JSC PASHA Bank Georgia

Interim condensed financial statements

30 June 2018 together with report on
review of interim condensed financial statements

Contents

Report on Review of Interim Condensed Financial Statements

Interim condensed financial statements

Interim statement of financial position 1
Interim statement of comprehensive income 2
Interim statement of changes in equity 3
Interim statement of cash flows 4

Selected explanatory notes to the interim condensed financial statements

1. Principal activities 5
2. Basis of preparation 5
3. Cash and cash equivalents 8
4. Amounts due from credit institutions 9
5. Loans to customers 9
6. Investment securities 10
7. Property and equipment 11
8. Intangible assets 11
9. Other assets and liabilities 12
10. Amounts due to credit institutions 13
11. Amounts due to customers 13
12. Taxation 14
13. Equity 15
14. Commitments and contingencies 16
15. Net fee and commission income 16
16. Personnel, general and administrative expenses 17
17. Fair values of financial instruments 17
18. Related party disclosures 19
19. Capital adequacy 20

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Report on Review of Interim Condensed Financial Statements

To the Shareholders and Board of Directors of JSC PASHA Bank Georgia

We have reviewed the accompanying interim condensed financial statements of JSC PASHA Bank Georgia, which comprise the interim condensed statement of financial position as at 30 June 2018 and the related interim condensed statements of comprehensive income for the six month period then ended, interim condensed statements of changes in equity and of cash flows for the six month period then ended and selected explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Ruslan Khoroshvili

On behalf of EY Georgia LLC

24 September 2018

Tbilisi, Georgia

Interim statement of financial position

As at 30 June 2018

(Figures in tables are in thousands of Georgian lari)

	Notes	*30 June 2018 (unaudited)*	*31 December 2017*
Assets			
Cash and cash equivalents	3	47,000	43,908
Amounts due from credit institutions	4	51,991	51,445
Loans to customers	5	145,283	111,679
Investment securities	6	45,065	62,033
Property and equipment	7	948	906
Intangible assets	8	2,112	2,122
Deferred income tax assets	12	241	–
Other assets	9	1,005	711
Total assets		**293,645**	**272,804**
Liabilities			
Amounts due to credit institutions	10	116,373	106,402
Amounts due to customers	11	66,607	58,181
Provisions for guarantees and letters of credit	14	40	135
Other liabilities	9	1,001	1,279
Total liabilities		**184,021**	**165,997**
Equity			
Share capital	13	103,000	103,000
Retained earnings		6,624	3,807
Total equity		**109,624**	**106,807**
Total equity and liabilities		**293,645**	**272,804**

Signed and authorised for release on behalf of the Board of Directors of the Bank:

Arda Yusuf Arkun   Chairman of the Board of Directors

სს პაშა ბანკი საქართველო
JSC PASHA BANK GEORGIA
404433067

Chingiz Abdullayev   Chief Financial Officer,
Member of the Board of Directors

24 September 2018

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

Interim statement of comprehensive income

For the six months ended 30 June 2018

(Figures in tables are in thousands of Georgian lari)

	Notes	*For the six months ended 30 June 2018 (unaudited)*	*For the six months ended 30 June 2017 (unaudited)*
Interest income calculated using effective interest rate			
Loans to customers		6,236	5,851
Investment securities		2,373	2,991
Amounts due from credit institutions		1,283	1,021
		9,892	**9,863**
Interest expense			
Amounts due to credit institutions		(1,819)	(1,814)
Amounts due to customers		(468)	(440)
		(2,287)	**(2,254)**
Net interest income		**7,605**	**7,609**
Credit loss expense on interest bearing assets	4,5, 6	(522)	(343)
Net interest income after impairment losses		**7,083**	**7,266**
Net gains from foreign currencies			
- dealing		2,087	582
- translation differences		(988)	272
Net fee and commission income	15	183	92
Other operating income		28	44
Non-interest income		**1,310**	**990**
Personnel expenses	16	(3,593)	(2,394)
General and administrative expenses	16	(1,987)	(2,115)
Depreciation and amortisation	7,8	(460)	(924)
Provision for impairment losses on guarantees and letters of credit		(23)	–
Non-interest expenses		**(6,063)**	**(5,433)**
Income before income tax expense		**2,330**	**2,823**
Income tax benefit/(expense)	12	241	(317)
Net income for the period		**2,571**	**2,506**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net unrealized gain on investment securities		–	67
Income tax effect on net gain on investment securities available-for-sale	12	–	3
Total comprehensive income for the year		**2,571**	**2,576**

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

Interim statement of changes in equity

For the six months ended 30 June 2018

(Figures in tables are in thousands of Georgian lari)

	Share capital	*Retained earnings*	*Other reserves*	*Total equity*
1 January 2017	**103,000**	**354**	**(70)**	**103,284**
Profit for the six months ended 30 June 2017 (unaudited)	–	2,506	–	**2,506**
Other comprehensive income for the six months ended 30 June 2017 (unaudited)	–	–	70	**70**
Total comprehensive income for the six months ended 30 June 2017 (unaudited)	**–**	**2,506**	**70**	**2,576**
At 30 June 2017 (unaudited)	**103,000**	**2,860**	**–**	**105,860**
As at 1 January 2018	**103,000**	**3,807**	**–**	**106,807**
Impact of adopting IFRS 9 (Note 2)	–	246	–	**246**
Restated opening balance under IFRS 9	**103,000**	**4,053**	**–**	**107,053**
Profit for the six months ended 30 June 2018 (unaudited)	–	2,571	–	**2,571**
Total comprehensive income for the six months ended 30 June 2018 (unaudited)	**–**	**2,571**	**–**	**2,571**
At 30 June 2018 (unaudited)	**103,000**	**6,624**	**–**	**109,624**

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

Interim statement of cash flows

For the six months ended 30 June 2018

(Figures in tables are in thousands of Georgian lari)

	Notes	*For the six months ended 30 June 2018 (unaudited)*	*For the six months ended 30 June 2017 (unaudited)*
Cash flows from operating activities			
Interest received		10,421	10,453
Interest paid		(1,723)	(2,431)
Fees and commissions received		350	307
Fees and commissions paid		(189)	(205)
Realised gains less losses from dealing in foreign currencies		2,087	582
Personnel expenses paid		(3,868)	(3,044)
General and administrative expenses paid		(2,470)	(2,872)
Other income received		28	44
Cash flows from operating activities before changes in operating assets and liabilities		**4,636**	**2,834**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(4,956)	35,662
Loans to customers		(35,614)	(25,097)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		14,236	(28,585)
Amounts due to customers		11,217	3,983
Net cash used in operating activities		**(10,481)**	**(11,203)**
Cash flows from investing activities			
Purchase of investment securities		(6,223)	(40,071)
Proceeds from redemption of investment securities		21,100	66,967
Purchase of property and equipment		(236)	(732)
Proceeds from sale of property and equipment		28	
Purchase of intangible assets		(259)	(210)
Net cash from investing activities		**14,410**	**25,954**
Effect of exchange rates changes on cash and cash equivalents		(837)	(1,151)
Net increase in cash and cash equivalents		**3,092**	**13,600**
Cash and cash equivalents, beginning	3	43,908	7,599
Cash and cash equivalents, ending	3	**47,000**	**21,199**

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

(Figures in tables are in thousands of Georgian lari)

1. Principal activities

JSC PASHA Bank Georgia (the "Bank") was formed on 17 December 2012 as a joint stock company under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia (the "NBG") on 17 January 2013.

The Bank accepts deposits and extends credit, transfers payments in Georgia and abroad, exchanges currencies and provides other banking services to its commercial customers. The shareholders of the Bank have approved a new strategy of the Bank for the next three year strategic period, based on which, several initiatives will be implemented by the Bank's management during 2018 and in the subsequent years to enter into MSME and retail markets.

The Bank has one service office in Georgia as of 30 June 2018. The Bank's registered legal address is 15 Rustaveli Avenue, Tbilisi, 0108, Georgia.

As at 30 June 2018 and 31 December 2017, the Bank's 100% owner was OJSC PASHA Bank (the "Parent"), domiciled in the Republic of Azerbaijan. The Bank is ultimately owned by Mrs. Leyla Aliyeva and Mrs. Arzu Aliyeva, who exercise joint control over the Bank.

These interim condensed financial statements have not yet been approved by the Parent on the General Meeting of Shareholders of the Bank. The shareholders have the power and authority to amend the financial statements after the issuance.

2. Basis of preparation

These interim condensed financial statements for the six months ended 30 June 2018, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting.*

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Georgian lari in accordance with International Financial Reporting Standards ("IFRS"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2017.

These interim condensed financial statements are presented in thousands of Georgian lari ("GEL") unless otherwise indicated.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2017, except for the adoption of new Standards effective as of 1 January 2018. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2018, they do not have a material effect on the annual statements of the Bank or the interim condensed financial statements of the Bank. The nature and the impact of each new standard or amendment are described below:

IFRS 9 Financial Instruments

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

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

2. Basis of preparation (continued)

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remains largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVPL. Embedded derivatives are no longer separated from a host financial asset.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan impairment by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Bank calculates ECL based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

(Figures in tables are in thousands of Georgian lari)

2. Basis of preparation (continued)

IFRS 9 Financial Instruments (continued)

When estimating the ECLs, the Bank considers 3 scenarios (a base case, an upside, downside). Each of the scenarios is associated with different PDs, EADs and LGDs. In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The Bank considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 basis points a year. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay.

The Bank calculates ECLs on an individual basis for the following assets: all stage 3 assets, the corporate lending portfolio, the treasury and interbank relationships (due from banks, REPO, debt investment securities at amortised cost/FVOCI), POCI resulted from restructuring. The Bank calculates ECL on a collective basis for all other classes of assets which it groups into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

(c) Effect of transition to IFRS 9

The following tables set out the impact of adopting IFRS 9 on the statement of financial position and retained earnings as at 1 January 2018 including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 ECL.

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

		IAS 39 measurement			***Remeasurement***		***IFRS 9***
	Ref	***Category***	***Amount***	***classification***	***ECL***	***Amount***	***Category***
Assets							
Cash and cash equivalents	A	L&R[1]	43,908	–	–	43,908	Amortised cost
Amounts due from credit institutions	A	L&R	51,445	–	(49)	51,396	Amortised cost
Loans to customers – amortised cost	A	L&R	111,679	–	796	112,475	Amortised cost
Investment securities – amortised cost	A	L&R	62,033	–	(619)	61,414	Amortised cost
Other financial assets – derivative financial assets		FVPL[2]	62	–	–	62	FVPL
All other assets		–	3,677	–	–	3,677	–
Total assets			**272,804**	**–**	**128**	**272,932**	
Liabilities							
Provisions for guarantees and letters of credit			(135)	–	118	(17)	–
All other liabilities			(165,862)	–	–	(165,862)	–
Total liabilities			**(165,997)**	**–**	**118**	**(165,879)**	

[1] L&R: Loans and receivables.

[2] FVPL: Fair Value through profit and loss

A As of 1 January 2018, the Bank's analysis highlighted that all financial assets meet the SPPI criterion. Therefore, all financial assets measured at amortised cost are classified by Bank as financial assets at amortized cost.

B Remeasurment of deferred taxes would lead to deferred tax liability of GEL 37 thousand, which should be derecognized due to the management's expectations of probability of reversal of temporary taxable differences, based on enacted tax legislation. Respectively the reconciliation above does not include deferred taxes.

(Figures in tables are in thousands of Georgian lari)

2. Basis of preparation (continued)

IFRS 9 Financial Instruments (continued)

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

	Retained earnings
Closing balance under IAS 39 (31 December 2017)	**3,807**
Recognition of IFRS 9 ECLs	246
Restated opening balance under IFRS 9 (1 January 2018)	**4,053**
Total change in equity due to adopting IFRS 9	**246**

The following table reconciles the aggregate opening loan loss allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions Contingent Liabilities and Contingent Assets* to the ECL allowances under IFRS 9.

	Loan loss allowance/ provision under IAS 39 / IAS 37 at 31 December 2017	*Re-measurement*	*ECL under IFRS 9 at 1 January 2018*
Impairment allowance for:			
Loans and receivables at amortised cost	(3,098)	796	(2,302)
Amounts due from CI	–	(49)	(49)
Investment securities at amortised cost under IFRS 9	(246)	(619)	(865)
	(3,344)	**128**	**(3,216)**
Financial guarantees	(110)	98	(12)
Letters of credit	(25)	24	(1)
Other commitments	–	(4)	(4)
	(135)	**118**	**(17)**
	(3,479)	**246**	**(3,233)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Bank's revenue including interest income, gains/(losses) on operations with securities, lease income which are covered by IFRS 9 *Financial Instruments* and IAS 17 *Leases*. As a result, the majority of the Bank's income is not impacted by the adoption of this standard.

3. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Cash on hand	768	673
Current accounts with the NBG	7,619	714
Current accounts with credit institutions	4,806	13,253
Time deposits with credit institutions up to 90 days	33,807	29,268
Cash and cash equivalents	**47,000**	**43,908**

As at 30 June 2018, current accounts and time deposit accounts with credit institutions denominated in GEL and USD represent 39.93% and 54.31% of total current and time deposit accounts, respectively (31 December 2017: GEL 40.68%, USD 54.12%).

(Figures in tables are in thousands of Georgian lari)

4. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Mandatory reserve with the NBG	30,351	28,803
Time deposits for more than 90 days	22,478	22,642
Amounts due from credit institutions	**52,829**	**51,445**
Less – allowance for impairment (a)	(838)	-
Amounts due from credit institutions	**51,991**	**51,445**

(a) The allowance for impairment relates to the collectively impaired exposures of amounts due from credit institutions. The charge as at 30 June 2018 is GEL 789 thousand (30 June 2017: n/a).

Credit institutions are required to maintain a mandatory interest earning cash deposit with the NBG at the level of 7% and 20% of the average of funds attracted from customers and non-resident financial institutions by a credit institution for the appropriate two-week period in GEL and foreign currencies, respectively.

Time deposits comprise of deposits in GEL and USD placed with resident banks with maturities ranging from November 2018 to June 2019 (31 December 2017: deposits in USD and GEL placed with resident banks with maturities ranging from January 2018 to June 2018).

5. Loans to customers

Loans to customers comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Private entities	114,018	77,831
Foreign state controlled entities	33,290	36,302
Individuals	762	644
Loans to customers	**148,070**	**114,777**
Less – allowance for impairment	(2,787)	(3,098)
Loans to customers	**145,283**	**111,679**

The movement in allowance for impairment losses for loans to customers was as follows:

Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the ECL allowances during the six months ended 30 June 2018 is, as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2018	**(2,302)**	–	–	–	**(2,302)**
Legal entities	(482)	–	–	–	**(482)**
Individuals	(3)	–	–	–	**(3)**
At 30 June 2018 (unaudited)	**(2,787)**	–	–	–	**(2,787)**

Comparative amounts for the six months ended 30 June 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

(Figures in tables are in thousands of Georgian lari)

5. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

	For the six months ended 30 June 2017 (unaudited)		
	Legal entities	*Individuals*	*Total*
At 1 January 2017	**(2,049)**	**(71)**	**(2,120)**
Charge for the year	(401)	(10)	**(411)**
At 30 June 2017 (unaudited)	**(2,450)**	**(81)**	**(2,531)**
Collective impairment	(1,269)	(11)	**(1,280)**
Individual impairment	(1,181)	(70)	**(1,251)**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	(8,402)	(70)	**(8,472)**

As at 30 June 2018, the Bank had a concentration of loans due from three major group of borrowers with the total exposure of GEL 72,909 thousands that represented 49.24% of the total gross loan portfolio (31 December 2017: GEL 61,621 thousands with 53.69% of the gross loan portfolio). An ECL of GEL 407 thousands (31 December 2017: an allowance of GEL 1,957 thousand measured under IAS 39) was recognized against these loans.

Loans are made in the following industry sectors:

	30 June2018 (unaudited)	*31 December 2017*
Trade and services	82,716	53,134
Non-banking credit organizations	38,338	23,652
Transportation and telecommunication	13,520	-
Energy	6,698	16,425
Mining	2,772	4,611
Construction	1,722	12,596
Individuals	762	644
Other	1,542	3,715
	148,070	**114,777**

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are charges over real estate properties and guarantees from the Parent. The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

6. Investment securities

As at 30 June 2018, investment securities mainly comprised of debt securities of the commercial banks and other companies registered in Georgia.

	30 June2018 (unaudited)	*31 December 2017*
Certificates of deposits of financial institutions	24,829	26,849
Corporate bonds	18,448	12,177
Bonds of financial institutions	1,901	22,079
Treasury bonds of the Ministry of Finance of Georgia	-	1,174
Investment securities: loans and receivables	**45,178**	**62,279**
Less: allowance for impairment (a)	(113)	(246)
Total investment securities: loans and receivables	**45,065**	**62,033**

(a) The allowance for the impairment relates to the collectively impaired exposures of corporate bonds. The movement in allowance for the period is attributed to reversal of the ECL of GEL 752 thousand (30 June 2017: GEL 68 thousand measured under IAS 39).

(Figures in tables are in thousands of Georgian lari)

7. Property and equipment

The movements in property and equipment were as follows:

	Furniture and fixtures	*Computers and equipment*	*Motor vehicles*	*Other equipment*	*Leasehold improve-ments*	*Total*
Cost						
31 December 2016	1,843	2,412	313	486	1,912	6,966
Additions (unaudited)	6	588	–	4	–	598
30 June 2017 (unaudited)	1,849	3,000	313	490	1,912	7,564
31 December 2017	1,852	3,013	380	497	1,916	7,658
Additions (unaudited)	13	72	151	–	–	236
Disposals and write-offs (unaudited)	–	(6)	(48)	(3)	–	(57)
30 June 2018 (unaudited)	1,865	3,079	483	494	1,916	7,837
Accumulated depreciation						
31 December 2016	(1,634)	(2,052)	(185)	(327)	(1,660)	(5,858)
Depreciation charge (unaudited)	(182)	(249)	(33)	(48)	(228)	(740)
30 June 2017 (unaudited)	(1,816)	(2,301)	(218)	(375)	(1,888)	(6,598)
31 December 2017	(1,827)	(2,399)	(189)	(425)	(1,912)	(6,752)
Depreciation charge (unaudited)	(9)	(101)	(43)	(38)	–	(191)
Disposals and write-offs (unaudited)	–	6	48	–	–	54
30 June 2018 (unaudited)	(1,836)	(2,494)	(184)	(463)	(1,912)	(6,889)
Net book value						
30 June 2017 (unaudited)	33	699	95	115	24	966
31 December 2017	25	614	191	72	4	906
30 June 2018 (unaudited)	29	585	299	31	4	948

8. Intangible assets

The movements in intangible assets were as follows:

	Licenses	*Computer software*	*Total*
Cost			
31 December 2016	897	1,829	2,726
Additions (unaudited)	217	–	217
Disposals (unaudited)	(190)	(1)	(191)
30 June 2017 (unaudited)	924	1,828	2,752
31 December 2017	989	1,993	2,982
Internal transfer(unaudited)	(838)	838	–
Additions (unaudited)	–	259	259
Write-off (unaudited)	–	(164)	(164)
30 June 2018 (unaudited)	151	2,926	3,077
Accumulated amortization			
31 December 2016	(308)	(358)	(666)
Amortization charge (unaudited)	(95)	(89)	(184)
Disposals (unaudited)	190	–	190
30 June 2017 (unaudited)	(213)	(447)	(660)
31 December 2017	(320)	(540)	(860)
Internal transfer of accumulated amortization (unaudited)	260	(260)	–
Amortization charge (unaudited)	(9)	(260)	(269)
Write-off (unaudited)	–	164	164
30 June 2018 (unaudited)	(69)	(896)	(965)
Net book value			
30 June 2017 (unaudited)	711	1,381	2,092
31 December 2017	669	1,453	2,122
30 June 2018 (unaudited)	82	2,030	2,112

(Figures in tables are in thousands of Georgian lari)

9. Other assets and liabilities

Other assets comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Other non-financial assets		
Prepaid expenses	599	362
Prepayments for operating lease	234	218
Inventory	39	37
Prepayments for acquisition of property plant and equipment and intangible assets	33	4
Prepaid taxes other than income tax	8	10
Other	38	18
	951	**649**
Other financial assets		
Derivative financial assets	54	62
	54	**62**
Total other assets	**1,005**	**711**

The table below shows the fair values of derivative financial instruments, recorded as assets, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or liability and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the period and are not indicative of the credit risk.

	30 June 2018	
	Notional amount	*Fair value asset*
Foreign exchange contracts		
Forward – domestic	15,397	54
Total derivative assets	**15,397**	**54**

	31 December 2017	
	Notional amount	*Fair Value asset*
Foreign exchange contracts		
Forward – domestic	2,592	62
Total derivative assets	**2,592**	**62**

Other liabilities comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Other financial liabilities		
Other financial liabilities	150	131
	150	**131**
Other non-financial liabilities		
Payable to employees	834	1,111
Deferred income	15	36
Taxes other than income tax	2	1
	851	**1,148**
Other liabilities	**1,001**	**1,279**

(Figures in tables are in thousands of Georgian lari)

10. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Time deposits of non-resident commercial banks	71,137	27,122
Time deposits of the Parent	28,837	52,069
Short-term loan from the NBG	8,026	3,002
Time deposits of resident commercial banks	7,007	22,688
Current accounts of the Parent	1,055	1,511
Overdraft from the Parent	311	10
Amounts due to credit institutions	**116,373**	**106,402**

As at 30 June 2018 the time deposits of non-resident commercial banks are comprised of USD and EUR denominated deposits of an entity under common control and other non-resident banks (2017: USD and EUR denominated deposits of an entity under common control and other non-resident bank). As at 30 June 2018 time deposits placed by one resident commercial bank were denominated in GEL and matured in July 2018 (2017: time deposits placed by three resident commercial banks were denominated in GEL and EUR and matured in January and February 2018).

Time deposits placed by the Parent are denominated in USD and EUR and mature during 2018 and 2022.

The loan from the NBG outstanding as at 30 June 2018 matured in July 2018.

11. Amounts due to customers

The amounts due to customers include the following:

	30 June 2018 (unaudited)	*31 December 2017*
Time deposits	34,891	38,948
Current accounts of customers	31,716	19,233
Amounts due to customers	**66,607**	**58,181**
Held as security against guarantees (Note 14)	7,377	4,342

As at 30 June 2018, amounts due to customers included balances with three major customers of GEL 30,683 thousands that constituted 46.07% of the total customer accounts (31 December 2017: GEL 28,726 thousands that constituted 49.37% the total of customer accounts).

An analysis of customer accounts by economic sector follows:

	30 June 2018 (unaudited)	*31 December 2017*
Trade and services	26,537	27,650
Individuals	13,903	11,016
Construction	11,984	4,816
Energy	6,792	5,105
Insurance	4,910	6,360
Non-banking credit organizations	2,055	3,223
Transportation and telecommunication	7	11
Other	419	-
Amounts due to customers	**66,607**	**58,181**

(Figures in tables are in thousands of Georgian lari)

12. Taxation

The corporate income tax expense/benefit for the six months ended 30 June 2018 comprises of deferred tax benefit of GEL 241 thousands (six months ended 30 June 2017: expense of GEL 317 thousands).

The income tax rate applicable to the Bank's income is 15%. The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense on statutory rates with actual is as follows:

	Six months ended 30 June 2018 (unaudited)	*Six months ended 30 June 2017 (unaudited)*
Profit before income tax	**2,330**	**2,823**
Statutory tax rate	15%	15%
Theoretical income tax charge at the statutory rate	**(350)**	**(423)**
Tax effect of items which are not deductible for taxation purposes		
Tax exempt income	43	148
Non-deductible expenses	(43)	(42)
Effect from change in tax legislation	1,108	-
Tax losses carried forward	(756)	-
Tax losses utilized during the period	239	-
Income tax benefit/(expense)	**241**	**(317)**

Deferred tax assets and liabilities as at 30 June 2018 and 31 December 2017 and their movements for the respective period of six months comprise:

	31 December 2017	*Through statement of profit and loss (unaudited)*	*30 June 2018 (unaudited)*
Tax effect of deductible temporary differences			
Tax losses carried forward	-	316	316
Property and equipment	-	194	194
Amounts due from financial institutions	-	126	126
Property and equipment	-	39	39
Other liabilities	-	155	155
Deferred tax asset	**-**	**830**	**830**
Tax effect of taxable temporary differences			
Loans to customers	-	(325)	(325)
Intangible assets	-	(66)	(66)
Investment securities	-	(77)	(77)
Other liabilities	-	(121)	(121)
Deferred tax liability	**-**	**(589)**	**(589)**
Deferred tax asset	**-**	**241**	**241**

12. Taxation (continued)

	31 December 2016	*Through statement of profit and loss (unaudited)*	*Through statement of OCI (unaudited)*	*30 June 2017 (unaudited)*
Tax effect of deductible temporary differences				
Tax losses carried forward	804	(224)	–	580
Property and equipment	–	46	–	46
Loans to customers	–	11	–	11
Other liabilities	135	33	–	168
Investment securities	(17)	10	–	(7)
Deferred tax asset	**922**	**(124)**	**–**	**798**
Tax effect of taxable temporary differences				
Property and equipment	226	(1)	–	225
Intangible assets	(52)	(5)	–	(57)
Loans to customers	(177)	(57)	–	(234)
Other liabilities	–	(114)	–	(114)
Investment securities	5	(16)	3	(8)
Deferred tax liability	**2**	**(193)**	**3**	**(188)**
Deferred tax asset	**924**	**(317)**	**3**	**610**

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date was initially set at January 2019. On 5 May 2018 amendment was made in tax code and the date was revised to January 2023. Under the new regulation, corporate income tax will be levied on profit distributed as dividends, rather than on profit earned as under the current regulation. The amount of tax payable on a dividend distribution will be calculated as 15/85 of the amount of net distribution. The companies will be able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies will not be subject to corporate income tax.

Following the enactment of the latest amendment, the Bank recalculated its deferred tax assets at 1 January 2018 and 30 June 2018 and made the relevant recognition of deferred tax benefit in the profit and loss statement for the 6 months ended 30 June 2018. As IAS 12 *Income Taxes* requires, the Bank used 0% tax rate applicable for undistributed profits in respect of assets and liabilities expected to be realized or settled in the periods when the new regulation becomes effective starting from 1 January 2023.

The amendments to the Georgian tax law described above also provide for charging corporate income tax on certain transactions that are considered deemed profit distributions, e.g. some transactions at non-market prices, non-business related expenses or supply of goods and services free of charge. Taxation of such transaction is outside scope of IAS 12 *Income Taxes* and will be accounted similar to operating taxes starting from 1 January 2023. Tax law amendments related to such deemed profit distribution did not have any effect on the Bank's condensed financial statements for the period ended 30 June 2018. The Bank's accumulated tax losses as of 30 June 2018 equal GEL 2,105 thousand, out of this GEL 1,385 thousand will expire by 1 January 2019 and GEL 720 thousand by 1 January 2020.

13. Equity

The share capital of the Bank was contributed by the shareholders in GEL and they are entitled to dividends and any capital distribution in GEL. No dividends were declared or paid during the six months ended 30 June 2018 (2017: nil).

As at 30 June 2018 and 31 December 2017, the Bank's authorized, issued and fully paid capital amounted to GEL 103,000 thousands comprising of 103,000,000 common shares with nominal value of GEL 1.00. Each common share entitles one vote to the shareholder.

In accordance with Georgian legislation, dividends may only be declared by the Bank's Parent from the net income as shown in the Bank's financial statements prepared in compliance with the NBG requirements. The Bank is obliged to officially inform the NBG of any dividends declared and the NBG reserves the right to suspend or restrict the disbursement of dividends should the Bank be in breach of the NBG regulations.

(Figures in tables are in thousands of Georgian lari)

14. Commitments and contingencies

Taxation

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant tax authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation as at 30 June 2018 is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Commitments and contingencies

As at 30 June 2018, the Bank's commitments and contingencies comprised the following:

	30 June 2018 (unaudited)	*31 December 2017*
Credit related commitments		
Guarantees issued	27,213	22,566
Unused credit lines	16,971	23,341
Letters of credit	1,397	1,478
	45,581	**47,385**
Operating lease commitments		
Not later than 1 year	1,471	1,831
More than 1 year but less than 5 years	1,804	6,553
	3,275	**8,384**
Less: provisions for guarantees and letters of credit	(40)	(135)
Commitments and contingencies (before deducting collateral)	**48,816**	**55,634**
Less: deposits held as security against guarantees issued (Note 11)	(7,377)	(4,342)
Commitments and contingencies	**41,439**	**51,292**

15. Net fee and commission income

Net fee and commission income comprise:

	Six months ended 30 June 2018 (unaudited)	*Six months ended 30 June 2017 (unaudited)*
Guarantees and letters of credits issued	218	195
Settlement operations	76	54
Cash operations	54	9
Brokerage operations	20	24
Plastic cards operations	3	3
Currency conversion operations	–	4
Fee and commission income	**371**	**289**
Settlements operations	(107)	(92)
Guarantees and letters of credits issued	(41)	(61)
Plastic cards operations	(39)	(43)
Cash operations	(1)	(1)
Fee and commission expense	**(188)**	**(197)**
Net fee and commission income	**183**	**92**

(Figures in tables are in thousands of Georgian lari)

16. Personnel, general and administrative expenses

Personnel, general and administrative expenses comprise:

	Six months ended 30 June 2018 (unaudited)	*Six months ended 30 June 2017 (unaudited)*
Salaries	2,503	1,801
Bonuses and other employee benefits	1,090	593
Personnel expenses	**3,593**	**2,394**
Operating leases	873	808
Professional services	566	734
Advertising costs	95	228
Personnel trainings	73	80
Utilities	61	57
Corporate hospitality and entertainment	60	29
Recruitment costs	49	1
Transportation and business trip expenses	39	28
Insurance	32	36
Security expenses	31	29
Maintenance and exploitation	29	14
Charity costs	18	9
Membership fees	7	19
Taxes other than income tax	5	–
Deposit insurance fee	1	–
Other	48	43
General and administrative expenses	**1,987**	**2,115**

17. Fair values of financial instruments

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(Figures in tables are in thousands of Georgian lari)

17. Fair values of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Fair value measurement using			
At 30 June 2018	***Level 1 (unaudited)***	***Level 2 (unaudited)***	***Level 3 (unaudited)***	***Total (unaudited)***
Assets for which fair values are disclosed				
Cash and cash equivalents	47,000	–	–	**47,000**
Amounts due from credit institutions	–	–	51,991	**51,991**
Loans to customers	–	–	145,283	**145,283**
Investment securities	–	–	45,065	**45,065**
Assets measured at fair value				
Other assets – derivative financial assets	–	54	–	**54**

	Fair value measurement using			
At 30 June 2018	***Level 1 (unaudited)***	***Level 2 (unaudited)***	***Level 3 (unaudited)***	***Total (unaudited)***
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	116,373	**116,373**
Amounts due to customers	–	–	66,607	**66,607**

	Fair value measurement using			
At 31 December 2017	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Cash and cash equivalents	43,908	–	–	**43,908**
Amounts due from credit institutions	–	–	51,445	**51,445**
Loans to customers	–	–	111,679	**111,679**
Investment securities	–	–	62,033	**62,033**
Assets measured at fair value				
Other assets – derivative financial assets	–	62	–	**62**

	Fair value measurement using			
At 31 December 2017	***Level 1***	***Level 2***	***Level 3***	***Total***
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	106,402	**106,402**
Amounts due to customers	–	–	58,181	**58,181**

Valuation techniques and assumptions

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. All of the Bank's financial assets excluding loans to customers (i.e. cash and cash equivalents and amounts due from credit institutions) and financial liabilities (amounts due to customers) are either liquid or are maturing within 3 months from the reporting date.

The fair value of loans to customers is estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial assets. The majority of loans to customers outstanding as at 30 June were issued within 12 months period ended 30 June 2018 at market interest rates, while the contractual interest rates of those loans issued in 2017 approximate market interest rates as at 30 June 2018. Hence their carrying value approximates their fair value.

Forward foreign exchange contracts are derivatives valued using a valuation technique with market observable inputs. The applied valuation technique for such derivatives includes forward pricing models using present value calculations.

(Figures in tables are in thousands of Georgian lari)

17. Fair values of financial instruments (continued)

Investment securities

As at 30 June 2018 investment securities represent fixed rated financial assets carried at amortized cost. The fair value is derived by discounting the future cash flows using current market rates for newly issued similar financial assets.

Amounts due to customers

As at 30 June 2018 amounts due to customers represent fixed rate financial liabilities carried at amortized cost. The fair value for the amounts due to customers is derived by disclosing future cash flows using broad industry average rates for similar financial liabilities.

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

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2018 (unaudited)			*31 December 2017*		
	Carrying value	***Fair value***	***Unrecog-nised gain***	***Carrying value***	***Fair value***	***Unrecog-nised gain***
Financial assets						
Cash and cash equivalents	47,000	47,000	-	43,908	43,908	-
Amounts due from credit institutions	51,991	51,991	-	51,445	51,445	-
Loans to customers	145,283	145,283	-	111,679	111,679	-
Investments securities	45,065	45,881	816	62,033	63,071	1,038
Other financial assets	54	54	-	62	62	-
Financial liabilities						
Amounts due to credit institutions	116,373	116,373	-	106,402	106,402	-
Amounts due to customers	66,607	66,607	-	58,181	58,181	-
Total unrecognized change in fair value			**816**			**1,038**

18. Related party disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances of related party transactions are as follows:

	30 June 2018 (unaudited)			*31 December 2017*		
	The Parent	***Key management personnel***	***Entities under common control***	***The Parent***	***Key management personnel***	***Enitities uder common control***
Cash and cash equivalents	1,623	-	-	2,053	-	5,018
Loans to customers	-	90	-	-	166	-
Amounts due from credit institutions	-	-	-	-	-	-
Amounts due to credit institutions	(30,204)	-	(16,600)	(53,589)	-	(24,530)
Amounts due to customers	-	(6,025)	(23,648)	-	(6,579)	(28,140)
Other liabilities	(2)	-	-	(12)	-	-

(Figures in tables are in thousands of Georgian lari)

18. Related party disclosures (continued)

Income and expense arising from related party transactions are as follows:

	For the six months ended	
	30 June 2018 (unaudited)	***30 June 2017 (unaudited)***
Interest income	(49)	(187)
Fee and commission expense	47	79
Interest expense	1,003	1,224

Compensation of key management personnel was comprised of the following:

	For the six months ended	
	30 June 2018 (unaudited)	***30 June 2017 (unaudited)***
Salaries and other short-term benefits	885	889

Key management personnel as at 30 June 2018 comprised of 5 members of the Supervisory Board (31 December 2017: 5 members) and 3 members of the Board of Directors of the Bank (31 December 2017: 3 members).

19. Capital adequacy

During six months ended 30 June 2018, the Bank complied in full with all its externally imposed capital requirements. The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

NBG capital adequacy ratio

In December 2017 the NBG has introduced amendments to the "Regulation on Capital Adequacy Requirements for Commercial Banks". Under the updated capital framework, capital requirements are divided into Pillar 1 Requirements for Common Equity Tier 1, Tier 1 and Regulatory Capital and additional buffers under Pillar 1 and Pillar 2.

Pillar 1

- The capital conservation buffer (which was incorporated in minimum capital requirements) is separated and set at 2.5%;
- A countercyclical capital buffer is currently set at 0%;
- A systemic risk buffer will be introduced for systematically important banks over the 4 years period.

Pillar 2

- A currency induced credit risk (CICR) buffer replaced conservative weighting for un-hedged FX loans denominated in foreign currencies;
- Concentration buffer for sectoral and single borrower exposure will be introduced;
- A net stress buffer will be introduced based on stress testing results provided by the Bank;
- A General Risk-assessment Programme (GRAPE) buffer defined by the regulator, based on the Bank's specific risks.

(Figures in tables are in thousands of Georgian lari)

19. NBG capital adequacy ratio (continued)

NBG capital adequacy ratio (continued)

The NBG requires the Bank to maintain a minimum total capital adequacy ratio of 24.8% and Tier 1 / Core Tier 1 Capital ratio of 9.4% of risk-weighted assets, computed based on Basel III requirements. As at 30 June 2018 the Bank's capital adequacy ratio on this basis was as follows:

	Notes	*30 June 2018 (unaudited)*	*Adjustments (unaudited)*	*30 June 2018 per the NBG (unaudited)*
Share capital	13	103,000	–	103,000
Retained earnings		4,053	(1,840)	2,213
Less: intangible assets, net	8	(2,112)	–	(2,112)
Other adjustments		–	–	–
Current period income		2,571	(575)	1,996
Core tier 1 capital		**107,512**	**(2,415)**	**105,097**
Tier 1 capital		**107,512**	**(2,415)**	**105,097**
Supplementary capital		3,778	(216)	3,562
Total regulatory capital		**111,290**	**(2,631)**	**108,659**
Risk weighted assets				**321,414**
Capital adequacy ratio				33.81%
Core Tier 1 capital / Tier 1 capital adequacy ratio				32.70%

	Notes	*31 December 2017*	*Adjustments*	*31 December 2017 Per the NBG*
Share capital	13	103,000	–	103,000
Prior years accumulated deficit		354	(2,149)	(1,795)
Less: intangible assets, net	8	(2,122)	–	(2,122)
Other adjustments		–	(3,888)	(3,888)
Current year income		3,453	554	4,007
Core tier 1 capital		**104,685**	**(5,483)**	**99,202**
Tier 1 capital		**104,685**	**(5,483)**	**99,202**
Supplementary capital		3,479	(523)	2,956
Total regulatory capital		**108,164**	**(6,006)**	**102,158**
Risk weighted assets				**283,322**
Capital adequacy ratio				36.06%
Core Tier 1 capital / Tier 1 capital adequacy ratio				35.01%