BGEO Group PLC

2nd quarter and half-year 2016 results

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Name of authorised official of issuer responsible for making notification:

Ekaterina Shavgulidze, Head of Investor Relations and Funding

2Q and 1H 2016 Financial Results Earnings call

An investor/analyst conference call, organized by BGEO Group, will be held on, 16 August 2016, at 14:00 UK / 15:00 CET / 09:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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FORWARD LOOKING STATEMENTS

This document contains statements that constitute "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.

While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to the following: (1) general market, macroeconomic, governmental, legislative and regulatory trends; (2) movements in local and international currency exchange rates; interest rates and securities markets; (3) competitive pressures; (4) technological developments; (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties and developments in the market in which they operate; (6) management changes and changes to our group structure; and (7) 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 those filed with the respective authorities.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events. Accordingly, we are under no obligations (and expressly disclaim such obligations) to update or alter our forward-looking statements whether as a result of new information, future events, or otherwise.

BGEO Group PLC ("**BGEO**" or the "**Group**" – LSE: **BGEO LN**), the holding company of JSC Bank of Georgia ("**BOG**" or the "**Bank**") announces the Group's second quarter 2016 and first half 2016 consolidated results. Unless otherwise mentioned, figures are for the second quarter 2016 and comparisons are with the second quarter 2015. The results are based on IFRS as adopted by EU, are unaudited and are derived from management accounts.

BGEO highlights

- 2Q16 profit was GEL 111.2mln (US$ 47.5mln/GBP 35.4mln), up 54.4% y-o-y.
- 2Q16 earnings per share ("**EPS**") were GEL 2.46 (US$ 1.05 per share/GBP 0.78 per share), up 33.7% y-o-y
- 1H16 profit was GEL 198.3mln (US$ 84.7mln/GBP 63.2mln), up 47.6% y-o-y
- 1H16 EPS was GEL 4.57 (US$ 1.94 per share/GBP 1.46 per share), up 31.7% y-o-y
- Book value per share was GEL 51.46, up 23.3% y-o-y, with total equity attributable to shareholders of GEL 1,970.9mln, up 23.4% y-o-y
- Total assets increased to GEL 10.323.2mln, up 10.1% y-o-y and up 2.4% q-o-q
- As of 12 August 2016, GEL 253.1mln cash and cash equivalents was held at the holding company level
- Above profit figures were positively affected by one-off items recorded during the reporting period, including the two partially offsetting one-off items highlighted in italics below. The combined effect of the deferred tax adjustments and the "net non-recurring items" is a net benefit in the first half of 2016 totalling GEL 26.7mln (GEL 1.2mln in 1Q16 and GEL 25.5mln in 2Q16)

- *In May 2016, the parliament of Georgia approved a change in the current corporate taxation model, with changes applicable from 1 January 2017 for all entities apart from certain financial institutions, including insurance businesses (changes are applicable to financial institutions, including banks and insurance businesses from 1 January 2019). The changed model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the company's profit before tax, regardless of the retention or distribution status. The change has had an immediate impact on deferred tax asset and deferred tax liability balances ("**deferred taxes**") attributable to previously recognized temporary differences arising from prior periods. The Group considers the new regime as substantively enacted effective June 2016 and thus has re-measured its deferred tax assets and liabilities as at 30 June 2016. The Group has calculated the portion of deferred taxes that it expects to utilise before 1 January 2017 for our non-financial businesses and the portion of deferred taxes it expects to utilise before 1 January 2019 for financial businesses and has fully released the unutilisable portion of deferred tax assets and liabilities ("**Deferred tax adjustments**"). The deferred tax liabilities that were reversed significantly exceeded the deferred tax assets written off[1]. The net amount was recognized as an income tax benefit for the Group and amounted to GEL 66.9mln, of which GEL 39.4mln and GEL 27.5mln impacts the Group's banking business and investment business profit after tax, respectively. The amounts are reflected in the "income tax expense" line of the income statement*

- *The Group has also taken a GEL 42.5mln provision for expected accounting losses arising from the buyback of the Bank's Eurobond, which took place in July 2016. This provision is reflected in the "net non-recurring items" line of the income statement*

Banking Business highlights

2Q16 performance

- Revenue was GEL 184.0mln (up 0.7% y-o-y and down 0.1% q-o-q)
- Net Interest Margin ("**NIM**") was 7.5% (-10 bps y-o-y and flat q-o-q)
- *Pro-forma NIM, adjusted for excess liquidity level was 8.2%*[2]
- Loan Yield stood at 14.1% (down 50 bps y-o-y and down 30 bps q-o-q)

[1] Gross deferred income tax liability was GEL 76.2mln while the gross income tax asset was GEL 9.3mln. Net income tax benefit recognized in the income statement represents the net of these two amounts. Significant deferred tax liabilities that were reversed arose from the timing differences between the IFRS balance sheet and the tax balance sheet relating to accumulated depreciation, allowance for impairment of loans, property and equipment, investment properties, intangible assets, accruals of certain provisions, and various other items.

[2] ProForma NIM is a hypothetical Net Interest Margin that would have been achieved, had liquidity amounts of GEL and FC balances in excess of 35% minimum been used to repay respective funding sources at respective costs and giving up respective liquid asset yields in the process

- Cost of Funds stood at 4.8% (down 20 bps y-o-y and down 20 bps q-o-q)
- Cost to Income ratio was 38.0% (35.7% in 2Q15 and 37.9% in 1Q16)
- Cost of credit risk stood at GEL 28.2mln (down 30.9% y-o-y and down 19.6% q-o-q)
- Cost of Risk ratio was 2.0% (2.7% in 2Q15 and 2.3% in 1Q16)
- Profit increased to GEL 74.7mln (up 21.6% y-o-y and up 7.2% q-o-q)
- Return on Average Assets ("**ROAA**") was 3.4% (2.9% in 2Q15 and 3.0% in 1Q16)
- Return on Average Equity ("**ROAE**") was 22.5% (19.3% in 2Q15 and 21.2% in 1Q16)

1H16 performance

- Revenue was GEL 368.1mln (up 2.2% y-o-y)
- NIM was 7.5% (down 30 bps y-o-y)
- Loan Yield was 14.3% (down 30 bps y-o-y)
- Cost of Funds was 4.9% (down 10 bps y-o-y)
- Cost to Income ratio stood at 38.0% (36.2% in 1H15)
- Cost of credit risk stood at GEL 63.2mln (down 22.5% y-o-y)
- Cost of Risk ratio stood at 2.1% (2.9% in 1H15)
- Profit increased to GEL 144.4mln (up 20.0% y-o-y)
- ROAA was 3.2% (2.9% in 1H15)
- ROAE was 21.7% (19.3% in 1H15)

Balance sheet strength supported by solid capital and liquidity positions

- The net loan book reached a record GEL 5,507.4mln, up 7.1% y-o-y and up 2.1% q-o-q; growth on constant currency basis was 4.0% y-o-y, and 2.9% q-o-q
- Customer funds increased to GEL 4,792.0mln, up 13.7% y-o-y and down 3.4% q-o-q
- Net Loans to Customer Funds and DFI ratio stood at 95.8% (102.4% at 30 June 2015 and 91.6% at 31 march 2016)
- Leverage stood at 5.6-times in 2Q16 compared to 6.0-times a year ago
- NBG (Basel 2/3) Tier I and Total CAR stood at 10.2% and 15.5%, respectively as at 30 June 2016
- NBG Liquidity Ratio was 43.5% as at 30 June 2016, compared to 35.1% for last year

Resilient growth momentum sustained across all major business lines

- **Retail Banking ("RB") continues to deliver strong franchise growth**, primarily supported by the Express Banking strategy, along with the Solo, which continues to expand its client base. Retail Banking revenue reached GEL 112.8mln in 2Q16, up 9.2% y-o-y with half year revenue totalling GEL 219.2mln, up 8.5% y-o-y
- Retail Banking net loan book reached GEL 3,098.3mln, up 18.1% y-o-y; growth on constant currency basis was 15.3% y-o-y, and 7.5% q-o-q
- Retail Banking client deposits increased to GEL 1,977.0mln, up 13.8% y-o-y
- The number of Retail Banking clients reached 2.04 mln by the end of 2Q16, up 5.5% from 1.93mln a year ago
- **Solo – our premium banking – successfully continues to grow.** Solo is a fundamentally different approach to premium banking, targeting the mass affluent client segment. As of 30 June 2016, the number of Solo clients reached 14,896, up 61.1% from 9,244 a year ago and our goal for the next three to four years 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

- **Corporate Investment Banking ("CIB") net loan book totalled GEL 2,065.6mln, down 5.6% y-o-y**. Since we announced the combination of our Corporate Banking and Investment Management businesses into a CIB, we expect to grow our fee income, further improve the Bank's ROAE in this segment and reduce concentration risk in the corporate lending portfolio. The concentration of top 10 clients is down to 11.3% at the end of 2Q16, compared to 13.3% a year ago, CIB ROAE has reached 17.4% for 1H16, up from 16.7% in 1H15 and half year CIB net fee and commission income was GEL 6.8mln, down 14.5% y-o-y (excluding guarantees, which was down by GEL 2.2mln or 25.6% y-o-y as a result of CIB de-concentration efforts)

- **Investment Management's Assets Under Management ("AUM") increased to GEL 1,301.4mln[1]**, up 5.7% y-o-y, reflecting increased bond issuance activity as our clients increasingly access these new products

Investment Business Highlights

- Excluding deferred tax adjustments, the provision for expected accounting losses arising from the buyback of the Bank's Eurobond and other net non-recurring items, our Investment Business contributed GEL 11.0mln or 12.8% to the Group's profit in 2Q16[2], up from GEL 8.0mln and GEL 15.0mln in 2Q15 and 1Q16, respectively. For the half-year, the contribution was GEL 26.0mln or 15.2% to the Group's profits, up from GEL 11.8mln in 1H15
- **Our healthcare business, Georgia Healthcare Group PLC ("GHG") delivered record quarterly revenue of GEL 101.7mln in 2Q16, up 76.9% y-o-y and up 40.1% q-o-q.** Healthcare services business revenue accounted for more than 55%, pharma business revenue accounted for c.30% and medical insurance business revenue accounted for c.15%. GHG delivered quarterly EBITDA of GEL 16.9mln, up 25.3% y-o-y. This growth was primarily driven by the healthcare services business EBITDA growth of 35.4%. Subsequently, for the half-year, revenue was GEL 174.2mln (up 55.5% y-o-y), EBITDA was GEL 34.0mln (up 44.2% y-o-y) and profit was GEL 45.2mln (up 239.6% y-o-y) (including a tax benefit of 27.1mln relating to the deferred tax adjustments)
- **Our real estate business, m^2 Real Estate ("m^2") continued its strong project execution and sales performance in 2Q16**. In 2Q16, m^2 achieved sales of US$ 8.8mln, selling a total of 104 apartments, compared with US$ 2.8mln sales and 30 apartments sold in 2Q15. In 2Q16, m^2 recognised revenue of GEL 2.2mln (negative GEL 0.2mln for 2Q15) and recorded net profit of GEL 0.7mln (loss of GEL 0.8mln for 2Q15). In 1H16, m^2 recognised revenue of GEL 9.9mln (GEL 1.1mln for 1H15) and net profit of GEL 6.1mln (loss of GEL 2.0mln for 1H15). m^2 Real Estate recognises revenue upon handover of the apartment to its clients, following the completion of projects. As a result of this, it has accumulated US$ 50.8mln sales, which will be recognised as revenue during 2016-2018 period (of which c.US$ 27.0mln is expected to be recognised in 2016)
- **Our water and utilities business, Georgian Global Utilities ("GGU"), achieved a 1H16 profit of GEL 15.3mln, up 471.6% y-o-y**. As BGEO owned 25% of GGU in 2Q16, we have reported our share of GGU's profits as profit from associates, which amounted to GEL 3.8mln in 1H16, up 471.6% y-o-y. In July 2016, we completed the acquisition of the remaining 75% equity stake in GGU. As a result, we will start consolidating GGU financial results from 21 July 2016 as part of our investment business and will include it in the segment discussion as a separate business

[1] Wealth Management client deposits, Galt & Taggart client assets, Aldagi Pension Fund and Wealth Management client assets at Bank of Georgia Custody

[2] Including the deferred tax adjustments, the provision for expected accounting losses arising from the buyback of the Bank's Eurobond and other net non-recurring items, the investment Business contributed GEL 36.5mln or 32.8% to the Group's profit in 2Q16, up from GEL 10.6mln and GEL 17.4mln in 2Q15 and 1Q16, respectively. For the half-year, the contribution was GEL 53.9mln or 27.2% to the Group's profits, up from GEL 14.1mln in 1H15

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased with the Group's core earnings momentum in the first half of 2016, following another period of good business performance throughout the Group. Our profit of GEL 198.3mln in the first half of the year increased by 47.6% compared to the first half of 2015. Earnings per share increased by 31.7% to GEL 4.57. In the Banking business profits grew by 20.0% year-on-year supported, in particular by excellent franchise growth in the retail bank, where we now have over 2mln customers and grew retail lending during the quarter by 7.5% on a constant currency basis. Margins have remained stable despite the impact of high levels of excess liquidity, and the banking business has delivered a further reduction in the cost of risk. The Return on Average Equity in the banking business was 21.7% for the first half of the year, and 22.5% in the second quarter of 2016. There was an even stronger performance in the Group's investment businesses where both EBITDA and profit before tax increased by more than 75% in the first half.

I mentioned in my statement with the first quarter results that a change in the Georgian Government's tax policy was going through Parliament and was expected to significantly benefit Georgian companies. This change has now been ratified by Parliament and, as a result, a tax code amendment is in the process of being implemented that will apply the profits tax (currently 15%) only to distributed profits. Undistributed profits will no longer be subject to the profits tax. This amendment is expected to take effect for most companies on 1 January 2017, and for certain financial companies (including banks and insurance companies) from 1 January 2019. This will reduce the effective tax rate of the Group's non-banking businesses in 2017, and the entire Group in 2019. The impact of these changes has led to a number of deferred tax adjustments that have increased profits in the first half of 2016 by GEL 66.8mln.

In July 2016, the Group undertook a liability management exercise with regard to its existing US$ 400mln Eurobond with a 2017 maturity, replacing it with a US$ 350mln Eurobond with a seven year (2023) maturity issued at the Georgian Holding Company level. The exercise enables a significant further improvement in the Group's funding maturity profile whilst, at the same time, reduce funding costs and some of the excess liquidity within the Bank. As a result of this exercise the Group expects to see a positive impact on the banking net interest margin going forward whilst, at the same time, the Group has recognised a one-off provision of GEL 42.5mln in the first half of 2016 relating to the accounting charge arising from the above par buyback of the Eurobond.

Turning to the business, at the BGEO Group level, revenue growth was 10.4% year-on-year. Retail banking net interest income grew by 8.4%, offsetting the expected decline in corporate banking net interest income as we continue to rebalance the retail/corporate business mix to further improve the return profile of the Bank and reduce concentration risk in the corporate lending portfolio. Revenues from the investment businesses increased by 59.5% as a result of the outstanding first half performances of the healthcare and real estate businesses. Operating expenses continue to be well controlled, with the 12.5% growth year-on-year being largely driven by the significant impact of a number of acquisitions in the healthcare business.

In addition to the strong earnings performance, the Group's already high returns have further improved. In the banking business, despite carrying over GEL 625mln of excess liquidity, the return on average equity increased from 21.2% in the first quarter, to 22.5% in the second quarter, compared to 19.3% in the first half of 2015. In the healthcare services business, the EBITDA margin was 29.3%, compared to 25.3% in the first half of last year. The Group continues to demonstrate its high growth and high return characteristics.

The Georgian economy has remained resilient throughout the first half of 2016, with improving expectations for short and medium term GDP growth continuing to rise. As a result, asset quality during the first half of the year has improved in line with our expectations for the cost of risk ratio to reduce to c2.0% in 2016, compared to 2.7% in 2015. The annualised cost of risk ratio in 2Q16 was 2.0%, compared to 2.3% in 1Q16. This is a strong performance against the backdrop of last year's Lari devaluation against the US dollar, and continues to reflect our conservative lending policy that always takes into account, at the time of the initial lending decision, any potential currency mismatch. In addition, we have also started to achieve a small reduction in the ratio of NPL's to Gross Loans, and we continue to expect the NPL ratio to improve.

Within our Investment Businesses, Georgia Healthcare Group (GHG) delivered record half-yearly revenues of GEL 174.2mln, which continue to reflect both good levels of organic growth ([13.0]% year-on-year) and the impact of the benefits of last year's acquisitions starting to be captured. The healthcare services EBITDA margin continues to improve, and at 29.3% in the first half is now in line with GHG's medium-term target of 30%. GHG has also recently completed the acquisition of the third largest retail and wholesale pharmacy chain in Georgia making GHG the largest purchaser of pharmaceutical products on Georgia, and creating significant cost and revenue synergy opportunities to be captured. GHG remains clearly on track to continue to deliver strong earnings progress, together with its target to more than double 2015 healthcare services revenues by 2018. Our real estate business, m2 Real Estate, continues to develop its apartment projects very successfully, with its strong project execution and sales performance delivering a net profit of GEL 6.1mln in the first half. In our water and utilities business, GGU, the new management team is focused on improving efficiency and delivered a net profit of GEL 15.3mln in the first half, compared to GEL 2.7mln profit in the first half of 2015. During the first half of the year, BGEO Group owned 25% of GGU and, as a result, recognised GEL 3.8mln profit in the half.

In June 2016, the Group announced that it was to acquire the remaining 75% equity stake in GGU for a cash consideration of $70mln, this acquisition was completed in July 2016, and GGU will now be fully consolidated into BGEO with effect from 21 July 2016. This is a significant transaction for the Group, and is expected to be earnings enhancing from day one. The transaction valued GGU's enterprise value at GEL 287.5mln, or 4.2x EV/EBITDA 2016E. The Group has a significant opportunity to increase GGU's operational cash flow over the next few years from a combination of improving cash collection rates, increasing energy efficiency and reducing water loss rates, and by the development of additional revenue streams. Our strategy is to grow the business, with the aim to crystallise value within 3-5 years.

The Group's capital and funding position continues to remain 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 10.2%, comfortably ahead of the Bank's minimum capital requirement. In addition, as of 12 August 2016, GEL 253.1mln was held at the Group level. From a funding perspective, the Bank's NBG Liquidity ratio was 43.5%, and the Liquidity Coverage Ratio was 190.1%, reflecting the significant excess liquidity held by the Bank.

From a macroeconomic perspective Georgia has delivered a strong performance during the first half of 2016. GDP growth expectations for Georgia are now starting to increase and in June 2016 real GDP growth was 2.9% year-on-year, with inflation remaining well contained at 1.5% in July. In addition, during the first half of the year, the Lari has strengthened against the US Dollar by 2%, Foreign Direct Investment continues to be very strong, and tourist numbers - a significant driver of US$ inflows for the country - continue to rise significantly, by over 10% in 2016H1, compared to 2015H1. The National Bank of Georgia has continued to buy US Dollars on a regular basis, to mitigate the further appreciation of the Lari, and we now expect the country's US Dollar reserves to increase by as much as $500mln in 2016.

With Georgia continuing to achieve improvements in its macroeconomic performance and improving levels of business confidence, the Group has delivered another half-year of strong business performance with over 30% earnings per share growth, and constantly improving returns in both the banking business and the investment businesses. A number of recent strategic initiatives and acquisitions are expected to continue to deliver this excellent performance in the second half of 2016 and beyond.

Irakli Gilauri,
Group CEO of BGEO Group PLC

FINANCIAL SUMMARY

Income statement - quarterly *GEL thousands unless otherwise noted*	BGEO Consolidated 2Q 2016	2Q 2015	Change Y-O-Y	1Q 2016	Change Q-O-Q	Banking Business* 2Q 2016	2Q 2015	Change Y-O-Y	1Q 2016	Change Q-O-Q	Investment Business* 2Q 2016	2Q 2015	Change Y-O-Y	1Q 2016	Change Q-O-Q
Net banking interest income	128,527	122,789	4.7%	128,852	-0.3%	129,522	126,403	2.5%	130,219	-0.5%	-	-	-	-	-
Net fee and commission income	29,343	29,121	0.8%	27,814	5.5%	29,639	30,172	-1.8%	28,015	5.8%	-	-	-	-	-
Net banking foreign currency gain	15,506	19,765	-21.5%	17,390	-10.8%	15,506	19,765	-21.5%	17,390	-10.8%	-	-	-	-	-
Net other banking income	2,630	2,481	6.0%	2,867	-8.3%	2,824	2,810	0.5%	3,168	-10.9%	-	-	-	-	-
Gross insurance profit	8,409	5,817	44.6%	6,416	31.1%	6,496	3,473	87.0%	5,343	21.6%	2,565	2,799	-8.4%	1,723	48.9%
Gross healthcare profit	25,199	18,099	39.2%	26,291	-4.2%	-	-	-	-	-	25,199	18,099	39.2%	26,291	-4.2%
Gross real estate profit	2,466	(41)	NMF	6,024	-59.1%	-	-	-	-	-	2,466	(41)	NMF	6,024	-59.7%
Gross other investment profit	8,437	4,734	78.2%	3,606	134.0%	-	-	-	-	-	8,443	4,709	79.3%	3,675	129.7%
Revenue	**220,517**	**202,765**	**8.8%**	**219,260**	**0.6%**	**183,987**	**182,623**	**0.7%**	**184,135**	**-0.1%**	**38,673**	**25,566**	**51.3%**	**37,713**	**2.5%**
Operating expenses	**(88,684)**	**(76,848)**	**15.4%**	**(83,288)**	**6.5%**	**(69,919)**	**(65,244)**	**7.2%**	**(69,863)**	**0.1%**	**(19,777)**	**(12,381)**	**59.7%**	**(14,456)**	**36.8%**
Operating income before cost of credit risk / EBITDA	**131,833**	**125,917**	**4.7%**	**135,972**	**-3.0%**	**114,068**	**117,379**	**-2.8%**	**114,272**	**-0.2%**	**18,896**	**13,185**	**43.3%**	**23,257**	**-18.8%**
Profit (loss) from associates	1,952	1,979	-1.4%	1,866	4.6%	-	-	-	-	-	1,952	1,979	-1.4%	1,866	4.6%
Depreciation and amortization of investment business	(4,775)	(2,579)	85.1%	(4,910)	-2.7%	-	-	-	-	-	(4,775)	(2,579)	85.1%	(4,910)	-2.7%
Net foreign currency gain (loss) from investment business	(1,597)	2,689	NMF	(766)	108.5%	-	-	-	-	-	(1,595)	2,689	NMF	(766)	108.5%
Interest income from investment business	(283)	622	NMF	956	NMF	-	-	-	-	-	60	844	-92.9%	964	-93.8%
Interest expense from investment business	(2,497)	(2,632)	-5.1%	(1,382)	80.7%	-	-	-	-	-	(3,971)	(7,501)	-47.1%	(2,947)	34.7%
Operating income before cost of credit risk	**124,633**	**125,996**	**-1.1%**	**131,736**	**-5.4%**	-	-	-	-	-	**10,565**	**8,617**	**22.6%**	**17,464**	**-39.5%**
Cost of credit risk	(29,387)	(41,867)	-29.8%	(36,143)	-18.7%	(28,151)	(40,764)	-30.9%	(35,012)	-19.6%	(1,236)	(1,103)	12.1%	(1,131)	9.3%
Net non-recurring items	(48,744)	(413)	NMF	1,366	NMF	(46,350)	(3,409)	NMF	(1,419)	NMF	(2,394)	2,996	NMF	2,785	NMF
Income tax expense	64,735	(11,686)	NMF	(9,912)	NMF	35,139	(11,753)	NMF	(8,178)	NMF	29,596	67	NMF	(1,734)	NMF
Profit	**111,237**	**72,030**	**54.4%**	**87,047**	**27.8%**	**74,706**	**61,453**	**21.6%**	**69,663**	**7.2%**	**36,533**	**10,577**	**245.4%**	**17,384**	**110.2%**
Earnings per share (basic)	2.46	1.84	33.7%	2.10	17.1%	1.91	1.59	20.4%	1.78	7.3%	0.55	0.25	117.7%	0.32	72.3%

Income statement – half-year *GEL thousands unless otherwise noted*	BGEO Consolidated 1H16	1H15	Change Y-O-Y	Banking Business* 1H16	1H15	Change Y-O-Y	Investment Business* 1H16	1H15	Change Y-O-Y
Net banking interest income	257,380	243,778	5.6%	259,742	249,461	4.1%	-	-	-
Net fee and commission income	57,157	55,975	2.1%	57,654	58,262	-1.0%	-	-	-
Net banking foreign currency gain	32,896	38,727	-15.1%	32,896	38,727	-15.1%	-	-	-
Net other banking income	5,497	4,272	28.7%	5,992	4,906	22.1%	-	-	-
Gross insurance profit	14,825	13,391	10.7%	11,838	8,777	34.9%	4,289	5,492	-21.9%
Gross healthcare profit	51,490	34,975	47.2%	-	-	-	51,490	34,975	47.2%
Gross real estate profit	8,489	1,168	626.8%	-	-	-	8,489	1,168	626.8%
Gross other investment profit	12,043	6,133	96.4%	-	-	-	12,118	6,253	93.8%
Revenue	**439,777**	**398,419**	**10.4%**	**368,122**	**360,133**	**2.2%**	**76,386**	**47,888**	**59.5%**
Operating expenses	**(171,971)**	**(152,908)**	**12.5%**	**(139,782)**	**(130,520)**	**7.1%**	**(34,232)**	**(24,038)**	**42.4%**
Operating income before cost of credit risk / EBITDA	**267,806**	**245,511**	**9.1%**	**228,340**	**229,613**	**-0.6%**	**42,154**	**23,850**	**76.7%**
Profit from associates	3,818	668	NMF	-	-	-	3,818	668	NMF
Depreciation and amortization of investment business	(9,685)	(5,266)	83.9%	-	-	-	(9,685)	(5,266)	83.9%
Net foreign currency gain (loss) from investment business	(2,363)	6,379	NMF	-	-	-	(2,363)	6,379	NMF
Interest income from investment business	673	1,239	-45.7%	-	-	-	1,024	1,662	-38.4%
Interest expense from investment business	(3,880)	(5,094)	-23.8%	-	-	-	(6,919)	(13,469)	-48.6%
Cost of credit risk	(65,529)	(83,708)	-21.7%	(63,162)	(81,536)	-22.5%	(2,367)	(2,172)	9.0%
Net non-recurring items	(47,380)	(2,860)	NMF	(47,770)	(5,575)	NMF	390	2,715	-85.6%
Income tax expense	54,824	(22,500)	NMF	26,961	(22,238)	NMF	27,863	(262)	NMF
Profit	**198,284**	**134,369**	**47.6%**	**144,369**	**120,264**	**20.0%**	**53,915**	**14,105**	**282.2%**
Earnings per share (basic)	4.57	3.47	31.7%	3.70	3.10	19.3%	0.87	0.37	137.1%

* Banking Business and Investment Business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations are provided on pages 27 and 28

Balance sheet *GEL thousands unless otherwise noted*	BGEO Consolidated Jun-16	Jun-15	Change Y-O-Y	Mar-16	Change Q-O-Q	Banking Business* Jun-16	Jun-15	Change Y-O-Y	Mar-16	Change Q-O-Q	Investment Business* Jun-16	Jun-15	Change Y-O-Y	Mar-16	Change Q-O-Q
Liquid assets	2,925,345	2,741,533	6.7%	2,948,699	-0.8%	2,887,978	2,726,749	5.9%	2,876,357	0.4%	277,116	127,508	117.3%	337,602	-17.9%
Loans to customers and finance lease receivables	5,469,120	5,052,752	8.2%	5,359,718	2.0%	5,507,414	5,142,221	7.1%	5,394,565	2.1%	-	-	0.0%	-	0.0%
Total assets	**10,323,223**	**9,375,059**	**10.1%**	**10,077,589**	**2.4%**	**9,171,034**	**8,712,710**	**5.3%**	**9,030,055**	**1.6%**	**1,437,232**	**883,373**	**62.7%**	**1,353,961**	**6.2%**
Client deposits and notes	4,554,012	4,104,417	11.0%	4,698,558	-3.1%	4,791,979	4,212,822	13.7%	4,962,432	-3.4%	-	-	0.0%	-	0.0%
Amounts due to credit institutions	1,892,437	2,139,517	-11.5%	1,719,920	10.0%	1,766,999	2,045,093	-13.6%	1,630,299	8.4%	163,730	189,124	-13.4%	124,468	31.5%
Debt securities issued	1,065,516	1,063,123	0.2%	1,033,758	3.1%	990,370	990,257	0.0%	957,474	3.4%	81,088	79,894	1.5%	81,116	0.0%
Total liabilities	**8,113,842**	**7,719,116**	**5.1%**	**7,926,740**	**2.4%**	**7,773,056**	**7,463,969**	**4.1%**	**7,751,805**	**0.3%**	**625,829**	**476,171**	**31.4%**	**481,362**	**30.0%**
Total equity	**2,209,381**	**1,655,943**	**33.4%**	**2,150,849**	**2.7%**	**1,397,978**	**1,248,741**	**12.0%**	**1,278,250**	**9.4%**	**811,403**	**407,202**	**99.3%**	**872,599**	**-7.0%**

Banking Business Ratios	2Q16	2Q15	1Q16	1H16	1H15
ROAA	3.4%	2.9%	3.0%	3.2%	2.9%
ROAE	22.5%	19.3%	21.2%	21.7%	19.3%
Net Interest Margin	7.5%	7.6%	7.5%	7.5%	7.8%
Loan Yield	14.1%	14.6%	14.4%	14.3%	14.6%
Liquid assets yield	3.3%	3.1%	3.1%	3.2%	3.2%
Cost of Funds	4.8%	5.0%	5.0%	4.9%	5.0%
Cost of Client Deposits and Notes	4.0%	4.4%	4.3%	4.2%	4.4%
Cost of Amounts Due to Credit Institutions	5.9%	5.3%	6.0%	5.9%	5.3%
Cost of Debt Securities Issued	7.0%	7.2%	7.2%	7.1%	7.2%
Cost / Income	38.0%	35.7%	37.9%	38.0%	36.2%
NPLs To Gross Loans To Clients	4.4%	4.1%	4.5%	4.4%	4.1%
NPL Coverage Ratio	85.8%	82.2%	86.0%	85.8%	82.2%
NPL Coverage Ratio, Adjusted for discounted value of collateral	129.7%	115.1%	122.6%	129.7%	115.1%
Cost of Risk	2.0%	2.7%	2.3%	2.1%	2.9%
Tier I capital adequacy ratio (New NBG, Basel 2/3)	10.2%	10.4%	10.1%	10.2%	10.4%
Total capital adequacy ratio (New NBG, Basel 2/3)	15.5%	15.9%	15.8%	15.5%	15.9%

* Note: Banking Business and Investment Business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations are provided on page 29

DISCUSSION OF RESULTS

Discussion of Banking Business Results

The Group's ***Banking Business*** *comprises* ***Retail Banking*** *operations in Georgia. It 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	**2Q16**	**2Q15**	**Change, Y-o-Y**	**1Q16**	**Change, Q-o-Q**	**1H16**	**1H15**	**Change, Y-o-Y**
Banking interest income	217,234	215,313	0.9%	226,217	-4.0%	443,451	417,666	6.2%
Banking interest expense	(87,712)	(88,910)	-1.3%	(95,998)	-8.6%	(183,709)	(168,205)	9.2%
Net banking interest income	**129,522**	**126,403**	**2.5%**	**130,219**	**-0.5%**	**259,742**	**249,461**	**4.1%**
Fee and commission income	40,675	40,160	1.3%	38,484	5.7%	79,159	77,503	2.1%
Fee and commission expense	(11,036)	(9,988)	10.5%	(10,469)	5.4%	(21,505)	(19,241)	11.8%
Net fee and commission income	**29,639**	**30,172**	**-1.8%**	**28,015**	**5.8%**	**57,654**	**58,262**	**-1.0%**
Net banking foreign currency gain	15,506	19,765	-21.5%	17,390	-10.8%	32,896	38,727	-15.1%
Net other banking income	2,824	2,810	0.5%	3,168	-10.9%	5,992	4,906	22.1%
Net insurance premiums earned	10,235	9,777	4.7%	9,550	7.2%	19,785	19,019	4.0%
Net insurance claims incurred	(3,739)	(6,304)	-40.7%	(4,207)	-11.1%	(7,947)	(10,242)	-22.4%
Gross insurance profit	**6,496**	**3,473**	**87.0%**	**5,343**	**21.6%**	**11,838**	**8,777**	**34.9%**
Revenue	**183,987**	**182,623**	**0.7%**	**184,135**	**-0.1%**	**368,122**	**360,133**	**2.2%**
Net Interest Margin	7.5%	7.6%		7.5%		7.5%	7.8%	
Average interest earning assets	6,916,969	6,638,429	4.2%	7,013,413	-1.4%	6,968,714	6,482,145	7.5%
Average interest bearing liabilities	7,344,385	7,128,014	3.0%	7,681,953	-4.4%	7,507,878	6,767,958	10.9%
Average net loans, currency blended	5,297,175	5,225,895	1.4%	5,458,637	-3.0%	5,375,526	5,120,872	5.0%
Average net loans, GEL	1,495,886	1,564,867	-4.4%	1,489,518	0.4%	1,493,367	1,551,550	-3.7%
Average net loans, FC	3,801,289	3,661,028	3.8%	3,969,119	-4.2%	3,882,159	3,569,322	8.8%
Average client deposits, currency blended	4,818,865	4,313,076	11.7%	5,018,669	-4.0%	4,912,529	4,165,386	17.9%
Average client deposits, GEL	1,262,461	1,216,653	3.8%	1,195,744	5.6%	1,245,576	1,213,267	2.7%
Average client deposits, FC	3,556,404	3,096,423	14.9%	3,822,925	-7.0%	3,666,953	2,952,119	24.2%
Average liquid assets, currency blended	2,816,533	2,588,219	8.8%	2,950,858	-4.6%	2,884,744	2,349,573	22.8%
Average liquid assets, GEL	1,127,479	1,173,577	-3.9%	1,127,353	0.0%	1,138,243	1,122,092	1.4%
Average liquid assets, FC	1,689,054	1,414,642	19.4%	1,823,505	-7.4%	1,746,501	1,227,481	42.3%
Excess liquidity (NBG)	625,340	219,562	184.8%	836,569	-25.2%	625,340	219,562	184.8%
Liquid assets yield, currency blended	3.3%	3.1%		3.1%		3.2%	3.2%	
Liquid assets yield, GEL	7.5%	6.1%		7.7%		7.6%	5.9%	
Liquid assets yield, FC	0.5%	0.5%		0.3%		0.4%	0.6%	
Loan yield, total	14.1%	14.6%		14.4%		14.3%	14.6%	
Loan yield, GEL	23.8%	21.6%		22.5%		23.1%	21.5%	
Loan yield, FC	10.3%	11.4%		11.0%		10.6%	11.5%	
Cost of funding, total	4.8%	5.0%		5.0%		4.9%	5.0%	
Cost of funding, GEL	7.0%	4.8%		6.8%		6.8%	4.8%	
Cost of funding, FC	4.2%	5.0%		4.4%		4.3%	5.0%	

- **Our Banking Business recorded quarterly revenue of GEL 184.0mln (up 0.7% y-o-y and down 0.1% q-o-q), ending the half year 2016 with revenue of GEL 368.1mln (up 2.2% y-o-y)**. Quarterly revenue was primarily driven by an increase in net banking interest income which was offset by a decline in net banking foreign currency gain.

- **Our net banking interest income increased to GEL 129.5mln in 2Q16, up 2.5% y-o-y and down 0.5% q-o-q, with the half year result reaching GEL 259.7mln, up 4.1% y-o-y**. The quarterly y-o-y performance was a result of two-fold effect from the increase in banking interest income and the decrease in banking interest expense

    - **Our Retail Banking operations, which grew the loan book by 18.1% y-o-y, were the primary driver of our results in banking interest income.** This was partially offset by a y-o-y decline in our Corporate Investment Banking loan book (down 5.6% y-o-y) and a decline in both retail and corporate Loan Yields

    - The decrease in our banking interest expense was mainly driven by a lower Cost of Funding for this quarter, offset by an increase in interest bearing liabilities and particularly higher excess liquidity. The Cost of Funding decreased 20bps y-o-y as a result of 40bps and 20bps y-o-y decreases in the Cost of Client Deposits and Cost of Debt Securities Issued, respectively. The lower Cost of Funding effect on our interest expense was partially offset by 3.0% y-o-y growth in our average interest bearing liabilities, mostly as a result of the increased average client deposits and notes (up 11.7% y-o-y), driven primarily by the growth in foreign currency deposits (up 14.9% y-o-y)

- Net fee and commission income was down 1.8% y-o-y in 2Q16, to GEL 29.6mln. The decrease was primarily driven by GEL 2.3mln or 44.2% decrease in net commission income from guarantees as a result of the de-concentration efforts of our CIB operations, which decreased large guarantee exposures in the Bank. Excluding the impact of guarantees, net fee and commission income was GEL 26.8mln in 2Q16, up 6.9% y-o-y

- **Net banking foreign currency gain decreased for both reporting periods, reaching GEL 15.5mln in 2Q16 (down 21.5% y-o-y) and GEL 32.9mln in 1H16 (down 15.1% y-o-y)**. We held our dividend payable in British Pounds and were affected by the devaluation of the Pound. Excluding the effect of this holding, net banking foreign currency gain would have been flat y-o-y

- **Our P&C insurance business, Aldagi, posted strong results.** It recorded a gross insurance profit of GEL 6.5mln in 2Q16 (up 87.0% y-o-y and up 21.6% q-o-q). The half year result was GEL 11.8mln (up 34.9% y-o-y). This increase was mainly driven by 4.7% y-o-y growth in net insurance premiums earned, while net insurance claims incurred decreased by 40.7% y-o-y in 2Q16. Aldagi experienced high claims during the same period last year, because of last year's increase in flood related claims in Tbilisi. *For P&C insurance segment financials please see page 32*

- **Our NIM stood comfortably within our target range of 7.25% - 7.75%.** Very high excess liquidity levels (GEL 625.3mln at the end of the second quarter 2016) affected the NIM. During 2015, we purposefully built up excess liquidity for the planned liability management exercise of the Bank's US$ [400.0]mln Eurobonds maturing in 2017. We successfully completed the exercise in July 2016 and consequently we intend to reduce the excess liquidity levels at the Bank. Pro-forma NIM[1], adjusted for excess liquidity levels, was 8.2% in 2Q16. We expect NIM to improve as a result of our initiatives:

    - Completion of the liability management exercise at the Bank in July 2016

    - We have focused on sourcing local currency funding and since the start of 2016, we successfully closed two Lari denominated funding transactions with aggregate value of GEL 280mln and maturity of five years. These facilities enable the Bank to provide long term loans in local currency, meeting existing strong demand for such funding

    - We prudently manage our margin, despite pressure on loan yields. We reduced our cost of funding from both institutional sources as well as client deposits (the interest rates on our one-year dollar deposits stand at 3.5%, down from 5% a year ago)

[1] ProForma NIM is a hypothetical Net Interest Margin that would have been achieved, had liquidity amounts of GEL and FC balances in excess of 35% minimum been used to repay respective funding sources at respective costs and giving up respective liquid asset yields in the process

Operating income before non-recurring items; cost of credit risk; profit for the period

GEL thousands, unless otherwise noted	2Q16	2Q15	Change y-o-y	1Q16	Change q-o-q	1H16	1H15	Change y-o-y
Salaries and other employee benefits	(40,847)	(38,066)	7.3%	(39,806)	2.6%	(80,653)	(76,672)	5.2%
Administrative expenses	(19,051)	(17,899)	6.4%	(20,058)	-5.0%	(39,109)	(35,404)	10.5%
Banking depreciation and amortisation	(9,337)	(8,338)	12.0%	(9,138)	2.2%	(18,475)	(16,711)	10.6%
Other operating expenses	(684)	(941)	-27.3%	(861)	-20.6%	(1,545)	(1,733)	-10.8%
Operating expenses	**(69,919)**	**(65,244)**	**7.2%**	**(69,863)**	**0.1%**	**(139,782)**	**(130,520)**	**7.1%**
Operating income before cost of credit risk	**114,068**	**117,379**	**-2.8%**	**114,272**	**-0.2%**	**228,340**	**229,613**	**-0.6%**
Impairment charge on loans to customers	(26,819)	(35,105)	-23.6%	(32,218)	-16.8%	(59,036)	(74,033)	-20.3%
Impairment charge on finance lease receivables	(130)	(1,779)	-92.7%	(513)	-74.7%	(643)	(1,899)	-66.1%
Impairment charge on other assets and provisions	(1,202)	(3,880)	-69.0%	(2,281)	-47.3%	(3,483)	(5,604)	-37.8%
Cost of credit risk	**(28,151)**	**(40,764)**	**-30.9%**	**(35,012)**	**-19.6%**	**(63,162)**	**(81,536)**	**-22.5%**
Net operating income before non-recurring items	**85,917**	**76,615**	**12.1%**	**79,260**	**8.4%**	**165,178**	**148,077**	**11.5%**
Net non-recurring items	(46,350)	(3,409)	NMF	(1,419)	NMF	(47,770)	(5,575)	NMF
Profit before income tax	**39,567**	**73,206**	**-46.0%**	**77,841**	**-49.2%**	**117,408**	**142,502**	**-17.6%**
Income tax expense	35,139	(11,753)	NMF	(8,178)	NMF	26,961	(22,238)	NMF
Profit	**74,706**	**61,453**	**21.6%**	**69,663**	**7.2%**	**144,369**	**120,264**	**20.0%**

- **Operating expenses increased to GEL 69.9mln in 2Q16 (up 7.2% y-o-y and up 0.1% q-o-q) and to GEL 139.8mln in 1H16 (up 7.1% y-o-y).** As a result, operating leverage was negative at 6.4% y-o-y in 2Q16 and 4.9% y-o-y in 1H16, while Cost/Income ratio stood at 38.0% in 2Q16 compared to 35.7% in 2Q15 and 38.0% in 1H16 compared to 36.2% in 1H15. **Both 2Q16 and half-year 2016 operating expenses were driven by:**
  - Salaries and employee benefits that increased by GEL 2.8mln or 7.3% y-o-y and GEL 1.0mln or 2.6% q-o-q, while for the half year 2016 salaries and employee benefits increased by GEL 4.0mln or 5.2% y-o-y. The increase mainly reflects the organic growth of our Banking Business
  - Quarterly administrative expenses increased to GEL 19.1mln, up GEL 1.2mln or 6.4% y-o-y, mainly reflecting larger scale marketing expenses on Solo, compared with the same period last year. On q-o-q basis, administrative expenses have decreased by GEL 1.0mln or 5.0%. Depreciation and amortisation expenses have also increased to GEL 9.3mln, up 12.0% y-o-y, mainly reflecting investments in Solo Lounges
- **For 2Q16, the Banking Business Cost of Risk ratio stood at 2.0%, down 70bps y-o-y and down 30bps q-o-q. The cost of credit risk was GEL 28.2mln, down 30.9% y-o-y and down 19.6% q-o-q**. The significant improvement compared to last year is driven by an improved performance in both, Corporate Investment Banking and Retail Banking Cost of Risk on y-o-y as well as q-o-q basis. **For the half year 2016, the Banking Business Cost of Risk ratio stood at 2.1% (2.9% in 1H15) and the cost of credit risk was GEL 63.2mln (GEL 81.5mln in 1H15)**
- NPLs to gross loans were 4.4% as of 30 June 2016, up 30 bps y-o-y and down 10 bps q-o-q. Our retail banking NPLs to gross loans improved to 1.5%, compared to 1.6% as of 31 March 2016 and 1.8% a year ago. CIB NPLs to gross loans were 7.6%, compared to 7.4% as of 31 March 2016 and 6.4% a year ago. In CIB, the increasing trend of NPLs stabilised and NPLs were flat q-o-q, while the loan book decreased, thus leading to the q-o-q increase in NPLs to gross loans
- NPLs were GEL 251.4mln, up 14.7% y-o-y and down 0.2% q-o-q. The y-o-y increase reflects the growth in net loan book together with the local currency volatility against the US Dollar which affected some of our clients
- The NPL coverage ratio stood at 85.8% as of 30 June 2016, an improvement compared to 82.2% as of 30 June 2015 and relatively stable compared to 86.0% as of 31 March 2016. Our NPL coverage ratio adjusted for the discounted value of collateral also improved to 129.7% as of 30 June 2016, compared to 115.1% as of 30 June 2015 and 122.6% as of 31 March 2016
- Our 15 days past due rate for retail loans stood at 1.2% as of 30 June 2016 compared to 1.4% as of 30 June 2015 and 1.1% as of 31 March 2016. 15 days past due rate for our mortgage loans stood at 0.6% as of 30 June 2016 compared to 0.8% as of 30 June 2015 and 0.6% as of 31 March 2016
- **As a result of the foregoing, the Banking Business reported profit of GEL 74.7mln in 2Q16 (up 21.6% y-o-y and up 7.2% q-o-q) and GEL 144.4mln in 1H16 (up 20.0% y-o-y). This resulted in outstanding**

ROAE of 22.5% in 2Q16 (up 320bps y-o-y and up 130bps q-o-q) and of 21.7% in 1H16 (up 240bps y-o-y)

- **The Banking Business profit was supported by its banking subsidiary in Belarus – BNB, which contributed GEL 3.7mln profit[1] in 2Q16 (up 120.3% y-o-y) and GEL 7.9mln in 1H16 (up 58.5% y-o-y);** The BNB loan book reached GEL 310.5mln, up 1.5% y-o-y, mostly consisting of an increase in SME loans. BNB client deposits were to GEL 202.4mln, down 16.5% y-o-y. **BNB is well capitalised**, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. For 2Q16, Total CAR was 16.4%, above 10% minimum requirement by the National Bank of the Republic of Belarus ("NBRB") and Tier I CAR was 10.4%, above the 6% minimum requirement by NBRB. Return on Average Equity ("**ROAE**") for BNB was 19.6% (22.9% in 1Q16), ending the half year with ROAE of 21.4% compared to 13.5% for the same period last year. *For BNB standalone financial highlights, please see page 32*

Banking Business Balance Sheet highlights

GEL thousands, unless otherwise noted	**30-Jun-16**	**30-Jun-16**	**Change y-o-y**	**31-Mar-16**	**Change q-o-q**
Liquid assets	2,887,978	2,726,749	5.9%	2,876,357	0.4%
Liquid assets, GEL	1,182,105	1,257,220	-6.0%	1,050,741	12.5%
Liquid assets, FC	1,705,873	1,469,529	16.1%	1,825,616	-6.6%
Net loans	5,507,414	5,142,221	7.1%	5,394,565	2.1%
Net loans, GEL	1,523,671	1,546,104	-1.5%	1,488,050	2.4%
Net loans, FC	3,983,743	3,596,117	10.8%	3,906,515	2.0%
Client deposits and notes	4,791,979	4,212,822	13.7%	4,962,432	-3.4%
Amounts due to credit institutions, of which:	1,766,999	2,045,093	-13.6%	1,630,299	8.4%
Borrowings from DFIs	957,227	807,809	18.5%	926,210	3.3%
Short-term loans from central banks	278,500	674,701	-58.7%	368,000	-24.3%
Loans and deposits from commercial banks	531,272	562,583	-5.6%	336,089	58.1%
Debt securities issued	990,370	990,257	0.0%	957,474	3.4%
Liquidity and CAR Ratios					
Net Loans / Customer Funds	114.9%	122.1%		108.7%	
Net Loans / Customer Funds + DFIs	95.8%	102.4%		91.6%	
Liquid assets as percent of total assets	31.5%	31.3%		31.9%	
Liquid assets as percent of total liabilities	37.2%	36.5%		37.1%	
NBG liquidity ratio	43.5%	35.1%		47.3%	
Excess liquidity (NBG)	625,340	219,562	184.8%	836,569	-25.2%
Tier I Capital Adequacy Ratio (NBG Basel 2/3)	10.2%	10.4%		10.1%	
Total Capital Adequacy Ratio (NBG Basel 2/3)	15.5%	15.9%		15.8%	

Our Banking Business balance sheet remained very liquid (NBG Liquidity ratio of 43.5%) **and well-capitalised** (Tier I Capital Adequacy Ratio, NBG Basel 2/3 of 10.2%) **with a well-diversified funding base** (Client Deposits and notes to Total Liabilities of 61.6%)

- The NBG liquidity ratio stood at 43.5% as of 30 June 2016 compared to 47.3% as of 31 March 2016, against a regulatory minimum requirement of 30.0%
- Liquid assets increased to GEL 2,888.0mln, up 5.9% y-o-y
- Additionally, liquid assets as a percentage of total assets increased to 31.5%, up from 31.3% a year ago and liquid assets as a percentage of total liabilities also increased to 37.2%, up from 36.5% a year ago
- Our share of amounts due to credit institutions to total liabilities decreased y-o-y from 27.4% to 22.7%, with the share of client deposits and notes to total liabilities increasing y-o-y from 56.4% to 61.6%
- Net Loans to Customer Funds and DFIs ratio, a ratio closely observed by management, stood at 95.8%, up from 91.6% as of 31 March 2016 and down from 102.4% as of 30 June 2015
- Effective 17 May, 2016, the National Bank of Georgia has changed its minimum reserve requirements, with the goal to incentivise local currency lending. The minimum reserve requirement for local currency has reduced from 10% to 7% and the minimum reserve requirement for foreign currency has increased from 15% to 20%. The impact of this change is not expected to have a material impact on the Group's earnings. Our estimate is that there will be less than 10bps reduction in the banking net interest margin as a result of this change

[1] BNB profit is adjusted for the deferred tax adjustment attributable to BNB. Before this adjustment, BNB profit was GEL 0.2mln and GEL 4.4mln in 2Q16 and 1H16, respectively.

Discussion of Segment Results

The segment results discussion is presented for Retail Banking (RB), Corporate Investment Banking (CIB), 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	2Q16	2Q15	Change y-o-y	1Q16	Change q-o-q	1H16	1H15	Change y-o-y
Income statement highlights								
Net banking interest income	84,574	79,269	6.7%	82,832	2.1%	167,406	154,420	8.4%
Net fee and commission income	21,742	18,406	18.1%	19,239	13.0%	40,981	36,972	10.8%
Net banking foreign currency gain	5,473	4,305	27.1%	3,590	52.5%	9,063	8,210	10.4%
Net other banking income	1,035	1,384	-25.2%	711	45.6%	1,746	2,347	-25.6%
Revenue	**112,824**	**103,364**	**9.2%**	**106,372**	**6.1%**	**219,196**	**201,949**	**8.5%**
Salaries and other employee benefits	(24,325)	(22,416)	8.5%	(23,607)	3.0%	(47,932)	(46,012)	4.2%
Administrative expenses	(12,756)	(11,632)	9.7%	(14,521)	-12.2%	(27,277)	(23,872)	14.3%
Banking depreciation and amortisation	(7,597)	(6,818)	11.4%	(7,383)	2.9%	(14,981)	(13,649)	9.8%
Other operating expenses	(393)	(496)	-20.8%	(496)	-20.8%	(888)	(959)	-7.4%
Operating expenses	**(45,071)**	**(41,362)**	**9.0%**	**(46,007)**	**-2.0%**	**(91,078)**	**(84,492)**	**7.8%**
Operating income before cost of credit risk	**67,753**	**62,002**	**9.3%**	**60,365**	**12.2%**	**128,118**	**117,457**	**9.1%**
Cost of credit risk	(17,543)	(20,662)	-15.1%	(18,184)	-3.5%	(35,727)	(37,322)	-4.3%
Net non-recurring items	(31,819)	(2,875)	NMF	(561)	NMF	(32,379)	(3,323)	NMF
Profit before income tax	**18,391**	**38,465**	**-52.2%**	**41,620**	**-55.8%**	**60,012**	**76,812**	**-21.9%**
Income tax expense	28,702	(5,900)	NMF	(3,844)	NMF	24,858	(11,639)	NMF
Profit	**47,093**	**32,565**	**44.6%**	**37,776**	**24.7%**	**84,870**	**65,173**	**30.2%**
Balance sheet highlights								
Net loans, standalone, Currency Blended	3,098,341	2,623,615	18.1%	2,901,189	6.8%	3,098,341	2,623,615	18.1%
Net loans, standalone, GEL	1,303,077	1,285,013	1.4%	1,266,966	2.9%	1,303,077	1,285,013	1.4%
Net loans, standalone, FC	1,795,264	1,338,602	34.1%	1,634,223	9.9%	1,795,264	1,338,602	34.1%
Client deposits, standalone, Currency Blended	1,976,985	1,736,508	13.8%	1,902,042	3.9%	1,976,985	1,736,508	13.8%
Client deposits, standalone, GEL	521,986	491,104	6.3%	447,620	16.6%	521,986	491,104	6.3%
Client deposits, standalone, FC	1,454,999	1,245,404	16.8%	1,454,422	0.0%	1,454,999	1,245,404	16.8%
of which:								
Time deposits, standalone, Currency Blended	1,216,762	1,067,316	14.0%	1,205,935	0.9%	1,216,762	1,067,316	14.0%
Time deposits, standalone, GEL	211,463	209,735	0.8%	196,668	7.5%	211,463	209,735	0.8%
Time deposits, standalone, FC	1,005,299	857,581	17.2%	1,009,267	-0.4%	1,005,299	857,581	17.2%
Current accounts and demand deposits, standalone, Currency Blended	760,223	669,192	13.6%	696,107	9.2%	760,223	669,192	13.6%
Current accounts and demand deposits, standalone, GEL	310,523	281,369	10.4%	250,952	23.7%	310,523	281,369	10.4%
Current accounts and demand deposits, standalone, FC	449,700	387,823	16.0%	445,155	1.0%	449,700	387,823	16.0%
Key ratios								
ROAE Retail Banking	29.2%	21.2%		24.3%		26.6%	21.6%	
Net interest margin, currency blended	9.1%	9.5%		9.2%		9.2%	9.6%	
Cost of risk	2.3%	2.8%		2.5%		2.4%	2.6%	
Cost of funds, currency blended	6.1%	6.1%		6.5%		6.3%	6.0%	
Loan yield, currency blended	16.9%	17.3%		17.4%		17.2%	17.3%	
Loan yield, GEL	25.5%	23.6%		25.4%		25.4%	23.3%	
Loan yield, FC	10.2%	11.2%		10.9%		10.5%	10.0%	
Cost of deposits, currency blended	3.4%	3.9%		3.5%		3.5%	4.2%	
Cost of deposits, GEL	4.9%	4.6%		4.8%		4.8%	5.1%	
Cost of deposits, FC	2.9%	3.6%		3.2%		3.1%	3.7%	
Cost of time deposits, currency blended	5.0%	5.7%		5.1%		5.1%	5.8%	
Cost of time deposits, GEL	9.8%	7.9%		9.7%		9.8%	8.7%	
Cost of time deposits, FC	4.0%	5.0%		4.3%		4.2%	4.9%	
Current accounts and demand deposits, currency blended	0.9%	1.2%		0.9%		0.9%	1.4%	
Current accounts and demand deposits, GEL	1.3%	1.4%		1.1%		1.2%	2.0%	
Current accounts and demand deposits, FC	0.6%	1.1%		0.7%		0.7%	1.0%	
Cost / income ratio	39.9%	40.0%		43.3%		41.6%	41.8%	

Performance highlights

- **Retail Banking revenue increased to GEL 112.8mln in 2Q16, up 9.2% y-o-y, ending the half year 2016 with revenue of GEL 219.2mln, up 8.5% y-o-y.** For both reporting periods, Retail Banking achieved strong revenue growth across all major business lines: growth in net banking interest income (up 6.7% y-o-y in 2Q16 and up 8.4% y-o-y in 1H16), growth in net fee and commission income (up 18.1% y-o-y in 2Q16 and up 10.8% y-o-y in 1H16) and growth in net banking foreign currency gain (up 27.1% y-o-y in 2Q16 and up 10.4% y-o-y in 1H16).
- **The Retail Banking net loan book reached a record level of GEL 3,098.3mln, up 18.1% y-o-y.** We continue to observe a shift in the currency mix in our Retail Banking loan book, with foreign currency denominated loans increasing to 58% of the total retail banking portfolio, from 51% a year ago. Foreign currency denominated loans grew at 34.1% y-o-y to GEL 1,795.3mln compared to local currency loans that grew slightly at 1.4% y-o-y to GEL 1,303.1mln. The trend was also aligned to the changes in our quarterly loan yields, which stood at 10.2% for foreign currency loans (down 100bps y-o-y) and 25.5% for local currency loans (up 190bps y-o-y)
- The growth was a result of accelerated loan origination delivered across all Retail Banking segments:
  - Consumer loan originations of GEL 244.6mln in 2Q16 and GEL 446.5mln in 1H16 resulted in consumer loans outstanding totaling GEL 709.4mln as of 30 June 2016, up 18.8% y-o-y
  - Micro loan originations of GEL 180.4mln in 2Q16 and GEL 329.8mln in 1H16 resulted in micro loans outstanding totaling GEL 603.7mln as of 30 June 2016, up 14.9% y-o-y
  - SME loan originations of GEL 128.1mln in 2Q16 and GEL 229.6mln in 1H16 resulted in SME loans outstanding totaling GEL 388.8mln as of 30 June 2016, up 28.8% y-o-y
  - Mortgage loans originations of GEL 159.9mln in 2Q16 and GEL 321.7mln in 1H16 resulted in mortgage loans outstanding of GEL 956.5mln as of 30 June 2016, up 30.7% y-o-y
  - Originations of loans disbursed at merchant locations of GEL 52.4mln in 2Q16 and GEL 95.6mln in 1H16 resulted in loans disbursed at merchant locations outstanding of GEL 108.3mln as of 30 June 2016, up 3.1% y-o-y
- Retail Banking client deposits increased to GEL 1,977.0mln, up 13.8% y-o-y, notwithstanding a 50bps decrease in the cost of deposits. The share of foreign currency denominated deposits increased to 73.6% up from 71.7% a year ago with foreign currency denominated deposits growing at 16.8% y-o-y to GEL 1,455.0mln compared to local currency deposits that grew slightly slower at 6.3% y-o-y to GEL 522.0mln. Cost of deposits in 2Q16 decreased 70bps y-o-y for foreign currency denominated deposits while for local currency denominated deposits it grew by 30bps y-o-y
- **Our express banking franchise, the major driver of fee and commission income, posted 10.8% y-o-y growth in new client acquisition, adding 7,709 Express Banking customers during the second quarter of 2016 and 19,768 clients during first six months of 2016.** The growth in client base has triggered a significant increase in the volume of banking transactions, up 28.6% y-o-y. The growth of transactions was achieved largely through more cost-effective remote channels. The strong client growth has supported an organic increase in our Retail Banking net fee and commission income to GEL 21.7mln, up 18.1% y-o-y for 2Q16 with the half year result reaching GEL 41.0mln, up 10.8% y-o-y
- **Our Express Banking continues to deliver strong growth as we continue to develop our mass market Retail Banking strategy:**
  - Express Banking franchise has attracted 445,118 previously unbanked emerging mass market customers since its launch over 3 years ago. Express banking added 7,709 clients compared to the previous quarter and 43,365 clients during the twelve month period
  - 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
  - **1,431,557 Express Cards have been issued** since their launch in September 2012, in essence replacing the pre-paid metro cards which were previously used. Of this, 126,823 Express Cards were issued in 2Q16, up 30.4% y-o-y. As of 30 June 2016, 1,195,380 Express Cards were outstanding, compared to 861,914 cards outstanding as of the same date last year

- **We have increased number of Express Pay terminals to 2,681, from 2,284 a year ago**. Express Pay terminals are an *alternative to tellers*, placed at bank branches as well as various other venues (groceries, shopping malls, 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
- **In 2Q16, the utilisation of Express Pay terminals increased significantly**, with the number of transactions growing to 31.0mln, up 9.6% y-o-y and volume of transactions reaching GEL 742.2mln, up 48.5% y-o-y. For the half year, number of transactions reached 59.8mln, up 10.4% y-o-y and volume of transactions reached GEL 1,405.0mln, up 53.0% y-o-y
- Increased Point of Sales ("**POS**") footprint to 7,447 desks and 3,848 contracted merchants as of 30 June 2016, up from 6,539 desks and 3,565 contracted merchants as of 30 June 2015
- The number of POS terminals reached 9,044, up 17.9% from 7,668 a year ago
- The volume of transactions through the Bank's POS terminals grew to GEL 199.0mln in 2Q16, up 12.8% y-o-y. For the half year, volume of transactions reached GEL 375.7mln, up 17.9% y-o-y
- The number of transactions via Internet banking has increased to 1.4mln in 2Q16, up from 1.1mln a year ago, with volume reaching GEL 327.7mln, up 77.6% y-o-y. For the half year, number of transactions reached 2.7mln, up from 2.2mln a year ago, with volume of transaction reaching GEL 544.6mln, up 59.2% y-o-y
- The number of transactions via mobile banking almost doubled to 0.6mln in 2Q16, up from 0.4mln a year ago, with volume more than doubling to GEL 57.5mln, up 134.4% y-o-y. For the half year, number of transactions reached 1.1mln, up from 0.7mln a year ago, with volume reaching GEL 93.4mln, up 96.1% y-o-y

- **Retail Banking NIM was 9.1% in 2Q16, down 40bps y-o-y and down 10bps q-o-q, ending a half year with 9.2%, down 40bps y-o-y**
- Quarterly NIM on a y-o-y basis, was affected by decrease in loan yields, while cost of funds remained flat. Pressure on currency blended loan yields was due to increase in foreign currency lending (The share of foreign currency denominated loans increased to 57.9% of retail loan book, up from 51.0% a year ago), which has lower loan yields compared to local currency loans. On a quarter-over-quarter basis, NIM was nearly flat as a decrease in the cost of funds largely compensated for the lower loan yields
- Our focus going forward is to increase lending in local currency, which will be supported by the new lines of longer term local currency funding that we sourced since the beginning of 2016
- **For 2Q16, operating expenses increased to GEL 45.1mln, up 9.0% y-o-y, resulting in a Cost to Income ratio of 39.9% and positive y-o-y operating leverage of 0.2%**, which reflects:
    - Salaries and other employee benefits, which increased GEL 1.9mln or 8.5% y-o-y and GEL 0.7mln or 3.0% q-o-q
    - The increase in administrative expenses by GEL 1.1mln or 9.7% y-o-y to GEL 12.8mln but decrease by 12.2% q-o-q from GEL 14.5mln. The y-o-y increase was largely driven by marketing and advertising expenses, which increased by GEL 0.8mln or 65.8%, whilst we had GEL 0.3mln or 279.8% y-o-y increase in personnel training and recruitment
- **For 1H16, operating expenses increased to GEL 91.1mln, up 7.8% y-o-y, resulting in a Cost to Income ratio of 41.6% and positive operating leverage of 0.7 percentage points**, which reflects increases in each of Salaries and other employee benefits, Administrative expenses and Depreciation and amortization reflecting the same underlying trends outlined above for 2Q16
- **Since we launched Solo Lifestyle in April 2015, the number of Solo clients has reached 14,896, up 61.1% y-o-y from 9,244 a year ago.** We have now launched 10 Solo lounges, of which 7 are located in Tbilisi, the capital city and 3 in major regional cities in Georgia. In 1H16, profit per Solo client was GEL 817, compared to a profit of GEL 46 and GEL 38 per Express and mass retail clients, respectively. Product to client ratio for Solo segment was 7.1, compared to 3.6 and 1.5 for Express and mass retail clients. While Solo clients currently represented c.1% of our total retail client base, they contributed 20.1% to our retail loan book, 33.6% to our retail deposits, 9.5% to our net interest income and 10.5% to our net fee and commission income

- With Solo we target the mass affluent retail segment and aim to build brand loyalty through exclusive experiences offered through the new Solo Lifestyle. *In our Solo lounges*, Solo clients are offered, at cost, a selection of luxury products and accessories that are currently not available in the country. Solo clients enjoy tailor-made solutions including new financial products such as bonds, which pay a significantly higher yield compared to deposits, and other securities developed by Galt & Taggart, the Group's Investment Banking arm. *Through Solo Lifestyle*, our Solo clients are given access to exclusive products and the finest lounge-style environment at our Solo lounges and are provided with new lifestyle opportunities, such as exclusive events, offering live concerts with the world known artists and other entertainments exclusively for just solo clientele, as well as handpicked lifestyle products. In 1Q16, two Sting concerts organised by Solo in Tbilisi were the highlight of our exclusive events, where over 4,500 Solo clients had exclusive access to the event, at cost. The event was met with strong demand and was regarded highly by Solo clients – essentially differentiating Solo from other premium banking brands offered on the market and further building brand loyalty
- The cost of credit risk was GEL 17.5mln (down 15.1% y-o-y) and GEL 35.7mln (down 4.3% y-o-y) for 1Q16 and 1H16, respectively. Cost of Risk ratio was 2.3% in 2Q16 down from 2.8% in 2Q15 and 2.5% in 1Q16, ending the half year with Cost of Risk of 2.4%, down from 2.6% a year ago
- As a result, Retail Banking profit reached GEL 47.1mln (up 44.6% y-o-y) and GEL 84.9mln (up 30.2% y-o-y) for 2Q16 and 1H16, respectively. Retail Banking continued to deliver an outstanding ROAE of 29.2% in 2Q16 compared to 21.2% in 2Q15 and 24.3% in 1Q16, whilst ROAE for first half of 2016 was 26.6% compared to 21.6% a year ago
- The number of Retail Banking clients totalled 2.04mln, up 5.5% y-o-y
- The number of cards totalled 1,946,828, down 0.9% y-o-y

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). 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	**2Q16**	**2Q15**	**Change y-o-y**	**1Q16**	**Change q-o-q**	**1H16**	**1H15**	**Change y-o-y**
Income statement highlights								
Net banking interest income	35,233	39,266	-10.3%	38,250	-7.9%	73,483	78,858	-6.8%
Net fee and commission income	6,129	9,150	-33.0%	7,020	-12.7%	13,150	16,492	-20.3%
Net banking foreign currency gain	8,921	10,104	-11.7%	11,368	-21.5%	20,289	19,606	3.5%
Net other banking income	1,822	1,827	-0.3%	2,587	-29.6%	4,408	3,335	32.2%
Revenue	**52,105**	**60,347**	**-13.7%**	**59,225**	**-12.0%**	**111,330**	**118,291**	**-5.9%**
Salaries and other employee benefits	(11,357)	(11,148)	1.9%	(11,155)	1.8%	(22,512)	(21,209)	6.1%
Administrative expenses	(3,692)	(4,357)	-15.3%	(3,355)	10.0%	(7,047)	(7,243)	-2.7%
Banking depreciation and amortisation	(1,304)	(1,069)	22.0%	(1,272)	2.5%	(2,576)	(2,176)	18.4%
Other operating expenses	(226)	(228)	-0.9%	(231)	-2.2%	(457)	(474)	-3.6%
Operating expenses	**(16,579)**	**(16,802)**	**-1.3%**	**(16,013)**	**3.5%**	**(32,592)**	**(31,102)**	**4.8%**
Operating income before cost of credit risk	**35,526**	**43,545**	**-18.4%**	**43,212**	**-17.8%**	**78,738**	**87,189**	**-9.7%**
Cost of credit risk	(9,347)	(14,247)	-34.4%	(14,138)	-33.9%	(23,486)	(33,618)	-30.1%
Net non-recurring items	(14,538)	(216)	NMF	(856)	NMF	(15,393)	(837)	NMF
Profit before income tax	**11,641**	**29,082**	**-60.0%**	**28,218**	**-58.7%**	**39,859**	**52,734**	**-24.4%**
Income tax expense	12,809	(4,485)	NMF	(2,687)	NMF	10,121	(8,678)	NMF
Profit	**24,450**	**24,597**	**-0.6%**	**25,531**	**-4.2%**	**49,980**	**44,056**	**13.4%**
Balance sheet highlights								
Letters of credit and guarantees, standalone[1]	560,029	542,463	3.2%	541,567	3.4%	560,029	542,463	3.2%
Net loans, standalone, currency blended	2,065,566	2,188,331	-5.6%	2,144,299	-3.7%	2,065,566	2,188,331	-5.6%
Net loans, standalone, GEL	219,465	255,241	-14.0%	220,295	-0.4%	219,465	255,241	-14.0%
Net loans, standalone, FC	1,846,101	1,933,090	-4.5%	1,924,004	-4.0%	1,846,101	1,933,090	-4.5%
Client deposits, standalone, currency blended	2,602,018	2,276,702	14.3%	2,868,846	-9.3%	2,602,018	2,276,702	14.3%
Client deposits, standalone, GEL	754,096	721,966	4.5%	797,875	-5.5%	754,096	721,966	4.5%
Client deposits, standalone, FC	1,847,922	1,554,736	18.9%	2,070,971	-10.8%	1,847,922	1,554,736	18.9%
of which:								
Time deposits, standalone, currency blended	1,041,041	1,144,384	-9.0%	1,200,565	-13.3%	1,041,041	1,144,384	-9.0%
Time deposits, standalone, GEL	161,612	321,937	-49.8%	165,311	-2.2%	161,612	321,937	-49.8%
Time deposits, standalone, FC	879,429	822,447	6.9%	1,035,254	-15.1%	879,429	822,447	6.9%
Current accounts and demand deposits, standalone, currency blended	1,560,977	1,132,318	37.9%	1,668,281	-6.4%	1,560,977	1,132,318	37.9%
Current accounts and demand deposits, standalone, GEL	592,484	400,029	48.1%	632,564	-6.3%	592,484	400,029	48.1%
Current accounts and demand deposits, standalone, FC	968,493	732,289	32.3%	1,035,717	-6.5%	968,493	732,289	32.3%
Assets under management	1,301,353	1,231,406	5.7%	1,343,821	-3.2%	1,301,353	1,231,406	5.7%
Ratios								
ROAE, Corporate Investment Banking	17.2%	18.4%		17.6%		17.4%	16.7%	
Net interest margin, currency blended	3.7%	3.9%		3.7%		3.7%	4.1%	
Cost of risk	1.5%	1.8%		2.1%		1.8%	2.6%	
Cost of funds, currency blended	4.6%	4.6%		4.4%		4.5%	4.6%	
Loan yield, currency blended	10.0%	12.1%		10.3%		10.2%	12.0%	
Loan yield, GEL	14.3%	12.9%		13.1%		13.7%	12.2%	
Loan yield, FC	9.6%	10.4%		10.2%		9.9%	10.6%	
Cost of deposits, currency blended	4.2%	3.9%		4.5%		4.4%	3.9%	
Cost of deposits, GEL	7.1%	4.4%		8.0%		7.5%	4.1%	
Cost of deposits, FC	3.0%	3.7%		3.1%		3.1%	3.8%	
Cost of time deposits, currency blended	5.9%	6.2%		6.0%		6.0%	6.3%	
Cost of time deposits, GEL	9.8%	8.0%		9.6%		9.7%	7.3%	
Cost of time deposits, FC	5.2%	5.7%		5.3%		5.3%	6.0%	
Current accounts and demand deposits, currency blended	3.1%	1.5%		3.4%		3.2%	1.4%	
Current accounts and demand deposits, GEL	6.4%	2.4%		7.5%		6.9%	2.0%	
Current accounts and demand deposits, FC	0.8%	1.1%		0.8%		0.8%	1.1%	
Cost / income ratio	31.8%	27.8%		27.0%		29.3%	26.3%	
Concentration of top ten clients	11.3%	12.1%		12.7%		13.3%	13.4%	

[1]Off-balance sheet item

Performance highlights

- A key focus of Corporate Investment Banking business is to increase ROAE and we plan to do this by de-concentrating our loan book and decreasing the cost of risk, while focusing on further building our fee business through the investment management and the trade finance franchise, which we believe is the strongest in the region
  - CIB is successfully following a de-concentration strategy, reducing the concentration of our top 10 Corporate Investment Banking clients to 11.3% by the end of 2Q16, down from 13.3% a year ago
  - Cost of credit risk decreased to GEL 9.3mln (down 34.4% y-o-y) and GEL 23.5mln (down 30.1% y-o-y) for 2Q16 and 1H16, respectively
  - Cost of Risk also decreased to 1.5%, down 30 bps y-o-y and down 60 bps q-o-q, ending the half year 2016 with Cost of Risk of 1.8%, down 80 bps y-o-y
  - CIB net fee and commission income represented GEL 13.2mln or 11.8% of total CIB revenue in 1H16 compared to GEL 16.5mln or 13.9% a year ago. The decline was mainly driven by the decrease in commission fee income from guarantees (income from guarantees was GEL 6.4mln in 1H16, down by GEL 2.2mln or 25.6% y-o-y), which is a result of our de-concentration efforts as we reduced our large guarantee exposures (as mentioned in Banking business discussion above). Excluding guarantees, our CIB fee and commission income was GEL 6.8mln in 1H16 (down 14.5% y-o-y) and GEL 3.3mln in 2Q16 (down 5.9% q-o-q and down 19.0% y-o-y)
  - As a result of the foregoing, CIB ROAE has improved, reaching 17.4% for the half year 2016, a significant increase compared to 16.7% a year ago
- **Corporate Investment Banking revenue was GEL 52.1mln in 2Q16, down 13.7% y-o-y and down 12.0% q-o-q, resulting in a half year 2016 revenue of GEL 111.3mln, down 5.9% y-o-y. The** decline in revenue was affected by all major revenue lines
- The decline in net banking interest income was due to the reduction in the CIB net loan book to GEL 2,065.6mln, down 5.6% y-o-y and down 3.7% q-o-q, coupled with the decline in CIB Loan Yields driven primarily by the competition
- The strong increase in CIB client deposit and notes to GEL 2,602.0, up 14.3% y-o-y, coupled with the increase in cost of deposits further affected CIB net banking interest income. Both local and foreign currency denominated deposits increased y-o-y. Growth in foreign currency denominated deposits was notably stronger, at 18.9% y-o-y in spite of a decrease in deposit rates to 3.5% during first half of the 2016 from 5% before. Local currency denominated deposits increased 4.5% y-o-y on the back of an increase in local currency deposit rates to 9.0%. The increase was done intentionally to source local currency funding from our CIB clients to support local currency lending. However, the q-o-q trend was reversed in client deposits as well as the cost of deposits, reflecting the alternative source of local currency funding through the Development Financial Institutions. Local currency deposit rates are expected to decline in the coming months along with the reduction in the NBG policy rate
- Our current account balances have increased significantly y-o-y during 2Q16 and 1H16, reflecting our focused efforts on maintaining high liquidity levels, particularly in local currency, increasing the share of current accounts and demand deposits in total CIB client deposits to 60.0% in 2Q16, up from 49.7% a year ago. This is also reflected in an increased cost of current accounts and demand deposits to 3.1% in 2Q16, up from 1.5% a year ago. The increase was predominantly driven by the increase in cost of local currency denominated current accounts and demand deposits to 6.4% in 2Q16, up from 2.4% a year ago, while cost on foreign currency denominated current accounts and demand deposits decreased somewhat by 30bps y-o-y. As a result, at the end of first half of 2016, total current accounts and demand deposits reached GEL 1,561.0mln, up 37.9% y-o-y, of which local currency denominated current accounts and demand deposits were GEL 592.5mln, up 48.1% y-o-y and foreign currency denominated, mostly US$, current accounts and demand deposits were GEL 968.5mln, up 32.3% y-o-y
- **Corporate Investment banking recorded a NIM of 3.7% in 2Q16, down 20bps y-o-y and flat q-o-q, ending a half year with NIM of 3.7%, down 40 bps y-o-y.** The NIM reflected: 1) decreasing Loan Yield, which was down 210bps y-o-y to 10.0% in 2Q16 and down 180 bps y-o-y to 10.2% in 1H16 2) Cost of Funding, which was flat y-o-y at 4.6% in 2Q16, and slightly lower at 4.5% in 1H16, down 10bps y-o-y 3) the higher local currency policy rate of the National Bank of Georgia that increased gradually to 8.0% at the

year end 2015, up from 4.0% at the end of 2014, and which in August 2016 stands at 6.75%. On q-o-q basis, NIM was flat, on the back of the broadly stable Loan Yield (10.0% in 2Q16 compared to 10.3% in 1Q16) and a slightly higher cost of funding, which stood at 4.6% in 2Q16 compared to 4.4% in 1Q16

- Our net banking foreign currency gain was affected by the abovementioned holdings in British Pound for dividends payable, which were settled in July 2016. Underlying performance of foreign currency operations was strong, with volume of transactions at GEL 3.1bln in 1H16, down 3.8% y-o-y. As a result, we recorded a net banking foreign currency gain of GEL 8.9mln in 2Q16, down 11.7% y-o-y and GEL 20.3mln for 1H16, up 3.5% y-o-y
- Net other banking income was GEL 1.8mln, flat y-o-y in 2Q15, with the half yearly result of GEL 4.4mln, up 32.2% y-o-y from GEL 3.3mln a year ago
- In 2Q16, Corporate Investment Banking operating expenses were GEL 16.6mln, down 1.3% y-o-y, but not enough to prevent an increase in the Cost to Income ratio of 31.8% and negative y-o-y operating leverage of 12.4 percentage points. For the first half, the Cost to Income ratio was 29.3% and negative operating leverage was 10.7 percentage points. Administrative expenses declined by 15.3% y-o-y in 2Q16 and by 2.7% y-o-y in 1H16. Salaries and other employee benefits in 2Q16 are up 1.9% y-o-y and in 1H16 are up 6.1% y-o-y
- As a result, Corporate Investment Banking profit reached GEL 24.5mln in 2Q16, down 0.6% y-o-y from GEL 24.6mln in 2Q15 with half year result of GEL 50.0mln, up 13.4% y-o-y from GEL 44.1mln a year ago

Performance highlights of wealth management operations

- **The AUM of the Investment Management segment increased to GEL 1,301.4mln, up 5.7% y-o-y.** This includes Wealth Management clients' deposits and assets held at Bank of Georgia Custody, Galt & Taggart brokerage client assets and Aldagi pension scheme assets
- **Wealth Management deposits increased to GEL 964.6mln, up 6.6% y-o-y, growing at a compound annual growth rate (CAGR) of 25.9% over the last five year period**. The growth was achieved despite a 90 bps decline in the Cost of Client deposits to 4.4% in 2Q16 and impact of Wealth Management clients switching from deposits to bonds, as a number of bond issuances, yielding higher rates than deposits by Galt & Taggart were offered to Wealth Management clients
- We served 1,377 wealth management clients from 68 countries as of 30 June 2016
- **Galt & Taggart is successfully developing local capital markets:**
    - Galt & Taggart served as the sole book runner and the placement agent for the US$5mln bond offering, for Nikora Trade LLC, a leading Georgian FMCG (Fast Moving Consumer Goods) company, which successfully completed its first ever bond offering on March 18, 2016. It is planned that the bonds will be listed on the Georgian Stock Exchange in the near future
    - **In February 2016, Galt & Taggart Research issued a comprehensive report on the Georgian healthcare sector and 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 and tourism sectors; fixed income issuances, including Georgian Oil and Gas Corporation, Georgian Railway; and the Georgian State Budget
- Galt & Taggart was named the best regional securities brokerage – Georgia 2016 by Capital Finance International. This serves as recognition of Galt & Taggart as the leading brokerage house in the region, whilst it strives to provide broker-dealer services not only for international markets, but also for hard-to-reach frontier economies.

Investment Business Segment Result Discussion

Healthcare business (Georgia Healthcare Group – GHG)

Standalone results

For the purposes of the results discussion below, healthcare business refers to the Group's pure-play healthcare businesses, Georgia Healthcare Group (GHG), which includes healthcare services, pharma business and medical insurance. BGEO Group owns 65% of GHG, 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	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Revenue, gross	**101,673**	**57,472**	**76.9%**	**72,576**	**40.1%**	**174,249**	**112,046**	**55.5%**
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Revenue, net	**100,949**	**56,587**	**78.4%**	**72,166**	**39.9%**	**173,115**	**110,204**	**57.1%**
Revenue from healthcare services	58,056	44,789	29.6%	60,041	-3.3%	118,097	86,577	36.4%
Revenue from pharma	30,691	-	-	-	-	30,691	-	-
Net insurance premiums earned	15,298	14,123	8.3%	13,830	10.6%	29,128	27,514	5.9%
Eliminations	(3,095)	(2,325)	33.1%	(1,705)	81.5%	(4,800)	(4,187)	14.6%
Costs of services	**(67,395)**	**(33,721)**	**99.9%**	**(44,151)**	**52.6%**	**(111,546)**	**(67,759)**	**64.6%**
Cost of healthcare services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(64,397)	(48,462)	32.9%
Cost of pharma	(25,059)	-	-	-	-	(25,059)	-	-
Cost of insurance services	(13,989)	(11,785)	18.7%	(12,847)	8.9%	(26,836)	(23,021)	16.6%
Eliminations	3,052	2,253	35.5%	1,694	80.2%	4,746	4,024	17.9%
Gross profit	**33,554**	**22,866**	**46.7%**	**28,015**	**19.8%**	**61,569**	**42,445**	**45.1%**
Salaries and other employee benefits	(9,229)	(6,343)	45.5%	(6,923)	33.3%	(16,152)	(12,602)	28.2%
General and administrative expenses	(6,758)	(2,551)	164.9%	(3,202)	111.1%	(9,960)	(4,950)	101.2%
Impairment of healthcare services, insurance premiums and other receivables	(1,236)	(912)	35.5%	(980)	26.1%	(2,216)	(1,846)	20.0%
Other operating income	551	416	32.5%	219	151.6%	770	541	42.3%
EBITDA	**16,882**	**13,476**	**25.3%**	**17,129**	**-1.4%**	**34,011**	**23,588**	**44.2%**
Depreciation and amortization	(4,581)	(2,567)	78.5%	(4,465)	2.6%	(9,046)	(4,889)	85.0%
Net interest income (expense)	(3,469)	(6,017)	-42.3%	(1,656)	109.5%	(5,125)	(10,118)	-49.3%
Net gains/(losses) from foreign currencies	(1,964)	2,045	NMF	(260)	655.4%	(2,224)	5,449	NMF
Net non-recurring income/(expense)	(586)	(556)	NMF	(230)	154.8%	(816)	(767)	NMF
Profit before income tax expense	**6,282**	**6,381**	**-1.6%**	**10,518**	**-40.3%**	**16,800**	**13,263**	**26.7%**
Income tax benefit/(expense)	26,920	660	NMF	1,505	1688.7%	28,425	53	NMF
of which: Deferred tax adjustments	*27,113*	-	-	*2,198*	-	*29,311*	-	-
Profit for the period	**33,202**	**7,041**	**371.6%**	**12,023**	**176.2%**	**45,225**	**13,316**	**239.6%**
Attributable to:								
- shareholders of the Company	27,755	6,122	353.4%	9,921	179.8%	37,676	11,854	217.8%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	7,549	1,462	416.3%
of which: Deferred tax adjustments	*4,705*	-	-	*352*	-	*5,057*	-	-

For detailed income statement by healthcare services and medical insurance business, please see pages 30 and 31

- **GHG delivered record quarterly revenue of GEL 101.7mln**, up 76.9% y-o-y and up 40.1% q-o-q. Growth was driven by healthcare services revenue, up 29.6% y-o-y (with strong organic growth of 13.0% y-o-y for the half year) and pharma business consolidation since its acquisition in May 2016. In 2Q16, GHG revenue breakdown is as follows: healthcare services business revenue accounted for more than 55%, pharma business revenue accounted for c.30% and medical insurance business revenue accounted for c.15%. *GHG started consolidation of the newly acquired pharma business in May 2016*
- GHG entered the pharma business as a result of the GPC acquisition in May 2016 and its results of operations include GPC results since May 2016. Since the completion of the acquisition, GHG has rolled out a number of initiatives, as announced during the acquisition, which are having a positive effect on the pharma business and are partially reflected in July 2016 results, with retail gross margin climbing to 22.0% for July, up from 19.6% in the consolidated two months results. GHG management expects that the effects of integration will be reflected in the results of second half of 2016

- **Cost of services reached GEL 67.4mln**, up 99.9% y-o-y and 52.6% q-o-q. The cost of healthcare services grew in line with revenues (up 29.8% y-o-y and down 4.8% q-o-q, compared with the change in revenues of up 29.6% y-o-y and down 3.3% q-o-q). The 18.7% growth in cost of insurance services, outpaced the 8.3% growth in respective revenue y-o-y; nevertheless, the q-o-q trend was favourable, with the cost of insurance services growing at 8.9% compared to 10.6% growth in respective revenue
- **As a result, we reported quarterly EBITDA of GEL 16.9mln**, up 25.3% y-o-y and down 1.4% q-o-q. The y-o-y growth was primarily driven by the healthcare services business which grew its EBITDA by 35.4%
- **Subsequently, GHG's profit for the period amounted to GEL 33.2mln**, up 371.6% y-o-y and up 176.2% q-o-q. The healthcare services business was the sole driver of the 2Q16 Group profit, with GEL 35.3mln profit for 2Q16 (up 414.6% y-o-y and up 190.8% q-o-q), which was partially offset by loss of GEL 0.4mln and GEL 1.7mln, recorded by the pharma and medical insurance businesses, respectively. *Group profit, adjusted for the impact of deferred tax (see the explanation in the bullet point preceding "Banking Business highlights" on page 4) and one-off foreign currency translation loss adjustments, was GEL 8.1mln in 2Q16 (up 61.2% y-o-y and down 20.1% q-o-q) and GEL 18.1mln for 1H16 (up 130.6% y-o-y)*
- **GHG's revenue cash conversion ratio, on a consolidated basis, equalled 91.6% in 1H16** compared to 88.9% in 1H15. This translated into an EBITDA cash conversion ratio of 72.9% on a consolidated adjusted basis, in 1H16.
- The Ministry of Labor, Health and Social Affairs ("**MOLHSA**") has recently conducted a review of the effectiveness of the existing model of the healthcare financing by the state, which was introduced in 2014 with the current scope. As a result of the review, the government is undertaking several initiatives to improve the effectiveness and efficiency of the existing system. The initiatives that have been announced include: streamlining the licensing requirements for hospitals, particularly around intensive care (the initiative is approved with effect from the beginning of 2017); introducing levelling of hospitals based on the capabilities of each hospital measured by a number of factors, including number of beds, specialised beds to total beds, relevant equipment and personnel, etc. (the initiative is at an advanced stageand expected to become effective also in the beginning of 2017); streamlining pricing and scope of the urgent care services under UHC (enforced). GHG believes that certain of its competitors will struggle to comply with the changes anticipated by these initiatives. GHG, however, is largely already in compliance, primarily as a result of our diversified business model, as well as existing hierarchy of our healthcare facilities. We expect that their net effect will be positive for GHG
- Renovation of two major hospitals, Sunstone (c.332 beds, scheduled launch in May, 2017) and Deka (c.310 beds, scheduled launch in May, 2017) is ongoing, within schedule and budget
- GHG is in the process of launching around 50 new services at nine of its referral hospitals. This includes some basic services (like pediatrics, neonatology, diagnostics, ophthalmology, mammography and breast surgery, gynecology, cardio-surgery, traumatology, angio-surgery, intensive care, reproductive services, etc.) as well as sophisticated services (like oncology, transplantation of bone marrow, kidney and liver for children, etc.).

Real estate business (m2 Real Estate)

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 Bank'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 is also planning to begin hotel development in the under-developed mid-price sector in the coming months

Income statement

GEL thousands, unless otherwise noted	2Q16	2Q15	Change y-o-y	1Q16	Change q-o-q	1H16	1H15	Change y-o-y
Real estate revenue, of which:	5,964	1,595	273.9%	28,592	-79.1%	34,556	5,533	524.5%
Revenue from sale of apartments	5,323	1,155	NMF	27,992	-81.0%	33,315	4,713	NMF
Income from operating lease	641	440	45.7%	600	6.8%	1,241	820	51.3%
Cost of real estate	(3,858)	(1,757)	119.6%	(22,740)	-83.0%	(26,598)	(4,622)	NMF
Gross real estate profit	**2,106**	**(162)**	**NMF**	**5,852**	**-64.0%**	**7,958**	**911**	**773.5%**
Gross other investment profit	121	(57)	NMF	1,816	-93.3%	1,937	162	NMF
Revenue	**2,227**	**(219)**	**NMF**	**7,668**	**-71.0%**	**9,895**	**1,073**	**822.2%**
Salaries and other employee benefits	(433)	(269)	61.0%	(320)	35.3%	(753)	(590)	27.6%
Administrative expenses	(1,519)	(1,275)	19.1%	(1,135)	33.8%	(2,654)	(2,316)	14.6%
Operating expenses	**(1,952)**	**(1,544)**	**26.4%**	**(1,455)**	**34.2%**	**(3,407)**	**(2,906)**	**17.2%**
EBITDA	**275**	**(1,763)**	**NMF**	**6,213**	**-95.6%**	**6,488**	**(1,833)**	**NMF**
Depreciation and amortization of investment business	(61)	(43)	41.9%	(53)	15.1%	(114)	(85)	34.1%
Net foreign currency loss from investment business	697	903	-22.8%	386	80.6%	1,083	532	103.6%
Interest income from investment business	-	221	-100.0%	-	-	-	392	-100.0%
Interest expense from investment business	(103)	(227)	-54.6%	(125)	-17.6%	(228)	(1,238)	-81.6%
Net operating income before non-recurring items	**808**	**(909)**	**NMF**	**6,421**	**-87.4%**	**7,229**	**(2,232)**	**NMF**
Net non-recurring items	(135)	(67)	101.5%	(23)	NMF	(158)	(140)	12.9%
Profit before income tax	**673**	**(976)**	**NMF**	**6,398**	**-89.5%**	**7,071**	**(2,372)**	**NMF**
Income tax (expense) benefit	23	147	-84.4%	(960)	NMF	(937)	356	NMF
Profit	**696**	**(829)**	**NMF**	**5,438**	**-87.2%**	**6,134**	**(2,016)**	**NMF**

Performance highlights

- **m^2 Real Estate continued strong sales and project completion performance in 2Q16, which was reflected in revenue of GEL 2.2mln for 2Q16 and GEL 9.9mln for 1H16.** Gross real estate profit, which reflects residential property development and sales operations of m^2 Real Estate, increased to GEL 2.1mln in 2Q16, with GEL 8.0mln recorded for half year 2016. m2 Real Estate recorded 2Q16 and 1H16 profit of GEL 0.7mln and GEL 6.1mln, respectively, up from losses a year ago
- m^2 Real Estate gross real estate profit, revenue and profit are by their nature choppy, given both uneven real estate project cycles and the revenue recognition method under current accounting rules (IAS 18) pursuant to which apartment sale revenues are recognized upon handover of the apartment to its clients, following the completion of the projects. m^2 Real Estate has accumulated US$ 50.8mln sales, which will be recognised as revenue upon completion of the on-going three projects discussed below in 2016-2018 (of which c. US$ 27.0mln is expected to be recognised in 2016)
- m^2 Real Estate sold a total of 104 apartments with a sales value of US$ 8.8mln in 2Q16, compared to 30 apartments sold with a sales value of US$ 2.8mln in 2Q15. Overall, during the first half of 2016, m^2 Real Estate sold a total of 157 apartments with the sales value of US$ 14.3mln, compared to 79 apartments sold with sales value of US$ 7.6mln during the same period last year. At its six projects which have already been completed with a total of 1,672 apartments, m^2 Real Estate currently has a stock of only 155 apartments unsold. At its three on-going projects with a total capacity of 1,140 apartments, 281 apartments or 25% are already sold
- **m^2 Real Estate has started nine projects since its establishment in 2010, of which six have already been completed, and construction of three is on-going. m^2 Real Estate has completed all of its projects on or ahead of time and within budget.** One of the on-going projects is expected to be completed in 2016 and the other two in 2018. Currently, total of 1,014 units are available for sale out of total of 2,812 apartments developed or under development. m^2 Real Estate has unlocked total land value of US$ 16.4mln from the six completed projects and an additional US$ 13.2mln in land value is expected to be unlocked from the three on-going projects.

- Of the three m^2 Real Estate projects, one is the largest ever carried out by m^2 Real Estate, with a total of 819 apartments in a central location in Tbilisi. The second is a new type of project for m^2 Real Estate, representing a luxury residential building in Old Tbilisi neighbourhood with few apartments (19 in total) and a relatively high price. The third is the latest project by m^2 Real Estate, which is a mixed-use development, with 302 residential apartments and a hotel with a capacity of 152 rooms. This mixed-use development started in June 2016, with sales of 24 apartments to date.

Operating data for completed and on-going projects, as of 30 June 2016

#	Project name	Total number of apartments	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	Construction start date	Actual / planned construction completion date	Construction completed %
Completed projects		**1,672**	**1,517**	**91%**	**155**			
1	Chubinashvili street	123	123	100%	0	Sep-10	Aug-12	100%
2	Tamarashvili street	525	523	100%	2	May-12	Jun-14	100%
3	Kazbegi Street	295	285	97%	10	Dec-13	Feb-16	100%
4	Nutsubidze Street	221	216	98%	5	Dec-13	Sep-15	100%
5	Tamarashvili Street II	270	205	76%	65	Jul-14	Jun-16	100%
6	Moscow avenue	238	165	69%	73	Sep-14	Jun-16	100%
On-going projects		**1,140**	**281**	**25%**	**859**			
7	Kartozia Street	819	247	30%	572	Nov-15	Sep-18	12%
8	Skyline	19	10	53%	9	Dec-15	Dec-16	20%
9	Kazbegi Street II	302	24	8%	278	Jun-16	Nov-18	1%
Total		**2,812**	**1,798**	**64%**	**1,014**			

Financial data for completed and on-going projects, as of 30 June 2016

#	Project name	Total Sales (US$ mln)	Sales already recognised as revenue (US$ mln)	Sales to be recognised as revenue (US$ mln)[1]	Sales expected to be recognised as revenue during year	Land value unlocked (US$)	Realised & Expected IRR
Completed projects		**128.5**	**101.5**	**27.0**		**16.4**	
1	Chubinashvili street	9.9	9.9	-		0.9	47%
2	Tamarashvili street	48.4	48.4	-		5.4	46%
3	Kazbegi Street	26.2	25.2	1.0	2H 2016	3.6	165%
4	Nutsubidze Street	17.1	16.8	0.3	2H 2016	2.2	58%
5	Tamarashvili Street II	19.0	-	19.0	2H 2016	2.7	71%
6	Moscow avenue	7.9	1.2	6.7	2H 2016	1.6	31%
On-going projects		**23.7**	**-**	**23.7**		**13.2**	
7	Kartozia Street	17.7	-	17.7	2018/2019	5.8	60%
8	Skyline	4.1	-	4.1	2017	3.1	329%
9	Kazbegi Street II	1.9	-	1.9	2018	4.3	51%
Total		**152.2**	**101.5**	**50.7**		**29.6**	

- The number of apartments financed with BOG mortgages in all m^2 Real Estate projects as of the date of this announcement totalled 880, with an aggregate amount of GEL 100.0mln
- Additionally, since the beginning of 2016, m^2 Real Estate has enhanced the access to funding for its clients, by signing memorandums with TBC Bank and Bank Republic Societe Generale. As a result, these two banks, in addition to BOG, offer mortgages at favourable terms to m^2 Real Estate clients

[1] m2 Real Estate recognises revenue upon handover of the apartment to its clients, following the completion of the project

Balance Sheet

GEL thousands, unless otherwise noted	**30-Jun-16**	**30-Jun-15**	**Change Y-O-Y**	**31-Mar-16**	**Change Q-O-Q**
Cash and cash equivalents	42,549	29,314	45.1%	49,059	-13.3%
Investment securities	1,145	1,145	0.0%	1,145	0.0%
Accounts receivable	824	3,378	-75.6%	1,007	-18.2%
Prepayments	18,741	10,896	72.0%	23,551	-20.4%
Inventories	116,891	98,830	18.3%	95,139	22.9%
Investment property, of which:	107,303	74,300	44.4%	117,722	-8.9%
Land bank	*71,489*	*52,584*	*36.0%*	*81,888*	*-12.7%*
Commercial real estate	*35,814*	*21,716*	*64.9%*	*35,834*	*-0.1%*
Property and equipment	1,633	1,830	-10.8%	1,569	4.1%
Other assets	19,751	14,373	37.4%	12,678	55.8%
Total assets	**308,837**	**234,066**	**31.9%**	**301,870**	**2.3%**
Amounts due to credit institutions	36,039	4,338	730.8%	37,118	-2.9%
Debt securities issued	47,857	45,879	4.3%	47,380	1.0%
Accruals and deferred income	105,498	102,417	3.0%	96,538	9.3%
Other liabilities	6,677	2,709	168.1%	7,383	-9.6%
Total liabilities	**196,658**	**155,343**	**26.6%**	**190,492**	**3.2%**
Additional paid-in capital	6,008	2,990	100.9%	5,077	18.3%
Other reserves	(4,206)	(3,575)	17.7%	(3,575)	17.7%
Retained earnings	110,377	79,308	39.2%	109,876	0.5%
Total equity attributable to shareholders of the Group	**112,179**	**78,723**	**42.5%**	**111,378**	**0.7%**
Total equity	**112,179**	**78,723**	**42.5%**	**111,378**	**0.7%**
Total liabilities and equity	**308,837**	**234,066**	**31.9%**	**301,870**	**2.3%**

- m^2 Real Estate has a solid and well managed balance sheet. As of 30 June 2016, total assets were GEL 308.8mln (up 31.9% y-o-y), constituting 14% cash, 6% prepayments, 38% inventories (which is apartments in development), 35% investment property (which consists of land bank and commercial real estate) and 7% other assets. Borrowings, which consist of debt raised from Development Financial Institutions ("**DFIs**") and debt securities issued at the local market, constitute 27% of the total balance sheet. Accruals and deferred income, constituting 34% of the balance sheet, represents prepayments for the presold apartments.
- m^2 Real Estate currently has a land stock on its balance sheet with a total value of GEL 71.5mln. We don't expect the land bank to grow, as m^2 Real Estate strategy is to utilise its existing land plots within 3-4 years' time and in parallel, start developing third party lands

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT QUARTERLY *GEL thousands, unless otherwise noted*	**BGEO Consolidated** **2Q16**	**2Q15**	**Change Y-O-Y**	**1Q16**	**Change Q-O-Q**	**Banking Business** **2Q16**	**2Q15**	**Change Y-O-Y**	**1Q16**	**Change Q-O-Q**	**Investment Business** **2Q16**	**2Q15**	**Change Y-O-Y**	**1Q16**	**Change Q-O-Q**	**Eliminations** **2Q16**	**2Q15**	**1Q16**
Banking interest income	215,895	211,869	1.9%	224,810	-4.0%	217,234	215,313	0.9%	226,217	-4.0%	-	-	-	-	-	(1,339)	(3,444)	(1,407)
Banking interest expense	(87,368)	(89,080)	-1.9%	(95,958)	-9.0%	(87,712)	(88,910)	-1.3%	(95,998)	-8.6%	-	-	-	-	-	344	(170)	40
Net banking interest income	**128,527**	**122,789**	**4.7%**	**128,852**	**-0.3%**	**129,522**	**126,403**	**2.5%**	**130,219**	**-0.5%**	-	-	-	-	-	**(995)**	**(3,614)**	**(1,367)**
Fee and commission income	40,250	38,944	3.4%	38,149	5.5%	40,675	40,160	1.3%	38,484	5.7%	-	-	-	-	-	(425)	(1,216)	(335)
Fee and commission expense	(10,907)	(9,823)	11.0%	(10,335)	5.5%	(11,036)	(9,988)	10.5%	(10,469)	5.4%	-	-	-	-	-	129	165	134
Net fee and commission income	**29,343**	**29,121**	**0.8%**	**27,814**	**5.5%**	**29,639**	**30,172**	**-1.8%**	**28,015**	**5.8%**	-	-	-	-	-	**(296)**	**(1,051)**	**(201)**
Net banking foreign currency gain	15,506	19,765	**-21.5%**	17,390	**-10.8%**	15,506	19,765	**-21.5%**	17,390	**-10.8%**	-	-	-	-	-	-	-	-
Net other banking income	2,630	2,481	**6.0%**	2,867	**-8.3%**	2,824	2,810	**0.5%**	3,168	**-10.9%**	-	-	-	-	-	(194)	(329)	(301)
Net insurance premiums earned	23,854	22,566	5.7%	21,824	9.3%	10,235	9,777	4.7%	9,550	7.2%	14,271	13,244	7.8%	12,924	10.4%	(652)	(455)	(650)
Net insurance claims incurred	(15,445)	(16,749)	-7.8%	(15,408)	0.2%	(3,739)	(6,304)	-40.7%	(4,207)	-11.1%	(11,706)	(10,445)	12.1%	(11,201)	4.5%	-	-	-
Gross insurance profit	**8,409**	**5,817**	**44.6%**	**6,416**	**31.1%**	**6,496**	**3,473**	**87.0%**	**5,343**	**21.6%**	**2,565**	**2,799**	**-8.4%**	**1,723**	**48.9%**	**(652)**	**(455)**	**(650)**
Healthcare revenue	55,003	41,217	33.4%	58,348	-5.7%	-	-	-	-	-	55,003	41,217	33.4%	58,348	-5.7%	-	-	-
Cost of healthcare services	(29,804)	(23,118)	28.9%	(32,057)	-7.0%	-	-	-	-	-	(29,804)	(23,118)	28.9%	(32,057)	-7.0%	-	-	-
Gross healthcare profit	**25,199**	**18,099**	**39.2%**	**26,291**	**-4.2%**	-	-	-	-	-	**25,199**	**18,099**	**39.2%**	**26,291**	**-4.2%**	-	-	-
Real estate revenue	6,324	1,716	268.5%	28,764	-78.0%	-	-	-	-	-	6,324	1,716	268.5%	28,764	-78.0%	-	-	-
Cost of real estate	(3,858)	(1,757)	119.6%	(22,740)	-83.0%	-	-	-	-	-	(3,858)	(1,757)	119.6%	(22,740)	-83.0%	-	-	-
Gross real estate profit	**2,466**	**(41)**	**NMF**	**6,024**	**-59.1%**	-	-	-	-	-	**2,466**	**(41)**	**NMF**	**6,024**	**-59.1%**	-	-	-
Gross other investment profit	8,437	4,734	78.2%	3,606	134.0%	-	-	-	-	-	8,443	4,709	79.3%	3,675	129.7%	(6)	25	(69)
Revenue	220,517	202,765	8.8%	219,260	0.6%	183,987	182,623	0.7%	184,135	-0.1%	38,673	25,566	51.3%	37,713	2.5%	(2,143)	(5,424)	(2,588)
Salaries and other employee benefits	(50,875)	(45,044)	12.9%	(47,413)	7.3%	(40,847)	(38,066)	7.3%	(39,806)	2.6%	(10,685)	(7,460)	43.2%	(8,250)	29.5%	657	482	643
Administrative expenses	(27,912)	(22,102)	26.3%	(25,062)	11.4%	(19,051)	(17,899)	6.4%	(20,058)	-5.0%	(9,216)	(4,498)	104.9%	(5,392)	70.9%	355	295	388
Banking depreciation and amortisation	(9,337)	(8,338)	12.0%	(9,138)	2.2%	(9,337)	(8,338)	12.0%	(9,138)	2.2%	-	-	-	-	-	-	-	-
Other operating expenses	(560)	(1,364)	-58.9%	(1,675)	-66.6%	(684)	(941)	-27.3%	(861)	-20.6%	124	(423)	NMF	(814)	NMF	-	-	-
Operating expenses	**(88,684)**	**(76,848)**	**15.4%**	**(83,288)**	**6.5%**	**(69,919)**	**(65,244)**	**7.2%**	**(69,863)**	**0.1%**	**(19,777)**	**(12,381)**	**59.7%**	**(14,456)**	**36.8%**	**1,012**	**777**	**1,031**
Operating income before cost of credit risk / EBITDA	**131,833**	**125,917**	**4.7%**	**135,972**	**-3.0%**	**114,068**	**117,379**	**-2.8%**	**114,272**	**-0.2%**	**18,896**	**13,185**	**43.3%**	**23,257**	**-18.8%**	**(1,131)**	**(4,647)**	**(1,557)**
Profit from associates	1,952	1,979	-1.4%	1,866	4.6%	-	-	-	-	-	1,952	1,979	-1.4%	1,866	4.6%	-	-	-
Depreciation and amortization of investment business	(4,775)	(2,579)	85.1%	(4,910)	-2.7%	-	-	-	-	-	(4,775)	(2,579)	85.1%	(4,910)	-2.7%	-	-	-
Net foreign currency gain from investment business	(1,597)	2,689	NMF	(766)	108.5%	-	-	-	-	-	(1,597)	2,689	NMF	(766)	108.5%	-	-	-
Interest income from investment business	(283)	622	NMF	956	NMF	-	-	-	-	-	60	844	-92.9%	964	-93.8%	(343)	(222)	(8)
Interest expense from investment business	(2,497)	(2,632)	-5.1%	(1,382)	80.7%	-	-	-	-	-	(3,971)	(7,501)	-47.1%	(2,947)	34.7%	1,474	4,869	1,565
Operating income before cost of credit risk	**124,633**	**125,996**	**-1.1%**	**131,736**	**-5.4%**	**114,068**	**117,379**	**-2.8%**	**114,272**	**-0.2%**	**10,565**	**8,617**	**22.6%**	**17,464**	**-39.5%**	-	-	-
Impairment charge on loans to customers	(26,819)	(35,105)	-23.6%	(32,218)	-16.8%	(26,819)	(35,105)	-23.6%	(32,218)	-16.8%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	(130)	(1,779)	-92.7%	(513)	-74.7%	(130)	(1,779)	-92.7%	(513)	-74.7%	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	(2,438)	(4,983)	-51.1%	(3,412)	-28.5%	(1,202)	(3,880)	-69.0%	(2,281)	-47.3%	(1,236)	(1,103)	12.1%	(1,131)	9.3%	-	-	-
Cost of credit risk	**(29,387)**	**(41,867)**	**-29.8%**	**(36,143)**	**-18.7%**	**(28,151)**	**(40,764)**	**-30.9%**	**(35,012)**	**-19.6%**	**(1,236)**	**(1,103)**	**12.1%**	**(1,131)**	**9.3%**	-	-	-
Net operating income before non-recurring items	**95,246**	**84,129**	**13.2%**	**95,593**	**-0.4%**	**85,917**	**76,615**	**12.1%**	**79,260**	**8.4%**	**9,329**	**7,514**	**24.2%**	**16,333**	**-42.9%**	-	-	-
Net non-recurring items	(48,744)	(413)	NMF	1,366	NMF	(46,350)	(3,409)	NMF	(1,419)	NMF	(2,394)	2,996	NMF	2,785	NMF	-	-	-
Profit before income tax	**46,502**	**83,716**	**-44.5%**	**96,959**	**-52.0%**	**39,567**	**73,206**	**-46.0%**	**77,841**	**-49.2%**	**6,935**	**10,510**	**-34.0%**	**19,118**	**-63.7%**	-	-	-
Income tax expense	64,735	(11,686)	NMF	(9,912)	NMF	35,139	(11,753)	NMF	(8,178)	NMF	29,596	67	44073.1%	(1,734)	NMF	-	-	-
Profit	111,237	72,030	54.4%	87,047	27.8%	74,706	61,453	21.6%	69,663	7.2%	36,531	10,577	245.4%	17,384	110.1%	-	-	-
Attributable to:																		
– shareholders of BGEO	94,642	70,601	*34.1%*	80,836	*17.1%*	73,600	60,963	*20.7%*	68,620	*7.3%*	21,042	9,638	*118.3%*	12,216	*72.2%*	-	-	-
– non-controlling interests	16,595	1,429	*1061.3%*	6,211	*167.2%*	1,106	490	*125.7%*	1,043	*6.0%*	15,489	939	*1549.5%*	5,168	*199.7%*	-	-	-
Earnings per share basic and diluted	**2.46**	**1.84**	**33.7%**	**2.10**	**17.1%**													

INCOME STATEMENT HALF YEAR *GEL thousands, unless otherwise noted*	BGEO Consolidated Jun-16	 Jun-15	 Change Y-O-Y	Banking Business Jun-16	 Jun-15	 Change Y-O-Y	Investment Business Jun-16	 Jun-15	 Change Y-O-Y	Eliminations Jun-16	 Jun-15	 Change Y-O-Y
Banking interest income	440,705	411,567	7.1%	443,451	417,666	6.2%	-	-	-	(2,746)	(6,099)	-55.0%
Banking interest expense	(183,325)	(167,789)	9.3%	(183,709)	(168,205)	9.2%	-	-	-	384	416	-7.7%
Net banking interest income	**257,380**	**243,778**	**5.6%**	**259,742**	**249,461**	**4.1%**	**-**	**-**	**-**	**(2,362)**	**(5,683)**	**-58.4%**
Fee and commission income	78,398	74,935	4.6%	79,159	77,503	2.1%	-	-	-	(761)	(2,568)	-70.4%
Fee and commission expense	(21,241)	(18,960)	12.0%	(21,505)	(19,241)	11.8%	-	-	-	264	281	-6.0%
Net fee and commission income	**57,157**	**55,975**	**2.1%**	**57,654**	**58,262**	**-1.0%**	**-**	**-**	**-**	**(497)**	**(2,287)**	**-78.3%**
Net banking foreign currency gain	**32,896**	**38,727**	**-15.1%**	**32,896**	**38,727**	**-15.1%**	**-**	**-**	**-**	**-**	**-**	**-**
Net other banking income	**5,497**	**4,272**	**28.7%**	**5,992**	**4,906**	**22.1%**	-	-	-	**(495)**	**(634)**	**-21.9%**
Net insurance premiums earned	45,678	44,275	3.2%	19,785	19,019	4.0%	27,195	26,134	4.1%	(1,302)	(878)	48.3%
Net insurance claims incurred	(30,853)	(30,884)	-0.1%	(7,947)	(10,242)	-22.4%	(22,906)	(20,642)	11.0%	-	-	-
Gross insurance profit	**14,825**	**13,391**	**10.7%**	**11,838**	**8,777**	**34.9%**	**4,289**	**5,492**	**-21.9%**	**(1,302)**	**(878)**	**48.3%**
Healthcare revenue	113,351	81,234	39.5%	-	-	-	113,351	81,234	39.5%	-	-	-
Cost of healthcare services	(61,861)	(46,259)	33.7%	-	-	-	(61,861)	(46,259)	33.7%	-	-	-
Gross healthcare profit	**51,490**	**34,975**	**47.2%**	**-**	**-**	**-**	**51,490**	**34,975**	**47.2%**	**-**	**-**	**-**
Real estate revenue	35,087	5,790	506.0%	-	-	-	35,087	5,790	506.0%	-	-	-
Cost of real estate	(26,598)	(4,622)	NMF	-	-	-	(26,598)	(4,622)	NMF	-	-	-
Gross real estate profit	**8,489**	**1,168**	**626.8%**	**-**	**-**	**-**	**8,489**	**1,168**	**626.8%**	**-**	**-**	**-**
Gross other investment profit	12,043	6,133	96.4%	-	-	-	12,118	6,253	93.8%	(75)	(120)	-37.5%
Revenue	**439,777**	**398,419**	**10.4%**	**368,122**	**360,133**	**2.2%**	**76,386**	**47,888**	**59.5%**	**(4,731)**	**(9,602)**	**-50.7%**
Salaries and other employee benefits	(98,288)	(90,786)	8.3%	(80,653)	(76,672)	5.2%	(18,935)	(14,991)	26.3%	1,300	877	48.2%
Administrative expenses	(52,975)	(43,158)	22.7%	(39,109)	(35,404)	10.5%	(14,609)	(8,527)	71.3%	743	773	-3.9%
Banking depreciation and amortisation	(18,475)	(16,711)	10.6%	(18,475)	(16,711)	10.6%	-	-	-	-	-	-
Other operating expenses	(2,233)	(2,253)	-0.9%	(1,545)	(1,733)	-10.8%	(688)	(520)	32.3%	-	-	-
Operating expenses	**(171,971)**	**(152,908)**	**12.5%**	**(139,782)**	**(130,520)**	**7.1%**	**(34,232)**	**(24,038)**	**42.4%**	**2,043**	**1,650**	**23.8%**
Operating income before cost of credit risk / EBITDA	**267,806**	**245,511**	**9.1%**	**228,340**	**229,613**	**-0.6%**	**42,154**	**23,850**	**76.7%**	**(2,688)**	**(7,952)**	**-66.2%**
Profit from associates	3,818	668	NMF	-	-	-	3,818	668	NMF	-	-	-
Depreciation and amortization of investment business	(9,685)	(5,266)	83.9%	-	-	-	(9,685)	(5,266)	83.9%	-	-	-
Net foreign currency gain from investment business	(2,363)	6,379	NMF	-	-	-	(2,363)	6,379	NMF	-	-	-
Interest income from investment business	673	1,239	-45.7%	-	-	-	1,024	1,662	-38.4%	(351)	(423)	-17.0%
Interest expense from investment business	(3,880)	(5,094)	-23.8%	-	-	-	(6,919)	(13,469)	-48.6%	3,039	8,375	-63.7%
Operating income before cost of credit risk	**256,369**	**243,437**	**5.3%**	**228,340**	**229,613**	**-0.6%**	**28,029**	**13,824**	**102.8%**	**-**	**-**	**-**
Impairment charge on loans to customers	(59,036)	(74,033)	-20.3%	(59,036)	(74,033)	-20.3%	-	-	-	-	-	-
Impairment charge on finance lease receivables	(643)	(1,899)	-66.1%	(643)	(1,899)	-66.1%	-	-	-	-	-	-
Impairment charge on other assets and provisions	(5,850)	(7,776)	-24.8%	(3,483)	(5,604)	-37.8%	(2,367)	(2,172)	9.0%	-	-	-
Cost of credit risk	**(65,529)**	**(83,708)**	**-21.7%**	**(63,162)**	**(81,536)**	**-22.5%**	**(2,367)**	**(2,172)**	**9.0%**	**-**	**-**	**-**
Net operating income before non-recurring items	**190,840**	**159,729**	**19.5%**	**165,178**	**148,077**	**11.5%**	**25,662**	**11,652**	**120.2%**	**-**	**-**	**-**
Net non-recurring items	(47,380)	(2,860)	NMF	(47,770)	(5,575)	NMF	390	2,715	-85.6%	-	-	-
Profit before income tax	**143,460**	**156,869**	**-8.5%**	**117,408**	**142,502**	**-17.6%**	**26,052**	**14,367**	**81.3%**	**-**	**-**	**-**
Income tax expense	54,824	(22,500)	NMF	26,961	(22,238)	NMF	27,863	(262)	NMF	-	-	-
Profit	**198,284**	**134,369**	**47.6%**	**144,369**	**120,264**	**20.0%**	**53,915**	**14,105**	**282.2%**	-	-	-
Attributable to:												
– shareholders of BGEO	*175,478*	*133,241*	*31.7%*	*142,220*	*119,211*	*19.3%*	*33,258*	*14,030*	*137.0%*	-	-	-
– non-controlling interests	*22,806*	*1,128*	*1921.8%*	*2,149*	*1,053*	*104.1%*	*20,657*	*75*	*NMF*	-	-	-
Earnings per share basic and diluted	**4.57**	**3.47**	**31.7%**									

BALANCE SHEET	**BGEO Consolidated**					**Banking Business**					**Investment Business**					**Eliminations**		
GEL thousands, unless otherwise noted	**Jun-16**	**Jun-15**	**Change Y-O-Y**	**Mar-16**	**Change Q-O-Q**	**Jun-16**	**Jun-15**	**Change Y-O-Y**	**Mar-16**	**Change Q-O-Q**	**Jun-16**	**Jun-15**	**Change Y-O-Y**	**Mar-16**	**Change Q-O-Q**	**Jun-16**	**Jun-15**	**Mar-16**
Cash and cash equivalents	1,059,359	1,261,805	-16.0%	1,359,219	-22.1%	1,034,062	1,252,758	-17.5%	1,330,094	-22.3%	245,595	107,511	128.4%	288,512	-14.9%	(220,298)	(98,464)	(259,387)
Amounts due from credit institutions	876,655	583,888	50.1%	764,435	14.7%	863,791	575,534	50.1%	720,442	19.9%	28,949	18,844	53.6%	47,936	-39.6%	(16,085)	(10,490)	(3,943)
Investment securities	989,331	895,840	10.4%	825,045	19.9%	990,125	898,457	10.2%	825,821	19.9%	2,572	1,153	123.1%	1,154	122.9%	(3,366)	(3,770)	(1,930)
Loans to customers and finance lease receivables	5,469,120	5,052,752	8.2%	5,359,718	2.0%	5,507,414	5,142,221	7.1%	5,394,565	2.1%	-	-	-	-	-	(38,294)	(89,469)	(34,847)
Accounts receivable and other loans	89,162	77,866	14.5%	84,715	5.2%	5,262	15,474	-66.0%	5,144	2.3%	86,748	70,343	23.3%	81,955	5.8%	(2,848)	(7,951)	(2,384)
Insurance premiums receivable	58,667	58,142	0.9%	54,879	6.9%	24,013	26,519	-9.4%	16,567	44.9%	35,993	32,023	12.4%	39,347	-8.5%	(1,339)	(400)	(1,035)
Prepayments	103,842	52,145	99.1%	67,633	53.5%	22,461	30,779	-27.0%	24,649	-8.9%	81,381	21,366	280.9%	42,984	89.3%	-	-	-
Inventories	178,534	131,534	35.7%	125,466	42.3%	9,559	10,379	-7.9%	9,686	-1.3%	168,975	121,155	39.5%	115,780	45.9%	-	-	-
Investment property	245,849	221,506	11.0%	254,224	-3.3%	138,546	143,873	-3.7%	134,310	3.2%	107,303	77,633	38.2%	119,914	-10.5%	-	-	-
Property and equipment	852,680	669,153	27.4%	835,651	2.0%	336,013	338,858	-0.8%	333,243	0.8%	516,667	330,295	56.4%	502,408	2.8%	-	-	-
Goodwill	106,134	60,056	76.7%	73,192	45.0%	49,592	48,092	3.1%	49,592	0.0%	56,542	11,964	372.6%	23,600	139.6%	-	-	-
Intangible assets	49,617	36,894	34.5%	43,074	15.2%	38,314	33,260	15.2%	37,609	1.9%	11,303	3,634	211.0%	5,465	106.8%	-	-	-
Income tax assets	26,585	29,080	-8.6%	36,712	-27.6%	19,614	21,686	-9.6%	27,321	-28.2%	6,971	7,394	-5.7%	9,391	-25.8%	-	-	-
Other assets	217,688	244,398	-10.9%	193,626	12.4%	132,268	174,820	-24.3%	121,012	9.3%	88,233	80,058	10.2%	75,515	16.8%	(2,813)	(10,480)	(2,901)
Total assets	**10,323,223**	**9,375,059**	**10.1%**	**10,077,589**	**2.4%**	**9,171,034**	**8,712,710**	**5.3%**	**9,030,055**	**1.6%**	**1,437,232**	**883,373**	**62.7%**	**1,353,961**	**6.2%**	**(285,043)**	**(221,024)**	**(306,427)**
Client deposits and notes	4,554,012	4,104,417	11.0%	4,698,558	-3.1%	4,791,979	4,212,822	13.7%	4,962,432	-3.4%	-	-	-	-	-	(237,967)	(108,405)	(263,874)
Amounts due to credit institutions	1,892,437	2,139,517	-11.5%	1,719,920	10.0%	1,766,999	2,045,093	-13.6%	1,630,299	8.4%	163,730	189,124	-13.4%	124,468	31.5%	(38,292)	(94,700)	(34,847)
Debt securities issued	1,065,516	1,063,123	0.2%	1,033,758	3.1%	990,370	990,257	0.0%	957,474	3.4%	81,088	79,894	1.5%	81,116	0.0%	(5,942)	(7,028)	(4,832)
Accruals and deferred income	137,967	132,832	3.9%	142,766	-3.4%	13,084	14,369	-8.9%	25,685	-49.1%	124,883	118,463	5.4%	117,081	6.7%	-	-	-
Insurance contracts liabilities	80,643	73,001	10.5%	71,565	12.7%	47,701	42,910	11.2%	34,630	37.7%	32,942	30,091	9.5%	36,935	-10.8%	-	-	-
Income tax liabilities	44,510	111,387	-60.0%	128,667	-65.4%	42,916	87,392	-50.9%	93,765	-54.2%	1,594	23,995	-93.4%	34,902	-95.4%	-	-	-
Other liabilities	338,757	94,839	257.2%	131,506	157.6%	120,007	71,126	68.7%	47,520	152.5%	221,592	34,604	540.4%	86,860	155.1%	(2,842)	(10,891)	(2,874)
Total liabilities	**8,113,842**	**7,719,116**	**5.1%**	**7,926,740**	**2.4%**	**7,773,056**	**7,463,969**	**4.1%**	**7,751,805**	**0.3%**	**625,829**	**476,171**	**31.4%**	**481,362**	**30.0%**	**(285,043)**	**(221,024)**	**(306,427)**
Share capital	1,154	1,154	0.0%	1,154	0.0%	1,154	1,154	0.0%	1,154	0.0%	-	-	-	-	-	-	-	-
Additional paid-in capital	228,679	243,482	-6.1%	240,962	-5.1%	88,253	32,277	173.4%	101,467	-13.0%	140,426	211,205	-33.5%	139,495	0.7%	-	-	-
Treasury shares	(35)	(36)	-2.8%	(29)	20.7%	(35)	(36)	-2.8%	(29)	20.7%	-	-	-	-	-	-	-	-
Other reserves	88,226	(61,509)	NMF	42,101	109.6%	(9,549)	(51,917)	-81.6%	(55,166)	-82.7%	97,775	(9,592)	NMF	97,267	0.5%	-	-	-
Retained earnings	1,652,868	1,413,870	16.9%	1,650,094	0.2%	1,298,592	1,247,508	4.1%	1,212,492	7.1%	354,276	166,362	113.0%	437,602	-19.0%	-	-	-
Total equity attributable to shareholders of the Group	**1,970,892**	**1,596,961**	**23.4%**	**1,934,282**	**1.9%**	**1,378,415**	**1,228,986**	**12.2%**	**1,259,918**	**9.4%**	**592,477**	**367,975**	**61.0%**	**674,364**	**-12.1%**	**-**	**-**	**-**
Non-controlling interests	238,489	58,982	304.3%	216,567	10.1%	19,563	19,755	-1.0%	18,332	6.7%	218,926	39,227	458.1%	198,235	10.4%	-	-	-
Total equity	**2,209,381**	**1,655,943**	**33.4%**	**2,150,849**	**2.7%**	**1,397,978**	**1,248,741**	**12.0%**	**1,278,250**	**9.4%**	**811,403**	**407,202**	**99.3%**	**872,599**	**-7.0%**	**-**	**-**	**-**
Total liabilities and equity	**10,323,223**	**9,375,059**	**10.1%**	**10,077,589**	**2.4%**	**9,171,034**	**8,712,710**	**5.3%**	**9,030,055**	**1.6%**	**1,437,232**	**883,373**	**62.7%**	**1,353,961**	**6.2%**	**(285,043)**	**(221,024)**	**(306,427)**
Book value per share	**51.46**	**41.74**	**23.3%**	**50.21**	**2.5%**													

Georgia Healthcare Group

Income Statement, *Quarterly*	**Healthcare services**					**Medical insurance**					**Pharma**	**Eliminations**			**GHG**				
GEL thousands; unless otherwise noted	**2Q16**	**2Q15**	**Change, Y-o-Y**	**1Q16**	**Change, Q-o-Q**	**2Q16**	**2Q15**	**Change, Y-o-Y**	**1Q16**	**Change, Q-o-Q**	**2Q16**	**2Q16**	**2Q15**	**1Q16**	**2Q16**	**2Q15**	**Change, Y-o-Y**	**1Q16**	**Change, Q-o-Q**
Revenue, gross	**58,779**	**45,674**	**28.7%**	**60,451**	**-2.8%**	**15,298**	**14,123**	**8.3%**	**13,830**	**10.6%**	**30,691**	**(3,095)**	**(2,325)**	**(1,705)**	**101,673**	**57,472**	**76.9%**	**72,576**	**40.1%**
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	-	-	-	-	-	-	-	-	-	(724)	(885)	-18.2%	(410)	76.6%
Revenue, net	**58,055**	**44,789**	**29.6%**	**60,041**	**-3.3%**	**15,298**	**14,123**	**8.3%**	**13,830**	**10.6%**	**30,691**	**(3,095)**	**(2,325)**	**(1,705)**	**100,949**	**56,587**	**78.4%**	**72,166**	**39.9%**
Costs of services	**(31,399)**	**(24,189)**	**29.8%**	**(32,998)**	**-4.8%**	**(13,989)**	**(11,785)**	**18.7%**	**(12,847)**	**8.9%**	**(25,059)**	**3,052**	**2,253**	**1,694**	**(67,395)**	**(33,721)**	**99.9%**	**(44,151)**	**52.6%**
Cost of salaries and other employee benefits	(19,857)	(15,919)	24.7%	(19,752)	0.5%	-	-	-	-	-	-	1,094	767	565	(18,763)	(15,152)	23.8%	(19,187)	-2.2%
Cost of materials and supplies	(9,228)	(6,258)	47.5%	(9,613)	-4.0%	-	-	-	-	-	-	514	302	275	(8,714)	(5,956)	46.3%	(9,338)	-6.7%
Cost of medical service providers	(401)	(510)	-21.4%	(428)	-6.3%	-	-	-	-	-	-	23	24	12	(378)	(486)	-22.2%	(416)	-9.1%
Cost of utilities and other	(1,913)	(1,502)	27.4%	(3,205)	-40.3%	-	-	-	-	-	-	122	74	92	(1,791)	(1,428)	25.4%	(3,113)	-42.5%
Net insurance claims incurred	-	-	-	-	-	(13,003)	(11,035)	17.8%	(11,953)	8.8%	-	1,299	1,086	750	(11,704)	(9,949)	17.6%	(11,203)	4.5%
Agents, brokers and employee commissions	-	-	-	-	-	(986)	(750)	31.5%	(894)	10.3%	-	-	-		(986)	(750)	31.5%	(894)	10.3%
Cost of pharma - wholesale	-	-	-	-	-	-	-	-	-	-	(6,545)	-	-	-	(6,545)	-	-	-	-
Cost of pharma - retail	-	-	-	-	-	-	-	-	-	-	(18,514)	-	-	-	(18,514)	-	-	-	-
Gross profit	**26,656**	**20,600**	**29.4%**	**27,043**	**-1.4%**	**1,309**	**2,338**	**-44.0%**	**983**	**33.2%**	**5,632**	**(43)**	**(72)**	**(11)**	**33,554**	**22,866**	**46.7%**	**28,015**	**19.8%**
Salaries and other employee benefits	(5,254)	(5,523)	-4.9%	(6,115)	-14.1%	(1,328)	(892)	48.9%	(819)	62.1%	(2,690)	43	72	11	(9,229)	(6,343)	45.5%	(6,923)	33.3%
General and administrative expenses	(3,517)	(1,909)	84.2%	(2,483)	41.6%	(708)	(642)	10.3%	(719)	-1.5%	(2,533)	-	-	-	(6,758)	(2,551)	164.9%	(3,202)	111.1%
Impairment of healthcare services, insurance premiums and other receivables	(1,120)	(906)	23.6%	(858)	30.5%	(116)	(6)	1833.3%	(122)	-4.9%	-	-	-	-	(1,236)	(912)	35.5%	(980)	26.1%
Other operating income	395	413	-4.4%	241	63.9%	10	3	233.3%	(21)	-147.6%	145	-	-	-	550	416	32.2%	219	151.1%
EBITDA	**17,160**	**12,675**	**35.4%**	**17,828**	**-3.7%**	**(832)**	**801**	**-203.9%**	**(699)**	**19.0%**	**554**	-	-	-	**16,882**	**13,476**	**25.3%**	**17,129**	**-1.4%**
EBITDA margin	***29.2%***	***27.8%***		***29.5%***		***-5.4%***	***5.7%***		***-5.1%***		***1.8%***	-	-		***16.6%***	***23.4%***		***23.6%***	
Depreciation and amortisation	(4,121)	(2,414)	70.7%	(4,261)	-3.3%	(202)	(153)	32.0%	(204)	-1.0%	(258)	-	-	-	(4,581)	(2,567)	78.5%	(4,465)	2.6%
Net interest income (expense)	(2,999)	(6,011)	-50.1%	(2,259)	32.8%	(43)	(6)	616.7%	603	NMF	(427)	-	-	-	(3,469)	(6,017)	-42.3%	(1,656)	109.5%
Net gains/(losses) from foreign currencies	(1,711)	1,973	NMF	(411)	316.3%	19	72	-73.6%	151	-87.4%	(272)	-	-	-	(1,964)	2,045	NMF	(260)	655.4%
Net non-recurring income/(expense)	387	(556)	NMF	(230)	-268.3%	(973)	-	-	-	-	-	-	-	-	(586)	(556)	NMF	(230)	154.8%
Profit before income tax expense	**8,716**	**5,667**	**53.8%**	**10,667**	**-18.3%**	**(2,031)**	**714**	**NMF**	**(149)**	**1,263.1%**	**(403)**	**-**	**-**	**-**	**6,282**	**6,381**	**-1.6%**	**10,518**	**-40.3%**
Income tax benefit/(expense)	26,619	1,199	NMF	1,486	1691.3%	301	(539)	NMF	19	1,484.2%	-	-	-	-	26,920	660	NMF	1,505	1,688.7%
of which: Deferred tax adjustments	*27,113*	-	-	*2,198*	-	-	-	-	-	-	-	-	-	-	*27,113*	-	-	*2,198*	-
Profit for the period	**35,335**	**6,866**	**414.6%**	**12,153**	**190.8%**	**(1,730)**	**175**	**NMF**	**(130)**	**1,230.8%**	**(403)**	-	-	-	**33,202**	**7,041**	**371.6%**	**12,023**	**176.2%**
Attributable to:																			
- shareholders of the Company	29,888	5,947	402.6%	10,051	197.4%	(1,730)	175	NMF	(130)	1,230.8%	(403)	-	-	-	27,755	6,122	353.4%	9,921	179.8%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	-	-	-	-	-	-	-	-	-	5,447	919	492.7%	2,102	159.1%
of which: Deferred tax adjustments	*4,705*	-	-	*352*	-	-	-	-	-	-	-	-	-	-	*4,705*	-	-	*352*	-

Georgia Healthcare Group

Income Statement, *Half-Year*	**Healthcare services**			**Medical insurance**			**Pharma**	**Eliminations**		**GHG**		
GEL thousands; unless otherwise noted	**1H16**	**1H15**	**Change, Y-o-Y**	**1H16**	**1H15**	**Change, Y-o-Y**	**1H16**	**1H16**	**1H15**	**1H16**	**1H15**	**Change, Y-o-Y**
Revenue, gross	**119,230**	**88,419**	**34.8%**	**29,128**	**27,814**	**4.7%**	**30,691**	**(4,800)**	**(4,187)**	**174,249**	**112,046**	**55.5%**
Corrections & rebates	(1,134)	(1,842)	-38.4%	-	-	-	-	-	-	(1,134)	(1,842)	-38.4%
Revenue, net	**118,096**	**86,577**	**36.4%**	**29,128**	**27,814**	**4.7%**	**30,691**	**(4,800)**	**(4,187)**	**173,115**	**110,204**	**57.1%**
Costs of services	**(64,397)**	**(48,462)**	**32.9%**	**(26,836)**	**(23,321)**	**15.1%**	**(25,059)**	**4,746**	**4,024**	**(111,546)**	**(67,759)**	**64.6%**
Cost of salaries and other employee benefits	(39,609)	(31,011)	27.7%	-	-	-	-	1,659	1,442	(37,950)	(29,569)	28.3%
Cost of materials and supplies	(18,841)	(12,740)	47.9%	-	-	-	-	789	592	(18,052)	(12,148)	48.6%
Cost of medical service providers	(829)	(978)	-15.2%	-	-	-	-	35	45	(794)	(933)	-14.9%
Cost of utilities and other	(5,118)	(3,733)	37.1%	-	-	-	-	214	174	(4,904)	(3,559)	37.8%
Net insurance claims incurred	-	-	-	(24,956)	(21,872)	14.1%	-	2,049	1,771	(22,907)	(20,101)	14.0%
Agents, brokers and employee commissions	-	-	-	(1,880)	(1,449)	29.7%	-			(1,880)	(1,449)	29.7%
Cost of pharma - wholesale	-	-	-	-	-	-	(6,545)	-	-	(6,545)	-	-
Cost of pharma – retail	-	-	-	-	-	-	(18,514)	-	-	(18,514)	-	-
Gross profit	**53,699**	**38,115**	**40.9%**	**2,292**	**4,493**	**-49.0%**	**5,632**	**(54)**	**(163)**	**61,569**	**42,445**	**45.1%**
Salaries and other employee benefits	(11,369)	(10,837)	4.9%	(2,147)	(1,928)	11.4%	(2,690)	54	163	(16,152)	(12,602)	28.2%
General and administrative expenses	(6,000)	(3,687)	62.7%	(1,427)	(1,263)	13.0%	(2,533)	-	-	(9,960)	(4,950)	101.2%
Impairment of healthcare services, insurance premiums and other receivables	(1,978)	(1,737)	13.9%	(238)	(109)	118.3%	-	-	-	(2,216)	(1,846)	20.0%
Other operating income	636	491	29.5%	(11)	50	NMF	145	-	-	770	541	42.3%
EBITDA	**34,988**	**22,345**	**56.6%**	**(1,531)**	**1,243**	**NMF**	**554**	-	-	**34,011**	**23,588**	**44.2%**
EBITDA margin	***29.3%***	***25.3%***		***-5.3%***	***4.5%***		***1.8%***	-	-	***19.5%***	***21.1%***	
Depreciation and amortisation	(8,382)	(4,600)	82.2%	(406)	(289)	40.5%	(258)	-	-	(9,046)	(4,889)	85.0%
Net interest income (expense)	(5,258)	(10,084)	-47.9%	560	(34)	NMF	(427)	-	-	(5,125)	(10,118)	-49.3%
Net gains/(losses) from foreign currencies	(2,122)	4,880	NMF	170	569	-70.1%	(272)	-	-	(2,224)	5,449	NMF
Net non-recurring income/(expense)	157	(767)	NMF	(973)	-	-	-	-	-	(816)	(767)	NMF
Profit before income tax expense	**19,383**	**11,774**	**64.6%**	**(2,180)**	**1,489**	**NMF**	**(403)**	-	-	**16,800**	**13,263**	**26.7%**
Income tax benefit/(expense)	28,105	708	NMF	320	(655)	NMF	-	-	-	28,425	53	NMF
of which: Deferred tax adjustments	*29,311*	-	-	-	-	-	-	-	-	*29,311*	-	-
Profit for the period	**47,488**	**12,482**	**280.5%**	**(1,860)**	**834**	**NMF**	**(403)**	-	-	**45,225**	**13,316**	**239.6%**
										-		
Attributable to:										-		
- shareholders of the Company	39,939	11,020	262.4%	(1,860)	834	NMF	(403)	-	-	37,676	11,854	217.8%
- non-controlling interests	7,549	1,462	416.3%	-	-	-	-	-	-	7,549	1,462	416.3%
of which: Deferred tax adjustments	*5,057*	-	-	-	-	-	-	-	-	*5,057*	-	-

P&C Insurance (Aldagi)

INCOME STATEMENT HIGHLIGHTS *GEL thousands, unless otherwise stated*	**2Q16**	**2Q15**	**Change Y-O-Y**	**1Q16**	**Change Q-O-Q**	**1H16**	**1H15**	**Change Y-O-Y**
Net banking interest income	770	567	35.8%	725	6.2%	1,495	1,113	34.3%
Net fee and commission income	104	72	44.4%	100	4.0%	203	143	42.0%
Net banking foreign currency gain	(986)	1,687	NMF	(47)	NMF	(1,033)	2,215	NMF
Net other banking income	223	90	147.8%	131	70.2%	356	387	-8.0%
Gross insurance profit	6,811	3,853	76.8%	5,665	20.2%	12,475	9,460	31.9%
Revenue	**6,922**	**6,269**	**10.4%**	**6,574**	**5.3%**	**13,496**	**13,318**	**1.3%**
Operating expenses	(2,774)	(2,524)	9.9%	(2,767)	0.3%	(5,542)	(5,494)	0.9%
Operating income before cost of credit risk and non-recurring items	**4,148**	**3,745**	**10.8%**	**3,807**	**9.0%**	**7,954**	**7,824**	**1.7%**
Cost of credit risk	(186)	(172)	8.1%	(173)	7.5%	(358)	(267)	34.1%
Net non-recurring items	-	-	-	-	-	-	-	-
Profit before income tax	**3,962**	**3,573**	**10.9%**	**3,634**	**9.0%**	**7,596**	**7,557**	**0.5%**
Income tax (expense) benefit	(1,009)	(150)	NMF	(545)	85.1%	(1,553)	238	NMF
Profit	**2,953**	**3,423**	**-13.7%**	**3,089**	**-4.4%**	**6,043**	**7,795**	**-22.5%**

Belarusky Narodny Bank (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	**2Q16**	**2Q15**	**Change Y-O-Y**	**1Q16**	**Change Q-O-Q**	**1H16**	**1H15**	**Change Y-O-Y**
Net banking interest income	6,997	6,638	5.4%	7,903	-11.5%	14,900	14,067	5.9%
Net fee and commission income	1,868	2,699	-30.8%	1,862	0.3%	3,730	4,916	-24.1%
Net banking foreign currency gain	2,100	3,668	-42.7%	2,481	-15.4%	4,581	8,685	-47.3%
Net other banking income	80	137	-41.6%	167	-52.1%	247	234	5.6%
Revenue	**11,045**	**13,142**	**-16.0%**	**12,413**	**-11.0%**	**23,458**	**27,902**	**-15.9%**
Operating expenses	(4,950)	(4,687)	5.6%	(4,490)	10.2%	(9,440)	(8,941)	5.6%
Operating income before cost of credit risk	**6,095**	**8,455**	**-27.9%**	**7,923**	**-23.1%**	**14,018**	**18,961**	**-26.1%**
Cost of credit risk	(1,075)	(5,683)	-81.1%	(2,516)	-57.3%	(3,592)	(10,328)	-65.2%
Net non-recurring items	(8)	(318)	-97.5%	(3)	166.7%	(10)	(1,416)	-99.3%
Profit before income tax	**5,012**	**2,454**	**104.2%**	**5,404**	**-7.3%**	**10,416**	**7,217**	**44.3%**
Income tax (expense) benefit	(4,845)	(785)	NMF	(1,144)	NMF	(5,990)	(2,212)	170.8%
Profit	**167**	**1,669**	**-90.0%**	**4,260**	**-96.1%**	**4,426**	**5,005**	**-11.6%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	**30-Jun-16**	**30-Jun-15**	**Change Y-O-Y**	**31-Mar-16**	**Change Q-O-Q**
Cash and cash equivalents	75,561	67,632	11.7%	93,904	-19.5%
Amounts due from credit institutions	3,366	3,636	-7.4%	3,986	-15.6%
Loans to customers and finance lease receivables	310,546	305,816	1.5%	319,740	-2.9%
Other assets	43,036	67,293	-36.0%	49,825	-13.6%
Total assets	**432,509**	**444,377**	**-2.7%**	**467,455**	**-7.5%**
Client deposits and notes	202,382	242,249	-16.5%	230,848	-12.3%
Amounts due to credit institutions	141,577	114,161	24.0%	139,801	1.3%
Debt securities issued	15,416	-	-	15,906	-3.1%
Other liabilities	6,070	7,372	-17.7%	5,409	12.2%
Total liabilities	**365,445**	**363,782**	**0.5%**	**391,964**	**-6.8%**
Total equity attributable to shareholders of the Group	**53,810**	**66,953**	**-19.6%**	**62,908**	**-14.5%**
Non-controlling interests	13,254	13,642	-2.8%	12,583	5.3%
Total equity	**67,064**	**80,595**	**-16.8%**	**75,491**	**-11.2%**
Total liabilities and equity	**432,509**	**444,377**	**-2.7%**	**467,455**	**-7.5%**

Banking Business Key Ratios

	2Q16	2Q15	1Q16	Jun-16	Jun-15
Profitability					
ROAA, Annualised	3.4%	2.9%	3.0%	3.2%	2.9%
ROAE, Annualised	22.5%	19.3%	21.2%	21.7%	19.3%
RB ROAE	29.2%	21.2%	24.3%	26.6%	21.6%
CIB ROAE	17.2%	18.4%	17.6%	17.4%	16.7%
Net Interest Margin, Annualised	7.5%	7.6%	7.5%	7.5%	7.8%
RB NIM	9.1%	9.5%	9.2%	9.2%	9.6%
CIB NIM	3.7%	3.9%	3.7%	3.7%	4.1%
Loan Yield, Annualised	14.1%	14.6%	14.4%	14.3%	14.6%
RB Loan Yield	16.9%	17.3%	17.4%	17.2%	17.3%
CIB Loan Yield	10.0%	12.1%	10.3%	10.2%	12.0%
Liquid assets yield, Annualised	3.3%	3.1%	3.1%	3.2%	3.2%
Cost of Funds, Annualised	4.8%	5.0%	5.0%	4.9%	5.0%
Cost of Client Deposits and Notes, annualised	4.0%	4.4%	4.3%	4.2%	4.4%
RB Cost of Client Deposits and Notes	3.4%	3.9%	3.5%	3.5%	4.2%
CIB Cost of Client Deposits and Notes	4.2%	3.9%	4.5%	4.4%	3.9%
Cost of Amounts Due to Credit Institutions, annualised	5.9%	5.3%	6.0%	5.9%	5.3%
Cost of Debt Securities Issued	7.0%	7.2%	7.2%	7.1%	7.2%
Operating Leverage, Y-O-Y	-6.4%	21.7%	-3.3%	-4.9%	19.5%
Operating Leverage, Q-O-Q	-0.2%	2.9%	-6.6%	0.0%	0.0%
Efficiency					
Cost / Income	38.0%	35.7%	37.9%	38.0%	36.2%
RB Cost / Income	39.9%	40.0%	43.3%	41.6%	41.8%
CIB Cost / Income	31.8%	27.8%	27.0%	29.3%	26.3%
Liquidity					
NBG Liquidity Ratio	43.5%	35.1%	47.3%	43.5%	35.1%
Liquid Assets To Total Liabilities	37.2%	36.5%	37.1%	37.4%	36.5%
Net Loans To Client Deposits and Notes	114.9%	122.1%	108.7%	114.9%	122.1%
Net Loans To Client Deposits and Notes + DFIs	95.8%	102.4%	91.6%	95.8%	102.4%
Leverage (Times)	5.6	6.0	6.1	5.6	6.0
Asset Quality:					
NPLs (in GEL)	251,383	219,230	251,959	251,383	219,230
NPLs To Gross Loans To Clients	4.4%	4.1%	4.5%	4.4%	4.1%
NPL Coverage Ratio	85.8%	82.2%	86.0%	85.8%	82.2%
NPL Coverage Ratio, Adjusted for discounted value of collateral	129.7%	115.1%	122.6%	129.7%	115.1%
Cost of Risk, Annualised	2.0%	2.7%	2.3%	2.1%	2.9%
RB Cost of Risk	2.3%	2.8%	2.5%	2.4%	2.6%
CIB Cost of Risk	1.5%	1.8%	2.1%	1.8%	2.6%
Capital Adequacy:					
New NBG (Basel 2/3) Tier I Capital Adequacy Ratio	10.2%	10.4%	10.1%	10.2%	10.4%
New NBG (Basel 2/3) Total Capital Adequacy Ratio	15.5%	15.9%	15.8%	15.5%	15.9%
Old NBG Tier I Capital Adequacy Ratio	10.0%	13.9%	10.7%	10.0%	13.9%
Old NBG Total Capital Adequacy Ratio	16.4%	15.8%	16.3%	16.4%	15.8%
Selected Operating Data:					
Total Assets Per FTE, BOG Standalone	1,954	1,995	1,972	1,954	1,995
Number Of Active Branches, Of Which:	273	246	266	273	246
- Express Branches (including Metro)	*119*	*97*	*114*	*119*	*97*
- Bank of Georgia Branches	*144*	*147*	*144*	*144*	*147*
- Solo Lounges	*10*	*2*	*8*	*10*	*2*
Number Of ATMs	763	685	753	763	685
Number Of Cards Outstanding, Of Which:	1,946,828	1,964,374	1,943,175	1,946,828	1,964,374
- Debit cards	*1,152,319*	*1,207,573*	*1,171,454*	*1,152,319*	*1,207,573*
- Credit cards	*794,509*	*756,801*	*771,721*	*794,509*	*756,801*
Number Of POS Terminals	9,044	7,668	8,175	9,044	7,668

Group Employee Data	2Q16	2Q15	1Q16
Full Time Employees, Group, of which:	18,045	14,583	16,086
- Full Time Employees, BOG Standalone	*4,693*	*4,368*	*4,580*
- Full Time Employees, Georgia Healthcare Group	*11,481*	*8,496*	*9,675*
- Full Time Employees, m2	*60*	*58*	*59*
- Full Time Employees, Aldagi	*276*	*253*	*259*
- Full Time Employees, BNB	*574*	*505*	*562*
- Full Time Employees, Other	*961*	*903*	*951*

Operating Data, GEL mln	Q2 2016	% of clients	2015	2014	2013
Number of total Retail clients, of which:	**2,039,843**		**1,999,869**	**1,451,777**	**1,245,048**
Number of Solo clients ("Premier Banking")	*14,896*	0.7%	*11,869*	*7,971*	*6,810*
Consumer loans & other outstanding, volume	**908.4**		**835.6**	**691.8**	**560.2**
Consumer loans & other outstanding, number	631,990	31.0%	625,458	526,683	455,557
Mortgage loans outstanding, volume	956.5		**809.0**	**600.9**	**441.4**
Mortgage loans outstanding, number	14,451	0.7%	12,857	11,902	10,212
Micro & SME loans outstanding, volume	**992.5**		**903.9**	**666.0**	**497.0**
Micro & SME loans outstanding, number	24,020	1.2%	19,045	16,246	13,317
Credit cards and overdrafts outstanding, volume	**301.8**		**305.7**	**135.0**	**142.4**
Credit cards and overdrafts outstanding, number	437,942	21.5%	435,010	199,543	174,570
Credit cards outstanding, number, of which:	794,509	38.9%	754,274	116,615	117,913
American Express cards	*85,743*	4.2%	*100,515*	*110,362*	*108,608*

Shares Outstanding	Jun-16	Jun-15	Mar-16
Ordinary Shares Outstanding	38,299,053	38,257,793	38,523,409
Treasury Shares Outstanding	1,201,267	1,242,527	976,911

Principal risks and uncertainties

Understanding our risks

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

Risks and uncertainties	Trend and outlook	Mitigation
Currency fluctuations have affected, and may continue to affect the Group in addition to general deterioration of global and regional economic conditions. In 2015, the Lari depreciated against the US Dollar by 22.2%, while in the first half of 2016, it appreciated by 2.3% year to date. Volatility of Lari against the US Dollar has affected and may continue to adversely affect Group's performance. Our Banking Business NPLs to gross loans increased to 4.4% as of 30 June 2016, compared to 3.4% as of 31 December 2014, and our cost of risk ratio increased to 2.1% in the first half of 2016, compared to 1.2% in 2014. There is a risk that any future depreciation of the Georgian Lari against the US Dollar may adversely affect the quality of our loan portfolio and increase impairment provisions, as our corporate loan book and mortgage portfolio is heavily US Dollar-denominated and many of our customers earn Georgian Lari. We are also affected by other macroeconomic and market conditions globally, regionally and in Georgia. Global markets conditions remain volatile and growth has recently slowed in many emerging economies, including Georgia. In addition to currency exchange rates, other macroeconomic factors relating to Georgia, such as GDP, inflation and interest rates, may have a material impact on loan losses, our margins and customer demand for our products and services.	In the last quarter of 2015, the GEL/ US$ exchange rate stabilised. Since 1 January 2016, the Georgian Lari has appreciated against the US Dollar. We are, however, unable to predict future changes in the GEL/US$ exchange rate. Global and regional economic conditions remain volatile and there is significant economic uncertainty. Real GDP growth in Georgia decreased to 2.8% in 2015 and 2.9% in the first half of 2016, from 4.6% in 2014, according to Geostat. This decrease was due to a weaker external economic environment, which was reflected in weaker remittances, lower net exports from Georgia and lower FDI. Despite the lower current GDP growth in Georgia, we believe that Georgia was particularly resilient in the context of the economic turbulences in the region. The IMF has projected the decline in GDP growth in the region is at 0.6% in 2016, and growth to recover to 1.5% in 2017 (July 2016 WEO update). With respect to Georgia, the IMF has projected the GDP growth at 2.5% in 2016 and to average 4.9% in 2017-2021. We believe that real GDP growth in Georgia will be in the range of 3.0% to 3.5% in 2016 as a result of healthy market fundamentals, new investment opportunities, growth in tourism, fiscal stimulus and monetary normalization. Average annual inflation was 4.0% in 2015 and price pressures remain eased in 2016.	We continuously monitor market conditions and review market changes. We also perform stress and scenario testing to test our financial position in adverse economic conditions, which includes a GEL/US$ exchange rate of 2.7/1. We also establish limits on possible losses for each type of operation and monitor compliance with such limits. Given our strong liquidity position, we believe that we will be able to manage risk related to our US Dollar-denominated loan book. In addition, the NBG requires banks to hold additional capital to mitigate potential risk associated with foreign currency loans to customers that earn Georgian Lari.
Our loan book is heavily US Dollar-denominated, the quality of which may deteriorate as a result of slower economic growth and Georgian Lari depreciation. As at 30 June 2016, approximately 89% and 58% of our corporate loan book and retail loan book, respectively, was denominated in foreign currency (predominantly US Dollars), while US Dollar income covered approximately 50% of the total loan book. The quality of our loan book is affected by changes in the creditworthiness of our customers, the ability of our customers to repay their loans on time, the statutory priority of claims against customers, our ability to enforce our security interests on	In 2015, we saw significant retail loan growth of 35.3%, which continued further in the first half of 2016 with retail loan book growing at 18.1% y-o-y, as a result of the success of our Express Banking strategy, the acquisition of PrivatBank and launch of Solo. The acquisition of PrivatBank increased the number of retail banking NPLs, but we do not view this as significant when compared to loan book growth. Retail banking default rates remain relatively low as our retail banking clients prefer to save in US Dollars and also receive remittances in US Dollars, which constitute a principal source of income for our clients. In the first half of 2016, we also	We have credit policies and procedures in place which incorporate prudent lending criteria aligned with our risk appetite to effectively manage risk. These policies and procedures are reviewed frequently and amended as necessary to account for changes in the economic environment or other factors. Our Credit Committees set counterparty limits by the use of a credit risk classification and scoring system and approve individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, potential losses and corrective actions needed to reduce risk. We also stress test our loan book to estimate the size of the portfolio that may be impaired.

Risks and uncertainties	Trend and outlook	Mitigation
customers' collateral and the value of such collateral should such customers fail to repay their loans, as well as factors beyond our control such as economic instability. Depreciation of the Georgian Lari against the US Dollar may result in customers having difficulty repaying their loans. Our impairment charges and, in turn, our cost of credit risk, may increase if a single large borrower defaults or a material concentration of smaller borrowers default.	significantly increased our NPL coverage ratio (85.8% as of 30 June 2016 compared to 83.4% as of 31 December 2015 and 67.5% as of 31 December 2014). The quality of our loan book and our future cost of risk is dependent on macroeconomic conditions and may deteriorate if conditions worsen. Depreciation of the Georgian Lari against the US Dollar may cause our customers to face difficulty in meeting their payment obligations.	In light of the Georgian Lari to US Dollar devaluation, we will continue to stress test using a GEL/US$ exchange rate of 2.7/1. We allocate 75% more capital to the foreign currency loans of clients who earn income in Georgian Lari and discount real estate collateral values by 20%. Given our strong liquidity position, we believe that we will be able to manage risk related to our US Dollar-denominated loan book by reprofiling such loans. Potential reprofiling may include extending maturities and/or converting US Dollar-denominated loans into Euro-denominated loans. We will also continue to expand our Georgian Lari and Euro-denominated loan book in order to offset risk associated with our US Dollar-denominated loan book. In particular, we actively work with IFIs to raise long-term Georgian Lari funding to increase our Georgian Lari-denominated loans.
The local economy and our business may be adversely affected by regional tensions. Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has had ongoing disputes in the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia. These disputes have led to sporadic violence and breaches of peacekeeping operations. Regional tensions could have an adverse effect on the local economy and our business.	Despite tensions in the breakaway territories, Russia has opened its market to Georgian exports. Russia and Ukraine's relationship has continued to deteriorate. As a result, there is significant uncertainty as to how and when the conflict between Russia and Ukraine will be resolved. During the first half of 2016, Georgia delivered real GDP growth of 2.9%, whilst inflation was maintained well below the 5% target range. Foreign Direct Investment continued to be strong, tourist numbers – a significant driver of US Dollar inflows for the country – continue to rise. Tax revenues were above the budgeted figure in 1H16 (101.9% of planned amount), and, as a result, the Georgian Government's fiscal position continues to be strong.	One of the most significant changes in exports was a shift away from the Russian market after Russia's 2006 embargo. In 2014, Georgia and the EU signed an association agreement introducing the deep and comprehensive free trade agreement (DCFTA), effective since 1 September 2014, which is intended to simplify Georgia's access to the EU market. The Government continues to maintain strong relationships with international development partners. An on-going IMF programme, introduced in July 2014, is intended to help implement the government's economic reform programme and aims to reduce macroeconomic vulnerabilities, increase policy buffers and support growth, while making the economy more resilient to external shocks.
We face regulatory risk. Our businesses are highly regulated. Our banking operations must comply with capital adequacy and other regulatory ratios set by our regulator, the NBG, including reserve requirements and mandatory financial ratios. Our ability to comply with these regulations may be affected by a number of factors, including but not limited to increases in minimum capital adequacy ratios imposed by the NBG, our ability to raise capital, losses resulting from deterioration in our asset quality, an increase in expenses and a decline in the values of our securities portfolio. We also provide other regulated financial services and offer financing products, including brokerage and pension fund operations, insurance and services such as asset management, all of which are subject to governmental supervision and regulation. With respect to our healthcare operations, there have been a number of reforms in the Georgian healthcare services market, including but not limited to the introduction of a Universal Healthcare Programme	Our businesses are currently in compliance with all applicable laws and regulations. Compliance with changes in capital adequacy requirements and other regulatory ratios may be affected by factors outside of our control, including but not limited to a weakening of the global and Georgian economies. In October 2014, an anti-monopoly agency was established and anti-monopoly legislation was implemented in respect of certain non-banking operations. We expect that such legislation may have an impact on our non-banking operations acquisitions as we will be required to seek permission to proceed with certain future acquisitions. As healthcare legislation is continuously evolving, we expect that additional regulations will be adopted. We, however, cannot predict what additional regulatory changes will be introduced in the future or their effect.	Continued investment in our people and processes is enabling us to meet our regulatory requirements and places us well to respond to changes in regulation. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfil our compliance obligations. Our compliance framework, at all levels, is subject to regular review by internal audit and external assurance providers.

Risks and uncertainties	Trend and outlook	Mitigation
(UHC). It is possible that the Government may amend the UHC to enhance coverage and it may introduce new licensing or accreditation requirements, which may adversely affect our healthcare services and health insurance businesses.		
We are subject to operational risk. The proper functioning of our systems, risk management, internal controls, accounting, customer service and other information technology systems, are critical to our operations. We are highly dependent on our information technology systems. Cyber threats show an increasing trend. We are also subject to the risk of incurring losses or undue costs due to human error, criminal activities (including fraud and electronic crimes), unauthorised transactions, robbery and damage to assets.	Over the past few years, as our operations have expanded, we have seen an increase in external fraud, although losses from such frauds have not increased significantly. Cyber-security threats have also increased year on year, but have not affected our operations. It is expected that such threats will continue to increase, which will require us to closely monitor such threats. Money laundering has also increased globally and will be continuously monitored by our AML compliance department.	We have an integrated control framework encompassing operational risk management and control, information technology and information security, AML compliance and physical security, each of which is managed by a separate department. We identify and assess operational risk categories within our risk management framework and internal control processes, identifying critical risk areas or groups of operations with an increased risk level. In response to these risks, we develop and implement policies and security procedures. We carry out regular IT and IS checks internally and with the assistance of external consultants. We have sophisticated anti-virus and firewalls, regularly conduct penetration testing and have back-up disaster recovery and business continuity plans in place across the Group. Access control and password protections are also in place. Our internal audit function provides assurance on the adequacy and effectiveness of our risk management internal controls. Operational risk is a regular agenda for the Audit Committee.
We face risks related to investment businesses. Over the past year, we have significantly expanded our investments in non-banking businesses. Our investment businesses operate in various industries, including healthcare services, pharma, medical insurance, real estate, water utility (where we recently acquired remaining 75% stake), hydro, wine and beverages. Therefore, we face risks associated with companies operating in respective industries. Number of our businesses also operate in a regulated environment. Our investment businesses have growth and expansion strategies and we face execution risk. We have stated that as part of our strategy we intend to divest our investment businesses (in full or partially) within six years. We have successfully completed IPO of our healthcare business through a stock market listing in 2015. With respect to future divestments by way of a stock market listing or trade sale, exit risks may be present, as it may not be possible, or desirable, to IPO our other investment businesses due to a number of factors, including supportive equity issuance markets, the ability to achieve favourable terms for the IPO and/or the political and economic environment.	We have a solid track record of growth: The Group's market capitalisation grew from c.US$ 20mln in 2004, to over USD 1.3bln in June 2016. GHG, our healthcare subsidiary, grew its revenue from GEL 119.4mln in 2012 to GEL 242.7mln in 2015 and GEL 174.2mln in the first half of 2016. And it also grew its market capitalisation from US$ 330mln at the IPO, to over US$ 0.5bln as of the date of this report. m^2 Real Estate, our real estate subsidiary and currently the major real estate developer in the country, started its first residential development in 2010. Since, m^2 has recorded total sales of US$ 152.2mln at the completed six residential projects with 91% of apartments sold and three ongoing projects, with 25% apartments pre-sold. Our investment businesses are aiming to deliver solid further growth through organic growth as well as potential acquisitions. Businesses within the Group have successfully accessed the international capital markets since 2006. However, the success of an IPO, trade sale or any other capital markets transaction is very much linked to global and regional macroeconomic and political events, among other factors.	GHG has a solid track record of acquisitions. Led by a highly experienced management team, GHG has successfully acquired and integrated more than 20 companies in the hospital and insurance sectors over the past decade. GHG has a dedicated integration team comprising of highly experienced professionals with extensive integration project experience. The integration team meets at least weekly to discuss all aspects of the integration process, including but not limited to financial, commercial, clinical, human resources and legal matters. With respect to our recent acquisition of the remaining 75% in GGU, we have been able to select strong Group executives to join the GGU management team allowing us to learn the business from the inside since we acquired 25% in the end of 2014. GGU's existing management team delivered a strong improvement in the performance of GGU during 2015. This track record was important to our decision to step-up our investment and become the 100% shareholder of the business. We have also sought and continue to seek advice from experienced global professionals in the industry.

Responsibility Statements

We confirm that to the best of our knowledge:

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

By order of the board

Neil Janin	**Irakli Gilauri**
Chairman	Chief Executive

16 August 2016

Consolidated Financial Statements

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INDEPENDENT REVIEW REPORT TO BGEO GROUP PLC (the "Company")

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2016, which comprises the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and related notes 1 to 23. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
16 August 2016

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Thousands of Georgian Lari)

		As at							
	Notes	*30 June 2016 (unaudited)*				*31 December 2015*			
		Banking Business	Investment Business	Elimi-nation	Total	Banking Business	Investment Business	Elimi-nation	Total
Assets									
Cash and cash equivalents	6	1,034,062	245,595	(220,298)	1,059,359	1,378,459	290,576	(236,101)	1,432,934
Amounts due from credit institutions	7	863,791	28,949	(16,085)	876,655	721,802	15,730	(6,167)	731,365
Investment securities	8	990,125	2,572	(3,366)	989,331	906,730	1,153	(4,016)	903,867
Loans to customers and finance lease receivables	9	5,507,414	-	(38,294)	5,469,120	5,366,764	-	(44,647)	5,322,117
Accounts receivable and other loans		5,262	86,748	(2,848)	89,162	10,376	82,354	(4,758)	87,972
Insurance premiums receivable		24,013	35,993	(1,339)	58,667	19,829	20,929	(1,532)	39,226
Prepayments		22,461	81,381	-	103,842	21,033	37,295	-	58,328
Inventories		9,559	168,975	-	178,534	9,439	117,588	-	127,027
Investment properties	10	138,546	107,303	-	245,849	135,453	110,945	-	246,398
Property and equipment		336,013	516,667	-	852,680	337,064	457,618	-	794,682
Goodwill		49,592	56,542	-	106,134	49,592	23,392	-	72,984
Intangible assets		38,314	11,303	-	49,617	35,162	5,354	-	40,516
Income tax assets		19,614	6,971	-	26,585	16,003	5,547	-	21,550
Other assets		132,268	88,233	(2,813)	217,688	163,731	79,479	(6,437)	236,773
Total assets		**9,171,034**	**1,437,232**	**(285,043)**	**10,323,223**	**9,171,437**	**1,247,960**	**(303,658)**	**10,115,739**
Liabilities									
Client deposits and notes	11	4,791,979	-	(237,967)	4,554,012	4,993,681	-	(242,294)	4,751,387
Amounts owed to credit institutions	12	1,766,999	163,730	(38,292)	1,892,437	1,692,557	144,534	(48,029)	1,789,062
Debt securities issued	13	990,370	81,088	(5,942)	1,065,516	961,944	84,474	(6,614)	1,039,804
Accruals and deferred income		13,084	124,883	-	137,967	20,364	126,488	-	146,852
Insurance contracts liabilities		47,701	32,942	-	80,643	34,547	21,298	-	55,845
Income tax liabilities		42,916	1,594	-	44,510	89,980	34,415	-	124,395
Other liabilities		120,007	221,592	(2,842)	338,757	63,073	78,404	(6,721)	134,756
Total liabilities		**7,773,056**	**625,829**	**(285,043)**	**8,113,842**	**7,856,146**	**489,613**	**(303,658)**	**8,042,101**

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

(Thousands of Georgian Lari)

		As at							
	Notes	*30 June 2016 (unaudited)*				*31 December 2015*			
		Banking Business	Investment Business	Elimi-nation	Total	Banking Business	Investment Business	Elimi-nation	Total
Equity	14								
Share capital		1,154	-	-	1,154	1,154	-	-	1,154
Additional paid-in capital		88,253	140,426	-	228,679	101,793	138,800	-	240,593
Treasury shares		(35)	-	-	(35)	(44)	-	-	(44)
Other reserves		(9,549)	97,775	-	88,226	(63,958)	96,802	-	32,844
Retained earnings		1,298,592	354,276	-	1,652,868	1,257,415	319,635	-	1,577,050
Total equity attributable to shareholders of BGEO		**1,378,415**	**592,477**	**-**	**1,970,892**	**1,296,360**	**555,237**	**-**	**1,851,597**
Non-controlling interests		19,563	218,926	-	238,489	18,931	203,110	-	222,041
Total equity		**1,397,978**	**811,403**	**-**	**2,209,381**	**1,315,291**	**758,347**	**-**	**2,073,638**
Total liabilities and equity		**9,171,034**	**1,437,232**	**(285,043)**	**10,323,223**	**9,171,437**	**1,247,960**	**(303,658)**	**10,115,739**

The interim condensed consolidated financial statements on pages 41 to 72 were approved by the Board of Directors of BGEO Group PLC on 16 August 2016 and signed on its behalf by:

Irakli Gilauri

Chief Executive Officer

16 August 2016

BGEO Group PLC

Registered No. 07811410

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

(Thousands of Georgian Lari)

	Notes	*For the six months ended*							
		30 June 2016 (unaudited)				*30 June 2015 (unaudited)*			
		Banking Business	Investment Business	Elimi-nation	Total	Banking Business	Investment Business	Elimi-nation	Total
Banking interest income		443,451	-	(2,746)	440,705	417,666	-	(6,099)	411,567
Banking interest expense		(183,709)	-	384	(183,325)	(168,205)	-	416	(167,789)
Net banking interest income	16	**259,742**	**-**	**(2,362)**	**257,380**	**249,461**	**-**	**(5,683)**	**243,778**
Fee and commission income		79,159	-	(761)	78,398	77,503	-	(2,568)	74,935
Fee and commission expense		(21,505)	-	264	(21,241)	(19,241)	-	281	(18,960)
Net fee and commission income	17	**57,654**	**-**	**(497)**	**57,157**	**58,262**	**-**	**(2,287)**	**55,975**
Net banking foreign currency gain		32,896	-	-	32,896	38,727	-	-	38,727
Net other banking income		5,992	-	(495)	5,497	4,906	-	(634)	4,272
Net insurance premiums earned		19,785	27,195	(1,302)	45,678	19,019	26,134	(878)	44,275
Net insurance claims incurred		(7,947)	(22,906)	-	(30,853)	(10,242)	(20,642)	-	(30,884)
Gross insurance profit		**11,838**	**4,289**	**(1,302)**	**14,825**	**8,777**	**5,492**	**(878)**	**13,391**
Healthcare revenue		-	113,351	-	113,351	-	81,234	-	81,234
Cost of healthcare services		-	(61,861)	-	(61,861)	-	(46,259)	-	(46,259)
Gross healthcare profit		**-**	**51,490**	**-**	**51,490**	**-**	**34,975**	**-**	**34,975**
Real estate revenue		-	35,087	-	35,087	-	5,790	-	5,790
Cost of real estate		-	(26,598)	-	(26,598)	-	(4,622)	-	(4,622)
Gross real estate profit		**-**	**8,489**	**-**	**8,489**	**-**	**1,168**	**-**	**1,168**
Gross other investment profit		-	12,118	(75)	12,043	-	6,253	(120)	6,133
Revenue		**368,122**	**76,386**	**(4,731)**	**439,777**	**360,133**	**47,888**	**(9,602)**	**398,419**
Salaries and other employee benefits		(80,653)	(18,935)	1,300	(98,288)	(76,672)	(14,991)	877	(90,786)
Administrative expenses		(39,109)	(14,609)	743	(52,975)	(35,404)	(8,527)	773	(43,158)
Banking depreciation and amortisation		(18,475)	-	-	(18,475)	(16,711)	-	-	(16,711)
Other operating expenses		(1,545)	(688)	-	(2,233)	(1,733)	(520)	-	(2,253)
Operating expenses		**(139,782)**	**(34,232)**	**2,043**	**(171,971)**	**(130,520)**	**(24,038)**	**1,650**	**(152,908)**
Operating income before cost of credit risk / EBITDA		**228,340**	**42,154**	**(2,688)**	**267,806**	**229,613**	**23,850**	**(7,952)**	**245,511**

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2016

(Thousands of Georgian Lari)

	Notes	30 June 2016 (unaudited) Banking Business	Investment Business	Elimi-nation	Total	30 June 2015 (unaudited) Banking Business	Investment Business	Elimi-nation	Total
Operating income before cost of credit risk / EBITDA		**228,340**	**42,154**	**(2,688)**	**267,806**	**229,613**	**23,850**	**(7,952)**	**245,511**
Profit from associates		-	3,818	-	3,818	-	668	-	668
Depreciation and amortization of investment business		-	(9,685)	-	(9,685)	-	(5,266)	-	(5,266)
Net foreign currency (loss) gain from investment business		-	(2,363)	-	(2,363)	-	6,379	-	6,379
Interest income from investment business	16	-	1,024	(351)	673	-	1,662	(423)	1,239
Interest expense from investment business	16	-	(6,919)	3,039	(3,880)	-	(13,469)	8,375	(5,094)
Operating income before cost of credit risk		**228,340**	**28,029**	**-**	**256,369**	**229,613**	**13,824**	**-**	**243,437**
Impairment charge on loans to customers	9	(59,036)	-	-	(59,036)	(74,033)	-	-	(74,033)
Impairment charge on finance lease receivables		(643)	-	-	(643)	(1,899)	-	-	(1,899)
Impairment charge on other assets and provisions		(3,483)	(2,367)	-	(5,850)	(5,604)	(2,172)	-	(7,776)
Cost of credit risk		**(63,162)**	**(2,367)**	**-**	**(65,529)**	**(81,536)**	**(2,172)**	**-**	**(83,708)**
Net operating income before non-recurring items		**165,178**	**25,662**	**-**	**190,840**	**148,077**	**11,652**	**-**	**159,729**
Net non-recurring items	18	(47,770)	390	-	(47,380)	(5,575)	2,715	-	(2,860)
Profit before income tax gain (expense)		**117,408**	**26,052**	**-**	**143,460**	**142,502**	**14,367**	**-**	**156,869**
Income tax benefit (expense)		26,961	27,863	-	54,824	(22,238)	(262)	-	(22,500)
Profit for the period		**144,369**	**53,915**	**-**	**198,284**	**120,264**	**14,105**	**-**	**134,369**
Attributable to:									
– shareholders of BGEO		142,220	33,258	-	175,478	119,211	14,030	-	133,241
– non-controlling interests		2,149	20,657	-	22,806	1,053	75	-	1,128
		144,369	**53,915**	**-**	**198,284**	**120,264**	**14,105**	**-**	**134,369**
Earnings per share:	14								
– basic and diluted earnings per share					4.5685				3.4679

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(Thousands of Georgian Lari)

	For the six months ended	
	30 June 2016 (unaudited)	*30 June 2015 (unaudited)*
Profit for the period	**198,284**	**134,369**
Other comprehensive income (loss)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent		
– Unrealized revaluation of available-for-sale securities	56,935	(33,200)
– Realised (loss) gain on available-for-sale securities reclassified to the consolidated income statement	(205)	81
– (Loss) gain from currency translation differences	(4,487)	5,633
Income tax effect	(7,394)	(1,487)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**44,849**	**(28,973)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Income tax effect related to revaluation of property and equipment	4,323	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**4,323**	**-**
Other comprehensive income (loss) for the period, net of tax	**49,172**	**(28,973)**
Total comprehensive income for the period	**247,456**	**105,396**
Attributable to:		
– shareholders of BGEO	225,491	105,190
– non-controlling interests	21,965	206
	247,456	**105,396**

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Thousands of Georgian Lari)

	Attributable to shareholders of BGEO							
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
31 December 2014	**1,143**	**245,305**	**(46)**	**(22,574)**	**1,350,258**	**1,574,086**	**60,007**	**1,634,093**
Profit for the six months ended 30 June 2015 (unaudited)	-	-	-	-	133,241	133,241	1,128	134,369
Other comprehensive loss for the for the six months ended 30 June 2015 (unaudited)	-	-	-	(29,601)	1,550	(28,051)	(922)	(28,973)
Total comprehensive income for the six months ended 30 June 2015 (unaudited)	**-**	**-**	**-**	**(29,601)**	**134,791**	**105,190**	**206**	**105,396**
Depreciation of property and equipment revaluation reserve, net of tax	-	-	-	(512)	512	-	-	-
Increase in equity arising from share-based payments	-	5,748	15	-	-	5,763	112	5,875
GBP-GEL translation effect	11	1,736	-	(10,467)	8,720	-	-	-
Dividends to shareholders of BGEO (Note 14)	-	-	-	-	(80,411)	(80,411)	-	(80,411)
Dilution of interests in existing subsidiaries	-	-	-	-	-	-	434	434
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	1,645	-	1,645	(3,265)	(1,620)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	1,488	1,488
Purchase of treasury shares	-	(9,307)	(5)	-	-	(9,312)	-	(9,312)
30 June 2015 (unaudited)	**1,154**	**243,482**	**(36)**	**(61,509)**	**1,413,870**	**1,596,961**	**58,982**	**1,655,943**
31 December 2015	**1,154**	**240,593**	**(44)**	**32,844**	**1,577,050**	**1,851,597**	**222,041**	**2,073,638**
Profit for the six months ended 30 June 2016 (unaudited)	-	-	-	-	175,478	175,478	22,806	198,284
Other comprehensive loss for the for the six months ended 30 June 2016 (unaudited)	-	-	-	54,864	(4,851)	50,013	(841)	49,172
Total comprehensive income for the six months ended 30 June 2016 (unaudited)	**-**	**-**	**-**	**54,864**	**170,627**	**225,491**	**21,965**	**247,456**
Depreciation of property and equipment revaluation reserve, net of tax	-	-	-	(226)	226	-	-	-
Increase in equity arising from share-based payments	-	10,164	19	-	-	10,183	992	11,175
Dividends to shareholders of BGEO (Note 14)	-	-	-	-	(95,035)	(95,035)	-	(95,035)
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(461)	(461)
Dilution of interests in subsidiaries	-	-	-	(1,764)	-	(1,764)	(310)	(2,074)
Acquisition and sale of non-controlling interests in existing subsidiaries	-	-	-	2,508	-	2,508	(5,738)	(3,230)
Purchase of treasury shares	-	(22,078)	(10)	-	-	(22,088)	-	(22,088)
30 June 2016 (unaudited)	**1,154**	**228,679**	**(35)**	**88,226**	**1,652,868**	**1,970,892**	**238,489**	**2,209,381**

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

(Thousands of Georgian Lari)

		For the six months ended	
	Notes	*30 June 2016 (unaudited)*	*30 June 2015 (unaudited)*
Cash flows from (used in) operating activities			
Interest received		430,282	416,521
Interest paid		(188,327)	(160,439)
Fees and commissions received		78,438	76,084
Fees and commissions paid		(21,279)	(19,134)
Insurance premiums received		40,559	36,760
Insurance claims paid		(26,467)	(23,039)
Healthcare revenue received		100,893	72,982
Cost of healthcare services paid		(80,613)	(38,020)
Net cash (outflow) inflow from real estate		(16,151)	5,104
Net realised gain from trading securities		812	887
Net realised gain (loss) from investment securities available-for-sale		205	(81)
Net realised gain from foreign currencies		29,918	30,605
Recoveries of loans to customers previously written off	9	17,892	14,722
Other income received (expenses paid)		2,101	(8,692)
Salaries and other employee benefits paid		(92,233)	(73,773)
General and administrative and operating expenses paid		(45,666)	(43,405)
Cash flows from operating activities before changes in operating assets and liabilities		**230,364**	**287,082**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		(145,291)	(139,356)
Loans to customers		(208,839)	(527,825)
Finance lease receivables		(3,796)	242
Prepayments and other assets		52,543	(37,905)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		82,624	688,510
Debt securities issued		30,692	201,052
Amounts due to customers		(195,816)	421,460
Other liabilities		1,730	(27,890)
Net cash flows (used in) from operating activities before income tax		**(155,789)**	**865,370**
Income tax paid		(21,520)	(15,196)
Net cash flows (used in) from operating activities		**(177,309)**	**850,174**
Cash flows used in investing activities			
Acquisition of subsidiaries, net of cash acquired	4	(24,714)	7,861
Repayment of remaining holdback amounts from previous year acquisitions		(38,006)	-
Purchase of investment securities available-for-sale		(23,480)	(158,505)
Proceeds from sale of investment properties	10	4,745	5,785
Purchase of investment properties	10	(12,116)	(10,160)
Proceeds from sale of property and equipment and intangible assets		3,200	4,137
Purchase of property and equipment and intangible assets		(78,467)	(69,018)
Net cash flows used in investing activities		**(168,838)**	**(219,900)**

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

(Thousands of Georgian Lari)

		For the six months ended	
	Notes	*30 June 2016 (unaudited)*	*30 June 2015 (unaudited)*
Cash flows used in financing activities			
Dividends paid		(2,726)	(82,182)
Purchase of treasury shares		(22,088)	(9,312)
Purchase of additional interests in existing subsidiaries		(3,230)	(1,620)
Net cash used in financing activities		**(28,044)**	**(93,114)**
Effect of exchange rates changes on cash and cash equivalents		616	14,501
Net (decrease) increase in cash and cash equivalents		**(373,575)**	**551,661**
Cash and cash equivalents, beginning of period	6	**1,432,934**	**710,144**
Cash and cash equivalents, end of period	6	**1,059,359**	**1,261,805**

The accompanying selected explanatory notes on pages 49 to 72 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

BGEO Group PLC ("BGEO") is a public limited liability company incorporated in England and Wales with registered number 07811410. The shares of BGEO are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities, effective 28 February 2012.

BGEO holds a group of companies (the "Group") providing banking, healthcare, pharmaceutical, insurance, real estate, leasing, brokerage and investment management services to corporate and individual customers. BGEO's registered legal address is 84 Brook Street, London, W1K 5EH, United Kingdom.

Joint stock company ("JSC") Bank of Georgia (the "Bank") is the Group's main operating unit and accounts for most of the Group's activities. BGEO holds 99.52% of the share capital of the Bank as at 30 June 2016. The Bank was established on 21 October 1994 as a JSC under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia ("NBG"; the Central Bank of Georgia) on 15 December 1994.

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2016, the Bank has 273 operating outlets in all major cities of Georgia (31 December 2015: 266). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia.

As at 30 June 2016 and 31 December 2015, the following shareholders owned more than 5% of the total outstanding shares of the BGEO. Other shareholders individually owned less than 5% of the outstanding shares.

	As at	
Shareholder	*30 June 2016 (unaudited)*	*31 December 2015*
Harding Loevner Management LP	9.68%	9.09%
Schroders Investment Management	6.52%	10.30%
Others	83.80%	80.61%
Total*	**100.00%**	**100.00%**

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

As at 30 June 2016, the members of the Supervisory Board and Management Board of the Bank owned 689,396 shares or 1.7% (31 December 2015: 646,959 shares or 1.6%) of BGEO. Interests of the members of the Supervisory Board and Management Board of the Bank were as follows:

	As at	
Shareholder	*30 June 2016, shares held (unaudited)*	*31 December 2015, shares held*
Irakli Gilauri	250,319	250,319
Giorgi Chiladze	123,796	116,596
Archil Gachechiladze	97,500	50,750
Avto Namicheishvili	94,939	58,139
Neil Janin	34,647	35,729
David Morrison	26,357	26,357
Kaha Kiknavelidze	26,337	26,337
Mikheil Gomarteli	17,451	27,851
Al Breach	16,400	16,400
Kim Bradley	1,250	1,250
Murtaz Kikoria	400	200
Sulkhan Gvalia*	-	37,022
Levan Kulijanishvili	-	9
Total	**689,396**	**646,959**

Left the Management Board in February 2016;

2. Basis of Preparation

General

The financial information set out in these interim condensed consolidated financial statements does not constitute the Group's statutory financial statements within the meaning of section 434 of the Companies Act 2006. Those financial statements were prepared for the year ended 31 December 2015 under IFRS, as adopted by the European Union and have been reported on by BGEO's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Conduct Authority.

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2015, signed and authorized for release on 7 April 2016.

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

The interim condensed consolidated financial statements is unaudited but has been reviewed by the auditors and their review opinion in included in this report.

Going concern

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

3. Summary of Significant Accounting Policies

Accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2015.

No new or revised IFRS during the six months ended 30 June 2016 had an impact on the Group's financial position or performance.

Functional, reporting currencies and foreign currency translation

The interim condensed consolidated financial statements are presented in GEL, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the interim condensed financial statements of each entity are measured using that functional currency. BGEO's and the Bank's functional currency is GEL.

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at30 June 2016 and 31 December 2015 were:

	Lari to GBP	*Lari to USD*	*Lari to EUR*	*Lari to BYR (10,000)*
30 June 2016	3.1394	2.3423	2.5976	1.1670
31 December 2015	3.5492	2.3949	2.6169	1.2904

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Changes in Georgian Corporate Tax Law

In June 2016, new amendments were introduced to the Georgian tax legislation in relation to the Corporate Income Tax ("CIT"). The changes in the CIT taxation rules were legally enforced effective 1 June 2016. According to the new rules, CIT rate remains at the same 15% level, however:

a) The tax base for measuring CIT was amended to the amount of dividends distributed to shareholders;
b) Reinvested profits are no longer subject to CIT; and
c) Taxable periods for CIT are determined based on a calendar month, instead of a calendar year.

New taxation regime is applicable to the Georgian companies from 1 January 2017, with the exception of Banks, Insurance Companies, Credit Unions and Pawnbrokers, that are required to comply with the new regime starting 1 January 2019.

The Group considers the new regime as substantively enacted, effective June 2016 and thus has re-measured its deferred tax assets and liabilities of its Georgian operations. The balances of deferred tax assets and liabilities remaining as of 30 June 2016 are attributable to only those temporary differences that are expected to be realized or reversed before the new CIT code becomes effective for the respective operations. The remaining deferred tax assets and liabilities were written off, through income statement, through other comprehensive income or directly in equity, depending on their original recognition source.

4. Business Combinations

Acquisitions in period ended 30 June 2016 (unaudited)

JSC GPC

On 4 May 2016 JSC Georgian Healthcare Group ("GHG"), a 67.7% owned subsidiary of the Group acquired 100% of the shares of JSC GPC ("GPC"), a pharmaceuticals company operating in Georgia from individual investors.

The provisional fair values of aggregate identifiable assets and liabilities of the acquirees as at the date of acquisition were:

	Provisional fair value recognized on acquisition
Cash and cash equivalents	1,455
Accounts receivable [1]	7,885
Prepayments	1,723
Inventories	31,282
Property and equipment	8,105
Intangible assets	861
Income tax assets	552
Other assets	4,272
	56,135
Amounts due to credit institutions	15,198
Accounts payable	33,366
Accruals and deferred income	1,331
Other liabilities	4,729
	54,624
Total identifiable net assets	**1,511**
Goodwill arising on business combination	29,622
Consideration given [2]	**31,133**

(Thousands of Georgian Lari)

4. Business Combinations (continued)

Acquisitions in period ended 30 June 2016 (unaudited) (unaudited)

JSC GPC (continued)

The net cash outflow on acquisition was as follows:

	30 June 2016
Cash paid	(26,686)
Cash acquired with the subsidiary	1,455
Net cash outflow	**(25,231)**

[1] The fair value of the receivables from sales of pharmaceuticals amounted to GEL 7,885. The gross amount of receivables is GEL 10,884. GEL 2,999 of the receivables has been impaired.
[2] Consideration comprised GEL 31,133, which consists of cash payment of GEL 26,686 and a holdback amount with a fair value of GEL 4,685.

The Group decided to increase its presence and investment in the Tbilisi healthcare market by entering the pharmaceuticals segment through the acquisition of GPC. Management considers that the deal will have a positive impact on the value of the Group.

Since acquisition, GPC has recorded GEL 30,691 and GEL 402 of revenue and loss respectively. If the combination had taken place at the beginning of the period, the Group would have recorded GEL 506,691 and GEL 198,503 of revenue and profit respectively.

The net assets presented above are estimated provisionally as at the acquisition date. The Group continues a thorough examination of these net assets and if identified, adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 'Business Combinations'.

LLC Emergency Service

On 1 June 2016 JSC Medical Corporation EVEX ("Acquirer"), a 67.7% owned subsidiary of the Group, obtained de-facto control on LLC Emergency Service ("ES"), a healthcare company operating in Georgia from individual investors.

The provisional fair values of aggregate identifiable assets and liabilities of the acquirees as at the date of acquisition were:

	Provisional fair value recognized on acquisition
Cash and cash equivalents	6
Accounts receivable [1]	418
Inventory	1
Property and equipment	637
	1,062
Amounts due to credit institutions	137
Accounts payable	344
Accruals and deferred income	198
	679
Total identifiable net assets	**383**
Goodwill arising on business combination	2,467
Consideration given [2]	**2,850**

The net cash outflow on acquisition was as follows:

	30 June 2016
Cash paid	(500)
Cash acquired with the subsidiary	6
Net cash inflow	**(494)**

[1] The fair value of the receivables from healthcare services amounted to GEL 418. The gross amount of receivables is GEL 555. GEL 137 of the receivables has been impaired.
[2] Consideration comprised GEL 2,850, which is due within 2.5 years.

(Thousands of Georgian Lari)

4. Business Combinations (continued)

LLC Emergency Service (continued)

The Group decided to increase its presence and investment in the Tbilisi healthcare market by acquiring ES. Management considers that the deal will have a positive impact on the value of the Group.

Since acquisition, ES has recorded GEL 307 and GEL 39 of revenue and loss respectively. If the combination had taken place at the beginning of the period, the Group would have recorded GEL 441,266 and GEL 198,457 of revenue and profit respectively.

The net assets presented above are estimated provisionally as at the acquisition date. The Group continues a thorough examination of these net assets and if identified, adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 'Business Combinations'.

JSC Poti Central Clinical Hospital

On 1 January 2016 JSC Medical Corporation EVEX ("Acquirer"), a 67.7% owned subsidiary of the Group, obtained de-facto control on JSC Poti Central Clinical Hospital ("Poti"), a healthcare company operating in Georgia from individual investors.

The provisional fair values of aggregate identifiable assets and liabilities of the acquirees as at the date of acquisition were:

	Provisional fair value recognized on acquisition
Cash and cash equivalents	11
Accounts receivable [1]	595
Property and equipment	14,539
Other assets	168
	15,313
Accounts payable	4,348
Income tax liabilities	1,381
Accruals and deferred income	187
	5,916
Total identifiable net assets	**9,397**
Goodwill arising on business combination	208
Consideration given [2]	**9,605**

The net cash outflow on acquisition was as follows:

	30 June 2016
Cash paid	-
Cash acquired with the subsidiary	11
Net cash inflow	**11**

[1] The fair value of the receivables from healthcare services amounted to GEL 595. The gross amount of receivables is GEL 647. GEL 52 of the receivables has been impaired.
[2] Consideration given comprises of pre-existing loans to Poti.

The Group decided to increase its presence and investment in the regional healthcare market by acquiring Poti. Management considers that the deal will have a positive impact on the value of the Group.

Since acquisition, Poti has recorded GEL 1,320 and GEL 1,854 of revenue and loss respectively. The profit includes a non-recurring gain of GEL 1,618 resulting from a change in Georgian tax code.

The net assets presented above are estimated provisionally as at the acquisition date. The Group continues a thorough examination of these net assets and if identified, adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 'Business Combinations'.

5. Segment Information

In February 2016, the Group announced the combination of Corporate Banking and Investment Management businesses into Corporate Investment Banking business. The comparative amounts as at 31 December 2015 and for the six months ended 30 June 2015 are regrouped accordingly to reflect this change.

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

Banking Business - The Group's Banking Business segments, dedicated to delivery and enhancement of banking and related financial services:

RB - Retail Banking (excluding Retail Banking of BNB) - principally providing consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services, and handling customers' deposits for both, individuals as well as legal entities, encompassing mass affluent segment, retail mass markets, small & medium enterprises and micro businesses;

CIB - Corporate Investment Banking - principally providing loans and other credit facilities to large legal entities, larger than SME and Micro, finance lease facilities provided by Georgian Leasing Company LLC, providing funds transfers and settlement services, trade finance services and documentary operations support, handling saving and term deposits for corporate and institutional customers; as well as providing private banking services to resident and non-resident wealthy individuals and their direct family members by ensuring individually tailored approach and exclusivity in rendering common banking services such as fund transfers, currency exchange or settlement operations, or holding their savings and term deposits; Investment Management involves providing wealth and asset management services to the same individuals through differing investment opportunities and specifically designed investment products. It also encompasses corporate advisory, private equity and brokerage services;

P&C - Property and Casualty Insurance - principally providing wide-scale property and casualty insurance services to corporate clients and insured individuals;

BNB - Comprising JSC Belarusky Narodny Bank, principally providing retail and corporate banking services in Belarus.

Investment Business - the Group's investment arm segments, with disciplined development paths and exit strategies:

GHG - Georgia Healthcare Group - principally providing wide-scale healthcare and health insurance services to clients and insured individuals;

m2 - Comprising the Group's real estate subsidiaries, principally developing and selling affordable residential apartments and also, holding investment properties repossessed by the Bank from defaulted borrowers and managing those properties.

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the six months ended 30 June 2016 and 30 June 2015.

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the six months ended 30 June 2016 (unaudited):

	Banking Business							*Investment Business*						
	Retail banking	*CIB*	*BNB*	*P&C*	*Other Banking Business*	*Banking Business Eliminations*	*Banking Business*	*GHG*	*M2*	*Other Investment Business*	*Investment Busines Eliminations*	*Investment Business*	*Inter-Business Eliminations*	*Group Total*
Net banking interest income	167,406	73,483	14,900	1,495	2,458	-	259,742	-	-	-	-	-	(2,362)	257,380
Net fee and commission income	40,981	13,150	3,730	203	(287)	(123)	57,654	-	-	-	-	-	(497)	57,157
Net banking foreign currency gain (loss)	9,063	20,289	4,581	(1,033)	(4)	-	32,896	-	-	-	-	-	-	32,896
Net other banking income	1,746	4,408	247	357	-	(766)	5,992	-	-	-	-	-	(495)	5,497
Gross insurance profit	-	-	-	12,474	-	(636)	11,838	4,289	-	-	-	4,289	(1,302)	14,825
Gross healthcare profit	-	-	-	-	-	-	-	51,490	-	-	-	51,490	-	51,490
Gross real estate profit	-	-	-	-	-	-	-	531	7,958	-	-	8,489	-	8,489
Gross other investment profit	-	-	-	-	-	-	-	6,309	1,937	3,872	-	12,118	(75)	12,043
Revenue	**219,196**	**111,330**	**23,458**	**13,496**	**2,167**	**(1,525)**	**368,122**	**62,619**	**9,895**	**3,872**	**-**	**76,386**	**(4,731)**	**439,777**
Operating expenses	(91,078)	(32,592)	(9,440)	(5,542)	(2,655)	1,525	(139,782)	(26,469)	(3,407)	(4,356)	-	(34,232)	2,043	(171,971)
Operating income (expense) before cost of credit risk/EBITDA	**128,118**	**78,738**	**14,018**	**7,954**	**(488)**	**-**	**228,340**	**36,150**	**6,488**	**(484)**	**-**	**42,154**	**(2,688)**	**267,806**
Investment Business related income statement items	-	-	-	-	-	-	-	(16,395)	741	1,529	-	(14,125)	2,688	(11,437)
Operating income before cost of credit risk	**128,118**	**78,738**	**14,018**	**7,954**	**(488)**	**-**	**228,340**	**19,755**	**7,229**	**1,045**	**-**	**28,029**	**-**	**256,369**
Cost of credit risk	(35,726)	(23,486)	(3,592)	(358)	-	-	(63,162)	(2,216)	-	(151)	-	(2,367)	-	(65,529)
Net operating income (loss) before non-recurring items	**92,392**	**55,252**	**10,426**	**7,596**	**(488)**	**-**	**165,178**	**17,539**	**7,229**	**894**	**-**	**25,662**	**-**	**190,840**
Net non-recurring (expense/loss) income/gain	(32,380)	(15,393)	(10)	-	13	-	(47,770)	(816)	(158)	1,364	-	390	-	(47,380)
Profit before income tax	**60,012**	**39,859**	**10,416**	**7,596**	**(475)**	**-**	**117,408**	**16,723**	**7,071**	**2,258**	**-**	**26,052**	**-**	**143,460**
Income tax (expense) benefit	24,858	10,121	(5,990)	(1,553)	(475)	-	26,961	28,425	(937)	375	-	27,863	-	54,824
Profit for the year	**84,870**	**49,980**	**4,426**	**6,043**	**(950)**	**-**	**144,369**	**45,148**	**6,134**	**2,633**	**-**	**53,915**	**-**	**198,284**
Assets and liabilities														
Total assets	4,840,334	3,843,368	432,509	123,867	1,640	(70,684)	9,171,034	809,210	308,837	321,459	(2,274)	1,437,232	(285,043)	10,323,223
Total liabilities	4,146,788	3,249,718	365,445	81,769	20	(70,684)	7,773,056	305,211	196,658	126,234	(2,274)	625,829	(285,043)	8,113,842
Other segment information														
Property and equipment	13,818	2,366	540	361	71	-	17,156	47,528	523	517	-	48,568	-	65,724
Intangible assets	6,265	842	66	170	-	-	7,343	5,315	88	95	-	5,498	-	12,841
Capital expenditure	**20,083**	**3,208**	**606**	**531**	**71**	**-**	**24,499**	**52,843**	**611**	**612**	**-**	**54,066**	**-**	**78,565**
Depreciation & amortization	(14,981)	(2,576)	(535)	(383)	-	-	(18,475)	(8,724)	(114)	(847)	-	(9,685)	-	(28,160)

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments for the six months ended 30 June 2015 and as at 31 December 2015:

	Banking Business							*Investment Business*						
	Retail banking	*CIB*	*BNB*	*P&C*	*Other Banking Business*	*Banking Business Eliminations*	*Banking Business*	*GHG*	*M2*	*Other Investment Business*	*Investment Busines Eliminations*	*Investment Business*	*Inter-Business Eliminations*	*Group Total*
Net banking interest income	154,419	78,858	14,067	1,113	1,004	-	249,461	-	-	-	-	-	(5,683)	243,778
Net fee and commission income	36,971	16,492	4,916	143	(293)	33	58,262	-	-	-	-	-	(2,287)	55,975
Net banking foreign currency gain (loss)	8,209	19,606	8,685	2,215	12	-	38,727	-	-	-	-	-	-	38,727
Net other banking income	2,349	3,335	234	388	10	(1,410)	4,906	-	-	-	-	-	(634)	4,272
Gross insurance profit	-	-	-	9,459	-	(682)	8,777	5,506	-	-	(14)	5,492	(878)	13,391
Gross healthcare profit	-	-	-	-	-	-	-	34,975	-	-	-	34,975	-	34,975
Gross real estate profit	-	-	-	-	-	-	-	257	911	-	-	1,168	-	1,168
Gross other investment profit	-	-	-	-	-	-	-	1,903	162	4,188	-	6,253	(120)	6,133
Revenue	**201,948**	**118,291**	**27,902**	**13,318**	**733**	**(2,059)**	**360,133**	**42,641**	**1,073**	**4,188**	**(14)**	**47,888**	**(9,602)**	**398,419**
Operating expenses	(84,490)	(31,102)	(8,941)	(5,494)	(2,552)	2,059	(130,520)	(18,102)	(2,906)	(3,044)	14	(24,038)	1,650	(152,908)
Operating income (expense) before cost of credit risk/EBITDA	**117,458**	**87,189**	**18,961**	**7,824**	**(1,819)**	**-**	**229,613**	**24,539**	**(1,833)**	**1,144**	**-**	**23,850**	**(7,952)**	**245,511**
Investment Business related income statement items	-	-	-	-	-	-	-	(9,609)	(399)	(18)	-	(10,026)	7,952	(2,074)
Operating income before cost of credit risk	**117,458**	**87,189**	**18,961**	**7,824**	**(1,819)**	**-**	**229,613**	**14,930**	**(2,232)**	**1,126**	**-**	**13,824**	**-**	**243,437**
Cost of credit risk	(37,323)	(33,618)	(10,328)	(267)	-	-	(81,536)	(1,940)	-	(232)	-	(2,172)	-	(83,708)
Net operating income (loss) before non-recurring items	**80,135**	**53,571**	**8,633**	**7,557**	**(1,819)**	**-**	**148,077**	**12,990**	**(2,232)**	**894**	**-**	**11,652**	**-**	**159,729**
Net non-recurring (expense/loss) income/gain	(3,322)	(837)	(1,416)	-	-	-	(5,575)	(403)	(140)	3,258	-	2,715	-	(2,860)
Profit before income tax	**76,813**	**52,734**	**7,217**	**7,557**	**(1,819)**	**-**	**142,502**	**12,587**	**(2,372)**	**4,152**	**-**	**14,367**	**-**	**156,869**
Income tax (expense) benefit	(11,640)	(8,678)	(2,212)	238	54	-	(22,238)	(252)	356	(366)	-	(262)	-	(22,500)
Profit for the year	**65,173**	**44,056**	**5,005**	**7,795**	**(1,765)**	**-**	**120,264**	**12,335**	**(2,016)**	**3,786**	**-**	**14,105**	**-**	**134,369**
Assets and liabilities														
Total assets	4,612,774	4,044,732	475,483	102,886	2,011	(66,449)	9,171,437	758,966	275,676	213,638	(320)	1,247,960	(303,658)	10,115,739
Total liabilities	3,117,808	4,340,041	397,970	66,630	146	(66,449)	7,856,146	286,941	167,889	35,103	(320)	489,613	(303,658)	8,042,101
Other segment information														
Property and equipment	19,835	2,840	475	296	150	-	23,596	26,889	422	1,291	-	28,602	-	52,198
Intangible assets	2,999	452	166	621	11	-	4,249	1,237	-	12	-	1,249	-	5,498
Capital expenditure	**22,834**	**3,292**	**641**	**917**	**161**	**-**	**27,845**	**28,126**	**422**	**1,303**	**-**	**29,851**	**-**	**57,696**
Depreciation & amortization	(13,649)	(2,176)	(532)	(352)	(2)	-	(16,711)	(4,528)	(85)	(653)	-	(5,266)	-	(21,977)

6. Cash and Cash Equivalents

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Cash on hand	472,157	442,293
Current accounts with central banks, excluding obligatory reserves	191,871	152,455
Current accounts with other credit institutions	228,933	475,779
Time deposits with credit institutions with maturity of up to 90 days	166,398	362,407
Cash and cash equivalents	**1,059,359**	**1,432,934**

As at 30 June 2016, GEL 411,582 (31 December 2015: GEL 662,296) was placed on current and time deposit accounts with internationally recognised Organization from Economic Cooperation and Development ("OECD") banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 0.38% interest per annum on these deposits (31 December 2015: up to 0.59%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts Due from Credit Institutions

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Obligatory reserves with central banks	851,936	620,287
Time deposits with maturity of more than 90 days	14,982	12,717
Deposits pledged as security for open commitments	-	96,405
Inter-bank loan receivables	9,737	1,956
Amounts due from credit institutions	**876,655**	**731,365**

Obligatory reserves with central banks represent amounts deposited with the NBG and National Bank of the Republic of Belarus (the "NBRB"). Credit institutions are required to maintain cash deposit (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by the statutory legislature. The Group earned nil interest on obligatory reserves with NBG and NBRB for the years ended 30 June 2016 and 31 December 2015.

As at 30 June 2016, inter-bank loan receivables include GEL 1,910 (31 December 2015: GEL 1,956) placed with non-OECD banks.

8. Investment Securities

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Georgian ministry of Finance treasury bonds*	658,754	575,591
Georgian ministry of Finance treasury bills**	76,866	165,545
Certificates of deposit of central banks***	-	76,807
Other debt instruments****	252,263	84,476
Corporate shares	1,448	1,448
Investment securities	**989,331**	**903,867**

** GEL 137,333 was pledged for short-term loans from the NBG (31 December 2015: GEL 229,800).*
*** GEL 54,604 was pledged for short-term loans from the NBG (31 December 2015: GEL 3,805).*
**** GEL nil was pledged for short-term loans from the NBG (31 December 2015: GEL 2,966).*
***** GEL 161,582 was pledged for short-term loans from the NBG (31 December 2015: GEL 79,187).*

Other debt instruments as at 30 June 2016 mainly comprises GEL denominated bonds issued by European Bank for Reconstruction and Development ("EBRD") of GEL 133,136 (31 December 2015: GEL 50,666), and GEL denominated bonds issued by the International Finance Corporation ("IFC") of GEL 28,446 (31 December 2015: 28,460).

(Thousands of Georgian Lari)

9. Loans to Customers and Finance Lease Receivables

	As at 30 June 2016 (unaudited)	As at 31 December 2015
Commercial loans	2,317,443	2,397,781
Consumer loans	1,170,949	1,165,107
Micro and SME loans	1,124,643	1,041,929
Residential mortgage loans	961,359	814,344
Gold – pawn loans	62,390	61,140
Loans to customers, gross	**5,636,784**	**5,480,301**
Less – Allowance for loan impairment	(212,990)	(198,894)
Loans to customers, net	**5,423,794**	**5,281,407**
Finance Lease Receivables, gross	**47,981**	**42,912**
Less – Allowance for finance lease receivables impairment	(2,655)	(2,202)
Finance Lease Receivables , net	**45,326**	**40,710**
Loans to customers and finance lease receivables, net	**5,469,120**	**5,322,117**

Allowance for loan impairment

Movements of the allowance for impairment of loans to customers by class are as follows:

	Commercial loans 2016	Consumer loans 2016	Residential mortgage loans 2016	Micro and SME loans 2016	Total 2016
At 1 January	**125,312**	**51,017**	**6,061**	**16,504**	**198,894**
Charge	21,120	30,320	2,252	5,344	59,036
Recoveries	2,272	10,536	1,940	3,144	17,892
Write-offs	(12,368)	(32,733)	(3,588)	(4,256)	(52,945)
Accrued interest on written-off loans	(2,165)	(5,640)	(986)	(352)	(9,143)
Currency translation differences	(195)	(144)	-	(405)	(744)
At 30 June (Unaudited)	**133,976**	**53,356**	**5,679**	**19,979**	**212,990**

	Commercial loans 2015	Consumer loans 2015	Residential mortgage loans 2015	Micro and SME loans 2015	Total 2015
At 1 January	**72,885**	**23,648**	**2,993**	**4,254**	**103,780**
Charge	33,261	32,564	1,405	6,803	74,033
Recoveries	1,818	9,448	1,425	2,031	14,722
Write-offs	(1,217)	(7,636)	(485)	(2,339)	(11,677)
Accrued interest on written-off loans	(401)	(1,476)	(346)	(446)	(2,669)
Currency translation differences	(162)	(58)	-	(252)	(472)
At 30 June (Unaudited)	**106,184**	**56,490**	**4,992**	**10,051**	**177,717**

(Thousands of Georgian Lari)

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

Allowance for loan impairment (continued)

Interest income accrued on loans, for which individual impairment allowances have been recognised as at 30 June 2016 comprised GEL 24,184 (31 December 2015: GEL 22,234).

Concentration of loans to customers

As at 30 June 2016, the concentration of loans granted by the Group to the ten largest third party borrowers comprised GEL 648,195 accounting for 11% of the gross loan portfolio of the Group (31 December 2015: GEL 708,839 and 13% respectively). An allowance of GEL 7,995 (31 December 2015: GEL 2,484) was established against these loans.

As at 30 June 2016, the concentration of loans granted by the Group to the ten largest third party group of borrowers comprised GEL 1,089,907 accounting for 19% of the gross loan portfolio of the Group (31 December 2015: GEL 1,094,979 and 20% respectively). An allowance of GEL 46,380 (31 December 2015: GEL 41,413) was established against these loans.

As at 30 June 2016 and 31 December 2015, loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Individuals	2,718,862	2,482,389
Trade	689,541	727,214
Manufacturing	668,725	711,677
Real estate	329,447	354,331
Construction	215,822	178,642
Service	200,863	223,088
Hospitality	183,276	168,011
Transport & communication	155,637	165,330
Mining and quarrying	126,045	127,706
Financial intermediation	80,038	77,662
Electricity, gas and water supply	70,647	77,633
Other	197,881	186,618
Loans to customers, gross	**5,636,784**	**5,480,301**
Less – allowance for loan impairment	(212,990)	(198,894)
Loans to customers, net	**5,423,794**	**5,281,407**

Loans have been extended to the following types of customers:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Private companies	2,888,332	2,958,145
Individuals	2,718,862	2,482,389
State-owned entities	29,590	39,767
Loans to customers, gross	**5,636,784**	**5,480,301**
Less – allowance for loan impairment	(212,990)	(198,894)
Loans to customers, net	**5,423,794**	**5,281,407**

(Thousands of Georgian Lari)

10. Investment Properties

	2016	*2015*
At 1 January	**246,398**	**190,860**
Additions*	19,144	30,459
Disposals	(4,745)	(5,785)
Net gains from revaluation of investment property	1,726	-
Hyperinflation effect	-	240
Acuisition through business combination (Note 4)	-	705
Transfers (to) from property and equipment and other assets	(16,137)	5,266
Currency translation differences	(537)	(239)
At 30 June (Unaudited)	**245,849**	**221,506**

***** *GEL 12,116 paid in six months ended 30 June 2016 for acquisition of properties by the Group's Real Estate business for development (six months ended 30 June 2015: GEL 11,200). The remaining additions comprise foreclosed properties, no cash transactions were involved.***

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The date of latest revaluation is 31 December 2015 and was carried out by professional valuators. As at 30 June 2016 the Group concluded that the market price of investment properties was not materially different from their carrying value.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

11. Client Deposits and Notes

The client deposits and notes include the following:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Time deposits	2,392,232	2,597,244
Current accounts	2,110,950	2,153,275
Promissory notes issued	50,830	868
Client deposits and notes	**4,554,012**	**4,751,387**
Held as security against letters of credit and guarantees (Note15)	**192,843**	**64,534**

As at 30 June 2016 and 31 December 2015 promissory notes issued by the Group comprise the notes privately held by financial institutions being effectively equivalents of certificates of deposits with fixed maturity and fixed interest rate. The average effective maturity of the notes was 23 months (31 December 2015: 9 months).

At 30 June 2016, client deposits and notes of GEL 736,188 (16%) were due to the 10 largest customers (31 December 2015: GEL 782,146 (16%)).

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

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Individuals	2,598,380	2,615,774
Private enterprises	1,807,686	1,945,233
State and state-owned entities	147,946	190,380
Client deposits and notes	**4,554,012**	**4,751,387**

(Thousands of Georgian Lari)

11. Client Deposits and Notes (continued)

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

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Individuals	2,598,380	2,615,774
Trade	315,358	374,291
Service	246,619	289,485
Financial intermediation	215,408	292,771
Transport & communication	212,896	317,161
Manufacturing	212,019	236,238
Construction	204,202	224,477
Government services	122,701	141,007
Electricity, gas and water supply	100,314	74,125
Real estate	51,661	64,990
Hospitality	18,003	18,818
Other	256,451	102,250
Client deposits and notes	**4,554,012**	**4,751,387**

12. Amounts Owed to Credit Institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Borrowings from international credit institutions	814,738	640,517
Short-term loans from the National Bank of Georgia	278,500	307,200
Time deposits and inter-bank loans	322,710	353,638
Correspondent accounts	90,548	92,617
	1,506,496	**1,393,972**
Non-convertible subordinated debt	385,941	395,090
Amounts due to credit institutions	**1,892,437**	**1,789,062**

During the six months ended 30 June 2016, the Group paid up to 5.60% on USD borrowings from international credit institutions (six months ended 30 June 2015: up to 4.00%). During the six months ended 30 June 2016, the Group paid up to 8.25% on USD subordinated debt (six months ended 30 June 2015: up to 7.75%).

In May 2016, the Group signed a GEL 220 million senior loan agreement with the European Bank for reconstruction and Development. The loan facility bears a maturity of five years.

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 30 June 2016 and 31 December 2015 the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

(Thousands of Georgian Lari)

13. Debt Securities Issued

Debt securities issued comprise:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Eurobonds	884,198	908,183
Georgian local bonds	97,728	98,859
Certificates of deposit	83,590	32,762
Debt securities issued	**1,065,516**	**1,039,804**

14. Equity

Share capital

As at 30 June 2016, issued share capital comprised 39,500,320 common shares, of which 39,500,320 were fully paid (31 December 2015: 39,500,320 issued share capital, of which 39,500,320 were fully paid). Each share has a nominal value of one (1) British Penny (31 December 2015: one (1) British Penny). Shares issued and outstanding as at 30 June 2016 are described below:

	Number of shares Ordinary	*Amount of shares Ordinary*
31 December 2014	**39,500,320**	**1,143**
Effect of translation of equity components to presentation currency	-	11
30 June 2015 (unaudited)	**39,500,320**	**1,154**
31 December 2015	**39,500,320**	**1,154**
30 June 2016 (unaudited)	**39,500,320**	**1,154**

Treasury shares

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

The number of treasury shares held by the Group as at 30 June 2016 comprised 1,201,267 (31 December 2015: 1,521,752).

Nominal amount of treasury shares of GEL 35 as at 30 June 2016 comprise the Group's shares owned by the Group (31 December 2015: GEL 44).

Dividends

Shareholders are entitled to dividends in British Pounds Sterling.

On 26 May 2016, the Directors of BGEO declared an interim dividend for 2015 of Georgian Lari 2.4 per share. The currency conversion date was set at 11 July 2016, with the official GEL – GBP exchange rate of 3.0376, resulting in a GBP denominated interim dividend of 0.7901 per share. Payment of the interim dividends was received by shareholders on 22 July 2016.

On 21 May 2015, the Directors of BGEO declared an interim dividend for 2014 of Georgian Lari 2.1 per share. The currency conversion date was set at 8 June 2015, with the official GEL – GBP exchange rate of 3.5110, resulting in a GBP denominated interim dividend of 0.5981 per share. Payment of the total GEL 80,411 interim dividends was received by shareholders on 16 June 2015.

Nature and purpose of Other Reserves

Revaluation reserve for property and equipment
The revaluation reserve for property and equipment is used to record increases in the fair value of office buildings and service centers and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised gains (losses) on investment securities
This reserve records fair value changes on investment securities.

(Thousands of Georgian Lari)

14. Equity (continued)

Nature and purpose of Other Reserves

Unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries
This reserve records unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Movements in other reserves during the six months ended 30 June 2016 and 31 December 2015 are presented in the statements of other comprehensive income.

Earnings per share

	For the six months ended	
	30 June 2016 (unaudited)	*30 June 2015 (unaudited)*
Basic and diluted earnings per share		
Profit for the period attributable to ordinary shareholders of the Group	175,478	133,241
Weighted average number of ordinary shares outstanding during the period	38,410,753	38,419,705
Basic and diluted earnings per share	4.5685	3.4679

15. Commitments and Contingencies

Legal

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

Financial commitments and contingencies

As at 30 June 2016 and 31 December 2015 the Group's financial commitments and contingencies comprised the following:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Credit-related commitments		
Guarantees issued	403,743	473,839
Undrawn loan facilities	266,713	273,851
Letters of credit	163,191	43,126
Commitments for early redemption of Eurobonds	42,484	-
	876,131	**790,816**
Operating lease commitments		
Not later than 1 year	16,194	17,056
Later than 1 year but not later than 5 years	29,113	31,216
Later than 5 years	6,543	5,553
	51,850	**53,825**
Capital expenditure commitments	**27,128**	**27,624**
Less – Cash held as security against letters of credit and guarantees (Note 11)	(192,843)	(64,534)
Less – Provisions	(45,892)	(2,240)
Financial commitments and contingencies, net	**716,374**	**805,491**

(Thousands of Georgian Lari)

15. Commitments and Contingencies (continued)

As at 30 June 2016, capital expenditure represented the commitment for purchase of property and capital repairs of GEL 25,516 and software and other intangible assets of GEL 1,612. As at 31 December 2015, capital expenditure represented the commitment for purchase of property and capital repairs of GEL 25,915 and software and other intangible assets of GEL 1,709.

As at 30 June 2016, GEL 42,484 of provisions represented provision for constructive obligation in relation to the early redemption premium that was expected to be paid on the Eurobonds outstanding as at 30 June 2016 (note 13) and is presented within other liabilities in the statement of financial position.

16. Net Interest Income

	For the six months ended							
	30 June 2016 (unaudited)				*30 June 2015 (unaudited)*			
	Banking Business	Investment Business	Elimi-nation	Total	Banking Business	Investment Business	Elimi-nation	Total
From loans to customers	391,801	-	(2,605)	389,196	376,974	585	(6,033)	371,526
From investment securities: available-for-sale	40,943	-	(109)	40,834	30,561	14	(72)	30,503
From finance lease receivable	4,776	-	-	4,776	4,827	-	-	4,827
From amounts due from credit institutions	5,931	1,024	(383)	6,572	5,304	1,063	(417)	5,950
Interest Income	**443,451**	**1,024**	**(3,097)**	**441,378**	**417,666**	**1,662**	**(6,522)**	**412,806**
On client deposits and notes	(101,596)	-	2,807	(98,789)	(91,185)	-	932	(90,253)
On amounts owed to credit institutions	(48,467)	(5,106)	391	(53,182)	(43,341)	(11,557)	6,138	(48,760)
On debt securities issued	(33,646)	(1,813)	225	(35,234)	(33,679)	(1,912)	1,721	(33,870)
Interest Expense	**(183,709)**	**(6,919)**	**3,423**	**(187,205)**	**(168,205)**	**(13,469)**	**8,791**	**(172,883)**
Net Interest Income	**259,742**	**(5,895)**	**326**	**254,173**	**249,461**	**(11,807)**	**2,269**	**239,923**

17. Net Fee and Commission Income

	For the six months ended	
	30 June 2016 (unaudited)	*30 June 2015 (unaudited)*
Settlements operations	59,093	52,566
Guarantees and letters of credit	9,946	12,293
Cash operations	5,656	6,806
Currency conversion operations	275	1,325
Brokerage service fees	619	412
Advisory	639	15
Other	2,170	1,518
Fee and commission income	**78,398**	**74,935**
Settlements operations	(14,979)	(13,902)
Cash operations	(2,647)	(2,247)
Guarantees and letters of credit	(1,647)	(1,890)
Insurance brokerage service fees	(1,197)	(359)
Currency conversion operations	(14)	(41)
Other	(757)	(521)
Fee and commission expense	**(21,241)**	**(18,960)**
Net fee and commission income	**57,157**	**55,975**

(Thousands of Georgian Lari)

18. Net Non-recurring Items

	For the six months ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Provision for early redemption of Eurobonds (Note 15)	(42,484)	-
Write-off of miscellaneous healthcare related assets	(2,972)	-
Impairment of prepayments	(2,205)	-
Management termination / sign-up compensation expenses	(1,308)	(1,035)
Gain from revaluation of call option on purchase of 24.9% share of GGU	-	3,249
JSC PrivatBank integration costs	-	(3,731)
Loss from Belarus hyperinflation	-	(1,415)
Other	1,589	72
Net non-recurring items	**(47,380)**	**(2,860)**

19. Fair Value Measurements

Fair value hierarchy

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

30 June 2016 (unaudited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Investment properties	-	-	245,849	245,849
Investment securities	-	986,700	2,631	989,331
Other assets – derivative financial assets	-	1,200	-	1,200
Other assets – trading securities owned	1,330	-	-	1,330
Revalued property	-	-	232,892	232,892
Assets for which fair values are disclosed				
Cash and cash equivalents	-	1,059,359	-	1,059,359
Amounts due from credit institutions	-	876,655	-	876,655
Loans to customers and finance lease receivables	-	-	5,505,425	5,505,425
Liabilities measured at fair value:				
Other liabilities – derivative financial liabilities	-	7,796	-	7,796
Liabilities for which fair values are disclosed				
Client deposits and notes	-	2,110,950	2,476,089	4,587,039
Amounts owed to credit institutions	-	413,258	1,479,179	1,892,437
Debt securities issued	-	910,768	181,318	1,092,086

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

Fair value hierarchy (continued)

31 December 2015	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	*246,398*	246,398
Investment securities	-	902,419	1,448	903,867
Other assets – derivative financial assets	-	42,212	-	42,212
Other assets – trading securities owned	1,977	-	-	1,977
Total revalued property	-	-	228,365	228,365
Assets for which fair values are disclosed				
Cash and cash equivalents	-	1,432,934	-	1,432,934
Amounts due from credit institutions	-	731,365	-	731,365
Loans to customers and finance lease receivables	-	-	5,284,299	5,284,299
Liabilities measured at fair value:				
Other liabilities – derivative financial liabilities	-	3,243	-	3,243
Liabilities for which fair values are disclosed				
Client deposits and notes	-	2,153,275	2,623,818	4,777,093
Amounts owed to credit institutions	-	446,255	1,342,807	1,789,062
Debt securities issued	-	938,894	131,621	1,070,515

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

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

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

	Carrying value 30 June 2016 (unaudited)	Fair value 30 June 2016 (unaudited)	Unrecognised gain (loss) 30 June 2016 (unaudited)	Carrying value 31 December 2015	Fair value 31 December 2015	Unrecognised loss 31 December 2015
Financial assets						
Cash and cash equivalents	1,059,359	1,059,359	-	1,432,934	1,432,934	-
Amounts due from credit institutions	876,655	876,655	-	731,365	731,365	-
Loans to customers and finance lease receivables	5,469,120	5,505,425	36,305	5,322,117	5,284,299	(37,818)
Financial liabilities						
Client deposits and notes	4,554,012	4,587,039	(33,027)	4,751,387	4,777,093	(25,706)
Amounts owed to credit institutions	1,892,437	1,892,437	-	1,789,062	1,789,062	-
Debt securities issued	1,065,516	1,092,086	(26,570)	1,039,804	1,070,515	(30,711)
Total unrecognised change in unrealised fair value			**(23,292)**			**(94,235)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

20. Maturity Analysis of Financial Assets and Liabilities

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

	30 June 2016 (unaudited)							
	On Demand	*Up to 3 Months*	*Up to 6 Months*	*Up to 1 Year*	*Up to 3 Years*	*Up to 5 Years*	*Over 5 Years*	*Total*
Financial assets								
Cash and cash equivalents	893,003	166,356	-	-	-	-	-	1,059,359
Amounts due from credit institutions	853,048	4,891	6,218	9,349	1,693	-	1,456	876,655
Investment securities	513,274	345,328	1,308	38,902	15,300	38,687	36,532	989,331
Loans to customers and finance lease	-	773,201	514,278	1,013,098	1,658,814	741,246	768,483	5,469,120
Total	**2,259,325**	**1,289,776**	**521,804**	**1,061,349**	**1,675,807**	**779,933**	**806,471**	**8,394,465**
Financial liabilities								
Client deposits and notes	732,977	714,759	476,923	2,130,649	410,124	66,518	22,062	4,554,012
Amounts owed to credit institutions	90,606	587,766	139,084	163,454	468,468	192,183	250,876	1,892,437
Debt securities issued	-	902,476	844	120,859	41,337	-	-	1,065,516
Total	**823,583**	**2,205,001**	**616,851**	**2,414,962**	**919,929**	**258,701**	**272,938**	**7,511,965**
Net	**1,435,742**	**(915,225)**	**(95,047)**	**(1,353,613)**	**755,878**	**521,232**	**533,533**	**882,500**
Accumulated gap	**1,435,742**	**520,517**	**425,470**	**(928,143)**	**(172,265)**	**348,967**	**882,500**	

(Thousands of Georgian Lari)

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

	31 December 2015							
	On Demand	*Up to 3 Months*	*Up to 6 Months*	*Up to 1 Year*	*Up to 3 Years*	*Up to 5 Years*	*Over 5 Years*	*Total*
Financial assets								
Cash and cash equivalents	1,072,361	360,573	-	-	-	-	-	1,432,934
Amounts due from credit institutions	617,673	702	28,338	82,393	309	-	1,950	731,365
Investment securities	560,120	241,481	31,247	6,531	60,244	3,057	1,187	903,867
Loans to customers and finance lease	-	796,765	537,690	1,024,619	1,586,728	705,152	671,163	5,322,117
Total	**2,250,154**	**1,399,521**	**597,275**	**1,113,543**	**1,647,281**	**708,209**	**674,300**	**8,390,283**
Financial liabilities								
Client deposits and notes	847,003	810,072	541,142	2,008,160	444,591	80,012	20,407	4,751,387
Amounts owed to credit institutions	92,617	528,644	108,023	247,414	403,528	139,573	269,263	1,789,062
Debt securities issued	-	51,457	-	53,703	934,644	-	-	1,039,804
Total	**939,620**	**1,390,173**	**649,165**	**2,309,277**	**1,782,763**	**219,585**	**289,670**	**7,580,253**
Net	**1,310,534**	**9,348**	**(51,890)**	**(1,195,734)**	**(135,482)**	**488,624**	**384,630**	**810,030**
Accumulated gap	**1,310,534**	**1,319,882**	**1,267,992**	**72,258**	**(63,224)**	**425,400**	**810,030**	

The Group's capability to discharge its liabilities relies on its ability to realise equivalent assets within the same period of time. In the Georgian marketplace, where most of the Group's business is concentrated, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. To reflect the historical stability of current accounts, the Group calculates the minimal daily balance of current accounts over the past two years and includes the amount in the less than 1 year category in the table above. The remaining current accounts are included in the on demand category.

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

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

As at 30 June 2016 amounts due to customers amounted to GEL 4,554,012 (31 December 2015: GEL 4,751,387) and represented 56% (31 December 2015: 59%) of the Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 30 June 2016 amounts owed to credit institutions amounted to GEL 1,892,437 (31 December 2015: GEL 1,789,062) and represented 23% (31 December 2015: 22%) of total liabilities. As at 30 June 2016 debt securities issued amounted to GEL 1,065,516 (31 December 2015: GEL 1,039,804) and represented 13% (31 December 2015: 13%) of total liabilities.

The Bank was in compliance with regulatory liquidity requirements as at 30 June 2016 and 31 December 2015. In the Board's opinion, liquidity is sufficient to meet the Group's present requirements.

(Thousands of Georgian Lari)

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

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

	30 June 2016 (unaudited)			*31 December 2015*		
	Less than 1 Year	*More than 1 Year*	*Total*	*Less than 1 Year*	*More than 1 Year*	*Total*
Cash and cash equivalents	1,059,359	-	1,059,359	1,432,934	-	1,432,934
Amounts due from credit institutions	873,506	3,149	876,655	729,106	2,259	731,365
Investment securities	898,812	90,519	989,331	839,379	64,488	903,867
Loans to customers and finance lease	2,300,577	3,168,543	5,469,120	2,359,074	2,963,043	5,322,117
Accounts receivable and other loans	89,162	-	89,162	87,955	17	87,972
Insurance premiums receivable	55,709	2,958	58,667	39,177	49	39,226
Prepayments	69,995	33,847	103,842	25,371	32,957	58,328
Inventories	128,157	50,377	178,534	98,387	28,640	127,027
Investment properties	-	245,849	245,849	-	246,398	246,398
Property and equipment	-	852,680	852,680	-	794,682	794,682
Goodwill	-	106,134	106,134	-	72,984	72,984
Intangible assets	-	49,617	49,617	-	40,516	40,516
Income tax assets	21,906	4,679	26,585	3,654	17,896	21,550
Other assets	57,304	160,384	217,688	106,129	130,644	236,773
Total assets	**5,554,487**	**4,768,736**	**10,323,223**	**5,721,166**	**4,394,573**	**10,115,739**
Client deposits and notes	4,055,308	498,704	4,554,012	4,206,377	545,010	4,751,387
Amounts owed to credit institutions	980,910	911,527	1,892,437	976,698	812,364	1,789,062
Debt securities issued	1,024,179	41,337	1,065,516	105,160	934,644	1,039,804
Accruals and deffered income	81,587	56,380	137,967	113,134	33,718	146,852
Insurance contracts liabilities	74,074	6,569	80,643	51,273	4,572	55,845
Income tax liabilities	1,748	42,762	44,510	20,083	104,312	124,395
Other liabilities	320,496	18,261	338,757	120,082	14,674	134,756
Total liabilities	**6,538,302**	**1,575,540**	**8,113,842**	**5,592,807**	**2,449,294**	**8,042,101**
Net	**(983,815)**	**3,193,196**	**2,209,381**	**128,359**	**1,945,279**	**2,073,638**

21. Related Party Disclosures

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

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

(Thousands of Georgian Lari)

21. Related Party Disclosures (continued)

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

	2016 (unaudited)		*2015 (unaudited)*	
	Asso-ciates	*Key management personnel**	*Asso-ciates*	*Key management personnel**
Loans outstanding at 1 January, gross	**13,541**	**1,258**	**78,592**	**2,048**
Loans issued during the period	208	5,035	4,000	4,511
Loan repayments during the period	(374)	(6,346)	(84,033)	(6,188)
Other movements **	13,794	2,675	14,982	887
Loans outstanding at 30 June, gross	**27,169**	**2,622**	**13,541**	**1,258**
Less: allowance for impairment at 31 December	(254)	(15)	(116)	-
Loans outstanding at 30 June, net	**26,915**	**2,607**	**13,425**	**1,258**
Interest income on loans	1,444	127	3,986	173
Loan impairment charge	(138)	(12)	-	-
Deposits at 1 January	**1,419**	**20,129**	**4,975**	**17,500**
Deposits received during the period	-	14,743	195,316	40,774
Deposits repaid during the period	(258)	(16,502)	(199,048)	(41,548)
Other movements	(5)	2,942	176	3,403
Deposits at 30 June	**1,156**	**21,312**	**1,419**	**20,129**
Interest expense on deposits	(50)	(426)	(33)	(477)
Other income	-	77	15	77

***** Key management personnel include members of BGEO's Board of Directors and Chief Executive Officer and Deputies of the Bank.***
***** Primarily loans to LLC Clinic Hospital #5 – associate of newly acquired GPC.***

Compensation of key management personnel comprised the following:

	For the six months ended	
	30 June 2016 (unaudited)	*30 June 2015 (unaudited)*
Salaries and other benefits	4,083	2,599
Share-based payments compensation	11,525	7,546
Social security costs	30	24
Total key management compensation	**15,638**	**10,169**

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2016 was 20 (31 December 2015: 16).

(Thousands of Georgian Lari)

22. Capital Adequacy

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

Approved and published on 28 October 2013 by NBG, new capital adequacy regulation became effective in 2014, based on Basel II/III requirements, adjusted for NBG's discretionary items. A transition period is to continue through 1 January 2017, during which the Bank will be required to comply with both the new, and the current, capital regulations of the NBG.

During six months ended 30 June 2016, the Bank and the Group complied in full with all its externally imposed capital requirements.

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

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

NBG capital adequacy ratio

The NBG requires banks to maintain a minimum capital adequacy ratio of 10.8% of risk-weighted assets, computed based on the Bank's standalone special purpose financial statements prepared in accordance with NBG regulations and pronouncements. As at 30 June 2016 and 31 December 2015, the Bank's capital adequacy ratio on this basis was as follows:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Core capital	793,600	728,139
Supplementary capital	581,602	649,607
Less: Deductions from capital	(72,050)	(60,311)
Total regulatory capital	**1,303,152**	**1,317,435**
Risk-weighted assets	**7,929,837**	**7,811,398**
Total capital adequacy ratio	**16.4%**	**16.9%**

Core capital comprises share capital, additional paid-in capital and retained earnings (without current period profits), less intangible assets and goodwill. Supplementary capital includes subordinated long-term debt, current period profits and general loss provisions. Deductions from the capital include investments in subsidiaries. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBG.

(Thousands of Georgian Lari)

22. Capital Adequacy (continued)

New NBG (Basel II/III) capital adequacy ratio

Effective 30 June 2014, the NBG requires banks to maintain a minimum total capital adequacy ratio of 10.5% of risk-weighted assets, computed based on the bank's stand-alone special purpose financial statements prepared in accordance with NBG regulations and pronouncements, based on Basel II/III requirements. As at 30 June 2016 the Bank's capital adequacy ratio on this basis was as follows:

	As at	
	30 June 2016 (unaudited)	*31 December 2015*
Tier 1 capital	907,257	914,784
Tier 2 capital	468,507	479,176
Total capital	**1,375,764**	**1,393,960**
Risk-weighted assets	**8,899,177**	**8,363,369**
Total capital ratio	**15.5%**	**16.7%**

Tier 1 capital comprises share capital, additional paid-in capital and retained earnings, less investments in subsidiaries, intangible assets and goodwill. Tier 2 capital includes subordinated long-term debt and general loss provisions. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBG.

23. Events after the Reporting Period

On 26 July 2016, the Group completed the issuance of its USD 350,000,000 6.00% notes due 2023 (the "Notes"). The Regulation S / Rule 144A senior unsecured Notes were issued and sold at an issue price of 99.297% of their principal amount. The Notes are rated BB- (Fitch) and B1 (Moody's). The new notes are listed on the Irish Stock Exchange. Following the issuance of the new Notes, the Bank fully redeemed the old 7.75% Eurobonds due 2017 (Note 13).

On 21 July 2016, the Group announced the completion of the acquisition of the remaining 75% equity stake in Georgian Global Utilities Limited ("GGU"), its utilities business, for a cash consideration of USD 70 million (GEL 164 million). As a result of this buy-out, BGEO owns 100% of GGU. Initial purchase accounting is currently in progress and not all of the asset valuations and accounting estimates are formally finalised. Therefore, management considers a more detailed disclosure impracticable. A full and complete IFRS 3 disclosure will be presented in the Group's 2016 annual financial statements.

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 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. 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. Old NBG 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;
17. Old NBG 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;
18. NMF – Not meaningful

COMPANY INFORMATION

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