured consumer lending and as a result of the devaluation of the local currency during 3Q18, dollarisation level of the loan book increased q-o-q. At the same time, client deposits in local currency represented 34.4% of the total deposit portfolio at 30 September 2018, compared to 31.2% at 30 September 2017 and 37.9% at 30 June 2018
- **Digitalisation**. We actively continue 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 spaces in our branches to increase client penetration and incentivise offloading to digital channels. As a result, the number of active mobile and internet banking users in 3Q18 reached 494,315 (up 4.6% q-o-q). Both the number and volume of transactions through our mobile and internet banking continued to expand at 18.3% and 24.3% q-o-q, respectively. c.78% of total daily banking transactions were executed through digital channels in 3Q18
- **Bank of Georgia continued to attract local currency funding to further support the increased demand for local currency lending and the de-dollarisation of its loan book.** In July 2018, the Bank raised GEL 160mln local currency financing with a maturity of five years from Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. (FMO)

[5] 2Q18 and 9M18 ROAE 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

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Group has delivered another quarter of strong balance sheet expansion and superior profitability, with good franchise growth and returns in both the retail and corporate investment banking businesses, despite an impact on the business from the Georgian Lari's 6.7% depreciation against the US Dollar during the third quarter.

In the third quarter, the Banking Business delivered revenue of GEL 266.6 million, up 19.4% year-on-year, and profit from continuing operations of GEL 104.5 million, an increase of 13.7%. Profit before non-recurring items and income tax totaled GEL 117.1 million, a 15.7% increase year-on-year. In the first nine months of 2018, revenues totaled GEL 755.5 million, an increase of 16.4% and profit before non-recurring items and income tax increased by 23.5% to GEL 348.3 million. The Return on Average Equity continues to improve, and in the third quarter increased to 25.8%, from an adjusted ROAE of 25.2% in the previous quarter.

From a macroeconomic perspective, Georgia delivered a strong real GDP growth, estimated at 4.9% during the first nine months of 2018, with inflation well contained at 2.7% in September 2018. Inflation is expected to remain close to the National Bank of Georgia's target of 3.0% for the year. The Government's prudent macroeconomic policies continue to serve the country well, and the economy has remained resilient to the recent depreciation of the Turkish Lira and volatility in regional financial markets. Foreign Direct Investment continues to flow into a wide variety of sectors, and tourist numbers - the most significant driver of US$ inflows for the country - continue to rise strongly, with tourism revenues totaling $2.6 billion in the first nine months of the year. The National Bank of Georgia has continued to buy US dollars. During the first nine months of 2018, NBG bought approximately $113 million, leading to Georgia's US dollar reserves improving to a record level of $3.2 billion at the end of September 2018.

Bank of Georgia delivered another strong quarter. Strong franchise growth in Retail Banking was the driver of third quarter year-on-year revenue growth of 17.9%, supported by customer lending growth of 27.4% year-on-year, and 7.5% quarter-on-quarter. On a constant currency basis, customer lending growth was still strong at 24.1% year-on-year, and 4.2% quarter-on-quarter. The Retail Bank's clear focus over the last few months has been on growing the mortgage and SME portfolios more rapidly than the unsecured consumer lending portfolios, and loan originations in these portfolios have been particularly strong. In the third quarter of 2018, the mortgage and SME portfolios grew by 16.6% and 10.8%, respectively. This is a robust performance that has resulted from targeted and capital efficient lending campaigns.

The Retail Banking client base continues to grow strongly reflecting the success of the Bank's digital penetration growth and the increased use of more cost effective remote channels. As a result, the Retail Bank now has more than 2.4 million customers, an increase of nearly 7% over the last twelve months. Our fully transformed, user-friendly, multi-feature mobile banking application, mBank, has now had nearly half-a million downloads in less than 16 months, and performed almost 14 million online transactions over the same period. In addition, we have now comfortably exceeded our targeted 40,000 Solo clients by the end of 2018, with over 41,700 clients already benefiting from Solo's concierge-style banking proposition.

We have made strong progress in Corporate Investment Banking business, and lending growth is now more balanced between retail and corporate banking. Customer lending in CIB grew 24.3% year-on-year, and 10.1% quarter-on-quarter. On a constant currency basis, these growth rates were 19.0% and 4.5% respectively. In addition, we have also made further progress in reducing concentration risk in CIB, and have reduced the concentration of our top 10 corporate borrowers to only 9.9% of our lending portfolio. This lending growth in CIB has also supported much improved net fee and commission income which, during the first nine months of 2018, increased by 17.1%, and has supported a 21.4% growth in profit before non-recurring items and income tax in CIB.

Whilst individual product loan yields have continued to remain stable, our increasing focus on lending in the mortgage segment and to finer margin corporate and SME clients, has led to a negative mix effect on the net interest margin, which was reduced by 50 basis points quarter on quarter to 6.4%. This shift in product mix, which we expect to continue, improves our asset quality metrics and, particularly in the case of the mortgage portfolio, reduces the risk-asset and capital intensity of our lending growth, which has enabled us to continue to improve the Bank's return on equity and superior profitability profile. Costs remain well controlled, and the Banking Business delivered positive operating leverage whilst continuing to invest in our strong customer franchise. The Bank has recently introduced a "lean" project, which has already started to improve back office procedures, and introduce end-to-end process optimisation in the mortgage business. Over the last twelve months, the cost/income ratio has improved from 38.2% to 36.4% in the third quarter of 2018, and we expect the lean project to ensure further positive operating leverage is achieved, leading to ongoing improvements in the cost/income ratio. The Return on Average Equity also improved and stood at 25.8% and 25.7% in the third quarter and the first nine months of the year, respectively, compared to 24.3% in the first nine months of 2017.

The annualised cost of risk ratio in the third quarter was 2.2%, slightly higher than our medium term cost of risk expectations as a result of the impact of the depreciation of the Georgian Lari against the US Dollar in the quarter, which increased the quarterly cost of risk by 20 basis points. Overall asset quality remains very good, and the NPLs to gross loans ratio was flat at 3.0% during the quarter, and 110 basis points lower than a year ago. Coverage ratios remain robust, and we expect asset quality and credit metrics to remain strong over the medium-term, particularly as our product mix shifts more towards higher quality lending portfolios such as the mortgages.

The Group's capital and funding position remains strong, with capital being held both in the regulated Banking Business and at the holding company level. Within the Bank, the NBG (Basel III) Capital Adequacy ratio was 15.9%, and the Tier 1 Capital Adequacy ratio was 11.0%, a reduction quarter-on-quarter reflecting the payment of the annual dividend to shareholders during the quarter. We continue to generate high levels of internal capital as a result of both the Bank's high return on average equity, and the improved risk asset intensity of our lending growth.

Over the last few months, the National Bank of Georgia has been working with banking sector participants to create a greater focus on dedollarisaion as well as lending to corporate and SME clients, and in the mortgage sector as opposed to the unsecured consumer sector. Within this policy, there are two regulatory initiatives expected to be implemented early next year: the NBG's Retail Lending Guidelines include updated caps on payment-to-income (PTI) and loan-to-value (LTV) ratios and an increase in the GEL 100,000 limit, to GEL 200,000, below which lending must be issued to individuals in GEL.

During November 2018, the Bank entered into a preliminary agreement with Cartu International Charity Fund to sell a part of the Bank's overdue loan portfolio to the Fund. The transaction includes a portfolio of approximately GEL 200mln of a small-size (up to GEL 2,000 balance) unsecured retail loans, which fell overdue prior to 1 January 2018. The majority of these loans have already been fully provided and written off from the Bank's balance sheet. The transaction is a part of the country-wide, Cartu Fund-led debt relief initiative, facilitated by the government with the participation of all major financial institutions. We expect the agreement to be finalised by the end of this year and to have no material impact on our financials.

As a result of the recent policy changes, we anticipate growth rates in the unsecured consumer sector will moderate, although we continue to expect to deliver solid growth in mortgages and SME lending, as we demonstrated in the third quarter. Overall, with the strong rates of growth already delivered this year, we now expect customer lending growth for the 2018 full year to be comfortably within our 15-20% growth target, with lending growth expectations over the next few years to be closer to 15%.

Our overriding priority is our focus on profitability, and we are continuing to deliver a return on equity comfortably ahead of our targeted "at least 20%" ROAE. I expect further de-dollarisation of our lending book and strong growth in more capital efficient mortgage lending to continue to enable us to deliver superior returns within the Georgian banking sector, which will be supported over the next few years by many of the Government's economic growth initiatives. Our clear objective is to maintain our successful approach to strong, capital efficient, lending growth and superior profitability.

Kaha Kiknavelidze,

CEO, Bank of Georgia Group PLC

22 November 2018

FINANCIAL SUMMARY

INCOME STATEMENT (QUARTERLY)	Bank of Georgia Group Consolidated					Banking Business[6]					Discontinued Operations[6]				
GEL thousands unless otherwise noted	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**
Net interest income	184,831	168,603	9.6%	187,488	-1.4%	184,831	167,788	10.2%	186,330	-0.8%	-	-	-	-	-
Net fee and commission income	39,481	32,754	20.5%	37,652	4.9%	39,481	33,141	19.1%	37,847	4.3%	-	-	-	-	-
Net foreign currency gain	34,856	20,436	70.6%	25,004	39.4%	34,856	19,614	77.7%	24,577	41.8%	-	-	-	-	-
Net other income	7,437	2,377	NMF	3,380	120.0%	7,437	2,653	NMF	3,706	100.7%	-	-	-	-	-
Revenue	**266,605**	**224,170**	**18.9%**	**253,524**	**5.2%**	**266,605**	**223,196**	**19.4%**	**252,460**	**5.6%**	-	-	-	-	-
Operating expenses	**(97,137)**	**(84,257)**	**15.3%**	**(92,580)**	**4.9%**	**(97,137)**	**(85,355)**	**13.8%**	**(93,145)**	**4.3%**	-	-	-	-	-
Profit from associates	326	147	121.8%	376	-13.3%	326	147	121.8%	376	-13.3%	-	-	-	-	-
Operating income before cost of credit risk	**169,794**	**140,060**	**21.2%**	**161,320**	**5.3%**	**169,794**	**137,988**	**23.0%**	**159,691**	**6.3%**	-	-	-	-	-
Cost of credit risk	(52,736)	(36,833)	43.2%	(39,670)	32.9%	(52,736)	(36,833)	43.2%	(39,670)	32.9%	-	-	-	-	-
Profit before non-recurring items and income tax	**117,058**	**103,227**	**13.4%**	**121,650**	**-3.8%**	**117,058**	**101,155**	**15.7%**	**120,021**	**-2.5%**	-	-	-	-	-
Net non-recurring items	(3,747)	(1,376)	NMF	(43,875)	-91.5%	(3,747)	(1,376)	NMF	(44,047)	-91.5%	-	-	-	-	-
Profit before income tax expense	**113,311**	**101,851**	**11.3%**	**77,775**	**45.7%**	**113,311**	**99,779**	**13.6%**	**75,974**	**49.1%**	-	-	-	-	-
Income tax expense	(8,763)	(7,850)	11.6%	(27,507)	-68.1%	(8,763)	(7,850)	11.6%	(27,507)	-68.1%	-	-	-	-	-
Profit from continuing operations	**104,548**	**94,001**	**11.2%**	**50,268**	**108.0%**	**104,548**	**91,929**	**13.7%**	**48,467**	**115.7%**	-	-	-	-	-
Profit from discontinued operations	-	18,838	NMF	78,961	NMF	-	-	-	-	-	-	20,910	NMF	80,762	NMF
Profit	**104,548**	**112,839**	**-7.3%**	**129,229**	**-19.1%**	**104,548**	**91,929**	**13.7%**	**48,467**	**115.7%**	-	**20,910**	**NMF**	**80,762**	**NMF**
Earnings per share (basic)	**2.18**	**2.82**	**-22.7%**	**2.77**	**-21.3%**	**2.18**	**2.49**	**-12.4%**	**1.13**	**92.9%**					
Earnings per share (diluted)	**2.18**	**2.70**	**-19.3%**	**2.74**	**-20.4%**	**2.18**	**2.38**	**-8.4%**	**1.12**	**94.6%**					
Earnings per share (basic) adjusted[7]						*2.18*	*2.49*	*-12.4%*	*2.31*	*-5.6%*					
Earnings per share (diluted) adjusted[7]						*2.18*	*2.38*	*-8.4%*	*2.29*	*-4.8%*					

INCOME STATEMENT (NINE MONTHS)	Bank of Georgia Group Consolidated			Banking Business[6]			Discontinued Operations[6]		
GEL thousands unless otherwise noted	**9M18**	**9M17**	**Change y-o-y**	**9M18**	**9M17**	**Change y-o-y**	**9M18**	**9M17**	**Change y-o-y**
Net interest income	553,433	489,037	13.2%	551,284	488,976	12.7%	-	-	-
Net fee and commission income	111,318	93,567	19.0%	111,838	94,736	18.1%	-	-	-
Net foreign currency gain	74,773	50,967	46.7%	75,448	58,596	28.8%	-	-	-
Net other income	16,334	5,937	NMF	16,887	6,715	151.5%	-	-	-
Revenue	**755,858**	**639,508**	**18.2%**	**755,457**	**649,023**	**16.4%**	-	-	-
Operating expenses	**(275,995)**	**(240,185)**	**14.9%**	**(277,660)**	**(243,193)**	**14.2%**	-	-	-
Profit from associates	1,021	1,055	-3.2%	1,021	1,055	-3.2%	-	-	-
Operating income before cost of credit risk	**480,884**	**400,378**	**20.1%**	**478,818**	**406,885**	**17.7%**	-	-	-
Cost of credit risk	(130,549)	(124,869)	4.5%	(130,549)	(124,869)	4.5%	-	-	-
Profit before non-recurring items and income tax	**350,335**	**275,509**	**27.2%**	**348,269**	**282,016**	**23.5%**	-	-	-
Net non-recurring items	(50,570)	(4,087)	NMF	(50,742)	(4,087)	NMF	-	-	-
Profit before income tax expense	**299,765**	**271,422**	**10.4%**	**297,527**	**277,929**	**7.1%**	-	-	-
Income tax expense	(45,328)	(15,541)	NMF	(45,328)	(15,541)	NMF	-	-	-
Profit from continuing operations	**254,437**	**255,881**	**-0.6%**	**252,199**	**262,388**	**-3.9%**	-	-	-
Profit from discontinued operations	107,899	88,758	21.6%	-	-	-	110,137	82,251	33.9%
Profit	**362,336**	**344,639**	**5.1%**	**252,199**	**262,388**	**-3.9%**	**110,137**	**82,251**	**33.9%**
Earnings per share (basic)	**7.93**	**8.56**	**-7.4%**	**5.86**	**6.73**	**-12.9%**			
Earnings per share (diluted)	**7.84**	**8.20**	**-4.4%**	**5.79**	**6.45**	**-10.2%**			
Earnings per share (basic) adjusted[7]				*7.07*	*6.73*	5.1%			
Earnings per share (diluted) adjusted[7]				*6.99*	*6.45*	8.4%			

[6] 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

[7] 2Q18 and 9M18 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 12*)

BALANCE SHEET

GEL thousands unless otherwise noted	Bank of Georgia Group Consolidated					Banking Business[8]					Discontinued Operations[8]				
	Sep-18	**Sep-17**	**Change y-o-y**	**Jun-18**	**Change q-o-q**	**Sep-18**	**Sep-17**	**Change y-o-y**	**Jun-18**	**Change q-o-q**	**Sep-18**	**Sep-17**	**Change y-o-y**	**Jun-18**	**Change q-o-q**
Liquid assets	4,696,808	4,128,332	13.8%	4,266,417	10.1%	4,696,808	4,068,147	15.5%	4,266,417	10.1%	-	439,616	NMF	-	-
Cash and cash equivalents	*1,237,867*	*1,721,811*	*-28.1%*	*1,546,863*	*-20.0%*	*1,237,867*	*1,648,098*	*-24.9%*	*1,546,863*	*-20.0%*	-	*345,137*	*NMF*	-	-
Amounts due from credit institutions	*1,398,061*	*985,120*	*41.9%*	*993,862*	*40.7%*	*1,398,061*	*950,775*	*47.0%*	*993,862*	*40.7%*	-	*60,565*	*NMF*	-	-
Investment securities	*2,060,880*	*1,421,401*	*45.0%*	*1,725,692*	*19.4%*	*2,060,880*	*1,469,274*	*40.3%*	*1,725,692*	*19.4%*	-	*33,914*	*NMF*	-	-
Loans to customers and finance lease receivables	8,724,825	6,917,211	26.1%	8,078,132	8.0%	8,724,825	6,951,493	25.5%	8,078,132	8.0%	-	-	-	-	-
Property and equipment	315,980	1,501,735	-79.0%	313,627	0.8%	315,980	309,769	2.0%	313,627	0.8%	-	1,187,631	NMF	-	-
Total assets	**14,277,343**	**13,927,773**	**2.5%**	**13,208,821**	**8.1%**	**14,277,343**	**11,779,718**	**21.2%**	**13,208,821**	**8.1%**	-	**2,573,427**	**NMF**	-	-
Client deposits and notes	7,932,536	6,252,228	26.9%	7,174,234	10.6%	7,932,536	6,549,904	21.1%	7,174,234	10.6%	-	-	-	-	-
Amounts due to credit institutions	3,006,739	2,774,525	8.4%	2,740,595	9.7%	3,006,739	2,350,438	27.9%	2,740,595	9.7%	-	459,158	NMF	-	-
Borrowings from DFI	*1,261,960*	*1,435,236*	*-12.1%*	*1,161,120*	*8.7%*	*1,261,960*	*1,172,530*	*7.6%*	*1,161,120*	*8.7%*	-	*262,707*	*NMF*	-	-
Short-term loans from NBG	*1,016,431*	*590,014*	*72.3%*	*556,834*	*82.5%*	*1,016,431*	*590,014*	*72.3%*	*556,834*	*82.5%*	-	-	-	-	-
Loans and deposits from commercial banks	*728,348*	*749,275*	*-2.8%*	*1,022,641*	*-28.8%*	*728,348*	*587,894*	*23.9%*	*1,022,641*	*-28.8%*	-	*196,451*	*NMF*	-	-
Debt securities issued	1,578,532	1,691,260	-6.7%	1,527,452	3.3%	1,578,532	1,298,641	21.6%	1,527,452	3.3%	-	479,142	NMF	-	-
Total liabilities	**12,643,995**	**11,299,090**	**11.9%**	**11,571,235**	**9.3%**	**12,643,995**	**10,292,672**	**22.8%**	**11,571,235**	**9.3%**	-	**1,431,790**	**NMF**	-	-
Total equity	**1,633,348**	**2,628,683**	**-37.9%**	**1,637,586**	**-0.3%**	**1,633,348**	**1,487,046**	**9.8%**	**1,637,586**	**-0.3%**	-	**1,141,637**	**NMF**	-	-
Book value per share[9]	**34.12**	**62.06**	**-45.0%**	**34.12**	**0.0%**										

BANKING BUSINESS RATIOS

	3Q18	3Q17	2Q18	9M18	9M17
ROAA[10]	3.0%	3.2%	3.1%	3.1%	3.2%
ROAE[10]	25.8%	25.1%	25.2%	25.7%	24.3%
Net Interest Margin	6.4%	7.3%	6.9%	6.8%	7.3%
Loan Yield	13.5%	14.3%	14.0%	13.8%	14.2%
Liquid assets yield	3.8%	3.5%	3.8%	3.7%	3.4%
Cost of Funds	5.0%	4.8%	5.0%	5.0%	4.7%
Cost of Client Deposits and Notes	3.6%	3.5%	3.6%	3.5%	3.5%
Cost of Amounts Due to Credit Institutions	7.4%	6.5%	7.2%	7.1%	6.4%
Cost of Debt Securities Issued	7.8%	7.9%	7.7%	7.8%	7.2%
Cost / Income	36.4%	38.2%	36.9%	36.8%	37.5%
NPLs to Gross Loans to Clients	3.0%	4.1%	3.0%	3.0%	4.1%
NPL Coverage Ratio	102.9%	93.6%	110.5%	102.9%	93.6%
NPL Coverage Ratio, Adjusted for discounted value of collateral	141.4%	132.8%	147.2%	141.4%	132.8%
Cost of Risk	2.2%	2.0%	1.7%	2.0%	2.2%
NBG (Basel III) Tier I Capital Adequacy Ratio	11.0%	n/a	12.5%	11.0%	n/a
NBG (Basel III) Total Capital Adequacy Ratio	15.9%	n/a	17.5%	15.9%	n/a

[8] 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

[9] The y-o-y decline in Book value per share as at 30 September 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

[10] 2Q18 and 9M18 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 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	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**	**9M18**	**9M17**	**Change y-o-y**
Interest income	337,261	287,274	17.4%	329,628	2.3%	980,442	827,342	18.5%
Interest expense	(152,430)	(119,486)	27.6%	(143,298)	6.4%	(429,158)	(338,366)	26.8%
Net interest income	**184,831**	**167,788**	**10.2%**	**186,330**	**-0.8%**	**551,284**	**488,976**	**12.7%**
Fee and commission income	60,413	49,155	22.9%	55,693	8.5%	167,319	138,760	20.6%
Fee and commission expense	(20,932)	(16,014)	30.7%	(17,846)	17.3%	(55,481)	(44,024)	26.0%
Net fee and commission income	**39,481**	**33,141**	**19.1%**	**37,847**	**4.3%**	**111,838**	**94,736**	**18.1%**
Net foreign currency gain	34,856	19,614	77.7%	24,577	41.8%	75,448	58,596	28.8%
Net other income	7,437	2,653	NMF	3,706	100.7%	16,887	6,715	151.5%
Revenue	**266,605**	**223,196**	**19.4%**	**252,460**	**5.6%**	**755,457**	**649,023**	**16.4%**
Net Interest Margin	6.4%	7.3%		6.9%		6.8%	7.3%	
Average interest earning assets	11,386,293	9,092,457	25.2%	10,787,812	5.5%	10,900,495	8,938,532	21.9%
Average interest bearing liabilities	12,002,162	9,841,785	22.0%	11,468,106	4.7%	11,585,458	9,589,213	20.8%
Average net loans and finance lease receivables, currency blended	8,351,569	6,727,963	24.1%	7,968,652	4.8%	8,040,748	6,652,633	20.9%
Average net loans and finance lease receivables, GEL	3,408,676	2,528,946	34.8%	3,305,404	3.1%	3,261,458	2,280,075	43.0%
Average net loans and finance lease receivables, FC	4,942,893	4,199,017	17.7%	4,663,248	6.0%	4,779,290	4,372,558	9.3%
Average client deposits and notes, currency blended	7,547,942	6,096,686	23.8%	7,253,758	4.1%	7,288,896	5,888,399	23.8%
Average client deposits and notes, GEL	2,732,988	1,811,206	50.9%	2,588,111	5.6%	2,535,994	1,596,667	58.8%
Average client deposits and notes, FC	4,814,954	4,285,480	12.4%	4,665,647	3.2%	4,752,902	4,291,732	10.7%
Average liquid assets, currency blended	4,517,487	3,920,876	15.2%	4,349,730	3.9%	4,391,321	3,705,292	18.5%
Average liquid assets, GEL	2,071,502	1,599,459	29.5%	1,833,260	13.0%	1,912,933	1,478,408	29.4%
Average liquid assets, FC	2,445,985	2,321,417	5.4%	2,516,470	-2.8%	2,478,388	2,226,884	11.3%
Liquid assets yield, currency blended	3.8%	3.5%		3.8%		3.7%	3.4%	
Liquid assets yield, GEL	7.0%	7.1%		7.0%		6.9%	7.1%	
Liquid assets yield, FC	1.1%	0.9%		1.5%		1.3%	0.8%	
Loan yield, currency blended	13.5%	14.3%		14.0%		13.8%	14.2%	
Loan yield, GEL	19.9%	21.6%		20.9%		20.6%	22.1%	
Loan yield, FC	9.1%	9.9%		9.1%		9.0%	10.0%	
Cost of Funds, currency blended	5.0%	4.8%		5.0%		5.0%	4.7%	
Cost of Funds, GEL	7.2%	6.8%		7.2%		7.1%	6.8%	
Cost of Funds, FC	3.6%	3.8%		3.7%		3.6%	3.8%	
Cost / Income	36.4%	38.2%		36.9%		36.8%	37.5%	

Performance highlights

- **Strong revenue of GEL 266.6mln in 3Q18 (up 19.4% y-o-y and up 5.6% q-o-q), ending the first nine months 2018 with revenue of GEL 755.5mln (up 16.4% 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 all contributed to growth in revenues
- **Our NIM was 6.4% in 3Q18 and 6.8% in 9M18.** 3Q18 NIM was down 90bps y-o-y due to the 80bps y-o-y decrease in loan yield, largely reflecting our shift towards a higher quality, finer margin product mix and tighter conditions for unsecured consumer lending, and 20bps y-o-y increase in cost of funds. On a q-o-q basis, loan yield decreased by 50bps, while cost of funds remained flat, resulting in 50bps decline in 3Q18 NIM q-o-q. On a nine months basis, loan yield was down 40bps and cost of funds was up 30bps y-o-y, resulting in 50bps y-o-y decline in 9M18 NIM
- **Loan yield.** Currency blended loan yield was 13.5% in 3Q18 (down 80bps y-o-y and down 50bps q-o-q) and 13.8% during first nine months of 2018 (down 40bps y-o-y). The y-o-y decline in loan yields during third quarter and on a nine months basis, was attributable to decrease in both local and foreign currency loan yields, while q-o-q decline was due to decrease in local currency loan yields, primarily reflecting the change in product mix in the loan portfolio

- **Liquid assets yield.** Our liquid assets yield was 3.8% in 3Q18 (up 30bps y-o-y and flat q-o-q) and 3.7% in 9M18 (up 30bps y-o-y). The main contributor to y-o-y trend was the increase in foreign currency denominated liquid assets yield (up 20bps y-o-y in 3Q18 and up 50bps y-o-y in 9M18), reflecting 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. However, starting from 12 July 2018, NBG reduced interest rates on foreign currency obligatory reserves (from US Fed rate minus 50bps to Fed rate minus 200bps, floored at zero for US Dollar reserves, and from ECB rate minus 20bps to ECB rate minus 200bps, floored at negative 60bps for EUR denominated reserves), which caused the foreign currency denominated liquid asset yields to drop by 40bps on q-o-q basis in 3Q18
- **Cost of funds.** Cost of funds stood at 5.0% in 3Q18 (up 20bps y-o-y and flat q-o-q) and at 5.0% in 9M18 (up 30bps y-o-y). Y-o-y increase both in 3Q18 and 9M18 periods was primarily driven by an increase in the cost of amount due to credit institutions (up 90bps y-o-y in 3Q18 and up 70bps y-o-y in 9M18) as a result of increased local currency denominated borrowings from DFIs, and an increase in the Libor rate during the period. In addition, y-o-y increase in cost of funds in 9M18 also reflected the 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 9M18)
- **Net fee and commission income.** Net fee and commission income reached GEL 39.5mln in 3Q18 (up 19.1% y-o-y and up 4.3% q-o-q) and GEL 111.8mln during first nine months 2018 (up 18.1% y-o-y). The growth was mainly driven by the strong performance in our settlement operations supported by the success of our Retail Banking franchise
- **Net other income.** Net other income increased to GEL 7.4mln in 3Q18 and GEL 16.9mln during the first nine months of 2018, largely driven by net gains from derivative financial instruments and net gains on investment securities recorded during the periods

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

GEL thousands, unless otherwise noted	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**	**9M18**	**9M17**	**Change y-o-y**
Salaries and other employee benefits	(54,107)	(50,638)	6.9%	(53,925)	0.3%	(157,485)	(142,424)	10.6%
Administrative expenses	(30,759)	(23,241)	32.3%	(26,862)	14.5%	(83,254)	(68,046)	22.3%
Depreciation and amortisation	(11,162)	(10,738)	3.9%	(11,392)	-2.0%	(34,077)	(30,460)	11.9%
Other operating expenses	(1,109)	(738)	50.3%	(966)	14.8%	(2,844)	(2,263)	25.7%
Operating expenses	**(97,137)**	**(85,355)**	**13.8%**	**(93,145)**	**4.3%**	**(277,660)**	**(243,193)**	**14.2%**
Profit from associate	326	147	121.8%	376	-13.3%	1,021	1,055	-3.2%
Operating income before cost of credit risk	**169,794**	**137,988**	**23.0%**	**159,691**	**6.3%**	**478,818**	**406,885**	**17.7%**
Expected credit loss / impairment charge on loans to customers	(48,134)	(34,202)	40.7%	(35,678)	34.9%	(124,818)	(113,299)	10.2%
Expected credit loss / impairment charge on finance lease receivables	(426)	(781)	-45.5%	(266)	60.2%	(678)	(988)	-31.4%
Other expected credit loss / impairment charge on other assets and provisions	(4,176)	(1,850)	125.7%	(3,726)	12.1%	(5,053)	(10,582)	-52.2%
Cost of credit risk	**(52,736)**	**(36,833)**	**43.2%**	**(39,670)**	**32.9%**	**(130,549)**	**(124,869)**	**4.5%**
Profit before non-recurring items and income tax	**117,058**	**101,155**	**15.7%**	**120,021**	**-2.5%**	**348,269**	**282,016**	**23.5%**
Net non-recurring items	(3,747)	(1,376)	NMF	(44,047)	-91.5%	(50,742)	(4,087)	NMF
Profit before income tax	**113,311**	**99,779**	**13.6%**	**75,974**	**49.1%**	**297,527**	**277,929**	**7.1%**
Income tax expense	(8,763)	(7,850)	11.6%	(27,507)	-68.1%	(45,328)	(15,541)	NMF
Profit	**104,548**	**91,929**	**13.7%**	**48,467**	**115.7%**	**252,199**	**262,388**	**-3.9%**

- **Operating expenses increased to GEL 97.1mln in 3Q18 (up 13.8% y-o-y and up 4.3% q-o-q) and to GEL 277.7mln during first nine months of 2018 (up 14.2% y-o-y).** The growth in revenues outpaced the growth in operating expenses both during 3Q18 and 9M18, leading to positive operating leverage during 9M18. Salaries and employee benefits were largely flat in 3Q18 q-o-q, while administrative expenses increased by 14.5% q-o-q, primarily driven by increased costs on consultancy services in relation to the "lean" project on achieving a step-change in operating efficiency, customer experience, and culture
- **Cost of risk ratio.** The cost of risk ratio was 2.2% in 3Q18, up 20bps y-o-y and up 50bps q-o-q. RB's 3Q18 cost of risk ratio was up 70bps y-o-y and up 50bps q-o-q, while CIB's cost of risk ratio was down 80bps y-o-y and up 90bps q-o-q. On a nine-month basis, Banking Business cost of risk ratio was 2.0% in 9M18, down 20bps y-o-y, primarily driven by 30bps y-o-y improvement in RB's cost of risk ratio, partially offset by 20bps y-o-y increase in CIB's cost of risk ratio. The Banking Business cost of risk ratio adjusted for the 3Q18 currency depreciation impact stood at 2.0% in 3Q18, flat y-o-y and up 30bps q-o-q. Q-o-q increase in FX adjusted cost of risk was primarily driven by increased cost of risk in the express and micro loan portfolios

- **Quality of our loan book remains strong in 3Q18** as evidenced by following closely monitored metrics:

GEL thousands, unless otherwise noted	Sep-18	Sep -17	Change y-o-y	Jun -18	Change q-o-q
Non-performing loans					
NPLs	265,875	297,134	-10.5%	247,861	7.3%
NPLs to gross loans	3.0%	4.1%		3.0%	
NPLs to gross loans, RB	1.7%	1.5%		1.5%	
NPLs to gross loans, CIB	4.4%	8.3%		4.8%	
NPL coverage ratio	102.9%	93.6%		110.5%	
NPL coverage ratio adjusted for the discounted value of collateral	141.4%	132.8%		147.2%	
Past due dates					
Retail loans - 15 days past due rate	1.6%	1.5%		1.6%	
Mortgage loans – 15 days past due rate	1.3%	1.0%		1.0%	

- **BNB – the Group's banking subsidiary in Belarus - generated a profit of GEL 3.0mln in 3Q18 (down 19.5% y-o-y and up 49.2% q-o-q) and GEL 7.3mln during first nine months of 2018 (up 9.7% y-o-y)**; BNB's earnings were positively impacted by decreased levels of cost of credit risk in 3Q18 (down 68.9% q-o-q) and 9M18 (down 56.4% y-o-y)

- BNB's loan book reached GEL 394.7mln at 30 September 2018, up 3.8% y-o-y and largely flat q-o-q, mostly reflecting an increase in consumer loans. Client deposits were GEL 363.2mln at 30 September 2018, up 14.8% y-o-y and up 22.0% q-o-q

- **BNB continues to remain strongly capitalised**, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. At 30 September 2018, total CAR was 14.7%, above the 10% minimum requirement of the National Bank of the Republic of Belarus ("**NBRB**"), while Tier I CAR was 9.5%, above NBRB's 6% minimum requirement. Return on Average Equity ("**ROAE**") was 15.2% in 3Q18 (21.1% in 3Q17 and 10.8% in 2Q18) and 12.8% in 9M18 (13.1% in 9M17). Strong capitalisation and 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 117.1mln in 3Q18 (up 15.7% y-o-y and down 2.5% q-o-q) and GEL 348.3mln during first nine months of 2018 (up 23.5% y-o-y), while ROAE[11] was 25.8% in 3Q18 (25.1% in 3Q17 and 25.2% in 2Q18) and 25.7% in 9M18 (24.3% in 9M17)**

- **Net non-recurring items.** Net non-recurring expenses amounted to GEL 50.7mln in 9M18 (GEL 4.1mln in 9M17), primarily comprising of 2Q18 demerger related costs. *Please see 2Q18 and 1H18 results announcement for details*

- **Income tax expense.** Income tax expense amounted to GEL 8.8mln in 3Q18 (GEL 7.9mln in 3Q17 and GEL 27.5mln in 2Q18) and GEL 45.3mln during first nine months of 2018 (GEL 15.5mln in 9M17). The significant y-o-y increase in income tax expense in 9M18 was primarily driven by the one-off impact of changes to the corporate taxation model applicable to financial institutions which was amended in June 2018. *Please see the 2Q18 and 1H18 results announcement for details*

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Sep-18	Sep -17	Change y-o-y	Jun -18	Change q-o-q
Liquid assets	4,696,808	4,068,147	15.5%	4,266,417	10.1%
Liquid assets, GEL	2,072,122	1,569,161	32.1%	1,969,843	5.2%
Liquid assets, FC	2,624,686	2,498,986	5.0%	2,296,574	14.3%
Net loans and finance lease receivables	8,724,825	6,951,493	25.5%	8,078,132	8.0%
Net loans and finance lease receivables, GEL	3,426,700	2,689,778	27.4%	3,369,952	1.7%
Net loans and finance lease receivables, FC	5,298,125	4,261,715	24.3%	4,708,180	12.5%
Client deposits and notes	7,932,536	6,549,904	21.1%	7,174,234	10.6%
Amounts due to credit institutions	3,006,739	2,350,438	27.9%	2,740,595	9.7%
Borrowings from DFIs	1,261,960	1,172,530	7.6%	1,161,120	8.7%
Short-term loans from central banks	1,016,431	590,014	72.3%	556,834	82.5%
Loans and deposits from commercial banks	728,348	587,894	23.9%	1,022,641	-28.8%
Debt securities issued	1,578,532	1,298,641	21.6%	1,527,452	3.3%
Liquidity and CAR ratios					
Net loans / client deposits and notes	110.0%	106.1%		112.6%	
Net loans / client deposits and notes + DFIs	94.9%	90.0%		96.9%	
Liquid assets as percent of total assets	32.9%	34.5%		32.3%	
Liquid assets as percent of total liabilities	37.1%	39.5%		36.9%	
NBG liquidity ratio	32.5%	44.4%		30.2%	
NBG Liquidity Coverage Ratio	113.6%	129.8		129.8%	
NBG (Basel III) Tier I Capital Adequacy Ratio	11.0%	n/a		12.5%	
NBG (Basel III) Total Capital Adequacy Ratio	15.9%	n/a		17.5%	

Our balance sheet remains highly liquid (NBG Liquidity ratio of 32.5%) **and strongly capitalised** (NBG Basel III Tier I ratio of 11.0%) **with a well-diversified funding base** (Client Deposits and Notes to Total Liabilities of 62.7%).

[11] 2Q18 and 9M18 ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

- **Liquidity.** Liquid assets increased to GEL 4,696.8mln at 30 September 2018, up 15.5% y-o-y and up 10.1% 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 demerger-related 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. Q-o-q increase in liquid assets was primarily driven by the changes in minimum reserve requirements mandated by NBG since September 2018, whereby the foreign currency funds raised by local banks now carry an up to 25% reserve requirement depending on maturity. The NBG average liquidity ratio was 32.5% in September 2018 (44.4% in September 2017 and 30.2% in June 2018), above the regulatory minimum requirement of 30.0%. At the same time, the Liquidity coverage ratio was 113.6% at 30 September 2018 (129.8% at 30 June 2018 and 30 September 2017), well above the 100% minimum requirement level

- **Loan book**. Our net loan book and finance lease receivables reached GEL 8,724.8mln at 30 September 2018, up 25.5% y-o-y and up 8.0% q-o-q. As of 30 September 2018, the retail book represented 69.6% of the total loan portfolio (68.4% at 30 September 2017 and 70.1% at 30 June 2018). While both local and foreign currency portfolios experienced y-o-y growth, the local currency loan portfolio demonstrated a strong increase of 27.4% y-o-y, partially driven by the Government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio

- **Dollarisation of our loan book and client deposits.** The retail client loan book in foreign currency accounted for 48.8% of the total RB loan book at 30 September 2018 (49.2% at 30 September 2017 and 45.8% at 30 June 2018), while retail client foreign currency deposits comprised 71.7% of total RB deposits at 30 September 2018 (71.6% at 30 September 2017 and 70.6% at 30 June 2018). At 30 September 2018, 81.7% of CIB's loan book was denominated in foreign currency (80.9% at 30 September 2017 and 80.2% at 30 June 2018), while 55.4% of CIB deposits were denominated in foreign currency (62.4% at 30 September 2017 and 50.7% at 30 June 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 94.9% (up from 90.0% at 30 September 2017 and slightly down from 96.9% at 30 June 2018)

- **Diversified funding base**. Debt securities issued grew by 21.6% y-o-y and increased by 3.3% 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

- **Capital Adequacy requirements.** Basel III Tier 1 and Total Capital Adequacy ratios stood at 11.0% and 15.9%, respectively, as of 30 September 2018, as compared to minimum required level of 9.9% and 14.9%, respectively (12.5% and 17.5%, respectively, at 30 June 2018, as compared to minimum required level of 9.9% and 15.0%, respectively). The reduction in the third quarter 2018 was attributable to the payment of the Bank of Georgia Group PLC's annual dividend to shareholders in July 2018

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	3Q18	3Q17	Change y-o-y	2Q18	Change q-o-q	9M18	9M17	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	135,535	122,352	10.8%	138,234	-2.0%	409,095	346,437	18.1%
Net fee and commission income	30,651	25,064	22.3%	29,152	5.1%	85,943	71,279	20.6%
Net foreign currency gain	15,410	7,979	93.1%	10,158	51.7%	31,679	20,531	54.3%
Net other income	2,023	366	NMF	1,664	21.6%	6,791	498	NMF
Revenue	**183,619**	**155,761**	**17.9%**	**179,208**	**2.5%**	**533,508**	**438,745**	**21.6%**
Salaries and other employee benefits	(34,830)	(32,262)	8.0%	(34,640)	0.5%	(101,582)	(89,890)	13.0%
Administrative expenses	(22,619)	(17,084)	32.4%	(20,542)	10.1%	(62,703)	(50,003)	25.4%
Depreciation and amortisation	(9,556)	(9,087)	5.2%	(9,818)	-2.7%	(29,276)	(25,721)	13.8%
Other operating expenses	(592)	(595)	-0.5%	(602)	-1.7%	(1,696)	(1,435)	18.2%
Operating expenses	**(67,597)**	**(59,028)**	**14.5%**	**(65,602)**	**3.0%**	**(195,257)**	**(167,049)**	**16.9%**
Profit from associate	326	147	121.8%	376	-13.3%	1,021	1,055	0.0%
Operating income before cost of credit risk	**116,348**	**96,880**	**20.1%**	**113,982**	**2.1%**	**339,272**	**272,751**	**24.4%**
Cost of credit risk	(39,784)	(22,099)	80.0%	(31,762)	25.3%	(104,328)	(87,678)	19.0%
Profit before non-recurring items and income tax	**76,564**	**74,781**	**2.4%**	**82,220**	**-6.9%**	**234,944**	**185,073**	**26.9%**
Net non-recurring items	(1,947)	(1,041)	87.0%	(27,099)	-92.8%	(31,022)	(2,284)	NMF
Profit before income tax	**74,617**	**73,740**	**1.2%**	**55,121**	**35.4%**	**203,922**	**182,789**	**11.6%**
Income tax expense	(5,445)	(5,342)	1.9%	(18,237)	-70.1%	(29,518)	(10,710)	NMF
Profit	**69,172**	**68,398**	**1.1%**	**36,884**	**87.5%**	**174,404**	**172,079**	**1.4%**
BALANCE SHEET HIGHLIGHTS								
Net loans, Currency Blended	5,787,131	4,541,302	27.4%	5,382,405	7.5%	5,787,131	4,541,302	27.4%
Net loans, GEL	2,965,034	2,307,391	28.5%	2,914,670	1.7%	2,965,034	2,307,391	28.5%
Net loans, FC	2,822,097	2,233,911	26.3%	2,467,735	14.4%	2,822,097	2,233,911	26.3%
Client deposits, Currency Blended	4,029,995	2,869,921	40.4%	3,479,938	15.8%	4,029,995	2,869,921	40.4%
Client deposits, GEL	1,141,849	815,611	40.0%	1,021,776	11.8%	1,141,849	815,611	40.0%
Client deposits, FC	2,888,146	2,054,310	40.6%	2,458,162	17.5%	2,888,146	2,054,310	40.6%
of which:								
Time deposits, Currency Blended	2,193,682	1,629,593	34.6%	1,952,610	12.3%	2,193,682	1,629,593	34.6%
Time deposits, GEL	489,535	314,753	55.5%	437,120	12.0%	489,535	314,753	55.5%
Time deposits, FC	1,704,147	1,314,840	29.6%	1,515,490	12.4%	1,704,147	1,314,840	29.6%
Current accounts and demand deposits, Currency Blended	1,836,313	1,240,328	48.1%	1,527,328	20.2%	1,836,313	1,240,328	48.1%
Current accounts and demand deposits, GEL	652,314	500,858	30.2%	584,656	11.6%	652,314	500,858	30.2%
Current accounts and demand deposits, FC	1,183,999	739,470	60.1%	942,672	25.6%	1,183,999	739,470	60.1%
KEY RATIOS								
ROAE Retail Banking[12]	29.4%	34.1%		30.5%		30.5%	29.7%	
Net interest margin, currency blended	7.2%	8.5%		8.0%		7.8%	8.6%	
Cost of risk	2.7%	2.0%		2.2%		2.5%	2.8%	
Cost of funds, currency blended	5.8%	6.0%		5.9%		5.8%	5.7%	
Loan yield, currency blended	14.9%	16.3%		15.8%		15.5%	16.2%	
Loan yield, GEL	20.9%	23.1%		22.0%		21.8%	24.0%	
Loan yield, FC	8.0%	9.2%		8.2%		8.2%	9.2%	
Cost of deposits, currency blended	2.8%	2.9%		2.9%		2.8%	3.0%	
Cost of deposits, GEL	4.9%	4.4%		4.9%		4.9%	4.5%	
Cost of deposits, FC	2.0%	2.2%		2.1%		2.0%	2.4%	
Cost of time deposits, currency blended	4.2%	4.3%		4.2%		4.2%	4.3%	
Cost of time deposits, GEL	8.7%	8.8%		8.7%		8.8%	8.8%	
Cost of time deposits, FC	2.9%	3.2%		3.0%		2.9%	3.3%	
Current accounts and demand deposits, currency blended	1.1%	1.0%		1.1%		1.1%	1.0%	
Current accounts and demand deposits, GEL	2.1%	1.7%		2.0%		1.9%	1.6%	
Current accounts and demand deposits, FC	0.5%	0.5%		0.6%		0.6%	0.6%	
Cost / income ratio	36.8%	37.8%		36.6%		36.6%	38.1%	

[12] 2Q18 and 9M18 ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

Performance highlights

- **Retail Banking delivered solid quarterly results across its major segments and generated revenues of GEL 183.6mln in 3Q18 (up 17.9% y-o-y and up 2.5% q-o-q) and revenue of GEL 533.5mln in 9M18 (up 21.6% y-o-y)**
- RB's net interest income grew by 10.8% y-o-y in 3Q18 and by 18.1% y-o-y during first nine months of 2018 on the back of the strong y-o-y growth in the Retail Banking loan portfolio. Net interest income also reflects the benefits from the growth of the local currency loan portfolio, which generated 12.9ppts and 13.6ppts higher yield than the foreign currency loan portfolio in 3Q18 and 9M18, respectively
- **The Retail Banking net loan book reached GEL 5,787.1mln in 3Q18, up 27.4% y-o-y and up 7.5% q-o-q. On a constant currency basis our retail loan book increased by 24.1% y-o-y and 4.2% q-o-q in 3Q18.** Our local currency denominated loan book grew at a faster pace (up 28.5% y-o-y) than the foreign currency denominated loan book (up 26.3% y-o-y). On a quarterly basis, however, the foreign currency loan book increased by 14.4% (7.2% growth on constant currency basis), whereas our local currency denominated loan book was up by 1.7%. As a result, the local currency denominated loan book accounted for 51.2% of the total Retail Banking loan book at 30 September 2018 (50.8% at 30 September 2017 and 54.2% at 30 June 2018)
- **The y-o-y loan book growth was a product of continued strong loan origination levels delivered across the mortgage and MSME segments. The trend reflects the shift towards a higher quality, finer margin product mix on the back of tighter lending conditions for unsecured consumer lending:**

Retail Banking loan book by products

GEL million, unless otherwise noted	3Q18	3Q17	Change y-o-y	2Q18	Change q-o-q	9M18	9M17	Change y-o-y
Loan Originations								
Consumer loans	344.9	349.4	-1.3%	346.5	-0.5%	1,055.6	1,000.6	5.5%
Mortgage loans	606.6	264.3	129.5%	349.7	73.4%	1,259.6	703.2	79.1%
Micro loans	270.5	235.6	14.8%	248.5	8.9%	802.7	708.2	13.3%
SME loans	190.5	152.0	25.3%	152.7	24.7%	474.0	403.8	17.4%
POS loans	23.5	65.5	-64.0%	30.9	-23.9%	104.6	164.2	-36.3%
Outstanding Balance								
Consumer loans	1,326.2	1,147.6	15.6%	1,320.0	0.5%	1,326.2	1,147.6	15.6%
Mortgage loans	2,241.6	1,459.2	53.6%	1,922.1	16.6%	2,241.6	1,459.2	53.6%
Micro loans	1,174.5	965.8	21.6%	1,122.3	4.7%	1,174.5	965.8	21.6%
SME loans	692.6	534.9	29.5%	625.0	10.8%	692.6	534.9	29.5%
POS loans	66.5	114.1	-41.7%	92.8	-28.3%	66.5	114.1	-41.7%

- **Retail Banking client deposits increased to GEL 4,030.0mln, up 40.4% y-o-y and up 15.8% q-o-q**. The dollarisation level of our deposits increased slightly to 71.7% at 30 September 2018 from 71.6% at 30 September 2017 and from 70.6% at 30 June 2018. The increase in foreign currency denominated deposits reflects the recent depreciation of the Georgian Lari against the US Dollar in 3Q18. The cost of foreign currency denominated deposits decreased by 20bps y-o-y and 10bps q-o-q in 3Q18, and down by 40bps y-o-y in 9M18. The cost of local currency denominated deposits, on the contrary, increased by 50bps and by 40bps y-o-y in 3Q18 and 9M18, respectively. The spread between the cost of RB's client deposits in GEL and foreign currency widened further to 2.9ppts during 3Q18 (GEL: 4.9%; FC: 2.0%) compared to 2.2ppts in 3Q17 (GEL: 4.4%; FC: 2.2%) and 2.8ppts in 2Q18 (GEL: 4.9%; FC: 2.1%). On a year-to-date basis, the spread was 2.9ppts in 9M18 (GEL: 4.9%; FC: 2.0%) compared to 2.1ppts in 9M17 (GEL: 4.5%; FC: 2.4%)
- **Retail Banking NIM was 7.2% in 3Q18 (down 130bps y-o-y and down 80bps q-o-q) and 7.8% during first nine months of 2018 (down 80bps y-o-y).** The decline in NIM was attributable to lower loan yields (down 140bps y-o-y and down 90bps q-o-q in 3Q18, and down 70bps y-o-y in 9M18), reflecting the significant growth in the mortgage portfolio during the quarter. Meanwhile, the cost of funds decreased by 20bps y-o-y and by 10bps q-o-q in 3Q18, and increased by 10bps y-o-y in 9M18. 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
- **Strong y-o-y growth in Retail Banking net fee and commission income**. The strong growth in net fee and commission income during all reported periods was driven by an increase in settlement operations and the strong underlying growth in our Solo and MSME segments
- **RB asset quality in 3Q18 mainly reflected tighter conditions for unsecured consumer lending post regulatory changes in May 2018.** These changes primarily affected the quality of high-yield express and micro loans in the short-term as expected. RB cost of credit risk was GEL 39.8mln in 3Q18 (up 80.0% y-o-y and up 25.3% q-o-q) and GEL 104.3mln during the first nine months of 2018 (up 19.0% y-o-y). The cost of risk ratio was 2.7% in 3Q18 (up from 2.0% in 3Q17 and up from 2.2% in 2Q18) and 2.5% in 9M18 (down from 2.8% in 9M17). The cost of risk ratio adjusted for FX devaluation effect during the quarter was 2.6% in 3Q18

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

Retail Banking performance indicators *Volume information in GEL thousands*	3Q18	3Q17	Change y-o-y	2Q18	Change q-o-q	9M18	9M17	Change y-o-y
Retail Banking Customers								
Number of new customers	38,577	42,028	-8.2%	45,213	-14.7%	147,411	132,776	11.0%
Number of customers	2,408,223	2,254,584	6.8%	2,382,139	1.1%	2,408,223	2,254,584	6.8%
Cards								
Number of Cards issued	152,274	247,594	-38.5%	191,552	-20.5%	589,964	697,309	-15.4%
Number of Cards outstanding	2,192,870	2,176,761	0.7%	2,235,122	-1.9%	2,192,870	2,176,761	0.7%
Express Pay terminals								
Number of Express Pay terminals	3,054	2,823	8.2%	2,955	3.4%	3,054	2,823	8.2%
Number of transactions via Express Pay terminals	27,001,597	25,264,823	6.9%	27,479,192	-1.7%	80,315,870	76,810,189	4.6%
Volume of transactions via Express Pay terminals	1,757,019	1,292,582	35.9%	1,639,313	7.2%	4,892,501	3,269,820	49.6%
POS terminals								
Number of Desks	10,078	9,609	4.9%	9,304	8.3%	10,078	9,609	4.9%
Number of Contracted Merchants	5,357	5,334	0.4%	5,382	-0.5%	5,357	5,334	0.4%
Number of POS terminals	13,418	11,997	11.8%	12,815	4.7%	13,418	11,997	11.8%
Number of transactions via POS terminals	16,232,785	12,143,991	33.7%	15,737,715	3.1%	45,177,372	33,302,656	35.7%
Volume of transactions via POS terminals	534,430	392,229	36.3%	470,194	13.7%	1,399,724	982,235	42.5%
Internet Banking								
Number of Active Users	246,897	188,087	31.3%	243,377	1.4%	246,897	188,087	31.3%
Number of transactions via Internet Bank	1,417,638	1,430,048	-0.9%	1,446,014	-2.0%	4,350,714	4,901,990	-11.2%
Volume of transactions via Internet Bank	530,368	321,297	65.1%	451,944	17.4%	1,409,326	977,040	44.2%
Mobile Banking								
Number of Active Users	247,418	146,785	68.6%	228,980	8.1%	247,418	146,785	68.6%
Number of transactions via Mobile Bank	4,119,141	1,812,353	127.3%	3,233,287	27.4%	10,170,235	4,024,960	152.7%
Volume of transactions via Mobile Bank	538,609	190,020	183.4%	407,822	32.1%	1,263,812	406,613	210.8%

  - **Growth in the client base was due to the increased offering of cost-effective remote channels**. The increase to 2,408,223 customers in 3Q18 (up 6.8% 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 0.7% y-o-y in 3Q18. Loyalty programme Plus+ cards, launched in July 2017 as part of RB's client-centric approach, increased almost fivefold y-o-y. We had 519,691 active Plus+ cards outstanding as at 30 September 2018, up 14.3% q-o-q
  - **The utilisation of Express Pay terminals continued to grow in 3Q18**. The volume of transactions increased to GEL 1,757.0mln in 3Q18 (up 35.9% y-o-y and up 7.2% q-o-q) and to GEL 4,892.5mln in 9M18 (up 49.6% y-o-y). The number of transactions increased by 6.9% y-o-y in 3Q18 and by 4.6% y-o-y in the first nine months of 2018. The fees charged to clients for transactions executed through express pay terminals amounted to GEL 5.7mln in 3Q18 (up 14.0% y-o-y and up 3.6% q-o-q) and GEL 16.4mln in 9M18 (up 7.2% 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, 467,252 downloads were made by the Bank's customers. During the same period approximately 13.8 million online transactions were performed using the application
  - **Significant growth in loans issued and deposits opened through Internet and Mobile Bank.** In 2017, we started actively offering loans and deposit products to our customers through Internet Bank. During 9M18, 20,088 loans were issued with a total value of GEL 39.7mln, and 7,674 deposits were opened with a total value of GEL 17.2mln through Internet Bank (3,554 loans with total value of GEL 10.1mln and 5,241 deposits with total value of GEL 9.4mln in 9M17). Starting from 2018, our customers are able to apply for a loan via mBank as well. c.10,300 loans were issued with total value of c.GEL 15.4mln using the mobile banking application during 9M18. Moreover, in 3Q18 a new feature was added to mBank and our customers can now open a deposit via our mobile platform. During the third quarter 2018, up to 2,900 deposit accounts were opened with a total deposited amount of GEL 5.7mln. As a result, the c.78% of total daily banking transactions were executed through digital channels during 3Q18

- **Solo, our premium banking brand, continues its strong growth momentum and investment in its lifestyle brand.** We have now 12 Solo lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 3 in major regional cities of Georgia. **We achieved our target of 40,000 Solo clients by the end of 2018 ahead of time.** The number of Solo clients reached 41,720 at 30 September 2018 (28,492 at 30 September 2017 and 39,030 at 30 June 2018), up 403.7% since its re-launch in April 2015. **Going forward, Solo will be targeting growth through increasing our engagement with existing clients and maximising profit per client and product per client measures.** In 3Q18, the product to client ratio for the Solo segment was 5.4, compared to 2.0 for our retail franchise. While Solo clients currently represent 1.7% of our total retail client base, they contributed 27.3% to our retail loan book, 38.4% to our retail deposits, 13.2% and 22.0% to our net retail interest income and to our net retail fee and commission income in 3Q18, respectively. The fee and commission income from the Solo segment reached GEL 5.6mln in 3Q18 (GEL 3.7mln in 3Q17 and GEL 5.5mln in 2Q18) and GEL

15.6mln in 9M18 (GEL 9.7mln in 9M17). Solo Club, launched in 2Q17, a membership group within Solo which offers exclusive access to Solo products and offers ahead of other Solo clients at a higher fee, continued to increase its client base. At 30 September 2018, Solo Club had 3,552 members, up 10.3% q-o-q

- **MSME banking continued to deliver solid growth.** The number of MSME segment clients reached 186,990 at 30 September 2018, up 18.5% y-o-y and up 2.8% q-o-q. MSME's loan portfolio reached GEL 2,010.7mln at 30 September 2018 (up 26.8% y-o-y and up 7.8% q-o-q). The MSME segment generated revenue of GEL 42.4mln in 3Q18 (up 29.7% y-o-y and up 14.0% q-o-q) and GEL 115.0mln in 9M18 (up 30.0% y-o-y)
- **As a result, Retail Banking profit before non-recurring items and income tax reached GEL 76.6mln in 3Q18 (up 2.4% y-o-y and down 6.9% q-o-q) and GEL 234.9mln during the first nine months of 2018 (up 26.9% y-o-y). Retail Banking continued to deliver an outstanding ROAE[13] of 29.4% in 3Q18 (34.1% in 3Q17 and 30.5% in 2Q18) and 30.5% in 9M18 (29.7% in 9M17)**

[13] 2Q18 and 9M18 ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

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	3Q18	3Q17	Change y-o-y	2Q18	Change q-o-q	9M18	9M17	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	42,076	38,550	9.1%	41,718	0.9%	122,027	113,632	7.4%
Net fee and commission income	7,187	5,891	22.0%	6,355	13.1%	19,741	16,857	17.1%
Net foreign currency gain	13,815	8,852	56.1%	10,259	34.7%	30,718	30,691	0.1%
Net other income	5,276	2,359	123.7%	2,078	153.9%	10,150	6,547	55.0%
Revenue	**68,354**	**55,652**	**22.8%**	**60,410**	**13.2%**	**182,636**	**167,727**	**8.9%**
Salaries and other employee benefits	(13,827)	(13,982)	-1.1%	(13,725)	0.7%	(40,147)	(39,302)	2.2%
Administrative expenses	(5,329)	(3,699)	44.1%	(3,700)	44.0%	(12,488)	(10,750)	16.2%
Depreciation and amortisation	(1,245)	(1,339)	-7.0%	(1,269)	-1.9%	(3,823)	(3,819)	0.1%
Other operating expenses	(431)	(187)	130.5%	(253)	70.4%	(828)	(532)	55.6%
Operating expenses	**(20,832)**	**(19,207)**	**8.5%**	**(18,947)**	**9.9%**	**(57,286)**	**(54,403)**	**5.3%**
Operating income before cost of credit risk	**47,522**	**36,445**	**30.4%**	**41,463**	**14.6%**	**125,350**	**113,324**	**10.6%**
Cost of credit risk	(12,235)	(14,887)	-17.8%	(5,603)	118.4%	(22,481)	(28,616)	-21.4%
Profit before non-recurring items and income tax	**35,287**	**21,558**	**63.7%**	**35,860**	**-1.6%**	**102,869**	**84,708**	**21.4%**
Net non-recurring items	(775)	(334)	132.0%	(10,871)	-92.9%	(11,919)	(1,748)	NMF
Profit before income tax	**34,512**	**21,224**	**62.6%**	**24,989**	**38.1%**	**90,950**	**82,960**	**9.6%**
Income tax expense	(2,434)	(1,780)	36.7%	(8,550)	-71.5%	(13,427)	(4,745)	NMF
Profit	**32,078**	**19,444**	**65.0%**	**16,439**	**95.1%**	**77,523**	**78,215**	**-0.9%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, Currency Blended	2,478,944	1,993,582	24.3%	2,251,837	10.1%	2,478,944	1,993,582	24.3%
Net loans and finance lease receivables, GEL	454,478	381,479	19.1%	445,239	2.1%	454,478	381,479	19.1%
Net loans and finance lease receivables, FC	2,024,466	1,612,103	25.6%	1,806,598	12.1%	2,024,466	1,612,103	25.6%
Client deposits, Currency Blended	3,552,322	3,308,347	7.4%	3,439,716	3.3%	3,552,322	3,308,347	7.4%
Client deposits, GEL	1,583,941	1,242,933	27.4%	1,695,890	-6.6%	1,583,941	1,242,933	27.4%
Client deposits, FC	1,968,381	2,065,414	-4.7%	1,743,826	12.9%	1,968,381	2,065,414	-4.7%
Time deposits, Currency Blended	1,739,849	1,316,612	32.1%	1,675,804	3.8%	1,739,849	1,316,612	32.1%
Time deposits, GEL	868,391	515,770	68.4%	896,482	-3.1%	868,391	515,770	68.4%
Time deposits, FC	871,458	800,842	8.8%	779,322	11.8%	871,458	800,842	8.8%
Current accounts and demand deposits, Currency Blended	1,812,473	1,991,735	-9.0%	1,763,912	2.8%	1,812,473	1,991,735	-9.0%
Current accounts and demand deposits, GEL	715,550	727,163	-1.6%	799,408	-10.5%	715,550	727,163	-1.6%
Current accounts and demand deposits, FC	1,096,923	1,264,572	-13.3%	964,504	13.7%	1,096,923	1,264,572	-13.3%
Letters of credit and guarantees, standalone*	679,324	634,414	7.1%	657,902	3.3%	679,324	634,414	7.1%
Assets under management	2,180,100	1,817,843	19.9%	1,993,931	9.3%	2,180,100	1,817,843	19.9%
RATIOS								
ROAE, Corporate Investment Banking[14]	22.5%	13.3%		20.0%		20.8%	17.4%	
Net interest margin, currency blended	3.4%	3.5%		3.5%		3.4%	3.4%	
Cost of risk	1.5%	2.3%		0.6%		1.2%	1.0%	
Cost of funds, currency blended	4.8%	4.5%		4.6%		4.6%	4.8%	
Loan yield, currency blended	10.8%	10.6%		10.4%		10.3%	10.6%	
Loan yield, GEL	13.5%	14.3%		13.2%		13.2%	13.0%	
Loan yield, FC	10.2%	9.9%		9.8%		9.7%	10.1%	
Cost of deposits, currency blended	4.4%	3.9%		4.1%		4.1%	3.9%	
Cost of deposits, GEL	6.6%	6.2%		6.4%		6.4%	6.6%	
Cost of deposits, FC	2.4%	2.6%		2.4%		2.4%	2.8%	
Cost of time deposits, currency blended	6.2%	5.9%		6.1%		6.0%	5.7%	
Cost of time deposits, GEL	7.7%	8.3%		7.8%		7.8%	8.3%	
Cost of time deposits, FC	4.5%	4.9%		4.6%		4.5%	5.0%	
Current accounts and demand deposits, currency blended	2.6%	2.6%		2.8%		2.7%	2.9%	
Current accounts and demand deposits, GEL	5.3%	5.2%		5.3%		5.3%	6.0%	
Current accounts and demand deposits, FC	0.7%	1.1%		1.0%		1.0%	0.9%	
Cost / income ratio	30.5%	34.5%		31.4%		31.4%	32.4%	
Concentration of top ten clients	9.9%	10.4%		10.2%		9.9%	10.4%	

* Off-balance sheet item

[14] 2Q18 and 9M18 ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

Performance highlights

- **CIB continued further growth in 3Q18 after delivering on the targets of loan portfolio risk de-concentration initiatives in 2017**. Net loan book reached GEL 2,478.9mln at 30 September 2018, up 24.3% y-o-y and up 10.1% q-o-q (up 19.0% y-o-y and up 4.5% q-o-q on a constant currency basis). The concentration of the top 10 CIB clients stood at 9.9% at 30 September 2018 (10.4% at 30 September 2017 and 10.2% at 30 June 2018)
- CIB's net interest income increased by 9.1% y-o-y and by 0.9% q-o-q in 3Q18 and increased by 7.4% y-o-y during the first nine months of 2018. **CIB NIM stood at 3.4% in 3Q18, down 10bps y-o-y and q-o-q, and remained flat y-o-y at 3.4% during the first nine months of 2018**. The y-o-y and q-o-q decline in NIM was attributable to higher cost of funds (up 30bps y-o-y and up 20bps q-o-q, reaching 4.8% in 3Q18), on the back of more expensive local currency denominated deposits. This increase was partially offset by higher currency blended loan yields over the same periods, which increased significantly by 20bps y-o-y and by 40bps q-o-q
- **CIB's net fee and commission income reached GEL 7.2mln in 3Q18, up 22.0% y-o-y and up 13.1% q-o-q.** On a nine months basis, net fee and commission income was GEL 19.7mln in 9M18, up 17.1% y-o-y. The y-o-y and q-o-q increase in net fee and commission income both in 3Q18 and 9M18 was largely driven by higher placement and advisory fees over the same periods. CIB's net fee and commission income represented 10.8% of total CIB revenue in 9M18 as compared to 10.1% in 9M17
- **CIB's loan book dollarisation**. Foreign currency denominated loans represented 81.7% of CIB's loan portfolio as at 30 September 2018, compared to 80.9% at 30 September 2017 and 80.2% at 30 June 2018. The increase in foreign currency denominated loans was partially due to local currency depreciation in the third quarter 2018. Total CIB loan portfolio amounted to GEL 2,478.9mln, up 24.3% y-o-y and up 10.1% q-o-q. On a constant currency basis, CIB loan book was up 19.0% y-o-y and up 4.5% q-o-q
- In 3Q18, dollarisation of our CIB deposits decreased to 55.4% as at 30 September 2018 from 62.4% a year ago and increased from 50.7% as at 30 June 2018. Q-o-q increase in foreign currency denominated deposits was partially due to local currency depreciation in the third quarter 2018. Another driver of y-o-y growth in GEL denominated deposits was further decrease in the interest rates on foreign currency deposits (2.4% in 3Q18 and 2Q18, down from 2.6% in 3Q17, and 2.4% in 9M18, down from 2.8% in 9M17). The cost of deposits in local currency, on the other hand, increased by 40bps y-o-y and 20bps q-o-q in 3Q18, while remaining well above the yield of foreign currency deposits. Consequently, total CIB deposits amounted to GEL 3,552.3mln, up 7.4% y-o-y and up 3.3% q-o-q. On a constant currency basis, CIB deposits were up 4.2% y-o-y and largely flat q-o-q
- **Net other income.** Net other income reached GEL 5.3mln in 3Q18 (up 123.7% y-o-y and up 153.9% q-o-q) and GEL 10.2mln during the first nine months of 2018 (up 55.0% y-o-y). The y-o-y increase was mostly due to net gains from derivative financial instruments and net gains from investment securities
- **Cost of credit risk.** CIB's cost of risk ratio remained well-controlled and stood at 1.5% in 3Q18 (down 80bps y-o-y and up 90bps q-o-q) and at 1.2% in the first nine months 2018 (up 20bps y-o-y). The q-o-q increase was primarily due to the local currency depreciation in 3Q18. The cost of risk adjusted for the devaluation impact was 0.8% in 3Q18. At the same time, CIB's NPL coverage ratio increased to 87.5% at 30 September 2018, up from 83.4% at 30 September 2017 and 87.3% at 30 June 2018
- As a result, Corporate Investment Banking profit before non-recurring items and income tax was GEL 35.3mln in 3Q18 (up 63.7% y-o-y and down 1.6% q-o-q) and GEL 102.9mln during the first nine months of 2018 (up 21.4% y-o-y). CIB ROAE[15] reached 22.5% in 3Q18 (compared to 13.3% a year ago and 20.0% in 2Q18) and 20.8% in 9M18 (compared to 17.4% in 9M17)

Performance highlights of wealth management operations

- **The Investment Management's AUM increased to GEL 2,180.1mln in 3Q18, up 19.9% y-o-y and up 9.3% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients. The y-o-y and q-o-q increase in AUM mostly reflected increase in client assets and bond issuance activity at Galt & Taggart
- **Wealth Management deposits reached GEL 1,171.5mln in 3Q18, up 7.4% y-o-y and up 7.9% q-o-q, growing at a compound annual growth rate (CAGR) of 13.8% over the last five-year period**. The cost of deposits stood at 3.2% in 3Q18 and 3.4% in 9M18, down 40bps y-o-y and 30bps q-o-q in 3Q18, and down 50bps y-o-y in 9M18

[15] 2Q18 and 9M18 ROAE adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

- We served 1,510 wealth management clients from 75 countries as of 30 September 2018, compared to 1,416 clients as of 30 September 2017 and 1,490 clients as of 30 June 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 the first nine months 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 of Georgian Leasing Company's US$ 5mln local public bond issuance due in 2021, in 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	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**	**3Q18**	**3Q17**	**Change y-o-y**	**2Q18**	**Change q-o-q**	**3Q18**	**3Q17**	**2Q18**
Interest income	337,261	284,988	18.3%	327,244	3.1%	337,261	287,274	17.4%	329,628	2.3%	-	-	-	-	-	-	(2,286)	(2,384)
Interest expense	(152,430)	(116,385)	31.0%	(139,756)	9.1%	(152,430)	(119,486)	27.6%	(143,298)	6.4%	-	-	-	-	-	-	3,101	3,542
Net interest income	**184,831**	**168,603**	**9.6%**	**187,488**	**-1.4%**	**184,831**	**167,788**	**10.2%**	**186,330**	**-0.8%**	**-**	**-**	**-**	**-**	**-**	**-**	**815**	**1,158**
Fee and commission income	60,413	48,594	24.3%	55,332	9.2%	60,413	49,155	22.9%	55,693	8.5%	-	-	-	-	-	-	(561)	(361)
Fee and commission expense	(20,932)	(15,840)	32.1%	(17,680)	18.4%	(20,932)	(16,014)	30.7%	(17,846)	17.3%	-	-	-	-	-	-	174	166
Net fee and commission income	**39,481**	**32,754**	**20.5%**	**37,652**	**4.9%**	**39,481**	**33,141**	**19.1%**	**37,847**	**4.3%**	**-**	**-**	**-**	**-**	**-**	**-**	**(387)**	**(195)**
Net foreign currency gain	34,856	20,436	**70.6%**	25,004	**39.4%**	34,856	19,614	**77.7%**	24,577	**41.8%**	-	-	-	-	-	-	822	427
Net other income	7,437	2,377	**NMF**	3,380	**120.0%**	7,437	2,653	**NMF**	3,706	**100.7%**	-	-	-	-	-	-	(276)	(326)
Revenue	**266,605**	**224,170**	**18.9%**	**253,524**	**5.2%**	**266,605**	**223,196**	**19.4%**	**252,460**	**5.6%**	**-**	**-**	**-**	**-**	**-**	**-**	**974**	**1,064**
Salaries and other employee benefits	(54,107)	(50,054)	8.1%	(53,505)	1.1%	(54,107)	(50,638)	6.9%	(53,925)	0.3%	-	-	-	-	-	-	584	420
Administrative expenses	(30,759)	(22,727)	35.3%	(26,717)	15.1%	(30,759)	(23,241)	32.3%	(26,862)	14.5%	-	-	-	-	-	-	514	145
Depreciation and amortisation	(11,162)	(10,738)	3.9%	(11,392)	-2.0%	(11,162)	(10,738)	3.9%	(11,392)	-2.0%	-	-	-	-	-	-	-	-
Other operating expenses	(1,109)	(738)	50.3%	(966)	14.8%	(1,109)	(738)	50.3%	(966)	14.8%	-	-	-	-	-	-	-	-
Operating expenses	**(97,137)**	**(84,257)**	**15.3%**	**(92,580)**	**4.9%**	**(97,137)**	**(85,355)**	**13.8%**	**(93,145)**	**4.3%**	**-**	**-**	**-**	**-**	**-**	**-**	**1,098**	**565**
Profit from associates	326	147	121.8%	376	-13.3%	326	147	121.8%	376	-13.3%	-	-	-	-	-	-	-	-
Operating income before cost of credit risk	**169,794**	**140,060**	**21.2%**	**161,320**	**5.3%**	**169,794**	**137,988**	**23.0%**	**159,691**	**6.3%**	**-**	**-**	**-**	**-**	**-**	**-**	**2,072**	**1,629**
Expected credit loss / impairment charge on loans to customers	(48,134)	(34,202)	40.7%	(35,678)	34.9%	(48,134)	(34,202)	40.7%	(35,678)	34.9%	-	-	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(426)	(781)	-45.5%	(266)	60.2%	(426)	(781)	-45.5%	(266)	60.2%	-	-	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(4,176)	(1,850)	125.7%	(3,726)	12.1%	(4,176)	(1,850)	125.7%	(3,726)	12.1%	-	-	-	-	-	-	-	-
Cost of credit risk	**(52,736)**	**(36,833)**	**43.2%**	**(39,670)**	**32.9%**	**(52,736)**	**(36,833)**	**43.2%**	**(39,670)**	**32.9%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before non-recurring items and income tax	**117,058**	**103,227**	**13.4%**	**121,650**	**-3.8%**	**117,058**	**101,155**	**15.7%**	**120,021**	**-2.5%**	**-**	**-**	**-**	**-**	**-**	**-**	**2,072**	**1,629**
Net non-recurring items	(3,747)	(1,376)	NMF	(43,875)	-91.5%	(3,747)	(1,376)	NMF	(44,047)	-91.5%	-	-	-	-	-	-	-	172
Profit before income tax	**113,311**	**101,851**	**11.3%**	**77,775**	**45.7%**	**113,311**	**99,779**	**13.6%**	**75,974**	**49.1%**	**-**	**-**	**-**	**-**	**-**	**-**	**2,072**	**1,801**
Income tax expense	(8,763)	(7,850)	11.6%	(27,507)	-68.1%	(8,763)	(7,850)	11.6%	(27,507)	-68.1%	-	-	-	-	-	-	-	-
Profit from continuing operations	**104,548**	**94,001**	**11.2%**	**50,268**	**108.0%**	**104,548**	**91,929**	**13.7%**	**48,467**	**115.7%**	**-**	**-**	**-**	**-**	**-**	**-**	**2,072**	**1,801**
Profit from discontinued operations	-	18,838	NMF	78,961	NMF	-	-	-	-	-	-	20,910	NMF	80,762	NMF	-	(2,072)	(1,801)
Profit	**104,548**	**112,839**	**-7.3%**	**129,229**	**-19.1%**	**104,548**	**91,929**	**13.7%**	**48,467**	**115.7%**	**-**	**20,910**	**NMF**	**80,762**	**NMF**	**-**	**-**	**-**
Attributable to:																		
– shareholders of the Group	104,100	106,276	*-2.0%*	123,078	*-15.4%*	104,100	91,543	*13.7%*	48,324	*115.4%*	-	14,733	*NMF*	74,754	*NMF*	-	-	-
– non-controlling interests	448	6,563	*-93.2%*	6,151	*-92.7%*	448	386	*16.1%*	143	*NMF*	-	6,177	*NMF*	6,008	*NMF*	-	-	-
Profit from continuing operations attributable to:																		
– shareholders of the Group	104,100	93,615	*11.2%*	50,125	*107.7%*	104,100	91,543	*13.7%*	48,324	*115.4%*	-	-	-	-	-	-	2,072	1,801
– non-controlling interests	448	386	*16.1%*	143	*NMF*	448	386	*16.1%*	143	*NMF*	-	-	-	-	-	-	-	-
Profit from discontinued operations attributable to:																		
– shareholders of the Group	-	12,661	*NMF*	72,953	*NMF*	-	-	-	-	-	-	14,733	*NMF*	74,754	*NMF*	-	(2,072)	(1,801)
– non-controlling interests	-	6,177	*NMF*	6,008	*NMF*	-	-	-	-	-	-	6,177	*NMF*	6,008	*NMF*	-	-	-
Earnings per share (basic)	**2.18**	**2.82**	**-22.7%**	**2.77**	**-21.3%**													
– earnings per share from continuing operations	*2.18*	*2.49*	*-12.4%*	*1.13*	*92.9%*													
– earnings per share from discontinued operations	-	*0.33*	*NMF*	*1.64*	*NMF*													
Earnings per share (diluted)	**2.18**	**2.70**	**-19.3%**	**2.74**	**-20.4%**													
– earnings per share from continuing operations	*2.18*	*2.38*	*-8.4%*	*1.12*	*94.6%*													
– earnings per share from discontinued operations	-	*0.32*	*NMF*	*1.62*	*NMF*													

INCOME STATEMENT (NINE MONTHS)	**Bank of Georgia Group Consolidated**			**Banking Business**			**Discontinued Operations**			**Eliminations**		
GEL thousands, unless otherwise noted	**9M18**	**9M17**	**Change y-o-y**	**9M18**	**9M17**	**Change y-o-y**	**9M18**	**9M17**	**Change y-o-y**	**9M18**	**9M17**	**Change y-o-y**
Interest income	975,654	821,325	18.8%	980,442	827,342	18.50%	-	-	-	(4,788)	(6,017)	-20.4%
Interest expense	(422,221)	(332,288)	27.1%	(429,158)	(338,366)	26.80%	-	-	-	6,937	6,078	14.1%
Net interest income	**553,433**	**489,037**	**13.2%**	**551,284**	**488,976**	**12.7%**	**-**	**-**	**-**	**2,149**	**61**	**NMF**
Fee and commission income	166,418	137,102	21.4%	167,319	138,760	20.6%	-	-	-	(901)	(1,658)	-45.7%
Fee and commission expense	(55,100)	(43,535)	26.6%	(55,481)	(44,024)	26.0%	-	-	-	381	489	-22.1%
Net fee and commission income	**111,318**	**93,567**	**19.0%**	**111,838**	**94,736**	**18.1%**	**-**	**-**	**-**	**(520)**	**(1,169)**	**-55.5%**
Net foreign currency gain	**74,773**	**50,967**	**46.7%**	**75,448**	**58,596**	**28.8%**	**-**	**-**	**-**	**(675)**	**(7,629)**	**-91.2%**
Net other income	**16,334**	**5,937**	**NMF**	**16,887**	**6,715**	**151.5%**	**-**	**-**	**-**	**(553)**	**(778)**	**-28.9%**
Revenue	**755,858**	**639,508**	**18.2%**	**755,457**	**649,023**	**16.4%**	**-**	**-**	**-**	**401**	**(9,515)**	**NMF**
Salaries and other employee benefits	(156,430)	(140,850)	11.1%	(157,485)	(142,424)	10.6%	-	-	-	1,055	1,574	-33.0%
Administrative expenses	(82,644)	(66,612)	24.1%	(83,254)	(68,046)	22.3%	-	-	-	610	1,434	-57.5%
Depreciation and amortisation	(34,077)	(30,460)	11.9%	(34,077)	(30,460)	11.9%	-	-	-	-	-	-
Other operating expenses	(2,844)	(2,263)	25.7%	(2,844)	(2,263)	25.7%	-	-	-	-	-	-
Operating expenses	**(275,995)**	**(240,185)**	**14.9%**	**(277,660)**	**(243,193)**	**14.2%**	**-**	**-**	**-**	**1,665**	**3,008**	**-44.6%**
Profit from associates	1,021	1,055	-3.2%	1,021	1,055	-3.2%	-	-	-	-	-	-
Operating income before cost of credit risk	**480,884**	**400,378**	**20.1%**	**478,818**	**406,885**	**17.7%**	**-**	**-**	**-**	**2,066**	**(6,507)**	**NMF**
Expected credit loss / impairment charge on loans to customers	(124,818)	(113,299)	10.2%	(124,818)	(113,299)	10.2%	-	-	-	-	-	-
Expected credit loss / impairment charge on finance lease receivables	(678)	(988)	-31.4%	(678)	(988)	-31.4%	-	-	-	-	-	-
Other expected credit loss / impairment charge on other assets and provisions	(5,053)	(10,582)	-52.2%	(5,053)	(10,582)	-52.2%	-	-	-	-	-	-
Cost of credit risk	**(130,549)**	**(124,869)**	**4.5%**	**(130,549)**	**(124,869)**	**4.5%**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before non-recurring items and income tax	**350,335**	**275,509**	**27.2%**	**348,269**	**282,016**	**23.5%**	**-**	**-**	**-**	**2,066**	**(6,507)**	**NMF**
Net non-recurring items	(50,570)	(4,087)	NMF	(50,742)	(4,087)	NMF	-	-	-	172	-	-
Profit before income tax	**299,765**	**271,422**	**10.4%**	**297,527**	**277,929**	**7.1%**	**-**	**-**	**-**	**2,238**	**(6,507)**	**NMF**
Income tax expense	(45,328)	(15,541)	NMF	(45,328)	(15,541)	NMF	-	-	-	-	-	-
Profit from continuing operations	**254,437**	**255,881**	**-0.6%**	**252,199**	**262,388**	**-3.9%**	**-**	**-**	**-**	**2,238**	**(6,507)**	**NMF**
Profit from discontinued operations	107,899	88,758	21.6%	-	-	-	110,137	82,251	33.9%	(2,238)	6,507	NMF
Profit	**362,336**	**344,639**	**5.1%**	**252,199**	**262,388**	**-3.9%**	**110,137**	**82,251**	**33.9%**	**-**	**-**	**-**
Attributable to:												
– shareholders of the Group	*343,130*	*323,885*	*5.9%*	*251,208*	*261,146*	*-3.8%*	*91,922*	*62,739*	*46.5%*	-	-	-
– non-controlling interests	*19,206*	*20,754*	*-7.5%*	*991*	*1,242*	*-20.2%*	*18,215*	*19,512*	*-6.6%*	-	-	-
Profit from continuing operations attributable to:												
– shareholders of the Group	*253,446*	*254,639*	*-0.5%*	*251,208*	*261,146*	*-3.8%*	-	-	-	*2,238*	*(6,507)*	*NMF*
– non-controlling interests	*991*	*1,242*	*-20.2%*	*991*	*1,242*	*-20.2%*	-	-	-	-	-	-
Profit from discontinued operations attributable to:												
– shareholders of the Group	*89,684*	*69,246*	*29.5%*	-	-	-	*91,922*	*62,739*	*46.5%*	*(2,238)*	*6,507*	*NMF*
– non-controlling interests	*18,215*	*19,512*	*-6.6%*	-	-	-	*18,215*	*19,512*	*-6.6%*	-	-	-
Earnings per share (basic)	**7.93**	**8.56**	**-7.4%**									
– earnings per share from continuing operations	5.86	6.73	-12.9%									
– earnings per share from discontinued operations	2.07	1.83	13.1%									
Earnings per share (diluted)	**7.84**	**8.20**	**-4.4%**									
– earnings per share from continuing operations	5.79	6.45	-10.2%									
– earnings per share from discontinued operations	2.05	1.75	17.1%									

BALANCE SHEET	Bank of Georgia Group Consolidated					Banking Business					Discontinued Operations					Eliminations		
GEL thousands, unless otherwise noted	Sep-18	Sep -17	Change y-o-y	June-18	Change q-o-q	Sep-18	Sep -17	Change y-o-y	June-18	Change q-o-q	Sep-18	Sep -17	Change y-o-y	June-18	Change q-o-q	Sep-18	Sep-17	Jun-18
Cash and cash equivalents	1,237,867	1,721,811	-28.1%	1,546,863	-20.0%	1,237,867	1,648,098	-24.9%	1,546,863	-20.0%	-	345,137	NMF	-	-	-	(271,424)	-
Amounts due from credit institutions	1,398,061	985,120	41.9%	993,862	40.7%	1,398,061	950,775	47.0%	993,862	40.7%	-	60,565	NMF	-	-	-	(26,220)	-
Investment securities	2,060,880	1,421,401	45.0%	1,725,692	19.4%	2,060,880	1,469,274	40.3%	1,725,692	19.4%	-	33,914	NMF	-	-	-	(81,787)	-
Loans to customers and finance lease receivables	8,724,825	6,917,211	26.1%	8,078,132	8.0%	8,724,825	6,951,493	25.5%	8,078,132	8.0%	-	-	-	-	-	-	(34,282)	-
Accounts receivable and other loans	3,256	177,658	-98.2%	4,878	-33.3%	3,256	7,681	-57.6%	4,878	-33.3%	-	174,493	NMF	-	-	-	(4,516)	-
Insurance premiums receivable	-	53,998	NMF	-	-	-	-	-	-	-	-	54,326	NMF	-	-	-	(328)	-
Prepayments	48,444	164,911	-70.6%	74,238	-34.7%	48,444	54,808	-11.6%	74,238	-34.7%	-	110,135	NMF	-	-	-	(32)	-
Inventories	18,598	230,661	-91.9%	11,085	67.8%	18,598	20,893	-11.0%	11,085	67.8%	-	209,768	NMF	-	-	-	-	-
Investment property	216,715	319,059	-32.1%	218,224	-0.7%	216,715	175,071	23.8%	218,224	-0.7%	-	148,323	NMF	-	-	-	(4,335)	-
Property and equipment	315,980	1,501,735	-79.0%	313,627	0.8%	315,980	309,769	2.0%	313,627	0.8%	-	1,187,631	NMF	-	-	-	4,335	-
Goodwill	33,351	159,570	-79.1%	33,351	0.0%	33,351	33,351	0.0%	33,351	0.0%	-	126,219	NMF	-	-	-	-	-
Intangible assets	85,247	79,573	7.1%	61,462	38.7%	85,247	53,939	58.0%	61,462	38.7%	-	25,634	NMF	-	-	-	-	-
Income tax assets	28,237	6,826	NMF	21,792	29.6%	28,237	1,582	NMF	21,792	29.6%	-	5,244	NMF	-	-	-	-	-
Other assets	105,882	188,239	-43.8%	125,615	-15.7%	105,882	102,984	2.8%	125,615	-15.7%	-	92,038	NMF	-	-	-	(6,783)	-
Total assets	**14,277,343**	**13,927,773**	**2.5%**	**13,208,821**	**8.1%**	**14,277,343**	**11,779,718**	**21.2%**	**13,208,821**	**8.1%**	**-**	**2,573,427**	**NMF**	**-**	**-**	**-**	**(425,372)**	**-**
Client deposits and notes	7,932,536	6,252,228	26.9%	7,174,234	10.6%	7,932,536	6,549,904	21.1%	7,174,234	10.6%	-	-	-	-	-	-	(297,676)	-
Amounts due to credit institutions	3,006,739	2,774,525	8.4%	2,740,595	9.7%	3,006,739	2,350,438	27.9%	2,740,595	9.7%	-	459,158	NMF	-	-	-	(35,071)	-
Debt securities issued	1,578,532	1,691,260	-6.7%	1,527,452	3.3%	1,578,532	1,298,641	21.6%	1,527,452	3.3%	-	479,142	NMF	-	-	-	(86,523)	-
Accruals and deferred income	35,977	160,530	-77.6%	33,397	7.7%	35,977	31,332	14.8%	33,397	7.7%	-	132,783	NMF	-	-	-	(3,585)	-
Insurance contracts liabilities	-	77,695	NMF	-	-	-	-	-	-	-	-	77,695	NMF	-	-	-	-	-
Income tax liabilities	37,716	16,166	133.3%	43,326	-12.9%	37,716	14,697	156.6%	43,326	-12.9%	-	1,469	NMF	-	-	-	-	-
Other liabilities	52,495	326,686	-83.9%	52,231	0.5%	52,495	47,660	10.1%	52,231	0.5%	-	281,543	NMF	-	-	-	(2,517)	-
Total liabilities	**12,643,995**	**11,299,090**	**11.9%**	**11,571,235**	**9.3%**	**12,643,995**	**10,292,672**	**22.8%**	**11,571,235**	**9.3%**	**-**	**1,431,790**	**NMF**	**-**	**-**	**-**	**(425,372)**	**-**
Share capital	1,618	1,151	40.6%	1,790	-9.6%	1,618	1,151	40.6%	1,790	-9.6%	-	-	-	-	-	-	-	-
Additional paid-in capital	464,960	138,144	NMF	463,130	0.4%	464,960	-	-	463,130	0.4%	-	138,144	NMF	-	-	-	-	-
Treasury shares	(44)	(54)	-18.5%	(41)	7.3%	(44)	(54)	-18.5%	(41)	7.3%	-	-	-	-	-	-	-	-
Other reserves	34,282	124,092	-72.4%	26,268	30.5%	34,282	(49,407)	NMF	26,268	30.5%	-	173,499	NMF	-	-	-	-	-
Retained earnings	1,125,385	2,065,239	-45.5%	1,139,285	-1.2%	1,125,385	1,528,751	-26.4%	1,139,285	-1.2%	-	536,488	NMF	-	-	-	-	-
Total equity attributable to shareholders of the Group	**1,626,201**	**2,328,572**	**-30.2%**	**1,630,432**	**-0.3%**	**1,626,201**	**1,480,441**	**9.8%**	**1,630,432**	**-0.3%**	**-**	**848,131**	**NMF**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	7,147	300,111	-97.6%	7,154	-0.1%	7,147	6,605	8.2%	7,154	-0.1%	-	293,506	NMF	-	-	-	-	-
Total equity	**1,633,348**	**2,628,683**	**-37.9%**	**1,637,586**	**-0.3%**	**1,633,348**	**1,487,046**	**9.8%**	**1,637,586**	**-0.3%**	**-**	**1,141,637**	**NMF**	**-**	**-**	**-**	**-**	**-**
Total liabilities and equity	**14,277,343**	**13,927,773**	**2.5%**	**13,208,821**	**8.1%**	**14,277,343**	**11,779,718**	**21.2%**	**13,208,821**	**8.1%**	**-**	**2,573,427**	**NMF**	**-**	**-**	**-**	**(425,372)**	**-**
Book value per share	**34.12**	**62.06**	**-45.0%**	**34.12**	**0.0%**													

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS	3Q18	3Q17	Change y-o-y	2Q18	Change q-o-q	9M18	9M17	Change y-o-y
GEL thousands, unless otherwise stated								
Net interest income	6,525	6,729	-3.0%	6,354	2.7%	19,423	23,376	-16.9%
Net fee and commission income	1,669	2,287	-27.0%	2,503	-33.3%	6,449	6,915	-6.7%
Net foreign currency gain	3,885	2,780	39.7%	4,182	-7.1%	11,344	7,396	53.4%
Net other income	105	212	-50.5%	192	-45.3%	414	478	-13.4%
Revenue	**12,184**	**12,008**	**1.5%**	**13,231**	**-7.9%**	**37,630**	**38,165**	**-1.4%**
Operating expenses	(7,571)	(7,846)	-3.5%	(8,184)	-7.5%	(23,476)	(21,480)	9.3%
Operating income before cost of credit risk	**4,613**	**4,162**	**10.8%**	**5,047**	**-8.6%**	**14,154**	**16,685**	**-15.2%**
Cost of credit risk	(718)	300	NMF	(2,305)	-68.9%	(3,740)	(8,575)	-56.4%
Net non-recurring items	(3)	-	NMF	(5)	-40.0%	(709)	(55)	NMF
Profit before income tax	**3,892**	**4,462**	**-12.8%**	**2,737**	**42.2%**	**9,705**	**8,055**	**20.5%**
Income tax expense	(885)	(728)	21.6%	(721)	22.7%	(2,383)	(1,381)	72.6%
Profit	**3,007**	**3,734**	**-19.5%**	**2,016**	**49.2%**	**7,322**	**6,674**	**9.7%**

BALANCE SHEET, HIGHLIGHTS	Sep-18	Sep-17	Change y-o-y	Jun-18	Change q-o-q
GEL thousands, unless otherwise stated					
Cash and cash equivalents	65,808	105,475	-37.6%	86,932	-24.3%
Amounts due from credit institutions	11,469	10,146	13.0%	10,719	7.0%
Investment securities	109,798	120,521	-8.9%	38,815	NMF
Loans to customers and finance lease receivables	394,749	380,326	3.8%	394,502	0.1%
Other assets	42,038	28,468	47.7%	40,833	3.0%
Total assets	**623,862**	**644,936**	**-3.3%**	**571,801**	**9.1%**
Client deposits and notes	363,233	316,414	14.8%	297,756	22.0%
Amounts due to credit institutions	146,932	221,712	-33.7%	161,332	-8.9%
Debt securities issued	28,825	29,685	-2.9%	32,453	-11.2%
Other liabilities	4,433	4,827	-8.2%	3,723	19.1%
Total liabilities	**543,423**	**572,638**	**-5.1%**	**495,264**	**9.7%**
Total equity	**80,439**	**72,298**	**11.3%**	**76,537**	**5.1%**
Total liabilities and equity	**623,862**	**644,936**	**-3.3%**	**571,801**	**9.1%**

BANKING BUSINESS KEY RATIOS	3Q18	3Q17	2Q18	9M18	9M17
Profitability					
ROAA, Annualised[16]	3.0%	3.2%	3.1%	3.1%	3.2%
ROAE, Annualised[16]	25.8%	25.1%	25.2%	25.7%	24.3%
RB ROAE[16]	*29.4%*	*34.1%*	*30.5%*	*30.5%*	*29.7%*
CIB ROAE[16]	*22.5%*	*13.3%*	*20.0%*	*20.8%*	*17.4%*
Net Interest Margin, Annualised	6.4%	7.3%	6.9%	6.8%	7.3%
RB NIM	*7.2%*	*8.5%*	*8.0%*	*7.8%*	*8.6%*
CIB NIM	*3.4%*	*3.5%*	*3.5%*	*3.4%*	*3.4%*
Loan Yield, Annualised	13.5%	14.3%	14.0%	13.8%	14.2%
RB Loan Yield	*14.9%*	*16.3%*	*15.8%*	*15.5%*	*16.2%*
CIB Loan Yield	*10.8%*	*10.6%*	*10.4%*	*10.3%*	*10.6%*
Liquid Assets Yield, Annualised	3.8%	3.5%	3.8%	3.7%	3.4%
Cost of Funds, Annualised	5.0%	4.8%	5.0%	5.0%	4.7%
Cost of Client Deposits and Notes, Annualised	3.6%	3.5%	3.6%	3.5%	3.5%
RB Cost of Client Deposits and Notes	*2.8%*	*2.9%*	*2.9%*	*2.8%*	*3.0%*
CIB Cost of Client Deposits and Notes	*4.4%*	*3.9%*	*4.1%*	*4.1%*	*3.9%*
Cost of Amounts Due to Credit Institutions, Annualised	7.4%	6.5%	7.2%	7.1%	6.4%
Cost of Debt Securities Issued	7.8%	7.9%	7.7%	7.8%	7.2%
Operating Leverage, Y-O-Y	5.6%	-2.6%	3.8%	2.2%	1.0%
Operating Leverage, Q-O-Q	1.3%	-0.4%	0.2%	0.0%	0.0%
Efficiency					
Cost / Income	36.4%	38.2%	36.9%	36.8%	37.5%
RB Cost / Income	*36.8%*	*37.8%*	*36.6%*	*36.6%*	*38.1%*
CIB Cost / Income	*30.5%*	*34.5%*	*31.4%*	*31.4%*	*32.4%*
Liquidity					
NBG Liquidity Ratio	32.5%	44.4%	30.2%	32.5%	44.4%
Liquid Assets To Total Liabilities	37.1%	39.5%	36.9%	37.1%	39.5%
Net Loans To Client Deposits and Notes	110.0%	106.1%	112.6%	110.0%	106.1%
Net Loans To Client Deposits and Notes + DFIs	94.9%	90.0%	96.9%	94.9%	90.0%
Leverage (Times)	7.7	6.9	7.1	7.7	6.9
Asset Quality:					
NPLs (in GEL)	265,875	297,134	247,861	265,875	297,134
NPLs To Gross Loans To Clients	3.0%	4.1%	3.0%	3.0%	4.1%
NPL Coverage Ratio	102.9%	93.6%	110.5%	102.9%	93.6%
NPL Coverage Ratio, Adjusted for discounted value of collateral	141.4%	132.8%	147.2%	141.4%	132.8%
Cost of Risk, Annualised	2.2%	2.0%	1.7%	2.0%	2.2%
RB Cost of Risk	*2.7%*	*2.0%*	*2.2%*	*2.5%*	*2.8%*
CIB Cost of Risk	*1.5%*	*2.3%*	*0.6%*	*1.2%*	*1.0%*
Capital Adequacy:					
NBG (Basel III) Tier I Capital Adequacy Ratio	11.0%	n/a	12.5%	11.0%	n/a
NBG (Basel III) Total Capital Adequacy Ratio	15.9%	n/a	17.5%	15.9%	n/a
Selected Operating Data:					
Total Assets Per FTE	1,956	1,732	1,817	1,956	1,732
Number Of Active Branches, Of Which:	285	283	284	285	283
- Express Branches (including Metro)	*169*	*153*	*168*	*169*	*153*
- Bank of Georgia Branches	*104*	*119*	*104*	*104*	*119*
- Solo Lounges	*12*	*11*	*12*	*12*	*11*
Number Of ATMs	858	829	856	858	829
Number Of Cards Outstanding, Of Which:	2,192,870	2,176,761	2,235,122	2,192,870	2,176,761
- Debit cards	*1,603,960*	*1,431,859*	*1,607,087*	*1,603,960*	*1,431,859*
- Credit cards	*588,910*	*744,902*	*628,035*	*588,910*	*744,902*
Number Of POS Terminals	13,419	11,997	12,816	13,419	11,997
FX Rates:					
GEL/US$ exchange rate (period-end)	2.6151	2.4767	2.4516		
GEL/GBP exchange rate (period-end)	3.4130	3.3158	3.2209		

	Sep-18	Sep-17	Jun-18
Full Time Employees, Group, Of Which:	7,300	6,801	7,270
- Full Time Employees, BOG Standalone	*5,709*	*5,293*	*5,689*
- Full Time Employees, BNB	*705*	*679*	*699*
- Full Time Employees, BB other	*886*	*829*	*882*

Shares Outstanding	Sep-18	Sep-17	Jun-18
Ordinary Shares	47,656,452	37,520,410	47,779,684
Treasury Shares	1,512,978	1,864,302	1,389,746
Total Shares Outstanding	49,169,430	39,384,712	49,169,430

[16] 2Q18 and 9M18 results adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

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 regulatory 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 3Q18 and 9M18 Results Conference Call Details

Bank of Georgia Group PLC ("**Bank of Georgia Group**" or the "**Group**") has published its third quarter and first nine months of 2018 financial results at 07:00 London time. This results announcement is also available on the Group's website at www.bankofgeorgiagroup.com. An investor/analyst conference call, organised by the Bank of Georgia Group, will be held on, 22 November 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.

Dial-in numbers:
Pass code for replays/Conference ID: **3554868**
International Dial-in: +44 (0) 2071 928000
UK: 08445718892
US: 16315107495
Austria: 019286559
Belgium: 024009874
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Denmark: 32728042
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UK National Dial In: 08717000471
UK Local Dial In: 08445718951
USA Free Call Dial In: 1 (866) 331-1332

COMPANY INFORMATION

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Share price information

Shareholders can access both the latest and historical prices via the website
www.bankofgeorgiagroup.com