



Standard & Poor's: 'B+/B' Stable  
Fitch Ratings: 'B+/B' Stable  
Moody's: 'B3/NP' (FC) & 'Ba1/NP' (LC) Stable

LSE: BGEO  
GSE: GEB  
Berlin-Bremen Boerse: B7D1

Reuters: BGEO.L  
Bloomberg: BGEO.LI

## Bank of Georgia Q1 2008 Results Overview



საქართველოს ბანკი  
BANK OF GEORGIA

July 2008



The Banker



Bank of the Year 2007  
GEORGIA

The Banker



Bank of the Year 2006  
Georgia

# Introduction To Bank of Georgia

## The leading universal bank in Georgia

Market Leader In All Six Business Lines

- Retail Banking
- Corporate Banking
- Insurance
- Wealth Management
- Asset Management
- Securities

☞ No.1 by assets (circa 33.7%),<sup>(1)</sup> loans (circa 32.2%),<sup>(1)</sup> deposits (circa 28.3%)<sup>(1)</sup> and equity (circa 38.1%)<sup>(1)</sup>

☞ Leadership in retail banking, with

	March 2008	YE 2007	YE 2006
☞ Retail Accounts	770,000+	705,000+	425,000+
☞ Cards Outstanding	740,000+	640,000+	285,000+
☞ Branches	131	117	100
☞ ATMs	310	250	124

- ☞ Top brand, best distribution network and broadest range of services of any bank in Georgia
- ☞ Leading corporate and investment banking franchise
  - ☞ Approximately 68,000 legal entities have opened accounts
  - ☞ Top broker-dealer with circa 86% market share in equities trading by March 2008
- ☞ Leading card-processing, leasing, insurance, wealth management and asset management services provider
- ☞ The only Georgian entity with credit ratings from all three global rating agencies
  - ☞ S&P: 'B+/B'; Stable – at the sovereign ceiling
  - ☞ Fitch Ratings: 'B+/B'; Stable
  - ☞ Moody's: 'B3/NP (FC)' & 'Ba1/NP (LC)'; Stable
- ☞ Listed on the London Stock Exchange (GDRs) and Georgian Stock Exchange
  - ☞ Market Cap (LSE) US\$669 mln as of 27 June 2008
  - ☞ Approximately 95% free float
  - ☞ 2006 share price performance 383%, 2007 share performance 31%, 2008 YTD share price performance -7%
- ☞ Issue of the first ever Eurobonds in Georgia
  - ☞ Bloomberg: BKGEO; 5 year, 9%, US\$200 mln
  - ☞ B+/Ba2/B+ (composite BB-)

Notes: (1) As of 31 March 2008; based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)



### Investment Highlights

- ☞ A 'leveraged play' on Georgia's rapid economic growth
- ☞ Undisputed leadership of Georgian financial services industry combined with growing international presence
- ☞ Market-leading retail banking franchise in Georgia
- ☞ Diversified revenue streams and disciplined capital management
- ☞ Sophisticated management team with Western banking & finance background and education
- ☞ Transparency and good governance, over 87% institutionally owned. Supervisory Board includes two large institutional shareholders and two independent directors

### Strategy

- ☞ Continued leadership position in the Georgian banking market
- ☞ Strong focus on retail banking business
- ☞ Maintain balanced loan portfolio, prudent and diverse funding strategy
- ☞ Successful integration of newly acquired bank in Ukraine and other potential acquisitions. Pursue further sensible regional expansion opportunities in a measured and disciplined manner
- ☞ Continue improving our management practices, operational efficiency and risk management policies and procedures

# *Bank of Georgia Q1 2008 Results Overview*

# Q1 2008 P&L Results Highlights

Millions, unless otherwise noted

Bank of Georgia (Consolidated, IFRS Based)	Q1 2008		Q1 2007		Q4 2007		Growth, Y-O-Y <sup>1</sup>	Growth, Q-O-Q <sup>1</sup>
	GEL	US\$	GEL	US\$	GEL	US\$		
	<i>Unaudited</i>		<i>Unaudited</i>					
Net Interest Income	49.8	33.7	26.0	15.3	42.7	26.8	91%	17%
Net Non-Interest Income	31.3	21.2	15.0	8.8	25.6	16.1	109%	22%
Total Operating Income (Revenue) <sup>2</sup>	81.1	54.9	41.1	24.2	68.3	42.9	98%	19%
Recurring Operating Costs	44.5	30.1	21.9	12.9	33.7	21.2	103%	32%
Normalized Net Operating Income <sup>3</sup>	36.6	24.8	19.2	11.3	34.6	21.7	91%	6%
Net Income	31.9	21.6	13.7	8.0	25.5	16.1	134%	25%
Consolidated EPS (Basic), GEL & US\$ <sup>4</sup>	1.09	0.74	0.54	0.32	0.94	0.59	102%	16%
Consolidated EPS (Fully Diluted), GEL & US\$ <sup>5</sup>	1.02	0.69	0.50	0.30	0.94	0.59	104%	9%
ROAA, Annualised <sup>6</sup>	4.2%		3.8%		3.8%			
ROA, Annualised <sup>7</sup>	4.1%		3.3%		2.5%			
ROAE, Annualised <sup>8</sup>	19.6%		14.4%		19.9%			
ROE, Annualised <sup>9</sup>	17.1%		14.2%		13.5%			

Despite capital raising of US\$100 million and Tier I CAR of 25.2% as of 31 March 2008

<sup>1</sup> Compared to the same period in 2007; growth calculations based on GEL values

<sup>2</sup> Revenue includes Net Interest Income and Net Non-Interest Income.

<sup>3</sup> Normalized for Net Non-Recurring Costs.

<sup>4</sup> Basic EPS equals Net Income of the period divided by weighted average outstanding shares for the period.

<sup>5</sup> Fully Diluted EPS equals Net Income of the period divided by the number of outstanding ordinary shares as of the period end plus number of ordinary shares in contingent liabilities.

<sup>6</sup> Return on Average Total Assets equals annualised Net Income for the period divided by the average Total Assets for the period.

<sup>7</sup> Full year 2007 ROA

<sup>8</sup> Return on Average Total Shareholders' Equity equals annualised Net Income for the period divided by the average Total Shareholders' Equity for the period.

<sup>9</sup> Full year 2007 ROE

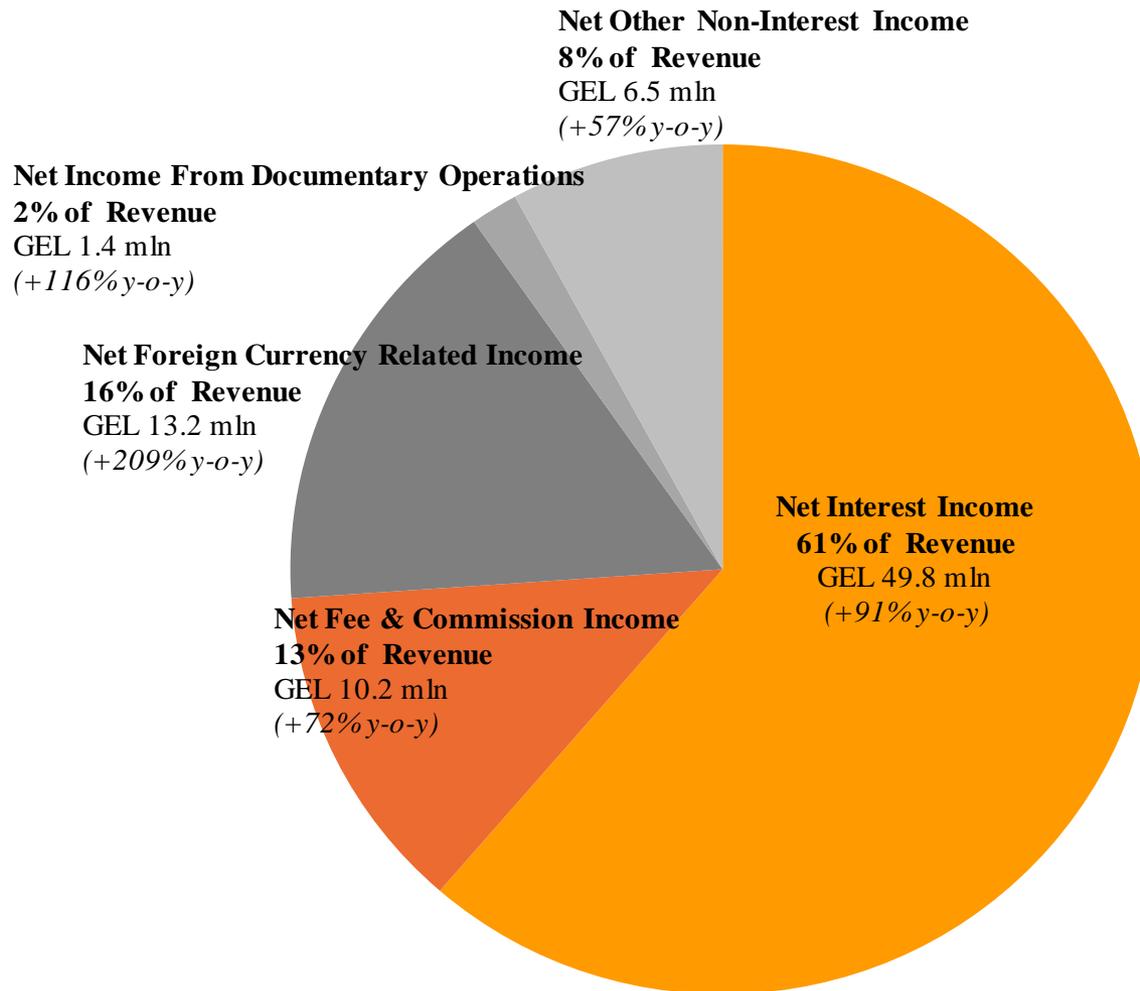
# Q1 2008 Balance Sheet Results Highlights Cont'd

Millions, unless otherwise noted

Bank of Georgia (Consolidated, IFRS)	Q1 2008		Q4 2007		Q1 2007	
	GEL	US\$	GEL	US\$	GEL	US\$
Net Loans	1,816.1	1,230.4	1,722.4	1,082.2	814.0	478.8
Total Assets	3,147.8	2,132.7	2,953.6	1,855.7	1,633.5	960.9
Total Deposits	1,369.8	928.0	1,421.3	893.0	637.8	375.2
Total Liabilities	2,401.1	1,626.7	2,395.6	1,505.2	1,248.2	734.3
Shareholders' Equity	746.7	505.9	558.0	350.6	385.3	226.6
Book Value Per Share, GEL & US\$	23.90	16.19	20.62	12.95	15.39	9.05

	Growth, YTD	Growth, Y-O-Y
Net Loans	5.4%	123.1%
Total Assets	6.6%	92.7%
Total Deposits	3.6%	114.8%
Total Liabilities	0.2%	92.4%
Shareholders' Equity	33.8%	93.8%
Book Value Per Share	15.9%	55.3%

# Composition Of Revenue

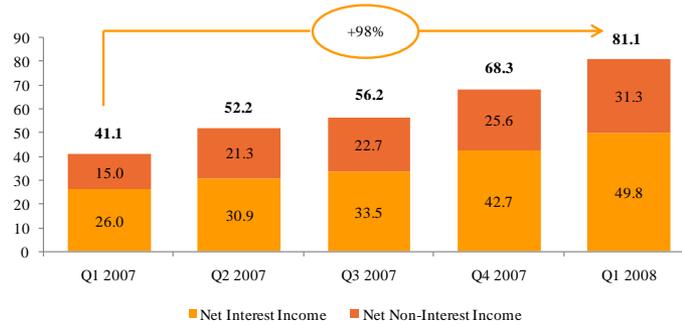


**Total Revenue: GEL 81.1 million (98% y-o-y growth)**

# Analysis of Revenue

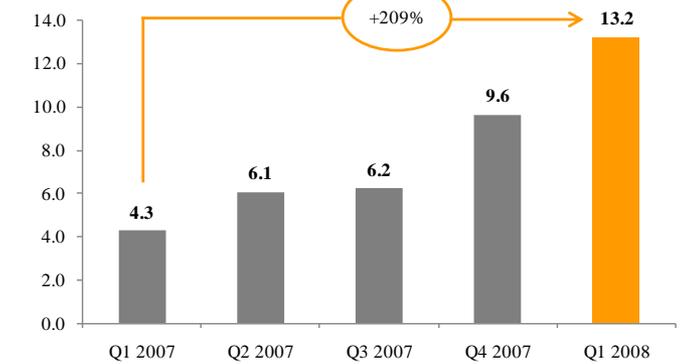
## Revenue Growth

GEL million



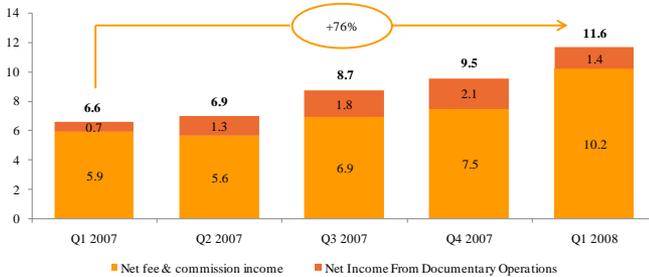
## Net Foreign Currency Related Income

GEL mln



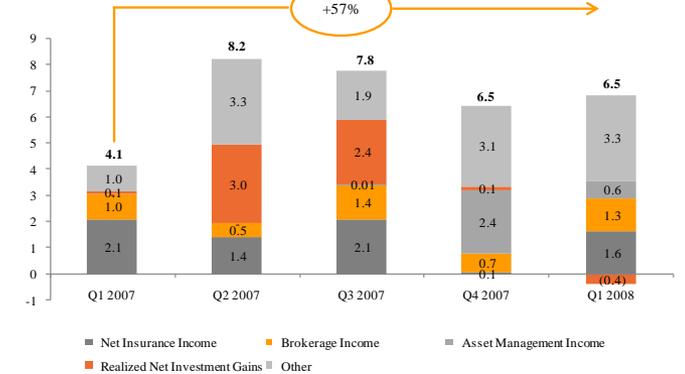
## Net Fee & Commission Income

GEL million



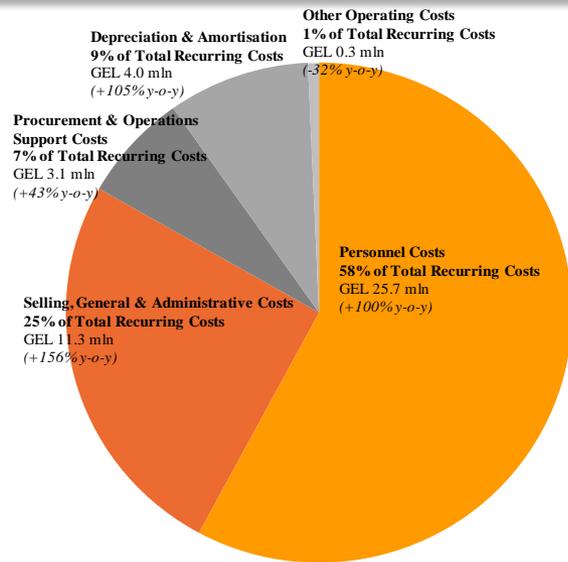
## Other Non-Interest Income

GEL mln

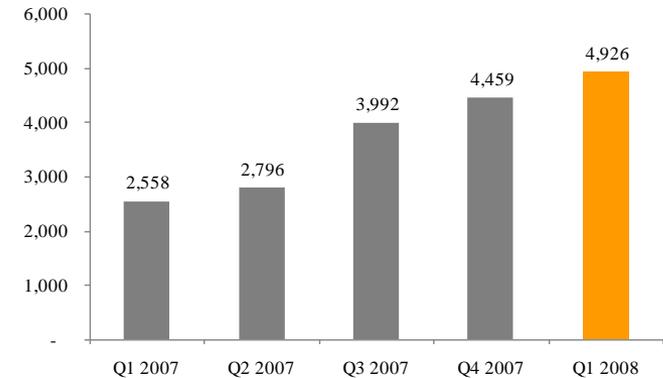


# Analysis of Operating Costs

## Operating Cost Structure

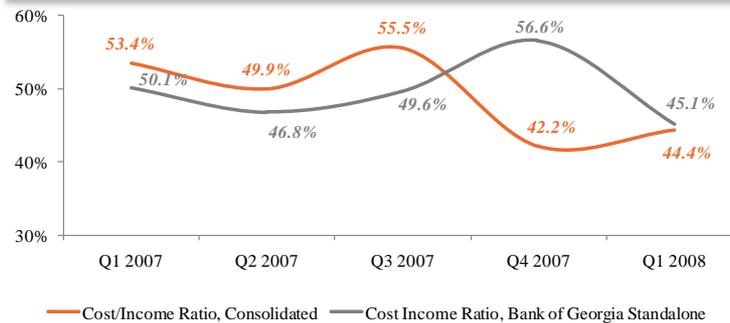


## Employees

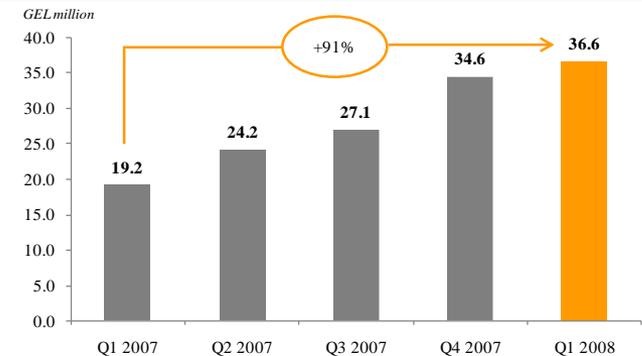


**Total Recurring Operating Costs: GEL 44.5 million (103% growth y-o-y)**

## Cost/Income Ratio

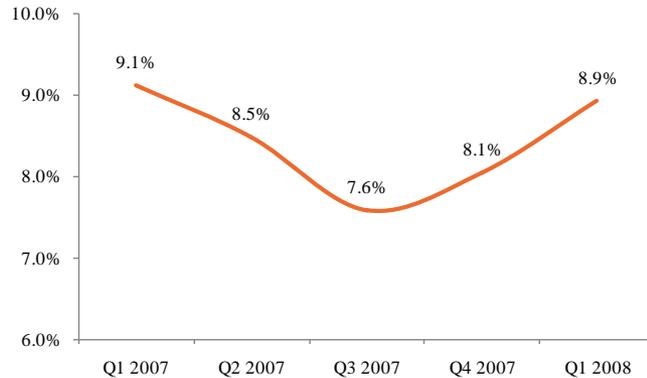


## Normalised Net Operating Income

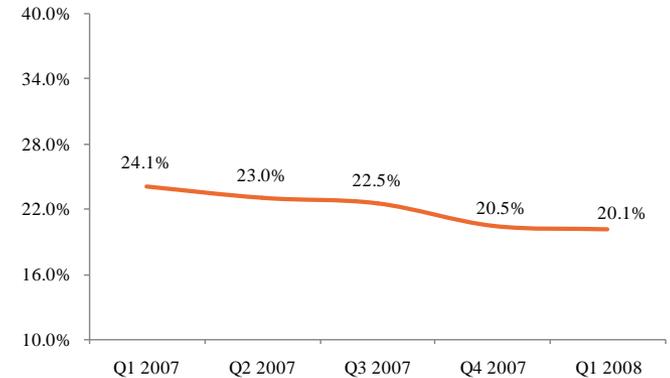


# NIM & Loan Yields

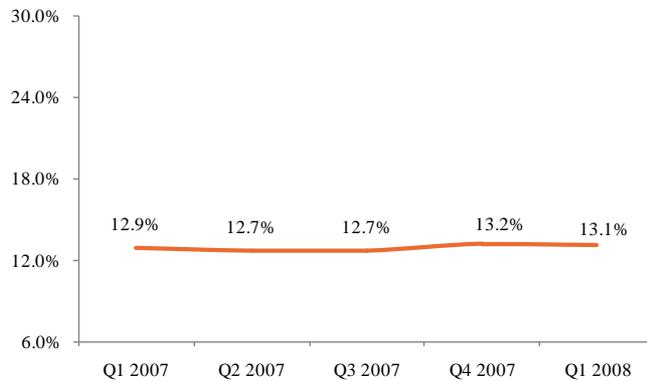
## Net Interest Margin (Annualised)



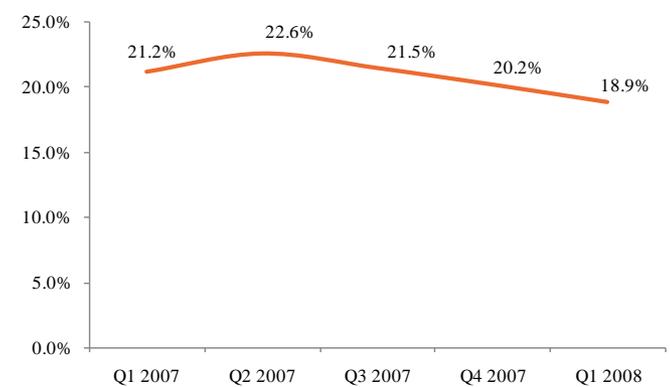
## RB & WM Loan Yield (Annualised)



## CB Loan Yield (Annualised)



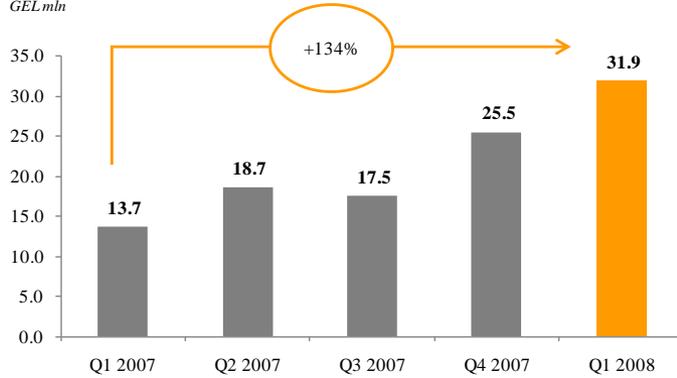
## Blended Loan Yield (Annualised)



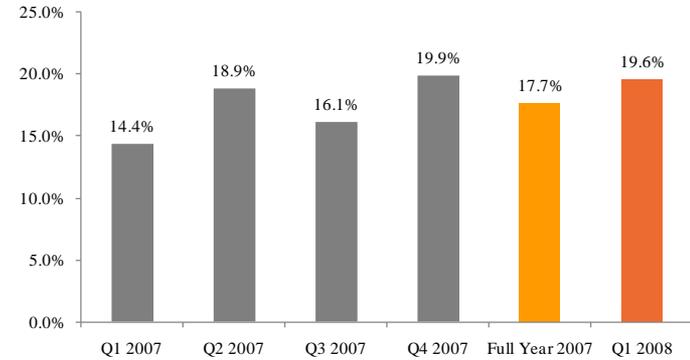
# Profitability

## Net Income

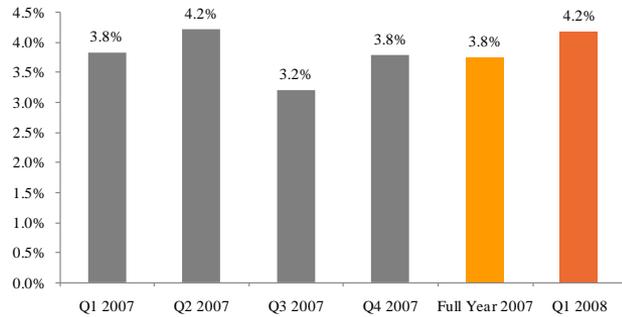
GEL mln



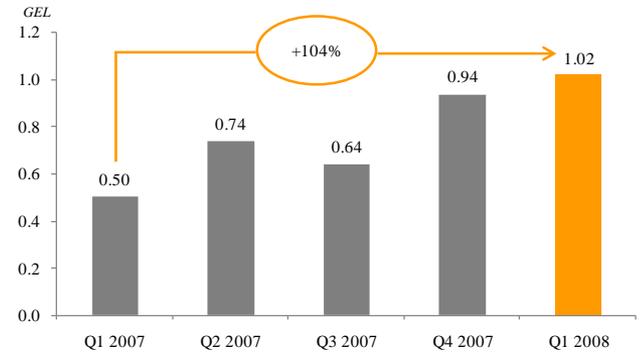
## ROAE



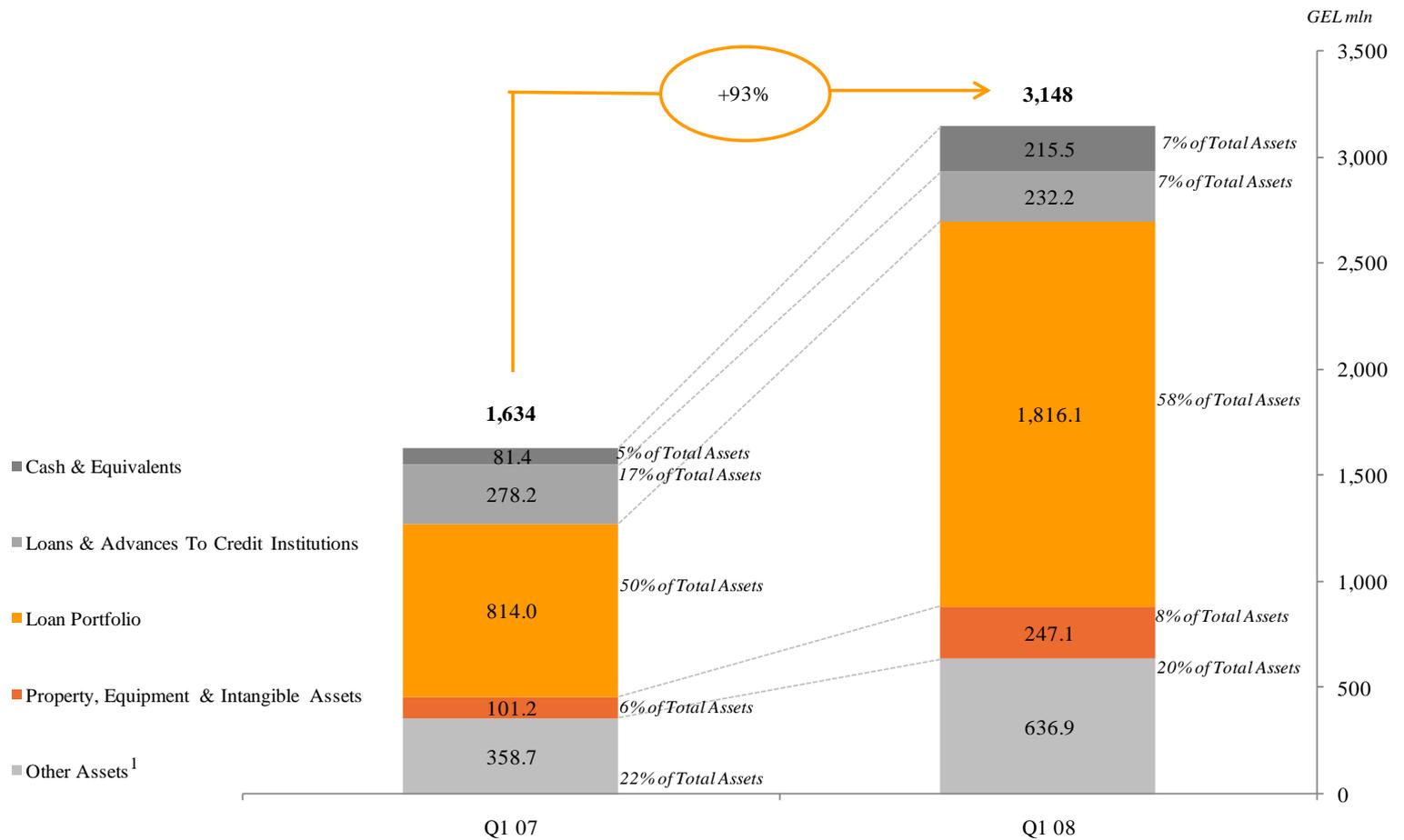
## ROAA



## EPS (Fully Diluted)



# Composition of the Balance Sheet As At 31 March 2008

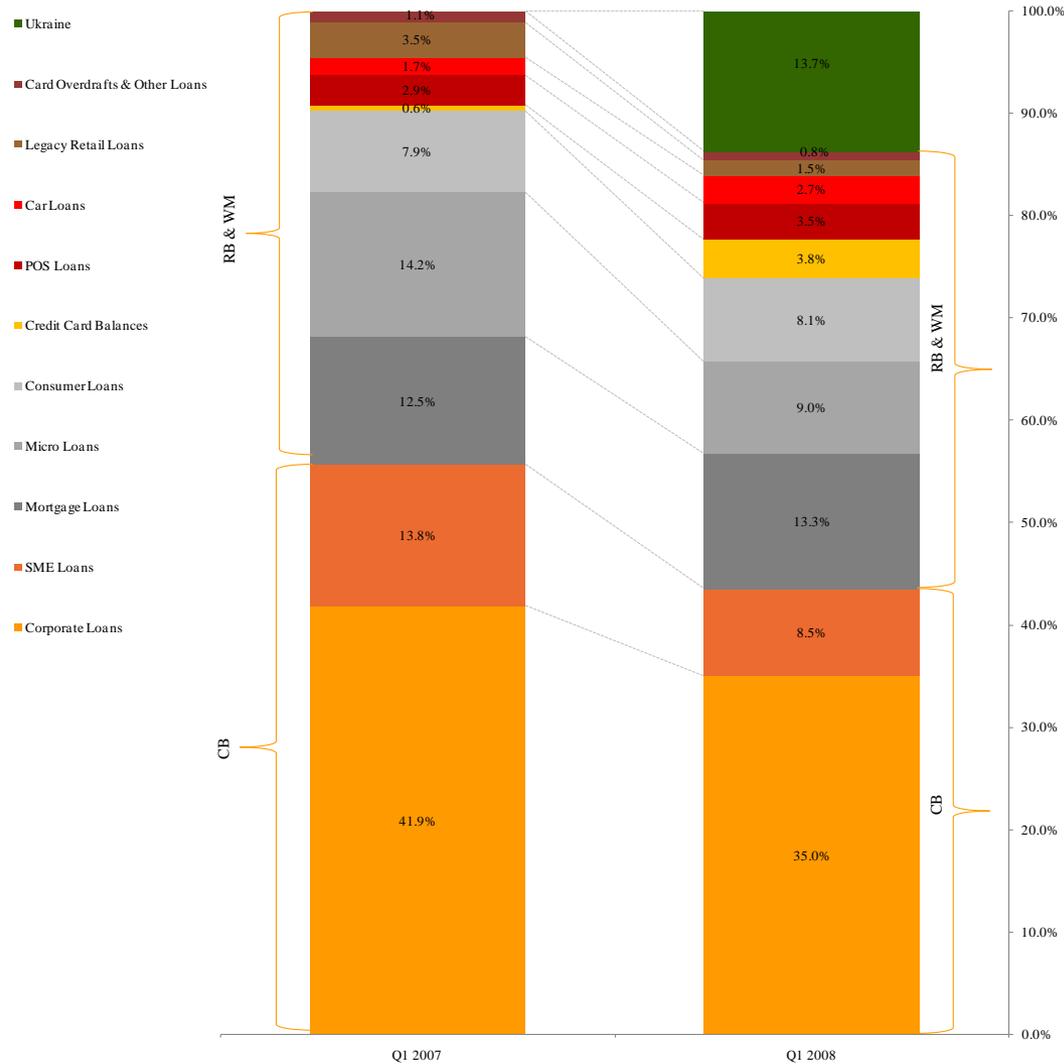


<sup>1</sup> Other assets includes: available-for-sale securities, treasuries & equivalents, other fixed income instruments, net investments in other business entities, net intangible assets owned, goodwill, current & deferred tax assets, other assets

<sup>2</sup> Net loans include net finance lease receivables

# Composition Of Gross Loan Book As At 31 March 2008

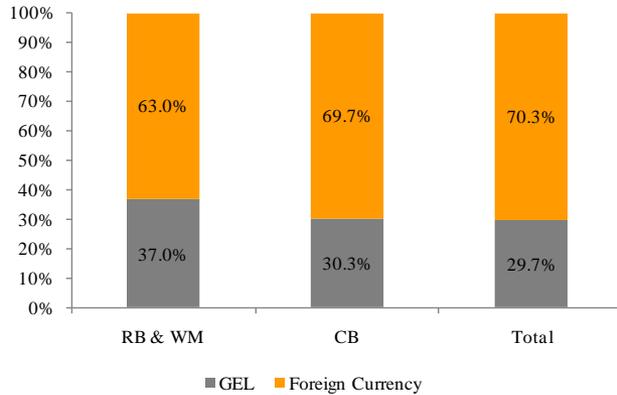
**RB & WM**  
Account for  
**49.3% of Gross**  
**Loans including**  
**UBDP and CB**  
Account for  
**50.7% of Gross**  
**Loans excluding**  
**UBDP**



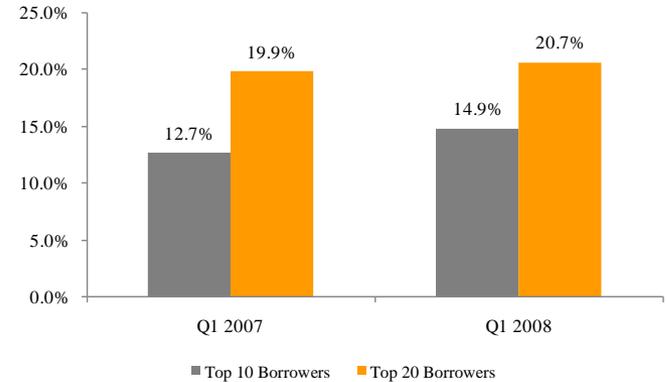
**Gross Loan Book Q1 2008: GEL 1,856 million**

# Analysis of the Loan Book

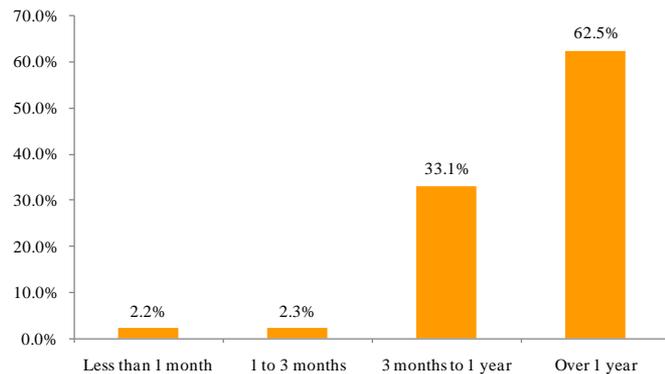
Loans By Currency, Q1 2008 (BoG Standalone)



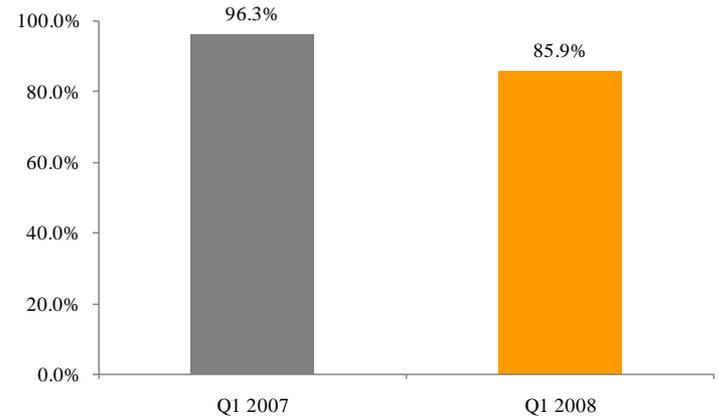
Loan Concentration



Loans By Maturity, Q1 2008 (BoG Standalone)

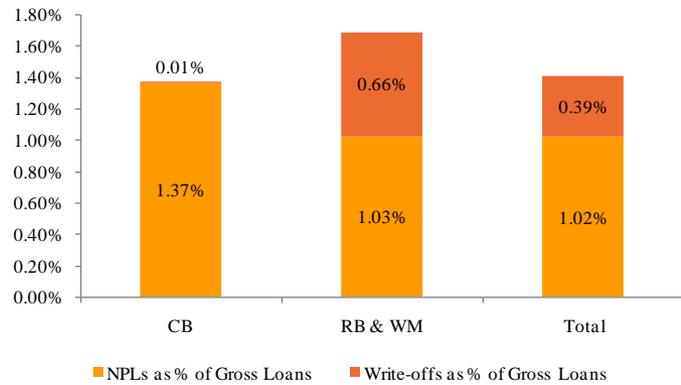


Loan Book Collateralization (BoG Standalone)

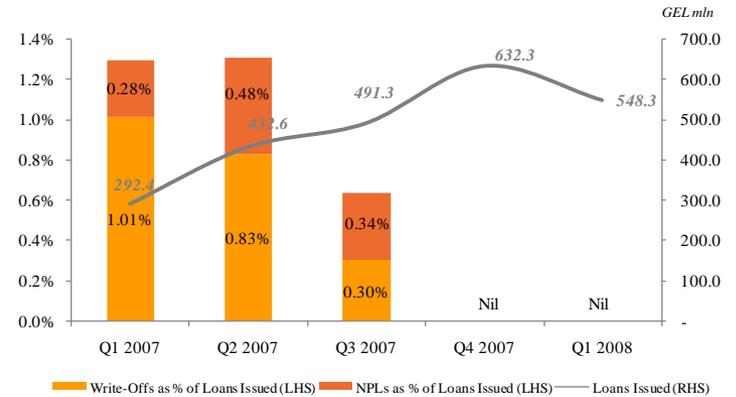


# Provisioning Policy

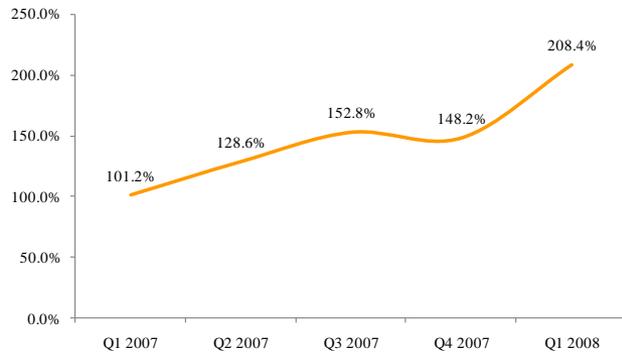
## NPLs & Write-Offs, Q1 2008 (BoG Standalone)



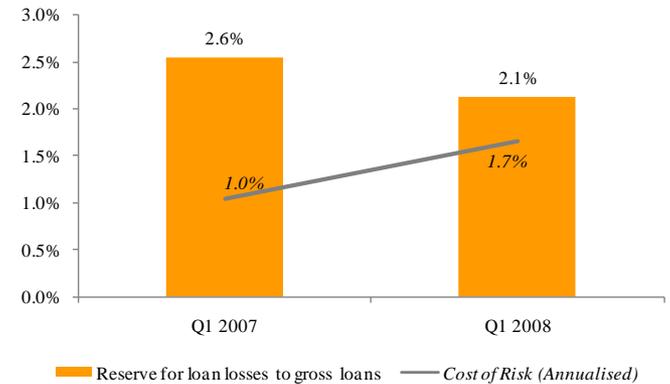
## Impairment Seasoning, Q1 2008



## NPL Coverage Ratio (BoG Standalone)



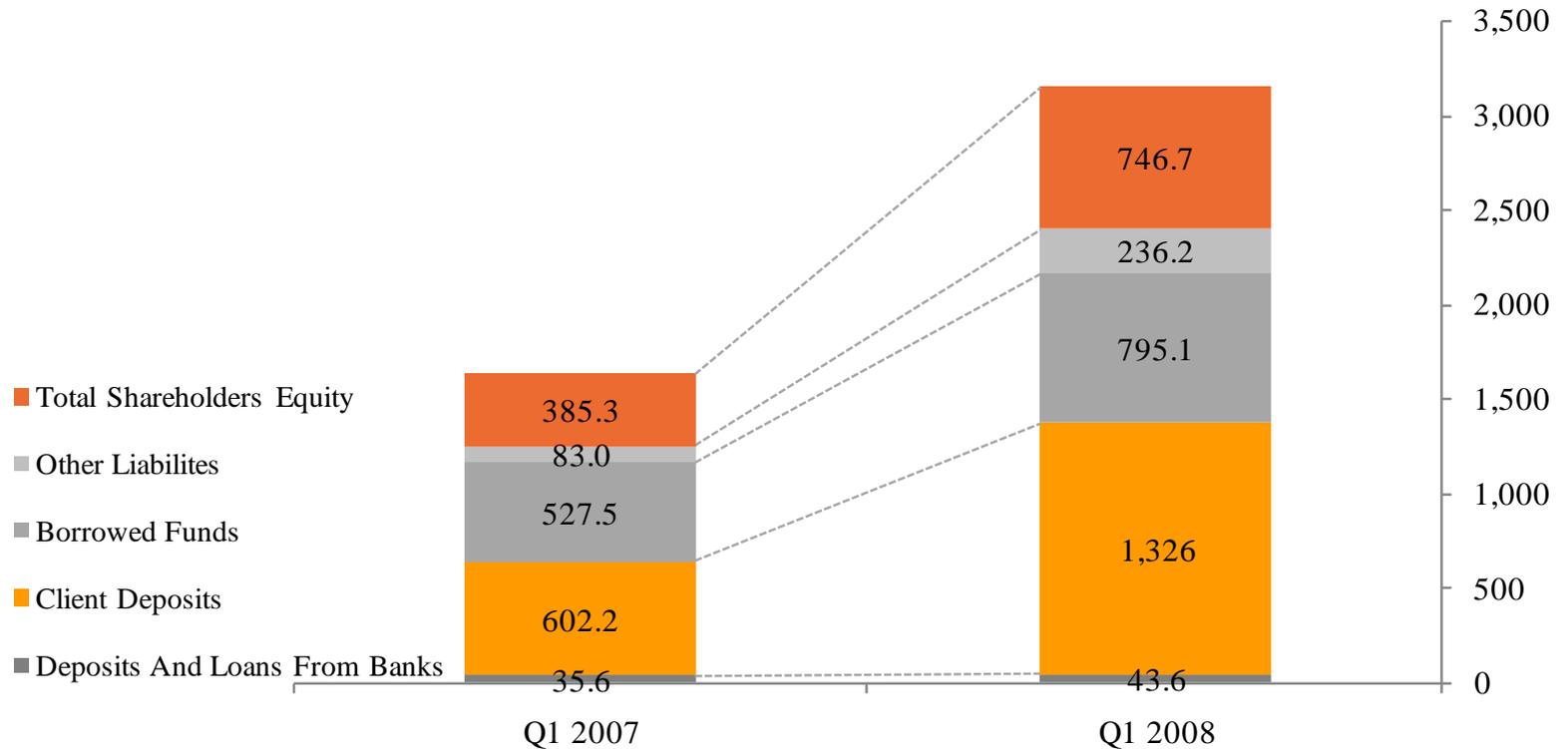
## Reserve For Loan Losses To Gross Loans



Note: NPLs include 90 days overdue loans including principal and/or interest payments

# Liabilities Breakdown As At 31 March 2008

GEL mln

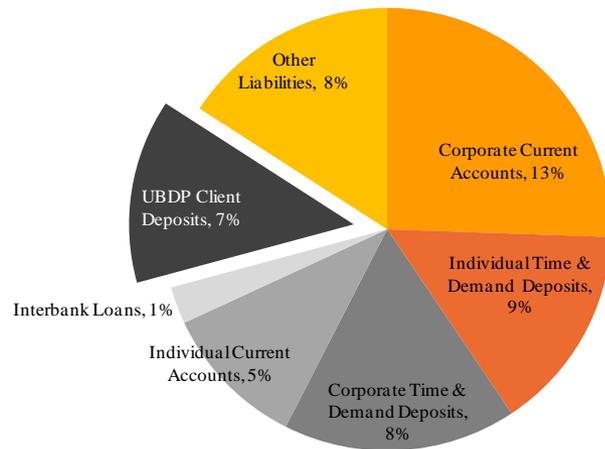


**Total Liabilities Q1 2008: GEL 2,401 million**

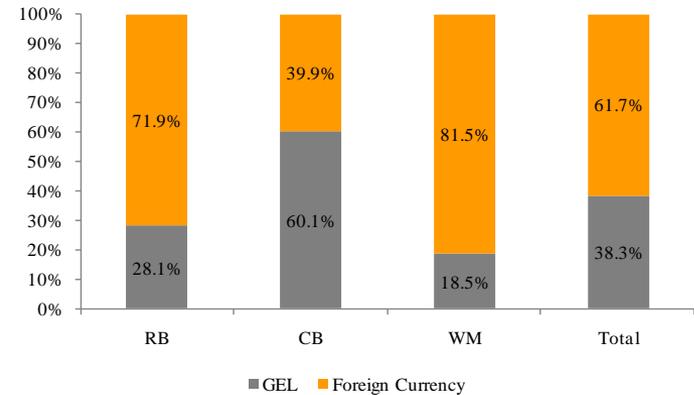
# Analysis of Deposits

On a standalone basis CB accounted for 60% of deposits and RB&WM for 40% of deposits

Deposit Breakdown, Q1 2008

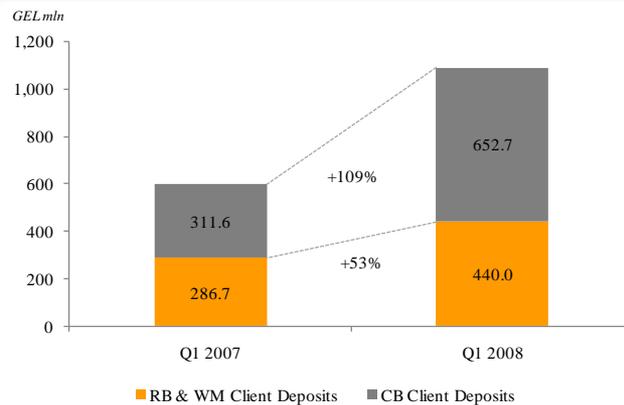


Deposits By Currency, Q1 2008

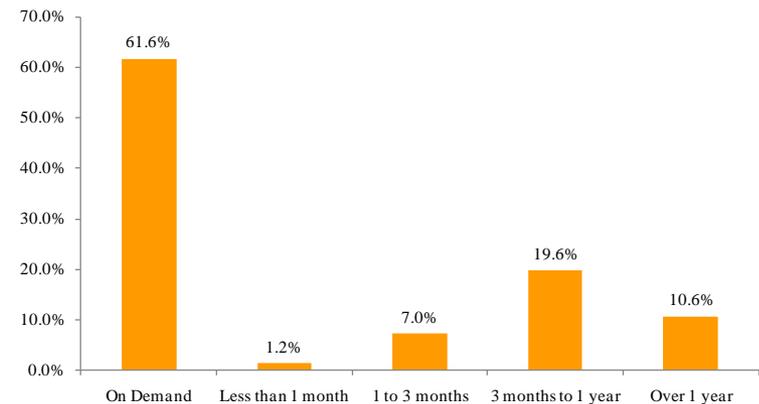


Total Deposits: GEL 1,370 million (115% growth y-o-y)

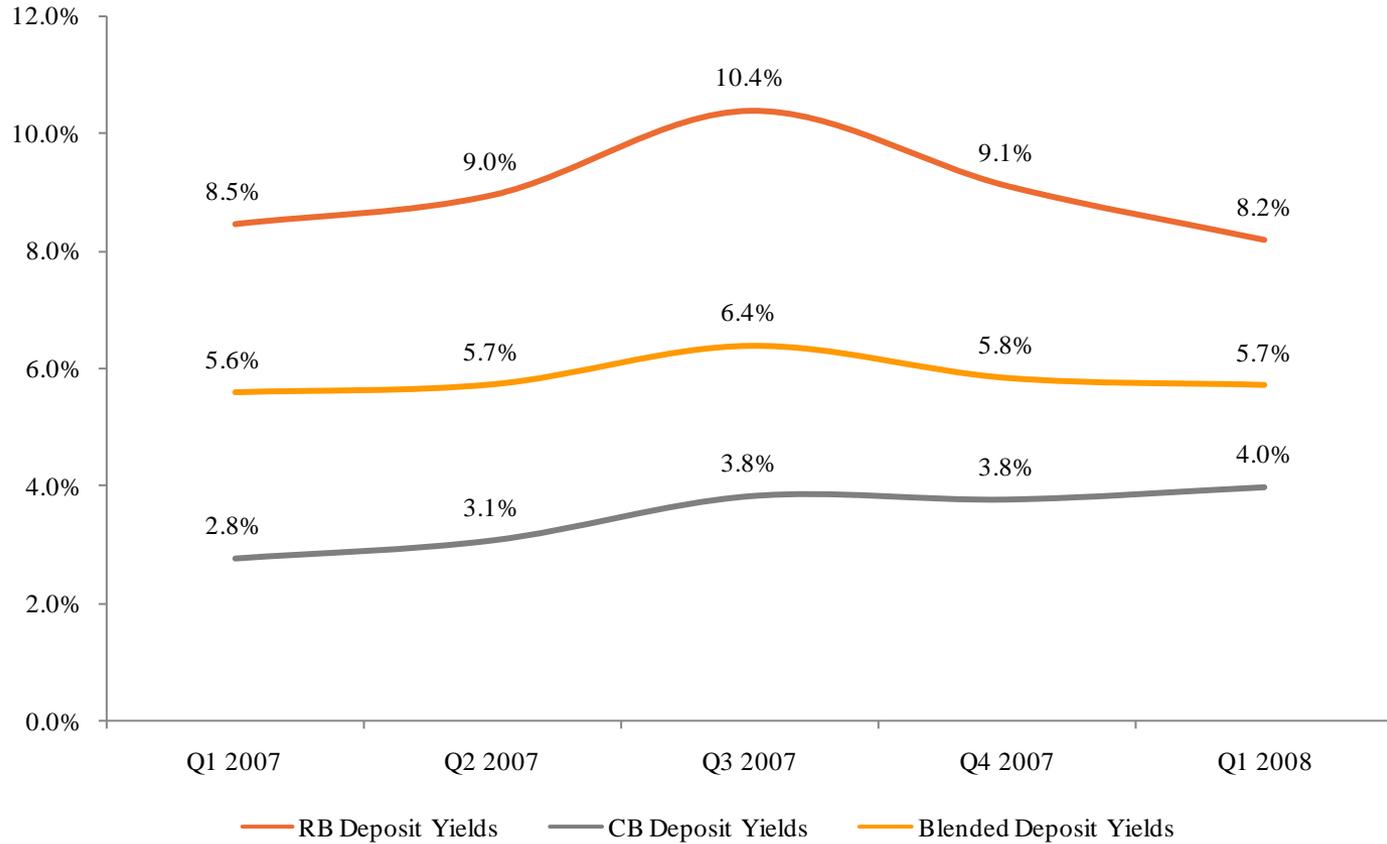
CB, RB & WM Deposit Growth



Deposits By Maturity, Q1 2008\*



# Deposit Yields



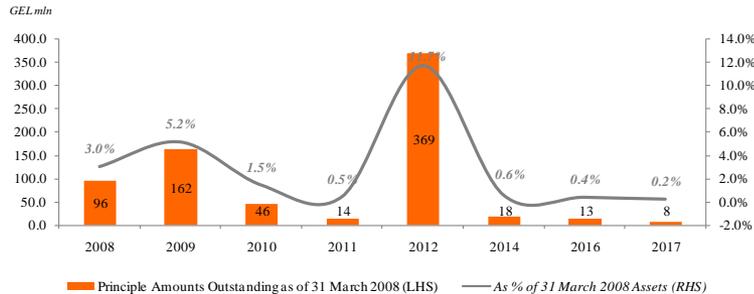
# International Borrowings

## Selected International Loans

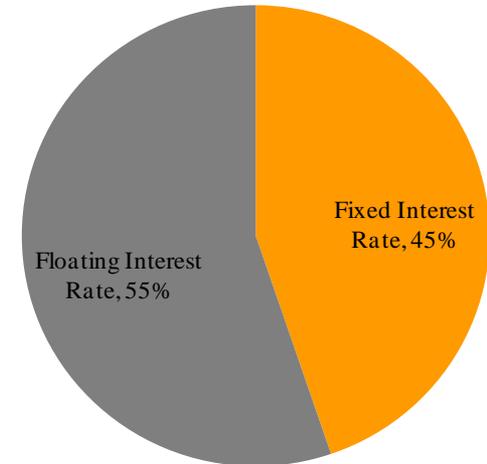
	Principle Amount Outstanding 31 March 2008	Maturity
Promissory Notes	US\$5.3 million	2008
Syndicated Loan arranged by Citi and ADB, 1 <sup>st</sup> Tranche	US\$55 million	2008
Syndicated Loan arranged by Citi and ADB, 2 <sup>nd</sup> Tranche	US\$43.5 million	2009
Senior Term Loan from Merrill Lynch	US\$65.0 million	2009
Syndicated Loan arranged by Citi and ADB, 3 <sup>rd</sup> Tranche	US\$25 million	2010
Subordinated Loan from Thames River Capital	US\$5.0 million	2011
Subordinated Loan from HBK Investments	US\$15.0 million	2012
Subordinated Loan from Merrill Lynch	US\$35.0 million	2012
Eurobonds	US\$200 million	2012
Senior Term Loan from WorldBusiness Capital	US\$8.6 million	2016
Senior Term Loan from WorldBusiness Capital (GLC)	US\$5.2 million	2017
Senior Term Loan from FMO	US\$12.5 million	2014
<b>Total</b>	<b>US\$ 475 million</b>	

Note: excluding credit lines as part of documentary business

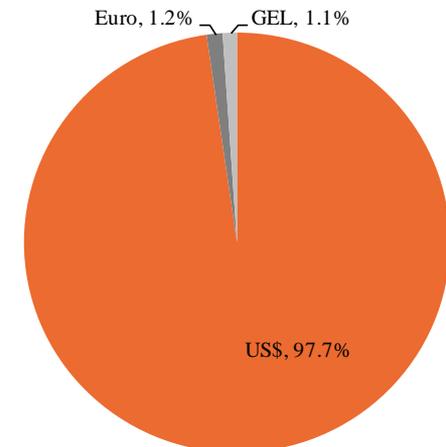
## International Borrowings By Maturities



## International Borrowings - Fixed vs. Floating Rates, Q1 2008

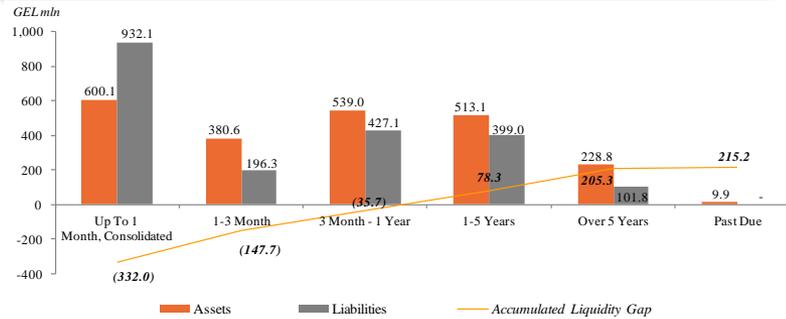


## International Borrowings By Currencies, Q1 2008

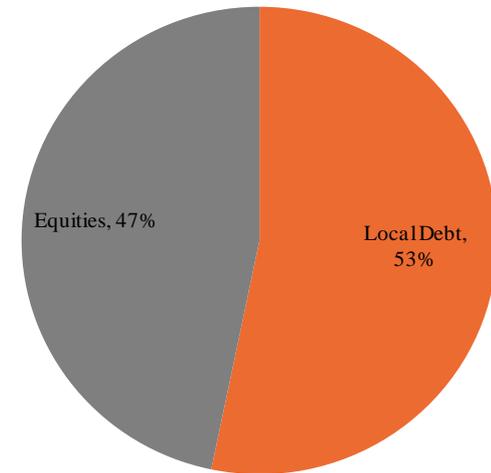


# Risk Management

## Liquidity Risk Management, Q1 2008

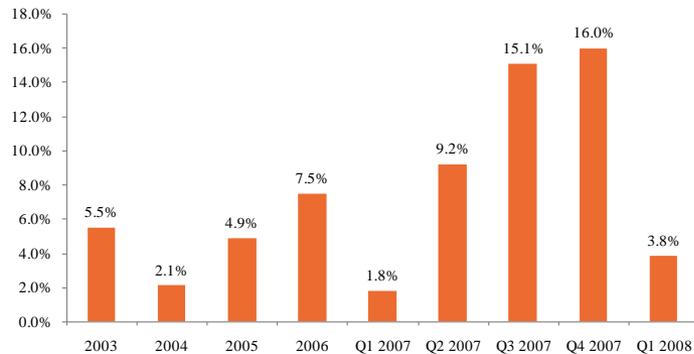


## Breakdown of Securities Portfolio, Q1 2008



**Total securities portfolio: GEL 51 million**

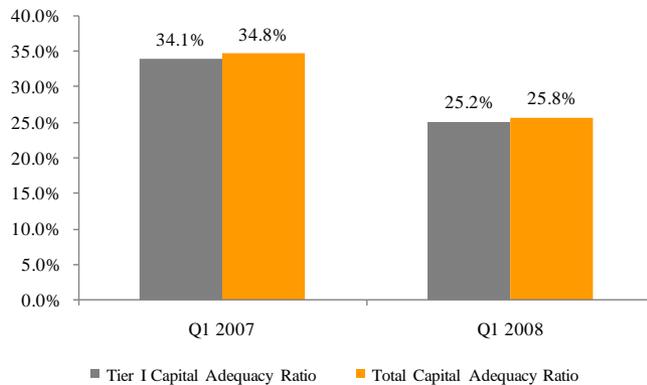
## Currency Risk Management, Q1 2008



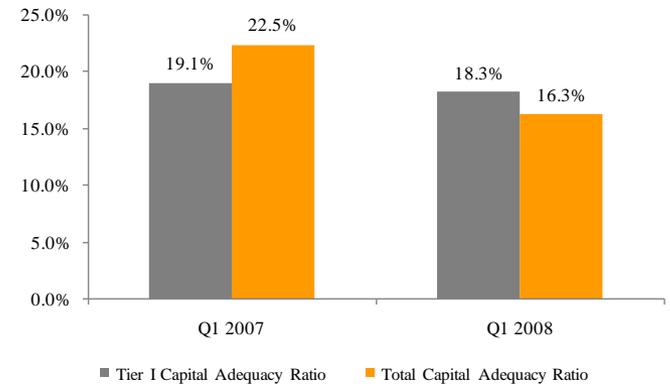
*Note: Liquidity & Currency Risk Management calculations are based on the National Bank of Georgia requirements*

# Capital Adequacy

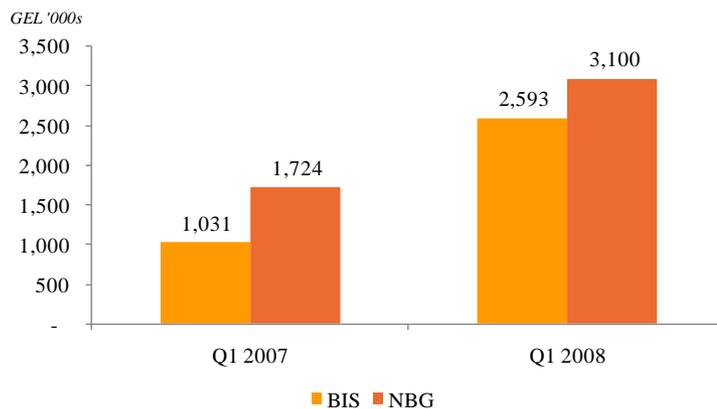
## BIS Capital Adequacy Ratios



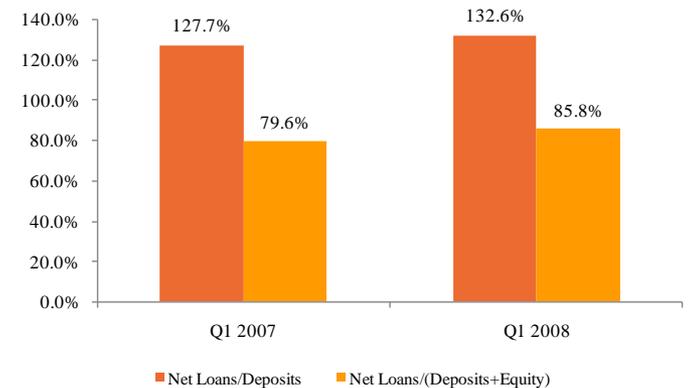
## NBG Capital Adequacy Ratios



## Risk-Weighted Assets BIS vs. NBG



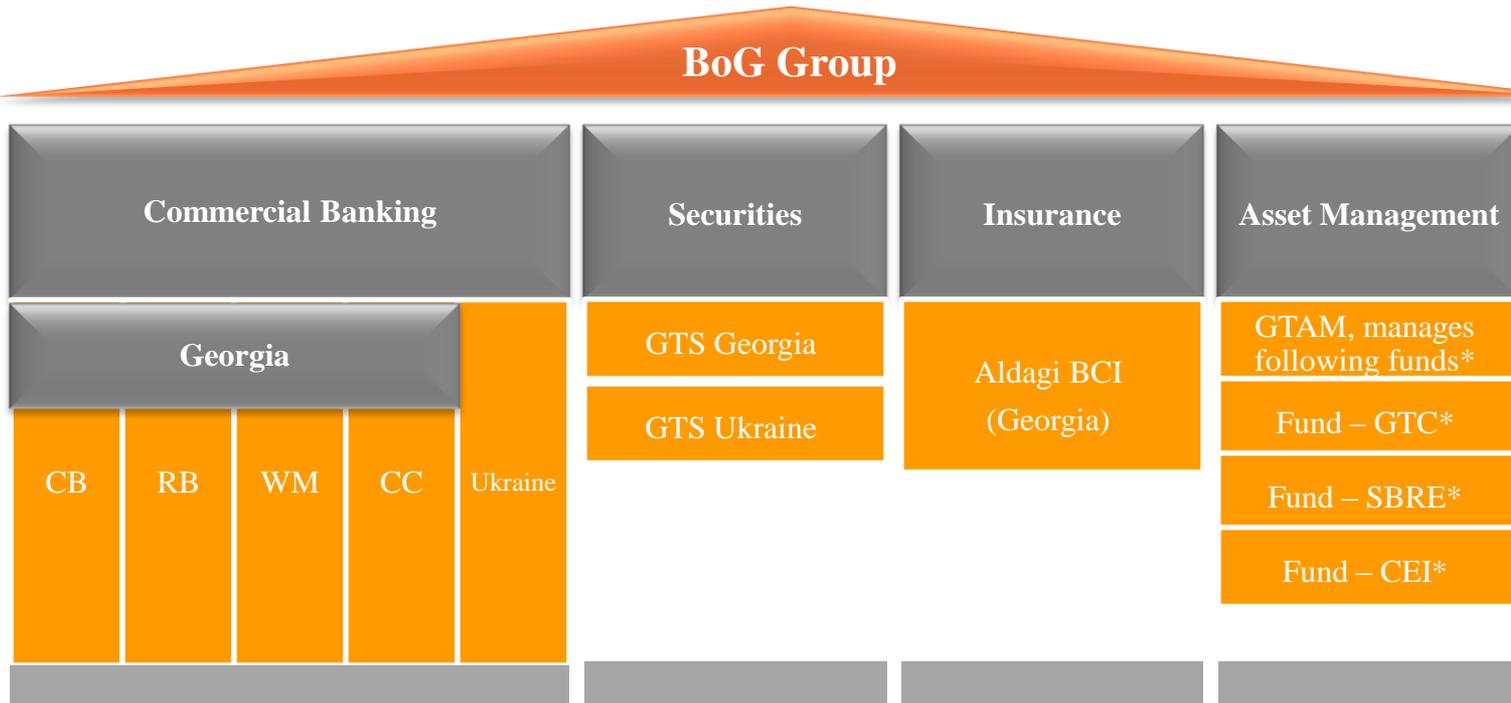
## Net Loans/Deposits & Loans/(Deposits+Equity)



# *Business Overview*

# Group Structure: Business Lines

Reporting Lines



\* GTC & SBRE, as majority owned by Bank of Georgia, are fully consolidated in BoG financials. CEI, in which Bank of Georgia owns 5.74% is not consolidated

# Bank of Georgia Q1 2008 Business Unit Results

31 March 2008 (GEL '000)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	24,085	37,727	1,641	6,503	1,617	12,402	1,801	(4,681)	<b>81,095</b>
Net Income	10,498	12,936	670	(697)	(1,854)	8,147	(371)	2,588	<b>31,917</b>
Total Assets	1,431,303	1,313,114	61,319	360,022	82,549	94,303	64,901	(259,714)	<b>3,147,797</b>
Total Liabilities	1,078,595	751,719	94,261	291,663	27,003	32,651	47,695	77,474	<b>2,401,061</b>

31 March 2007 (GEL '000)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	13,734	18,783	825	-	1,417	317	2,187	3,791	<b>41,054</b>
Net Income	7,471	7,027	226	-	317	(156)	401	(1,623)	<b>13,663</b>
Total Assets	693,108	518,651	45,765	-	33,759	38,629	46,454	257,159	<b>1,633,525</b>
Total Liabilities	603,994	450,539	73,552	-	13,161	17,456	41,744	47,787	<b>1,248,233</b>

Y-O-Y Growth	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	75.4%	100.9%	98.9%	NMF	14.1%	3812.3%	-17.6%	NMF	<b>97.5%</b>
Net Income	40.5%	84.1%	196.5%	NMF	NMF	NMF	NMF	NMF	<b>133.6%</b>
Total Assets	106.5%	153.2%	34.0%	NMF	144.5%	144.1%	39.7%	NMF	<b>92.7%</b>
Total Liabilities	78.6%	66.8%	28.2%	NMF	105.2%	87.0%	14.3%	62.1%	<b>92.4%</b>

31 March 2008 (Share)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	29.7%	46.5%	2.0%	8.0%	2.0%	15.3%	2.2%	-5.8%	<b>100.0%</b>
Net Income	32.9%	40.5%	2.1%	-2.2%	-5.8%	25.5%	-1.2%	8.1%	<b>100.0%</b>
Total Assets	45.5%	41.7%	1.9%	11.4%	2.6%	3.0%	2.1%	-8.3%	<b>100.0%</b>
Total Liabilities	44.9%	31.3%	3.9%	12.1%	1.1%	1.4%	2.0%	3.2%	<b>100.0%</b>

31 March 2007 (Share)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	33.5%	45.8%	2.0%	0.0%	3.5%	0.8%	5.3%	9.2%	<b>100.0%</b>
Net Income	54.7%	51.4%	1.7%	0.0%	2.3%	-1.1%	2.9%	-11.9%	<b>100.0%</b>
Total Assets	42.4%	31.8%	2.8%	0.0%	2.1%	2.4%	2.8%	15.7%	<b>100.0%</b>
Total Liabilities	48.4%	36.1%	5.9%	0.0%	1.1%	1.4%	3.3%	3.8%	<b>100.0%</b>

# Corporate Banking

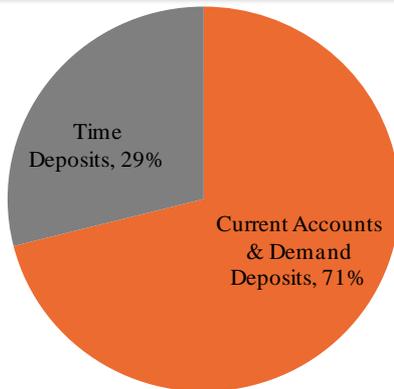
## Integrated client coverage in the following key sectors

- ☞ Construction & Real Estate
- ☞ Energy
- ☞ Fast Moving Consumer Goods
- ☞ Financial Institutions
- ☞ Foreign Organizations & Diplomatic Missions
- ☞ Pharmaceuticals & Healthcare
- ☞ Retail & Wholesale Trade
- ☞ State & Industry
- ☞ Telecommunications, Media & Technology
- ☞ Transport & Logistics
- ☞ SME

## Overview

- ☞ No.1 corporate bank in Georgia
- ☞ Circa 40% market share based on customer deposits<sup>(1)</sup>
- ☞ Circa 28% market share based on corporate loans<sup>(2)</sup>
- ☞ Integrated client coverage in key sectors
- ☞ 68,000+ clients of which 6,634 served by dedicated relationship bankers
- ☞ Circa 45% market share in trade finance and documentary operations<sup>(2)</sup>
- ☞ Second largest leasing company in Georgia<sup>(2)</sup> – Georgian Leasing Company (GLC)
- ☞ Major new corporate client acquisitions include Alon Group Israel, an investment company, JSC Caucasus Energy and Infrastructure, a fund investing in energy and infrastructure assets in Georgia, and Georgian Trading Company, a high end (Bali, Trussardi etc.) apparel retailer in Tbilisi
- ☞ Increased the number of corporate clients using the bank's payroll services from approximately 700 at the end of 2007 to over 850 by 31 March 2008. By the end of Q1 2008, the number of individual clients serviced through the corporate payroll programs administered by the bank increased from approximately 150,000 at the beginning of the year to 153,984
- ☞ Approximately 4,000 legal entities opened accounts at the bank in Q1 2008, bringing the total to approximately 68,000

## Corporate Client Deposits (31 March 2008)



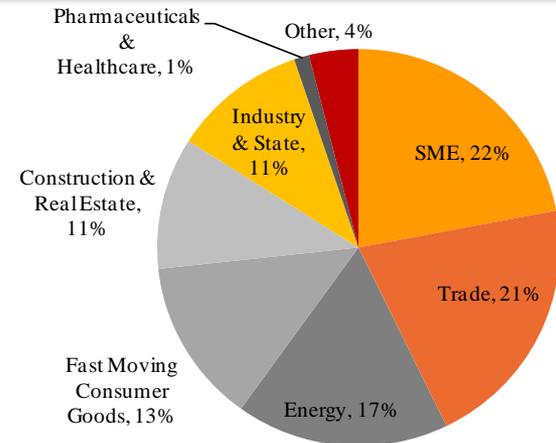
**Total corporate deposits: GEL 653 mln**

Notes:

- (1) As of March 2008, source: National Bank of Georgia, does not include interbank deposits
- (2) Management estimates (based on the NBG data)

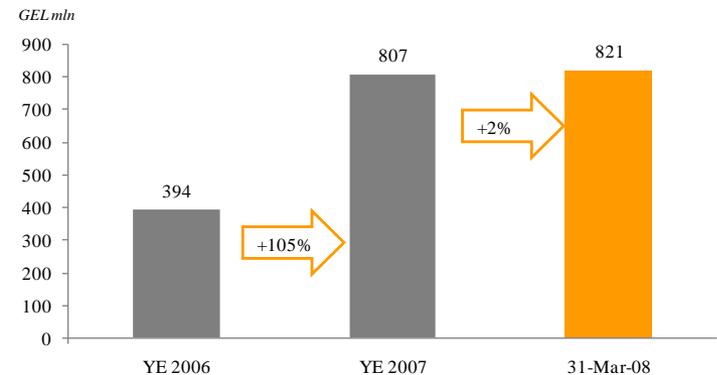


## Corporate Loan Portfolio (31 March 2008)



**Total corporate loans: GEL 821 mln**

## Corporate Gross Loan Portfolio Growth



Note: does not include Ukraine

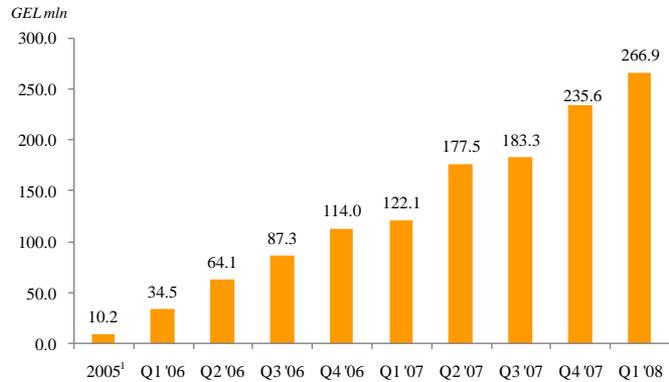
# Retail Banking Highlights

- Increased the number of retail current accounts from approximately 705,000 at the beginning of the year to over 770,000 as at 31 March 2008.
- Opened 14 new branches (service centers) in Georgia, bringing the total number of branches to 131 by 31 March 2008.
- Remodeled four pilot branches based on new brand concept and design developed by Allen International, a UK based integrated strategic design consultancy. The pilot branches included two pioneering mortgage centers in Georgia.
- Stepped up the issuance of credit cards, as the number of credit cards issued reached approximately 38,500 during Q1 2008 compared to 5,861 credit cards issued in Q1 2007. As of 31 March 2008, the number of credit cards outstanding amounted to 147,075, up from 108,616 at the beginning of the year. Increased the issuance of debit cards, with over 70,000 debit cards issued in Q1 2008, compared to approximately 63,000 debit cards issued during Q1 2007. The number of debit cards outstanding increased from approximately 538,000 at the beginning of the year to approximately 595,468 by 31 March 2008.
- Continued to make gains in merchant acquiring as the installed POS terminal footprint grew to 2,063 compared to 1,594 at year end 2007.
- Total number of cards serviced by Georgian Card grew from 876,263 at year end 2007 to 977,572 by 31 March 2008, while the number of transaction authorisations processed by Georgian Card in Q1 2008 grew 146.3% y-o-y to approximately 7.2 million. The volume of transactions processed grew to GEL 496.7 million, up 189.8% y-o-y.
- Continued investing in the electronic banking channels, as the number of ATMs grew to 310 by 31 March 2008 (up from 250 at the end of 2007), number of mobile banking users reached 44,002 up 10.8% from the beginning of the year and number of registered Internet banking users grew 44.2% to over 165,000.
- Increased car loan originations for Q1 2008 to GEL 17.1 million (up 419.7% y-o-y and 46.2% q-o-q). Car loans outstanding by 31 March 2008 stood at GEL 46.5 million, up 305.0% y-o-y (25.4% year-to-date). Increased mortgage loan originations to GEL 77.5 million in Q1 2008 (up 161.5% y-o-y and 18.9% q-o-q). Mortgage loans outstanding on 31 March 2008 stood at GEL 222.4 million, up 175.2% y-o-y (up 23.1% year-to-date).
- Launched a new mortgage strategy in Georgia designed to provide integrated real estate development, real estate brokerage and mortgage lending service to retail clients. Under the new strategy the bank has entered into a joint venture with JSC Iberia Real Estate, a leading Georgian real estate development company, aimed at developing over 55,000 sq/m of economy class residential housing over the next three years. Presto, a real estate brokerage established by Bank of Georgia which is leveraging the bank's extensive branch network to build its distribution capabilities, will serve as the exclusive sales agent and Bank of Georgia will provide customized mortgage products for the properties developed by the joint venture.
- Jointly with Magti, Georgia's leading Mobile Operator, launched a co-branded credit card (MagtiCard) distributed to Magti's top 60,000 retail customers, which will serve as the platform for the introduction of Georgia's first credit based mobile service for retail customers. A 50% discount on roaming services and 25% discount on international calls offered by Magti to MagtiCard holders makes this card particularly attractive for Magti's business-oriented customers.
- Won a tender for the exclusive right for management of municipal bus payment system, which will be seamlessly integrated with Tbilisi metro (subway) payment system already managed by the bank since September 2006. As the result, Bank of Georgia will have access to an estimated 900,000 residents of Tbilisi who use municipal transport regularly. Bank of Georgia's contactless debit cards will be introduced as the most convenient method of payment of transport fare. As a pilot project, a student contact less co-branded debit card (BaliCard), which can be used to pay metro fare, was successfully introduced in Q4 2007.

# Retail Banking – No. 1 Retail Bank In Georgia

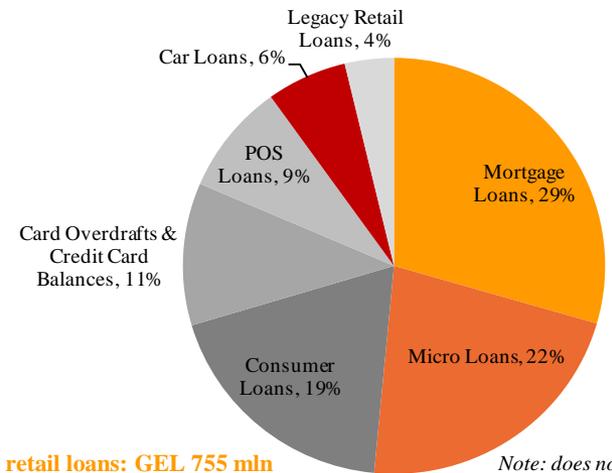


## Retail Loans Originated



(1) Monthly average

## RB Loan Portfolio (31 March 2008)



Total retail loans: GEL 755 mln

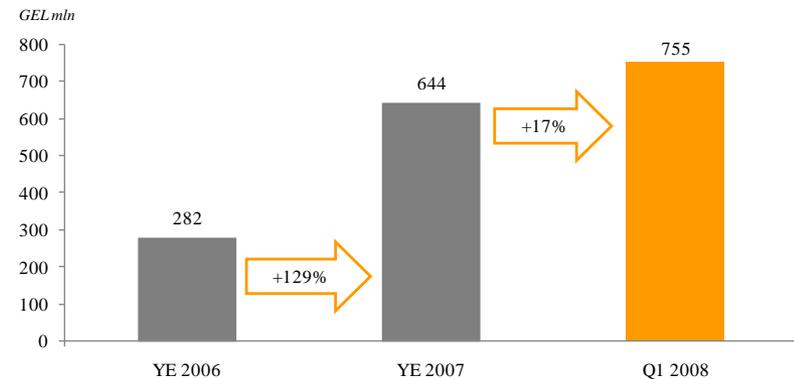
Note: does not include Ukraine

## Leadership in Consumer Lending

	YE 2006	YE 2007	Mar-08
POS Contracts Signed	454	969	1,153
Exclusive	310	870	679
Outlets Operating	89	278	308
Outlets Served	251	640	692
Number of Consumer Loans Outstanding*	23,338	50,120	55,735
Volume of Consumer Loans Outstanding (GEL mln)*	49.5	119.6	142.5
Relationship With Car Dealers	21	30	32
Exclusive	10	12	12
Presence In Outlets	4	8	9
Credit Cards Outstanding	356	108,616	147,075

\* data does not includes WM Consumer Loans

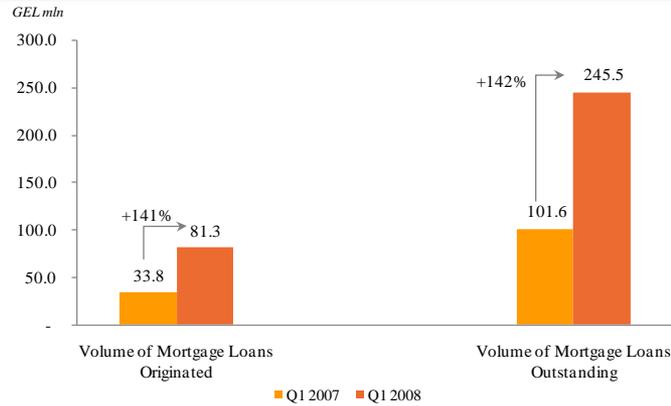
## Retail Gross Loan Portfolio Growth



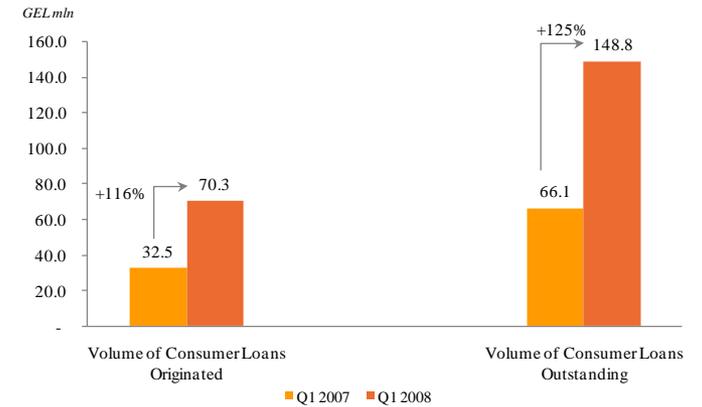
Note: does not include Ukraine

# Loan Origination

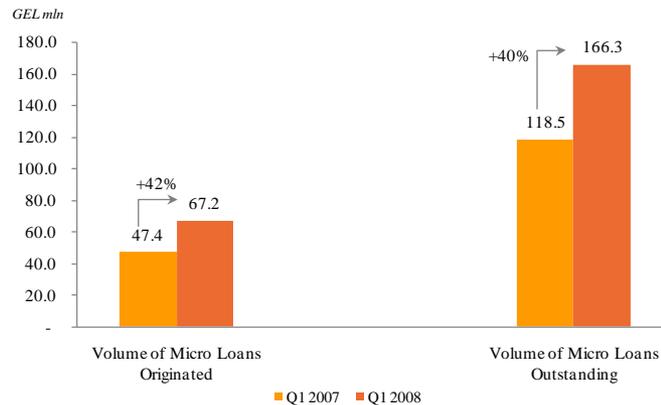
## Mortgage Loans



## Consumer Loans



## Micro Loans



## Other RB & WM Loans

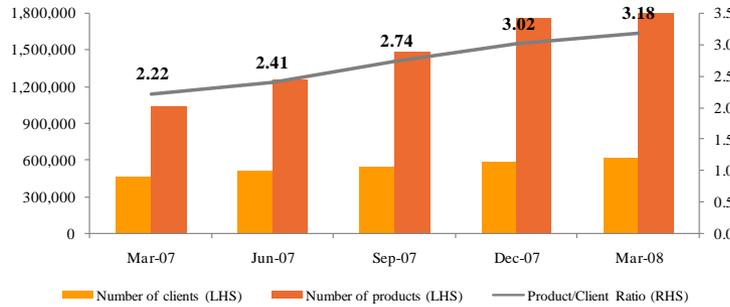


Note: does not include Ukraine

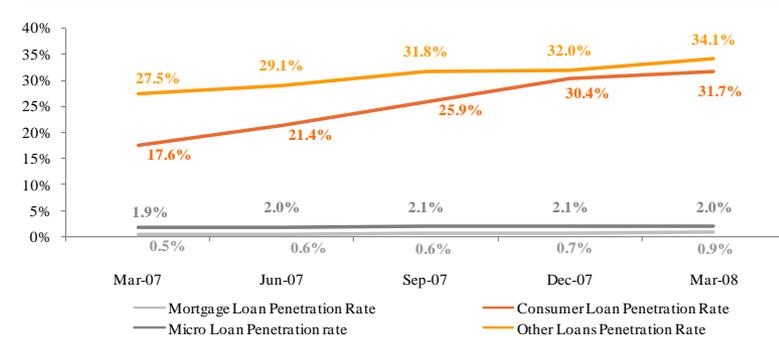
\* Other RB & WM Retail Loans Originated include POS and car loans originated

# RB Cross-Selling

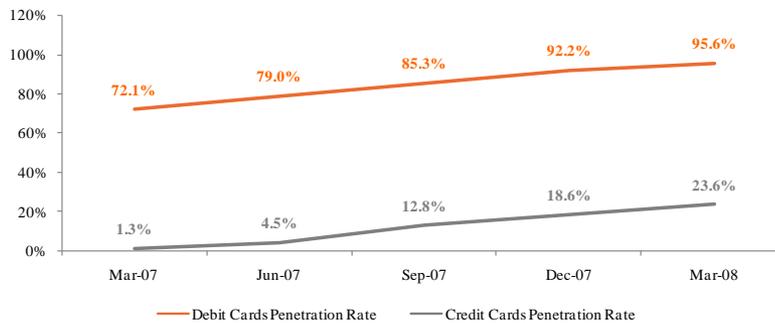
## Product/Client Ratio



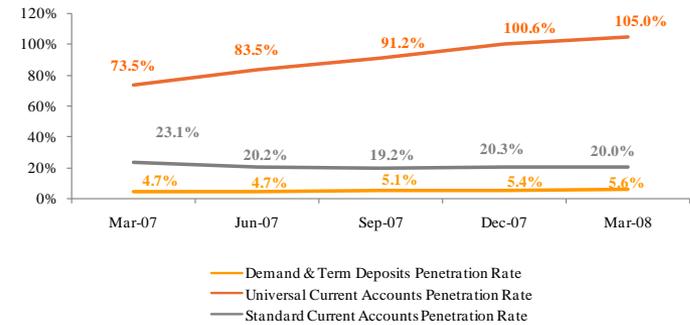
## RB Loans Penetration Rate\*



## Cards Penetration Rate\*



## Current Accounts & Deposits Penetration Rate\*



\* Calculated as percentage of Bank of Georgia clients for the period

# Card Processing

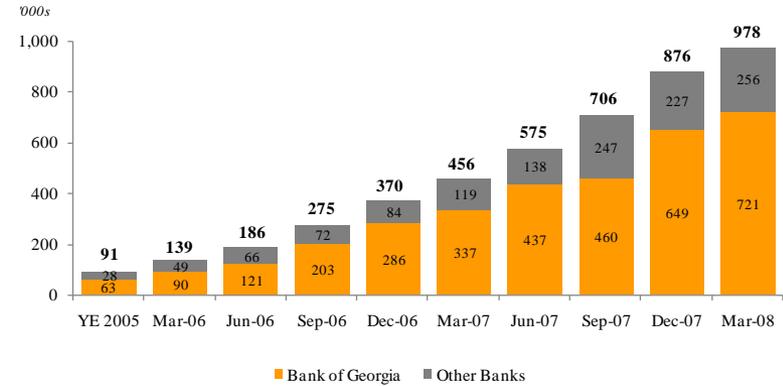


- 56% ownership of Georgian Card
- Migration to TietoEnator Transmaster in 2005
- Enhanced functionality and new product support

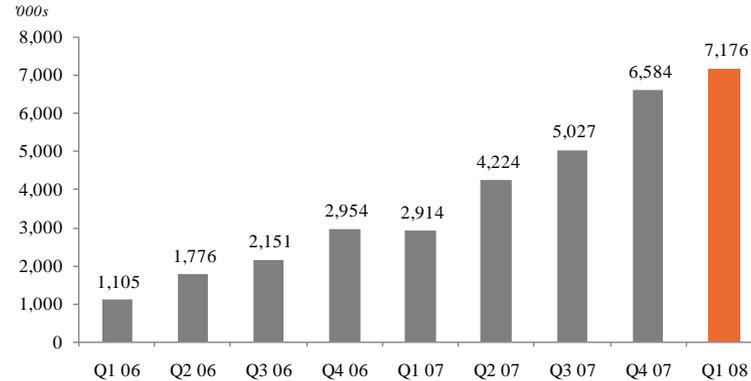
## Client Banks



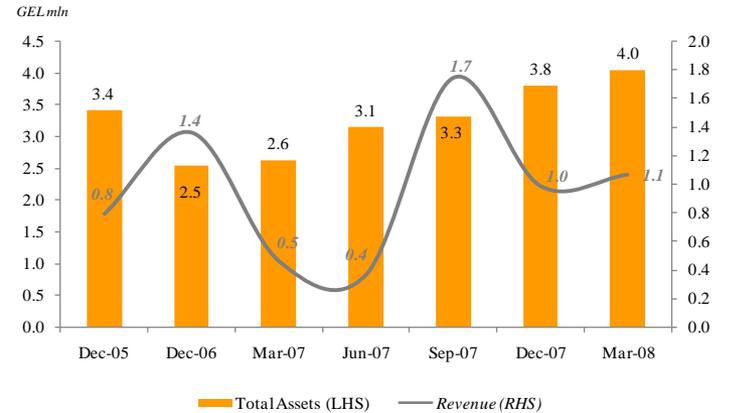
## Number of Cards Serviced by Georgian Card



## Transaction Authorisations By Georgian Card



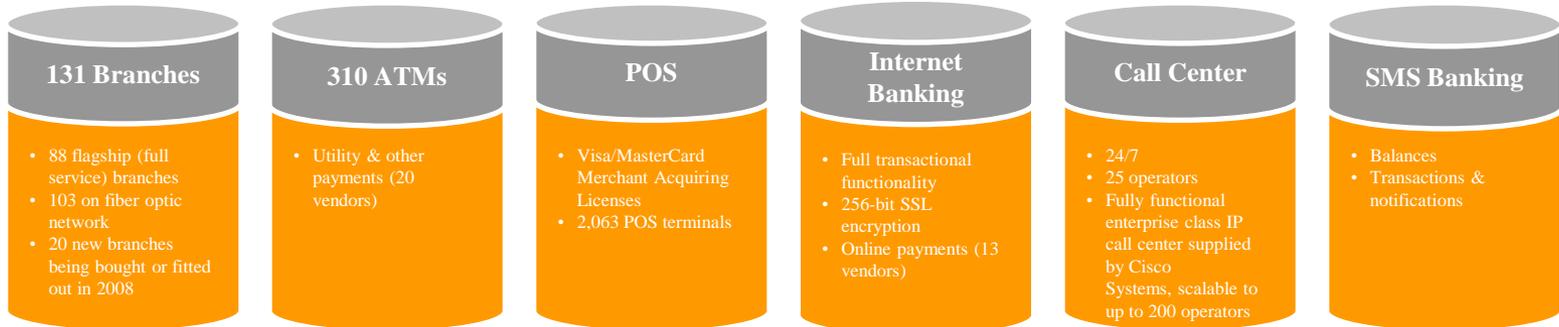
## Georgian Card's Revenue & Assets



# Superior Retail Footprint & Consumer Reach

2005/Ongoing  
Investment Focus

Service Delivery  
Channels



As of 31 March 2008:  
**595,000+ debit cards/770,000+ current accounts**



2006/2007  
Investment Focus

Alternative  
Customer  
Acquisition  
Channels



# New Mortgage Strategy

## Mortgage Distribution

### Mortgage Centers

- Opened two new mortgage centers (total area 900 sqm) in Tbilisi, which are exclusively focused on selling mortgages and mortgage related insurance products



- Presto, a real estate brokerage established by Bank of Georgia which will leverage the bank's extensive branch network to build its real estate distribution capabilities
- Presto sales brokers are present in Bank of Georgia's mortgage centers
- Presto already rented two independent sales offices in the center of Tbilisi and the offices are expected to be opened by August 2008
- Presto will also serve as the exclusive sales agent for SB Iberia residential development projects
- Ms. Tamuna Megrelishvili (former head of marketing of Bank of Georgia) has been appointed to spearhead Presto's operations

### SB Iberia

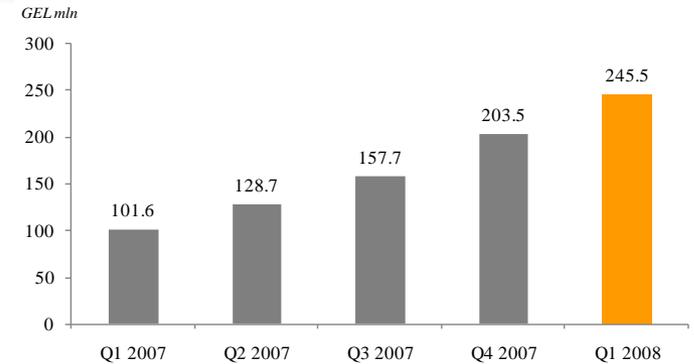
- Bank of Georgia and Iberia Real Estate, a leading Georgian real estate developer, established a joint venture to develop 57,400 sq/m economy class residential housing
- Bank of Georgia will provide customized mortgage products for the properties developed by SB Iberia
- Mr. David Alavidze (former deputy mayor of Tbilisi) was appointed to spearhead SB Iberia's projects from Bank of Georgia's side

# Analysis of Mortgage Portfolio

## Number of Mortgage Loans Issued & Outstanding



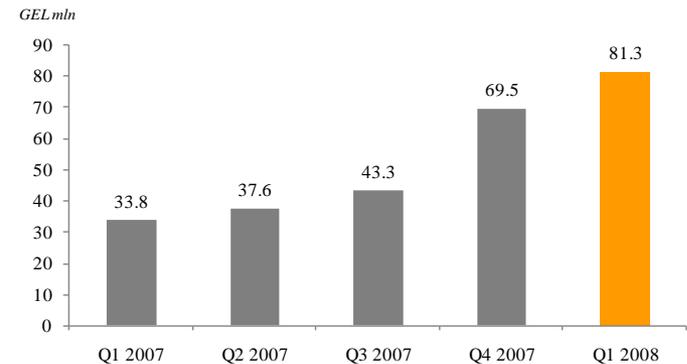
## Volume of Mortgage Loans Outstanding



## Typical Mortgage Terms

- 🏠 Rate: 14% - 18%
- 🏠 Tenor: 10-25 years
- 🏠 Currency: US\$
- 🏠 LTV: Normally 70% - 80%

## Volume of Mortgage Loans Issued



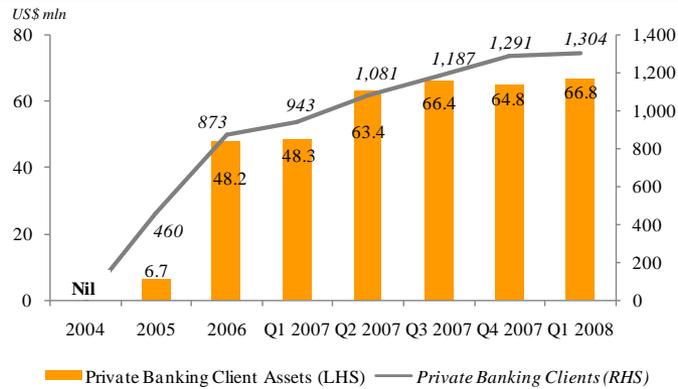
# Extensive Distribution Network Of 131 Branches



As of March 31, 2008

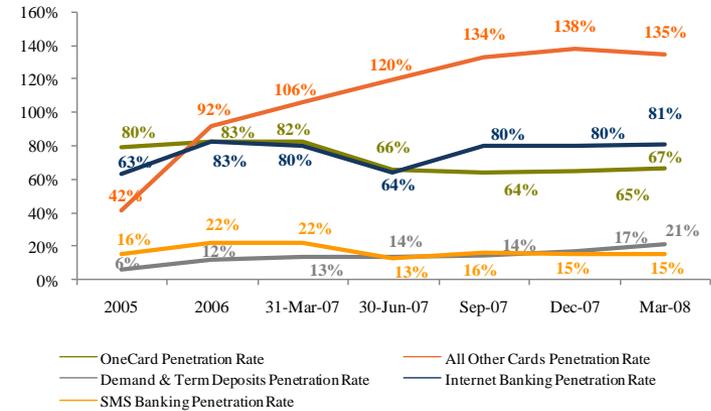
# Wealth Management (WM) Performance Review

## WM Clients and Client Assets

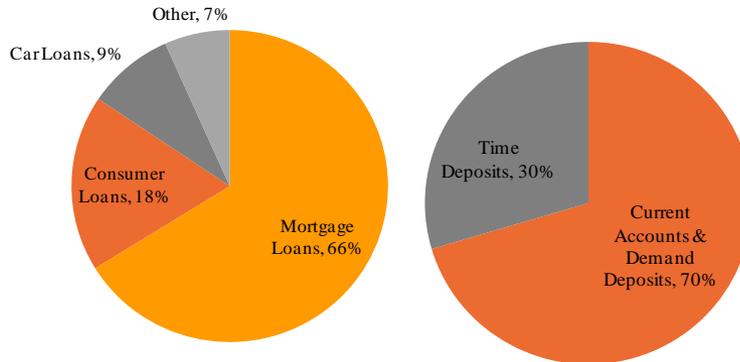


Notes: (1) Converted at exchange rates of GEL/US\$, 1.793 (2005), 1.714 (2006), 1.700 (Q1 2007), 1.670 (Q2 2007), 1.66 (Q3 2007), 1.59 (Q4 2007) and 1.48 (Q1 2008)  
 (2) PB Client Assets include: Balances on OneCard Accounts, Credit Balances on Other Cards, Credit Balances on Regular Current Accounts, Demand & Time Deposits, Brokerage & Asset Management Accounts, Pensions

## WM Products Penetration



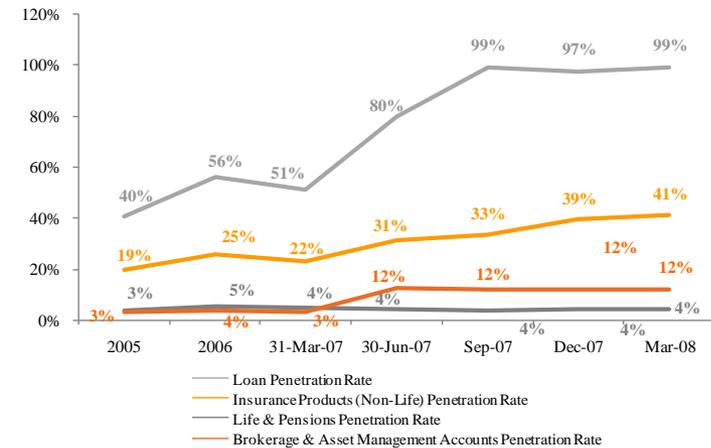
## WM Loans and Deposits (31 March 2008)



Total PB loans: GEL 35 mln

Total PB deposits: GEL 77 mln

## WM Products Penetration Cont'd

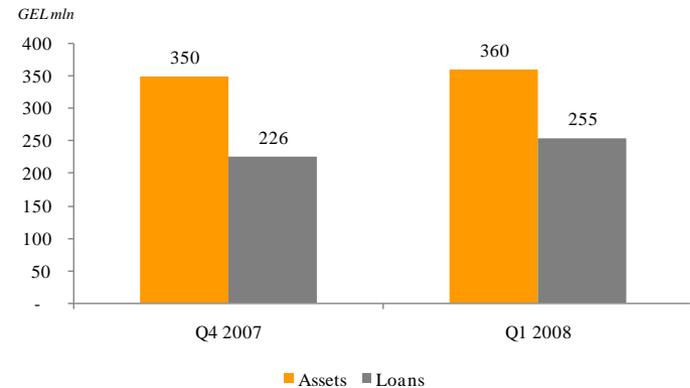


# Ukraine (UBDP)

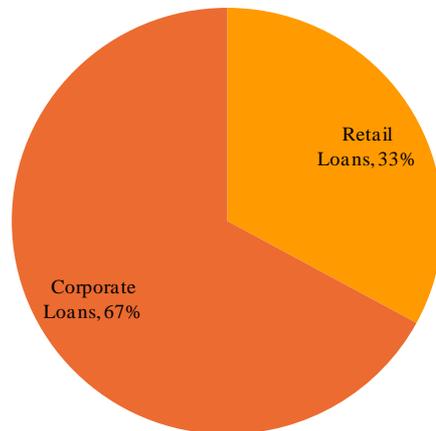
## Integration Highlights

- ☞ Implemented IFRS & management reporting according to Bank of Georgia standard
- ☞ 2007 audit successfully completed
- ☞ New appointments include: CFO, Head of Retail Banking, Director of Corporate Business Development
- ☞ Optimization of credit risk processes, HR, Treasury, IT and branch management underway
- ☞ Refocusing RB department, preparation for the launch of micro-lending
- ☞ Exploring standalone wholesale funding opportunities

## Assets & Loan Book

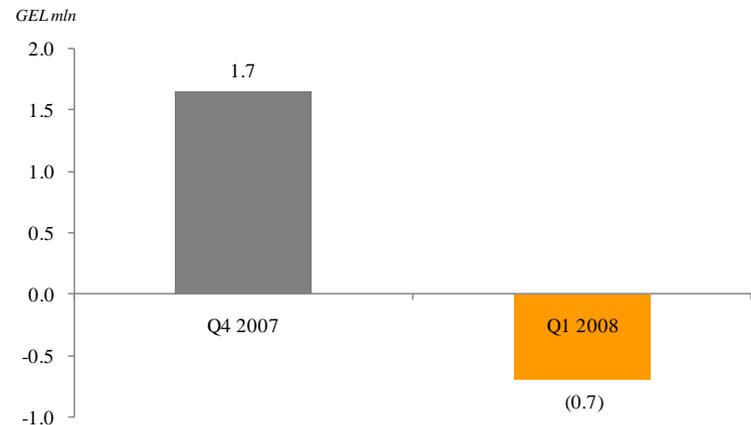


## Loan Portfolio Breakdown, Q1 2008



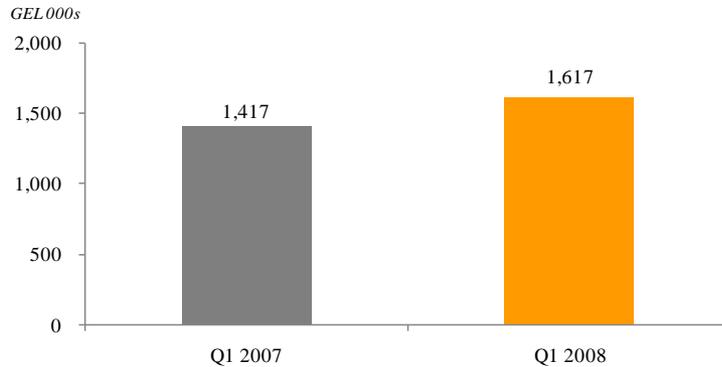
**Gross Loans: GEL 255 million**

## Net Income

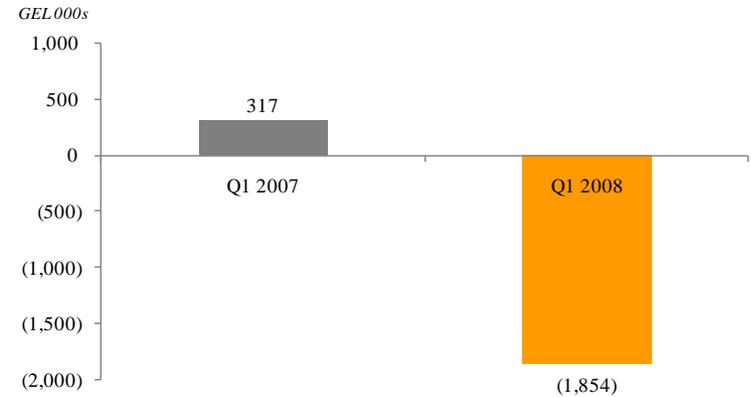


# Galt & Taggart Securities

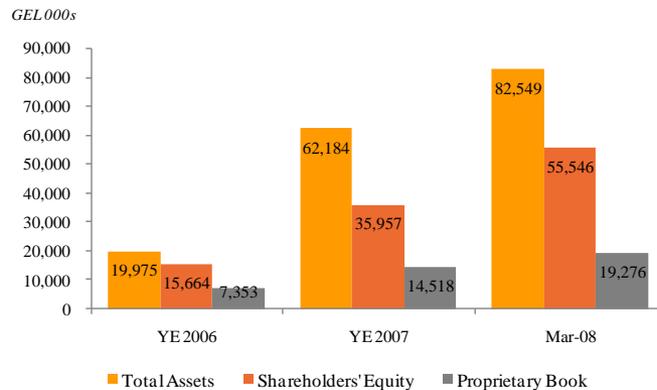
## Revenue



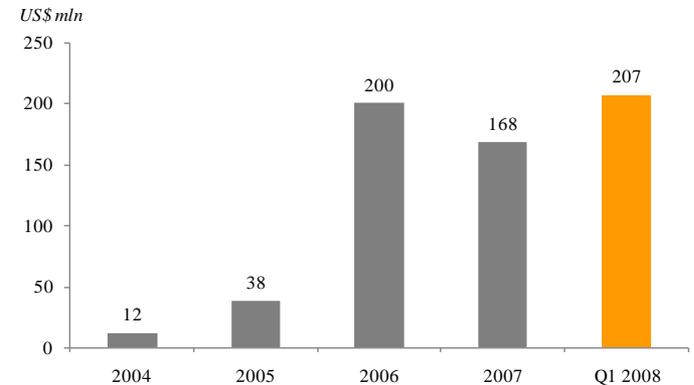
## Net Income (Loss)



## Total Assets\*, Proprietary Book & Equity



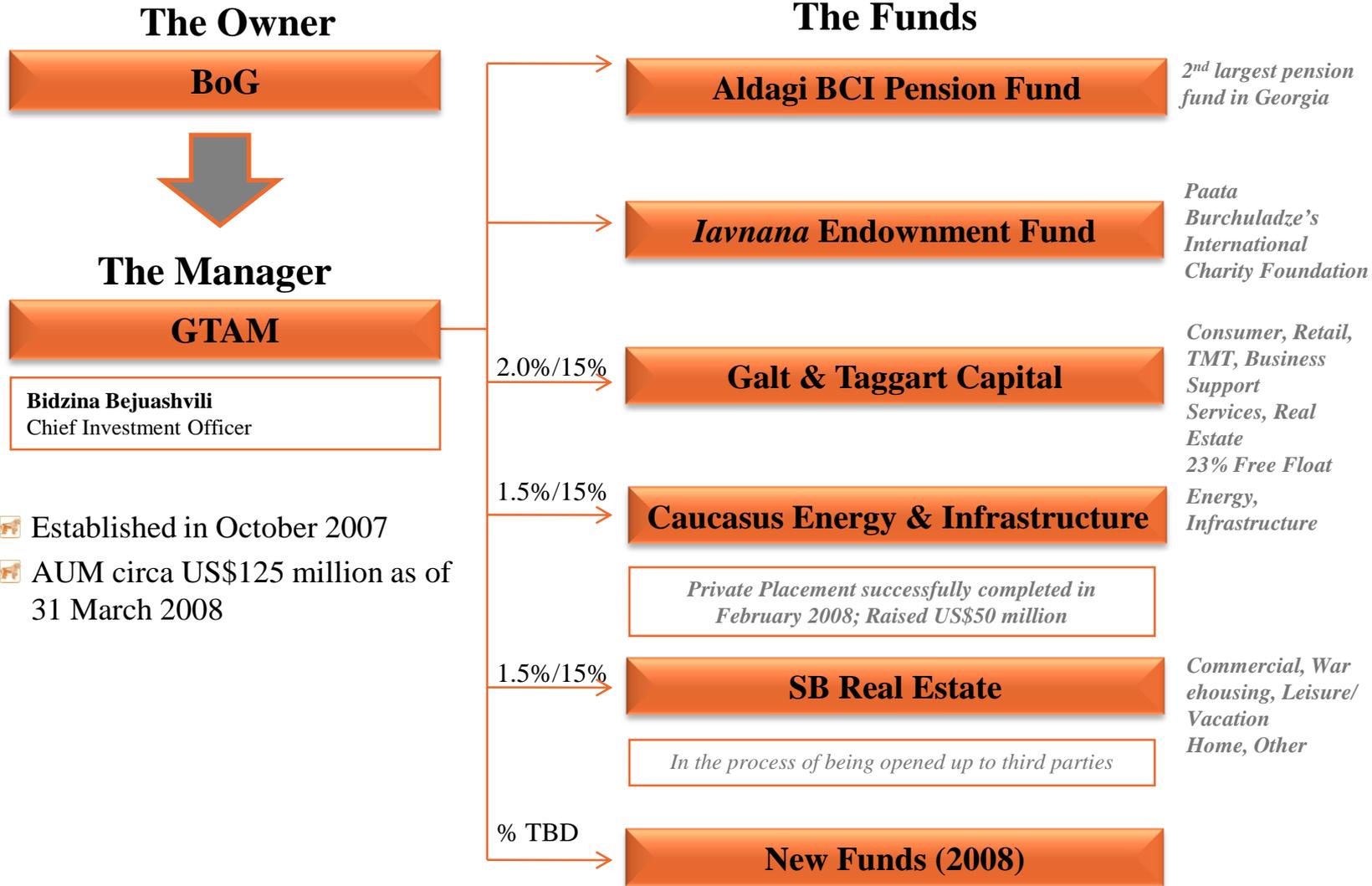
## Client Assets Under Custody



\* Galt & Taggart Securities' Total Assets include cash generated from client deposits of GEL 17.5 million and GEL 17.5 million equity investments held on behalf of Bank of Georgia

Note: (1) Converted at exchange rates of GEL/US\$ 1.825 (2004), 1.793 (2005), 1.714 (2006), 1.59 (2007), 1.48 (Q1 2008)

# Asset Management Review



# Asset Management Review Cont'd

## Galt & Taggart Capital (GTC)

- MCAP: circa US\$45 million as at 31 March 2008
- GSE: GTC
- Investments include consumer, retail, TMT, business support services & real estate sectors

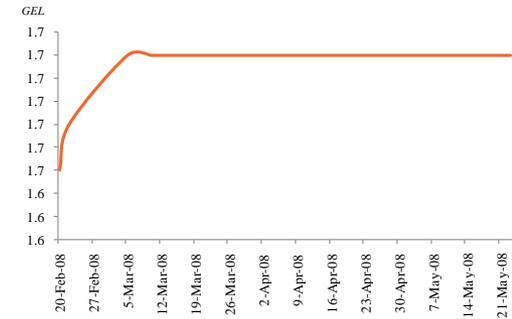
### Selected Portfolio Companies



## Caucasus Energy & Infrastructure (CEI)

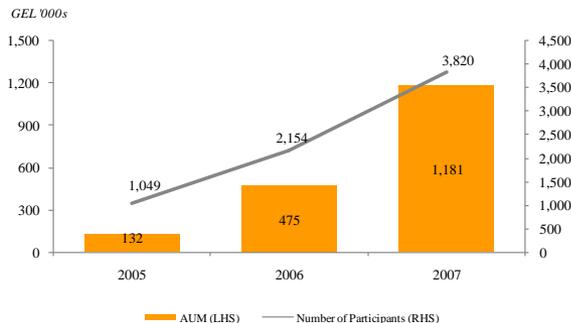
- MCAP: circa US\$58 million as at 31 March 2008
- GSE: NRGY
- Successfully completed its first private placement in February 2008, raising US\$50 million
- Aims at investing in small and medium-sized hydro plants in Georgia, as well as infrastructure projects in the region

### CEI Share Price Performance



## Aldagi BCI Pension Fund

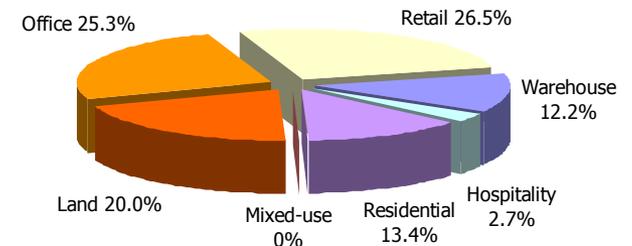
- NAV: circa GEL 1.3 million as at 31 March 2008
- Second largest Pension Fund in Georgia



## SB Real Estate (SBRE)

- NAV: circa US\$27 million as at 31 March 2008
- 16 properties in the portfolio

### Property Breakdown as % of NAV

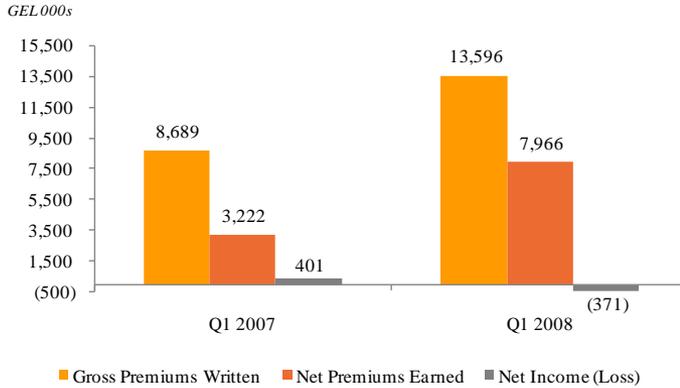


# Aldagi BCI (Insurance)

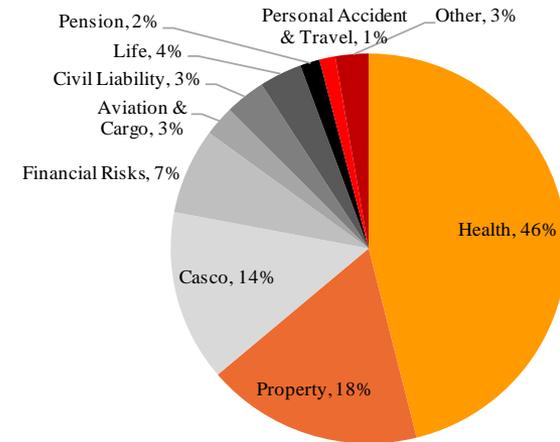
## Size of the Georgian Insurance Market

GEL mln	YE'07	YE'06	YE'05
GPW	119.3	70	55
Claims Reimbursed	39.5	23	18

## Aldagi BCI GPW, Net Premiums Earned & Net Income (Loss)

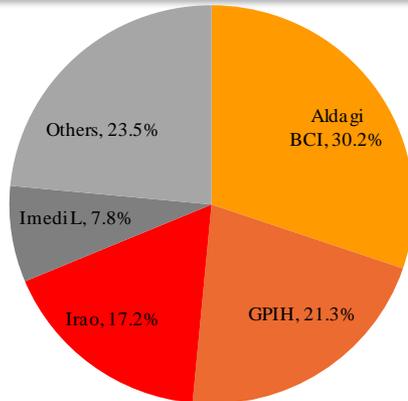


## Georgian Insurance Market Product Breakdown (Q1 2008)



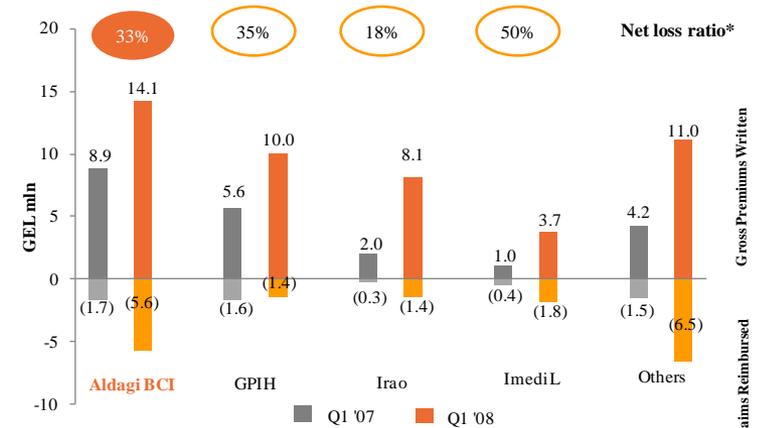
Source: State Insurance Supervision Service of Georgia

## Aldagi BCI Market Share By GPW (31 March 2008)



Source: State Insurance Supervision Service of Georgia

## Gross Premiums Earned & Total Claims Reimbursed



\* Net Loss Ratio equals Claims Reimbursed by Companies divided by Total Premiums Written



# Contact

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# *Appendices*

# *Bank of Georgia Overview*

# Bank of Georgia Development Milestones

Development Period	2000-3Q 2004	4Q 2004	2005	2006	2007	Growth Since YE 2003
<b>New Management Team Takes Over</b>						
<p>The bank has tripled in size under new management</p> <p>Unique management team composition for a CIS bank</p> <p>Strong acquisition and integration track record</p> <p>Diversified revenue stream</p> <p>An established borrower in international markets</p> <p>Unprecedented level of institutional interest. Institutional ownership c. 87% + unique for a CIS bank</p>	<p><b>IFRS Consolidated <sup>(1)</sup></b></p> <p><b>FY 2003</b></p> <p><b>Total Assets (e-o-p)</b> US\$111 mln</p> <p><b>Loan Book (e-o-p)</b> US\$73 mln</p> <p><b>Client Deposits (e-o-p)</b> US\$57 mln</p> <p><b>Equity (e-o-p)</b> US\$26 mln</p> <p><b>MCAP (e-o-p)</b> US\$20 mln</p> <p><b>Number of Western-Trained Professionals</b> 0</p> <p><b>Key Acquisitions</b></p> <p><b>Key Business Lines</b></p> <p>Retail Banking</p> <p>Corporate Banking</p> <p>Trade Finance</p> <p>Foreign Exchange</p> <p>Investment Banking</p> <p><b>Key Lenders</b></p> <p>BSTDB</p> <p>DEG</p> <p>AKA Bank</p> <p>EBRD</p> <p>IFC</p>	<p><b>FY 2004</b></p> <p>US\$199 mln</p> <p>US\$104 mln</p> <p>US\$138 mln</p> <p>US\$30 mln</p> <p>US\$35 mln</p> <p>6</p> <p>TUB</p> <p>BCI</p> <p>Georgian Card</p> <p>Retail Banking</p> <p>Corporate Banking</p> <p>Trade Finance</p> <p>Foreign Exchange</p> <p>Investment Banking</p> <p>Insurance</p> <p>Leasing</p> <p>Pensions</p> <p>KfW US\$3.5 mln guarantee facility</p> <p>EBRD US\$10 mln facility</p> <p>GEL 2.0 mln bond placement</p> <p>Commerzbank US\$ 3.8 mln</p> <p>37%</p>	<p><b>FY 2005</b></p> <p>US\$257 mln</p> <p>US\$175 mln</p> <p>US\$151 mln</p> <p>US\$51 mln</p> <p>US\$69 mln</p> <p>15</p> <p>Galt &amp; Taggart</p> <p>GLC</p> <p>Europace</p> <p>Retail Banking</p> <p>Corporate Banking</p> <p>Trade Finance</p> <p>Foreign Exchange</p> <p>Investment Banking</p> <p>Leasing</p> <p>Pensions</p> <p>Merrill Lynch US\$25 mln senior unsecured term loan</p> <p>Commerzbank US\$ 3.8 mln</p> <p>50%</p>	<p><b>FY 2006</b></p> <p>US\$725 mln</p> <p>US\$433 mln</p> <p>US\$338 mln</p> <p>US\$216 mln</p> <p>US\$567mln</p> <p>20+</p> <p>IntellectBank, acquisition of assets &amp; liabilities</p> <p>Merchant banking acquisitions</p> <p>Galt &amp; Taggart Ukraine established</p> <p>9.9% of UBDP acquired</p> <p>Aldagi</p> <p>Retail Banking</p> <p>Corporate Banking</p> <p>Trade Finance</p> <p>Foreign Exchange</p> <p>Investment Banking</p> <p>Insurance</p> <p>Leasing</p> <p>Pensions</p> <p>Private Banking</p> <p>POS Consumer Loans</p> <p>Merchant Banking</p> <p>World Business Capital US\$10 mln loan with OPIC guarantee</p> <p>Citigroup US\$25 mln unsecured term loan</p> <p>Thames River Capital US\$5 mln subordinated loan</p> <p>Merrill Lynch US\$25 mln senior unsecured term loan</p> <p>HBK Investments US\$25 mln convertible subordinated loan</p> <p>85%</p>	<p><b>FY 2007</b></p> <p>US\$1,873 mln</p> <p>US1,081 mln</p> <p>US\$856 mln</p> <p>US\$352 mln</p> <p>US\$801 mln</p> <p>25+</p> <p>Merchant Banking Acquisitions</p> <p>98.8% of UBDP acquired</p> <p>Retail Banking</p> <p>Corporate Banking</p> <p>Trade Finance</p> <p>Foreign Exchange</p> <p>Investment Banking</p> <p>Insurance</p> <p>Leasing</p> <p>Pensions</p> <p>Private Banking</p> <p>POS Consumer Loans</p> <p>Merchant Banking</p> <p>Asset Management</p> <p>FMO US\$12.5 mln loan*</p> <p>US\$200 mln debut Regulation S 5-year unsecured Eurobond</p> <p>US\$123.5 mln syndicated loan arranged by Citi and ADB</p> <p>Merrill Lynch US\$35 mln subordinated loan</p> <p>HBK Investments US\$15 mln subordinated debt</p> <p>Merrill Lynch US\$65 mln loan facility</p> <p>85%</p>	<p>1588%</p> <p>1381%</p> <p>1401%</p> <p>1253%</p> <p>3909%</p>

Notes: (1) Converted at exchange rates of GEL/US\$ of 2.075 (2003), 1.825 (2004), 1.793 (2005), 1.714 (2006) and 1.592 (2007)  
 (2) Growth rates calculated using amounts in US\$  
 \* Signed in December 2006, disbursed in January 2007



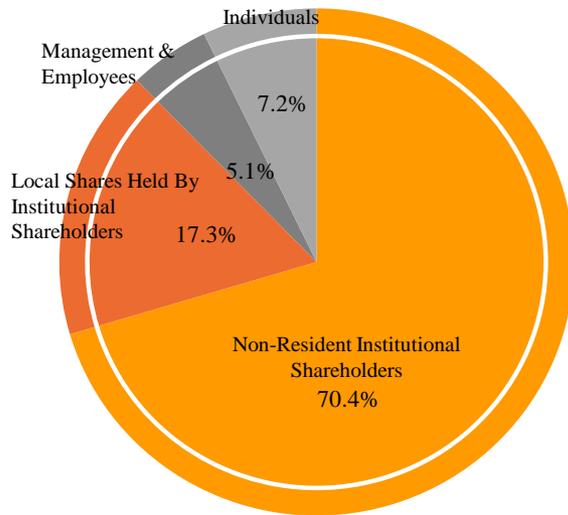
# *Bank of Georgia Price Performance*

# Ownership Structure & Share Price Performance

The second highest free float (95%) of all emerging EMEA banks

Broadly owned by over 100 institutional accounts

## Ownership structure, March 2008

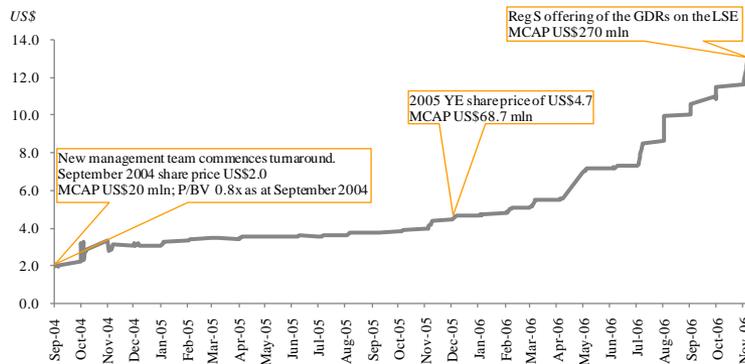


31-Mar-08	Total	%
GDR Holders*	21,996,458	70.4%
Local Shares Held by Institutional Shareholders	5,404,721	17.3%
Management & Employees**	1,591,688	5.1%
Local Shares Held by Domestic and Foreign Retail Shareholders	2,251,225	7.2%
<b>Total Shares Outstanding</b>	<b>31,244,092</b>	<b>100.0%</b>
Adjusted for Galt & Taggart Securities' Proprietary Book <sup>(1)</sup>	(321,041)	
<b>Adjusted Total Shares Outstanding</b>	<b>30,923,051</b>	

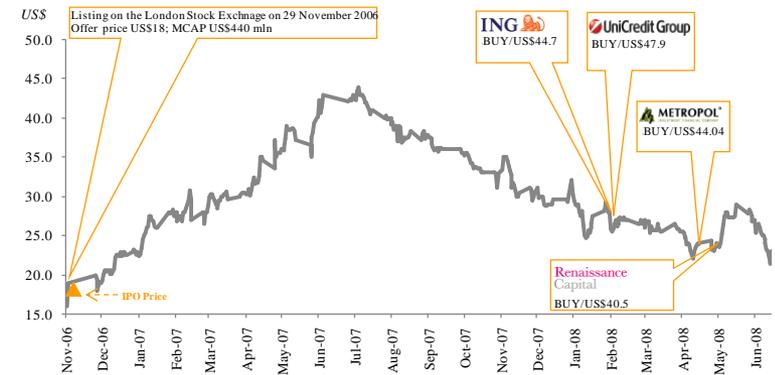
\*through BNY Nominees Limited  
 \*\* includes GDRs held by Employee Benefit Trust  
<sup>(1)</sup> treated as treasury shares as per IFRS

Note: certain shareholder data is based on management's estimates

## Bank of Georgia Share Price Performance

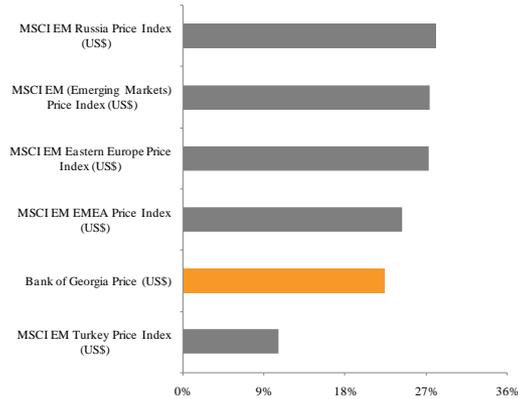


## Bank of Georgia GDR Price Performance

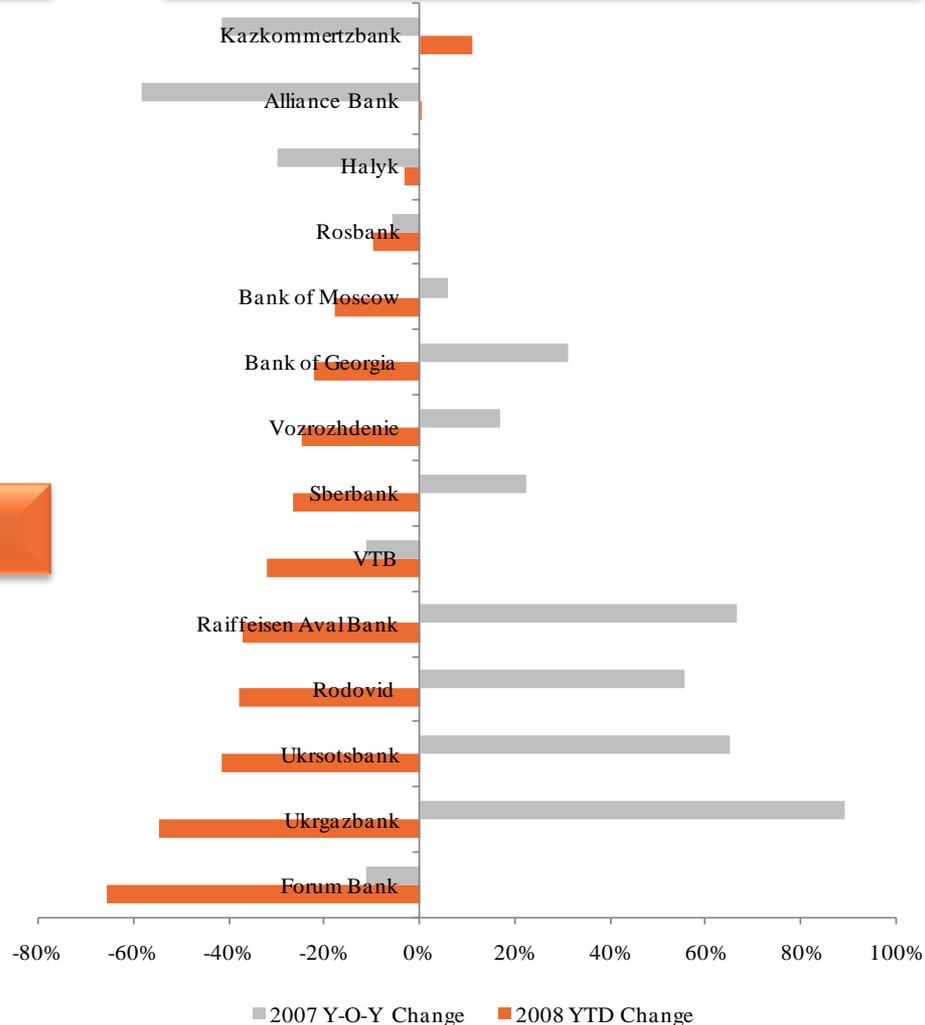


# 2006-YTD 2008 Price Performance

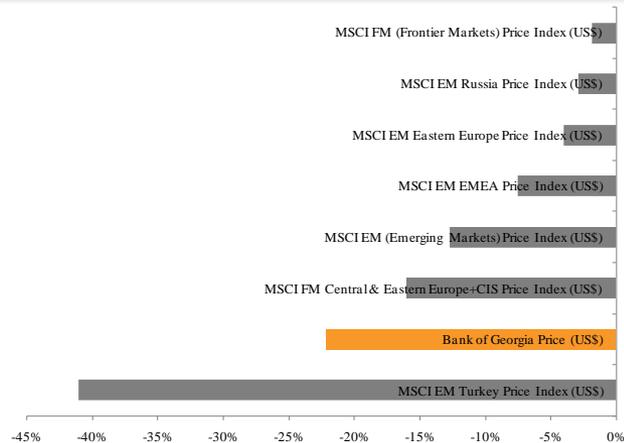
**Bank of Georgia Price vs. Selected MSCI Indices, November 2006 –YTD 2008**



**Bank of Georgia Price vs. CIS Banks 2007 & June 2008 Price Performance**



**Bank of Georgia Price vs. Selected MSCI Indices, YTD 2008**



Source: MSCI Barra



Source: Bloomberg

# Analyst Coverage

## Renaissance Capital

Analyst	Email	Recommendation	Date of Recommendation
David Nangle	Dnangle@rencap.com	BUY/US\$40.5	14 May 2008



Analyst	Email	Recommendation	Date of Recommendation
Mark Rubinstein	rubinstein@metropol.ru	BUY/US\$44.04	1 April 2008



Analyst	Email	Recommendation	Date of Recommendation
Andrzej Nowaczek	andrzej.nowaczek@uk.ing.com	BUY/US\$44.7	8 February 2008



Analyst	Email	Recommendation	Date of Recommendation
Iza Rokicka	rokickai@ca-ib.com.pl	BUY/US\$47.9	4 February 2008

# *Georgian Banking Sector – Key Trends 2006-YTD 2008*

# Georgian Banking Sector – Key Trends 2006/YTD 2008

GEL/US\$

Period End

YE 2006= 1.71

YE 2007=1.59

Q1 2008=1.48

GEL mln	Growth							Market Share (YE 2006)		Market Share (YE 2007)		Market Share (Q1 2008)	
	YE 2006	YE 2007	Q1 '08	2008 YTD	As % of GDP*	2006 Y-O-Y	2007 Y-O-Y	Top 5 Banks	Bank of Georgia	Top 5 Banks	Bank of Georgia	Top 5 Banks	Bank of Georgia
	Total Assets	4,217	7,208	8,085	12.2%	42.6%	65.9%	70.9%	80.1%	27.9%	80.0%	35.2%	79.6%
Gross Loans	2,676	4,589	5,012	9.2%	27.1%	55.0%	71.5%	83.2%	26.5%	81.7%	32.7%	82.1%	32.2%
Deposits	2,327	3,511	3,873	10.3%	20.7%	51.4%	50.9%	82.2%	24.5%	81.4%	31.4%	79.4%	28.3%
Equity	889	1,471	1,753	19.2%	8.7%	87.4%	65.5%	78.3%	39.9%	73.3%	33.8%	73.0%	38.1%
Net Income	93	109	42	NMF	0.6%	50.5%	17.5%	80.8%	23.6%	NMF	41.9%	~100%	47.1%

- ☐ 22 banks as at 29 February 2008
  - ☐ Minimum capital requirement GEL 12 mln and growing
  - ☐ Since 1 January 2007 local presence established by HSBC, Halyk, Privat, JSC Kor Bank
- ☐ No state ownership since 1995
- ☐ Very open to foreign ownership
  - ☐ All leading banks have meaningful foreign capital participation
- ☐ Significant IT/infrastructure and marketing spend drives increasing retail banking penetration
- ☐ Increasing adoption of the universal banking business model, following the lead of **Bank of Georgia**
- ☐ Increasing availability of non-deposit funding key to sustained growth
  - ☐ Four top banks are rated
  - ☐ Domestic bonds, Eurobonds, CLNs, unsecured term loans, syndicated loans, subordinated debt
  - ☐ A small structural funding gap exists
    - ☐ Real estate boom competes for consumer savings
    - ☐ The economy and consumers significantly underlent (all-in consumer debt per capita US\$155 at 31 January 2008)

Note: All data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)

\* YE 2007 Total Assets/2007 GDP, YE 2007 Gross Loans/2007 GDP, YE 2007 Deposits/2007 GDP, YE 2007 Equity/2007 GDP, 2007 Net Income/2007 GDP

# Peer Group's Market Share In Total Assets

Peer Group's market shares in Total Assets, Q1 2008

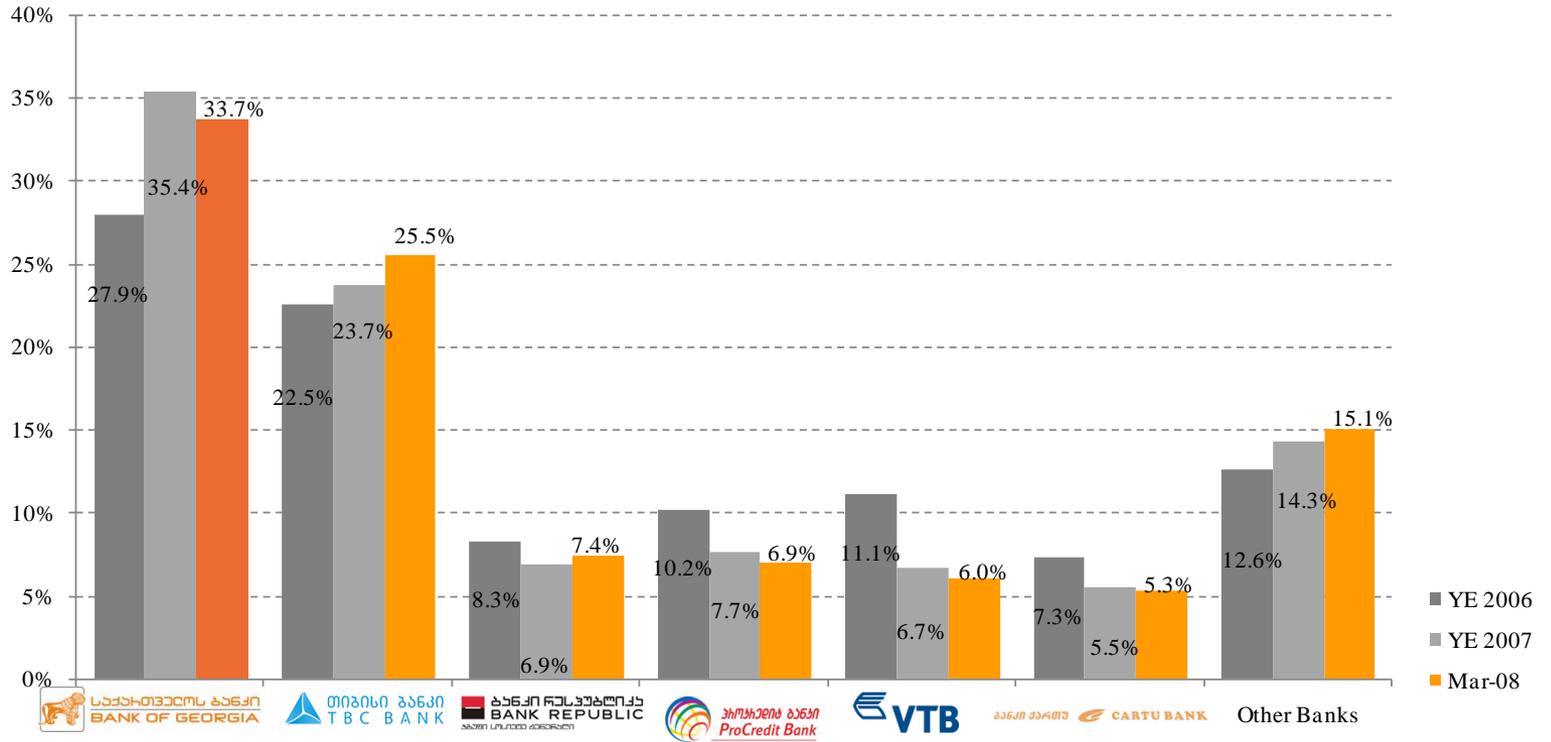
GEL/US\$

Period End

YE 2006 = 1.71

YE 2007=1.59

Q1 2008=1.48



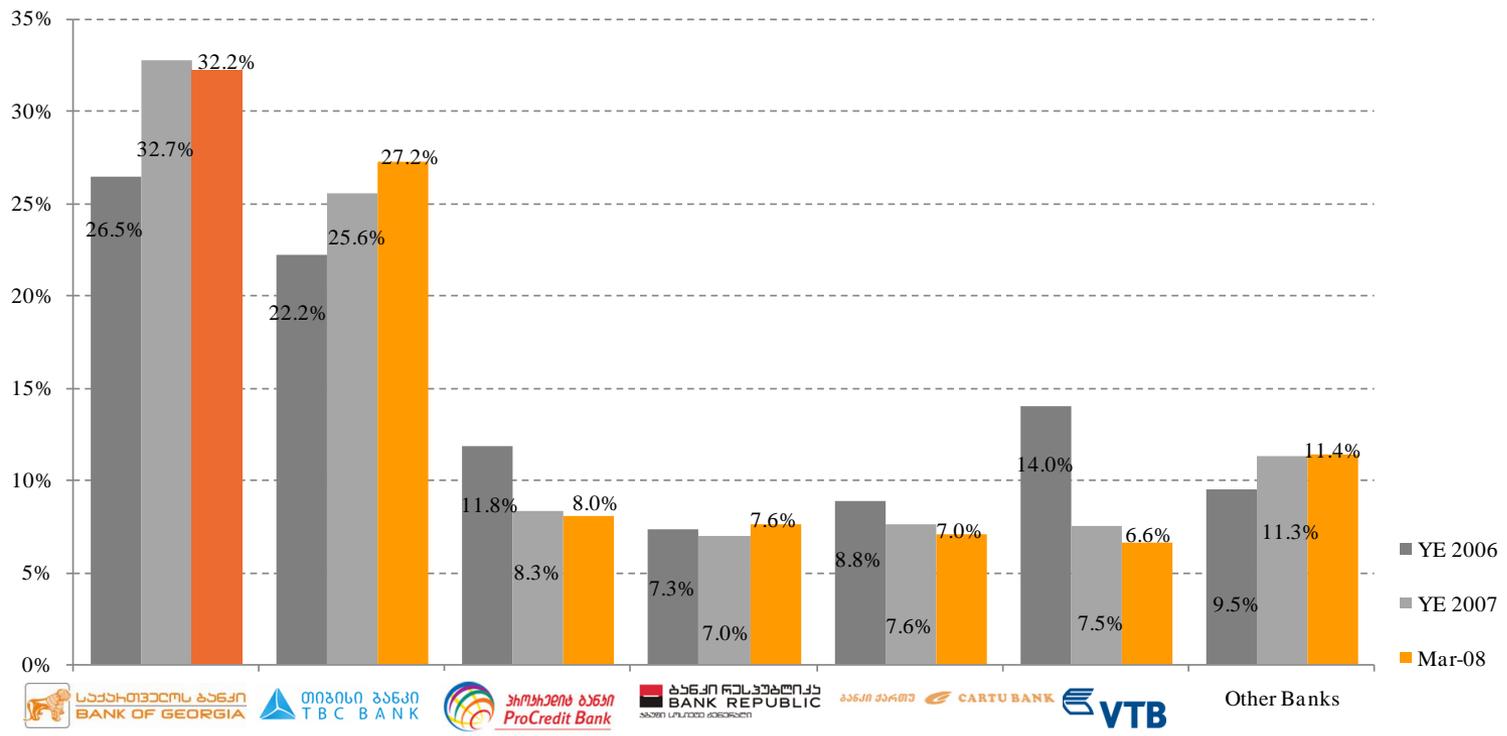
Notes:

- (1) All data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)
- (2) Change in peer group total assets calculations based on GEL values

# Peer Group's Market Share In Gross Loans

Peer Group's market shares in Gross Loans, Q1 2008

GEL/US\$  
 Period End  
 YE 2006 = 1.71  
 YE 2007=1.59  
 Q1 2008=1.48



Notes:  
 (1) All data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)  
 (2) Change in peer group total assets calculations based on GEL values

# Peer Group's Market Share In Deposits

GEL/US\$

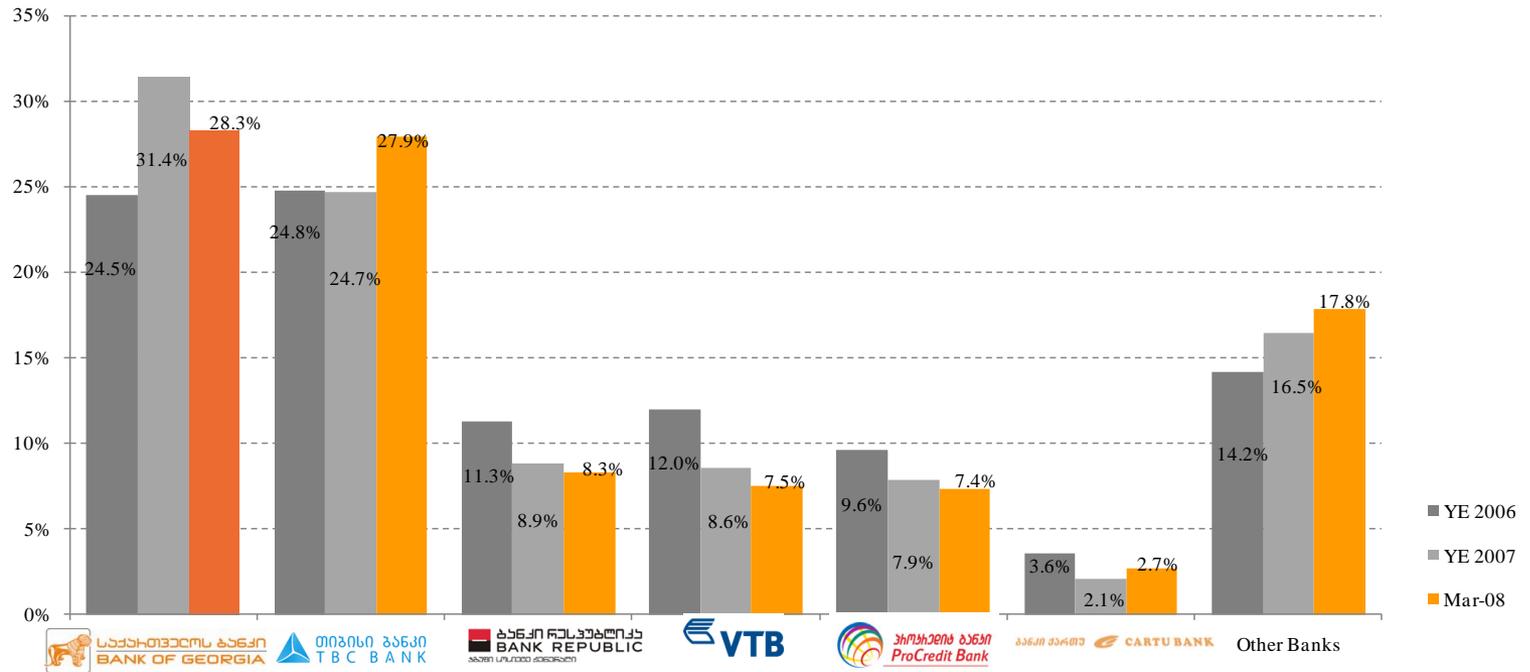
Period End

YE 2006 = 1.71

YE 2007=1.59

Q1 2008=1.48

## Peer Group's market shares in Deposits, Q1 2008



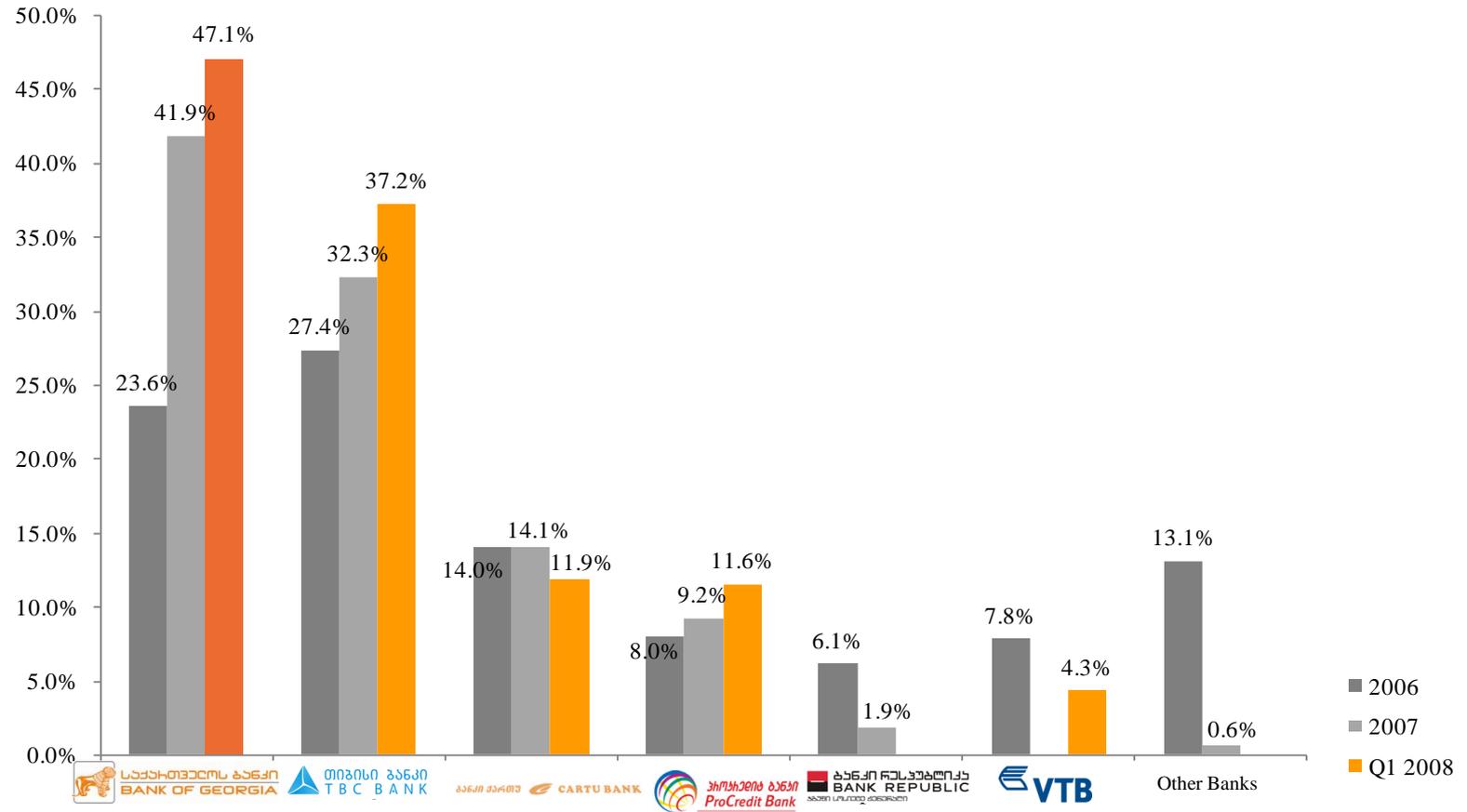
**Notes:**

(1) All data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)

(2) Change in peer group total assets calculations based on GEL values

# Peer Group Market Share In Net Income

Peer Group's market shares in Net Income, Q1 2008



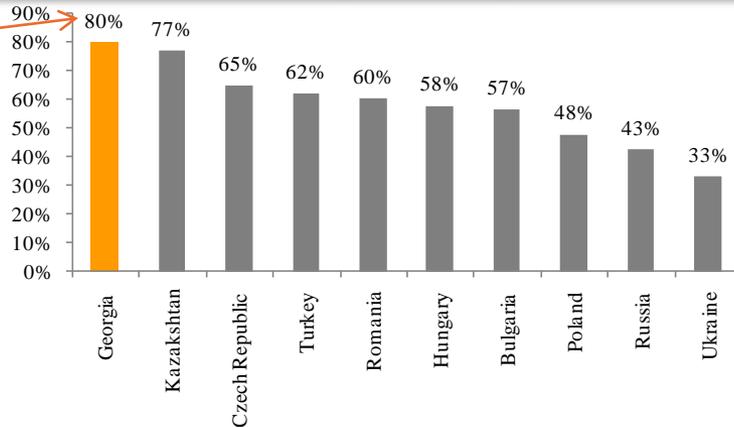
Notes:

- (1) 2007 market share for VTB, Q1 2008 market share for Bank Republic and Q1 2008 market share for other banks not included due to net loss for the periods
- (2) All data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)
- (3) Change in peer group - total assets calculations based on GEL values

# Market Potential And High Degree Of Concentration

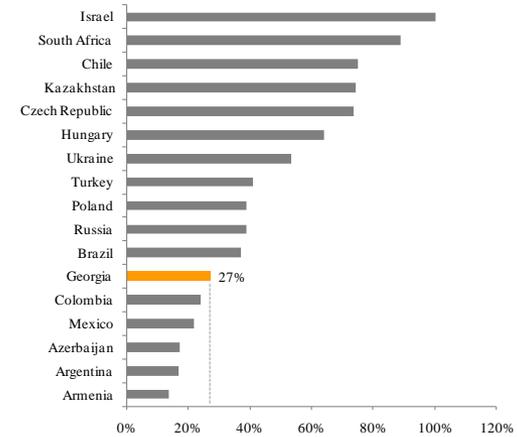
The highest degree of market concentration in CEE benefits large, entrenched domestic players

## Market Shares of Top 5 Banks by Assets (2007)



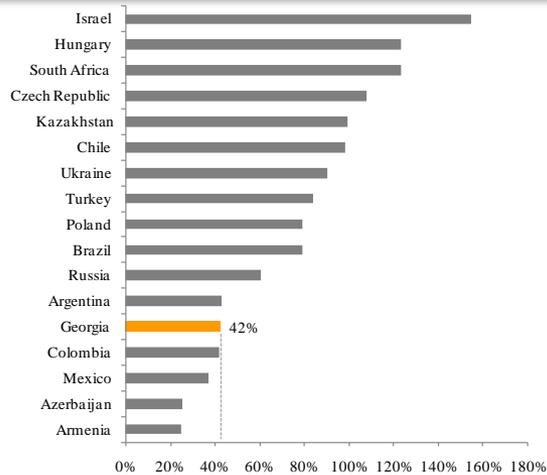
Note: 2006 data for Czech Republic, Hungary and Poland  
Sources: National Bank of Georgia, CA IB

## Gross Loans to GDP (% , 2007E)



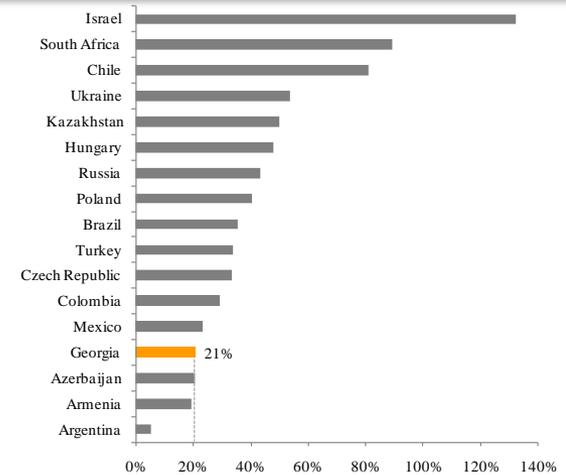
Note: data for South Africa, Chile, Brazil, Argentina, Colombia and Mexico is as of YE 2006  
Source: National Bank of Georgia, National Bank of Ukraine, data from Deutsche Bank

## Banking Assets to GDP (% , 2007E)



Note: data for South Africa, Chile, Turkey, Brazil, Argentina, Colombia and Mexico is as of YE 2006  
Source: National Bank of Georgia, National Bank of Ukraine, Deutsche Bank

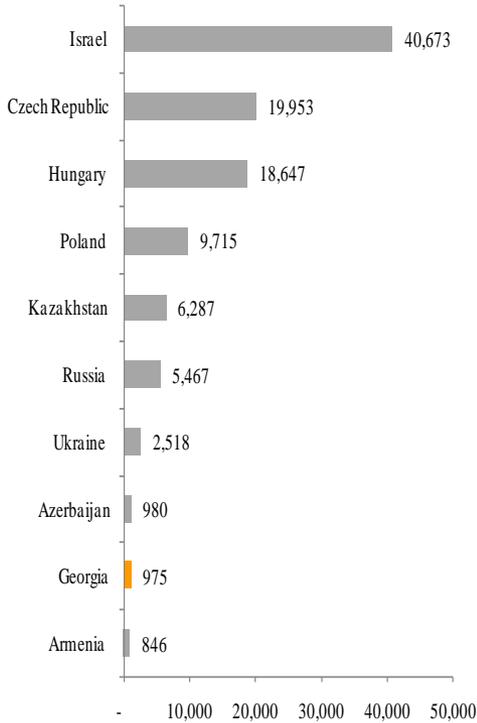
## Deposits to GDP (% , 2007E)



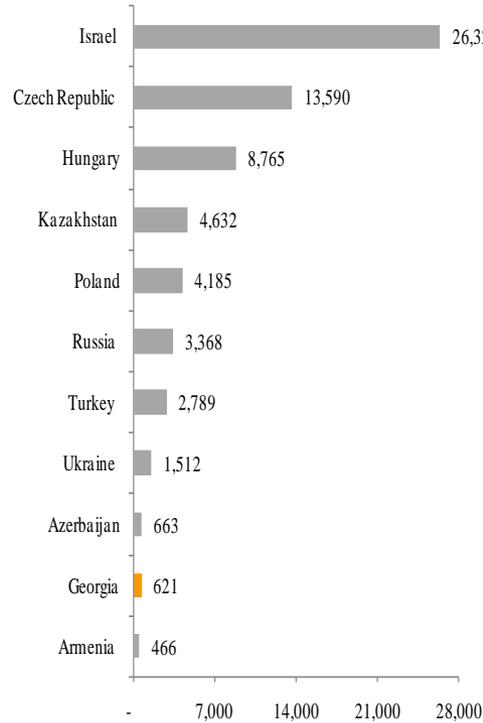
Note: data for South Africa, Chile, Brazil, Argentina, Colombia and Mexico is as of YE 2006  
Source: National Bank of Georgia, National Bank of Ukraine, Deutsche Bank

# The Georgian Banking Sector In The Regional Context

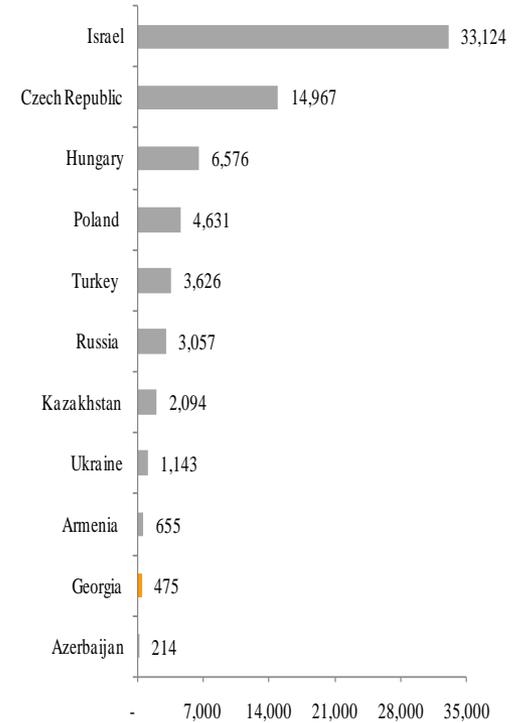
**Banking Assets Per Capita  
YE 2007E (US\$)**



**Gross Loans Per Capita  
YE 2007E (US\$)**



**Deposits Per Capita  
YE 2007E (US\$)**



Source: Galt & Taggart Securities

# *The Georgian Economy*

# The Georgia Economy - Highlights

	2003	2004	2005	2006	2007
<b>Economic Activity</b>					
Nominal GDP (US\$ mln)	3,991	5,125	6,411	7,762	10,175
Nominal GDP (GEL mln)	8,564	9,824	11,621	13,790	16,999
Real GDP Growth (y-o-y; %)	11.1	5.9	9.6	9.4	12.4
GDP per Capita (US\$)	919	1,188	1,484	1,764	2,315
Population (e-o-p; mln)	4.6	4.5	4.5	4.4	4.4
Unemployment (%)	11.5	12.6	13.8	12.5	11.8
<b>Inflation</b>					
CPI (year-end; %)	7.0	7.5	6.2	8.8	11.0
CPI (average; %)	4.8	5.7	8.2	9.2	9.2
<b>External Balances</b>					
Total Exports (FOB; US\$ mln)	1,287	1,644	2,183	2,568	3,240
Total Imports (CIF; US\$ mln)	1,866	2,493	3,319	4,413	5,895
<b>Trade Balance (US\$ mln)</b>	<b>(636)</b>	<b>(916)</b>	<b>(1,214)</b>	<b>(2,019)</b>	<b>(2,655)</b>
<b>Current Account Balance (US\$ mln)</b>	<b>(376)</b>	<b>(344)</b>	<b>(701)</b>	<b>(1,154)</b>	<b>(1,917)</b>
<i>As % of GDP</i>	<i>9.4</i>	<i>6.7</i>	<i>11.0</i>	<i>14.8</i>	<i>18.8</i>
<b>Capital Account Balance (US\$ mln)</b>	<b>371</b>	<b>521</b>	<b>792</b>	<b>1,534</b>	<b>2,279</b>
Net FDI (US\$ mln)	331	483	542	1,076	1,563
<i>As % of GDP</i>	<i>8.3</i>	<i>9.3</i>	<i>8.5</i>	<i>13.8</i>	<i>15.4</i>
Gross FX Reserves (including Gold and SDRs; US\$ mln)	192	384	475	931	1,535
Import Cover (Gross FX Reserves as Days of Imports)	38	56	52	77	107
<b>Fiscal Balance and Debt Indicators</b>					
Budget Revenues (GEL mln)	1,367	2,267	2,810	3,695	4,973
Budget Expenditures (GEL mln)	1,290	1,836	2,428	3,162	4,343
<b>Budget Balance (GEL mln)</b>	<b>(82.2)</b>	<b>78</b>	<b>221</b>	<b>161</b>	<b>577</b>
<i>as % of GDP</i>	<i>(1.0)</i>	<i>0.8</i>	<i>1.9</i>	<i>1.2</i>	<i>3.4</i>
Public Debt (US\$ mln)	2,315	2,456	2,358	2,343	2,477
<i>Public Debt as % of GDP</i>	<i>56.1</i>	<i>45.5</i>	<i>36.4</i>	<i>29.2</i>	<i>23.3</i>
<i>Revenues as % of GDP</i>	<i>16.0</i>	<i>23.1</i>	<i>24.2</i>	<i>26.8</i>	<i>29.3</i>
<b>Exchange Rate</b>					
GEL/US\$ (e-o-p)	2.08	1.83	1.79	1.70	1.59
GEL/US\$ (period average)	2.15	1.92	1.81	1.71	1.67

Source: State Statistics Department, Ministry of Economic Development of Georgia

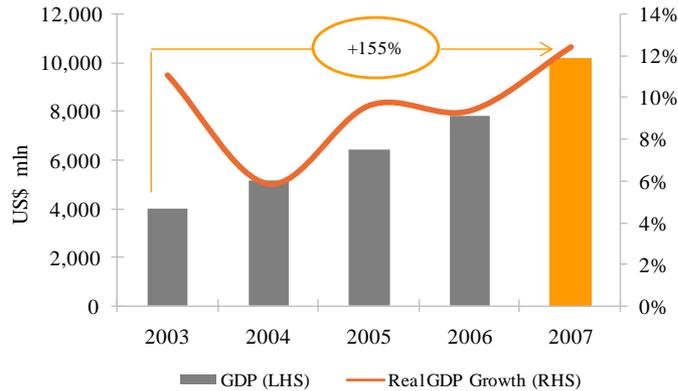
# The Georgian Economy – Key Numbers

0%	Import tariff on almost all goods
0	Score in difficulty of the hiring index in the 2008 Survey of Doing Business
0	Score in difficulty of the firing index in the 2008 Survey of Doing Business
0.71	Energy consumption per unit of GDP (TOE/US\$) estimated for 2006 - one of the lowest in the region
#1	Reformer in the world in 2006 (according to World Bank)
1.1	Million visitors estimated for 2007, compared to 983,114 in 2006, 560,021 in 2005, 368,312 in 2004 and 313,442 in 2003
3	Number of IPOs on the GSE in 2006-2008 with two or three more in the pipeline
4.5	Million people, plus approximately another 1 mln living and working abroad
7.4%	Net Remittances as % of GDP estimated in 2007, increasing 41% y-o-y
9.2%	Period-average CPI in 2007, same as in 2006, despite the inflationary pressures
10%	Stock market capitalisation as % of GDP, but only 2.4% net of Bank of Georgia
11%	Key policy interest rate of the National Bank, after three consecutive increased by cumulative 400 bps since November 2007
12.4%	Real GDP growth rate in 2007, accelerating from 9.4% in 2006
15%	Corporate income tax effective 1 January 2008 (reduced from 20%)
15.3%	Net FDI as % of GDP estimated in 2007, accelerating from 13.9% in 2006
18 <sup>th</sup>	Global Rank in the 2008 Ease of Doing Business Survey by World Bank
27.7%	Nominal appreciation of the Lari against US\$ since 1 Jan 2004, compared with the 11.9% appreciation against the Euro
25%	Flat personal income tax – and no payroll/social tax whatsoever – to be reduced to 15% within five years
35 <sup>th</sup>	Global Rank in 2007 in the Heritage Foundation Economic Freedom Index
44%	Banking sector assets as % of GDP at YE 2007
50+	International institutional investors with local brokerage and custody accounts, US\$250 mln+ AUM/C
80%+	Share of top five banks by assets
US\$155	All-in consumer debt per capita at 31 January 2008
US\$195	Average wage in 2007, similar to Russia in 2000 and Kazakhstan in 2001
460%	Increase in budget revenues since 2003
US\$233	Million assets of institutional and private investors under custody at the Bank of Georgia group
650%	Share price appreciation from October 2004 YTD 2008 of the leading blue chip (Bank of Georgia)
US\$2,315	Approximate GDP per capita 2007E (similar to Russia in 2001 and Kazakhstan in 2003); US\$4,176 on a PPP-adjusted basis
7,200	Categories of goods Georgia can export duty- and tariff-free to EU & Turkey under the GSP+ regime

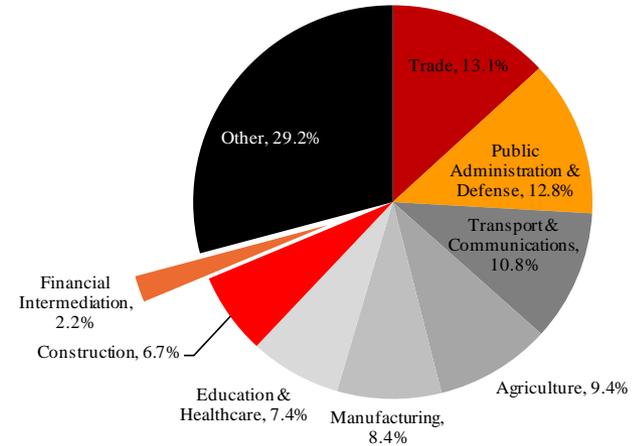
Source: Ministry of Economic Development, State Statistics Department, the National Bank of Georgia

# The Georgian Economy Cont'd

## Gross Domestic Product



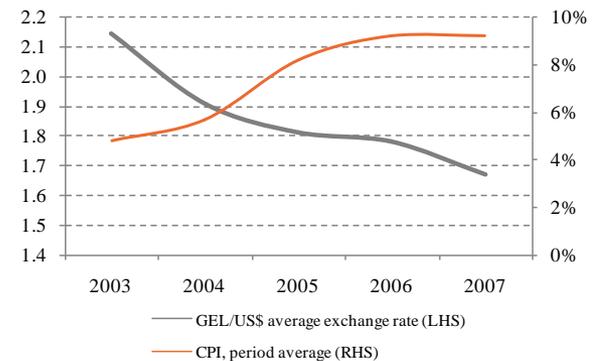
## Components of GDP, 2007



## Composition of GDP, 2007

	Contribution To Growth	Growth, Y-O-Y	Share in GDP
Transport & Communications	31.3%	14.7%	10.8%
Public Administration & Defense	31.2%	85.3%	12.8%
Trade	10.9%	18.6%	13.1%
Manufacturing	7.5%	20.2%	8.4%
Construction	5.9%	20.1%	6.7%
Education & Healthcare	4.9%	14.2%	7.4%
Financial Intermediation	2.4%	25.8%	2.2%
Agriculture	1.6%	3.4%	9.4%

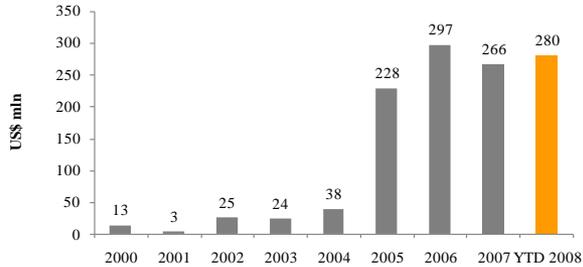
## GEL/US\$ Exchange Rate & CPI



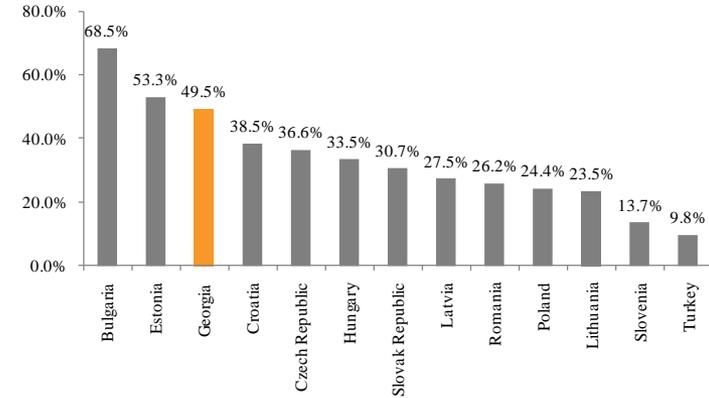
Source: Ministry of Economic Development, State Statistics Department, the National Bank of Georgia

# The Georgian Economy Cont'd

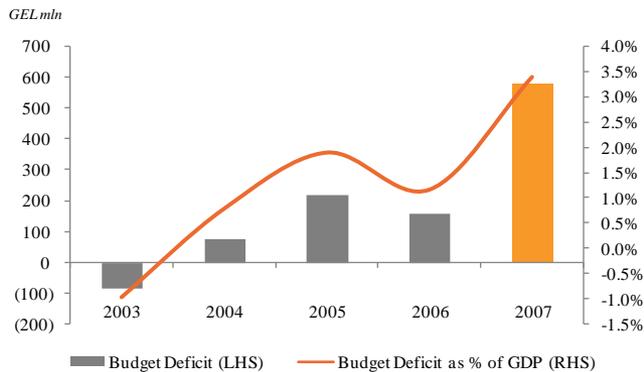
## Privatization, 2000-YTD 2008



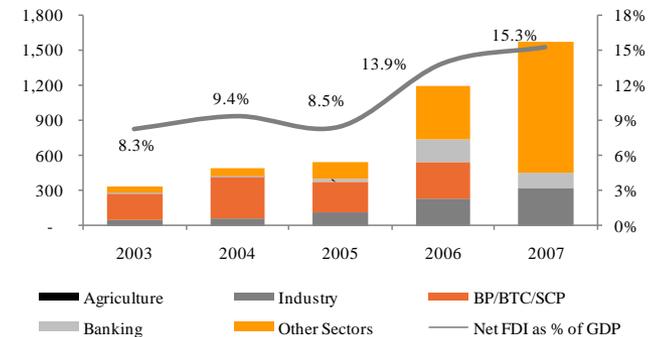
## Georgia FDI vs. CEE Peers 1997-2007 Cumulative FDI As % of GDP



## Budget Balance, 2003-2007



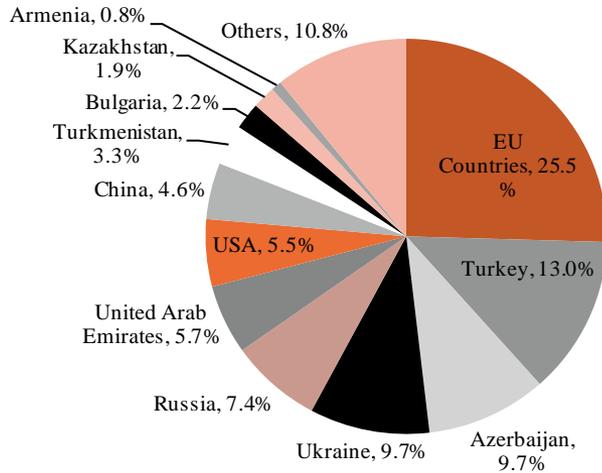
## Net FDI Breakdown, 2003-2007



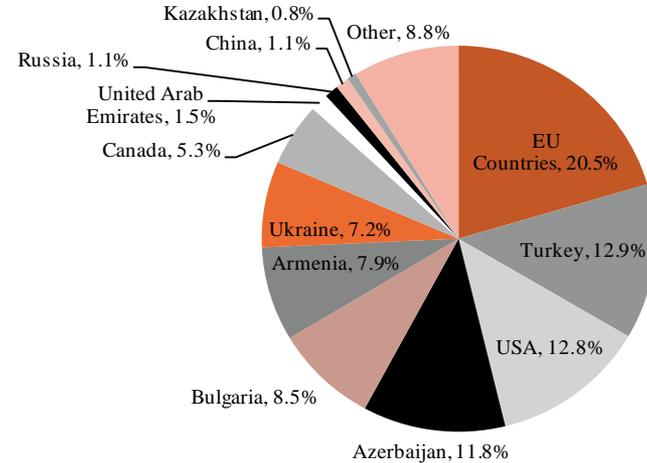
Source: IMF, Georgian National Investment Agency, the National Bank of Georgia, Galt & Taggart Securities' estimates

# Trade Structure

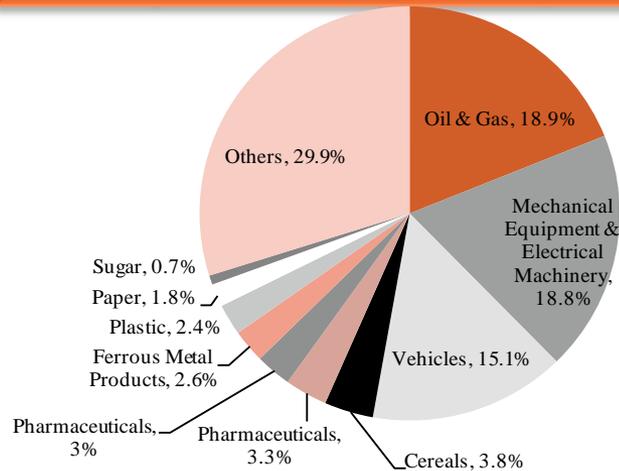
## Import Structure by Country, Q1 2008



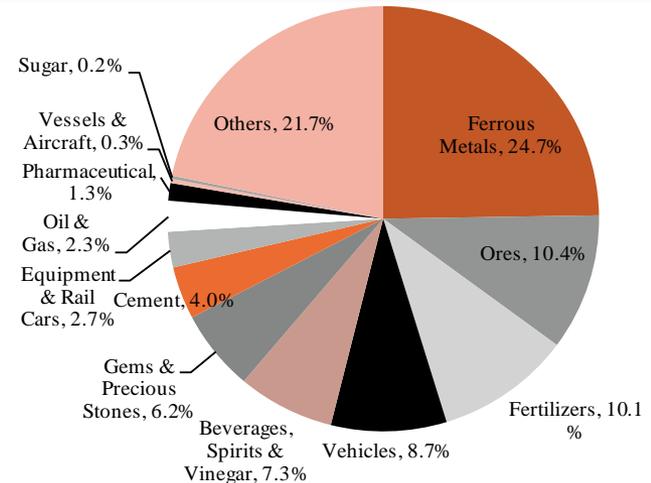
## Export Structure by Country, Q1 2008



## Import Structure by Product, Q1 2008



## Export Structure by Product, Q1 2008



- ✦ WTO member since 2000
- ✦ No quantitative restrictions on trade
- ✦ Simplified customs regime since August 2006, new customs code becomes effective in January 2007
- ✦ One of the two beneficiaries of the EU GSP+ Scheme in the CIS since 2006, granting local companies the right to export 7,200 categories of goods duty-free
- ✦ As of November 2007 Georgia has entered into a free trade agreement with Turkey

# The Global Competitiveness Of The Financial Services Sector Act

In March 2008, Parliament adopted an umbrella act, encompassing 20 different laws and amendments to laws

## Fiscal Policy

- ✦ Mandatory fiscal surplus
- ✦ Two sovereign wealth funds – Future Generations Fund & Stable Development Fund – to be established to absorb the surplus and privatization proceeds
- ✦ Personal income tax to be reduced over the next five years starting from 1 January 2009 from 25% to 15%
- ✦ Income received by resident individuals from non-domestic sources to become exempt from personal tax
- ✦ Taxation of dividend & interest income to be reduced in line with personal income tax & abolished in five years

## International Financial Institutions

- ✦ To be allowed in banking, insurance, reinsurance, securities, fund management & administration, custody, trust & other areas
- ✦ Favorable tax regime & no local prudential regulation or supervision by the FSA (only KYC/AML)
- ✦ Cannot derive more than 10% of their revenues from domestic (Georgian) sources
- ✦ The concept of Experienced Investor Funds to be introduced, with very light-touch regulatory regime
- ✦ Publicly-traded securities to be quoted in any currency (with the settlement taking place in Georgian Lari)

## National Bank of Georgia & Financial Supervising Agency

- ✦ The main objective of NBG is to preserve price stability
- ✦ Inflation targeting to be introduced, with three-year rolling inflation (CPI) target never exceeding 10%
- ✦ The Financial Supervisory Agency (“FSA”) to be created as an autonomous agency under the auspices of the NBG. The FSA will function as a sole regulator and supervisor of the financial services sector, including banking, securities, insurance and other
- ✦ Single-board governance regime for local banks, resembling that of UK and other common law jurisdictions

## Taxation Of Financial Instruments

- ✦ Tax on interest income received from bank deposits & publicly-traded fixed income securities to be abolished on 1 January 2009
- ✦ Tax on capital gains on publicly-traded securities with free float exceeding 25% to be abolished on 1 January 2009
- ✦ Tax on dividend income from publicly-traded equities with free float exceeding 25% to be abolished on 1 January 2009

## Free Industrial Zones & Warehouse Regime

- ⊕ The tax and customs codes to be amended to complete the creation of the framework under which the free industrial zones in Poti and elsewhere will be established
- ⊕ Changes to be made to the tax & customs codes, allowing for the operation of “international warehouses” for export & re-export purposes under a favorable low-tax regime

## Anti-Money Laundering

- ⊕ Enhancement of Anti-Money Laundering Regulations

## Stock Exchange Demutualization & Other Changes To Securities Law

- ⊕ The local stock exchange to be demutualised
- ⊕ Remote foreign membership of the stock exchange to be allowed,
  - ⊕ Licensed financial institutions from OECD countries to be able to join without the need to establish a local subsidiary
  - ⊕ No regulation or supervision by the FSA (provided they do not solicit business from local residents)
  - ⊕ Public offering procedures to be simplified
  - ⊕ Operations of registrars to be streamlined

# *Bank of Georgia Q1 2008 Financials*

# Income Statement Data

Period Ended	Q1 2008		Q1 2007		Growth <sup>3</sup>
Consolidated, IFRS Based	US\$ <sup>1</sup>	GEL	US\$ <sup>2</sup>	GEL	Y-O-Y
000s, unless otherwise noted	(Unaudited)		(Unaudited)		
Interest Income	62,724	92,580	25,326	43,054	115.0%
Interest Expense	29,007	42,815	10,005	17,008	151.7%
<b>Net Interest Income</b>	<b>33,716</b>	<b>49,765</b>	<b>15,321</b>	<b>26,046</b>	<b>91.1%</b>
Fee & Commission Income	7,975	11,771	3,776	6,419	83.4%
Fee & Commission Expense	1,080	1,594	290	493	223.6%
<b>Net Fee &amp; Commission Income</b>	<b>6,895</b>	<b>10,177</b>	<b>3,486</b>	<b>5,926</b>	<b>71.7%</b>
Income From Documentary Operations	1,319	1,947	689	1,171	66.2%
Expense On Documentary Operations	339	500	294	500	0.0%
<b>Net Income From Documentary Operations</b>	<b>980</b>	<b>1,447</b>	<b>395</b>	<b>671</b>	<b>115.7%</b>
<b>Net Foreign Currency Related Income</b>	<b>8,961</b>	<b>13,226</b>	<b>2,515</b>	<b>4,276</b>	<b>209.3%</b>
Net Insurance Income	1,109	1,638	1,229	2,089	-21.6%
Brokerage Income	864	1,275	594	1,010	26.2%
Asset Management Income	438	646	-	-	NMF <sup>4</sup>
Realized Net Investment Gains (Losses)	(253)	(373)	42	71	NMF <sup>4</sup>
Other	2,232	3,294	569	967	240.6%
<b>Net Other Non-Interest Income</b>	<b>4,390</b>	<b>6,480</b>	<b>2,434</b>	<b>4,137</b>	<b>56.6%</b>
<b>Net Non-Interest Income</b>	<b>21,226</b>	<b>31,329</b>	<b>8,829</b>	<b>15,010</b>	<b>108.7%</b>
<b>Total Operating Income (Revenue)</b>	<b>54,942</b>	<b>81,094</b>	<b>24,150</b>	<b>41,055</b>	<b>97.5%</b>
Personnel Costs	17,432	25,730	7,586	12,897	99.5%
Selling, General & Administrative Costs	7,659	11,304	2,594	4,409	156.4%
Procurement & Operations Support Expenses	2,103	3,104	1,276	2,170	43.0%
Depreciation & Amortization	2,730	4,029	1,156	1,965	105.1%
Other Operating Expenses	211	312	269	457	-31.8%
<b>Total Recurring Operating Costs</b>	<b>30,134</b>	<b>44,478</b>	<b>12,881</b>	<b>21,897</b>	<b>103.1%</b>
<b>Normalized Net Operating Income</b>	<b>24,808</b>	<b>36,616</b>	<b>11,269</b>	<b>19,158</b>	<b>91.1%</b>
Net Non-Recurring Income (Costs)	5,737	8,468	(22)	(37)	NMF <sup>4</sup>
<b>Profit Before Provisions</b>	<b>30,545</b>	<b>45,085</b>	<b>11,247</b>	<b>19,121</b>	<b>135.8%</b>
Net Provision Expense	5,048	7,451	1,186	2,017	269.5%
<b>Pre-Tax Income</b>	<b>25,497</b>	<b>37,634</b>	<b>10,061</b>	<b>17,104</b>	<b>120.0%</b>
Income Tax Expenses	3,873	5,716	2,024	3,441	66.1%
<b>Net Income</b>	<b>21,624</b>	<b>31,918</b>	<b>8,037</b>	<b>13,663</b>	<b>133.6%</b>
Weighted Average Number of Shares Outstanding (000s)		29,237		25,217	15.9%
Fully Diluted Number of Shares Period End (000s)		31,244		27,230	14.7%
EPS (Basic)	0.74	1.09	0.32	0.54	101.4%
EPS (Fully Diluted)	0.69	1.02	0.30	0.50	103.6%

<sup>1</sup> Converted to U.S. dollars for convenience using a period-end exchange rate of GEL 1.4760 per US\$1.00, such rate being the official Georgian Lari to U.S. dollar period-end exchange rate as reported by the National Bank of Georgia as at 31 March 2008

<sup>2</sup> Converted to U.S. dollars for convenience using a period-end exchange rate of GEL 1.7000 per US\$1.00, such rate being the official Georgian Lari to U.S. dollar period-end exchange rate as reported by the National Bank of Georgia as at 31 March 2007

<sup>3</sup> Growth calculations based on GEL values

<sup>4</sup> Not meaningful

# Balance Sheet Data

Consolidated, IFRS Based 000s, unless otherwise noted	31-Mar-08	GEL	Growth <sup>2</sup> YTD	31-Dec-07	GEL	Growth <sup>2</sup> Y-O-Y	31-Mar-07	GEL
	US\$ <sup>1</sup> (Unaudited)			US\$ <sup>3</sup> (Audited)			US\$ <sup>4</sup> (Unaudited)	
Cash & Cash Equivalents	146,001	215,497	-41.8%	232,642	370,273	164.8%	47,871	81,381
Loans & Advances To Credit Institutions	157,305	232,182	22.2%	119,413	190,057	-16.5%	163,647	278,199
Mandatory Reserve With NBG/NBU	59,344	87,591	-39.4%	90,872	144,631	46.9%	35,067	59,614
Other Accounts With NBG/NBU	34,463	50,868	43.3%	22,303	35,497	278.1%	7,914	13,454
Balances With & Loans To Other Banks	63,498	93,723	844.0%	6,238	9,929	-54.3%	120,666	205,132
Available-For-Sale Securities	34,830	51,409	5.5%	30,616	48,729	9727.3%	308	523
Treasuries & Equivalents	18,726	27,639	-65.3%	50,111	79,757	-41.0%	27,552	46,838
Other Fixed Income Instruments	190,534	281,229	149.5%	70,814	112,708	43.7%	115,156	195,766
Gross Loans To Clients	1,257,235	1,855,678	5.9%	1,100,842	1,752,100	122.1%	491,376	835,339
Less: Reserve For Loan Losses	-26,818	-39,584	33.1%	-18,689	-29,745	85.8%	-12,533	-21,307
Net Loans To Clients	1,230,416	1,816,094	5.4%	1,082,153	1,722,355	123.1%	478,843	814,033
Investments In Other Business Entities, Net	45,623	67,339	67.2%	25,303	40,273	202.0%	13,116	22,297
Property & Equipment Owned, Net	167,416	247,107	20.7%	128,585	204,656	144.1%	59,547	101,230
Intangible Assets Owned, Net	4,220	6,229	65.1%	2,370	3,772	109.7%	1,747	2,970
Goodwill	74,679	110,227	-1.8%	70,505	112,216	163.9%	24,573	41,773
Tax Assets - Current & Deferred	2,371	3,499	124.7%	978	1,557	1812.8%	108	183
Prepayments & Other Assets	60,533	89,346	32.8%	42,258	67,258	84.9%	28,431	48,333
<b>Total Assets</b>	<b>2,132,654</b>	<b>3,147,797</b>	<b>6.6%</b>	<b>1,855,750</b>	<b>2,953,611</b>	<b>92.7%</b>	<b>960,898</b>	<b>1,633,526</b>
Client Deposits	898,493	1,326,175	-2.2%	851,644	1,355,476	120.2%	354,235	602,199
Deposits & Loans From Banks	29,541	43,602	-33.7%	41,349	65,811	22.4%	20,959	35,631
Borrowed Funds	538,668	795,074	-4.9%	525,248	835,984	50.7%	310,265	527,451
Issued Fixed Income Securities	9,173	13,540	171.2%	3,137	4,993	-31.3%	671	1,141
Insurance Related Liabilities	29,221	43,130	4.4%	25,968	41,330	3681.5%	11,591	19,705
Tax Liabilities - Current & Deferred	18,357	27,095	-27.2%	23,378	37,209	149.1%	6,399	10,878
Accruals & Other Liabilities	103,282	152,445	178.1%	34,441	54,817	197.6%	30,135	51,230
<b>Total Liabilities</b>	<b>1,626,736</b>	<b>2,401,062</b>	<b>0.2%</b>	<b>1,505,165</b>	<b>2,395,620</b>	<b>92.4%</b>	<b>734,255</b>	<b>1,248,234</b>
Ordinary Shares	21,168	31,244	15.1%	17,061	27,155	23.8%	14,850	25,245
Share Premium	302,975	447,191	41.8%	198,175	315,415	73.0%	152,081	258,538
Treasury Shares	-1,250	-1,846	6.3%	-1,091	-1,737	59.3%	(681)	(1,158)
Retained Earnings	97,705	144,213	125.8%	40,122	63,858	136.5%	35,869	60,977
Revaluation & Other Reserves	42,537	62,784	-6.8%	42,318	67,354	175.5%	13,407	22,791
Net Income For The Period	21,624	31,918	-57.8%	47,526	75,642	133.6%	8,037	13,663
<b>Shareholders' Equity Excluding Minority Interest</b>	<b>484,759</b>	<b>715,505</b>	<b>30.6%</b>	<b>344,111</b>	<b>547,687</b>	<b>88.3%</b>	<b>223,562</b>	<b>380,055</b>
Minority Interest	21,159	31,230	203.1%	6,474	10,304	496.3%	3,081	5,237
<b>Total Shareholders' Equity</b>	<b>505,918</b>	<b>746,735</b>	<b>33.8%</b>	<b>350,585</b>	<b>557,991</b>	<b>93.8%</b>	<b>226,642</b>	<b>385,292</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>2,132,654</b>	<b>3,147,797</b>	<b>6.6%</b>	<b>1,855,750</b>	<b>2,953,611</b>	<b>92.7%</b>	<b>960,898</b>	<b>1,633,526</b>
Shares Outstanding		31,244,092	15.1%		27,154,918	23.8%		25,244,609
Book Value Per Share		23.90	15.9%		20.62	56.3%	9.05	15.39

<sup>1</sup> Converted to U.S. dollars for the convenience using a period-end exchange rate of GEL 1.4760 per US\$1.00, such exchange rate being the official Georgia Lari to U.S. dollar period-end exchange rate as reported by the National Bank of Georgia on 31 March 2008

<sup>2</sup> Growth calculations based on GEL values

<sup>3</sup> Converted to U.S. dollars for the convenience using a period-end exchange rate of GEL 1.5916 per US\$1.00, such exchange rate being the official Georgia Lari to U.S. dollar period-end exchange rate as reported by the National Bank of Georgia on 31 December 2007

<sup>4</sup> Converted to U.S. dollars for the convenience using a period-end exchange rate of GEL 1.7000 per US\$1.00, such exchange rate being the official Georgia Lari to U.S. dollar period-end exchange rate as reported by the National Bank of Georgia on 31 March 2007



# Key Ratios

	Q1 2008	Q1 2007
<b>Profitability Ratios</b>		
ROAA <sup>1</sup> , Annualised	4.2%	3.8%
ROA	4.1%	3.3%
ROAE <sup>2</sup> , Annualised	19.6%	14.3%
ROE	17.1%	14.2%
Interest Income To Average Interest Earning Assets <sup>3</sup> , Annualised	16.6%	15.1%
Cost Of Funds <sup>4</sup> , Annualised	7.7%	7.0%
Net Spread <sup>5</sup>	8.9%	8.1%
Net Interest Margin <sup>6</sup> , Annualised	8.9%	9.1%
Net Interest Margin Normalized <sup>35</sup> , Annualised	8.9%	9.1%
Loan Yield <sup>7</sup> , Annualised	18.9%	21.2%
Interest Expense To Interest Income	46.2%	39.5%
Net Non-Interest Income To Average Total Assets, Annualised	4.1%	4.2%
Net Non-Interest Income To Revenue <sup>8</sup>	38.6%	36.6%
Net Fee And Commission Income To Average Interest Earning Assets <sup>9</sup> , Annualised	1.8%	2.1%
Net Fee And Commission Income To Revenue	12.5%	14.4%
Operating Leverage <sup>10</sup>	33.4%	38.6%
Total Operating Income (Revenue) To Total Assets, Annualised	10.3%	10.0%
Recurring Earning Power <sup>11</sup> , Annualised	4.8%	6.9%
Net Income To Revenue	39.4%	33.3%
<b>Efficiency Ratios</b>		
Operating Cost To Average Total Assets <sup>12</sup> , Annualised	5.8%	6.1%
Cost To Average Total Assets <sup>13</sup> , Annualised	4.7%	6.2%
Cost / Income <sup>14</sup>	44.4%	53.4%
Cost / Income, Normalized <sup>37</sup>	54.8%	53.3%
Cost / Income, , Standalone <sup>15</sup>	45.1%	50.1%
Cash Cost / Income	39.4%	48.6%
Total Employee Compensation Expense To Revenue <sup>16</sup>	31.7%	31.4%
Total Employee Compensation Expense To Cost	71.5%	58.8%
Total Employee Compensation Expense To Average Total Assets, Annualised	3.4%	3.6%
<b>Liquidity Ratios</b>		
Net Loans To Total Assets <sup>17</sup>	57.7%	49.7%
Average Net Loans To Average Total Assets	58.0%	52.9%
Interest Earning Assets To Total Assets	74.9%	81.6%
Average Interest Earning Assets To Average Total Assets	73.1%	80.2%
Liquid Assets To Total Assets <sup>18</sup>	22.9%	33.2%
Net Loans To Client Deposits	136.9%	135.2%
Average Net Loans To Average Client Deposits	132.0%	129.8%
Net Loans To Total Deposits <sup>19</sup>	132.6%	127.7%
Net Loans To Total Liabilities	75.6%	65.2%
Total Deposits To Total Liabilities	57.0%	48.2%
Client Deposits To Total Deposits	96.8%	94.4%
Client Deposits To Total Liabilities	55.2%	48.2%
Current Account Balances To Client Deposits	43.8%	61.0%
Demand Deposits To Client Deposits	7.0%	5.5%
Time Deposits To Client Deposits	49.3%	33.5%
Total Deposits To Total Assets	43.5%	39.0%
Client Deposits To Total Assets	42.1%	36.8%
Client Deposits To Total Equity (Times) <sup>20</sup>	1.78	1.55
Due From Banks / Due To Banks <sup>21</sup>	532.5%	780.8%
Total Equity To Net Loans Leverage (Times) <sup>22</sup>	41.1%	47.7%
	3.2	3.2

# Key Ratios Cont'd

	Q1 2008	Q1 2007
<b>Asset Quality</b>		
NPLs (in GEL) <sup>23</sup>	18,992	21,059
NPLs To Gross Loans To Clients <sup>24</sup>	1.0%	2.5%
Cost of Risk <sup>25</sup> , Annualized	1.7%	1.0%
Cost of Risk Normalized <sup>26</sup> , Annualized	1.7%	1.0%
Reserve For Loan Losses To Gross Loans To Clients <sup>26</sup>	2.1%	2.6%
NPL Coverage Ratio <sup>27</sup>	208.4%	101.2%
Equity To Average Net Loans To Clients	42.2%	51.5%
<b>Capital Adequacy:</b>		
Equity To Total Assets	23.7%	23.7%
BIS Tier I Capital Adequacy Ratio, consolidated <sup>28</sup>	25.2%	34.1%
BIS Total Capital Adequacy Ratio, consolidated <sup>29</sup>	25.8%	34.8%
NBG Tier I Capital Adequacy Ratio <sup>30</sup>	18.3%	19.2%
NBG Total Capital Adequacy Ratio <sup>31</sup>	16.3%	22.5%
<b>Per Share Values:</b>		
Basic EPS (GEL) <sup>32</sup>	1.09	0.54
Basic EPS (US\$)	0.74	0.32
Fully Diluted EPS (GEL) <sup>33</sup>	1.02	0.50
Fully Diluted EPS (US\$)	0.69	0.30
Book Value Per Share (GEL) <sup>34</sup>	23.90	15.39
Book Value Per Share (US\$)	16.19	9.05
Ordinary Shares Outstanding - Weighted Average, Basic	29,237,387	25,216,510
Ordinary Shares Outstanding - Period End	31,244,092	25,244,609
Ordinary Shares Outstanding - Fully Diluted	31,244,092	27,230,351
<b>Selected Operating Data:</b>		
Full Time Employees (FTEs)	4,926	2,558
FTEs, Standalone	3,056	1,933
Total assets per FTE <sup>23</sup> (GEL Thousands)	639	640
Total Assets per FTE, Standalone (GEL Thousands)	1,030	847
Number Of Active Branches	131	103
Number Of ATMs	310	146
Number Of Cards (Thousands)	743	344
Number Of POS Terminals	2,063	497

# *Ratio Definitions*

# Ratio Definitions

- 1 Return On Average Total Assets (ROAA) equals Net Income of the period divided by quarterly Average Total Assets for the same period;
- 2 Return On Average Total Equity (ROAE) equals Net Income of the period divided by quarterly Average Total Equity for the same period;
- 3 Average Interest Earning Assets are calculated on a quarterly basis; Interest Earning Assets include: Loans And Advances To Credit Institutions, Treasuries And Equivalents, Other Fixed Income Instruments and Net Loans to Clients;
- 4 Cost Of Funds equals Interest Expense of the period divided by quarterly Average Interest Bearing Liabilities; Interest Bearing Liabilities Include: Client Deposits, Deposits And Loans From Banks, Borrowed Funds and Issued Fixed Income Securities;
- 5 Net Spread equals Interest Income To Average Interest Earning Assets less Cost Of Funds;
- 6 Net Interest Margin equals Net Interest Income of the period divided by quarterly Average Interest Earning Assets of the same period;
- 7 Loan Yield equals Interest Income, less Net Provision Expense, divided by quarterly Average Gross Loans To Clients;
- 8 Revenue equals Total Operating Income;
- 9 Net Fee And Commission Income includes Net Income From Documentary Operations of the period ;
- 10 Operating Leverage equals percentage change in Revenue less percentage change in Total Costs;
- 11 Recurring Earning Power equals Profit Before Provisions of the period divided by average Total Assets of the same period;
- 12 Operating Cost equals Total Recurring Operating Costs;
- 13 Cost includes Total Recurring Operating Costs and Net Non-Recurring Costs (Income);
- 14 Cost/Income Ratio equals Costs of the period divided by Total Operating Income (Revenue);
- 15 Cost/ Income, , standalone, equals non-consolidated Total Costs of the bank of the period divided by non-consolidated Revenue of the bank of the same period;
- 16 Total Employee Compensation Expense includes Personnel Costs;
- 17 Net Loans equal Net Loans To Clients;
- 18 Liquid Assets include: Cash And Cash Equivalents, Other Accounts With NBG, Balances With And Loans To Other Banks, Treasuries And Equivalents and Other Fixed Income Securities as of the period end and are divided by Total Assets as of the same date;
- 19 Total Deposits include Client Deposits and Deposits And Loans from Banks;
- 20 Total Equity equals Total Shareholders' Equity;
- 21 Due From Banks/ Due To Banks equals Loans And Advances To Credit Institutions divided by Deposits And Loans From Banks;
- 22 Leverage (Times) equals Total Liabilities as of the period end divided by Total Equity as of the same date;
- 23 NPLs (in GEL) equals total gross non-performing loans as of the period end; non-performing loans are loans that have debts in arrears for more than 90 calendar days;
- 24 Gross Loans equals Gross Loans To Clients;
- 25 Cost Of Risk equals Net Provision For Loan Losses of the period, plus provisions for (less recovery of) other assets, divided by quarterly average Gross Loans To Clients over the same period;
- 26 Reserve For Loan Losses To Gross Loans To Clients equals reserve for loan losses as of the period end divided by gross loans to clients as of the same date;
- 27 NPL Coverage Ratio equals Reserve For Loan losses as of the period end divided by NPLs as of the same date;
- 28 BIS Tier I Capital Adequacy Ratio equals Tier I Capital as of the period end divided by Total Risk Weighted Assets as of the same date, both calculated in accordance with the requirements of Basel Accord I;
- 29 BIS Total Capital Adequacy Ratio equals Total Capital as of the period end divided by Total Risk Weighted Assets as of the same date, both calculated in accordance with the requirements of Basel Accord I;
- 30 NBG Tier I Capital Adequacy Ratio equals Tier I Capital as of the period end divided by Total Risk Weighted Assets as of the same date, both calculated in accordance with the requirements the National ;
- 31 NBG Total Capital Adequacy Ratio equals Total Capital as of the period end divided by Total Risk Weighted Assets as of the same date, both calculated in accordance with the requirements of the National ;
- 32 Basic EPS equals Net Income of the period divided by the weighted average number of outstanding ordinary shares over the same period;
- 33 Fully Diluted EPS equals net income of the period divided by the number of outstanding ordinary shares as of the period end plus number of ordinary shares in contingent liabilities;
- 34 Book Value Per Share equals Equity as of the period end, plus Treasury Shares, divided by the total number of Outstanding Ordinary shares as of the same date.
- 35 Net Interest Margin Normalized equals Net Interest Income of the period, less interest income generated by non-performing loans through the date of their write-off, divided by quarterly Average Interest Earning Assets of the same period;
- 36 Cost Of Risk Normalized equals Net Provision For Loan Losses of the period, less provisions for the interest income generated by non-performing loans through the date of their write-off, plus provisions for (less recovery of) other assets, divided by quarterly average Gross Loans To Clients over the same period;
- 37 Cost / Income Normalized equals Recurring Operating Costs divided by Total Operating Income (Revenue) for the same period

# *Bank of Georgia 2007 Audited, IFRS Financial Statements*

# 2007 Audited, IFRS Balance Sheet

Thousands of Georgian Lari

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and cash equivalents	405,770	108,045
Trading securities	6,342	–
Amounts due from credit institutions	154,560	65,475
Loans to customers, net	1,675,681	684,842
Finance lease receivables, net	46,674	9,091
Investment securities:		
- available-for-sale	42,387	9,887
- held-to-maturity	192,464	187,244
Investments in associates	5,208	496
Investment property	35,065	1,224
Property and equipment, net	204,656	66,828
Goodwill and other intangible assets, net	115,989	43,429
Current and deferred income tax assets	1,557	–
Prepayments	5,942	3,476
Other assets, net	61,316	33,289
<b>Total assets</b>	<b>2,953,611</b>	<b>1,213,326</b>
<b>Liabilities</b>		
Amounts due to credit institutions	901,795	224,381
Amounts due to customers	1,355,476	559,646
Debt securities issued	4,993	1,073
Current and deferred income tax liabilities	37,209	8,138
Provisions	1,003	672
Other liabilities	95,144	44,558
<b>Total liabilities</b>	<b>2,395,620</b>	<b>838,468</b>
<b>Equity</b>		
Share capital	27,155	25,202
Additional paid-in capital	315,415	277,440
Treasury shares	(1,737)	(1,004)
Other reserves	67,354	5,257
Retained earnings	136,342	63,746
<b>Total equity attributable to shareholders of the Bank</b>	<b>544,529</b>	<b>370,641</b>
Minority interests	13,462	4,217
<b>Total equity</b>	<b>557,991</b>	<b>374,858</b>
<b>Total liabilities and equity</b>	<b>2,953,611</b>	<b>1,213,326</b>

# 2007 Audited, IFRS Income Statement

Thousands of Georgian Lari

	<u>2007</u>	<u>2006</u>
<b>Interest income</b>		
Loans to customers	203,759	92,612
Investment securities – held-to-maturity	23,394	414
Investment securities – available-for-sale	1,073	792
Amounts due from credit institutions	9,942	5,310
Finance lease receivables	4,136	1,143
	<b>242,304</b>	<b>100,271</b>
<b>Interest expense</b>		
Amounts due to credit institutions	(58,072)	(14,128)
Amounts due to customers	(53,419)	(19,245)
Debt securities issued	(594)	(176)
	<b>(112,085)</b>	<b>(33,549)</b>
<b>Net interest income</b>	<b>130,219</b>	<b>66,722</b>
Loan impairment charge	(17,409)	(13,766)
<b>Net interest income after loan impairment charge</b>	<b>112,810</b>	<b>52,956</b>
Fee and commission income	48,358	28,139
Fee and commission expense	(6,610)	(3,453)
<b>Net fee and commission income</b>	<b>41,748</b>	<b>24,686</b>
Net gains from trading securities	2,930	–
Net gains from investment securities available-for-sale	2,481	–
Net gains from revaluation of investment property	16,362	–
Net gains/(losses) from foreign currencies:		
- dealing	22,395	12,049
- translation differences	4,315	(107)
Net insurance premiums earned	14,260	6,260
Other operating income	9,903	4,222
<b>Other non-interest income</b>	<b>72,646</b>	<b>22,424</b>
Salaries and other employee benefits	(75,639)	(33,316)
General and administrative expenses	(36,164)	(20,649)
Depreciation, amortization and impairment	(9,863)	(5,887)
Net insurance claims incurred	(8,799)	(1,827)
Other operating expenses	(7,392)	(3,654)
Reversal of impairment of other assets and provisions	365	170
<b>Other non-interest expenses</b>	<b>(137,492)</b>	<b>(65,163)</b>
<b>Profit before income tax expense</b>	<b>89,712</b>	<b>34,903</b>
Income tax expense	(14,070)	(8,131)
<b>Profit for the year</b>	<b>75,642</b>	<b>26,772</b>

## *Caution Regarding Forward-Looking Statements*

This presentation contains statements that constitute “forward-looking statements”, including, but not limited to, statements relating to the implementation of strategic initiatives and other statements relating to our business development and financial performance.

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 markets 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 presentation and in our past and future filings and reports, including those filed with the NSCG.

We are under no obligation (and expressly disclaim any such obligations) to update or alter our forward-looking statements whether as a result of new information, future events, or otherwise.