



BANK OF GEORGIA  
HOLDINGS PLC

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# *Bank of Georgia Investor Presentation*

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*April 2012*

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# The leading universal bank in Georgia



## Leading market position:

No. 1 bank in Georgia by assets (36%) GEL 4.67bln, loans (34%), GEL 2.62 bln, deposits (36%) GEL 2.74 bln and equity (35%) GEL 0.81 bln\*



## Underpenetrated market with significant growth potential:

Average real GDP growth for 2003-2011 of 6%. IMF estimates 5.3% growth for 2012. Loans/GDP grew from 9% to c.30% over the period, still below regional average; Deposits/GDP grew from 8% in 2003 to c.28% in 2011



## Strong brand name recognition and retail banking franchise:

Offers the broadest range of financial products to the retail market through a branch network three times the size of the nearest competitor, largest ATM network



## Experienced management with deep understanding of the local market and track record

	2004	2011	Growth
Market capitalization (GBP mln, 2011 at 23 March '12)	23.5	371.9	15.8 times
Total assets (GEL mln)	363.2	4,665.3	12.8 times
Market share by total assets	19%	36%	89%



## High standards of transparency and governance:

First and still the only entity to list its GDRs on the London Stock Exchange from the Caucasus since 2006.

*As of 28 February 2012, the only CEEMEA Bank traded on the Premium Segment of the London Stock Exchange; Market cap of GBP 371.9 mln as of 23 March 2012 and more than 95% institutionally owned*



*To become component of the FTSE All Share index in 2012, very close to inclusion in FTSE 250 index*

\*Market data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia (YE2011) [www.nbg.gov.ge](http://www.nbg.gov.ge)

## *3x20%: Growth story with dividends*

### ROE c.20%

-  Revenue growth of 27% to GEL 441 mln in 2011; Profit up 83% to GEL 151 mln;
- Retail business gains momentum with 25% y-o-y Retail revenue growth, Retail profit of GEL 110 mln up from GEL 40 mln in '10;
- Other non-interest income surges 88% y-o-y to GEL 108.9 mln;
-  Operational efficiency / scale;
- Cost to income ratio improved to 49% in '11 from 58% in '10;
-  Prudent risk management;
-  2011 ROAE of 20.4%; compared to 2010 ROAE of 13.5%.

### TIER I c.20%

-  Conservative National Bank of Georgia (NBG) regulation
- Risk weighting of FX assets at 175%, Bank's leverage at 4.5x;
-  Strong internal cash generation, with deposit growth of 41% more than double the loan growth rate, to support loan growth without compromising capital ratios
- BIS Tier I of 22.1% (pro-forma at 29 Feb '12);
- YE 2011 BIS Tier I 19.9%; NBG Tier I 10.5%;
- NBG Tier I 15.3% in Feb '12 .

### Growth c.20%

-  Strong growth across the board supported by synergistic business;
-  Loan book growth of c.20% in 2011, driven by
- Retail loan book growth of 26% y-o-y;
- Corporate loan book growth of 16% y-o-y;
- Consumer driven franchise with robust sales force to increase cross selling with synergistic businesses;
- Increase in contribution from synergistic business in the group's profit.

### Dividends

-  Dividend of GEL 0.30 (11p) per share paid for 2010;
-  Progressive dividend policy in place to increase capital management discipline during the growth phase;
-  The intention to recommend the 2011 dividend payout of GEL 0.70 (c. 27p) per share.

## Leveraged play on the growing Georgian economy through a LSE premium listed company

 Bank of Georgia Holdings, plc. a UK-incorporated holding company holds 98.35% of JSC Bank of Georgia as a result of successful tender offer completed on 28 February 2012; intention to proceed with a squeeze out of the remaining holders of the bank

 With one third of the Georgian market by assets, loans and client deposits, Bank of Georgia is a uniquely placed growth bank in an underpenetrated, highly capitalised and profitable banking market that has been growing in terms of assets at 33% CAGR 2003-2011

### Strategic Business

#### Well established brand



#### Retail

- Largest retail franchise: 888,000+ retail clients  
158 branches, 663,000 cards
- Market shares of c.37% by retail loans and c. 32% by retail deposits



#### Corporate

- Largest corporate bank with more than 9,000 corporate clients; 41% by corporate deposits



#### Wealth Management

- WM client deposits 2009-2011 CAGR growth of 66.9%; Outstanding WM client deposits of GEL 451.5 mln
- International representative office network in Israel and UK. Intention open representative office in Eastern Europe

### Synergistic Business

#### Growth opportunities to support Strategic Business



#### Insurance and Healthcare

- Strongly positioned to benefit from the growth of insurance and healthcare sectors through insurance subsidiary ABCI, one of the leading providers of life and non-life insurance in Georgia with c.19% market share by gross premiums written
- Vertical integration with healthcare business to boost insurance business growth and its contribution to the Bank's income



#### Affordable Housing

- Stimulate mortgage lending and improve liquidity of the repossessed real estate assets through housing development; pilot project successfully complete

### Non-core Business

#### Intention to exit from the non-core business over time



#### BNB

- Belarus banking operation accounting for 1.8% total assets
- The Bank's owns 80% of BNB, the remainder owned by IFC/World Bank
- BNB asset of US\$ 56.0 mln and equity of US\$ 21.9 mln
- Fully written off goodwill (GEL 23.4 mln)



#### Liberty Consumer

- The Bank's equity interest of 65%, or GEL17.6 mln
- Legacy asset management investments in the Georgian consumer-driven businesses such as wine production, supermarket chain, etc.

## Sound corporate governance compliant with UK Corporate Governance Code

Directors of BGH/Supervisory Board of JSC Bank of Georgia	Management Board of JSC Bank of Georgia
<ul style="list-style-type: none"> <li>8 Directors of BGH; 7 non-executive*; 5 Independent Directors, including the Chairman and Vice Chairman</li> </ul>	<ul style="list-style-type: none"> <li>Chief Executive Officer and Executive members of Management Board of Bank of Georgia</li> </ul>
<ul style="list-style-type: none"> <li>Neil Janin, Chairman of the Supervisory Board, Independent Director <i>experience: formerly director at McKinsey &amp; Company in Paris; formerly co-chairman of the commission of the French Institute of Directors (IFA); formerly Chase Manhattan Bank (now JP Morgan Chase) in New York and Paris; Procter &amp; Gamble in Toronto.</i></li> <li>David Morrison, Vice Chairman of the Supervisory Board, Independent Director <i>experience: senior partner at Sullivan &amp; Cromwell LLP prior to retirement</i></li> <li>Ian Hague, Managing partner and co-founder of Firebird Management LLC, EM hedge fund manager, c. US\$1.0 bn AUM</li> <li>Hanna Loikkanen, Representative of East Capital, Sweden-based asset manager focusing on Eastern Europe &amp; China, EUR 3.4 AUM</li> <li>Allan Hirst, Chairman of the Audit Committee, Independent Director <i>experience: 25 years at Citibank, including CEO of Citibank, Russia; various senior capacities at Citibank</i></li> <li>Kaha Kiknavelidze, Independent Director <i>currently managing partner of Rioni Capital, London based investment fund; experience: previously Executive Director of Oil and Gas research team for UBS</i></li> <li>Al Breach, Chairman of the Remuneration Committee, Independent Director <i>experience: Head of Research, Strategist &amp; Economist at UBS: Russia and CIS economist at Goldman Sachs</i></li> </ul>	<ul style="list-style-type: none"> <li>Irakli Gilauri, CEO; <i>formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland</i></li> <li>Murtaz Kikoria, Group CFO; <i>c.20 years banking experience including as Senior Banker at EBRD and Head of Banking Supervision at the National Bank of Georgia.</i></li> <li>Archil Gachechiladze, Deputy CEO, Corporate Banking; <i>formerly Deputy CEO of TBC Bank, Georgia; Lehman Brothers Private Equity, London; MBA from Cornell University</i></li> <li>Mikheil Gomarteli, Deputy CEO, Retail Banking; <i>15 years work experience at BOG</i></li> <li>Vasil Revishvili, Deputy CEO, Wealth Management; <i>previously Head of the Investment Risk Unit and Senior Investment Manager at Pictet Asset Management in London and Geneva; MS in Finance from London Business School</i></li> <li>Sulkhan Gvalia, Deputy CEO, Chief Risk Officer; <i>c.20 years banking experience founder of TUB, Georgian bank acquired by BOG in 2004</i></li> <li>Avto Namicheishvili, Deputy CEO, Group Legal Counsel; <i>previously partner at Begiashvili &amp; Co, law firm in Georgia; LLM from CEU, Hungary</i></li> <li>Nikoloz Gamkrelidze, CEO of Aldagi BCI; <i>previously CEO of JSC My Family Clinic; World Bank Health Development Project; Masters degree in International Health Management from Imperial College London, Tanaka Business School</i></li> <li>Irakli Burdiladze, Deputy CEO, SB Real Estate; <i>previously CFO at GMT Group, Georgian real estate developer; Masters degree from Johns Hopkins University</i></li> </ul>

\* Irakli Gilauri, the only executive member of BGH Board, is not a member of the 7-member Supervisory Board of JSC Bank of Georgia, which is fully non-executive

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# Country overview

- 🇬🇪 Area: 69,700 sq km
- 🇬🇪 Population (2011): 4.4 mln
- 🇬🇪 Life expectancy: 76 years
- 🇬🇪 Official language: Georgian
- 🇬🇪 Literacy: 100%
- 🇬🇪 Capital: Tbilisi
- 🇬🇪 Currency (code): Lari (GEL)
- 🇬🇪 GDP 2011 (E): US\$14.5 bln
- 🇬🇪 GDP real growth rate 2011 (E): 7.0%
- 🇬🇪 GDP CAGR '03-'11 (E): 6.0%
- 🇬🇪 GDP per capita 2011 (PPP): US\$5,450
- 🇬🇪 Inflation rate (e-o-p) 2011: 2.00%
- 🇬🇪 External Public debt to GDP 2011: 29.2%
- 🇬🇪 Sovereign ratings:

- 🇬🇪 **S&P** BB-/B/Stable/ *upgraded in December 2011*
- 🇬🇪 **Moody's** Ba3/NP/Stable
- 🇬🇪 **Fitch** BB-/B+/Stable *upgraded in December 2011*



## Regional hub

- ❏ **Baku Tbilisi Ceyhan (BTC) oil export pipeline** - operated by BP from Caspian Sea to Europe via the Turkish coast. 1.0 million bbl/day or circa 1.2% of the current World oil consumption (9% of the consumption by EU, 80% of aggregate consumption by Turkey, Romania, Bulgaria and Poland) is transported through BTC or railway; c. \$4bln invested by BP Consortium;
- ❏ **Shah-Deniz (BTE) gas pipeline (South Caucasus pipeline)** - 6.6 bcm/year operated by BP to transport gas from Caspian Sea to Turkey;
- ❏ **Iran-Azerbaijan-Georgia (IAG) gas pipeline** – 3.5 bcm/year
- ❏ **Western Route Pipeline (Baku Supsa) oil export pipeline** - 5.75 mt/year operated by BP from Caspian Sea to European Markets through the Black Sea;
- ❏ **Russia-Georgia-Armenia gas pipeline** – 5.8 bcm/year
- ❏ **Free industrial zones** created around Tbilisi, Poti (port), Kutaisi (second largest city). Tax rates in FIZ are largely 0%
- ❏ **Two sea ports.** Poti Sea Port privatized in December 2008 by Rakeen Group (UAE) to build infrastructure for operating Free Industrial Zone. In April 2011 APM Terminals, subsidiary of Danish A.P. Moeller-Maersk acquired 80% equity interest in Poti Sea Port with an obligation to invest in the development of the Port.
- ❏ **Transportation Communication and Trade** cumulative CAGR 2004-2010 of 14.0%

### Upcoming Projects

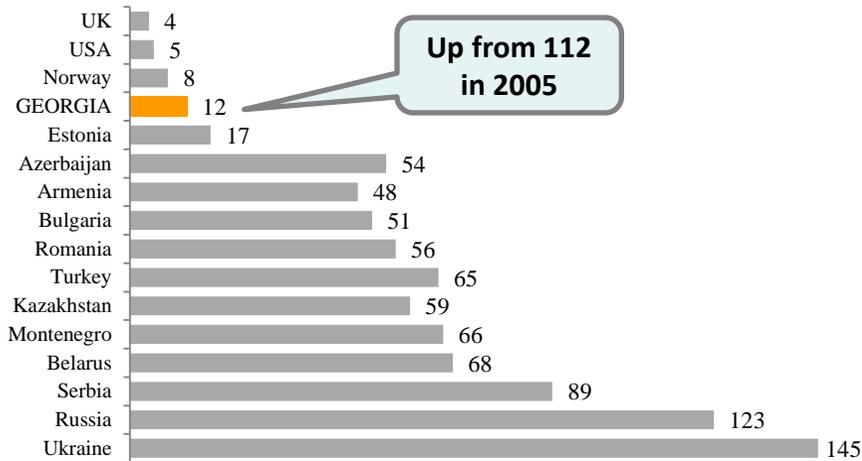
- ❏ **NABUCCO Project** is to finish by 2015, and White Stream project is flagged as “Priority Project” by EC
- ❏ **Baku-Akhalkalaki-Kars railway line** - sanctioned in 2007 building railway to link Asia and Europe
- ❏ **LNG - Azerbaijan-Georgia-Romania-Hungary Black Sea liquefied natural gas export route** will supply c.6- to 8-billion cubic meters of liquefied Azerbaijani natural gas per year to Europe via Black Sea tankers



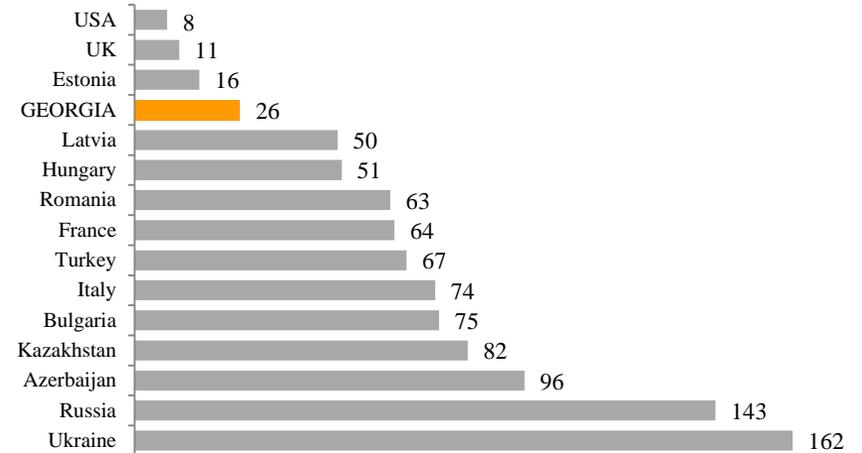
Source: National Statistics Office of Georgia

# Growth oriented reforms

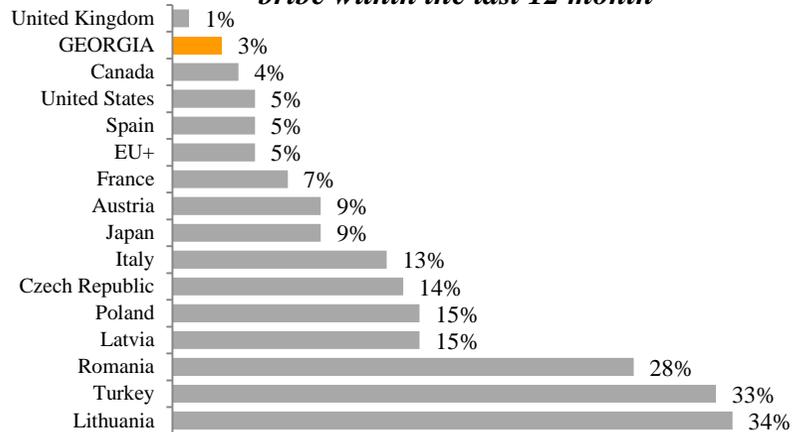
**Ease of Doing Business, 2011 (WB-IFC Doing Business Report)**



**Economic Freedom Index, 2010 (Heritage Foundation)**

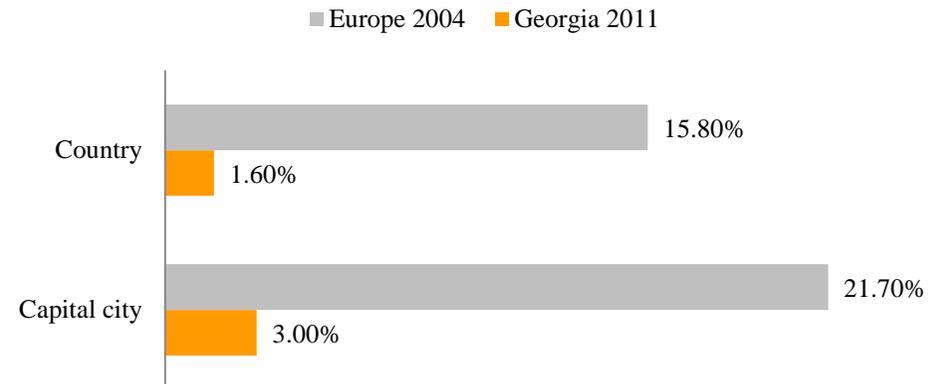


**TI 2010 Global Corruption Barometer: % admitting having paid a bribe within the last 12 month**



**Comparison of victimisation level in Georgia and European countries.**

Country vs. capital city (10 crimes, one year prevalence)



Source: Transparency International, the Heritage Foundation, World Bank

# Georgia's key economic drivers

<p><b>Liberal economic policy</b></p>	<ul style="list-style-type: none"> <li>■ Liberty Act, enshrined in the constitution and effective starting 2014 ensures a credible fiscal and monetary framework:             <ul style="list-style-type: none"> <li>– Government expenditure/GDP capped at 30%</li> <li>– Budget deficit/GDP capped at 3%</li> <li>– Government debt/GDP capped at 60%</li> </ul> </li> </ul>
<p><b>Regional logistics and tourist hub</b></p>	<ul style="list-style-type: none"> <li>■ Proceeds from foreign tourism estimated at \$937 mln in 2011, with 2.9 million visitors (42% increase y/y)</li> <li>■ Regional energy transit corridor with approx. 1.6% of world's oil production and diversified gas supply passing through the country</li> </ul>
<p><b>Cheap electricity</b></p>	<ul style="list-style-type: none"> <li>■ Net electricity exporter since 2007, net electricity importer for more than a decade. 2011 electricity export reached 1.5 TWH</li> <li>■ Only 18% of hydro power capacity utilized; 40 hydro power stations are being built/developed</li> <li>■ Black Sea Transmission project envisages construction of new 500kV/400kV line connecting to Turkey. Project commenced in 2009 and is expected to become operational in 2013. BSTN to significantly boost export potential to Turkey, up by 750MW from current capacity</li> </ul>
<p><b>Strong FDI</b></p>	<ul style="list-style-type: none"> <li>■ Strong FDI inflows (US\$984mln in 2011), diversified across different sectors</li> <li>■ Net remittances of US\$1,168mln in 2011, 21% increase since previous year</li> <li>■ FDI averaged 10% of GDP in 2003-2011</li> </ul>
<p><b>Support from international community</b></p>	<ul style="list-style-type: none"> <li>■ Free Trade Agreements (Official Discussion in progress with the EU; Discussions commenced with the USA) to drive inward investments and exports</li> <li>■ Strong political support from NATO, EU, US, UN and member of WTO since 2000</li> <li>■ Substantial support from IFIs, the US and EU: US\$2.5bn already disbursed out of the US\$4.5bn Brussels pledge</li> <li>■ Diversified trade structure across countries and products</li> </ul>
<p><b>Political environment stabilized</b></p>	<ul style="list-style-type: none"> <li>■ Healthy operating environment for business and low tax regime</li> <li>■ Parliamentary elections in 2012, presidential elections are scheduled for 2013</li> <li>■ New constitution passed in May 2010 to enhance governing responsibility of Parliament and reduce the powers of the Presidency</li> <li>■ Continued economic relationship with Russia             <ul style="list-style-type: none"> <li>– Russia began issuing visas to Georgian in March 2009; Georgia abolishes visa requirements for Russians</li> <li>– Direct flights between the two countries resumed in January 2010</li> <li>– WTO negotiations successfully completed, Georgia, a member of WTO since 2000, allows Russia's access to WTO</li> </ul> </li> </ul>

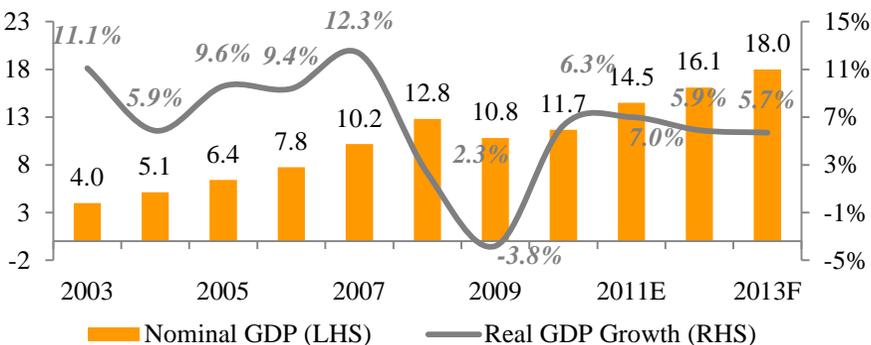
# Positive economic outlook

## Gross domestic product

USD billion

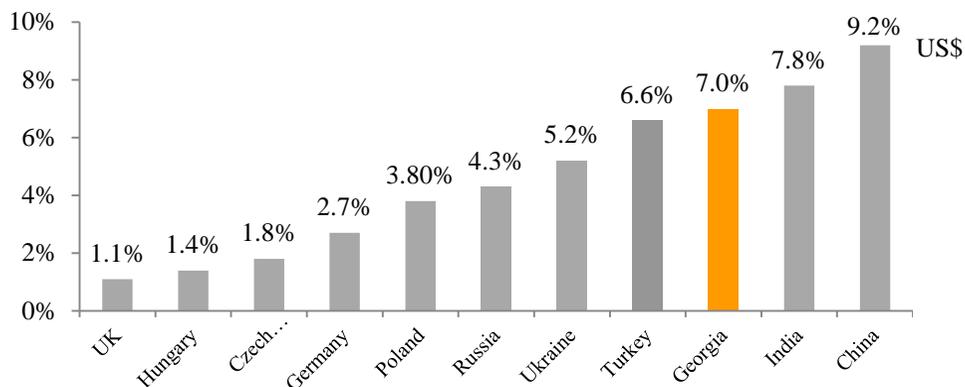
GDP grew at 8.8% annual rate in Q4 2011

In US\$ terms, nominal GDP grew 24.4% y-o-y in 2011



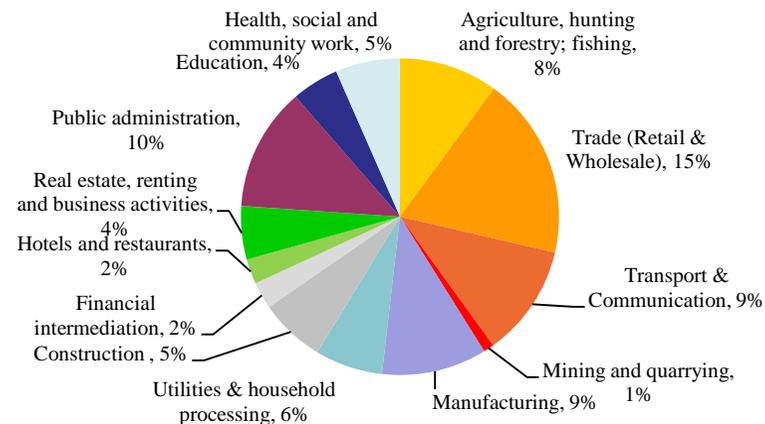
Source: Government of Georgia, estimates & forecasts

## Real GDP growth in 2011



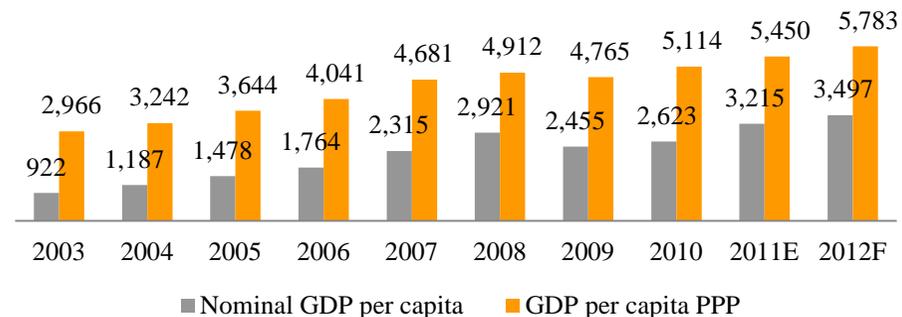
Source: Central Intelligence Agency, Geostat

## GDP composition, 31 December 2011



Source: National Bank of Georgia

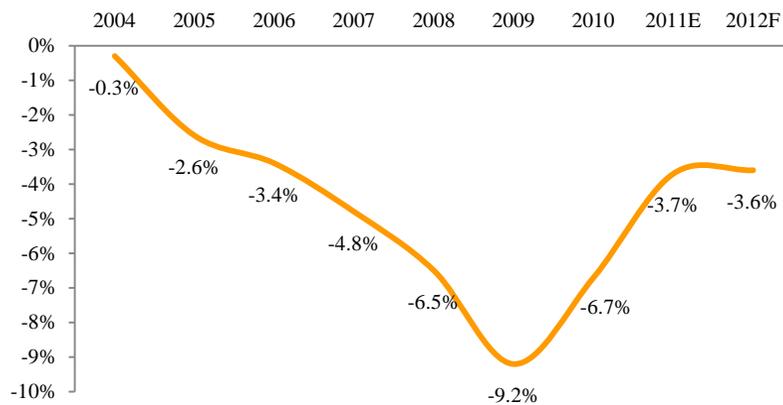
## GDP per capita



Source: National Statistics Office of Georgia; National Bank of Georgia

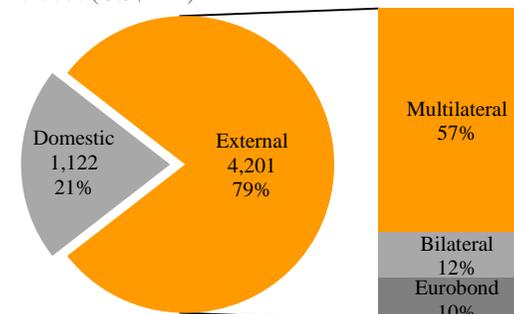
# Demonstrated fiscal discipline and low public debt

## Fiscal deficit as % of GDP



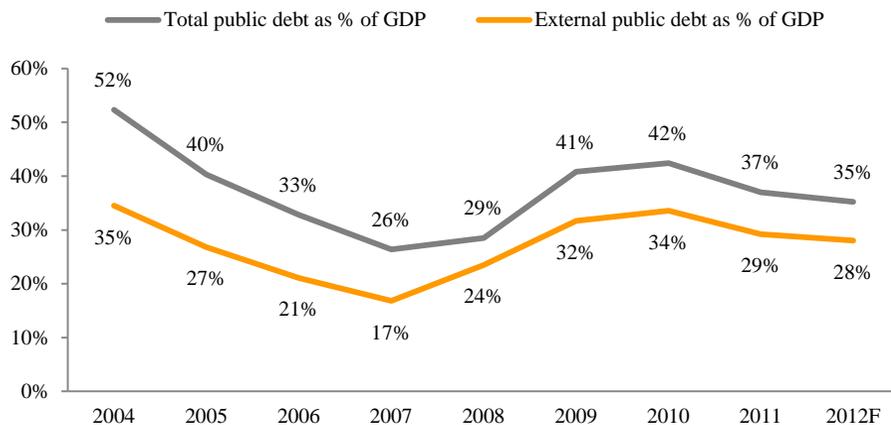
## Breakdown of public debt

Affordable public debt stock and very low interest rate on external public debt (US\$mIn)

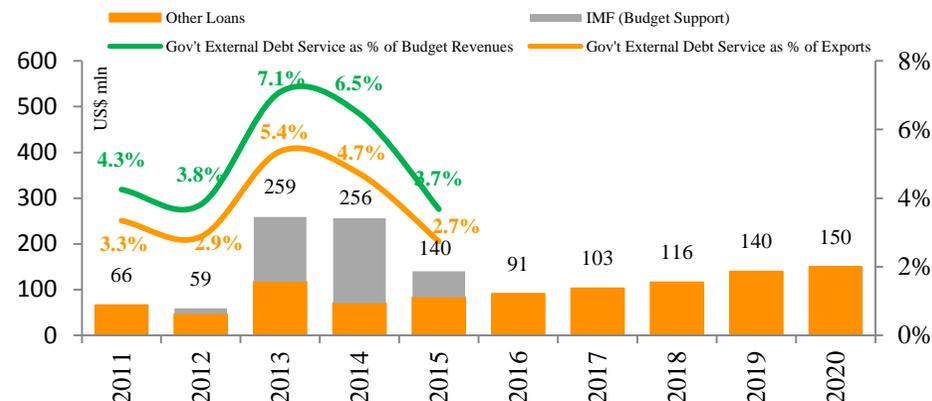


**Portfolio Average Weighted Interest Rate as of end-December 2011**  
2.0%

## Public debt as % of GDP



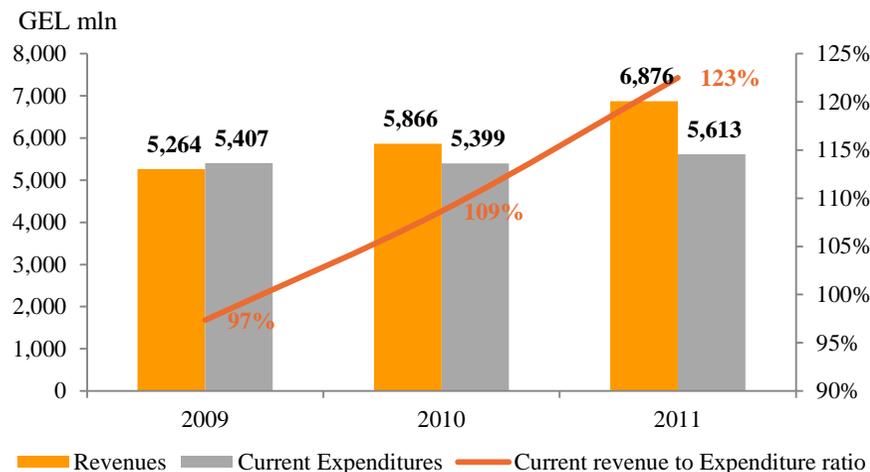
## Government external debt service



Source: Ministry of Finance of Georgia

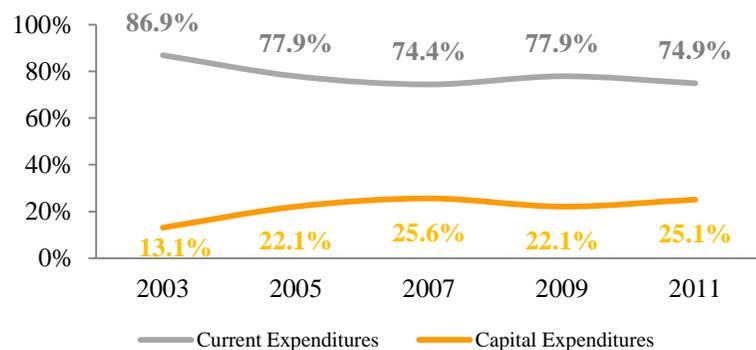
# Revenues and expenditures dynamics

## Revenues to expenditures



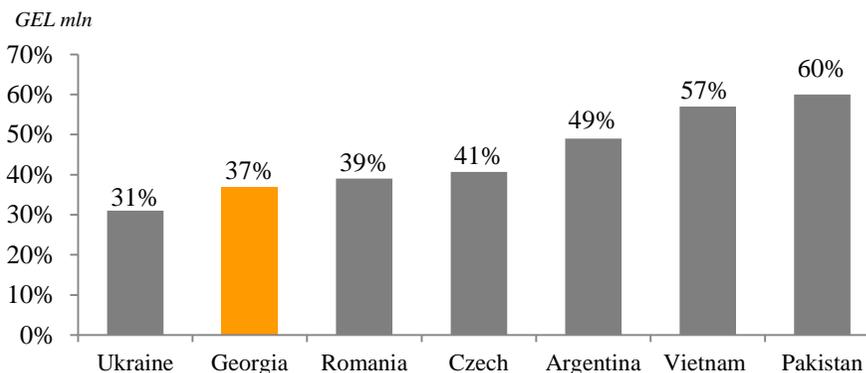
Source: Ministry of Finance

## Capital vs. Current expenditures



Source: Ministry of Finance

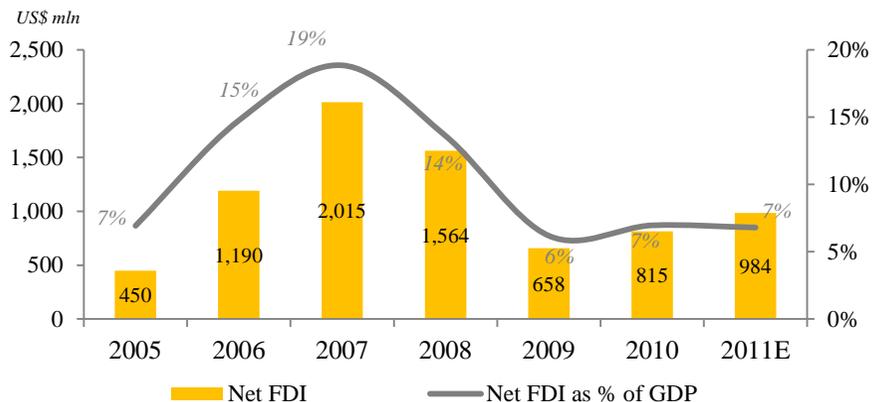
## Public debt / GDP, frontier markets



Source: Citi, NBG, CIA

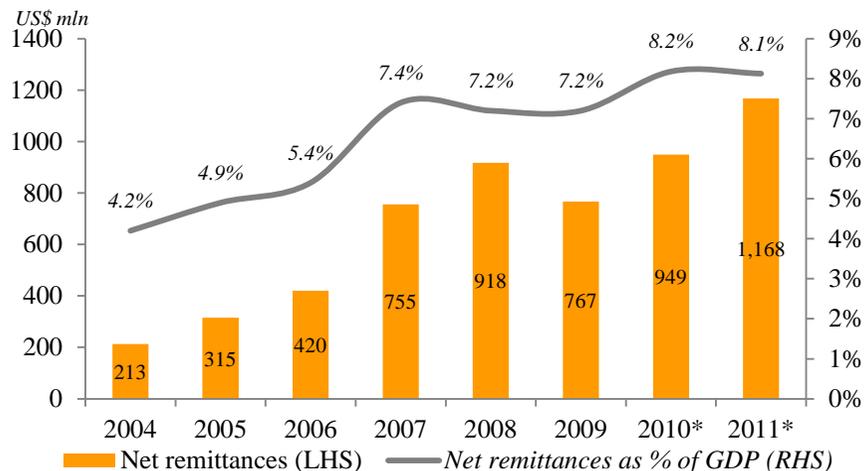
# Four main sources of capital inflow

## FDI inflows



Donor Inflows include both public and private sectors. Donor inflows in 2009 adjusted according to the banking sector foreign debt outflows Source: NBG Ministry of Finance of Georgia

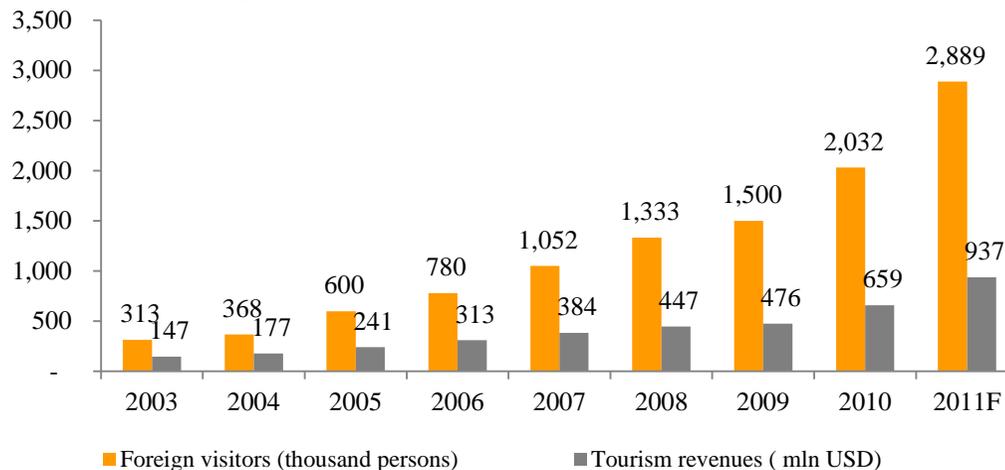
## Net remittances



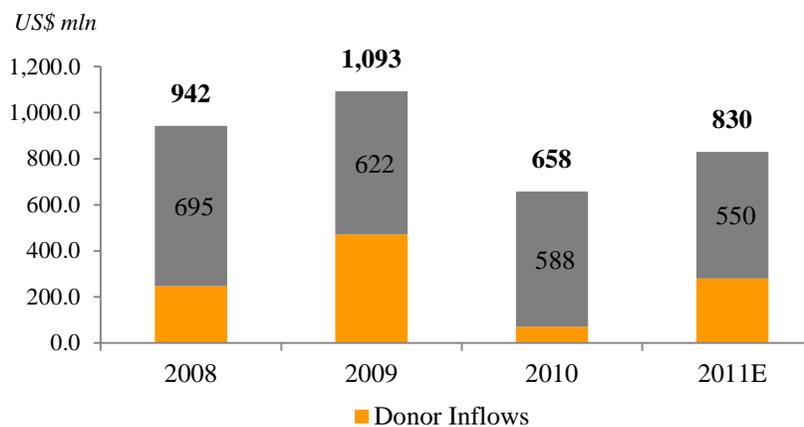
Source: National Bank of Georgia

\* including remittances through micro finance institutions

## Number of tourists



## Donor inflows



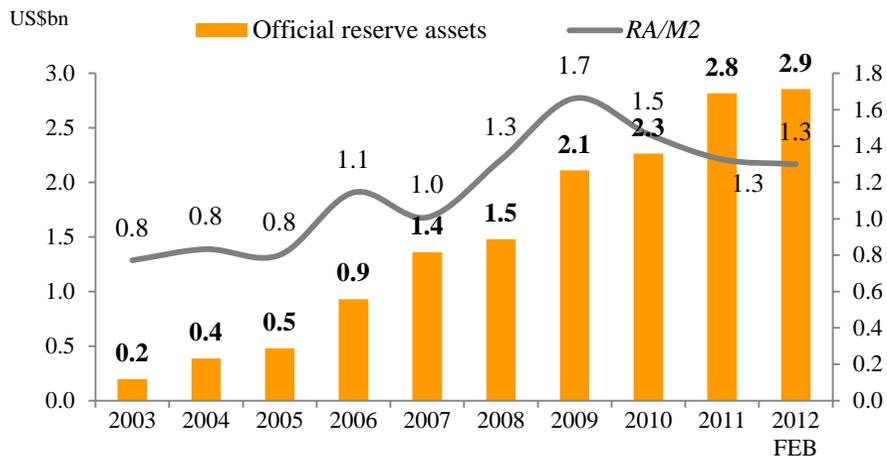
C.US\$2.1 bn of the total US\$4.5 bn pledged remains to be drawn down

Source: National Bank of Georgia, Bank of Georgia estimates

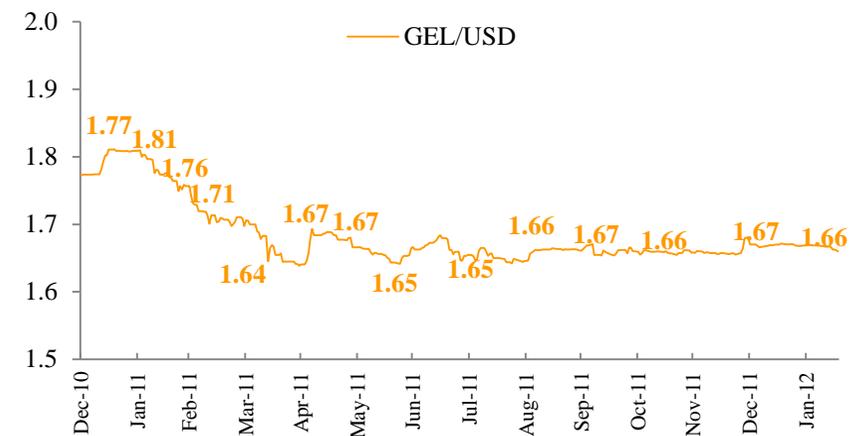
# Controllable CAD and strong FDI & donor inflows

High, but well capitalised CAD. Low domestic savings rate at 8.6% of GDP. Remittances and FDI cover CAD.

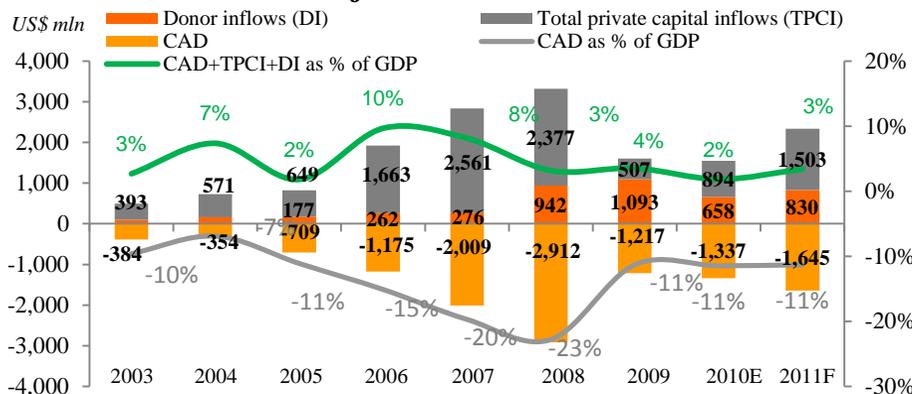
## FX reserves



## FX rate (USD-GEL)

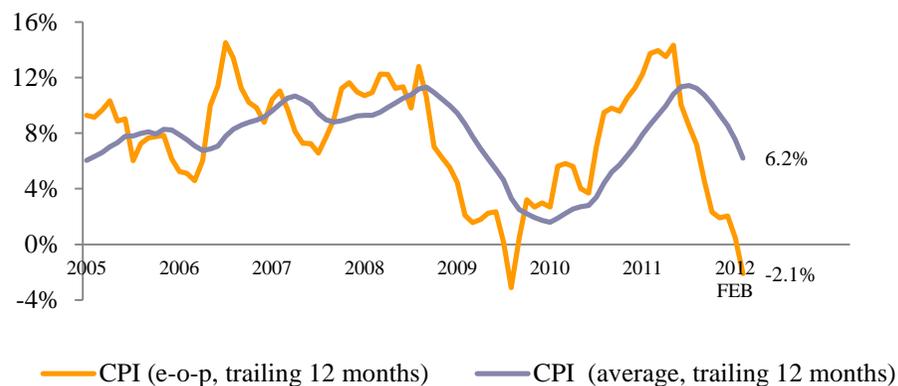


## Current account deficit



Donor Inflows include both public and private sectors. Donor inflows in 2009 adjusted according to the banking sector foreign debt outflows Source: NBG, Ministry of Finance

## CPI



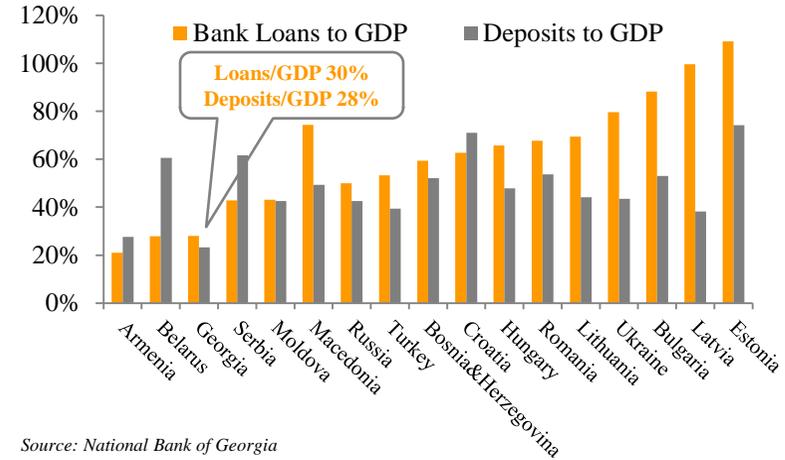
Source: National Bank of Georgia

# Growing and well capitalised banking sector

## Summary

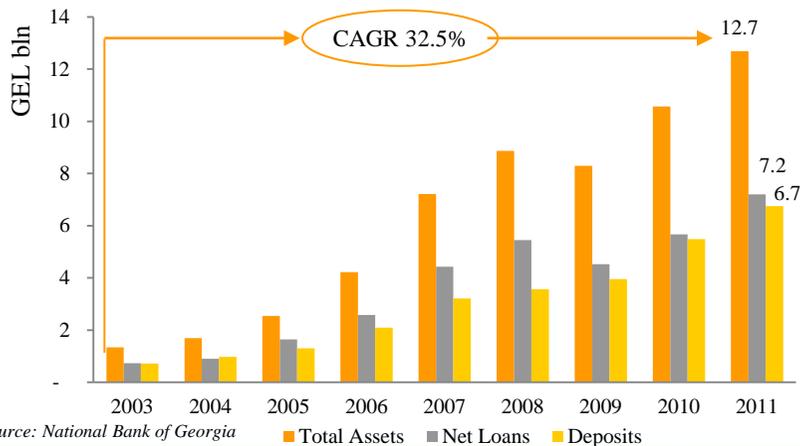
- **Prudent Regulation Ensuring Financial Stability**
  - Sector Total Capital Ratio (NBG standards) –20%, Basel 26%
  - High level of liquidity requirements from NBG at 30% of Liabilities, resulting in Banking Sector liquid assets to client deposits of 57%
- **Resilient Banking Sector**
  - *Demonstrated strong resilience towards both domestic and external shocks* without single bank going bankrupt
  - *No nationalization of the banks* and no government ownership since 1995
  - *Excess liquidity and excess capital* accumulated by the banking sector to help boost the financing of the economic growth
  - *Very low leverage* with retail loans c. 10% of GDP and total loans at c. 30% of GDP resulting in low number of defaults during the global crisis

## Bank debt and deposits to GDP



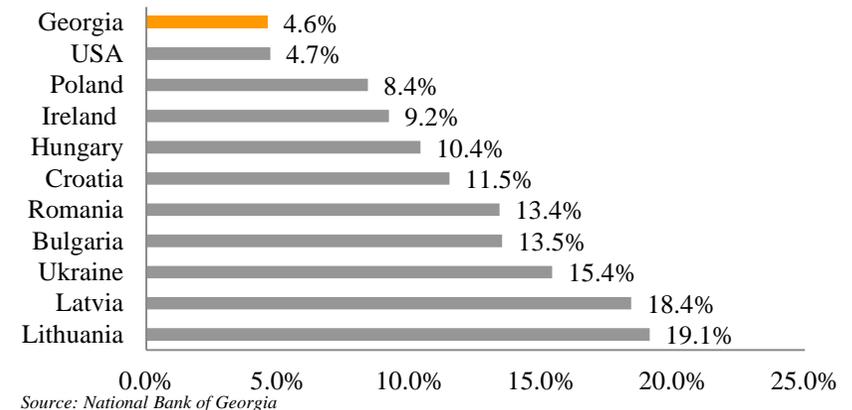
Source: National Bank of Georgia

## Banking sector assets, loans, deposits



Source: National Bank of Georgia

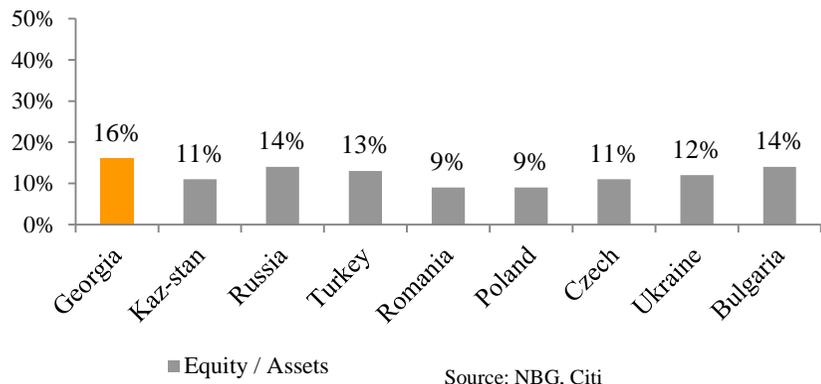
## NPLs as % of Total Loans according to the IMF, lower than the Banking sector NIM of c.7%



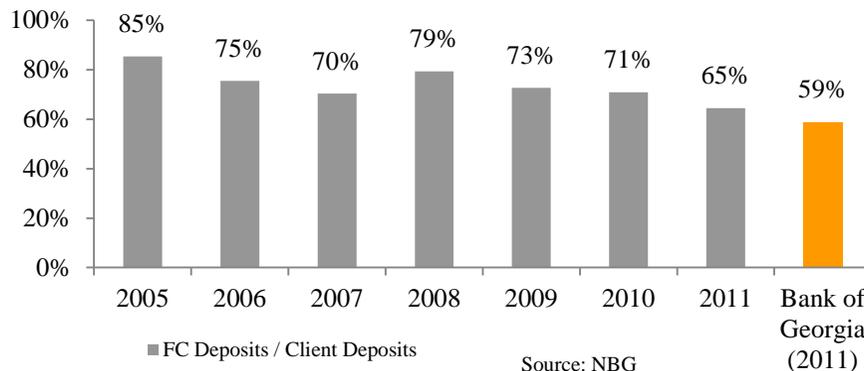
Source: National Bank of Georgia

## One of the highest level of capital and low debt level compared to other frontier markets

### Equity / Assets

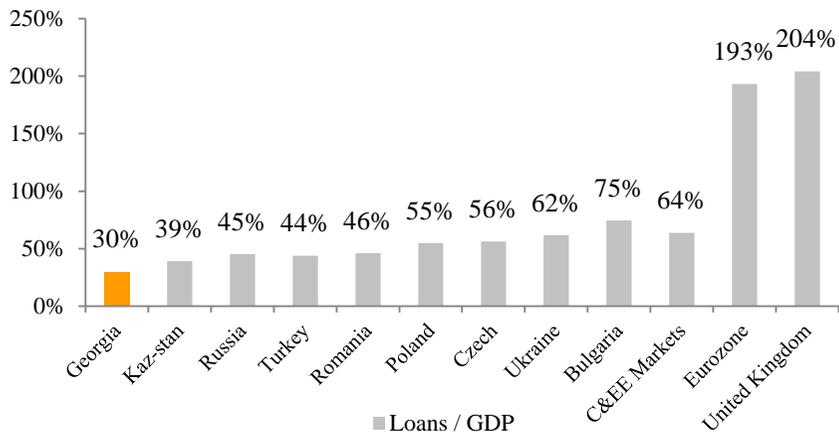


### Dollarisation declining



Increasing comfort in saving in GEL and at Bank of Georgia in particular

### Loans / GDP



Attractive growth potential

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**Appendices**

## Q4 2011 & full year 2011 P&L results highlights

Millions unless otherwise noted Bank of Georgia (Consolidated, IFRS Based)	2011			2010			Growth <sup>1</sup>	Growth <sup>2</sup>
	GEL	US\$	GBP	GEL	US\$	GBP	Y-O-Y	US\$
	<i>(Unaudited)</i>							
Net interest income <sup>3</sup>	239.3	143.3	92.8	208.5	117.6	76.1	14.8%	21.8%
Net fee and commission income	75.3	45.1	29.2	63.4	35.8	23.2	18.8%	26.1%
Net insurance revenue	17.7	10.6	6.9	16.7	9.4	6.1	6.5%	13.0%
Other operating non-interest Income	108.9	65.2	42.2	58.0	32.7	21.2	87.6%	99.2%
<b>Revenue</b>	<b>441.2</b>	<b>264.2</b>	<b>171.1</b>	<b>346.6</b>	<b>195.5</b>	<b>126.6</b>	<b>27.3%</b>	<b>35.1%</b>
Other operating non-interest expense	(217.6)	(130.3)	(84.4)	(199.8)	(112.7)	(72.9)	8.9%	15.7%
Operating income before cost of credit risk	223.6	133.9	86.7	146.9	82.8	53.6	52.2%	61.6%
Cost of credit risk	22.2	13.3	8.6	47.7	26.9	17.4	-53.5%	-50.6%
<b>Net operating income</b>	<b>201.4</b>	<b>120.6</b>	<b>78.1</b>	<b>99.2</b>	<b>55.9</b>	<b>36.2</b>	<b>103.1%</b>	<b>115.6%</b>
Net non-operating expenses	(29.3)	(17.6)	(11.4)	(0.7)	(0.4)	(0.3)	NMF	NMF
Profit for the year from continuing operations	150.9	90.4	58.5	82.7	46.6	30.2	82.6%	93.8%
Net loss from discontinued operations	15.2	9.1	5.9	-	-	-	NMF	NMF
Profit for the year	135.7	81.3	52.6	82.7	46.6	30.2	64.2%	74.3%
EPS (basic) (Profit from continuing operations)	4.95	2.96	1.92	2.78	1.57	1.02	78.1%	88.5%

<sup>1</sup> Compared to the same period on 2010, growth calculations based on GEL values.

<sup>2</sup> Compared to the same period in 2010; growth calculations based on US\$ values.

<sup>3</sup> Adjusted for net gains (losses) from derivative financial instrument

## 31 December 2011 Balance Sheet results highlights

Millions, unless otherwise noted

**Bank of Georgia (Consolidated, IFRS, unless otherwise noted)**

	2011		2010		GEL Change <sup>1</sup> Y-O-Y	US\$ Change <sup>1</sup> Y-O-Y
	GEL (Unaudited)	US\$	GEL	US\$		
Net loans (Standalone <sup>3</sup> )	2,635.4	1,578.1	2,200.0	1,240.8	19.8%	27.2%
Total assets	4,665.3	2,793.6	4,004.9	2,258.8	16.5%	23.7%
Customer funds <sup>2</sup> (Standalone <sup>3</sup> ), of which:	2,726.4	1,632.6	1,824.6	1,029.1	49.4%	58.6%
<i>Client deposits (Standalone<sup>3</sup>)</i>	2,545.3	1,524.1	1,803.0	1,016.9	41.2%	49.9%
Borrowings from credit institutions, of which:	921.2	551.5	1,138.9	642.4	-19.1%	-14.1%
<i>Borrowings from international financial institutions</i>	863.0	516.8	1,003.9	566.2	-14.0%	-8.7%
Total liabilities	3,852.7	2,307.0	3,311.6	1,867.8	16.3%	23.5%
Total equity	812.6	486.6	693.3	391.1	17.2%	24.4%
Book value per share	26.09	15.62	22.23	12.54		
Tier I capital adequacy ratio (BIS)	19.9%		17.5%			
Total capital adequacy ratio (BIS)	28.5%		26.6%			
Tier I capital adequacy ratio (NBG)	10.5%		13.0%			
Total capital adequacy ratio (NBG)	16.2%		14.5%			
Tier I capital adequacy ratio (NBG) (FEB 2012) <sup>4</sup>	15.2%					
Total capital adequacy ratio (NBG) (FEB 2012)	17.9%					

<sup>1</sup> Compared to the same period in 2010;

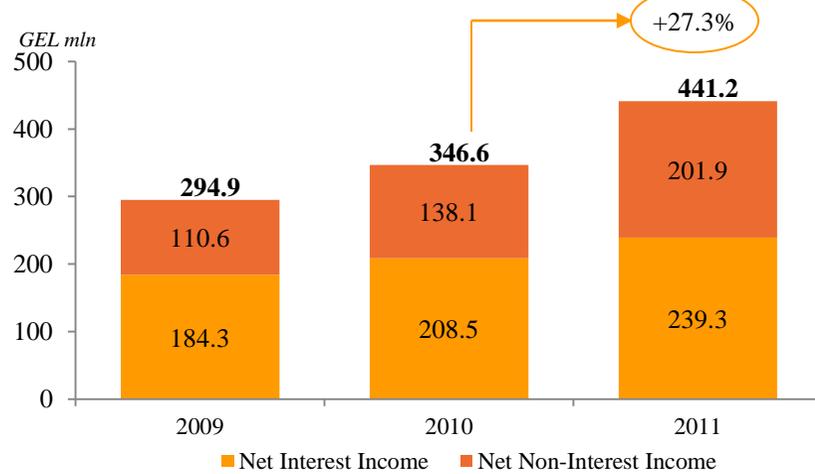
<sup>2</sup> Customer funds equals to amounts due to customers

<sup>3</sup> Standalone numbers unaudited

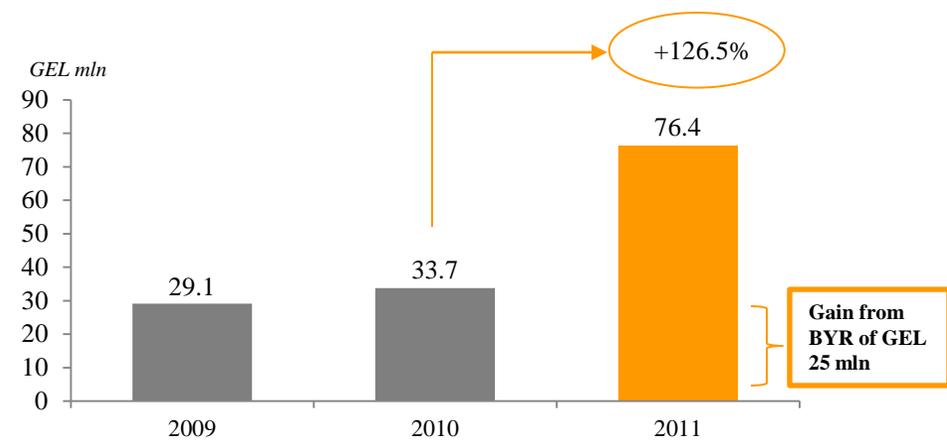
<sup>4</sup> Tier I includes 2011 year profit and EBRD&IFC loans conversion

# Analysis of revenue

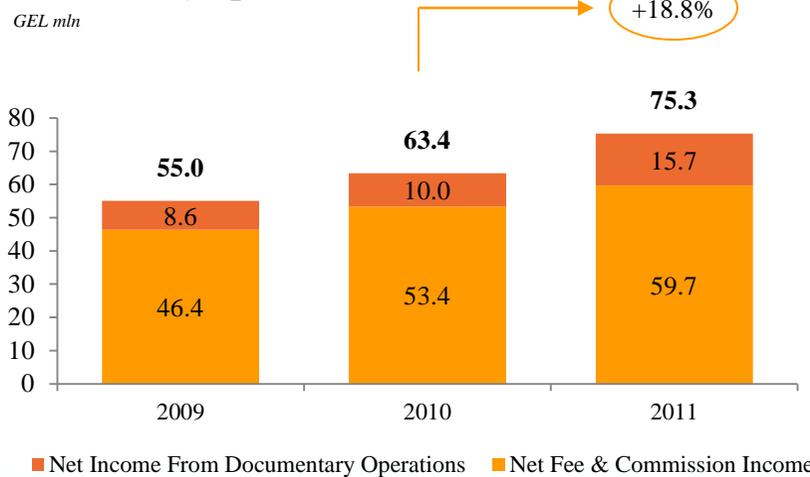
## Revenue growth



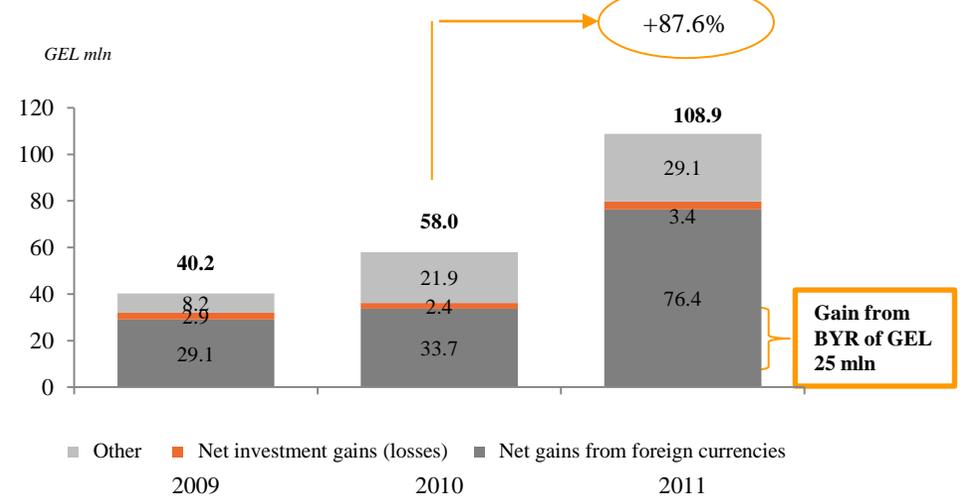
## Net gains from foreign currencies



## Net fee & commission income & Income from documentary operations

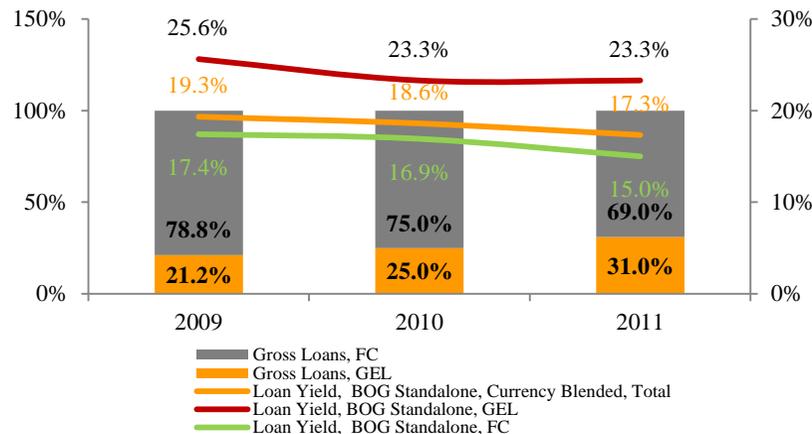


## Other operating non-interest income

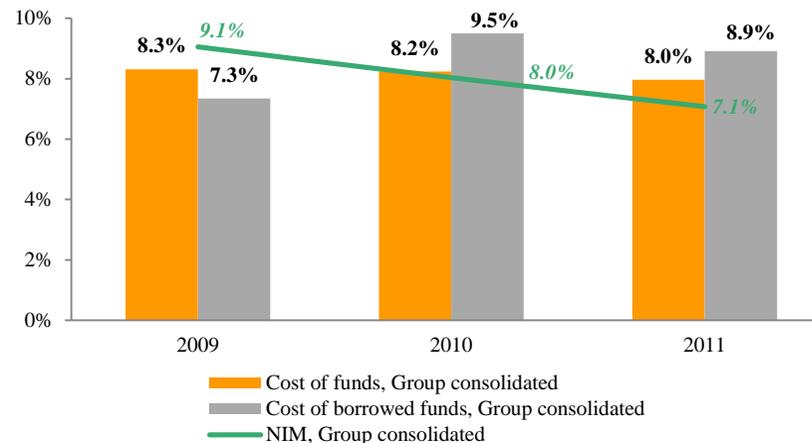


# Yield dynamics, NIM and Cost of funds

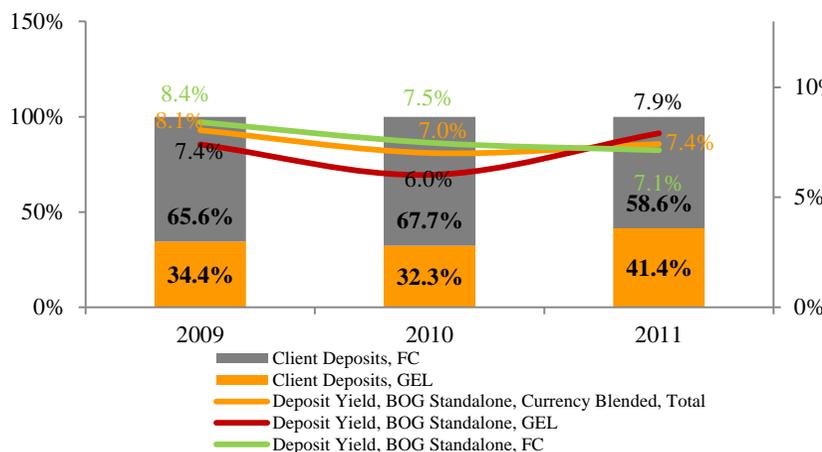
## Loan yields



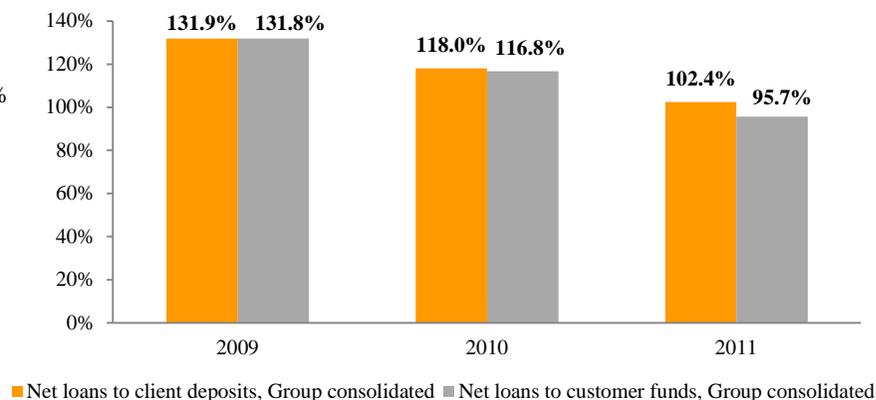
## Cost of funds, Cost of borrowed funds & NIM



## Client deposit yields



## Net loans to client deposits & customer funds

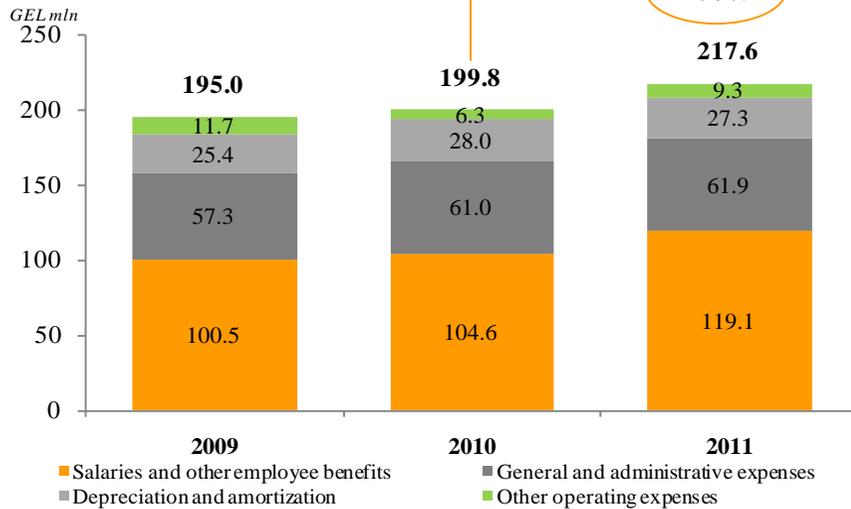


\*Loan yields excluding provisions

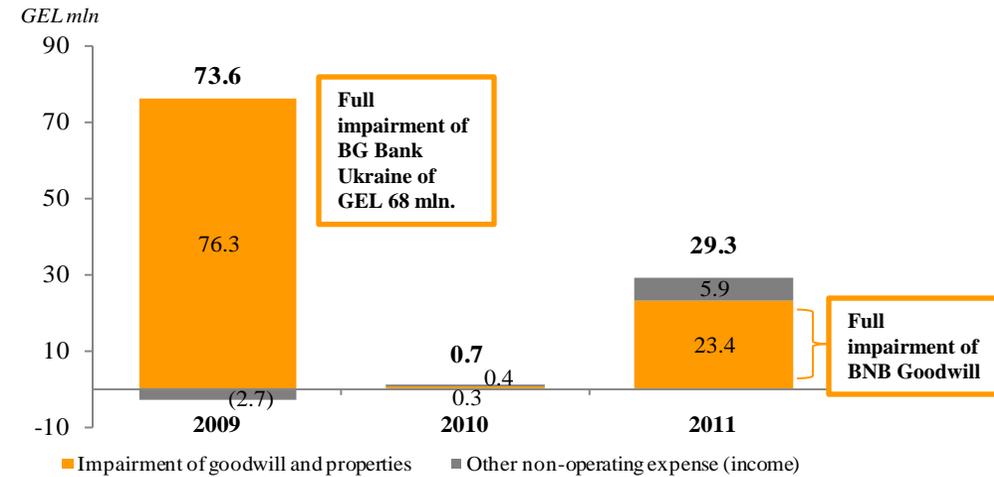
2011 deposit yields impacted by the growth of the share of the higher yielding GEL denominated client deposits in total client deposits 28.9% in 2010 to 40.8% in 2011

# Analysis of costs and profits

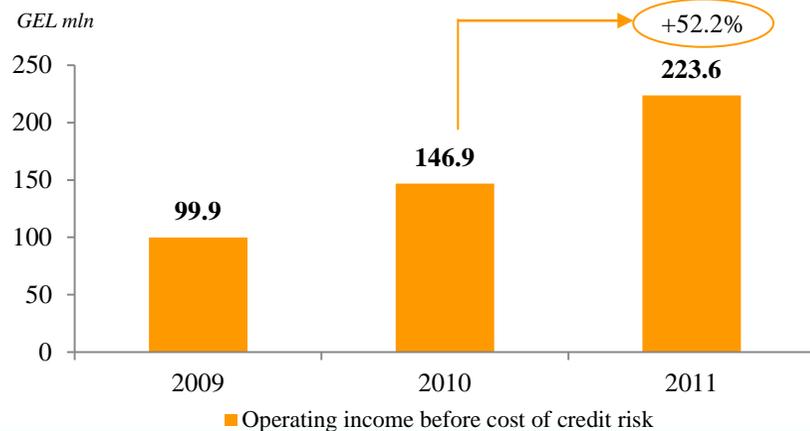
## Operating costs



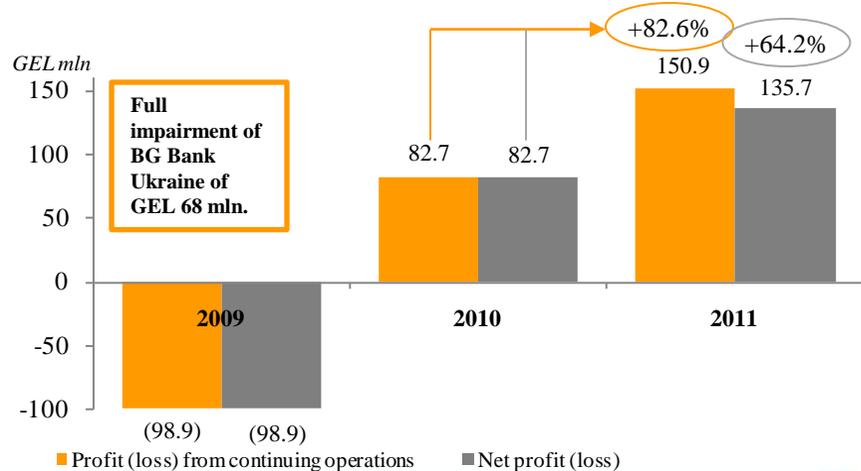
## Net non-operating costs



## Operating income before cost of credit risk

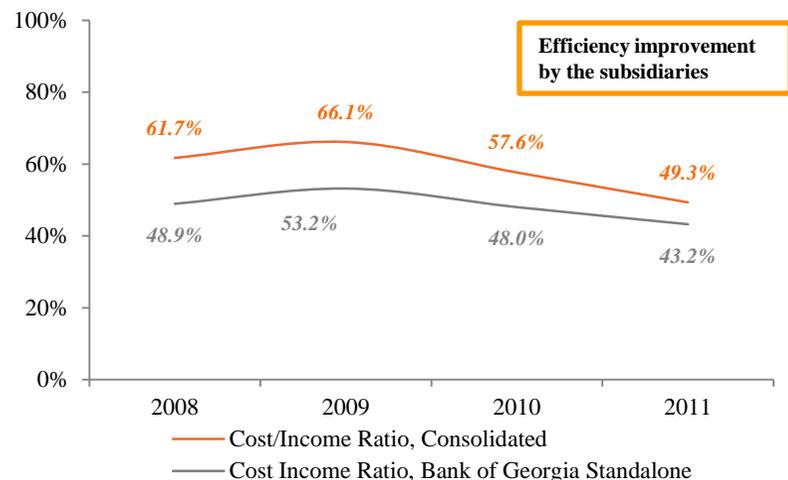


## Profit from continuing operations & Net profit

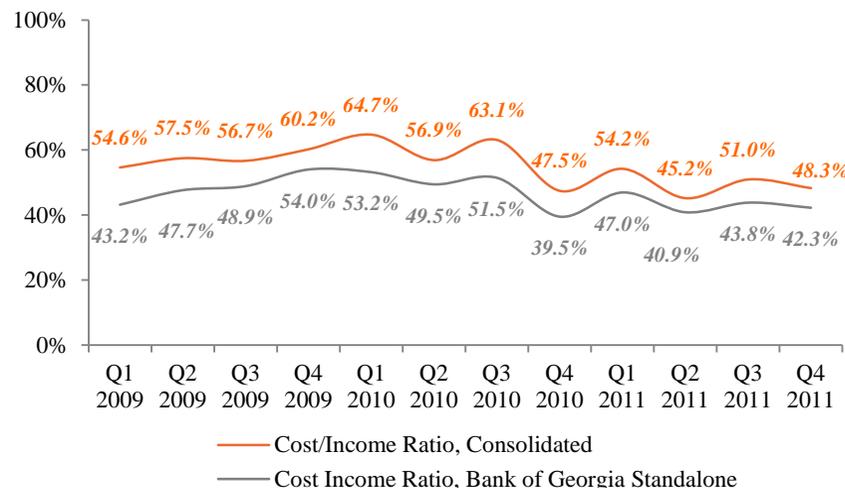


# Improving efficiency

**Cost / Income ratio**



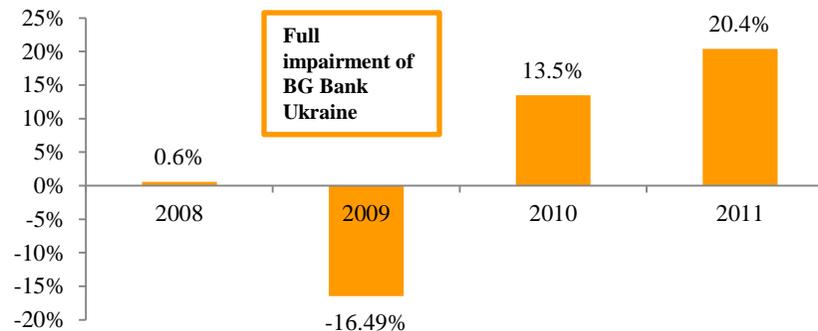
**Cost / Income ratio**



**ROAA**

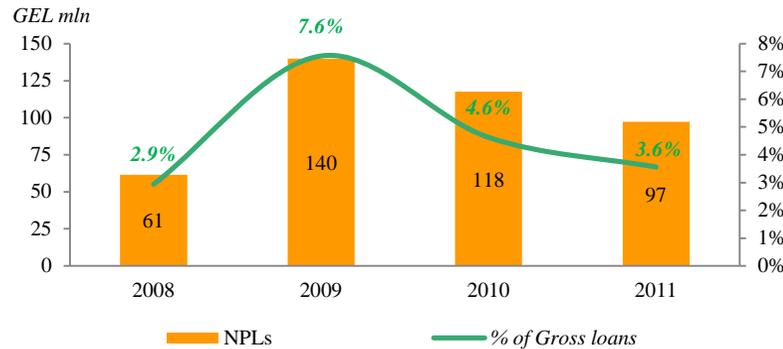


**ROAE**

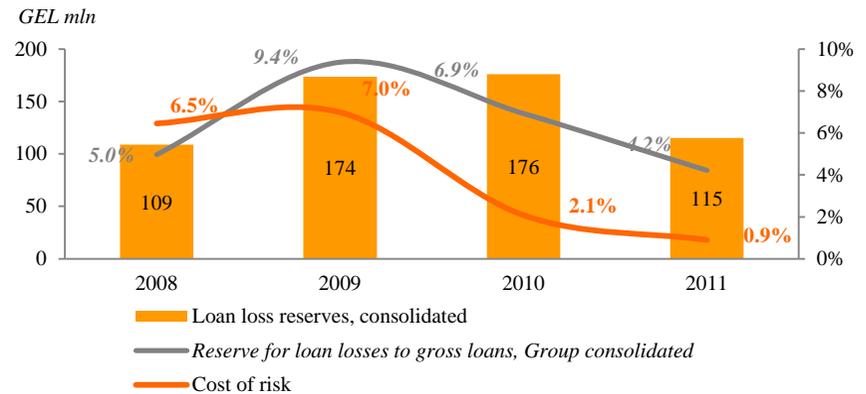


# Loan portfolio quality improving

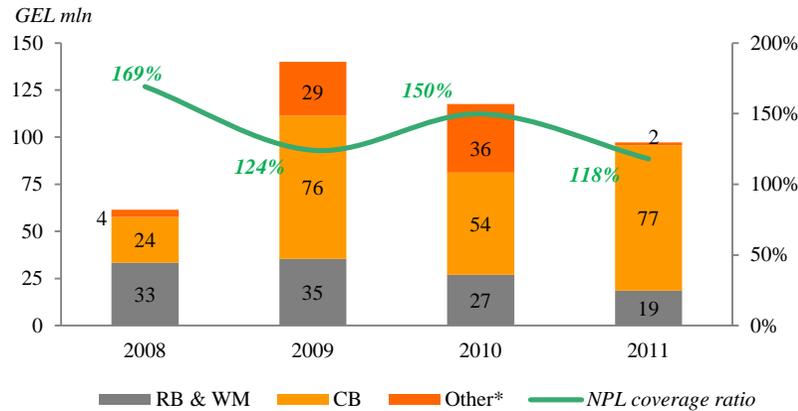
## Consolidated NPLs



## Consolidated loan loss reserve

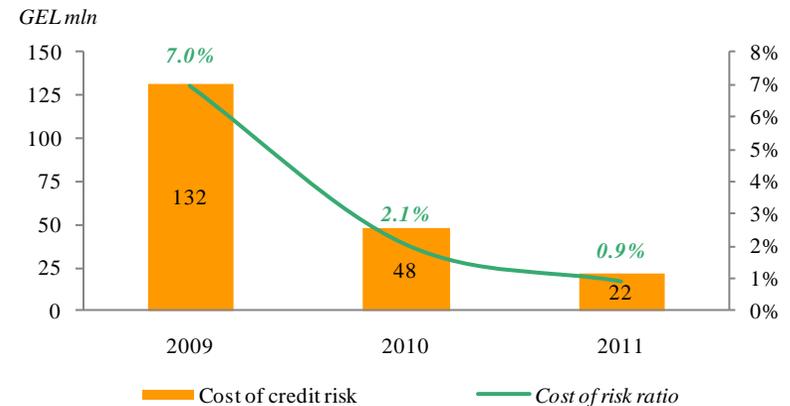


## Consolidated NPL composition & coverage ratio



\* Other NPLs include BNB and BG Bank

## Consolidated cost of credit risk & cost of risk ratio



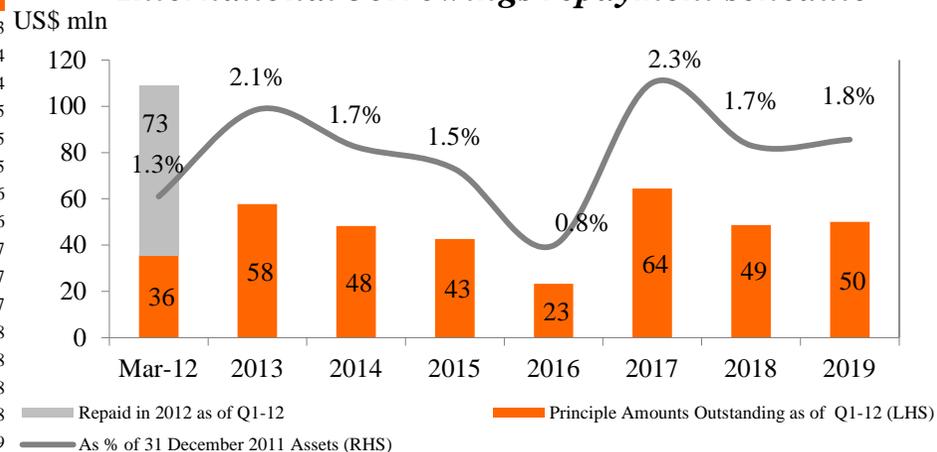
# International borrowings



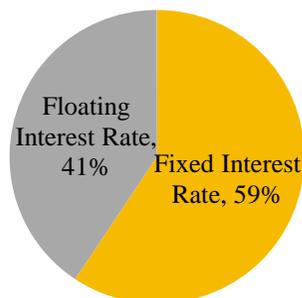
The only Georgian entity with credit ratings from three global rating agencies. S&P: 'BB-/B'; Stable; Moody's: 'B1/NP (FC)' & 'Ba3/NP (LC)', Stable; Fitch Ratings: 'BB-/B'; Stable.

Key Lenders	Principle Amount Outstanding as of 31 March 2011	Maturity
Senior Term Loan from IFC	US\$ 25 million	2013
Senior Term Loan from EBRD	US\$ 28.6 million	2014
Senior Term Loan from FMO	US\$ 4.5 million	2014
Senior Term Loan from ADB	US\$ 50 million	2015
Senior Term Loan from EBRD 2010 (SME)	US\$ 20 million	2015
Senior Term Loan from WorldBusiness Capital	US\$ 4.2 million	2015
Senior Term Loan from EBRD 2010 (EE&MCFF)	US\$ 9.1 million	2016
Senior Term Loan from EBRD (Agro)	US\$ 14.4 million	2016
Senior Term Loan from WorldBusiness Capital (GLC)	US\$ 3.3 million	2017
Subordinated Loan from IFC (Call in 2014)	US\$ 24 million	2017
Subordinated loan from FMO and DEG (Call in 2013)	US\$ 30 million	2017
Senior Term Loan from EFSE	US\$ 50 million	2018
Subordinated Loan from EBRD (Call in 2014)	US\$ 24 million	2018
Senior Loan Term Loan from OPIC	US\$ 21.7 million	2018
Subordinated Loan from Merrill Lynch (Call in 2012)	US\$ 35 million	2018
Subordinated Loan from HBK Investments (Call in 2012)	US\$ 15 million	2019
Subordinated Loan from OPIC	US\$ 10 million	2019
Subordinated Loan from EBRD	US\$ 1.1 million	2019
Subordinated Loan from IFC	US\$ 1.1 million	2019
<b>Total</b>	<b>US\$ 370.9 million</b>	

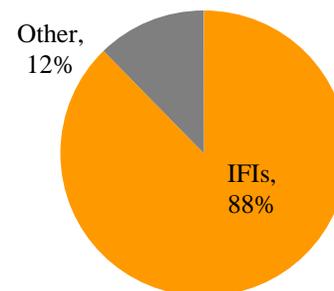
## International borrowings repayment schedule



## International borrowings - fixed vs. floating rates, 31 December 2011

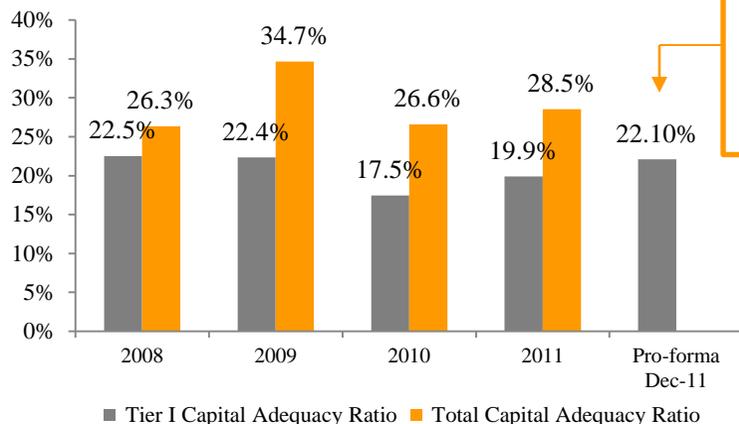


## International borrowings by type of institution



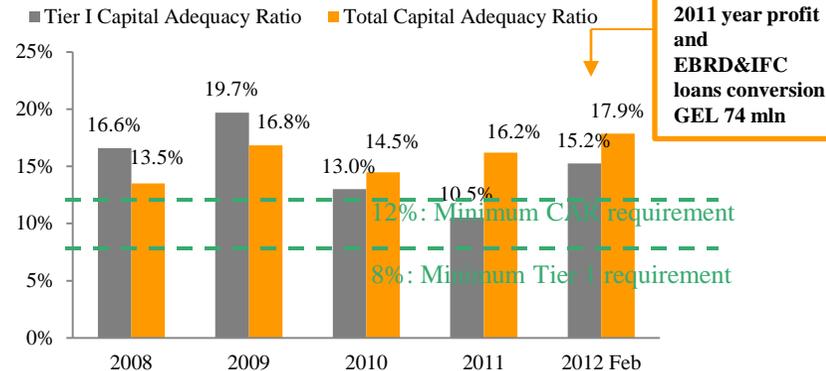
# Capital adequacy

## BIS capital adequacy ratios, Consolidated



On a pro-forma basis, including EBRD&IFC loans conversion of GEL 74 mln in February 2012

## NBG capital adequacy ratios, Standalone

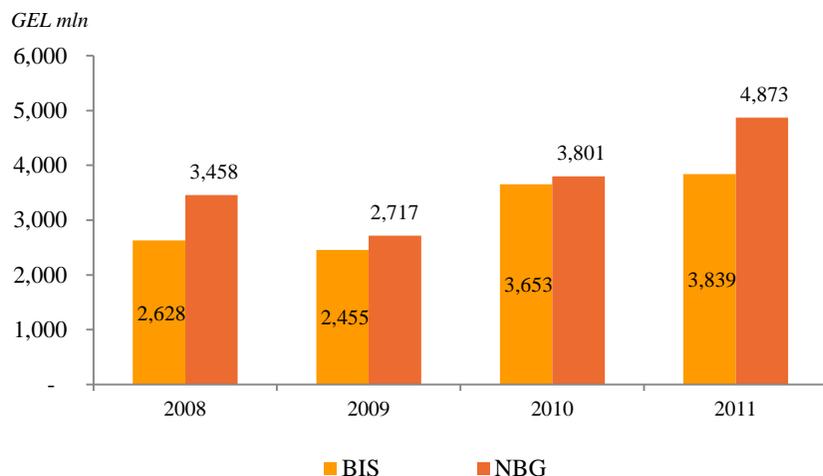


Tier I Includes 2011 year profit and EBRD&IFC loans conversion GEL 74 mln

Risk weighting of FX denominated assets at 175% according to the National Bank of Georgia standards

NBG requires investments in subsidiaries of more than 50% to be deducted from Total Capital

## Risk-weighted assets BIS vs. NBG



## NBG Tier I Capital and Total Capital

GEL mln	FEB 2012	2010	Change Y-O-Y	% Change Y-O-Y
<b>NBG Capital Adequacy</b>				
Tier 1 Capital (Core)	741.8	494.1	247.7	50.1%
Tier 2 Capital (Supplementary)	317.5	423.4	(105.9)	-25.0%
<i>Less: Deductions</i>	<i>(190.8)</i>	<i>(367.4)</i>	<i>176.6</i>	<i>-48.1%</i>
<b>Total Capital</b>	<b>868.5</b>	<b>550.1</b>	<b>318.4</b>	<b>57.9%</b>
<b>Risk-weighted assets</b>	<b>4,864.8</b>	<b>3,800.6</b>	<b>1,064.2</b>	<b>28.0%</b>
<b>Tier 1 Capital ratio</b>	<b>15.2%</b>	<b>13.0%</b>		
<b>Total Capital ratio</b>	<b>17.9%</b>	<b>14.5%</b>		

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**Bank of Georgia overview**

**Georgian macro update**

**2011 results overview**

**Business segment discussion**

**Appendices**

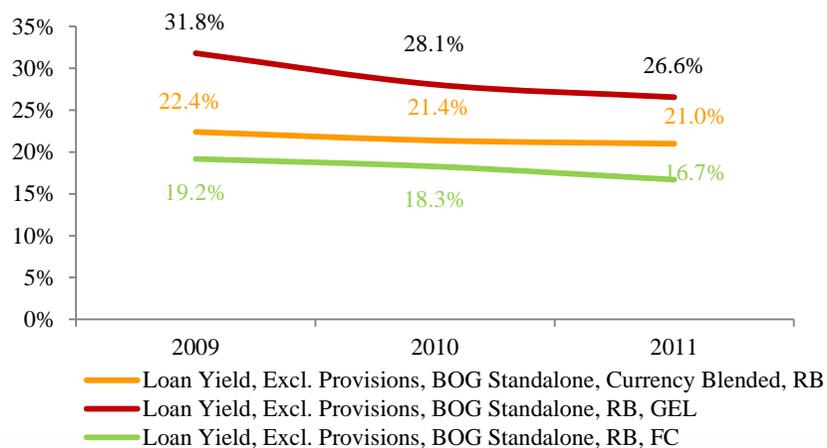
# Retail Banking (RB) results overview

## Retail Banking (RB)

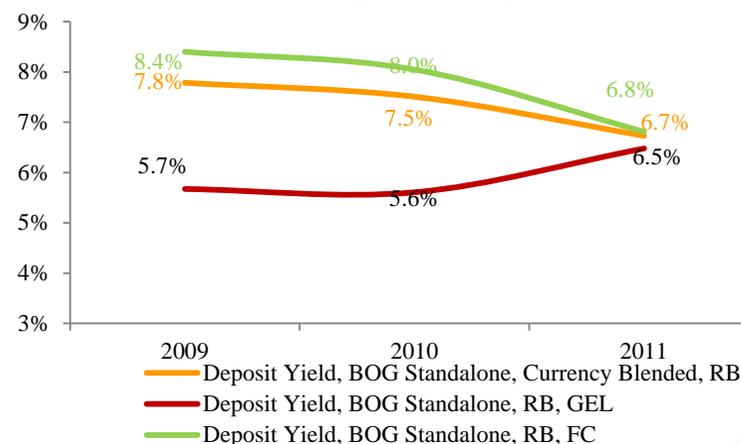
GEL millions, unless otherwise noted

Period end	2011	2010	Change
Net interest income	141.5	116.4	21.6%
Net fees and commission income	49.8	42.1	18.3%
Net gains from foreign currencies	12.2	9.2	32.6%
Other operating non-interest income	6.0	1.2	NMF
Operating income from other segments	1.6	0.5	NMF
Revenue	211.0	169.4	24.6%
Other operating non-interest expenses	109.4	97.9	11.7%
Operating income before cost of credit risk	101.7	71.6	42.0%
Cost of credit risk	(3.1)	29.1	NMF
Profit for the period from continuing operations	110.4	40.0	NMF
Cost / Income	46.7%	55.2%	
Cost of risk	-0.3%	3.2%	

### Retail Banking loan yields

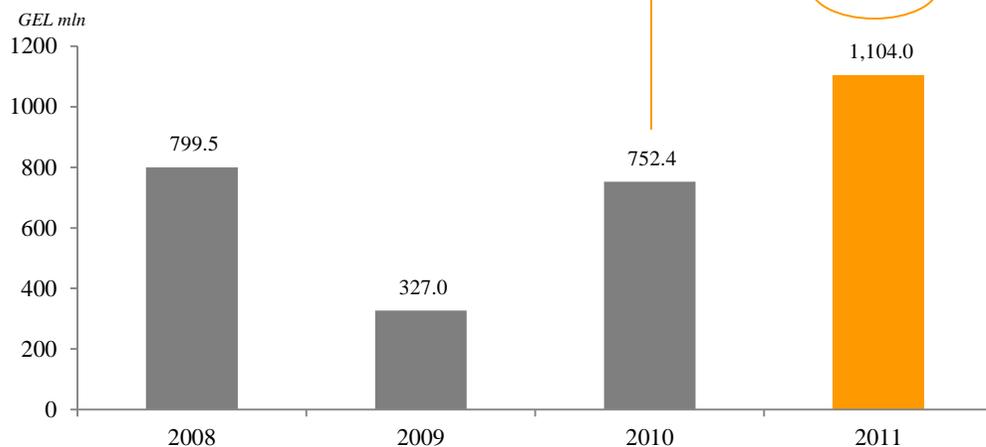


### Retail Banking deposit yields

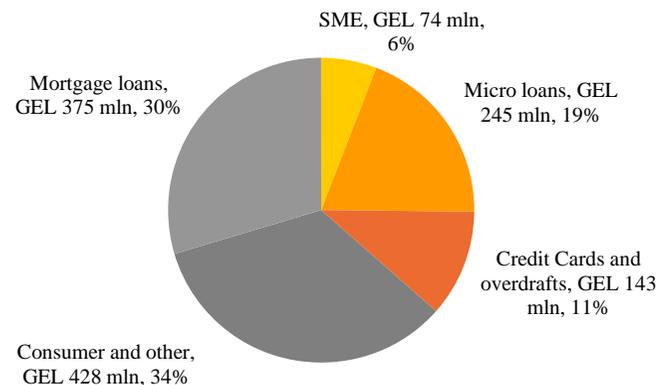


# Retail Banking – No. 1 retail bank in Georgia

## Retail loans originated



## RB gross loan portfolio, 31 December 2011



Total retail loans: GEL 1,265 mln

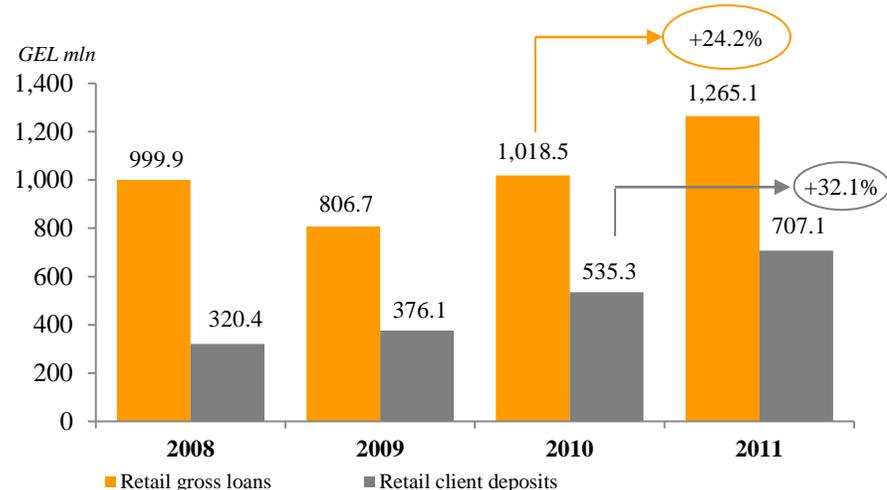
Note: does not include Ukraine & Belarus

## Leadership in retail lending

Volumes are in GEL millions

	2011	% of clients	2010	2009
Number of total Retail clients, of which:	888,794	-	823,859	806,473
Number of Solo clients ("Premier Banking")	3,728	-	2,303	87
Consumer loans & other outstanding, volume	428.2	-	285.4	234.8
Consumer loans & other outstanding, number	342,652	38.6%	265,212	241,199
Mortgage loans outstanding, volume	375.0	-	370.6	341.1
Mortgage loans outstanding, number	9,162	1.0%	8,434	7,900
Micro & SME loans outstanding, volume	318.5	-	238.3	98.9
Micro & SME loans outstanding, number	9,861	1.1%	8,360	5,879
Credit cards and overdrafts outstanding, volume	143.3	-	124.3	131.9
Credit cards and overdrafts outstanding, number	131,119	14.8%	121,444	139,742
Credit cards outstanding, number, of which:	127,820	14.4%	106,809	77,330
American Express cards	97,100	10.9%	55,200	2,000

## Retail gross loans and deposits growth



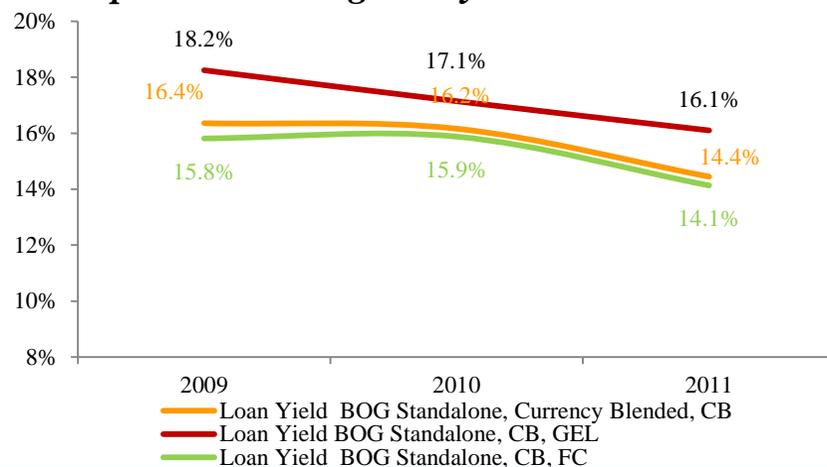
# Corporate Banking (CB) results overview

## Corporate Banking (CB)

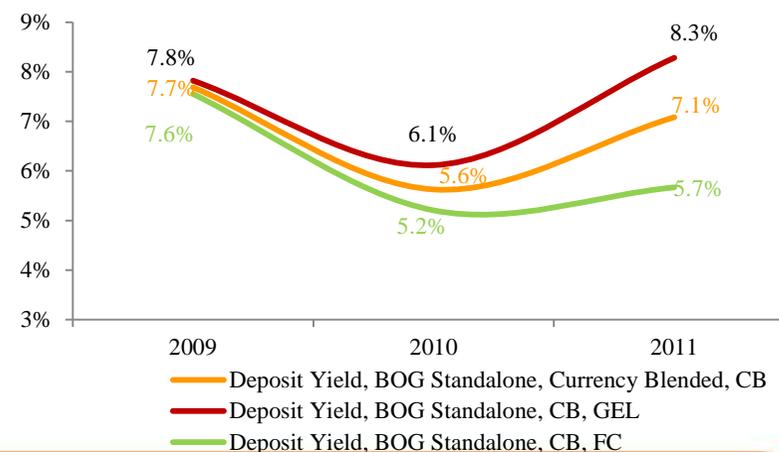
GEL millions, unless otherwise noted

Period end	2011	2010	Change
Net interest income	72.8	74.8	-2.7%
Net fees and commission income	20.3	16.6	22.3%
Net gains from foreign currencies	29.0	21.4	35.5%
Other operating non-interest income	6.6	(2.1)	NMF
Operating income from other segments	6.6	12.5	-47.2%
Revenue	135.4	123.1	10.0%
Other operating non-interest expenses	54.7	43.8	24.9%
Operating income before cost of credit risk	80.8	79.3	1.9%
Cost of credit risk	25.6	12.8	100.0%
Profit for the period from continuing operations	60.1	68.7	-12.5%
Cost / Income	37.6%	34.8%	
Cost of risk	1.9%	1.2%	

### Corporate Banking loan yields



### Corporate Banking deposit yields



# Corporate Banking

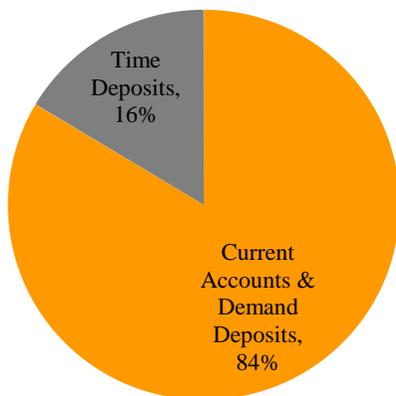
Integrated client coverage in the following key sectors

- Construction & Real Estate
- Energy
- Fast Moving Consumer Goods
- Financial Institutions
- Foreign Organizations & Diplomatic Missions
- Pharmaceuticals & Healthcare
- Retail & Wholesale Trade
- State & Industry
- Telecommunications, Media & Technology
- Transport & Logistics

## Highlights

- ☑ No.1 corporate bank in Georgia
- ☑ Circa 41% market share based on customer deposits<sup>(1)</sup>
- ☑ Integrated client coverage in key sectors
- ☑ More than 9,000 clients served by dedicated relationship bankers
- ☑ Increased the number of corporate clients using the Bank's payroll services from 1,737 in 2010 to 2,387 in 2011
- ☑ Gearing up for launching macro and sector research covering Caucasus region by the brokerage subsidiary

## Corporate client deposits, 31 December 2011

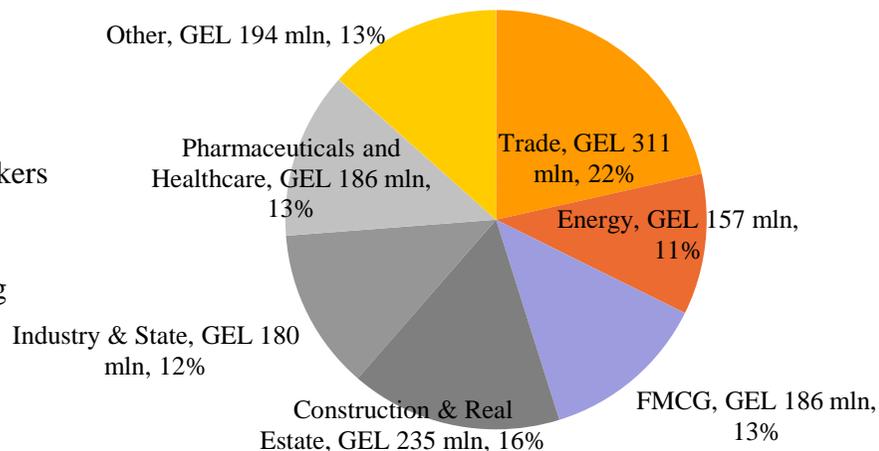


**Total corporate deposits: GEL 1,384.0 mln**

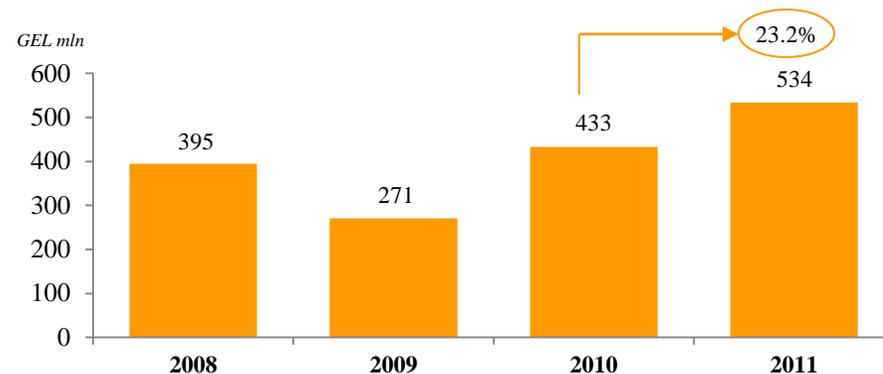
Notes:

(1) source: National Bank of Georgia, does not include interbank deposits

## Corporate loan portfolio, 31 December 2011



## Total guaranties and letters of credit



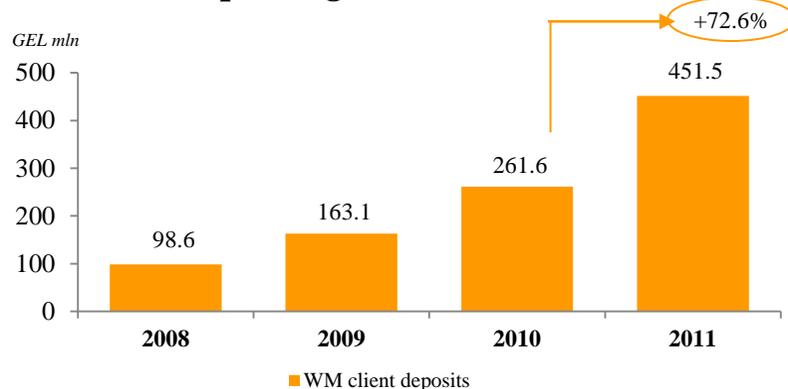
## Wealth Management (WM) results overview

### Wealth Management (WM)

GEL millions, unless otherwise noted

Period end	2011	2010	Change
Net interest income	5.9	3.1	90.3%
Net fees and commission income	0.7	0.5	40.0%
Net gains from foreign currencies	0.7	0.6	16.7%
Other operating non-interest income	0.1	(0.1)	NMF
Revenue	7.4	4.1	80.5%
Other operating non-interest expenses	4.1	4.6	-10.9%
Operating income before cost of credit risk	3.2	(0.5)	NMF
Profit for the period from continuing operations	3.6	2.0	80.0%
Net loans, standalone	35.8	37.6	-4.8%
Total assets	37.6	43.1	-12.8%
Client deposits, standalone	451.5	261.6	72.6%
Total liabilities	451.5	261.6	72.6%

### WM client deposits growth



### Highlights

- Strengthening presence internationally through representative offices in Israel (since 2009) and the UK (2010). Intention to representative office in Eastern Europe in 2012
- Preparing to launch local currency fixed income fund initially focusing on Caucasus region to allow investors access to fixed income instruments of these frontier markets that offer attractive risk return profile. (See Appendix III for further details)

# Insurance and Healthcare (ABCI)

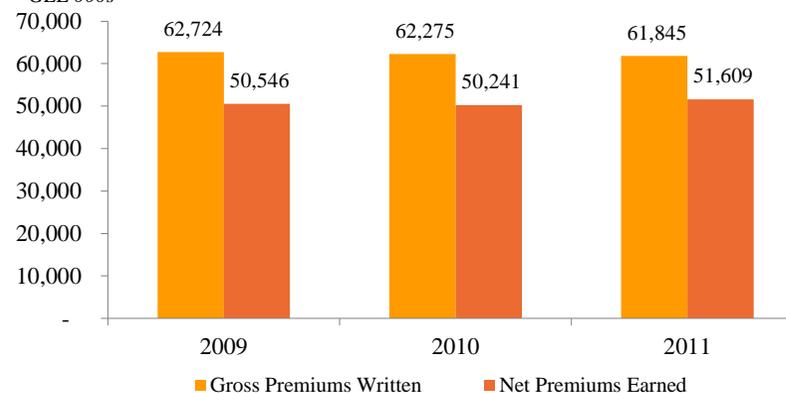
## Gross premiums written breakdown

GEL 000s

GPW Summary By Products	2011	2010	2009
Health & Life Government	13,007	16,524	21,758
Health & Life Non-Government	18,600	16,372	14,260
Motor	14,139	13,054	12,561
Property	6,832	7,213	7,211
Liability insurance	4,450	3,556	2,966
Other	4,817	5,556	3,968
<b>Total GPW</b>	<b>61,845</b>	<b>62,275</b>	<b>62,724</b>

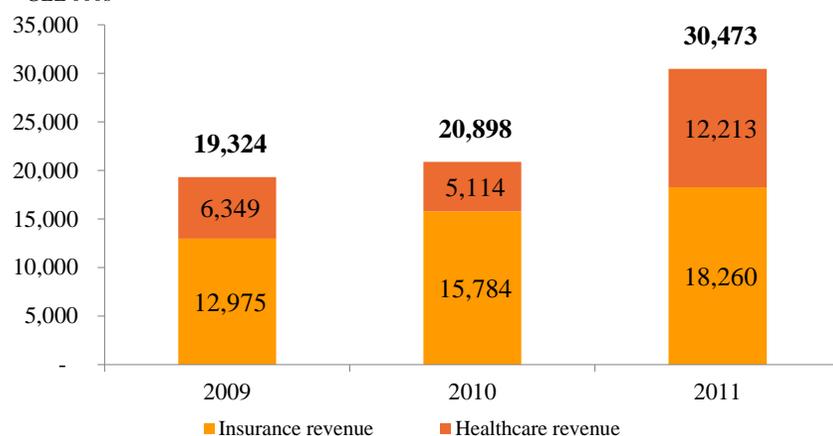
## Gross premiums written & Net premiums earned

GEL 000s



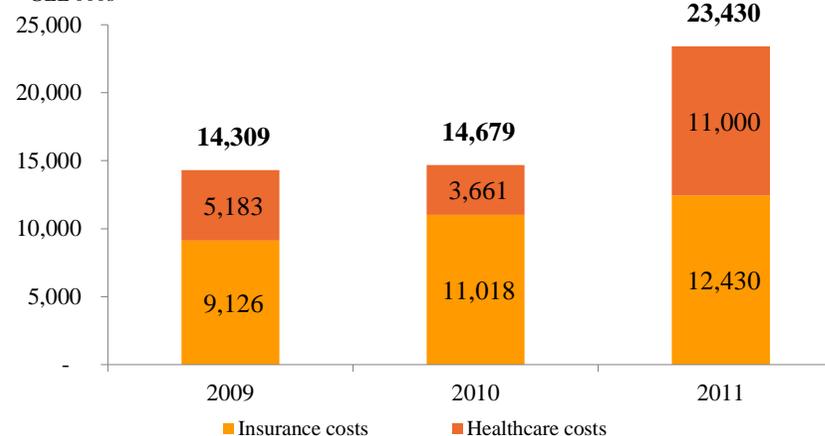
## Aldagi BCI Revenue by segments

GEL 000s



## Aldagi BCI Costs by segments

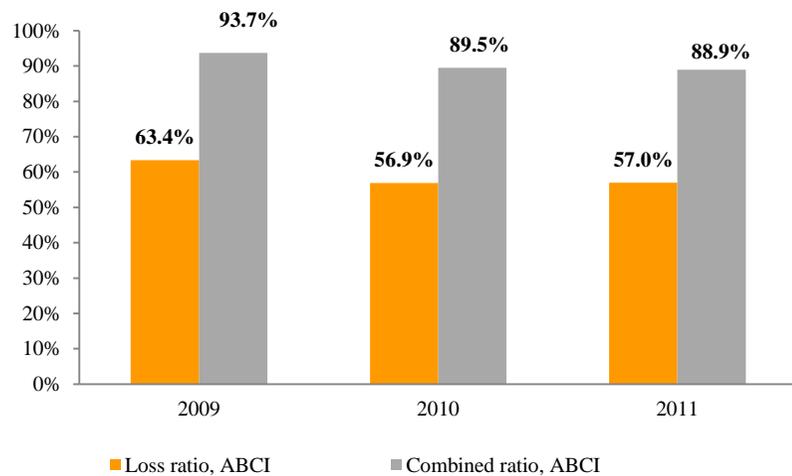
GEL 000s



# Insurance and Healthcare (ABCI), cont'd

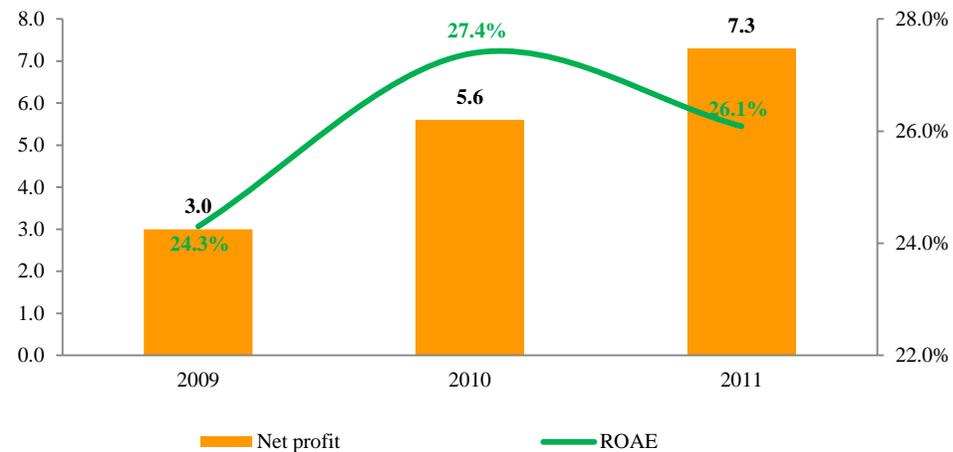
## Loss ratio & combined ratio

GEL mln



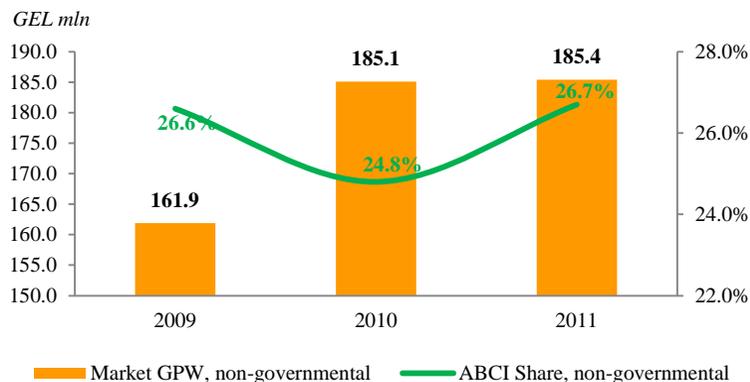
## ABCI Profits & ROAE

GEL mln

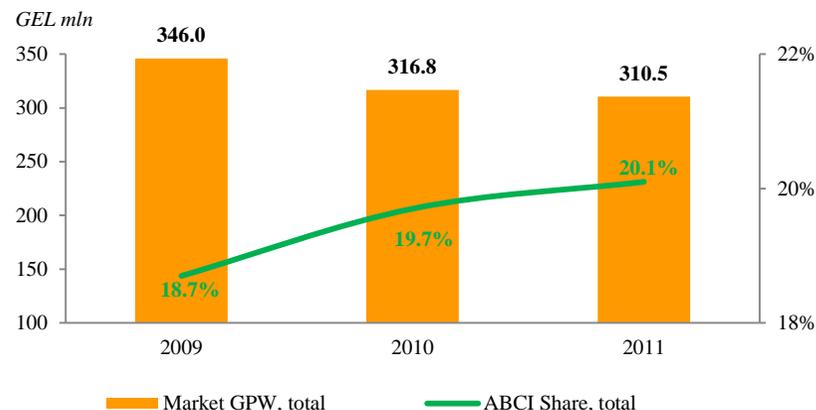


# ABCI market share & market Gross Premiums Written

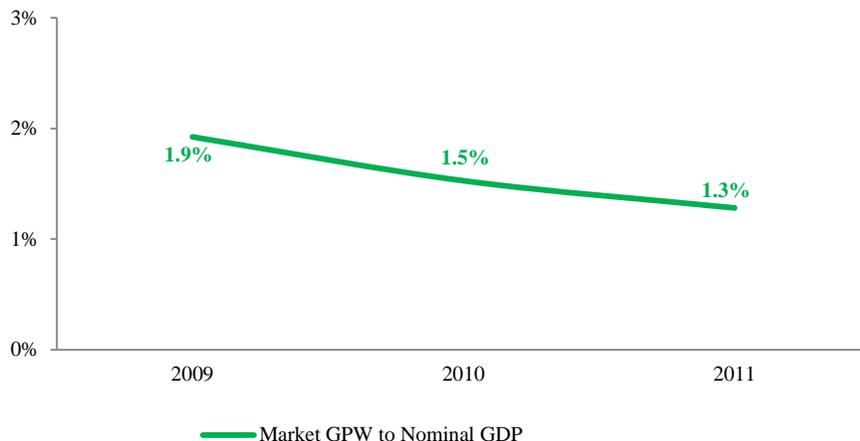
**ABCI share in non-Governmental sector (life & non-life)**



**ABCI share in total market**



**Market GPW to Nominal GDP**



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**Bank of Georgia overview**

**Georgian macro update**

**2011 results overview**

**Business segment discussion**

**Appendices**

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*Appendix I: Shareholding structure; share price and analyst coverage*

## *Analyst coverage of Bank of Georgia Holdings plc*



Analyst	Email	Target price
Mike Trippitt	Mike.Trippitt@orielsecurities.com	1500p



Analyst	Email	Target price
Mikhail Shlemov	mikhail.shlemov@vtbcapital.com	US\$21.80



Analyst	Email	Target price
Bruce Packard	brucepackard@seymourpierce.com	1360 p



Analyst	Email	Target price
Milena Ivanova-Venturini	MIvanovaVenturini@rencap.com	GBP 12.3



Analyst	Email	Target price
Andrzej Nowaczek	andrzej.nowaczek@uk.ing.com	GBP12.8

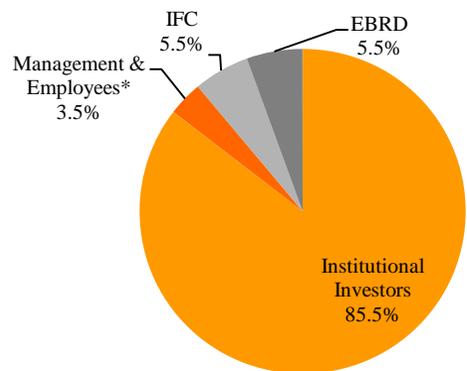


Analyst	Email	Target price
Renat Syzdykov	res@visocap.com	US\$ 20.82

# Ownership structure and share price performance

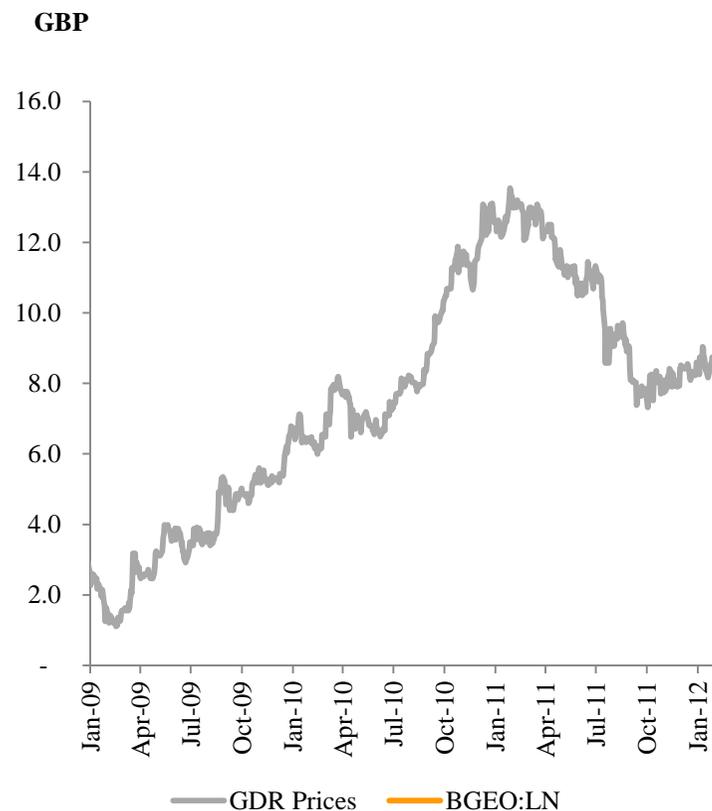
98.35% held by Bank of Georgia Holdings plc

**Ownership of Bank of Georgia Holdings plc as of 29 February 2012**



**Broadly owned by over 100 institutional accounts**

## Share price performance



\*Excludes awarded and unvested and unawarded shares in the Employee Trust

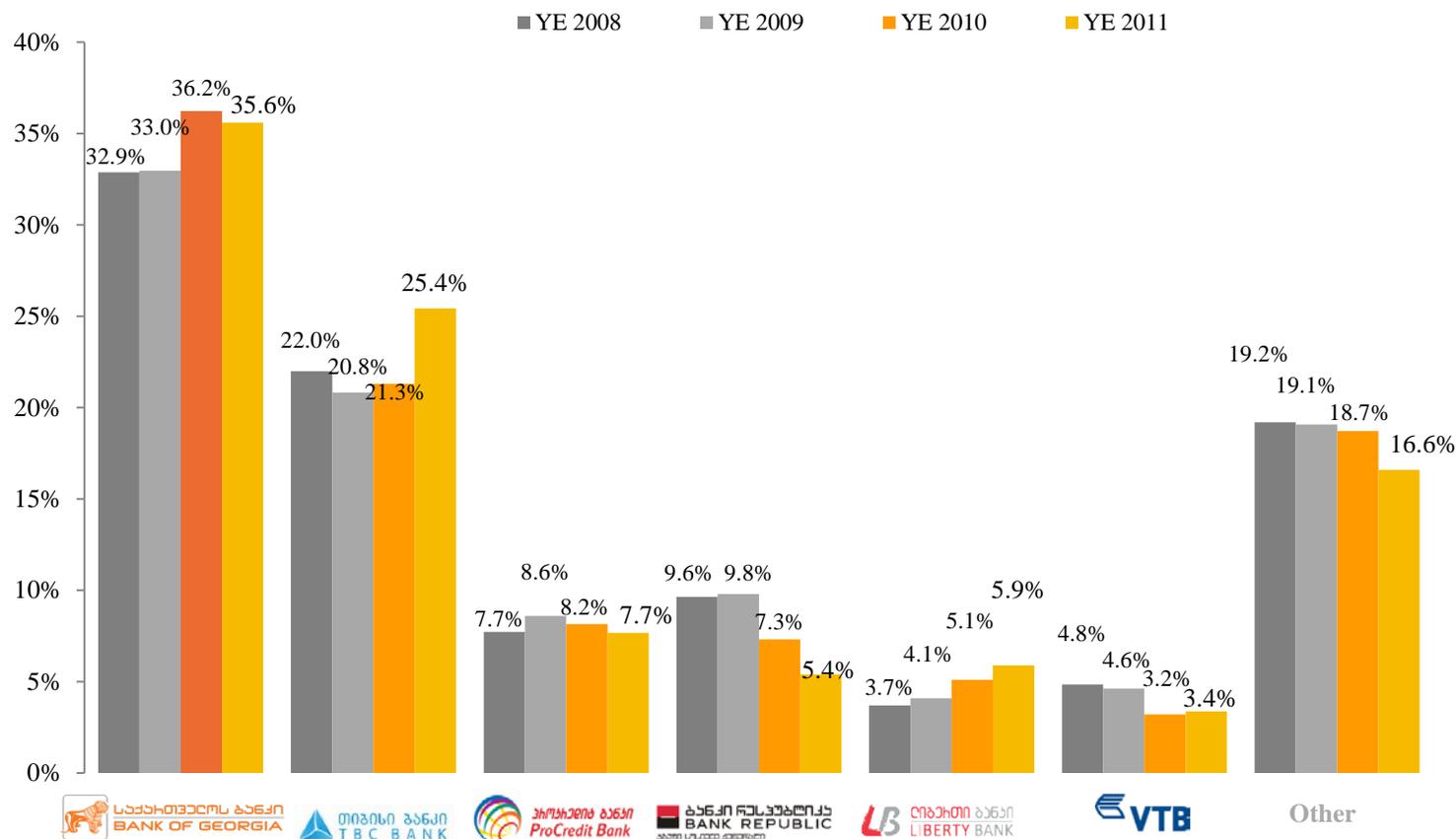
Historical GDR Prices were converted to GBP at 1.54 exchange rate (as of 31-December 2011)

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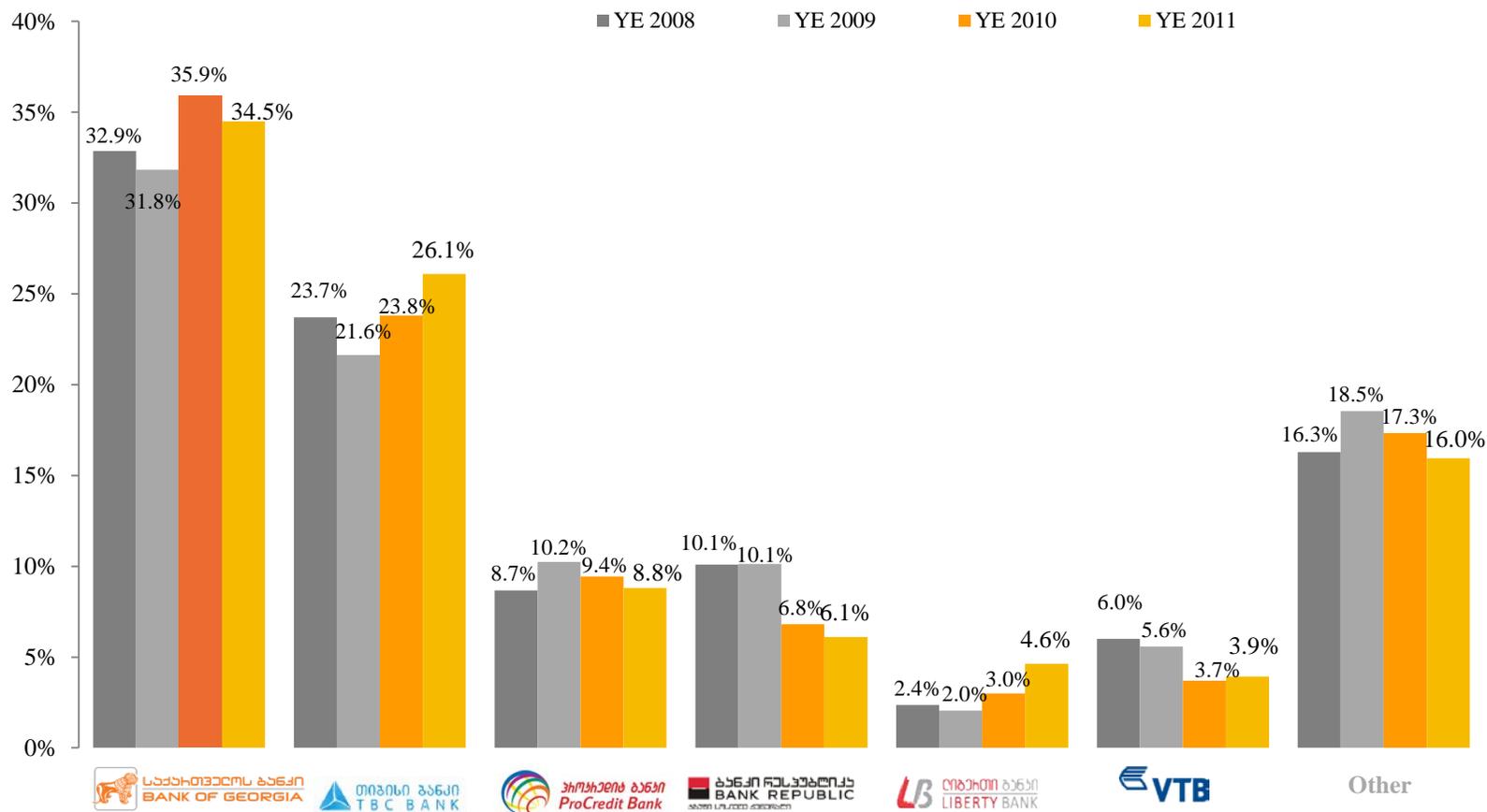
## *Appendix II: Competitors*

## Peer group's market share in total assets



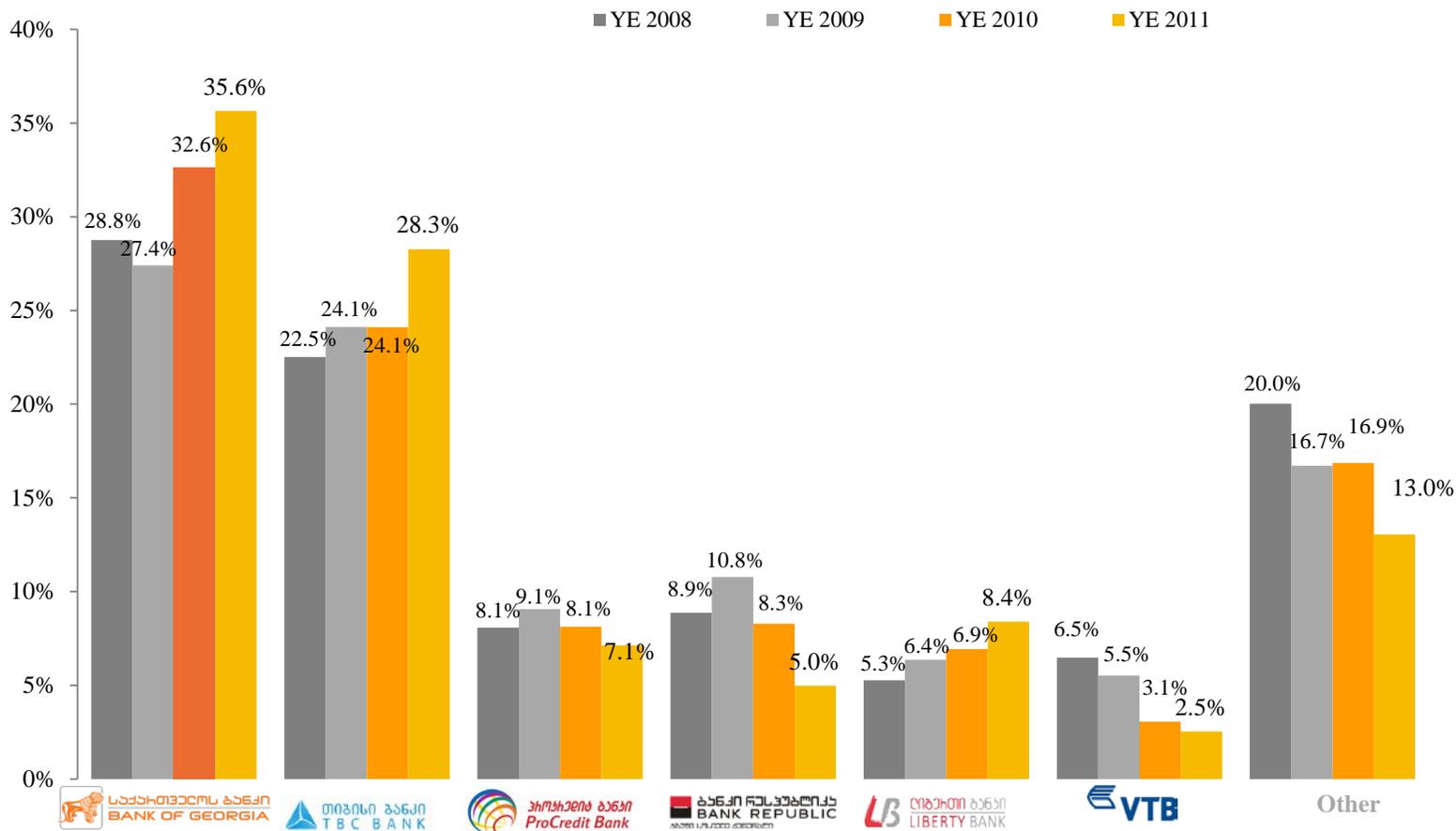
Note: all data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)

# Peer group's market share in gross loans



Note: all data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)

# Peer group's market share in deposits



Note: all data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)

*Appendix III: Bank of Georgia Regional Local Currency Fixed Income Fund*

# *Fund Characteristics*

## **Fund Objective and Characteristics**

- The objective of the fund is to achieve attractive returns through short duration high yielding bonds, deposits and other short term fixed income instruments
- The portfolio will consist of **10 to 30 different instruments** from Regional Issuers
- Fund Type: **Cayman Fund**
- Annualised Target Return: **8%**
- Target Volatility: **5% (ex ante)**
- Currency: Fund will be denominated in USD; investments will be done in both **Local Currency and USD instruments**

## **Country Coverage**

- First Phase: **Armenia, Azerbaijan, Georgia**

## **Instruments (Short to Medium Term Fixed Income)**

- Bank Instruments: Call and Term Deposits; Certificates of Deposit / Promissory Notes
- Sovereign Instruments: T-Bills and Treasury Bonds, Sovereign & Quazi-Sovereign Eurobonds
- Corporate Issuers: Corporate Eurobonds, Local Corporate Bonds, Privately Placed Bonds

# *Investment Philosophy and Rationale*

## **Investment Philosophy**

- We believe that due to relative “isolation” from global markets, fixed income instruments of some frontier markets offer very attractive risk/return profile.
- We know the region and closely follow political, economic and social developments in the countries the fund is focussing on.
- We realise that the countries represented in the portfolio are of higher political and economic risk, but we believe that by focussing exclusively on “non-payment” probability and downside risks on local currency, offers investors high returns with moderate levels of volatility.
- We believe that due to many factors (including liquidity, “dollarisation” effect and government incentives) Local Currency markets are not fully efficient, therefore returns could be predicted.

## **Investment Rationale**

We believe that the following factors result in attractive risk/return ratios of fixed income instruments issued by/in covered countries:

- Fiscal & Monetary policies are relatively liberal and support growth, primary task of monetary authorities being growth and employment, as well as stability of local currency, rather than inflation (therefore, it is acceptable to observe double digit inflation).
- Due to a limited access to Global capital markets local banks compensate high inflation (both in LC and FX terms) by maintaining high deposit rates.
- State Realises importance of foreign capital (and expertise) inflow to develop and diversify economy with usual “side effect” of currency not depreciating in line with inflation.
- Governments understand social & economic consequences of bank defaults and, as a rule, broker the deals to sell troubled banks.

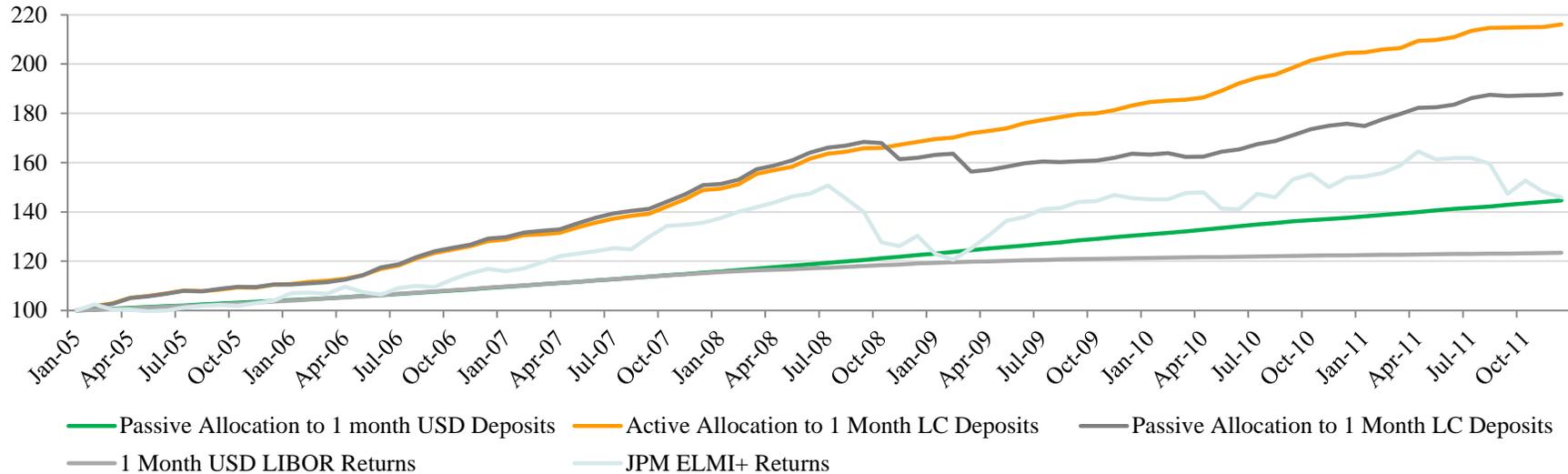
# Investment Process - Top Down Approach

	Return Factors	Risk Factors
Country	<u>Short Term Yield Change Factors</u> <ul style="list-style-type: none"> <li>• CPI History</li> <li>• Access to Capital (Market Cap to GDP, Savings to GDP)</li> </ul>	<u>Ability/Willingness to Pay</u> <ul style="list-style-type: none"> <li>• Reserves to M2 and months of imports</li> <li>• Government Debt Level &amp; Debt Service Burden</li> <li>• “Cost of Default” (FDIs to GDP)</li> </ul>
Currency	<u>Return Factors</u> <ul style="list-style-type: none"> <li>• Autocorrelation (Momentum)</li> <li>• Balance of Goods &amp; Services</li> <li>• Foreign Direct Investments</li> </ul>	<u>Stability (Volatility)</u> <ul style="list-style-type: none"> <li>• Trade Turnover to GDP</li> <li>• Access to Capital</li> <li>• “Dollarisation” Effect</li> </ul>
Issuer & Instrument	<u>Return Factors</u> <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Yield Curve Shape</li> </ul>	<u>Default Probability and Liquidity</u> <ul style="list-style-type: none"> <li>• Capital and Profitability, Debt to EBITDA</li> <li>• Implicit Govt. Backing &amp; Systemic Importance of Issuer</li> <li>• Transparency of Business and Accounting</li> <li>• Possibility to Roll Over at Maturity</li> </ul>

## Sources of “Alpha”

- Country and currency level allocation exploiting short-term inefficiencies in the markets;
- Value added from Local Currency returns prediction (both “quantitative” and “qualitative”)
- Strong bargaining power on instruments pricing (e.g. deposit rates)

# Simplified Modelling of Portfolio Returns\*



	Annualised Return	Volatility
12mo LIBOR	3.05%	-
JP Morgan ELMI+ Index Returns	5.61%	8.63%
Passive Allocation to LC 1mo deposits	9.54%	3.76%
Passive Allocation to USD 1mo deposits	5.48%	-
Active (Model) Allocation to LC 1mo deposits	11.79%	2.22%

- For the sake of simplification (and avoidance of “knowledge of hindsight” effect) equally weighted basket of 1 month local currency deposits is analysed
- In-House model correctly predicts shocks to Local Currency returns
- Even passive investment in LC deposits gives a very attractive risk/return profile
- Hypothetical Portfolio strongly outperforms JP Morgan ELMI+\*\* (Emerging Markets Local Currency Money Market Instruments) Index with lower levels of volatility

\* For calculation purposes we used average LC Deposit rates over the last 11 years for relevant countries, returns converted into USD (Source: WB Development Indicators)

\*\* ELMI+ tracks total returns for local-currency-denominated money market instruments in 24 emerging markets countries (Source: JP Morgan)

***Appendix IV: Financial Performance 2011*** (per Preliminary Results published by JSC Bank of Georgia)

## *CONSOLIDATED QUARTERLY INCOME STATEMENT*

	Q4 2011	Q4 2010	Q3 2011	Change Y-O-Y	Change Q-O-Q
<i>GEL thousands, unless otherwise noted</i>	<i>unaudited</i>				
Loans to customers	115,816	104,668	111,707	10.70%	3.70%
Investment securities – AFS & HTM	9,782	6,563	9,567	49.00%	2.20%
Amounts due from credit institutions	4,718	3,908	5,716	20.70%	-17.50%
Finance lease receivables	3,099	942	1,744	229.00%	77.70%
<b>Interest income</b>	<b>133,415</b>	<b>116,081</b>	<b>128,734</b>	<b>14.90%</b>	<b>3.60%</b>
Amounts due to customers	-49,719	-32,586	-41,947	52.60%	18.50%
Amounts due to credit institutions	-23,536	-28,521	-26,012	-17.50%	-9.50%
<b>Interest expense</b>	<b>-73,255</b>	<b>-61,107</b>	<b>-67,959</b>	<b>19.90%</b>	<b>7.80%</b>
<b>Net interest income before net (losses) gains from derivative financial instruments</b>	<b>60,160</b>	<b>54,974</b>	<b>60,775</b>	<b>9.40%</b>	<b>-1.00%</b>
Net (losses) gains from derivative financial instruments	-92	1,541	2,584	NMF	NMF
<b>Net interest income</b>	<b>60,068</b>	<b>56,515</b>	<b>63,359</b>	<b>6.30%</b>	<b>-5.20%</b>
Fee and commission income	26,188	20,252	23,717	29.30%	10.40%
Fee and commission expense	-4,086	-1,264	-4,452	223.30%	-8.20%
<b>Net fee and commission income</b>	<b>22,102</b>	<b>18,988</b>	<b>19,265</b>	<b>16.40%</b>	<b>14.70%</b>
Net insurance premiums earned	11,515	10,938	11,758	5.30%	-2.10%
Net insurance claims incurred	-7,937	-6,736	-6,694	17.80%	18.60%
<b>Net insurance revenue</b>	<b>3,578</b>	<b>4,202</b>	<b>5,064</b>	<b>-14.90%</b>	<b>-29.30%</b>
Net gains (losses) from trading securities and investment securities available-for-sale	850	-558	-200	NMF	NMF
Net gains (losses) from revaluation of investment property	1,984	-2,732	-	NMF	NMF
Net gains (losses) from foreign currencies:					
– dealing	11,992	8,759	12,590	36.90%	-4.70%
– translation differences	8,899	-1,088	-451	NMF	NMF
Other operating income	9,654	11,523	6,636	-16.20%	45.50%
<b>Other operating non-interest income</b>	<b>33,379</b>	<b>15,904</b>	<b>18,575</b>	<b>109.90%</b>	<b>79.70%</b>

## *CONSOLIDATED QUARTERLY INCOME STATEMENT (CONT'D)*

	Q4 2011	Q4 2010	Q3 2011	Change Y-O-Y	Change Q-O-Q
<i>GEL thousands, unless otherwise noted</i>					
	<i>unaudited</i>				
<b>Revenue</b>	<b>119,127</b>	<b>95,609</b>	<b>106,263</b>	<b>24.60%</b>	<b>12.10%</b>
Salaries and other employee benefits	-30,662	-24,875	-30,727	23.30%	-0.20%
General and administrative expenses	-16,169	-13,411	-15,191	20.60%	6.40%
Depreciation and amortization	-7,735	-7,841	-6,578	-1.40%	17.60%
Other operating expenses	-2,972	753	-1,651	NMF	80.00%
<b>Other operating non-interest expenses</b>	<b>-57,538</b>	<b>-45,374</b>	<b>-54,147</b>	<b>26.80%</b>	<b>6.30%</b>
<b>Operating income before cost of credit risk</b>	<b>61,589</b>	<b>50,235</b>	<b>52,116</b>	<b>22.60%</b>	<b>18.20%</b>
Impairment charge on loans to customers	6,194	15,877	5,691	-61.00%	8.80%
Impairment charge (reversal) of impairment on finance lease receivables	195	-5,246	-49	NMF	NMF
Impairment charge (reversal) on other assets and provisions	2,380	6,765	-477	-64.80%	NMF
<b>Cost of credit risk</b>	<b>8,769</b>	<b>17,396</b>	<b>5,165</b>	<b>-49.60%</b>	<b>69.80%</b>
<b>Net operating income</b>	<b>52,820</b>	<b>32,839</b>	<b>46,951</b>	<b>60.80%</b>	<b>12.50%</b>
Share of (loss) gain of associates	-283	255	47	NMF	NMF
Impairment of goodwill, property and equipment	-10,394	-435	-	NMF	NMF
Other non-operating income	8,072	-	-	NMF	NMF
Other non-operating expense	-7,103	-21	-974	NMF	NMF
<b>Net non-operating expenses</b>	<b>-9,708</b>	<b>-201</b>	<b>-927</b>	<b>NMF</b>	<b>NMF</b>
<b>Profit before income tax expense from continuing operations</b>	<b>43,112</b>	<b>32,638</b>	<b>46,024</b>	<b>32.10%</b>	<b>-6.30%</b>
Income tax expense	5,789	7,165	8,410	-19.20%	-31.20%
<b>Profit for the period from continuing operations</b>	<b>37,323</b>	<b>25,473</b>	<b>37,614</b>	<b>46.50%</b>	<b>-0.80%</b>
Net loss from discontinued operations	2,972	-	-	NMF	NMF
<b>Net profit for the period</b>	<b>34,351</b>	<b>25,473</b>	<b>37,614</b>	<b>34.90%</b>	<b>-8.70%</b>
<b>Attributable to:</b>					
– shareholders of the Bank	31,971	27,075	36,915	18.10%	-13.40%
– non-controlling interests	2,380	-1,602	699	NMF	240.50%

# CONSOLIDATED INCOME STATEMENT

	2011	2010	Change
	<i>unaudited</i>		Y-O-Y
<i>GEL thousands, unless otherwise noted</i>			
Loans to customers	438,989	389,402	12.70%
Investment securities – AFS & HTM	37,701	19,785	90.60%
Amounts due from credit institutions	18,103	9,795	84.80%
Finance lease receivables	6,565	4,159	57.90%
<b>Interest income</b>	<b>501,358</b>	<b>423,141</b>	<b>18.50%</b>
Amounts due to customers	-167,294	-114,968	45.50%
Amounts due to credit institutions	-99,763	-91,829	8.60%
<b>Interest expense</b>	<b>-267,057</b>	<b>-206,797</b>	<b>29.10%</b>
<b>Net interest income before net gains (losses) from derivative financial instruments</b>	<b>234,301</b>	<b>216,344</b>	<b>8.30%</b>
Net gains (losses) from derivative financial instruments	4,984	-7,826	NMF
<b>Net interest income</b>	<b>239,285</b>	<b>208,518</b>	<b>14.80%</b>
Fee and commission income	93,541	74,265	26.00%
Fee and commission expense	-18,204	-10,845	67.90%
<b>Net fee and commission income</b>	<b>75,337</b>	<b>63,420</b>	<b>18.80%</b>
Net insurance premiums earned	46,396	44,561	4.10%
Net insurance claims incurred	-28,658	-27,898	2.70%
<b>Net insurance revenue</b>	<b>17,738</b>	<b>16,663</b>	<b>6.50%</b>
Net gains from trading securities and investment securities available-for-sale	1,382	2,006	-31.10%
Net gains from revaluation of investment property	1,984	350	NMF
Net gains from foreign currencies:			
– dealing	45,694	33,651	35.80%
– translation differences	30,747	98	NMF
Other operating income	29,052	21,927	32.50%
<b>Other operating non-interest income</b>	<b>108,859</b>	<b>58,032</b>	<b>87.60%</b>

# CONSOLIDATED INCOME STATEMENT (CONT'D)

<i>GEL thousands, unless otherwise noted</i>	<b>2011</b>	<b>2010</b>	<b>Change</b>
	<i>unaudited</i>		<b>Y-O-Y</b>
<b>Revenue</b>	<b>441,219</b>	<b>346,633</b>	<b>27.30%</b>
Salaries and other employee benefits	-119,111	-104,551	13.90%
General and administrative expenses	-61,942	-61,000	1.50%
Depreciation and amortization	-27,254	-27,963	-2.50%
Other operating expenses	-9,324	-6,253	49.10%
<b>Other operating non-interest expenses</b>	<b>-217,631</b>	<b>-199,767</b>	<b>8.90%</b>
<b>Operating income before cost of credit risk</b>	<b>223,588</b>	<b>146,866</b>	<b>52.20%</b>
Impairment charge on loans to customers	23,216	49,886	-53.50%
Impairment charge (reversal) of impairment on finance lease receivables	317	-5,775	NMF
Impairment (reversal) charge on other assets and provisions	-1,337	3,587	NMF
<b>Cost of credit risk</b>	<b>22,196</b>	<b>47,698</b>	<b>-53.50%</b>
<b>Net operating income</b>	<b>201,392</b>	<b>99,168</b>	<b>103.10%</b>
Share of (loss) gain of associates	-487	255	NMF
Impairment of goodwill, property and equipment	-23,394	-435	NMF
Other non-operating income	8,072	271	NMF
Other non-operating expense	-13,529	-816	NMF
<b>Net non-operating expenses</b>	<b>-29,338</b>	<b>-725</b>	<b>NMF</b>
<b>Profit before income tax expense from continuing operations</b>	<b>172,054</b>	<b>98,443</b>	<b>74.80%</b>
Income tax expense	21,125	15,776	33.90%
<b>Profit for the period from continuing operations</b>	<b>150,929</b>	<b>82,667</b>	<b>82.60%</b>
Net loss from discontinued operations	15,219	-	NMF
<b>Net profit for the period</b>	<b>135,710</b>	<b>82,667</b>	<b>64.20%</b>
<b>Attributable to:</b>			
– shareholders of the Bank	132,531	83,640	58.50%
– non-controlling interests	3,179	-973	NMF

# CONSOLIDATED BALANCE SHEET

GEL thousands, unless otherwise noted

	2011	2010	Change Y-O-Y
	<i>unaudited</i>		
<b>Assets</b>			
Cash and cash equivalents	628,731	611,584	2.8%
Amounts due from credit institutions	289,530	116,469	148.6%
Investment securities – AFS & HTM	419,576	294,961	42.2%
Loans to customers and finance lease receivables	2,616,361	2,366,116	10.6%
Investments in associates	3,014	5,633	-46.5%
Investment properties	101,686	113,496	-10.4%
Property and equipment	348,110	285,852	21.8%
Goodwill	46,195	69,212	-33.3%
Other intangible assets	21,222	22,390	-5.2%
Current income tax assets	8,487	2,247	277.7%
Deferred income tax assets	14,852	18,178	-18.3%
Prepayments	29,929	23,364	28.1%
Other assets	137,568	75,420	82.4%
<b>Total assets</b>	<b>4,665,261</b>	<b>4,004,922</b>	<b>16.5%</b>
<b>Liabilities</b>			
Amounts due to customers (Customer funds), of which	2,735,222	2,026,308	35.0%
<i>Client deposits</i>	<i>2,554,084</i>	<i>2,004,698</i>	<i>27.4%</i>
<i>Promissory notes</i>	<i>181,138</i>	<i>21,610</i>	<i>NMF</i>
Amounts due to credit institutions	921,172	1,138,927	-19.1%
Current income tax liabilities	1,174	4,251	-72.4%
Deferred income tax liabilities	36,242	30,901	17.3%
Provisions	386	4,407	-91.2%
Other liabilities	158,462	106,787	48.4%
<b>Total liabilities</b>	<b>3,852,658</b>	<b>3,311,581</b>	<b>16.3%</b>
<b>Equity</b>			
Share capital	32,878	31,345	4.9%
Additional paid-in capital	473,732	477,285	-0.7%
Treasury shares	(3,146)	(1,510)	108.3%
Other reserves	14,478	26,816	-46.0%
Retained earnings	254,588	130,314	99.3%
<b>Total equity attributable to shareholders of the Bank</b>	<b>772,530</b>	<b>664,250</b>	<b>16.3%</b>
Non-controlling interests	40,073	29,091	37.8%
<b>Total equity</b>	<b>812,603</b>	<b>693,341</b>	<b>17.2%</b>
<b>Total liabilities and equity</b>	<b>4,665,261</b>	<b>4,004,922</b>	<b>16.5%</b>

## *Forward-looking statements*

The forward-looking statements contained in this presentation are based upon the current beliefs and expectations of JSC Bank of Georgia's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. Factors that could cause JSC Bank of Georgia's actual results to differ materially from those described in this presentation can be found in JSC Bank of Georgia's Annual Report for the year ended 31 December 2010 which has been filed with the UK's Financial Services Authority and is available on Bank of Georgia's website [www.bankofgeorgia.ge/ir](http://www.bankofgeorgia.ge/ir) and on the London Stock Exchange website ([www.londonstockexchange.com](http://www.londonstockexchange.com)). JSC Bank of Georgia does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of this presentation

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