

# BGEO Group PLC

1<sup>st</sup> quarter 2016 results

Holding company of BANK OF GEORGIA

**B** **GE** **O**



**GROUP**

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## ***FORWARD LOOKING STATEMENTS***

This document contains statements that constitute “forward-looking statements”, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development.

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

These factors include, but are not limited to the following: (1) general market, macroeconomic, governmental, legislative and regulatory trends; (2) movements in local and international currency exchange rates; interest rates and securities markets; (3) competitive pressures; (4) technological developments; (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties and developments in the market in which they operate; (6) management changes and changes to our group structure; and (7) other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports, including those filed with the respective authorities.

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

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

### BGEO highlights

- 1Q16 profit was GEL 87.0mln (US\$ 36.8mln/GBP 25.5mln), up 39.6% y-o-y
- 1Q16 earnings per share (“**EPS**”) were GEL 2.10 (US\$ 0.89 per share/GBP 0.62 per share), up 28.8% y-o-y
- Book value per share was GEL 50.29, up 17.7% y-o-y, with total equity attributable to shareholders of GEL 1,934.3mln, up 17.7% y-o-y
- Total assets increased to GEL 10,077.6mln, up 11.6% y-o-y and down 0.4% q-o-q
- As of 6 May 2016, GEL 210.4mln<sup>1</sup> cash was held at the holding company level, which includes GEL 92.9mln that is expected to be paid out as the Group’s 2015 regular dividend, as at the 2016 AGM the Board intends to recommend an annual dividend of GEL 2.4 per share payable in British Pound Sterling at the prevailing rate

### Banking Business highlights

#### 1Q16 performance

- Revenue was GEL 184.1mln (up 3.7% y-o-y and down 8.5% q-o-q)
- Net Interest Margin (“**NIM**”) was 7.5% (-30 bps y-o-y and -10 bps q-o-q)
- *Pro-forma NIM, adjusted for excess liquidity level<sup>2</sup> was 8.2%*
- Loan Yield stood at 14.4% (-20 bps y-o-y and -40 bps q-o-q)
- Cost of Funds stood at 5.0% (flat y-o-y and -10 bps q-o-q)
- Cost to Income ratio was 37.9% (36.8% in 1Q15 and 35.4% in 4Q15)
- Operating leverage was negative at 3.3 percentage points y-o-y
- Cost of credit risk stood at GEL 35.0mln (down 14.1% y-o-y and down 0.6% q-o-q)
- Cost of Risk ratio was 2.3% (3.1% in 1Q15 and 2.4% in 4Q15)
- Profit increased to GEL 69.7mln (up 18.5% y-o-y and down 13.6% q-o-q)
- Return on Average Assets (“**ROAA**”) was 3.0% (3.0% in 1Q15 and 3.5% in 4Q15)
- Return on Average Equity (“**ROAE**”) was 21.2% (19.1% in 1Q15 and 25.1% in 4Q15)

#### Balance sheet strength supported by solid capital and liquidity positions

- The net loan book reached a record GEL 5,394.6mln, up 2.8% y-o-y and up 0.5% q-o-q
- Customer funds increased to GEL 4,962.4mln, up 16.2% y-o-y and down 0.6% q-o-q
- Net Loans to Customer Funds and DFI ratio stood at 91.6% (105.2% at 31 March 2015 and 90.8% at 31 December 2015)
- Leverage stood at 6.1 times in 1Q16 compared to 5.6 times a year ago
- NBG (Basel 2/3) Tier I and Total CAR stood at 10.1% and 15.8%, respectively
- NBG Liquidity Ratio was 47.3%

#### Resilient growth momentum sustained across all major business lines

- **Retail Banking continues to deliver strong franchise growth**, primarily supported by the Express Banking strategy as well as a growing number of Solo clients. Retail Banking revenue reached GEL 106.4mln in 1Q16, up 7.9% y-o-y
- Retail Banking net loan book reached GEL 2,901.2mln, up 9.9% y-o-y
- Retail Banking client deposits increased to GEL 1,902.0mln, up 1.5% y-o-y
- The number of Retail Banking clients reached 2,022,202 by the end of 1Q16, up 5.6% from 1,914,247 a year ago
- **Solo – our premium banking – is proving very successful.** Solo is a fundamentally different approach to premium banking, launched in April 2015. As of 31 March 2016, the number of Solo clients reached 13,284, up 60.4% from 8,282 a year ago and our goal for the next three to four years is to significantly increase our market share in this segment, which stood below 13% at the beginning of 2015

<sup>1</sup> Of which, GEL 20.3mln is held at the Group Employee Benefits Trust for the purchase of shares in the market, as per the Group’s instruction to the administrators of the Group Employee Benefits Trust

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

- **Corporate Investment Banking net loan book totalled GEL 2,144.3mln, down 10.5% y-o-y.** As a result of the GEL devaluation during 2015, our CIB clients were less willing to take new loans
- In February 2016, we announced the combination of our Corporate Banking and Investment Management businesses into a Corporate Investment Banking business (“CIB”). As a result, we expect to grow our fee income, further improve the Bank’s ROAE and reduce concentration risk in the corporate lending portfolio.
- **The concentration of the top 10 corporate banking clients<sup>1</sup> was reduced to 12.1% by the end of 1Q16, down from 13.4% a year ago. The Corporate Investment Banking ROAE grew to 17.6% in 1Q16, up from 15.1% in 1Q15**
- **Investment Management’s Assets Under Management (“AUM”)<sup>2</sup> increased to GEL 1,343.8mln, up 10.7% y-o-y, reflecting increased bond issuance activity as our clients accessed this new products**

### Investment Business Highlights

- Total profit from investment businesses reached GEL 17.4mln, growing at c.4 times y-o-y and reaching 20% of the Group’s profits in 1Q16, up from 6% in 1Q15
- **Our healthcare business, Georgia Healthcare Group PLC (“GHG”) posted record quarterly revenue of GEL 71.7 million<sup>3</sup>, up 33.1% y-o-y and up 4.3% q-o-q. GHG’s healthcare services revenue grew to GEL 60.5mln, up 41.4% y-o-y which includes 14.6% organic growth**
- **GHG also delivered an outstanding EBITDA margin performance in its healthcare services business.** EBITDA margin reached 29.5% in 1Q16. As a result, this strong margin performance translated into GHG EBITDA of GEL 17.1mln in 1Q16, up 69.4% y-o-y. Consequently, GHG reported net profit of GEL 12.0mln in 1Q16, up 91.6% y-o-y
- GHG also expanded into the Pharmaceutical retail and wholesale business by acquiring a 100% equity stake in JSC GPC (“GPC”) – the third largest retail and wholesale pharmacy chain in Georgia. The acquisition of GPC supports GHG’s expansion strategy and its aim to be the leading integrated player in the GEL 3.4 billion Georgian healthcare ecosystem. It positions GHG as the major purchaser of pharmaceutical products in Georgia, and provides a platform which offers significant synergy potential. The acquisition was completed in May 2016
- **Our real estate business, m<sup>2</sup> Real Estate (“m<sup>2</sup>”) continued its strong project execution and sales performance in 1Q16, recognising revenue of GEL 7.7mln and net profit of GEL 5.4mln. In 1Q16, m<sup>2</sup> Real Estate completed three projects and achieved sales of US\$ 5.5mln, selling a total of 53 apartments, compared with US\$ 4.8mln sales and 49 apartments sold in 1Q15.** As m<sup>2</sup> Real Estate recognises revenue upon completion of the projects, it had accumulated US\$ 46.1mln sales, which will be recognised as revenue upon completion of the remaining on-going projects in 2016-2018 (of which c. US\$ 29.7mln is expected to be recognised in 2016)
- **Our water and utilities business, Georgian Global Utilities (“GGU”), recorded GEL 7.5mln profit in 1Q16, compared to GEL 5.2mln loss in 1Q15,** which was negative primarily due to last year’s GEL devaluation, affected by GGU’s US\$ denominated borrowing. To mitigate its foreign exchange risk, GGU converted most of its foreign currency loans to local currency denominated loans during 2015. As BGEO owns 25% of GGU, we report our share of GGU’s profits as profit from associates, which amounted to GEL 1.9mln in 1Q16, compared to a loss of GEL -1.3mln in 1Q15. The outstanding performance is primarily driven by the efficiency improvements achieved since the new management team was put in place in the middle of 2015

<sup>1</sup> Top 10 Corporate Investment Banking loans as % of total gross Banking Business loans

<sup>2</sup> Wealth Management client deposits, Galt & Taggart client assets, Aldagi Pension Fund and Wealth Management client assets at Bank of Georgia Custody

<sup>3</sup> Georgia Healthcare Group financials are on standalone basis

# CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased with the Group's earnings momentum in the first quarter of 2016, and its ability to deliver strong performances in each business in the seasonally quiet first quarter of the year. Our profit of GEL 87.0 million in the first quarter of 2016 increased by 39.6% year on year. Earnings per share increased by 28.8% to GEL 2.10. In the Banking business profits grew by 18.5% year-on-year, supported by excellent franchise growth in the retail bank, where we now have over 2 million customers, resilient margins despite the impact of high levels of excess liquidity, and a reduction in the cost of risk. There was an even stronger performance in the Group's investment businesses which delivered an almost four-fold growth in profits year-on-year.

At the BGEO Group level, revenue growth was 12.1% year-on-year. Retail banking net interest income grew by 10.2%, offsetting a decline in corporate banking net interest income as we rebalance the retail/corporate business mix, and revenues from the investment businesses increased by 69.0% as a result of outstanding performances from the healthcare and real estate businesses. Operating expenses continue to be well controlled, with 9.5% growth year-on-year, despite the impact of a number of acquisitions in the healthcare business. As a result, the Group delivered positive operating leverage of 2.6 percentage points.

In addition to a strong earnings performance, returns have also continued to be high. In the banking business, despite now carrying over GEL 800 million of excess liquidity, the return on average equity was 21.2%, compared to 19.1% in the first quarter of 2015, and in the healthcare services business the EBITDA margin was 29.5%, compared to 22.6% in the first quarter of last year. The Group continues to demonstrate its high growth and high return characteristics.

Despite the slowdown in the Georgian economy in 2015, asset quality during the first quarter of the year has remained robust, with the annualised cost of risk ratio at 2.3% in 2016Q1, compared to 3.1% in 2015Q1, and 2.4% in 2015Q4. This is a strong performance against the backdrop of last year's Lari devaluation against the US dollar, and continues to reflect our conservative lending policy that always takes into account, at the time of the initial lending decision, any potential currency mismatch.

Within our Investment Businesses, Georgia Healthcare Group (GHG) delivered record quarterly revenues of GEL 71.7 million, reflecting both good levels of organic growth (14.6% year-on-year) and the impact of the benefits of last year's acquisitions starting to be captured. The healthcare services EBITDA margin continues to improve, and at 29.5% in the first quarter is now very close to its medium-term target of 30%. GHG has also recently completed the acquisition of the third largest retail and wholesale pharmacy chain in Georgia making GHG the largest purchaser of pharmaceutical products on Georgia, and creating significant cost and revenue synergy opportunities to be captured. GHG remains clearly on track to continue to deliver strong earnings progress, together with its target to more than double 2015 healthcare services revenues by 2018. Our real estate business, m2 Real Estate, continues to develop its apartment projects very successfully, with its strong project execution and sales performance delivering a net profit of GEL 5.4 million in the first quarter. In our water and utilities business, GGU, the new management team is focused on improving efficiency and delivered a net profit of GEL 7.5 million, compared to a loss in the first quarter of 2015. BGEO Group owns 25% of GGU and, as a result, recognised GEL 1.9 million profit in 2016Q1.

The Group's capital position remains strong, with capital being held both in the regulated banking business and at the holding company level. Within the bank, the NBG (Basel 2/3) Tier 1 Capital Adequacy ratio was 10.1%, comfortably ahead of the Bank's minimum capital requirement. In addition, as of the date of this report, GEL 210 million was held at the Group level, which includes the Group's 2015 regular dividend of GEL 92.9 million that is intended to be paid out in June 2016.

From a macroeconomic perspective Georgia has continued to deliver a remarkably resilient performance. GDP growth expectations for Georgia are now starting to increase and in March 2016 real GDP growth was 3.4% year-on-year, with inflation remaining well contained at 3.2% in April. In addition, the Lari has recently strengthened against the US Dollar by over 10%, Foreign Direct Investment continues to be very strong, and tourist numbers - a significant driver of US\$ inflows for the country - continue to rise significantly. The National Bank of Georgia has recently been buying US Dollars on a regular basis, to mitigate the further appreciation of the Lari, and we now expect the country's US Dollar reserves to increase by more than \$300 million in 2016.

A recent development in the Georgian Government's tax policy is currently going through Parliament and is expected to significantly benefit Georgian companies. The Government is in the process of introducing a tax code amendment that will apply Profits tax (currently 15%) only to distributed profits. Undistributed profits will no longer be subject to Profits tax. This amendment is expected to take effect for most companies on 1 January 2017, and for financial companies (including banks and insurance companies) from 1 January 2019. This will reduce the effective tax rate of the Group's non-banking and insurance businesses in 2017, and the entire Group in 2019. In addition, the Bank expects to benefit from the general improved creditworthiness of its entire corporate portfolio.

With a rapidly improving macroeconomic environment and strong tailwinds, we remain well positioned to deliver good levels of earnings momentum from both the organic business growth in each of our banking and investment businesses, and from the benefits of recent strategic initiatives and acquisitions.

Irakli Gilauri,  
Group CEO of BCEO Group PLC

# FINANCIAL SUMMARY

QUARTERLY INCOME STATEMENT <i>GEL thousands unless otherwise noted</i>	BGE0 Consolidated					Banking Business*					Investment Business*				
	1Q 2016	1Q 2015	Change Y-O-Y	4Q 2015	Change Q-O-Q	1Q 2016	1Q 2015	Change Y-O-Y	4Q 2015	Change Q-O-Q	1Q 2016	1Q 2015	Change Y-O-Y	4Q 2015	Change Q-O-Q
Net banking interest income	128,852	120,989	6.5%	131,434	-2.0%	130,219	123,058	5.8%	134,217	-3.0%	-	-	-	-	-
Net fee and commission income	27,814	26,854	3.6%	31,639	-12.1%	28,015	28,090	-0.3%	32,266	-13.2%	-	-	-	-	-
Net banking foreign currency gain	17,390	18,962	-8.3%	19,525	-10.9%	17,390	18,962	-8.3%	19,525	-10.9%	-	-	-	-	-
Net other banking income	2,867	1,790	60.2%	9,318	-69.2%	3,168	2,095	51.2%	9,699	-67.3%	-	-	-	-	-
Gross insurance profit	6,416	7,574	-15.3%	6,733	-4.7%	5,343	5,306	0.7%	5,441	-1.8%	1,723	2,691	-36.0%	2,126	-19.0%
Gross healthcare profit	26,291	16,877	55.8%	23,845	10.3%	-	-	-	-	-	26,291	16,877	55.8%	23,845	10.3%
Gross real estate profit	6,024	1,209	398.3%	12,769	-52.8%	-	-	-	-	-	6,024	1,209	398.3%	12,769	-52.8%
Gross other investment profit	3,606	1,398	157.9%	11,271	-68.0%	-	-	-	-	-	3,675	1,543	138.2%	11,157	-67.1%
<b>Revenue</b>	<b>219,260</b>	<b>195,653</b>	<b>12.1%</b>	<b>246,534</b>	<b>-11.1%</b>	<b>184,135</b>	<b>177,511</b>	<b>3.7%</b>	<b>201,148</b>	<b>-8.5%</b>	<b>37,713</b>	<b>22,320</b>	<b>69.0%</b>	<b>49,897</b>	<b>-24.4%</b>
<b>Operating expenses</b>	<b>(83,288)</b>	<b>(76,058)</b>	<b>9.5%</b>	<b>(84,262)</b>	<b>-1.2%</b>	<b>(69,863)</b>	<b>(65,277)</b>	<b>7.0%</b>	<b>(71,172)</b>	<b>-1.8%</b>	<b>(14,456)</b>	<b>(11,654)</b>	<b>24.0%</b>	<b>(14,580)</b>	<b>-0.9%</b>
<b>Operating income before cost of credit risk / EBITDA</b>	<b>135,972</b>	<b>119,595</b>	<b>13.7%</b>	<b>162,272</b>	<b>-16.2%</b>	<b>114,272</b>	<b>112,234</b>	<b>1.8%</b>	<b>129,976</b>	<b>-12.1%</b>	<b>23,257</b>	<b>10,666</b>	<b>118.0%</b>	<b>35,317</b>	<b>-34.1%</b>
Profit (loss) from associates	1,866	(1,310)	NMF	1,938	-3.7%	-	-	-	-	-	1,866	(1,310)	NMF	1,938	-3.7%
Depreciation and amortization of investment business	(4,910)	(2,688)	82.7%	(4,731)	3.8%	-	-	-	-	-	(4,910)	(2,688)	82.7%	(4,731)	3.8%
Net foreign currency gain (loss) from investment business	(766)	3,690	NMF	(3,416)	-77.6%	-	-	-	-	-	(766)	3,690	NMF	(3,416)	-77.6%
Interest income from investment business	956	617	54.9%	602	58.8%	-	-	-	-	-	964	818	17.8%	957	0.7%
Interest expense from investment business	(1,382)	(2,463)	-43.9%	(3,166)	-56.3%	-	-	-	-	-	(2,947)	(5,969)	-50.6%	(6,542)	-55.0%
<b>Operating income before cost of credit risk</b>	<b>131,736</b>	<b>117,441</b>	<b>12.2%</b>	<b>153,499</b>	<b>-14.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,464</b>	<b>5,207</b>	<b>235.4%</b>	<b>23,523</b>	<b>-25.8%</b>
Cost of credit risk	(36,143)	(41,841)	-13.6%	(36,022)	0.3%	(35,012)	(40,771)	-14.1%	(35,230)	-0.6%	(1,131)	(1,070)	5.7%	(792)	42.8%
<b>Profit</b>	<b>87,047</b>	<b>62,339</b>	<b>39.6%</b>	<b>95,672</b>	<b>-9.0%</b>	<b>69,663</b>	<b>58,810</b>	<b>18.5%</b>	<b>80,591</b>	<b>-13.6%</b>	<b>17,384</b>	<b>3,529</b>	<b>392.6%</b>	<b>15,081</b>	<b>15.3%</b>
Earnings per share (basic and diluted)	<b>2.10</b>	<b>1.63</b>	<b>28.8%</b>	<b>2.42</b>	<b>-13.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Banking Business and Investment Business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations are provided in annexes.

BALANCE SHEET <i>GEL thousands unless otherwise noted</i>	BGEO Consolidated					Banking Business*					Investment Business*				
	Mar-16	Mar-15	Change Y-O-Y	Dec-15	Change Q-O-Q	Mar-16	Mar-15	Change Y-O-Y	Dec-15	Change Q-O-Q	Mar-16	Mar-15	Change Y-O-Y	Dec-15	Change Q-O-Q
<b>Liquid assets</b>	<b>2,948,699</b>	<b>2,427,226</b>	<b>21.5%</b>	<b>3,068,166</b>	<b>-3.9%</b>	<b>2,876,357</b>	<b>2,402,308</b>	<b>19.7%</b>	<b>3,006,991</b>	<b>-4.3%</b>	<b>337,602</b>	<b>199,209</b>	<b>69.5%</b>	<b>307,459</b>	<b>9.8%</b>
Loans to customers and finance lease receivables	5,359,718	5,156,386	3.9%	5,322,117	0.7%	5,394,565	5,248,559	2.8%	5,366,764	0.5%	-	-	0.0%	-	0.0%
<b>Total assets</b>	<b>10,077,589</b>	<b>9,030,053</b>	<b>11.6%</b>	<b>10,115,739</b>	<b>-0.4%</b>	<b>9,030,055</b>	<b>8,447,951</b>	<b>6.9%</b>	<b>9,171,437</b>	<b>-1.5%</b>	<b>1,353,961</b>	<b>864,053</b>	<b>56.7%</b>	<b>1,247,960</b>	<b>8.5%</b>
Client deposits and notes	4,698,558	4,099,029	14.6%	4,751,387	-1.1%	4,962,432	4,271,854	16.2%	4,993,681	-0.6%	-	-	0.0%	-	0.0%
Amounts due to credit institutions	1,719,920	1,780,636	-3.4%	1,789,062	-3.9%	1,630,299	1,694,668	-3.8%	1,692,557	-3.7%	124,468	181,773	-31.5%	144,534	-13.9%
Debt securities issued	1,033,758	1,026,689	0.7%	1,039,804	-0.6%	957,474	962,587	-0.5%	961,944	-0.5%	81,116	66,964	21.1%	84,474	-4.0%
<b>Total liabilities</b>	<b>7,926,740</b>	<b>7,329,905</b>	<b>8.1%</b>	<b>8,042,101</b>	<b>-1.4%</b>	<b>7,751,805</b>	<b>7,163,763</b>	<b>8.2%</b>	<b>7,856,146</b>	<b>-1.3%</b>	<b>481,362</b>	<b>448,093</b>	<b>7.4%</b>	<b>489,613</b>	<b>-1.7%</b>
<b>Total equity</b>	<b>2,150,849</b>	<b>1,700,148</b>	<b>26.5%</b>	<b>2,073,638</b>	<b>3.7%</b>	<b>1,278,250</b>	<b>1,284,188</b>	<b>-0.5%</b>	<b>1,315,291</b>	<b>-2.8%</b>	<b>872,599</b>	<b>415,960</b>	<b>109.8%</b>	<b>758,347</b>	<b>15.1%</b>

**Banking Business Ratios**

	1Q16	1Q15	4Q15
ROAA	3.0%	3.0%	3.5%
ROAE	21.2%	19.1%	25.1%
Net Interest Margin	7.5%	7.8%	7.6%
Loan Yield	14.4%	14.6%	14.8%
Liquid assets yield	3.1%	3.2%	3.3%
Cost of Funds	5.0%	5.0%	5.1%
Cost of Client Deposits and Notes	4.3%	4.4%	4.4%
Cost of Amounts Due to Credit Institutions	6.0%	5.2%	5.9%
Cost of Debt Securities Issued	7.2%	7.1%	6.8%
Cost / Income	37.9%	36.8%	35.4%
NPLs To Gross Loans To Clients	4.5%	3.5%	4.3%
NPL Coverage Ratio	86.0%	73.2%	83.4%
NPL Coverage Ratio, Adjusted for discounted value of collateral	122.6%	112.2%	120.6%
Cost of Risk	2.3%	3.1%	2.4%
Tier I capital adequacy ratio (New NBG, Basel 2/3)	10.1%	9.8%	10.9%
Total capital adequacy ratio (New NBG, Basel 2/3)	15.8%	12.9%	16.7%

\* Note: Banking Business and Investment Business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations are provided in annexes.



# DISCUSSION OF RESULTS

## Discussion of Banking Business Results

The Group's **Banking Business** comprises **Retail Banking** (excluding Retail Banking of BNB): Principally providing 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 mass affluent segment, retail mass markets, small and medium enterprises and micro businesses. **Corporate Investment Banking** (excluding Corporate Banking of BNB): Corporate Investment Banking consists of Corporate Banking and Investment Management operations. Corporate Banking principally provides loans and other credit facilities to high net worth individuals and entities and provides funds transfers and settlement services. It also provides 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 wealthy clients. **P&C: Property and Casualty Insurance**: Principally providing property and casualty insurance services to corporate clients and insured individuals. **BNB**, comprising JSC Belarusky Narodny Bank: Principally providing retail and corporate banking services in Belarus.

The following discussion refers to the Banking Business only

### Revenue

<i>GEL thousands, unless otherwise noted</i>	<b>1Q16</b>	<b>1Q15</b>	<b>Change, Y-o-Y</b>	<b>4Q15</b>	<b>Change, Q-o-Q</b>
Banking interest income	226,217	202,353	11.8%	230,833	-2.0%
Banking interest expense	(95,998)	(79,295)	21.1%	(96,616)	-0.6%
<b>Net banking interest income</b>	<b>130,219</b>	<b>123,058</b>	<b>5.8%</b>	<b>134,217</b>	<b>-3.0%</b>
Fee and commission income	38,484	37,343	3.1%	42,856	-10.2%
Fee and commission expense	(10,469)	(9,253)	13.1%	(10,590)	-1.1%
<b>Net fee and commission income</b>	<b>28,015</b>	<b>28,090</b>	<b>-0.3%</b>	<b>32,266</b>	<b>-13.2%</b>
Net banking foreign currency gain	17,390	18,962	-8.3%	19,525	-10.9%
Net other banking income	3,168	2,095	51.2%	9,699	-67.3%
Net insurance premiums earned	9,550	9,242	3.3%	10,810	-11.7%
Net insurance claims incurred	(4,207)	(3,936)	6.9%	(5,369)	-21.6%
<b>Gross insurance profit</b>	<b>5,343</b>	<b>5,306</b>	<b>0.7%</b>	<b>5,441</b>	<b>-1.8%</b>
<b>Revenue</b>	<b>184,135</b>	<b>177,511</b>	<b>3.7%</b>	<b>201,148</b>	<b>-8.5%</b>
Net Interest Margin	7.5%	7.8%		7.6%	
Average interest earning assets	7,013,413	6,370,469	10.1%	7,014,711	0.0%
Average interest bearing liabilities	7,681,953	6,441,353	19.3%	7,575,074	1.4%
Average net loans, currency blended	5,458,637	5,047,770	8.1%	5,401,904	1.1%
Average net loans, GEL	1,489,518	1,523,976	-2.3%	1,536,973	-3.1%
Average net loans, FC	3,969,119	3,523,794	12.6%	3,864,931	2.7%
Average client deposits, currency blended	5,018,669	4,044,314	24.1%	4,807,651	4.4%
Average client deposits, GEL	1,195,744	1,199,627	-0.3%	1,258,566	-5.0%
Average client deposits, FC	3,822,925	2,844,687	34.4%	3,549,085	7.7%
Average liquid assets, currency blended	2,950,858	2,124,110	38.9%	2,842,715	3.8%
Average liquid assets, GEL	1,127,353	1,154,634	-2.4%	1,194,534	-5.6%
Average liquid assets, FC	1,823,505	969,476	88.1%	1,648,181	10.6%
Excess liquidity (NBG)	836,569	199,690	318.9%	789,311	6.0%
<i>Liquid assets yield, currency blended</i>	3.1%	3.2%		3.3%	
<i>Liquid assets yield, GEL</i>	7.7%	5.6%		7.2%	
<i>Liquid assets yield, FC</i>	0.3%	0.5%		0.5%	
<i>Loan yield, total</i>	14.4%	14.6%		14.8%	
<i>Loan yield, GEL</i>	22.5%	21.4%		23.4%	
<i>Loan yield, FC</i>	11.0%	11.6%		11.3%	
<i>Cost of funding, total</i>	5.0%	5.0%		5.1%	
<i>Cost of funding, GEL</i>	6.8%	4.8%		6.8%	
<i>Cost of funding, FC</i>	4.4%	5.1%		4.6%	

- **Our Banking Business recorded quarterly revenue of GEL 184.1mln (up 3.7% y-o-y and down 8.5% q-o-q).** The y-o-y revenue growth was primarily driven by strong growth in net banking interest income and net other banking income partially offset by the decline in net banking foreign currency gain
- **Our net banking interest income increased to GEL 130.2mln in 1Q16, up 5.8% y-o-y but down 3.0% q-o-q.** The y-o-y performance was driven by a GEL 23.9mln increase in banking interest income which was partially offset by growth in banking interest expense, which grew by GEL 16.7mln
- Our banking interest income performance was mainly a result of 10.1% y-o-y growth in our average interest earning assets on the back of a broadly stable total loan yield. The y-o-y growth in interest earning assets was driven by the weakening GEL during 2015, which increased the GEL value of our foreign currency denominated interest earning assets, as well as organic growth in average interest earning assets
- Our average net loans increased to GEL 5,458.6mln, up 8.1% y-o-y, primarily driven by the strong performance of our Retail Banking operation which grew its loan book by 9.9% y-o-y, offsetting the y-o-y decline in our Corporate Investment Banking loan book (down 10.5% y-o-y)
- The increase in our interest expense was driven by sizeable growth (up 19.3% y-o-y) in our average interest bearing liabilities in 1Q16 while Cost of Funding remained flat. This reflects 24.1% growth in average client deposits for 1Q16, driven primarily by the growth in foreign currency deposits of 34.4% y-o-y, which again reflected in part the weakening of the GEL in 2015
- **Our express banking franchise, the major driver of fee and commission income, posted 2.8% organic growth in new client acquisition, adding 12,059 Express Banking customers during the first quarter in 2016.** The growth in client base has triggered a significant increase in the volume of banking transactions, up 35.8% y-o-y. The growth of transactions was achieved largely through the more cost-effective remote channels. While the strong client growth supported organic increase in our fee and commission income, net fee and commission income was down 0.3% y-o-y, to GEL 28.0mln primarily due to three main reasons: high F&C income base in 1Q15 due to c.GEL 0.8mln fee and commission income generated by G&T brokerage operations in 1Q15 (these operations generate revenue when a transaction is completed and thus cause fluctuations in our fee and commission income); the launch of G&T's trader platform in 4Q15 which increased F&C expenses by c.GEL 0.4mln in 1Q16; and the exchange rate increase, which had proportionally larger effect on F&C expenses than F&C income, since majority of expenses are FX denominated, such as Visa fees and the majority of income is GEL denominated
- **While the net gain from foreign currency declined in 1Q16 compared to a year ago, this was mainly driven by the high base in 1Q15 due to two main reasons:** larger exchange rate spreads that we kept in response to high fluctuation in GEL exchange rate, which increased our banking foreign currency gain. Additionally, the GEL devaluation in 1Q15 favorably affected our foreign currency gain, as we held long position in foreign currency in 1Q15
- **Our P&C insurance business, Aldagi, posted gross insurance profit of GEL 5.3mln in 1Q16, up 0.7% y-o-y but down 1.8% q-o-q.** This increase was mainly driven by growth in Motor insurance and Life & Disability insurance. *For P&C insurance segment financials please see page 29*
- **Our NIM stood at 7.5% in 1Q16 (down 30 bps y-o-y and down 10 bps q-o-q).** NIM was adversely affected primarily by very high excess liquidity levels of GEL 836.6mln, which we purposefully built up during 2015 to ensure strong liquid position for the Bank during the devaluation of GEL. Pro-forma NIM<sup>1</sup>, adjusted for excess liquidity levels, was 8.2% in 1Q16. **In addition to high levels of excess liquidity, NIM also reflected:**
  - Loan Yield which stood at 14.4% for 1Q16 (down 20 bps y-o-y and down 40 bps q-o-q). This reflected an 110bps increase in local currency loan yield to 22.5%, which was partially offset by a 60bps decrease in foreign currency denominated loan yield. Consequently, the effect of decrease in foreign currency denominated loan yields outweighed an increase in local currency denominated

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

loan yields, as the share of foreign currency denominated loans remained high at 73% in 1Q16, up from 70% a year ago

- Liquid Assets Yield at 3.1% in 1Q16, down 10 bps y-o-y and down 20 bps q-o-q. This primarily is a change of mix in local and foreign currency liquid asset yields and a significant shift in the currency mix of our liquid assets. The GEL denominated liquid asset yield increased by 210bps to 7.7% in 1Q16 from 5.6% a year ago, largely reflecting higher yield on Government issued securities, however the share of our liquid asset holdings in local currency decreased to 38% in 1Q16, down from 54% a year ago
- The Cost of Funds stood at 5.0% for 1Q16 (flat y-o-y and down 10bps q-o-q). The higher cost of funding of local currency deposits broadly offset to lower cost of funding in foreign currency deposits
- During 2015, the National Bank of Georgia gradually increased the local currency policy rate, reaching 8.0% by the end of 2015, up from 4.0% in 2014. Upward trend was reversed in the beginning of 2016, when NBG decreased the policy rate to 7.5% on 27 April, 2016. Consequently, as of 1 September 2015, we increased the interest rates on our one-year local currency deposits from 9% to 11% in the retail segment, which ultimately affected our local currency denominated cost of funds q-o-q. Also, as of 1 September 2015, we decreased the interest rates on our one-year dollar deposits from 5% to 4% in the retail segment, which, as expected drove our foreign currency denominated Cost of Funds slightly down
- Our liquidity levels as a percentage of total assets increased to 31.9% by the end of 1Q16, compared to 28.4% a year ago and 32.8% as at 31 December 2015 as a result of an increased liquidity pool

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

<i>GEL thousands, unless otherwise noted</i>	1Q16	1Q15	Change y-o-y	4Q15	Change q-o-q
Salaries and other employee benefits	(39,806)	(38,606)	3.1%	(39,304)	1.3%
Administrative expenses	(20,058)	(17,506)	14.6%	(21,657)	-7.4%
Banking depreciation and amortisation	(9,138)	(8,373)	9.1%	(8,982)	1.7%
Other operating expenses	(861)	(792)	8.7%	(1,229)	-29.9%
<b>Operating expenses</b>	<b>(69,863)</b>	<b>(65,277)</b>	<b>7.0%</b>	<b>(71,172)</b>	<b>-1.8%</b>
<b>Operating income before cost of credit risk</b>	<b>114,272</b>	<b>112,234</b>	<b>1.8%</b>	<b>129,976</b>	<b>-12.1%</b>
Impairment charge on loans to customers	(32,218)	(38,928)	-17.2%	(33,929)	-5.0%
Impairment charge on finance lease receivables	(513)	(119)	NMF	(215)	138.6%
Impairment charge on other assets and provisions	(2,281)	(1,724)	32.3%	(1,086)	110.0%
<b>Cost of credit risk</b>	<b>(35,012)</b>	<b>(40,771)</b>	<b>-14.1%</b>	<b>(35,230)</b>	<b>-0.6%</b>
<b>Net operating income before non-recurring items</b>	<b>79,260</b>	<b>71,463</b>	<b>10.9%</b>	<b>94,746</b>	<b>-16.3%</b>
Net non-recurring items	(1,419)	(2,167)	-34.5%	-	-43.3%
<b>Profit before income tax</b>	<b>77,841</b>	<b>69,296</b>	<b>12.3%</b>	<b>92,244</b>	<b>-15.6%</b>
Income tax expense	(8,178)	(10,486)	-22.0%	(11,653)	-29.8%
<b>Profit</b>	<b>69,663</b>	<b>58,810</b>	<b>18.5%</b>	<b>80,591</b>	<b>-13.6%</b>

- **While underlying performance of our operating expenses remains strong, we incurred a number of one-off operating expenses during the first quarter of 2016. As a result,** operating leverage was negative at 3.3% y-o-y in 1Q16, while the Cost/Income ratio stood at 37.9% compared to 36.8% in 1Q15 and 35.4% in 4Q15
- **Operating expenses increased to GEL 69.9mln in 1Q16 (up 7.0% y-o-y and down 1.8% q-o-q) driven by:**
  - Salaries and employee benefits that increased by GEL 1.2mln or 3.1% y-o-y and GEL 0.5mln or 1.3% q-o-q
  - Administrative expenses increased to GEL 20.1mln, up GEL 2.6mln or 14.6% y-o-y, mainly reflecting increased marketing activities to attract Solo clients, while 1Q15 did not include Solo marketing expenses as it was launched in April 2015. On q-o-q basis, administrative expenses have decreased by GEL 1.6mln or 7.4%. Depreciation and amortisation expenses have also increased to

GEL 9.1mln, up 9.1% y-o-y, mainly reflecting an increased number of leased branches and investments in Solo Lounges compared to last year

- **For 1Q16, the Banking Business Cost of Risk ratio stood at 2.3%, down 80bps y-o-y and down 10bps q-o-q. The cost of credit risk was GEL 35.0mln, down 14.1% y-o-y and down 0.6% q-o-q.** The significant improvement compared to last year is driven by an improved performance in our Corporate Investment Banking Cost of Risk (1Q16 of 2.1% compared to 1Q15 of 3.4%), which offset the slight y-o-y increase in Retail Banking Cost of Risk (1Q16 of 2.5% compared to 1Q15 of 2.4%)
- NPLs to gross loans increased by 20 bps to 4.5% as of 31 March 2016, compared to 4.3% as of 31 December 2015. The increase reflected slight increases in the Retail Banking portfolio and in BNB, whilst the NPL ratio in the corporate portfolio was broadly stable
- NPLs increased to GEL 252.0mln, up 34.6% y-o-y, reflecting local currency volatility against the US Dollar and the growth in net loan book. NPLs increased 4.5% on q-o-q basis
- The NPL coverage ratio improved to 86.0% as of 31 March 2016, compared to 83.4% as of 31 December 2015 and 73.2% as of 31 March 2015. Our NPL coverage ratio adjusted for the discounted value of collateral also improved to 122.6% as of 31 March 2016, compared to 120.6% as of 31 December 2015 and 112.2% as of 31 March 2015
- Our 15 days past due rate for retail loans stood at 1.1% as of 31 March 2016 compared to 0.9% as of 31 December 2015 and 1.0% as of 31 March 2015. 15 days past due rate for our mortgage loans stood at 0.6% as of 31 March 2016 compared to 0.4% as of 31 December 2015 and 0.5% as of 31 March 2015
- **As a result of the foregoing, the Banking Business reported profit of GEL 69.7mln in 1Q16 (up 18.5% y-o-y and down 13.6% q-o-q), resulting in ROAE of 21.2%, up 210bps y-o-y**
- **The Banking Business profit was supported by its banking subsidiary in Belarus – BNB, which added GEL 4.3mln profit in 1Q16 (up 27.7% y-o-y).** The BNB loan book stood at GEL 319.7mln, up 7.4% y-o-y, mostly consisting of an increase in SME loans. BNB client deposits decreased to GEL 230.8mln, broadly flat y-o-y. **BNB is well capitalised**, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. For 1Q16, Total CAR was 15.9%, above 10% minimum requirement by the National Bank of the Republic of Belarus (“NBRB”) and Tier I CAR was 10.2%, above the 6% minimum requirement by NBRB. Return on Average Equity (“**ROAE**”) for BNB was 22.9% (19.1% in 1Q15 and 24.2% in 4Q15). *For BNB standalone financials please see page 29*

**Banking Business Balance Sheet highlights**

<i>GEL thousands, unless otherwise noted</i>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>Change y-o-y</b>	<b>31 Dec 2015</b>	<b>Change q-o-q</b>
Liquid assets	2,876,357	2,402,308	19.7%	3,006,991	-4.3%
Liquid assets, GEL	1,050,741	1,115,034	-5.8%	1,191,353	-11.8%
Liquid assets, FC	1,825,616	1,287,274	41.8%	1,815,638	0.5%
Net loans	5,394,565	5,248,559	2.8%	5,366,764	0.5%
Net loans, GEL	1,488,050	1,575,157	-5.5%	1,502,888	-1.0%
Net loans, FC	3,906,515	3,673,402	6.3%	3,863,876	1.1%
Client deposits and notes	4,962,432	4,271,854	16.2%	4,993,681	-0.6%
Amounts due to credit institutions, of which:	1,630,299	1,694,668	-3.8%	1,692,557	-3.7%
Borrowings from DFIs	926,210	718,540	28.9%	917,087	1.0%
Short-term loans from central banks	368,000	518,732	-29.1%	307,200	19.8%
Loans and deposits from commercial banks	336,089	457,396	-26.5%	468,270	-28.2%
Debt securities issued	957,474	962,587	-0.5%	961,944	-0.5%
<b>Liquidity and CAR Ratios</b>					
Net Loans / Customer Funds	108.7%	122.9%		107.5%	
Net Loans / Customer Funds + DFIs	91.6%	105.2%		90.8%	
Liquid assets as percent of total assets	31.9%	28.4%		32.8%	
Liquid assets as percent of total liabilities	37.1%	33.5%		38.3%	
NBG liquidity ratio	47.3%	34.7%		46.2%	
Excess liquidity (NBG)	836,569	199,690	318.9%	789,311	6.0%
Tier I Capital Adequacy Ratio (NBG Basel 2/3)	10.1%	9.8%		10.9%	
Total Capital Adequacy Ratio (NBG Basel 2/3)	15.8%	12.9%		16.7%	

**Our Banking Business balance sheet remained very liquid (NBG Liquidity ratio of 47.3%) and well-capitalised (Tier I Capital Adequacy Ratio, NBG Basel 2/3 of 10.1%) with a well-diversified funding base (Client Deposits and notes to Total Liabilities of 64.0%)**

- The NBG liquidity ratio stood at 47.3% as of 31 March 2016 compared to 46.2% as of 31 December 2015, against a regulatory minimum requirement of 30.0%
- Liquid assets increased to GEL2,876.4mln, up 19.7% y-o-y
- Additionally, liquid assets as a percentage of total assets increased to 31.9%, up from 28.4% a year ago and liquid assets as a percentage of total liabilities also increased to 37.1%, up from 33.5% a year ago
- Our share of amounts due to credit institutions to total liabilities decreased slightly y-o-y from 23.7% to 21.0%, with the share of client deposits and notes to total liabilities increasing y-o-y from 59.6% to 64.0%
- Net Loans to Customer Funds and DFIs ratio, a ratio closely observed by management, stood at 91.6%, up from 90.8% as of 31 December 2015 and down from 105.2% as of 31 March 2015. The decrease was mainly due to the slower growth in net loans and a relatively higher growth in deposits
- The National Bank of Georgia has changed its minimum reserve requirements, with the goal to incentivise local currency lending. The minimum reserve requirement for local currency has reduced from 10% to 7% and the minimum reserve requirement for foreign currency has increased from 15% to 20%. This change became effective on May 17, 2016. The impact of this change is not expected to have a material impact on the Group's earnings. Profit will increase slightly and there will be a small reduction in the banking net interest margin

## Discussion of Segment Results

The segment results discussion is presented for Retail Banking (RB), Corporate Investment Banking (CIB), Healthcare Business (GHG) and Real Estate Business (m<sup>2</sup> 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).

<i>GEL thousands, unless otherwise noted</i>	1Q16	1Q15	Change y-o-y	4Q15	Change q-o-q
<b>INCOME STATEMENT HIGHLIGHTS</b>					
<b>Net banking interest income</b>	<b>82,832</b>	<b>75,150</b>	<b>10.2%</b>	<b>85,318</b>	<b>-2.9%</b>
<b>Net fee and commission income</b>	<b>19,239</b>	<b>18,566</b>	<b>3.6%</b>	<b>21,264</b>	<b>-9.5%</b>
Net banking foreign currency gain	3,590	3,905	-8.1%	3,697	-2.9%
Net other banking income	711	963	-26.2%	3,950	-82.0%
<b>Revenue</b>	<b>106,372</b>	<b>98,584</b>	<b>7.9%</b>	<b>114,229</b>	<b>-6.9%</b>
Salaries and other employee benefits	(23,607)	(23,596)	0.0%	(23,613)	0.0%
Administrative expenses	(14,521)	(12,240)	18.6%	(14,445)	0.5%
Banking depreciation and amortisation	(7,383)	(6,831)	8.1%	(7,259)	1.7%
Other operating expenses	(496)	(462)	7.4%	(782)	-36.6%
<b>Operating expenses</b>	<b>(46,007)</b>	<b>(43,129)</b>	<b>6.7%</b>	<b>(46,099)</b>	<b>-0.2%</b>
<b>Operating income before cost of credit risk</b>	<b>60,365</b>	<b>55,455</b>	<b>8.9%</b>	<b>68,130</b>	<b>-11.4%</b>
Cost of credit risk	(18,184)	(16,660)	9.1%	(15,371)	18.3%
Net non-recurring items	(561)	(449)	24.9%	(2,494)	-77.5%
<b>Profit before income tax</b>	<b>41,620</b>	<b>38,346</b>	<b>8.5%</b>	<b>50,265</b>	<b>-17.2%</b>
Income tax expense	(3,844)	(5,738)	-33.0%	(7,608)	-49.5%
<b>Profit</b>	<b>37,776</b>	<b>32,608</b>	<b>15.8%</b>	<b>42,657</b>	<b>-11.4%</b>
<b>BALANCE SHEET HIGHLIGHTS</b>					
Net loans, standalone, Currency Blended	2,901,189	2,639,808	9.9%	2,796,479	3.7%
Net loans, standalone, GEL	1,266,966	1,290,587	-1.8%	1,279,286	-1.0%
Net loans, standalone, FC	1,634,223	1,349,221	21.1%	1,517,193	7.7%
Client deposits, standalone, Currency Blended	1,902,042	1,874,262	1.5%	1,880,018	1.2%
Client deposits, standalone, GEL	447,620	618,118	-27.6%	486,806	-8.0%
Client deposits, standalone, FC	1,454,422	1,256,144	15.8%	1,393,212	4.4%
Time deposits, standalone, Currency Blended	1,205,935	1,182,396	2.0%	1,156,382	4.3%
Time deposits, standalone, GEL	196,668	296,790	-33.7%	192,178	2.3%
Time deposits, standalone, FC	1,009,267	885,606	14.0%	964,204	4.7%
Current accounts and demand deposits, standalone, Currency Blended	696,107	691,866	0.6%	723,636	-3.8%
Current accounts and demand deposits, standalone, GEL	250,952	321,328	-21.9%	294,628	-14.8%
Current accounts and demand deposits, standalone, FC	445,155	370,538	20.1%	429,008	3.8%
<b>KEY RATIOS</b>					
ROAE Retail Banking	24.3%	21.7%		27.9%	
Net interest margin, currency blended	9.2%	9.7%		9.6%	
Cost of risk	2.5%	2.4%		2.1%	
Cost of funds, currency blended	6.5%	4.9%		5.6%	
Loan yield, currency blended	17.4%	17.3%		17.9%	
Loan yield, GEL	25.4%	23.0%		25.4%	
Loan yield, FC	10.9%	11.4%		11.2%	
Cost of deposits, currency blended	3.5%	4.4%		3.5%	
Cost of deposits, GEL	4.8%	5.5%		4.4%	
Cost of deposits, FC	3.2%	3.8%		3.2%	
Cost of time deposits, currency blended	5.1%	5.3%		5.2%	
Cost of time deposits, GEL	9.7%	7.2%		9.3%	
Cost of time deposits, FC	4.3%	4.6%		4.4%	
Current accounts and demand deposits, currency blended	0.9%	2.8%		0.9%	
Current accounts and demand deposits, GEL	1.1%	4.0%		1.0%	
Current accounts and demand deposits, FC	0.7%	1.8%		0.8%	
Cost / income ratio	43.3%	43.7%		40.4%	



## Performance highlights

- **Retail Banking revenue increased to GEL 106.4mln in 1Q16, up 7.9% y-o-y.** The revenue growth reflected 10.2% growth in net banking interest income and 3.6% growth in net fee and commission income, which were partially offset by a decline in net banking foreign currency gain and net other banking income
- Growth in our Retail Banking net banking interest income was primarily a result of the growth of the Retail Banking loan book, particularly the mortgage, micro & SME loan portfolios, on the back of broadly stable loan yields
- The Retail Banking net loan book reached a record level of GEL 2,901.2mln, up 9.9% y-o-y
- We observed a shift in the currency mix in our Retail Banking loan book, with foreign currency denominated loans increasing to 56% of the total retail banking portfolio, from 51% a year ago. Foreign currency denominated loans grew at 21.1% y-o-y to GEL 1,634.2mln compared to local currency loans that decreased at 1.8% y-o-y to GEL 1,267.0mln. The trend was also aligned to the changes in our loan yields, which stood at 10.9% for foreign currency loans (down 50bps y-o-y) and 25.4% for local currency loans (up 240bps y-o-y)
- The growth was a result of strong loan origination delivered across all Retail Banking segments:
  - Consumer loan originations of GEL 201.8mln in 1Q16 resulted in consumer loans outstanding totaling GEL 652.2mln as of 31 March 2016, up 15.3% y-o-y
  - Micro loan originations of GEL 149.4mln in 1Q16 resulted in micro loans outstanding totaling GEL 562.7mln as of 31 March 2016, up 12.6% y-o-y
  - SME loan originations of GEL 101.5mln in 1Q16 resulted in SME loans outstanding totaling GEL 358.6mln as of 31 March 2016, up 22.9% y-o-y
  - Mortgage loans originations of GEL 161.7mln in 1Q16 resulted in mortgage loans outstanding of GEL 884.0mln as of 31 March 2016, up 22.4% y-o-y
  - Originations of loans disbursed at merchant locations of GEL 43.2mln in 1Q16 resulted in POS loans outstanding of GEL 109.8mln as of 31 March 2016, up 29.7% y-o-y
- Retail Banking client deposits increased to GEL 1,902.0mln, up 1.5% y-o-y, notwithstanding a 90bps decrease in the cost of deposits. The share of foreign currency denominated deposits increased to 76% up from 67% a year ago, while cost of deposits decreased on both local and foreign currency denominated deposits. We purposefully decreased our deposit rates in 2015, to manage the liquidity levels at the Bank
- Our Retail Banking net fee and commission income increased to GEL 19.2mln, up 3.6% y-o-y. Net fee and commission income reflects continued growth of our Express Banking franchise, which has attracted 437,409 previously unbanked emerging mass market customers since its launch 3 years ago. The number of Express banking clients grew by 12,049 q-o-q in 1Q16
- **Our Express Banking 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
  - **1,304,734 Express Cards have been issued** since their launch in September 2012, in essence replacing the pre-paid metro cards which were previously used. Of this, 112,906 Express Cards were issued in 1Q16, up 2.8% y-o-y. As of 31 March 2016, 1,113,745 Express Cards were outstanding, compared to 798,637 cards outstanding as of the same date last year
  - **We have increased number of Express Pay terminals to 2,627, from 2,245 a year ago.** Express Pay terminals are an *alternative to tellers*, placed at bank branches as well as various other venues (groceries, shopping malls, bus stops, etc.), and are used for bank transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups

- **In 1Q16, the utilisation of Express Pay terminals increased significantly**, with the number of transactions growing to 28.8mln, up 11.2% y-o-y and volume of transactions reaching GEL 662.7mln during 1Q16, up 58.4% y-o-y
- Increased Point of Sales (“POS”) footprint to 288 desks and 3,356 contracted merchants as of 31 March 2016, up from 276 desks and 2,763 contracted merchants as of 31 March 2015
- The number of POS terminals outstanding reached 8,175, up 20.0% y-o-y
- The volume of transactions through the Bank’s POS terminals grew to GEL 176.3mln, up 24.0% y-o-y. This represents 6.0mln POS transactions in 1Q16, an increase of 1.8mln or 42.7% transactions over 4.2mln in 1Q15
- Loans outstanding disbursed at merchant locations reached GEL 109.8mln as of 31 March 2016, up 29.7% y-o-y
- The number of transactions via Internet banking has increased to 1.3mln, up from 1.1mln a year ago, with volume reaching GEL 216.8mln in 1Q16, up 37.6% y-o-y
- The number of transactions via mobile banking has increased to 0.5mln, up from 0.3mln a year ago, with volume reaching GEL 35.9mln in 1Q16, up 55.5% y-o-y
- **Retail Banking recorded NIM of 9.2% in 1Q16, down 50bps y-o-y and down 40 bps q-o-q.** NIM was a combination of:
  - On a y-o-y basis, Retail Banking total loan yield was fairly stable, balancing increase in yields on local currency loans (25.4% in 1Q16, compared to 23.0% in 1Q15) with lower yields on foreign currency loans (10.9% in 1Q16, compared to 11.4% in 1Q15)
  - On a y-o-y basis, higher cost of local currency funding, which was a combination of two factors: 1). Higher local currency policy rate of the National Bank of Georgia that increased gradually to 8.0% at the year end, up from 4.0% at the end of 2014 2). More expensive local currency funding sourced by the Corporate Investment Banking operations to support the local currency lending of Retail Banking, on the back of 33.7% decrease in local currency time deposits of the Retail Banking
  - On a q-o-q basis, Retail Banking total loan yield decreased by 50bps, reflecting flat yield on local currency loans (25.4% in 1Q16) with lower yields on foreign currency loan, which stood at 10.9% in 1Q16 compared to 11.2% in 4Q15 (-30bps q-o-q). This was also reflected in flat q-o-q local currency denominated net loans and 7.7% q-o-q increase in foreign currency denominated net loans
  - On a q-o-q basis, higher Cost of Funding, which stood at 6.5% in 1Q16 compared to 5.6% in 4Q15, largely as a result of more expensive funding sourced by the Corporate Investment Banking as described above
- **For 1Q16, operating expenses increased to GEL 46.0mln, up 6.7% y-o-y, resulting in a Cost to Income ratio of 43.3% and a positive y-o-y operating leverage of 1.2 percentage points**, which reflects:
  - Salaries and other employee benefits remaining flat y-o-y and q-o-q
  - The increase in administrative expenses by 18.6% y-o-y, which was largely driven by an increase in the marketing expenses related to the launch of Solo since April 2015
- **Since we launched Solo Lifestyle in April 2015, the number of Solo clients has reached 13,284, up 60.4% y-o-y from 8,282 a year ago.** We have launched 8 Solo lounges, of which 5 are located in Tbilisi, the capital city and 3 in major regional cities in Georgia. We had profit of GEL 268 per Solo client in 1Q16, compared to a profit of GEL 22 and GEL 15 per Express and mass retail clients, respectively, for the same period. Product to client ratio for Solo segment was 7.4, compared to 3.4 and 1.6 for Express and mass retail clients. While Solo clients currently represented c.1% of our total retail client base in 1Q16, they contributed 19% to our retail loan book, 33% to our retail deposits, 10% to our net interest income and 10% to our net fee and commission income
- With Solo we target the mass affluent retail segment and aim to build brand loyalty through exclusive experiences offered through the new Solo Lifestyle. *In our Solo lounges*, Solo clients are offered, at cost, a selection of luxury products and accessories that are currently not available in the country. Solo clients enjoy



tailor-made solutions including new financial products such as bonds, which pay a significantly higher yield compared to deposits, and other securities developed by Galt & Taggart, the Group's Investment Banking arm. *Through Solo Lifestyle*, our Solo clients are given access to exclusive products and the finest lounge-style environment at our Solo lounges and are provided with new lifestyle opportunities, such as exclusive events, offering live concerts with the world known artists and other entertainments exclusively for just solo clientele, as well as handpicked lifestyle products. In 1Q16, two Sting concerts organised by Solo in Tbilisi were the highlight of our exclusive events, where over 4,500 Solo clients had exclusive access to the event, at cost. The event was met with strong demand and was regarded highly by the Solo clients – essentially differentiating Solo from other premium banking brands offered on the market and further building the brand loyalty

- The cost of credit risk was GEL 18.2mln in 1Q16, up 9.1% y-o-y compared to GEL 16.7mln in 1Q15. The increase was primarily a result of 9.9% growth of the Retail Banking loan book. Respectively, Retail Banking Cost of Risk ratio was 2.5% in 1Q16 compared to 2.4% in 1Q15 and 2.1% in 4Q15
- As a result, Retail Banking profit reached GEL 37.8mln in 1Q16, up 15.8% y-o-y. Retail Banking continued to deliver a strong ROAE of 24.3% in 1Q16 compared to 21.7% in 1Q15 and 27.9% in 4Q15
- The number of Retail Banking clients totalled 2,022,202, up 5.6% y-o-y and up 1.1% (22,333 clients) q-o-q
- The total number of cards increased significantly to 1,943,175, up 61.3% y-o-y
- The total number of debit cards outstanding increased to 1,171,454, up 7.6% y-o-y. In 1Q16 Retail Banking issued 59,403 debit cards
- The total number of outstanding credit cards amounted to 771,721, up 5.8% y-o-y. Of this, 92,551 were American Express Cards, down 15.9% y-o-y. A total of 269,585 American Express cards have been issued since the launch in November 2009

## Corporate Investment Banking (CIB)

In February 2016, we announced the combination of our Corporate Banking and Investment Management businesses into a Corporate Investment Banking business (CIB). The merged Corporate Banking and Investment Management business aims to leverage our superior knowledge and capital markets capabilities in the Georgian and neighbouring markets both in terms of reach and the expertise that we have accumulated during the past several years through our corporate advisory, research and brokerage practices united under Galt & Taggart – a wholly owned subsidiary of the Group, which is at the forefront of capital markets development in the country

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

A key focus of our reorganized Corporate Investment Banking business is to increase ROAE and we plan to do this by deconcentrating our loan book and decreasing the cost of risk, while focusing on further building our fee business through the investment management and the trade finance franchise, which we believe is the strongest in the region

<i>GEL thousands, unless otherwise noted</i>	1Q16	1Q15	Change y-o-y	4Q15	Change q-o-q
<b>INCOME STATEMENT HIGHLIGHTS</b>					
Net banking interest income	38,250	39,592	-3.4%	39,381	-2.9%
Net fee and commission income	7,020	7,342	-4.4%	8,781	-20.1%
Net banking foreign currency gain	11,368	9,502	19.6%	13,942	-18.5%
Net other banking income	2,587	1,508	71.6%	4,328	-40.2%
<b>Revenue</b>	<b>59,225</b>	<b>57,944</b>	<b>2.2%</b>	<b>66,432</b>	<b>-10.8%</b>
Salaries and other employee benefits	(11,155)	(10,061)	10.9%	(9,982)	11.8%
Administrative expenses	(3,355)	(2,886)	16.3%	(4,231)	-20.7%
Banking depreciation and amortisation	(1,272)	(1,107)	14.9%	(1,242)	2.4%
Other operating expenses	(231)	(246)	-6.1%	(242)	-4.5%
<b>Operating expenses</b>	<b>(16,013)</b>	<b>(14,300)</b>	<b>12.0%</b>	<b>(15,697)</b>	<b>2.0%</b>
<b>Operating income before cost of credit risk</b>	<b>43,212</b>	<b>43,644</b>	<b>-1.0%</b>	<b>50,735</b>	<b>-14.8%</b>
Cost of credit risk	(14,138)	(19,371)	-27.0%	(11,991)	17.9%
Net non-recurring items	(856)	(621)	37.8%	(2,524)	-66.1%
<b>Profit before income tax</b>	<b>28,218</b>	<b>23,652</b>	<b>19.3%</b>	<b>36,220</b>	<b>-22.1%</b>
Income tax expense	(2,687)	(4,194)	-35.9%	(5,416)	-50.4%
<b>Profit</b>	<b>25,531</b>	<b>19,458</b>	<b>31.2%</b>	<b>30,804</b>	<b>-17.1%</b>
<b>BALANCE SHEET HIGHLIGHTS</b>					
Letters of credit and guarantees, standalone <sup>1</sup>	541,567	525,409	3.1%	511,399	5.9%
Net loans, standalone, currency blended	2,144,299	2,394,657	-10.5%	2,210,964	-3.0%
Net loans, standalone, GEL	220,295	318,510	-30.8%	220,306	0.0%
Net loans, standalone, FC	1,924,004	2,076,147	-7.3%	1,990,658	-3.3%
Client deposits, standalone, currency blended	2,868,846	2,255,138	27.2%	2,871,323	-0.1%
Client deposits, standalone, GEL	797,875	595,439	34.0%	797,238	0.1%
Client deposits, standalone, FC	2,070,971	1,659,699	24.8%	2,074,085	-0.2%
Time deposits, standalone, currency blended	1,200,565	1,163,805	3.2%	1,248,720	-3.9%
Time deposits, standalone, GEL	165,311	235,419	-29.8%	187,437	-11.8%
Time deposits, standalone, FC	1,035,254	928,386	11.5%	1,061,283	-2.5%
Current accounts and demand deposits, standalone, currency blended	1,668,281	1,091,333	52.9%	1,622,603	2.8%
Current accounts and demand deposits, standalone, GEL	632,564	360,020	75.7%	609,801	3.7%
Current accounts and demand deposits, standalone, FC	1,035,717	731,313	41.6%	1,012,802	2.3%
Assets under management	1,343,821	1,213,828	10.7%	1,373,112	-2.1%

**RATIOS**

<i>ROAE, Corporate Investment Banking</i>	17.6%	15.1%	21.3%
<i>Net interest margin, currency blended</i>	3.7%	4.2%	3.8%
<i>Cost of risk</i>	2.1%	3.4%	1.8%
<i>Cost of funds, currency blended</i>	4.4%	5.1%	5.5%
<i>Loan yield, currency blended</i>	10.3%	11.8%	12.6%
<i>Loan yield, GEL</i>	13.1%	10.9%	13.3%
<i>Loan yield, FC</i>	10.2%	10.6%	10.6%
<i>Cost of deposits, currency blended</i>	4.5%	3.9%	4.6%
<i>Cost of deposits, GEL</i>	8.0%	3.9%	7.5%
<i>Cost of deposits, FC</i>	3.1%	3.9%	3.3%
<i>Cost of time deposits, currency blended</i>	6.0%	6.4%	6.1%
<i>Cost of time deposits, GEL</i>	9.6%	7.5%	9.1%
<i>Cost of time deposits, FC</i>	5.3%	6.2%	5.5%
<i>Current accounts and demand deposits, currency blended</i>	3.4%	1.3%	3.4%
<i>Current accounts and demand deposits, GEL</i>	7.5%	1.8%	7.3%
<i>Current accounts and demand deposits, FC</i>	0.8%	1.1%	0.9%
<i>Cost / income ratio</i>	27.0%	24.7%	23.6%

<sup>1</sup>Off-balance sheet item

**Performance highlights**

- **Corporate Investment Banking revenue increased to GEL 59.2mln in 1Q16, up 2.2% y-o-y and down 10.8% q-o-q. Revenue from Corporate Banking operations grew at 3.2% y-o-y, partially offset by 4.5% decline in revenue from Investment Management operations**
  - Net banking interest income for 1Q16 was GEL 38.3mln, down 3.4% y-o-y. This reduction reflected a combination of lower net loan book (down 10.5% y-o-y to GEL 2,144.3mln) and lower net interest margins which was down 50bps y-o-y. While share of foreign currency denominated loans increased to 90%, up from 87% a year ago, we observed overall decline across both, local and foreign currency denominated loans
  - Our CIB client deposit balances increased 27.2% y-o-y, driven by increase in both local and foreign currency denominated deposits. Growth in local currency deposits was notably stronger, at 34.0% y-o-y on the back of increase in local currency deposit rates to 8.0% in 1Q16, up from 3.9% a year ago. This was done intentionally to source local currency funding from our CIB clients to support local currency lending
  - Our current account balances have increased significantly during 1Q16, reflecting our focused efforts on maintaining high liquidity levels, particularly in local currency, increasing the share of current accounts and demand deposits in total CIB client deposits to 58%, up from 48% a year ago. This is also reflected in an increased cost of current accounts and demand deposits to 3.4% in 1Q16, up from 1.3% a year ago. The increase was predominantly driven by the increase in cost of local currency denominated current accounts and demand deposits to 7.5% in 1Q16, up from 1.8% a year ago, while cost on foreign currency denominated current accounts and demand deposits decreased somewhat by 30 bps y-o-y. As a result, at the end of this quarter, total current accounts and demand deposits reached GEL 1,668.3mln, up 52.9% y-o-y, of which local currency denominated current accounts and demand deposits were GEL 632.6mln, up 75.7% y-o-y and foreign currency denominated, mostly US\$, current accounts and demand deposits were GEL 1,035.7mln, up 41.6% y-o-y
  - CIB net fee and commission income, which represented 12% of total CIB revenue, was down 4.4% y-o-y to GEL 7.0mln. This is primarily due to higher base in 1Q15 resulting from c.GEL 0.8mln fee and commission income generated by G&T brokerage operations in 1Q15 (these operations generate revenue when the transaction is completed and thus cause fluctuations in our fee and commission income) and GEL 0.4mln increase in fee & commission expense due to launch of the G&T trader platform, discussed above. Net fee and commission income from our Corporate Banking operations (excluding G&T) increased by 14.6% y-o-y to GEL 6.9mln
  - Our net banking foreign currency gain increased significantly in 1Q16, mainly reflecting lower base in 1Q15. As a result, we recorded net banking foreign currency gain of GEL 11.4mln, up 19.6% y-o-y.

- Net other banking income also increased to GEL 2.6mln, up 71.6% y-o-y from GEL 1.5mln in 1Q15. The increase was mainly due to a gain from the sale of real property
- **Corporate Investment banking recorded a NIM of 3.7% in 1Q16, down 50 bps y-o-y and down 10 bps q-o-q.** The NIM reflected: 1) decreasing Loan Yield, which was down 150 bps y-o-y to 10.3% in 1Q16, 2) decreasing loan yield was partially offset by lower Cost of funding, which stood at 4.4% in 1Q16, down 70 bps y-o-y 3) the higher local currency policy rate of the National Bank of Georgia that increased gradually to 8.0% at the year end, up from 4.0% at the end of 2014. On q-o-q basis, NIM was broadly stable, despite the decrease in Loan Yield (10.3% in 1Q16 compared to 12.6% in 1Q15) which was somewhat offset by lower cost of funding of 4.4% in 1Q16 compared to 5.5% in 1Q15
- **Corporate Investment Banking operating expenses increased to GEL 16.0mln in 1Q16, up 12.0% y-o-y, resulting in a Cost to Income ratio of 27.0% and negative y-o-y operating leverage of 9.8 percentage points.** The increase in operating expenses is due to 1) an increase in salaries and other employee benefits to GEL 11.2mln in 1Q16, up GEL 1.1mln or 10.9% y-o-y; 2) an increase in administrative expenses to GEL 3.4mln in 1Q16, up GEL 0.5mln or 16.3%, largely reflecting an increase in rent expenses, driven by US\$ appreciation against the local currency
- Cost of credit risk was GEL 14.1mln in 1Q16, down 27.0% from GEL 19.4mln in 1Q15, primarily due to the improved economic environment, compared to 1Q15
- The Corporate Investment Banking Cost of Risk was 2.1% in 1Q16 compared to 3.4% in 1Q15 and 1.8% in 4Q15
- As a result, Corporate Investment Banking profit reached GEL 25.5mln in 1Q16, up 31.2% y-o-y from GEL 19.5mln in 1Q15, resulting in Corporate Investment Banking ROAE of 17.6% as of 31 March 2016, significant improvement compared to 15.1% a year ago
- Our strategic goal for Corporate Investment Banking continues to be the reduction of concentration risk in the corporate lending, improvement of ROAE and building our fee business. As a result of this strategy, the concentration of our top 10 Corporate Investment Banking clients was reduced to 12.1% by the end of 1Q16, down from 13.4% a year ago

#### *Performance highlights of wealth management operations*

- **The AUM of the Investment Management segment increased to GEL 1,343.8mln, up 10.7% y-o-y.** This includes Wealth Management clients' deposits and assets held at Bank of Georgia Custody, Galt & Taggart brokerage client assets and Aldagi pension scheme assets
- **Wealth Management deposits increased to GEL 1,048.0mln, up 14.7% y-o-y, growing at a compound annual growth rate (CAGR) of 29.2% over the last five year period.** The growth was achieved despite a 90 bps decline in the Cost of Client deposits to 4.7% in 1Q16 and impact of Wealth Management clients switching from deposits to bonds, as a number of bond issuances, yielding higher rates than deposits by Galt & Taggart were offered to Wealth Management clients
- Of total AUM, the amount of the Bank's Certificates of Deposits issued to Investment Management clients increased to GEL 589.7mln, up 16.5% compared to 31 March 2015
- We served over 1,399 wealth management clients from 68 countries as of 31 March 2016
- **Galt & Taggart is successfully developing local capital markets:**
  - Galt & Taggart served as the placement agent for the US\$5 million bond offering, for Nikora Trade LLC, a leading Georgian FMCG (Fast Moving Consumer Goods) company, which successfully completed its first ever bond offering on March 18, 2016. It is planned that the bonds will be listed on, and admitted to, the trading system of the Georgian Stock Exchange in the near future
  - **In February 2016, Galt & Taggart Research issued a comprehensive report on the Georgian healthcare sector and continues to provide weekly economic (including economies of Georgia and Azerbaijan) and sectoral coverage.** Since its launch in June 2012, Galt & Taggart Research has initiated research coverage of the Georgian and Azeri economies, the Georgian retail real estate market, the Georgian wine sector, Georgian agricultural sector, Georgian electricity sector, Georgian healthcare

sector, and fixed income coverage, including Georgian Oil and Gas Corporation, Georgian Railway, and has issued notes on the Georgian State Budget and the Tourism Sector. *Galt & Taggart reports are available at [www.galtandtaggart.com](http://www.galtandtaggart.com)*

## Investment Business Segment Result Discussion

### Healthcare business (Georgia Healthcare Group – GHG)

#### Standalone results

For the purposes of the results discussion below, healthcare business refers to the Group's pure-play healthcare businesses, Georgia Healthcare Group (GHG), which includes healthcare services and medical insurance. BGEО 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 BGEО Group's results. GHG's shares are listed on the London Stock Exchange and it reports results independently in more details. See <http://ghg.com.ge>. The results are based on management accounts and refer to standalone numbers

#### Income Statement

<i>GEL thousands unless otherwise noted</i>	1Q16	1Q15	Change, Y-o-Y	4Q15	Change, Q-o-Q
<b>Revenue, gross</b>	<b>71,682</b>	<b>53,875</b>	<b>33.1%</b>	<b>68,720</b>	<b>4.3%</b>
Corrections & rebates	-410	-957	-57.2%	-1,086	-62.2%
<b>Revenue, net</b>	<b>71,272</b>	<b>52,918</b>	<b>34.7%</b>	<b>67,634</b>	<b>5.4%</b>
Cost of services	-43,257	-33,339	29.7%	-41,618	3.9%
<b>Gross profit</b>	<b>28,015</b>	<b>19,579</b>	<b>43.1%</b>	<b>26,016</b>	<b>7.7%</b>
Total operating expenses	-11,105	-9,592	15.8%	-10,480	6.0%
Other operating income/(expenses)	220	125	76.0%	986	-77.7%
EBITDA	17,129	10,112	69.4%	16,522	3.7%
<b>EBITDA margin</b>	<b>23.9%</b>	<b>18.8%</b>		<b>24.0%</b>	
Depreciation and amortisation	-4,465	-2,322	92.3%	-4,295	4.0%
Net interest (expense) / income	-1,656	-4,101	-59.6%	-5,377	-69.2%
Net (losses) / gains from foreign currencies	-260	3,404	NMF	-1,592	-83.7%
Net non-recurring (expense) / income	1,968	-211	NMF	-192	NMF
<b>Profit before income tax expense</b>	<b>12,716</b>	<b>6,882</b>	<b>84.8%</b>	<b>5,066</b>	<b>151.0%</b>
Income tax (expense) / benefit	-693	-607	14.2%	-14	NMF
<b>Profit for the period</b>	<b>12,023</b>	<b>6,275</b>	<b>91.6%</b>	<b>5,052</b>	<b>138.0%</b>
<b>Attributable to:</b>					
- shareholders of GHG PLC	9,921	5,732	73.1%	3,823	159.5%
- non-controlling interests	2,102	543	287.1%	1,229	71.0%

For detailed income statement by healthcare services and medical insurance business, please see page 28

#### Performance Highlights

**GHG delivered record quarterly revenue of GEL 71.7 million, up 33.1% y-o-y and up 4.3% q-o-q.** This growth was primarily driven by healthcare services gross revenue, which grew 41.4% y-o-y, with strong organic growth of 14.6% as well as 26.8% growth coming from recent acquisitions. Healthcare services revenue increased 9.0% on a q-o-q basis, which is fully attributable to organic growth

- Healthcare services revenue growth of 41.4% was primarily driven by referral hospitals as well as the roll out of ambulatory clinics, in line with GHG's announced strategy.** Referral and specialty hospitals posted GEL 52.0 million of revenue in 1Q16, up 43.5% y-o-y driven by strong organic growth as well as acquisitions. 14.6% organic growth of revenue from our healthcare services business was largely sourced from referral hospitals, while the major portion of the acquisition related growth came solely from referral hospitals, driven by the HTMC and Deka acquisitions completed during 2015. HTMC contributed GEL 10.8 million to gross revenues
- The medical insurance business contributed GEL 12.9 million to total revenue, largely flat y-o-y.** Sales to retail clients posted strong 38.1% growth y-o-y, but this was offset by a decline in sales to corporate clients, which was a result of not renewing the contract with one of the largest corporate clients at the end of 2015. In 1Q16, GHG's medical insurance claims expense was GEL 12.0 million, of which GEL 2.6 million (22%) was inpatient, GEL 6.3 million (53%) was outpatient and GEL 3.1 million (25%) was accounted for by drugs. Only GEL 1.7 million, or 14.2%, of the total medical insurance claims were retained within GHG

- **GHG's margins improved as a result of the increasing utilisation and scale of the business, as well as continued focus on improving efficiency and the on-going integration of recently acquired healthcare facilities.** Costs continued to be well contained in 1Q16, with a 29.7% y-o-y growth in the cost of services favorably lagging behind a 33.1% growth in revenues. The cost of services grew in both businesses, but was primarily driven by the healthcare services business
- **Primarily driven by recent acquisitions, operating expenses increased by 15.8% in 1Q16, compared to the same period last year and increased by 6.0% over 4Q15, with positive operating leverage of 27.3 percentage points.** The growth of salaries and other employee benefits as well as general and administrative expenses, is primarily due to the acquisition and integration of newly acquired hospitals
- **GHG reported record quarterly EBITDA of GEL 17.1 million, a solid growth of 69.4% y-o-y.** This increase was primarily driven by the healthcare services business. The healthcare services business recorded outstanding EBITDA growth of 84.4% y-o-y and 7.8% q-o-q, reaching GEL 17.8 million in 1Q16 while achieving an EBITDA margin of 29.5%, close to target of c.30%. The medical insurance business recorded a negative EBITDA of GEL 0.7 million, caused by the loss of the large corporate client referred to above and an increase in medical insurance claims. Some of this increase was related to the outbreak of a flu epidemic in 1Q16, and GHG is making changes to its policies that will address the rest
- **GHG's strong EBITDA performance in 1Q16 was further translated into a strong profit for the period of GEL 12.0 million, which grew 91.6% y-o-y.** This was primarily driven by the profit of the healthcare services business that more than doubled for the same period reaching GEL 12.2 million

#### *Operating highlights*

- At the beginning of 2016, GHG acquired a 100% equity stake in JSC GPC, one of the top three pharmaceutical retailers and wholesalers in Georgia. This move fits clearly into GHG's strategy to be the leading integrated player in the Georgian healthcare ecosystem which amounts to GEL 3.4 billion aggregate value, and enables GHG to become the largest drug purchaser in the country. The pharmacy business is expected to be highly synergistic both to reduce the cost of drugs for GHG's hospitals as well as to cross-sell through GPC's loyalty programme, to ambulatory clinics. GPC has c. 12 million customer interactions per annum. It is expected GHG will open pharmacies on the premises of approximately 40 hospitals and large ambulatory clinics owned by GHG to boost the revenue of GPC. The acquisition price of GPC implies 5.7 times EV/EBITDA before eliminating unnecessary costs and capturing further cost and revenue synergies. The post-synergy multiple is 3.3. The transaction was completed in May 2016 and GHG will start GPC's financial consolidation accordingly
- GHG bought-out the remaining 33.3% minority shareholding of our largest pediatric hospital, Iashvili Referral Hospital ("Iashvili"). Iashvili operates 266 beds and recorded GEL 25.2 million in gross revenue in 2015, of which GEL 8.4 million was attributable to the minority shareholder bought out as a result of this transaction
- GHG also expanded its senior management team with the appointment of George Arveladze as a Deputy CEO, in charge of ambulatory and pharmaceutical Businesses. He brings strong knowledge of, and experience in, the Georgian retail sector, and has an excellent operational track record which will be invaluable to Georgia Healthcare Group
- GHG operated 2,686 hospital beds in 46 facilities by the end of 31 March 2016, up from 2,140 beds in 39 facilities a year ago, a net increase of 546 beds, resulting in a year-end market share of 26.7%
- GHG is currently in the process of developing a further four ambulatory clusters, to be launched over the next few months. Three of these clusters will be in Tbilisi, and one will be in Zugdidi, a city in West Georgia. A further two clusters will be developed in the second half of the year



## Real estate business (m<sup>2</sup> Real Estate)

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

Income statement <i>GEL thousands, unless otherwise noted</i>	1Q16	1Q15	Change y-o-y	4Q15	Change q-o-q
Real estate revenue	28,592	3,938	NMF	47,465	-39.8%
Cost of real estate	(22,740)	(2,865)	NMF	(34,869)	-34.8%
<b>Gross real estate profit</b>	<b>5,852</b>	<b>1,073</b>	NMF	<b>12,596</b>	<b>-53.5%</b>
Gross other investment profit	1,816	219	NMF	7,277	-75.0%
<b>Revenue</b>	<b>7,668</b>	<b>1,292</b>	NMF	<b>19,873</b>	<b>-61.4%</b>
Salaries and other employee benefits	(320)	(321)	-0.3%	(356)	-10.1%
Administrative expenses	(1,135)	(1,041)	9.0%	(1,515)	-25.1%
<b>Operating expenses</b>	<b>(1,455)</b>	<b>(1,362)</b>	<b>6.8%</b>	<b>(1,871)</b>	<b>-22.2%</b>
<b>EBITDA</b>	<b>6,213</b>	<b>(70)</b>	<b>NMF</b>	<b>18,002</b>	<b>-65.5%</b>
Depreciation and amortization of investment business	(53)	(42)	26.2%	(55)	-3.6%
Net foreign currency loss from investment business	386	(371)	NMF	(836)	NMF
Interest income from investment business	-	171	-100.0%	-	-
Interest expense from investment business	(125)	(1,011)	-87.6%	(173)	-27.7%
<b>Net operating income before non-recurring items</b>	<b>6,421</b>	<b>(1,323)</b>	<b>NMF</b>	<b>16,938</b>	<b>-62.1%</b>
Net non-recurring items	(23)	(73)	-68.5%	(7)	NMF
<b>Profit before income tax</b>	<b>6,398</b>	<b>(1,396)</b>	<b>NMF</b>	<b>16,931</b>	<b>-62.2%</b>
Income tax (expense) benefit	(960)	209	NMF	(2,604)	-63.1%
<b>Profit</b>	<b>5,438</b>	<b>(1,187)</b>	<b>NMF</b>	<b>14,327</b>	<b>-62.0%</b>

### Performance highlights

- **m<sup>2</sup> Real Estate recorded strong revenue growth in 1Q16, increasing to GEL 7.7mln in 1Q16, up c.5 times y-o-y, driven by strong project execution and sales performance.** Gross real estate profit, which reflects residential property development and sales operations of m<sup>2</sup> Real Estate, increased to GEL 5.9mln, up c.4 times y-o-y
- m<sup>2</sup> Real Estate sold a total of 53 apartments with a sales value of US\$ 5.5mln in 1Q16, compared to 49 apartments sold with a sales value of US\$ 4.8mln in 1Q15. At its six projects which have already been completed with a total of 1,669 apartments, m<sup>2</sup> Real Estate currently has a stock of only 214 apartments unsold. At its two on-going projects (begun in 2015) with a total capacity of 838 apartments, 240 apartments or 29% are already sold
- Pursuant to m<sup>2</sup> Real Estate's current revenue recognition policy (in line with IAS 18), revenue is recognised at the full completion of the project. Because of its revenue recognition policy, m<sup>2</sup> Real Estate had accumulated US\$ 46.1mln sales, which will be recognised as revenue upon completion of the on-going projects in 2016-2018 (of which c. US\$ 29.7mln is expected to be recognised in 2016)
- m<sup>2</sup> Real Estate has completed all of its projects on or ahead of time and within budget. Of the two m<sup>2</sup> Real Estate projects started in 2015 referred above, one is the largest ever carried out by m<sup>2</sup> Real Estate, with a total of 818 apartments in a central location in Tbilisi. The second is a new type of project for m<sup>2</sup> Real Estate, representing a luxury residential building in Old Tbilisi neighbourhood with few apartments (19 in total) and a relatively high price
- **In summary, m<sup>2</sup> Real Estate has started eight projects since its establishment in 2010, of which six have already been completed, and construction of two is on-going. One of these is expected to be completed in 2016 and the other in 2018. Currently, only 812 units are available for sale out of total of 2,507 apartments developed or under development. We have unlocked total land value of US\$ 16.4mln from the six completed projects and an additional US\$ 8.9mln in land value is expected to be unlocked from the two on-going projects**



- The number of apartments financed with BOG mortgages in all m<sup>2</sup> Real Estate projects as of the date of this announcement totalled 827, with an aggregate amount of GEL 92.5mln
- Y-o-y growth in revenue largely outpaced growth in operating expenses, resulting in EBITDA of GEL 6.2mln in 1Q16 compared to GEL -0.1mln a year ago, which eventually translated into GEL 5.4mln profit, up from GEL 1.2mln loss a year ago

### **Project performance highlights**

Ongoing projects (2 projects):

- **“Kartozia Street”**, *construction on-going* – 231 (28%) of 819 apartments sold by the end of 1Q16, with total sales of US\$ 16.4mln, which is not yet recognized as revenue. The pre-sales started in July 2015 and construction phase of the project started in November 2015. Construction is 9% completed as of the date of this report and it is expected to be fully completed in September 2018. Upon the completion of this project, m<sup>2</sup> Real Estate expects to unlock the land value of US\$ 5.8mln and realize IRR of 31% from this project
- **“Skyline”** (the first premium apartments offered by m<sup>2</sup> Real Estate), *construction on-going* – 9 (47%) of 19 apartments sold by the end of 1Q16, with total sales of US\$ 3.7mln, which is not yet recognized as revenue. The pre-sales started and the construction phase of the project started in December 2015 and it is expected to be fully completed in December 2016. Upon the completion of this project, m<sup>2</sup> Real Estate expects to unlock the land value of US\$ 3.1mln and realize IRR of 329% from this project

Completed projects (6 projects):

- **“Chubinashvili street”** – 123 (100%) of 123 apartments sold by the end of 3Q15, with total sales of US\$ 9.9mln, which is fully recognised as revenue. The project was started in September 2010 and completed in August 2012. We unlocked the land value of US\$ 0.9mln and realised Internal Rate of Return (“IRR”) of 47% from this project
- **“Tamarashvili street”** – 522 (100%) of 522 apartments sold by the end of 1Q16, with total sales of US\$ 48.0mln, which is fully recognised as revenue. The project was started in May 2012 and completed in June 2014, four months ahead of schedule. We unlocked the land value of US\$ 5.4mln and realized IRR of 46% from this project
- **“Nutsubidze Street”** – 203 (92%) of 221 apartments sold by the end of 1Q16, with total sales of US\$ 16.2mln, of which US\$ 15.9mln was recognized as revenue. The project was started in December 2013 and completed in September 2015, one month ahead of completion deadline. m<sup>2</sup> Real Estate is unlocking the land value of US\$ 2.2mln and realizing IRR of 58% from this project
- **“Kazbegi Street”** – 266 (90%) of 295 apartments sold by the end of 1Q16, with total sales of US\$ 24.4mln, of which US\$ 23.6mln was recognized as revenue. The project was started in December 2013, and completed in March 2016. m<sup>2</sup> Real Estate is unlocking the land value of US\$ 3.6mln and realizing IRR of 165% from this project
- **“Tamarashvili Street II”** – 194 (72%) of 270 apartments sold by the end of 1Q16, with total sales of US\$ 18.0mln, which is not yet recognized as revenue. Revenue is expected to be recognised following the completion of apartment handover process to its owners. The project was started in July 2014, construction is 96% completed as of the date of this release and is expected to be fully completed by the end of the second quarter 2016. m<sup>2</sup> Real Estate is unlocking the land value of US\$ 2.7mln and realizing IRR of 71% from this project
- **“Moscow avenue”** – 147 (62%) of 238 apartments sold by the end of 1Q16, with total sales of US\$ 6.9mln, which is not yet recognized as revenue. Revenue is expected to be recognised following the completion of apartment handover process to its owners. This project was launched within m<sup>2</sup> Real Estate’s new low-cost apartment initiative and offers unprecedented affordable price of as low as US\$ 29,000 for refurbished 1 bedroom apartments. The project was started in September 2014, construction is 91% completed as of the date of this release and is expected to be fully completed by the end of the second quarter 2016. m<sup>2</sup> Real Estate is unlocking the land value of US\$ 1.6mln and realizing IRR of 31% from this project

# SELECTED FINANCIAL INFORMATION

INCOME STATEMENT QUARTERLY <i>GEL thousands, unless otherwise noted</i>	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
	1Q16	1Q15	Change Y-O-Y	4Q15	Change Q-O-Q	1Q16	1Q15	Change Y-O-Y	4Q15	Change Q-O-Q	1Q16	1Q15	Change Y-O-Y	4Q15	Change Q-O-Q	1Q16	1Q15	4Q15
Banking interest income	224,810	199,698	12.6%	228,212	-1.5%	226,217	202,353	11.8%	230,833	-2.0%	-	-	-	-	(1,407)	(2,655)	(2,621)	
Banking interest expense	(95,958)	(78,709)	21.9%	(96,778)	-0.8%	(95,998)	(79,295)	21.1%	(96,616)	-0.6%	-	-	-	-	40	586	(162)	
<b>Net banking interest income</b>	<b>128,852</b>	<b>120,989</b>	<b>6.5%</b>	<b>131,434</b>	<b>-2.0%</b>	<b>130,219</b>	<b>123,058</b>	<b>5.8%</b>	<b>134,217</b>	<b>-3.0%</b>	-	-	-	-	<b>(1,367)</b>	<b>(2,069)</b>	<b>(2,783)</b>	
Fee and commission income	38,149	35,991	6.0%	42,110	-9.4%	38,484	37,343	3.1%	42,856	-10.2%	-	-	-	-	(335)	(1,352)	(746)	
Fee and commission expense	(10,335)	(9,137)	13.1%	(10,471)	-1.3%	(10,469)	(9,253)	13.1%	(10,590)	-1.1%	-	-	-	-	134	116	119	
<b>Net fee and commission income</b>	<b>27,814</b>	<b>26,854</b>	<b>3.6%</b>	<b>31,639</b>	<b>-12.1%</b>	<b>28,015</b>	<b>28,090</b>	<b>-0.3%</b>	<b>32,266</b>	<b>-13.2%</b>	-	-	-	-	<b>(201)</b>	<b>(1,236)</b>	<b>(627)</b>	
Net banking foreign currency gain	17,390	18,962	-8.3%	19,525	-10.9%	17,390	18,962	-8.3%	19,525	-10.9%	-	-	-	-	-	-	-	
Net other banking income	2,867	1,790	60.2%	9,318	-69.2%	3,168	2,095	51.2%	9,699	-67.3%	-	-	-	-	(301)	(305)	(381)	
Net insurance premiums earned	21,824	21,709	0.5%	24,476	-10.8%	9,550	9,242	3.3%	10,810	-11.7%	12,924	12,890	0.3%	14,500	-10.9%	(650)	(423)	(834)
Net insurance claims incurred	(15,408)	(14,135)	9.0%	(17,743)	-13.2%	(4,207)	(3,936)	6.9%	(5,369)	-21.6%	(11,201)	(10,199)	9.8%	(12,374)	-9.5%	-	-	-
<b>Gross insurance profit</b>	<b>6,416</b>	<b>7,574</b>	<b>-15.3%</b>	<b>6,733</b>	<b>-4.7%</b>	<b>5,343</b>	<b>5,306</b>	<b>0.7%</b>	<b>5,441</b>	<b>-1.8%</b>	<b>1,723</b>	<b>2,691</b>	<b>-36.0%</b>	<b>2,126</b>	<b>-19.0%</b>	<b>(650)</b>	<b>(423)</b>	<b>(834)</b>
Healthcare revenue	58,348	40,017	45.8%	53,089	9.9%	-	-	-	-	-	58,348	40,017	45.8%	53,089	9.9%	-	-	-
Cost of healthcare services	(32,057)	(23,140)	38.5%	(29,244)	9.6%	-	-	-	-	-	(32,057)	(23,140)	38.5%	(29,244)	9.6%	-	-	-
<b>Gross healthcare profit</b>	<b>26,291</b>	<b>16,877</b>	<b>55.8%</b>	<b>23,845</b>	<b>10.3%</b>	-	-	-	-	-	<b>26,291</b>	<b>16,877</b>	<b>55.8%</b>	<b>23,845</b>	<b>10.3%</b>	-	-	-
Real estate revenue	28,764	4,074	606.0%	47,638	-39.6%	-	-	-	-	-	28,764	4,074	606.0%	47,638	-39.6%	-	-	-
Cost of real estate	(22,740)	(2,865)	NMF	(34,869)	-34.8%	-	-	-	-	-	(22,740)	(2,865)	NMF	(34,869)	-34.8%	-	-	-
<b>Gross real estate profit</b>	<b>6,024</b>	<b>1,209</b>	<b>398.3%</b>	<b>12,769</b>	<b>-52.8%</b>	-	-	-	-	-	<b>6,024</b>	<b>1,209</b>	<b>398.3%</b>	<b>12,769</b>	<b>-52.8%</b>	-	-	-
Gross other investment profit	3,606	1,398	157.9%	11,271	-68.0%	-	-	-	-	-	3,675	1,543	138.2%	11,157	-67.1%	(69)	(145)	114
<b>Revenue</b>	<b>219,260</b>	<b>195,653</b>	<b>12.1%</b>	<b>246,534</b>	<b>-11.1%</b>	<b>184,135</b>	<b>177,511</b>	<b>3.7%</b>	<b>201,148</b>	<b>-8.5%</b>	<b>37,713</b>	<b>22,320</b>	<b>69.0%</b>	<b>49,897</b>	<b>-24.4%</b>	<b>(2,588)</b>	<b>(4,178)</b>	<b>(4,511)</b>
Salaries and other employee benefits	(47,413)	(45,742)	3.7%	(47,158)	0.5%	(39,806)	(38,606)	3.1%	(39,304)	1.3%	(8,250)	(7,531)	9.5%	(8,487)	-2.8%	643	395	633
Administrative expenses	(25,062)	(21,056)	19.0%	(26,716)	-6.2%	(20,058)	(17,506)	14.6%	(21,657)	-7.4%	(5,392)	(4,028)	33.9%	(5,916)	-8.9%	388	478	857
Banking depreciation and amortisation	(9,138)	(8,373)	9.1%	(8,982)	1.7%	(9,138)	(8,373)	9.1%	(8,982)	1.7%	-	-	-	-	-	-	-	-
Other operating expenses	(1,675)	(887)	88.8%	(1,406)	19.1%	(861)	(792)	8.7%	(1,229)	-29.9%	(814)	(95)	NMF	(177)	NMF	-	-	-
<b>Operating expenses</b>	<b>(83,288)</b>	<b>(76,058)</b>	<b>9.5%</b>	<b>(84,262)</b>	<b>-1.2%</b>	<b>(69,863)</b>	<b>(65,277)</b>	<b>7.0%</b>	<b>(71,172)</b>	<b>-1.8%</b>	<b>(14,456)</b>	<b>(11,654)</b>	<b>24.0%</b>	<b>(14,580)</b>	<b>-0.9%</b>	<b>1,031</b>	<b>873</b>	<b>1,490</b>
<b>Operating income before cost of credit risk / EBITDA</b>	<b>135,972</b>	<b>119,595</b>	<b>13.7%</b>	<b>162,272</b>	<b>-16.2%</b>	<b>114,272</b>	<b>112,234</b>	<b>1.8%</b>	<b>129,976</b>	<b>-12.1%</b>	<b>23,257</b>	<b>10,666</b>	<b>118.0%</b>	<b>35,317</b>	<b>-34.1%</b>	<b>(1,557)</b>	<b>(3,305)</b>	<b>(3,021)</b>
Profit from associates	1,866	(1,310)	NMF	1,938	-3.7%	-	-	-	-	-	1,866	(1,310)	NMF	1,938	-3.7%	-	-	-
Depreciation and amortization of investment business	(4,910)	(2,688)	82.7%	(4,731)	3.8%	-	-	-	-	-	(4,910)	(2,688)	82.7%	(4,731)	3.8%	-	-	-
Net foreign currency gain from investment business	(766)	3,690	NMF	(3,416)	-77.6%	-	-	-	-	-	(766)	3,690	NMF	(3,416)	-77.6%	-	-	-
Interest income from investment business	956	617	54.9%	602	58.8%	-	-	-	-	-	964	818	17.8%	957	0.7%	(8)	(201)	(355)
Interest expense from investment business	(1,382)	(2,463)	-43.9%	(3,166)	-56.3%	-	-	-	-	-	(2,947)	(5,969)	-50.6%	(6,542)	-55.0%	1,565	3,506	3,376
<b>Operating income before cost of credit risk</b>	<b>131,736</b>	<b>117,441</b>	<b>12.2%</b>	<b>153,499</b>	<b>-14.2%</b>	<b>114,272</b>	<b>112,234</b>	<b>1.8%</b>	<b>129,976</b>	<b>-12.1%</b>	<b>17,464</b>	<b>5,207</b>	<b>235.4%</b>	<b>23,523</b>	<b>-25.8%</b>	-	-	-
Impairment charge on loans to customers	(32,218)	(38,928)	-17.2%	(33,929)	-5.0%	(32,218)	(38,928)	-17.2%	(33,929)	-5.0%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	(513)	(119)	NMF	(115)	138.6%	(513)	(119)	NMF	(215)	138.6%	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	(3,412)	(2,794)	22.1%	(2,878)	81.7%	(2,281)	(1,724)	32.3%	(1,086)	110.0%	(1,131)	(1,070)	5.7%	(792)	42.8%	-	-	-
<b>Cost of credit risk</b>	<b>(36,143)</b>	<b>(41,841)</b>	<b>-13.6%</b>	<b>(36,022)</b>	<b>0.3%</b>	<b>(35,012)</b>	<b>(40,771)</b>	<b>-14.1%</b>	<b>(35,230)</b>	<b>-0.6%</b>	<b>(1,131)</b>	<b>(1,070)</b>	<b>5.7%</b>	<b>(792)</b>	<b>42.8%</b>	-	-	-
<b>Net operating income before non-recurring items</b>	<b>95,593</b>	<b>75,600</b>	<b>26.4%</b>	<b>117,477</b>	<b>-18.6%</b>	<b>79,260</b>	<b>71,463</b>	<b>10.9%</b>	<b>94,746</b>	<b>-16.3%</b>	<b>16,333</b>	<b>4,137</b>	<b>294.8%</b>	<b>22,731</b>	<b>-28.1%</b>	-	-	-
Net non-recurring items	1,366	(2,447)	NMF	(6,227)	NMF	(1,419)	(2,167)	-34.5%	(2,502)	-43.3%	2,785	(280)	NMF	(3,725)	NMF	-	-	-
<b>Profit before income tax</b>	<b>96,959</b>	<b>73,153</b>	<b>32.5%</b>	<b>111,250</b>	<b>-12.8%</b>	<b>77,841</b>	<b>69,296</b>	<b>12.3%</b>	<b>92,244</b>	<b>-15.6%</b>	<b>19,118</b>	<b>3,857</b>	<b>395.7%</b>	<b>19,006</b>	<b>0.6%</b>	-	-	-
Income tax expense	(9,912)	(10,814)	-8.3%	(15,578)	-36.4%	(8,178)	(10,486)	-22.0%	(11,653)	-29.8%	(1,734)	(328)	NMF	(3,925)	-55.8%	-	-	-
<b>Profit</b>	<b>87,047</b>	<b>62,339</b>	<b>39.6%</b>	<b>95,672</b>	<b>-9.0%</b>	<b>69,663</b>	<b>58,810</b>	<b>18.5%</b>	<b>80,591</b>	<b>-13.6%</b>	<b>17,384</b>	<b>3,529</b>	<b>392.6%</b>	<b>15,081</b>	<b>15.3%</b>	-	-	-
<i>Attributable to:</i>																		
– shareholders of BGEO	80,836	62,640	29.0%	92,287	-12.4%	68,620	58,247	17.8%	79,425	-13.6%	12,216	4,393	178.1%	12,862	-5.0%	-	-	-
– non-controlling interests	6,211	(301)	NMF	3,385	83.5%	1,043	563	85.3%	1,166	-10.5%	5,168	(864)	NMF	2,219	132.9%	-	-	-
<b>Earnings per share basic and diluted</b>	<b>2.10</b>	<b>1.63</b>	<b>28.8%</b>	<b>2.42</b>	<b>-13.2%</b>													

BALANCE SHEET <i>GEL thousands, unless otherwise noted</i>	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
	Mar-16	Mar-15	Change Y-O-Y	Dec-15	Change Q-O-Q	Mar-16	Mar-15	Change Y-O-Y	Dec-15	Change Q-O-Q	Mar-16	Mar-15	Change Y-O-Y	Dec-15	Change Q-O-Q	Mar-16	Mar-15	Dec-15
Cash and cash equivalents	1,359,219	1,000,713	35.8%	1,432,934	-5.1%	1,330,094	997,547	33.3%	1,378,459	-3.5%	288,512	110,578	160.9%	290,576	-0.7%	(259,387)	(107,412)	(236,101)
Amounts due from credit institutions	764,435	545,714	40.1%	731,365	4.5%	720,442	523,663	37.6%	721,802	-0.2%	47,936	87,478	-45.2%	15,730	204.7%	(3,943)	(65,427)	(6,167)
Investment securities	825,045	880,799	-6.3%	903,867	-8.7%	825,821	881,098	-6.3%	906,730	-8.9%	1,154	1,153	0.1%	1,153	0.1%	(1,930)	(1,452)	(4,016)
Loans to customers and finance lease receivables	5,359,718	5,156,386	3.9%	5,322,117	0.7%	5,394,565	5,248,559	2.8%	5,366,764	0.5%	-	-	-	-	-	(34,847)	(92,173)	(44,647)
Accounts receivable and other loans	84,715	73,315	15.5%	87,972	-3.7%	5,144	13,063	-60.6%	10,376	-50.4%	81,955	64,947	26.2%	82,354	-0.5%	(2,384)	(4,695)	(4,758)
Insurance premiums receivable	54,879	58,816	-6.7%	39,226	39.9%	16,567	22,337	-25.8%	19,829	-16.5%	39,347	37,205	5.8%	20,929	88.0%	(1,035)	(726)	(1,532)
Prepayments	67,633	42,748	58.2%	58,328	16.0%	24,649	24,969	-1.3%	21,033	17.2%	42,984	17,779	141.8%	37,295	15.3%	-	-	-
Inventories	125,466	113,322	10.7%	127,027	-1.2%	9,686	7,697	25.8%	9,439	2.6%	115,780	105,625	9.6%	117,588	-1.5%	-	-	-
Investment property	254,224	194,623	30.6%	246,398	3.2%	134,310	128,376	4.6%	135,453	-0.8%	119,914	66,247	81.0%	110,945	8.1%	-	-	-
Property and equipment	835,651	618,474	35.1%	794,682	5.2%	333,243	334,516	-0.4%	337,064	-1.1%	502,408	283,958	76.9%	457,618	9.8%	-	-	-
Goodwill	73,192	51,745	41.4%	72,984	0.3%	49,592	39,781	24.7%	49,592	0.0%	23,600	11,964	97.3%	23,392	0.9%	-	-	-
Intangible assets	43,074	33,443	28.8%	40,516	6.3%	37,609	31,761	18.4%	35,162	7.0%	5,465	1,682	224.9%	5,354	2.1%	-	-	-
Income tax assets	36,712	24,943	47.2%	21,550	70.4%	27,321	17,602	55.2%	16,003	70.7%	9,391	7,341	27.9%	5,547	69.3%	-	-	-
Other assets	193,626	235,012	-17.6%	236,773	-18.2%	121,012	176,982	-31.6%	163,731	-26.1%	75,515	68,096	10.9%	79,479	-5.0%	(2,901)	(10,066)	(6,437)
<b>Total assets</b>	<b>10,077,589</b>	<b>9,030,053</b>	<b>11.6%</b>	<b>10,115,739</b>	<b>-0.4%</b>	<b>9,030,055</b>	<b>8,447,951</b>	<b>6.9%</b>	<b>9,171,437</b>	<b>-1.5%</b>	<b>1,353,961</b>	<b>864,053</b>	<b>56.7%</b>	<b>1,247,960</b>	<b>8.5%</b>	<b>(306,427)</b>	<b>(281,951)</b>	<b>(303,658)</b>
Client deposits and notes	4,698,558	4,099,029	14.6%	4,751,387	-1.1%	4,962,432	4,271,854	16.2%	4,993,681	-0.6%	-	-	-	-	-	(263,874)	(172,825)	(242,294)
Amounts due to credit institutions	1,719,920	1,780,636	-3.4%	1,789,062	-3.9%	1,630,299	1,694,668	-3.8%	1,692,557	-3.7%	124,468	181,773	-31.5%	144,534	-13.9%	(34,847)	(95,805)	(48,029)
Debt securities issued	1,033,758	1,026,689	0.7%	1,039,804	-0.6%	957,474	962,587	-0.5%	961,944	-0.5%	81,116	66,964	21.1%	84,474	-4.0%	(4,832)	(2,862)	(6,614)
Accruals and deferred income	142,766	124,344	14.8%	146,852	-2.8%	25,685	20,949	22.6%	20,364	26.1%	117,081	103,395	13.2%	126,488	-7.4%	-	-	-
Insurance contracts liabilities	71,565	70,156	2.0%	55,845	28.1%	34,630	34,685	-0.2%	34,547	0.2%	36,935	35,471	4.1%	21,298	73.4%	-	-	-
Income tax liabilities	128,667	96,761	33.0%	124,395	3.4%	93,765	79,343	18.2%	89,980	4.2%	34,902	17,418	100.4%	34,415	1.4%	-	-	-
Other liabilities	131,506	132,290	-0.6%	134,756	-2.4%	47,520	99,677	-52.3%	63,073	-24.7%	86,860	43,072	101.7%	78,404	10.8%	(2,874)	(10,459)	(6,721)
<b>Total liabilities</b>	<b>7,926,740</b>	<b>7,329,905</b>	<b>8.1%</b>	<b>8,042,101</b>	<b>-1.4%</b>	<b>7,751,805</b>	<b>7,163,763</b>	<b>8.2%</b>	<b>7,856,146</b>	<b>-1.3%</b>	<b>481,362</b>	<b>448,093</b>	<b>7.4%</b>	<b>489,613</b>	<b>-1.7%</b>	<b>(306,427)</b>	<b>(281,951)</b>	<b>(303,658)</b>
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	240,962	252,568	-4.6%	240,593	0.2%	101,467	94,886	6.9%	101,793	-0.3%	139,495	157,682	-11.5%	138,800	0.5%	-	-	-
Treasury shares	(29)	(34)	-14.7%	(44)	-34.1%	(29)	(34)	-14.7%	(44)	-34.1%	-	-	-	-	-	-	-	-
Other reserves	42,101	(30,568)	NMF	32,844	28.2%	(55,166)	(20,977)	163.0%	(63,958)	-13.7%	97,267	(9,591)	NMF	96,802	0.5%	-	-	-
Retained earnings	1,650,094	1,420,513	16.2%	1,577,050	-4.6%	1,212,492	1,189,365	1.9%	1,257,415	-3.6%	437,602	231,148	89.3%	319,635	36.9%	-	-	-
<b>Total equity attributable to shareholders of the Group</b>	<b>1,934,282</b>	<b>1,643,633</b>	<b>17.7%</b>	<b>1,851,597</b>	<b>4.5%</b>	<b>1,259,918</b>	<b>1,264,394</b>	<b>-0.4%</b>	<b>1,296,360</b>	<b>-2.8%</b>	<b>674,364</b>	<b>379,239</b>	<b>77.8%</b>	<b>555,237</b>	<b>21.5%</b>	-	-	-
Non-controlling interests	216,567	56,515	283.2%	222,041	-2.5%	18,332	19,794	-7.4%	18,931	-3.2%	198,235	36,721	439.8%	203,110	-2.4%	-	-	-
<b>Total equity</b>	<b>2,150,849</b>	<b>1,700,148</b>	<b>26.5%</b>	<b>2,073,638</b>	<b>3.7%</b>	<b>1,278,250</b>	<b>1,284,188</b>	<b>-0.5%</b>	<b>1,315,291</b>	<b>-2.8%</b>	<b>872,599</b>	<b>415,960</b>	<b>109.8%</b>	<b>758,347</b>	<b>15.1%</b>	-	-	-
<b>Total liabilities and equity</b>	<b>10,077,589</b>	<b>9,030,053</b>	<b>11.6%</b>	<b>10,115,739</b>	<b>-0.4%</b>	<b>9,030,055</b>	<b>8,447,951</b>	<b>6.9%</b>	<b>9,171,437</b>	<b>-1.5%</b>	<b>1,353,961</b>	<b>864,053</b>	<b>56.7%</b>	<b>1,247,960</b>	<b>8.5%</b>	<b>(306,427)</b>	<b>(281,951)</b>	<b>(303,658)</b>
Book value per share	50.29	42.71	17.7%	48.75	3.2%													

# Georgia Healthcare Group

Income Statement	Healthcare services					Medical insurance					Eliminations			Total				
	1Q16	1Q15	Change, Y-o-Y	4Q15	Change, Q-o-Q	1Q16	1Q15	Change, Y-o-Y	4Q15	Change, Q-o-Q	1Q16	1Q15	4Q15	1Q16	1Q15	Change, Y-o-Y	4Q15	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>																		
<b>Revenue, gross</b>	<b>60,451</b>	<b>42,745</b>	<b>41.4%</b>	<b>55,481</b>	<b>9.0%</b>	<b>12,936</b>	<b>12,992</b>	<b>-0.4%</b>	<b>14,532</b>	<b>-11.0%</b>	<b>(1,705)</b>	<b>(1,862)</b>	<b>(1,293)</b>	<b>71,682</b>	<b>53,875</b>	<b>33.1%</b>	<b>68,720</b>	<b>4.3%</b>
Corrections & rebates	(410)	(957)	-57.2%	(1,086)	-62.2%	-	-	-	-	-	-	-	(410)	(957)	-57.2%	(1,086)	-62.2%	
<b>Revenue, net</b>	<b>60,041</b>	<b>41,788</b>	<b>43.7%</b>	<b>54,395</b>	<b>10.4%</b>	<b>12,936</b>	<b>12,992</b>	<b>-0.4%</b>	<b>14,532</b>	<b>-11.0%</b>	<b>(1,705)</b>	<b>(1,862)</b>	<b>(1,293)</b>	<b>71,272</b>	<b>52,918</b>	<b>34.7%</b>	<b>67,634</b>	<b>5.4%</b>
<b>Cost of services</b>	<b>(32,998)</b>	<b>(24,273)</b>	<b>35.9%</b>	<b>(30,007)</b>	<b>10.0%</b>	<b>(11,953)</b>	<b>(10,837)</b>	<b>10.3%</b>	<b>(12,917)</b>	<b>-7.5%</b>	<b>1,694</b>	<b>1,771</b>	<b>1,306</b>	<b>(43,257)</b>	<b>(33,339)</b>	<b>29.7%</b>	<b>(41,618)</b>	<b>3.9%</b>
Cost of salaries and other employee benefits	(19,752)	(15,092)	30.9%	(18,256)	8.2%	-	-	-	-	-	565	675	449	(19,187)	(14,417)	33.1%	(17,807)	7.7%
Cost of materials and supplies	(9,613)	(6,482)	48.3%	(8,871)	8.4%	-	-	-	-	-	275	290	240	(9,338)	(6,192)	50.8%	(8,631)	8.2%
Cost of medical service providers	(428)	(468)	-8.5%	(593)	-27.9%	-	-	-	-	-	12	21	13	(416)	(447)	-6.9%	(580)	-28.3%
Cost of utilities and other	(3,205)	(2,231)	43.7%	(2,287)	40.1%	-	-	-	-	-	92	100	60	(3,113)	(2,131)	46.1%	(2,227)	39.8%
Net insurance claims incurred	-	-	-	-	-	(11,953)	(10,837)	10.3%	(12,917)	-7.5%	750	685	544	(11,203)	(10,152)	10.4%	(12,373)	-9.5%
<b>Gross profit</b>	<b>27,043</b>	<b>17,515</b>	<b>54.4%</b>	<b>24,388</b>	<b>10.9%</b>	<b>983</b>	<b>2,155</b>	<b>-54.4%</b>	<b>1,615</b>	<b>-39.1%</b>	<b>(11)</b>	<b>(91)</b>	<b>13</b>	<b>28,015</b>	<b>19,579</b>	<b>43.1%</b>	<b>26,016</b>	<b>7.7%</b>
Salaries and other employee benefits	(6,115)	(5,314)	15.1%	(6,178)	-1.0%	(819)	(1,036)	-20.9%	(636)	28.8%	11	91	4	(6,923)	(6,259)	10.6%	(6,810)	1.7%
General and administrative expenses	(2,483)	(1,778)	39.7%	(2,219)	11.9%	(719)	(621)	15.8%	(839)	-14.3%	-	-	-	(3,202)	(2,399)	33.5%	(3,058)	4.7%
Impairment of healthcare services, insurance premiums and other receivables	(858)	(831)	3.2%	(460)	86.5%	(122)	(103)	18.4%	(152)	-19.7%	-	-	-	(980)	(934)	4.9%	(612)	60.1%
Other operating income	241	78	209.0%	1,008	-76.1%	(21)	47	NMF	(5)	320.0%	-	-	(17)	220	125	76.0%	986	-77.7%
<b>EBITDA</b>	<b>17,828</b>	<b>9,670</b>	<b>84.4%</b>	<b>16,539</b>	<b>7.8%</b>	<b>(699)</b>	<b>442</b>	<b>NMF</b>	<b>(17)</b>	<b>NMF</b>	<b>-</b>	<b>-</b>	<b>17,129</b>	<b>10,112</b>	<b>69.4%</b>	<b>16,522</b>	<b>3.7%</b>	
<b>EBITDA margin</b>	<b>29.5%</b>	<b>22.6%</b>		<b>29.8%</b>	<b>-5.4%</b>	<b>-5.4%</b>	<b>3.4%</b>		<b>-0.1%</b>				<b>23.9%</b>	<b>18.8%</b>		<b>24.0%</b>		
Depreciation and amortisation	(4,261)	(2,186)	94.9%	(4,046)	5.3%	(204)	(136)	50.0%	(249)	-18.0%	-	-	-	(4,465)	(2,322)	92.3%	(4,295)	4.0%
Net interest (expense) / income	(2,259)	(4,073)	-44.5%	(5,535)	-59.2%	603	(28)	NMF	158	282.4%	-	-	-	(1,656)	(4,101)	-59.6%	(5,377)	-69.2%
Net (losses) / gains from foreign currencies	(411)	2,907	NMF	(1,586)	-74.1%	151	497	-69.6%	(6)	NMF	-	-	(260)	3,404	NMF	(1,592)	-83.7%	
Net non-recurring (expense) / income	1,968	(211)	NMF	484	306.3%	-	-	-	(676)	NMF	-	-	-	1,968	(211)	NMF	(192)	NMF
<b>Profit before income tax expense</b>	<b>12,865</b>	<b>6,107</b>	<b>110.7%</b>	<b>5,856</b>	<b>119.7%</b>	<b>(149)</b>	<b>775</b>	<b>NMF</b>	<b>(790)</b>	<b>-81.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,716</b>	<b>6,882</b>	<b>84.8%</b>	<b>5,066</b>	<b>151.0%</b>
Income tax (expense) / benefit	(712)	(491)	45.0%	(206)	245.1%	19	(116)	NMF	192	-90.1%	-	-	-	(693)	(607)	14.2%	(14)	NMF
<b>Profit for the period</b>	<b>12,153</b>	<b>5,616</b>	<b>116.4%</b>	<b>5,650</b>	<b>115.1%</b>	<b>(130)</b>	<b>659</b>	<b>NMF</b>	<b>(598)</b>	<b>-78.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,023</b>	<b>6,275</b>	<b>91.6%</b>	<b>5,052</b>	<b>138.0%</b>
<b>Attributable to:</b>																		
- shareholders of the Company	10,051	5,073	98.1%	4,421	127.3%	(130)	659	NMF	(598)	-78.3%	-	-	-	9,921	5,732	73.1%	3,823	159.5%
- non-controlling interests	2,102	543	287.1%	1,229	71.0%	-	-	-	-	-	-	-	-	2,102	543	287.1%	1,229	71.0%

## P&C Insurance (Aldagi)

### INCOME STATEMENT HIGHLIGHTS

GEL thousands, unless otherwise stated

	1Q16	1Q15	Change Y-O-Y	4Q15	Change Q-O-Q
Net banking interest income	725	546	32.8%	590	22.9%
Net fee and commission income	100	71	40.8%	87	14.9%
Net banking foreign currency gain	(47)	528	NMF	(126)	-62.7%
Net other banking income	131	297	-55.9%	351	-62.7%
Gross insurance profit	5,665	5,607	1.0%	5,423	4.5%
<b>Revenue</b>	<b>6,574</b>	<b>7,049</b>	<b>-6.7%</b>	<b>6,325</b>	<b>3.9%</b>
Operating expenses	(2,767)	(2,970)	-6.8%	(2,746)	0.8%
<b>Operating income before cost of credit risk and non-recurring items</b>	<b>3,807</b>	<b>4,079</b>	<b>-6.7%</b>	<b>3,579</b>	<b>6.4%</b>
Cost of credit risk	(173)	(95)	82.1%	(244)	-29.1%
Net non-recurring items	-	-	-	(701)	-100.0%
<b>Profit before income tax</b>	<b>3,634</b>	<b>3,984</b>	<b>-8.8%</b>	<b>2,634</b>	<b>38.0%</b>
Income tax (expense) benefit	(545)	388	NMF	(467)	16.7%
<b>Profit</b>	<b>3,089</b>	<b>4,372</b>	<b>-29.3%</b>	<b>2,167</b>	<b>42.5%</b>

## Belarusky Narodny Bank (BNB)

### INCOME STATEMENT, HIGHLIGHTS

GEL thousands, unless otherwise stated

	1Q16	1Q15	Change Y-O-Y	4Q15	Change Q-O-Q
Net banking interest income	7,903	7,429	6.4%	7,590	4.1%
Net fee and commission income	1,862	2,217	-16.0%	2,133	-12.7%
Net banking foreign currency gain	2,481	5,017	-50.5%	2,011	23.4%
Net other banking income	167	97	72.2%	1,776	-90.6%
<b>Revenue</b>	<b>12,413</b>	<b>14,760</b>	<b>-15.9%</b>	<b>13,510</b>	<b>-8.1%</b>
Operating expenses	(4,490)	(4,254)	5.5%	(6,068)	-26.0%
<b>Operating income before cost of credit risk</b>	<b>7,923</b>	<b>10,506</b>	<b>-24.6%</b>	<b>7,442</b>	<b>6.5%</b>
Cost of credit risk	(2,516)	(4,645)	-45.8%	(7,651)	-67.1%
Net non-recurring items	(3)	(1,098)	-99.7%	3,217	NMF
<b>Profit before income tax</b>	<b>5,404</b>	<b>4,763</b>	<b>13.5%</b>	<b>3,008</b>	<b>79.7%</b>
Income tax (expense) benefit	(1,144)	(1,427)	-19.8%	1,801	NMF
<b>Profit</b>	<b>4,260</b>	<b>3,336</b>	<b>27.7%</b>	<b>4,809</b>	<b>-11.4%</b>

### BALANCE SHEET, HIGHLIGHTS

GEL thousands, unless otherwise stated

	31-Mar-16	31-Mar-15	Change Y-O-Y	30-Dec-15	Change Q-O-Q
Cash and cash equivalents	93,904	64,043	46.6%	109,758	-14.4%
Amounts due from credit institutions	3,986	3,575	11.5%	3,906	2.0%
Loans to customers and finance lease receivables	319,740	297,803	7.4%	320,114	-0.1%
Other assets	49,825	68,017	-26.7%	41,705	19.5%
<b>Total assets</b>	<b>467,455</b>	<b>433,438</b>	<b>7.8%</b>	<b>475,483</b>	<b>-1.7%</b>
Client deposits and notes	230,848	233,658	-1.2%	277,642	-16.9%
Amounts due to credit institutions	139,801	110,730	26.3%	115,643	20.9%
Debt securities issued	15,906	-	-	-	-
Other liabilities	5,409	7,816	-30.8%	4,685	15.5%
<b>Total liabilities</b>	<b>391,964</b>	<b>352,204</b>	<b>11.3%</b>	<b>397,970</b>	<b>-1.5%</b>
<b>Total equity attributable to shareholders of the Group</b>	<b>62,908</b>	<b>67,452</b>	<b>-6.7%</b>	<b>64,505</b>	<b>-2.5%</b>
Non-controlling interests	12,583	13,782	-8.7%	13,008	-3.3%
<b>Total equity</b>	<b>75,491</b>	<b>81,234</b>	<b>-7.1%</b>	<b>77,513</b>	<b>-2.6%</b>
<b>Total liabilities and equity</b>	<b>467,455</b>	<b>433,438</b>	<b>7.8%</b>	<b>475,483</b>	<b>-1.7%</b>

## Banking Business Key Ratios

	1Q16	1Q15	4Q15		
<b>Profitability</b>					
ROAA, Annualised	3.0%	3.0%	3.5%		
ROAE, Annualised	21.2%	19.1%	25.1%		
<i>RB ROAE</i>	24.3%	21.7%	27.9%		
<i>CIB ROAE</i>	17.6%	15.1%	21.3%		
Net Interest Margin, Annualised	7.5%	7.8%	7.6%		
<i>RB NIM</i>	9.2%	9.7%	9.6%		
<i>CIB NIM</i>	3.7%	4.2%	3.8%		
Loan Yield, Annualised	14.4%	14.6%	14.8%		
<i>RB Loan Yield</i>	17.4%	17.3%	17.9%		
<i>CIB Loan Yield</i>	10.3%	11.8%	12.6%		
Liquid assets yield, Annualised	3.1%	3.2%	3.3%		
Cost of Funds, Annualised	5.0%	5.0%	5.1%		
Cost of Client Deposits and Notes, annualised	4.3%	4.4%	4.4%		
<i>RB Cost of Client Deposits and Notes</i>	3.5%	4.4%	3.5%		
<i>CIB Cost of Client Deposits and Notes</i>	4.5%	3.9%	4.6%		
Cost of Amounts Due to Credit Institutions, annualised	6.0%	5.2%	5.9%		
Cost of Debt Securities Issued	7.2%	7.1%	6.8%		
Operating Leverage, Y-O-Y	-3.3%	17.1%	10.4%		
Operating Leverage, Q-O-Q	-6.6%	5.0%	-1.7%		
<b>Efficiency</b>					
Cost / Income	37.9%	36.8%	35.4%		
<i>RB Cost / Income</i>	43.3%	43.7%	40.4%		
<i>CIB Cost / Income</i>	27.0%	24.7%	23.6%		
<b>Liquidity</b>					
NBG Liquidity Ratio	47.3%	34.7%	46.2%		
Liquid Assets To Total Liabilities	37.1%	33.5%	38.3%		
Net Loans To Client Deposits and Notes	108.7%	122.9%	107.5%		
Net Loans To Client Deposits and Notes + DFIs	91.6%	105.2%	90.8%		
Leverage (Times)	6.1	5.6	6.0		
<b>Asset Quality:</b>					
NPLs (in GEL)	251,959	187,129	241,142		
NPLs To Gross Loans To Clients	4.5%	3.5%	4.3%		
NPL Coverage Ratio	86.0%	73.2%	83.4%		
NPL Coverage Ratio, Adjusted for discounted value of collateral	122.6%	112.2%	120.6%		
Cost of Risk, Annualised	2.3%	3.1%	2.4%		
<i>RB Cost of Risk</i>	2.5%	2.4%	2.1%		
<i>CIB Cost of Risk</i>	2.1%	3.4%	1.8%		
<b>Capital Adequacy:</b>					
New NBG (Basel 2/3) Tier I Capital Adequacy Ratio	10.1%	9.8%	10.9%		
New NBG (Basel 2/3) Total Capital Adequacy Ratio	15.8%	12.9%	16.7%		
Old NBG Tier I Capital Adequacy Ratio	10.7%	14.2%	9.3%		
Old NBG Total Capital Adequacy Ratio	16.3%	12.9%	16.9%		
<b>Selected Operating Data:</b>					
Total Assets Per FTE, BOG Standalone	1,972	2,224	2,028		
Number Of Active Branches, Of Which:	266	219	266		
- <i>Express Branches (including Metro)</i>	114	84	114		
- <i>Bank of Georgia Branches</i>	144	135	144		
- <i>Solo Lounges</i>	8	-	8		
Number Of ATMs	753	554	746		
Number Of Cards Outstanding, Of Which:	1,943,175	1,204,662	1,958,377		
- <i>Debit cards</i>	1,171,454	1,088,878	1,204,103		
- <i>Credit cards</i>	771,721	115,784	754,274		
Number Of POS Terminals	8,175	6,537	8,102		
<b>Group Employee Data</b>	<b>1Q16</b>	<b>1Q15</b>	<b>4Q15</b>		
<b>Full Time Employees, Group, Of Which:</b>	<b>16,086</b>	<b>14,737</b>	<b>15,955</b>		
- <i>Full Time Employees, BOG Standalone</i>	4,580	3,799	4,523		
- <i>Full Time Employees, Georgia Healthcare Group</i>	9,675	8,177	9,649		
- <i>Full Time Employees, m2</i>	59	57	58		
- <i>Full Time Employees, Aldagi</i>	259	262	251		
- <i>Full Time Employees, BNB</i>	562	480	540		
- <i>Full Time Employees, Other</i>	951	1,962	934		
<b>Operating Data, GEL mln</b>	<b>Q1 2016</b>	<b>% of clients</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Number of total Retail clients, of which:</b>	<b>2,022,202</b>		<b>1,999,869</b>	<b>1,451,777</b>	<b>1,245,048</b>
<i>Number of Solo clients ("Premier Banking")</i>	13,284	0.7%	11,869	7,971	6,810
<b>Consumer loans &amp; other outstanding, volume</b>	<b>851.6</b>		<b>835.6</b>	<b>691.8</b>	<b>560.2</b>
Consumer loans & other outstanding, number	621,376	30.7%	625,458	526,683	455,557
<b>Mortgage loans outstanding, volume</b>	<b>884.0</b>		<b>809.0</b>	<b>600.9</b>	<b>441.4</b>
Mortgage loans outstanding, number	13,594	0.7%	12,857	11,902	10,212
<b>Micro &amp; SME loans outstanding, volume</b>	<b>921.4</b>		<b>903.9</b>	<b>666.0</b>	<b>497.0</b>
Micro & SME loans outstanding, number	20,655	1.0%	19,045	16,246	13,317
<b>Credit cards and overdrafts outstanding, volume</b>	<b>302.7</b>		<b>305.7</b>	<b>135.0</b>	<b>142.4</b>
Credit cards and overdrafts outstanding, number	438,271	21.7%	435,010	199,543	174,570
Credit cards outstanding, number, of which:	771,721	38.2%	754,274	116,615	117,913
<i>American Express cards</i>	92,551	4.6%	100,515	110,362	108,608
<b>Shares Outstanding</b>	<b>1Q16</b>	<b>1Q15</b>	<b>4Q15</b>		
Ordinary Shares Outstanding	38,523,409	38,479,900	37,978,568		
Treasury Shares Outstanding	976,911	1,020,420	1,521,752		

## Glossary

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

# COMPANY INFORMATION

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Incorporation date: 14 October 2011

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.

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### Share price information

BGEO shareholders can access both the latest and historical prices via our website, [www.BGEO.com](http://www.BGEO.com)