BANK OF GEORGIA HOLDINGS PLC

PRELIMINARY RESULTS ANNOUNCEMENT

2013

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FORWARD LOOKING STATEMENTS

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

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

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

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

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 2012. The statutory accounts for the Company for the 12 months to 31 December 2012 have been filed with the Registrar of Companies and those for the 12 months to 31 December 2013 will be filed following the Company's annual general meeting. The auditor's report on the accounts for the 12 months to 31 December 2012 was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not include a statement under Section 498 (2) or (3) of the Companies Act 2006.

2013 Overview

Bank of Georgia Holdings PLC (LSE: BGEO LN) (the "Bank"), the holding company of JSC Bank of Georgia and its subsidiaries, Georgia's leading bank, announces today the consolidated results for year ended 31 December 2013 (IFRS based, derived from management accounts, with such announcement approved by the board of directors of BGH on 17 February 2014). The Bank reported full-year 2013 profit of GEL 209.3 million (US$120.6 million/GBP 73.2 million), or GEL 5.93 per share (US$3.42 per share/GBP2.07 per share). Unless otherwise mentioned, all comparisons refer to the full year 2012 results.

Strong performance continued into Q4 2013 delivering our best ever performance during 2013

- **Strong profitability supported by declining funding costs and positive operating leverage maintained**
    - Net Interest Margin (NIM) of 7.8%, compared to 7.9% in 2012
        - Q4 2013 NIM of 7.9% compared to 7.7% in Q3 2013 and 7.8% in Q4 2012
    - Revenue increased by GEL 47.2 million, or 9.5% y-o-y, to GEL 545.5 million
        - Q4 2013 revenue increased 12.6% y-o-y to GEL 144.4 million; compared to Q3 2013 revenue increased by 4.4%
    - Positive operating leverage maintained at 7.5 percentage points in 2013, as operating expenses increased by 2.0% year-on-year to GEL 225.6 million
    - Cost to Income ratio improved to 41.4% compared to 44.4% in 2012
    - Profit for the period increased by GEL 29.8 million, or 16.6% y-o-y, to GEL 209.3 million
        - Q4 2013 profit increased by GEL 8.8 million, or 18.7% y-o-y, to GEL 55.6 million
    - Earnings per share (basic) increased by 13.6% to a record GEL 5.93, compared to GEL 5.22 in 2012
    - Return on Average Assets (ROAA) stood at 3.6% in 2013 compared to 3.5% in 2012
        - Q4 2013 ROAA stood at 3.6%, compared to 3.4% in Q4 2012 and 4.0% in Q3 2013
    - Return on Average Equity (ROAE) stood at 18.6%, compared to 19.1%
        - Q4 2013 ROAE stood at 18.6%, compared to 20.6% in Q3 2013 and 18.2% in Q4 2012
- **Strong balance sheet supported by solid capital position and declining cost of funds**
    - Net loan book increased by 13.9% y-o-y, while client deposits increased by 18.5% y-o-y
    - Cost of client deposits decreased from 7.3% in 2012 to 5.6% in 2013; Q4 2013 cost of client deposits stood at 4.8% compared to 6.6% in Q4 2012
    - Q4 2013 loan book grew 7.3% q-o-q and client deposits increased 9.0% q-o-q
    - Cost of credit risk improved significantly in Q4 2013 to GEL 10.0 million compared to GEL 16.1 million in Q4 2012 and GEL 15.5 million in Q3 2013. Cost of Risk decreased to an annualised 0.9% in Q4 2013 compared to 1.6% in Q3 2013 and 1.8% in Q4 2012
    - High liquidity maintained with 29.5% of total assets made up of cash and cash equivalents, amounts due from credit institutions, NBG CDs, Georgian government treasury bills and bonds and other high quality liquid assets as of 31 December 2013. Liquidity ratio, as per National Bank of Georgia (NBG), stood at 45.7%, compared to 41.1% a year ago, as a result of additional Eurobond issuance in November 2013
    - As of 31 December 2013, Net Loans to Customer Funds ratio stood at a healthy level of 113.0% compared to 114.8% as of 31 December 2012 and 114.7% as of 30 September 2013. Net Loans to Customer Funds and DFI ratio of 96.2%, compared to 91.9% as of 31 December 2012 and 96.1% as of 30 September 2013.
    - BIS Tier I capital adequacy ratio stood at 23.0% compared to 21.2% a year ago.
    - Book value per share increased by 14.9% y-o-y to GEL 34.85 (US$20.07/GBP 12.18)
    - Balance Sheet leverage remained flat y-o-y at 4.3 times

- **Business highlights**
    - Retail Banking continues to deliver strong franchise growth, supported by the successful roll-out of the Express Banking strategy, adding 985 Express Pay terminals and 435,090 Express cards since the launch of the Express Banking Service. Retail Banking net loan book grew 19.6% and client deposits 33.0% y-o-y.
    - Corporate Banking net loan book increased 7.2% y-o-y. Corporate Banking cost of deposits decreased markedly from 7.2% in 2012 to 4.4% in 2013
    - Investment Management's (formerly Asset and Wealth Management) Assets under Management (AUM) increased by 12.3% y-o-y to GEL 679.4 million as of 31 December 2013. Since the launch of the Certificate of Deposit (CD) programme in January 2013, the amount of CDs issued to Investment Management clients reached GEL 195.7 million, as of 31 December 2013
    - Aldagi, the Group's Insurance and Healthcare business, reported a record group consolidated annual profit of GEL 25.1 million in 2013, up from GEL 16.4 million in 2012
    - Affordable Housing's second housing project is near completion and another two housing projects have commenced in Q4 2013. In 2013, Affordable Housing segment posted a profit of GEL 7.8 million.

CHIEF EXECUTIVE OFFICER'S STATEMENT

"I am very pleased to report a record 2013 full year profit of GEL 209.3 million, up 16.6%, supported by record revenue of GEL 545.5 million. Earnings per share, also a record, stood at GEL 5.93 or GBP 2.07, up 13.6% in Lari terms. The return on our shareholders' equity was 18.6%. 2013 results reflect the robust performance of underlying businesses, balance sheet strength, efficiency gains and strong profitability in spite of slow economic growth through most of the year.

Economic growth in Georgia, which has for a number of years been a tailwind for us, was lower than expected and resulted in a slower start to the year. However, we witnessed a significant pick up in business activity after the Presidential elections in October 2013, which saw the candidate of the ruling Georgian Dream Party win a landslide victory. GDP growth was estimated at 1.7% for the first nine months of 2013, but picked up after the elections to reach an annualised 6.9% in the fourth quarter. The IMF forecasts 5% GDP growth in 2014. The state budget was run at a surplus for the first nine months of 2013. In Q4 2013, in order reach the target level of deficit for the year, spending accelerated particularly on infrastructure projects, thus causing a large increase in the supply of Lari. This in turn caused a small correction in GEL/US$ exchange rate. In February 2014 however, Lari reversed some of its losses against the major currencies and started to appreciate. In 2013, the National Bank of Georgia remained a net buyer of US$, purchasing US$335 million during the year.

In this letter I would like to review 2013 by highlighting certain key performance measures, analysing the drivers of the results and the underlying strategic initiatives that we believe are fundamental to our success. Our medium-term strategy continues to centre around the 3x20 story that aims at achieving a 20% growth rate in our loan book, 20% Return on Equity and a 20% Tier I Capital Ratio.

Below, I will start with three strategic initiatives launched over the last several years, which are now driving the diversification of our revenue that shapes our performance.

Revenue diversification

Payments Business. We began implementing our Express Banking strategy in 2012 by rolling out small-format, Express branches offering predominantly transactional banking services to clients through ATMs and Express Pay Terminals. The aim was to make banking relationships simple, cheaper and convenient for both our existing customers and for the emerging bankable population. A Self-Service Terminal can be described as a small bank by itself as it allows a wide-array of payment services ranging from current account top-ups and loan repayments to utility bill payments and rail ticket purchases. In 2013, we installed 764 new Express Pay Terminals throughout Tbilisi and with 985 total Express Pay Terminals as of the end of the year; we are now leaders in the payment systems market. We have combined our travel card for the Tbilisi bus and metro (of which we are the sole provider) and our contactless card with a loyalty programme linked to the customer's current account to create an "Express Card" and have issued over 240,000 such cards in 2013. At the end of the year we had more than 430,000 Express Cards outstanding. The effects of the successful execution of our Express Banking strategy are numerous and far reaching and are now expressed in our financial performance that I will be describing below.

Real Estate. Started in 2010 from bad loans, our real estate strategy was to transform those loans into a successful business, and the process has been a textbook case of turning a problem into an opportunity. Our m2 Real Estate operation had a 40% IRR in 2013 and has become an integral part of the Bank's mortgage strategy, supporting the mortgage loan book development.

Healthcare. During the past few years, with a view to diversifying our revenue streams and growing our non-interest income, we have taken decisive steps to grow and vertically integrate our healthcare and insurance businesses. In 2013, Aldagi, our healthcare and insurance subsidiary contributed 10.9% to your company's revenue and 12.0% to profit. BGH and Aldagi are currently preparing to list Aldagi's healthcare-related business on an international stock exchange.

As a result mainly of these, but also of less visible strategic actions, we delivered another exceptional year in terms of profitability, despite the backdrop of a slower-growth economic environment. At 7.8%, the NIM held up better than we expected, withstanding the downward pressure from excess liquidity throughout the year that was largely a function of the subdued loan demand prevailing for most of the year. We attribute the resilience of our NIM to a number of factors, including our established market leadership that translates into superior distribution capability and pricing power. The most important contributor to our strong NIM in 2013, however, was the markedly reduced cost of funding. In the first half of 2013, we substantially reduced deposit rates, which significantly drove down our overall cost of deposits from 7.3% to 5.6%. It's important to note, however, that these deposit rate cuts have not compromised the inflow of deposits, a true testament to the strength of our franchise and the brand name of your company. The reduction of deposit costs, combined with the superior access to capital markets demonstrated by the issuance of the 2017 Eurobond tap of US$150 million, enabled us to price the oversubscribed placement with a record low level of 6.125%. Last and not least, is the increase in current account balances, made possible by the roll-out of the Express Banking strategy. Compared to last year, retail current account balances grew by GEL 89.6 million. We intend to continue decreasing our cost of funding, one of the main competitive advantages and central to our profitability. Our express banking strategy is expected to further increase our current account balances – the cheapest source of funding. In addition, our superior access to capital markets will enable us to maintain our flexibility in optimising our liability structure.

Cost Control

2013 was the fourth straight year that we have combined business growth with improved efficiency as evidenced by a declining cost to income ratio. This year, our revenue growth of 9.5% compares to 2.0% growth of our operating expenses, certainly a result of the overall vigilance with our costs across the board. More importantly, the improved efficiency is linked to our Express banking strategy. We became a formidable player on the retail market through expansion by means of low-cost Express branches that has paved the way for transactional banking. The existing full-scale branches are now focusing on offering value-added products, while technology-intensive express branches enable us to offer basic banking products and services at minimal costs. In addition, one of the strategic objectives of Express banking, which is to bring the previously un-banked/emerging bankable population to Bank of Georgia, is now bearing its fruits. The tailor-made products and services that became accessible for our new clients at our Express branches is a powerful and low-cost client acquisition method. In 2013, the number of new clients joining the Bank exceeded 190,000, up 18% from last year. Our improved cost efficiency is one the main reasons our banking operation was able to service its substantially increased client base without growing its headcount. On a standalone basis, Bank of Georgia's full time employees decreased by 4.3%.

Going forward, cost discipline will remain a main focus. We are targeting to reduce our cost to income ratio to c.37% in the next three years and we believe the Express banking strategy will be the main contributor to the further improvement. The development of Express Technologies will allow us to scale up the business with minimum operating costs.

Loan book growth and improving asset quality

The strength and the efficiency of this growing franchise is the cornerstone of our solid competitive position, and is also linked to our ability to grow our loan book in the low loan demand cycle in 2013. The largest bank in the country, Bank of Georgia is best positioned to benefit from the de-dollarisation trends that have translated into a pick-up of Lari-denominated credit growth. In addition, our competitive strength on the liability side as evidenced in the ability to reduce funding costs without compromising deposit funding, allowed us to achieve 13.9% loan book growth that cost us 130 bps on the loan yield, which compares to the 170 bps reduction of our cost of deposits. The result was that we didn't compromise our profitability as demonstrated by the continuing strength of our NIM. We are constantly keeping a watchful eye on asset quality ensuring the prudent risk management policies. Strongly supported by our diversified loan book, our NPLs grew by 14.7%, comparing favorably to the loan book growth rate. Our cost of risk for the year stayed on the top of our targeted range at 1.4%, while our Q4 2013 cost of risk of an annualised 0.9% was a noteworthy improvement over the Q3 2013 cost of risk of 1.6%, also attributable to the slowdown of economy in the first half of the year.

Strategic Initiatives going forward

Building upon our 3x20 strategy adopted in 2011, we are set to deliver on our key strategic priorities for the next three years.

We are determined to maintain our market leadership, which gives us economies of scale as well as superior distribution and pricing power. Our market leadership is built on our strong Retail and Corporate Banking businesses, which together are the backbone of the Bank of Georgia franchise. As to Retail Banking, our Express banking is at the heart of our strategy. The success of Express Banking is expected to significantly increase our retail client base. We believe that further development of our Express banking businesses is directly linked to Express technologies, and we intend to continue investing in IT, which we consider to be pivotal for the future in of banking industry.

We plan to build the growth on the back of further diversified revenue sources. Knowledge and understanding of the market, both Georgian and regional, and proven superior access to international capital will be the drivers of our Investment Management business growth. In 2013, we have combined our wealth management, research, advisory, and brokerage businesses under Investment Management. We intend to launch our first Investment Management products this year and plan to continue to build upon them with the aim to create an important fee-generating business. Expansion through payments business in Georgia has already started, and the newest addition is the Express Merchant business, which is an additional revenue source of income from small retailers that are not yet part of the card payment system. We will be focusing on turning payment systems into a significant base for our revenue generation and we are also preparing to leverage our knowledge of IT and payment business by beginning to export IT and payment business in the region.

Looking back, I am proud of how much has been achieved. The entrepreneurial spirit is at heart of Bank of Georgia's culture and is one of our strongest assets. It has resulted in the creation of a very strong franchise that will be very difficult to match and even harder to displace. Such success in turn has created a new important task for us. We now have to manage the size, which in our case means striking the right balance as we seek to maintain our entrepreneurial spirit and we further institutionalise our achievements. In 2014, this will be one of our main tasks. Our first step to this end is the recently launched Bank of Georgia University that will help with the identification and development of talent within the Group.

2013 was a momentous year in terms of share price performance, which increased 113% since year-end 2012, outpacing most of our peers. In 2013 Bank of Georgia was third largest growth stock in the FTSE 250. Average daily liquidity increased by more than 65% to 200,000 shares in 2013. Our long-term investors, namely East Capital and Firebird significantly reduced their holdings, which led to the widening of our institutional shareholder base, contributing to the improvements in stock liquidity and free float. Our shareholder base in now far more diversified than a year ago: non-emerging market focused institutional shareholders make up circa 36% of our shareholder base compared to just 15% a year ago.

We have committed ourselves to the continuous improvement of our corporate governance practices. To this end, in 2013, the board of directors of BGH resolved to ensure that our non-executive board members would all be fully independent under UK standards. As a result, two non-independent directors, Ian Hague and Hanna Loikannen resigned, as did Allan Hirst, a long-serving Independent Director. I and the board are deeply grateful for the devoted services of all three. They have been replaced with three new Independent non-executive directors Bozidar Djelic, Tamaz Georgadze and Kim Bradley. Please refer to our website to read about the array of experience and skills these three individuals bring to our team.

At the 2014 AGM the Board intends to recommend an annual dividend of GEL 2.0 per share payable in British Sterling at the prevailing rate. This represents an increase of 33.3%, compared to the annual dividend of GEL 1.5 per share last year, a payout ratio of 33.7% and a dividend yield for shareholders of 2.9%, calculated on the basis of the preliminary results and using the 31 December 2013 share price of GBP 23.95," commented ***Irakli Gilauri*****,** Chief Executive Officer of Bank of Georgia Holdings PLC and JSC Bank of Georgia.

FINANCIAL SUMMARY

BGH (Consolidated, IFRS-based)			
Income Statement Summary			**Change**
GEL thousands, unless otherwise noted	**2013**	**2012**	**Y-O-Y**
Revenue[1]	545,454	498,255	9.5%
Operating expenses	(225,565)	(221,152)	2.0%
Operating income before cost of credit risk	319,889	277,103	15.4%
Cost of credit risk[2]	(61,802)	(44,717)	38.2%
Net operating income	258,087	232,386	11.1%
Net non-operating expenses	(12,831)	(19,634)	-34.6%
Profit	209,343	179,552	16.6%

BGH (Consolidated, IFRS-based)			Change		Change
Income Statement Summary	**Q4 2013**	**Q4 2012**	**Y-O-Y**	**Q3 2013**	**Q-O-Q**
Revenue[1]	144,441	128,288	12.6%	138,338	4.4%
Operating expenses	(60,998)	(53,966)	13.0%	(54,948)	11.0%
Operating income before cost of credit risk	83,443	74,322	12.3%	83,390	0.1%
Cost of credit risk[2]	(9,999)	(16,124)	-38.0%	(15,540)	-35.7%
Net operating income	73,444	58,198	26.2%	67,850	8.2%
Net non-operating expenses	(5,960)	(4,189)	42.3%	(1,419)	NMF
Profit	55,644	46,875	18.7%	58,597	-5.0%

BGH (Consolidated, IFRS-based)			Change		Change
Statement of Financial Position Summary	**Q4 2013**	**Q4 2012**	**Y-O-Y**	**Q3 2013**	**Q-O-Q**
Total assets	6,520,969	5,655,595	15.3%	5,954,347	9.5%
Net loans[3]	3,522,915	3,092,320	13.9%	3,283,508	7.3%
Customer funds[4]	3,117,732	2,693,025	15.8%	2,862,512	8.9%
GEL/US$ Exchange Rate (period-end)	1.7363	1.6567		1.6644	
GEL/GBP Exchange Rate (period-end)	2.8614	2.6653		2.6774	

KEY PERFORMANCE MEASURES

Performance Indicators	2013	2012
ROAE	18.6%	19.1%
Cost to Income Ratio	41.4%	44.4%
Net Interest Margin	7.8%	7.9%
Tier I Capital Adequacy Ratio (BIS)[5]	23.0%	21.2%
Total Capital Adequacy Ratio (BIS)[5]	27.1%	26.2%
NBG Tier I Capital Adequacy Ratio[6]	14.4%	13.8%
NBG Total Capital Adequacy Ratio[6]	15.4%	16.2%
EPS (GEL)	5.93	5.22
Loan portfolio growth	13.9%	18.2%
Leverage[7]	4.3	4.3

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

DISCUSSION OF RESULTS

This summary compares the financial results for the year ended 31 December 2013 to the comparable period in 2012.

Revenue

GEL thousands, unless otherwise noted	2013	2012	*Change Y-O-Y*
Loans to customers	522,847	509,339	2.7%
Investment securities[8]	35,371	33,950	4.2%
Amounts due from credit institutions[9]	8,423	15,813	-46.7%
Finance lease receivables	7,466	8,701	-14.2%
Interest income	**574,107**	**567,803**	**1.1%**
Amounts due to customers	(159,028)	(202,484)	-21.5%
Amounts due to credit institutions, of which:	(100,585)	(79,492)	26.5%
Eurobonds	*(35,424)*	*(16,010)*	*121.3%*
Subordinated debt	*(22,394)*	*(21,883)*	*2.3%*
Loans and deposits from other banks	*(42,767)*	*(41,599)*	*2.8%*
Interest expense	**(259,613)**	**(281,976)**	**-7.9%**
Net interest income before interest rate swaps	**314,494**	**285,827**	**10.0%**
Net loss from interest rate swaps	(398)	(1,710)	-76.7%
Net interest income	**314,096**	**284,117**	**10.6%**
Fee and commission income	115,106	109,278	5.3%
Fee and commission expense	(28,210)	(22,791)	23.8%
Net fee and commission income	**86,896**	**86,487**	**0.5%**
Net insurance premiums earned	129,993	91,176	42.6%
Net insurance claims incurred	(84,660)	(57,038)	48.4%
Net insurance revenue	**45,333**	**34,138**	**32.8%**
Healthcare revenue	60,013	54,376	10.4%
Cost of healthcare services	(37,644)	(31,030)	21.3%
Net healthcare revenue[10]	**22,369**	**23,346**	**-4.2%**
Net gain from trading and investment securities	3,097	2,308	34.2%
Net gain from revaluation of investment property	9,788	-	-
Net gain from foreign currencies	43,512	46,622	-6.7%
Other operating income	20,363	18,288	11.3%
Other operating non-interest income	**76,760**	**67,218**	**14.2%**
Revenue adjusted for one-off FX gain[11]	**545,454**	**495,306**	**10.1%**
One-off FX gain	-	2,949	-100.0%
Revenue	**545,454**	**498,255**	**9.5%**

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

The Bank reported full year 2013 record revenue of GEL 545.5 million, up 9.5% y-o-y, driven by strong net interest income, as well as due to the growth of non-interest income, predominantly a result of solid performance of Aldagi, the Bank's insurance and healthcare business subsidiary. The contribution of insurance and healthcare revenue to total revenue increased from 11.5% in 2012 to 12.4% in 2013, which is in line with the management's strategy to diversify its revenue sources.

The 10.6% y-o-y growth of net interest income during the year was a result of a 1.1% increase in interest income and a 7.9% decline in interest expenses for the period. The growth of interest income from loans to customers by 2.7% reflects the healthy growth of the loan book, up 13.9%, and the decrease in loan yield from 17.5% in 2012, to

16.2% in 2013. Interest income growth from loans to customers combined with the increase in interest income from investment securities, more than offset the decline in interest income from amounts due to credit institutions and finance lease receivables.

Interest income from investment securities, which includes interest income received from NBG CD-s and Ministry of Finance T-Bond, increased 4.2% y-o-y on the back of a 34.5% increase in the corresponding average balance sheet item. The moderate growth of interest income from investment securities was a result of lower yields on the investment securities in line with the reduction of the NBG refinancing rate from 5.25% as of year-end 2012 to 3.75%. Interest income from credit institutions declined by GEL 7.4 million, or 46.7% mainly as a result of one large high-yielding interbank transaction in 2012.

The 7.9% decline in interest expense was primarily attributed to the reduction in cost of funding to 5.9% in 2013 from 7.3% in 2012, in line with the bank's continuous strategy of optimising its funding costs. The main driver of the decline of interest expense, the Bank's cost of deposits (amounts due to customers), was reduced by 170 bps to 5.6% in 2013 compared to the prior year following the reduction of contractual deposit rates on one year US$ deposits by 300 compared to the year-end 2012. Deposit rate cuts notwithstanding, the inflow of deposits continued throughout the year, with average client deposits increasing 7.4% y-o-y, while outstanding balances on client deposits as of 31 December 2013 reached GEL 3,107.2 million, up 18.5% compared to 31 December 2012. *(For more detailed discussion on amounts due to customers, please see Balance Sheet section of this Report).* As a result, interest expense on amounts due to customers (customer funds) was reduced by 21.5% year-on-year, or by GEL 43.5 million, more than offsetting the 26.5% y-o-y, or a GEL 21.1 million increase in interest expense on amounts due to credit institutions. The main contributor to the growth of interest expense on amounts due to credit institutions was the increased interest expense due to a US$150 million tap issue of US$250 million Eurobonds, placed by the Bank in July 2012 (2017 maturity). The prepayment of a relatively cost subordinated debt in October 2013 further improved the cost of amounts due to credit institutions, which declined from 7.2% in 2012 to 6.6% in 2013.

Net Interest Margin

GEL thousands, unless otherwise noted	**2013**	**2012**	**Change Y-O-Y**
Net interest income	314,096	284,117	10.6%
Net Interest Margin	**7.8%**	**7.9%**	**-1.3%**
Average interest earning assets[12]	4,037,894	3,614,921	11.7%
Average interest bearing liabilities[12]	4,382,341	3,904,874	12.2%
Average liquid assets[12]	1,593,651	1,386,963	14.9%
Excess liquidity NBG[13] (excl. additional liquidity requirement for non-resident depositors)	*655,392*	*352,675*	*85.8%*
Additional liquidity requirement for non-resident depositors	*(118,285)*	*-*	*NMF*
Excess liquidity (NBG)[13]	537,107	352,675	52.3%
Loan yield	16.2%	17.5%	
Cost of funding	5.9%	7.3%	

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

[13] Excess liquidity is the excess amount of the liquid assets, as defined per NBG, which exceeds the minimal amount of the same liquid assets for the purposes of the minimal 30% liquidity ratio per NBG definitions

The NIM remained broadly flat in 2013 at 7.8% in 2013 compared to 7.9% in 2012, reflecting the effect of a 140 bps decline in the cost of funding on the back of 130 bps decline in the loan yield during the same period and the 52.3% y-o-y increase in excess liquidity. The increase in average liquid assets and excess liquidity, high levels of which were maintained throughout the year, was predominantly a result of the US$150 Eurobond tap issue in November 2013. The proceeds from the Eurobonds have not yet been deployed into loans, significantly increasing the liquidity pool.

NBG's newly introduced transitional additional liquidity requirement relating to non-resident deposits had an additional impact of GEL 118.3 million on liquidity in 2013. NBG introduced an updated liquidity model for a transition period starting 1 July 2013. As the NBG moves towards a new liquidity framework based on Basel III Liquidity Coverage Ratio (LCR) with some modifications taking into account specifics about the Georgian banking system, it has recently introduced an updated liquidity model, applicable during the transition period. Before the full introduction of LCR, the NBG applies an additional liquidity requirement for non-resident deposits that are in excess of 10% of the total deposits of a bank.

Net fee and commission income

GEL thousands, unless otherwise noted	2013	2012	Change Y-O-Y
Fee and commission income	115,106	109,278	5.3%
Fee and commission expense	(28,210)	(22,791)	23.8%
Net fee and commission income	**86,896**	**86,487**	**0.5%**

Net fee and commission income grew by a modest 0.5% y-o-y to GEL 86.9 million, as 5.3% y-o-y growth of fee and commission income offset a 23.8% increase in the fee and commission expense. The high growth rate of expenses is largely attributed to the exceptionally high client acquisition rate within the Express Banking strategy in 2013, especially through the popularity of its Express Card (a contactless travel card linked to a current account) and its newly introduced Express Merchant service (*see Retail Banking section below for more information*). Largely due to the success of the Express Banking service, the Bank has attracted more than 190,000 mostly emerging mass market customers and issued more than 240,000 express cards in 2013 leading to an 18.5% increase in client account balances mostly current accounts - the cheapest source of funding for the bank.

Net insurance revenue and net healthcare revenue

GEL thousands, unless otherwise noted	2013	2012	Change Y-O-Y
Net insurance premiums earned	129,993	91,176	42.6%
Net insurance claims incurred	(84,660)	(57,038)	48.4%
Net insurance revenue	**45,333**	**34,138**	**32.8%**
Healthcare revenue	60,013	54,376	10.4%
Cost of healthcare services, of which:	(37,644)	(31,030)	21.3%
Salaries and other employee benefits	*(19,393)*	*(21,602)*	*-10.2%*
Depreciation expenses	*(5,160)*	*-*	*-*
Other Operating expenses	*(13,091)*	*(9,428)*	*38.9%*
Net healthcare revenue[14]	**22,369**	**23,346**	**-4.2%**

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

The Bank's insurance and healthcare business had another successful year in 2013 posting record total revenue of GEL 67.7 million, up 17.8% y-o-y. Net insurance premiums earned increased by 42.6%, with growth coming from all lines of insurance business, particularly health insurance, which saw particularly strong growth as the Group expands into the healthcare business. Net insurance claims incurred also increased 48.4% as a result of the growth of business.

Healthcare revenue increased 10.4% to GEL 60.0 million on the back of a 21.3% increase in cost of healthcare services. The higher growth rate of healthcare costs compared to healthcare revenue in 2013 was partially attributed to the lower revenue streams as the roll-out of new hospitals were completed in the middle of the year. In addition, certain accounting reclassifications, resulting in additional depreciation and utility expenses, were included in cost of healthcare services in 2013, which in prior years were included in operating expenses. *(Please see more details under Insurance and Healthcare segment discussion).*

Aldagi's healthcare business comprises 33 hospitals and outpatient clinics in Georgia, representing the largest healthcare provider in the country. Inter-company claims that represent an expense for the insurance business are revenues for the healthcare business, each on a standalone basis. In order to continue reap benefits from the vertically integrated structure of this business, the management aims to increase the concentration of claims expenditure within the Group. In 2013, total inter-segment revenue between the Aldagi's insurance and healthcare businesses amounted to 31.1 million compared to GEL 14.4 in 2012 *(please see Insurance and Healthcare segment discussion for more information)*

Other operating non-interest income

GEL thousands, unless otherwise noted	2013	2012	Change Y-O-Y
Net gain from trading and investment securities	3,097	2,308	34.2%
Net gain from revaluation of investment property	9,788	-	-
Net gain from foreign currencies	43,512	46,622	-6.7%
Other operating income[15]	20,363	18,288	11.3%
Other operating non-interest income adjusted for one-off FX gain	**76,760**	**67,218**	**14.2%**
One-off FX gain[16]	-	2,949	-100.0%
Other operating non-interest income	**76,760**	**70,167**	**9.4%**

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

The 14.2% y-o-y increase in other operating non-interest income, adjusted for last year's one off FX gain by BNB, was driven by an increase in the net gain from trading and investment securities, which as of 31 December 2013 mostly consisted of NBG CDs, government treasury bills and bonds. Other operating income also increased by 11.3% y-o-y to GEL 20.4 million, primarily due to an increase of net revenue from the sale of goods of the Bank's non-banking subsidiaries, real estate company m2 Real Estate and wine making company, Teliani Valley.

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

GEL thousands, unless otherwise noted	2013	2012	Change Y-O-Y
Salaries and other employee benefits	(135,065)	(122,556)	10.2%
General and administrative expenses	(60,364)	(67,041)	-10.0%
Depreciation and amortisation expenses	(26,572)	(28,606)	-7.1%
Other operating expenses	(3,564)	(2,949)	20.9%
Operating expenses	**(225,565)**	**(221,152)**	**2.0%**
Operating income before cost of credit risk	**319,889**	**277,103**	**15.4%**
Cost of credit risk	**(61,802)**	**(44,717)**	**38.2%**
Net operating income	**258,087**	**232,386**	**11.1%**
Net non-operating expenses	(12,831)	(19,634)	-34.6%
Profit before income tax expense	**245,256**	**212,752**	**15.3%**
Income tax expense	(35,913)	(33,200)	8.2%
Profit	**209,343**	**179,552**	**16.6%**

The Bank successfully continued to deliver positive operating leverage as the management remains focused on keeping a tight grip on costs. Operating expenses increased 2.0% to GEL 225.6 million, which significantly lags behind the revenue growth rate of 9.5%. As a result, operating leverage stood at 7.5 percentage points in 2013, marking the fourth consecutive year of positive operating leverage. The growth in operating expenses was primarily fuelled by a 10.2% growth in salaries and other employee benefits to GEL 135.1 million following an increase in headcount by more than 600 employees in 2013 to service the growth of business of the Bank's subsidiaries. Benefiting from the success of the Express Banking strategy that aims to boost transactional banking using IT technologies, JSC Bank of Georgia's headcount declined by 4.3% y-o-y to 3,574 employees as of 31 December 2013. Efficiency gains and various cost containment measures throughout the year, led to the 10.0% decline in general and administrative expenses to GEL 60.4 million in 2013. As a result of the foregoing, the cost to income ratio fell to a record low 41.4% compared to 44.4% in 2012.

The Bank's operating income before the cost of credit risk increased by 15.4% to GEL 319.9 million.

The cost of credit risk increased to GEL 61.8 million from GEL 44.7 million in 2012, largely reflecting impairment charges related to both the Retail Banking and Corporate Banking loan portfolios, translating into a cost of risk of 1.4% for the year. The cost of risk improved markedly in Q4 2013 (to an annualised 0.9% from 1.8% in Q4 2012 and 1.6% in Q3 2013), as a result of lower impairment charges as well as higher recoveries compared to 2012.

The Bank's non-performing loans (NPLs), defined as the principal and interest on overdue loans for more than 90 days and additional potential loss estimated by management, increased by GEL 18.6 million in 2013 and totalled GEL 144.9 million, reflecting a lower level of write-offs during the year. The NPL coverage ratio stood at 83.8% as of 31 December 2013 compared to 87.5% as of 31 December 2012 and 86.2% as of 30 September 2013. The NPL Coverage Ratio (adjusted for the discounted value of collateral) stood at 110.6% as of 31 December 2013, compared to 112.7% a year before and 111.8% as of 30 September 2013.

The Bank's net operating income totalled GEL 258.1 million, up 11.1% year-on-year. In 2013, the Bank's net non-operating expenses declined to GEL 12.8 million from GEL 19.6 million in 2012, reflecting the absence of tender offer and premium listing fees incurred in 2012.

As a result of the foregoing, profit before income tax in 2013 totalled GEL 245.3 million, an increase of GEL 32.5 million, or 15.3% y-o-y. After income tax expense of GEL 35.9 million, the Bank's profit for the period stood at GEL 209.3 million, up 16.6%.

Balance Sheet highlights

The Bank's balance sheet remains well capitalised and highly liquid. Client deposits and amounts due to credit institutions (which includes our Eurobond issuance), were the main source of funding of the 15.3% y-o-y growth of total assets in 2013. Remarkably (especially, as regards to deposits), the increase in liabilities was achieved in an environment of declining funding rates, resulting in a significant reduction of funding costs.

Client deposits, which accounted for 58.8% of the Bank's total liabilities, grew by 18.5% y-o-y to their record level of GEL 3,107.2 million at the same time as their cost was reduced by 170 bps to 5.6%. The Bank reduced its contractual interest rates significantly, bringing rates on the one year term US$ denominated deposits from 8% at the beginning of the year down to 5% since June 2013.

Our strong focus on liability management throughout the period also enabled us to reduce the cost of amounts due to credit institutions by 60 bps to 6.6% as the Bank repaid some of its more costly subordinated borrowings. The issuance of lower cost Eurobond tap in November 2013 was the main cause of the overall increase in amounts due to credit institutions, which grew by 13.8% to GEL 1,886.1 million.

The main driver of the asset growth of the period was a GEL 430.6 million (13.9% y-o-y) loan book growth, as the demand for credit picked up in Q4 2013. Retail banking loan book growth, which was consistent throughout the year, reached GEL 1,612.9 million, up 19.6% y-o-y, while the demand for Corporate credit, which was subdued in the first nine months of the year, picked up in Q4 2013, gaining 8.6% quarter-on-quarter.

As of 31 December 2013, the Bank's total assets stood at GEL 6,521.0 million, an increase of 15.3% since 31 December 2012. In addition to the loan book, the growth in total assets reflects growth in in liquid assets, up by GEL 297.4 million following the issuance of the Eurobonds, the proceeds from which have not yet been fully deployed in loans.

The Bank's Book Value per share on 31 December 2013 stood at GEL 34.85 (US$20.07/GBP12.18) compared to GEL 30.33/ (US$18.31/GBP11.38) as of 31 December 2012.

Currency denomination of selected balance sheet items

	GEL			**FC**		
GEL thousands, unless otherwise noted	**Q4 2013**	**Q4 2012**	**Change Y-O-Y**	**Q4 2013**	**Q4 2012**	**Change Y-O-Y**
Loans to customers and finance lease receivables, net	1,231,207	978,773	25.8%	2,291,708	2,113,547	8.4%
Amounts due to customers, of which:	997,573	822,248	21.3%	2,120,159	1,870,777	13.3%
Client deposits	*997,573*	*821,404*	*21.4%*	*2,109,636*	*1,801,507*	*17.1%*
Promissory notes	-	*844*	*-100.0%*	*10,523*	*69,270*	*-84.8%*

De-dollarisation of both sides of the balance sheet remained one of the top priorities for Bank of Georgia management in 2013. The deposit rate cuts, as well as helping to bring down cost of funds, supported efforts to de-dollarise the Bank's liabilities. The cuts were more pronounced on US$ denominated deposits, leading to a widening differential between GEL and US$ denominated deposits encouraging a growth of GEL savings. Although the 4.6% downward correction of GEL versus US$ in 2013 remained a tailwind for the purposes of de-dollarising liabilities, the differential nevertheless led to a faster growth of GEL denominated client deposits compared to Foreign Currency deposits growth for the period (21.4% vs. 17.1%, respectively).

Following targeted measures to de-dollarise the asset side of the balance sheet, Lari denominated loans increased 25.8% compared to an 8.4% increase in foreign currency denomination loans. The Lari denominated growth rate was positively impacted by the Lari lending support programme by the NBG. The programme entails providing financing to Georgian banks for GEL denominated loans linked to the refinancing rate. In 2013, the Bank issued GEL 27.0 million Lari denominated mortgage and SME loans, which contributed strongly to the increase of the share of GEL denominated loans in total loans from 31.7% in 2012 to 34.9% in 2013.

Liquidity, Funding and Capital Management

GEL thousands, unless otherwise noted	31 Dec 13	31 Dec 12	Change Y-O-Y
Amounts due to credit institutions, of which:	1,886,096	1,657,162	13.8%
Eurobonds	*728,117*	*420,849*	*73.0%*
Subordinated debt	*168,710*	*208,244*	*-19.0%*
Other amounts due to credit institutions	*989,269*	*1,028,069*	*-3.8%*
Customer Funds, of which:	3,117,732	2,693,025	15.8%
Client deposits, of which:	*3,107,209*	*2,622,911*	*18.5%*
CDs	*221,539*	-	-
Promissory notes	*10,523*	*70,114*	*-85.0%*
Net Loans / Customer Funds	113.0%	114.8%	
Net Loans / Customer Funds + DFIs	96.2%	91.9%	
Liquid assets	**1,921,704**	**1,624,317**	**18.3%**
Liquid assets as percent of total assets	29.5%	28.7%	
Liquid assets as percent of total liabilities	36.4%	35.3%	
NBG liquidity ratio	45.7%	41.1%	
Excess liquidity NBG (excl. additional liquidity requirement for non-resident depositors)	*655,392*	*352,675*	*85.8%*
Additional liquidity requirement for non-resident depositors	*(118,285)*	-	
Excess liquidity (NBG)	537,107	352,675	52.3%

The Bank's liquidity position remained well-above regulatory requirements. The Bank's liquidity ratio, as per the requirements of the NBG, stood at 45.7% against a required minimum of 30%, while liquid assets, (comprising of cash and cash equivalents, amounts due from credit institutions and investment securities) accounted for 29.5% of total assets and 36.4% of total liabilities. The increase in liquidity was primarily due to the additional Eurobond issuance in November 2013, which significantly contributed to the increased liquidity pool as the proceeds from the Eurobonds have not yet been deployed in loans.

Effective 1 July 2013, the NBG introduced a transitional amendment to its existing liquidity ratio, entailing additional liquidity requirements relating to non-resident deposits. As of 31 December 2013, the additional impact on liquidity due to this transitional regulation amounted to GEL 118.3 million.

The composition of the Bank's balance sheet reflects its aim to maintain a diversified funding base, while optimising funding costs. Net loans/Customer funds ratio stood at 113.0% as of 31 December 2013, compared to 114.8% a year ago. Net loans/Customer funds + Development Finance Institutions (DFIs) however increased by 4.3 percentage points to 96.2%, as a result of a pick-up in lending and the repayment of selected loans from DFIs following the issuance of Eurobonds in November 2013. Borrowed Funds from DFIs made up 10.3% of total liabilities, down from 14.6% as a result of repayment of subordinated loans.

Capital Adequacy, BIS

GEL thousands, unless otherwise noted	31 Dec 13	31 Dec 12	Change Y-O-Y
Tier I capital	1,170,104	1,006,756	16.2%
Tier II capital	256,224	284,677	-10.0%
Total Capital	1,375,181	1,242,736	10.7%
Risk Weighted Assets	5,080,827	4,749,484	7.0%
Tier I capital adequacy ratio (BIS)	23.0%	21.2%	
Total capital adequacy ratio (BIS)	27.1%	26.2%	

Capital Adequacy, NBG

GEL thousands, unless otherwise noted	31 Dec 13	31 Dec 12	Change Y-O-Y
Tier I capital	810,545	739,880	9.6%
Tier II capital	313,220	389,685	-19.6%
Total Capital	867,294	866,950	0.0%
Risk Weighted Assets	5,638,556	5,352,187	5.4%
Tier I capital adequacy ratio (NBG)	14.4%	13.8%	
Total capital adequacy ratio (NBG)	15.4%	16.2%	

The Bank ended the year with a particularly strong capital position with a robust Tier I ratio (BIS) of 23.0%. This is a further improvement from the 21.2% Tier I Capital of Bank of Georgia Group in 2012. Risk weighted assets increased by 7.0% to GEL 5,080.8 million, reflecting the increase in interest earning assets during the year, while Tier 1 Capital (BIS) increased by GEL 163.3 million to GEL 1,170.1 million.

NBG Total Capital stayed largely flat at GEL 867.3 million as a result of a dividend payment and the early repayment of costly subordinated loans.

Approved and published on 28 October 2013 by NBG, a new capital adequacy regulation comes into force in 2014. Pillar 1 requirements become effective 30 June 2014, although reporting under the new regulation is effective 1 January 2014. Pillar 2 (ICAAP) requirements shall become effective 30 September 2014. A transition period is to continue through 1 January 2017, during which the Bank will be required to comply with both, the new, as well as the old, capital regulations of the NBG. The new capital regulation is based on Basel 2/3 requirements, adjusted for NBG's discretionary items. The Bank has been already calculating its capital adequacy under the new regulation during 2013 and is fully ready for the new regulation, which it has already implemented. The Bank sees no particular risks associated with the new regulation and the transition period and it expects its absolute capital requirement to stay materially unchanged or even slightly reduced.

RESULTS BY QUARTER

Revenue

GEL thousands, unless otherwise noted	Q4 2013	Q4 2012	Change Y-O-Y	Q3 2013	Change Q-O-Q
Loans to customers	133,354	134,451	-0.8%	129,445	3.0%
Investment securities	8,148	8,018	1.6%	9,581	-15.0%
Amounts due from credit institutions	1,745	2,141	-18.5%	1,733	0.7%
Finance lease receivables	2,570	2,327	10.4%	1,688	52.3%
Interest income	**145,817**	**146,937**	**-0.8%**	**142,447**	**2.4%**
Amounts due to customers	(35,624)	(46,284)	-23.0%	(37,866)	-5.9%
Amounts due to credit institutions	(26,531)	(23,943)	10.8%	(24,429)	8.6%
Eurobonds	*(11,020)*	*(7,880)*	*39.8%*	*(8,213)*	*34.2%*
Subordinated debt	*(5,456)*	*(2,206)*	*147.3%*	*(5,794)*	*-5.8%*
Loans and deposits from other banks	*(10,055)*	*(13,857)*	*-27.4%*	*(10,422)*	*-3.5%*
Interest expense	**(62,155)**	**(70,227)**	**-11.5%**	**(62,294)**	**-0.2%**
Net interest income before interest rate swaps	**83,662**	**76,710**	**9.1%**	**80,153**	**4.4%**
Net loss from interest rate swaps	(95)	(171)	-44.4%	(118)	-19.5%
Net interest income	**83,567**	**76,539**	**9.2%**	**80,035**	**4.4%**
Fee and commission income	31,200	28,028	11.3%	29,008	7.6%
Fee and commission expense	(8,099)	(6,906)	17.3%	(7,489)	8.1%
Net fee and commission income	**23,101**	**21,122**	**9.4%**	**21,519**	**7.4%**
Net insurance premiums earned	34,012	32,956	3.2%	31,693	7.3%
Net insurance claims incurred	(23,799)	(20,698)	15.0%	(19,297)	23.3%
Net insurance revenue[17]	**10,213**	**12,258**	**-16.7%**	**12,396**	**-17.6%**
Healthcare revenue	18,268	15,751	16.0%	14,256	28.1%
Cost of healthcare services	(9,915)	(8,626)	14.9%	(9,232)	7.4%
Net healthcare revenue	**8,353**	**7,125**	**17.2%**	**5,024**	**66.3%**
Net gain from trading and investment securities	279	73	NMF	228	22.4%
Net gain from revaluation of investment property	2,078	-	-	2,868	-27.5%
Net gain from foreign currencies	9,631	10,878	-11.5%	12,203	-21.1%
Other operating income	7,219	293	NMF	4,065	77.6%
Other operating non-interest income	**19,207**	**11,244**	**70.8%**	**19,364**	**-0.8%**
Revenue	**144,441**	**128,288**	**12.6%**	**138,338**	**4.4%**

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

Net interest income in Q4 2013 increased 9.2% y-o-y to GEL 83.6 million. This largely reflects the effects of the declining cost of funding, translating into the reduction of interest expense by 11.5% on a yearly, and 0.2% on a quarterly basis to GEL 62.2 million for the quarter.

Q4 2013 revenue reached GEL 144.4 million, up 4.4% q-o-q and 12.6% y-o-y. On a yearly basis, the 0.8% decline of the interest income for the quarter was due to an 18.5% decrease in interest income from amounts due from credit institutions as a result of a high yielding interbank deposit transaction in 2012. Interest income stayed largely flat on a quarterly basis at GEL 133.4 million as a result of a decline in the loan yield, which was down by 150 bps to 15.6% year-on-year and remained largely flat compared to the previous quarter (15.7% in Q3 2013). Compared to the previous quarter in 2013, interest income from loans to customers grew by 3.0% to GEL 133.4 million, supported by a strong growth in average net loans on quarterly basis.

The growth in revenue also benefited from a 9.4% y-o-y, and 7.4% q-o-q, growth in net fee and commission income and a modest increase in other operating income, which was primarily attributable to an increase of net revenue from the sale of goods of the Bank's non-banking subsidiaries m2 Real Estate and Teliani Valley.

The growth of net interest income was partially offset by decrease in net insurance revenue to GEL 10.2 million for the quarter, down 16.7% y-o-y and down 17.6% q-o-q. Adjusting for a one-off inter-segment elimination correction, which affected Q4 2013 healthcare and insurance numbers, net insurance revenue increased to GEL 11.9 million down 3.1% y-o-y and 4.2% q-o-the quarter-on-quarter decline was due to the to the seasonality effect specific to the insurance business with Q3 being the most profitable quarter due to low claims. Net healthcare revenue increased 17.2% year-on-year. When adjusted for the inter-segment elimination correction, net healthcare revenue increased 6.2% y-o-y. On a quarterly basis, net healthcare revenue grew by 66.3% and 33.1% on adjusted basis, reflecting the rise in healthcare revenues as a result of the expansion of healthcare operations.

Net Interest Margin

GEL thousands, unless otherwise noted	**Q4 2013**	**Q4 2012**	**Change Y-O-Y**	**Q3 2013**	**Change Q-O-Q**
Net interest income	83,567	76,539	9.2%	80,035	4.4%
Net Interest Margin	**7.9%**	**7.8%**	**1.3%**	**7.7%**	**2.6%**
Average interest earning assets[18]	4,192,519	3,891,637	7.7%	4,115,806	1.9%
Average interest bearing liabilities[18]	4,620,387	4,264,983	8.3%	4,403,293	4.9%
Average liquid assets[18]	1,681,582	1,550,860	8.4%	1,555,797	8.1%
Excess liquidity NBG (excl. additional liquidity requirement for non-resident depositors)	*655,392*	*352,675*	*85.8%*	*336,961*	*94.5%*
Additional liquidity requirement for non-resident depositors	*(118,285)*	*-*	*-*	*(96,629)*	*22.4%*
Excess liquidity[19]	537,107	352,675	52.3%	240,332	123.5%
Loan yield	15.6%	17.1%		15.7%	
Cost of funds	5.3%	6.6%		5.6%	

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

The Q4 2013 NIM increased 10 bps y-o-y and 20 bps q-o-q to 7.9% reflecting the healthy growth of net interest income on both a quarterly and annual basis. The significantly reduced cost of funds to 5.3% in Q4 2013 more than offset the downward pressure from declining loan yields. The loan yields declined 150 bps y-o-y to 15.6% in Q4 2013, which compared to a 130 bps decline in the cost of funds during the same period. An increase in average liquid assets, following the Eurobond issuance in November 2013 placed additional downward pressure on the NIM in Q4 2013.

On quarterly basis, the NIM was positively impacted by strong quarterly growth in lending, translating into a 4.4% q-o-q growth of net interest income. The growth in net interest income was also supported by a 30 bps q-o-q decline in the cost of funding, which was partially offset by of a 10 bps decline in the loan yield.

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

GEL thousands, unless otherwise noted	**Q4 2013**	**Q4 2012**	**Change Y-O-Y**	**Q3 2013**	**Change Q-O-Q**
Salaries and other employee benefits	(35,627)	(32,383)	10.0%	(34,361)	3.7%
General and administrative expenses	(17,142)	(15,278)	12.2%	(13,458)	27.4%
Depreciation and amortization expenses	(6,682)	(7,303)	-8.5%	(6,550)	2.0%
Other operating expenses	(1,547)	998	NMF	(579)	167.2%
Operating expenses	**(60,998)**	**(53,966)**	**13.0%**	**(54,948)**	**11.0%**
Operating income before cost of credit risk	**83,443**	**74,322**	**12.3%**	**83,390**	**0.1%**
Cost of credit risk	**(9,999)**	**(16,124)**	**-38.0%**	**(15,540)**	**-35.7%**
Net operating income	**73,444**	**58,198**	**26.2%**	**67,850**	**8.2%**
Net non-operating expenses	(5,960)	(4,189)	42.3%	(1,419)	NMF
Profit before income tax expense	**67,484**	**54,009**	**24.9%**	**66,431**	**1.6%**
Income tax expense	(11,840)	(7,134)	66.0%	(7,834)	51.1%
Profit	**55,644**	**46,875**	**18.7%**	**58,597**	**-5.0%**

The increase in operating expenses on both quarterly and yearly basis was attributed to an increase in salaries and other employee benefits, reflecting the headcount increase, predominantly at the Bank's subsidiaries. The increase in general and administrative expenses in Q4 2013, compared to Q3 2013 was due to an increase in expenses associated to marketing costs and corporate hospitality expenses associated with the Christmas period.

The cost of credit risk for the quarter decreased 38.0% y-o-y to GEL 10.0 million as a result of a decline in impairments on y-o-y basis, particularly from the Corporate Banking business. The 35.7% q-o-q decline in the cost of credit risk was primarily driven by lower impairments as well as a higher rate of recoveries in Retail Banking in Q4 2013.

As a result of the foregoing, in Q4 2013, the Bank's net operating income totalled GEL 73.4 million, up 26.2% y-o-y and up 8.2% q-o-q. The Bank's net non-operating expense stood at GEL 6.0 million, up 42.3% y-o-y, reflecting the prepayment cost of subordinated debt and the impairment of property, plant and equipment. As a result, the Bank posted Q4 2013 profit of GEL 55.6 million, up 18.7% y-o-y and down 5.0% q-o-q.

SEGMENT RESULTS

Strategic Businesses Segment Result Discussion

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

Retail Banking (RB)

GEL thousands, unless otherwise noted	2013	2012	Change Y-O-Y
Net interest income	191,851	174,360	10.0%
Net fee and commission income	54,025	53,563	0.9%
Net gain from foreign currencies	16,308	14,985	8.8%
Other operating non-interest income	4,896	3,365	45.5%
Revenue	**267,080**	**246,273**	**8.4%**
Operating expenses	(120,322)	(109,041)	10.3%
Operating income before cost of credit risk	**146,758**	**137,232**	**6.9%**
Cost of credit risk	(29,172)	(12,482)	133.7%
Net non-operating expenses	(2,200)	(6,828)	-67.8%
Profit before income tax expense	**115,386**	**117,922**	**-2.2%**
Income tax expense	(14,468)	(16,392)	-11.7%
Profit	**100,918**	**101,530**	**-0.6%**
Net loans, standalone	1,612,942	1,348,331	19.6%
Client deposits, standalone	1,086,607	816,709	33.0%
Loan yield	*19.8%*	*21.4%*	
Cost of deposits	*5.3%*	*6.1%*	
Cost / income ratio	*45.1%*	*44.3%*	

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

Retail Banking posted revenue of GEL 267.1 million, up 8.4% year-on-year and profit of GEL 100.9 million, down 0.6% year-on-year, contributing 49.0% and 48.2% of the Group's total revenue and profit, respectively. The growth was primarily driven by a 10.0% growth in net interest income reflecting the combination of 19.6% y-o-y growth in net Retail Banking loans with the 160 bps decline in retail loan yields. Retail Banking cost of deposits declined by 80 bps to 5.3% as a result of a reduction in contractual rates. The Express Banking strategy continued to boost the growth of current account balances, which increased 45.7% y-o-y or by GEL 89.6 million to GEL 285.7 million and the addition of over 190,000 clients during the year.

Cost of credit risk increased from GEL 12.5 million in 2012 to GEL 29.2 million in 2013 placing a downward pressure on Retail Banking profit, which amounted to GEL 100.9 million, down by 0.6% y-o-y. However, Retail Banking cost of credit risk showed signs of improvement in Q4 2013, with lower impairments during the quarter.

Highlights

- Launched Express Merchant service within its wider franchise of Express Banking service. Express Merchant is aimed at small retailers that do not offer card payments in their stores. Express Merchant service offers these retailers a simple, low cost tablet payment system (tablet POS) as well as a wide range of attractive services tied to this tablet. This service, apart from helping the Bank to expand its footprint on the SME market, helps to further popularise the Express card.

- Increased number of Express Pay (self-service) terminals to 985 from 221 as of 31 December 2012. Express Pay terminals are used for bank transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups.
- Stepped up the issuance of Express cards, first contactless cards in Georgia, which also serve as a metro and bus transport payment card and offer loyalty programmes to clients.
- Since the launch on 5 September 2012, 435,090 Express cards have been issued in essence replacing pre-paid metro cards in circulation since July 2009.
- Issued 534,717 debit cards, including Express cards, in 2013 bringing the total debit cards outstanding to 857,734 up 19.4% y-o-y.
- Issued 55,766 credit cards of which 47,955 were American Express cards in 2013. The total number of outstanding credit cards amounted to 117,913 (of which 108,608 were American Express Cards).
- Outstanding number of Retail Banking clients totalled 1,245,048 up 18.1%y-o-y and by 4.6% (54,793clients) q-o-q.
- Acquired 1,891 new clients in the Solo business line, the Bank's mass affluent sub-brand, in 2013. As of 31 December 2013, the number of Solo clients reached 6,810.
- Increased the number of corporate clients using the Bank's payroll services from 3,429 as of 31 December 2012 to 3,842 as of 31 December 2013. As of the period end, the number of individual clients serviced through the corporate payroll programmes administered by the Bank amounted to 233,153, compared to 204,629 as of 31 December 2012.
- Increased Point of Sales (POS) footprint: as of 31 December 2013, 283 desks at 731 contracted merchants, up from 231 desks and 474 merchants as of 31 December 2012. GEL 110.2 million POS loans were issued in 2013, compared to GEL 56.4 million during the same period last year. POS loans outstanding amounted to GEL 62.9 million, up 106.2% over one year period.
- POS terminals outstanding reached 4,836, up 29.8% y-o-y. The volume of transactions through the Bank's POS terminals grew 27.0% y-o-y to GEL 427.8 million, while the number of POS transactions increased by 2.8 million y-o-y from 4.4 million in 2012 to 7.2 million in 2013.
- Consumer loan originations of GEL 545.4 million resulted in consumer loans outstanding totalling GEL 418.0 million as of 31 December 2013, up 19.3% y-o-y.
- Micro loan originations of GEL 431.4 million resulted in micro loans outstanding totalling GEL 337.3 million as of 31 December 2013, up 30.8% y-o-y.
- SME loan originations of GEL 213.1 million resulted in SME loans outstanding totalling GEL 159.7 million as of 30 December 2013, up 49.9% y-o-y.
- Mortgage loans originations of GEL 234.1 million resulted in mortgage loans outstanding of GEL 441.4 million as of 30 December 2013, up 13.6% y-o-y.
- RB loan yield amounted to 19.1% in Q4 2013 (21.3% in Q4 2012) and RB deposit cost declined to 5.1% in Q4 2013 (5.8% in Q4 2012).

Corporate Banking (CB)

GEL thousands, unless otherwise noted	2013	2012	Change Y-O-Y
Net interest income	103,967	92,276	12.7%
Net fee and commission income	27,318	28,701	-4.8%
Net gain from foreign currencies	24,774	29,819	-16.9%
Other operating non-interest income	6,340	3,996	58.7%
Revenue	**162,399**	**154,792**	**4.9%**
Operating expenses	(44,202)	(51,323)	-13.9%
Operating income before cost of credit risk	**118,197**	**103,469**	**14.2%**
Cost of credit risk	(31,054)	(29,490)	5.3%
Net non-operating expenses	(2,690)	(8,415)	-68.0%
Profit before income tax expense	**84,453**	**65,564**	**28.8%**
Income tax expense	(11,164)	(9,936)	12.4%
Profit	**73,289**	**55,628**	**31.7%**
Net loans, standalone	1,819,171	1,696,325	7.2%
Letters of credit and guarantees, standalone*	499,055	573,396	-13.0%
Client deposits, standalone	1,221,428	1,148,913	6.3%
Loan yield	*12.4%*	*13.9%*	
Cost of deposits	*4.4%*	*7.2%*	
Cost / income ratio	*27.2%*	*33.2%*	

*Off-balance sheet items

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

Net interest income for the Corporate Banking business increased 12.7%, driven by a 7.2% increase in net loans to GEL 1,819.2 million. Net interest income growth was also supported by a 280 bps year-on-year decrease in the cost of deposits, which significantly outweighed the decrease in loan yield, down by 150 bps year-on-year. Client deposits increased by 6.3% to GEL 1,221.4 million despite the sharp decline in deposit rates. Operating expenses decreased 13.9% as a result of further improvements in operating efficiency translating into an improved Cost to Income Ratio of 27.2% compared to 33.2% a year ago.

The cost of credit risk increased 5.3% to GEL 31.1 million in 2013. As a result of the foregoing, 2013 profit of the Corporate Banking business amounted to GEL 73.3 million up 31.7% y-o-y.

Investment Management

GEL thousands, unless otherwise noted	**2013**	**2012**	**Change Y-O-Y**
Net interest income	8,173	12,644	-35.4%
Net fee and commission income	530	523	1.3%
Net gain from foreign currencies	1,341	682	96.6%
Other operating non-interest income	42	73	-42.5%
Revenue	**10,086**	**13,922**	**-27.6%**
Operating expenses	(6,858)	(4,665)	47.0%
Operating income before cost of credit risk	**3,228**	**9,257**	**-65.1%**
Cost of credit risk	10	727	-98.6%
Net non-operating expenses	(255)	(305)	-16.4%
Profit before income tax expense	**2,983**	**9,679**	**-69.2%**
Income tax expense	(359)	(1,339)	-73.2%
Profit	**2,624**	**8,340**	**-68.5%**
Client deposits, standalone	679,401	605,183	12.3%
*Cost of deposits **	*7.9%*	*8.9%*	*-1.0%*

**Includes overhead costs of international private banking operations*

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

Investment Management client deposits increased 12.3% y-o-y to GEL 679.4 million, despite a 100 bps y-o-y decline in the cost of deposits. Net interest income declined 35.4% to GEL 8.2 million predominantly as a result of a change in the internal transfer pricing rates within the segments (from Investment Management to Retail Banking and Corporate Banking). As a result, the profit of the segment declined to GEL 2.6 million in 2013, from GEL 8.3 million in 2012.

Highlights

- The Investment Management business served over 1,490 clients from more than 60 countries as of 31 December 2013. Client funds attracted by Investment Management have grown at a compound annual growth rate (CAGR) of 42.9% over the last four year period to GEL 679.4 million as of 31 December 2013.
- Bank of Georgia Research unit, previously under Corporate Banking, has moved under Investment Management and is aimed at supporting the growth of the Bank's fee generating business.
- Since its launch in June 2012, Bank of Georgia Research has initiated research coverage of the Georgian Economy, Georgian Agricultural Sector, Georgian Electricity Sector, Georgian Oil and Gas Corporation, Georgian Railway, and issued notes on Georgian State Budget and the Tourism Sector as of the date of this report.
- In line with the Bank's strategy to expand research platform to cover the neighbouring economies in the region, IM has hired a research economist in Azerbaijan. Macro-economic coverage of Azerbaijan is expected to be initiated in the next few months.
- Established a Joint Venture with the Georgian Energy Development Fund (the "HPP Joint Venture") to attract financing for the construction of seven hydropower plants with the total capacity of 180MW. The construction is to be financed by funds attracted from investors in international markets following the completion of the feasibility studies of the respective plants.
- As of 31 December 2013, the amount of CDs issued to Investment Management clients reached GEL 195.7 million.
- Successfully placed US$ 8 million and EUR 8 million Euroclearable CDs in January 2014.

Insurance and Healthcare (Aldagi)

GEL thousands, unless otherwise noted	**2013**				**2012**				**Change, Y-O-Y**		
	Insurance	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Total**
Gross premiums written	**146,595**	**-**	**-**	**146,595**	**127,922**	**-**	**-**	**127,922**	**14.6%**	**-**	**14.6%**
Net interest income (expenses)	2,546	(12,404)	-	(9,858)	1,825	(6,481)	-	(4,656)	39.5%	91.4%	111.7%
Net fee and commission income (expenses)	256	(250)	-	6	(107)	-	-	(107)	NMF	-	NMF
Net insurance revenue, of which:	36,945	-	11,051	47,996	29,661	-	6,422	36,083	24.6%	-	33.0%
Net insurance premiums earned	*133,013*	-	*(356)*	*132,657*	*93,121*	-	-	*93,121*	*42.8%*	-	*42.5%*
Net insurance claims incurred	*(96,068)*	-	*11,407*	*(84,661)*	*(63,460)*	-	*6,422*	*(57,038)*	*51.4%*	-	*48.4%*
Net healthcare revenue (loss), of which:	-	33,776	(11,407)	22,369	-	29,768	(6,422)	23,346	-	13.5%	-4.2%
Healthcare revenue	-	*90,745*	*(30,732)*	*60,013*	-	*68,597*	*(14,221)*	*54,376*	-	*32.3%*	*10.4%*
Cost of healthcare services	-	*(56,969)*	*19,325*	*(37,644)*	-	*(38,829)*	*7,799*	*(31,030)*	-	*46.7%*	*21.3%*
Net gain (loss) from foreign currencies	543	(5,139)	-	(4,596)	238	(1,090)	-	(852)	128.2%	NMF	NMF
Other operating non-interest income	1,021	1,277	(6)	2,292	1,000	257	(209)	1,048	2.1%	NMF	118.7%
Revenue	**41,311**	**17,260**	**(362)**	**58,209**	**32,617**	**22,454**	**(209)**	**54,862**	**26.7%**	**-23.1%**	**6.1%**
Operating expenses	(16,795)	(12,434)	362	(28,867)	(17,437)	(17,917)	209	(35,145)	-3.7%	-30.6%	-17.9%
Operating income before cost of credit risk	**24,516**	**4,826**	**-**	**29,342**	**15,180**	**4,537**	**-**	**19,717**	**61.5%**	**6.4%**	**48.8%**
Cost of credit risk	(981)	(39)	-	(1,020)	(1,502)	(802)	-	(2,304)	-34.7%	-95.1%	-55.7%
Net non-operating income	-	-	-	-	-	440	-	440	-	-100.0%	-100.0%
Profit before income tax expense	**23,535**	**4,787**	**-**	**28,322**	**13,678**	**4,175**	**-**	**17,853**	**72.1%**	**14.7%**	**58.6%**
Income tax expense	(3,760)	(389)	-	(4,149)	(2,068)	(242)	-	(2,310)	81.8%	60.7%	79.6%
Profit	**19,775**	**4,398**	**-**	**24,173**	**11,610**	**3,933**	**-**	**15,543**	**70.3%**	**11.8%**	**55.5%**
Cost / income ratio	*40.7%*	*72.0%*	-	*49.6%*	*53.5%*	*79.8%*	-	*64.1%*	*-12.8%*	*-7.8%*	
Loss ratio	*69.9%*	-	-	-	*64.4%*	-	-	-	-	-	-
Combined ratio	*86.4%*	-	-	-	*86.7%*	-	-	-	-	-	-

Aldagi, the Bank's wholly-owned subsidiary, provides life and non-life insurance and healthcare products and services in Georgia. A leader in the Georgian life and non-life insurance markets, with a market share of 29.4% as of 30 September 2013 based on gross insurance premium revenue, Aldagi cross-sells its insurance products with the Bank's Retail Banking, Corporate Banking and Investment Management products. Aldagi's healthcare business consists of My Family Clinic (MFC) and Unimed, Georgia's leading healthcare providers in which Aldagi holds 51% and 100% stakes, respectively. MFC and Unimed operate a chain of healthcare centres in Georgia, in line with the Bank's strategy of vertically integrating its insurance and healthcare businesses.

In 2013, insurance and healthcare revenue increased to GEL 58.2 million from GEL 54.9 million in 2012, reflecting the growth of both the insurance and healthcare businesses through organic growth as well as acquisitions. Gross premiums written increased by 14.6% y-o-y to GEL 146.6 million and net insurance revenue increased by 33.0% y-o-y to GEL 48.0 million. The 2013 healthcare operations reflect the roll-out of new clinics in mid-year, with normal start-up costs and initial lower utilisation not being offset by the full year revenue stream. *(Please see below the Insurance standalone income statement and Healthcare standalone pro-forma statement for more details).* Operating expenses of the insurance and healthcare businesses decreased by 17.9% y-o-y to GEL 28.9 million, reflecting increased cost efficiency. The combined operating leverage for the insurance and healthcare segment amounted to 24.0 percentage points. As a result of the foregoing, total operating income before the cost of credit risk totalled GEL 29.3 million up 48.8% y-o-y.

The Insurance and Healthcare segment (Aldagi) posted a profit before income tax expense of GEL 24.2 million compared to GEL 15.5 million in 2012. Aldagi's group consolidated annual profit stood at GEL 25.1 million in 2013.

Insurance standalone income statement

GEL thousands, unless otherwise noted	**2013**	**2012**	**Change Y-O-Y**
Gross premiums written	**146,595**	**127,922**	**14.6%**
Net interest income	2,546	1,825	39.5%
Net fee and commission income (expenses)	256	(107)	NMF
Net insurance revenue, of which:	36,945	29,661	24.6%
Net insurance premiums earned	*133,013*	*93,121*	*42.8%*
Net insurance claims incurred	*(96,068)*	*(63,460)*	*51.4%*
Net gain from foreign currencies	543	238	128.2%
Other operating non-interest income	1,021	1,000	2.1%
Revenue	**41,311**	**32,617**	**26.7%**
Operating expenses	(16,795)	(17,437)	-3.7%
Operating income before cost of credit risk	**24,516**	**15,180**	**61.5%**
Cost of credit risk	(981)	(1,502)	-34.7%
Profit before Income tax expense	**23,535**	**13,678**	**72.1%**
Income tax expense	(3,760)	(2,068)	81.8%
Profit	**19,775**	**11,610**	**70.3%**
Cost / income ratio	*40.7%*	*53.5%*	
Loss ratio	*69.9%*	*64.4%*	
Combined ratio	*86.4%*	*86.7%*	

Healthcare pro-forma[20] standalone income statement

GEL thousands, unless otherwise noted	**2013**	**2012**	**Change Y-O-Y**
Net interest expenses	(12,404)	(6,481)	91.4%
Net fee and commission expenses	(250)	-	-
Net healthcare revenue, of which:	40,565	29,768	36.3%
Healthcare revenue	*90,745*	*68,597*	*32.3%*
Cost of healthcare services	*(50,180)*	*(38,829)*	*29.2%*
Net loss from foreign currencies	(4,157)	(1,090)	NMF
Other operating non-interest income	1,277	257	NMF
Revenue	**25,031**	**22,454**	**11.5%**
Operating expenses	(19,223)	(17,917)	7.3%
Operating income before cost of credit risk	**5,808**	**4,537**	**28.0%**
Cost of credit risk	(39)	(802)	-95.1%
Net non-operating income	-	440	-100.0%
Profit before income tax expense	**5,769**	**4,175**	**38.2%**
Income tax expense	(454)	(242)	87.6%
Profit	**5,315**	**3,933**	**35.1%**

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

Highlights

- Aldagi's market share stood at 29.4% as of 30 September 2013 based on gross insurance revenue
- In January 2014, Aldagi's healthcare subsidiary Unimed acquired a 100% equity interest in the 60 bed, high-end, multi-specialty hospital in Tbilisi. The acquisition is in line with the company's strategy to scale up its healthcare business through targeted acquisitions in the capital city.
- As anticipated, the Government has recently announced its intention to abolish the State Insurance Programme (SIP) under the management of insurance companies. The management of SIP will be fully transferred to the state in 2014 to be replaced with the newly introduced Universal Healthcare Coverage, which envisages the

provision of direct healthcare coverage to all citizens. As the largest healthcare services provider in the country, Aldagi Healthcare is well positioned well to benefit from increased healthcare spending by the Government over the next few years.

- Aldagi completed rebranding by changing its name from Aldagi BCI and the colour of its logo from orange to green. The decision to rebrand the company was based on extensive marketing research analysis on brand recognition and awareness of the company. The changes are in line with the Group's intention to establish independent branding for Aldagi, separating it from its parent company.
- Increased the number of insurance clients to 827,000 as of 31 December 2013 from 773,000 a year ago.
- Aldagi Healthcare business completed the roll-out of hospital and clinics, predominantly in Western Georgia. As of 31 December 2013, Aldagi operated 27 hospitals and 5 outpatient clinics with a total of 1,329 beds.

Affordable Housing

GEL thousands, unless otherwise noted	2013			2012			Change, Y-O-Y		
	m2	**Mortgages**	**Total**	**m2**	**Mortgages**	**Total**	**m2**	**Mortgages**	**Total**
Net interest income (expenses)	1,063	948	2,011	(276)	423	147	NMF	124.1%	NMF
Net fee and commission income (expenses)	(27)	-	(27)	196	-	196	NMF	-	NMF
Net gain (loss) from foreign currencies	123	-	123	(145)	-	(145)	NMF	-	NMF
Other operating non-interest income	10,505	-	10,505	4,378	-	4,378	139.9%	-	139.9%
Revenue	**11,664**	**948**	**12,612**	**4,153**	**423**	**4,576**	**180.9%**	**124.1%**	**175.6%**
Operating expenses	(2,893)	-	(2,893)	(2,381)	-	(2,381)	21.5%	-	21.5%
Operating income before cost of credit risk	**8,771**	**948**	**9,719**	**1,772**	**423**	**2,195**	**NMF**	**124.1%**	**NMF**
Cost of credit risk	(185)	240	55	-	(219)	(219)	-	NMF	NMF
Net non-operating income (expenses)	(823)	(1)	(824)	282	-	282	NMF	-	NMF
Profit before income tax expense	**7,763**	**1,187**	**8,950**	**2,054**	**204**	**2,258**	**NMF**	**NMF**	**NMF**
Income tax expense	(1,142)	-	(1,142)	(307)	-	(307)	NMF	-	NMF
Profit	**6,621**	**1,187**	**7,808**	**1,747**	**204**	**1,951**	**NMF**	**NMF**	**NMF**

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

Other operating non-interest income reached GEL 10.5 million, as a result of GEL 8.0 million gain from revaluation of investment properties, mostly attributable to revaluation of three properties, two of which m2 started to develop in Q4 2013. The remainder came from the sale of apartments in the pilot project as well as rental revenue. Total revenue as a result totalled GEL 12.6 million, compared to GEL 4.6 million revenue during the same period last year. As a result, net profit for the period totalled GEL 7.8 million compared to a GEL 2.0 million net profit in 2012.

Highlights

- Construction of a second project of a 522 apartment building with a total buildable area of 63,247 square meters is near completion. As of 31 December 2013, 469 or 90% of apartments had been pre-sold. The total sales from this project amounted to US$40.5 million as of 31 December 2013. The project is expected to be completed in the summer of 2014 with a planned IRR of 35%. Strong sales performance enabled the company to prepay FMO debt facility in full in December 2013.
- In December 2013, m2 Real Estate launched its third and fourth projects: Kazbegi Avenue (total buildable area of 33,574 square meters) and Nutsubidze Street (total buildable area of 26,014 square meters). M2RE sold 37% of the apartments in the Kazbegi Avenue project and 11% of the units in the Nutsubidze Street project within three weeks. Sales amounted to US$9.2 million and US$2.2 million, respectively.
- The total sales from the first project amounted to GEL 15.8 million and IRR of 33.6%
- Number of mortgages sold in both projects totalled 273 amounting to GEL 28.3 million.

Non-Core Businesses

The Group's non-core businesses accounted for 6.0% of total assets and 7.3% of total revenue in 2013 and predominantly comprised Joint Stock Company Belarusky Narodny Bank (BNB), our Belarus banking operation, and Liberty Consumer, a Georgia focused investment company in which the Bank holds a 68% stake. In order to focus on its strategic businesses, the Bank has announced its intention to exit from its non-core operations. As of 31 December 2013, the Bank still held Teliani Valley, a Georgian wine producer, through Liberty Consumer. The Bank intends to sell this remaining asset in due course.

BNB

GEL thousands, unless otherwise noted	**2013**	**2012**	**Change Y-O-Y**
Net interest income	18,565	12,074	53.8%
Net fee and commission income	6,350	3,809	66.7%
Net gain from foreign currencies	5,875	5,306	10.7%
Other operating non-interest income	56	68	-17.6%
Revenue	**30,846**	**21,257**	**45.1%**
Operating expenses	(15,384)	(10,327)	49.0%
Operating income before cost of credit risk	**15,462**	**10,930**	**41.5%**
Cost of credit risk	(563)	(1,306)	-56.9%
Net non-operating expenses	(399)	(443)	-9.9%
Profit before income tax expense	**14,500**	**9,181**	**57.9%**
Income tax expense	(3,514)	(2,367)	48.5%
Profit	**10,986**	**6,814**	**61.2%**
Cost / income ratio	*49.9%*	*48.6%*	

Through BNB, the Bank provides retail and corporate banking services in Belarus. BNB reported strong net interest income and net fee and commission income, up 53.8% y-o-y and 66.7% y-o-y, respectively. As a result, revenue adjusted for last year's one-off foreign currency gain increased by 68.5% y-o-y to GEL 30.8 million. BNB's net loan book increased 69.8% to GEL 199.3 million compared to the year-end 2012, while client deposits increased 48.6% y-o-y to GEL 156.3 million. Cost of credit risk turned positive in Q4 2013 at GEL 809 thousand as a result of a reversal in impairment for one corporate client. A property valuation reversal in Q4 2013 resulted in net operating income of GEL 687 thousand compared to a loss of GEL 139 thousand in Q4 2012. As of 31 December 2013, BNB's total assets stood at GEL 326.5 million, net loan book at GEL 199.3 million, client deposits at GEL 156.3 million and equity at GEL 58.8 million, representing 5.0%, 5.7%, 5.0% and 4.7% of the Bank's total assets, loan book, client deposits and equity, respectively.

Highlights

- 18,600 debit cards outstanding in 2013 compared to 20,600 in 2012
- Stepped up issuance of loans in 2013 to US$119.3 million, up 31% y-o-y
- As of 31 December 2013, BNB had 10 branches and 17 ATMs

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

GEL thousands, unless otherwise noted	2013	2012	Change Y-O-Y
Loans to customers	522,847	509,339	2.7%
Investment securities	35,371	33,950	4.2%
Amounts due from credit institutions	8,423	15,813	-46.7%
Finance lease receivables	7,466	8,701	-14.2%
Interest income	**574,107**	**567,803**	**1.1%**
Amounts due to customers	(159,028)	(202,484)	-21.5%
Amounts due to credit institutions, of which:	(100,585)	(79,492)	26.5%
Eurobonds	*(35,424)*	*(16,010)*	*121.3%*
Subordinated debt	*(22,394)*	*(21,883)*	*2.3%*
Loans and deposits from other banks	*(42,767)*	*(41,599)*	*2.8%*
Interest expense	**(259,613)**	**(281,976)**	**-7.9%**
Net interest income before interest rate swaps	**314,494**	**285,827**	**10.0%**
Net loss from interest rate swaps	(398)	(1,710)	-76.7%
Net interest income	**314,096**	**284,117**	**10.6%**
Fee and commission income	115,106	109,278	5.3%
Fee and commission expense	(28,210)	(22,791)	23.8%
Net fee and commission income	**86,896**	**86,487**	**0.5%**
Net insurance premiums earned	129,993	91,176	42.6%
Net insurance claims incurred	(84,660)	(57,038)	48.4%
Net insurance revenue	**45,333**	**34,138**	**32.8%**
Healthcare revenue	60,013	54,376	10.4%
Cost of healthcare services	(37,644)	(31,030)	21.3%
Net healthcare revenue	**22,369**	**23,346**	**-4.2%**
Net gain from trading and investment securities	3,097	2,308	34.2%
Net gain from revaluation of investment property	9,788	-	-
Net gain from foreign currencies	43,512	49,571	-12.2%
Other operating income	20,363	18,288	11.3%
Other operating non-interest income	**76,760**	**70,167**	**9.4%**
Revenue	**545,454**	**498,255**	**9.5%**
Salaries and other employee benefits	(135,065)	(122,556)	10.2%
General and administrative expenses	(60,364)	(67,041)	-10.0%
Depreciation and amortisation expenses	(26,572)	(28,606)	-7.1%
Other operating expenses	(3,564)	(2,949)	20.9%
Operating expenses	**(225,565)**	**(221,152)**	**2.0%**
Operating income before cost of credit risk	**319,889**	**277,103**	**15.4%**
Cost of credit risk	**(61,802)**	**(44,717)**	**38.2%**
Net operating income	**258,087**	**232,386**	**11.1%**
Net non-operating expenses	(12,831)	(19,634)	-34.6%
Profit before Income tax expense	**245,256**	**212,752**	**15.3%**
Income tax expense	(35,913)	(33,200)	8.2%
Profit	**209,343**	**179,552**	**16.6%**
Attributable to:			
– shareholders of the Group	*201,490*	*174,437*	*15.5%*
– non-controlling interests	*7,853*	*5,115*	*53.5%*
Earnings per share (basic)	**5.93**	**5.22**	**13.6%**
Earnings per share (diluted)	**5.93**	**5.17**	**14.7%**

CONSOLIDATED INCOME STATEMENT

GEL thousands, unless otherwise noted	Q4 2013	Q4 2012	Change Y-O-Y	Q3 2013	Change Q-O-Q
Loans to customers	133,354	134,451	-0.8%	129,445	3.0%
Investment securities	8,148	8,018	1.6%	9,581	-15.0%
Amounts due from credit institutions	1,745	2,141	-18.5%	1,733	0.7%
Finance lease receivables	2,570	2,327	10.4%	1,688	52.3%
Interest income	**145,817**	**146,937**	**-0.8%**	**142,447**	**2.4%**
Amounts due to customers	(35,624)	(46,284)	-23.0%	(37,866)	-5.9%
Amounts due to credit institutions, of which:	(26,531)	(23,943)	10.8%	(24,429)	8.6%
Eurobonds	*(11,020)*	*(7,880)*	*39.8%*	*(8,213)*	*34.2%*
Subordinated debt	*(5,456)*	*(2,206)*	*147.3%*	*(5,794)*	*-5.8%*
Loans and deposits from other banks	*(10,055)*	*(13,857)*	*-27.4%*	*(10,422)*	*-3.5%*
Interest expense	**(62,155)**	**(70,227)**	**-11.5%**	**(62,294)**	**-0.2%**
Net interest income before interest rate swaps	**83,662**	**76,710**	**9.1%**	**80,153**	**4.4%**
Net loss from interest rate swaps	(95)	(171)	-44.4%	(118)	-19.5%
Net interest income	**83,567**	**76,539**	**9.2%**	**80,035**	**4.4%**
Fee and commission income	31,200	28,028	11.3%	29,008	7.6%
Fee and commission expense	(8,099)	(6,906)	17.3%	(7,489)	8.1%
Net fee and commission income	**23,101**	**21,122**	**9.4%**	**21,519**	**7.4%**
Net insurance premiums earned	34,012	32,956	3.2%	31,693	7.3%
Net insurance claims incurred	(23,799)	(20,698)	15.0%	(19,297)	23.3%
Net insurance revenue	**10,213**	**12,258**	**-16.7%**	**12,396**	**-17.6%**
Healthcare revenue	18,268	15,751	16.0%	14,256	28.1%
Cost of healthcare services	(9,915)	(8,626)	14.9%	(9,232)	7.4%
Net healthcare revenue	**8,353**	**7,125**	**17.2%**	**5,024**	**66.3%**
Net gain from trading and investment securities	279	73	NMF	228	22.4%
Net gain from revaluation of investment property	2,078	-	-	2,868	-27.5%
Net gain from foreign currencies, of which:	9,631	10,878	-11.5%	12,203	-21.1%
Other operating income	7,219	293	NMF	4,065	77.6%
Other operating non-interest income	**19,207**	**11,244**	**70.8%**	**19,364**	**-0.8%**
Revenue	**144,441**	**128,288**	**12.6%**	**138,338**	**4.4%**
Salaries and other employee benefits	(35,627)	(32,383)	10.0%	(34,361)	3.7%
General and administrative expenses	(17,142)	(15,278)	12.2%	(13,458)	27.4%
Depreciation and amortisation expenses	(6,682)	(7,303)	-8.5%	(6,550)	2.0%
Other operating expenses	(1,547)	998	NMF	(579)	167.2%
Operating expenses	**(60,998)**	**(53,966)**	**13.0%**	**(54,948)**	**11.0%**
Operating income before cost of credit risk	**83,443**	**74,322**	**12.3%**	**83,390**	**0.1%**
Cost of credit risk	**(9,999)**	**(16,124)**	**-38.0%**	**(15,540)**	**-35.7%**
Net operating income	**73,444**	**58,198**	**26.2%**	**67,850**	**8.2%**
Net non-operating expenses	(5,960)	(4,189)	42.3%	(1,419)	NMF
Profit before Income tax expense	**67,484**	**54,009**	**24.9%**	**66,431**	**1.6%**
Income tax expense	(11,840)	(7,134)	66.0%	(7,834)	51.1%
Profit	**55,644**	**46,875**	**18.7%**	**58,597**	**-5.0%**
Attributable to:					
– shareholders of the Group	*53,645*	*45,228*	*18.6%*	*56,110*	*-4.4%*
– non-controlling interests	*1,999*	*1,647*	*21.4%*	*2,487*	*-19.6%*
Earnings per share (basic)	**1.58**	**1.33**	**18.8%**	**1.65**	**-4.2%**
Earnings per share (diluted)	**1.58**	**1.33**	**18.8%**	**1.65**	**-4.2%**

CONSOLIDATED BALANCE SHEET

GEL thousands, unless otherwise noted	**Dec-13**	**Dec-12**	**Change Y-O-Y**	**Sep-13**	**Change Q-O-Q**
Cash and cash equivalents	1,053,671	762,827	38.1%	687,396	53.3%
Amounts due from credit institutions	347,261	396,559	-12.4%	324,825	6.9%
Investment securities	519,623	463,960	12.0%	567,598	-8.5%
Loans to customers and finance lease receivables	3,522,915	3,092,320	13.9%	3,283,508	7.3%
Investments in associates	-	2,441	-100.0%	-	-
Investment property	157,707	160,353	-1.7%	163,092	-3.3%
Property and equipment	470,669	430,877	9.2%	455,089	3.4%
Goodwill	48,720	45,657	6.7%	45,657	6.7%
Intangible assets	26,434	23,078	14.5%	24,540	7.7%
Income tax assets	19,096	15,296	24.8%	26,542	-28.1%
Prepayments	25,534	41,147	-37.9%	27,986	-8.8%
Other assets	329,339	221,080	49.0%	348,114	-5.4%
Total assets	**6,520,969**	**5,655,595**	**15.3%**	**5,954,347**	**9.5%**
Amounts due to customers, of which:	3,117,732	2,693,025	15.8%	2,862,512	8.9%
Client deposits	*3,107,209*	*2,622,911*	*18.5%*	*2,850,000*	*9.0%*
Promissory notes	*10,523*	*70,114*	*-85.0%*	*12,512*	*-15.9%*
Amounts due to credit institutions	1,886,096	1,657,162	13.8%	1,636,263	15.3%
Income tax liabilities	69,028	60,002	15.0%	69,355	-0.5%
Provisions	481	683	-29.6%	407	18.2%
Other liabilities	206,578	185,211	11.5%	214,874	-3.9%
Total liabilities	**5,279,915**	**4,596,083**	**14.9%**	**4,783,411**	**10.4%**
Share capital	1,028	957	7.4%	961	7.0%
Additional paid-in capital	23,843	14,767	61.5%	24,496	-2.7%
Treasury shares	(56)	(69)	-18.8%	(53)	5.7%
Other reserves	(16,399)	14,097	NMF	10,177	NMF
Retained earnings	1,174,124	981,322	19.6%	1,078,645	8.9%
Non-controlling interests	58,514	48,438	20.8%	56,710	3.2%
Total equity	**1,241,054**	**1,059,512**	**17.1%**	**1,170,936**	**6.0%**
Total liabilities and equity	**6,520,969**	**5,655,595**	**15.3%**	**5,954,347**	**9.5%**
Book value per share	**34.85**	**30.33**	**14.9%**	**32.83**	**6.2%**

CONSOLIDATED INCOME STATEMENT

	USD			GBP		
	2013	**2012**	**Change**	**2013**	**2012**	**Change**
Thousands, unless otherwise noted			**Y-O-Y**			**Y-O-Y**
Loans to customers	301,127	307,442	-2.1%	182,724	191,100	-4.4%
Investment securities	20,371	20,493	-0.6%	12,361	12,738	-3.0%
Amounts due from credit institutions	4,851	9,545	-49.2%	2,944	5,933	-50.4%
Finance lease receivables	4,301	5,251	-18.1%	2,609	3,264	-20.1%
Interest income	**330,650**	**342,731**	**-3.5%**	**200,638**	**213,035**	**-5.8%**
Amounts due to customers	(91,590)	(122,221)	-25.1%	(55,577)	(75,970)	-26.8%
Amounts due to credit institutions, of which:	(57,931)	(47,982)	20.7%	(35,152)	(29,825)	17.9%
Eurobonds	(20,402)	(9,664)	*111.1%*	(12,380)	(6,007)	*106.1%*
Subordinated debt	(12,898)	(13,209)	*-2.4%*	(7,826)	(8,210)	*-4.7%*
Loans and deposits from other banks	*(24,631)*	*(25,109)*	*-1.9%*	*(14,946)*	*(15,608)*	*-4.2%*
Interest expense	**(149,521)**	**(170,203)**	**-12.2%**	**(90,729)**	**(105,795)**	**-14.2%**
Net interest income before interest rate swaps	**181,129**	**172,528**	**5.0%**	**109,909**	**107,240**	**2.5%**
Net loss from interest rate swaps	(229)	(1,032)	-77.8%	(139)	(641)	-78.3%
Net interest income	**180,900**	**171,496**	**5.5%**	**109,770**	**106,599**	**3.0%**
Fee and commission income	66,294	65,961	0.5%	40,227	41,000	-1.9%
Fee and commission expense	(16,247)	(13,757)	18.1%	(9,859)	(8,551)	15.3%
Net fee and commission income	**50,047**	**52,204**	**-4.1%**	**30,368**	**32,449**	**-6.4%**
Net insurance premiums earned	74,868	55,035	36.0%	45,430	34,209	32.8%
Net insurance claims incurred	(48,759)	(34,429)	41.6%	(29,587)	(21,401)	38.3%
Net insurance revenue	**26,109**	**20,606**	**26.7%**	**15,843**	**12,808**	**23.7%**
Healthcare revenue	34,564	32,822	5.3%	20,973	20,401	2.8%
Cost of healthcare services	(21,681)	(18,730)	15.8%	(13,155)	(11,642)	13.0%
Net healthcare revenue	**12,883**	**14,092**	**-8.6%**	**7,818**	**8,759**	**-10.7%**
Net gain from trading and investment securities	1,784	1,393	28.1%	1,082	866	24.9%
Net gain from revaluation of investment property	5,637	-	-	3,421	-	-
Net gain from foreign currencies	25,060	29,922	-16.2%	15,207	18,599	-18.2%
Other operating income	11,727	11,038	6.2%	7,116	6,861	3.7%
Other operating non-interest income	**44,208**	**42,353**	**4.4%**	**26,826**	**26,326**	**1.9%**
Revenue	**314,147**	**300,751**	**4.5%**	**190,625**	**186,941**	**2.0%**
Salaries and other employee benefits	(77,789)	(73,976)	5.2%	(47,202)	(45,982)	2.7%
General and administrative expenses	(34,766)	(40,467)	-14.1%	(21,096)	(25,153)	-16.1%
Depreciation and amortisation expenses	(15,304)	(17,267)	-11.4%	(9,286)	(10,733)	-13.5%
Other operating expenses	(2,052)	(1,779)	15.3%	(1,246)	(1,106)	12.7%
Operating expenses	**(129,911)**	**(133,489)**	**-2.7%**	**(78,830)**	**(82,974)**	**-5.0%**
Operating income before cost of credit risk	**184,236**	**167,262**	**10.1%**	**111,795**	**103,967**	**7.5%**
Cost of credit risk	**(35,594)**	**(26,992)**	**31.9%**	**(21,599)**	**(16,778)**	**28.7%**
Net operating income	**148,642**	**140,270**	**6.0%**	**90,196**	**87,189**	**3.4%**
Net non-operating expenses	(7,390)	(11,851)	-37.6%	(4,484)	(7,366)	-39.1%
Profit before income tax expense	**141,252**	**128,419**	**10.0%**	**85,712**	**79,823**	**7.4%**
Income tax expense	(20,684)	(20,040)	3.2%	(12,551)	(12,456)	0.8%
Profit	**120,568**	**108,379**	**11.2%**	**73,161**	**67,367**	**8.6%**
Attributable to:						
– shareholders of the Group	*116,045*	*105,292*	*10.2%*	*70,417*	*65,448*	*7.6%*
– non-controlling interests	*4,523*	*3,087*	*46.5%*	*2,744*	*1,919*	*43.0%*
Earnings per share (basic)	**3.42**	**3.15**	**8.6%**	**2.07**	**1.96**	**5.6%**
Earnings per share (diluted)	**3.42**	**3.12**	**9.6%**	**2.07**	**1.94**	**6.7%**

CONSOLIDATED INCOME STATEMENT

Thousands, unless otherwise noted	USD Q4 2013	USD Q4 2012	USD Change Y-O-Y	USD Q3 2013	USD Change Q-O-Q	GBP Q4 2013	GBP Q4 2012	GBP Change Y-O-Y	GBP Q3 2013	GBP Change Q-O-Q
Loans to customers	76,804	81,156	-5.4%	77,773	-1.2%	46,604	50,445	-7.6%	48,347	-3.6%
Investment securities	4,693	4,840	-3.0%	5,756	-18.5%	2,848	3,008	-5.3%	3,578	-20.4%
Amounts due from credit institutions	1,005	1,292	-22.2%	1,041	-3.5%	610	803	-24.0%	647	-5.7%
Finance lease receivables	1,479	1,405	5.3%	1,015	45.7%	898	874	2.7%	631	42.3%
Interest income	**83,981**	**88,693**	**-5.3%**	**85,585**	**-1.9%**	**50,960**	**55,130**	**-7.6%**	**53,203**	**-4.2%**
Amounts due to customers	(20,517)	(27,937)	-26.6%	(22,751)	-9.8%	(12,450)	(17,365)	-28.3%	(14,143)	-12.0%
Amounts due to credit institutions, of which:	(15,280)	(14,452)	5.7%	(14,677)	4.1%	(9,272)	(8,983)	3.2%	(9,124)	1.6%
Eurobonds	*(6,347)*	*(4,756)*	*33.5%*	*(4,935)*	*28.6%*	*(3,851)*	*(2,957)*	*30.2%*	*(3,068)*	*25.5%*
Subordinated debt	*(3,142)*	*(1,332)*	*135.9%*	*(3,481)*	*-9.7%*	*(1,907)*	*(828)*	*130.3%*	*(2,164)*	*-11.9%*
Loans and deposits from other banks	*(5,791)*	*(8,364)*	*-30.8%*	*(6,261)*	*-7.5%*	*(3,514)*	*(5,198)*	*-32.4%*	*(3,892)*	*-9.7%*
Interest expense	**(35,797)**	**(42,390)**	**-15.6%**	**(37,427)**	**-4.4%**	**(21,722)**	**(26,349)**	**-17.6%**	**(23,267)**	**-6.6%**
Net interest income before interest rate swaps	**48,184**	**46,303**	**4.1%**	**48,157**	**0.1%**	**29,238**	**28,781**	**1.6%**	**29,937**	**-2.3%**
Net loss from interest rate swaps	(55)	(103)	-46.6%	(71)	-22.5%	(33)	(64)	-48.4%	(44)	-25.0%
Net interest income	**48,129**	**46,200**	**4.2%**	**48,086**	**0.1%**	**29,205**	**28,717**	**1.7%**	**29,893**	**-2.3%**
Fee and commission income	17,969	16,918	6.2%	17,429	3.1%	10,904	10,516	3.7%	10,834	0.6%
Fee and commission expense	(4,664)	(4,169)	11.9%	(4,500)	3.6%	(2,831)	(2,591)	9.3%	(2,797)	1.2%
Net fee and commission income	**13,305**	**12,749**	**4.4%**	**12,929**	**2.9%**	**8,073**	**7,925**	**1.9%**	**8,037**	**0.4%**
Net insurance premiums earned	19,589	19,893	-1.5%	19,042	2.9%	11,886	12,365	-3.9%	11,837	0.4%
Net insurance claims incurred	(13,707)	(12,494)	9.7%	(11,594)	18.2%	(8,317)	(7,766)	7.1%	(7,207)	15.4%
Net insurance revenue	**5,882**	**7,399**	**-20.5%**	**7,448**	**-21.0%**	**3,569**	**4,599**	**-22.4%**	**4,630**	**-22.9%**
Healthcare revenue	10,521	9,507	10.7%	8,565	22.8%	6,384	5,910	8.0%	5,325	19.9%
Cost of healthcare services	(5,710)	(5,206)	9.7%	(5,546)	3.0%	(3,465)	(3,237)	7.0%	(3,449)	0.5%
Net healthcare revenue	**4,811**	**4,301**	**11.9%**	**3,019**	**59.4%**	**2,919**	**2,673**	**9.2%**	**1,876**	**55.6%**
Net gain from trading and investment securities	161	44	NMF	137	17.5%	98	27	NMF	85	15.3%
Net gain from revaluation of investment property	1,197	-	-	1,723	-30.5%	726	-	-	1,071	-32.2%
Net gain from foreign currencies,	5,547	6,566	-15.5%	7,332	-24.3%	3,366	4,081	-17.5%	4,558	-26.2%
Other operating income	4,157	177	NMF	2,442	70.2%	2,523	111	NMF	1,519	66.1%
Other operating non-interest income	**11,062**	**6,787**	**63.0%**	**11,634**	**-4.9%**	**6,713**	**4,219**	**59.1%**	**7,233**	**-7.2%**
Revenue	**83,189**	**77,436**	**7.4%**	**83,116**	**0.1%**	**50,479**	**48,133**	**4.9%**	**51,669**	**-2.3%**
Salaries and other employee benefits	(20,519)	(19,547)	5.0%	(20,645)	-0.6%	(12,451)	(12,150)	2.5%	(12,834)	-3.0%
General and administrative expenses	(9,873)	(9,222)	7.1%	(8,086)	22.1%	(5,991)	(5,732)	4.5%	(5,027)	19.2%
Depreciation and amortisation expenses	(3,848)	(4,408)	-12.7%	(3,935)	-2.2%	(2,335)	(2,740)	-14.8%	(2,446)	-4.5%
Other operating expenses	(891)	602	NMF	(348)	156.0%	(540)	374	NMF	(216)	150.0%
Operating expenses	**(35,131)**	**(32,575)**	**7.8%**	**(33,014)**	**6.4%**	**(21,317)**	**(20,248)**	**5.3%**	**(20,523)**	**3.9%**
Operating income before cost of credit risk	**48,058**	**44,861**	**7.1%**	**50,102**	**-4.1%**	**29,162**	**27,885**	**4.6%**	**31,146**	**-6.4%**
Cost of credit risk	**(5,759)**	**(9,732)**	**-40.8%**	**(9,337)**	**-38.3%**	**(3,495)**	**(6,050)**	**-42.2%**	**(5,804)**	**-39.8%**
Net operating income	**42,299**	**35,129**	**20.4%**	**40,765**	**3.8%**	**25,667**	**21,835**	**17.5%**	**25,342**	**1.3%**
Net non-operating expenses	(3,432)	(2,529)	35.7%	(852)	NMF	(2,083)	(1,571)	32.6%	(530)	NMF
Profit before Income tax expense	**38,867**	**32,600**	**19.2%**	**39,913**	**-2.6%**	**23,584**	**20,264**	**16.4%**	**24,812**	**-4.9%**
Income tax expense	(6,820)	(4,306)	58.4%	(4,707)	44.9%	(4,138)	(2,677)	54.6%	(2,926)	41.4%
Profit	**32,047**	**28,294**	**13.3%**	**35,206**	**-9.0%**	**19,446**	**17,587**	**10.6%**	**21,886**	**-11.1%**
Attributable to:										
– shareholders of the Group	*30,896*	*27,300*	*13.2%*	*33,712*	*-8.4%*	*18,747*	*16,969*	*10.5%*	*20,957*	*-10.5%*
– non-controlling interests	*1,151*	*994*	*15.8%*	*1,494*	*-23.0%*	*699*	*618*	*13.1%*	*929*	*-24.8%*
Earnings per share (basic)	**0.91**	**0.80**	**13.8%**	**0.99**	**-8.1%**	**0.55**	**0.50**	**10.0%**	**0.62**	**-11.3%**
Earnings per share (diluted)	**0.91**	**0.80**	**13.8%**	**0.99**	**-8.1%**	**0.55**	**0.50**	**10.0%**	**0.62**	**-11.3%**

CONSOLIDATED BALANCE SHEET

	USD					GBP				
			Change		Change			Change		Change
Thousands, unless otherwise noted	**Dec-13**	**Dec-12**	**Y-O-Y**	**Sep-13**	**Q-O-Q**	**Dec-13**	**Dec-12**	**Y-O-Y**	**Sep-13**	**Q-O-Q**
Cash and cash equivalents	606,848	460,450	31.8%	412,999	46.9%	368,236	286,207	28.7%	256,740	43.4%
Amounts due from credit institutions	200,001	239,367	-16.4%	195,160	2.5%	121,361	148,786	-18.4%	121,321	0.0%
Investment securities	299,270	280,051	6.9%	341,023	-12.2%	181,597	174,074	4.3%	211,996	-14.3%
Loans to customers and finance lease receivables	2,028,978	1,866,554	8.7%	1,972,788	2.8%	1,231,186	1,160,215	6.1%	1,226,379	0.4%
Investments in associates	-	1,473	-100.0%	-	-	-	916	-100.0%	-	-
Investment property	90,829	96,791	-6.2%	97,988	-7.3%	55,115	60,163	-8.4%	60,914	-9.5%
Property and equipment	271,076	260,081	4.2%	273,425	-0.9%	164,489	161,662	1.7%	169,974	-3.2%
Goodwill	28,060	27,559	1.8%	27,432	2.3%	17,027	17,130	-0.6%	17,053	-0.2%
Intangible assets	15,224	13,930	9.3%	14,744	3.3%	9,238	8,659	6.7%	9,166	0.8%
Income tax assets	10,998	9,233	19.1%	15,947	-31.0%	6,674	5,739	16.3%	9,913	-32.7%
Prepayments	14,706	24,837	-40.8%	16,814	-12.5%	8,924	15,438	-42.2%	10,453	-14.6%
Other assets	189,680	133,445	42.1%	209,154	-9.3%	115,097	82,947	38.8%	130,020	-11.5%
Total assets	**3,755,670**	**3,413,771**	**10.0%**	**3,577,474**	**5.0%**	**2,278,944**	**2,121,936**	**7.4%**	**2,223,929**	**2.5%**
Amounts due to customers, of which:	1,795,619	1,625,535	10.5%	1,719,846	4.4%	1,089,583	1,010,402	7.8%	1,069,139	1.9%
Client deposits	*1,789,558*	*1,583,214*	*13.0%*	*1,712,329*	*4.5%*	*1,085,905*	*984,096*	*10.3%*	*1,064,466*	*2.0%*
Promissory notes	*6,061*	*42,321*	*-85.7%*	*7,517*	*-19.4%*	*3,678*	*26,306*	*-86.0%*	*4,673*	*-21.3%*
Amounts due to credit institutions	1,086,273	1,000,279	8.6%	983,095	10.5%	659,151	621,754	6.0%	611,139	7.9%
Income tax liabilities	39,756	36,218	9.8%	41,670	-4.6%	24,124	22,512	7.2%	25,904	-6.9%
Provisions	277	412	-32.8%	245	13.1%	168	256	-34.4%	152	10.5%
Other liabilities	118,975	111,796	6.4%	129,099	-7.8%	72,195	69,491	3.9%	80,254	-10.0%
Total liabilities	**3,040,900**	**2,774,240**	**9.6%**	**2,873,955**	**5.8%**	**1,845,221**	**1,724,415**	**7.0%**	**1,786,588**	**3.3%**
Share capital	592	578	2.4%	577	2.6%	359	359	0.0%	359	0.0%
Additional paid-in capital	13,732	8,914	54.0%	14,718	-6.7%	8,333	5,540	50.4%	9,149	-8.9%
Treasury shares	(32)	(42)	-23.8%	(32)	0.0%	(20)	(26)	-23.1%	(20)	0.0%
Other reserves	(9,445)	8,509	NMF	6,115	NMF	(5,731)	5,290	NMF	3,802	NMF
Retained earnings	676,222	592,335	14.2%	648,068	4.3%	410,332	368,184	11.4%	402,870	1.9%
Non-controlling interests	33,701	29,237	15.3%	34,073	-1.1%	20,450	18,174	12.5%	21,181	-3.5%
Total equity	**714,770**	**639,531**	**11.8%**	**703,519**	**1.6%**	**433,723**	**397,521**	**9.1%**	**437,341**	**-0.8%**
Total liabilities and equity	**3,755,670**	**3,413,771**	**10.0%**	**3,577,474**	**5.0%**	**2,278,944**	**2,121,936**	**7.4%**	**2,223,929**	**2.5%**
Book value per share	**20.07**	**18.31**	**9.6%**	**19.72**	**1.8%**	**12.18**	**11.38**	**7.0%**	**12.26**	**-0.7%**

ALDAGI
Consolidated Income Statement

GEL thousands, unless otherwise noted	**2013**	**2012**	**Change Y-O-Y**
Loans to customers	891	551	61.7%
Amounts due from credit institutions	1,600	1,862	-14.1%
Interest income	**2,491**	**2,413**	**3.2%**
Amounts due to credit institutions	(12,349)	(7,367)	67.6%
Interest expense	**(12,349)**	**(7,367)**	**67.6%**
Net interest income	**(9,858)**	**(4,954)**	**99.0%**
Fee and commission income	321	280	14.6%
Fee and commission expense	(315)	(387)	-18.6%
Net fee and commission income (expense)	**6**	**(107)**	**NMF**
Net insurance premiums earned	132,656	93,092	42.5%
Net insurance claims incurred	(84,660)	(57,038)	48.4%
Net insurance revenue	**47,996**	**36,054**	**33.1%**
Healthcare revenue	60,013	54,376	10.4%
Cost of healthcare services	(37,644)	(31,030)	21.3%
Net healthcare revenue	**22,369**	**23,346**	**-4.2%**
Net gain from revaluation of investment property	189	-	-
Net loss from foreign currencies	(3,614)	(853)	NMF
Other operating income	2,102	2,477	-15.1%
Other operating non-interest (expense) income	**(1,323)**	**1,624**	**NMF**
Revenue	**59,190**	**55,963**	**5.8%**
Salaries and other employee benefits	(18,177)	(18,054)	0.7%
General and administrative expenses	(8,225)	(12,595)	-34.7%
Depreciation and amortisation expenses	(1,265)	(4,142)	-69.5%
Other operating expenses	(1,199)	(354)	NMF
Operating expenses	**(28,866)**	**(35,145)**	**-17.9%**
Operating income before cost of credit risk	**30,324**	**20,818**	**45.7%**
Cost of credit risk	**(1,020)**	**(2,304)**	**-55.7%**
Net operating income	**29,304**	**18,514**	**58.3%**
Net non-operating gains	-	440	-100.0%
Profit before income tax expense	**29,304**	**18,954**	**54.6%**
Income tax expense	(4,213)	(2,525)	66.9%
Profit	**25,091**	**16,429**	**52.7%**
Attributable to:			
– shareholders of the Group	*21,138*	*13,241*	*59.6%*
– non-controlling interests	*3,953*	*3,188*	*24.0%*

ALDAGI
Consolidated Balance Sheet

GEL thousands, unless otherwise noted	**31 Dec 13**	**31 Dec 12**	**Change Y-O-Y**
Cash and cash equivalents	9,049	11,694	-22.6%
Amounts due from credit institutions	13,206	27,875	-52.6%
Investment securities	-	694	-100.0%
Loans to customers and finance lease receivables	8,046	7,946	1.3%
Investment property	1,139	-	-
Property and equipment	180,499	149,684	20.6%
Goodwill	19,976	16,913	18.1%
Intangible assets	1,706	866	97.0%
Income tax assets	2,900	804	NMF
Prepayments	2,549	15,649	-83.7%
Other assets	105,786	91,963	15.0%
Total assets	**344,856**	**324,088**	**6.4%**
Amounts due to credit institutions	110,830	104,969	5.6%
Income tax liabilities	4,955	3,175	56.1%
Other liabilities	110,844	125,758	-11.9%
Total liabilities	**226,629**	**233,902**	**-3.1%**
Share capital	15,286	15,286	0.0%
Additional paid-in capital	35,021	35,021	0.0%
Other reserves	560	459	22.0%
Retained earnings	42,966	21,829	96.8%
Non-controlling interests	24,394	17,591	38.7%
Total equity	**118,227**	**90,186**	**31.1%**
Total liabilities and equity	**344,856**	**324,088**	**6.4%**

RATIOS

KEY RATIOS	2013	2012
Profitability		
ROAA, [1]	3.6%	3.5%
ROAE, [2]	18.6%	19.1%
Net Interest Margin, [3]	7.8%	7.9%
Loan Yield, [4]	16.2%	17.5%
Cost of Funds, [5]	5.9%	7.3%
Cost of Client Deposits,	5.6%	7.3%
Cost of Amounts Due to Credit Institutions,	6.6%	7.2%
Operating Leverage, Y-O-Y[6]	7.5%	9.6%
Efficiency		
Cost / Income[7]	41.4%	44.4%
Liquidity		
NBG Liquidity Ratio[8]	45.7%	41.1%
Liquid Assets To Total Liabilities[9]	36.4%	35.3%
Net Loans To Customer Funds	113.0%	114.8%
Net Loans To Customer Funds + DFIs	96.2%	91.9%
Leverage (Times)[10]	4.3	4.3
Asset Quality:		
NPLs (in GEL)	144,917	126,337
NPLs To Gross Loans To Clients	4.0%	3.9%
NPL Coverage Ratio[11]	83.8%	87.5%
NPL Coverage Ratio, Adjusted for discounted value of collateral[12]	110.6%	112.7%
Cost of Risk, [13]	1.4%	1.3%
Capital Adequacy:		
BIS Tier I Capital Adequacy Ratio, Consolidated[14]	23.0%	21.2%
BIS Total Capital Adequacy Ratio, Consolidated[15]	27.1%	26.2%
NBG Tier I Capital Adequacy Ratio[16]	14.4%	13.8%
NBG Total Capital Adequacy Ratio[17]	15.4%	16.2%
Per Share Values:		
Basic EPS (GEL)[18]	**5.93**	**5.22**
Diluted EPS (GEL)	**5.93**	**5.17**
Book Value Per Share (GEL)[19]	**34.85**	**30.33**
Ordinary Shares Outstanding - Weighted Average, Basic[20]	33,983,014	33,405,181
Ordinary Shares Outstanding - Weighted Average, Diluted[21]	33,983,014	33,931,562
Ordinary Shares Outstanding - Period End, Basic	33,936,007	33,332,636
Treasury Shares Outstanding - Period End	(1,973,376)	(2,576,747)
Selected Operating Data:		
Full Time Employees, Group, Of Which:	11,711	11,095
- Full Time Employees, BOG Stand-Alone	*3,574*	*3,734*
- Full Time Employees, Aldagi BCI Insurance	*579*	*515*
- Full Time Employees, Aldagi BCI Healthcare	*6,316*	*5,749*
- Full Time Employees, BNB	*392*	*323*
- Full Time Employees, Other	*850*	*774*
Total Assets Per FTE, BOG Stand-Alone (in GEL thousands)	1,825	1,515
Number Of Active Branches, Of Which:	202	194
- Flagship Branches	*34*	*34*
- Standard Branches	*100*	*97*
- Express Branches (including Metro)	*68*	*63*
Number Of ATMs	496	478
Number Of Cards Outstanding, Of Which:	975,647	825,500
- Debit cards	*857,734*	*718,239*
- Credit cards	*117,913*	*107,261*
Number Of POS Terminals	4,836	3,725

OTHER RATIOS

	2013	2012
Profitability Ratios:		
ROE	17.0%	17.3%
Interest Income / Average Int. Earning Assets, [22]	14.2%	15.7%
Net F&C Inc. To Av. Int. Earn. Ass.,	1.9%	2.1%
Net Fee And Commission Income To Revenue	15.9%	17.4%
Operating Leverage, Y-O-Y	7.5%	9.6%
Revenue to Total Assets	8.4%	8.8%
Recurring Earning Power [23]	5.5%	5.5%
Profit To Revenue	38.4%	36.0%
Efficiency Ratios:		
Operating Cost to Av. Total Assets[24]	3.9%	4.4%
Cost to Average Total Assets	4.1%	4.8%
Personnel Cost to Revenue	24.8%	24.6%
Personnel Cost to Operating Cost	59.9%	55.4%
Personnel Cost to Average Total Assets,	2.3%	2.4%
Liquidity Ratios:		
Liquid Assets To Total Assets	29.5%	28.7%
Net Loans to Total Assets	54.0%	54.7%
Average Net Loans to Average Total Assets	54.6%	56.1%
Interest Earning Assets to Total Assets	77.5%	77.9%
Average Interest Earning Assets/Average Total Assets	77.6%	79.3%
Net Loans to Client Deposits	113.4%	117.9%
Average Net Loans to Av. Client Deposits	111.2%	107.9%
Net Loans to Total Deposits	98.1%	101.2%
Net Loans to (Total Deposits + Equity)	72.9%	75.2%
Net Loans to Total Liabilities	66.7%	67.3%
Total Deposits to Total Liabilities	68.0%	66.5%
Client Deposits to Total Deposits	86.5%	85.9%
Client Deposits to Total Liabilities	58.8%	57.1%
Total Deposits to Total Assets	55.1%	54.0%
Client Deposits to Total Assets	47.6%	46.4%
Client Deposits to Total Equity (Times)	2.5	2.5
Total Equity to Net Loans	35.2%	34.3%
Asset Quality:		
Reserve For Loan Losses to Gross Loans to Clients[25]	3.3%	3.5%
% of Loans to Clients collateralized	87.4%	87.1%
Equity to Average Net Loans to Clients	39.4%	37.2%
Aldagi Ratios:		
ROAA,	7.4%	6.2%
ROAE,	25.6%	25.4%
Loss Ratio	69.9%	64.4%
Combined Ratio	86.4%	86.7%

KEY RATIOS	Q4 2013	Q4 2012	Q3 2013
Profitability			
ROAA, Annualised[1]	3.6%	3.4%	4.0%
ROAE, Annualised[2]	18.6%	18.2%	20.6%
Net Interest Margin, Annualised[3]	7.9%	7.8%	7.7%
Loan Yield, Annualised[4]	15.6%	17.1%	15.7%
Cost of Funds, Annualised[5]	5.3%	6.6%	5.6%
Cost of Client Deposits, annualised	4.8%	6.6%	5.2%
Cost of Amounts Due to Credit Institutions, annualised	6.3%	6.3%	6.4%
Operating Leverage, Y-O-Y[6]	-0.4%	10.9%	11.1%
Efficiency			
Cost / Income[7]	42.2%	42.1%	39.7%
Liquidity			
NBG Liquidity Ratio[8]	45.7%	41.1%	37.5%
Liquid Assets To Total Liabilities[9]	36.4%	35.3%	33.1%
Net Loans To Customer Funds	113.0%	114.8%	114.7%
Net Loans To Customer Funds + DFIs[10]	96.2%	91.9%	96.1%
Leverage (Times) [11]	4.3	4.3	4.1
Asset Quality:			
NPLs (in GEL)	144,917	126,337	143,663
NPLs To Gross Loans To Clients	4.0%	3.9%	4.2%
NPL Coverage Ratio[12]	83.8%	87.5%	86.2%
NPL Coverage Ratio, Adjusted for discounted value of collateral[13]	110.6%	112.7%	111.8%
Cost of Risk, Annualised[14]	0.9%	1.8%	1.6%
Capital Adequacy:			
BIS Tier I Capital Adequacy Ratio, Consolidated[15]	23.0%	21.2%	23.7%
BIS Total Capital Adequacy Ratio, Consolidated[16]	27.1%	26.2%	28.6%
NBG Tier I Capital Adequacy Ratio[17]	14.4%	13.8%	15.4%
NBG Total Capital Adequacy Ratio[18]	15.4%	16.2%	16.6%
Per Share Values:			
Basic EPS (GEL)[19]	**1.58**	**1.33**	**1.65**
Diluted EPS (GEL)	**1.58**	**1.33**	**1.65**
Book Value Per Share (GEL)[20]	**34.85**	**30.33**	**32.83**
Ordinary Shares Outstanding - Weighted Average, Basic[21]	33,940,021	33,940,021	33,936,007
Ordinary Shares Outstanding - Weighted Average, Diluted[22]	33,940,021	33,940,021	33,936,007
Ordinary Shares Outstanding - Period End, Basic[23]	33,936,007	33,332,636	33,936,007
Treasury Shares Outstanding - Period End[24]	(1,973,376)	(2,576,747)	(1,973,376)
Selected Operating Data:			
Full Time Employees, Group, Of Which:	11,711	11,095	11,571
- Full Time Employees, BOG Stand-Alone	*3,574*	*3,734*	*3,662*
- Full Time Employees, Aldagi BCI Insurance	*579*	*515*	*598*
- Full Time Employees, Aldagi BCI Healthcare	*6,316*	*5,749*	*6,105*
- Full Time Employees, BNB	*392*	*323*	*388*
- Full Time Employees, Other	*850*	*774*	*818*
Total Assets Per FTE, BOG Stand-Alone (in GEL thousands)	1,825	1,515	1,626
Number Of Active Branches, Of Which:	202	194	199
- Flagship Branches	*34*	*34*	*34*
- Standard Branches	*100*	*97*	*100*
- Express Branches (including Metro)	*68*	*63*	*65*
Number Of ATMs	496	478	486
Number Of Cards Outstanding, Of Which:	975,647	825,500	926,646
- Debit cards	*857,734*	*718,239*	*809,843*
- Credit cards	*117,913*	*107,261*	*116,803*
Number Of POS Terminals	4,836	3,725	4,541

OTHER RATIOS	Q4 2013	Q4 2012	Q3 2013
Profitability Ratios:			
ROE, annualised,	18.0%	17.8%	20.0%
Interest Income / Average Int. Earning Assets, Annualised[25]	13.8%	15.0%	13.7%
Net F&C Inc. To Av. Int. Earn. Ass., annualized	1.9%	1.9%	1.9%
Net Fee And Commission Income To Revenue	16.0%	16.5%	15.6%
Operating Leverage, Q-O-Q	-6.6%	5.1%	0.4%
Revenue to Total Assets, annualised	8.8%	9.0%	9.2%
Recurring Earning Power, Annualised[26]	5.4%	5.3%	5.7%
Profit To Revenue	38.5%	36.5%	42.4%
Efficiency Ratios:			
Operating Cost to Av. Total Ass., Annualised	4.0%	3.9%	3.8%
Cost to Average Total Assets, annualised	4.4%	4.2%	3.9%
Personnel Cost to Revenue	24.7%	25.2%	24.8%
Personnel Cost to Operating Cost	58.4%	60.0%	62.5%
Personnel Cost to Average Total Assets, annualised	2.3%	2.3%	2.4%
Liquidity Ratios:			
Liquid Assets To Total Assets	29.5%	28.7%	26.6%
Net Loans to Total Assets	54.0%	54.7%	55.1%
Average Net Loans to Average Total Assets	54.7%	55.3%	55.0%
Interest Earning Assets to Total Assets	77.5%	77.9%	77.3%
Average Interest Earning Assets/Average Total Assets	77.4%	77.7%	77.4%
Net Loans to Client Deposits	113.4%	117.9%	115.2%
Average Net Loans to Av. Client Deposits	113.9%	116.0%	111.5%
Net Loans to Total Deposits	98.1%	101.2%	97.0%
Net Loans to (Total Deposits + Equity)	72.9%	75.2%	72.1%
Net Loans to Total Liabilities	66.7%	67.3%	68.6%
Total Deposits to Total Liabilities	68.0%	66.5%	70.8%
Client Deposits to Total Deposits	86.5%	85.9%	84.2%
Client Deposits to Total Liabilities	58.8%	57.1%	59.6%
Total Deposits to Total Assets	55.1%	54.0%	56.9%
Client Deposits to Total Assets	47.6%	46.4%	47.9%
Client Deposits to Total Equity (Times)	2.5	2.5	2.4
Total Equity to Net Loans	35.2%	34.3%	35.7%
Asset Quality:			
Reserve For Loan Losses to Gross Loans to Clients[27]	3.3%	3.5%	3.6%
% of Loans to Clients collateralized	87.4%	87.1%	85.4%
Equity to Average Net Loans to Clients	37.1%	34.5%	36.7%
Aldagi Ratios:			
ROAA, Annualised	7.6%	7.6%	8.2%
ROAE, Annualised	26.4%	32.4%	27.1%
Loss Ratio[28]	73.4%	64.6%	66.0%
Combined Ratio[29]	89.7%	79.6%	83.4%

NOTES TO KEY RATIOS

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

SHAREHOLDER INFORMATION

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Share price information
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