BANK OF GEORGIA HOLDINGS PLC

HALF-YEAR REPORT 2012

BANK OF GEORGIA
HOLDINGS PLC

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FORWARD LOOKING STATEMENTS

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

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

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

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

HIGHLIGHTS

Bank of Georgia Holdings plc (LSE: BGEO LN), the holding company of JSC Bank of Georgia and its subsidiaries (the "Bank"), Georgia's leading bank, announced today the Bank's 1H 2012 and Q2 2012 consolidated results (IFRS based, derived from management accounts), reporting 1H 2012 profit for the period of GEL 86.0 million, (US$ 52.3 million/GBP 33.5 million) or GEL 2.57 per share (US$ 1.56 per share/GBP 1.00 per share). The Bank reported Q2 2012 profit for the quarter of GEL 46.3 million (US$ 28.1 million/GBP 18.0 million), or GEL 1.36 per share (US$0.82 per share/GBP0.53 per share). Unless otherwise mentioned, all comparisons are with the first half of 2011.

Net interest margin improvement leads to record first half profits

- **Positive operating leverage maintained with strong profitability**
  - Net interest margin of 8.2%, compared to 7.9% in 1H 2011;
    - Q2 2012 NIM of 9.0%, an increase from 7.3% in Q1 2012.
  - Revenue increased by GEL 25.6 million, or 12.0%, y-o-y, to GEL 239.0 million; excluding the benefit of last year's one-off currency hedge gains, revenue increased by 23.6%;
    - Q2 2012 revenue grew 17.6% q-o-q to GEL 129.1 million.
  - Positive operating leverage maintained, as operating expenses increased at a lower rate than revenue, up 5.4% y-o-y to GEL 109.1 million; excluding last year's one-off gains, operating leverage was 18.2 percentage points.
  - Cost to Income ratio improved to 45.6%, from 48.5% in 1H 2011.
  - Profit before tax from continuing operations of GEL 103.6 million, up by GEL 20.7 million, or 24.9%.
  - Profit for the period increased by GEL 22.3 million, or 35.0%, to GEL 86.0 million.
  - Earnings per share (basic) increased by 20.7% to GEL 2.57, compared to GEL 2.13.
  - Return on Average Assets (ROAA) increased to 3.7%, compared to 3.2%.
  - Return on Average Equity (ROAE) increased to 19.6%, from 18.3%.
- **Prudent asset quality with strong balance sheet and capital position maintained**
  - Net loan book increased by 19.8% y-o-y (11.7% in the first half of 2012), while client deposits increased 31.9% y-o-y (7.4% in the first half of 2012).
    - In US$ terms net loan book increased by 21.4% (13.4% in the first half of 2012)
  - Cost of risk reduced to 0.9% compared to 1.0% in 1H 2011. In absolute terms, cost of credit risk increased by GEL 5.7 million to GEL 13.9 million, reflecting the absence of last year's net releases and recoveries.
  - Non-performing loans (NPLs) remained largely flat at GEL 100.1 million. NPLs accounted for 3.3% of gross loan book at 30 June 2012 compared to 3.9% at 30 June 2011 and 3.7% in 31 December 2011.
  - High provisions coverage of non-performing loans at 115.2%.
  - Excellent funding position with a Net Loans to Customer Funds ratio of 102.7%, down from 109.5% twelve months ago.
  - BIS Tier 1 capital adequacy ratio improved significantly to 21.9%.
  - Book Value per Share increased by 12.6% y-o-y to GEL 27.37 (US$16.64/GBP10.66).
  - Balance Sheet leverage reduced to 4.2 times as of 30 June 2012, compared to 4.5 times.
- **Business highlights**
  - Strong performances from each of the Bank's businesses in Georgia – Corporate Banking and Retail Banking reported continued loan growth, improving efficiencies and credit quality.
  - Retail Banking continues to deliver strong franchise growth, supported by the opening of 17 Express branches in the 1H 2012.
  - Corporate Banking has delivered strong, well-diversified balance sheet growth over the last 12 months; customer lending grew 21.7% and customer deposits grew 33.9%. Launched research in a move to further grow its fee generating business.
  - Wealth Management continued to expand its client franchise with deposits increasing by 73.8% to GEL 528.9 million over the last 12 months.
  - Excellent progress in developing the Bank's synergistic businesses: Insurance and Healthcare business expansion through acquisition of Imedi L International, the third largest insurance company in Georgia; Affordable Housing advanced its operations and completed its pilot project of an 123 apartment building; a second 522 apartment building project commenced during 1H 2012.

STATEMENT OF CEO

"I am delighted to report strong Q2 2012 and 1H 2012 results reflecting broad-based performance improvements in each of our businesses, benefiting from the strengthening economic environment in Georgia. Bank of Georgia delivered a record half year profit of GEL 86.0 million, as Q2 2012 profit of GEL 46.3 million increased by 16.4% compared to Q1 2012. The main drivers of the record performance for 1H 2012 were strong business growth across the board, the reduction in deposit costs in Q2 2012, improved efficiency and the continued improvement in credit trends. These record first half results have reinforced the sustainability of our key performance metrics:

- Return on equity of 19.6%, supported by double digit revenue growth, positive operating leverage and prudent risk management.
- Tier I Capital Ratio of 21.9%, reflecting strong capital position, substantially in excess of our regulatory requirements.
- Net Loan book growth of 19.8 % y-o-y, driven by a retail loan book increase of 18.8% and a corporate loan book increase of 21.7%. Customer funds increased by 27.7% over the same period.

In June 2012 we announced an interim dividend of GEL 0.70 per share (GBP0.27 per share), up 133% from the dividend per share JSC Bank of Georgia paid to its shareholders last year. Our progressive dividend policy is in place to increase capital management discipline during our business growth phase and our 2011 dividend payment reflected a dividend payout ratio of approximately 17%.

I am also pleased to report that on 18 June 2012, Bank of Georgia Holdings PLC became a FTSE All Share and FTSE 250 index constituent. Our inclusion in these indices is expected to further improve our stock liquidity and support our ongoing efforts to broaden our investor base.

Overview of results

In the first half of 2012, reducing the cost of deposits was our key priority and these results reflect our significant success in improving both the quality and cost of our balance sheet funding. Strong deposit inflows allowed us to comfortably finance our loan book growth independently, whilst also reducing deposit rates by up to two percent for both local and foreign currency deposits. We ended the period with the strongest balance sheet in the Bank's history with customer funds accounting for 71.6% of total liabilities, Net Loans to Customer Funds ratio at 102.7% and leverage of only 4.2 times. As we continue with our efforts to improve our funding costs, in July 2012 we issued a US$250 million five year Eurobond at a price that will allow us to further reduce our funding costs over time.

The balance sheet repositioning and reduction in our cost of funds by 83 basis points in the second quarter, compared to the previous quarter, boosted net interest income growth, translating into Q2 2012 net interest income (before effects of interest rate swaps) growth of 24.0% compared to Q1 2012 and 34.7% growth compared to the same period last year. In the first six months of 2012, net interest income increased by 18.8% y-o-y, resulting in the increase of the NIM from 7.9% in 1H 2011 to 8.2% in 1H 2012. The loan yield for the period amounted to 17.8%, compared to 17.7% in 1H 2011.

In the first half of 2012, we were very pleased to continue to diversify of our sources of income. Net non-interest income, which accounted for 42.4% of revenue, continued to grow, reflecting Georgia's continuing strong economic growth and the impact of the excellent performance of our insurance and healthcare business. Our fee and commission business saw strong increases in volumes reflecting the overall strong economic activity in the country, growing by 22.3% compared to the first half of last year.

In May 2012, we doubled our market share in the insurance and healthcare sector by acquiring the country's third largest insurance company, Imedi L, securing our leading position in this underpenetrated and growing sector. The integration of Imedi L has been swift and successful, and we expect to see the impact of synergies beginning from our Q3 2012 results. While the acquisition is not material for the year-to-date 2012 performance, we expect to see substantially increased contribution from our insurance and healthcare business over the next two years, supporting its strategic aim of becoming 10 per cent of group earnings in 2013. In 1H 2012, net insurance revenues were up 31.5% year-on-year to GEL 12.0 million, and the expansion of our healthcare operations resulted in an increase in the net healthcare revenue by GEL 8.1 million from GEL 1.0 million in first half of 2011 to GEL 9.2 million in 1H 2012. During the first half of 2012, insurance and healthcare revenues contributed 8.9% to the group's revenue, compared to 4.7% in the first half 2011.

We continue to be mindful of our costs, which consistently increase at a lower rate than our revenue growth. The positive operating leverage of over 18 percentage points, when combined with strong asset quality metrics, led to a 35.0 % year-on-year growth in profit in the first half of 2012.

Business performance overview

During the first six months of 2012, Bank of Georgia provided credit of over GEL 1,413 million for our clients. Our Retail banking business originated GEL 506.8 million retail loans for approximately 142,000 retail customers, of which GEL 225.9 million was extended in micro loans to support small businesses. Having established an unrivalled position in Georgia's mass retail segment, we succeeded in growing our express banking business, through which we intend to capture the emerging mass market by delivering convenient self-service transactional and remote banking facilities, and free up flagship branches for higher value-added services. In addition, this extremely cost-effective channel is helping us acquire new clients with further up-selling and cross-selling opportunities, and serves as a platform for migrating transactional banking into other distant channels. We were pleased to generate a significant increase in banking operations through our remote channels. Number of transactions through card payments by means of our POS terminals at contracted merchants increased to 145.3 million in the first half of the year, compared to 100.9 million similar transactions during the same period last year. Our clients used our ExpressPay terminals more than four million times in order to pay utility bills, repay loans, deposit cash and top up metro cards, an increase from 2.2 million PayBox transactions in the first half of 2011. Cards outstanding reached 745,000 as of 30 June 2012, an increase of 22.1% from last year, of which credit cards of 145,000 increased by 33.0% year on year. As a result of these developments, fees and commissions generated by remote channels and card business are increasingly becoming one of the main drivers of retail banking's profitability. In the first half of 2012, retail banking posted operating income before cost of credit risk of GEL 63.7 million, an increase of 41.6% year on year, accounting for 49.0% of consolidated operating income before cost of credit risk.

Over the last 12 months, our corporate loan book has grown by approximately 22% and corporate client deposits have increased by almost 33%. Improved operating efficiency translated into improved profitability during the period, as operating income before cost of credit risk increased by 21.2% to GEL 50.5 million, while the improved credit quality of our corporate loan book led to a 27.7% increase in corporate banking profit from continuing operations before income tax expense to GEL 44.4 million. As a result, corporate banking accounted for 38.9% and 42.9% of the group's operating income before cost of credit risk and profit from continuing operating before income tax expense, respectively. Of note is the development of our trade finance franchise, which as of 30 June 2012 had trade finance lines of more than US$188 million from 13 counterparty banks, giving us a substantial competitive advantage. In a move to strengthen and diversify our corporate banking product offering, we have recently launched a research platform, Bank of Georgia Research, aimed at providing a comprehensive insight into the under-researched Georgian market to investors seeking opportunities across various sectors and companies in Georgia. Bank of Georgia Research, which we consider to be an important aspect in developing our corporate banking fee generating business, aims to support the Bank's corporate and wealth management businesses in attracting investments into the country.

I am also very pleased to report that Aldagi BCI completed the integration with Imedi L International within three months following the acquisition of 85% of the company in May 2012. Aldagi BCI has subsequently increased its ownership to 100%. Following the acquisition, Aldagi BCI more than doubled the number of its retail clients to approximately 420,000, increased the number of corporates insured from approximately 1,800 in June 2011 to more than 3,900 in June 2012 and grew its market share by gross insurance premium revenues from approximately 19% to 35% as of 30 June 2012. Aldagi BCI's healthcare operation now covers a population of approximately 1.8 million and expects to finish the year with 27 hospitals and healthcare centres with a total of 1,200 beds. A vertically integrated insurance and healthcare business, has now established itself as an undisputed leader in Georgia's insurance and healthcare sectors, delivering strong business growth supported by the recent acquisitions made by Aldagi BCI.

Outlook:

The key drivers of Georgia's economy continue to perform above expectations. The 7.0% annual real GDP growth rate in 2011 was followed by 6.8% annualised real GDP growth in Q1 2012 and 8.1% annualised real GDP growth rate in Q2 2012, based on the preliminary data. In the first quarter of 2012, Foreign Direct Investment (FDI) rose by 55% y-o-y, the end of period inflation for the twelve months ending 31 July 2012 rose to 0.6%, from a negative 0.2% at the end of June 2012, translating into increased economic activity, and the number of foreign visitors grew year-on-year by 53.0% in the first half of 2012 to 1.7 million, indicating yet another year of sharp increases in tourist revenues. These indicators give us substantial confidence that Georgia's 2012 real GDP growth rate is likely to exceed the 6.0%, currently estimated by the IMF.

Our strong first half business performance has continued into the second half of the year. In July, retail and corporate banking delivered strong performances and we continue to expect deposit growth for the full year to match our expected growth of approximately 20% in customer lending. Our significant earnings power and substantial liquidity will enable us to actively grow our business whilst maintaining our strong capital and funding position. The Eurobond that we issued in July 2012 will inevitably have a short term carrying cost that will affect our net interest margin as we deploy these funds, but this significantly strengthenes our balance sheet funding maturity profile and will, over time, improve our cost of funding.

Over the next few months, we expect to continue with our efforts to optimise our funding costs, whilst capturing further operational efficiencies and continuing to focus on the quality of our balance sheet growth." commented ***Irakli Gilauri*****,** Chief Executive Officer of Bank of Georgia Holdings PLC. and JSC Bank of Georgia.

1.6451 GEL/US$ 30 June 2012
1.6600 GEL/US$ 31 March 2012
1.6665 GEL/US$ 30 June 2011
2.5677 GEL/GBP 30 June 2012
2.6578 GEL/GBP 31 March 2012
2.6726 GEL/GBP 30 June 2011

FINANCIAL SUMMARY

BGH (Consolidated, Unaudited, IFRS-based) **Income Statement Summary**	**1H 2012**	**1H 2011**	***Change***
GEL thousands, unless otherwise noted			***Y-O-Y***[1]
Revenue[2]	238,986	213,408	*12.0%*
Operating expenses[3]	109,072	103,525	*5.4%*
Operating income before cost of credit risk	129,914	109,883	*18.2%*
Cost of credit risk[4]	13,948	8,262	*68.8%*
Net operating income	115,966	101,621	*14.1%*
Net non-operating expenses, including goodwill impairment	12,394	18,703	*-33.7%*
Profit for the period from continuing operations	86,034	75,992	*13.2%*
EPS (Basic)	2.57	2.13	*20.7%*

BGH (Consolidated, Unaudited, IFRS-based) **Balance Sheet Summary**	**Jun 12**	**Jun 11**	***Change***
GEL thousands, unless otherwise noted			***Y-O-Y***
Total assets	4,935,014	4,123,324	*19.7%*
Net loans[5]	2,923,140	2,439,901	*19.8%*
Customer funds[6]	2,846,263	2,228,505	*27.7%*
Tier I Capital Adequacy Ratio (BIS)[7]	21.9%	18.1%	
Total Capital Adequacy Ratio (BIS)[7]	28.1%	26.7%	
NBG Tier I Capital Adequacy Ratio[8]	15.0%	11.5%	
NBG Total Capital Adequacy Ratio[8]	17.8%	15.1%	
Leverage[9]	4.2	4.5	

BGH (Consolidated, Unaudited, IFRS-based) **Income Statement Summary**	**Q2 2012**	**Q2 2011**	**Change**	**Q1 2012**	***Change***
GEL thousands, unless otherwise noted			**Y-O-Y**	**GEL**	***Q-O-Q***[10]
Revenue[2]	129,142	124,096	4.1%	109,844	*17.6%*
Operating expenses[3]	58,754	54,551	7.7%	50,318	*16.8%*
Operating income before cost of credit risk	70,388	69,545	1.2%	59,526	*18.2%*
Cost of credit risk[4]	6,568	2,851	130.4%	7,380	*-11.0%*
Net operating income	63,820	66,694	-4.3%	52,146	*22.4%*
Net non-operating expenses, including goodwill impairment	7,994	18,644	-57.1%	4,400	*81.7%*
Profit for the period from continuing operations	46,331	46,894	-1.2%	39,704	*16.7%*
EPS (Basic)	1.36	1.56	-13.2%	1.21	*11.9%*

These management accounts are neither audited nor reviewed by auditors.

[1] Compared to the respective period in 2011; growth calculations based on GEL values
[2] Revenue includes net interest income, net fee and commission income, net insurance revenue, net healthcare revenue and other operating non-Interest Income
[3] Operating expenses equal other operating non-interest expenses
[4] Cost of credit risk includes impairment charge (reversal of impairment) on: loans to customers, finance lease receivables and other assets
[5] Net loans equal to net loans to customers and finance lease receivables
[6] Customer funds equal amounts due to customers
[7] BIS Tier I Capital Adequacy Ratio equals consolidated Tier I capital as of the period end divided by Total consolidated risk weighted assets as of the same date. BIS total capital equals total consolidated capital as of the period divided by total consolidated risk weighted assets. Both ratios calculated in accordance with the requirements of Basel Accord I
[8] NBG Tier I Capital and Total Capital Adequacy ratios calculated in accordance with the requirements of the National Bank of Georgia (NBG)
[9] Leverage (Times) equals Total Liabilities divided by Total Equity
[10] Compared to the previous quarter

DISCUSSION OF RESULTS

Revenue

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Loans to customers	244,966	211,466	*15.8%*
Investment securities: available-for-sale*	17,806	18,352	*-3.0%*
Amounts due from credit institutions	9,623	7,669	*25.5%*
Finance lease and receivables	4,133	1,722	*140.0%*
Interest income	**276,528**	**239,209**	***15.6%***
Amounts due to customers	103,765	75,628	*37.2%*
Amounts due to credit institutions	34,048	50,215	*-32.2%*
Interest expense	**137,813**	**125,843**	***9.5%***
Net interest income before net (losses) gains from derivative financial instruments	**138,716**	**113,366**	***22.4%***
Net (losses) gains from derivative financial instruments	(1,053)	2,492	*NMF*
Net interest income	**137,662**	**115,858**	***18.8%***
Fee and commission income	51,477	43,636	*18.0%*
Fee and commission expense	9,943	9,666	*2.9%*
Net fee and commission income	**41,534**	**33,970**	***22.3%***
Net insurance premiums earned	32,383	23,123	*40.0%*
Net insurance claims incurred	20,426	14,027	*45.6%*
Net insurance revenue	**11,957**	**9,096**	***31.5%***
Healthcare revenue	22,587	1,523	*NMF*
Cost of healthcare services	13,391	533	*NMF*
Net healthcare revenue	**9,196**	**990**	***NMF***
Net gains from securities	953	732	*30.2%*
Net gains from foreign currencies	26,191	23,357	*12.1%*
Other operating income	11,492	9,351	*NMF*
Revenue adjusted for gains from BYR hedge	**238,986**	**193,354**	***23.6%***
Gains from BYR hedge	-	20,054	*15.0%*
Revenue	**238,986**	**213,408**	***12.0%***

*primarily consist of Georgian government treasury bills and bonds and National Bank of Georgia's Certificats of deposits

The Bank's 1H 2012 revenue increased to GEL 239.0 million, or 12.0% growth year-on-year, primarily driven by a 22.4% y-o-y growth of net interest income (before net (losses) gains from derivative financial instruments) as a result of strong customer lending growth during the period, and 30.7% y-o-y growth of non-interest income excluding the effects of one-off gains from Belarusian currency, or BYR, hedge. Non-interest income growth was driven by the healthy growth of net fee and commission income, net insurance revenue and net healthcare revenue. Adjusted for the impact of last year's one-off BYR hedge, revenue increased by 23.6% y-o-y.

Net Interest Margin

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Net interest income	137,662	115,858	*18.8%*
Net Interest Margin	**8.2%**	**7.9%**	
Average interest earning assets	3,394,269	2,965,097	*14.5%*
Average interest bearing liabilities	3,557,381	3,193,895	*11.4%*

*monthly averages are used for calculation of average interest earning assets and average interest bearing liabilities

In the first half 2012, the increase in net interest income reflected the strong increase in lending in the first half of the year translating into interest income y-o-y growth of 15.6% that exceeded the 9.5% y-o-y increase of interest expense. The slower growth rate of interest expense is attributed partially to the decline of costly international borrowings during the past 12 months and to a larger extent to the significant deposit rate cuts in Q4 2011 and Q1 2012, reflected in the results of the second quarter 2012. In Q2 2012, our cost of funding decreased to 7.5% from 8.3% in Q1 2012 and 8.4% in Q4 2011, while 1H 2012 cost of funding remained largely flat at 7.9%, compared to the first half of 2011.

Overall, in 1H 2012, the Bank's net interest income increased by 18.8% y-o-y to GEL 137.7 million. Correspondingly, the 1H 2012 net interest margin was 8.2% compared to 7.9% in 1H 2011. The change in margin over the last twelve months was primarily attributable to the 14.5% y-o-y growth of the average interest earning assets, lower deposit rates and the increase in the loan yield from 17.7% in 1H 2011 to 17.8% in 1H 2012. The currency-blended deposit costs of the Bank were 7.7% and 7.3% in the first half of 2012 and 2011, respectively, while the currency-blended loan yields totalled 17.8% and 17.7% during the respective periods.

Net fee and commission income

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Fee and commission income	51,477	43,636	*18.0%*
Fee and commission expense	9,943	9,666	*2.9%*
Net fee and commission income	**41,534**	**33,970**	***22.3%***

Net fee and commission income grew by GEL 7.6 million, or 22.3%, to GEL 41.5 million as a result of healthy growth levels in the Bank's settlement operations, driven by the growth of the Bank's card business, guarantees and letters of credit, and cash operations businesses that benefited from the overall improvement of the economic environment in Georgia and increased foreign trade turnover of Georgian businesses.

Net insurance revenue and net healthcare revenue

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Net insurance premiums earned	32,383	23,123	*40.0%*
Net insurance claims incurred	20,426	14,027	*45.6%*
Net insurance revenue	**11,957**	**9,096**	***31.5%***
Healthcare revenue	22,587	1,523	*NMF*
Cost of healthcare services, of which:	13,391	533	*NMF*
Salaries and other employee benefits	*9,158*	*412*	*NMF*
Other Operating expenses	*4,233*	*121*	*NMF*
Net healthcare revenue	**9,196**	**990**	***NMF***

Net insurance revenue increased by GEL 2.9 million, or 31.5% to GEL 12.0 million, with the organic growth of Aldagi BCI supported by the acquisition of Georgia's third largest insurance company, Imedi L International (Imedi L). Net insurance revenue growth was driven by 40% y-o-y growth of net insurance premiums earned to GEL 32.4 million. The growth of net insurance premiums earned was due to an increase in the size of the insurance policies portfolio, which in turn, was due to overall growth of both the life and non-life insurance businesses. The growth also reflects the inclusion of Imedi L results for May and June 2012. The increase in net insurance claims incurred mostly reflected the acquisition of Imedi L. Net insurance premiums earned by Imedi L amounted to GEL 12.5 million in Q1 2012.

The growth of the healthcare business, following the expansion of the healthcare operations by Aldagi BCI as a result of recent acquisitions, resulted in the GEL 9.2 million net healthcare revenue in the first half of 2012, an increase of 9.3 times from the same period last year. The 1H 2012 results do not yet reflect the efficiencies captured through the synergies resulting from the integration of Imedi L healthcare business, acquired in May 2012, The effects of cost efficiencies, that will be reflected in our Q3 2012 performance, are expected to result in the substantial reduction in both insurance and healthcare costs that will follow the integration of the back office of Imedi L and respective headcount decreases and other cost efficiency measures.

Other operating non-interest income

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Net gains from trading securities and investment securities available-for-sale	953	732	*30.2%*
Net gains from foreign currencies , of which:	26,191	23,357	*12.1%*
Dealing	*17,186*	*21,112*	*-18.6%*
Translation differences	*9,005*	*2,245*	*NMF*
Other operating income	11,492	9,351	*22.9%*
Other operating non-interest income adjusted for gains from BYR hedge	**38,637**	**33,440**	***15.5%***
Gains from BYR hedge	-	20,054	*-100.0%*
Other operating non-interest income	**38,637**	**53,494**	***-27.8%***

Other operating non-interest income adjusted for one-off gains from BYR hedge in 1H 2011, grew 15.5% to GEL 38.6 million, reflecting foreign currency dealing earnings and an increase in other operating income, predominantly due to growth from income from the Bank's non-core subsidiaries. The increases in the volumes of foreign currency transactions by the Bank's customers resulted in the increase in net gains from foreign currencies by 21.1% to GEL 26.2 million. Other operating non-interest income declined 27.8% y-o-y, due to the one-off gain of GEL 20.1 million on BYR currency hedge in 1H 2011.

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

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Salaries and other employee benefits	57,833	56,236	*2.8%*
General and administrative expenses	33,762	30,582	*10.4%*
Depreciation and amortization	13,919	12,941	*7.6%*
Other operating expenses	3,558	3,766	*-5.5%*
Other operating non-interest expenses	**109,072**	**103,525**	***5.4%***
Operating income before cost of credit risk	**129,914**	**109,883**	***18.2%***
Cost of credit risk	13,948	8,262	*68.8%*
Net operating income	**115,966**	**101,621**	***14.1%***
Total non-operating expenses	**12,394**	**18,703**	***-33.7%***
Profit before income tax expense from continuing operations	**103,572**	**82,918**	***24.9%***
Income tax expense	17,538	6,926	*153.2%*
Profit for the period from continuing operations	**86,034**	**75,992**	***13.2%***
Net loss from discontinued operations	-	12,247	*NMF*
Profit for the period	**86,034**	**63,745**	***35.0%***

In the first half of 2012, the Bank's other operating non-interest expenses increased by GEL 5.5 million, or 5.4%, to GEL 109.1 million. This compares to a double digit growth in revenues over the same period and reflects the Bank's focus on delivering positive operating leverage on an ongoing basis. Adjusted for the one-off currency hedge gain in 1H 2011, the 1H 2012 operating leverage was an increase of 18.2 percentage points. The increase in expenses primarily reflected a 2.8% increase in salaries and other employee benefits as the Bank's headcount increased to reflect the growth of Bank of Georgia's and its subsidiaries' businesses over the last twelve months. General and administrative expenses for the reporting period grew by 10.4% to GEL 33.8 million, reflecting the new branch openings and sales force increases. The Cost to Income ratio improved to 45.6% in 1H 2012, from 48.5% in 1H 2011, benefiting from the ongoing cost efficiency measures undertaken by the Bank. When adjusted for the one-off gains in the first half of 2011, the Cost to Income ratio improved substantially from 53.5% in 1H 2011, reflecting underlying significant cost effiency improvement.

The Bank's operating income before the cost of credit risk increased by GEL 20.0 million, or 18.2%, to GEL 129.9 million in the first half of 2011.

The cost of credit risk increased by GEL 5.7 million, or 68.8%, to GEL 13.9 million in the first half of 2012 largely reflecting the absence of last year's releases and recoveries. This represents an annualised cost of risk of 0.9%, down from 1.0% in 1H 2011, reflecting the high quality of the Bank's loan portfolio and the robust health of the Georgian economy. The allowance for loan impairment was GEL 115.3 million or 3.8% of total gross loans as of 30 June 2012, compared to 4.8% as of 30 June 2011.

The Bank's non-performing loans (NPLs), defined as the principal and interest on the overdue loans for more than 90 days and additional potential losses estimated by management, remained largely flat at GEL 100.1 million as of 30 June 2012. The Bank's NPLs to total gross loans ratio improved to 3.3% in 1H 2012 from 3.9% as of 30 June 2011. The Bank maintained its conservative NPL Coverage ratio at 115.2%, which compares to 121.2% in 1H 2011 and 114.7% as of 31 December 2011.

In 1H 2012, the Bank's net operating income totalled GEL 116.0 million, up GEL 14.3 million, or 14.1% year-on-year. The Bank's net non-operating expense for the period totaled GEL 11.9 million, predominantly comprising of expenses of GEL 7.2 million, incurred for the purposes of the tender offer and premium listing that was successfully completed in February 2012. Adjusted for the one-off gain in 1H 2011, the 1H 2012 net operating income was up 42.2% y-o-y.

Profit before income tax from continuing operations in the first half of 2012 therefore totalled GEL 103.6 million, an increase of GEL 20.7 million, or 24.9%. After income tax expense of GEL 17.5 million, the Bank's 1H 2012 profit for the period stood at GEL 86.0 million, up by GEL 22.3 million, or 35.0% compared to the first half of 2011.

Balance Sheet highlights

As of 30 June 2012, the Bank's total assets stood at GEL 4,935.0 million, an increase of 5.8% since 31 December 2011 and an increase of 19.7% compared to 30 June 2011. Total liabilities amounted to GEL 3,977.6 million, up 3.2% year-to-date and 18.0% y-o-y, while shareholders' equity reached GEL 957.4 million, a 17.8% increase since the beginning of the year and 27.4% increase from the same period last year. The year-to-date changes reflect the continued repositioning of the Balance Sheet on the back of healthy loan book growth and the changes in the funding structure with client deposit growing on the back of declining cost of funding. As of 30 June 2012, net loans accounted for 59% of total assets, up from 56% as of 31 December 2011 and customer funds represented 71.6% of total liabilities, an improvement from 71.0% at the beginning of the year.

Over the last twelve months, the net loan book grew by GEL 483.2 million, or 19.8%, to GEL 2,923.1 million. The lending growth accelerated in the second quarter 2012, growing by 7.7% q-o-q, compared to the seasonally quiet first quarter of the year, when the loan book grew by 3.7% . Both retail banking and corporate banking contributed to the net loan book growth of 19.8% since 30 June 2011, as retail banking lending increased by GEL 199.6 million, or 18.8% year-on-year and corporate banking lending grew by GEL 293.9 million, or 21.7% year-on-year. Loans denominated in foreign currencies (primarily in US$) accounted for 68.6% of the Bank's net loan book as of 30 June 2012, compared to 72.3% as of 30 June 2011.

The Bank's liquid assets, mostly comprised of cash and cash equivalents, National Bank CDs, Georgian government treasury bills and bonds and interbank deposits, grew by 7.7% y-o-y to GEL 1,132.5 million.

GEL thousands, unless otherwise noted	1H 2012	1H 2011	*Change Y-O-Y*
Amounts due to credit institutions, of which:	875,928	986,592	*-11.2%*
Borrowed funds	*667,693*	*813,350*	*-17.9%*
Inter-bank loans and deposits	*208,235*	*173,242*	*20.2%*
Customer Funds, of which	2,846,263	2,228,505	*27.7%*
Client deposits	*2,742,601*	*2,079,442*	*31.9%*
Promissory notes	*103,662*	*149,063*	*-30.5%*
Net Loans / Customer Funds	102.7%	109.5%	
Liquid assets	**1,132,509**	**1,051,646**	***7.7%***
Liquid assets as percent of total assets	22.9%	25.5%	
Liquid assets as percent of total liabilities	28.5%	31.2%	
NBG liquidity ratio	35.2%	37.9%	

The customer lending growth was more than sufficiently funded by a GEL 617.8 million growth in customer funds on a year-on-year basis and by GEL 111.0 million growth on a year-to-date basis. As of 30 June 2012, client deposit balances amounted to GEL 2,742.6 million, up 31.9% since 30 June 2011. The second quarter 2012 saw strong inflows of client deposits following a 4.4% q-o-q decline in Q1 2012 as result of the considerable deposit rate cuts that were introduced in the beginning of the year. In Q2 2012, the Bank maintained these reduced deposit rates as client deposit balances increased by 12.3% compared to 31 March 2012 and by 7.4% since the beginning of the year to GEL 2,742.6 million as of 30 June 2012.

Customer funds, comprising client deposits and promissory notes, stood at GEL 2,846.3 million, up 27.7% year-on-year, as strong client deposit growth prompted us to reduce the less favourable promissory notes (and CDs issued), which declined 30.5% y-o-y, in line with the Bank's efforts to improve its funding profile. Amounts due to credit institutions increased during the second quarter and at 30 June 2012 stood at GEL 875.9 million, up 16.2% q-o-q, down 4.9% YTD and down 11.2% y-o-y. The decline of amounts due to credit institutions on a year-on-year and year-to-date basis was due to the repayment of GEL 92.6 million outstanding Eurobonds upon maturity in February 2012 and the conversion of the EBRD and IFC loan notes into equity during Q1 2012.

Overall, strong client deposit inflows have enabled the Bank to significantly enhance its general funding and liquidity position. As of 30 June 2012, customer funds represented 71.6% of total liabilities, an improvement from 66.1% as of 30 June 2011. On 30 June 2012, the Bank's Net Loan to Customer Funds ratio improved to 102.7% from 109.5% compared to twelve months ago, reflecting stronger deposit growth than customer lending growth over the same period. Client deposits denominated in foreign currencies accounted for 68.3% of the Bank's client deposits as of 30 June 2012, compared to 62.2% as of 30 June 2011. As of 30 June 2012, the Bank had total liabilities of GEL 3,977.6 million, up 18.0% over the last twelve months.

The reduction in rates paid on client deposits was largely responsible for the 83 basis point reduction in cost of funding and consequent increase of 166 basis points in net interest margin in Q2 2012 on a quarter-on-quarter basis. On a year-on-year basis, the cost of funding decreased by 43 basis points, while net interest margin grew 127 basis points in Q2 2012 compared to Q2 2011.

Shareholders' equity grew by GEL 205.6 million, or 27.4%, over the last twelve months, to GEL 957.4 million. This substantial increase predominantly reflects the inclusion of last year's retained profits and the conversion of loan notes by EBRD and IFC into shareholders' equity in February 2012.

The Bank continues to maintain a strong liquidity position, considerably in excess of conservative regulatory requirements. The liquidity ratio, as per NBG requirements, stood at 35.2% against the required minimum of 30%, while liquid assets accounted to 22.9% of total assets and 28.5% of total liabilities as of the end of June 2012.

The Bank's Book Value per share on 30 June 2012 stood at GEL 27.37 (US$16.64/GBP10.66) compared to GEL 24.30 (US$14.58/GBP9.09) as of 30 June 2011 and GEL 25.98 (US$15.56/GBP10.08) as of 31 December 2011.

QUARTERLY DISCUSSION

Revenue

GEL thousands, unless otherwise noted	Q2 2012	Q2 2011	*Change Y-O-Y*	Q1 2012	*Change Q-O-Q*
Loans to customers	126,541	106,454	*18.9%*	118,425	*6.9%*
Investment securities: available-for-sale	7,983	9,512	*-16.1%*	9,824	*-18.7%*
Amounts due from credit institutions	5,411	4,797	*12.8%*	4,212	*28.5%*
Finance lease and receivables	2,121	925	*129.3%*	2,012	*5.4%*
Interest income	**142,055**	**121,688**	***16.7%***	**134,473**	***5.6%***
Amounts due to customers	49,931	39,819	*25.4%*	53,834	*-7.3%*
Amounts due to credit institutions	15,339	24,880	*-38.3%*	18,709	*-18.0%*
Interest expense	**65,269**	**64,699**	***0.9%***	**72,543**	***-10.0%***
Net interest income before net (losses) gains from derivative financial instruments	**76,786**	**56,989**	***34.7%***	**61,930**	***24.0%***
Net (losses) gains from derivative financial instruments	(285)	1,976	*NMF*	(768)	*-62.9%*
Net interest income	**76,501**	**58,965**	***29.7%***	**61,162**	***25.1%***
Fee and commission income	27,355	23,783	*15.0%*	24,122	*13.4%*
Fee and commission expense	5,538	5,305	*4.4%*	4,406	*25.7%*
Net fee and commission income	**21,818**	**18,478**	***18.1%***	**19,716**	***10.7%***
Net insurance premiums earned	19,896	11,550	*72.3%*	12,487	*59.3%*
Net insurance claims incurred	12,613	7,113	*77.3%*	7,813	*61.4%*
Net insurance revenue	**7,283**	**4,437**	***64.1%***	**4,674**	***55.8%***
Healthcare revenue	12,327	778	*NMF*	10,260	*20.2%*
Cost of healthcare services	7,909	20	*NMF*	5,482	*44.3%*
Net healthcare revenue	**4,419**	**758**	***NMF***	**4,777**	***-7.5%***
Net gains from securities	157	611	*-74.4%*	796	*-80.3%*
Net gains from foreign currencies	11,833	15,925	*-25.7%*	14,358	*-17.6%*
Other operating income	7,132	4,868	*46.5%*	4,360	*63.6%*
Revenue adjusted for gains from BYR hedge	**129,142**	**104,042**	***24.1%***	**109,844**	***17.6%***
Gains from BYR hedge	-	20,054	*NMF*	-	*NMF*
Revenue	**129,142**	**124,096**	***4.1%***	**109,844**	***17.6%***

The Bank's reported Q2 2012 revenue of GEL 129.1 million was driven by strong growth in net interest income on both a quarterly and year-on-year basis. The sharp reduction in cost of deposits in the beginning of the year and the increased lending resulted in the 10.0% q-o-q decline in interest expense and 5.6% q-o-q growth of interest income, driving 25.1% q-o-q net interest income growth in Q2 2012. On a year-on-year basis, net interest income grew 29.7%, reflecting the 16.7% y-o-y growth of interest income compared to 0.9% increase of interest expense year-on-year. The exclusion of net gains from derivative financial instruments in Q2 2011, translates into 34.7% y-o-y growth of net interest income in Q2 2012 compared to the same period last year. The insurance business posted strong results in Q2 2012, with net insurance revenue of GEL 7.3 million for the quarter increasing by 64.1% y-o-y and by 55.8% q-o-q. The growth of the healthcare business during the period reflects the acquisition of Imedi L. On a quarter-on-quarter basis, net healthcare revenue declined by 7.5%, due to the inclusion of the costs Imedi L's healthcare operations in the last-two months of the quarter. The cost efficiencies captured through the integration of the Imedi L have not yet been reflected in the Q2 2012 results.

Net Interest Margin

GEL thousands, unless otherwise noted	Q2 2012	Q2 2011	*Change Y-O-Y*	Q1 2012	*Change Q-O-Q*
Net interest income	76,501	58,965	*29.7%*	61,162	*25.1%*
Net Interest Margin	**9.0%**	**7.7%**		**7.3%**	
Average interest earning assets	3,422,197	3,063,518	*11.7%*	3,354,916	*2.0%*
Average interest bearing liabilities	3,524,065	3,178,337	*10.9%*	3,547,834	*-0.7%*

The substantial deposit rate cuts in Q1 2012 of up to two percentage points on GEL and foreign currency client deposits and the strong inflow of deposits of GEL 300.6 million in Q2 2012, led to the increase of the NIM to 9.0% in Q2 2012, up from 7.7% in Q2 2011 and 7.3% in Q1 2012. The sharp increase in NIM during the period was due to the reduction of higher cost deposits denominated in GEL. The increase in average interest earning assets by GEL 358.7 million and the increase of the loan yield from 17.6% in Q1 2012 to 18.0% in Q2 2012, also contributed to the strong increase of the NIM. In Q2 2011, the loan yield amounted to 17.7%.

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

GEL thousands, unless otherwise noted	Q2 2012	Q2 2011	*Change Y-O-Y*	Q1 2012	*Change Q-O-Q*
Salaries and other employee benefits	32,000	29,672	*7.8%*	25,833	*23.9%*
General and administrative expenses	17,997	15,025	*19.8%*	15,764	*14.2%*
Depreciation and amortization	7,155	6,832	*4.7%*	6,764	*5.8%*
Other operating expenses	1,602	3,022	*-47.0%*	1,956	*-18.1%*
Other operating non-interest expenses	**58,754**	**54,551**	***7.7%***	**50,318**	***16.8%***
Operating income before cost of credit risk	**70,388**	**69,545**	***1.2%***	**59,526**	***18.2%***
Cost of credit risk	6,568	2,851	*130.4%*	7,380	*-11.0%*
Net operating income	**63,820**	**66,694**	***-4.3%***	**52,146**	***22.4%***
Total non-operating expenses	**7,994**	**18,644**	***-57.1%***	**4,400**	***81.7%***
Profit before income tax expense from continuing operations	**55,826**	**48,050**	***16.2%***	**47,746**	***16.9%***
Income tax expense	9,495	1,156	*NMF*	8,043	*18.1%*
Profit for the period from continuing operations	**46,331**	**46,894**	***-1.2%***	**39,704**	***16.7%***
Net loss from discontinued operations	54	-	*NMF*	(54)	*NMF*
Profit for the period	**46,276**	**46,894**	***-1.3%***	**39,758**	***16.4%***

In the second quarter of 2012, the Bank's other operating non-interest expenses increased by 16.8%, to GEL 58.8 million. The increase in expenses primarily reflected a 23.9% q-o-q increase in salaries and other employee benefits as the Bank's headcount increased to reflect the growth of Bank of Georgia's and its subsidiaries' businesses, and the expansion of Aldagi BCI's operation through its acquistions.

The Bank's operating income before the cost of credit risk increased by GEL 10.9 million, or 1.2%, to GEL 70.4 million in the second quarter of 2012. Cost of credit risk decreased 18.2% q-o-q to GEL 6.6 million, the decrease reflecting growth of recoveries outpacing growth of impairment charges.

As a result of the foregoing, in Q2 2012, the Bank's net operating income totalled GEL 63.8 million, down GEL 2.9 million, or 4.3% year-on-year, reflecting last year's significant one-off gains on the Belarusian currency hedge. The Bank's net non-operating expense for the period totaled GEL 8.0 million, largely reflecting tender offer costs of GEL 2.8 million and the losses on the disposal of a non-core investment through Liberty Consumer. Profit before income tax from continuing operations in the second quarter of 2012 therefore totalled GEL 55.8 million, an increase of GEL 7.8 million, or 16.2%. After income tax expense of GEL 9.5 million, the Bank's Q2 2012 profit for the period stood at GEL 46.3 million, compared to GEL 39.8 million in the first quarter of 2012.

SEGMENT RESULTS

Strategic Businesses Segment Result Discussion

Segment result discussion is presented for the Bank of Georgia's retail banking (RB), corporate banking (CB) and wealth management (WM) operations in Georgia, excluding inter-company eliminations.

Retail banking

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Net interest income	83,155	68,474	*21.4%*
Net fees and commission income	25,198	22,520	*11.9%*
Net gains from foreign currencies	6,229	4,933	*26.3%*
Other operating non-interest income	3,028	1,920	*57.7%*
Operating income from other segments	1,341	727	*84.4%*
Revenue	**118,951**	**98,574**	***20.7%***
Other operating non-interest expenses	55,262	53,598	*3.1%*
Operating income before cost of credit risk	**63,689**	**44,976**	***41.6%***
Cost of credit risk	11,208	(4,413)	*NMF*
Net non-operating expenses (income)	3,869	(4,011)	*NMF*
Profit before income tax expense	**48,612**	**53,401**	***-9.0%***
Net loans, standalone	1,260,715	1,061,165	*18.8%*
Client deposits, standalone	734,885	670,129	*9.7%*
Loan yield	21.1%	21.7%	
Cost of deposits	6.3%	6.9%	
Cost / income ratio	46.5%	54.4%	

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

In 1H 2012 retail banking revenue grew 20.7% y-o-y to GEL 119.0 million, with growth driven by a 21.4% increase in net interest income to GEL 83.2 million reflecting the strong growth of retail net loan book by GEL 199.6 million, or 18.8% y-o-y, to GEL 1,260.7 million as of 30 June 2012 and an improvement in the net interest margin. Net fees and commission income increased 11.9% y-o-y to GEL 25.2 million, benefiting from the growth of the Bank's card operations, while net gains from foreign currencies were up 26.3% y-o-y to GEL 6.2 million.

The strong performance of retail banking revenue and the modest growth of retail banking expenses (up 3.1% y-o-y) resulted in the 41.6% y-o-y growth of operating income before cost of credit during the period. Retail banking profit before income tax expense amounted to GEL 48.6 million, a decrease of 9.0% y-o-y, as a result of the increase of cost of credit risk to GEL 11.2 million, which compares to the GEL 4.4 million net provision release during the same period last year.

Deposits from retail clients increased by GEL 64.8 million, or 9.7% y-o-y, to GEL 734.9 million as of 30 June 2012. On a quarter-on-quarter basis, deposits from retail clients grew by 3.1%, despite interest rate reductions that led to a decrease in the cost of retail deposits from 6.5% in Q1 2012 to 6.2% in Q2 2012. The cost of retail deposits decreased by {} basis points since 30 June 2011

Highlights

- RB loan yield amounted to 21.1% in 1H 2012 (21.7% in 1H 2011) and RB deposit cost declined to 6.3% in 1H 2012 (6.9% in 1H 2011).
- Increased its branch network, adding 17 Express branches since 31 December 2011 bringing the total Express branches and Metro branches to 50 (of which 24 Metro branches) as of the date of this report.
- Issued 185,377 debit cards in 1H 2012 bringing the total debit cards outstanding to 600,431 up 19.9% y-o-y (up 12.1% year-to-date).
- Issued 23,809 credit cards of which 18,488 were American Express cards in 1H 2012. A total of 123,620 American Express cards have been issued since the launch in November 2009. The total number of credit cards outstanding

amounted to 144,864 (of which 108,432 American Express Cards), up 32.0% since June 2011 and up 6.7% since March 2012.

- Outstanding number of Retail Banking clients reached 933,666 up 8.3% y-o-y and 5.0% year-to-date.
- Acquired 743 new clients in the Solo business line, the Bank's mass affluent sub-brand, in 1H 2012. As of 30 June 2012, the number of Solo clients reached 4,375.
- Increased Point of Sales (POS) footprint: as of 30 June 2012, 197 desks at 408 contracted merchants, up from 135 desks and 242 merchant as of 30 June 2011. GEL 22.6 million POS loans were issued in 1H 2012, compared to GEL 11.3 million POS loans issued in 1H 2011. POS loans outstanding amounted to GEL 22.9 million, up from GEL 10.5 million as of 30 June 2011.
- POS terminals outstanding reached 3,233, up 22.9% y-o-y. The volume of transactions through the Bank's POS terminals grew 44% y-o-y to GEL 145.3 million, while number of POS transactions increased from 19.0 million in 1H 2011 to 24.8 million in 1H 2012.
- Consumer loan originations of GEL 202.1 million (down 11.9% y-o-y) resulted in consumer loans outstanding in the amount of GEL 322.1 million as of 30 June 2012, up 35.0% y-o-y and up 11.8% year-to-date.
- Micro loan originations of GEL 202.1 million (down 4% y-o-y) resulted in micro loans outstanding in the amount of GEL 252.6 million as of 30 June 2012, up 10% y-o-y and up 3% year-to-date.
- SME loan originations of GEL 60.7 million (up 68% y-o-y) resulted in SME loans outstanding in the amount of GEL 83.3 million as of 30 June 2012, up 88% y-o-y and up 13% year-to-date.
- Mortgage loans originations of GEL 50.2 million (down 29.0% y-o-y) resulted in mortgage loans outstanding in the amount of GEL 369.6 million as of 30 June 2012, up 8.6% y-o-y and down 1.5% year-to-date.

Corporate banking

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Net interest income	43,179	39,069	*10.5%*
Net fees and commission income	14,887	9,210	*61.6%*
Net gains from foreign currencies	16,035	13,676	*17.2%*
Other operating non-interest income	1,562	1,486	*5.1%*
Operating income from other segments	312	4,797	*-93.5%*
Revenue	**75,975**	**68,238**	***11.3%***
Other operating non-interest expenses	25,452	26,547	*-4.1%*
Operating income before cost of credit risk	**50,523**	**41,691**	***21.2%***
Cost of credit risk	1,541	8,957	*-82.8%*
Net non-operating expenses (income)	4,570	(2,058)	*NMF*
Profit before income tax expense	**44,412**	**34,792**	***27.7%***
Net loans, standalone	1,650,487	1,356,630	*21.7%*
Client deposits, standalone	1,467,251	1,095,874	*33.9%*
Loan yield	14.7%	14.7%	
Cost of deposits	7.7%	6.7%	
Cost / income ratio	33.5%	38.9%	

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

The 11.3% y-o-y growth of corporate banking revenue in 1H 2012 was driven by a 10.5% y-o-y growth in net interest income to GEL 43.2 million and strong growth of most of the key non-interest income items in the last 12 months. The double digit increase in net interest income of corporate banking was predominantly attributable to the 21.7% growth of the corporate loan book and a decline in the cost of corporate deposits in Q2 2012. As a result, the net interest income of corporate banking grew 10.5% y-o-y.

Net fees and commission income grew 61.6% y-o-y to GEL 14.9 million, while net gains from foreign currencies rose to GEL 16.0 million, or 17.2% y-o-y, reflecting the increase in volumes of foreign currency conversions by the Bank's corporate clients. Impairment charge on interest earning corporate banking assets declined to GEL 1,541 million in 1H 2012 from GEL 8,957 million in 1H 2011, reflecting the improving credit quality of the Bank's corporate clients. As a result, corporate banking posted profit before income tax expense of GEL 44.4 million, an increase of 27.7% from the same period last year.

Corporate banking net loans increased by GEL 293.9 million, or 21.7% y-o-y, to GEL 1,650.5 million during the period, while corporate banking client deposits increased by 33.9% y-o-y to GEL 1,467.3 million.

Highlights

- CB loan yield amounted to 14.7% in 1H 2012 (14.7% in 1H 2011) and CB deposit cost amounted to 7.7% in 1H 2012 (6.7% in 1H 2011). The increase in corporate banking deposit cost is attributed to the elevated deposit costs as a result of the strong inflow of costly GEL denominated deposits in Q4 2011 and Q1 2012. The subsequent reduction of the deposit rates have been partially reflected in Q2 2012 corporate banking deposit costs, which came down from 8.3% in Q1 2012 to 7.3% in Q2 2012. Overall, the deposit rate cuts on CB deposits have not yet been been reflected in 1H 2012 CB results.
- Increased the number of corporate clients using the Bank's payroll services from 2,044 as of 30 June 2011 to 3,149 as of 31 June 2012. As of 30 June 2012, the number of individual clients serviced through the corporate payroll programs administered by the Bank amounted to 194,407.
- Launched Bank of Georgia Research, a research platform aimed at supporting the growth of CB's fee generating business.
- Increased the aggregate trade finance limits from international partner banks by more than US$50 million equivalent to US$ 188.2 million equivalent in various currencies (US$, EUR, CHF). The number of partner banks that opened trade finance lines with the Bank increased from 8 to 13.

Wealth Management

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Net interest income	6,550	3,049	*114.8%*
Net fees and commission income	230	305	*-24.8%*
Net gains from foreign currencies	380	(780)	*NMF*
Other operating non-interest income	40	51	*-21.1%*
Revenue	**7,200**	**2,625**	***174.3%***
Other operating non-interest expenses	1,924	2,049	*-6.1%*
Operating income before cost of credit risk	**5,276**	**576**	***NMF***
Cost of credit risk	(1)	(732)	*-99.9%*
Net non-operating expenses (income)	125	(806)	*NMF*
Profit before income tax expense	**5,151**	**2,114**	***143.7%***
Net loans, standalone	47,219	24,125	*95.7%*
Client deposits, standalone	528,882	304,374	*73.8%*

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

In 1H 2012, wealth management revenue grew by 174.3% y-o-y to GEL7.2 million, a result of the 114.8% y-o-y growth of the net interest income to GEL 6.6 million in 1H 2012. Profit of the wealth management business grew from GEL 2.1 million in 1H 2011 to GEL 5.2 million in 1H 2012, reflecting the strong revenue growth and the 6.14% decline in operating costs y-o-y to GEL 1.9 million. Client deposits of the wealth management business grew by GEL 224.5 million, or 73.8% y-o-y, to GEL 528.9 million.

Corporate Center

Corporate center provides back office services to all segments of the Bank and investments in subsidiaries.

Highlights

- In July 2012, the Bank completed the issuance of its US$250 million 7.750% Notes due 2017. The Regulation S / Rule 144A 5-year senior unsecured Notes carry a 7.750% coupon rate per annum, paid semi-annually.
- Amounts due to credit institutions in 1H 2012 declined by GEL 110.7 million, or -11.2% y-o-y to GEL 875.9 million, with long-term IFI (International Financial Institutions, including EBRD, IFC, DEG among others) funding accounting

for 76.2% of total amounts due as of 30 June 2012. The Bank completed the full repayment, upon maturity, of Eurobonds totaling GEL 92.6 million (US$ 55.5 million) on 8 February 2012 and the conversion into shareholders' equity of the EBRD and IFC convertible loans with nominal values totalling GEL 80.8 million (US$ 49.9 million) in February 2012.

Insurance and Healthcare (Aldagi BCI)

	1H 2012				1H 2011				Change Y-O-Y		
GEL thousands, unless otherwise noted	**Insurance**	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Total**
Gross premiums written	**48,829**	**-**	**-**	**48,829**	**36,525**	**-**	**-**	**36,525**	***33.7%***	***NMF***	***33.7%***
Net insurance revenue	11,957	-	-	11,957	9,096	-	-	9,096	*31.5%*	*NMF*	*31.5%*
Net healthcare revenue	-	9,196	-	9,196	-	990	-	990	*NMF*	*NMF*	*NMF*
Net interest income	145	(676)	-	(531)	613	(20)	-	593	*-76.3%*	*NMF*	*NMF*
Net fees and commission income	-	-	-	-	33	-	-	33	*-100.0%*	*NMF*	*-100.0%*
Net (losses) gains from foreign currencies	152	(40)	-	112	(592)	-	-	(592)	*NMF*	*NMF*	*NMF*
Other operating non-interest income	125	796	-	921	679	424	-	1,103	*-81.6%*	*87.7%*	*-16.5%*
Intersegment operating income (expense)	(578)	812	(537)	(303)	(41)	1,440	(1,758)	(359)	*NMF*	*-43.6%*	*-15.6%*
Revenue	**11,801**	**10,088**	**(537)**	**21,352**	**9,788**	**2,834**	**(1,758)**	**10,864**	***20.6%***	***NMF***	***96.5%***
Other operating non-interest expenses	8,478	6,305	73	14,856	4,933	2,248	155	7,336	*71.9%*	*180.5%*	*102.5%*
Operating income before cost of credit risk	**3,323**	**3,783**	**(610)**	**6,496**	**4,855**	**586**	**(1,913)**	**3,528**	***-31.6%***	***NMF***	***84.1%***
Cost of credit risk	238	-	-	238	699	-	-	699	*-66.0%*	*NMF*	*-66.0%*
Net non-operating expense	(1)	-	-	(1)	1,913	-	-	1,913	*NMF*	*NMF*	*NMF*
Profit before income tax expense	**3,086**	**3,783**	**-**	**6,869**	**2,243**	**586**	**-**	**2,829**	***37.6%***	***NMF***	***142.8%***

Aldagi BCI, the Bank's wholly-owned subsidiary, provides life and non-life insurance and healthcare products and services in Georgia. A leader in the Georgian life and non-life insurance markets, based on a market share of 34.7% based on gross insurance premium revenue, Aldagi BCI cross-sells its insurance products with the Bank's retail banking, corporate banking and wealth management products. Aldagi BCI's healthcare business consists of My Family Clinic, Georgia's leading healthcare provider, operating a chain of healthcare centers in Georgia, in line with the Bank's strategy of vertically integrating its insurance and healthcare businesses.

In 1H 2012, insurance and healthcare revenue increased to GEL 21.42 million from GEL 10.1 million in 1H 2011, the growth attributed to the non-interest income generated by the healthcare business, which reached GEL 9.2 million in 1H 2012 up from GEL 1.0 million healthcare revenue generated in 1H 2011, reflecting the expansion of Aldagi BCI's healthcare operations by both organic growth and through the recent acquisitions, which is in line with the Bank's strategy of vertical integrating its health insurance and healthcare businesses. The net insurance revenue increased by 31.5% y-o-y due to growth of the business.

Highlights

- On 3 May 2012, BGH announced that Aldagi BCI acquired 85% of Imedi L, the third largest insurance and healthcare company in Georgia. The combined business, with a market share of 34.7% based on insurance revenues as of 1H 2012, is the clear leader in the Georgian insurance market, with a substantial increase in its retail client base of approximately 220,000 clients to a combined total of 420,000 retail clients. By the end of 2012, the combined Aldagi

BCI and Imedi L healthcare businesses are expected to own hospitals with a total of nearly 1,200 beds, an increase of approximately 400 beds during 2012.

Affordable Housing

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

Highlights

- Drew down US$5 million of the US$20 million financing raised from FMO.
- Pilot project of 123 apartment building with a total buildable area of 15,015 square meters complete; 109 of the units pre-sold. The total sales from the pilot project amounted to GEL equivalent of US$7.6 million.
- Total mortgage loans extended under pilot project of the Affordable Housing amounted to GEL equivalent of US$ 2.5 million.
- Construction of a second project of 522 apartment building with a total buildable area of 63,247 square meters commenced, 145 of apartments already pre-sold. The total sales from this project amounted to GEL equivalent of US$11.3 million.
- Total mortgage loans extended under the second Affordable Housing project amounted to GEL equivalent of US$4.9 million.
- Cash balance of the SBRE as of 30 June 2012 amounted to GEL 13.8 million.

Non-Core Businesses

The Bank's non-core businesses that accounted for 3.9% of total assets and 6.8% of total revenue in 1H 2012, comprise BNB, our Belarus banking operation and Liberty Consumer, a Georgia focused investment company in which the Bank holds a 67% stake. In order for the Bank to focus on its strategic businesses, the Bank has announced its intention to exit from its non-core operations. In line with its intention of exiting from its non-core operations, the Bank continued to sell and/or liquidate non-performing assets held by Liberty Consumer. As of 30 June 2012, the Bank still held Teliani Valley, a Georgian wine producer, through Liberty Consumer. The Bank intends to sell this remaining asset in the due course.

To this end, in February 2011, the Bank sold 80% equity interest in BG Bank, its subsidiary in Ukraine. The Bank's 2011 consolidated results include results of operation of BG Bank for one month ended 31 January 2011.

BNB

GEL thousands, unless otherwise noted	**1H 2012**	**1H 2011**	***Change Y-O-Y***
Net interest income	5,494	6,426	*-14.5%*
Net fees and commission income	1,494	409	*NMF*
Other operating non-interest income	3,853	23,713	*-83.8%*
Revenue	**10,841**	**30,548**	***-64.5%***
Other operating non-interest expenses	4,738	7,511	*-36.9%*
Operating income before cost of credit risk	**6,103**	**23,037**	***-73.5%***
Cost of credit risk	1,265	3,613	*-65.0%*
Net non-operating expenses	211	13,345	*-98.4%*
Profit before income tax expense	**4,628**	**6,079**	***-23.9%***
Total Assets	152,356	134,855	*12.9%*
Total Equity	41,302	41,912	*-1.4%*

Through BNB, the Bank provides retail banking and corporate banking services in Belarus. BNB reported strong results and continued to be profitable in 1H 2012, despite the substantially weakened economic environment and hyperinflation in Belarus. This represents a return on average equity invested in the business of 17.6%.

PRINCIPAL RISKS AND UNCERTAINTIES

The following discussion sets forth certain risks and uncertainties that the Group believes are material. If any of the following risks actually occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased

MACROECONOMIC RISKS AND POLITICAL RISKS RELATED TO GEORGIA

Difficult global economic conditions have had, and may continue to have, an adverse effect on the Group

Although the Group conducts its operations mainly in Georgia, where most of its customers and assets are located, the Group's business and performance are nonetheless affected by global macroeconomic and market conditions. In 2008, the global economy entered the most severe downturn in 80 years, with the financial services industry facing unprecedented turmoil. A shortage of liquidity, limited funding opportunities, pressure on capital, deteriorating asset quality and significant price volatility across a wide range of asset classes put financial institutions under considerable pressure. Many developed economies entered into recession and growth slowed in many emerging economies, including Georgia.

The financial crisis was accompanied by a number of related developments, including an erosion of trust in financial institutions, increased currency volatility, increased counter-party risk and the risk of systemic failures. Such circumstances have caused disruptions in financial markets worldwide, leading to liquidity and funding difficulties in the international banking system. Access to capital, the credit markets, FDI and other forms of liquidity have been significantly impaired, with the cost of financing for financial institutions increasing considerably. As a result, the costs of borrowing in the wholesale debt markets increased for the Group, the debt capital markets were (and to some extent, still are) effectively closed to banks in emerging markets and certain international financial institutions (being financial institutions established (or chartered) by more than one country which are subject to international law and whose owners or shareholders are generally national governments, including, among others, the EBRD and the IFC, became the principal sources of long-term funding for the Group. The financial crisis has also had a significant adverse effect on the valuation of assets and the capital position of many financial institutions globally.

Although global markets showed signs of improvement in 2010 and in 2011, new negative developments, such as Standard & Poor's cutting the long-term US credit rating by one notch to AA+ in August 2011 and the fiscal crises or potential fiscal crises in certain EU member states, have emerged in the second half of 2011 and have continued into 2012 and other similar developments, including similar crises affecting other countries may occur in the future. These developments have created an unfavourable environment for the banking sector globally and in Georgia and could have an adverse effect on the Group.

Regional tensions could have an adverse effect on the local economy and the Group

Georgia, which is bordered by Russia, Azerbaijan, Armenia and Turkey, could be affected by political unrest within its borders and in surrounding countries. In particular, Georgia has had ongoing disputes in Abkhazia, the Tskhinvali Region/South Ossetia and with Russia since the restoration of its independence. These disputes have led to sporadic violence and breaches of peace-keeping operations. Most recently, in August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated as Georgian troops engaged with local militias and Russian forces that crossed the international border, and Georgia declared a state of war (2008 Conflict). Although Georgia and Russia signed a French-brokered ceasefire that called for the withdrawal of Russian forces later that month, Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia and tensions continue. Russia has indicated that it views the eastward expansion of the North Atlantic Treaty Organisation, potentially including ex-Soviet republics, such as Georgia, as hostile. In addition, relations between Georgia's neighbours, Azerbaijan and Armenia, remain tense and there are sporadic instances of violence between these two countries.

Any future deterioration or worsening of Georgia's relationship with Russia, including any major changes in Georgia's relations with Western governments and institutions, in particular in terms of national security, Georgia's importance to Western energy supplies, the amount of aid granted to Georgia or the ability of Georgian manufacturers to access world export markets, or a significant deterioration in relations between Azerbaijan and Armenia, may have a negative effect on the stability of Georgia, both in political and economic terms which, in turn, could have a adverse effect on the Group.

As most of the Group's businesses operate only within Georgia, the Group's success is dependent on a number of economic, political and other factors affecting Georgia that are beyond its control

Georgia accounted for 95.7% 84.8% and 88.4% of the Group's total consolidated income for the six months ended 30 June 2012, six months ended 30 June 2011 and the year ended 31 December 2011 (in each case, reflecting the disposal of BG Bank in February 2011), respectively. Therefore, macroeconomic factors relating to Georgia, such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income and the financial situation of companies, have a material impact on loan losses, margins and customer demand for the Group's products and services, which materially affects the Group's business, financial condition and results of operations. Furthermore, unlike certain other issuers in Georgia, the Bank is not state-owned.

Georgia's main economic activities include tourism, transit services, agriculture, mining, metals, machinery and chemicals. According to the Legal Entity of Public Law National Statistics Office of Georgia (Geostat), the country's real GDP grew by 9.4% in 2006 and 12.3% in 2007 and, according to the Ministry of Finance of Georgia, this growth was largely based on strong inflows of FDI and robust spending by the government of Georgia. However, the global economic downturn led to a decline in public spending and Georgia experienced a 57.9% reduction in FDI in 2009, compared to 2008, following the 2008 Conflict. Real GDP in Georgia declined by 3.8% in 2009 compared with growth of real GDP by 2.3% in 2008 due to the global economic crisis, which led to deterioration in the employment market in Georgia and, in turn, contributed to a decrease in loans and a slowdown in the rate of growth of deposits in the Georgian banking sector. In addition, the Georgian banking sector began to experience a shortage of liquidity in the second half of 2008, which continued into the first half of 2009, increasing competition for retail deposits.

The economic slowdown in Georgia reduced the growth rate of the Group's portfolio of retail and corporate loans. This in turn affected the Group's net fee and commission income (and, to a certain extent, the Group's net interest income, although this was predominantly affected by a reduction in the size of the Group's securities portfolio). Moreover, financing costs increased due to both the limited availability of funding on the inter-bank market, mainly driven by credit risk aversion, and increasing interest rates on deposits resulting from tightening competition on the deposit market, which also had a negative impact on the net interest income earned by the Group. In addition, the quality of the Group's loan portfolio deteriorated as a result of the economic slowdown, which resulted in an increase in the Group's loans past due more than 90 days. Although the Georgian economy has shown signs of improvement in 2010, 2011 and Q1 2012, with real GDP growth of 6.3% in 2010 and 7.0% in 2011 and 6.8% in Q1 2012 according to the preliminary data published by Geostat, there can be no assurance that the recovery will continue.

Market turmoil and economic deterioration in Georgia could also have a material adverse effect on the liquidity, businesses or financial condition of the Group's borrowers, which could in turn, increase the Group's impaired loan ratios, impair its loans and other financial assets and result in decreased demand for the Group's products. In such an environment, consumer spending may decline and the value of assets used as collateral for the Group's secured loans, including real estate, could also decrease significantly. Any of these conditions could have a material adverse effect on the Group.

In addition, the Georgian economy is highly dollarised. Prior to 2008, the dollarisation rate of the banking system (defined as foreign currency deposits as a share of total deposits) had been declining with foreign currency deposits accounting for approximately 64.4% of all amounts due to customers as of 1 January 2008. As a result of the combined effects of the 2008 Conflict and the global financial crisis, however, the dollarisation rate increased to approximately 73.6% as of 1 January 2009, although it has since decreased to approximately 68.8% as of 1 January 2010, 67.0% as of 1 January 2011, 59.2% as of 1 January 2012 and 61.9% as of 30 June 2012. Although the NBG has adopted measures to support the development of Georgia's domestic money markets, the dollarisation rate could have a material adverse impact on the effectiveness of the implementation of the NBG's monetary policy which, in turn, could have a material adverse effect on the Georgian economy and therefore an adverse effect on the Group.

Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on the Group

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, in 2011, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (excluding activities of the NBG) amounted to US$26.1 billion and €8.2 billion, respectively. According to the NBG, the NBG had US$2.8 billion in gross official reserves as of 31 December 2011 and US$2.8 billion as of 30 June 2012. While the government of Georgia has stated that these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy, which could have a material adverse effect on the businesses of the Group's corporate clients and, in turn, a material effect on the Group.

In addition, a lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari -US Dollar exchange rate following the Russian financial crisis of August 1998 and again, following the 2008 Conflict. While the Lari generally appreciated against the US Dollar and other major international currencies from 2001 to 2008, the Lari then generally depreciated against the US Dollar and other major international currencies until February 2011, when it started to appreciate again. In November 2008, the NBG devalued the Lari by 16.1%, a measure aimed at alleviating the negative impact of the global financial crisis on the Georgian economy. The ability of the government of Georgia and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the government's ability to control inflation, the availability of foreign currency reserves and FDI and other hard currency inflows. Any failure to do so, or a major depreciation or further devaluation of the Lari, could adversely affect Georgia's economy. According to estimates provided by Geostat, annual inflation in Georgia, as measured by the end-of-period CPI was 11.2% in 2010, 3.0% in 2009 and 5.5% in 2008. Inflation continued to rise in the first half of 2011, reaching 14.3% at the end of May 2011, but then decreased to 2.0% at the end of December 2011. Deflation was 0.2% at the end of June 2012. High and sustained inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect the businesses of the Group's customers which could, in turn, have a material adverse effect on the Group.

Political and governmental instability in Georgia could have an adverse effect on the local economy and the Group

Since the restoration of its independence in 1991, Georgia has experienced an ongoing substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy. Mikheil Saakashvili has served as President of Georgia since January 2004 and the next presidential elections are scheduled to be held in October 2013. However, pursuant to the provisions of Georgia's constitution (Constitution), President Saakashvili cannot stand for a third term in office and there can be no assurance that a change in President will not lead to political instability within the country. Additionally, on 15 October 2010, the Parliament of Georgia (Parliament) approved amendments to the Constitution, the majority of which will become effective after the next presidential election. Although the amendments to the Constitution are intended to enhance the primary governing responsibility of the Parliament and reduce the powers of the presidency, there can be no assurance that their implementation will not create political disruptions or political instability or otherwise negatively affect the political climate in Georgia. Moreover, there can be no assurance that members of the next Parliament will continue the current Parliament's economic and fiscal policies, which have generally been designed to liberalise the Georgian economy. The next parliamentary elections are scheduled to be held in October 2012. In October 2013, following the presidential elections, Parliament must elect a Prime Minister who, upon election, will have greater powers under the amended Constitution. Any protests or criticism in relation to the conduct of such elections may lead to political instability within the country. If any of the events referred to above results in political or governmental instability in Georgia, this could have a negative effect on the economy in Georgia which, could, in turn, have a material adverse effect on the Group.

RISKS RELATING TO THE GROUP'S LENDING ACTIVITIES

The Group may not be able to maintain the quality of its loan portfolio

The quality of the Group's loan portfolio is affected by changes in the creditworthiness of its customers, the ability of the customers to repay their loans on time, the statutory priority of claims against customers and the Group's ability to enforce its security interests on customers' collateral should such clients fail to repay their loans and whether the value of such collateral is sufficient to cover the full amounts of those loans. In addition, the quality of the Group's loan portfolio may deteriorate due to various other reasons, including factors beyond the Group's control (such as any negative developments in Georgia's economy resulting in the financial distress or bankruptcy of the Group's customers, or restriction of credit information concerning certain customers) and other factors, such as a failure of the Group's risk management procedures or a rapid expansion of the Group's loan portfolio, as described below. During 2008 and 2009, the Group's loan book quality was negatively affected by the economic slowdown in Georgia, Ukraine and Belarus as well as by the 2008 Conflict. As a result, the Group's loan impairment charges increased to GEL 122.8 million in 2008, decreasing slightly to GEL 118.9 million in 2009. These charges decreased further to GEL 49.9 million in 2010 and GEL 23.2 million in 2011. Also, as of 31 December 2011 and 2010, loans past-due more than 90 days accounted for 3.3% and 4.7% of total gross loans, respectively, compared to 7.7% as of 31 December 2009. As of 30 June 2012, loans past-due more than 90 days accounted for 3.0% of total gross loans, compared to 3.1% as of 30 June 2011. Loans that would otherwise be overdue or impaired whose terms (including as to principal and interest payment) have been renegotiated due to the borrower's existing or possible inability to pay (Restructured Loans) accounted for 5.0% of total gross loans as of 31 December 2012, compared to, compared to 4.5%, 10.9% and 29.9% as of 31 December 2011, 2010 and 2009, respectively. Although the Group's loan book quality improved and its loan impairment charges decreased in both 2010 and 2011 and 1H 2012, there can be no assurance that in the longer term the Group's loan portfolio quality will not deteriorate and that the Group's loan impairment charges will not increase, which could, in turn, have a material adverse effect on the Group.

The Group's loan portfolio for its corporate banking segment is concentrated, with the Group's top ten corporate borrowers accounting for 15.6% of the Group's total loan portfolio as of 30 June 2012 (gross of allowance for impairment). To the extent that the Group grows its loan portfolio by entering into additional arrangements with current counterparties, it will increase its credit and general counterparty risk with respect to those counterparties.

Collateral values may decline

As of 30 June 2012, the Group held collateral against gross loans amounting to GEL 2,640.6 million, corresponding to 88.9% of the Group's total gross loans. The main forms of collateral taken by the Group in respect of corporate lending are charges over real estate properties, equipment, inventory and trade receivables. The main form of collateral taken by the Group in respect of retail lending is a mortgage over residential property. In respect of mortgage loans which are secured by real estate, the Group imposes a loan-to-value (based on a liquidation value of the collateral) ratio of between 75% and 90% at the time the loan is advanced, depending on the customer. Downturns in the residential and commercial real estate markets or a general deterioration of economic conditions in the industries in which the Group's clients operate, such as occurred during 2008 and 2009, may result in illiquidity and a decline in the value of the collateral securing the Group's loans, including a decline to levels below the outstanding principal balance of those loans.

In addition, declining or unstable collateral prices in Georgia may make it difficult for the Group to accurately value collateral held by it. If the fair value of the collateral held by the Group declines significantly in the future, the Group could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans past due more than 90 days, which could, in turn, have an adverse effect on the Group.

Significant changes or volatility in the Group's net interest margin could have an adverse effect on the Group

The Group derives the majority of its total net income from net interest income. As a result, the Group's operations are affected by fluctuations in its net interest margin. In particular, the Group's banking operations depend on the management of key factors which affect the Group's net interest margin, such as interest rates, competition for loans and deposits, customer demand and costs of funding. These key factors are influenced by factors beyond the Group's control, such as (among others) global and local economic conditions, the resources of the Group's competitors and consumer confidence. Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies and domestic and international economic and political conditions as well as the reserve policies of the NBG.

A mismatch of interest-earning assets and interest-bearing liabilities in any given period resulting from changes in any of the key factors outlined above, or otherwise, could reduce the Group's net interest margin. The Group's net interest margin was 7.6%, 8.0% and 9.3% in the years ended 31 December 2011, 2010 and 2009, respectively. The decrease in the Group's net interest margin in 2011 as compared to 2010 was due to an increase in liquid assets in 2011, an increase in the proportion of Lari-denominated customer deposits within total customer deposits, and a declines in loan yields (primarily corporate banking loans). The Group's net interest margin increased to 8.2%in the first half 2012, due to decline in deposit costs and increase in interest-earning assets. Any reduction in the Group's net interest margin caused by changes in the key factors outlined above could have a material adverse effect on the Group's net interest income and, in turn, a material adverse effect on the Group.

In addition, any increase in interest rates may result in an increase in the instalment amounts paid by the Group's customers. Such an increase may result in difficulties related to the repayment of the assumed loans, which, in turn, may lead to a decrease in the quality of the Group's loan portfolio and an increase in impairment provisions for loans extended to the Group's customers, which, could, in turn have a material adverse effect on the Group.

Currency fluctuations have affected, and may continue to affect, the Group

A substantial portion of the total assets of the Group, especially its loan portfolio (68.3% of its gross loans to customers as of 30 June 2012), is denominated in foreign currencies, primarily US Dollars, while the majority of customers who have their loans denominated in foreign currencies earn their income in Lari. Those customers are usually not protected against the fluctuations of the exchange rates of the Lari against the currency of the loan. Consequently, any depreciation of the Lari against the currency of the loan may result in difficulties related to the repayment of the loans, which, in turn, may lead to a decrease in the quality of the Group's loan portfolio and an increase in impairment provisions for loans extended to the Group's customers, which may have a material adverse effect on the Group.

In addition, the Group's operations are affected by the Lari to Belarusian Rouble exchange rates as these affect the value of the Group's equity interests in BNB, its Belarusian subsidiary, on a consolidated basis, and affect its ability to comply with contractual covenants based on the Basel I Total Capital Adequacy Ratio, calculated on a consolidated basis.

Depreciations in the Belarusian Rouble against the Lari had the effect of reducing BNB's contribution to the Group's consolidated capital. In May 2011, the Belarusian Rouble was devalued by 39.5% as compared to its value as of 30 April 2011, as measured against the US Dollar. As a result, the regulatory capital of BNB decreased below the minimum regulatory capital required to accept retail deposits (being €25 million, as required by the NBRB). As of 31 December 2011, the regulatory capital of BNB was €14.6 million (GEL 31.6 million) and the NBRB granted a temporary waiver of the minimum regulatory capital requirement through 1 January 2013. In the second half of 2011, the Belarusian Rouble depreciated further, as measured against the US dollar, and declined another 40.6% between 30 June 2011 and 31 December accordingly the regulatory capital of BNB further declined to € 7.3 million (GEL 17.1 million) and the NBRB granted a temporary waiver of the minimum regulatory capital requirement through 1 January 2013. Between 31 December 2011 and 30 June 2012, BYR appreciated by 0.4% against US dollar. As of 31 December 2011, as a result of the devaluation, the Bank recognized a write-down of GEL 23.4 million, representing the full amount of BNB's goodwill. Any subsequent devaluation of the Belarusian Rouble could result in further declines in BNB's regulatory capital.

Although the Group seeks to minimise its open foreign currency positions through limits on the Group's foreign currency positions in accordance with NBG regulations and through swap agreements, there can be no assurance that these measures will protect against foreign exchange risks since any additional depreciation of the Belarusian Rouble may lead to further erosion of the Group's share capital and pressure on its capital adequacy ratios. The Group is subject to counterparty risk in respect of its swap agreements (including its currency swap agreement with the NBRB), as the Group's counterparties may not honour their obligations under the relevant swap agreement.

If the Lari exchange rate against the US Dollar or the Belarusian Rouble exchange rate against the Euro fluctuates, or any of the Group's counterparties default on their obligations, this could lead to the Group suffering losses which could, in turn, have a material adverse effect on the Group.

The Group's risk management methods may prove ineffective at mitigating credit risk

Losses relating to credit risk may arise if the risk management policies, procedures and assessment methods implemented by the Group to mitigate credit risk and to protect against credit losses prove less effective than expected. The Group employs qualitative tools and metrics for managing risk that are based on observed historical market behaviour. These tools and metrics may fail to predict future risk exposures, especially in periods of increased volatility, falling valuations or in periods in which there is a rapid expansion of the Group's loan portfolio. In addition, even though the Group requires regular financial disclosure by its corporate customers, customer financial statements may not always present a complete and accurate picture of each customer financial condition. Furthermore, some of the Group's corporate customers may not have extensive or externally-verified credit histories, and their accounts may not be audited by a reputable external auditor. Therefore, notwithstanding the Group's credit risk evaluation procedures, the Group may be unable to evaluate correctly the current financial condition of each prospective corporate borrower and to determine accurately the ability of such corporate borrower to repay its loans when due. Similarly, the financial condition of some private individuals transacting business with the Group is difficult to assess and predict, as some retail borrowers have no or very limited credit history. Accordingly, the risk management systems employed by the Group may prove insufficient in measuring and managing risks and this may have a material adverse effect on the Group.

ADDITIONAL RISKS ARISING PRINCIPALLY FROM THE GROUP'S BANKING ACTIVITIES

The Group faces liquidity risk

The Group becomes exposed to liquidity risk when the maturities of its assets and liabilities do not coincide. Liquidity risk is inherent in banking operations and can be heightened by a number of factors, including an overreliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena such as financial market instability or natural disasters. The Group seeks to manage its liquidity risk by, among other things, maintaining a diverse funding base comprising short-term sources of funding (including retail and corporate customer deposits, inter-bank borrowing and borrowing from the NBG) and longer-term sources of funding (including borrowing from international credit institutions, sales and purchases of securities and long-term debt securities). Current liquidity may be affected by unfavourable financial market conditions. If assets held by the Group in order to provide liquidity become illiquid due to unforeseen financial market events or their value drops substantially, the Group may therefore be required, or may choose, to rely on other sources of funding to finance its operations and expected future growth. However, there is only a limited amount of funding available on the Georgian inter-bank market and the Group's recourse to other funding sources may pose additional risks, including the possibility that other funding sources may be more expensive and less flexible. In addition, the Group's ability to use such external funding sources is directly connected with the level of credit lines available to the Group, and this in turn is dependent on the Group's financial and credit condition, as well as general market liquidity.

As of 30 June 2012, 31 December 2011 and 2010, 88.8%, 92.7% and 92.8%, respectively, of the Group's amounts due to customers had maturities of one year or less and 53.4%, 56.2% and 52.4%, respectively, were payable on demand. As of the same dates, the Group's ratio of net loans to customers compared to amounts due to customers was 100.4%, 93.4%, 116.1%, respectively. In terms of current and short-term liquidity, the Group is exposed to the risk of unexpected, rapid withdrawal of deposits by its clients in large volumes. Circumstances in which clients are more likely to rapidly withdraw deposits in large volumes include circumstances which are beyond the Group's control, such as a severe economic downturn, a loss in consumer confidence, an erosion of trust in financial institutions, or a period of social, economic or political instability, among others. By way of example, the Bank experienced a higher than usual volume of client withdrawals in the period following the 2008 Conflict. If, in the future, a substantial portion of the Group's customers rapidly or unexpectedly withdraw their demand or term deposits or do not roll over their term deposits upon maturity, this could have adverse effect on the Group.

The Group is subject to certain regulatory ratios

The Bank, like all other regulated financial institutions in Georgia, is required to comply with certain capital adequacy and regulatory ratios set by the NBG. Although in the past, the Bank's "Investments to equity" and "Investment plus fixed assets to equity" financial ratios have been below the level set by the NBG, the NBG confirmed on 31 December 2009 that it would not impose any sanctions on the Bank as a result and the Bank has been in compliance with both of these financial ratios since February 2011.

In addition, BNB is licensed by the NBRB and is required to comply with certain capital adequacy ratios and minimum share capital requirements set by the NBRB. Although BNB has the minimum level of regulatory capital required by NBRB to conduct banking operations in Belarus (the minimum level for this purpose is set at the equivalent of €5 million and, as of 31 December 2011, the regulatory capital of BNB was €7.3 million), BNB has not had the minimum level of regulatory capital required by NBRB in order to hold retail deposits (set at the equivalent of €25 million for this purpose) since May 2011. Although BNB has received a temporary waiver effective until 1 January 2013 in respect of this breach, there is no assurance that BNB will be able to comply with the minimum level of regulatory capital required by NBRB by 1 January 2013, or that it will be able to obtain a further waiver from the NBRB thereafter. If BNB's level of regulatory capital remains below the minimum level required by the NBRB after the temporary waiver expires and no new waiver is obtained, the NBRB may revoke BNB's license to accept retail deposits. As of 30 June December 2012, BNB had GEL 59.7 million in retail deposits, representing 2.2% of the Group's total customer deposits and 1.5% of total liabilities.

Save for BNB not having the minimum level of regulatory capital required by the NBRB in order to hold retail deposits, the Group is not in breach of any applicable capital adequacy or regulatory ratios and has adequate capital for at least the next 12 to 18 months. However, its ability to maintain its ratios in the longer term could be affected by a number of factors, some of which are beyond the Group's control, including:

- an increase of the Bank's risk weighted assets;

•the Group's ability to raise capital;

• losses resulting from a deterioration in the Bank's asset

quality, a reduction in income levels, an increase in expenses or a combination of all of the above;

• a decline in the values of the Bank's securities portfolio;

• changes in accounting rules or in the guidelines regardingthe calculation of the capital adequacy ratios; and

• increases in minimum capital adequacy ratios imposed bythe NBG.

Failure to maintain the minimum capital adequacy and other regulatory ratios may have a material adverse effect on the Group. Moreover, a breach of regulatory requirements relating to the minimum capital adequacy and other regulatory ratios may result in entities in the Group being subject to administrative sanctions, which could result in an increase in the operating costs of the Group and loss of reputation, and, in turn, a material adverse effect on the Group.

The Group's businesses are subject to substantial regulation and oversight and future changes in regulation, fiscal or other policies are unpredictable

Currently, the Bank is required to comply with Georgian banking regulations. In addition to mandatory capital adequacy ratios, the NBG is authorised to set lending limits and other economic ratios in Georgia, with which the Bank is required to comply. Under Georgian banking regulations, the Bank is required to, among other things, comply with minimum reserve requirements and mandatory financial ratios and regularly file periodic reports. In addition to its banking operations, the Group also renders other regulated financial services and offers financing products, including brokerage and pension funds operations, as well as insurance and healthcare products and services that are subject to governmental supervision. Additionally, the business, financial condition and results of operations of the Group's activities in Belarus are affected by many legal regulations, instructions and recommendations, including those issued by the NBRB and the NBG.

Future changes in regulation, fiscal or other policies are unpredictable and there is often a delay between the announcement of a change and the publication of details of such change. Moreover, any such change is outside the control of the Group. For example, the NBG has indicated that it is considering introducing a new liquidity framework in Georgia but has yet to confirm the details or timing for the implementation of such liquidity framework. Although the Group closely monitors regulatory developments, there can be no assurance that the current regulatory environment in which the Group operates will not be subject to significant change in the future, including as a result of a change in government in Georgia or Belarus, or that the Group will be able to comply with any or all resulting regulations.

The Group is subject to operational risk inherent to its business activities

The Group is subject to the risk of incurring losses or undue costs due to the inadequacies, or the failure, of internal processes or systems or human error, or from external events such as errors made during the execution or performance of operations, clerical or record-keeping errors, business disruptions (caused by various factors such as software or hardware failures and communication breakdowns), failure to execute outsourced activities, criminal activities (including credit fraud and electronic crimes), unauthorised transactions, robbery and damage to assets.

Although management believes that the Group's risk management policies and procedures (which are designed to identify and analyse relevant risks to the Group's business, prescribe appropriate limits to various risk areas and monitor the level and incidence of such risks on an on-going basis) are adequate and that the Group is currently in compliance in all material respects with all laws, standards and recommendations applicable to the Group, any failure of the Group's risk management system to detect unidentified or unanticipated risks in the future, or to correct operational risks, or any failure of third parties adequately to perform outsourced activities could have an adverse effect on the Group.

RISKS AFFECTING THE GROUP'S NON-BANKING ACTIVITIES

The Group's insurance subsidiary, Aldagi BCI, is subject to the risks inherent in the insurance industry

The Group's insurance subsidiary, Aldagi BCI, operates in the property and casualty (P&C), life and health insurance industry. In the ordinary course of business, ABCI seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results through reinsurance. Under such reinsurance arrangements, reinsurers assume a portion of the losses and related expenses; however, Aldagi BCI remains liable as the direct insurer on all risks reinsured. Consequently, ceded reinsurance arrangements do not eliminate Aldagi BCI's obligation to pay under its insurance policy for losses insured, which could cause a material increase in Aldagi BCI's liabilities and a reduction in its profitability. Moreover, Aldagi BCI is subject to its reinsurers' credit risk and solvency, and their willingness to make payments under the terms of reinsurance arrangements with respect to its ability to recover amounts due from them.

Although Aldagi BCI adheres to strict reinsurance policies and periodically evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from reinsurer insolvencies, reinsurers may become financially unsound by the time their financial obligation becomes due. The inability of any reinsurer to meet its financial obligations to Aldagi BCI could negatively impact Aldagi BCI's results of operations. In addition, the availability, amount and cost of reinsurance depend on general market conditions and may fluctuate. In the future, reinsurance may not be available to Aldagi BCI at commercially reasonable rates, or at all, and any decrease in the amount of ABCI's reinsurance will increase its risk of loss.

In accordance with industry practices and accounting and regulatory requirements, Aldagi BCI establishes reserves for reported but not settled claims (RBNS), incurred but not reported claims (IBNR) and unearned premiums. Reserves do not represent an exact calculation of liability, but instead represent estimates of what the ultimate settlement and administration of claims will cost based on an assessment of facts and circumstances then known, review of historical settlement patterns, estimates of trends in claims severity, frequency of claims, legal theories of liability and other factors. There can be no assurance that actual claims will not materially exceed its claims reserves and have a material effect on its results of operations. Moreover, as policies involving potential claims above set thresholds are reinsured on a proportional basis, there can be no assurance that Aldagi BCI's ultimate net losses will not materially exceed its claim reserves.

The Group's real estate subsidiary, SBRE, is subject to the risks of developing and selling real estate

The Group's real estate subsidiary SBRE, is primarily engaged in developing affordable residential properties for sale and rent. Real property investments are subject to varying degrees of risk including relative illiquidity. Several factors may adversely affect the levels of income from, and the value of, properties, including:

- changes in the Georgian economic climate;
- local conditions such as a surplus of similar properties or a reduction in demand for the property;
- the attractiveness of the property to tenants and purchases;
- occupancy rates and the ability to collect rent from tenants; regularly file periodic reports
- governmental regulations, including environmental usage, tax laws and insurance; and
- acts of nature, such as earthquakes, tornadoes and floods, that may damage the property.

In addition, SBRE's projects are subject to the general risks associated with construction and development, including the following:

- SBRE may incur cost overruns due to increased material, labour or other costs, which could make completion of the project unprofitable;
- SBRE may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits and authorisations, which could result in increased costs and could require the Company to abandon a project entirely; and
- SBRE may be unable to complete construction and leasing of a property on schedule.

Any of these factors could have a material adverse effect on the financial condition and operating results of the property SBRE owns which, in turn, may have a material adverse effect on the Group.

OTHER RISKS AFFECTING THE GROUP

The Group may not successfully implement its strategy

The Group aims to achieve long-term sustainable growth and profitability through a secure, modern and universal banking model, as well as to maintain and enhance its leading market position in Georgia. In addition, the Group has been diversifying its business through the addition of businesses that have strong synergies with its banking operations. Furthermore, the Bank is concentrating on the Georgian market and, to this end, the Bank's subsidiary, BG Capital exited its brokerage operations in Ukraine and is in the process of exiting from its brokerage operations in Belarus and the Group intends to exit from its other non-core operations, including through the sale of Liberty Consumer, its remaining equity interest in BG Bank and its interest in BNB. The Group may also pursue selective acquisitions in Georgia.

There can be no assurance that the Group will be able to achieve its major strategic objectives, including its respect of the synergistic businesses such as insurance and healthcare, which may be affected by market conditions, potential legal and regulatory impediments and other factors, or that it will be able to exit from its non-core operations at a satisfactory price, or at all. Any failure by the Group to achieve its strategic objectives could have a material adverse impact on the Group's reputation, which could in turn, could have a material adverse effect on the Group.

The Group faces competition

In recent years the Georgian banking sector has become increasingly competitive. According to the NBG, as of 30 June 2012 there were 19 commercial banks and foreign bank branches operating in Georgia, of which 18 (including two branches of foreign banking institutions) had foreign capital participation. Bank of Georgia competes with a number of these banks, including TBC Bank, ProCredit Bank, Bank Republic, VTB Georgia and Liberty Bank. In particular, as ProCredit Bank has a large market share in respect of SME and micro finance loans, the Bank faces competition from ProCredit Bank in relation to SME and micro financing in Georgia. TBC Bank and Bank Republic are the Bank's principal competitors in the corporate sector. In addition, both the mortgage market and the market for the provision of financial services to high net worth individuals are highly competitive in Georgia, with some competitors in the mortgage market implementing aggressive pricing policies in order to retain or build their market share. Additionally, in Belarus, the Group competes with a wide range of local (including state-owned) and international banks.

Although there are currently no anti-monopoly regulations that establish market share limits, there can be no assurance that such anti-monopoly limitations will not be introduced in Georgia in the future. Given the current high market share maintained by the Bank, the introduction of any anti-monopolistic restrictions may have an effect on the growth rates of the Group, restrict the Group's ability to make future acquisitions, or lead to the Group being compulsorily required to sell some of its assets.

Increased competition may have a negative impact on the Group's ability to sustain its margin and fee levels, particularly if the Group's competitors possess greater financial resources (especially in the case of banks with foreign capital investment or banks which are branches of non-resident foreign banks, by way of access to funding from foreign capital or their parent entity), access to lower-cost funding and a broader offering of products than the Group or if the Group's competitors merged to significantly enhance their financial resources, access to funding and product offerings. Unlike most of its competitors, the Bank has a relatively wide shareholder base and does not have an international financial institution as a majority shareholder. In 2008 and 2009, the Group's financing costs increased (which in turn, had a negative impact on the net interest income earned by the Group) due to, among other things, increasing interest rates on deposits resulting from tightening competition on the deposit market. In addition, increasing competition could lead to significant pressure on the Group's market share. Increasing competition in the banking industry has already led to and may, in the future, continue to lead to increased pricing pressures on the Group's products and services, which could in turn, have a material adverse effect on the Group.

The Group depends on its key management and qualified personnel

The Group's current senior management team includes a number of persons that contribute significant experience and expertise in the banking and other industries in which the Group operates. The Group's ability to continue to retain, motivate and attract qualified and experienced banking and management personnel is vital to the Group's business. There can be no assurance that the Group will be able to successfully recruit and retain the necessary qualified personnel. The loss or diminution in the services of members of the Group's senior management team or an inability to recruit, train or retain necessary personnel could have a material adverse effect on the Group.

The Group's insurance policies may not cover, or fully cover, certain types of losses

The Group generally maintains insurance policies covering its assets, operations and certain employees in line with general business practices in Georgia. Risks that Group entities are insured against generally include fire, lightning, flooding, theft, vandalism, and third-party liability. The Group also maintains Bankers' Blanket Bond and directors' and officers' insurance. However, there can be no assurance that all types of potential losses are insured or that policy limits would be adequate to cover them. Any uninsured loss or a loss in excess of insured limits could adversely affect the Group's existing operations, which could, in turn, thereby have a material adverse effect on the Group.

The Group faces certain risks associated with conducting international operations

The Group has historically made investments in Ukraine and Belarus. The Group's financial results in 2009 were adversely affected by a goodwill write-down in the amount of GEL 73.1 million, predominantly due to the write-off of the entire goodwill associated with BG Bank, as a result of a weak economic environment in Ukraine and high loan and finance lease receivables impairment charges in respect of BG Bank in 2008 and 2009. In February 2011, the Group disposed of its 80% interest in BG Bank. The Group's financial results in 2011 were adversely affected by a goodwill write-down in the amount of GEL 23.4 million, due to the write-off of the entire goodwill associated with BNB, as a result of a material devaluation of the Belarusian Rouble.

As part of its revised strategy to concentrate on the Georgian market, the Group disposed of an 80% equity interest in BG Bank, and will continue to seek exit from its international operations (including its remaining equity interest in BG Bank and its interest in BNB) at an appropriate time, while it holds these assets, the Group will continue to be subject to risks that it would not face as a purely domestic bank. These include certain political and economic risks, compliance risks, foreign currency exchange risk, as well as the risk of failure to market adequately to potential customers in other countries. Any failure to manage such risks may cause the Group to incur increased liabilities and could, in turn, have a material adverse effect on the Group.

If, in the future, the Group fails to comply with any applicable regulations relating to, or the Group is associated with, money laundering or terrorist financing, this could have an adverse effect on the Group

Although the Group has implemented comprehensive anti-money laundering (AML), "know-your-customer" (KYC), "know-your-corresponding-bank" and "know your employee" policies, and is in the process of implementing such policies throughout its financial subsidiaries (including insurance and brokerage subsidiaries), which are monitored by its AML Compliance Department, and adheres to all requirements under applicable legislation aimed at preventing it being used as a vehicle to facilitate money laundering, there can be no assurance that these measures will be completely effective. If, in the future, the Group fails to comply with timely reporting requirements or other AML regulations or is associated with money laundering or terrorist financing, this could have an adverse effect on the Group. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

OTHER RISKS RELATING TO EMERGING MARKETS

The uncertainties of the judicial system in Georgia, or any arbitrary or discriminatory state action taken in Georgia in the future, may have an adverse effect on the local economy, which could in turn, have an adverse effect on the Group

Georgia is still developing an adequate legal framework required for the proper functioning of a market economy. For example, in Georgia, several fundamental civil, criminal, tax, administrative and commercial laws have only recently become effective. The recent nature of much of Georgian legislation and the rapid evolution of the Georgian legal system place the quality and the enforceability of laws in doubt and result in ambiguities and inconsistencies in their application.

In addition, the court system in Georgia is understaffed and has been undergoing significant reforms. Judges and courts in Georgia are generally less experienced in the area of business and corporate law than is the case in certain other countries, particularly the United States and EU countries. Most court decisions are not easily available to the general public, and enforcement of court judgments may, in practice, be difficult in Georgia. The uncertainties of the Georgian judicial system could have a negative effect on the Georgian economy, could have a material adverse effect on the business of the Group's corporate clients which could, in turn have an adverse effect on the Group. In addition, to varying degrees, the same uncertainties of the tax system in Georgia apply to Belarus.

Uncertainties of the tax system in Georgia may result in the Group facing tax adjustments or fines in the future and there may be changes in current tax laws and policies

In Georgia, tax laws have not been in force for significant periods of time, compared to more developed market economies, and often result in unclear or non-existent implementing regulations. Moreover, such tax laws are subject to frequent changes and amendments, which can result in unusual complexities for the Group and its business generally. A new Tax Code was adopted in Georgia on 17 September 2010 and came into effect on 1 January 2011. Differing opinions regarding the interpretation of various provisions exist both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. While the new Tax Code provides for the Georgian tax authorities to provide advance tax rulings on tax issues raised, thereby reducing the uncertainty regarding interpretation, it is possible that the relevant authorities could take differing positions with regard to interpretative issues, which may result in the Group facing tax adjustments or fines. In addition, there can be no assurance that the current tax laws or government tax policies will not be subject to change in the future, including any changes introduced as a result of a change of government. Such changes, among other things, could include the introduction of new taxes, an increase in the tax rates applicable to the Group or its customers or the introduction of a bank levy. Any such changes in the tax laws or governmental tax policies may have an adverse effect on the Group. In addition, to varying degrees, the same uncertainties of the tax system in Georgia as discussed below apply to Belarus.

There are additional risks associated with investing in emerging markets such as Georgia

Emerging markets may have higher volatility, limited liquidity, a narrow export base and are subject to more frequent changes in the political, economic, social, legal and regulatory environment than mature markets. Emerging economies are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by "contagion" effects in the past, including following the 1998 Russian financial crisis and the more recent global financial crisis. No assurance can be given that it will not be affected by similar effects in the future.

Financial or political instability in emerging markets also tends to have an adverse effect on the capital markets of emerging economies and the wider economy as investors generally move their money to more developed markets, which are considered to be more stable, in times of financial or political instability. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Georgia.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	1H 2012	1H 2011	Change
GEL thousands, unless otherwise noted	*Unaudited*	Unaudited	Y-O-Y
Loans to customers	244,966	211,466	15.8%
Investment securities: available-for-sale	17,806	18,352	-3.0%
Amounts due from credit institutions	9,623	7,669	25.5%
Finance lease receivables	4,133	1,722	140.0%
Interest income	**276,528**	**239,209**	**15.6%**
Amounts due to customers	(103,765)	(75,628)	37.2%
Amounts due to credit institutions	(34,048)	(50,215)	-32.2%
Interest expense	**(137,813)**	**(125,843)**	**9.5%**
Net interest income before interest rate derivative financial instruments	**138,716**	**113,366**	**22.4%**
Net (losses) gains from interest rate derivative financial instruments	(1,053)	2,492	NMF
Net interest income	**137,662**	**115,858**	**18.8%**
Fee and commission income	51,477	43,636	18.0%
Fee and commission expense	(9,943)	(9,666)	2.9%
Net fee and commission income	**41,534**	**33,970**	**22.3%**
Net insurance premiums earned	32,383	23,123	40.0%
Net insurance claims incurred	(20,426)	(14,027)	45.6%
Net insurance revenue	**11,957**	**9,096**	**31.5%**
Healthcare revenue	22,587	1,523	NMF
Cost of healthcare services	(13,391)	(533)	NMF
Net healthcare revenue	**9,196**	**990**	**NMF**
Net gains from trading securities and investment securities	953	732	30.2%
Net gains from foreign currencies, of which:	26,191	43,411	-39.7%
– dealing	17,186	21,112	-18.6%
– translation differences	9,005	22,299	-59.6%
Other operating income	11,492	9,351	22.9%
Other operating non-interest income	**38,637**	**53,494**	**-27.8%**
Revenue	**238,986**	**213,408**	**12.0%**
Salaries and other employee benefits	(57,833)	(56,236)	2.8%
Selling and administrative expenses	(33,762)	(30,582)	10.4%
Depreciation and amortization	(13,919)	(12,941)	7.6%
Other operating expenses	(3,558)	(3,766)	-5.5%
Other operating non-interest expenses	**(109,072)**	**(103,525)**	**5.4%**
Operating income before cost of credit risk	**129,914**	**109,883**	**18.2%**
Impairment charge on loans to customers	(13,001)	(11,331)	14.7%
Impairment charge on finance lease receivables	(241)	(171)	40.9%
Impairment charge on other assets and provisions	(706)	3,240	NMF
Cost of credit risk	**(13,948)**	**(8,262)**	**68.8%**
Net operating income	**115,966**	**101,621**	**14.1%**
Net non-operating expenses	**(12,394)**	**(18,703)**	**-33.7%**
Profit before income tax expense from continuing operations	**103,572**	**82,918**	**24.9%**
Income tax expense	(17,538)	(6,926)	153.2%
Profit for the period from continuing operations	**86,034**	**75,992**	**13.2%**
Net loss from discontinued operations	-	(12,247)	-100.0%
Profit for the period	**86,034**	**63,745**	**35.0%**
Attributable to:			
– shareholders of the Group	84,215	63,645	32.3%
– non-controlling interests	1,819	100	NMF
Earnings per share (basic)	**2.57**	**2.13**	**20.7%**
Earnings per share (diluted)	**2.52**	**2.02**	**24.9%**

CONSOLIDATED INCOME STATEMENT

	Q2 2012	**Q2 2011**	**Change**	**Q1 2012**	**Change**
GEL thousands, unless otherwise noted	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**
Loans to customers	126,541	106,454	18.9%	118,425	6.9%
Investment securities: available-for-sale	7,983	9,512	-16.1%	9,824	-18.7%
Amounts due from credit institutions	5,411	4,797	12.8%	4,212	28.5%
Finance lease receivables	2,121	925	129.3%	2,012	5.4%
Interest income	**142,055**	**121,688**	**16.7%**	**134,473**	**5.6%**
Amounts due to customers	(49,931)	(39,819)	25.4%	(53,834)	-7.3%
Amounts due to credit institutions	(15,339)	(24,880)	-38.3%	(18,709)	-18.0%
Interest expense	**(65,269)**	**(64,699)**	**0.9%**	**(72,543)**	**-10.0%**
Net interest income before interest rate derivative financial instruments	**76,786**	**56,989**	**34.7%**	**61,930**	**24.0%**
Net losses from interest rate derivative financial instruments	(285)	1,976	NMF	(768)	-62.9%
Net interest income	**76,501**	**58,965**	**29.7%**	**61,162**	**25.1%**
Fee and commission income	27,355	23,783	15.0%	24,122	13.4%
Fee and commission expense	(5,538)	(5,305)	4.4%	(4,406)	25.7%
Net fee and commission income	**21,818**	**18,478**	**18.1%**	**19,716**	**10.7%**
Net insurance premiums earned	19,896	11,550	72.3%	12,487	59.3%
Net insurance claims incurred	(12,613)	(7,113)	77.3%	(7,813)	61.4%
Net insurance revenue	**7,283**	**4,437**	**64.1%**	**4,674**	**55.8%**
Healthcare revenue	12,327	778	NMF	10,260	20.2%
Cost of healthcare services	(7,909)	(20)	NMF	(5,482)	44.3%
Net healthcare revenue	**4,419**	**758**	**NMF**	**4,777**	**-7.5%**
Net gains from trading securities and investment securities	157	611	-74.4%	796	-80.3%
Net gains from foreign currencies, of which:	11,833	35,979	-67.1%	14,358	-17.6%
– dealing	7,343	12,814	-42.7%	9,844	-25.4%
– translation differences	4,490	23,165	-80.6%	4,515	-0.5%
Other operating income	7,132	4,868	46.5%	4,360	63.6%
Other operating non-interest income	**19,122**	**41,458**	**-53.9%**	**19,515**	**-2.0%**
Revenue	**129,142**	**124,096**	**4.1%**	**109,844**	**17.6%**
Salaries and other employee benefits:	(32,000)	(29,672)	7.8%	(25,833)	23.9%
Selling and administrative expenses	(17,997)	(15,025)	19.8%	(15,764)	14.2%
Depreciation and amortization	(7,155)	(6,832)	4.7%	(6,764)	5.8%
Other operating expenses	(1,602)	(3,022)	-47.0%	(1,956)	-18.1%
Other operating non-interest expenses	**(58,754)**	**(54,551)**	**7.7%**	**(50,318)**	**16.8%**
Operating income before cost of credit risk	**70,388**	**69,545**	**1.2%**	**59,526**	**18.2%**
Impairment charge on loans to customers	(6,142)	(7,389)	-16.9%	(6,859)	-10.5%
Impairment charge on finance lease receivables	(131)	(95)	37.5%	(110)	18.5%
Impairment charge on other assets and provisions	(295)	4,633	NMF	(411)	-28.1%
Cost of credit risk	**(6,568)**	**(2,851)**	**130.4%**	**(7,380)**	**-11.0%**
Net operating income	**63,820**	**66,694**	**-4.3%**	**52,146**	**22.4%**
Net non-operating expenses	**(7,994)**	**(18,644)**	**-57.1%**	**(4,400)**	**81.7%**
Profit before income tax expense from continuing operations	**55,826**	**48,050**	**16.2%**	**47,746**	**16.9%**
Income tax expense	(9,495)	(1,156)	NMF	(8,043)	18.1%
Profit for the period from continuing operations	**46,331**	**46,894**	**-1.2%**	**39,704**	**16.7%**
Net (loss) gain from discontinued operations	(54)	-	NMF	54	NMF
Profit for the period	**46,276**	**46,894**	**-1.3%**	**39,758**	**16.4%**
Attributable to:					
– shareholders of the Group	45,072	46,534	-3.1%	39,143	15.1%
– non-controlling interests	1,204	360	NMF	615	95.9%
Earnings per share (basic)	**1.36**	**1.56**	**-13.2%**	**1.21**	**11.9%**
Earnings per share (diluted)	**1.35**	**1.45**	**-7.0%**	**1.17**	**15.5%**

CONSOLIDATED BALANCE SHEET

	Jun 12	Jun 11	Change	Mar-12	Change
GEL thousands, unless otherwise noted	***Unaudited***		**Y-O-Y**	***Unaudited***	**Q-O-Q**
Cash and cash equivalents	374,995	338,408	10.8%	381,386	-1.7%
Amounts due from credit institutions	342,145	308,067	11.1%	287,915	18.8%
Investment securities	414,584	404,338	2.5%	357,517	16.0%
Loans to customers and finance lease receivables	2,923,140	2,439,901	19.8%	2,713,752	7.7%
Investments in associates	2,865	3,758	-23.8%	3,032	-5.5%
Investment property	138,639	99,353	39.5%	125,104	10.8%
Property and equipment	407,428	278,429	46.3%	339,078	20.2%
Goodwill	45,291	56,212	-19.4%	45,831	-1.2%
Other intangible assets	20,313	21,741	-6.6%	20,658	-1.7%
Current income tax assets	7,996	7,584	5.4%	7,592	5.3%
Deferred income tax assets	15,893	13,390	18.7%	14,972	6.2%
Prepayments	36,321	27,845	30.4%	33,819	7.4%
Other assets	205,402	124,298	65.3%	159,502	28.8%
Total assets	**4,935,014**	**4,123,324**	**19.7%**	**4,490,157**	**9.9%**
Amounts due to customers, of which:	2,846,263	2,228,505	27.7%	2,625,229	8.4%
Client deposits	*2,742,601*	*2,079,442*	*31.9%*	*2,442,007*	*12.3%*
Prommissory notes	*103,662*	*149,063*	*-30.5%*	*183,221*	*-43.4%*
Amounts due to credit institutions	875,928	986,592	-11.2%	753,821	16.2%
Current income tax liabilities	910	130	NMF	638	42.5%
Deferred income tax liabilities	54,853	23,853	130.0%	45,044	21.8%
Provisions	460	8	NMF	429	7.1%
Other liabilities	199,207	132,476	50.4%	116,460	71.1%
Total liabilities	**3,977,620**	**3,371,564**	**18.0%**	**3,541,621**	**12.3%**
Share capital	922	31,360	-97.1%	954	-3.4%
Additional paid-in capital	-	478,555	-100.0%	579,136	-100.0%
Treasury shares	(66)	(1,428)	-95.4%	(72)	-8.6%
Other reserves	17,681	28,063	-37.0%	18,355	-3.7%
Retained earnings	893,765	190,749	NMF	290,475	NMF
Total equity attributable to shareholders of the Group	**912,301**	**727,299**	**25.4%**	**888,848**	**2.6%**
Non-controlling interests	45,093	24,461	84.3%	59,688	-24.5%
Total equity	**957,394**	**751,760**	**27.4%**	**948,536**	**0.9%**
Total liabilities and equity	**4,935,014**	**4,123,324**	**19.7%**	**4,490,157**	**9.9%**
Book value per share (basic)	**27.37**	**24.30**	**12.6%**	**26.78**	**2.2%**
Book value per share (diluted)	**25.41**	**20.88**	**21.7%**	**24.75**	**2.6%**

CONSOLIDATED INCOME STATEMENT

		USD			GBP	
	1H 2012	1H 2011	Change	1H 2012	1H 2011	Change
Thousands, unless otherwise noted	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	***Unaudited***	**Y-O-Y**
Loans to customers	148,906	126,892	17.3%	95,403	79,124	20.6%
Investment securities: available-for-sale	10,824	11,012	-1.7%	6,935	6,867	1.0%
Amounts due from credit institutions	5,850	4,602	27.1%	3,748	2,869	30.6%
Finance lease receivables	2,512	1,033	143.1%	1,610	644	149.8%
Interest income	**168,092**	**143,540**	**17.1%**	**107,695**	**89,504**	**20.3%**
Amounts due to customers	(63,075)	(45,381)	39.0%	(40,412)	(28,298)	42.8%
Amounts due to credit institutions	(20,696)	(30,132)	-31.3%	(13,260)	(18,789)	-29.4%
Interest expense	**(83,772)**	**(75,513)**	**10.9%**	**(53,672)**	**(47,086)**	**14.0%**
Net interest income before interest rate derivative financial instruments	**84,320**	**68,026**	**24.0%**	**54,023**	**42,418**	**27.4%**
Net losses from interest rate derivative financial instruments	(640)	1,495	NMF	(410)	932	NMF
Net interest income	**83,680**	**69,522**	**20.4%**	**53,613**	**43,350**	**23.7%**
Fee and commission income	31,291	26,184	19.5%	20,048	16,327	22.8%
Fee and commission expense	(6,044)	(5,800)	4.2%	(3,873)	(3,617)	7.1%
Net fee and commission income	**25,247**	**20,384**	**23.9%**	**16,175**	**12,710**	**27.3%**
Net insurance premiums earned	19,684	13,875	41.9%	12,612	8,652	45.8%
Net insurance claims incurred	(12,416)	(8,417)	47.5%	(7,955)	(5,248)	51.6%
Net insurance revenue	**7,268**	**5,458**	**33.2%**	**4,657**	**3,403**	**36.8%**
Healthcare revenue	13,730	914	NMF	8,797	570	NMF
Cost of healthcare services	(8,140)	(320)	NMF	(5,215)	(199)	NMF
Net healthcare revenue	**5,590**	**594**	**NMF**	**3,581**	**370**	**NMF**
Net gains from trading securities and investment securities	579	439	31.9%	371	274	35.5%
Net gains from foreign currencies, of which:	15,921	26,049	-38.9%	10,200	16,243	-37.2%
– dealing	10,447	12,668	-17.5%	6,693	7,899	-15.3%
– translation differences	5,474	13,381	-59.1%	3,507	8,344	-58.0%
Other operating income	6,986	5,611	24.5%	4,476	3,499	27.9%
Other operating non-interest income	**23,486**	**32,100**	**-26.8%**	**15,047**	**20,016**	**-24.8%**
Revenue	**145,271**	**128,058**	**13.4%**	**93,074**	**79,850**	**16.6%**
Salaries and other employee benefits	(35,155)	(33,745)	4.2%	(22,523)	(21,042)	7.0%
Selling and administrative expenses	(20,522)	(18,351)	11.8%	(13,149)	(11,443)	14.9%
Depreciation and amortization	(8,461)	(7,765)	9.0%	(5,421)	(4,842)	12.0%
Other operating expenses	(2,163)	(2,260)	-4.3%	(1,386)	(1,409)	-1.7%
Other operating non-interest expenses	**(66,301)**	**(62,121)**	**6.7%**	**(42,479)**	**(38,736)**	**9.7%**
Operating income before cost of credit risk	**78,970**	**65,936**	**19.8%**	**50,595**	**41,115**	**23.1%**
Impairment charge on loans to customers	(7,903)	(6,799)	16.2%	(5,063)	(4,240)	19.4%
Impairment charge on finance lease receivables	(146)	(103)	42.7%	(94)	(64)	46.6%
Impairment charge on other assets and provisions	(429)	1,944	NMF	(275)	1,212	NMF
Cost of credit risk	**(8,478)**	**(4,958)**	**71.0%**	**(5,432)**	**(3,091)**	**75.7%**
Net operating income	**70,492**	**60,979**	**15.6%**	**45,163**	**38,023**	**18.8%**
Net non-operating expenses	**(7,534)**	**(11,223)**	**-32.9%**	**(4,827)**	**(6,998)**	**-31.0%**
Profit before income tax expense from continuing operations	**62,958**	**49,756**	**26.5%**	**40,336**	**31,025**	**30.0%**
Income tax expense	(10,661)	(4,156)	156.5%	(6,830)	(2,591)	163.6%
Profit for the period from continuing operations	**52,297**	**45,600**	**14.7%**	**33,506**	**28,434**	**17.8%**
Net loss from discontinued operations	-	(7,349)	-100.0%	-	(4,582)	-100.0%
Profit for the period	**52,297**	**38,251**	**36.7%**	**33,506**	**23,851**	**40.5%**
Attributable to:						
– shareholders of the Group	51,191	38,191	34.0%	32,798	23,814	37.7%
– non-controlling interests	1,106	60	NMF	708	37	NMF
Earnings per share (basic)	**1.56**	**1.28**	**22.3%**	**1.00**	**0.80**	**25.7%**
Earnings per share (diluted)	**1.53**	**1.21**	**26.5%**	**0.98**	**0.75**	**30.0%**

CONSOLIDATED INCOME STATEMENT

			USD					GBP		
	Q2 2012	Q2 2011	Change	Q1 2012	Change	Q2 2012	Q2 2011	Change	Q1 2012	Change
	Unaudited	*Unaudited*	Y-O-Y	*Unaudited*	Q-O-Q	*Unaudited*	*Unaudited*	Y-O-Y	*Unaudited*	Q-O-Q
Thousands, unless otherwise noted										
Loans to customers	76,920	63,879	20.4%	71,340	7.8%	49,282	39,832	23.7%	44,557	10.6%
Investment securities: available-for-sale	4,852	5,708	-15.0%	5,918	-18.0%	3,109	3,559	-12.7%	3,696	-15.9%
Amounts due from credit institutions	3,289	2,878	14.3%	2,537	29.6%	2,107	1,795	17.4%	1,585	33.0%
Finance lease receivables	1,289	555	132.2%	1,212	6.4%	826	346	138.6%	757	9.1%
Interest income	**86,350**	**73,020**	**18.3%**	**81,008**	**6.6%**	**55,324**	**45,532**	**21.5%**	**50,596**	**9.3%**
Amounts due to customers	(30,351)	(23,894)	27.0%	(32,430)	-6.4%	(19,446)	(14,899)	30.5%	(20,255)	-4.0%
Amounts due to credit institutions	(9,324)	(14,929)	-37.5%	(11,270)	-17.3%	(5,974)	(9,309)	-35.8%	(7,039)	-15.1%
Interest expense	**(39,675)**	**(38,823)**	**2.2%**	**(43,701)**	**-9.2%**	**(25,419)**	**(24,208)**	**5.0%**	**(27,294)**	**-6.9%**
Net interest income before interest rate derivative financial instruments	**46,675**	**34,197**	**36.5%**	**37,307**	**25.1%**	**29,904**	**21,323**	**40.2%**	**23,301**	**28.3%**
Net losses from interest rate derivative financial instruments	(173)	1,186	NMF	(463)	-62.6%	(111)	739	NMF	(289)	-61.6%
Net interest income	**46,502**	**35,383**	**31.4%**	**36,844**	**26.2%**	**29,793**	**22,063**	**35.0%**	**23,012**	**29.5%**
Fee and commission income	16,628	14,271	16.5%	14,531	14.4%	10,654	8,899	19.7%	9,076	17.4%
Fee and commission expense	(3,366)	(3,183)	5.7%	(2,654)	26.8%	(2,157)	(1,985)	8.7%	(1,658)	30.1%
Net fee and commission income	**13,262**	**11,088**	**19.6%**	**11,877**	**11.7%**	**8,497**	**6,914**	**22.9%**	**7,418**	**14.5%**
Net insurance premiums earned	12,094	6,931	74.5%	7,522	60.8%	7,748	4,322	79.3%	4,698	64.9%
Net insurance claims incurred	(7,667)	(4,268)	79.6%	(4,707)	62.9%	(4,912)	(2,661)	84.6%	(2,940)	67.1%
Net insurance revenue	**4,427**	**2,662**	**66.3%**	**2,816**	**57.2%**	**2,836**	**1,660**	**70.8%**	**1,759**	**61.3%**
Healthcare revenue	7,493	467	NMF	6,181	21.2%	4,801	291	NMF	3,860	24.4%
Cost of healthcare services	(4,807)	(12)	NMF	(3,303)	45.6%	(3,080)	(7)	NMF	(2,063)	49.3%
Net healthcare revenue	**2,686**	**455**	**NMF**	**2,878**	**-6.7%**	**1,721**	**284**	**NMF**	**1,797**	**-4.3%**
Net gains from trading securities and investment securities	95	367	-74.0%	480	-80.2%	61	229	-73.3%	300	-79.6%
Net gains from foreign currencies, of which:	7,193	21,590	-66.7%	8,649	-16.8%	4,608	13,462	-65.8%	5,402	-14.7%
– dealing	4,464	7,689	-42.0%	5,930	-24.7%	2,860	4,795	-40.4%	3,704	-22.8%
– translation differences	2,729	13,900	-80.4%	2,720	0.4%	1,749	8,668	-79.8%	1,699	3.0%
Other operating income	4,335	2,921	48.4%	2,627	65.1%	2,778	1,821	52.5%	1,641	69.3%
Other operating non-interest income	**11,624**	**24,877**	**-53.3%**	**11,756**	**-1.1%**	**7,447**	**15,512**	**-52.0%**	**7,342**	**1.4%**
Revenue	**78,501**	**74,465**	**5.4%**	**66,171**	**18.6%**	**50,295**	**46,433**	**8.3%**	**41,329**	**21.7%**
Salaries and other employee benefits:	(19,452)	(17,805)	9.2%	(15,562)	25.0%	(12,463)	(11,102)	12.3%	(9,720)	28.2%
Selling and administrative expenses	(10,940)	(9,016)	21.3%	(9,497)	15.2%	(7,009)	(5,622)	24.7%	(5,931)	18.2%
Depreciation and amortization	(4,349)	(4,100)	6.1%	(4,075)	6.7%	(2,787)	(2,556)	9.0%	(2,545)	9.5%
Other operating expenses	(974)	(1,813)	-46.3%	(1,178)	-17.4%	(624)	(1,131)	-44.8%	(736)	-15.2%
Other operating non-interest expenses	**(35,715)**	**(32,734)**	**9.1%**	**(30,312)**	**17.8%**	**(22,882)**	**(20,411)**	**12.1%**	**(18,932)**	**20.9%**
Operating income before cost of credit risk	**42,786**	**41,731**	**2.5%**	**35,859**	**19.3%**	**27,413**	**26,021**	**5.3%**	**22,397**	**22.4%**
Impairment charge on loans to customers	(3,733)	(4,434)	-15.8%	(4,132)	-9.6%	(2,392)	(2,765)	-13.5%	(2,581)	-7.3%
Impairment charge on finance lease receivables	(79)	(57)	39.3%	(66)	19.6%	(51)	(36)	43.1%	(41)	22.7%
Impairment charge on other assets and provisions	(179)	2,780	NMF	(247)	-27.5%	(115)	1,734	NMF	(154)	-25.6%
Cost of credit risk	**(3,992)**	**(1,711)**	**133.4%**	**(4,446)**	**-10.2%**	**(2,558)**	**(1,067)**	**139.8%**	**(2,777)**	**-7.9%**
Net operating income	**38,794**	**40,020**	**-3.1%**	**31,413**	**23.5%**	**24,855**	**24,955**	**-0.4%**	**19,620**	**26.7%**
Net non-operating expense (income)	**(4,859)**	**(11,188)**	**-56.6%**	**(2,650)**	**83.3%**	**(3,113)**	**(6,976)**	**-55.4%**	**(1,655)**	**88.1%**
Profit before income tax expense from continuing operations	**33,935**	**28,833**	**17.7%**	**28,763**	**18.0%**	**21,742**	**17,979**	**20.9%**	**17,965**	**21.0%**
Income tax expense	(5,772)	(694)	NMF	(4,845)	19.1%	(3,698)	(433)	NMF	(3,026)	22.2%
Profit for the period from continuing operations	**28,163**	**28,139**	**0.1%**	**23,918**	**17.7%**	**18,044**	**17,546**	**2.8%**	**14,938**	**20.8%**
Net (loss) gain from discontinued operations	(33)	-	NMF	33	NMF	(21)	-	NMF	21	NMF
Profit for the period	**28,130**	**28,139**	**0.0%**	**23,951**	**17.4%**	**18,022**	**17,546**	**2.7%**	**14,959**	**20.5%**
Attributable to:										
– shareholders of the Group	27,398	27,923	-1.9%	23,580	16.2%	17,553	17,412	0.8%	14,728	19.2%
– non-controlling interests	732	216	NMF	370	97.7%	469	135	NMF	231	102.8%
Earnings per share (basic)	**0.82**	**0.94**	**-12.0%**	**0.73**	**12.9%**	**0.53**	**0.58**	**-9.6%**	**0.46**	**15.8%**
Earnings per share (diluted)	**0.82**	**0.87**	**-5.8%**	**0.70**	**16.5%**	**0.53**	**0.54**	**-3.2%**	**0.44**	**19.5%**

CONSOLIDATED BALANCE SHEET

			USD					GBP		
	Jun-12	**Jun-11**	**Change**	**Mar-12**	**Change**	**Jun-12**	**Jun-11**	**Change**	**Mar-12**	**Change**
Thousands, unless otherwise noted	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**	***Unaudited***	***Unaudited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**
Cash and cash equivalents	227,947	203,065	12.3%	229,751	-0.8%	146,043	126,621	15.3%	143,497	1.8%
Amounts due from credit institutions	207,978	184,859	12.5%	173,443	19.9%	133,250	115,269	15.6%	108,328	23.0%
Investment securities	252,012	242,627	3.9%	215,372	17.0%	161,461	151,290	6.7%	134,516	20.0%
Loans to customers and finance lease receivables	1,776,877	1,464,087	21.4%	1,634,790	8.7%	1,138,428	912,932	24.7%	1,021,052	11.5%
Investments in associates	1,742	2,255	-22.8%	1,826	-4.6%	1,116	1,406	-20.6%	1,141	-2.2%
Investment property	84,274	59,618	41.4%	75,364	11.8%	53,993	37,175	45.2%	47,071	14.7%
Property and equipment	247,662	167,074	48.2%	204,264	21.2%	158,674	104,179	52.3%	127,578	24.4%
Goodwill	27,531	33,731	-18.4%	27,609	-0.3%	17,639	21,033	-16.1%	17,244	2.3%
Other intangible assets	12,347	13,046	-5.4%	12,445	-0.8%	7,911	8,135	-2.8%	7,773	1.8%
Current income tax assets	4,860	4,551	6.8%	4,574	6.3%	3,114	2,838	9.7%	2,857	9.0%
Deferred income tax assets	9,661	8,035	20.2%	9,019	7.1%	6,190	5,010	23.5%	5,633	9.9%
Prepayments	22,078	16,709	32.1%	20,373	8.4%	14,145	10,419	35.8%	12,724	11.2%
Other assets	124,857	74,586	67.4%	96,086	29.9%	79,995	46,508	72.0%	60,013	33.3%
Total assets	**2,999,826**	**2,474,242**	**21.2%**	**2,704,914**	**10.9%**	**1,921,959**	**1,542,814**	**24.6%**	**1,689,426**	**13.8%**
Amounts due to customers, of which:	1,730,146	1,337,237	29.4%	1,581,463	9.4%	1,108,488	833,834	32.9%	987,745	12.2%
Client deposits	*1,667,134*	*1,247,790*	*33.6%*	*1,471,089*	*13.3%*	*1,068,116*	*778,060*	*37.3%*	*918,808*	*16.3%*
Prommissory notes	*63,013*	*89,447*	*-29.6%*	*110,374*	*-42.9%*	*40,372*	*55,775*	*-27.6%*	*68,937*	*-41.4%*
Amounts due to credit institutions	532,447	592,014	-10.1%	454,109	17.3%	341,133	369,151	-7.6%	283,626	20.3%
Current income tax liabilities	553	78	NMF	384	43.8%	354	49	NMF	240	47.5%
Deferred income tax liabilities	33,343	14,313	133.0%	27,135	22.9%	21,363	8,925	139.4%	16,948	26.1%
Provisions	280	5	NMF	259	8.1%	179	3	NMF	161	10.9%
Other liabilities	121,090	79,494	52.3%	70,157	72.6%	77,581	49,567	56.5%	43,818	77.1%
Total liabilities	**2,417,858**	**2,023,141**	**19.5%**	**2,133,506**	**13.3%**	**1,549,098**	**1,261,529**	**22.8%**	**1,332,538**	**16.3%**
Share capital	560	18,818	-97.0%	575	-2.5%	359	11,734	-96.9%	359	0.0%
Additional paid-in capital	-	287,162	-100.0%	348,877	-100.0%	-	179,060	-100.0%	217,901	-100.0%
Treasury shares	(40)	(857)	-95.3%	(44)	-7.8%	(26)	(534)	-95.2%	(27)	-5.4%
Other reserves	10,747	16,839	-36.2%	11,057	-2.8%	6,886	10,500	-34.4%	6,906	-0.3%
Retained earnings	543,289	114,461	NMF	174,985	NMF	348,080	71,372	NMF	109,291	NMF
Total equity attributable to shareholders of the Group	**554,557**	**436,423**	**27.1%**	**535,451**	**3.6%**	**355,299**	**272,132**	**30.6%**	**334,430**	**6.2%**
Non-controlling interests	27,411	14,678	86.7%	35,957	-23.8%	17,562	9,153	91.9%	22,458	-21.8%
Total equity	**581,968**	**451,101**	**29.0%**	**571,408**	**1.8%**	**372,861**	**281,285**	**32.6%**	**356,888**	**4.5%**
Total liabilities and equity	**2,999,826**	**2,474,242**	**21.2%**	**2,704,914**	**10.9%**	**1,921,959**	**1,542,814**	**24.6%**	**1,689,426**	**13.8%**
Book value per share (basic)	**16.64**	**14.58**	**14.1%**	**16.14**	**3.1%**	**10.66**	**9.09**	**17.2%**	**10.08**	**5.8%**
Book value per share (diluted)	**15.44**	**12.53**	**23.3%**	**14.91**	**3.6%**	**9.89**	**7.81**	**26.7%**	**9.31**	**6.2%**

KEY RATIOS	**1H 2012**	**1H 2011**
Profitability		
ROAA, Annualised[1]	3.7%	3.2%
ROAE, Annualised[2]	19.6%	18.3%
Net Interest Margin, Annualised[3]	8.2%	7.9%
Loan Yield, Annualised[4]	17.8%	17.7%
Cost of Funds, Annualised[5]	7.9%	7.8%
Cost of Client Deposits, Annualised	7.7%	7.3%
Cost of Amounts Due to Credit Institutions, Annualised	8.5%	8.8%
Operating Leverage, Y-O-Y[6]	6.6%	26.5%
Efficiency		
Cost / Income[7]	45.6%	48.5%
Liquidity		
NBG Liquidity Ratio[8]	35.2%	37.9%
Liquid Assets To Total Liabilities[9]	28.5%	31.2%
Net Loans To Customer Funds	102.7%	109.5%
Leverage (Times)[10]	4.2	4.5
Asset Quality:		
NPLs (in GEL)	100,121	100,911
NPLs To Gross Loans To Clients	3.3%	3.9%
NPL Coverage Ratio[11]	115.2%	121.2%
Cost of Risk, Annualised[12]	0.9%	1.0%
Capital Adequacy:		
BIS Tier I Capital Adequacy Ratio, Consolidated[13]	21.9%	18.1%
BIS Total Capital Adequacy Ratio, Consolidated[14]	28.1%	26.7%
NBG Tier I Capital Adequacy Ratio[15]	15.0%	11.5%
NBG Total Capital Adequacy Ratio[16]	17.8%	15.1%
Per Share Values:		
Basic EPS (GEL)[17]	**2.57**	**2.13**
Diluted EPS (GEL)	**2.52**	**2.02**
Book Value Per Share (GEL), Basic[18]	**27.37**	**24.30**
Book Value Per Share (GEL), Diluted	**25.41**	**20.88**
Ordinary Shares Outstanding - Weighted Average, Basic[19]	32,807,562	29,934,352
Ordinary Shares Outstanding - Weighted Average, Diluted[20]	33,866,108	33,408,966
Ordinary Shares Outstanding - Period End, Basic	33,332,636	29,932,549
Treasury Shares Outstanding - Period End	(2,576,747)	(1,427,773)
Selected Operating Data:		
Full Time Employees, Group, Of Which:	10,538	5,315
- Full Time Employees, BOG Stand-Alone	*3,533*	*3,216*
- Full Time Employees, Aldagi BCI Insurance	*665*	*313*
- Full Time Employees, Aldagi BCI Healthcare	*5,491*	*747*
- Full Time Employees, BNB	*277*	*278*
- Full Time Employees, Other	*572*	*761*
Total Assets Per FTE, BOG Stand-Alone (in GEL thousands)	1,397	1,282
Number Of Active Branches, Of Which:	179	143
- Flagship Branches	*34*	*34*
- Standard Branches	*95*	*85*
- Express Branches (including Metro)	*50*	*24*
Number Of ATMs	459	408
Number Of Cards Outstanding, Of Which:	745,295	610,299
- Debit cards	*600,431*	*500,593*
- Credit cards	*144,864*	*109,706*
Number Of POS Terminals	3,233	2,630

OTHER RATIOS	1H 2012	1H 2011
Profitability Ratios:		
ROE, Annualised,	18.6%	17.6%
Interest Income / Average Int. Earning Assets Annualised[21]	16.4%	16.3%
Net F&C Inc. To Av. Int. Earn. Ass., Annualised	2.2%	2.1%
Net Fee And Commission Income To Revenue	17.4%	15.9%
Operating Leverage, Y-O-Y	6.6%	26.5%
Revenue to Total Assets, Annualised	9.7%	10.4%
Recurring Earning Power, Annualised[22]	5.6%	5.5%
Profit To Revenue	36.0%	29.9%
Efficiency Ratios:		
Operating Cost to Av. Total Ass., Annualised[23]	4.7%	5.1%
Cost to Average Total Assets, Annualised	5.2%	6.3%
Personnel Cost to Revenue	24.2%	26.4%
Personnel Cost to Operating Cost	53.0%	54.3%
Personnel Cost to Average Total Assets, Annualised	2.5%	2.8%
Liquidity Ratios:		
Liquid Assets To Total Assets	22.9%	25.5%
Net Loans to Total Assets	59.2%	59.2%
Average Net Loans to Average Total Assets	57.7%	56.5%
Interest Earning Assets to Total Assets	79.8%	81.9%
Avererage Interest Earning Assets/Average Total Assets	80.2%	81.0%
Net Loans to Client Deposits	106.6%	117.3%
Average Net Loans to Av. Client Deposits	105.0%	114.3%
Net Loans to Total Deposits	99.1%	108.3%
Net Loans to (Total Deposits + Equity)	74.8%	81.2%
Net Loans to Total Liabilities	73.5%	72.4%
Total Deposits to Total Liabilities	74.2%	66.8%
Client Deposits to Total Deposits	92.9%	92.3%
Client Deposits to Total Liabilties	69.0%	61.7%
Total Deposits to Total Assets	59.8%	54.6%
Client Deposits to Total Assets	55.6%	50.4%
Client Deposits to Total Equity (Times)	2.9	2.8
Total Equity to Net Loans	32.8%	30.8%
Asset Quality:		
Reserve For Loan Losses to Gross Loans to Clients[24]	3.8%	4.8%
% of Loans to Clients collateralised	86.9%	88.2%
Equity to Average Net Loans to Clients	32.8%	30.8%

KEY RATIOS	**Q2 2012**	**Q2 2011**	**Q1 2012**
Profitability			
ROAA, Annualised[1]	4.0%	4.6%	3.5%
ROAE, Annualised[2]	20.0%	25.9%	19.0%
Net Interest Margin, Annualised[3]	9.0%	7.7%	7.3%
Loan Yield, Annualised[4]	18.0%	17.9%	17.6%
Cost of Funds, Annualised[5]	7.5%	7.9%	8.3%
Cost of Client Deposits, Annualised	7.4%	7.4%	8.1%
Cost of Amounts Due to Credit Institutions, Annualised	7.7%	9.7%	9.0%
Operating Leverage, Y-O-Y[6]	-3.6%	18.3%	20.2%
Efficiency			
Cost / Income[7]	45.5%	44.0%	45.8%
Liquidity			
NBG Liquidity Ratio[8]	35.2%	37.9%	36.0%
Liquid Assets To Total Liabilities[9]	28.5%	31.2%	29.0%
Net Loans To Customer Funds	102.7%	109.5%	103.4%
Leverage (Times)[10]	4.2	4.5	3.7
Asset Quality:			
NPLs (in GEL)	100,121	100,911	94,549
NPLs To Gross Loans To Clients	3.3%	3.9%	3.3%
NPL Coverage Ratio[11]	115.2%	121.2%	126.6%
Cost of Risk, Annualised[12]	0.9%	1.2%	1.0%
Capital Adequacy:			
BIS Tier I Capital Adequacy Ratio, Consolidated[13]	21.9%	18.1%	23.0%
BIS Total Capital Adequacy Ratio, Consolidated[14]	28.1%	26.7%	29.4%
NBG Tier I Capital Adequacy Ratio[15]	15.0%	11.5%	15.2%
NBG Total Capital Adequacy Ratio[16]	17.8%	15.1%	18.2%
Per Share Values:			
Basic EPS (GEL)[17]	**1.36**	**1.56**	**1.21**
Diluted EPS (GEL)	**1.35**	**1.45**	**1.17**
Book Value Per Share (GEL), Basic[18]	**27.37**	**21.77**	**26.78**
Book Value Per Share (GEL), Diluted	**25.41**	**20.88**	**24.75**
Ordinary Shares Outstanding - Weighted Average, Basic[19]	33,829,260	30,068,221	32,309,513
Ordinary Shares Outstanding - Weighted Average, Diluted[20]	33,829,260	33,542,835	34,426,605
Ordinary Shares Outstanding - Period End, Basic	33,332,636	29,932,549	33,184,801
Treasury Shares Outstanding - Period End	(2,576,747)	(1,427,773)	(2,724,582)
Selected Operating Data:			
Full Time Employees, Group, Of Which:	10,538	5,315	7,393
- Full Time Employees, BOG Stand-Alone	*3,533*	*3,216*	*3,401*
- Full Time Employees, Aldagi BCI Insurance	*665*	*313*	*323*
- Full Time Employees, Aldagi BCI Healthcare	*5,491*	*747*	*2,740*
- Full Time Employees, BNB	*277*	*278*	*271*
- Full Time Employees, Other	*572*	*761*	*658*
Total Assets Per FTE, BOG Stand-Alone (in GEL thousands)	1,397	1,282	1,320
Number Of Active Branches, Of Which:	179	143	164
- Flagship Branches	*34*	*34*	*34*
- Standard Branches	*95*	*85*	*94*
- Express Branches (including Metro)	*50*	*24*	*36*
Number Of ATMs	459	408	431
Number Of Cards Outstanding, Of Which:	745,295	610,299	703,959
- Debit cards	*600,431*	*500,593*	*568,209*
- Credit cards	*144,864*	*109,706*	*135,750*
Number Of POS Terminals	3,233	2,630	2,940

OTHER RATIOS	**Q2 2012**	**Q2 2011**	**Q1 2012**
Profitability Ratios:			
ROE, Annualised,	19.9%	25.7%	17.7%
Interest Income / Average Int. Earning Assets, Annualised[21]	16.7%	15.9%	16.1%
Net F&C Inc. To Av. Int. Earn. Ass., Annualised	2.3%	2.2%	2.1%
Net Fee And Commission Income To Revenue	16.9%	14.9%	17.9%
Operating Leverage, Q-O-Q	0.8%	27.6%	1.7%
Revenue to Total Assets, Annualised	10.5%	12.1%	9.8%
Recurring Earning Power, Annualised[22]	6.0%	6.9%	5.2%
Profit To Revenue	35.8%	37.8%	36.2%
Efficiency Ratios:			
Operating Cost to Av. Total Ass., Annualised[23]	5.0%	5.4%	4.4%
Cost to Average Total Assets, Annualised	5.7%	7.2%	4.8%
Personnel Cost to Revenue	24.8%	23.9%	23.5%
Personnel Cost to Operating Cost	54.5%	54.4%	51.3%
Personnel Cost to Average Total Assets, Annualised	2.7%	2.9%	2.3%
Liquidity Ratios:			
Liquid Assets To Total Assets	22.9%	25.5%	22.9%
Net Loans to Total Assets	59.2%	59.2%	60.4%
Average Net Loans to Average Total Assets	58.9%	56.4%	57.2%
Interest Earning Assets to Total Assets	79.8%	81.9%	80.3%
Avererage Interest Earning Assets/Average Total Assets	79.8%	82.0%	80.6%
Net Loans to Client Deposits	106.6%	117.3%	111.1%
Average Net Loans to Av. Client Deposits	107.2%	113.3%	104.3%
Net Loans to Total Deposits	99.1%	108.3%	107.5%
Net Loans to (Total Deposits + Equity)	74.8%	81.2%	78.1%
Net Loans to Total Liabilities	73.5%	72.4%	76.6%
Total Deposits to Total Liabilities	74.2%	66.8%	71.3%
Client Deposits to Total Deposits	92.9%	92.3%	96.8%
Client Deposits to Total Liabilties	69.0%	61.7%	69.0%
Total Deposits to Total Assets	59.8%	54.6%	56.2%
Client Deposits to Total Assets	55.6%	50.4%	54.4%
Client Deposits to Total Equity (Times)	2.9	2.8	2.6
Total Equity to Net Loans	32.8%	30.8%	35.0%
Asset Quality:			
Reserve For Loan Losses to Gross Loans to Clients[24]	3.9%	4.9%	4.3%
% of Loans to Clients collateralised	86.9%	88.2%	85.6%
Equity to Average Net Loans to Clients	35.6%	33.4%	37.0%

NOTES TO KEY RATIOS

1 Return On Average Total Assets (ROAA) equals Profit for the period from continuing operations divided by monthly Average Total Assets for the same period;
2 Return On Average Total Equity (ROAE) equals Profit for the period from continuing operations attributable to shareholders of the Bank divided by monthly Average Equity attributable to shareholders of the Bank for the same period;
3 Net Interest Margin equals Net Interest Income of the period (adjusted for the gains or losses from revaluation of interest rate derivatives) divided by monthly Average Interest Earning Assets Including Cash for the same period; Interest Earning Assets Including Cash include: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares and other equity instruments) and Loans To Customers And Finance Lease Receivables;
4 Loan Yield equals Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;
5 Cost Of Funds equals Interest Expense of the period (adjusted for the gains or losses from revaluation of interest rate derivatives) divided by monthly Average Interest Bearing Liabilities; Interest Bearing Liabilities Include: Amounts Due To Credit Institutions and Amounts Due To Customers;
6 Operating Leverage equals percentage change in Revenue less percentage change in Other Operating Non-Interest Expenses;
7 Cost / Income Ratio equals Other Operating Non-Interest Expenses divided by Revenue;
8 Average liquid assets during the month (as defined by NBG) divided by selected average liabilities and selected average off-balance sheet commitments (both as defined by NBG);
9 Liquid Assets include: Cash And Cash Equivalents, Amounts Due From Credit Institutions and Investment Securities;
10 Leverage (Times) equals Total Liabilities divided by Total Equity;
11 NPL Coverage Ratio equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by NPLs;
12 Cost Of Risk equals Impairment Charge for Loans To Customers And Finance Lease Receivables for the period divided by monthly average Gross Loans To Customers And Finance Lease Receivables over the same period;
13 BIS Tier I Capital Adequacy Ratio equals Tier I Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
14 BIS Total Capital Adequacy Ratio equals Total Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
15 NBG Tier I Capital Adequacy Ratio equals Tier I Capital a divided by Total Risk Weighted Assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;
16 NBG Total Capital Adequacy Ratio equals Total Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
17 Basic EPS equals Profit for the period from continuing operations attributable to shareholders of the Bank divided by the weighted average number of outstanding ordinary shares over the same period;
18 Book Value Per Share equals Total Equity attributable to shareholders of the Bank divided by Net Ordinary Shares Outstanding at period end; Net Ordinary Shares Outstanding equals total number of Ordinary Shares Outstanding at period end less number of Treasury Shares at period end;
19 Weighted average number of ordinary shares equal average of daily outstanding number of shares less daily outstanding number of treasury shares;
20 Weighted average diluted number of ordinary shares equals weighted average number of ordinary shares plus weighted average dilutive number of shares known to the management during the same period;
21 Average Interest Earning Assets are calculated on a monthly basis; Interest Earning Assets Excluding Cash include: Investment Securities (but excluding corporate shares and other equity instruments) and Loans To Customers And Finance Lease Receivables;;
22 Recurring Earning Power equals Operating Income Before Cost of Credit Risk for the period divided by monthly average Total Assets of the same period;
23 Operating Cost equals Other Operating Non-Interest Expenses;
24 Reserve For Loan Losses To Gross Loans equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by Gross Loans And Finance Lease Receivables.

RESPONSIBILITY STATEMENTS

We confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as adopted by the European Union;

- The Interim Report 2012 includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- The Interim Report 2012 includes fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related parties’ transactions and changes therein).

By order of the board

Neil Janin	**Irakli Gilauri**
Chairman	Chief Executive

14 August 2012

SHAREHOLDER INFORMATION

BANK OF GEORGIA HOLDINGS PLC

Registered Address
84 Brook Street
London W1K 5EH
United Kingdom
www.bogh.co.uk
Registered under number 7811410 in England and Wales
Incorporation date: 14 October 2011

Stock Listing
London Stock Exchange plc's Main Market for
listed securities
Ticker: "BGEO.LN"

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Share price information
BGH shareholders can access both the latest and historical prices via our website, www.bogh.co.uk

JOINT STOCK COMPANY BANK OF GEORGIA

Registered Address
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Stock Listing
Georgia Stock Exchange (GSE)
Ticker symbol for Bank of Georgia share is GEB

Registrar
Kavkazreestri,74a Chavchavadze Avenue,Tbilisi, Georgia 0162