BGEO Group PLC

3rd quarter and first nine months 2017 results

www.bgeo.com

About BGEO Group

The Group: BGEO Group PLC ("**BGEO**"– LSE: **BGEO LN**) is a UK incorporated holding company of a Georgia-focused investment platform. BGEO invests, via its subsidiaries, in the banking and non-banking sectors in Georgia (BGEO and its subsidiaries, together the "**Group**"). BGEO aims to deliver on a 4x20 strategy: (1) at least 20% ROAE from its Banking Business; (2) at least 20% growth of its Banking Business retail loan book; (3) at least 20% IRR; and (4) up to 20% of the Group's profit from its Investment Business. On 3 July 2017 BGEO announced its intention to demerge BGEO Group PLC into a London-listed banking business (the "**Banking Business**") and a London-listed investment business (the "**Investment Business**") by the end of the first half of 2018.

The **Banking Business**, currently representing at least 80% of the Group's profit, will comprise: a) retail banking and payment services, b) corporate investment banking and wealth management operations and c) banking operations in Belarus ("**BNB**"). JSC Bank of Georgia ("**BOG**" or the "**Bank**") is the core entity of the Group's Banking Business. The Banking Business will continue to target to benefit from the underpenetrated banking sector in Georgia primarily through its retail banking services.

The **Investment Business**, currently representing up to 20% of the Group's profit, will comprise the Group's stakes in Georgia Healthcare Group PLC ("**Healthcare Business**" or "**GHG**") – an LSE (London Stock Exchange PLC) premium-listed company, Georgia Global Utilities ("**Utility and Energy Business**" or "**GGU**"), m^2 Real Estate ("**Real Estate Business**" or "**m^2**"), Teliani Valley ("**Beverage Business**" or "**Teliani**") and Aldagi ("**Property and Casualty Insurance Business**" or "**Aldagi**"**)**. Georgia's fast-growing economy provides opportunities in a number of underdeveloped local markets and the Investment Business will target to capture growth opportunities in the Georgian corporate sector.

COMPANY INFORMATION

BGEO Group PLC
Registered Address
84 Brook Street
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Registered under number 7811410 in England and Wales
Incorporation date: 14 October 2011

Stock Listing

London Stock Exchange PLC's Main Market for listed securities
Ticker: "BGEO.LN"

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Share price information

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

Name of authorised official of issuer responsible for making notification: Giorgi Alpaidze, Group CFO

CONTENT

FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although BGEO Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; corporate loan portfolio exposure risk; regional tensions; regulatory risk; cyber security, information systems and financial crime risk; investment business strategy risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in BGEO Group PLC's Annual Report and Accounts 2016 and in its Half Year 2017 Results announcement. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in BGEO Group PLC or any other entity, including any future entity such as BGEO Investments PLC or Bank of Georgia PLC, and must not be relied upon in any way in connection with any investment decision. BGEO Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

BGEO Group PLC announces the Group's third quarter 2017 and first nine months 2017 consolidated results. Unless otherwise noted, numbers are for 3Q17 and comparisons are with 3Q16. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts.

BGEO HIGHLIGHTS

Solid results driven by improved credit quality and continued y-o-y growth in Investment Business revenues

GEL thousands, except per share information	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
BGEO								
Profit before income tax	123,029	150,164	-18.1%	128,146	-4.0%	364,463	293,624	24.1%
Basic earnings per share	2.82	3.55	-20.6%	3.10	-9.0%	8.56	8.12	5.4%
Book value per share	62.99	56.03	12.4%	59.75	5.4%	62.99	56.03	12.4%
Total equity attributable to shareholders of the Group	2,363,300	2,142,619	10.3%	2,249,782	5.0%	2,363,300	2,142,619	10.3%
Total assets	13,963,050	11,286,088	23.7%	13,171,740	6.0%	13,963,050	11,286,088	23.7%
Banking Business								
Revenue	223,196	194,211	14.9%	212,039	5.3%	649,023	549,682	18.1%
Cost of credit risk	36,832	34,340	7.3%	40,016	-8.0%	124,868	97,144	28.5%
Profit	91,931	85,866	7.1%	87,330	5.3%	262,389	224,192	17.0%
Loans to customers and finance lease receivables	6,951,493	5,715,737	21.6%[1]	6,579,996	5.6%[1]	6,951,493	5,715,737	21.6%[1]
Client deposits and notes	6,549,904	4,900,490	33.7%[2]	5,655,341	15.8%[2]	6,549,904	4,900,490	33.7%[2]
ROAE	24.5%	24.3%		23.5%		23.7%	22.4%	
ROAA	3.2%	3.6%		3.2%		3.2%	3.3%	
Net interest margin	7.3%	7.3%		7.3%		7.3%	7.4%	
Loan yields	14.3%	14.1%		14.3%		14.2%	14.2%	
Cost of funds	4.8%	4.7%		4.8%		4.7%	4.8%	
Cost / Income	38.2%	37.4%		38.1%		37.5%	37.8%	
Cost of risk	2.0%	2.3%		2.2%		2.2%	2.2%	
Leverage (times)	6.8	5.5		6.7		6.8	5.5	
NBG (Basel II) Tier I Capital Adequacy Ratio	11.1%	11.0%		10.6%		11.1%	11.0%	
NBG Liquidity Ratio	44.4%	41.4%		44.1%		44.4%	41.4%	
Investment Business								
Revenue	108,140	78,132	38.4%	120,083	-9.9%	316,137	167,246	89.0%
EBITDA	56,411	48,032	17.4%	66,493	-15.2%	165,831	98,060	69.1%
Profit before non-recurring items and income tax	24,184	27,759	-12.9%	39,223	-38.3%	90,837	61,016	48.9%

Continued strength in economic activity during 3Q17

- The Georgian economy has delivered strong growth in 9M17 by expanding 4.7%, primarily driven by strong external demand and strengthened local consumer and business confidence. Exports increased 28.3% y-o-y, while tourism revenues increased to $2.2bln in 9M17 (up 28.5% y-o-y), reaching the 2016 full-year level, as a result of the unprecedented tourist inflows in 3Q17. Remittances also increased by 19.7% y-o-y in 9M17. Progress in structural reforms were acknowledged by the IMF team, following the first review under the current IMF program, and by Moody's, when it signalled confidence in the Georgian economy in September 2017 by upgrading Georgia's sovereign credit rating to Ba2 from Ba3, two notches below investment grade. Additionally, the World Bank also recognized Georgia's progress by ranking Georgia in 9th place globally within their Doing Business 2018 report. Georgia's ranking was the highest in the Europe and Central Asia region.

Holding company liquidity remains high

- As of 30 September 2017, liquid assets of GEL 269mln were held at the holding company level, of which, GEL 258mln was unallocated and GEL 11mln was pledged as collateral for borrowings from local financial institutions

Solid capital returns

- $7.9mln capital was returned to shareholders during 3Q17
  - $1.2mln capital was returned through the share buyback and cancellation programme during 3Q17. As of 30 September 2017, 115,608 shares were repurchased and cancelled for a total consideration of $5.0mln since the commencement of the programme
  - $6.7mln capital was spent on management trust buybacks in 3Q17

[1] As of 30 September 2017, loans and finance lease receivables growth on a constant currency basis was 17.2% and 3.8% on y-o-y and q-o-q basis, respectively
[2] As of 30 September 2017, client deposits and notes growth on a constant currency basis was 28.8% and 13.6% on y-o-y and q-o-q basis, respectively

BANKING BUSINESS HIGHLIGHTS

Outstanding profit and balance sheet growth on the back of improved credit quality

- **The Banking Business asset quality further improved during 3Q17 and 9M17.** NPLs to gross loans ratio decreased to 4.1% at 30 September 2017 from 4.4% at 30 September 2016 and 30 June 2017. NPL coverage ratio also improved to 93.6% at 30 September 2017 from 86.5% a year ago and from 90.2% at 30 June 2017, while the NPL coverage ratio adjusted for discounted value of collateral increased to 132.8% at 30 September 2017 from 131.1% and 131.5% at 30 September 2016 and 30 June 2017, respectively. The asset quality improvement positively impacted cost of risk ratio, which decreased to 2.0% in 3Q17 (2.3% in 3Q16 and 2.2% in 2Q17) and 2.2% in 9M17 (flat y-o-y)
- **The Banking Business generated record quarterly profit of GEL 91.9mln in 3Q17** (up 7.1% y-o-y and up 5.3% q-o-q) and GEL 262.4mln in 9M17 (up 17.0% y-o-y), while quarterly **ROAE increased to 24.5% in 3Q17** (up 20bps y-o-y and up 100bps q-o-q) and to 23.7% in 9M17 (up 130bps y-o-y)
- **Retail Banking ("RB") delivered strong growth across all its business lines.** Retail Banking revenue reached GEL 155.8mln in 3Q17, up 22.4% y-o-y and up 9.9% q-o-q, with nine month revenue totalling GEL 438.7mln, up 26.7% y-o-y. The number of **Retail Banking clients** reached 2.3mln at the end of 3Q17, up 8.8% from 2.1mln at the end of 3Q16 and up by 1.0% from 2Q17
- **Our Retail Banking product to client ratio increased to 2.1 in 3Q17 from 2.0 in 2Q17.** We have continued the transformation of our retail banking operations from a product-based model into a client-centric model. We have now completed the implementation of the client-centric model in 59 branches and currently have 27 additional branches in the pipeline. We continue to see outstanding growth in sales volumes and the number of products sold to our clients in transformed branches, contributing to 38.2% y-o-y growth in retail loan book
- **The year to date loan book growth on a constant-currency basis reached 20.3% at 30 September 2017, exceeding our retail loan book growth target for 2017.** As a result, RB's loan book share in the total portfolio reached 68.4% and was above our target of 65% at 30 September 2017 (60.2% at 30 September 2016 and 66.1% at 30 June 2017). The Retail Banking net loan book reached GEL 4,541.3mln at 30 September 2017, up 38.2% y-o-y and up 9.3% q-o-q. The growth on a constant-currency basis was 34.1% y-o-y, well above our strategic target of 20%+, and 7.8% q-o-q
- **Retail Banking client deposits** increased to GEL 2,869.9mln at 30 September 2017, up 37.7% y-o-y and up 9.8% q-o-q. Growth on a constant-currency basis was 31.8% y-o-y and 7.6% q-o-q
- **On 15 September 2017, Bank of Georgia signed an agreement with Tbilisi City Hall for the exclusive right to operate the public transportation payment system in Tbilisi.** In accordance with the agreement, Bank of Georgia will continue as the sole provider of payment support services to the public transportation network, and operate retail branches in Tbilisi metro stations for the next ten years. Bank of Georgia will implement a modern payments system for the public transportation network in Tbilisi, including payment processing using Visa and MasterCard cards, and create a digital platform for ticket reservations and purchases through mobile applications
- **Corporate Investment Banking ("CIB") largely achieved its de-concentration target at 30 September 2017 of the top 10 client exposure of 10.0% on the CIB's loan portfolio. CIB's Net loan book amounted to GEL 1,993.6mln at 30 September 2017, down 4.3% y-o-y, and down 2.2% q-o-q**. The top 10 CIB client exposure was reduced to 10.4% at the end of 3Q17, down from 11.9% at 30 September 2016 and 11.1% at 30 June 2017
- **Investment Management's Assets Under Management ("AUM") increased to GEL 1,817.8mln**, up 29.1% y-o-y and up 9.1% q-o-q, reflecting higher bond issuance activity by our brokerage arm Galt & Taggart
- **On 13 September 2017 Moody's upgraded JSC Bank of Georgia's local-currency deposit rating to Ba2 from Ba3**, and the Bank's foreign-currency deposit rating to Ba3 from B1. The Bank's senior unsecured foreign-currency rating was also upgraded to Ba2 from Ba3 with a stable outlook. The Bank's credit rating action followed Moody's upgrade of Georgia's sovereign local and foreign currency issuer ratings to Ba2 from Ba3 on 11 September 2017

INVESTMENT BUSINESS HIGHLIGHTS

- **Our healthcare business, GHG, continued to deliver on its strategic priorities across healthcare services and pharmacy businesses, while medical insurance business generated positive bottom line in 3Q17.** Healthcare services EBITDA margin was 26% in 3Q17, compared to 30% in 3Q16 and 28% in 2Q17. Pharmacy business generated a record EBITDA margin of 8.3% in 3Q17, compared to 3.9% in 3Q16 and 8.0% in 2Q17
- In 3Q17 the healthcare services business issued GEL 90 million local bonds, and c.90% of the proceeds were used to refinance previously issued bonds denominated in USD, which matured in May 2017, and borrowings from local commercial banks, which are a relatively more expensive source of funding. The remaining proceeds were allocated to finance planned ongoing capital expenditures
- During 3Q17, GHG continued to invest in the development of the healthcare facilities. Healthcare services business spent a total of GEL 27.4mln on capital expenditures, primarily on the extensive renovations of Deka and Sunstone hospitals, as well as enhancing service mix and introducing new services to cater to previously unmet patient needs. Healthcare services EBITDA is expected to rebound gradually to previous levels following the completion of the two hospital investments at the end of 2017
- **Our utility and energy business, GGU, delivered a strong performance in 3Q17 & 9M17.** In 3Q17, GGU continued its investment in the pipeline infrastructure, leading to continued growth in the regulated asset base and reduction of the respective water losses. GGU also continued its investment in additional capacity for electricity generation. The construction of 50MW HPP in north-western part of Georgia is in line with the set timeframe to have the HPP operational in December 2018. GGU is also on track on other HPP and wind projects currently under development
- In August 2017, Georgian National Energy and Water Supply Regulatory Commission adopted new water and wastewater services tariff methodology. The new methodology is Regulatory Asset Base based and compensates for investment and maintenance of new and existing regulatory assets, stimulates efficiency in the network through incentivising reduction in controllable operating expenses and delivers fair returns to investors in the utility business. The first regulatory period will be set for three years effective from 1 January 2018 and GGU looks forward to operating in a stable environment under the new regime
- **Our real estate business, m^2, achieved the best sales performance in its history during 3Q17**. m^2 sold a total of 231 apartments with a total sales value of US$ 16.9mln during 3Q17, compared to 141 apartments sold with total sales value of US$ 12.6mln in 3Q16 and 90 apartments with a total sales value of US$ 7.6mln in 2Q17. Additionally, m^2 commenced construction works on a mixed-use development on Melikishvili Avenue in 3Q17, where it plans to open a four-star Ramada hotel, the first construction project to be undertaken by our in-house construction arm
- **Our property and casualty insurance business continued its organic growth** primarily in the motor insurance, property insurance and credit life insurance businesses lines as Aldagi shifted its focus more to the retail market. New product development initiatives and enhancements of existing products, resulted in more than 13,000 livestock insurance policies and 1,255 travel and trip insurance policies sold across the country in 9M17
- **Our beverage business, Teliani, achieved another significant milestone during 2017 and launched lemonade production in August 2017, following the launch of its mainstream beer production in June 2017.** Teliani is on track to brew Heineken and Krushovice beers in the first quarter of 2018 under a ten-year exclusive licence agreement to produce Heineken brands in Georgia and to sell into the Caucasus region countries. Revenues remain immaterial but are growing, and we expect to begin reporting separately on this segment in 2018

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Group delivered another strong quarter of results that reflect an excellent performance from our Banking Business as well as increased momentum from our Investment Business. All the businesses in the Group continue to perform well and deliver against our key strategic priorities.

During the third quarter, the Group delivered revenue of GEL 330.4 million, up 22.6% year-on-year, and profit of GEL 112.8 million. Profit before tax and non-recurring items totaled GEL 125.3 million, a 9.0% increase year on year. In the first nine months of 2017, revenues totaled GEL 960.4 million, an increase of 35.4% and profit before tax and non-recurring items increased by 21.9% to GEL 372.9 million. Book value per share at the end of the quarter was GEL 62.99, up 12.4% year-on-year.

In the **Banking Business**, strong franchise growth in the Retail Bank supported third quarter revenue growth of 14.9% year-on-year, whilst profit before tax and non-recurring items grew by 15.9% to GEL 101.2 million over the same period. This performance was underpinned by the Retail Bank, where we continue to build our business in all segments and increased retail lending during the quarter by 9.3%. Loan yields have remained stable, and margins have therefore remained robust at 7.3%, within our target range, despite the continuing impact of high levels of excess liquidity. The Banking Business annualised cost of risk ratio in the third quarter was 2.0%, in line with our medium term cost of risk expectations. The Return on Average Equity in the Banking Business continues to improve each quarter and stood at 23.7% for the first nine months of the year, and at 24.5% in the third quarter. The Group's **Investment Business** continues to deliver strong revenue growth, up 38.4% year-on-year, supporting a 17.4% increase in EBITDA to GEL 56.4 million in the third quarter 2017. The Investment Business EBITDA increased by 69.1% to GEL 165.8 million in the first nine months of 2017.

From a macroeconomic perspective Georgia continues to deliver strong growth, estimated at 4.7% during the first nine months of 2017, with inflation remaining well contained excluding one-off factors. Foreign Direct Investment continues to flow into a wide variety of sectors, and tourist numbers - the most significant driver of US$ inflows for the country - continue to rise strongly, with tourism revenues totaling $2.2 billion in the first nine months of the year, an increase of 28.5%. The National Bank of Georgia has continued to buy US dollars to mitigate potential appreciation of the Lari and, during the first nine months of 2017 they bought approximately $130 million and Georgia's US dollar reserves continue to improve.

In the Banking Business, we have continued to deliver on our key strategic priorities. 3Q17 year-on-year revenue growth of 14.9% was particularly supported by the strong Retail Banking franchise growth, where revenue increased by 22.4% and customer lending on a constant currency basis continues to grow at more than 20% per annum. This offset the anticipated decline in the corporate loan portfolio as we wound down the Corporate Banking relationship with a small number of significant corporate borrowers. More importantly, we have made strong progress in reducing concentration risk in the Corporate Investment Banking, and have reduced the concentration of our top 10 corporate borrowers to only 10.4% of our lending portfolio. We have now exceeded our targeted rebalancing of the retail/corporate business mix to further improve the return profile of the Bank. Retail Banking now represents 68.4% of our customer lending and Corporate Banking represents 31.6%.

In addition to the strong retail lending growth, the Retail Banking made strong progress in building out its customer centric approach with the launch of its new loyalty reward program, Plus+ in July 2017 and continued its investment in digital penetration growth. Our Retail Banking product to client ratio also improved from 2.0 to 2.1 products per client over the last three months. In July 2017, we won the exclusive right to modernise the public transportation payment system in Tbilisi and continue as the sole provider of the Tbilisi Metro's payment support systems for the next ten years. In addition, Solo, our premium banking brand, has continued to deliver strong momentum, with customer numbers increasing to nearly 28,500, up 14% during the last quarter and up 68% over the last twelve months.

The improving growth and strength of the Georgian economy continues to support asset quality. The annualised cost of risk ratio in 3Q17 was 2.0%, compared to 2.2% in 2Q17. In addition, we continue to achieve a reduction in the ratio of NPLs to Gross Loans, which fell from 4.6% in the first quarter of 2017, to 4.4% in the second quarter, and 4.1% in the third quarter of 2017. Our NPL coverage ratios also continued to rise – from 87.1% at the end of the first quarter of 2017, to 90.2% at the end of the second quarter, and 93.6% at the end of the third quarter 2017.

In January 2018, the Bank will adopt International Financial Reporting Standard 9 (IFRS 9). IFRS 9 introduces a new 3 stage expected loss model, compared to the existing 2-stage incurred loss model under the current reporting standard International Accounting Standard 39 (IAS 39). The introduction of IFRS 9 is not expected to have a significant impact on the Bank's financial position. Capital ratios, which are calculated using local regulatory accounting standards, will be unaffected. Based on the preliminary estimates, this change in accounting standards will result in one-time GEL 44 to 58 million reduction of the Bank's shareholder equity. There is no change to the Bank's expected 2.0% through-the-cycle cost of risk ratio.

The Group's capital and funding position continues to remain strong, with capital being held both in the regulated Banking Business and at the holding company level. Within the Bank, the NBG (Basel II) Tier 1 Capital Adequacy ratio was 11.1%, up 50 basis points during the quarter, reflecting both the continued de-dollarisation of the Banking Business lending portfolio and the Banking Business high return on average equity. From a funding perspective, the Bank's NBG Liquidity ratio remained high at 44.4%, and the Liquidity Coverage Ratio was 143.4%, due to the significant excess liquidity held by the Banking Business.

The National Bank of Georgia is in the process of transitioning to Basel III standards, and is currently in discussions with regulated banks and other stakeholders to develop new capital adequacy requirements. Full details are expected to be announced towards the end of the year. No increase in capital requirements is expected in 2018. The key elements of the expected new requirements are:

- A currency induced credit risk (CICR) buffer will be set instead of the current additional 75% risk-weighting of foreign exchange denominated loans
- A Systemic Capital Charge in line with EU's CRD IV/CRR regulation is expected to be phased in from 31 December 2018 through 31 Dec 2021.
- In addition NBG intends to introduce supervisory review and evaluation process for individual banks on a regular basis. The methodology is currently under discussion.

Bank of Georgia has strong capital ratios and high levels of internal capital generation. As a result, the transition to Basel III is not expected to affect the Bank's growth expectations or dividend policy.

Within our **Investment Businesses**, Georgia Healthcare Group has delivered net revenues of GEL 548.4 million in the first nine months of 2017, up 90.1% year-on-year, reflecting a combination of double-digit organic growth and the impact of acquisitions, particularly in the pharmacy business. The healthcare services EBITDA margin continues to be high at 26% in the third quarter, notwithstanding the drag created by the significant roll-out impact of the two major hospital renovations – Sunstone and Deka – and the ongoing roll-out of a nationwide chain of Polyclinics (outpatient clinics). In the pharmacy business we have made significant progress in the integration of our two recently acquired businesses, and the EBITDA margin of 8.3% in the third quarter has already successfully exceeded our target of "more than 8%" margin.

Our water utility and energy business, GGU, continued to focus on improving efficiency and delivered an 8.9% growth in revenue to GEL 99.1 million in the first nine months of 2017, compared to GEL 91.0 million a year ago. Over the same time period, EBITDA increased by 18.2% to GEL 51.9 million and profit increased by 35.9% to GEL 26.4 million. Our real estate business, m^2 Real Estate, continues to demonstrate its strong execution skills and, in the first nine months of 2017, sold a total of 464 apartments with a total sales value of $34.6 million, in addition to further increasing its portfolio of yielding assets.

Our property and casualty insurance business, Aldagi, continues to develop a strong portfolio of new products, and this has supported a 26.3% y-o-y growth in net earned premiums in the first nine months of 2017 and Aldagi's position as the clear market leader in the fast-developing Georgian P&C insurance market. Our beverage business, Teliani, achieved another significant milestone in August 2017 when it launched lemonade production, following the launch of production of its first mainstream beer, ICY, into the local market in June 2017.

On 3 July 2017, the Group announced its intention to demerge BGEO Group PLC into two separately London-listed businesses: a banking business, Bank of Georgia PLC, and an investment business, BGEO Investments PLC. The Board believes a demerger of the businesses will deliver additional long-term value to shareholders by creating two distinct entities, each of which will have enhanced growth opportunities in the strongly growing Georgian economy. Both businesses are already leaders in their respective fields, with separate strategic, capital, and economic characteristics and strong and knowledgeable management teams. We expect the demerger to benefit the two businesses in a number of areas, most specifically by providing greater flexibility for each business to manage its own capital and human resources and pursue strategic options appropriate to its respective sector, whilst avoiding the potential for cross-business conflicts of interest. The Board believes that the demerger is the best way to enable the individual businesses to grow faster and develop independently over the next few years. We expect the demerger, which will be subject to shareholder approval, to take a number of months to implement and the process is currently expected to complete in the first half of 2018.

The Group has delivered another quarter of strong earnings momentum. Returns in both the Banking Business and the Investment Businesses continue to be high and the Group remains very well positioned to deliver a strong performance for the full year and beyond.

Irakli Gilauri,

Group CEO of BGEO Group PLC

FINANCIAL SUMMARY

INCOME STATEMENT (QUARTERLY)

GEL thousands unless otherwise noted	BGEO Consolidated					Banking Business[3]					Investment Business				
	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q
Net banking interest income	168,603	136,357	23.6%	160,099	5.3%	167,788	137,753	21.8%	160,308	4.7%	-	-	-	-	-
Net fee and commission income	32,754	30,327	8.0%	31,027	5.6%	33,141	30,723	7.9%	31,402	5.5%	-	-	-	-	-
Net banking foreign currency gain	19,614	21,567	-9.1%	19,282	1.7%	19,614	21,567	-9.1%	19,282	1.7%	-	-	-	-	-
Net other banking income	2,375	3,822	-37.9%	780	NMF	2,653	4,168	-36.3%	1,047	153.4%	-	-	-	-	-
Gross insurance profit	9,997	9,687	3.2%	9,418	6.1%	-	-	-	-	-	10,753	10,317	4.2%	10,010	7.4%
Gross healthcare and pharmacy profit	50,793	35,517	43.0%	51,333	-1.1%	-	-	-	-	-	50,793	35,517	43.0%	51,333	-1.1%
Gross real estate profit	4,147	10,040	-58.7%	22,679	-81.7%	-	-	-	-	-	4,404	10,040	-56.1%	22,914	-80.8%
Gross utility and energy profit	25,853	16,942	52.6%	21,935	17.9%	-	-	-	-	-	25,942	17,011	52.5%	22,032	17.7%
Gross other investment profit	16,256	5,172	NMF	13,864	17.3%	-	-	-	-	-	16,248	5,247	NMF	13,794	17.8%
Revenue	**330,392**	**269,431**	**22.6%**	**330,417**	**0.0%**	**223,196**	**194,211**	**14.9%**	**212,039**	**5.3%**	**108,140**	**78,132**	**38.4%**	**120,083**	**-9.9%**
Operating expenses	**(135,559)**	**(101,363)**	**33.7%**	**(133,071)**	**1.9%**	**(85,354)**	**(72,623)**	**17.5%**	**(80,786)**	**5.7%**	**(51,729)**	**(30,100)**	**71.9%**	**(53,590)**	**-3.5%**
Operating income before cost of credit risk / EBITDA	**194,833**	**168,068**	**15.9%**	**197,346**	**-1.3%**	**137,842**	**121,588**	**13.5%**	**131,253**	**4.8%**	**56,411**	**48,032**	**17.4%**	**66,493**	**-15.2%**
Profit from associates	167	256	-34.8%	606	-72.4%	147	-	NMF	394	-62.7%	20	256	-92.2%	212	-90.6%
Depreciation and amortisation of investment business	(13,739)	(9,755)	40.8%	(12,787)	7.4%	-	-	-	-	-	(13,739)	(9,755)	40.8%	(12,787)	7.4%
Net foreign currency loss from investment business	(6,470)	(1,291)	NMF	(64)	NMF	-	-	-	-	-	(6,470)	(1,291)	NMF	(64)	NMF
Interest income from investment business	1,266	2,198	-42.4%	1,783	-29.0%	-	-	-	-	-	4,367	2,304	89.5%	3,513	24.3%
Interest expense from investment business	(11,898)	(8,878)	34.0%	(13,385)	-11.1%	-	-	-	-	-	(14,419)	(10,536)	36.9%	(15,515)	-7.1%
Operating income before cost of credit risk	**164,159**	**150,598**	**9.0%**	**173,499**	**-5.4%**	**137,989**	**121,588**	**13.5%**	**131,647**	**4.8%**	**26,170**	**29,010**	**-9.8%**	**41,852**	**-37.5%**
Cost of credit risk	(38,818)	(35,591)	9.1%	(42,645)	-9.0%	(36,832)	(34,340)	7.3%	(40,016)	-8.0%	(1,986)	(1,251)	58.8%	(2,629)	-24.5%
Profit before non-recurring items and income tax	**125,341**	**115,007**	**9.0%**	**130,854**	**-4.2%**	**101,157**	**87,248**	**15.9%**	**91,631**	**10.4%**	**24,184**	**27,759**	**-12.9%**	**39,223**	**-38.3%**
Net non-recurring items	(2,312)	35,157	NMF	(2,708)	-14.6%	(1,376)	3,471	NMF	(1,017)	35.3%	(936)	31,686	NMF	(1,691)	-44.6%
Profit before income tax expense	**123,029**	**150,164**	**-18.1%**	**128,146**	**-4.0%**	**99,781**	**90,719**	**10.0%**	**90,614**	**10.1%**	**23,248**	**59,445**	**-60.9%**	**37,532**	**-38.1%**
Income tax expense	(10,188)	(8,614)	18.3%	(4,520)	125.4%	(7,850)	(4,853)	61.8%	(3,284)	139.0%	(2,338)	(3,761)	-37.8%	(1,236)	89.2%
Profit	**112,841**	**141,550**	**-20.3%**	**123,626**	**-8.7%**	**91,931**	**85,866**	**7.1%**	**87,330**	**5.3%**	**20,910**	**55,684**	**-62.4%**	**36,296**	**-42.4%**
Earnings per share (basic)	**2.82**	**3.55**	**-20.6%**	**3.10**	**-9.0%**	**2.43**	**2.22**	**9.5%**	**2.30**	**5.6%**	**0.39**	**1.33**	**-70.6%**	**0.80**	**-51.1%**
Earnings per share (diluted)	**2.70**	**3.55**	**-23.9%**	**2.98**	**-9.4%**	**2.33**	**2.22**	**4.8%**	**2.21**	**5.2%**	**0.37**	**1.33**	**-71.9%**	**0.77**	**-51.3%**

INCOME STATEMENT (NINE MONTHS)

GEL thousands unless otherwise noted	BGEO Consolidated			Banking Business[3]			Investment Business		
	9M17	9M16	Change y-o-y	9M17	9M16	Change y-o-y	9M17	9M16	Change y-o-y
Net banking interest income	489,037	393,069	24.4%	488,976	396,001	23.5%	-	-	-
Net fee and commission income	93,567	87,280	7.2%	94,736	88,140	7.5%	-	-	-
Net banking foreign currency gain	58,596	55,496	5.6%	58,596	55,496	5.6%	-	-	-
Net other banking income	5,937	8,962	-33.8%	6,715	10,045	-33.2%	-	-	-
Gross insurance profit	29,638	24,512	20.9%	-	-	-	31,548	26,899	17.3%
Gross healthcare and pharmacy profit	154,468	92,641	66.7%	-	-	-	154,468	92,641	66.7%
Gross real estate profit	29,545	18,453	60.1%	-	-	-	30,293	18,453	64.2%
Gross utility and energy profit	65,233	16,942	NMF	-	-	-	65,502	17,011	285.1%
Gross other investment profit	34,416	12,124	NMF	-	-	-	34,326	12,242	180.4%
Revenue	**960,437**	**709,479**	**35.4%**	**649,023**	**549,682**	**18.1%**	**316,137**	**167,246**	**89.0%**
Operating expenses	**(389,371)**	**(272,858)**	**42.7%**	**(243,193)**	**(207,708)**	**17.1%**	**(150,306)**	**(69,186)**	**117.2%**
Operating income before cost of credit risk / EBITDA	**571,066**	**436,621**	**30.8%**	**405,830**	**341,974**	**19.0%**	**165,831**	**98,060**	**69.1%**
Profit from associates	1,287	4,074	-68.4%	1,055	-	NMF	232	4,074	-94.3%
Depreciation and amortisation of investment business	(37,997)	(19,823)	91.7%	-	-	-	(37,997)	(19,823)	91.7%
Net foreign currency loss from investment business	(5)	(4,687)	-99.9%	-	-	-	(5)	(4,687)	-99.9%
Interest income from investment business	4,801	3,539	35.7%	-	-	-	10,879	4,737	129.7%
Interest expense from investment business	(35,590)	(12,757)	NMF	-	-	-	(42,263)	(17,368)	143.3%
Operating income before cost of credit risk	**503,562**	**406,967**	**23.7%**	**406,885**	**341,974**	**19.0%**	**96,677**	**64,993**	**48.7%**
Cost of credit risk	(130,708)	(101,121)	29.3%	(124,868)	(97,144)	28.5%	(5,840)	(3,977)	46.8%
Profit before non-recurring items and income tax	**372,854**	**305,846**	**21.9%**	**282,017**	**244,830**	**15.2%**	**90,837**	**61,016**	**48.9%**
Net non-recurring items	(8,391)	(12,222)	-31.3%	(4,087)	(44,300)	-90.8%	(4,304)	32,078	NMF
Profit before income tax expense	**364,463**	**293,624**	**24.1%**	**277,930**	**200,530**	**38.6%**	**86,533**	**93,094**	**-7.0%**
Income tax (expense) benefit	(19,823)	46,210	NMF	(15,541)	23,662	NMF	(4,282)	22,548	NMF
Profit	**344,640**	**339,834**	**1.4%**	**262,389**	**224,192**	**17.0%**	**82,251**	**115,642**	**-28.9%**
Earnings per share (basic)	**8.56**	**8.12**	**5.4%**	**6.90**	**5.77**	**19.7%**	**1.66**	**2.35**	**-29.6%**
Earnings per share (diluted)	**8.20**	**8.12**	**1.0%**	**6.61**	**5.77**	**14.7%**	**1.59**	**2.35**	**-32.5%**

[3] Banking Business and Investment Business financials do not include inter-business eliminations. Detailed financials, including inter-business eliminations are provided on pages 35, 36 and 37

BALANCE SHEET

GEL thousands unless otherwise noted	BGEO Consolidated Sep-17	BGEO Consolidated Sep-16	BGEO Consolidated Change y-o-y	BGEO Consolidated Jun-17	BGEO Consolidated Change q-o-q	Banking Business Sep-17	Banking Business Sep-16	Banking Business Change y-o-y	Banking Business Jun-17	Banking Business Change q-o-q	Investment Business Sep-17	Investment Business Sep-16	Investment Business Change y-o-y	Investment Business Jun-17	Investment Business Change q-o-q
Liquid assets	4,128,332	3,313,188	24.6%	3,942,743	4.7%	4,068,147	3,104,865	31.0%	3,775,371	7.8%	439,616	407,035	8.0%	549,425	-20.0%
Cash and cash equivalents	*1,721,811*	*1,197,687*	*43.8%*	*1,454,387*	*18.4%*	*1,648,098*	*1,090,320*	*51.2%*	*1,401,728*	*17.6%*	*345,137*	*239,953*	*43.8%*	*349,166*	*-1.2%*
Amounts due from credit institutions	*985,120*	*944,061*	*4.3%*	*1,090,259*	*-9.6%*	*950,775*	*844,782*	*12.5%*	*976,811*	*-2.7%*	*60,565*	*164,021*	*-63.1%*	*152,634*	*-60.3%*
Investment securities	*1,421,401*	*1,171,440*	*21.3%*	*1,398,097*	*1.7%*	*1,469,274*	*1,169,763*	*25.6%*	*1,396,832*	*5.2%*	*33,914*	*3,061*	*NMF*	*47,625*	*-28.8%*
Loans to customers and finance lease receivables	6,917,211	5,676,225	21.9%	6,517,773	6.1%	6,951,493	5,715,737	21.6%	6,579,996	5.6%	-	-	-	-	-
Property and equipment	1,537,012	1,224,620	25.5%	1,453,730	5.7%	343,282	329,538	4.2%	336,909	1.9%	1,189,395	895,082	32.9%	1,112,486	6.9%
Total assets	**13,963,050**	**11,286,088**	**23.7%**	**13,171,740**	**6.0%**	**11,813,231**	**9,564,686**	**23.5%**	**11,094,468**	**6.5%**	**2,575,191**	**1,983,779**	**29.8%**	**2,528,807**	**1.8%**
Client deposits and notes	6,252,228	4,700,324	33.0%	5,319,398	17.5%	6,549,904	4,900,490	33.7%	5,655,341	15.8%	-	-	-	-	-
Amounts due to credit institutions	2,774,525	2,740,926	1.2%	3,077,869	-9.9%	2,350,438	2,396,969	-1.9%	2,602,303	-9.7%	459,158	380,745	20.6%	538,534	-14.7%
Borrowings from DFI	*1,435,236*	*1,280,795*	*12.1%*	*1,343,492*	*6.8%*	*1,172,530*	*1,188,544*	*-1.3%*	*1,088,054*	*7.8%*	*262,707*	*92,251*	*NMF*	*255,438*	*2.8%*
Short-term loans from NBG	*590,014*	*604,608*	*-2.4%*	*999,159*	*-40.9%*	*590,014*	*604,608*	*-2.4%*	*999,159*	*-40.9%*	-	-	-	-	-
Loans and deposits from commercial banks	*749,275*	*855,523*	*-12.4%*	*735,218*	*1.9%*	*587,894*	*603,817*	*-2.6%*	*515,090*	*14.1%*	*196,451*	*288,494*	*-31.9%*	*283,096*	*-30.6%*
Debt securities issued	1,691,260	1,036,086	63.2%	1,582,431	6.9%	1,298,641	722,089	79.8%	1,312,990	-1.1%	479,142	317,619	50.9%	319,033	50.2%
Total liabilities	**11,299,163**	**8,897,339**	**27.0%**	**10,628,342**	**6.3%**	**10,292,745**	**8,087,612**	**27.3%**	**9,649,000**	**6.7%**	**1,431,790**	**1,072,104**	**33.5%**	**1,430,877**	**0.1%**
Total equity	**2,663,887**	**2,388,749**	**11.5%**	**2,543,398**	**4.7%**	**1,520,486**	**1,477,074**	**2.9%**	**1,445,468**	**5.2%**	**1,143,401**	**911,675**	**25.4%**	**1,097,930**	**4.1%**

BANKING BUSINESS RATIOS

	3Q17	3Q16	2Q17	9M17	9M16
ROAA	3.2%	3.6%	3.2%	3.2%	3.3%
ROAE	24.5%	24.3%	23.5%	23.7%	22.4%
Net Interest Margin	7.3%	7.3%	7.3%	7.3%	7.4%
Loan Yield	14.3%	14.1%	14.3%	14.2%	14.2%
Liquid assets yield	3.5%	3.1%	3.4%	3.4%	3.1%
Cost of Funds	4.8%	4.7%	4.8%	4.7%	4.8%
Cost of Client Deposits and Notes	3.5%	3.6%	3.6%	3.5%	4.0%
Cost of Amounts Due to Credit Institutions	6.5%	6.5%	6.6%	6.4%	6.1%
Cost of Debt Securities Issued	7.9%	6.6%	7.1%	7.2%	7.0%
Cost / Income	38.2%	37.4%	38.1%	37.5%	37.8%
NPLs to Gross Loans to Clients	4.1%	4.4%	4.4%	4.1%	4.4%
NPL Coverage Ratio	93.6%	86.5%	90.2%	93.6%	86.5%
NPL Coverage Ratio, Adjusted for discounted value of collateral	132.8%	131.1%	131.5%	132.8%	131.1%
Cost of Risk	2.0%	2.3%	2.2%	2.2%	2.2%
NBG (Basel II) Tier I Capital Adequacy Ratio	11.1%	11.0%	10.6%	11.1%	11.0%
NBG (Basel II) Total Capital Adequacy Ratio	16.2%	16.2%	15.6%	16.2%	16.2%

DISCUSSION OF RESULTS

Discussion of Banking Business Results

*The Group's **Banking Business** is primarily comprised of three segments. (1) **Retail Banking** operations in Georgia principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfer and settlement services, and handling customers' deposits for both individuals as well as legal entities. Retail Banking targets the emerging retail, mass retail and mass affluent segments, together with small and medium enterprises and micro businesses. (2) **Corporate Investment Banking** comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides private banking services to high net worth clients. (3) **BNB**, comprising JSC Belarusky Narodny Bank, principally provides retail and corporate banking services to clients in Belarus.*

REVENUE

GEL thousands, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Banking interest income	287,274	231,357	24.2%	272,946	5.2%	827,342	674,053	22.7%
Banking interest expense	(119,486)	(93,604)	27.7%	(112,638)	6.1%	(338,366)	(278,052)	21.7%
Net banking interest income	**167,788**	**137,753**	**21.8%**	**160,308**	**4.7%**	**488,976**	**396,001**	**23.5%**
Fee and commission income	49,155	43,404	13.2%	45,903	7.1%	138,760	122,382	13.4%
Fee and commission expense	(16,014)	(12,681)	26.3%	(14,501)	10.4%	(44,024)	(34,242)	28.6%
Net fee and commission income	**33,141**	**30,723**	**7.9%**	**31,402**	**5.5%**	**94,736**	**88,140**	**7.5%**
Net banking foreign currency gain	19,614	21,567	-9.1%	19,282	1.7%	58,596	55,496	5.6%
Net other banking income	2,653	4,168	-36.3%	1,047	153.4%	6,715	10,045	-33.2%
Revenue	**223,196**	**194,211**	**14.9%**	**212,039**	**5.3%**	**649,023**	**549,682**	**18.1%**
Net Interest Margin	7.3%	7.3%		7.3%		7.3%	7.4%	
Average interest earning assets	9,092,457	7,537,722	20.6%	8,799,432	3.3%	8,938,532	7,152,901	25.0%
Average interest bearing liabilities	9,841,785	7,888,438	24.8%	9,389,773	4.8%	9,589,213	7,671,796	25.0%
Average net loans and finance lease receivables, currency blended	6,727,963	5,596,305	20.2%	6,527,839	3.1%	6,652,633	5,450,649	22.1%
Average net loans and finance lease receivables, GEL	2,528,946	1,588,995	59.2%	2,284,483	10.7%	2,280,075	1,528,588	49.2%
Average net loans and finance lease receivables, FC	4,199,017	4,007,310	4.8%	4,243,356	-1.0%	4,372,558	3,922,061	11.5%
Average client deposits and notes, currency blended	6,096,686	4,916,820	24.0%	5,713,292	6.7%	5,888,399	4,938,632	19.2%
Average client deposits and notes, GEL	1,811,206	1,166,397	55.3%	1,513,772	19.6%	1,596,667	1,214,318	31.5%
Average client deposits and notes, FC	4,285,480	3,750,423	14.3%	4,199,520	2.0%	4,291,732	3,724,314	15.2%
Average liquid assets, currency blended	3,920,876	3,234,755	21.2%	3,621,790	8.3%	3,705,292	3,021,988	22.6%
Average liquid assets, GEL	1,599,459	1,227,967	30.3%	1,449,760	10.3%	1,478,408	1,169,776	26.4%
Average liquid assets, FC	2,321,417	2,006,788	15.7%	2,172,030	6.9%	2,226,884	1,852,212	20.2%
Excess liquidity (NBG)	843,299	545,556	54.6%	791,681	6.5%	843,299	545,556	54.6%
Liquid assets yield, currency blended	3.5%	3.1%		3.4%		3.4%	3.1%	
Liquid assets yield, GEL	7.1%	7.3%		7.1%		7.1%	7.4%	
Liquid assets yield, FC	0.9%	0.6%		0.9%		0.8%	0.5%	
Loan yield, currency blended	14.3%	14.1%		14.3%		14.2%	14.2%	
Loan yield, GEL	21.6%	23.4%		22.3%		22.1%	23.5%	
Loan yield, FC	9.9%	10.3%		10.0%		10.0%	10.6%	
Cost of Funds, currency blended	4.8%	4.7%		4.8%		4.7%	4.8%	
Cost of Funds, GEL	6.8%	6.1%		7.0%		6.8%	6.6%	
Cost of Funds, FC	3.8%	4.2%		3.7%		3.8%	4.3%	

Performance highlights

- **Strong Banking Business revenue. We recorded quarterly revenue of GEL 223.2mln in 3Q17 (up 14.9% y-o-y and up 5.3% q-o-q), ending the first nine months of 2017 with revenue of GEL 649.0mln (up 18.1% y-o-y)**. Y-o-y revenue growth both in 3Q17 and 9M17 was primarily driven by a strong increase in net banking interest income, which resulted from strong loan book growth, and increase in net fee and commission income
- **Net banking interest income.** Our net banking interest income was up 21.8% y-o-y and up 4.7% q-o-q in 3Q17 and up 23.5% y-o-y in nine months of 2017. The q-o-q and y-o-y increases in net banking interest income were primarily driven by a strong growth of our Retail Banking loan book, which experienced 20.3% year to date constant currency growth as of 30 September 2017
- **Our NIM was 7.3% in both 3Q17 and 9M17.** 3Q17 NIM was flat q-o-q and y-o-y reflecting the q-o-q flat loan yield and cost of funds, while 20bps y-o-y increase in 3Q17 loan yield was offset by 10bps increase in cost of funds. 9M17 loan yield remained flat y-o-y and liquid assets yield was up 30bps, while cost of funds was down 10bps y-o-y

- **Loan yield.** Currency blended loan yield was 14.3% in 3Q17 (up 20bps y-o-y and flat q-o-q) and 14.2% in 9M17 (flat y-o-y). While local and foreign currency loan yields decreased y-o-y and q-o-q, the overall trend in loan yield reflects a continued shift towards high-yielding local currency denominated loans in the total loan portfolio mix
- **Liquid assets yield.** Our liquid assets yield increased to 3.5% (up 40bps y-o-y and up 10bps q-o-q) in 3Q17 and to 3.4% (up 30bps y-o-y) in 9M17. The foreign currency denominated liquid assets yield increased by 30pbs y-o-y in 3Q17 and increased by 30 bps y-o-y in 9M17 as a result of the US Federal Reserve's decisions in December 2016, March 2017 and June 2017 to raise interest rates by 75bps in aggregate, which triggered similar increases on interest rates paid by a) The National Bank of Georgia (the "**NBG**") on the Bank's obligatory reserves (foreign currency only) and b) correspondent banks on deposits placed by the Bank. On the other hand, local currency denominated liquid assets yield, while remaining flat q-o-q, decreased 20bps y-o-y. That said, the currency blended liquid assets yield increased both q-o-q and y-o-y on the back of increased share of higher return local currency denominated liquid assets in the total liquid assets portfolio
- **Cost of funds.** Cost of funds stood at 4.8% in 3Q17 (up 10bps y-o-y and flat q-o-q) and at 4.7% (down 10bps y-o-y) in 9M17. Despite the significant increase in cost of debt securities issued in 3Q17 and 9M17 following the issuance of GEL 500mln 11.0% Lari denominated notes in 2Q17 (up 130bps y-o-y and up 80bps q-o-q in 3Q17 and up 20bps y-o-y in 9M17), cost of funds remained largely flat as a result of a decrease in cost of client deposits and notes during respective periods (down 10bps y-o-y and q-o-q in 3Q17 and down 50bps y-o-y in 9M17)
- **Continued shift to the GEL denominated loan book, which increased to 38.7% of the total book at 30 September 2017, compared to 29.7% a year ago.** The dollarisation of our loan book has decreased since last year as the demand for local currency denominated loans outpaced the demand for foreign currency denominated loans. The trend was supported by the Georgian government's de-dollarisation initiatives: a) a one-off program, effective from 15 January 2017 until 25 March 2017, allowing qualified borrowers to convert eligible US dollar denominated loans into GEL, at a discount compensated by the government, at the client's election and b) a new regulation, effective from 15 January 2017, restricting issuance of new loans in foreign currency with amounts less than GEL 100,000 (equivalent). At 30 September 2017, 38.7% of our net loans were denominated in GEL as compared to 29.7% at 30 September 2016 and 36.8% at 30 June 2017
- **Net Loans to Customer Funds and DFI ratio**. Customer funds (client deposits and notes) increased by 33.7% y-o-y and 15.8% q-o-q to GEL 6,549.9mln driven by strong deposit generation in both the Retail and Corporate Investment Banking operations. Retail banking client deposits and notes grew by 37.7% y-o-y and 9.8% q-o-q to GEL 2,869.9mln, while CIB client deposits grew by 28.2% y-o-y and 21.5% q-o-q to GEL 3,308.3mln. We also increased our borrowings from DFIs by 7.8% q-o-q to GEL 1,172.5mln. As a result, our Net Loans to Customer Funds and DFI ratio, which is closely monitored by management, remained strong at 90.0% (93.9% at 30 September 2016 and 97.6% at 30 June 2017) despite our growing loan book
- **Net fee and commission income.** Net fee and commission income performance is mainly driven by the strong performance in our settlement operations supported by the success of our Express banking franchise. This was partially offset by a decline in CIB's fees from guarantees and letters of credit in 9M17 y-o-y, driven by the de-concentration efforts in the CIB segment. Excluding CIB's income from guarantees and letters of credit, net fee and commission income was GEL 85.0mln (up 11.9% y-o-y) in 9M17. However, as the de-concentration of corporate risk targets have been achieved, the net fees and commission income from guarantees and letters of credit have demonstrated early signs of rebounding and reached GEL 4.6mln in 3Q17, up 9.8% y-o-y and up 32.5% q-o-q
- **Net banking foreign currency gain.** In line with the volatility of the GEL exchange rate, the net banking foreign currency gain was down 9.1% y-o-y and up 1.7% q-o-q in 3Q17 and up 5.6% y-o-y in 9M17. RB and CIB businesses together contributed 85.8% and 87.4% to the total 3Q17 and 9M17 net banking foreign currency gain, respectively
- **Net other banking income.** Net other banking income decreased by 36.3% y-o-y and increased by 153.4% q-o-q in 3Q17. The y-o-y decrease was largely driven by the higher gain from sale of securities recorded in 3Q16, partially compensated with higher placement fees generated by our brokerage arm Galt & Taggart in 3Q17, reflecting higher bond issuance activity, while the 153.4% q-o-q increase was supported by the absence of losses on derivative financial instruments in 3Q17. The 33.2% y-o-y decline in net other banking income in 9M17 was primarily driven by losses on derivative financial instruments recorded in 2Q17 and 3Q17, partially offset by higher placement fees of Galt & Taggart

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

GEL thousands, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Salaries and other employee benefits	(50,638)	(43,479)	16.5%	(47,507)	6.6%	(142,424)	(120,491)	18.2%
Administrative expenses	(23,240)	(18,512)	25.5%	(22,286)	4.3%	(68,046)	(57,018)	19.3%
Banking depreciation and amortisation	(10,738)	(9,476)	13.3%	(10,197)	5.3%	(30,460)	(27,568)	10.5%
Other operating expenses	(738)	(1,156)	-36.2%	(796)	-7.3%	(2,263)	(2,631)	-14.0%
Operating expenses	**(85,354)**	**(72,623)**	**17.5%**	**(80,786)**	**5.7%**	**(243,193)**	**(207,708)**	**17.1%**
Profit from associate	147	-	NMF	394	-62.7%	1,055	-	NMF
Operating income before cost of credit risk	**137,989**	**121,588**	**13.5%**	**131,647**	**4.8%**	**406,885**	**341,974**	**19.0%**
Impairment charge on loans to customers	(34,202)	(29,936)	14.3%	(37,756)	-9.4%	(113,299)	(88,972)	27.3%
Impairment charge on finance lease receivables	(781)	(3,258)	-76.0%	(67)	NMF	(988)	(3,901)	-74.7%
Impairment charge on other assets and provisions	(1,849)	(1,146)	61.3%	(2,193)	-15.7%	(10,581)	(4,271)	147.7%
Cost of credit risk	**(36,832)**	**(34,340)**	**7.3%**	**(40,016)**	**-8.0%**	**(124,868)**	**(97,144)**	**28.5%**
Profit before non-recurring items and income tax	**101,157**	**87,248**	**15.9%**	**91,631**	**10.4%**	**282,017**	**244,830**	**15.2%**
Net non-recurring items	(1,376)	3,471	NMF	(1,017)	35.3%	(4,087)	(44,300)	-90.8%
Profit before income tax	**99,781**	**90,719**	**10.0%**	**90,614**	**10.1%**	**277,930**	**200,530**	**38.6%**
Income tax (expense) benefit	(7,850)	(4,853)	61.8%	(3,284)	139.0%	(15,541)	23,662	NMF
Profit	**91,931**	**85,866**	**7.1%**	**87,330**	**5.3%**	**262,389**	**224,192**	**17.0%**

- **Operating expenses increased to GEL 85.4mln in 3Q17 (up 17.5% y-o-y and up 5.7% q-o-q) and GEL 243.2mln in 9M17 (up 17.1% y-o-y).** In 9M17, growth in revenues outpaced growth in operating expenses leading to y-o-y positive operating leverage of 1.0 percentage point, which represents an improvement compared to y-o-y negative operating leverage of 6.2% in 9M16. 3Q17 y-o-y and q-o-q and 9M17 y-o-y changes in operating expenses were driven by:
  - an increase in salaries and employee benefits by 16.5% y-o-y and 6.6% q-o-q in 3Q17 and by 18.2% y-o-y in 9M17 mainly reflects organic growth of Retail Banking operations
  - an increase in administrative expenses by 25.5% y-o-y in 3Q17 and by 19.3% y-o-y in 9M17, primarily driven by increased marketing, rent and repair and maintenance costs. The increase was attributable to the combined effect of the larger branch network and the higher average quarterly and nine months exchange rate during 3Q17 and 9M17 as the vast majority of branch rental agreements are denominated in US dollars
- **Cost of Risk ratio.** The Banking Business cost of risk ratio was 2.0% in 3Q17, down 30bps y-o-y and down 20bps q-o-q. RB 3Q17 cost of risk ratio was down 40bps y-o-y and down 110bps q-o-q, while CIB cost of risk ratio was up 40bps y-o-y and up 180bps q-o-q. On a nine months basis, the Banking Business cost of risk ratio was 2.2%, flat y-o-y, primarily driven by 40bps increase in the RB cost of risk ratio, offset by 80bps decrease in CIB cost of risk ratio driven by overall improvement in the CIB loan portfolio quality
- **Quality of the Banking Business loan book improved in 3Q17** as evidenced by further improvement in the following closely monitored metrics:

GEL thousands, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Non-performing loans								
NPLs	297,134	260,963	13.9%	304,320	-2.4%	297,134	260,963	13.9%
NPLs to gross loans	4.1%	4.4%		4.4%		4.1%	4.4%	
NPLs to gross loans, RB	1.5%	1.6%		1.7%		1.5%	1.6%	
NPLs to gross loans, CIB	8.3%	7.6%		8.3%		8.3%	7.6%	
NPL coverage ratio	93.6%	86.5%		90.2%		93.6%	86.5%	
NPL coverage ratio adjusted for the discounted value of collateral	132.8%	131.1%		131.5%		132.8%	131.1%	
Past due dates								
Retail loans - 15 days past due rate	1.5%	1.2%		1.5%		1.5%	1.2%	
Mortgage loans – 15 days past due rate	1.0%	0.6%		1.0%		1.0%	0.6%	

- **Income tax (expense) benefit**. Income tax expense increased by 61.8% q-o-q in 3Q17 primarily as a result of the absence of one-off benefits from changes in the local tax code that were approved by the Parliament of Georgia in June 2017 and fully recorded in 2Q17. The 9M17 y-o-y movement in income taxes mostly reflects the impacts of changes in corporate taxation model, approved by the Parliament of Georgia in May 2016, which resulted in the write off of Banking Business net deferred tax liabilities
- **BNB – the Group's banking subsidiary in Belarus - generated a profit of GEL 3.7mln in 3Q17 (up 58.7% y-o-y and up 64.5% q-o-q) and GEL 6.7mln in 9M17 (down 1.5% y-o-y);** BNB's earnings were positively impacted by decreased levels of cost of risk in 3Q17. While Belarus experienced weak macro-economic conditions in 2016 and 1Q17, starting from 2Q17 the Belarus economy started to show early signs of stabilization. As a result, BNB's cost of credit risk significantly improved in 3Q17
- BNB's loan book reached GEL 380.3mln at 30 September 2017, up 16.2% y-o-y and up 2.9% q-o-q, mostly reflecting an increase in corporate and consumer loans. Client deposits were GEL 316.4mln at 30 September 2017, up 57.6% y-o-y and up 20.0% q-o-q. The increase in client deposits was primarily attributable to the agreement signed with BelSwissBank in June

2017, which allowed BNB to manage and service current and term deposit accounts and card operations of BelSwissBank's customers

- **BNB continues to remain strongly capitalised**, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. As at 30 September 2017, total CAR was 13.8%, well above 10% minimum requirement of the National Bank of the Republic of Belarus ("NBRB"), while Tier I CAR was 8.4%, above NBRB's 6% minimum requirement. Return on Average Equity ("**ROAE**") for BNB was 19.9% in 3Q17 (13.0% in 3Q16 and 12.5% in 2Q17) and 12.3% in 9M17 (10.7% in 9M16). Strong capitalisation allowed BNB to make a dividend payment in the amount of GEL 1 million to the Bank in 3Q17
- **As a result, the Banking Business profit was GEL 91.9mln in 3Q17** (up 7.1% y-o-y and 5.3% q-o-q) and GEL 262.4mln in 9M17 (up 17.0% y-o-y), while **ROAE increased to 24.5% in 3Q17** (up 20bps y-o-y and 100bps q-o-q) and to 23.7% in 9M17 (up 130bps y-o-y)

BANKING BUSINESS BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	**Sep-17**	**Sep-16**	**Change y-o-y**	**Jun-17**	**Change q-o-q**
Liquid assets	4,068,147	3,104,865	31.0%	3,775,371	7.8%
Liquid assets, GEL	1,569,161	1,252,208	25.3%	1,567,431	0.1%
Liquid assets, FC	2,498,986	1,852,657	34.9%	2,207,940	13.2%
Net loans and finance lease receivables	6,951,493	5,715,737	21.6%	6,579,996	5.6%
Net loans and finance lease receivables, GEL	2,689,778	1,699,647	58.3%	2,423,340	11.0%
Net loans and finance lease receivables, FC	4,261,715	4,016,090	6.1%	4,156,656	2.5%
Client deposits and notes	6,549,904	4,900,490	33.7%	5,655,341	15.8%
Amounts due to credit institutions	2,350,438	2,396,969	-1.9%	2,602,303	-9.7%
Borrowings from DFIs	1,172,530	1,188,544	-1.3%	1,088,054	7.8%
Short-term loans from central banks	590,014	604,608	-2.4%	999,159	-40.9%
Loans and deposits from commercial banks	587,894	603,817	-2.6%	515,090	14.1%
Debt securities issued	1,298,641	722,089	79.8%	1,312,990	-1.1%
Liquidity and CAR ratios					
Net loans / client deposits and notes	106.1%	116.6%		116.4%	
Net loans / client deposits and notes + DFIs	90.0%	93.9%		97.6%	
Liquid assets as percent of total assets	34.4%	32.5%		34.0%	
Liquid assets as percent of total liabilities	39.5%	38.4%		39.1%	
NBG liquidity ratio	44.4%	41.4%		44.1%	
Excess liquidity (NBG)	843,299	545,556	54.6%	791,681	6.5%
NBG (Basel II) Tier I Capital Adequacy Ratio	11.1%	11.0%		10.6%	
NBG (Basel II) Total Capital Adequacy Ratio	16.2%	16.2%		15.6%	

Our Banking Business balance sheet remains highly liquid (NBG Liquidity ratio of 44.4%) **and strongly capitalised** (Tier I ratio, NBG Basel II of 11.1%) **with a well-diversified funding base** (Client Deposits and notes to Total Liabilities of 63.6%).

- **Liquidity.** The NBG liquidity ratio stood at 44.4% at 30 September 2017, compared to 41.4% at 30 September 2016 and 44.1% at 30 June 2017, and well above the regulatory minimum requirement of 30.0%. Liquid assets increased to GEL 4,068.1mln at 30 September 2017, up 31.0% y-o-y and up 7.8% q-o-q, largely driven by proceeds from the GEL 500mln Lari denominated bonds in June 2017
- **Diversified funding base**. Debt securities issued grew by 79.8% y-o-y and were flat q-o-q primarily due to the issuance of GEL 500mln Lari denominated bonds in June 2017, which positively contributing to the GEL liquidity, allowing the Banking Business to significantly reduce short-term borrowings from the NBG (down 40.9% q-o-q)
- **Loan book**. Our net loan book and financial lease receivables balance reached GEL 6,951.5mln at 30 September 2017, up 21.6% y-o-y and up 5.6% q-o-q. As of 30 September 2017, retail book represented 68.4% of the total loan portfolio (60.2% at 30 September 2016 and 66.1% at 30 June 2017), above our target of 65% of RB's share in total loan book. While both local and foreign currency portfolios experienced strong y-o-y growth, the local currency loan portfolio demonstrated an outstanding increase of 58.3% y-o-y and 11.0% q-o-q, partially driven by the Georgian government's de-dollarisation initiatives and our goal to increase the share of local currency loans in our portfolio

Discussion of Banking Business Segment Results

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 (SME and micro businesses only). RB is itself represented by the following four sub-segments: (1) the emerging retail segment (through our Express brand), (2) retail mass market segment; (3) SME and micro businesses – "MSME" (through our Bank of Georgia brand), and (4) the mass affluent segment (through our Solo brand).

GEL thousands, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	122,352	95,507	28.1%	112,575	8.7%	346,437	262,913	31.8%
Net fee and commission income	25,064	22,402	11.9%	23,970	4.6%	71,279	63,383	12.5%
Net banking foreign currency gain	7,979	8,198	-2.7%	6,060	31.7%	20,531	17,261	18.9%
Net other banking income	366	1,097	-66.6%	(851)	NMF	498	2,843	-82.5%
Revenue	**155,761**	**127,204**	**22.4%**	**141,754**	**9.9%**	**438,745**	**346,400**	**26.7%**
Salaries and other employee benefits	(32,262)	(27,315)	18.1%	(29,763)	8.4%	(89,890)	(75,247)	19.5%
Administrative expenses	(17,084)	(13,179)	29.6%	(16,084)	6.2%	(50,003)	(40,456)	23.6%
Banking depreciation and amortisation	(9,087)	(7,910)	14.9%	(8,644)	5.1%	(25,721)	(22,890)	12.4%
Other operating expenses	(448)	(837)	-46.5%	(511)	-12.3%	(1,435)	(1,727)	-16.9%
Operating expenses	**(58,881)**	**(49,241)**	**19.6%**	**(55,002)**	**7.1%**	**(167,049)**	**(140,320)**	**19.0%**
Profit from associate	147	-	NMF	394	-62.7%	1,055	-	NMF
Operating income before cost of credit risk	**97,027**	**77,963**	**24.5%**	**87,146**	**11.3%**	**272,751**	**206,080**	**32.4%**
Cost of credit risk	(22,246)	(20,691)	7.5%	(31,746)	-29.9%	(87,678)	(56,417)	55.4%
Profit before non-recurring items and income tax	**74,781**	**57,272**	**30.6%**	**55,400**	**35.0%**	**185,073**	**149,663**	**23.7%**
Net non-recurring items	(1,041)	2,297	NMF	(760)	37.0%	(2,284)	(30,082)	-92.4%
Profit before income tax	**73,740**	**59,569**	**23.8%**	**54,640**	**35.0%**	**182,789**	**119,581**	**52.9%**
Income tax (expense) benefit	(5,342)	(3,147)	69.7%	(1,776)	NMF	(10,710)	21,710	NMF
Profit	**68,398**	**56,422**	**21.2%**	**52,864**	**29.4%**	**172,079**	**141,291**	**21.8%**
BALANCE SHEET HIGHLIGHTS								
Net loans, Currency Blended	4,541,302	3,286,958	38.2%	4,155,326	9.3%	4,541,302	3,286,958	38.2%
Net loans, GEL	2,307,391	1,374,161	67.9%	2,044,087	12.9%	2,307,391	1,374,161	67.9%
Net loans, FC	2,233,911	1,912,797	16.8%	2,111,239	5.8%	2,233,911	1,912,797	16.8%
Client deposits, Currency Blended	2,869,921	2,084,371	37.7%	2,613,302	9.8%	2,869,921	2,084,371	37.7%
Client deposits, GEL	815,611	565,240	44.3%	747,234	9.2%	815,611	565,240	44.3%
Client deposits, FC	2,054,310	1,519,131	35.2%	1,866,068	10.1%	2,054,310	1,519,131	35.2%
of which:								
Time deposits, Currency Blended	1,629,593	1,261,273	29.2%	1,505,265	8.3%	1,629,593	1,261,273	29.2%
Time deposits, GEL	314,753	219,117	43.6%	286,649	9.8%	314,753	219,117	43.6%
Time deposits, FC	1,314,840	1,042,156	26.2%	1,218,616	7.9%	1,314,840	1,042,156	26.2%
Current accounts and demand deposits, Currency Blended	1,240,328	823,098	50.7%	1,108,037	11.9%	1,240,328	823,098	50.7%
Current accounts and demand deposits, GEL	500,858	346,123	44.7%	460,585	8.7%	500,858	346,123	44.7%
Current accounts and demand deposits, FC	739,470	476,975	55.0%	647,452	14.2%	739,470	476,975	55.0%
KEY RATIOS								
ROAE Retail Banking	33.4%	31.6%		26.5%		29.1%	28.4%	
Net interest margin, currency blended	8.5%	9.0%		8.6%		8.6%	9.1%	
Cost of risk	2.0%	2.4%		3.1%		2.8%	2.4%	
Cost of funds, currency blended	6.0%	5.4%		5.9%		5.7%	6.0%	
Loan yield, currency blended	16.3%	16.6%		16.4%		16.2%	17.0%	
Loan yield, GEL	23.1%	25.5%		24.2%		24.0%	25.4%	
Loan yield, FC	9.2%	10.0%		9.2%		9.2%	10.3%	
Cost of deposits, currency blended	2.9%	3.3%		3.0%		3.0%	3.4%	
Cost of deposits, GEL	4.4%	4.5%		4.6%		4.5%	4.7%	
Cost of deposits, FC	2.2%	2.9%		2.4%		2.4%	3.0%	
Cost of time deposits, currency blended	4.3%	4.8%		4.4%		4.3%	5.0%	
Cost of time deposits, GEL	8.8%	9.3%		9.0%		8.8%	9.6%	
Cost of time deposits, FC	3.2%	3.9%		3.4%		3.3%	4.1%	
Current accounts and demand deposits, currency blended	1.0%	0.9%		1.0%		1.0%	0.9%	
Current accounts and demand deposits, GEL	1.7%	1.4%		1.7%		1.6%	1.2%	
Current accounts and demand deposits, FC	0.5%	0.6%		0.6%		0.6%	0.6%	
Cost / income ratio	37.8%	38.7%		38.8%		38.1%	40.5%	

Performance highlights

- **Retail Banking delivered another extremely successful quarterly result across all of its segments and generated total revenues of GEL 155.8mln in 3Q17 (up 22.4% y-o-y and up 9.9% q-o-q) and revenue of GEL 438.7mln in 9M17 (up 26.7% y-o-y)**
- RB's net banking interest income experienced 28.1% y-o-y and 8.7% q-o-q increase in 3Q17 and 31.8% y-o-y increase in 9M17 as a result of the strong growth in the Retail Banking loan portfolio. Record quarterly net banking interest income also reflects the benefits from the increase in the local currency loan portfolio, which generated 13.9ppts and 14.8ppts higher yield than the foreign currency loan portfolio during 3Q17 and 9M17, respectively
- **The Retail Banking net loan book reached GEL 4,541.3mln, up 38.2% y-o-y and up 9.3% q-o-q.** Our local currency denominated loan book grew at a faster pace (up 67.9% y-o-y and up 12.9% q-o-q) than the foreign currency denominated loan book (up 16.8% y-o-y and up 5.8% q-o-q). As a result, the loan book dollarisation decreased to 49.2% at 30 September 2017 from 58.2% at 30 September 2016 and 50.8% at 30 June 2017
- **The loan book growth was a product of continued strong loan origination levels delivered across all major Retail Banking segments:**

Retail Banking loan book by products

GEL million, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Loan Originations								
Consumer loans	349	260	34.6%	349	0.2%	1,001	706	41.7%
Mortgage loans	264	157	68.3%	226	17.0%	703	479	46.9%
Micro loans	236	198	18.8%	236	-0.3%	708	528	34.1%
SME loans	152	114	33.9%	133	14.4%	404	343	17.7%
POS loans	65	56	16.5%	56	17.0%	164	152	8.1%
Outstanding Balance								
Consumer loans	1,148	777	47.7%	1,054	8.9%	1,148	777	47.7%
Mortgage loans	1,459	1,022	42.8%	1,282	13.8%	1,459	1,022	42.8%
Micro loans	966	657	47.0%	918	5.2%	966	657	47.0%
SME loans	535	399	34.1%	480	11.5%	535	399	34.1%
POS loans	114	109	4.6%	108	5.6%	114	109	4.6%

- **Retail Banking client deposits increased to GEL 2,869.9mln, up 37.7% y-o-y and up 9.8% q-o-q**, notwithstanding a decrease in the cost of deposits of 40bps y-o-y and 10bps q-o-q in 3Q17 and decrease of 40bps y-o-y in 9M17. The dollarisation level of our deposits decreased to 71.6% at 30 September 2017 from 72.9% at 30 September 2016 and remained flat compared to 30 June 2017. This is in line with the current decreasing trend of cost on foreign currency denominated deposits (down 70 bps y-o-y and down 20 bps q-o-q in 3Q17 and down 60bps y-o-y in 9M17). The spread between the cost of RB's client deposits in GEL and foreign currency widened to 2.2ppts during 3Q17 (GEL: 4.4%; FC: 2.2%) compared to 1.6ppts in 3Q16 (GEL: 4.5%; FC: 2.9%) and 2.2ppts in 2Q17 (GEL: 4.6%; FC: 2.4%). For the nine months 2017, the spread was 2.1ppts (GEL: 4.5%; FC: 2.4%) compared to 1.7ppts in 9M16 (GEL: 4.7%; FC: 3.0%). Local currency denominated deposits increased at a faster pace to GEL 815.6mln (up 44.3% y-o-y), as compared to foreign currency denominated deposits that grew to GEL 2,054.3mln (up 35.2% y-o-y)
- **Retail Banking NIM was 8.5% in 3Q17, down 50bps y-o-y and down 10bps q-o-q.** The lower NIM y-o-y in 3Q17 was attributable to a 30bps decrease in loan yield, while the cost of funds increased by 60bps. On a q-o-q basis, loan yield was down by 10bps and cost of funds was up by 10bps. **For the first nine months of 2017, the Retail Banking NIM was 8.6%, down 50bps y-o-y.** The lower NIM was the result of a 80bps decrease in loan yield, which was partially offset by 30bps decrease in cost of funds in 9M17
- **Strong growth in Retail Banking net fee and commission income**. The 3Q17 11.9% y-o-y and up 4.6% q-o-q and 9M17 12.5% y-o-y growth was driven by an organic increase in our fee and commission income and the strong underlying growth in both our Express Banking and Solo platforms described below
- **RB cost to income ratio remained well-controlled at 37.8% in 3Q17 (down by 90 bps y-o-y and down 100bps q-o-q) and at 38.1% in 9M17 (down 240bps y-o-y).** The significant improvement resulted from the increasing utilisation of our Solo lounges coupled with the growth of the Express Banking franchise, which has the most cost-efficient model among our four Retail Banking segments
- **RB cost of risk improved significantly in 3Q17.** RB cost of credit risk was GEL 22.2mln in 3Q17 (up 7.5% y-o-y and down 29.9% q-o-q) and GEL 87.7mln in 9M17 (up 55.4% y-o-y). The cost of risk ratio was 2.0% in 3Q17, down from 2.4% in 3Q16 and down from 3.1% in 2Q17 on the back of significant recoveries, which positively affected the quarterly cost of risk ratio. The first nine month cost of risk ratio was 2.8% in 9M17, up from 2.4% in 9M16 due to higher cost of risk levels in 1H17
- The number of Retail Banking clients reached 2.3mln, up 8.8% y-o-y and up 1.0% q-o-q, while the number of total cards outstanding amounted to 2,176,761, up 11.0% y-o-y and up 2.8% q-o-q

- **Our Express Banking business continues to deliver strong growth as we further develop our mass market Retail Banking strategy,** as demonstrated by the following performance indicators

Express Banking performance indicators *Volume information in GEL thousands*	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Express Banking Customers								
Number of new customers	20,541	1,092	NMF	11,990	71.3%	42,216	20,860	135.7%
Number of customers	514,183	446,210	15.2%	500,602	2.7%	514,183	446,210	15.2%
Express Cards								
Number of Express Cards issued	65,409	141,438	-53.8%	130,566	-49.9%	325,103	381,167	-14.7%
Number of Express Cards outstanding	1,306,717	1,238,681	5.5%	1,335,238	-2.1%	1,306,717	1,238,681	5.5%
Express Pay terminals								
Number of Express Pay terminals	2,823	2,697	4.7%	2,789	1.2%	2,823	2,697	4.7%
Number of transactions via Express Pay terminals	25,264,823	30,510,981	-17.2%	26,385,633	-4.2%	76,810,189	90,338,645	-15.0%
Volume of transactions via Express Pay terminals	1,292,582	826,453	56.4%	1,008,436	28.2%	3,269,820	2,231,417	46.5%
POS terminals								
Number of Desks	9,609	8,228	16.8%	9,205	4.4%	9,609	8,228	16.8%
Number of Contracted Merchants	5,334	4,290	24.3%	5,133	3.9%	5,334	4,290	24.3%
Number of POS terminals	11,997	10,017	19.8%	11,303	6.1%	11,997	10,017	19.8%
Number of transactions via POS terminals	12,143,991	8,546,274	42.1%	11,416,810	6.4%	33,302,656	21,372,809	55.8%
Volume of transactions via POS terminals	392,229	260,440	50.6%	323,901	21.1%	982,235	636,176	54.4%
Internet Banking								
Number of Active Users	188,087	104,717	79.6%	166,874	12.7%	188,087	104,717	79.6%
Number of transactions via Internet Bank	1,430,048	1,432,879	-0.2%	1,752,594	-18.4%	4,901,990	4,129,814	18.7%
Volume of transactions via Internet Bank	321,297	255,749	25.6%	334,094	-3.8%	977,040	763,730	27.9%
Mobile Banking								
Number of Active Users	146,785	62,430	135.1%	127,129	15.5%	146,785	62,430	135.1%
Number of transactions via Mobile Bank	1,812,353	699,916	158.9%	1,232,713	47.0%	4,024,960	1,793,754	124.4%
Volume of transactions via Mobile Bank	190,020	63,283	NMF	122,222	55.5%	406,613	156,701	159.5%

  - **Growth in the client base was due to the increased offering of cost-effective remote channels**. The strong increase to 514,183 customers in 3Q17 continues the sustained growth in our client base over recent periods and was the main driver of the increase in our Retail Banking net fee and commission income
  - **The utilisation of Express Pay terminals continued to grow in 3Q17**. The 3Q17 and 9M17 volume of transactions increased to GEL 1,292.6mln and GEL 3,269.8mln, while the number of transactions was both down both y-o-y and q-o-q. This decrease resulted from management's decision to introduce transaction fees on non-banking transactions processed through Express Pay terminals. However, while this introduction negatively affected the number of transactions, the decrease was more than offset by the total fees charged to clients leading to a 34.5% y-o-y increase in 3Q17 in fee income from express pay terminals
  - **Digital penetration growth.** For mobile banking application, the number of transactions and the volume of transactions continue to show outstanding growth, primarily due to the introduction of our new mobile banking application in May 2017. The new fully-transformed, user-friendly, multi-feature mobile banking application continues to gain popularity. Since its launch on 29 May 2017, and over the course of the following four months, approximately over 188,000 downloads were made by the Bank's customers, while the previous application had less than 120,000 downloads since its launch. c.1.75 million online transactions were performed during the same period using the new application
- **Solo, our premium banking brand, continues its strong growth momentum and investment in its lifestyle brand. The number of Solo clients reached 28,492 at 30 September 2017 (16,964 at 30 September 2016 and 24,984 at 30 June 2017), up 244.0% since its re-launch in April 2015.** We are on track to achieving our target of 40,000 Solo clients by the end of 2018. We have now launched 11 Solo lounges, of which 8 are located in Tbilisi, the capital city, and 3 in major regional cities of Georgia. In 3Q17, annualised profit per Solo client was GEL 1,627 compared to a profit of GEL 86 and GEL 74 per Express and mass retail clients, respectively. Product to client ratio for Solo segment was 6.3, compared to 3.3 and 1.8 for Express and mass retail clients, respectively. While Solo clients currently represent 1.3% of our total retail client base, they contributed 23.0% to our retail loan book, 37.7% to our retail deposits, 14.2% and 17.2% to our net interest income and to our net fee and commission income, respectively, in 3Q17. The fee and commission income from Solo segment increased from GEL 5.7mln in 9M16 to GEL 9.7mln in 9M17. Solo Club, launched in 2Q17, a membership group within Solo, which offers exclusive access to Solo's products and offers ahead of other Solo clients at a higher fee, continues to gain popularity. At 30 September 2017, Solo Club had already 1,527 members, up 61.8% q-o-q
- **MSME banking delivered solid growth.** The number of MSME segment clients reached 157,741 at 30 September 2017, up 24.8 y-o-y and up 2.6% q-o-q. MSME's loan portfolio was GEL 1,585.7mln at 30 September 2017 (up 50.2% y-o-y and up 7.9% q-o-q). MSME segment generated revenue of GEL 32.7mln in 3Q17 (up 54.5% y-o-y and up 16.2% q-o-q)
- **We launched new loyalty program Plus+ on 5 July 2017.** Plus+ is part of RB's customer-centric approach and offers different status levels to customers and reward points that accumulate based on the client's business with the Bank and can be redeemed into partner companies' products and/or services. We launched the program as part of our efforts to increase the Mass Retail segment's product to client ratio from current 1.8 to 3.0
- **As a result, Retail Banking profit reached GEL 68.4mln in 3Q17 (up 21.2% y-o-y and up 29.4% q-o-q) and GEL 172.1mln in 9M17 (up 21.8% y-o-y). Retail Banking continued to deliver an outstanding ROAE, which reached 33.4% in 3Q17 (31.6% in 3Q16 and 26.5% in 2Q17) and 29.1% in 9M17 (28.4% in 9M16)**

Corporate Investment Banking (CIB)

CIB provides (1) loans and other credit facilities to Georgia's large corporate clients and other legal entities, excluding SME and micro businesses; (2) services such as fund transfers and settlements services, currency conversion operations, trade finance services and documentary operations as well as handling savings and term deposits; (3) finance lease facilities through the Bank's leasing operations arm, the Georgian Leasing Company; (4) brokerage services through Galt & Taggart; and (5) Wealth Management private banking services to high-net-worth individuals and offers investment management products internationally through representative offices in London, Budapest, Istanbul and Tel Aviv.

GEL thousands, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	38,550	34,457	11.9%	37,133	3.8%	113,632	107,940	5.3%
Net fee and commission income	5,891	6,680	-11.8%	5,301	11.1%	16,857	19,830	-15.0%
Net banking foreign currency gain	8,852	12,196	-27.4%	10,409	-15.0%	30,691	32,485	-5.5%
Net other banking income	2,359	3,244	-27.3%	1,929	22.3%	6,547	7,652	-14.4%
Revenue	**55,652**	**56,577**	**-1.6%**	**54,772**	**1.6%**	**167,727**	**167,907**	**-0.1%**
Salaries and other employee benefits	(13,982)	(12,851)	8.8%	(12,974)	7.8%	(39,302)	(35,363)	11.1%
Administrative expenses	(3,699)	(3,223)	14.8%	(3,516)	5.2%	(10,750)	(10,270)	4.7%
Banking depreciation and amortisation	(1,339)	(1,285)	4.2%	(1,263)	6.0%	(3,819)	(3,862)	-1.1%
Other operating expenses	(187)	(246)	-24.0%	(188)	-0.5%	(532)	(702)	-24.2%
Operating expenses	**(19,207)**	**(17,605)**	**9.1%**	**(17,941)**	**7.1%**	**(54,403)**	**(50,197)**	**8.4%**
Operating income before cost of credit risk	**36,445**	**38,972**	**-6.5%**	**36,831**	**-1.0%**	**113,324**	**117,710**	**-3.7%**
Cost of credit risk	(14,887)	(10,607)	40.4%	(5,030)	196.0%	(28,616)	(34,093)	-16.1%
Profit before non-recurring items and income tax	**21,558**	**28,365**	**-24.0%**	**31,801**	**-32.2%**	**84,708**	**83,617**	**1.3%**
Net non-recurring items	(334)	1,191	NMF	(259)	29.0%	(1,748)	(14,202)	-87.7%
Profit before income tax	**21,224**	**29,556**	**-28.2%**	**31,542**	**-32.7%**	**82,960**	**69,415**	**19.5%**
Income tax (expense) benefit	(1,780)	(1,308)	36.1%	(1,053)	69.0%	(4,745)	8,813	NMF
Profit	**19,444**	**28,248**	**-31.2%**	**30,489**	**-36.2%**	**78,215**	**78,228**	**0.0%**
BALANCE SHEET HIGHLIGHTS								
Letters of credit and guarantees, standalone*	634,414	427,287	48.5%	514,079	23.4%	634,414	427,287	48.5%
Net loans and finance lease receivables, Currency Blended	1,993,582	2,083,381	-4.3%	2,037,831	-2.2%	1,993,582	2,083,381	-4.3%
Net loans and finance lease receivables, GEL	381,479	335,533	13.7%	390,779	-2.4%	381,479	335,533	13.7%
Net loans and finance lease receivables, FC	1,612,103	1,747,848	-7.8%	1,647,052	-2.1%	1,612,103	1,747,848	-7.8%
Client deposits, Currency Blended	3,308,347	2,580,099	28.2%	2,723,674	21.5%	3,308,347	2,580,099	28.2%
Client deposits, GEL	1,242,933	617,313	101.3%	740,408	67.9%	1,242,933	617,313	101.3%
Client deposits, FC	2,065,414	1,962,786	5.2%	1,983,266	4.1%	2,065,414	1,962,786	5.2%
Time deposits, Currency Blended	1,316,612	1,119,716	17.6%	979,001	34.5%	1,316,612	1,119,716	17.6%
Time deposits, GEL	515,770	141,074	265.6%	139,747	269.1%	515,770	141,074	265.6%
Time deposits, FC	800,842	978,642	-18.2%	839,254	-4.6%	800,842	978,642	-18.2%
Current accounts and demand deposits, Currency Blended	1,991,735	1,460,383	36.4%	1,744,673	14.2%	1,991,735	1,460,383	36.4%
Current accounts and demand deposits, GEL	727,163	476,239	52.7%	600,661	21.1%	727,163	476,239	52.7%
Current accounts and demand deposits, FC	1,264,572	984,144	28.5%	1,144,012	10.5%	1,264,572	984,144	28.5%
Assets under management	1,817,843	1,407,981	29.1%	1,665,716	9.1%	1,817,843	1,407,981	29.1%
RATIOS								
ROAE, Corporate Investment Banking	13.0%	17.9%		20.0%		17.1%	17.5%	
Net interest margin, currency blended	3.5%	3.4%		3.3%		3.4%	3.6%	
Cost of risk	2.3%	1.9%		0.5%		1.0%	1.8%	
Cost of funds, currency blended	4.5%	4.7%		4.8%		4.8%	4.6%	
Loan yield, currency blended	10.6%	10.1%		10.6%		10.6%	10.2%	
Loan yield, GEL	14.3%	12.6%		12.3%		13.0%	13.2%	
Loan yield, FC	9.9%	9.8%		10.2%		10.1%	9.9%	
Cost of deposits, currency blended	3.9%	3.5%		4.2%		3.9%	4.1%	
Cost of deposits, GEL	6.2%	4.9%		7.4%		6.6%	6.8%	
Cost of deposits, FC	2.6%	3.1%		2.9%		2.8%	3.1%	
Cost of time deposits, currency blended	5.9%	6.0%		5.8%		5.7%	5.9%	
Cost of time deposits, GEL	8.3%	9.5%		9.6%		8.3%	9.6%	
Cost of time deposits, FC	4.9%	5.4%		5.2%		5.0%	5.3%	
Current accounts and demand deposits, currency blended	2.6%	1.8%		3.3%		2.9%	2.8%	
Current accounts and demand deposits, GEL	5.2%	3.5%		7.0%		6.0%	6.0%	
Current accounts and demand deposits, FC	1.1%	1.0%		0.9%		0.9%	0.9%	
Cost / income ratio	34.5%	31.1%		32.8%		32.4%	29.9%	
Concentration of top ten clients	10.4%	11.9%		11.1%		10.4%	11.9%	

* Off-balance sheet item

Performance highlights

- **Achieving targets on strategic de-concentration initiative**. During 9M17 CIB continued to deliver on its risk de-concentration and loan portfolio repositioning targets, which resulted in decreased credit losses on y-o-y basis.
    - The concentration of top 10 CIB clients decreased from 11.9% at 30 September 2016 to 11.1% at 30 June 2017 and further to 10.4% at 30 September 2017, the lowest level since the de-concentration initiative was announced in December 2015. Net loan book amounted to GEL 1,993.6mln at 30 September 2017, down 4.3% y-o-y and down 2.2% q-o-q, largely driven by winding down lending relationships with several large borrowers during 9M17. CIB cost of credit risk decreased to GEL 28.6mln in 9M17 (down 16.1% y-o-y)
    - CIB's 3Q17 net banking interest income increased by 11.9% y-o-y, supporting the 5.3% y-o-y growth in 9M17. The y-o-y growth in both 3Q17 and 9M17 net banking interest income reflects increases in the currency blended loan yields over the same periods. CIB's 3Q17 net banking interest income was up by 3.8% q-o-q as a result of the decrease in CIB's loan portfolio size coupled with flat currency blended loan yields, compensated by significant decrease in cost of funds
    - CIB's net fee and commission income was GEL 5.9mln or 10.6% of total CIB revenue in 3Q17, compared to GEL 6.7mln or 11.8% in 3Q16 and GEL 5.3mln or 9.7% in 2Q17. On nine months basis, CIB net fee and commission income was GEL 16.9mln or 10.1% of total CIB revenue in 9M17, compared to GEL 19.8mln or 11.8% in 9M16. The y-o-y decline in 3Q17 and 9M17 was driven by decrease in net fee and commission income from guarantees and letters of credit, reflecting our ongoing risk de-concentration efforts and decreased yields on guarantees and letters of credit as we repositioned our portfolio towards high credit profile corporate clients. However, as the de-concentration of corporate risk targets were achieved, we refocused on increasing the guarantees and letters of credit portfolio to high credit quality clients. Guarantees and letters of credit increased by 23.4% q-o-q in 3Q17, contributing to 34.7% q-o-q increase in the net fees and commission income from guarantees and letters of credit and resulting in 11.1% q-o-q increase in net fees and commission income in 3Q17
- CIB's loan book de-dollarisation maintained its pace in 3Q17 as the share of foreign currency denominated loans declined to 80.9% at 30 September 2017, compared to 83.9% a year ago. This trend reflects corporate clients' increased appetite for borrowings in local currency due to GEL's volatility over the last two years
- In 3Q17, dollarisation of our CIB deposits decreased to 62.4% as at 30 September 2017 from 76.1% a year ago and from 72.8% as at 30 June 2017, which was partially due to the State Treasury of Georgia's decision to place part of their GEL funds on deposits with local commercial banks in 3Q17. Another driver of GEL denominated deposits increase was the significant decrease in interest rates on foreign currency deposits (2.6% in 3Q17, down from 3.1% in 3Q16 and down from 2.9% in 2Q17 and 2.8% in 9M17, down from 3.1% in 9M16). At the same time cost of deposits in local currency in 3Q17 stood at 6.2%, up from 4.9% in 3Q16 and down from 7.4% in 2Q17, however, they still remained well above foreign currency deposit yields. Consequently, total deposits amounted to GEL 3,308.3, up 28.2% y-o-y and up 21.5% q-o-q. On a constant currency basis, total deposits were up 23.5% y-o-y and up 19.3% q-o-q
- **CIB recorded a NIM of 3.5% in 3Q17, up 10bps y-o-y and 20bps q-o-q**. Loan yield was up 50bps y-o-y and flat q-o-q in 3Q17 and cost of funds was down 20bps y-o-y and 30bps q-o-q. On nine months basis, the loan yield and cost of funds were up 40bps and 20bps y-o-y, respectively. The 10bps y-o-y increase in NIM in 3Q17 and 20bps y-o-y decrease in 9M17 were primarily driven by the y-o-y decline in liquid assets yield as a result of increased share of foreign currency denominated liquid assets in the total portfolio of liquid assets
- **Net banking foreign currency gain.** In line with the volatility of the GEL exchange rate, CIB net banking foreign currency gain was GEL 8.9mln in 3Q17 (down 27.4% y-o-y and down 15.0% q-o-q) and amounted to GEL 30.7mln in 9M17 (down 5.5% y-o-y)
- CIB's cost to income ratio increased to 34.5% in 3Q17 from 31.1% in 3Q16 and from 32.8% in 2Q17. On nine months basis, cost to income ratio reached 32.4% in 9M17, up from 29.9% in 9M16. CIB's operating expenses were up 9.1% y-o-y and 7.1% q-o-q in 3Q17 and up 8.4% y-o-y in 9M17, primarily driven by 8.8% y-o-y and 7.8% q-o-q increases in 3Q17 and 11.1% y-o-y increase in 9M17 in staff costs, as a result of CIB's efforts to restructure its corporate recovery and sales teams. The benefits of these undertakings are positively reflected in CIB's lower cost of risk ratio of 1.0% in 9M17, down from 1.8% in 9M16. Although the CIB cost of risk ratio was 2.3% in 3Q17 (up from 1.9% in 3Q16 and up from 0.5% in 2Q17) due to an increase in provisioning levels for two mid-sized corporate borrowers. However, the NPL coverage ratio increased to 83.4% in 3Q17 from 78.3% in 3Q16 and 80.4% in 2Q17
- As a result, Corporate Investment Banking profit reached GEL 19.4mln in 3Q17 (down 31.2% y-o-y and 36.2% q-o-q) and GEL 78.2mln in 9M17 (flat y-o-y) and CIB ROAE stood at 13.0% in 3Q17 compared to 17.9% a year ago and 20.0% in 2Q17. On nine months basis, CIB ROAE was 17.1% compared to 17.5% in 9M16

Performance highlights of wealth management operations

- **The AUM of the Investment Management segment increased to GEL 1,817.8mln in 3Q17, up 29.1% y-o-y and up 9.1% q-o-q.** This includes a) deposits of Wealth Management franchise clients, b) assets held at Bank of Georgia Custody, c) Galt & Taggart brokerage client assets, and d) Global certificates of deposit held by Wealth Management clients
- **Wealth Management deposits were GEL 1,091.1mln in 3Q17, up 10.2% y-o-y and up 3.5% q-o-q, growing at a compound annual growth rate (CAGR) of 12.9% over the last five-year period**. The cost of deposits stood at 3.6% in 3Q17, down 90bps y-o-y and down 40bps q-o-q. On a nine months basis, the cost of deposits was 3.9% in 9M17, down 70bps y-o-y. Wealth Management deposit balances were negatively impacted by clients switching from deposits to local bonds, as Galt & Taggart has offered a number of local bond issuances, yielding higher rates than deposits
- We served 1,416 wealth management clients from 74 countries as of 30 September 2017 as compared to 1,377 clients from 64 countries as of 30 September 2016 and 1,414 clients from 69 countries as of 30 June 2017
- **Galt & Taggart, which brings under one brand corporate advisory and brokerage services, continues to develop local capital markets in Georgia**. During 3Q17 Galt & Taggart acted as:
    - a placement agent for Evex Medical Corporation, a subsidiary of Georgia Healthcare Group, facilitating private a placement of GEL 90mln local bonds due 2022, in July 2017
    - a placement agent for Georgian Water and Power, a subsidiary of Georgia Global Utilities, facilitating a private placement of GEL 40mln local bonds with a maturity of six months, in August 2017
    - a placement agent for Georgian Leasing Company, a subsidiary of JSC Bank of Georgia, facilitating a public placement of USD 10mln bonds due 2020, in September 2017

Discussion of Investment Business Results

*The Group's **Investment Business** is primarily comprised of five segments: Utility & Energy Business (GGU), Healthcare Business (GHG), Real Estate Business (m^2), Property and Casualty Insurance Business (Aldagi) and Beverage Business (Teliani).*

INCOME STATEMENT

GEL thousands, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Gross insurance profit	10,753	10,317	4.2%	10,010	7.4%	31,548	26,899	17.3%
Gross healthcare and pharmacy profit	50,793	35,517	43.0%	51,333	-1.1%	154,468	92,641	66.7%
Gross real estate profit	4,404	10,040	-56.1%	22,914	-80.8%	30,293	18,453	64.2%
Gross utility and energy profit	25,942	17,011	52.5%	22,032	17.7%	65,502	17,011	285.1%
Gross other investment profit	16,248	5,247	NMF	13,794	17.8%	34,326	12,242	180.4%
Revenue	**108,140**	**78,132**	**38.4%**	**120,083**	**-9.9%**	**316,137**	**167,246**	**89.0%**
Operating expenses	**(51,729)**	**(30,100)**	**71.9%**	**(53,590)**	**-3.5%**	**(150,306)**	**(69,186)**	**117.2%**
EBITDA	**56,411**	**48,032**	**17.4%**	**66,493**	**-15.2%**	**165,831**	**98,060**	**69.1%**
Profit from associates	20	256	-92.2%	212	-90.6%	232	4,074	-94.3%
Depreciation and amortisation	(13,739)	(9,755)	40.8%	(12,787)	7.4%	(37,997)	(19,823)	91.7%
Net foreign currency loss	(6,470)	(1,291)	NMF	(64)	NMF	(5)	(4,687)	-99.9%
Interest income	4,367	2,304	89.5%	3,513	24.3%	10,879	4,737	129.7%
Interest expense	(14,419)	(10,536)	36.9%	(15,515)	-7.1%	(42,263)	(17,368)	143.3%
Operating income before cost of credit risk	**26,170**	**29,010**	**-9.8%**	**41,852**	**-37.5%**	**96,677**	**64,993**	**48.7%**
Cost of credit risk	(1,986)	(1,251)	58.8%	(2,629)	-24.5%	(5,840)	(3,977)	46.8%
Profit before non-recurring items and income tax	**24,184**	**27,759**	**-12.9%**	**39,223**	**-38.3%**	**90,837**	**61,016**	**48.9%**
Net non-recurring items	(936)	31,686	NMF	(1,691)	-44.6%	(4,304)	32,078	NMF
Profit before income tax	**23,248**	**59,445**	**-60.9%**	**37,532**	**-38.1%**	**86,533**	**93,094**	**-7.0%**
Income tax (expense) benefit	(2,338)	(3,761)	-37.8%	(1,236)	89.2%	(4,282)	22,548	NMF
Profit	**20,910**	**55,684**	**-62.4%**	**36,296**	**-42.4%**	**82,251**	**115,642**	**-28.9%**
Earnings per share (basic)	**0.39**	**1.33**	**-70.6%**	**0.80**	**-51.1%**	**1.66**	**2.35**	**-29.6%**
Earnings per share (diluted)	**0.37**	**1.33**	**-71.9%**	**0.77**	**-51.3%**	**1.59**	**2.35**	**-32.5%**

Performance highlights

- **GHG delivered strong revenue performance across all its business lines in 3Q17 and 9M17**
  - GHG recorded net revenue of GEL 178.7mln (up 54.8% y-o-y) and GEL 548.4mln (up 90.1% y-o-y) during 3Q17 and 9M17, respectively. During 3Q17, GHG achieved further diversification of its revenues, whereby the total net revenue mix was 34%, 58% and 8% from the healthcare services business, the pharmacy business and the medical insurance business, respectively
  - GHG delivered EBITDA of GEL 26.1mln (up 32.4% y-o-y) and GEL 77.3mln (up 43.8% y-o-y) during 3Q17 and 9M17, respectively. The y-o-y growth was primarily driven by GHG's expansion into the Pharmacy business, which resulted in GHG becoming the number one player in the pharmacy market, similar to GHG's position in the healthcare services market
- **GGU achieved outstanding organic EBITDA growth in 3Q17 and 9M17, while EBITDA margin topped 56% in 3Q17 and 52% in 9M17**
  - GGU delivered revenue of GEL 38.5mln in 3Q17 (up 12.6% y-o-y and up 20.5% q-o-q) and GEL 99.1mln in 9M17 (up 8.9% y-o-y). The increase was driven by increase in water supply revenues, primarily due to increased water consumption, and increase in revenue from electric power sales, as a result of increased power generation and additional revenues from sale of excess electricity to third parties
  - GGU recorded EBITDA of GEL 21.8mln (up 26.2% y-o-y and up 39.0% q-o-q) and GEL 51.9mln in 9M17 (up 18.2% y-o-y)[4]. The growth was primarily driven by well-contained operating expenses as a result of continued rehabilitation works, targeted on increasing efficiencies, and improved receivables collection rates
- **m^2 sold a total of 231 apartments with total sales value of US$ 16.9mln during 3Q17**, compared to 141 apartments sold with a total sales value of US$ 12.6mln in 3Q16 and 90 apartments with a total sales value of US$ 7.6mln in 2Q17. In 3Q17, m^2 recognised net revenue of GEL 4.1mln[5] (GEL 7.4mln in 3Q16 *(see footnote 5 below for y-o-y difference in revenue recognition)* and GEL 22.9mln in 2Q17) and delivered EBITDA of GEL 1.7mln (GEL 6.1mln in 3Q16 and GEL 21.3mln in 2Q17). In 9M17, m^2 has recognised revenue of GEL 29.6mln (GEL 15.1mln in 9M16) and achieved a net profit of GEL

[4] Since BGEO owned 25% of GGU's equity stake until July 2016, we reported our share of GGU's profits under "profit from associates" in our income statement during this period. We started consolidating GGU's financial results from 21 July 2016, when we completed the acquisition of the remaining 75% equity stake in GGU, as part of our Investment Business and included it in the segment results discussion as a separate business

[5] Effective 1 January 2017, the Group, inclusive of m^2, early adopted the new revenue recognition standard, IFRS 15, which requires revenue recognition according to the percentage of completion method. Prior to 1 January 2017, m^2 recognized revenues under IAS 18 upon completion and handover of the units to customers. As a result, the reported revenue figures for 2017 and 2016 are not comparable

22.9mln (GEL 11.4mln in 9M16). The significant y-o-y increase in revenue and profit in 9M17 was attributable to the GEL 21.3mln gain from revaluation of investment property in 2Q17 (refer to the m^2 segment discussion below for more details)

- **Our property and casualty insurance business achieved net underwriting profit of GEL 7.5mln in 3Q17** (up 9.9% y-o-y and up 4.0% q-o-q) and GEL 21.9mln in 9M17 (up 13.2% y-o-y), and net profit of GEL 4.5mln in 3Q17 (up 16.7% y-o-y and up 18.3% q-o-q) and GEL 12.1mln in 9M17 (up 22.1% y-o-y)
- **Teliani delivered revenues of GEL 21.5mln in 3Q17** (up 151.2% y-o-y and up 75.0% q-o-q) and GEL 40.9mln in 9M17 (up 99.7% y-o-y). The y-o-y and q-o-q growth was primarily driven by launch of mainstream beer and lemonade production in 2017, as well as outstanding performance of wine business. Teliani EBITDA was GEL 2.4mln in 3Q17 (up 58.6% y-o-y) and GEL 1.5mln in 9M17 (down 27.5% y-o-y). The y-o-y decrease in 9M17 EBITDA reflects increased sales and marketing efforts and salaries and employee benefits expenses to support the promotion of recently launched mainstream beer and lemonade production during the launch. We expect to begin reporting separately on this segment in 2018
- **As a result of strong performance across all segments, Investment Business recorded EBITDA of GEL 56.4mln in 3Q17 (up 17.4% y-o-y) and GEL 165.8mln in 9M17 (up GEL 69.1% y-o-y)**

Investment Business Segment Result Discussion

The segment results discussion is presented for Utility & Energy Business (GGU), Healthcare Business (GHG), Real Estate Business (m^2) and Property and Casualty Insurance Business (Aldagi).

Utility & Energy Business (Georgia Global Utilities – GGU)[6]

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

Owns and operates 3 hydropower generation facilities (and manages an additional facility) with a total capacity of 149.3MW. Average annual production varies between 380GWh and 560GWh, depending on the level of rainfall during the year. GGU's average annual electricity consumption for its own account is up to 300GWh and has a decreasing trend, meaning that GGU has self-sufficient power for water transportation and it benefits from additional revenue from third-party electricity sales. Over the course of the last two years GGU has managed to achieve efficiencies in its own energy consumption, thus freeing up electricity for third-party sales. The involvement in hydro power production also provides revenue diversification.

Invests in additional capacity for electricity generation with the goal to establish a renewable energy platform. GGU is developing hydro power plants (HPP), as well as solar and wind power sources in Georgia. During 2Q17, GGU commenced construction of a 50MW HPP in the north-western part of Georgia (Svaneti region) with a target to have the HPP operational in December 2018. Moreover, 44.3MW Zoti HPP in the western part of Georgia (Guria region) is currently under development with a target to complete the construction of this plant in the fourth quarter of 2020. 100MW wind projects are currently at the feasibility stage and construction works are planned to commence in the first quarter of 2019.

Strong and stable cash flow generation is expected to enable GGU to sponsor steadily increasing dividend payouts to shareholders starting on the back of 2019 results, with room for efficiencies in water business from improving the worn-out infrastructure. The poor condition of pipeline infrastructure is the main reason for leaks and accidents, causing on average 70% water loss annually, out of which 50% is attributable to technical losses and 20% to commercial losses. The current level of water losses is higher than the peer average and represents a strong efficiency upside for the business. GGU owns and operates a water supply network of around 3,150km and about 2,000km of wastewater pipelines. It also has 55 pumping stations, 101 service reservoirs with a total capacity of 305,000 m^3 and a water treatment plant. Around 560 million m^3 of potable water is supplied from water production/treatment facilities annually. By investing in the pipeline infrastructure, the depreciated asset base is replaced over time leading to continuous growth in the regulated asset base. Moreover, through the reduction of the water supplied to its customers and respective water losses, GGU expects to reduce its own electricity consumption, which can be sold to third parties.

Water tariff & regulation. The current water and wastewater tariff for residential customers in Tbilisi, the largest contributor to water utility revenue, stands at GEL 3.15 (per month, per capita) for non-metered customers and at GEL 0.27 per m^3 for metered customers. All GGU's commercial customers are metered and the tariff stands at GEL 4.42 per m^3. The tariff is set per cubic meter of water consumed by customers. GNERC (Georgian National Energy and Water Supply Regulatory Commission) regulates GGU's water tariffs. GNERC is an independent regulatory body, which is not subject to direct supervision from any authority, however, it is accountable to the parliament. GNERC is funded predominantly from the fees paid by market participants (0.2% of total revenues). In August 2017 GNERC adopted a new methodology for determining tariffs for water and wastewater services. The new methodology is based on international best practices and represents a hybrid method of "cost plus" and "incentive based" methodology. Determination of maximum allowed revenue is Regulatory Asset Base (RAB) based and compensates for investment and maintenance of new and existing regulatory assets, stimulates efficiency in the network through incentivising reduction in controllable operating expenses and delivers fair returns to investors in the utility business. The first regulatory period will be set for three years effective from 1 January 2018. Return on investment (referred to as WACC in the methodology) for the first regulatory period is 15.99% (up from 13.54% in 2017).

GWP, a wholly owned subsidiary of GGU, which operates the water business in Tbilisi, has a credit rating of BB- with stable outlook from Fitch.

[6] Prior to 2Q17, GGU's standalone results excluded the Group's renewable energy business results due to its absence from GGU's legal structure and insignificant size. Effective from 2Q17, we are reporting GGU results on a pro-forma basis together with renewable energy business and have retrospectively revised the comparable information accordingly

Standalone results

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

INCOME STATEMENT

GEL thousands; unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Revenue from water supply to legal entities	24,840	22,203	11.9%	20,592	20.6%	63,768	58,542	8.9%
Revenue from water supply to individuals	8,340	7,735	7.8%	8,142	2.4%	24,393	22,627	7.8%
Revenue from electric power sales	3,788	2,309	64.1%	1,903	99.1%	6,882	6,471	6.4%
Revenue from technical support	796	1,319	-39.7%	739	7.7%	2,208	2,515	-12.2%
Other income	757	648	16.8%	604	25.3%	1,852	849	118.1%
Revenue	**38,521**	**34,214**	**12.6%**	**31,980**	**20.5%**	**99,103**	**91,004**	**8.9%**
Provisions for doubtful trade receivables	(888)	(1,412)	-37.1%	(1,399)	-36.5%	(2,013)	(2,885)	-30.2%
Salaries and benefits	(3,880)	(4,732)	-18.0%	(5,601)	-30.7%	(13,739)	(13,087)	5.0%
Electricity and transmission costs	(5,099)	(4,575)	11.5%	(3,913)	30.3%	(13,984)	(13,998)	-0.1%
Raw materials, fuel and other consumables	(940)	(958)	-1.9%	(436)	115.6%	(2,167)	(2,941)	-26.3%
Infrastructure assets maintenance expenditure	(793)	(788)	0.6%	(357)	122.1%	(1,451)	(2,000)	-27.5%
General and administrative expenses	(971)	(1,026)	-5.4%	(893)	8.7%	(2,726)	(2,738)	-0.4%
Operating taxes	(1,308)	(806)	62.3%	(776)	68.4%	(3,146)	(2,144)	46.7%
Professional fees	(641)	(523)	22.6%	(592)	8.3%	(1,700)	(1,535)	10.7%
Insurance expense	(252)	(258)	-2.3%	(244)	3.3%	(782)	(524)	49.2%
Other operating expenses	(1,989)	(1,890)	5.2%	(2,109)	-5.7%	(5,543)	(5,281)	5.0%
Operating expenses	**(16,761)**	**(16,968)**	**-1.2%**	**(16,320)**	**2.7%**	**(47,251)**	**(47,133)**	**0.2%**
EBITDA	**21,760**	**17,246**	**26.2%**	**15,660**	**39.0%**	**51,852**	**43,871**	**18.2%**
EBITDA Margin	56%	50%	12.1%	49%	15%	*52%*	*48%*	*9%*
Depreciation and amortisation	(5,299)	(4,478)	18.3%	(5,071)	4.5%	(15,191)	(14,140)	7.4%
EBIT	**16,461**	**12,768**	**28.9%**	**10,589**	**55.5%**	**36,661**	**29,731**	**23.3%**
EBIT Margin	43%	37%	15%	33%	29%	*37%*	*33%*	13%
Net interest expense	(3,299)	(2,677)	23.2%	(3,070)	7.5%	(8,636)	(7,585)	13.9%
Net non-recurring expenses	(501)	-	NMF	(251)	99.6%	(753)	-	NMF
Foreign exchange gain (loss)	276	(246)	NMF	(141)	NMF	(194)	(652)	-70.2%
EBT	**12,937**	**9,845**	**31.4%**	**7,127**	**81.5%**	**27,078**	**21,494**	**26.0%**
Income tax (expense) benefit	(334)	(1,167)	-71.4%	(390)	-14.4%	(724)	(2,106)	-65.6%
Profit	**12,603**	**8,678**	**45.2%**	**6,737**	**87.1%**	**26,354**	**19,388**	**35.9%**
Attributable to:								
– Shareholders of the Group	12,704	8,790	44.5%	6,946	82.9%	26,821	19,570	37.1%
– Non-controlling interests	(101)	(112)	-9.8%	(208)	-51.4%	(467)	(181)	158.0%

Performance highlights

- **GGU recorded total revenue of GEL 38.5mln in 3Q17 (up 12.6% y-o-y and up 20.5% q-o-q) and GEL 99.1mln in 9M17 (up 8.9% y-o-y)**
  - Revenue from the water supply to legal entities and individuals reached GEL 33.2mln in 3Q17 (up 10.8% y-o-y and up 15.5% q-o-q) and GEL 88.2mln in 9M17 (up 8.6% y-o-y). Water supply revenue represented 86.1% of the total revenue in 3Q17 (87.5% in 3Q16 and 89.8% in 2Q17) and 89.0% of the total revenue in 9M17 (89.2% in 9M16). Water consumption is characterised by seasonality, whereby sales in the third quarter normally are the highest throughout the year. Revenue from legal entities is generally the largest element of GGU's total revenue and their water consumption pattern is reflected in GGU's quarterly revenues. The y-o-y increase in revenue from water supply to both legal entities and individuals reflects the increased consumption in 9M17 as compared to 9M16, as well as enhanced measurement results based on new metering program (new metering program entails replacement of amortised or obsolete meters for legal entities)
  - Revenue from electricity power sales reached GEL 3.8mln in 3Q17 (up 64.1% y-o-y and up 99.1% q-o-q). The positive trend was a result of increased internal power generation due to the 4.4MW Saguramo HPP, which was launched in full capacity in October 2016 and contributed to an improved sales price per kWh. This enabled the company to generate sufficient power to meet not only its own internal consumption needs, but also sell electricity to third parties. Additionally, GGU managed to export electricity to Turkey at the end of 2Q17 for the first time in its history. The 6.4% y-o-y increase in electricity power sales during 9M17 was driven by outstanding performance in 3Q17 that compensated for low electricity generation due to unfavourable weather conditions during 1H17
  - The y-o-y decrease in the technical support revenue in 3Q17 and 9M17 was due to the early adoption of IFRS 15 from 1 January 2017 that led to the deferral of the revenue from technical support services. Because the accounting change was not applied retrospectively to the period, the growth in the number of new connections executed on behalf of the clients and cash generating therefrom during these periods is not reflected
- **GGU's operating expenses continued to be well-contained and were flat in 9M17. Operating expenses amounted GEL 16.8mln in 3Q17 (down 1.2% y-o-y and up 2.7% q-o-q) and GEL 47.3mln in 9M17 (flat y-o-y)**:
  - The infrastructure asset maintenance expenditure, management's key focus area, was flat y-o-y in 3Q17 and down 27.5% y-o-y in 9M17 as a result of the continued rehabilitation works, targeted on increasing efficiency. The quarterly number of accidents on the infrastructure was 2,459 cases in 3Q17, (down 19.0% y-o-y and up 18.9% q-o-q) and 6,691 cases in

9M17 (down 16.1% y-o-y). The q-o-q increase in the number of accidents on the infrastructure was primarily due to increased seasonal water consumption, resulting in 122.1% q-o-q increase in the infrastructure asset maintenance expenditure in 3Q17. GGU actively invests in the rehabilitation of its infrastructure with a focus on improving efficiency in the medium to long-term. As a result, GGU's all-in cost of 1 meter rehabilitation was GEL 131 in 9M17, down 10.9% from GEL 147 in 9M16

- Given the increased capital expenditures on the infrastructure, employees from technical support department primarily focused on rehabilitation works rather than accident management, which allowed their salaries and employee benefits to qualify for capitalization during 3Q17. Therefore, salaries and employee benefits decreased y-o-y and q-o-q in 3Q17
- Starting from 1Q17, as part of an ongoing process of reviewing receivable provisioning methodology, GGU revisited certain estimates to enhance the method of provision estimation. Under the enhanced method GGU was able to identify the customers who were able to pay all their monthly bills on time, i.e. have no overdue bill balance. This change in accounting estimate had a positive impact on the provision of doubtful receivables in 1Q17, resulting in lower receivables provision expenses in 9M17. The y-o-y and q-o-q decline in provisions for doubtful trade receivables was primarily driven by improved collection rates
- The electricity and transmission costs were up 30.3% q-o-q in 3Q17, as a result of seasonal increase in water consumption, while due to increased electricity transmission fee (guaranteed capacity fee) effective from 1 January 2017, the costs were up 11.5% y-o-y in 3Q17
- Operating taxes were up 62.3% y-o-y and up 68.4% q-o-q in 3Q17 and up 46.7% y-o-y in 9M17, reflecting an increase in GGU's property tax base due to the company's investments in its supply network
- Professional fees increased in all reporting periods in 2017 primarily due to the advisory services received from independent subject matter experts in relation to the assessment of certain operational parameters
- The y-o-y decline in income taxes in 9M17 reflect the impact of changes in corporate taxation model

▪ **GGU reported a) EBITDA of GEL 21.8mln in 3Q17 (up 26.2% y-o-y and up 39.0% q-o-q) and GEL 51.9mln in 9M17 (up 18.2% y-o-y) and b) a profit of GEL 12.6mln in 3Q17 (up 45.2% y-o-y and up 87.1% q-o-q) and GEL 26.4mln in 9M17 (up 35.9% y-o-y)**

STATEMENT OF CASH FLOW

GEL thousands; unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Cash received from customers	42,950	36,653	17.2%	35,638	20.5%	109,170	98,844	10.4%
Cash paid to suppliers	(12,901)	(13,540)	-4.7%	(10,450)	23.5%	(34,682)	(38,224)	-9.3%
Cash paid to employees	(4,565)	(4,582)	-0.4%	(5,047)	-9.6%	(13,472)	(12,367)	8.9%
Interest received	223	19	NMF	151	47.7%	793	186	NMF
Interest paid	(3,078)	(2,776)	10.9%	(2,910)	5.8%	(8,344)	(7,735)	7.9%
Taxes paid	(2,944)	(2,572)	14.5%	(3,826)	-23.1%	(8,528)	(9,014)	-5.4%
Restricted cash in Bank	-	234	NMF	417	NMF	1,362	374	NMF
Cash flow from operating activities	**19,685**	**13,436**	**46.5%**	**13,973**	**40.9%**	**46,299**	**32,064**	**44.4%**
Maintenance capex	(5,934)	(4,549)	30.4%	(5,369)	10.5%	(20,136)	(13,629)	47.7%
Operating cash flow after maintenance capex	**13,751**	**8,887**	**54.7%**	**8,604**	**59.8%**	**26,163**	**18,435**	**41.9%**
Purchase of PPE and intangible assets	(56,778)	(8,176)	NMF	(31,116)	82.5%	(103,225)	(23,205)	NMF
Restricted cash in Bank	3,974	-	NMF	-	NMF	(8,275)	-	NMF
Total cash used in investing activities	**(52,804)**	**(8,176)**	**NMF**	**(31,116)**	**69.7%**	**(111,500)**	**(23,205)**	**NMF**
Proceeds from borrowings	19,462	14,922	30.4%	55,838	-65.1%	87,713	17,885	NMF
Repayment of borrowings	(6,227)	(2,175)	NMF	(4,666)	33.5%	(15,221)	(7,467)	103.8%
Contributions under share-based payment plan	(2,345)	-	NMF	-	NMF	(2,345)	-	NMF
Dividends paid	-	(13,055)	NMF	-	-	-	(13,159)	NMF
Capital increase	4,315	3,036	42.1%	9,054	-52.3%	14,149	4,937	NMF
Total cash flow from financing activities	**15,205**	**2,728**	**NMF**	**60,226**	**-74.8%**	**84,296**	**2,196**	**NMF**
Effect of exchange rates changes on cash	295	(128)	NMF	(283)	NMF	(682)	(1,073)	-36.4%
Total cash inflow/(outflow)	**(23,553)**	**3,311**	**NMF**	**37,431**	**NMF**	**(1,723)**	**(3,647)**	**-52.8%**
Cash balance								
Cash, beginning balance	54,210	6,399	NMF	16,777	NMF	32,380	13,357	142.4%
Cash, ending balance	**30,657**	**9,710**	**NMF**	**54,208**	**-43.4%**	**30,657**	**9,710**	**NMF**

▪ **GGU has an outstanding receivables collection rate within the 95-98% range from water supply.** During the nine months of 2017, the collection rate for legal entities and households was 98% and 93%, respectively. As a result, GGU had GEL 7.3mln overdue receivables outstanding at 30 September 2017. While Georgian water utility sector historically had low receivables collection rates, as a result of GGU's arrangement with electricity suppliers since 2011, which allows disconnection of non-paying water customers from the electricity network, GGU's collection rates remained very strong at around 96% level. In return, electricity suppliers receive flat monetary compensation from GGU (c.GEL 1.3mln p.a. since 2015)

BALANCE SHEET

GEL thousands; unless otherwise noted	**Sep-17**	**Sep-16**	**Change y-o-y**	**Jun-17**	**Change q-o-q**
Cash and cash equivalents	30,657	9,710	NMF	54,208	-43.4%
Trade and other receivables	25,176	22,725	10.8%	21,846	15.2%
Prepaid taxes other than income tax	6,740	4,316	56.2%	1,072	NMF
Prepayments	11,108	988	NMF	5,353	107.5%
Inventories	3,780	3,727	1.4%	3,299	14.6%
Current income tax prepayments	1,256	591	112.5%	1,406	-10.7%
Total current assets	**78,717**	**42,057**	**87.2%**	**87,184**	**-9.7%**
Property, plant and equipment	410,835	313,824	30.9%	370,646	10.8%
Investment Property	18,371	19,417	-5.4%	18,371	0.0%
Intangible assets	1,170	1,144	2.3%	1,324	-11.6%
Restructured trade receivables	141	23	NMF	160	-11.9%
Restricted Cash	11,449	2,667	NMF	15,041	-23.9%
Other non-current assets	25,127	1,020	NMF	10,671	135.5%
Total non-current assets	**467,093**	**338,095**	**38.2%**	**416,213**	**12.2%**
Total assets	**545,810**	**380,152**	**43.6%**	**503,397**	**8.4%**
Current borrowings	62,498	19,855	NMF	54,300	15.1%
Trade and other payables	22,887	20,572	11.3%	22,261	2.8%
Provisions for liabilities and charges	803	848	-5.3%	781	2.8%
Other taxes payable	4,119	4,338	-5.0%	2,396	71.9%
Total current liabilities	**90,307**	**45,613**	**98.0%**	**79,738**	**13.3%**
Long term borrowings	122,624	64,388	90.4%	111,291	10.2%
Deferred income tax liability	-	260	NMF	-	-
Deferred income	18,290	-	NMF	17,833	2.6%
Total non-current liabilities	**140,914**	**64,648**	**118.0%**	**129,124**	**9.1%**
Total liabilities	**231,221**	**110,261**	**109.7%**	**208,862**	**10.7%**
Share capital	15,873	5,926	167.9%	13,062	21.5%
Additional paid-in-capital	1,623	-	NMF	846	91.8%
Retained earnings	106,968	82,060	30.4%	93,870	14.0%
Other reserve	181,735	180,040	0.9%	180,924	0.4%
Total equity attributable to shareholders of the Group	**306,199**	**268,026**	**14.2%**	**288,702**	**6.1%**
Non-controlling interest	8,390	1,865	NMF	5,833	43.8%
Total equity	**314,589**	**269,891**	**16.6%**	**294,535**	**6.8%**
Total liabilities and equity	**545,810**	**380,152**	**43.6%**	**503,397**	**8.4%**

- The increase in property, plant and equipment is primarily due to the additional investments into the company's infrastructure carried out during 2016 and 9M17 in order to upgrade the network and further reduce water losses and achieve cost efficiencies
- The significant q-o-q increase in other non-current assets and prepaid taxes other than income tax at 30 September 2017 is primarily due to the prepayments made to suppliers and related taxes paid as a result of additional investments on 50MW HPP construction in Svaneti region in 3Q17
- The increase in borrowings and cash and cash equivalents during 3Q17 are primarily due to additional financing obtained from local financial institutions, which supported the additional investments in PPE
- **GGU secured long-term financing from international financial institutions (IFIs) for efficiency-related capital expenditures purposes.** In 3Q17, GWP signed long-term loan facility agreements with European Investment Bank (EIB), The Netherlands Development Finance Company (FMO) and German Investment Corporation (DEG) attracting up to EUR 81.5mln in total. This is the first IFI financing for GWP and a significant milestone for GGU, as it enables the company to develop and modernise the water infrastructure, tapping efficiencies in the network. Around 40% of the financing was obtained in local currency, with the remaining part denominated in EUR. First draw-down was made in October 2017

Healthcare business (Georgia Healthcare Group or GHG)

Standalone results

***GHG** is the largest integrated player in the fast-growing predominantly privately-owned Georgia Healthcare ecosystem with an aggregated value of GEL 3.5 billion. GHG is comprised of three different business lines: healthcare services business (consisting of a hospital business and Polyclinics (ambulatory clinics)), pharmacy business and medical insurance business. BGEO Group owns 57.0% of GHG at 30 September 2017, with the remaining shares being held by the public (largely institutional investors). GHG's results are fully consolidated in BGEO Group's results. GHG's shares are listed on the London Stock Exchange. The results below refer to GHG standalone numbers and are based on GHG's reported results, which are published independently and available on GHG's web-site: [ghg.com.ge](ghg.com.ge)*

INCOME STATEMENT *GEL thousands; unless otherwise noted*	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Revenue, gross	**179,065**	**116,159**	**54.2%**	**184,601**	**-3.0%**	**550,113**	**290,408**	**89.4%**
Corrections & rebates	(407)	(762)	-46.6%	(660)	-38.3%	(1,690)	(1,896)	-10.9%
Revenue, net	**178,658**	**115,397**	**54.8%**	**183,941**	**-2.9%**	**548,423**	**288,512**	**90.1%**
Revenue from healthcare services	63,598	58,543	8.6%	65,940	-3.6%	195,263	176,639	10.5%
Revenue from pharmacy	106,607	45,725	133.1%	110,942	-3.9%	328,948	76,416	330.5%
Net insurance premiums earned	13,959	16,054	-13.0%	13,410	4.1%	41,334	45,182	-8.5%
Eliminations	(5,506)	(4,925)	11.8%	(6,351)	-13.3%	(17,122)	(9,725)	76.1%
Costs of services	**(123,467)**	**(76,563)**	**61.3%**	**(130,247)**	**-5.2%**	**(383,460)**	**(188,109)**	**103.8%**
Cost of healthcare services	(36,916)	(31,170)	18.4%	(37,652)	-2.0%	(112,345)	(95,567)	17.6%
Cost of pharmacy	(80,237)	(35,915)	123.4%	(84,822)	-5.4%	(249,467)	(60,974)	NMF
Cost of insurance services	(11,968)	(13,939)	-14.1%	(12,718)	-5.9%	(37,420)	(40,775)	-8.2%
Eliminations	5,653	4,461	26.7%	4,945	14.3%	15,771	9,207	71.3%
Gross profit	**55,191**	**38,834**	**42.1%**	**53,694**	**2.8%**	**164,963**	**100,403**	**64.3%**
Salaries and other employee benefits	(18,759)	(10,841)	73.0%	(18,424)	1.8%	(54,911)	(26,993)	103.4%
General and administrative expenses	(11,600)	(7,985)	45.3%	(11,400)	1.8%	(36,352)	(17,253)	110.7%
Impairment of receivables	(918)	(172)	NMF	(1,003)	-8.5%	(3,042)	(2,388)	27.4%
Other operating income	2,200	(109)	NMF	3,229	-31.9%	6,611	(31)	NMF
EBITDA	**26,114**	**19,727**	**32.4%**	**26,096**	**0.1%**	**77,269**	**53,738**	**43.8%**
Depreciation and amortisation	(6,384)	(5,215)	22.4%	(6,481)	-1.5%	(18,737)	(14,261)	31.4%
Net interest expense	(7,691)	(3,838)	100.4%	(7,828)	-1.8%	(22,638)	(8,963)	152.6%
Net gains/(losses) from foreign currencies	(1,336)	(263)	NMF	986	NMF	2,428	(2,487)	NMF
Net non-recurring income/(expense)	(872)	(49)	NMF	(1,478)	-41.0%	(4,142)	(864)	NMF
Profit before income tax	**9,831**	**10,362**	**-5.1%**	**11,295**	**-13.0%**	**34,180**	**27,163**	**25.8%**
Income tax (expense)/benefit	(92)	(587)	-84.3%	(88)	4.5%	(199)	27,838	NMF
of which: Deferred tax adjustments	-	*2,198*		-			*29,311*	
Profit for the period	**9,739**	**9,775**	**-0.4%**	**11,207**	**-13.1%**	**33,981**	**55,001**	**-38.2%**
Attributable to:								
- shareholders of GHG	6,261	7,125	-12.1%	6,172	1.4%	21,265	44,801	-52.5%
- non-controlling interests	3,478	2,650	31.2%	5,035	-30.9%	12,716	10,200	24.7%
of which: Deferred tax adjustments	-	*352*		-			*5,057*	

Performance highlights

- **GHG delivered revenue of GEL 179.1mln in 3Q17 (up 54.2% y-o-y and down 3.0% q-o-q) and GEL 550.1mln in 9M17 (up 89.4% y-o-y).** The y-o-y revenue growth in 3Q17 and 9M17 was mainly attributable to the pharmacy business (GPC and Pharmadepot acquired in and consolidated from May 2016 and January 2017, respectively). The healthcare services business was the second largest contributor to y-o-y revenue growth, with growth of 7.9% in 3Q17 and 10.3% in 9M17
- **In 3Q17 and 9M17, GHG achieved a well-diversified revenue mix**, spread across all three segments of the Georgian healthcare ecosystem. In the nine months of 2017, 34% of the GHG's revenue came from the healthcare services business, 58% from pharmacy business and the remaining 8% from medical insurance business. The high level of diversification was achieved through GHG's entrance and further expansion into the pharmacy business, which is funded almost entirely out-of-pocket and therefore helped GHG to further diversify its revenue by payment sources. This translated into c.54% of total revenue from out-of-pocket payments, c.24% from Georgia's Universal Health Program and c.22% from other sources in 9M17
- **In 3Q17, GHG continued to focus on extracting operating efficiencies and synergies across the business lines.** As anticipated, healthcare services business margins are temporarily reduced due to the launches of new healthcare facilities and services, which are currently in their rapid build-out phase**.** The gross margin in the pharmacy business increased q-o-q mainly as a result of realising previously announced procurement synergies as the largest purchaser of pharmaceuticals in Georgia and increasing the share of higher margin private labelled medicines in its pharmacies. GHG's medical insurance business margins also improved reflecting seasonally strong quarter for insurance business, as well as through successful implementation of new initiatives to refocus on more profitable clients. These resulted in an improved loss ratio of 80.0% in 3Q17, down from 89.0% in 2Q17, on track towards target of less than 80% loss ratio
- **GHG reported EBITDA of GEL 26.1mln in 3Q17 (up 32.4% y-o-y and up 0.1% q-o-q) and GEL 77.3mln in 9M17 (up 43.8% y-o-y)**. The EBITDA margin for healthcare services business was 26.0% in 3Q17 (30.0% in 3Q16 and 27.5% in

2Q17) and 26.3% in 9M17 (29.6% in 9M16). The temporary reduction in the EBITDA margin in 3Q17 and 9M17 was due to the launch of new healthcare facilities and services which are currently in their initial roll-out phase. GHG expects further margin increases for healthcare services business going forward. The healthcare services business was the main contributor to GHG's EBITDA, contributing 64% in total EBITDA in 3Q17, followed by pharmacy business, contributing 34% in total EBITDA during 3Q17. Pharmacy business EBITDA margin was 8.3% in 3Q17, surpassing its goal of 8% EBITDA margin target. Medical insurance business also reported positive EBITDA in 3Q17, contributing 3% to total EBITDA

- **GHG's profit totaled GEL 9.7mln in 3Q17 (flat y-o-y and down 13.1% q-o-q) and GEL 34.0mln in 9M17 (up 21.7% y-o-y on a normalised[7] basis).** The healthcare services business was the main driver of 3Q17 profit, contributing GEL 5.9mln, followed by pharmacy and medical insurance businesses, which contributed GEL 3.6mln and GEL 0.2mln, respectively
- GHG's balance sheet increased substantially over the last twelve months, reaching GEL 1,123.7mln as at 30 September 2017 (up 28.1% y-o-y and up 5.5% q-o-q). The 28.1% y-o-y growth in total assets was largely driven by the increase in property and equipment, reflecting investments in the renovation of hospitals, roll-out of Polyclinics and the consolidation of the pharmacy business, Pharmadepot. The pharmacy businesses consolidation primarily affected inventories and goodwill. Out of the GEL 117.1mln inventory balance at 30 September 2017, GEL 97.8mln was attributable to the pharmacy business, while balance of goodwill from the acquisitions of the pharmacy businesses amounted to GEL 77.8mln at 30 September 2017. The 15.5% q-o-q increase in cash and cash equivalents is driven by the proceeds from issuance of local currency denominated bonds as noted below. The 34.6% q-o-q increase in prepayments balance is driven by the active construction phase of two flagship hospitals, which are planned to be finalized in 4Q17. Borrowed funds increased y-o-y and q-o-q in 3Q17 and 9M17 as a result of following factors: 1) From the first quarter of 2017, GHG sourced longer-term and less expensive funding from both local commercial banks and Development Financial Institutions ("**DFIs**") and used the proceeds for the development of healthcare facilities; 2) At the beginning of 2017, GHG raised GEL 33.0mln from a local commercial bank to pay the first tranche of consideration payable for the Pharmadepot acquisition; and 3) In 3Q17 healthcare services business issued GEL 90mln local bonds. The c.90% of the proceeds were used to refinance previously issued bonds denominated in USD and the borrowings from local commercial banks, which were relatively expensive source of funding. The remaining proceeds were allocated to finance planned ongoing capital expenditures. The y-o-y increase in accounts payable is also attributable to the pharmacy business. Out of the GEL 92.6mln accounts payable balance, GEL 64.5mln relates to the pharmacy business
- During 3Q17, GHG continued to invest in the development of the healthcare facilities. Healthcare services business spent a total of GEL 27.4mln on capital expenditures, primarily on the extensive renovations of Deka and Sunstone hospitals, as well as enhancing service mix and introducing new services to cater to previously unmet patient needs. Of this, maintenance capex was GEL 2.3mln
- In July 2017, healthcare service business acquired referral and community hospital in the Khashuri and Qareli regions (together the "**Hospitals**"), respectively. The acquisition is in line with the healthcare services business strategy to expand its presence across the country, especially in underrepresented regions of Georgia. Following the acquisition of the Hospitals, the number of referral and community hospitals increased to 16 and 21, respectively. The Hospitals are located in the Khashuri and Qareli regions, which have a combined population of c.100,000 people, and operate with 65 and 25 beds, respectively. These acquisitions further enable GHG to direct patients to its referral hospitals, primarily in Kutaisi and Tbilisi, thus providing potential for revenue synergies. This acquisitions also strengthens GHG's outpatient capacity in these two regions, since GHG's community hospitals are well suited for providing full scale ambulatory services
- GHG's healthcare services market share by number of beds was 23.8% at 30 September 2017

[7] Comparison on a normalised basis – 9M16 net profit was normalised and adjusted for one-off non-recurring gain due to deferred tax adjustments (in the amount of GEL 29.3mln, which fully resulted from the healthcare services business) and adjusted for one-off currency translation loss in June (in the amount of GEL 2.1mln), which resulted from settlement of the US dollar denominated payable for the acquisition of GPC, GHG's pharmacy business

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

Standalone results[8]

Our Real Estate business is operated through the Group's wholly-owned subsidiary m^2, which develops residential property and related commercial space, and to a lesser extent hotel properties, in Georgia. m^2 Real Estate has historically outsourced the construction and architecture works, whilst itself focusing on project management and sales. In June 2017, m^2 acquired BK Construction LLC, a local real estate construction company, with the aim to bring the construction works in-house to achieve cost and project development efficiencies. m^2 targets to meet the unsatisfied demand in Tbilisi for housing through its well-established branch network and sales force.

INCOME STATEMENT[9] *GEL thousands, unless otherwise noted*	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Revenue from sale of apartments	27,530	53,664	-48.7%	15,926	72.9%	61,855	86,991	-28.9%
Cost of sold apartments	(25,532)	(47,826)	-46.6%	(15,076)	69.4%	(57,717)	(74,592)	-22.6%
Net revenue from sale of apartments	**1,998**	**5,838**	**-65.8%**	**850**	**135.1%**	**4,138**	**12,399**	**-66.6%**
Revenue from operating leases	833	733	13.6%	881	-5.4%	2,613	1,919	36.2%
Cost of operating leases	(142)	(83)	71.1%	(197)	-27.9%	(422)	(180)	134.4%
Net revenue from operating leases	**691**	**650**	**6.3%**	**684**	**1.0%**	**2,191**	**1,739**	**26.0%**
Revaluation of commercial property	1,297	951	36.4%	21,306	-93.9%	23,082	951	NMF
Gross real estate profit	**3,986**	**7,439**	**-46.4%**	**22,840**	**-82.5%**	**29,411**	**15,089**	**94.9%**
Gross other profit	163	(31)	NMF	47	NMF	221	(19)	NMF
Revenue	**4,149**	**7,408**	**-44.0%**	**22,887**	**-81.9%**	**29,632**	**15,070**	**96.6%**
Salaries and other employee benefits	(712)	(491)	45.0%	(504)	41.3%	(1,623)	(1,124)	44.4%
Administrative expenses	(1,784)	(781)	128.4%	(1,050)	69.9%	(4,261)	(3,162)	34.8%
Operating expenses	**(2,496)**	**(1,272)**	**96.2%**	**(1,554)**	**60.6%**	**(5,884)**	**(4,286)**	**37.3%**
EBITDA	**1,653**	**6,136**	**-73.1%**	**21,333**	**-92.3%**	**23,748**	**10,784**	**120.2%**
Depreciation and amortisation	(64)	(65)	-1.5%	(63)	1.6%	(193)	(178)	8.4%
Net foreign currency gain / (loss)	73	179	-59.2%	(90)	-181.1%	(211)	1,201	-117.6%
Interest income	192	305	-37.0%	290	-33.8%	671	305	120.0%
Interest expense	(44)	(46)	-4.3%	(47)	-6.4%	(139)	(180)	-22.8%
Net operating income before non-recurring items	**1,810**	**6,509**	**-72.2%**	**21,423**	**-91.6%**	**23,876**	**11,932**	**100.1%**
Net non-recurring items	(48)	(182)	-73.6%	193	-124.9%	69	23	200.0%
Profit before income tax	**1,762**	**6,327**	**-72.2%**	**21,616**	**-91.8%**	**23,945**	**11,955**	**100.3%**
Income tax (expense) / benefit	(1,073)	319	NMF	-	NMF	(1,073)	(525)	104.4%
Profit	**689**	**6,646**	**-89.6%**	**21,616**	**-96.8%**	**22,872**	**11,430**	**100.1%**

Performance highlights

- **During 3Q17 m^2 continued to unlock values through real estate development and recorded net revenue from sale of apartments of GEL 2.0mln, up 135.1% q-o-q**
- **3Q17 quarterly sales performance was the best quarter in m^2's history. During 9M17, the Company sold a total of 464 apartments with total sales value of US$ 34.6mln, compared to 298 apartments sold with total sales value of US$ 26.9mln during 9M16.** During 3Q17, m^2 sold a total of 231 apartments with total sales value of US$ 16.9mln, compared to 141 apartments sold with total sales value of US$ 12.6mln during 3Q16 and 90 apartments with total sales value of US$ 7.6mln in 2Q17
- Net revenue from the sale of apartments is by its nature variable and depends on the number of projects underway at a given time. We also adopted a new accounting treatment in 2017 which applies a completely different basis for recognizing revenue. Accordingly, y-o-y comparisons are not meaningful and will not be commented upon. Net revenue from the sale of apartments in 3Q17 was up 135.1% q-o-q as a result of the outstanding sales performance
- Net revenue from operating leases increased by 6.3% and 26.0% y-o-y in 3Q17 and 9M17, respectively, supported by the growth in the commercial real estate portfolio. Consequently, the portfolio of yielding assets represented 20.3% of m^2 Real Estate's total assets at 30 September 2017, compared to 14.5% a year ago and 20.6% at 30 June 2017
- **During 9M17 m^2 recorded a strong gain from investment property revaluation of GEL 23.1mln. As a result, its portfolio of yielding assets, including the revaluation gain, increased by 80.6% and 6.4% to GEL 72.3mln at 30 September 2017 as compared to GEL 40.1mln at 30 September 2016 and GEL 68.0mln at 30 June 2017, respectively.** Revaluation of commercial property increased materially in 2Q17 due to the revaluation of three under construction investment properties. m^2 previously measured investment property under construction at cost, as allowed by IFRS, on the basis that fair value determination was difficult due to lack of comparable data and reliability of alternative fair value measurements. During 2Q 2017, management reassessed the approach and concluded that given a) the recent transactions of under construction properties on the local market, b) management's track record in building and renting out commercial

[8] Prior to 1Q17, m^2 Real Estate results presented were segment results, i.e. including Group elimination and consolidation adjustments. Effective 1Q17, and similar to other investment business entities, we are reporting stand-alone results for m^2 Real Estate

[9] The net revenue trend between the third quarter and nine months of 2017 and 2016 is not comparable given the early adoption of IFRS 15 from 1 January 2017. Prior to 1 January 2017, m2 recognised revenues from sales of residential units upon completion and handover of the units to customers in line with IAS 18, while under IFRS 15 revenue is recognized according to the percentage of completion method. Accordingly, we will not comment on y-o-y comparisons

properties and c) availability of increased statistical information; that reliable measurement of fair value was warranted. Accordingly, management hired an independent, internationally recognised, valuation company to determine the fair values and recorded a GEL 21.3mln revaluation gain in 2Q17. Additional revaluation gain from investment properties in the amount of GEL 1.3mln was recorded in 3Q17

- As a result, m^2 recognised total revenue of GEL 4.1mln in 3Q17 and net profit of GEL 0.7mln. Total revenue reached GEL 29.6mln in 9M17 and profit amounted to GEL 22.9mln during the same period
- The y-o-y and q-o-q movements in income tax expense (benefit) relate to provision to tax return adjustments as a result of submission of final 2016 tax returns during 3Q17

BALANCE SHEET

GEL thousands, unless otherwise noted	Sep-17	Sep-16	Change y-o-y	Jun-17	Change q-o-q
Cash and cash equivalents	51,434	40,160	28.1%	52,817	-2.6%
Amounts due from credit institutions	50	-	NMF	386	-87.0%
Investment securities	2,974	2,311	28.7%	2,979	-0.2%
Accounts receivable	13,749	677	NMF	6,517	111.0%
Prepayments	35,265	20,374	73.1%	26,312	34.0%
Inventories	68,967	93,081	-25.9%	68,822	0.2%
Investment property, of which:	137,197	101,733	34.9%	136,594	0.4%
Land bank	*64,868*	*61,681*	*5.2%*	*68,622*	*-5.5%*
Commercial real estate	*72,329*	*40,052*	*80.6%*	*67,972*	*6.4%*
Property and equipment	22,429	1,628	NMF	14,486	54.8%
Other assets	23,683	15,700	50.8%	20,604	14.9%
Total assets	**355,748**	**275,664**	**29.1%**	**329,517**	**8.0%**
Amounts due to credit institutions	59,643	38,463	55.1%	56,723	5.1%
Debt securities issued	63,288	46,361	36.5%	60,268	5.0%
Accruals and deferred income	72,249	57,889	24.8%	58,654	23.2%
Other liabilities	11,957	15,085	-20.7%	6,915	72.9%
Total liabilities	**207,137**	**157,798**	**31.3%**	**182,560**	**13.5%**
Share Capital	4,180	4,180	-	4,180	-
Additional paid-in capital	84,788	84,662	0.1%	86,987	-2.5%
Other reserves	7,251	-	NMF	4,087	77.4%
Retained earnings	52,392	29,024	80.5%	51,703	1.3%
Total equity	**148,611**	**117,866**	**21.1%**	**146,957**	**1.1%**
Total liabilities and equity	**355,748**	**275,664**	**-1.5%**	**329,517**	**8.0%**

- m^2 continued to have a strong, diversified and well managed balance sheet. At 30 September 2017, total assets were GEL 355.7mln (up 29.1% y-o-y and up 8.0% q-o-q), made up by 14.5% cash, 9.9% prepayments, 19.4% inventories (apartments in development), 38.6% investment property (land bank and commercial real estate) and 17.7% all other assets. Borrowings, which consist of debt raised from Development Financial Institutions ("**DFIs**") and debt securities issued on the local market, represent 34.6% of the total balance sheet
- m^2 currently has a land bank with a total value of GEL 64.9mln on its balance sheet. We do not expect the land bank to grow, as the company's strategy is to utilise its existing land plots within three to four years and, in parallel, start development of third party land plots under franchise agreements

Operating highlights

The nine months of 2017 was record breaking for m^2 with regard to the number of apartments sold, square meters sold and sales revenue. The 3Q17 was characterized by the successful sell-out of Kartozia Street project apartments, which resulted in available number of apartments for sale decreasing by 49% q-o-q from 383 to 197 at 30 September 2017. Moreover, m^2 continued to build up its portfolio of yielding assets, including hotels, to match the growing demand for accommodation generated by the robust growth of the tourism sector. m^2 commenced construction works on a mixed-use development on Melikishvili Avenue, where it plans to open a four-star Ramada hotel, which is expected to be the first construction project undertaken in-house by our recently acquired subsidiary, BK Construction LLC. Existing income-generating properties are successfully leased at an 86% occupancy rate with an average yield of 9.0%. m^2 continued its outstanding performance in construction with more than 180,000 square meters (more than 99,500 square meters of net sellable area) currently under construction across five ongoing projects, all of which are on schedule.

- **m^2 has started eleven projects since its establishment in 2010, of which, six projects have already been completed, while the construction of five projects is ongoing. m^2 has completed all of its projects on or ahead of scheduled time and within budget.** The five on-going projects have the following characteristics:
  - **Kartozia Street project:** the largest ever project carried out by m^2, with a total of 801 apartments in a central location in Tbilisi, of which 604 units are sold
  - **Skyline project** - a luxury residential apartment building in Old Tbilisi neighbourhood with few apartments (19 in total, of which 10 are sold), with prices amounting to twice that of m^2 Real Estate's average prices charged on other projects

- **Kazbegi Avenue II project -** a mixed-use development with 302 residential apartments and a hotel (m^2 Real Estate has the exclusive right to develop Wyndham Ramada Encore hotels in Georgia) with a capacity of 152 rooms. The construction started in June 2016, with sales of 173 apartments to date
- **50 Chavchavadze Avenue project -** the project is located in the central part of Tbilisi with a total of 82 apartments, of which 62 are sold
- **Melikishvili Avenue project** - a mixed-use four-star development with a capacity of 125 rooms and 16 residential apartments, of which 6 are already sold

- **m^2 has a very good track record of selling apartments.** Out of the 1,672 apartments completed to date since inception, only 16 or 1.0% remain in stock as available for sale. m^2 retains ownership of some of the apartments leased out to strategic tenants such as the US Embassy in Georgia. The five ongoing projects, described above, have a total capacity of 1,220 apartments, of which 855 apartments or 70.1% are sold. Currently, a total of 381 units are available for sale, out of the total of 2,892 apartments either already developed or under development phase

OPERATING DATA
for completed and on-going projects, as of 30 September 2017

#	Project name	Number of apartments	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	Start date (construction)	Actual / Planned Completion date (construction)	Construction completed %
Completed projects		1,672	1,656	99.0%	16			
1	Chubinashvili Street	123	123	100.0%	-	Sep-10	Aug-12	100%
2	Tamarashvili Street	525	523	99.6%	2	May-12	Jun-14	100%
3	Kazbegi Street	295	295	100.0%	-	Dec-13	Feb-16	100%
4	Nutsubidze Street	221	221	100.0%	-	Dec-13	Sep-15	100%
5	Tamarashvili Street II	270	266	98.5%	4	Jul-14	Jun-16	100%
6	Moscow Avenue	238	228	95.8%	10	Sep-14	Jun-16	100%
On-going projects		1,220	855	70.1%	365			
7	Kartozia Street	801	604	75.4%	197	Nov-15	Oct-18	69%
8	Skyline	19	10	52.6%	9	Dec-15	Oct-17	98%
9	Kazbegi Street II	302	173	57.3%	129	Jun-16	Nov-18	35%
10	50 Chavchavadze Ave.	82	62	75.6%	20	Oct-16	Oct-18	47%
11	Melikishvili ave.	16	6	37.5%	10	Sep-17	May-19	3%
	Total	2,892	2,511	86.8%	381			

- Since its inception, m^2 Real Estate unlocked US$ 16.4mln in total land value from the six completed projects, while an additional US$ 17.3mln in land value is expected to be unlocked from the five ongoing projects

FINANCIAL DATA
for completed and on-going projects, as of 30 September 2017

#	Project name	Total Sales (US$ mln)	Recognised as revenue (US$ mln)	Deferred revenue (US$ mln)	Deferred revenue expected to be recognised as revenue in 2017	Land value unlocked (US$)	Realised & Expected IRR
Completed projects		139.0	138.9	-	-	16.4	
1	Chubinashvili street	9.9	9.9	-	-	0.9	47%
2	Tamarashvili street	48.6	48.6	-	-	5.4	46%
3	Kazbegi Street	27.2	27.2	-	-	3.6	165%
4	Nutsubidze Street	17.4	17.4	-	-	2.2	58%
5	Tamarashvili Street II	24.3	24.3	-	-	2.7	71%
6	Moscow avenue	11.7	11.5	-	-	1.6	31%
On-going projects		68.8	41.3	27.4	21.6	17.3	
7	Kartozia Street	41.2	24.8	16.4	13.9	5.8	60%
8	Skyline	4.6	4.5	0.1	0.1	3.1	329%
9	Kazbegi Street II	14.7	7.4	7.3	5.0	4.3	51%
10	50 Chavchavadze ave.	6.8	4.0	2.8	2.5	3.3	75%
11	Melikishvili ave.	1.5	0.6	1.0	0.1	0.8	101%
	Total	207.8	180.2	27.4	21.6	33.7	

- The number of apartments financed with BOG mortgages in all m^2 projects reached 1,119 or GEL 136.3mln at 30 September 2017

Property and Casualty Business (Aldagi or P&C)

Standalone results

Our Property and Casualty (P&C) insurance business is operated through the Group's wholly-owned subsidiary Aldagi, which is a leading player in the local P&C insurance market with a market share of 37.9% based on gross premium earned at 30 June 2017. The company offers a wide range of insurance products in Georgia to corporate and retail clients, covering more than 51,000 customers through five business lines: motor, property, credit life, liability and other insurance services. Aldagi's insurance products are offered through its offices in Tbilisi and large cities across Georgia, a network of insurance agents, partner local banks and non–financial institutions (such as major car dealerships), insurance brokers and online portals.

Aldagi's P&C products principally include the following: a) motor insurance covering vehicle damage and third-party liability with 23,260 active clients and a 41% market share, b) property insurance including commercial property coverage, contractor's performance and damage risks coverage with 13,175 active clients and a 37% market share, c) credit life insurance covering loan-linked life insurance services with a group of three active clients and a 30% market share, d) liability insurance covering financial risks, employer's liability, professional indemnity, general third party liability, etc. with 1,088 active clients and a 43% market share. Aldagi's other products include agro insurance, cargo insurance, livestock insurance, bankers blanket bond insurance, and directors' and officers' liability insurance services with 16,711 active clients and a 33% market share.

INCOME STATEMENT			Change		Change			Change
GEL thousands, unless otherwise noted	**3Q17**	**3Q16**	**y-o-y**	**2Q17**	**q-o-q**	**9M17**	**9M16**	**y-o-y**
Gross premium written	21,322	18,122	17.7%	30,283	-29.6%	70,512	58,715	20.1%
Earned premiums, gross	24,610	19,905	23.6%	20,900	17.8%	64,030	52,298	22.4%
Earned premiums, net	**16,707**	**13,419**	**24.5%**	**15,048**	**11.0%**	**46,191**	**36,579**	**26.3%**
Insurance claims expenses, gross	(8,088)	(4,101)	97.2%	(8,413)	-3.9%	(27,201)	(18,379)	48.0%
Insurance claims expenses, net	**(6,348)**	**(4,799)**	**32.3%**	**(5,906)**	**7.5%**	**(17,891)**	**(12,745)**	**40.4%**
Acquisition costs, net	**(2,845)**	**(1,785)**	**59.4%**	**(1,917)**	**48.4%**	**(6,438)**	**(4,523)**	**42.3%**
Net underwriting profit	**7,514**	**6,835**	**9.9%**	**7,225**	**4.0%**	**21,862**	**19,311**	**13.2%**
Investment income	786	862	-8.8%	598	31.4%	2,151	2,357	-8.7%
Net Fee and commission income	171	104	64.4%	113	51.3%	383	308	24.4%
Net investment profit	**957**	**966**	**-0.9%**	**711**	**34.6%**	**2,534**	**2,665**	**-4.9%**
Salaries and other employee benefits	(2,304)	(2,093)	**10.1%**	(2,161)	**6.6%**	(6,442)	(5,737)	12.3%
Selling, general administrative expenses	(876)	(785)	11.6%	(664)	31.9%	(2,433)	(2,193)	10.9%
Depreciation & Amortisation	(245)	(189)	29.6%	(241)	1.7%	(720)	(572)	25.9%
Impairment charges	(157)	(185)	-15.1%	(190)	-17.4%	(589)	(543)	8.5%
Net other operating income	144	223	-35.4%	19	NMF	333	472	-29.4%
Operating profit	**5,033**	**4,772**	**5.4%**	**4,699**	**7.1%**	**14,545**	**13,403**	**8.5%**
Foreign exchange gain / (loss)	327	(70)	NMF	(146)	NMF	(244)	(1,103)	-77.9%
Pre-tax profit	**5,360**	**4,702**	**14.0%**	**4,553**	**17.7%**	**14,301**	**12,300**	**16.3%**
Income tax expense	(819)	(812)	0.9%	(713)	14.9%	(2,169)	(2,366)	-8.3%
Net profit	**4,541**	**3,890**	**16.7%**	**3,840**	**18.3%**	**12,132**	**9,934**	**22.1%**

Performance highlights

- **Aldagi recorded strong net underwriting profit in 3Q17 (up 9.9% y-o-y and up 4.0% q-o-q) and in 9M17 (up 13.2% y-o-y) as a result of the following:**
  - **Net earned premiums.** Net premiums earned reached GEL 16.7mln in 3Q17 (up 24.5% y-o-y and up 11.0% q-o-q) and GEL 46.2mln in 9M17 (up 26.3% y-o-y). The y-o-y increase in 9M17 in net earned premiums was supported by organic growth of the motor insurance, property insurance and credit life insurance businesses lines (representing approximately 34.0% , 24.0% and 10.0% of Aldagi's total insurance portfolio, respectively), which contributed to approximately 24.0%, 11.0% and 20.0% y-o-y increase in net earned premiums in 9M17, respectively. New product introductions and enhancements of existing products described under *Operating Highlights* below resulted in further 4.5% y-o-y increase to net premiums earned in 9M17. The q-o-q increase in net earned premiums was primarily driven by the agricultural insurance program initiated in cooperation with the Ministry of Agriculture of Georgia and the Agricultural Projects' Management Agency that was put in place in the middle of 2Q17, contributing to an approximately 125.0% q-o-q and 48.0% y-o-y increase in net premiums earned in 3Q17 in that product line
  - **Net insurance claims.** The net insurance claims amounted to GEL 6.3mln (up 32.3% y-o-y and up 7.5% q-o-q) and GEL 17.9mln in 9M17 (up 40.4% y-o-y). The y-o-y increase in net insurance claims expenses in 9M17 were primarily driven by several property insurance claims following a major fire incident in 1H17 and increased loss severity in the motor insurance and credit life insurance business lines in 2017. These increases were partially compensated by improved agro insurance and other insurance products loss ratios in 9M17. Additionally, the increase in insurance claims expenses was also driven by shifting of the insurance portfolio towards the retail segment, which is characterised by a slightly higher loss ratio compared to the corporate segment

- **Net acquisition costs** were GEL 2.8mln in 3Q17 (up 59.4% y-o-y and up 48.4% q-o-q) and GEL 6.4mln in 9M17 (up 42.3% y-o-y), surpassing the increase in net earned premiums during the same periods. The primary driver was the agricultural insurance program *(described below)* with twice as high commission rate as average commission rate of the rest of the insurance portfolio. However, the agricultural insurance program launch contributed to 48.0% y-o-y increase in net earned premiums. Additionally, introduction of new insurance product lines and enhancements of existing products in 2017, with higher average commission rates compared to average commission rates of the insurance portfolio, also contributed to an increase in net acquisition costs. Overall, commission ratio was up by 2ppts y-o-y in 9M17

- **Aldagi's key ratios remain healthy despite increased number of incidents during the first nine months of 2017** as evidenced by the following closely monitored metrics:

Key Ratios	3Q17	3Q16	2Q17	9M17	9M16
Combined ratio	75.6%	71.6%	73.5%	74.0%	70.6%
Expense ratio	37.6%	35.9%	34.3%	35.3%	35.8%
Loss ratio	38.0%	35.8%	39.2%	38.7%	34.8%

- **Net investment profit.** Investment income amounted to GEL 0.8mln in 3Q17 (down 8.8% y-o-y and up 31.4% q-o-q) and GEL 2.2mln in 9M17 (down 8.7% y-o-y). Decrease in investment income was primarily driven by the dividend payouts of GEL 7.1mln in 3Q16 and GEL 7.0mln in 2Q17, which were partially compensated by 24.4% y-o-y increase in AUM fees in 9M17. Investment yield remained high at 9.9% in 9M17
- **Salaries and employee benefits** reached GEL 2.3mln in 3Q17 (up 10.1% y-o-y and up 6.6% q-o-q) and GEL 6.4mln in 9M17 (up 12.3% y-o-y) primarily as a result of establishment of new Strategic Development department as described under *Operating Highlights* below, as well as the organic growth of the property and casualty insurance business and the related increase in headcount
- **Corporate income tax expense.** The y-o-y decrease in income taxes in 9M17 reflects the impact of changes in the corporate taxation model
- **As a result of the developments described above, Aldagi's operating profit reached GEL 5.0mln in 3Q17, up 5.5% y-o-y and up 7.1% q-o-q, and GEL 14.5mln in 9M17, up 8.5% y-o-y. Aldagi's net profit was GEL 4.5mln in 3Q17 (up 16.7% y-o-y and up 18.3% q-o-q) and GEL 12.1mln in 9M17 (up 22.1% y-o-y)**

BALANCE SHEET

GEL thousands, unless otherwise noted	Sep-17	Sep-16	Change y-o-y	Jun-17	Change q-o-q
Cash and cash equivalents	4,200	2,527	66.2%	3,900	7.7%
Amounts due from credit institutions	24,989	23,386	6.9%	24,247	3.1%
Investment securities: available-for-sale	4,344	3,063	41.8%	4,551	-4.5%
Insurance premiums receivable, net	27,500	21,483	28.0%	31,533	-12.8%
Ceded share of technical provisions	21,219	15,375	38.0%	23,509	-9.7%
Premises and equipment, net	9,731	8,918	9.1%	9,177	6.0%
Intangible assets, net	1,363	1,112	22.6%	1,268	7.5%
Goodwill	13,051	13,051	-	13,051	-
Deferred acquisition costs	1,906	1,413	34.9%	1,692	12.6%
Pension fund assets	17,808	15,600	14.2%	17,198	3.5%
Other assets	5,521	4,345	27.1%	5,466	1.0%
Total assets	**131,632**	**110,273**	**19.4%**	**135,592**	**-2.9%**
Gross technical provisions	52,567	43,665	20.4%	55,016	-4.5%
Other insurance liabilities	10,751	9,357	14.9%	18,171	-40.8%
Current income tax liabilities	110	70	57.1%	636	-82.7%
Pension benefit obligations	17,808	15,600	14.2%	17,198	3.5%
Other Liabilities	5,395	5,581	-3.3%	4,111	31.2%
Total liabilities	**86,631**	**74,273**	**16.6%**	**95,132**	**-8.9%**
Share Capital	1,889	1,889	-	1,889	-
Additional paid-in capital	5,405	5,405	-	5,405	-
Revaluation and other reserves	422	359	17.5%	422	-
Retained earnings	25,153	18,413	36.6%	25,153	-
Net profit	12,132	9,934	22.1%	7,591	59.8%
Total equity	**45,001**	**36,000**	**25.0%**	**40,460**	**11.2%**
Total liabilities and equity	**131,632**	**110,273**	**19.4%**	**135,592**	**-2.9%**

- Aldagi has a very strong balance sheet. As of 30 September 2017, total assets reached GEL 131.6mln. The y-o-y growth in assets was largely driven by 28.0% y-o-y increase in net insurance premiums receivable and 38.0% y-o-y increase in ceded share of technical provisions. The 2.9% q-o-q decrease in total assets was driven by netting off net insurance premiums receivable with other insurance liabilities and the 9.7% q-o-q decrease in ceded share of technical provisions
- Aldagi has paid dividends in the amount of GEL 14.1mln since 1H16, of which GEL 7.1mln was paid in 3Q16 and GEL 7.0mln in 2Q17
- Insurance companies in Georgia are subject to regulatory requirements. Since 31 December 2016 Aldagi is required to maintain a solvency ratio in excess of 100%. At 30 September 2017, Aldagi's solvency ratio was 195% as compared to 155% at 30 June 2017 and 193% at 31 March 2017.

Operating Highlights

The first nine months of 2017 were very strong for Aldagi, as the company managed to exceed its annual targets for new product developments. Along with tapping regional markets through launching livestock insurance, Aldagi introduced online Travel insurance, with a unique combination coverage and competitive pricing. Aldagi's product development initiatives resulted in more than 13,000 livestock insurance and 1,255 travel and trip insurance policies sold across the country.

Our recently established Strategic Development department focuses on improving market intelligence through more direct communication and sharing about the Georgian insurance market's emerging demands. The department achieved a new milestone in 3Q17 and signed an exclusive memorandum with Public Service Hall. Customers of the Public Service Hall can electronically acquire affordable insurance for any property registered in public registry.

Aldagi targets solidifying its market leadership position in digital insurance over the next 5 years. In order to achieve this target, the company is aims to have all its processes and procedures, including issuance of e-policies, remote claims regulation and building web/mobile customer profiles, executed principally through digital channels. As at 30 September 2017 Aldagi had 10,509 online agents, who sell and promote retail insurance products through unique web-portal onjob.ge, a digital platform that helps Aldagi attract customers.

The first nine months of 2017 were successful in getting one step closer to the introduction of Border Motor Third Party Liability Insurance (MTPL insurance for vehicles visiting Georgia either on a temporary or on transit basis). Through extensive cooperation with the Insurance State Supervision Service of Georgia (ISSSG), the insurance market regulator in Georgia, Border MTPL is in its final stages of approval by Parliament of Georgia and is expected to be effective from 1 January 2018. Aldagi expects that MTPL insurance will increase the size of the existing property and casualty market by approximately GEL 30-50mln (15-25% of the existing P&C insurance market). Aldagi is working closely with ISSSG to support drafting of the new law requiring mandatory local MTPL for all vehicles registered in Georgia. The new law is expected to be launched in 2019 and will be a major boost to retail market penetration. The current low level of insurance market penetration of 1.1% in Georgia (of which, 0.6% relates to P&C insurance market penetration and 0.5% to medical insurance market) provides highly untapped retail growth potential.

- Based on the latest available market data as of 30 June 2017, Aldagi continues to be the most profitable insurance company in the local market with insurance profit accounting approximately three times of the insurance industry profit
- Aldagi continues to lead the market with a powerful distribution network of 211 points of sale and 617 sales agents as of 30 September 2017
- At 30 September 2017 Aldagi's had 51,540 insured customers (up 5.2% y-o-y and up 4.6% q-o-q). The increase in number of insured customers was mainly driven by organic growth of motor insurance business line and introduction of new product lines in 2017. The number of new insurance policies written reached 46,768 in 3Q17 (31,737 and 39,883 new policies written in 3Q16 and 2Q17, respectively) and 118,349 in 9M17 (85,417 policies written in 9M16)

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT (QUARTERLY)	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
GEL thousands, unless otherwise noted	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	3Q17	3Q16	2Q17
Banking interest income	284,988	229,887	24.0%	271,006	5.2%	287,274	231,357	24.2%	272,946	5.2%	-	-	-	-	-	(2,286)	(1,470)	(1,940)
Banking interest expense	(116,385)	(93,530)	24.4%	(110,907)	4.9%	(119,486)	(93,604)	27.7%	(112,638)	6.1%	-	-	-	-	-	3,101	74	1,731
Net banking interest income	**168,603**	**136,357**	**23.6%**	**160,099**	**5.3%**	**167,788**	**137,753**	**21.8%**	**160,308**	**4.7%**	-	-	-	-	-	**815**	**(1,396)**	**(209)**
Fee and commission income	48,594	42,957	13.1%	45,359	7.1%	49,155	43,404	13.2%	45,903	7.1%	-	-	-	-	-	(561)	(447)	(544)
Fee and commission expense	(15,840)	(12,630)	25.4%	(14,332)	10.5%	(16,014)	(12,681)	26.3%	(14,501)	10.4%	-	-	-	-	-	174	51	169
Net fee and commission income	**32,754**	**30,327**	**8.0%**	**31,027**	**5.6%**	**33,141**	**30,723**	**7.9%**	**31,402**	**5.5%**	-	-	-	-	-	**(387)**	**(396)**	**(375)**
Net banking foreign currency gain	19,614	21,567	**-9.1%**	19,282	**1.7%**	19,614	21,567	**-9.1%**	19,282	**1.7%**	-	-	-	-	-	-	-	-
Net other banking income	2,375	3,822	**-37.9%**	780	**NMF**	2,653	4,168	**-36.3%**	1,047	**153.4%**	-	-	-	-	-	(278)	(345)	(267)
Net insurance premiums earned	25,187	25,360	-0.7%	23,518	7.1%	-	-	-	-	-	25,943	25,990	-0.2%	24,110	7.6%	(756)	(630)	(592)
Net insurance claims incurred	(15,190)	(15,673)	-3.1%	(14,100)	7.7%	-	-	-	-	-	(15,190)	(15,673)	-3.1%	(14,100)	7.7%	-	-	-
Gross insurance profit	**9,997**	**9,687**	**3.2%**	**9,418**	**6.1%**	-	-	-	-	-	**10,753**	**10,317**	**4.2%**	**10,010**	**7.4%**	**(756)**	**(630)**	**(592)**
Healthcare and pharmacy revenue	164,830	99,745	65.3%	170,792	-3.5%	-	-	-	-	-	164,830	99,745	65.3%	170,792	-3.5%	-	-	-
Cost of healthcare and pharmacy services	(114,037)	(64,228)	77.6%	(119,459)	-4.5%	-	-	-	-	-	(114,037)	(64,228)	77.6%	(119,459)	-4.5%	-	-	-
Gross healthcare and pharmacy profit	**50,793**	**35,517**	**43.0%**	**51,333**	**-1.1%**	-	-	-	-	-	**50,793**	**35,517**	**43.0%**	**51,333**	**-1.1%**	-	-	-
Real estate revenue	29,935	55,973	-46.5%	38,255	-21.7%	-	-	-	-	-	30,192	55,973	-46.1%	38,490	-21.6%	(257)	-	(235)
Cost of real estate	(25,788)	(45,933)	-43.9%	(15,576)	65.6%	-	-	-	-	-	(25,788)	(45,933)	-43.9%	(15,576)	65.6%	-	-	-
Gross real estate profit	**4,147**	**10,040**	**-58.7%**	**22,679**	**-81.7%**	-	-	-	-	-	**4,404**	**10,040**	**-56.1%**	**22,914**	**-80.8%**	**(257)**	-	**(235)**
Utility revenue	36,526	24,738	47.7%	30,335	20.4%	-	-	-	-	-	36,615	24,807	47.6%	30,432	20.3%	(89)	(69)	(97)
Cost of utility	(10,673)	(7,796)	36.9%	(8,400)	27.1%	-	-	-	-	-	(10,673)	(7,796)	36.9%	(8,400)	27.1%	-	-	-
Gross utility profit	**25,853**	**16,942**	**52.6%**	**21,935**	**17.9%**	-	-	-	-	-	**25,942**	**17,011**	**52.5%**	**22,032**	**17.7%**	**(89)**	**(69)**	**(97)**
Gross other investment profit	16,256	5,172	NMF	13,864	17.3%	-	-	-	-	-	16,248	5,247	NMF	13,794	17.8%	8	(76)	70
Revenue	**330,392**	**269,431**	**22.6%**	**330,417**	**0.0%**	**223,196**	**194,211**	**14.9%**	**212,039**	**5.3%**	**108,140**	**78,132**	**38.4%**	**120,083**	**-9.9%**	**(944)**	**(2,912)**	**(1,705)**
Salaries and other employee benefits	(77,183)	(58,773)	31.3%	(74,450)	3.7%	(50,638)	(43,479)	16.5%	(47,507)	6.6%	(27,361)	(15,945)	71.6%	(27,683)	-1.2%	816	651	740
Administrative expenses	(45,372)	(30,701)	47.8%	(42,575)	6.6%	(23,240)	(18,512)	25.5%	(22,286)	4.3%	(22,840)	(12,898)	77.1%	(20,853)	9.5%	708	709	564
Banking depreciation and amortisation	(10,738)	(9,476)	13.3%	(10,197)	5.3%	(10,738)	(9,476)	13.3%	(10,197)	5.3%	-	-	-	-	-	-	-	-
Other operating expenses	(2,266)	(2,413)	-6.1%	(5,849)	-61.3%	(738)	(1,156)	-36.2%	(796)	-7.3%	(1,528)	(1,257)	21.6%	(5,054)	-69.8%	-	-	-
Operating expenses	**(135,559)**	**(101,363)**	**33.7%**	**(133,071)**	**1.9%**	**(85,354)**	**(72,623)**	**17.5%**	**(80,786)**	**5.7%**	**(51,729)**	**(30,100)**	**71.9%**	**(53,590)**	**-3.5%**	**1,524**	**1,360**	**1,305**
Operating income before cost of credit risk / EBITDA	**194,833**	**168,068**	**15.9%**	**197,346**	**-1.3%**	**137,842**	**121,588**	**13.4%**	**131,253**	**5.0%**	**56,411**	**48,032**	**17.4%**	**66,493**	**-15.2%**	**580**	**(1,552)**	**(400)**
Profit from associates	167	256	-34.8%	606	-72.4%	147	-	NMF	394	-62.7%	20	256	-92.2%	212	-90.6%	-	-	-
Depreciation and amortisation of investment business	(13,739)	(9,755)	40.8%	(12,787)	7.4%	-	-	-	-	-	(13,739)	(9,755)	40.8%	(12,787)	7.4%	-	-	-
Net foreign currency loss from investment business	(6,470)	(1,291)	NMF	(64)	NMF	-	-	-	-	-	(6,470)	(1,291)	NMF	(64)	NMF	-	-	-
Interest income from investment business	1,266	2,198	-42.4%	1,783	-29.0%	-	-	-	-	-	4,367	2,304	89.5%	3,513	24.3%	(3,101)	(106)	(1,730)
Interest expense from investment business	(11,898)	(8,878)	34.0%	(13,385)	-11.1%	-	-	-	-	-	(14,419)	(10,536)	36.9%	(15,515)	-7.1%	2,521	1,658	2,130
Operating income before cost of credit risk	**164,159**	**150,598**	**9.0%**	**173,499**	**-5.4%**	**137,989**	**121,588**	**13.5%**	**131,647**	**4.8%**	**26,170**	**29,010**	**-9.8%**	**41,852**	**-37.5%**	-	-	-
Impairment charge on loans to customers	(34,202)	(29,936)	14.3%	(37,756)	-9.4%	(34,202)	(29,936)	14.3%	(37,756)	-9.4%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	(781)	(3,258)	-76.0%	(67)	NMF	(781)	(3,258)	-76.0%	(67)	NMF	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	(3,835)	(2,397)	60.0%	(4,822)	-20.5%	(1,849)	(1,146)	61.3%	(2,193)	-15.7%	(1,986)	(1,251)	58.8%	(2,629)	-24.5%	-	-	-
Cost of credit risk	**(38,818)**	**(35,591)**	**9.1%**	**(42,645)**	**-9.0%**	**(36,832)**	**(34,340)**	**7.3%**	**(40,016)**	**-8.0%**	**(1,986)**	**(1,251)**	**58.8%**	**(2,629)**	**-24.5%**	-	-	-
Profit before non-recurring items and income tax	**125,341**	**115,007**	**9.0%**	**130,854**	**-4.2%**	**101,157**	**87,248**	**15.9%**	**91,631**	**10.4%**	**24,184**	**27,759**	**-12.9%**	**39,223**	**-38.3%**	-	-	-
Net non-recurring items	(2,312)	35,157	NMF	(2,708)	-14.6%	(1,376)	3,471	NMF	(1,017)	35.3%	(936)	31,686	NMF	(1,691)	-44.6%	-	-	-
Profit before income tax	**123,029**	**150,164**	**-18.1%**	**128,146**	**-4.0%**	**99,781**	**90,719**	**10.0%**	**90,614**	**10.1%**	**23,248**	**59,445**	**-60.9%**	**37,532**	**-38.1%**	-	-	-
Income tax (expense) benefit	(10,188)	(8,614)	18.3%	(4,520)	125.4%	(7,850)	(4,853)	61.8%	(3,284)	139.0%	(2,338)	(3,761)	-37.8%	(1,236)	89.2%	-	-	-
Profit	**112,841**	**141,550**	**-20.3%**	**123,626**	**-8.7%**	**91,931**	**85,866**	**7.1%**	**87,330**	**5.3%**	**20,910**	**55,684**	**-62.4%**	**36,296**	**-42.4%**	-	-	-
Attributable to:																		
– shareholders of BGEO	106,278	135,925	*-21.8%*	117,176	*-9.3%*	91,545	84,936	*7.8%*	86,961	*5.3%*	14,733	50,989	*-71.1%*	30,215	*-51.2%*	-	-	-
– non-controlling interests	6,563	5,625	*16.7%*	6,450	*1.8%*	386	930	*-58.5%*	369	*4.6%*	6,177	4,695	*31.6%*	6,081	*1.6%*	-	-	-
Earnings per share basic	**2.82**	**3.55**	**-20.6%**	**3.10**	**-9.0%**													
Earnings per share diluted	**2.70**	**3.55**	**-23.9%**	**2.98**	**-9.4%**													

INCOME STATEMENT (YEAR TO DATE)	BGEO Consolidated			Banking Business			Investment Business			Eliminations		
GEL thousands, unless otherwise noted	9M17	9M16	Change y-o-y	9M17	9M16	Change y-o-y	9M17	9M16	Change y-o-y	9M17	9M16	Change y-o-y
Banking interest income	821,325	669,923	22.6%	827,342	674,053	22.70%	-	-	-	(6,017)	(4,130)	45.7%
Banking interest expense	(332,288)	(276,854)	20.0%	(338,366)	(278,052)	21.70%	-	-	-	6,078	1,198	NMF
Net banking interest income	**489,037**	**393,069**	**24.4%**	**488,976**	**396,001**	**23.5%**	**-**	**-**	**-**	**61**	**(2,932)**	**NMF**
Fee and commission income	137,102	121,134	13.2%	138,760	122,382	13.4%	-	-	-	(1,658)	(1,248)	32.9%
Fee and commission expense	(43,535)	(33,854)	28.6%	(44,024)	(34,242)	28.6%	-	-	-	489	388	26.0%
Net fee and commission income	**93,567**	**87,280**	**7.2%**	**94,736**	**88,140**	**7.5%**	**-**	**-**	**-**	**(1,169)**	**(860)**	**35.9%**
Net banking foreign currency gain	**58,596**	**55,496**	**5.6%**	**58,596**	**55,496**	**5.6%**	-	-	-	-	-	-
Net other banking income	**5,937**	**8,962**	**-33.8%**	**6,715**	**10,045**	**-33.2%**	-	-	-	**(778)**	**(1,083)**	**-28.2%**
Net insurance premiums earned	74,501	71,038	4.9%	-	-	-	76,411	73,425	4.1%	(1,910)	(2,387)	-20.0%
Net insurance claims incurred	(44,863)	(46,526)	-3.6%	-	-	-	(44,863)	(46,526)	-3.6%	-	-	-
Gross insurance profit	**29,638**	**24,512**	**20.9%**	**-**	**-**	**-**	**31,548**	**26,899**	**17.3%**	**(1,910)**	**(2,387)**	**-20.0%**
Healthcare and pharmacy revenue	507,754	243,787	108.3%	-	-	-	507,754	243,787	108.3%	-	-	-
Cost of healthcare and pharmacy services	(353,286)	(151,146)	133.7%	-	-	-	(353,286)	(151,146)	133.7%	-	-	-
Gross healthcare and pharmacy profit	**154,468**	**92,641**	**66.7%**	**-**	**-**	**-**	**154,468**	**92,641**	**66.7%**	**-**	**-**	**-**
Real estate revenue	88,101	91,077	-3.3%	-	-	-	88,849	91,077	-2.4%	(748)	-	NMF
Cost of real estate	(58,556)	(72,624)	-19.4%	-	-	-	(58,556)	(72,624)	-19.4%	-	-	-
Gross real estate profit	**29,545**	**18,453**	**60.1%**	**-**	**-**	**-**	**30,293**	**18,453**	**64.2%**	**(748)**	**-**	**NMF**
Utility revenue	94,013	24,738	NMF	-	-	-	94,282	24,807	280.1%	(269)	(69)	NMF
Cost of utility	(28,780)	(7,796)	NMF	-	-	-	(28,780)	(7,796)	NMF	-	-	-
Gross utility profit	**65,233**	**16,942**	**NMF**	**-**	**-**	**-**	**65,502**	**17,011**	**NMF**	**(269)**	**(69)**	**NMF**
Gross other investment profit	34,416	12,124	183.9%	-	-	-	34,326	12,242	NMF	90	(118)	NMF
Revenue	**960,437**	**709,479**	**35.4%**	**649,023**	**549,682**	**18.1%**	**316,137**	**167,246**	**89.0%**	**(4,723)**	**(7,449)**	**-36.6%**
Salaries and other employee benefits	(219,165)	(157,061)	39.5%	(142,424)	(120,491)	18.2%	(79,032)	(38,444)	105.6%	2,291	1,874	22.3%
Administrative expenses	(130,680)	(83,582)	56.3%	(68,046)	(57,018)	19.3%	(64,472)	(28,726)	124.4%	1,838	2,162	-15.0%
Banking depreciation and amortisation	(30,460)	(27,568)	10.5%	(30,460)	(27,568)	10.5%	-	-	-	-	-	-
Other operating expenses	(9,066)	(4,647)	95.1%	(2,263)	(2,631)	-14.0%	(6,802)	(2,016)	NMF	-	-	-
Operating expenses	**(389,371)**	**(272,858)**	**42.7%**	**(243,193)**	**(207,708)**	**17.1%**	**(150,306)**	**(69,186)**	**117.2%**	**4,128**	**4,036**	**2.3%**
Operating income before cost of credit risk / EBITDA	**571,066**	**436,621**	**30.8%**	**405,830**	**341,974**	**18.7%**	**165,831**	**98,060**	**69.1%**	**(595)**	**(3,413)**	**-82.6%**
Profit from associates	1,287	4,074	-68.4%	1,055	-	NMF	232	4,074	-94.3%	-	-	-
Depreciation and amortisation of investment business	(37,997)	(19,823)	91.7%	-	-	-	(37,997)	(19,823)	91.7%	-	-	-
Net foreign currency loss from investment business	(5)	(4,687)	-99.9%	-	-	-	(5)	(4,687)	-99.9%	-	-	-
Interest income from investment business	4,801	3,539	35.7%	-	-	-	10,879	4,737	129.7%	(6,078)	(1,198)	NMF
Interest expense from investment business	(35,590)	(12,757)	NMF	-	-	-	(42,263)	(17,368)	143.3%	6,673	4,611	44.7%
Operating income before cost of credit risk	**503,562**	**406,967**	**23.7%**	**406,885**	**341,974**	**19.0%**	**96,677**	**64,993**	**48.7%**	**-**	**-**	**-**
Impairment charge on loans to customers	(113,299)	(88,972)	27.3%	(113,299)	(88,972)	27.3%	-	-	-	-	-	-
Impairment charge on finance lease receivables	(988)	(3,901)	-74.7%	(988)	(3,901)	-74.7%	-	-	-	-	-	-
Impairment charge on other assets and provisions	(16,421)	(8,248)	99.1%	(10,581)	(4,271)	147.7%	(5,840)	(3,977)	46.8%	-	-	-
Cost of credit risk	**(130,708)**	**(101,121)**	**29.3%**	**(124,868)**	**(97,144)**	**28.5%**	**(5,840)**	**(3,977)**	**46.8%**	**-**	**-**	**-**
Profit before non-recurring items and income tax	**372,854**	**305,846**	**21.9%**	**282,017**	**244,830**	**15.2%**	**90,837**	**61,016**	**48.9%**	**-**	**-**	**-**
Net non-recurring items	(8,391)	(12,222)	-31.3%	(4,087)	(44,300)	-90.8%	(4,304)	32,078	NMF	-	-	-
Profit before income tax	**364,463**	**293,624**	**24.1%**	**277,930**	**200,530**	**38.6%**	**86,533**	**93,094**	**-7.0%**	**-**	**-**	**-**
Income tax (expense) benefit	(19,823)	46,210	NMF	(15,541)	23,662	NMF	(4,282)	22,548	NMF	-	-	-
Profit	**344,640**	**339,834**	**1.4%**	**262,389**	**224,192**	**17.0%**	**82,251**	**115,642**	**-28.9%**	**-**	**-**	**-**
Attributable to:												
– shareholders of BGEO	*323,885*	*311,403*	*4.0%*	*261,147*	*221,113*	*18.1%*	*62,738*	*90,290*	*-30.5%*	-	-	-
– non-controlling interests	*20,755*	*28,431*	*-27.0%*	*1,242*	*3,079*	*-59.7%*	*19,513*	*25,352*	*-23.0%*	-	-	-
Earnings per share basic	**8.56**	**8.12**	**5.4%**									
Earnings per share diluted	**8.20**	**8.12**	**1.0%**									

BALANCE SHEET

GEL thousands, unless otherwise noted	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
	Sep-17	**Sep-16**	**Change y-o-y**	**Jun-17**	**Change q-o-q**	**Sep-17**	**Sep-16**	**Change y-o-y**	**Jun-17**	**Change q-o-q**	**Sep-17**	**Sep-16**	**Change y-o-y**	**Jun-17**	**Change q-o-q**	**Sep-17**	**Sep-16**	**Jun-17**
Cash and cash equivalents	1,721,811	1,197,687	43.8%	1,454,387	18.4%	1,648,098	1,090,320	51.2%	1,401,728	17.6%	345,137	239,953	43.8%	349,166	-1.2%	(271,424)	(132,586)	(296,507)
Amounts due from credit institutions	985,120	944,061	4.3%	1,090,259	-9.6%	950,775	844,782	12.5%	976,811	-2.7%	60,565	164,021	-63.1%	152,634	-60.3%	(26,220)	(64,742)	(39,186)
Investment securities	1,421,401	1,171,440	21.3%	1,398,097	1.7%	1,469,274	1,169,763	25.6%	1,396,832	5.2%	33,914	3,061	NMF	47,625	-28.8%	(81,787)	(1,384)	(46,360)
Loans to customers and finance lease receivables	6,917,211	5,676,225	21.9%	6,517,773	6.1%	6,951,493	5,715,737	21.6%	6,579,996	5.6%	-	-	-	-	-	(34,282)	(39,512)	(62,223)
Accounts receivable and other loans	177,658	119,381	48.8%	155,463	14.3%	7,681	23,776	-67.7%	4,050	89.7%	174,493	116,236	50.1%	152,309	14.6%	(4,516)	(20,631)	(896)
Insurance premiums receivable	53,998	52,842	2.2%	59,658	-9.5%	-	-	-	-	-	54,326	53,349	1.8%	60,188	-9.7%	(328)	(507)	(530)
Prepayments	164,911	91,578	80.1%	98,073	68.2%	54,808	21,474	155.2%	26,623	105.9%	110,135	70,104	57.1%	71,701	53.6%	(32)	-	(251)
Inventories	230,661	164,567	40.2%	204,433	12.8%	20,893	9,470	120.6%	9,374	122.9%	209,768	155,097	35.2%	195,059	7.5%	-	-	-
Investment property	319,059	264,790	20.5%	306,140	4.2%	175,071	141,612	23.6%	162,538	7.7%	148,323	123,178	20.4%	147,937	0.3%	(4,335)	-	(4,335)
Property and equipment	1,537,012	1,224,620	25.5%	1,453,730	5.7%	343,282	329,538	4.2%	336,909	1.9%	1,189,395	895,082	32.9%	1,112,486	6.9%	4,335	-	4,335
Goodwill	159,570	107,298	48.7%	159,569	0.0%	33,351	33,453	-0.3%	33,453	-0.3%	126,219	73,845	70.9%	126,116	0.1%	-	-	-
Intangible assets	79,573	50,745	56.8%	77,150	3.1%	53,939	38,199	41.2%	52,347	3.0%	25,634	12,546	104.3%	24,803	3.4%	-	-	-
Income tax assets	6,826	22,874	-70.2%	6,453	5.8%	1,582	13,106	-87.9%	1,333	18.7%	5,244	9,768	-46.3%	5,120	2.4%	-	-	-
Other assets	188,239	197,980	-4.9%	190,555	-1.2%	102,984	133,456	-22.8%	112,474	-8.4%	92,038	67,539	36.3%	83,663	10.0%	(6,783)	(3,015)	(5,582)
Total assets	**13,963,050**	**11,286,088**	**23.7%**	**13,171,740**	**6.0%**	**11,813,231**	**9,564,686**	**23.5%**	**11,094,468**	**6.5%**	**2,575,191**	**1,983,779**	**29.8%**	**2,528,807**	**1.8%**	**(425,372)**	**(262,377)**	**(451,535)**
Client deposits and notes	6,252,228	4,700,324	33.0%	5,319,398	17.5%	6,549,904	4,900,490	33.7%	5,655,341	15.8%	-	-	-	-	-	(297,676)	(200,166)	(335,943)
Amounts due to credit institutions	2,774,525	2,740,926	1.2%	3,077,869	-9.9%	2,350,438	2,396,969	-1.9%	2,602,303	-9.7%	459,158	380,745	20.6%	538,534	-14.7%	(35,071)	(36,788)	(62,968)
Debt securities issued	1,691,260	1,036,086	63.2%	1,582,431	6.9%	1,298,641	722,089	79.8%	1,312,990	-1.1%	479,142	317,619	50.9%	319,033	50.2%	(86,523)	(3,622)	(49,592)
Accruals and deferred income	160,530	107,974	48.7%	141,801	13.2%	31,332	15,229	105.7%	28,639	9.4%	132,783	113,257	17.2%	113,162	17.3%	(3,585)	(20,512)	-
Insurance contracts liabilities	77,695	70,840	9.7%	81,446	-4.6%	-	-	-	-	-	77,695	70,840	9.7%	81,446	-4.6%	-	-	-
Income tax liabilities	16,238	28,678	-43.4%	12,930	25.6%	14,769	25,912	-43.0%	11,363	30.0%	1,469	2,766	-46.9%	1,567	-6.3%	-	-	-
Other liabilities	326,687	212,511	53.7%	412,467	-20.8%	47,661	26,923	77.0%	38,364	24.2%	281,543	186,877	50.7%	377,135	-25.3%	(2,517)	(1,289)	(3,032)
Total liabilities	**11,299,163**	**8,897,339**	**27.0%**	**10,628,342**	**6.3%**	**10,292,745**	**8,087,612**	**27.3%**	**9,649,000**	**6.7%**	**1,431,790**	**1,072,104**	**33.5%**	**1,430,877**	**0.1%**	**(425,372)**	**(262,377)**	**(451,535)**
Share capital	1,151	1,154	-0.3%	1,152	-0.1%	1,151	1,154	-0.3%	1,152	-0.1%	-	-	-	-	-	-	-	-
Additional paid-in capital	138,144	245,317	-43.7%	140,480	-1.7%	-	105,293	NMF	-	-	138,144	140,024	-1.3%	140,480	-1.7%	-	-	-
Treasury shares	(54)	(37)	45.9%	(51)	5.9%	(54)	(37)	45.9%	(51)	5.9%	-	-	-	-	-	-	-	-
Other reserves	152,577	108,442	40.7%	143,308	6.5%	(22,593)	5,801	NMF	(24,983)	-9.6%	175,170	102,641	70.7%	168,291	4.1%	-	-	-
Retained earnings	2,071,482	1,787,743	15.9%	1,964,893	5.4%	1,535,239	1,343,727	14.3%	1,462,965	4.9%	536,243	444,016	20.8%	501,928	6.8%	-	-	-
Total equity attributable to shareholders of the Group	**2,363,300**	**2,142,619**	**10.3%**	**2,249,782**	**5.0%**	**1,513,743**	**1,455,938**	**4.0%**	**1,439,083**	**5.2%**	**849,557**	**686,681**	**23.7%**	**810,699**	**4.8%**	**-**	**-**	**-**
Non-controlling interests	300,587	246,130	22.1%	293,616	2.4%	6,743	21,136	-68.1%	6,385	5.6%	293,844	224,994	30.6%	287,231	2.3%	-	-	-
Total equity	**2,663,887**	**2,388,749**	**11.5%**	**2,543,398**	**4.7%**	**1,520,486**	**1,477,074**	**2.9%**	**1,445,468**	**5.2%**	**1,143,401**	**911,675**	**25.4%**	**1,097,930**	**4.1%**	**-**	**-**	**-**
Total liabilities and equity	**13,963,050**	**11,286,088**	**23.7%**	**13,171,740**	**6.0%**	**11,813,231**	**9,564,686**	**23.5%**	**11,094,468**	**6.5%**	**2,575,191**	**1,983,779**	**29.8%**	**2,528,807**	**1.8%**	**(425,372)**	**(262,377)**	**(451,535)**
Book value per share	**62.99**	**56.03**	**12.4%**	**59.75**	**5.4%**													

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	3Q17	3Q16	Change y-o-y	2Q17	Change q-o-q	9M17	9M16	Change y-o-y
Net banking interest income	6,729	7,830	-14.1%	7,946	-15.3%	23,376	22,730	2.8%
Net fee and commission income	2,287	1,739	31.5%	2,278	0.4%	6,915	5,469	26.4%
Net banking foreign currency gain	2,780	1,175	136.6%	2,818	-1.3%	7,396	5,756	28.5%
Net other banking income	212	79	NMF	155	36.8%	478	326	46.6%
Revenue	**12,008**	**10,823**	**10.9%**	**13,197**	**-9.0%**	**38,165**	**34,281**	**11.3%**
Operating expenses	(7,845)	(4,982)	57.5%	(7,233)	8.5%	(21,480)	(14,422)	48.9%
Operating income before cost of credit risk	**4,163**	**5,841**	**-28.7%**	**5,964**	**-30.2%**	**16,685**	**19,859**	**-16.0%**
Cost of credit risk	299	(3,043)	NMF	(3,241)	NMF	(8,575)	(6,634)	29.3%
Net non-recurring items	-	(4)	NMF	2	NMF	(55)	(15)	NMF
Profit before income tax	**4,462**	**2,794**	**59.7%**	**2,725**	**63.7%**	**8,055**	**13,210**	**-39.0%**
Income tax expense	(728)	(441)	65.1%	(455)	60.0%	(1,381)	(6,431)	-78.5%
Profit	**3,734**	**2,353**	**58.7%**	**2,270**	**64.5%**	**6,674**	**6,779**	**-1.5%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Sep-17	Sep-16	Change y-o-y	Jun-17	Change q-o-q
Cash and cash equivalents	105,475	67,096	57.2%	61,709	70.9%
Amounts due from credit institutions	10,146	3,292	208.2%	4,154	144.2%
Investment securities	120,521	68,860	75.0%	99,333	21.3%
Loans to customers and finance lease receivables	380,326	327,170	16.2%	369,647	2.9%
Other assets	32,873	27,317	20.3%	29,240	12.4%
Total assets	**649,341**	**493,735**	**31.5%**	**564,083**	**15.1%**
Client deposits and notes	316,413	200,742	57.6%	263,681	20.0%
Amounts due to credit institutions	221,712	198,446	11.7%	195,466	13.4%
Debt securities issued	29,685	15,484	91.7%	28,334	4.8%
Other liabilities	4,896	6,978	-29.8%	4,730	3.5%
Total liabilities	**572,706**	**421,650**	**35.8%**	**492,211**	**16.4%**
Total equity attributable to shareholders of the Group	**76,635**	**57,826**	**32.5%**	**71,872**	**6.6%**
Non-controlling interests	-	14,259	NMF	-	-
Total equity	**76,635**	**72,085**	**6.3%**	**71,872**	**6.6%**
Total liabilities and equity	**649,341**	**493,735**	**31.5%**	**564,083**	**15.1%**

BANKING BUSINESS KEY RATIOS	3Q17	3Q16	2Q17	Sep-17	Sep-16
Profitability					
ROAA, Annualised	3.2%	3.6%	3.2%	3.2%	3.3%
ROAE, Annualised	24.5%	24.3%	23.5%	23.7%	22.4%
RB ROAE	*33.4%*	*31.6%*	*26.5%*	*29.1%*	*28.4%*
CIB ROAE	*13.0%*	*17.9%*	*20.0%*	*17.1%*	*17.5%*
Net Interest Margin, Annualised	7.3%	7.3%	7.3%	7.3%	7.4%
RB NIM	*8.5%*	*9.0%*	*8.6%*	*8.6%*	*9.1%*
CIB NIM	*3.5%*	*3.4%*	*3.3%*	*3.4%*	*3.6%*
Loan Yield, Annualised	14.3%	14.1%	14.3%	14.2%	14.2%
RB Loan Yield	*16.3%*	*16.6%*	*16.4%*	*16.2%*	*17.0%*
CIB Loan Yield	*10.6%*	*10.1%*	*10.6%*	*10.6%*	*10.2%*
Liquid Assets Yield, Annualised	3.5%	3.1%	3.4%	3.4%	3.1%
Cost of Funds, Annualised	4.8%	4.7%	4.8%	4.7%	4.8%
Cost of Client Deposits and Notes, Annualised	3.5%	3.6%	3.6%	3.5%	4.0%
RB Cost of Client Deposits and Notes	*2.9%*	*3.3%*	*3.0%*	*3.0%*	*3.4%*
CIB Cost of Client Deposits and Notes	*3.9%*	*3.5%*	*4.2%*	*3.9%*	*4.1%*
Cost of Amounts Due to Credit Institutions, Annualised	6.5%	6.5%	6.6%	6.4%	6.1%
Cost of Debt Securities Issued	7.9%	6.6%	7.1%	7.2%	7.0%
Operating Leverage, Y-O-Y	-2.6%	-8.6%	-0.1%	1.0%	-6.2%
Operating Leverage, Q-O-Q	-0.4%	1.9%	-5.7%	0.0%	0.0%
Efficiency					
Cost / Income	38.2%	37.4%	38.1%	37.5%	37.8%
RB Cost / Income	*37.8%*	*38.7%*	*38.8%*	*38.1%*	*40.5%*
CIB Cost / Income	*34.5%*	*31.1%*	*32.8%*	*32.4%*	*29.9%*
Liquidity					
NBG Liquidity Ratio	44.4%	41.4%	44.1%	44.4%	41.4%
Liquid Assets To Total Liabilities	39.5%	38.4%	39.1%	39.5%	38.4%
Net Loans To Client Deposits and Notes	106.1%	116.6%	116.4%	106.1%	116.6%
Net Loans To Client Deposits and Notes + DFIs	90.0%	93.9%	97.6%	90.0%	93.9%
Leverage (Times)	6.8	5.5	6.7	6.8	5.5
Asset Quality:					
NPLs (in GEL)	297,134	260,963	304,320	297,134	260,963
NPLs To Gross Loans To Clients	4.1%	4.4%	4.4%	4.1%	4.4%
NPL Coverage Ratio	93.6%	86.5%	90.2%	93.6%	86.5%
NPL Coverage Ratio, Adjusted for discounted value of collateral	132.8%	131.1%	131.5%	132.8%	131.1%
Cost of Risk, Annualised	2.0%	2.3%	2.2%	2.2%	2.2%
RB Cost of Risk	*2.0%*	*2.4%*	*3.1%*	*2.8%*	*2.4%*
CIB Cost of Risk	*2.3%*	*1.9%*	*0.5%*	*1.0%*	*1.8%*
Capital Adequacy:					
NBG (Basel II) Tier I Capital Adequacy Ratio	11.1%	11.0%	10.6%	11.1%	11.0%
NBG (Basel II) Total Capital Adequacy Ratio	16.2%	16.2%	15.6%	16.2%	16.2%
Selected Operating Data:					
Total Assets Per FTE, BOG Standalone	1,737	1,529	1,640	1,737	1,529
Number Of Active Branches, Of Which:	283	276	280	283	276
- Express Branches (including Metro)	*153*	*122*	*138*	*153*	*122*
- Bank of Georgia Branches	*119*	*143*	*131*	*119*	*143*
- Solo Lounges	*11*	*11*	*11*	*11*	*11*
Number Of ATMs	829	772	827	829	772
Number Of Cards Outstanding, Of Which:	2,176,761	1,996,836	2,117,652	2,176,761	1,996,836
- Debit cards	*1,431,859*	*1,185,333*	*1,342,214*	*1,431,859*	*1,185,333*
- Credit cards	*744,902*	*811,503*	*775,438*	*744,902*	*811,503*
Number Of POS Terminals	11,997	10,017	11,303	11,997	10,017
FX Rates:					
GEL/US$ exchange rate (period-end)	2.4767	2.3297	2.4072		
GEL/GBP exchange rate (period-end)	3.3158	3.0284	3.1192		

	Sep-17	Sep-16	Jun-17
Full Time Employees, Group, Of Which:	25,425	21,441	24,823
Total Banking Business Companies, of which:	6,801	6,256	6,764
- Full Time Employees, BOG Standalone	*5,293*	*4,866*	*5,297*
- Full Time Employees, BNB	*679*	*598*	*649*
- Full Time Employees, BB other	*829*	*792*	*818*
Total Investment Business Companies, of which:	*18,624*	*15,185*	*18,059*
- Full Time Employees, Georgia Healthcare Group	*15,075*	*12,360*	*14,677*
- Full Time Employees, Aldagi	*319*	*280*	*291*
- Full Time Employees, GGU	*2,501*	*2,428*	*2,428*
- Full Time Employees, m^2	*115*	*62*	*81*
- Full Time Employees, IB Other	*614*	*55*	*582*

Shares Outstanding	Sep-17	Sep-16	Jun-17
Ordinary Shares Outstanding	37,520,410	38,238,796	37,652,034
Treasury Shares Outstanding	1,864,302	1,261,524	1,760,286
Total Shares Outstanding	39,384,712	39,500,320	39,412,320

Annex:

Glossary

1. Return on average total assets (ROAA) equals Profit for the period divided by monthly average total assets for the same period;
2. Return on average total equity (ROAE) equals Profit for the period attributable to shareholders of BGEO divided by monthly average equity attributable to shareholders of BGEO for the same period;
3. Net Interest Margin (NIM) equals Net Banking Interest Income of the period divided by monthly Average Interest Earning Assets Excluding Cash for the same period; Interest Earning Assets Excluding Cash comprise: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares) and net Loans To Customers And Finance Lease Receivables;
4. Loan Yield equals Banking Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;
5. Cost of Funds equals banking interest expense of the period divided by monthly average interest bearing liabilities; interest bearing liabilities include: amounts due to credit institutions, client deposits and notes, and debt securities issued;
6. Operating Leverage equals percentage change in revenue less percentage change in operating expenses;
7. Cost / Income Ratio equals operating expenses divided by revenue;
8. NBG Liquidity Ratio equals daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;
9. Liquid assets include: cash and cash equivalents, amounts due from credit institutions and investment securities;
10. Leverage (Times) equals total liabilities divided by total equity;
11. NPL Coverage Ratio equals allowance for impairment of loans and finance lease receivables divided by NPLs;
12. NPL Coverage Ratio adjusted for discounted value of collateral equals allowance for impairment of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for impairment)
13. Cost of Risk equals impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;
14. NBG (Basel II) 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. NBG (Basel II) 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. Loss ratio equals net insurance claims expense divided by net earned premiums
17. Expense ratio equals sum of acquisition costs and operating expenses divided by net earned premiums
18. Combined ratio equals sum of the loss ratio and the expense ratio
19. NMF – Not meaningful