BGEO Group PLC

4th quarter and full year 2016 preliminary results

www.BGEO.com

Name of authorised official of issuer responsible for making notification:
Ekaterina Shavgulidze, Head of Investor Relations and Funding

BGEO Group PLC 4Q 2016 and full year 2016 Results Earnings call

BGEO Group PLC ("**BGEO**" or the "**Group**") will publish its financial results for the 4th quarter and full year 2016 at 07:00 London time on Monday, 20 February 2017. The results announcement will be available on BGEO Group's website at www.bgeo.com. An investor/analyst conference call, organised by BGEO Group, will be held on, 20 February 2017, 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 Announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although BGEO Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: weakening of global and regional economic conditions; exchange rate fluctuations, including depreciation of the Georgian Lari; deterioration in the quality of our loan book; adverse changes in the financial position or credit worthiness of our customers, obligors and counterparties and developments in the market in which they operate; increase in interest rates; governmental, legislative and regulatory risk; regional tensions; changes in US foreign policy affecting the region; failure to achieve strategic priorities or to meet targets or expectations; competitive pressures; operational risk; risk of failure of information technology and cybercrime; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this Announcement and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in BGEO Group PLC's 2Q 2016 and 1H16 Results and in BGEO Group PLC's 2015 Annual Report and Accounts. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in BGEO Group PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. BGEO Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

About BGEO Group

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

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

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

The information in this Announcement in respect of full year 2016 preliminary results, which was approved by the Board of Directors on 19 February 2017, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The financial statements for the year ended 31 December 2015 were filed with the Registrar of Companies, and the audit report was unqualified and contained no statements in respect of Sections 498 (s) and 495 (3) of the UK Companies Act 2006. The financial statements for the year ended 31 December 2016 will be included in the Annual Report and Accounts to be published in April 2017 and filed with the Registrar of Companies in due course.

BGEO Group PLC announces the Group's fourth quarter 2016 and full year 2016 preliminary consolidated results. Unless otherwise mentioned, figures are for the fourth quarter 2016 and comparisons are with the fourth quarter 2015. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts.

BGEO highlights

- 4Q16 profit was GEL 88.7mln (US$ 33.5mln/GBP 27.2mln), down 7.2% y-o-y
- 4Q16 earnings per share ("**EPS**") was GEL 2.29 (US$ 0.87 per share/GBP 0.70 per share), down 5.4% y-o-y
- 2016 profit was GEL 428.6mln (US$ 161.9mln/GBP 131.6mln), up 37.8% y-o-y
- 2016 EPS was GEL 10.41 (US$ 3.93 per share/GBP 3.20 per share), up 31.3% y-o-y
    - The Group's annual figures have been positively affected by one-off items recorded during the reporting period, including partially offsetting one-off items highlighted in italics below on this page. The combined effect of the deferred tax adjustments and "net non-recurring items" (net of applicable taxes) results in a net benefit of GEL 60.5mln in 2016, of which a loss of GEL 0.8mln, a gain of GEL 34.6mln and a gain of GEL 25.5mln were reported in 4Q16, 3Q16 and 2Q16, respectively
    - Profit excluding the effect of these deferred tax adjustments and "net non-recurring items" was GEL 89.5mln in 4Q16 (down 11.3% y-o-y) and GEL 368.0mln in 2016 (up 13.8% y-o-y)
- Book value per share was GEL 57.52, up 18.0% y-o-y
- Total equity attributable to shareholders was GEL 2,166.2mln, up 17.0% y-o-y
- Total assets increased to GEL 12,989.5mln, up 28.4% y-o-y
- As of 17 February 2017, GEL 325.2mln liquid assets were held at the holding company level

- *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 banks and insurance businesses (changes are applicable to financial institutions, including banks and insurance businesses from 1 January 2019). The changed model implies a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of a 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 recognised temporary differences arising from prior periods. The Group considered 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. Subsequently, deferred tax assets and liabilities were re-measured again at 31 December 2016. The Group has calculated the portion of deferred taxes that it utilised 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 un-utilisable portion of deferred tax assets and liabilities ("Deferred tax adjustments") as of 31 December 2016. The deferred tax liabilities that were reversed significantly exceeded the deferred tax assets written off[1]. The net amount was recognised as an income tax benefit for the Group and amounted to GEL 63.8mln for full year 2016, of which GEL 39.4mln and GEL 24.4mln impacts the Group's Banking Business and Investment Business profit after tax, respectively. The net amount includes 4Q16 impact of deferred tax expense of GEL 3.1mln resulting from 31 December 2016 re-measurement. The amounts are reflected in the "income tax (expense) benefit" line of the income statement*
- *The Group has also incurred a GEL 43.9mln charge for accounting losses arising from the buyback of the Bank's Eurobond, which took place in July 2016. The Group provisioned GEL 42.5mln for expected buyback losses in 1H16 and the related charge in 3Q16 was GEL 1.4mln, no charges were added in 4Q16. This expense is reflected in the "net non-recurring items" line of the income statement*
- *During July 2016, the Group completed the acquisition of the remaining equity interests in Georgia Global Utilities Limited ("GGU"), its utility and energy business, and gained full control of GGU. As a result of this acquisition, the Group recorded a GEL 31.8mln gain from negative goodwill. The gain resulted from the fair value of the net identifiable assets acquired (totalling GEL 255.9mln) which exceeded the fair value of the total consideration paid by the Group (totalling GEL 224.1mln). This gain is reflected in the "net non-recurring items" line of the income statement. The Group started consolidating GGU results on 21 July 2016. Prior to this, the Group reported the results of GGU's operations under "profit from associates"*
- *Full year 2016 profit was also positively affected by a GEL 16.4mln one-off gain from the sale of Class C shares and Class B shares of Visa Inc. and MasterCard, respectively. This gain was recorded in 3Q16. This gain recorded in 3Q16 was partially offset by one-off employee costs related to termination benefits, inclusive of the Bank's former CEO incurred in the same quarter. These items are also reflected in the "net non-recurring items" line of the income statement*

Banking Business highlights

4Q16 performance

- Revenue was GEL 232.5mln (up 15.6% y-o-y and up 15.2% q-o-q)
- Net Interest Margin ("**NIM**") was 7.6% (flat y-o-y and up 30 bps q-o-q)
- Loan Yield stood at 14.4% (down 40 bps y-o-y and up 30 bps q-o-q)
- Cost of Funds stood at 4.6% (down 50 bps y-o-y and down 10 bps q-o-q)
- Cost to Income ratio was 37.5% (35.4% in 4Q15 and 37.3% in 3Q16)
- Cost of credit risk stood at GEL 70.9mln (up 101.2% y-o-y and up 105.3% q-o-q)
- Cost of Risk ratio was 4.2% (2.4% in 4Q15 and 2.3% in 3Q16)
- Profit was GEL 75.3mln (down 6.5% y-o-y and down 16.1% q-o-q)

[1] Significant deferred tax liabilities that were reversed arose from the recognition timing differences between the IFRS and the tax accounting rules and were related to accumulated depreciation, allowance for impairment of loans, property and equipment, investment properties, intangible assets, accruals of certain provisions, and various other items

- Profit excluding the effect of above mentioned "net non-recurring items" (net of applicable taxes) was GEL 74.8mln in 4Q16 (down 9.6% y-o-y)

- Return on Average Assets ("**ROAA**") was 2.9% (3.5% in 4Q15 and 3.7% in 3Q16)
- Return on Average Equity ("**ROAE**") was 20.1% (25.1% in 4Q15 and 24.7% in 3Q16)

Full-year 2016 performance

- Revenue was GEL 802.5mln (up 6.8% y-o-y)
- NIM was 7.5% (down 20 bps y-o-y)
- Loan Yield was 14.2% (down 60 bps y-o-y)
- Cost of Funds was 4.7% (down 40 bps y-o-y)
- Cost to Income ratio stood at 37.7% (35.7% for 2015)
- Cost of credit risk stood at GEL 168.6mln (up 11.2% y-o-y)
- Cost of Risk ratio stood at 2.7% (flat y-o-y)

- Profit increased to GEL 309.4mln (up 12.8% y-o-y)
  - Profit excluding the effect of the above-mentioned deferred tax adjustments and "net non-recurring" items was GEL 307.2mln in 2016 (up 7.7% y-o-y)
- ROAA was 3.2% (3.2% in 2015)
- ROAE was 22.1% (21.7% in 2015)

Balance sheet strength supported by solid capital and liquidity positions

- The net loan book reached a record GEL 6,681.7mln, up 24.5% y-o-y and up 16.9% q-o-q. The growth on a constant-currency basis was 16.1% y-o-y
- Customer funds increased to GEL 5,730.4mln, up 14.8% y-o-y and up 17.5% q-o-q. The growth on a constant-currency basis was 6.4% y-o-y
- Net Loans to Customer Funds and DFI ratio stood at 95.3% (90.8% at 31 December 2015 and 94.2% at 30 September 2016)
- Leverage stood at 6.9-times as at 31 December 2016 compared to 6.0-times at the same time last year
- NBG (Basel 2/3) Tier I and Total CAR stood at 10.1%[2] and 15.4%, respectively as at 31 December 2016
- NBG Liquidity Ratio was 37.7% as at 31 December 2016, compared to 46.2% at the same time last year

Resilient growth momentum sustained across major business lines

- **Retail Banking ("RB") continues to deliver strong franchise growth.** Retail Banking revenue reached GEL 147.7mln in 4Q16, up 29.3% y-o-y and up 16.1% q-o-q, with full year 2016 revenue totalling GEL 494.1mln, up 15.6% y-o-y
- The Retail Banking net loan book reached GEL 3,902.3mln as at 31 December 2016, up 39.5% y-o-y and up 18.7% q-o-q. The growth on a constant-currency basis was 31.5% y-o-y, well above our strategic target of 20%+. Consequently, our share of retail loan book accounted for 60.9% of our total loan book at the end of 2016, 5.9ppts up compared to last year
- Retail Banking client deposits increased to GEL 2,413.6mln as at 31 December 2016, up 28.4% y-o-y and up 15.8% q-o-q. The growth on a constant-currency basis was 19.2% y-o-y
- The number of Retail Banking clients reached 2.1mln at the end of 4Q16, up 7.1% from 2.0mln a year ago
- **Solo – our premium banking brand – continues its strong growth.** Solo, which offers a fundamentally different approach to premium banking and targets the mass affluent client segment, more than doubled its client base since April 2015, when we launched Solo in its current format. As of 31 December 2016, the number of Solo clients reached 19,267. Our goal is to significantly increase our market share in the mass affluent segment, which stood below 13% at the beginning of 2015

[2] Capital adequacy ratios include GEL 99.5mln distributed as dividend from the Bank to the holding level on 29 December 2016. These funds are earmarked for regular dividends to be paid from BGEO Group in respect of the 2016 financial year and will be payable in 2017, subject to shareholder approval. Including this payment, NBG (Basel 2/3) Tier I and Total CAR is 9.1% and 14.4%, respectively.

- **Our Retail Banking product to client ratio reached 2.0 in 4Q16, up from 1.9 at the end of 2015.** The start of the transformation of our retail banking operations from product-based into a client-centric one is expected to positively affect the Retail Banking product to client ratio in the future. We completed the change in 15 branches in 2016 and are currently in process of converting nine additional branches into the new client-centric model. We have seen outstanding sales growth in transformed branches, with the number of products sold to our clients increasing by over 100% compared to the base-line figures
- **Corporate Investment Banking ("CIB") is successfully delivering its risk deconcentration strategy, having reduced the concentration of our top 10 CIB clients to 11.8% by the end of 4Q16, down from 12.7% a year ago. The CIB net loan book totalled GEL 2,394.9mln, up 8.3% y-o-y, and up 15.0% in the fourth quarter**. On a constant-currency basis, the loan portfolio was largely flat y-o-y. CIB net fee and commission income was GEL 28.0mln or 12.0% of total CIB revenue in 2016 compared to GEL 34.3mln or 14.2% a year ago. The decline was mainly driven by the decrease in commission fee income from guarantees (net income from guarantees was GEL 12.6mln in 2016, down by GEL 6.2mln or 33.0% y-o-y) as we reduced our large guarantee exposures (more detailed review on this is presented in the Banking business discussion below). CIB ROAE was 14.5% in 2016, down from 18.5% in 2015, which was primarily a result of 1) negative operating leverage and 2) higher cost of risk, largely related to the impact of the recent GEL devaluation. We expect to further reduce concentration risk in the corporate loan portfolio, grow our fee income, and improve the Bank's ROAE in this segment
- **Investment Management's Assets Under Management ("AUM") increased to GEL 1,592.0mln**[3], up 15.9% y-o-y, reflecting higher bond issuance activity by our brokerage arm Galt & Taggart, as our clients increasingly access these new products

Investment Business Highlights

- Our Investment Business contributed GEL 119.1mln, or 27.8% to the Group's profit in 2016, up from GEL 36.7mln a year ago. Of this, GEL 91.6mln is attributed to shareholders of BGEO and the rest mainly belongs to the non-controlling shareholders of GHG.
- *2016 profit includes material one-offs from deferred tax adjustments, gain from the purchase of GGU and other net non-recurring items. Excluding these one-offs, profit from our Investment Business was GEL 60.8mln, or 16.5% of the Group's profit. Furthermore, if we exclude our publicly listed subsidiary, GHG, from this figure, then our Investment Business profit was GEL 26.0mln or 7.8% of the Group's profit*
- For 4Q16, our Investment Business contributed GEL 13.4mln or 15.1% to the Group's profits, down from GEL 15.1mln in 4Q15. Of this, GEL 11.3mln was attributed to shareholders of BGEO and the rest mainly to the non-controlling shareholders of GHG
- **Our healthcare business, Georgia Healthcare Group PLC ("GHG") continued to deliver strong revenue performance across all business lines. GHG recorded revenue of GEL 136.0mln (up 95.1% y-o-y and up 17.1% q-o-q) and GEL 426.4mln (up 73.4% y-o-y) in 4Q16 and 2016, respectively.** During 2016, GHG achieved further diversification of the revenues. The healthcare services business revenue accounted for around 55%, the pharmacy business revenue accounted for c.31% and the medical insurance business revenue accounted for c.14% of its gross revenues in 4Q16. GHG delivered quarterly EBITDA of GEL 24.3mln, up 47.0% y-o-y. This growth was primarily driven by the healthcare services business EBITDA growth of 30.2% y-o-y. **Consequently, for 2016 EBITDA was GEL 78.0mln (up 39.0% y-o-y) and profit was GEL 61.3mln (up 159.7% y-o-y) (including a tax benefit of GEL 24.0mln relating to the deferred tax adjustments)**
- In January 2017, GHG received final approval for and completed the acquisition of JSC ABC Pharmacia ("**ABC**"), owner of the Pharmadepot chain of pharmacies. This acquisition has resulted in GHG becoming the number one player in the pharmacy market, as it is in the healthcare services and medical insurance markets. Details of this acquisition are in GHG's separate press release, which is available at www.ghg.com.ge. GHG will be consolidating this pharmacy business from 1 January 2017

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

- **Our real estate business, m^2 Real Estate ("m^2") continued its strong project execution and sales performance in 4Q16**. In 4Q16, m^2 achieved sales of US$ 8.3mln, selling a total of 112 apartments, compared to US$ 10.8mln sales and 106 apartments sold in 4Q15. In 4Q16, m^2 recognised revenue of GEL1.6mln and recorded net loss of GEL 1.1mln. In 2016, m^2 achieved sales of US$ 34.4mln, selling a total of 407 apartments, compared to US$ 30.0mln sales and 346 apartments sold in 2015. Subsequently, m^2 recognised revenue of GEL 20.9mln (down 3.2% y-o-y) and net profit of GEL 12.5mln (up 16.1% y-o-y)
- *Prior to 1 January 2017, m2 Real Estate followed revenue recognition guidance under International Accounting Standard (IAS) 18 and recognised revenues from sales of residential units upon completion and handover of the units to customers. Effective 1 January 2017, the Group, inclusive of m2 Real Estate, is early adopting the new revenue recognition standard, IFRS 15, which allows revenue recognition according to the percentage of completion method. As a result, m2 Real Estate expects that out of its total deferred revenue of US$ 30.6mln (net of US$5.5mln VAT) at 31 December 2016, US$ 17.1mln will be recognised as revenue gradually in the upcoming years, while US$ 13.5mln will be recognised through equity on 1 January 2017*
- **Our utility and energy business, Georgia Global Utilities ("GGU"), delivered strong revenue and cost-efficiency performance in 2016 and achieved revenue of GEL 127.4mln (up 7.7% y-o-y), EBITDA of GEL 68.1mln (up 10.3% y-o-y) and profit of GEL 35.7mln (up 134.5% y-o-y) for 2016**. As BGEO owned 25% of GGU until July 2016, we have reported our share of GGU's profits in the line item "profit from associates". In July 2016, we completed the acquisition of the remaining 75% equity stake in GGU and we started consolidating GGU financial results from 21 July 2016 as part of our Investment Business and included it in the segment results discussion as a separate business
- **Our beverages business, Teliani, reached a major milestone in 2016 and finished the construction of beer brewery. Teliani will brew Heineken under the ten-year exclusive licence agreement to sell Heineken in Georgia, Armenia and Azerbaijan**

CHIEF EXECUTIVE OFFICER'S STATEMENT

During 2016, BGEO Group delivered a strong earnings performance against a challenging macroeconomic backdrop in a number of Georgia's regional trading partner countries which resulted in a year of lower economic growth than expected and a 10.5% devaluation of the Georgian Lari compared to the US Dollar. The Lari was particularly weak in the last quarter of the year when it devalued by over 13% against the US Dollar. Despite these challenges, Group revenue in 2016 increased by 17.8% to GEL 1.01 billion, profit increased by 37.8% to GEL 428.6 million, and earnings per share increased by 31.3% to GEL 10.41. The Group's figures were affected by a number of "one-off" items during the year, which are described in detail on page 5 of this announcement. Book value per share at the end of 2016 was GEL 57.52, up 18.0% year-on-year. The Return on Average Equity in the banking business increased from 21.7% in 2015, to 22.1% in 2016.

During the fourth quarter, the Group delivered revenue of GEL 305.5 million, up 13.3% quarter-on-quarter, and profit of GEL 88.7 million, down 37.3% quarter-on-quarter, reflecting the absence of some net positive one-off benefits in the third quarter and a higher cost of credit risk as a result of additional impairment provisioning following the Lari devaluation.

In the Banking Business, 2016 was characterised by the expected strong growth in the retail bank, and a repositioning of the corporate bank to reduce concentration risk. The devaluation of the Lari during the year, and in particular the fourth quarter, led to increased nominal growth in the Bank's balance sheet, with higher net interest income being offset by a higher cost of credit risk. Customer lending increased by 24.5% during the year, with 39.5% growth in the retail bank and 8.3% growth in the corporate bank. The net interest margin remained in our targeted range despite the continuing impact of high levels of excess liquidity, with a 30 basis point quarter-on-quarter increase in the fourth quarter to 7.6%.

Overall, asset quality during the year remained robust with the NPL to Gross Loans ratio improving slightly to 4.2%, from 4.3% a year ago, whilst the NPL coverage ratio improved to 86.7% at 31 December 2016, compared to 83.4% as at 31 December 2015. The NPL coverage ratio, adjusted for the discounted value of collateral, also improved, to 132.1%, from 120.6% over the same period. The cost of risk ratio in 2016 was unchanged at 2.7%, compared to 2015. Any Lari devaluation against the US dollar creates an automatic increase in provisioning since Lari denominated provisions against US dollar lending increase mathematically. In addition, as a result of the further deterioration of the Lari' value in the fourth quarter, the Group reviewed both its performing and non-performing US dollar denominated portfolios and decided to increase its impairment provisions in the quarter by c.GEL 32 million.

The Group's Investment Businesses continue to deliver very strong earnings performances, with strong organic growth supported by the impact of recent acquisitions – specifically (1) the inclusion in our healthcare business Georgia Healthcare Group (GHG) of our pharmacy business GPC following its acquisition during the second quarter, and (2) the second half consolidation of our utility and energy business Georgia Global Utilities. EBITDA from the investment businesses increased by 71.1% to GEL 132.6 million in 2016.

GHG again delivered strong revenues of GEL 136.0 million in the fourth quarter, up 95.1% year-on-year, and 17.1% quarter-on-quarter. This continues to reflect a combination of good levels of organic growth of the healthcare services operations (16.3% year-on-year) and the impact of pharmacy acquisitions. The healthcare services EBITDA margin continues to improve, and at 31.9% in the fourth quarter and 30.2% for the full year is now above GHG's medium-term target of 30%. The acquisition of a second pharmacy chain, ABC, in January 2017 has made GHG the number one player in the Georgian pharmacy market, and provides additional synergies for GHG's healthcare services and medical insurance businesses. GHG remains clearly on track to reach its target to more than double 2015 healthcare services revenues by 2018.

In July 2016, the Group acquired the remaining 75% equity stake in Georgia Global Utilities (GGU), our utility and energy business, and GGU was therefore fully consolidated into BGEO with effect from 21 July 2016. The Group has a significant opportunity to increase GGU's operational cash flow over the next few years from a combination of increasing energy efficiency and reducing water loss rates, and by the development of additional revenue streams. The new management team is focused on improving efficiency and, on a stand-alone basis, GGU delivered a net profit of GEL 35.7 million in 2016, compared to GEL 15.2 million in 2015.

Rounding out our investment business story is our real estate business, m2 Real Estate, which continues to develop its apartment projects very successfully. Its strong project execution and sales performance delivered a net profit of GEL 12.5 million in 2016, an increase of 16.1% over last year.

The Group's capital and funding position continues to be very strong, with capital being held both in the regulated banking business and at the holding company level. The Bank's year-end capital ratios were 10.1%[4] and 15.4% for NBG (Basel2/3) Tier 1 and total capital respectively. In addition, at year-end, GEL 405.2 million liquid assets were held at the Group level. From a funding perspective, the Bank's NBG Liquidity ratio was 37.7%, and the Liquidity Coverage Ratio was 151.5%, reflecting the significant excess liquidity held by the Bank.

As a result of the Group's very strong capital position, excess levels of liquidity and high level of internal capital generation, in November 2016 the Board approved a $50 million share buyback and cancellation programme, to be completed over a two year period, in addition to the regular annual dividend to be paid to shareholders. In addition, over the last few months, the Group Employee Benefits Trust has purchased shares in the market totaling approximately US$20 million.

Since the introduction of dividends in 2010, the Group has managed to grow its annual dividend per share by 51.6% CAGR. At the 2017 Annual General Meeting the Board intends to recommend an annual regular dividend for 2016 of GEL 2.6 per share payable in British Pounds Sterling at the prevailing rate. This is in the range of our regular dividend payout ratio target of 25-40% paid from the Banking Business profits and represents an 8.3% increase over the 2015 dividend.

Despite the headwinds, the Georgian economy remained resilient during 2016, with estimated GDP growth of 2.2% for the year. Foreign Direct Investments were stable in 9M16 and tourist numbers - a significant driver of US Dollar inflows for the country - continued to rise throughout the year. Inflation remained well controlled at 1.8% at the end of 2016.

The Group has delivered another strong year of strategic progress and excellent earnings growth, in what remains a challenging and uncertain macroeconomic backdrop, both globally and in the Caucasus region. We are confident however in our ability to continue to deliver high returns and strong performances in both the Banking Business and the Investment Businesses during 2017 and beyond.

Irakli Gilauri,

Group CEO of BGEO Group PLC

[4] See the footnote 2 in Banking Business Highlights section on page 6

FINANCIAL SUMMARY

INCOME STATEMENT (quarterly)

GEL thousands unless otherwise noted	BGEO Consolidated 4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	Banking Business[5] 4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	Investment Business 4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q
Net banking interest income	155,403	131,434	18.2%	136,624	13.7%	158,371	134,217	18.0%	138,615	14.3%	-	-	-	-	-
Net fee and commission income	35,325	31,639	11.7%	30,431	16.1%	36,645	32,266	13.6%	30,651	19.6%	-	-	-	-	-
Net banking foreign currency gain	28,516	19,525	46.0%	21,497	32.7%	28,516	19,525	46.0%	21,497	32.7%	-	-	-	-	-
Net other banking income	2,199	9,318	-76.4%	4,077	-46.1%	2,506	9,699	-74.2%	4,269	-41.3%	-	-	-	-	-
Gross insurance profit	9,171	6,733	36.2%	9,687	-5.3%	6,445	5,441	18.5%	6,816	-5.4%	3,557	2,126	67.3%	3,610	-1.5%
Gross healthcare and pharmacy profit	42,221	23,845	77.1%	35,517	18.9%	-	-	-	-	-	42,221	23,845	77.1%	35,517	18.9%
Gross real estate profit	1,339	12,769	-89.5%	10,032	-86.7%	-	-	-	-	-	2,033	12,769	-84.1%	10,032	-79.7%
Gross utility profit	21,600	-	-	16,942	27.5%	-	-	-	-	-	21,671	-	-	17,011	27.4%
Gross other investment profit	9,697	11,271	-14.0%	4,821	101.1%	-	-	-	-	-	9,391	11,157	-15.8%	4,927	90.6%
Revenue	**305,471**	**246,534**	**23.9%**	**269,628**	**13.3%**	**232,483**	**201,148**	**15.6%**	**201,848**	**15.2%**	**78,873**	**49,897**	**58.1%**	**71,097**	**10.9%**
Operating expenses	**(117,358)**	**(84,262)**	**39.3%**	**(101,553)**	**15.6%**	**(87,069)**	**(71,172)**	**22.3%**	**(75,375)**	**15.5%**	**(32,163)**	**(14,580)**	**120.6%**	**(27,349)**	**17.6%**
Operating income before cost of credit risk / EBITDA	**188,113**	**162,272**	**15.9%**	**168,075**	**11.9%**	**145,414**	**129,976**	**11.9%**	**126,473**	**15.0%**	**46,710**	**35,317**	**32.3%**	**43,748**	**6.8%**
Profit (loss) from associates	254	1,938	-86.9%	256	-0.8%	-	-	-	-	-	254	1,938	-86.9%	256	-0.8%
Depreciation and amortisation of investment business	(9,615)	(4,731)	103.2%	(9,566)	0.5%	-	-	-	-	-	(9,615)	(4,731)	103.2%	(9,566)	0.5%
Net foreign currency gain (loss) from investment business	(6,065)	(3,416)	77.5%	(1,221)	NMF	-	-	-	-	-	(6,065)	(3,416)	77.5%	(1,221)	NMF
Interest income from investment business	1,551	602	157.6%	1,930	-19.6%	-	-	-	-	-	540	957	-43.6%	1,667	-67.6%
Interest expense from investment business	(8,673)	(3,166)	173.9%	(8,876)	-2.3%	-	-	-	-	-	(11,673)	(6,542)	78.4%	(10,759)	8.5%
Operating income before cost of credit risk	**165,565**	**153,499**	**7.9%**	**150,598**	**9.9%**	-	-	-	-	-	**20,151**	**23,523**	**-14.3%**	**24,125**	**-16.5%**
Cost of credit risk	(69,967)	(36,022)	94.2%	(35,591)	96.6%	(70,873)	(35,230)	101.2%	(34,525)	105.3%	906	(792)	NMF	(1,066)	NMF
Net non-recurring items	698	(6,227)	NMF	35,156	-98.0%	(1,056)	(2,502)	-57.8%	3,474	NMF	1,754	(3,725)	NMF	31,682	-94.5%
Income tax (expense) benefit	(7,553)	(15,578)	-51.5%	(8,614)	-12.3%	1,830	(11,653)	NMF	(5,665)	NMF	(9,383)	(3,925)	139.1%	(2,949)	NMF
Profit	**88,743**	**95,672**	**-7.2%**	**141,549**	**-37.3%**	**75,315**	**80,591**	**-6.5%**	**89,757**	**-16.1%**	**13,428**	**15,081**	**-11.0%**	**51,792**	**-74.1%**
Earnings per share (basic)	**2.29**	**2.42**	**-5.4%**	**3.55**	**-35.5%**	**1.99**	**2.08**	**-4.3%**	**2.32**	**-14.1%**	**0.30**	**0.34**	**-12.2%**	**1.23**	**-75.9%**
Earnings per share (diluted)	**2.21**	**2.42**	**-8.7%**	**3.55**	**-37.7%**	**1.92**	**2.08**	**-7.6%**	**2.32**	**-17.1%**	**0.29**	**0.34**	**-15.3%**	**1.23**	**-76.8%**

INCOME STATEMENT

GEL thousands unless otherwise noted	BGEO Consolidated 2016	2015	Change y-o-y	Banking Business 2016	2015	Change y-o-y	Investment Business 2016	2015	Change y-o-y
Net banking interest income	549,407	501,390	9.6%	556,728	512,927	8.5%	-	-	-
Net fee and commission income	122,913	118,406	3.8%	124,949	121,589	2.8%	-	-	-
Net banking foreign currency gain	82,909	76,926	7.8%	82,909	76,926	7.8%	-	-	-
Net other banking income	11,773	18,528	-36.5%	12,767	19,837	-35.6%	-	-	-
Gross insurance profit	33,683	29,907	12.6%	25,101	20,047	25.2%	11,454	12,116	-5.5%
Gross healthcare and pharmacy profit	134,862	80,938	66.6%	-	-	-	134,862	80,938	66.6%
Gross real estate profit	19,768	14,688	34.6%	-	-	-	20,462	14,688	39.3%
Gross utility profit	38,541	-	-	-	-	-	38,680	-	-
Gross other investment profit	20,926	20,777	0.7%	-	-	-	20,802	20,639	0.8%
Revenue	**1,014,782**	**861,560**	**17.8%**	**802,454**	**751,326**	**6.8%**	**226,260**	**128,381**	**76.2%**
Operating expenses	**(390,788)**	**(314,732)**	**24.2%**	**(302,227)**	**(267,859)**	**12.8%**	**(93,648)**	**(50,862)**	**84.1%**
Operating income before cost of credit risk / EBITDA	**623,994**	**546,828**	**14.1%**	**500,227**	**483,467**	**3.5%**	**132,612**	**77,519**	**71.1%**
Profit from associates	4,328	4,050	6.9%	-	-	-	4,328	4,050	6.9%
Depreciation and amortisation of investment business	(28,865)	(14,225)	102.9%	-	-	-	(28,865)	(14,225)	102.9%
Net foreign currency gain (loss) from investment business	(9,650)	651	NMF	-	-	-	(9,650)	651	NMF
Interest income from investment business	4,155	2,340	77.6%	-	-	-	3,232	3,338	-3.2%
Interest expense from investment business	(21,429)	(10,337)	107.3%	-	-	-	(29,351)	(25,493)	15.1%
Operating income before cost of credit risk	**572,533**	**529,307**	**8.2%**	**500,227**	**483,467**	**3.5%**	**72,306**	**45,840**	**57.7%**
Cost of credit risk	(171,089)	(155,377)	10.1%	(168,561)	(151,517)	11.2%	(2,528)	(3,860)	-34.5%
Net non-recurring items	(11,524)	(14,577)	-20.9%	(45,351)	(13,046)	NMF	33,827	(1,531)	NMF
Income tax (expense) benefit	38,656	(48,408)	NMF	23,126	(44,647)	NMF	15,530	(3,761)	NMF
Profit	**428,576**	**310,945**	**37.8%**	**309,441**	**274,257**	**12.8%**	**119,135**	**36,688**	**224.7%**
Earnings per share (basic)	**10.41**	**7.93**	**31.3%**	**8.02**	**7.06**	**13.5%**	**2.39**	**0.87**	**175.8%**
Earnings per share (diluted)	**10.09**	**7.93**	**27.2%**	**7.77**	**7.06**	**10.0%**	**2.32**	**0.87**	**167.3%**

[5] Banking Business and Investment Business financials do not include inter-business eliminations. Detailed financials, including inter-business eliminations are provided on pages 34, 35 and 36

BALANCE SHEET

GEL thousands unless otherwise noted	BGEO Consolidated Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q	Banking Business Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q	Investment Business Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q
Liquid assets	3,914,596	3,068,166	27.6%	3,313,188	18.2%	3,712,489	3,006,991	23.5%	3,111,521	19.3%	554,192	307,459	80.2%	380,568	45.6%
Cash and cash equivalents	*1,573,610*	*1,432,934*	*9.8%*	*1,197,687*	*31.4%*	*1,482,106*	*1,378,459*	*7.5%*	*1,090,511*	*35.9%*	*397,620*	*290,576*	*36.8%*	*237,426*	*67.5%*
Amounts due from credit institutions	*1,054,983*	*731,365*	*44.2%*	*944,061*	*11.7%*	*943,091*	*721,802*	*30.7%*	*848,185*	*11.2%*	*153,497*	*15,730*	*875.8%*	*140,635*	*9.1%*
Investment securities	*1,286,003*	*903,867*	*42.3%*	*1,171,440*	*9.8%*	*1,287,292*	*906,730*	*42.0%*	*1,172,825*	*9.8%*	*3,075*	*1,153*	*166.7%*	*2,507*	*22.7%*
Loans to customers and finance lease receivables	6,648,482	5,322,117	24.9%	5,676,225	17.1%	6,681,672	5,366,764	24.5%	5,715,737	16.9%	-	-	-	-	-
Property and equipment	1,323,870	794,682	66.6%	1,224,620	8.1%	339,442	337,064	0.7%	338,455	0.3%	984,428	457,618	115.1%	886,165	11.1%
Total assets	**12,989,453**	**10,115,739**	**28.4%**	**11,286,088**	**15.1%**	**11,248,226**	**9,171,437**	**22.6%**	**9,654,646**	**16.5%**	**2,194,926**	**1,247,960**	**75.9%**	**1,875,062**	**17.1%**
Client deposits and notes	5,382,698	4,751,387	13.3%	4,700,324	14.5%	5,730,419	4,993,681	14.8%	4,878,171	17.5%	-	-	0.0%	-	0.0%
Amounts due to credit institutions	3,470,091	1,789,062	94.0%	2,740,926	26.6%	3,067,651	1,692,557	81.2%	2,396,969	28.0%	435,630	144,534	201.4%	380,745	14.4%
Borrowings from DFI	*1,403,120*	*917,087*	*53.0%*	*1,280,795*	*9.6%*	*1,281,798*	*917,087*	*39.8%*	*1,188,544*	*7.8%*	*121,323*	-	-	*92,251*	*31.5%*
Short-term loans from NBG	*1,085,640*	*307,200*	*253.4%*	*604,608*	*79.6%*	*1,085,640*	*307,200*	*253.4%*	*604,608*	*79.6%*	-	-	-	-	-
Loans and deposits from commercial banks	*981,331*	*564,775*	*73.8%*	*855,523*	*14.7%*	*700,213*	*468,270*	*49.5%*	*603,817*	*16.0%*	*314,307*	*144,534*	*117.5%*	*288,494*	*8.9%*
Debt securities issued	1,255,643	1,039,804	20.8%	1,036,086	21.2%	858,037	961,944	-10.8%	722,088	18.8%	407,242	84,474	382.1%	320,128	27.2%
Total liabilities	**10,566,035**	**8,042,101**	**31.4%**	**8,897,339**	**18.8%**	**9,819,375**	**7,856,146**	**25.0%**	**8,138,685**	**20.7%**	**1,200,359**	**489,613**	**145.2%**	**1,002,274**	**19.8%**
Total equity	**2,423,418**	**2,073,638**	**16.9%**	**2,388,749**	**1.5%**	**1,428,851**	**1,315,291**	**8.6%**	**1,515,961**	**-5.7%**	**994,567**	**758,347**	**31.1%**	**872,788**	**14.0%**

BANKING BUSINESS RATIOS

	4Q16	4Q15	3Q16	2016	2015
ROAA	2.9%	3.5%	3.7%	3.2%	3.2%
ROAE	20.1%	25.1%	24.7%	22.1%	21.7%
Net Interest Margin	7.6%	7.6%	7.3%	7.5%	7.7%
Loan Yield	14.4%	14.8%	14.1%	14.2%	14.8%
Liquid assets yield	3.3%	3.3%	3.2%	3.2%	3.2%
Cost of Funds	4.6%	5.1%	4.7%	4.7%	5.1%
Cost of Client Deposits and Notes	3.5%	4.4%	3.6%	3.8%	4.3%
Cost of Amounts Due to Credit Institutions	6.4%	5.9%	6.5%	6.2%	5.8%
Cost of Debt Securities Issued	6.1%	6.8%	6.6%	6.8%	7.1%
Cost / Income	37.5%	35.4%	37.3%	37.7%	35.7%
NPLs To Gross Loans To Clients	4.2%	4.3%	4.4%	4.2%	4.3%
NPL Coverage Ratio	86.7%	83.4%	86.5%	86.7%	83.4%
NPL Coverage Ratio, Adjusted for discounted value of collateral	132.1%	120.6%	131.1%	132.1%	120.6%
Cost of Risk	4.2%	2.4%	2.3%	2.7%	2.7%
Tier I capital adequacy ratio (New NBG, Basel 2/3)[6]	10.1%	10.9%	11.0%	10.1%	10.9%
Total capital adequacy ratio (New NBG, Basel 2/3)[6]	15.4%	16.7%	16.2%	15.4%	16.7%

[6] See the footnote 2 in Banking Business Highlights section on page 6

DISCUSSION OF RESULTS

Discussion of Banking Business Results

*The Group's **Banking Business** is comprised of several components. **Retail Banking** operations in Georgia principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfer and settlement services, and handling customers' deposits for both individuals as well as legal entities. The business targets the emerging retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. **Corporate Investment Banking** comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides private banking services to high net worth clients. **Property and Casualty ("P&C")** principally provides property and casualty insurance services to corporate clients and insured individuals in Georgia. **BNB**, comprising JSC Belarusky Narodny Bank, principally provides retail and corporate banking services in Belarus. The following discussion refers to the Banking Business only.*

REVENUE

GEL thousands, unless otherwise noted	4Q16	4Q15	Change, y-o-y	3Q16	Change, q-o-q	2016	2015	Change, y-o-y
Banking interest income	258,414	230,833	11.9%	231,849	11.5%	933,715	872,299	7.0%
Banking interest expense	(100,043)	(96,616)	3.5%	(93,234)	7.3%	(376,987)	(359,372)	4.9%
Net banking interest income	**158,371**	**134,217**	**18.0%**	**138,615**	**14.3%**	**556,728**	**512,927**	**8.5%**
Fee and commission income	50,135	42,856	17.0%	43,421	15.5%	172,715	161,891	6.7%
Fee and commission expense	(13,490)	(10,590)	27.4%	(12,770)	5.6%	(47,766)	(40,302)	18.5%
Net fee and commission income	**36,645**	**32,266**	**13.6%**	**30,651**	**19.6%**	**124,949**	**121,589**	**2.8%**
Net banking foreign currency gain	28,516	19,525	46.0%	21,497	32.7%	82,909	76,926	7.8%
Net other banking income	2,506	9,699	-74.2%	4,269	-41.3%	12,767	19,837	-35.6%
Net insurance premiums earned	11,559	10,810	6.9%	11,616	-0.5%	42,959	40,161	7.0%
Net insurance claims incurred	(5,114)	(5,369)	-4.7%	(4,800)	6.5%	(17,858)	(20,114)	-11.2%
Gross insurance profit	**6,445**	**5,441**	**18.5%**	**6,816**	**-5.4%**	**25,101**	**20,047**	**25.2%**
Revenue	**232,483**	**201,148**	**15.6%**	**201,848**	**15.2%**	**802,454**	**751,326**	**6.8%**
Net Interest Margin	7.6%	7.6%		7.3%		7.5%	7.7%	
Average interest earning assets	8,240,676	7,014,711	17.5%	7,543,357	9.2%	7,447,665	6,667,220	11.7%
Average interest bearing liabilities	8,609,618	7,575,074	13.7%	7,864,440	9.5%	7,961,933	7,069,269	12.6%
Average net loans and finance lease receivables, currency blended	6,134,296	5,401,904	13.6%	5,596,305	9.6%	5,640,611	5,200,650	8.5%
Average net loans and finance lease receivables, GEL	1,780,650	1,536,973	15.9%	1,588,995	12.1%	1,592,987	1,527,852	4.3%
Average net loans and finance lease receivables, FC	4,353,646	3,864,931	12.6%	4,007,310	8.6%	4,047,624	3,672,798	10.2%
Average client deposits and notes, currency blended	5,236,265	4,807,651	8.9%	4,892,822	7.0%	5,017,993	4,379,707	14.6%
Average client deposits and notes, GEL	1,221,435	1,258,566	-3.0%	1,166,397	4.7%	1,221,469	1,203,167	1.5%
Average client deposits and notes, FC	4,014,830	3,549,085	13.1%	3,726,425	7.7%	3,796,524	3,176,540	19.5%
Average liquid assets, currency blended	3,307,646	2,842,715	16.4%	3,240,623	2.1%	3,106,676	2,540,310	22.3%
Average liquid assets, GEL	1,325,275	1,194,534	10.9%	1,227,967	7.9%	1,210,935	1,153,425	5.0%
Average liquid assets, FC	1,982,371	1,648,181	20.3%	2,012,656	-1.5%	1,895,741	1,386,885	36.7%
Excess liquidity (NBG)	418,016	789,311	-47.0%	545,556	-23.4%	418,016	789,311	-47.0%
Liquid assets yield, currency blended	3.3%	3.3%		3.2%		3.2%	3.2%	
Liquid assets yield, GEL	7.3%	7.2%		7.4%		7.4%	6.5%	
Liquid assets yield, FC	0.6%	0.5%		0.6%		0.5%	0.5%	
Loan yield, currency blended	14.4%	14.8%		14.1%		14.2%	14.8%	
Loan yield, GEL	22.9%	23.4%		23.4%		23.3%	22.6%	
Loan yield, FC	10.9%	11.3%		10.3%		10.6%	11.4%	
Cost of Funds, currency blended	4.6%	5.1%		4.7%		4.7%	5.1%	
Cost of Funds, GEL	6.0%	6.8%		6.1%		6.4%	5.5%	
Cost of Funds, FC	4.1%	4.6%		4.2%		4.2%	4.9%	

- **Banking Business revenue: We recorded quarterly revenue of GEL 232.5mln (up 15.6% y-o-y and up 15.2% q-o-q), ending 2016 with revenue of GEL 802.5mln (up 6.8% y-o-y)**. Quarterly revenue growth, compared to last year, was primarily driven by an increase in net banking interest income and net banking foreign currency gain. For 2016 overall, our revenue was primarily driven by net interest income resulting from the growth in our loan book, together with a smaller increase in net fee and commission income, gain on foreign currency and strong performance of our P&C insurance business

- **Net banking interest income.** Our net banking interest income was up 18.0% in 4Q16 y-o-y and up 8.5% for 2016 y-o-y. Net banking interest income was primarily driven by a strong performance in our Retail Banking operations, offset by a slight decline in CIB net interest income

- **Our NIM stood comfortably within our target range of 7.25% - 7.75%.** Excess liquidity, which was a drag to NIM in previous quarters, started to be deployed in our loan portfolio in 4Q16 and consequently decreased by 47.0% y-o-y and 23.4% q-o-q. Reflecting this, NIM rebounded in 4Q16 compared to 3Q16. At the same time, cost of funds improved, reflecting lower cost on deposits compared to the previous year as well as the lower cost of our Eurobond funding. These factors influenced NIM's increase by 30bps in 4Q16 to 7.6%. On a full year basis, NIM stood at 7.5%, 20bps lower compared to 2015 primarily due to high levels of excess liquidity held during the first half of 2016

- **Loan yields.** Loan yield grew by 30 bps in 4Q16 compared to 3Q16, which partially reflected a shift in our loan book toward higher yielding local currency denominated loans. Average local currency denominated loans grew faster than foreign currency denominated loans compared to previous quarter. Similarly, our liquid asset yield also increased reflecting growth in average liquid assets in local currency compared to reduction in foreign currency denominated liquid assets

- **Dollarisation.** Dollarisation of our loan book decreased since last year as local currency denominated loans increased faster than foreign currency denominated loans during the year. On the other hand, the dollarisation of our average liquid assets increased slightly to 60% in 2016, up from 58% in 2015 – this is primarily due to a higher level of US Dollar liquidity mobilised at the beginning of the 2016 in connection with the liability management exercise of the Bank's outstanding Eurobonds, which was completed during the 3rd quarter. In addition, a change in the minimum reserve requirement for foreign currency deposits resulted in a further increase of dollarisation of liquid assets[7]

- **Net Loans to Customer Funds and DFI ratio**. At year-end 2016, customer funds (client deposits and notes) increased 14.8% y-o-y to GEL 5,730.4mln primarily driven by strong deposit generation in our Retail Banking operations where client deposits grew by 28.4% y-o-y to GEL 2,413.6mln. We also increased our borrowings from DFIs by 39.8% y-o-y to GEL 1,281.8mln, particularly to support local currency lending. Consequently, our Net Loans to Customer Funds and DFI ratio, which is closely monitored by management, stood at 95.3% (90.8% at 31 December 2015 and 94.2% at 30 September 2016)

- **Net fee and commission income.** Net fee and commission income performance is mainly driven by the strong performance in our settlement operations supported by the success of our Express banking franchise. This was partially offset by a decline in our fees from guarantees, driven by the deconcentration efforts in CIB segment which resulted in decreased large guarantee exposures in the Bank. Excluding the impact of guarantees, net fee and commission income was GEL 33.6mln for 4Q16, up 19.4% y-o-y, and GEL 112.3mln for 2016, up 9.3% y-o-y

- **Net banking foreign currency gain.** On the back of continued volatility in the GEL exchange rate, banking foreign exchange gain was up 46.0% y-o-y for 4Q16 and 7.8% y-o-y for the year. Both Retail Banking and CIB contributed to the foreign currency gain

- **Net other banking income.** The decrease in net other banking income by 74.2% y-o-y was caused by the difference between insignificant loss from revaluation of investment property in 4Q16 compared to the substantial gain of GEL 6.4mln recorded in 4Q15. On an annual basis, the decrease was affected by similar factors as in 4Q16

- **Gross insurance profit.** Gross insurance profit continued its strong growth throughout 2016. This is reflected in year-to-date performance, as net insurance premiums earned increased by 7.0% y-o-y and net insurance claims incurred decreased by 11.2% y-o-y, driving y-o-y growth in gross insurance profit of 25.2%. This strong performance is mainly driven by the improved quality of the insurance portfolio that resulted from the termination of relationships with loss making clients. The improvement in 2016 also results from a base effect, as claims in 2015 year were high with GEL 1.3mln of expense recognised related to floods in Tbilisi. *For P&C insurance segment financials please see page 39*

[7] Effective 17 May 2016, the National Bank of Georgia changed its minimum reserve requirements, with the goal to incentivise local currency lending. The minimum reserve requirement for local currency was reduced from 10% to 7% and the minimum reserve requirement for foreign currency has increased from 15% to 20%

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

GEL thousands, unless otherwise noted	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	2016	2015	Change y-o-y
Salaries and other employee benefits	(50,052)	(39,304)	27.3%	(45,575)	9.8%	(176,280)	(155,744)	13.2%
Administrative expenses	(25,714)	(21,657)	18.7%	(18,970)	35.6%	(83,792)	(74,381)	12.7%
Banking depreciation and amortisation	(9,841)	(8,982)	9.6%	(9,665)	1.8%	(37,981)	(34,199)	11.1%
Other operating expenses	(1,462)	(1,229)	19.0%	(1,165)	25.5%	(4,174)	(3,535)	18.1%
Operating expenses	**(87,069)**	**(71,172)**	**22.3%**	**(75,375)**	**15.5%**	**(302,227)**	**(267,859)**	**12.8%**
Operating income before cost of credit risk	**145,414**	**129,976**	**11.9%**	**126,473**	**15.0%**	**500,227**	**483,467**	**3.5%**
Impairment charge on loans to customers	(69,920)	(33,929)	106.1%	(29,936)	133.6%	(158,892)	(142,819)	11.3%
Impairment charge on finance lease receivables	3,124	(215)	NMF	(3,258)	NMF	(777)	(1,958)	-60.3%
Impairment charge on other assets and provisions	(4,077)	(1,086)	NMF	(1,331)	NMF	(8,892)	(6,740)	31.9%
Cost of credit risk	**(70,873)**	**(35,230)**	**101.2%**	**(34,525)**	**105.3%**	**(168,561)**	**(151,517)**	**11.2%**
Net operating income before non-recurring items	**74,541**	**94,746**	**-21.3%**	**91,948**	**-18.9%**	**331,666**	**331,950**	**-0.1%**
Net non-recurring items	(1,056)	(2,502)	-57.8%	3,474	NMF	(45,351)	(13,046)	NMF
Profit before income tax	**73,485**	**92,244**	**-20.3%**	**95,422**	**-23.0%**	**286,315**	**318,904**	**-10.2%**
Income tax (expense) benefit	1,830	(11,653)	NMF	(5,665)	NMF	23,126	(44,647)	NMF
Profit	**75,315**	**80,591**	**-6.5%**	**89,757**	**-16.1%**	**309,441**	**274,257**	**12.8%**

- **Operating expenses increased to GEL 87.1mln in 4Q16 (up 22.3% y-o-y and up 15.5% q-o-q) and to GEL 302.2mln in 2016 (up 12.8% y-o-y).** Growth in operating expenses outpaced growth in revenue, and consequently operating leverage was negative in 4Q16 at 6.8 percentage points and also negative in 2016 at 6.0 percentage points, both on y-o-y basis. **Both 4Q16 and full year 2016 operating expenses were driven by:**
  - An increase in salaries and employee benefits, which mainly reflects the organic growth of our Retail Banking Business
  - Growth in year-to-date administrative expenses which was driven by the rent, marketing expenses and operating taxes compared with the same period last year. The increase in operating taxes is due to change in Georgian Tax code from January 2016 as a result of which the Group pays property taxes on investment properties owned
- **Cost of Risk and Cost of Risk ratio.** For 4Q16, the y-o-y increase in Banking Business cost of credit risk is mainly attributable to the GEL devaluation, and the Group's subsequent review of its performing and non-performing US dollar denominated portfolios, which resulted in an increase in impairment of c.GEL 32 million. As a result, we recorded cost of credit risk of GEL 168.6mln in 2016, up 11.2% y-o-y (compared to 24.5% growth in loan book), and Cost of Risk ratio of 2.7%, flat y-o-y. Despite more than 13% GEL devaluation during the 4Q16, the quality of the Bank's loan book remains solid:
  - **NPLs.** NPLs were GEL 294.8mln, up 22.2% y-o-y and up 13.0% q-o-q. The increase reflects the growth in net loan book and the effect of the local currency devaluation
  - **NPLs to gross loans.** NPLs to gross loans were 4.2% as of 31 December 2016, down 10 bps y-o-y and down 20 bps q-o-q. Our Retail Banking NPLs to gross loans stood at 1.4%, down from 1.6% as of 30 September 2016 and 1.5% a year ago. CIB NPLs to gross loans were 8.0%, compared to 7.6% as of 30 September 2016 and 7.3% a year ago
  - **The NPL coverage ratio.** The NPL coverage ratio stood at 86.7% as of 31 December 2016, compared to 83.4% as of 30 December 2015 and 86.5% as of 30 September 2016. Our NPL coverage ratio adjusted for the discounted value of collateral was 132.1% as of 31 December 2016, compared to 120.6% as of 31 December 2015 and compared to 131.1% as of 30 September 2016
  - **Past due rates.** Our 15 days past due rate for retail loans stood at 1.2% as of 31 December 2016 compared to 0.9% as of 31 December 2015 and 1.3% as of 30 September 2016. 15 days past due rate for our mortgage loans stood at 0.6% as of 31 December 2016 compared to 0.4% as of 31 December 2015 and 0.6% as of 30 September 2016
- **Net non-recurring items and Income tax expense (benefit)**. For a discussion of the factors affecting these two items and their impact, see page 5 above
- **As a result of the foregoing, the Banking Business profit was GEL 75.3mln in 4Q16 (down 6.5% y-o-y and down 16.1% q-o-q) and GEL 309.4mln in 2016 (up 12.8% y-o-y). This resulted in an ROAE of 20.1% in 4Q16 (down 500bps y-o-y and down 460bps q-o-q) and of 22.1% in 2016 (up 40bps y-o-y)**

- **BNB – the banking subsidiary in Belarus - incurred a loss of GEL 4.1mln in 4Q16 and a profit of GEL 2.7mln in 2016 (down 84.6% y-o-y)[8]; The earnings were negatively impacted by higher cost of risk due to the difficult economic environment in Belarus, a GEL 1.4 mln impairment charge on PPE, and a GEL 1.2mln loss from revaluation of investment property.** The BNB loan book reached GEL 362.1mln, up 13.1% y-o-y, mostly consisting of an increase in SME loans. BNB client deposits were to GEL 233.5mln, down 15.9% y-o-y. **BNB remains well capitalised**, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. As at 31 December 2016, Total CAR was 15.5%, above 10% minimum requirement by the National Bank of the Republic of Belarus ("NBRB") and Tier I CAR was 9.5%, above the 6% minimum requirement by NBRB. Return on Average Equity ("**ROAE**") for BNB was negative 21.9% in 4Q16 (23.5% in 4Q15 and 13.0% in 3Q16), ending 2016 with ROAE of 2.6% compared to 22.3% for the same period last year. *For BNB standalone financial highlights, please see page 39*

BANKING BUSINESS BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	**Dec-16**	**Dec-15**	**Change y-o-y**	**Sep-16**	**Change q-o-q**
Liquid assets	3,712,489	3,006,991	23.5%	3,111,521	19.3%
Liquid assets, GEL	1,455,296	1,191,353	22.2%	1,257,008	15.8%
Liquid assets, FC	2,257,193	1,815,638	24.3%	1,854,513	21.7%
Net loans and finance lease receivables	6,681,672	5,366,764	24.5%	5,715,737	16.9%
Net loans and finance lease receivables, GEL	1,920,422	1,502,888	27.8%	1,699,647	13.0%
Net loans and finance lease receivables, FC	4,761,250	3,863,876	23.2%	4,016,090	18.6%
Client deposits and notes	5,730,419	4,993,681	14.8%	4,878,171	17.5%
Amounts due to credit institutions	3,067,651	1,692,557	81.2%	2,396,969	28.0%
Borrowings from DFIs	1,281,798	917,087	39.8%	1,188,544	7.8%
Short-term loans from central banks	1,085,640	307,200	253.4%	604,608	79.6%
Loans and deposits from commercial banks	700,213	468,270	49.5%	603,817	16.0%
Debt securities issued	858,037	961,944	-10.8%	722,088	18.8%
Liquidity and CAR ratios					
Net loans / client deposits and notes	116.6%	107.5%		117.2%	
Net loans / client deposits and notes + DFIs	95.3%	90.8%		94.2%	
Liquid assets as percent of total assets	33.0%	32.8%		32.2%	
Liquid assets as percent of total liabilities	37.8%	38.3%		38.2%	
NBG liquidity ratio	37.7%	46.2%		41.4%	
Excess liquidity (NBG)	418,016	789,311	-47.0%	545,556	-23.4%
New NBG (Basel II) Tier I Capital Adequacy Ratio[9]	10.1%	10.9%		11.0%	
New NBG (Basel II) Total Capital Adequacy Ratio[9]	15.4%	16.7%		16.2%	

Our Banking Business balance sheet remained highly liquid (NBG Liquidity ratio of 37.7%) **and well-capitalised** (Tier I Capital Adequacy Ratio, NBG Basel 2/3 of 10.1%[9]) **with a well-diversified funding base** (Client Deposits and notes to Total Liabilities of 58.4%).

- **Liquidity:** The NBG liquidity ratio stood at 37.7% as of 31 December 2016 compared to 46.2% a year ago, and against a regulatory minimum requirement of 30.0%. Liquid assets increased to GEL 3,712.5mln, up 23.5% y-o-y which was primarily due to increase in obligatory reserves mandated by the change in NBG regulation. Increase in local currency corporate bonds, which the Bank uses as collateral for short-term borrowing from NBG, was another contributor to growth in liquid assets
- **Diversified funding base**. Short-term borrowings from NBG grew 253.4% y-o-y due to increase in local currency sourcing from International Financial Institutions whose GEL-denominated bonds were used as collateral for NBG loans. The increase in loans and deposits from commercial banks was partially a result of the GEL devaluation as these loans and deposits are primarily US dollar denominated. Net Loans to Customer Funds and DFIs ratio, a ratio closely observed by management, stood at 95.3%, up from 94.2% as of 30 September 2016 and from 90.8% as of 31 December 2015
- **Loan book**. Our net loan book and financial lease receivables reached a record GEL 6,681.7mln, up 24.5% y-o-y and up 16.9% q-o-q. Both, local and foreign currency portfolios recorded strong growth with our focus to increase share of local currency loans in our portfolio

[8] BNB 2016 profit reflects the deferred tax adjustment attributable to BNB. Before this adjustment, BNB profit was GEL 6.2mln in 2016
[9] See the footnote 2 in Banking Business Highlights section on page 6

Discussion of Segment Results

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

Banking Business Segment Result Discussion

Retail Banking (RB)

Retail Banking provides consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services and the handling of customer deposits for both individuals and legal entities, encompassing the emerging mass retail segment (through our Express brand), retail mass market segment and SME and micro businesses (through our Bank of Georgia brand), and the mass affluent segment (through our Solo brand)

GEL thousands, unless otherwise noted	**4Q16**	**4Q15**	**Change y-o-y**	**3Q16**	**Change q-o-q**	**2016**	**2015**	**Change y-o-y**
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	111,109	85,318	30.2%	95,507	16.3%	374,022	322,879	15.8%
Net fee and commission income	26,810	21,264	26.1%	22,402	19.7%	90,193	78,218	15.3%
Net banking foreign currency gain	8,825	3,697	138.7%	8,198	7.6%	26,086	17,108	52.5%
Net other banking income	989	3,950	-75.0%	1,097	-9.8%	3,833	9,159	-58.2%
Revenue	**147,733**	**114,229**	**29.3%**	**127,204**	**16.1%**	**494,134**	**427,364**	**15.6%**
Salaries and other employee benefits	(31,149)	(23,613)	31.9%	(27,315)	14.0%	(106,396)	(92,091)	15.5%
Administrative expenses	(17,287)	(14,445)	19.7%	(13,179)	31.2%	(57,743)	(50,398)	14.6%
Banking depreciation and amortisation	(8,052)	(7,259)	10.9%	(7,910)	1.8%	(30,943)	(27,714)	11.7%
Other operating expenses	(818)	(782)	4.6%	(837)	-2.3%	(2,545)	(2,093)	21.6%
Operating expenses	**(57,306)**	**(46,099)**	**24.3%**	**(49,241)**	**16.4%**	**(197,627)**	**(172,296)**	**14.7%**
Operating income before cost of credit risk	**90,427**	**68,130**	**32.7%**	**77,963**	**16.0%**	**296,507**	**255,068**	**16.2%**
Cost of credit risk	(19,272)	(15,371)	25.4%	(20,691)	-6.9%	(75,690)	(75,407)	0.4%
Net non-recurring items	(1,921)	(2,494)	-23.0%	2,297	NMF	(32,002)	(8,945)	NMF
Profit before income tax	**69,234**	**50,265**	**37.7%**	**59,569**	**16.2%**	**188,815**	**170,716**	**10.6%**
Income tax (expense) benefit	(1,235)	(7,608)	-83.8%	(3,147)	-60.8%	20,475	(23,994)	NMF
Profit	**67,999**	**42,657**	**59.4%**	**56,422**	**20.5%**	**209,290**	**146,722**	**42.6%**
BALANCE SHEET HIGHLIGHTS								
Net loans, Currency Blended	3,902,306	2,796,479	39.5%	3,286,958	18.7%	3,902,306	2,796,479	39.5%
Net loans, GEL	1,530,661	1,279,286	19.6%	1,374,161	11.4%	1,530,661	1,279,286	19.6%
Net loans, FC	2,371,645	1,517,193	56.3%	1,912,797	24.0%	2,371,645	1,517,193	56.3%
Client deposits, Currency Blended	2,413,569	1,880,018	28.4%	2,084,371	15.8%	2,413,569	1,880,018	28.4%
Client deposits, GEL	603,149	486,806	23.9%	565,240	6.7%	603,149	486,806	23.9%
Client deposits, FC	1,810,420	1,393,212	29.9%	1,519,131	19.2%	1,810,420	1,393,212	29.9%
of which:								
Time deposits, Currency Blended	1,437,644	1,156,382	24.3%	1,261,273	14.0%	1,437,644	1,156,382	24.3%
Time deposits, GEL	228,047	192,178	18.7%	219,117	4.1%	228,047	192,178	18.7%
Time deposits, FC	1,209,597	964,204	25.5%	1,042,156	16.1%	1,209,597	964,204	25.5%
Current accounts and demand deposits, Currency Blended	975,925	723,636	34.9%	823,098	18.6%	975,925	723,636	34.9%
Current accounts and demand deposits, GEL	375,102	294,628	27.3%	346,123	8.4%	375,102	294,628	27.3%
Current accounts and demand deposits, FC	600,823	429,008	40.0%	476,975	26.0%	600,823	429,008	40.0%
KEY RATIOS								
ROAE Retail Banking	35.8%	28.6%		31.6%		30.5%	24.6%	
Net interest margin, currency blended	9.3%	9.6%		9.0%		9.2%	9.6%	
Cost of risk	2.0%	2.1%		2.4%		2.3%	2.6%	
Cost of funds, currency blended	5.1%	6.9%		5.4%		5.7%	6.4%	
Loan yield, currency blended	16.4%	17.9%		16.6%		16.8%	17.6%	
Loan yield, GEL	25.4%	25.4%		25.5%		25.4%	24.2%	
Loan yield, FC	10.1%	11.2%		10.0%		10.2%	10.6%	
Cost of deposits, currency blended	3.1%	3.5%		3.3%		3.3%	3.9%	
Cost of deposits, GEL	4.0%	4.4%		4.5%		4.5%	4.7%	
Cost of deposits, FC	2.7%	3.2%		2.9%		2.9%	3.5%	
Cost of time deposits, currency blended	4.5%	5.2%		4.8%		4.9%	5.5%	
Cost of time deposits, GEL	8.6%	9.3%		9.3%		9.3%	8.7%	
Cost of time deposits, FC	3.7%	4.4%		3.9%		4.0%	4.7%	
Current accounts and demand deposits, currency blended	0.8%	0.9%		0.9%		0.9%	1.2%	
Current accounts and demand deposits, GEL	1.1%	1.0%		1.4%		1.2%	1.5%	
Current accounts and demand deposits, FC	0.6%	0.8%		0.6%		0.6%	0.9%	
Cost / income ratio	38.8%	40.4%		38.7%		40.0%	40.3%	

Performance highlights

- **Retail Banking has continued its strong performance across all major business lines and recorded revenue of GEL 147.7mln in 4Q16 (up 29.3% y-o-y) and GEL 494.1mln (up 15.6% y-o-y) in 2016**
- Net banking interest income is growing on the back of the strong growth in the loan book and also reflects growth in the local currency loan portfolio which picked up in 4Q16. However, our foreign currency denominated loan book growth still outpaced the growth of local currency denominated loan book. Dollarisation of the loan book increased y-o-y from 54.3% as at 31 December 2015 to 60.8% as at 31 December 2016, with net loans in foreign currency increasing 56.3% y-o-y
- **The Retail Banking net loan book reached a record level of GEL 3,902.3mln, up 39.5% y-o-y.** Foreign currency denominated loans grew to GEL 2,371.6 mln (up 56.3% y-o-y) compared to local currency loans that increased to GEL 1,530.7mln (up 19.6% y-o-y)
- The loan book growth was a result of accelerated loan origination delivered across all Retail Banking segments:
  - Consumer loan originations totalled GEL 312.8mln in 4Q16 and GEL 1019.0mln in 2016, resulting in consumer loans outstanding of GEL 886.6mln as of 31 December 2016, up 41.4% y-o-y
  - Micro loan originations totalled GEL 272.4mln in 4Q16 and GEL 800.3mln in 2016, resulting in micro loans outstanding of GEL 856.7mln as of 31 December 2016, up 56.7% y-o-y
  - SME loan originations totalled GEL 166.3mln in 4Q16 and GEL 509.4mln in 2016, resulting in SME loans outstanding of GEL 489.6mln as of 31 December 2016, up 37.1% y-o-y
  - Mortgage loan originations totalled GEL 239.0mln in 4Q16 and GEL 717.7mln in 2016, resulting in mortgage loans outstanding of GEL 1,227.6mln as of 31 December 2016, up 51.7% y-o-y
  - Originations of loans disbursed at merchant locations totalled GEL 69.0mln in 4Q16 and GEL 220.9mln in 2016, resulting in loans disbursed at merchant locations outstanding of GEL 121.2mln as of 31 December 2016, up 1.5% y-o-y
- **Retail Banking client deposits increased to GEL 2,413.6mln, up 28.4% y-o-y**, notwithstanding a decrease of 60bps y-o-y in the cost of deposits. The dollarisation of our deposits has increased slightly to 75.0% from 74.1% a year ago. Foreign currency denominated deposits grew to GEL 1,810.4 mln (up 29.9% y-o-y) compared to local currency denominated deposits that grew to GEL 603.1mln (up 23.9% y-o-y)
- **Retail Banking NIM was 9.3% in 4Q16, down 30bps y-o-y and up 30bps q-o-q, ending 2016 with 9.2%, down 40bps y-o-y.** The increasing dollarisation of our loan book had an important impact on the retail NIM. Our focus going forward continues to be the growth in local currency lending, which will be supported by the new lines of longer term local currency funding that we have been sourcing since the beginning of 2016
- The number of Retail Banking clients totalled 2.1mln, up 7.1% y-o-y and the number of cards totalled 2,056,258 , up 5.0% y-o-y
- **Our express banking franchise, the major driver of fee and commission income, added 25,757 Express Banking customers during the fourth quarter of 2016 and 46,617 clients during 2016, accumulating a total of 471,967 clients by the end of 2016.** The growth in client base has triggered a significant increase in the volume of banking transactions, up 55% 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 26.8mln, up 26.1% y-o-y for 4Q16 with the 2016 result reaching GEL 90.2mln, up 15.3% y-o-y. See below for more information on the development of our express banking franchise
- **Our Express Banking business continues to deliver strong growth as we continue to develop our mass market Retail Banking strategy:**
  - In order to better serve the different needs of our Express Banking customers, we have expanded our payment services through various distance channels including ATMs, Express Pay Terminals, internet and mobile banking and the provision of simple and clear products and services to our existing customers as well as the emerging bankable population
  - **As of 31 December 2016, 1,279,113 Express Cards were outstanding, compared to 1,045,433 cards outstanding on the same date last year.** 185,227 Express Cards were issued in 4Q16, up 34.0% y-o-y, leading to total of 566,394 Express Cards issued in 2016, up 20.5% on 2015.
  - **We have increased number of Express Pay terminals to 2,729, from 2,589 a year ago**. Express Pay terminals are an alternative to tellers, placed at bank branches as well as various other venues (groceries, shopping centres, bus stops, etc.),

and are used for bank transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups

- **The utilisation of Express Pay terminals continued to grow in 2016**. The volume of transactions reached GEL 936.0mln, up 38.6% y-o-y and the number of transactions was 27.2mln, down 9.8% y-o-y for the first time. This decrease was a result of a management decision to introduce transaction fees on non-banking transactions processed through Express Pay terminals, however, this introduction had a positive impact on the Bank's fees and commission income. In 2016, the number of transactions increased to 117.5mln, up 3.9% y-o-y and volume of transactions reached GEL 3,167.4mln, up 45.4% y-o-y
- **Increased Point of Sales ("POS") footprint** to 8,516 desks and 4,514 contracted merchants as of 31 December 2016, up from 6,632 desks and 3,335 contracted merchants as of 31 December 2015
- The number of POS terminals reached 10,357, up 27.8% from 8,103 a year ago
- The volume of transactions through the Bank's POS terminals grew to GEL 290.1mln in 4Q16, up 43.1% y-o-y. For 2016, the volume of transactions reached GEL926.3mln, up 30.4% y-o-y
- The number of transactions via Internet banking has increased to 1.7mln in 4Q16, up from 1.2mln a year ago, with volume reaching GEL 434.4mln, up 94.9% y-o-y. In 2016, the number of transactions reached 5.8mln, up from 4.4mln a year ago, with volume of transaction reaching GEL 1,290.6mln, up 68.7% y-o-y
- The number of transactions via mobile banking reached 0.86mln in 4Q16, up from 0.5mln a year ago, with volume reaching GEL 89.6mln, up 144.6% y-o-y. For 2016, number of transactions reached 2.6mln, up from 1.7mln a year ago, with volume reaching GEL 246.3mln, up 90.5% y-o-y

- **The number of Solo clients reached 19,267 at the end of 2016, up 132.6% since its re-launch in April 2015.** We have now launched 11 Solo lounges, of which 8 are located in Tbilisi, the capital city and 3 in major regional cities in Georgia. In 2016, profit per Solo client was GEL 1,692 compared to a profit of GEL 77 and GEL 65 per Express and mass retail clients, respectively. Product to client ratio for Solo segment was 6.9, compared to 3.1 and 1.7 for Express and mass retail clients. While Solo clients currently represent c.0.9% of our total retail client base, they contributed 21.7% to our retail loan book, 36.5% to our retail deposits, 9.5% to our net interest income and 10.9% to our net fee and commission income. Our goal is to significantly increase our market share in this segment, which stood below 13% at the beginning of 2015 when we launched Solo in its current format. See below for more information on Solo
- **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 financial products 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 world famous artists and other entertainments for solo clientele exclusively, as well as handpicked lifestyle products. Solo organised two Sting concerts in February 2016, where over 4,500 Solo clients had exclusive access to the event, at cost. In September 2016, Solo clientele enjoyed the concerts of world famous Eric Benét and in January 2017, Boyz II Man performed for Solo clients in Tbilisi. The events were met with strong demand and were regarded highly by Solo clients. All these events were held in Tbilisi
- **RB cost to income ratio remained well-controlled and improved to 40.0% down by 30 bps y-o-y.** Retail Banking Cost to Income ratio continued the improving trend of 2016 into the 4Q16 and stood at 38.8% in 4Q16, compared to 38.7% in 3Q16, 39.9% in 2Q16 and 43.3% in 1Q16. This is a result of increasing utilisation of our newly launched Solo lounges combined with the increasing number of clients and growth of Express Banking which is the most cost efficient among the three Retail Banking segments
- The cost of credit risk was GEL 19.3mln (up 25.4% y-o-y) and GEL 75.7mln (up 0.4% y-o-y) for 4Q16 and 2016, respectively. Cost of Risk ratio was 2.0% in 4Q16 down from 2.1% in 4Q15 and down from 2.4% in 3Q16, ending 2016 with Cost of Risk of 2.3%, down from 2.6% a year ago
- As a result, Retail Banking profit reached GEL 68.0mln (up 59.4% y-o-y) and GEL 209.3mln (up 42.6% y-o-y) for 4Q16 and 2016, respectively. Retail Banking continued to deliver an outstanding ROAE, which stood at 35.8% in 4Q16 compared to 28.6% in 4Q15 and 31.6% in 3Q16, whilst ROAE for 2016 was 30.5% compared to 24.6% a year ago

Corporate Investment Banking (CIB)

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

GEL thousands, unless otherwise noted	**4Q16**	**4Q15**	**Change y-o-y**	**3Q16**	**Change q-o-q**	**2016**	**2015**	**Change y-o-y**
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	39,168	39,381	-0.5%	34,457	13.7%	147,108	156,068	-5.7%
Net fee and commission income	8,133	8,781	-7.4%	6,680	21.8%	27,963	34,335	-18.6%
Net banking foreign currency gain	16,158	13,942	15.9%	12,196	32.5%	48,643	41,763	16.5%
Net other banking income	2,518	4,328	-41.8%	3,244	-22.4%	10,170	10,112	0.6%
Revenue	**65,977**	**66,432**	**-0.7%**	**56,577**	**16.6%**	**233,884**	**242,278**	**-3.5%**
Salaries and other employee benefits	(12,368)	(9,982)	23.9%	(12,851)	-3.8%	(47,731)	(43,333)	10.1%
Administrative expenses	(4,943)	(4,231)	16.8%	(3,223)	53.4%	(15,214)	(14,574)	4.4%
Banking depreciation and amortisation	(1,262)	(1,242)	1.6%	(1,285)	-1.8%	(5,124)	(4,612)	11.1%
Other operating expenses	(330)	(242)	36.4%	(246)	34.1%	(1,031)	(839)	22.9%
Operating expenses	**(18,903)**	**(15,697)**	**20.4%**	**(17,605)**	**7.4%**	**(69,100)**	**(63,358)**	**9.1%**
Operating income before cost of credit risk	**47,074**	**50,735**	**-7.2%**	**38,972**	**20.8%**	**164,784**	**178,920**	**-7.9%**
Cost of credit risk	(42,172)	(11,991)	NMF	(10,608)	NMF	(76,266)	(56,158)	35.8%
Net non-recurring items	2,267	(2,524)	NMF	1,191	90.3%	(11,934)	(4,877)	144.7%
Profit before income tax	**7,169**	**36,220**	**-80.2%**	**29,555**	**-75.7%**	**76,584**	**117,885**	**-35.0%**
Income tax (expense) benefit	2,885	(5,416)	NMF	(1,308)	NMF	11,698	(17,255)	NMF
Profit	**10,054**	**30,804**	**-67.4%**	**28,247**	**-64.4%**	**88,282**	**100,630**	**-12.3%**
BALANCE SHEET HIGHLIGHTS								
Letters of credit and guarantees, standalone	511,615	511,399	0.0%	427,287	19.7%	511,615	511,399	0.0%
Net loans and finance lease receivables, Currency Blended	2,394,876	2,210,964	8.3%	2,083,381	15.0%	2,394,876	2,210,964	8.3%
Net loans and finance lease receivables, GEL	400,395	220,306	81.7%	335,533	19.3%	400,395	220,306	81.7%
Net loans and finance lease receivables, FC	1,994,481	1,990,658	0.2%	1,747,848	14.1%	1,994,481	1,990,658	0.2%
Client deposits, Currency Blended	3,059,150	2,871,323	6.5%	2,580,099	18.6%	3,059,150	2,871,323	6.5%
Client deposits, GEL	772,253	797,238	-3.1%	617,313	25.1%	772,253	797,238	-3.1%
Client deposits, FC	2,286,897	2,074,085	10.3%	1,962,786	16.5%	2,286,897	2,074,085	10.3%
Time deposits, Currency Blended	1,230,627	1,248,720	-1.4%	1,119,716	9.9%	1,230,627	1,248,720	-1.4%
Time deposits, GEL	135,002	187,437	-28.0%	141,074	-4.3%	135,002	187,437	-28.0%
Time deposits, FC	1,095,625	1,061,283	3.2%	978,642	12.0%	1,095,625	1,061,283	3.2%
Current accounts and demand deposits, Currency Blended	1,828,523	1,622,603	12.7%	1,460,383	25.2%	1,828,523	1,622,603	12.7%
Current accounts and demand deposits, GEL	637,251	609,801	4.5%	476,239	33.8%	637,251	609,801	4.5%
Current accounts and demand deposits, FC	1,191,272	1,012,802	17.6%	984,144	21.0%	1,191,272	1,012,802	17.6%
Assets under management	1,591,963	1,373,112	15.9%	1,407,981	13.1%	1,591,963	1,373,112	15.9%
RATIOS								
ROAE, Corporate Investment Banking	6.1%	21.7%		17.9%		14.5%	18.5%	
Net interest margin, currency blended	3.6%	3.8%		3.4%		3.6%	3.9%	
Cost of risk	6.6%	1.8%		1.9%		3.1%	2.2%	
Cost of funds, currency blended	5.1%	4.3%		4.7%		4.7%	4.6%	
Loan yield, currency blended	11.1%	10.8%		10.1%		10.4%	10.7%	
Loan yield, GEL	13.0%	13.3%		12.6%		13.2%	12.6%	
Loan yield, FC	10.8%	10.6%		9.8%		10.1%	10.4%	
Cost of deposits, currency blended	3.6%	4.6%		3.5%		3.9%	4.1%	
Cost of deposits, GEL	5.0%	7.5%		4.9%		6.3%	5.2%	
Cost of deposits, FC	3.2%	3.3%		3.1%		3.1%	3.6%	
Cost of time deposits, currency blended	5.8%	6.1%		6.0%		5.9%	6.3%	
Cost of time deposits, GEL	9.2%	9.1%		9.5%		9.5%	8.0%	
Cost of time deposits, FC	5.4%	5.5%		5.4%		5.3%	5.8%	
Current accounts and demand deposits, currency blended	2.0%	3.4%		1.8%		2.6%	2.1%	
Current accounts and demand deposits, GEL	3.9%	7.3%		3.5%		5.4%	4.0%	
Current accounts and demand deposits, FC	1.0%	0.9%		1.0%		0.9%	1.1%	
Cost / income ratio	28.7%	23.6%		31.1%		29.5%	26.2%	
Concentration of top ten clients	11.8%	12.7%		11.9%		11.8%	12.7%	

[1]Off-balance sheet item

Performance highlights

- A key focus of Corporate Investment Banking business is to increase ROAE and we are doing this by deconcentrating our loan book and decreasing the credit losses, 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 deconcentration strategy, reducing the concentration of our top 10 Corporate Investment Banking clients to 11.8% by the end of 4Q16, down from 12.7% a year ago
  - CIB net banking interest income reflects our continuous efforts towards CIB loan portfolio de-concentration. 4Q16 showed a healthy 13.7% rebound from 3Q16 as a result of (1) the higher GEL interest income from FX denominated loans and (2) increase of local currency denominated loans, which bear higher interest rates than FX denominated loans, in the total CIB portfolio
  - CIB net fee and commission income represented GEL 28.0mln or 12.0% of total CIB revenue in 2016 compared to GEL 34.3mln or 14.2% a year ago. The decline was mainly driven by the decrease in commission fee income from guarantees (income from guarantees was GEL 12.6mln in 2016, down by GEL 6.2mln or 33.0% y-o-y), which is a result of our de-concentration efforts as we reduced our large guarantee exposures (as mentioned in the Banking business discussion above)
  - Cost of credit risk was GEL 42.2mln for 4Q16 (more than tripled y-o-y) and GEL 76.3mln for 2016 (up 35.8% y-o-y). For 4Q16, the y-o-y increase in CIB cost of credit risk is mainly attributable to the GEL devaluation, and the Group's subsequent portfolio review, which led to an increase in impairment provisioning of c. GEL 31 million in the fourth quarter of 2016. As a result, we recorded Cost of Risk at 6.6% in 4Q16, ending 2016 at 3.1%, up 90 bps y-o-y
  - As a result of the foregoing, CIB ROAE has declined to 14.5% in 2016, compared to 18.5% a year ago
- The loan book dedollarisation continued in 4Q16 with the share of US Dollar denominated loans reaching 83.3%, compared to 90.0% a year ago. This trend also reflects the increased volatility and depreciation of the local currency against the US Dollar during 2016, as Georgian corporates chose to increasingly borrow or convert existing borrowings into the local currency. This trend stood notwithstanding increasing loan yields for local currency denominated loans (13.2% for 2016, up 60bps y-o-y) on the back of decreasing loan yields for foreign currency denominated loans (10.1% for 2016, down 30bps y-o-y)
- On the other hand, dollarisation of our CIB deposits increased to 74.8% from 72.2% a year ago, which reflects similar driver as for the dedollarisation of the loan book. Dollarisation of our deposits increased notwithstanding increase in local currency deposit rates and decrease in foreign currency deposit rates. During 2016, we continued to decrease our cost of deposits in local currency from 8.0% in 1Q16 to 5.0% in 4Q16, alongside the reduction in the NBG policy rate. Cost of deposits in foreign currency remained in the range of 3.0-3.2% throughout the whole year. In 2016, cost of deposits in local currency stood at 6.3%, up 110 bps y-o-y, while cost of deposits in foreign currency decreased by 50 bps y-o-y reaching 3.1%. Subsequently, total deposits reached GEL 3,059.2, up 6.5% y-o-y at the end of 2016
- **Corporate Investment Banking recorded NIM of 3.6% in 4Q16, down 20bps y-o-y and up 20bps q-o-q, ending 2016 with NIM of 3.6%, down 30 bps y-o-y**
- Our foreign currency operations were strong and as a result, our net banking foreign currency gain increased to GEL 16.2mln in 4Q16 (up 15.9% y-o-y) and increased to GEL 48.6mln in 2016 (up 16.5% y-o-y)
- CIB cost to income ratio increased as a result of the deconcentration efforts, which led to higher reduction in revenues with less impact on the operating costs
- As a result, Corporate Investment Banking profit reached GEL 10.1mln in 4Q16, down 67.4% y-o-y from GEL 30.8mln in 4Q15 with 2016 result of GEL 88.3mln, down 12.3% y-o-y from GEL 100.6mln a year ago

Performance highlights of wealth management operations

- **The AUM of the Investment Management segment increased to GEL 1,592.0mln at the end of 2016, up 15.9% y-o-y.** This includes deposits of Wealth Management clients and assets held at Bank of Georgia Custody, Galt & Taggart brokerage client assets and Aldagi pension scheme assets
- **Wealth Management deposits were GEL 1,101.9mln, up 7.7% y-o-y, growing at a compound annual growth rate (CAGR) of 19.4% over the last five-year period**. Growth continued in the face of a 30 bps decline in the Cost of Client deposits to 4.5% in 4Q16 and the impact of Wealth Management clients switching from deposits to bonds, as a number of bond issuances, yielding higher rates than deposits were offered by Galt & Taggart to Wealth Management clients

- We served 1,383 wealth management clients from 68 countries as of 31 December 2016
- **Galt & Taggart continued to develop local capital markets in 2016. Galt & Taggart acted as:**
  - a sole placement agent for Black Sea Trade and Development Bank (BSTDB) offering of the five-year, GEL denominated bond in the amount of GEL 60mln (August)
  - a sole book runner and a placement agent for Nikora Trade LLC's US$ 5mln bond offering. Nikora Trade LLC is a leading Georgian FMCG (Fast Moving Consumer Goods) company, which successfully completed its maiden bond offering (March). It is planned that the bonds will be listed on the Georgian Stock Exchange in the near future
  - an agent for the Group's wholly owned real estate subsidiary m2 Real Estate facilitating a US$ 25mln 3-year bonds placement into the local market (October)
  - a joint placement agent for the Group's wholly owned utility and energy subsidiary Georgia Global Utilities and placed a GEL 30mln 5-year local currency bond for its water utility business unit into the local market (December)
  - **Galt & Taggart launched Regional Fixed Income Market Watch on 19 September 2016.** The report is released monthly and covers the debt markets of Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, and Ukraine. Regional Fixed Income Market Watch provides market data for both locally and internationally listed debt issuances from these countries. Furthermore, the report includes country-level macro indicators, such as sovereign ratings, monetary policy rates, economic growth, fiscal and current account balances
  - **Galt & Taggart Research continues to provide weekly economic (including economies of Georgia and Azerbaijan) and sectoral coverage.** *Galt & Taggart reports are available at www.galtandtaggart.com.* Other research since Galt & Taggart's launch in 2012 included coverage of/notes on the Georgian retail and office real estate market; the Georgian wine, agricultural, electricity, healthcare and tourism sectors; fixed income issuances, including Georgian Oil and Gas Corporation and Georgian Railway; and the Georgian State Budget

Investment Business Segment Result Discussion

Utility & Energy Business (Georgia Global Utilities – GGU)

About GGU

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

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

Room for efficiencies in water business from improving the worn-out infrastructure. The Georgian water pipeline infrastructure is dilapidated due to legacy underinvestment. The poor condition of the infrastructure is the main reason for leaks and accidents, causing on average 50% water loss annually. An additional 20% loss of water is caused by unregistered customers. The current high level of water losses is significantly worse than the peer average and represents a strong efficiency upside for the business. GGU owns and operates a water supply network of around 2,700km and about 1,700km of wastewater pipelines. It also has 45 pumping stations, 84 service reservoirs with a total capacity of 320,000 m^3 and one water treatment plant. Around 510,000,000 m^3 of potable water is supplied from water production/treatment facilities annually. By improving the pipeline infrastructure and as a result reducing the water supplied to its utility customers, GGU expects to free-up water supply for additional electricity generation, which in turn can be sold to third parties

Water tariff & regulation. The current water tariff for residential customers stands at GEL 3.15 (per month, per capita) for non-metered customers and at GEL 0.27 per m^3 for metered customers. All of GGU's commercial customers are metered and the tariff stands at GEL 4.40 per m^3. The tariff is set per cubic meter of water supplied to customers. GNERC (Georgian National Energy and Water Supply Regulatory Commission) regulates GGU's water tariffs. GNERC is an independent regulatory body, not subject to direct supervision from any other state authority, but accountable to parliament. It is funded predominantly from the fees paid by market participants (0.3% of total revenues)

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

Standalone results

BGEO Group owns 100% of GGU, which it acquired in two transactions*. In December 2014, BGEO acquired a 25% shareholding in GGU for c.GEL 49.4mln (US$ 26.25mln). In July 2016, BGEO announced the acquisition of the remaining 75% equity stake for the cash consideration of c.GEL 164.2mln (US$ 70.0mln).* ***The Group started consolidating GGU results on 21 July 2016. Prior to this, the Group reported results of GGU's operations under "profit from associates".*** *The results below refer to GGU's standalone numbers. GGU's stand-alone results, including the related comparative information, reflect the energy & utility business performance as a separate legal entity. The Group started consolidating GGU's results since 21 July 2016, which is when the Group obtained control over the company*

INCOME STATEMENT

GEL thousands; unless otherwise noted	**4Q16**	**4Q15**	**Change y-o-y**	**3Q16**	**Change q-o-q**	**2016**	**2015**	**Change y-o-y**
Revenue from water supply to legal entities	19,598	17,493	12.0%	22,203	-11.7%	78,187	74,587	4.8%
Revenue from water supply to individuals	8,636	8,220	5.1%	7,735	11.6%	31,503	30,170	4.4%
Revenue from electric power sales	3,641	359	NMF	2,309	57.7%	10,112	9,182	10.1%
Revenue from technical support	2,056	1,028	100.0%	1,319	55.9%	4,166	3,683	13.1%
Other income	2,312	(192)	NMF	648	NMF	3,458	647	NMF
Revenue	**36,243**	**26,908**	**34.7%**	**34,214**	**5.9%**	**127,426**	**118,269**	**7.7%**
Provisions for doubtful trade receivables	687	(119)	NMF	(1,412)	NMF	(2,198)	(432)	NMF
Salaries and benefits	(4,010)	(4,376)	-8.4%	(4,566)	-12.2%	(17,181)	(20,920)	-17.9%
Electricity and transmission costs	(3,748)	(3,261)	14.9%	(4,575)	-18.1%	(17,383)	(11,554)	50.5%
Raw materials, fuel and other consumables	85	(1,451)	NMF	(958)	NMF	(2,845)	(5,253)	-45.8%
Infrastructure assets maintenance expenditure	(402)	(1,573)	-74.4%	(788)	-49.0%	(2,402)	(4,251)	-43.5%
General and administrative expenses	(751)	(917)	-18.1%	(700)	7.3%	(3,036)	(2,950)	2.9%
Taxes other than income tax	(1,155)	(975)	18.5%	(806)	43.3%	(3,518)	(3,398)	3.5%
Professional fees	(819)	(1,317)	-37.8%	(523)	56.6%	(2,350)	(2,475)	-5.1%
Insurance expense	(269)	(69)	NMF	(258)	4.3%	(793)	(317)	150.2%
Other operating expenses	(2,085)	(1,527)	36.5%	(1,869)	11.6%	(7,632)	(5,001)	52.6%
Operating expenses	**(12,467)**	**(15,585)**	**-20.0%**	**(16,455)**	**-24.2%**	**(59,338)**	**(56,551)**	**4.9%**
EBITDA	**23,776**	**11,323**	**110.0%**	**17,759**	**33.9%**	**68,088**	**61,718**	**10.3%**
EBITDA Margin	*66%*	*42%*		*52%*		*53%*	*52%*	
Depreciation and amortisation	(3,753)	(4,735)	-20.7%	(4,457)	-15.8%	(16,595)	(17,919)	-7.4%
EBIT	**20,023**	**6,588**	**203.9%**	**13,302**	**50.5%**	**51,493**	**43,799**	**17.6%**
EBIT Margin	55%	24%		39%		40%	37%	
Net interest expense	(3,049)	(2,446)	24.7%	(2,822)	8.0%	(10,764)	(7,480)	43.9%
Foreign exchange gains(losses)	190	(185)	NMF	(131)	NMF	(476)	(14,158)	-96.6%
EBT	**17,164**	**3,957**	**333.8%**	**10,349**	**65.9%**	**40,253**	**22,161**	**81.6%**
Income tax (expense)/benefit	(1,659)	(1,755)	-5.5%	(1,168)	42.0%	(4,579)	(6,948)	-34.1%
Profit	**15,505**	**2,202**	**604.1%**	**9,181**	**68.9%**	**35,674**	**15,213**	**134.5%**

Performance highlights

- **GGU recorded revenue of GEL 36.2mln (up 34.7% y-o-y) and GEL 127.4mln (up 7.7% y-o-y) in 4Q16 and in 2016, respectively.** For the full year of 2016, revenue grew across all business lines, particularly in electricity sales which is a major focus area for the company, as well as technical support, which includes new connections performed on behalf of our clients and indicates an increased revenue stream in future. Revenue from water sales represented c.77.9% of total revenue in 4Q16 and 86.1% in 2016
- Water consumption is characterised by seasonality as GGU generally expects sales in the 2nd half of the year to exceed sales in the 1st half of the year, with the sales in 3rd quarter being the highest
- During the fourth quarter of 2016, GGU increased the number of individual customers billed, as a result of the verification completed through a number of methodologies, including reconciliation of the customer database with that of the civil registry. This one off effect was the primary driver of the increase in revenue from water supply to individuals in 4Q16, compared to 3Q16
  - **Unregistered customers are one of the major reasons for the unrecovered revenue.** GGU regularly under-recovers its water revenue from residential consumers due to discrepancies between customers formally registered with the provider and actual customers. Currently there are 1.17mln people living in Tbilisi while GGU only has 1.04mln registered people. Some water is also being supplied, but is not billed for, resulting from the challenges associated with accurate accounting for water consumption. GGU is dealing with these issues by aligning its own customer databases with the state registry to identify the unregistered customers and improving metering. The company also expects to recover some of its past due revenues

- Revenue from electricity sales grew significantly in 4Q16 and reached GEL 3.6mln. This is a result of the higher selling price (49% up compared to last year) and higher volume sold (up 81%) in 4Q16 compared to the same period last year. The fourth quarter was thus the major driver of the 10.1% increase in electricity sales for the full year 2016
- GGU continues to deliver a good performance on cost efficiencies. Salaries and benefits have been further reduced by 8.4% y-o-y in 4Q16 and by 17.9% in 2016 compared to last year's results. GGU invests in the rehabilitation of its infrastructure with a focus on improving efficiency in the medium to long term. More prudent rehabilitation works enabled GGU to reduce infrastructure asset maintenance expenditure - which was down 43.5% y-o-y while at the same time reducing the number of accidents on the infrastructure
- Professional fees have overall decreased y-o-y as GGU spent 37.8% less in 4Q16, compared to last year result. This expense was related to a research on its existing infrastructure to identify further efficiency opportunities as well as areas for additional hydro power station development
- However, overall operating expenses are up for 2016 by 4.9% y-o-y, primarily due to the increase in the electricity and transmission cost due to the tariff increase (GGU pays transmission cost with regard to its own electricity consumption, no transmission cost is paid for electricity sold to third-parties). The main other items that contributed to the increase in operating expenses were the y-o-y increase in provisions for doubtful trade receivables (which partially reversed in 4Q16), resulting from the clean-up of legacy accounts, and the increase in other operating expenses due to small one-off items. Excluding the electricity and transmission costs, which was an unusual change, operating expenses decreased by 6.8% y-o-y
- **Consequently, GGU reported EBITDA of GEL 23.8mln in 4Q16 and GEL 68.1mln in 2016**
- With the goal to eliminate foreign currency exchange rate risk exposure, GGU focused on converting its foreign currency denominated loans into local currency during 2016. This strategy significantly reduced GGU's exposure to foreign exchange rate volatility risk. Therefore, in aggregate net interest expense and foreign exchange losses were almost halved, as the reduction in foreign exchange losses outweighed the increase in the cost of funding as local currency borrowings are more expensive compared to foreign currency borrowings
- GGU will benefit from the change in the corporate income tax legislation in Georgia, which is effective for the company from 1 January 2017. As a result, GGU adjusted its deferred income tax assets and liabilities and recorded a gain of GEL 29.4mln in 2016, of which, GEL 27.5mln was recorded directly in equity as an increase in the revaluation reserve balance and GEL 1.9mln was recognised in the income statement as reduction to the income tax expense
- **As a result, GGU more than doubled last year's profit in 2016 to GEL 35.7mln**

STATEMENT OF CASH FLOW

GEL thousands; unless otherwise noted	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	2016	2015	Change y-o-y
Cash receipt from customers	41,042	36,231	13.3%	36,653	12.0%	139,886	137,952	1.4%
Cash paid to suppliers	(8,066)	(9,388)	-14.1%	(13,230)	-39.0%	(45,858)	(35,002)	31.0%
Cash paid to employees	(6,640)	(6,126)	8.4%	(4,454)	49.1%	(18,520)	(21,317)	-13.1%
Interest received	30	(666)	NMF	19	57.9%	216	(541)	NMF
Interest paid	(2,653)	(2,061)	28.7%	(2,776)	-4.4%	(10,388)	(7,391)	40.5%
Taxes paid	(2,202)	(5,580)	-60.5%	(2,539)	-13.3%	(11,087)	(21,334)	-48.0%
Restricted cash in Bank	(2,729)	-	-	234	NMF	(2,355)	-	-
Cash flow from operating activities	**18,783**	**12,410**	**51.3%**	**13,907**	**35.1%**	**51,895**	**52,367**	**-0.9%**
Maintenance Capex	(8,803)	(4,208)	109.2%	(4,549)	93.5%	(22,432)	(13,428)	67.1%
Operating cash flow after maintenance capex	**9,980**	**8,202**	**21.7%**	**9,358**	**6.6%**	**29,463**	**38,939**	**-24.3%**
Purchase of PPE and intangible assets	(9,572)	(6,870)	39.3%	(7,266)	31.7%	(31,341)	(21,921)	43.0%
Proceeds from PPE sale	-	(4)	NMF	0	-	-	-	NMF
Total cash flow used in investing activities	**(9,572)**	**(6,874)**	**39.2%**	**(7,266)**	**31.7%**	**(31,341)**	**(21,921)**	**43.0%**
Proceeds from borrowings	27,562	970	NMF	14,922	84.7%	45,447	2,090	2074.5%
Repayment of borrowings	(6,565)	(1,883)	NMF	(2,175)	NMF	(14,032)	(20,152)	-30.4%
Dividends paid out	151	(54)	NMF	(13,055)	NMF	(13,008)	(241)	NMF
Total cash flow used in financing activities	**21,148**	**(967)**	**NMF**	**(308)**	**NMF**	**18,407**	**(18,303)**	**NMF**
Exchange gains/(losses) on cash equivalents	556	(94)	NMF	(144)	NMF	(652)	(320)	103.9%
Total cash inflow/(outflow)	**22,112**	**267**	**NMF**	**1,640**	**NMF**	**15,876**	**(1,605)**	**NMF**
Cash balance								
Cash, beginning balance	5,399	11,367	-52.5%	3,759	43.6%	11,634	13,239	-12.1%
Cash, ending balance	**27,511**	**11,634**	**136.5%**	**5,399**	**409.6%**	**27,511**	**11,634**	**136.5%**

- **GGU has good receivables collection rates within the 95-98% range.** During 2016, the collection rate for legal entities was 95%, while for households it stood at 94%. As a result, GGU had GEL 6.7mln of overdue receivables. The Georgian water utility sector has historically had a low receivables collection rates. The latest available countrywide data relate to 2005 and indicate an average collection rate of 65% in major cities. This is because water utility companies are not allowed to cut water supply to residential customers for missed payments. GGU's collection rate has improved significantly from 2011, when a new arrangement with electricity suppliers was set up based on the amendment to Georgian Law on Electricity and Natural Gas. Consequently, Tbilisi's electricity suppliers assist in improving GGU's receivables collection rates through disconnecting non-paying water customers from the electricity network. In return, electricity suppliers receive flat monetary compensation from GGU (c. GEL1.3mln both in 2015 and 2016). As a result, GGU's collection rates improved very quickly and have remained at around 96% since then
- The increase of amounts paid to suppliers in 2016 is due to the increase in the cost of electricity transmission and professional fees
- GGU spent GEL 22.4mln on maintenance capex during 2016, which is 67.1% higher than what it spent for the same period last year reflecting the acceleration of the infrastructure maintenance program to improve the operational efficiencies. Consequently, the operating cash flow, after deducting maintenance capex, was GEL 29.5mln
- A GEL 13.1mln dividend was paid in 2016 to GGU's shareholders (including BGEO Group PLC) before BGEO completed its acquisition of the remaining 75% shareholding in GGU. This dividend was distributed on a pro rata basis to the then existing shareholders of the company
- Proceeds from the borrowings include the loans obtained for (a) dividend payout of GEL 13.0mn (from Bank Republic Société Générale); (b) Saguramo HPP (4.4 MW capacity) construction of GEL 4.8mn (from TBC Bank) (c) investment in various efficiency and development projects of GEL 30mln (local currency denominated bonds issued in Georgia)

BALANCE SHEET

GEL thousands; unless otherwise noted	Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q
Cash and cash equivalents	27,511	11,634	136.5%	5,399	409.6%
Trade and other receivables	29,499	23,452	25.8%	27,125	8.8%
Inventories	3,048	3,249	-6.2%	3,727	-18.2%
Current income tax prepayments	735	1,340	-45.1%	591	24.4%
Total current assets	**60,793**	**39,675**	**53.2%**	**36,842**	**65.0%**
Property, plant and equipment	329,997	287,638	14.7%	312,295	5.7%
Investment Property	18,728	19,436	-3.6%	19,417	-3.5%
Intangible assets	1,186	1,466	-19.1%	979	21.1%
Restructured trade receivables	307	307	0.0%	23	NMF
Restricted Cash	5,094	2,545	100.2%	2,667	91.0%
Other non-current assets	1,246	1,354	-7.9%	1,020	22.2%
Total non-current assets	**356,558**	**312,745**	**14.0%**	**336,401**	**6.0%**
Total assets	**417,351**	**352,420**	**18.4%**	**373,243**	**11.8%**
Current borrowings	22,617	28,354	-20.2%	19,855	13.9%
Trade and other payables	24,997	19,204	30.2%	20,363	22.8%
Provisions for liabilities and charges	706	1,318	-46.4%	848	-16.7%
Other taxes payable	7,135	689	935.5%	4,338	64.5%
Total current liabilities	**55,455**	**49,565**	**11.9%**	**45,404**	**22.1%**
Long term borrowings	83,651	45,689	83.1%	64,388	29.9%
Deferred income tax liability	1	28,434	-100.0%	260	-99.6%
Total non-current liabilities	**83,652**	**74,123**	**12.9%**	**64,648**	**-100.0%**
Total liabilities	**139,106**	**123,688**	**12.5%**	**110,052**	**26.4%**
Share capital	2	2	0.0%	2	0.0%
Retained earnings	96,782	74,774	29.4%	83,149	16.4%
Revaluation reserve	181,461	153,956	17.9%	180,040	0.8%
Total equity	**278,245**	**228,732**	**21.6%**	**263,191**	**5.7%**
Total liabilities and equity	**417,351**	**352,420**	**18.4%**	**373,243**	**11.8%**

- **The GGU balance sheet is characterised by low leverage and modest foreign exchange risk exposure**
- During 2015 and 2016, GGU made significant progress towards reducing its foreign-exchange exposure. In particular, the company refinanced a large part of its US dollar-denominated debt with Lari-denominated debt. Currently 99.7% of GGU's borrowings are denominated in local currency. The plan is to further reduce foreign-currency-denominated borrowings
- The increase in property, plant and equipment is primarily due to additional investments into the company's infrastructure carried out during 2016
- The revaluation reserve balance increased y-o-y primarily due to the deferred tax adjustment, discussed above

Healthcare business (Georgia Healthcare Group – GHG)

Standalone results

*The business of Georgia Healthcare Group PLC (**GHG**) includes three different business lines: healthcare services, pharmacy 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	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	2016	2015	Change y-o-y
Revenue, gross	**136,031**	**69,730**	**95.1%**	**116,159**	**17.1%**	**426,439**	**245,969**	**73.4%**
Corrections & rebates	(790)	(1,086)	-27.3%	(762)	3.7%	(2,686)	(3,608)	-25.6%
Revenue, net	**135,241**	**68,644**	**97.0%**	**115,397**	**17.2%**	**423,753**	**242,361**	**74.8%**
Revenue from healthcare services	66,814	54,395	22.8%	58,542	14.1%	243,453	191,424	27.2%
Revenue from pharma	56,586	-	-	45,725	23.8%	133,002	-	-
Net insurance premiums earned	16,312	15,542	5.0%	16,054	1.6%	61,494	58,552	5.0%
Eliminations	(4,473)	(1,293)	245.8%	(4,925)	-9.2%	(14,196)	(7,615)	86.4%
Costs of services	**(89,626)**	**(42,629)**	**110.2%**	**(76,563)**	**17.1%**	**(277,735)**	**(149,232)**	**86.1%**
Cost of healthcare services	(34,802)	(30,008)	16.0%	(31,170)	11.7%	(130,369)	(107,291)	21.5%
Cost of pharma	(44,498)	-	-	(35,915)	23.9%	(105,472)	-	-
Cost of insurance services	(14,997)	(13,928)	7.7%	(13,939)	7.6%	(55,772)	(49,372)	13.0%
Eliminations	4,671	1,306	257.6%	4,461	4.7%	13,878	7,431	86.8%
Gross profit	**45,615**	**26,015**	**75.3%**	**38,834**	**17.5%**	**146,018**	**93,129**	**56.8%**
Salaries and other employee benefits	(12,757)	(6,810)	87.3%	(10,841)	17.7%	(39,750)	(26,515)	49.9%
General and administrative expenses	(9,470)	(3,058)	209.7%	(8,423)	12.4%	(27,853)	(10,517)	164.8%
Impairment of healthcare services, insurance premiums and other receivables	56	(612)	NMF	(172)	NMF	(2,332)	(3,448)	-32.4%
Other operating income	845	986	-14.3%	329	156.8%	1,944	3,490	-44.3%
EBITDA	**24,289**	**16,522**	**47.0%**	**19,727**	**23.1%**	**78,027**	**56,139**	**39.0%**
Depreciation and amortisation	(5,316)	(4,295)	23.8%	(5,215)	1.9%	(19,577)	(12,666)	54.6%
Net interest expense	(4,773)	(5,377)	-11.2%	(3,838)	24.4%	(13,736)	(20,282)	-32.3%
Net gains/(losses) from foreign currencies	(3,170)	(1,592)	99.1%	(263)	NMF	(5,657)	2,098	NMF
Net non-recurring income/(expense)	1,982	(192)	NMF	(48)	NMF	1,118	(1,682)	NMF
Profit before income tax expense	**13,012**	**5,066**	**156.9%**	**10,363**	**25.6%**	**40,175**	**23,608**	**70.2%**
Income tax benefit	(6,682)	(14)	NMF	(587)	NMF	21,156	9	NMF
of which: Deferred tax adjustments	*(5,319)*	-		-		*23,992*		
Profit for the period	**6,330**	**5,052**	**25.3%**	**9,776**	**-35.2%**	**61,331**	**23,617**	**159.7%**
Attributable to:								
- shareholders of the Company	5,401	3,823	41.3%	7,125	-24.2%	50,202	19,651	155.5%
- non-controlling interests	929	1,229	-24.4%	2,651	-65.0%	11,129	3,966	180.6%
of which: Deferred tax adjustments	*(516)*	-		-		*4,541*	-	

For detailed income statement by healthcare services and medical insurance business, please see pages 37 and 38

Performance highlights

- **GHG delivered record quarterly and full year 2016 revenue of GEL 136.0mln (up 95.1% y-o-y and up 17.1% q-o-q) and of GEL 426.4mln (up 73.4% y-o-y), respectively. This growth was driven by all business lines.** Revenue growth was primarily affected by the consolidation of the pharmacy business since the acquisition of GPC in May 2016. The healthcare services business was the next biggest contributor to the revenue growth, with strong organic growth (16.3% in 2016) as a result of investments in new services to close the service gaps primarily in hospitals, further strengthening the leading market position, as well as the roll-out of the ambulatory clinics to tap a highly fragmented outpatient services segment (no single competitor has more than 1% market share by revenues). Growth of net insurance premiums earned contributed slightly to GHG's revenue growth, while achieving higher referrals within GHG's healthcare facilities, which is reflected in the increase in the retention of medical insurance claims within GHG by 7.2% y-o-y in 2016
- In 2016, GHG achieved a well-diversified revenue mix, taping all three segments of the Georgian healthcare ecosystem. 55% of its revenues came from healthcare services business, 31% from pharmacy business (GPC was consolidated in May 2016 and ABC, the second pharmacy acquisition will be consolidated starting on 1 January 2017) and the remaining 14% from medical insurance business

- **In 2016, GHG continued to focus on extracting operating efficiencies and synergies, achieving stronger gross profit margins in its healthcare and pharmacy businesses, while the medical insurance business continued implementing the initiatives to achieve the targeted levels of loss ratio.** The stronger gross profit in the healthcare services business is primarily a result of the increases in both the scale of GHG's business and utilisation of its healthcare facilities, each of which drives more revenue while fixed costs grow at a slower pace. GHG expects this trend to be supported next year by some of the healthcare facilities that were launched in 2016 and which are still in the ramp-up phase. On the other hand, some pressure on margins may result from the launch in 2017 of the two large hospitals in Tbilisi which GHG is currently renovating. Another factor favourably affecting gross profit in healthcare services is that GHG has started to realise the synergies in its medical disposables procurement as a result of entering into the pharmacy business. This process will be ongoing and the results of the cost savings are expected to be reflected in the coming year as well. As to gross profit in the pharmacy business itself, since the acquisition of GPC, GHG has been focused on implementing initiatives, such as renegotiating pricing with manufacturers and engaging in more profitable sales initiatives and at the same time cancelling some other initiatives which were not bringing additional business or which diluted margins. The acquisition of the ABC chain will allow us to continue these efforts in 2017

- **GHG reported record EBITDA of GEL 24.3mln (up 47.0% y-o-y and up 23.1% q-o-q) and of GEL 78.0mln (up 39.0% y-o-y) for 4Q16 and 2016, respectively.** EBITDA margin for the healthcare services was 30.2% in 2016, compared to 27.4% in 2015 (4Q16 was 31.9%, compared to 29.8% in 4Q15). Healthcare services was the main contributor to this increase, with strong gross margin and low single digit growth in administrative payroll for healthcare services resulting in strong positive operating leverage in the healthcare business at 10.0 percentage points in 4Q16 and 17.5 percentage points in 2016. The addition of the GPC pharmacy business from May 2016 brought GEL 5.7mln EBITDA to the Group in 2016

- **GHG's profit was GEL 6.3mln and GEL 61.3mln for 4Q16 and 2016, respectively.** The healthcare services business was the main driver of GHG's profit in 2016, and contributed GEL 64.5mln, up 195.1% y-o-y, followed by the GPC pharmacy business which contributed GEL 1.9mln to GHG's profit. The Group's profit was partially offset by the loss of GEL 4.9mln reported by the medical insurance business. Due to the changes in the corporate tax legislation in Georgia, GHG recognised one-off gains during the year. GHG's profit, adjusted for the impact of deferred tax and adjusted for the one-off foreign currency translation loss, was GEL 11.6mln for 4Q16 (up 130.6% y-o-y and up 19.2% q-o-q) and GEL 39.6mln for 2016 (up 117.8% y-o-y)

- GHG continued sizeable development projects throughout the year and actively invested in healthcare facilities, which is reflected in the y-o-y growth of the depreciation and amortisation expenses for quarter as well as for 2016 (up 23.8% and 54.6% y-o-y respectively)

- GHG reduced its borrowings in line with our strategy of deleveraging following the IPO. Additionally, GHG repaid a large part of the borrowings from local commercial banks and instead sourced longer-term and less expensive funding from DFIs. Subsequently, these efforts resulted in net interest expense decrease by 32.3% y-o-y in 2016

- GHG's foreign currency exposure is a result of a US Dollar short position in, arising from foreign currency denominated borrowings from DFIs and the trades accounts payable of the pharmacy business. GHG hedges its major open currency positions through typical foreign currency forwards (swaps) bought from local commercial banks. During 3Q16 and 4Q16 respectively, GHG hedged US$ 27.0mln and US$ 4.0 mln of its short position. This helped to significantly reduce the open currency position, however, during 4Q16, GHG still had a short currency position of US$ 9.0mln, which resulted in increased foreign currency losses at the end of 4Q16, as the Georgian Lari continued to devalue. By the end of December 2016, GHG's entire foreign currency position, other than foreign suppliers to the pharmacy business had been closed fully. The cost of the foreign currency hedging is included in net interest expense in the income statement

- GHG's balance sheet increased substantially over the last twelve months, as a result of the recent acquisitions (mostly GPC), reaching GEL 912.6 mln as of 31 December 2016. The growth of total assets by 20.3% y-o-y was largely driven by the 29.3% (GEL 130.3mln) increase in property and equipment reflecting investments in the renovation of hospitals, roll-out of ambulatory clinics and the acquisition of the pharmacy business in 2016. The high level of cash and bank deposits at the end of 2015 reflected the receipt of IPO proceeds, and during 2016 a large part of those proceeds were deployed for the development capex as well as for the acquisition of GPC. The increase in accounts receivable is primarily due to the growth in revenues of healthcare services by 26.2% y-o-y. The pharmacy business consolidation primarily affected inventories and goodwill. Out of the GEL 54.9mln inventory balance at the year end, GEL 40.0mln was attributable to the pharmacy business. Borrowed funds have increased y-o-y as a result of obtaining new cheaper funding from DFIs, replacing part the local funding previously repaid through IPO proceeds. GHG has simultaneously introduced the practice of hedging the foreign currency risk associated with these borrowings from DFIs that are denominated in foreign currency. We describe the swap agreements with local commercial bank above. A currency swap asset of GEL 6.3mln as of 31 December 2016 is recognised on the balance sheet, included in other assets. It is accounted at fair value and its carrying amount decreased GHG's net debt as insofar as the instrument is attached to these borrowings

- GHG's revenue cash conversion ratio, on a consolidated basis, reached 91.2% in 2016 compared to 89.6% in 2015. This translated into an EBITDA cash conversion ratio of 68% on a consolidated adjusted basis for the same period
- During 2016, GHG spent a total of GEL 111.0mln on capital expenditure, an increase of 56.0% y-o-y. Of this, maintenance capex was GEL 9.4mln. Capital expenditure included the following:
  - renovation of Sunstone (c.334 beds, initially scheduled to be launched in May 2017) which is two months ahead of the schedule and the full and complete opening is currently planned for March 2017
  - The renovation of Deka (c.320 beds) is largely in line with the initial schedule. In August 2016, GHG opened Deka's diagnostic centre, which is one of the largest in Tbilisi. The opening of the diagnostic centre was the first step toward developing Deka into a flagship multi-profile hospital in Georgia. GHG expects the full launch of Deka to be delayed by up to two months compared to the initial expectation. The delay was caused by a required State authorisation to remove a few trees in the hospital yard. GHG is in the final stage of obtaining this permission
- GHG acquired the fourth largest retail and wholesale pharmacy chains in Georgia (ABC). Following the receipt of the respective regulatory approval and completion in January 2017, GHG is currently merging ABC with its existing pharmacy business, GPC. GHG now owns a 67% equity stake in the combined pharmaceutical business and the remaining 33% minority stake is owned by ABC's former principal shareholders, Mr. Enriko Beridze and Mr. Mikheil Abramidze. This transaction underpins GHG's expansion strategy and further consolidates GHG's position as the leading integrated player in the Georgian healthcare ecosystem of GEL 3.4 billion aggregate value. It strengthens GHG's position as the major purchaser of pharmaceutical products in Georgia, and provides a platform which offers significant cost and revenue synergy potential. The combined pharmacy business will be the largest retailer in the country, with over two mln customer interactions per month through over 240 pharmacies. Details on this acquisition are in GHG's separate press release, which is available at www.ghg.com.ge
- GHG has completed implementation of Exact, a new enterprise resource planning system ("**ERP**") sourced from a Dutch supplier. It fully covers all finance functions (integrated internet banking, general ledger, receivables, payables, fixed assets, intangibles, shareholder's equity, etc.) as well as all key operating functions (requesting, ordering, procurement, warehouse management, sale and resale, cost accounting, stock item management, rents, depreciations, etc.). The ERP enhances our capabilities to identify and extract further efficiencies in our operations. The system has 150 advanced users and over 1,000 basic users and it covers all entities within GHG. Following this implementation, GHG now uses one platform companywide, excluding pharmacy business
- GHG has also completed implementation of Vabaco, a software package that includes a full and complete billing system, fully integrated HRMS (human resource management software) and fully integrated payroll module for the healthcare services business. Vabaco has been further fully integrated with Exact in real time. This way GHG currently runs fully integrated ERP, Billing, HRMS and payroll systems. Vabaco is fully integrated with all external payment channels. It covers Universal Healthcare Programme services as well as private services for the insured individuals and out-of-pocket coverage. The system has more than 2,000 advanced users. Vabaco is up and successfully running in all healthcare facilities except for three, where implementation is ongoing. As a result of implementing Vabaco, GHG has replaced all different billing systems, which were outdated, with limited capabilities and integration capacities, and currently the healthcare services business runs on one unified platform with substantially increased functionality, capacity and speed
- As of 31 December 2016, GHG's healthcare services business operated 15 referral hospitals, 20 community hospitals and 10 ambulatory clusters (consisting of 13 district ambulatory clinics and 28 express ambulatory clinics)
- As of 31 December 2016, total beds operated were 2,557 (down from 2,670 from 31 December 2015), of which 2,092 beds were at referral hospitals (down from 2,209 since YE15) and 465 beds (almost flat, at 461 at YE15) were at community hospitals. The change in total number of beds is primarily due to: 1). disposal of the 82-bed Tbilisi Maternity Hospital "New Life", in exchange for the 33.3% minority shareholding in Iashvili Referral Hospital that GHG acquired in February 2016; and 2) the temporary reduction in the number of operating beds, which is due to the renovations at the Deka and Sunstone Hospitals
- GHG's healthcare services market share by number of beds was 23.4% as of 31 December 2016. The change in market share by number of beds, from 26.7% a year ago to 23.4% at year-end 2016 is due to the reduced number of referral hospital beds as explained above and increase in total number of beds in the market throughout the year
- GHG's hospital bed occupancy rate was 57.6% in 4Q16 (51.9% in 4Q15, 56.8% in 3Q16) and 55.7% in 2016 (51.7% in FY15)

  - GHG's referral hospital bed occupancy rate was 65.3% in 4Q16 (59.9% in 4Q15, 63.7% in 3Q16) and 63.0% in 2016 (59.3% in FY 15)

- The average length of stay was 5.0 days in 4Q16 (4.7 days in 4Q15, 4.9 days in 3Q16) and 5.0 days in 2016 (4.6 days in FY15)
  - The average length of stay at referral hospitals was 5.2 days in 4Q16 (5.0 days in 4Q15, 5.1 days in 3Q16) and 5.2 days in 2016 (4.9 in FY15)
- GHG expanded the number of specialties offered in our residency programme in line with our strategy to develop a new generation of doctors. We obtained accreditation in an additional seven specialties bringing the total number of specialties to 20. This increased the number of slots for admission to the programme up to 65, and the total number of slots for admission to 231 residents. GHG is currently expecting accreditation in four additional specialties. Since the launch of residency programs at the end of 2015, we have 58 residents involved in 12 specialties
- For the period of May-December 2016, GHG's pharmacy business had (does not include ABC figures, which will be consolidated from 1 January 2017):
  - c.1mln retail customer interactions per month
  - c.0.5mln loyalty card members
  - Average transaction size of GEL 13.7 in GHG's retail pharmacies
  - c.15% market share measured by sales (expected to be c.29.0% after the consolidation of ABC)
  - Total number of bills issued was 7.9mln
- In GHG's medical insurance business:
  - The number of insured clients was 211,000 as of 31 December 2016
  - Our medical insurance market share was 35.1% based on net insurance premium revenue, as of 30 September 2016
  - Our insurance renewal rate was 73.4% in 2016

Real estate business (m2 Real Estate)

Standalone results

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 has also recently begun hotel development in the under-developed mid-price sector. The results below refer to m^2 Real Estate segment, which are m^2 Real Estate standalone results adjusted for Group consolidation purposes

INCOME STATEMENT

GEL thousands, unless otherwise noted	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	2016	2015	Change y-o-y
Revenue from sale of apartments	9,241	39,769	-76.8%	53,817	-82.8%	96,373	44,917	114.6%
Cost of sale of apartments	(8,398)	(34,869)	-75.9%	(45,874)	-81.7%	(80,870)	(39,721)	103.6%
Net revenue from sale of apartments	**843**	**4,900**	**-82.8%**	**7,943**	**-89.4%**	**15,503**	**5,196**	**198.4%**
Revenue from operating leases	897	613	46.3%	774	15.9%	2,912	1,852	57.2%
Cost of operating leases	(76)	-	-	(59)	28.8%	(228)	-	-86.5%
Net revenue from operating leases	**821**	**613**	**33.9%**	**715**	**14.8%**	**2,684**	**1,852**	**44.9%**
Revaluation of commercial property	-	7,083	-100.0%	959	-100.0%	959	7,083	-86.5%
Gross real estate profit	**1,664**	**12,596**	**-86.8%**	**9,617**	**-82.7%**	**19,146**	**14,131**	**35.5%**
Gross other investment profit	(34)	7,277	NMF	(105)	-67.6%	1,798	7,502	-76.0%
Revenue	**1,630**	**19,873**	**-91.8%**	**9,512**	**-82.9%**	**20,944**	**21,633**	**-3.2%**
Salaries and other employee benefits	(41)	(356)	-88.5%	(275)	-85.1%	(1,069)	(1,150)	-7.0%
Administrative expenses	(1,305)	(1,515)	-13.9%	(889)	46.8%	(4,755)	(4,710)	1.0%
Operating expenses	**(1,346)**	**(1,871)**	**-28.1%**	**(1,164)**	**15.6%**	**(5,824)**	**(5,860)**	**-0.6%**
EBITDA	**284**	**18,002**	**-98.4%**	**8,348**	**-96.6%**	**15,120**	**15,773**	**-4.1%**
Depreciation and amortisation	(65)	(55)	18.2%	(64)	1.6%	(243)	(191)	27.2%
Net foreign currency gain (loss)	(496)	(836)	-40.7%	205	NMF	792	(1,534)	NMF
Interest income	393	-	-	305	28.9%	698	386	80.8%
Interest expense	(1,312)	(173)	NMF	(93)	NMF	(1,633)	(1,566)	4.3%
Net operating (loss) income before non-recurring items	**(1,196)**	**16,938**	**NMF**	**8,701**	**NMF**	**14,734**	**12,868**	**14.5%**
Net non-recurring items	(284)	(7)	NMF	(91)	NMF	(533)	(137)	NMF
(Loss)/profit before income tax	**(1,480)**	**16,931**	**NMF**	**8,610**	**NMF**	**14,201**	**12,731**	**11.5%**
Income tax benefit (expense)	424	(2,604)	NMF	(1,204)	NMF	(1,717)	(1,974)	-13.0%
(Loss)/profit	**(1,056)**	**14,327**	**NMF**	**7,406**	**NMF**	**12,484**	**10,757**	**16.1%**

Performance highlights

- **m^2 Real Estate revenue performance throughout 2016 reflects the success of m^2 Real Estate's strategy of developing residential properties on its existing land plots, and increasing its portfolio of yielding assets. As a result, m^2 Real Estate recorded very strong revenue across all business lines**
- Net revenue from the sale of apartments in 2016 almost tripled and reflects the strong sales and project completion performance of the business. During 4Q16, revenue was lower as m^2 finalised and handed over fewer apartments than in 4Q16 compared to 4Q15
- Net revenue from operating leases increased by 44.9%, reflecting m^2's increasing commercial real estate portfolio which reached GEL 44.8mln at the end of 2016 (up 39.3% y-o-y) and which now represents 12.1% of the total assets of m^2 Real Estate, compared to 11.7% last year
- Gross other investment profit is down in 2016 reflecting the large gain from the revaluation of an investment property recorded in 4Q15
- Consequently, m2 recognised revenue of GEL 20.9mln (down 3.2% y-o-y) and net profit of GEL 12.5mln (up 16.1% y-o-y)
- m^2 Real Estate's quarterly gross real estate revenue and profit are by their nature choppy, given both uneven real estate project cycles and the revenue recognition method under accounting rules (IAS 18) that company followed until 2017. Pursuant to IAS 18 apartment sale revenues were recognised upon handover of the apartment to its clients, following the completion of the projects. IFRS 15, adopted by m^2 Real Estate and the Group from 2017 onwards, requires revenue recognition according to the percentage of completion method. As a result, it is expected that out of the currently accrued deferred revenue, which at the end of

2016 stood at *US$ 30.6 (net of US$5.5mln VAT), of which, US$ 17.1mln will be recognised into revenues gradually during 2017-2019 in line with the project completion progress, while US$ 13.5mln will be recorded through equity on 1 January 2017*

- Effective 1 October 2016, m^2 Real Estate switched its selection of functional currency from GEL to USD. The change was warranted by m^2 Real Estate's increased dollarisation levels of its balance sheet, revenues and expenses. As a result of the change, foreign exchange gains or losses arising from long or short USD positions are now recorded through equity rather than through the income statement. The change did not have a material impact on the company's financial statements
- **In 2016, m^2 Real Estate sold a total of 407 apartments with the sales value of US$ 34.4mln, compared to 346 apartments sold with sales value of US$ 30.0mln during the same period last year.** m^2 sold a total of 112 apartments with a sales value of US$ 8.3mln in 4Q16, compared to 106 apartments sold with a sales value of US$ 10.8mln in 4Q15
- **m^2 Real Estate has started ten projects since its establishment in 2010, of which six have already been completed, and construction of four is ongoing. m^2 Real Estate has completed all of its projects on or ahead of time and within the budget.** Two of the ongoing projects are expected to be completed in 2017 and the other two in 2018. Currently, a total of 827 units are available for sale out of total of 2,874 apartments developed or under development. Of the four ongoing 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, out of which 289 have already been sold
    - 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 with almost double the price charged at other m^2 Real Estate buildings
    - The third 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 96 apartments to date
    - The fourth is the latest project by m^2 Real Estate, located in a central location of Tbilisi with a total of 62 apartments, out of which 28 have already been sold
- 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 47 unsold apartments. At its four on-going projects with a total capacity of 1,202 apartments, 422 apartments or 35% are already sold
- m^2 Real Estate has unlocked total land value of US$ 16.4mln from the six completed projects and an additional US$ 16.5mln in land value is expected to be unlocked from the four on-going projects
- The number of apartments financed with BOG mortgages in all m^2 Real Estate projects was 946, with an aggregate amount of GEL 110.7mln

OPERATING DATA
for completed and on-going projects, as of 31 December 2016

#	Project name	Number of apartments	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	Start date (construction)	Planned Completion date (construction)	Actual Completion date (construction)	Construction completed %
Completed projects		**1,672**	**1,625**	**97%**	**47**				**100%**
1	Chubinashvili Street	123	123	100%	0	Sep-10	Aug-12	Aug-12	100%
2	Tamarashvili Street	525	523	99%	2	May-12	Sep-14	Jun-14	100%
3	Kazbegi Street	295	295	100%	0	Dec-13	Feb-16	Feb-16	100%
4	Nutsubidze Street	221	221	100%	0	Dec-13	Nov-15	Sep-15	100%
5	Tamarashvili Street II	270	262	97%	8	Jul-14	Sep-16	Jun-16	100%
6	Moscow Avenue	238	201	85%	37	Sep-14	Jul-16	Jun-16	100%
On-going projects		**1,202**	**422**	**35%**	**780**				**30%**
7	Kartozia Street	819	289	35%	530	Nov-15	Sep-18	Sep-18	29%
8	Skyline	19	9	47%	10	Dec-15	Mar-17	Mar-17	69%
9	Kazbegi Street II	302	96	32%	206	Jun-16	Nov-18	Nov-18	18%
10	50 Chavchavadze Ave.	62	28	45%	34	Oct-16	Dec-17	Dec-17	3%
	Total	**2,874**	**2,047**	**71%**	**827**				

FINANCIAL DATA
for completed and on-going projects, as of 31 December 2016

#	Project name	Total Sales (US$ mln)	Recognised as revenue (US$ mln)	Deferred revenue (US$ mln)	Deferred revenue expected to be recognised as revenue in 2017	Land value unlocked (US$)	Realised & Expected IRR
	Completed projects	136.9	136.7	0.2	0.2	16.4	
1	Chubinashvili street	9.9	9.9	-		0.9	47%
2	Tamarashvili street	48.5	48.5	-		5.4	46%
3	Kazbegi Street	27.2	27.2	-		3.6	165%
4	Nutsubidze Street	17.4	17.4	-		2.2	58%
5	Tamarashvili Street II	23.9	23.7	0.1	0.1	2.7	71%
6	Moscow avenue	10.0	9.9	0.1	0.1	1.6	31%
	On-going projects	35.9	-	35.9	30.4	16.5	
7	Kartozia Street	21.0	-	21.0	18.3	5.8	60%
8	Skyline	4.1	-	4.1	4.1	3.1	329%
9	Kazbegi Street II	7.8	-	7.8	5.1	4.3	51%
10	50 Chavchavadze ave.	3.0	-	3.0	3.0	3.3	75%
	Total	172.8	136.7	36.1	30.6	32.9	

BALANCE SHEET

GEL thousands, unless otherwise noted	Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q
Cash and cash equivalents	93,278	28,015	233.0%	39,890	133.8%
Amounts due from credit institutions	-	-	-	305	-100.0%
Investment securities	1,145	1,145	0.0%	1,145	0.0%
Accounts receivable	1,016	757	34.2%	1,186	-14.3%
Prepayments	20,823	26,581	-21.7%	20,828	0.0%
Inventories	112,669	95,314	18.2%	92,790	21.4%
Investment property, of which:	116,058	108,753	6.7%	103,268	12.4%
Land bank	*71,214*	*76,558*	*-7.0%*	*64,071*	*11.1%*
Commercial real estate	*44,844*	*32,195*	*39.3%*	*39,197*	*14.4%*
Property and equipment	5,368	1,259	326.4%	1,667	222.0%
Other assets	20,975	13,852	51.4%	15,311	37.0%
Total assets	**371,332**	**275,676**	**34.7%**	**276,390**	**34.4%**
Amounts due to credit institutions	42,342	3,282	1190.1%	38,463	10.1%
Debt securities issued	104,410	48,937	113.4%	46,603	124.0%
Accruals and deferred income	82,398	109,024	-24.4%	62,824	31.2%
Other liabilities	5,232	6,646	-21.3%	7,388	-29.2%
Total liabilities	**234,382**	**167,889**	**39.6%**	**155,278**	**50.9%**
Additional paid-in capital	4,382	4,382	0.0%	5,606	-21.8%
Other reserves	12,880	(3,575)	NMF	(4,206)	NMF
Retained earnings	119,688	106,980	11.9%	119,712	0.0%
Total equity attributable to shareholders of the Group	**136,950**	**107,787**	**27.1%**	**121,112**	**13.1%**
Total equity	**136,950**	**107,787**	**27.1%**	**121,112**	**13.1%**
Total liabilities and equity	**371,332**	**275,676**	**34.7%**	**276,390**	**34.4%**

- m^2 Real Estate has a solid and well managed balance sheet. As of 31 December 2016, total assets were GEL 371.3mln (up 34.7% y-o-y), constituting 25% cash, 6% prepayments, 30% inventories (apartments in development), 31% investment property (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 in the local market, constitute 40% of the total balance sheet. Accruals and deferred income, constituting 22% of the balance sheet, represents prepayments for the presold apartments
- m^2 Real Estate currently has a land bank on its balance sheet with a total value of GEL 71.2mln. We do not expect the land bank to grow, as m^2 Real Estate strategy is to utilise its existing land plots within 3-4 years and, in parallel, start developing third party land

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT (quarterly)

GEL thousands, unless otherwise noted	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	4Q16	4Q15	3Q16
Banking interest income	256,457	228,212	12.4%	230,154	11.4%	258,414	230,833	11.9%	231,849	11.5%	-	-	-	-	-	(1,957)	(2,621)	(1,695)
Banking interest expense	(101,054)	(96,778)	4.4%	(93,530)	8.0%	(100,043)	(96,616)	3.5%	(93,234)	7.3%	-	-	-	-	-	(1,011)	(162)	(296)
Net banking interest income	**155,403**	**131,434**	**18.2%**	**136,624**	**13.7%**	**158,371**	**134,217**	**18.0%**	**138,615**	**14.3%**	**-**	**-**	**-**	**-**	**-**	**(2,968)**	**(2,783)**	**(1,991)**
Fee and commission income	48,588	42,110	15.4%	43,077	12.8%	50,135	42,856	17.0%	43,421	15.5%	-	-	-	-	-	(1,547)	(746)	(344)
Fee and commission expense	(13,263)	(10,471)	26.7%	(12,646)	4.9%	(13,490)	(10,590)	27.4%	(12,770)	5.6%	-	-	-	-	-	227	119	124
Net fee and commission income	**35,325**	**31,639**	**11.7%**	**30,431**	**16.1%**	**36,645**	**32,266**	**13.6%**	**30,651**	**19.6%**	**-**	**-**	**-**	**-**	**-**	**(1,320)**	**(627)**	**(220)**
Net banking foreign currency gain	28,516	19,525	**46.0%**	21,497	**32.7%**	28,516	19,525	**46.0%**	21,497	**32.7%**	-	-	-	-	-	-	-	-
Net other banking income	2,199	9,318	**-76.4%**	4,077	**-46.1%**	2,506	9,699	**-74.2%**	4,269	**-41.3%**	-	-	-	-	-	(307)	(381)	(192)
Net insurance premiums earned	26,046	24,476	6.4%	25,360	2.7%	11,559	10,810	6.9%	11,616	-0.5%	15,318	14,500	5.6%	14,483	5.8%	(831)	(834)	(739)
Net insurance claims incurred	(16,875)	(17,743)	-4.9%	(15,673)	7.7%	(5,114)	(5,369)	-4.7%	(4,800)	6.5%	(11,761)	(12,374)	-5.0%	(10,873)	8.2%	-	-	-
Gross insurance profit	**9,171**	**6,733**	**36.2%**	**9,687**	**-5.3%**	**6,445**	**5,441**	**18.5%**	**6,816**	**-5.4%**	**3,557**	**2,126**	**67.3%**	**3,610**	**-1.5%**	**(831)**	**(834)**	**(739)**
Healthcare and pharmacy revenue	118,799	53,089	123.8%	99,745	19.1%	-	-	-	-	-	118,799	53,089	123.8%	99,745	19.1%	-	-	-
Cost of healthcare and pharmacy services	(76,578)	(29,244)	161.9%	(64,228)	19.2%	-	-	-	-	-	(76,578)	(29,244)	161.9%	(64,228)	19.2%	-	-	-
Gross healthcare and pharmacy profit	**42,221**	**23,845**	**77.1%**	**35,517**	**18.9%**	**-**	**-**	**-**	**-**	**-**	**42,221**	**23,845**	**77.1%**	**35,517**	**18.9%**	**-**	**-**	**-**
Real estate revenue	9,813	47,638	-79.4%	55,965	-82.5%	-	-	-	-	-	10,507	47,638	-77.9%	55,965	-81.2%	(694)	-	-
Cost of real estate	(8,474)	(34,869)	-75.7%	(45,933)	-81.6%	-	-	-	-	-	(8,474)	(34,869)	-75.7%	(45,933)	-81.6%	-	-	-
Gross real estate profit	**1,339**	**12,769**	**-89.5%**	**10,032**	**-86.7%**	**-**	**-**	**-**	**-**	**-**	**2,033**	**12,769**	**-84.1%**	**10,032**	**-79.7%**	**(694)**	**-**	**-**
Utility revenue	31,608	-	-	24,738	27.8%	-	-	-	-	-	31,679	-	-	24,807	27.7%	(71)	-	(69)
Cost of utility	(10,008)	-	-	(7,796)	28.4%	-	-	-	-	-	(10,008)	-	-	(7,796)	28.4%	-	-	-
Gross utility profit	**21,600**	**-**	**-**	**16,942**	**27.5%**	**-**	**-**	**-**	**-**	**-**	**21,671**	**-**	**-**	**17,011**	**27.4%**	**(71)**	**-**	**(69)**
Gross other investment profit	9,697	11,271	-14.0%	4,821	101.1%	-	-	-	-	-	9,391	11,157	-15.8%	4,927	90.6%	306	114	(106)
Revenue	**305,471**	**246,534**	**23.9%**	**269,628**	**13.3%**	**232,483**	**201,148**	**15.6%**	**201,848**	**15.2%**	**78,873**	**49,897**	**58.1%**	**71,097**	**10.9%**	**(5,885)**	**(4,511)**	**(3,317)**
Salaries and other employee benefits	(64,754)	(47,158)	37.3%	(58,773)	10.2%	(50,052)	(39,304)	27.3%	(45,575)	9.8%	(15,459)	(8,487)	82.1%	(13,892)	11.3%	757	633	694
Administrative expenses	(40,729)	(26,716)	52.5%	(30,701)	32.7%	(25,714)	(21,657)	18.7%	(18,970)	35.6%	(16,132)	(5,916)	172.7%	(12,207)	32.2%	1,117	857	476
Banking depreciation and amortisation	(9,841)	(8,982)	9.6%	(9,665)	1.8%	(9,841)	(8,982)	9.6%	(9,665)	1.8%	-	-	-	-	-	-	-	-
Other operating expenses	(2,034)	(1,406)	44.7%	(2,414)	-15.7%	(1,462)	(1,229)	19.0%	(1,165)	25.5%	(572)	(177)	NMF	(1,250)	-54.2%	-	-	1
Operating expenses	**(117,358)**	**(84,262)**	**39.3%**	**(101,553)**	**15.6%**	**(87,069)**	**(71,172)**	**22.3%**	**(75,375)**	**15.5%**	**(32,163)**	**(14,580)**	**120.6%**	**(27,349)**	**17.6%**	**1,874**	**1,490**	**1,171**
Operating income before cost of credit risk / EBITDA	**188,113**	**162,272**	**15.9%**	**168,075**	**11.9%**	**145,414**	**129,976**	**11.9%**	**126,473**	**15.0%**	**46,710**	**35,317**	**32.3%**	**43,748**	**6.8%**	**(4,011)**	**(3,021)**	**(2,146)**
Profit from associates	254	1,938	-86.9%	256	-0.8%	-	-	-	-	-	254	1,938	-86.9%	256	-0.8%	-	-	-
Depreciation and amortisation of investment business	(9,615)	(4,731)	103.2%	(9,566)	0.5%	-	-	-	-	-	(9,615)	(4,731)	103.2%	(9,566)	0.5%	-	-	-
Net foreign currency gain from investment business	(6,065)	(3,416)	77.5%	(1,221)	NMF	-	-	-	-	-	(6,065)	(3,416)	77.5%	(1,221)	NMF	-	-	-
Interest income from investment business	1,551	602	157.6%	1,930	-19.6%	-	-	-	-	-	540	957	-43.6%	1,667	-67.6%	1,011	(355)	263
Interest expense from investment business	(8,673)	(3,166)	173.9%	(8,876)	-2.3%	-	-	-	-	-	(11,673)	(6,542)	78.4%	(10,759)	8.5%	3,000	3,376	1,883
Operating income before cost of credit risk	**165,565**	**153,499**	**7.9%**	**150,598**	**9.9%**	**145,414**	**129,976**	**11.9%**	**126,473**	**15.0%**	**20,151**	**23,523**	**-14.3%**	**24,125**	**-16.5%**	**-**	**-**	**-**
Impairment charge on loans to customers	(69,920)	(33,929)	106.1%	(29,936)	133.6%	(69,920)	(33,929)	106.1%	(29,936)	133.6%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	3,124	(215)	NMF	(3,258)	NMF	3,124	(215)	NMF	(3,258)	NMF	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	(3,171)	(1,878)	68.8%	(2,397)	32.3%	(4,077)	(1,086)	NMF	(1,331)	NMF	906	(792)	NMF	(1,066)	NMF	-	-	-
Cost of credit risk	**(69,967)**	**(36,022)**	**94.2%**	**(35,591)**	**96.6%**	**(70,873)**	**(35,230)**	**101.2%**	**(34,525)**	**105.3%**	**906**	**(792)**	**NMF**	**(1,066)**	**NMF**	**-**	**-**	**-**
Net operating income before non-recurring items	**95,598**	**117,477**	**-18.6%**	**115,007**	**-16.9%**	**74,541**	**94,746**	**-21.3%**	**91,948**	**-18.9%**	**21,057**	**22,731**	**-7.4%**	**23,059**	**-8.7%**	**-**	**-**	**-**
Net non-recurring items	698	(6,227)	NMF	35,156	-98.0%	(1,056)	(2,502)	-57.8%	3,474	NMF	1,754	(3,725)	NMF	31,682	-94.5%	-	-	-
Profit before income tax	**96,296**	**111,250**	**-13.4%**	**150,163**	**-35.9%**	**73,485**	**92,244**	**-20.3%**	**95,422**	**-23.0%**	**22,811**	**19,006**	**20.0%**	**54,741**	**-58.3%**	**-**	**-**	**-**
Income tax (expense) benefit	(7,553)	(15,578)	-51.5%	(8,614)	-12.3%	1,830	(11,653)	NMF	(5,665)	NMF	(9,383)	(3,925)	139.1%	(2,949)	NMF	-	-	-
Profit	**88,743**	**95,672**	**-7.2%**	**141,549**	**-37.3%**	**75,315**	**80,591**	**-6.5%**	**89,757**	**-16.1%**	**13,428**	**15,081**	**-11.0%**	**51,792**	**-74.1%**	**-**	**-**	**-**
Attributable to:																		
– shareholders of BGEO	87,136	92,287	*-5.6%*	135,924	*-35.9%*	75,871	79,425	*-4.5%*	88,827	*-14.6%*	11,265	12,862	*-12.4%*	47,097	*-76.1%*	-	-	-
– non-controlling interests	1,607	3,385	*-52.5%*	5,625	*-71.4%*	(556)	1,166	*NMF*	930	*NMF*	2,163	2,219	*-2.5%*	4,695	*-53.9%*	-	-	-
Earnings per share basic	**2.29**	**2.42**	**-5.4%**	**3.55**	**-35.5%**													
Earnings per share diluted	**2.21**	**2.42**	**-8.7%**	**3.55**	**-37.7%**													

INCOME STATEMENT

	BGEO Consolidated			Banking Business			Investment Business			Eliminations		
GEL thousands, unless otherwise noted	**2016**	**2015**	**Change y-o-y**	**2016**	**2015**	**Change y-o-y**	**2016**	**2015**	**Change y-o-y**	**2016**	**2015**	**Change y-o-y**
Banking interest income	927,316	859,778	7.9%	933,715	872,299	7.00%	-	-	-	(6,399)	(12,521)	-48.9%
Banking interest expense	(377,909)	(358,388)	5.4%	(376,987)	(359,372)	4.90%	-	-	-	(922)	984	NMF
Net banking interest income	**549,407**	**501,390**	**9.6%**	**556,728**	**512,927**	**8.5%**	**-**	**-**	**-**	**(7,321)**	**(11,537)**	**-36.5%**
Fee and commission income	170,063	158,158	7.5%	172,715	161,891	6.7%	-	-	-	(2,652)	(3,733)	-29.0%
Fee and commission expense	(47,150)	(39,752)	18.6%	(47,766)	(40,302)	18.5%	-	-	-	616	550	12.0%
Net fee and commission income	**122,913**	**118,406**	**3.8%**	**124,949**	**121,589**	**2.8%**	**-**	**-**	**-**	**(2,036)**	**(3,183)**	**-36.0%**
Net banking foreign currency gain	**82,909**	**76,926**	**7.8%**	**82,909**	**76,926**	**7.8%**	**-**	**-**	**-**	**-**	**-**	**-**
Net other banking income	**11,773**	**18,528**	**-36.5%**	**12,767**	**19,837**	**-35.6%**	**-**	**-**	**-**	**(994)**	**(1,309)**	**-24.1%**
Net insurance premiums earned	97,085	92,901	4.5%	42,959	40,161	7.0%	56,998	54,996	3.6%	(2,872)	(2,256)	27.3%
Net insurance claims incurred	(63,402)	(62,994)	0.6%	(17,858)	(20,114)	-11.2%	(45,544)	(42,880)	6.2%	-	-	-
Gross insurance profit	**33,683**	**29,907**	**12.6%**	**25,101**	**20,047**	**25.2%**	**11,454**	**12,116**	**-5.5%**	**(2,872)**	**(2,256)**	**27.3%**
Healthcare and pharmacy revenue	362,586	183,993	97.1%	-	-	-	362,586	183,993	97.1%	-	-	-
Cost of healthcare and pharmacy services	(227,724)	(103,055)	121.0%	-	-	-	(227,724)	(103,055)	121.0%	-	-	-
Gross healthcare and pharmacy profit	**134,862**	**80,938**	**66.6%**	**-**	**-**	**-**	**134,862**	**80,938**	**66.6%**	**-**	**-**	**-**
Real estate revenue	100,866	54,409	85.4%	-	-	-	101,560	54,409	86.7%	(694)	-	-
Cost of real estate	(81,098)	(39,721)	104.2%	-	-	-	(81,098)	(39,721)	104.2%	-	-	-
Gross real estate profit	**19,768**	**14,688**	**34.6%**	**-**	**-**	**-**	**20,462**	**14,688**	**39.3%**	**(694)**	**-**	**-**
Utility revenue	56,347	-	-	-	-	-	56,486	-	-	(139)	-	-
Cost of utility	(17,806)	-	-	-	-	-	(17,806)	-	-	-	-	-
Gross utility profit	**38,541**	**-**	**-**	**-**	**-**	**-**	**38,680**	**-**	**-**	**(139)**	**-**	**-**
Gross other investment profit	20,926	20,777	0.7%	-	-	-	20,802	20,639	0.8%	124	138	-10.1%
Revenue	**1,014,782**	**861,560**	**17.8%**	**802,454**	**751,326**	**6.8%**	**226,260**	**128,381**	**76.2%**	**(13,932)**	**(18,147)**	**-23.2%**
Salaries and other employee benefits	(221,815)	(185,329)	19.7%	(176,280)	(155,744)	13.2%	(48,286)	(31,621)	52.7%	2,751	2,036	35.1%
Administrative expenses	(124,312)	(90,919)	36.7%	(83,792)	(74,381)	12.7%	(42,856)	(18,491)	131.8%	2,336	1,953	19.6%
Banking depreciation and amortisation	(37,981)	(34,199)	11.1%	(37,981)	(34,199)	11.1%	-	-	-	-	-	-
Other operating expenses	(6,680)	(4,285)	55.9%	(4,174)	(3,535)	18.1%	(2,506)	(750)	NMF	-	-	-
Operating expenses	**(390,788)**	**(314,732)**	**24.2%**	**(302,227)**	**(267,859)**	**12.8%**	**(93,648)**	**(50,862)**	**84.1%**	**5,087**	**3,989**	**27.5%**
Operating income before cost of credit risk / EBITDA	**623,994**	**546,828**	**14.1%**	**500,227**	**483,467**	**3.5%**	**132,612**	**77,519**	**71.1%**	**(8,845)**	**(14,158)**	**-37.5%**
Profit from associates	4,328	4,050	6.9%	-	-	-	4,328	4,050	6.9%	-	-	-
Depreciation and amortisation of investment business	(28,865)	(14,225)	102.9%	-	-	-	(28,865)	(14,225)	102.9%	-	-	-
Net foreign currency gain from investment business	(9,650)	651	NMF	-	-	-	(9,650)	651	NMF	-	-	-
Interest income from investment business	4,155	2,340	77.6%	-	-	-	3,232	3,338	-3.2%	923	(998)	NMF
Interest expense from investment business	(21,429)	(10,337)	107.3%	-	-	-	(29,351)	(25,493)	15.1%	7,922	15,156	-47.7%
Operating income before cost of credit risk	**572,533**	**529,307**	**8.2%**	**500,227**	**483,467**	**3.5%**	**72,306**	**45,840**	**57.7%**	**-**	**-**	**-**
Impairment charge on loans to customers	(158,892)	(142,819)	11.3%	(158,892)	(142,819)	11.3%	-	-	-	-	-	-
Impairment charge on finance lease receivables	(777)	(1,958)	-60.3%	(777)	(1,958)	-60.3%	-	-	-	-	-	-
Impairment charge on other assets and provisions	(11,420)	(10,600)	7.7%	(8,892)	(6,740)	31.9%	(2,528)	(3,860)	-34.5%	-	-	-
Cost of credit risk	**(171,089)**	**(155,377)**	**10.1%**	**(168,561)**	**(151,517)**	**11.2%**	**(2,528)**	**(3,860)**	**-34.5%**	**-**	**-**	**-**
Net operating income before non-recurring items	**401,444**	**373,930**	**7.4%**	**331,666**	**331,950**	**-0.1%**	**69,778**	**41,980**	**66.2%**	**-**	**-**	**-**
Net non-recurring items	(11,524)	(14,577)	-20.9%	(45,351)	(13,046)	NMF	33,827	(1,531)	NMF	-	-	-
Profit before income tax	**389,920**	**359,353**	**8.5%**	**286,315**	**318,904**	**-10.2%**	**103,605**	**40,449**	**156.1%**	**-**	**-**	**-**
Income tax (expense) benefit	38,656	(48,408)	NMF	23,126	(44,647)	NMF	15,530	(3,761)	NMF	-	-	-
Profit	**428,576**	**310,945**	**37.8%**	**309,441**	**274,257**	**12.8%**	**119,135**	**36,688**	**224.7%**	**-**	**-**	**-**
Attributable to:												
– shareholders of BGEO	*398,538*	*303,694*	*31.2%*	*306,918*	*270,466*	*13.5%*	*91,620*	*33,228*	*175.7%*	-	-	-
– non-controlling interests	*30,038*	*7,251*	*314.3%*	*2,523*	*3,791*	*-33.4%*	*27,515*	*3,460*	*695.2%*	-	-	-
Earnings per share basic	**10.41**	**7.93**	**31.3%**									
Earnings per share diluted	**10.09**	**7.93**	**27.2%**									

BALANCE SHEET

GEL thousands, unless otherwise noted	BGEO Consolidated Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q	Banking Business Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q	Investment Business Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q	Eliminations Dec-16	Dec-15	Sep-16
Cash and cash equivalents	1,573,610	1,432,934	9.8%	1,197,687	31.4%	1,482,106	1,378,459	7.5%	1,090,511	35.9%	397,620	290,576	36.8%	237,426	67.5%	(306,116)	(236,101)	(130,250)
Amounts due from credit institutions	1,054,983	731,365	44.2%	944,061	11.7%	943,091	721,802	30.7%	848,185	11.2%	153,497	15,730	875.8%	140,635	9.1%	(41,605)	(6,167)	(44,759)
Investment securities	1,286,003	903,867	42.3%	1,171,440	9.8%	1,287,292	906,730	42.0%	1,172,825	9.8%	3,075	1,153	166.7%	2,507	22.7%	(4,364)	(4,016)	(3,892)
Loans to customers and finance lease receivables	6,648,482	5,322,117	24.9%	5,676,225	17.1%	6,681,672	5,366,764	24.5%	5,715,737	16.9%	-	-	-	-	-	(33,190)	(44,647)	(39,512)
Accounts receivable and other loans	128,506	87,972	46.1%	119,381	7.6%	56,495	10,376	444.5%	25,004	125.9%	125,964	82,354	53.0%	116,123	8.5%	(53,953)	(4,758)	(21,746)
Insurance premiums receivable	46,423	39,226	18.3%	52,842	-12.1%	24,152	19,829	21.8%	22,493	7.4%	24,284	20,929	16.0%	31,224	-22.2%	(2,013)	(1,532)	(875)
Prepayments	76,277	58,328	30.8%	91,578	-16.7%	19,607	21,033	-6.8%	22,420	-12.5%	57,270	37,295	53.6%	69,158	-17.2%	(600)	-	-
Inventories	188,344	127,027	48.3%	164,567	14.4%	9,009	9,439	-4.6%	9,635	-6.5%	179,335	117,588	52.5%	154,932	15.8%	-	-	-
Investment property	288,227	246,398	17.0%	264,790	8.9%	153,442	135,453	13.3%	142,105	8.0%	134,785	110,945	21.5%	122,685	9.9%	-	-	-
Property and equipment	1,323,870	794,682	66.6%	1,224,620	8.1%	339,442	337,064	0.7%	338,455	0.3%	984,428	457,618	115.1%	886,165	11.1%	-	-	-
Goodwill	106,986	72,984	46.6%	107,298	-0.3%	49,592	49,592	0.0%	49,592	0.0%	57,394	23,392	145.4%	57,706	-0.5%	-	-	-
Intangible assets	58,907	40,516	45.4%	50,745	16.1%	41,350	35,162	17.6%	39,311	5.2%	17,557	5,354	227.9%	11,434	53.6%	-	-	-
Income tax assets	24,043	21,550	11.6%	22,874	5.1%	20,638	16,003	29.0%	13,840	49.1%	3,405	5,547	-38.6%	9,034	-62.3%	-	-	-
Other assets	184,792	236,773	-22.0%	197,980	-6.7%	140,338	163,731	-14.3%	164,533	-14.7%	56,312	79,479	-29.1%	36,033	56.3%	(11,858)	(6,437)	(2,586)
Total assets	**12,989,453**	**10,115,739**	**28.4%**	**11,286,088**	**15.1%**	**11,248,226**	**9,171,437**	**22.6%**	**9,654,646**	**16.5%**	**2,194,926**	**1,247,960**	**75.9%**	**1,875,062**	**17.1%**	**(453,699)**	**(303,658)**	**(243,620)**
Client deposits and notes	5,382,698	4,751,387	13.3%	4,700,324	14.5%	5,730,419	4,993,681	14.8%	4,878,171	17.5%	-	-	-	-	-	(347,721)	(242,294)	(177,847)
Amounts due to credit institutions	3,470,091	1,789,062	94.0%	2,740,926	26.6%	3,067,651	1,692,557	81.2%	2,396,969	28.0%	435,630	144,534	201.4%	380,745	14.4%	(33,190)	(48,029)	(36,788)
Debt securities issued	1,255,643	1,039,804	20.8%	1,036,086	21.2%	858,037	961,944	-10.8%	722,088	18.8%	407,242	84,474	382.1%	320,128	27.2%	(9,636)	(6,614)	(6,130)
Accruals and deferred income	130,319	146,852	-11.3%	107,974	20.7%	25,242	20,364	24.0%	17,824	41.6%	158,387	126,488	25.2%	110,627	43.2%	(53,310)	-	(20,477)
Insurance contracts liabilities	67,871	55,845	21.5%	70,840	-4.2%	41,542	34,547	20.2%	43,665	-4.9%	26,329	21,298	23.6%	27,175	-3.1%	-	-	-
Income tax liabilities	27,791	124,395	-77.7%	28,678	-3.1%	23,937	89,980	-73.4%	26,044	-8.1%	3,854	34,415	-88.8%	2,634	46.3%	-	-	-
Other liabilities	231,622	134,756	71.9%	212,511	9.0%	72,547	63,073	15.0%	53,924	34.5%	168,917	78,404	115.4%	160,965	4.9%	(9,842)	(6,721)	(2,378)
Total liabilities	**10,566,035**	**8,042,101**	**31.4%**	**8,897,339**	**18.8%**	**9,819,375**	**7,856,146**	**25.0%**	**8,138,685**	**20.7%**	**1,200,359**	**489,613**	**145.2%**	**1,002,274**	**19.8%**	**(453,699)**	**(303,658)**	**(243,620)**
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	183,872	240,593	-23.6%	245,317	-25.0%	45,072	101,793	-55.7%	105,293	-57.2%	138,800	138,800	0.0%	140,024	-0.9%	-	-	-
Treasury shares	(54)	(44)	22.7%	(37)	45.9%	(54)	(44)	22.7%	(37)	45.9%	-	-	-	-	-	-	-	-
Other reserves	102,269	32,844	211.4%	108,442	-5.7%	(31,116)	(63,958)	-51.3%	6,159	NMF	133,385	96,802	37.8%	102,283	30.4%	-	-	-
Retained earnings	1,878,945	1,577,050	19.1%	1,787,743	5.1%	1,393,117	1,257,415	10.8%	1,382,256	0.8%	485,828	319,635	52.0%	405,487	19.8%	-	-	-
Total equity attributable to shareholders of the Group	**2,166,186**	**1,851,597**	**17.0%**	**2,142,619**	**1.1%**	**1,408,173**	**1,296,360**	**8.6%**	**1,494,825**	**-5.8%**	**758,013**	**555,237**	**36.5%**	**647,794**	**17.0%**	**-**	**-**	**-**
Non-controlling interests	257,232	222,041	15.8%	246,130	4.5%	20,678	18,931	9.2%	21,136	-2.2%	236,554	203,110	16.5%	224,994	5.1%	-	-	-
Total equity	**2,423,418**	**2,073,638**	**16.9%**	**2,388,749**	**1.5%**	**1,428,851**	**1,315,291**	**8.6%**	**1,515,961**	**-5.7%**	**994,567**	**758,347**	**31.1%**	**872,788**	**14.0%**	**-**	**-**	**-**
Total liabilities and equity	**12,989,453**	**10,115,739**	**28.4%**	**11,286,088**	**15.1%**	**11,248,226**	**9,171,437**	**22.6%**	**9,654,646**	**16.5%**	**2,194,926**	**1,247,960**	**75.9%**	**1,875,062**	**17.1%**	**(453,699)**	**(303,658)**	**(243,620)**
Book value per share	**57.52**	**48.75**	**18.0%**	**56.03**	**2.7%**	**21.73**	**20.36**	**6.7%**	**24.05**	**-9.6%**	**17.66**	**13.74**	**28.5%**	**18.50**	**-4.5%**			

GEORGIA HEALTHCARE GROUP

INCOME STATEMENT (quarterly)	Healthcare services					Medical insurance					Pharmacy			Eliminations			GHG				
GEL thousands; unless otherwise noted	4Q16	4Q15	Change, y-o-y	3Q16	Change, q-o-q	4Q16	4Q15	Change, y-o-y	3Q16	Change, q-o-q	4Q16	3Q16	Change, q-o-q	4Q16	4Q15	3Q16	4Q16	4Q15	Change, y-o-y	3Q16	Change, q-o-q
Revenue, gross	**67,604**	**55,481**	**21.9%**	**59,305**	**14.0%**	**16,312**	**15,542**	**5.0%**	**16,054**	**1.6%**	**56,586**	**45,725**	**23.8%**	**(4,471)**	**(1,293)**	**(4,925)**	**136,031**	**69,730**	**95.1%**	**116,159**	**17.1%**
Corrections & rebates	(790)	(1,086)	-27.3%	(762)	3.7%	-	-	-	-	-	-	-		-	-	-	(790)	(1,086)	-27.3%	(762)	3.7%
Revenue, net	**66,814**	**54,395**	**22.8%**	**58,543**	**14.1%**	**16,312**	**15,542**	**5.0%**	**16,054**	**1.6%**	**56,586**	**45,725**	**23.8%**	**(4,471)**	**(1,293)**	**(4,925)**	**135,241**	**68,644**	**97.0%**	**115,397**	**17.2%**
Costs of services	**(34,802)**	**(30,007)**	**16.0%**	**(31,170)**	**11.7%**	**(14,997)**	**(13,928)**	**7.7%**	**(13,939)**	**7.6%**	**(44,498)**	**(35,915)**	**23.9%**	**4,671**	**1,306**	**4,461**	**(89,626)**	**(42,629)**	**110.2%**	**(76,563)**	**17.1%**
Cost of salaries and other employee benefits	(21,042)	(18,256)	15.3%	(19,746)	6.6%	-	-	-	-	-	-	-	-	1,534	449	1,569	(19,508)	(17,807)	9.6%	(18,177)	7.3%
Cost of materials and supplies	(10,616)	(8,871)	19.7%	(8,602)	23.4%	-	-	-	-	-	-	-	-	761	240	704	(9,855)	(8,632)	14.2%	(7,898)	24.8%
Cost of medical service providers	(550)	(593)	-7.3%	(463)	18.8%	-	-	-	-	-	-	-	-	39	13	35	(511)	(580)	-11.9%	(428)	19.4%
Cost of utilities and other	(2,594)	(2,287)	13.4%	(2,359)	10.0%	-	-	-	-	-	-	-	-	189	60	193	(2,405)	(2,227)	8.0%	(2,166)	11.0%
Net insurance claims incurred	-	-	-	-	-	(13,911)	(12,918)	7.7%	(12,834)	8.4%	-	-	-	2,148	544	1,960	(11,763)	(12,374)	-4.9%	(10,874)	8.2%
Agents, brokers and employee commissions	-	-	-	-	-	(1,086)	(1,010)	7.5%	(1,105)	-1.7%	-	-	-	-	-	-	(1,086)	(1,010)	7.5%	(1,105)	-1.7%
Cost of pharmacy - wholesale	-	-	-	-	-	-	-	-	-	-	(13,700)	(10,086)	35.8%	-	-	-	(13,700)	-	-	(10,086)	-
Cost of pharmacy - retail	-	-	-	-	-	-	-	-	-	-	(30,797)	(25,829)	19.2%	-	-	-	(30,797)	-	-	(25,829)	-
Gross profit	**32,012**	**24,389**	**31.3%**	**27,373**	**16.9%**	**1,315**	**1,615**	**-18.6%**	**2,115**	**-37.8%**	**12,088**	**9,810**	**23.2%**	**200**	**13**	**(464)**	**45,615**	**26,016**	**75.3%**	**38,834**	**17.5%**
Salaries and other employee benefits	(6,676)	(6,178)	8.1%	(6,003)	11.2%	(1,320)	(636)	107.6%	(1,196)	10.4%	(4,561)	(4,106)	11.1%	(200)	4	464	(12,757)	(6,810)	87.3%	(10,841)	17.7%
General and administrative expenses	(4,212)	(2,219)	89.8%	(3,708)	13.6%	(580)	(839)	-30.9%	(649)	-10.6%	(4,678)	(4,066)	15.1%	-	-	-	(9,470)	(3,058)	209.7%	(8,423)	12.4%
Impairment of healthcare services, insurance premiums and other receivables	145	(460)	NMF	(48)	NMF	(89)	(152)	-41.4%	(124)	-28.2%	-	-	-	-	-	-	56	(612)	-109.1%	(172)	NMF
Other operating income	269	1,008	-73.3%	180	49.4%	31	(5)	NMF	(1)	NMF	545	150	263.3%	-	(17)	-	845	986	-14.3%	329	156.8%
EBITDA	**21,538**	**16,540**	**30.2%**	**17,794**	**21.0%**	**(643)**	**(17)**	**NMF**	**145**	**-543.4%**	**3,394**	**1,788**	**89.8%**	-	-	-	**24,289**	**16,522**	**47.0%**	**19,727**	**23.1%**
EBITDA margin	***31.9%***	***29.8%***		***30.0%***		***-3.9%***	***-0.1%***		***0.9%***		***6.0%***	***3.9%***	-	-	-	-	***17.9%***	***23.7%***		***17.0%***	
Depreciation and amortisation	(5,292)	(4,046)	30.8%	(4,613)	14.7%	(226)	(249)	-9.2%	(211)	7.1%	202	(391)	-151.7%	-	-	-	(5,316)	(4,295)	23.8%	(5,215)	1.9%
Net interest income (expense)	(3,815)	(5,535)	-31.1%	(3,125)	22.1%	(242)	158	NMF	(86)	NMF	(548)	(627)	-12.6%	(168)	-	-	(4,773)	(5,377)	-11.2%	(3,838)	24.4%
Net gains/(losses) from foreign currencies	(2,053)	(1,586)	NMF	(95)	NMF	(189)	(6)	NMF	(91)	107.7%	(928)	(77)	NMF	-	-	-	(3,170)	(1,592)	NMF	(263)	NMF
Net non-recurring income/(expense)	2,704	484	NMF	22	NMF	(704)	(676)	-	-	-	(17)	(71)	-76.1%	-	-	-	1,982	(192)	NMF	(49)	-NMF
Profit before income tax expense	**13,082**	**5,856**	**123.4%**	**9,983**	**31.0%**	**(2,004)**	**(790)**	**NMF**	**(243)**	**724.7%**	**2,103**	**622**	**238.1%**	**(168)**	**-**	**-**	**13,012**	**5,066**	**156.9%**	**10,362**	**25.6%**
Income tax benefit/(expense)	(5,439)	(206)	NMF	(612)	NMF	(845)	192	NMF	25	NMF	(398)	-	-	-	-	-	(6,682)	(14)	NMF	(587)	NMF
of which: Deferred tax adjustments	*(4,321)*	-	-	-	-	*(798)*	-	-	-	-	*(200)*	-	-	-	-	-	*(5,319)*	-	-	-	-
Profit for the period	**7,643**	**5,650**	**35.3%**	**9,371**	**-18.4%**	**(2,849)**	**(598)**	**NMF**	**(218)**	**NMF**	**1,705**	**622**	**174.1%**	**(168)**	-	-	**6,330**	**5,052**	**25.3%**	**9,775**	**-35.2%**
														-							
Attributable to:														-							
- shareholders of the Company	6,714	4,421	51.9%	6,721	-0.1%	(2,849)	(598)	NMF	(218)	NMF	1,705	622	174.1%	(168)	-	-	5,401	3,823	41.3%	7,125	-24.2%
- non-controlling interests	929	1,229	-24.4%	2,650	-64.9%	-	-	-	-	-	-	-	-	-	-	-	929	1,229	-24.4%	2,650	-64.9%
of which: Deferred tax adjustments	*(516)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*(516)*	-	-	-	-

INCOME STATEMENT	Healthcare services			Medical insurance			Pharmacy	Eliminations		GHG		
GEL thousands; unless otherwise noted	2016	2015	Change, y-o-y	2016	2015	Change, y-o-y	2016	2016	2015	2016	2015	Change, y-o-y
Revenue, gross	**246,139**	**195,032**	**26.2%**	**61,494**	**58,552**	**5.0%**	**133,002**	**(14,196)**	**(7,615)**	**426,439**	**245,969**	**73.4%**
Corrections & rebates	(2,686)	(3,608)	-25.6%	-	-	-	-	-	-	(2,686)	(3,608)	-25.6%
Revenue, net	**243,453**	**191,424**	**27.2%**	**61,494**	**58,552**	**5.0%**	**133,002**	**(14,196)**	**(7,615)**	**423,753**	**242,361**	**74.8%**
Costs of services	**(130,369)**	**(107,291)**	**21.5%**	**(55,772)**	**(49,372)**	**13.0%**	**(105,472)**	**13,878**	**7,431**	**(277,735)**	**(149,232)**	**86.1%**
Cost of salaries and other employee benefits	(80,397)	(68,014)	18.2%	-	-	-	-	4,762	2,685	(75,635)	(65,329)	15.8%
Cost of materials and supplies	(38,059)	(29,097)	30.8%	-	-	-	-	2,254	1,149	(35,805)	(27,949)	28.1%
Cost of medical service providers	(1,842)	(2,423)	-24.0%	-	-	-	-	109	96	(1,733)	(2,328)	-25.6%
Cost of utilities and other	(10,071)	(7,757)	29.8%	-	-	-	-	596	306	(9,475)	(7,451)	27.2%
Net insurance claims incurred	-	-	-	(51,701)	(46,076)	12.2%	-	6,157	3,195	(45,544)	(42,881)	6.2%
Agents, brokers and employee commissions	-	-	-	(4,071)	(3,296)	23.5%	-			(4,071)	(3,296)	23.5%
Cost of pharmacy - wholesale	-	-	-	-	-	-	(30,332)	-	-	(30,332)	-	-
Cost of pharmacy - retail	-	-	-	-	-	-	(75,140)	-	-	(75,140)	-	-
Gross profit	**113,084**	**84,133**	**34.4%**	**5,722**	**9,180**	**-37.7%**	**27,530**	**(318)**	**(184)**	**146,018**	**93,129**	**56.8%**
Salaries and other employee benefits	(24,048)	(23,075)	4.2%	(4,663)	(3,642)	28.0%	(11,357)	318	202	(39,750)	(26,515)	49.9%
General and administrative expenses	(13,920)	(7,860)	77.1%	(2,656)	(2,660)	-0.2%	(11,277)	-	3	(27,853)	(10,517)	164.8%
Impairment of healthcare services, insurance premiums and other receivables	(1,881)	(3,140)	-40.1%	(451)	(308)	46.2%	-	-	-	(2,332)	(3,448)	-32.4%
Other operating income	1,085	3,468	-68.7%	19	43	NMF	840	-	(21)	1,944	3,490	-44.3%
EBITDA	**74,320**	**53,526**	**38.8%**	**(2,029)**	**2,613**	**NMF**	**5,736**	-	-	**78,027**	**56,139**	**39.0%**
EBITDA margin	***30.2%***	***27.4%***		***-3.3%***	***4.5%***		***4.3%***	-	-	***18.3%***	***22.8%***	
Depreciation and amortisation	(18,287)	(11,973)	52.7%	(843)	(692)	21.7%	(447)	-	-	(19,577)	(12,666)	54.6%
Net interest income (expense)	(12,198)	(20,352)	-40.1%	232	71	NMF	(1,602)	(168)	-	(13,736)	(20,282)	-32.3%
Net gains/(losses) from foreign currencies	(4,270)	1,312	NMF	(110)	785	-114.0%	(1,277)	-	-	(5,657)	2,098	NMF
Net non-recurring income/(expense)	2,883	(960)	NMF	(1,677)	(722)	NMF	(88)	-	-	1,118	(1,682)	NMF
Profit before income tax expense	**42,448**	**21,553**	**96.9%**	**(4,427)**	**2,055**	**NMF**	**2,322**	**(168)**	-	**40,175**	**23,608**	**70.2%**
Income tax benefit/(expense)	22,054	307	NMF	(500)	(298)	NMF	(398)	-	-	21,156	9	NMF
of which: Deferred tax adjustments	*24,990*	-	-	(798)	-	-	*(200)*	-	-	*23,992*	-	-
Profit for the period	**64,502**	**21,860**	**195.1%**	**(4,927)**	**1,757**	**NMF**	**1,924**	**(168)**	-	**61,331**	**23,617**	**159.7%**
										-	-	
Attributable to:										-	-	
- shareholders of the Company	53,374	17,894	198.3%	(4,927)	1,757	NMF	**1,924**	(168)	-	50,203	19,651	155.5%
- non-controlling interests	11,128	3,966	180.6%	-	-	-	-	-	-	11,128	3,966	180.6%
of which: Deferred tax adjustments	*4,541*	-	-	-	-	-	-	-	-	*4,541*	-	-

P&C INSURANCE (ALDAGI)

INCOME STATEMENT HIGHLIGHTS *GEL thousands, unless otherwise stated*	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	2016	2015	Change y-o-y
Net banking interest income	761	590	29.0%	862	-11.7%	3,118	2,330	33.8%
Net fee and commission income	128	87	47.1%	104	23.1%	436	310	40.6%
Net banking foreign currency gain	809	(126)	NMF	(70)	NMF	(294)	993	NMF
Net other banking income	495	351	41.0%	255	94.1%	1,104	993	11.2%
Gross insurance profit	6,477	5,423	19.4%	6,836	-5.3%	25,788	21,180	21.8%
Revenue	**8,670**	**6,325**	**37.1%**	**7,987**	**8.6%**	**30,152**	**25,806**	**16.8%**
Operating expenses	(3,641)	(2,746)	32.6%	(3,102)	17.4%	(12,284)	(11,199)	9.7%
Operating income before cost of credit risk and non-recurring items	**5,029**	**3,579**	**40.5%**	**4,885**	**2.9%**	**17,868**	**14,607**	**22.3%**
Cost of credit risk	(265)	(244)	8.6%	(185)	43.2%	(808)	(710)	13.8%
Net non-recurring items	-	(701)	-100.0%	3	-100.0%	3	(701)	NMF
Profit before income tax	**4,764**	**2,634**	**80.9%**	**4,703**	**1.3%**	**17,063**	**13,196**	**29.3%**
Income tax (expense) benefit	(953)	(467)	104.1%	(812)	17.4%	(3,318)	(731)	NMF
Profit	**3,811**	**2,167**	**75.9%**	**3,891**	**-2.1%**	**13,745**	**12,465**	**10.3%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	4Q16	4Q15	Change y-o-y	3Q16	Change q-o-q	2016	2015	Change y-o-y
Net banking interest income	8,043	7,590	6.0%	7,830	2.7%	30,773	29,307	5.0%
Net fee and commission income	1,993	2,133	-6.6%	1,739	14.6%	7,462	9,198	-18.9%
Net banking foreign currency gain	2,696	2,011	34.1%	1,175	129.4%	8,452	17,036	-50.4%
Net other banking income	(1,064)	1,776	NMF	79	NMF	(738)	2,199	NMF
Revenue	**11,668**	**13,510**	**-13.6%**	**10,823**	**7.8%**	**45,949**	**57,740**	**-20.4%**
Operating expenses	(6,483)	(6,068)	6.8%	(4,982)	30.1%	(20,905)	(19,731)	6.0%
Operating income before cost of credit risk	**5,185**	**7,442**	**-30.3%**	**5,841**	**-11.2%**	**25,044**	**38,009**	**-34.1%**
Cost of credit risk	(9,163)	(7,651)	19.8%	(3,043)	NMF	(15,797)	(19,270)	-18.0%
Net non-recurring items	(1,402)	3,217	NMF	(4)	NMF	(1,418)	1,478	NMF
Profit before income tax	**(5,380)**	**3,008**	**NMF**	**2,794**	**NMF**	**7,829**	**20,217**	**-61.3%**
Income tax (expense) benefit	1,289	1,801	-28.4%	(441)	NMF	(5,141)	(2,754)	86.7%
Profit	**(4,091)**	**4,809**	**NMF**	**2,353**	**NMF**	**2,688**	**17,463**	**-84.6%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Dec-16	Dec-15	Change y-o-y	Sep-16	Change q-o-q
Cash and cash equivalents	70,211	109,758	-36.0%	67,096	4.6%
Amounts due from credit institutions	3,560	3,906	-8.9%	3,292	8.1%
Loans to customers and finance lease receivables	362,100	320,114	13.1%	327,170	10.7%
Other assets	113,261	41,705	171.6%	96,177	17.8%
Total assets	**549,132**	**475,483**	**15.5%**	**493,735**	**11.2%**
Client deposits and notes	233,501	277,642	-15.9%	200,742	16.3%
Amounts due to credit institutions	212,495	115,643	83.8%	198,446	7.1%
Debt securities issued	24,126	-	-	15,484	55.8%
Other liabilities	5,202	4,685	11.0%	6,978	-25.5%
Total liabilities	**475,324**	**397,970**	**19.4%**	**421,650**	**12.7%**
Total equity attributable to shareholders of the Group	**59,205**	**64,505**	**-8.2%**	**57,826**	**2.4%**
Non-controlling interests	14,603	13,008	12.3%	14,259	2.4%
Total equity	**73,808**	**77,513**	**-4.8%**	**72,085**	**2.4%**
Total liabilities and equity	**549,132**	**475,483**	**15.5%**	**493,735**	**11.2%**

BANKING BUSINESS KEY RATIOS	4Q16	4Q15	3Q16	Dec-16	Dec-15
Profitability					
ROAA, Annualised	2.9%	3.5%	3.7%	3.2%	3.2%
ROAE, Annualised	20.1%	25.1%	24.7%	22.1%	21.7%
RB ROAE	*35.8%*	*28.6%*	*31.6%*	*30.5%*	*24.6%*
CIB ROAE	*6.1%*	*21.7%*	*17.9%*	*14.5%*	*18.5%*
Net Interest Margin, Annualised	7.6%	7.6%	7.3%	7.5%	7.7%
RB NIM	*9.3%*	*9.6%*	*9.0%*	*9.2%*	*9.6%*
CIB NIM	*3.6%*	*3.8%*	*3.4%*	*3.6%*	*3.9%*
Loan Yield, Annualised	14.4%	14.8%	14.1%	14.2%	14.8%
RB Loan Yield	*16.4%*	*17.9%*	*16.6%*	*16.8%*	*17.6%*
CIB Loan Yield	*11.1%*	*10.8%*	*10.1%*	*10.4%*	*10.7%*
Liquid assets yield, Annualised	3.3%	3.3%	3.2%	3.2%	3.2%
Cost of Funds, Annualised	4.6%	5.1%	4.7%	4.7%	5.1%
Cost of Client Deposits and Notes, annualised	3.5%	4.4%	3.6%	3.8%	4.3%
RB Cost of Client Deposits and Notes	*3.1%*	*3.5%*	*3.3%*	*3.3%*	*3.9%*
CIB Cost of Client Deposits and Notes	*3.6%*	*4.6%*	*3.5%*	*3.9%*	*4.1%*
Cost of Amounts Due to Credit Institutions, annualised	6.4%	5.9%	6.5%	6.2%	5.8%
Cost of Debt Securities Issued	6.1%	6.8%	6.6%	6.8%	7.1%
Operating Leverage, Y-O-Y	-6.8%	10.4%	-7.7%	-6.0%	16.6%
Operating Leverage, Q-O-Q	-0.3%	-1.7%	1.9%	0.0%	0.0%
Efficiency					
Cost / Income	37.5%	35.4%	37.3%	37.7%	35.7%
RB Cost / Income	*38.8%*	*40.4%*	*38.7%*	*40.0%*	*40.3%*
CIB Cost / Income	*28.7%*	*23.6%*	*31.1%*	*29.5%*	*26.2%*
Liquidity					
NBG Liquidity Ratio	37.7%	46.2%	41.4%	37.7%	46.2%
Liquid Assets To Total Liabilities	37.8%	38.3%	38.2%	37.8%	38.3%
Net Loans To Client Deposits and Notes	116.6%	107.5%	117.2%	116.6%	107.5%
Net Loans To Client Deposits and Notes + DFIs	95.3%	90.8%	94.2%	95.3%	90.8%
Leverage (Times)	6.9	6.0	5.4	6.9	6.0
Asset Quality:					
NPLs (in GEL)	294,787	241,142	260,963	294,787	241,142
NPLs To Gross Loans To Clients	4.2%	4.3%	4.4%	4.2%	4.3%
NPL Coverage Ratio	86.7%	83.4%	86.5%	86.7%	83.4%
NPL Coverage Ratio, Adjusted for discounted value of collateral	132.1%	120.6%	131.1%	132.1%	120.6%
Cost of Risk, Annualised	4.2%	2.4%	2.3%	2.7%	2.7%
RB Cost of Risk	*2.0%*	*2.1%*	*2.4%*	*2.3%*	*2.6%*
CIB Cost of Risk	*6.6%*	*1.8%*	*1.9%*	*3.1%*	*2.2%*
Capital Adequacy:					
New NBG (Basel 2/3) Tier I Capital Adequacy Ratio[1]	10.1%	10.9%	11.0%	10.1%	10.9%
New NBG (Basel 2/3) Total Capital Adequacy Ratio[1]	15.4%	16.7%	16.2%	15.4%	16.7%
Old NBG Tier I Capital Adequacy Ratio	7.2%	9.3%	10.0%	7.2%	9.3%
Old NBG Total Capital Adequacy Ratio	13.5%	16.9%	16.6%	13.5%	16.9%
Selected Operating Data:					
Total Assets Per FTE, BOG Standalone	2,242	2,028	1,984	2,242	2,028
Number Of Active Branches, Of Which:	278	266	276	278	266
- Express Branches (including Metro)	*128*	*114*	*122*	*128*	*114*
- Bank of Georgia Branches	*139*	*144*	*144*	*139*	*144*
- Solo Lounges	*11*	*8*	*10*	*11*	*8*
Number Of ATMs	801	746	772	801	746
Number Of Cards Outstanding, Of Which:	2,056,258	1,958,377	1,996,836	2,056,258	1,958,377
- Debit cards	*1,255,637*	*1,204,103*	*1,185,333*	*1,255,637*	*1,204,103*
- Credit cards	*800,621*	*754,274*	*811,503*	*800,621*	*754,274*
Number Of POS Terminals	10,357	8,102	10,017	10,357	8,102
FX Rates:					
GEL/US$ exchange rate (period-end)	2.6468	2.3949	2.3297		
GEL/GBP exchange rate (period-end)	3.2579	3.5492	3.0284		

	2016	2015
Full Time Employees, Group, Of Which:	22,080	15,955
Total Banking Business Companies, of which:	6,720	6,081
- Full Time Employees, BOG Standalone	5,016	4,523
- Full Time Employees, BNB	611	540
- Full Time Employees, Aldagi	289	251
- Full Time Employees, BB other	804	767
Total Investment Business Companies, of which:	15,360	9,874
- Full Time Employees, Georgia Healthcare Group	12,720	9,649
- Full Time Employees, GGU	2,379	-
- Full Time Employees, m2	80	58
- Full Time Employees, IB Other	181	167

Shares Outstanding	Dec-16	Dec-15	Sep-16
Ordinary Shares Outstanding	37,657,229	37,978,568	38,238,796
Treasury Shares Outstanding	1,843,091	1,521,752	1,261,524
Total Shares Outstanding	39,500,320	39,500,320	39,500,320

[1] Capital adequacy ratios include GEL 99.5mln dividend distributed from the bank to the holding level on 29 December 2016. These funds are earmarked for regular dividends to be paid from BGEO in respect to 2016 financial year and will be payable in 2017 subject to the board and shareholder approval. Including this payment, NBG (Basel 2/3) Tier I and Total CAR is 9.1% and 14.4%, respectively.

Annex:

Glossary

1. Return on average total assets (ROAA) equals Profit for the period divided by monthly average total assets for the same period;
2. Return on average total equity (ROAE) equals Profit for the period attributable to shareholders of BGEO divided by monthly average equity attributable to shareholders of BGEO for the same period;
3. Net Interest Margin (NIM) equals Net Banking Interest Income of the period divided by monthly Average Interest Earning Assets Excluding Cash for the same period; Interest Earning Assets Excluding Cash comprise: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares) and net Loans To Customers And Finance Lease Receivables;
4. Loan Yield equals Banking Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;
5. Cost of Funds equals banking interest expense of the period divided by monthly average interest bearing liabilities; interest bearing liabilities include: amounts due to credit institutions, client deposits and notes, and debt securities issued;
6. Operating Leverage equals percentage change in revenue less percentage change in operating expenses;
7. Cost / Income Ratio equals operating expenses divided by revenue;
8. NBG Liquidity Ratio equals daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;
9. Liquid assets include: cash and cash equivalents, amounts due from credit institutions and investment securities;
10. Leverage (Times) equals total liabilities divided by total equity;
11. NPL Coverage Ratio equals allowance for impairment of loans and finance lease receivables divided by NPLs;
12. NPL Coverage Ratio adjusted for discounted value of collateral equals allowance for impairment of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for impairment)
13. Cost of Risk equals impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;
14. New NBG (Basel 2/3) Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;
15. New NBG (Basel 2/3) Total Capital Adequacy ratio equals total capital divided by total risk weighted assets, both calculated n 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

BGEO Group PLC

Registered Address
84 Brook Street
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United Kingdom
www.BGEO.com
Registered under number 7811410 in England and Wales
Incorporation date: 14 October2011

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