BGEO Group PLC

4th quarter and full year 2017
preliminary results

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

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 its strategy: (1) at least 20% ROAE from its Banking Business; (2) 15%-20% growth of its Banking Business loan book; (3) at least 25% 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**"), **Bank of Georgia Group PLC**, and a London-listed investment business (the "**Investment Business**"), **Georgia Capital PLC**, by the end of the first half of 2018.

The **Banking Business** comprises: 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**, comprises the Group's stakes in Georgia Healthcare Group PLC ("**Healthcare Business**" or "**GHG**") – an LSE (a London Stock Exchange) 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 Georgia Capital PLC will target to capture growth opportunities in the Georgian corporate sector.

About this Announcement

BGEO Group PLC announces the Group's fourth quarter 2017 and full year 2017 preliminary consolidated results. Unless otherwise noted, numbers are for 4Q17 and comparisons are with 4Q16. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, are unaudited and derived from management accounts.

The information in this Announcement in respect of full year 2017 preliminary results, which was approved by the Board of Directors on 15 February 2018, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The financial statements for the year ended 31 December 2016 were filed with the Registrar of Companies, and the audit report was unqualified and contained no statements in respect of Sections 498 (s) and 495 (3) of the UK Companies Act 2006. The financial statements for the year ended 31 December 2017 will be included in the Annual Report and Accounts to be published in March 2018 and filed with the Registrar of Companies in due course.

CONTENT

The Group has renamed its Investment Business as Georgia Capital. The two terms are used interchangeably in this report. In line with IFRS requirements, the Group reviewed the classification of its operating segments at 31 December 2017. Given the expectation, in line with Georgia Capital's strategy, that it is highly probable the Group will own less than a 50% stake in its healthcare business GHG at the end 2018[1]. As a result, and in line with IFRS, the Group classified GHG as "disposal group held for sale" and its results of operations are reported under "discontinued operations" line as a single amount in the consolidated income statement. Comparative periods have been restated accordingly to reflect reclassification of GHG from "continuing operations" into "discontinued operations." Assets and liabilities held by GHG are also presented separately in the consolidated balance sheet as of 31 December 2017 under "assets of disposal group held for sale" and "liabilities of disposal group held for sale."

BGEO HIGHLIGHTS

Record annual results driven by strong performance across all businesses

GEL thousands, except per share information	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
BGEO								
Profit	118,809	88,743	33.9%	112,841	5.3%	463,449	428,576	8.1%
Basic earnings per share	3.05	2.29	33.2%	2.82	8.2%	11.61	10.41	11.5%
Book value per share	65.22	56.61	15.2%	62.06	5.1%	65.22	56.61	15.2%
Equity attributable to shareholders of the Group	2,420,602	2,131,867	13.5%	2,328,572	4.0%	2,420,602	2,131,867	13.5%
Total assets	15,168,669	12,954,176	17.1%	13,927,773	8.9%	15,168,669	12,954,176	17.1%
Banking Business								
Revenue	260,312	224,225	16.1%	223,196	16.6%	909,335	773,907	17.5%
Cost of credit risk	42,428	70,608	-39.9%	36,832	15.2%	167,296	167,752	-0.3%
Profit	107,134	71,504	49.8%	91,931	16.5%	369,522	295,696	25.0%
Loans to customers and finance lease receivables	7,741,420	6,681,672	15.9%[2]	6,951,493	11.4%[2]	7,741,420	6,681,672	15.9%[2]
Client deposits and notes	7,078,058	5,755,767	23.0%[3]	6,549,904	8.1%[3]	7,078,058	5,755,767	23.0%[3]
ROAE	27.8%	20.0%		25.1%		25.2%	22.2%	
Net interest margin	7.3%	7.6%		7.3%		7.3%	7.4%	
Loan yields	14.3%	14.4%		14.3%		14.2%	14.2%	
Cost of funds	4.8%	4.6%		4.8%		4.7%	4.7%	
Cost / Income	38.3%	37.4%		38.2%		37.7%	37.7%	
Cost of risk	2.1%	4.2%		2.0%		2.2%	2.7%	
Leverage (times)	7.3	7.2		6.9		7.3	7.2	
NBG (Basel II) Tier I Capital Adequacy Ratio	10.3%	9.1%		11.1%		10.3%	9.1%	
NBG (Basel III) Tier I Capital Adequacy Ratio[4]	12.4%	n/a		n/a		12.4%	n/a	
Investment Business								
Revenue	44,558	39,244	13.5%	48,759	-8.6%	181,369	104,336	73.8%
EBITDA	21,882	26,432	-17.2%	28,624	-23.6%	106,577	68,443	55.7%
Profit before non-recurring items and income tax[5]	14,626	25,821	-43.4%	24,184	-39.5%	105,463	86,837	21.4%
Profit from discontinued operations	12,270	5,898	108.0%	10,335	18.7%	47,352	60,100	-21.2%

Strong economic activity in Georgia has continued

- Georgian economic growth has accelerated to 4.7% in 4Q17, from 4.4% in 3Q17. For the full year 2017, GDP growth strengthened to 4.8% from 2.8% in 2016

Bank of Georgia has delivered very strong franchise growth, particularly in the fourth quarter, with further improved returns

- The Bank's loan book demonstrated 17.4% growth, on a constant currency basis, during 2017 (30.6% growth in Retail Banking); In 4Q17, the loan book growth amounted to 8.3% on a constant currency basis (8.7% growth in Retail and 9.2% growth in Corporate Investment Banking). The Bank's Return on average equity was 25.2% in 2017 and 27.8% in 4Q17

Strong strategic execution in the Investment Business

- Each business within Georgia Capital continued to deliver on their strategic priorities ahead of the forthcoming demerger

Solid distributions to shareholders continue

- $18.3mln was returned to shareholders during 4Q17 ($39.1mln returned in 2017)

[1] The Group held 57% of GHG's equity stake as of 31 December 2017 (65% as of 31 December 2016).
[2] As of 31 December 2017, loans and finance lease receivables growth on a constant currency basis was 17.4% and 8.3% on y-o-y and q-o-q basis, respectively.
[3] As of 31 December 2017, client deposits and notes growth on a constant currency basis was 24.8% and 4.7% on y-o-y and q-o-q basis, respectively.
[4] Refer to the Discussion of the Banking Business Results section for the background on NBG (Basel III) Tier I Capital Adequacy Ratio.
[5] Includes profit before non-recurring items and income tax of discontinued operations, GHG.

BANKING BUSINESS HIGHLIGHTS

Outstanding profitability and balance sheet growth momentum

- **The Banking Business generated a record quarterly profit of GEL 107.1mln in 4Q17** (up 49.8% y-o-y and up 16.5% q-o-q) and GEL 369.5mln in 2017 (up 25.0% y-o-y), while quarterly **ROAE reached 27.8% in 4Q17** (up 780bps y-o-y and up 270bps q-o-q) and 25.2% in 2017 (up 300bps y-o-y)
- **Asset quality improved during 4Q17 and FY17.** NPLs to gross loans ratio decreased to 3.8% at 31 December 2017 (4.2% at 31 December 2016 and 4.1% 30 September 2017). NPL coverage ratio was strong at 92.7% at 31 December 2017 (86.7% a year ago and 93.6% at 30 September 2017), while the NPL coverage ratio adjusted for discounted value of collateral stood at 130.6% at 31 December 2017 (132.1% at 31 December 2016 and 132.8% at 30 September 2017). The asset quality improvement positively impacted the cost of risk ratio, which stood at 2.1% in 4Q17 (4.2% in 4Q16 and 2.0% in 3Q17) and 2.2% in 2017 (2.7% in 2016)
- **Retail Banking ("RB") continued to deliver strong growth across all its business lines.** Retail Banking revenue reached GEL 176.0mln in 4Q17, up 19.1% y-o-y and up 13.0% q-o-q, with full year 2017 revenue totalling GEL 614.7mln, up 24.4% y-o-y. The number of **Retail Banking clients** reached 2.3mln at the end of 4Q17, up 8.1% from 2.1mln at the end of 4Q16 and up 2.7% from 3Q17
- **Our Retail Banking product to client ratio increased to 2.2 in 4Q17 from 2.0 in 4Q16 and 2.1 in 3Q17.** In 4Q17 we have completed the transformation of our retail banking operations from a product-based model into a client-centric model, as well as the implementation of the client-centric model in our branches. As of 31 December 2017, we had 86 transformed branches. We continue to see outstanding growth in sales volumes and the number of products sold to our clients in these branches, contributing to 29.3% y-o-y growth in the retail loan book
- **The loan book growth on a constant-currency basis reached 17.4% at 31 December 2017.** As a result, Retail Banking's loan book share in the total loan portfolio was 68.0% at 31 December 2017 (60.9% at 31 December 2016 and 68.4% at 30 September 2017). The Retail Banking net loan book reached GEL 5,044mln at 31 December 2017, up 29.3% y-o-y and up 11.1% q-o-q. The growth on a constant-currency basis was 30.6% y-o-y and 8.7% q-o-q
- **Retail Banking client deposits** increased to GEL 3,267.3mln at 31 December 2017, up 35.4% y-o-y and up 13.8% q-o-q. Growth on a constant-currency basis was 37.4% y-o-y and 10.2% q-o-q
- **Corporate Investment Banking ("CIB") resumed growth in 4Q17 after delivering on its risk de-concentration and loan portfolio repositioning targets in 3Q17.** CIB's net loan book amounted to GEL 2,260.1mln at 31 December 2017, down 5.6% y-o-y, but up 13.4% q-o-q. The top 10 CIB client exposure was 10.7% at the end of 4Q17, down from 11.8% at 31 December 2016. Consequently, CIB's profit increased to GEL 27.7mln in 4Q17 (up 175.3% y-o-y and up 42.3% q-o-q) and GEL 105.9mln in 2017 (up 19.9% y-o-y) and CIB ROAE reached 18.1% in 4Q17 (6.2% a year ago and 13.3% in 3Q17) and 17.6% in 2017 (up from 14.7% in 2016)
- **Investment Management's Assets Under Management ("AUM") increased to GEL 1,857.5mln**, up 17.9% y-o-y and up 2.2% q-o-q, reflecting higher bond issuance activity by our brokerage arm Galt & Taggart
- **IFRS 9 implementation delivered – no impact on capital adequacy ratios.** The Group has completed its IFRS 9 implementation programme and adopted IFRS 9, Financial Instruments from 1 January 2018. The Banking Business will recognise the estimated impact from IFRS 9 adoption of approximately GEL 31.5mln, gross of income tax, as a reduction to shareholders' equity at the transition date on 1 January 2018. As allowed by IFRS 9, the Group will not be restating prior-period data. IFRS 9 does not have any impact on regulatory capital and capital adequacy ratios. Through-the-cycle cost of risk is expected to remain unchanged. NPL coverage ratio, adjusted for additional IFRS 9 allowance, was 102.9% as at 31 December 2017
- **Amendments to Capital Adequacy requirements.** In order to transition to Basel III, the National Bank of Georgia ("NBG") introduced new capital adequacy requirements in December 2017. As a result of the changes, Bank of Georgia became subject to the following minimum capital requirements at 31 December 2017:
    - Common Equity Tier 1 ratio 8.1%, expected to increase to 9.5% on 31 December 2018
    - Tier 1 ratio 9.9%, expected to increase to 11.4% on 31 December 2018
    - Total Capital ratio 12.4%, expected to increase to 15.6% on 31 December 2018

  At 31 December 2017, Bank of Georgia's both Common Equity Tier 1 and Tier 1 ratios were 12.4%, while Total Capital ratio was 17.9%. Transition to Basel III is not expected to affect the Bank's growth prospects or its ability to maintain dividend distributions within the existing dividend policy payout range

INVESTMENT BUSINESS HIGHLIGHTS

- **Our utility and energy business, GGU, delivered a stable performance in 2017.** In 4Q17, GGU continued its investments in water pipeline infrastructure, leading to continued growth in the regulated asset base and reduction of the respective water losses. Due to successfully implemented efficiency projects, GGU was able to significantly reduce its own electricity consumption in 2017. GGU also continued the construction works on the 50MW Mestiachala HPPs in north-western Georgia, while the 44.3MW Zoti HPPs entered their construction phase in 4Q17
- In December 2017, the Georgian National Energy and Water Supply Regulatory Commission ("**GNERC**") approved new tariffs for water and waste-water services, which have been updated according to the new Regulatory Asset Base based methodology adopted by GNERC in August 2017. The new tariffs have been set for a three year regulatory period, effective from 1 January 2018. As a result, tariffs in Tbilisi have increased by 23.8% for residential customers and decreased by 0.4% for legal entities
- **Our real estate business, m^2, achieved the best sales performance in its history during 2017**. 2017 was record-breaking for m^2 in terms of square meters sold, number of apartments sold and sales revenue. m^2 sold a total of 165 apartments with a total sales value of US$ 14.5mln during 4Q17, compared to 112 apartments sold with total sales value of US$ 8.3mln in 4Q16 and 231 apartments with a total sales value of US$ 16.9mln in 3Q17. m^2 successfully completed the construction of its first luxury residential project – Skyline in 4Q17
- **In 4Q17, m^2 signed its largest ever franchise agreement** as part of its "asset light" strategy and will construct and develop a residential complex under the m^2 brand name on a third-party land plot to generate construction fees, sales commissions and a share from the project's overall profit
- **In 4Q17, m^2 acquired a controlling stake in an upcoming lifestyle boutique hotel** in a prime location of Tbilisi, which is expected to add at least 100 rooms to m^2's portfolio and is expected to complete in the first quarter of 2019. The acquisition is in line with m^2's strategy to increase its presence in the hospitality sector and capitalise on growing tourist activities in the country
- **In 4Q17, m^2's construction arm was awarded its first major third-party construction agreement** to construct the shell and core of a new shopping mall and business centre located in Tbilisi. The total amount of the contract is US$ 11.6mln and completion is planned for the first half of 2019
- **Aldagi delivered its best ever year as it continued organic growth** primarily in the motor insurance, property insurance and credit life lines, as Aldagi shifted its focus more to the retail market. New product development initiatives and enhancements of existing products resulted in more than 19,000 livestock insurance policies and 3,334 travel and trip insurance policies sold across the country in 2017
- **In 4Q17 Aldagi signed major third-party partnership agreements with two Georgian banks**, JSC Liberty Bank and JSC Credo Bank to successfully diversify its multi-channel distribution network, which will enable Aldagi to successfully tap Georgia's underpenetrated retail insurance segment
- **Our beverage business, Teliani, achieved significant milestones during 2017 and launched its mainstream beer and lemonade production in June 2017 and August 2017, respectively.** Teliani is on track to brew Heineken and Krusovice beers in 2018 under a ten-year exclusive license agreement to produce Heineken brands in Georgia, and to sell into the Caucasus region countries. Teliani also continued to diversify its distribution portfolio, with the addition of the exclusive right to import and distribute Lavazza coffee in Georgia, and winning other non-alcoholic beverage distribution contracts in 2017
- **In February 2018, we acquired a 100% equity stake in a leading Georgian craft beer producer, Black Lion LLC (Black Lion).** Black Lion is the largest producer of a premium class craft beer in Georgia that launched sales in the beginning of 2016 and sold approximately 300,000 litres of craft beer in 2017, primarily targeting restaurants and bars in Tbilisi
- **Our healthcare business, GHG, continued to deliver on its strategic priorities across its healthcare services and pharmacy businesses, while medical insurance business maintained positive EBITDA in 4Q17.** Healthcare services EBITDA margin was 26.8% in 4Q17, compared to 31.9% in 4Q16 and 26.0% in 3Q17 reflecting the planned significant investment in new hospitals and polyclinics during 2017. Pharmacy business generated a record EBITDA margin of 10.2% in 4Q17, compared to 6.0% in 4Q16 and 8.3% in 3Q17
- **In January 2018, GHG's medical insurance arm signed new medical insurance agreement with the Georgian Ministry of Internal Affairs**, the country's largest insurance client by number of insured customers of c.65,000. As a result, the number of GHG's insured individuals reached approximately 155,000

CHIEF EXECUTIVE OFFICER'S STATEMENT

In the fourth quarter of 2017, the Group delivered another extremely strong performance that resulted in record profit for the year of GEL 463 million and earnings per share of GEL 11.61, an increase of 11.5% year-on-year. This strength reflects an excellent performance from our Banking Business as well as growth momentum and strategic delivery from our Investment Businesses, which were supported by Georgia's strong macroeconomic performance and business outlook.

Group revenue in 2017 increased by 23.7% year-on-year to GEL 1.1 billion, which supported a 23.5% year-on-year increase in profit before tax from continuing operations to GEL 435.8 million. Book value per share at the end of 2017 was GEL 65.22, up 15.2% year-on-year. The Return on Average Equity in the Banking Business increased from 22.2% in 2016 to 25.2% in 2017. During the fourth quarter, the Group delivered revenue of GEL 305.1 million, up 14.8% year-on-year and up 11.9% quarter-on-quarter, and profit of GEL 118.8 million, up 33.9% year-on-year and 5.3% quarter-on-quarter.

In the **Banking Business**, 2017 was characterised by strong franchise growth in the Retail Banking operations, particularly in the fourth quarter, reflecting the continued strong performance of our business in all segments, and an increase in retail lending during the year of 29.3%, or 30.6% on a constant currency basis. In addition, in 3Q17 we completed our three year progamme to reduce concentration risk in our Corporate Investment Banking and consequently, started to deliver corporate lending growth in the last quarter of the year. Loan yields have continued to remain stable, and net interest margins have therefore remained robust at 7.3%. Costs have remained well-controlled, whilst ensuring continued investment in building an increasingly strong customer franchise. The Banking Business cost to income ratio remained very efficient at 37.7% for the year. The Banking Business cost of risk ratio in 2017 was 2.2%, in line with our medium term cost of risk expectations, and a significant reduction from 2.7% in 2016. In addition, we have continued to improve our asset quality and provisions coverage ratios. The Return on Average Equity in the Banking Business continued to improve on a quarterly basis, and stood at 25.2% for the year, and 27.8% in the fourth quarter.

The Group's **Investment Business** continued to deliver strong growth and performance, with EBITDA growing 55.7% year-on-year, and profit before non-recurring items and income tax, including discontinued operations increasing by 21.4% over the same period. Overall, the impact of a number of non-recurring items in 2016 affected year-on-year comparisons resulting in a reduction of 29.3% in net profit, to GEL 93.9 million in 2017.

From a macroeconomic perspective Georgia continues to deliver strong GDP growth, estimated at 4.8% in 2017. Annual inflation was at 6.7%, reflecting the one-off effect of an excise tax increase, while core inflation remained well-contained at 4.7% in 2017. 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 US$2.8 billion during the year, up 27.0% year-on-year. Despite Lari exchange rate volatility in the fourth quarter, the local currency regained value at the end of the year, as the external environment strengthened. The National Bank of Georgia (NBG) purchased approximately US$130 million in 2017, boosting reserves up 10.3% year-on year, to US$3.0 billion.

In the **Banking Business**, we have continued to deliver on all of our key strategic priorities. 2017 revenue growth of 17.5% was particularly supported by the strong Retail Banking franchise growth, where revenue increased by 24.4% and customer lending on a constant currency basis continues to grow at more than 20% per annum. This offsets the anticipated decline in the Corporate Investment Banking loan portfolio, as we wound down the banking relationship with a small number of significant corporate borrowers, earlier in 2017. 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 10.7% of our lending portfolio. We have now exceeded our targeted rebalancing of the retail/corporate portfolio mix to further improve the return profile of the Banking Business. Retail Banking now represents 68% of our customer lending and Corporate Investment Banking represents 32%.

In addition to the strong retail lending growth, the Retail Banking made strong progress in implementing its customer centric approach with the launch of its new loyalty reward program, Plus+ in July 2017 and continued investment in digital penetration growth. Our Retail Banking product to client ratio also improved from 2.0 to 2.2 products per client during the second half of 2017. 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 growth momentum, with customer numbers increasing to 32,104, up 12.7% during the fourth quarter and up 66.6% over the last twelve months. Solo is strongly on track to achieving its target of 40,000 Solo clients by the end of 2018.

The improving growth and strength of the Georgian economy continues to support asset quality. The annualised cost of risk ratio in 4Q17 was 2.1%, compared to 4.2% in 4Q16. In addition, we were able to reduce the ratio of NPLs to Gross Loans, which fell from 4.2% in December 2016, to 3.8% in December 2017. Our NPL coverage ratio also improved – from 86.7% at the end of December 2016, to 92.7% at the end of 2017.

In January 2018, the Bank adopted IFRS 9, which introduces a new three stage expected loss model, compared to the existing two-stage incurred loss model under the current International Accounting Standard 39. The introduction of IFRS 9 has not had an impact on the Banking Business financial position and capital ratios, which are calculated using local regulatory accounting standards. This change in accounting standards resulted in a one-off GEL 31.5 million reduction of the Banking Business shareholders equity. There is no change to the Banking Business 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. At the end of 2017, liquid assets totaling GEL 310 million were held at the holding company level. Within the Banking Business, the NBG (Basel II) Tier 1 Capital Adequacy ratio increased by 120 basis points to 10.3% during the year, reflecting both the continued de-dollarisation of the Banking Business lending portfolio and the Banking Business' high return on average equity and internal capital generation.

The National Bank of Georgia is currently in the process of transitioning to Basel III standards, and introduced new capital adequacy requirements in December 2017. Further details of the new requirements are mentioned on Page 16 of this release. On the basis of new regulation, the NBG (Basel III) Tier 1 capital adequacy ratio was 12.4% at 31 December 2017, compared to a new minimum Tier 1 capital requirement of 9.9%, which is expected to increase to 11.4% at 31 December 2018. 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 existing dividend payout policy.

Within our **Investment Business**, we now expect that, in line with our planned exit strategy for the business, it is highly probable that the Group will own less than a 50% stake in Georgia Healthcare Group ("GHG") at the end of 2018. As a result, GHG is now reported under "discontinued operations" in the Group's consolidated income statement. Within the business, GHG delivered a year of strong progress towards its planned investment and business roll-out in all the key areas in the Georgian healthcare system. GHG delivered net revenues of GEL 745.7 million during the year, an increase of 76.0%, reflecting a combination of solid organic growth and the impact of acquisitions. The healthcare services EBITDA margin continues to be strong at 26.4%, notwithstanding the dilutive effect of the significant roll-out of the two major hospital renovations – Tbilisi Referral Hospital and Deka – and the ongoing roll-out of a nationwide chain of polyclinics (outpatient clinics). In the pharmacy business, we have made significant progress towards the integration of our two recently acquired businesses, whilst avoiding any significant business disruption. As a result, the EBITDA margin of 8.6% for the year has already successfully exceeded our target of "more than 8%" margin.

Our water utility and energy business, GGU, continued to focus on improving efficiencies in the water utility business and delivered a 6.1% year-on-year growth in revenues, reaching GEL 135.0 million in 2017, compared to GEL 127.2 million last year, whilst achieving a 52% EBITDA margin. GGU has also continued to achieve efficiencies in its own energy consumption, to free up electricity for third-party sales, and has started a number of investments in additional capacity for electricity generation with the goal to establish a renewable energy platform. During 2017, GGU commenced construction of three hydro power plants, targeting c.100MW of planned additional capacity over the next few years.

Our real estate business, m^2 Real Estate, continues to demonstrate its strong execution skills to unlock considerable value in the real estate development business. During 2017, m^2 sold a total of 629 apartments with a total sales value of $49.1 million, in addition to further increasing its portfolio of yielding assets. As a result, m^2 recorded a profit of GEL 23.7 million in 2017, up from GEL 10.9 million in the previous year. In addition, during the fourth quarter of 2017, the real estate business acquired a controlling stake in an upcoming lifestyle boutique hotel in a prime location in Tbilisi, signed its largest ever franchise agreement as part of its "asset light" strategy to construct and develop a residential complex under the m^2 brand name on a third-party land plot in a densely populated Tbilisi suburb, and m^2's construction arm gained its first major third-party construction agreement to construct the shell and core of a new shopping mall and business centre in Tbilisi's Saburtalo district. These developments underpinned an extremely successful year for the real estate business, and provide significant growth potential over the next few years.

Our property and casualty insurance business, Aldagi, continues development of a strong portfolio of new products, supporting 24.6% year-on-year growth in net earned premiums during 2017 and Aldagi's position as the clear market leader in the fast-developing Georgian P&C insurance market. Over the last few months, Aldagi has also enhanced its distribution capabilities by signing major third-party partnership agreements with two Georgian banks – Liberty Bank and Credo Bank – and this will support the further diversification of Aldagi's multi-channel distribution network.

Our beverage business, Teliani, increased its revenues by 102.5% year-on-year, excluding IFRS 15 impact, continued to diversify its distribution portfolio and launched its mainstream beer and lemonade production during 2017.

The Group Board expects to recommend a regular annual dividend for 2017 totaling c.GEL 120 million. This is in the range of our regular dividend payout ratio target of 25-40% paid from the Banking Business profits. Since 2010, the Group has grown its annual dividend per share by 40% CAGR on a GEL basis, and by 32% CAGR on a US Dollar basis. If the expected demerger is successfully implemented as planned, it is intended that Bank of Georgia PLC (the then new parent company of the Banking Business), will instead, shortly after the demerger is completed, declare and pay a dividend in a similar aggregate amount to shareholders then on the record. In the event that the demerger is for any reason not completed it is intended, subject to shareholder approval, that the Board would implement the payment of this dividend, which would represent a payment of GEL 3.1 per share, payable in British Pounds Sterling at the prevailing rate, a 19.2% increase over the 2016 dividend.

In addition to the regular annual dividend paid to shareholders, US$5.0 million was returned to shareholders by way of the buyback and cancellation of 115,608 shares during 2017, as part of the existing Board approved US$50 million buyback and cancellation programme. During 2017, the Group Employee Benefits Trust also purchased shares in the market totaling US$34.1 million.

In July 2017, the Group announced its intention to demerge BGEO Group PLC into two separately London-listed businesses: a banking business, Bank of Georgia Group PLC, and an investment business, Georgia Capital PLC. On 12 February, the Group announced that the Board has approved the implementation of the demerger, which is subject to shareholder approval at a General Meeting expected to be held in April 2018. The demerger is expected to complete before the end of June 2018. In its final year before the forthcoming demerger, supported by the continued macroeconomic performance of Georgia, BGEO Group has delivered another year of strong earnings momentum. Growth and returns in both the Banking Business and the Investment Businesses, now renamed Georgia Capital, continue to be high. Following the completion of the proposed demerger, I expect both companies independently to be extremely well positioned to continue their excellent recent track record for many years to come.

Irakli Gilauri,

Group CEO of BGEO Group PLC

FINANCIAL SUMMARY

INCOME STATEMENT (QUARTERLY)	BGEO Consolidated					Banking Business[6]					Investment Business[6]				
GEL thousands unless otherwise noted	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q
Net banking interest income	183,498	155,052	18.3%	168,603	8.8%	183,124	157,611	16.2%	167,788	9.1%	-	-	-	-	-
Net fee and commission income	36,483	35,196	3.7%	32,754	11.4%	36,738	36,769	-0.1%	33,141	10.9%	-	-	-	-	-
Net banking foreign currency gain	28,139	34,956	-19.5%	20,436	37.7%	27,464	27,707	-0.9%	19,614	40.0%	-	-	-	-	-
Net other banking income	12,708	1,704	NMF	2,375	NMF	12,986	2,138	NMF	2,653	NMF	-	-	-	-	-
Gross insurance profit	6,328	6,223	1.7%	6,862	-7.8%	-	-	-	-	-	6,306	6,255	0.8%	6,846	-7.9%
Gross real estate profit	5,544	979	NMF	3,922	41.4%	-	-	-	-	-	5,773	1,560	NMF	4,179	38.1%
Gross utility and energy profit	22,777	21,600	5.4%	25,853	-11.9%	-	-	-	-	-	22,868	21,671	5.5%	25,942	-11.8%
Gross other investment profit	9,621	9,974	-3.5%	11,800	-18.5%	-	-	-	-	-	9,611	9,758	-1.5%	11,792	-18.5%
Revenue	305,098	265,684	14.8%	272,605	11.9%	260,312	224,225	16.1%	223,196	16.6%	44,558	39,244	13.5%	48,759	-8.6%
Operating expenses	**(121,146)**	**(95,035)**	**27.5%**	**(104,197)**	**16.3%**	**(99,742)**	**(83,840)**	**19.0%**	**(85,354)**	**16.9%**	**(22,676)**	**(12,812)**	**77.0%**	**(20,135)**	**12.6%**
Operating income before cost of credit risk / EBITDA	**183,952**	**170,649**	**7.8%**	**168,408**	**9.2%**	**160,570**	**140,385**	**14.6%**	**137,842**	**16.5%**	**21,882**	**26,432**	**-17.2%**	**28,624**	**-23.6%**
Profit from associates	255	-	NMF	147	73.5%	255	-	NMF	147	73.5%	-	-	-	-	-
Depreciation and amortisation of investment business	(9,056)	(4,501)	101.2%	(7,275)	24.5%	-	-	-	-	-	(9,056)	(4,501)	101.2%	(7,275)	24.5%
Net foreign currency loss from investment business	(5,797)	(1,905)	NMF	(3,941)	47.1%	-	-	-	-	-	(5,797)	(1,905)	NMF	(3,941)	47.1%
Interest income from investment business	1,691	1,830	-7.6%	959	76.3%	-	-	-	-	-	4,088	1,175	NMF	3,595	13.7%
Interest expense from investment business	(8,862)	(4,654)	90.4%	(6,961)	27.3%	-	-	-	-	-	(8,969)	(6,523)	37.5%	(7,049)	27.2%
Operating income before cost of credit risk	**162,183**	**161,419**	**0.5%**	**151,337**	**7.2%**	**160,825**	**140,385**	**14.6%**	**137,989**	**16.5%**	**2,148**	**14,678**	**-85.4%**	**13,954**	**-84.6%**
Cost of credit risk	(43,045)	(70,023)	-38.5%	(37,900)	13.6%	(42,428)	(70,608)	-39.9%	(36,832)	15.2%	(617)	585	NMF	(1,068)	-42.2%
Profit before non-recurring items and income tax	**119,138**	**91,396**	**30.4%**	**113,437**	**5.0%**	**118,397**	**69,777**	**69.7%**	**101,157**	**17.0%**	**1,531**	**15,263**	**-90.0%**	**12,886**	**-88.1%**
Net non-recurring items	(673)	(1,324)	-49.2%	(1,441)	-53.3%	(213)	(1,055)	-79.8%	(1,376)	-84.5%	(460)	(269)	71.0%	(65)	NMF
Profit before income tax (expense)/benefit	**118,465**	**90,072**	**31.5%**	**111,996**	**5.8%**	**118,184**	**68,722**	**72.0%**	**99,781**	**18.4%**	**1,071**	**14,994**	**-92.9%**	**12,821**	**-91.6%**
Income tax (expense)/benefit	(12,716)	(871)	NMF	(10,096)	26.0%	(11,050)	2,782	NMF	(7,850)	40.8%	(1,666)	(3,653)	-54.4%	(2,246)	-25.8%
Profit from continuing operations	**105,749**	**89,201**	**18.6%**	**101,900**	**3.8%**	**107,134**	**71,504**	**49.8%**	**91,931**	**16.5%**	**(595)**	**11,341**	**NMF**	**10,575**	**NMF**
Profit from discontinued operations	13,060	(458)	NMF	10,941	19.4%	-	-	-	-	-	12,270	5,898	108.0%	10,335	18.7%
Profit	118,809	88,743	33.9%	112,841	5.3%	107,134	71,504	49.8%	91,931	16.5%	11,675	17,239	-32.3%	20,910	-44.2%
Earnings per share (basic)	**3.05**	**2.29**	**33.2%**	**2.82**	**8.2%**	**2.86**	**1.89**	**51.1%**	**2.43**	**17.8%**	**0.19**	**0.40**	**-52.3%**	**0.39**	**-51.7%**
Earnings per share (diluted)	**2.90**	**2.21**	**31.2%**	**2.70**	**7.4%**	**2.72**	**1.83**	**48.9%**	**2.33**	**17.0%**	**0.18**	**0.38**	**-53.0%**	**0.37**	**-52.0%**

INCOME STATEMENT (FULL YEAR)	BGEO Consolidated			Banking Business[6]			Investment Business[6]		
GEL thousands unless otherwise noted	2017	2016	Change y-o-y	2017	2016	Change y-o-y	2017	2016	Change y-o-y
Net banking interest income	672,535	548,121	22.7%	672,100	553,611	21.4%	-	-	-
Net fee and commission income	130,050	122,477	6.2%	131,474	124,910	5.3%	-	-	-
Net banking foreign currency gain	79,106	89,480	-11.6%	86,060	83,203	3.4%	-	-	-
Net other banking income	18,645	10,667	74.8%	19,701	12,183	61.7%	-	-	-
Gross insurance profit	27,265	24,569	11.0%	-	-	-	27,049	25,256	7.1%
Gross real estate profit	34,390	18,485	86.0%	-	-	-	35,367	19,066	85.5%
Gross utility and energy profit	88,010	38,541	128.4%	-	-	-	88,370	38,680	128.5%
Gross other investment profit	30,630	21,288	43.9%	-	-	-	30,583	21,334	43.4%
Revenue	1,080,631	873,628	23.7%	909,335	773,907	17.5%	181,369	104,336	73.8%
Operating expenses	**(413,045)**	**(322,806)**	**28.0%**	**(342,936)**	**(291,548)**	**17.6%**	**(74,792)**	**(35,893)**	**108.4%**
Operating income before cost of credit risk / EBITDA	**667,586**	**550,822**	**21.2%**	**566,399**	**482,359**	**17.7%**	**106,577**	**68,443**	**55.7%**
Profit from associates	1,311	4,074	-67.8%	1,311	-	NMF	-	4,074	NMF
Depreciation and amortisation of investment business	(28,235)	(10,062)	NMF	-	-	-	(28,235)	(10,062)	NMF
Net foreign currency loss from investment business	(4,937)	(3,134)	57.5%	-	-	-	(4,937)	(3,134)	57.5%
Interest income from investment business	5,415	3,745	44.6%	-	-	-	12,970	4,144	NMF
Interest expense from investment business	(29,660)	(11,220)	NMF	-	-	-	(30,014)	(13,410)	123.8%
Operating income before cost of credit risk	**611,480**	**534,225**	**14.5%**	**567,710**	**482,359**	**17.7%**	**56,361**	**50,055**	**12.6%**
Cost of credit risk	(170,711)	(168,756)	1.2%	(167,296)	(167,752)	-0.3%	(3,415)	(1,004)	NMF
Profit before non-recurring items and income tax	**440,769**	**365,469**	**20.6%**	**400,414**	**314,607**	**27.3%**	**52,946**	**49,051**	**7.9%**
Net non-recurring items	(4,923)	(12,682)	-61.2%	(4,300)	(45,355)	-90.5%	(623)	32,673	NMF
Profit before income tax (expense)/benefit	**435,846**	**352,787**	**23.5%**	**396,114**	**269,252**	**47.1%**	**52,323**	**81,724**	**-36.0%**
Income tax (expense)/benefit	(32,340)	17,500	NMF	(26,592)	26,444	NMF	(5,748)	(8,944)	-35.7%
Profit from continuing operations	**403,506**	**370,287**	**9.0%**	**369,522**	**295,696**	**25.0%**	**46,575**	**72,780**	**-36.0%**
Profit from discontinued operations	59,943	58,289	2.8%	-	-	-	47,352	60,100	-21.2%
Profit	463,449	428,576	8.1%	369,522	295,696	25.0%	93,927	132,880	-29.3%
Earnings per share (basic)	**11.61**	**10.41**	**11.5%**	**9.76**	**7.66**	**27.4%**	**1.85**	**2.75**	**-32.7%**
Earnings per share (diluted)	**11.07**	**10.09**	**9.7%**	**9.30**	**7.42**	**25.4%**	**1.77**	**2.67**	**-33.8%**

[6] Banking Business and Investment Business financials do not include inter-business eliminations. Detailed financials, including inter-business eliminations are provided on pages 38, 39 and 40.

BALANCE SHEET

GEL thousands unless otherwise noted	BGEO Consolidated					Banking Business					Investment Business				
	Dec-17	**Dec-16**	**Change y-o-y**	**Sep-17**	**Change q-o-q**	**Dec-17**	**Dec-16**	**Change y-o-y**	**Sep-17**	**Change q-o-q**	**Dec-17**	**Dec-16**	**Change y-o-y**	**Sep-17**	**Change q-o-q**
Liquid assets	4,373,251	3,914,596	11.7%	4,128,332	5.9%	4,346,509	3,705,171	17.3%	4,068,147	6.8%	445,501	584,066	-23.7%	439,616	1.3%
Cash and cash equivalents	*1,582,435*	*1,573,610*	*0.6%*	*1,721,811*	*-8.1%*	*1,516,401*	*1,480,783*	*2.4%*	*1,648,098*	*-8.0%*	*374,301*	*401,969*	*-6.9%*	*345,137*	*8.4%*
Amounts due from credit institutions	*1,225,947*	*1,054,983*	*16.2%*	*985,120*	*24.4%*	*1,216,349*	*940,485*	*29.3%*	*950,775*	*27.9%*	*38,141*	*178,425*	*-78.6%*	*60,565*	*-37.0%*
Investment securities	*1,564,869*	*1,286,003*	*21.7%*	*1,421,401*	*10.1%*	*1,613,759*	*1,283,903*	*25.7%*	*1,469,274*	*9.8%*	*33,059*	*3,672*	*NMF*	*33,914*	*-2.5%*
Loans to customers and finance lease receivables	7,690,450	6,648,482	15.7%	6,917,211	11.2%	7,741,420	6,681,672	15.9%	6,951,493	11.4%	-	-	-	-	-
Property and equipment	988,436	1,288,594	-23.3%	1,501,735	-34.2%	322,925	296,791	8.8%	309,769	4.2%	661,176	991,803	-33.3%	1,187,631	-44.3%
Assets of disposal group held for sale	1,136,417	-	NMF	-	NMF	-	-	-	-	-	1,165,182	-	NMF	-	NMF
Total assets	**15,168,669**	**12,954,176**	**17.1%**	**13,927,773**	**8.9%**	**12,907,678**	**11,123,358**	**16.0%**	**11,779,718**	**9.6%**	**2,763,913**	**2,307,069**	**19.8%**	**2,573,427**	**7.4%**
Client deposits and notes	6,712,482	5,382,698	24.7%	6,252,228	7.4%	7,078,058	5,755,767	23.0%	6,549,904	8.1%	-	-	-	-	-
Amounts due to credit institutions	3,155,839	3,470,091	-9.1%	2,774,525	13.7%	2,778,338	3,067,651	-9.4%	2,350,438	18.2%	377,501	435,630	-13.3%	459,158	-17.8%
Borrowings from DFI	*1,624,347*	*1,403,120*	*15.8%*	*1,435,236*	*13.2%*	*1,297,749*	*1,281,798*	*1.2%*	*1,172,530*	*10.7%*	*326,598*	*121,323*	*NMF*	*262,707*	*24.3%*
Short-term loans from NBG	*793,528*	*1,085,640*	*-26.9%*	*590,014*	*34.5%*	*793,528*	*1,085,640*	*-26.9%*	*590,014*	*34.5%*	-	-	-	-	-
Loans and deposits from commercial banks	*737,964*	*981,331*	*-24.8%*	*749,275*	*-1.5%*	*687,061*	*700,213*	*-1.9%*	*587,894*	*16.9%*	*50,903*	*314,307*	*-83.8%*	*196,451*	*-74.1%*
Debt securities issued	1,709,152	1,255,643	36.1%	1,691,260	1.1%	1,386,412	858,036	61.6%	1,298,641	6.8%	357,442	404,450	-11.6%	479,142	-25.4%
Liabilities of disposal group held for sale	516,663	-	NMF	-	NMF	-	-	-	-	-	619,026	-	NMF	-	NMF
Total liabilities	**12,436,299**	**10,565,963**	**17.7%**	**11,299,090**	**10.1%**	**11,354,976**	**9,770,856**	**16.2%**	**10,292,672**	**10.3%**	**1,584,245**	**1,271,358**	**24.6%**	**1,431,790**	**10.6%**
Total equity	**2,732,370**	**2,388,213**	**14.4%**	**2,628,683**	**3.9%**	**1,552,702**	**1,352,502**	**14.8%**	**1,487,046**	**4.4%**	**1,179,668**	**1,035,711**	**13.9%**	**1,141,637**	**3.3%**

BANKING BUSINESS RATIOS

	4Q17	**4Q16**	**3Q17**	**2017**	**2016**
ROAA	3.4%	2.8%	3.2%	3.2%	3.1%
ROAE	27.8%	20.0%	25.1%	25.2%	22.2%
Net Interest Margin	7.3%	7.6%	7.3%	7.3%	7.4%
Loan Yield	14.3%	14.4%	14.3%	14.2%	14.2%
Liquid assets yield	3.4%	3.3%	3.5%	3.4%	3.2%
Cost of Funds	4.8%	4.6%	4.8%	4.7%	4.7%
Cost of Client Deposits and Notes	3.5%	3.6%	3.5%	3.5%	3.8%
Cost of Amounts Due to Credit Institutions	6.5%	6.4%	6.5%	6.4%	6.2%
Cost of Debt Securities Issued	7.8%	6.1%	7.9%	7.4%	6.8%
Cost / Income	38.3%	37.4%	38.2%	37.7%	37.7%
NPLs to Gross Loans to Clients	3.8%	4.2%	4.1%	3.8%	4.2%
NPL Coverage Ratio[7]	92.7%	86.7%	93.6%	92.7%	86.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	130.6%	132.1%	132.8%	130.6%	132.1%
Cost of Risk	2.1%	4.2%	2.0%	2.2%	2.7%
NBG (Basel II) Tier I Capital Adequacy Ratio	10.3%	9.1%	11.1%	10.3%	9.1%
NBG (Basel II) Total Capital Adequacy Ratio	14.8%	14.4%	16.2%	14.8%	14.4%
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a	n/a	12.4%	n/a
NBG (Basel III) Total Capital Adequacy Ratio	17.9%	n/a	n/a	17.9%	n/a

[7] NPL Coverage Ratio adjusted for IFRS 9 was 102.9% at 31 December 2017.

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	**4Q17**	**4Q16**	**Change y-o-y**	**3Q17**	**Change q-o-q**	**2017**	**2016**	**Change y-o-y**
Banking interest income	312,950	258,010	21.3%	287,274	8.9%	1,140,292	932,063	22.3%
Banking interest expense	(129,826)	(100,399)	29.3%	(119,486)	8.7%	(468,192)	(378,452)	23.7%
Net banking interest income	**183,124**	**157,611**	**16.2%**	**167,788**	**9.1%**	**672,100**	**553,611**	**21.4%**
Fee and commission income	53,739	50,248	6.9%	49,155	9.3%	192,499	172,630	11.5%
Fee and commission expense	(17,001)	(13,479)	26.1%	(16,014)	6.2%	(61,025)	(47,720)	27.9%
Net fee and commission income	**36,738**	**36,769**	**-0.1%**	**33,141**	**10.9%**	**131,474**	**124,910**	**5.3%**
Net banking foreign currency gain	27,464	27,707	-0.9%	19,614	40.0%	86,060	83,203	3.4%
Net other banking income	12,986	2,138	NMF	2,653	NMF	19,701	12,183	61.7%
Revenue	**260,312**	**224,225**	**16.1%**	**223,196**	**16.6%**	**909,335**	**773,907**	**17.5%**
Net Interest Margin	7.3%	7.6%		7.3%		7.3%	7.4%	
Average interest earning assets	10,008,954	8,234,098	21.6%	9,092,457	10.1%	9,234,600	7,441,186	24.1%
Average interest bearing liabilities	10,824,561	8,633,475	25.4%	9,841,785	10.0%	9,922,414	7,984,426	24.3%
Average net loans and finance lease receivables, currency blended	7,390,896	6,134,296	20.5%	6,727,963	9.9%	6,856,802	5,640,611	21.6%
Average net loans and finance lease receivables, GEL	2,818,150	1,780,650	58.3%	2,528,946	11.4%	2,414,121	1,592,987	51.5%
Average net loans and finance lease receivables, FC	4,572,746	4,353,646	5.0%	4,199,017	8.9%	4,442,681	4,047,624	9.8%
Average client deposits and notes, currency blended	6,891,147	5,260,121	31.0%	6,096,686	13.0%	6,146,052	5,040,486	21.9%
Average client deposits and notes, GEL	2,065,806	1,244,743	66.0%	1,811,206	14.1%	1,706,726	1,243,028	37.3%
Average client deposits and notes, FC	4,825,341	4,015,378	20.2%	4,285,480	12.6%	4,439,326	3,797,458	16.9%
Average liquid assets, currency blended	4,279,369	3,300,588	29.7%	3,920,876	9.1%	3,854,019	3,099,731	24.3%
Average liquid assets, GEL	1,660,337	1,320,304	25.8%	1,599,459	3.8%	1,527,420	1,205,982	26.7%
Average liquid assets, FC	2,619,032	1,980,284	32.3%	2,321,417	12.8%	2,326,599	1,893,749	22.9%
Excess liquidity (NBG)	289,942	418,016	-30.6%	843,299	-65.6%	289,942	418,016	-30.6%
Liquid assets yield, currency blended	3.4%	3.3%		3.5%		3.4%	3.2%	
Liquid assets yield, GEL	7.1%	7.2%		7.1%		7.1%	7.3%	
Liquid assets yield, FC	1.0%	0.6%		0.9%		0.9%	0.5%	
Loan yield, currency blended	14.3%	14.4%		14.3%		14.2%	14.2%	
Loan yield, GEL	21.3%	22.9%		21.6%		21.9%	23.3%	
Loan yield, FC	10.0%	10.9%		9.9%		10.0%	10.6%	
Cost of Funds, currency blended	4.8%	4.6%		4.8%		4.7%	4.7%	
Cost of Funds, GEL	7.0%	6.0%		6.8%		6.9%	6.5%	
Cost of Funds, FC	3.7%	4.1%		3.8%		3.7%	4.2%	
Cost / Income	38.3%	37.4%		38.2%		37.7%	37.7%	

Performance highlights

- **Strong Banking Business revenue. We recorded quarterly revenue of GEL 260.3mln in 4Q17 (up 16.1% y-o-y and up 16.6% q-o-q), ending the 2017 with revenue of GEL 909.3mln (up 17.5% y-o-y)**. Y-o-y revenue growth both in 4Q17 and 2017 was primarily driven by a strong increase in net banking interest income, which resulted from strong loan book growth, and increase in net other banking income. Additionally, net fee and commission income contributed to increase of Banking Business revenues in 4Q17 q-o-q and in 2017 y-o-y

- **Net banking interest income.** Our net banking interest income was up 16.2% y-o-y and up 9.1% q-o-q in 4Q17 and up 21.4% y-o-y in 2017. The q-o-q and y-o-y increases were primarily driven by the strong growth of our Retail Banking loan book, which experienced 30.6% constant currency growth during 2017

- **Our NIM was 7.3% in both 4Q17 and 2017.** 4Q17 NIM was down 30bps y-o-y reflecting the 10bps y-o-y decrease in loan yield and 20bps y-o-y increase in cost of funds. Loan yield and cost of funds remained flat q-o-q in 4Q17, resulting in a stable

NIM. For the full year 2017, while both loan yield and cost of funds stayed flat and liquid assets yield was up 20bps compared to 2016, NIM was down 10bps y-o-y as a result of the NBG's decision in 2Q16 mandating an increase in minimum reserve requirements

- **Loan yield.** Currency blended loan yield was stable at 14.3% in 4Q17 (down 10bps y-o-y and flat q-o-q) and 14.2% in 2017 (flat y-o-y). While local and foreign currency loan yields decreased y-o-y and q-o-q, the overall stable trend in the loan yield primarily reflected a continued shift towards high-yielding local currency denominated loans in the total loan portfolio mix
- **Liquid assets yield.** Our liquid assets yield was 3.4% (up 10bps y-o-y and down 10bps q-o-q) in 4Q17 and in 2017 (up 20bps y-o-y). The foreign currency denominated liquid assets yield increased by 40pbs y-o-y in 4Q17 and in 2017 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 decreased 10bps y-o-y in 4Q17 and decreased by 20bps y-o-y in 2017. The currency blended liquid assets yield increased only 10bps y-o-y in 4Q17 and 20bps y-o-y in 2017 on the back of decreasing yields on higher return local currency denominated liquid assets, while the total liquid assets portfolio composition remained largely the same during the periods
- **Cost of funds.** Cost of funds stood at 4.8% in 4Q17 (up 20bps y-o-y and flat q-o-q) and at 4.7% (flat y-o-y) in 2017. Despite the significant increase in cost of debt securities issued in 4Q17 and 2017 following the issuance of GEL 500mln 11.0% Lari denominated notes in 2Q17 (up 170bps y-o-y in 4Q17 and up 60bps y-o-y in 2017), cost of funds remained largely flat as a result of a decrease in the cost of client deposits and notes (down 10bps y-o-y and q-o-q in 4Q17 and down 30bps y-o-y in 2017)
- **Continued shift to the GEL denominated loan book, which increased to 38.3% of the total book at 31 December 2017, compared to 28.7% 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 programme, 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)
- **Net Loans to Customer Funds and DFI ratio**. Customer funds (client deposits and notes) increased by 23.0% y-o-y and 8.1% q-o-q to GEL 7,078.1mln driven by strong deposit generation in both the Retail and Corporate Investment Banking operations. Retail banking client deposits and notes grew by 35.4% y-o-y and 13.8% q-o-q to GEL 3,267.3mln, while CIB client deposits grew by 13.0% y-o-y and 4.5% q-o-q to GEL 3,457.3mln. We also increased our borrowings from DFIs by 10.7% q-o-q to GEL 1,297.7mln. As a result, our Net Loans to Customer Funds and DFI ratio, which is closely monitored by management, remained strong at 92.4% (94.9% at 31 December 2016 and 90.0% at 30 September 2017) despite the strong growth of the 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 reflecting the de-concentration of our corporate risk
- **Net banking foreign currency gain.** In line with the volatility of the GEL exchange rate, the net banking foreign currency gain was down 0.9% y-o-y and up 40.0% q-o-q in 4Q17 and up 3.4% y-o-y in 2017. RB and CIB businesses together contributed 87.4% to both the total 4Q17 and 2017 net banking foreign currency gain
- **Net other banking income.** Net other banking income increased y-o-y and q-o-q to GEL 13.0mln in 4Q17 and to GEL 19.7mln in 2017 (up 61.7% y-o-y). The y-o-y and q-o-q increases in 4Q17 and y-o-y increase in 2017 was largely driven by a) GEL 4.5mln and GEL 1.5mln net gains on derivative financial instruments recorded in 4Q17 and 2017, respectively, and b) GEL 7.3mln revaluation gain from investment properties recorded in 4Q17

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

GEL thousands, unless otherwise noted	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Salaries and other employee benefits	(55,789)	(47,883)	16.5%	(50,638)	10.2%	(198,213)	(168,374)	17.7%
Administrative expenses	(32,245)	(25,096)	28.5%	(23,240)	38.7%	(100,291)	(82,113)	22.1%
Banking depreciation and amortisation	(10,514)	(9,639)	9.1%	(10,738)	-2.1%	(40,974)	(37,207)	10.1%
Other operating expenses	(1,194)	(1,222)	-2.3%	(738)	61.8%	(3,458)	(3,854)	-10.3%
Operating expenses	**(99,742)**	**(83,840)**	**19.0%**	**(85,354)**	**16.9%**	**(342,936)**	**(291,548)**	**17.6%**
Profit from associate	255	-	NMF	147	73.5%	1,311	-	NMF
Operating income before cost of credit risk	**160,825**	**140,385**	**14.6%**	**137,989**	**16.5%**	**567,710**	**482,359**	**17.7%**
Impairment charge on loans to customers	(41,911)	(69,920)	-40.1%	(34,202)	22.5%	(155,210)	(158,892)	-2.3%
Impairment charge on finance lease receivables	492	3,124	-84.3%	(781)	NMF	(496)	(777)	-36.2%
Impairment charge on other assets and provisions	(1,009)	(3,812)	-73.5%	(1,849)	-45.4%	(11,590)	(8,083)	43.4%
Cost of credit risk	**(42,428)**	**(70,608)**	**-39.9%**	**(36,832)**	**15.2%**	**(167,296)**	**(167,752)**	**-0.3%**
Profit before non-recurring items and income tax	**118,397**	**69,777**	**69.7%**	**101,157**	**17.0%**	**400,414**	**314,607**	**27.3%**
Net non-recurring items	(213)	(1,055)	-79.8%	(1,376)	-84.5%	(4,300)	(45,355)	-90.5%
Profit before income tax	**118,184**	**68,722**	**72.0%**	**99,781**	**18.4%**	**396,114**	**269,252**	**47.1%**
Income tax (expense) benefit	(11,050)	2,782	NMF	(7,850)	40.8%	(26,592)	26,444	NMF
Profit	**107,134**	**71,504**	**49.8%**	**91,931**	**16.5%**	**369,522**	**295,696**	**25.0%**

- **Operating expenses increased to GEL 99.7mln in 4Q17 (up 19.0% y-o-y and up 16.9% q-o-q) and GEL 342.9mln in 2017 (up 17.6% y-o-y).** The growth in operating expenses outpaced growth in revenues, and consequently y-o-y operating leverage was negative both in 4Q17 and 2017 at 2.9 percentage points and at 0.1 percentage points, respectively. 4Q17 y-o-y and q-o-q and 2017 y-o-y changes in operating expenses were driven by:
  - an increase in salaries and employee benefits by 16.5% y-o-y and 10.2% q-o-q in 4Q17 and by 17.7% y-o-y in 2017, which mainly reflects the strong organic growth of Retail Banking operations
  - an increase in administrative expenses by 28.5% y-o-y and 38.7% q-o-q in 4Q17 and by 22.1% y-o-y in 2017, primarily driven by increased marketing, personnel training, 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 annual exchange rate during 4Q17 and 2017 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 2.1% in 4Q17, down 210bps y-o-y and up 10bps q-o-q. RB 4Q17 cost of risk ratio was down 20bps both y-o-y and q-o-q, while CIB cost of risk ratio was down 340bps y-o-y and up 90bps q-o-q. On an annual basis, the Banking Business cost of risk ratio was 2.2%, down 50bps y-o-y, primarily driven by 160bps decrease in CIB cost of risk ratio driven by overall improvement in the CIB loan portfolio quality, offset by 20bps increase in the RB cost of risk ratio
- **Quality of the Banking Business loan book remains strong in 4Q17** as evidenced by following closely monitored metrics:

GEL thousands, unless otherwise noted	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Non-performing loans								
NPLs	301,268	294,787	2.2%	297,134	1.4%	301,268	294,787	2.2%
NPLs to gross loans	3.8%	4.2%		4.1%		3.8%	4.2%	
NPLs to gross loans, RB	1.3%	1.4%		1.5%		1.3%	1.4%	
NPLs to gross loans, CIB	7.5%	8.0%		8.3%		7.5%	8.0%	
NPL coverage ratio	92.7%	86.7%		93.6%		92.7%	86.7%	
NPL coverage ratio adjusted for the discounted value of collateral	130.6%	132.1%		132.8%		130.6%	132.1%	
Past due dates								
Retail loans - 15 days past due rate	0.9%	1.2%		1.5%		0.9%	1.2%	
Mortgage loans – 15 days past due rate	0.6%	0.6%		1.0%		0.6%	0.6%	

- **Income tax (expense) benefit**. The 4Q17 and 2017 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 in 2016
- **BNB – the Group's banking subsidiary in Belarus - generated a profit of GEL 3.6mln in 4Q17 (up from GEL 4.1mln loss in 4Q16 and down 3.3% q-o-q) and GEL 10.3mln in 2017 (up from GEL 2.7mln in 2016);** BNB's earnings were positively impacted by decreased levels of cost of risk in 4Q17. While Belarus experienced weak macro-economic conditions in 2016 and 1Q17, starting from 2Q17 the Belarus economy started to show early signs of stabilisation. As a result, BNB's cost of credit risk significantly improved in 2017
- BNB's loan book reached GEL 399.5mln at 31 December 2017, up 10.3% y-o-y and up 5.0% q-o-q, mostly reflecting an increase in corporate and consumer loans. Client deposits were GEL 310.1mln at 31 December 2017, up 32.8% y-o-y and largely flat q-o-q. The y-o-y 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. At 31 December 2017, total CAR was 13.9%, well above the 10% minimum requirement of the National Bank of the Republic of Belarus ("NBRB"), while Tier I CAR was 8.1%, above NBRB's 6% minimum requirement. Return on Average Equity ("**ROAE**") was 18.5% in 4Q17 (negative 23.6% in 4Q16 and 21.1% in 3Q17) and 14.6% in 2017 (2.8% in 2016). Strong capitalisation and improved profitability allowed BNB to make a dividend payment in the amount of GEL 1.2mln in 3Q17, the first capital return to the Bank since the BNB acquisition in 2008
- **As a result, the Banking Business profit reached GEL 107.1mln in 4Q17** (up 49.8% y-o-y and up 16.5% q-o-q) and GEL 369.5mln in 2017 (up 25.0% y-o-y), while **ROAE increased to 27.8% in 4Q17** (up 780bps y-o-y and 270bps q-o-q) and to 25.2% in 2017 (up 300bps y-o-y)

BANKING BUSINESS BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	**Dec-17**	**Dec-16**	**Change y-o-y**	**Sep-17**	**Change q-o-q**
Liquid assets	4,346,509	3,705,171	17.3%	4,068,147	6.8%
Liquid assets, GEL	1,791,708	1,450,269	23.5%	1,569,161	14.2%
Liquid assets, FC	2,554,801	2,254,902	13.3%	2,498,986	2.2%
Net loans and finance lease receivables	7,741,420	6,681,672	15.9%	6,951,493	11.4%
Net loans and finance lease receivables, GEL	2,968,832	1,920,422	54.6%	2,689,778	10.4%
Net loans and finance lease receivables, FC	4,772,588	4,761,250	0.2%	4,261,715	12.0%
Client deposits and notes	7,078,058	5,755,767	23.0%	6,549,904	8.1%
Amounts due to credit institutions	2,778,338	3,067,651	-9.4%	2,350,438	18.2%
Borrowings from DFIs	1,297,749	1,281,798	1.2%	1,172,530	10.7%
Short-term loans from central banks	793,528	1,085,640	-26.9%	590,014	34.5%
Loans and deposits from commercial banks	687,061	700,213	-1.9%	587,894	16.9%
Debt securities issued	1,386,412	858,036	61.6%	1,298,641	6.8%
Liquidity and CAR ratios					
Net loans / client deposits and notes	109.4%	116.1%		106.1%	
Net loans / client deposits and notes + DFIs	92.4%	94.9%		90.0%	
Liquid assets as percent of total assets	33.7%	33.3%		34.5%	
Liquid assets as percent of total liabilities	38.3%	37.9%		39.5%	
NBG liquidity ratio	34.4%	37.7%		44.4%	
Excess liquidity (NBG)	289,942	418,016	-30.6%	843,299	-65.6%
NBG (Basel II) Tier I Capital Adequacy Ratio	10.3%	9.1%		11.1%	
NBG (Basel II) Total Capital Adequacy Ratio	14.8%	14.4%		16.2%	
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	-		-	
NBG (Basel III) Total Capital Adequacy Ratio	17.9%	-		-	

Our Banking Business balance sheet remains highly liquid (NBG Liquidity ratio of 34.4%) **and strongly capitalised** (Tier I ratio, NBG Basel II of 10.3% and NBG Basel III of 12.4%) **with a well-diversified funding base** (Client Deposits and notes to Total Liabilities of 62.3%).

- **Liquidity.** Liquid assets increased to GEL 4,346.5mln at 31 December 2017, up 17.3% y-o-y and up 6.8% q-o-q, largely driven by proceeds from the GEL 500mln Lari denominated bonds in June 2017 and increase in local currency bonds, which are used by the Bank as collateral for short-term borrowings from the NBG. Management successfully continued to deploy excess liquidity, accumulated as a result of proceeds from issuance of local currency Eurobond during the second half of the year. As a result, the NBG liquidity ratio stood at 34.4% at 31 December 2017, compared to 37.7% at 31 December 2016 and 44.4% at 30 September 2017, and above the regulatory minimum requirement of 30.0%
- In addition, in May 2017, NBG introduced a **Liquidity Coverage Ratio** requirement for commercial banks, which became effective from 1 September 2017. Banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high quality liquid assets to net cash outflow over the next 30 days. The ratio should be in excess of 100% for assets denominated in all currencies, cumulatively, at all times. In addition, liquidity coverage ratio is applicable to local and foreign currency denominated assets, separately, and should be in excess of 75% and 100%, respectively, at all times. NBG liquidity coverage ratio was 112.4% at 31 December 2017 (129.8% at 30 September 2017)
- **Diversified funding base**. Debt securities issued grew by 61.6% y-o-y and by 6.8% q-o-q primarily due to the issuance of GEL 500mln Lari denominated bonds in June 2017, which positively contributed to GEL liquidity, allowing the Banking Business to significantly reduce short-term borrowings from the NBG (down 26.9% y-o-y)
- **Loan book**. Our net loan book and finance lease receivables reached GEL 7,741.4mln at 31 December 2017, up 15.9% y-o-y and up 11.4% q-o-q. As of 31 December 2017, retail book represented 68.0% of the total loan portfolio (60.9% at 31 December 2016 and 68.4% at 30 September 2017). While both local and foreign currency portfolios experienced y-o-y growth, the local currency loan portfolio demonstrated an outstanding increase of 54.6% y-o-y and 10.4% 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

In 4Q17, we changed the Group accounting policy in relation to subsequent measurement for office buildings and service centres. Effective 31 December 2017, we switched to the cost model, whereby office buildings and service centres are carried at cost less accumulated depreciation and accumulated impairment. Prior to this change, we applied the revaluation model, where office buildings and service centres were carried at their fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations were performed once every three years. We believe that cost model provides more reliable and more meaningful presentation to our investors as it (1) enhances comparability for the investors since the application of cost model is a market practice and global standard across the banking industry (2) more closely aligns the accounting with the business model around these asset categories. The switch to cost model resulted in GEL 33.3mln decrease to Banking Business equity attributable to shareholders. We have accordingly restated the balance sheet accounts for affected periods, while the change did not have any material impact on the income statement. Banking Business ratios have been updated for the prior periods.

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.

Amendments to Capital Adequacy requirements. To transition to Basel III, National Bank of Georgia ("NBG") introduced new capital adequacy requirements in December 2017. Bank of Georgia is required to maintain the following minimum capital requirements:

- Common Equity Tier 1 ("CET1") ratio 4.5%
- Tier 1 ratio 6%
- Total Capital ratio at 8%

The combined buffer requirement has also been introduced and Bank of Georgia is required to hold the following:

- Capital Conservation Buffer set at 2.5%
- Countercyclical Buffer set at 0%
- Systemic Capital Buffer of 0% for 2018, which will increase to 1% on 31 December 2018 and by additional 0.5% annually until it reaches 2.5% on 31 December 2021

NBG also introduced Pillar 2 requirements. The new regulation applicable to Bank of Georgia includes:

- Currency Induced Credit Risk ("CICR") buffer, which substitutes current additional 75% weighting of FX denominated exposure. 56% of CICR buffer should be held on CET1 level, 75% on Tier 1 level and 100% on total capital
- Net GRAPE buffer expected to be set at 2.2% according to NBG's annual General Risk Assessment Program ("GRAPE"). GRAPE buffer, which includes Credit Portfolio Concentration buffer and Net Stress Test buffer, will be reviewed annually and phased-in on different levels of capital according to the below schedule:

	Feb-18	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21
CET 1	0%	15%	30%	45%	56%
Tier 1	0%	20%	40%	60%	75%
Total Capital	100%	100%	100%	100%	100%

In the view of the above, the following overall capital requirements apply to Bank of Georgia at 31 December 2017:

- CET 1 ratio 8.1%, expected to increase to 9.5%[8] on 31 December 2018
- Tier 1 ratio 9.9%, expected to increase to 11.4%[8] on 31 December 2018
- Total Capital ratio 12.4%, expected to increase to 15.6%[8] on 31 December 2018

Bank of Georgia's capital ratios calculated as of 31 December 2017 were at 12.4% CET1 and Tier 1 and 17.9% Total capital.

Transition to Basel III is not expected to affect Bank's growth prospects or its ability to maintain dividends distributions within the existing dividend policy payout range.

[8] Indicated minimum capital adequacy ratio contains CICR buffer estimate for 31 December 2018.

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	**4Q17**	**4Q16**	**Change y-o-y**	**3Q17**	**Change q-o-q**	**2017**	**2016**	**Change y-o-y**
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	134,517	111,109	21.1%	122,352	9.9%	480,955	374,022	28.6%
Net fee and commission income	28,511	26,810	6.3%	25,064	13.8%	99,790	90,193	10.6%
Net banking foreign currency gain	8,407	8,825	-4.7%	7,979	5.4%	28,937	26,086	10.9%
Net other banking income	4,531	989	NMF	366	NMF	5,029	3,833	31.2%
Revenue	**175,966**	**147,733**	**19.1%**	**155,761**	**13.0%**	**614,711**	**494,134**	**24.4%**
Salaries and other employee benefits	(35,778)	(31,149)	14.9%	(32,262)	10.9%	(125,668)	(106,396)	18.1%
Administrative expenses	(22,461)	(17,287)	29.9%	(17,084)	31.5%	(72,464)	(57,743)	25.5%
Banking depreciation and amortisation	(9,020)	(8,052)	12.0%	(9,087)	-0.7%	(34,741)	(30,943)	12.3%
Other operating expenses	(843)	(818)	3.1%	(448)	88.2%	(2,279)	(2,545)	-10.5%
Operating expenses	**(68,102)**	**(57,306)**	**18.8%**	**(58,881)**	**15.7%**	**(235,152)**	**(197,627)**	**19.0%**
Profit from associate	255	-	NMF	147	73.5%	1,311	-	NMF
Operating income before cost of credit risk	**108,119**	**90,427**	**19.6%**	**97,027**	**11.4%**	**380,870**	**296,507**	**28.5%**
Cost of credit risk	(23,122)	(19,272)	20.0%	(22,246)	3.9%	(110,800)	(75,690)	46.4%
Profit before non-recurring items and income tax	**84,997**	**71,155**	**19.5%**	**74,781**	**13.7%**	**270,070**	**220,817**	**22.3%**
Net non-recurring items	(74)	(1,921)	-96.1%	(1,041)	-92.9%	(2,358)	(32,002)	-92.6%
Profit before income tax	**84,923**	**69,234**	**22.7%**	**73,740**	**15.2%**	**267,712**	**188,815**	**41.8%**
Income tax (expense)/benefit	(7,335)	(1,235)	NMF	(5,342)	37.3%	(18,046)	20,475	NMF
Profit	**77,588**	**67,999**	**14.1%**	**68,398**	**13.4%**	**249,666**	**209,290**	**19.3%**
BALANCE SHEET HIGHLIGHTS								
Net loans, Currency Blended	5,044,372	3,902,306	29.3%	4,541,302	11.1%	5,044,372	3,902,306	29.3%
Net loans, GEL	2,582,677	1,530,661	68.7%	2,307,391	11.9%	2,582,677	1,530,661	68.7%
Net loans, FC	2,461,695	2,371,645	3.8%	2,233,911	10.2%	2,461,695	2,371,645	3.8%
Client deposits, Currency Blended	3,267,276	2,413,569	35.4%	2,869,921	13.8%	3,267,276	2,413,569	35.4%
Client deposits, GEL	910,878	603,149	51.0%	815,611	11.7%	910,878	603,149	51.0%
Client deposits, FC	2,356,398	1,810,420	30.2%	2,054,310	14.7%	2,356,398	1,810,420	30.2%
of which:								
Time deposits, Currency Blended	1,829,433	1,437,644	27.3%	1,629,593	12.3%	1,829,433	1,437,644	27.3%
Time deposits, GEL	361,775	228,047	58.6%	314,753	14.9%	361,775	228,047	58.6%
Time deposits, FC	1,467,658	1,209,597	21.3%	1,314,840	11.6%	1,467,658	1,209,597	21.3%
Current accounts and demand deposits, Currency Blended	1,437,843	975,925	47.3%	1,240,328	15.9%	1,437,843	975,925	47.3%
Current accounts and demand deposits, GEL	549,103	375,102	46.4%	500,858	9.6%	549,103	375,102	46.4%
Current accounts and demand deposits, FC	888,740	600,823	47.9%	739,470	20.2%	888,740	600,823	47.9%
KEY RATIOS								
ROAE Retail Banking	36.6%	36.5%		34.1%		31.6%	31.2%	
Net interest margin, currency blended	8.4%	9.3%		8.5%		8.5%	9.2%	
Cost of risk	1.8%	2.0%		2.0%		2.5%	2.3%	
Cost of funds, currency blended	5.7%	5.1%		6.0%		5.7%	5.7%	
Loan yield, currency blended	15.9%	16.4%		16.3%		16.1%	16.8%	
Loan yield, GEL	22.7%	25.4%		23.1%		23.6%	25.4%	
Loan yield, FC	8.8%	10.1%		9.2%		9.1%	10.2%	
Cost of deposits, currency blended	2.8%	3.1%		2.9%		2.9%	3.3%	
Cost of deposits, GEL	4.5%	4.0%		4.4%		4.5%	4.5%	
Cost of deposits, FC	2.2%	2.7%		2.2%		2.3%	2.9%	
Cost of time deposits, currency blended	4.2%	4.5%		4.3%		4.3%	4.9%	
Cost of time deposits, GEL	8.9%	8.6%		8.8%		8.8%	9.3%	
Cost of time deposits, FC	3.1%	3.7%		3.2%		3.3%	4.0%	
Current accounts and demand deposits, currency blended	0.9%	0.8%		1.0%		1.0%	0.9%	
Current accounts and demand deposits, GEL	1.5%	1.1%		1.7%		1.6%	1.2%	
Current accounts and demand deposits, FC	0.5%	0.6%		0.5%		0.6%	0.6%	
Cost / income ratio	38.7%	38.8%		37.8%		38.3%	40.0%	

Performance highlights

- **Retail Banking delivered another outstanding quarterly result across all of its segments and generated total revenues of GEL 176.0mln in 4Q17 (up 19.1% y-o-y and up 13.0% q-o-q) and revenue of GEL 614.7mln in 2017 (up 24.4% y-o-y)**
- RB's net banking interest income experienced 21.1% y-o-y and 9.9% q-o-q growth in 4Q17 and 28.6% y-o-y growth in 2017 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 14.5ppts higher yield than the foreign currency loan portfolio during 4Q17 and 2017, respectively
- **The Retail Banking net loan book reached GEL 5,044.4mln, up 29.3% y-o-y and up 11.1% q-o-q.** Our local currency denominated loan book grew at a faster pace (up 68.7% y-o-y and up 11.9% q-o-q) than the foreign currency denominated loan book (up 3.8% y-o-y and up 10.2% q-o-q). As a result, the loan book dollarisation decreased to 48.8% at 31 December 2017 from 60.8% at 31 December 2016 and 49.2% at 30 September 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	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Loan Originations								
Consumer loans	383	313	22.5%	349	9.6%	1,384	1,019	35.8%
Mortgage loans	359	239	50.3%	264	35.9%	1,062	718	48.0%
Micro loans	309	272	13.6%	236	31.4%	1,018	800	27.2%
SME loans	190	166	14.2%	152	25.0%	594	509	16.6%
POS loans	80	69	15.5%	65	21.7%	244	221	10.4%
Outstanding Balance								
Consumer loans	1,242	887	40.1%	1,148	8.2%	1,242	887	40.1%
Mortgage loans	1,706	1,228	39.0%	1,459	16.9%	1,706	1,228	39.0%
Micro loans	1,031	857	20.3%	966	6.7%	1,031	857	20.3%
SME loans	607	490	23.9%	535	13.4%	607	490	23.9%
POS loans	131	121	7.9%	114	14.6%	131	121	7.9%

- **Retail Banking client deposits increased to GEL 3,267.3mln, up 35.4% y-o-y and up 13.8% q-o-q**, despite a decrease in the cost of deposits of 30bps y-o-y and 10bps q-o-q in 4Q17 and decrease of 40bps y-o-y in 2017. The dollarisation level of our deposits decreased to 72.1% at 31 December 2017 from 75.0% at 31 December 2016 and remained largely flat compared to 30 September 2017. This is in line with the current decreasing trend of cost on foreign currency denominated deposits (down 50 bps y-o-y and flat q-o-q in 4Q17 and down 60bps y-o-y in 2017). The spread between the cost of RB's client deposits in GEL and foreign currency widened to 2.3ppts during 4Q17 (GEL: 4.5%; FC: 2.2%) compared to 1.3ppts in 4Q16 (GEL: 4.0%; FC: 2.7%) and 2.2ppts in 3Q17 (GEL: 4.4%; FC: 2.2%). For 2017, the spread was 2.2ppts (GEL: 4.5%; FC: 2.3%) compared to 1.6ppts in 2016 (GEL: 4.5%; FC: 2.9%). Local currency denominated deposits increased at a faster pace to GEL 910.9mln (up 51.0% y-o-y), as compared to foreign currency denominated deposits that grew to GEL 2,356.4mln (up 30.2% y-o-y)
- **Retail Banking NIM was 8.4% in 4Q17, down 90bps y-o-y and down 10bps q-o-q.** The lower NIM y-o-y in 4Q17 was attributable to a 50bps decrease in loan yield, while the cost of funds increased by 60bps. On a q-o-q basis, loan yield was down by 40bps and cost of funds was down only by 30bps. **For 2017, the Retail Banking NIM was 8.5%, down 70bps y-o-y.** The lower NIM was a result of a 70bps decrease in loan yield, as cost of funds remained flat in 2017
- **Strong growth in Retail Banking net fee and commission income**. The 6.3% y-o-y and 13.8% q-o-q increase in 4Q17 and 10.6% y-o-y growth in 2017 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
- **RB cost to income ratio remained well-controlled at 38.7% in 4Q17 (down 10bps y-o-y and up 90bps q-o-q) and at 38.3% in 2017 (down 170bps y-o-y).** The significant y-o-y 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 in 4Q17.** RB cost of credit risk was GEL 23.1mln in 4Q17 (up 20.0% y-o-y and up 3.9% q-o-q) and GEL 110.8mln in 2017 (up 46.4% y-o-y). The cost of risk ratio was 1.8% in 4Q17, down from 2.0% in 4Q16 and 3Q17. 2017 cost of risk ratio was 2.5%, up from 2.3% in 2016 due to higher cost of risk levels in 1H17
- The number of Retail Banking clients reached 2.3mln, up 8.1% y-o-y and up 2.7% q-o-q, while the number of total cards outstanding amounted to 2,227,000, up 8.3% y-o-y and up 2.3% q-o-q

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

Retail Banking performance indicators *Volume information in GEL thousands*	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Retail Banking Customers								
Number of new customers	65,712	69,091	-4.9%	42,028	56.4%	198,488	141,360	40.4%
Number of customers	2,315,038	2,141,229	8.1%	2,254,584	2.7%	2,315,038	2,141,229	8.1%
Cards								
Number of Cards issued	324,974	419,714	-22.6%	247,594	31.3%	1,022,283	955,549	7.0%
Number of Cards outstanding	2,227,000	2,056,258	8.3%	2,176,761	2.3%	2,227,000	2,056,258	8.3%
Express Pay terminals								
Number of Express Pay terminals	2,842	2,729	4.1%	2,823	0.7%	2,842	2,729	4.1%
Number of transactions via Express Pay terminals	27,211,578	27,180,023	0.1%	25,264,823	7.7%	104,021,767	117,518,668	-11.5%
Volume of transactions via Express Pay terminals	1,478,216	935,952	57.9%	1,292,582	14.4%	4,748,036	3,167,369	49.9%
POS terminals								
Number of Desks	9,934	8,516	16.7%	9,609	3.4%	9,934	8,516	16.7%
Number of Contracted Merchants	5,341	4,514	18.3%	5,334	0.1%	5,341	4,514	18.3%
Number of POS terminals	13,291	10,357	28.3%	11,997	10.8%	13,291	10,357	28.3%
Number of transactions via POS terminals	12,874,756	9,524,900	35.2%	12,143,991	6.0%	46,177,412	30,897,709	49.5%
Volume of transactions via POS terminals	423,565	290,142	46.0%	392,229	8.0%	1,405,800	926,318	51.8%
Internet Banking								
Number of Active Users	219,496	122,456	79.2%	188,087	16.7%	219,496	122,456	79.2%
Number of transactions via Internet Bank	1,513,437	1,668,037	-9.3%	1,430,048	5.8%	6,415,427	5,797,851	10.7%
Volume of transactions via Internet Bank	425,930	330,530	28.9%	321,297	32.6%	1,402,969	1,094,260	28.2%
Mobile Banking								
Number of Active Users	177,243	74,796	137.0%	146,785	20.8%	177,243	74,796	137.0%
Number of transactions via Mobile Bank	2,323,573	855,025	171.8%	1,812,353	28.2%	6,348,533	2,648,779	139.7%
Volume of transactions via Mobile Bank	278,856	89,598	211.2%	190,020	46.8%	685,470	246,300	178.3%

  - **Growth in the client base was due to the increased offering of cost-effective remote channels**. The strong increase to 2,315,038 customers in 4Q17 (up 8.1% y-o-y and up 2.7% q-o-q) reflects 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 number of outstanding cards** increased in both 4Q17 and on a full year basis. The increase reflects the launch of new loyalty programme Plus+ in July 2017 (*see details below*). Since the programme launch the Bank customers who sign up for the programme, are issued Plus+ cards. We had 250,307 active Plus+ cards outstanding as at 31 December 2017
  - **The utilisation of Express Pay terminals continued to grow in 4Q17**. The 4Q17 volume of transactions increased to GEL 1,478.2mln (up 57.9% y-o-y and up 14.4% q-o-q) and to GEL 4,748.0mln in 2017 (up 49.9% y-o-y), while the number of transactions was flat y-o-y in 4Q17 and down y-o-y in 2017. This trend was largely driven by the management's decision to introduce transaction fees on non-banking transactions processed through Express Pay terminals in 4Q16. However, while this introduction negatively affected the number of transactions, the decrease was more than offset by the fees charged to clients leading to a 31.2% y-o-y increase in 2017 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 seven months, approximately 261,000 downloads were made by the Bank's customers, while the previous application had less than 120,000 downloads since its launch. During the same period c.3.88 million online transactions were performed using the new application
  - **Significant growth in loans issued and deposits opened through Internet Bank.** During 2017, we started actively offering loans and deposit products to our customers through Internet Bank. As a result, 5,798 loans were issued with total value of GEL 15.1mln and 7,458 deposits were opened with total value of GEL 19.1mln through Internet Bank in 2017 (445 loans with total value of GEL 1.9mln and 3,546 deposits with total value of GEL 7.3mln in 2016)

- **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. This further strengthens the Bank's leading position in the express segment by maintaining branch network presence in Tbilisi's public transportation network

- **We launched new loyalty programme 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 programme as part of our efforts to increase the Mass Retail segment's product to client ratio from current 1.8 to 3.0

- **Solo, our premium banking brand, continues its strong growth momentum and investment in its lifestyle brand. The number of Solo clients reached 32,104 at 31 December 2017 (19,267 at 31 December 2016 and 28,492 at 30 September 2017), up 287.6% 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 12 Solo lounges, of which 9 are located in Tbilisi, the capital of Georgia, and 3 in major regional cities of Georgia. In 4Q17, annualised profit per Solo client was GEL 1,865 compared to a profit of GEL 101 and GEL 82 per Express and mass retail clients, respectively. Product to client ratio for Solo segment was 6.1, compared to 3.4 and 1.8 for Express and mass retail clients, respectively. While Solo clients currently represent 1.4% of our total retail client base, they contributed 24.3% to our retail loan book, 37.4% to our retail deposits, 14.9% and 19.0% to our net interest income and to our net fee and commission income, respectively, in 4Q17. The fee and commission income from Solo segment increased from GEL 8.3mln in 2016 to GEL 14.4mln in 2017. Solo Club, launched in 2Q17, a membership group within Solo, which offers exclusive access to Solo products and offers ahead of other Solo clients at a higher fee, continues to gain popularity. At 31 December 2017, Solo Club had 1,882 members, up 23.2% q-o-q
- **MSME banking delivered solid growth.** The number of MSME segment clients reached 165,781 at 31 December 2017, up 30.7% y-o-y and up 5.1% q-o-q. MSME's loan portfolio was GEL 1,739.2mln at 31 December 2017 (up 29.2% y-o-y and up 9.7% q-o-q). MSME segment generated revenue of GEL 36.9mln in 4Q17 (up 51.0% y-o-y and up 12.8% q-o-q)
- **As a result, Retail Banking profit reached GEL 77.6mln in 4Q17 (up 14.1% y-o-y and up 13.4% q-o-q) and GEL 249.7mln in 2017 (up 19.3% y-o-y). Retail Banking continued to deliver an outstanding ROAE, which reached 36.6% in 4Q17 (36.5% in 4Q16 and 34.1% in 3Q17) and 31.6% in 2017 (31.2% in 2016)**

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	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	42,539	39,168	8.6%	38,550	10.3%	156,171	147,108	6.2%
Net fee and commission income	5,859	8,133	-28.0%	5,891	-0.5%	22,717	27,963	-18.8%
Net banking foreign currency gain	15,585	16,158	-3.5%	8,852	76.1%	46,276	48,643	-4.9%
Net other banking income	7,710	2,518	NMF	2,359	NMF	14,256	10,170	40.2%
Revenue	**71,693**	**65,977**	**8.7%**	**55,652**	**28.8%**	**239,420**	**233,884**	**2.4%**
Salaries and other employee benefits	(15,271)	(12,368)	23.5%	(13,982)	9.2%	(54,573)	(47,731)	14.3%
Administrative expenses	(5,439)	(4,943)	10.0%	(3,699)	47.0%	(16,190)	(15,214)	6.4%
Banking depreciation and amortisation	(1,316)	(1,262)	4.3%	(1,339)	-1.7%	(5,134)	(5,124)	0.2%
Other operating expenses	(228)	(330)	-30.9%	(187)	21.9%	(761)	(1,031)	-26.2%
Operating expenses	**(22,254)**	**(18,903)**	**17.7%**	**(19,207)**	**15.9%**	**(76,658)**	**(69,100)**	**10.9%**
Operating income before cost of credit risk	**49,439**	**47,074**	**5.0%**	**36,445**	**35.7%**	**162,762**	**164,784**	**-1.2%**
Cost of credit risk	(18,788)	(42,172)	-55.4%	(14,887)	26.2%	(47,403)	(76,266)	-37.8%
Profit before non-recurring items and income tax	**30,651**	**4,902**	**NMF**	**21,558**	**42.2%**	**115,359**	**88,518**	**30.3%**
Net non-recurring items	(134)	2,267	NMF	(334)	-59.9%	(1,882)	(11,934)	-84.2%
Profit before income tax	**30,517**	**7,169**	**NMF**	**21,224**	**43.8%**	**113,477**	**76,584**	**48.2%**
Income tax (expense)/benefit	(2,840)	2,885	NMF	(1,780)	59.6%	(7,584)	11,698	NMF
Profit	**27,677**	**10,054**	**175.3%**	**19,444**	**42.3%**	**105,893**	**88,282**	**19.9%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables, Currency Blended	2,260,107	2,394,876	-5.6%	1,993,582	13.4%	2,260,107	2,394,876	-5.6%
Net loans and finance lease receivables, GEL	383,058	400,395	-4.3%	381,479	0.4%	383,058	400,395	-4.3%
Net loans and finance lease receivables, FC	1,877,049	1,994,481	-5.9%	1,612,103	16.4%	1,877,049	1,994,481	-5.9%
Client deposits, Currency Blended	3,457,331	3,059,150	13.0%	3,308,347	4.5%	3,457,331	3,059,150	13.0%
Client deposits, GEL	1,276,401	772,253	65.3%	1,242,933	2.7%	1,276,401	772,253	65.3%
Client deposits, FC	2,180,930	2,286,897	-4.6%	2,065,414	5.6%	2,180,930	2,286,897	-4.6%
Time deposits, Currency Blended	1,297,984	1,230,627	5.5%	1,316,612	-1.4%	1,297,984	1,230,627	5.5%
Time deposits, GEL	470,288	135,002	NMF	515,770	-8.8%	470,288	135,002	NMF
Time deposits, FC	827,696	1,095,625	-24.5%	800,842	3.4%	827,696	1,095,625	-24.5%
Current accounts and demand deposits, Currency Blended	2,159,347	1,828,523	18.1%	1,991,735	8.4%	2,159,347	1,828,523	18.1%
Current accounts and demand deposits, GEL	806,113	637,251	26.5%	727,163	10.9%	806,113	637,251	26.5%
Current accounts and demand deposits, FC	1,353,234	1,191,272	13.6%	1,264,572	7.0%	1,353,234	1,191,272	13.6%
Letters of credit and guarantees, standalone*	644,750	511,615	26.0%	634,414	1.6%	644,750	511,615	26.0%
Assets under management	1,857,495	1,575,521	17.9%	1,817,843	2.2%	1,857,495	1,575,521	17.9%
RATIOS								
ROAE, Corporate Investment Banking	18.1%	6.2%		13.3%		17.6%	14.7%	
Net interest margin, currency blended	3.5%	3.6%		3.5%		3.4%	3.6%	
Cost of risk	3.2%	6.6%		2.3%		1.5%	3.1%	
Cost of funds, currency blended	4.3%	5.1%		4.5%		4.6%	4.7%	
Loan yield, currency blended	11.2%	11.1%		10.6%		10.7%	10.4%	
Loan yield, GEL	12.3%	13.0%		14.3%		12.8%	13.2%	
Loan yield, FC	11.0%	10.8%		9.9%		10.3%	10.1%	
Cost of deposits, currency blended	4.0%	3.6%		3.9%		4.0%	3.9%	
Cost of deposits, GEL	6.6%	5.0%		6.2%		6.6%	6.3%	
Cost of deposits, FC	2.5%	3.2%		2.6%		2.7%	3.1%	
Cost of time deposits, currency blended	6.0%	5.8%		5.9%		5.8%	5.9%	
Cost of time deposits, GEL	8.0%	9.2%		8.3%		8.4%	9.5%	
Cost of time deposits, FC	4.8%	5.4%		4.9%		5.0%	5.3%	
Current accounts and demand deposits, currency blended	2.8%	2.0%		2.6%		2.8%	2.6%	
Current accounts and demand deposits, GEL	5.7%	3.9%		5.2%		5.9%	5.4%	
Current accounts and demand deposits, FC	1.2%	1.0%		1.1%		1.0%	0.9%	
Cost / income ratio	31.0%	28.7%		34.5%		32.0%	29.5%	
Concentration of top ten clients	10.7%	11.8%		10.4%		10.7%	11.8%	

* Off-balance sheet item

Performance highlights

- **CIB resumes growth after achieving targets on loan portfolio risk de-concentration initiatives**. During 4Q17 CIB started to rebound and resume growth after delivering on its risk de-concentration and loan portfolio repositioning targets in 3Q17
  - Net loan book amounted to GEL 2,260.1mln at 31 December 2017, down 5.6% y-o-y and up 13.4% q-o-q. The y-o-y decrease was largely driven by winding down lending relationships with several large borrowers in 2017 as a result of risk de-concentration and loan portfolio repositioning targets. Starting from 4Q17 the CIB gradually resumed growth, resulting in a q-o-q increase in loan portfolio. The concentration of top 10 CIB clients stood at 10.7% at 31 December 2017, down from 11.8% at 31 December 2016
  - CIB's net banking interest income increased by 8.6% y-o-y and by 10.3% q-o-q in 4Q17 and increased by 6.2% y-o-y in 2017. The y-o-y growth in both 4Q17 and 2017 net banking interest income reflects increases in the currency blended loan yields, as well as significant decline in cost of funds over the same periods. The q-o-q growth in CIB's 4Q17 net banking interest income was largely driven by the increase in CIB's loan portfolio size, coupled with increased currency blended loan yields and decreased cost of funds
  - CIB's net fee and commission income was GEL 5.9mln in 4Q17, compared to GEL 8.1mln in 4Q16 and GEL 5.9mln in 3Q17. On a full year basis, CIB net fee and commission income was GEL 22.7mln in 2017, compared to GEL 28.0mln in 2016. The y-o-y decline in 4Q17 and 2017 was driven by decrease in net fee and commission income from guarantees and letters of credit. The 26.0% y-o-y increase in guarantees and letters of credit in 2017 was offset by decline in yields on these products during the same periods as a result of increased competition on the market and increased exposure to lower yielding cross guarantees of highly rated institutions to manage the risk, driving the y-o-y decline in the net fees and commission income from guarantees and letters of credit in 4Q17 and 2017
- In 4Q17, dollarisation of our CIB deposits decreased to 63.1% as at 31 December 2017 from 74.8% a year ago, 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 (2.5% in 4Q17, down from 3.2% in 4Q16 and 2.7% in 2017, down from 3.1% in 2016). In contrast, the cost of deposits in local currency in 4Q17 reached 6.6%, up from 5.0% in 4Q16 and up from 6.2% in 3Q17, and remained well above foreign currency deposit yields. Consequently, total deposits amounted to GEL 3,457.3, up 13.0% y-o-y and up 4.5% q-o-q. On a constant currency basis, total deposits were up 14.5% y-o-y and up 1.6% q-o-q
- **CIB recorded a NIM of 3.5% in 4Q17 (down 10bps y-o-y and flat q-o-q) and 3.4% in 2017 (down 20bps y-o-y)**. Loan yield was up 10bps y-o-y and up 60bps q-o-q in 4Q17 and cost of funds was down 80bps y-o-y and 20bps q-o-q. On a full year basis, the loan yield was up 30bps y-o-y and cost of funds was down 10bps y-o-y. The flat q-o-q NIM in 4Q17 and y-o-y decrease in NIM in 4Q17 and 2017 were primarily driven by the increased share of liquid assets in the total interest earning assets portfolio during the same periods
- **Net banking foreign currency gain.** In line with the volatility of the GEL exchange rate, CIB net banking foreign currency gain was GEL 15.6mln in 4Q17 (down 3.5% y-o-y and up 76.1% q-o-q) and amounted to GEL 46.3mln in 2017 (down 4.9% y-o-y)
- **Net other banking income.** Net other banking income increased significantly y-o-y and q-o-q to GEL 7.7mln in 4Q17 and to GEL 14.3mln in 2017 (up 40.2% y-o-y). The y-o-y and q-o-q increases in 4Q17 and y-o-y increase in 2017 was largely driven by revaluation gain of investment properties recorded in 4Q17
- **Cost of credit risk.** Cost of credit risk decreased significantly in 2017 (down 37.8% y-o-y), primarily driven by overall improvement in the CIB loan portfolio quality, as a result of successful risk de-concentration and loan portfolio repositioning initiatives
- CIB's cost to income ratio increased to 31.0% in 4Q17 from 28.7% in 4Q16 but improved from 34.5% in 3Q17. 2017 cost to income ratio reached 32.0%, up from 29.5% in 2016. CIB's operating expenses were up 17.7% y-o-y and 15.9% q-o-q in 4Q17 and up 10.9% y-o-y in 2017. The increase in all periods was primarily driven by 23.5% y-o-y and 9.2% q-o-q increases in 4Q17 and 14.3% y-o-y increase in 2017 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 3.2% in 4Q17 (down from 6.6% in 4Q16) and 1.5% in 2017 (down from 3.1% in 2016). Although the CIB cost of risk ratio in 4Q17 was up from 2.3% in 3Q17, the NPLs to gross loan decreased to 7.5% in 4Q17 from 8.3% in 3Q17
- As a result, Corporate Investment Banking profit reached GEL 27.7mln in 4Q17 (up 175.3% y-o-y and up 42.3% q-o-q) and GEL 105.9mln in 2017 (up 19.9% y-o-y) and CIB ROAE reached 18.1% in 4Q17 compared to 6.2% a year ago and 13.3% in 3Q17. In 2017, CIB ROAE increased to 17.6% from 14.7% in 2016

Performance highlights of wealth management operations

- **The AUM of the Investment Management segment increased to GEL 1,857.5mln in 4Q17, up 17.9% y-o-y and up 2.2% 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 1,111.0mln in 4Q17, up 0.8% y-o-y and up 1.8% 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 3.5% in 4Q17, down 100bps y-o-y and down 10bps q-o-q and at 3.8% in 2017, 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 1,434 wealth management clients from 75 countries as of 31 December 2017 as compared to 1,383 clients from 68 countries as of 31 December 2016 and 1,416 clients from 74 countries as of 30 September 2017
- **Galt & Taggart, which brings under one brand corporate advisory, debt and equity capital markets research and brokerage services, continues to develop local capital markets in Georgia**
  - During 2017 Galt & Taggart acted as:
    - a co-manager of the Bank's inaugural GEL 500mln Lari denominated international bond issuance in June 2017
    - a lead manager of GEL 108mln local bonds due 2020 of International Finance Corporation in June 2017
    - a lead manager for Evex Medical Corporation, a subsidiary of Georgia Healthcare Group, facilitating a private placement of GEL 90mln local bonds due 2022, in July 2017
    - a lead manager 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 lead manager for Georgian Leasing Company, a subsidiary of JSC Bank of Georgia, facilitating a public placement of USD 10mln bonds due 2020, in September 2017
    - a lead manager of GEL 135mln local bonds due 2022 of European Bank for Reconstruction and Development in December 2017
    - a lead manager for JSC MFO Crystal, facilitating a public placement of GEL 10mln unsubordinated unsecured notes due 2019, in December 2017
  - During 2Q17 Galt & Taggart was mandated through a competitive tender process to actively manage the private pension fund of a corporate client. This is the first private pension fund ever established in Georgia by a non-financial institution. The fund is expected to accumulate approximately GEL 3mln contributions annually
  - Galt & Taggart was mandated by a blue chip corporate to restructure its liabilities and the project was successfully completed in 4Q17
  - **Quarterly update on recent developments in Georgian economy.** In August 2017, Galt & Taggart launched new research report covering the quarterly macro-economic developments in Georgian economy. The report was followed by a conference call hosted by Galt & Taggart for interested stakeholders to discuss the developments. 2Q17 and 3Q17 reports are available on Galt and Taggart website at *www.galtandtaggart.com*. Additionally, Galt & Taggart continues to provide full coverage of various sectors of the Georgian economy and developments taking place in regional economies through Regional Fixed Income Market Watch and Galt & Taggart macro portal, available on its website

Discussion of Investment Business Results

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

In line with IFRS requirements, the Group reviewed the classification of its operating segments at 31 December 2017. Given the expectation, in line with Georgia Capital's strategy, that it is highly probable the Group will own less than a 50% stake in its healthcare business GHG at the end 2018[9]. As a result, and in line with IFRS, the Group classified GHG as "disposal group held for sale" and its results of operations are reported under "discontinued operations" line as a single amount in the consolidated income statement. Comparative periods have been restated accordingly to reflect reclassification of GHG from "continuing operations" into "discontinued operations." Assets and liabilities held by GHG are also presented separately in the consolidated balance sheet as of 31 December 2017 under "assets of disposal group held for sale" and "liabilities of disposal group held for sale."

INCOME STATEMENT

GEL thousands, unless otherwise noted	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Gross insurance profit	6,306	6,255	0.8%	6,846	-7.9%	27,049	25,256	7.1%
Gross real estate profit[10]	5,773	1,560	NMF	4,179	38.1%	35,367	19,066	NMF
Gross utility and energy profit	22,868	21,671	5.5%	25,942	-11.8%	88,370	38,680	128.5%
Gross other investment profit	9,611	9,758	-1.5%	11,792	-18.5%	30,583	21,334	43.4%
Revenue	**44,558**	**39,244**	**13.5%**	**48,759**	**-8.6%**	**181,369**	**104,336**	**73.8%**
Operating expenses	**(22,676)**	**(12,812)**	**77.0%**	**(20,135)**	**12.6%**	**(74,792)**	**(35,893)**	**108.4%**
EBITDA	**21,882**	**26,432**	**-17.2%**	**28,624**	**-23.6%**	**106,577**	**68,443**	**55.7%**
Profit from associates	-	-	-	-	-	-	4,074	NMF
Depreciation and amortisation	(9,056)	(4,501)	101.2%	(7,275)	24.5%	(28,235)	(10,062)	180.6%
Net foreign currency loss	(5,797)	(1,905)	NMF	(3,941)	47.1%	(4,937)	(3,134)	57.5%
Interest income	4,088	1,175	NMF	3,595	13.7%	12,970	4,144	NMF
Interest expense	(8,969)	(6,523)	37.5%	(7,049)	27.2%	(30,014)	(13,410)	123.8%
Operating income before cost of credit risk	**2,148**	**14,678**	**-85.4%**	**13,954**	**-84.6%**	**56,361**	**50,055**	**12.6%**
Cost of credit risk	(617)	585	NMF	(1,068)	-42.2%	(3,415)	(1,004)	NMF
Profit before non-recurring items and income tax	**1,531**	**15,263**	**-90.0%**	**12,886**	**-88.1%**	**52,946**	**49,051**	**7.9%**
Net non-recurring items	(460)	(269)	71.0%	(65)	NMF	(623)	32,673	NMF
Profit before income tax	**1,071**	**14,994**	**-92.9%**	**12,821**	**-91.6%**	**52,323**	**81,724**	**-36.0%**
Income tax expense	(1,666)	(3,653)	-54.4%	(2,246)	-25.8%	(5,748)	(8,944)	-35.7%
(Loss) / profit from continuing operations	**(595)**	**11,341**	**NMF**	**10,575**	**NMF**	**46,575**	**72,780**	**-36.0%**
Profit from discontinued operations	12,270	5,898	108.0%	10,335	18.7%	47,352	60,100	-21.2%
Profit	**11,675**	**17,239**	**-32.3%**	**20,910**	**-44.2%**	**93,927**	**132,880**	**-29.3%**
Earnings per share (basic)	**0.19**	**0.40**	**-52.3%**	**0.39**	**-51.7%**	**1.85**	**2.75**	**-32.7%**
Earnings per share (diluted)	**0.18**	**0.38**	**-53.0%**	**0.37**	**-52.0%**	**1.77**	**2.67**	**-33.8%**

Performance highlights

- **As a result of strong performance across all segments, Investment Business recorded EBITDA from continuing operations of GEL 106.6mln in 2017 (up GEL 55.7% y-o-y). Investment Business EBITDA, adjusted to include EBITDA of the discontinued operations, was GEL 54.2mln in 4Q17 (up 7.6% y-o-y and down 4.0% q-o-q) and GEL 220.0mln in 2017 (up 48.2% y-o-y)**
- **Aldagi recorded gross insurance profit of GEL 6.3mln in 4Q17** (flat y-o-y and down 7.9% q-o-q) and GEL 27.0mln in 2017 (up 7.1% y-o-y). 4Q17 results were negatively affected by insurance claims expenses resulting from bad weather conditions, which triggered a number of accidents in Georgia. However, on a full year basis, growth in revenues from introduction of new products, enhancements of the existing products and strong growth in the retail segment more than outpaced the increased levels of insurance claims expense, driving gross profit up 7.1% y-o-y
- **Gross real estate profit increased significantly as a result of m^2's strong sales record and revaluation gains from commercial properties during 2017.** 165 apartments were sold with a total sales value of US$ 14.5mln in 4Q17 compared to 112 apartments sold with a total sales value of US$ 8.3mln in 4Q16 and 231 apartments with a total sales value of US$ 16.9mln in 3Q17. In 2017, gross real estate profit was GEL 35.4mln, which was attributable to record sales of apartments on a full year basis and GEL 22.6mln gain from revaluation of investment properties, of which, GEL 21.4mln was the revaluation of three under construction investment properties (high street retail)

[9] The Group held 57% of GHG's equity stake as of 31 December 2017 (65% as of 31 December 2016).
[10] The gross real estate profit trend between the fourth quarter and full year 2017 and 2016 is not comparable given the early adoption of IFRS 15 from 1 January 2017. Prior to 1 January 2017, m^2 recognised revenues from sales of residential units upon completion and handover of the units to customers in line with IAS 18, while under IFRS 15 revenue is recognised according to the percentage of completion method. Accordingly, we will not comment on y-o-y comparisons.

- **GGU delivered stable organic growth with a 52% EBITDA margin in 2017 (54% in 2016).** The y-o-y increase in gross utility and energy profit in 2017 was driven by higher water supply revenues across both commercial and residential customers, which was slightly offset by decreased revenues from electric power generation and sales as a result of exceptionally low levels of water inflow during the year. The q-o-q decline in 4Q17 was largely attributable to water consumption seasonality factors. In addition, 2016 results include consolidation of GGU's gross utility and energy profit since 21 July 2016, while 2017 results include a full year of operations
- **Gross other investment profit increased by 43.4% y-o-y on a full year basis.** The growth was largely attributable to significant growth in Teliani's gross profit due to the launch of mainstream beer and lemonade production in 2017, as well as outstanding performance of wine business, where revenues reached GEL 60.3mln in 2017 (up 102.5% y-o-y), excluding the IFRS 15 impact. Additionally, Teliani's 2017 gross profit was positively impacted by continued diversification of its distribution portfolio, whereby Teliani tapped the exclusive right to import and distribute Lavazza coffee in Georgia and won other non-alcoholic beverage distribution contracts in 2017. We expect to begin reporting separately the results of our beverage business operations in 2018
- **Increases in operating expenses during all periods presented** were significantly impacted by Teliani's launch of beer operations and consolidation of GGU's results for a full year
- **Net non-recurring items in 2016** primarily relates to GEL 31.8mln gain from the purchase of GGU, while no such material non-recurring items were noted in 2017
- **4Q17 profit from discontinued operations, which relates to results of GHG's operations, more than doubled on a y-o-y basis and increased by 18.7% on a quarterly basis.** The strong performance was driven by a seasonally strong quarter in Pharmacy and Healthcare Services businesses. As a result GHG achieved a record full year EBITDA of GEL 108.1mln (up 38.6% y-o-y), while full year net profit was GEL 45.9mln, down 25.1% y-o-y, due to the absence of GEL 24.0mln one-off income tax gains recorded in 2016 from the change in Georgian corporate tax legislation

Investment Business Segment Result Discussion

The segment results discussion is presented for Utility & Energy Business (GGU), Real Estate Business (m^2), Property and Casualty Insurance Business (Aldagi) and Healthcare Business (GHG[11]).

Utility & Energy Business (Georgia Global Utilities – GGU)[12]

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 - 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.

Portfolio of 3 hydropower generation facilities (an additional facility under management) with a total capacity of 149.3MW. Average annual production is c.400GWh, depending on the level of rainfall during the year. GGU's average annual electricity self-consumption is up to 300GWh with a decreasing trend, which provides GGU with sufficient internally generated power for water transportation purposes and additional revenue from third-party electricity sales. Over the course of the last three 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 50MW Mestiachala HPPs in the north-western part of Georgia (Svaneti region) with a target to have the HPPs operational in December 2018. In 4Q17, GGU commenced construction of a 2.5MW Bodorna HPP on its own infrastructure near Tbilisi, which is expected to become fully operational from September 2018. Additionally, a 44.3MW Zoti HPPs, located in the western part of Georgia (Guria region), officially entered its construction phase based on the construction agreement signed with the Government of Georgia during 4Q17. GGU targets completion of Zoti HPP construction in 4Q20. 100MW wind projects are currently at the feasibility stage and once complete, GGU expects to commence construction works.

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 international peer average and represents a strong potential 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. In December 2017, GNERC (Georgian National Energy and Water Supply Regulatory Commission), the independent body that regulates GGU's water and wastewater tariffs, has approved new tariffs for GGU for a three year regulatory period, effective from 1 January 2018. This is the first time the tariff has been set based on the new water and wastewater services tariff methodology adopted by GNERC in August 2017, which is based on international best practice and represents a hybrid method of "cost plus" and "incentive based" methodologies. Revenue is determined based on a company's Regulatory Asset Base (RAB) 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 return on investment, referred to as WACC in the methodology, for the first regulatory period is set at 15.99% (up from 13.54% in 2017). As a result, new water and wastewater tariffs for residential customers in Tbilisi, the largest contributor to water utility revenue, increased by 23.8% to GEL 3.89 (per month, per capita) for non-metered customers and to GEL 0.33 (per m^3) for metered customers. New tariffs for GGU's commercial customers, all of which are metered, decreased by 0.4% to GEL 4.40 (per m^3).

Strong and stable cash flow generation has enabled GGU to distribute dividends of GEL 28.0mln (US$ 11.0mln) from its water utility business to the Investment Business during 4Q17. This was the first dividend distribution since the acquisition of a controlling stake in GGU in July 2016, which has decreased the Group's net investment in GGU, excluding the renewable energy business, to US$ 84.0mln.

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.

[11] Healthcare Business (GHG) is classified as discontinued operations.
[12] 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. The Group owns 65% of renewable energy business.

Standalone results

The Investment Business acquired the 75% of GGU's equity interests it did not own on 21 July 2016 and has 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*	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Revenue from water supply to legal entities	22,215	19,598	13.4%	24,840	-10.6%	85,983	78,140	10.0%
Revenue from water supply to individuals	8,529	8,636	-1.2%	8,340	2.3%	32,921	31,263	5.3%
Revenue from electric power sales	2,873	3,641	-21.1%	3,788	-24.2%	9,755	10,112	-3.5%
Revenue from technical support	396	2,056	-80.7%	796	-50.3%	2,604	4,571	-43.0%
Other income	1,887	2,312	-18.4%	757	149.3%	3,738	3,161	18.3%
Revenue	**35,900**	**36,243**	**-0.9%**	**38,521**	**-6.8%**	**135,001**	**127,247**	**6.1%**
Provisions for doubtful trade receivables	338	687	-50.8%	(888)	-138.1%	(1,675)	(2,198)	-23.8%
Salaries and benefits	(5,386)	(3,673)	46.6%	(3,880)	38.8%	(19,125)	(16,760)	14.1%
Electricity and transmission costs	(4,319)	(3,748)	15.2%	(5,099)	-15.3%	(18,303)	(17,746)	3.1%
Raw materials, fuel and other consumables	(910)	85	NMF	(940)	-3.2%	(3,077)	(2,856)	7.7%
Infrastructure assets maintenance expenditure	(803)	(402)	99.8%	(793)	1.3%	(2,254)	(2,402)	-6.2%
General and administrative expenses	(1,155)	(387)	NMF	(971)	18.9%	(3,881)	(3,125)	24.2%
Operating taxes	(1,312)	(1,168)	12.3%	(1,308)	0.3%	(4,457)	(3,312)	34.6%
Professional fees	(998)	(967)	3.2%	(641)	55.7%	(2,698)	(2,502)	7.8%
Insurance expense	(323)	(269)	20.1%	(252)	28.2%	(1,104)	(793)	39.2%
Other operating expenses	(2,043)	(2,119)	-3.6%	(1,989)	2.7%	(7,586)	(7,400)	2.5%
Operating expenses	**(16,911)**	**(11,961)**	**41.4%**	**(16,761)**	**0.9%**	**(64,160)**	**(59,094)**	**8.6%**
EBITDA	**18,989**	**24,282**	**-21.8%**	**21,760**	**-12.7%**	**70,841**	**68,153**	**3.9%**
EBITDA Margin	*53%*	*67%*		*56%*		*52%*	*54%*	
Depreciation and amortisation	(5,229)	(3,771)	38.7%	(5,299)	-1.3%	(20,419)	(17,911)	14.0%
EBIT	**13,760**	**20,511**	**-32.9%**	**16,461**	**-16.4%**	**50,422**	**50,242**	**0.4%**
EBIT Margin	*38%*	*57%*		*43%*		*37%*	*39%*	
Net interest expense	(3,718)	(2,616)	42.1%	(3,299)	12.7%	(12,354)	(10,201)	21.1%
Net non-recurring expenses	(579)	-	NMF	(501)	15.6%	(1,332)	-	NMF
Foreign exchange (loss) gain	(386)	(424)	-9.0%	276	NMF	(580)	(1,076)	-46.1%
EBT	**9,077**	**17,471**	**-48.0%**	**12,937**	**-29.8%**	**36,156**	**38,965**	**-7.2%**
Income tax expense	(210)	(1,565)	-86.6%	(334)	-37.1%	(934)	(3,671)	-74.6%
Profit	**8,867**	**15,906**	**-44.3%**	**12,603**	**-29.6%**	**35,222**	**35,294**	**-0.2%**
Attributable to:								
– Shareholders of the Group	8,484	15,705	-46.0%	12,701	-33.2%	35,306	35,275	0.1%
– Non-controlling interests	383	199	92.5%	(101)	NMF	(84)	18	NMF

Performance highlights

- **GGU recorded total revenue of GEL 35.9mln in 4Q17 (largely flat y-o-y and down 6.8% q-o-q) and GEL 135.0mln in 2017 (up 6.1% y-o-y)**
  - Revenue from the water supply to legal entities and individuals reached GEL 30.7mln in 4Q17 (up 8.9% y-o-y and down 7.3% q-o-q) and GEL 118.9mln in 2017 (up 8.7% y-o-y). Water supply revenue represented 85.6% of the total revenue in 4Q17 (77.9% in 4Q16 and 86.1% in 3Q17) and 88.1% of the total revenue in 2017 (86.0% in 2016). The q-o-q decrease in 4Q17 revenue from the water supply services is attributable to water consumption seasonality, whereby sales in the third quarter are normally 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 in 2017 reflects enhanced measurement results based on efficient new metering programme (the new metering programme entails replacement of amortised or obsolete meters for legal entities, metering of residential customers and detection of illegal connections)
  - Revenue from electricity power sales amounted GEL 2.9mln in 4Q17 (down 21.1% y-o-y and down 24.2% q-o-q) and GEL 9.8mln in 2017 (down 3.5% y-o-y). 2017 was characterised with exceptionally low levels of water inflows in Zhinvali reservoir (the lowest over the past 5 years), resulting in low electricity generation and respective decline in revenue from electricity power sales, compared to 2016. The q-o-q decrease in 4Q17 in revenue from electricity power sales was driven by the seasonality of electricity production
  - The significant y-o-y decrease in the technical support revenue in 4Q17 and 2017 was due to the early adoption of IFRS 15 from 1 January 2017 which led to deferral of revenues from technical support services. The accounting change was applied prospectively from 1 January 2017 in line with IFRS
- **GGU's operating expenses continued to be well-contained. Operating expenses amounted GEL 16.9mln in 4Q17 (up 41.4% y-o-y and largely flat q-o-q) and GEL 64.2mln in 2017 (up 8.6% y-o-y)**:
  - Salaries and employee benefits were up 46.6% y-o-y and up 38.8% q-o-q in 4Q17, and up 14.1% y-o-y in 2017. The increase was primarily driven by recruitment of additional and more qualified personnel in technical support department as well as increased performance related compensation in water utility segment as a result of successfully delivering on all key operational and financial targets for 2017
  - 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. who tended to 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 2017. The q-o-q decline in provisions for doubtful trade receivables in 4Q17 was primarily driven by seasonally higher collection rates before the end of the year

- Electricity and transmission costs were down 15.3% q-o-q in 4Q17, as a result of the seasonal decrease in water consumption, while due to increased electricity transmission fee (guaranteed capacity fee) effective from 1 January 2017, the costs were up 15.2% y-o-y in 4Q17 and up 3.1% y-o-y in 2017. The lower y-o-y growth rate on a full year basis is attributable to the savings from electricity consumption throughout the year
- The y-o-y and q-o-q increase in 4Q17 and y-o-y increase in 2017 in general and administrative expenses is primarily driven by the expenditures on new marketing campaign targeted at raising the awareness of the importance of potable water resources in the population
- Operating taxes were up 12.3% y-o-y and up 0.3% q-o-q in 4Q17, and up 34.6% y-o-y in 2017, reflecting an increase in GGU's property tax base due to the company's continued investments in its own infrastructure
- 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 2017 reflects the impact of changes in corporate income tax model

- **As a result of the developments described above, GGU reported a) EBITDA of GEL 19.0mln in 4Q17 (down 21.8% y-o-y and down 12.7% q-o-q) and GEL 70.8mln in 2017 (up 3.9% y-o-y) and b) a profit of GEL 8.9mln in 4Q17 (down 44.3% y-o-y and down 29.6% q-o-q) and GEL 35.2mln in 2017 (flat y-o-y)**

STATEMENT OF CASH FLOW *GEL thousands; unless otherwise noted*	**4Q17**	**4Q16**	**Change y-o-y**	**3Q17**	**Change q-o-q**	**2017**	**2016**	**Change y-o-y**
Cash received from customers	44,768	41,042	9.1%	42,950	4.2%	153,937	139,886	10.0%
Cash paid to suppliers	(11,387)	(7,882)	44.5%	(12,901)	-11.7%	(46,069)	(46,106)	-0.1%
Cash paid to employees	(3,265)	(6,241)	-47.7%	(4,565)	-28.5%	(16,737)	(18,608)	-10.1%
Interest received	800	30	NMF	223	NMF	1,593	216	NMF
Interest paid	(4,486)	(2,653)	69.1%	(3,078)	45.7%	(12,831)	(10,388)	23.5%
Taxes paid	2,256	(2,072)	NMF	(2,944)	NMF	(6,272)	(11,087)	-43.4%
Restricted cash in Bank	(1,362)	(2,729)	-50.1%	-	NMF	-	(2,355)	NMF
Cash flow from operating activities	**27,324**	**19,495**	**40.2%**	**19,685**	**38.8%**	**73,621**	**51,558**	**42.8%**
Maintenance capex	(3,068)	(8,803)	-65.1%	(5,934)	-48.3%	(23,203)	(22,432)	3.4%
Operating cash flow after maintenance capex	**24,256**	**10,692**	**126.9%**	**13,751**	**76.4%**	**50,418**	**29,126**	**73.1%**
Purchase of PPE and intangible assets	(86,947)	(12,349)	NMF	(56,777)	53.1%	(190,169)	(35,552)	NMF
Restricted cash in Bank	5,876	-	NMF	3,974	47.9%	(2,399)	-	NMF
Total cash used in investing activities	**(81,071)**	**(12,349)**	**NMF**	**(52,803)**	**53.5%**	**(192,568)**	**(35,552)**	**NMF**
Proceeds from borrowings	226,572	27,341	NMF	19,462	NMF	314,284	45,226	NMF
Repayment of borrowings	(107,616)	(6,565)	NMF	(6,227)	NMF	(122,837)	(14,032)	NMF
Contributions under share-based payment plan	(2,596)	-	NMF	(2,345)	10.7%	(4,941)	-	NMF
Dividends paid	(28,244)	151	NMF	-	NMF	(28,244)	(13,008)	117.1%
Capital increase	2,653	2,394	10.8%	4,315	-38.5%	16,801	7,331	129.2%
Total cash flow from financing activities	**90,769**	**23,321**	**NMF**	**15,205**	**NMF**	**175,063**	**25,517**	**NMF**
Effect of exchange rates changes on cash	5,650	1,004	NMF	295	NMF	4,969	(69)	NMF
Total cash inflow/(outflow)	**39,604**	**22,668**	**74.7%**	**(23,552)**	**NMF**	**37,882**	**19,022**	**99.1%**
Cash balance								
Cash, beginning balance	30,657	9,711	NMF	54,209	-43.4%	32,379	13,357	142.4%
Cash, ending balance	**70,261**	**32,379**	**117.0%**	**30,657**	**129.2%**	**70,261**	**32,379**	**117.0%**

- **GGU has an outstanding receivables collection rate within the 95-98% range from water supply.** During 2017, the collection rate for legal entities and households was 98% and 95%, respectively. As a result, GGU had only GEL 6.9mln overdue receivables outstanding at 31 December 2017. While the Georgian water utility sector has 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 remain very strong at around 96% level. In return, electricity suppliers receive flat monetary compensation from GGU

- In 4Q17, GGU drew-down less expensive funding from international financial institutions in order to finance capital expenditures and refinance more expensive funding from local financial institutions totaling GEL 101.8mln

BALANCE SHEET

GEL thousands; unless otherwise noted	**Dec-17**	**Dec-16**	**Change y-o-y**	**Sep-17**	**Change q-o-q**
Cash and cash equivalents	70,261	32,379	117.0%	30,657	129.2%
Trade and other receivables	23,754	26,402	-10.0%	25,176	-5.6%
Prepaid taxes other than income tax	4,053	3,115	30.1%	6,740	-39.9%
Prepayments	3,305	288	NMF	9,414	-64.9%
Inventories	3,787	3,048	24.2%	3,780	0.2%
Other current assets	4,339	240	NMF	1,694	156.1%
Current income tax prepayments	62	735	-91.6%	1,256	-95.1%
Total current assets	**109,561**	**66,207**	**65.5%**	**78,717**	**39.2%**
Property, plant and equipment	489,509	335,877	45.7%	410,835	19.1%
Investment Property	11,286	18,728	-39.7%	18,371	-38.6%
Intangible assets	2,222	1,383	60.7%	1,170	89.9%
Restructured trade receivables	133	307	-56.7%	141	-5.7%
Restricted Cash	7,657	5,094	50.3%	11,449	-33.1%
Other non-current assets	44,118	1,757	NMF	25,127	75.6%
Total non-current assets	**554,925**	**363,146**	**52.8%**	**467,093**	**18.8%**
Total assets	**664,486**	**429,353**	**54.8%**	**545,810**	**21.7%**
Current borrowings	3,832	22,617	-83.1%	62,498	-93.9%
Trade and other payables	33,618	25,625	31.2%	22,887	46.9%
Provisions for liabilities and charges	3,102	706	NMF	803	NMF
Other taxes payable	391	7,101	-94.5%	4,119	-90.5%
Total current liabilities	**40,943**	**56,049**	**-27.0%**	**90,307**	**-54.7%**
Long term borrowings	308,373	83,651	NMF	122,624	151.5%
Deferred income	20,753	-	NMF	18,290	13.5%
Total non-current liabilities	**329,126**	**83,651**	**NMF**	**140,914**	**133.6%**
Total liabilities	**370,069**	**139,700**	**NMF**	**231,221**	**60.0%**
Share capital	17,561	8,070	117.6%	15,873	10.6%
Additional paid-in-capital	(2,837)	(588)	NMF	1,623	NMF
Retained earnings	87,229	96,564	-9.7%	106,968	-18.5%
Other reserve	182,338	182,417	0.0%	181,735	0.3%
Total equity attributable to shareholders of the Group	**284,291**	**286,463**	**-0.8%**	**306,199**	**-7.2%**
Non-controlling interest	10,126	3,190	NMF	8,390	20.7%
Total equity	**294,417**	**289,653**	**1.6%**	**314,589**	**-6.4%**
Total liabilities and equity	**664,486**	**429,353**	**54.8%**	**545,810**	**21.7%**

- The increase in property, plant and equipment is primarily due to the additional investments into the company's infrastructure carried out during 2016 and 2017 in order to upgrade the network, further reduce water losses and achieve cost efficiencies. Additionally, c.GEL 40.0mln increase is attributable to the development and construction of renewable energy projects
- c.GEL 7.4mln y-o-y and q-o-q decrease in investment property in 4Q17 is related to reclassification of investment properties into property, plant and equipment, as well as the sale of a land plot
- The significant q-o-q increase in other non-current assets in 4Q17 is driven by additional prepayments to suppliers in relation to the development and construction of 50MW Mestiachala HPPs
- The increase in borrowings and cash and cash equivalents at 31 December 2017 is due to additional funding obtained from international financial institutions and local banks in order to support the capital expenditures for developments of water supply network and renewable energy projects
- During 2017, 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) and attracted c.EUR 81.5mln in total, of which, c.40% is denominated in local currency. This was the first IFI financing for GGU's water utility arm and a significant milestone for GGU, as it enables the company to develop and modernise the water infrastructure by tapping efficiencies in the network. GGU utilized the IFI funding starting from October 2017
- In 4Q17, GGU distributed dividends totaling GEL 28.0mln (US$ 11.0mln) from its water utility business to the Investment Business

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

Standalone results[13]

Our Real Estate business is operated through the Group's wholly-owned subsidiary m^2, which develops residential and commercial properties and 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. Additionally, in line with its "assets light" strategy, m^2 targets to transition into the franchise platform for developing third-party land plots and generate fee income.

INCOME STATEMENT[14] *GEL thousands, unless otherwise noted*	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Revenue from sale of apartments	30,788	9,356	NMF	27,530	11.8%	92,643	96,347	NMF
Cost of sold apartments	(26,890)	(7,811)	NMF	(25,532)	5.3%	(84,607)	(82,403)	NMF
Gross profit from sale of apartments	**3,898**	**1,545**	**NMF**	**1,998**	**95.1%**	**8,036**	**13,944**	**NMF**
Revenue from operating leases	986	859	14.8%	833	18.4%	3,599	2,778	29.6%
Cost of operating leases	(135)	(44)	NMF	(142)	-4.9%	(557)	(224)	148.7%
Gross profit from operating leases	**851**	**815**	**4.4%**	**691**	**23.2%**	**3,042**	**2,554**	**19.1%**
Revaluation of commercial property	(519)	1,430	-136.3%	1,297	-140.0%	22,563	2,381	NMF
Gross real estate profit	**4,230**	**3,790**	**11.6%**	**3,986**	**6.1%**	**33,641**	**18,879**	**78.2%**
Gross other profit	56	48	16.7%	163	-65.6%	277	29	NMF
Gross profit	**4,286**	**3,838**	**11.7%**	**4,149**	**3.3%**	**33,918**	**18,908**	**79.4%**
Salaries and other employee benefits	(1,195)	(374)	NMF	(712)	67.8%	(2,818)	(1,498)	88.1%
Administrative expenses	(1,500)	(1,202)	24.8%	(1,784)	-15.9%	(5,761)	(4,364)	32.0%
Operating expenses	**(2,695)**	**(1,576)**	**71.0%**	**(2,496)**	**8.0%**	**(8,579)**	**(5,862)**	**46.3%**
EBITDA	**1,591**	**2,262**	**-29.7%**	**1,653**	**-3.8%**	**25,339**	**13,046**	**94.2%**
Depreciation and amortisation	(315)	(65)	NMF	(64)	NMF	(508)	(243)	109.1%
Net foreign currency gain / (loss)	94	(58)	NMF	73	28.8%	(117)	1,143	-110.2%
Interest income	145	410	-64.6%	192	-24.5%	816	715	14.1%
Interest expense	(47)	(30)	56.7%	(44)	6.8%	(186)	(210)	-11.4%
Net operating income before non-recurring items	**1,468**	**2,519**	**-41.7%**	**1,810**	**-18.9%**	**25,344**	**14,451**	**75.4%**
Net non-recurring items	(197)	(96)	105.2%	(48)	NMF	(128)	(73)	75.3%
Profit before income tax	**1,271**	**2,423**	**-47.5%**	**1,762**	**-27.9%**	**25,216**	**14,378**	**75.4%**
Income tax expense	(481)	(2,949)	-83.7%	(1,073)	-55.2%	(1,554)	(3,474)	-55.3%
Profit	**790**	**(526)**	**NMF**	**689**	**14.7%**	**23,662**	**10,904**	**117.0%**

Performance highlights

- **During 4Q17 m^2 continued to unlock value through real estate development and recorded net revenue from sales of apartments of GEL 3.9mln, up 152.3% y-o-y and up 95.1% q-o-q**
- Gross profit 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 recognising revenue. Accordingly, y-o-y comparisons are not meaningful and will not be commented upon
- **During 2017, m^2 sold a total of 629 apartments with total sales value of US$ 49.1mln, compared to 407 apartments sold with total sales value of US$ 34.4mln during 2016.** During 4Q17, m^2 sold a total of 165 apartments with total sales value of US$ 14.5mln, compared to 112 apartments sold with total sales value of US$ 8.3mln during 4Q16 and 231 apartments with total sales value of US$ 16.9mln in 3Q17
- Net revenue from operating leases increased by 4.4% y-o-y and 23.2% q-o-q in 4Q17 and by 19.1% y-o-y in 2017, supported by the growth in the commercial real estate portfolio. Consequently, the portfolio of yielding assets represented 22.0% of m^2 Real Estate's total assets at 31 December 2017, compared to 11.2% a year ago and 20.3% at 30 September 2017
- **During 2017, m^2 recorded a gain from the revaluation of investment property under construction of GEL 21.4mln. As a result, its portfolio of yielding assets, including the revaluation gain, increased by 85.8% y-o-y and 6.8% q-o-q to GEL 77.2mln at 31 December 2017.** Revaluation of commercial property increased materially in 2Q17 primarily due to the GEL 21.4mln revaluation of three under construction investment properties (high street retail). 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 2Q17, 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 properties and c) availability of increased statistical information, reliable measurement of fair value was warranted. Accordingly, management hired an independent,

[13] 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.
[14] The gross profit trend between the fourth quarter and full year 2017 and 2016 is not comparable given the early adoption of IFRS 15 from 1 January 2017. Prior to 1 January 2017, m^2 recognised revenues from sales of residential units upon completion and handover of the units to customers in line with IAS 18, while under IFRS 15 revenue is recognised according to the percentage of completion method. Accordingly, we will not comment on y-o-y comparisons.

internationally recognised, valuation company to determine the fair values of under construction properties as of 31 December 2017 and recorded a total revaluation gain of GEL 22.6mln on investment properties during 2017

- **As a result, m^2 recognised total gross profit of GEL 4.3mln and net profit of GEL 0.8mln in 4Q17. Total gross profit reached GEL 33.9mln in 2017, while profit totalled GEL 23.7mln**
- The y-o-y and q-o-q movements in income tax expense relate to previous period tax return adjustment as a result of submission of final 2016 tax returns during 3Q17

BALANCE SHEET

GEL thousands, unless otherwise noted	Dec-17	Dec-16	Change y-o-y	Sep-17	Change q-o-q
Cash and cash equivalents	34,751	93,210	-62.7%	51,434	-32.4%
Amounts due from credit institutions	114	-	NMF	50	128.0%
Investment securities	3,329	2,842	17.1%	2,974	11.9%
Accounts receivable	1,338	703	90.3%	13,749	-90.3%
Prepayments	34,932	20,746	68.4%	35,265	-0.9%
Inventories	59,683	113,009	-47.2%	68,967	-13.5%
Investment property, of which:	150,143	113,829	31.9%	137,197	9.4%
Land bank	*72,902*	*72,251*	*0.9%*	*64,868*	*12.4%*
Commercial real estate	*77,241*	*41,578*	*85.8%*	*72,329*	*6.8%*
Property and equipment	49,641	7,050	NMF	22,429	121.3%
Other assets	16,898	20,839	-18.9%	23,683	-28.6%
Total assets	**350,829**	**372,228**	**-5.7%**	**355,748**	**-1.4%**
Amounts due to credit institutions	58,992	42,818	37.8%	59,643	-1.1%
Debt securities issued	65,122	103,077	-36.8%	63,288	2.9%
Deferred income	46,660	77,925	-40.1%	72,249	-35.4%
Other liabilities	15,425	14,725	4.8%	11,957	29.0%
Total liabilities	**186,199**	**238,545**	**-21.9%**	**207,137**	**-10.1%**
Share Capital	4,180	4,180	-	4,180	-
Additional paid-in capital	82,793	85,467	-3.1%	84,788	-2.4%
Other reserves	14,460	15,538	-6.9%	7,251	99.4%
Retained earnings	52,779	28,498	85.2%	52,392	0.7%
Total equity attributable to shareholders of the Group	**154,212**	**133,683**	**15.4%**	**148,611**	**3.8%**
Non-controlling interest	10,418	-	NMF	-	NMF
Total equity	**164,630**	**133,683**	**23.1%**	**148,611**	**10.8%**
Total liabilities and equity	**350,829**	**372,228**	**-5.7%**	**355,748**	**-1.4%**

- **m^2 continued to have a strong, diversified and well managed balance sheet.** At 31 December 2017, total assets were GEL 350.8mln (down 5.7% y-o-y and down 1.4% q-o-q), comprised of 9.9% cash, 10.0% prepayments, 17.0% inventories (apartments in development), 42.8% investment property (land bank and commercial real estate), 14.1% property, plant and equipment (including hotel) and 6.2% all other assets. Borrowings, which consist of debt raised from Development Financial Institutions ("**DFIs**") and debt securities issued on the local market, represent 35.4% of the total balance sheet
- m^2 currently has a land bank with a total value of GEL 72.9mln 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
- In December 2017, m^2 acquired a 60% stake from a third-party in an upcoming lifestyle boutique hotel in Tbilisi for a total cash consideration of US$ 6.0 million, of which US$ 4.1 million was paid to acquire a 50% stake from a third-party and US$ 1.9 million was injected into the Hotel's capital in exchange for an additional 10% stake

Operating highlights

2017 was record breaking for m^2 with regard to the number of apartments sold, square meters sold and sales revenue. In 4Q17, all remaining apartments of the Optima line project on Moscow Avenue were sold. 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. In 3Q17 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 m^2 subsidiary, BK Construction LLC. Existing income-generating properties are successfully leased at an 88% occupancy rate with an average yield of 9.1%. m^2 continued its outstanding performance in construction with more than 180,000 square meters (more than 95,700 square meters of net sellable area) currently under construction across four ongoing projects, all of which are on schedule.

As noted above, in 4Q17 m^2 acquired a controlling stake in an upcoming lifestyle boutique hotel in a prime location of Tbilisi. The hotel is expected to add at least 100 rooms to m^2's portfolio and the construction works are being carried out by m^2's construction arm. The skeleton of the building is already finished and the full construction completion is expected in the first quarter of 2019.

In December 2017, m^2 signed its largest ever franchise agreement as part of its "asset light" strategy to construct and develop a residential complex under the m^2 brand name on a third-party land plot in a densely populated Tbilisi suburb. m^2 plans to build a residential complex, with a total of 190,000 square meters and 3,600 residential units, in ten phases over the course of four to five years and generate construction fees, sales commissions and share profits from the project's overall economics.

Finally, in December 2017, m²'s construction arm was awarded its first major third-party construction agreement to construct the shell and core of a new shopping mall and business centre located in Tbilisi's Saburtalo district. Total amount of the contract is US$ 11.6mln and is planned to be carried out over the sixteen months following the planned project commencement in January 2018.

- **m² has started eleven projects since its establishment in 2010, of which, seven projects have already been completed, while the construction of four projects is ongoing. m² has completed all of its projects on or ahead of scheduled time and within budget.** The four on-going projects have the following characteristics:
  - **Kartozia Street project:** the largest ever project carried out by m², with a total of 801 apartments in a central location in Tbilisi, of which, 703 units are sold
  - **Kazbegi Avenue II project -** a mixed-use development with 303 residential apartments and a hotel (m² 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 217 apartments sold to date
  - **50 Chavchavadze Avenue project -** the project is located in the central part of Tbilisi with a total of 82 apartments, of which, 69 are sold
  - **Melikishvili Avenue project** - a mixed-use four-star development with a capacity of 125 hotel rooms and 16 residential apartments, of which, 11 are already sold
- **m² has a very good track record of selling apartments.** Out of the 1,691 apartments completed to date since inception, only 15 or 0.9% remain in stock as available for sale. m² retains ownership of some of the apartments leased out to high quality strategic tenants, such as the US Embassy in Georgia. The four ongoing projects have a total capacity of 1,202 apartments, of which, 1,000 apartments or 83.2% are sold as of 31 December 2017. A total of 217 units remain available for sale, out of the total of 2,893 apartments either already developed or under development phase

OPERATING DATA
for completed and on-going projects, as of 31 December 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		**1,691**	**1,676**	**99.1%**	**15**			
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	238	100.0%	-	Sep-14	Jun-16	100%
7	Skyline	19	10	52.6%	9	Dec-15	Dec-17	100%
On-going projects		**1,202**	**1,000**	**83.2%**	**202**			
8	Kartozia Street	801	703	87.8%	98	Nov-15	Oct-18	78%
9	Kazbegi Street II	303	217	71.6%	86	Jun-16	Nov-18	43%
10	50 Chavchavadze Ave.	82	69	84.1%	13	Oct-16	Oct-18	61%
11	Melikishvili ave.	16	11	68.8%	5	Sep-17	May-19	6%
	Total	**2,893**	**2,676**	**92.5%**	**217**			

- Since its inception, m² Real Estate unlocked US$ 19.5mln in total land value from the seven completed projects, while an additional US$ 14.2mln in land value is expected to be unlocked from the four ongoing projects

FINANCIAL DATA
for completed and on-going projects, as of 31 December 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		**144.3**	**144.3**	**0.0**	**0.0**	**19.5**	
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	12.3	12.3	-	-	1.6	31%
7	Skyline	4.6	4.6	-	-	3.1	329%
On-going projects		**78.0**	**50.2**	**27.9**	**21.5**	**14.2**	
8	Kartozia Street	48.8	33.4	15.3	13.0	5.8	60%
9	Kazbegi Street II	18.6	10.7	8.0	5.5	4.3	51%
10	50 Chavchavadze ave.	8.1	5.1	3.0	2.8	3.3	75%
11	Melikishvili ave.	2.5	1.0	1.5	0.2	0.8	101%
	Total	**222.3**	**194.5**	**27.9**	**21.5**	**33.7**	

- The number of apartments financed with BOG mortgages in all m² projects reached 1,181 or GEL 148.6mln at 31 December 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 38.6% based on gross premiums earned at 30 September 2017. The company offers a wide range of insurance products in Georgia to corporate and retail clients, covering more than 47,000 customers through five business lines: motor, property, credit life, liability and other insurance services. Aldagi's insurance products[15] 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.

INCOME STATEMENT *GEL thousands, unless otherwise noted*	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Gross premiums written	17,962	16,664	7.8%	21,322	-15.8%	88,474	75,379	17.4%
Earned premiums, gross	21,891	18,638	17.5%	24,610	-11.0%	85,922	70,937	21.1%
Earned premiums, net	**16,578**	**13,811**	**20.0%**	**16,707**	**-0.8%**	**62,770**	**50,390**	**24.6%**
Insurance claims expenses, gross	(13,452)	(6,848)	96.4%	(8,088)	66.3%	(40,652)	(25,227)	61.1%
Insurance claims expenses, net	**(7,207)**	**(5,113)**	**41.0%**	**(6,348)**	**13.5%**	**(25,098)**	**(17,858)**	**40.5%**
Acquisition costs, net	**(2,662)**	**(2,221)**	**19.9%**	**(2,845)**	**-6.4%**	**(9,100)**	**(6,744)**	**34.9%**
Net underwriting profit	**6,709**	**6,477**	**3.6%**	**7,514**	**-10.7%**	**28,572**	**25,788**	**10.8%**
Investment income	814	761	7.0%	786	3.6%	2,965	3,118	-4.9%
Net Fee and commission income	142	128	10.9%	171	-17.0%	525	436	20.4%
Net investment profit	**956**	**889**	**7.5%**	**957**	**-0.1%**	**3,490**	**3,554**	**-1.8%**
Salaries and other employee benefits	(2,258)	(2,170)	4.1%	(2,304)	-2.0%	(8,701)	(7,907)	10.0%
Selling, general and administrative expenses	(830)	(1,007)	-17.6%	(876)	-5.3%	(3,263)	(3,201)	1.9%
Depreciation & Amortisation	(135)	(202)	-33.2%	(245)	-44.9%	(855)	(774)	10.5%
Impairment charges	(82)	(265)	-69.1%	(157)	-47.8%	(671)	(808)	-17.0%
Net other operating income	163	225	-27.6%	144	13.2%	495	698	-29.1%
Operating profit	**4,523**	**3,947**	**14.6%**	**5,033**	**-10.1%**	**19,067**	**17,350**	**9.9%**
Foreign exchange gain / (loss)	452	809	-44.1%	327	38.2%	208	(294)	NMF
Pre-tax profit	**4,975**	**4,756**	**4.6%**	**5,360**	**-7.2%**	**19,275**	**17,056**	**13.0%**
Income tax expense	(806)	(952)	-15.3%	(819)	-1.6%	(2,975)	(3,318)	-10.3%
Net profit	**4,169**	**3,804**	**9.6%**	**4,541**	**-8.2%**	**16,300**	**13,738**	**18.6%**

Performance highlights

- **Aldagi recorded net underwriting profit of GEL 6.7mln in 4Q17 (up 3.6% y-o-y and down 10.7% q-o-q) and GEL 28.6mln in 2017 (up 10.8% y-o-y) as a result of the following:**
    - **Net earned premiums.** Net premiums earned reached GEL 16.6mln in 4Q17 (up 20.0% y-o-y and down 0.8% q-o-q) and GEL 62.8mln in 2017 (up 24.6% y-o-y). The y-o-y increase in 2017 was supported by organic growth of the motor insurance, property insurance and credit life insurance businesses lines (representing approximately 35.0%, 24.0% and 10.0% of Aldagi's total insurance portfolio, respectively), which contributed to approximately 23.0%, 21.0% and 15.0% y-o-y increase in net premiums earned in 2017, respectively. New product introductions and enhancements of existing products described under *Operating Highlights* below resulted in a further 4.0% y-o-y increase to net premiums earned in 2017. The slight q-o-q decrease in net earned premiums was primarily driven by seasonality of the agricultural insurance programme that ran from the mid 2Q17 to the mid of 4Q17. Net premiums earned from agricultural insurance increased by approximately 44.0% on a y-o-y basis in 2017, leading to a 54.0% market share in this product (37.0% market share in 2016)
    - **Net insurance claims.** The net insurance claims amounted to GEL 7.2mln in 4Q17 (up 41.0% y-o-y and up 13.5% q-o-q) and GEL 25.1mln in 2017 (up 40.5% y-o-y). The y-o-y increase in net insurance claims expenses in 2017 were primarily driven by property insurance claims following a major fire incident in 1H17 and number of accidents from flooding and bad weather conditions in 4Q17. Additionally, the motor insurance business also experienced an overall increase in loss severity and frequency in 2017. These increases were partially compensated by improved loss ratios in liability insurance, life insurance and other insurance products in 2017. Finally, the increase in insurance claims expenses was also driven by the business shift towards the retail segment, which is historically characterised by a higher loss ratio than the corporate segment
    - **Net acquisition costs** were GEL 2.7mln in 4Q17 (up 19.9% y-o-y and down 6.4% q-o-q) and GEL 9.1mln in 2017 (up 34.9% y-o-y). The y-o-y increase was attributable to introduction of new insurance product lines and enhancements of the existing ones in 2017, which led to higher average commission rates. Overall, commission ratio was up by 1ppts y-o-y in 2017. Q-o-q decrease of 6.4% in net acquisition costs was attributable to decrease in net premiums earned

[15] Aldagi's P&C products principally include the following: a) motor insurance covering vehicle damage and third-party liability with 23,646 active clients and a 41% market share, b) property insurance including commercial property coverage, contractor's performance and damage risks coverage with 12,317 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 1,026 active clients and a 44% 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 13,314 active clients and a 38% market share.

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

Key Ratios	4Q17	4Q16	3Q17	2017	2016
Combined ratio	78.5%	77.9%	75.6%	75.2%	72.6%
Expense ratio	35.0%	40.8%	37.6%	35.2%	37.2%
Loss ratio	43.5%	37.0%	38.0%	40.0%	35.4%

- **Net investment profit.** Investment income amounted to GEL 0.8mln in 4Q17 (up 7.0% y-o-y and up 3.6% q-o-q) and GEL 3.0mln in 2017 (down 4.9% y-o-y). Y-o-y decrease in investment income in 2017 was primarily driven by the dividend payouts of GEL 7.1mln in 3Q16 and GEL 7.0mln in 2Q17, which were partially compensated by 20.4% y-o-y increase in AUM fees in 2017. Investment yield remained high at 10.0% in 2017

- **Salaries and employee benefits** reached GEL 2.3mln in 4Q17 (up 4.1% y-o-y and down 2.0% q-o-q) and GEL 8.7mln in 2017 (up 10.0% 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 2017 reflects the absence of one-off impact from changes in the corporate taxation model, which were recorded in 2016 (GEL 0.8mln write off in 2016)

- **Aldagi's operating profit reached GEL 4.5mln in 4Q17, up 14.6% y-o-y and down 10.1% q-o-q, and GEL 19.1mln in 2017, up 9.9% y-o-y. Aldagi's net profit was GEL 4.2mln in 4Q17 (up 9.6% y-o-y and down 8.2% q-o-q) and GEL 16.3mln in 2017 (up 18.6% y-o-y)**

BALANCE SHEET

GEL thousands, unless otherwise noted	Dec-17	Dec-16	Change y-o-y	Sep-17	Change q-o-q
Cash and cash equivalents	4,186	4,349	-3.7%	4,200	-0.3%
Amounts due from credit institutions	25,968	24,928	4.2%	24,989	3.9%
Investment securities: available-for-sale	4,180	3,389	23.3%	4,344	-3.8%
Insurance premiums receivable, net	28,491	22,997	23.9%	27,500	3.6%
Ceded share of technical provisions	20,671	13,161	57.1%	21,219	-2.6%
Premises and equipment, net	10,627	8,717	21.9%	9,309	14.2%
Intangible assets, net	1,272	1,409	-9.7%	1,363	-6.7%
Goodwill	13,051	13,051	0.0%	13,051	0.0%
Deferred acquisition costs	3,047	1,611	89.1%	1,906	59.9%
Pension fund assets	18,536	16,441	12.7%	17,808	4.1%
Other assets	5,129	4,867	5.4%	5,521	-7.1%
Total assets	**135,158**	**114,920**	**17.6%**	**131,210**	**3.0%**
Gross technical provisions	50,272	41,542	21.0%	52,567	-4.4%
Other insurance liabilities	11,147	8,612	29.4%	10,751	3.7%
Current income tax liabilities	30	1,273	-97.6%	110	-72.7%
Pension benefit obligations	18,536	16,441	12.7%	17,808	4.1%
Other Liabilities	6,426	7,611	-15.6%	5,395	19.1%
Total liabilities	**86,411**	**75,479**	**14.5%**	**86,631**	**-0.3%**
Share Capital	1,889	1,889	0.0%	1,889	0.0%
Additional paid-in capital	5,405	5,405	0.0%	5,405	0.0%
Retained earnings	25,153	18,409	36.6%	25,153	0.0%
Net profit	16,300	13,738	18.6%	12,132	34.4%
Total equity	**48,747**	**39,441**	**23.6%**	**44,579**	**9.3%**
Total liabilities and equity	**135,158**	**114,920**	**17.6%**	**131,210**	**3.0%**

- **Aldagi continued to have a very strong balance sheet**. As of 31 December 2017, total assets reached GEL 135.2mln. The y-o-y growth in assets was largely driven by 23.9% y-o-y increase in net insurance premiums receivable and 57.1% y-o-y increase in ceded share of technical provisions. The 14.5% y-o-y increase in total liabilities was driven by two large claims incurred as a result of a) major fire incident in 1Q17 and b) floods in 4Q17, both of which contributed to 21.0% y-o-y increase in gross technical provisions as of 31 December 2017

- **Aldagi has demonstrated outstanding dividend payment track record**. Aldagi has distributed dividends totaling 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 31 December 2017, Aldagi's solvency ratio was 180% as compared to 195% at 30 September 2017 and 160% at 31 December 2016

Operating Highlights

Aldagi achieved significant milestones in 2017 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 19,000 livestock insurance and 3,334 travel and trip insurance policies sold across the country.

Aldagi established the Strategic Development department in 2017 in order to focus on improving market intelligence through more direct communication and targeting of the Georgian insurance market's emerging trends and demands. These efforts led to a major milestone, whereby Aldagi signed an exclusive memorandum with Public Service Hall in 3Q17, which allows customers of the Public Service Hall to electronically acquire affordable insurance products for any type of property registered in the public registry.

Aldagi targets solidifying its market leadership position in digital insurance over the next 5 years by aiming 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 31 December 2017, Aldagi had 11,044 online agents, who sell and promote retail insurance products through unique web-portal *onjob.ge*, a digital platform that helps Aldagi attract new customers.

Through extensive cooperation with the Insurance State Supervision Service of Georgia (ISSSG), the insurance market regulator in Georgia, **the Parliament of Georgia approved Border Motor Third Party Liability Insurance** (MTPL insurance for vehicles visiting Georgia either on a temporary or on transit basis) in December 2017. Compulsory MTPL insurance will become mandatory from 1 March 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 September 2017, Aldagi continues to be the most profitable insurance company in the local market with 89.4% share of the insurance industry profit
- Aldagi continues to lead the market with a powerful distribution network of 284 points of sale and 547 sales agents as of 31 December 2017
- At 31 December 2017, Aldagi had 47,702 insured customers (up 36.5% y-o-y and down 7.4% q-o-q). The y-o-y 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 36,983 in 4Q17 (27,013 and 46,768 new policies written in 4Q16 and 3Q17, respectively) and 155,332 in 2017 (112,430 policies written in 2016). The 7.4% q-o-q decrease in number of insured customers was primarily due to seasonality of the agricultural insurance program that ran from the mid 2Q17 to the mid of 4Q17. Excluding the agricultural program effect, the number of customers were up 6.7% q-o-q in 4Q17

Aldagi signed major third-party partnership agreements with two Georgian banks, JSC Liberty Bank and JSC Credo Bank to successfully diversify its multi-channel distribution network. *The partnership agreement between Aldagi and JSC Liberty Bank, the third largest bank in Georgia by total assets and with the largest branch and service outlet network in the country, will enable Aldagi to enhance its distribution capabilities of its motor third party liability insurance business. The three-year partnership agreement with JSC Credo Bank marks a continuation of an already established successful relationship between the companies. Aldagi will have rights to offer its retail insurance products to the bank's retail and small and medium-sized business clients through its wide network of branches, which will enable Aldagi to successfully tap Georgia's underpenetrated retail insurance segment.*

Healthcare business (Georgia Healthcare Group or GHG)[16]

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 31 December 2017, with the remaining shares being held by the public (largely institutional investors). 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 of the Group and available on GHG's web-site: ghg.com.ge*

INCOME STATEMENT *GEL thousands; unless otherwise noted*	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Revenue, gross	**197,637**	**136,031**	**45.3%**	**179,065**	**10.4%**	**747,750**	**426,439**	**75.3%**
Corrections & rebates	(349)	(790)	-55.8%	(407)	-14.3%	(2,039)	(2,686)	-24.1%
Revenue, net	**197,288**	**135,241**	**45.9%**	**178,658**	**10.4%**	**745,711**	**423,753**	**76.0%**
Revenue from healthcare services	68,094	66,814	1.9%	63,598	7.1%	263,357	243,453	8.2%
Revenue from pharmacy	121,367	56,586	114.5%	106,607	13.8%	450,315	133,002	NMF
Net insurance premiums earned	12,376	16,312	-24.1%	13,959	-11.3%	53,710	61,494	-12.7%
Eliminations	(4,549)	(4,471)	1.7%	(5,506)	-17.4%	(21,671)	(14,196)	52.7%
Costs of services	**(134,252)**	**(89,626)**	**49.8%**	**(123,467)**	**8.7%**	**(517,712)**	**(277,735)**	**86.4%**
Cost of healthcare services	(38,227)	(34,802)	9.8%	(36,916)	3.6%	(150,572)	(130,369)	15.5%
Cost of pharmacy	(90,743)	(44,498)	103.9%	(80,237)	13.1%	(340,210)	(105,472)	NMF
Cost of insurance services	(11,163)	(14,997)	-25.6%	(11,968)	-6.7%	(48,583)	(55,772)	-12.9%
Eliminations	5,882	4,671	25.9%	5,653	4.1%	21,653	13,878	56.0%
Gross profit	**63,036**	**45,615**	**38.2%**	**55,191**	**14.2%**	**227,999**	**146,018**	**56.1%**
Salaries and other employee benefits	(20,519)	(12,757)	60.8%	(18,759)	9.4%	(75,430)	(39,750)	89.8%
General and administrative expenses	(12,266)	(8,340)	47.1%	(11,600)	5.7%	(48,618)	(26,149)	85.9%
Impairment of receivables	(1,133)	56	NMF	(918)	23.4%	(4,175)	(2,332)	79.0%
Other operating income	1,761	(285)	NMF	2,200	-20.0%	8,372	240	NMF
EBITDA	**30,879**	**24,289**	**27.1%**	**26,114**	**18.2%**	**108,148**	**78,027**	**38.6%**
Depreciation and amortisation	(6,967)	(5,316)	31.1%	(6,384)	9.1%	(25,704)	(19,577)	31.3%
Net interest expense	(8,303)	(4,773)	74.0%	(7,691)	8.0%	(30,941)	(13,736)	125.3%
Net (losses) from foreign currencies	(2,825)	(3,170)	-10.9%	(1,336)	NMF	(397)	(5,657)	NMF
Net non-recurring (expense)/ income	(638)	1,982	NMF	(872)	-26.8%	(4,780)	1,118	NMF
Profit before income tax expense	**12,146**	**13,012**	**-6.7%**	**9,831**	**23.5%**	**46,326**	**40,175**	**15.3%**
Income tax (expense)/ benefit	(187)	(6,682)	-97.2%	(92)	103.3%	(386)	21,156	NMF
of which: Deferred tax adjustments	-	*(5,319)*	*NMF*	-	-	-	*23,992*	NMF
Profit for the period	**11,959**	**6,330**	**88.9%**	**9,739**	**22.8%**	**45,940**	**61,331**	**-25.1%**
Attributable to:								
- shareholders of GHG	7,785	5,401	44.1%	6,261	24.3%	29,050	50,203	-42.1%
- non-controlling interests	4,174	929	349.3%	3,478	20.0%	16,890	11,128	51.8%
of which: Deferred tax adjustments	-	*(516)*	*NMF*	-	-	-	*4,541*	*NMF*

Performance highlights

- **GHG delivered gross revenue of GEL 197.6mln in 4Q17 (up 45.3% y-o-y and up 10.4% q-o-q) and GEL 747.8mln in 2017 (up 75.3% y-o-y).** The q-o-q revenue increase was driven by strong growth in both healthcare services and pharmacy business as a result of the seasonally strong quarter. The y-o-y revenue growth in 4Q17 and in 2017 was mainly attributable to the pharmacy business (GPC and Pharmadepot were acquired in and consolidated from May 2016 and January 2017, respectively)
- **GHG achieved a well-diversified revenue mix**, spread across all three segments of the Georgian healthcare ecosystem. In 2017, 34% of the GHG's revenue came from the healthcare services business, 59% from pharmacy business and the remaining 7% 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. As a result, 54% of total revenue was received from out-of-pocket payments, 24% from Georgia's Universal Health Programme and 22% from other sources in 2017
- **In 4Q17, GHG continued to focus on extracting operating efficiencies and synergies across the business lines.** The gross margin in the pharmacy business continued to improve q-o-q as well as y-o-y on a full year basis, mainly as a result of realising previously announced procurement synergies as the largest purchaser of pharmaceuticals in Georgia. Due to a seasonally busy quarter in terms of claims, the loss ratio in GHG's medical insurance business was up q-o-q in 4Q17, although it had significantly improved on a y-o-y basis. The y-o-y improvement in loss ratio in 4Q17 primarily reflected the successful implementation of new initiatives to refocus on more profitable clients starting from 2Q17. The loss ratio of medical insurance business remained largely flat y-o-y in 2017. As anticipated, healthcare services business margins are temporarily reduced due to launches of new healthcare facilities and services, which are currently in their rapid build-out

[16] GHG is classified as a disposal group held for sale and as a discontinued operation within BGEO's 4Q17 and full year 2017 results. Refer to page 4 for additional background.

phase**.** In 2018, main goal will be the continued successful roll-out of newly launched hospitals and services, while, at the same time, focusing on implementing efficiency measures across healthcare facilities, as well as GHG-wide

- **GHG reported strong EBITDA of GEL 30.9mln in 4Q17 (up 27.1% y-o-y and up 18.2% q-o-q) and GEL 108.1mln in 2017 (up 38.6% y-o-y)**. The EBITDA margin for healthcare services business was 26.8% in 4Q17 (31.9% in 4Q16 and 26.0% in 3Q17) and 26.4% in 2017 (30.2% in 2016). The temporary y-o-y reduction in the EBITDA margin in 4Q17 and 2017 was due to the launch of new healthcare facilities and services, which are currently in their initial roll-out phase. Excluding the dilutive effects of roll-outs, the healthcare services business EBITDA margin was 29.3% in 4Q17 and 29.2% in 2017. GHG expects further margin improvement gradually. The healthcare services business was the main contributor to GHG's EBITDA, contributing 60% in total EBITDA in 4Q17, followed by pharmacy business, contributing 40% in total EBITDA during 4Q17. Pharmacy business EBITDA margin was 10.2% in 4Q17, well ahead of its target of 8%. Medical insurance business also reported positive EBITDA in 4Q17, despite the seasonally weak quarter
- **GHG's profit amounted to GEL 12.0mln in 4Q17 (up 2.7% y-o-y on a normalized basis[17] and up 22.8% q-o-q) and GEL 45.9mln in 2017 (up 16.1% y-o-y on a normalised[17] basis).** The healthcare services business was the main driver of 4Q17 and 2017 profit by contributing GEL 6.4mln and GEL 27.4mln, followed by pharmacy business with GEL 5.8mln and GEL 21.2mln contribution, respectively
- GHG's balance sheet increased substantially over the last twelve months, reaching GEL 1,167.8mln as at 31 December 2017 (up 27.6% y-o-y and up 3.9% q-o-q). The 27.6% 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 118.8mln inventory balance at 31 December 2017, GEL 98.9mln was attributable to the pharmacy business, while the balance of goodwill from the acquisitions of the pharmacy businesses amounted to GEL 77.8mln at 31 December 2017.. Borrowed funds increased y-o-y and q-o-q in 4Q17 and 2017 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; 3) In 4Q17 GHG raised additional funds from local commercial banks to finance ongoing capital expenditures, as well as to pay the second tranche of consideration payable for the Pharmadepot acquisition in the beginning of January 2018. The y-o-y increase in accounts payable is also attributable to the pharmacy business. Out of the GEL 92.9mln accounts payable balance, GEL 63.4mln relates to the pharmacy business. The y-o-y increase in other liabilities related to recognition of put option liability (GEL 55.0 million present value liability) to purchase the remaining 33% shares of Pharmadepot
- During 4Q17, GHG continued to invest in the development of its healthcare facilities. Healthcare services business spent a total of GEL 17.8mln in 4Q17 and GEL 89.3mln in 2017 on capital expenditures, primarily on the extensive renovations of Deka and Tbilisi Referral (formerly Sunstone) hospitals, as well as enhancing the service mix and introducing new services to cater for previously unmet patient needs. Of this, maintenance capex was GEL 2.1mln in 4Q17 and GEL 9.6mln in 2017
- In July 2017, healthcare service business acquired referral and community hospitals 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 Kareli 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. The integration of both hospitals is already completed
- In 4Q17 GHG launched a district polyclinic in Marneuli and acquired two district polyclinics in Tbilisi, with total of c.50,000 registered patients. Polyclinics acquisitions and launches are consistent with the Group's strategy to grow its healthcare services business through rolling-out a network of polyclinics across Tbilisi and in other major cities in Georgia. As a result, GHG currently operates a total of 12 polyclinic clusters, of which, eight are located in Tbilisi and four in the regions
- GHG's healthcare services market share based on the number of beds was 24.5% at 31 December 2017

[17] Comparison on a normalised basis – 4Q16 and 2016 net profit was normalised and adjusted for one-off non-recurring gain/loss due to deferred tax adjustments (in the amount of GEL 5.3mln loss in 4Q16 and GEL 24.0mln gain in 2016). The full year 2016 profit is also 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.

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT (QUARTERLY)	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
GEL thousands, unless otherwise noted	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	4Q17	4Q16	3Q17
Banking interest income	310,589	256,106	21.3%	284,988	9.0%	312,950	258,010	21.3%	287,274	8.9%	-	-	-	-	-	(2,361)	(1,904)	(2,286)
Banking interest expense	(127,091)	(101,054)	25.8%	(116,385)	9.2%	(129,826)	(100,399)	29.3%	(119,486)	8.7%	-	-	-	-	-	2,735	(655)	3,101
Net banking interest income	**183,498**	**155,052**	**18.3%**	**168,603**	**8.8%**	**183,124**	**157,611**	**16.2%**	**167,788**	**9.1%**	-	-	-	-	-	**374**	**(2,559)**	**815**
Fee and commission income	53,290	48,447	10.0%	48,594	9.7%	53,739	50,248	6.9%	49,155	9.3%	-	-	-	-	-	(449)	(1,801)	(561)
Fee and commission expense	(16,807)	(13,251)	26.8%	(15,840)	6.1%	(17,001)	(13,479)	26.1%	(16,014)	6.2%	-	-	-	-	-	194	228	174
Net fee and commission income	**36,483**	**35,196**	**3.7%**	**32,754**	**11.4%**	**36,738**	**36,769**	**-0.1%**	**33,141**	**10.9%**	-	-	-	-	-	**(255)**	**(1,573)**	**(387)**
Net banking foreign currency gain	28,139	34,956	**-19.5%**	20,436	**37.7%**	27,464	27,707	**-0.9%**	19,614	**40.0%**	-	-	-	-	-	675	7,249	822
Net other banking income	12,708	1,704	**NMF**	2,375	**NMF**	12,986	2,138	**NMF**	2,653	**NMF**	-	-	-	-	-	(279)	(433)	(278)
Net insurance premiums earned	13,535	11,316	19.6%	13,210	2.5%	-	-	-	-	-	13,513	11,348	19.1%	13,194	2.4%	22	(32)	16
Net insurance claims incurred	(7,207)	(5,093)	41.5%	(6,348)	13.5%	-	-	-	-	-	(7,207)	(5,093)	41.5%	(6,348)	13.5%	-	-	-
Gross insurance profit	**6,328**	**6,223**	**1.7%**	**6,862**	**-7.8%**	-	-	-	-	-	**6,306**	**6,255**	**0.8%**	**6,846**	**-7.9%**	**22**	**(32)**	**16**
Real estate revenue	32,753	9,453	NMF	29,710	10.2%	-	-	-	-	-	32,982	10,034	NMF	29,967	10.1%	(229)	(581)	(257)
Cost of real estate	(27,209)	(8,474)	NMF	(25,788)	5.5%	-	-	-	-	-	(27,209)	(8,474)	NMF	(25,788)	5.5%	-	-	-
Gross real estate profit	**5,544**	**979**	**NMF**	**3,922**	**41.4%**	-	-	-	-	-	**5,773**	**1,560**	**NMF**	**4,179**	**38.1%**	**(229)**	**(581)**	**(257)**
Utility revenue	33,195	31,608	5.0%	36,526	-9.1%	-	-	-	-	-	33,286	31,679	5.1%	36,615	-9.1%	(91)	(71)	(89)
Cost of utility	(10,418)	(10,008)	4.1%	(10,673)	-2.4%	-	-	-	-	-	(10,418)	(10,008)	4.1%	(10,673)	-2.4%	-	-	-
Gross utility profit	**22,777**	**21,600**	**5.4%**	**25,853**	**-11.9%**	-	-	-	-	-	**22,868**	**21,671**	**5.5%**	**25,942**	**-11.8%**	**(91)**	**(71)**	**(89)**
Gross other investment profit	9,621	9,974	-3.5%	11,800	-18.5%	-	-	-	-	-	9,611	9,758	-1.5%	11,792	-18.5%	11	215	8
Revenue	**305,098**	**265,684**	**14.8%**	**272,605**	**11.9%**	**260,312**	**224,225**	**16.1%**	**223,196**	**16.6%**	**44,558**	**39,244**	**13.5%**	**48,759**	**-8.6%**	**228**	**2,215**	**650**
Salaries and other employee benefits	(65,570)	(52,213)	25.6%	(59,051)	11.0%	(55,789)	(47,883)	16.5%	(50,638)	10.2%	(10,426)	(4,827)	116.0%	(8,997)	15.9%	645	497	584
Administrative expenses	(43,443)	(31,383)	38.4%	(33,227)	30.7%	(32,245)	(25,096)	28.5%	(23,240)	38.7%	(11,824)	(7,407)	59.6%	(10,695)	10.6%	626	1,120	708
Banking depreciation and amortisation	(10,514)	(9,639)	9.1%	(10,738)	-2.1%	(10,514)	(9,639)	9.1%	(10,738)	-2.1%	-	-	-	-	-	-	-	-
Other operating expenses	(1,619)	(1,800)	-10.1%	(1,181)	37.1%	(1,194)	(1,222)	-2.3%	(738)	61.8%	(426)	(578)	-26.3%	(443)	-3.8%	1	-	-
Operating expenses	**(121,146)**	**(95,035)**	**27.5%**	**(104,197)**	**16.3%**	**(99,742)**	**(83,840)**	**19.0%**	**(85,354)**	**16.9%**	**(22,676)**	**(12,812)**	**77.0%**	**(20,135)**	**12.6%**	**1,272**	**1,617**	**1,292**
Operating income before cost of credit risk / EBITDA	**183,952**	**170,649**	**7.8%**	**168,408**	**9.2%**	**160,570**	**140,385**	**14.4%**	**137,842**	**16.5%**	**21,882**	**26,432**	**-17.2%**	**28,624**	**-23.6%**	**1,500**	**3,832**	**1,942**
Profit from associates	255	-	NMF	147	73.5%	255	-	NMF	147	73.5%	-	-	-	-	-	-	-	-
Depreciation and amortisation of investment business	(9,056)	(4,501)	101.2%	(7,275)	24.5%	-	-	-	-	-	(9,056)	(4,501)	101.2%	(7,275)	24.5%	-	-	-
Net foreign currency loss from investment business	(5,797)	(1,905)	NMF	(3,941)	47.1%	-	-	-	-	-	(5,797)	(1,905)	NMF	(3,941)	47.1%	-	-	-
Interest income from investment business	1,691	1,830	-7.6%	959	76.3%	-	-	-	-	-	4,088	1,175	NMF	3,595	13.7%	(2,397)	655	(2,636)
Interest expense from investment business	(8,862)	(4,654)	90.4%	(6,961)	27.3%	-	-	-	-	-	(8,969)	(6,523)	37.5%	(7,049)	27.2%	107	1,869	88
Operating income before cost of credit risk	**162,183**	**161,419**	**0.5%**	**151,337**	**7.2%**	**160,825**	**140,385**	**14.6%**	**137,989**	**16.5%**	**2,148**	**14,678**	**-85.4%**	**13,954**	**-84.6%**	**(790)**	**6,356**	**(606)**
Impairment charge on loans to customers	(41,911)	(69,920)	-40.1%	(34,202)	22.5%	(41,911)	(69,920)	-40.1%	(34,202)	22.5%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	492	3,124	-84.3%	(781)	NMF	492	3,124	-84.3%	(781)	NMF	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	(1,626)	(3,227)	-49.6%	(2,917)	-44.3%	(1,009)	(3,812)	-73.5%	(1,849)	-45.4%	(617)	585	NMF	(1,068)	-42.2%	-	-	-
Cost of credit risk	**(43,045)**	**(70,023)**	**-38.5%**	**(37,900)**	**13.6%**	**(42,428)**	**(70,608)**	**-39.9%**	**(36,832)**	**15.2%**	**(617)**	**585**	**NMF**	**(1,068)**	**-42.2%**	-	-	-
Profit before non-recurring items and income tax	**119,138**	**91,396**	**30.4%**	**113,437**	**5.0%**	**118,397**	**69,777**	**69.7%**	**101,157**	**17.0%**	**1,531**	**15,263**	**-90.0%**	**12,886**	**-88.1%**	**(790)**	**6,356**	**(606)**
Net non-recurring items	(673)	(1,324)	-49.2%	(1,441)	-53.3%	(213)	(1,055)	-79.8%	(1,376)	-84.5%	(460)	(269)	71.0%	(65)	NMF	-	-	-
Profit before income tax	**118,465**	**90,072**	**31.5%**	**111,996**	**5.8%**	**118,184**	**68,722**	**72.0%**	**99,781**	**18.4%**	**1,071**	**14,994**	**-92.9%**	**12,821**	**-91.6%**	**(790)**	**6,356**	**(606)**
Income tax (expense) benefit	(12,716)	(871)	NMF	(10,096)	26.0%	(11,050)	2,782	NMF	(7,850)	40.8%	(1,666)	(3,653)	-54.4%	(2,246)	-25.8%	-	-	-
Profit from continuing operations	**105,749**	**89,201**	**18.6%**	**101,900**	**3.8%**	**107,134**	**71,504**	**49.8%**	**91,931**	**16.5%**	**(595)**	**11,341**	**NMF**	**10,575**	**NMF**	**(790)**	**6,356**	**(606)**
Profit from discontinued operations	13,060	(458)	NMF	10,941	19.4%	-	-	-	-	-	12,270	5,898	108.0%	10,335	18.7%	790	(6,356)	606
Profit	**118,809**	**88,743**	**33.9%**	**112,841**	**5.3%**	**107,134**	**71,504**	**49.8%**	**91,931**	**16.5%**	**11,675**	**17,239**	**-32.3%**	**20,910**	**-44.2%**	**-**	**-**	**-**
Attributable to:																		
– shareholders of BGEO	113,729	87,136	*30.5%*	106,278	*7.0%*	106,687	72,060	*48.1%*	91,545	*16.5%*	7,042	15,076	*-53.3%*	14,733	*-52.2%*	-	-	-
– non-controlling interests	5,080	1,607	*NMF*	6,563	*-22.6%*	447	(556)	*NMF*	386	*15.8%*	4,633	2,163	*114.2%*	6,177	*-25.0%*	-	-	-
Profit from continuing operations attributable to:																		
– shareholders of BGEO	108,042	90,166	*19.8%*	101,327	*6.6%*	106,687	72,060	*48.1%*	91,545	*16.5%*	2,145	11,750	*-81.7%*	10,388	*-79.4%*	(790)	6,356	(606)
– non-controlling interests	(2,293)	(965)	*137.6%*	573	*NMF*	447	(556)	*NMF*	386	*15.8%*	(2,740)	(409)	*NMF*	187	*NMF*	-	-	-
Profit from discontinued operations attributable to:																		
– shareholders of BGEO	5,687	(3,030)	*NMF*	4,951	*14.9%*	-	-	-	-	-	4,897	3,326	*47.2%*	4,345	*12.7%*	790	(6,356)	606
– non-controlling interests	7,373	2,572	*NMF*	5,990	*23.1%*	-	-	-	-	-	7,373	2,572	*NMF*	5,990	*23.1%*	-	-	-
Earnings per share (basic)	**3.05**	**2.29**	**33.2%**	**2.82**	**8.2%**													
– earnings per share from continuing operations	*2.90*	*2.37*	*22.4%*	*2.69*	*7.8%*													
– earnings per share from discontinued operations	*0.15*	*(0.08)*	*NMF*	*0.13*	*15.4%*													
Earnings per share (diluted)	**2.90**	**2.21**	**31.2%**	**2.70**	**7.4%**													
– earnings per share from continuing operations	*2.76*	*2.28*	*21.1%*	*2.58*	*7.0%*													
– earnings per share from discontinued operations	*0.14*	*(0.07)*	*NMF*	*0.12*	*16.7%*													

INCOME STATEMENT	BGEO Consolidated			Banking Business			Investment Business			Eliminations		
GEL thousands, unless otherwise noted	2017	2016	Change y-o-y	2017	2016	Change y-o-y	2017	2016	Change y-o-y	2017	2016	Change y-o-y
Banking interest income	1,131,914	926,029	22.2%	1,140,292	932,063	22.30%	-	-	-	(8,378)	(6,034)	38.8%
Banking interest expense	(459,379)	(377,908)	21.6%	(468,192)	(378,452)	23.70%	-	-	-	8,813	544	NMF
Net banking interest income	**672,535**	**548,121**	**22.7%**	**672,100**	**553,611**	**21.4%**	-	-	-	**435**	**(5,490)**	**NMF**
Fee and commission income	190,392	169,581	12.3%	192,499	172,630	11.5%	-	-	-	(2,107)	(3,049)	-30.9%
Fee and commission expense	(60,342)	(47,104)	28.1%	(61,025)	(47,720)	27.9%	-	-	-	683	616	10.9%
Net fee and commission income	**130,050**	**122,477**	**6.2%**	**131,474**	**124,910**	**5.3%**	-	-	-	**(1,424)**	**(2,433)**	**-41.5%**
Net banking foreign currency gain	**79,106**	**89,480**	**-11.6%**	**86,060**	**83,203**	**3.4%**	-	-	-	**(6,954)**	**6,277**	**NMF**
Net other banking income	**18,645**	**10,667**	**74.8%**	**19,701**	**12,183**	**61.7%**	-	-	-	**(1,056)**	**(1,516)**	**-30.3%**
Net insurance premiums earned	52,363	42,407	23.5%	-	-	-	52,147	43,094	21.0%	216	(687)	NMF
Net insurance claims incurred	(25,098)	(17,838)	40.7%	-	-	-	(25,098)	(17,838)	40.7%	-	-	-
Gross insurance profit	**27,265**	**24,569**	**11.0%**	-	-	-	**27,049**	**25,256**	**7.1%**	**216**	**(687)**	**NMF**
Real estate revenue	120,155	99,583	20.7%	-	-	-	121,132	100,164	20.9%	(977)	(581)	68.2%
Cost of real estate	(85,765)	(81,098)	5.8%	-	-	-	(85,765)	(81,098)	5.8%	-	-	-
Gross real estate profit	**34,390**	**18,485**	**86.0%**	-	-	-	**35,367**	**19,066**	**85.5%**	**(977)**	**(581)**	**68.2%**
Utility revenue	127,208	56,347	125.8%	-	-	-	127,568	56,486	125.8%	(360)	(139)	159.0%
Cost of utility	(39,198)	(17,806)	120.1%	-	-	-	(39,198)	(17,806)	120.1%	-	-	-
Gross utility profit	**88,010**	**38,541**	**128.4%**	-	-	-	**88,370**	**38,680**	**128.5%**	**(360)**	**(139)**	**159.0%**
Gross other investment profit	30,630	21,288	43.9%	-	-	-	30,583	21,334	43.4%	47	(46)	NMF
Revenue	**1,080,631**	**873,628**	**23.7%**	**909,335**	**773,907**	**17.5%**	**181,369**	**104,336**	**73.8%**	**(10,073)**	**(4,615)**	**118.3%**
Salaries and other employee benefits	(230,542)	(182,853)	26.1%	(198,213)	(168,374)	17.7%	(34,548)	(16,279)	112.2%	2,219	1,800	23.3%
Administrative expenses	(136,177)	(97,029)	40.3%	(100,291)	(82,113)	22.1%	(38,350)	(17,751)	116.0%	2,464	2,835	-13.1%
Banking depreciation and amortisation	(40,974)	(37,207)	10.1%	(40,974)	(37,207)	10.1%	-	-	-	-	-	-
Other operating expenses	(5,352)	(5,717)	-6.4%	(3,458)	(3,854)	-10.3%	(1,894)	(1,863)	1.7%	-	-	-
Operating expenses	**(413,045)**	**(322,806)**	**28.0%**	**(342,936)**	**(291,548)**	**17.6%**	**(74,792)**	**(35,893)**	**108.4%**	**4,683**	**4,635**	**1.0%**
Operating income before cost of credit risk / EBITDA	**667,586**	**550,822**	**21.2%**	**566,399**	**482,359**	**17.4%**	**106,577**	**68,443**	**55.7%**	**(5,390)**	**20**	**NMF**
Profit from associates	1,311	4,074	-67.8%	1,311	-	NMF	-	4,074	NMF	-	-	-
Depreciation and amortisation of investment business	(28,235)	(10,062)	NMF	-	-	-	(28,235)	(10,062)	NMF	-	-	-
Net foreign currency loss from investment business	(4,937)	(3,134)	57.5%	-	-	-	(4,937)	(3,134)	57.5%	-	-	-
Interest income from investment business	5,415	3,745	44.6%	-	-	-	12,970	4,144	NMF	(7,555)	(399)	NMF
Interest expense from investment business	(29,660)	(11,220)	NMF	-	-	-	(30,014)	(13,410)	123.8%	354	2,190	-83.8%
Operating income before cost of credit risk	**611,480**	**534,225**	**14.5%**	**567,710**	**482,359**	**17.7%**	**56,361**	**50,055**	**12.6%**	**(12,591)**	**1,811**	**NMF**
Impairment charge on loans to customers	(155,210)	(158,892)	-2.3%	(155,210)	(158,892)	-2.3%	-	-	-	-	-	-
Impairment charge on finance lease receivables	(496)	(777)	-36.2%	(496)	(777)	-36.2%	-	-	-	-	-	-
Impairment charge on other assets and provisions	(15,005)	(9,087)	65.1%	(11,590)	(8,083)	43.4%	(3,415)	(1,004)	NMF	-	-	-
Cost of credit risk	**(170,711)**	**(168,756)**	**1.2%**	**(167,296)**	**(167,752)**	**-0.3%**	**(3,415)**	**(1,004)**	**NMF**	-	-	-
Profit before non-recurring items and income tax	**440,769**	**365,469**	**20.6%**	**400,414**	**314,607**	**27.3%**	**52,946**	**49,051**	**7.9%**	**(12,591)**	**1,811**	**NMF**
Net non-recurring items	(4,923)	(12,682)	-61.2%	(4,300)	(45,355)	-90.5%	(623)	32,673	NMF	-	-	-
Profit before income tax	**435,846**	**352,787**	**23.5%**	**396,114**	**269,252**	**47.1%**	**52,323**	**81,724**	**-36.0%**	**(12,591)**	**1,811**	**NMF**
Income tax (expense) benefit	(32,340)	17,500	NMF	(26,592)	26,444	NMF	(5,748)	(8,944)	-35.7%	-	-	-
Profit from continuing operations	**403,506**	**370,287**	**9.0%**	**369,522**	**295,696**	**25.0%**	**46,575**	**72,780**	**-36.0%**	**(12,591)**	**1,811**	**NMF**
Profit from discontinued operations	59,943	58,289	2.8%	-	-	-	47,352	60,100	-21.2%	12,591	(1,811)	NMF
Profit	**463,449**	**428,576**	**8.1%**	**369,522**	**295,696**	**25.0%**	**93,927**	**132,880**	**-29.3%**	-	-	-
Attributable to:												
– shareholders of BGEO	*437,615*	*398,538*	*9.8%*	*367,832*	*293,173*	*25.5%*	*69,783*	*105,365*	*-33.8%*	-	-	-
– non-controlling interests	*25,834*	*30,038*	*-14.0%*	*1,690*	*2,523*	*-33.0%*	*24,144*	*27,515*	*-12.3%*	-	-	-
Profit from continuing operations attributable to:												
– shareholders of BGEO	*405,626*	*367,625*	*10.3%*	*367,832*	*293,173*	*25.5%*	*50,385*	*72,641*	*-30.6%*	*(12,591)*	*1,811*	*NMF*
– non-controlling interests	*(2,120)*	*2,662*	*NMF*	*1,690*	*2,523*	*-33.0%*	*(3,810)*	*139*	*NMF*	-	-	-
Profit from discontinued operations attributable to:												
– shareholders of BGEO	*31,989*	*30,913*	*3.5%*	-	-	-	*19,398*	*32,724*	*-40.7%*	*12,591*	*(1,811)*	*NMF*
– non-controlling interests	*27,954*	*27,376*	*2.1%*	-	-	-	*27,954*	*27,376*	*2.1%*	-	-	-
Earnings per share (basic)	**11.61**	**10.41**	**11.5%**									
– earnings per share from continuing operations	10.76	9.61	12.0%									
– earnings per share from discontinued operations	0.85	0.80	6.2%									
Earnings per share (diluted)	**11.07**	**10.09**	**9.7%**									
– earnings per share from continuing operations	10.26	9.31	10.2%									
– earnings per share from discontinued operations	0.81	0.78	3.8%									

BALANCE SHEET	BGEO Consolidated					Banking Business					Investment Business					Eliminations		
GEL thousands, unless otherwise noted	Dec-17	Dec-16	Change y-o-y	Sep-17	Change q-o-q	Dec-17	Dec-16	Change y-o-y	Sep-17	Change q-o-q	Dec-17	Dec-16	Change y-o-y	Sep-17	Change q-o-q	Dec-17	Dec-16	Sep-17
Cash and cash equivalents	1,582,435	1,573,610	0.6%	1,721,811	-8.1%	1,516,401	1,480,783	2.4%	1,648,098	-8.0%	374,301	401,969	-6.9%	345,137	8.4%	(308,267)	(309,142)	(271,424)
Amounts due from credit institutions	1,225,947	1,054,983	16.2%	985,120	24.4%	1,216,349	940,485	29.3%	950,775	27.9%	38,141	178,425	-78.6%	60,565	-37.0%	(28,543)	(63,927)	(26,220)
Investment securities	1,564,869	1,286,003	21.7%	1,421,401	10.1%	1,613,759	1,283,903	25.7%	1,469,274	9.8%	33,059	3,672	NMF	33,914	-2.5%	(81,949)	(1,572)	(81,787)
Loans to customers and finance lease receivables	7,690,450	6,648,482	15.7%	6,917,211	11.2%	7,741,420	6,681,672	15.9%	6,951,493	11.4%	-	-	-	-	-	(50,970)	(33,190)	(34,282)
Accounts receivable and other loans	38,944	128,506	-69.7%	177,658	-78.1%	3,572	55,377	-93.5%	7,681	-53.5%	35,446	125,962	-71.9%	174,493	-79.7%	(74)	(52,833)	(4,516)
Insurance premiums receivable	30,573	46,423	-34.1%	53,998	-43.4%	-	-	-	-	-	30,854	48,390	-36.2%	54,326	-43.2%	(281)	(1,967)	(328)
Prepayments	149,558	76,277	96.1%	164,911	-9.3%	61,501	18,716	NMF	54,808	12.2%	88,057	58,161	51.4%	110,135	-20.0%	-	(600)	(32)
Inventories	100,194	188,344	-46.8%	230,661	-56.6%	20,086	8,809	128.0%	20,893	-3.9%	80,108	179,535	-55.4%	209,768	-61.8%	-	-	-
Investment property	353,565	288,227	22.7%	319,059	10.8%	202,533	152,597	32.7%	175,071	15.7%	155,367	135,630	14.6%	148,323	4.7%	(4,335)	-	(4,335)
Property and equipment	988,436	1,288,594	-23.3%	1,501,735	-34.2%	322,925	296,791	8.8%	309,769	4.2%	661,176	991,803	-33.3%	1,187,631	-44.3%	4,335	-	4,335
Goodwill	55,276	106,986	-48.3%	159,570	-65.4%	33,351	33,453	-0.3%	33,351	0.0%	21,925	73,533	-70.2%	126,219	-82.6%	-	-	-
Intangible assets	60,980	58,907	3.5%	79,573	-23.4%	55,525	39,941	39.0%	53,939	2.9%	5,455	18,966	-71.2%	25,634	-78.7%	-	-	-
Income tax assets	2,293	24,043	-90.5%	6,826	-66.4%	919	19,325	-95.2%	1,582	-41.9%	1,374	4,718	-70.9%	5,244	-73.8%	-	-	-
Other assets	188,732	184,791	2.1%	188,239	0.3%	119,337	111,506	7.0%	102,984	15.9%	73,468	86,305	-14.9%	92,038	-20.2%	(4,073)	(13,020)	(6,783)
Assets of disposal group held for sale	1,136,417	-	NMF	-	NMF	-	-	-	-	-	1,165,182	-	NMF	-	NMF	(28,765)	-	-
Total assets	**15,168,669**	**12,954,176**	**17.1%**	**13,927,773**	**8.9%**	**12,907,678**	**11,123,358**	**16.0%**	**11,779,718**	**9.6%**	**2,763,913**	**2,307,069**	**19.8%**	**2,573,427**	**7.4%**	**(502,922)**	**(476,251)**	**(425,372)**
Client deposits and notes	6,712,482	5,382,698	24.7%	6,252,228	7.4%	7,078,058	5,755,767	23.0%	6,549,904	8.1%	-	-	-	-	-	(365,576)	(373,069)	(297,676)
Amounts due to credit institutions	3,155,839	3,470,091	-9.1%	2,774,525	13.7%	2,778,338	3,067,651	-9.4%	2,350,438	18.2%	377,501	435,630	-13.3%	459,158	-17.8%	-	(33,190)	(35,071)
Debt securities issued	1,709,152	1,255,643	36.1%	1,691,260	1.1%	1,386,412	858,036	61.6%	1,298,641	6.8%	357,442	404,450	-11.6%	479,142	-25.4%	(34,702)	(6,843)	(86,523)
Accruals and deferred income	132,669	130,319	1.8%	160,530	-17.4%	42,207	21,778	93.8%	31,332	34.7%	90,462	161,893	-44.1%	132,783	-31.9%	-	(53,352)	(3,585)
Insurance contracts liabilities	46,402	67,871	-31.6%	77,695	-40.3%	-	-	-	-	-	46,402	67,871	-31.6%	77,695	-40.3%	-	-	-
Income tax liabilities	20,959	27,718	-24.4%	16,166	29.6%	20,100	22,528	-10.8%	14,697	36.8%	859	5,190	-83.4%	1,469	-41.5%	-	-	-
Other liabilities	142,133	231,623	-38.6%	326,686	-56.5%	49,861	45,096	10.6%	47,660	4.6%	92,553	196,324	-52.9%	281,543	-67.1%	(281)	(9,797)	(2,517)
Liabilities of disposal group held for sale	516,663	-	NMF	-	NMF	-	-	-	-	-	619,026	-	NMF	-	NMF	(102,363)	-	-
Total liabilities	**12,436,299**	**10,565,963**	**17.7%**	**11,299,090**	**10.1%**	**11,354,976**	**9,770,856**	**16.2%**	**10,292,672**	**10.3%**	**1,584,245**	**1,271,358**	**24.6%**	**1,431,790**	**10.6%**	**(502,922)**	**(476,251)**	**(425,372)**
Share capital	1,151	1,154	-0.3%	1,151	0.0%	1,151	1,154	-0.3%	1,151	0.0%	-	-	-	-	-	-	-	-
Additional paid-in capital	106,086	183,872	-42.3%	138,144	-23.2%	-	45,072	NMF	-	-	106,086	138,800	-23.6%	138,144	-23.2%	-	-	-
Treasury shares	(66)	(54)	22.2%	(54)	22.2%	(66)	(54)	22.2%	(54)	22.2%	-	-	-	-	-	-	-	-
Other reserves	122,082	74,399	64.1%	124,092	-1.6%	(74,046)	(57,485)	28.8%	(49,407)	49.9%	196,128	131,884	48.7%	173,499	13.0%	-	-	-
Retained earnings	2,180,415	1,872,496	16.4%	2,065,239	5.6%	1,618,775	1,344,144	20.4%	1,528,751	5.9%	561,640	528,352	6.3%	536,488	4.7%	-	-	-
Reserves of disposal group held for sale	10,934	-	NMF	-	NMF	-	-	-	-	-	10,934	-	NMF	-	NMF	-	-	-
Total equity attributable to shareholders of the Group	**2,420,602**	**2,131,867**	**13.5%**	**2,328,572**	**4.0%**	**1,545,814**	**1,332,831**	**16.0%**	**1,480,441**	**4.4%**	**874,788**	**799,036**	**9.5%**	**848,131**	**3.1%**	**-**	**-**	**-**
Non-controlling interests	311,768	256,346	21.6%	300,111	3.9%	6,888	19,671	-65.0%	6,605	4.3%	304,880	236,675	28.8%	293,506	3.9%	-	-	-
Total equity	**2,732,370**	**2,388,213**	**14.4%**	**2,628,683**	**3.9%**	**1,552,702**	**1,352,502**	**14.8%**	**1,487,046**	**4.4%**	**1,179,668**	**1,035,711**	**13.9%**	**1,141,637**	**3.3%**	**-**	**-**	**-**
Total liabilities and equity	**15,168,669**	**12,954,176**	**17.1%**	**13,927,773**	**8.9%**	**12,907,678**	**11,123,358**	**16.0%**	**11,779,718**	**9.6%**	**2,763,913**	**2,307,069**	**19.8%**	**2,573,427**	**7.4%**	**(502,922)**	**(476,251)**	**(425,372)**
Book value per share	**65.22**	**56.61**	**15.2%**	**62.06**	**5.1%**													

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	4Q17	4Q16	Change y-o-y	3Q17	Change q-o-q	2017	2016	Change y-o-y
Net banking interest income	6,021	8,043	-25.1%	6,729	-10.5%	29,397	30,773	-4.5%
Net fee and commission income	2,421	1,993	21.5%	2,287	5.9%	9,336	7,462	25.1%
Net banking foreign currency gain	3,457	2,696	28.2%	2,780	24.4%	10,852	8,452	28.4%
Net other banking income	1,295	(1,064)	NMF	212	NMF	1,773	(738)	NMF
Revenue	**13,194**	**11,668**	**13.1%**	**12,008**	**9.9%**	**51,358**	**45,949**	**11.8%**
Operating expenses	(8,185)	(6,483)	26.3%	(7,845)	4.3%	(29,664)	(20,905)	41.9%
Operating income before cost of credit risk	**5,009**	**5,185**	**-3.4%**	**4,163**	**20.3%**	**21,694**	**25,044**	**-13.4%**
Cost of credit risk	(518)	(9,163)	-94.3%	299	NMF	(9,093)	(15,797)	-42.4%
Net non-recurring items	(4)	(1,402)	-99.7%	-	NMF	(60)	(1,418)	-95.8%
Profit before income tax	**4,487**	**(5,380)**	**NMF**	**4,462**	**0.6%**	**12,541**	**7,829**	**60.2%**
Income tax (expense)/benefit	(876)	1,289	NMF	(728)	20.3%	(2,256)	(5,141)	-56.1%
Profit	**3,611**	**(4,091)**	**NMF**	**3,734**	**-3.3%**	**10,285**	**2,688**	**NMF**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	Dec-17	Dec-16	Change y-o-y	Sep-17	Change q-o-q
Cash and cash equivalents	104,309	70,211	48.6%	105,475	-1.1%
Amounts due from credit institutions	10,499	3,560	NMF	10,146	3.5%
Investment securities	73,415	84,725	-13.3%	120,521	-39.1%
Loans to customers and finance lease receivables	399,516	362,100	10.3%	380,326	5.0%
Other assets	37,096	24,131	53.7%	28,468	30.3%
Total assets	**624,835**	**544,727**	**14.7%**	**644,936**	**-3.1%**
Client deposits and notes	310,050	233,501	32.8%	316,413	-2.0%
Amounts due to credit institutions	202,492	212,495	-4.7%	221,712	-8.7%
Debt securities issued	28,512	24,126	18.2%	29,685	-4.0%
Other liabilities	4,261	5,134	-17.0%	4,828	-11.7%
Total liabilities	**545,315**	**475,256**	**14.7%**	**572,638**	**-4.8%**
Total equity attributable to shareholders of the Group	**79,520**	**55,736**	**42.7%**	**72,298**	**10.0%**
Non-controlling interests	-	13,735	NMF	-	-
Total equity	**79,520**	**69,471**	**14.5%**	**72,298**	**10.0%**
Total liabilities and equity	**624,835**	**544,727**	**14.7%**	**644,936**	**-3.1%**

BANKING BUSINESS KEY RATIOS

	4Q17	4Q16	3Q17	Dec-17	Dec-16
Profitability					
ROAA, Annualised	3.4%	2.8%	3.2%	3.2%	3.1%
ROAE, Annualised	27.8%	20.0%	25.1%	25.2%	22.2%
RB ROAE	*36.6%*	*36.5%*	*34.1%*	*31.6%*	*31.2%*
CIB ROAE	*18.1%*	*6.2%*	*13.3%*	*17.6%*	*14.7%*
Net Interest Margin, Annualised	7.3%	7.6%	7.3%	7.3%	7.4%
RB NIM	*8.4%*	*9.3%*	*8.5%*	*8.5%*	*9.2%*
CIB NIM	*3.5%*	*3.6%*	*3.5%*	*3.4%*	*3.6%*
Loan Yield, Annualised	14.3%	14.4%	14.3%	14.2%	14.2%
RB Loan Yield	*15.9%*	*16.4%*	*16.3%*	*16.1%*	*16.8%*
CIB Loan Yield	*11.2%*	*11.1%*	*10.6%*	*10.7%*	*10.4%*
Liquid Assets Yield, Annualised	3.4%	3.3%	3.5%	3.4%	3.2%
Cost of Funds, Annualised	4.8%	4.6%	4.8%	4.7%	4.7%
Cost of Client Deposits and Notes, Annualised	3.5%	3.6%	3.5%	3.5%	3.8%
RB Cost of Client Deposits and Notes	*2.8%*	*3.1%*	*2.9%*	*2.9%*	*3.3%*
CIB Cost of Client Deposits and Notes	*4.0%*	*3.6%*	*3.9%*	*4.0%*	*3.9%*
Cost of Amounts Due to Credit Institutions, Annualised	6.5%	6.4%	6.5%	6.4%	6.2%
Cost of Debt Securities Issued	7.8%	6.1%	7.9%	7.4%	6.8%
Operating Leverage, Y-O-Y	-2.9%	-7.3%	-2.6%	-0.1%	-6.4%
Operating Leverage, Q-O-Q	-0.2%	0.0%	-0.4%	0.0%	0.0%
Efficiency					
Cost / Income	38.3%	37.4%	38.2%	37.7%	37.7%
RB Cost / Income	*38.7%*	*38.8%*	*37.8%*	*38.3%*	*40.0%*
CIB Cost / Income	*31.0%*	*28.7%*	*34.5%*	*32.0%*	*29.5%*
Liquidity					
NBG Liquidity Ratio	34.4%	37.7%	44.4%	34.4%	37.7%
Liquid Assets To Total Liabilities	38.3%	37.9%	39.5%	38.3%	37.9%
Net Loans To Client Deposits and Notes	109.4%	116.1%	106.1%	109.4%	116.1%
Net Loans To Client Deposits and Notes + DFIs	92.4%	94.9%	90.0%	92.4%	94.9%
Leverage (Times)	7.3	7.2	6.9	7.3	7.2
Asset Quality:					
NPLs (in GEL)	301,268	294,787	297,134	301,268	294,787
NPLs To Gross Loans To Clients	3.8%	4.2%	4.1%	3.8%	4.2%
NPL Coverage Ratio	92.7%	86.7%	93.6%	92.7%	86.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	130.6%	132.1%	132.8%	130.6%	132.1%
Cost of Risk, Annualised	2.1%	4.2%	2.0%	2.2%	2.7%
RB Cost of Risk	*1.8%*	*2.0%*	*2.0%*	*2.5%*	*2.3%*
CIB Cost of Risk	*3.2%*	*6.6%*	*2.3%*	*1.5%*	*3.1%*
Capital Adequacy:					
NBG (Basel II) Tier I Capital Adequacy Ratio	10.3%	9.1%	11.1%	10.3%	9.1%
NBG (Basel II) Total Capital Adequacy Ratio	14.8%	14.4%	16.2%	14.8%	14.4%
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a	n/a	12.4%	n/a
NBG (Basel III) Total Capital Adequacy Ratio	17.9%	n/a	n/a	17.9%	n/a
Selected Operating Data:					
Total Assets Per FTE, BOG Standalone	1,832	1,730	1,732	1,832	1,730
Number Of Active Branches, Of Which:	286	278	283	286	278
- Express Branches (including Metro)	*156*	*128*	*153*	*156*	*128*
- Bank of Georgia Branches	*118*	*139*	*119*	*118*	*139*
- Solo Lounges	*12*	*11*	*11*	*12*	*11*
Number Of ATMs	850	801	829	850	801
Number Of Cards Outstanding, Of Which:	2,227,000	2,056,258	2,176,761	2,227,000	2,056,258
- Debit cards	*1,553,427*	*1,255,637*	*1,431,859*	*1,553,427*	*1,255,637*
- Credit cards	*673,573*	*800,621*	*744,902*	*673,573*	*800,621*
Number Of POS Terminals	13,216	10,357	11,997	13,216	10,357
FX Rates:					
GEL/US$ exchange rate (period-end)	2.5922	2.6468	2.4767		
GEL/GBP exchange rate (period-end)	3.5005	3.2579	3.3158		

	Dec-17	Dec-16	Sep-17
Full Time Employees, Group, Of Which:	25,795	22,080	25,425
Total Banking Business Companies, of which:	7,045	6,431	6,801
- Full Time Employees, BOG Standalone	*5,501*	*5,016*	*5,293*
- Full Time Employees, BNB	*702*	*611*	*679*
- Full Time Employees, BB other	*842*	*804*	*829*
Total Investment Business Companies, of which:	18,750	15,649	18,624
- Full Time Employees, Georgia Healthcare Group	*15,070*	*12,720*	*15,075*
- Full Time Employees, Aldagi	*328*	*289*	*319*
- Full Time Employees, GGU	*2,631*	*2,379*	*2,501*
- Full Time Employees, m²	*156*	*80*	*115*
- Full Time Employees, IB Other	*565*	*181*	*614*

Shares Outstanding	Dec-17	Dec-16	Sep-17
Ordinary Shares Outstanding	37,116,399	37,657,229	37,520,410
Treasury Shares Outstanding	2,268,313	1,843,091	1,864,302
Total Shares Outstanding	39,384,712	39,500,320	39,384,712

Annex:

In this announcement the Management uses various alternative performance measures ("APMs"), which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. We believe that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate our operating performance and make day-to-day operating decisions.

Glossary

1. Return on average total assets (ROAA) equals Banking Business Profit for the period divided by monthly average total assets for the same period;
2. Return on average total equity (ROAE) equals Banking Business 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. Liquidity Coverage Ratio equals high quality liquid assets (as defined by NBG) divided by net cash outflow over the next 30 days (as defined by NBG)
11. Leverage (Times) equals total liabilities divided by total equity;
12. NPL Coverage Ratio equals allowance for impairment of loans and finance lease receivables divided by NPLs;
13. 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)
14. 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;
15. 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;
16. 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;
17. NBG (Basel III) 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;
18. NBG (Basel III) 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;
19. Loss ratio equals net insurance claims expense divided by net earned premiums
20. Expense ratio equals sum of acquisition costs and operating expenses divided by net earned premiums
21. Combined ratio equals sum of the loss ratio and the expense ratio
22. NMF – Not meaningful

BGEO Group PLC 4Q17 and FY17 Results Conference Call Details

BGEO Group PLC ("**BGEO**" or the "**Group**") will publish its financial results for the 4th quarter 2017 and the full year 2017 at 07:00 London time on Friday, 16 February 2018. The results announcement will be available on the Group's website at www.bgeo.com. An investor/analyst conference call, organised by BGEO, will be held on, 16 February 2018, at 13:00 UK / 14:00 CET / 08:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

Dial-in numbers:
Pass code for replays/Conference ID: **8755969**
International Dial-in: +44 (0) 2071 928000
UK: 08445718892
US: 16315107495
Austria: 019286559
Belgium: 024009874
Czech Republic: 228881424
Denmark: 32728042
Finland: 0942450806
France: 0176700794
Germany: 06924437351
Hungary: 0614088064
Ireland: 014319615
Italy: 0687502026
Luxembourg: 27860515
Netherlands: 0207143545
Norway: 23960264
Spain: 914146280
Sweden: 0850692180
Switzerland: 0315800059

30-Day replay:
Pass code for replays / Conference ID: **8755969**
International Dial in: +44 (0)1452550000
UK National Dial In: 08717000145
UK Local Dial In: 08443386600
USA Free Call Dial In: 1 (866) 247-4222

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 Georgia Capital PLC or Bank of Georgia Group 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.

COMPANY INFORMATION

BGEO Group PLC

Registered Address

84 Brook Street
London W1K 5EH
United Kingdom
www.BGEO.com
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"

Contact Information

BGEO Group PLC Investor Relations
Telephone: +44(0)2031784052; +995322444190
E-mail: ir@BGEO.com

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY
United Kingdom

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.
Investor Centre Web Address - www.investorcentre.co.uk.
Investor Centre Shareholder Helpline - +44 (0)370 873 5866

Share price information

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