# BANK OF GEORGIA HOLDINGS PLC

## PRELIMINARY RESULTS ANNOUNCEMENT 2012

# TABLE OF CONTENTS



## FORWARD LOOKING STATEMENTS

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

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

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

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

*The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011. No statutory accounts for the Company for 2011 have been delivered to the Registrar of Companies, and those for 2012 will be delivered in due course.*

# 2012 Overview

Bank of Georgia Holdings plc (LSE: BGEO LN) (the "Bank"), the holding company of JSC Bank of Georgia and its subsidiaries, Georgia's leading bank, announces today the consolidated results for year ended 31 December 2012 (IFRS based, derived from management accounts with such announcement approved by the board of directors of BGH on 15 February 2013). The Bank reported full-year 2012 profit of GEL 179.6 million (US$ 108.4 million/GBP 67.4 million), or GEL 5.22 per share (US$3.15 per share/GBP1.96 per share). Unless otherwise mentioned, all comparisons refer to the full year 2011 results.

- **Positive operating leverage maintained with strong profitability**
  - Net interest margin of 7.9% in 2012, compared to 7.8% in 2011;
    - Q4 2012 NIM increased to 7.8% from 7.3% in Q3 2012.
  - Revenue increased by GEL 64.5 million, or 14.9%, y-o-y, to GEL 498.3 million; excluding the benefit of the one-off currency hedge gains in 2011, revenue increased by 21.9%;
    - Q4 2012 revenue grew 11.1% y-o-y to GEL 128.3 million; excluding the benefit of the one-off currency hedge in Q4 2011, Q4 2012 revenue grew 15.5%.
  - Positive operating leverage maintained, as operating expenses increased at a lower rate than revenue, up 5.2% y-o-y to GEL 221.2 million; excluding the 2011 one-off gains, operating leverage was 16.7%;
    - Q4 2012 operating expenses were largely flat q-o-q at GEL 54.0 million.
  - Cost to Income ratio improved to 44.4% from 48.5% in 2011, and to 42.1% in Q4 2012 from 44.4% in Q3 2012.
  - Profit before tax from continuing operations of GEL 212.8 million, up by GEL 40.7 million, or 23.7%; excluding the benefit of one-off currency hedge gains in 2011, profit grew 44.7%.
  - Profit for the period increased by GEL 43.8 million, or 32.3%, to GEL 179.6 million.
  - Earnings per share (basic) increased by 17.6% to GEL 5.22.
  - Return on Average Assets (ROAA) increased to 3.5%, compared to 3.2%.
  - Return on Average Equity (ROAE) increased to 19.1%, from 18.3%.
- **Strong balance sheet and capital position maintained**
  - Cost of Funds declined to 7.3% in 2012, compared to 8.0%.
    - Q4 2012 Cost of Funds of 6.6%, down from 7.1% in Q3 2012 and 8.4% in Q4 2011.
  - Net loan book increased by 18.2% during the year , while client deposits increased 2.7%, reflecting the Bank's strategy to improve its cost of funding by reducing high interest paying corporate deposits;
    - In US$ terms the net loan book increased by 19.2% reflecting the stable currency position.
    - Retail Banking client deposits grew 15.5%, Wealth Management client deposits grew 33.2%, Corporate Banking declined 17.1%, reflecting the targeted outflow of high-interest paying deposits.
  - Cost of Risk increased to 1.3% in 2012 from 0.9% in 2011, reflecting the absence of the previous year's net releases and recoveries and higher provisions in the second half of 2012**.**
  - Strong funding and liquidity position with a Net Loans to Customer Funds ratio of 114.8%. Net Loans to Customer Funds and Long-Term IFI Funding ratio was 91.9%. National Bank of Georgia (NBG) liquidity ratio of 41.1%, compared to 37.8% a year ago and to a 30% minimum requirement by the NBG.
  - BIS Tier 1 capital adequacy ratio improved to 22.0%.
  - Book Value per Share increased by 16.7% y-o-y to GEL 30.33 (US$18.31/GBP11.38).
  - Balance Sheet leverage reduced to 4.3 times at 31 December 2012, compared to 4.7 times at 31 December 2011 and 4.5 times at 30 September 2012.
- **Business highlights**
  - Strong performances from each of the Bank's businesses in Georgia – Corporate Banking and Retail Banking reported continued loan growth and improving efficiencies.
  - Retail Banking continues to deliver strong franchise growth, supported by the successful roll-out of the Express Banking strategy in 2012.
  - Corporate Banking has delivered strong, well-diversified balance sheet growth over the last 12 months; customer lending grew 23.1%
  - Wealth Management continued to expand its client franchise with deposits increasing by 33.2% to GEL 605.2 million during the year.
  - Excellent progress in developing the Bank's synergistic businesses: Insurance and Healthcare business expansion through acquisition of Imedi L International. Integration successfully executed, realising annual synergies of GEL 8.7 million; Affordable Housing completed its pilot project of an 123 apartment building realising SBRE's first profit of GEL 1.7 million; a second 522 apartment building project is in progress.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

"In 2012 your company reported another record profit of GEL 179.6 million, an increase of 32.3% from the profit delivered by Bank of Georgia in 2011. This strong progress continues to reflect the strength of the Bank's earnings power and resulted in a Return on Average Equity of 19.1%, up from 18.3%, and EPS growth of 17.6% to GEL 5.22, reflecting a strong business performance, significantly reduced cost of funding and improved efficiency across the business.

On 28 February 2012 Bank of Georgia Holdings PLC started trading on the LSE Main Market and in June 2012 became a FTSE 250 constituent company, which in turn has markedly improved the liquidity of your stock, positively affecting the price of BGEO LN, which grew 30.3% since the premium listing almost one year ago on the back of average trading volume of approximately 102 thousand shares per day (GBP 1.1 million). We have a well-diversified shareholder base including our long-time investors across various geographies and the addition of many new non-Emerging Markets focused institutional investors, who now make up circa 15% of our investor base.

2012 was a momentous year for Georgia as well. Following the parliamentary elections in October 2012, we witnessed a democratic passing of power for the first time in the country's history. The new government has asserted its commitment to the continuation of Georgia's investor and business friendly policies and in December 2012 the newly-elected parliament approved a well-balanced budget for 2013 that forecasts 6% real GDP growth, further improvements in general government debt ratios and a continous focus on infrastructure sector development. In Q4 2012, the uncertainty in respect of the change of political leadership resulted in a relative slow-down of corporate business lending growth throughout the Georgian banking sector. While we may continue to see this slower trend over the next few months, we have been encouraged by higher levels of business activity in January 2013.

Our revenue this year totalled GEL 498.3 million, up 21.9% (revenue adjusted for one-off currency hedge) compared to 2011. The significant increase in revenue was due to the robust performances of our businesses and the effects of our diversified sources of growth. Strong interest income was driven by the growth of both the retail and corporate loan books, especially in the first nine months of the year. Fee income increased 14.8% to GEL 86.5 million, reflecting our leadership in money transmission payments and the superior fee generating capabilities of our corporate banking business. We enjoy an estimated 50% market share in card acquiring business in Georgia, have unmatched client reach through the largest network of ATMs and Self Service Terminals, American Express card exclusivity in Georgia, as well as the exclusive management of transportation system payments.

Our Insurance and Healthcare businesses, which had an eventful year in terms of M&A activity, contributed 11.5% to the consolidated revenue and 8.7% to the consolidated profit, becoming an increasingly meaningful source of the Bank's income. Our affordable housing business successfully completed its pilot project, contributing GEL 15.5 million to the mortgage loan book and SBRE realising profit of GEL 1.7 million . Non-interest income amounted to 43.0% of revenue, an achievement that is particularly striking compared to four years ago, when this ratio stood at 34.3%.

We have become more efficient. For the past five quarters we have consistently delivered strong positive operating leverage, as our operating costs have regularly increased at only half the rate of revenue growth. Several factors behind this achievement are described below.

We successfully strengthened and expanded further our retail franchise through our Express banking strategy, which entails the rollout out of cost-efficient small-sized express branches, avoiding the need to build costly flagship branches, to continue to serve our ever-increasing client base. With Express banking in place, we have pushed further the ongoing shift to transactional banking by means of a wide-range of electronic channels, away from regular or flagship branches, which are now focusing on selling more value-added products and services. We have continued to invest in IT to minimise and, in certain cases, eliminate document flow, and stepped-up optimisation of the centralised retail banking back office. These developments coupled with the ongoing cost control measures that we already have in place, have resulted in a substantial improvement in the retail cost to income ratio to 44% from 51% last year while the corporate banking cost to income ratio improved to 33% from 43% in 2011. The increasing benefits we are delivering from these improved efficiencies are expected to underpin further improvements in our cost to income ratio over the next few years. It has been a rewarding and exciting experience to observe the effects of economies of scale.

Credit quality has continued to be robust, albeit the cost of credit risk was at the top end of our expected range, increasing by GEL 22.5 million to GEL 44.7 million, or 1.3% of customer lending. This largely reflected the absence of last year's releases and recoveries, and an increase in the retail banking impairment charge as a result of job reductions made in a large payroll client during the first half of the year. We did however see an increase in corporate provisions in the fourth quarter, reflecting the impact of a provision of GEL 14.2 million relating to one single corporate credit. This was offset however by the impact of the 2008 and 2009 stress years dropping out of our retail banking provision methodology.

I would also like to highlight the excellent progress we have made against our liability management objectives. Throughout the year we have consistently sought to optimise our funding structure and cost base. Strong branding and our pre-eminence in the retail segment has enabled aggressive deposit pricing on the back of the Bank's growing retail deposit base, while the more competitive corporate environment led to the outflow of expensive Lari corporate deposits, allowing us to replace them with less-costly long-term international borrowing. The funding profile of corporate banking has improved markedly as the corporate banking cost of deposits declined to a historic low of 6.2% in Q4 2012, also benefiting from superior access to trade finance lines, which represent substantially cheaper long-term funding. Overall, the Bank's cost of funding decreased to 7.3% from 8.0% last year, and as low as 6.6% in Q4 2012.

In 2013, we do not expect any changes to the fundamentals of our business strategy. We intend to continue to focus on the Georgian market, with retail banking and corporate banking continuing to drive profitability. The full effects of our recent scaling up of the business are still to be realised, as more customers shift to electronic channels. The introduction of a sophisticated CRM system will further enhance product penetration and boost revenues per client, thus further improving our efficiency. In corporate banking we intend to further expand our export and trade finance businesses and to build on our strong fee generating capabilities, supported by research and advisory services. We are set to build our regional asset management business on the currently AUM US$ 365.3 million–strong wealth management platform.

The potential health insurance reform, the structure of which is still under consideration, envisages the provision of basic healthcare coverage for the entire Georgian population in addition to existing state-subsidised socially vulnerable groups. We expect these reforms to be a positive factor for the healthcare revenues of Aldagi BCI, the country's leading healthcare provider.

While we are very pleased with our progress in cost optimisation in 2012, we see lots of opportunities to further improve efficiency and to ensure that our costs continue to increase at a lower rate than our revenue growth. In 2013, we will be vigilant of our asset quality and determined to continue to enhance our risk management practices.

At the end of December 2012, the Bank's total capital ratio, on a Basel 1 basis, was 27.0% and the tier 1 capital ratio was 22.0%. As a result, the Bank continues to maintain an extremely strong capital position with capital ratios significantly in excess of its minimum capital requirements. The Bank is well positioned to further improve its performance in 2013 and this, combined with continued strong profitability and capital ratios, has led the Board to review the Bank's dividend policy. The Board intends to recommend at the AGM an annual dividend of GEL 1.5 per share payable in British Sterling at the prevailing rate. This represents a significant increase of 114.3%, compared to the annual dividend of GEL 0.70 per share last year, a payout ratio of 28.7% and a dividend yield for shareholders of 5.5%, calculated on the basis of the preliminary results and using the 31 December 2012 share price of GBP 10.30. When the Bank announces that the Board is recommending any dividend to the AGM, the Bank will also announce details of the dividend timetable applicable to such dividend. Going forward, the Board will aim to maintain a dividend payout ratio in the 25%-40% range," commented ***Irakli Gilauri*****,** Chief Executive Officer of Bank of Georgia Holdings PLC and JSC Bank of Georgia.

1.6567 GEL/US$ 31 December 2012
1.6593 GEL/US$ 30 September 2012
1.6703 GEL/US$ 31 December 2011
2.6653 GEL/GBP 31 December 2012
2.6881 GEL/GBP 30 September 2012
2.5776 GEL/GBP 31 December 2011

# FINANCIAL SUMMARY

| **BGH (Consolidated, IFRS-based)** | **Year ended** | | **Change** |
|---|---|---|---|
| **Income Statement Summary** | **31 Dec 12** | **31 Dec 11** | **Y-O-Y**[1] |
| *GEL thousands, unless otherwise noted* | | ***Audited*** | |
| Revenue[2] | 498,255 | 433,753 | 14.9% |
| Operating expenses[3] | (221,152) | (210,165) | 5.2% |
| Operating income before cost of credit risk | 277,103 | 223,588 | 23.9% |
| Cost of credit risk[4] | (44,717) | (22,196) | 101.5% |
| Net operating income | 232,386 | 201,392 | 15.4% |
| Net non-operating expense, including goodwill impairment | (19,634) | (29,338) | -33.1% |
| Profit | 179,552 | 135,710 | 32.3% |

| **BGH (Consolidated, IFRS-based)** | **31 Dec 12** | **31 Dec 11** | **Change** |
|---|---|---|---|
| **Statement of Financial Position** | | ***Audited*** | **Y-O-Y** |
| Total assets | 5,655,595 | 4,665,261 | 21.2% |
| Net loans[5] | 3,092,320 | 2,616,361 | 18.2% |
| Customer funds[6] | 2,693,025 | 2,735,222 | -1.5% |
| Leverage[7] | 4.3 | 4.7 | |

## KEY PERFORMANCE MEASURES

| **Performance Indicators** | **2012** | **2011** |
|---|---|---|
| ROAE | 19.1% | 18.3% |
| Cost to Income Ratio | 44.4% | 48.5% |
| Net Interest Margin | 7.9% | 7.8% |
| Tier I Capital Adequacy Ratio (BIS)[8] | 22.0% | 19.9% |
| Total Capital Adequacy Ratio (BIS)[8] | 27.0% | 28.5% |
| NBG Tier I Capital Adequacy Ratio[9] | 13.8% | 10.5% |
| NBG Total Capital Adequacy Ratio[9] | 16.2% | 16.2% |
| EPS (GEL) | 5.22 | 4.44 |
| Loan portfolio growth | 18.2% | 10.6% |

[1] Compared to the respective period in 2011; growth calculations based on GEL values
[2] Revenue includes net interest income, net fee and commission income, net insurance revenue, net healthcare revenue and other operating non-interest income
[3] Operating expenses equal operating non-interest expenses
[4] Cost of credit risk includes impairment charge (reversal of impairment) on: loans to customers, finance lease receivables and other assets
[5] Net loans equal to net loans to customers and finance lease receivables
[6] Customer funds equal amounts due to customers
[7] Leverage (Times) equals Total Liabilities divided by Total Equity
[8] BIS Tier I Capital Adequacy Ratio equals consolidated Tier I capital as of the period end divided by total consolidated risk weighted assets as of the same date. BIS total capital equals total consolidated capital as of the period divided by total consolidated risk weighted assets. Both ratios calculated in accordance with the requirements of Basel Accord I
[9] NBG Tier I Capital and Total Capital Adequacy ratios calculated in accordance with the requirements of the National Bank of Georgia (NBG)

# DISCUSSION OF RESULTS

This summary compares the financial results for the year ended 31 December 2012 to the comparable period in 2011.

## Revenue

| *GEL thousands, unless otherwise noted* | Year ended 31 Dec 12 | 31 Dec 11 *Audited* | *Change Y-O-Y* |
|---|---|---|---|
| Loans to customers | 509,339 | 438,989 | *16.0%* |
| Investment securities[11] | 33,950 | 37,701 | *-9.9%* |
| Amounts due from credit institutions | 15,813 | 18,103 | *-12.6%* |
| Finance lease receivables | 8,701 | 6,565 | *32.5%* |
| **Interest income** | **567,803** | **501,358** | ***13.3%*** |
| Amounts due to customers | (202,484) | (167,294) | *21.0%* |
| Amounts due to credit institutions | (79,492) | (99,763) | *-20.3%* |
| **Interest expense** | **(281,976)** | **(267,057)** | ***5.6%*** |
| **Net interest income before interest rate swaps** | **285,827** | **234,301** | ***22.0%*** |
| Net (losses) gains from derivative financial instruments | (1,710) | 4,984 | *NMF* |
| **Net interest income** | **284,117** | **239,285** | ***18.7%*** |
| Fee and commission income | 109,278 | 93,541 | *16.8%* |
| Fee and commission expense | (22,791) | (18,204) | *25.2%* |
| **Net fee and commission income** | **86,487** | **75,337** | ***14.8%*** |
| Net insurance premiums earned | 91,176 | 46,396 | *96.5%* |
| Net insurance claims incurred | (57,038) | (28,658) | *99.0%* |
| **Net insurance revenue** | **34,138** | **17,738** | ***92.5%*** |
| Healthcare revenue | 54,376 | 5,700 | *NMF* |
| Cost of healthcare services | (31,030) | (3,242) | *NMF* |
| **Net healthcare revenue** | **23,346** | **2,458** | ***NMF*** |
| Net gain from trading and investment securities | 2,308 | 1,382 | *67.0%* |
| Net gain from revaluation of investment property | - | 1,984 | *-100.0%* |
| Net gain from foreign currencies | 49,571 | 51,385 | -3.5% |
| Other operating income | 18,288 | 19,128 | *-4.4%* |
| **Other operating non-interest income** | **70,167** | **73,879** | ***-5.0%*** |
| **Revenue adjusted for gain from BYR hedge** | **498,255** | **408,697** | **21.9%** |
| Gain from BYR hedge | - | 25,056 | -100.0% |
| **Revenue** | **498,255** | **433,753** | **14.9%** |

[11]Investment securities primarily consist of Georgian government treasury bills and bonds and National Bank of Georgia's Certificates of deposits *(CDs)*

The Bank maintained strong growth momentum across all main revenue items in 2012, delivering a record revenue of GEL 498.3 million, up 14.9% year-on-year. The key driver of solid revenue growth was net interest income, which increased by 18.7% to GEL 284.1 million as a result of growing interest earning assets and largely stable loan yields coupled with lower funding costs. A rapid expansion of the Bank's insurance and healthcare businesses, as a result of a combination of organic growth and acquisitions also boosted net insurance and net healthcare revenues and the two businesses together contributed 11.5% to the consolidated revenue in 2012, compared to 4.7% in 2011.

The 22.0% growth in net interest income before interest rate swaps, to GEL 285.8 million, was a result of a 13.3% increase in interest income and slower growth of interest expense, which grew at 5.6%, or less than half the interest income growth rate. Interest income growth was primarily driven by the healthy growth of the loan book on the back of stable loan yields maintained at 17.5% in 2012, compared to 17.6% in 2011. The reduction in the cost of funds from 8.0% in 2011 to 7.3% in 2012, reflected reduced deposit costs and the partial repayment of costly international borrowings following the Eurobond issuance in July 2012. Cost of funds to credit institutions were down by 161 basis points to 7.2% in 2012, as a result of targeted liability management throughout the year. Reflecting continued discipline with deposit pricing, the cost of client deposits declined from 7.6% in 2011 to 7.3% in 2012, while average customer funds increased by 25.0% during the year, which in turn resulted in a 21.0% increase in interest expense due to customers.

The Net Interest Margin (NIM) in the second half of the year remained broadly flat at 7.9%, despite the impact of the carrying cost of the Eurobond issued in July 2012.

*Net Interest Margin*

| *GEL thousands, unless otherwise noted* | Year ended 31 Dec 12 | 31 Dec 11 | *Change Y-O-Y* |
|---|---|---|---|
| Net interest income | 284,117 | 239,285 | *18.7%* |
| **Net Interest Margin** | **7.9%** | **7.8%** | ***1.3%*** |
| Average interest earning assets[10] | 3,614,921 | 3,082,850 | *17.3%* |
| Average interest bearing liabilities[10] | 3,904,874 | 3,292,724 | *18.6%* |
| Average customer funds outstanding | 2,772,597 | 2,217,275 | *25.0%* |

[10]Monthly averages are used for calculation of average interest earning assets and average interest bearing liabilities

In a positive shift towards diversifying revenue sources, net non-interest income grew 26.4% in 2012 and amounted to 43.0% of total revenue compared to 41.5% in 2011(excluding the effects of one-off gains from the Belarusian currency hedge in 2011). Net insurance revenue almost doubled from GEL 17.7 million to GEL 34.1 million, net healthcare revenue grew nearly tenfold to GEL 23.3 million, and net fee and commission income increased from GEL 75.3 million to GEL 86.5 million. Adjusted  for the impact of the last year's one-off currency (Belarusian Ruble) hedge gains, total revenue increased by 21.9% y-o-y.

*Net fee and commission income*

| *GEL thousands, unless otherwise noted* | Year ended 31 Dec 12 | 31 Dec 11 *Audited* | *Change Y-O-Y* |
|---|---|---|---|
| Fee and commission income | 109,278 | 93,541 | *16.8%* |
| Fee and commission expense | (22,791) | (18,204) | *25.2%* |
| **Net fee and commission income** | **86,487** | **75,337** | ***14.8%*** |

An increase in the level of economic activity in 2012 had a positive effect on clients' activity across all lines of settlement operations, including the Bank's card business operations, guarantees and letters of credit and cash operations. The growth of our Express banking service, through which the Bank delivers extremely cost-effective self-service transactional and remote banking facilities, has supported strong growth in banking operations. As a result, net fee and commission income, grew 14.8% to GEL 86.5 million in 2012.

*Net insurance revenue and net healthcare revenue*

| *GEL thousands, unless otherwise noted* | Year ended 31 Dec 12 | 31 Dec 11 *Audited* | *Change Y-O-Y* |
|---|---|---|---|
| Net insurance premiums earned | 91,176 | 46,396 | *96.5%* |
| Net insurance claims incurred | (57,038) | (28,658) | *99.0%* |
| **Net insurance revenue** | **34,138** | **17,738** | ***92.5%*** |
| Healthcare revenue | 54,376 | 5,700 | *NMF* |
| Cost of healthcare services, of which: | (31,030) | (3,242) | *NMF* |
| *Salaries and other employee benefits* | *(21,602)* | *(2,021)* | *NMF* |
| *Other operating expenses* | *(9,428)* | *(1,221)* | *NMF* |
| **Net healthcare revenue** | **23,346** | **2,458** | ***NMF*** |

Aldagi BCI had an eventful year in terms of M&A activity and delivered a record earnings performance becoming the undisputed leader in the Georgian insurance market. In May 2012, Aldagi BCI acquired Georgia's third largest insurance company, Imedi L International (Imedi L). The acquisition, along with the organic growth of Aldagi BCI, led to the excellent growth of our insurance businesses, which in turn translated into strong growth of the insurance policy portfolio. As a result, net insurance revenue nearly doubled in 2012 to GEL 34.1 million and contributed 6.9% to the total revenue of the Group compared to just 4.3% in 2011 revenue (adjusted for BYR hedge). The increase in net insurance claims mostly reflected the acquisition of Imedi L.

The growth of the healthcare business, following the expansion of healthcare operations by Aldagi BCI as a result of recent acquisitions, led to a tenfold growth in net healthcare revenue to GEL 23.3 million in 2012. The share of healthcare business to total revenue (adjusted for BYR hedge) increased from 0.6% in 2011 to 4.7% in 2012.

*Other operating non-interest income*

| *GEL thousands, unless otherwise noted* | Year ended 31 Dec 12 | 31 Dec 11 *Audited* | *Change Y-O-Y* |
|---|---|---|---|
| Net gain from trading and investment securities | 2,308 | 1,382 | *67.0%* |
| Net gain from revaluation of investment property | - | 1,984 | *-100.0%* |
| Net gain from foreign currencies | 49,571 | 51,385 | *-3.5%* |
| Other operating income* | 18,288 | 19,128 | *-4.4%* |
| **Other operating non-interest income adjusted for gain from BYR hedge** | **70,167** | **73,879** | ***-5.0%*** |
| Gain from BYR hedge | - | 25,056 | *-100.0%* |
| **Other operating non-interest income** | **70,167** | **98,935** | ***-29.1%*** |

**Other operating income includes Net revenue from sale of goods of the Bank's non-banking subsidiaries*

Other operating non-interest income, adjusted for one-off gains from the BYR currency hedge, decreased 5.0% to GEL 70.2 million, as a result of a 3.5% decline in net gain from foreign currencies reflecting the slowdown in economic activity in the second half of 2012 and a 4.4% decrease in other operating income. Affordable Housing and the Bank's non-core segments contributed GEL 4.4 million and GEL 9.6 million respectively to other operating income in 2012. Overall, other operating non-interest income declined by 29.1% y-o-y, due to the one-off gain of GEL 25.1 million on the BYR currency hedge in 2011.

## Net operating income, cost of credit risk, profit for the period

| *GEL thousands, unless otherwise noted* | Year ended 31 Dec 12 | 31 Dec 11 *Audited* | *Change Y-O-Y* |
|---|---|---|---|
| Salaries and other employee benefits | (122,556) | (114,622) | *6.9%* |
| General and administrative expenses | (67,041) | (61,942) | *8.2%* |
| Depreciation and amortization expenses | (28,606) | (27,254) | *5.0%* |
| Other operating expenses | (2,949) | (6,347) | *-53.5%* |
| **Operating non-interest expenses** | **(221,152)** | **(210,165)** | ***5.2%*** |
| **Operating income before cost of credit risk** | **277,103** | **223,588** | ***23.9%*** |
| Impairment charge on loans to customers | (39,186) | (23,216) | *68.8%* |
| Impairment charge on finance lease receivables | (495) | (317) | *56.2%* |
| Impairment reversal (charge) on other assets and provisions | (5,036) | 1,337 | *NMF* |
| **Cost of credit risk** | **(44,717)** | **(22,196)** | ***101.5%*** |
| **Net operating income** | **232,386** | **201,392** | ***15.4%*** |
| Net non-operating expense | (19,634) | (29,338) | *-33.1%* |
| **Profit before income tax expense** | **212,752** | **172,054** | ***23.7%*** |
| Income tax expense | (33,200) | (21,125) | *57.2%* |
| **Profit from continuing operations** | **179,552** | **150,929** | ***19.0%*** |
| Net loss from discontinued operations | - | (15,219) | *-100.0%* |
| **Profit** | **179,552** | **135,710** | ***32.3%*** |

The Bank successfully continues to deliver positive operating leverage on an ongoing basis. During 2012, the Bank's operating non-interest expenses increased by 5.2% to GEL 221.2 million, significantly lagging the revenue growth rate of 14.9%. Adjusted for the one-off currency hedge gain in 2011, operating leverage was 16.7% in 2012. The increase in expenses primarily reflected a 6.9% increase in salaries and other employee benefits as a result of the Bank's headcount growth to service Bank of Georgia's and its subsidiaries' increased revenue base over the last twelve months. General and administrative expenses for the reporting period grew by 8.2% to GEL 67.0 million, which included expenditure on new branches, distribution channels such as ATMs and self-service terminals, and marketing costs. The Cost to Income ratio improved further to 44.4% in 2012 from 48.5%, benefiting from ongoing cost efficiency measures undertaken by the Bank. When adjusted for the one-off revenue gains in 2011, the Cost to Income ratio improved substantially from 51.4% adjusted for BYR hedge gains to 44.4%, reflecting significant underlying cost efficiency improvements.

The Bank's operating income before the cost of credit risk increased by 23.9%, to GEL 277.1 million.

The cost of credit risk increased by GEL 22.5 million to GEL 44.7 million in 2012, reflecting the absence of the previous year's recoveries, the increase in the retail banking impairment charge as a result of job reductions made in a large payroll client during the first half of the year and the increase in the corporate banking cost of risk in the second half of the year, predominantly due to provisions attributed to a single corporate client in Q4 2012. In Q4 2012, an impairment charge of GEL14.2 million (increasing respective allowance for losses to 50% of total balance sheet exposure) was recognised in respect to one of the larger corporate clients of the Bank in the infrastructure sector, with a total exposure of GEL 58.8 million, of which GEL 36.2 million comprises of a loan and GEL 22.6 million off-balance sheet guarantee. Bankruptcy procedures have been initiated against the borrower, and while the Bank expects to be able to recover the un-provisioned amount of the loan from the borrower's assets (including pledged collateral) in the bankruptcy proceeding it will continue to assess objective evidence of further impairment of the overall exposure in 2013. These factors that negatively affected the cost of risk were partially offset by the effects of a change in the methodology for provisioning non-specific risks in the loan portfolio. The loss experience used to determine the appropriate general risk provision was changed from seven years to three years in Retail Banking in 2012. As a result of the changes, Retail Banking NPL coverage ratio decreased from 222.5% in Q3 2012 to 143.0% at the end of Q4 2012. As a result of the foregoing, in 2012 cost of risk amounted to 1.3%, up from 0.9% in 2011. The allowance for loan impairment was GEL 110.5 million or 3.5% of total gross loans as of 31 December 2012, compared to 4.2% as of 31 December 2011.

The Bank's non-performing loans (NPLs increased to GEL 126.3 million as of 31 December 2012 from GEL 100.3 million a year earlier, reflecting the addition of the above-mentioned corporate client. NPLs are defined as the principal and interest on loans overdue for more than 90 days any additional losses estimated by management. The Bank's NPLs to total gross loans ratio stood at 3.9% as of 31 December 2012, up from 3.7% a year ago, while NPL coverage ratio was at 87.5% at the year end.

The Bank's net operating income totalled GEL 232.4 million, up 15.4% year-on-year. Adjusted for the one-off gain in 2011, the net operating income in 2012 was up 31.8% y-o-y. In 2012, the Bank's net non-operating expenses declined to GEL 19.6 million from GEL 29.3 million in 2011. The non-operating expenses in 2012 were largely incurred for the purposes of tender offer and premium listing.

As a result of the foregoing, profit before income tax from continuing operations in 2012 totalled GEL 212.8 million, an increase of GEL 40.7 million, or 23.7% y-o-y. After income tax expense of GEL 33.2 million, the Bank's profit for the period stood at GEL 179.6 million, up by GEL 28.6 million, or 19.0%, while profit for the period adjusted for the net loss from discontinued operations in 2011, grew 32.3% y-o-y to GEL 179.6 million.

**Balance Sheet highlights**

As of 31 December 2012, the Bank's total assets stood at GEL 5,655.6 million, an increase of 21.2% since 31 December 2011. The annual growth in total assets reflects a strong growth in net loan book, which increased by GEL 476.0 million or 18.2%. On a constant currency basis, the net loan book grew by 19.2%.

The Bank's liquid assets, comprised of high quality assets including National Bank CDs, Georgian government treasury bills and bonds and interbank deposits and cash and cash equivalents, grew by 21.3% to GEL 1,624.3 million at 31 December 2012. The funds raised as a result of the Eurobond issuance by JSC Bank of Georgia in July 2012 contributed to the significant increase in the liquidity pool.

The growth of the loan book over the last twelve months was driven by a 10.4% increase in retail banking lending to GEL 1,348.3 million and a 23.1% increase in corporate banking lending to GEL 1,696.3 million. Loans denominated in foreign currencies (primarily in US$) accounted for 68.4% of the Bank's net loan book as of 31 December 2012, compared to 69.6% as of 31 December 2011 and 69.5% as of 30 September 2012.

Total liabilities amounted to GEL 4,596.1 million, up 19.3% year-to-date, driven by the growth in borrowed funds, up 42.0% to GEL 1,225.8 million as a result of the Eurobond issued in July 2012. The Bank's average customer funds grew 25.0% to GEL 2,772.6 million during the year, while the deposit rate cuts throughout the year led to a reduction of the more costly GEL denominated deposit base, bringing period end customer funds down by 1.5%, compared to last year, to GEL 2,693.0 million as of 31 December 2012. The planned deposit repricing resulted in the further reduction in the Cost of Client Deposits to 6.6% in Q4 2012, compared to 8.2% in Q4 2011 and 7.1% in Q3 2012. Correspondingly, the resulting outflow of the more costly GEL denominated deposits, increased the level of client deposits denominated in foreign currency to 68.7% of the Bank's client deposits as of 31 December 2012, from 59.1% as of 31 December 2011.

Shareholders' equity totalled GEL 1,059.5 million, a 16.3% increase since 28 February 2012, when Bank of Georgia Holdings PLC acquired 98.3% of the entire issued capital of JSC Bank of Georgia as a result of the Tender Offer (tender offer by BGH to Bank of Georgia shareholders as announced in December 2011 and completed in February 2012). Shareholders' equity increased by GEL 246.9 million compared to JSC Bank of Georgia's shareholders' equity as of 31 December 2011, the increase reflecting the inclusion of the current year's profit and the conversion of loan notes by EBRD and IFC into shareholders' equity in February 2012.

The Bank's Book Value per share on 31 December 2012 stood at GEL 30.33 (US$18.31/GBP11.38) compared to GEL 28.81/(US$17.36/GBP10.72) as of 30 September 2012 and GEL 25.98 (US$15.55/GBP10.08) as of 31 December 2011.

## Liquidity, Funding and Capital Management

| *GEL thousands, unless otherwise noted* | 31 Dec 12 | 31 Dec 11 *Audited* | *Change Y-O-Y* | 30 Sep 12 | *Change Q-O-Q* |
|---|---|---|---|---|---|
| Amounts due to credit institutions, of which: | 1,657,162 | 921,172 | *79.9%* | 1,454,045 | *14.0%* |
| *Borrowed funds* | *1,225,793* | *863,004* | *42.0%* | *1,091,314* | *12.3%* |
| *Inter-bank loans and deposits* | *431,369* | *58,168* | *NMF* | *362,731* | *18.9%* |
| Customer Funds | 2,693,025 | 2,735,222 | *-1.5%* | 2,795,794 | *-3.7%* |
| *Client deposits* | *2,622,911* | *2,554,084* | *2.7%* | *2,688,540* | *-2.4%* |
| *Promissory notes* | *70,114* | *181,138* | *-61.3%* | *107,254* | *-34.6%* |
| Net Loans / Customer Funds | 114.8% | 95.7% | | 109.6% | |
| **Liquid assets** | **1,624,317** | **1,338,952** | ***21.3%*** | **1,530,830** | ***6.1%*** |
| Liquid assets as percent of total assets | 28.7% | 28.7% | | 27.7% | |
| Liquid assets as percent of total liabilities | 35.3% | 34.8% | | 33.8% | |
| NBG liquidity ratio | 41.1% | 37.8% | | 42.0% | |

The Bank continues to maintain a strong liquidity position, considerably in excess of conservative regulatory requirements. The liquidity ratio, as per requirements of the National Bank of Georgia, stood at 41.1% against the required minimum of 30%, while liquid assets, comprised of cash and cash equivalents, investment securities consisting of National Bank of Georgia CDs, government treasury bills and bonds and interbank deposits accounted for 28.7% of total assets and 35.3% of total liabilities as of the end of December 2012.

The composition of the Bank's balance sheet reflects its aim to maintain a diversified funding base, while optimising funding costs. Customer lending was largely funded by customer deposits as the increase of the average client loans by GEL 426.0 million in 2012 compares to the increase of average customer funds/deposits by GEL 555.3 million. The strong trend of client deposit inflows in the first half of year was reversed in the second of 2012, as reduced deposit pricing led to lower customer account balances of corporate clients in particular in Q4 2012. The change in the funding structure also reflected the issuance of the Eurobond in July 2012, resulting in the increase of the Bank's Net Loans to Customer Funds ratio to 114.8% from 109.6% in Q3 2012 and 95.7% in Q4 2011. Net Loans to Customer Funds and Long-Term IFI Funding Ratio was 91.9% as of 31 December 2012 (72.7% in 2011), as the Bank's borrowed funds predominantly comprised of long-term borrowing from International Financial Institutions, which accounted for 54.9% of the Bank's borrowed funds and 14.6% of total liabilities.

*Capital Adequacy BIS*

| *GEL thousands, unless otherwise noted* | 31 Dec 12 | 31 Dec 11 *Audited* | *Change Y-O-Y* |
|---|---|---|---|
| Ordinary shares | 36,513 | 32,878 | *11.1%* |
| Share premium | 608,546 | 473,732 | *28.5%* |
| Retained earnings | 408,538 | 257,767 | *58.5%* |
| **Tier I capital** | **1,053,597** | **764,377** | ***37.8%*** |
| General loan loss provisions | 59,823 | 47,993 | *24.6%* |
| Revaluation reserves | 13,717 | 14,478 | *-5.3%* |
| Subordinated debt | 211,591 | 317,830 | *-33.4%* |
| **Tier II capital** | **285,132** | **380,301** | ***-25.0%*** |
| Deductions from capital | (46,121) | (49,341) | *-6.5%* |
| **Total Capital** | **1,292,608** | **1,095,337** | ***18.0%*** |
| Risk-weighted assets | 4,785,870 | 3,839,462 | *24.6%* |
| **Tier I capital adequacy ratio (BIS)** | **22.0%** | **19.9%** | ***2.1%*** |
| **Total capital adequacy ratio (BIS)** | **27.0%** | **28.5%** | ***-1.5%*** |

*Regulatory Capital and Capital Adequacy NBG*

| *GEL thousands, unless otherwise noted* | **31 Dec 12** | **31 Dec 11** ***Audited*** | ***Change Y-O-Y*** |
|---|---|---|---|
| Ordinary shares | 36,049 | 29,731 | *21.2%* |
| Share premium | 555,903 | 460,737 | *20.7%* |
| Retained earnings | 188,749 | 62,836 | *200.4%* |
| Less: Intangible Assets | (40,821) | (41,066) | *-0.6%* |
| **Tier I capital** | **739,880** | **512,238** | ***44.4%*** |
| Current year profit | 134,349 | 152,835 | *-12.1%* |
| General loan loss provisions | 63,827 | 54,871 | *16.3%* |
| Subordinated debt | 191,509 | 256,119 | *-25.2%* |
| **Tier II capital** | **389,685** | **463,825** | ***-16.0%*** |
| Deductions from capital | (262,616) | (184,323) | 42.5% |
| **Total Capital** | **866,949** | **791,740** | ***9.5%*** |
| Risk-weighted assets | 5,352,187 | 4,872,931 | *9.8%* |
| **Tier I capital adequacy ratio (NBG)** | **13.8%** | **10.5%** | ***3.3%*** |
| **Total capital adequacy ratio (NBG)** | **16.2%** | **16.2%** | **-** |

The Bank ended the year with an extremely strong capital position with robust Tier I ratio (BIS) of 22.0%. This is a further improvement from the 19.9% Tier I Capital of JSC Bank of Georgia in 2011.

Risk weighted assets increased 24.6% to GEL 4,785.9 million, reflecting the increase in interest earning assets during the year, while Tier 1 Capital (BIS) increased by GEL 289.2 million, of which GEL 150.8 million was generated by retained profits and GEL 73.9 million was due to the conversion of the EBRD and IFC subordinated and convertible loans into JSC Bank of Georgia's equity, subsequently acquired by BGH upon the completion of Tender Offer. Total capital resources increased by GEL 197.3 million.

# SEGMENT RESULTS

## Strategic Businesses Segment Result Discussion

*Segment result discussion is presented for the Bank of Georgia's retail banking (RB), corporate banking (CB) and wealth management (WM) operations in Georgia, excluding inter-company eliminations.*

## Retail banking

| *GEL thousands, unless otherwise noted* | Year ended 31 Dec 12 | 31 Dec 11 | *Change Y-O-Y* |
|---|---|---|---|
| Net interest income | 174,360 | 144,396 | *20.8%* |
| Net fee and commission income | 53,563 | 49,512 | *8.2%* |
| Net gain from foreign currencies | 14,985 | 12,992 | *15.3%* |
| Other operating non-interest income | 3,365 | 3,996 | *-15.8%* |
| **Revenue** | **246,273** | **210,896** | ***16.8%*** |
| Operating non-interest expenses | (109,041) | (107,936) | *1.0%* |
| **Operating income before cost of credit risk** | **137,232** | **102,960** | ***33.3%*** |
| Cost of credit risk | (12,482) | 2,575 | *NMF* |
| Net non-operating expense | (6,828) | (6,224) | *9.7%* |
| **Profit before income tax expense** | **117,922** | **99,311** | ***18.7%*** |
| Income tax expense | (16,392) | (9,582) | *71.1%* |
| **Profit from continuing operations** | **101,530** | **89,729** | ***13.2%*** |
| Net loss from discontinued operations | - | (7,183) | *-100.0%* |
| **Profit** | **101,530** | **82,546** | ***23.0%*** |
| Net loans, standalone | 1,348,331 | 1,221,443 | *10.4%* |
| Client deposits, standalone | 816,709 | 707,136 | *15.5%* |
| *Loan yield* | *21.4%* | *21.0%* | |
| *Cost of deposits* | *6.1%* | *6.7%* | |
| *Cost / income ratio* | *44.3%* | *51.2%* | |

Retail banking provides consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services and handling customer deposits for both individuals and legal entities, encompassing the mass affluent segment, retail mass markets, SME and micro businesses.

In 2012, retail banking revenue grew 16.8% y-o-y to GEL 246.3 million, driven by a 20.8% increase in net interest income to GEL 174.4 million reflecting the strong growth of the retail net loan book, which increased by GEL 126.9 million to GEL 1,348.3 million. Loan yields increased by 36 basis points to 21.4% y-o-y, while cost of deposits decreased from 6.7% in 2011 to 6.1% in 2012, reflecting the Bank's leadership in Georgia's retail segment. Net fees and commission income increased by 8.2% to GEL 53.6 million as a result of a growth of the Bank's card operations, boosted by the launch of the Bank's Express Banking franchise, while net gains from foreign currencies were up 15.3% to GEL 15.0 million.

In 2012, retail banking again reported strong positive operating leverage, with the expenses growth rate of 1.0% lagging significantly behind retail revenue growth of 16.8%. Increased efficiencies of scale, supported by the build-out of the Bank's Express banking franchise and prudent cost control measures, resulted in a markedly improved retail banking Cost to Income ratio, which was 44.3% in 2012 compared to 51.2% in 2011. As a result of the foregoing, operating income before cost of credit risk grew by 33.3% to GEL 137.2 million.

The Cost of credit risk of GEL 12.5 million was largely attributed to the consumer and credit card portfolio, reflecting provisions and impairments on credit card and consumer loan balances of employees of a large payroll client that implemented a significant layoff during the year. Retail banking profit before income tax expense amounted to GEL 117.9 million, an increase of 18.7%.

Deposits from retail clients increased by GEL 109.6 million, or 15.5% to GEL 816.7 million as of 31 December 2012 despite interest rate reductions that led to a decrease in the cost of retail deposits by 66 basis points to 6.1% in 2012. In Q4 2012, retail client deposits increased 9.6% q-o-q. US$ denominated deposits amounted to 69.4% of retail deposits, down from 73.2% in 2011.

*Highlights*

- Under its Express banking strategy, launched contactless Express cards for the first time in Georgia. Express cards also serve as a metro and bus transport contactless payment card and offer loyalty programmes to clients. Since the launch on 5 September 2012, 193,007 Express cards have been issued as of the date of this report.
- Increased its branch network, adding 30 Express branches since 31 December 2011 bringing the total Express branches and Metro branches to 63 (of which 24 Metro branches).
- Increased number of Self Service Terminals from 99 to 221 as of 31 December 2012. Self Service Terminals are used for bank transactions such as credit card and consumer loan payments, cash deposits, utility bill payments and mobile telephone top-ups.
- Issued 151,991 debit cards, including Express cards, in Q4 2012 bringing the total debit cards outstanding to 718,239 up 34.2% y-o-y.
- Issued 20,167 credit cards of which 18,346 were American Express cards in Q4 2012. A total of 156,385 American Express cards have been issued since the launch in November 2009. The total number of active credit cards outstanding amounted to 107,261 (of which 94,591 were American Express Cards).
- Outstanding number of Retail Banking clients totalled 1,054,248 up 18.6% y-o-y.
- Acquired 855 new clients in the Solo business line, the Bank's mass affluent sub-brand in Q4 2012. As of 31 December 2012, the number of Solo clients reached 5,413.
- Increased Point of Sales (POS) footprint: as of 31 December 2012, 231 desks at 474contracted merchants, up from 179 desks and 369 merchants as of 31 December 2011. GEL 56.4 million POS loans were issued in 2012, compared to GEL 40.1 million POS loans issued in 2011. POS loans outstanding amounted to GEL 30.5 million, up from GEL 24.7 million as of 31 December 2011.
- POS terminals outstanding reached 3,725, up 31.7% y-o-y. The volume of transactions through the Bank's POS terminals grew 36.5% y-o-y to GEL 336.8 million, while number of POS transactions increased by 1.4 million in 2012 from 3.0 million to 4.4 million.
- Consumer loan originations of GEL 434.5 million resulted in consumer loans outstanding totalling of GEL 350.5 million as of 31 December 2012 up 21.6% year-to-date.
- Micro loan originations of GEL 339.6 million resulted in micro loans outstanding totalling GEL 257.8 million as of 31 December 2012, up 5.4% year-to-date.
- SME loan originations of GEL 151.1 million resulted in SME loans outstanding totalling GEL 106.6 million as of 31 December 2012, up 44.1% year-to-date.
- Mortgage loans originations of GEL 132.4 million resulted in mortgage loans outstanding of GEL 388.7 million as of 31 December 2012, up 3.6% year-to-date.
- RB loan yield amounted to 21.3% in Q4 2012 (20.3% in Q4 2011) and RB deposit cost declined to 5.8% in Q4 2012 (6.8% in Q4 2011).

## Corporate banking

| | Year ended | | *Change* |
|---|---|---|---|
| *GEL thousands, unless otherwise noted* | **31 Dec 12** | **31 Dec 11** | ***Y-O-Y*** |
| Net interest income | 92,276 | 77,900 | *18.5%* |
| Net fee and commission income | 28,701 | 20,559 | *39.6%* |
| Net gain from foreign currencies | 29,819 | 27,383 | *8.9%* |
| Other operating non-interest income | 3,996 | 5,275 | *-24.2%* |
| **Revenue** | **154,792** | **131,117** | ***18.1%*** |
| Operating non-interest expenses | (51,323) | (56,282) | *-8.8%* |
| **Operating income before cost of credit risk** | **103,469** | **74,835** | ***38.3%*** |
| Cost of credit risk | (29,490) | (21,553) | *36.8%* |
| Net non-operating expense | (8,415) | (6,318) | *33.2%* |
| **Profit before income tax expense** | **65,564** | **46,964** | ***39.6%*** |
| Income tax expense | (9,936) | (4,896) | *102.9%* |
| **Profit from continuing operations** | **55,628** | **42,068** | ***32.2%*** |
| Net loss from discontinued operations | - | (7,807) | *-100.0%* |
| **Profit** | **55,628** | **34,261** | ***62.4%*** |
| Net loans, standalone | 1,696,325 | 1,378,147 | *23.1%* |
| Client deposits, standalone | 1,148,913 | 1,383,983 | *-17.0%* |
| *Loan yield* | *13.9%* | *14.4%* | |
| *Cost of deposits* | *7.2%* | *7.1%* | |
| *Cost / income ratio* | *33.2%* | *42.9%* | |

Corporate banking business in Georgia comprises of loans and other credit facilities to the country's large corporate clients as well as other legal entities, excluding SME and micro businesses. The services include fund transfers and settlements services, currency conversion operations, trade finance services and documentary operations as well as handling savings and term deposits for corporate and institutional customers. Corporate banking business also includes finance lease facility provided by the Bank's leasing operations (Georgian Leasing Company).

The 18.1% growth of corporate banking revenue during 2012 was driven by an 18.5% growth in net interest income to GEL 92.3 million and strong growth of net fees and commission income, up by 39.6% to GEL 28.7 million, in line with the Bank's focus on further developing its fee generating business for corporate clients. Net gains from foreign currencies rose to GEL 29.8 million, or 8.9% y-o-y, reflecting the increase in volumes of foreign currency conversions by the Bank's corporate clients. Further improvements in operating efficiency resulted in an 8.8% decline in corporate banking operating costs to GEL 51.3 million, translating into an improved corporate banking Cost to Income ratio of 33.2%, down from 42.9% in 2011.

As described above, in 2012, the corporate banking cost of credit risk increased to GEL 29.5 million from GEL 21.6 million in 2011As a result of its strong positive operating leverage, corporate banking posted profit before income tax expense of GEL 65.6 million, an increase of 39.6%.

Corporate banking net loans increased by GEL 318.2 million, or 23.1%, to GEL 1,696.3 million during the period, while corporate banking client deposits decreased by 17.0% to GEL 1,148.9 million. Aggressive corporate deposit pricing during the year resulted in the targeted ouflow of costly Lari denominated deposits which in turn led to the reduction of corporate cost of deposits to 6.2% in Q4 2012, which has not been fully reflected in the full year ratio. US$ denominated deposits amounted to 50.2% of corporate deposits, up from 38.4% in 2011.

*Highlights*

- The slight increase in corporate banking deposit cost is attributed to the strong inflow of costly GEL denominated deposits in Q4 2011 and Q1 2012. The subsequent reduction of the deposit rates has been partially reflected in Q4 2012 corporate banking deposit costs, which came down to 6.2% in Q4 2012 from 8.3% in Q1 2012 to 7.3% in Q2 2012 and 6.8% in Q3 2012.
- Corporate banking loan yield amounted to 13.9% in 2012 (14.4% in 2011) and Corporage banking deposit cost amounted to 7.2% (7.1% in 2011).
- Increased the number of corporate clients using the Bank's payroll services from 2,387 as of 31 December 2011 to 3,429 as of 31 December 2012. As of 31 December 2012, the number of individual clients serviced through the corporate payroll programmes administered by the Bank amounted to 204,629.
- Since its launch in June 2012, Bank of Georgia Research has initiated research coverage of Georgian Electricity Sector, Georgian Oil and Gas Corporation, Georgian Railway, and issued notes on Georgian State Budget and the Tourism Sector as of the date of this report. The Bank of Georgia research platform is aimed at supporting the growth of CB's fee generating business.
- Substantially increased the aggregate trade finance limits from international partner credit institutions from US$178.4 million equivalent to US$308.8 million diversified across different currencies (US$, EUR, CHF). The number of partner credit institutions that opened trade finance lines with the Bank increased from 10 to 14.

### Asset and Wealth Management

| | Year end | | *Change* |
|---|---|---|---|
| *GEL thousands, unless otherwise noted* | **31 Dec 12** | **31 Dec 11** | ***Y-O-Y*** |
| Net interest income | 12,644 | 6,000 | *110.7%* |
| Net fee and commission income | 523 | 604 | *-13.4%* |
| Net gain from foreign currencies | 682 | 740 | *-7.8%* |
| Other operating non-interest income | 73 | 24 | *NMF* |
| **Revenue** | **13,922** | **7,368** | ***89.0%*** |
| Operating non-interest expenses | (4,665) | (3,967) | *17.6%* |
| **Operating income before cost of credit risk** | **9,257** | **3,401** | ***172.2%*** |
| Cost of credit risk | 727 | 87 | *NMF* |
| Net non-operating expense | (305) | (197) | *54.8%* |
| **Profit before income tax expense** | **9,679** | **3,291** | ***194.1%*** |
| Income tax expense | (1,339) | (318) | *NMF* |
| **Profit from continuing operations** | **8,340** | **2,973** | ***180.5%*** |
| Net loss from discontinued operations | - | (229) | *-100.0%* |
| **Profit** | **8,340** | **2,744** | ***198.9%*** |
| Net loans, standalone | 38,644 | 35,774 | *8.0%* |
| Client deposits, standalone | 605,183 | 454,178 | *33.2%* |
| *Loan yield* | *11.3%* | *12.7%* | |
| *Cost of deposits* | *8.9%* | *9.9%* | |
| *Cost / income ratio* | *33.5%* | *53.8%* | |

The Bank's wealth management business provides private banking services to resident and non-resident clients by ensuring an individual approach and exclusivity in providing banking services such as holding the clients' savings and term deposits, fund transfers, currency exchange and settlement operations. In addition, wealth management involves providing wealth and asset management services to its clients through a wide range investment opportunities and specifically designed investment products.

In 2012, net interest income from wealth management more than doubled to GEL 12.6 million translating into a 89.0% y-o-y growth in revenue to GEL 13.9 million. Profit before income tax expense of the wealth management business grew from GEL 3.3 million in 2011 to GEL 9.7 million, as a result of considerably higher revenue growth compared to operating costs, which increased 17.6% to GEL 4.7 million. Client deposits of the wealth management business grew by GEL 151.0 million, or 33.2%, to GEL 605.2 million.

*Highlights*

- Expanded the representative office network by opening its third representative office for Eastern Europe, in Budapest, in September 2012.
- The Asset and Wealth Management (AWM) business currently serves over 1,300 clients from more than 60 countries. Client funds attracted by AWM have grown more than three times since the end of 2009 to GEL 605.2 million as of 31 December 2012, of which approximately GEL 100 million has been attracted from clients in Hungary.
- Bank of Georgia started a Certificates of Deposit (CD) Programme in December 2012 (official launch January 2013). Certificates of Deposit are tradable securities offering attractive yields to investors in both Local and Foreign currencies. CDs can be traded through both the Bank treasury department (Bid and Offer is published on the following link: http://bankofgeorgia.ge/ge/services/treasury-operations/deposit-certificates), and any authorised third party. The CD Programme is expected to further contribute to both expanding the client base and efficient liquidity management for the Bank.

## Synergistic Businesses

### Insurance and Healthcare (Aldagi BCI)

| | Year ended 31 Dec 2012 | | | | Year ended 31 Dec 2011 | | | | Change, Y-O-Y | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *GEL thousands, unless otherwise noted* | **Insurance** | **Healthcare** | **Eliminations** | **Total** | **Insurance** | **Healthcare** | **Eliminations** | **Total** | **Insurance** | **Healthcare** | **Total** |
| **Gross premiums written** | **127,922** | **-** | **-** | **127,922** | **61,845** | **-** | **-** | **61,845** | **106.8%** | **-** | **106.8%** |
| Net interest income (expense) | 1,825 | (6,481) | - | (4,656) | (249) | (143) | - | (392) | NMF | NMF | NMF |
| Net fee and commission expenses | (107) | - | - | (107) | - | - | - | - | - | - | - |
| Net insurance revenue | 29,661 | - | 6,422 | 36,083 | 17,725 | - | 1,900 | 19,625 | 67.3% | - | 83.9% |
| Net healthcare revenue (loss) | - | 29,768 | (6,422) | 23,346 | - | 4,358 | (1,900) | 2,458 | - | NMF | NMF |
| Net gain (loss) from foreign currencies | 238 | (1,090) | - | (852) | (779) | - | - | (779) | NMF | - | 9.4% |
| Other operating non-interest income | 1,000 | 257 | (209) | 1,048 | 1,294 | 802 | - | 2,096 | -22.7% | -68.0% | -50.0% |
| **Revenue** | **32,617** | **22,454** | **(209)** | **54,862** | **17,991** | **5,017** | **-** | **23,008** | **81.3%** | **NMF** | **138.4%** |
| Operating non-interest expenses | (17,437) | (17,917) | 209 | (35,145) | (12,382) | (3,582) | - | (15,964) | 40.8% | NMF | 120.2% |
| **Operating income before cost of credit risk** | **15,180** | **4,537** | **-** | **19,717** | **5,609** | **1,435** | **-** | **7,044** | **170.6%** | **NMF** | **179.9%** |
| Cost of credit risk | (1,502) | (802) | - | (2,304) | (1,885) | - | - | (1,885) | -20.3% | - | 22.2% |
| Net non-operating income | - | 440 | - | 440 | 702 | 1,402 | - | 2,104 | -100.0% | -68.6% | -79.1% |
| **Profit before income tax expense** | **13,678** | **4,175** | **-** | **17,853** | **4,426** | **2,837** | **-** | **7,263** | **NMF** | **47.2%** | **145.8%** |
| Income tax expense | (2,068) | (242) | - | (2,310) | (702) | (43) | - | (745) | 194.6% | NMF | NMF |
| **Profit from continuing operations** | **11,610** | **3,933** | **-** | **15,543** | **3,724** | **2,794** | **-** | **6,518** | **NMF** | **40.8%** | **138.5%** |
| Net gain from discontinued operations | - | - | - | - | - | - | - | - | - | - | - |
| **Profit** | **11,610** | **3,933** | **-** | **15,543** | **3,724** | **2,794** | **-** | **6,518** | **NMF** | **40.8%** | **138.5%** |
| *Cost / income ratio* | *53.5%* | *79.8%* | | *64.1%* | *68.8%* | *71.4%* | | *69.4%* | | | |

Aldagi BCI, the Bank's wholly-owned subsidiary, provides life and non-life insurance and healthcare products and services in Georgia. A leader in the Georgian life and non-life insurance markets, with a market share of 33.5% based on gross insurance premium revenue, Aldagi BCI cross-sells its insurance products with the Bank's retail banking, corporate banking and wealth management products. Aldagi BCI's healthcare business consists of My Family Clinic, Georgia's leading healthcare provider, operating a chain of healthcare centers in Georgia, in line with the Bank's strategy of vertically integrating its insurance and healthcare businesses.

In 2012, insurance and healthcare revenue increased to GEL 54.9 million from GEL 23.0 million in 2011, reflecting the growth of both the insurance and healthcare businesses through organic growth as well as through recent acquisitions, mainly Imedi L in May 2012. The Bank's insurance business doubled gross premiums written during the period and saw improvements in insurance claims management as a result of the successful integration of Imedi L Insurance. Operating costs growth of 40.8% y-o-y compares to a 81.3% growth of revenue, resulting in a strong increase of 170.6% in operating income before the cost of credit risk of the insurance operation. Net healthcare revenue grew from GEL 5.0 million in 2011 to GEL 22.5 million in 2012, driving the significant growth of operating income before cost of risk in the healthcare business from GEL 1.4 million to GEL 4.5 million in 2012.

As a result, Aldagi BCI posted revenue of GEL 54.9 million, up 138.4%, and profit before tax of GEL 17.9 million, up 145.8%. Excluding inter-company eliminations, the year-end profit of Aldagi BCI on a standalone basis amounted to GEL 16.4 million.

*Highlights*

- Completed the integration of business with Imedi L within three months of its acquisition.
- Increased market share by Gross insurance premium revenue to 33.5% as of 30 Sep 2012 from 20.0% at the end of December 2011.
- Increased number of insurance clients from 220,000 as of end of December 2011 to 607,000 as of 31 December 2012.
- As of Q4 2012, Aldagi BCI operated 22 hospitals with a total of 919 beds.
- In October 2012, Murtaz Kikoria replaced Nikoloz Gamkrelidze as Chief Executive Officer of Aldagi BCI. Prior to this appointment, Murtaz Kikoria served as Deputy CEO, Finance at JSC Bank of Georgia.

## Affordable Housing

| | Year ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *GEL thousands, unless otherwise noted* | **31 December 2012** | | | **31 December 2011** | | | **Change, Y-O-Y, %** | | |
| | **SBRE** | **Mortgages** | **Total** | **SBRE** | **Mortgages** | **Total** | **SBRE** | **Mortgages** | **Total** |
| Net interest income (expense) | (276) | 423 | 147 | (840) | 35 | (805) | -67.1% | NMF | NMF |
| Net fee and commission income | 196 | - | 196 | - | - | - | - | - | - |
| Net loss from foreign currencies | (145) | - | (145) | (51) | - | (51) | 184.3% | - | 184.3 |
| Other operating non-interest income | 4,378 | - | 4,378 | 3,378 | - | 3,378 | 29.6% | - | 29.6% |
| **Revenue** | **4,153** | **423** | **4,576** | **2,487** | **35** | **2,522** | **67.0%** | **NMF** | **81.4%** |
| Operating non-interest expenses | (2,381) | - | (2,381 | (2,029) | - | (2,029 | 17.3% | - | 17.3% |
| **Operating income before cost of credit** | **1,772** | **423** | **2,195** | **458** | **35** | **493** | **NMF** | **NMF** | **NMF** |
| Cost of credit risk | - | (219) | (219) | - | (32) | (32) | - | NMF | NMF |
| Net non-operating income | 282 | - | 282 | 8 | - | 8 | NMF | - | NMF |
| **Profit before Income tax benefit** | **2,054** | **204** | **2,258** | **466** | **3** | **469** | **NMF** | **NMF** | **NMF** |
| Income tax benefit (expense) | (307) | - | (307) | 178 | - | 178 | NMF | - | NMF |
| **Profit from continuing operations** | **1,747** | **204** | **1,951** | **644** | **3** | **647** | **171.3%** | **NMF** | **NMF** |
| Net gain from discontinued operations | - | - | - | - | - | - | - | - | - |
| **Profit** | **1,747** | **204** | **1,951** | **644** | **3** | **647** | **171.3%** | **NMF** | **NMF** |
| *Cost / income ratio* | *57.3%* | *0.0%* | *52.0%* | *81.6%* | *0.0%* | *80.5%* | | | |

The Affordable Housing business consists of the Bank's wholly-owned subsidiary SBRE, which holds investment properties repossessed by the Bank from defaulted borrowers. With the aim to improve liquidity of these repossessed real estate assets and stimulate the Bank's mortgage lending business capitalising on the market opportunity in the affordable housing segment in Georgia, the Bank develops and leases such real estate assets through SBRE. SBRE outsources the construction and architecture works and focuses on project management and sales of apartments and mortgages through its well-established branch network and sales force, thus representing a synergistic business for the Bank's mortgage business.

SBRE completed its pilot apartment project, recognising other operating income of GEL 4.4 million, which includes revenues from sale of apartments and rentals, compared to other operating income of GEL 3.4 million in 2011.

*Highlights*

- Pilot project of 123 apartment building with a total buildable area of 15,015 square meters completed; 117 of the units pre-sold. The total sales from the pilot project amounted to US$8.6 million. Project IRR estimated at 43%.
- Total mortgage loans extended under pilot project of the Affordable Housing amounted to GEL equivalent of US$4.1 million. Number of mortgages sold 71.
- Construction of a second project of 522 apartment building with a total buildable area of 63,247 square meters in progress. 227 already pre-sold. The total sales from this project amounted to US$18.2 million. Number of mortgages sold 113.
- Total mortgage loans extended under the second Affordable Housing project amounted to US$6.9 million.
- Drew down two tranches each in the amount of US$5 million of the US$20 million financing raised from FMO, Dutch Development Bank.
- Cash balance (comprising cash and cash equivalents and amounts due form credit institutions) of SBRE as of 31 December 2012 amounted to GEL 23.3 million.

## Non-Core Businesses

The Bank's non-core businesses that accounted for 4.3% of total assets and 5.6% of total revenue in 2012, comprise BNB, our Belarusian banking operation, and Liberty Consumer, a Georgia focused investment company in which the Bank holds a 67% stake. In order for the Bank to focus on its strategic businesses, the Bank has announced its intention to exit from its non-core operations. In line with its intention of exiting from its non-core operations, the Bank continued to sell and/or liquidate non-performing assets held by Liberty Consumer. As of 31 December 2012, the Bank still held Teliani Valley, a Georgian wine producer, through Liberty Consumer. The Bank intends to sell this remaining asset in due course. The Bank's 2011 consolidated results include the results of the operation of BG Bank, Ukraine for two months ended 28 February 2011. The Bank sold, its 80% equity interest in BG Bank in February 2011.

*BNB*

| | **Year ended** | | ***Change*** |
|---|---|---|---|
| *GEL thousands, unless otherwise noted* | **31 Dec 12** | **31 Dec 11** | ***Y-O-Y*** |
| Net interest income | 12,074 | 13,183 | *-8.4%* |
| Net fee and commission income | 3,809 | 2,028 | *87.8%* |
| Net gain from foreign currencies | 5,306 | 35,764 | *-85.2%* |
| Other operating non-interest income | 68 | (15) | *NMF* |
| **Revenue** | **21,257** | **50,960** | ***-58.3%*** |
| Operating non-interest expenses | (10,327) | (13,321) | *-22.5%* |
| **Operating income before cost of credit risk** | **10,930** | **37,639** | ***-71.0%*** |
| Cost of credit risk | (1,306) | (1,398) | *-6.6%* |
| Net non-operating expense | (443) | (18,225) | *-97.6%* |
| **Profit before Income tax expense** | **9,181** | **18,016** | ***-49.0%*** |
| Income tax expense | (2,367) | (6,009) | *-60.6%* |
| **Profit from continuing operations** | **6,814** | **12,007** | ***-43.2%*** |
| Net gain from discontinued operations | - | - | - |
| **Profit** | **6,814** | **12,007** | ***-43.2%*** |
| *Cost / income ratio* | *48.6%* | *26.1%* | |

Through BNB, the Bank provides retail banking and corporate banking services in Belarus. BNB reported good results attributed to strong growth in fee and commission income and decline in operating costs during the period. BNB's performance in 2012 resulted in a return on average equity of 16.4%, up from 4.1% as of year-end 2010 but down 35.4% from as of year end 2011 having been affected by hyperinflation and currency hedge. BNB's net loan book increased 2.4 times to GEL 112.1 million, while client funds amounted to GEL 105.2 million, up 2.4 times year on year. As of 31 December 2012, BNB's total assets stood at GEL 185.0 million, net loan book at GEL 117.3 million, client deposits at GEL 105.2 million and equity at GEL 45.7 million, representing 3.3%, 3.8% and 4.0% of the Bank's total assets, loan book and client deposits, respectively.

*Highlights*

- As of 31 December 2012, BNB was the 19th bank in Belarus by assets (2011: 23rd) and 13th by profit (2011: 20th).
- Increased revenues from trade finance operations by 54% to US$0.7 million.
- Stepped up plastic card issuance by 71% year-on-year to 20,000 cards outstanding as of 31 December 2012.
- Signed MSME US$ 8 million credit line facility with EBRD.
- Received Straight Through Processing (STP) Award from Commerzbank.
- Won “Best Belarusian Call center” contest among the banks in Belarus.

# RESULTS BY QUARTER

### Revenue

| *GEL thousands, unless otherwise noted* | Q4 2012 | Q4 2011 | Change Y-O-Y | Q3 2012 | Change Q-O-Q |
|---|---|---|---|---|---|
| Loans to customers | 134,451 | 115,816 | 16.1% | 129,923 | 3.5% |
| Investment securities[11] | 8,018 | 9,782 | -18.0% | 8,125 | -1.3% |
| Amounts due from credit institutions | 2,141 | 4,718 | -54.6% | 4,049 | -47.1% |
| Finance lease receivables | 2,327 | 3,099 | -24.9% | 2,241 | 3.8% |
| **Interest income** | **146,937** | **133,415** | **10.1%** | **144,338** | **1.8%** |
| Amounts due to customers | (46,284) | (49,719) | -6.9% | (52,435) | -11.7% |
| Amounts due to credit institutions | (23,943) | (23,536) | 1.7% | (21,502) | 11.4% |
| **Interest expense** | **(70,227)** | **(73,255)** | **-4.1%** | **(73,937)** | **-5.0%** |
| **Net interest income before interest rate swaps** | **76,710** | **60,160** | **27.5%** | **70,401** | **9.0%** |
| Net gain (loss) from interest rate swaps | (171) | (92) | 85.9% | (485) | -64.7% |
| **Net interest income** | **76,539** | **60,068** | **27.4%** | **69,916** | **9.5%** |
| Fee and commission income | 28,028 | 26,188 | 7.0% | 29,773 | -5.9% |
| Fee and commission expense | (6,906) | (4,086) | 69.0% | (5,942) | 16.2% |
| **Net fee and commission income** | **21,122** | **22,102** | **-4.4%** | **23,831** | **-11.4%** |
| Net insurance premiums earned | 32,956 | 11,515 | 186.2% | 25,837 | 27.6% |
| Net insurance claims incurred | (20,698) | (7,937) | 160.8% | (15,915) | 30.1% |
| **Net insurance revenue** | **12,258** | **3,578** | **NMF** | **9,922** | **23.5%** |
| Healthcare revenue | 15,751 | 3,630 | NMF | 16,038 | -1.8% |
| Cost of healthcare services | (8,626) | (2,318) | NMF | (9,013) | -4.3% |
| **Net healthcare revenue** | **7,125** | **1,312** | **NMF** | **7,025** | **1.4%** |
| Net gain from trading and investment securities | 73 | 850 | -91.4% | 1,282 | -94.3% |
| Net gain from revaluation of investment property | - | 1,984 | -100.0% | - | - |
| Net gain from foreign currencies | 10,878 | 16,520 | -34.2% | 12,502 | -13.0% |
| Other operating income | 293 | 4,665 | -93.7% | 6,503 | -95.5% |
| **Other operating non-interest income** | **11,244** | **24,019** | **-53.2%** | **20,287** | **-44.6%** |
| **Revenue adjusted for gain from BYR hedge** | **128,288** | **111,079** | **15.5%** | **130,981** | **-2.1%** |
| Gain from BYR hedge | - | 4,371 | -100.0% | - | - |
| **Revenue** | **128,288** | **115,450** | **11.1%** | **130,981** | **-2.1%** |

[11] primarily consist of Georgian government treasury bills and bonds and National Bank of Georgia's Certificates of deposits

The Bank's Q4 2012 revenue of GEL 128.3 million grew 11.1% y-o-y and but decreased 2.1% q-o-q due to the quiet post-election period. On a year-on-year basis, 27.4% increase in net interest income drove the growth in revenue, which was partially offset by lower net fee and commission income and the decline of net gains from foreign currencies as a result of lower demand of forex transactions in Q4 2012. The growth of net interest income during the period reflects the decreasing interest expense, down 4.1% y-o-y, as a result of the reduced Cost of Funds over the past twelve months. Cost of funds decreased to 6.6% in Q4 2012 from 8.4% in 2011. Insurance business posted strong results in Q4 2012, with net insurance revenue increasing 3.4 times y-o-y to GEL 12.3 million.

### *Net Interest Margin*

| *GEL thousands, unless otherwise noted* | Q4 2012 | Q4 2011 | *Change Y-O-Y* | Q3 2012 | *Change Q-O-Q* |
|---|---|---|---|---|---|
| Net interest income | 76,539 | 60,068 | *27.4%* | 69,916 | *9.5%* |
| **Net Interest Margin** | **7.8%** | **7.3%** | ***6.8%*** | **7.3%** | ***6.8%*** |
| Average interest earning assets[12] | 3,891,637 | 3,259,481 | *19.4%* | 3,815,503 | *2.0%* |
| Average interest bearing liabilities[12] | 4,264,983 | 3,458,812 | *23.3%* | 4,196,393 | *1.6%* |

[12] monthly averages are used for calculation of average interest earning assets and average interest bearing liabilities

The Q4 2012 Net Interest Margin increased from 7.3% to 7.8% y-o-y reflecting solid growth of net interest income on y-o-y basis as a sharp decline in the Cost of Funds from 8.4% to 6.6% significantly offset the slight decline in loan yield from 17.5% to 17.1% and the faster growth of average interest bearing liabilities compared to average interest earning assets. The q-o-q growth of the NIM was also driven by higher net interest income as a result of declining interest expense due to a reduction in the Cost of Funds from 7.1% to 6.6% q-o-q.

*Net insurance revenue and net healthcare revenue*

| *GEL thousands, unless otherwise noted* | **Q4 2012** | **Q4 2011** | ***Change Y-O-Y*** | **Q3 2012** | ***Change Q-O-Q*** |
|---|---|---|---|---|---|
| Net insurance premiums earned | 32,956 | 11,515 | *186.2%* | 25,837 | *27.6%* |
| Net insurance claims incurred | (20,698) | (7,937) | *160.8%* | (15,915) | *30.1%* |
| **Net insurance revenue** | **12,258** | **3,578** | ***NMF*** | **9,922** | ***23.5%*** |
| Healthcare revenue | 15,751 | 3,630 | *NMF* | 16,038 | *-1.8%* |
| Cost of healthcare services, of which: | (8,626) | (2,318) | *NMF* | (9,013) | *-4.3%* |
| *Salaries and other employee benefits* | *(5,793)* | *(1,463)* | *NMF* | *(6,343)* | *-8.7%* |
| *Other Operating expenses* | *(2,833)* | *(855)* | *NMF* | *(2,670)* | *6.1%* |
| **Net healthcare revenue** | **7,125** | **1,312** | ***NMF*** | **7,025** | ***1.4%*** |

The strong financial performance in insurance and healthcare business during the quarter was underpinned by organic growth and recent acquisitions. The insurance business posted strong results in Q4 2012, with net insurance revenue of GEL 12.3 million for the quarter increasing 3.4 times y-o-y and by 23.5% q-o-q. The healthcare business growth benefited from the integration from the recently acquired Imedi L and Q4 2012 net healthcare revenue increased more than fivefold to GEL 7.1 million, as a result of solid growth in healthcare revenue.

**Net operating income, cost of credit risk, profit for the period**

| *GEL thousands, unless otherwise noted* | **Q4 2012** | **Q4 2011** | ***Change Y-O-Y*** | **Q3 2012** | ***Change Q-O-Q*** |
|---|---|---|---|---|---|
| Salaries and other employee benefits | (32,383) | (28,356) | *14.2%* | (32,340) | *0.1%* |
| General and administrative expenses | (15,278) | (16,169) | *-5.5%* | (18,002) | *-15.1%* |
| Depreciation and amortization expenses | (7,303) | (7,735) | *-5.6%* | (7,384) | *-1.1%* |
| Other operating expenses | 998 | (1,600) | *NMF* | (388) | *NMF* |
| **Operating non-interest expenses** | **(53,966)** | **(53,860)** | ***0.2%*** | **(58,114)** | ***-7.1%*** |
| **Operating income before cost of credit risk** | **74,322** | **61,590** | ***20.7%*** | **72,867** | ***2.0%*** |
| Impairment charge on loans to customers | (13,898) | (6,194) | *124.4%* | (12,287) | *13.1%* |
| Impairment reversal (charge) on finance lease receivables | (286) | (195) | *46.7%* | 32 | *NMF* |
| Impairment charge on other assets and provisions | (1,940) | (2,380) | *-18.5%* | (2,390) | *-18.8%* |
| **Cost of credit risk** | **(16,124)** | **(8,769)** | ***83.9%*** | **(14,645)** | ***10.1%*** |
| **Net operating income** | **58,198** | **52,821** | ***10.2%*** | **58,222** | ***0.0%*** |
| Net non-operating expense | (4,189) | (9,709) | *-56.9%* | (3,051) | *37.3%* |
| **Profit before income tax expense** | **54,009** | **43,112** | ***25.3%*** | **55,171** | ***-2.1%*** |
| Income tax expense | (7,134) | (5,788) | *23.3%* | (8,528) | *-16.3%* |
| **Profit from continuing operations** | **46,875** | **37,324** | ***25.6%*** | **46,643** | ***0.5%*** |
| Net loss from discontinued operations | - | (2,972) | *-100.0%* | - | - |
| **Profit** | **46,875** | **34,352** | ***36.5%*** | **46,643** | ***0.5%*** |

In Q4 2012 the Bank maintained positive operating leverage on a year-on-year basis as operating non-interest expenses stayed broadly flat, compared to 11.1% revenue growth over the same period, driving the operating income before the cost of credit risk up 20.7% y-o-y to GEL 74.3 million. As a result of a decline in operating non-interest expenses by 7.1% q-o-q, operating income before cost of credit risk increased 2.0% q-o-q and operating leverage remained positive at 5.1%

In Q4 2012, the cost of credit risk increased from GEL 14.6 million to GEL 16.1 million q-o-q. In Q4 2012, the Bank changed the methodology of collective impairment assessment, whereby the loss experience used to determine the appropriate general risk provision was changed from seven years to three years in Retail banking in 2012, thus eliminating the stress years of 2008 and 2009 in the calculation.

As a result of the foregoing, the Bank's net operating income totalled GEL 58.2 million in Q4 2012, up GEL 5.4 million, or 10.2% year-on-year. The Bank's net non-operating expenses for the period declined to GEL 4.2 million from GEL 9.7 million in Q4 2011. Profit before income tax from continuing operations in the fourth quarter of 2012 therefore totalled GEL 54.0 million, an increase of GEL 10.9 million, or 25.3%. After income tax expense of GEL 7.1 million, the Bank's Q4 2012 profit stood at GEL 46.9 million, compared to GEL 34.4 million in the fourth quarter of 2011 and GEL 46.6 million in the third quarter of 2012.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

| *GEL thousands, unless otherwise noted* | **Dec-12 YTD** *Unaudited* | **Dec-11 YTD** *Audited* | **Change Y-O-Y %** |
|---|---|---|---|
| Loans to customers | 509,339 | 438,989 | 16.0% |
| Investment securities | 33,950 | 37,701 | -9.9% |
| Amounts due from credit institutions | 15,813 | 18,103 | -12.6% |
| Finance lease receivables | 8,701 | 6,565 | 32.5% |
| **Interest income** | **567,803** | **501,358** | **13.3%** |
| Amounts due to customers | (202,484) | (167,294) | 21.0% |
| Amounts due to credit institutions | (79,492) | (99,763) | -20.3% |
| **Interest expense** | **(281,976)** | **(267,057)** | **5.6%** |
| **Net interest income before interest rate swaps** | **285,827** | **234,301** | **22.0%** |
| Net gain (loss) from interest rate swaps | (1,710) | 4,984 | NMF |
| **Net interest income** | **284,117** | **239,285** | **18.7%** |
| Fee and commission income | 109,278 | 93,541 | 16.8% |
| Fee and commission expense | (22,791) | (18,204) | 25.2% |
| **Net fee and commission income** | **86,487** | **75,337** | **14.8%** |
| Net insurance premiums earned | 91,176 | 46,396 | 96.5% |
| Net insurance claims incurred | (57,038) | (28,658) | 99.0% |
| **Net insurance revenue** | **34,138** | **17,738** | **92.5%** |
| Healthcare revenue | 54,376 | 5,700 | NMF |
| Cost of healthcare services | (31,030) | (3,242) | NMF |
| **Net healthcare revenue** | **23,346** | **2,458** | **NMF** |
| Net gain from trading and investment securities | 2,308 | 1,382 | 67.0% |
| Net gain from revaluation of investment property | - | 1,984 | -100.0% |
| Net gain from foreign currencies | 49,571 | 76,441 | -35.2% |
| Other operating income | 18,288 | 19,128 | -4.4% |
| **Other operating non-interest income** | **70,167** | **98,935** | **-29.1%** |
| **Revenue** | **498,255** | **433,753** | **14.9%** |
| Salaries and other employee benefits | (122,556) | (114,622) | 6.9% |
| General and administrative expenses | (67,041) | (61,942) | 8.2% |
| Depreciation and amortization expenses | (28,606) | (27,254) | 5.0% |
| Other operating expenses | (2,949) | (6,347) | -53.5% |
| **Operating non-interest expenses** | **(221,152)** | **(210,165)** | **5.2%** |
| **Operating income before cost of credit risk** | **277,103** | **223,588** | **23.9%** |
| Impairment charge on loans to customers | (39,186) | (23,216) | 68.8% |
| Impairment charge on finance lease receivables | (495) | (317) | 56.2% |
| Impairment reversal (charge) on other assets and provisions | (5,036) | 1,337 | NMF |
| **Cost of credit risk** | **(44,717)** | **(22,196)** | **101.5%** |
| **Net operating income** | **232,386** | **201,392** | **15.4%** |
| Net non-operating expense | (19,634) | (29,338) | -33.1% |
| **Profit before Income tax expense** | **212,752** | **172,054** | **23.7%** |
| Income tax expense | (33,200) | (21,125) | 57.2% |
| **Profit from continuing operations** | **179,552** | **150,929** | **19.0%** |
| Net loss from discontinued operations | - | (15,219) | -100.0% |
| **Profit** | **179,552** | **135,710** | **32.3%** |
| ***Attributable to:*** | | | |
| *– shareholders of the Group* | *174,437* | *132,531* | *31.6%* |
| *– non-controlling interests* | *5,115* | *3,179* | *60.9%* |
| | | | |
| **Earning per share (basic)** | **5.22** | **4.44** | **17.6%** |
| **Earning per share (diluted)** | **5.17** | **4.20** | **23.1%** |

# CONSOLIDATED INCOME STATEMENT

| *GEL thousands, unless otherwise noted* | **Q4 - 2012 Quarter** *Unaudited* | **Q4 - 2011 Quarter** *Unaudited* | **Change Y-O-Y %** | **Q3 - 2012 Quarter** *Unaudited* | **Change Q-O-Q %** |
|---|---|---|---|---|---|
| Loans to customers | 134,451 | 115,816 | 16.1% | 129,923 | 3.5% |
| Investment securities | 8,018 | 9,782 | -18.0% | 8,125 | -1.3% |
| Amounts due from credit institutions | 2,141 | 4,718 | -54.6% | 4,049 | -47.1% |
| Finance lease receivables | 2,327 | 3,099 | -24.9% | 2,241 | 3.8% |
| **Interest income** | **146,937** | **133,415** | **10.1%** | **144,338** | **1.8%** |
| Amounts due to customers | (46,284) | (49,719) | -6.9% | (52,435) | -11.7% |
| Amounts due to credit institutions | (23,943) | (23,536) | 1.7% | (21,502) | 11.4% |
| **Interest expense** | **(70,227)** | **(73,255)** | **-4.1%** | **(73,937)** | **-5.0%** |
| **Net interest income before interest rate swaps** | **76,710** | **60,160** | **27.5%** | **70,401** | **9.0%** |
| Net gain (loss) from interest rate swaps | (171) | (92) | 85.9% | (485) | -64.7% |
| **Net interest income** | **76,539** | **60,068** | **27.4%** | **69,916** | **9.5%** |
| Fee and commission income | 28,028 | 26,188 | 7.0% | 29,773 | -5.9% |
| Fee and commission expense | (6,906) | (4,086) | 69.0% | (5,942) | 16.2% |
| **Net fee and commission income** | **21,122** | **22,102** | **-4.4%** | **23,831** | **-11.4%** |
| Net insurance premiums earned | 32,956 | 11,515 | 186.2% | 25,837 | 27.6% |
| Net insurance claims incurred | (20,698) | (7,937) | 160.8% | (15,915) | 30.1% |
| **Net insurance revenue** | **12,258** | **3,578** | **NMF** | **9,922** | **23.5%** |
| Healthcare revenue | 15,751 | 3,630 | NMF | 16,038 | -1.8% |
| Cost of healthcare services | (8,626) | (2,318) | NMF | (9,013) | -4.3% |
| **Net healthcare revenue** | **7,125** | **1,312** | **NMF** | **7,025** | **1.4%** |
| Net gain from trading and investment securities | 73 | 850 | -91.4% | 1,282 | -94.3% |
| Net gain from revaluation of investment property | - | 1,984 | -100.0% | - | - |
| Net gain from foreign currencies, of which: | 10,878 | 20,891 | -47.9% | 12,502 | -13.0% |
| Other operating income | 293 | 4,665 | -93.7% | 6,503 | -95.5% |
| **Other operating non-interest income** | **11,244** | **28,390** | **-60.4%** | **20,287** | **-44.6%** |
| **Revenue** | **128,288** | **115,450** | **11.1%** | **130,981** | **-2.1%** |
| Salaries and other employee benefits | (32,383) | (28,356) | 14.2% | (32,340) | 0.1% |
| General and administrative expenses | (15,278) | (16,169) | -5.5% | (18,002) | -15.1% |
| Depreciation and amortization expenses | (7,303) | (7,735) | -5.6% | (7,384) | -1.1% |
| Other operating expenses | 998 | (1,600) | NMF | (388) | NMF |
| **Operating non-interest expenses** | **(53,966)** | **(53,860)** | **0.2%** | **(58,114)** | **-7.1%** |
| **Operating income before cost of credit risk** | **74,322** | **61,590** | **20.7%** | **72,867** | **2.0%** |
| Impairment charge on loans to customers | (13,898) | (6,194) | 124.4% | (12,287) | 13.1% |
| Impairment reversal (charge) on finance lease receivables | (286) | (195) | 46.7% | 32 | NMF |
| Impairment charge on other assets and provisions | (1,940) | (2,380) | -18.5% | (2,390) | -18.8% |
| **Cost of credit risk** | **(16,124)** | **(8,769)** | **83.9%** | **(14,645)** | **10.1%** |
| **Net operating income** | **58,198** | **52,821** | **10.2%** | **58,222** | **0.0%** |
| Net non-operating expense | (4,189) | (9,709) | -56.9% | (3,051) | 37.3% |
| **Profit before Income tax expense** | **54,009** | **43,112** | **25.3%** | **55,171** | **-2.1%** |
| Income tax expense | (7,134) | (5,788) | 23.3% | (8,528) | -16.3% |
| **Profit from continuing operations** | **46,875** | **37,324** | **25.6%** | **46,643** | **0.5%** |
| Net loss from discontinued operations | - | (2,972) | -100.0% | - | - |
| **Profit** | **46,875** | **34,352** | **36.5%** | **46,643** | **0.5%** |
| ***Attributable to:*** | | | | | |
| *– shareholders of the Group* | *45,228* | *31,972* | *41.5%* | *44,994* | *0.5%* |
| *– non-controlling interests* | *1,647* | *2,380* | *-30.8%* | *1,649* | *-0.1%* |
| | | | | | |
| **Earnings per share (basic)** | **1.33** | **1.08** | **23.1%** | **1.35** | **-1.5%** |
| **Earnings per share (diluted)** | **1.33** | **1.03** | **29.1%** | **1.35** | **-1.5%** |

## CONSOLIDATED BALANCE SHEET

| *GEL thousands, unless otherwise noted* | **Dec-12** ***Unaudited*** | **Dec-11** ***Audited*** | **Change Y-O-Y %** | **Sep-12** ***Unaudited*** | **Change Q-O-Q %** |
|---|---|---|---|---|---|
| Cash and cash equivalents | 762,827 | 628,731 | 21.3% | 666,896 | 14.4% |
| Amounts due from credit institutions | 396,559 | 289,530 | 37.0% | 487,275 | -18.6% |
| Investment securities | 463,960 | 419,576 | 10.6% | 375,853 | 23.4% |
| Loans to customers and finance lease receivables | 3,092,320 | 2,616,361 | 18.2% | 3,063,390 | 0.9% |
| Investments in associates | 2,441 | 3,014 | -19.0% | 3,020 | -19.2% |
| Investment property | 160,353 | 101,686 | 57.7% | 149,904 | 7.0% |
| Property and equipment | 430,877 | 348,110 | 23.8% | 412,487 | 4.5% |
| Goodwill | 45,657 | 46,195 | -1.2% | 45,463 | 0.4% |
| Intangible assets | 23,078 | 21,222 | 8.7% | 20,667 | 11.7% |
| Income tax assets | 15,296 | 23,339 | -34.5% | 23,883 | -36.0% |
| Prepayments | 41,147 | 29,929 | 37.5% | 47,748 | -13.8% |
| Other assets | 221,080 | 137,568 | 60.7% | 233,931 | -5.5% |
| **Total assets** | **5,655,595** | **4,665,261** | **21.2%** | **5,530,517** | **2.3%** |
| | | | | | |
| Amounts due to customers, of which: | 2,693,025 | 2,735,222 | -1.5% | 2,795,794 | -3.7% |
| *Client deposits* | *2,622,911* | *2,554,084* | *2.7%* | *2,688,540* | *-2.4%* |
| *Promissory notes and CDs issued* | *70,114* | *181,138* | *-61.3%* | *107,254* | *-34.6%* |
| Amounts due to credit institutions | 1,657,162 | 921,172 | 79.9% | 1,454,045 | 14.0% |
| Income tax liabilities | 60,002 | 37,416 | 60.4% | 61,646 | -2.7% |
| Provisions | 683 | 386 | 76.9% | 603 | 13.3% |
| Other liabilities | 185,211 | 158,462 | 16.9% | 210,481 | -12.0% |
| **Total liabilities** | **4,596,083** | **3,852,658** | **19.3%** | **4,522,569** | **1.6%** |
| | | | | | |
| Share capital | 957 | 32,878 | -97.1% | 965 | -0.8% |
| Additional paid-in capital | 14,767 | 473,732 | -96.9% | - | - |
| Treasury shares | (69) | (3,146) | -97.8% | (68) | 1.5% |
| Other reserves | 14,097 | 14,478 | -2.6% | 15,980 | -11.8% |
| Retained earnings | 981,322 | 254,588 | NMF | 945,006 | 3.8% |
| **Total equity attributable to shareholders of the Group** | **1,011,074** | **772,530** | **30.9%** | **961,883** | **5.1%** |
| Non-controlling interests | 48,438 | 40,073 | 20.9% | 46,065 | 5.2% |
| **Total equity** | **1,059,512** | **812,603** | **30.4%** | **1,007,948** | **5.1%** |
| **Total liabilities and equity** | **5,655,595** | **4,665,261** | **21.2%** | **5,530,517** | **2.3%** |
| | | | | | |
| **Book value per share** | **30.33** | **25.98** | **16.7%** | **28.81** | **5.3%** |

# CONSOLIDATED INCOME STATEMENT

| | | USD | | | GBP | |
|---|---|---|---|---|---|---|
| *Thousands, unless otherwise noted* | **Dec-12 YTD *Unaudited*** | **Dec-11 YTD *Audited*** | **Change Y-O-Y %** | **Dec-12 YTD *Unaudited*** | **Dec-11 YTD *Audited*** | **Change Y-O-Y %** |
| Loans to customers | 307,442 | 262,820 | 17.0% | 191,100 | 170,309 | 12.2% |
| Investment securities | 20,493 | 22,571 | -9.2% | 12,738 | 14,626 | -12.9% |
| Amounts due from credit institutions | 9,545 | 10,838 | -11.9% | 5,933 | 7,023 | -15.5% |
| Finance lease receivables | 5,251 | 3,931 | 33.6% | 3,264 | 2,548 | 28.1% |
| **Interest income** | **342,731** | **300,160** | **14.2%** | **213,035** | **194,506** | **9.5%** |
| Amounts due to customers | (122,221) | (100,158) | 22.0% | (75,970) | (64,903) | 17.1% |
| Amounts due to credit institutions | (47,982) | (59,727) | -19.7% | (29,825) | (38,704) | -22.9% |
| **Interest expense** | **(170,203)** | **(159,885)** | **6.5%** | **(105,795)** | **(103,607)** | **2.1%** |
| **Net interest income before interest rate swaps** | **172,528** | **140,275** | **23.0%** | **107,240** | **90,899** | **18.0%** |
| Net gain (loss) from interest rate swaps | (1,032) | 2,984 | NMF | (641) | 1,933 | NMF |
| **Net interest income** | **171,496** | **143,259** | **19.7%** | **106,599** | **92,832** | **14.8%** |
| Fee and commission income | 65,961 | 56,003 | 17.8% | 41,000 | 36,290 | 13.0% |
| Fee and commission expense | (13,757) | (10,899) | 26.2% | (8,551) | (7,062) | 21.1% |
| **Net fee and commission income** | **52,204** | **45,104** | **15.7%** | **32,449** | **29,228** | **11.0%** |
| Net insurance premiums earned | 55,035 | 27,777 | 98.1% | 34,209 | 18,000 | 90.1% |
| Net insurance claims incurred | (34,429) | (17,157) | 100.7% | (21,401) | (11,118) | 92.5% |
| **Net insurance revenue** | **20,606** | **10,620** | **94.0%** | **12,808** | **6,882** | **86.1%** |
| Healthcare revenue | 32,822 | 3,413 | NMF | 20,401 | 2,211 | NMF |
| Cost of healthcare services | (18,730) | (1,941) | NMF | (11,642) | (1,257) | NMF |
| **Net healthcare revenue** | **14,092** | **1,472** | **NMF** | **8,759** | **954** | **NMF** |
| Net gain from trading and investment securities | 1,393 | 827 | 68.4% | 866 | 536 | 61.6% |
| Net gain from revaluation of investment property | - | 1,188 | -100.0% | - | 770 | -100.0% |
| Net gain from foreign currencies | 29,922 | 45,765 | -34.6% | 18,599 | 29,656 | -37.3% |
| Other operating income | 11,038 | 11,451 | -3.6% | 6,861 | 7,420 | -7.5% |
| **Other operating non-interest income** | **42,353** | **59,231** | **-28.5%** | **26,326** | **38,382** | **-31.4%** |
| **Revenue** | **300,751** | **259,686** | **15.8%** | **186,941** | **168,278** | **11.1%** |
| Salaries and other employee benefits | (73,976) | (68,624) | 7.8% | (45,982) | (44,468) | 3.4% |
| General and administrative expenses | (40,467) | (37,084) | 9.1% | (25,153) | (24,031) | 4.7% |
| Depreciation and amortization expenses | (17,267) | (16,317) | 5.8% | (10,733) | (10,573) | 1.5% |
| Other operating expenses | (1,779) | (3,800) | -53.2% | (1,106) | (2,463) | -55.1% |
| **Operating non-interest expenses** | **(133,489)** | **(125,825)** | **6.1%** | **(82,974)** | **(81,535)** | **1.8%** |
| **Operating income before cost of credit risk** | **167,262** | **133,861** | **25.0%** | **103,967** | **86,743** | **19.9%** |
| Impairment charge on loans to customers | (23,653) | (13,899) | 70.2% | (14,702) | (9,007) | 63.2% |
| Impairment charge on finance lease receivables | (299) | (190) | 57.4% | (186) | (123) | 51.2% |
| Impairment reversal (charge) on other assets and provisions | (3,040) | 800 | NMF | (1,890) | 519 | NMF |
| **Cost of credit risk** | **(26,992)** | **(13,289)** | **103.1%** | **(16,778)** | **(8,611)** | **94.8%** |
| **Net operating income** | **140,270** | **120,572** | **16.3%** | **87,189** | **78,132** | **11.6%** |
| Net non-operating expense | (11,851) | (17,564) | -32.5% | (7,366) | (11,382) | -35.3% |
| **Profit before income tax expense** | **128,419** | **103,008** | **24.7%** | **79,823** | **66,750** | **19.6%** |
| Income tax expense | (20,040) | (12,648) | 58.4% | (12,456) | (8,196) | 52.0% |
| **Profit from continuing operations** | **108,379** | **90,360** | **19.9%** | **67,367** | **58,554** | **15.1%** |
| Net loss from discontinued operations | - | (9,111) | -100.0% | - | (5,904) | -100.0% |
| **Profit** | **108,379** | **81,249** | **33.4%** | **67,367** | **52,650** | **28.0%** |
| ***Attributable to:*** | | | | | | |
| *– shareholders of the Group* | *105,292* | *79,346* | *32.7%* | *65,448* | *51,417* | *27.3%* |
| *– non-controlling interests* | *3,087* | *1,903* | *62.2%* | *1,919* | *1,233* | *55.6%* |
| | | | | | | |
| **Earnings per share (basic)** | **3.15** | **2.66** | **18.4%** | **1.96** | **1.72** | **14.0%** |
| **Earnings per share (diluted)** | **3.12** | **2.51** | **24.3%** | **1.94** | **1.63** | **19.0%** |

# CONSOLIDATED INCOME STATEMENT

| | USD | | | | | GBP | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q4-2012 | Q4-2011 | Change | Q3-2012 | Change | Q4-2012 | Q4-2011 | Change | Q3-2012 | Change |
| *Thousands, unless otherwise noted* | Quarter | Quarter | Y-O-Y | Quarter | Q-O-Q | Quarter | Quarter | Y-O-Y | Quarter | Q-O-Q |
| | *Unaudited* | *Unaudited* | % | *Unaudited* | % | *Unaudited* | *Unaudited* | % | *Unaudited* | % |
| Loans to customers | 81,156 | 69,338 | 17.0% | 78,300 | 3.6% | 50,445 | 44,932 | 12.3% | 48,333 | 4.4% |
| Investment securities | 4,840 | 5,856 | -17.3% | 4,897 | -1.2% | 3,008 | 3,795 | -20.7% | 3,023 | -0.5% |
| Amounts due from credit institutions | 1,292 | 2,825 | -54.3% | 2,440 | -47.0% | 803 | 1,830 | -56.1% | 1,506 | -46.7% |
| Finance lease receivables | 1,405 | 1,856 | -24.3% | 1,350 | 4.1% | 874 | 1,202 | -27.3% | 833 | 4.9% |
| **Interest income** | **88,693** | **79,875** | **11.0%** | **86,987** | **2.0%** | **55,130** | **51,759** | **6.5%** | **53,695** | **2.7%** |
| Amounts due to customers | (27,937) | (29,767) | -6.1% | (31,601) | -11.6% | (17,365) | (19,289) | -10.0% | (19,506) | -11.0% |
| Amounts due to credit institutions | (14,452) | (14,091) | 2.6% | (12,958) | 11.5% | (8,983) | (9,131) | -1.6% | (7,999) | 12.3% |
| **Interest expense** | **(42,390)** | **(43,857)** | **-3.3%** | **(44,559)** | **-4.9%** | **(26,349)** | **(28,420)** | **-7.3%** | **(27,505)** | **-4.2%** |
| **Net interest income before interest rate swaps** | **46,303** | **36,017** | **28.6%** | **42,428** | **9.1%** | **28,781** | **23,340** | **23.3%** | **26,190** | **9.9%** |
| Net gain (loss) from interest rate swaps | (103) | (55) | 87.3% | (292) | -64.7% | (64) | (36) | 77.8% | (181) | -64.6% |
| **Net interest income** | **46,200** | **35,962** | **28.5%** | **42,136** | **9.6%** | **28,717** | **23,304** | **23.2%** | **26,009** | **10.4%** |
| Fee and commission income | 16,918 | 15,679 | 7.9% | 17,943 | -5.7% | 10,516 | 10,160 | 3.5% | 11,076 | -5.1% |
| Fee and commission expense | (4,169) | (2,447) | 70.4% | (3,581) | 16.4% | (2,591) | (1,585) | 63.5% | (2,211) | 17.2% |
| **Net fee and commission income** | **12,749** | **13,232** | **-3.7%** | **14,362** | **-11.2%** | **7,925** | **8,575** | **-7.6%** | **8,865** | **-10.6%** |
| Net insurance premiums earned | 19,893 | 6,894 | 188.6% | 15,571 | 27.8% | 12,365 | 4,467 | 176.8% | 9,612 | 28.6% |
| Net insurance claims incurred | (12,494) | (4,752) | 162.9% | (9,591) | 30.3% | (7,766) | (3,079) | 152.2% | (5,921) | 31.2% |
| **Net insurance revenue** | **7,399** | **2,142** | **NMF** | **5,980** | **23.7%** | **4,599** | **1,388** | **NMF** | **3,691** | **24.6%** |
| Healthcare revenue | 9,507 | 2,173 | NMF | 9,666 | -1.6% | 5,910 | 1,408 | NMF | 5,966 | -0.9% |
| Cost of healthcare services | (5,206) | (1,388) | NMF | (5,432) | -4.2% | (3,237) | (899) | NMF | (3,353) | -3.5% |
| **Net healthcare revenue** | **4,301** | **785** | **NMF** | **4,234** | **1.6%** | **2,673** | **509** | **NMF** | **2,613** | **2.3%** |
| Net gain from trading and investment securities | 44 | 509 | -91.4% | 773 | -94.3% | 27 | 330 | -91.8% | 477 | -94.3% |
| Net gain from revaluation of investment property | - | 1,188 | -100.0% | - | - | - | 770 | -100.0% | - | - |
| Net gain from foreign currencies | 6,566 | 12,507 | -47.5% | 7,535 | -12.9% | 4,081 | 8,105 | -49.6% | 4,651 | -12.3% |
| Other operating income | 177 | 2,794 | -93.7% | 3,918 | -95.5% | 111 | 1,809 | -93.9% | 2,420 | -95.4% |
| **Other operating non-interest income** | **6,787** | **16,998** | **-60.1%** | **12,226** | **-44.5%** | **4,219** | **11,014** | **-61.7%** | **7,548** | **-44.1%** |
| **Revenue** | **77,436** | **69,119** | **12.0%** | **78,938** | **-1.9%** | **48,133** | **44,790** | **7.5%** | **48,726** | **-1.2%** |
| Salaries and other employee benefits | (19,547) | (16,977) | 15.1% | (19,490) | 0.3% | (12,150) | (11,001) | 10.4% | (12,031) | 1.0% |
| General and administrative expenses | (9,222) | (9,680) | -4.7% | (10,849) | -15.0% | (5,732) | (6,273) | -8.6% | (6,697) | -14.4% |
| Depreciation and amortization expenses | (4,408) | (4,631) | -4.8% | (4,450) | -0.9% | (2,740) | (3,001) | -8.7% | (2,747) | -0.3% |
| Other operating expenses | 602 | (957) | NMF | (235) | NMF | 374 | (621) | NMF | (144) | NMF |
| **Operating non-interest expenses** | **(32,575)** | **(32,245)** | **1.0%** | **(35,024)** | **-7.0%** | **(20,248)** | **(20,896)** | **-3.1%** | **(21,619)** | **-6.3%** |
| **Operating income before cost of credit risk** | **44,861** | **36,874** | **21.7%** | **43,914** | **2.2%** | **27,885** | **23,894** | **16.7%** | **27,107** | **2.9%** |
| Impairment charge on loans to customers | (8,389) | (3,708) | 126.2% | (7,405) | 13.3% | (5,214) | (2,403) | 117.0% | (4,571) | 14.1% |
| Impairment reversal (charge) on finance lease receivables | (173) | (117) | 47.9% | 19 | NMF | (107) | (76) | 40.8% | 12 | NMF |
| Impairment charge on other assets and provisions | (1,170) | (1,425) | -17.9% | (1,440) | -18.8% | (729) | (923) | -21.0% | (889) | -18.0% |
| **Cost of credit risk** | **(9,732)** | **(5,250)** | **85.4%** | **(8,826)** | **10.3%** | **(6,050)** | **(3,402)** | **77.8%** | **(5,448)** | **11.0%** |
| **Net operating income** | **35,129** | **31,624** | **11.1%** | **35,088** | **0.1%** | **21,835** | **20,492** | **6.6%** | **21,659** | **0.8%** |
| Net non-operating expense | (2,529) | (5,813) | -56.5% | (1,838) | 37.6% | (1,571) | (3,766) | -58.3% | (1,135) | 38.4% |
| **Profit before Income tax expense** | **32,600** | **25,811** | **26.3%** | **33,250** | **-2.0%** | **20,264** | **16,726** | **21.2%** | **20,524** | **-1.3%** |
| Income tax expense | (4,306) | (3,465) | 24.3% | (5,140) | -16.2% | (2,677) | (2,246) | 19.2% | (3,172) | -15.6% |
| **Profit from continuing operations** | **28,294** | **22,346** | **26.6%** | **28,110** | **0.7%** | **17,587** | **14,480** | **21.5%** | **17,352** | **1.4%** |
| Net loss from discontinued operations | - | (1,780) | -100.0% | - | - | - | (1,153) | -100.0% | - | - |
| **Profit** | **28,294** | **20,566** | **37.6%** | **28,110** | **0.7%** | **17,587** | **13,327** | **32.0%** | **17,352** | **1.4%** |
| ***Attributable to:*** | | | | | | | | | | |
| *– shareholders of the Group* | *27,300* | *19,141* | *42.6%* | *27,116* | *0.7%* | *16,969* | *12,404* | *36.8%* | *16,739* | *1.4%* |
| *– non-controlling interests* | *994* | *1,425* | *-30.2%* | *994* | *0.0%* | *618* | *923* | *-33.0%* | *613* | *0.8%* |
| **Earnings per share (basic)** | **0.80** | **0.65** | **23.1%** | **0.81** | **-1.2%** | **0.50** | **0.42** | **19.0%** | **0.50** | **0.0%** |
| **Earnings per share (diluted)** | **0.80** | **0.62** | **29.0%** | **0.81** | **-1.2%** | **0.50** | **0.40** | **25.0%** | **0.50** | **0.0%** |

# CONSOLIDATED BALANCE SHEET

| | USD | | | | | GBP | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec-12 | Dec-11 | Change | Sep-12 | Change | Dec-12 | Dec-11 | Change | Sep-12 | Change |
| *Thousands, unless otherwise noted* | | | Y-O-Y | | Q-O-Q | | | Y-O-Y | | Q-O-Q |
| | *Unaudited* | *Audited* | % | *Unaudited* | % | *Unaudited* | *Audited* | % | *Unaudited* | % |
| Cash and cash equivalents | 460,450 | 376,418 | 22.3% | 401,914 | 14.6% | 286,207 | 243,921 | 17.3% | 248,092 | 15.4% |
| Amounts due from credit institutions | 239,367 | 173,340 | 38.1% | 293,663 | -18.5% | 148,786 | 112,325 | 32.5% | 181,271 | -17.9% |
| Investment securities | 280,051 | 251,198 | 11.5% | 226,513 | 23.6% | 174,074 | 162,778 | 6.9% | 139,821 | 24.5% |
| Loans to customers and finance lease receivables | 1,866,554 | 1,566,402 | 19.2% | 1,846,194 | 1.1% | 1,160,215 | 1,015,038 | 14.3% | 1,139,612 | 1.8% |
| Investments in associates | 1,473 | 1,804 | -18.3% | 1,820 | -19.1% | 916 | 1,169 | -21.6% | 1,123 | -18.4% |
| Investment property | 96,791 | 60,879 | 59.0% | 90,342 | 7.1% | 60,163 | 39,450 | 52.5% | 55,766 | 7.9% |
| Property and equipment | 260,081 | 208,412 | 24.8% | 248,591 | 4.6% | 161,662 | 135,052 | 19.7% | 153,449 | 5.4% |
| Goodwill | 27,559 | 27,657 | -0.4% | 27,399 | 0.6% | 17,130 | 17,922 | -4.4% | 16,913 | 1.3% |
| Intangible assets | 13,930 | 12,706 | 9.6% | 12,455 | 11.8% | 8,659 | 8,233 | 5.2% | 7,688 | 12.6% |
| Income tax assets | 9,233 | 13,973 | -33.9% | 14,393 | -35.9% | 5,739 | 9,055 | -36.6% | 8,885 | -35.4% |
| Prepayments | 24,837 | 17,918 | 38.6% | 28,776 | -13.7% | 15,438 | 11,611 | 33.0% | 17,763 | -13.1% |
| Other assets | 133,445 | 82,361 | 62.0% | 140,982 | -5.3% | 82,947 | 53,370 | 55.4% | 87,024 | -4.7% |
| **Total assets** | **3,413,771** | **2,793,068** | **22.2%** | **3,333,042** | **2.4%** | **2,121,936** | **1,809,924** | **17.2%** | **2,057,407** | **3.1%** |
| | | | | | | | | | | |
| Amounts due to customers, of which: | 1,625,535 | 1,637,563 | -0.7% | 1,684,924 | -3.5% | 1,010,402 | 1,061,151 | -4.8% | 1,040,064 | -2.9% |
| *Client deposits* | *1,583,214* | *1,529,117* | *3.5%* | *1,620,286* | *-2.3%* | *984,096* | *990,877* | *-0.7%* | *1,000,164* | *-1.6%* |
| *Promissory notes and CDs issued* | *42,321* | *108,446* | *-61.0%* | *64,638* | *-34.5%* | *26,306* | *70,274* | *-62.6%* | *39,900* | *-34.1%* |
| Amounts due to credit institutions | 1,000,279 | 551,501 | 81.4% | 876,300 | 14.1% | 621,754 | 357,376 | 74.0% | 540,919 | 14.9% |
| Income tax liabilities | 36,218 | 22,401 | 61.7% | 37,152 | -2.5% | 22,512 | 14,516 | 55.1% | 22,933 | -1.8% |
| Provisions | 412 | 231 | 78.4% | 363 | 13.5% | 256 | 150 | 70.7% | 224 | 14.3% |
| Other liabilities | 111,796 | 94,870 | 17.8% | 126,850 | -11.9% | 69,491 | 61,476 | 13.0% | 78,301 | -11.3% |
| **Total liabilities** | **2,774,240** | **2,306,566** | **20.3%** | **2,725,589** | **1.8%** | **1,724,415** | **1,494,669** | **15.4%** | **1,682,441** | **2.5%** |
| | | | | | | | | | | |
| Share capital | 578 | 19,684 | -97.1% | 582 | -0.7% | 359 | 12,755 | -97.2% | 359 | 0.0% |
| Additional paid-in capital | 8,914 | 283,621 | -96.9% | - | - | 5,540 | 183,788 | -97.0% | - | - |
| Treasury shares | (42) | (1,883) | -97.8% | (41) | 2.4% | (26) | (1,221) | -97.9% | (25) | 4.0% |
| Other reserves | 8,509 | 8,667 | -1.8% | 9,630 | -11.6% | 5,290 | 5,618 | -5.8% | 5,944 | -11.0% |
| Retained earnings | 592,335 | 152,421 | NMF | 569,521 | 4.0% | 368,184 | 98,769 | NMF | 351,552 | 4.7% |
| **Total equity attributable to shareholders of the Group** | **610,294** | **462,510** | **32.0%** | **579,692** | **5.3%** | **379,347** | **299,709** | **26.6%** | **357,830** | **6.0%** |
| Non-controlling interests | 29,237 | 23,992 | 21.9% | 27,761 | 5.3% | 18,174 | 15,546 | 16.9% | 17,136 | 6.1% |
| **Total equity** | **639,531** | **486,502** | **31.5%** | **607,453** | **5.3%** | **397,521** | **315,255** | **26.1%** | **374,966** | **6.0%** |
| **Total liabilities and equity** | **3,413,771** | **2,793,068** | **22.2%** | **3,333,042** | **2.4%** | **2,121,936** | **1,809,924** | **17.2%** | **2,057,407** | **3.1%** |
| | | | | | | | | | | |
| **Book value per share (basic)** | **18.31** | **15.55** | **17.7%** | **17.36** | **5.5%** | **11.38** | **10.08** | **12.9%** | **10.72** | **6.2%** |

# RATIOS

| **KEY RATIOS YTD** | **Dec-12** | **Dec-11** |
|---|---|---|
| **Profitability** | | |
| ROAA[1] | 3.5% | 3.2% |
| ROAE[2] | 19.1% | 18.3% |
| Net Interest Margin[3] | 7.9% | 7.8% |
| Loan Yield[4] | 17.5% | 17.6% |
| Cost of Funds[5] | 7.3% | 8.0% |
| Cost of Client Deposits | 7.3% | 7.6% |
| Cost of Amounts Due to Credit Institutions | 7.2% | 8.8% |
| Operating Leverage, Y-O-Y[6] | 9.6% | 19.7% |
| **Efficiency** | | |
| Cost / Income[7] | 44.4% | 48.5% |
| **Liquidity** | | |
| NBG Liquidity Ratio[8] | 41.1% | 37.8% |
| Liquid Assets To Total Liabilities[9] | 35.3% | 34.8% |
| Net Loans To Customer Funds | 114.8% | 95.7% |
| Leverage (Times)[10] | 4.3 | 4.7 |
| **Asset Quality:** | | |
| NPLs (in GEL) | 126,337 | 100,342 |
| NPLs To Gross Loans To Clients | 3.9% | 3.7% |
| NPL Coverage Ratio[11] | 87.5% | 114.7% |
| Cost of Risk, Annualised[12] | 1.3% | 0.9% |
| **Capital Adequacy:** | | |
| BIS Tier I Capital Adequacy Ratio, Consolidated[13] | 22.0% | 19.9% |
| BIS Total Capital Adequacy Ratio, Consolidated[14] | 27.0% | 28.5% |
| NBG Tier I Capital Adequacy Ratio[15] | 13.8% | 10.5% |
| NBG Total Capital Adequacy Ratio[16] | 16.2% | 16.2% |
| **Per Share Values:** | | |
| **Basic EPS (GEL)[17]** | **5.22** | **4.44** |
| **Diluted EPS (GEL)** | **5.17** | **4.20** |
| **Book Value Per Share (GEL)[18]** | **30.33** | **25.98** |
| Ordinary Shares Outstanding - Weighted Average, Basic[19] | 33,405,181 | 29,866,366 |
| Ordinary Shares Outstanding - Weighted Average, Diluted[20] | 33,931,562 | 33,501,366 |
| Ordinary Shares Outstanding - Period End, Basic | 33,332,636 | 29,731,407 |
| Treasury Shares Outstanding - Period End | (2,576,747) | (3,146,140) |
| **Selected Operating Data:** | | |
| Full Time Employees, Group, Of Which: | 11,095 | 7,301 |
| *- Full Time Employees, BOG Stand-Alone* | *3,734* | *3,364* |
| *- Full Time Employees, Aldagi BCI Insurance* | *515* | *338* |
| *- Full Time Employees, Aldagi BCI Healthcare* | *5,749* | *2,573* |
| *- Full Time Employees, BNB* | *323* | *260* |
| *- Full Time Employees, Other* | *774* | *766* |
| Total Assets Per Banking FTE (in GEL thousands) | 1,445 | 1,347 |
| Number Of Active Branches, Of Which: | 194 | 158 |
| *- Flagship Branches* | *34* | *34* |
| *- Standard Branches* | *97* | *91* |
| *- Express Branches (including Metro)* | *63* | *33* |
| Number Of ATMs | 478 | 426 |
| Number Of Cards Outstanding, Of Which: | 825,500 | 663,205 |
| *- Debit cards* | *718,239* | *535,385* |
| *- Credit cards* | *107,261* | *127,820* |
| Number Of POS Terminals | 3,725 | 2,828 |

| OTHER RATIOS YTD | Dec-12 | Dec-11 |
|---|---|---|
| **Profitability Ratios:** | | |
| ROE | 17.3% | 17.2% |
| Interest Income / Average Int. Earning Assets[21] | 15.7% | 16.3% |
| Net F&C Inc. To Av. Int. Earn. Ass., | 2.1% | 2.2% |
| Net Fee And Commission Income To Revenue | 17.4% | 17.4% |
| Operating Leverage, Y-O-Y | 9.6% | 19.7% |
| Revenue to Total Assets | 8.8% | 9.3% |
| Recurring Earning Power [22] | 5.5% | 5.3% |
| Profit To Revenue | 36.0% | 31.3% |
| **Efficiency Ratios:** | | |
| Operating Cost to Av. Total Ass.[23] | 4.4% | 5.0% |
| Cost to Average Total Assets, | 4.8% | 6.0% |
| Personnel Cost to Revenue | 24.6% | 26.4% |
| Personnel Cost to Operating Cost | 55.4% | 54.5% |
| Personnel Cost to Average Total Assets, | 2.4% | 2.7% |
| **Liquidity Ratios:** | | |
| Liquid Assets To Total Assets | 28.7% | 28.7% |
| Net Loans to Total Assets | 54.7% | 56.1% |
| Average Net Loans to Average Total Assets | 56.1% | 57.5% |
| Interest Earning Assets to Total Assets | 77.9% | 81.0% |
| Average Interest Earning Assets/Average Total Assets | 79.3% | 82.1% |
| Net Loans to Client Deposits | 117.9% | 102.4% |
| Average Net Loans to Av. Client Deposits | 107.9% | 114.8% |
| Net Loans to Total Deposits | 101.2% | 100.2% |
| Net Loans to (Total Deposits + Equity) | 75.2% | 76.4% |
| Net Loans to Total Liabilities | 67.3% | 67.9% |
| Total Deposits to Total Liabilities | 66.5% | 67.8% |
| Client Deposits to Total Deposits | 85.9% | 97.8% |
| Client Deposits to Total Liabilities | 57.1% | 66.3% |
| Total Deposits to Total Assets | 54.0% | 56.0% |
| Client Deposits to Total Assets | 46.4% | 54.7% |
| Client Deposits to Total Equity (Times) | 2.5 | 3.1 |
| Total Equity to Net Loans | 34.3% | 31.1% |
| **Asset Quality:** | | |
| Reserve For Loan Losses to Gross Loans to Clients[24] | 3.5% | 4.2% |
| % of Loans to Clients collateralised | 87.1% | 85.0% |
| Equity to Average Net Loans to Clients | 34.3% | 31.1% |

| KEY RATIOS QUARTERLY | Q4-2012 | Q4-2011 | Q3-2012 |
|---|---|---|---|
| **Profitability** | | | |
| ROAA, Annualised[1] | 3.4% | 3.1% | 3.4% |
| ROAE, Annualised[2] | 18.2% | 16.6% | 19.2% |
| Net Interest Margin, Annualised[3] | 7.8% | 7.3% | 7.3% |
| Loan Yield, Annualised[4] | 17.1% | 17.5% | 17.0% |
| Cost of Funds, Annualised[5] | 6.6% | 8.4% | 7.1% |
| Cost of Client Deposits, Annualised | 6.6% | 8.2% | 7.1% |
| Cost of Amounts Due to Credit Institutions, Annualised | 6.3% | 9.1% | 6.7% |
| Operating Leverage, Y-O-Y[6] | 10.9% | 1.0% | 14.8% |
| **Efficiency** | | | |
| Cost / Income[7] | 42.1% | 46.7% | 44.4% |
| **Liquidity** | | | |
| NBG Liquidity Ratio[8] | 41.1% | 37.8% | 42.0% |
| Liquid Assets To Total Liabilities[9] | 35.3% | 34.8% | 33.8% |
| Net Loans To Customer Funds | 114.8% | 95.7% | 109.6% |
| Leverage (Times)[10] | 4.3 | 4.7 | 4.5 |
| **Asset Quality:** | | | |
| NPLs (in GEL) | 126,337 | 100,342 | 102,719 |
| NPLs To Gross Loans To Clients | 3.9% | 3.7% | 3.2% |
| NPL Coverage Ratio[11] | 87.5% | 114.7% | 105.2% |
| Cost of Risk, Annualised[12] | 1.8% | 0.9% | 1.6% |
| **Capital Adequacy:** | | | |
| BIS Tier I Capital Adequacy Ratio, Consolidated[13] | 22.0% | 19.9% | 20.4% |
| BIS Total Capital Adequacy Ratio, Consolidated[14] | 27.0% | 28.5% | 25.9% |
| NBG Tier I Capital Adequacy Ratio[15] | 13.8% | 10.5% | 13.4% |
| NBG Total Capital Adequacy Ratio[16] | 16.2% | 16.2% | 15.9% |
| **Per Share Values:** | | | |
| **Basic EPS (GEL)[17]** | **1.33** | **1.08** | **1.35** |
| **Diluted EPS (GEL)** | **1.33** | **1.03** | **1.35** |
| **Book Value Per Share (GEL)[18]** | **30.33** | **25.98** | **28.81** |
| Ordinary Shares Outstanding - Weighted Average, Basic[19] | 33,940,021 | 29,734,272 | 33,350,984 |
| Ordinary Shares Outstanding - Weighted Average, Diluted[20] | 33,940,021 | 33,369,272 | 33,350,984 |
| Ordinary Shares Outstanding - Period End, Basic | 33,332,636 | 29,731,407 | 33,388,904 |
| Treasury Shares Outstanding - Period End | (2,576,747) | (3,146,140) | (2,520,479) |
| **Selected Operating Data:** | | | |
| Full Time Employees, Group, Of Which: | 11,095 | 7,301 | 10,537 |
| *- Full Time Employees, BOG Stand-Alone* | *3,734* | *3,364* | *3,635* |
| *- Full Time Employees, Aldagi BCI Insurance* | *515* | *338* | *509* |
| *- Full Time Employees, Aldagi BCI Healthcare* | *5,749* | *2,573* | *5,328* |
| *- Full Time Employees, BNB* | *323* | *260* | *309* |
| *- Full Time Employees, Other* | *774* | *766* | *756* |
| Total Assets Per Banking FTE (in GEL thousands) | 1,445 | 1,347 | 1,452 |
| Number Of Active Branches, Of Which: | 194 | 158 | 187 |
| *- Flagship Branches* | *34* | *34* | *34* |
| *- Standard Branches* | *97* | *91* | *95* |
| *- Express Branches (including Metro)* | *63* | *33* | *58* |
| Number Of ATMs | 478 | 426 | 468 |
| Number Of Cards Outstanding, Of Which: | 825,500 | 663,205 | 896,234 |
| *- Debit cards* | *718,239* | *535,385* | *766,132* |
| *- Credit cards* | *107,261* | *127,820* | *130,102* |
| Number Of POS Terminals | 3,725 | 2,828 | 3,528 |

| OTHER RATIOS QUARTERLY | Q4 – 2012 | Q4 - 2011 | Q3 - 2012 |
|---|---|---|---|
| **Profitability Ratios:** | | | |
| ROE, Annualised, | 17.8% | 16.4% | 18.6% |
| Interest Income / Average Int. Earning Assets, Annualised[21] | 15.0% | 16.2% | 15.0% |
| Net F&C Inc. To Av. Int. Earn. Ass., Annualised | 1.9% | 2.4% | 2.2% |
| Net Fee And Commission Income To Revenue | 16.5% | 19.1% | 18.2% |
| Operating Leverage, Q-O-Q | 5.1% | 8.0% | 2.5% |
| Revenue to Total Assets, Annualised | 9.0% | 9.8% | 9.4% |
| Recurring Earning Power, Annualised[22] | 5.3% | 5.5% | 5.3% |
| Profit To Revenue | 36.5% | 29.8% | 35.6% |
| **Efficiency Ratios:** | | | |
| Operating Cost to Av. Total Ass., Annualised[23] | 3.9% | 4.8% | 4.3% |
| Cost to Average Total Assets, Annualised | 4.2% | 6.4% | 4.5% |
| Personnel Cost to Revenue | 25.2% | 24.6% | 24.7% |
| Personnel Cost to Operating Cost | 60.0% | 52.6% | 55.6% |
| Personnel Cost to Average Total Assets, Annualised | 2.3% | 2.5% | 2.4% |
| **Liquidity Ratios:** | | | |
| Liquid Assets To Total Assets | 28.7% | 28.7% | 27.7% |
| Net Loans to Total Assets | 54.7% | 56.1% | 55.4% |
| Average Net Loans to Average Total Assets | 55.3% | 58.2% | 55.0% |
| Interest Earning Assets to Total Assets | 77.9% | 81.0% | 77.1% |
| Average Interest Earning Assets/Average Total Assets | 77.7% | 83.0% | 79.2% |
| Net Loans to Client Deposits | 117.9% | 102.4% | 113.9% |
| Average Net Loans to Av. Client Deposits | 116.0% | 113.3% | 106.0% |
| Net Loans to Total Deposits | 101.2% | 100.2% | 100.4% |
| Net Loans to (Total Deposits + Equity) | 75.2% | 76.4% | 75.5% |
| Net Loans to Total Liabilities | 67.3% | 67.9% | 67.7% |
| Total Deposits to Total Liabilities | 66.5% | 67.8% | 67.5% |
| Client Deposits to Total Deposits | 85.9% | 97.8% | 88.1% |
| Client Deposits to Total Liabilities | 57.1% | 66.3% | 59.4% |
| Total Deposits to Total Assets | 54.0% | 56.0% | 55.2% |
| Client Deposits to Total Assets | 46.4% | 54.7% | 48.6% |
| Client Deposits to Total Equity (Times) | 2.5 | 3.1 | 2.7 |
| Total Equity to Net Loans | 34.3% | 31.1% | 32.9% |
| **Asset Quality:** | | | |
| Reserve For Loan Losses to Gross Loans to Clients[24] | 3.5% | 4.2% | 3.4% |
| % of Loans to Clients collateralised | 87.1% | 85.0% | 86.7% |
| Equity to Average Net Loans to Clients | 34.3% | 31.1% | 32.9% |

# NOTES TO RATIOS

1 Return On Average Total Assets (ROAA) equals Profit for the period from continuing operations divided by monthly Average Total Assets for the same period;
2 Return On Average Total Equity (ROAE) equals Profit for the period from continuing operations attributable to shareholders of the Bank divided by monthly Average Equity attributable to shareholders of the Bank for the same period;
3 Net Interest Margin equals Net Interest Income of the period (adjusted for the gains or losses from revaluation of interest rate derivatives) divided by monthly Average Interest Earning Assets Including Cash for the same period; Interest Earning Assets Including Cash include: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares and other equity instruments) and Loans To Customers And Finance Lease Receivables;
4 Loan Yield equals 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 Interest Expense of the period (adjusted for the gains or losses from revaluation of interest rate derivatives) divided by monthly Average Interest Bearing Liabilities; Interest Bearing Liabilities Include: Amounts Due To Credit Institutions and Amounts Due To Customers;
6 Operating Leverage equals percentage change in Revenue less percentage change in Other Operating Non-Interest Expenses;
7 Cost / Income Ratio equals Other Operating Non-Interest Expenses divided by Revenue;
8 Average liquid assets during the month (as defined by NBG) divided by selected average liabilities and selected average off-balance sheet commitments (both as defined by NBG);
9 Liquid Assets include: Cash And Cash Equivalents, Amounts Due From Credit Institutions and Investment Securities;
10 Leverage (Times) equals Total Liabilities divided by Total Equity;
11 NPL Coverage Ratio equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by NPLs;
12 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;
13 BIS Tier I Capital Adequacy Ratio equals Tier I Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
14 BIS Total Capital Adequacy Ratio equals Total Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
15 NBG Tier I Capital Adequacy Ratio equals Tier I Capital a divided by Total Risk Weighted Assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;
16 NBG Total Capital Adequacy Ratio equals Total Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
17 Basic EPS equals Profit for the period from continuing operations attributable to shareholders of the Bank divided by the weighted average number of outstanding ordinary shares over the same period;
18 Book Value Per Share equals Total Equity attributable to shareholders of the Bank divided by Net Ordinary Shares Outstanding at period end; Net Ordinary Shares Outstanding equals total number of Ordinary Shares Outstanding at period end less number of Treasury Shares at period end;
19 Weighted average number of ordinary shares equal average of daily outstanding number of shares less daily outstanding number of treasury shares;
20 Weighted average diluted number of ordinary shares equals weighted average number of ordinary shares plus weighted average dilutive number of shares known to the management during the same period;
21 Average Interest Earning Assets are calculated on a monthly basis; Interest Earning Assets Excluding Cash include: Investment Securities (but excluding corporate shares and other equity instruments) and Loans To Customers And Finance Lease Receivables;
22 Recurring Earning Power equals Operating Income Before Cost of Credit Risk for the period divided by monthly average Total Assets of the same period;
23 Operating Cost equals Other Operating Non-Interest Expenses;
24 Reserve For Loan Losses To Gross Loans equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by Gross Loans And Finance Lease Receivables.

# SHAREHOLDER INFORMATION

## BANK OF GEORGIA HOLDINGS PLC

**Registered Address**
84 Brook Street
London W1K 5EH
United Kingdom
www.bogh.co.uk
Registered under number 7811410 in England and Wales
Incorporation date: 14 October 2011

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

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**Share price information**
BGH shareholders can access both the latest and historical prices via our website, www.bogh.co.uk