Capturing Growth Opportunities

Investor Presentation: 1Q15 results

Disclaimer

Forward Looking Statements

This presentation contains forward-looking statements that are based on current beliefs or expectations, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

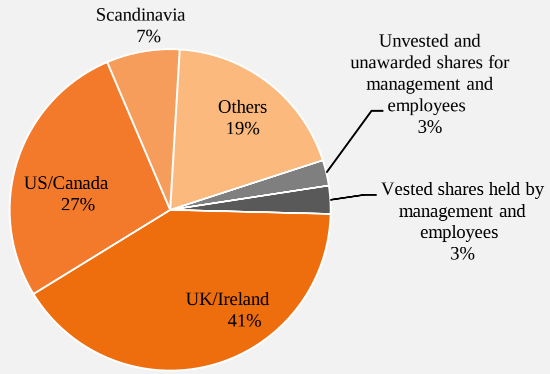
There are various factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, legal, business and social environment. The forward-looking statements in this presentation speak only as of the date of this presentation. JSC Bank of Georgia and Bank of Georgia Holdings undertake no obligation to revise or update any forward-looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Contents

BGH | Shareholder structure and share price

BGH shareholder structure

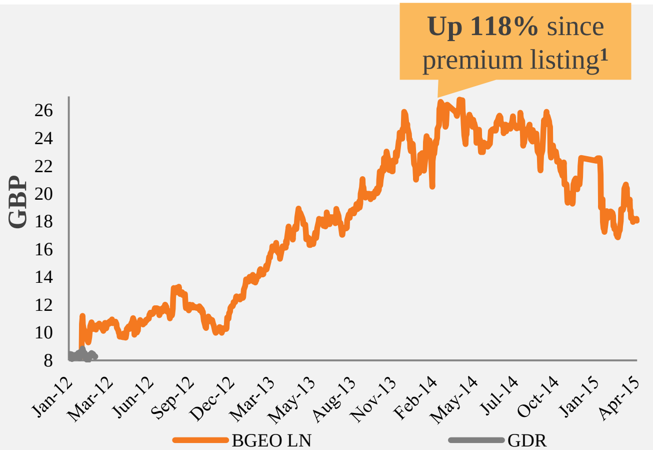
As of 31 March 2015



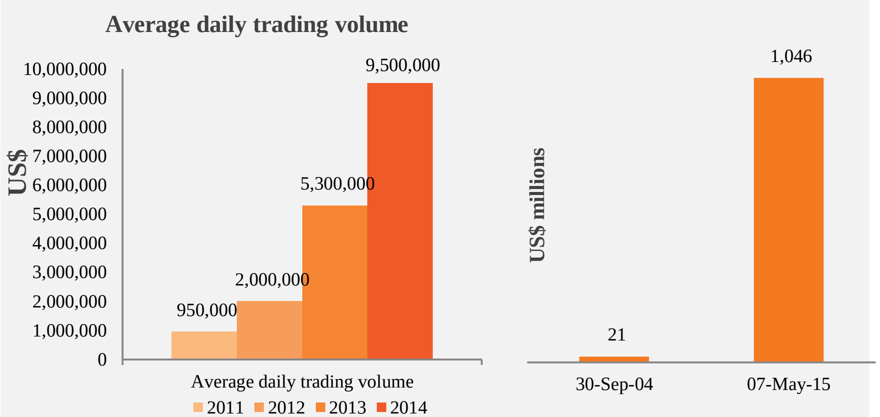
Note: Bank of Georgia Holdings PLC (BGH) (LSE: BGEO) is a UK-incorporated holding company of JSC Bank of Georgia

BGH has been included in the **FTSE 250** and **FTSE All-share Index Funds** since 18 June 2012

Share price performance



x50 growth in market capitalisation



[1]Share price change calculated from the last price of BGEO LI on 27 February 2012 to the price of BGEO LN on 7 May 2015
[2] Market capitalisation for Bank of Georgia Holdings PLC, the Bank's holding company, as of 7 May 2015, GBP/USD exchange rate of 1.5245

BGH at a glance

Group Structure

BANK OF GEORGIA HOLDINGS PLC

Banking Business

ᲡᲐᲥᲐᲠᲗᲕᲔᲚᲝᲡ ᲑᲐᲜᲙᲘ BANK OF GEORGIA

GALT & TAGGART CREATING OPPORTUNITIES

ALDAGI

GEORGIAN LEASING COMPANY

БЕЛАРУСКI НАРОДНЫ БАНК BELARUSKY NARODNY BANK

EXPRESS TECHNOLOGIES

Retail Banking

#1 Retail Bank in Georgia

Data before Privatbank integration:

- 1.5mln retail clients
- 219 branches
- 554 ATMs
- 2,245 Express Pay terminals
- 6,537 POS terminals
- 817,445 Express cards
- 1.2mln cards
- GEL 2,639.8mln net loans
- GEL 1,874.3mln client deposits

Privatbank data:

- 424k mln retail clients
- 72 branches
- 376 ATMs
- 1,608 POS terminals
- 0.9mln cards
- GEL 289.5 mln loans
- GEL 371.5 mln deposits

Corporate Banking

#1 Corporate Bank in Georgia

- 5k clients
- GEL 2,381.3mln loans
- GEL 1,341.8mln client deposits

Investment Management

- Wealth management, research, advisory, brokerage, private equity
- AUM of GEL 1,213.8mln
- WM client deposits GEL 913.3mln

Other Banking Businesses

- P&C Insurance
- Leasing
- Payment Services
- IB
- BNB

Plans to divest from BNB

Investment Business

GEORGIA HEALTHCARE GROUP

m² ᲛᲔᲠᲐᲕᲘ ᲥᲝᲜᲔᲑᲐ REAL ESTATE

GGU Water utility and hydro

Healthcare Business

#1 Healthcare company in Georgia

- Revenue of GEL 52.9mln in 1Q15
- EBITDA of 10.1mln

Healthcare services

- 39 healthcare facilities
- 2,140 beds
- Over 2/3 of population covered
- Market share of 22.0% by beds

Health insurance

- 35.9% market share
- Insuring 257k people

Real Estate Business

#1 Real Estate company in Georgia

- 2 completed projects and 4 under construction
- Total sales of 1,346 appartments US$112.9mln since 2011, of which US$57.1 mln to be recognised upon completion of ptojects
- 99% sale in completed projects
- 70% pre-sales for on-going 4 projects
- Total BOG mortgages sold GEL 63.6mln

Utilities (GGU)

Major player on the market

- Provides water and wastewater services to 1.4mln people (1/3 of Georgia)
- Operates 3 hydro facilities with 143MW capacity
- Acquisition of 25% shareholding with an option to acquire additional 24.9%
- 2014 EBITDA of GEL51.6mln[1]

Legacy Investments

[1]Per GGU management accounts, neither audited or reviewed by auditors or Bank of Georgia
Source: Company, financial and operating data is for FY 2014

BGH | Updated our strategy from 3x20 to 4x20

Earlier Strategy

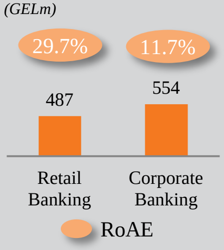
Leading Georgian bank with investments in non-core sectors with a divestment strategy

1. ROAE c.20%
2. TIER I c.20%
3. Growth c.20%

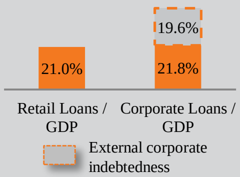
Dividend Policy:

- Payout Ratio 25-40%
- One-off dividends from divestments over time

Capital Allocation
(GELm)



Underpenetrated Retail Banking Sector Provides Room for Further Growt[1]



Current Strategy – Georgia Focused Banking Group with an Investment Arm

Banking Business

1 ROE c.20%
- *ROAE of 19.8% in 1Q15[2]*

2 Tier I c.20%
- Strong internal cash generation to support loan growth without compromising capital ratios
- *Tier I ratio of 20.8% as of 31 Mar 2015[3]*

3 Growth c.20%
- Aiming 20% growth in retail banking business
- *24.6% y-o-y real growth excluding Privatbank as of 31 Mar 2015*

Investment Business

4 Min. IRR of 20%
- Target investments with min. 20% IRR and partial or full exit in max 6 years

Investment Approach

Highly disciplined approach to unlock value through selective investments in Georgia, which have a well defined exit path

- Opportunistic investments
- Staging and small capital commitments
- EBITDA potential of at least GEL60m (c.US$30m) in 3-4 years
- Clear exit path

See annex for Chairman and CEO speech for more information on our investment approach

	Banking: Target	Banking: Current contribution	Investment: Target	Investment: Current contribution
Profit Contribution	c.80%	*1Q15: GEL 59m or 94%*	c.20%	*1Q15: GEL 3m or 6%*

Ongoing Dividends

At the 2015 AGM the Board intends to recommend an annual dividend of GEL 2.10 per share, a 5.0% y-o-y increase

- **Recurring:** linked to recurring profit from banking business
- Aiming 25-40% dividend payout ratio

- Aiming for at least **3 special dividends** in next 5 years, representing at least 50% of regular dividend from banking business

Note 1: Ratios calculated based on NBG Data as at 31 December2014.
Note 2: Pro-forma, excluding the acquisition of Privatbank and allocation of US$ 30mln capital earmarked for Banking Business and held at the holding company
Note 3: Tier I ratio is calculated under Basel 1 and Pro-forma implying allocation of US$ 30mln capital earmarked for Banking Business and held at the holding company.

BGH | Robust corporate governance compliant with UK Corporate Governance Code

Board of Directors of Bank of Georgia Holdings PLC

7 non-executive Supervisory Board members; 7 Independent members, including the Chairman and Vice Chairman

- **Neil Janin**, Chairman of the Supervisory Board, Independent Director
  experience: formerly director at McKinsey & Company in Paris; formerly co-chairman of the commission of the French Institute of Directors (IFA); formerly Chase Manhattan Bank (now JP Morgan Chase) in New York and Paris; Procter & Gamble in Toronto

- **Irakli Gilauri**, Group CEO
  experience: formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland

- **David Morrison**, Chairman of the Audit Committee, Vice Chairman of the Supervisory Board, Independent Director
  experience: senior partner at Sullivan & Cromwell LLP prior to retirement

- **Al Breach**, Chairman of the Remuneration Committee, Independent Director
  experience: Head of Research, Strategist & Economist at UBS: Russia and CIS economist at Goldman Sachs

- **Kim Bradley**, Chairman of Risk Committee, Independent Director
  experience: Goldman Sachs AM, SeniorExecutive at GE Capital, President of Societa Gestione Crediti, Board Chairman at Archon Capital Deutschland

- **Kaha Kiknavelidze**, Independent Director
  experience: currently managing partner of Rioni Capital, London based investment fund; experience: previously Executive Director of Oil and Gas research team for UBS

- **Tamaz Georgadze**, Independent Director
  experience: Partner at McKinsey & Company in Berlin, Founded SavingGlobal GmbH, aide to President of Georgia

- **Bozidar Djelic**, Independent Director
  experience: EBRD's 'Transition to Transition' senior advisory group, Deputy Prime Minister of Serbia, Governor of World Bank Group and Deputy Governor of EBRD, Director at Credit Agricole

BGH | Revised Management Structure *(with Effect from June 2015)*

Murtaz Kikoria became CFO of JSC Bank of Georgia with immediate effect and CEO of JSC Bank of Georgia with effect from June 2015.
Nikoloz Gamkrelidze became CEO of Georgia Healthcare Group with immediate effect.

Bank of Georgia Holdings PLC – No changes

New Holding Company

Irakli Gilauri, CEO, *formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland*

Archil Gachechiladze, Group CFO and Deputy CEO, Investment Management; *formerly Deputy CEO in charge of Corporate Banking, Deputy CEO of TBC Bank, Georgia; Lehman Brothers Private Equity, London; MBA from Cornell University*

Avto Namicheishvili, Deputy CEO, Group Legal Counsel; *previously partner at Begiashvili &Co, law firm in Georgia; LLM from CEU, Hungary*

Georgia Healthcare Group

Nikoloz Gamkrelidze, CEO Georgia Healthcare Group; *previously Group CFO, CEO of Aldagi BCI and JSC My Family Clinic; World Bank Health Development Project; Masters degree in International Health Management from Imperial College London, Tanaka Business School*

m2 Real Estate

Irakli Burdiladze, Chairman, m2 Real Estate; *previously CFO at GMT Group, Georgian real estate developer; Masters degree from Johns Hopkins University*

JSC Bank of Georgia

Irakli Gilauri will become Chairman of JSC Bank of Georgia

Murtaz Kikoria, CEO of Bank of Georgia; *previously CEO of Group's healthcare business; c.20 years banking experience including various senior positions at Bank of Georgia Group, Senior Banker at EBRD and Head of Banking Supervision at the National Bank of Georgia*

Mikheil Gomarteli, Deputy CEO, Retail Banking; *15 years work experience at BOG*

Sulkhan Gvalia, Deputy CEO, Corporate Banking; *formerly Chief Risk Officer, c.20 years banking experience founder of TUB, Georgian bank acquired by BOG in 2004*

George Chiladze, Deputy CEO, Chief Risk Officer; *formerly Deputy CEO in Finance, Deputy CEO at Partnership Fund, Programme trading desk at Bear Stearns NY, Ph.D. in physics from John Hopkins University in Baltimore*

Archil Gachechiladze, Group CFO and Deputy CEO, Investment Management; *formerly Deputy CEO in charge of Corporate Banking, Deputy CEO of TBC Bank, Georgia; Lehman Brothers Private Equity, London; MBA from Cornell University*

BoG will aim to appoint Deputy CEO, Finance by the end of June 2015

Senior Executive Compensation Policy applies to top executives and envisages long-term deferred and discretionary awards of securities and no cash bonuses to be paid to such executives

Contents

BGH | P&L results highlights

1Q15 P&L

Income Statement Summary
GEL thousands

BGH Consolidated

	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Net banking interest income	120,989	80,935	49.5%	98,132	23.3%
Net fee and commission income	26,854	19,834	35.4%	26,359	1.9%
Net banking foreign currency gain	18,962	11,305	67.7%	16,643	13.9%
Net other banking income	1,790	866	106.7%	4,872	-63.3%
Gross insurance profit	7,574	9,706	-22.0%	3,688	105.4%
Gross healthcare profit	16,877	9,311	81.3%	16,330	3.3%
Gross real estate profit	1,209	6,103	-80.2%	822	47.1%
Gross other investment profit	1,399	2,362	-40.8%	5,464	-74.4%
Revenue	**195,654**	**140,422**	**39.3%**	**172,310**	**13.5%**
Operating expenses	(76,059)	(58,254)	30.6%	(69,264)	9.8%
Operating income before cost of credit risk /EBITDA	**119,595**	**82,168**	**45.5%**	**103,046**	**16.1%**
Loss from associates	(1,310)	-	-	-	-
Depreciation and amortization of investment business	(2,688)	(2,229)	20.6%	(2,349)	14.4%
Net foreign currency loss from investment business	3,690	(416)	NMF	(1,061)	NMF
Net interest expense from investment business	(1,845)	(1,228)	50.2%	(612)	NMF
Cost of credit risk	(41,842)	(13,316)	NMF	(16,551)	152.8%
Profit	**62,339**	**53,664**	**16.2%**	**66,477**	**-6.2%**
EPS	1.63	1.51	7.9%	1.82	-10.4%

Banking Business*

	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Net banking interest income	123,058	82,452	49.2%	101,062	21.8%
Net fee and commission income	28,090	20,212	39.0%	26,755	5.0%
Net banking foreign currency gain	18,962	11,305	67.7%	16,643	13.9%
Net other banking income	2,095	986	112.5%	5,146	-59.3%
Gross insurance profit	5,306	4,260	24.6%	4,380	21.1%
Gross healthcare profit	-	-	-	-	-
Gross real estate profit	-	-	-	-	-
Gross other investment profit	-	-	-	-	-
Revenue	**177,511**	**119,215**	**48.9%**	**153,986**	**15.3%**
Operating expenses	(65,277)	(49,515)	31.8%	(59,175)	10.3%
Operating income before cost of credit risk /EBITDA	**112,234**	**69,700**	**61.0%**	**94,811**	**18.4%**
Loss from associates	-	-	-	-	-
Depreciation and amortization of investment business	-	-	-	-	-
Net foreign currency loss from investment business	-	-	-	-	-
Net interest expense from investment business	-	-	-	-	-
Cost of credit risk	(40,771)	(12,801)	NMF	(14,789)	175.7%
Profit	**58,810**	**46,275**	**27.1%**	**64,999**	**-9.5%**
EPS					

Investment Business*

	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Net banking interest income	-	-	-	-	-
Net fee and commission income	-	-	-	-	-
Net banking foreign currency gain	-	-	-	-	-
Net other banking income	-	-	-	-	-
Gross insurance profit	2,691	5,900	-54.4%	(36.00)	NMF
Gross healthcare profit	16,877	9,311	81.3%	16,330.00	3.3%
Gross real estate profit	1,209	6,183	-80.4%	823.00	46.9%
Gross other investment profit	1,543	2,304	-33.0%	5,394.00	-71.4%
Revenue	**22,320**	**23,698**	**-5.8%**	**22,511.00**	**-0.8%**
Operating expenses	(11,654)	(9,402)	24.0%	(11,021.00)	5.7%
Operating income before cost of credit risk /EBITDA	**10,666**	**14,296**	**-25.4%**	**11,490.00**	**-7.2%**
Loss from associates	(1,310)	-	-	-	-
Depreciation and amortization of investment business	(2,688)	(2,229)	20.6%	(2,349.00)	14.4%
Net foreign currency loss from investment business	3,690	(416)	NMF	(1,061.00)	NMF
Net interest expense from investment business	(5,151)	(3,056)	68.6%	(3,868.00)	33.2%
Cost of credit risk	(1,070)	(515)	107.8%	(1,762.00)	-39.3%
Profit	**3,529**	**7,389**	**-52.2%**	**1,479.00**	**138.6%**
EPS					

Income Statement Summary
GEL thousands

Banking Business excl Privatbank*

	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Net banking interest income	108,134	82,452	31.1%	101,062	7.0%
Net fee and commission income	25,018	20,212	23.8%	26,755	-6.5%
Net banking foreign currency gain	18,062	11,305	59.8%	16,643	8.5%
Net other banking income	1,900	986	92.6%	5,146	-63.1%
Gross insurance profit	5,002	4,260	17.4%	4,380	14.2%
Revenue	**158,116**	**119,215**	**32.6%**	**153,986**	**2.7%**
Operating expenses	(55,388)	(49,515)	11.9%	(59,175)	-6.4%
Operating income before cost of credit risk /EBITDA	**102,727**	**69,700**	**47.4%**	**94,811**	**8.3%**
Cost of credit risk	(32,606)	(12,801)	154.7%	(14,789)	120.5%
Profit	**57,670**	**46,275**	**24.6%**	**64,999**	**-11.3%**
EPS					

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

BGH | Balance sheet highlights

1Q15 Balance Sheet

Balance Sheet Summary
GEL thousands

BGH Consolidated	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Liquid assets	2,427,226	1,959,881	23.8%	1,898,137	27.9%
Loans to customers and finance lease receivables	5,156,386	3,480,969	48.1%	4,350,803	18.5%
Total assets	**9,030,053**	**6,619,770**	**36.4%**	**7,579,147**	**19.1%**
Client deposits and notes	4,099,029	3,065,535	33.7%	3,338,724	22.8%
Amounts due to credit institutions	1,780,636	1,206,818	47.5%	1,409,214	26.4%
Debt securities issued	1,026,689	734,771	39.7%	856,695	19.8%
Total liabilities	**7,329,906**	**5,332,749**	**37.5%**	**5,945,054**	**23.3%**
Total Equity	**1,700,147**	**1,287,021**	**32.1%**	**1,634,093**	**4.0%**

Banking Business*	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Liquid assets	2,402,308	1,938,927	23.9%	1,874,769	28.1%
Loans to customers and finance lease receivables	5,248,559	3,534,648	48.5%	4,440,985	18.2%
Total assets	**8,447,951**	**6,185,469**	**36.6%**	**7,044,004**	**19.9%**
Client deposits and notes	4,271,854	3,106,000	37.5%	3,482,000	22.7%
Amounts due to credit institutions	1,694,668	1,120,905	51.2%	1,324,609	27.9%
Debt securities issued	962,587	734,771	31.0%	827,721	16.3%
Total liabilities	**7,163,765**	**5,124,436**	**39.8%**	**5,813,227**	**23.2%**
Total Equity	**1,284,187**	**1,061,034**	**21.0%**	**1,230,777**	**4.3%**

Investment Business*	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Liquid assets	199,209	60,828	227.5%	166,056	20.0%
Loans to customers and finance lease receivables	-	-	-	-	-
Total assets	**864,053**	**529,151**	**63.3%**	**775,507**	**11.4%**
Client deposits and notes	-	-	-	-	-
Amounts due to credit institutions	181,773	138,999	30.8%	177,313	2.5%
Debt securities issued	66,964	-	-	29,374	128.0%
Total liabilities	**448,093**	**303,164**	**47.8%**	**372,190**	**20.4%**
Total Equity	**415,960**	**225,987**	**84.1%**	**403,317**	**3.1%**

Balance Sheet Summary
GEL thousands

*Banking Business excluding Privatbank **	1Q15	1Q14	Change *y-o-y*	4Q14	Change *q-o-q*
Liquid assets	2,242,112	1,938,927	15.6%	1,874,769	19.6%
Loans to customers and finance lease receivables	4,958,595	3,534,648	40.3%	4,440,985	11.7%
Total assets	**8,066,893**	**6,185,469**	**30.4%**	**7,044,004**	**14.5%**
Client deposits and notes	3,901,943	3,106,000	25.6%	3,482,000	12.1%
Amounts due to credit institutions	1,688,582	1,120,905	50.6%	1,324,609	27.5%
Debt securities issued	962,587	734,771	31.0%	827,721	16.3%
Total liabilities	**6,783,846**	**5,124,436**	**32.4%**	**5,813,227**	**16.7%**
Total Equity	**1,283,046**	**1,061,034**	**20.9%**	**1,230,777**	**4.2%**

Note reporting format change

Effective 1Q15, we have changed our reporting format to reflect our recently updated strategy. As a result, we now present our consolidated Group financial statements as a combination of our Banking Business and Investment Business, with corresponding interbusiness eliminations.

- **Banking Business** comprises: Retail Banking, Corporate Banking, Investment Management, P&C insurance, and Belarusky Narodny Bank ("BNB")
- **Investment Business** comprises: Healthcare Business (GHG) including healthcare services ("Evex") and health insurance ("Imedi L"), Real Estate Business (m^2 Real Estate), Water & Utility Business (GGU) other legacy investments (including wine subsidiary Teliani Valley)
- Banking Business discussion is presented separately, following the Group's financial summary
- Retail Banking, Corporate Banking, Investment Management, GHG and m^2 Real Estate are reported separately in the segment results discussion
- Bank of Georgia Holdings consolidated financials are presented in the form of Banking Business and Investment Business segments as well as consolidated, for each period, on the face of the income statement and balance sheet. This reflects the Group's recently updated strategy, ongoing legal reorganisation as well as management's future vision regarding key performance indicators.
- Interbusiness eliminations represent transactions and/or balances that exist as of and for each reporting period between the Banking Business and Investment Business. They are eliminated for final consolidation purposes.
- Privatbank results were fully consolidated in 1Q15
- GGU, where we own 25% stake, was consolidated on an equity basis reflected in *profit and loss from associates* in the income statement and *other assets* in the balance sheet

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

**Pro-forma for 1Q15, implying allocation of US$ 30mln capital earmarked for Banking Business and held at the holding company. Ratios reported to NBG are reported in the appendix

BGH | key ratios

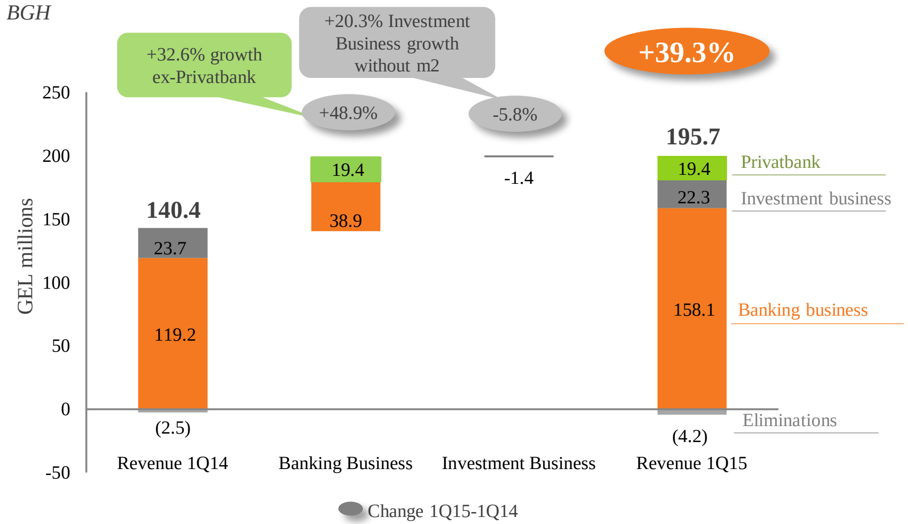
Key Ratios 1Q15

Banking Business Ratios	Including Privatbank 1Q15	*Excluding Privatbank* 1Q15	1Q14	4Q14
Profitability				
ROAA	3.0%	3.1%	3.0%	3.9%
ROAE	19.2%	18.8%	17.8%	22.8%
Net Interest Margin	7.8%	7.3%	7.5%	7.7%
Loan Yield	14.5%	13.7%	14.7%	14.1%
Cost of Funds	5.0%	4.8%	5.0%	4.7%
Cost of Customer Funds	4.4%	4.1%	4.5%	4.1%
Cost of Amounts Due to Credit Institutions	5.2%	5.1%	5.0%	4.8%
Cost / Income	36.8%	35.0%	41.5%	38.4%
NPLs To Gross Loans To Clients	3.5%	3.6%	3.8%	3.4%
NPL Coverage Ratio	74.2%	71.7%	92.0%	68.0%
NPL Coverage Ratio, Adjusted for discounted value of collateral	118.0%	116.5%	121.4%	111.1%
Cost of Risk	3.1%	2.6%	1.0%	1.2%
Tier I capital adequacy ratio (BIS)*	20.8%	21.5%	23.7%	22.1%
Total capital adequacy ratio (BIS)*	24.8%	25.6%	27.7%	26.1%
Tier I capital adequacy ratio (New NBG, Basel II)*	10.6%	10.0%	-	11.1%
Total capital adequacy ratio (New NBG, Basel II)*	13.7%	13.2%	-	14.1%

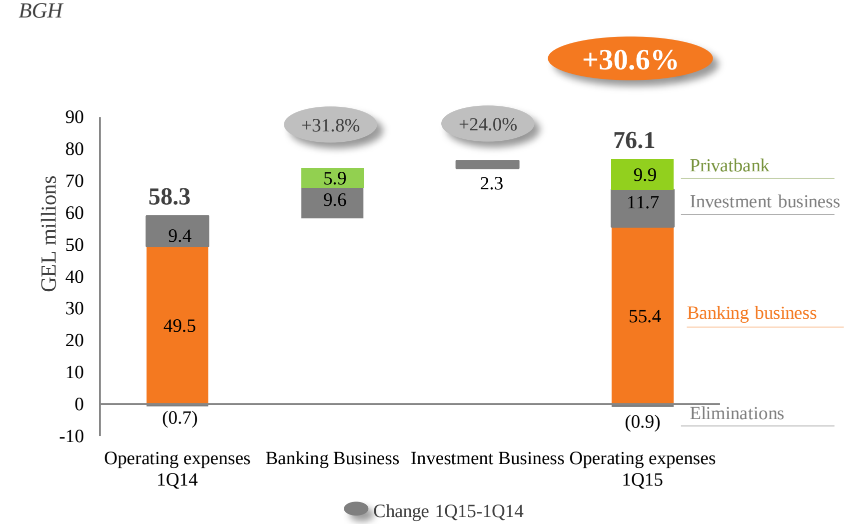
*Pro-forma for 1Q15, implying allocation of US$ 30mln capital earmarked for Banking Business and held at the holding company. Ratios reported to NBG are reported in the appendix

BGH | Strong revenue growth, with positive operating leverage

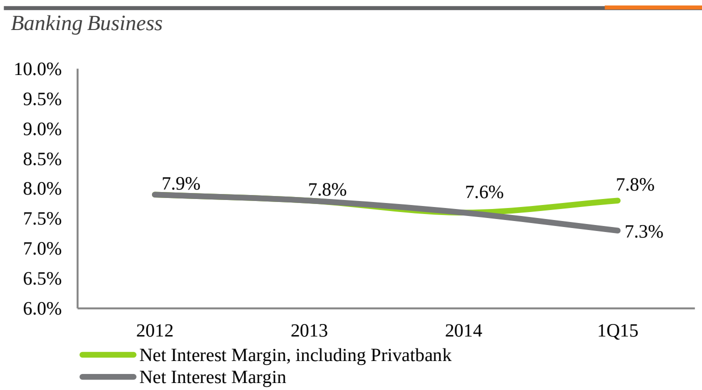
Revenue



Operating Expenses



NIM



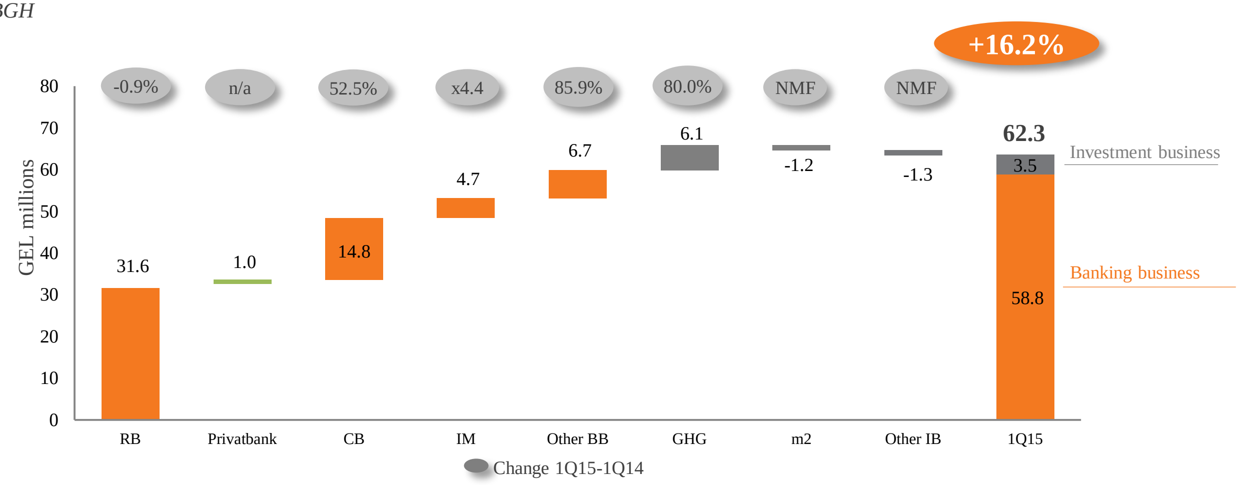
Highlights

- **Revenue, up 39.3% to GEL 195.7mln,** driven by the net banking interest income and gross healthcare profit, up 49.5% to GEL 121.0mln and up 81.3% y-o-y to GEL 16.9mln, respectively
- **8.7 ppts operating leverage.**
  - Improved operating leverage is a result of targeted optimisation of costs carried out in anticipation of lower than expected economic growth in 2015
  - y-o-y increase in costs was primarily driven by Privatbank acquisition and Healthcare Business, which continues to extract synergies from hospital acquisitions in 2014

BGH | Strong profitability

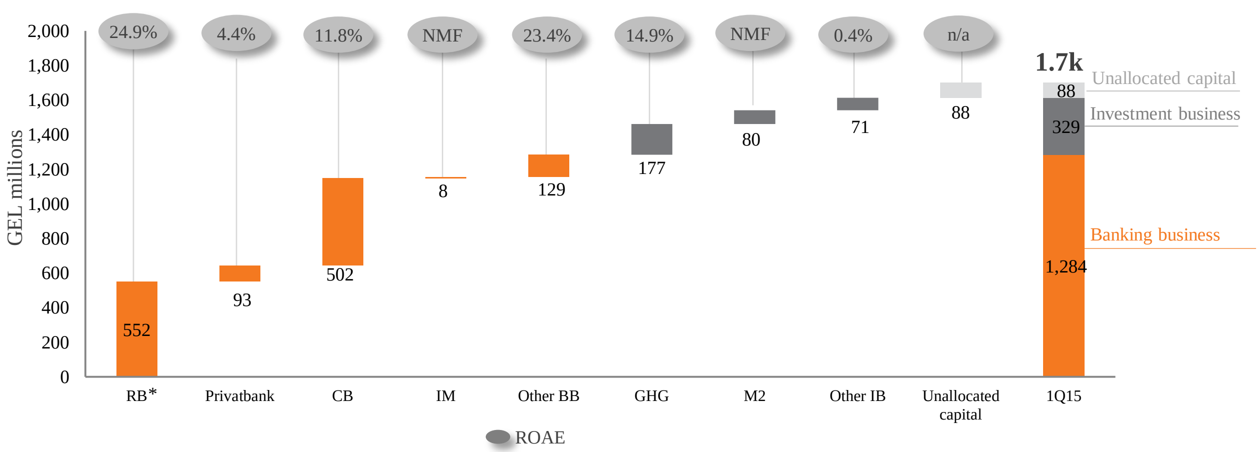
Profit

BGH



Equity

BGH



Highlights

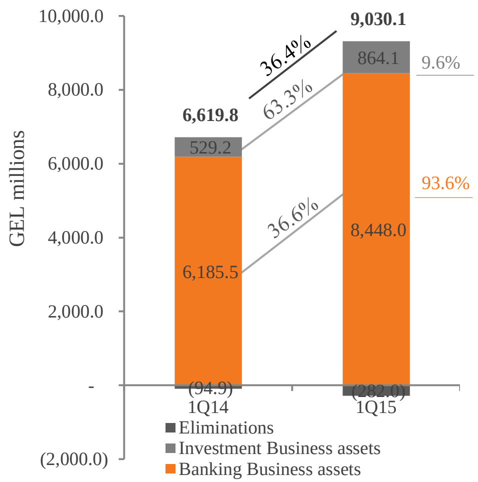
- **Equity increased to GEL 1,700.1mln, up 32.1%** driven by GEL 190.5 mln retained earnings and GEL 215.7mln capital raise completed in December 2014 (of which GEL 154.8mln is held at holding company level)
- GEL 1,700.1mln capital was allocated as **75.5% and 24.5% to Banking Business and Investment Business**, respectively
- Open foreign currency position was GEL 136.6mln or 1.5% of total assets, predominantly long on US$ and GBP

**Proforma: US$30 million capital allocated to Retail Banking (from other Banking Business)*

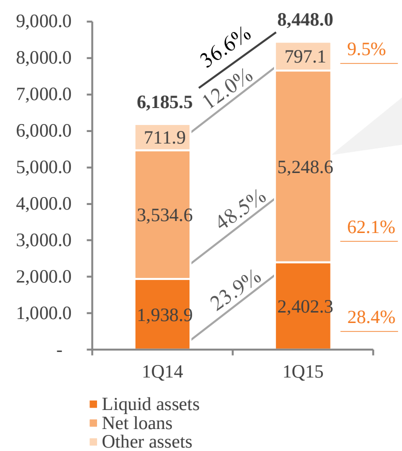
BGH | 1Q15 Balance Sheet

Assets

BGH Assets



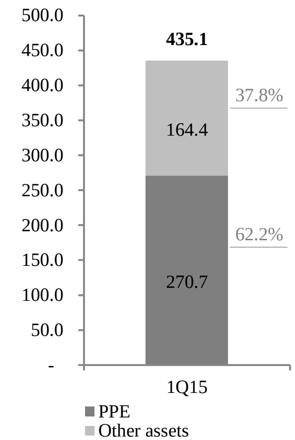
Banking Business Assets



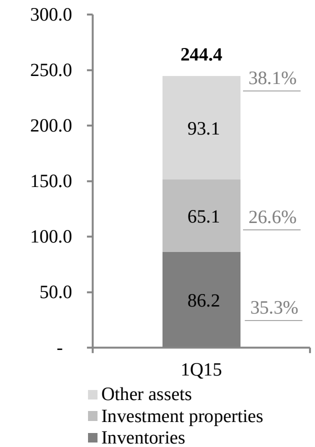
Loan book growth:

- +19.6% growth of loans on constant currency basis, ex-Privatbank
- 40.3% gowth ex-Privatbank (Privatbank loans GEL 290mln)

GHG Assets

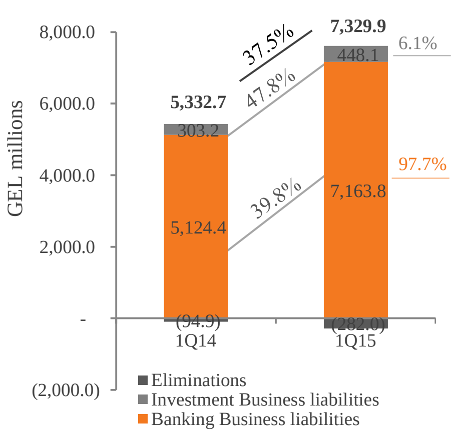


M2 Real Estate Assets

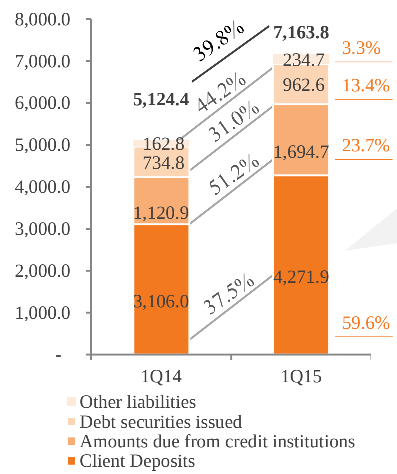


Liabilities

BGH Liabilities



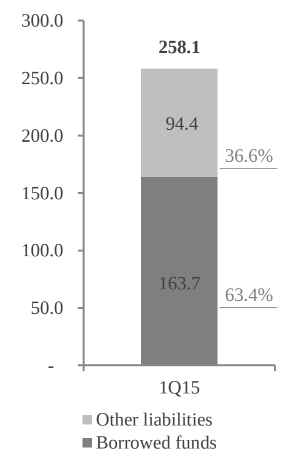
Banking Business Liabilities



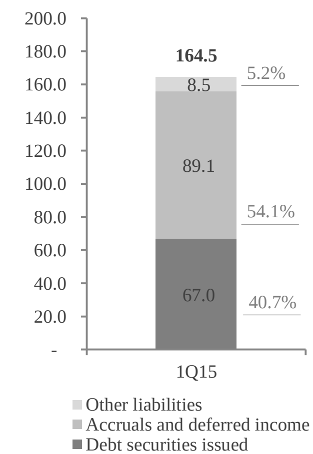
Deposits growth:

- -0.6% growth of deposits on constant currency basis, ex-Privatbank
- 25.6% growth ex-Privatbank (Privatbank deposits GEL 370mln)

GHG Liabilities



M2 Real Estate Liabilities



Contents

BOG | The leading bank in Georgia

- **Leading market position**: **No. 1 bank** in Georgia by ***assets*** (36.9%), ***loans*** (34.7%), ***client deposits*** (32.5%) and ***equity*** (36.3%)[1]

- **Underpenetrated market with stable growth perspectives**: Real GDP average growth rate of 5.8% for 2004-2014. Geostat estimates 4.8% GDP growth in 2014. Loans/GDP grew from 9% to 44% in the period of 2003-2014, still below regional average; Deposits/GDP grew from 8% to 40% over the period

- **Strong brand name recognition and retail banking franchise**: Offers the broadest range of financial products to the retail market through a network of 219 BOG and 72 Privatbank branches , BOG 554 ATMs and 376 Privatbank ATMs, 2,245 Express Pay Terminals to c.1.5 million BOG and c.400,000 Privatbank customers as of 31 March 2015

- **The only Georgian company with credit ratings from all three global rating agencies**: S&P: 'BB-', Moody's: 'B1/Ba3' (foreign and local currency), Fitch Ratings: 'BB-'; outlooks are 'Stable'

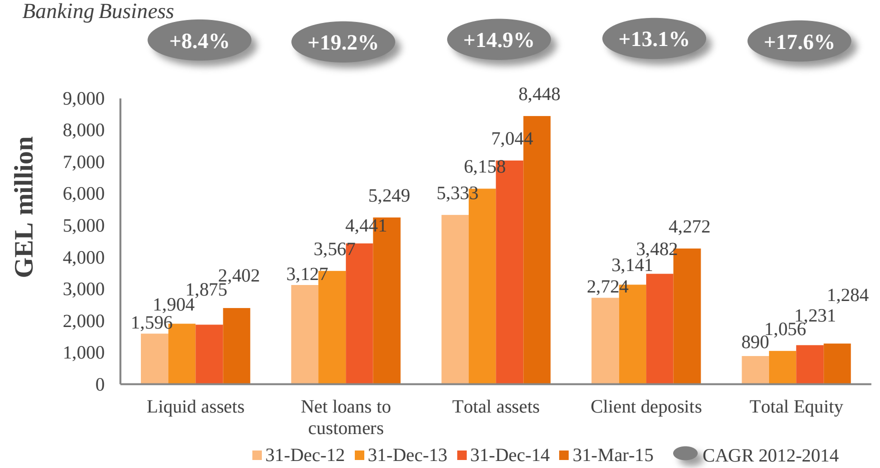
- **High standards of transparency and governance**: The only entity from Georgia to be listed on the premium segment of the Main Market of the London Stock Exchange (LSE:BGEO) since February 2012. LSE listed through GDRs since 2006

- **Only private entity to issue Eurobonds from the Caucasus**: US$400 million Eurobonds outstanding including US$150 raised through a tap issue in November 2013. The bonds are currently trading at a yield of c.5.4%

- **Sustainable growth combined with strong capital, liquidity and robust profitability**

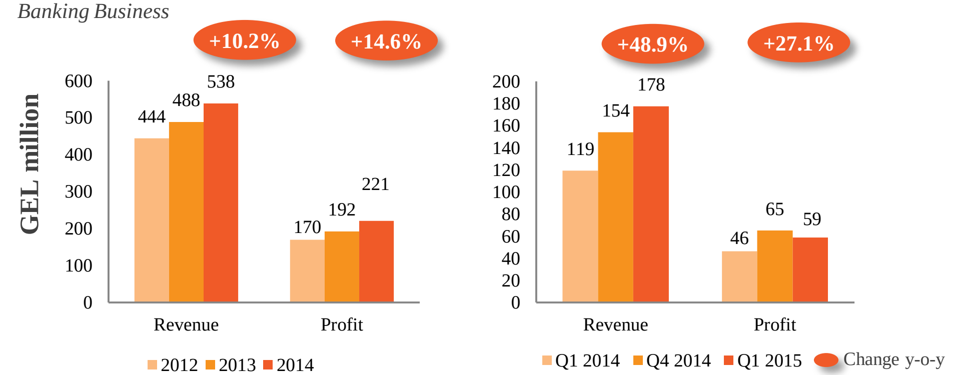
Balance Sheet

Banking Business



Income Statement

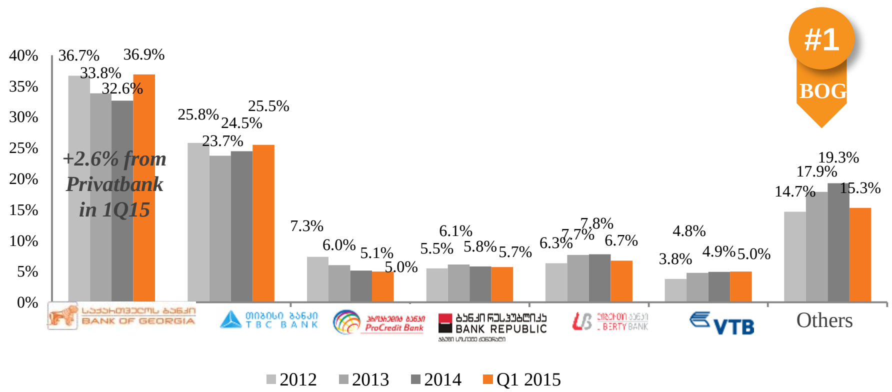
Banking Business



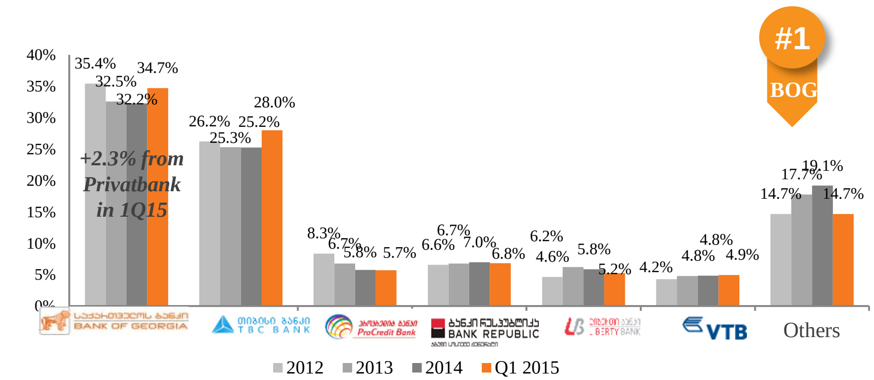
[1] Market data based on standalone accounts as published by the National Bank of Georgia (NBG) as of 31 March 2015 www.nbg.gov.ge (2015 BOG figures include Privatbank)
[2] Amounts due to customers

BOG | Leading the competition across the board

Peer group's market share in total assets

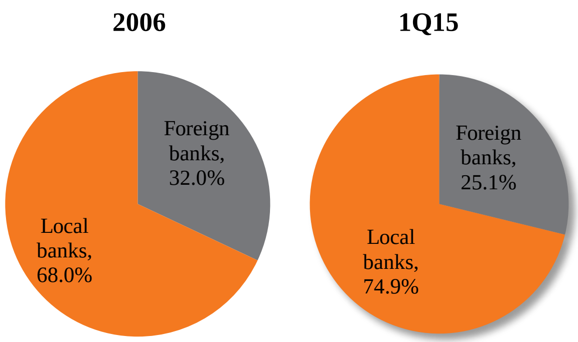


Peer group's market share in gross loans

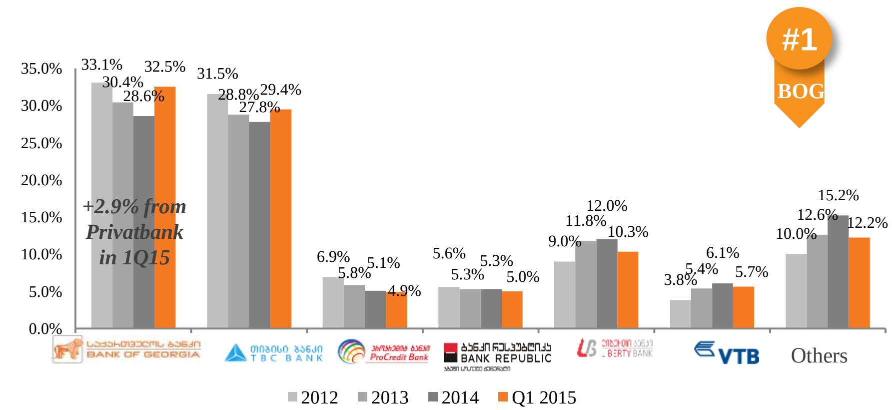


Foreign banks market share by assets

No state ownership of commercial banks since 1994



Peer group's market share in client deposits



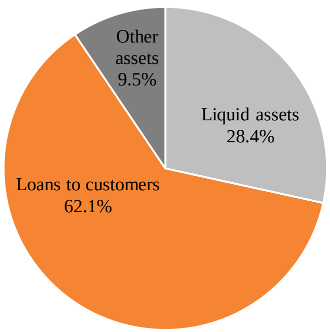
Note:
All data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia www.nbg.gov.ge
BOG includes Privatbank (in 1Q15), TBC includes Constanta

Banking Business | Diversified asset structure

Total asset structure | 31 March 2015

Banking Business

Total: GEL 8.4 bn



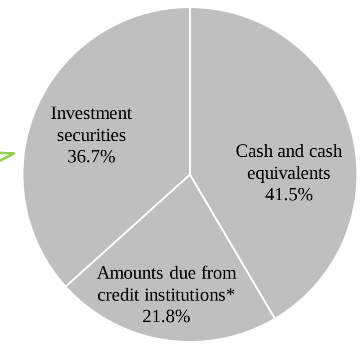
Includes: Privatbank total assets of GEL 516.7mln, of which 56% loans

Liquid assets | 31 March 2015

Banking Business

Total: GEL 2.4 bn

Includes: Privatbank liquid assets of GEL 160.2mln (6.7% of total liquid assets)

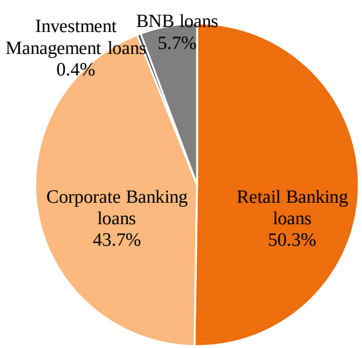


* **Amounts due from credit institutions** consists of obligatory reserves with central banks (NBG & NBRB), time deposits with credit institutions with original maturities of over 90 days and interbank loans receivable

Loans breakdowns | 31 March 2015

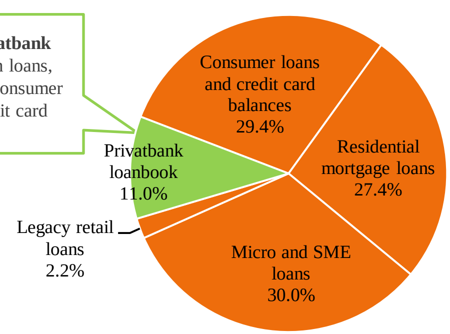
Banking Business

Total Loans
breakdown by segments
Total: GEL 5.3bn

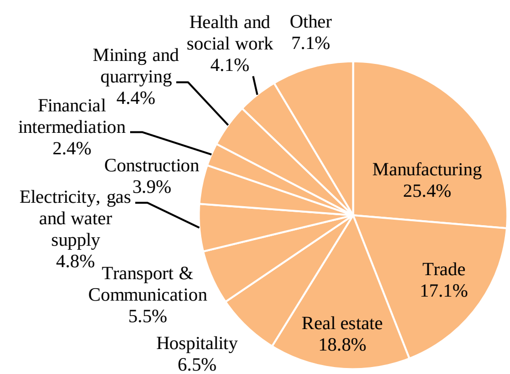


Retail Banking Loans
breakdown by product
Total: GEL 2.6bn

Includes Privatbank GEL 290.0 mln loans, predominantly consumer loans and credit card loans



Corporate Banking Loans
breakdown by sectors
Total: GEL 2.4bn



**Retail loans include loans of Retail Banking segment, BNB retail loans, Investment Management and Affordable Housing Mortgages, Corporate loans include Corporate Banking Segment and BNB Corporate loans*

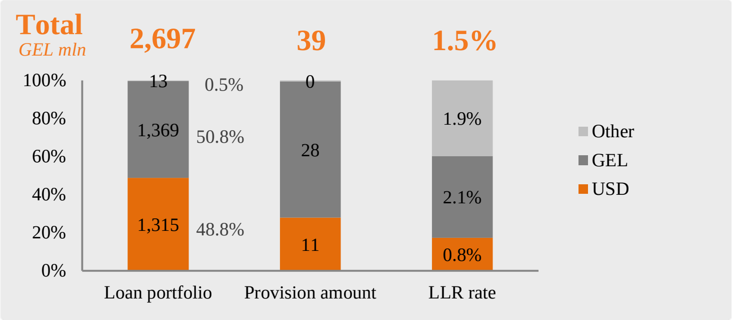
Banking Business | US$ loan portfolio breakdown

Highlights

- **44.1% of Retail Banking Loans denominated in USD loans with non-USD income**
  - We offered re-profiling in Feb-2015. Since, 610 loans (out of 14,000) were re-profiled, with total value of US$21.7mln
  - For RB, loans 15 days past due were 1.0% at 31 March 2015, compared to 1.5% a year ago and 0.8% at 31 December 2014
- **29.5% of Corporate Banking Loans denominated in USD loans with non-USD income**

Retail Banking and Wealth Management | *1Q15*

Banking Business

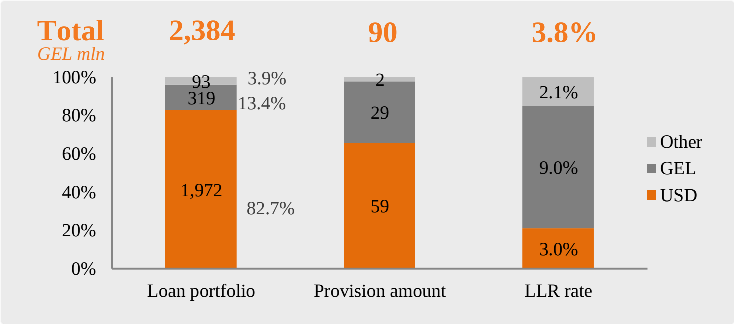


Amounts in GEL million	RB Loan Portfolio	*% of total RB Loan portfolio*[2]	Mortgages	Consumer loans (incl Credit Cards)[3]	SME & Micro
GEL and other currency loans[1]	1,381	*51.2%*	79	769	533
USD loans with USD income	125	*4.6%*	103	22	-
USD loans with non-USD income	1,191	*44.1%*	546	135[2]	510
Total	**2,697**	***100.0%***	**727**	**926**	**1,042**

[1]includes credit cards
[2]includes Privatbank loans of which 87 is denominated in GEL
[3]cash covered loans of GEL 28.6 million

Corporate Banking | *1Q15*

Banking Business



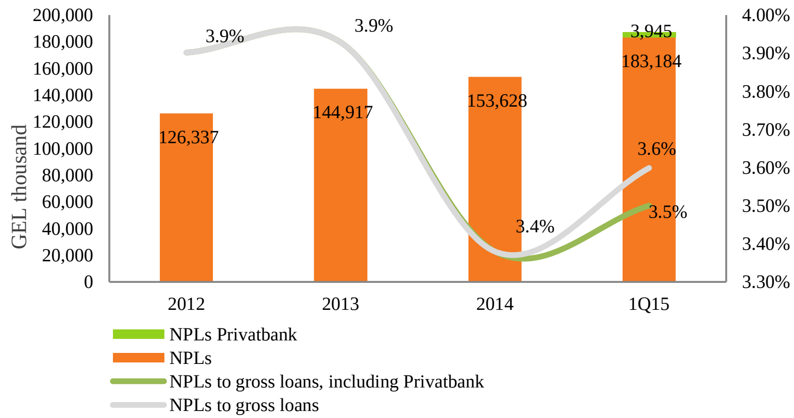
Amounts in GEL million	CB Loan Portfolio	% of total CB Loan portfolio
GEL and other currency loans	411	*17.3%*
USD loans with USD income	1,269	*53.2%*
USD loans with non-USD income	704	*29.5%*
Total	**2,384**	***100.0%***

Note: standalone BOG figures from management accounts (non-IFRS)

Banking Business | Resilient loan portfolio quality (1/2)

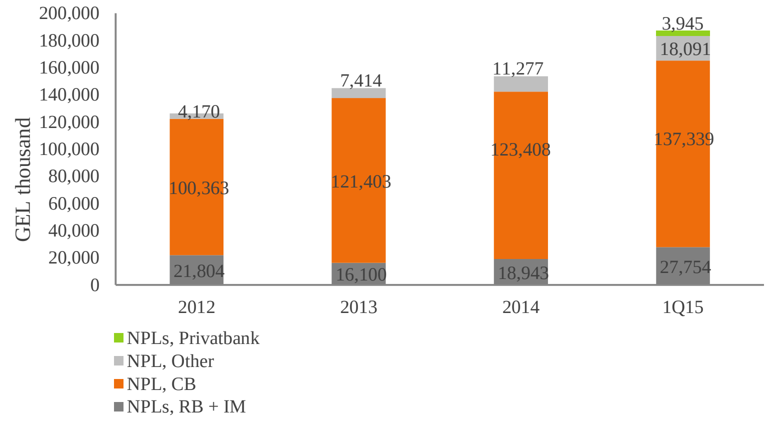
NPLs

Banking Business



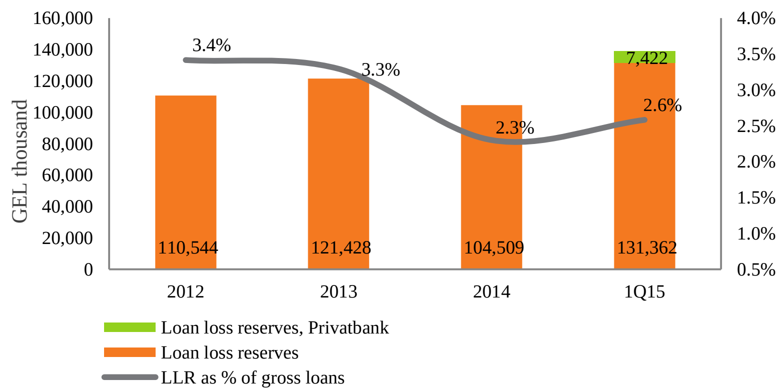
NPL composition

Banking Business



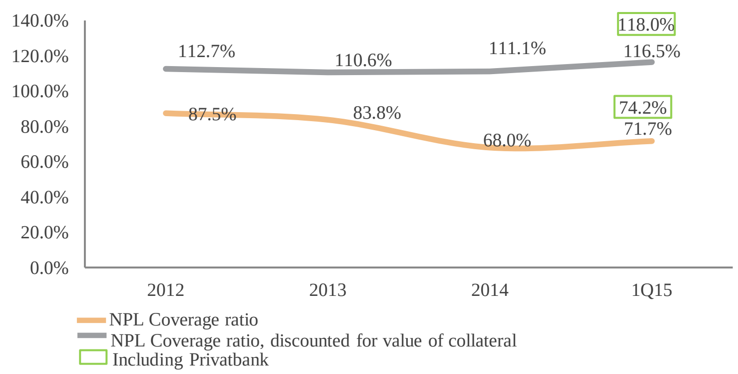
Loan loss reserve

Banking Business



NPL coverage ratio

Banking Business

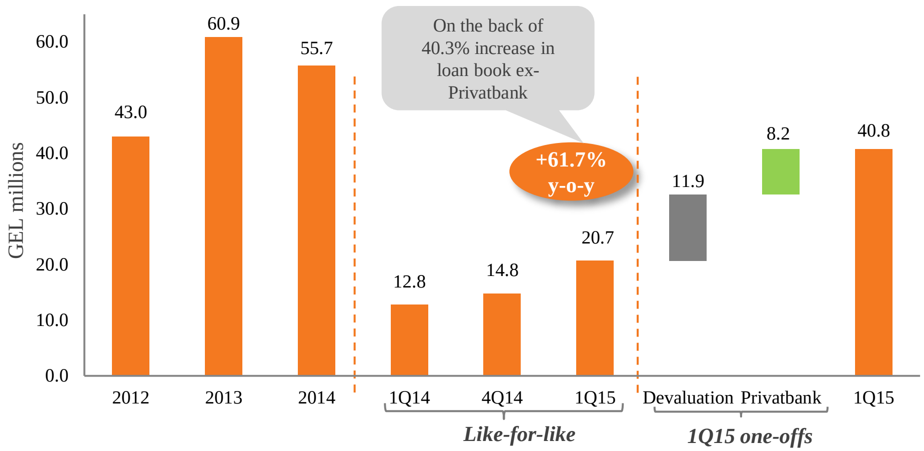


**Retail loans include loans of Retail Banking segment, BNB retail loans, Investment Management and Affordable Housing Mortgages, Corporate loans include Corporate Banking Segment and BNB Corporate loans*

Banking Business | Resilient loan portfolio quality (2/2)

Cost of Credit Risk

Banking Business

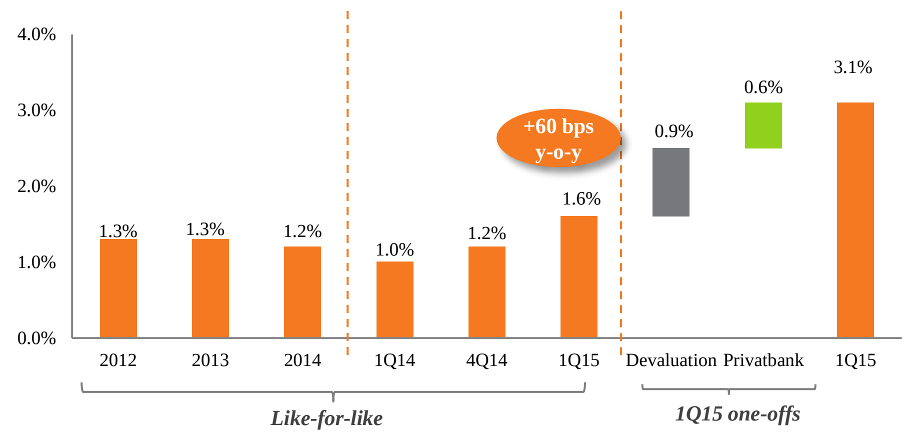


Small demand for re-profiling activity

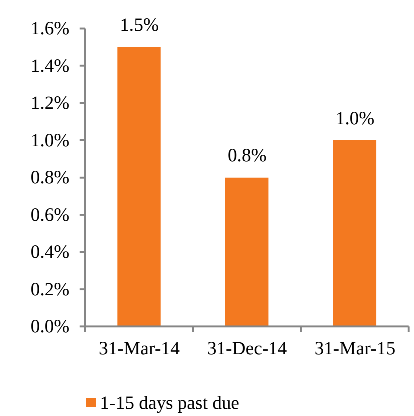
- **We offered re-profiling in Feb-2015.** *Re-profiling implies effectively increasing the tenor of the loan so that monthly payment in Lari stays at the same level it was prior to the recent devaluation of the Lari. When re-profiling, we do not change the interest rate of the loan.*
- **Since Feb-2015, 610 loans were re-profiled worth US$ 21.7mln**, including 502 mortgages worth US$19.6mln and 108 consumer loans worth US$2.1mln.

Cost of Risk

Banking Business



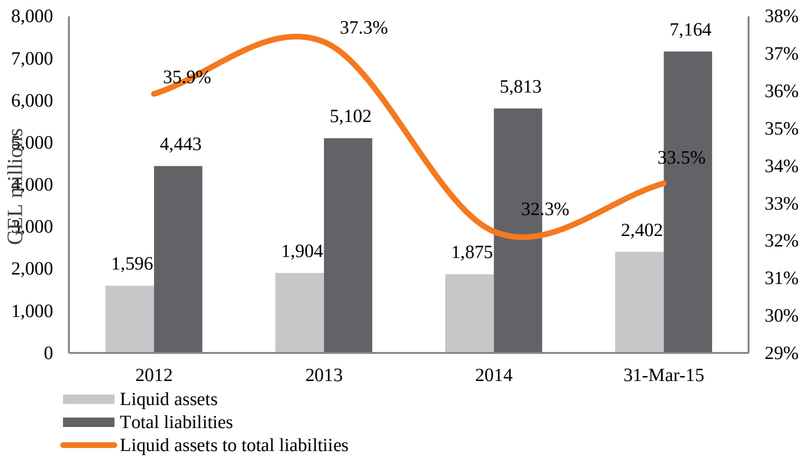
Stable default rates on retail banking loans



Banking Business | Strong liquidity (1/2)

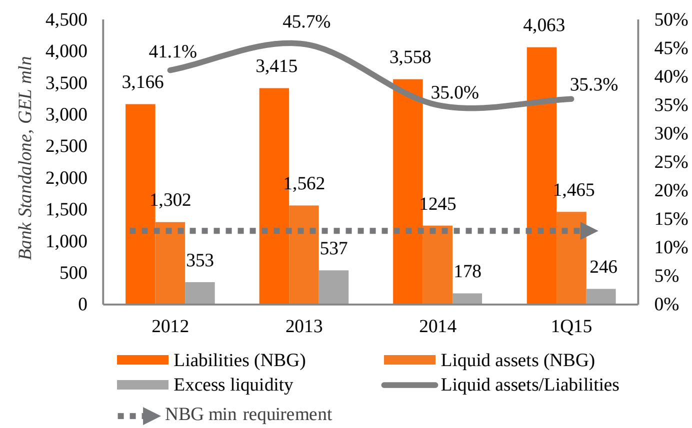
Liquid assets to total liabilities

Banking Business (inlcudes Privatbank)



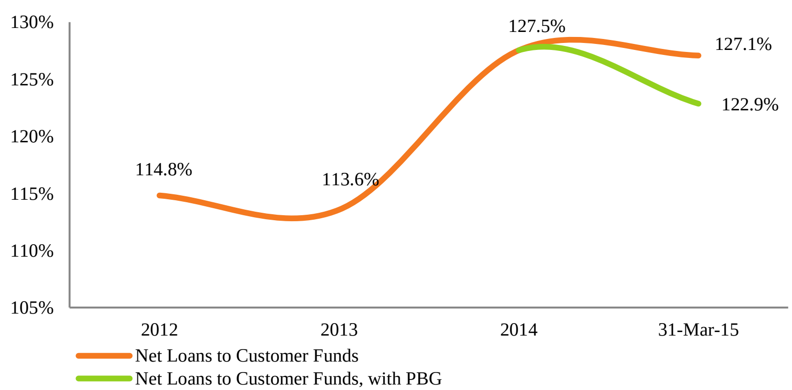
NBG liquidity ratio

Banking Business (includes Privatbank)



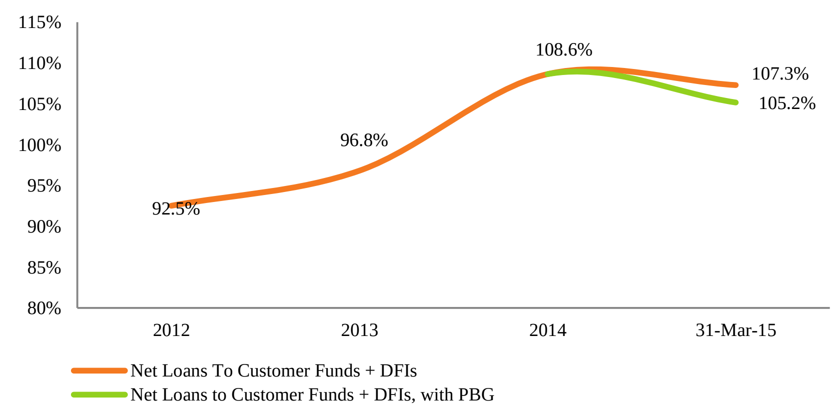
Net loans to customer funds

Banking Business



Net loans to customer funds & DFIs

Banking Business

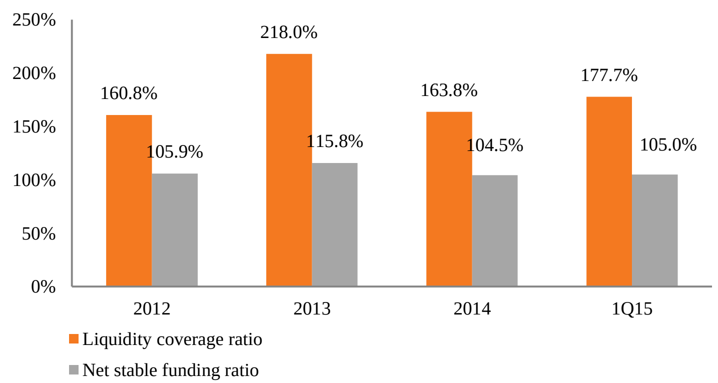


Pro-forma, implying allocation of US$ 30mln capital earmarked for Banking Business and held at the holding company. Ratios reported to NBG are reported in the appendix

Banking Business | Strong liquidity

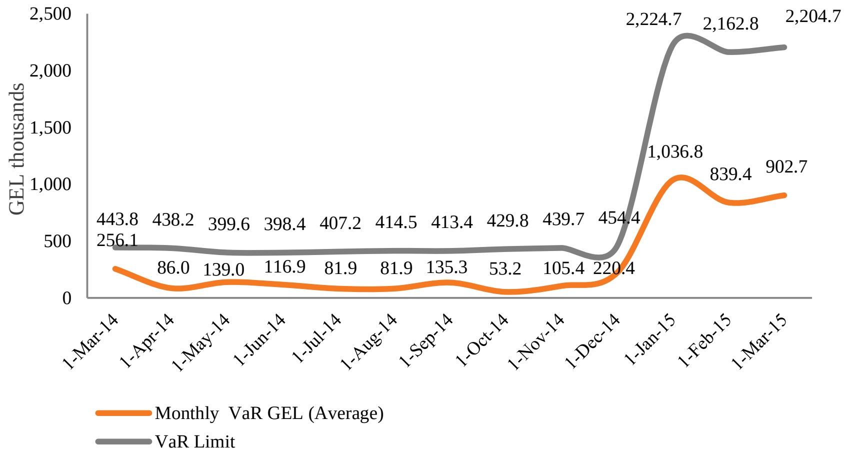
Liquidity coverage ratio & net stable funding ratio

JSC Bank of Georgia standalone



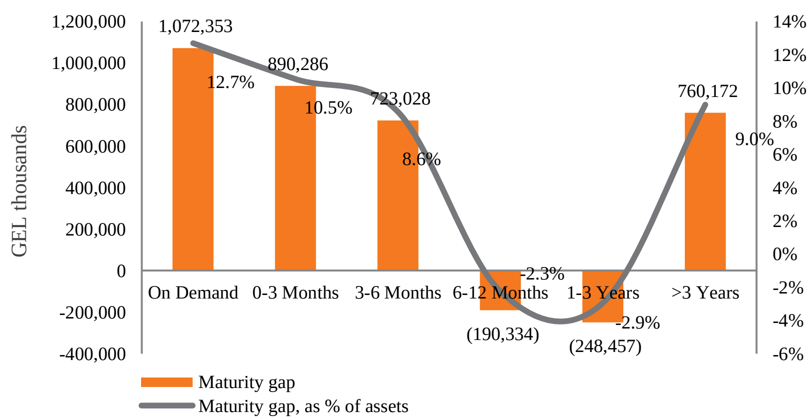
Foreign currency VaR analysis*

JSC Bank of Georgia standalone



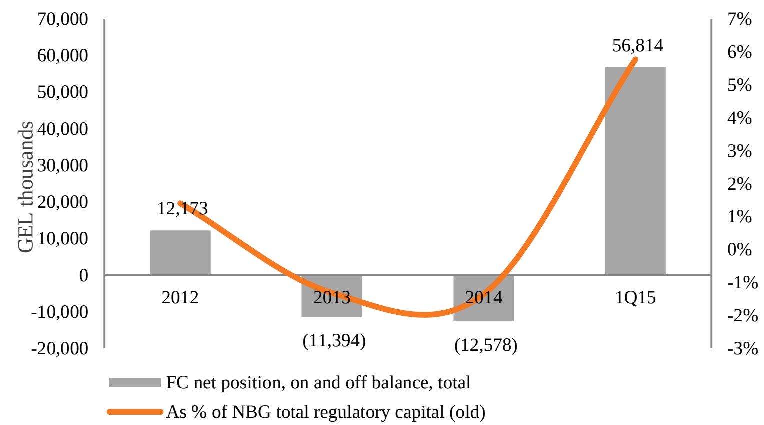
Cumulative maturity gap, 31 March 2015**

Banking Business



Open currency position

JSC Bank of Georgia standalone

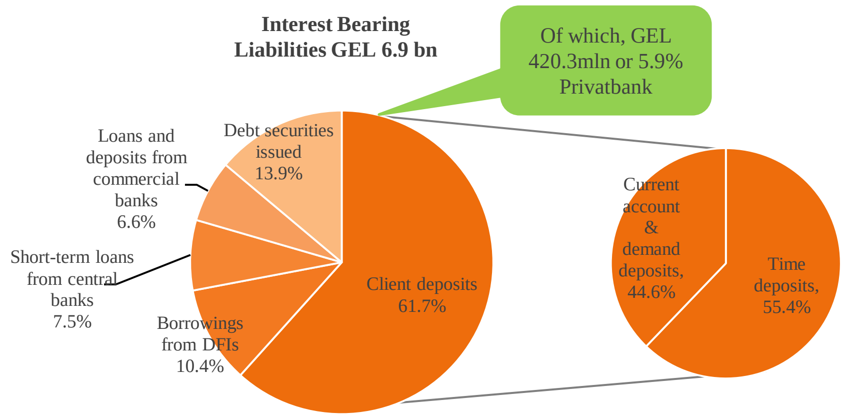


*Daily VaR time series averaged for each respective month
**GEL 1,248.3 mln of current accounts and demand deposits are placed in 6-12 months bucket

Banking Business | Funding structure is well established

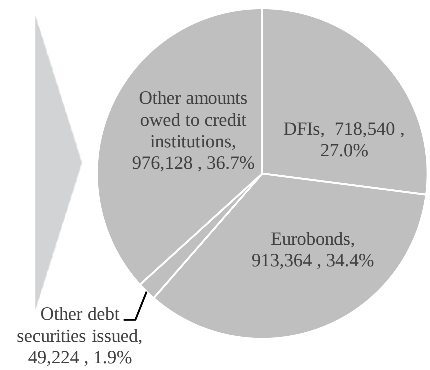
Interest Bearing Liability structure | *31 March 2015*

Banking Business



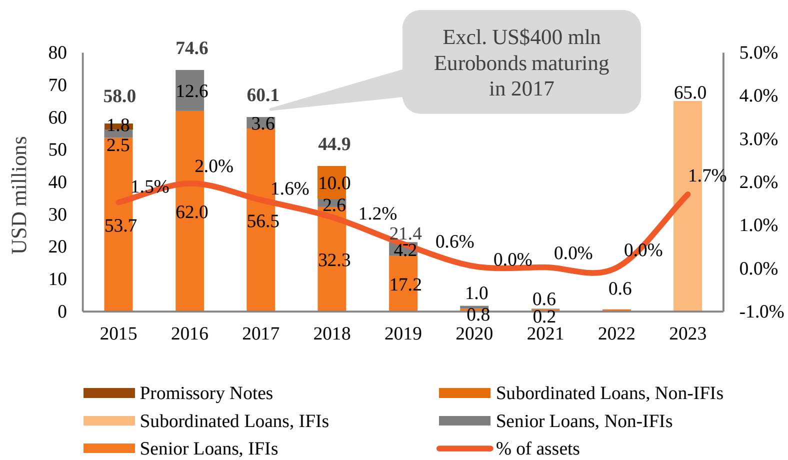
Well diversified international borrowings | *1Q15*

Banking Business



Borrowed funds maturity breakdown*

Banking Business



Interest bearing liabilities

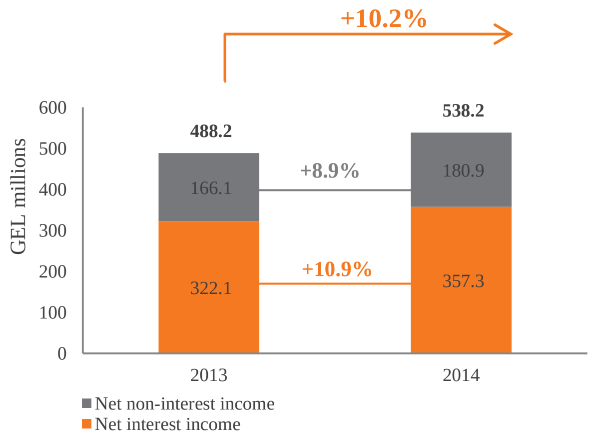
- **Banking Business has a well-balanced funding structure** with 61.7% of interest bearing liabilities coming from client deposits and notes, 10.4% from Developmental Financial Institutions (DFIs) and 13.2% from Eurobonds, as of 31 March 2015
- The Bank has also been able to secure favorable financing from reputable international commercial sources, as well as DFIs, such as EBRD, IFC, DEG, Asian Development Bank, etc.
- As of 31 March 2015, US$31.0 million undrawn facilities from a DFI with four to eight year maturity

** Consolidated, converted at GEL/US$ exchange rate of 2.2275 of 31 March 2015*
*** Total Assets as of 31 March 2015*

Banking Business | Strong revenue growth

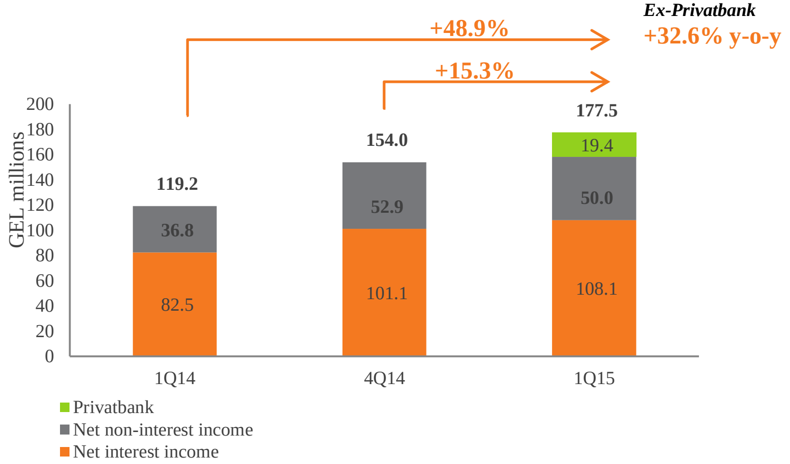
Revenue growth | *full-year*

Banking Business



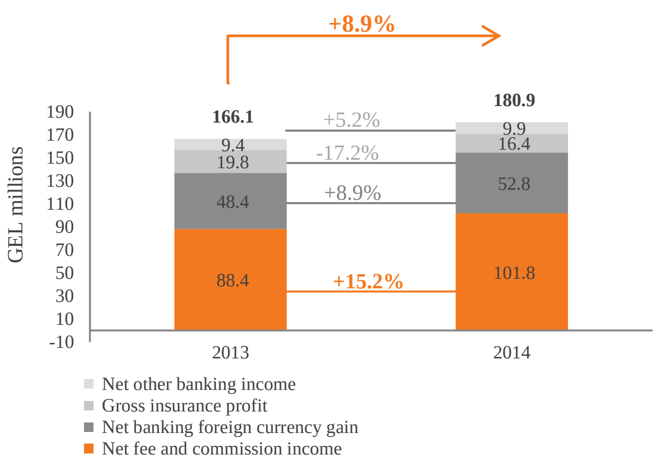
Revenue growth | *quarterly*

Banking Business



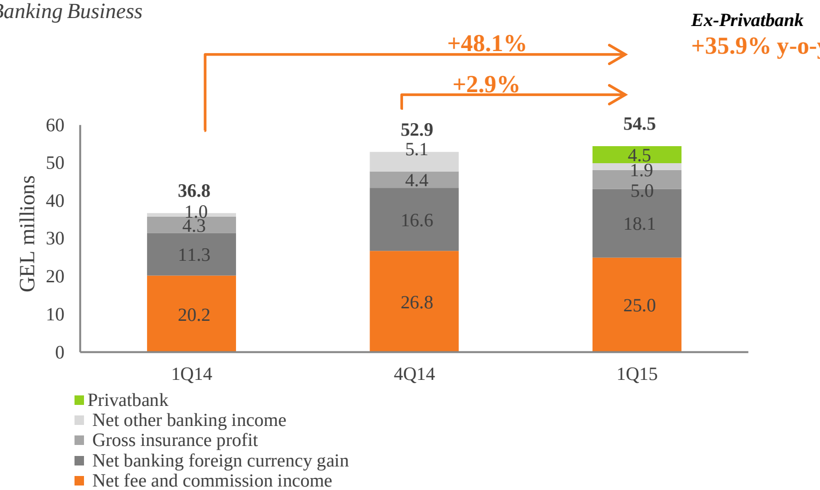
Net non-interest income | *full-year*

Banking Business



Net non-interest income | *quarterly*

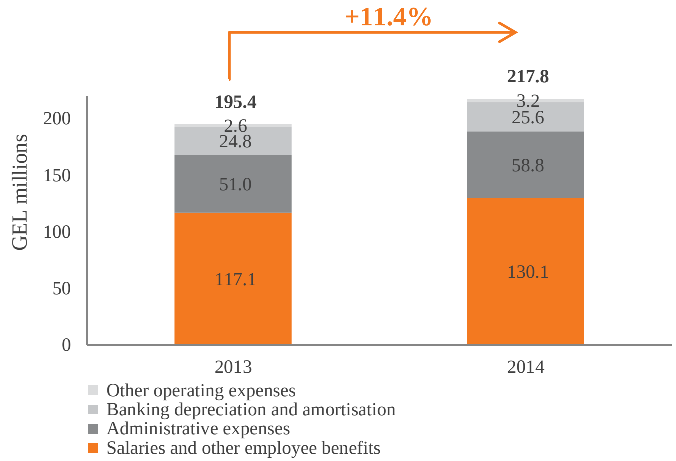
Banking Business



Banking Business | keeping a tight grip on costs

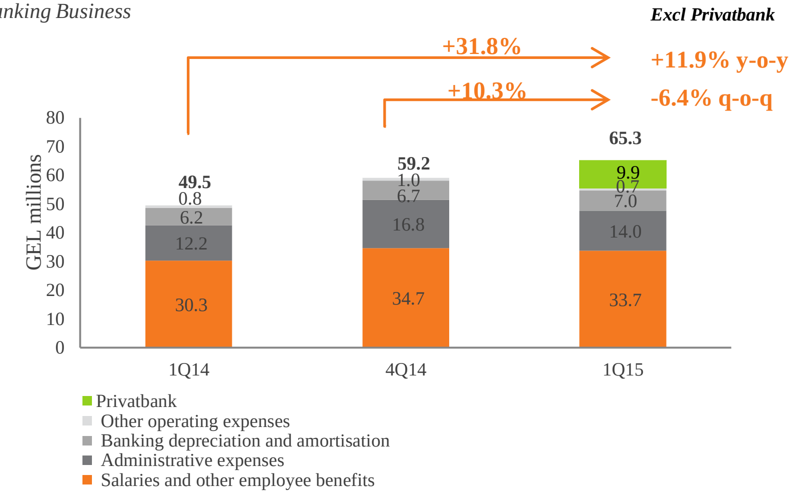
Operating expenses | *full-year*

Banking Business



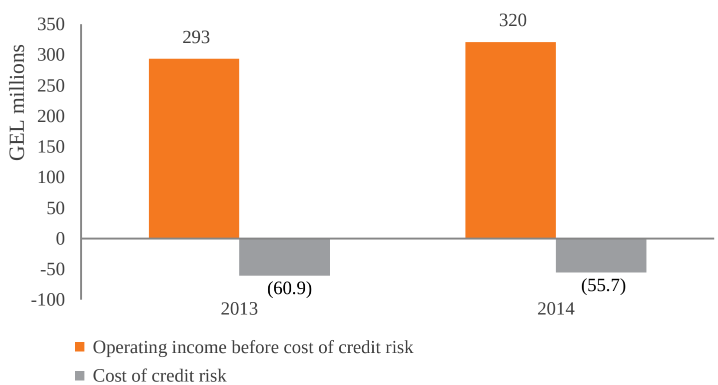
Operating expenses | *quarterly*

Banking Business



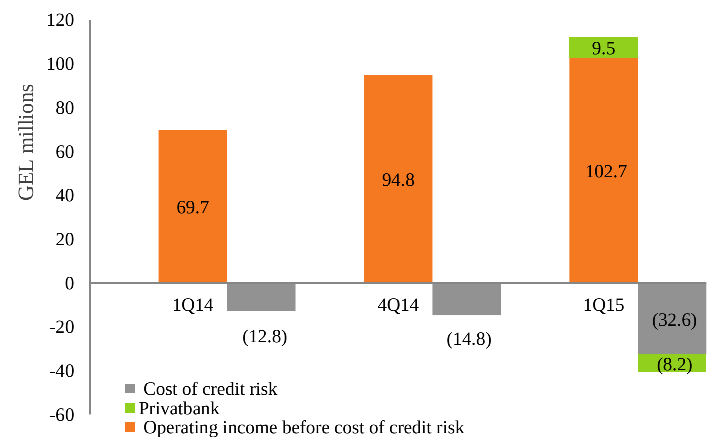
Net non-recurring items & operating income before cost of credit | *full-year*

Banking Business



Net non-recurring items & operating income before cost of credit | *quarterly*

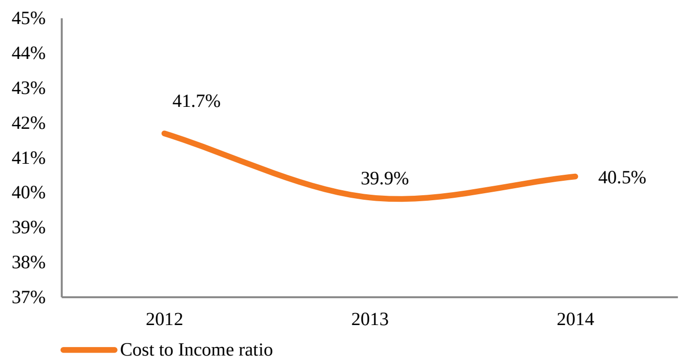
Banking Business



Banking Business | Focus on efficiency

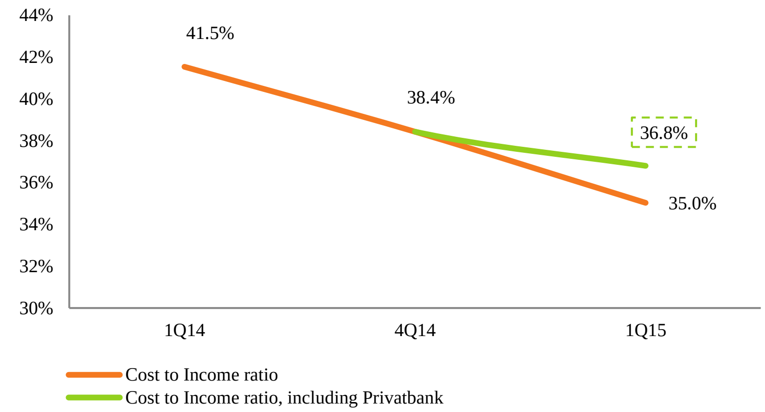
Cost / Income ratio | *full-year*

Banking Business



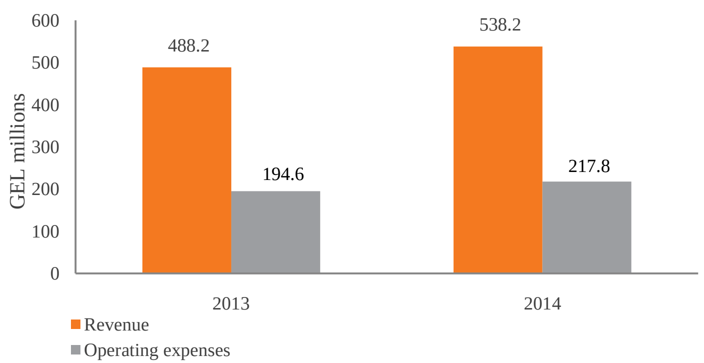
Cost / Income ratio | *quarterly*

Banking Business



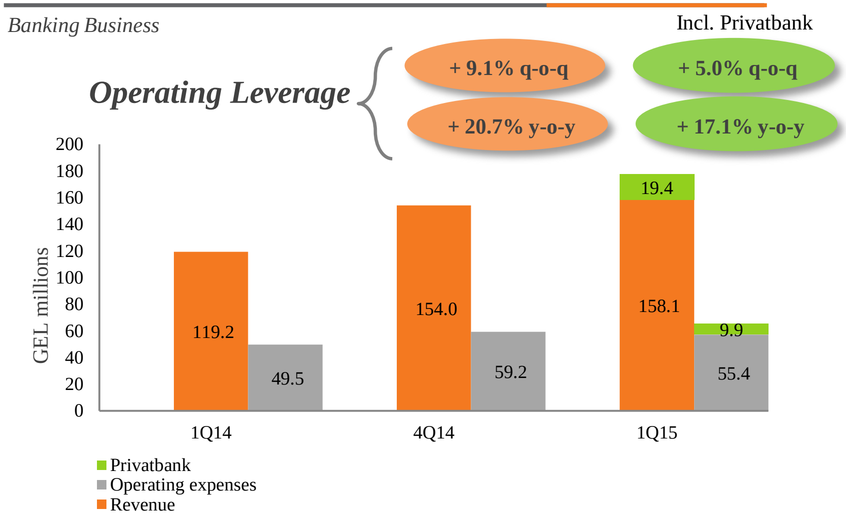
Revenue and operating expenses | *full-year*

Banking Business



Revenue and operating expenses | *quarterly*

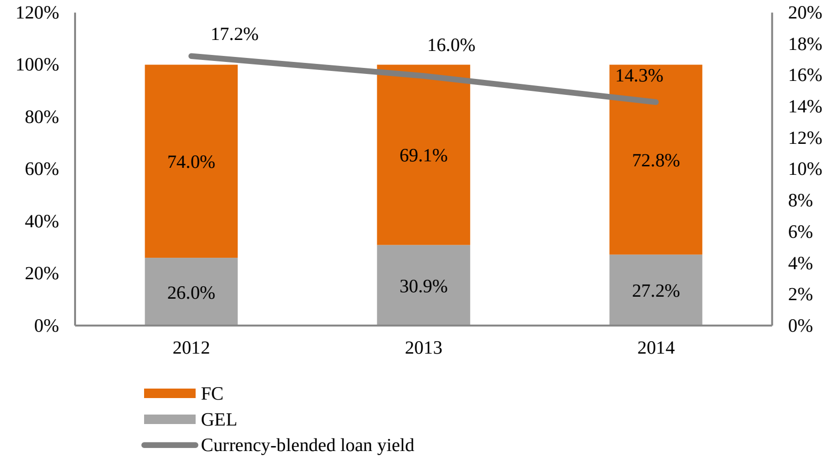
Banking Business



Banking Business | growing income notwithstanding the pressure on yields

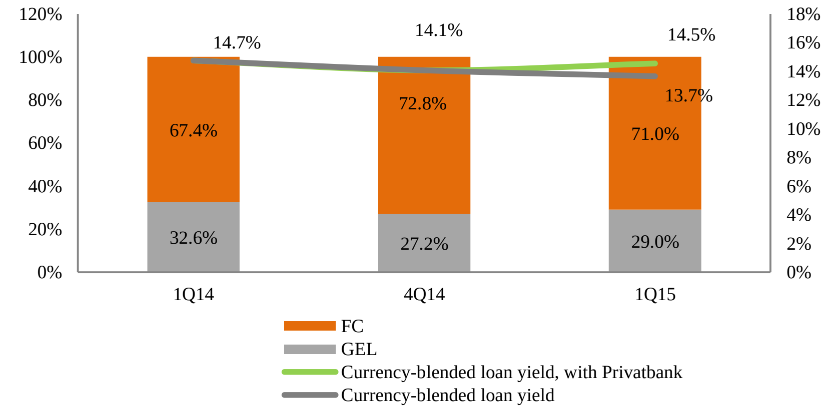
Loan Yields | *annual*

Banking Business



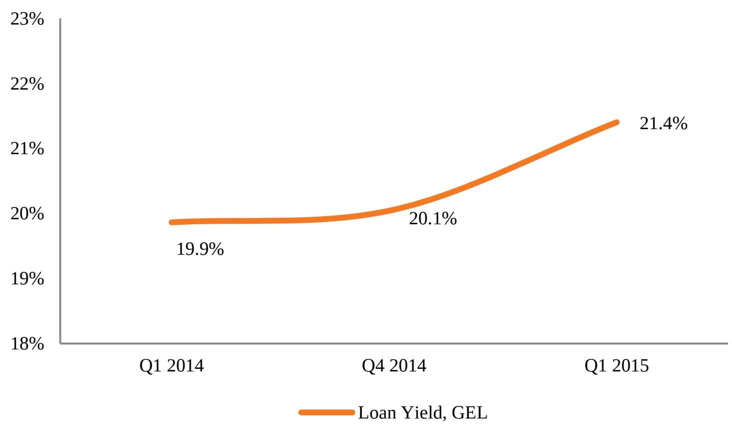
Loan Yields | *quarterly*

Banking Business



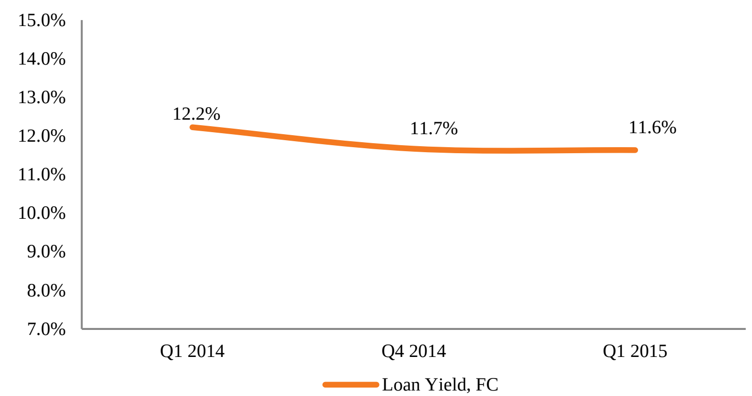
Loan Yields, GEL | *quarterly*

Banking Business



Loan Yields, foreign currency | *quarterly*

Banking Business

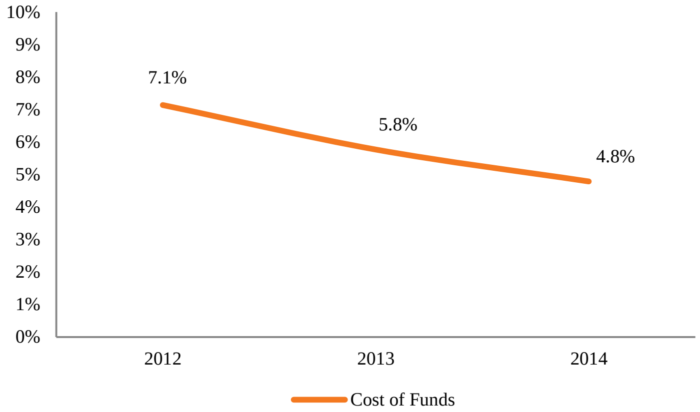


Loan yields excluding provisions

Banking Business | Significantly improved Cost of Funding

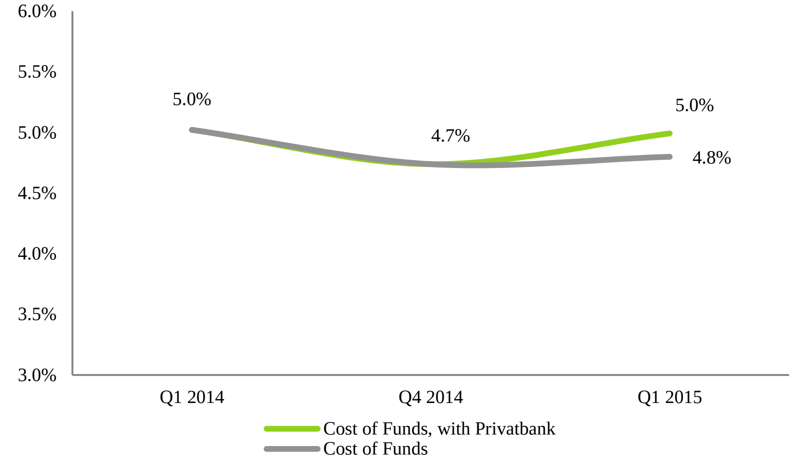
Cost of Funds | *annual*

Banking Business



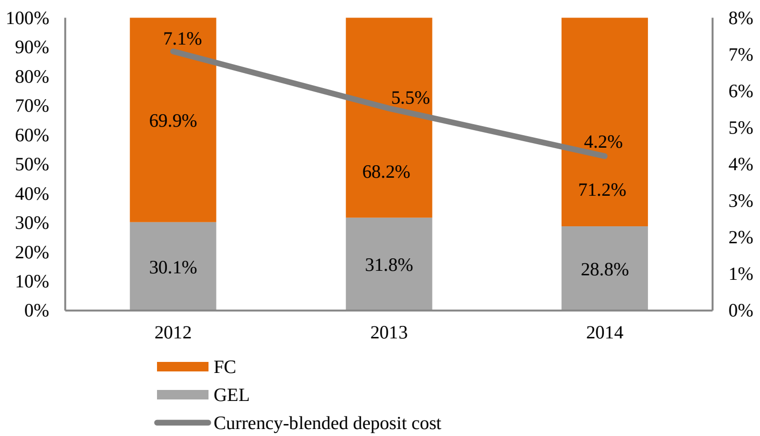
Cost of Funds | *quarterly*

Banking Business



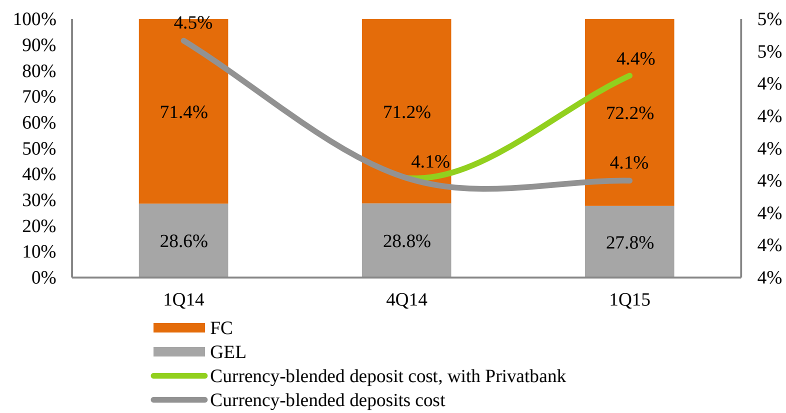
Cost of Customer Funds| *annual*

Banking Business



Cost of Customer Funds | *quarterly*

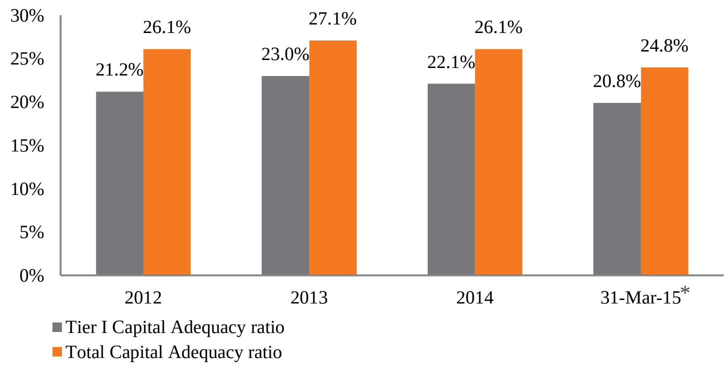
Banking Business



Banking Business | Excellent capital adequacy position

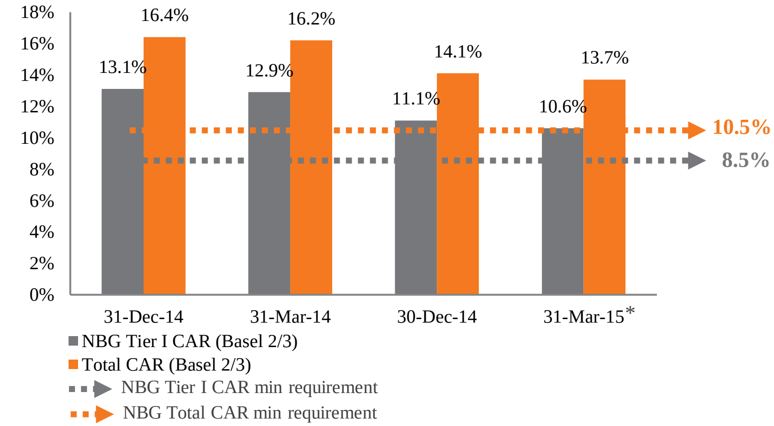
Basel I capital adequacy ratios

JSC Bank of Georgia consolidated



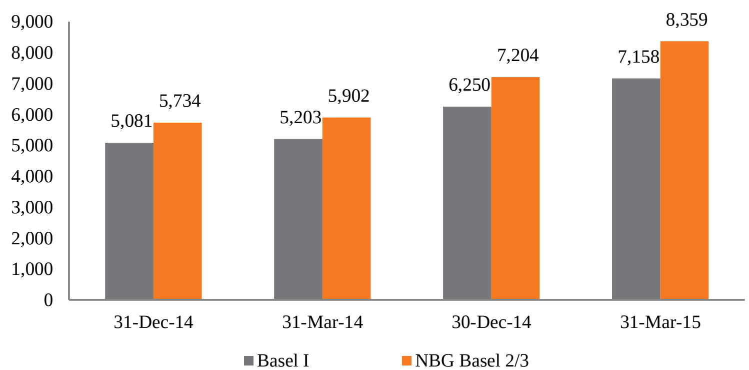
NBG (Basel 2/3), capital adequacy ratios

JSC Bank of Georgia standalone



Risk Weighted Assets Basel I vs NBG (Basel 2/3)

JSC Bank of Georgia consolidated (BIS I), standalone (BIS 2/3)



NBG (Basel 2/3)Tier I Capital and Total Capital

JSC Bank of Georgia standalone

GEL '000	**31 Mar 2015***	**Dec 2014**	**Sep 2014**	**Jun 2014**	**Mar 2014**	**Dec 2013**
Tier I Capital (Core)	887.0	800.5	723.2	669.9	764.2	748.3
Tier 2 Capital (Supplementary)	257.5	217.1	198.7	197.9	190.1	189.8
Total Capital	**1,144.4**	**1,017.6**	**921.9**	**867.8**	**954.3**	**938.1**
Risk weighted assets	**8,359.2**	**7,204.1**	**6,470.6**	**6,202.9**	**5,901.9**	**5,733.7**
Tier 1 Capital ratio	**10.6%**	**11.1%**	**11.2%**	**10.8%**	**12.9%**	**13.1%**
Total Capital ratio	**13.7%**	**14.1%**	**14.2%**	**14.0%**	**16.2%**	**16.4%**

*Pro-forma, implying allocation of US$ 30mln capital earmarked for Banking Business and held at the holding company. Ratios reported to NBG are reported in the appendix

Contents

Retail Banking (RB)| No. 1 retail bank in Georgia

Client data

RB standalone

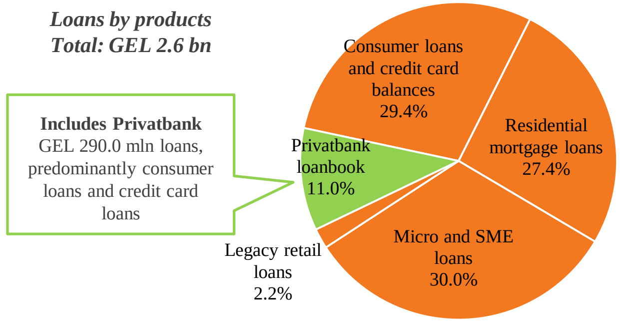
Volumes are in GEL millions	31-Mar-15	% of clients	2014	2013	2012
Number of total Retail clients, of which:	**1,490,247**		**1,451,777**	**1,245,048**	**1,054,248**
Number of Solo clients ("Premieum Banking")	*8,282*	0.6%	*7,971*	*6,810*	*5,413*
Consumer loans & other outstanding, volume	730.9		**691.8**	**560.2**	**480.0**
Consumer loans & other outstanding, number	544,775	36.6%	526,683	455,557	406,213
Mortgage loans outstanding, volume	722.2		**600.9**	**441.4**	**388.7**
Mortgage loans outstanding, number	12,147	0.8%	11,902	10,212	9,850
Micro & SME loans outstanding, volume	791.5		**666.0**	**497.0**	**364.4**
Micro & SME loans outstanding, number	17,150	1.2%	16,246	13,317	11,136
Credit cards and overdrafts outstanding, volume	137.7		**135.0**	**142.4**	**146.4**
Credit cards and overdrafts outstanding, number	214,858	14.4%	199,543	174,570	142,072
Credit cards outstanding, number, of which:	115,784	7.8%	116,615	117,913	107,261
American Express cards	*110,074*	7.4%	*110,362*	*108,608*	*99,292*

c. 400k additional Privatbank clients

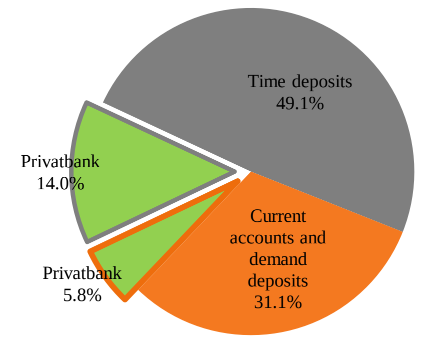
Portfolio breakdowns

RB standalone

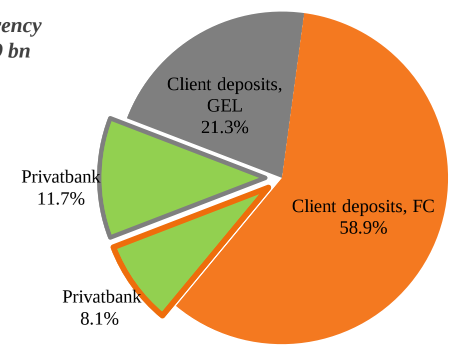
Loans by products
Total: GEL 2.6 bn



Deposits by category
Total: GEL 1.9 bn



Deposits by currency
Total: GEL 1.9 bn

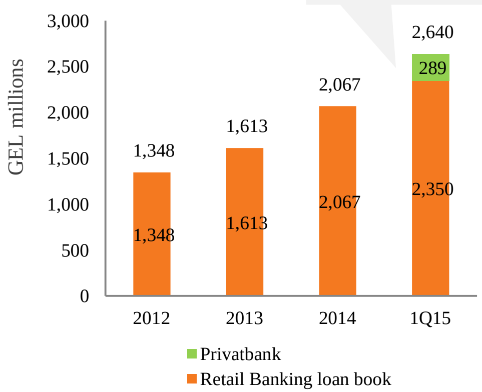


RB loans

RB standalone

Loans growth:

- 24.6% growth on constant currency basis, ex-Privatbank
- 41.5% growth ex-Privatbank

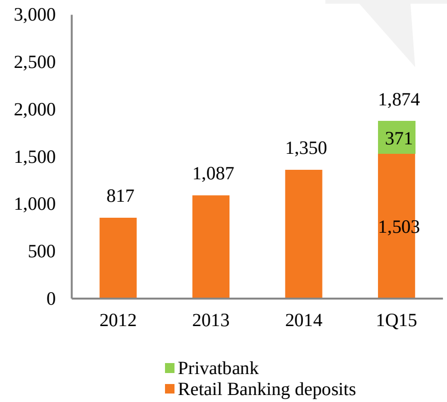


RB deposits

RB standalone

Deposits growth:

- 16.0% growth on constant currency basis, ex-Privatbank
- 39.1% growth ex-Privatbank



Retail Banking (RB) | Strong loan book growth

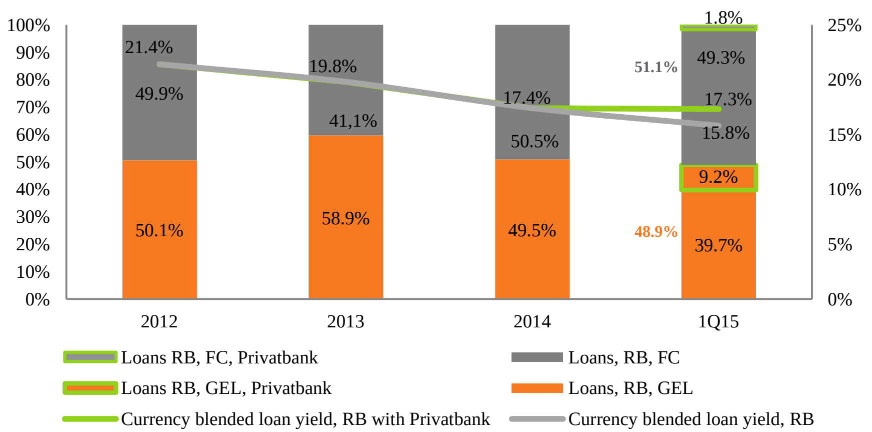
PL | *Retail Banking*

RB Consolidated

GEL thousands, unless otherwise noted	1Q15	1Q14	Change y-o-y	4Q14	Change q-o-q	*RB exluding Privatbank* 1Q15	Change y-o-y	Change q-o-q
Net banking interest income	75,150	49,203	52.7%	60,317	24.6%	60,373	22.7%	0.1%
Net fee and commission income	18,566	11,990	54.8%	17,349	7.0%	15,494	29.2%	-10.7%
Net banking foreign currency gain	3,905	4,033	-3.2%	6,081	-35.8%	2,771	-31.3%	-54.4%
Net other banking income	963	455	111.8%	843	14.3%	974	114.2%	15.6%
Revenue	**98,584**	**65,681**	**50.1%**	**84,589**	**16.5%**	**79,612**	**21.2%**	**-5.9%**
Operating expenses	43,129	29,701	45.2%	34,377	25.5%	33,508	12.8%	-2.5%
Operating income before cost of credit risk	**55,455**	**35,980**	**54.1%**	**50,213**	**10.4%**	46,105	28.1%	-8.2%
Cost of credit risk	16,660	(1,924)	NMF	2,282	NMF	8,495	NMF	NMF
Profit	**32,608**	**31,884**	**2.3%**	**39,738**	**-17.9%**	**31,601**	**-0.9%**	**-20.5%**

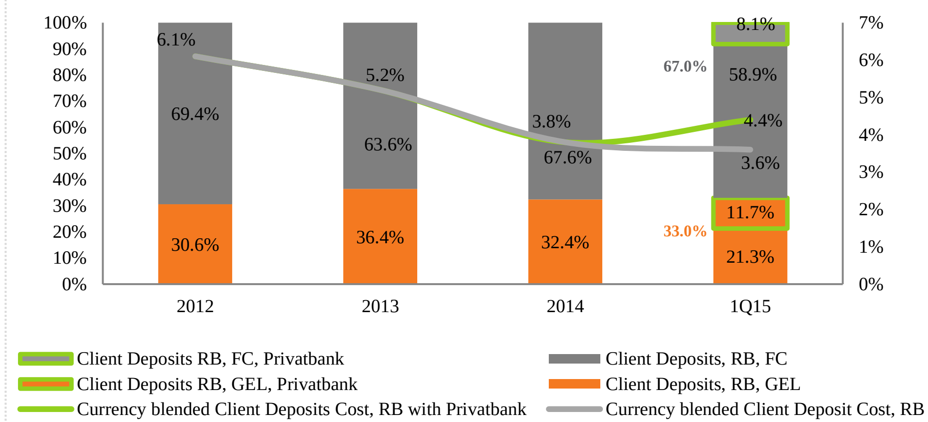
Loan Yields | *Retail Banking*

RB standalone



Deposit Costs | *Retail Banking*

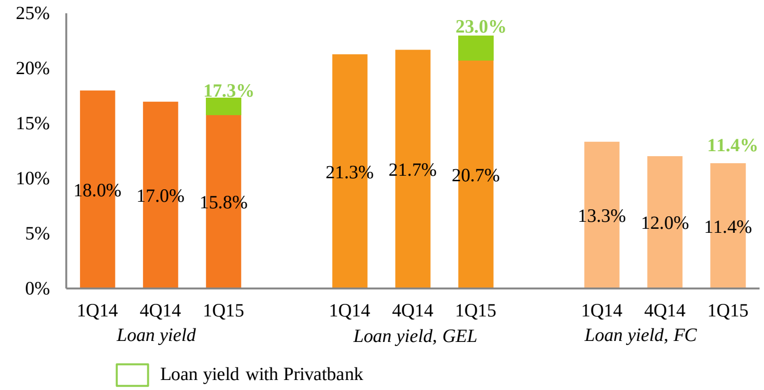
RB standalone



Retail Banking | Strong loan book growth

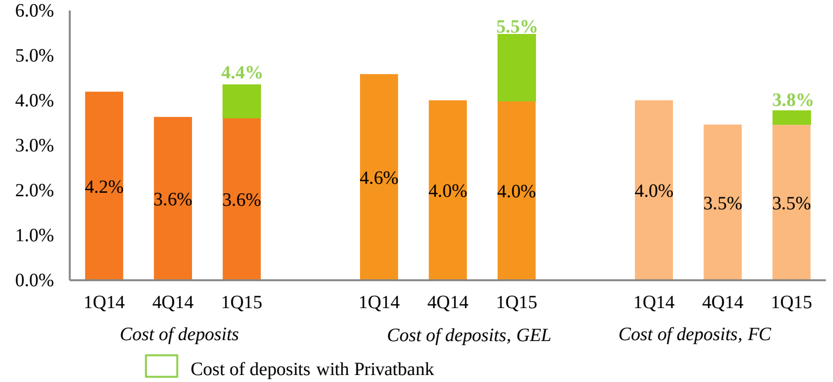
RB Loan Yield | quarterly

RB standalone



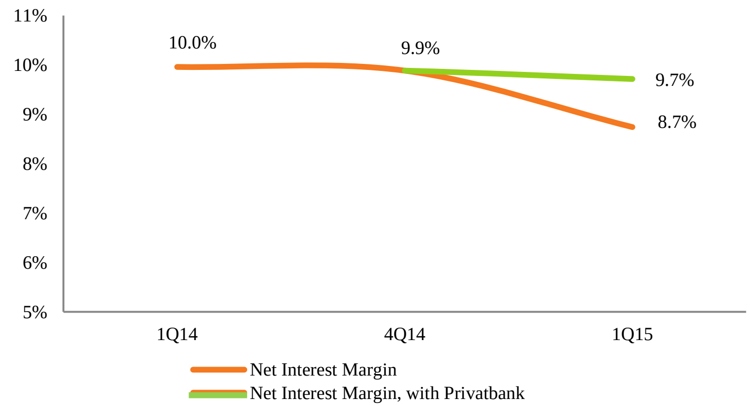
RB Cost of Deposits | quarterly

RB standalone



RB NIM | quarterly

RB standalone



Acquisition of Privatbank Georgia | a value creative transaction

Privatbank acquisition

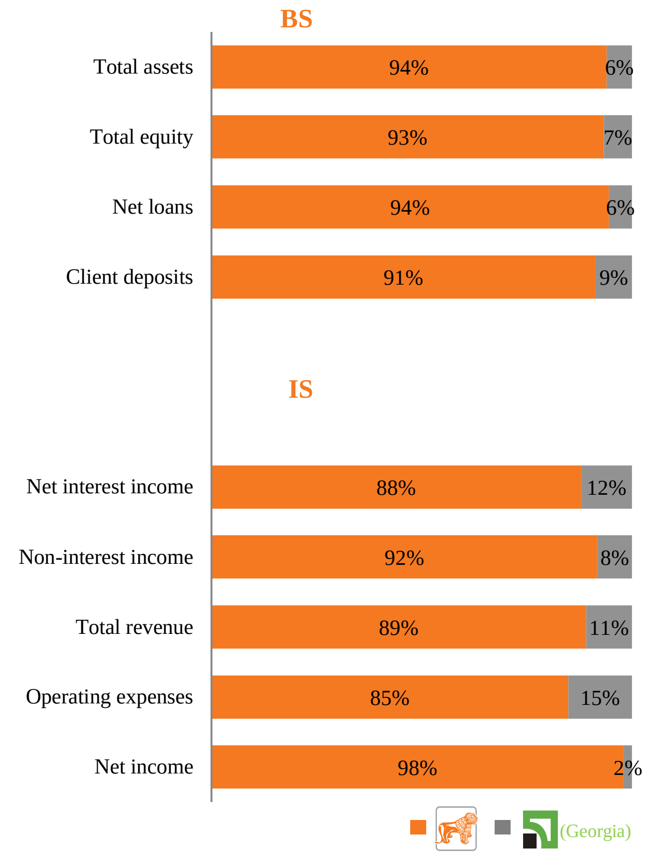
- Integration completed in < 5 months, compared to initial estimate of 9-12 months. We are 6 months ahead of capturing pre-tax admin and funding cost synergies of GEL 25 million
- GEL92m (US$49.6m) consideration for Privatbank constituted 4% of BoGH's market value at the time of acquisition
- Acquisition of a significant distribution network and retail customer base
- Accelerated BoG's retail banking growth, particularly in high margin card business
- Low assets per employee implies significant potential to increase utilization of the franchise

Side by Side Analysis of Operating KPIs

	BoG	Privatbank (Georgia)
Total # of Retail Clients (k)	1,490	424
Total # of Cards (k)	1,205	941
# of Branches	219	72
# of ATMs	554	376
# of POS	6,537	1,608
# of Employees	3,799	1,105

Relative Contribution based on 1Q15 Results

(GEL'm)



	IFRS	IFRS Unaudited[7]
Total assets	8,067	517
Total equity	1,283	92
Net loans	4,959	290
Client deposits	3,902	371
Net interest income	108	15
Non-interest income	50	4
Total revenue	158	19
Operating expenses	55	10
Net income	58	1

Corporate Banking (CB)

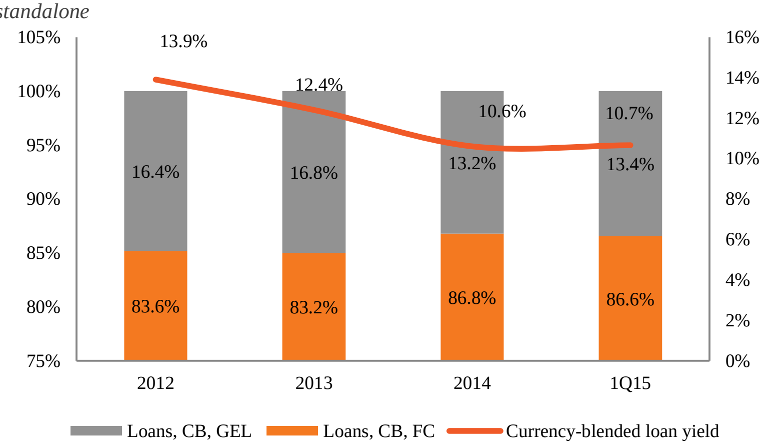
PL | *Corporate Banking*

CB Consolidated

GEL thousands, unless otherwise noted	1Q15	1Q14	Change y-o-y	4Q14	Change q-o-q
Net banking interest income	35,418	24,621	43.9%	30,035	17.9%
Net fee and commission income	6,001	5,722	4.9%	6,599	-9.1%
Net banking foreign currency gain	7,835	6,034	29.8%	7,288	7.5%
Net other banking income	1,070	485	120.6%	4,499	-76.2%
Revenue	**50,324**	**36,863**	**36.5%**	**48,422**	**3.9%**
Operating expenses	12,197	11,336	7.6%	12,675	-3.8%
Operating income before cost of credit risk	**38,127**	**25,527**	**49.4%**	**35,747**	**6.7%**
Cost of credit risk	19,381	13,679	41.7%	10,217	89.7%
Net non-recurring items	598	224	167.4%	104	NMF
Profit before income tax	**18,148**	**11,625**	**56.1%**	**25,425**	**-28.6%**
Income tax (expense) benefit	3,346	1,917	74.5%	4,269	-21.6%
Profit	**14,802**	**9,707**	**52.5%**	**21,156**	**-30.0%**

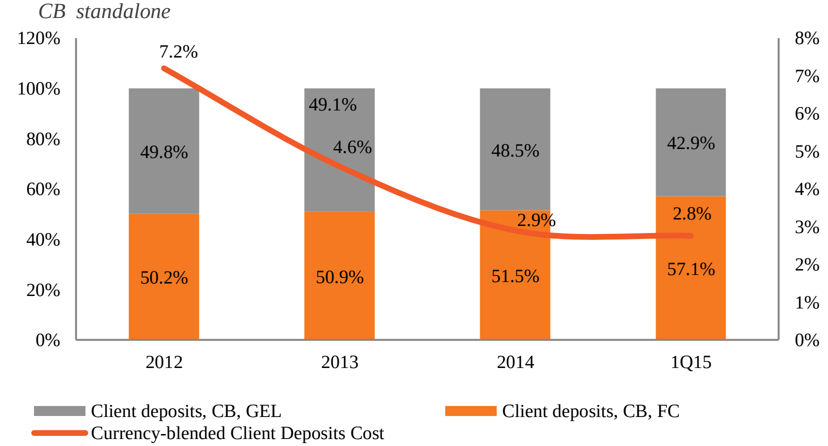
Loan Yields | *Corporate Banking*, standalone

CB standalone



Deposit Costs | *Corporate Banking*, standalone

CB standalone



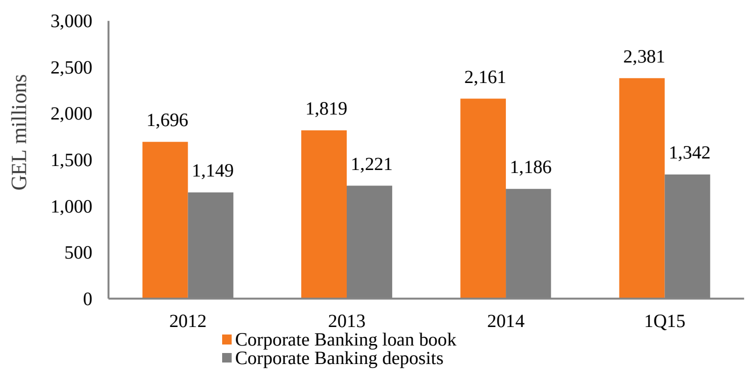
Corporate Banking (CB)

Highlights

- No.1 corporate bank in Georgia
- Integrated client coverage in key sectors
- c.5,000 clients served by dedicated relationship bankers

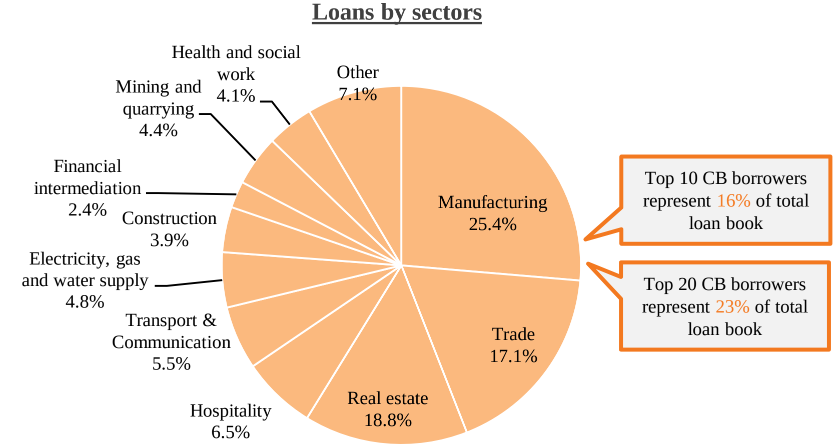
Loans & Deposits

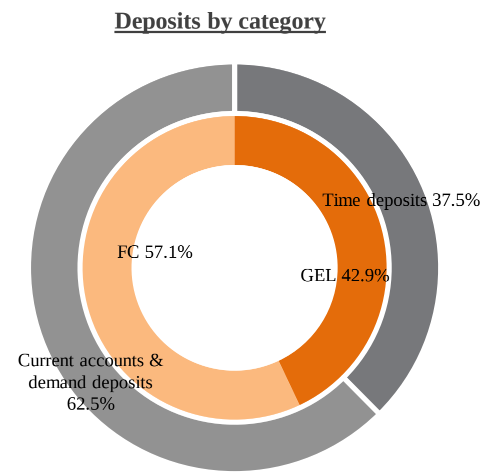
CB standalone



Portfolio breakdowns, 31 Mar 15

CB standalone

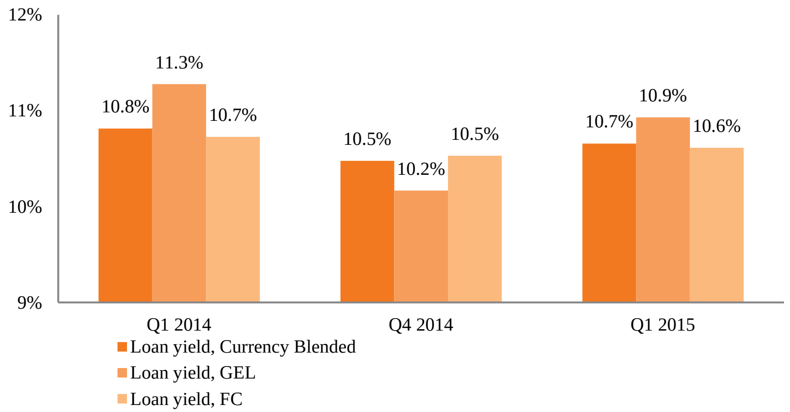




Corporate Banking (CB)

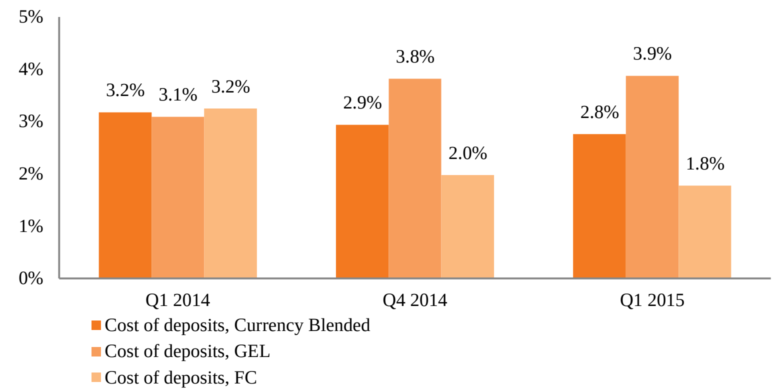
CB Loan Yield | *quarterly*

CB standalone



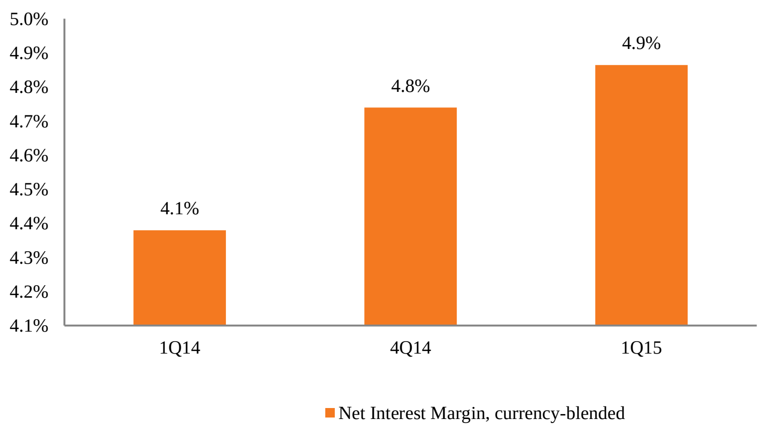
CB Cost of Deposits | *quarterly*

CB standalone



CB NIM | quarterly

CB standalone



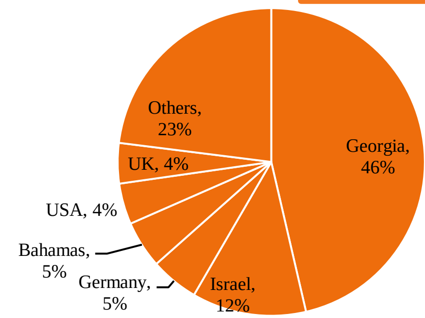
Investment Management | results overview

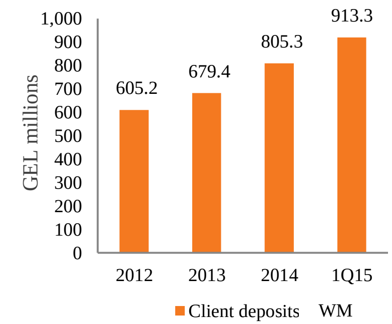
Highlights

- **Strong presence internationally** through representative offices in Israel (since 2008), the UK (2010), Hungary (2012) and Turkey (2013).
- **Preparing to launch funds**: Mezzanine, Renewable Energy and Caucasus Money Market
- **Successfully placed CDs** worth US$8 million, EUR 8 million and GBP 5 million Euroclearable CDs. CDs issued to IM clients stood at GEL506.0 million.
- **Galt & Taggart hosted first investor conference** dedicated to the equity and bond market development in the region. The conference brought together 60 institutional investors and analysts and 200 one-on-one meetings were held with Georgian and Azeri companies

Client deposits | *Mar 2015*

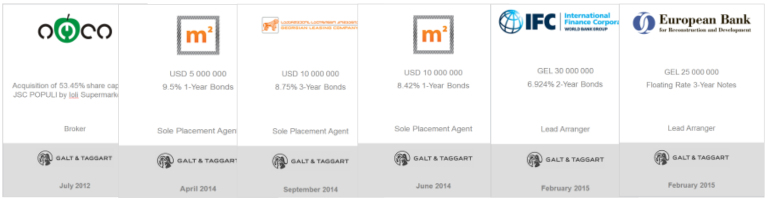
AUM* of GEL 1,214 million
as of 31 March 2015
up 35.5% y-o-y





** Wealth Management client deposits, Galt &Taggart client assets, Aldagi Pension Fund and Wealth Management client assets at Bank of Georgia Custody*

Galt & Taggart - Investment Bank



- Executed its first sizeable M&A deal in 2014 and received a success fee. IM segment's fee and commission income totalled GEL 8.8 million (GEL 1.2 million in 2013)
- Acted as lead arranger in 1Q15 for bond offerings for
  - GEL 25 mln floating notes issued by EBRD
  - GEL 30 mln bonds issued by IFC
  - US$20 mln bonds issued by m²

Galt &Taggart - Research

Sector coverage
- Energy
- Tourism
- Agriculture
- Wine
- Commercial Real Estate

Macro coverage
- Georgia
- Azerbaijan

Fixed Income Coverage
- GOGC
- Georgian Railway

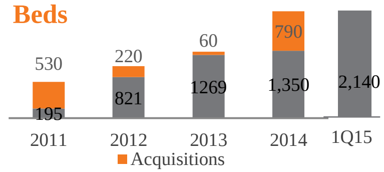
Georgia Healthcare Group | Leading market player

Company Overview

GHG has two core activities:

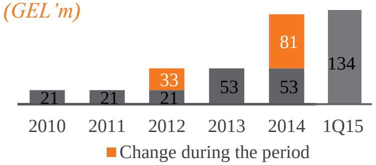
- EVEX: largest healthcare service provider in Georgia
  - Over 2/3 of population covered[1]
  - Operating 33 hospitals and 6 ambulatory clinics[2]
  - 2,140 beds (85% of new beds)[2]
  - 22.0% of market share by bed capacity[3]
- IMEDI L: leading health insurance business
  - 36.7% market share[4]
  - Insuring 257 thousand people[2]

Evolution of GHG's Number of Beds



Disciplined Investment Strategy

(GEL 'm)

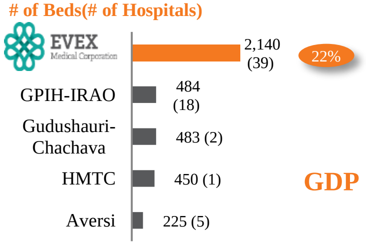


Before **After**

Undisputed Leader in a Significant Market

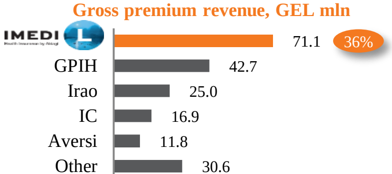
Hospital Services[3]

# of Beds(# of Hospitals)

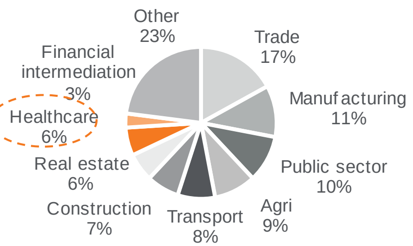


Health Insurance[4]

Gross premium revenue, GEL mln



GDP Composition[5]



Total Healthcare expenditure is c.9.4% of GDP

Value Creation

Project Initiation	*By the end of 2010, BoG already had cumulative investment of GEL 20.7 million (US$11.7 million) in its insurance and healthcare business initiatives*
Testing the market and potential for value creation	*2012-2014 - Acknowledging the potential for growth and value creation of the GHG group, BoG additionally invested GEL114m (US$63m)*
Value Creation	*GHG has turned into an undisputed leader in healthcare business in Georgia leveraging on its two pillars, EVEX and Imedi L*

Note: Evex and Imedi L revenues do not add up to GHG revenues due to intercompany eliminations

Source: Company information. Financial data is based on GHG internal reporting.
(1) Geostat.ge, data as of 1 January 2014. (2) GHG internal reporting: hospital related data as of 31October 2014; number of insured as of 30 September2014.
(3) Market share by number of beds. Source: NCDC, data as of December 2012, updated by company to include new facilities acquired before 31 October 2014.
(4) Market share by gross premiums earned; Insurance State Supervision Service Agency of Georgia as of 30 September 2014.
(5) Geostat data as at 2013.

Georgia Healthcare Group | Leading market player

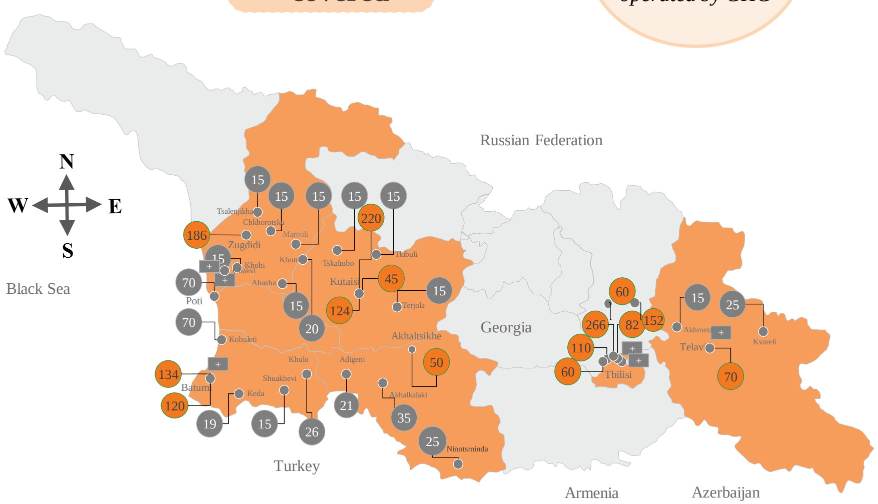
Broad geographic coverage and diversified healthcare services network covering 2/3 of Georgia's population

Extensive Geographic Coverage[1]

Network of healthcare facilities

2/3 of population covered

2,140 hospital beds
33 hospitals
6 ambulatory clinics
operated by GHG

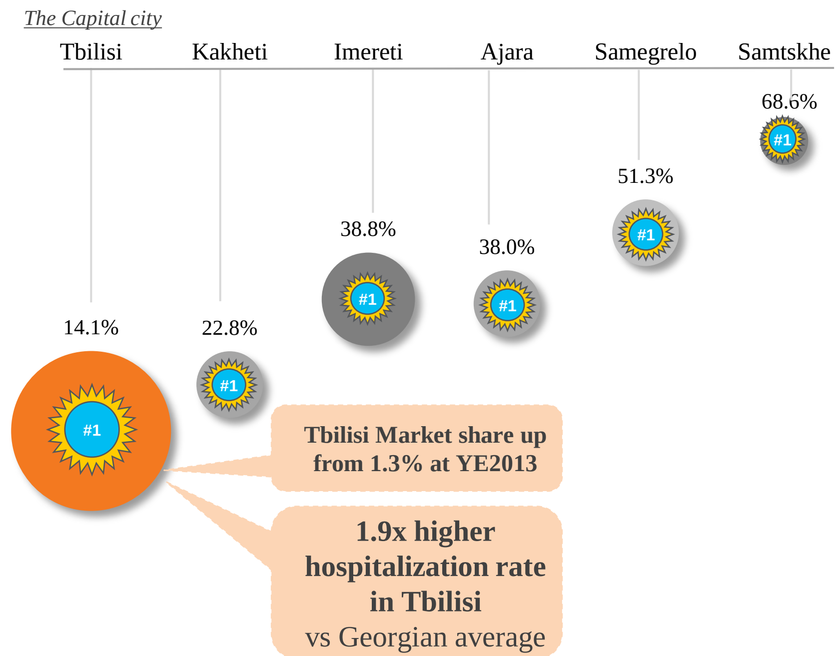


- Referral and Specialty Hospitals
- Community Hospitals
- Ambulatory Clinics
- Regions of Presence

Geographically Diversified Network

Regional market shares[2]

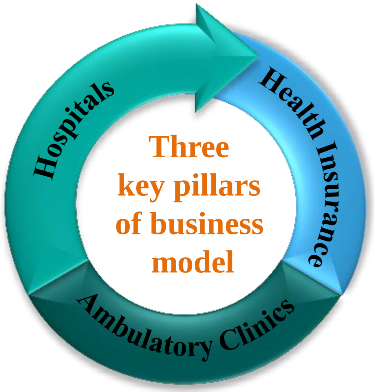
Bubble size denotes relative size based on % of population[3]



Sources:
(1) GHG internal reporting – data as of 31 December 2014
(2) Market share by number of beds. Source: NCDC, data as of December 2012, updated by company to include changes before 31 December 2014. Market shares by beds are as of 31 December 2014
(3) Geostat.ge, data as of 1 January 2014

Georgia Healthcare Group | Integrated synergistic business model

Well established hospital network allows a seamless patient treatment pathway from local doctors to multi-profile or specialised hospitals whilst the insurance business plays a feeder role in originating and directing patients



GEORGIA HEALTHCARE GROUP

GHG operates a highly integrated patient capture business model

14 referral & specialty hospitals provide **secondary and tertiary level** healthcare services — Referral & Specialty Hospitals

operating 1,679 beds

19 community hospitals provide **primary out- and inpatient** healthcare services — Community Hospitals

operating 461 beds

6 ambulatory clinics provide **primary outpatient** healthcare services — Ambulatory Clinics

2/3 of Georgia's 4.5mln[1] population covered — **Patients**

1.8 mln GEL Evex revenue driven by health insurance division in 1Q15 [2]

IMEDI L Health Insurance by Aldagi

A vertically integrated care pathway

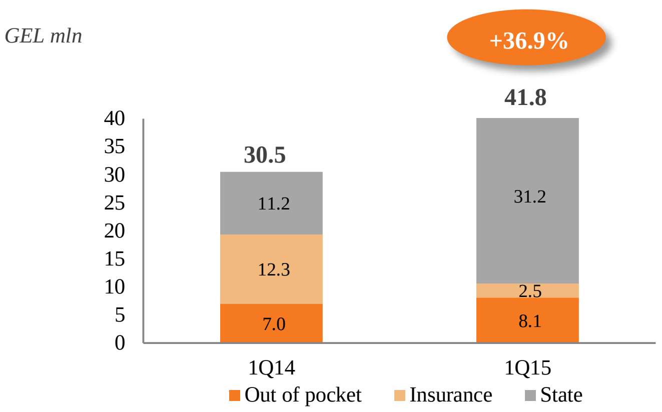
Sources:
(1) Geostat.ge, data as of 1 January 2014
(2) GHG internal reporting. Note: revenues do not add up due to intercompany eliminations

Georgia Healthcare Group | Delivering growth

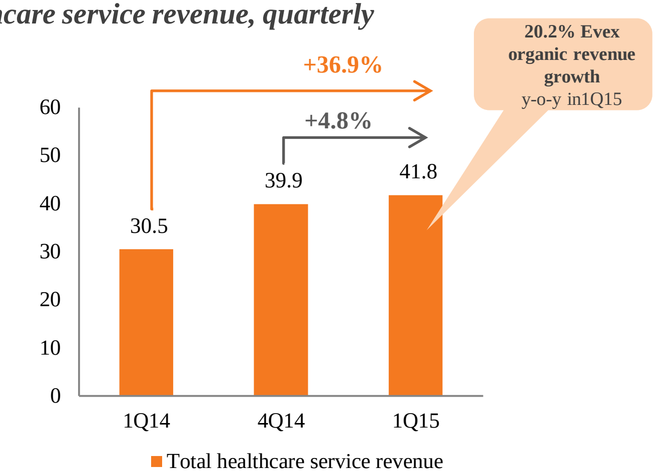
Improving margins with the increasing scale of business

Capturing growth driven by the recent healthcare reform

Healthcare service revenue by sources, annual



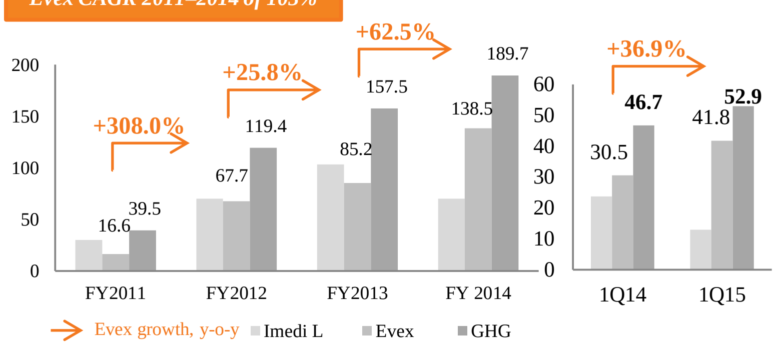
Healthcare service revenue, quarterly



Growing revenue & profitability

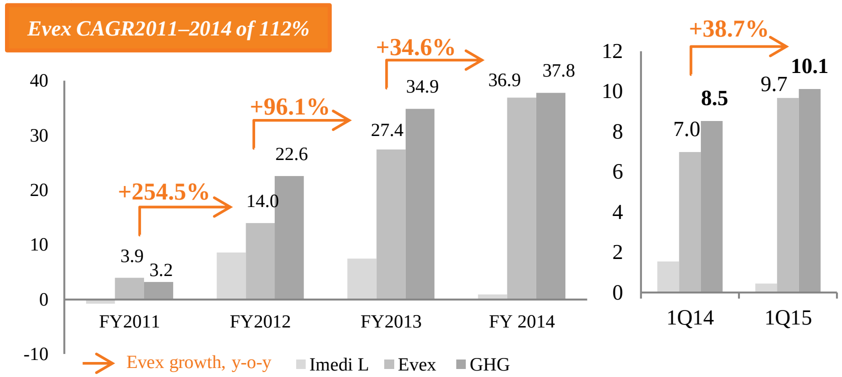
Revenue Dynamics
(GEL'm)

Evex CAGR 2011–2014 of 103%



EBITDA Dynamics
(GEL'm)

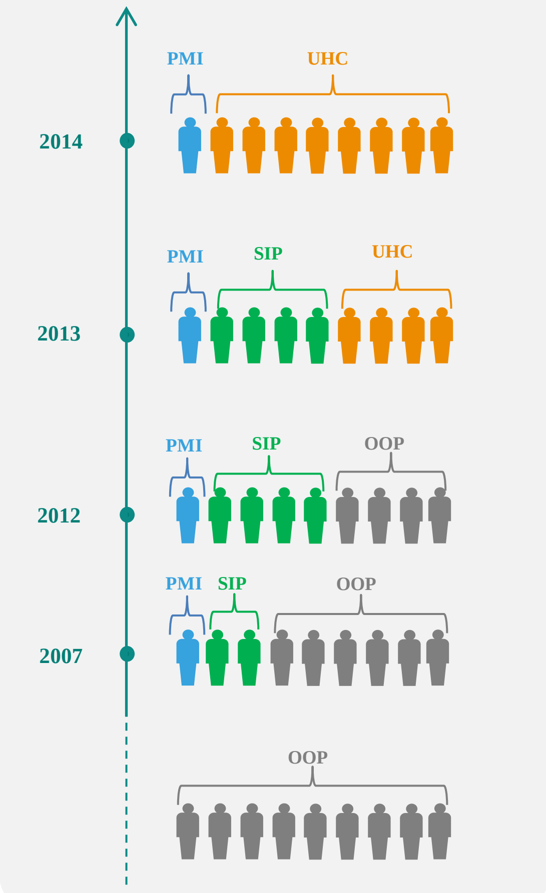
Evex CAGR2011–2014 of 112%



Note: Evex and Imedi L revenues do not add up to GHG revenues due to intercompany eliminations

Expanding health insurance coverage and creating opportunities for private participation (via top-ups) has been the key impact of the Universal Health Care reform

Healthcare coverage of Georgia's 4.5mln population:



Legend:

- OOP – Full out-of-Pocket (No Insurance or State cover)
- PMI – Private Medical Insurance
- SIP – State Insurance Program
- UHC – Universal Healthcare Program
- = 0.5 million people

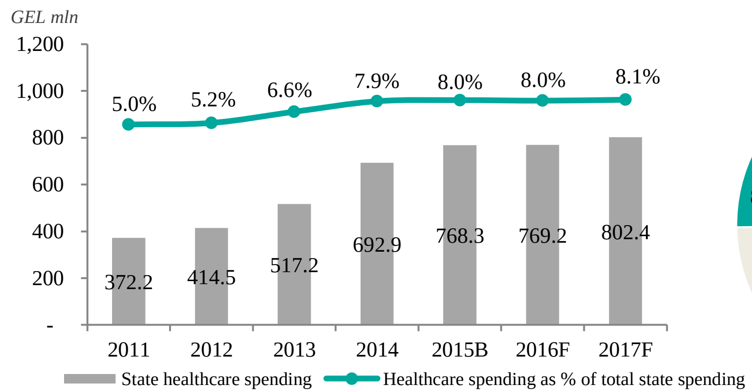
PMI, UHC, SIP include co-payments

How UHC works

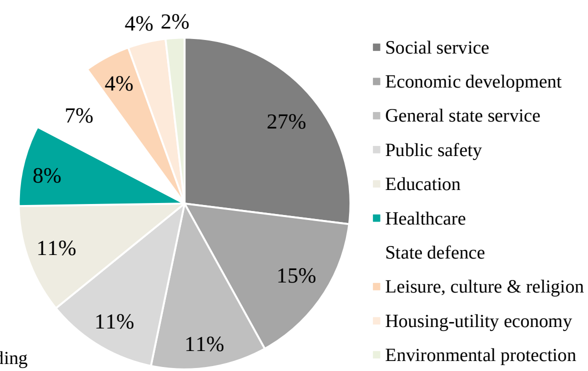
- **Coverage:** Under UHC 4mln people receive basic coverage of healthcare needs from state, with significant co-payments (c.30%)
- **Pricing:** Prices for healthcare services are not regulated. Government sets reimbursement limit and difference between price and reimbursed amount is paid by patient
- **Patient has free choice of provider**
- Any private or public licensed hospital in Georgia is eligible to participate

Increasing state healthcare financing

State healthcare spending dynamics [1]



Total state spending breakdown, FY 2014 [1]



- Sources:

(1) Ministry of Finance of Georgia

GHG's strategy is focused on growing market share while consistently increasing profitability

Hospitals	**Achieve 1/3 market share, *currently 22.0%*[(1)]** *– room to grow in Tbilisi, where GHG's current market share is only 14.1%*[(1)]
Ambulatories	**Rapid launch of outpatient clinics** *– 20-30 ambulatory clinics, within 2-3 years, in highly fragmented and under-penetrated outpatient segment*
Medical equipment pick-ups	**To invest in medical equipment, utilizing existing service gaps**

Sources:
(1) Market share by number of beds. Source: National Center for Decease Control, data as of December 2012, updated by company to include changes before 31 December 2
(2) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 30 September 2014
(3) Source: Geostat.ge, data as of 1 January 2014
(4) GHG internal reporting: hospital related data as of 31 December 2014; number of insured as of 30 September 2014
(5) As of 31 December 2014; number of full time employees including Tbilisi ambulatory clinic (Nutsubidze) opened in 4Q14

m² Real Estate | Leading real estate development company (1/2)

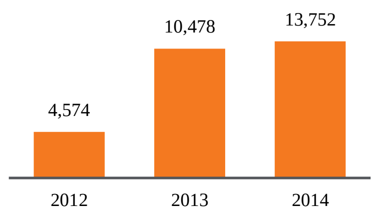
Outstanding Track Record

- Core business activities: the company develops, sells and manages residential apartments

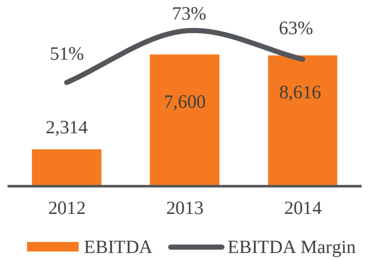
2 Completed Projects	• ***Total sales US$56.7mln*** • *Number of apartments: 645* • *Total Project Cost: US$48.6mln* • *Total net income: US$7mln* • *Land value materialized: US$6.3mln*
4 On-going Projects	• ***Total sales US$57.1mln, yet to be recognised as revenue*** • *Number of apartments: 1,024* • *Total Project Cost: US$65.2mln* • *Total expected net income: US$14mln* • *Land value to be materialized: US$10mln*

Fast Growing Company

Revenue Dynamics
(GEL' thousand)



EBITDA Dynamics
(GEL' thousand)



Note: m² Affordable Housing Business figures only

Value Creation

Project Initiation	• *2010-2012 - BoG made a cash investment of GEL 5.0m (US$3m) with an idea to develop problem land plots seized after 2008 into an opportunity*
Testing the market and potential for value creation	• *2012-2014 – After successful completion of two projects and four ongoing projects, M2 has become a leading real estate company with significant potential for growth*
Value Creation	• *The Group generates an IRR of more than 40%. Leveraging on M2's successful track record of completed projects*

Source: Company information. Conversion form US$ to GEL was done using current exchange rate as at 31 December 2014.

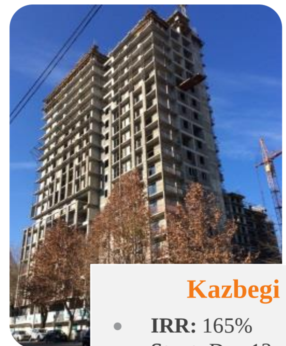
m^2 Real Estate | Leading real estate development company (2/2)

Total sales of US$112.9mln since 2011

*Of which, US$57.1mln yet to be recognised as revenue**

Tamarashvili Street

- **IRR:** 46%
- **Start:** May-12
- **Completion:** Jun-14
- **Apartments sold:** 98% of 522
- **Sales:** US$46.8 mln



Kazbegi Street

- **IRR:** 165%
- **Start:** Dec-13
- **Completion:** Oct-15
- **Apartments sold:** 82% of 295
- **Sales:** US$23.4mln

Tamarashvili Street II

- **IRR:** 71%
- **Start:** Jul-14
- **Completion:** Apr-16
- **Apartments sold:** 59% of 270
- **Sales:** US$14.5 mln

Chubinashvili Street

- **IRR:** 47%
- **Start:** Sep-10;
- **Completion:** Aug-12
- **Apartments sold:** 100% of 123
- **Sales:** US$9.9 mln

Nutsubidze Street

- **IRR:** 58%
- **Start:** Dec-13
- **Completion:** Aug-15
- **Apartments sold:** 78% of 221
- **Sales:** US$13.7 mln

Moscow Avenue

- **IRR:** 31%
- **Start:** Sep-14
- **Completion:** Mar-16
- **Apartments sold:** 50% of 238
- **Sales:** US$4.6 mln

Project Sales (US$m)

50
40
30
20
10
0

0 1 2 3 5 6

Projects

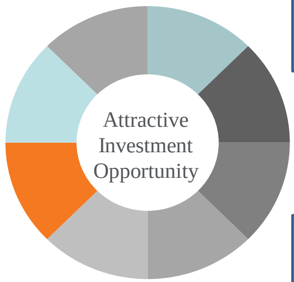
Completed Projects

Significant potential of the project from sales of US$29,000 price apartments with current IRR of c. 31%

*As per the revenue recognition policy adopted by the company in line with IFRS, revenue is recognised at the full completion of the project instead of in line with percentage construction completion

Acquisition of a minority interest in GGU | *an Attractive Investment Opportunity*

Transaction Rationale



- Exit strategy through potential IPO is feasible
- A profitable company with significant capacity for growth
- Strong potential for value generation for shareholders in short term
- A natural monopoly
- Strong management and streamlined operations but room for potential further improvement exists
- Cash generating business, no additional financing required for planned capex
- Potential to improve utilisation

Company Overview

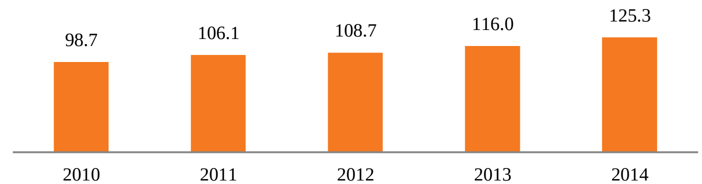
- Georgian Global Utilities Ltd. ("GGU") is a privately owned company that supplies water and provides wastewater services to 1.4 million people (approximately 1/3 of Georgia's total population) in Tbilisi, Mtskheta and Rustavi and operates hydropower electricity generation facilities
- Sales to corporates represented c.70% of water revenue
- GGU owns and operates 3 hydropower generation facilities with a total capacity of 143MW
- Most of the milestones committed to the authorities during the privatization have already been achieved with one project remaining before 2018
- No additional equity financing is required for planned Capex program

Transaction Overview

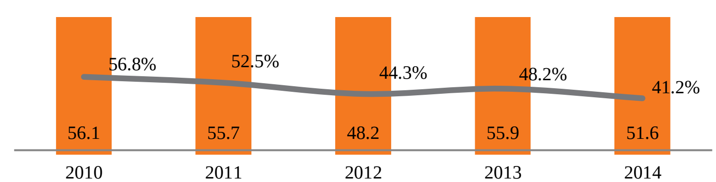
- Transaction to be structured in several steps
  - Acquisition of 25% shareholding for GEL48.7m (US$26m)
  - Option to acquire an additional 24.9% within 10 months for GEL48.7m (US$26m), plus 20% per annum accrued on the call option consideration over the period from closing date to exercise date less any dividends distributed through the call option period
  - Total consideration of c.GEL97m (US$52m)(1) represents c. 1.3% of BoGH's assets and 4.5% of its market capitalisation(2)
- Attractive valuation with GGU valued at EV / EBITDA 2014E deal multiple of 4.7x, while industry peers are trading at 8.5x average EV / EBITDA 2014E multiple(3)
- BoGH will also provide a US$25mn loan to GGU with proceeds to be paid as dividend to the selling shareholders
- The transaction is earnings accretive
- Commercial terms have been agreed, transaction will be subject to certain conditions

Selected Financials

Revenue Dynamics(4)
(GEL'm)



EBITDA Dynamics(4)
(GEL'm)



Source: Company information. Conversion form US$ to GEL was done using current exchange rate as at 27 November, 2014 for the consideration amounts.
(1) Net of accrued interest and dividends for the second tranche.
(2) Market Capitalisation as of 1 December 2014.
(3) Universe of comparable companies includes Pennon Group, Acea, Artesian Resources, American State Water Company, Athens Water and Thessaloniki Water Supply.
(4) Group companies' unconsolidated IFRS financial statements.

Contents

Georgia at a glance

General Facts

- Area: 69,700 sq km
- Population (2012): 4.5 mln
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi
- Currency (code): Lari (GEL)

Economy

- Nominal GDP (Geostat) 2014: GEL 29.2 bn (US$16.5 bn)
- Real GDP growth rate 2011: 7.2%, 2012: 6.2%, 2013: 3.3% 2014P:4.7%, 1Q15: 3.2%
- Real GDP average 10 yr growth rate: 5.8%
- GDP per capita 2014E (PPP) per IMF: US$7,653
- Inflation rate (e-o-p) 2014: 2.0%
- External public debt to GDP 2014: 26.8%

- Sovereign ratings:

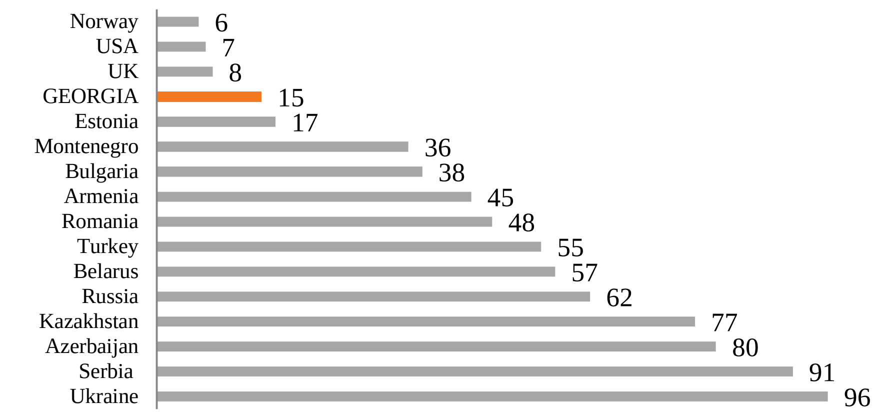
S&P	BB-/B/Stable, affirmed in November 2014
Moody's	Ba3/NP/Positive, affirmed August 2014
Fitch	BB-/B/Stable, affirmed in April 2015

Georgia's key economic drivers

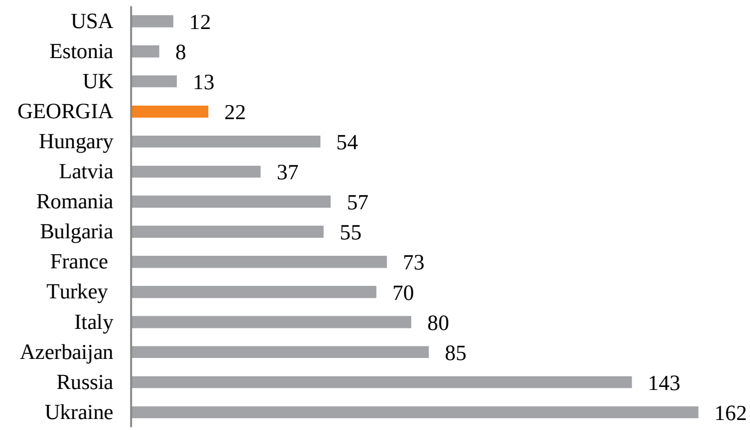
Liberal economic policy	■ Liberty Act, which became effective in January 2014 ensures a credible fiscal and monetary framework: – Public expenditure/GDP capped at 30% – Fiscal deficit/GDP capped at 3% – Public debt/GDP capped at 60%
Regional logistics and tourism hub	■ Proceeds from foreign tourism at US$1,787 mln in 2014 up 3.9% y-o-y and 5.5 million visitors in 2014, up 2% y-o-y ■ Regional energy transit corridor
Strong FDI	■ Strong FDI inflows diversified across different sectors (2013: US$942 mln, 2012: US$912, 2011: US$1,117 mln), US$1,273 mln in 2014, up 35.1% y-o-y ■ Net remittances of US$1,262.6mln in 2014, down 4.5% ■ FDI averaged 10% of GDP in 2005-2014
Support from international community	■ Georgia and the EU signed an Association Agreement in June 2014 and Georgia's parliament ratified the agreement in July 2014. The deal includes a DCFTA, which is the major vehicle for Georgia's economic integration with the EU ■ Discussions commenced with the USA to drive inward investments and exports ■ Strong political support from NATO, EU, US, UN and member of WTO since 2000 ■ Substantial support from DFIs, the US and EU ■ Diversified trade structure across countries and products
Cheap electricity	■ Only 18-20% of hydropower capacity utilized; 66 new hydropower stations are being built/developed ■ Significantly boosted transmission capacity in recent years, having rehabilitated a 500kV line to Azerbaijan and built a 500/400 kV line to Turkey. Another 500 kV line to Armenia is under construction and Georgia's transmission capacity to Russia is expected to rise 1.7x to 1,480 MW by 2016 after a new 500 kV line becomes operational
Political environment stabilised	■ Healthy operating environment for business and low tax regime ■ Parliamentary elections in 2012 led to a democratic transition of power giving victory to Georgian Dream coalition and the subsequent presidential elections in October 2013 gave victory to the candidate of the ruling Georgian Dream coalition ■ New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency ■ Continued economic relationship with Russia, although economic dependence is relatively low – Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Direct flights between the two countries resumed in January 2010 – Member of WTO since 2000, allowed Russia's access to WTO – In 2013 trade restored with Russia

Growth oriented reforms

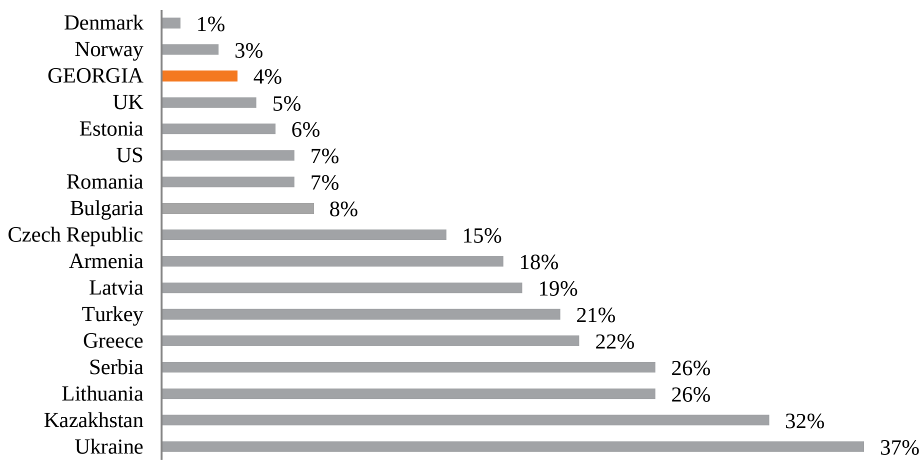
Ease of Doing Business | *2015 (WB-IFC Doing Business Report)*



Economic Freedom Index | *2015 (Heritage Foundation)*



Global Corruption Barometer | *TI 2013*



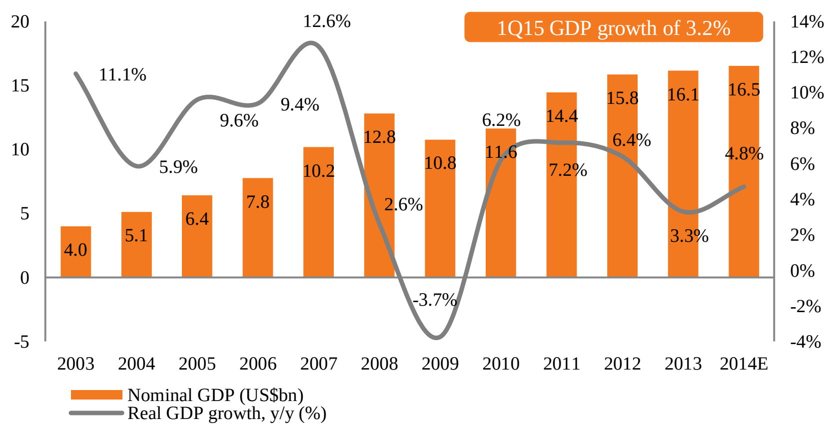
GEORGIA - No 1 Reformer 2005-2012

(WB-IFC Doing Business Report)

Sources: Transparency International, Heritage Foundation, World Bank

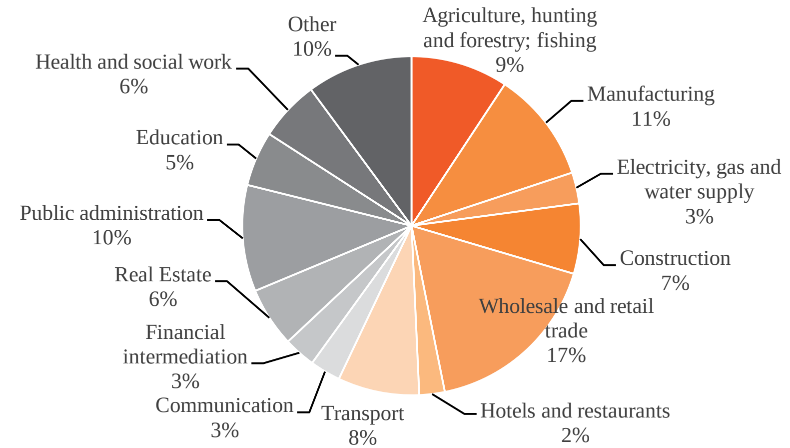
Diversified resilient economy

Gross domestic product



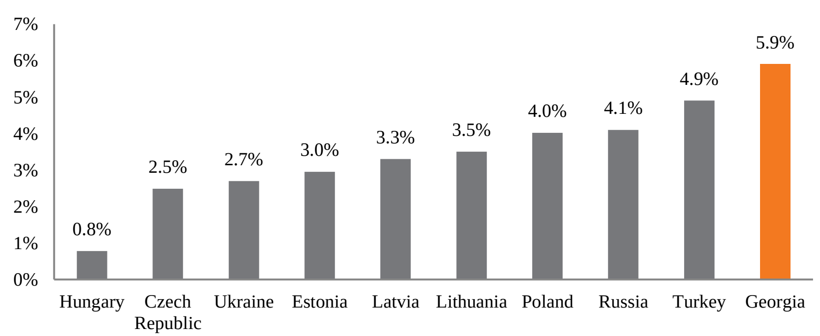
Source: Geostat, Galt & Taggart Research (nominal GDP estimate)

GDP composition, FY 2014



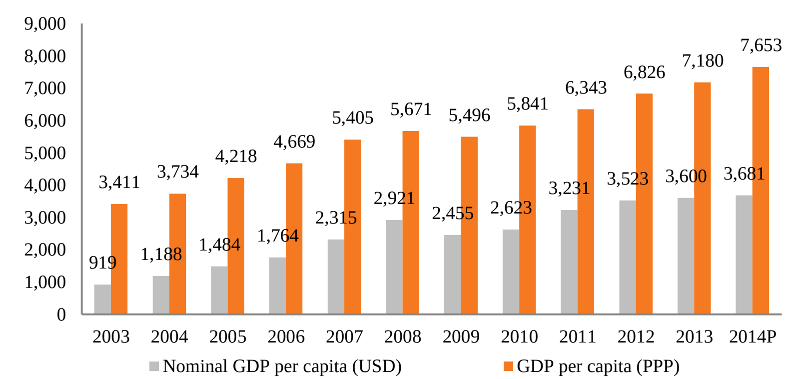
Source: Geostat

Comparative real GDP growth rates, % (2004-2013)



Sources: IMF, Geostat

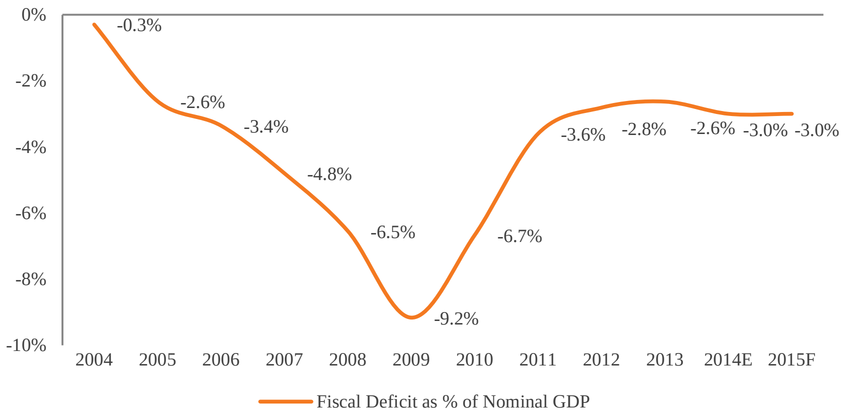
GDP per capita



Sources: IMF

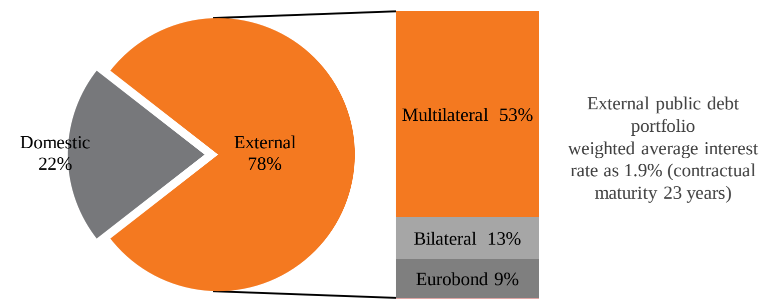
Demonstrated fiscal discipline and low public debt

Fiscal deficit as % of GDP



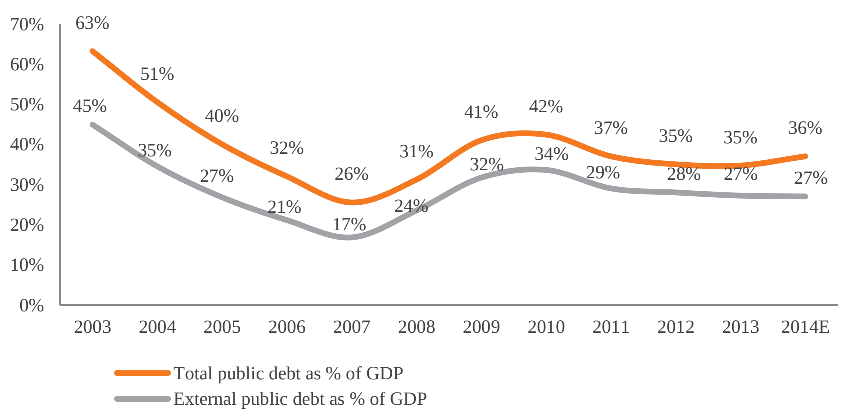
Source: Ministry of Finance of Georgia, Galt & Taggart Research (2014 and 2014 estimates)

Breakdown of public debt



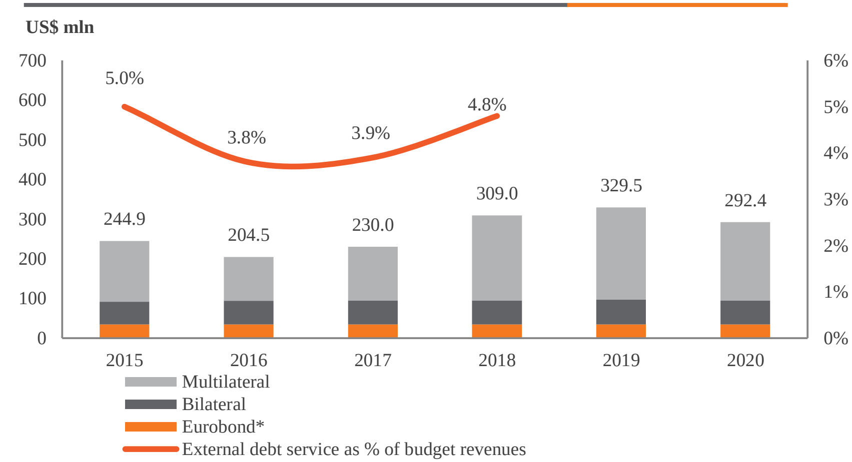
Source: Ministry of Finance of Georgia, as of end of 2014

Public debt as % of GDP



Sources: Ministry of Finance of Georgia, Geostat

Government external debt service

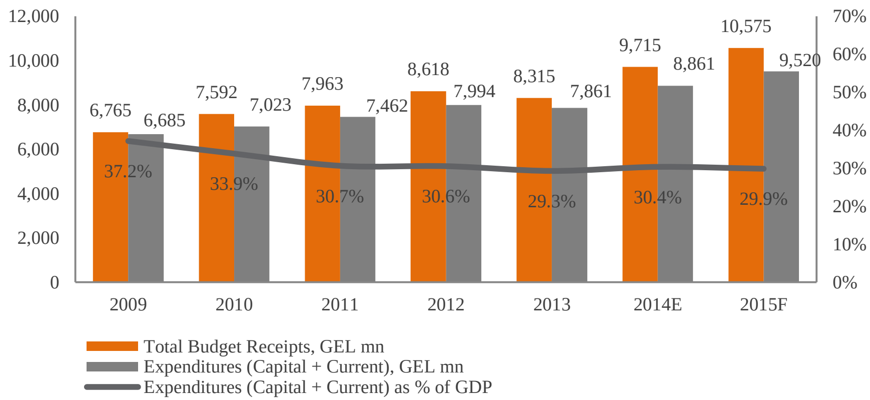


**Coupon payments only, Eurobonds mature in 2021*

Source: Ministry of Finance of Georgia, IMF

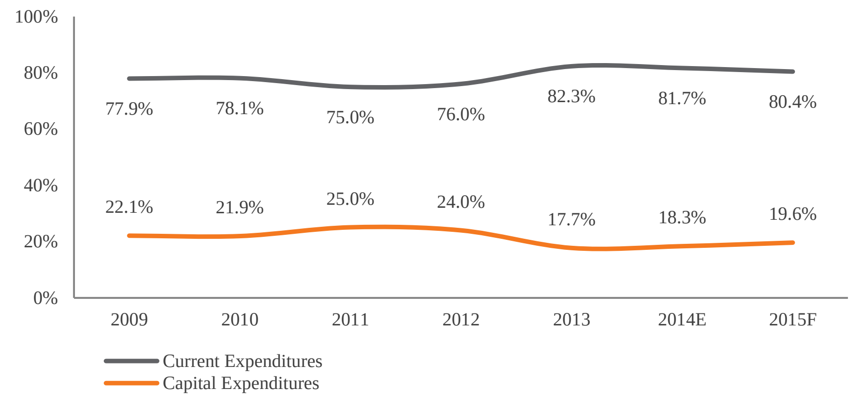
Investing in infrastructure and spending low on social

Revenues and expenditures



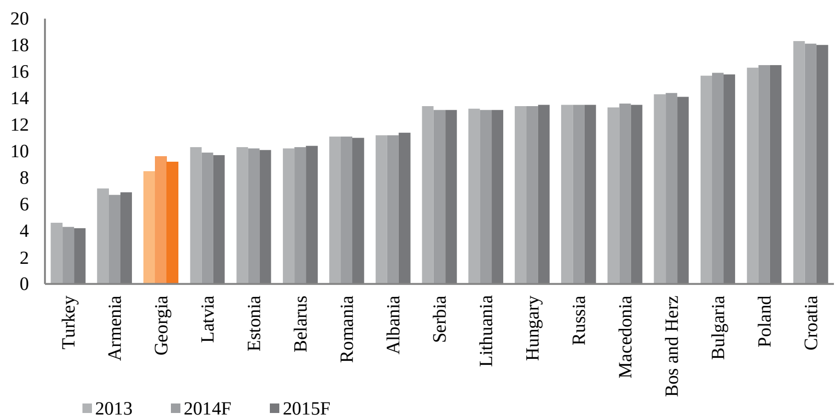
Source: Ministry of Finance

Current and capital expenditure



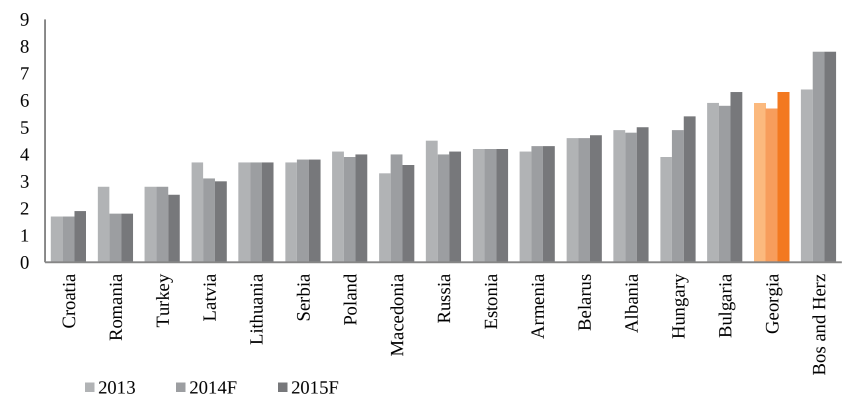
Sources: Ministry of Finance

Government social expenditure as % of GDP



*Current expenditure

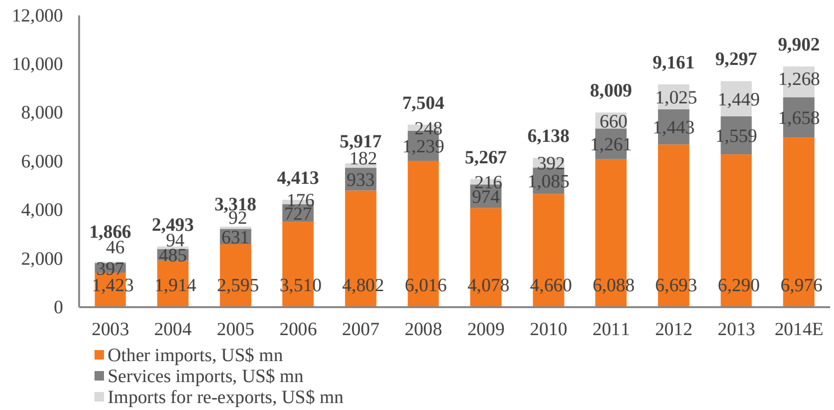
Government capital expenditure as % of GDP



Source: IMF

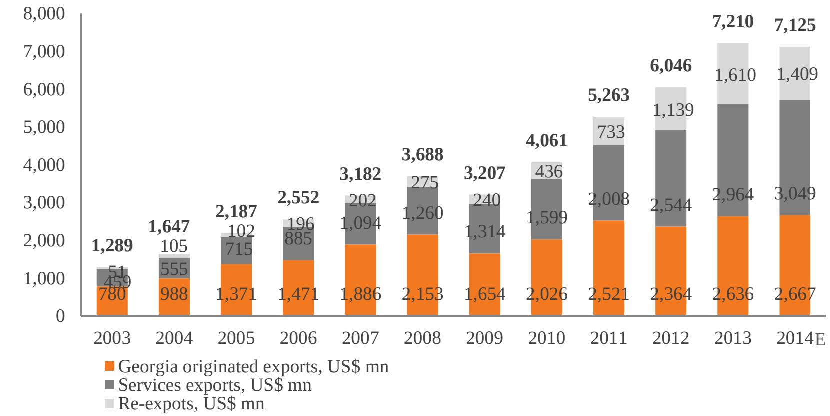
Diversified foreign trade

Import of goods and services



Note: Foreign trade data for goods imports and exports are adjusted to BOP statistics
Source: Geostat, NBG, Galt & Taggart Research

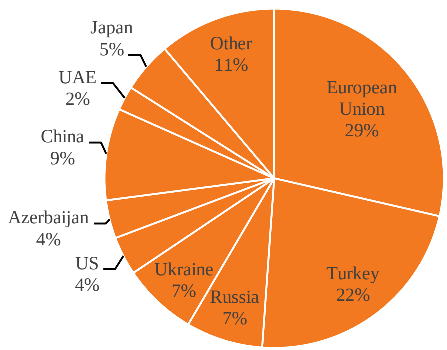
Export of goods and services



Note: Foreign trade data for goods imports and exports are adjusted to BOP statistics
Source: Geostat, NBG, Galt & Taggart Research

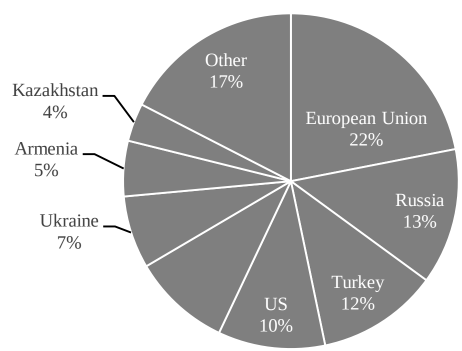
Imports, 2014

Excluding re-exports



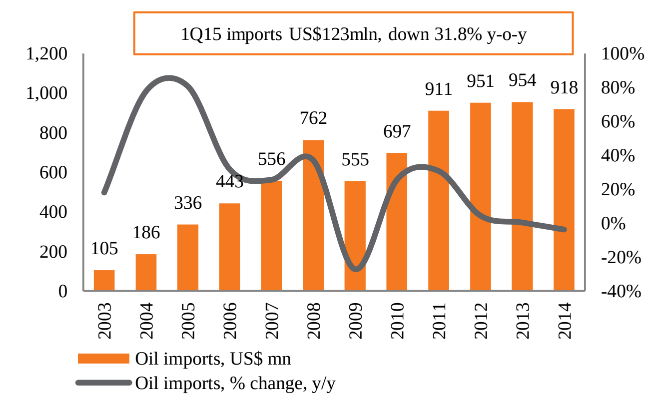
Exports, 2014

Originating from Georgia



Sources: Geostat, Galt & Taggart Research

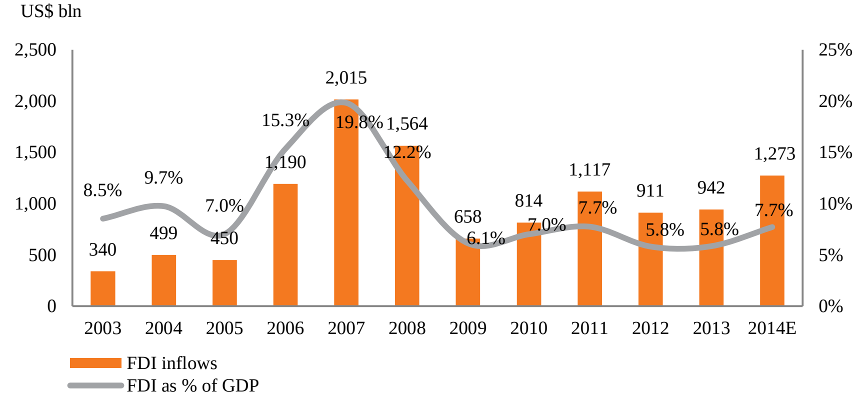
Oil imports



Sources: GeoStat

Diversified sources of capital inflow

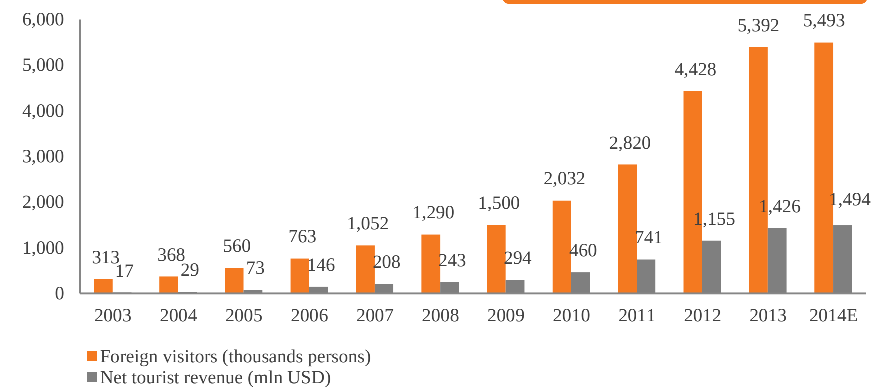
FDI inflows



Sources: Geostat

Number of tourists

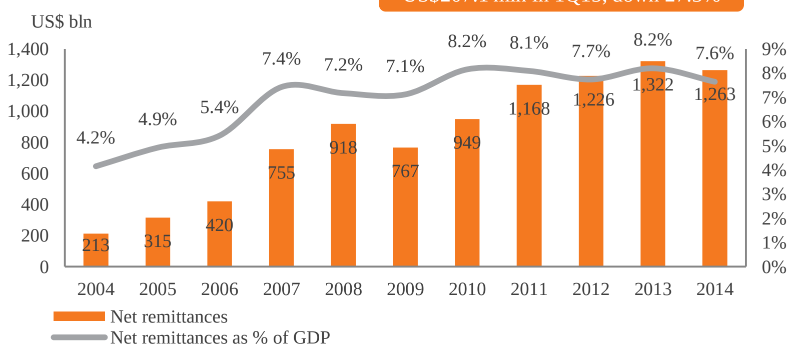
1.6mln visitors in 4M15, down 1.6%



Sources: Georgian National Tourism Agency, National Bank of Georgia, Galt & Taggart estimates

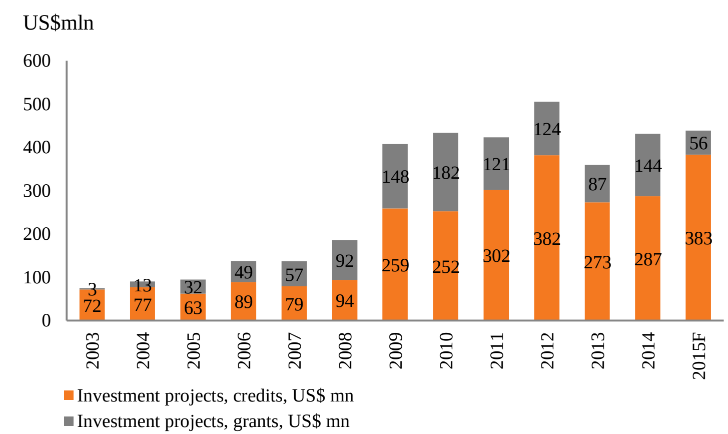
Net remittances

US$207.1 mln in 1Q15, down 27.3%



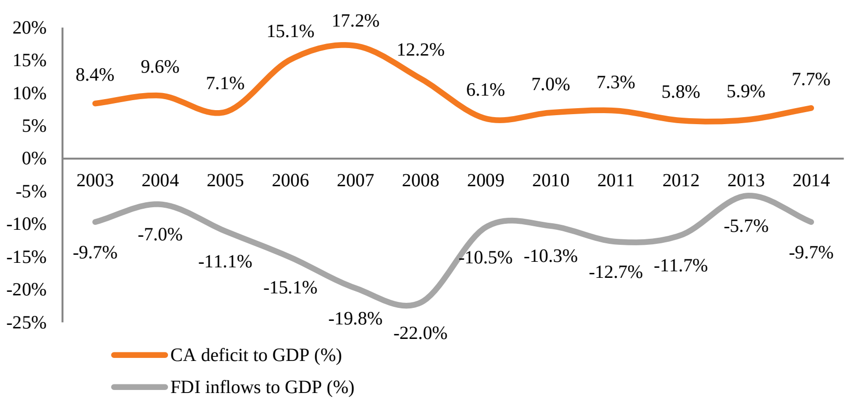
Source: National Bank of Georgia, Galt & Taggart Research (2014 GDP estimate)

Public donor funding



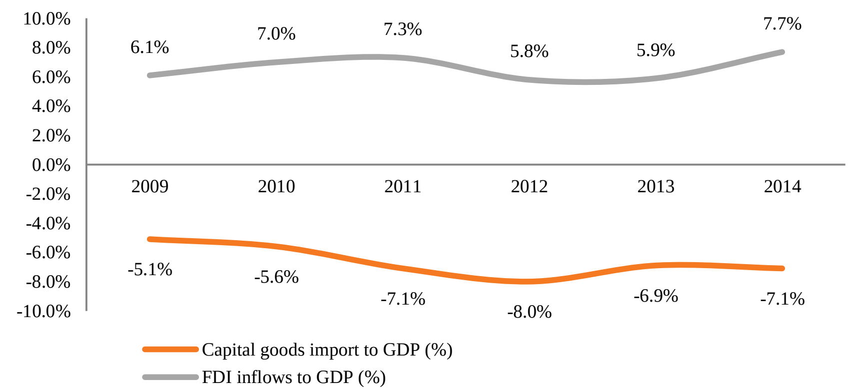
Current account deficit supported by FDI

Current account deficit and FDI



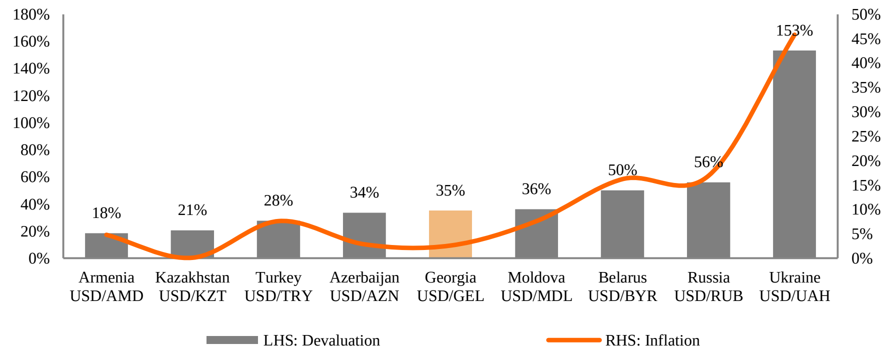
Sources: Geostat, NBG, Galt & Taggart

FDI and capital goods import



Sources: Geostat, NBG, Galt & Taggart

Currency devaluation by countries*



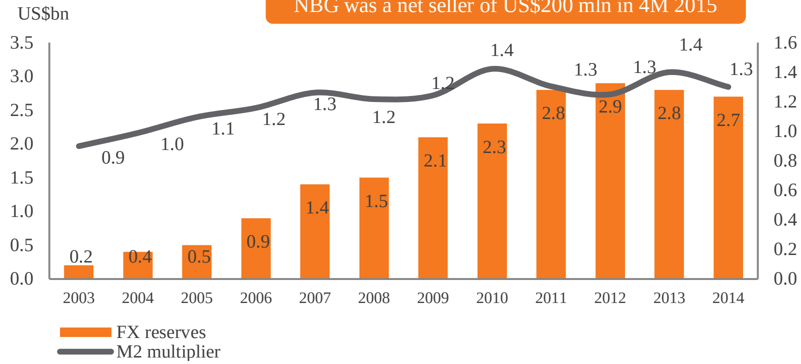
**from 1January 2014 to 13 May 2015*
Source: http://www.tradingeconomics.com/country-list/inflation-rate

GEL is approaching equilibrium

FX reserves

US$ 2.4 bln reserves as of April 2015

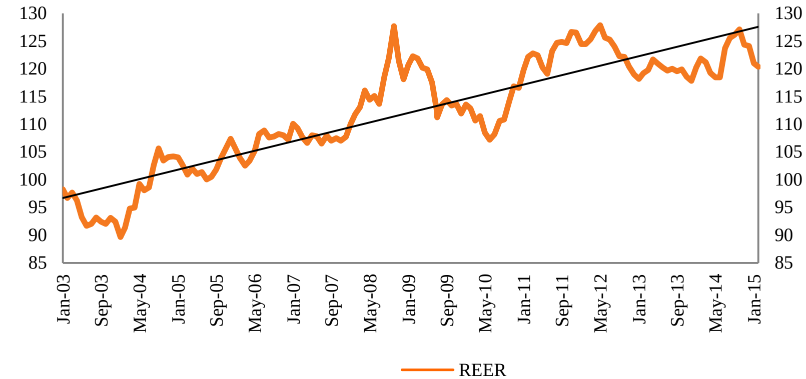
NBG was a net seller of US$200 mln in 4M 2015



Source: National Bank of Georgia

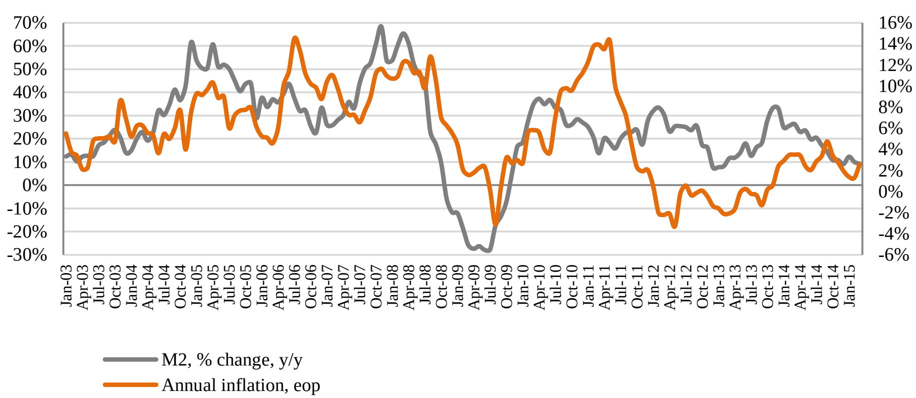
Sources: NBG

REER



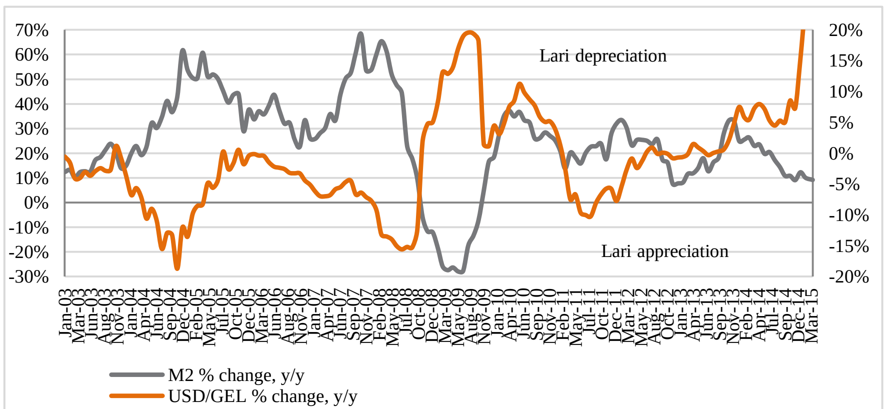
Sources: NBG

M2 and annual inflation



* *Preliminary data for January 2015*

M2 and GEL/USD



Source: MOF

* *Preliminary data for January 2015*

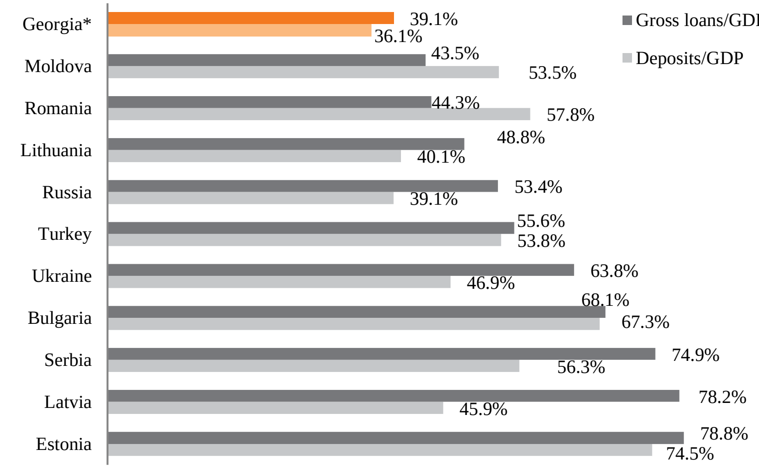
Growing and well capitalised banking sector

Summary

- **Prudent regulation ensuring financial stability**
  - Sector total capital ratio (NBG standards) –17% in 2013
  - High level of liquidity requirements from NBG at 30% of liabilities, resulting in banking sector liquid assets to client deposits of 53% as of 31 Dec 2014
- **Resilient banking sector**
  - Demonstrated strong resilience towards both domestic and external shocks ***without single bank going bankrupt***
  - ***No nationalization*** of the banks and no government ownership since 1994
  - ***Very low leverage*** with retail loans 18.0% of GDP and total loans at 39.1% of GDP as at 31 December 2013 resulting in low number of defaults during the global crisis

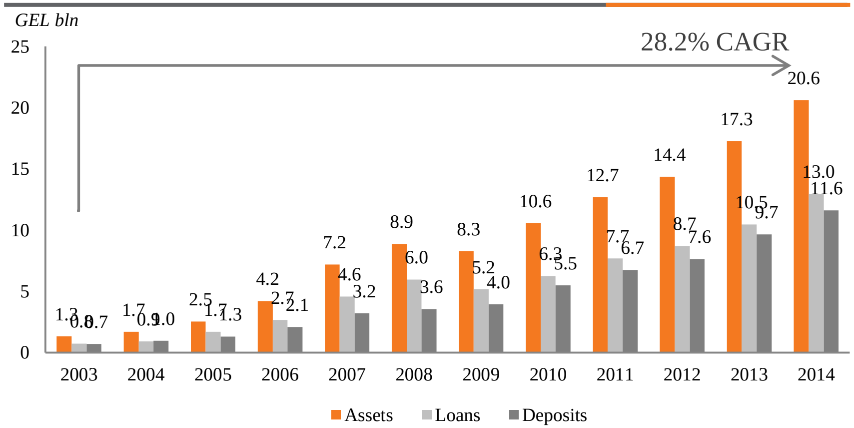
Source: National Bank of Georgia, Geostat

Banking Sector loans and deposits YE 2013

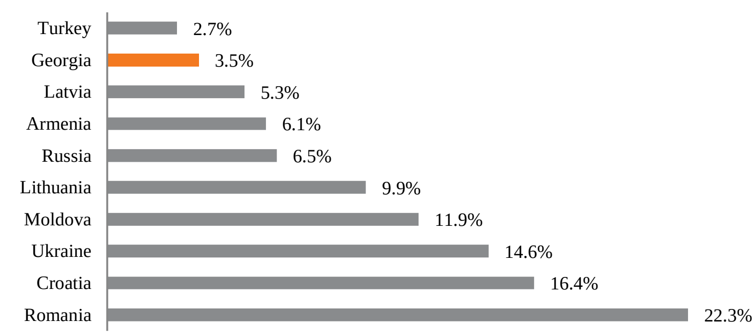


Source: NBG, Central Banks

Banking sector assets, loans and deposits



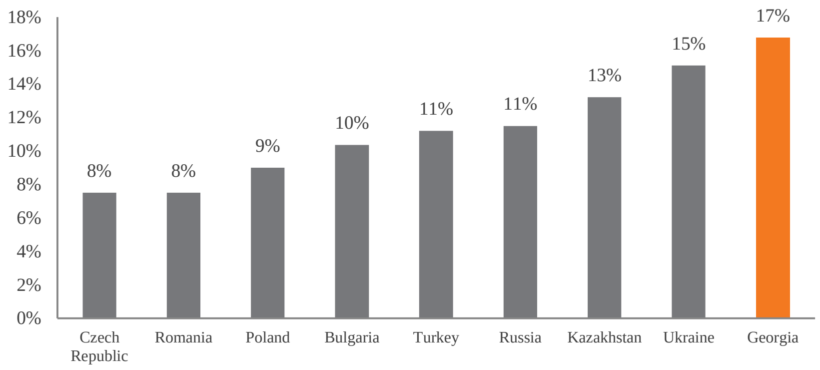
NPLs as % of total gross loans, YE 2014



Source: IMF, Global Finsancial Stability Report, National Bank of Georgia

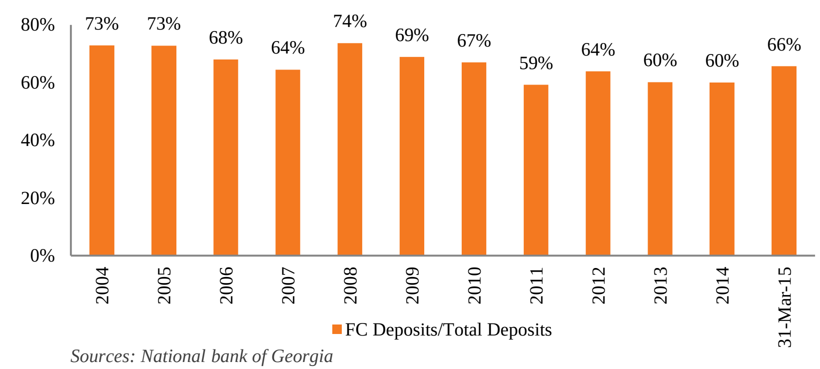
One of the highest level of capital and low debt level compared to other frontier markets

Bank Capital to Assets, YE 2013



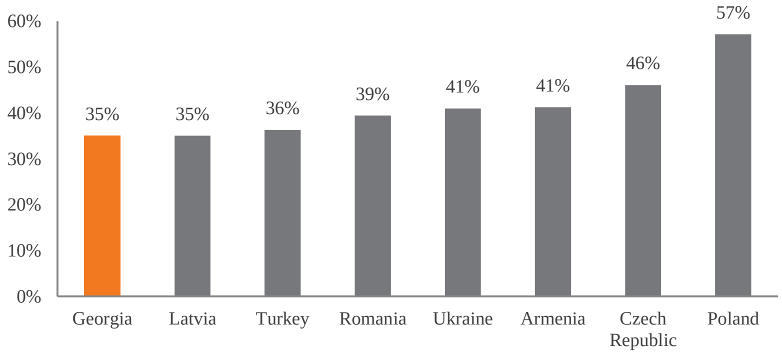
Sources: IMF

Dollarisation



Sources: National bank of Georgia

Public debt / GDP, YE 2013



Sources: IMF, Ministry of Finance

Contents

How Express works

84 Express Branches

- Opening accounts and deposits
- Issuing loans and credit cards
- Credit card and loan repayments
- Cash deposit into accounts
- Money transfers
- Utility and other payments

817,445 Express Cards for Transport payments

- Acts as payments card in metro, buses and mini-buses

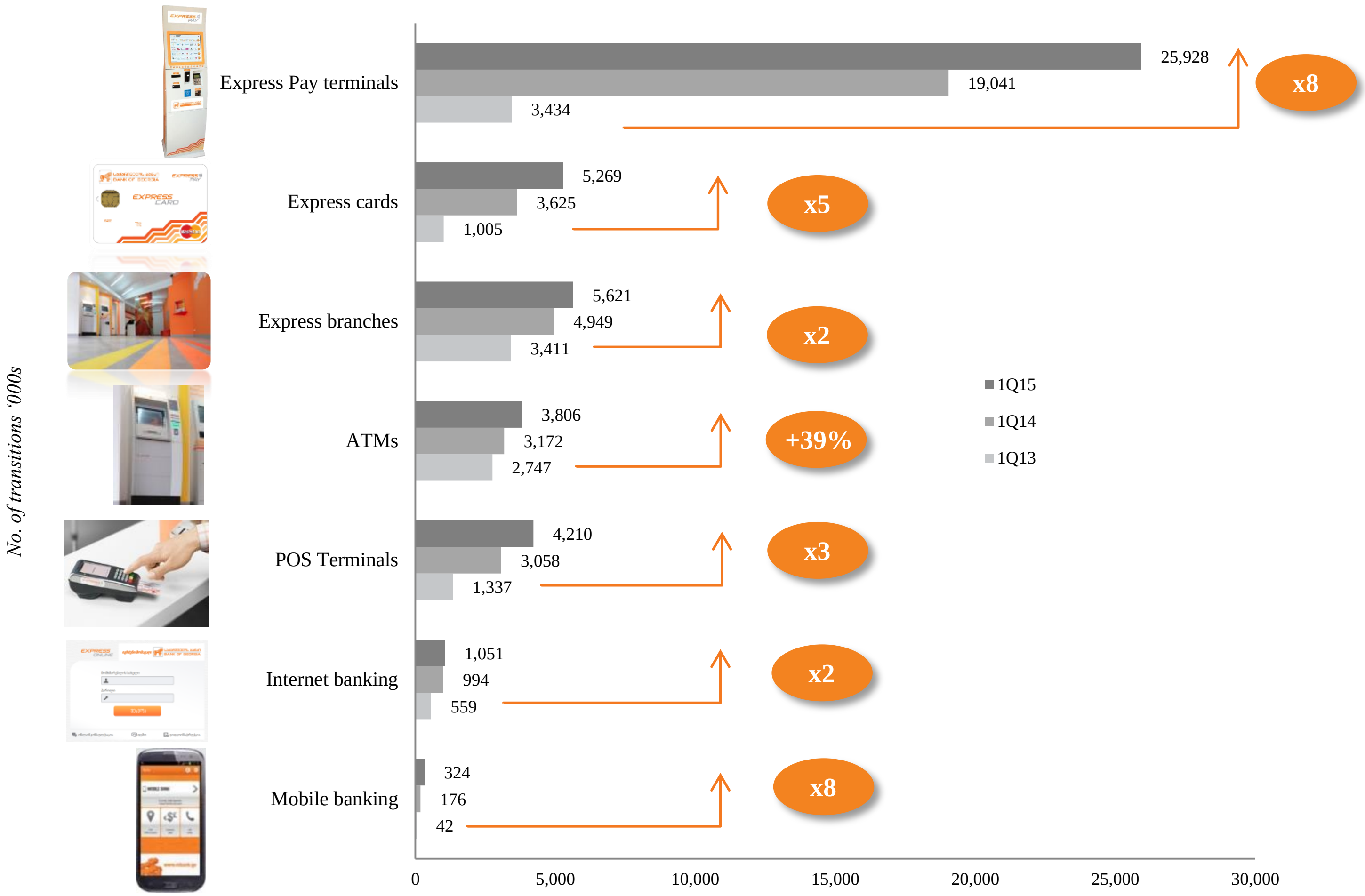
2,245 Express Pay Terminals

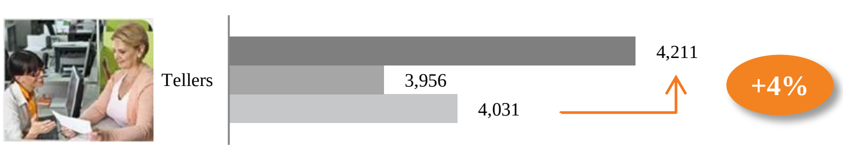
- Credit card repayments
- Loan repayments
- Cash deposit into accounts
- Loan activation
- Utility and other payments
- Mobile top-ups
- MetroMoney top-ups

6,537 POS Terminals at 1,072 Merchants

- Payments via cards and Express points
- P2P transactions between merchant and supplier
- Credit limit with 0% interest rate

Express Banking | Capturing Emerging Mass Market Customers





Solo | a fundamentally different approach to premium banking

Through the recently launched Solo, we target to **attract new clients** (currently only c.8,000) to significantly **increase market share** in **premium banking** from c.13%

SOLO Lounges

New Solo offers:

- Tailor made banking solutions
- New financial products such as bonds
- Concierge-style environment
- Access to exclusive products and events
- Lifestyle opportunities

Analyst coverage | Bank of Georgia Holdings PLC

Consensus Target Price: GBP 24.18

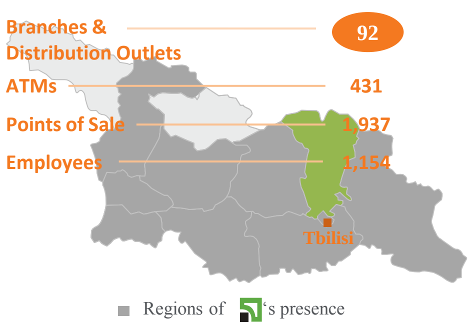
Analyst	Target Price
UBS	GBP 20.00
Panmure Gordon & Co	GBP 24.00
Numis	GBP 27.45
Bank of America Merrill Lynch	GBP 22.66
Citi	GBP 25.60
HSBC	GBP 22.40
VTB Capital	GBP 18.00
Renaissance Capital	GBP 25.40
Sberbank	GBP 22.00
Peel Hunt	GBP 26.00
Barclays	GBP 18.70

Acquisition of Privatbank Georgia | a value creative transaction

Company Overview

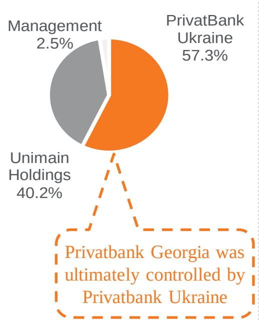
- At the date of transaction, Privatbank Georgia was the 9th largest bank in Georgia by total assets with a focus on retail banking
- Retail loans represented 85% of the loan book, credit cards account for 69% of loans(1)
- Countrywide distribution network with 92 branches, 431 ATMs and 1,937 POS terminals
- Over 1,100 employees
- Privatbank Georgia had a 2.8% market share in Georgia by total assets, 4.9% by retail loans and 3.0% by customer deposits(2)
- Operated captive insurance and leasing franchise
- Privatbank Georgia was a subsidiary of PJSC Commercial Bank Privatbank ("Privatbank Ukraine"), ultimately owned by Igor Kolomoisky and Gennady Bogolyubov

Geographical Footprint



Shareholders

(Before acquisition)



Strong Transaction Rationale

The acquisition of Privatbank is expected to be earnings accretive on a run rate basis before the end of year one

Strong Strategic Fit	• Privatbank Georgia operated in an Express branch model; loans to individuals represented 85% of its total loan book • The transaction fits BoG's strategy to further grow its Express business. BoG had c.560,000 Express clients by the time of this transaction.
Market Share Enhancement	• Transaction increased BoG's market share in loans to individuals by 4.9% and in deposits from individuals by 2.6%(2)
Distribution Network Enhancement	• Privatbank Georgia operated a large distribution network of 92 branches across the country, which was 42% of BoG's distribution network as at 31 December 2014 • Strengthened BoG's Express branch distribution network • Strong payment platform (431 ATMs and 1,937 POS)
Synergistic Transaction	• Significant cost and funding synergy potential: – BoGH's Cost of Funding of 4.9%(4) vs 8.1%(4) for Privatbank implies estimated annualized pre-tax funding synergies of approximately GEL10m realizable within 9-12 months – Substantial cost synergies estimated pre-tax of at least GEL15m on an annual basis and realizable within 9-12 months expected from back office and distribution network optimisation initiatives – Up to GEL3m of integration costs • Significant potential to increase utilization of Privatbank franchise (e.g. assets per employee of Privatbank Georgia is GEL436k vs. GEL2,016k(5) of BoGH) • Opportunity to cross-sell BoG banking products to customers of Privatbank Georgia, which has limited portfolio of banking products due to strategic focus on credit cards

Transaction Overview

- c.GEL92m (US$49.6m) cash consideration for 100% of Privatbank (1.11x P/BV(4))
- Definitive agreements have been signed and the deal is closed. 70% of the consideration has already been paid, 20% will be paid upon successful migration of Privatbank data and records to BoG systems and the remaining 10% will be paid on the first anniversary of the closing (January 2016), subject to representations and warranties / holdback provisions.
- Pro forma capital position of BoG broadly unchanged (NBG Tier 1 ratio slightly declines to 11.0% from 11.2%)

Source: Company.
(1) Based on 2013 IFRS consolidated financial statements.
(2) Market data based on standalone accounts as published by the National Bank of Georgia ("NBG") as of 31 December 2014.
(3) Calculated excluding any branch optimization initiatives.(4) IFRS as per BoG estimates derived by applying auditor IFRS transformations for 2013 numbers to 9M 2014 data.
(5) BoG number of employees are taken for the calculation of BoGH assets per employee.

A clear strategic direction for the future

In my Chairman’s letter to shareholders last year, I focused on the many aspects of progress made by Georgia over the last decade. I am pleased that this progress has continued throughout 2014, namely with the Government commitment to the continued effective implementation of the Association Agreement with the EU.

The bank has continued to deliver a strong earnings performance this year. You should also note that we have formalised an inflection of our strategy to capture further growth opportunities within Georgia over the medium term. At the same time, Georgia’s regional trading partners have faced significant geopolitical and economic challenges.

In this letter, I will address the change in the Company’s strategy and the geopolitical issues, before concluding on dividend and governance matters.

Strategy issues

Over the last decade, Bank of Georgia has evolved to become the market leader in what is a well regulated and competitive banking sector. In what was a year of substantial challenge, Bank of Georgia has delivered over 11% revenue growth, 15% earnings growth and a 19% return on shareholders’ equity. You will find all details on our performance in these assets in this report.

In 2014, we decided to modify the strategy, structure and governance of the institution to profit from attractive investment opportunities in healthcare and beyond. Why did we choose to follow this strategy when we risked being called by one of the worst epithets possible, that of being a conglomerate?

One way to think about Bank of Georgia is in terms of capabilities. It has three macro skills: it knows how to execute well; it knows Georgia well; and it is disciplined in thinking in terms of capital allocation and return on capital, as opposed to market share and growth. Moreover, the institution attracts talent and capital beyond its needs.

Georgia has sectors of the economy which could be developed profitably with an infusion of capital and talent. The first one that we developed, and the closest one to our business of banking, was real estate. We noticed that as the economy picked up after the 2008 crisis, our mortgage portfolio did not keep up with this growth. The reason was that there was no supply of houses as builders/promoters had gone bust, and nobody was building housing any more. The builders had invested their capital in land purchases in a speculative drive, and were totally illiquid when the crisis of 2008 hit. We decided to enter this market as builders and promoters, and supplied the market with apartments. The result was the success of our subsidiary, m2 Real Estate, which provides affordable housing to a growing middle class. You can read all about its excellent performance in this report.

Healthcare was another such sector where we were present through Aldagi, our insurance subsidiary. Universal healthcare was being introduced in the country, and the offering by providers was uneven, inefficient and fragmented. An injection of capital, talent, and best practice could change the industry structure in Georgia, and provide patients with a much higher quality of care. Good assets could be bought relatively cheaply. This made us invest in hospitals and create our wholly-owned subsidiary, GHG, Georgia Healthcare Group. It now has a 22% market share of hospital beds in the country and is currently planning its international stockmarket listing in the second half of 2015.

Our strategy is one of buying potentially very high-quality, but currently underperforming assets, at a cheap price, bringing best practices to them, professionalising their management, and then selling them to the market at a higher price. Having access to top-quality management, corporate governance and capital in a fast-developing country like Georgia creates opportunities to achieve substantial value creation for shareholders. Our CEO Irakli Gilauri, describes in his letter why we can buy cheaply, what sectors look attractive to us today, and the discipline we bring to investment.

Let me reiterate that the banking businesses – retail, corporate and investment management – will remain our priority and a minimum of 80% of the Group’s earnings. Our goal this year is to prove to the market that this strategy delivers by selling to the market a major share of our healthcare subsidiary. Our shareholders will be free to own this business directly and we will attract new investors who specialise in healthcare.

The Bank’s structure has been modified to adapt to this strategy. In 2014, we established an investment arm to manage our non-banking businesses, which include our Healthcare operations, our Real Estate subsidiary and our recent pre-IPO purchase of a 25% minority interest in the leading Georgian water utility business. Irakli Gilauri goes into much more detail with regard to the implementation of this strategy later in this Annual Report. The Board is clear that our ability to continue leveraging our market-leading banking franchise, with an emphasis on the higher return retail business, together with a strategy to benefit from other carefully selected investments in the development of the Georgian corporate landscape, will provide clear and sustainable value creation for shareholders.

There is significant information in the body of this Annual Report highlighting the Group’s strategic priorities for 2015 and beyond. This stems from a Board review of the Group’s strategy at the end of 2014 that aims to ensure that capital continues to be allocated effectively, to ensure the sustainability of the Group’s strong returns over the long term. Now let us turn to the context in which we operate.

Geopolitical issues

Georgia remains a steadfast Euro-Atlantic partner – a stance supported by most political parties and a significant majority of the population. In June 2014, Georgia signed an Association Agreement with the European Union, which included provision for a Deep and Comprehensive Free Trade Agreement that will underpin increased future trade growth for Georgia. Additionally, in March 2015, China and Georgia signed an agreement on co-operation for the development of the “New Silk Road Economic Belt”, which further highlights Georgia’s future economic potential. Georgia aims to protect itself from Russian regional dominance. This strategy has been costly in terms of territory lost (about 20%), but successful in terms of economic and standard of living growth (GDP per capita based on PPP more than doubled to $7,700 from 2003–2014).

The current Government has succeeded in having a more open and pragmatic approach towards Russia, while moving the country towards greater integration with the West – a balancing act to say the least. This is not to say that all is done inside the country: the EU expects and civil society would be better served when the currently ongoing judiciary reform will be completed. Nevertheless, we should remember that only 4% of respondents admitted to having paid bribes in Georgia according to the Berlin-based Transparency International's 2013 Global Corruption Barometer, well ahead of many European countries. In addition, the World Bank's latest ranking shows Georgia as 15th in the list of countries where it is easiest to do business, between Germany and Canada.

From a macroeconomic perspective, Georgia delivered strong GDP growth in 2014, at an estimated 4.8%. The Georgian Lari depreciated 7.3% against the US Dollar, but appreciated by 5.3% against the Euro, the single largest trading partner currency of Georgia. In early 2015 there has been some further currency weakness, but this now seems to have stabilised. This performance was to be expected and was managed skillfully by the Central Bank, which proved once again its independence. Overall, 2014 saw a particularly robust performance against the backdrop of ongoing geopolitical concerns and macroeconomic and currency devaluation pressures in many of Georgia's trading partners, and demonstrates the resilience of the Georgian economy. The section on macroeconomics covers our prediction on GDP growth next year, in the face of the situation of Georgia's trading partners and the country's attractiveness to foreign investment and tourism. I hope that you will conclude, as we do, that this country, which has transformed itself into an economically liberal, market-oriented democracy, remains very promising.

In conclusion, I want to highlight and acknowledge the significant efforts of the senior management team and the excellent leadership of our Chief Executive – Irakli Gilauri. In addition to their clear delivery against the existing strategy, having nearly tripled earnings and generated substantial returns for shareholders over the last five years, in December 2014 they worked with the Board to update the strategy for the Group and have established a clear strategic direction for the future.

Shareholders should take note of 2 key governance features of the institution: the alignment of interest between management and shareholders, and the division of roles between the Board and management. I will summarise our philosophy below.

Our incentive package to top management features a high percentage of stock vested over a long period of time. This scheme creates a sharply upward sloping wealth curve – the more a company's stock price improves, the higher the percentage increase to the CEO and his top team's total wealth. It encourages intelligent risk taking, as it heavily rewards the CEO and his top team to create long-term value, and punishes them if they do not deliver returns to shareholders. In summary, it discourages short-term thinking and risky behaviour, and encourages thinking like an owner manager.

My role as a Chair is to run the Board, and the role of the CEO is to run the Company. One of the Board's main roles is to be involved in setting the strategy and to monitor the operations of the Company to ensure that it is being run to the benefit of all stakeholders and as mandated. The second important role of the Board is to determine the pay of the CEO and the main executives.

Finally, the Audit Committee, although composed of independent members, reports to the Chair – a further guarantee of independence. It should be clear that having the CEO be also the Chairman of the Board, opens the door for potential abuse in all three cases above. All depends on the quality of the Board.

The Group now has a first-class Board of Directors. Their combined experience and support is invaluable to the organisation. The Governance section of this Annual Report highlights, amongst other things, our Board Diversity Policy. Within this policy the Board has stated its aim to increase the number of women on the Board to two within the next two years. To end, I would like to thank the members for their ongoing support and the provision of guidance and mentoring to executive management, at a time of significant economic and geopolitical uncertainty.

At the 2015 Annual General Meeting, the Board intends to recommend an annual dividend of GEL 2.1 per share payable in British Sterling at the prevailing rate. This represents an increase of 5%, compared to an annual dividend of GEL 2.0 last year.

2014 was clearly a year of demonstrable delivery and progress. The Board is pleased with this progress and is confident about the Group's prospects for 2015 and beyond.

Neil Janin
Chairman
7 April 2015

Record performance and updated strategy to capture growth opportunities

Dear shareholders,

We have posted yet another record year in terms of profit and Earnings Per Share in 2014. You can read about our strong financial performance in this Annual Report. In this letter, rather than focusing on the past, in view of our upgraded strategy and recent regional currency tensions, I would like to focus on three key issues:

1. Regional macro tensions and our response to it.
2. Our upgraded strategy.
3. The way we want to conduct our investment business.

We stay disciplined in the light of a weaker 2015 macro outlook

With the oil price decrease and the strength of the US Dollar, we are witnessing significant changes in the region. In particular, capital flows from remittances to Georgia and revenue from exports to regional countries are decreasing. Even though the Georgian economy is well diversified and resilient to external shocks, we believe growth in 2015 will be affected by the weak regional economies. Therefore, we have revised our GDP growth targets for 2015 to be within the 1.5%–3% range. In our view there are three key takeaways from the current environment in the region:

1. Subdued capital flows in the region have had a short-term negative impact on both the Lari and the Georgian economy. The Georgian economy is getting rebased in order to stay competitive in the new reality. However, in the medium to longer term we see lower oil prices as a big positive for Georgia as the country will be saving c.US$450 million from oil imports and on the back of lower oil prices we will witness efficiency pick-ups in a number of different sectors within the economy – making Georgia more competitive.

2. Our view is that this rebasing will not be significant – in the short term, Georgia will weather reduced capital flows better than oil producing countries in the region as due to lower oil prices we are experiencing much lower inflation than our neighbours. Lower inflation is also an outcome of the country's disciplined fiscal and monetary policies.

3. As dollar capital has been reduced in the region, it seems that Georgia and the Lari are getting more dependent on Eurozone economies and the Euro respectively. Two points can be highlighted in this regard: firstly, the European Union (EU) is our largest trading partner representing more than 26% of trade; and secondly, Georgia recently signed a free trade agreement with the EU.

Our response to this changing and challenging environment in 2015 is to stay disciplined, until we get some clarity in terms of Lari stability and economic growth picking up.

1. **Credit and liquidity risk management**: On the credit risk side, we are applying stricter underwriting standards and will be slightly increasing interest rates on loans. At the same time, we are proactively re-profiling US Dollar loans to clients with non-US Dollar income. Re-profiling implies effectively increasing the tenor of the loan so that monthly payment in Lari stays at the same level as it was prior to the recent devaluation of the Lari. When re-profiling, we do not change the interest rate of the loan. In Retail Banking, our mortgage loan clients are most likely to apply for re-profiling, as in total we have 7,500 mortgage loans worth of GEL 400 million which are US Dollar loans to Retail Banking clients with non-US Dollar income. We consider re-profiling applications from our corporate, SME and micro borrowers on a case-by-case basis. So far 413 loans totalling GEL 35 million have been re-profiled.

   Even though Bank of Georgia enjoys high liquidity and its positive liquidity gap up to six months is GEL 1 billion, we are now working with a number of Development Financial Institutions (DFI) to arrange further long-term loans to improve our Net Loan to Deposits + DFI funding ratio. Because the Euro influence on Lari is increasing and the Lari is effectively becoming a Euro proxy, we will be targeting to raise Euro funding and try to shift US Dollar loans into Euros.

2. **Costs**: Being extra cost conscious in a volatile environment is the right Costs: Being extra cost conscious in a volatile environment is the right

3. **Investments**: Even though we believe that the Lari has found its new equilibrium, we will further observe the Lari's stability over a period of time, before we step up investment activities. During this period, we will remain vigilant and will continue to actively analyse and consider different opportunities.

4. **Capital expenditure**: For our banking operations we are targeting capital expenditure at a lower level than our depreciation charge. Our key projects for 2015 are Privatbank integration (which is not taking much capital expenditure), our Solo roll out (a key driver for our capex budget) and further investment in our IT infrastructure, to increase the reliability of our system. In the Healthcare Business, we will be pursuing a quite aggressive capex programme, and will concentrate most of it on new equipment purchases and developing high-margin businesses.

We upgraded our strategy from 3x20 to 4x20

In December 2014 we upgraded our strategy from 3x20 to 4x20 – the 4th 20% being the minimum level of IRR we target from investments in Georgian corporates. The goal with this upgraded strategy is to create sustainable high returns and high growth generating a strong platform for our shareholders. With this model we are targeting to generate ordinary dividends from the Banking Business and continuous special dividends from the Investment Business. Both businesses are Georgia focused, where average real GDP growth rate was 6.3% from 2003–2014. Most importantly the current management team knows Georgia extremely well as a result of running the largest bank in the country for the past 10 years and the team has demonstrated a track record of successful growth in non-banking businesses such as healthcare and real estate.

Why we upgraded our strategy to 4x20, when at first glance all looked good with a 3x20 strategy?
Our key goal is to continue producing high returns in the long run for our shareholders. Currently, we see that Retail Banking is producing over 30% ROAE while Corporate Banking is producing c.10% ROAE. We do not think that in the long run it is possible for Retail Banking to keep producing 30% ROAE. Therefore, we see the risk of high returns for the Group decreasing over the longer term. At the same time we do not want to be forced to lend to Corporates in order to show you growth of 20% in the total loan book, while growing a business line with an unattractive risk return profile. This is why we announced the 20% growth target for the retail loan book only. It is noteworthy that penetration of retail loans is half of that of corporate loans (when counting in DFI funding and outstanding Eurobonds) at 21% of GDP. Due to the superior returns in Retail Banking, we expect our Retail Business to continue to drive the banking business ROAE. The recent acquisition of Privatbank is in line with our updated strategy to further strengthen our retail franchise by adding c.400,000 clients, stepping up our payments business as well as capturing synergies by merging Privatbank with our existing Express Banking franchise. Our other two pillars of banking business strategy remain unchanged: ROAE at c.20% and Tier I Capital c.20%.

Due to the limited access to capital and management in a small frontier economy such as Georgia, we see a much better risk return profile when investing in Georgian companies than when lending to those same corporates. We also believe that the Group will be adding value for our shareholders by investing in opportunities, which currently are not accessible to our shareholders, changing management and governance, institutionalising and scaling up the companies, and most importantly, unlocking value by exiting from these companies over time. Our Plan A in exit is to take the company public. This way, as far as possible it is our firm intention to create an opportunity for our shareholders to participate in such offerings.

Strategy going forward for the Banking Business
Banking is the crown jewel in our Group and the key driver of profitability. We have three segments in the banking business, of which Retail Banking will drive most of our banking business growth, Corporate Banking and Investment Management will improve our ROAE, with the latter also contributing an increasing share of our fee and commission income.

1. **Retail Banking**
In our retail business we are covering 1.6 million individual clients and 90,000 SME and Micro clients. In order to capture different segments of our retail client base we are pursuing a multi-brand strategy for mass affluent, mass retail and the emerging bankable population.

a. Under the Solo brand, we are targeting the mass affluent segment. Currently, we have only 8,000 individual clients under the Solo brand. In April, we launched a new strategy, where we will be providing clients with a superior customer experience by giving them access to newly designed Solo lounges and providing them with new lifestyle opportunities. Solo personal bankers will be offering tailor-made solutions for our Solo clients and introducing new financial products such as bonds and other capital market products developed by our investment management team. We estimate that our current market share in this segment is less than 15% and our goal with the new strategy is to significantly increase this market share in the next three to four years.

b. Under the Bank of Georgia brand we target the mass retail segment. This is our flagship brand and most significant profit contributor, with 1.1 million individual clients and 90,000 SME and Micro clients. This segment is very much product driven and our biggest challenge is to change the business model to become more client centric and therefore increase the 1.7 current product to client ratio over time.

c. Under the Express Banking brand we target the emerging bankable population. We are currently estimating the market of a 1.5 million emerging bankable population, which either do not have interaction with a bank or use a limited number of banking products. Privatbank clients are part of the latter and we would like to integrate the majority of 400,000 Privatbank clients within the Express Banking franchise. After the integration we expect the number of Express Banking clients to increase to c.500,000. Under the Express Banking franchise we are scaling up our payments business, which currently is in its nascent stage, by increasing our lower-end merchant footprint and thus giving more people access to card payments. Through Privatbank we will be increasing our footprint from 6,300 merchants to more than 7,500 merchants, increasing our coverage ratio to nearly 85% of the total number of merchants. Also, we are scaling up self-service terminals under the Express Banking franchise. This way, we plan to introduce a more efficient way to access the mass retail segment and allow easy transactional banking to the country's under-banked population. Currently, country-wide we operate more than 2,200 self-service terminals.

2. **Corporate Banking**
One critical goal in the Corporate Banking business is to increase ROAE and we plan to do this by de-concentrating our loan book and decreasing the cost of risk. Our experience shows that if, in any given year, one of our top 20 clients has some problems, the Corporate Banking business ROAE gets depressed. Therefore our key goal is to de-concentrate the loan book by:

a. Syndicating loans out.
b. Selling risk.
c. Helping our large corporate clients to access capital by issuing debt securities on the local capital market.

We will focus on further building our fee business through the trade finance franchise, which we believe is the strongest in the region.

3. **Investment Management**
We expect to grow our fee income by building our local debt capital markets and M&A advisory franchise. As we would like to de-concentrate the corporate loan book in corporate banking, local debt issuance is one way to go in combination with our advisory business enhancing ROAE by generating more off-balance sheet business. On the M&A side we see the need for some sectors to consolidate and Galt & Taggart plans to take a leading role in this consolidation process.

As Georgia has a pay-as-you-go pension system, we believe that our international wealth management franchise can benefit by focusing on the distribution of local debt. So far we see that c.70% of the demand in local paper issuances comes from our international wealth management clients. Further enlargement of the footprint of our international wealth management franchise will be critical for the success of our strategy to build local capital markets. Therefore, we will be investing more in this area.

To summarise our Investment Management strategy, we need to do the following:

a. Enhance ROAE through our investment in the issuance of more debt paper in the local market.
b. Enlarge our wealth management footprint internationally to further strengthen our distribution channels.

The way we invest and manage

As our Investment Strategy is new for our shareholders, I would like to spend more of your time and provide you with more insight into how we plan to conduct investments and manage companies. Let me outline our key principles, which are derived from our experience in running Bank of Georgia:

1. Be opportunistic and disciplined.
2. In scale we trust.
3. Getting our hands dirty.
4. Good governance makes good returns.
5. Liquidity is the king.

Let me expand on each of these points to give you more flavour on how we see our job in investing and managing the companies.

1. **Be opportunistic and disciplined**

We want to be opportunistic and disciplined when investing, by buying cheaply and in small ticket sizes.

For us buying assets cheaply is the first and most important postulate in our investment strategy. It is difficult to go wrong when you buy assets cheaply. The key questions are:

a. How do we define cheap in a small illiquid market?
b. How do we manage to buy cheaply?

When considering an acquisition, whether it's pre-IPO or otherwise, we look at multiples of listed peers in the same sector and apply at least a 40% discount. This is our definition of cheap.

Georgia is a small frontier economy and access to capital is limited. It is difficult to find liquidity for any single asset worth more than US$10 million. At the same time, owners of assets are often asset rich but cash poor. Georgia's GDP has grown on average 12% in nominal terms over the past 10 years and local businesses have been reinvesting over that time to stay competitive.

We like paying dividends to our shareholders as it creates natural self-discipline in buying assets cheaply. Therefore, before investing we will always ask ourselves the question: is it worth investing this money in this company or opportunity or better to pay/increase dividends?

Another reason for us being disciplined is that we are under no pressure to make any new investment as Bank of Georgia is producing good returns. If we do not find a good opportunity we may not invest for two to three years. We are always following different sectors of the economy and if a good opportunity arises we would want to capture it. To this end, we would like to sit on at least US$30 million of cash (under the current market cap) at the holding company level to make sure that cash is available as opportunities arise in our existing business lines or new ones. Also cash is very handy in slower business cycles and can help to buy assets cheaply.

We plan to be disciplined not only in terms of finding new opportunities through investment appraisals and understanding the risk return profile, cyclicality of the business and quality of revenue, but also in terms of the size of the initial investment in any new sector. We believe that our initial investment in any new sector should not exceed c.US$25 million. When and if we get comfortable with the sector, only after that would we allow ourselves to increase the ticket size of the investment. The small size of the investment is important as we are human beings and we may make a mistake. By investing in small ticket sizes we will be far away from betting the house. Making a small mistake is OK, just learn from it – do not bet the house.

To summarise, Georgia was born 10 years ago and different sectors and businesses are in the process of formation, access to capital and management is limited, owners of businesses are cash poor and therefore good opportunities can be captured cheaply. At the same time, we are under no pressure to make new investments and we will be extremely selective and opportunistic and will not commit more than US$25 million in a single investment in a sector where we are not already present. Our dividend policy is the natural self-discipline mechanism for our investment business.

2. In scale we trust

We strongly believe that any investee company and/or sector in which we invest in should be large and scalable. In case of pre-IPO opportunities, EBITDA of the existing business should be at least US$25-50 million – depending on the sector. In the case of greenfield investment, we need to see an opportunity to scale up and achieve US$25-50 million in EBITDA over the next five to six years.

We like to hold and/or target large market shares in any given sector. Our sweet spot is 30% market share in any given sector. This way we will have the scale to be efficient and competitive and at the same time not be overly dominant to attract the attention of regulators. We should be mindful not to abuse the power of a large market share and we should be open to share the benefits of scale with our customers. In a nutshell, we do not mind sharing success with our clients.

CEO's statement

Extract from Annual Report 2014

We like large, but fragmented, sectors to have an opportunity to consolidate it – like we are doing in the healthcare sector. We also like natural monopolies like GGU. We would consider sectors where you have one dominant player with 50%+ market share. We like simple business models.

We had a bad experience of acquiring small companies in 2005-2007. In a small period of time we acquired 10+ companies in total. The good thing was that capital commitment was limited, but it took too much senior management time and because of the limited size of company we were unable to hire good management teams. The strategy proved to be wrong due to the limited size of the investee companies.

To summarise, achieving superior economies of scale in a small frontier economy is an essential part of the success. It actually significantly diminishes the risk of failure.

3. Getting our hands dirty

Before we undertake an investment we like to take time and get our hands dirty to understand inside out the sector and business we are targeting. Diligence and modelling in excel is the key before entering any business.

Getting things done is the single most important task for our executives.
No matter how great our strategy is, we strongly believe that execution is the key. No matter how good the investment opportunity is, we will not pursue it if we do not think that we have a first-class management team to put in place.

At Bank of Georgia we have spent a lot of time building a top-class management team and we have a deep bench of people who have grown and are ready to take bigger responsibilities. One of the reasons we are confident in our strategy is that we have human capital available both on the top and mid-management levels. We spend a lot of time coaching and mentoring our talent and our Board's role in this process is invaluable.

Along with selling the companies, we will be selling the management team and saying goodbye to our management team, therefore we fully understand that our machine of producing new executives should not stop. Furthermore, for our top talent we have introduced a self-development programme by hiring coaches to help them to better understand their strengths and weaknesses. According to our policy, no matter how good the performance of our top executive is they may get limited bonuses if we do not see progress in executive's self-development and growing their successor(s).

You have observed rotations in our top management every two to three years. In December 2014, we announced another round of rotation. We would like our top talent to receive experience in different roles and learn and grow. Rotations will continue in the future.

In some of the sectors where we have limited operational experience we would put together a complementary team of talent from our Group and sector specialists from outside the Group. We are confident that talent from within our Group can learn the sector in a short period of time. In the early stage of the investment cycle, the management from the holding company level will spend more time on coaching and guiding the management team. That is exactly what we are doing at Georgian Global Utilities now.

The question we need to ask before entering the new sector is not whether we are the best, but whether our management team is better than that of the next player. This is a relative play game.

At this stage, we do not want to hold more than four investments at any given time, as we are limited in terms of oversight as well as management resources to put in place in more than four companies.

To summarise, similarly to limited access to capital in this country, the availability of management is limited and by being a machine of producing top talent in the country we can add value for our shareholders. We understand that great management teams make great companies, and investing time in growing people continues to be critical for the success of our strategy.

4. Good governance makes good returns

We have already learned that great institutions are not built without robust governance and ultimately without it one cannot deliver sustainable value creation for its shareholders.

We like to institutionalise companies by putting good governance in place. We do not like to bet on one person's judgement and do not believe that one person can perform magic. Therefore, we believe that first of all the CEO should be surrounded with an outstanding management team from below and a first-class Board from above. Meritocracy, loyalty to institution rather than to individuals is our approach. To this end, our approach is to separate the roles of Chairman and CEO.

We operate like this at Bank of Georgia and we truly believe in healthy checks and balances between the Board of Directors and executives. Having separate individuals for the top job on both levels is the key signal we are sending to our shareholders on governance.

We think that a high-quality, diversified independent Board is extremely important for the success of the Company. We see the Board not only as an institution, which is doing its duty of oversight of the management and setting strategy, but also the Board is providing guidance and coaching of our top and mid-level management team.

In our case, the Board's role of oversight is made relatively straightforward by creating a natural alignment of interest between shareholders and management. For that we award long-term vesting shares (up to five years) to management and make compensation in shares a large proportion of total annual compensation (e.g. 85-90%). This way we create long-term alignment of interest between management and shareholders. If shareholders make money, management makes money and if shareholders lose money, management also loses money. With this simple approach, on top of being executives, the management team feels and acts more like shareholders – because they are.

Even though this compensation structure has a lot of positives as outlined above, it has one main drawback: when share prices rise too rapidly the risk of management becoming arrogant and complacent is high. This is another reason why we think a strong Board is essential to bring management back to reality.

The Nomination Committee is always searching for professionals around the world to make sure that we have all the skill-set available on the Board. For example, currently we are searching for an experienced potential Board member with background in Energy and Utilities to give us more guidance for our GGU investment.

To summarise, we are big believers that robust governance is the source of value creation for our shareholders. The natural and simple alignment of interest between shareholders and management by awarding long-term stock works well for value creation and, finally, we want to have good balance by having separate people as the Chairman and CEO of the Company.

5. Liquidity is the king

According to our investment policy, we target to exit from our investment through a trade sale (full or partial) or IPO in up to six years from the initial investment. Because we are a publicly held company our preferred option is to take the Company public to give the market the opportunity to participate in the future upside.

No matter how well our companies do in terms of operating results, we want to see their exit to unlock the value and with the generated profit pay special dividends and pursue new opportunities – in the event that we see one. According to our strategy we will be targeting three special dividends in the next five years. Our aim for the size of aggregate special dividends is to be at least 50% of ordinary dividends paid by the banking business during these five years.

Because we aim for high returns and not for control, we do not mind selling below the 50% shareholding level at the IPO. We fully understand that liquidity for both incoming investors and our Group is the key. We have learned that increased liquidity of shares itself creates value as shares become accessible to a wider investor universe. This was indeed the case when we converted from our GDR listing to the London Stock Exchange Premium listing in 2012. As shares of Bank of Georgia became more accessible, their value increased while fundamentals did not change.

Unlocking the value through IPO is more critical for us than any money we leave on the table at the IPO. At the end of the day and as far as possible it is our firm intention to create an opportunity for our shareholders to participate in the newly IPO'd company by buying its shares.

As many of you know we are in the process of preparation to IPO our healthcare subsidiary Georgia Healthcare Group. The Board and I have complete confidence that the management will deliver on our stated strategy of doubling 2015 revenue by 2018. Some would argue that we might be better off to take the Company public in two to three years' time, as more profits are expected to be generated by then. But we want to be disciplined in terms of unlocking value for our shareholders, as set out in our 4x20 strategy, and are targeting an IPO in 2015. I personally am extremely excited about the prospects of the Company. As far as possible, it is our firm intention to allow our shareholders to participate in the IPO and I, for one, will definitely be placing an order.

To summarise, in order for our strategy to work we need to be disciplined in unlocking the value of companies in which we invest and manage. Taking companies public is our preferred option for exit, as it is our intention to give our shareholders an opportunity to participate.

In the end, I would encourage you to visit Georgia and meet our management team. You can meet and get to know our Board members at our annual investor day. We have a saying in Georgia: "It is better to see the place once than hear about it 100 times". What I promise you is dinner at a restaurant overlooking beautiful old Tbilisi – the place where East meets West at the old Silk Road, from where you will be able to feel the future.

Irakli Gilauri
Chief Executive Officer
7 April 2015

Income Statement | 1Q15

GEL thousands	BGH Group 1Q15	BGH Group 1Q14	BGH Group Changes y-o-y	BGH Group 4Q14	BGH Group Changes q-o-q	Banking Business 1Q15	Banking Business 1Q14	Banking Business Changes y-o-y	Banking Business 4Q14	Banking Business Changes q-o-q	Investment Business 1Q15	Investment Business 1Q14	Investment Business Changes y-o-y	Investment Business 4Q14	Investment Business Changes q-o-q	Interbusiness Eliminations 1Q15	Interbusiness Eliminations 1Q14	Interbusiness Eliminations Changes y-o-y	Interbusiness Eliminations 4Q14	Interbusiness Eliminations Changes q-o-q
Banking interest income	199,698	142,430	40.20%	161,368	23.80%	202,353	143,986	40.50%	163,829	23.50%	-	-	-	-	-	-2,655	-1,556	70.60%	-2,461	7.90%
Banking interest expense	78,709	61,495	28.00%	63,235	24.50%	79,295	61,535	28.90%	62,767	26.30%	-	-	-	-	-	-586	-39	NMF	469	NMF
Net banking interest income	**120,989**	**80,935**	**49.50%**	**98,132**	**23.30%**	**123,058**	**82,452**	**49.20%**	**101,062**	**21.80%**	-	-	-	-	-	-2,069	-1,517	36.40%	-2,929	-29.40%
Fee and commission income	35,991	28,086	28.10%	34,469	4.40%	37,343	28,464	31.20%	34,865	7.10%	-	-	-	-	-	-1,352	-378	NMF	-396	NMF
Fee and commission expense	9,137	8,252	10.70%	8,110	12.70%	9,253	8,252	12.10%	8,110	14.10%	-	-	-	-	-	-117	-	-	-	-
Net fee and commission income	**26,854**	**19,834**	**35.40%**	**26,359**	**1.90%**	**28,090**	**20,212**	**39.00%**	**26,755**	**5.00%**	-	-	-	-	-	-1,236	-378	NMF	-396	NMF
Net banking foreign currency gain	18,962	11,305	67.70%	16,643	13.90%	18,962	11,305	67.70%	16,643	13.90%	-	-	-	-	-	-	-	-	-	-
Net other banking income	1,790	866	106.80%	4,872	-63.30%	2,096	987	112.40%	5,147	-59.30%	-	-	-	-	-	-305	-121	152.00%	-274	11.20%
Net insurance premiums earned	21,709	29,391	-26.10%	17,900	21.30%	9,242	6,178	49.60%	7,651	20.80%	12,890	23,667	-45.50%	10,906	18.20%	-423	-454	-6.80%	-657	-35.60%
Net insurance claims incurred	14,135	19,685	-28.20%	14,212	-0.50%	3,936	1,918	105.30%	3,271	20.40%	10,199	17,767	-42.60%	10,942	-6.80%	-	-	-	-	-
Gross insurance profit	**7,574**	**9,706**	**-22.00%**	**3,688**	**105.40%**	**5,306**	**4,260**	**24.60%**	**4,380**	**21.10%**	**2,691**	**5,900**	**-54.40%**	**-36**	**NMF**	**-423**	**-454**	**-6.80%**	**-657**	**-35.60%**
Healthcare revenue	40,017	22,748	75.90%	40,039	-0.10%	-	-	-	-	-	40,017	22,748	75.90%	40,039	-0.10%	-	-	-	-	-
Cost of healthcare services	23,140	13,437	72.20%	23,709	-2.40%	-	-	-	-	-	23,140	13,437	72.20%	23,709	-2.40%	-	-	-	-	-
Gross healthcare profit	**16,877**	**9,311**	**81.30%**	**16,330**	**3.30%**	-	-	-	-	-	**16,877**	**9,311**	**81.30%**	**16,330**	**3.30%**	-	-	-	-	-
Real estate revenue	4,074	21,911	-81.40%	8,261	-50.70%	-	-	-	-	-	4,074	21,991	-81.50%	8,262	-50.70%	-	(80)	-100.00%	(1)	-100.00%
Cost of real estate properties sold	2,865	15,808	-81.90%	7,439	-61.50%	-	-	-	-	-	2,865	15,808	-81.90%	7,439	-61.50%	-	-	-	-	-
Gross real estate profit	**1,209**	**6,103**	**-80.20%**	**822**	**47.10%**	-	-	-	-	-	**1,209**	**6,183**	**-80.40%**	**823**	**46.90%**	-	**(80)**	**-100.00%**	**(1)**	**-100.00%**
Gross other investment profit	1,398	2,364	-40.90%	5,464	-74.40%	-	-	-	-	-	1,543	2,304	-33.00%	5,395	-71.40%	-145	61	NMF	69	NMF
Revenue	195,653	140,423	39.30%	172,310	13.50%	177,511	119,215	48.90%	153,987	15.30%	22,321	23,698	-5.80%	22,511	-0.80%	(4,178)	(2,490)	67.80%	(4,188)	-0.20%
Salaries and other employee benefits	45,742	35,684	28.20%	40,692	12.40%	38,606	30,333	27.30%	34,654	11.40%	7,531	5,803	29.80%	6,478	16.30%	(395)	(452)	-12.70%	(439)	-10.10%
Administrative expenses	21,056	15,537	35.50%	20,749	1.50%	17,506	12,201	43.50%	16,806	4.20%	4,028	3,547	13.60%	4,435	-9.20%	(478)	(210)	127.00%	(493)	-3.10%
Banking depreciation and amortisation	8,373	6,159	36.00%	6,711	24.80%	8,373	6,159	36.00%	6,711	24.80%	-	-	-	-	-	-	-	-	-	-
Other operating expenses	887	875	1.50%	1,113	-20.30%	792	822	-3.70%	1,005	-21.20%	96	52	82.00%	108	-11.70%	-	-	-	-	-
Operating expenses	**76,059**	**58,254**	**30.60%**	**69,264**	**9.80%**	**65,277**	**49,515**	**31.80%**	**59,175**	**10.30%**	**11,654**	**9,402**	**24.00%**	**11,021**	**5.70%**	**(873)**	**(663)**	**31.70%**	**(932)**	**-6.40%**
Operating income before cost of credit risk / EBITDA	**119,595**	**82,168**	**45.50%**	**103,046**	**16.10%**	**112,234**	**69,700**	**61.00%**	**94,811**	**18.40%**	**10,666**	**14,296**	**-25.40%**	**11,490**	**-7.20%**	**(3,305)**	**-1,828**	**80.90%**	**(3,256)**	**1.50%**
Loss from associates	(1,310)	-	-	-	-	-	-	-	-	-	(1,310)	-	-	-	-	-	-	-	-	-
Depreciation and amortization of investment business	2,688	2,229	20.50%	2,349	14.40%	-	-	-	-	-	2,688	2,229	20.50%	2,349	14.40%	-	-	-	-	-
Net foreign currency gain from investment business	3,690	(416)	NMF	(1,061)	NMF	-	-	-	-	-	3,690	-416	NMF	-1,061	NMF	-	-	-	-	-
Interest income from investment business	617	803	-23.10%	321	92.40%	-	-	-	-	-	818	785	4.20%	469	74.30%	-201	18	NMF	-149	35.20%
Interest expense from investment business	2,462	2,031	21.20%	933	163.90%	-	-	-	-	-	5,969	3,841	55.40%	4,337	37.60%	-3,506	-1,810	93.70%	-3,404	3.00%
Operating income before cost of credit risk	117,441	78,295	50.00%	99,024	18.60%	112,234	69,700	61.00%	94,811	18.40%	5,208	8,594	-39.40%	4,213	23.60%	0	0	NMF	-	-
Impairment charge on loans to customers	38,928	9,110	NMF	12,310	NMF	38,928	9,110	NMF	12,310	NMF	-	-	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	119	(29)	NMF	136	-12.20%	119	(29)	NMF	136	-12.20%	-	-	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	2,795	4,235	-34.00%	4,106	-31.90%	1,724	3,720	-53.60%	2,344	-26.40%	1,070	515	107.80%	1,762	-39.20%	-	-	-	-	-
Cost of credit risk	**41,842**	**13,316**	**NMF**	**16,551**	**152.80%**	**40,771**	**12,801**	**NMF**	**14,789**	**175.70%**	**1,070**	**515**	**107.80%**	**1,762**	**-39.20%**	-	-	-	-	-
Net operating income before non-recurring items	**75,600**	**64,979**	**16.30%**	**82,472**	**-8.30%**	**71,463**	**56,899**	**25.60%**	**80,022**	**-10.70%**	**4,137**	**8,079**	**-48.80%**	**2,451**	**68.80%**	**0**	**0**	**NMF**	-	-
Net non-recurring items	2,447	1,120	118.40%	2,093	16.90%	2,167	1,650	31.30%	1,518	42.80%	280	-530	NMF	575	-51.30%	-	-	-	-	-
Profit before income tax	**73,153**	**63,858**	**14.60%**	**80,379**	**-9.00%**	**69,296**	**55,249**	**25.40%**	**78,504**	**-11.70%**	**3,857**	**8,609**	**-55.20%**	**1,875**	**105.70%**	**0**	**0**	**NMF**	-	-
Income tax (expense) benefit	10,814	10,194	6.10%	13,902	-22.20%	10,486	8,974	16.80%	13,505	-22.40%	328	1,220	-73.10%	397	-17.30%	-	-	-	-	-
Profit	62,339	53,664	16.20%	66,477	-6.20%	58,810	46,275	27.10%	64,999	-9.50%	3,529	7,389	-52.20%	1,479	138.70%	0	0	NMF	-	-
Attributable to:																				
Equity holders of the parent	62,640	51,926	20.60%	64,225	-2.50%	58,248	45,400	28.30%	64,063	-9.10%	4,392	6,525	-32.70%	162	NMF					
Non-controlling Interest	(301)	1,739	NMF	2,252	NMF	563	875	-35.70%	935	-39.80%	(863)	864	NMF	1,317	NMF					

Income Statement | FY 2013-2014

FY14 – FY13 P&L

Income Statement Summary	**BGH Consolidated**			**Banking Business**			**Investment Business**		
GEL thousands	**YE 2014**	**YE 2013**	**Change** *y-o-y*	**YE 2014**	**YE 2013**	**Change** *y-o-y*	**YE 2014**	**YE 2013**	**Change** *y-o-y*
Net banking interest income	349,958	318,036	10.0%	357,270	322,138	10.9%	-	-	-
Net fee and commission income	99,792	87,001	14.7%	101,845	88,437	15.2%	-	-	-
Net banking foreign currency gain	52,752	48,432	8.9%	52,752	48,432	8.9%	-	-	-
Net other banking income	9,270	8,888	4.3%	9,890	9,402	5.2%	-	-	-
Gross insurance profit	29,430	45,333	-35.1%	16,422	19,825	-17.2%	14,986	27,225	-45.0%
Gross healthcare profit	53,482	27,529	94.3%	-	-	-	53,482	27,529	94.3%
Gross real estate profit	11,656	3,268	NMF	-	-	-	11,736	3,268	NMF
Gross other investment profit	14,901	19,791	-24.7%	-	-	-	14,716	19,652	-25.1%
Revenue	**621,241**	**558,278**	**11.3%**	**538,179**	**488,234**	**10.2%**	**94,920**	**77,674**	**22.2%**
Operating expenses	-257,030	-222,544	15.5%	-217,763	-194,616	11.9%	-42,145	-30,251	39.3%
Operating income before cost of credit risk /EBITDA	**364,211**	**335,734**	**8.5%**	**320,416**	**293,618**	**9.1%**	**52,775**	**47,423**	**11.3%**
Depreciation and amortization of investment business	-9,164	-6,984	31.2%	-	-	-	-9,164	-6,984	31.2%
Net foreign currency loss from investment business	-3,169	-4,920	-35.6%	-	-	-	-3,169	-4,920	-35.6%
Net interest expense from investment business	-5,249	-3,940	33.2%	-	-	-	-14,229	-9,247	53.9%
Cost of credit risk	-59,020	-61,802	-4.5%	-55,732	-60,870	-8.4%	-3,288	-932	NMF
Profit	**240,767**	**209,344**	**15.0%**	**220,504**	**192,444**	**14.6%**	**20,263**	**16,900**	**19.9%**
EPS	6.72	5.93	13.3%						

Balance Sheet | 31 March 2015

	BGH Group					Banking Business					Investment Business					Interbusiness Eliminations		
GEL thousands	31-Mar-15	31-Mar-14	Changes y-o-y	31-Dec-14	Changes q-o-q	31-Mar-15	31-Mar-14	Changes y-o-y	31-Dec-14	Changes q-o-q	31-Mar-15	31-Mar-14	Changes y-o-y	31-Dec-14	Changes q-o-q	31-Mar-15	31-Mar-14	31-Dec-14
Cash and cash equivalents	1,000,713	979,498	2.20%	710,144	40.90%	997,547	966,016	3.30%	706,780	41.10%	110,578	45,564	142.70%	92,722	19.30%	-107,412	-32,081	-89,358
Amounts due from credit institutions	545,714	379,255	43.90%	418,281	30.50%	523,663	372,957	40.40%	399,430	31.10%	87,478	14,091	NMF	72,181	21.20%	-65,427	-7,793	-53,330
Investment securities	880,799	601,128	46.50%	769,712	14.40%	881,098	599,954	46.90%	768,559	14.60%	1,153	1,174	-1.80%	1,153	0.00%	-1,452	-	-
Loans to customers and finance lease receivables	5,156,386	3,480,969	48.10%	4,350,803	18.50%	5,248,559	3,534,648	48.50%	4,440,985	18.20%	-	-	-	-	-	-92,173	-53,679	-90,181
Accounts receivable and other loans	73,315	54,950	33.40%	67,255	9.00%	13,063	9,113	43.30%	9,701	34.70%	64,947	46,256	40.40%	61,836	5.00%	-4,695	-419	-4,282
Insurance premiums receivable	58,816	60,424	-2.70%	31,840	84.70%	22,337	17,523	27.50%	14,573	53.30%	37,205	43,453	-14.40%	18,020	106.50%	-726	-552	-753
Prepayments	42,748	35,735	19.60%	33,776	26.60%	24,969	24,161	3.30%	15,647	59.60%	17,779	11,574	53.60%	18,130	-1.90%	0	0	0
Inventories	113,322	91,129	24.40%	101,442	11.70%	7,696	7,779	-1.10%	6,856	12.30%	105,625	83,350	26.70%	94,585	11.70%	-	-	-
Investment property	194,623	154,847	25.70%	190,860	2.00%	128,376	135,715	-5.40%	128,552	-0.10%	66,247	19,132	NMF	62,308	6.30%	-	-	-
Property and equipment	618,474	516,731	19.70%	588,513	5.10%	334,515	283,696	17.90%	314,370	6.40%	283,958	233,035	21.90%	274,144	3.60%	-	-	-
Goodwill	51,745	48,720	6.20%	49,633	4.30%	39,781	38,537	3.20%	38,537	3.20%	11,964	10,183	17.50%	11,096	7.80%	-	-	-
Intangible assets	33,443	27,873	20.00%	34,432	-2.90%	31,760	26,592	19.40%	31,769	0.00%	1,682	1,281	31.30%	2,664	-36.80%	-	-	-
Income tax assets	24,943	27,772	-10.20%	22,745	9.70%	17,602	21,044	-16.40%	14,484	21.50%	7,341	6,728	9.10%	8,261	-11.10%	-	-	-
Other assets	235,012	160,739	46.20%	209,712	12.10%	176,983	147,735	19.80%	153,762	15.10%	68,094	13,330	NMF	58,408	16.60%	-10,065	-326	-2,459
Total assets	**9,030,053**	**6,619,770**	**36.40%**	**7,579,147**	**19.10%**	**8,447,951**	**6,185,469**	**36.60%**	**7,044,004**	**19.90%**	**864,053**	**529,151**	**63.30%**	**775,507**	**11.40%**	**-281,951**	**-94,850**	**-240,364**
Client deposits and notes	4,099,029	3,065,535	33.70%	3,338,724	22.80%	4,271,854	3,106,000	37.50%	3,482,000	22.70%	-	-	-	-	-	-172,825	-40,465	-143,276
Amounts due to credit institutions	1,780,636	1,206,818	47.50%	1,409,214	26.40%	1,694,668	1,120,905	51.20%	1,324,609	27.90%	181,773	138,999	30.80%	177,313	2.50%	-95,805	-53,087	-92,708
Debt securities issued	1,026,689	734,771	39.70%	856,695	19.80%	962,587	734,771	31.00%	827,721	16.30%	66,964	-	-	29,374	128.00%	-2,862	0	-400
Accruals and deferred income	124,344	90,092	38.00%	108,623	14.50%	20,950	20,459	2.40%	19,898	5.30%	103,395	69,633	48.50%	88,726	16.50%	0	0	0
Insurance contracts liabilities	70,156	69,324	1.20%	46,586	50.60%	34,685	23,169	49.70%	27,980	24.00%	35,471	46,154	-23.10%	18,607	90.60%	-	-	-
Income tax liabilities	96,761	96,384	0.40%	97,564	-0.80%	79,343	84,967	-6.60%	79,987	-0.80%	17,418	11,417	52.60%	17,577	-0.90%	-	-	-
Other liabilities	132,291	69,826	89.50%	87,648	50.90%	99,679	34,164	191.80%	51,032	95.30%	43,071	36,960	16.50%	40,594	6.10%	-10,459	-1,299	-3,979
Total liabilities	**7,329,906**	**5,332,749**	**37.50%**	**5,945,054**	**23.30%**	**7,163,765**	**5,124,436**	**39.80%**	**5,813,227**	**23.20%**	**448,093**	**303,164**	**47.80%**	**372,190**	**20.40%**	**-281,951**	**-94,850**	**-240,364**
Share capital	1,154	1,043	10.70%	1,143	1.00%	1,154	1,043	10.70%	1,143	1.00%	-	-	-	-	-	-	-	-
Additional paid-in capital	252,568	26,827	NMF	245,305	3.00%	94,886	24,717	NMF	87,950	7.90%	157,682	2,110	NMF	157,355	0.20%	-	-	-
Treasury shares	-34	-42	-19.40%	-46	-26.40%	-34	-42	-19.40%	-46	-26.40%	-	-	-	-	-	-	-	-
Other reserves	-30,569	-39,221	-22.10%	-22,574	35.40%	-20,978	-45,896	-54.30%	-11,072	89.50%	-9,591	6,674	NMF	-11,501	-16.60%	-	-	-
Retained earnings	1,420,513	1,229,989	15.50%	1,350,259	5.20%	1,189,365	1,061,275	12.10%	1,134,158	4.90%	231,148	168,715	37.00%	216,100	7.00%	-	-	-
Total equity attributable to shareholders of the Group	**1,643,633**	**1,218,596**	**34.90%**	**1,574,087**	**4.40%**	**1,264,394**	**1,041,097**	**21.40%**	**1,212,133**	**4.30%**	**379,239**	**177,499**	**113.70%**	**361,954**	**4.80%**	-	-	-
Non-controlling interests	56,514	68,426	-17.40%	60,007	-5.80%	19,792	19,937	-0.70%	18,644	6.20%	36,722	48,489	-24.30%	41,363	-11.20%	-	-	-
Total equity	**1,700,147**	**1,287,021**	**32.10%**	**1,634,093**	**4.00%**	**1,284,187**	**1,061,034**	**21.00%**	**1,230,777**	**4.30%**	**415,960**	**225,987**	**84.10%**	**403,317**	**3.10%**	-	-	-
Total liabilities and equity	**9,030,053**	**6,619,771**	**36.40%**	**7,579,147**	**19.10%**	**8,447,951**	**6,185,469**	**36.60%**	**7,044,004**	**19.90%**	**864,053**	**529,151**	**63.30%**	**775,507**	**11.40%**	**-281,951**	**-94,850**	**-240,364**

Healthcare business income statement

GEL thousands, unless otherwise noted	Total Quarter-ended			Healthcare Services Quarter-ended			Health Insurance Quarter-ended			Eliminations Quarter-ended	
	1Q15	1Q14	Change, Y-o-Y	1Q15	1Q14	Change, Y-o-Y	1Q15	1Q14	Change, Y-o-Y	1Q15	1Q14
Revenue	**52,918**	**46,687**	**13.3%**	**41,788**	**30,521**	**36.9%**	**12,992**	**23,751**	**-45.3%**	**-1,862**	**-7,585**
COGS, insurance claims expense	**-33,339**	**-31,460**	**6.0%**	**-24,273**	**-18,949**	**28.1%**	**-10,837**	**-20,027**	**-45.9%**	**1,771**	**7,516**
Direct salary	-14,417	-8,898	62.0%	-15,092	-12,134	24.4%	-	-		675	3,236
Materials, including medicines and medical disposables	-6,192	-2,648	133.8%	-6,482	-3,611	79.5%	-	-		290	963
Direct healthcare provider expenses	-447	-840	-46.8%	-468	-1,146	-59.2%	-	-		21	306
Utilities and other expenses	-2,131	-1,509	41.2%	-2,231	-2,058	8.4%	-	-		100	549
Health insurance claims expense	-10,152	-17,565	-42.2%	-	-		-10,837	-20,027	-45.9%	685	2,462
Gross profit	**19,579**	**15,227**	**28.6%**	**17,515**	**11,572**	**51.4%**	**2,155**	**3,724**	**-42.1%**	**-91**	**-69**
Salaries and other employee benefits	-6,259	-4,419	41.6%	-5,314	-3,084	72.3%	-1,036	-1,404	-26.2%	91	69
General and Administrative salaries	-2,399	-1,897	26.5%	-1,778	-1,281	38.8%	-621	-616	0.8%	-	-
Impairment Charge	-934	-548	70.4%	-831	-363	128.9%	-103	-185	-44.3%	-	-
Other operating income	125	156	-19.9%	78	130	-40.0%	47	26	80.8%	-	-
EBITDA	**10,112**	**8,519**	**18.7%**	**9,670**	**6,974**	**38.7%**	**442**	**1,545**	**-71.4%**	**-**	**-**
EBITDA margin	***19.10%***	***18.20%***		***23.10%***	***22.80%***		***3.40%***	***6.50%***			
Depreciation	-2,322	-1,750	32.7%	-2,186	-1,585	37.9%	-136	-165	-17.6%	-	-
Net interest income (expense)	-4,101	-2,823	45.3%	-4,073	-3,009	35.4%	-28	186	-	-	-
(Losses) gains on currency exchange	3,404	-886	-	2,907	-1,000	-	497	114	336.0%	-	-
Net non-recurring items	-211	-	-	-211	-	-	-	-	-	-	-
Profit before income tax	**6,882**	**3,060**	**124.9%**	**6,107**	**1,380**	**342.5%**	**775**	**1,680**	**-53.9%**	**-**	**-**
Income tax expense	-607	-452	34.3%	-491	-181	171.3%	-116	-271	-57.2%	-	-
Profit	**6,275**	**2,608**	**140.6%**	**5,616**	**1,199**	**368.3%**	**659**	**1,409**	**-53.2%**	**-**	**-**
Attributable to:											
- shareholders of the Company	5,732	2,287	150.6%	5,073	878	477.7%	659	1,409	-53.2%	-	-
- minority interest	543	321	69.2%	543	321	69.2%		-		-	-

Key ratios and operating data – 1Q15

Banking Business Ratios

	Including Privatbank 1Q15	*Excluding Privatbank* 1Q15	1Q14	4Q14
Profitability				
ROAA	3.0%	3.1%	3.0%	3.9%
ROAE	19.2%	18.8%	17.8%	22.8%
Net Interest Margin	7.8%	7.3%	7.5%	7.7%
Loan Yield	14.5%	13.7%	14.7%	14.1%
Cost of Funds	5.0%	4.8%	5.0%	4.7%
Cost of Customer Funds	4.4%	4.1%	4.5%	4.1%
Cost of Amounts Due to Credit Institutions	5.2%	5.1%	5.0%	4.8%
Cost of Debt Securities Issued	7.1%	7.1%	7.1%	7.2%
Operating Leverage, Y-O-Y	17.1%	20.8%	-	-
Operating Leverage, Q-O-Q	5.0%	9.1%	-	-
ROE	18.7%	18.3%	17.7%	21.0%
Interest Income / Average Int. Earning Assets	12.9%	12.1%	13.1%	12.5%
Net F&C Income To Average Interest Earning Assets	1.8%	1.7%	1.8%	2.0%
Net Fee And Commission Income To Revenue	15.8%	15.8%	17.0%	17.4%
Revenue to Total Assets	8.5%	7.9%	7.8%	8.7%
Recurring Earning Power	5.7%	5.5%	4.6%	5.7%
Profit To Revenue	33.1%	36.5%	38.8%	42.2%
Efficiency				
Cost / Income	36.8%	35.0%	41.5%	38.4%
Cost to Average Total Assets	3.3%	3.0%	3.2%	3.6%
Personnel Cost to Revenue	21.7%	21.3%	25.4%	22.5%
Personnel Cost to Total Cost	59.1%	60.9%	41.5%	38.4%
Personnel Cost to Average Total Assets	2.0%	1.8%	2.0%	2.1%
Liquidity				
NBG Liquidity Ratio	34.7%	34.1%	43.5%	35.0%
Liquid Assets To Total Liabilities	33.5%	33.1%	37.8%	32.3%
Liquid Assets To Total Assets	28.4%	27.8%	31.3%	26.6%
Net Loans To Customer Funds	122.9%	127.1%	113.8%	127.5%
Net Loans To Customer Funds + DFIs	105.2%	107.3%	96.8%	108.6%
Leverage (Times)	5.6	5.3	4.8	4.7
Net Loans to Total Assets	62.1%	61.5%	57.1%	63.0%
Average Net Loans to Average Total Assets	63.6%	62.9%	57.5%	63.0%
Interest Earning Assets to Total Assets	78.8%	78.2%	72.8%	79.6%
Average Interest Earning Assets/Average Total Assets	80.1%	79.8%	72.0%	78.8%
Average Net Loans to Av. Customer funds	125.0%	129.0%	115.3%	126.1%
Net Loans to Total Liabilities	73.3%	73.1%	69.0%	76.4%
Total Equity to Net Loans	24.5%	25.9%	30.0%	27.7%
Asset Quality:				
NPLs (in GEL)	187,129	183,184	138,477	153,628
NPLs To Gross Loans To Clients	3.5%	3.6%	3.8%	3.4%
NPL Coverage Ratio	74.2%	71.7%	92.0%	68.0%
NPL Coverage Ratio, Adjusted for discounted value of collateral	118.0%	116.5%	121.4%	111.1%
Cost of Risk	3.1%	2.6%	1.0%	1.2%
Reserve For Loan Losses to Gross Loans to Clients	2.6%	2.6%	3.5%	2.3%
Capital Adequacy:				
Tier I capital adequacy ratio (BIS)	19.9%	20.6%	23.7%	22.1%
Total capital adequacy ratio (BIS)	23.9%	24.7%	27.7%	26.1%
Tier I capital adequacy ratio (New NBG, Basel II)	9.8%	9.1%	-	11.1%
Total capital adequacy ratio (New NBG, Basel II)	12.9%	12.3%	-	14.1%
Tier I capital adequacy ratio (Old NBG)	14.2%	14.9%	16.4%	13.3%
Total capital adequacy ratio (Old NBG)	12.9%	12.3%	15.5%	13.8%

Group Employee Data

	1Q15	1Q14	4Q14
Full Time Employees, Group, of which:	14,737	13,612	13,396
- Full Time Employees, BOG Standalone	3,799	3,561	3,770
- Full Time Employees, Privatbank	1,105	n/a	n/a
- Full Time Employees, Georgia Healthcare Group	8,177	8,598	8,011
- Full Time Employees, m² Real Estate	57	50	56
- Full Time Employees, Aldagi Insurance	262	202	250
- Full Time Employees, BNB	480	463	463
- Full Time Employees, Other	857	738	846

Selected Operating Data

	Privatbank only 1Q15	*Excluding Privatbank* 1Q15	1Q14	4Q14
Total Assets Per Banking FTE, BOG Standalone	-	2,277	1,859	2,010
Number Of Active Branches, Of Which:	72	219	203	219
- Flagship Branches	-	34	34	34
- Standard Branches	-	101	99	101
- Express Branches (including Metro)	-	84	70	84
Number Of ATMs	376	554	497	523
Number Of Cards Outstanding, Of Which:	941,000	1,204,662	1,015,702	1,156,631
- Debit cards	-	1,088,878	897,856	1,040,016
- Credit cards	-	115,784	117,846	116,615
Number Of POS Terminals	1,608	6,537	4,990	6,320

Shares outstanding

	31-Mar-15	31-Mar-14	31-Dec-14
Ordinary shares outstanding	38,479,900	34,470,332	37,978,135
Treasury shares outstanding	1,020,420	1,439,051	1,522,185

Risk Weighted Assets breakdown

	Risk Weighted Assets			Change	
GEL millions	31-Mar-15	31-Mar-14	31-Dec-14	y-o-y	q-o-q
TOTAL	**8,359,192**	**5,901,857**	**7,204,081**	**41.6%**	**16.0%**
Credit Risk weighting	5,991,587	4,130,668	5,007,262	45.1%	19.7%
FX Induced Credit Risk (Market Risk)	1,742,780	1,266,725	1,622,101	37.6%	7.4%
Operational Risk weighting	624,825	504,464	574,718	23.9%	8.7%

Notes to Key Ratios

1 Return on average total assets (ROAA) equals Profit for the period divided by monthly average total assets for the same period;

2 Return on average total equity (ROAE) equals Profit for the period attributable to shareholders of the Group divided by monthly average equity attributable to shareholders of the Group for the same period;

3 Net Interest Margin equals Net Banking Interest Income of the period divided by monthly Average Interest Earning Assets Excluding Cash for the same period; Interest Earning Assets Excluding Cash comprise: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares) and net Loans To Customers And Finance Lease Receivables;

4 Loan Yield equals Banking Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;

5 Cost of Funds equals banking interest expense of the period divided by monthly average interest bearing liabilities; interest bearing liabilities include: amounts due to credit institutions, client deposits and notes and debt securities issued;

6 Operating Leverage equals percentage change in revenue less percentage change in operating expenses;

7 Cost / Income Ratio equals operating expenses divided by revenue;

8 Daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;

9 Liquid assets include: cash and cash equivalents, amounts due from credit institutions and investment securities;

10 Leverage (Times) equals total liabilities divided by total equity;

11 NPL Coverage Ratio equals allowance for impairment of loans and finance lease receivables divided by NPLs;

12 NPL Coverage Ratio adjusted for discounted value of collateral equals allowance for impairment of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for impairment)

13 Cost of Risk equals impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;

14 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;

15 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;

16 New NBG (Basel 2/3) Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;

17 New NBG (Basel 2/3) Total Capital Adequacy ratio equals total capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;

18 Old NBG Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;

19 Old NBG Total Capital Adequacy ratio equals total capital divided by total risk weighted Assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;

Bank of Georgia Holdings PLC | Company Information

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Registered under number 7811410 in England and Wales
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Stock Listing
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Share price information
BGH shareholders can access both the latest and historical prices via our website, www.bogh.co.uk