JSC Bank of Georgia and Subsidiaries
Unaudited Interim Condensed Consolidated Financial Statements

31 March 2012

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

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Bank of Georgia and its subsidiaries (together the "Group") as at 31 March 2012, which comprise the interim condensed consolidated statement of financial position as at 31 March 2012 and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34)". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

ERNST & YOUNG LLC

30 April 2012

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

(Thousands of Georgian Lari)

	Notes	As at 31 March 2012	As at 31 December 2011
		Unaudited	
Assets			
Cash and cash equivalents	5	381,388	628,731
Amounts due from credit institutions	6	287,913	289,530
Investment securities available-for-sale	7	433,731	419,576
Loans to customers	8	2,649,540	2,553,442
Finance lease receivables		64,214	62,919
Investments in associates		3,034	3,014
Investment properties	9	125,103	101,686
Property and equipment		339,074	348,110
Goodwill		45,831	46,195
Other intangible assets		20,666	21,222
Current income tax assets	10	7,589	8,487
Deferred income tax assets	10	14,975	14,852
Prepayments		33,819	29,929
Other assets		159,489	137,568
Total assets		4,566,366	4,665,261
Liabilities			
Amounts due to customers	11	2,625,229	2,735,222
Amounts due to credit institutions	12	753,823	921,172
Current income tax liabilities	10	637	1,174
Deferred income tax liabilities	10	45,044	36,242
Other liabilities		116,881	158,848
Total liabilities		3,541,614	3,852,658
Equity	13		
Share capital		36,513	32,878
Additional paid-in capital		620,749	473,732
Treasury shares		(9)	(3,146)
Other reserves		34,270	14,478
Retained earnings		290,474	254,588
Total equity attributable to shareholders of the Bank		981,997	772,530
Non-controlling interests		42,755	40,073
Total equity		1,024,752	812,603
Total liabilities and equity		4,566,366	4,665,261

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

Irakli Gilauri — Chief Executive Officer

David Vakhtangishvili — Chief Financial Officer

30 April 2012

The accompanying selected explanatory notes on pages 7 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2012

(Thousands of Georgian Lari)

	Notes	For the three months ended 31 March 2012	2011
		Unaudited	
Interest income			
Loans to customers		118,427	105,012
Investment securities – available-for-sale		9,824	8,840
Amounts due from credit institutions		4,213	2,872
Finance lease receivables		2,012	797
		134,476	117,521
Interest expense			
Amounts due to customers		(53,833)	(35,809)
Amounts due to credit institutions		(18,711)	(25,335)
		(72,544)	(61,144)
Net interest income before net (losses) gains from derivative financial instruments		61,932	56,377
Net (losses) gains from derivative financial instruments		(768)	516
Net interest income		61,164	56,893
Fee and commission income		24,119	19,853
Fee and commission expense		(4,404)	(4,361)
Net fee and commission income	15	19,715	15,492
Net insurance premiums earned		12,487	11,573
Net insurance claims incurred		(8,699)	(6,914)
Net insurance revenue		3,788	4,659
Net gains from trading securities and investment securities available-for-sale		795	121
Net gains (losses) from foreign currencies:			
– dealing		9,844	8,298
– translation differences		4,518	(866)
Other operating income		17,031	6,067
Other operating non-interest income		32,188	13,620
Revenue		116,855	90,664
Salaries and other employee benefits		(31,217)	(27,217)
General and administrative expenses		(15,768)	(15,557)
Depreciation and amortization		(6,766)	(6,109)
Other operating expenses		(3,574)	(1,443)
Other operating non-interest expenses		(57,325)	(50,326)
Operating income before cost of credit risk		59,530	40,338

The accompanying selected explanatory notes on pages 7 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the three months ended 31 March 2012

(Thousands of Georgian Lari)

	Notes	For the three months ended 31 March 2012	2011
		Unaudited	
Operating income before cost of credit risk		59,530	40,338
Impairment charge on loans to customers		(6,859)	(3,942)
Impairment charge on finance lease receivables		(110)	(76)
Impairment charge on other assets and provisions		(411)	(1,393)
Cost of credit risk		(7,380)	(5,411)
Net operating income		52,150	34,927
Impairment charge on property and equipment		(29)	–
Impairment charge on intangible assets		(226)	–
Share of profit of associates		20	–
Loss from hyperinflation		(115)	–
Non-operating income		182	–
Non-operating expenses		(4,232)	(59)
Net non-operating expenses		(4,400)	(59)
Profit before income tax expense from continuing operations		47,750	34,868
Income tax expense	10	(8,047)	(5,770)
Profit for the period from continuing operations		39,703	29,098
Net gain (loss) from discontinued operations		54	(12,247)
Profit for the period		39,757	16,851
Attributable to:			
– shareholders of the Bank		39,143	17,111
– non-controlling interests		614	(260)
		39,757	16,851
Earnings per share:	13		
– basic earnings per share		1.2115	0.5654
– diluted earnings per share		1.1694	0.5666
Earnings per share from continuing operations:	13		
– basic earnings per share for continuing operations		1.2098	0.9700
– diluted earnings per share for continuing operations		1.1678	0.9296

The accompanying selected explanatory notes on pages 7 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

(Thousands of Georgian Lari)

	Notes	For the three months ended 31 March 2012	2011
		Unaudited	
Profit for the period from continuing operations		39,703	29,098
Net gain (loss) from discontinued operations		54	(12,247)
Profit for the period		39,757	16,851
Other comprehensive income from continuing operations			
– Revaluation of property & equipment		–	45
– Revaluation of available-for-sale securities		19,450	1,247
– Realized loss on available-for-sale securities reclassified to the consolidated income statement		(768)	–
– Gain from currency translation differences	13	2,903	143
Income tax (expense) benefit relating to components of other comprehensive income	10	(3,006)	3
Other comprehensive income for the period from continuing operations, net of tax		18,579	1,437
Other comprehensive income from discontinued operations		–	24,254
Other comprehensive income for the period, net of tax		18,579	25,691
Total comprehensive income for the period from continuing operations		58,282	30,535
Total comprehensive income for the period from discontinued operations		54	12,007
Total comprehensive income for the period		58,336	42,542
Attributable to:			
– shareholders of the Bank		55,678	43,236
– non-controlling interests		2,658	(694)
		58,336	42,542

The accompanying selected explanatory notes on pages 7 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2012

(Thousands of Georgian Lari)

	Attributable to shareholders of the Bank							
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
31 December 2010	31,345	477,285	(1,510)	26,816	130,314	664,250	29,091	693,341
Total comprehensive income (loss) for the three months ended 31 March 2011 (unaudited)	–	–	–	34,589	8,647	43,236	(694)	42,542
Depreciation of revaluation reserve, net of tax	–	–	–	(748)	748	–	–	–
Increase in share capital arising from share-based payments (Note 13)	8	1,801	104	–	–	1,913	–	1,913
Acquisition of additional interest in existing subsidiary by non-controlling shareholders	–	–	–	–	–	–	21	21
Sale of treasury shares	–	5,209	249	–	–	5,458	–	5,458
Purchase of treasury shares	–	(5,445)	(256)	–	–	(5,701)	–	(5,701)
31 March 2011 (unaudited)	31,353	478,850	(1,413)	60,657	139,709	709,156	28,418	737,574
31 December 2011	32,878	473,732	(3,146)	14,478	254,588	772,530	40,073	812,603
Total comprehensive income for the three months ended 31 March 2012 (unaudited)	–	–	–	19,899	35,779	55,678	2,658	58,336
Depreciation of revaluation reserve, net of tax	–	–	–	(107)	107	–	–	–
Increase in share capital arising from share-based payments	–	24,088	454	–	–	24,542	–	24,542
Issue of share capital (Note 13)	3,635	70,313	–	–	–	73,948	–	73,948
Transactions costs recognised directly in equity	–	(3,325)	–	–	–	(3,325)	–	(3,325)
Acquisition of additional interest in existing subsidiary by non-controlling shareholders	–	–	–	–	–	–	24	24
Sale of treasury shares	–	56,891	2,730	–	–	59,621	–	59,621
Purchase of treasury shares	–	(950)	(47)	–	–	(997)	–	(997)
31 March 2012 (unaudited)	36,513	620,749	(9)	34,270	290,474	981,997	42,755	1,024,752

The accompanying selected explanatory notes on pages 7 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2012

(Thousands of Georgian Lari)

	Notes	For the three months ended 31 March 2012	2011
		Unaudited	
Cash flows from (used in) operating activities			
Interest received		129,110	120,600
Interest paid		(70,063)	(60,826)
Fees and commissions received		24,119	19,853
Fees and commissions paid		(4,404)	(4,361)
Insurance premiums received		12,487	11,573
Insurance claims paid		(8,699)	(6,914)
Net realized gains from trading securities		768	121
Net realized losses from investments securities		27	–
Net realized gains from foreign currencies		9,844	8,298
Recoveries of previously written off loans to customers and finance lease receivables		6,944	6,610
Other operating income received		4,284	6,067
Salaries and other employee benefits paid		(30,815)	(25,305)
General and administrative and operating expenses paid		(30,753)	(23,366)
Cash flows from operating activities before changes in operating assets and liabilities		42,849	52,350
Net (increase) decrease in operating assets			
Amounts due from credit institutions		1,644	(287,619)
Loans to customers		(116,169)	132,360
Finance lease receivables		(1,295)	(685)
Prepayments and other assets		4,194	(7,399)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		(92,712)	(25,010)
Amounts due to customers		(113,931)	57,057
Other liabilities		(25,382)	(14,266)
Net cash flows used in operating activities before income tax		(300,802)	(93,212)
Income tax paid		(1,018)	(4,231)
Net cash flows used in operating activities		(301,820)	(97,443)
Cash flows from (used in) investing activities			
Purchase of investment securities: available-for-sale		–	(64,692)
Proceeds from sale of investment securities: available-for-sale		73,865	–
Proceeds from sale of investment properties	9	436	14
Purchase of property and equipment and intangible assets		(17,605)	(16,120)
Net cash flows from (used in) investing activities		56,696	(80,798)
Cash flows (used in) from financing activities			
Purchase of treasury shares		(997)	(5,701)
Sale of treasury shares		110	5,458
Proceeds from sale of non-controlling interest in existing subsidiaries, net of cash acquired		24	21
Net cash used in financing activities		(863)	(222)
Effect of exchange rates changes on cash and cash equivalents		(1,356)	(771)
Net decrease in cash and cash equivalents		(247,343)	(179,234)
Cash and cash equivalents, beginning	5	628,731	611,584
Cash and cash equivalents, ending	5	381,388	432,350

The accompanying selected explanatory notes on pages 7 to 28 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

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

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and international and exchanges currencies. Its main office is in Tbilisi, Georgia. At 31 March 2012 the Bank has 164 operating outlets in all major cities of Georgia (31 December 2011: 158). The Bank's registered legal address is 3 Pushkin Street, Tbilisi 0105, Georgia.

As at 31 March 2012 and 31 December 2011 the following shareholders owned more than 4% of the outstanding shares of the Bank. Other shareholders individually owned less than 4% of the outstanding shares.

Shareholder	*31 March 2012, %*	*31 December 2011, %*
Bank of Georgia Holdings Plc	98.35%	–
Bank of New York (Nominees), Limited	1.20%	91.45%
East Capital Financial Institutions	–	4.16%
Others (less than 4% individually)	0.45%	4.39%
Total	100.00%	100.00%

On 28 February 2012 Bank of Georgia Holdings plc ("BGH") announced that: (i) all of the conditions for the successful completion of its tender offer (the "Tender Offer") to acquire the entire issued and to be issued share capital of the Bank were satisfied, or, where permitted, waived; (ii) that 35,909,383 BGH shares, as of 8:00am on 28 February 2012, were admitted to trading on the premium segment on the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's Main Market for listed securities under the ticker BGEO.LN ("Admission"); and (iii) accordingly, the Tender Offer is unconditional in all respects. The Tender Offer expired on Friday, 24 February 2012 at 5:00 pm, London time. Valid acceptances of the Tender Offer were received in respect of 98.17 per cent (before the Loan Conversion) and 98.35 per cent (after the Loan Conversion) of the Bank's issued and outstanding share capital. All of its treasury shares kept by the Bank for the purposes of its future employee share-based compensation (both, in RBC CEES Trustee Limited and with JSC BG Capital (Georgia), as described in Note 7 below), as of the Tender Offer expiration date have been fully converted into the BGH newly issued shares. These shares are designated for future share-based compensation of the Bank's employees.

2. Basis of Preparation

General

The interim condensed consolidated financial statements for the three months ended 31 March 2012 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2011.

3. Summary of Selected Significant Accounting Policies

Changes in accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2011, except for the changes introduced due to implementation of new and/or revised standards and interpretations as of 1 January 2012, noted below:

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Changes in accounting policies (continued)

Amendments to IFRS 7 Financial Instruments: Disclosures

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.

Amendments to IAS 12 Income Taxes – Deferred tax: Recovery of Underlying Assets

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These amendments to IFRS 1, effective for annual periods beginning on or after 1 July 2011, introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation.

The above mentioned new or revised standards and interpretations effective from 1 January 2012 did not have a material impact on the accounting policies, financial position or performance of the Group.

Functional and reporting currencies and foreign currency translation

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

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 31 March 2012 and 31 December 2011 were 1.6600 and 1.6703 Lari to USD 1, 2.6578 and 2.5776 Lari to GBP 1, 2.2149 and 2.1614 Lari to EUR 1, 2.0785 and 2.0905 Lari to UAH 10 and 2.0698 and 2.0004 to BYR 10,000, respectively.

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

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

(Thousands of Georgian Lari)

4. Segment Information

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

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

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

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

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

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

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

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

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

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

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

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

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

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments as at and for the three months ended 31 March 2012 (unaudited):

	Strategic				*Synergistic*				*Non-Core*		*Inter – company eliminations*	*Total*
	Corporate banking	*Retail banking*	*Wealth management*	*Corporate center*	*Insurance & Healthcare*	*Affordable Housing*	*BG Capital*	*BNB**	*Liberty Consumer*	*Other*		
Revenue												
External operating income:												
Net interest income (expense)	17,817	38,969	2,940	–	(769)	12	93	2,295	(193)	–	–	61,164
Net fees and commission income	7,082	11,706	112	–	–	–	177	638	–	–	–	19,715
Net gains (losses) from foreign currencies	8,363	2,958	154	–	(197)	(57)	(44)	3,197	(12)	–	–	14,362
Other external revenues	1,162	972	20	–	16,172	537	155	33	2,530	33	–	21,614
Operating income(expense) from other segments	2,808	281	–	–	211	(828)	–	–	–	8	(2,480)	–
Total operating income (expense)	37,232	54,886	3,226	–	15,417	(336)	381	6,163	2,325	41	(2,480)	116,855
Impairment charge (reversal) on interest earning assets	1,254	4,626	(34)	–	–	–	–	1,071	–	–	52	6,969
Results												
Income (loss) before income tax benefit	21,207	22,072	2,318	–	1,883	(854)	(88)	2,701	(1,250)	(187)	(52)	47,750
Income tax expense												(8,047)
Net gain from discontinued operations												54
Profit for the period												39,757
Assets and liabilities												
Segment assets	2,013,789	2,218,535	44,943	3,183	175,219	76,754	25,294	99,108	41,940	441	(155,404)	4,543,802
Unallocated assets												22,564
Total assets												4,566,366
Segment liabilities	1,638,427	1,270,671	487,420	–	130,644	36,577	19,815	56,675	11,079	29	(155,404)	3,495,933
Unallocated liabilities												45,681
Total liabilities												3,541,614
Other segment information												
Property and equipment	997	4,004	79	–	8,338	2,030	189	520	823	–	–	16,980
Intangible assets	26	196	1	–	30	1	–	225	146	–	–	625
Capital expenditures	1,023	4,200	80	–	8,368	2,031	189	745	969	–	–	17,605
Depreciation	1,007	3,680	79	–	654	57	5	191	227	–	–	5,900
Amortization	163	640	9	–	19	–	2	33	–	–	–	866
Impairment	–	15	–	–	–	–	–	–	240	–	–	255
Investments in associates	–	–	–	–	–	–	–	–	3,034	–	–	3,034
Share of profit of associates	–	–	–	–	–	–	–	–	20	–	–	20

** JSC Belarusky Narodny Bank (BNB).*

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments for the three months ended 31 March 2011 (unaudited) and as at 31 December 2011:

	Strategic				*Synergistic*			*Non-Core*				
	Corporate banking	*Retail banking*	*Wealth management*	*Corporate center*	*Insurance & Healthcare*	*Affordable Housing*	*BG Capital*	*BNB & BGB**	*Liberty Consumer*	*Other*	*Inter – company eliminations*	*Total*
Revenue												
External operating income:												
Net interest income (expense)	20,707	31,405	1,657	–	295	–	–	3,146	(317)	–	–	56,893
Net fees and commission income	4,585	9,742	132	–	17	–	352	664	–	–	–	15,492
Net gains (losses) from foreign currencies	4,830	1,972	64	–	(317)	41	(103)	1,020	(75)	–	–	7,432
Other external revenues	615	641	(2)	–	6,435	553	204	47	2,354	–	–	10,847
Operating income (expense) from other segments	2,083	343	–	–	191	(54)	95	–	–	(33)	(2,625)	–
Total operating income (expense)	32,820	44,103	1,851	–	6,621	540	548	4,877	1,962	(33)	(2,625)	90,664
Impairment charge (reversal) on interest earning assets	9,232	(4,374)	(294)	–	–	–	–	(834)	–	–	288	4,018
Results												
Income (loss) before income tax expense	10,040	23,027	1,032	–	1,436	114	(871)	1,134	(723)	(33)	(288)	34,868
Income tax expense												(5,770)
Net loss from discontinued operations												(12,247)
Profit for the period												16,851
Assets and liabilities												
Segment assets	2,215,730	2,164,177	37,646	3,183	155,660	68,268	18,034	93,289	43,181	536	(157,782)	4,641,922
Unallocated assets												23,339
Total assets												4,665,261
Segment liabilities	1,996,036	1,268,023	451,542	–	112,573	32,242	46,704	54,875	11,022	7	(157,782)	3,815,242
Unallocated liabilities												37,416
Total liabilities												3,852,658
Other segment information												
Property and equipment	2,277	7,729	142	–	635	–	32	944	–	–	–	11,759
Intangible assets	999	3,294	62	–	4	–	2	–	–	–	–	4,361
Capital expenditures	3,276	11,023	204	–	639	–	34	944	–	–	–	16,120
Depreciation	1,121	3,475	69	–	172	12	38	215	226	–	–	5,328
Amortization	154	589	10	–	7	–	6	15	–	–	–	781
Investments in associates	–	–	–	–	–	–	–	–	3,014	–	–	3,014

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

(Thousands of Georgian Lari)

4. Segment Information (continued)

Geographic information

The Group operates in two main geographical markets: (a) Georgia and (b) Belarus. The following table shows the distribution of the Group's external income, total assets and capital expenditure allocated based on the location of the Group's assets, for the three months ended 31 March 2012 (unaudited):

	Georgia 31 March 2012	*Belarus 31 March 2012*	*Total 31 March 2012*
External income			
Net interest income	58,869	2,295	61,164
Net fee and commission income	19,077	638	19,715
Net foreign currency gains (losses)	11,165	3,197	14,362
Other non-interest (loss) income	21,581	33	21,614
Total external income	110,692	6,163	116,855
Total assets	4,467,727	98,639	4,566,366
Capital expenditures	16,860	745	17,605

The following table shows the distribution of the Group's external income and capital expenditure, for the three months ended 31 March 2011 (unaudited) and total assets as at 31 December 2011, allocated based on the location of the Group's assets:

	Georgia 31 March 2011	*Ukraine and Cyprus 31 March 2011*	*Belarus 31 March 2011*	*Total 31 March 2011*
External income				
Net interest income	53,807	392	2,694	56,893
Net fee and commission income	14,692	277	523	15,492
Net foreign currency gains	6,910	101	421	7,432
Other non-interest income	10,351	482	530	11,363
Total external income	85,760	1,252	4,168	91,180
Total assets	4,571,776	–	93,485	4,665,261
Capital expenditures	15,144	32	944	16,120

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

5. Cash and Cash Equivalents

	31 March 2012 (unaudited)	*31 December 2011*
Cash on hand	124,268	163,001
Current accounts with central banks, excluding obligatory reserves	30,128	54,830
Current accounts with other credit institutions	152,233	304,910
Time deposits with credit institutions up to 90 days	74,759	105,990
Cash and cash equivalents	381,388	628,731

As at 31 March 2012 GEL 199,084 (31 December 2011: GEL 304,231) was placed on current and time deposit accounts with internationally recognized OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 2.6% interest per annum on these deposits (31 December 2011: 5.1%).

(Thousands of Georgian Lari)

6. Amounts Due from Credit Institutions

	31 March 2012 (unaudited)	*31 December 2011*
Obligatory reserves with central banks	272,624	270,335
Time deposits with maturity of more than 90 days	10,715	14,318
Inter-bank loan receivables	4,574	4,877
Amounts due from credit institutions	287,913	289,530

Obligatory reserves with central banks represent amounts deposited with the NBG and the NBRB (National Bank of the Republic of Belarus). Credit institutions are required to maintain an interest-earning cash deposit (obligatory reserve) with central banks, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by the statutory legislature. The Group earned up to 1% annual interest on obligatory reserves with NBG during the three months ended 31 March 2012 and year ended 31 December 2011.

As at 31 December 2011 GEL 277 was placed on current accounts and inter-bank time deposits with one internationally recognised OECD bank. Those amounts were pledged to the counterparty bank as security for open commitments.

As at 31 March 2012 inter-bank loan receivables include GEL 4,150 (31 December 2011: GEL 4,176) placed with an Azerbaijani bank.

7. Investment Securities Available-for-sale

Available-for-sale securities comprise:

	31 March 2012 (unaudited)	*31 December 2011*
Certificates of deposit of central banks	154,446	199,142
Ministry of Finance treasury bonds	140,553	120,255
Corporate shares	87,517	11,501
Ministry of Finance treasury bills	51,195	88,657
Corporate bonds	20	21
Available-for-sale securities	433,731	419,576

Corporate shares as at 31 March 2012 are primarily comprised of the 2,724,582 shares (7.5%) of Bank of Georgian Holdings PLC, kept by the Bank's employee benefit trust custodian – RBC cees Trustee Limited as well as by JSC BG Capital (Georgia) – the Bank's subsidiary providing brokerage and custodians services, both acting as the trustees for the employee benefit plan, for the future share-based compensation purposes of the Bank's employees, with the total value of GEL 76,216. Corporate shares as at 31 March 2012 also include the remaining 19.4% investment in PJSC Bank Pershyi (formerly known as JSC BG Bank) of GEL 3,837 (31 December 2011: 3,837), investments in a chain of pharmacy stores of GEL 2,630 (31 December 2011: 2,776), a Georgian chain store retailer of GEL 3,146 (31 December 2011: GEL 3,146) and a real estate company of GEL 1,145 (31 December 2011: GEL 1,145).

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

	31 March 2012 (unaudited)		*31 December 2011*	
	%	*Maturity*	*%*	*Maturity*
Certificates of deposit of central banks	7.73	1	8.04	1
Ministry of Finance treasury bonds	12.04	1-2	12.76	1-2
Ministry of Finance treasury bills	9.11	1	9.69	1
Corporate bonds	15.00	1	15.00	1

(Thousands of Georgian Lari)

8. Loans to Customers

	31 March 2012 (unaudited)	*31 December 2011*
Commercial loans	1,449,861	1,363,058
Consumer loans	532,649	516,733
Residential mortgage loans	379,664	390,997
Micro and SME loans	323,591	318,566
Gold – pawn loans	82,801	78,785
Loans to customers, gross	2,768,566	2,668,139
Less – Allowance for loan impairment	(119,026)	(114,697)
Loans to customers, net	2,649,540	2,553,442

Concentration of loans to customers

As at 31 March 2012 concentration of loans granted by the Group to ten largest third party borrowers comprised GEL 397,130 accounting for 14% of gross loan portfolio of the Group (31 December 2011: GEL 402,989 and 15% respectively). An allowance of GEL 7,561 (31 December 2011: GEL 7,033) was established against these loans.

As at 31 March 2012 and 31 December 2011 loans are principally issued within Georgia, and their distribution by industry sector is as follows:

	31 March 2012 (unaudited)	*31 December 2011*
Individuals	1,142,499	1,132,740
Trade and services	1,033,875	972,290
Construction and development	224,658	228,412
Mining	167,842	122,771
Transport and communication	72,453	83,289
Energy	52,798	65,360
Agriculture	8,627	8,709
Others	65,814	54,568
Loans to customers, gross	2,768,566	2,668,139
Less – allowance for loan impairment	(119,026)	(114,697)
Loans to customers, net	2,649,540	2,553,442

Loans have been extended to the following types of customers:

	31 March 2012 (unaudited)	*31 December 2011*
Private companies	1,579,243	1,492,124
Individuals	1,142,499	1,132,740
State-owned entities	46,824	43,275
Loans to customers, gross	2,768,566	2,668,139
Less – allowance for loan impairment	(119,026)	(114,697)
Loans to customers, net	2,649,540	2,553,442

(Thousands of Georgian Lari)

9. Investment Properties

	2012 (unaudited)	*2011 (unaudited)*
At 1 January	101,686	113,496
Additions*	11,708	1,496
Disposals	(436)	(14)
Disposals through sale of subsidiary	–	(13,654)
Transfers from property and equipment and other assets	12,145	–
At 31 March	125,103	101,324

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

Investment properties are stated at fair value, which has been determined based on the valuation performed by a professional valuation company, an accredited independent appraiser, as at 31 December 2011. The appraiser is an industry specialist in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards Committee standards.

No significant changes in the value of investment properties took place during the three months ended 31 March 2012.

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

	31 March 2012 (unaudited)	*31 March 2011 (unaudited)*
Rental income	677	686
Direct operating expenses	(55)	(43)

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

10. Taxation

The corporate income tax expense comprises:

	For the three months ended	
	31 March 2012 (unaudited)	*31 March 2011 (unaudited)*
Current income tax expense	(2,108)	(225)
Deferred income tax (expense) benefit	(5,939)	17,642
Income tax (expense) benefit	(8,047)	17,417
Income tax expense attributable to continuing operations	(8,047)	(5,770)
Income tax benefit attributable to a discontinued operation	–	23,187
Deferred income tax (expense) benefit from continuing operations in other comprehensive income	(3,006)	3
Deferred income tax benefit from discontinued operations in other comprehensive income	–	625
Total deferred income tax (expense) benefit recognized in other comprehensive income	(3,006)	628

Deferred tax related to items charged or credited to other comprehensive income during the three months ended 31 March 2012 and three months ended 31 March 2011 is as follows:

	For the three months ended	
	31 March 2012 (unaudited)	*31 March 2011 (unaudited)*
Currency translation differences	(535)	3
Revaluation of investment securities available for sale	(2,471)	–
Discontinued operations	–	625
Income tax benefit (expense) to other comprehensive income	(3,006)	628

(Thousands of Georgian Lari)

10. Taxation (continued)

The income tax rate applicable to the majority of the Group's income is the income tax rate applicable to subsidiaries income which ranges from 15% to 23% (2011: from 15% to 23%).

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

As at 31 March 2012 and 31 December 2011 tax assets and liabilities consist of the following:

	31 March 2012 (unaudited)	*31 December 2011*
Current income tax assets	7,589	8,487
Deferred income tax assets	14,975	14,852
Income tax assets	22,564	23,339
Current income tax liabilities	637	1,174
Deferred income tax liabilities	45,044	36,242
Income tax liabilities	45,681	37,416

11. Amounts Due to Customers

The amounts due to customers include the following:

	31 March 2012 (unaudited)	*31 December 2011*
Time deposits	1,297,281	1,206,750
Current accounts	1,144,727	1,347,334
Promissory notes issued	183,221	181,138
Amounts due to customers	2,625,229	2,735,222
Held as security against letters of credit and guarantees (Note 14)	18,998	24,353

As at 31 March 2012 and 31 December 2011, promissory notes issued by the Group comprise the notes privately held by financial institutions being effectively equivalents of certificates of deposits with fixed maturity and fixed interest rate. Average effective maturity of the notes comprises 6 months (31 December 2011: 5 months).

At 31 March 2012, amounts due to customers of GEL 442,578 (17%) were due to the 10 largest customers (31 December 2011: GEL 580,710 (21%)).

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

	31 March 2012 (unaudited)	*31 December 2011*
Private enterprises	1,304,586	1,290,908
Individuals	1,078,559	1,056,852
State and budget organizations	242,084	387,462
Amounts due to customers	2,625,229	2,735,222

(Thousands of Georgian Lari)

11. Amounts due to customer (continued)

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

	31 March 2012 (unaudited)	*31 December 2011*
Individuals	1,078,559	1,056,852
Trade and services	728,738	655,551
State and budget organizations	242,084	387,462
Energy	236,837	239,797
Construction and development	130,491	175,906
Mining and processing	123,921	131,734
Transport and communication	27,356	36,871
Agriculture	12,021	14,844
Other	45,222	36,205
Amounts due to customers	2,625,229	2,735,222

12. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	31 March 2012 (unaudited)	*31 December 2011*
Borrowings from international credit institutions	671,795	863,004
Time deposits and inter-bank loans	77,865	42,837
Sub-total	749,660	905,841
Correspondent accounts	4,163	15,331
Amounts due to credit institutions	753,823	921,172

(Thousands of Georgian Lari)

12. Amounts Due to Credit Institutions (continued)

During three months of 2012 the Group received short-term funds from Georgian banks in different currencies. As at 31 March 2012 the Group had an equivalent of GEL 2,869 (31 December 2011: GEL 2,548) in foreign currencies received as deposits from Georgian banks. During three months of 2012 the Group paid up to 4.0% interest on these deposits (2011: 4.0%).

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

As at 31 March 2012 *Credit institution*	*Grant date*	*Contractual maturity*	*Currency*	*Facility amount in original currency*	*Outstanding Balance as at 31 March 2012 in GEL (*)*
Asian Development Bank	1-Dec-10	1-Dec-15	USD	50,000	83,713
Merrill Lynch International **	17-Aug-07	17-Aug-17	USD	35,000	59,792
Netherland Development Finance Company **	18-Jul-08	15-Oct-18	USD	30,000	50,652
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	30,000	50,290
European Bank for Reconstructions and Development	13-Jan-09	15-Jan-14	USD	50,000	46,914
International Finance Corporation	13-Jan-09	15-Jul-13	USD	50,000	41,252
International Financial Corporatation **	13-Jan-09	15-Jan-19	USD	23,956	39,749
European Bank for Reconstructions and Development	13-Jan-09	15-Jan-19	USD	23,956	39,703
Overseas Private Investment Corporation	23-Dec-08	20-Dec-18	USD	29,000	35,776
European Bank for Reconstructions and Development	12-Nov-10	5-Dec-15	USD	20,000	33,597
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	20,000	33,528
JSC TBC Bank	11-Oct-11	10-Jan-13	USD	18,387	31,092
Semper Augustos B.V. **	31-Oct-07	30-Oct-17	USD	15,000	26,141
European Bank for Reconstructions and Development	8-Dec-11	8-Dec-16	GEL	24,020	24,392
Overseas Private Investment Corporation **	23-Dec-08	20-Dec-18	USD	10,000	16,396
UAB Medicinos Bankas	9-Mar-12	10-Apr-12	EUR	4,000	8,873
ING Bank N.V.	9-Nov-11	1-Jan-20	USD	11,906	8,806
International Finance Corporation	24-Jun-10	15-Dec-14	USD	5,000	8,420
Overseas Private Investment Corporation	31-Jan-12	31-Jan-22	USD	5,000	8,307
The Bank of Nova Scotia	30-Mar-12	26-Sep-12	USD	5,000	8,300
European Bank for Reconstructions and Development	20-Jun-11	25-Jul-16	USD	20,000	7,812
Netherland Development Finance Company	22-Jan-07	15-Mar-14	USD	12,500	7,235
European Bank for Reconstructions and Development	13-Jun-11	5-Jul-16	USD	10,000	7,029
Baltikums Bank AS	14-Mar-12	14-Jun-12	EUR	3,000	6,656
World Business Capital	17-Feb-06	25-Dec-15	USD	10,000	6,304
Balances less than GEL 5,000	various	various	various	various	58,931
Total					749,660

(Thousands of Georgian Lari)

12. Amounts Due to Credit Institutions (continued)

As at 31 December 2011 *Credit institution*	*Grant date*	*Contractual maturity*	*Currency*	*Facility amount in original currency*	*Outstanding Balance as at 31 December 2011 in GEL (*)*
BG Finance B.V.	8-Feb-07	8-Feb-12	USD	55,507	95,954
Asian Development Bank	1-Dec-10	1-Dec-15	USD	50,000	83,101
Merrill Lynch International **	17-Aug-07	17-Aug-17	USD	35,000	60,654
European Bank for Reconstructions and Development	13-Jan-09	15-Jan-14	USD	50,000	59,939
International Finance Corporation	13-Jan-09	15-Jul-13	USD	50,000	56,190
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	30,000	49,862
Netherland Development Finance Company **	18-Jul-08	15-Oct-18	USD	30,000	49,690
European Bank for Reconstructions and Development **	13-Jan-09	15-Jan-19	USD	26,044	41,912
International Finance Corporation **	13-Jan-09	15-Jan-19	USD	26,044	41,907
International Financial Corporatation **	13-Jan-09	15-Jan-19	USD	23,956	40,832
European Bank for Reconstructions and Development**	13-Jan-09	15-Jan-19	USD	23,956	40,779
Overseas Private Investment Corporation	23-Dec-08	20-Dec-18	USD	29,000	37,319
European Bank for Reconstructions and Development	12-Nov-10	5-Dec-15	USD	20,000	33,328
European Fund for Southeast Europe	15-Dec-10	15-Jun-18	USD	20,000	33,243
Semper Augustos B.V. **	31-Oct-07	30-Oct-17	USD	15,000	25,565
European Bank for Reconstructions and Development	8-Dec-11	8-Dec-16	GEL	24,020	23,927
Overseas Private Investment Corporation **	23-Dec-08	20-Dec-18	USD	10,000	16,491
Netherland Development Finance Company	22-Jan-07	15-Mar-14	USD	12,500	9,200
JSC HSBC Bank Georgia	30-Dec-11	5-Jan-12	GEL	9,000	9,001
International Finance Corporation	21-Oct-10	15-Dec-14	USD	5,000	8,339
ING Bank N.V.	9-Nov-11	1-Jan-20	USD	11,906	6,961
World Business Capital	17-Feb-06	25-Dec-15	USD	10,000	6,740
Baltikums Bank AS	12-Dec-11	12-Jan-12	EUR	3,000	6,493
European Bank for Reconstructions and Development	20-Jun-11	25-Jul-16	USD	20,000	6,334
World Business Capital	29-May-07	25-Mar-17	USD	3,130	5,228
JSC Procredit Bank	29-Dec-11	31-Jan-12	GEL	5,000	5,001
Balances less than GEL 5,000	various	various	various	various	51,851
Total					905,841

* - includes accrued interest
** - total subordinated loans comprised GEL 236,097 as at 31 March 2012 (31 December 2011: GEL 317,830)

During three months ended 31 March 2012 and year ended 31 December 2011 the Group paid up to 11.65% on borrowings from international credit institutions.

Agreements for significant borrowings contain certain covenants requiring the Group for different limits for capital adequacy, liquidity, currency position, credit exposures, leverage and others. At 31 March 2011 and 31 December 2011, the Group complied with all the financial covenants of the loans received from credit institutions.

The borrowings received on 13 January 2009 from European Bank for Reconstructions and Development and International Financial Corporation, comprising USD 26,044 thousand each, had a convertibility feature valid for 5 years from the loan granting date (convertibility period). On 24 February 2012 EBRD and IFC utilized the convertibility feature and converted largest portion of their respective loans to the Bank into Bank shares (the "Loan Conversion"). Total nominal (contractual) amount of US$ 49,903,083 was converted into 3,635,006 newly issued ordinary shares of the Bank. Carrying value of the remaining outstanding debt for these loans is included in “Balances less than GEL 5,000” category.

Further, in accordance with the terms and conditions of the Loan Participation Notes due to BG Finance B.V. in 2012 (ISIN:XS0283756624; Common Code:028375662), on 8 February 2012 (the "Maturity Date") the Notes were redeemed in full. Notes with a par value of US$144, 493,000 had been repurchased by the Bank prior to the Maturity Date and the remaining Notes (with a par value of US$55,507,000) were repaid at the Maturity Date.

(Thousands of Georgian Lari)

13. Equity

Share capital

As at 31 March 2012, authorized share capital comprised 43,308,125 common shares, of which 36,512,553 were issued and fully paid (31 December 2011: 43,308,125 common shares, of which 32,877,860 were issued and fully paid). Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 31 March 2012 are described below:

	Number of shares Ordinary	*Amount of shares Ordinary*
31 December 2010	31,344,860	31,345
Increase in share capital arising from share-based payments	8,489	8
31 March 2011 (unaudited)	31,353,349	31,353
31 December 2011	32,877,547	32,878
Issue of share capital	3,635,006	3,635
31 March 2012 (unaudited)	36,512,553	36,513

Share capital of the Group was paid by the shareholders in Georgian Lari and they are entitled to dividends in Georgian Lari. Until conversion of EBRD and IFC respective loans on 24 February 2012, the 3,635,006 shares underlying these convertible debt instruments held were treated as potentially dilutive, as prescribed in IAS 33 – "Earnings per share". Their conversion decreased earnings per share from continuing operations. However, this conversion also reduced the Group's interest expense on these debt instruments and increased the total profit attributable to ordinary shareholders of the Bank. Below is the summary of the earnings per share calculation:

	For the three months ended	
	31 March 2012	*31 March 2011*
Basic earnings per share		
Profit for the period attributable to ordinary shareholders of the Bank	39,143	17,111
Profit for the period from continuing operations attributable to ordinary shareholders of the Bank	39,089	29,358
Weighted average number of ordinary shares outstanding during the period	32,309,513	30,264,755
Basic earnings per share	1.2115	0.5654
Basic earnings per share from continuing operations	1.2098	0.9700
Dilution effect		
Interest expenses on convertible debt instruments, net of tax	1,116	2,007
Weighted average number of dilutive potential ordinary shares outstanding during the period	2,117,091	3,474,614
Diluted earnings per share		
Profit for the period attributable to ordinary shareholders of the Bank	40,259	19,118
Profit for the period from continuing operations attributable to ordinary shareholders of the Bank	40,205	31,365
Weighted average number of diluted ordinary shares outstanding during the period	34,426,604	33,739,369
Diluted earnings per share	1.1694	0.5666
Diluted earnings per share from continuing operations	1.1678	0.9296

(Thousands of Georgian Lari)

13. Equity (continued)

Treasury shares

Treasury shares of GEL 9 as at 31 March 2012 comprise the Bank's shares owned by the Bank and its subsidiaries (31 December 2011: GEL 1,208). Purchases and sales of treasury shares were conducted by the Bank's subsidiaries in the open market: JSC BG Capital, BG Trading LLC, Galt and Taggart Holdings Limited LLC, GC Holdings LLC and JSC Insurance Company Aldagi BCI.

Treasury shares amounting to GEL 1,938 as at 31 December 2011 were kept by the Bank's custodian –Abacus Corporate Trustee Limited, acting as the trustee of the Bank. Starting 20 February 2012, all shares of the Bank kept by Abacus Corporate Trustee Limited were converted into the Bank's new holding company in UK – Bank of Georgia Holdings PLC.

Dividends

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

No dividends were declared nor paid during the three months ended 31 March 2012.

Nature and purpose of other reserves

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

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

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

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

		Foreign currency translation reserve
At 31 December 2010		(24,010)
Foreign exchange differences from subsidiary financial statements translation from their functional currencies into the Group's presentation currency	2,207	
Loss from translation of non-monetary items from functional currency into presentation currency	(2,064)	
Gain recognized from currency translation differences from continuing operations, recognised in other comprehensive income		143
Foreign currency gain from discontinued operations (disposal of subsidiary)		26,130
At 31 March 2011 (unaudited)		2,263
At 31 December 2011		(50,373)
Loss from revaluation of open currency position exposure through investments in subsidiaries	2,899	
Gain from translation of non-monetary items from functional currency into presentation currency	4	
Loss recognized from currency translation differences from continuing operations, recognised in other comprehensive income		2,903
At 31 March 2012 (unaudited)		(47,470)

(Thousands of Georgian Lari)

13. Equity (continued)

Nature and purpose of other reserves (continued)

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

For the three months ended 31 March 2012 and three months ended 31 March 2011 loss from devaluation of open foreign currency positions mostly comprise losses incurred on depreciation of Belarusian Ruble denominated total shareholders' equity of JSC Belarusky Narodny Bank against Georgian Lari.

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

Movements in other reserves during three months of 2012 and 2011 are presented in the statements of other comprehensive income.

14. Commitments and Contingencies

Legal

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

Financial commitments and contingencies

As at 31 March 2012 and 31 December 2011 the Group's financial commitments and contingencies comprised the following:

	31 March 2012 (unaudited)	*31 December 2011*
Credit-related commitments		
Guarantees issued	492,475	463,393
Undrawn loan facilities	130,106	120,339
Letters of credit	111,930	70,224
	734,511	653,956
Operating lease commitments		
Not later than 1 year	5,623	5,040
Later than 1 year but not later than 5 years	12,940	9,979
Later than 5 years	2,663	3,122
	21,226	18,141
Capital expenditure commitments	89,747	47,918
Less – Cash held as security against letters of credit and guarantees (Note 11)	(18,998)	(24,353)
Less – Receivables related to letters of credit	(2,027)	(515)
Less – Provisions	(429)	(386)
Financial commitments and contingencies, net	824,030	694,761

As at 31 March 2012 the capital expenditures represented the commitment for purchase of property and capital repairs of GEL 82,219 and software and other intangible assets of GEL 7,528. As at 31 December 2011 the capital expenditures represented the commitment for purchase of property and capital repairs of GEL 41,119 and software and other intangible assets of GEL 6,799.

(Thousands of Georgian Lari)

15. Net Fee and Commission Income

	For the three months ended 31 March	
	2012 (unaudited)	*2011 (unaudited)*
Settlements operations	15,117	13,126
Guarantees and letters of credit	6,051	3,849
Cash operations	1,986	1,466
Currency conversion operations	351	768
Brokerage service fees	174	240
Advisory	57	74
Other	383	330
Fee and commission income	24,119	19,853
Settlements operations	(3,412)	(2,824)
Guarantees and letters of credit	(529)	(340)
Cash operations	(129)	(204)
Insurance brokerage service fees	(123)	(147)
Currency conversion operations	(25)	(588)
Other	(186)	(258)
Fee and commission expense	(4,404)	(4,361)
Net fee and commission income	19,715	15,492

16. Fair Values of Financial Instruments

Financial instruments recorded at fair value

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

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

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

	Level 1	*Level 2*	*Level 3*	*Total 31 March 2012 (unaudited)*
Financial assets				
Investment securities – available-for-sale	76,514	353,336	3,881	433,731
Other assets – derivative financial assets	2,558	34,522	–	37,080
Other assets – trading securities owned	735	–	–	735
	79,807	387,858	3,881	471,546
Financial liabilities				
Other liabilities – derivative financial liabilities	15	7,187	–	7,202
	15	7,187	–	7,202

(Thousands of Georgian Lari)

16. Fair Values of Financial Instruments (continued)

Financial instruments recorded at fair value (continued)

	Level 1	*Level 2*	*Level 3*	*Total 31 December 2011*
Financial assets				
Investment securities – available-for-sale	346	415,196	4,034	419,576
Other assets – derivative financial assets	63	36,760	–	36,823
Other assets – trading securities owned	1,115	–	–	1,115
	1,524	451,956	4,034	457,514
Financial liabilities				
Other liabilities – derivative financial liabilities	5,925	9,931	–	15,856
	5,925	9,931	–	15,856

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

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

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

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

	At 1 January 2010	*Sale of AFS securities*	*At 31 December 2011*	*Sale of AFS securities*	*At 31 March 2012 (unaudited)*
Financial assets					
Investment securities – available-for-sale	5,409	(1,375)	4,034	(153)	3,881
Total level 3 financial assets	5,409	(1,375)	4,034	(153)	3,881
Total net level 3 financial assets / (liabilities)	5,409	(1,375)	4,034	(153)	3,881

No financial instruments were transferred during the three months ended 31 March 2012 from level 1 and level 2 to level 3 of the fair value hierarchy. Gains or losses on level 3 financial instruments during the three months ended 31 March 2012 comprised nil.

No financial instruments were transferred during three months ended 31 March 2012 between level 1 and level 2 of the fair value hierarchy.

(Thousands of Georgian Lari)

16. Fair Values of Financial Instruments (continued)

Financial instruments recorded at fair value (continued)

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

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

	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
	31 March 2012 (unaudited)		*31 December 2011*	
Financial assets				
Investment securities – available-for-sale	3,881	+/- 584	4,034	+/- 607

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

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

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

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

	Carrying value 31 March 2012 (unaudited)	*Fair value 31 March 2012 (unaudited)*	*Unrecognised gain (loss) 31 March 2012 (unaudited)*	*Carrying value 31 December 2011*	*Fair value 31 December 2011*	*Unrecognised loss 31 December 2011*
Financial assets						
Cash and cash equivalents	381,388	381,388	–	628,731	628,731	–
Amounts due from credit institutions	287,913	287,913	–	289,530	289,530	–
Loans to customers	2,649,540	2,644,380	(5,160)	2,553,442	2,546,648	(6,794)
Finance lease receivables	64,214	64,214	–	62,919	62,919	–
Financial liabilities						
Amounts due to customers	2,625,229	2,648,900	(23,671)	2,735,222	2,758,210	(22,988)
Amounts due to credit institutions	753,823	753,823	–	921,172	921,172	–
Total unrecognised change in unrealised fair value			(28,831)			(29,782)

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

(Thousands of Georgian Lari)

17. Maturity Analysis of Financial Assets and Liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual repayment dates.

	31 March 2012 (unaudited)			*31 December 2011*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Financial assets						
Cash and cash equivalents	381,388	–	381,388	628,731	–	628,731
Amounts due from credit institutions	283,045	4,868	287,913	277,448	12,082	289,530
Loans to customers	1,189,991	1,459,549	2,649,540	1,231,077	1,322,365	2,553,442
Finance lease receivables	18,460	45,754	64,214	16,767	46,152	62,919
Investment securities available–for–sale	337,029	96,702	433,731	340,179	79,397	419,576
Total	2,209,913	1,606,873	3,816,786	2,494,202	1,459,996	3,954,198
Financial liabilities						
Amounts due to customers	2,442,837	182,392	2,625,229	2,536,761	198,461	2,735,222
Amounts due to credit institutions	177,233	576,590	753,823	265,121	656,051	921,172
Total	2,620,070	758,982	3,379,052	2,801,882	854,512	3,656,394
Net	(410,157)	847,891	437,734	(307,680)	605,484	297,804

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

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

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

As at 31 March 2012 deposits amounted to GEL 2,625,229 (31 December 2011: GEL 2,735,222) and represented 74% (31 December 2011: 71%) of Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 31 March 2012 amounts owed to credit institutions amounted to GEL 753,823 (31 December 2011: GEL 921,172) and represented 21% (31 December 2011: 24%) of total liabilities.

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

(Thousands of Georgian Lari)

18. Related Party Disclosures

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

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

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

	2012 (unaudited)			*2011 (unaudited)*		
	Parent	*Associates*	*Key management personnel*	*Parent*	*Associates*	*Key management personnel*
Loans outstanding at 1 January, gross	–	304	6,558	–	2,191	4,758
Loans issued during the period	–	280	1,883	–	362	1,832
Loan repayments during the period	–	(132)	(1,749)	–	(562)	(1,657)
Other movements	–	(3)	(30)	–	(40)	(89)
Loans outstanding at 31 March, gross	–	449	6,662	–	1,951	4,844
Less: allowance for impairment at 31 March	–	(4)	(108)	–	(1,090)	(99)
Loans outstanding at 31 March, net	–	445	6,554	–	861	4,745
Interest income on loans	–	12	203	–	222	151
Loan impairment charge	–	(2)	(1)	–	(318)	(1)
Deposits at 1 January	36,730	171	5,903	36,410	726	8,999
Deposits received during the period	519	5,443	4,054	16,389	3,984	6,201
Deposits repaid during the period	(520)	(4,524)	(3,452)	(17,846)	(4,071)	(6,591)
Other movements	(36,729)	32	(48)	1,774	25	(408)
Deposits at 31 March	–	1,122	6,457	36,727	664	8,201
Interest expense on deposits	833	8	109	507	11	142
Other income	177	–	–	165	–	18

Compensation of key management personnel was comprised of the following:

	For the three months ended 31 March	
	2012 *(unaudited)*	2011 *(unaudited)*
Salaries and other benefits	3,420	3,887
Share-based payments compensation	3,463	3,328
Social security costs	46	85
Total key management compensation	6,929	7,300

The number of key management personnel at 31 March 2012 was 161 (31 December 2011: 169).

(Thousands of Georgian Lari)

19. Capital Adequacy

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

During the three months ended 31 March 2012, the Bank and the Group had complied in full with all its externally imposed capital requirements.

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

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

NBG capital adequacy ratio

The NBG requires banks to maintain a minimum total capital adequacy ratio of 12% of risk-weighted assets, computed based on the bank's stand-alone special purpose financial statements prepared in accordance with NBG regulations and pronouncements. As at 31 March 2012 and 31 December 2011 the Bank's capital adequacy ratio on this basis was as follows:

	31 March 2012 (unaudited)	*31 December 2011*
Core capital	738,498	512,238
Supplementary capital	333,650	463,825
Less: Deductions from capital	(191,286)	(184,323)
Total regulatory capital	880,862	791,740
Risk-weighted assets	4,845,239	4,872,931
Total capital adequacy ratio	18.2%	16.2%

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

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on consolidated statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 March 2012 and 31 December 2011, follows:

	31 March 2012 (unaudited)	*31 December 2011*
Tier 1 capital	956,988	764,377
Tier 2 capital	313,298	380,301
Less: Deductions from capital	(45,840)	(49,341)
Total regulatory capital	1,224,446	1,095,337
Risk-weighted assets	4,125,524	3,839,462
Total capital adequacy ratio	29.7%	28.5%
Tier 1 capital adequacy ratio	23.2%	19.9%
Minimum total capital adequacy ratio	8%	8%