



The Banker



Bank of the Year 2007  
GEORGIA

The Banker



Bank of the Year 2006  
Georgia

Standard & Poor's: 'B/B'  
Fitch Ratings: 'B/B'  
Moody's: 'B3/NP' (FC) & 'Ba2/NP' (LC)

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

Reuters: BGEO.L  
Bloomberg: BGEO.LI

## Bank of Georgia Q2 2008 results overview



საქართველოს ბანკი  
BANK OF GEORGIA

September 2008

# Introduction to Bank of Georgia

## The leading universal bank in Georgia

Market leader in all business lines

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

☞ No.1 by assets (circa 33.9%),<sup>(1)</sup> loans (circa 33.1%),<sup>(1)</sup> deposits (circa 29.2%)<sup>(1)</sup> and equity (circa 37.9%)<sup>(1)</sup>

☞ Leadership in **retail banking**, with top brand, best distribution network and broadest range of services of any bank in Georgia

	June 2008	March 2008	YE 2007	YE 2006
☞ Retail Accounts	880,000+	770,000+	705,000+	425,000+
☞ Cards Outstanding	847,000+	740,000+	640,000+	285,000+
☞ Branches	134	131	117	100
☞ ATMs	363	310	250	124

☞ Leading **corporate and investment banking** franchise with approximately 71,000 legal entities and over 128,000 current accounts

☞ 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' – at the sovereign ceiling
- ☞ Fitch Ratings: 'B/B'
- ☞ Moody's: 'B3/NP (FC)' & 'Ba2/NP (LC)'

☞ Listed on the London Stock Exchange (GDRs) and Georgian Stock Exchange

- ☞ Market Cap (LSE) US\$394 mln as of 31 August 2008
- ☞ Approximately 95% free float

☞ Issue of the first ever Eurobonds in Georgia

- ☞ Bloomberg: BKGEO; 5 year, 9%, US\$200 mln
- ☞ B+/Ba2/B+ (composite BB-)

## Investment highlights

- ☞ Undisputed leadership of Georgian financial services industry combined with presence in promising Ukrainian and Belarussian markets
- ☞ 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

Notes: (1) As of 31 July 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)



# *Bank of Georgia Q2 2008 & 1H 2008 results overview*

# Q2 2008 & 1H 2008 P&L results highlights

Millions, unless otherwise noted

Bank of Georgia (Consolidated, IFRS based)	1H 2008		1H 2007		Growth, Y-O-Y <sup>1</sup>
	GEL	US\$	GEL	US\$	
	Unaudited		Unaudited		
Net Interest Income	105.6	74.5	56.9	34.1	85.4%
Net Non-Interest Income	61.4	43.3	36.3	21.7	69.4%
Total Operating Income (Revenue) <sup>2</sup>	167.0	117.8	93.2	55.8	79.2%
Recurring Operating Costs	93.3	65.8	49.9	29.9	87.1%
Normalized Net Operating Income <sup>3</sup>	73.7	52.0	43.3	25.9	70.1%
Net Income	60.3	42.5	32.4	19.4	86.2%
Consolidated EPS (Basic), GEL & US\$ <sup>4</sup>	2.00	1.41	1.28	0.77	56.3%
Consolidated EPS (Fully Diluted), GEL & US\$ <sup>5</sup>	1.93	1.36	1.19	0.71	62.4%
ROAA, Annualised <sup>6</sup>	3.8%		3.9%		
ROA, Annualised	3.5%		3.4%		
ROAE, Annualised <sup>8</sup>	17.3%		16.6%		
ROE, Annualised	15.4%		16.0%		

Despite capital raising of US\$100 million and Tier I CAR of 25.0% as of 30 June 2008

Millions, unless otherwise noted

Bank of Georgia (Consolidated, IFRS based)	Q2 2008		Q2 2007		Growth, Y-O-Y <sup>1</sup>
	GEL	US\$	GEL	US\$	
	Unaudited		Unaudited		
Net Interest Income	55.8	39.4	30.9	18.5	80.7%
Net Non-Interest Income	30.1	21.2	21.3	12.7	41.6%
Total Operating Income (Revenue) <sup>2</sup>	85.9	60.6	52.2	31.2	64.8%
Recurring Operating Costs	48.9	34.5	28.0	16.8	74.6%
Normalized Net Operating Income <sup>3</sup>	37.1	26.1	24.2	14.5	53.4%
Net Income	28.3	20.0	18.7	11.2	51.6%
Consolidated EPS (Basic), GEL & US\$ <sup>4</sup>	0.91	0.64	0.74	0.44	22.7%
Consolidated EPS (Fully Diluted), GEL & US\$ <sup>5</sup>	0.91	0.64	0.74	0.44	22.8%
ROAA, Annualised <sup>6</sup>	3.5%		4.2%		
ROA, Annualised	3.3%		3.9%		
ROAE, Annualised <sup>8</sup>	14.8%		18.9%		
ROE, Annualised	14.5%		18.5%		

<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>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.

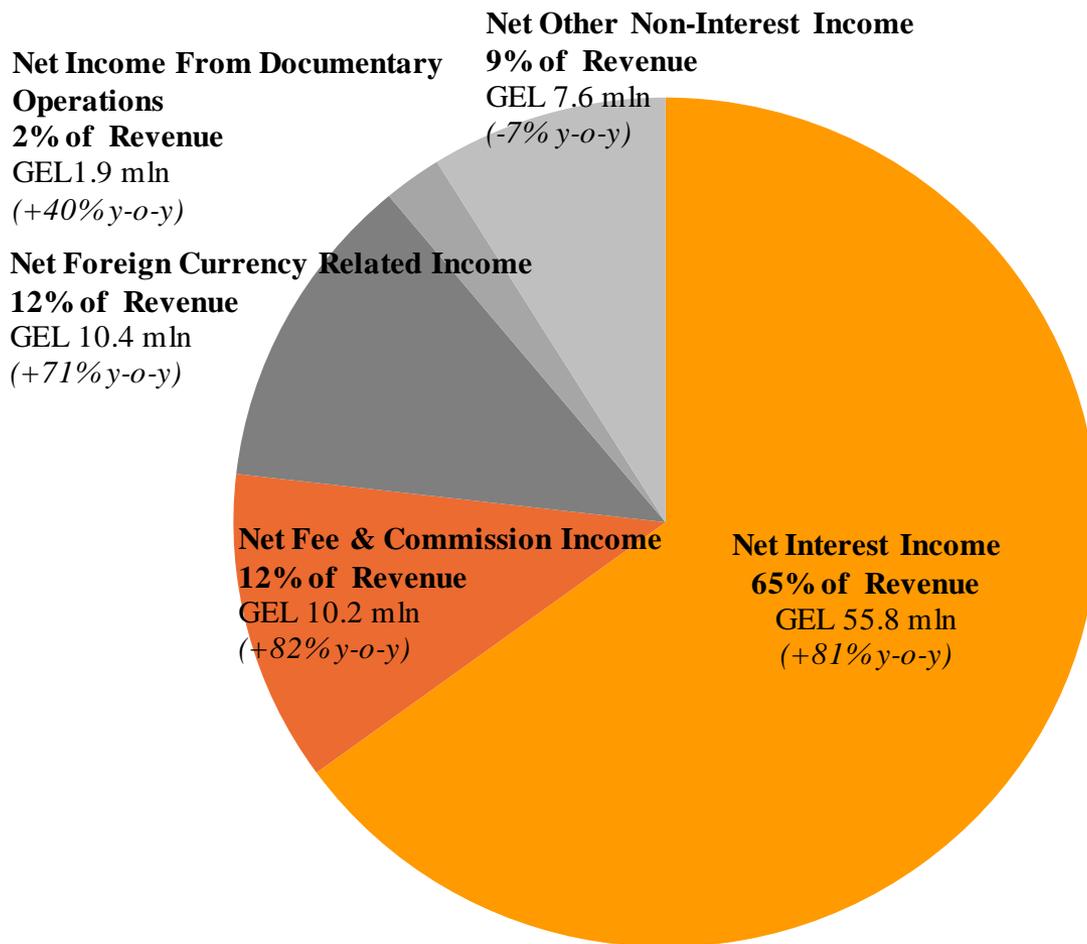
# 1H 2008 Balance Sheet results highlights cont'd

Millions, unless otherwise noted

Bank of Georgia (Consolidated, IFRS)	1H 2008		Q4 2007		1H 2007	
	GEL	US\$	GEL	US\$	GEL	US\$
	(Unaudited)		(Audited)		(Unaudited)	
Net Loans	2,062.4	1,454.4	1,722.4	1,082.2	1,036.0	620.6
Total Assets	3,400.7	2,398.2	2,953.6	1,855.7	1,917.8	1,148.7
Total Deposits	1,520.3	1,072.2	1,355.5	851.6	882.5	528.6
Total Liabilities	2,617.7	1,846.0	2,395.6	1,505.2	1,513.8	906.8
Shareholders' Equity	783.0	552.2	558.0	350.6	404.0	242.0
Book Value Per Share, GEL & US\$	25.06	17.67	20.55	12.91	15.97	9.56

	Growth, YTD	Growth, Y-O-Y
Net Loans	19.7%	99.1%
Total Assets	15.1%	77.3%
Total Deposits	7.0%	72.3%
Total Liabilities	9.3%	72.9%
Shareholders' Equity	40.3%	93.8%
Book Value Per Share	22.0%	57.0%

# Composition of Revenue in Q2 2008

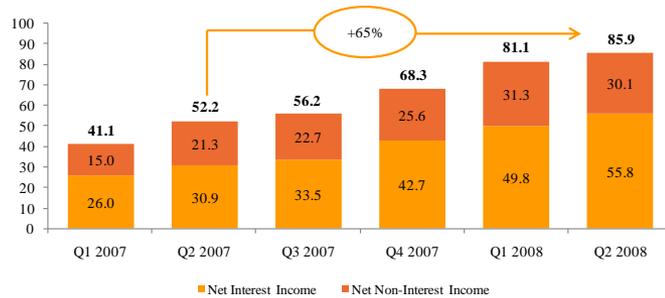


**Total Revenue: GEL 85.9 million (65% y-o-y growth)**

# Analysis of Revenue

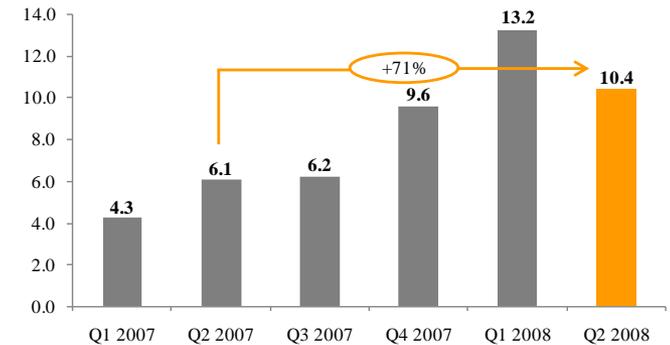
## Revenue growth

GEL mln



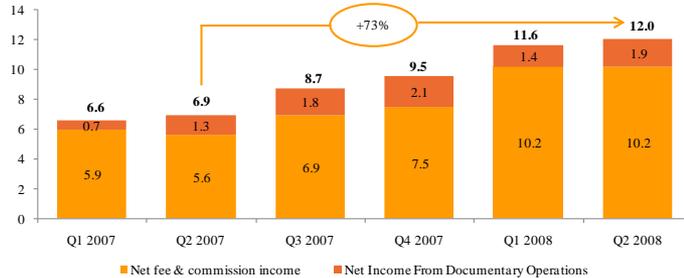
## Net Foreign Currency Related Income

GEL mln



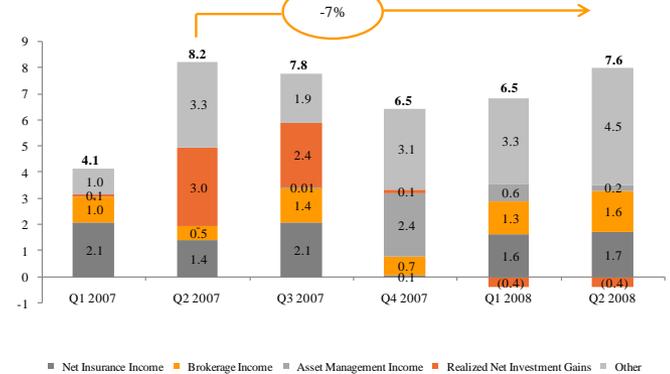
## Net Fee & Commission Income

GEL mln



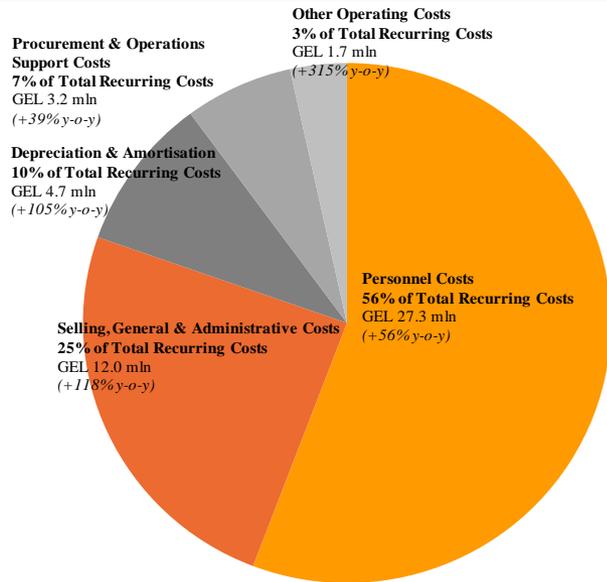
## Other Non-Interest Income

GEL mln

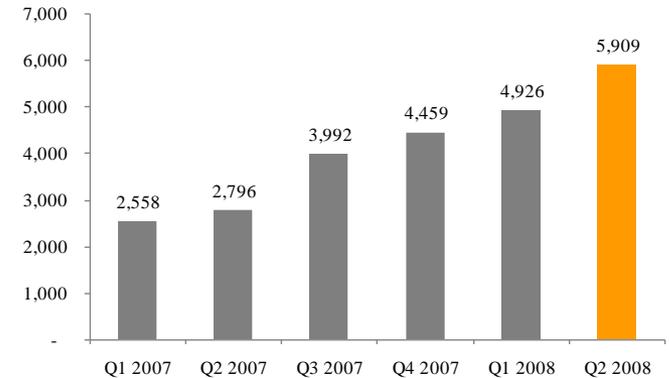


# Analysis of Operating Costs

## Operating Cost structure

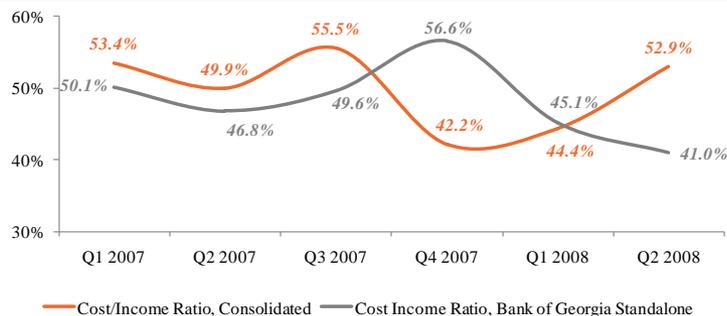


## Employees

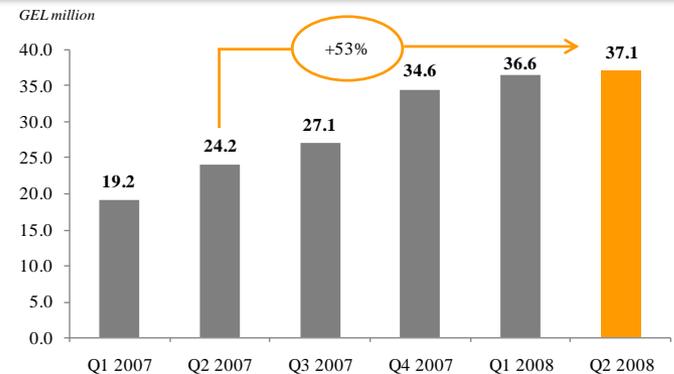


Total Recurring Operating Costs: GEL 48.9 million in Q2 2008 (75% growth y-o-y)

## Cost/Income ratio



## Normalised Net Operating Income

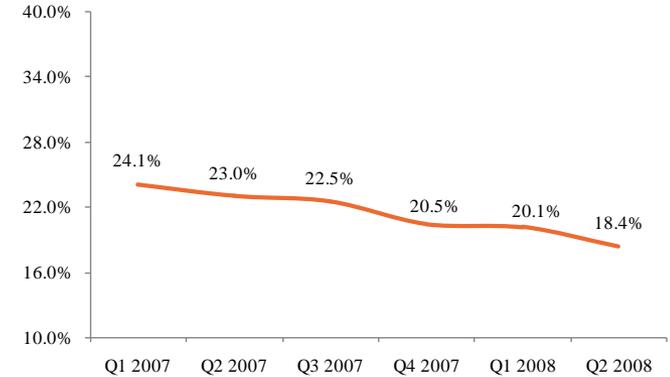


# NIM & loan yields

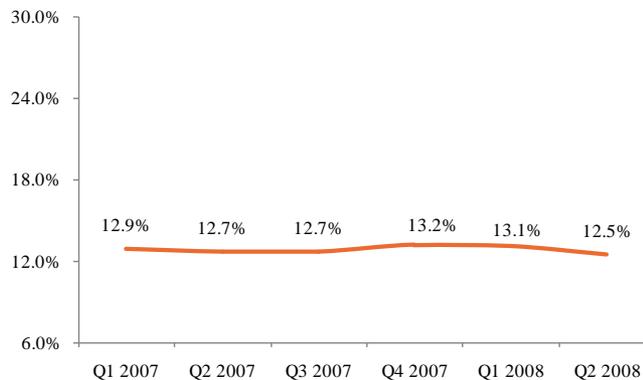
## Net Interest Margin (Annualised)



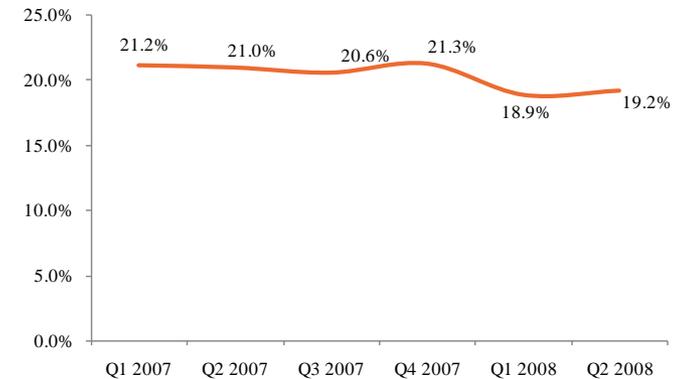
## RB & WM loan yield (Annualised)



## CB loan yield (Annualised)



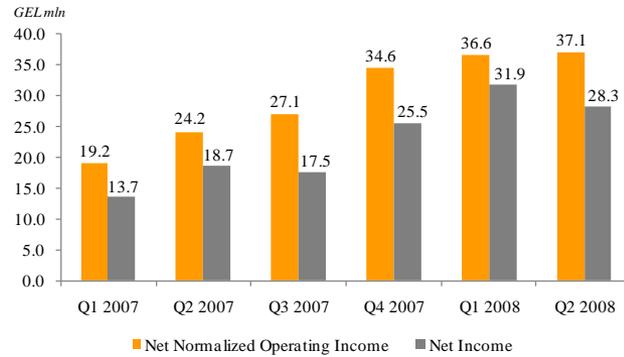
## Blended loan yield\* (Annualised)



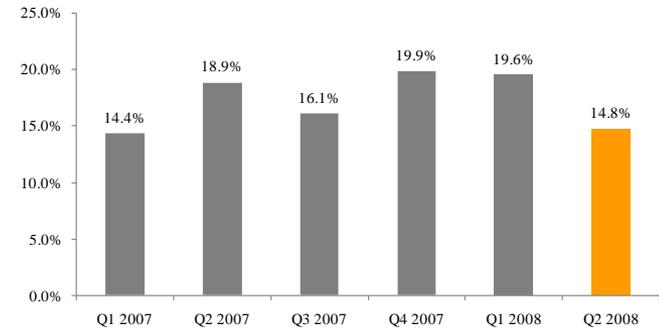
\* Blended loan yield is based on consolidated data, including Corporate Center where all loan recoveries are allocated

# Profitability

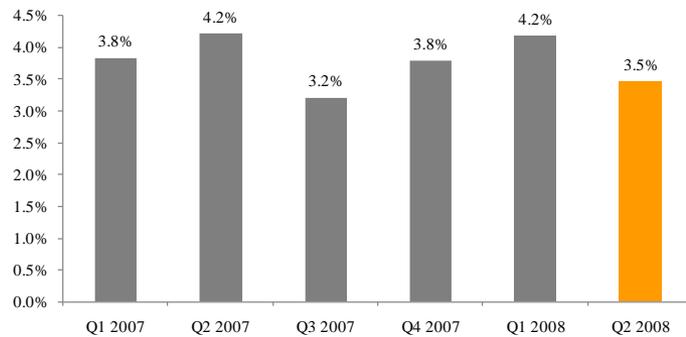
## Net Income



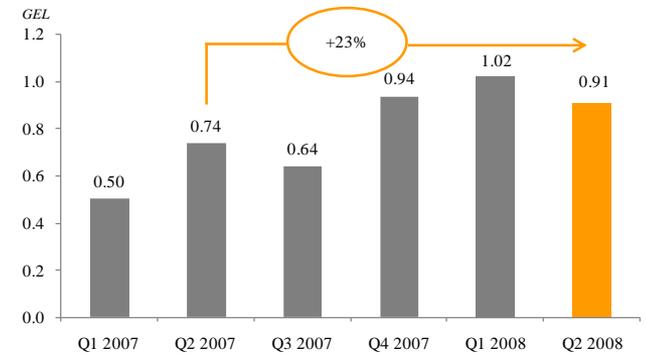
## ROAE



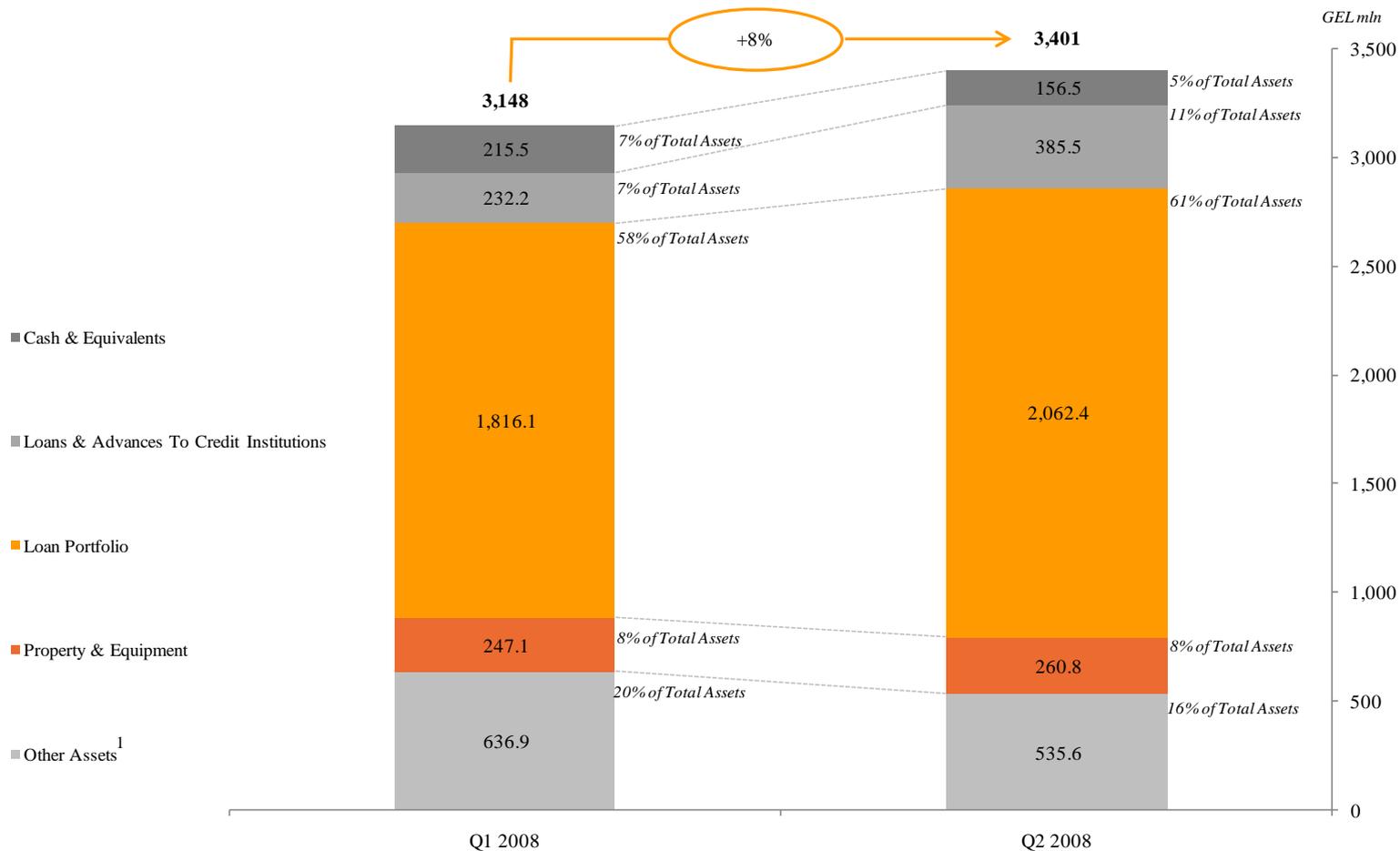
## ROAA



## EPS (Fully Diluted)



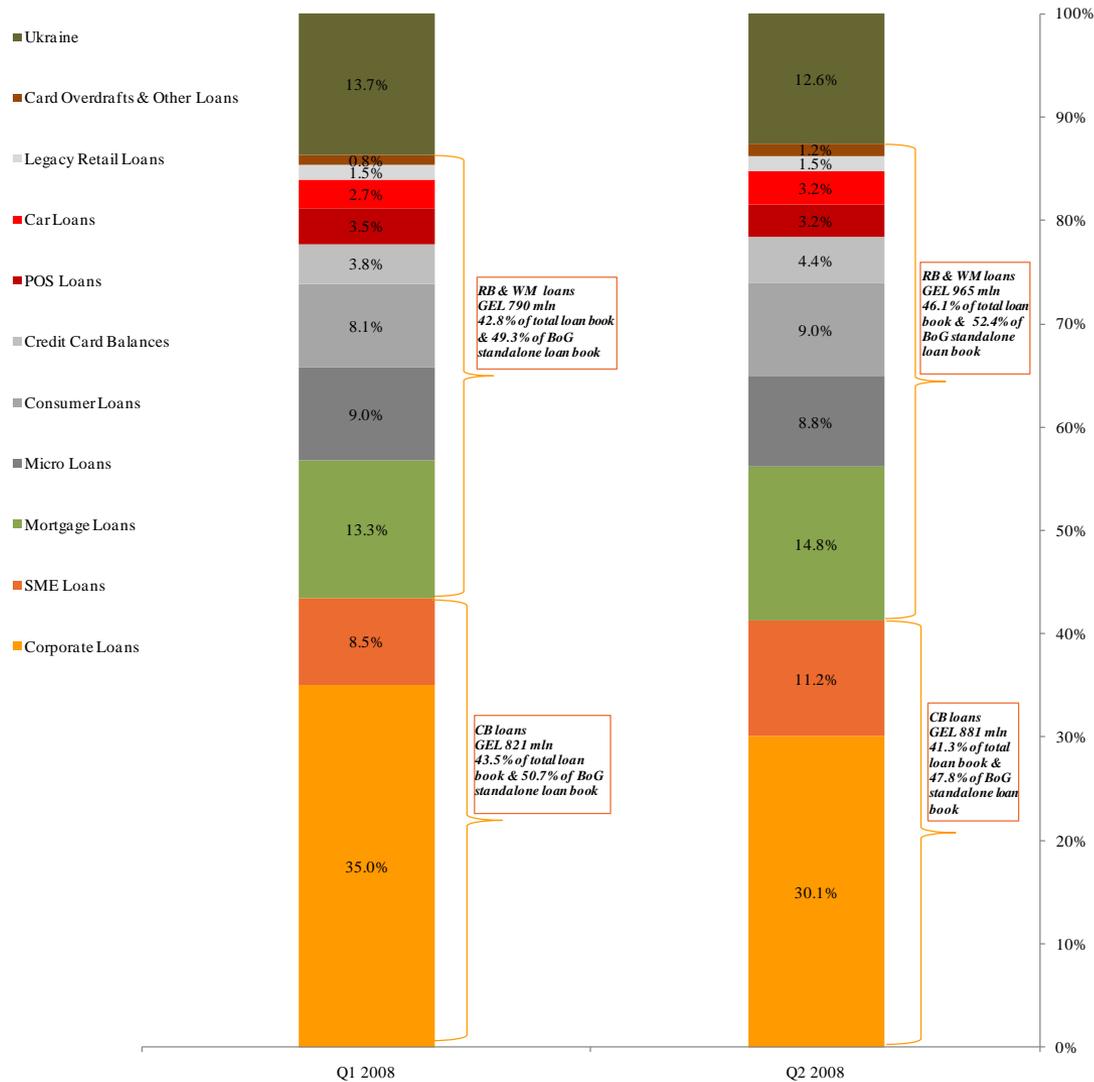
# Composition of the Balance Sheet as at 30 June 2008



<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

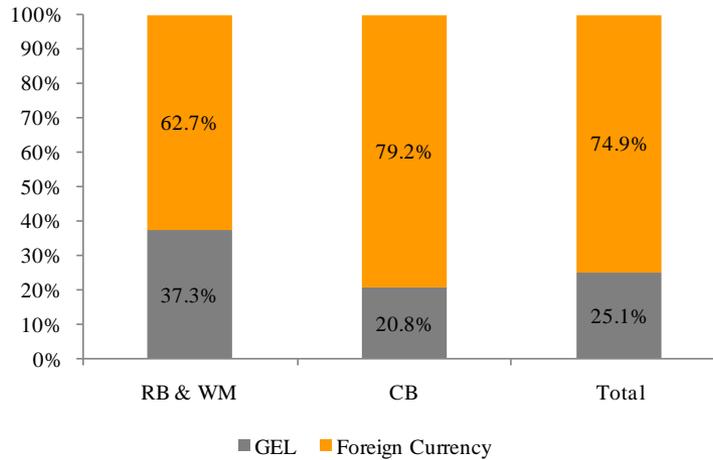
# Composition of Gross Loan Book as at 30 June 2008



**Gross Loan Book Q2 2008: GEL 2,107 million**

# Analysis of the Loan Book

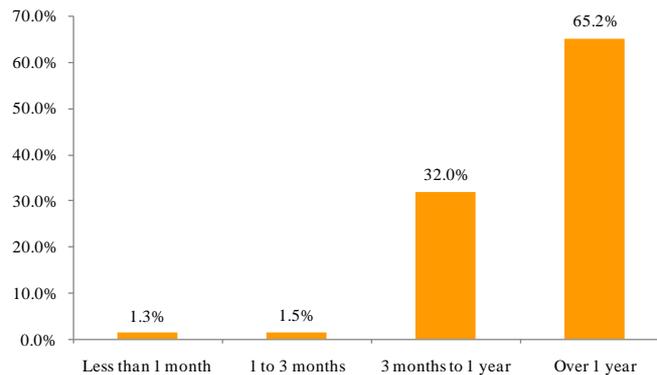
Loans by currency, 30 June 2008 (BoG standalone)



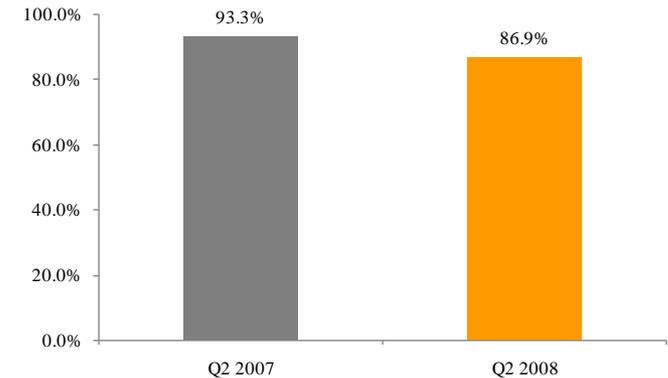
Loan concentration



Loans by maturity, 30 June 2008 (BoG standalone)

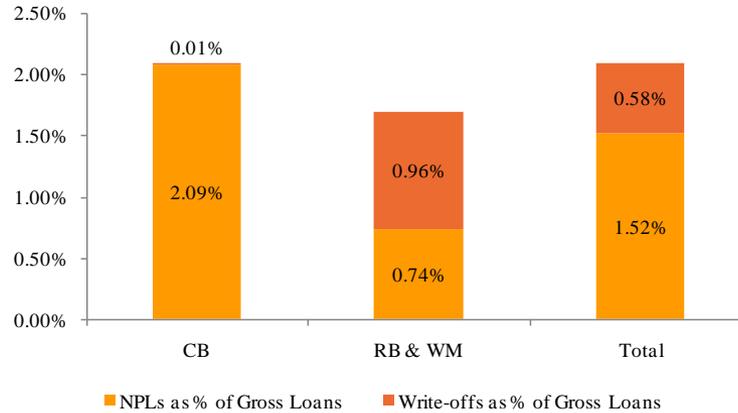


Loan Book collateralization (BoG standalone)

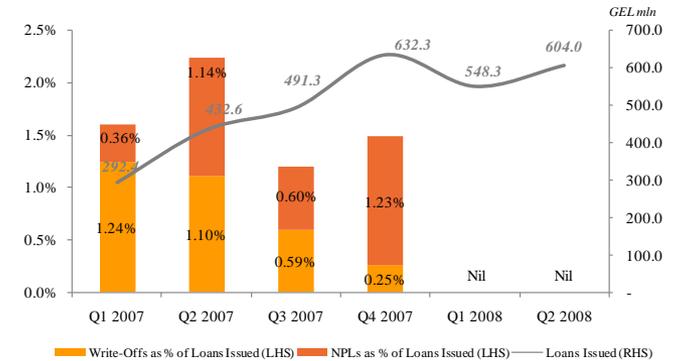


# Provisioning policy

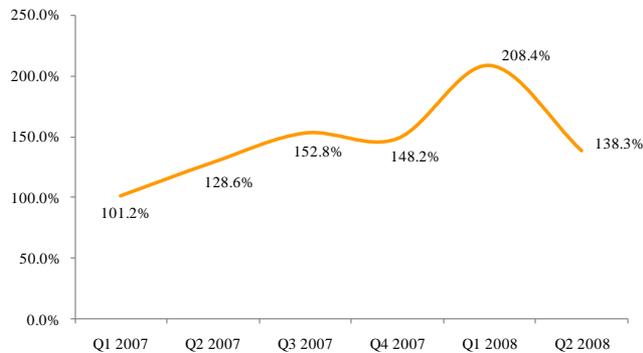
## NPLs & write-offs, 30 June 2008 (BoG standalone)



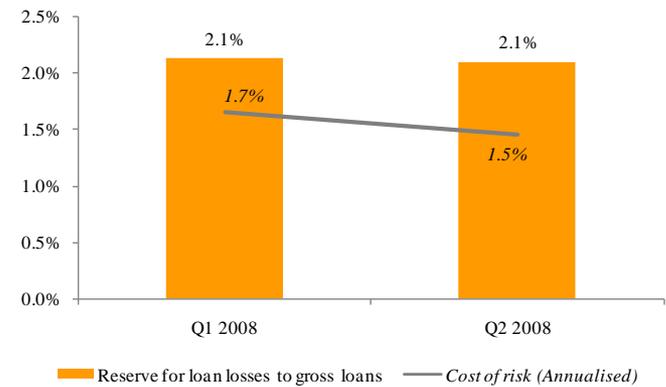
## Impairment seasoning, Q2 2008



## NPL coverage ratio



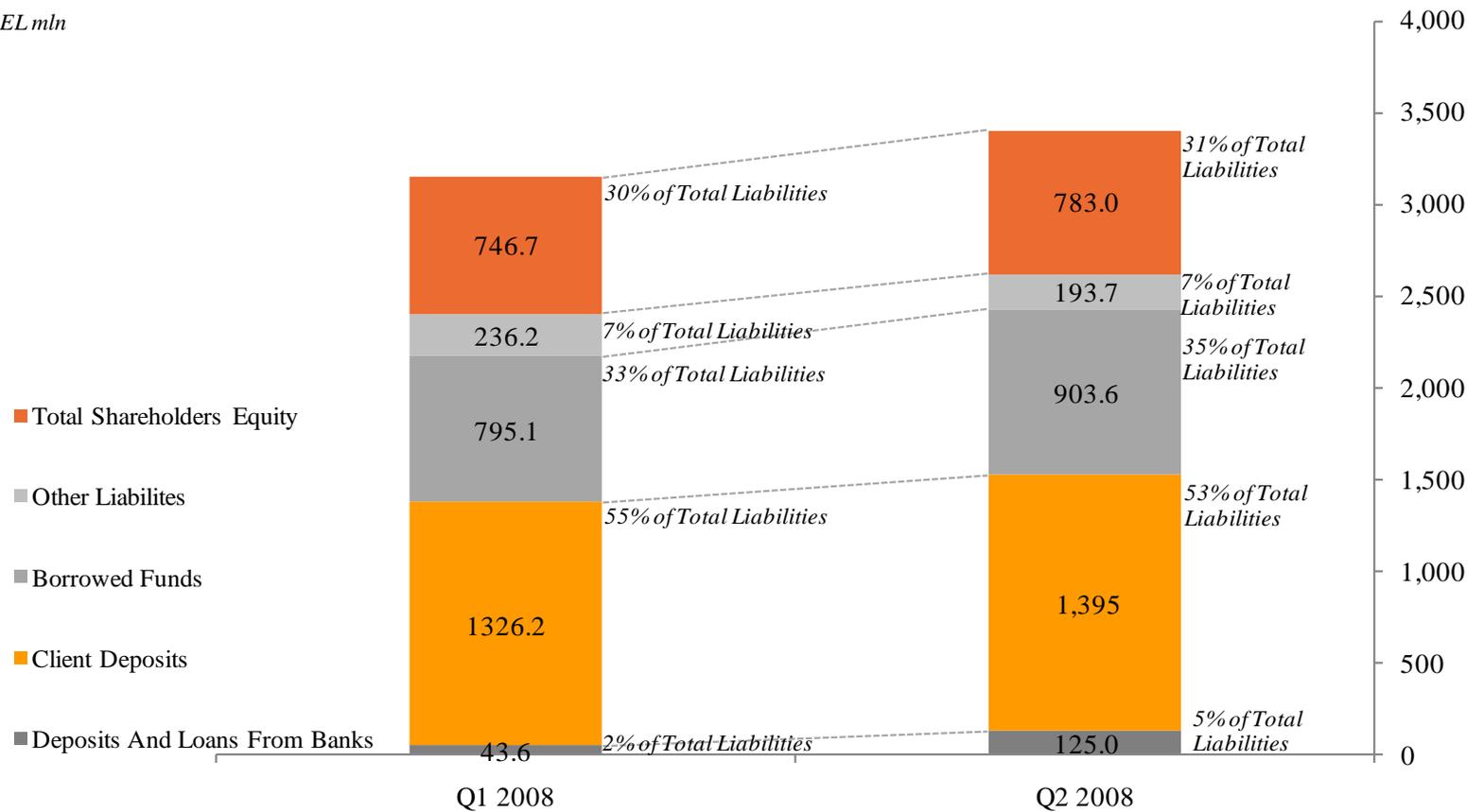
## Reserve for loan losses to Gross Loans



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

# Liabilities breakdown as at 30 June 2008

GEL mln

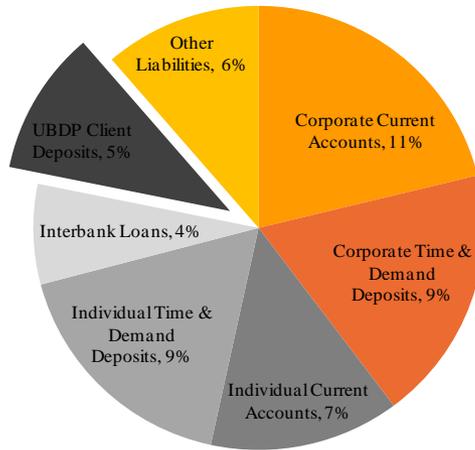


**Total Liabilities 30 June 2008: GEL 2,618 million**

# Analysis of deposits

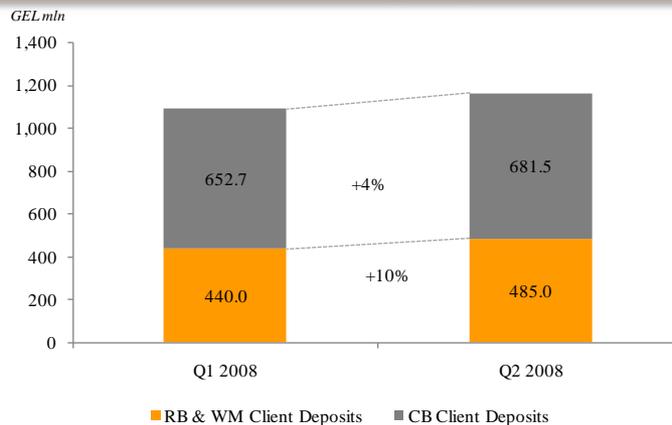
On a standalone basis CB accounted for 58% of deposits and RB&WM for 42% of deposits

Deposit breakdown, 30 June 2008

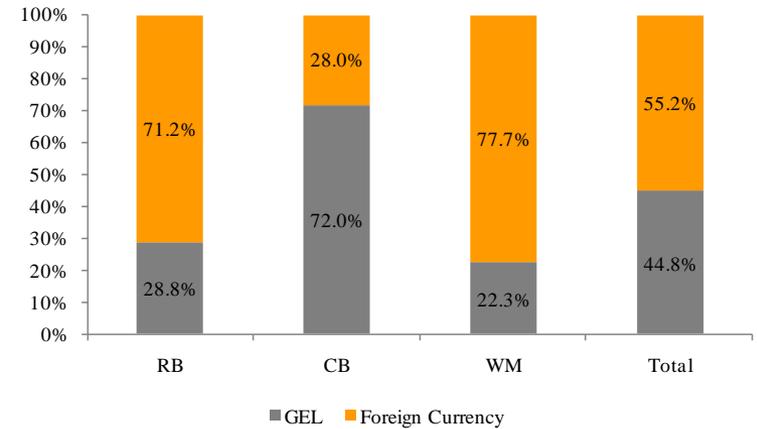


Total Deposits: GEL 1,520 million (72% growth y-o-y)

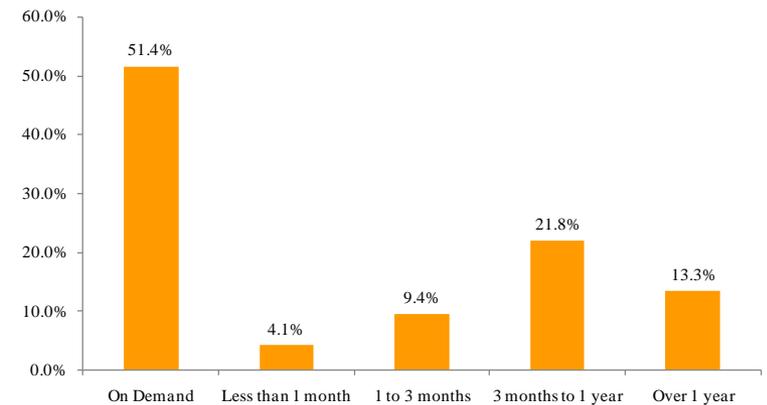
CB, RB & WM deposit growth



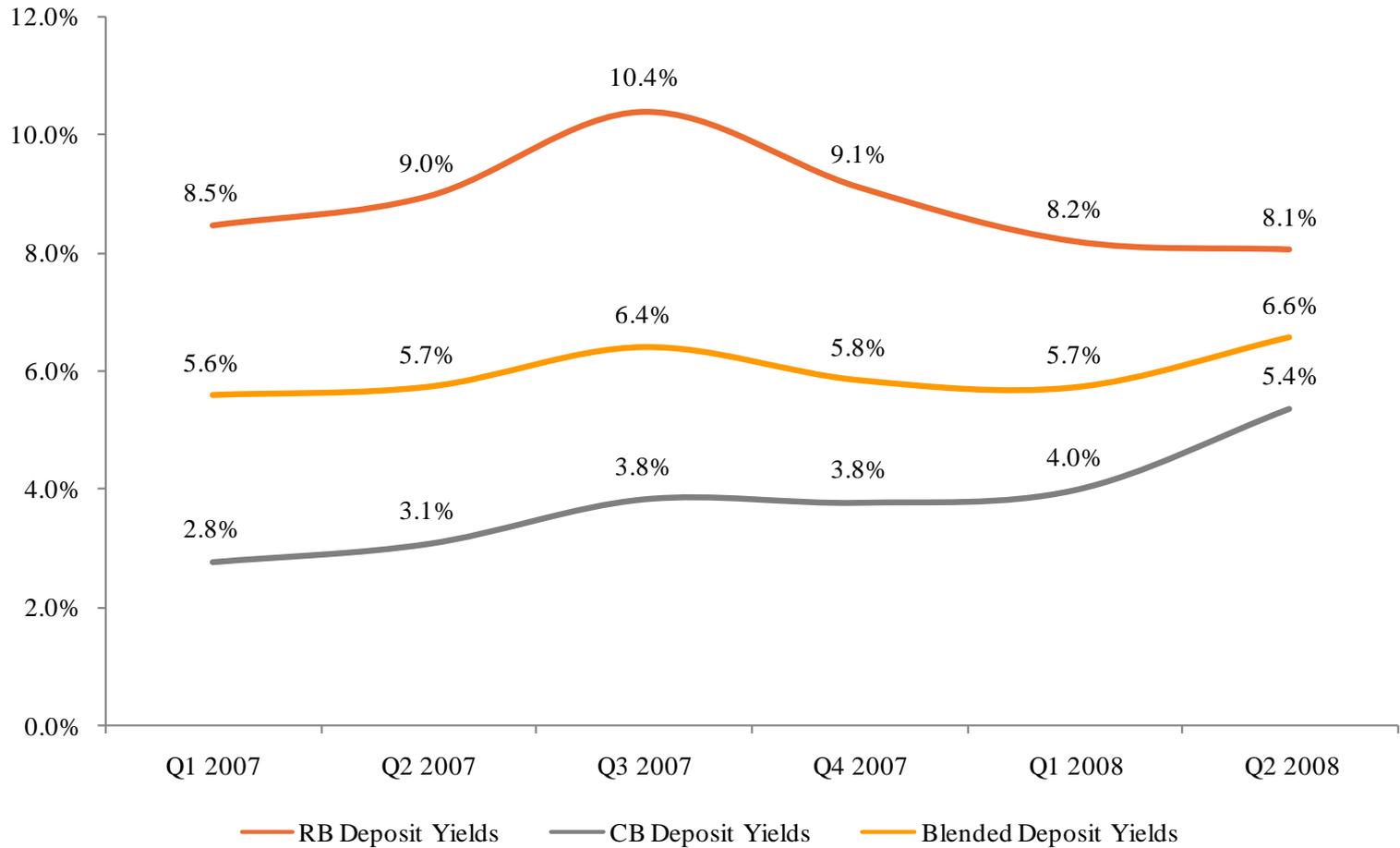
Deposits by currency, 30 June 2008\*



Deposits by maturity, 30 June 2008\*



# Deposit yields



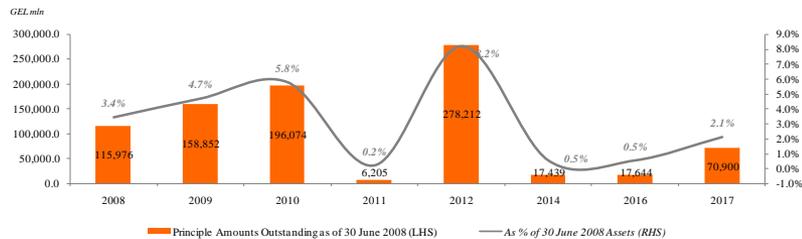
# International borrowings

## Selected international loans

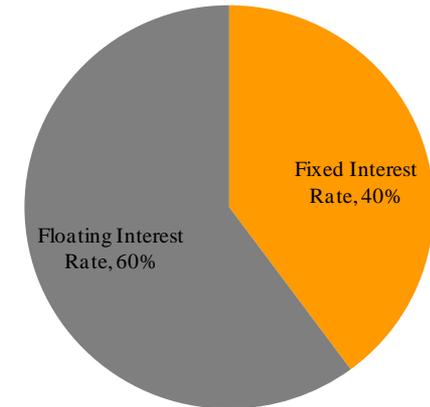
	Principle amount outstanding 30 June 2008	Maturity
Syndicated Loan arranged by Citi and ADB, 1 <sup>st</sup> Tranche	US\$55 million	2008
Syndicated Loan arranged by Citi and ADB, 2 <sup>nd</sup> Tranche	US\$43.5 million	2009
Senior Term Loan from Merrill Lynch	US\$65.0 million	2009
Syndicated Loan arranged by Citi and ADB, 3 <sup>rd</sup> Tranche	US\$25 million	2010
Loan passthrough notes	US\$110 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\$ 580 million</b>	

Note: excluding credit lines as part of documentary business

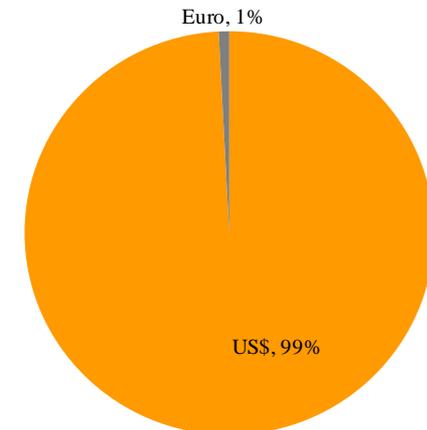
## International borrowings by maturities



## International borrowings - fixed vs. floating rates, 30 June 2008

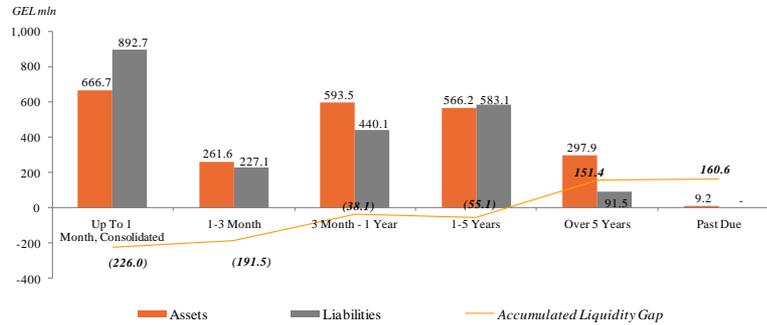


## International borrowings by currencies, 30 June 2008

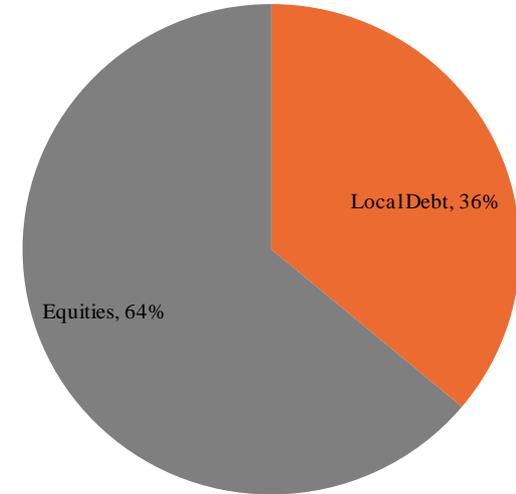


# Risk management

## Liquidity risk management, Q2 2008

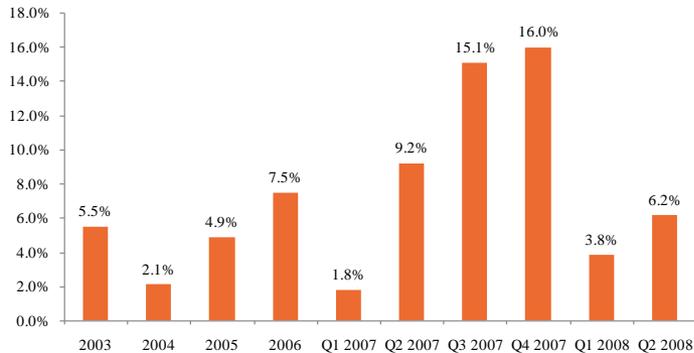


## Breakdown of securities portfolio, 30 June 2008



**Total securities portfolio: GEL 83 million**

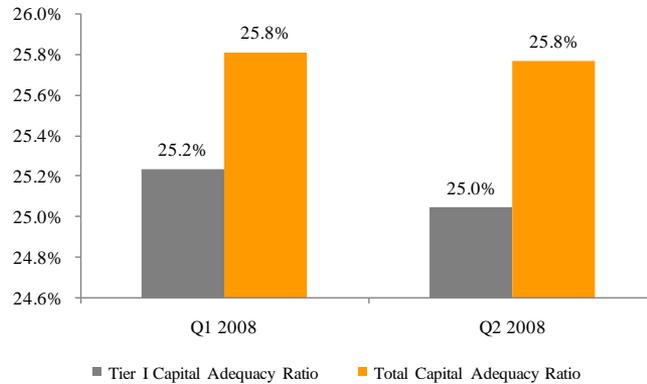
## Currency risk management, Q2 2008



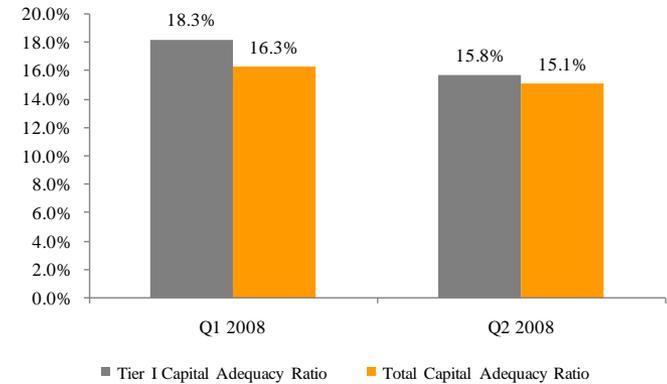
Note: Liquidity & Currency Risk Management calculations are based on the National Bank of Georgia requirements

# Capital adequacy

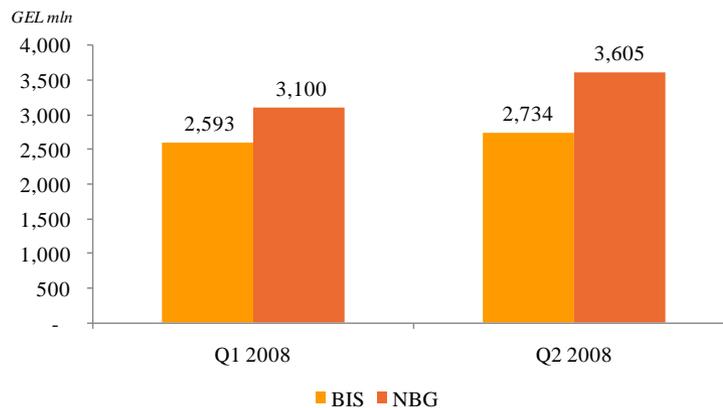
## BIS capital adequacy ratios



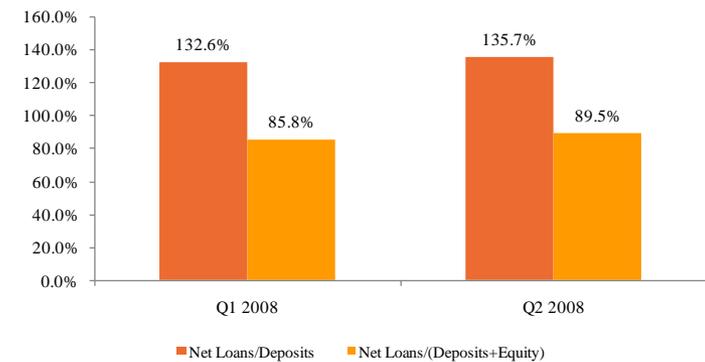
## NBG capital adequacy ratios



## Risk-weighted assets BIS vs. NBG



## Net loans/deposits & Loans/(deposits+equity)



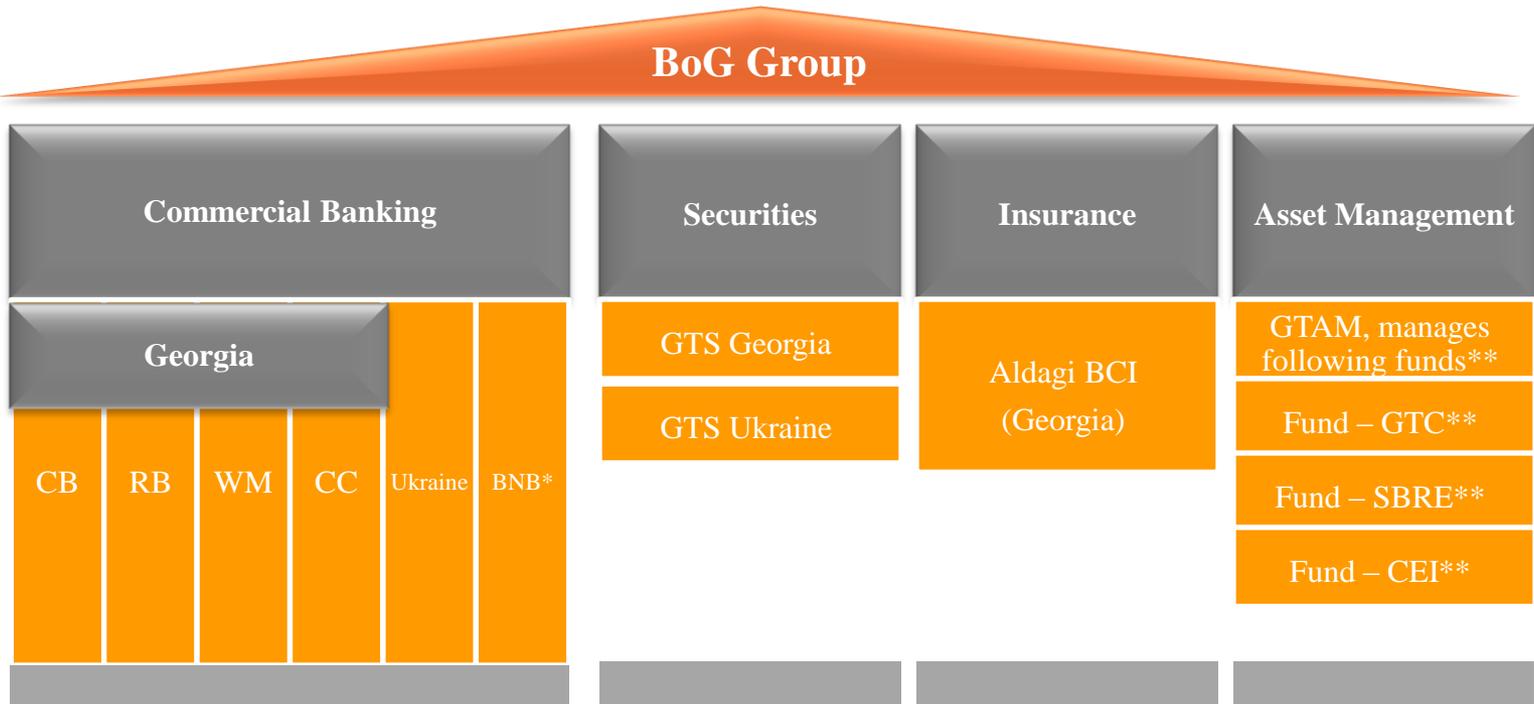
# Strategy

- ❏ Strategy in Q2 2008 was adjusted prompted by the challenging market environment in BOG's targets and globally
  - ❏ Main focus on maximizing the value of key business units, including banking operation in Georgia, UBDP and newly acquired BNB
  - ❏ International acquisition strategy on hold until 2009
  - ❏ Review of BOG's positions in non-core subsidiaries, including Aldagi BCI, GTAM and GTC
- ❏ The strategy further adjusted in the aftermath of the conflict between Russia and Georgia in August 2008
- ❏ Even sharper focus on the group's key asset – banking business in Georgia
- ❏ Managements priorities for the remainder of 2008 include
  - ❏ Working with clients whose ability to repay loans has been temporarily impaired as the result of the conflict with a view to finding a customer-focused solution, which would allow clients to resume servicing their loans on normal schedule
  - ❏ Rebuilding BOG's deposit base, which was depleted during the conflict
  - ❏ Raising funding from the International Financial Institutions who committed to providing considerable amount of financing to the Georgian banking sector

# *Business overview*

# Group structure: business lines

Reporting Lines



\* Belarusky Narodny Bank acquired in June 2008

\*\* 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 1H 2008 business unit results

30 June 2008 (GEL '000)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	46,926	81,508	2,888	13,248	612	14,081	4,400	3,353	167,016
Net Income	22,881	25,754	985	(40)	(4,407)	11,564	(335)	3,849	60,253
Total Assets	1,451,055	1,509,137	70,060	360,276	105,627	117,629	71,084	(284,160)	3,400,708
Total Liabilities	1,159,402	899,135	104,433	292,064	54,232	34,878	52,231	21,284	2,617,658

30 June 2007 (GEL '000)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	31,512	42,143	2,137	-	11,850	1,718	4,364	(516)	93,207
Net Income	15,337	14,749	864	-	7,713	(393)	762	(6,679)	32,352
Total Assets	968,859	740,564	55,125	-	52,722	53,239	44,189	3,135	1,917,833
Total Liabilities	786,613	498,748	73,233	-	20,342	28,734	40,346	65,810	1,513,826

Y-O-Y Growth	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	48.91%	93.41%	35.15%	NMF	-94.84%	719.51%	0.84%	NMF	79.19%
Net Income	49.19%	74.62%	14.03%	NMF	NMF	NMF	NMF	NMF	86.24%
Total Assets	49.77%	103.78%	27.09%	NMF	100.35%	120.95%	60.86%	NMF	77.32%
Total Liabilities	47.39%	80.28%	42.60%	NMF	166.60%	21.38%	29.46%	NMF	72.92%

30 June 2008 (Share)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	28.10%	48.80%	1.73%	7.93%	0.37%	8.43%	2.63%	2.01%	100.00%
Net Income	37.98%	42.74%	1.63%	-0.07%	-7.31%	19.19%	-0.56%	6.39%	100.00%
Total Assets	42.67%	44.38%	2.06%	10.59%	3.11%	3.46%	2.09%	-8.36%	100.00%
Total Liabilities	44.29%	34.35%	3.99%	11.16%	2.07%	1.33%	2.00%	10.81%	100.00%

30 June 2007 (Share)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	33.81%	45.21%	2.29%	0.00%	12.71%	1.84%	4.68%	-0.55%	100.00%
Net Income	47.41%	45.59%	2.67%	0.00%	23.84%	-1.22%	2.35%	-20.64%	100.00%
Total Assets	50.52%	38.61%	2.87%	0.00%	2.75%	2.78%	2.30%	0.16%	100.00%
Total Liabilities	51.96%	32.95%	4.84%	0.00%	1.34%	1.90%	2.67%	4.35%	100.00%

# Bank of Georgia Q2 2008 business unit results

Q2 2008 (GEL '000)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	22,841	43,782	1,247	6,746	(1,006)	1,678	2,600	8,034	85,921
Net Income	12,383	12,819	314	657	(2,553)	3,418	36	1,261	28,335

Q1 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)	81,094
Net Income	10,498	12,936	670	(697)	(1,854)	8,147	(371)	2,588	31,918

Q2 2007 (GEL '000)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	17,778	23,359	1,311	-	10,434	1,401	2,177	(4,308)	52,152
Net Income	7,866	7,722	638	-	7,396	(237)	360	(5,056)	18,690

Y-O-Y Growth	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	28.48%	87.43%	-4.90%	NMF	NMF	19.83%	19.42%	NMF	64.75%
Net Income	57.42%	65.99%	-50.69%	NMF	BNF	NMF	-89.93%	NMF	51.61%

Q-O-Q Growth	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	-5.17%	16.05%	-23.99%	3.74%	NMF	-86.47%	44.35%	NMF	5.95%
Net Income	17.96%	-0.91%	-53.10%	NMF	37.71%	-58.05%	NMF	-51.28%	-11.22%

Q2 2008 (Share)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	26.58%	50.96%	1.45%	7.85%	-1.17%	1.95%	3.03%	9.35%	100.00%
Net Income	43.70%	45.24%	1.11%	2.32%	-9.01%	12.06%	0.13%	4.45%	100.00%

Q1 2008 (Share)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	29.70%	46.52%	2.02%	8.02%	1.99%	15.29%	2.22%	-5.77%	100.00%
Net Income	32.89%	40.53%	2.10%	-2.18%	-5.81%	25.52%	-1.16%	8.11%	100.00%

Q2 2007 (Share)	CB	RB	WM	Ukraine	GTS	AM	Insurance	CC/Eliminations	Total
Total Operating Income (Revenue)	34.09%	44.79%	2.51%	0.00%	20.01%	2.69%	4.17%	-8.26%	100.00%
Net Income	42.09%	41.32%	3.41%	0.00%	39.57%	-1.27%	1.93%	-27.05%	100.00%

# Corporate banking

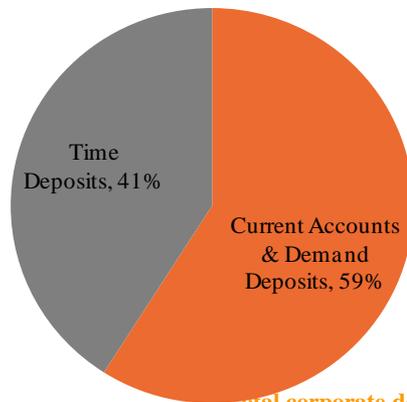
## Integrated client coverage in the following key sectors

- ☐ 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 44% market share based on customer deposits<sup>(1)</sup>
- ☐ Circa 27% market share based on corporate loans<sup>(2)</sup>
- ☐ Integrated client coverage in key sectors
- ☐ 71,000+ clients of which 8,181 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 Turkish gas station chain Petrol Ofisi Georgia, a Ukrainian Airlines representative office and Electricity System Commercial Operator.
- ☐ Increased the number of corporate clients using the Bank's payroll services from approximately 700 at the end of 2007 to over 850 by 30 June 2008
- ☐ Approximately 3,420 legal entities opened accounts at the bank in Q2 2008, bringing the total number of current accounts to approximately 128,000

## Corporate client deposits (30 June 2008)



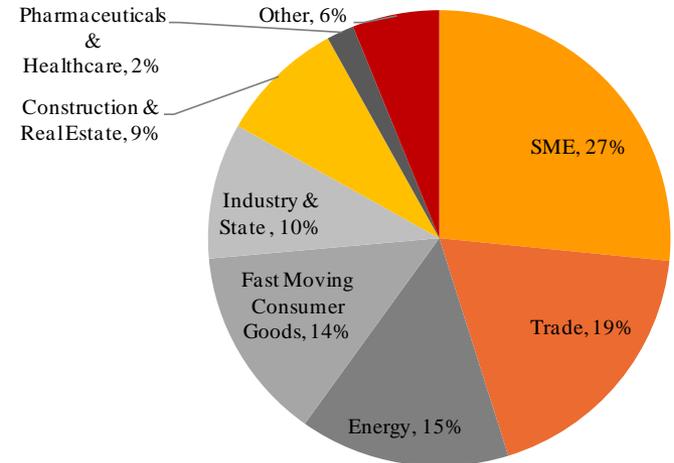
Total corporate deposits: GEL 682 mln

Notes:

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

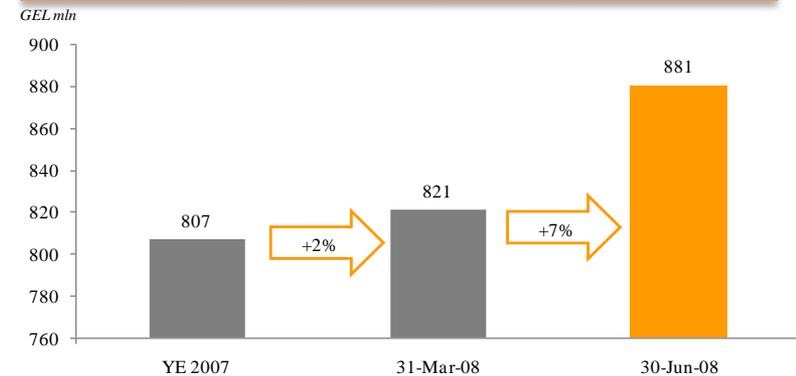


## Corporate loan portfolio (30 June 2008)



Total corporate loans: GEL 881 mln

## Corporate gross loan portfolio growth



Note: does not include Ukraine

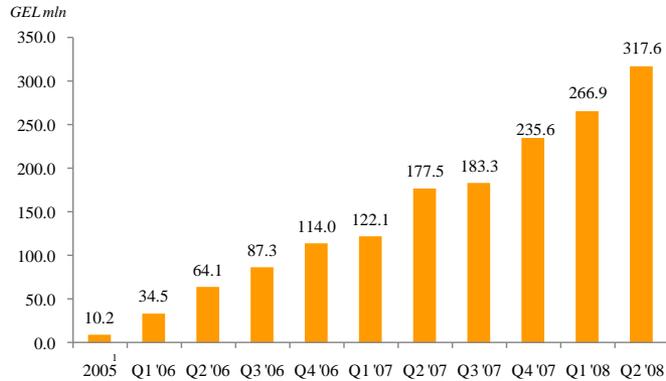
# Retail Banking highlights

- Increased the number of retail current accounts from approximately 705,000 at the beginning of the year to over 880,000 as at 30 June 2008.
- Launched a new universal remote banking platform for multiple communication channels, including Internet, voice telephony and mobile.
- Jointly with Populi, the leading Georgian supermarket chain, launched a co-branded credit card, Populi Credit, which is targeted at Populi or any other convenience/grocery store customers; over 4,000 cards were issued since the launch with a total approved credit limit of GEL 2.1 million.
- Opened 17 new branches (service centers) in Georgia, bringing the total number of branches to 134 by 30 June 2008.
- Stepped up the issuance of credit cards, as the number of credit cards issued reached approximately 68,800 in 1H 2008 compared with 22,701 credit cards issued in 1H 2007. In 1H 2008 over 144,000 debit cards were issued, compared with approximately 164,500 debit cards issued during 1H 2007
- Continued acquiring new merchants as the installed POS terminal footprint grew to 2,452 compared with 1,594 at the end of 2007.
- The total number of cards serviced by Georgian Card grew from 876,263 at year end 2007 to approximately 1,054,080 by 30 June 2008, while the number of transaction authorisations processed by Georgian Card in 1H 2008 grew 120.1% y-o-y to approximately 15.7 million. The volume of transactions processed grew to GEL 1,035 million, up 149.7% y-o-y.
- Continued investing in electronic banking channels; the number of ATMs grew to 363 by 30 June 2008 (up from 250 at the end of 2007), number of mobile banking users reached 42,119, up 6.1% from the beginning of the year, and the number of registered Internet banking users grew 256.6% y-o-y to over 200,000. In Q2 2008 Person-to-Person Money transfer feature was added to Bank of Georgia's ATM network.
- Increased car loan originations for 1H 2008 to GEL 41.4 million (up 158.5% y-o-y and 42.6% q-o-q). Car loans outstanding by 30 June 2008 stood at GEL 63.2 million, up 184.2% y-o-y (70.6% year-to-date).
- Increased mortgage loan originations to GEL 164.4 million in 1H 2008 (up 156.8% y-o-y and 12.1% q-o-q). Mortgage loans outstanding on 30 June 2008 stood at GEL 283.1 million, up 167.7% y-o-y, (up 56.7% year-to-date).

# Retail Banking – No. 1 retail bank in Georgia

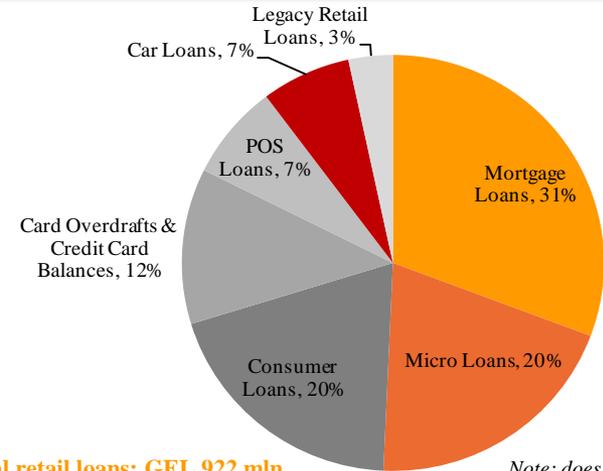


## Retail Loans Originated



(1) Monthly average

## RB Loan Portfolio (30 June 2008)



Total retail loans: GEL 922 mln

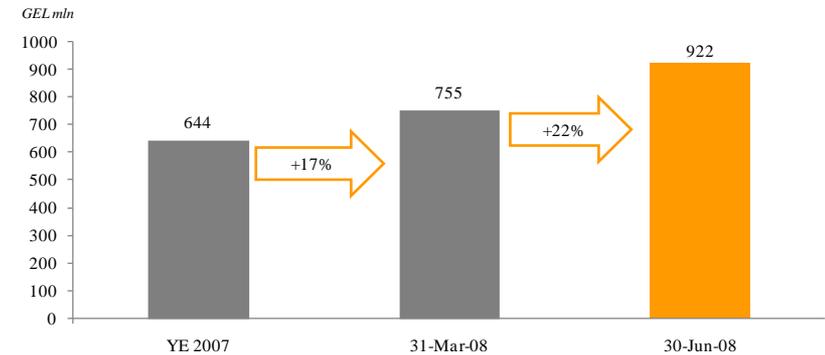
Note: does not include Ukraine

## Leadership in Consumer Lending

	YE 2006	YE 2007	Jun-08
POS Contracts Signed	454	969	1,150
Exclusive	310	870	1,026
Outlets Operating	89	278	378
Outlets Served	251	640	925
Number of Consumer Loans Outstanding*	23,338	50,120	65,613
Volume of Consumer Loans Outstanding (GEL mln)*	49.5	119.6	180.2
Relationship With Car Dealers	21	30	32
Exclusive	10	12	12
Presence In Outlets	4	8	11
Credit Cards Outstanding	356	108,616	181,206

\* data does not includes WM Consumer Loans

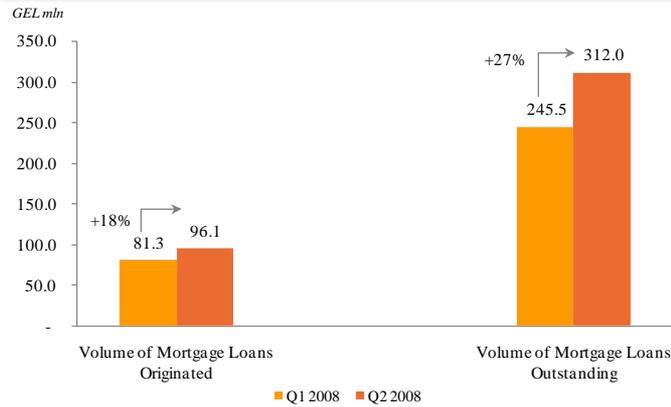
## Retail Gross Loan Portfolio Growth



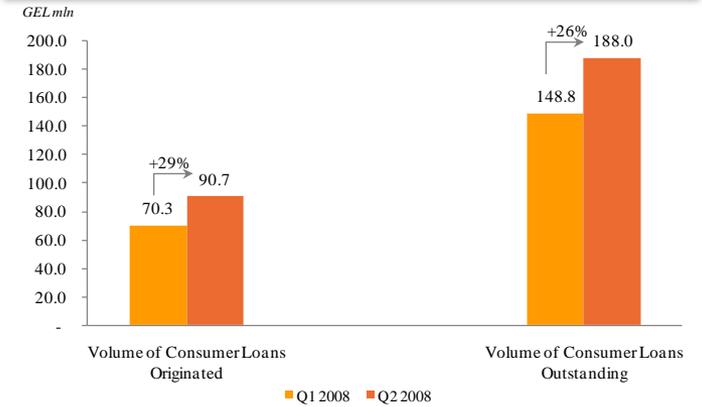
Note: does not include Ukraine

# Loan origination

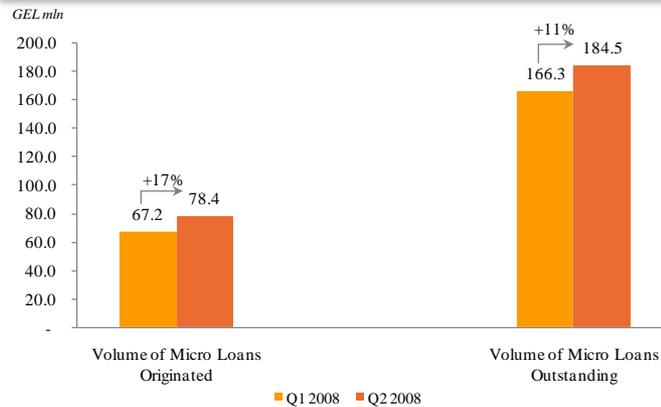
## Mortgage Loans



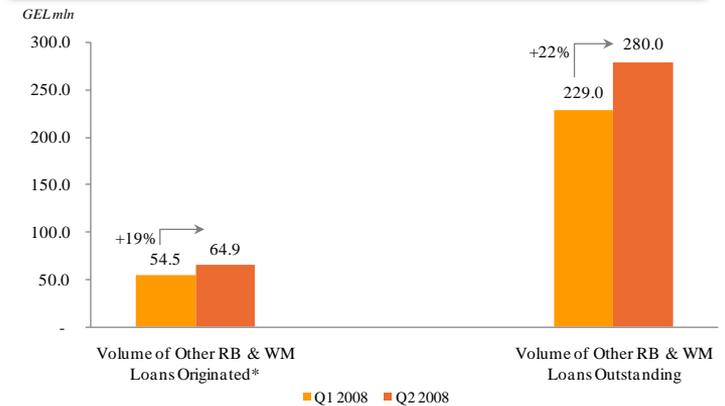
## Consumer Loans



## Micro Loans



## Other RB & WM Loans

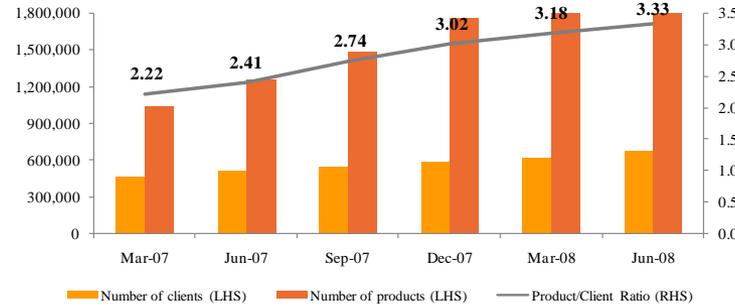


Note: does not include Ukraine

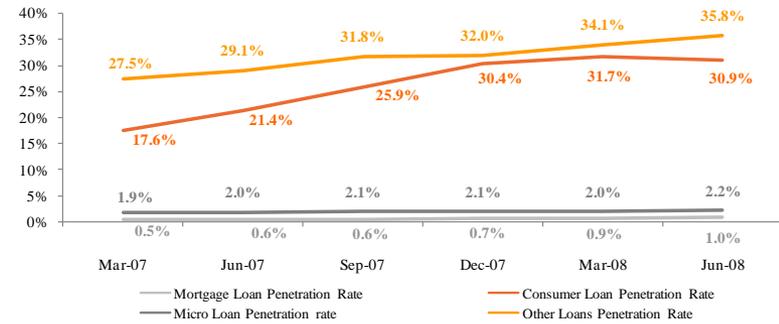
\* Other RB & WM Retail Loans Originated include POS and car loans originated

# RB cross-selling

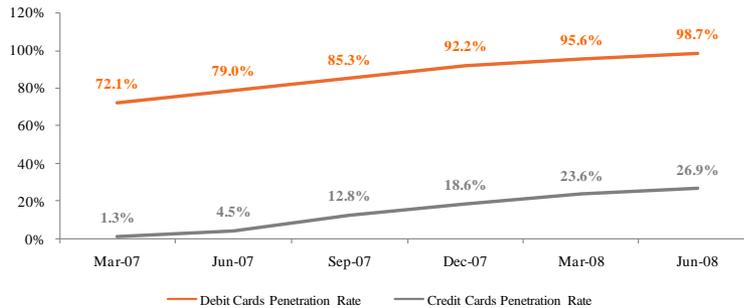
## Product/Client Ratio



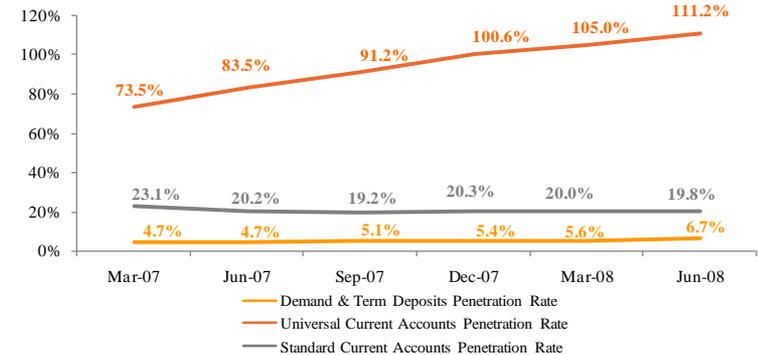
## RB Loans Penetration Rate\*



## Cards Penetration Rate\*



## Current Accounts & Deposits Penetration Rate\*



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

# Card processing

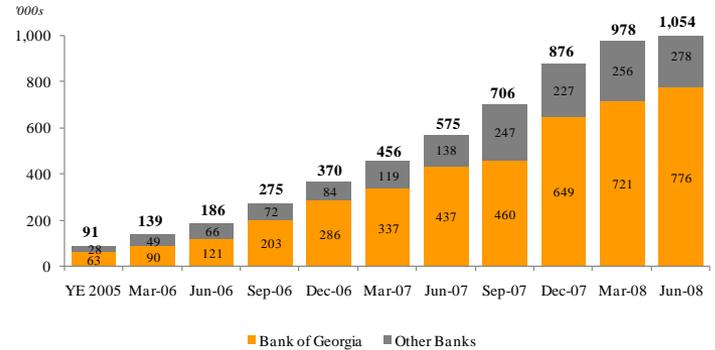


- 56% ownership of Georgian Card
- Migration to TietoEnator Transmaster in 2005
- Enhanced functionality and new product support

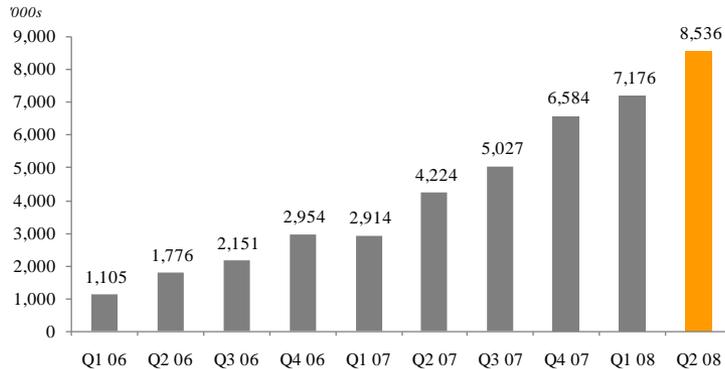
## Client Banks



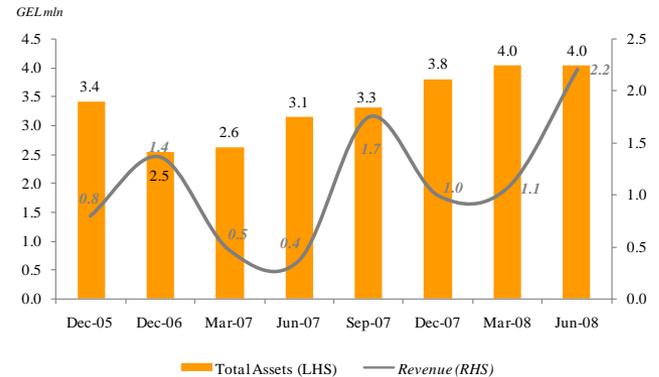
## Number of Cards Serviced by Georgian Card



## Transaction Authorisations By Georgian Card

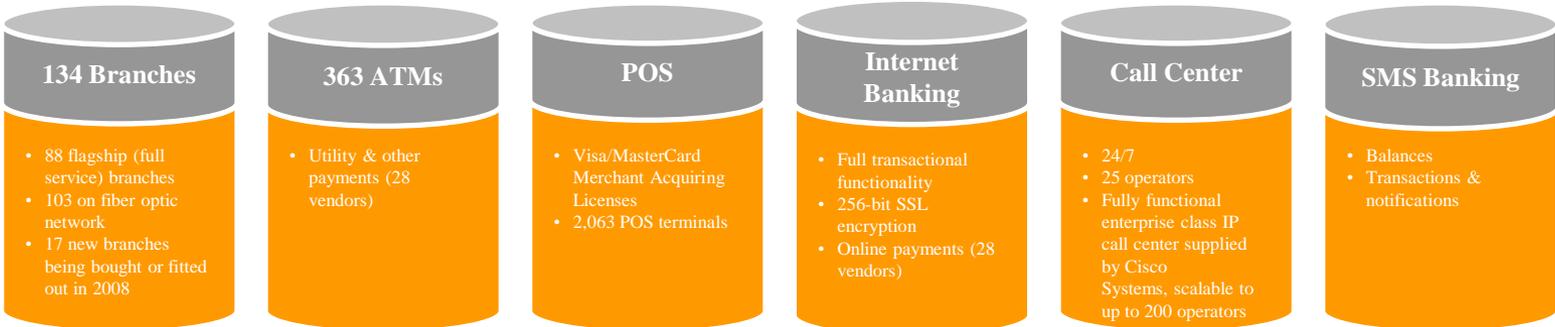


## Georgian Card's Revenue & Assets



# Superior retail footprint & consumer reach

Service delivery channels



As of 30 June 2008:  
**665,000+ debit cards/880,000+ current accounts**

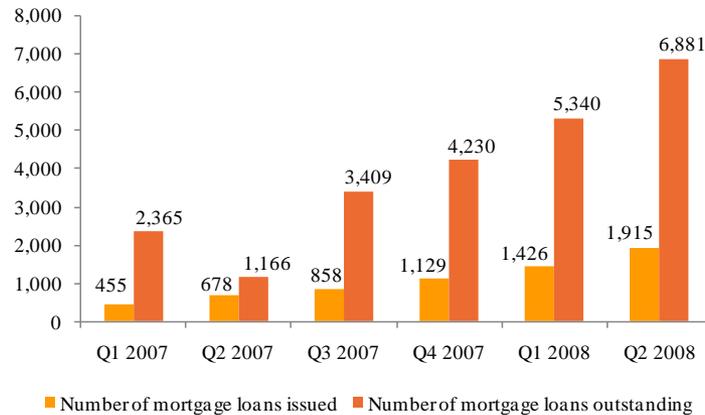


Alternative customer acquisition channels

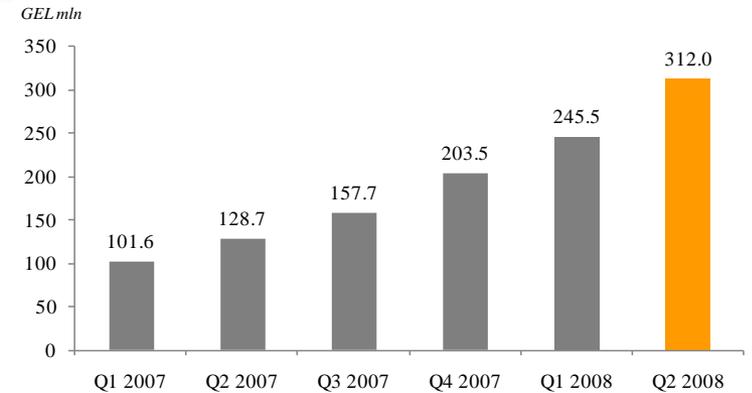


# Analysis of mortgage portfolio

## Number of Mortgage Loans Issued & Outstanding



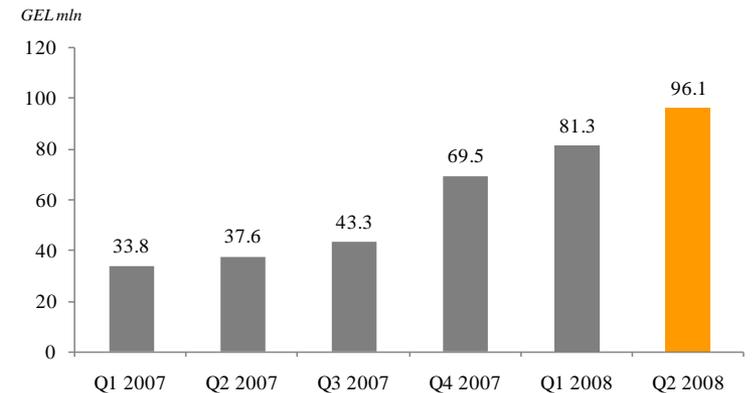
## Volume of Mortgage Loans Outstanding



## Typical Mortgage Terms

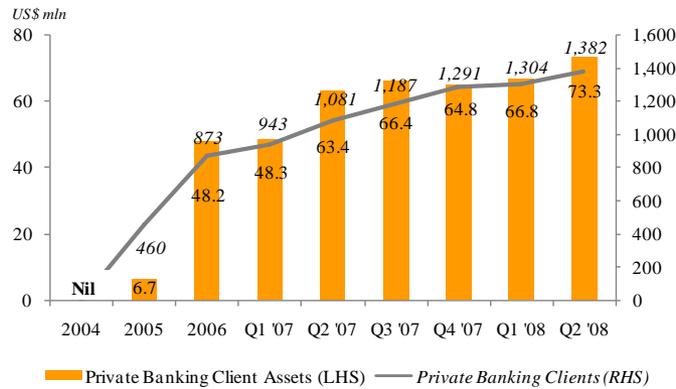
- 🏠 Rate: 14% - 18%
- 🏠 Tenor: 10-25 years
- 🏠 Currency: US\$
- 🏠 LTV: Normally 70% - 80%

## Volume of Mortgage Loans Issued



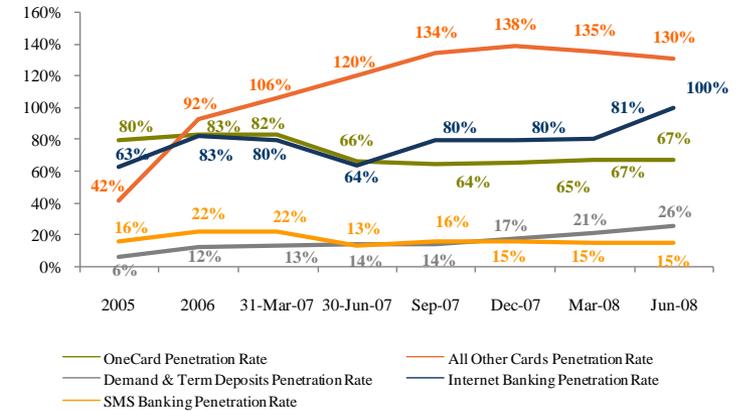
# Wealth Management (WM) performance review

## WM Clients and Client Assets

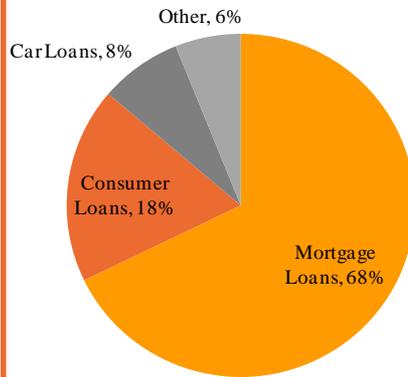


Notes: (1) Converted at exchange rates of GEL/US\$, 1.793 (2005), 1.714 (2006), 1.700 (Q1 2007), 1.670 (Q2 2007), 1.66 (Q3 2007), 1.59 (Q4 2007), 1.48 (Q1 2008) and 1.42 (Q2 2008)  
 (2) PB Client Assets include: Balances on OneCard Accounts, Credit Balances on Other Cards, Credit Balances on Regular Current Accounts, Demand & Time Deposits, Brokerage & Asset Management Accounts, Pensions

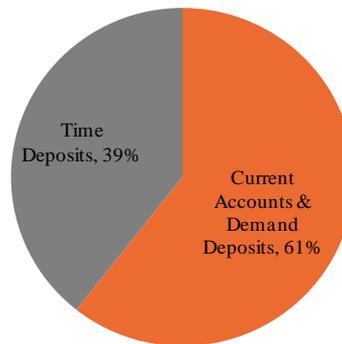
## WM Products Penetration



## WM Loans and Deposits (30 June 2008)

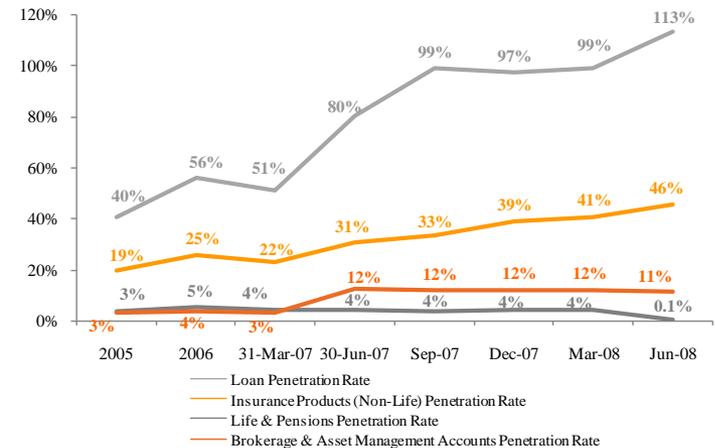


Total PB loans: GEL 43 mln



Total PB deposits: GEL 82 mln

## WM Products Penetration Cont'd

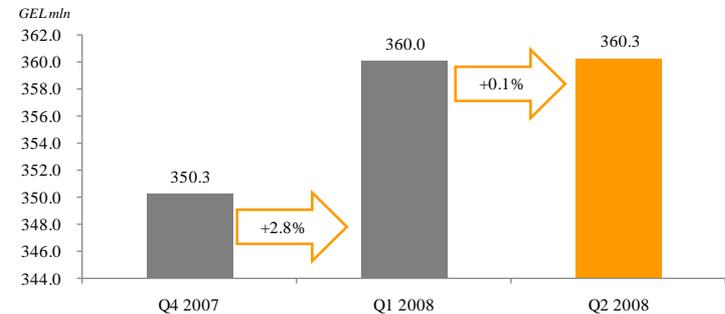


# Ukraine (UBDP)

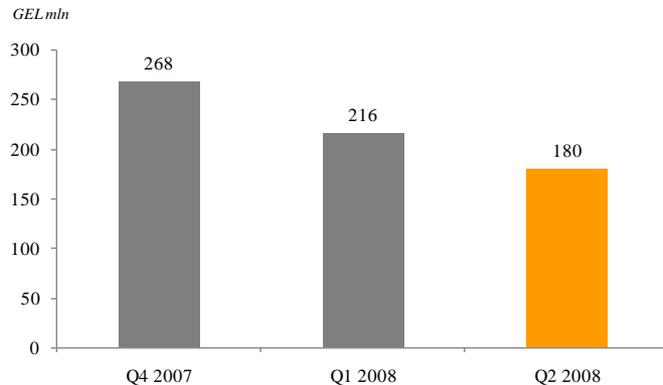
## Integration Highlights

- Shareholders' Meeting of UBDP held on 16 May 2008 approved the increase of UBDP's capital from UAH 140 million to UAH 265 million through the issue of 125 million new shares at UAH 1 per share.
- Launched Micro and Small Enterprise ("MSE") Lending Program, which is being implemented through a newly-established MSE department, which currently employs 20 MSE lending managers.
- Increased number of retail current accounts from approximately 44,000 at YE 2007 to over 45,700 as at 30 June 2008
- Increased number of corporate current accounts from approximately 4,710 at YE 2007 to over 5,000 as at 30 June 2008
- Launched the program for rationalization of UBDP operations, including headcount and branch network. An ongoing headcount optimization resulted in reduction of UBDP's staff from 814 at year-end 2007 to 781 on 30 June 2008 and closure of five unprofitable branches.

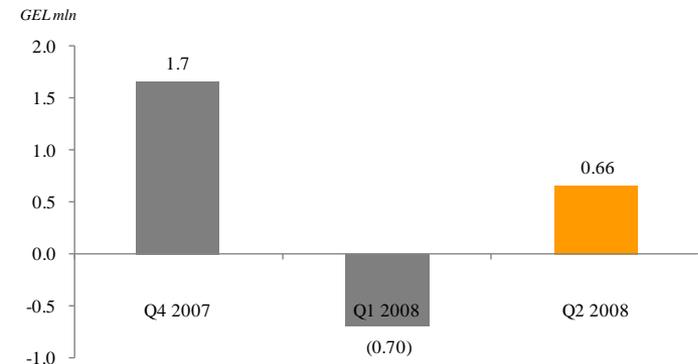
## Asset Growth



## Client Deposits

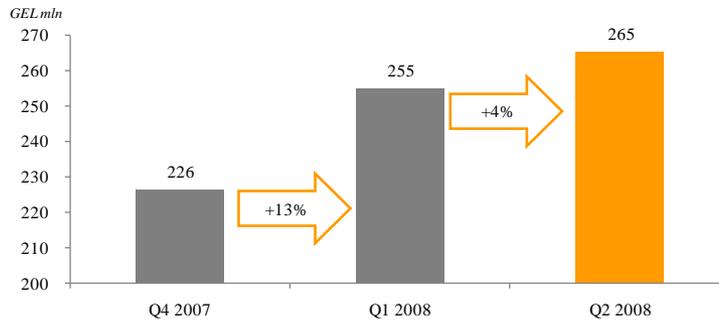


## Net Income

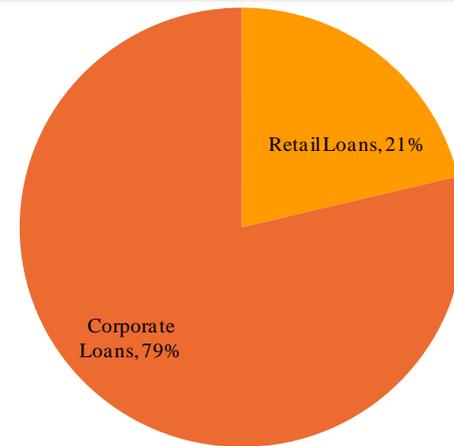


# Ukraine (UBDP) loan portfolio

## Loan Book Growth

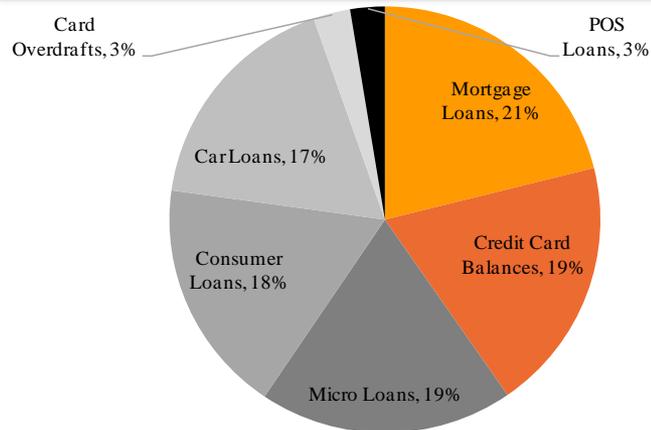


## Loan Portfolio Breakdown, 30 June 2008

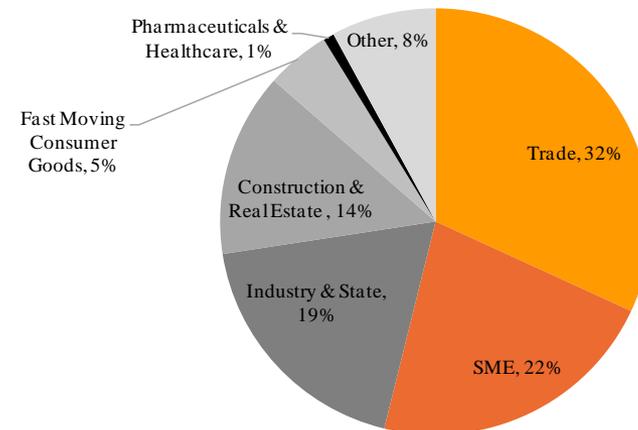


**Gross Loans: GEL 265 million**

## Retail Loan Portfolio Breakdown, 30 June 2008

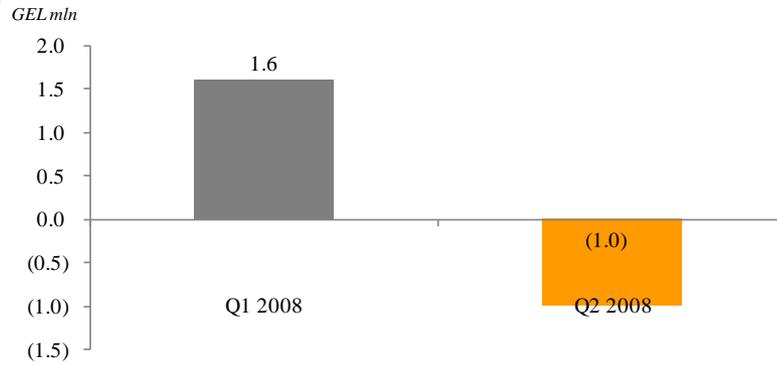


## Corporate Loan Portfolio Breakdown, 30 June 2008

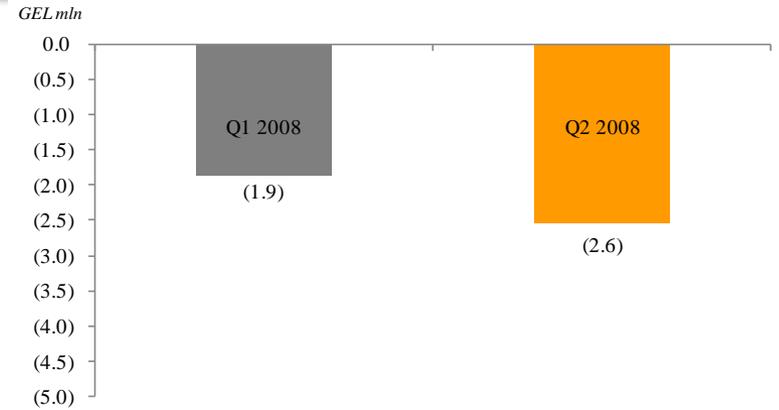


# Galt & Taggart Securities

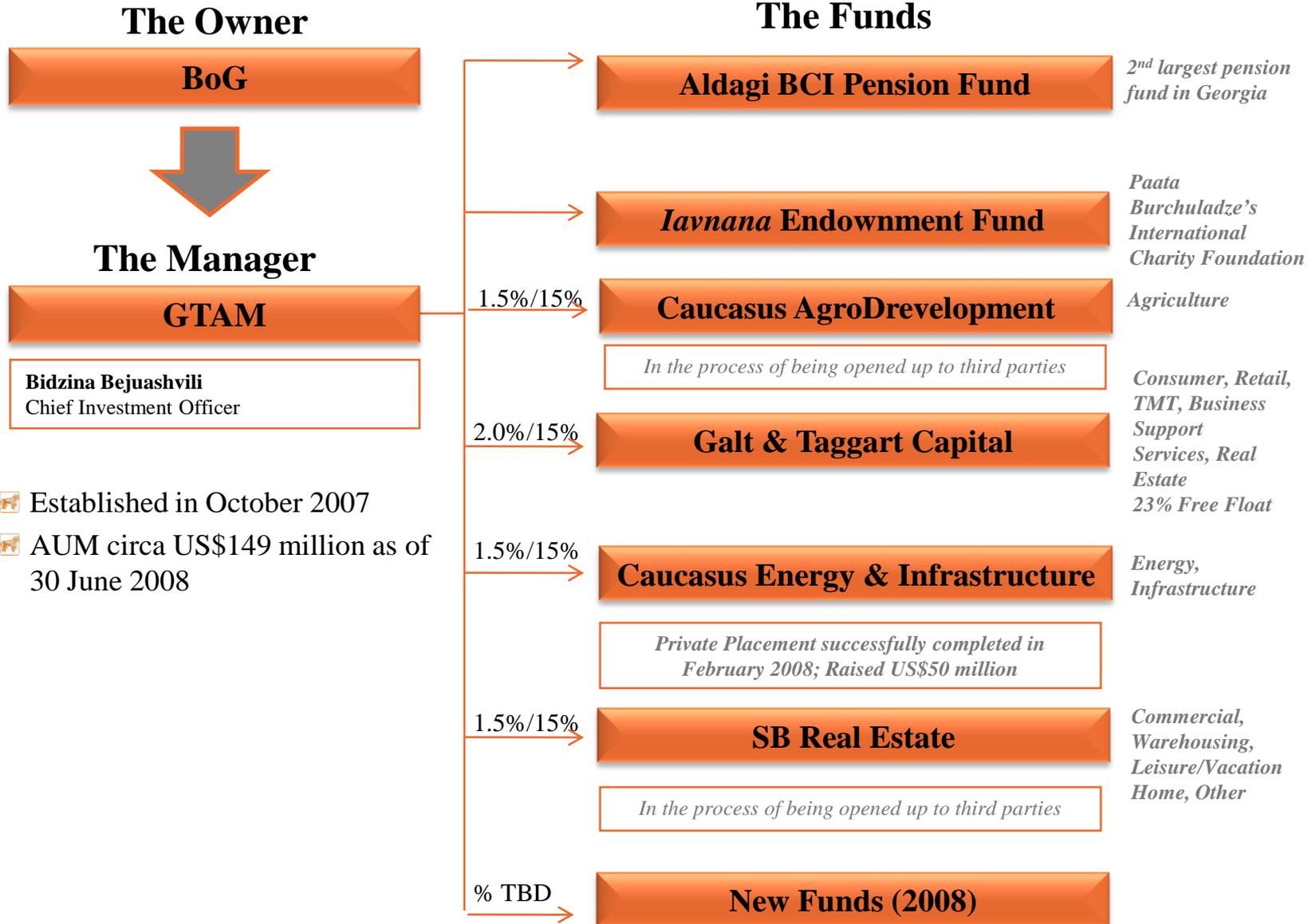
## Revenue



## Net Income (Loss)



# Asset Management review



# Asset Management review cont'd

## Galt & Taggart Capital (GTC)

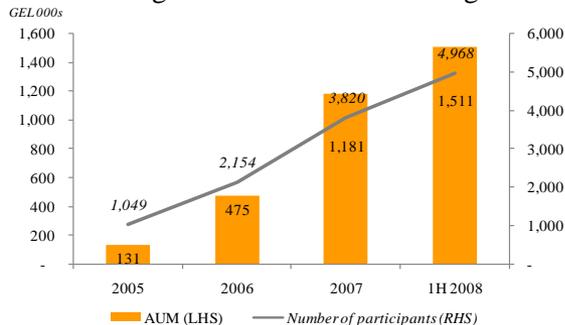
- MCAP: circa US\$53 million as at 30 June 2008
- GSE: GTC
- Investments include consumer, retail, TMT, business support services & real estate sectors

### Selected Portfolio Companies



## Aldagi BCI Pension Fund

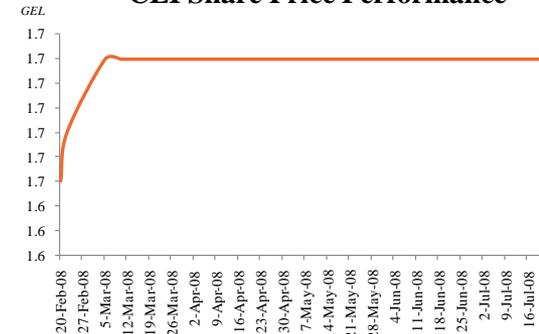
- NAV: circa US\$ 1.4 million as at 30 June 2008
- Second largest Pension Fund in Georgia



## Caucasus Energy & Infrastructure (CEI)

- MCAP: circa US\$56 million as at 30 June 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

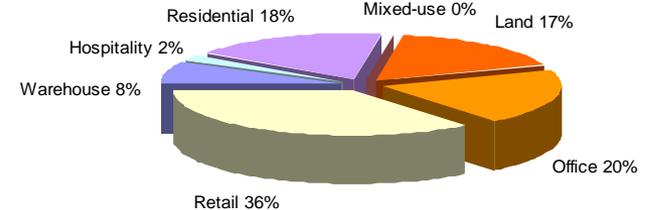
### CEI Share Price Performance



## SB Real Estate (SBRE)

- NAV: circa US\$51 million as at 30 June 2008
- 16 properties in the portfolio

### Property Breakdown as % of NAV

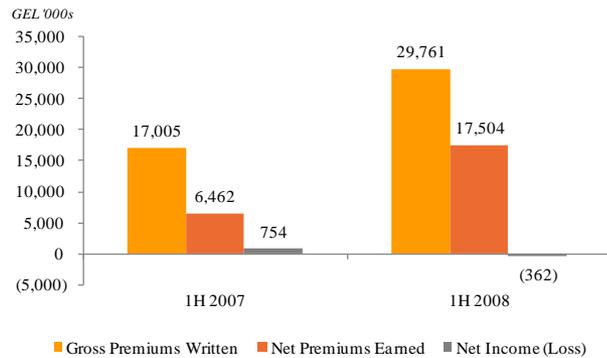


# Aldagi BCI (Insurance)

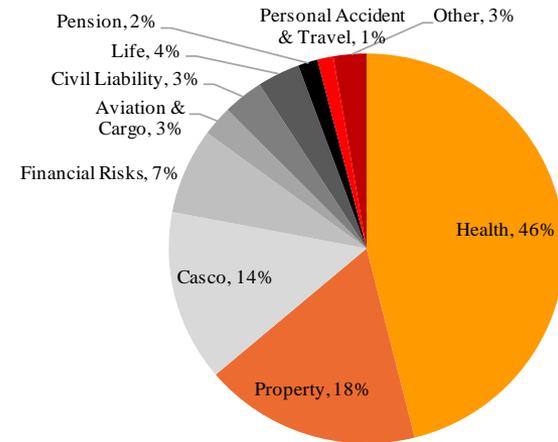
## Size of the Georgian Insurance Market

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)

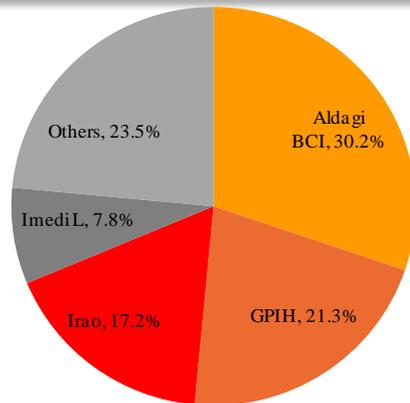


## Georgian Insurance Market Product Breakdown (Q1 2008)



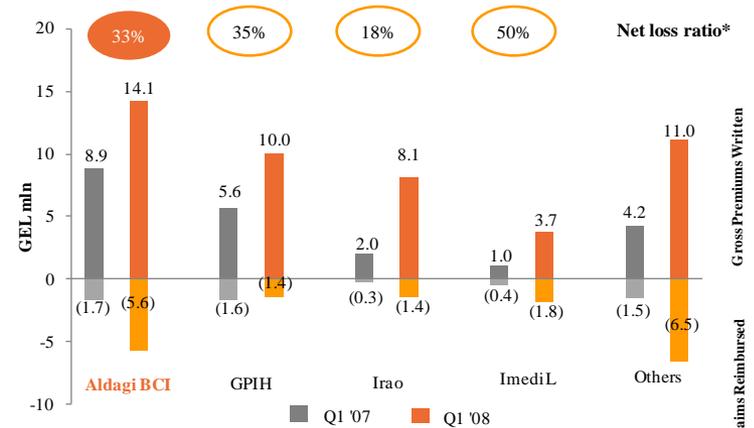
Source: State Insurance Supervision Service of Georgia

## 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



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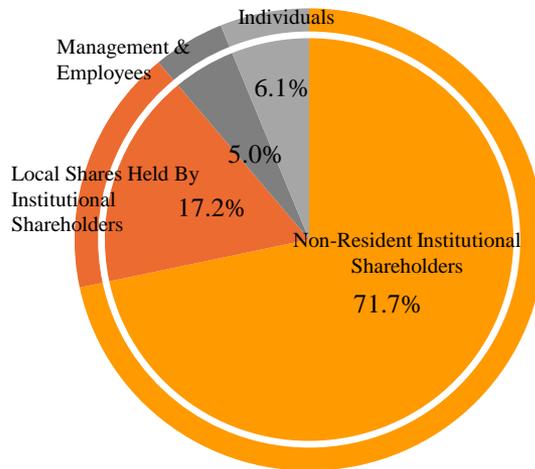
# *Appendices*

# *Bank of Georgia price performance*

# Ownership structure & share price performance

Broadly owned by over 100 institutional accounts

## Ownership structure, June 2008

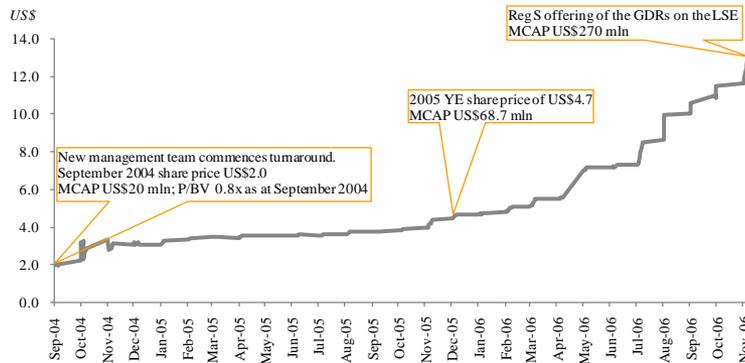


30-Jun-08	Total	%
GDR Holders*	22,395	71.7%
Local Shares Held by Institutional Shareholders	5,384	17.2%
Management & Employees**	1,547	5.0%
Local Shares Held by Domestic and Foreign Retail Shareholders	1,920	6.1%
<b>Total Shares Outstanding</b>	<b>31,248</b>	<b>100.0%</b>
Adjusted for Galt & Taggart Securities' Proprietary Book <sup>(1)</sup>	(218)	
<b>Adjusted Total Shares Outstanding</b>	<b>31,029</b>	

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

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

## Bank of Georgia share price performance

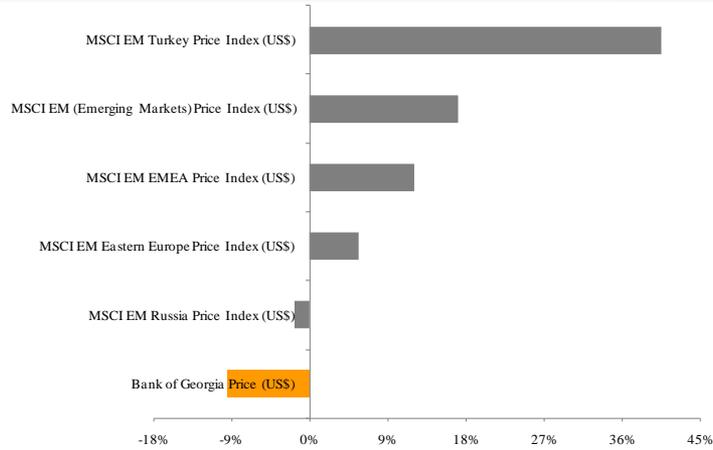


## Bank of Georgia GDR price performance

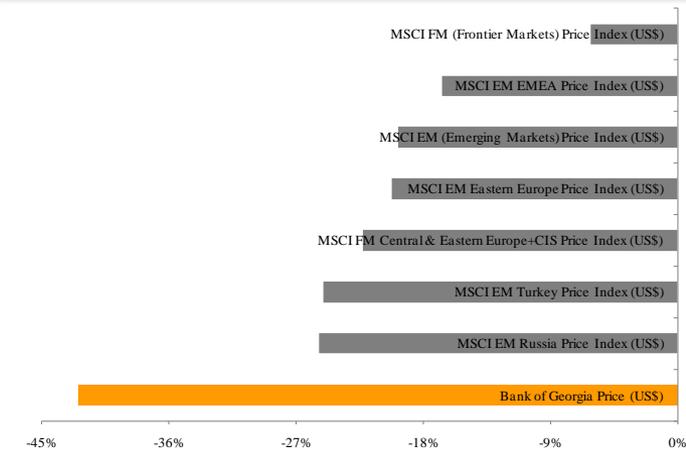


# 2006-YTD 2008 price performance

Bank of Georgia price vs. selected MSCI indices, November 2006 –YTD 2008



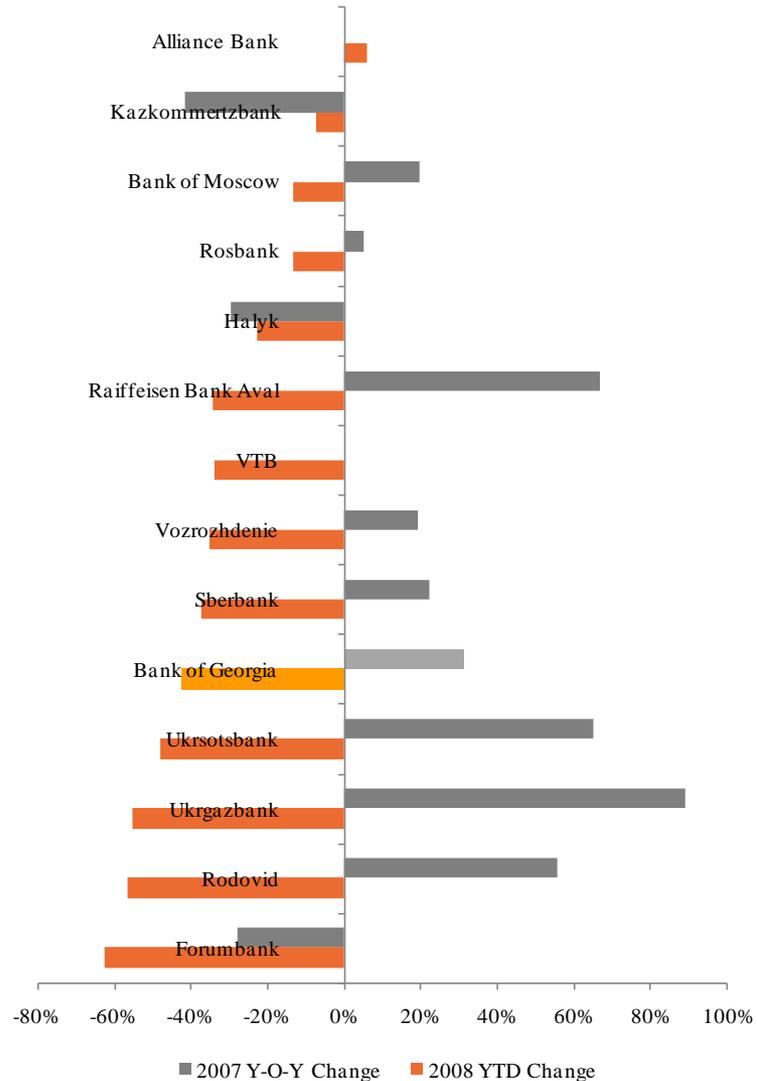
Bank of Georgia price vs. selected MSCI indices, YTD 2008



Source: MSCI Barra



Bank of Georgia price vs. CIS banks 2007 & YTD 2008 price performance



Source: Bloomberg

# Analyst coverage



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# *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

1H 2008=1.42

GEL mln	Growth				Market Share (YE 2006)		Market Share (YE 2007)		Market Share (1H 2008)				
	YE 2006	YE 2007	1H 2008	Growth 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	8,606	19.4%	50.6%	65.9%	70.9%	80.1%	27.9%	80.0%	35.2%	79.7%	34.0%
Gross Loans	2,676	4,589	5,531	20.5%	32.5%	55.0%	71.5%	83.2%	26.5%	81.7%	32.7%	82.8%	33.3%
Deposits	2,327	3,511	4,075	16.0%	24.0%	51.4%	50.9%	82.2%	24.5%	81.4%	31.4%	79.0%	29.7%
Equity	889	1,471	1,792	21.8%	10.5%	87.4%	65.5%	78.3%	39.9%	73.3%	33.8%	75.2%	38.6%
Net Income	93	109	76	NMF	0.4%	50.5%	17.5%	80.8%	23.6%	NMF	41.9%	~100%	61.0%

- ☐ 22 banks as at 31 July 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\$142 at 30 June 2008)

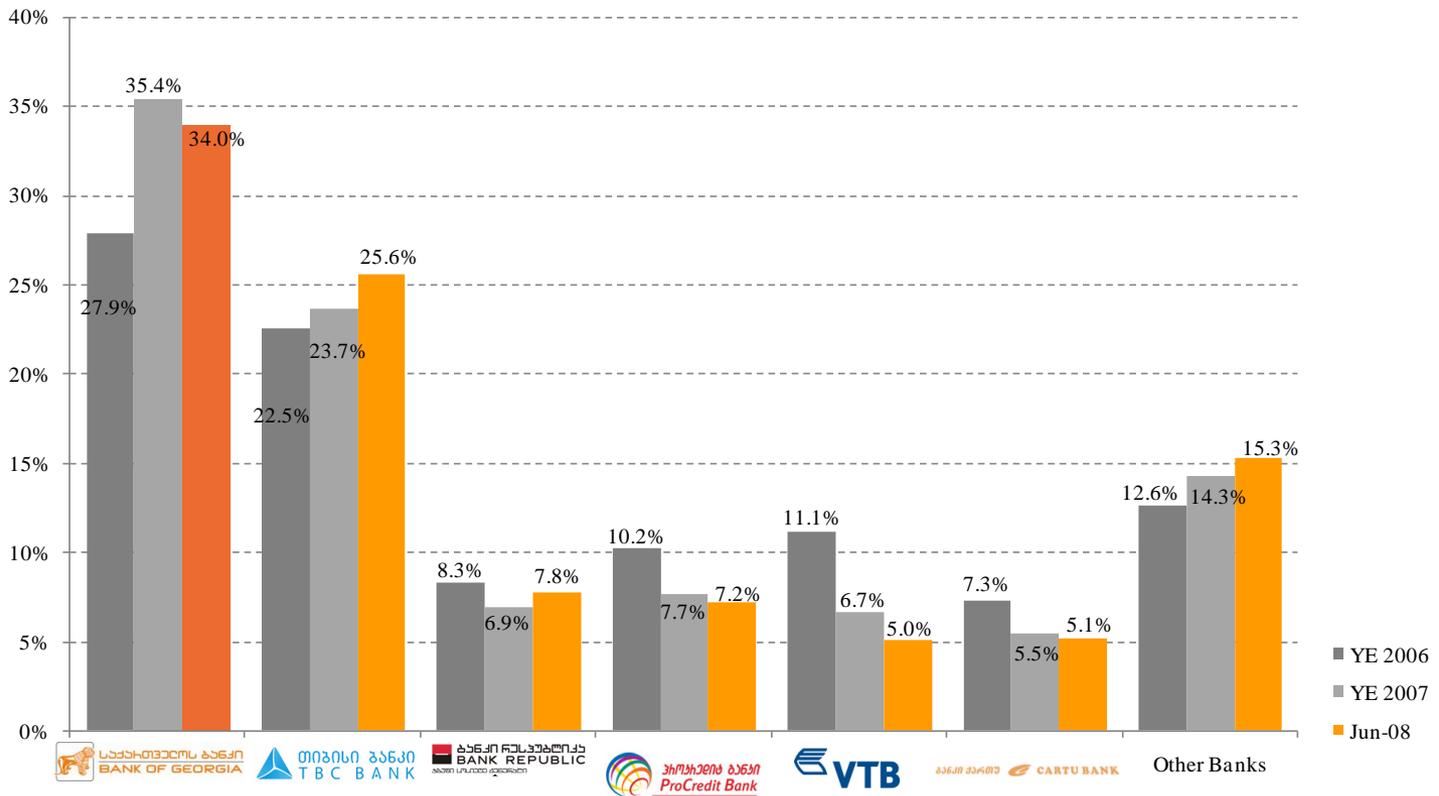
Note: All data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia [www.nbg.gov.ge](http://www.nbg.gov.ge)  
 \* YE 2007 Total Assets/2007 GDP, YE 2007 Gross Loans/2007 GDP, YE 2007 Deposits/2007 GDP, YE 2007 Equity/2007 GDP, 2007 Net Income/2007 GDP

# Peer group's market share in Total Assets

Peer Group's market shares in Total Assets, 1H 2008

GEL/US\$

Period End  
 YE 2006 = 1.71  
 YE 2007 = 1.59  
 1H 2008 = 1.42



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, 1H 2008

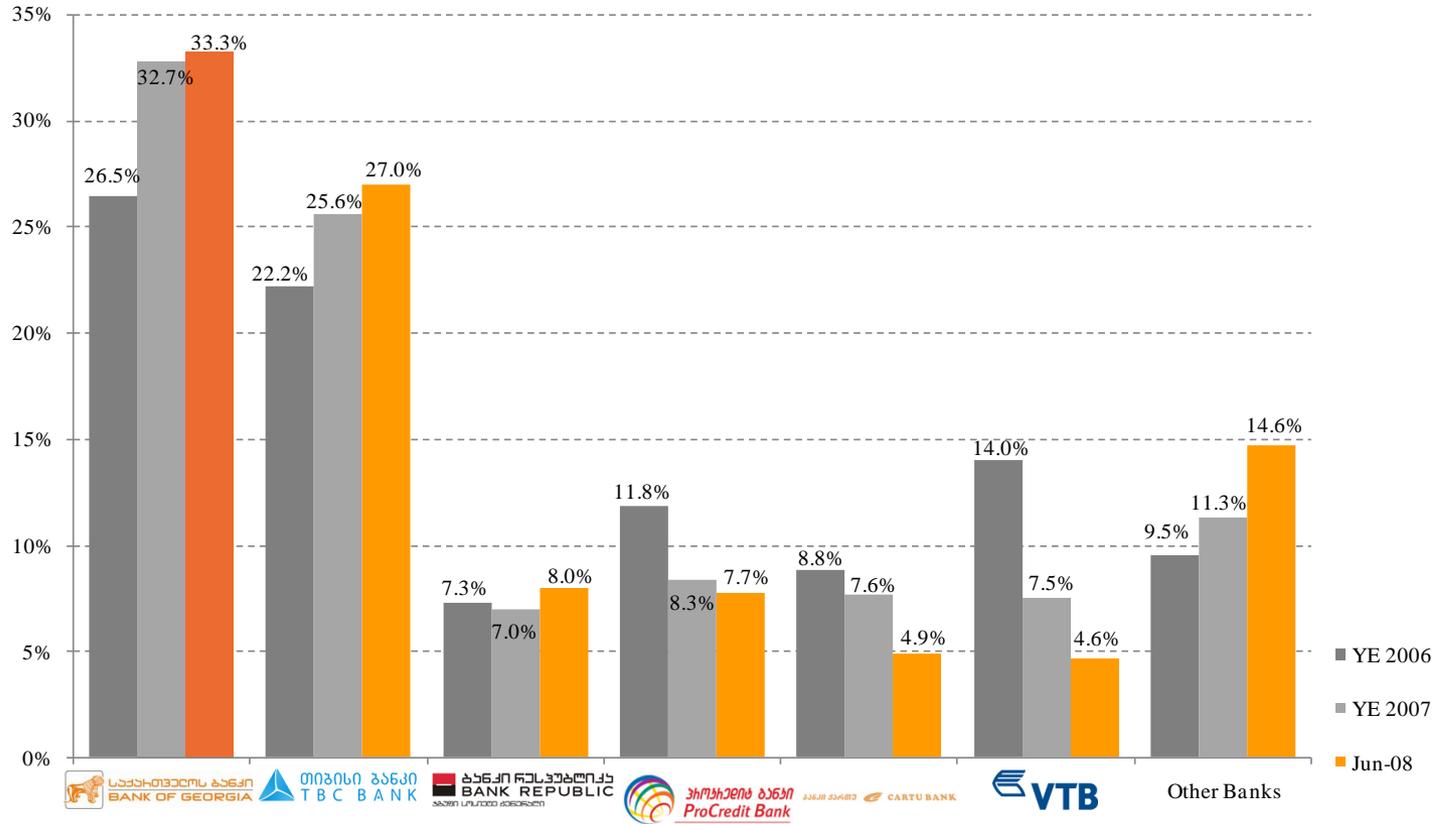
GEL/US\$

Period End

YE 2006 = 1.71

YE 2007 = 1.59

1H 2008 = 1.42



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\$

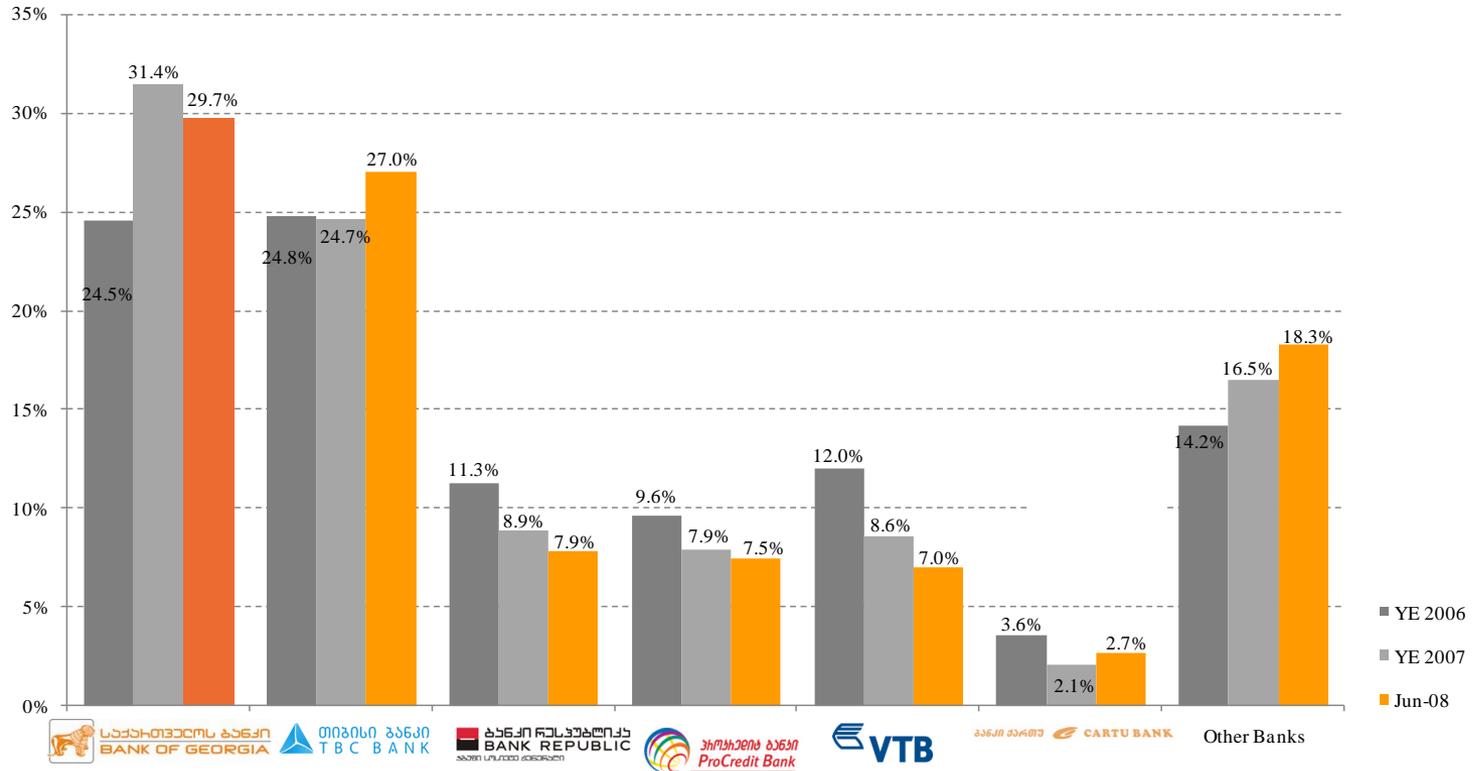
Period End

YE 2006 = 1.71

YE 2007=1.59

1H 2008=1.42

Peer Group's market shares in Deposits, 1H 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, 1H 2008

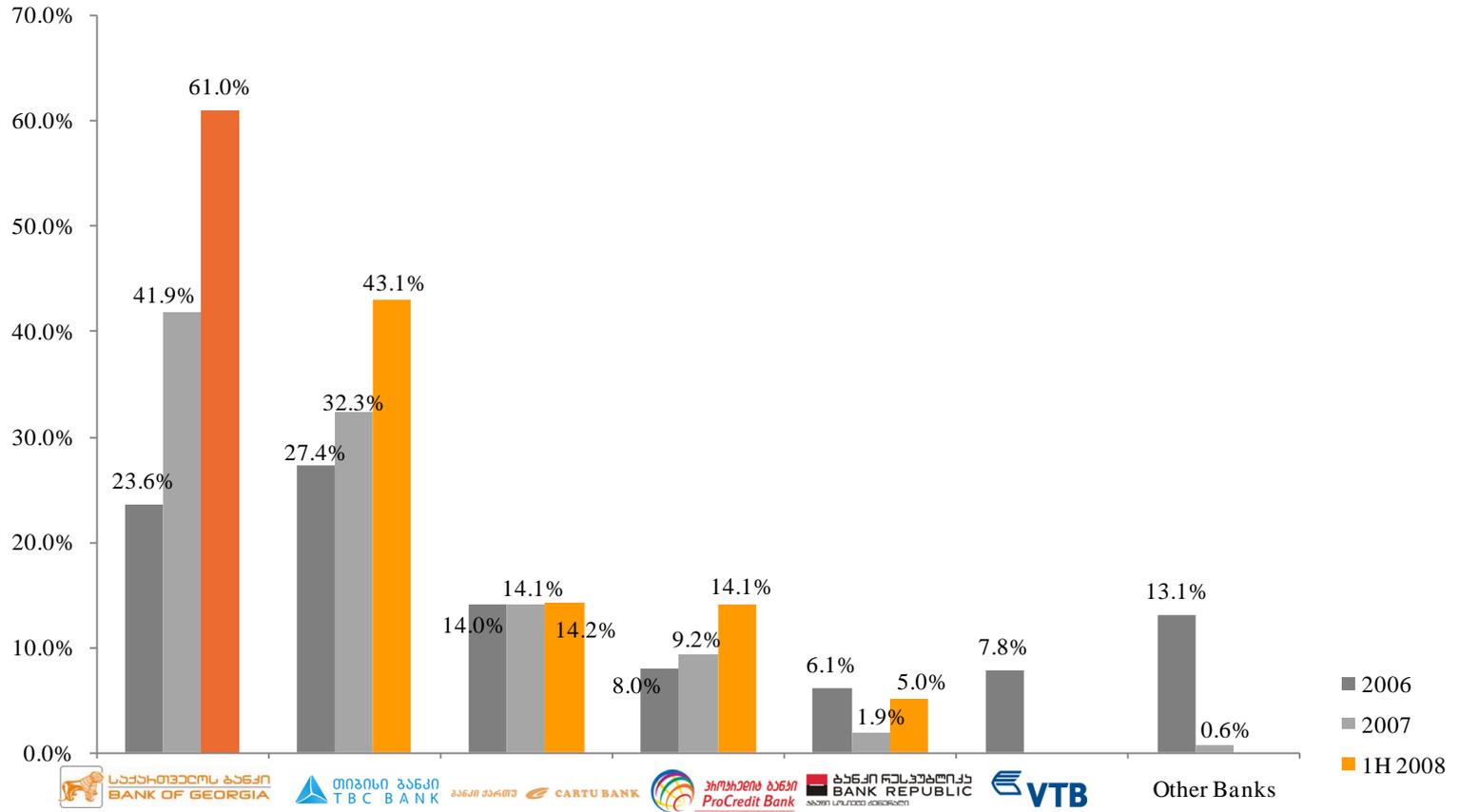
GEL/US\$

Period End

YE 2006 = 1.71

YE 2007 = 1.59

1H 2008 = 1.48



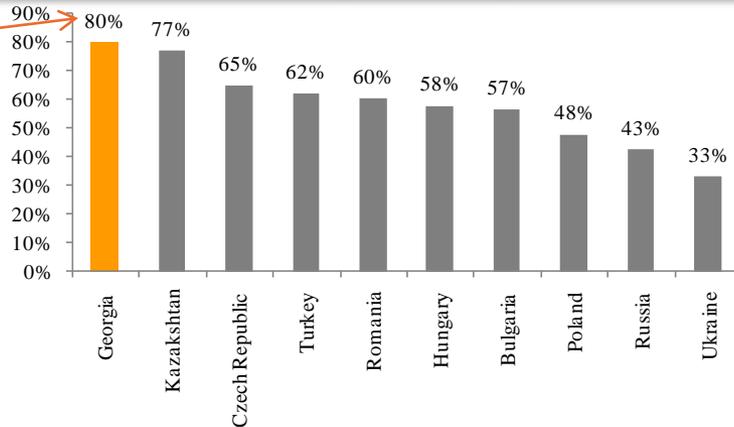
Notes:

- (1) 2007 market share for VTB, 1H 2008 market share for VTB and 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

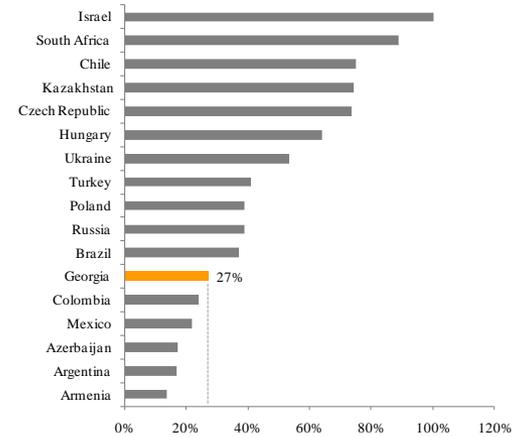
The highest degree of market concentration in CEE benefits large, entrenched domestic players

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



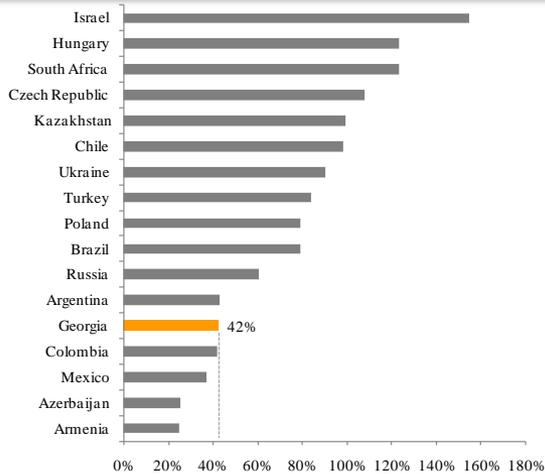
Note: 2006 data for Czech Republic, Hungary and Poland  
Sources: National Bank of Georgia, CA IB

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



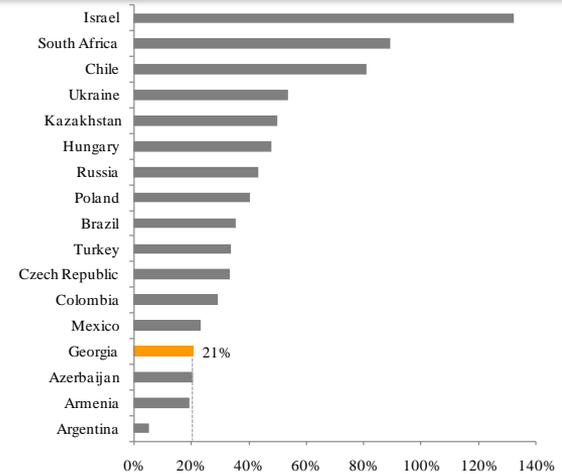
Note: data for South Africa, Chile, Brazil, Argentina, Colombia and Mexico is as of YE 2006  
Source: National Bank of Georgia, National Bank of Ukraine, data from Deutsche Bank

## 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

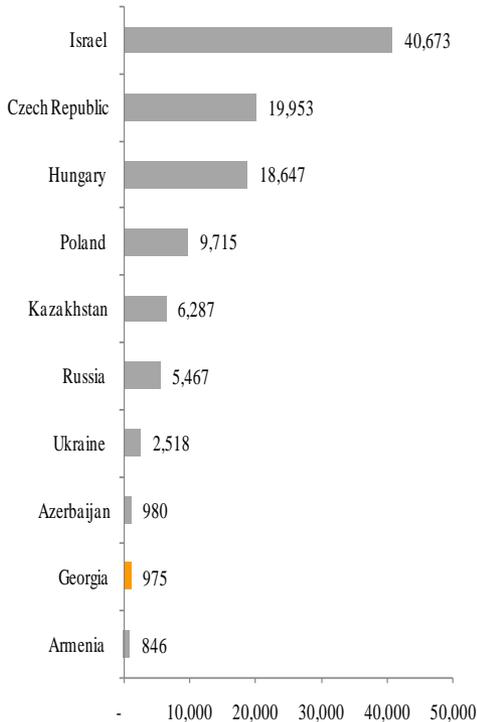
## Deposits to GDP (% , 2007E)



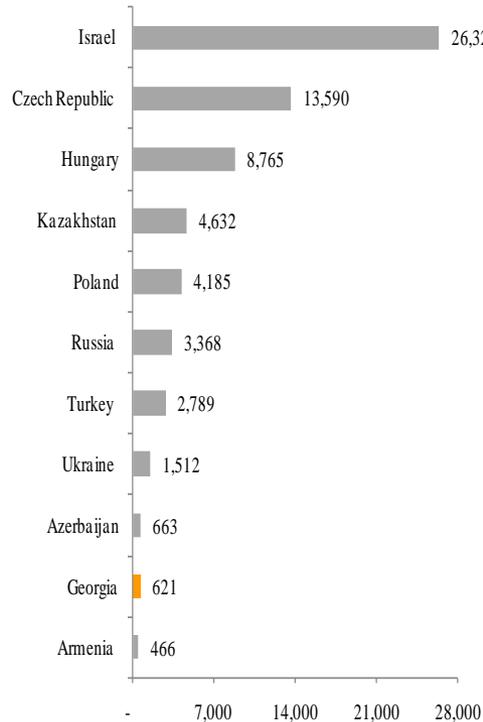
Note: data for South Africa, Chile, Brazil, Argentina, Colombia and Mexico is as of YE 2006  
Source: National Bank of Georgia, National Bank of Ukraine, Deutsche Bank

# The Georgian banking sector in the regional context

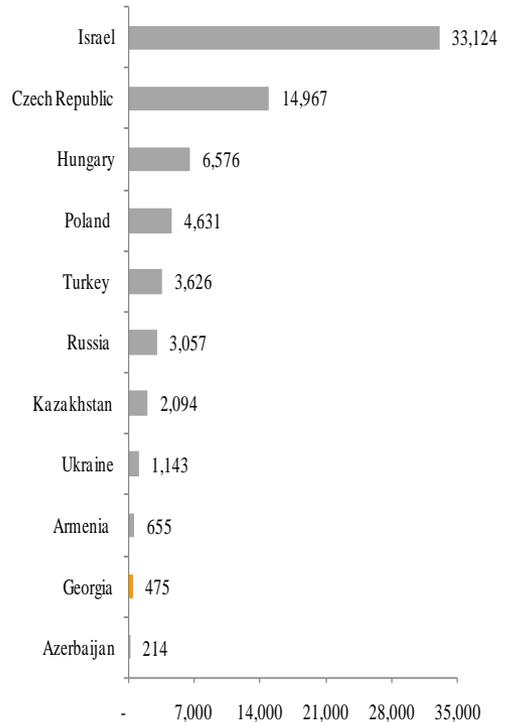
**Banking Assets Per Capita  
YE 2007E (US\$)**



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



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



Source: Galt & Taggart Securities

# *The Georgian economy*

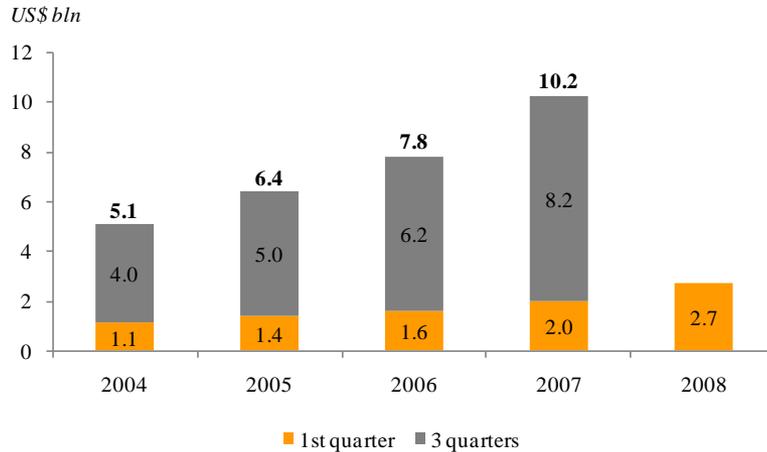
# The Georgian economy - highlights

	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

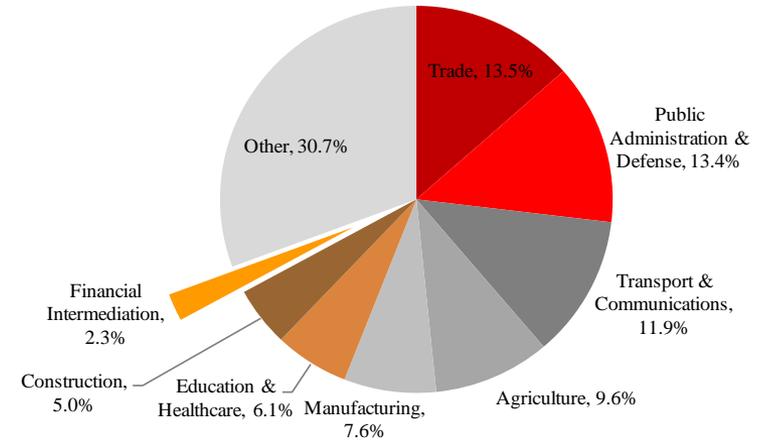
Source: State Statistics Department, Ministry of Economic Development of Georgia

# The Georgian Economy Cont'd

## Gross Domestic Product



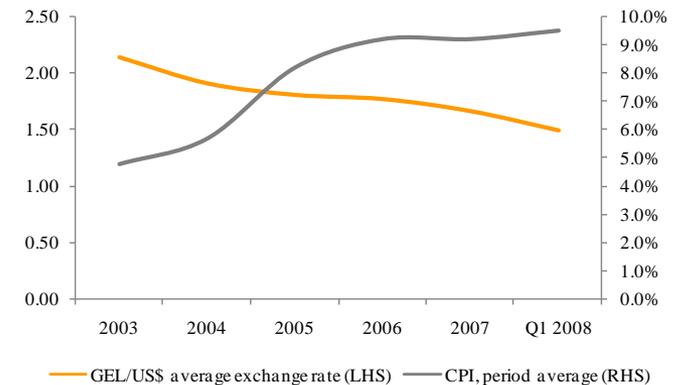
## Components of GDP, Q1 2008



## Composition of GDP, Q1 2008

	Contribution to growth	Change Y-O-Y	Share in GDP
Public Administration & Defense	25.3%	53.7%	13.4%
Trade	16.7%	29.6%	13.5%
Manufacturing	8.2%	24.9%	7.6%
Agriculture	6.7%	14.7%	9.6%
Transport & Communications	6.5%	11.3%	11.9%
Education & Healthcare	2.7%	9.0%	6.1%
Financial Intermediation	2.3%	22.7%	2.3%
Construction	0.3%	1.0%	5.0%

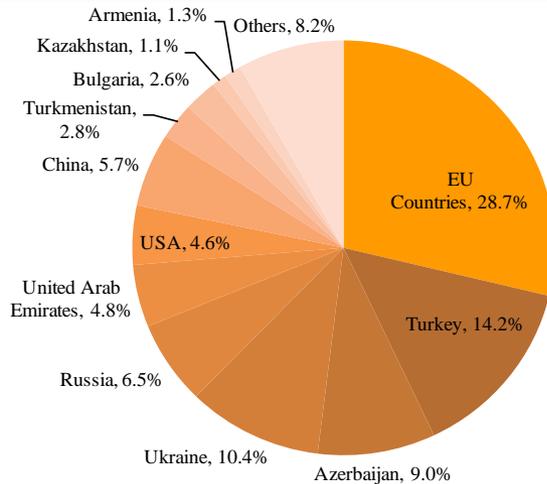
## GEL/US\$ Exchange Rate & CPI



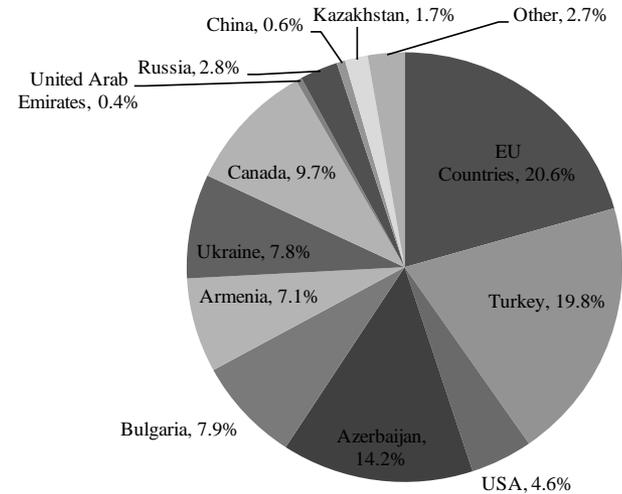
Source: Ministry of Economic Development, State Statistics Department, the National Bank of Georgia

# Trade Structure

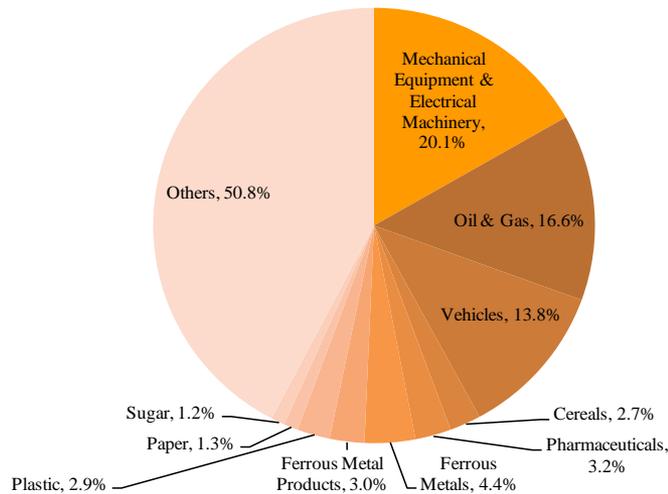
## Import Structure by Country, Q2 2008



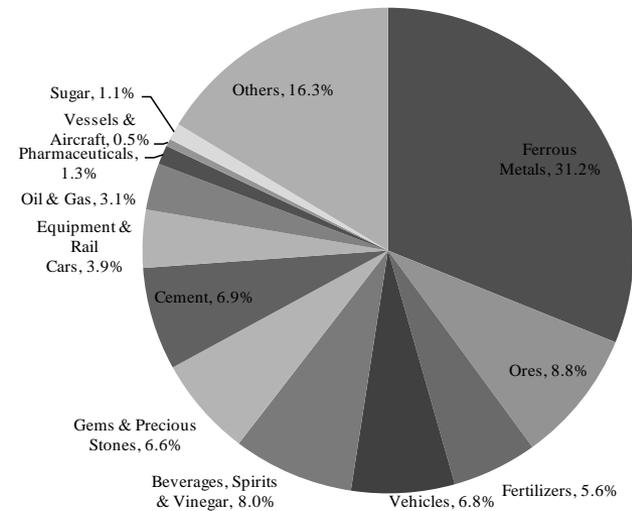
## Export Structure by Country, Q2 2008



## Import Structure by Product, Q2 2008



## Export Structure by Product, Q2 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

# *Bank of Georgia Q2 2008 & 1H 2008 financials*

# Income Statement data – 1H 2008

Period Ended	1H 2008		1H 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	138,770	196,777	59,377	99,130	98.5%
Interest Expense	64,300	91,177	25,267	42,183	116.1%
<b>Net Interest Income</b>	<b>74,471</b>	<b>105,599</b>	<b>34,110</b>	<b>56,946</b>	<b>85.4%</b>
Fee & Commission Income	17,088	24,230	7,834	13,079	85.3%
Fee & Commission Expense	2,744	3,890	932	1,555	150.2%
<b>Net Fee &amp; Commission Income</b>	<b>14,344</b>	<b>20,340</b>	<b>6,903</b>	<b>11,524</b>	<b>76.5%</b>
Income From Documentary Operations	2,988	4,237	1,807	3,016	40.5%
Expense On Documentary Operations	647	917	601	1,003	-8.6%
<b>Net Income From Documentary Operations</b>	<b>2,341</b>	<b>3,320</b>	<b>1,206</b>	<b>2,013</b>	<b>64.9%</b>
<b>Net Foreign Currency Related Income</b>	<b>16,665</b>	<b>23,631</b>	<b>6,197</b>	<b>10,346</b>	<b>128.4%</b>
Net Insurance Income	2,379	3,373	2,110	3,523	-4.2%
Brokerage Income	2,003	2,841	911	1,521	86.7%
Asset Management Income	629	892	-	-	NMF
Realized Net Investment Gains (Losses)	(528)	(748)	1,840	3,072	-124.4%
Other	5,477	7,767	2,552	4,261	82.3%
<b>Net Other Non-Interest Income</b>	<b>9,961</b>	<b>14,125</b>	<b>7,414</b>	<b>12,377</b>	<b>14.1%</b>
<b>Net Non-Interest Income</b>	<b>43,312</b>	<b>61,416</b>	<b>21,719</b>	<b>36,261</b>	<b>69.4%</b>
<b>Total Operating Income (Revenue)</b>	<b>117,782</b>	<b>167,016</b>	<b>55,829</b>	<b>93,207</b>	<b>79.2%</b>
Personnel Costs	37,369	52,989	18,195	30,377	74.4%
Selling, General & Administrative Costs	16,435	23,305	5,934	9,906	135.3%
Procurement & Operations Support Expenses	4,475	6,346	2,693	4,496	41.1%
Depreciation & Amortization	6,131	8,694	2,540	4,241	105.0%
Other Operating Expenses	1,415	2,006	518	866	131.8%
<b>Total Recurring Operating Costs</b>	<b>65,825</b>	<b>93,339</b>	<b>29,880</b>	<b>49,885</b>	<b>87.1%</b>
<b>Normalized Net Operating Income</b>	<b>51,958</b>	<b>73,676</b>	<b>25,949</b>	<b>43,322</b>	<b>70.1%</b>
Net Non-Recurring Income (Costs)	8,365	11,862	1,157	1,932	513.9%
<b>Profit Before Provisions</b>	<b>60,323</b>	<b>85,538</b>	<b>27,106</b>	<b>45,254</b>	<b>89.0%</b>
<b>Net Provision Expense</b>	<b>10,328</b>	<b>14,645</b>	<b>2,877</b>	<b>4,803</b>	<b>204.9%</b>
<b>Pre-Tax Income</b>	<b>49,995</b>	<b>70,893</b>	<b>24,230</b>	<b>40,452</b>	<b>75.3%</b>
Income Tax Expenses	7,504	10,640	4,851	8,099	31.4%
<b>Net Income</b>	<b>42,491</b>	<b>60,253</b>	<b>19,379</b>	<b>32,352</b>	<b>86.2%</b>
Weighted Average Number of Shares Outstanding (000s)		30,106		25,258	19.2%
Fully Diluted Number of Shares Period End (000s)		31,248		27,248	14.7%
EPS (Basic)	1.41	2.00	0.77	1.28	56.3%
EPS (Fully Diluted)	1.36	1.93	0.71	1.19	62.4%

<sup>1</sup> Converted to U.S. dollars for convenience using a period-end exchange rate of GEL 1.4180 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 30 June 2008

<sup>2</sup> Converted to U.S. dollars for convenience using a period-end exchange rate of GEL 1.6695 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 30 June 2007

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

<sup>4</sup> Not meaningful



# Income Statement data – Q2 2008

Period Ended	Q2 2008		Q1 2008		Growth <sup>3</sup> Q-O-Q	Q2 2007		Growth Y-O-Y
	US\$ <sup>1</sup>	GEL	US\$ <sup>2</sup>	GEL		US\$ <sup>4</sup>	GEL	
<i>000s, unless otherwise noted</i>								
Interest Income	73,481	104,196	62,724	92,580	12.5%	33,589	56,076	85.8%
Interest Expense	34,106	48,362	29,007	42,815	13.0%	15,080	25,175	92.1%
<b>Net Interest Income</b>	<b>39,375</b>	<b>55,834</b>	<b>33,716</b>	<b>49,765</b>	<b>12.2%</b>	<b>18,509</b>	<b>30,901</b>	<b>80.7%</b>
Fee & Commission Income	8,787	12,460	7,975	11,771	5.9%	3,990	6,661	87.1%
Fee & Commission Expense	1,619	2,296	1,080	1,594	44.1%	636	1,063	116.1%
<b>Net Fee &amp; Commission Income</b>	<b>7,167</b>	<b>10,163</b>	<b>6,895</b>	<b>10,177</b>	<b>-0.1%</b>	<b>3,353</b>	<b>5,598</b>	<b>81.5%</b>
Income From Documentary Operations	1,615	2,290	1,319	1,947	17.6%	1,105	1,845	24.1%
Expense On Documentary Operations	294	417	339	500	-16.6%	301	503	-17.1%
<b>Net Income From Documentary Operations</b>	<b>1,321</b>	<b>1,873</b>	<b>980</b>	<b>1,447</b>	<b>29.4%</b>	<b>804</b>	<b>1,342</b>	<b>39.6%</b>
<b>Net Foreign Currency Related Income</b>	<b>7,338</b>	<b>10,405</b>	<b>8,961</b>	<b>13,226</b>	<b>-21.3%</b>	<b>3,636</b>	<b>6,071</b>	<b>71.4%</b>
Net Insurance Income	1,224	1,736	1,109	1,638	6.0%	859	1,434	21.0%
Brokerage Income	1,104	1,566	864	1,275	22.9%	306	512	206.1%
Asset Management Income	174	246	438	646	-61.9%	-	-	NMF <sup>5</sup>
Realized Net Investment Gains (Losses)	-265	(375)	-253	(373)	0.7%	1,797	3,000	-112.5%
Other	3,154	4,472	2,232	3,294	35.8%	1,973	3,294	35.8%
<b>Net Other Non-Interest Income</b>	<b>5,392</b>	<b>7,645</b>	<b>4,390</b>	<b>6,480</b>	<b>18.0%</b>	<b>4,936</b>	<b>8,240</b>	<b>-7.2%</b>
<b>Net Non-Interest Income</b>	<b>21,218</b>	<b>30,087</b>	<b>21,226</b>	<b>31,329</b>	<b>-4.0%</b>	<b>12,729</b>	<b>21,251</b>	<b>41.6%</b>
<b>Total Operating Income (Revenue)</b>	<b>60,593</b>	<b>85,921</b>	<b>54,942</b>	<b>81,094</b>	<b>6.0%</b>	<b>31,238</b>	<b>52,152</b>	<b>64.8%</b>
Personnel Costs	19,224	27,260	17,432	25,729	6.0%	10,471	17,481	55.9%
Selling, General & Administrative Costs	8,463	12,001	7,659	11,304	6.2%	3,293	5,497	118.3%
Procurement & Operations Support Expenses	2,286	3,242	2,103	3,104	4.5%	1,393	2,326	39.4%
Depreciation & Amortization	3,289	4,664	2,730	4,029	15.8%	1,363	2,276	105.0%
Other Operating Expenses	1,195	1,695	211	312	443.9%	245	408	314.9%
<b>Total Recurring Operating Costs</b>	<b>34,458</b>	<b>48,862</b>	<b>30,134</b>	<b>44,478</b>	<b>9.9%</b>	<b>16,765</b>	<b>27,988</b>	<b>74.6%</b>
<b>Normalized Net Operating Income</b>	<b>26,135</b>	<b>37,059</b>	<b>24,808</b>	<b>36,617</b>	<b>1.2%</b>	<b>14,473</b>	<b>24,163</b>	<b>53.4%</b>
Net Non-Recurring Income (Costs)	2,393	3,394	5,737	8,468	-59.9%	1,180	1,969	72.3%
<b>Profit Before Provisions</b>	<b>28,528</b>	<b>40,453</b>	<b>30,545</b>	<b>45,085</b>	<b>-10.3%</b>	<b>15,653</b>	<b>26,133</b>	<b>54.8%</b>
<b>Net Provision Expense</b>	<b>5,073</b>	<b>7,194</b>	<b>5,048</b>	<b>7,451</b>	<b>-3.4%</b>	<b>1,669</b>	<b>2,786</b>	<b>158.2%</b>
<b>Pre-Tax Income</b>	<b>23,455</b>	<b>33,259</b>	<b>25,497</b>	<b>37,634</b>	<b>-11.6%</b>	<b>13,984</b>	<b>23,347</b>	<b>42.5%</b>
Income Tax Expenses	3,473	4,924	3,873	5,716	-13.8%	2,790	4,658	5.7%
<b>Net Income</b>	<b>19,982</b>	<b>28,335</b>	<b>21,625</b>	<b>31,918</b>	<b>-11.2%</b>	<b>11,194</b>	<b>18,689</b>	<b>51.6%</b>
Weighted Average Number of Shares Outstanding (000s)		31,247		29,237	6.9%		25,289	23.6%
Fully Diluted Number of Shares Period End (000s)		31,248		31,244	0.01%		27,248	14.7%
EPS (Basic)	0.64	0.91	0.74	1.09	-16.9%	0.44	0.74	22.7%
EPS (Fully Diluted)	0.64	0.91	0.69	1.02	-11.2%	0.44	0.74	22.8%

<sup>1</sup> Converted to U.S. dollars for convenience using a period-end exchange rate of GEL 1.4180 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 30 June 2008

<sup>2</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>3</sup> Growth calculations based on GEL values

<sup>4</sup> Converted to U.S. dollars for convenience using a period-end exchange rate of GEL 1.6695 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 30 June 2007

<sup>5</sup> Not meaningful

# Balance Sheet data

Consolidated, IFRS Based 000s, unless otherwise noted	30-Jun-08		Growth <sup>2</sup> YTD	31-Dec-07		Growth <sup>2</sup> Y-O-Y	30-Jun-07	
	US\$ <sup>1</sup> (Unaudited)	GEL		US\$ <sup>3</sup> (Audited)	GEL		US\$ <sup>4</sup> (Unaudited)	GEL
Cash & Cash Equivalents	110,338	156,460	-57.7%	232,642	370,273	61.4%	58,054	96,922
Loans & Advances To Credit Institutions	271,852	385,487	102.8%	119,413	190,057	54.4%	149,545	249,666
Mandatory Reserve With NBG/NBU	66,263	93,962	-35.0%	90,872	144,631	43.4%	39,254	65,534
Other Accounts With NBG/NBU	65,179	92,424	160.4%	22,303	35,497	20.2%	46,073	76,918
Balances With & Loans To Other Banks	140,410	199,102	1905.3%	6,238	9,929	85.7%	64,219	107,214
Available-For-Sale Securities	58,357	82,750	69.8%	30,616	48,729	1067.9%	4,244	7,085
Treasuries & Equivalents	12,689	17,993	-77.4%	50,111	79,757	-68.6%	34,288	57,244
Other Fixed Income Instruments	61,860	87,717	-22.2%	70,814	112,708	-62.6%	140,610	234,748
Gross Loans To Clients	1,485,715	2,106,744	20.2%	1,100,842	1,752,100	98.9%	634,440	1,059,197
Less: Reserve For Loan Losses	(31,289)	(44,368)	49.2%	-18,689	-29,745	91.5%	(13,878)	(23,170)
Net Loans To Clients	1,454,426	2,062,376	19.7%	1,082,153	1,722,355	99.1%	620,561	1,036,027
Investments In Other Business Entities, Net	103,516	146,786	264.5%	25,303	40,273	516.8%	14,255	23,799
Property & Equipment Owned, Net	183,888	260,752	27.4%	128,585	204,656	119.7%	71,093	118,690
Intangible Assets Owned, Net	5,618	7,967	111.2%	2,370	3,772	168.2%	1,779	2,970
Goodwill	78,842	111,798	-0.4%	70,505	112,216	158.8%	25,880	43,206
Tax Assets - Current & Deferred	752	1,066	-31.5%	978	1,557	-80.9%	1,273	2,125
Prepayments & Other Assets	56,106	79,559	18.3%	42,258	67,258	76.9%	27,164	45,350
<b>Total Assets</b>	<b>2,398,242</b>	<b>3,400,708</b>	<b>15.1%</b>	<b>1,855,750</b>	<b>2,953,611</b>	<b>77.3%</b>	<b>1,148,747</b>	<b>1,917,832</b>
Client Deposits	984,045	1,395,376	2.9%	851,644	1,355,476	68.5%	495,945	827,981
Deposits & Loans From Banks	88,125	124,962	89.9%	41,349	65,811	129.2%	32,651	54,510
Borrowed Funds	637,266	903,644	8.1%	525,248	835,984	73.0%	312,803	522,225
Issued Fixed Income Securities	3,333	4,726	-5.3%	3,137	4,993	258.4%	790	1,319
Insurance Related Liabilities	33,950	48,141	16.5%	25,968	41,330	89.0%	15,261	25,478
Tax Liabilities - Current & Deferred	27,390	38,840	4.4%	23,378	37,209	203.1%	7,837	13,084
Accruals & Other Liabilities	71,912	101,971	86.0%	34,441	54,817	47.4%	41,466	69,228
<b>Total Liabilities</b>	<b>1,846,022</b>	<b>2,617,659</b>	<b>9.3%</b>	<b>1,505,165</b>	<b>2,395,620</b>	<b>73.0%</b>	<b>906,753</b>	<b>1,513,825</b>
Ordinary Shares	22,036	31,248	15.1%	17,061	27,155	23.5%	15,157	25,304
Share Premium	319,040	452,399	43.4%	198,175	315,415	81.3%	149,460	249,523
Treasury Shares	(882)	(1,251)	-28.0%	(1,091)	(1,737)	2.4%	(732)	(1,222)
Retained Earnings	96,017	136,152	113.2%	40,122	63,858	117.2%	37,541	62,675
Revaluation & Other Reserves	43,619	61,852	-8.2%	42,318	67,354	96.8%	17,120	28,582
Net Income For The Period	42,491	60,253	-20.3%	47,526	75,642	100.8%	19,379	32,352
<b>Shareholders' Equity Excluding Minority Interest</b>	<b>522,322</b>	<b>740,653</b>	<b>35.2%</b>	<b>344,111</b>	<b>547,687</b>	<b>86.2%</b>	<b>237,924</b>	<b>397,214</b>
Minority Interest	29,899	42,396	311.5%	6,474	10,304	524.1%	4,069	6,793
<b>Total Shareholders' Equity</b>	<b>552,221</b>	<b>783,049</b>	<b>40.3%</b>	<b>350,585</b>	<b>557,991</b>	<b>93.6%</b>	<b>241,993</b>	<b>404,007</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>2,398,243</b>	<b>3,400,708</b>	<b>15.1%</b>	<b>1,855,750</b>	<b>2,953,611</b>	<b>77.3%</b>	<b>1,148,746</b>	<b>1,917,832</b>
Shares Outstanding		31,247,511			27,154,918			25,304,087
Book Value Per Share	17.67	25.06	21.4%	12.95	20.62	56.8%	9.56	15.97

<sup>1</sup> Converted to U.S. dollars for the convenience using a period-end exchange rate of GEL 1.4180 per US\$1.00, such exchange rate being the official Georgian Lari to U.S. dollar period-end exchange rate as reported by the National Bank of Georgia on 30 June 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 1.6695 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 30 March 2007

# Key ratios

	1H 2008	1H 2007
<b>Profitability Ratios</b>		
ROAA <sup>1</sup> , Annualised	3.8%	3.9%
ROA	3.5%	3.4%
ROAE <sup>2</sup> , Annualised	17.3%	16.6%
ROE	15.4%	16.0%
Interest Income To Average Interest Earning Assets <sup>3</sup> , Annualised	16.3%	14.6%
Cost Of Funds <sup>4</sup> , Annualised	8.0%	7.2%
Net Spread <sup>5</sup>	8.3%	7.5%
Net Interest Margin <sup>6</sup> , Annualised	8.7%	8.4%
Net Interest Margin Normalized <sup>35</sup> , Annualised	8.7%	8.4%
Loan Yield <sup>7</sup> , Annualised	19.2%	21.0%
Interest Expense To Interest Income	46.3%	42.6%
Net Non-Interest Income To Average Total Assets, Annualised	3.9%	4.4%
Net Non-Interest Income To Revenue <sup>8</sup>	36.8%	38.9%
Net Fee And Commission Income To Average Interest Earning Assets <sup>9</sup> , Annualised	1.7%	1.7%
Net Fee And Commission Income To Revenue	12.2%	12.4%
Operating Leverage <sup>10</sup>	9.3%	13.9%
Total Operating Income (Revenue) To Total Assets, Annualised	9.8%	9.7%
Recurring Earning Power <sup>11</sup> , Annualised	5.4%	7.0%
Net Income To Revenue	36.1%	34.7%
<b>Efficiency Ratios</b>		
Operating Cost To Average Total Assets <sup>12</sup> , Annualised	5.9%	4.5%
Cost To Average Total Assets <sup>13</sup> , Annualised	5.1%	5.8%
Cost / Income <sup>14</sup>	48.8%	51.4%
Cost / Income, Normalized <sup>37</sup>	55.9%	53.5%
Cost/Income Distributed Non-Recurring	53.0%	51.5%
Cost / Income, Standalone <sup>15</sup>	43.0%	48.3%
Cost/Income, Normalized, Bank of Georgia, Standalone	43.7%	50.7%
Cash Cost / Income	43.6%	46.9%
Total Employee Compensation Expense To Revenue <sup>16</sup>	31.7%	32.6%
Total Employee Compensation Expense To Cost	65.0%	63.3%
Total Employee Compensation Expense To Average Total Assets, Annualised	3.3%	3.7%
<b>Liquidity Ratios</b>		
Net Loans To Total Assets <sup>17</sup>	60.6%	54.0%
Average Net Loans To Average Total Assets	58.4%	52.7%
Interest Earning Assets To Total Assets	75.1%	82.3%
Average Interest Earning Assets To Average Total Assets	76.0%	81.6%
Liquid Assets To Total Assets <sup>18</sup>	18.7%	30.2%
Net Loans To Client Deposits	147.8%	125.1%
Average Net Loans To Average Client Deposits	136.2%	129.7%
Net Loans To Total Deposits <sup>19</sup>	135.7%	117.4%
Net Loans To Total Liabilities	78.8%	68.4%
Total Deposits To Total Liabilities	58.1%	58.3%
Client Deposits To Total Deposits	91.8%	93.8%
Client Deposits To Total Liabilities	53.3%	54.7%
Current Account Balances To Client Deposits	39.3%	56.4%
Demand Deposits To Client Deposits	5.5%	10.0%
Time Deposits To Client Deposits	55.2%	33.7%
Total Deposits To Total Assets	44.7%	46.0%
Client Deposits To Total Assets	41.0%	43.2%
Client Deposits To Total Equity (Times) <sup>20</sup>	1.78	2.05
Due From Banks / Due To Banks <sup>21</sup>	308.5%	458.0%
Total Equity To Net Loans <sup>22</sup>	38.0%	39.0%
Leverage (Times) <sup>22</sup>	3.3	3.7



# Key ratios cont'd

	1H 2008	1H 2007
<b>Asset Quality</b>		
NPLs (in GEL) <sup>23</sup>	32,086	18,012
NPLs To Gross Loans To Clients <sup>24</sup>	1.5%	1.7%
Cost of Risk <sup>25</sup> , Annualized	1.5%	1.1%
Cost of Risk Normalized <sup>36</sup> , Annualized	1.5%	1.1%
Reserve For Loan Losses To Gross Loans To Clients <sup>26</sup>	2.1%	2.2%
NPL Coverage Ratio <sup>27</sup>	138.3%	128.6%
Equity To Average Net Loans To Clients	42.2%	46.1%
<b>Capital Adequacy</b>		
Equity To Total Assets	23.0%	21.1%
BIS Tier I Capital Adequacy Ratio, consolidated <sup>28</sup>	25.0%	24.7%
BIS Total Capital Adequacy Ratio, consolidated <sup>29</sup>	25.8%	24.5%
NBG Tier I Capital Adequacy Ratio <sup>30</sup>	15.8%	15.8%
NBG Total Capital Adequacy Ratio <sup>31</sup>	15.1%	19.2%
<b>Per Share Values</b>		
Basic EPS (GEL) <sup>32</sup>	2.00	1.28
Basic EPS (US\$)	1.41	0.77
Fully Diluted EPS (GEL) <sup>33</sup>	1.93	1.19
Fully Diluted EPS (US\$)	1.36	0.71
Book Value Per Share (GEL) <sup>34</sup>	25.06	15.97
Book Value Per Share (US\$)	17.67	9.56
Ordinary Shares Outstanding - Weighted Average, Basic	30,106,091	25,258,491
Ordinary Shares Outstanding - Period End	31,247,511	25,304,087
Ordinary Shares Outstanding - Fully Diluted	31,247,511	27,248,162
<b>Selected Operating Data</b>		
Full Time Employees (FTEs)	5,909	2,796
FTEs, Standalone	3,619	2,103
Total assets per FTE <sup>23</sup> (GEL Thousands)	576	686
Total Assets per FTE, Standalone (GEL Thousands)	940	912
Number Of Active Branches	134	104
Number Of ATMs	363	166
Number Of Cards (Thousands)	847	432
Number Of POS Terminals	2,452	616

# *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 of 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.