Bank of Georgia Holdings PLC announces Q3 2013 and nine months ended 30 September 2013 results

Bank of Georgia Holdings PLC (LSE: BGEO LN), the holding company of JSC Bank of Georgia (the "Bank") Georgia's leading bank representing the Bank's subsidiaries making up a group of companies ("the Group"), announced today the Group's 9M 2013 and Q3 2013 consolidated results reporting a record profit for 9M 2013 of GEL 153.7 million, (US$92.3 million/GBP 57.4 million) or record earnings per share of GEL 4.35 (US$2.61 per share/GBP 1.62 per share). The Bank also reported a record quarterly profit in Q3 2013 of GEL 58.6 million (US$35.2 million/GBP 21.9 million), or GEL 1.65 per share (US$0.99 per share/GBP 0.62 per share). Unless otherwise mentioned, comparisons are with 9M 2012. The results are based on IFRS and are unaudited and derived from management accounts.

Record performance continued into Q3 2013 delivering strong 9M 2013 performance

- **Positive operating leverage maintained with strong profitability**
  - Net Interest Margin (NIM) of 7.7%, compared to 7.8% in 9M 2012
    - Q3 2013 NIM of 7.7%, compared to 7.3% in Q3 2012 and 7.9% in Q2 2013
  - Revenue increased by GEL 31.0 million, or 8.4% y-o-y, to GEL 401.0 million; Revenue adjusted for one-off foreign currency gain* in 2012 increased by 9.3% y-o-y
    - Q3 2013 revenue stayed largely flat at GEL 138.3 million compared to GEL 139.7 million in Q2 2013
  - Positive operating leverage maintained at 10.0 percentage points in 9M 2013, as operating expenses decreased 1.6% to GEL 164.6 million
    - Q3 2013 y-o-y operating leverage of 11.1 percentage points
  - Cost to Income ratio improved to 41.0% compared to 45.2% in 9M 2012
    - Q3 2013 Cost to Income ratio reached a record low of 39.7%, compared to 39.9% in Q2 2013 and 44.4% Q3 2012
  - Profit for the period increased by GEL 21.0 million, or 15.8% y-o-y, to GEL 153.7 million
    - Q3 2013 profit increased by GEL 12.0 million, or 25.6% y-o-y to GEL 58.6 million
  - Earnings per share (basic) increased by 10.4% to a record GEL 4.35, compared to GEL 3.94 in 9M 2012
  - Return on Average Assets (ROAA) stood at 3.6% in 9M 2013, flat from 9M 2012
    - Q3 2013 ROAA stood at 4.0%, compared to 3.8% in Q2 2013 and 3.4% in Q3 2012
  - Return on Average Equity (ROAE) stood at 18.6%, compared to 19.4%
    - Q3 2013 ROAE stood at 20.6%, compared to 19.3% in Q2 2013 and 19.2% in Q3 2012
- **Strong balance sheet supported by solid capital position and declining cost of funds**
  - Net loan book increased by 6.2% YTD, while client deposits increased by 8.7% YTD
  - Cost of client deposits decreased from 7.5% in 9M 2012 to 5.8% in 9M 2013; Q3 2013 cost of client deposits stood at 5.2% compared to 5.9% in Q2 2013
  - Q3 2013 loan book grew 5.1% q-o-q, while client deposits increased 0.4% q-o-q
  - Cost of credit risk improved to GEL 15.5 million in Q3 2013 from GEL 19.0 million in Q2 2013, while Cost of Risk remained largely flat at 1.6%
  - High liquidity maintained with 26.6% of assets made up of cash and cash equivalents, amounts due from credit institutions, NBG CDs, Georgian government treasury bills and bonds and other high quality liquid assets as of 30 September 2013. Liquidity ratio, as per National Bank of Georgia (NBG), stood at 37.5%, compared to 42.0% a year ago, partially as a result of the introduction of an additional transitional liquidity requirement for non-resident deposits.
  - Excellent funding position with a Net Loans to Customer Funds ratio of 114.7%**,** compared to 114.8% YE 2012 and up from 109.6% as of 30 June 2013. As of 30 September 2013, Net Loans to Customer Funds and Long-Term DFI Funding ratio was 96.1%
  - BIS Tier 1 capital adequacy ratio stood at 23.7% compared to 20.3% a year ago.
  - Book value per share increased by 14.0% y-o-y to GEL 32.83 (US$19.72/GBP 12.26)
  - Balance Sheet leverage at 4.1 times as of 30 September 2013, compared to 4.5 times a year ago

*One-off foreign currency gain by BNB in Q1 2012, the Bank's subsidiary in Belarus

- **Business highlights**
  - Retail Banking continues to deliver strong franchise growth, supported by the successful roll-out of the Express Banking strategy over the last 18 months, adding 893 Express Pay terminals and 362,829 Express cards. Retail Banking net loan book grew 13.1% YTD
  - Corporate Banking net loan book decreased 1.3% YTD. Corporate Banking cost of deposits decreased markedly from 7.4% in 9M 2012 to 5.0% in 9M 2013
  - Investment Management's (formerly Asset and Wealth Management) Assets under Management (AUM) increased by a relatively modest 1.6% YTD to GEL 614.6 million as of 30 September 2013. Since the launch of the Certificate of Deposit (CD) programme in January 2013, the amount of CDs issued to Investment Management clients reached GEL 128.1 million, as of 30 September 2013
  - Aldagi, the Group's Insurance and Healthcare business, reported a record nine month profit of GEL 18.3 million in 9M 2013, up from GEL 8.9 million in 9M 2012
  - Affordable Housing pre-sold 77% of the apartments of its second housing project, currently in its construction phase. In 9M 2013, Affordable Housing segment posted, a profit of GEL 7.0 million

"I am very pleased that Bank of Georgia continued its strong performance into Q3 2013 to report a record nine-month profit of GEL 153.7 million and earnings per share of GEL 4.35. One of the most noteworthy highlights of the quarter is our ROAE that has reached our target level of 20% on the back of diversified revenue growth, further expansion of our Express banking strategy and ongoing cost optimisation measures across all the businesses. Loan book growth picked up in Q3 2013 increasing 5.1% since June 2013, supported by the roll-out of a new Lari mortgage and SME product offering the lowest mortgage interest rate on the market at 7.9%. Since the launch of the NBG Lari programme in May 2013, the floating Lari rate mortgage and SME loan portfolios reached approximately GEL 40 million, indicating a strong demand for Lari denominated products, which further supports the ongoing de-dollarisation of the balance sheet of the Bank as well as the entire Georgian banking sector. While asset quality metrics are usually characterised by seasonal volatility across quarters, we are pleased to observe a reduction in the cost of credit risk in Q3 2013 compared to Q2 2013.

Our active liability management efforts have continued to significantly reduce our cost of funds during the third quarter as our Q3 cost of funds was further reduced from 6.2% in Q2 2013 to 5.6% in Q3 2013. Furthermore, in November we tapped the capital markets for a US$150 million bond issue, which was combined with our previous US$250 million bond issued in June 2012. The deal was substantially oversubscribed, reflecting strong investor interest with over 80 institutional investors participating. The bonds were placed at a record low yield for Bank of Georgia Notes of 6.125% and net proceeds will be used to continue active liability management and also support financing for our general working capital needs. While we expect the newly issued bonds to result in some downward pressure on NIM in the near term, reflecting higher excess liquidity, the overall effect of the favourable pricing will have a positive impact on our cost of funds and NIM in the medium term.

Having completed the successful roll-out of its healthcare facilities in the first half of 2013, Aldagi – our healthcare and insurance subsidiary – delivered a record quarterly profit of GEL 6.9 million in the third quarter of the year and the business remains firmly on track to achieve its targeted GEL 25 million profit for the full year.

Aldagi is the clear market leader in both healthcare and insurance and the business is extremely well placed to continue to benefit from increased healthcare spending from both the Government and the corporate/private sector. During the first nine months of 2013 Aldagi has more than doubled its profits and, with further strong growth expected over the next few years, the Group may consider a public offering of Aldagi's business in the near future.

The fourth quarter was also marked by Georgia's presidential elections, putting an end to the political uncertainty of the past twelve months. The presidential elections in October gave victory to the ruling Georgian Dream coalition party's candidate and shortly afterwards a new candidate was announced to fill the Prime Minister's post after the incumbent Prime Minister leaves office (currently expected in late November). We expect this stabilisation of the Georgian political environment to boost business activity in the fourth quarter, traditionally the most active quarter of the year," commented ***Irakli Gilauri***, Chief Executive Officer of Bank of Georgia Holdings PLC and JSC Bank of Georgia.

"I would like to use this opportunity to congratulate the Bank's management team for the strong year-to-date performance and with the recent successful issuance of Eurobonds that will further support the realisation of the Bank's growth aspirations. I would also like to provide an update on the upcoming corporate governance developments. The Board of Directors of BGH resolved to work toward making the Bank's Supervisory Board fully independent by replacing at least three of its members within the next 12 months. Two Non-independent Directors (shareholder representatives) Ian Hague and Hanna Loikkanen as well as Allan Hirst, an Independent Director, are expected to step down from the Bank's Supervisory Board in 2013. Each of these Supervisory Board members is also a Director of BGH and BGH expects that they will also all step down from the Board of Directors of BGH in 2013. Ian Hague, Firebird Funds, has been a member of the Bank's Supervisory Board since December 2004, Hanna Loikkanen, East Capital Funds, since November 2010, Allan Hirst since November 2006. BGH's nomination committee is currently considering three new candidates to replace the resigning Directors (both in their role as members of the Bank's Supervisory Board and as Directors of BGH) in December 2013, subject to their reelection as Directors of BGH at BGH's next Annual General Meeting of shareholders," commented ***Neil Janin*****,** Chairman of the Board of Directors of BGH and Chairman of the Supervisory Board of JSC Bank of Georgia.

FINANCIAL SUMMARY

BGH (Consolidated, Unaudited, IFRS-based) **Income Statement Summary** *GEL thousands, unless otherwise noted*	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Revenue[1]	401,014	369,967	8.4%
Operating expenses	(164,568)	(167,186)	-1.6%
Operating income before cost of credit risk	236,446	202,781	16.6%
Cost of credit risk[2]	(51,803)	(28,593)	81.2%
Net operating income	184,643	174,188	6.0%
Net non-operating expense	(6,871)	(15,445)	-55.5%
Profit	153,699	132,677	15.8%
Earnings per share (basic)	4.35	3.94	10.4%

BGH (Consolidated, Unaudited, IFRS-based) **Statement of Financial Position**	**30 Sep 2013**	**30 Sep 2012**	**Change Y-O-Y**	**30 June 2013**	**Change Q-O-Q**
Total assets	5,954,347	5,530,517	7.7%	5,671,694	5.0%
Net loans[3]	3,283,508	3,063,390	7.2%	3,122,916	5.1%
Customer funds[4]	2,862,512	2,795,794	2.4%	2,850,234	0.4%
Tier I Capital Adequacy Ratio (BIS)[5]	23.7%	20.3%		22.9%	
Total Capital Adequacy Ratio (BIS)[5]	28.6%	25.8%		27.8%	
NBG Tier I Capital Adequacy Ratio[6]	15.4%	13.4%		15.4%	
NBG Total Capital Adequacy Ratio[6]	16.6%	15.9%		16.3%	
Leverage (times)[7]	4.1	4.5		4.1	
GEL/US$ Exchange Rate (period-end)	1.6644	1.6593		1.6509	
GEL/GBP Exchange Rate (period-end)	2.6774	2.6881		2.5160	

BGH (Consolidated, Unaudited, IFRS-based) **Income Statement Summary** *GEL thousands, unless otherwise noted*	**Q3 2013**	**Q3 2012**	**Change Y-O-Y**	**Q2 2013**	**Change Q-O-Q**
Revenue[1]	138,338	130,981	5.6%	139,700	-1.0%
Operating expenses	(54,948)	(58,114)	-5.4%	(55,740)	-1.4%
Operating income before cost of credit risk	83,390	72,867	14.4%	83,960	-0.7%
Cost of credit risk[2]	(15,540)	(14,645)	6.1%	(18,984)	-18.1%
Net operating income	67,850	58,222	16.5%	64,976	4.4%
Net non-operating expense	(1,419)	(3,051)	-53.5%	(4,089)	-65.3%
Profit	58,597	46,643	25.6%	53,105	10.3%
Earnings per share (basic)	1.65	1.35	22.2%	1.51	9.3%

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

DISCUSSION OF RESULTS

Revenue

GEL thousands, unless otherwise noted	9M 2013	9M 2012	Change Y-O-Y
Loans to customers	389,493	374,888	3.9%
Investment securities[8]	27,223	25,931	5.0%
Amounts due from credit institutions[9]	6,678	13,672	-51.2%
Finance lease receivables	4,896	6,375	-23.2%
Interest income	**428,290**	**420,866**	**1.8%**
Amounts due to customers	(123,404)	(156,199)	-21.0%
Amounts due to credit institutions, of which	(74,054)	(55,551)	33.3%
Eurobonds	*(24,404)*	*(8,130)*	*NMF*
Subordinated debt	*(16,938)*	*(19,677)*	*-13.9%*
Loans and deposits from other banks	*(32,713)*	*(27,744)*	*17.9%*
Interest expense	**(197,458)**	**(211,750)**	**-6.7%**
Net interest income before interest rate swaps	**230,832**	**209,116**	**10.4%**
Net loss from interest rate swaps	(303)	(1,538)	-80.3%
Net interest income	**230,529**	**207,578**	**11.1%**
Fee and commission income	83,906	81,251	3.3%
Fee and commission expense	(20,111)	(15,886)	26.6%
Net fee and commission income	**63,795**	**65,365**	**-2.4%**
Net insurance premiums earned	95,982	58,220	64.9%
Net insurance claims incurred	(60,862)	(36,340)	67.5%
Net insurance revenue	**35,120**	**21,880**	**60.5%**
Healthcare revenue	41,745	38,625	8.1%
Cost of healthcare services	(27,730)	(22,404)	23.8%
Net healthcare revenue[10]	**14,015**	**16,221**	**-13.6%**
Net gain from trading and investment securities	2,818	2,235	26.1%
Net gain from revaluation of investment property	7,710	-	-
Net gain from foreign currencies, adjusted for one-off foreign currency gain[11]	33,881	35,745	-5.2%
Other operating income	13,146	17,994	-26.9%
Other operating non-interest income	**57,555**	**55,974**	**2.8%**
Revenue, adjusted for one-off foreign currency gain	**401,014**	**367,018**	**9.3%**
One-off foreign currency gain[11]	-	2,949	-100.0%
Revenue	**401,014**	**369,967**	**8.4%**

[8] Primarily consist of Georgian government treasury bills and bonds and National Bank of Georgia's Certificates of Deposits (CDs)
[9] Time deposits with credit institutions with less than 90 days maturity are included in cash and cash equivalents
[10] For net healthcare revenue disclosures please see Insurance and Healthcare segment discussion
[11] One-off foreign currency gain by BNB

The Bank continued its record breaking year with an 8.4% y-o-y increase in 9M 2013 revenue to GEL 401.0 million. The growth was supported by an 11.1% y-o-y increase in net interest income to GEL 230.5 million and a strong increase in net insurance revenue, which grew by 60.5% to GEL 35.1 million.

Interest income increased by 1.8% to GEL 428.3 million, with the growth driven by a 3.9% increase in interest income from loans to customers as a result of an 11.1% y-o-y increase in average loans to customers in 9M 2013, reflecting a pick-up in lending during the quarter.

Interest income from investment securities, which includes interest income received from CDs and treasury bonds, increased 5.0% y-o-y to GEL 27.2 million in 9M 2013 on the back of a 39.9% increase of the corresponding average balance sheet item for 9M 2013. The growth was a result of increased investments in NBG CDs and Ministry of Finance t-bonds over the twelve month period, albeit at lower yields on NBG issued securities and interbank deposit rates in line with the reduction of NBG's refinancing rates from 5.75% as of 30 September 2012 to 3.75% as of 30

September 2013 to tackle deflationary pressures in the country. Interest income from credit institutions has declined 51.2% y-o-y mainly due to one large high-yielding interbank deposit transaction in nine months of 2012.

Interest expense decreased by 6.7% y-o-y to GEL 197.5 million as result of a decline in the cost of funds from 7.5% in 9M 2012 to 6.2% in 9M 2013. The decline was mostly driven by a substantial reduction in the cost of client deposits, which decreased from 7.5% in 9M 2012 to 5.8% in 9M 2013. Contractual deposit rates have decreased from 8.0% on US$ denominated one year deposits as of 30 September 2012 to 5.0% as of 30 September 2013. Significant deposit rate cuts did not compromise the inflow of deposits throughout the period, which management believes reflects the strength of the Bank of Georgia franchise. As a result of the foregoing, the interest expense on amounts due from customers fell by 21.0% to GEL 123.4 million. The impact of this decrease however was partially offset by higher interest expense due to credit institutions, as a result of a 46.7% increase in the corresponding average balance sheet item despite a 90 basis points decrease in the cost of amounts due to credit institutions.

Net Interest Margin (NIM)

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Net interest income	230,529	207,578	11.1%
Net Interest Margin	**7.7%**	**7.8%**	
Average interest earning assets[12]	3,989,398	3,534,866	12.9%
Average interest bearing liabilities[12]	4,298,898	3,795,788	13.3%
Average liquid assets[12]	1,557,207	1,335,791	16.6%
Excess liquidity (NBG)[13]	240,332	417,779	-42.5%
Loan yield	16.4%	17.6%	
Cost of funds	6.2%	7.5%	

[12] Monthly averages are used for calculation of average interest earning assets and average interest bearing liabilities
[13] Excess liquidity is the excess amount of the liquid assets, as defined per NBG, which exceeds the minimal amount of the same liquid assets for the purposes of the minimal 30% liquidity ratio per NBG definitions

The NIM was largely unchanged in 9M 2013 compared to 9M 2012, decreasing by 10 bps to 7.7% as average interest earning assets grew slightly faster than net interest income, in particular in Q3 2013. The nine-month NIM in 2013 was supported by a 130 bps decline in cost of funds as a result of active liability management over the past year, compared to a 120 bps decrease in loan yields. Declining loan yields placed a strong downward pressure on the NIM, particularly in Q3 2013, as the quarterly loan yield fell 120 bps q-o-q in Q3 2013 compared to a 60 bps q-o-q decline in cost of funds during the same period. Average liquid assets increased 16.6% to GEL 1,557.2 million, while excess liquidity, as defined by the NBG, declined from GEL 417.8 million as of 30 September 2012 to GEL 240.3 million as of 30 September 2013, reflecting the effect of the NBG's newly introduced transitional additional liquidity requirement relating to non-resident deposits. NBG has introduced an updated liquidity model for a transition period starting 1 July 2013. As the NBG moves towards new liquidity framework based on Basel III Liquidity Coverage Ratio (LCR) with some modifications taking into account specifics about the Georgian banking system, the NBG has recently introduced an updated liquidity model, applicable during transition period starting from 1 July 2013. Before the full introduction of LCR the NBG applies an additional liquidity requirement for non-resident deposits that are in excess of 10% of total deposits of a bank. As of 30 September 2013, additional impact on liquidity due to this transitional regulation amounted to GEL 96.6 million.

Net fee and commission income

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Fee and commission income	83,906	81,251	3.3%
Fee and commission expense	(20,111)	(15,886)	26.6%
Net fee and commission income	**63,795**	**65,365**	**-2.4%**

Net fee and commission income decreased 2.4% to GEL 63.8 million due to a 26.6% increase in fee and commission expense to GEL 20.1 million in 9M 2013. The growth of fee and commission expense was mostly attributed to the Bank's exceptionally high client acquisition rate following the success of its Express Banking strategy, particularly through the increasing popularity of its Express Card (a contactless travel card linked to current account). In effect, client acquisition costs are reflected in fee and commission expense, mostly as a result of the issuance of debit cards.

Over the one year period the Bank has attracted more than 200,000 new mostly emerging mass market customers, issued more than 350,000 express cards and consequently, the Bank's Retail Banking current account balances, its cheapest source of funding increased, by 30.2%.

Net insurance revenue and net healthcare revenue

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Net insurance premiums earned	95,982	58,220	64.9%
Net insurance claims incurred	(60,862)	(36,340)	67.5%
Net insurance revenue	**35,120**	**21,880**	**60.5%**
Healthcare revenue	41,745	38,625	8.1%
Cost of healthcare services, of which:	(27,730)	(22,404)	23.8%
Salaries and other employee benefits	*(15,460)*	*(15,809)*	*-2.2%*
Depreciation expenses	*(3,756)*	-	-
Other operating expenses	*(8,514)*	*(6,595)*	*29.1%*
Net healthcare revenue[14]	**14,015**	**16,221**	**-13.6%**

[14] For the net healthcare revenue disclosures please see the Insurance and Healthcare segment discussion

The Group's insurance and healthcare business continued its record performance, posting total revenue of GEL 49.1 million, up 29.0% y-o-y. Net insurance premiums earned increased 64.9% with particularly strong growth coming from health insurance underwriting as the Group expands its healthcare operations throughout the country. The 67.5% increase in net insurance claims can largely be attributed to the growth of business.

The Group's strategy of integrating its healthcare and insurance business is aimed at increasing the concentration of claims expenditure within the Group, as inter-company claims that represent an expense for the insurance business are revenues for the Group's healthcare business, each on a standalone basis. (During accounting consolidation the inter-company claims are eliminated.) During the nine months ended 30 September 2013, total inter-company claims transactions between the Group's insurance and healthcare businesses amounted to GEL 9.4 million compared to GEL 4.8 million during the same period in 2012.

The expansion of the group's healthcare business, which now includes a total of 32 hospitals and outpatient clinics, resulted in an 8.1% increase in healthcare revenue and a 23.8% increase in healthcare costs. The reasons behind negative operating leverage are twofold. Firstly, occupancy rates at the Group's hospitals were low during the reporting period as a result of construction works at four hospitals, which have approximately 25% of total bed capacity. During this time, the company incurred fixed costs at these four hospitals without generating revenue. Also, an accounting reclassification resulted in additional depreciation and utility expenses to be included in cost of healthcare services in 2013, which in prior years were included in operating expenses. *(Please see more details under Insurance and Healthcare segment discussion)*

Other operating non-interest income

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Net gain from trading and investment securities	2,818	2,235	26.1%
Net gain from revaluation of investment property	7,710	-	-
Net gain from foreign currencies, adjusted for one-off foreign currency gain[15]	33,881	35,745	-5.2%
Other operating income[16]	13,146	17,994	-26.9%
Other operating non-interest income, adjusted for one-off currency gain	**57,555**	**55,974**	**2.8%**
One-off currency gain	-	2,949	-100.0%
Other operating non-interest income	**57,555**	**58,923**	**-2.3%**

[15] One-off foreign currency (FX) gain by BNB
[16] Other operating income includes net revenue from the sale of goods of the Bank's non-banking subsidiaries

Other operating non-interest income, adjusted for the one-off foreign currency gain in 2012, increased by 2.8% y-o-y to GEL 57.6 million, driven by a 26.1% increase to GEL 2.8 million of net gain from trading and investment securities, consisting of NBG CDs, government treasury bills and treasury bonds. The revaluation of the investment property earmarked for three real estate projects to be developed by the Bank's real estate subsidiary m2 RE, resulted in the net gain from revaluation of investment property of GEL 7.7 million in 9M 2013 *(please see Affordable*

Housing segment discussion for information on financing of the real estate projects). Net gains for foreign currencies, adjusted for the one-off foreign currency gain, decreased by 5.2% as a result of slower economic activity in the first nine months of the year.

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

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Salaries and other employee benefits	(99,438)	(90,173)	10.3%
General and administrative expenses	(43,222)	(51,763)	-16.5%
Depreciation and amortization expenses	(19,889)	(21,303)	-6.6%
Other operating expenses	(2,019)	(3,947)	-48.8%
Operating expenses	**(164,568)**	**(167,186)**	**-1.6%**
Operating income before cost of credit risk	**236,446**	**202,781**	**16.6%**
Cost of credit risk	**(51,803)**	**(28,593)**	**81.2%**
Net operating income	**184,643**	**174,188**	**6.0%**
Net non-operating expense	(6,871)	(15,445)	-55.5%
Profit before income tax expense	**177,772**	**158,743**	**12.0%**
Income tax expense	(24,073)	(26,066)	-7.6%
Profit	**153,699**	**132,677**	**15.8%**

The Group continues its focus on cost management, while at the same time making investments in order to improve and optimise back office processes, risk management infrastructure and overall to make customer experience simpler and more efficient with the Bank. As a result, operating expenses decreased 1.6% in 9M 2013. Within this figure, salaries and other employment benefits increased by 10.3% y-o-y as a result of an increase in headcount by more than 1,000 employees to service the Group's growing client base. General and administrative expenses however, decreased by 16.5% to GEL 43.2 million following more efficiency gains across the business, especially from the continued expansion of the cost-effective Express Banking franchise.

As a result of the foregoing, the Group's Cost to Income ratio fell 420 bps, or 450 bps when adjusted for one-off currency gain, to 41.0% in 9M 2013. Operating leverage amounted to 10.0 percentage points in 9M 2013 compared to 9.3 percentage points in 9M 2012. Operating leverage adjusted for last year's one-off currency gain stood at 10.9 percentage points in 9M 2013. The improvement in cost efficiency was especially significant in Q3 2013, when the Cost to Income ratio declined to 39.7%, from 39.9% in Q2 2013 and from 44.4% in Q3 2012.

As a result of the foregoing, operating income before cost of credit risk increased by 16.6% to GEL 236.4 million.

The Group's cost of credit risk increased to GEL 51.8 million, which largely represents impairment charges related to both the Retail Banking and Corporate Banking loan portfolios, translating into an annualised cost of risk of 1.5%. Cost of credit risk in Q3 2013 decreased by 18.1% q-o-q to GEL 15.5 million in Q3 2013 compared to GEL 19.0 million in Q2 2013. The allowance for loan impairment was GEL 123.9 million, or 3.6% of total gross loans as of 30 September 2013.

The Bank's non-performing loans (NPLs), defined as the principal and interest on overdue loans for more than 90 days and additional potential loss estimated by management, increased by GEL 17.3 million year-to-date to GEL 143.7 million as of 30 September 2013, partially reflecting the higher level of write-offs in the same period in 2012. The Bank's NPLs to total gross loans ratio was 4.2% as of 30 September 2013 compared to 3.2% as of 30 September 2012. The Bank maintained its conservative NPL Coverage ratio (adjusted for the discounted value of collateral) at 111.8%, as compared to 134.9% as of 30 September 2012 and 112.7% as of 31 December 2012.

In 9M 2013, the Bank's net operating income totalled GEL 184.6 million, up 6.0% year-on-year. The Bank's net non-operating expense for the period decreased 55.5% to GEL 6.9 million mostly as a result of the absence of the tender offer and premium listing expenses incurred in 2012.

As a result, profit before income tax in 9M 2013 totalled GEL 177.8 million, an increase of GEL 19.0 million, or 12.0%. After income tax expense of GEL 24.1 million, the Bank's 9M 2013 profit for the period stood at GEL 153.7 million, up by GEL 21.0 million, or 15.8%, compared to the first nine months of 2012.

Balance Sheet highlights

The Bank's balance sheet continues to be strong, conservatively funded and highly capitalised. The Bank is predominantly deposit funded with deposits making up 59.6% of liabilities. Deposit flow continued to be strong in the third quarter despite deposit repricing, which saw several rounds of deposit rate cuts in 2013 driving the cost of client deposits down 170 bps y-o-y to 5.8% in 9M 2013. Contractual deposit rates on 12 month maturity US$ denominated deposits declined from 8.0% as of 30 September 2012 to a historical low of 5.0% as of 30 September 2013. The decline in deposit rates was more pronounced for foreign currency deposits, which reflects management's strategy of de-dollarising the balance sheet. The wide differential between GEL and foreign currency deposit rates (9% vs. 5% on a one year term deposit, respectively), has supported an increase in GEL denominated customer fund balance of 8.6% y-o-y, compared to flat foreign currency denominated deposit balances during the same period.

Amounts due to credit institutions increased to GEL 1,636.3 million as a result of Eurobond issued in 2H 2012, which enabled the Bank to replace some costly borrowings with lower cost international funding. As a result, in 9M 2013, cost of amounts due to credit institutions decreased 90 bps y-o-y to 6.7%.

Demand in loans picked up particularly in Q3 2013, increasing by 5.1% q-o-q and 6.2% YTD. The growth in the loan book was driven by a 5.5% q-o-q growth in net standalone retail loans, with particularly strong growth in consumer loans, SMEs and micro loans.

Currency denomination of selected balance sheet items

	GEL			Foreign Currency (FC)		
GEL thousands, unless otherwise noted	**30 Sep 2013**	**30 Sep 2012**	**Change Y-O-Y**	**30 Sep 2013**	**30 Sep 2012**	**Change Y-O-Y**
Loans to customers and finance lease receivables, net	1,110,087	934,656	18.8%	2,173,421	2,128,734	2.1%
Amounts due to customers, of which:	878,702	809,123	8.6%	1,983,810	1,986,671	-0.1%
Client deposits	*878,702*	*807,466*	*8.8%*	*1,971,298*	*1,881,074*	*4.8%*
Promissory notes	-	*1,657*	*-100.0%*	*12,512*	*105,597*	*-88.2%*

Our de-dollarisation efforts have continued to reap benefits on both sides of the balance sheet. The sharp decrease in US$ denominated deposit rates has translated into a strong growth of GEL denominated customer funds (amounts due to customers) up 8.6% y-o-y to GEL 878.7 million, compared to a 0.1% decrease in foreign currency denominated customer funds. On the asset side, Lari denominated loans increased significantly, by 18.8% compared to a 2.1% increase in foreign currency denominated loans. The Lari lending support programme by the NBG, which entails providing financing to Georgian banks for GEL denominated loans linked to the refinancing rate, had a particularly positive impact on the growth of GEL loans. Since the first loan was issued within the framework of the NBG Lari lending programme in May 2013, the Bank issued more than 500 Lari denominated mortgage and SME loans worth more than GEL 40.0 million as of 30 September 2013.

As of 30 September 2013, Lari denominated loans accounted for 33.8% of total loans, compared to 30.5% of Lari denominated loans as of 30 September 2012. As of the same date, Lari denominated customer funds accounted for 30.7% of total customer funds, compared to 28.9% same period last year.

Liquidity, funding and capital management

GEL thousands, unless otherwise noted	30 Sep 2013	30 Sep 2012	Change Y-O-Y
Amounts due to credit institutions, of which:	1,636,263	1,454,045	12.5%
Eurobonds	*420,441*	*380,063*	*10.6%*
Subordinated debt	*208,414*	*236,518*	*-11.9%*
Other amounts due to credit institutions	*1,007,408*	*837,464*	*20.3%*
Customer Funds	2,862,512	2,795,794	2.4%
Client deposits, of which	*2,850,000*	*2,688,540*	*6.0%*
CDs	*144,056*	*-*	*-*
Promissory notes	*12,512*	*107,254*	*-88.3%*
Net Loans / Customer Funds	*114.7%*	*109.6%*	
Net Loans/Customer Funds + DFIs	*96.1%*	*90.8%*	
Liquid assets	**1,580,926**	**1,530,830**	**3.3%**
Liquid assets as percentage of total assets	26.6%	27.7%	
Liquid assets as percentage of total liabilities	33.1%	33.8%	
NBG liquidity ratio	37.5%	42.0%	
Excess liquidity (NBG)	240,332	417,779	-42.5%

The Bank's liquidity position remained well-above regulatory requirements. The Bank's liquidity ratio, as per the requirements of the NBG, stood at 37.5% against a required minimum of 30%, while liquid assets, (comprising of cash and cash equivalents, amounts due from credit institutions and investment securities) accounted for 26.6% of total assets and 33.1% of total liabilities. Effective 1 July 2013, the NBG introduced a transitional amendment to its existing liquidity ratio, entailing additional liquidity requirement relating to non-resident deposits. As of 30 September 2013, the additional impact on liquidity due to this transitional regulation amounted to GEL 100.0 million. Accordingly, the introduction of the additional liquidity requirement partially contributed to the decline in excess liquidity to GEL 240.3 million in the nine months 2013 from GEL 417.8 million as of 30 September 2012 and the respective decrease of the NBG liquidity ratio to 4.5 percentage points from 42.0% to 37.5%.

Net Loans to Customer Funds and international development finance institutions (DFIs) ratio increased to 96.1% from 90.0% as of 30 June 2013 compared to 91.9% at the YE 2012 due to pick- up in lending Q3 2013 and selected repayment of DFI loans by the Bank. The Bank's Tier I Capital ratio (BIS) stood at 23.7% an improvement from 22.0% at the end of 2012.

As a result of the foregoing, the Bank's total assets stood at GEL 5,954.3 million as of 30 September 2013, an increase of 5.3% since the beginning of the year and 5.0% q-o-q. Total liabilities amounted to GEL 4,783.4 million, 4.1% year-to-date and up 4.7% q-o-q, while shareholders' equity reached GEL 1,170.9 million, a 10.5% increase since the beginning of the year and 16.2% y-o-y.

The Bank's book value per share as of 30 September 2013 stood at GEL 32.83 (US$19.72/GBP 12.26) compared to GEL 30.33 (US$18.31/GBP 11.38) as of 31 December 2012.

RESULTS BY QUARTER

Revenue

GEL thousands, unless otherwise noted	Q3 2013	Q3 2012	Change Y-O-Y	Q2 2013	Change Q-O-Q
Loans to customers	129,445	129,923	-0.4%	130,589	-0.9%
Investment securities	9,581	8,125	17.9%	9,634	-0.6%
Amounts due from credit institutions	1,733	4,049	-57.2%	2,330	-25.6%
Finance lease receivables	1,688	2,241	-24.7%	1,709	-1.2%
Interest income	**142,447**	**144,338**	**-1.3%**	**144,262**	**-1.3%**
Amounts due to customers	(37,866)	(52,435)	-27.8%	(41,620)	-9.0%
Amounts due to credit institutions	(24,429)	(21,502)	13.6%	(24,636)	-0.8%
Eurobonds	*(8,213)*	*(7,200)*	*14.1%*	*(8,214)*	*0.0%*
Subordinated debt	*(5,794)*	*(5,280)*	*9.7%*	*(4,924)*	*17.7%*
Loans and deposits from other banks	*(10,422)*	*(9,022)*	*15.5%*	*(11,498)*	*-9.4%*
Interest expense	**(62,294)**	**(73,937)**	**-15.7%**	**(66,255)**	**-6.0%**
Net interest income before interest rate swaps	**80,153**	**70,401**	**13.9%**	**78,007**	**2.8%**
Net loss from interest rate swaps	(118)	(485)	-75.7%	(109)	8.3%
Net interest income	**80,035**	**69,916**	**14.5%**	**77,898**	**2.7%**
Fee and commission income	29,008	29,773	-2.6%	28,337	2.4%
Fee and commission expense	(7,489)	(5,942)	26.0%	(6,558)	14.2%
Net fee and commission income	**21,519**	**23,831**	**-9.7%**	**21,779**	**-1.2%**
Net insurance premiums earned	31,693	25,837	22.7%	32,545	-2.6%
Net insurance claims incurred	(19,297)	(15,915)	21.3%	(21,547)	-10.4%
Net insurance revenue	**12,396**	**9,922**	**24.9%**	**10,998**	**12.7%**
Healthcare revenue	14,256	16,038	-11.1%	14,419	-1.1%
Cost of healthcare services	(9,232)	(9,013)	2.4%	(9,319)	-0.9%
Net healthcare revenue[17]	**5,024**	**7,025**	**-28.5%**	**5,100**	**-1.5%**
Net gain from trading and investment securities	228	1,282	-82.2%	1,306	-82.5%
Net gain from revaluation of investment property	2,868	-	-	4,842	-40.8%
Net gain from foreign currencies	12,203	12,502	-2.4%	12,225	-0.2%
Other operating income	4,065	6,503	-37.5%	5,552	-26.8%
Other operating non-interest income	**19,364**	**20,287**	**-4.5%**	**23,925**	**-19.1%**
Revenue	**138,338**	**130,981**	**5.6%**	**139,700**	**-1.0%**

[17] For the net healthcare revenue disclosures please see the Insurance and Healthcare segment discussion

In Q3 2013, revenue increased 5.6% y-o-y to GEL 138.3 million mainly driven by a 14.5% y-o-y increase in net interest income to GEL 80.0 million. Net interest income growth was supported by the reduced interest expense due to improved cost of funds, which reached 5.6% in Q3 2013. Interest income however, was largely flat at GEL 142.4 million as a result of a 57.2% y-o-y decline in interest income from amounts due from credit institutions to GEL 1.7 million mainly due to high-yielding interbank deposit transaction in the same period last year. Interest income from loans to customers remained largely flat reflecting the slowdown in lending activity in the beginning of the year. The Group's insurance business posted another quarter of strong results with net insurance revenue growing 24.9% y-o-y to GEL 12.4 million. Net healthcare revenue decreased 28.5% however, mostly attributed to the reclassification of certain direct costs and higher portion of intercompany revenue, which is eliminated upon consolidation.

Net Interest Margin

GEL thousands, unless otherwise noted	**Q3 2013**	**Q3 2012**	**Change Y-O-Y**	**Q2 2013**	**Change Q-O-Q**
Net interest income	80,035	69,916	14.5%	77,898	2.7%
Net Interest Margin	**7.7%**	**7.3%**		**7.9%**	
Average interest earning assets[18]	4,115,806	3,815,503	7.9%	3,959,352	4.0%
Average interest bearing liabilities[18]	4,403,293	4,196,393	4.9%	4,266,321	3.2%
Average liquid assets	1,555,797	1,539,349	1.1%	1,578,938	-1.5%
Excess liquidity[19]	240,332	417,779	-42.5%	491,666	-51.1%
Loan yield	15.7%	17.0%		16.9%	
Cost of funds	5.6%	7.1%		6.2%	

[18] Monthly averages are used for calculation of average interest earning assets and average interest bearing liabilities
[19] Excess liquidity is the excess amount of the liquid assets, as defined per NBG, which exceeds the minimal amount of the same liquid assets for the purposes of the minimal 30% liquidity ratio per NBG definitions. Excess liquidity for Q3 2013 has been adjusted to the new NBG regulation, which entails additional liquidity requirement pertaining to concentration of non-resident deposits. As a result of the new liquidity requirement, the Bank's excess liquidity decreased compared to liquidity requirement per previous regulation.

The Group's NIM stood at 7.7% in Q3 2013 up 40 bps y-o-y, as a result of a solid growth in net interest income due to expanding loan book, which led to a faster growth of interest earning assets compared to interest bearing liabilities and the record low cost of funds, which was enough to offset lower loan yields in Q3 2013. On a year-on-year basis, cost of funds declined by 150 basis points, which compares to the 130 basis point decline of loan yields for the same period. Average liquidity remained largely flat both on quarterly and y-o-y basis and stood at GEL 1,555.8 million as of 30 September 2013.

Compared to Q2 2013, the Group's NIM decreased 20 basis points to 7.7% in Q3 2013 due to a 120 basis points decrease in loan yields compared to a 60 bps decrease in cost of funds.

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

GEL thousands, unless otherwise noted	**Q3 2013**	**Q3 2012**	**Change Y-O-Y**	**Q2 2013**	**Change Q-O-Q**
Salaries and other employee benefits	(34,361)	(32,340)	6.2%	(32,575)	5.5%
General and administrative expenses	(13,458)	(18,002)	-25.2%	(15,707)	-14.3%
Depreciation and amortization expenses	(6,550)	(7,384)	-11.3%	(6,747)	-2.9%
Other operating expenses	(579)	(388)	49.2%	(711)	-18.6%
Operating expenses	**(54,948)**	**(58,114)**	**-5.4%**	**(55,740)**	**-1.4%**
Operating income before cost of credit risk	**83,390**	**72,867**	**14.4%**	**83,960**	**-0.7%**
Cost of credit risk	**(15,540)**	**(14,645)**	**6.1%**	**(18,984)**	**-18.1%**
Net operating income	**67,850**	**58,222**	**16.5%**	**64,976**	**4.4%**
Net non-operating expense	(1,419)	(3,051)	-53.5%	(4,089)	-65.3%
Profit before income tax expense	**66,431**	**55,171**	**20.4%**	**60,887**	**9.1%**
Income tax expense	(7,834)	(8,528)	-8.1%	(7,782)	0.7%
Profit	**58,597**	**46,643**	**25.6%**	**53,105**	**10.3%**

The Bank's cost containment measures continued into Q3 2013 and operating expenses declined 5.4% to GEL 54.9 million, largely as a result of a 25.2% y-o-y decline in general and administrative expenses to GEL 13.5 million. Salaries and other employee benefits increased 6.2% to GEL 34.4 million to support the Bank's growing revenue base. The decrease in operating expenses resulted in operating leverage of 11.1 percentage points and a record low cost to income ratio of 39.7% in Q3 2013.

Cost of credit risk for the quarter increased by GEL 0.9 million, or 6.1%, to GEL 15.5 million y-o-y but decreased by 18.1% on a q-o-q basis.

As a result of the foregoing, in Q3 2013, the Bank's net operating income totalled GEL 67.9 million, up 16.5% y-o-y and up 4.4% q-o-q. The Bank's net non-operating expense stood at GEL 1.4 million, down 53.5% y-o-y, reflecting the absence of costs mostly associated with the premium listing tender offer last year. Profit before income tax in Q3 2013 reached GEL 66.4 million, up 20.4% y-o-y. After income tax expense of GEL 7.8 million, the Bank's Q3 2013 profit for the period stood at GEL 58.6 million, up 25.6% y-o-y and up 10.3% q-o-q.

SEGMENT RESULTS

Strategic Businesses Segment Result Discussion

Segment result discussion is presented for the Bank of Georgia's Retail Banking (RB), Corporate Banking (CB) and Investment Management, Insurance and Healthcare (Aldagi), Affordable Housing (m2 RE) in Georgia and BNB in Belarus, excluding inter-company eliminations.

Retail Banking (RB)

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Net interest income	141,008	126,312	11.6%
Net fee and commission income	38,955	39,790	-2.1%
Net gain from foreign currencies	12,107	10,954	10.5%
Other operating non-interest income	3,405	4,074	-16.4%
Revenue	**195,475**	**181,130**	**7.9%**
Operating expenses	(89,478)	(82,028)	9.1%
Operating income before cost of credit risk	**105,997**	**99,102**	**7.0%**
Cost of credit risk	(25,706)	(23,101)	11.3%
Net non-operating expense	(1,031)	(5,120)	-79.9%
Profit before income tax expense	**79,260**	**70,881**	**11.8%**
Income tax expense	(9,443)	(10,901)	-13.4%
Profit	**69,817**	**59,980**	**16.4%**
Net loans, standalone	1,524,359	1,317,506	15.7%
Client deposits, standalone	970,579	745,109	30.3%
Loan yield	*20.1%*	*21.3%*	
Cost of deposits	*5.4%*	*6.2%*	
Cost / income ratio	*45.8%*	*45.3%*	

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

Retail Banking reported nine-month profit of GEL 69.8 million, a 16.4% y-o-y increase, mostly driven by net interest income growth. The 11.6% y-o-y growth of net interest income to GEL 141.0 million and 10.5% increase of net gain from foreign currencies, more than offset the GEL 0.8 million, or 2.1% y-o-y decline in net fee and commission income and GEL 0.7 million reduction of other operating non-interest income for period, translating into a 7.9% growth of Retail Banking revenue. The growth was supported by a 15.7% increase in net loans to GEL 1,524.4 million as of 30 September 2013, while loan yields reduced slightly to 20.1%. Client deposits grew by 30.3% to GEL 970.6 million despite a 80 bps decrease in the cost of deposits. Contractual rates remained at historic lows of 5.0% for a 1 year US$ denominated deposit, following a series of reductions in 2013. The Express Banking strategy continued to boost the growth of current account balances, which grew 30.2% y-o-y or by GEL 52.7 million to GEL 226.9 million and the addition of over 200,000 clients during one year.

Highlights

- Increased number of Express Pay (self-service) terminals to 893 from 155 as of 30 September 2012. Express Pay terminals are used for bank transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups.
- Stepped up the issuance of Express cards, first contactless cards in Georgia, which also serve as a metro and bus transport payment card and offer loyalty programmes to clients.

- Since the launch on 5 September 2012, 362,829 Express cards have been issued in essence replacing pre-paid metro cards in circulation since July 2009. As of 30 September 2013, more than 1.3 million metro cards still remained outstanding and are expected to be gradually replaced with Express cards.
- Issued 362,513 debit cards, including Express cards, in 9M 2013 bringing the total debit cards outstanding to 809,843 up 5.7% y-o-y.
- Issued 44,977 credit cards of which 39,427 were American Express cards in 9M 2013. The total number of outstanding credit cards amounted to 116,803 (of which 106,455 were American Express Cards).
- Outstanding number of Retail Banking clients totalled 1,190,255 up 21.5% y-o-y and by 1.5% (17,603 clients) q-o-q.
- Acquired 1,298 new clients in the Solo business line, the Bank's mass affluent sub-brand, in 9M 2013. As of 30 September 2013, the number of Solo clients reached 6,305.
- Increased the number of corporate clients using the Bank's payroll services from 3,332 as of 30 September 2012 to 3,758 as of 30 September 2013. As of the period end, the number of individual clients serviced through the corporate payroll programmes administered by the Bank amounted to 229,273, compared to 203,427 as of 30 September 2012.
- Increased Point of Sales (POS) footprint: as of 30 September 2013, 252 desks at 649 contracted merchants, up from 221 desks and 434 merchants as of 30 September 2012. GEL 66.9 million POS loans were issued in 9M 2013, compared to GEL 36.0 million during the same period last year. POS loans outstanding amounted to GEL 44.1 million, up 89.8% over one year period.
- POS terminals outstanding reached 4,541, up 28.7% y-o-y. The volume of transactions through the Bank's POS terminals grew 27.3% y-o-y to GEL 302.3 million, while the number of POS transactions increased by 1.8 million y-o-y from 3.1 million in 9M 2012 to 4.9 million in 9M 2013.
- Consumer loan originations of GEL 418.7 million resulted in consumer loans outstanding totalling GEL 417.0 million as of 30 September 2013, up 21.2% y-o-y and up 18.9% year-to-date.
- Micro loan originations of GEL 312.2 million resulted in micro loans outstanding totalling GEL 319.7 million as of 30 September 2013, up 22.7% y-o-y and up 24.0% year-to-date.
- SME loan originations of GEL 146.8 million resulted in SME loans outstanding totalling GEL 139.1 million as of 30 September 2013, up 41.9% y-o-y and up 30.5% year-to-date.
- Mortgage loans originations of GEL 125.2 million resulted in mortgage loans outstanding of GEL 402.1 million as of 30 September 2013, up 2.3% y-o-y and up 3.4% year-to-date.
- RB loan yield amounted to 19.6% in Q3 2013 (21.7% in Q3 2012) and RB deposit cost declined to 5.2% in Q3 2013 (5.9% in Q3 2012).

Corporate Banking (CB)

GEL thousands, unless otherwise noted	9M 2013	9M 2012	Change Y-O-Y
Net interest income	76,244	67,080	13.7%
Net fee and commission income	20,847	22,687	-8.1%
Net gain from foreign currencies	18,435	23,464	-21.4%
Other operating non-interest income	3,985	3,821	4.3%
Revenue	**119,511**	**117,052**	**2.1%**
Operating expenses	(31,888)	(38,932)	-18.1%
Operating income before cost of credit risk	**87,623**	**78,120**	**12.2%**
Cost of credit risk	(23,151)	(3,035)	NMF
Net non-operating expense	(1,340)	(6,197)	-78.4%
Profit before income tax expense	**63,132**	**68,888**	**-8.4%**
Income tax expense	(7,918)	(11,263)	-29.7%
Profit	**55,214**	**57,625**	**-4.2%**
Net loans, standalone	1,674,763	1,709,096	-2.0%
Letters of credit and guarantees*, standalone	424,604	690,188	-38.5%
Client deposits, standalone	1,190,121	1,327,008	-10.3%
Loan yield	*12.7%*	*14.2%*	
Cost of deposits	*5.0%*	*7.4%*	
Cost / Income ratio	*26.7%*	*33.3%*	

*Off-balance sheet items

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

Net interest income for the Corporate Banking business increased 13.7% y-o-y despite a 2.0% decrease of Corporate Banking net loans to GEL 1,674.8 million. The growth in net interest income was driven by a 240 bps decrease in cost of deposits, which consequently resulted in a 10.3% decrease in costly Corporate Banking deposits.

The increase in net interest income was partly offset by an 8.1% decrease in net fee and commission income to GEL 20.8 million as well as a 21.4% decline in net gain from foreign currencies to GEL 18.4 million during the same periods. Operating expenses decreased markedly by 18.1% as a result of greater cost control measures, which resulted in a significant decline in the Cost to Income ratio from 33.3% in 9M 2012 to 26.7% in 9M 2013.

The cost of credit risk rose to GEL 23.2 million from GEL 3.0 million in 9M 2012, although it fell significantly in Q3 2013 compared to the previous quarter from GEL 10.3 million to GEL 6.0 million. As a result of the foregoing, the 9M 2013 profit of the Corporate Banking business amounted to GEL 55.2 million down 4.2% y-o-y.

Investment Management

GEL thousands, unless otherwise noted	9M 2013	9M 2012	Change Y-O-Y
Net interest income	6,109	10,943	-44.2%
Net fee and commission income	389	362	7.5%
Net gain from foreign currencies	1,041	550	89.3%
Other operating non-interest income	32	67	-52.2%
Revenue	**7,571**	**11,922**	**-36.5%**
Operating expenses	(4,640)	(3,585)	29.4%
Operating income before cost of credit risk	**2,931**	**8,337**	**-64.8%**
Cost of credit risk	120	(254)	NMF
Net non-operating expense	(40)	(174)	-77.0%
Profit before income tax expense	**3,011**	**7,909**	**-61.9%**
Income tax expense	(355)	(1,214)	-70.8%
Profit	**2,656**	**6,695**	**-60.3%**
Client deposits, standalone	614,611	595,285	3.2%
*Cost of deposits**	*8.1%*	*9.0%*	

**Includes overhead costs of international private banking operations*

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

Investment Management client deposits increased 3.2% y-o-y to GEL 614.6 million, despite a 90 bps y-o-y decline in cost of deposits. Net interest income declined 44.2% to GEL 6.1 million predominantly as a result of a change in the internal transfer pricing rates within the segments (from Investment Management to Retail Banking and Corporate Banking). As a result, profit of the segment declined to GEL 2.7 million in 9M 2013 from GEL 6.7 million in 9M 2012.

Highlights

- The Investment Management business currently serves over 1,460 clients from more than 65 countries. Client funds attracted by Investment Management have grown at a compound annual growth rate (CAGR) of 46.2% over the last four year period to GEL 614.6 million as of 30 September 2013.
- Bank of Georgia Research unit, previously under Corporate Banking, has moved under Investment Management and is aimed at supporting the growth of the Bank's fee generating business.
- Since its launch in June 2012, Bank of Georgia Research has initiated research coverage of the Georgian Economy, Georgian Agricultural Sector, Georgian Electricity Sector, Georgian Oil and Gas Corporation, Georgian Railway, and issued notes on Georgian State Budget and the Tourism Sector as of the date of this report.
- In Q3 2013, in line with the Bank's strategy to expand research platform to cover the neighbouring economies in the region, IM has hired a research economist in Azerbaijan. Macro-economic coverage of Azerbaijan is expected to be initiated in the next few months.
- Established a Joint Venture with the Georgian Energy Development Fund (the "HPP Joint Venture") to attract financing for the construction of seven hydropower plants with the total capacity of 180MW. The construction is to be financed by funds attracted from investors in international markets following the completion of the feasibility studies of the respective plants.
- Bank of Georgia launched a Certificates of Deposit (CD) Programme in January 2013. CDs are tradable securities offering attractive yields to investors in both local and foreign currencies. As of 30 September 2013, the amount of CDs issued to Investment Management clients reached GEL 128.1 million.

Insurance and Healthcare (Aldagi)

	9M 2013				9M 2012				Change Y-O-Y		
	Insurance	Healthcare	Elimination	Total	Insurance	Healthcare	Elimination	Total	Insurance	Healthcare	Total
Gross premiums written	**119,871**	**-**	**-**	**119,871**	**105,169**	**-**	**-**	**105,169**	**14.0%**	**-**	**14.0%**
Net insurance revenue, of which:	27,839	-	9,126	36,965	18,753	-	4,771	23,524	48.5%	-	57.1%
Net insurance premiums earned	*98,080*	-	*(253)*	*97,827*	*59,864*	-	-	*59,864*	*63.8%*	-	*63.4%*
Net insurance claims incurred	*(70,241)*	-	*9,379*	*(60,862)*	*(41,111)*	-	*4,771*	*(36,340)*	*70.9%*	-	*67.5%*
Net healthcare revenue (loss), of which:	-	23,394	(9,379)	14,015	-	20,991	(4,771)	16,220	-	11.4%	-13.6%
Healthcare revenue	-	*67,298*	*(25,552)*	*41,746*	-	*48,519*	*(9,894)*	*38,625*	-	*38.7%*	*8.1%*
Cost of healthcare services	-	*(43,904)*	*16,173*	*(27,731)*	-	*(27,528)*	*5,123*	*(22,405)*	-	*59.5%*	*23.8%*
Net interest income (expenses)	1,957	(9,350)	-	(7,393)	1,131	(4,355)	-	(3,224)	73.0%	114.7%	129.3%
Net fee and commission income (expenses)	178	(235)	-	(57)	29	-	-	29	NMF	-	NMF
Net gain (loss) from foreign currencies	(197)	(829)	-	(1,026)	350	(978)	-	(628)	NMF	-15.2%	63.4%
Other operating non-interest income	464	1,323	-	1,787	26	113	-	139	NMF	NMF	NMF
Revenue	**30,241**	**14,303**	**(253)**	**44,291**	**20,289**	**15,771**	**-**	**36,060**	**49.1%**	**-9.3%**	**22.8%**
Operating expenses	(12,608)	(9,065)	253	(21,420)	(12,238)	(12,299)	-	(24,537)	3.0%	-26.3%	-12.7%
Operating income before cost of credit risk	**17,633**	**5,238**	**-**	**22,871**	**8,051**	**3,472**	**-**	**11,523**	**119.0%**	**50.9%**	**98.5%**
Cost of credit risk	(806)	(659)	-	(1,465)	(1,097)	-	-	(1,097)	-26.5%	-	33.5%
Profit before income tax expense	**16,828**	**4,579**	**-**	**21,407**	**6,955**	**3,472**	**-**	**10,427**	**142.0%**	**31.9%**	**105.3%**
Income tax expense	(2,691)	(378)	-	(3,069)	(1,088)	(426)	-	(1,514)	147.3%	-11.3%	102.7%
Profit	**14,137**	**4,201**	**-**	**18,338**	**5,867**	**3,046**	**-**	**8,913**	**141.0%**	**37.9%**	**105.7%**
Cost / income ratio	*41.7%*	*63.4%*		*48.4%*	*60.3%*	*78.0%*		*68.0%*			

Aldagi, the Bank's wholly-owned subsidiary, provides life and non-life insurance and healthcare products and services in Georgia. A leader in the Georgian life and non-life insurance markets, with a market share of 30.0% as of 30 June 2013 based on gross insurance premium revenue, Aldagi cross-sells its insurance products with the Bank's Retail Banking, Corporate Banking and Investment Management products. Aldagi's healthcare business consists of My Family Clinic (MFC) and Unimed, Georgia's leading healthcare providers in which Aldagi holds 51% and 100% stakes, respectively. MFC and Unimed operate a chain of healthcare centres in Georgia, in line with the Bank's strategy of vertically integrating its insurance and healthcare businesses.

In 9M 2013, insurance and healthcare revenue increased to GEL 44.3 million from GEL 36.1 million in 9M 2012, reflecting the growth of both the insurance and healthcare businesses through organic growth as well as acquisitions. Gross premiums written increased by 14.0% y-o-y to GEL 119.9 million and net insurance revenue increased by 57.1% y-o-y to GEL 37.0 million. Operating expenses of the insurance and healthcare businesses decreased by 12.7% y-o-y to GEL 21.4 million, reflecting increased cost efficiency in healthcare and a 26.3% decline in operating expenses, the combined operating leverage for the insurance and healthcare segment amounted to 35.5%. As a result of the foregoing, total operating income before the cost of credit risk totalled GEL 22.9 million up 98.5% y-o-y.

The Insurance and Healthcare segment (Aldagi) posted a profit before income tax expense of GEL 21.4 million more than double last year's GEL 10.4 million.

Insurance standalone income statement

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Gross premiums written	**119,871**	**105,169**	**14.0%**
Net insurance revenue, of which:	27,839	18,753	48.5%
Net premiums earned	*98,080*	*59,864*	*63.8%*
Net claims incurred	*(70,241)*	*(41,111)*	*70.9%*
Net interest income	1,957	1,131	73.0%
Net fee and commission income (expense)	178	29	NMF
Net loss from foreign currencies	(197)	350	NMF
Other operating non-interest income	464	26	NMF
Revenue	**30,241**	**20,289**	**49.1%**
Operating expenses	(12,608)	(12,238)	3.0%
Operating income before cost of credit risk	**17,633**	**8,051**	**119.0%**
Cost of credit risk	(806)	(1,097)	-26.5%
Profit before income tax (expense) benefit	**16,828**	**6,955**	**142.0%**
Income tax (expense) benefit	(2,691)	(1,088)	147.3%
Profit	**14,137**	**5,867**	**141.0%**

Healthcare pro-forma[20] standalone income statement

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Net healthcare revenue, of which:	28,201	20,991	34.3%
Healthcare revenue	*67,298*	*48,519*	*38.7%*
Cost of healthcare services	*(39,097)*	*(27,528)*	*42.0%*
Net interest expense	(9,350)	(4,355)	114.7%
Net fee and commission income	(235)	-	-
Net loss from foreign currencies	(829)	(978)	-15.2%
Other operating non-interest income	1,323	113	NMF
Revenue	**19,110**	**15,771**	**21.2%**
Operating expenses	(13,872)	(12,299)	12.8%
Operating income before cost of credit risk	**5,238**	**3,472**	**50.9%**
Cost of credit risk	(659)	-	-
Profit (loss) before income tax (expense) benefit	**4,579**	**3,472**	**31.9%**
Income tax (expense) benefit	(378)	(426)	-11.3%
Profit	**4,201**	**3,046**	**37.9%**

[20]In 2013, compared to 2012, additional direct operating expenses of the Healthcare business (such as, direct depreciation and other administrative expenses) were netted off against net healthcare revenues through reclassification to cost of healthcare services. No similar reclassifications were applied to 2012. In the pro-forma version of the healthcare income statement, 1H 2013 has been normalised for these additional net-offs, by reversing them and making 1H 2013 more comparable to 1H 2012.

Highlights

- Aldagi's market share stood at 30.0% as of 30 June 2013 based on gross insurance revenue
- Aldagi completed rebranding by changing its name from Aldagi BCI and the colour of its logo from orange to green. The decision to rebrand the company was based on extensive marketing research analysis on brand recognition and awareness of the company. The changes are in line with the Group's intention to establish independent branding for Aldagi, separating it from its parent company.
- Increased the number of insurance clients to 805,000 as of 30 September 2013 from 620,000 a year ago.
- Aldagi Healthcare business completed the roll-out of hospital and clinics, predominantly in Western Georgia. As of 30 September 2013, Aldagi operated 27 hospitals and 5 outpatient clinics with a total of 1,221 beds.

Affordable Housing

GEL thousands, unless otherwise noted	Sep 13			Sep 12			Change, Y-O-Y		
	m2	**Mortgages**	**Total**	**m2**	**Mortgages**	**Total**	**m2**	**Mortgages**	**Total**
Net interest income (expenses)	927	683	1,610	(686)	222	(464)	NMF	NMF	NMF
Net fee and commission expenses	(27)	-	(27)	140	-	140	NMF	-	NMF
Net loss from foreign currencies	(37)	-	(37)	(24)	-	(24)	54.2%	-	54.2%
Other operating non-interest income	8,893	-	8,893	4,185	-	4,185	112.5%	-	112.5%
Revenue	**9,756**	**683**	**10,439**	**3,615**	**222**	**3,837**	**169.9%**	**NMF**	**172.1%**
Operating expenses	(1,625)	-	(1,625)	(2,478)	-	(2,478)	-34.4%	-	-34.4%
Operating income (loss) before cost of credit risk	**8,131**	**683**	**8,814**	**1,137**	**222**	**1,359**	**NMF**	**NMF**	**NMF**
Cost of credit risk	(185)	230	45	-	(157)	(157)	-	NMF	NMF
Net non-operating expenses	(784)	-	(784)	(2)	-	(2)	NMF	-	NMF
Profit (loss) before income tax benefit (expense)	**7,162**	**913**	**8,075**	**1,135**	**65**	**1,200**	**NMF**	**NMF**	**NMF**
Income tax benefit (expense)	(1,074)	-	(1,074)	(171)	-	(171)	NMF	-	NMF
Profit (loss)	**6,088**	**913**	**7,001**	**964**	**65**	**1,029**	**NMF**	**NMF**	**NMF**

The Affordable Housing business consists of the Bank's wholly-owned subsidiary m2 RE, which holds investment properties repossessed by the Bank from previously defaulted borrowers. With the aim to improve the liquidity of these repossessed real estate assets and stimulate the Bank's mortgage lending business capitalising on the market opportunity in the affordable housing segment in Georgia, the Bank develops and leases such real estate assets through m2 RE. m2 RE outsources the construction and architecture works and focuses on project management and sales of apartments and mortgages through its well-established branch network and sales force, thus representing a synergistic business for the Bank's mortgage business.

Other operating non-interest income reached GEL 8.9 million, as a result of the revaluation of the three investment properties, which resulted in the net gain from revaluation of GEL 7.7 million. The remainder came from the sale of apartments in the pilot project as well as rental revenue. Total revenue as a result totalled GEL 10.4 million compared to GEL 3.8 million revenue during the same period last year. As a result, profit for the period totalled GEL 7.0 million compared to a GEL 1.0 million profit in 9M 2012.

Highlights

- Secured US$14.0 million financing from IFC to finance three housing development projects of m2 RE. The revaluation of the respective properties has resulted in GEL 7.7 million revaluation gain for the Group. The development of the new housing projects are planned to commence towards the end of the year.
- Construction of a second project of a 522 apartment building with a total buildable area of 63,247 square meters is in progress. As of 30 September 2013, 401 or 77% of apartments have been pre-sold, of which 45 units were sold in Q3 2013. The total sales from this project amounted to GEL 56.8 million as of 30 September 2013.
- Total sales from the first project amounted to GEL 15.8 million and IRR of 33.6%
- Number of mortgages sold in both projects totalled 233, amounting to GEL 23.5 million.

Non-Core Businesses

The Group's non-core businesses accounted for 5.6% of total assets and 6.7% of total revenue in 9M 2012 and predominantly comprised Joint Stock Company Belarusky Narodny Bank (BNB), our Belarus banking operation, and Liberty Consumer, a Georgia focused investment company in which the Bank holds a 68% stake. In order to focus on its strategic businesses, the Bank has announced its intention to exit from its non-core operations. As of 30 September 2013, the Bank still held Teliani Valley, a Georgian wine producer, through Liberty Consumer. The Bank intends to sell this remaining asset in the due course.

BNB

GEL thousands, unless otherwise noted	**9M 2013**	**9M 2012**	**Change Y-O-Y**
Net interest income	13,261	8,590	54.4%
Net fee and commission income	4,517	2,601	73.7%
Net gain from foreign currencies, adjusted for one of fx gain	3,402	1,601	112.5%
Other operating non-interest income	51	115	-55.7%
Revenue, adjusted for one-off currency gain	**21,231**	**12,907**	**64.5%**
One-off foreign currency gain	-	2,949	NMF
Revenue	**21,231**	**15,856**	**33.9%**
Operating expenses	(10,401)	(7,430)	40.0%
Operating income before cost of credit risk	**10,830**	**8,426**	**28.5%**
Cost of credit risk	(1,372)	(1,386)	-1.0%
Net non-operating expense	(1,087)	(303)	NMF
Profit before income tax expense	**8,371**	**6,737**	**24.3%**
Income tax expense	(2,093)	(1,731)	20.9%
Profit	**6,278**	**5,006**	**25.4%**
Cost to Income ratio	*49.0%*	*46.9%*	

GEL thousands, unless otherwise noted	**Q3 2013**	**Q3 2012**	**Change Y-O-Y**	**Q2 2013**	**Change Q-O-Q**
Net interest income	4,891	3,096	58.0%	4,269	14.6%
Net fee and commission income	1,715	1,107	54.9%	1,641	4.5%
Net gain from foreign currencies	2,014	790	154.9%	837	140.6%
Other operating non-interest income	7	22	-68.2%	18	-61.1%
Revenue	**8,627**	**5,015**	**72.0%**	**6,765**	**27.5%**
Operating expenses	(3,712)	(2,692)	37.9%	(3,564)	4.2%
Operating income before cost of credit risk	**4,915**	**2,323**	**111.6%**	**3,201**	**53.5%**
Cost of credit risk	(746)	(121)	NMF	(187)	NMF
Net non-operating expenses	(297)	(93)	NMF	(209)	42.1%
Profit before income tax expense	**3,872**	**2,109**	**83.6%**	**2,805**	**38.0%**
Income tax expense	(854)	(580)	47.2%	(627)	36.2%
Profit	**3,018**	**1,529**	**97.4%**	**2,178**	**38.6%**
Cost / income ratio	*43.0%*	*53.7%*	*-10.7%*	*52.7%*	*-9.7%*
Net loans	185,860	87,489	112.4%	157,076	18.3%
Total Assets	272,565	159,433	71.0%	230,344	18.3%
Client deposits	126,579	92,965	36.2%	100,640	25.8%
Total Liabilities	214,075	115,272	85.7%	174,456	22.7%

Through BNB, the Bank provides retail and corporate banking services in Belarus. BNB reported strong net interest income and net fee and commission income, up 54.4% y-o-y and 73.7% y-o-y, respectively. As a result, revenue adjusted for last year's one-off foreign currency gain increased by 64.5% y-o-y to GEL 21.2 million. BNB's net loan book more than doubled to GEL 185.9 million compared to the same period last year, while client deposits increased 36.2% y-o-y to GEL 126.6 million. As of 30 September 2013, BNB's total assets stood at GEL 272.6 million, net loan book at GEL 185.9 million, client deposits at GEL 126.6 million and equity at GEL 52.1 million, representing 4.6%, 5.7%, 4.4% and 4.4% of the Bank's total assets, loan book, client deposits and equity, respectively.

Highlights

- Increased number of retail clients to circa 32,000 compared to 22,000 as of 30 September 2013 and corporate banking clients from 2,500 to 3,800
- Issued 25,300 debit cards in 9M 2013 compared to 18,300 in 9M 2012
- Stepped up issuance of loans in 9M 2013 to US$99.3 million, up 62% y-o-y
- As of 30 September 2013, BNB had 10 branches and 17 ATMs

SELECTED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

GEL thousands, unless otherwise noted	**9M 2013** *Unaudited*	**9M 2012** *Unaudited*	**Change Y-O-Y**
Loans to customers	389,493	374,888	3.9%
Investment securities	27,223	25,931	5.0%
Amounts due from credit institutions	6,678	13,672	-51.2%
Finance lease receivables	4,896	6,375	-23.2%
Interest income	**428,290**	**420,866**	**1.8%**
Amounts due to customers	(123,404)	(156,199)	-21.0%
Amounts due to credit institutions, of which:	(74,054)	(55,551)	33.3%
Interest expense	**(197,458)**	**(211,750)**	**-6.7%**
Net interest income before interest rate swaps	**230,832**	**209,116**	**10.4%**
Net loss from interest rate swaps	(303)	(1,538)	-80.3%
Net interest income	**230,529**	**207,578**	**11.1%**
Fee and commission income	83,906	81,251	3.3%
Fee and commission expense	(20,111)	(15,886)	26.6%
Net fee and commission income	**63,795**	**65,365**	**-2.4%**
Net insurance premiums earned	95,982	58,220	64.9%
Net insurance claims incurred	(60,862)	(36,340)	67.5%
Net insurance revenue	**35,120**	**21,880**	**60.5%**
Healthcare revenue	41,745	38,625	8.1%
Cost of healthcare services	(27,730)	(22,404)	23.8%
Net healthcare revenue	**14,015**	**16,221**	**-13.6%**
Net gain from trading and investment securities	2,818	2,235	26.1%
Net gain from revaluation of investment property	7,710	-	-
Net gain from foreign currencies, of which:	33,881	38,694	-12.4%
Other operating income	13,146	17,994	-26.9%
Other operating non-interest income	**57,555**	**58,923**	**-2.3%**
Revenue	**401,014**	**369,967**	**8.4%**
Salaries and other employee benefits	(99,438)	(90,173)	10.3%
General and administrative expenses	(43,222)	(51,763)	-16.5%
Depreciation and amortisation expenses	(19,889)	(21,303)	-6.6%
Other operating expenses	(2,019)	(3,947)	-48.8%
Operating expenses	**(164,568)**	**(167,186)**	**-1.6%**
Operating income before cost of credit risk	**236,446**	**202,781**	**16.6%**
Cost of credit risk	**(51,803)**	**(28,593)**	**81.2%**
Net operating income	**184,643**	**174,188**	**6.0%**
Net non-operating expenses	(6,871)	(15,445)	-55.5%
Profit before Income tax expense	**177,772**	**158,743**	**12.0%**
Income tax expense	(24,073)	(26,066)	-7.6%
Profit	**153,699**	**132,677**	**15.8%**
Attributable to:			
– shareholders of the Group	*147,845*	*129,209*	*14.4%*
– non-controlling interests	*5,854*	*3,468*	*68.8%*
Earnings per share (basic)	**4.35**	**3.94**	**10.4%**
Earnings per share (diluted)	**4.35**	**3.92**	**11.0%**

CONSOLIDATED INCOME STATEMENT

GEL thousands, unless otherwise noted	**Q3 2013** ***Unaudited***	**Q3 2012** ***Unaudited***	**Change Y-O-Y**	**Q2 2013** ***Unaudited***	**Change Q-O-Q**
Loans to customers	129,445	129,923	-0.4%	130,589	-0.9%
Investment securities	9,581	8,125	17.9%	9,634	-0.6%
Amounts due from credit institutions	1,733	4,049	-57.2%	2,330	-25.6%
Finance lease receivables	1,688	2,241	-24.7%	1,709	-1.2%
Interest income	**142,447**	**144,338**	**-1.3%**	**144,262**	**-1.3%**
Amounts due to customers	(37,866)	(52,435)	-27.8%	(41,620)	-9.0%
Amounts due to credit institutions, of which:	(24,429)	(21,502)	13.6%	(24,636)	-0.8%
Interest expense	**(62,294)**	**(73,937)**	**-15.7%**	**(66,255)**	**-6.0%**
Net interest income before interest rate swaps	**80,153**	**70,401**	**13.9%**	**78,007**	**2.8%**
Net loss from interest rate swaps	(118)	(485)	-75.7%	(109)	8.3%
Net interest income	**80,035**	**69,916**	**14.5%**	**77,898**	**2.7%**
Fee and commission income	29,008	29,773	-2.6%	28,337	2.4%
Fee and commission expense	(7,489)	(5,942)	26.0%	(6,558)	14.2%
Net fee and commission income	**21,519**	**23,831**	**-9.7%**	**21,779**	**-1.2%**
Net insurance premiums earned	31,693	25,837	22.7%	32,545	-2.6%
Net insurance claims incurred	(19,297)	(15,915)	21.3%	(21,547)	-10.4%
Net insurance revenue	**12,396**	**9,922**	**24.9%**	**10,998**	**12.7%**
Healthcare revenue	14,256	16,038	-11.1%	14,419	-1.1%
Cost of healthcare services	(9,232)	(9,013)	2.4%	(9,319)	-0.9%
Net healthcare revenue	**5,024**	**7,025**	**-28.5%**	**5,100**	**-1.5%**
Net gain from trading and investment securities	228	1,282	-82.2%	1,306	-82.5%
Net gain from revaluation of investment property	2,868	-	-	4,842	-40.8%
Net gain from foreign currencies, of which:	12,203	12,502	-2.4%	12,225	-0.2%
Other operating income	4,065	6,503	-37.5%	5,552	-26.8%
Other operating non-interest income	**19,364**	**20,287**	**-4.5%**	**23,925**	**-19.1%**
Revenue	**138,338**	**130,981**	**5.6%**	**139,700**	**-1.0%**
Salaries and other employee benefits	(34,361)	(32,340)	6.2%	(32,575)	5.5%
General and administrative expenses	(13,458)	(18,002)	-25.2%	(15,707)	-14.3%
Depreciation and amortisation expenses	(6,550)	(7,384)	-11.3%	(6,747)	-2.9%
Other operating expenses	(579)	(388)	49.2%	(711)	-18.6%
Operating expenses	**(54,948)**	**(58,114)**	**-5.4%**	**(55,740)**	**-1.4%**
Operating income before cost of credit risk	**83,390**	**72,867**	**14.4%**	**83,960**	**-0.7%**
Cost of credit risk	**(15,540)**	**(14,645)**	**6.1%**	**(18,984)**	**-18.1%**
Net operating income	**67,850**	**58,222**	**16.5%**	**64,976**	**4.4%**
Net non-operating expenses	(1,419)	(3,051)	-53.5%	(4,089)	-65.3%
Profit before Income tax expense	**66,431**	**55,171**	**20.4%**	**60,887**	**9.1%**
Income tax expense	(7,834)	(8,528)	-8.1%	(7,782)	0.7%
Profit	**58,597**	**46,643**	**25.6%**	**53,105**	**10.3%**
Attributable to:					
– shareholders of the Group	*56,110*	*44,994*	*24.7%*	*51,138*	*9.7%*
– non-controlling interests	*2,487*	*1,649*	*50.8%*	*1,967*	*26.4%*
Earnings per share (basic)	1.65	1.35	22.2%	1.51	9.3%
Earnings per share (diluted)	1.65	1.35	22.2%	1.51	9.3%

CONSOLIDATED BALANCE SHEET

GEL thousands, unless otherwise noted	**Sep-13** ***Unaudited***	**Sep-12** ***Unaudited***	**Change Y-O-Y**	**Jun-13** ***Unaudited***	**Change Q-O-Q**
Cash and cash equivalents	687,396	666,896	3.1%	547,404	25.6%
Amounts due from credit institutions	324,825	487,275	-33.3%	326,537	-0.5%
Investment securities	567,598	375,853	51.0%	644,237	-11.9%
Loans to customers and finance lease receivables	3,283,508	3,063,390	7.2%	3,122,916	5.1%
Investments in associates	-	3,020	-100.0%	-	-
Investment property	163,092	149,904	8.8%	169,722	-3.9%
Property and equipment	455,089	412,487	10.3%	447,205	1.8%
Goodwill	45,657	45,463	0.4%	45,657	0.0%
Intangible assets	24,540	20,667	18.7%	24,039	2.1%
Income tax assets	26,542	23,883	11.1%	15,941	66.5%
Prepayments	27,986	47,748	-41.4%	30,205	-7.3%
Other assets	348,114	233,931	48.8%	297,831	16.9%
Total assets	**5,954,347**	**5,530,517**	**7.7%**	**5,671,694**	**5.0%**
Amounts due to customers, of which:	2,862,512	2,795,794	2.4%	2,850,234	0.4%
Client deposits	*2,850,000*	*2,688,540*	*6.0%*	*2,838,153*	*0.4%*
Promissory notes	*12,512*	*107,254*	*-88.3%*	*12,081*	*3.6%*
Amounts due to credit institutions	1,636,263	1,454,045	12.5%	1,475,686	10.9%
Income tax liabilities	69,355	61,646	12.5%	57,411	20.8%
Provisions	407	603	-32.5%	483	-15.7%
Other liabilities	214,874	210,481	2.1%	184,975	16.2%
Total liabilities	**4,783,411**	**4,522,569**	**5.8%**	**4,568,789**	**4.7%**
Share capital	961	965	-0.4%	903	6.4%
Additional paid-in capital	24,496	-	-	19,645	24.7%
Treasury shares	(53)	(68)	-22.1%	(50)	6.0%
Other reserves	10,177	15,980	-36.3%	39,209	-74.0%
Retained earnings	1,078,645	945,006	14.1%	988,885	9.1%
Non-controlling interests	56,710	46,065	23.1%	54,313	4.4%
Total equity	**1,170,936**	**1,007,948**	**16.2%**	**1,102,905**	**6.2%**
Total liabilities and equity	**5,954,347**	**5,530,517**	**7.7%**	**5,671,694**	**5.0%**
Book value per share	**32.83**	**28.81**	**14.0%**	**30.90**	**6.2%**

CONSOLIDATED INCOME STATEMENT

	USD			GBP		
	9M 2013	**9M 2012**	**Change**	**9M 2013**	**9M 2012**	**Change**
Thousands, unless otherwise noted	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	***Unaudited***	**Y-O-Y**
Loans to customers	234,014	225,931	3.6%	145,474	139,462	4.3%
Investment securities	16,356	15,628	4.7%	10,168	9,647	5.4%
Amounts due from credit institutions	4,012	8,240	-51.3%	2,494	5,086	-51.0%
Finance lease receivables	2,942	3,842	-23.4%	1,829	2,371	-22.9%
Interest income	**257,324**	**253,641**	**1.5%**	**159,965**	**156,566**	**2.2%**
Amounts due to customers	(74,143)	(94,135)	-21.2%	(46,091)	(58,108)	-20.7%
Amounts due to credit institutions, of which:	(44,493)	(33,479)	32.9%	(27,659)	(20,665)	33.8%
Interest expense	**(118,636)**	**(127,614)**	**-7.0%**	**(73,750)**	**(78,773)**	**-6.4%**
Net interest income before interest rate swaps	**138,688**	**126,027**	**10.0%**	**86,215**	**77,793**	**10.8%**
Net loss from interest rate swaps	(182)	(927)	-80.4%	(113)	(572)	-80.2%
Net interest income	**138,506**	**125,100**	**10.7%**	**86,102**	**77,221**	**11.5%**
Fee and commission income	50,412	48,967	3.0%	31,339	30,226	3.7%
Fee and commission expense	(12,083)	(9,574)	26.2%	(7,512)	(5,910)	27.1%
Net fee and commission income	**38,329**	**39,393**	**-2.7%**	**23,827**	**24,316**	**-2.0%**
Net insurance premiums earned	57,668	35,087	64.4%	35,849	21,658	65.5%
Net insurance claims incurred	(36,567)	(21,901)	67.0%	(22,732)	(13,518)	68.2%
Net insurance revenue	**21,101**	**13,186**	**60.0%**	**13,117**	**8,140**	**61.1%**
Healthcare revenue	25,081	23,278	7.7%	15,592	14,369	8.5%
Cost of healthcare services	(16,661)	(13,502)	23.4%	(10,357)	(8,335)	24.3%
Net healthcare revenue	**8,420**	**9,776**	**-13.9%**	**5,235**	**6,034**	**-13.2%**
Net gain from trading and investment securities	1,693	1,347	25.7%	1,053	831	26.7%
Net gain from revaluation of investment property	4,632	-	-	2,880	-	-
Net gain from foreign currencies, of which:	20,356	23,319	-12.7%	12,654	14,395	-12.1%
Other operating income	7,899	10,845	-27.2%	4,909	6,694	-26.7%
Other operating non-interest income	**34,580**	**35,511**	**-2.6%**	**21,496**	**21,920**	**-1.9%**
Revenue	**240,936**	**222,966**	**8.1%**	**149,777**	**137,631**	**8.8%**
Salaries and other employee benefits	(59,744)	(54,344)	9.9%	(37,140)	(33,545)	10.7%
General and administrative expenses	(25,969)	(31,196)	-16.8%	(16,143)	(19,256)	-16.2%
Depreciation and amortisation expenses	(11,950)	(12,839)	-6.9%	(7,428)	(7,925)	-6.3%
Other operating expenses	(1,212)	(2,378)	-49.0%	(754)	(1,468)	-48.6%
Operating expenses	**(98,875)**	**(100,757)**	**-1.9%**	**(61,465)**	**(62,194)**	**-1.2%**
Operating income before cost of credit risk	**142,061**	**122,209**	**16.2%**	**88,312**	**75,437**	**17.1%**
Cost of credit risk	**(31,124)**	**(17,232)**	**80.6%**	**(19,348)**	**(10,637)**	**81.9%**
Net operating income	**110,937**	**104,977**	**5.7%**	**68,964**	**64,800**	**6.4%**
Net non-operating expenses	(4,129)	(9,308)	-55.6%	(2,567)	(5,746)	-55.3%
Profit before Income tax expense	**106,808**	**95,669**	**11.6%**	**66,397**	**59,054**	**12.4%**
Income tax expense	(14,463)	(15,709)	-7.9%	(8,991)	(9,697)	-7.3%
Profit	**92,345**	**79,960**	**15.5%**	**57,406**	**49,357**	**16.3%**
Attributable to:						
– shareholders of the Group	*88,828*	*77,870*	*14.1%*	*55,220*	*48,067*	*14.9%*
– non-controlling interests	*3,517*	*2,090*	*68.3%*	*2,186*	*1,290*	*69.5%*
Earnings per share (basic)	2.61	2.37	10.1%	1.62	1.47	10.2%
Earnings per share (diluted)	2.61	2.36	10.6%	1.62	1.46	11.0%

CONSOLIDATED INCOME STATEMENT

	USD					GBP				
	Q3 2013	Q3 2012	Change	Q2 2013	Change	Q3 2013	Q3 2012	Change	Q2 2013	Change
Thousands, unless otherwise noted	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**
Loans to customers	77,773	78,300	-0.7%	79,102	-1.7%	48,347	48,333	0.0%	51,903	-6.9%
Investment securities	5,756	4,897	17.5%	5,836	-1.4%	3,578	3,023	18.4%	3,829	-6.6%
Amounts due from credit institutions	1,041	2,440	-57.3%	1,411	-26.2%	647	1,506	-57.0%	926	-30.1%
Finance lease receivables	1,015	1,350	-24.8%	1,035	-1.9%	631	833	-24.2%	680	-7.2%
Interest income	**85,585**	**86,987**	**-1.6%**	**87,384**	**-2.1%**	**53,203**	**53,695**	**-0.9%**	**57,338**	**-7.2%**
Amounts due to customers	(22,751)	(31,601)	-28.0%	(25,210)	-9.8%	(14,143)	(19,506)	-27.5%	(16,542)	-14.5%
Amounts due to credit institutions, of which:	(14,677)	(12,958)	13.3%	(14,923)	-1.6%	(9,124)	(7,999)	14.1%	(9,792)	-6.8%
Interest expense	**(37,427)**	**(44,559)**	**-16.0%**	**(40,133)**	**-6.7%**	**(23,267)**	**(27,505)**	**-15.4%**	**(26,333)**	**-11.6%**
Net interest income before interest rate swaps	**48,157**	**42,428**	**13.5%**	**47,251**	**1.9%**	**29,937**	**26,190**	**14.3%**	**31,004**	**-3.4%**
Net loss from interest rate swaps	(71)	(292)	-75.7%	(66)	7.6%	(44)	(181)	-75.7%	(43)	2.3%
Net interest income	**48,086**	**42,136**	**14.1%**	**47,185**	**1.9%**	**29,893**	**26,009**	**14.9%**	**30,961**	**-3.4%**
Fee and commission income	17,429	17,943	-2.9%	17,165	1.5%	10,834	11,076	-2.2%	11,263	-3.8%
Fee and commission expense	(4,500)	(3,581)	25.7%	(3,973)	13.3%	(2,797)	(2,211)	26.5%	(2,607)	7.3%
Net fee and commission income	**12,929**	**14,362**	**-10.0%**	**13,192**	**-2.0%**	**8,037**	**8,865**	**-9.3%**	**8,656**	**-7.2%**
Net insurance premiums earned	19,042	15,571	22.3%	19,713	-3.4%	11,837	9,612	23.1%	12,935	-8.5%
Net insurance claims incurred	(11,594)	(9,591)	20.9%	(13,051)	-11.2%	(7,207)	(5,921)	21.7%	(8,564)	-15.8%
Net insurance revenue	**7,448**	**5,980**	**24.5%**	**6,662**	**11.8%**	**4,630**	**3,691**	**25.4%**	**4,371**	**5.9%**
Healthcare revenue	8,565	9,666	-11.4%	8,734	-1.9%	5,325	5,966	-10.7%	5,731	-7.1%
Cost of healthcare services	(5,546)	(5,432)	2.1%	(5,645)	-1.8%	(3,449)	(3,353)	2.9%	(3,704)	-6.9%
Net healthcare revenue	**3,019**	**4,234**	**-28.7%**	**3,089**	**-2.3%**	**1,876**	**2,613**	**-28.2%**	**2,027**	**-7.4%**
Net gain from trading and investment securities	137	773	-82.3%	791	-82.7%	85	477	-82.2%	519	-83.6%
Net gain from revaluation of investment property	1,723	-	-	2,933	-41.3%	1,071	-	-	1,924	-44.3%
Net gain from foreign currencies, of which:	7,332	7,535	-2.7%	7,405	-1.0%	4,558	4,651	-2.0%	4,859	-6.2%
Other operating income	2,442	3,918	-37.7%	3,364	-27.4%	1,519	2,420	-37.2%	2,208	-31.2%
Other operating non-interest income	**11,634**	**12,226**	**-4.8%**	**14,493**	**-19.7%**	**7,233**	**7,548**	**-4.2%**	**9,510**	**-23.9%**
Revenue	**83,116**	**78,938**	**5.3%**	**84,621**	**-1.8%**	**51,669**	**48,726**	**6.0%**	**55,525**	**-6.9%**
Salaries and other employee benefits	(20,645)	(19,490)	5.9%	(19,732)	4.6%	(12,834)	(12,031)	6.7%	(12,947)	-0.9%
General and administrative expenses	(8,086)	(10,849)	-25.5%	(9,514)	-15.0%	(5,027)	(6,697)	-24.9%	(6,243)	-19.5%
Depreciation and amortisation expenses	(3,935)	(4,450)	-11.6%	(4,087)	-3.7%	(2,446)	(2,747)	-11.0%	(2,682)	-8.8%
Other operating expenses	(348)	(235)	48.1%	(431)	-19.3%	(216)	(144)	50.0%	(283)	-23.7%
Operating expenses	**(33,014)**	**(35,024)**	**-5.7%**	**(33,764)**	**-2.2%**	**(20,523)**	**(21,619)**	**-5.1%**	**(22,155)**	**-7.4%**
Operating income before cost of credit risk	**50,102**	**43,914**	**14.1%**	**50,857**	**-1.5%**	**31,146**	**27,107**	**14.9%**	**33,370**	**-6.7%**
Cost of credit risk	**(9,337)**	**(8,826)**	**5.8%**	**(11,499)**	**-18.8%**	**(5,804)**	**(5,448)**	**6.5%**	**(7,545)**	**-23.1%**
Net operating income	**40,765**	**35,088**	**16.2%**	**39,358**	**3.6%**	**25,342**	**21,659**	**17.0%**	**25,825**	**-1.9%**
Net non-operating expenses	(852)	(1,838)	-53.6%	(2,477)	-65.6%	(530)	(1,135)	-53.3%	(1,625)	-67.4%
Profit before Income tax expense	**39,913**	**33,250**	**20.0%**	**36,881**	**8.2%**	**24,812**	**20,524**	**20.9%**	**24,200**	**2.5%**
Income tax expense	(4,707)	(5,140)	-8.4%	(4,714)	-0.1%	(2,926)	(3,172)	-7.8%	(3,093)	-5.4%
Profit	**35,206**	**28,110**	**25.2%**	**32,167**	**9.4%**	**21,886**	**17,352**	**26.1%**	**21,107**	**3.7%**
Attributable to:										
– shareholders of the Group	*33,712*	*27,116*	*24.3%*	*30,976*	*8.8%*	*20,957*	*16,739*	*25.2%*	*20,325*	*3.1%*
– non-controlling interests	*1,494*	*994*	*50.3%*	*1,191*	*25.4%*	*929*	*613*	*51.5%*	*782*	*18.8%*
Earnings per share (basic)	**0.99**	**0.81**	**22.2%**	**0.91**	**8.8%**	**0.62**	**0.50**	**24.0%**	**0.60**	**3.3%**
Earnings per share (diluted)	**0.99**	**0.81**	**22.2%**	**0.91**	**8.8%**	**0.62**	**0.50**	**24.0%**	**0.60**	**3.3%**

CONSOLIDATED BALANCE SHEET

	USD					GBP				
	Sep-13	**Sep-12**	**Change**	**Jun-13**	**Change**	**Sep-13**	**Sep-12**	**Change**	**Jun-13**	**Change**
	Unaudited	***Unaudited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**
Cash and cash equivalents	412,999	401,914	2.8%	331,579	24.6%	256,740	248,092	3.5%	217,569	18.0%
Amounts due from credit institutions	195,160	293,663	-33.5%	197,793	-1.3%	121,321	181,271	-33.1%	129,784	-6.5%
Investment securities	341,023	226,513	50.6%	390,234	-12.6%	211,996	139,821	51.6%	256,056	-17.2%
Loans to customers and finance lease receivables	1,972,788	1,846,194	6.9%	1,891,645	4.3%	1,226,379	1,139,612	7.6%	1,241,223	-1.2%
Investments in associates	-	1,820	-100.0%	-	-	-	1,123	-100.0%	-	-
Investment property	97,988	90,342	8.5%	102,806	-4.7%	60,914	55,766	9.2%	67,457	-9.7%
Property and equipment	273,425	248,591	10.0%	270,886	0.9%	169,974	153,449	10.8%	177,744	-4.4%
Goodwill	27,432	27,399	0.1%	27,656	-0.8%	17,053	16,913	0.8%	18,147	-6.0%
Intangible assets	14,744	12,455	18.4%	14,561	1.3%	9,166	7,688	19.2%	9,554	-4.1%
Income tax assets	15,947	14,393	10.8%	9,656	65.2%	9,913	8,885	11.6%	6,336	56.5%
Prepayments	16,814	28,776	-41.6%	18,296	-8.1%	10,453	17,763	-41.2%	12,005	-12.9%
Other assets	209,154	140,982	48.4%	180,404	15.9%	130,020	87,024	49.4%	118,375	9.8%
Total assets	**3,577,474**	**3,333,042**	**7.3%**	**3,435,516**	**4.1%**	**2,223,929**	**2,057,407**	**8.1%**	**2,254,250**	**-1.3%**
Amounts due to customers, of which:	1,719,846	1,684,924	2.1%	1,726,473	-0.4%	1,069,139	1,040,064	2.8%	1,132,844	-5.6%
Client deposits	*1,712,329*	*1,620,286*	*5.7%*	*1,719,155*	*-0.4%*	*1,064,466*	*1,000,164*	*6.4%*	*1,128,042*	*-5.6%*
Promissory notes	*7,517*	*64,638*	*-88.4%*	*7,318*	*2.7%*	*4,673*	*39,900*	*-88.3%*	*4,802*	*-2.7%*
Amounts due to credit institutions	983,095	876,300	12.2%	893,868	10.0%	611,139	540,919	13.0%	586,521	4.2%
Income tax liabilities	41,670	37,152	12.2%	34,776	19.8%	25,904	22,933	13.0%	22,818	13.5%
Provisions	245	363	-32.5%	293	-16.4%	152	224	-32.1%	192	-20.8%
Other liabilities	129,099	126,850	1.8%	112,044	15.2%	80,254	78,301	2.5%	73,519	9.2%
Total liabilities	**2,873,955**	**2,725,589**	**5.4%**	**2,767,454**	**3.8%**	**1,786,588**	**1,682,441**	**6.2%**	**1,815,894**	**-1.6%**
Share capital	577	582	-0.9%	547	5.5%	359	359	0.0%	359	0.0%
Additional paid-in capital	14,718	-	-	11,900	23.7%	9,149	-	-	7,808	17.2%
Treasury shares	(32)	(41)	-22.0%	(30)	6.7%	(20)	(25)	-20.0%	(20)	0.0%
Other reserves	6,115	9,630	-36.5%	23,749	-74.3%	3,802	5,944	-36.0%	15,583	-75.6%
Retained earnings	648,068	569,521	13.8%	598,998	8.2%	402,870	351,552	14.6%	393,039	2.5%
Non-controlling interests	34,073	27,761	22.7%	32,898	3.6%	21,181	17,136	23.6%	21,587	-1.9%
Total equity	**703,519**	**607,453**	**15.8%**	**668,062**	**5.3%**	**437,341**	**374,966**	**16.6%**	**438,356**	**-0.2%**
Total liabilities and equity	**3,577,474**	**3,333,042**	**7.3%**	**3,435,516**	**4.1%**	**2,223,929**	**2,057,407**	**8.1%**	**2,254,250**	**-1.3%**
Book value per share	**19.72**	**17.36**	**13.6%**	**18.72**	**5.3%**	**12.26**	**10.72**	**14.4%**	**12.28**	**-0.2%**

ALDAGI INCOME STATEMENT

	Sep-13	Sep-12	Change Y-O-Y
Gross premiums written (GPW)	**119,871**	**105,169**	**14.0%**
Gross premiums earned	**108,280**	**73,240**	**47.8%**
Net insurance premiums earned	97,827	59,835	63.5%
Net insurance claims incurred	(60,862)	(36,341)	67.5%
Net insurance revenue	**36,965**	**23,494**	**57.3%**
Healthcare revenue	41,745	38,625	8.1%
Cost of healthcare services	(27,730)	(22,404)	23.8%
Net healthcare revenue	**14,015**	**16,221**	**-13.6%**
Net interest expense and other	**(6,696)**	**(2,339)**	**186.3%**
Revenue	**44,284**	**37,376**	**18.5%**
Operating expenses	(21,419)	(24,536)	-12.7%
Operating income before cost of credit risk	**22,865**	**12,840**	**78.1%**
Cost of credit risk	(1,464)	(1,096)	33.6%
Profit before Income tax expense	**21,401**	**11,744**	**82.2%**
Income tax expense	(3,069)	(1,728)	77.6%
Profit	**18,332**	**10,016**	**83.0%**

	Q3 2013	Q3 2012	Change Y-O-Y	Q2 2013	Change Q-O-Q
Gross premiums written (GPW)	**55,283**	**56,340**	**-1.9%**	**26,761**	**106.6%**
Gross premiums earned	**35,731**	**31,700**	**12.7%**	**36,338**	**-1.7%**
Net insurance premiums earned	32,271	26,448	22.0%	33,042	-2.3%
Net insurance claims incurred	(19,297)	(15,915)	21.3%	(21,547)	-10.4%
Net insurance revenue	**12,974**	**10,533**	**23.2%**	**11,495**	**12.9%**
Healthcare revenue	14,256	16,038	-11.1%	14,419	-1.1%
Cost of healthcare services	(9,232)	(9,013)	2.4%	(9,319)	-0.9%
Net healthcare revenue	**5,024**	**7,025**	**-28.5%**	**5,100**	**-1.5%**
Net interest expense and other	**(2,983)**	**(1,939)**	**53.8%**	**(1,724)**	**73.0%**
Revenue	**15,015**	**15,619**	**-3.9%**	**14,871**	**1.0%**
Operating expenses	(6,976)	(10,701)	-34.8%	(7,060)	-1.2%
Operating income before cost of credit risk	**8,039**	**4,918**	**63.5%**	**7,811**	**2.9%**
Cost of credit risk	(43)	(859)	-94.9%	(561)	-92.2%
Profit before income tax expense	**7,996**	**4,059**	**97.0%**	**7,250**	**10.3%**
Income tax expense	(1,111)	(576)	92.9%	(1,031)	7.8%
Profit	**6,885**	**3,483**	**97.7%**	**6,219**	**10.7%**

KEY RATIOS	Sep-13	Sep-12
Profitability		
ROAA, Annualised[1]	3.6%	3.6%
ROAE, Annualised[2]	18.6%	19.4%
Net Interest Margin, Annualised[3]	7.7%	7.8%
Loan Yield, Annualised[4]	16.4%	17.6%
Cost of Funds, Annualised[5]	6.2%	7.5%
Cost of Client Deposits, annualised	5.8%	7.5%
Cost of Amounts Due to Credit Institutions, annualised	6.7%	7.6%
Operating Leverage, Y-O-Y[6]	10.0%	9.3%
Efficiency		
Cost / Income[7]	41.0%	45.2%
Liquidity		
NBG Liquidity Ratio[8]	37.5%	42.0%
Liquid Assets To Total Liabilities[9]	33.1%	33.8%
Net Loans To Customer Funds	114.7%	109.6%
Net Loans To Customer Funds + DFIs[10]	96.1%	90.8%
Leverage (Times)[11]	4.1	4.5
Asset Quality:		
NPLs (in GEL)	143,663	102,719
NPLs To Gross Loans To Clients	4.2%	3.2%
NPL Coverage Ratio[12]	86.2%	105.2%
NPL Coverage ratio (adjusted for discounted value of collateral)[13]	111.8%	134.9%
Cost of Risk, Annualised[14]	1.5%	1.2%
Capital Adequacy:		
BIS Tier I Capital Adequacy Ratio, Consolidated[15]	23.7%	20.3%
BIS Total Capital Adequacy Ratio, Consolidated[16]	28.6%	25.8%
NBG Tier I Capital Adequacy Ratio[17]	15.4%	13.4%
NBG Total Capital Adequacy Ratio[18]	16.6%	15.9%
Per Share Values:		
Basic EPS (GEL)[19]	**4.35**	**3.94**
Diluted EPS (GEL)	**4.35**	**3.92**
Book Value Per Share (GEL)[20]	**32.83**	**28.81**
Ordinary Shares Outstanding - Weighted Average, Basic[21]	33,998,855	32,830,379
Ordinary Shares Outstanding - Weighted Average, Diluted[22]	33,998,855	33,241,639
Ordinary Shares Outstanding - Period End, Basic[23]	33,936,007	33,388,904
Treasury Shares Outstanding - Period End[24]	(1,973,376)	(2,520,479)
Selected Operating Data:		
Full Time Employees, Group, Of Which:	11,571	10,537
- Full Time Employees, BOG Stand-Alone	*3,662*	*3,635*
- Full Time Employees, Aldagi BCI Insurance	*598*	*509*
- Full Time Employees, Aldagi BCI Healthcare	*6,105*	*5,328*
- Full Time Employees, BNB	*388*	*309*
- Full Time Employees, Other	*818*	*756*
Total Assets Per FTE, BOG Stand-Alone (in GEL thousands)	1,626	1,521
Number Of Active Branches, Of Which:	199	187
- Flagship Branches	*34*	*34*
- Standard Branches	*100*	*95*
- Express Branches (including Metro)	*65*	*58*
Number Of ATMs	486	468
Number Of Cards Outstanding, Of Which:	926,646	896,234
- Debit cards	*809,843*	*766,132*
- Credit cards	*116,803*	*130,102*
Number Of POS Terminals	4,541	3,528

OTHER RATIOS	Sep-13	Sep-12
Profitability Ratios:		
ROE, annualised,	17.7%	17.9%
Interest Income / Average Int. Earning Assets, Annualised[25]	14.4%	15.9%
Net F&C Inc. To Av. Int. Earn. Ass., annualised	1.9%	2.2%
Net Fee And Commission Income To Revenue	15.9%	17.7%
Operating Leverage, Y-O-Y	10.0%	9.3%
Revenue to Total Assets, annualised	9.0%	8.9%
Recurring Earning Power, Annualised[26]	5.6%	5.5%
Profit To Revenue	38.3%	35.9%
Efficiency Ratios:		
Operating Cost to Av. Total Ass., Annualised[23]	3.9%	4.5%
Cost to Average Total Assets, annualised	4.1%	4.9%
Personnel Cost to Revenue	24.8%	24.4%
Personnel Cost to Operating Cost	60.4%	53.9%
Personnel Cost to Average Total Assets, annualised	2.3%	2.4%
Liquidity Ratios:		
Liquid Assets To Total Assets	26.6%	27.7%
Net Loans to Total Assets	55.1%	55.4%
Average Net Loans to Average Total Assets	54.6%	56.4%
Interest Earning Assets to Total Assets	77.3%	77.1%
Average Interest Earning Assets/Average Total Assets	77.7%	79.8%
Net Loans to Client Deposits	115.2%	113.9%
Average Net Loans to Av. Client Deposits	110.5%	105.3%
Net Loans to Total Deposits	97.0%	100.4%
Net Loans to (Total Deposits + Equity)	72.1%	75.5%
Net Loans to Total Liabilities	68.6%	67.7%
Total Deposits to Total Liabilities	70.8%	67.5%
Client Deposits to Total Deposits	84.2%	88.1%
Client Deposits to Total Liabilities	59.6%	59.4%
Total Deposits to Total Assets	56.9%	55.2%
Client Deposits to Total Assets	47.9%	48.6%
Client Deposits to Total Equity (Times)	2.4	2.7
Total Equity to Net Loans	35.7%	32.9%
Asset Quality:		
Reserve For Loan Losses to Gross Loans to Clients[27]	3.6%	3.4%
% of Loans to Clients collateralized	85.4%	86.7%
Equity to Average Net Loans to Clients	35.7%	32.9%
Aldagi Ratios:		
ROAA, Annualised	7.3%	5.5%
ROAE, Annualised	25.3%	21.7%
Loss Ratio[28]	68.8%	64.3%
Combined Ratio[29]	85.3%	88.3%

KEY RATIOS	Q3 2013	Q3 2012	Q2 2013
Profitability			
ROAA, Annualised[1]	4.0%	3.4%	3.8%
ROAE, Annualised[2]	20.6%	19.2%	19.3%
Net Interest Margin, Annualised[3]	7.7%	7.3%	7.9%
Loan Yield, Annualised[4]	15.7%	17.0%	16.9%
Cost of Funds, Annualised[5]	5.6%	7.1%	6.2%
Cost of Client Deposits, annualised	5.2%	7.1%	5.9%
Cost of Amounts Due to Credit Institutions, annualised	6.4%	6.7%	6.9%
Operating Leverage, Y-O-Y[6]	11.1%	14.8%	13.3%
Efficiency			
Cost / Income[7]	39.7%	44.4%	39.9%
Liquidity			
NBG Liquidity Ratio[8]	37.5%	42.0%	44.8%
Liquid Assets To Total Liabilities[9]	33.1%	33.8%	33.3%
Net Loans To Customer Funds	114.7%	109.6%	109.6%
Net Loans To Customer Funds + DFIs[10]	96.1%	90.8%	90.0%
Leverage (Times) [11]	4.1	4.5	4.1
Asset Quality:			
NPLs (in GEL)	143,663	102,719	131,960
NPLs To Gross Loans To Clients	4.2%	3.2%	4.1%
NPL Coverage Ratio[12]	86.2%	105.2%	89.1%
NPL Coverage ratio (adjusted for discounted value of collateral) [13]	111.8%	134.9%	117.4%
Cost of Risk, Annualised[14]	1.6%	1.6%	1.5%
Capital Adequacy:			
BIS Tier I Capital Adequacy Ratio, Consolidated[15]	23.7%	20.3%	22.9%
BIS Total Capital Adequacy Ratio, Consolidated[16]	28.6%	25.8%	27.8%
NBG Tier I Capital Adequacy Ratio[17]	15.4%	13.4%	15.4%
NBG Total Capital Adequacy Ratio[18]	16.6%	15.9%	16.3%
Per Share Values:			
Basic EPS (GEL)[19]	**1.65**	**1.35**	**1.51**
Diluted EPS (GEL)	**1.65**	**1.35**	**1.51**
Book Value Per Share (GEL)[20]	**32.83**	**28.81**	**30.90**
Ordinary Shares Outstanding - Weighted Average, Basic[21]	33,936,007	33,350,984	33,829,260
Ordinary Shares Outstanding - Weighted Average, Diluted[22]	33,936,007	33,350,984	33,829,260
Ordinary Shares Outstanding - Period End, Basic[23]	33,936,007	33,388,904	33,936,007
Treasury Shares Outstanding - Period End[24]	(1,973,376)	(2,520,479)	(1,973,376)
Selected Operating Data:			
Full Time Employees, Group, Of Which:	11,571	10,537	11,507
- Full Time Employees, BOG Stand-Alone	*3,662*	*3,635*	*3,692*
- Full Time Employees, Aldagi BCI Insurance	*598*	*509*	*617*
- Full Time Employees, Aldagi BCI Healthcare	*6,105*	*5,328*	*6,027*
- Full Time Employees, BNB	*388*	*309*	*365*
- Full Time Employees, Other	*818*	*756*	*806*
Total Assets Per FTE, BOG Stand-Alone (in GEL thousands)	1,626	1,521	1,536
Number Of Active Branches, Of Which:	199	187	197
- Flagship Branches	*34*	*34*	*34*
- Standard Branches	*100*	*95*	*100*
- Express Branches (including Metro)	*65*	*58*	*63*
Number Of ATMs	486	468	481
Number Of Cards Outstanding, Of Which:	926,646	896,234	909,309
- Debit cards	*809,843*	*766,132*	*797,492*
- Credit cards	*116,803*	*130,102*	*111,817*
Number Of POS Terminals	4,541	3,528	4,259

OTHER RATIOS	Q3 2013	Q3 2012	Q2 2013
Profitability Ratios:			
ROE, annualised,	20.0%	18.6%	19.6%
Interest Income / Average Int. Earning Assets, Annualised[25]	13.7%	15.0%	14.6%
Net F&C Inc. To Av. Int. Earn. Ass., annualised	1.9%	2.2%	2.0%
Net Fee And Commission Income To Revenue	15.6%	18.2%	15.6%
Operating Leverage, Q-O-Q	0.4%	2.5%	10.1%
Revenue to Total Assets, annualised	9.2%	9.4%	9.9%
Recurring Earning Power, Annualised[26]	5.7%	5.3%	6.0%
Profit To Revenue	42.4%	35.6%	38.0%
Efficiency Ratios:			
Operating Cost to Av. Total Ass., Annualised	3.8%	4.3%	4.0%
Cost to Average Total Assets, annualised	3.9%	4.5%	4.3%
Personnel Cost to Revenue	24.8%	24.7%	23.3%
Personnel Cost to Operating Cost	62.5%	55.6%	58.4%
Personnel Cost to Average Total Assets, annualised	2.4%	2.4%	2.3%
Liquidity Ratios:			
Liquid Assets To Total Assets	26.6%	27.7%	26.8%
Net Loans to Total Assets	55.1%	55.4%	55.1%
Average Net Loans to Average Total Assets	55.0%	55.0%	53.8%
Interest Earning Assets to Total Assets	77.3%	77.1%	78.2%
Average Interest Earning Assets/Average Total Assets	77.4%	79.2%	77.7%
Net Loans to Client Deposits	115.2%	113.9%	110.0%
Average Net Loans to Av. Client Deposits	111.5%	106.0%	107.2%
Net Loans to Total Deposits	97.0%	100.4%	99.5%
Net Loans to (Total Deposits + Equity)	72.1%	75.5%	73.6%
Net Loans to Total Liabilities	68.6%	67.7%	68.4%
Total Deposits to Total Liabilities	70.8%	67.5%	68.7%
Client Deposits to Total Deposits	84.2%	88.1%	90.4%
Client Deposits to Total Liabilities	59.6%	59.4%	62.1%
Total Deposits to Total Assets	56.9%	55.2%	55.3%
Client Deposits to Total Assets	47.9%	48.6%	50.0%
Client Deposits to Total Equity (Times)	2.4	2.7	2.6
Total Equity to Net Loans	35.7%	32.9%	35.3%
Asset Quality:			
Reserve For Loan Losses to Gross Loans to Clients[27]	3.6%	3.4%	3.6%
% of Loans to Clients collateralized	85.4%	86.7%	88.4%
Equity to Average Net Loans to Clients	35.7%	32.9%	35.3%
Aldagi Ratios:			
ROAA, Annualised	8.2%	4.3%	7.4%
ROAE, Annualised	27.1%	16.3%	24.9%
Loss Ratio[28]	66.0%	64.9%	71.5%
Combined Ratio[29]	83.4%	82.0%	85.8%

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 Bank divided by monthly Average Equity attributable to shareholders of the Bank for the same period;
3 Net Interest Margin equals Net Interest Income of the period (adjusted for the gains or losses from revaluation of interest rate swaps) divided by monthly Average Interest Earning Assets Excluding Cash for the same period; Interest Earning Assets Excluding Cash include: Amounts Due From Credit Institutions, Debt Investment and Trading Securities and Net Loans To Customers And Net Finance Lease Receivables;
4 Loan Yield equals Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;
5 Cost Of Funds equals Interest Expense of the period (adjusted for the gains or losses from revaluation of interest rate swaps) divided by monthly Average Interest Bearing Liabilities; Interest Bearing Liabilities Include: Amounts Due To Credit Institutions and Amounts Due To Customers;
6 Operating Leverage equals percentage change in Revenue less percentage change in Operating expenses;
7 Cost / Income Ratio equals Operating expenses divided by Revenue;
8 Average liquid assets during the month (as defined by NBG) divided by selected average liabilities and selected average off-balance sheet commitments (both as defined by NBG);
9 Liquid Assets include: Cash And Cash Equivalents, Amounts Due From Credit Institutions, Investment Securities and Trading Securities;
10 Net loans divided by Customer Funds and Amounts Owned to Developmental Financial Institutions
11Leverage (Times) equals Total Liabilities divided by Total Equity;
12 NPL Coverage Ratio equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by NPLs;
13 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 NPL Coverage Ratio equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by NPLs (Discounted value of collateral is added back to allowance for impairment);
15 BIS Tier I Capital Adequacy Ratio equals Tier I Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
16 BIS Total Capital Adequacy Ratio equals Total Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
17 NBG Tier I Capital Adequacy Ratio equals Tier I Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements the National Bank of Georgia;
18 NBG Total Capital Adequacy Ratio equals Total Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements of the National Bank of Georgia;
19 Basic EPS equals Profit for the period attributable to shareholders of the Bank divided by the weighted average number of outstanding ordinary shares, net of treasury shares over the same period;
20 Book Value per share equals Total Equity attributable to shareholders of the Bank divided by Net Ordinary Shares Outstanding at period end; Net Ordinary Shares Outstanding equals total number of Ordinary Shares Outstanding at period end less number of Treasury Shares at period end;
21 Weighted average number of ordinary shares equal average of monthly outstanding number of shares less monthly outstanding number of treasury shares;
22 Weighted average number of diluted ordinary shares equals weighted average number of ordinary shares plus weighted average number of dilutive shares during the same period;
23 Number of outstanding ordinary shares at period end;
24 Number of outstanding ordinary shares at period end less number of treasury shares;
25 Average Interest Earning Assets are calculated on a monthly basis; Interest Earning Assets Excluding Cash include: Amounts Due From Credit Institutions, Debt Investment and Trading Securities and Net Loans To Customers And Net Finance Lease Receivables;
26 Recurring Earning Power equals Operating Income Before Cost of Credit Risk for the period divided by monthly average Total Assets of the same period;
27 Reserve For Loan Losses To Gross Loans equals Allowance For Impairment Of Loans To Customers And Finance Lease Receivables divided by Gross Loans And Finance Lease Receivables;
28 Loss ratio is defined as net insurance claims incurred divided by net insurance premiums earned;
29 Combined ratio is sum of net insurance claims incurred and operating expenses divided by net insurance premiums earned.