BGEO BECOME GEORGIA | INVESTMENT PLATFORM

BGEO Group PLC

1st quarter 2017 results

www.BGEO.com

Name of authorised official of issuer responsible for making notification:
Giorgi Alpaidze, Head of Finance, Funding and Investor Relations

BGEO Group PLC 1Q 2017 Results Earnings call

BGEO Group PLC ("**BGEO**" or the "**Group**") will publish its financial results for the 1st quarter 2017 at 07:00 London time on Wednesday, 10 May 2017. The results announcement will be available on the Group's website at www.bgeo.com. An investor/analyst conference call, organised by BGEO, will be held on, 10 May 2017, at 14:00 UK / 15:00 CET / 9:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although BGEO Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; corporate loan portfolio exposure risk; regional tensions; regulatory risk; cyber security, information systems and financial crime risk; investment business strategy risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in BGEO Group PLC's Annual Report and Accounts 2016. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in BGEO Group PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. BGEO Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

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About BGEO Group

The Group: BGEO Group PLC ("**BGEO**"– LSE: **BGEO LN**) is a UK incorporated holding company of a Georgia-focused investment platform. BGEO invests, via its subsidiaries, in the banking and non-banking sectors in Georgia (BGEO and its subsidiaries, the "**Group**"). BGEO aims to deliver on a 4x20 strategy: (1) at least 20% ROAE; (2) at least 20% growth of our Banking Business retail loan book; (3) at least 20% IRR; and (4) up to 20% of the Group's profit from its Investment Business.

Banking Business: Our Banking Business comprises at least 80% of the Group's profit. JSC Bank of Georgia ("**BOG**" or the "**Bank**") is the main entity in the Group's Banking Business. The Banking Business consists of Retail Banking, Corporate Banking and Investment Management businesses at its core and other banking businesses such as P&C Insurance ("**Aldagi**"), leasing, payment services and banking operations in Belarus ("**BNB**"). The Group strives to benefit from the underpenetrated banking sector in Georgia especially through its Retail Banking services.

Investment Business: Our Investment Business comprises up to 20% of the Group's profit and consists of Georgia Healthcare Group ("**Healthcare Business**" or "**GHG**") – an LSE (London Stock Exchange PLC) premium listed company, m^2 Real Estate ("**Real Estate Business**" or "**m^2**"), Georgia Global Utilities ("**Utility and Energy Business**" or "**GGU**") and Teliani Valley ("**Beverage Business**" or "**Teliani**"). Georgia's fast-growing economy provides opportunities in a number of underdeveloped markets and the Group is well positioned to capture growth opportunities in the Georgian corporate sector.

BGEO Group PLC announces the Group's first quarter 2017 consolidated results. Unless otherwise indicated, numbers are for the first quarter 2017 and comparisons are with the first quarter 2016. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts.

BGEO highlights

- 1Q17 profit was GEL 108.2mln (US$ 44.2mln/GBP 35.6mln), up 24.3% y-o-y
- 1Q17 basic earnings per share ("**EPS**") was GEL 2.64 (US$ 1.08 per share/GBP 0.87 per share), up 25.7% y-o-y
- Book value per share was GEL 58.0, up 15.5% y-o-y
- Total equity attributable to shareholders was GEL 2,208.9mln, up 14.2% y-o-y
- Total assets increased to GEL 12,606.5mln, up 25.1% y-o-y
- As of 5 May 2017, GEL 321.1mln[1] liquid assets were held at the holding company level, of which, GEL 173.7mln was unallocated
- 1Q17 GDP growth was 5.0%, while inflation was 4.2% and the Lari appreciated by 7.6% against the US Dollar

Banking Business highlights

1Q17 performance

- Revenue was GEL 221.4mln (up 20.2% y-o-y and down 4.8% q-o-q)
- Net Interest Margin ("**NIM**") was 7.4% (down 10 bps y-o-y and down 20 bps q-o-q)
- Loan Yield stood at 14.0% (down 40 bps y-o-y and down 40 bps q-o-q)
- Cost of Funds stood at 4.6% (down 40 bps y-o-y and flat q-o-q)
- Cost to Income ratio was 36.1% (37.9% in 1Q16 and 37.5% in 4Q16)
- Cost of credit risk stood at GEL 48.3mln (up 37.8% y-o-y and down 31.9% q-o-q)
- Cost of Risk ratio was 2.4% (2.3% in 1Q16 and 4.2% in 4Q16)
- Profit was GEL 86.9mln (up 24.7% y-o-y and up 15.4% q-o-q)
- Return on Average Assets ("**ROAA**") was 3.2% (3.0% in 1Q16 and 2.9% in 4Q16)
- Return on Average Equity ("**ROAE**") was 23.5% (21.2% in 1Q16 and 20.1% in 4Q16)

Balance sheet strength supported by solid capital and liquidity positions

- The net loan book reached GEL 6,470.8mln, up 19.9% y-o-y and down 3.2% q-o-q. The growth on a constant-currency basis was 17.4% y-o-y and 2.1% q-o-q
- Customer funds increased to GEL 5,591.7mln, up 12.7% y-o-y and down 2.4% q-o-q. The growth on a constant-currency basis was 10.1% y-o-y and 3.5% q-o-q
- Net Loans to Customer Funds and DFI ratio stood at 96.1% (91.6% at 31 March 2016 and 95.3% at 31 December 2016)
- Leverage was at 6.4-times as at 31 March 2017, compared to 6.1-times at 31 March 2016
- NBG (Basel 2/3) Tier I and Total CAR stood at 11.2%[2] and 16.3%, respectively, at 31 March 2017
- NBG Liquidity Ratio was 37.4% at 31 March 2017, compared to 47.3% at 31 March 2016

Resilient growth momentum sustained across major business lines

- **Retail Banking ("RB") continues to deliver strong franchise growth.** Retail Banking revenue reached GEL 141.2mln in 1Q17, up 32.8% y-o-y and down 4.4% q-o-q
- The Retail Banking net loan book reached GEL 3,891.1mln as of 31 March 2017, up 34.1% y-o-y and down 0.3% q-o-q. The growth on a constant-currency basis was 31.8% y-o-y, well above our strategic target of 20%+, and 4.2% q-o-q. As a result, retail loan book's share accounted for 62.6% of Bank's gross loan book of at 31 March 2017 (56.5% as of 31 March 2016)
- Retail Banking client deposits increased to GEL 2,393.8mln as of 31 March 2017, up 25.9% y-o-y and down 0.8% q-o-q. The growth on a constant-currency basis was 22.9% y-o-y and 5.3% q-o-q
- The number of Retail Banking clients reached 2.2mln at the end of 1Q17, up 8.2% from 2.0mln at the end of 1Q16
- **Solo – our premium banking brand – continues its strong growth.** Solo, which offers a fundamentally different

[1] Of GEL 321.1mln at 5 May 2017, GEL 99.5mln is earmarked for regular dividends in respect of 2016 financial year, while GEL 47.9mln is pledged as collateral for borrowings from Georgian commercial banks

[2] Capital adequacy ratios include GEL 99.5mln distributed as dividend from the Bank to the holding level on 29 December 2016. These funds are earmarked for regular dividends in respect of the 2016 financial year and will be paid on 7 July 2017, subject to approval by the shareholders at BGEO's AGM on 1 June 2017. Excluding this amount, NBG (Basel 2/3) Tier I and Total CAR would be 10.1% and 15.2%, respectively

approach to premium banking and targets the mass affluent client segment, more than doubled its client base since April 2015, when we launched Solo in its current format. As of 31 March 2017, the number of Solo clients reached 21,657. Our goal is to significantly increase our market share in the mass affluent segment, which stood below 13% at the beginning of 2015, when we launched Solo in its current format

- **Our Retail Banking product to client ratio remained at 2.0 in 1Q17, flat y-o-y and q-o-q.** As we complete the transformation of our retail banking operations from the product-based model into the client-centric model we expect that it will have a positive impact on the Retail Banking's product to client ratio in the future. We completed the implementation of the client-centric model in 28 branches as of 31 March 2017 and are currently in process of converting eight additional branches. We have seen outstanding sales growth in transformed branches, with the number of products sold to our clients increasing by over 100% compared to the base-line figures
- **Corporate Investment Banking ("CIB") is successfully delivering its risk deconcentration strategy, having reduced the concentration of our top 10 CIB clients to 11.3% at the end of 1Q17, down from 12.1% a year ago. The CIB's net loan book amounted to GEL 2,226.9mln at 31 March 2017, up 3.9% y-o-y, and down 7.0% q-o-q**. On a constant-currency basis, the loan portfolio was largely flat y-o-y and q-o-q. The CIB's net fee and commission income was GEL 5.7mln or 9.9% of the total CIB revenue in 1Q17 compared to GEL 7.0mln or 11.9% a year ago. The decline was mainly driven by the decrease in fee and commission income from guarantees and letters of credit as we reduced our large guarantee and letters of credit exposures (refer to the Banking Business discussion below for more detailed discussion). CIB's ROAE increased to 18.3% in 1Q17 from 17.6% in 1Q16, primarily as a result of improved cost of risk. We continue to target a) further reductions in the CIB's loan portfolio concentration, b) growth of our fee income business, and c) improvements of CIB ROAE
- **Investment Management's Assets Under Management ("AUM") increased to GEL 1,568.6mln**[3], up 16.7% y-o-y, reflecting higher bond issuance activity by our brokerage arm Galt & Taggart, as our clients increasingly access these new products

Investment Business Highlights

- Our Investment Business contributed GEL 21.3mln or 19.7% to the Group's profits in 1Q17, up from GEL 17.4mln a year ago and GEL 13.4mln a quarter ago. GEL 14.0mln from the 1Q17 Investment Business profit was attributable to shareholders of the Group, while the rest primarily related to non-controlling shareholders of GHG
- During March 2017, we sold 1,013,317 GHG shares (the "**Disposal**"), representing approximately 0.8% of GHG's issued share capital. The Disposal was achieved through private sales transactions conducted on an arms-length and commercial basis. Following the Disposal, we continue to hold 84,618,503 shares of GHG, or 64.3% of GHG's issued share capital. As a result of the Disposal, the Group received total gross proceeds of GEL 11.3mln (US$ 4.5mln/GBP 3.7mln) and realized a gain of GEL 7.4mln (US$ 3.0mln), which was recorded through an increase in shareholders' equity in 1Q17
- **Our healthcare business, Georgia Healthcare Group PLC ("GHG") continued to deliver strong revenue performance across all business lines. GHG recorded net revenue of GEL 186.0mln (up 157.7% y-o-y and up 37.5% q-o-q).** During 1Q17, GHG achieved further diversification of its revenues. GHG's total net revenue mix was 34.1%, 58.4% and 7.5% from the healthcare services business, the pharma business and the medical insurance business, respectively. GHG delivered quarterly EBITDA of GEL 25.1mln, up 46.3% y-o-y. This growth was primarily driven by GHG's expansion into the Pharmaceutical business by acquiring controlling equity stakes in JSC GPC ("**GPC**"), Georgia's third-largest chain of pharmacies, in May 2016 and JSC ABC Pharmacia ("**ABC**" or "**Pharmadepot**"), Georgia's fourth largest chain of pharmacies, in January 2017. These acquisitions resulted in GHG becoming the number one player in the pharma market, similar to GHG's positions in the healthcare services and the medical insurance markets. **Consequently, GHG reported net profit of GEL 13.0mln in 1Q17 (up 8.4% y-o-y)**
- **Our real estate business, m^2 Real Estate ("m^2") continued its strong project execution and sales momentum in 1Q17**. In 1Q17, m^2 achieved sales of US$ 10.1mln, selling a total of 143 apartments, compared to US$ 5.5mln sales and 53 apartments sold in 1Q16. In 1Q17, m^2 recognised revenue of GEL 2.6mln and delivered a net profit of GEL 0.6mln

[3] Wealth Management client deposits, Galt & Taggart client assets, Aldagi Pension Fund and Wealth Management client assets under Bank of Georgia's custody

- *Effective 1 January 2017, the Group, inclusive of m^2, early adopted the new revenue recognition standard, IFRS 15, which requires revenue recognition according to the percentage of completion method. Prior to 1 January 2017, m^2 recognized revenues under IAS 18 upon completion and handover of the units to customers. As a result, comparison of 1Q17 figures to those in 2016 needs to take into consideration the material impact of the adoption of the new revenue recognition standard*
- **Our utility and energy business, Georgia Global Utilities ("GGU"), delivered stable revenue and cost performance in 1Q17 and achieved revenue of GEL 28.6mln (up 0.1% y-o-y), EBITDA of GEL 14.8mln (up 1.8% y-o-y) and profit of GEL 7.7mln (up 39.4% y-o-y)**. The significant y-o-y increase in GGU's profit was primarily driven by the absence of GEL 1.2mln income tax expense resulting from the change in corporate tax legislation in Georgia (please see BGEO's 4Q16 and full year 2016 preliminary results announcement available on our web-site, www.BGEO.com, for more details regarding the change in corporate tax legislation). Since BGEO owned 25% of GGU's equity stake until July 2016, we reported our share of GGU's profits under "profit from associates" in our income statement during this period. We started consolidating GGU's financial results from 21 July 2016, when we completed the acquisition of the remaining 75% equity stake in GGU, as part of our Investment Business and included it in the segment results discussion as a separate business
- **Our beverages business, Teliani, is on track to launch beer production in 2Q17 on the back of completion of the beer brewery construction in 2016. Teliani will brew Heineken under a ten-year exclusive licence agreement to sell Heineken brands in Georgia, Armenia and Azerbaijan**

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report that each of the Group's businesses has made good progress in implementing key strategic priorities during the first quarter of 2017, and that the Group maintained its earnings momentum in the seasonally quiet start of the year. Our profit of GEL 108.2 million in the quarter increased by 24.3%, compared to the first quarter of 2016, whilst basic earnings per share increased by 25.7% to GEL 2.64 over the same period. Banking business profits grew by 24.7% year-on-year, supported by excellent franchise growth in the retail bank, where we now have 2.2 million customers, resilient margins and a strong cost performance. There was a similarly strong performance in the Group's investment businesses, which delivered a 22.5% increase in profits year-on-year.

At the BGEO Group level, revenue growth was 36.6% year-on-year. Retail banking net interest income grew by 34.6%, offsetting a slight decline in corporate investment banking net interest income as we continue to rebalance the retail/corporate business mix. The net loan book increased by 19.9%, over the last twelve months, and by 17.4% on a constant-currency basis, and the retail bank now represents 62.6% of the Bank's gross loan book. We also continued to reposition the corporate bank to reduce concentration risk. Costs continue to be well managed, and the banking business cost to income ratio improved to 36.1%, from 37.9% a year ago and 37.5% in the fourth quarter of last year. Revenues from the investment businesses more than doubled as a result of strong business growth, both organic and via acquisitions, in the healthcare business and the consolidation of Georgia Global Utilities.

Overall banking business asset quality during the first quarter of the year remained robust, with the annualised cost of risk ratio at 2.4% in the quarter, compared to 2.3% in 1Q16, and 4.2% in 4Q16. This is a solid performance, against the backdrop of the recent Lari volatility, at a time when we are also gradually improving our non-performing loans coverage ratio.

In addition to the Group's strong earnings performance, returns have also continued to be high. In the banking business, the return on average equity was 23.5%, compared to 21.2% in the first quarter of 2016, largely reflecting the continued shift towards the higher return retail banking business. In the healthcare services business the EBITDA margin remained at 25.3%, notwithstanding the impact of the ongoing rapid roll-out of a number of hospital and outpatient clinic services. The Group continues to demonstrate its high growth and high return characteristics.

Within our investment businesses, Georgia Healthcare Group (GHG) again delivered a strong revenue performance, reflecting both good levels of organic growth (10.1% year-on-year) and the impact of the benefits of recent acquisitions, particularly in the pharmaceutical business, starting to be captured. This has led to the further diversification of GHG's revenues – an important objective for GHG. In January 2017, GHG completed the acquisition of the Pharmadepot chain of pharmacies to create, together with the GPC chain we acquired in mid-2016, the largest chain of pharmacies in Georgia with a market share by revenues of 29%. GHG is now also the largest purchaser of pharmaceutical products in Georgia, which creates significant cost and revenue synergy opportunities to be captured. GHG delivered quarterly EBITDA of GEL 25.1 million, and the business remains on track to deliver continued strong earnings progress and, achieve its target to more than double 2015 healthcare services revenues by 2018.

Our real estate business, m^2 Real Estate, continues to develop its apartment projects very successfully, with its strong project execution and sales performance delivering total sales in the first quarter of US$10.1 million, compared to US$5.5 million in the first quarter of 2016. In our water utility and energy business, GGU, the management team continues to focus on improving energy efficiency and reducing water loss rates and delivered a net profit of GEL 7.7 million, a year-on-year increase of 39.4%.

The Group's capital 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 2/3) Tier 1 Capital Adequacy ratio was 11.2%[4], and the Total Capital Adequacy ratio was 16.3%, both comfortably ahead of the Bank's minimum capital requirements. In addition, as of 5 May 2017, over GEL 300 million liquid assets were held at the Group level, which includes the Group's 2016

[4] See the footnote 2 in Banking Business Highlights section on page 4

regular dividend of GEL c.99.5 million that is intended to be paid out in July 2017. From a funding perspective, the Bank's NBG Liquidity ratio was 37.4%, and the Liquidity Coverage ratio was 178.1%, both of which reflect the Bank's continuing strong liquidity position. Balance sheet leverage remained low at 6.4 times.

During the quarter the Group began to implement its recently approved two year US$50 million share buyback and cancellation programme. At the end of the first quarter, US$1.2 million of this programme had been completed.

From a macroeconomic perspective Georgia continues to deliver a strong performance. GDP growth expectations for Georgia in 2017 are now generally around 4-5%, significantly higher than the 2.7% growth delivered in 2016. In March 2017, real GDP growth was 5.3% year-on-year based on estimates of National Statistics Office of Georgia. Core inflation remains well contained at 3.3% in April, while headline inflation rose to 6.1% in April due to one-offs. Overall, in the first quarter of the year, GDP growth was 5.0%, compared with 3.3% growth in the first quarter of 2016. In addition, the Lari has recently strengthened against the US Dollar, after a period of volatility at the end of 2016 and the beginning of 2017. Growth in exports and remittances as well as continued growth in tourist arrivals, supported the Lari's strengthening, encouraging the National Bank of Georgia to purchase US$20 million in April, to mitigate the further appreciation of the Lari.

Supported by the improving macroeconomic performance in Georgia and the Group's continued focus on implementing its key strategic priorities, we remain well positioned to deliver good levels of earnings momentum from both the organic business growth in each of our banking and investment businesses, and from the benefits of recent strategic initiatives and acquisitions.

Irakli Gilauri,

Group CEO of BGEO Group PLC

FINANCIAL SUMMARY

INCOME STATEMENT

	BGEO Consolidated					Banking Business[5]					Investment Business				
GEL thousands unless otherwise noted	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q
Net banking interest income	160,666	128,852	24.7%	155,403	3.4%	161,647	130,219	24.1%	158,371	2.1%	-	-	-	-	-
Net fee and commission income	29,885	27,814	7.4%	35,325	-15.4%	30,135	28,015	7.6%	36,645	-17.8%	-	-	-	-	-
Net banking foreign currency gain	19,274	17,390	10.8%	28,516	-32.4%	19,274	17,390	10.8%	28,516	-32.4%	-	-	-	-	-
Net other banking income	3,006	2,867	4.8%	2,199	36.7%	3,095	3,168	-2.3%	2,506	23.5%	-	-	-	-	-
Gross insurance profit	10,223	6,416	59.3%	9,171	11.5%	7,210	5,343	34.9%	6,445	11.9%	3,937	1,723	128.5%	3,557	10.7%
Gross healthcare and pharma profit	52,342	26,291	99.1%	42,221	24.0%	-	-	-	-	-	52,342	26,291	99.1%	42,221	24.0%
Gross real estate profit	2,701	5,978	-54.8%	1,339	101.7%	-	-	-	-	-	3,010	5,978	-49.6%	2,033	48.1%
Gross utility and energy profit	17,444	-	-	21,600	-19.2%	-	-	-	-	-	17,527	-	-	21,671	-19.1%
Gross other investment profit	3,993	3,606	10.7%	9,697	-58.8%	-	-	-	-	-	3,981	3,675	8.3%	9,391	-57.6%
Revenue	**299,534**	**219,214**	**36.6%**	**305,471**	**-1.9%**	**221,361**	**184,135**	**20.2%**	**232,483**	**-4.8%**	**80,797**	**37,667**	**114.5%**	**78,873**	**2.4%**
Operating expenses	**(120,974)**	**(83,242)**	**45.3%**	**(117,358)**	**3.1%**	**(79,996)**	**(69,863)**	**14.5%**	**(87,069)**	**-8.1%**	**(42,392)**	**(14,410)**	**194.2%**	**(32,163)**	**31.8%**
Operating income before cost of credit risk / EBITDA	**178,560**	**135,972**	**31.3%**	**188,113**	**-5.1%**	**141,365**	**114,272**	**24.2%**	**145,414**	**-2.4%**	**38,405**	**23,257**	**65.1%**	**46,710**	**-17.8%**
Profit from associates	514	1,866	-72.5%	254	102.4%	514	-	-	-	-	-	1,866	-100.0%	254	-100.0%
Depreciation and amortisation of investment business	(11,236)	(4,910)	128.8%	(9,615)	16.9%	-	-	-	-	-	(11,236)	(4,910)	128.8%	(9,615)	16.9%
Net foreign currency gain (loss) from investment business	6,955	(766)	NMF	(6,065)	NMF	-	-	-	-	-	6,955	(766)	NMF	(6,065)	NMF
Interest income from investment business	1,420	956	48.5%	1,551	-8.4%	-	-	-	-	-	2,298	964	138.4%	540	NMF
Interest expense from investment business	(10,309)	(1,382)	NMF	(8,673)	18.9%	-	-	-	-	-	(12,397)	(2,947)	NMF	(11,673)	6.2%
Operating income before cost of credit risk	**165,904**	**131,736**	**25.9%**	**165,565**	**0.2%**	**141,879**	**114,272**	**24.2%**	**145,414**	**-2.4%**	**24,025**	**17,464**	**37.6%**	**20,151**	**19.2%**
Cost of credit risk	(49,245)	(36,143)	36.3%	(69,967)	-29.6%	(48,262)	(35,012)	37.8%	(70,873)	-31.9%	(983)	(1,131)	-13.1%	906	NMF
Net non-recurring items	(3,371)	1,366	NMF	698	NMF	(1,695)	(1,419)	19.5%	(1,056)	60.5%	(1,676)	2,785	NMF	1,754	NMF
Profit before income tax expense	**113,288**	**96,959**	**16.8%**	**96,296**	**17.6%**	**91,922**	**77,841**	**18.1%**	**73,485**	**25.1%**	**21,366**	**19,118**	**11.8%**	**22,811**	**-6.3%**
Income tax (expense) benefit	(5,115)	(9,912)	-48.4%	(7,553)	-32.3%	(5,045)	(8,178)	-38.3%	1,830	NMF	(70)	(1,734)	-96.0%	(9,383)	-99.3%
Profit	**108,173**	**87,047**	**24.3%**	**88,743**	**21.9%**	**86,877**	**69,663**	**24.7%**	**75,315**	**15.4%**	**21,296**	**17,384**	**22.5%**	**13,428**	**58.6%**
Earnings per share (basic)	**2.64**	**2.10**	**25.7%**	**2.29**	**15.3%**	**2.27**	**1.78**	**27.4%**	**1.99**	**13.9%**	**0.37**	**0.32**	**16.3%**	**0.30**	**24.7%**
Earnings per share (diluted)	**2.55**	**2.10**	**21.4%**	**2.21**	**15.4%**	**2.19**	**1.78**	**23.0%**	**1.92**	**14.0%**	**0.36**	**0.32**	**12.3%**	**0.29**	**24.8%**

BALANCE SHEET

	BGEO Consolidated					Banking Business					Investment Business				
GEL thousands unless otherwise noted	Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q	Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q	Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q
Liquid assets	3,606,926	2,948,699	22.3%	3,914,596	-7.9%	3,404,237	2,876,357	18.4%	3,712,489	-8.3%	503,589	337,602	49.2%	554,192	-9.1%
Cash and cash equivalents	*1,285,483*	*1,359,219*	*-5.4%*	*1,573,610*	*-18.3%*	*1,198,457*	*1,330,094*	*-9.9%*	*1,482,106*	*-19.1%*	*353,485*	*288,512*	*22.5%*	*397,620*	*-11.1%*
Amounts due from credit institutions	*1,090,111*	*764,435*	*42.6%*	*1,054,983*	*3.3%*	*973,787*	*720,442*	*35.2%*	*943,091*	*3.3%*	*146,798*	*47,936*	*206.2%*	*153,497*	*-4.4%*
Investment securities	*1,231,332*	*825,045*	*49.2%*	*1,286,003*	*-4.3%*	*1,231,993*	*825,821*	*49.2%*	*1,287,292*	*-4.3%*	*3,306*	*1,154*	*186.5%*	*3,075*	*7.5%*
Loans to customers and finance lease receivables	6,408,711	5,359,718	19.6%	6,648,482	-3.6%	6,470,771	5,394,565	19.9%	6,681,672	-3.2%	-	-	-	-	-
Property and equipment	1,388,938	835,651	66.2%	1,323,870	4.9%	342,495	333,243	2.8%	339,442	0.9%	1,046,443	502,408	108.3%	984,428	6.3%
Total assets	**12,606,524**	**10,077,589**	**25.1%**	**12,989,453**	**-2.9%**	**10,678,758**	**9,030,055**	**18.3%**	**11,248,226**	**-5.1%**	**2,297,291**	**1,353,961**	**69.7%**	**2,194,926**	**4.7%**
Client deposits and notes	5,294,462	4,698,558	12.7%	5,382,698	-1.6%	5,591,720	4,962,432	12.7%	5,730,419	-2.4%	-	-	-	-	-
Amounts due to credit institutions	3,133,422	1,719,920	82.2%	3,470,091	-9.7%	2,662,909	1,630,299	63.3%	3,067,651	-13.2%	532,573	124,468	327.9%	435,630	22.3%
Borrowings from DFI	*1,376,864*	*960,575*	*43.3%*	*1,403,120*	*-1.9%*	*1,143,408*	*926,210*	*23.5%*	*1,281,798*	*-10.8%*	*233,456*	*34,366*	*579.3%*	*121,323*	*92.4%*
Short-term loans from NBG	*1,005,404*	*368,000*	*173.2%*	*1,085,640*	*-7.4%*	*1,005,404*	*368,000*	*173.2%*	*1,085,640*	*-7.4%*	-	-	-	-	-
Loans and deposits from commercial banks	*751,154*	*391,345*	*91.9%*	*981,331*	*-23.5%*	*514,097*	*336,089*	*53.0%*	*700,213*	*-26.6%*	*299,117*	*90,102*	*232.0%*	*314,307*	*-4.8%*
Debt securities issued	1,157,082	1,033,758	11.9%	1,255,643	-7.8%	827,024	957,474	-13.6%	858,037	-3.6%	338,292	81,116	317.0%	407,242	-16.9%
Total liabilities	**10,153,771**	**7,926,740**	**28.1%**	**10,566,035**	**-3.9%**	**9,243,177**	**7,751,805**	**19.2%**	**9,819,375**	**-5.9%**	**1,280,119**	**481,362**	**165.9%**	**1,200,359**	**6.6%**
Total equity	**2,452,753**	**2,150,849**	**14.0%**	**2,423,418**	**1.2%**	**1,435,581**	**1,278,250**	**12.3%**	**1,428,851**	**0.5%**	**1,017,172**	**872,599**	**16.6%**	**994,567**	**2.3%**

[5] Banking Business and Investment Business financials do not include inter-business eliminations. Detailed financials, including inter-business eliminations are provided on pages 31and 32

BANKING BUSINESS RATIOS	1Q17	1Q16	4Q16
ROAA	3.2%	3.0%	2.9%
ROAE	23.5%	21.2%	20.1%
Net Interest Margin	7.4%	7.5%	7.6%
Loan Yield	14.0%	14.4%	14.4%
Liquid assets yield	3.4%	3.1%	3.3%
Cost of Funds	4.6%	5.0%	4.6%
Cost of Client Deposits and Notes	3.5%	4.3%	3.5%
Cost of Amounts Due to Credit Institutions	6.3%	6.0%	6.4%
Cost of Debt Securities Issued	6.0%	7.2%	6.1%
Cost / Income	36.1%	37.9%	37.5%
NPLs To Gross Loans To Clients	4.6%	4.5%	4.2%
NPL Coverage Ratio	87.1%	86.0%	86.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	126.9%	122.6%	132.1%
Cost of Risk	2.4%	2.3%	4.2%
New NBG (Basel II) Tier I Capital Adequacy Ratio[6]	11.2%	10.1%	10.1%
New NBG (Basel II) Total Capital Adequacy Ratio[6]	16.3%	15.8%	15.4%

[6] Capital adequacy ratios include GEL 99.5mln distributed as dividend from the Bank to the holding level on 29 December 2016. These funds are earmarked for regular dividends in respect of the 2016 financial year and will be paid on 7 July 2017, subject to approval by the shareholders at BGEO's AGM on 1 June 2017. Excluding this amount, NBG (Basel 2/3) Tier I and Total CAR would be 10.1% and 15.2%, respectively, at 31 March 2017 and 9.1% and 14.4%, respectively, at 31 December 2016

DISCUSSION OF RESULTS

Discussion of Banking Business Results

*The Group's **Banking Business** is comprised of several components. **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. The business targets the emerging retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. **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. **Property and Casualty ("P&C")** principally provides property and casualty insurance services to corporate clients and insured individuals in Georgia. **BNB**, comprising JSC Belarusky Narodny Bank, principally provides retail and corporate banking services in Belarus. The following discussion refers to the Banking Business only.*

REVENUE

GEL thousands, unless otherwise noted	**1Q17**	**1Q16**	**Change y-o-y**	**4Q16**	**Change q-o-q**
Banking interest income	267,521	226,217	18.3%	258,414	3.5%
Banking interest expense	(105,874)	(95,998)	10.3%	(100,043)	5.8%
Net banking interest income	**161,647**	**130,219**	**24.1%**	**158,371**	**2.1%**
Fee and commission income	43,663	38,484	13.5%	50,135	-12.9%
Fee and commission expense	(13,528)	(10,469)	29.2%	(13,490)	0.3%
Net fee and commission income	**30,135**	**28,015**	**7.6%**	**36,645**	**-17.8%**
Net banking foreign currency gain	19,274	17,390	10.8%	28,516	-32.4%
Net other banking income	3,095	3,168	-2.3%	2,506	23.5%
Net insurance premiums earned	12,847	9,550	34.5%	11,559	11.1%
Net insurance claims incurred	(5,637)	(4,207)	34.0%	(5,114)	10.2%
Gross insurance profit	**7,210**	**5,343**	**34.9%**	**6,445**	**11.9%**
Revenue	**221,361**	**184,135**	**20.2%**	**232,483**	**-4.8%**
Net Interest Margin	7.4%	7.5%		7.6%	
Average interest earning assets	8,866,822	7,013,413	26.4%	8,240,676	7.6%
Average interest bearing liabilities	9,383,683	7,681,953	22.2%	8,609,618	9.0%
Average net loans and finance lease receivables, currency blended	6,638,473	5,458,637	21.6%	6,134,296	8.2%
Average net loans and finance lease receivables, GEL	2,035,225	1,489,518	36.6%	1,780,650	14.3%
Average net loans and finance lease receivables, FC	4,603,248	3,969,119	16.0%	4,353,646	5.7%
Average client deposits and notes, currency blended	5,701,921	5,018,669	13.6%	5,236,265	8.9%
Average client deposits and notes, GEL	1,382,631	1,195,744	15.6%	1,221,435	13.2%
Average client deposits and notes, FC	4,319,290	3,822,925	13.0%	4,014,830	7.6%
Average liquid assets, currency blended	3,520,859	2,950,858	19.3%	3,307,646	6.4%
Average liquid assets, GEL	1,374,729	1,127,353	21.9%	1,325,275	3.7%
Average liquid assets, FC	2,146,130	1,823,505	17.7%	1,982,371	8.3%
Excess liquidity (NBG)	406,213	836,569	-51.4%	418,016	-2.8%
Liquid assets yield, currency blended	3.4%	3.1%		3.3%	
Liquid assets yield, GEL	7.3%	7.7%		7.3%	
Liquid assets yield, FC	0.9%	0.3%		0.6%	
Loan yield, currency blended	14.0%	14.4%		14.4%	
Loan yield, GEL	22.5%	22.5%		22.9%	
Loan yield, FC	10.3%	11.0%		10.9%	
Cost of Funds, currency blended	4.6%	5.0%		4.6%	
Cost of Funds, GEL	6.7%	6.8%		6.0%	
Cost of Funds, FC	3.8%	4.4%		4.1%	

- **Banking Business revenue. We recorded strong quarterly revenue of GEL 221.4mln (up 20.2% y-o-y)**. Y-o-y revenue growth was primarily driven by the increase in net banking interest income resulting from the growth in our loan book, net banking foreign currency gain and the outstanding performance of our P&C insurance business
- **Net banking interest income.** Our net banking interest income was up 24.1% in 1Q17 y-o-y. Net banking interest income was primarily driven by strong performance in our Retail Banking operations, which was slightly offset by the decline in CIB's net banking interest income
- **Our NIM was 7.4% in 1Q17, within our target range of 7.25% - 7.75%.** 1Q17 loan yield and cost of funds were each down by 40bps y-o-y, while liquid assets yield increased by 30bps. However, 1Q17 NIM was lower by 10 bps y-o-y as a result of the NBG's decision in 2Q16 mandating an increase in minimum reserve requirements leading to an increased portion of liquid assets in total interest-earning assets. On a q-o-q basis, NIM was down by 20bps driven by 40bps decrease in loan yield, while cost of funds remained flat and liquid asset yield was up by 10bps
- **Loan yields.** Loan yield stood at 14.0% for 1Q17 (down 40bps y-o-y and down 40bps q-o-q). This reflected 70bps decrease in the foreign currency denominated loan yield y-o-y, while the local currency denominated loan yield remained flat for the same period. As the share of local currency denominated loans in the total loan portfolio increased y-o-y, the effect of 70bps y-o-y decrease in foreign currency denominated loan yield was partially offset. The 40 bps decrease in loan yield q-o-q reflected the 60bps decrease in foreign currency denominated loan yield and 40 bps decrease in local currency denominated loan yield
- **Liquid assets yield.** Our liquid asset yield increased to 3.4% (up 30bps y-o-y and up 10bps q-o-q). The foreign currency denominated liquid assets yield increased by 60pbs y-o-y as a result of the US Federal Reserve's decisions in December 2016 and March 2017 to raise interest rates by 50bps in aggregate, 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, this increase was partially offset by a decrease of the local currency denominated liquid assets yield by 40bps y-o-y and 0.8ppts y-o-y increase of the share of local currency denominated average liquid assets in 1Q17
- **Dollarisation.** Dollarisation of our loan book decreased since last year as the demand for local currency denominated loans outpaced the demand for foreign currency denominated loans. The trend was supported by the Georgian government's "de-dollarisation" initiatives: a) a one-off program, effective from 15 January 2017 until 25 March 2017, allowing qualified borrowers to convert eligible US dollar denominated loans into GEL, at a discount compensated by the government, at the client's election and b) a new regulation, effective from 15 January 2017, restricting issuance of new loans in foreign currency with amounts less than GEL 100 thousand (equivalent) and representing approximately GEL 415mln (equivalent) of the Bank's loans based on 31 December 2016 data. At 31 March 2017, 33.5% of our net loans were denominated in GEL as compared to 27.6% at 31 March 2016 and 28.7% at 31 December 2016. The dollarisation of our average liquid assets decreased slightly to 61.0% in 1Q17, from 61.8% in 1Q16 – primarily due to a higher level of US Dollar liquidity accumulated at the beginning of the 2016 in connection with the liability management exercise of the Bank's outstanding Eurobonds, which was completed during the 3rd quarter 2016
- **Net Loans to Customer Funds and DFI ratio**. Customer funds (client deposits and notes) increased by 12.7% y-o-y to GEL 5,591.7mln primarily driven by strong deposit generation in our Retail Banking operations where client deposits and notes grew by 25.9% y-o-y to GEL 2,393.8mln. We also increased our borrowings from DFIs by 23.5% y-o-y to GEL 1,143.4mln, in order to support growth in local currency lending. As a result, our Net Loans to Customer Funds and DFI ratio, which is closely monitored by management, stood at 96.1% (91.6% at 31 March 2016 and 95.3% at 31 December 2016)
- **Net fee and commission income.** Net fee and commission income performance is mainly driven by the strong performance in our settlement operations supported by the success of our Express banking franchise. This was partially offset by a decline in the CIB's fees from guarantees and letters of credit, driven by the deconcentration efforts in the CIB segment. Excluding the income from guarantees and letters of credit, net fee and commission income was GEL 26.9mln for 1Q17, up 16.2% y-o-y
- **Net banking foreign currency gain.** In line with the continued volatility of the GEL exchange rate, net banking foreign currency gain was up 10.8% y-o-y for 1Q17 and down 32.4% q-o-q. Volatility was more elevated in 4Q16 compared to 1Q16 and 1Q17. Retail Banking and the CIB businesses contributed 93.0% to the total 1Q17 net banking foreign currency gain
- **Net other banking income.** The 23.5% q-o-q increase in net other banking income in 1Q17 was largely driven by the absence of losses on derivative financial instruments recorded in 4Q16
- **Gross insurance profit.** Our P&C franchise, Aldagi, delivered record quarterly gross insurance profit in 1Q17. Net insurance premiums earned increased by 34.5% y-o-y and net insurance claims incurred increased by 34.0% y-o-y, driving y-o-y growth in gross insurance profit by 34.9%. The strong performance was mainly attributable to the improved quality of the insurance portfolio, which benefited from the termination of relationships with loss making clients

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

GEL thousands, unless otherwise noted	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q
Salaries and other employee benefits	(46,257)	(39,806)	16.2%	(50,052)	-7.6%
Administrative expenses	(23,219)	(20,058)	15.8%	(25,714)	-9.7%
Banking depreciation and amortisation	(9,759)	(9,138)	6.8%	(9,841)	-0.8%
Other operating expenses	(761)	(861)	-11.6%	(1,462)	-47.9%
Operating expenses	**(79,996)**	**(69,863)**	**14.5%**	**(87,069)**	**-8.1%**
Profit from associate	514	-	NMF	-	NMF
Operating income before cost of credit risk	**141,879**	**114,272**	**24.2%**	**145,414**	**-2.4%**
Impairment charge on loans to customers	(41,341)	(32,218)	28.3%	(69,920)	-40.9%
Impairment charge on finance lease receivables	(139)	(513)	-72.9%	3,124	NMF
Impairment charge on other assets and provisions	(6,782)	(2,281)	197.3%	(4,077)	66.3%
Cost of credit risk	**(48,262)**	**(35,012)**	**37.8%**	**(70,873)**	**-31.9%**
Net operating income before non-recurring items	**93,617**	**79,260**	**18.1%**	**74,541**	**25.6%**
Net non-recurring items	(1,695)	(1,419)	19.5%	(1,056)	60.5%
Profit before income tax	**91,922**	**77,841**	**18.1%**	**73,485**	**25.1%**
Income tax (expense) benefit	(5,045)	(8,178)	-38.3%	1,830	NMF
Profit	**86,877**	**69,663**	**24.7%**	**75,315**	**15.4%**

- **Operating expenses increased to GEL 80.0mln in 1Q17 (up 14.5% y-o-y and down 8.1% q-o-q).** Growth in revenues outpaced growth in operating expenses leading to y-o-y positive operating leverage of 5.7% in 1Q17. This represents an improvement compared to y-o-y negative operating leverages of 3.3% and 6.8% in 1Q16 and 4Q16, respectively. 1Q17 operating expenses y-o-y and q-o-q changes were driven by:
  - Increase in y-o-y salaries and employee benefits by 16.2% mainly reflects organic growth of our Retail Banking Business, while q-o-q decrease of 7.6% was attributable to seasonally slower activity of Retail Banking Business in 1Q17 compared to 4Q16
  - Administrative expenses increased y-o-y by 15.8%, primarily driven by rent and repair and maintenance costs as compared with the same period last year. The increase was attributable to the combined effect of the larger branch network and the higher average quarterly exchange rate during 1Q17 as the vast majority of branch rental agreements are denominated in US Dollar. The decrease in q-o-q administrative expenses by 9.7% reflects higher seasonal marketing activities in 4Q16
- **Cost of Risk ratio.** Banking Business Cost of Risk ratio was 2.4% in 1Q17, up 10bps y-o-y and down 180bps q-o-q. Cost of Risk was positively impacted by the GEL's appreciation against major foreign currencies during 1Q17. CIB Cost of Risk ratio was down 180bps y-o-y and 630bps q-o-q, while RB Cost of Risk ratio was up 90bps y-o-y and 140bps q-o-q, largely driven by headwinds from GEL's depreciation in 4Q16
- Quality of the Banking Business loan book remained resilient in 1Q17 as evidenced by following closely monitored metrics:
  - **NPLs.** NPLs were GEL 311.9mln, up 23.8% y-o-y and up 5.8% q-o-q. The q-o-q increase reflects increase in BNB's NPLs, as a result of the difficult economic environment in Belarus, and RB's NPLs
  - **NPLs to gross loans.** NPLs to gross loans were 4.6% as of 31 March 2017, up 10 bps y-o-y and 40bps q-o-q. Our Retail Banking NPLs to gross loans stood flat at 1.7% as of 31 March 2017 and 31 March 2016, up from 1.4% as of 31 December 2016. The CIB NPLs to gross loans was 8.2%, compared to 7.4% as of 31 March 2016 and 8.0% as of 31 December 2016
  - **The NPL coverage ratio.** The NPL coverage ratio stood at 87.1% as of 31 March 2017, compared to 86.0% as of 31 March 2016 and 86.7% as of 31 December 2016. Our NPL coverage ratio adjusted for the discounted value of collateral was 126.9% as of 31 March 2017, compared to 122.6% as of 31 March 2016 and compared to 132.1% as of 31 December 2016
  - **Past due rates.** Our 15 days past due rate for retail loans stood at 1.4% as of 31 March 2017 compared to 1.1% as of 31 March 2016 and 1.2% as of 31 December 2016. 15 days past due rate for our mortgage loans stood at 0.9% as of 31 March 2017 compared to 0.6% as of 31 March 2016 and 0.6% as of 31 December 2016
- The 197.3% y-o-y and 66.3% q-o-q increase in impairment charges on other assets and provisions reflects the impairment of a repossessed asset
- **Income tax (expense) benefit**. The y-o-y and q-o-q movements in income taxes reflect the impacts of changes in corporate taxation model, approved by the Parliament of Georgia in May 2016, on our Banking Business deferred tax assets and liabilities
- **As a result of the foregoing, the 1Q17 Banking Business profit was GEL 86.9mln (up 24.7% y-o-y and up 15.4% q-o-q), while ROAE increased to 23.5% in 1Q17 (up 230bps y-o-y and up 340bps q-o-q)**

- **BNB – the Group's banking subsidiary in Belarus - generated a profit of GEL 0.7mln in 1Q17 (down 84.3% y-o-y and up GEL 4.8mln q-o-q); BNB's earnings were negatively impacted by increased levels of cost of risk due to the weak macro-economic conditions in Belarus.** BNB's loan book reached GEL 335.5mln at 31 March 2017, up 4.9% y-o-y, mostly reflecting an increase in corporate and consumer loans. Client deposits were GEL 235.9mln, up 2.2% y-o-y at 31 March 2017. The significant improvement in BNB's performance on a q-o-q basis was driven by the absence of one-off costs recorded in 4Q16 related to higher cost of risk, PPE impairment charges and losses from investment property revaluation. **However, BNB continued to remain well-capitalised**, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. As at 31 March 2017, total CAR was 15.8%, comfortably above 10% minimum requirement of the National Bank of the Republic of Belarus ("NBRB"), while Tier I CAR was 9.9%, above NBRB's 6% minimum requirement. Return on Average Equity ("**ROAE**") for BNB was 3.2% in 1Q17 (22.9% in 1Q16 and negative 21.9% in 4Q16)
- *In 1Q17, the Group's ownership in BNB increased from 80.0% to 95.0% following the exercise by the International Finance Corporation ("IFC") of the put option which was granted to IFC in July 2010 as part of its purchase of a 19.99% equity stake in BNB. The price paid by the Group for BNB's 15.0% equity stake amounted to USD c.6mln (GEL 16mln). Following the transaction, IFC continues to hold 4.99% of BNB's equity*

BANKING BUSINESS BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	**Mar-17**	**Mar-16**	**Change y-o-y**	**Dec-16**	**Change q-o-q**
Liquid assets	3,404,237	2,876,357	18.4%	3,712,489	-8.3%
Liquid assets, GEL	1,312,152	1,050,741	24.9%	1,455,296	-9.8%
Liquid assets, FC	2,092,085	1,825,616	14.6%	2,257,193	-7.3%
Net loans and finance lease receivables	6,470,771	5,394,565	19.9%	6,681,672	-3.2%
Net loans and finance lease receivables, GEL	2,170,530	1,488,050	45.9%	1,920,422	13.0%
Net loans and finance lease receivables, FC	4,300,241	3,906,515	10.1%	4,761,250	-9.7%
Client deposits and notes	5,591,720	4,962,432	12.7%	5,730,419	-2.4%
Client deposits and notes, GEL	1,472,494	1,113,787	32.2%	1,331,918	10.6%
Client deposits and notes, FC	4,119,226	3,848,645	7.0%	4,398,501	-6.3%
Amounts due to credit institutions	2,662,909	1,630,299	63.3%	3,067,651	-13.2%
Borrowings from DFIs	1,143,408	926,210	23.5%	1,281,798	-10.8%
Short-term loans from central banks	1,005,404	368,000	173.2%	1,085,640	-7.4%
Loans and deposits from commercial banks	514,097	336,089	53.0%	700,213	-26.6%
Debt securities issued	827,024	957,474	-13.6%	858,037	-3.6%
Liquidity and CAR ratios					
Net loans / client deposits and notes	115.7%	108.7%		116.6%	
Net loans / client deposits and notes + DFIs	96.1%	91.6%		95.3%	
Liquid assets as percent of total assets	31.9%	31.9%		33.0%	
Liquid assets as percent of total liabilities	36.8%	37.1%		37.8%	
NBG liquidity ratio	37.4%	47.3%		37.7%	
Excess liquidity (NBG)	406,213	836,569	-51.4%	418,016	-2.8%
New NBG (Basel II) Tier I Capital Adequacy Ratio[7]	11.2%	10.1%		10.1%	
New NBG (Basel II) Total Capital Adequacy Ratio[7]	16.3%	15.8%		15.4%	

Our Banking Business balance sheet remained highly liquid (NBG Liquidity ratio of 37.4%) **and well-capitalised** (Tier I ratio, NBG Basel 2/3 of 11.2%[6]) **with a well-diversified funding base** (Client Deposits and notes to Total Liabilities of 60.5%).

- **Liquidity.** The NBG liquidity ratio stood at 37.4% at 31 March 2017 compared to 47.3% a year ago, and against a regulatory minimum requirement of 30.0%. Liquid assets increased to GEL 3,404.2mln at 31 March 2017, up 18.4% y-o-y, largely driven by a) the increase in obligatory reserves as a result of the change in respective NBG regulation in 2Q16 and b) increase in local currency corporate bonds, which are used by the Bank as collateral for short-term borrowings from the NBG
- **Diversified funding base**. Short-term borrowings from the NBG grew by 173.2% y-o-y due to the increase in local currency sourcing from International Financial Institutions whose GEL-denominated bonds were pledged as collateral against NBG loans
- **Loan book**. Our net loan book and financial lease receivables stood at GEL 6,470.8mln, up 19.9% y-o-y and down 3.2% q-o-q, with retail representing 62.6% of the total loan portfolio at 31 March 2017 (56.5% at 31 March 2016 and 60.9% at 31 December 2016), in line with our target to increase RB's share in total loan book to 65%. The growth on a constant-currency basis was 17.4% y-o-y and 2.1% q-o-q. While both local and foreign currency portfolios experienced strong y-o-y growth, local currency loan portfolio demonstrated outstanding y-o-y increase of 45.9%, which was partially driven by the Georgian government's "de-dollarisation" initiatives and our goal to increase the share of local currency loans in our portfolio

[7] Capital adequacy ratios include GEL 99.5mln distributed as dividend from the Bank to the holding level on 29 December 2016. These funds are earmarked for regular dividends in respect of the 2016 financial year and will be paid on 7 July 2017, subject to approval by the shareholders at BGEO's AGM on 1 June 2017. Excluding this amount, NBG (Basel 2/3) Tier I and Total CAR would be 10.1% and 15.2%, respectively, at 31 March 2017 and 9.1% and 14.4%, respectively, at 31 December 2016

Discussion of Segment Results

The segment results discussion is presented for Retail Banking (RB), Corporate Investment Banking (CIB), Utility & Energy Business (GGU), Healthcare Business (GHG) and Real Estate Business (m^2 Real Estate).

Banking Business Segment Result Discussion

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, encompassing the emerging mass retail segment (through our Express brand), retail mass market segment and SME and micro businesses (through our Bank of Georgia brand), and the mass affluent segment (through our Solo brand).

GEL thousands, unless otherwise noted	**1Q17**	**1Q16**	**Change y-o-y**	**4Q16**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS					
Net banking interest income	111,511	82,832	34.6%	111,109	0.4%
Net fee and commission income	22,245	19,239	15.6%	26,810	-17.0%
Net banking foreign currency gain	6,492	3,590	80.8%	8,825	-26.4%
Net other banking income	982	711	38.1%	989	-0.7%
Revenue	**141,230**	**106,372**	**32.8%**	**147,733**	**-4.4%**
Salaries and other employee benefits	(27,865)	(23,607)	18.0%	(31,149)	-10.5%
Administrative expenses	(16,835)	(14,521)	15.9%	(17,287)	-2.6%
Banking depreciation and amortisation	(7,991)	(7,383)	8.2%	(8,052)	-0.8%
Other operating expenses	(475)	(496)	-4.2%	(818)	-41.9%
Operating expenses	**(53,166)**	**(46,007)**	**15.6%**	**(57,306)**	**-7.2%**
Profit from associate	514	-	NMF	-	NMF
Operating income before cost of credit risk	**88,578**	**60,365**	**46.7%**	**90,427**	**-2.0%**
Cost of credit risk	(33,687)	(18,184)	85.3%	(19,272)	74.8%
Net non-recurring items	(482)	(561)	-14.1%	(1,921)	-74.9%
Profit before income tax	**54,409**	**41,620**	**30.7%**	**69,234**	**-21.4%**
Income tax (expense)	(3,592)	(3,844)	-6.6%	(1,235)	190.9%
Profit	**50,817**	**37,776**	**34.5%**	**67,999**	**-25.3%**
BALANCE SHEET HIGHLIGHTS					
Net loans, Currency Blended	3,891,063	2,901,189	34.1%	3,902,306	-0.3%
Net loans, GEL	1,783,345	1,266,966	40.8%	1,530,661	16.5%
Net loans, FC	2,107,718	1,634,223	29.0%	2,371,645	-11.1%
Client deposits, Currency Blended	2,393,754	1,902,042	25.9%	2,413,569	-0.8%
Client deposits, GEL	616,383	447,620	37.7%	603,149	2.2%
Client deposits, FC	1,777,371	1,454,422	22.2%	1,810,420	-1.8%
of which:					
Time deposits, Currency Blended	1,426,012	1,205,935	18.2%	1,437,644	-0.8%
Time deposits, GEL	255,955	196,668	30.1%	228,047	12.2%
Time deposits, FC	1,170,057	1,009,267	15.9%	1,209,597	-3.3%
Current accounts and demand deposits, Currency Blended	967,742	696,107	39.0%	975,925	-0.8%
Current accounts and demand deposits, GEL	360,428	250,952	43.6%	375,102	-3.9%
Current accounts and demand deposits, FC	607,314	445,155	36.4%	600,823	1.1%
KEY RATIOS					
ROAE Retail Banking	27.2%	24.3%		35.8%	
Net interest margin, currency blended	8.8%	9.2%		9.3%	
Cost of risk	3.4%	2.5%		2.0%	
Cost of funds, currency blended	5.3%	6.5%		5.1%	
Loan yield, currency blended	15.9%	17.4%		16.4%	
Loan yield, GEL	24.9%	25.4%		25.4%	
Loan yield, FC	9.4%	10.9%		10.1%	
Cost of deposits, currency blended	3.0%	3.5%		3.1%	
Cost of deposits, GEL	4.4%	4.8%		4.0%	
Cost of deposits, FC	2.6%	3.2%		2.7%	
Cost of time deposits, currency blended	4.4%	5.1%		4.5%	
Cost of time deposits, GEL	8.7%	9.7%		8.6%	
Cost of time deposits, FC	3.6%	4.3%		3.7%	
Current accounts and demand deposits, currency blended	0.9%	0.9%		0.8%	
Current accounts and demand deposits, GEL	1.4%	1.1%		1.1%	
Current accounts and demand deposits, FC	0.6%	0.7%		0.6%	
Cost / income ratio	37.6%	43.3%		38.8%	

Performance highlights

- **Retail Banking continued its strong performance across all major business lines and recorded a total revenue of GEL 141.2mln in 1Q17 (up 32.8% y-o-y)**
- Net banking interest income experienced a 34.6% y-o-y growth on the back of the strong growth in the Retail Banking loan book, while q-o-q growth was modest at 0.4% due to seasonal factors. Record quarterly net banking interest income was supported by the increase in the local currency loan portfolio, which generated 15.5ppts higher yield than foreign currency loan portfolio during 1Q17
- **The Retail Banking net loan book reached GEL 3,891.1mln, up 34.1% y-o-y.** Our local currency denominated loan book grew at a faster pace (up 40.8% y-o-y) than the foreign currency denominated loan book (up 29.0% y-o-y). As a result, loan book dollarisation decreased to 54.2% at 31 March 2017 from 56.3% at 31 March 2016 and 60.8% at 31 December 2016
- The loan book growth was a product of continued strong loan origination levels delivered across all Retail Banking segments:
  - Consumer loan originations amounted to GEL 302.4mln in 1Q17, leading to an outstanding consumer loans balance of GEL 944.0mln at 31 March 2017, up 44.8% y-o-y
  - Micro loan originations totalled GEL 236.5mln in 1Q17, resulting in an outstanding micro loans balance of GEL 872.8mln at 31 March 2017, up 55.1% y-o-y
  - SME loan originations amounted to GEL 118.9mln in 1Q17, leading to an outstanding SME loans balance of GEL 463.4mln at 31 March 2017, up 29.2% y-o-y
  - Mortgage loan originations totalled GEL 213.0mln in 1Q17, resulting in an outstanding mortgage loans balance of GEL 1,187.0mln at 31 March 2017, up 34.3% y-o-y
  - Originations of loans disbursed at merchant locations amounted to GEL 42.7mln in 1Q17, resulting in outstanding loans disbursed at merchant locations of GEL 108.3mln at 31 March 2017, down 1.4% y-o-y (the lack of growth in the outstanding balance in this product reflects increased client conversions to consumer loans and credit cards)
- **Retail Banking client deposits increased to GEL 2,393.8mln, up 25.9% y-o-y**, notwithstanding a decrease in the cost of deposits of 50bps y-o-y. The dollarisation level of our deposits decreased to 74.3% from 76.5% at 31 March 2016 and from 75.0% at 31 December 2016. This is in line with the current decreasing trend of cost on foreign currency denominated deposits (down 60 bps y-o-y and down 10 bps q-o-q). The spread between the cost of RB's client deposits widened to 1.8ppts during 1Q17 (GEL: 4.4%; FC: 2.6%) compared to 1.6ppts in 1Q16 (GEL: 4.8%; FC: 3.2%) and 1.3ppts in 4Q16 (GEL: 4.0%; FC: 2.7%). Local currency denominated deposits increased at a faster pace to GEL 616.4mln (up 37.7% y-o-y and 2.2% q-o-q), as compared to foreign currency denominated deposits that grew to GEL 1,777.4 mln (up 22.2% y-o-y and down 1.8% q-o-q)
- **Retail Banking NIM was 8.8% in 1Q17, down 40bps y-o-y and down 50bps q-o-q.** The lower NIM y-o-y was attributable to 150bps decrease in loan yield, while cost of funds decreased by only 120bps. On a q-o-q basis, loan yield was down by 50bps and cost of funds was up by 20bps, thus, leading to 50bps decrease in NIM
- The number of Retail Banking clients reached 2.2mln, up 8.2% y-o-y and up 2.2% q-o-q, while the number of total cards outstanding amounted to 2,099,488, up 8.0% y-o-y and up 2.1% q-o-q
- **Our express banking franchise, the major driver of Retail Banking's fee and commission income, added 16,645 Express Banking customers during 1Q17 and 51,203 clients since 1Q16, accumulating a total of 488,612 clients at 31 March 2017.** The growth in the client base was achieved largely by the increased offering of cost-effective remote channels. The strong client growth supported an organic increase in our Retail Banking net fee and commission income to GEL 22.2mln in 1Q17, up 15.6% y-o-y
- **Our Express Banking business continues to deliver strong growth as we further develop our mass market Retail Banking strategy:**
  - In order to better serve the different needs of our Express Banking customers, we have expanded our payment services through various distance channels including ATMs, Express Pay Terminals, internet and mobile banking and the provision of simple and clear products and services to our existing customers as well as the emerging bankable population
  - **As of 31 March 2017, 1,315,489 Express Cards were outstanding, compared to 1,113,745 cards outstanding as of 31 March 2016 and 1,279,113 cards as of 31 December 2016.** 129,128 Express Cards were issued in 1Q17, up 14.4% y-o-y and down 30.3% q-o-q

  - **The number of Express Pay terminals stood at 2,723 at 31 March 2017, compared to 2,627 terminals at 31 March 2016 and 2,729 at 31 December 2016**. Express Pay terminals are an alternative to tellers, placed at bank branches as well as various other venues (groceries, shopping centres, bus stops, etc.), and are used for bank transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups
  - **The utilisation of Express Pay terminals continued to grow in 1Q17**. The volume of transactions reached GEL 968.8mln, up 46.2% y-o-y and up 3.5% q-o-q, while the number of transactions was 25.2mln, down 12.7% y-o-y and down 7.4% q-o-q. This decrease resulted from management's decision to introduce transaction fees on non-banking transactions processed through Express Pay terminals. However, while this introduction negatively affected the number of transactions, the decrease was more than offset by the total fees charged to the clients leading to 92.3% y-o-y increase in fee income from express pay terminals
  - **Increased Point of Sales ("POS") footprint** to 8,814 desks and 4,740 contracted merchants as of 31 March 2017, up from 6,690 desks and 3,356 contracted merchants as of 31 March 2016 and up from 8,516 desks and 4,514 contracted merchants as of 31 December 2016
  - The number of POS terminals reached 10,774, up 31.9% from 8,168 as of 31 March 2016 and up 4.0% from 10,357 as of 31 December 2016
  - The volume of transactions through the Bank's POS terminals grew to GEL 266.1mln in 1Q17, up 50.9% y-o-y and down 8.3% q-o-q, reflecting the seasonality trend in 4Q16 given the clients' increased spending during the holidays
  - The number of transactions via Internet banking increased to 1.7mln in 1Q17, up from 1.3mln in 1Q16 and flat compared to 1.7 mln in 4Q16, with transaction volume reaching GEL 437.4mln, up 101.7% y-o-y and flat q-o-q
  - The number of transactions via mobile banking application reached 1.0mln in 1Q17, doubling from 0.5mln in 1Q16 and up from 0.9mln in 4Q16, with volume of transactions reaching GEL 94.4mln, up 162.6% y-o-y and up 5.3% q-o-q

- **The number of Solo clients reached 21,657 at the end of 1Q17, up 161.5% since its re-launch in April 2015.** We have now launched 11 Solo lounges, of which 8 are located in Tbilisi, the capital city, and 3 in major regional cities of Georgia. In 1Q17, annualised profit per Solo client was GEL 1,865 compared to a profit of GEL 75 and GEL 59 per Express and mass retail clients, respectively. Product to client ratio for Solo segment was 6.8, compared to 3.2 and 1.7 for Express and mass retail clients, respectively. While Solo clients currently represent c.1.0% of our total retail client base, they contributed 22.1% to our retail loan book, 38.2% to our retail deposits, 12.7% to our net interest income and 13.5% to our net fee and commission income. Our goal is to significantly increase our market share in this segment, which stood below 13% at the beginning of 2015 when we launched Solo in its current format
- **RB cost to income ratio remained well-controlled and improved to 37.6% in 1Q17, down by 570 bps y-o-y and down 120bps q-o-q.** The significant improvement resulted from the increasing utilisation of our Solo lounges coupled with the growth of Express Banking franchise, which has the most cost-efficient model among our three Retail Banking segments
- **RB cost of risk remains contained despite headwinds** - RB cost of credit risk was GEL 33.7mln in 1Q17 (up 85.3% y-o-y and up 74.8% q-o-q). As a result, Cost of Risk ratio was 3.4% in 1Q17, up from 2.5% in 1Q16 and 2.0% in 4Q16. The increase in cost of risk mainly reflected the following two factors: a) increased pace of loan growth in express and micro express loan portfolio during 1Q17, which are characterized with the highest cost of risk ratios in the RB's loan portfolio and the highest loan yields and b) impact from a major fire at one of the largest shopping centres located in downtown Tbilisi, which destroyed the inventory of some of RB's Micro and SME clients and negatively affected their creditworthiness
- **As a result of the above described factors, Retail Banking profit totaled GEL 50.8mln in 1Q17 (up 34.5% y-o-y and down 25.3% q-o-q). Retail Banking continued to deliver an outstanding ROAE, which stood at 27.2% in 1Q17, compared to 24.3% in 1Q16 and 35.8% in 4Q16**

Corporate Investment Banking (CIB)

CIB comprises (1) loans and other credit facilities to the country's large corporate clients as well as other legal entities, excluding SME and micro businesses. The services include fund transfers and settlements services, currency conversion operations, trade finance services and documentary operations as well as handling savings and term deposits for corporate and institutional customers. The Corporate Banking Business also includes finance lease facilities provided by the Bank's leasing operations (the Georgian Leasing Company) and (2) Wealth Management and the brokerage arm of the Bank, Galt & Taggart. Bank of Georgia Wealth Management provides private banking services to high-net-worth individuals and offers investment management products internationally through representative offices in London, Budapest, Istanbul and Tel Aviv. Galt & Taggart brings under one brand corporate advisory, private equity and brokerage services. In its brokerage business, Galt & Taggart serves regional and international markets, including hard-to-reach frontier economies.

GEL thousands, unless otherwise noted	**1Q17**	**1Q16**	**Change y-o-y**	**4Q16**	**Change q-o-q**
INCOME STATEMENT HIGHLIGHTS					
Net banking interest income	37,949	38,250	-0.8%	39,168	-3.1%
Net fee and commission income	5,666	7,020	-19.3%	8,133	-30.3%
Net banking foreign currency gain	11,429	11,368	0.5%	16,158	-29.3%
Net other banking income	2,259	2,587	-12.7%	2,518	-10.3%
Revenue	**57,303**	**59,225**	**-3.2%**	**65,977**	**-13.1%**
Salaries and other employee benefits	(12,346)	(11,155)	10.7%	(12,368)	-0.2%
Administrative expenses	(3,535)	(3,355)	5.4%	(4,943)	-28.5%
Banking depreciation and amortisation	(1,217)	(1,272)	-4.3%	(1,262)	-3.6%
Other operating expenses	(157)	(231)	-32.0%	(330)	-52.4%
Operating expenses	**(17,255)**	**(16,013)**	**7.8%**	**(18,903)**	**-8.7%**
Operating income before cost of credit risk	**40,048**	**43,212**	**-7.3%**	**47,074**	**-14.9%**
Cost of credit risk	(8,699)	(14,138)	-38.5%	(42,172)	-79.4%
Net non-recurring items	(1,155)	(856)	34.9%	2,267	NMF
Profit before income tax	**30,194**	**28,218**	**7.0%**	**7,169**	**321.2%**
Income tax (expense) benefit	(1,912)	(2,687)	-28.8%	2,885	NMF
Profit	**28,282**	**25,531**	**10.8%**	**10,054**	**181.3%**
BALANCE SHEET HIGHLIGHTS					
Letters of credit and guarantees, standalone*	506,433	541,567	-6.5%	511,615	-1.0%
Net loans and finance lease receivables, Currency Blended	2,226,884	2,144,299	3.9%	2,394,876	-7.0%
Net loans and finance lease receivables, GEL	398,105	220,295	80.7%	400,395	-0.6%
Net loans and finance lease receivables, FC	1,828,779	1,924,004	-4.9%	1,994,481	-8.3%
Client deposits, Currency Blended	2,929,377	2,868,846	2.1%	3,059,150	-4.2%
Client deposits, GEL	897,239	797,875	12.5%	772,253	16.2%
Client deposits, FC	2,032,138	2,070,971	-1.9%	2,286,897	-11.1%
Time deposits, Currency Blended	1,136,852	1,200,565	-5.3%	1,230,627	-7.6%
Time deposits, GEL	138,404	165,311	-16.3%	135,002	2.5%
Time deposits, FC	998,448	1,035,254	-3.6%	1,095,625	-8.9%
Current accounts and demand deposits, Currency Blended	1,792,525	1,668,281	7.4%	1,828,523	-2.0%
Current accounts and demand deposits, GEL	758,835	632,564	20.0%	637,251	19.1%
Current accounts and demand deposits, FC	1,033,690	1,035,717	-0.2%	1,191,272	-13.2%
Assets under management	1,568,550	1,343,821	16.7%	1,591,963	-1.5%
RATIOS					
ROAE, Corporate Investment Banking	18.3%	17.6%		6.1%	
Net interest margin, currency blended	3.4%	3.7%		3.6%	
Cost of risk	0.3%	2.1%		6.6%	
Cost of funds, currency blended	5.0%	4.4%		5.1%	
Loan yield, currency blended	10.7%	10.3%		11.1%	
Loan yield, GEL	12.5%	13.1%		13.0%	
Loan yield, FC	10.3%	10.2%		10.8%	
Cost of deposits, currency blended	3.9%	4.5%		3.6%	
Cost of deposits, GEL	6.6%	8.0%		5.0%	
Cost of deposits, FC	2.9%	3.1%		3.2%	
Cost of time deposits, currency blended	5.6%	6.0%		5.8%	
Cost of time deposits, GEL	9.6%	9.6%		9.2%	
Cost of time deposits, FC	5.1%	5.3%		5.4%	
Current accounts and demand deposits, currency blended	2.8%	3.4%		2.0%	
Current accounts and demand deposits, GEL	6.0%	7.5%		3.9%	
Current accounts and demand deposits, FC	0.9%	0.8%		1.0%	
Cost / income ratio	30.1%	27.0%		28.7%	
Concentration of top ten clients	11.3%	12.1%		11.8%	

*Off-balance sheet item

Performance highlights

- CIB's key focus is to increase its ROAE and we are doing this by deconcentrating our corporate loan book and decreasing credit losses, while focusing on further growing our fee generating business through the investment management and trade finance franchises, which we believe are the strongest in the region
  - CIB is successfully following its loan portfolio deconcentration strategy. The concentration of our top 10 Corporate Investment Banking clients reduced to 11.3% at the end of 1Q17, down from 12.1% a year ago and 11.8% at the end of 4Q16
  - CIB revenue reflects our continuous efforts towards the de-concentration strategy. Net banking interest income was down by 0.8% y-o-y and down by 3.1% q-o-q. The y-o-y decline in net banking interest income reflects the y-o-y increase in the currency blended cost of funds, only partially offset by the increase in loan book size and loan yields during the same period. The q-o-q decline is in line with the decrease in loan book size, also affected by declining loan yields
  - The CIB net fee and commission income represented GEL 5.7mln or 9.9% of total CIB revenue in 1Q17 compared to GEL 7.0mln or 11.9% a year ago and GEL 8.1mln or 12.3% in 4Q16. The decline was mainly driven by the decrease in fee and commission income from guarantees and letters of credit (net income from guarantees and letters of credit was down by GEL1.6mln or 33.9% y-o-y and down by GEL 0.4mln or 11.7% q-o-q), reflecting our ongoing risk de-concentration efforts
  - The CIB cost of credit risk significantly improved to GEL 8.7mln for 1Q17 (down 38.5% y-o-y and down 79.4% q-o-q), which largely benefited from GEL's 7.6% appreciation against USD during 1Q17 resulting in decreased GEL values of allowances for foreign currency denominated loans
  - As a result of the foregoing, the CIB ROAE increased to 18.3% in 1Q17, compared to 17.6% a year ago and 6.1% in 4Q16
- CIB's loan book de-dollarisation continued in 1Q17 as the share of foreign currency denominated loans declined to 82.1%, compared to 89.7% a year ago. This trend reflects the increased volatility of the local currency against the US Dollar, as corporate clients have increasingly started to prefer local currency borrowing. The loan book de-dollarisation was also supported by decreasing loan yields for GEL denominated loans (12.5% for 1Q17, down 60bps y-o-y and 50bps q-o-q)
- In 1Q17, dollarisation of our CIB deposits decreased to 69.4% from 72.2% a year ago and 74.8% in 4Q16 as a result of the increased deposit rates in local currency and decreased deposit rates in foreign currency. In 1Q17, the cost of deposits in local currency stood at 6.6%, up 160 bps q-o-q, while the cost of deposits in foreign currency decreased by 20 bps y-o-y and 30bps q-o-q to 2.9%. As a result, total deposits reached GEL 2,929.4, up 2.1% y-o-y and down 4.2% q-o-q. On a constant currency basis, total deposits stayed flat y-o-y and were up 1.2% q-o-q
- **CIB recorded a NIM of 3.4% in 1Q17, down 30bps y-o-y and down 20bps q-o-q**. The y-o-y decrease in the CIB's NIM resulted from 40bps increase in loan yield, which was more than offset by 60bps increase in cost of funds. The q-o-q decrease in NIM reflected 40bps decrease in loan yield, the impact of which was slightly offset by 10bps decline in cost of funds
- In line with continued volatility the GEL exchange rate, our net banking foreign currency gain reached GEL 11.4mln in 1Q17 (up 0.5% y-o-y and down 29.3% q-o-q)
- CIB's cost to income ratio increased to 30.1% from 27.0% in 1Q16 and from 28.7% in4Q16. The increase resulted from the intensified de-concentration efforts, which led to a higher reduction in revenues with less impact on the operating costs. CIB's operating expenses were up 7.8% on y-o-y driven by 10.7% increase in salaries and other employee benefits as a result of CIB's investments in attracting the talent to accelerate the de-concentration efforts and restructuring of its corporate recovery team. However, the benefits of these undertakings are positively reflected in CIB's lower cost of risk ratio, which stood at 0.3% in 1Q17 (down from 2.1% in 1Q16 and 6.6% in 4Q16)
- As a result, Corporate Investment Banking profit reached GEL 28.3mln in 1Q17, up 10.8% y-o-y and 181.3% q-o-q

Performance highlights of wealth management operations

- **The AUM of the Investment Management segment increased to GEL 1,568.6mln 1Q17, up 16.7% y-o-y and down 1.5% q-o-q.** This includes a) deposits of Wealth Management franchise clients and b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets and d) Aldagi pension scheme assets

- **Wealth Management deposits were GEL 1,061.4mln, up 1.3% y-o-y, growing at a compound annual growth rate (CAGR) of 16.7% over the last five-year period**. Q-o-q, Wealth Management deposits were down 3.7%. The cost of deposits stood at 4.1% in 1Q17, down 60bps y-o-y and down 40bps q-o-q. The decline in cost of deposits and the impact of Wealth Management clients switching from deposits to local bonds, as Galt & Taggart has offered a number of local bond issuances - yielding higher rates than deposits - to Wealth Management clients, were reflected in the Wealth Management deposit balances
- We served 1,385 wealth management clients from 68 countries as of 31 March 2017
- **Galt & Taggart continues to develop local capital markets.**
  - **Regional Fixed Income Market Watch.** The report is released monthly and covers the debt markets of Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, and Ukraine. Regional Fixed Income Market Watch provides market data for both locally and internationally listed debt issuances from these countries. Furthermore, the report includes country-level macro indicators, such as sovereign ratings, monetary policy rates, economic growth, fiscal and current account balances
  - **Galt & Taggart Research continues to provide weekly economic (including economies of Georgia and Azerbaijan) and sectoral coverage.** *Galt & Taggart reports are available at www.galtandtaggart.com.* Other research since Galt & Taggart's launch in 2012 included coverage of/notes on the Georgian retail and office real estate market; the Georgian wine, agricultural, electricity, healthcare and tourism sectors; fixed income issuances, including Georgian Oil and Gas Corporation and Georgian Railway; and the Georgian State Budget

Investment Business Segment Result Discussion

Utility & Energy Business (Georgia Global Utilities – GGU)

About GGU

Natural monopoly in the water business, with upside in electricity generation. Our utility and energy business is operated through the Group's wholly-owned subsidiary Georgia Global Utilities (GGU). GGU has two main business lines - a water utility and electric power generation. In its water utility business, GGU is a natural monopoly that supplies water and provides a wastewater service to 1.4mln people (more than one-third of Georgia's population) in three cities: Tbilisi, Mtskheta and Rustavi

GGU is self-sufficient in power for water transportation and it benefits from additional revenue from third-party electricity sales. GGU owns and operates three hydropower generation facilities (and manages an additional facility) with a total capacity of 149.1MW. It is also investing in additional capacity for electricity generation through the development of hydro power plants, as well as solar and wind power sources. Average annual production varies between 380GWh and 560GWh, depending on the level of rainfall during the year. GGU's average annual electricity consumption for its own account varies between 270GWh and 300GWh, which means GGU has self-sufficient power for water transportation and it benefits from additional revenue from third-party electricity sales. During the last few years the company has achieved efficiencies in terms of its own energy consumption. The involvement in hydro power production also provides revenue diversification

Room for efficiencies in water business from improving the worn-out infrastructure. Poor condition of pipeline infrastructure is the main reason for leaks and accidents, causing on average 70% water loss annually, out of which 50% is attributable to technical losses and 20% - to commercial losses. The current high level of water losses is significantly worse than the peer average and represents a strong efficiency upside for the business. GGU owns and operates a water supply network of around 2,700km and about 1,700km of wastewater pipelines. It also has 45 pumping stations, 84 service reservoirs with a total capacity of 320,000 m^3 and one water treatment plant. Around 520,000,000 m^3 of potable water is supplied from water production/treatment facilities annually. By improving the pipeline infrastructure and as a result of reducing the water supplied to its utility customers, GGU expects to free-up water supply for additional electricity generation, which in turn can be sold to third parties

Water tariff & regulation. The current water and wastewater tariff for residential customers stands at GEL 3.15 (per month, per capita) for non-metered customers and at GEL 0.27 per m^3 for metered customers. All of GGU's commercial customers are metered and the tariff stands at GEL 4.42 per m^3. The tariff is set per cubic meter of water consumed by customers. GNERC (Georgian National Energy and Water Supply Regulatory Commission) regulates GGU's water tariffs. GNERC is an independent regulatory body, not subject to direct supervision from any other state authority, but accountable to parliament. It is funded predominantly from the fees paid by market participants (0.2% of total revenues)

Strong cash flow generation is expected to enable GGU to sponsor stable dividend payouts to shareholders starting from 2018. GWP, a wholly owned subsidiary of GGU, which operates the water business, has a credit rating of BB- with stable outlook from Fitch

Standalone results

We acquired the 75% of GGU's equity interests that we did not previously own on 21 July 2016 and have consolidated its results since then. Prior to this, the net income from the Group's 25% stake in GGU was reported under "profit from associates". *The results below refer to GGU's standalone numbers. GGU's stand-alone results, including the related comparative information, reflect the energy & utility business performance.*

INCOME STATEMENT

GEL thousands; unless otherwise noted	**1Q17**	**1Q16**	**Change y-o-y**	**4Q16**	**Change q-o-q**
Revenue from water supply to legal entities	18,336	16,986	7.9%	19,598	-6.4%
Revenue from water supply to individuals	7,911	7,597	4.1%	8,636	-8.4%
Revenue from electric power sales	1,191	3,267	-63.5%	3,641	-67.3%
Revenue from technical support	673	742	-9.3%	2,056	-67.3%
Other income	491	(29)	NMF	2,312	-78.8%
Revenue	**28,602**	**28,563**	**0.1%**	**36,243**	**-21.1%**
Provisions for doubtful trade receivables	274	(746)	NMF	687	-60.1%
Salaries and benefits	(4,121)	(3,784)	8.9%	(4,010)	2.8%
Electricity and transmission costs	(4,972)	(4,721)	5.3%	(3,748)	32.7%
Raw materials, fuel and other consumables	(791)	(893)	-11.4%	85	NMF
Infrastructure assets maintenance expenditure	(301)	(666)	-54.8%	(402)	-25.1%
General and administrative expenses	(787)	(710)	10.8%	(751)	4.8%
Operating taxes	(1,032)	(604)	70.9%	(1,155)	-10.6%
Professional fees	(430)	(612)	-29.7%	(819)	-47.5%
Insurance expense	(285)	(67)	NMF	(269)	5.9%
Other operating expenses	(1,370)	(1,236)	10.8%	(2,085)	-34.3%
Operating expenses	**(13,815)**	**(14,039)**	**-1.6%**	**(12,467)**	**10.8%**
EBITDA	**14,787**	**14,524**	**1.8%**	**23,776**	**-37.8%**
EBITDA Margin	*52%*	*51%*		*66%*	
Depreciation and amortization	(4,803)	(5,390)	-10.9%	(3,753)	28.0%
EBIT	**9,984**	**9,134**	**9.3%**	**20,023**	**-50.1%**
EBIT Margin	*35%*	*32%*		*55%*	
Net interest expense	(2,189)	(2,368)	-7.6%	(3,049)	-28.2%
Foreign exchange (losses) gains	(101)	(49)	106.1%	190	NMF
EBT	**7,694**	**6,717**	**14.5%**	**17,164**	**-55.2%**
Income tax expense	-	(1,199)	-100.0%	(1,659)	-100.0%
Profit	**7,694**	**5,518**	**39.4%**	**15,505**	**-50.4%**

Performance highlights

- **GGU recorded total revenue of GEL 28.6mln (flat y-o-y and down 21.1% q-o-q)**
  - Revenue from the water supply to legal entities and individuals reached GEL 26.2mln in 1Q17 (up 6.8% y-o-y and down 7.0% q-o-q), representing 91.8% of the total revenue in 1Q17 (86.1% in 1Q16 and 77.9% in 4Q16). Water consumption is characterised by seasonality, whereby sales in the 4th quarter normally exceed sales during the first quarter. Revenue from legal entities is generally the largest element of GGU's total revenue and their water consumption pattern is reflected in GGU's quarterly revenues. The y-o-y increase in revenue from water supply to both legal entities and individuals reflects the increased number of billed individual customers since 4Q16 and increased consumption in 1Q17 as compared to 1Q16 as a result of reconciliation of customer database with that of civil registry and replacement of outdated water consumption meters for legal entities, which now reflects more accurate consumption volume and decreases water losses
  - Revenue from electricity power sales was GEL 1.2 million in 1Q17 (down 63.5% y-o-y and down 67.3% q-o-q), which was affected by reduced internal power generation in the first quarter 2017 from GGU's hydro power plants. This was a result of the unfavourable weather conditions during 1Q17 in eastern Georgia, where the delay in snow melting reduced water levels in the reservoir and therefore led to less power generation
  - The 67.3% q-o-q decrease in the technical support revenue in 1Q17 was due to the elevated number of new connections executed on behalf of the clients in 4Q16. Furthermore, the company early adopted the new revenue recognition standard, IFRS 15, which led to the y-o-y and q-o-q decrease in technical support revenue. Prior to 1 January 2017, GGU recognised the revenue upon connection of the customer to the water supply network. Effective 1 January 2017, the technical support fee is recognised into revenues gradually over the period of the useful life of the capitalised asset. The GEL 16.9 million impact was recorded through equity on 1 January 2017
  - **Unregistered customers are one of the major reasons for unrecovered revenue.** GGU regularly under-recovers its water revenue from residential consumers due to discrepancies between customers formally registered with the provider and actual customers. Currently there are 1.4mln people living in Tbilisi, Rustavi and Mtskheta regions, while only 1.2mln residents are

registered with GGU. Some water is also being supplied, but is not billed for, resulting from the challenges associated with accurate accounting for water consumption. GGU is dealing with these issues by aligning its own customer databases with the state registry to identify the unregistered customers and improving metering. The company also created a monitoring group that identifies unregistered customers per household. The exercise is expected to increase the number of customer billed for water consumption and recover some of the past due revenues.

- **GGU's operating expenses dropped slightly 1.6% y-o-y and were up 10.8% q-o-q**:
  - The most material cost efficiency measure that GGU management focuses on is the infrastructure asset maintenance expenditure, which was down 54.8% y-o-y and down 25.1% q-o-q reflecting prudent rehabilitation works. The number of accidents on the infrastructure also declined by 298 during 1Q17 as compared to 1Q16. GGU actively invests in the rehabilitation of its infrastructure with a focus on improving efficiency in the medium to long-term
  - Starting from 1Q17, as part of an on-going process of reviewing receivable provisioning methodology, GGU revised certain estimates to enhance the method of provision estimation. Under the enhanced method GGU was able to identify the customers who were able to pay all their monthly bills on time, i.e. have no overdue bill balance. This change in accounting estimate had a positive impact on provision of doubtful receivables in the amount of GEL 2.9 million in 1Q17
  - Due to reduced power generation during 1Q17 discussed above, in order to support the day-to-day operations of the company, GGU acquired electricity from the open market for its own consumption. As a result, the electricity and transmission costs were up 5.3% y-o-y and up 32.7% q-o-q
  - Operating taxes were up 70.9% y-o-y, reflecting increase in GGU's property tax base due to the company's investments in its supply network
  - Professional fees decreased by 29.7% y-o-y and by 47.5% q-o-q. In 2016, the company was intensively spending on research on its existing infrastructure to identify further efficiency opportunities as well as areas for additional hydro power station development. In 1Q17, such spending was modest as GGU focused on addressing the identified efficiency opportunities
  - The y-o-y and q-o-q movements in income taxes reflect the impact of changes in corporate taxation model, approved by the Parliament of Georgia in May 2016
- **Consequently, GGU reported EBITDA of GEL 14.8mln in 1Q17 (up 1.8% y-o-y and down 37.8% q-o-q) and a profit of GEL 7.7mln in 1Q17 (up 39.4% y-o-y and down 50.4% q-o-q)**

STATEMENT OF CASH FLOW

GEL thousands; unless otherwise noted	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q
Cash receipt from customers	30,582	29,254	4.5%	41,042	-25.5%
Cash paid to suppliers	(10,765)	(10,047)	7.1%	(8,066)	33.5%
Cash paid to employees	(3,758)	(2,801)	34.2%	(6,640)	-43.4%
Interest received	419	105	NMF	30	NMF
Interest paid	(2,356)	(2,510)	-6.1%	(2,653)	-11.2%
Taxes paid	(1,724)	(2,877)	-40.1%	(2,202)	-21.7%
Restricted cash in Bank	945	(624)	NMF	(2,729)	NMF
Cash flow from operating activities	**13,343**	**10,500**	**27.1%**	**18,782**	**-29.0%**
Maintenance capex	(8,835)	(3,874)	128.1%	(8,801)	0.4%
Operating cash flow after maintenance capex	**4,508**	**6,626**	**-32.0%**	**9,981**	**-54.8%**
Purchase of PPE and intangible assets	(13,486)	(5,917)	127.9%	(9,572)	40.9%
Total cash used in investing activities	**(13,486)**	**(5,917)**	**127.9%**	**(9,572)**	**40.9%**
Proceeds from borrowings	-	380	-100.0%	27,562	-100.0%
Repayment of borrowings	(4,328)	(2,501)	73.1%	(6,565)	-34.1%
Dividends paid out	-	(54)	-100.0%	151	-100.0%
Total cash used in financing activities	**(4,328)**	**(2,175)**	**99.0%**	**21,148**	**NMF**
Exchange (losses)/gains on cash equivalents	(295)	(50)	NMF	556	NMF
Total cash (outflow)/inflow	**(13,601)**	**(1,516)**	**NMF**	**22,113**	**NMF**
Cash balance					
Cash, beginning balance	27,511	11,633	136.5%	5,398	409.7%
Cash, ending balance	**13,910**	**10,117**	**37.5%**	**27,511**	**-49.4%**

- **GGU has good receivables collection rates within the 95-98% range from water supply.** During the first quarter of 2017, the collection rate for legal entities and households was 98% and 94%, respectively. As a result, GGU had GEL 3.2mln overdue receivables outstanding at 31 March 2017. The Georgian water utility sector historically had a low receivables collection rates. The latest available countrywide data relates to 2005 and indicated an average collection rate of 65% in major cities. This is because electricity supply to residential customers was not allowed to be cut as a result of delays of water supply payments. GGU's collection rate began to improve significantly beginning in 2011, when a new arrangement with electricity suppliers was set up based on the amendment to Georgian Law on Electricity and Natural Gas. Since then, Tbilisi's electricity suppliers have assisted in improving GGU's receivables collection rates by disconnecting non-paying water customers from the electricity network. In return, electricity suppliers receive flat monetary compensation from GGU (c.GEL 1.3mln p.a. since 2015). As a result, GGU's collection rates for water supply receivables improved very quickly and have remained at around 96%
- The electricity purchased by the company due to the seasonal reduction in power generation in 1Q17 was the trigger for the 7.1% y-o-y and 33.5% q-o-q increase in the cash paid to suppliers
- GGU spent GEL 8.8mln on maintenance capex in 1Q17, which is significantly higher than it spent for the same period last year, reflecting the acceleration of the infrastructure maintenance program to improve the operational efficiencies. Consequently, the operating cash flow, after deducting maintenance capex, was GEL 4.5mln in 1Q17

BALANCE SHEET

GEL thousands; unless otherwise noted	**Mar-17**	**Mar-16**	**Change y-o-y**	**Dec-16**	**Change q-o-q**
Cash and cash equivalents	13,910	10,117	37.5%	27,511	-49.4%
Trade and other receivables	30,944	26,710	15.9%	29,499	4.9%
Inventories	3,108	3,635	-14.5%	3,048	2.0%
Current income tax prepayments	998	920	8.5%	735	35.8%
Total current assets	**48,960**	**41,382**	**18.3%**	**60,793**	**-19.5%**
Property, plant and equipment	346,048	294,419	17.5%	329,997	4.9%
Investment Property	18,922	19,484	-2.9%	18,728	1.0%
Intangible assets	1,207	1,143	5.6%	1,186	1.8%
Restructured trade receivables	178	23	NMF	307	-42.0%
Restricted Cash	4,008	3,141	27.6%	5,094	-21.3%
Deferred income tax	-	280	-100.0%	-	-
Other non-current assets	993	1,188	-16.4%	1,246	-20.3%
Total non-current assets	**371,356**	**319,678**	**16.2%**	**356,558**	**4.2%**
Total assets	**420,316**	**361,060**	**16.4%**	**417,351**	**0.7%**
Current borrowings	22,566	21,921	2.9%	22,617	-0.2%
Trade and other payables	28,172	22,461	25.4%	24,997	12.7%
Provisions for liabilities and charges	743	1,359	-45.3%	706	5.2%
Other taxes payable	2,718	1,684	61.4%	7,135	-61.9%
Total current liabilities	**54,199**	**47,425**	**14.3%**	**55,455**	**-2.3%**
Long term borrowings	79,242	49,907	58.8%	83,651	-5.3%
Deferred income tax liability	-	28,681	-100.0%	-	-
Deferred income	17,817	-	-	-	-
Total non-current liabilities	**97,059**	**78,588**	**23.5%**	**83,651**	**-100.0%**
Total liabilities	**151,258**	**126,013**	**20.0%**	**139,106**	**8.7%**
Share capital	2	2	0.0%	2	0.0%
Retained earnings	87,595	80,293	9.1%	96,782	-9.5%
Revaluation reserve	181,461	154,752	17.3%	181,461	0.0%
Total equity	**269,058**	**235,047**	**14.5%**	**278,245**	**-3.3%**
Total liabilities and equity	**420,316**	**361,060**	**16.4%**	**417,351**	**0.7%**

- During 2016, GGU made significant progress towards reducing its foreign-exchange exposure. In particular, the company refinanced a large part of its US dollar-denominated debt with Lari-denominated debt. Currently 99.7% of GGU's borrowings are denominated in local currency.
- The increase in property, plant and equipment is primarily due to additional investments into the company's infrastructure carried out during 2016 and 1Q17 in order to upgrade the network and further reduce water losses and achieve cost efficiencies
- The revaluation reserve balance increased y-o-y primarily due to the deferred tax adjustment resulting from the change in the corporate income tax legislation in Georgia enacted in May 2016

Healthcare business (Georgia Healthcare Group – GHG)

Standalone results

*The Georgia Healthcare Group PLC (**GHG**) is the leading integrated player in the Georgian healthcare ecosystem. GHG includes three different business lines: healthcare services business (consisting of hospital business and ambulatory business), pharma business and medical insurance. BGEO Group owned 64.3% of GHG at 31 March 2017, with the balance of the shares being held by the public (largely institutional investors). GHG's results are fully consolidated in BGEO Group's results. GHG's shares are listed on the London Stock Exchange. The results below refer to GHG standalone numbers and are based on GHG's reported results, which are published independently and available on GHG's web-site: www.ghg.com.ge*

INCOME STATEMENT

GEL thousands; unless otherwise noted	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q
Revenue, gross	**186,627**	**72,576**	**157.1%**	**136,031**	**37.2%**
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%
Revenue, net	**186,004**	**72,166**	**157.7%**	**135,241**	**37.5%**
Revenue from healthcare services	65,905	60,041	9.8%	66,814	-1.4%
Revenue from pharma	111,399	-	-	56,586	96.9%
Net insurance premiums earned	13,965	13,830	1.0%	16,312	-14.4%
Eliminations	(5,265)	(1,705)	208.8%	(4,471)	17.8%
Costs of services	**(129,926)**	**(44,151)**	**194.3%**	**(89,626)**	**45.0%**
Cost of healthcare services	(37,957)	(32,998)	15.0%	(34,802)	9.1%
Cost of pharma	(84,408)	-	-	(44,498)	89.7%
Cost of insurance services	(12,734)	(12,847)	-0.9%	(14,997)	-15.1%
Eliminations	5,173	1,694	205.4%	4,671	10.7%
Gross profit	**56,078**	**28,015**	**100.2%**	**45,615**	**22.9%**
Salaries and other employee benefits	(17,728)	(6,923)	156.1%	(12,757)	39.0%
General and administrative expenses	(13,352)	(3,202)	317.0%	(9,470)	41.0%
Impairment of healthcare services, insurance premiums and other receivables	(1,121)	(980)	14.4%	56	NMF
Other operating income	1,182	220	437.3%	845	39.9%
EBITDA	**25,059**	**17,129**	**46.3%**	**24,289**	**3.2%**
Depreciation and amortisation	(5,872)	(4,465)	31.5%	(5,316)	10.5%
Net interest expense	(7,119)	(1,656)	329.9%	(4,773)	49.2%
Net gain/(loss) from foreign currencies	2,778	(260)	NMF	(3,170)	NMF
Net non-recurring income/(expense)	(1,792)	1,968	NMF	1,982	NMF
Profit before income tax expense	**13,054**	**12,716**	**2.7%**	**13,012**	**0.3%**
Income tax benefit	(19)	(693)	NMF	(6,682)	NMF
of which: Deferred tax adjustments	-	-		*(5,319)*	
Profit for the period	**13,035**	**12,023**	**8.4%**	**6,330**	**105.9%**
Attributable to:					
- shareholders of the Company	8,832	9,921	-11.0%	5,401	63.5%
- non-controlling interests	4,203	2,102	100.0%	929	352.4%
of which: Deferred tax adjustments	-	-		*(516)*	

For detailed income statement by healthcare services, medical insurance and pharma business, please see page 33

Performance highlights

- **GHG delivered record quarterly revenue of GEL 186.6mln (up 157.1% y-o-y and up 37.2% q-o-q). The y-o-y growth was driven by all business lines.** GHG's 1Q17 results now fully reflect the pharma business performance (GPC and Pharmadepot acquired in and consolidated from May 2016 and January 2017, respectively). The healthcare services business was the second biggest contributor to the y-o-y revenue growth, with strong organic growth of 10.1% in 1Q17. While y-o-y growth of net insurance premiums earned only contributed slightly to the company's revenue growth, the retention of medical insurance claims within GHG increased significantly to 35.6% from 14.2% a year ago. Q-o-q revenue growth was driven by the consolidation of the pharma business

- In 1Q17, GHG achieved a well-diversified revenue mix, spread across all three segments of the Georgian healthcare ecosystem. 35% of its revenues came from healthcare services business, 58% from pharma business and the remaining 7% from medical insurance business. This level of diversification was achieved through the GHG's entrance and further expansion into the pharma business, which is funded almost entirely out-of-pocket and therefore, has helped GHG to further diversify its revenue by payment sources

- **In 1Q17, GHG continued to focus on extracting operating efficiencies and synergies across the business lines. As anticipated, healthcare services business margins are temporarily reduced due to the launches of new healthcare facilities and services, which are currently in their rapid build-out phase and the impact of higher utilities costs. GHG achieved**

growing gross profit margins in its pharma business and an improved loss ratio in its medical insurance business. The recent launches of two large hospitals in Tbilisi and a number of new services have reduced the healthcare services business gross margin, as expected. GHG expects the rapid build-out phase to last for 12-18 months. Meanwhile, GHG continues working towards increasing the utilisation of healthcare facilities particularly through elective care services, and realising further cost synergies in medical disposables procurement as a result of consolidating the procurement with the pharma business. This process is ongoing and the costs savings are expected to be reflected throughout the year. Since the acquisition of pharma business, GHG has focused on implementing initiatives toward improving margins, which is reflected in the strong improvement in the pharma business gross margin, up 280bps q-o-q. Initiatives include improving pricing from pharmaceuticals manufacturers, improving the mix of products and offerings to increase the mix of higher margin products and the introduction of higher-margin generic and contract manufactured products in its pharmacies. GHG's medical insurance business has also improved its margins by focusing on higher margin revenues and optimising its cost base, which has resulted in an improved loss ratio of 84.6%, down from 86.4% a year ago. GHG remains on track to improve the loss ratio to the targeted level of less than 80%

- **GHG reported record EBITDA of GEL 25.1mln in 1Q17 (up 46.3% y-o-y and up 3.2% q-o-q).** The EBITDA margin for healthcare services business was 25.3% in 1Q17, compared to 29.5% in 1Q16 and 31.9% in 4Q16. Temporary reduction in EBITDA margin was due to the roll-outs explained above, as well as increase in tariffs of utilities on the back of winter season. We expect the healthcare services business margins to rebound gradually, and we continue to expect c.30% EBITDA margin in 2018. The healthcare services business was the main contributor to GHG's 1Q17 EBITDA, contributing 67.1% in total. The pharma business reported GEL 8.7 million EBITDA in 1Q17, improving the pharma business EBITDA margin to 7.8%, from 6.0% in 4Q16 and GHG is on track to deliver its goal of more than 8% EBITDA margin in the pharma business
- **GHG's profit totaled GEL 13.0mln in 1Q17 (up 8.4% y-o-y and up 105.9% q-o-q; up 11.9% q-o-q on a normalised basis).** The healthcare services was main driver contributing GEL 7.2mln, followed by the pharma business, which contributed GEL 7.0mln. GHG's profit was partially offset by the loss of GEL 1.1mln reported by the medical insurance business
- GHG continued sizeable development projects by actively investing in healthcare facilities as well as consolidating the pharma business entities, which was reflected in the y-o-y growth of depreciation and amortisation, up 31.5%. The q-o-q increase is fully attributable to consolidating Pharmadepot's results since January 2017
- The increase in interest expense is due to three main factors: 1) *Lower base in 2016.* At the end of 2015 and the beginning of 2016, GHG prepaid local bank debt to utilise the available cash post-IPO, subsequently realising significant savings in interest expense throughout 2016. From the second quarter of 2016 and in the first quarter of 2017, GHG sourced longer-term and less expensive funding from both local commercial banks and DFIs and utilised funds on the development of healthcare facilities; 2) At the beginning of 2017, GHG raised GEL 33.0mln from a local commercial bank to pay the first tranche of consideration payable for the Pharmadepot acquisition. The increased debt balance in 1Q17, has resulted in increased interest expense; and 3) Recognised interest expense of GEL 0.4mln, due to unwinding of a discount resulting from remaining consideration payable, in the amount of US$13.0mln to Pharmadepot's former selling shareholders as part of the total purchase price, payment of which will be carried out over the next five years. Discounted present value accounting is an IFRS requirement and does not result in actual cash outflow on interest
- The foreign currency gains are mainly attributable to the pharma business, and resulted from a decrease in foreign currency denominated payables to suppliers as a result of the appreciation of GEL by the end of 1Q17. Additionally, GHG recorded a gain on the revaluation of the remaining consideration payable to ABC's former selling shareholders, in the amount of US$13.0mln described above
- GHG's balance sheet increased substantially over the last twelve months, reaching GEL 1,109.5mln as at 31 March 2017. The growth of total assets by 50.4% y-o-y was largely driven by a 24.8% increase in property and equipment, reflecting investments in the renovation of hospitals, the roll-out of ambulatory clinics and the consolidation of the pharma business, as a result of the two acquisitions completed in May 2016 and in January 2017. The high level of cash and bank deposits at the end of 1Q17 reflects the receipt of DFI funding of GEL 61.0mln, which will be utilised in the upcoming period for the capex pipeline. The pharma business consolidation primarily affected inventories and goodwill. Out of the GEL 96.8mln inventory balance at the end of 1Q17, GEL 82.3mln was attributable to the pharma business. The y-o-y increase in accounts payable is also attributable to consolidating the pharma business. Out of the GEL 94.1mln accounts payable balance, GEL 63.4mln relates to the pharma business
- As part of the Pharmadepot acquisition contract, the selling shareholders have a put option to sell their remaining 33% stake in the combined pharma business to GHG during the period from 1 January 2023 to 31 December 2023. In accordance with IFRS requirements, GHG recognised GEL 55.0mln (present value) liability to purchase the remaining 33% shares – included in other

liabilities account, resulting in an increase in the balance as at 31 March 2017. Non-controlling interest arising from consolidated pharma business, GEL 22.0mln, was fully de-recognised in-line with IFRS requirements. The difference between the redemption liability of GEL 55.0mln and the non-controlling interest of GEL 22.0mln was recorded to equity, resulting in a reduction of equity through other reserves account by GEL 33.0mln

- During 1Q17, GHG continued to invest in the development of its healthcare facilities. GHG spent a total of GEL 20.5mln on capital expenditures, primarily on the extensive renovations of the Deka and Sunstone hospitals, as well as enhancing its service mix and introducing new services to cater to previously unmet patient needs. Of this, maintenance capex was GEL 2.6mln
  - The renovation of the first phase of Sunstone (c.332 beds) was completed two months ahead of the initial schedule, within budget and in April 2017, GHG opened the hospital with 220 newly renovated beds
  - The renovation and full launch of Deka (c.320 beds) is on budget and on target for completion by year-end according to the revised (slightly delayed) schedule announced in February. In August 2016, GHG opened Deka's diagnostic centre, which is one of the largest in Tbilisi. The opening of the diagnostic centre was the first step toward developing Deka into a flagship multi-profile hospital in Georgia
- As of 31 March 2017, GHG operates ten ambulatory clusters consisting of 13 district ambulatory clinics and 28 express ambulatory clinics that provide outpatient diagnostic and treatment services
- As of 31 March 2017, GHG operates 35 hospitals with a total of 2,557 beds, including 15 referral hospitals with a total of 2,092 beds, which provide secondary or tertiary level healthcare services and 20 community hospitals with a total of 465 beds, which provide basic outpatient and inpatient healthcare services
- GHG's healthcare services market share by number of beds was 23.4% as 31 March 2017. The market share increased further in April 2017 up to 24.6% as a result of the launching the first phase of Sunstone hospital
- GHG's hospital bed occupancy rate was 610.5% in 1Q17 (60.4% % in 1Q16, 57.6% in 4Q16)
  - GHG's referral hospital bed occupancy rate was 68.1% in 1Q17 (66.7% in 1Q16, 65.3% in 4Q16)
- The average length of stay was 5.3 days in 1Q17 (4.9 in 1Q16, 5.0 in 4Q16)
  - The average length of stay at referral hospitals was 5.6 days in 1Q17 (5.2 days in 1Q16, 5.2 days in 4Q16)
- In 1Q17 GHG's pharma business had:
  - c.2.0mln retail customer interactions per month
  - c.0.5mln loyalty card members
  - Average transaction size of GEL 13.6
  - c.29% market share measured by sales
  - Total number of bills issued 6.4mln
- In GHG's medical insurance business:
  - The number of insured clients was 135,000 as of 31 March 2017
  - Medical insurance market share was 35.3% based on net insurance premium revenue as of 31 December 2016
  - Insurance renewal rate was 77.3% in 1Q17

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

***Standalone results*[8]**

Our Real Estate business is operated through the Group's wholly-owned subsidiary m^2 Real Estate, which develops residential property in Georgia. m^2 Real Estate outsources the construction and architecture works, whilst itself focusing on project management and sales. The Group's Real Estate business serves to meet the unsatisfied demand in Tbilisi for housing through its well-established branch network and sales force, while stimulating the Bank's mortgage lending business. The business has also recently begun hotel development in the under-developed mid-price sector.

The net revenue trend between the first quarter of 2017 and both the first and fourth quarters of 2016 is not comparable given the early adoption of IFRS 15 from 1 January 2017. Prior to 1 January 2017, m^2 recognised revenues from sales of residential units upon completion and handover of the units to customers in line with IAS 18, while under IFRS 15 revenue is recognized according to the percentage of completion method.

INCOME STATEMENT

GEL thousands, unless otherwise noted	**1Q17**	**1Q16**	**Change y-o-y**	**4Q16**	**Change q-o-q**
Revenue from apartment sales	18,399	27,992	-34.3%	9,356	96.7%
Cost of apartment sale	(17,109)	(22,099)	-22.6%	(7,811)	119.0%
Net revenue from apartment sales	**1,290**	**5,893**	**-78.1%**	**1,545**	**-16.5%**
Revenue from operating leases	899	589	52.6%	859	4.7%
Cost of operating leases	(83)	(47)	76.6%	(44)	88.6%
Net revenue from operating leases	**816**	**542**	**50.6%**	**815**	**0.1%**
Revaluation of commercial property	479	-	NMF	1,430	-66.5%
Gross real estate profit	**2,585**	**6,435**	**-59.8%**	**3,790**	**-31.8%**
Gross other investment profit	11	88	-87.5%	48	-77.1%
Revenue	**2,596**	**6,523**	**-60.2%**	**3,838**	**-32.4%**
Salaries and other employee benefits	(407)	(297)	37.0%	(374)	8.8%
Administrative expenses	(1,427)	(1,027)	38.9%	(1,202)	18.7%
Operating expenses	**(1,834)**	**(1,324)**	**38.5%**	**(1,576)**	**16.4%**
EBITDA	**762**	**5,199**	**-85.3%**	**2,262**	**-66.3%**
Depreciation and amortisation	(66)	(53)	24.5%	(65)	1.5%
Net foreign currency (loss) gain	(194)	386	NMF	(58)	NMF
Interest income	189	-	NMF	410	-53.9%
Interest expense	(48)	(74)	-35.1%	(30)	60.0%
Net operating income before non-recurring items	**643**	**5,458**	**-88.2%**	**2,519**	**-74.5%**
Net non-recurring items	(76)	(23)	NMF	(96)	-20.8%
Profit before income tax	**567**	**5,435**	**-89.6%**	**2,423**	**-76.6%**
Income tax (expense)	-	(815)	-100.0%	(2,949)	-100.0%
Profit (loss)	**567**	**4,620**	**-87.7%**	**(526)**	**NMF**

Performance highlights

- **m^2 Real Estate started 2017 strongly as the number of apartments sold almost tripled, and its portfolio of yielding assets increased by 22.9% in 1Q17, compared to 1Q16**
- Net revenue from the sale of apartments in 1Q17 was GEL 1.3mln (down 78.1% y-o-y and down 16.5% q-o-q). In 1Q16, m^2 Real Estate completed three projects and reported revenue for all sold residential units handed over to customers in these projects within 1Q16. As a result, 1Q17 revenues reflect a y-o-y decline
- Net revenue from operating leases increased 50.6% y-o-y and 0.1% q-o-q supported by the growth in commercial real estate portfolio which reached GEL 42.0mln at 31 March 2017 (up 22.9% y-o-y and up 1.1% q-o-q). As a result, the portfolio of yielding assets represented 14.2% of m^2 Real Estate's total assets at 31 March 2017, compared to 11.4% a year ago and 11.2% at 31 December 2016
- Revaluation of commercial property was down in 1Q17 as compared to 4Q16 due to relatively higher amount of gains from investment property revaluation recorded as a result of completion of large yielding asset construction in 4Q16
- Consequently, m^2 recognised a total revenue of GEL 2.6mln (down 60.2% y-o-y and down 32.4% q-o-q) and net profit of GEL 0.6mln (down 87.7% y-o-y and up GEL 1.1mln q-o-q) in 1Q17
- **In 1Q17, m^2 sold a total of 143 apartments with the total sales value of US$ 10.1mln, compared to 53 apartments sold with the total sales value of US$ 5.5mln during 1Q16 and** 112 apartments with a sales value of US$ 8.3mln in 4Q16

[8] Prior to 1Q17, m^2 Real Estate results presented were segment results, i.e. including Group elimination and consolidation adjustments. Effective 1Q17, and similar to GGU and GHG, we will report stand-alone results for m^2 Real Estate

- **m^2 has started ten projects since its establishment in 2010, of which, six projects have already been completed, while the construction of four projects is ongoing. m^2 completed all of its projects on or ahead of scheduled time and within the budget.** The four ongoing projects carry the following characteristics:
    1. **Kartozia Street project:** the largest ever project carried out by m^2, with a total of 819 apartments in a central location in Tbilisi, out of which, 383 units are already sold
    2. **Skyline project** - a luxury residential apartment building in the Old Tbilisi neighbourhood with few apartments (19 in total, out of which, 9 are already sold), with prices amounting to twice of m^2 Real Estate's average prices charged on other projects.
    3. **Kazbegi Street II project -** a mixed-use development with 302 residential apartments and a hotel (m2 Real Estate has the exclusive right to develop Wyndham Ramada Anchor hotels in Georgia) with a capacity of 152 rooms. The construction started in June 2016, with sales of 127 apartments to date
    4. **50 Chavchavadze Avenue project -** the project is located in the central part of Tbilisi with a total of 82 apartments, out of which, 31 are sold

    m^2 expects that Skyline project will be completed in 2Q17, while the completion of the remaining three projects will fall into 2018. Currently, a total of 704 units are available for sale, out of the total of 2,894 apartments either already developed or under development phase
- **m^2 has a very good track record of selling apartments.** Out of the 1,672 apartments completed to date since inception, only 32 or 1.9% remain in stock as available for sale. The four on-going projects, described above, have a total capacity of 1,222 apartments, of which, 550 apartments or 45.0% are sold

OPERATING DATA
Completed and on-going projects, as of 31 March 2017

	Project name	Number of apartments	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	Start date (construction)	Planned Completion date (construction)	Actual Completion date (construction)	Construction completed %
Completed projects		**1,672**	**1,640**	**98.1%**	**32**				**100%**
1	Chubinashvili Street	123	123	100.0%	0	Sep-10	-	Aug-12	100%
2	Tamarashvili Street	525	523	99.6%	2	May-12	-	Jun-14	100%
3	Kazbegi Street	295	295	100.0%	0	Dec-13	-	Feb-16	100%
4	Nutsubidze Street	221	221	100.0%	0	Dec-13	-	Sep-15	100%
5	Tamarashvili Street II	270	266	98.5%	4	Jul-14	-	Jun-16	100%
6	Moscow Avenue	238	212	89.1%	26	Sep-14	-	Jun-16	100%
On-going projects		**1,222**	**550**	**45.0%**	**672**				
7	Kartozia Street	819	383	46.8%	436	Nov-15	Oct-18	-	45%
8	Skyline	19	9	47.4%	10	Dec-15	May-17	-	85%
9	Kazbegi Street II	302	127	42.1%	175	Jun-16	Nov-18	-	18%
10	50 Chavchavadze Ave.	82	31	37.8%	51	Oct-16	Feb-18	-	13%
	Total	**2,894**	**2,190**	**75.7%**	**704**				

- Since its inception, m^2 Real Estate unlocked US$ 16.4mln in total land value from the six completed projects, while an additional US$ 16.5mln in land value is expected to be unlocked from the four on-going projects

FINANCIAL DATA
for completed and on-going projects, as of 31 March 2017

#	Project name	Total Sales (US$ mln)	Recognised as revenue (US$ mln including VAT)	Deferred revenue (US$ mln including VAT)	Deferred revenue expected to be recognised as revenue in 2017 including VAT)	Land value unlocked (US$)	Realised & Expected IRR
Completed projects		**138.1**	**138.1**			**16.4**	
1	Chubinashvili street	9.9	9.9	-	-	0.9	47%
2	Tamarashvili street	48.5	48.5	-	-	5.4	46%
3	Kazbegi Street	27.3	27.2	-	-	3.6	165%
4	Nutsubidze Street	17.4	17.4	-	-	2.2	58%
5	Tamarashvili Street II	24.3	24.3	-	-	2.7	71%
6	Moscow avenue	10.7	10.7	-	-	1.6	31%
On-going projects		**46.8**	**22.5**	**24.3**	**19.8**	**16.5**	
7	Kartozia Street	28.4	12.7	15.7	13.4	5.8	60%
8	Skyline	4.1	3.7	0.4	0.4	3.1	329%
9	Kazbegi Street II	10.7	4.3	6.4	4.4	4.3	51%
10	50 Chavchavadze ave.	3.6	1.8	1.8	1.6	3.3	75%
	Total	**184.8**	**160.5**	**24.3**	**19.8**	**32.9**	

- The number of apartments financed with BOG mortgages in all m^2 Real Estate projects was 1,000, with an aggregate amount of GEL 118.5mln

BALANCE SHEET

GEL thousands, unless otherwise noted	Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q
Cash and cash equivalents	48,636	49,003	-0.7%	93,210	-47.8%
Amounts due from credit institutions	179	-	-	-	-
Investment securities	1,515	2,001	-24.3%	2,842	-46.7%
Accounts receivable	6,130	981	524.9%	703	772.0%
Prepayments	17,842	23,449	-23.9%	20,746	-14.0%
Inventories	83,922	94,881	-11.6%	113,009	-25.7%
Investment property, of which:	110,831	118,187	-6.2%	113,829	-2.6%
Land bank	*68,789*	*83,967*	*-18.1%*	*72,251*	*-4.8%*
Commercial real estate	*42,042*	*34,220*	*22.9%*	*41,578*	*1.1%*
Property and equipment	9,110	1,528	496.2%	7,050	29.2%
Other assets	17,557	10,147	73.0%	20,839	-15.7%
Total assets	**295,722**	**300,177**	**-1.5%**	**372,228**	**-20.6%**
Amounts due to credit institutions	38,912	37,118	4.8%	42,818	-9.1%
Debt securities issued	62,278	46,771	33.2%	103,077	-39.6%
Deferred income	53,670	87,465	-38.6%	77,925	-31.1%
Other liabilities	7,657	18,817	-59.3%	14,725	-48.0%
Total liabilities	**162,517**	**190,171**	**-14.5%**	**238,545**	**-31.9%**
Share capital	4,180	4,180	0.0%	4,180	0.0%
Additional paid-in capital	86,227	83,612	3.1%	85,467	0.9%
Other reserves	13,469	-	100%	15,538	-13.3%
Retained earnings	29,329	22,214	32.0%	28,498	2.9%
Total equity	**133,205**	**110,006**	**21.1%**	**133,683**	**-0.4%**
Total liabilities and equity	**295,722**	**300,177**	**-1.5%**	**372,228**	**-20.6%**

- m^2 Real Estate has a solid and well managed balance sheet. As of 31 March 2017, total assets were GEL 295.7mln (down 1.5% y-o-y and down 20.6% q-o-q), constituting 16.4% cash, 6.0% prepayments, 28.4% inventories (apartments in development), 37.5% investment property (land bank and commercial real estate), and 11.7% all other assets. Borrowings, which consist of debt raised from Development Financial Institutions ("**DFIs**") and debt securities issued in the local market, represent 34.2% of the total balance sheet.
- m^2 Real Estate currently has a land bank on its balance sheet with a total value of GEL 68.8mln. We do not expect the land bank to grow, as m^2 Real Estate's strategy is to utilise its existing land plots within 3-4 years and, in parallel, start development of third-party land

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT

GEL thousands, unless otherwise noted	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q	1Q17	1Q16	4Q16
Banking interest income	265,662	224,810	18.2%	256,457	3.6%	267,521	226,217	18.3%	258,414	3.5%	-	-	-	-	-	(1,859)	(1,407)	(1,957)
Banking interest expense	(104,996)	(95,958)	9.4%	(101,054)	3.9%	(105,874)	(95,998)	10.3%	(100,043)	5.8%	-	-	-	-	-	878	40	(1,011)
Net banking interest income	**160,666**	**128,852**	**24.7%**	**155,403**	**3.4%**	**161,647**	**130,219**	**24.1%**	**158,371**	**2.1%**	-	-	-	-	-	**(981)**	**(1,367)**	**(2,968)**
Fee and commission income	43,267	38,149	13.4%	48,588	-11.0%	43,663	38,484	13.5%	50,135	-12.9%	-	-	-	-	-	(396)	(335)	(1,547)
Fee and commission expense	(13,382)	(10,335)	29.5%	(13,263)	0.9%	(13,528)	(10,469)	29.2%	(13,490)	0.3%	-	-	-	-	-	146	134	227
Net fee and commission income	**29,885**	**27,814**	**7.4%**	**35,325**	**-15.4%**	**30,135**	**28,015**	**7.6%**	**36,645**	**-17.8%**	-	-	-	-	-	**(250)**	**(201)**	**(1,320)**
Net banking foreign currency gain	19,274	17,390	**10.8%**	28,516	**-32.4%**	19,274	17,390	**10.8%**	28,516	**-32.4%**	-	-	-	-	-	-	-	-
Net other banking income	3,006	2,867	**4.8%**	2,199	**36.7%**	3,095	3,168	**-2.3%**	2,506	**23.5%**	-	-	-	-	-	(89)	(301)	(307)
Net insurance premiums earned	25,795	21,824	18.2%	26,046	-1.0%	12,847	9,550	34.5%	11,559	11.1%	13,872	12,924	7.3%	15,318	-9.4%	(924)	(650)	(831)
Net insurance claims incurred	(15,572)	(15,408)	1.1%	(16,875)	-7.7%	(5,637)	(4,207)	34.0%	(5,114)	10.2%	(9,935)	(11,201)	-11.3%	(11,761)	-15.5%	-	-	-
Gross insurance profit	**10,223**	**6,416**	**59.3%**	**9,171**	**11.5%**	**7,210**	**5,343**	**34.9%**	**6,445**	**11.9%**	**3,937**	**1,723**	**128.5%**	**3,557**	**10.7%**	**(924)**	**(650)**	**(831)**
Healthcare and pharma revenue	172,131	58,348	195.0%	118,799	44.9%	-	-	-	-	-	172,131	58,348	195.0%	118,799	44.9%	-	-	-
Cost of healthcare and pharma services	(119,789)	(32,057)	NMF	(76,578)	56.4%	-	-	-	-	-	(119,789)	(32,057)	NMF	(76,578)	56.4%	-	-	-
Gross healthcare and pharma profit	**52,342**	**26,291**	**99.1%**	**42,221**	**24.0%**	-	-	-	-	-	**52,342**	**26,291**	**99.1%**	**42,221**	**24.0%**	-	-	-
Real estate revenue	19,893	28,764	-30.8%	9,813	102.7%	-	-	-	-	-	20,202	28,764	-29.8%	10,507	92.3%	(309)	-	(694)
Cost of real estate	(17,192)	(22,786)	-24.6%	(8,474)	102.9%	-	-	-	-	-	(17,192)	(22,786)	-24.6%	(8,474)	102.9%	-	-	-
Gross real estate profit	**2,701**	**5,978**	**-54.8%**	**1,339**	**101.7%**	-	-	-	-	-	**3,010**	**5,978**	**-49.6%**	**2,033**	**48.1%**	**(309)**	-	**(694)**
Utility revenue	27,153	-	NMF	31,608	-14.1%	-	-	-	-	-	27,236	-	NMF	31,679	-14.0%	(83)	-	(71)
Cost of utility	(9,709)	-	NMF	(10,008)	-3.0%	-	-	-	-	-	(9,709)	-	NMF	(10,008)	-3.0%	-	-	-
Gross utility profit	**17,444**	-	**NMF**	**21,600**	**-19.2%**	-	-	-	-	-	**17,527**	-	**NMF**	**21,671**	**-19.1%**	**(83)**	-	**(71)**
Gross other investment profit	3,993	3,606	10.7%	9,697	-58.8%	-	-	-	-	-	3,981	3,675	8.3%	9,391	-57.6%	12	(69)	306
Revenue	**299,534**	**219,214**	**36.6%**	**305,471**	**-1.9%**	**221,361**	**184,135**	**20.2%**	**232,483**	**-4.8%**	**80,797**	**37,667**	**114.5%**	**78,873**	**2.4%**	**(2,624)**	**(2,588)**	**(5,885)**
Salaries and other employee benefits	(67,531)	(47,413)	42.4%	(64,754)	4.3%	(46,257)	(39,806)	16.2%	(50,052)	-7.6%	(22,051)	(8,250)	167.3%	(15,459)	42.6%	777	643	757
Administrative expenses	(42,733)	(25,016)	70.8%	(40,729)	4.9%	(23,219)	(20,058)	15.8%	(25,714)	-9.7%	(20,151)	(5,346)	NMF	(16,132)	24.9%	637	388	1,117
Banking depreciation and amortisation	(9,759)	(9,138)	6.8%	(9,841)	-0.8%	(9,759)	(9,138)	6.8%	(9,841)	-0.8%	-	-	-	-	-	-	-	-
Other operating expenses	(951)	(1,675)	-43.2%	(2,034)	-53.2%	(761)	(861)	-11.6%	(1,462)	-47.9%	(190)	(814)	-76.7%	(572)	-66.8%	-	-	-
Operating expenses	**(120,974)**	**(83,242)**	**45.3%**	**(117,358)**	**3.1%**	**(79,996)**	**(69,863)**	**14.5%**	**(87,069)**	**-8.1%**	**(42,392)**	**(14,410)**	**194.2%**	**(32,163)**	**31.8%**	**1,414**	**1,031**	**1,874**
Operating income before cost of credit risk / EBITDA	**178,560**	**135,972**	**31.3%**	**188,113**	**-5.1%**	**141,365**	**114,272**	**23.7%**	**145,414**	**-2.8%**	**38,405**	**23,257**	**65.1%**	**46,710**	**-17.8%**	**(1,210)**	**(1,557)**	**(4,011)**
Profit from associates	514	1,866	-72.5%	254	102.4%	514	-	NMF	-	NMF	-	1,866	-100.0%	254	-100.0%	-	-	-
Depreciation and amortisation of investment business	(11,236)	(4,910)	128.8%	(9,615)	16.9%	-	-	-	-	-	(11,236)	(4,910)	128.8%	(9,615)	16.9%	-	-	-
Net foreign currency gain from investment business	6,955	(766)	NMF	(6,065)	NMF	-	-	-	-	-	6,955	(766)	NMF	(6,065)	NMF	-	-	-
Interest income from investment business	1,420	956	48.5%	1,551	-8.4%	-	-	-	-	-	2,298	964	138.4%	540	NMF	(878)	(8)	1,011
Interest expense from investment business	(10,309)	(1,382)	NMF	(8,673)	18.9%	-	-	-	-	-	(12,397)	(2,947)	NMF	(11,673)	6.2%	2,088	1,565	3,000
Operating income before cost of credit risk	**165,904**	**131,736**	**25.9%**	**165,565**	**0.2%**	**141,879**	**114,272**	**24.2%**	**145,414**	**-2.4%**	**24,025**	**17,464**	**37.6%**	**20,151**	**19.2%**	-	-	-
Impairment charge on loans to customers	(41,341)	(32,218)	28.3%	(69,920)	-40.9%	(41,341)	(32,218)	28.3%	(69,920)	-40.9%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	(139)	(513)	-72.9%	3,124	NMF	(139)	(513)	-72.9%	3,124	NMF	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	(7,765)	(3,412)	127.6%	(3,171)	144.9%	(6,782)	(2,281)	197.3%	(4,077)	66.3%	(983)	(1,131)	-13.1%	906	NMF	-	-	-
Cost of credit risk	**(49,245)**	**(36,143)**	**36.3%**	**(69,967)**	**-29.6%**	**(48,262)**	**(35,012)**	**37.8%**	**(70,873)**	**-31.9%**	**(983)**	**(1,131)**	**-13.1%**	**906**	**NMF**	-	-	-
Net operating income before non-recurring items	**116,659**	**95,593**	**22.0%**	**95,598**	**22.0%**	**93,617**	**79,260**	**18.1%**	**74,541**	**25.6%**	**23,042**	**16,333**	**41.1%**	**21,057**	**9.4%**	-	-	-
Net non-recurring items	(3,371)	1,366	NMF	698	NMF	(1,695)	(1,419)	19.5%	(1,056)	60.5%	(1,676)	2,785	NMF	1,754	NMF	-	-	-
Profit before income tax	**113,288**	**96,959**	**16.8%**	**96,296**	**17.6%**	**91,922**	**77,841**	**18.1%**	**73,485**	**25.1%**	**21,366**	**19,118**	**11.8%**	**22,811**	**-6.3%**	-	-	-
Income tax (expense) benefit	(5,115)	(9,912)	-48.4%	(7,553)	-32.3%	(5,045)	(8,178)	-38.3%	1,830	NMF	(70)	(1,734)	-96.0%	(9,383)	-99.3%	-	-	-
Profit	**108,173**	**87,047**	**24.3%**	**88,743**	**21.9%**	**86,877**	**69,663**	**24.7%**	**75,315**	**15.4%**	**21,296**	**17,384**	**22.5%**	**13,428**	**58.6%**	-	-	-
Attributable to:																		
– shareholders of BGEO	100,431	80,836	*24.2%*	87,136	*15.3%*	86,390	68,620	*25.9%*	75,871	*13.9%*	14,041	12,216	*14.9%*	11,265	*24.6%*	-	-	-
– non-controlling interests	7,742	6,211	*24.6%*	1,607	*381.8%*	487	1,043	*-53.3%*	(556)	*NMF*	7,255	5,168	*40.4%*	2,163	*235.4%*	-	-	-
Earnings per share basic	**2.64**	**2.10**	**25.7%**	**2.29**	**15.3%**													
Earnings per share diluted	**2.55**	**2.10**	**21.4%**	**2.21**	**15.4%**													

BALANCE SHEET

GEL thousands, unless otherwise noted	BGEO Consolidated Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q	Banking Business Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q	Investment Business Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q	Eliminations Mar-17	Mar-16	Change y-o-y
Cash and cash equivalents	1,285,483	1,359,219	-5.4%	1,573,610	-18.3%	1,198,457	1,330,094	-9.9%	1,482,106	-19.1%	353,485	288,512	22.5%	397,620	-11.1%	(266,459)	(259,387)	(306,116)
Amounts due from credit institutions	1,090,111	764,435	42.6%	1,054,983	3.3%	973,787	720,442	35.2%	943,091	3.3%	146,798	47,936	206.2%	153,497	-4.4%	(30,474)	(3,943)	(41,605)
Investment securities	1,231,332	825,045	49.2%	1,286,003	-4.3%	1,231,993	825,821	49.2%	1,287,292	-4.3%	3,306	1,154	186.5%	3,075	7.5%	(3,967)	(1,930)	(4,364)
Loans to customers and finance lease receivables	6,408,711	5,359,718	19.6%	6,648,482	-3.6%	6,470,771	5,394,565	19.9%	6,681,672	-3.2%	-	-	-	-	-	(62,060)	(34,847)	(33,190)
Accounts receivable and other loans	143,417	84,715	69.3%	128,506	11.6%	4,081	5,144	-20.7%	56,495	-92.8%	139,787	81,955	70.6%	125,964	11.0%	(451)	(2,384)	(53,953)
Insurance premiums receivable	51,595	54,879	-6.0%	46,423	11.1%	22,751	16,567	37.3%	24,152	-5.8%	29,773	39,347	-24.3%	24,284	22.6%	(929)	(1,035)	(2,013)
Prepayments	101,297	67,633	49.8%	76,277	32.8%	28,468	24,649	15.5%	19,607	45.2%	73,055	42,984	70.0%	57,270	27.6%	(226)	-	(600)
Inventories	205,132	125,466	63.5%	188,344	8.9%	9,395	9,686	-3.0%	9,009	4.3%	195,737	115,780	69.1%	179,335	9.1%	-	-	-
Investment property	285,996	254,224	12.5%	288,227	-0.8%	155,463	134,310	15.7%	153,442	1.3%	130,533	119,914	8.9%	134,785	-3.2%	-	-	-
Property and equipment	1,388,938	835,651	66.2%	1,323,870	4.9%	342,495	333,243	2.8%	339,442	0.9%	1,046,443	502,408	108.3%	984,428	6.3%	-	-	-
Goodwill	157,824	73,192	115.6%	106,986	47.5%	49,592	49,592	0.0%	49,592	0.0%	108,232	23,600	358.6%	57,394	88.6%	-	-	-
Intangible assets	63,121	43,074	46.5%	58,907	7.2%	43,851	37,609	16.6%	41,350	6.0%	19,270	5,465	252.6%	17,557	9.8%	-	-	-
Income tax assets	11,277	36,712	-69.3%	24,043	-53.1%	8,214	27,321	-69.9%	20,638	-60.2%	3,063	9,391	-67.4%	3,405	-10.0%	-	-	-
Other assets	182,290	193,626	-5.9%	184,792	-1.4%	139,440	121,012	15.2%	140,338	-0.6%	47,809	75,515	-36.7%	56,312	-15.1%	(4,959)	(2,901)	(11,858)
Total assets	**12,606,524**	**10,077,589**	**25.1%**	**12,989,453**	**-2.9%**	**10,678,758**	**9,030,055**	**18.3%**	**11,248,226**	**-5.1%**	**2,297,291**	**1,353,961**	**69.7%**	**2,194,926**	**4.7%**	**(369,525)**	**(306,427)**	**(453,699)**
Client deposits and notes	5,294,462	4,698,558	12.7%	5,382,698	-1.6%	5,591,720	4,962,432	12.7%	5,730,419	-2.4%	-	-	-	-	-	(297,258)	(263,874)	(347,721)
Amounts due to credit institutions	3,133,422	1,719,920	82.2%	3,470,091	-9.7%	2,662,909	1,630,299	63.3%	3,067,651	-13.2%	532,573	124,468	327.9%	435,630	22.3%	(62,060)	(34,847)	(33,190)
Debt securities issued	1,157,082	1,033,758	11.9%	1,255,643	-7.8%	827,024	957,474	-13.6%	858,037	-3.6%	338,292	81,116	317.0%	407,242	-16.9%	(8,234)	(4,832)	(9,636)
Accruals and deferred income	131,372	142,766	-8.0%	130,319	0.8%	30,307	25,685	18.0%	25,242	20.1%	101,065	117,081	-13.7%	158,387	-36.2%	-	-	(53,310)
Insurance contracts liabilities	71,620	71,565	0.1%	67,871	5.5%	43,607	34,630	25.9%	41,542	5.0%	28,013	36,935	-24.2%	26,329	6.4%	-	-	-
Income tax liabilities	17,228	128,667	-86.6%	27,791	-38.0%	16,219	93,765	-82.7%	23,937	-32.2%	1,009	34,902	-97.1%	3,854	-73.8%	-	-	-
Other liabilities	348,585	131,506	165.1%	231,622	50.5%	71,391	47,520	50.2%	72,547	-1.6%	279,167	86,860	221.4%	168,917	65.3%	(1,973)	(2,874)	(9,842)
Total liabilities	**10,153,771**	**7,926,740**	**28.1%**	**10,566,035**	**-3.9%**	**9,243,177**	**7,751,805**	**19.2%**	**9,819,375**	**-5.9%**	**1,280,119**	**481,362**	**165.9%**	**1,200,359**	**6.6%**	**(369,525)**	**(306,427)**	**(453,699)**
Share capital	1,153	1,154	-0.1%	1,154	-0.1%	1,153	1,154	-0.1%	1,154	-0.1%	-	-	-	-	-	-	-	-
Additional paid-in capital	177,793	240,962	-26.2%	183,872	-3.3%	38,474	101,467	-62.1%	45,072	-14.6%	139,319	139,495	-0.1%	138,800	0.4%	-	-	-
Treasury shares	(40)	(29)	37.9%	(54)	-25.9%	(40)	(29)	37.9%	(54)	-25.9%	-	-	-	-	-	-	-	-
Other reserves	84,162	42,101	99.9%	102,269	-17.7%	(27,031)	(55,166)	-51.0%	(31,116)	-13.1%	111,193	97,267	14.3%	133,385	-16.6%	-	-	-
Retained earnings	1,945,830	1,650,094	17.9%	1,878,945	3.6%	1,416,885	1,212,492	16.9%	1,393,117	1.7%	528,945	437,602	20.9%	485,828	8.9%	-	-	-
Total equity attributable to shareholders of the Group	**2,208,898**	**1,934,282**	**14.2%**	**2,166,186**	**2.0%**	**1,429,441**	**1,259,918**	**13.5%**	**1,408,173**	**1.5%**	**779,457**	**674,364**	**15.6%**	**758,013**	**2.8%**	**-**	**-**	**-**
Non-controlling interests	243,855	216,567	12.6%	257,232	-5.2%	6,140	18,332	-66.5%	20,678	-70.3%	237,715	198,235	19.9%	236,554	0.5%	-	-	-
Total equity	**2,452,753**	**2,150,849**	**14.0%**	**2,423,418**	**1.2%**	**1,435,581**	**1,278,250**	**12.3%**	**1,428,851**	**0.5%**	**1,017,172**	**872,599**	**16.6%**	**994,567**	**2.3%**	**-**	**-**	**-**
Total liabilities and equity	**12,606,524**	**10,077,589**	**25.1%**	**12,989,453**	**-2.9%**	**10,678,758**	**9,030,055**	**18.3%**	**11,248,226**	**-5.1%**	**2,297,291**	**1,353,961**	**69.7%**	**2,194,926**	**4.7%**	**(369,525)**	**(306,427)**	**(453,699)**
Book value per share	**58.00**	**50.21**	**15.5%**	**57.52**	**0.8%**													

GEORGIA HEALTHCARE GROUP

INCOME STATEMENT	Healthcare services					Medical insurance					Pharma			Eliminations			GHG				
GEL thousands; unless otherwise noted	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q	1Q17	4Q16	Change q-o-q	1Q17	1Q16	4Q16	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q
Revenue, gross	66,528	60,451	10.1%	67,604	-1.6%	13,965	13,830	1.0%	16,312	-14.4%	111,399	56,586	96.9%	(5,265)	(1,705)	(4,471)	186,627	72,576	157.1%	136,031	37.2%
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%	-	-	-	-	-	-	-	-	-	-	-	(623)	(410)	52.0%	(790)	-21.1%
Revenue, net	65,905	60,041	9.8%	66,814	-1.4%	13,965	13,830	1.0%	16,312	-14.4%	111,399	56,586	96.9%	(5,265)	(1,705)	(4,471)	186,004	72,166	157.7%	135,241	37.5%
Costs of services	**(37,957)**	**(32,998)**	**15.0%**	**(34,802)**	**9.1%**	**(12,734)**	**(12,847)**	**-0.9%**	**(14,997)**	**-15.1%**	**(84,408)**	**(44,498)**	**89.7%**	**5,173**	**1,694**	**4,671**	**(129,926)**	**(44,151)**	**194.3%**	**(89,626)**	**45.0%**
Cost of salaries and other employee benefits	(23,095)	(19,752)	16.9%	(21,042)	9.8%	-	-	-	-	-	-	-	-	855	565	1,534	(22,240)	(19,187)	15.9%	(19,508)	14.0%
Cost of materials and supplies	(10,647)	(9,613)	10.8%	(10,616)	0.3%	-	-	-	-	-	-	-	-	1,363	275	761	(9,284)	(9,338)	-0.6%	(9,855)	-5.8%
Cost of medical service providers	(372)	(428)	-13.1%	(550)	-32.4%	-	-	-	-	-	-	-	-	14	12	39	(358)	(416)	-13.9%	(511)	-29.9%
Cost of utilities and other	(3,843)	(3,205)	19.9%	(2,594)	48.1%	-	-	-	-	-	-	-	-	142	92	189	(3,701)	(3,113)	18.9%	(2,405)	53.9%
Net insurance claims incurred	-	-	-	-	-	(11,812)	(11,953)	-1.2%	(13,911)	-15.1%	-	-	-	2,799	750	2,148	(9,013)	(11,203)	-19.5%	(11,763)	-23.4%
Agents, brokers and employee commissions	-	-	-	-	-	(922)	(894)	3.1%	(1,086)	-15.1%	-	-	-	-	-	-	(922)	(894)	3.1%	(1,086)	-15.1%
Cost of pharma - wholesale	-	-	-	-	-	-	-	-	-	-	(22,496)	(13,700)	64.2%	-	-	-	(22,496)	-	-	(13,700)	64.2%
Cost of pharma - retail	-	-	-	-	-	-	-	-	-	-	(61,912)	(30,797)	101.0%	-	-	-	(61,912)	-	-	(30,797)	101.0%
Gross profit	**27,948**	**27,043**	**3.3%**	**32,012**	**-12.7%**	**1,231**	**983**	**25.2%**	**1,315**	**-6.4%**	**26,991**	**12,088**	**123.3%**	**(92)**	**(11)**	**200**	**56,078**	**28,015**	**100.2%**	**45,615**	**22.9%**
Salaries and other employee benefits	(7,179)	(6,115)	17.4%	(6,676)	7.5%	(1,048)	(819)	28.0%	(1,320)	-20.6%	(9,616)	(4,561)	110.8%	116	11	(200)	(17,728)	(6,923)	156.1%	(12,757)	39.0%
General and administrative expenses	(4,082)	(2,483)	64.4%	(4,212)	-3.1%	(507)	(719)	-29.5%	(580)	-12.6%	(8,762)	(4,678)	87.3%	-	-	-	(13,352)	(3,202)	317.0%	(9,470)	41.0%
Impairment of healthcare services, insurance premiums and other receivables	(980)	(858)	14.2%	145	NMF	(113)	(122)	-7.4%	(89)	27.0%	(28)	-	-	-	-	-	(1,121)	(980)	14.4%	56	NMF
Other operating income	1,112	241	361.4%	269	313.4%	(7)	(21)	-66.7%	31	NMF	101	545	-81.5%	(24)	-	-	1,182	220	437.3%	845	39.9%
EBITDA	16,819	17,828	-5.7%	21,538	-21.9%	(444)	(698)	-36.4%	(643)	-30.9%	8,686	3,394	155.9%	-	-	-	25,059	17,129	46.3%	24,289	3.2%
EBITDA margin	***25.3%***	***29.5%***		***31.9%***		***-3.2%***	***-5.0%***		***-3.9%***		***7.8%***	***6.0%***	-	-	-	-	***13.4%***	***23.6%***		***17.9%***	
Depreciation and amortisation	(4,939)	(4,261)	15.9%	(5,292)	-6.7%	(222)	(204)	8.8%	(226)	-1.8%	(711)	202	NMF	-	-	-	(5,872)	(4,465)	31.5%	(5,316)	10.5%
Net interest (expense) income	(4,116)	(2,259)	82.2%	(3,815)	7.9%	(210)	603	NMF	(242)	-13.2%	(2,793)	(548)	409.7%	-	-	(168)	(7,119)	(1,656)	329.9%	(4,773)	49.2%
Net gain (loss) from foreign currencies	695	(411)	NMF	(2,053)	NMF	(12)	151	NMF	(189)	-93.7%	2,095	(928)	- NMF	-	-	-	2,778	(260)	NMF	(3,170)	NMF
Net non-recurring (expense) income	(1,276)	1,968	NMF	2,704	NMF	(200)	-	-	(704)	-71.6%	(316)	(17)	NMF	-	-	-	(1,792)	1,968	NMF	1,982	NMF
Profit before income tax expense	**7,183**	**12,865**	**-44.2%**	**13,082**	**-45.1%**	**(1,088)**	**(149)**	**NMF**	**(2,004)**	**-45.7%**	**6,961**	**2,103**	**231.0%**	-	-	**(168)**	**13,054**	**12,716**	**2.7%**	**13,012**	**0.3%**
Income tax (expense) benefit	(11)	(712)	NMF	(5,439)	NMF	-	19	NMF	(845)	NMF	(8)	(398)	NMF	-	-	-	(19)	(693)	NMF	(6,682)	NMF
of which: Deferred tax adjustments	-	-	-	*(4,321)*	-	-	-	-	*(798)*	-		*(200)*	-	-	-	-	-	-	-	*(5,319)*	-
Profit for the period	7,172	12,153	-41.0%	7,643	-6.2%	(1,088)	(130)	NMF	(2,849)	-61.8%	6,953	1,705	307.8%	-	-	(168)	13,035	12,023	8.4%	6,330	105.9%
Attributable to:																					
- shareholders of the Company	5,764	10,051	-42.7%	6,714	-14.1%	(1,088)	(130)	NMF	(2,849)	-61.8%	4,157	1,705	143.8%	-	-	(168)	8,832	9,921	-11.0%	5,401	63.5%
- non-controlling interests	1,408	2,102	-33.0%	929	51.6%	-	-	-	-	-	2,796	-	-	-	-	-	4,203	2,102	100.0%	929	352.4%
of which: Deferred tax adjustments	-	-	-	*(516)*	-	-	-	-	-	-	-	-		-	-	-	-	-	-	*(516)*	-

P&C INSURANCE (ALDAGI)

INCOME STATEMENT, HIGHLIGHTS	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q
GEL thousands, unless otherwise stated					
Net banking interest income	767	725	5.8%	761	0.8%
Net fee and commission income	99	100	-1.0%	128	-22.7%
Net banking foreign currency (loss) gain	(425)	(47)	NMF	809	NMF
Net other banking income	223	131	70.2%	495	-54.9%
Gross insurance profit	7,122	5,665	25.7%	6,477	10.0%
Revenue	**7,786**	**6,574**	**18.4%**	**8,670**	**-10.2%**
Operating expenses	(3,157)	(2,767)	14.1%	(3,641)	-13.3%
Operating income before cost of credit risk and non-recurring items	**4,629**	**3,807**	**21.6%**	**5,029**	**-8.0%**
Cost of credit risk	(242)	(173)	39.9%	(265)	-8.7%
Profit before income tax	**4,387**	**3,634**	**20.7%**	**4,764**	**-7.9%**
Income tax (expense)	(637)	(545)	16.9%	(953)	-33.2%
Profit	**3,750**	**3,089**	**21.4%**	**3,811**	**-1.6%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS	1Q17	1Q16	Change y-o-y	4Q16	Change q-o-q
GEL thousands, unless otherwise stated					
Net banking interest income	8,702	7,903	10.1%	8,043	8.2%
Net fee and commission income	2,350	1,862	26.2%	1,993	17.9%
Net banking foreign currency gain	1,798	2,481	-27.5%	2,696	-33.3%
Net other banking income (loss)	109	167	-34.7%	(1,064)	NMF
Revenue	**12,959**	**12,413**	**4.4%**	**11,668**	**11.1%**
Operating expenses	(6,400)	(4,490)	42.5%	(6,483)	-1.3%
Operating income before cost of credit risk	**6,559**	**7,923**	**-17.2%**	**5,185**	**26.5%**
Cost of credit risk	(5,634)	(2,516)	123.9%	(9,163)	-38.5%
Net non-recurring items	(57)	(3)	NMF	(1,402)	-95.9%
Profit (loss) before income tax	**868**	**5,404**	**-83.9%**	**(5,380)**	**NMF**
Income tax (expense) benefit	(199)	(1,144)	-82.6%	1,289	NMF
Profit (loss)	**669**	**4,260**	**-84.3%**	**(4,091)**	**NMF**

BALANCE SHEET, HIGHLIGHTS	Mar-17	Mar-16	Change y-o-y	Dec-16	Change q-o-q
GEL thousands, unless otherwise stated					
Cash and cash equivalents	66,619	93,904	-29.1%	70,211	-5.1%
Amounts due from credit institutions	3,981	3,986	-0.1%	3,560	11.8%
Loans to customers and finance lease receivables	335,538	319,740	4.9%	362,100	-7.3%
Other assets	126,727	49,825	154.3%	113,261	11.9%
Total assets	**532,865**	**467,455**	**14.0%**	**549,132**	**-3.0%**
Client deposits and notes	235,877	230,848	2.2%	233,501	1.0%
Amounts due to credit institutions	193,494	139,801	38.4%	212,495	-8.9%
Debt securities issued	25,512	15,906	60.4%	24,126	5.7%
Other liabilities	5,254	5,409	-2.9%	5,202	1.0%
Total liabilities	**460,137**	**391,964**	**17.4%**	**475,324**	**-3.2%**
Total equity attributable to shareholders of the Group	**72,728**	**62,908**	**15.6%**	**59,205**	**22.8%**
Non-controlling interests	-	12,583	-100.0%	14,603	-100.0%
Total equity	**72,728**	**75,491**	**-3.7%**	**73,808**	**-1.5%**
Total liabilities and equity	**532,865**	**467,455**	**14.0%**	**549,132**	**-3.0%**

BANKING BUSINESS KEY RATIOS	1Q17	1Q16	4Q16
Profitability			
ROAA, Annualised	3.2%	3.0%	2.9%
ROAE, Annualised	23.5%	21.2%	20.1%
RB ROAE	*27.2%*	*24.3%*	*35.8%*
CIB ROAE	*18.3%*	*17.6%*	*6.1%*
Net Interest Margin, Annualised	7.4%	7.5%	7.6%
RB NIM	*8.8%*	*9.2%*	*9.3%*
CIB NIM	*3.4%*	*3.7%*	*3.6%*
Loan Yield, Annualised	14.0%	14.4%	14.4%
RB Loan Yield	*15.9%*	*17.4%*	*16.4%*
CIB Loan Yield	*10.7%*	*10.3%*	*11.1%*
Liquid Assets Yield, Annualised	3.4%	3.1%	3.3%
Cost of Funds, Annualised	4.6%	5.0%	4.6%
Cost of Client Deposits and Notes, Annualised	3.5%	4.3%	3.5%
RB Cost of Client Deposits and Notes	*3.0%*	*3.5%*	*3.1%*
CIB Cost of Client Deposits and Notes	*3.9%*	*4.5%*	*3.6%*
Cost of Amounts Due to Credit Institutions, Annualised	6.3%	6.0%	6.4%
Cost of Debt Securities Issued	6.0%	7.2%	6.1%
Operating Leverage, Y-O-Y	5.7%	-3.3%	-6.8%
Operating Leverage, Q-O-Q	3.3%	-6.6%	-0.3%
Efficiency			
Cost / Income	36.1%	37.9%	37.5%
RB Cost / Income	*37.6%*	*43.3%*	*38.8%*
CIB Cost / Income	*30.1%*	*27.0%*	*28.7%*
Liquidity			
NBG Liquidity Ratio	37.4%	47.3%	37.7%
Liquid Assets To Total Liabilities	36.8%	37.1%	37.8%
Net Loans To Client Deposits and Notes	115.7%	108.7%	116.6%
Net Loans To Client Deposits and Notes + DFIs	96.1%	91.6%	95.3%
Leverage (Times)	6.4	6.1	6.9
Asset Quality:			
NPLs (in GEL)	311,940	251,959	294,787
NPLs To Gross Loans To Clients	4.6%	4.5%	4.2%
NPL Coverage Ratio	87.1%	86.0%	86.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	126.9%	122.6%	132.1%
Cost of Risk, Annualised	2.4%	2.3%	4.2%
RB Cost of Risk	*3.4%*	*2.5%*	*2.0%*
CIB Cost of Risk	*0.3%*	*2.1%*	*6.6%*
Capital Adequacy:			
New NBG (Basel 2/3) Tier I Capital Adequacy Ratio[9]	11.2%	10.1%	10.1%
New NBG (Basel 2/3) Total Capital Adequacy Ratio[9]	16.3%	15.8%	15.4%
Selected Operating Data:			
Total Assets Per FTE, BOG Standalone	2,060	1,972	2,242
Number Of Active Branches, Of Which:	279	266	278
- Express Branches (including Metro)	*130*	*114*	*128*
- Bank of Georgia Branches	*138*	*144*	*139*
- Solo Lounges	*11*	*8*	*11*
Number Of ATMs	813	753	801
Number Of Cards Outstanding, Of Which:	2,099,488	1,943,175	2,056,258
- Debit cards	*1,307,135*	*1,171,454*	*1,255,637*
- Credit cards	*792,353*	*771,721*	*800,621*
Number Of POS Terminals	10,774	8,175	10,357
FX Rates:			
GEL/US$ exchange rate (period-end)	2.4452	2.3679	2.6468
GEL/GBP exchange rate (period-end)	3.0418	3.4110	3.2579

	Mar-17	Mar-16	Dec-16
Full Time Employees, Group, Of Which:	24,091	16,086	22,080
Total Banking Business Companies, of which:	6,898	6,183	6,720
- Full Time Employees, BOG Standalone	*5,183*	*4,580*	5,016
- Full Time Employees, BNB	*622*	*562*	611
- Full Time Employees, Aldagi	*293*	*259*	289
- Full Time Employees, BB other	*800*	*782*	804
Total Investment Business Companies, of which:	*17,193*	*9,903*	15,360
- Full Time Employees, Georgia Healthcare Group	*14,510*	*9,675*	12,720
- Full Time Employees, GGU	*2,373*	-	2,379
- Full Time Employees, m²	*84*	*59*	80
- Full Time Employees, IB Other	*226*	*169*	181

Shares Outstanding	**Mar-17**	**Mar-16**	**Dec-16**
Ordinary Shares Outstanding	38,085,220	38,523,409	37,657,229
Treasury Shares Outstanding	1,384,100	976,911	1,843,091
Total Shares Issued	39,469,320	39,500,320	39,500,320

[9] Capital adequacy ratios include GEL 99.5mln distributed as dividend from the Bank to the holding level on 29 December 2016. These funds are earmarked for regular dividends in respect of the 2016 financial year and will be paid on 7 July 2017, subject to approval by the shareholders at BGEO's AGM on 1 June 2017. Excluding this amount, NBG (Basel 2/3) Tier I and Total CAR would be 10.1% and 15.2%, respectively, at 31 March 2017 and 9.1% and 14.4%, respectively, at 31 December 2016

Annex:

Glossary

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

COMPANY INFORMATION

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Registered under number 7811410 in England and Wales
Incorporation date: 14 October2011

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Share price information
BGEO shareholders can access both the latest and historical prices via our website, www.BGEO.com