



საქართველოს ბანკი
BANK OF GEORGIA

GROWTH AT THE RIGHT PRICE
LSE: BGEO / GSE: GEB

JSC Bank of Georgia Q2 2011 and 1H results overview

August 2011

Introduction to Bank of Georgia

The leading universal bank in Georgia

☞ No.1 by assets (36.1%), ⁽¹⁾ gross loans (36.0%), ⁽¹⁾ client deposits (34.6%) ⁽¹⁾ and equity 36.0%) ⁽¹⁾

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

	June 2011	March 2011	June 2010
☞ Retail Accounts	1,115,258	1,092,636	1,086,210
☞ Cards Outstanding	610,200+	614,900+	551,700+
☞ Branches	143	143	137
☞ ATMs	408	408	387

☞ Leading corporate bank with 99,799 legal entities and over 192,700 current accounts ⁽²⁾

☞ Leading insurance, card-processing, leasing, trade finance, wealth management and asset management services provider

☞ The only Georgian company with credit ratings from all three global rating agencies

☞ S&P: 'B/B'

☞ Fitch Ratings: 'B+/B' – at the sovereign ceiling

☞ Moody's: 'B1/NP (FC)' & 'Ba3/NP (LC)'

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

☞ Market Cap (LSE) US\$ 462 mln as of 17 August 2011

☞ Approximately 95% free float

☞ Issue of the first ever Eurobonds in Georgia

☞ Bloomberg: BKGEO; 5 year, 9%, US\$200 mln (US\$112 million bought back)

☞ S&P: B; Moody's: Ba3; Fitch: B+; (composite B+)

Investment highlights

☞ Undisputed leader of Georgian financial services industry with market-leading retail and corporate banking franchise

☞ Strongly positioned to benefit from US\$4.5 bln international assistance package pledged to Georgia by international donors in the aftermath of Russia-Georgia conflict in August 2008

☞ Disciplined capital management, low leverage, conservative liquidity position, no exposure to sub-prime

☞ Sophisticated management team with Western banking & finance background

☞ Transparency and good governance, over 89% institutionally owned. Supervisory Board includes two large institutional shareholders and five independent directors

(1) All data according to the NBG as of 30 June 2011

(2) Includes SME and Micro from retail banking



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Q2 & 1H 2011 P&L results highlights

Millions unless otherwise noted

Bank of Georgia (Consolidated, Unaudited IFRS-Based)	Q2 2011		Q1 2011		Growth ¹ Q-O-Q	Q2 2010		Growth ² Y-O-Y
	GEL (Unaudited)	US\$	GEL (Unaudited)	US\$		GEL (Unaudited)	US\$	
Net Interest Income	60.0	36.0	56.9	33.4	5.4%	51.7	28.0	16.1%
Net Non-Interest Income	41.8	25.1	34.2	20.0	22.2%	29.6	16.1	41.1%
Total Operating Income (Revenue) ³	101.8	61.1	91.1	53.4	11.7%	81.3	44.1	25.2%
Recurring Operating Costs	49.6	29.8	47.3	27.7	5.0%	46.5	25.2	6.7%
Normalized Net Operating Income ⁴	52.1	31.3	43.8	25.7	18.9%	34.7	18.8	50.0%
Net Non-Recurring Income (Costs)	(1.1)	(0.7)	(2.3)	(1.3)	-51.2%	1.5	0.8	NMF
Profit Before Provisions	51.0	30.6	41.5	24.3	22.8%	36.2	19.6	40.7%
Net Provision Expense	2.1	1.3	5.2	3.0	-59.4%	12.6	6.8	-83.4%
Net Income/ (Loss) from Continuing Operations*	46.9	28.1	30.6	17.9	53.5%	19.6	10.6	139.4%
EPS (basic)	1.50	0.90	0.97	0.57	53.4%	0.63	0.34	139.1%
EPS (diluted)	1.40	0.84	0.93	0.55	50.0%	0.62	0.34	124.6%

Millions unless otherwise noted

Bank of Georgia (Consolidated, Unaudited IFRS-Based)	1H 2011		1H 2011		Growth ² Y-O-Y
	GEL (Unaudited)	US\$	GEL (Unaudited)	US\$	
Net Interest Income	116.9	70.1	96.9	52.5	20.6%
Net Non-Interest Income	76.0	45.6	60.2	32.7	26.1%
Total Operating Income (Revenue) ³	192.8	115.7	157.1	85.2	22.7%
Recurring Operating Costs	96.9	58.2	92.8	50.3	4.4%
Normalized Net Operating Income ⁴	95.9	57.6	64.4	34.9	49.1%
Net Non-Recurring Income (Costs)	(3.4)	(2.0)	(1.8)	(1.0)	92.5%
Profit Before Provisions	92.5	55.5	62.6	33.9	47.8%
Net Provision Expense	7.2	4.3	20.0	10.8	-63.7%
Net Income/ (Loss) from Continuing Operations*	77.5	46.5	36.3	19.7	113.1%
EPS (basic)	2.47	1.48	1.16	0.63	112.8%
EPS (diluted)	2.33	1.40	1.16	0.63	101.0%

¹ Compared to Q1 2011, growth calculations based on GEL values.

² Compared to the same period in 2010; growth calculations based on GEL values.

³ Revenue includes Net Interest Income and Net Non-Interest Income.

⁴ Normalized for Net Non-Recurring Costs.

* Excluding extraordinary item (loss from Discontinued Operations)

30 June 2011 Balance Sheet results highlights

Millions, unless otherwise noted

Bank of Georgia (Consolidated, unaudited IFRS-Based)	Q2 2011		Q1 2011		Q2 2010	
	GEL	US\$	GEL	US\$	GEL	US\$
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Net Loans	2,439.9	1,464.1	2,241.9	1,314.2	1,982.5	1,075.0
Total Assets	4,123.3	2,474.2	4,049.2	2,373.7	3,423.6	1,856.4
Client Deposits	2,079.4	1,247.8	1,976.9	1,158.9	1,487.2	806.4
Borrowed Funds	813.4	488.1	965.8	566.1	945.6	512.7
Total Liabilities	3,371.6	2,023.1	3,311.7	1,941.3	2,773.8	1,504.1
Shareholders' Equity	751.8	451.1	737.6	432.4	649.8	352.3
Book Value Per Share, GEL & US\$	23.97	14.38	23.52	13.79	20.74	11.25
Tier I Capital Adequacy Ratio (BIS)	18.0%		18.0%		20.3%	
Total Capital Adequacy Ratio (BIS)	27.2%		28.8%		32.7%	
Tier I Capital Adequacy Ratio (NBG)	11.5%		12.7%		15.8%	
Total Capital Adequacy Ratio (NBG)	15.1%		15.6%		14.5%	
			Change	Change	Change	
			Q-O-Q¹	Y-O-Y²	YTD³	
Net Loans			8.8%	23.1%	3.1%	
Total Assets			1.8%	20.4%	3.0%	
Client Deposits			5.2%	39.8%	3.7%	
Borrowed Funds			-15.8%	-14.0%	-19.7%	
Total Liabilities			1.8%	21.5%	1.8%	
Shareholders' Equity			1.9%	15.7%	8.4%	
Book Value Per Share,			1.9%	15.6%	8.4%	

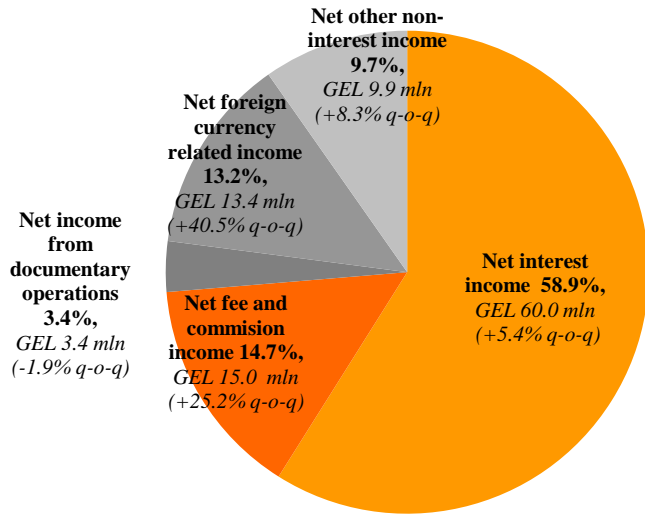
¹ Compared to Q1 2011 growth calculations based on GEL values.

² Compared to the same period in 2010; growth calculations based on GEL values

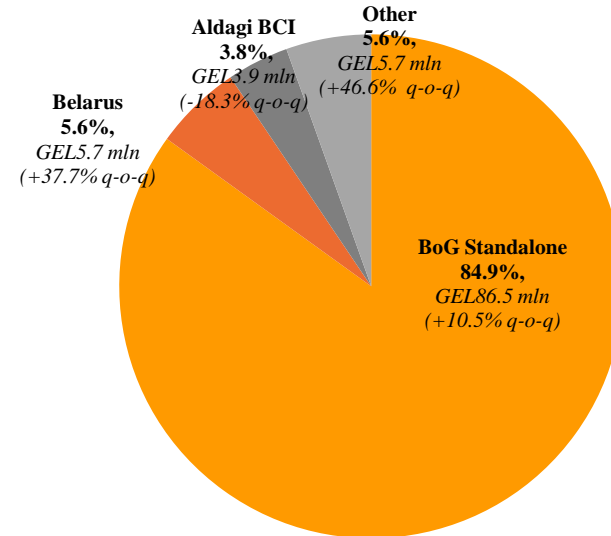
³ Compared to 31 December 2010

Composition of revenue in Q2 2011 & in 1H 2011

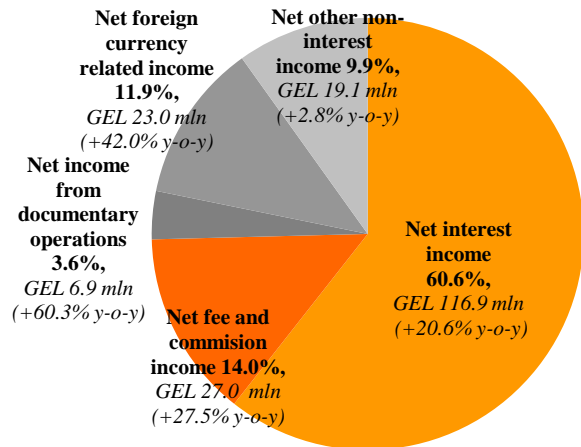
Composition of revenue, Q2 2011



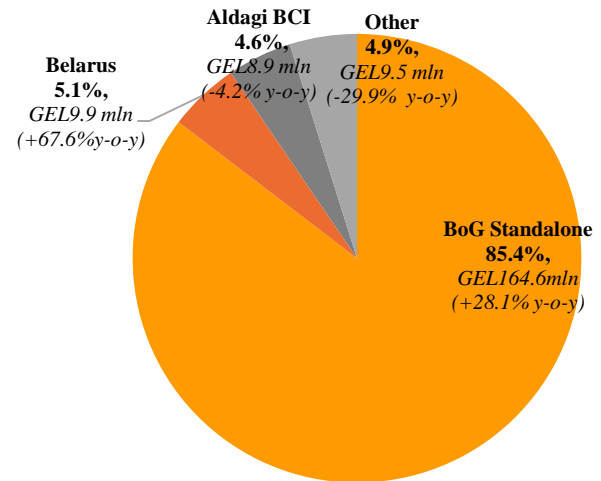
Revenue by segments, Q2 2011



Composition of revenue, 1H 2011



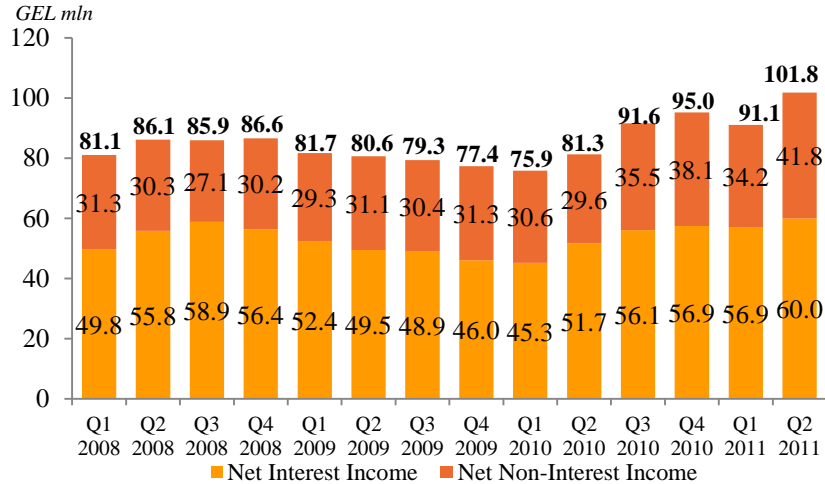
Revenue by segments, 1H 2011



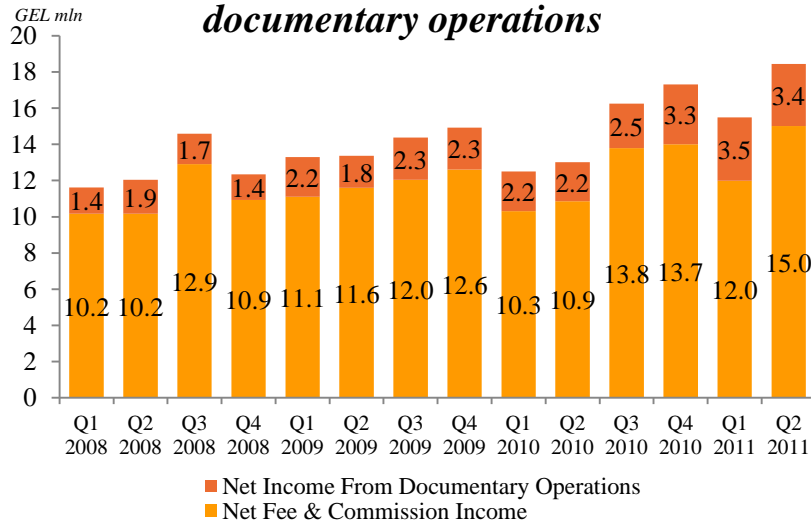
Total Revenue: GEL 101.8 million in Q1 2011 and GEL 192.8 million in 1H 2011

Analysis of revenue

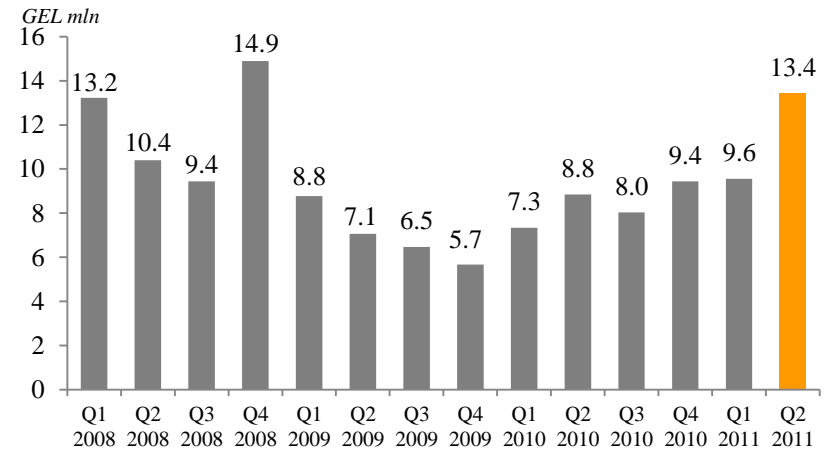
Revenue growth



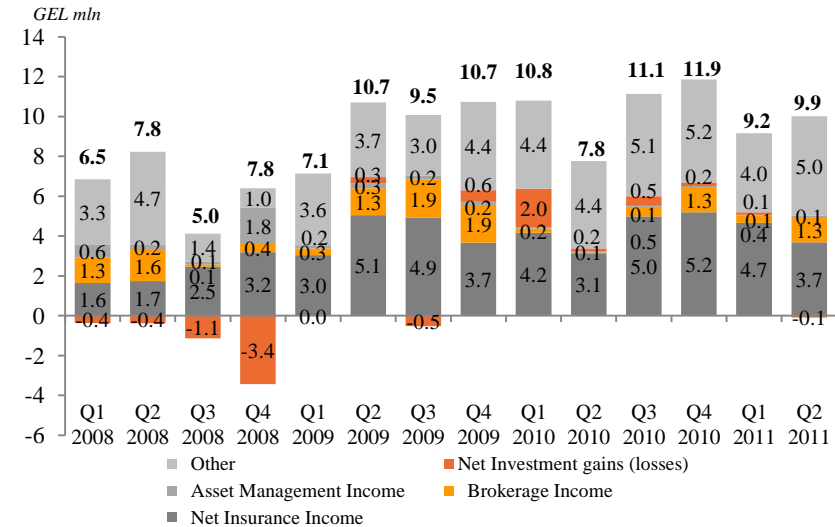
Net fee & commission income & Income from documentary operations



Net foreign currency related income

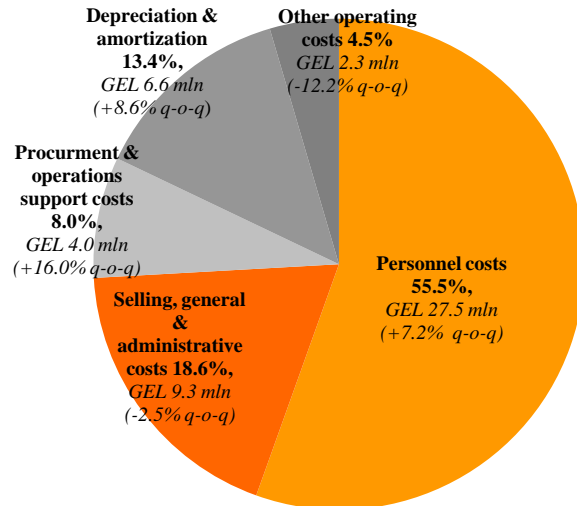


Net Other non-interest income

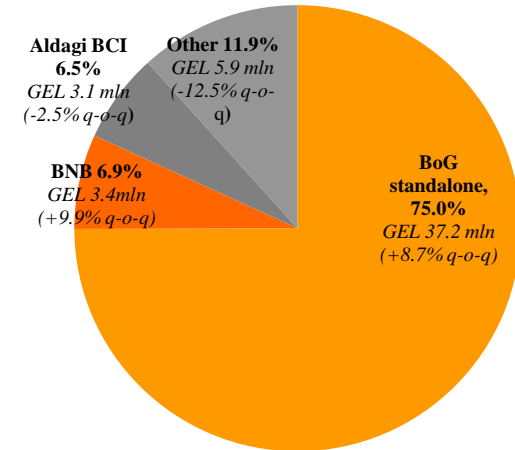


Composition of recurring operating costs in Q2 2011 & 1H 2011

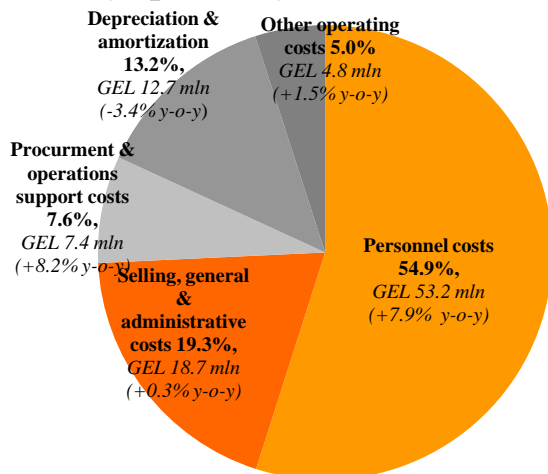
Recurring operating cost structure, Q2 2011



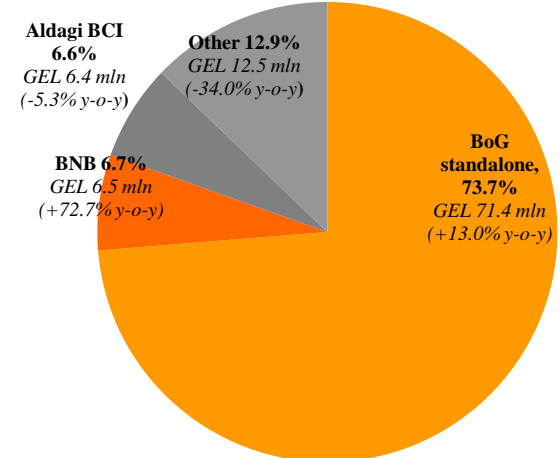
Recurring operating cost structure by segments, Q2 2011



Recurring operating cost structure, 1H 2011



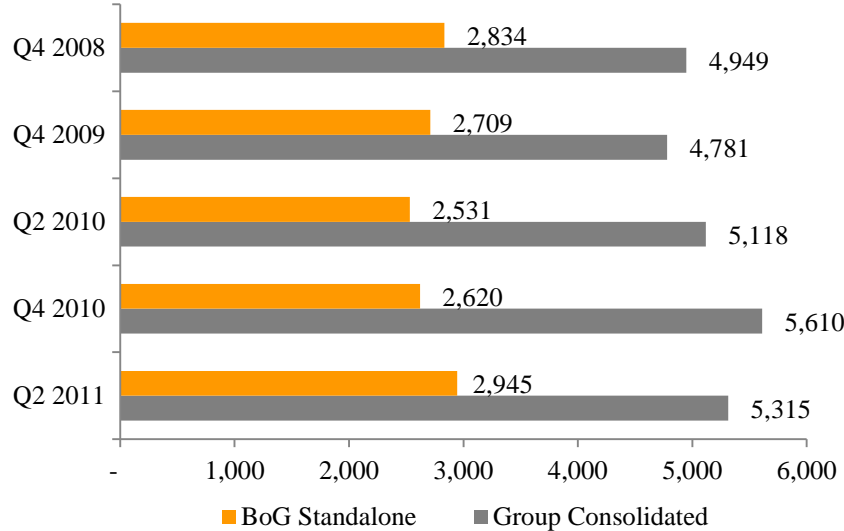
Recurring operating cost structure by segments, 1H 2011



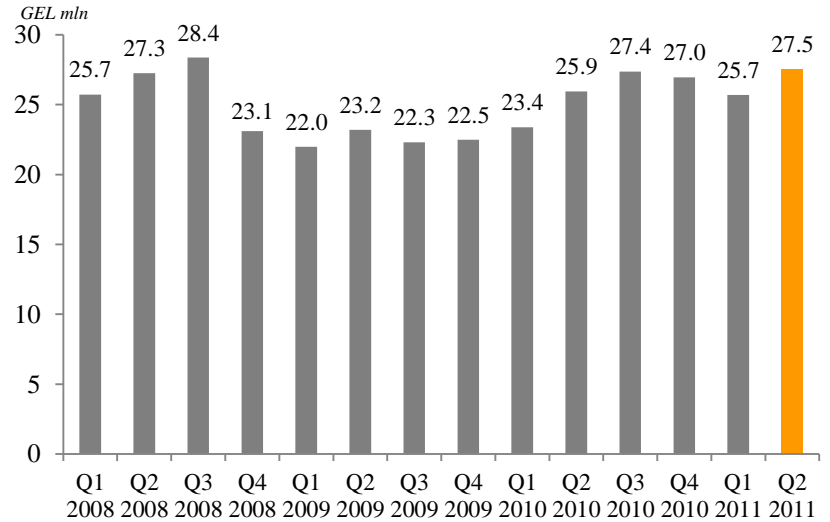
Total recurring operating costs: GEL 49.6 million in Q2 2011 & GEL 96.9 million in 1H 2011

Analysis of recurring operating costs

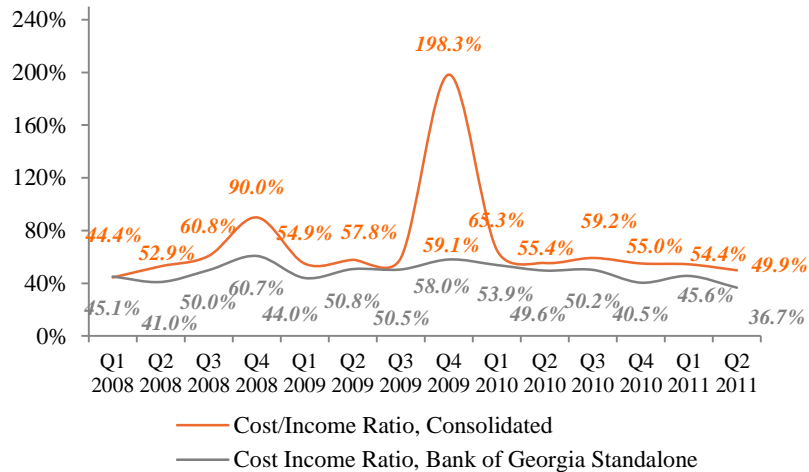
Employees



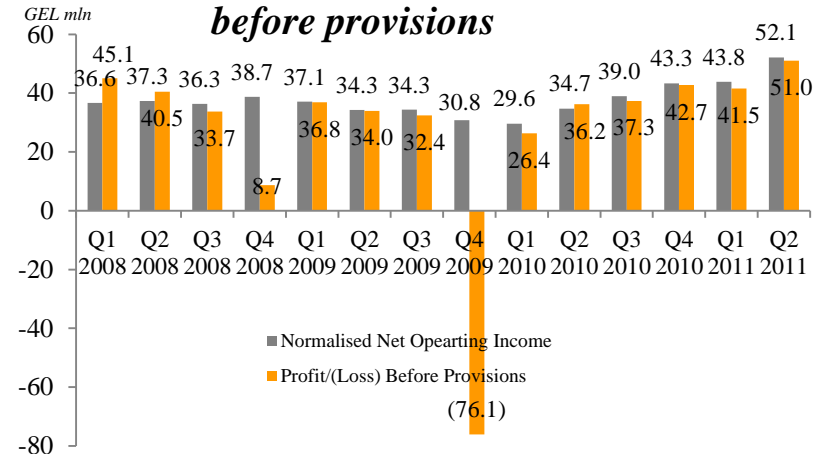
Personnel costs



Cost/Income ratio

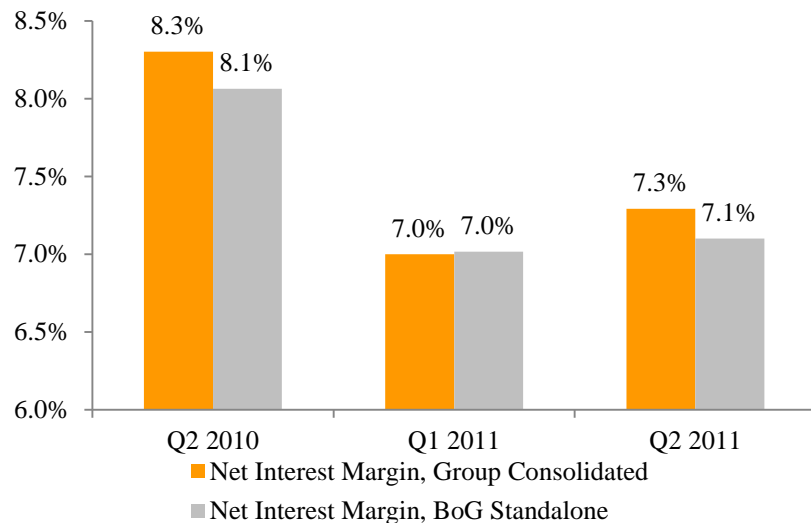


Normalized net operating income, Profit before provisions

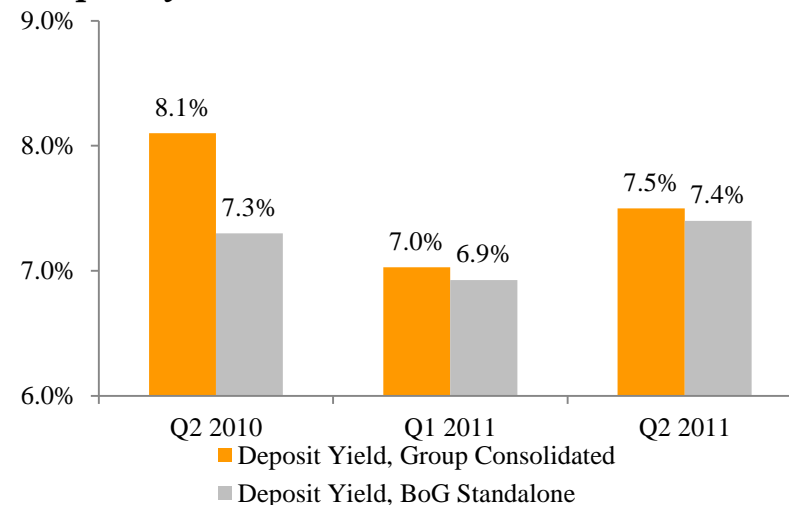


Selected key ratios

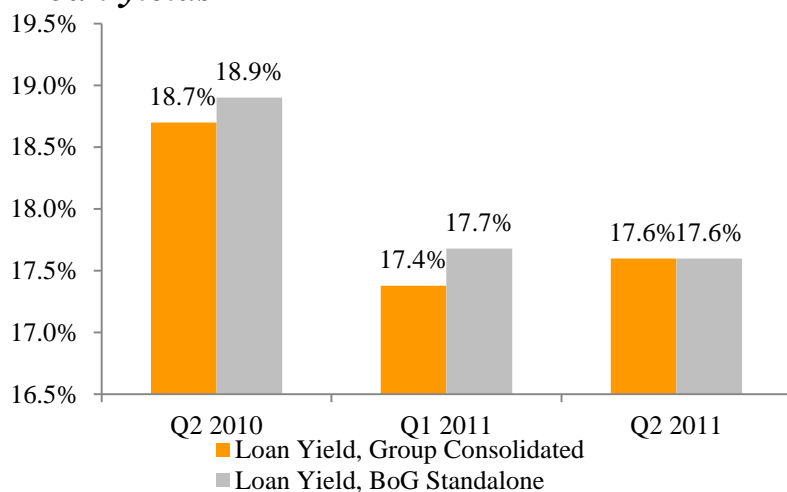
Net interest margin



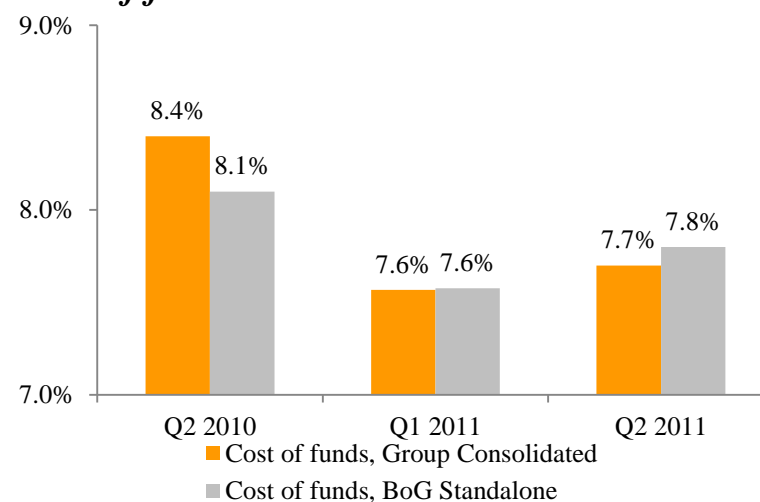
Deposit yields



Loan yields*

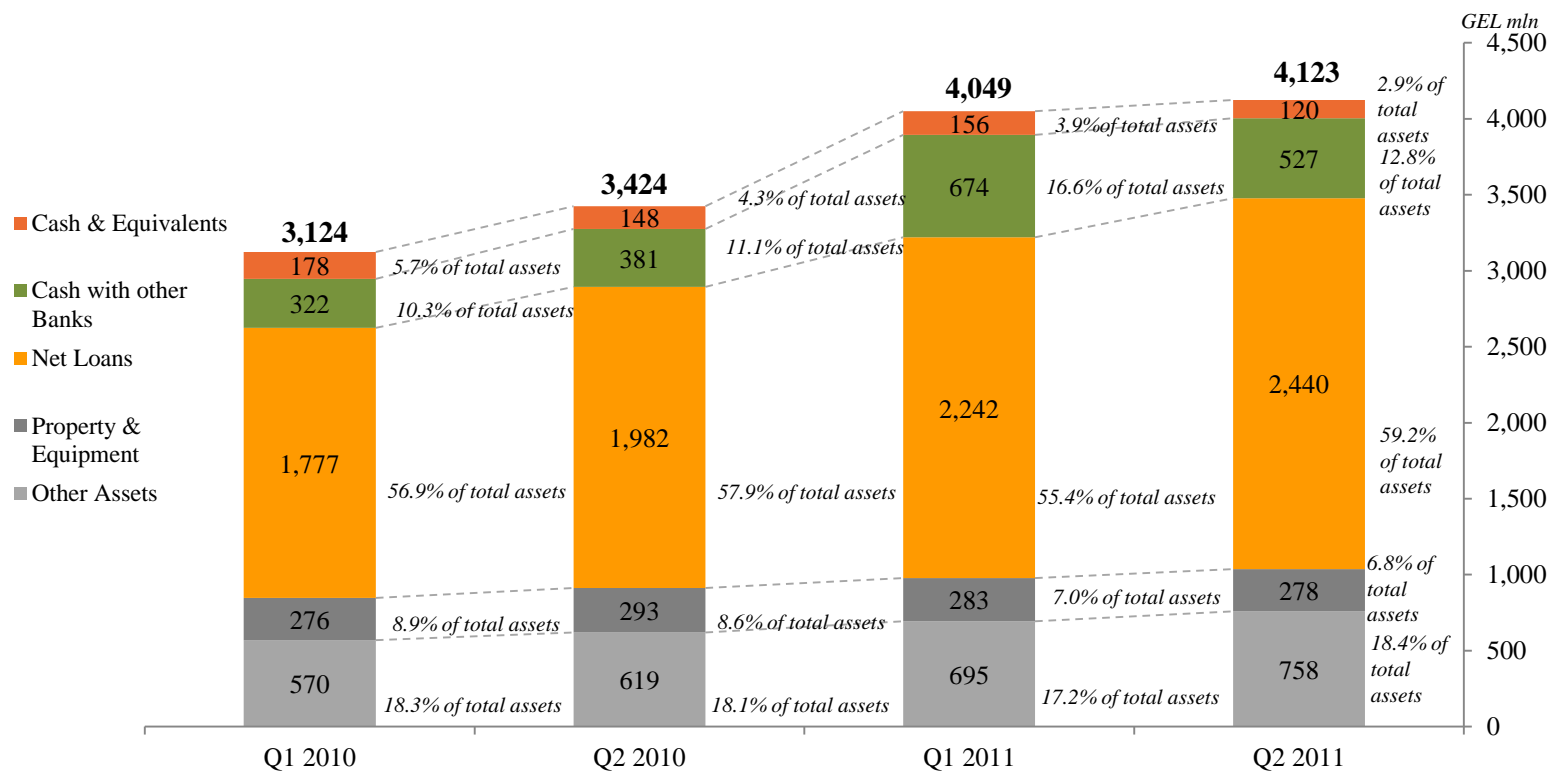


Cost of funds



*Loan yields excluding provisions

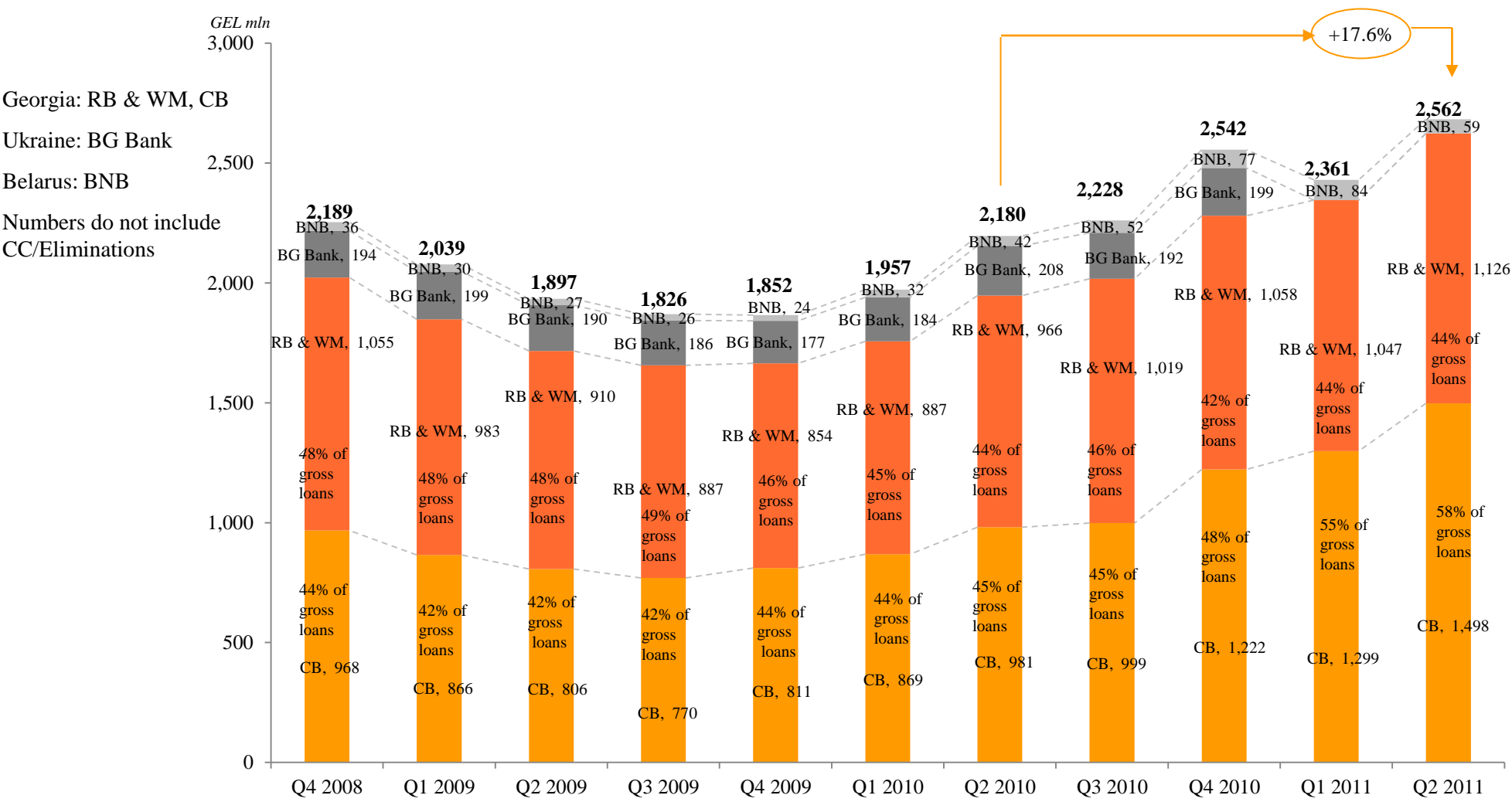
Composition of assets



GEL million	Q1 2010	Q2 2010	Q1 2011	Q2 2011
Available for sale and Trading Securities	18	35	363	405
Government Treasuries & Equivalents	249	268	-	-
Insurance Related Assets	33	34	35	33
Investments In Other Business Entities & Investment Property	103	105	108	103
Intangible Assets Owned Net	22	23	23	22
Goodwill	69	69	69	56
Tax Assets, Current And Deferred	24	25	23	21
Prepayments And Other Assets	53	59	73	118
Total	570	619	695	758

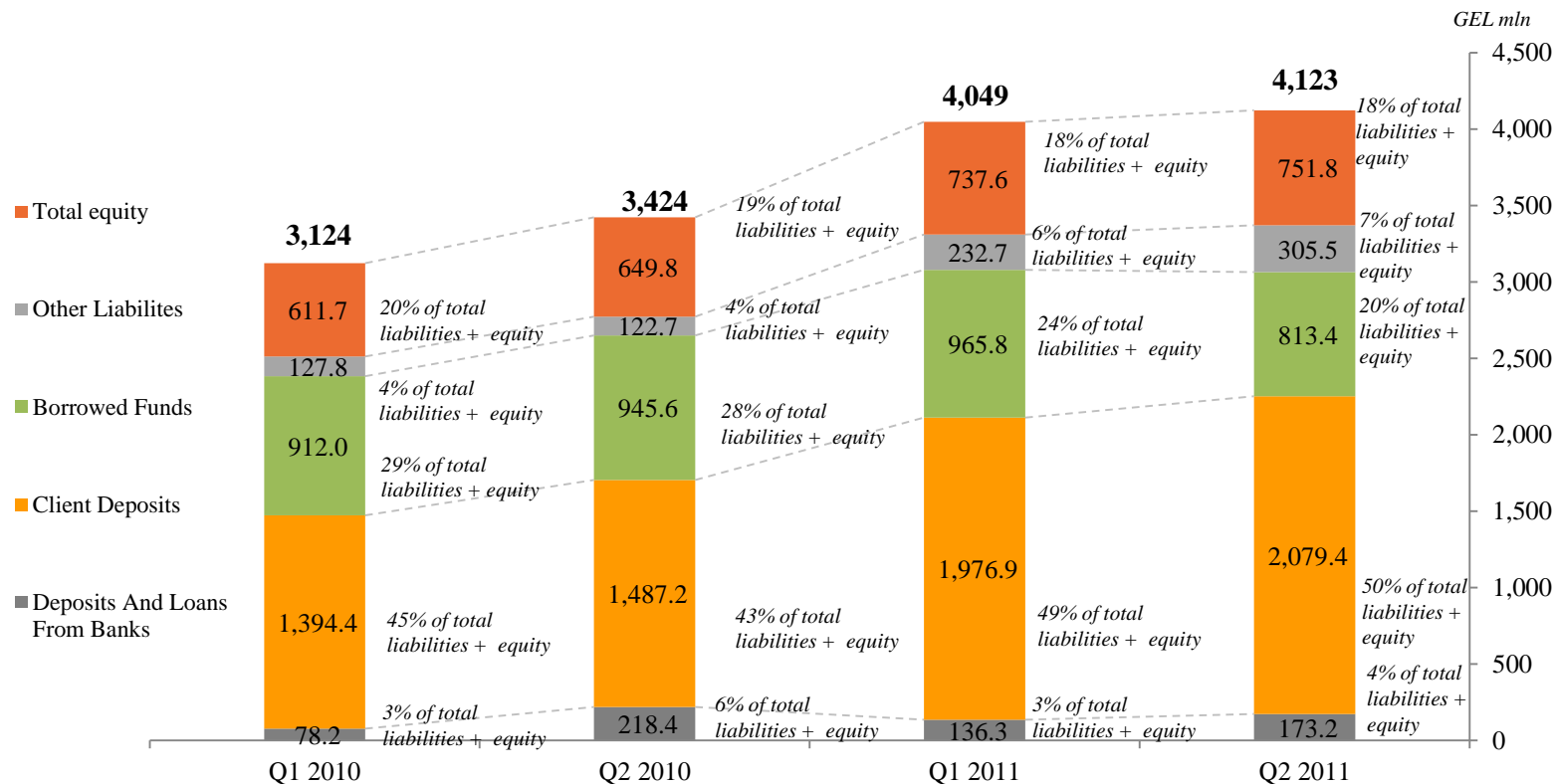
Note: Net loans include Net finance lease receivables

Gross loan book breakdown



Gross loan book Q2 2011: GEL 2,562.5 million

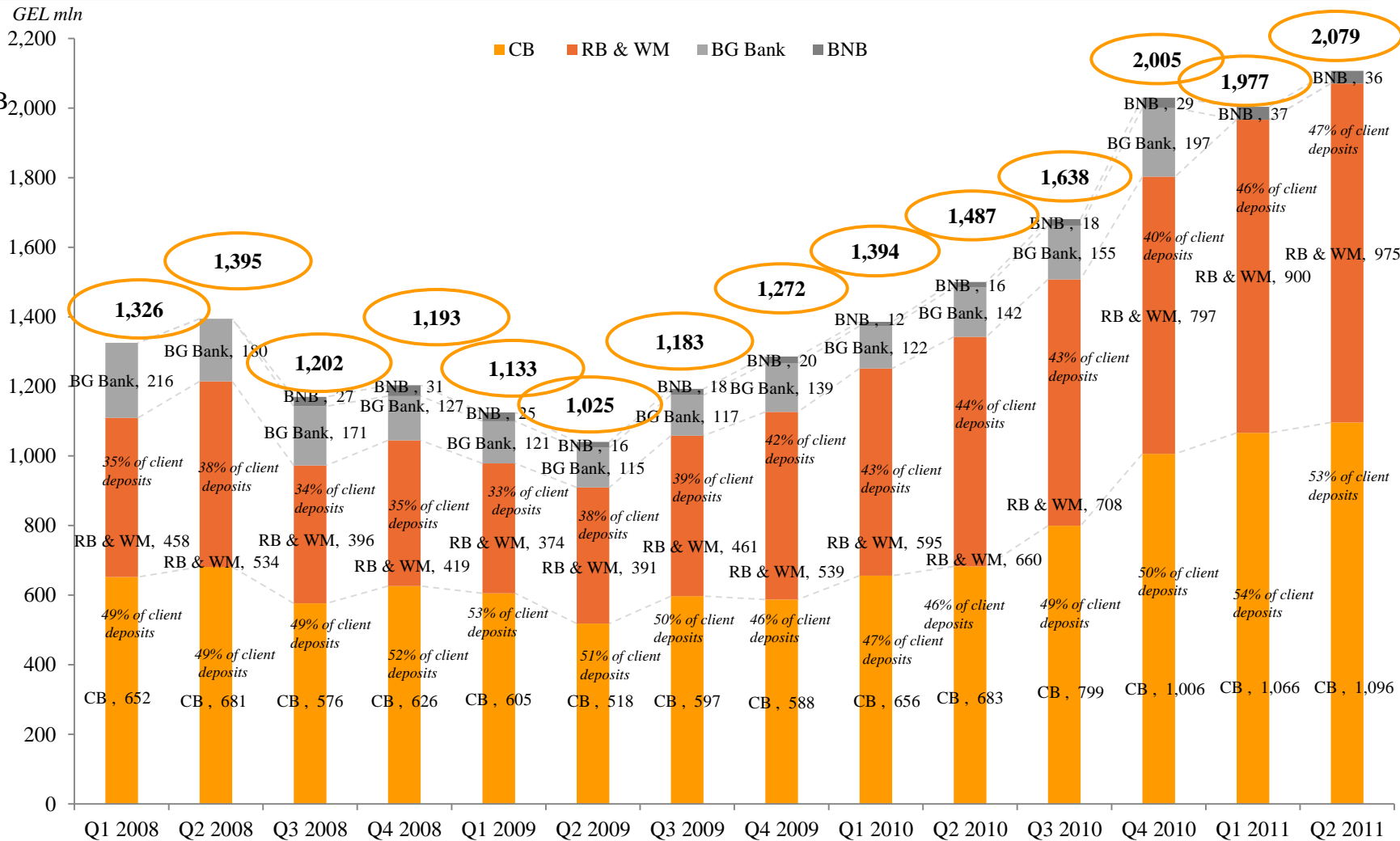
Liabilities breakdown



GEL million	Q1 2010	Q2 2010	Q1 2011	Q2 2011
Issued Fixed Income Securities	-	3.7	96.5	149.1
Insurance Related Liabilities	42.7	44.4	43.1	45.5
Tax Liabilities, Current And Deferred	27.3	31.8	24.6	24.1
Accruals And Other Liabilities	57.8	42.8	68.5	86.8
Other liabilities	127.8	122.7	232.7	305.5

Total liabilities 30 June 2011: GEL 3,371.6 million

Client deposits breakdown



Client deposits Q2 2011: GEL 2,079 million

Georgia: RB & WM, CB
 Ukraine: BG Bank
 Belarus: BNB
 Numbers do not include
 CC/Eliminations



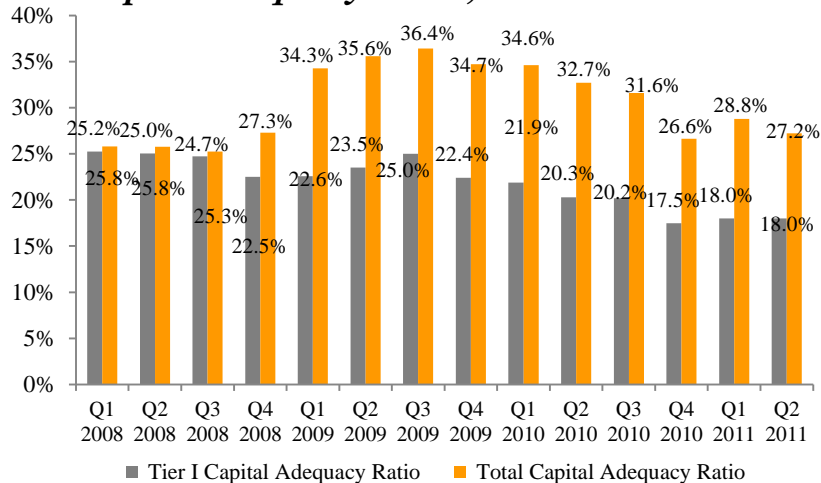
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Capital adequacy & wholesale funding

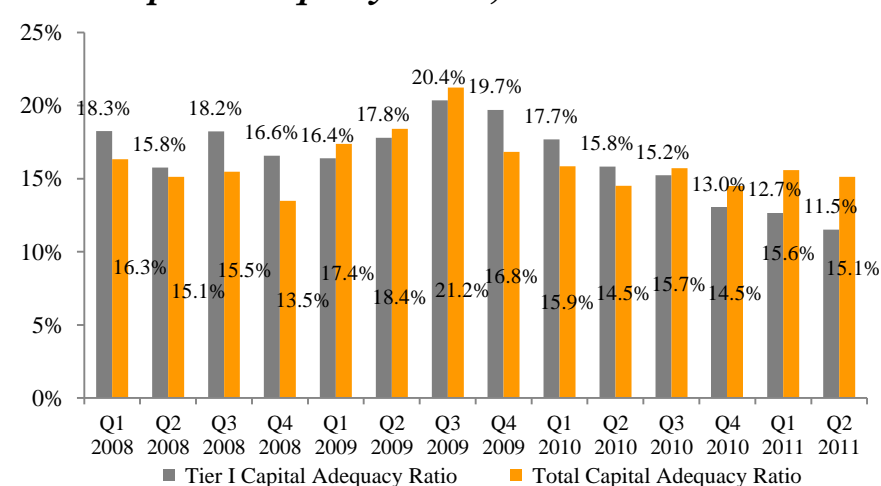
August 2011

Capital adequacy

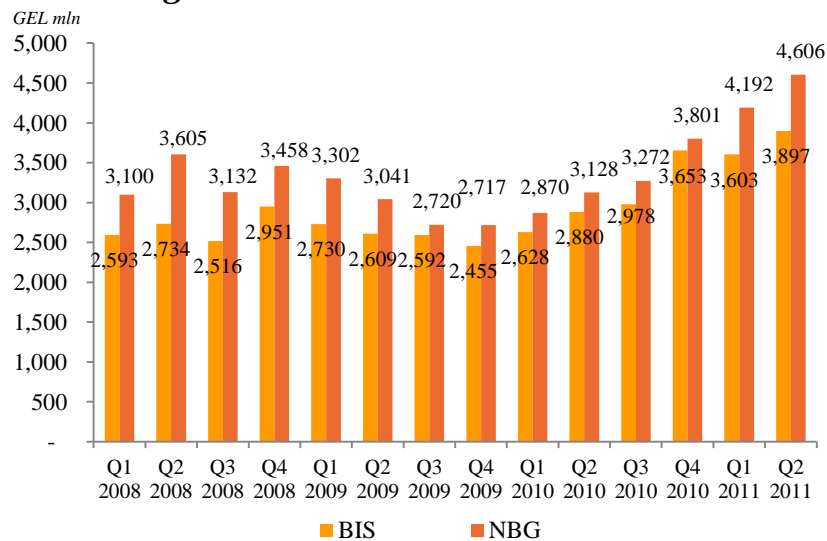
BIS capital adequacy ratios, BoG consolidated



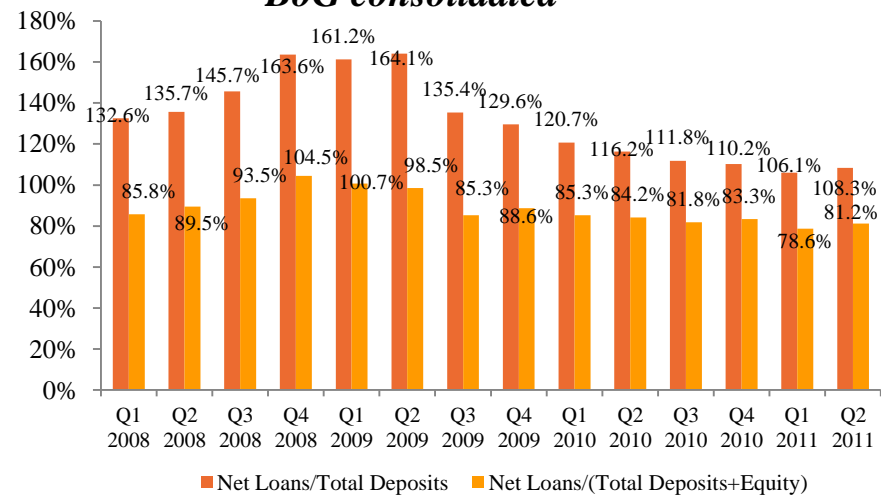
NBG capital adequacy ratios, BoG standalone



Risk-weighted assets BIS vs. NBG



Net loans/deposits & loans/(deposits+equity), BoG consolidated



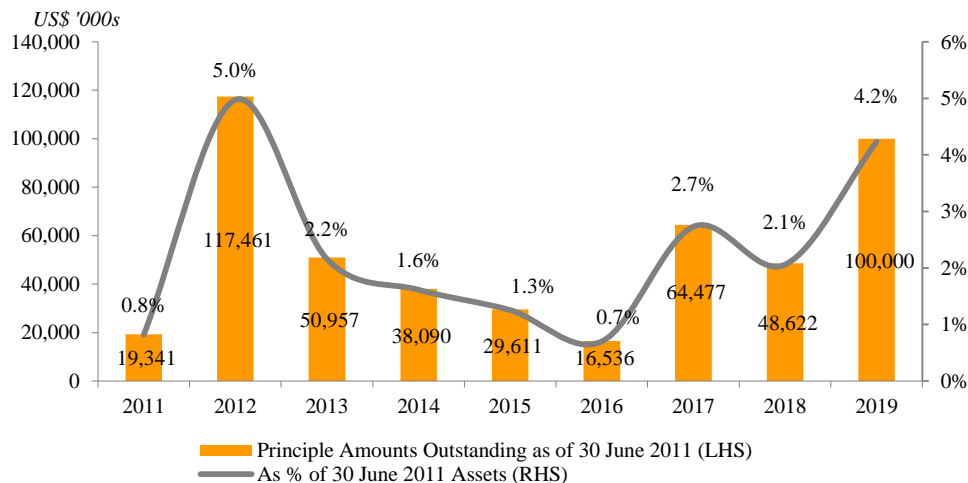
International borrowings

Selected international loans

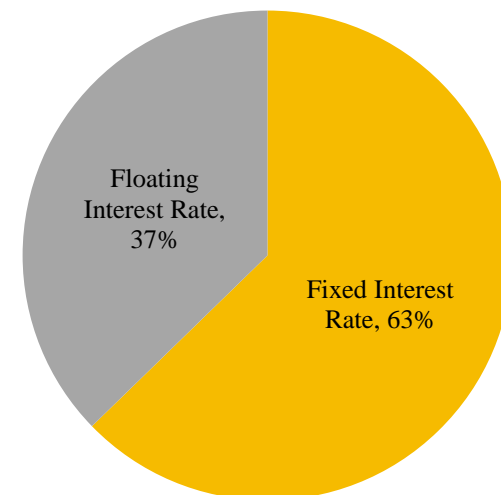
Key Lenders	Principle Amount Outstanding as of 30 June 2011	Maturity	mil US\$
Eurobonds	US\$ 70.1 million	2012	70.1
Senior Term Loan from IFC	US\$ 41.7 million	2013	41.7
Senior Term Loan from EBRD	US\$ 42.9 million	2014	42.9
Senior Term Loan from FMO	US\$ 6.8 million	2014	6.8
Senior Term Loan from EBRD 2010 (SME)	US\$ 20.0 million	2015	20.0
Senior Term Loan from EBRD 2010 (EE)	US\$ 1.6 million	2016	1.6
Senior Term Loan from EBRD 2010 (MCFE)	US\$ 3.9 million	2016	3.9
Senior Term Loan from WorldBusiness Capital	US\$ 5.0 million	2016	5.0
Senior Term Loan from WorldBusiness Capital (GLC)	US\$ 3.8 million	2017	3.8
Subordinated Loan from Merrill Lynch (Call in 2012)	US\$ 35.0 million	2017	35.0
Subordinated Loan from HBK Investments (Call in 2012)	US\$ 15.0 million	2017	15.0
Senior Term Loan from ADB	US\$ 25.0 million	2018	25.0
Senior Term Loan from EFSE	US\$ 50.0 million	2018	50.0
Subordinated loan from FMO and DEG (Call in 2013)	US\$ 30.0 million	2018	30.0
Senior Loan Term Loan from OPIC	US\$ 24.2 million	2018	24.2
Subordinated Loan from OPIC	US\$ 10.0 million	2018	10.0
Convertible Loan from IFC	US\$ 26.0 million	2019	26.0
Subordinated Loan from EBRD (Call in 2014)	US\$ 24.0 million	2019	24.0
Subordinated Loan from IFC (Call in 2014)	US\$ 24.0 million	2019	24.0
Convertible Loan from EBRD	US\$ 26.0 million	2019	26.0
Other, USD denominated	US\$ 0.3 million	NMF	0.3
Total	US\$ 485.1 million		485.1

Note: Depicts final maturity dates. Excluding credit lines as part of documentary business

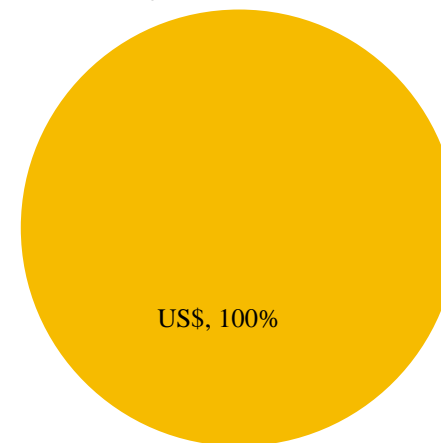
International borrowings repayment schedule



International borrowings - fixed vs. floating rates, 30 June 2011



International borrowings by currencies, 30 June 2011



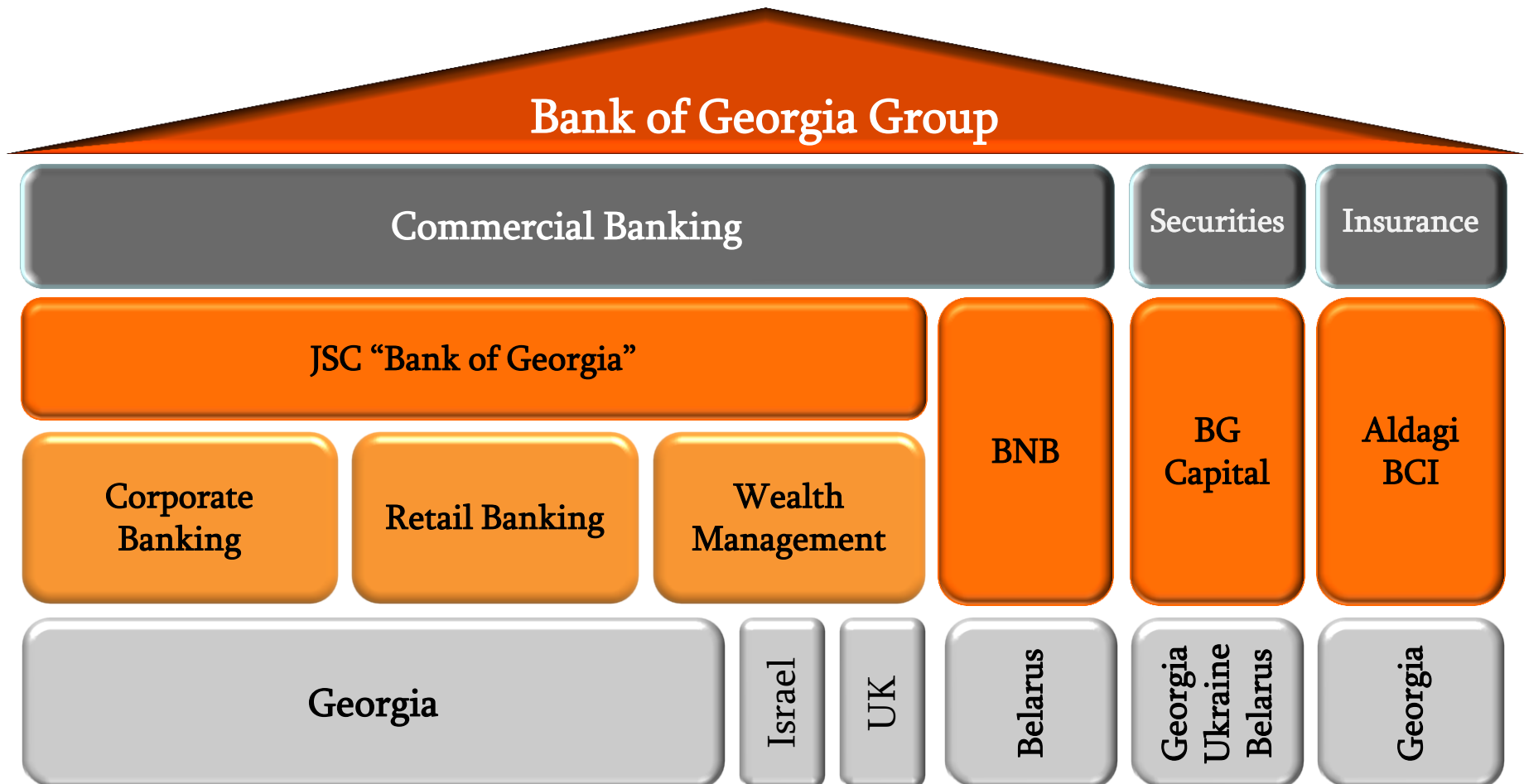


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Business overview

August 2011

Group structure





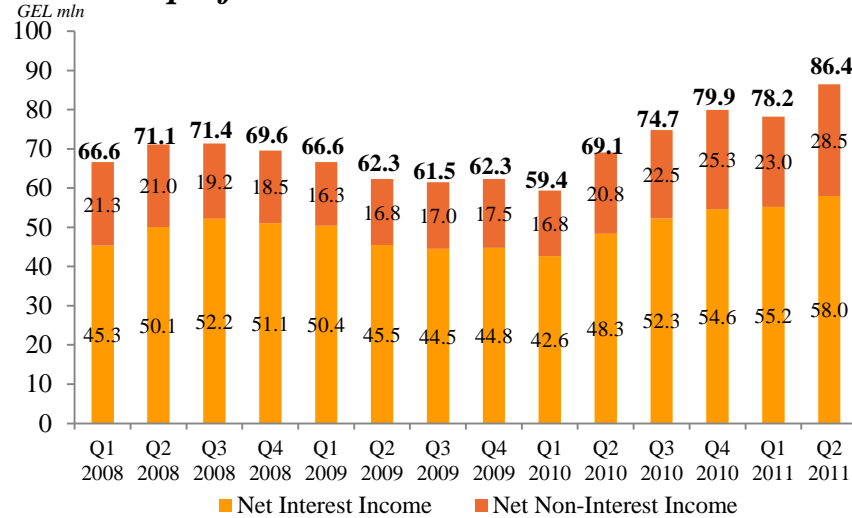
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BoG standalone results overview

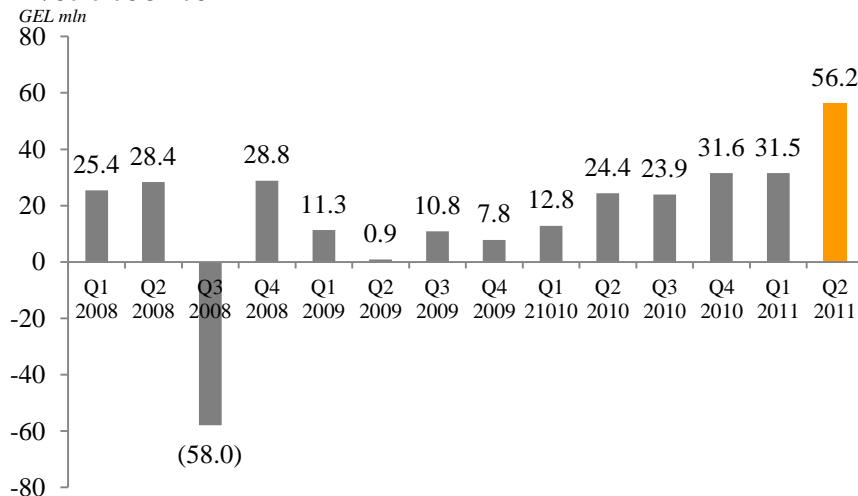
August 2011

BoG standalone performance

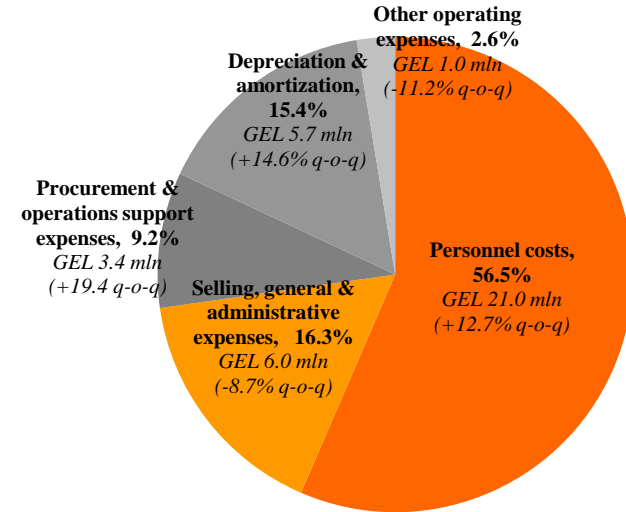
Revenue performance



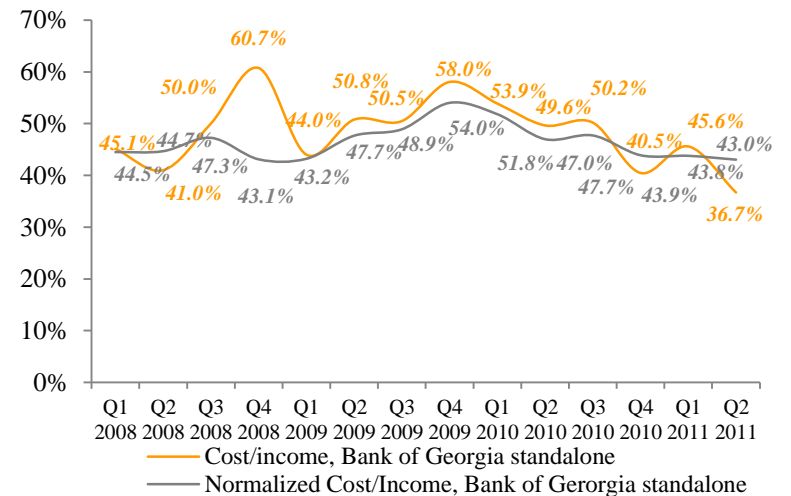
Net income



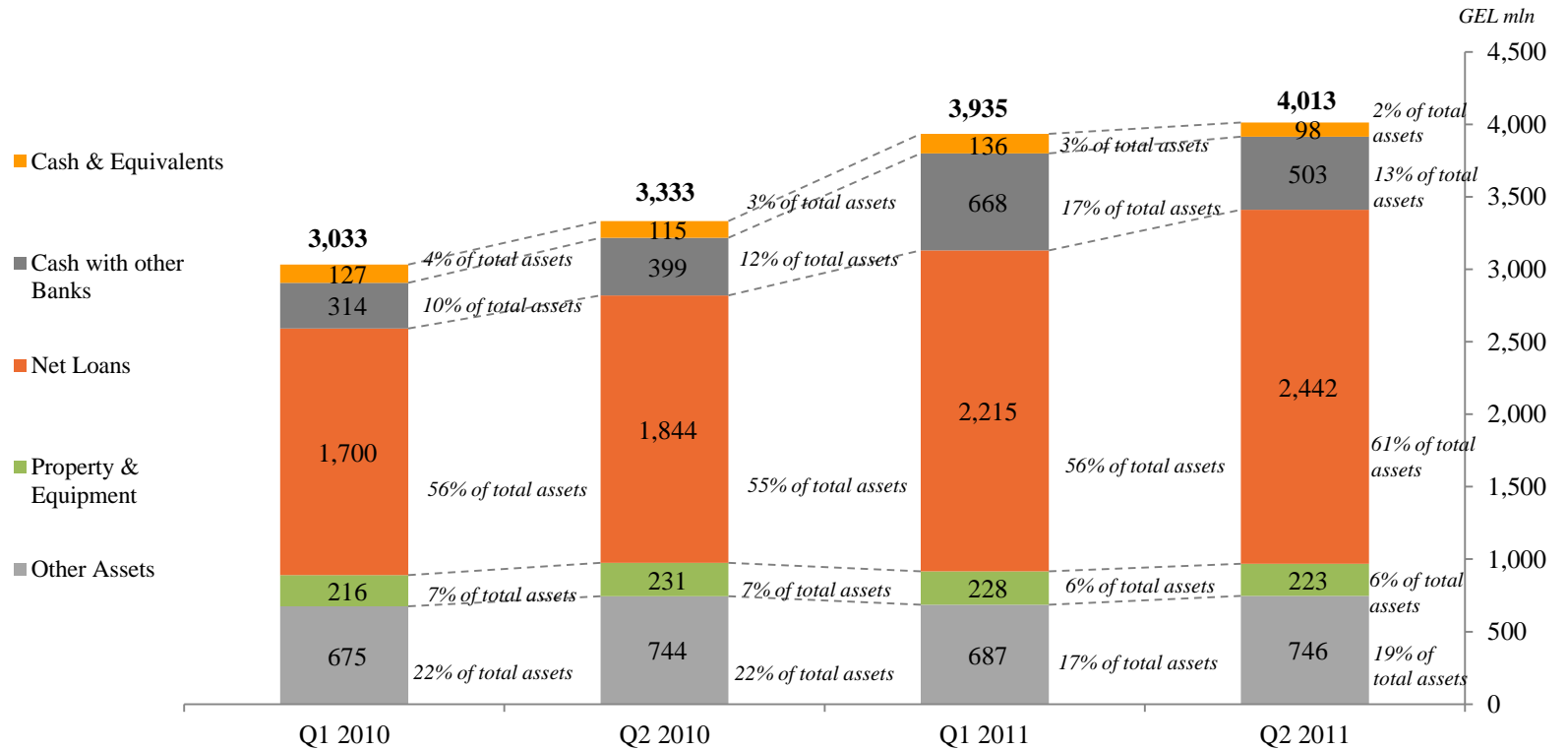
Recurring operating cost structure, Q2 2011



Cost/Income Ratio

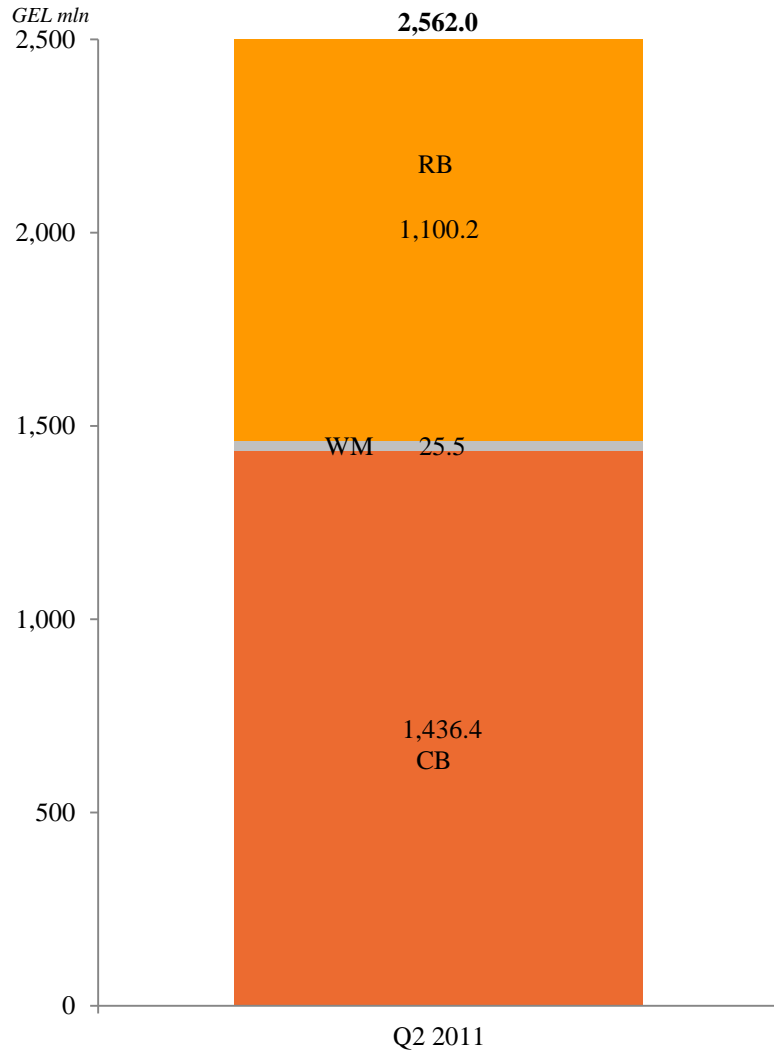


Composition of assets

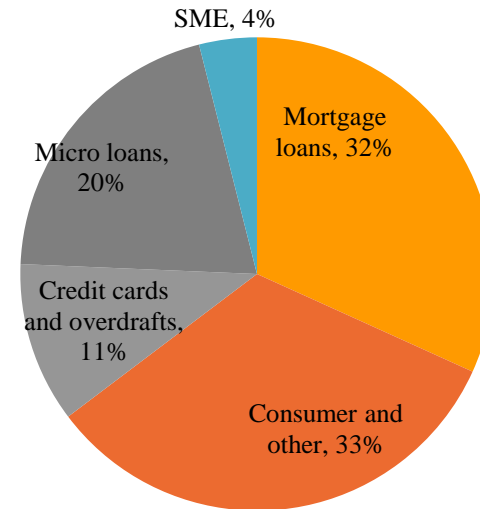


GEL Million	Q1 2010	Q2 2010	Q1 2011	Q2 2011
AFS & Trading Securities	-	-	-	396
Government Treasuries & Equivalents	249	268	352	-
Investments In Other Business Entities & Investment Property	356	396	243	243
Intangible Assets Owned, Net	17	18	20	19
Goodwill	23	23	23	23
Tax Assets, Current And Deferred	6	7	14	6
Prepayments And Other Assets	24	32	36	59
Other assets	675	744	687	746.0

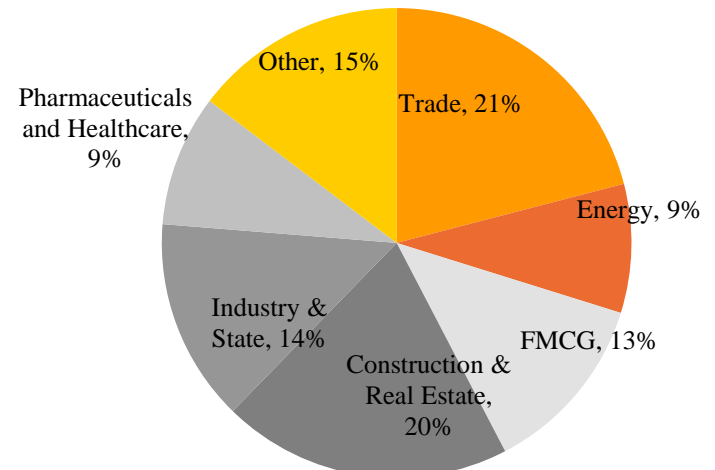
Loan book composition



RB & WM loan book breakdown, Q2 2011



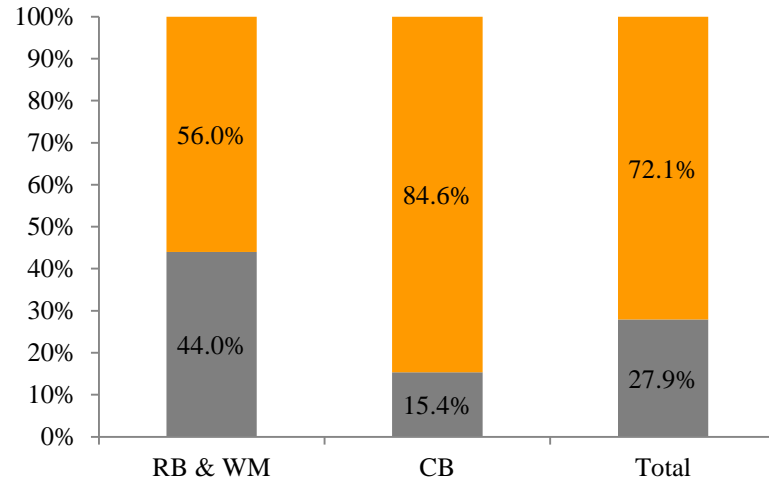
CB loan book breakdown, Q2 2011



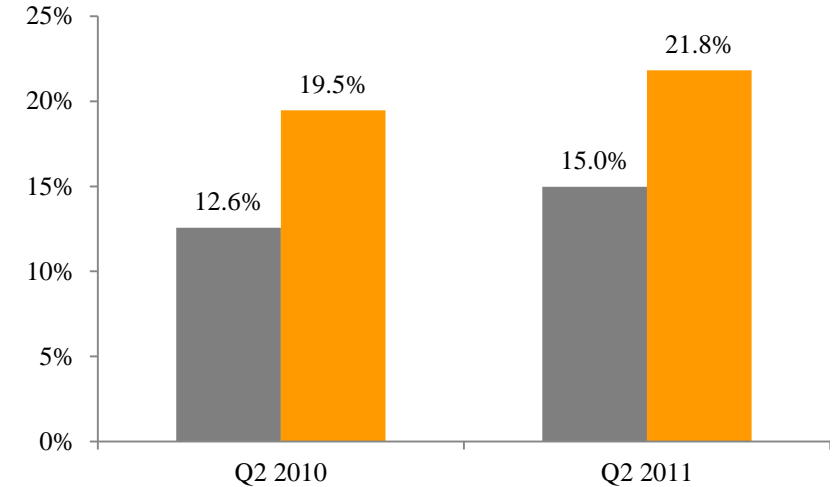
* Other loans include car, POS and legacy retail loans

Analysis of the loan book

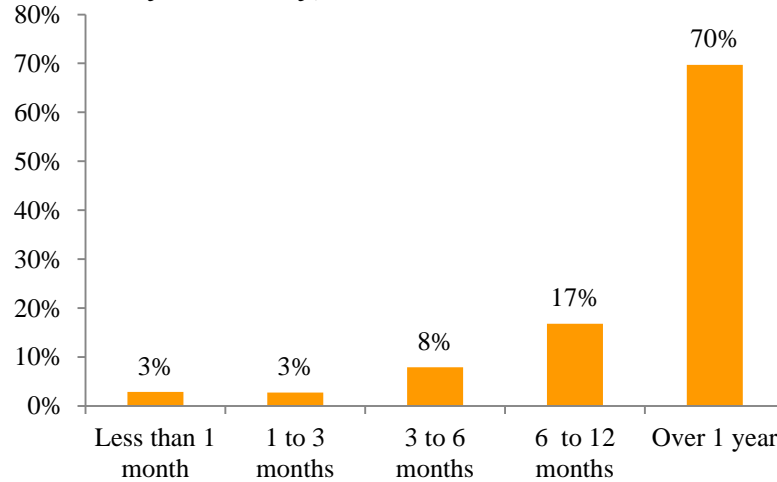
Loans by currency, 30 June 2011



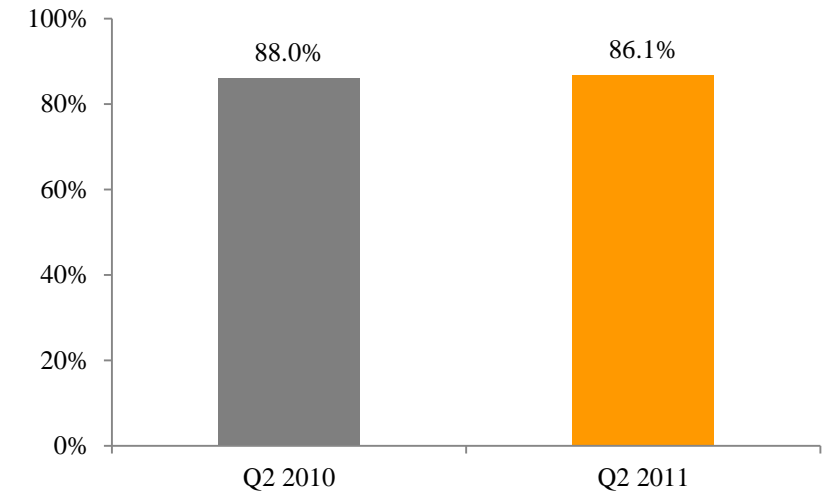
Loan concentration



Loans by maturity, 30 June 2011



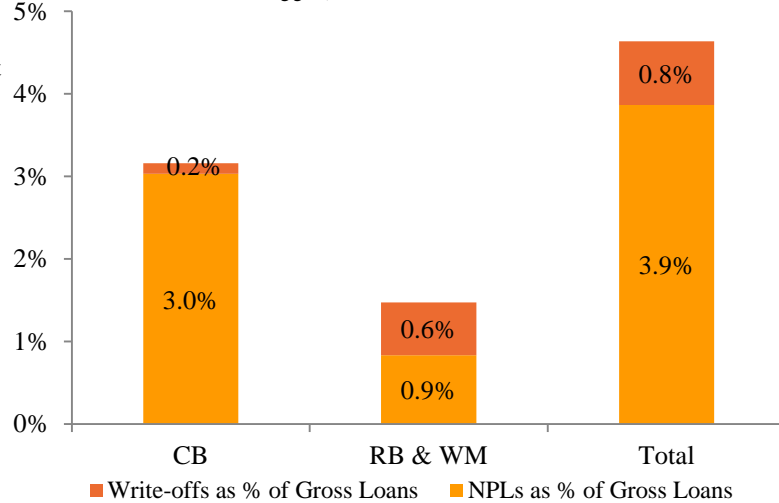
Loan book collateralization



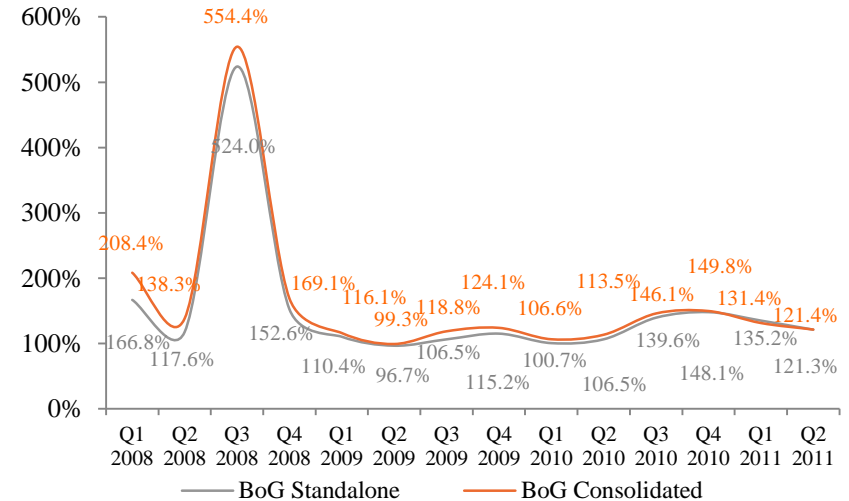
Provisioning

NPLs include 90 days overdue loans, including principal amount and interest payments

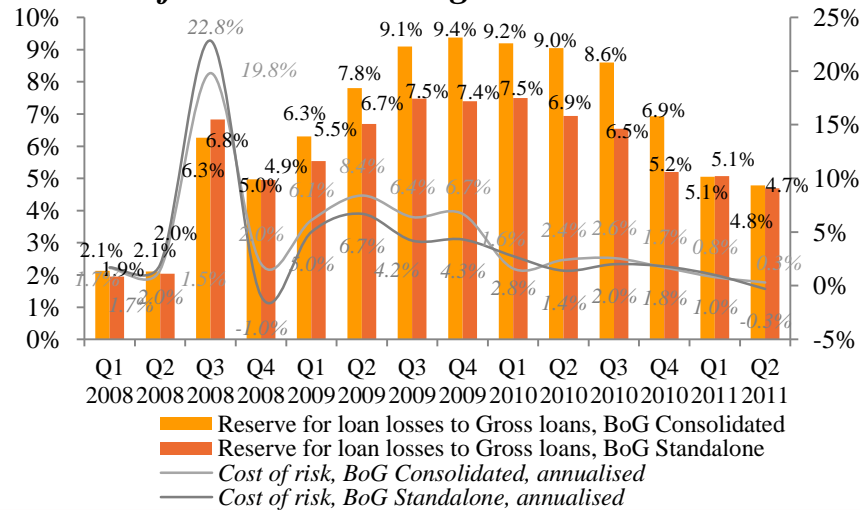
NPLs & write-offs, 30 June 2011



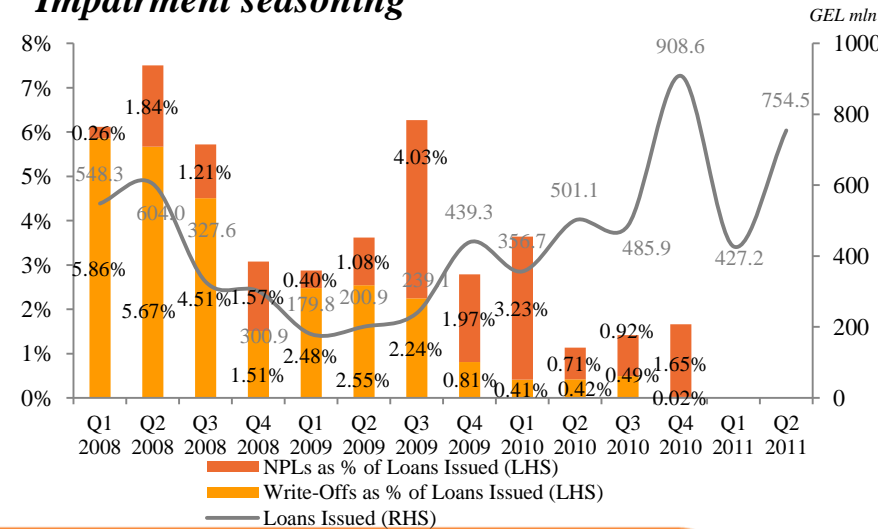
NPL coverage ratio



Reserve for loan losses to gross loans

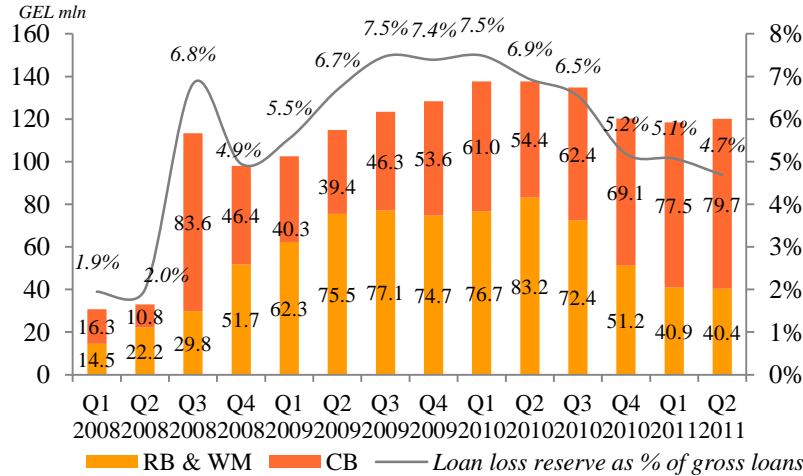


Impairment seasoning

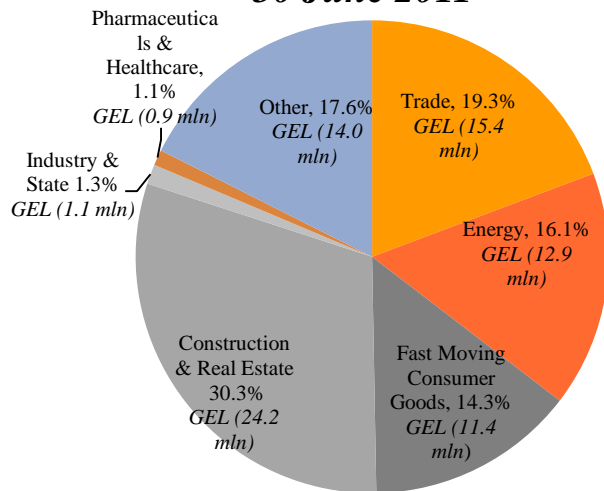


Provisioning cont'd – BoG standalone

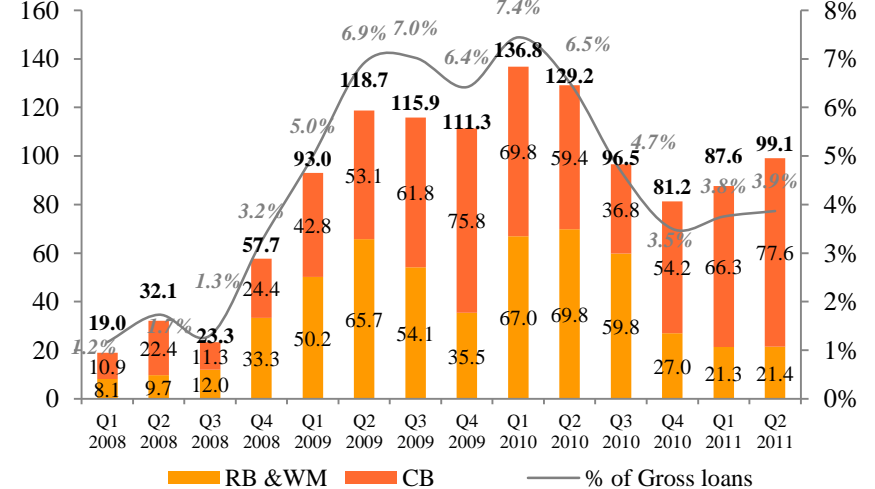
Loan loss reserve



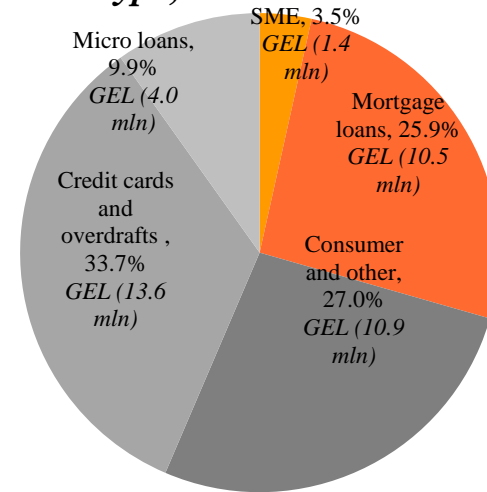
CB loan loss reserve breakdown by industries, 30 June 2011



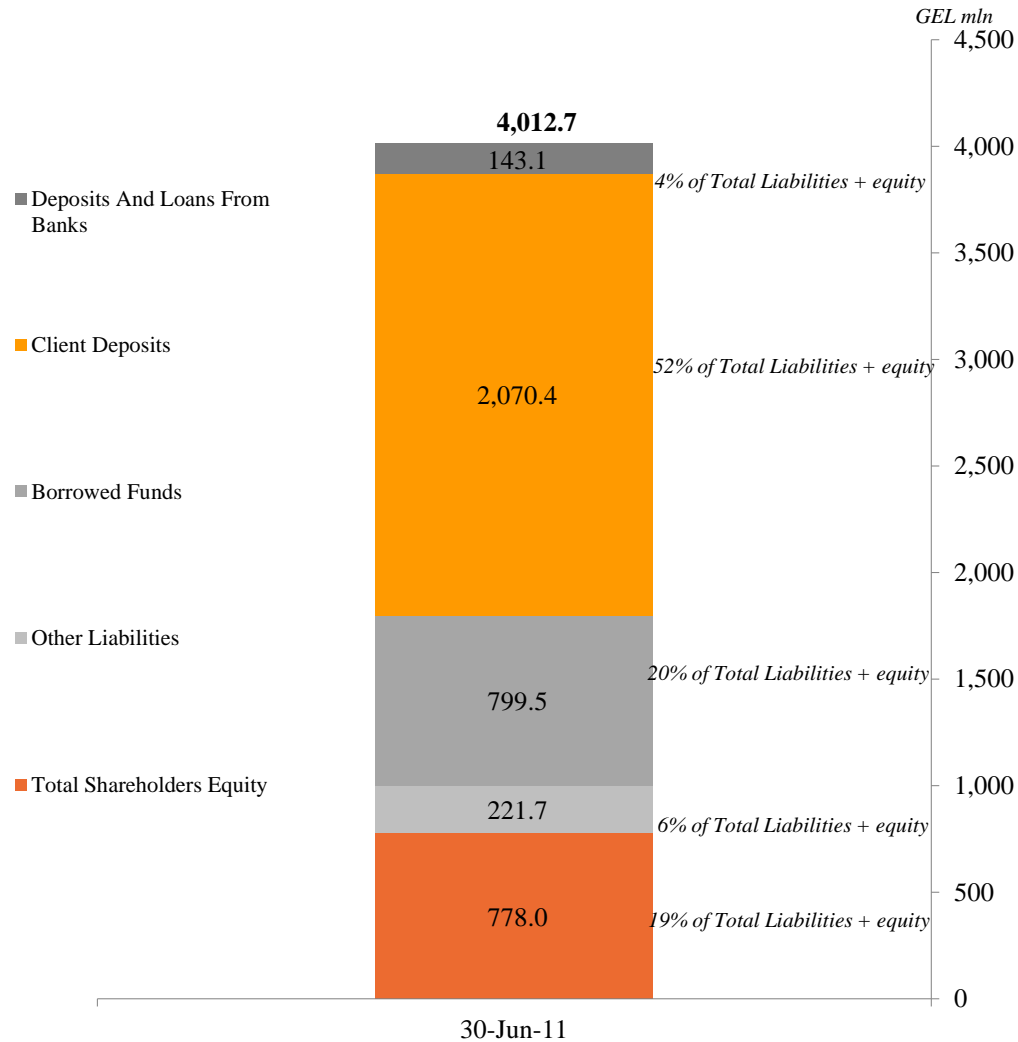
NPLs



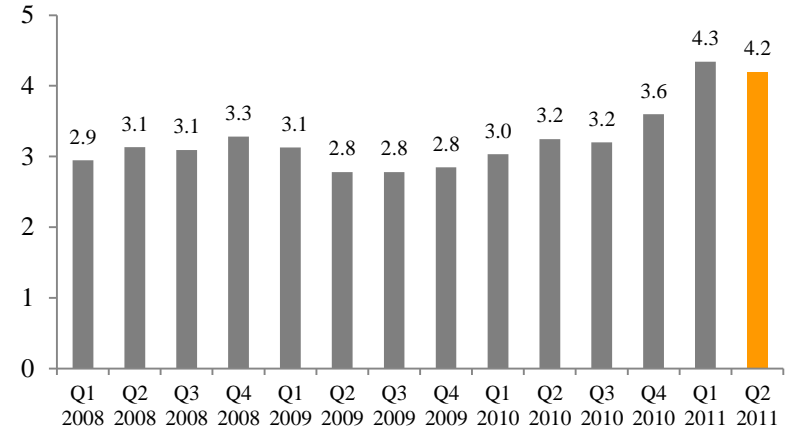
RB & WM loan loss reserve breakdown by loan type, 30 June 2011



BoG standalone liabilities

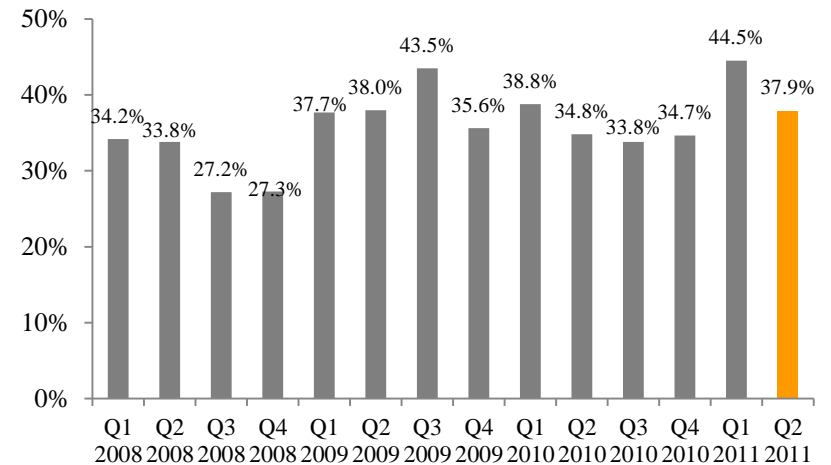


Leverage ratio, BoG standalone



Leverage (Times) equals Total Liabilities as of the period end divided by Total Equity as of the same date

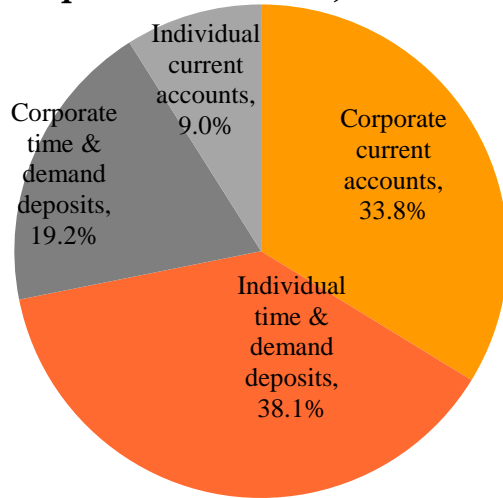
NBG Liquidity ratio, BoG standalone



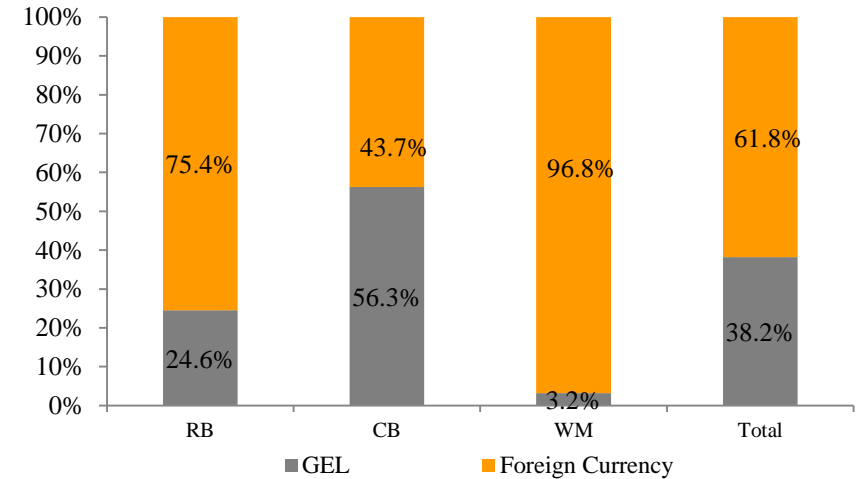
NBG Liquidity ratio is calculated by dividing liquid assets per NBG by Total liabilities per NBG

Analysis of deposits

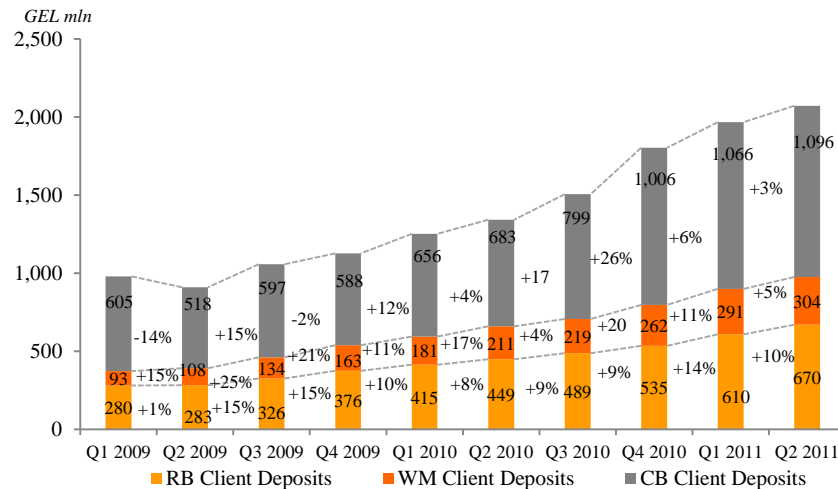
Client deposit breakdown, 30 June 2011



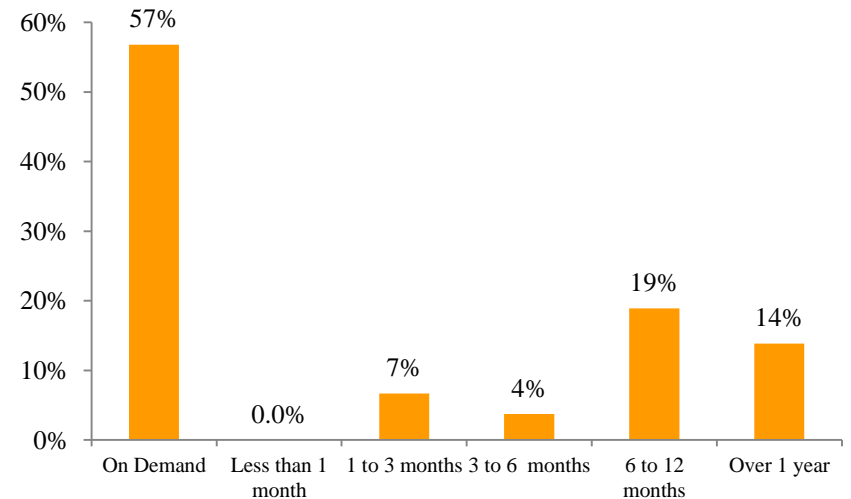
Client deposits by currency, 30 June 2011



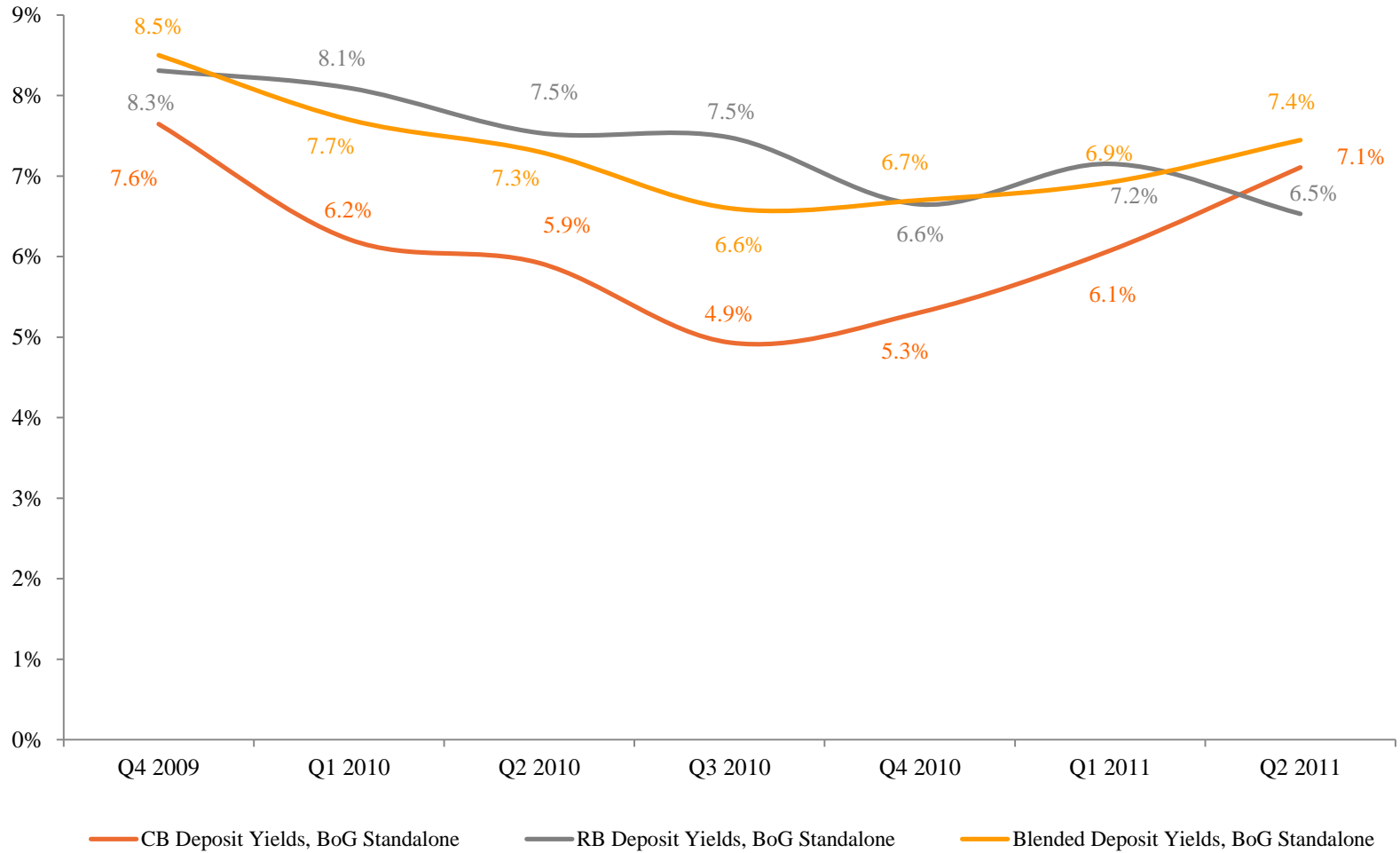
CB, RB & WM deposits, BoG standalone



Deposits by maturity, 30 June 2011

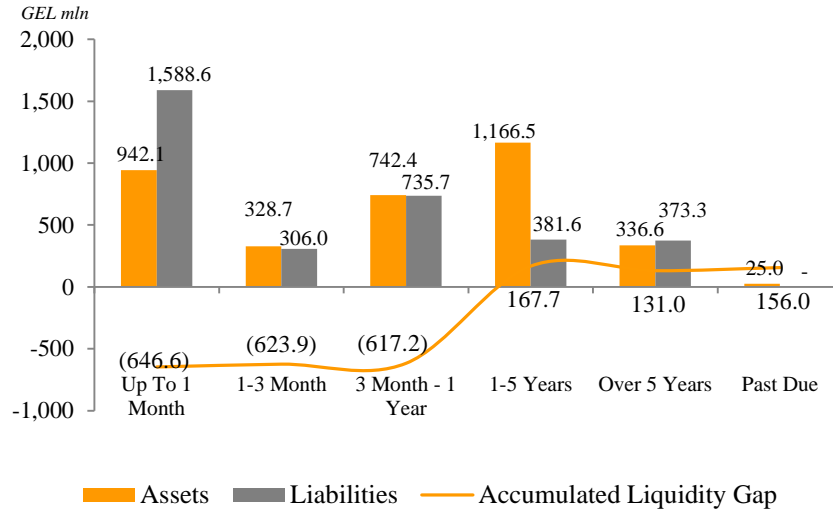


Deposit yields

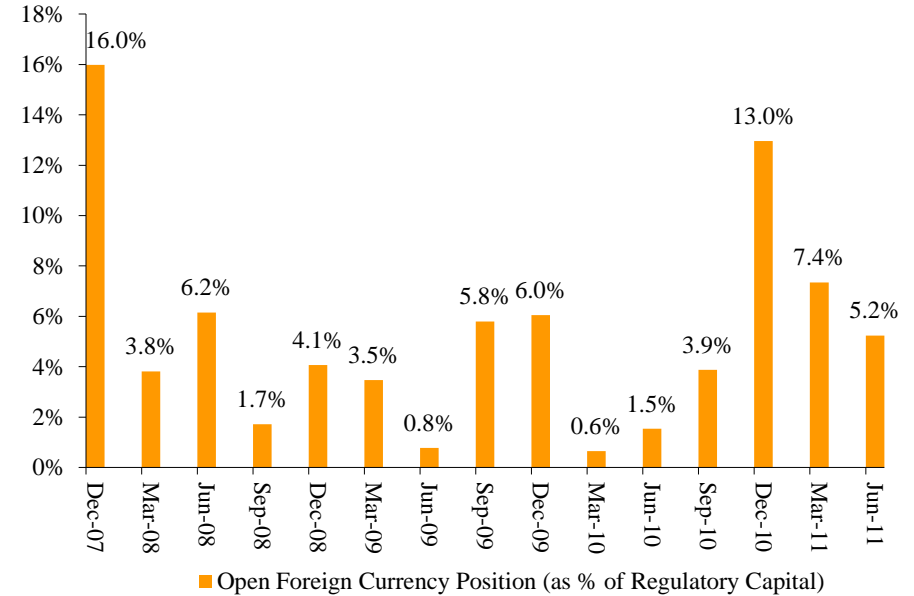


Risk management

Liquidity risk management, 30 June 2011



Currency risk management, 31 March 2011



Corporate banking

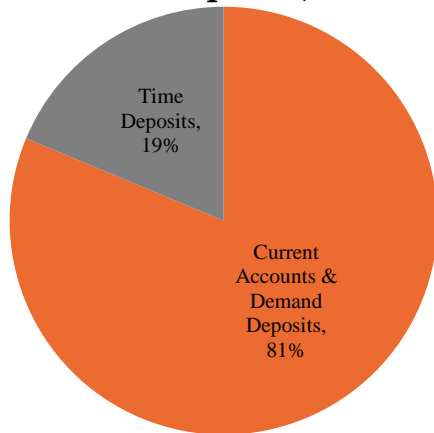
Integrated client coverage in the following key sectors

- 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

Overview

- No.1 corporate bank in Georgia
- Circa 40% market share based on customer deposits⁽¹⁾
- Circa 36% market share based on corporate loans⁽²⁾
- Integrated client coverage in key sectors
- 9,500 clients served by dedicated relationship bankers
- Circa 48% market share in trade finance and documentary operations⁽²⁾
- Second largest leasing company in Georgia⁽²⁾ – Georgian Leasing Company (GLC)
- Increased the number of corporate clients using the Bank’s payroll services from 1,737 in Q4 2010 to 2,044 in Q2 2011
- More than 2,300 corporate accounts were opened at the bank in Q2 2011, bringing the total number of current accounts to 30,591

Corporate client deposits, 30 June 2011



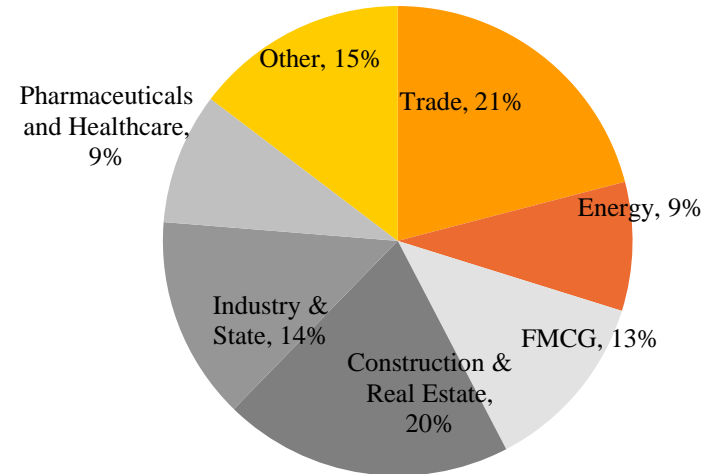
Notes:

Total corporate deposits: GEL 1,096 mln

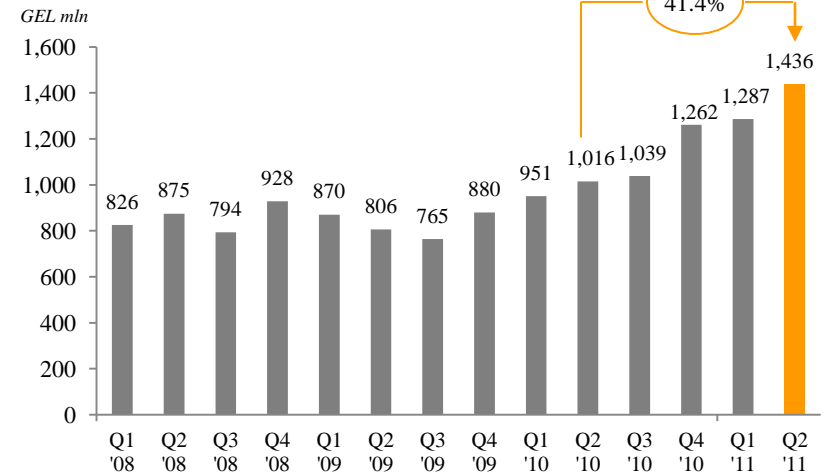
(1) source: National Bank of Georgia, does not include interbank deposits

(2) Management estimates (based on the NBG data)

Corporate loan portfolio, 30 June 2011

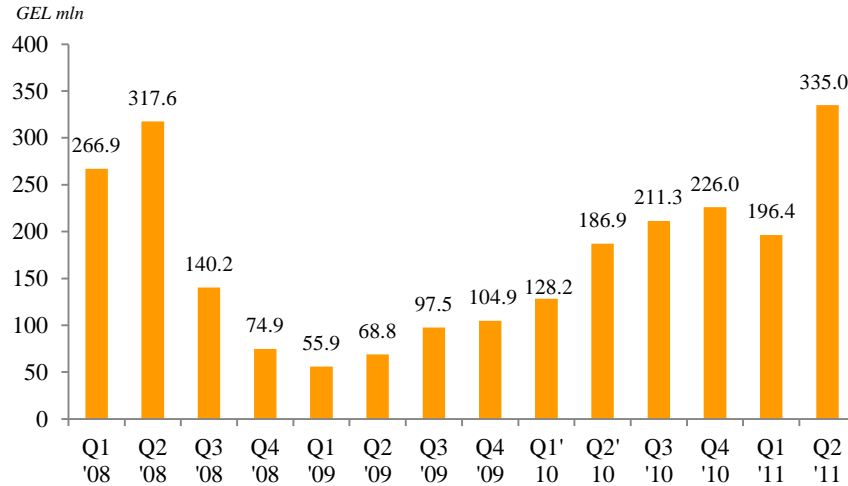


Corporate gross loan portfolio growth



Retail Banking – No. 1 retail bank in Georgia

Retail loans originated

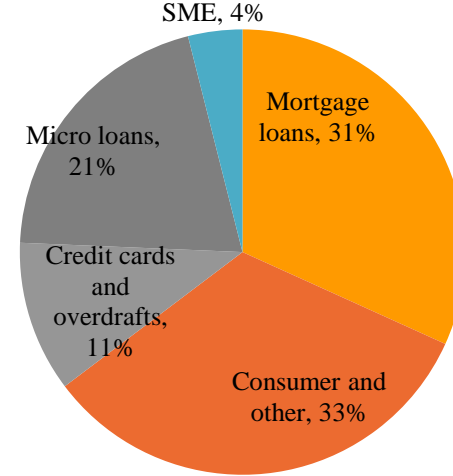


Leadership in consumer lending

Q2 2010 Q1 2011 Q2 2011

• Number of Retail Clients	793,275	845,391	862,369
▪ Number of consumer loans outstanding	52,423	71,440	79,593
• Volume of consumer loans outstanding (GEL mln)	130.9	168.9	238.5
• Credit Cards Outstanding, of which	81,119	105,354	109,706
▪ American Express cards	19,603	67,499	78,024
• Number of Solo clients outstanding, (premier banking)	1,043	2,683	3,094

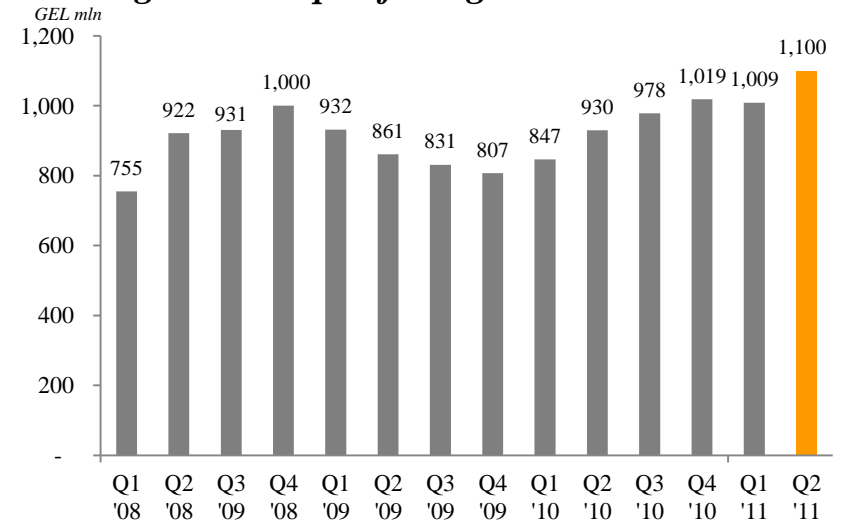
RB loan portfolio, 30 June 2011



Total retail loans: GEL 1,100 mln

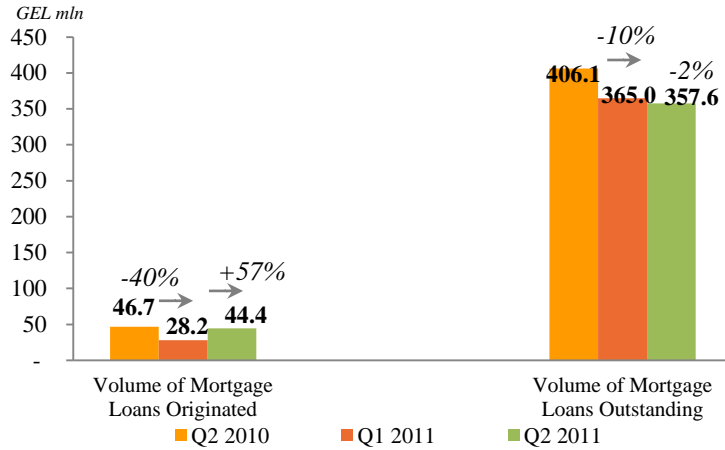
Note: does not include Ukraine & Belarus

Retail gross loan portfolio growth

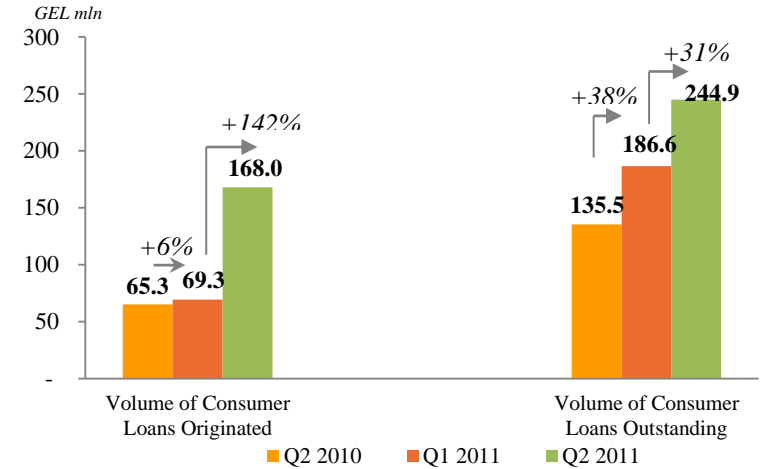


Retail loan book analysis

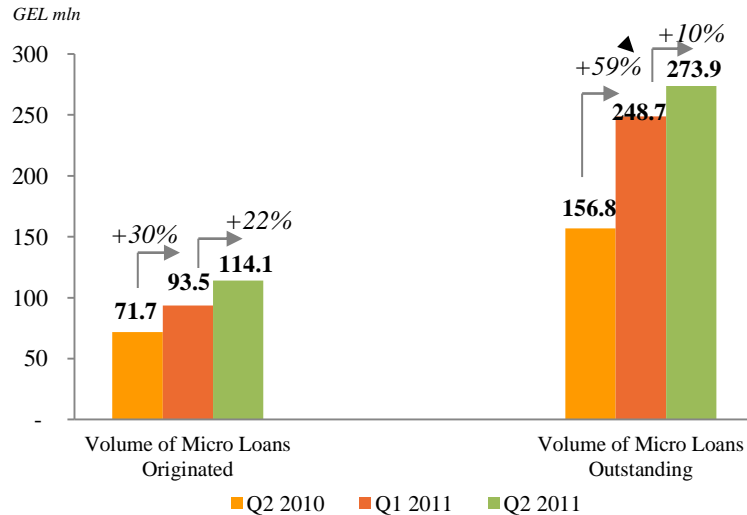
Mortgage loans (RB & WM)



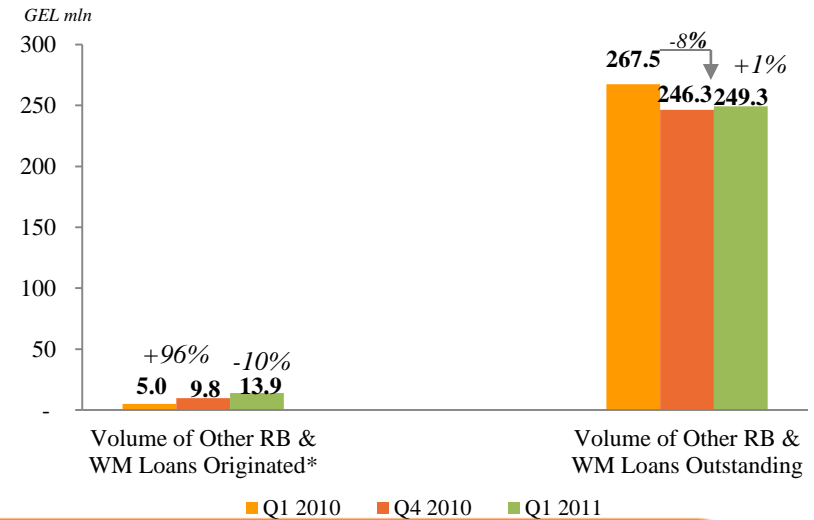
Consumer loans (RB & WM)



Micro loans (RB & WM)

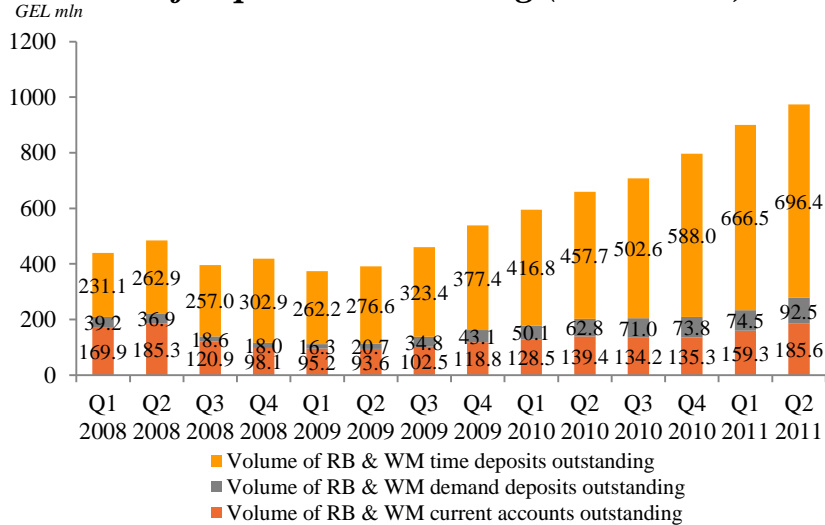


Other RB & WM loans

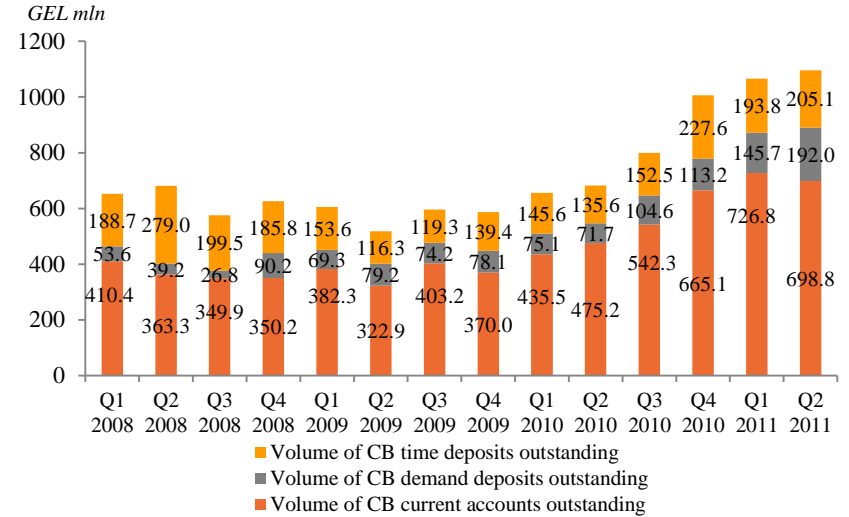


Deposit analysis

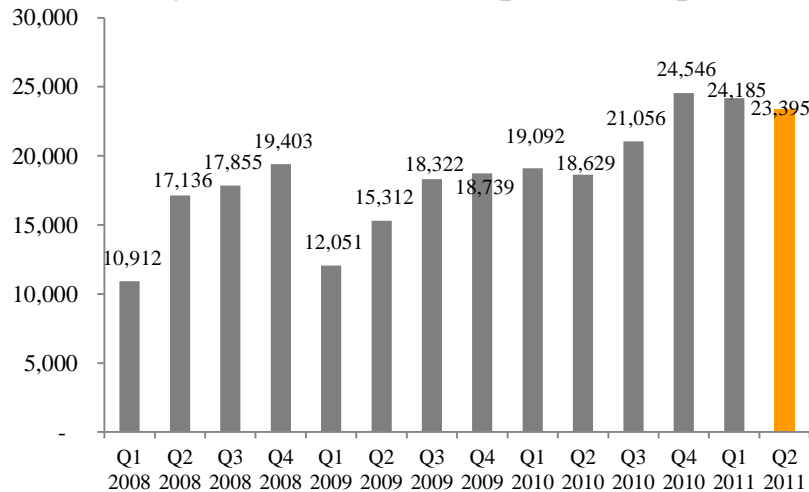
Volume of deposits outstanding (RB & WM)



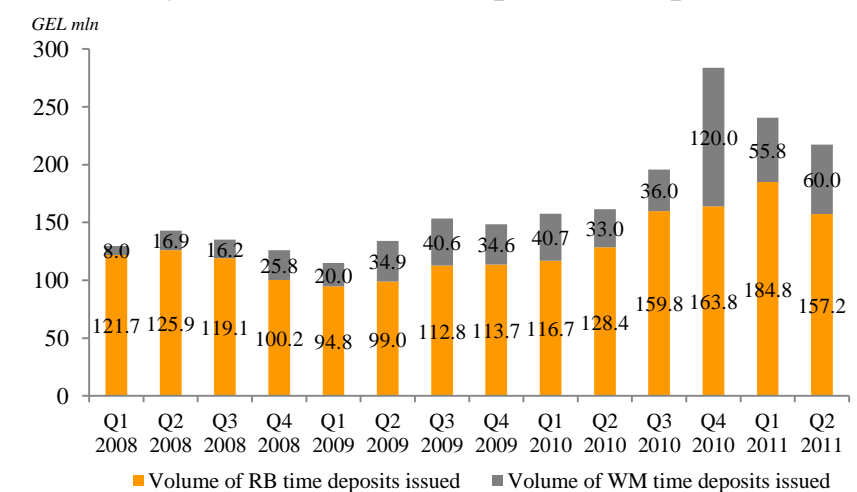
Volume of deposits outstanding (CB)



Number of RB & WM time deposits accepted



Volume of RB & WM time deposits accepted



Card processing

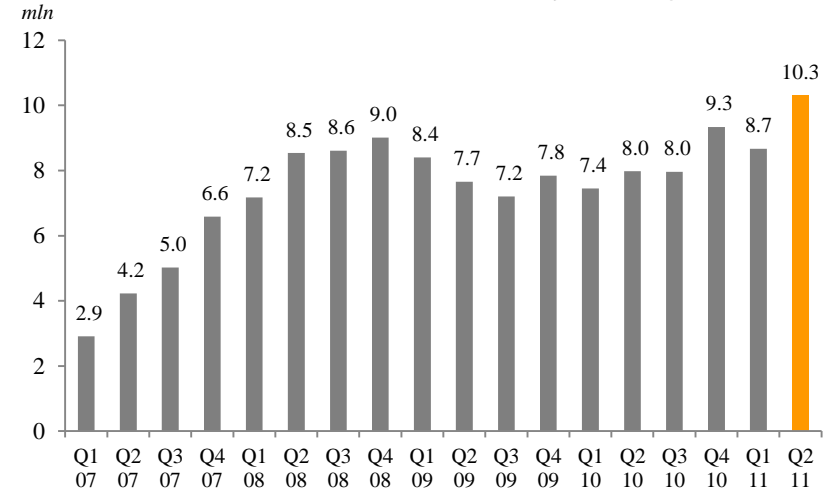


- 56% ownership of Georgian Card

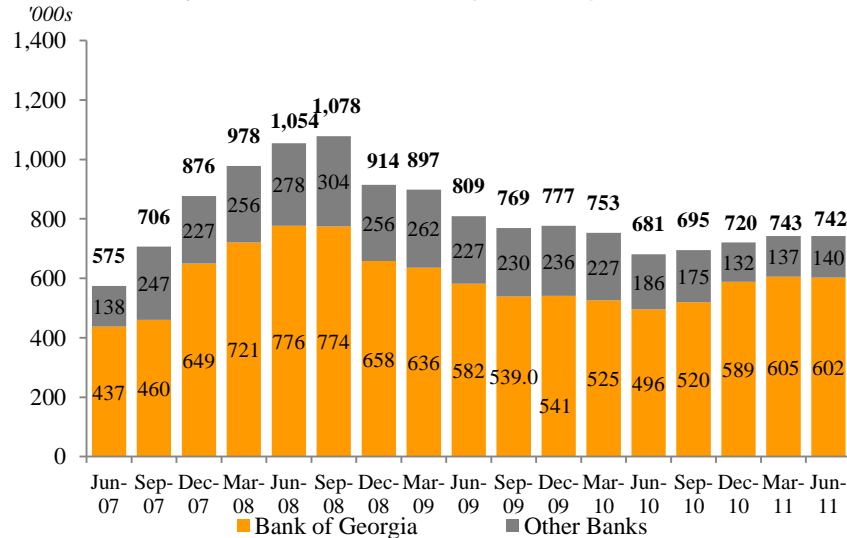
Client banks



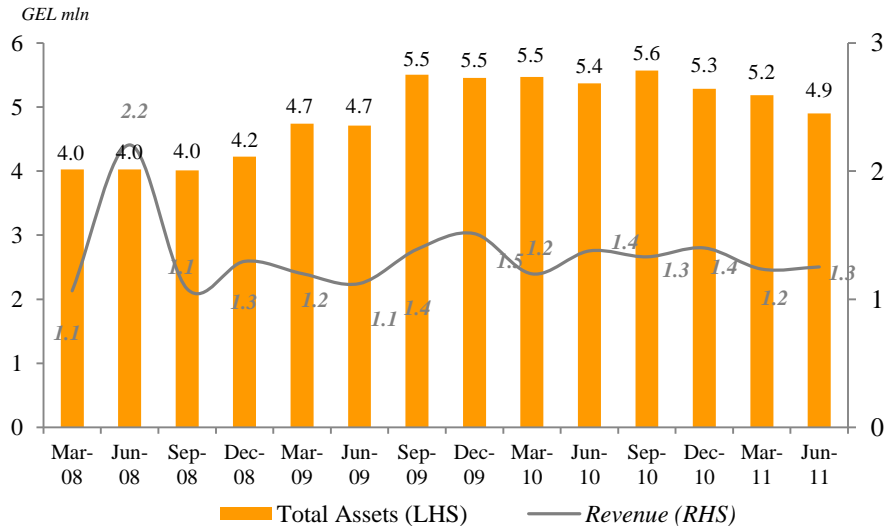
Cars transaction authorizations by Georgian Card



Number of cards serviced by Georgian Card

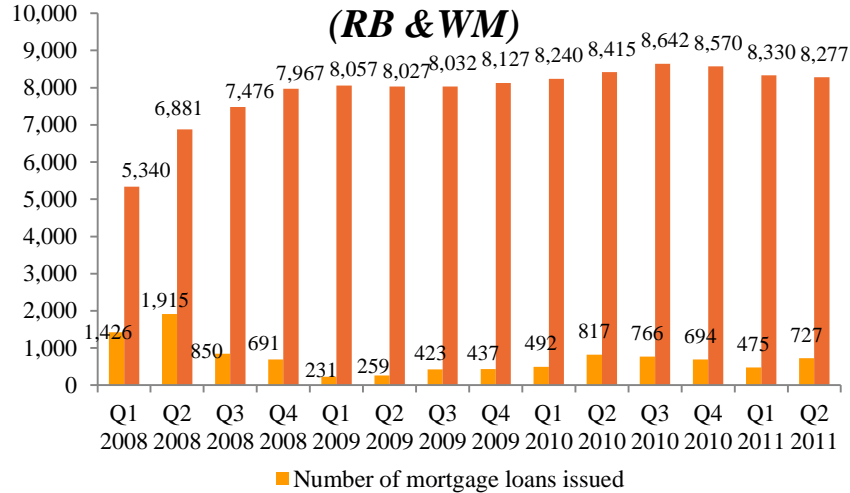


Georgian Card's revenue & assets



Analysis of mortgage portfolio

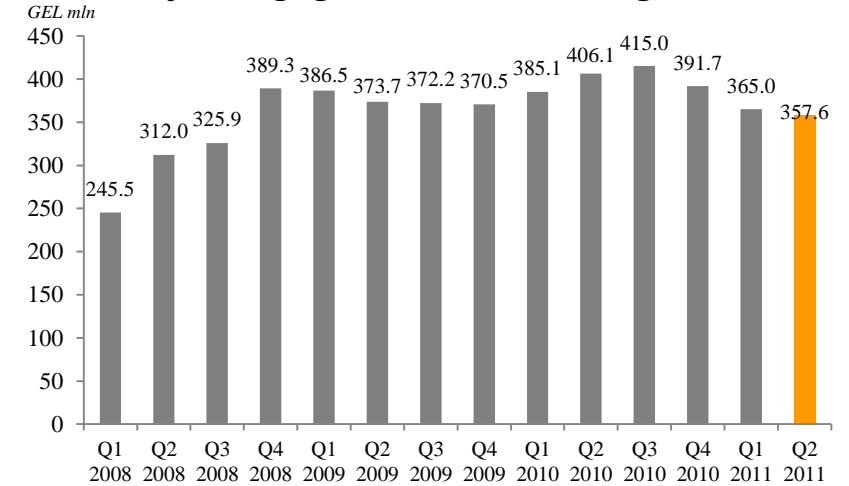
Number of mortgage loans issued & outstanding, (RB & WM)



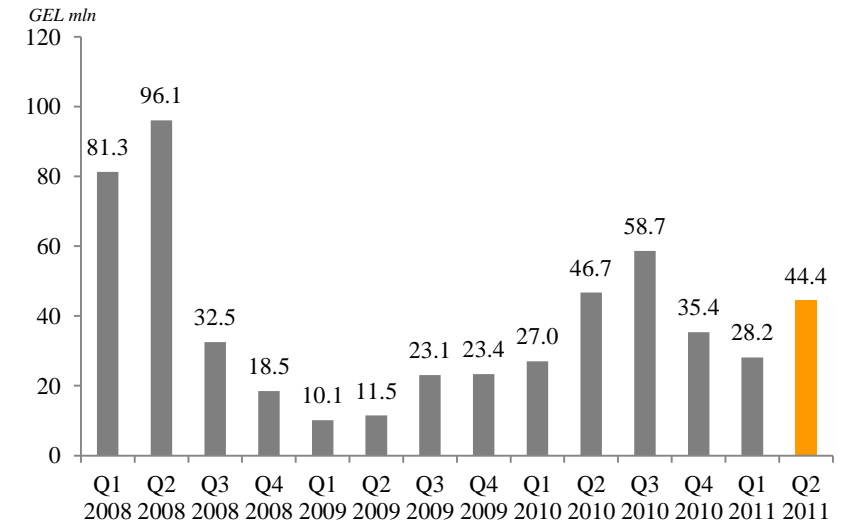
Typical mortgage terms

- 🏠 Rate: 13% - 15%
- 🏠 Tenor: Normally 6-120 months
- 🏠 Currency: US\$
- 🏠 LTV: Normally 75% - 90%

Volume of mortgage loans outstanding, (RB & WM)

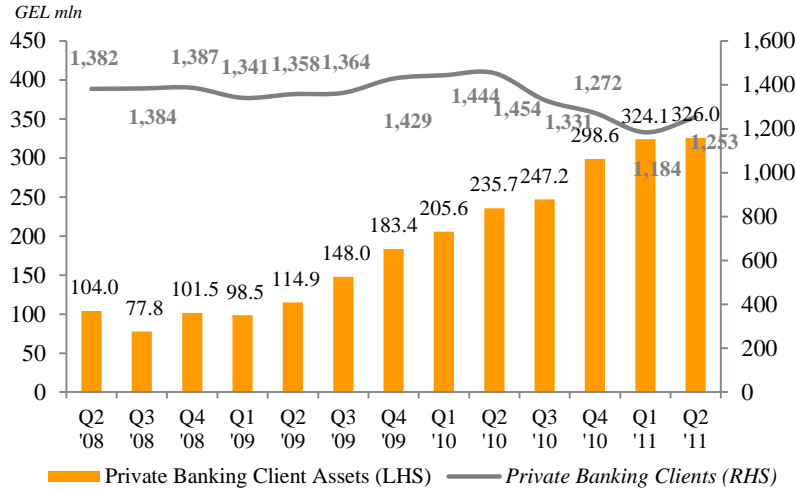


Volume of mortgage loans issued, (RB & WM)



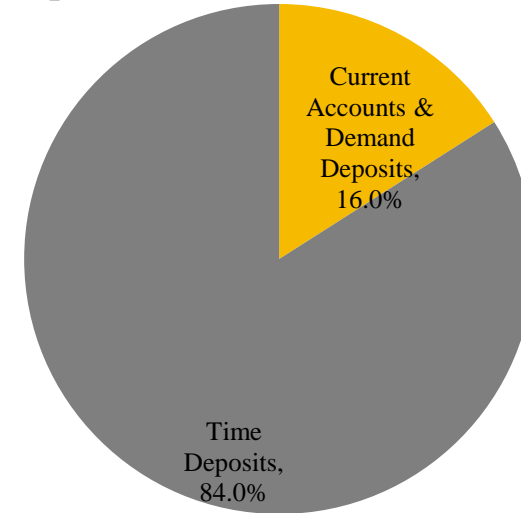
Wealth Management (WM) performance review

WM clients and client assets

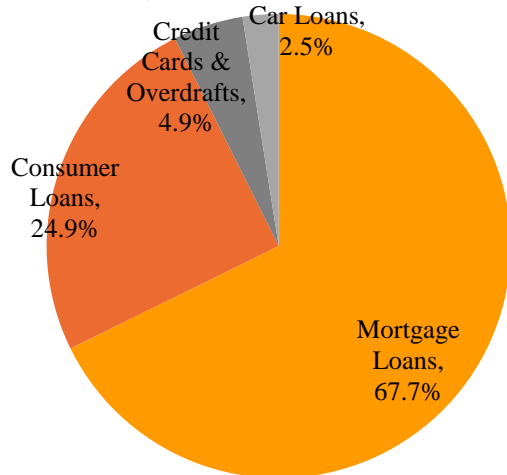


Notes: WM Client Assets include: Balances on OneCard Accounts, Credit Balances on Other Cards, Credit Balances on Regular Current Accounts, Demand & Time Deposits, Brokerage & Asset Management Accounts, Pensions

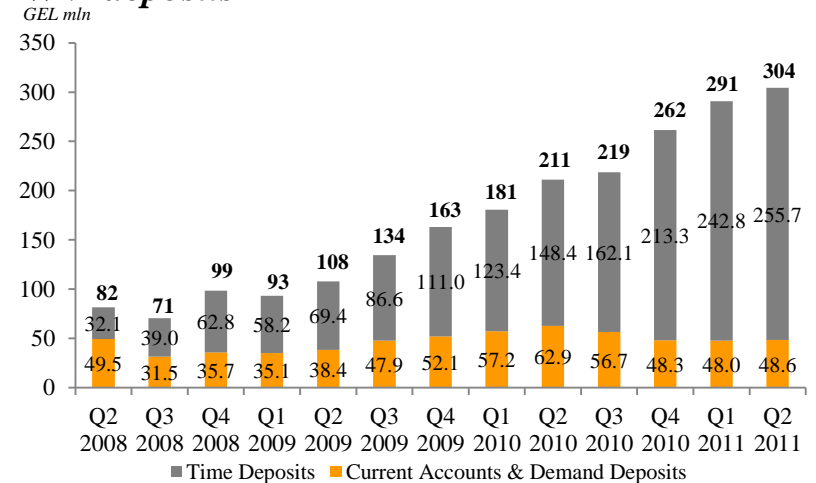
WM deposits



WM loans, 30 June 2011



WM deposits





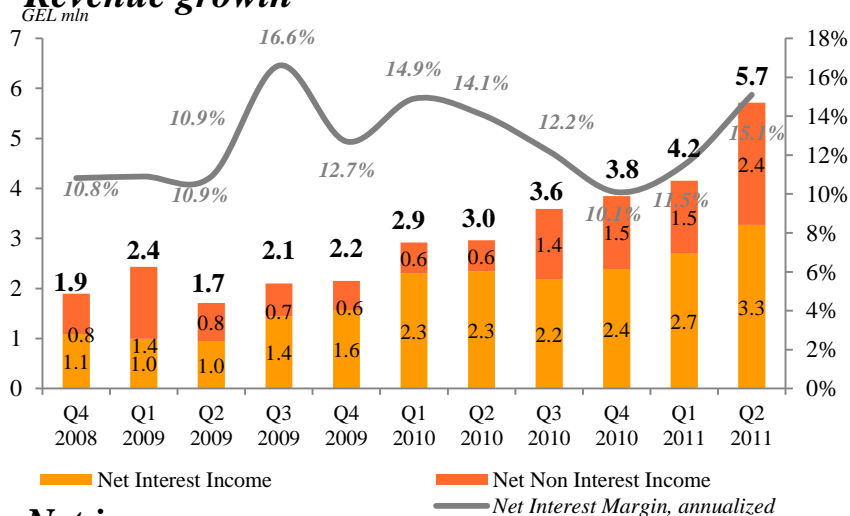
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Belarusky Narodny Bank (BNB), Belarus

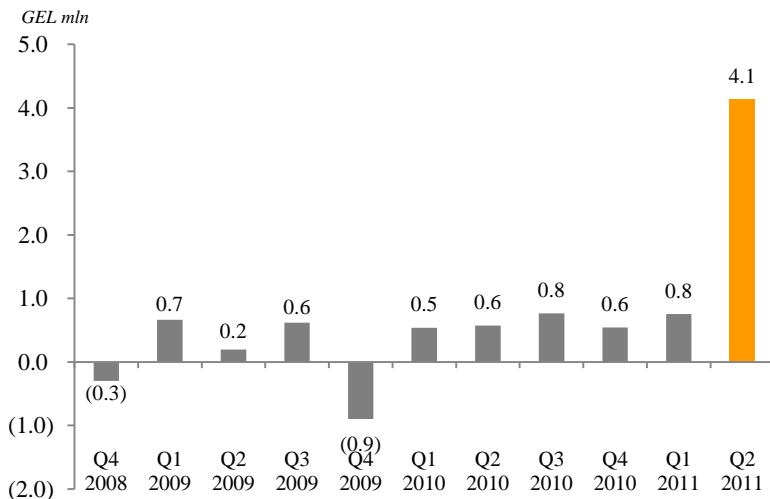
August 2011

BNB performance

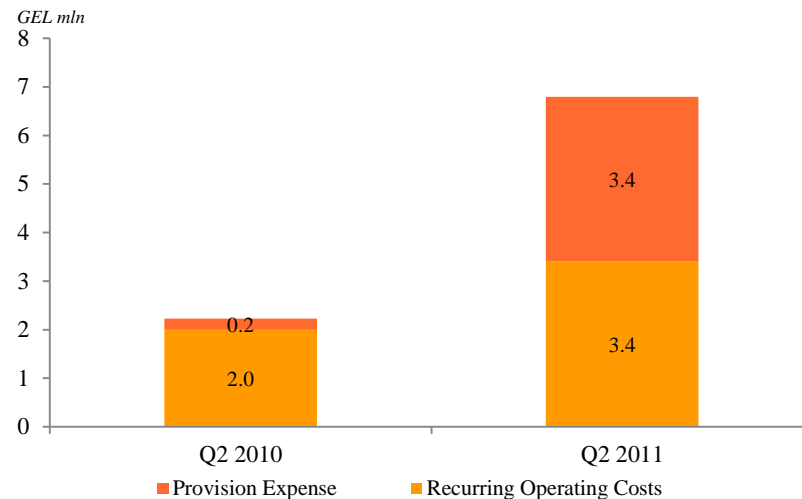
Revenue growth



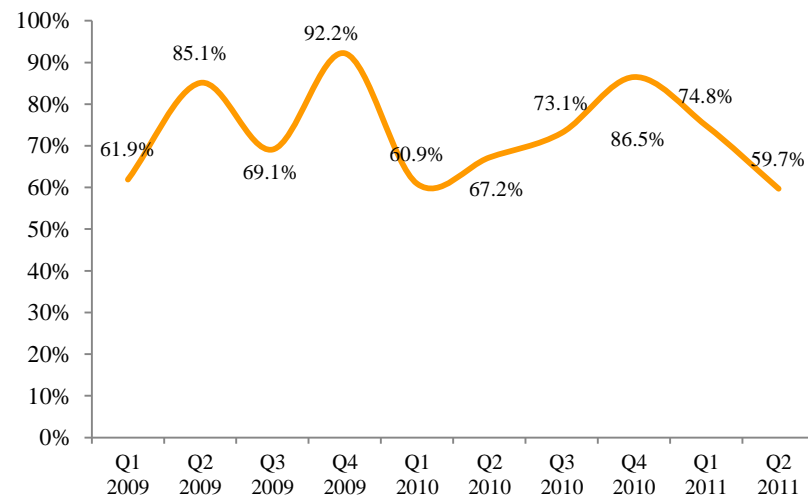
Net income



Costs

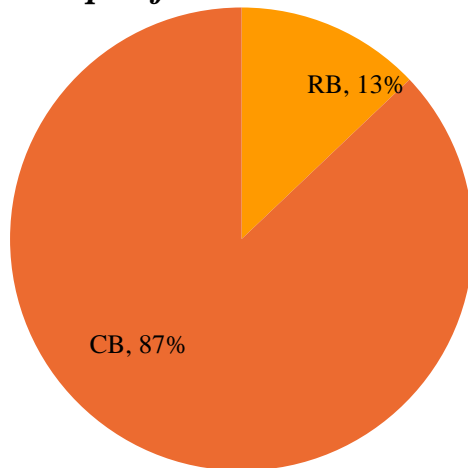


Cost/Income Ratio, Normalized

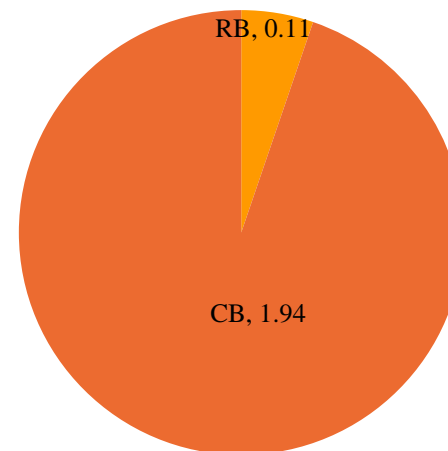


BNB loan portfolio as at 30 June 2011

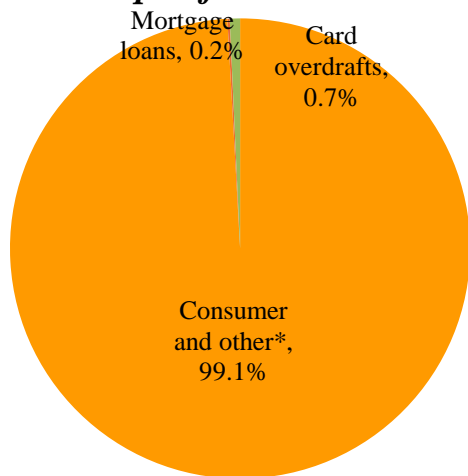
Loan portfolio breakdown



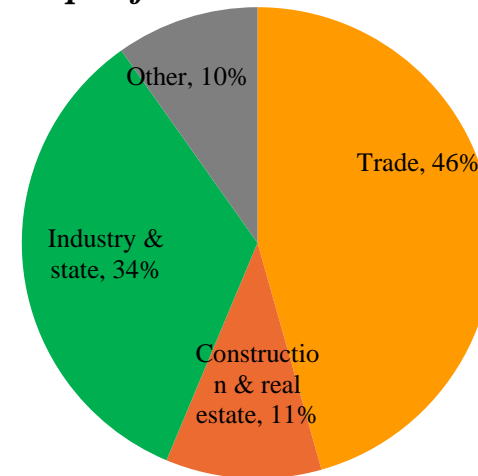
Loan loss reserve



Gross loans: GEL 59.3 mln
RB loan portfolio breakdown



Loan loss reserve: GEL 2.0 mln
CB loan portfolio breakdown



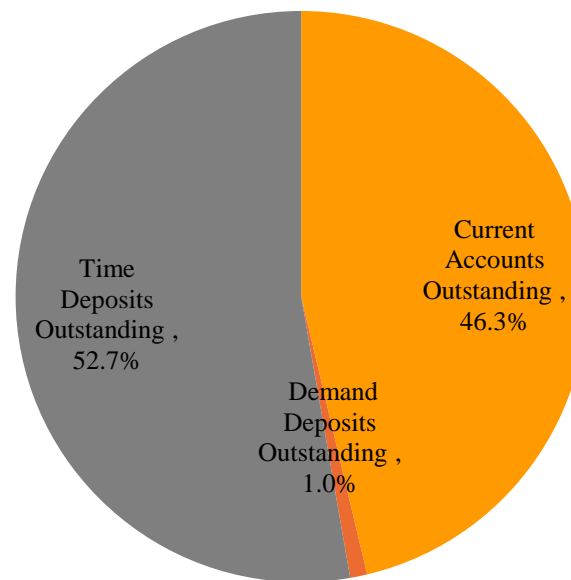
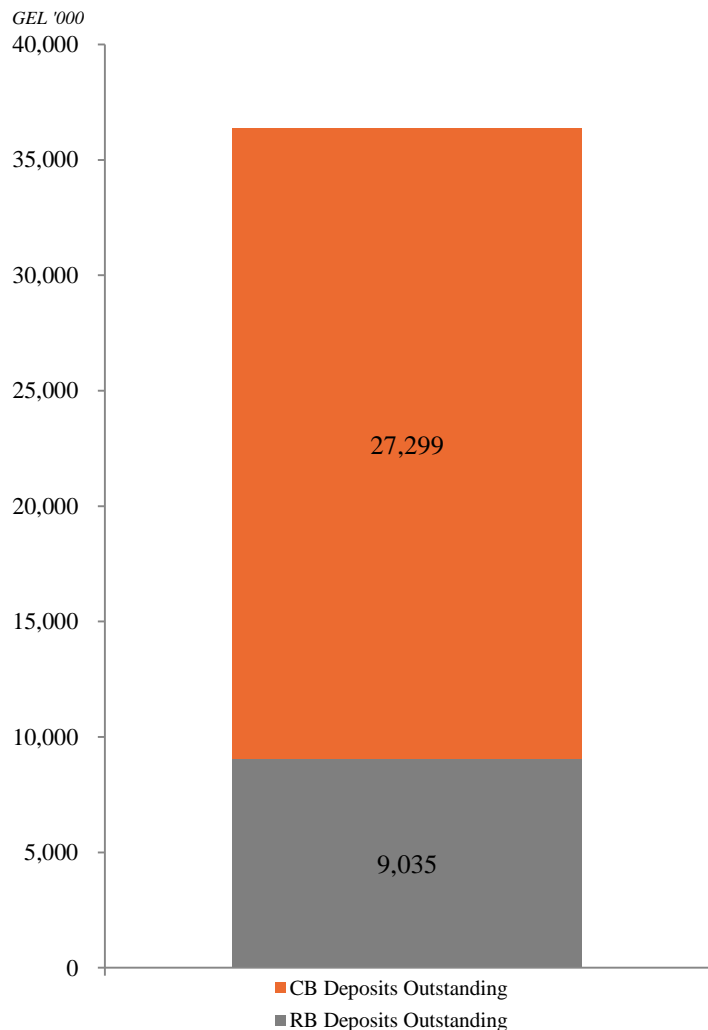
RB loans: GEL 7.6 mln

CB loans: GEL 51.6 mln

* Other loans include car, POS and legacy retail loans

BNB client deposits as at 30 June 2011

Client deposits breakdown





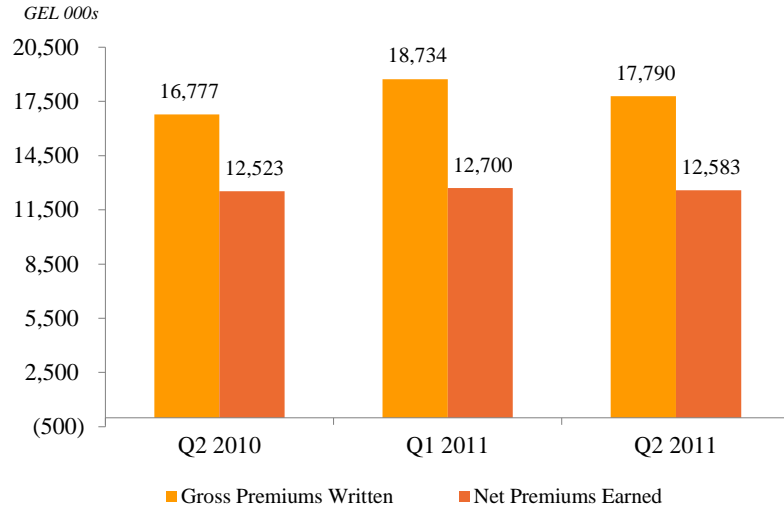
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Insurance

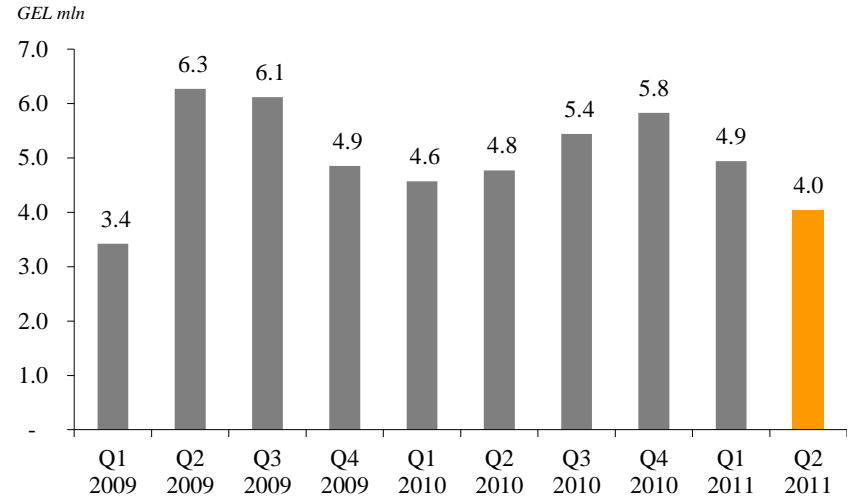
August 2011

Aldagi BCI

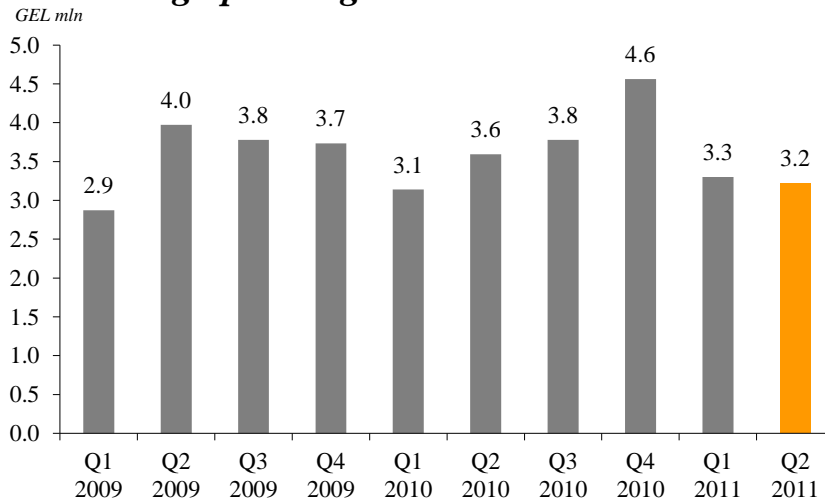
Gross premiums written/Net premiums earned



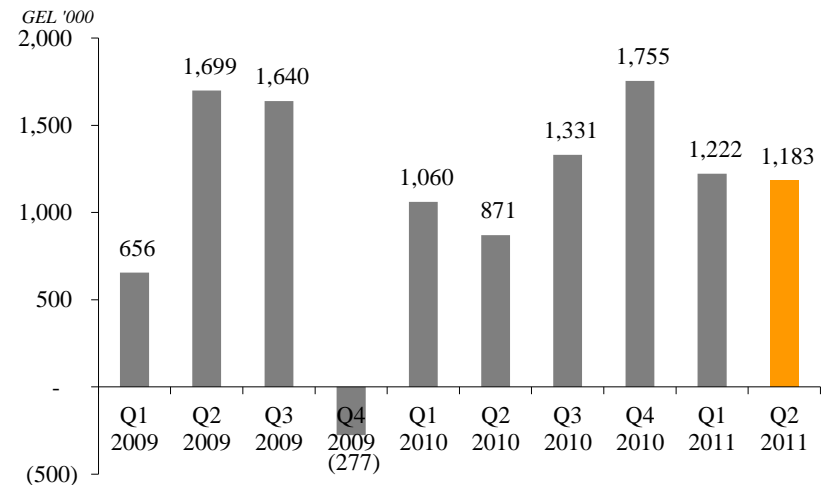
Revenue



Recurring operating costs



Net Income/Loss





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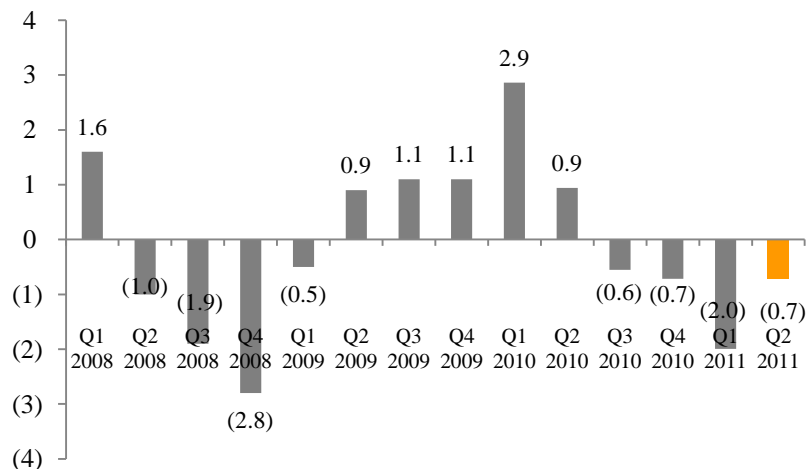
BG Capital

August 2011

BG Capital

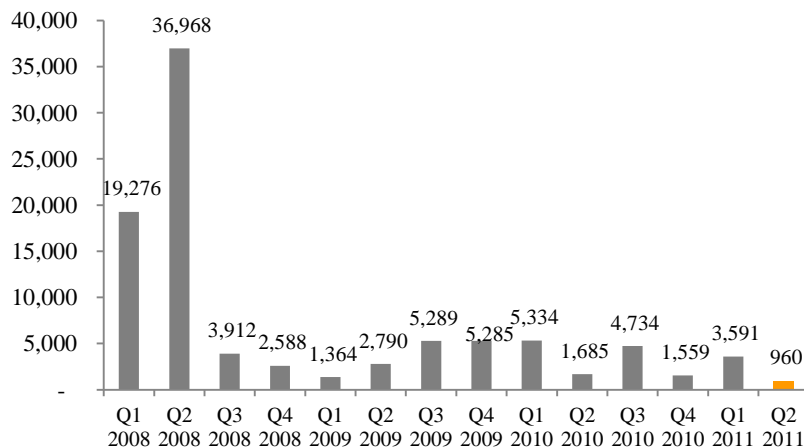
Revenue

GEL mln



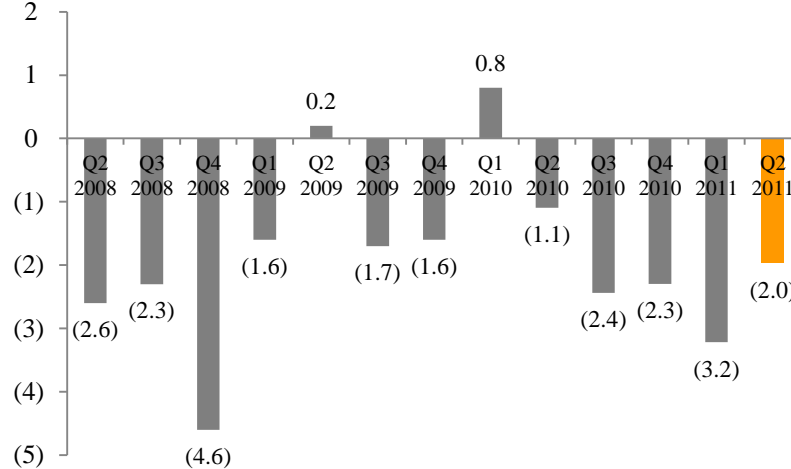
Proprietary book

GEL '000

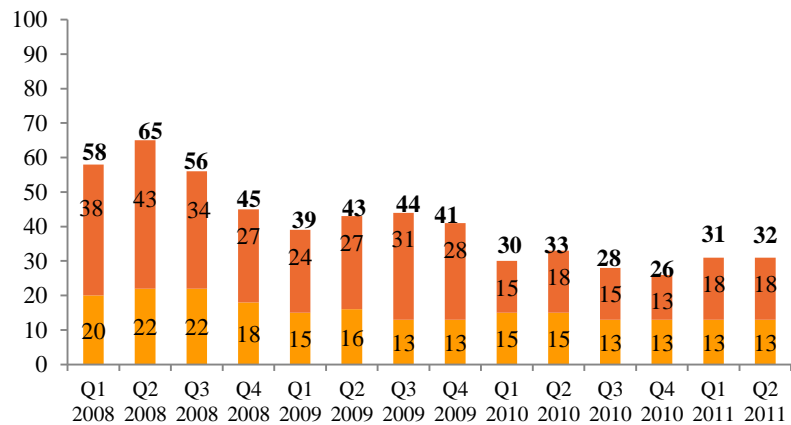


Net income/(loss)

GEL mln



Headcount



■ BG Capital Georgia ■ BG Capital Ukraine

Contact

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Appendices

August 2011



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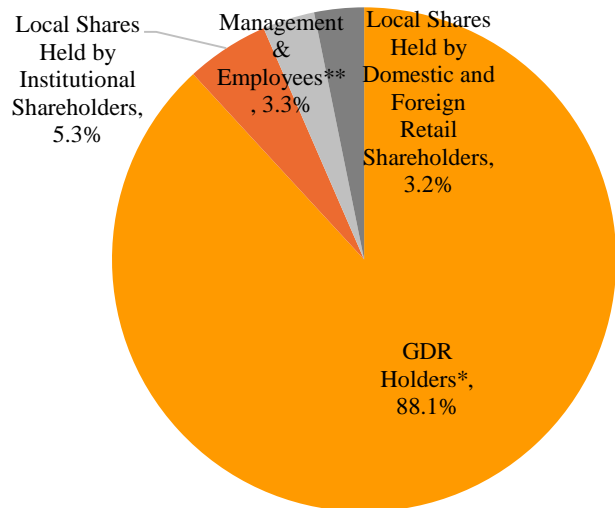
Bank of Georgia shareholder structure & management

August 2011

Ownership structure

Ownership structure, 31 December 2010

Broadly owned by over 100 institutional accounts



Supervisory board

Neil Janin	Chairman of the Supervisory Board
David Morrison	Vice Chairman of the Supervisory Board, independent member
Ian Hague	Member, Firebird Management LLC
Hanna Loikkanen	Member, East Capital
Kaha Kiknavelidze	Independent member
Allan J. Hirst	Independent member
Al Breach	Independent member

31-Dec-11	Number	%
GDR Holders*	27,627,777	88.1%
Local Shares Held by Institutional Shareholders	1,670,990	5.3%
Management & Employees**	1,047,488	3.3%
Local Shares Held by Domestic and Foreign Retail Shareholders	998,605	3.2%
Total Shares Outstanding	31,344,860	100%
Adjusted for BG Capital's Proprietary Book (1)	(1,693)	
Adjusted Total Shares Outstanding	31,322,773	

(1) Treated as treasury shares as per IFRS

*through BNY Nominees Limited

** includes GDRs held as part of EECF

Management board

Irakli Gilauri	Chief Executive Officer (CEO)
Sulkhan Gvalia	Deputy CEO, Chief Risk Officer
George Chiladze	Deputy CEO, Finance
Irakli Burdiladze	Deputy CEO, In charge of SB Real Estate
Mikheil Gomarteli	Deputy CEO, Retail Banking
Avto Namicheishvili	Deputy CEO, Legal
Archil Gachechiladze	Deputy CEO, Corporate banking
Murtaz Kikoria	Deputy CEO, Asset Management and Strategic Projects
Vasil Revishvili	Deputy CEO, Head of Wealth Management

Analyst coverage



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Analyst	Email
David Nangle	Dnangle@rencap.com



Analyst	Email
Andrzej Nowaczek	andrzej.nowaczek@uk.ing.com



MACQUARIE

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Thomas Stögner	thomas.stoegner@macquarie.com



Analyst	Email
Renat Syzdykov	res@visocap.com

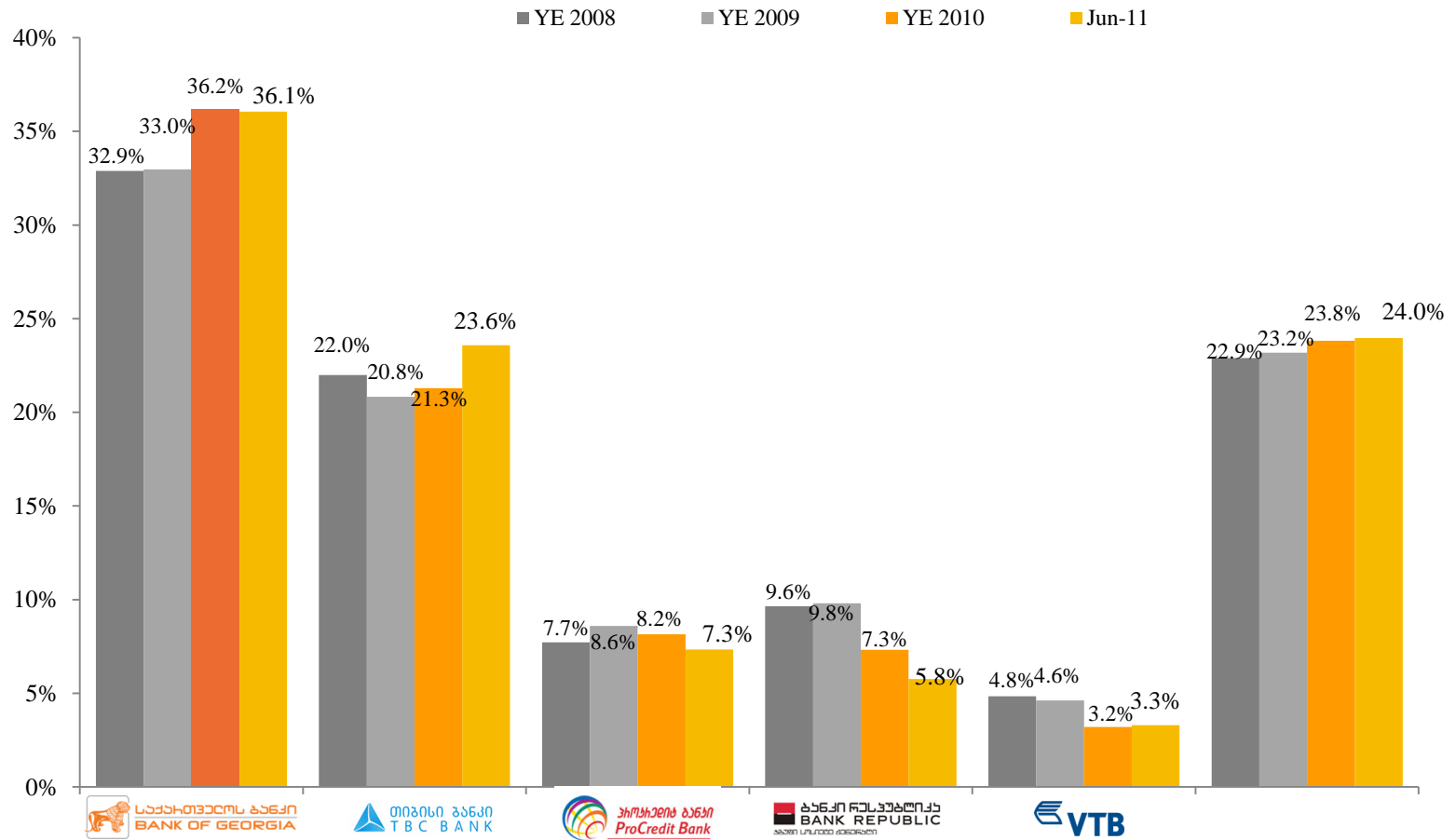


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Georgian banking sector – key trends 2008- Q2 2011

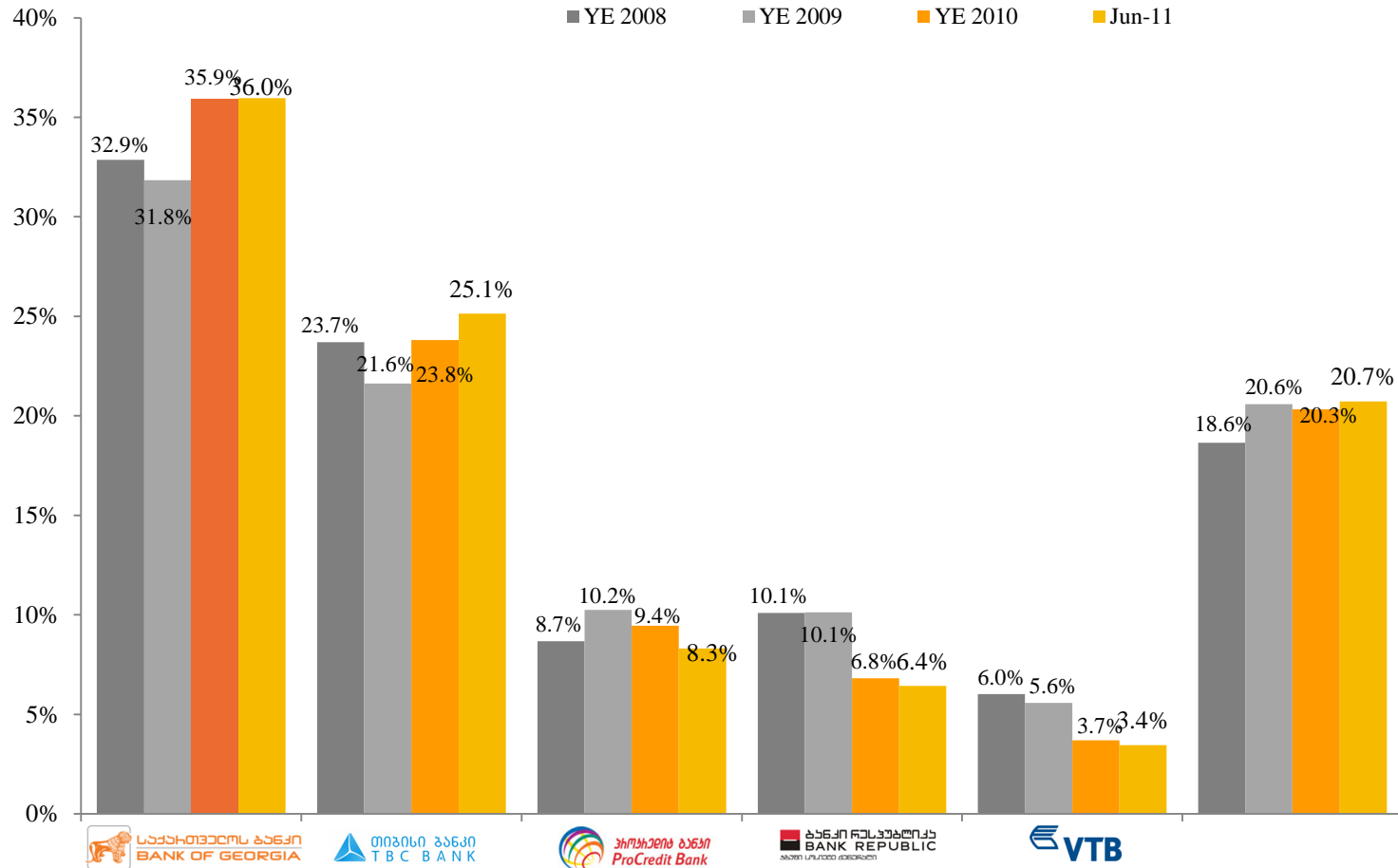
August 2011

Peer group's market share in total assets



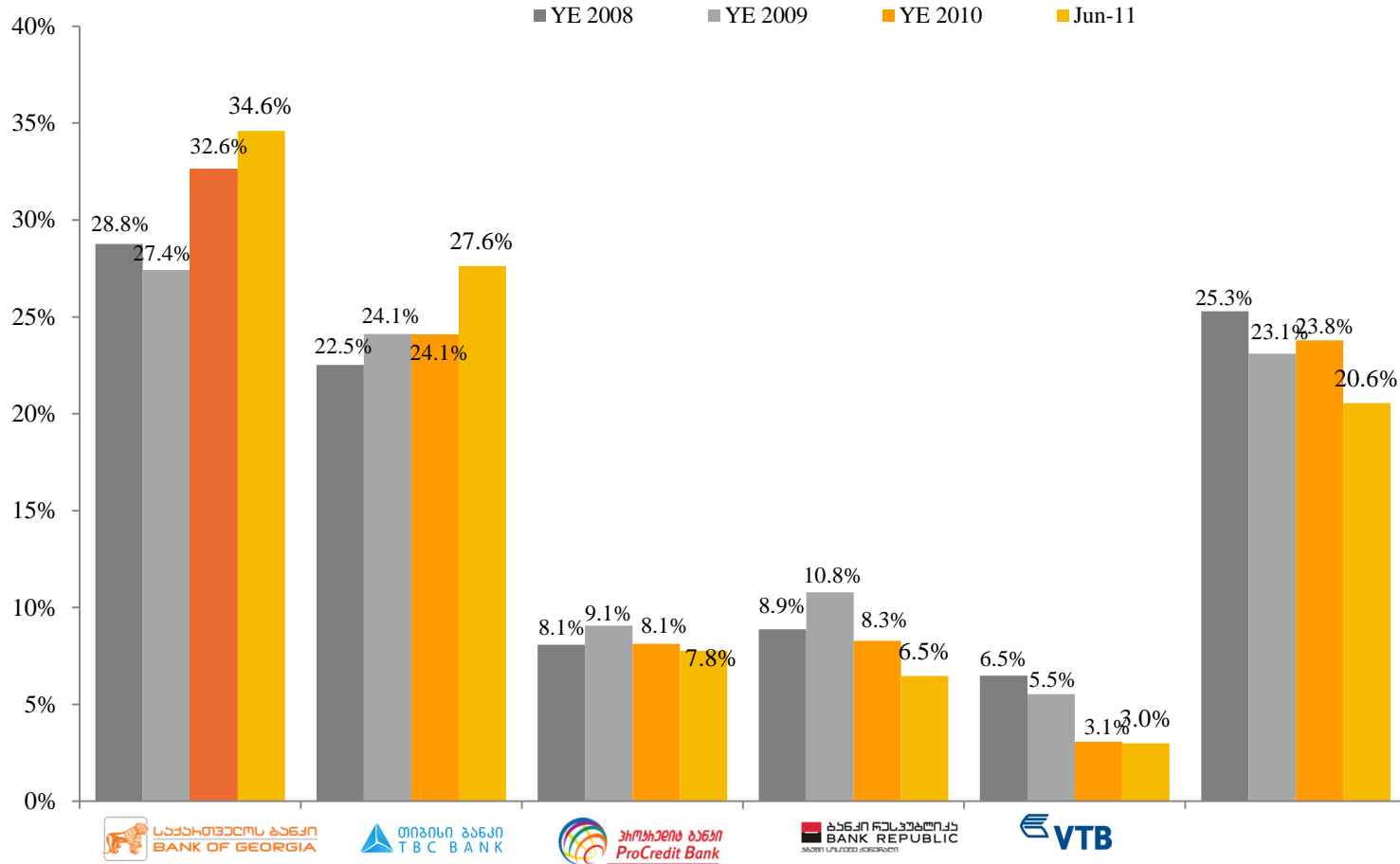
Note: all data based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia www.nbg.gov.ge

Peer group's market share in gross loans



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

Peer group's market share in deposits






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





Georgian banking sector – key trends 2008/2010

GEL mln	YE 2009	YE 2010	June 2011	As % of GDP*	2009 Y-O-Y	Growth 2010 Y-O-Y	June 2011 YTD	Market Share (YE 2009)		Market Share (YE 2010)		Market Share June 2011	
								Top 5 Banks	Bank of Georgia	Top 5 Banks	Bank of Georgia	Top 5 Banks	Bank of Georgia
Total Assets	8,293	10,564	11,220	62.5%	-6.5%	27.4%	6.2%	78.1%	33.0%	78.1%	36.2%	78.5%	36.1%
Gross Loans	5,185	6,261	6,901	38.4%	-13.5%	20.7%	10.2%	81.4%	31.8%	82.8%	35.9%	82.2%	36.0%
Deposits	4,174	5,818	5,775	32.2%	8.6%	39.4%	-0.7%	77.70%	27.4%	80.1%	32.6%	85.0%	34.6%
Equity	1,517	1,788	1,835	10.2%	0.0%	17.8%	2.7%	79.60%	38.6%	78.8%	40.5%	76.2%	36.0%
Net Income/(Loss)	(65.3)	156.3	119.1	0.7%	NMF	NMF	-23.8%	NMF	37.3%	NMF	85.6%	95.9%	31.0%

Ensuring solvency and stability of the banks

-  High BIS Capital Adequacy Ratio: Banking Sector Average – 21%, **Bank of Georgia –27.6%**
-  High level of liquidity requirements from NBG at 20% of Liabilities, **Bank of Georgia 37.9%**
-  Low Leverage in the banking sector: Banking Sector Average – 4.2x, **Bank of Georgia –4.3x**

Resilient Banking Sector

-  Demonstrated strong resilience towards domestic challenges during the August 2008 conflict as well as towards external shocks of global financial turmoil without single bank going bankrupt
-  No nationalization of the banks have occurred, no government bail-out plans have been required, no Government ownership since 1995
-  Excess liquidity and excess capital that has been accumulated by the banking sector to enable boosting the financing of the economic growth
-  Very low leverage of population, with Bank Loans to GDP ratio of c. 30% resulted in contained number of defaults during the global crisis (Average Loan Loss Provisions by BoG standalone as of end Q2'11 at c. 4.7%)

*As % of YE 2010 GDP

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.