This supplementary prospectus (the **"Supplementary Prospectus"**) constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the **"FSMA"**) and has been prepared in accordance with the Prospectus Rules of the Financial Services Authority (the **"FSA"**). This Supplementary Prospectus has been filed with the FSA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

This Supplementary Prospectus is supplemental to, forms part of, and must be read in conjunction with the prospectus published by Bank of Georgia Holdings Plc (**"BGH"**) on 20 December 2011 (the **"Prospectus"**). Save as disclosed in this Supplementary Prospectus, since the Publication of the Prospectus there have been no significant new factors, material mistakes or inaccuracies relating to the information contained in the Prospectus.

Unless the context otherwise requires, terms defined in the Prospectus shall have the same meaning when used in this Supplementary Prospectus. To the extent that there is any inconsistency between (a) any statement in this Supplementary Prospectus or any statement incorporated by reference into the Prospectus by this Supplementary Prospectus and (b) any other statement in or incorporated by reference into the Prospectus, the statements in (a) above will prevail.

This Supplementary Prospectus has been prepared for the purpose of updating: (i) Part I "Summary"; (ii) Part X "Management's Discussion and Analysis of Financial Condition and Results of Operations"; (iii) Part XXV "Index to Financial Statements"; and (iv) Part XXI "Additional Information", of the Prospectus to reflect updated financial information as at and for the three months ended 30 September 2011 and 2010 contained in the Interim Financial Statements (defined below) and consent from Ernst & Young LLC to the inclusion of its report thereon, as well as recent developments since the date of the Prospectus. For the avoidance of doubt, nothing in the Interim Financial Statements modifies or amends the Six Month Audited Financial Statements included in the Prospectus.

Shortly before the Expiration Time, application is expected to be made to the FSA for up to 36,512,553 BGH Offer Shares, issued and to be issued in connection with the Offer, to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for such BGH Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission constitutes admission to trading on a regulated market. It is expected that Admission will become effective, and that unconditional dealings will commence in BGH Offer Shares on the London Stock Exchange, at 8.00 a.m. (London time) on 28 February 2012. No application has been or will be made, or is currently contemplated, for the BGH Offer Shares to be listed on any other recognised investment exchange.

BGH and the BGH Directors accept responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge and belief of BGH and the BGH Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplementary Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The Prospectus, as supplemented by this Supplementary Prospectus, is to be read in conjunction with all documents which are deemed to be incorporated by reference therein (see Part V "Documents Incorporated by Reference" of the Prospectus). The Prospectus, as supplemented by this Supplementary Prospectus, shall be read and construed on the basis that such documents are incorporated in, and form part of, the Prospectus.

Existing Holders should read the whole of the Prospectus, as supplemented by this Supplementary Prospectus, including the discussions of certain risk and other factors that should be considered in connection with an investment in BGH Offer Shares. See Part II "Risk Factors" of the Prospectus.

Recommended Tender Offer by

BANK OF GEORGIA HOLDINGS PLC

Bank of Georgia Holdings Plc

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 7811410)

Tender offer by BGH of one BGH Offer Share for each ordinary share of Bank of Georgia whether held in the form of a GDR or held in the form of a Bank Share in connection with the proposed introduction of BGH as the new holding company of the Bank of Georgia group of companies and the proposed application for admission of up to 36,512,553 BGH Offer Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange

Sponsor, Financial Adviser

ING Bank N.V.

Expected ordinary share capital of BGH immediately following Admission (and assuming full acceptance of the Offer and the completion of the Debt Conversion in full)

Issued and Fully Paid	
Number	*Amount*
36,512,553	*£219,075,318*

ING Bank, which is authorised and regulated in the United Kingdom by the FSA, is acting as Sponsor and financial adviser for BGH and no-one else in connection with Admission and the Offer. ING Bank will not regard any other person (whether or not a recipient of this Supplementary Prospectus) as a client in relation to Admission or the Offer and will not be responsible to anyone other than BGH for providing the protections afforded to clients of ING Bank, or for providing advice in relation to Admission, the Offer or any other matters described in the Prospectus, as supplemented by this Supplementary Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on ING Bank by FSMA or the regulatory regime established thereunder, ING Bank does not accept any responsibility whatsoever, and makes no representation or warranty express or implied, for the contents of the Prospectus, as supplemented by this Supplementary Prospectus, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with BGH, the Bank, Admission or the Offer. ING Bank accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of the Prospectus, as supplemented by this Supplementary Prospectus, or any such statement.

5 January 2012

IMPORTANT NOTICE

No person has been authorised to give any information or make any representations other than those contained in the Prospectus, as supplemented by this Supplementary Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorised by BGH. Neither the delivery of the Prospectus and/or this Supplementary Prospectus nor any subscription or sale made thereunder or hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of BGH since the date of this Supplementary Prospectus or that the information in the Prospectus, as supplemented by this Supplementary Prospectus, is correct as of any time subsequent to the date of this Supplementary Prospectus.

In making an investment decision, each Existing Holder must rely on his, her or its own examination, analysis and enquiry of BGH and the terms of the Offer, including the merits and risks involved. The contents of the Prospectus, as supplemented by this Supplementary Prospectus, should not be construed as legal, business or tax advice. Each Existing Holder should consult his, her or its own legal adviser, financial adviser or tax adviser for advice.

Recipients of this Supplementary Prospectus are authorised to use it solely for the purpose of considering whether or not to accept the Offer and may not reproduce or distribute this Supplementary Prospectus, in whole or in part, and may not disclose any of the contents of this Supplementary Prospectus or use any information herein for any purpose other than considering whether or not to accept the Offer. Such recipients of this Supplementary Prospectus agree to the foregoing by accepting delivery of this Supplementary Prospectus.

NOTICE TO OVERSEAS HOLDERS

Unless determined by BGH and permitted by applicable law and regulation the Offer will not be capable of acceptance from or within Australia, Canada, Japan, Russia or Ukraine or any jurisdiction where extension or acceptance of the Offer would violate the laws of that jurisdiction (each, a **"Restricted Jurisdiction"**). Accordingly, (unless determined otherwise by BGH in its sole discretion) copies of the Prospectus, this Supplementary Prospectus, the Tender Offer Proposal, the Form of Acceptance and the Certification Form (together, the **"Tender Offer Documents"**) are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in (including by way of facsimile transmission), into or from a Restricted Jurisdiction and persons receiving the Tender Offer Documents and any accompanying documents (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offer. The availability of the Offer to persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction. If such persons remain in any doubt, such persons should consult their professional adviser(s) in the relevant jurisdiction without delay.

This Supplementary Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the BGH Offer Shares in any jurisdiction in which such offer or solicitation is unlawful. The BGH Offer Shares have not been and will not be registered under any of the applicable securities laws of a Restricted Jurisdiction. Subject to certain exceptions, the BGH Offer Shares may not be offered or sold within a Restricted Jurisdiction to any national, resident or citizen of a Restricted Jurisdiction.

NOTICE TO US HOLDERS

The Offer is being made in reliance on, and in compliance with, Rule 14d-1(d) under the Exchange Act. The Offer is being made subject to United Kingdom disclosure requirements which are different from certain United States disclosure requirements. In addition, US investors should be aware that the Prospectus, as supplemented by this Supplementary Prospectus, has been prepared in accordance with a United Kingdom format and style, which differs from the United States format and style. In particular, parts of the Prospectus, as supplemented by this Supplementary Prospectus, contain information concerning the offer required by UK disclosure requirements which may be material and may not have been summarised elsewhere therein or herein. Furthermore, the payment and settlement procedure with respect to the Offer will comply with the relevant United Kingdom rules, which differ from United States payment and settlement procedures. BGH will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and the rules and regulations thereunder in connection with the Offer. BGH Offer Shares have not been, and will not be, registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the United States.

BGH Offer Shares may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. BGH Offer Shares have

not been approved or disapproved by the SEC, any other federal or state securities commission in the United States or any other US regulatory authority, nor have any such authorities passed upon or endorsed the merits of the Offer or confirmed the accuracy or determined the adequacy of the Prospectus, as supplemented by this Supplementary Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Offer is being made in the United States in reliance on the exemption from the registration requirements of the Securities Act provided by Section 4(2) of that Act. All holders of Existing Securities who intend to accept, or procure the acceptance of, the Offer will be required to complete and execute a Certification Form containing certain acknowledgements, representations, warranties and agreements. US Holders that certify that they are QIBs, as defined in Rule 144A under the Securities Act, or institutional accredited investors, within the meaning of Rule 501(a) under the Securities Act, and otherwise satisfy the requirements set forth in the Certification Form and the Prospectus, as supplemented by this Supplementary Prospectus, will receive BGH Offer Shares in exchange for their Existing Securities in accordance with the terms of the Offer. The BGH Offer Shares will be "restricted securities" within the meaning of the Securities Act, subject to restrictions on transfer that may require Participating US Holders participating in the Offer to bear the financial risks of the BGH Offer Shares for an indefinite period of time. The term "Participating US Holder" is defined in Paragraph 9.16 of Part B of Part XVIII of the Prospectus. In order to accept the Offer, Existing Holders must make the certifications as provided in the Certification Form. See Part XVIII "Conditions to and further terms of the Offer" of the Prospectus.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO HONG KONG HOLDERS

The contents of this Supplementary Prospectus have not been reviewed by any regulatory authority in the Hong Kong Special Administrative Region of the People's Republic of China. Existing Holders are advised to exercise caution in relation to the Offer. If Existing Holders are in any doubt about any of the contents of this Supplementary Prospectus, they should obtain independent professional advice.

This Supplementary Prospectus does not constitute a prospectus (as defined in section 2(1) of the Companies Ordinance (Cap.32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Supplementary Prospectus in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in this Supplementary Prospectus being a "prospectus" as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of that Ordinance; and no person may issue or have in its possession for the purposes of issue, this Supplementary Prospectus or any invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

This Supplementary Prospectus is for the exclusive use of the Existing Holders in connection with the Offer, and no steps have been taken to register or seek authorisation for the issue of this Supplementary Prospectus in Hong Kong.

This Supplementary Prospectus is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by Existing Holders to any other person in Hong Kong or used for any purpose in Hong Kong other than in connection with Existing Holders' consideration of the Offer.

NOTICE TO HOLDERS IN THE EUROPEAN ECONOMIC AREA

In relation to each Relevant Member State, an offer to the public of any BGH Offer Shares (including by means of a resale or other transfer) may not be made in that Relevant Member State, other than the offer in the United Kingdom contemplated in the Prospectus, as supplemented by this Supplementary Prospectus, (the Prospectus, as supplemented by this Supplementary Prospectus, having been approved by the UKLA (being the competent authority in the United Kingdom) and which will be published in the United Kingdom in accordance with the Prospectus Directive as implemented in the United Kingdom), except that an offer to the public in that Relevant Member State of the BGH Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if and as they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- by BGH to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of ING Bank for any such offers; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of BGH Offer Shares shall result in a requirement for BGH to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the provisions above, the expression an "offer to the public" in relation to any BGH Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the BGH Offer Shares to be offered so as to enable an investor to decide to accept the Offer, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; the expression **"Prospectus Directive"** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State; and the expression **"2010 PD Amending Directive"** means Directive 2010/73/EU.

PRESENTATION OF INFORMATION

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Supplementary Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Group's plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, future costs, performance or growth of its loan portfolio, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development, business strategy and the trends the Group anticipates in the Georgian economy and in the industries and the political and legal environment in which it operates and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "target", "potential", "expect", "intend", "predict", "project", "could", "should", "may", "will", "plan", "aim", "seek" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "Risk Factors", as well as those included elsewhere in this Supplementary Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Accordingly, investors should not place undue reliance on forward-looking statements and, when looking at forward-looking statements, should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Bank operates. The forward-looking statements in this Supplementary Prospectus speak only as of the date of this Supplementary Prospectus. Accordingly BGH does not undertake any obligation to update or revise any of them (whether as a result of new information, future events or otherwise) other than as required by applicable laws, the Listing Rules, the Disclosure and Transparency Rules or the Prospectus Rules of the UK Listing Authority. BGH does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to BGH or persons acting on BGH's behalf and any projections made by third parties included in this Supplementary Prospectus.

Presentation of Financial and Other Information

Financial Information

The Group's interim condensed consolidated financial statements as at 30 September 2011 (the **"Interim Financial Statements"**) (included in this Supplementary Prospectus beginning on page F-1) have been prepared in accordance with IFRS issued by the IASB, including all International Accounting Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Group's operations.

Unless otherwise stated, the financial information relating to the Group has been extracted from the consolidated financial statements of the Group for the relevant financial periods (presented in accordance with IFRS, as adopted by the European Union). All unaudited financial information in this Supplementary Prospectus has been extracted without material adjustment from the Interim Financial Statements or the Group's unaudited management accounts. Certain amounts that appear in this Supplementary Prospectus have been subject to rounding adjustments.

Currency and Exchange Rates

Solely for the convenience of the reader, this Supplementary Prospectus contains translations of certain Lari amounts into US Dollars at exchange rates as reported by the NBG and effective as of the dates specified herein. These exchange rates may differ from the actual rates used in the preparation of the Interim Financial Statements and other financial information appearing in this Supplementary Prospectus. The inclusion of these exchange rates is not meant to suggest that the Lari amounts actually represent such US Dollar amounts or that such amounts could have been converted into US Dollars at any particular rate, or at all. References to "billions" are to thousands of millions.

The following table sets forth, for the periods indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per US Dollar.

	High	Low	Average	Period End
		(Lari per US Dollar)		
Three months ended 30 September 2011	1.684	1.642	1.660	1.661
Three months ended 30 September 2010	1.854	1.799	1.838	1.806

Source: NBG.

The Lari per US Dollar exchange rate as reported by the NBG on 27 December 2011 was GEL 1.664.

TABLE OF CONTENTS

PART I

SUMMARY

Recent Developments

On 23 December 2011, the Bank signed a joint facility agreement with Nederladnse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (or FMO) and Deutsche Investitions-und Entwicklungsgesellschaft MBH (or DEG) for US$40 million. The six-year facility is intended to support the growth of the Bank's SME loan portfolio.

On 28 December 2011, the Bank announced that My Family Clinic, a subsidiary of the Bank's insurance subsidiary JSC Insurance Company Aldagi BCI (or ABCI), had merged with the healthcare business of the Block Georgia group of companies. As a result of this non-cash transaction, as of the date of this Supplementary Prospectus ABCI retains a controlling equity interest of 51% in My Family Clinic, while Block Invest, a member of the Block Georgia group of companies, holds the remaining 49%.

Documents Available for Inspection

In addition to the documents set out in the last paragraph of Part I "Summary" of the Prospectus, copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Supplementary Prospectus at the offices of BGH at 84 Brook Street, London, W1K 5EH, United Kingdom and at the offices of the Bank at 29a Gagarin Street, Tbilisi, Georgia 0160:

- the Interim Financial Statements, including the report of Ernst & Young LLC thereon set out on page F-2 of this Supplementary Prospectus;
- written consent from Ernst & Young LLC; and
- this Supplementary Prospectus.

PART II

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial condition and results of operations of the Group principally covers the three months ended 30 September 2011 and 2010. Unless otherwise specified, the financial information for the periods presented in this discussion has been extracted without material adjustment from the Interim Financial Statements. This section should be read in conjunction with the Interim Financial Statements and the notes thereto and the other financial information included elsewhere in the Prospectus, as supplemented by this Supplementary Prospectus.

Certain information contained in the discussion and analysis set forth below and elsewhere in the Prospectus, as supplemented by this Supplementary Prospectus, includes "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See Part II "Risk Factors" and Part VI "Presentation of Information — Forward-Looking Statements" of the Prospectus and "Presentation of Information — Forward-Looking Statements" of this Supplementary Prospectus.

Recent Developments

On 23 December 2011, the Bank signed a joint facility agreement with Nederladnse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (or FMO) and Deutsche Investitions-und Entwicklungsgesellschaft MBH (or DEG) for US$40 million. The six-year facility is intended to support the growth of the Bank's SME loan portfolio.

On 28 December 2011, the Bank announced that My Family Clinic, a subsidiary of the Bank's insurance subsidiary JSC Insurance Company Aldagi BCI (or ABCI), had merged with the healthcare business of the Block Georgia group of companies. As a result of this non-cash transaction, as of the date of this Supplementary Prospectus ABCI retains a controlling equity interest of 51% in My Family Clinic, while Block Invest, a member of the Block Georgia group of companies, holds the remaining 49%.

Consolidated Results of Operations

The following table sets out the principal components of the Group's consolidated net income for the periods indicated.

	For the three months ended 30 September			
	2011			2010
		(unaudited)		
	(thousands of Lari)	*(thousands of US Dollars)*[1]	*Change (%)*	*(thousands of Lari)*
Interest income	128,734	77,504	20.7%	106,613
Interest expense	(67,959)	(40,915)	47.4%	(46,092)
Net interest income	**60,775**	**36,589**	**0.4%**	**60,521**
Fee and commission income	23,717	14,279	16.4%	20,372
Fee and commission expense	(4,452)	(2,680)	37.7%	(3,232)
Net fee and commission income	**19,265**	**11,599**	**12.4%**	**17,140**
Net insurance revenue	5,064	3,049	24.0%	4,083
Other operating non-interest income	22,267	13,406	165.0%	8,404
Revenue	**107,371**	**64,643**	**19.1%**	**90,148**
Other operating non-interest expenses	(55,255)	(33,266)	(2.9)%	(56,901)
Operating income before cost of credit risk	**52,116**	**31,377**	**56.8%**	**33,247**
Cost of credit risk	(5,165)	(3,110)	(50.1)%	(10,347)
Net operating income	**46,951**	**28,267**	**105.0%**	**22,900**
Non-operating (expense) income	(927)	(558)	(442.1)%	271
Profit before income tax expense	**46,024**	**27,709**	**98.6%**	**23,171**
Income tax expense	(8,410)	(5,063)	262.2%	(2,322)
Profit for the period	**37,614**	**22,646**	**80.4%**	**20,849**

Note:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

Interest Income

The following table sets out the principal components of the Group's interest income for the periods indicated.

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)*[1]	*(thousands of Lari)*
Interest income attributable to:			
Loans to customers	111,707	67,253	98,766
Finance lease receivables	1,744	1,050	1,081
Amounts due from credit institutions	5,716	3,441	993
Investment securities:			
- held-to-maturity	—	—	5,428
- available-for-sale	9,567	5,760	345
Total interest income	**128,734**	**77,504**	**106,613**

Note:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

Interest income increased by GEL 22.1 million (US$13.3 million), or 20.7%, to GEL 128.7 million (US$77.5 million) for the three months ended 30 September 2011, from GEL 106.6 million for the three months ended 30 September 2010. The increase was primarily attributable to a GEL 12.9 million (US$7.8 million), or 13.1% increase in interest income from loans to customers resulting from an increase in the volume of the Group's net loans to customers. The currency-blended loan yields of the Group were 17.9% and 17.3%, for the three months ended 30 September 2010 and 2011, respectively.

The increase in interest income was also attributable to a GEL 4.7 million (US$2.8 million), or 475.6%, increase in interest income from credit institutions and a GEL 3.8 million (US$2.3 million), or 65.7%, increase in interest income from investment securities, both of which were primarily due to growth of the average outstanding amounts of the relevant interest-earning assets (i.e., inter-bank deposits and investment securities) during the three months ended 30 September 2011 as compared to the same period in 2010.

Interest Expense

The following table sets out the components of the Group's interest expense for the periods indicated:

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)*[1]	*(thousands of Lari)*
Interest expense attributable to:			
Amounts due to customers	(41,947)	(25,254)	(27,645)
Amounts due to credit institutions	(26,012)	(15,661)	(18,447)
Total interest expense	**(67,959)**	**(40,915)**	**(46,092)**

Notes:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

Interest expense increased by GEL 21.9 million (US$13.2 million), or 47.4%, to GEL 68.0 million (US$40.9 million) for the three months ended 30 September 2011, from GEL 46.1 million for the three months ended 30 September 2010. The increase was the result of a GEL 14.3 million (US$8.6 million), or 51.7%, increase in interest expense on amounts due to customers and a GEL 7.6 million (US$4.6 million), or 41.0%, increase in interest expense on amounts due to credit institutions.

The Group enters into interest rate swap agreements to hedge its exposure to interest risk. Net gains (losses) from derivative financial instruments comprise net gains (losses) from revaluation of the interest rate swap agreements entered by the Bank to hedge its variable interest rate risk. A decline in the fair value of the derivative financial liability recognised by the Group due to the interest rate swap agreements resulted in a net gain from derivative financial instruments in the three months ended 30 September 2011, compared to a net loss from the same agreements for the three months ended 30 September 2010 caused by an appreciation in the derivative financial liability. The Group combines gains (losses) from derivative financial instruments with total interest expense for purposes of consistent analysis of the Group's total interest costs. The aggregate amount of interest expense together with net gains (losses) from derivative financial instruments (referred to as "adjusted interest expense") was GEL 65.4 million and GEL 50.2 million for the three months ended 30 September 2011 and 2010, respectively. Adjusted interest expense increased by GEL 15.2 million, or 30.3%, on a year-over-year basis, primarily attributable to the increased average volume of customer time deposits.

Consolidated foreign currency amounts due to customers at 30 September 2011 and 30 September 2010 accounted for 68.9% and 73.6%, respectively, of the total consolidated amounts due to customers at each date. Currency-blended customer deposit yields comprised 7.3% and 7.0% for the three months ended 30 September 2011 and 30 September 2010, respectively.

Net Interest Income

As a result of the foregoing, the Group's consolidated net interest income increased by GEL 0.3 million (US$0.2 million), or 0.4%, to GEL 60.8 million (US$36.6 million) for the three months ended 30 September 2011, from GEL 60.5 million for the three months ended 30 September 2010.

The Group's adjusted net interest income, calculated as the difference between interest income and adjusted interest expense, comprised GEL 63.4 million and GEL 56.4 million for the three months ended 30 September 2011 and 2010, respectively, increasing by GEL 6.9 million, or 12.4%, between the two periods.

The Group's net interest margin decreased to 7.4% in the third quarter of 2011 from 9.0% in the third quarter of 2010. The decrease was primarily attributable to increased liquidity and growth of interest-bearing liabilities.

The Group's adjusted net interest margin decreased to 7.7% in the third quarter of 2011 from 8.4% in the third quarter of 2010. The decrease was primarily attributable to increased liquidity and growth of interest-bearing liabilities.

Net Fee and Commission Income

The following table shows the principal components of the Group's net fee and commission income for the periods indicated.

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)*[1]	*(thousands of Lari)*
Settlement operations	16,370	9,856	10,557
Guarantees and letters of credit	4,332	2,608	2,940
Cash operations	2,509	1,511	4,669
Brokerage service fee	248	149	165
Currency conversion operations	107	64	168
Advisory	76	46	789
Other	75	45	1,084
Fee and commission income	**23,717**	**14,279**	**20,372**
Settlement operations	(3,118)	(1,877)	(1,329)
Guarantees and letters of credit	(439)	(264)	(968)
Cash operations	(682)	(411)	(173)
Insurance brokerage service fees	(167)	(101)	(728)
Currency conversion operations	(5)	(3)	(4)
Other	(41)	(24)	(30)
Fee and commission expense	**(4,452)**	**(2,680)**	**(3,232)**
Net fee and commission income	**19,265**	**11,599**	**17,140**

Notes:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

Net fee and commission income increased by GEL 2.1 million (US$1.3 million), or 12.4%, to GEL 19.3 million (US$11.6 million) for the three months ended 30 September 2011, from GEL 17.1 million for the three months ended 30 September 2010. This reflected a GEL 5.8 million (US$3.5 million), or 55.1%, increase in fee and commission income from settlement operations, resulting from growth of overall plastic cards operations (including in particular growth of the number and value of American Express credit card related operations), growth of money transfers and certain reclassifications (from commissions from cash operations), and a GEL 1.4 million (US$0.8 million), or 47.3%, increase in fee and commission income from guarantees and letters of credit, resulting from the overall improvement of the economic environment in Georgia and an increase in foreign trade turnover of Georgian businesses. These increases were partially offset by a GEL 2.2 million (US$1.3 million), or 46.3%, decrease in fee and commission income from cash operations, primarily resulting from certain reclassifications (into commissions from settlement operations), and a GEL 1.8 million (US$1.1 million), or 134.6%, increase in fee and commission expense on settlement operations, mostly resulting from the increase in American Express credit card related operations.

Net Insurance Revenue

Reflecting the continued improvements in claims management, the Group's net insurance revenue increased by GEL 1.0 million (US$0.6 million), or 24.0%, to GEL 5.1 million (US$3.0 million) for the three months ended 30 September 2011, from GEL 4.1 million for the three months ended 30 September 2010.

Other Operating Non-Interest Income

The following table sets out certain information on the Group's other operating non-interest income for the periods indicated:

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)*	*(thousands of Lari)*
Net (losses) gains from trading securities and investment securities available-for-sale	(200)	(120)	424
Net gains (losses) from derivative financial instruments	2,584	1,556	(4,151)
Net gains from foreign currencies:			
- dealing	12,590	7,580	9,145
- translation differences	(451)	(272)	755
Other operating income	7,744	4,662	2,231
Other operating non-interest income	**22,267**	**13,406**	**8,404**

Notes:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

The Group's consolidated other operating non-interest income increased by GEL 13.9 million (US$8.3 million), or 165.0%, to GEL 22.3 million for the three months ended 30 September 2011, from GEL 8.4 million for the three months ended 30 September 2010.

The Group's adjusted other operating non-interest income comprises other operating non-interest income excluding net gains (losses) from derivative financial instruments. The adjusted other operating non-interest income increased by GEL 7.1 million (US$4.3 million), or 56.8%, to GEL 19.7 million for the three months ended 30 September 2011, from GEL 12.6 million for the three months ended 30 September 2010, primarily caused by a GEL 5.5 million (US$3.3 million), or 247.1%, increase in other operating income resulting from the growth of health care revenues generated by the Group's insurance subsidiary as well as the Group's non-core subsidiaries.

The increase in adjusted other operating non-interest income was also due to a GEL 2.2 million (US$1.3 million), or 22.6%, increase in net gains from foreign currencies resulting from the overall growth of foreign currency customer conversions in the three months ended 30 September 2011 compared to the same period in 2010.

Revenue

As a result of the foregoing factors, the Group's revenue increased by GEL 17.2 million (US$10.4 million), or 19.1%, to GEL 107.4 million (US$64.6 million) for the three months ended 30 September 2011, from GEL 90.1 million for the three months ended 30 September 2010.

Other Operating Non-Interest Expenses

The following table shows the composition of the Group's other non-interest expenses for the periods indicated:

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)[(1)]*	*(thousands of Lari)*
Salaries and other employee benefits	(30,727)	(18,499)	(26,919)
General and administrative expenses	(16,299)	(9,813)	(19,156)
Depreciation and amortisation	(6,578)	(3,960)	(6,808)
Other operating expenses	(1,651)	(994)	(4,018)
Other operating non-interest expense	**(55,255)**	**(33,266)**	**(56,901)**

Notes:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

The Group's other operating non-interest expense for the three months ended 30 September 2011 decreased by GEL 1.6 million (US$1.0 million), or 2.9%, to GEL 55.3 million (US$33.3 million), from GEL 56.9 million for the three months ended 30 September 2010. The decrease was primarily due to a GEL 2.9 million (US$1.7 million), or 14.9%, decrease in general and administrative expenses, a GEL 2.4 million (US$1.4 million), or 58.9%, decrease in other operating expenses and a GEL 0.2 million (US$0.1 million), or 3.4%, decrease in depreciation and amortisation expenses, which was partially offset by a GEL 3.8 million (US$2.3 million), or 14.1%, increase in salaries and other employee benefits. The decrease in general and administrative, other operating and depreciation and amortisation expenses was primarily due to the disposal of BG Bank in the beginning of 2011, as well as to the further cost efficiency measures undertaken by the Group in 2011. The increase in salaries and other employee benefits was primarily a result of an increase in headcount and bonus pool in line with the overall growth of the Group's business.

Operating Income Before Cost of Credit Risk

As a result of the foregoing factors, the Group's operating income before cost of credit risk increased by GEL 18.9 million (US$11.4 million), or 56.8%, to GEL 52.1 million (US$31.4 million) for the three months ended 30 September 2011, from GEL 33.2 million for the three months ended 30 September 2010.

Cost of Credit Risk

The following table shows the composition of the Group's cost of credit risk for the periods indicated:

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)[(1)]*	*(thousands of Lari)*
Impairment charge on loans to customers	(5,691)	(3,426)	(10,131)
Reversal of impairment (impairment charge) on other assets and provisions	477	287	(153)
Reversal of impairment (impairment charge) on finance lease receivables	49	29	(63)
Cost of credit risk	**(5,165)**	**(3,110)**	**(10,347)**

Note:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

Cost of credit risk decreased by GEL 5.2 million (US$3.1 million), or 50.1%, to GEL 5.2 million (US$3.1 million) for the three months ended 30 September 2011, from GEL 10.3 million for the three months ended 30 September 2010. The decrease was primarily the result of a GEL 4.4 million (US$2.7 million), or 43.8%, decrease in impairment charge on loans to customers. The decrease in the impairment charge on loans to customers was primarily due to improvements in the economy generally and in the Group's loan portfolio quality, as well as the disposal of BG Bank in the beginning of 2011. Allowance for loan impairment was GEL 121.6 million (US$73.2 million), or 4.6% of total gross loans as of 30 September 2011.

The Group's gross loans to customers past due for more than 90 days comprised GEL 99.6 million as of 30 September 2011, as compared to GEL 131.5 million as of 30 September 2010, decreasing by 24.3%. The Group's loans to customers past due for more than 90 days to total gross loans ratio decreased from 6.0% as of 30 September 2010 to 3.8% as of 30 September 2011.

Net Operating Income

As a result of the foregoing, the Group's net operating income increased by GEL 24.1 million (US$14.5 million), or 105.0%, to GEL 47.0 million (US$28.3 million) for the three months ended 30 September 2011, from net operating income of GEL 22.9 million for the three months ended 30 September 2010.

Non-Operating (Expense) Income

The following table shows the composition of the Group's other non-operating (expense)/income for the periods indicated:

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)*[1]	*(thousands of Lari)*
Share of loss of associates	47	28	—
Other non-operating (expense) income	(974)	(586)	271
Non-operating (expense) income	**(927)**	**(558)**	**271**

Note:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

The Group had a non-operating expense of GEL 0.9 million (US$0.6 million) for the three months ended 30 September 2011 (mostly comprising advisory and professional service costs associated with the Tender Offer) compared to non-operating income of GEL 0.3 million for the three months ended 30 September 2010.

Profit Before Income Tax Expense

As a result of the foregoing factors, the Group's profit before income tax expense increased by GEL 22.9 million (US$13.8 million), or 98.6%, to GEL 46.0 million (US$27.7 million) for the three months ended 30 September 2011, from GEL 23.2 million for the three months ended 30 September 2010.

Income Tax Expense

The Group's income tax expense increased by GEL 6.1 million (US$3.7 million), or 262.2%, to GEL 8.4 million (US$5.1 million) for the three months ended 30 September 2011, from GEL 2.3 million for the three months ended 30 September 2010.

Profit for the Period

The Group's net profit increased by GEL 16.8 million (US$10.1 million), or 80.4%, to GEL 37.6 million (US$22.6 million) for the three months ended 30 September 2011, compared to GEL 20.8 million for the three months ended 30 September 2010, for the reasons described above.

Financial Condition as of 30 September 2011 and 30 June 2011

The following table sets out the Group's assets, liabilities and equity as of the dates indicated.

	As of 30 September 2011		As of 30 June 2011
	(unaudited)		*(audited)*
	(thousands of Lari)	*(thousands of US Dollars)*[(1)]	*(thousands of Lari)*
Assets			
Cash and cash equivalents	492,452	296,479	338,408
Amounts due from credit institutions	268,338	161,552	308,067
Loans to customers	2,497,334	1,503,512	2,375,110
Finance lease receivables	63,362	38,147	64,791
Investment securities:			
- available for sale	385,561	232,126	404,317
- held-to-maturity	21	13	21
Investments in associates	3,938	2,371	3,758
Investment properties	104,669	63,016	99,353
Property and equipment	296,066	178,246	278,429
Goodwill	56,212	33,842	56,212
Other intangible assets	20,980	12,631	21,741
Income tax assets:			
- current	7,632	4,595	7,584
- deferred	13,870	8,350	13,390
Prepayments	26,841	16,160	27,845
Other assets	122,132	73,529	124,298
Total assets	**4,359,408**	**2,624,569**	**4,123,324**
Liabilities			
Amounts due to customers	2,322,935	1,398,516	2,228,505
Amounts due to credit institutions	1,099,722	662,084	986,592
Income tax liabilities:			
- current	246	148	130
- deferred	31,083	18,713	23,853
Provisions	320	193	8
Other liabilities	129,432	77,924	132,475
Total liabilities	**3,583,738**	**2,157,578**	**3,371,563**
Equity			
Share capital	31,368	18,885	31,360
Additional paid-in capital	474,665	285,771	478,555
Treasury shares	(1,602)	(964)	(1,428)
Other reserves	26,117	15,724	28,063
Retained earnings	218,338	131,450	190,749
Total equity attributable to shareholders	**748,886**	**450,866**	**727,299**
Non-controlling interest	26,784	16,125	24,462
Total equity	**775,670**	**466,991**	**751,761**
Total liabilities and equity	**4,359,408**	**2,624,569**	**4,123,324**

Note:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

Total Assets

As of 30 September 2011, the Group had total assets of GEL 4,359.4 million (US$2,624.6 million) as compared to total assets of GEL 4,123.3 million as of 30 June 2011. The GEL 236.1 million (US$142.1 million), or 5.7%, increase was primarily due to a GEL 154.0 million (US$92.7 million), or 45.5%, increase in cash and cash equivalents, a GEL 122.2 million (US$73.6 million), or 5.1%, increase in loans to customers, a GEL 17.6 million

(US$10.6 million), or 6.3%, increase in property and equipment, a GEL 5.3 million (US$3.2 million), or 5.4%, increase in investment properties, a GEL 0.5 million (US$0.3 million), or 2.5%, increase in income tax assets and a GEL 0.2 million (US$0.1 million), or 4.8%, increase in investments in associates, which was partially offset by a GEL 39.7 million (US$23.9 million), or 12.9%, decrease in amounts due from credit institutions, a GEL 18.8 million (US$11.3 million), or 4.6%, decrease in investment securities available for sale, a GEL 2.2 million (US$1.3 million), or 1.7%, decrease in other assets, a GEL 1.4 million (US$0.9 million), or 2.2%, decrease in finance lease receivables, a GEL 1.0 million (US$0.6 million), or 3.6%, decrease in prepayments and a GEL 0.8 million (US$0.5 million), or 3.5%, decrease in other intangible assets.

Total Liabilities

As of 30 September 2011, the Group had total liabilities of GEL 3,583.7 million (US$2,157.6 million) as compared to total liabilities of GEL 3,371.6 million as of 30 June 2011. The GEL 212.2 million (US$127.7 million), or 6.3%, increase was primarily due to a GEL 113.1 million (US$68.1 million), or 11.5%, increase in amounts due to credit institutions, a GEL 94.4 million (US$56.9 million), or 4.2%, increase in amounts due to customers, a GEL 7.3 million (US$4.4 million), or 30.6%, increase in income tax liabilities and a GEL 0.3 million (US$0.2 million) increase in provisions, which was partially offset by a GEL 3.0 million (US$1.8 million), or 2.3%, decrease in other liabilities.

Shareholders' Equity

As of 30 September 2011, the Group had shareholders' equity of GEL 775.7 million (US$467.0 million), as compared to shareholders' equity of GEL 751.8 million as of 30 June 2011. The GEL 23.9 million (US$14.4 million), or 3.2%, increase in shareholders' equity was primarily due to a GEL 27.6 million (US$16.6 million), or 14.5%, increase in retained earnings (net of dividend payments of GEL 9.2 million in total in July 2011) and a GEL 2.3 million (US$1.4 million), or 9.5%, increase in non-controlling interest, which was partially offset by a GEL 3.9 million (US$2.3 million), or 0.8%, decrease in additional paid-in capital, a GEL 1.9 million (US$1.2 million), or 6.9%, decrease in other reserves and a GEL 0.2 million (US$0.1 million), or 12.2%, increase in treasury shares.

Cash Flows

The following table summarises the Group's cash flows for the periods indicated.

	For the three months ended 30 September		
	2011		2010
	(thousands of Lari)	*(unaudited) (thousands of US Dollars)*[1]	*(thousands of Lari)*
Net cash flows from (used in) operating activities	**146,477**	**88,186**	**(34,923)**
Cash flows from investing activities			
Proceeds from sale of investment securities: available-for-sale	20,625	12,417	26,594
Purchase of investment securities: held-to-maturity	—	—	(29,715)
Purchase of investments in associates	—	—	(99)
Purchase of investment properties	—	—	(30,856)
Purchase of property and equipment and intangible assets	(10,733)	(6,462)	(852)
Net cash flows from (used in) investing activities	**9,892**	**5,955**	**(34,928)**
Cash flows from financing activities			
Purchase of treasury shares	(10,890)	(6,556)	(10,548)
Sale of treasury shares	6,563	3,951	—
Purchase of additional interests by non-controlling shareholders	2,453	1,477	11,973
Purchase of additional interests in existing subsidiaries, net of cash acquired	—	—	(22)
Net cash flows (used in) from financing activities	**(1,874)**	**(1,128)**	**1,403**
Effect of exchange rates changes on cash and cash equivalents	(451)	(271)	(5,246)
Net increase (decrease) in cash and cash equivalents	**154,044**	**92,742**	**(73,694)**

Note:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

Net Cash Flows from (Used in) Operating Activities

Net cash flows from operating activities were GEL 146.5 million for the three months ended 30 September 2011, as compared to net cash flows used in operating activities of GEL 34.9 million for the three months ended 30 September 2010. The difference between the periods was primarily due to a GEL 85.2 million net increase in operating assets and liabilities for the three months ended 30 September 2011, as compared to a GEL 71.1 million net decrease in operating assets and liabilities for the same period in 2010.

Net Cash Flows from (Used in) Investing Activities

Net cash flows from (used in) investment activities were GEL 9.9 million (US$6.0 million) for the three months ended 30 September 2011 and GEL 18.1 million for the three months ended 30 September 2010. The difference between the periods was primarily due to an increase in net proceeds from (proceeds from less purchases of) investment securities.

Cash Flows (Used in) from Financing Activities

Net cash flows used in financing activities were GEL 1.9 million in the three months ended 30 September 2011. Net cash flows from financing activities were GEL 1.4 million in the three months ended 30 September 2010. The difference between the periods was primarily due to a decrease in proceeds from the purchase of additional interests by non-controlling shareholders in the Group's existing subsidiaries.

Capital Adequacy

The Bank is required to comply with the NBG's capital adequacy requirements. As the NBG requires the Bank to calculate its capital adequacy in accordance with the NBG's methodology, the table below is presented for the Bank on a standalone basis calculated in accordance with NBG Standards.

	As of 30 September		**As of 30 June**
	2011		**2011**
	(unaudited)		*(audited)*
	(thousands of Lari)	*(thousands of US Dollars)*[(1)]	*(thousands of Lari)*
Ordinary shares	29,897	17,999	30,058
Share premium	464,138	279,433	467,919
Retained earnings	62,836	37,830	74,738
Intangible assets	(41,317)	(24,875)	(42,710)
Tier I capital	**515,554**	**310,387**	**530,005**
Current year profit (loss)	86,606	52,141	36,988
General loan loss provisions	50,163	30,201	46,139
Subordinated debt	257,777	155,194	265,003
Tier II capital	**394,547**	**237,536**	**348,130**
Deductions from capital	(191,588)	(115,345)	(180,994)
Total capital	**718,513**	**432,578**	**697,141**
Risk-weighted assets	**4,777,945**	**2,876,547**	**4,606,121**
Capital adequacy ratios			
Tier I ratio	**10.8%**	**10.8%**	**11.5%**
Total capital ratio	**15.0%**	**15.0%**	**15.1%**

Notes:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

The Bank's total capital ratio decreased to 15.0% as of 30 September 2011, compared to 15.1% as of 30 June 2011. The decrease was attributable to a GEL 14.5 million (US$8.7 million), or 2.7%, decrease in tier I capital (primarily caused by dividend payments of GEL 9.2 million in total in July 2011), a GEL 10.6 million (US$6.4 million), or 5.9%, increase in deductions from capital and a GEL 171.8 million (US$103.4 million), or 3.7%, increase in risk-weighted assets, which was partially offset by a GEL 46.4 million (US$27.9 million), or 13.3%, increase in tier II capital.

The following table sets out an analysis of the Group's regulatory capital on a consolidated basis under Basel I as of the dates indicated.

	As of 30 September		As of 30 June
	2011		2011
	(unaudited)		*(audited)*
	(thousands of Lari)	*(thousands of US Dollars)*[(1)]	*(thousands of Lari)*
Ordinary shares	31,368	18,885	31,360
Share premium	474,665	285,771	478,555
Retained earnings	219,137	131,931	190,848
Tier I capital	**725,170**	**436,587**	**700,763**
General loan loss provisions	50,570	30,446	48,403
Revaluation reserves	26,117	15,724	28,063
Subordinated debt	311,228	187,374	313,522
Undisclosed reserves	—	—	—
Tier II capital	**387,915**	**233,544**	**389,988**
Deductions from capital	(57,814)	(34,807)	(57,640)
Total capital	**1,055,271**	**635,324**	**1,033,111**
Risk-weighted assets	**4,045,620**	**2,435,653**	**3,872,251**
Capital adequacy ratios			
Tier I ratio	**17.9%**	**17.9%**	**18.1%**
Total capital ratio	**26.1%**	**26.1%**	**26.7%**

Notes:

(1) Converted into US Dollars for convenience using an exchange rate of GEL 1.661 per US$1.00, being the official Lari to US Dollar exchange rate as reported by the NBG on 30 September 2011.

The Group's total ratio decreased to 26.1% as of 30 September 2011, as compared to 26.7% as of 30 June 2011. The decrease was attributable to a GEL 2.1 million (US$1.2 million), or 0.5%, decrease in tier II capital, a GEL 0.2 million (US$0.1 million), or 0.3%, increase in deductions from capital and a GEL 173.4 million (US$104.4 million), or 4.5%, increase in risk-weighted assets, which was partially offset by a GEL 24.4 million (US$14.7 million), or 3.5%, increase in tier I capital.

Selected Financial Ratios

The following table sets out the Bank's selected financial ratios for the periods indicated. Average amounts are calculated as balance at the beginning of the period, plus balance at the end of the period, divided by two.

	For the three months ended 30 September	
	2011	2010
	(unaudited)	
Profitability ratios:		
ROAA[1]	3.52%	2.39%
ROAE[2]	19.84%	12.68%
Interest expense to interest income	52.8%	43.2%
Interest income to average interest earning assets	15.6%	15.9%
Cost of funds[3]	7.9%	6.8%
Net spread[4]	7.7%	9.1%
Net interest margin[5]	7.4%	9.0%
Net interest margin, adjusted[6]	7.7%	8.4%
Currency-blended loan yield[7]	17.3%	17.9%
Currency-blended deposit yield[8]	7.3%	7.0%
Net fee and commission income to revenue[9]	17.9%	19.0%
Net non-interest income to revenue[10]	43.4%	32.9%
Efficiency ratios:		
Cost to income ratio[11]	51.5%	63.1%
Other operating non-interest expense to average total assets	5.2%	6.5%
Salaries and other employee benefits to total operating income[12]	28.6%	29.9%
Salaries and other employee benefits to other operating non-interest expense[12]	55.6%	47.3%
Liquidity ratios (at period end):		
Net loans to total assets	57.3%	57.5%
Net loans to amounts owed to customers	107.5%	123.1%
Net loans to total deposits[13]	95.2%	111.2%
Net loans to total liabilities	69.7%	71.0%
Interest earnings assets[5] to total assets	76.5%	77.1%
Liquid assets to total assets[14]	26.3%	24.0%
Total deposits to total assets[13]	60.2%	51.7%
Amounts due to customers to total deposits	88.6%	90.3%
Amounts due to customers to total equity (times)	3.0	2.4%
Amounts due from credit institutions to amounts due to credit institutions, except for borrowings from international credit institutions	89.4%	90.9%
Total equity to net loans	31.1%	33.2%
Leverage, (times)[15]	4.6	4.2%
Asset quality:		
Allowance at period end for loan impairment to gross loans[16]	4.6%	8.7%
Impairment of interest earning assets for the period to average interest earning assets (Cost of risk)	0.7%	1.5%
Impairment charge on loans to customers to gross loans to customers	0.9%	1.8%
Capital adequacy (at period end):		
Consolidated capital adequacy ratio[17]	17.9%	20.2%
Consolidated Total capital adequacy ratio[17] [18]	26.1%	31.6%
Standalone Tier I capital adequacy ratio[19]	19.0%	28.4%
Standalone Total capital adequacy ratio[19] [20]	28.4%	31.1%

Notes:

(1) Return on average total assets: profit (loss) for the period from continuing operations divided by average totals assets of the period.

(2) Return on average total equity: profit (loss) for the period from continuing operations attributable to Bank Shareholders divided by average total equity of the period attributable to Bank Shareholders.

(3) Cost of funds equals interest expense divided by average interest bearing liabilities of the period. Interest bearing liabilities include amounts due to credit institutions and amounts due to customers.

(4) Net spread is calculated as the difference between cost of funds and interest income to average interest-earning assets.

(5) Net interest income divided by average-interest-earning assets of the period. Interest-earning assets include time deposits with credit institutions with effective maturity up to 90 days, amounts due from credit institutions, loans to customers (net), finance lease receivables (net) and investment securities (interest-earning securities only).

(6) Adjusted net interest margin equals adjusted net interest income divided by average interest-earning assets for the period. Adjusted net interest income equals the difference between interest income and the adjusted interest expense. Adjusted interest expense is a combined amount of interest expense and net gains (losses) from derivative financial instruments.

(7) The currency-blended loan yield equals total interest income from loans for the period divided by the average total gross loans for the same period.

(8) The currency-blended customer deposit yield equals total interest expense from amounts due to customers for the period divided by the average total amounts due to customers for the same period.

(9) Revenue includes net interest income, net fee and commission income, net insurance revenue and other operating non-interest income.

(10) Net non-interest income is the sum of net fee and commission income, net insurance revenue and other operating non-interest income.

(11) Cost to income ratio equals other operating non-interest expense divided by revenue of the period.

(12) Salaries and other employee benefits amounted to GEL 30.7 million and GEL 26.9 million for the three months ended 30 September 2011 and 2010, respectively.

(13) Total deposits include amounts due to customers and amounts due to credit institutions except for the borrowings from credit institutions.

(14) Liquid assets include cash and cash equivalents, amounts due from credit institutions and investment securities. Liquid assets amounted to GEL 843.5 million and GEL 1,146.4 million as of 30 September 2010 and 2011, respectively.

(15) Total liabilities divided by total equity.

(16) Allowance for loan impairment amounted to GEL 191.2 million and GEL 121.6 million as of 30 September 2010 and 2011, respectively.

(17) The consolidated Tier I capital adequacy ratio calculated in accordance with Basel I. The consolidated Tier I capital adequacy ratio of the Group equals the consolidated Tier I capital divided by the consolidated risk weighted assets. The consolidated Tier I capital amounted to GEL 600.9 million and GEL 725.2 million as of 30 September 2010 and 2011, respectively. The consolidated risk weighted assets amounted to GEL 2,977.9 million and GEL 4,045.6 million as of 30 September 2010 and 2011, respectively.

(18) The consolidated total capital adequacy ratio calculated in accordance with Basel I. The consolidated total capital adequacy ratio of the Group equals total consolidated regulatory capital (Tier I + Tier II — deductions) divided by consolidated risk weighted assets. The consolidated regulatory capital (Tier I + Tier II — deductions) amounted to GEL 941.3 million and GEL 1,055.3 million as of 30 September 2010 and 2011, respectively.

(19) The standalone Tier I capital adequacy ratio calculated in accordance with Basel I. The standalone Tier I capital adequacy ratio of Bank of Georgia equals the standalone Tier I capital divided by the standalone risk weighted assets. The standalone Tier I capital amounted to GEL 764.0 million of 30 September 2011. The standalone risk weighted assets amounted to GEL 2,643.6 million and GEL 4,010.7 million as of 30 September 2010 and 2011, respectively.

(20) The standalone total capital adequacy ratio calculated in accordance with Basel I. The standalone total capital adequacy ratio of Bank of Georgia equals the total standalone regulatory capital (Tier I + Tier II — deductions) divided by the standalone risk weighted assets. The standalone regulatory capital (Tier I + Tier II — deductions) amounted to GEL 822.5 million and GEL 1,140.2 million as of 30 September 2010 and 2011, respectively.

PART III

ADDITIONAL INFORMATION

1. Rights of Withdrawal

In accordance with paragraph 3.4 of Part B of Part XVIII of the Prospectus, Participating Holders who accepted the Offer prior to publication of this Supplementary Prospectus have a right of withdrawal which arises pursuant to section 87Q of FSMA. Bank Shareholders who wish to withdraw their acceptance of the Offer must do so by written notice given by facsimile, by post or by hand (during normal business hours only) to the Georgian Exchange Agent at:

If by hand, post or overnight courier:
7 Chavchavadze Ave. 0179 Tbilisi, Georgia

If by facsimile:
+995 322 23 58 04, marked for the attention of Ekaterine Gvetadze,

and a GDR Holder may withdraw its instructions to accept the Offer in accordance with the policies and procedures of the relevant Clearing System, in each case during the period of two Business Days beginning with the first Business Day after the date of publication of this Supplementary Prospectus.

Existing Securities in respect of which acceptances have been validly withdrawn in accordance with Paragraph 3.4 of Part B of Part XVIII of the Prospectus may subsequently be re-assented to the Offer by following one of the procedures described in Paragraph 5 of Part B of Part XVIII of the Prospectus while the Offer remains open for acceptance.

2. Consents

Ernst & Young LLC have consented to the inclusion in this Supplementary Prospectus of their report on page F-2 in the form and context in which it is included and authorised the contents of their report for the purposes of Prospectus Rule 5.5.3R(2)(f). This statement is included to comply with item 23.1 of Annex I of Appendix III of the Commission Regulation (EC) 809/2004.

For the purposes of Prospectus Rule 5.5.3R(2)(f) Ernst & Young LLC are responsible for their report beginning on page F-2 as part of this Supplementary Prospectus and declare that they have taken all reasonable care to ensure that the information contained in their report is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

A written consent under the Prospectus Rules is different from a consent filed with the US Securities and Exchange commission under Section 7 of the Securities Act. As the BGH Offer Shares have not and will not be registered under the Securities Act, Ernst & Young LLC has not filed a consent under Section 7 of the Securities Act.

3. Documents Available For Inspection

In addition to the documents set out in paragraph 55 of Part XXI "Additional Information" of the Prospectus, copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Supplementary Prospectus at the offices of BGH at 84 Brook Street, London, W1K 5EH, United Kingdom and at the offices of the Bank at 29a Gagarin Street, Tbilisi, Georgia 0160:

- the Interim Financial Statements, including the report of Ernst & Young LLC thereon set out on page F-2 of this Supplementary Prospectus;
- written consent from Ernst & Young LLC; and
- this Supplementary Prospectus.

Dated: 5 January 2012

PART IV

INDEX TO THE INTERIM FINANCIAL STATEMENTS

Ernst & Young LLC
Kote Abkhazi Street, 44
Tbilisi, 0105, Georgia
Tel: +995 (32) 243 9375
Fax: +995 (32) 243 9376
www.ey.com/georgia

შპს ერნსტ ენდ იანგი
საქართველო, 0105 თბილისი
კოტე აფხაზის ქუჩა 44
ტელ: +995 (32) 243 9375
ფაქსი: +995 (32) 243 9376

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of JSC Bank of Georgia –

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Bank of Georgia and its subsidiaries (together the "Group") as at 30 September 2011, which comprise the interim condensed consolidated statements of financial position as at 30 September 2011 and the related interim condensed consolidated income statements and statements of comprehensive income for the three months and the nine months then ended, interim condensed consolidated statements of changes in equity and of cash flows for the nine months then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34)". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

ERNST & YOUNG LLC

22 December 2011

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

(Thousands of Georgian Lari)

	Notes	As at 30 September 2011	As at 31 December 2010
		Unaudited	
Assets			
Cash and cash equivalents	6	492,452	611,584
Amounts due from credit institutions	7	268,338	116,469
Loans to customers	8	2,497,334	2,351,697
Finance lease receivables		63,362	14,419
Investment securities:			
– available-for-sale	9	385,561	294,940
– held-to-maturity	9	21	21
Investments in associates		3,938	5,632
Investment properties	10	104,669	113,496
Property and equipment		296,066	285,852
Goodwill		56,212	69,212
Other intangible assets		20,980	22,390
Current income tax assets	11	7,632	2,247
Deferred income tax assets	11	13,870	18,178
Prepayments		26,841	23,365
Other assets		122,132	75,420
Total assets		**4,359,408**	**4,004,922**
Liabilities			
Amounts due to customers	12	2,322,935	2,026,308
Amounts due to credit institutions	13	1,099,722	1,138,927
Current income tax liabilities	11	246	4,251
Deferred income tax liabilities	11	31,083	30,901
Provisions		320	4,407
Other liabilities		129,432	106,787
Total liabilities		**3,583,738**	**3,311,581**
Equity	14		
Share capital		31,368	31,345
Additional paid-in capital		474,665	477,285
Treasury shares		(1,602)	(1,510)
Other reserves		26,117	26,816
Retained earnings		218,338	130,314
Total equity attributable to shareholders of the Bank		**748,886**	**664,250**
Non-controlling interests		26,784	29,091
Total equity		**775,670**	**693,341**
Total liabilities and equity		**4,359,408**	**4,004,922**

Signed and authorised for release on behalf of the Management Board of the Bank:

Irakli Gilauri — Chief Executive Officer

David Vakhtangishvili — Chief Financial Officer

22 December 2011

The accompanying selected explanatory notes on pages 7 to 33 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2011

(Thousands of Georgian Lari)

	Notes	*For the three months ended 30 September* 2011	2010	*For the nine months ended 30 September* 2011	2010
		Unaudited		*Unaudited*	
Interest income					
Loans to customers		111,707	98,766	323,173	284,734
Investment securities – available-for-sale		9,567	345	27,919	795
Amounts due from credit institutions		5,716	993	13,385	5,887
Finance lease receivables		1,744	1,081	3,466	3,217
Investment securities – held-to-maturity		–	5,428	–	12,427
		128,734	**106,613**	**367,943**	**307,060**
Interest expense					
Amounts due to customers		(41,947)	(27,645)	(117,575)	(82,382)
Amounts due to credit institutions		(26,012)	(18,447)	(76,227)	(63,308)
		(67,959)	**(46,092)**	**(193,802)**	**(145,690)**
Net interest income		**60,775**	**60,521**	**174,141**	**161,370**
Fee and commission income		23,717	20,372	67,353	54,013
Fee and commission expense		(4,452)	(3,232)	(14,118)	(9,581)
Net fee and commission income	16	**19,265**	**17,140**	**53,235**	**44,432**
Net insurance premiums earned		11,758	11,796	34,881	33,623
Net insurance claims incurred		(6,694)	(7,713)	(20,721)	(21,162)
Net insurance revenue		**5,064**	**4,083**	**14,160**	**12,461**
Net gains from trading securities and investment securities available-for-sale		(200)	424	532	2,564
Net gains (losses) from derivative financial instruments		2,584	(4,151)	5,076	(9,367)
Net gains from revaluation of investment properties	10	–	–	–	3,082
Net gains from foreign currencies:					
– dealing		12,590	9,145	33,702	24,892
– translation differences	17	(451)	755	21,848	1,186
Other operating income		7,744	2,231	20,506	10,404
Other operating non-interest income		**22,267**	**8,404**	**81,664**	**32,761**
Revenue		**107,371**	**90,148**	**323,200**	**251,024**
Salaries and other employee benefits		(30,727)	(26,919)	(88,449)	(79,676)
General and administrative expenses		(16,299)	(19,156)	(46,881)	(47,589)
Depreciation and amortization		(6,578)	(6,808)	(19,519)	(20,122)
Other operating expenses		(1,651)	(4,018)	(6,352)	(7,006)
Other operating non-interest expenses		**(55,255)**	**(56,901)**	**(161,201)**	**(154,393)**
Operating income before cost of credit risk		**52,116**	**33,247**	**161,999**	**96,631**

The accompanying selected explanatory notes on pages 7 to 33 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the three months and nine months ended 30 September 2011

(Thousands of Georgian Lari)

	Notes	For the three months ended 30 September 2011	For the three months ended 30 September 2010	For the nine months ended 30 September 2011	For the nine months ended 30 September 2010
		Unaudited		*Unaudited*	
Operating income before cost of credit risk		**52,116**	**33,247**	**161,999**	**96,631**
Impairment charge on loans to customers		(5,691)	(10,131)	(17,022)	(34,009)
(Impairment charge) Reversal of impairment on finance lease receivables		49	(63)	(122)	529
Impairment reversal (charge) on other assets and provisions		477	(153)	3,717	3,178
Cost of credit risk		**(5,165)**	**(10,347)**	**(13,427)**	**(30,302)**
Net operating income		**46,951**	**22,900**	**148,572**	**66,329**
Impairment charge on goodwill		–	–	(13,000)	–
Share of loss of associates		47	–	(204)	–
Non-operating income		–	271	–	271
Non-operating expenses		(974)	–	(6,426)	(795)
Other non-operating expense		**(927)**	**271**	**(6,630)**	**(524)**
Profit before income tax expense from continuing operations		**46,024**	**23,171**	**128,942**	**65,805**
Income tax expense	11	(8,410)	(2,322)	(15,336)	(8,611)
Profit for the period from continuing operations		**37,614**	**20,849**	**113,606**	**57,194**
Net loss from discontinued operations	18	–	–	(12,247)	–
Profit for the period		**37,614**	**20,849**	**101,359**	**57,194**
Attributable to:					
– shareholders of the Bank		36,915	20,317	100,560	56,565
– non-controlling interests		699	532	799	629
		37,614	**20,849**	**101,359**	**57,194**
Earnings per share:	14				
– basic earnings per share		1.2350	0.6704	3.3611	1.8751
– diluted earnings per share		1.1659	0.6628	3.1837	1.8625
Earnings per share from continuing operations:	14				
– basic earnings per share for continuing operations		1.2352	0.6704	3.7705	1.8751
– diluted earnings per share for continuing operations		1.1661	0.6628	3.5505	1.8625

The accompanying selected explanatory notes on pages 7 to 33 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2011

(Thousands of Georgian Lari)

	Notes	*For the three months ended 30 September* 2011	2010	*For the nine months ended 30 September* 2011	2010
		Unaudited		*Unaudited*	
Profit for the period from continuing operations		**37,614**	**20,849**	**113,606**	**57,194**
Net loss from discontinued operations		–	–	(12,247)	–
Profit for the period		**37,614**	**20,849**	**101,359**	**57,194**
Other comprehensive (loss) income from continuing operations					
– Revaluation of property & equipment		1,172	–	8,651	320
– Revaluation of available-for-sale securities		2,467	74	3,248	624
– Realized loss on available-for-sale securities reclassified to the consolidated income statement		(149)	–	(728)	–
– (Loss) gain from currency translation differences	14	(5,764)	(2,079)	(47,814)	8,299
– Unrealized (loss) gains from dilution in existing subsidiaries		(64)	–	60	–
– Unrealized loss from acquiring shares in existing subsidiaries		–	(7,304)	–	(2,817)
Income tax (expense) benefit relating to components of other comprehensive income	11	(595)	(41)	2,704	(204)
Other comprehensive (loss) income for the period from continuing operations, net of tax		**(2,933)**	**(9,350)**	**(33,879)**	**6,222**
Other comprehensive gain from discontinued operations	18	–	–	24,254	–
Other comprehensive (loss) income for the period, net of tax		**(2,933)**	**(9,350)**	**(9,625)**	**6,222**
Total comprehensive income for the period from continuing operations		34,681	11,499	79,727	63,416
Total comprehensive income for the period from discontinued operations	18	–	–	12,007	–
Total comprehensive income for the period		**34,681**	**11,499**	**91,734**	**63,416**
Attributable to:					
– shareholders of the Bank		34,813	10,969	96,494	62,789
– non-controlling interests		(132)	530	(4760)	627
		34,681	**11,499**	**91,734**	**63,416**

The accompanying selected explanatory notes on pages 7 to 33 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011

(Thousands of Georgian Lari)

	Attributable to shareholders of the Bank							
	Share capital	***Additional paid-in capital***	***Treasury shares***	***Other reserves***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total equity***
31 December 2009	**31,306**	**478,779**	**(1,677)**	**24,387**	**46,163**	**578,958**	**19,459**	**598,417**
Total comprehensive income for the nine months ended 30 September 2010 (unaudited)	–	–	–	16,872	45,917	62,789	627	63,416
Depreciation of revaluation reserve, net of tax	–	–	–	(806)	806	–	–	–
Increase in share capital arising from share-based payments (Note 14)	27	7,856	573	–	–	8,456	–	8,456
Acquisition of additional interest in existing subsidiary by non-controlling shareholders	–	–	–	–	–	–	11,973	11,973
Acquisition of non-controlling interests in existing subsidiaries	–	–	–	–	–	–	(6,271)	(6,271)
Non-controlling interests arising on acquisition of subsidiary	–	–	–	–	–	–	3,925	3,925
Sale of treasury shares	–	3,039	236	–	–	3,275	–	3,275
Purchase of treasury shares	–	(13,593)	(718)	–	–	(14,311)	–	(14,311)
30 September 2010 (unaudited)	**31,333**	**476,081**	**(1,586)**	**40,453**	**92,886**	**639,167**	**29,713**	**668,880**
31 December 2010	**31,345**	**477,285**	**(1,510)**	**26,816**	**130,314**	**664,250**	**29,091**	**693,341**
Total comprehensive income (loss) for the nine months ended 30 September 2011 (unaudited)	–	–	–	1,257	95,237	96,494	(4,760)	91,734
Depreciation of revaluation reserve, net of tax	–	–	–	(1,956)	1,956	–	–	–
Increase in share capital arising from share-based payments (Note 14)	23	2,354	124	–	–	2,501	–	2,501
Dividends (Note 14)	–	–	–	–	(9,169)	(9,169)	–	(9,169)
Acquisition of additional interest in existing subsidiary by non-controlling shareholders	–	–	–	–	–	–	2,453	2,453
Sale of treasury shares	–	24,539	1,042	–	–	25,581	–	25,581
Purchase of treasury shares	–	(29,513)	(1,258)	–	–	(30,771)	–	(30,771)
30 September 2011 (unaudited)	**31,368**	**474,665**	**(1,602)**	**26,117**	**218,338**	**748,886**	**26,784**	**775,670**

The accompanying selected explanatory notes on pages 7 to 33 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2011

(Thousands of Georgian Lari)

	Notes	For the nine months ended 30 September 2011	2010 Unaudited
Cash flows from operating activities			
Interest received		357,749	291,127
Interest paid		(174,813)	(141,637)
Fees and commissions received		67,353	54,013
Fees and commissions paid		(14,118)	(9,581)
Net realized gains from trading securities		189	2,564
Net realized gains from investments securities		728	–
Net realized gains from foreign currencies		33,702	24,892
Recoveries of previously written off loans to customers and finance lease receivables		18,039	15,354
Insurance premiums received		35,372	33,623
Insurance claims paid		(19,114)	(21,162)
Other operating income received		17,113	10,403
Salaries and other employee benefits paid		(86,695)	(71,220)
General and administrative and operating expenses paid		(61,699)	(55,119)
Cash flows from operating activities before changes in operating assets and liabilities		**173,806**	**133,257**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		(158,629)	(83,109)
Loans to customers		(168,562)	(398,181)
Finance lease receivables		(48,934)	3,220
Prepayments and other assets		(50,388)	(27,340)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		(33,583)	110,880
Amounts due to customers		298,702	356,653
Other liabilities		2,888	18,918
Net cash flows (used in) from operating activities before income tax		**15,300**	**114,298**
Income tax paid		(7,000)	(2,280)
Net cash flows (used in) from operating activities		**8,300**	**112,018**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	4	–	296
Proceeds from sale of subsidiary		8,747	–
Purchase of investment securities: available-for-sale		(105,091)	(17,346)
Proceeds from sale of investment securities: available-for-sale		20,625	26,594
Purchase of investment securities: held-to-maturity		–	(48,757)
Proceeds from sale of investments in associates		332	1,904
Purchase of investment properties	10	–	(30,856)
Proceeds from sale of investment properties	10	400	–
Purchase of property and equipment and intangible assets		(45,359)	(19,651)
Net cash flows used in investing activities		**(120,346)**	**(87,816)**
Cash flows from financing activities			
Purchase of treasury shares		(30,771)	(14,311)
Sale of treasury shares		25,581	3,275
Purchase of additional interests in existing subsidiaries, net of cash acquired		–	(6,271)
Proceeds from sale of non-controlling interest in existing subsidiaries, net of cash acquired		2,453	11,973
Net cash used in financing activities		**(2,737)**	**(5,334)**
Effect of exchange rates changes on cash and cash equivalents		(4,349)	241
Net (decrease) increase in cash and cash equivalents		**(119,132)**	**19,109**
Cash and cash equivalents, beginning	6	**611,584**	**357,889**
Cash and cash equivalents, ending	6	**492,452**	**376,998**

The accompanying selected explanatory notes on pages 7 to 33 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

JSC Bank of Georgia (the "Bank") was established on 21 October 1994 as a joint stock company ("JSC") under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia ("NBG"; the Central Bank of Georgia) on 15 December 1994. The Bank is the ultimate parent of a group of companies (the "Group") incorporated in Georgia, Ukraine, Belarus and Cyprus, primary business activities include providing banking, leasing, insurance, brokerage and wealth management services, to corporate and individual customers. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and international and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 September 2011 the Bank has 147 operating outlets in all major cities of Georgia (31 December 2010: 142). The Bank's registered legal address is 3 Pushkin Street, Tbilisi 0105, Georgia.

As at 30 September 2011 and 31 December 2010 the following shareholders owned more than 4% of the outstanding shares of the Bank. Other shareholders individually owned less than 4% of the outstanding shares.

Shareholder	*30 September 2011, %*	*31 December 2010, %*
Bank of New York (Nominees), Limited	90.99%	90.50%
East Capital Financial Institutions	4.36%	4.36%
Others (less than 4% individually)	4.65%	5.14%
Total	**100.00%**	**100.00%**

As at 30 September 2011, the members of the Supervisory Board and Board of Directors owned 439,930 shares and Global Depositary Receipts ("GDRs") (or 1.40%; 2010: 448,232 shares and GDRs or 1.43%) of the Bank. Interests of the members of the Supervisory Board and Management Board were as follows:

Shareholder	*30 September 2011, share and GDRs held*	*31 December 2010, shares and GDRs held*
Irakli Gilauri	194,379	200,379
Allan Hirst	59,245	56,311
Sulkhan Gvalia	58,638	60,638
Kaha Kiknavelidze	25,233	22,509
David Morrison	18,913	15,351
Avto Namicheishvili	18,156	34,823
Giorgi Chiladze	14,000	14,333
Neil Janin	13,181	3,945
Mikheil Gomarteli	10,634	10,634
Archil Gachechiladze	10,000	3,700
Al Breach	9,175	6,527
Jan Hague	4,093	1,578
Vasil Revishvili *	2,686	–
Hanna Loikkanen	1,597	–
Irakli Burdiladze	–	17,504
Total	**439,930**	**448,232**

**** Was appointed as member of the Management Board on 3 May 2011.***

As at 30 September 2011, 262,197 unrestricted (readily available for sale) GDRs owned by the members of the Management Board comprised as follows (31 December 2010: 292,395):

Member of the Management Board	*30 September 2011*	*31 December 2010*
Irakli Gilauri	192,792	198,792
Avto Namicheishvili	17,334	34,001
Giorgi Chiladze	14,000	14,333
Sulkhan Gvalia	11,801	13,801
Mikheil Gomarteli	10,634	10,634
Archil Gachechiladze	10,000	3,700
Neil Janin	2,950	–
Vasil Revishvili	2,686	–
Irakli Burdiladze	–	17,134
Total	**262,197**	**292,395**

(Thousands of Georgian Lari)

1. Principal Activities (continued)

In addition to shares held, the members of the Management Board were awarded or were committed to award 143,500 Global Depository Receipts ("GDR") during the nine months ended 30 September 2011 (during the nine months ended 30 September 2010: 1,279,104 to the Supervisory Board and Management Board). Total of 143,500 shares that were awarded to the Management Board during the nine months ended 30 September 2011 are subject to two-year vesting.

2. Bases of Preparation

General

The interim condensed consolidated financial statements for the three months and nine months ended 30 September 2011 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 30 June 2011.

3. Summary of Selected Significant Accounting Policies

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new Standards and Interpretations as of 1 January 2011, noted below:

Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment had no impact on the Group's consolidated financial statements.

IAS 24 "Related party disclosures" (Revised)

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011. The disclosure of transactions with related parties prepared in accordance the new version of IAS 24 is presented in the Note 21.

IFRIC 14 "Prepayments of a Minimum Funding Requirement (Amended)"

Effective for annual periods beginning on or after 1 January 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is applied retrospectively to the beginning of the earliest period presented in the first financial statements in which the entity applied the original interpretation.

Entities will need to assess whether prepayments made will now need to be re-assessed for their impact on the recoverability of pension assets. Entities applying the corridor approach to recognise actuarial gains and losses will also need to take account of the interaction between the corridor and the recoverability of the plan assets. IFRIC 14 did not have any impact on the Group's consolidated financial statements.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Changes in accounting policies (continued)

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 did not have any material impact on the Group's consolidated financial statements.

Improvements to IFRSs

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" had impact on the accounting policies, financial position or performance of the Group, as described below.

- IFRS 3 Business combinations: limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. The amendments to IFRS 3 have no impact on the consolidated financial statements of the Group.
- IFRS 7 Financial instruments: Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional disclosure requirements will be introduced in the annual consolidated financial statements.
- IAS 34 Interim Financial Reporting: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. Disclosure on transfers of financial instruments between levels of the fair value hierarchy is presented in the Note 19, disclosure on contingent liabilities is presented in the Note 15.
- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 have no impact on the accounting policies, financial position or performance of the Group.

Functional and reporting currencies and foreign currency translation

The consolidated financial statements are presented in Georgian Lari, which is the Bank's presentation currency. The Bank's functional currency is US Dollar effective 1 January 2007. Prior to 1 January 2007, Georgian Lari was its functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 30 September 2011 and 31 December 2010 were 1.6610 and 1.7728 Lari to USD 1, 2.2641 and 2.3500 Lari to EUR 1, 2.0831 and 2.2272 Lari to UAH 10 and 2.9666 and 5.9093 to BYR 10,000, respectively.

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Georgian Lari at the rate of exchange ruling at the reporting date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

(Thousands of Georgian Lari)

4. Business Combinations

Acquisitions during the nine months ended 30 September 2010

JSC Teliani Valley

On 28 February 2010 JSC Liberty Consumer acquired 52.33% of "JSC Teliani Valley", a winery operating in Georgia and Ukraine. The fair values of identifiable assets, liabilities and contingent liabilities acquired, and goodwill arising from JSC Teliani Valley as at the date of acquisition was:

	Fair value recognized on acquisition
Cash and cash equivalents	296
Trading securities	954
Accounts receivable	3,596
Property and equipment	8,038
Goodwill and other intangible assets	151
Deferred income tax assets	78
Other assets	6,751
	19,864
Amounts owed to credit institutions	8,622
Accounts payable	916
Deferred income tax liabilities	395
Other liabilities	1,698
	11,631
Total identifiable net assets	**8,233**
Share in fair value of net assets acquired (52.33%)	4,308
Fair value of the previously held equity interests (27.19%)	3,451
Goodwill arising on acquisition	3,292
Consideration given [1]	**4,149**

The net cash inflow on acquisition was as follows:

	2010
Cash paid	–
Cash acquired with the subsidiary	(296)
Net cash inflow	**(296)**

[1] Consideration comprised of the Group's investment in available-for-sale investment securities in the form of common shares of JSC Nikora.

At the acquisition date, non-controlling interests comprised GEL 3,925 and was measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Since the acquisition date, the Group recorded GEL 8,293, GEL 355 and GEL 115 of revenue, profit and other comprehensive income, respectively. If the combination had taken place at the beginning of the year, there would be no major, material difference in the net income and revenue of the Group.

The total amount of goodwill is expected to be deductible for tax purposes upon disposal of the subsidiary.

(Thousands of Georgian Lari)

5. Segment Information

For management purposes, the Group is organised into the following operating segments based on products and services as follows:

Retail Banking (excluding Retail Banking of BG Bank and BNB) - Principally providing consumer loans, mortgage loans, overdrafts, credit card facilities and other credit facilities as well as funds transfer and settlement services, and handling customers' deposits for both, individuals as well as legal entities, encompassing mass affluent segment, retail mass markets, small & medium enterprises and micro businesses.

Corporate Banking (excluding Corporate Banking of BG Bank and BNB) - Principally providing loans and other credit facilities to large VIP as well as other legal entities, larger than SME and Micro, finance lease facility provided by Georgian Leasing Company LLC, as well as providing funds transfers and settlement services, trade finance services and documentary operations support, handling saving and term deposits for corporate and institutional customers.

Wealth Management - Principally providing private banking services to resident as well as non-resident wealthy individuals as well as their direct family members by ensuring individually distinguished approach and exclusivity in rendering common banking services such as fund transfers, currency exchange or settlement operations, or while holding their savings and term deposits; Wealth Management involves providing wealth and asset management services to same individuals through different investment opportunities and specifically designed investment products.

Corporate Centre - Principally providing back office services to all operating segments of the Bank as well as holding all principal investments in subsidiaries.

Insurance & Healthcare - Principally providing wide-scale non-life insurance as well as integrated healthcare services to corporate clients and insured individuals.

Affordable Housing (formerly included in Asset Management) - Comprising JSC SB Real Estate, principally holding investment property repossessed by the Bank from defaulted borrowers, managing those property, developing and selling affordable residential apartments.

BG Capital (formerly named Brokerage) - Principally providing brokerage, custody and corporate finance services, mostly to wealthy or mass affluent individuals as well as to corporate customers.

BNB & BGB - Comprising JSC Belarusky Narodny Bank and JSC BG Bank (disposed of in February 2011), principally providing retail and corporate banking services in Belarus and Ukraine.

Liberty Consumer (formerly included in Asset Management) - Principally holding private equity investments in several non-core business enterprises, such as winery, fitness centre, travel agencies, outdoor or indoor advertising company, regional car dealership, hotels and restaurants management chain and other smaller investments, all designated for disposal.

Other (formerly included in Corporate Centre) - Comprising JSC Galt & Taggart Holding Georgia, a shell company, principally holding investments in subsidiaries of the Bank on behalf of the Bank.

For purposes of further consolidation of these operating segments and for more comprehensive presentation in these consolidated financial statements Management has further grouped them into large segments, classified as: Strategic, Synergistic and Non-Core.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured in the same manner as profit or loss in the consolidated financial statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
Since 2010 the Group changed its estimates in respect of the allocation of indirect revenues and indirect expenses in JSC Bank of Georgia (stand-alone) among corporate banking, retail banking and wealth management. These changes in allocation estimates had no impact on subsidiaries. Instead, it only resulted in re-allocation of certain indirect revenues and indirect expenses in JSC Bank of Georgia stand-alone segment reporting, with no consequence on totals of segments across each line.

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments as at and for the nine months ended 30 September 2011 (unaudited):

		Strategic				*Synergistic*			*Non-Core*			
	Corporate banking	***Retail banking***	***Wealth management***	***Corporate center***	***Insurance & Healthcare***	***Affordable Housing***	***BG Capital***	***BNB & BGB****	***Liberty Consumer***	***Other***	***Inter – company eliminations***	***Total***
Revenue												
External operating income:												
Net interest income (expense)	56,008	103,454	3,969	–	1,066	–	120	10,480	(956)	–	–	174,141
Net fees and commission income	14,220	35,893	475	–	–	–	1,759	888	–	–	–	53,235
Net gains (losses) from foreign currencies	28,723	17,025	380	–	(532)	27	(171)	10,336	(238)	–	–	55,550
Other external (expenses) revenues	(1,831)	(2,779)	(73)	–	20,849	1,014	108	15,862	7,124	–	–	40,274
Operating income(expense) from other segments	7,252	1,244	–	–	(23)	199	73	(245)	–	(145)	(8,355)	–
Total operating income (expense)	**104,372**	**154,837**	**4,751**	**–**	**21,360**	**1,240**	**1,889**	**37,321**	**5,930**	**(145)**	**(8,355)**	**323,200**
Impairment charge (reversal) on interest earning assets	19,658	(2,680)	(1,002)	–	–	–	–	1,341	–	–	(173)	17,144
Results												
Income (loss) before income tax benefit	47,199	81,080	3,036	(13,000)	5,296	65	(2,162)	10,061	(2,661)	(145)	173	128,942
Income tax benefit												(15,336)
Net loss from discontinued operations												(12,247)
Profit for the period												**101,359**
Assets and liabilities												
Segment assets	2,159,273	1,965,851	30,574	13,577	96,402	60,803	4,903	112,942	43,189	2	(149,610)	4,337,906
Unallocated assets												21,502
Total assets												**4,359,408**
Segment liabilities	1,816,383	1,304,931	359,090	–	69,666	23,500	46,698	70,498	11,241	12	(149,610)	3,552,409
Unallocated liabilities												31,329
Total liabilities												**3,583,738**
Other segment information												
Capital expenditures, of which:	**13,198**	**29,742**	**534**	**–**	**2,906**	**6,896**	**135**	**530**	**699**	**–**	**–**	**54,640**
Property and equipment	11,662	26,131	472	–	2,897	6,882	123	530	697	–	–	49,394
Intangible assets	1,536	3,611	62	–	9	14	12	–	2	–	–	5,246
Depreciation	4,366	10,296	175	–	564	40	105	507	757	–	–	16,810
Amortization	659	1,833	26	–	21	–	13	156	1	–	–	2,709
Impairment	–	–	–	13,000	–	–	–	–	–	–	–	13,000
Investments in associates	–	–	–	–	–	–	–	–	3,938	–	–	3,938
Share of loss of associates	–	–	–	–	–	–	–	–	(204)	–	–	(204)

**** JSC Belarusky Narodny Bank (BNB) and JSC BG BANK (BGB).***

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments for the nine months ended 30 September 2010 (unaudited) and as at 31 December 2010:

	Strategic				Synergistic			Non-Core				
	Corporate banking	*Retail banking*	*Wealth management*	*Corporate center*	*Insurance & Healthcare*	*Affordable Housing*	*BG Capital*	*BNB & BGB**	*Liberty Consumer*	*Other*	*Inter – company eliminations*	*Total*
Revenue												
External operating income:												
Net interest income (expense)	58,700	82,655	2,656	–	419	(1)	102	17,183	(344)	–	–	161,370
Net fees and commission income (expense)	11,021	30,760	360	–	114	–	240	1,937	–	–	–	44,432
Net gains (losses) from foreign currencies	16,048	6,959	612	–	496	26	234	1,651	52	–	–	26,078
Other external (expenses) revenues	(3,048)	(3,154)	(90)	–	13,757	1,864	2,835	399	6,581	–	–	19,144
Operating income (expense) from other segments	7,403	1,391	–	–	(50)	(1,456)	(506)	(843)	(428)	488	(5,999)	–
Total operating income (expense)	**90,124**	**118,611**	**3,538**	**–**	**14,736**	**433**	**2,905**	**20,327**	**5,861**	**488**	**(5,999)**	**251,024**
Impairment charge (reversal) on interest earning assets	9,661	24,423	(2,561)	–	–	–	–	1,825	–	–	132	33,480
Results												
Income (loss) before income tax expense	50,153	19,652	2,527	–	3,849	(3,799)	(2,639)	(3,463)	(790)	447	(132)	65,805
Income tax expense												(8,611)
Profit for the period												**57,194**
Assets and liabilities												
Segment assets	1,745,431	1,746,185	43,083	28,265	83,380	28,448	20,013	342,353	44,765	–	(97,426)	3,984,497
Unallocated assets												20,425
Total assets												**4,004,922**
Segment liabilities	1,552,368	1,176,859	261,638	–	61,542	3,193	41,435	264,069	12,751	–	(97,426)	3,276,429
Unallocated liabilities												35,152
Total liabilities												**3,311,581**
Other segment information												
Capital expenditures, of which:	**4,508**	**14,345**	**354**	**–**	**956**	**495**	**118**	**5,816**	**85**	**–**	**–**	**26,677**
Property and equipment	3,636	11,552	286	–	931	483	79	5,561	82	–	–	22,610
Intangible assets	872	2,793	68	–	25	12	39	255	3	–	–	4,067
Depreciation	3,743	11,438	290	–	298	113	114	905	698	–	–	17,599
Amortization	475	1,809	37	–	21	–	21	159	1	–	–	2,523
Investments in associates	–	–	–	–	–	–	–	–	5,632	–	–	5,632

**** JSC Belarusky Narodny Bank (BNB) and JSC BG BANK (BGB).***

(Thousands of Georgian Lari)

5. Segment Information (continued)

Geographic information

The Group operates in three main geographical markets: (a) Georgia, (b) Ukraine and Cyprus and (c) Belarus. The following table shows the distribution of the Group's external income, total assets and capital expenditure allocated based on the location of the Group's assets, for the nine months ended 30 September 2011:

	Georgia 30 September 2011	*Ukraine and Cyprus 30 September 2011*	*Belarus 30 September 2011*	*Total 30 September 2011*
External income				
Net interest income	163,692	421	10,028	174,141
Net fee and commission income	51,118	1,370	747	53,235
Net foreign currency gains (losses)	45,236	90	10,224	55,550
Other non-interest (loss) income	24,224	193	15,857	40,274
Total external income	**284,270**	**2,074**	**36,856**	**323,200**
Total assets	**4,238,114**	**8,352**	**112,942**	**4,359,408**
Capital expenditures	**53,978**	**132**	**530**	**54,640**

The following table shows the distribution of the Group's external income and capital expenditure, for the nine months ended 30 September 2010 (unaudited) and total assets as at 31 December 2010, allocated based on the location of the Group's assets:

	Georgia 30 September 2010	*Ukraine and Cyprus 30 September 2010*	*Belarus 30 September 2010*	*Total 30 September 2010*
External income				
Net interest income	147,977	6,557	6,836	161,370
Net fee and commission income	41,707	1,683	1,042	44,432
Net foreign currency gains	21,883	2,886	1,309	26,078
Other non-interest income	15,857	2,953	334	19,144
Total external income	**227,424**	**14,079**	**9,521**	**251,024**
Total assets	**3,664,312**	**235,582**	**105,028**	**4,004,922**
Capital expenditures	**20,805**	**5,261**	**611**	**26,677**

Amounts of non-current assets, other than financial instruments, concentrated in foreign locations (outside Georgia) are immaterial compared to total assets of the Group.

6. Cash and Cash Equivalents

	30 September 2011 (unaudited)	*31 December 2010*
Cash on hand	149,743	161,749
Current accounts with central banks, excluding obligatory reserves	36,544	58,958
Current accounts with other credit institutions	173,634	161,290
Time deposits with credit institutions up to 90 days	132,531	229,587
Cash and cash equivalents	**492,452**	**611,584**

As at 30 September 2011 GEL 252,727 (2010: GEL 367,956) was placed on current and time deposit accounts with internationally recognized OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 2.95% interest per annum on these deposits (2010: 1.74%).

(Thousands of Georgian Lari)

7. Amounts Due from Credit Institutions

	30 September 2011 *(unaudited)*	*31 December 2010*
Obligatory reserves with central banks	253,306	90,378
Time deposits with maturity of more than 90 days	10,181	20,809
Inter-bank loan receivables	4,851	5,282
Amounts due from credit institutions	**268,338**	**116,469**

Obligatory reserves with central banks represent amounts deposited with the NBG ("National Bank of Georgia"), the NBU ("National Bank of Ukraine") and the NBRB (National Bank of the Republic of Belarus). Credit institutions are required to maintain an interest-earning cash deposit (obligatory reserve) with central banks, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by the statutory legislature. The Group earned up to 3.875% annual interest on Lari denominated and 1% on Euro denominated obligatory reserves with NBG during the nine months ended 30 September 2011 and 2010.

As at 30 September 2011 GEL 275 (2010: GEL 14,538) was placed on current accounts and inter-bank time deposits with one (2010: three) internationally recognised OECD bank. Those amounts were pledged to the counterparty bank as security for open commitments.

As at 30 September 2011 inter-bank loan receivables include GEL 4,153 (2010: GEL 4,436) placed with an Azerbaijani bank.

8. Loans to Customers

	30 September 2011 *(unaudited)*	*31 December 2010*
Commercial loans	1,380,583	1,424,550
Consumer loans	472,180	383,615
Residential mortgage loans	384,540	409,786
Micro and SME loans	302,623	238,462
Gold – pawn loans	75,382	66,749
Others	3,643	4,071
Loans to customers, gross	**2,618,951**	**2,527,233**
Less – Allowance for loan impairment	(121,617)	(175,536)
Loans to customers, net	**2,497,334**	**2,351,697**

(Thousands of Georgian Lari)

8. Loans to Customers (continued)

Concentration of loans to customers

As at 30 September 2011 concentration of loans granted by the Group to ten largest third party borrowers comprised GEL 383,582 accounting for 15% of gross loan portfolio of the Group (2010: GEL 383,971 and 15% respectively). An allowance of GEL 6,815 (2010: GEL 3,837) was established against these loans.

As at 30 September 2011 and 31 December 2010 loans are principally issued within Georgia, and their distribution by industry sector is as follows:

	30 September 2011 (unaudited)	*31 December 2010*
Individuals	1,086,368	1,006,046
Trade and services	906,545	858,878
Construction and development	264,362	274,623
Mining	134,951	137,583
Transport and communication	88,557	77,792
Energy	57,617	62,424
Agriculture	8,030	18,089
Others	72,521	91,798
Loans to customers, gross	**2,618,951**	**2,527,233**
Less – allowance for loan impairment	(121,617)	(175,536)
Loans to customers, net	**2,497,334**	**2,351,697**

Loans have been extended to the following types of customers:

	30 September 2011 (unaudited)	*31 December 2010*
Private companies	1,496,072	1,488,577
Individuals	1,086,368	1,006,046
State-owned entities	36,511	32,610
Loans to customers, gross	**2,618,951**	**2,527,233**
Less – allowance for loan impairment	(121,617)	(175,536)
Loans to customers, net	**2,497,334**	**2,351,697**

9. Investment Securities

Available-for-sale securities comprise:

	30 September 2011 (unaudited)	*31 December 2010*
Certificates of deposit of central banks	152,231	104,969
Ministry of Finance treasury bonds	130,515	52,120
Ministry of Finance treasury bills	91,199	128,539
Corporate shares	11,616	11,294
	385,561	**296,922**
Less – Allowance for impairment	–	(1,982)
Available-for-sale securities	**385,561**	**294,940**

Corporate shares as at 30 September 2011 are primarily comprised of the remaining 19.4% investment in PJSC Bank Pershyi (formerly known as JSC BG Bank) of GEL 3,837, investments in a chain of pharmacy stores of GEL 3,206 (2010: 4,282), a Georgian chain store retailer of GEL 3,146 (2010: GEL 3,146) and a real estate company of GEL 1,145 (2010: 1,145).

(Thousands of Georgian Lari)

9. Investment Securities (continued)

Nominal interest rates and maturities, in years, of these securities are as follows:

	30 September 2011 (unaudited)		31 December 2010	
	%	Maturity	%	Maturity
Ministry of Finance treasury bills	10.00	1	10.03	1
Certificates of deposit of central banks	8.77	1	9.98	1
Ministry of Finance treasury bonds	13.25	1-2	15.32	1-2

Held-to-maturity securities comprise:

	30 September 2011 (unaudited)		31 December 2010	
	Carrying value	Nominal value	Carrying value	Nominal value
Corporate Bonds	21	20	21	20
Held-to-maturity securities	**21**	**20**	**21**	**20**

Contractual interest rates and maturities of these securities are as follows:

	30 September 2011 (unaudited)		31 December 2010	
	%	Maturity	%	Maturity
Corporate Bonds	15.0	2012	10.0	2011

10. Investment Properties

	2011 (unaudited)	2010 (unaudited)
At 1 January	**113,496**	**79,509**
Additions*	7,621	30,856
Disposals	(400)	–
Disposals through sale of subsidiary	(13,654)	–
Net change in fair value through profit and loss	–	3,082
Transfers to property and equipment and other assets	(2,394)	–
At 30 September	**104,669**	**113,447**

**additions of 2011 comprise foreclosed properties, no cash transactions were involved.*

Investment properties are stated at fair value, which has been determined based on the valuation performed by a professional valuation company, an accredited independent appraiser, as at 31 December 2010. The appraiser is an industry specialist in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards Committee standards.

No significant changes in the value of investment properties took place during the nine months ended 30 September 2011.

Rental income and direct operating expenses arising from investment properties comprise:

	30 September 2011 (unaudited)	30 September 2010 (unaudited)
Rental income	2,381	2,063
Direct operating expenses	(137)	(102)

The entire amount of direct operating expenses participated in the generation of rental income during the respective periods.

(Thousands of Georgian Lari)

11. Taxation

The corporate income tax expense comprises:

	For the nine months ended	
	30 September 2011 (unaudited)	30 September 2010 (unaudited)
Current income tax benefit (expense)	6,349	(375)
Deferred income tax benefit (expense)	1,502	(8,236)
Income tax benefit (expense)	**7,851**	**(8,611)**
Income tax benefit (expense) attributable to continuing operations	(15,336)	(8,611)
Income tax benefit (expense) attributable to a discontinued operation (note 18)	23,187	–
Deferred income tax benefit (expense) from continuing operations in other comprehensive (loss) income	2,704	(204)
Deferred income tax benefit from discontinued operations in other comprehensive income (note 18)	625	–
Total deferred income tax benefit (expense) recognized in other comprehensive income	**3,329**	**(204)**

Deferred tax related to items charged or credited to other comprehensive income during the nine months ended 30 September 2011 and nine months ended 30 September 2010 is as follows:

	For the nine months ended	
	30 September 2011 (unaudited)	30 September 2010 (unaudited)
Currency translation differences	4,414	–
Revaluation of buildings	(1,085)	(48)
Net losses on investment securities available for sale	–	(156)
Income tax benefit (expense) to other comprehensive income	**3,329**	**(204)**

The income tax rate applicable to the majority of the Group's income is the income tax rate applicable to subsidiaries income which ranges from 15% to 25% (2010: from 15% to 26).

Applicable taxes in Georgia, Ukraine and Belarus include corporate income tax (profit tax), individuals' withholding taxes, property tax and value added tax, among others. However, regulations are often unclear or nonexistent and few precedents have been established. This creates tax risks in Georgia, Ukraine and Belarus, substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

As at 30 September 2011 and 31 December 2010 tax assets and liabilities consist of the following:

	30 September 2011 (unaudited)	31 December 2010
Current income tax assets	7,632	2,247
Deferred income tax assets	13,870	18,178
Income tax assets	**21,502**	**20,425**
Current income tax liabilities	246	4,251
Deferred income tax liabilities	31,083	30,901
Income tax liabilities	**31,329**	**35,152**

(Thousands of Georgian Lari)

12. Amounts Due to Customers

The amounts due to customers include the following:

	30 September 2011 (unaudited)	*31 December 2010*
Time deposits	1,148,567	1,140,371
Current accounts	1,012,527	864,327
Promissory notes issued	161,841	21,610
Amounts due to customers	**2,322,935**	**2,026,308**
Held as security against letters of credit and guarantees (Note 15)	**10,107**	**20,336**

As at 30 September 2011 and 31 December 2010, promissory notes issued by the Group comprise the notes privately held by financial institutions being effectively equivalents of certificates of deposits with fixed maturity and fixed interest rate. Average effective maturity of the notes comprises 6 months (2010: 10 months).

At 30 September 2011, amounts due to customers of GEL 479,181 (21%) were due to the 10 largest customers (2010: GEL 363,420 (18%)).

Amounts due to customers include accounts with the following types of customers:

	30 September 2011 (unaudited)	*31 December 2010*
Private enterprises	1,087,492	964,150
Individuals	950,128	894,312
State and budget organizations	285,315	167,846
Amounts due to customers	**2,322,935**	**2,026,308**

The breakdown of customer accounts by industry sector is as follows:

	30 September 2011 (unaudited)	*31 December 2010*
Individuals	950,128	894,312
Trade and services	630,658	421,138
State and budget organizations	285,315	167,846
Energy	159,589	256,275
Construction and development	137,345	93,827
Mining and processing	80,931	113,283
Transport and communication	34,008	35,226
Agriculture	15,958	21,379
Other	29,003	23,022
Amounts due to customers	**2,322,935**	**2,026,308**

13. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	30 September 2011 (unaudited)	*31 December 2010*
Borrowings from international credit institutions	799,530	1,003,926
Time deposits and inter-bank loans	296,107	130,284
Sub-total	**1,095,637**	**1,134,210**
Correspondent accounts	4,085	4,717
Amounts due to credit institutions	**1,099,722**	**1,138,927**

(Thousands of Georgian Lari)

13. Amounts Due to Credit Institutions (continued)

During nine months of 2011 the Group received short-term funds from Georgian banks in different currencies. As at 30 September 2011 the Group had an equivalent of GEL 651 (2010: GEL 13,030) in foreign currencies received as deposits from Georgian banks. During nine months of 2011 the Group paid up to 4.0% interest on these deposits (2010: 4.0%).

Borrowings from international credit institutions, time deposits and inter-bank loans were comprised of:

As at 30 September 2011 *Credit institution*	*Grant date*	*Contractual maturity*	*Currency*	*Facility amount in original currency*	*Outstanding Balance as at 30 September 2011 in GEL (*)*
National Bank of Georgia	30-Jun-11	7-Jul-11	GEL	142,300	142,329
BG Finance B.V.	8-Feb-07	8-Feb-12	USD	70,114	94,078
Asian Development Bank	1-Dec-10	1-Dec-15	USD	50,000	83,290
Merrill Lynch International **	17-Aug-07	17-Aug-12	USD	35,000	58,924
European Bank for Reconstructions and Development	13-Jan-09	15-Jan-14	USD	50,000	58,266
International Financial Corporation	13-Jan-09	15-Jul-13	USD	50,000	54,876
Netherland Development Finance Company **	18-Jul-08	15-Oct-18	USD	30,000	50,749
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	30,000	50,160
AS PrivatBank	21-Sep-11	7-Oct-11	USD	25,000	41,598
European Bank for Reconstructions and Development **	13-Jan-09	15-Jan-19	USD	26,044	40,336
International Financial Corporation **	13-Jan-09	15-Jan-19	USD	26,044	40,331
International Financial Corporatation **	13-Jan-09	15-Jan-19	USD	23,956	39,201
European Bank for Reconstructions and Development**	13-Jan-09	15-Jan-19	USD	23,956	39,140
Overseas Private Investment Corporation	23-Dec-08	20-Dec-18	USD	29,000	38,419
European Bank for Reconstructions and Development	12-Nov-10	5-Dec-15	USD	20,000	33,491
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	20,000	33,441
Semper Augustos B.V. **	31-Oct-07	30-Oct-17	USD	15,000	26,157
National Bank of Georgia	30-Sep-11	3-Oct-11	GEL	20,000	20,000
Overseas Private Investment Corporation **	23-Dec-08	20-Dec-18	USD	10,000	16,390
AS Baltikums Bank	26-Sep-11	26-Oct-11	USD	6,000	9,969
OJSC Pasha Bank	13-Sep-11	13-Oct-11	EUR	4,000	9,075
Netherland Development Finance Company	22-Jan-07	15-Mar-14	USD	12,500	8,976
International Financial Corporation	21-Oct-10	15-Dec-14	USD	5,000	8,305
World Business Capital	17-Feb-06	25-Dec-15	USD	10,000	7,074
European Bank for Reconstructions and Development	20-Jun-11	25-Jul-16	USD	20,000	6,186
World Business Capital	29-May-07	25-Mar-17	USD	3,376	5,383
UAB Medicinos Bankas	11-Aug-11	14-Nov-11	USD	3,000	5,007
JSC Kor Standard Bank	29-Sep-11	6-Oct-11	GEL	5,000	5,001
JSC Cartu Bank	29-Sep-11	6-Oct-11	GEL	5,000	5,001
JSC Procredit Bank	30-Sep-11	3-Oct-11	GEL	5,000	5,000
Balances less than 5,000 KGEL	various	various	various	various	59,484
Total					**1,095,637**

(Thousands of Georgian Lari)

13. Amounts Due to Credit Institutions (continued)

As at 31 December 2010

Credit institution	***Grant date***	***Contractual maturity***	***Currency***	***Facility amount in original currency***	***Outstanding Balance as at 31 December 2010 in GEL (*)***
BG Finance B.V.	8-Feb-07	8-Feb-12	USD	200,000	270,880
International Financial Corporation	13-Jan-09	15-Jul-13	USD	50,000	89,015
European Bank for Reconstructions and Development	13-Jan-09	15-Jan-14	USD	50,000	88,258
National Bank of Georgia	30-Dec-10	6-Jan-11	GEL	66,300	66,300
Merrill Lynch International **	17-Aug-07	17-Aug-12	USD	35,000	62,476
Netherland Development Finance Company **	18-Jul-08	15-Oct-18	USD	30,000	52,916
Overseas Private Investment Corporation	23-Dec-08	20-Dec-18	USD	29,000	45,209
Asian Development Bank	1-Dec-10	1-Dec-15	USD	50,000	43,566
European Bank for Reconstructions and Development**	13-Jan-09	15-Jan-19	USD	23,956	43,402
International Financial Corporatation **	13-Jan-09	15-Jan-19	USD	23,956	43,396
International Financial Corporation **	13-Jan-09	15-Jan-19	USD	26,044	42,796
European Bank for Reconstructions and Development **	13-Jan-09	15-Jan-19	USD	26,044	42,708
European Bank for Reconstructions and Development	12-Nov-10	5-Dec-15	USD	20,000	35,272
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	30,000	35,016
Semper Augustos B.V. **	31-Oct-07	30-Oct-17	USD	15,000	27,134
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	20,000	24,529
Overseas Private Investment Corporation **	23-Dec-08	20-Dec-18	USD	10,000	17,477
Netherland Development Finance Company	22-Jan-07	15-Mar-14	USD	12,500	13,502
International Financial Corporation	21-Oct-10	15-Dec-14	USD	5,000	8,774
World Business Capital	17-Feb-06	25-Dec-15	USD	10,000	8,699
JSC Cartu Bank	23-Dec-10	6-Jan-11	GEL	7,500	7,512
JSC HSBC Bank Georgia	15-Nov-10	15-Feb-11	USD	4,000	7,112
OJSC Pasha Bank	8-Nov-10	8-Feb-11	EUR	3,000	7,050
World Business Capital	29-May-07	25-Mar-17	USD	4,151	6,441
JSC International Bank of Azerbaijan - Georgia	31-Dec-10	3-Jan-11	GEL	6,400	6,400
JSC BTA Bank	10-Nov-10	22-Feb-11	USD	3,000	5,335
UAB Medicinos Bankas	12-Nov-10	11-Feb-11	USD	3,000	5,335
Balances less than 5,000 KGEL	various	various	various	various	27,700
Total					**1,134,210**

*** - includes accrued interest**
**** - total subordinated loans comprised GEL 311,228 as at 30 September 2011 (2010: GEL 332,305)**

During nine months ended 30 September 2011 and 2010 the Group paid up to 11.65% on borrowings from international credit institutions.

Agreements for significant borrowings contain certain covenants requiring the Group for different limits for capital adequacy, liquidity, currency position, credit exposures, leverage and others. At 30 September 2010 and 31 December 2010, the Group complied with all the financial covenants of the loans received from credit institutions.

The borrowings received on 13 January 2009 from European Bank for Reconstructions and Development and International Financial Corporation, comprising USD 26,044 thousand each, had a convertibility feature valid for 5 years from the loan granting date (convertibility period). Number of estimated potential shares to be issued under these convertible facilities comprises 3,474,614 ordinary shares (Note 14) of the Bank.

(Thousands of Georgian Lari)

14. Equity

Share capital

As at 30 September 2011, authorized share capital comprised 43,308,125 common shares, of which 31,368,120 were issued and fully paid (2010: 43,308,125 common shares, of which 31,344,860 were issued and fully paid). Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 30 September 2011 are described below:

	Number of shares Ordinary	*Amount of shares Ordinary*
31 December 2009	**31,306,071**	**31,306**
Increase in share capital arising from share-based payments	27,182	27
30 September 2010 (unaudited)	**31,333,253**	**31,333**
31 December 2010	**31,344,860**	**31,345**
Increase in share capital arising from share-based payments	23,260	23
30 September 2011 (unaudited)	**31,368,120**	**31,368**

Share capital of the Group was paid by the shareholders in Georgian Lari and they are entitled to dividends in Georgian Lari. Net income for the nine months ended 30 September 2011 attributable to ordinary shareholders of the Bank comprise GEL 100,560 (30 September 2010: GEL 56,565). Net income from continuing operations for the nine months ended 30 September 2011 comprise GEL 112,808 (30 September 2010: GEL 56,565). At 30 September 2011 weighted average number of ordinary shares outstanding during the year was 29,918,693 (30 September 2010: 30,167,901). At 30 September 2011 the diluted number of ordinary shares was 33,393,307 (30 September 2010: 33,642,514). The basic and diluted earnings per share amounted to GEL 3.3611 and GEL 3.1837, respectively (30 September 2010: GEL 1.8751 and GEL 1.8625, respectively). The basic and diluted earnings per share from continuing operations amounted to GEL 3.7705 and GEL 3.5505, respectively (30 September 2010: GEL 1.8751 and GEL 1.8625, respectively). The 3,474,614 potential shares underlying the convertible debt instruments held by the Group as at 30 September 2011 (Note 13) were treated as dilutive, because their conversion would decrease earnings per share from continuing operations, as prescribed in IAS 33 – "Earnings per share". This conversion would also reduce the Group's interest expenses on these debt instruments and increase nine months ended 30 September 2011 total profit attributable to ordinary shareholders of the Bank by GEL 5,754 to a total of GEL 106,314 and increase nine months ended 30 September 2011 profit attributable to ordinary shareholders of the Bank from continuing operations by GEL 5,754 to a total of GEL 118,562.

Treasury shares

Treasury shares of GEL 1,164 as at 30 September 2011 comprise the Bank's shares owned by the Bank and its subsidiaries (2010: GEL 1,072). Purchases and sales of treasury shares were conducted by the Bank's subsidiaries in the open market: JSC BG Capital, BG Trading LLC, Galt and Taggart Holdings Limited LLC, GC Holdings LLC and JSC Insurance Company Aldagi BCI.

Treasury shares amounting to GEL 438 as at 30 September 2011 (2010: GEL 438) are kept by the Bank's custodian – Abacus Corporate Trustee Limited.

During the nine months ended 30 September 2011, 23,260 ordinary shares of GEL 23 par value and additional paid-in capital of GEL 438 have been vested as compensation to top management (nine months ended 30 September 2010: 27,000 ordinary shares of GEL 27 par value and additional paid-in capital of GEL 476).

Dividends

On 15 June 2011, annual general meeting of shareholders' of JSC Bank of Georgia declared 2011 dividends comprising Georgian Lari 0.3 per share, based on 2010 audited financial results. The declaration was effective from 1 July 2011. Payment of the total GEL 9,169 dividends was made on 18 July 2011.

No dividends were declared nor paid in 2010.

(Thousands of Georgian Lari)

14. Equity (continued)

Nature and purpose of other reserves

Revaluation reserve for property and equipment and investment properties
The revaluation reserve for property and equipment and investment properties is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The reserve is also used to record increases in the fair value of those investment properties that were reclassified from land or building in prior years and for which the first appreciation was to be recorded in equity.

Unrealised gains (losses) on investment securities available-for-sale
This reserve records fair value changes on investments available-for-sale.

Unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries
This reserve records unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. Movement of foreign currency translation reserve was as follows:

		Foreign currency translation reserve
At 31 December 2009		**(29,126)**
Loss from revaluation of open currency position exposure through investments in subsidiaries	(5,234)	
Gain from translation of non-monetary items from functional currency into presentation currency	13,533	
Gain recognized from currency translation differences from continuing operations, recognised in other comprehensive income		8,299
At 30 September 2010 (unaudited)		**(20,827)**
At 31 December 2010		**(24,010)**
Loss from revaluation of open currency position exposure through investments in subsidiaries	(32,081)	
Loss from translation of non-monetary items from functional currency into presentation currency	(15,733)	
Loss recognized from currency translation differences from continuing operations, recognised in other comprehensive income		(47,814)
Foreign currency gain from discontinued operations (disposal of subsidiary) (Note 18)		26,130
At 30 September 2011 (unaudited)		**(45,694)**

Loss from revaluation of open currency position exposure through investments in subsidiaries is a result of difference between the historical cost of the amount of investment in foreign subsidiary and the total outstanding shareholders equity of the same foreign subsidiary translated into the presentation currency (Georgian Lari) at the exchange rate effective as at the reporting date.

For the nine months ended 30 September 2011 and nine months ended 30 September 2010 loss from devaluation of open foreign currency positions mostly comprise losses incurred on depreciation of Belarusian Ruble denominated total shareholders' equity of JSC Belarusky Narodny Bank and depreciation of Ukrainian Hryvnia denominated total shareholders' equity of JSC BG Bank, both against Georgian Lari.

Foreign currency gain from disposal of subsidiary (JSC BG Bank) comprises a reclassification of accumulated foreign currency translation differences incurred during prior years, from other comprehensive income statement to the income statement as prescribed by IAS 27.34.

Movements in other reserves during nine months of 2011 and 2010 are presented in the statements of other comprehensive income.

(Thousands of Georgian Lari)

15. Commitments and Contingencies

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Financial commitments and contingencies

As at 30 September 2011 and 31 December 2010 the Group's financial commitments and contingencies comprised the following:

	30 September 2011 *(unaudited)*	***31 December 2010***
Credit-related commitments		
Guarantees issued	428,813	374,230
Undrawn loan facilities	118,796	138,057
Letters of credit	71,143	58,779
	618,752	**571,066**
Operating lease commitments		
Not later than 1 year	5,530	7,016
Later than 1 year but not later than 5 years	10,455	13,984
Later than 5 years	3,330	6,037
	19,315	**27,037**
Capital expenditure commitments	**25,987**	**39,523**
Less – Cash held as security against letters of credit and guarantees (Note 12)	(10,107)	(20,336)
Less – Receivables related to letters of credit	(1,313)	–
Less – Provisions	(678)	(4,407)
Financial commitments and contingencies, net	**651,956**	**612,883**

As at 30 September 2011 the capital expenditures represented the commitment for purchase of property and capital repairs of GEL 14,860 and software and other intangible assets of GEL 11,127. As at 31 December 2010 the capital expenditures represented the commitment for purchase of property and capital repairs of GEL 32,311 and software and other intangible assets of GEL 7,212.

(Thousands of Georgian Lari)

16. Net Fee and Commission Income

	For the nine months ended 30 September	
	2011 *(unaudited)*	**2010** *(unaudited)*
Settlements operations	45,000	29,382
Guarantees and letters of credit	11,956	9,008
Cash operations	6,876	8,825
Advisory	1,251	873
Currency conversion operations	987	438
Brokerage service fees	707	695
Other	576	4,792
Fee and commission income	**67,353**	**54,013**
Settlements operations	(9,099)	(4,791)
Cash operations	(2,310)	(579)
Guarantees and letters of credit	(1,121)	(1,989)
Currency conversion operations	(639)	(8)
Insurance brokerage service fees	(522)	(1,303)
Other	(427)	(911)
Fee and commission expense	**(14,118)**	**(9,581)**
Net fee and commission income	**53,235**	**44,432**

17. Net Gains from Foreign Currency Translation Differences

Net gains from foreign currency translation differences for the nine months ended 30 September 2011 (unaudited) include GEL 19,742 thousand of net foreign currency gain from hedging the Group's short position on Belarusian Ruble denominated shareholders' equity of stand-alone JSC Belarusky Narodny Bank. Devaluation of Belarusian Ruble depreciated Lari equivalent value of JSC Belarusky Narodny Bank shareholders' equity, loss from which has been recognized through other comprehensive income statement. However, the Bank had long position for the similar notional value of Belarusian Ruble held through currency swap agreement with the National Bank of the Republic of Belarus. Gain from revaluation of this position has been recognized through profit or loss.

18. Net Loss from Discontinued Operations

In February 2011 the Group declared actual disposal of its 80% equity interest in JSC BG Bank, its subsidiary Ukraine.

The total consideration including brokerage fees paid to JSC BG Capital, the Bank's wholly owned brokerage subsidiary, amounted to US$9.6 million (GEL 17.0 million), of which US$5.0 million (GEL 8.9 million) has been paid as at the date of this announcement and the remaining US$4.6 million (GEL 8.2 million) is to be paid in 1.5 years from the disposal date.

The Bank retains 19.4% equity interest in PJSC Bank Pershyi (formerly known as JSC BG Bank).

(Thousands of Georgian Lari)

18. Net Loss from Discontinued Operations (continued)

Net loss from this disposal recognized the income statement for the period through "Net loss from discontinued operations" is analyzed as follows:

	For the nine months ended 30 September 2011
Reclassification of foreign currency translation loss from devaluation of Ukrainian Hryvnia accumulated through other comprehensive income during prior periods (Note 14)	(29,126)
Realized loss on disposal comprising net difference between the adjusted carrying value of the investment in 80% of JSC BG Bank as at the date of disposal and the fair value of respective consideration received	(6,308)
Immediate corporate income tax benefit recognized from the statutory loss on disposal of 80% stake in JSC BG Bank (note 11)	23,187
Net loss from discontinued operations	**(12,247)**
Earnings per share for discontinued operations:	
– basic loss per share from discontinuing operations	(0.4092)
– diluted loss per share from discontinuing operations	(0.3666)

Gain recognized in the statement of comprehensive income for the period through "Other comprehensive gain from discontinued operations" is analyzed as follows:

	For the nine months ended 30 September 2011
Revaluation reserve of property and equipment of the disposed subsidiary	(2,501)
Reclassification of foreign currency translation loss from depreciation of Ukrainian Hryvnia accumulated through other comprehensive income during prior periods (note 14)	29,126
Foreign currency translation loss from depreciation of Ukrainian Hryvnia during current period (note 14)	(2,996)
Income tax relating to components of other comprehensive income (note 11)	625
Other comprehensive gain from discontinued operations	**24,254**
Total comprehensive income for the period from discontinued operations	**12,007**

Total assets and total liabilities of JSC BG Bank as at 31 December 2010 and the results for the nine months ended 30 September 2010 and 30 September 2011 were as follows:

	As at 31 December 2010
Total Assets	225,903
Total Liabilities	198,609
Net Assets	**27,294**

	For the nine months ended 30 September	
	2011	*2010*
Loss for the period	(106)	(4,540)

(Thousands of Georgian Lari)

19. Fair Values of Financial Instruments

Financial instruments recorded at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total 30 September 2011 (unaudited)*
Financial assets				
Investment securities – available-for-sale	373	381,085	4,103	385,561
Other assets – derivative financial assets	16,363	11,369	–	27,732
Other assets – trading securities owned	1,205	–	–	1,205
	17,941	**392,454**	**4,103**	**414,498**
Financial liabilities				
Other liabilities – derivative financial liabilities	5,001	10,411	–	15,412
	5,001	**10,411**	**–**	**15,412**

	Level 1	*Level 2*	*Level 3*	*Total 31 December 2010*
Financial assets				
Investment securities – available-for-sale	4,958	284,573	5,409	294,940
Other assets – derivative financial assets	2,250	683	–	2,933
Other assets – trading securities owned	1,218	–	–	1,218
	8,426	**285,256**	**5,409**	**299,091**
Financial liabilities				
Other liabilities – derivative financial liabilities	2,211	15,314	–	17,525
	2,211	**15,314**	**–**	**17,525**

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives
Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

(Thousands of Georgian Lari)

19. Fair Values of Financial Instruments (continued)

Financial instruments recorded at fair value (continued)

Trading securities and investment securities available-for-sale

Trading securities and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Movements in level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2010	*Purchase of AFS securities*	*At 31 December 2010*	*Sale of AFS securities*	*At 30 September 2011 (unaudited)*
Financial assets					
Investment securities – available-for-sale	4,265	1,144	5,409	(1,306)	4,103
Total level 3 financial assets	**4,265**	**1,144**	**5,409**	**(1,306)**	**4,103**
Total net level 3 financial assets / (liabilities)	**4,265**	**1,144**	**5,409**	**(1,306)**	**4,103**

No financial instruments were transferred during the nine months ended 30 September 2011 from level 1 and level 2 to level 3 of the fair value hierarchy. Gains or losses on level 3 financial instruments during the nine months ended 30 September 2011 comprised nil.

No financial instruments were transferred during nine months ended 30 September 2011 between level 1 and level 2 of the fair value hierarchy.

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions:

	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
	30 September 2011 (unaudited)		*31 December 2010*	
Financial assets				
Investment securities – available-for-sale	4,103	+/- 658	5,409	+/- 814

In order to determine reasonably possible alternative assumptions the Group adjusted key unobservable model inputs as follows:

For equities, the Group adjusted the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) multiple by increasing and decreasing the assumed multiple ratio by 10%, which is considered by the Group to be within a range of reasonably possible alternatives based on the EBITDA multiples used across peers within the same geographic area of the same industry.

(Thousands of Georgian Lari)

19. Fair Values of Financial Instruments (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 30 September 2011 (unaudited)	*Fair value 30 September 2011 (unaudited)*	*Unrecognised gain (loss) 30 September 2011 (unaudited)*	*Carrying value 31 December 2010*	*Fair value 31 December 2010*	*Unrecognised loss 31 December 2010*
Financial assets						
Cash and cash equivalents	502,149	502,149	–	611,584	611,584	–
Amounts due from credit institutions	268,338	268,338	–	116,469	116,469	–
Loans to customers	2,497,334	2,500,078	2,744	2,351,697	2,319,388	(32,309)
Finance lease receivables	63,362	63,362	–	14,419	14,419	–
Investment securities:						
– held-to-maturity	21	21	–	21	21	–
Financial liabilities						
Amounts due to customers	2,331,280	2,351,754	(20,474)	2,026,308	2,041,403	(15,095)
Amounts due to credit institutions	1,099,722	1,099,722	–	1,138,927	1,138,927	–
Total unrecognised change in unrealised fair value			**(17,730)**			**(47,404)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than thee months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

(Thousands of Georgian Lari)

20. Maturity Analysis of Financial Assets and Liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	30 September 2011 (unaudited)			*31 December 2010*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Financial assets						
Cash and cash equivalents	492,452	–	492,452	611,584	–	611,584
Amounts due from credit institutions	258,052	10,286	268,338	107,707	8,762	116,469
Loans to customers	1,205,413	1,291,921	2,497,334	1,191,914	1,159,783	2,351,697
Finance lease receivables	13,470	49,892	63,362	8,828	5,591	14,419
Investment securities:						
– available–for–sale	310,860	74,701	385,561	242,535	52,405	294,940
– held–to–maturity	–	21	21	21	–	21
Total	**2,280,247**	**1,426,821**	**3,707,068**	**2,162,589**	**1,226,541**	**3,389,130**
Financial liabilities						
Amounts due to customers	2,162,425	160,510	2,322,935	1,881,371	144,937	2,026,308
Amounts due to credit institutions	471,218	628,504	1,099,722	193,386	945,541	1,138,927
Total	**2,633,643**	**789,014**	**3,422,657**	**2,074,757**	**1,090,478**	**3,165,235**
Net	**(353,396)**	**637,807**	**284,411**	**87,832**	**136,063**	**223,895**

The Group's capability to discharge its liabilities relies on its ability to realize an equivalent amount of assets within the same period of time. In the Georgian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. In addition, the undiscounted financial liability analysis gap does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above.

The Group's principal sources of liquidity are as follows:

- deposits;
- borrowings from international credit institutions;
- inter-bank deposit agreement;
- debt issues;
- proceeds from sale of securities;
- principal repayments on loans;
- interest income; and
- fees and commissions income.

As at 30 September 2011 deposits amounted to GEL 2,331,280 (2010: GEL 2,026,308) and represented 65% (2010: 61%) of Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 30 September 2011 amounts owed to credit institutions amounted to GEL 1,099,722 (2010: GEL 1,138,927) and represented 31% (2010: 34%) of total liabilities.

In management's opinion, liquidity is sufficient to meet the Group's present requirements.

(Thousands of Georgian Lari)

21. Related Party Disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

	2011 *(unaudited)*			**2010** *(unaudited)*		
	Parent	*Associates**	*Key management personnel*	*Parent*	*Associates*	*Key management personnel*
Loans outstanding at 1 January, gross	**–**	**2,191**	**4,758**	**–**	**9,255**	**5,791**
Loans issued during the period	–	781	4,909	989	234	5,697
Loan repayments during the period	–	(935)	(4,346)	–	(800)	(5,504)
Other movements	–	2,759	(280)	–	(6,970)	(1,061)
Loans outstanding at 30 September, gross	**–**	**4,796**	**5,041**	**989**	**1,719**	**4,923**
Less: allowance for impairment at 30 September	–	(1,495)	(103)	–	(1,414)	(125)
Loans outstanding at 30 September, net	**–**	**3,301**	**4,938**	**989**	**305**	**4,798**
Interest income on loans	–	485	422	–	224	461
Loan impairment charge	–	882	15	–	660	65
Deposits at 1 January	**36,411**	**726**	**8,999**	**12,098**	**506**	**6,919**
Deposits received during the period	32,900	15,086	19,083	116,878	14,686	37,386
Deposits repaid during the period	(31,277)	(14,673)	(20,629)	(99,996)	(14,708)	(34,821)
Other movements	683	(589)	(680)	999	164	(1,493)
Deposits at 30 September	**38,717**	**550**	**6,773**	**29,979**	**648**	**7,991**
Interest expense on deposits	1,575	26	385	1,113	57	230
Other income	529	–	77	532	–	54

** As at 30 September 2011 a total of GEL 4,203 were gross loans granted to two legal entities controlling stakes of which were owned by a member of the Bank's Management Board and a member of the Bank's Supervisory Board. A total of GEL 1,336 allowance for impairment and GEL 405 interest income were recognized on these loans in the consolidated statement of financial position and consolidated income statement, respectively as at and for the nine months ended 30 September 2011.*

Compensation of key management personnel was comprised of the following:

	For the nine months ended 30 September	
	2011 *(unaudited)*	**2010** *(unaudited)*
Salaries and other benefits	14,157	17,011
Share-based payments compensation	10,343	8,224
Social security costs	156	358
Total key management compensation	**24,656**	**25,593**

The number of key management personnel at 30 September 2011 was 158 (31 December 2010: 163).

(Thousands of Georgian Lari)

22. Capital Adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the NBG in supervising the Bank and the ratios established by the Basel Capital Accord 1988.

During the nine months ended 30 September 2011, the Bank and the Group had complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

NBG capital adequacy ratio

The NBG requires banks to maintain a minimum total capital adequacy ratio of 12% of risk-weighted assets, computed based on the bank's stand-alone special purpose financial statements prepared in accordance with NBG regulations and pronouncements. As at 30 September 2011 and 31 December 2010 the Bank's capital adequacy ratio on this basis was as follows:

	30 September 2011 *(unaudited)*	***31 December 2010***
Core capital	515,554	494,128
Supplementary capital	394,547	423,389
Less: Deductions from capital	(191,588)	(367,418)
Total regulatory capital	**718,513**	**550,099**
Risk-weighted assets	**4,777,945**	**3,800,624**
Total capital adequacy ratio	**15.0%**	**14.5%**

Regulatory capital consists of Core capital, which comprises share, additional paid-up capital, retained earnings including current year profit, foreign currency translation and non-controlling interests less accrued dividends, net long positions in own shares and goodwill. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBG. The other component of regulatory capital is Supplementary capital, which includes subordinated long-term debt and revaluation reserves.

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on consolidated statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 September 2011 and 31 December 2010, follows:

	30 September 2011 *(unaudited)*	***31 December 2010***
Tier 1 capital	725,170	637,971
Tier 2 capital	387,915	404,788
Less: Deductions from capital	(57,814)	(70,722)
Total regulatory capital	**1,055,271**	**972,037**
Risk-weighted assets	**4,045,620**	**3,653,247**
Total capital adequacy ratio	26.1%	26.6%
Tier 1 capital adequacy ratio	17.9%	17.5%
Minimum total capital adequacy ratio	**8%**	**8%**

(Thousands of Georgian Lari)

23. Events after the end of the Interim Period

On 28 October 2011, the Bank issued 1,500,000 million additional ordinary shares for the purposes of the Senior Executive Equity Compensation Plan.

In December 2011, JSC Insurance Company Aldagi BCI acquired (through merger with) health care business of the Block Georgia group of entities. As of the date of these interim financial statements it is impracticable to disclose amount of associated goodwill or amount of net assets acquired through this transaction as far as the process of valuations and independent auditors' review of this transaction has not yet been finalized.

On 14 December 2011, JSC Insurance Company Aldagi BCI acquired the assets and liabilities of JSC Insurance Company Partner. As of the date of these interim financial statements it is impracticable to disclose amount of associated goodwill or amount of net assets acquired through this transaction as far as the process of valuations and independent auditors' review of this transaction has not yet been finalized.

Printed by RR Donnelley, U11657