BANK OF GEORGIA HOLDINGS PLC

PRELIMINARY RESULTS ANNOUNCEMENT 2014

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The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013. The statutory accounts for the Company for the 12 months to 31 December 2013 have been filed with the Registrar of Companies and those for the 12 months to 31 December 2014 will be filed following the Company's annual general meeting. The auditors' report on the accounts for the 12 months to 31 December 2013 was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not include a statement under Section 498 (2) or (3) of the Companies Act 2006.

2014 Overview

Bank of Georgia Holdings PLC (LSE: BGEO LN), the holding company of Georgia's leading bank JSC Bank of Georgia (the "Bank") and its subsidiaries (the "Group"), announced today the Group's full-year 2014 and Q4 2014 consolidated results reporting a full-year profit for 2014 of GEL 240.8 million (US$129.2 million/GBP 83.2 million) and record earnings per share of GEL 6.72 (US$3.61 per share/GBP 2.32 per share). The Group also reported Q4 2014 profit of GEL 66.5 million (US$35.7 million/GBP 23.0 million), or GEL 1.82 per share (US$0.98 per share/GBP 0.63 per share). Unless otherwise mentioned, comparisons are with full-year 2013. The 2014 results are based on IFRS, are unaudited and derived from management accounts.

- **Strong 4th quarter 2014 performance**
  - Q4 2014 Net Interest Margin (NIM) of 7.6%, compared to 7.4% in Q3 2014 and 8.0% in Q4 2013
  - Q4 2014 revenue of GEL 168.7 million, up 17.5% y-o-y and 8.6% q-o-q
  - Q4 2014 Cost of Client Deposits stood at 4.2% down from 4.8% in Q4 2013, flat q-o-q
  - Q4 2014 Loan Yields stood at 14.1% in Q4 2014, down from 14.3% in Q3 2014 and down from 15.8% in Q4 2013
  - Q4 2014 Cost to Income ratio stood at 41.3% compared to 41.9% in Q4 2013 and 42.5% in Q3 2014
  - Positive q-o-q and y-o-y operating leverage at 2.9 percentage points (ppts) and 1.6 ppts, respectively, in Q4 2014
  - Profit increased to GEL 66.5 million in Q4 2014, up 19.5% y-o-y and up 6.7% q-o-q
  - Q4 2014 Earnings Per Share (EPS)[1] increased 18.4% y-o-y and 7.5% q-o-q to GEL 1.87
  - Net loan book increased 13.9% q-o-q; client deposits increased 8.3% q-o-q
  - Return on Average Assets (ROAA), of 3.7% in Q4 2014 (Q3 2014: 3.7%; Q4 2013:3.6%)
  - Return on Average Equity (ROAE)[1], of 19.5% in Q4 2014 (Q3 2014: 19.2%; Q4 2013: 18.6%)

- **Excellent customer lending growth supports record annual profits**
  - Net Interest Margin (NIM) of 7.4%, compared to 7.8% in 2013
  - Revenue increased 11.3% y-o-y to GEL 605.6 million in 2014
  - Cost to Income ratio stood at 42.8% in 2014 compared to 41.2% in 2013
  - Profit for 2014 increased to GEL 240.8 million, up 15.0% y-o-y
  - EPS[1,2] increased 15.5% to GEL 6.85 in 2014 compared to GEL 5.93 in 2013
  - ROAA[2] of 3.6% in 2014, flat y-o-y
  - ROAE[1,2] of 19.0% in 2014, up from 18.6% in 2013

- **Balance sheet strength supported by solid capital and liquidity positions and declining Cost of Funding**
  - Net loan book increased 23.8% y-o-y, while client deposits increased 6.6% y-o-y
  - Cost of Client Deposits decreased to a record low of 4.3% in 2014 from 5.6% in 2013. Loan Yields also declined to 14.4% from 16.3% in 2013
  - Cost of credit risk reduced in 2014 to GEL 59.0 million from GEL 61.8 million in 2013. This translated into a Cost of Risk ratio of 1.2% in 2014 compared to 1.4% in 2013
  - NPLs to Gross Loans to Clients ratio as a result declined from 4.0% as of 31 December 2013 to 3.4% as of 31 December 2014. High liquidity continues to be maintained. Liquidity ratio, per National Bank of Georgia (NBG) requirements, stood at 35.0%, compared to the regulatory minimum requirement of 30.0%**.** 25.0% of total assets made up of cash and cash equivalents, amounts due from credit institutions, the NBG CDs, Georgian government treasury bills and bonds and other high quality liquid assets as of 31 December 2014

[1] Adjusted for results of placing of ordinary shares on 4 December 2014
[2] Before one-off impairment of BG Bank in Ukraine in Q2 2014

  - As of 31 December 2014, Net Loans to Customer Funds and DFI ratio stood at 110.6% (30 September 2014: 103.9%; 31 December 2013: 96.2%)
  - BIS Tier I capital adequacy ratio[1] stood at 22.1% (2013: 23.0%)
  - NBG (Basel 2/3)[1] Tier I Capital Adequacy ratio stood at 11.1% as of 31 December 2014, (30 September 2014: 11.2%)
  - Book value per share increased 18.9% y-o-y to GEL 41.45 (US$22.24/GBP 14.33)
  - Balance sheet leverage stood at 3.7 times as of 31 December 2014 (31 December 2013: 4.3 times)

- **Resilient growth momentum maintained across all major business lines:**
  - **Retail Banking continues to deliver strong franchise growth**, supported by the Express Banking strategy, adding 2,239 Express Pay Terminals and 721,909 Express Cards since the launch of the Express Banking service in 2012. Retail Banking's net loan book grew 28.1% y-o-y and stood at GEL 2,067.0 million, while client deposits increased 24.2% y-o-y to GEL 1,349.6 million
  - **The Bank's acquisition of JSC Privatbank has enhanced its position in the significantly more profitable retail franchise**. The acquisition was finalised in January 2015 and increased the Bank's market share in retail loans by 4.9% and in retail deposits by 2.6% (market shares as of 31 December 2014)
  - **Corporate Banking's net loan book growth rate picked up in the second half of the year**, with the net loan book increasing by 18.8% y-o-y to GEL 2,160.8 million as of 31 December 2014. Corporate Banking Cost of Deposits decreased significantly from 4.6% in 2013 to a record low 2.9% in 2014. Pressure on Corporate Banking NIM continued, driving it down by 50 bps y-o-y to 4.5%
  - **Investment Management's Assets Under Management (AUM[2]) increased 21.4% y-o-y** to GEL 1,027.1 million. Since the launch of the Certificate of Deposit (CD) programme in January 2013, the volume of CDs issued reached GEL 460.6 million, as of 31 December 2014. Net fee and commission income for Investment Management increased substantially to GEL 8.8 million in 2014 up from GEL 1.2 million in 2013
  - **The Group's healthcare business grew its market share from 14.3% as of 31 December 2013 to 22.0% as of 31 December 2014 in terms of hospital beds**. The Group's healthcare services business, which operates 39 healthcare facilities and 2,140 hospital beds, reported profit that more than tripled y-o-y, increasing to GEL 14.0 million in 2014 (2013: GEL 4.4 million)
  - **m^2 Real Estate enjoys strong demand, selling 576 apartments in 2014, which brings total apartments sold since 2010 to 1,328**

[1] Capital Adequacy ratios (neither Basel 1, nor Old NBG, nor New Basel 2/3), in their Capital part, do not include proceeds from the recently raised new equity of US$ 111.9 million on the free market by BGH. Capital adequacy ratios are calculated for the banking group, at JSC Bank of Georgia level and the recently raised new equity has not been invested in JSC Bank of Georgia.

[2] Wealth Management client deposits, Galt &Taggart client assets, Aldagi Pension Fund and Wealth Management client assets at Bank of Georgia Custody

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report a record 2014 full year profit of GEL 240.8 million, up 15.0%, supported by record revenue of GEL 605.6 million and earnings per share of GEL 6.85, up 15.5%. Our 2014 performance is in line with our stated 3x20 strategy. Most importantly the return on our shareholders' equity was 19.0%, customer lending grew by 23.8% during the year and our capital position is solid with a 22.1% Tier 1 capital ratio under Basel 1. These results reflect a continuing strong performance in each of our core banking and investment management businesses, demonstrating excellent customer lending growth with improving margins, balance sheet strength and strong profitability, together with substantial further progress in our healthcare and real estate businesses.

This full year performance was supported by a strong fourth quarter. Compared to the third quarter of 2014, customer lending grew by 13.9%, the net interest margin increased by 20 basis points to 7.6%, and revenues increased by 8.6%. Costs remained well controlled, with positive operating leverage of 2.9 percentage points, and asset quality remained good with a cost of risk in the quarter of 1.2% and the NPL to gross loans ratio falling to 3.4% at the end of the year.

I would particularly like to highlight the main drivers of the strong 2014 results that also reflect the effectiveness of our strategy. Firstly, in our banking businesses we delivered 23.8% customer lending growth (17.7% excluding exchange rate effects) with strong performances in both the retail and corporate businesses. In particular, customer lending in the final quarter of the year increased by 13.9%. Secondly, we achieved strong net non-interest income growth, up 13.6% during the year, driven by our Retail Banking and Investment Management strategies. Thirdly, our Healthcare revenue more than doubled during the year, driven by both organic growth and the impact of recent acquisitions.

These positive revenue developments are the fruits of the key strategic initiatives we have put in place over the last few years. Along with the expansion of our Retail Banking business through our Express Banking and payment systems strategies, the development of our Investment Management business has delivered a significantly increased contribution in net fee and commission income.

Our Investment Management strategy is a timely response to developments in the corporate landscape and the start of the development of the Georgian capital markets. With this move, we have enhanced our fee generating business that we have uniquely positioned to build upon the success of our wealth management and research services and our extensive coverage of the corporate client base in Georgia.

We are also pleased to see substantial benefits of our strategy for our healthcare business – Georgia Healthcare Group, which now combines our two healthcare-related businesses (healthcare services and health insurance) into an integrated whole. In our healthcare services business we progressed further in terms of our M&A activity by acquiring eight new hospitals with a total number of 850 beds throughout the country, markedly strengthening our footprint in this market over the last 12 months. While we have not yet fully realised the synergies from these acquisitions, we have nevertheless reported a 62.8% healthcare services revenue growth, and a 146.6% healthcare services profit growth. This business is now extremely well positioned for its planned international stock market listing in the second half of 2015.

Strategy Going Forward:

Towards the end of 2014, the Board conducted a business review to ensure that returns produced by the Group are sustainable in longer run and that the capital is allocated accordingly. As a result of this review the Group's strategy was upgraded from "3x20" to "4x20". Let me address the updated strategy and the logic behind the change:

1. Return-on-Equity of circa. 20% in the banking business

Due to superior returns in Retail Banking, we expect Retail business to continue to drive the banking business ROAE. The recent acquisition of Privatbank is in line with our updated strategy to further strengthen our growing payments business as well as capture synergies by merging Privatbank with our existing Express Banking franchise.

In Corporate Banking returns are below our targeted 20% level. Therefore, we intend to step-up our advisory business through our investment banking arm and start developing capital markets in Georgia in order to enhance the overall Banking ROAE.

2. Tier 1 Capital circa. 20%

We are committed to growing our banking business while maintaining its existing strong capitalisation. We aim to maintain capitalisation levels consistent with the Bank's existing target of greater than 20% Tier 1 under Basel I. The Bank's strong internal capital generation will continue to support loan growth without compromising capital ratios.

3. Growth of circa. 20% in retail customer lending

Bank of Georgia's Retail net loan book has grown at a CAGR of 22.9% from 2009 to 2014 and management remains committed to 20% growth in its retail customer lending. In addition to the abovementioned growth of our Retail Banking business, the Privatbank acquisition will significantly enhance our retail customer franchise as well as increase our distribution network. With this acquisition we will be adding 400,000 retail customers and 4.9% market share in retail loans.

4. Internal Rate of Return of minimum 20% for our investment businesses

As access to equity capital is limited in a small economy like Georgia, the risk/return profile of equity investments in Georgian corporates is more attractive than that of corporate lending business. In view of the Group's successful track record in turning around its healthcare and real estate businesses and the good risk/return profile of equity investments in Georgia, the Board decided to pursue selective opportunities to invest in Georgian corporates with the aim of divestment (in full or partially) within 6 years. The minimum target IRR on such investments will be 20%. In view of updated strategy the group recently completed the acquisition of a minority interest in Georgian Global Utilities, a Tbilisi water utility company with 143 MW hydropower facilities. The Group has purchased a 25% stake initially, with an option to step up to 49.9% stake during 2015.

In December 2014, the Group completed a successful capital raising of US$114 million, representing 10 per cent of the Group's share capital, to enable a number of acquisitions to be made to support the Group's evolving strategy.

Macroeconomic Outlook:

From a macroeconomic perspective, Georgia delivered strong GDP growth in 2014, at an estimated 4.7%. This was a particularly robust performance against the backdrop of ongoing geopolitical concerns and macroeconomic and currency devaluation pressures in many of Georgia's trading partners, and demonstrates the resilience of the Georgian economy. It is noteworthy that strong contribution to GDP growth came from an increase of private investments, up 27.2% in first three quarters of 2014. Nevertheless, USD strengthened against Georgian Lari, but the US Dollar appreciation was stronger against other regional currencies. During 2014, Lari depreciated 7.3% against the US dollar, but appreciated by 5.3% against the Euro, the single largest trading partner currency of Georgia. Inflation has remained subdued, at 2.0%, as falling oil prices and weaker Euro, in particular, have helped the economy to contain inflationary pressures.

Even though the Georgian economy is well diversified and resilient to external shocks, we believe growth in 2015 will be affected by the weak regional economies. Therefore, we are revising our GDP growth targets for 2015 to be within 1.5% - 3% range. At the same time, strengthening of Real Effective Exchange Rate over the past one to two years suggests Lari correction of 5-10%. We are adjusting our risk management to reflect this revised macroeconomic outlook and, whilst there has not yet been any deterioration in asset quality, over the next 12 months we expect our Cost of Risk to be above our medium term target of 1.0-1.5%.

Dividend:

At the 2015 AGM the Board intends to recommend an annual dividend of GEL 2.1 per share payable in British Sterling at the prevailing rate. This represents an increase of 5%, compared to the annual dividend of GEL 2.0 per share last year.

Irakli Gilauri,
Chief Executive Officer of Bank of Georgia Holdings PLC

FINANCIAL SUMMARY

BGH **Income Statement Summary** *GEL thousands, unless otherwise noted*	**Year ended** **31 Dec 2014**	 **31 Dec 2013**	**Change** **y-o-y**
Revenue[1]	605,578	544,256	11.3%
Operating expenses	(258,949)	(224,367)	15.4%
Operating income before cost of credit risk	346,629	319,889	8.4%
Cost of credit risk[2]	(59,020)	(61,802)	-4.5%
Net operating income before non-recurring items	287,609	258,087	11.4%
Net non-recurring items	(11,017)	(12,831)	-14.1%
Profit	240,767	209,343	15.0%
Earnings per share (basic, diluted) (GEL)[1]	6.85	5.93	15.5%

BGH **Statement of Financial Position** *GEL thousands, unless otherwise noted*	**As at** **31 Dec 2014**	 **31 Dec 2013**	**Change** **y-o-y**	**As at** **30 Sep 2014**	**Change** **q-o-q**
Total assets	7,598,917	6,520,969	16.5%	6,815,668	11.5%
Net loans[3]	4,360,705	3,522,915	23.8%	3,827,556	13.9%
Customer funds[4]	3,338,725	3,117,732	7.1%	3,088,254	8.1%
Tier I Capital Adequacy Ratio (BIS)[5]	22.1%	23.0%	-90 bps	22.7%	-60 bps
Total Capital Adequacy Ratio (BIS)[5]	26.1%	27.1%	-100 bps	26.4%	-30 bps
NBG Tier I Capital Adequacy Ratio (Basel 2/3)[6]	11.1%	n/a	n/a	11.2%	-10 bps
NBG Total Capital Adequacy Ratio (Basel 2/3)[6]	14.1%	n/a	n/a	14.2%	-10 bps
NBG Tier I Capital Adequacy Ratio[7]	13.3%	14.4%	-110 bps	14.5%	-120 bps
NBG Total Capital Adequacy Ratio[7]	13.8%	15.4%	-160 bps	14.1%	-30 bps
Leverage (times)[8]	3.7	4.3		4.1	
GEL/US$ Exchange Rate (period-end)	1.8636	1.7363		1.7524	
GEL/GBP Exchange Rate (period-end)	2.8932	2.8614		2.8450	

BGH **Income Statement Summary** *GEL thousands, unless otherwise noted*	**Quarter ended** **31 Dec 2014**	 **31 Dec 2013**	**Change** **Y-O-Y**	**Quarter ended** **30 Sep 2014**	**Change** **Q-O-Q**
Revenue[1]	168,702	143,558	17.5%	155,363	8.6%
Operating expenses	(69,678)	(60,115)	15.9%	(65,956)	5.6%
Operating income before cost of credit risk	99,024	83,443	18.7%	89,407	10.8%
Cost of credit risk[2]	(16,552)	(10,000)	65.5%	(15,306)	8.1%
Operating income before net non-recurring items	82,472	73,443	12.3%	74,101	11.3%
Net non-recurring items	(2,093)	(5,959)	-64.9%	(727)	187.9%
Profit	66,477	55,644	19.5%	62,308	6.7%
Earnings per share (basic, diluted) (GEL)[1]	1.87	1.58	18.4%	1.74	7.5%

[1] Revenue includes net interest income, net fee and commission income, net insurance revenue, net healthcare revenue and other operating non-interest income
[2] Cost of credit risk includes impairment charge (reversal of impairment) on: loans to customers, finance lease receivables and other assets and provisions
[3] Net loans equal to net loans to customers and net finance lease receivables
[4] Customer funds equal amounts due to customers
[5] 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 Adequacy ratio equals total consolidated capital as of the period end divided by total consolidated risk weighted assets. Both ratios are calculated in accordance with the requirements of Basel Accord I
[6] NBG Tier I Capital and Total Capital Adequacy ratios are calculated in accordance with the requirements of the National Bank of Georgia based on Basel 2/3 for more information please see page 47
[7] NBG Tier I Capital and Total Capital Adequacy ratios are calculated in accordance with the requirements of the National Bank of Georgia based on Basel I
[8] Leverage (times) equals total liabilities divided by total equity

[1] Adjusted for results of placing of ordinary shares on 4 December 2014 and before one-off impairment of BG Bank in Ukraine in Q2 2014

DISCUSSION OF RESULTS

Revenue

GEL thousands, unless otherwise noted	Year ended 31 Dec 2014	31 Dec 2013	Change y-o-y
Loans to customers	539,983	522,847	3.3%
Investment securities[1]	39,988	35,371	13.1%
Amounts due from credit institutions	6,581	8,423	-21.9%
Finance lease receivables	8,370	7,466	12.1%
Interest income	**594,922**	**574,107**	**3.6%**
Amounts due to customers	(133,865)	(159,028)	-15.8%
Amounts due to credit institutions, of which:	(62,560)	(65,161)	-4.0%
Subordinated debt	*(11,412)*	*(22,394)*	*-49.0%*
Loans and deposits from other banks	*(51,148)*	*(42,767)*	*19.6%*
Debt securities issued, of which:	(54,436)	(35,424)	53.7%
Eurobonds	*(52,679)*	*(35,424)*	*48.7%*
Other	*(1,757)*	-	-
Interest expense	**(250,861)**	**(259,613)**	**-3.4%**
Net interest income before interest rate swaps	**344,061**	**314,494**	**9.4%**
Net loss from interest rate swaps	-	(398)	-100.0%
Net interest income	**344,061**	**314,096**	**9.5%**
Fee and commission income	132,455	115,106	15.1%
Fee and commission expense	(32,793)	(28,210)	16.2%
Net fee and commission income	**99,662**	**86,896**	**14.7%**
Net insurance premiums earned	95,850	129,993	-26.3%
Net insurance claims incurred	(66,421)	(84,660)	-21.5%
Net insurance revenue	**29,429**	**45,333**	**-35.1%**
Healthcare revenue	125,720	60,013	109.5%
Cost of healthcare services	(78,836)	(37,644)	109.4%
Net healthcare revenue[2]	**46,884**	**22,369**	**109.6%**
Real estate income	15,782	5,898	167.6%
Net gain from trading and investment securities	376	3,097	-87.9%
Net gain from revaluation of investment property	1,909	9,788	-80.5%
Net gain from foreign currencies	49,584	43,512	14.0%
Other operating income	17,891	13,267	34.9%
Other operating non-interest income	**85,542**	**75,562**	**13.2%**
Net non-interest income	**261,517**	**230,160**	**13.6%**
Revenue	**605,578**	**544,256**	**11.3%**

[1] Investment securities primarily consist of Georgian government treasury bills and bonds and National Bank of Georgia's Certificates of Deposits *(NBG CDs)*
[2] For the net healthcare revenue disclosures please see Healthcare Business segment discussion

We delivered record revenue of GEL 605.6 million, up 11.3% y-o-y, as a result of maintained resilient growth momentum across all the major business lines in 2014. The robust performance was fuelled primarily by solid growth of the loan portfolio coupled with our continued focus on liability optimisation aimed at interest expense reduction. Additionally, fee and commission income also picked up significantly due to the expansion of our Express Banking footprint and investment management operations. Finally, our healthcare business also made a significant contribution, increasing 109.6% y-o-y, in line with our strategy to increase the scale of our healthcare business.

We delivered record net interest income for 2014 driven by the combined effect of high 'teens growth in lending and a 100 basis point cut in the Cost of Funding. Net interest income totalled GEL 344.1 million, up 9.5% y-o-y and driven by a 3.6% increase in interest income to GEL 594.9 million and a 3.4% decline in interest expense to GEL 250.9 million. Interest income grew primarily due to a 3.3% increase in interest income from loans to customers reaching GEL 540.0 million driven by a 17.7% increase in average net loans to customers, which more than offset 190 bps decline in the Loan Yield to 14.4% in 2014. The Loan Yield was impacted by strong competitive pressures driven by the high level of liquidity in the banking sector during the year, although our liquidity levels started to decline in the second-half of the year as a result of a significant pick-up in lending, translating into largely flat Loan Yield in Q4 2014 on q-o-q basis.

Interest expense declined, despite a 17.0% y-o-y increase in average interest bearing liabilities – a result of our intensified liability optimisation efforts during the year that drove Cost of Funding 100 bps lower year-on-year to 4.9%. The decline in the Cost of Funding was supported by a significant cost reduction in all respective items of interest bearing liabilities – Cost of Client Deposits, Cost of Amounts due to Credit Institutions and Cost of Debt Securities decreased 130 bps, 120 bps and 60 bps, respectively. The sharp decline in Cost of Client Deposits had the largest impact on the reduction in interest expense - despite an 8.9% increase in average client deposits, a corresponding balance sheet item. This decline was partly offset by a 53.7% increase in interest expense to debt securities to GEL 54.4 million as a result of an issue of Eurobonds in Q4 2013, which increased the corresponding average balance sheet item by 67.0% y-o-y.

Net Interest Margin (NIM)

GEL thousands, unless otherwise noted	**Year ended** **31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Net interest income	344,061	314,096	9.5%
Net Interest Margin	**7.4%**	**7.8%**	**-40 bps**
Average interest earning assets[1]	4,680,837	4,037,894	15.9%
Average interest bearing liabilities[1]	5,127,194	4,382,341	17.0%
Average net loans, currency blended	3,710,551	3,153,831	17.7%
Average net loans, GEL	1,154,537	972,229	18.8%
Average net loans, FC	2,556,014	2,181,602	17.2%
Average client deposits, currency blended	3,087,110	2,835,123	8.9%
Average client deposits, GEL	905,757	935,436	-3.2%
Average client deposits, FC	2,181,353	1,899,687	14.8%
Average liquid assets, currency blended	1,864,265	1,593,651	17.0%
Average liquid assets, GEL	837,898	746,107	12.3%
Average liquid assets, FC	1,026,367	847,544	21.1%
Excess liquidity (NBG)[2]	177,917	537,107	-66.9%
Liquid assets yield, currency blended	2.5%	2.7%	-20 bps
Liquid assets yield, GEL	5.0%	5.1%	-10 bps
Liquid assets yield, FC	0.5%	0.5%	-
Loan yield, total	14.4%	16.3%	-190 bps
Loan yield, GEL	19.7%	22.2%	-250 bps
Loan yield, FC	11.8%	13.5%	-170 bps
Cost of funding, total	4.9%	5.9%	-100 bps
Cost of funding, GEL	4.0%	4.9%	-90 bps
Cost of funding, FC	5.2%	6.3%	-110 bps

[1] Daily averages are used for calculation of average interest earning assets and average interest bearing liabilities
[2] Excess liquidity is the excess amount of liquid assets, as defined per NBG, which exceeds the minimal amount of the same liquid assets for the purposes of the minimal 30% liquidity ratio per NBG definitions

The NIM at 7.4% in 2014 was comfortably maintained within our target of 7% - 7.5%. It was down slightly by 40 bps y-o-y, reflecting the competitive pressures on Loan Yields driven by high level of liquidity in the banking sector during 2014. Our NIM of 7.4% in 2014 was a result of average interest earning assets growing faster than net interest income, coupled with decreasing yields (Loan Yield down 190 bps and Liquid Asset Yield down 20 bps) which were partially offset by declining Cost of Funding (down 100 bps). As mentioned above, our liquidity levels started to decline in the second-half of the year as a result of a significant pick-up in lending which reduced NIM pressure during the second half.

Net fee and commission income

GEL thousands, unless otherwise noted	**Year ended 31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Fee and commission income	132,455	115,106	15.1%
Fee and commission expense	(32,793)	(28,210)	16.2%
Net fee and commission income	**99,662**	**86,896**	**14.7%**

We posted a record net fee and commission income of GEL 99.7 million in 2014, delivering growth of 14.7% y-o-y. This robust growth reflects the ongoing success of our Express Banking strategy, which resulted in the addition of over 200,000 Retail Banking clients, mostly emerging mass market customers, and triggered a significant increase in the volume of banking transactions. The increase – in line with the Express Banking strategy - has predominantly come through cost-effective remote channels. Fee and commission expense increased 16.2% to GEL 32.8 million as a result of fees related to client acquisition costs within the Express Banking strategy. Another factor contributing to the y-o-y increase in fee expenses was the outsourcing of the Bank's cash collection service (GEL 2.2 million in 2014), the costs of which effectively shifted from salaries and other employee benefits to fee and commission expense. The Investment Management business also increased its contribution to our net fee and commission income.

Net healthcare revenue and net insurance revenue

GEL thousands, unless otherwise noted	**Year ended 31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Net insurance premiums earned	95,850	129,993	-26.3%
Net insurance claims incurred	(66,421)	(84,660)	-21.5%
Net insurance revenue	**29,429**	**45,333**	**-35.1%**
Healthcare revenue	125,720	60,013	109.5%
Cost of healthcare services, of which:	(78,836)	(37,644)	109.4%
Salaries and other employee benefits	*(47,085)*	*(19,393)*	*142.8%*
Depreciation expenses	*(6,598)*	*(5,160)*	*27.9%*
Other operating expenses	*(25,153)*	*(13,091)*	*92.1%*
Net healthcare revenue[1]	**46,884**	**22,369**	**109.6%**
Net insurance and healthcare revenue (total)	**76,313**	**67,702**	**12.7%**

[1] For the net healthcare revenue disclosures please see the Healthcare Business segment discussion

Our healthcare business further strengthened its market leader position in 2014 and enjoys a market share of 22.0% in terms of hospital beds as of 31 December 2014 (14.3% as of 31 December 2013). Our net healthcare revenue increased 109.6% y-o-y to GEL 46.9 million in 2014. The increase was driven by the strong performance of our healthcare operations, growing organically as well as through acquisitions. Furthermore, government-funded universal healthcare programme (the Universal Healthcare Programme or UHC) favorably affected our healthcare business results. Finally, as the management shifts its focus to integrating the acquired facilities, it expects to realise significant synergies by upgrading the facilities, centralising the back-office functions and bringing their operational performance in line with the internal targets.

As anticipated, UHC had a negative effect on the health insurance businesses, which has over recent years been significant component of our insurance business. UHC resulted in a structural shift of private insurers' revenues that had previously come from state to the UHC system (and away from the private insurance companies). Furthermore, the shift of revenue to the UHC system did not immediately result in the elimination of associated costs, including insurance claims incurred. As anticipated, this has had a negative effect on the health insurance businesses. Notwithstanding these changes, our health insurance business strengthened its position in the market and accounted for 36.7% of the total health insurance sector in Georgia based on gross premiums revenue as of 30 September 2014, up from 28.9% as of 31 December 2013.

For more information see Healthcare Business discussion on page 26

Other operating non-interest income

GEL thousands, unless otherwise noted	**Year ended** **31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Real estate income	15,782	5,898	167.6%
Net gain from trading and investment securities	376	3,097	-87.9%
Net gain from revaluation of investment property	1,909	9,788	-80.5%
Net gain from foreign currencies	49,584	43,512	14.0%
Other operating income	17,891	13,267	34.9%
Other operating non-interest income	**85,542**	**75,562**	**13.2%**

We benefited from completion of our second real estate project in 2014. Other operating non-interest income increased 13.2% to GEL 85.5 million, primarily as a result of nearly a threefold increase in real estate income to GEL 15.8 million. Real estate revenue predominantly comprises revenue from the sale of apartments in the second project of m^2 Real Estate, following completion of construction works as well as the handover of apartments. Net gain from foreign currencies is the second largest contributor to our other operating non-interest income and also increased to GEL 49.6 million, up 14.0% as a result of increased economic activity and higher volatility of Georgian Lari, which significantly increased the number of foreign currency transactions. The growth was also supported by a 34.9% increase in other operating income to GEL 17.9 million, which predominantly consists of revenue from the Bank's wine making subsidiary Teliani Valley.

The robust growth was partially offset by a decline in net gain from trading and investment securities from GEL 3.1 million to GEL 0.4 million, which comprises realised gains from investment securities consisting of Government issued securities. Net gain from revaluation of investment property, which has declined from GEL 9.8 million in 2013 to GEL 1.9 million in 2014, comprises almost entirely revaluation of properties that m^2 Real Estate has earmarked for development.

Operating income before non-recurring items; cost of credit risk; profit for the period

GEL thousands, unless otherwise noted	**Year ended** **31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Salaries and other employee benefits	(153,807)	(135,065)	13.9%
General and administrative expenses	(73,185)	(60,364)	21.2%
Depreciation and amortisation expenses	(28,207)	(26,572)	6.2%
Other operating expenses	(3,750)	(2,366)	58.5%
Operating expenses	**(258,949)**	**(224,367)**	**15.4%**
Operating income before cost of credit risk	**346,629**	**319,889**	**8.4%**
Cost of credit risk	**(59,020)**	**(61,802)**	**-4.5%**
Operating income before net non-recurring items	**287,609**	**258,087**	**11.4%**
Net non-recurring items	(11,017)	(12,831)	-14.1%
Profit before income tax expense	**276,592**	**245,256**	**12.8%**
Income tax expense	(35,825)	(35,913)	-0.2%
Profit	**240,767**	**209,343**	**15.0%**

Our non-banking businesses scaled up significantly in 2014 and this is reflected in our operating expenses. Our operating expenses increased 15.4% driven by a 13.9% increase in salaries & other employment benefits to GEL 153.8 million and a 21.2% increase in general & administrative expenses to GEL 73.2 million. The increase in operating expenses was principally driven by the growth of our healthcare business, which continues to expand organically as well as through acquisitions. As a result of this expansion, the healthcare business headcount increased by 1,280 or 19.0% during the reporting period, pushing up costs. The effect is magnified in 2014 since the post-acquisition synergies have not yet been fully realised and cost synergies are expected mainly in the areas of procurement, process standardisation and payroll, as benchmarked against our internal targets. Bank of Georgia's standalone headcount, has increased at a more modest rate of 5.5% to 3,769 employees but an increase in the number of senior managers eligible for share based compensation resulted in higher salaries and other employee benefits expenses. Growth of operating expenses was also impacted by an expanded Corporate Social Responsibility programme that entails initiatives promoting education, conserving nature and supporting children with disabilities. Our Investment Management business, which is gearing up to build its corporate advisory business, also put upward pressure on costs during the reporting period.

As a result, our Cost to Income ratio increased 160 bps to 42.8% in 2014. However, Cost to Income improved in second half of the year, reaching 41.3% in Q4 2014. As the restructuring and integration process within our healthcare business nears completion, the Cost to Income ratio is expected to continue its recent downward trend. As a result of the foregoing, operating income before cost of credit risk increased 8.4% y-o-y to GEL 346.6 million.

Our asset quality has improved significantly as a result of further economic growth and our continuing prudent risk management policies. Cost of credit risk declined 4.5% to GEL 59.0 million in 2014. The increase in impairment of loans reflects the growth of the loan book, particularly in Retail Banking. As a result, our Cost of Risk improved to 1.2% in 2014, a 20 bps decrease from 1.4% in 2013. Cost of credit risk also reflects the new provisioning methodology the Bank implemented in January 2014. The overall effect of the new methodology[1] was largely immaterial as its positive impact on the Retail Banking cost of credit risk was only slightly more than a small negative impact on the Corporate Banking cost of credit risk.

NPL coverage adjusted for the discounted value of collateral stood at a comfortable level of 111.1% as of 31 December 2014 compared to 112.4% as of 30 September 2014 and 110.6% as of 31 December 2013. 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, increased 6.0% y-o-y to GEL 153.6 million as of 31 December 2014 – lower than the growth of the gross loan book. The Group's NPLs to Gross Loans to Clients ratio as a result declined from 4.0% as of 31 December 2013 to 3.4% as of 31 December 2014. The NPL Coverage ratio stood at 68.0%, compared to 83.8% as of 31 December 2013, the decline predominantly reflects increased write-offs in 2014.

The Group's net operating income before non-recurring items for 2014 totalled GEL 287.6 million, up 11.4% y-o-y. The Bank's net non-recurring items for the period decreased to GEL 11.0 million and included full impairment of the Bank's legacy investment in BG Bank in Ukraine (approximately GEL 3.8 million).

As a result, profit before income tax in 2014 totalled GEL 276.6 million, up 12.8% y-o-y. After deducting income tax expense of GEL 35.8 million, the Group's 2014 profit for the period stood at GEL 240.8 million, up 15.0% compared to 2014.

[1] The new provisioning methodology is based on statistical assessment of Probability of Default (PD) and Loss Given Default (LGD) for each loan type. Management believes that the new methodology will allow better allocation of Cost of Risk between different products. The overall impact of the change in methodology on the provisioning rate and on the financial statements for this period is not material. The new methodology was developed in consultation with Deloitte, who also provided the respectively integrated IT solution.

Balance Sheet highlights

Our balance sheet remained liquid (NBG Liquidity ratio of 35.0%) **and well-capitalised** (BIS Tier I of 22.1%) **with a diversified funding base** (Client Deposits to Liabilities of 55.6%). The y-o-y change in the composition of the balance sheet reflects strong growth of lending in the second half of 2014, particularly in Retail Banking, which drove net loans up by 23.8% to GEL 4,360.7 million. The pick-up in lending decreased the share of liquid assets to total assets to a comfortable level of 25.0% as at 31 December 2014 from 29.5% as at 31 December 2013, when the liquidity pool was significantly higher due to an issue of Eurobonds in Q4 2013. Our assets increased 16.5% y-o-y to GEL 7,598.9 million.

The Bank funded its growth predominantly through the excess liquidity. Additionally, more focus was placed on attracting cheaper Development Financial Institutions (DFI) funds in order to further reduce the Cost of Funding and as a result we prepaid GEL 114.0 million of DFI funding in 2014 with cheaper funds. As a result, the share of amounts due to credit institutions to total liabilities increased from 21.9% to 23.6%, with the share of client deposits to total liabilities declining from 58.8% to 55.6%. Cost of Funding improved by 100 bps to a record low of 4.9% on the back of a significant increase in interest bearing liabilities by 31 December 2014, which were up 12.0% y-o-y. The Group's total liabilities increased 13.0% to GEL 5,964.8 million.

Total equity attributable to the shareholders of the Group stood at GEL 1,574.1 million, up 33.1% y-o-y, reflecting additional GEL 215.7 million equity raised in December 2014 through the issue of new ordinary shares to existing and new institutional investors representing up to 9.99% of BGH's issued share capital. The Bank's book value per share on 31 December 2014 stood at GEL 41.45 (US$22.24/GBP14.33), compared to GEL 34.85 (US$20.07/GBP12.18) as of 31 December 2013.

Liquidity, Funding and Capital Management

	As at		**Change**	**As at**	**Change**
GEL thousands, unless otherwise noted	**31 Dec 2014**	**31 Dec 2013**	**y-o-y**	**30 Sep 2014**	**q-o-q**
Amounts due to credit institutions, of which:	1,409,214	1,157,979	21.7%	1,264,299	11.5%
Subordinated debt	*140,045*	*168,710*	*-17.0%*	*133,883*	*4.6%*
Other amounts due to credit institutions	*1,269,169*	*989,269*	*28.3%*	*1,130,416*	*12.3%*
Debt securities issued, of which:	856,695	728,117	17.7%	794,952	7.8%
Eurobonds	*779,445*	*728,117*	*7.0%*	*719,184*	*8.4%*
Other	*77,250*	-	-	*75,768*	*2.0%*
Customer Funds, of which:	3,338,725	3,117,732	7.1%	3,088,254	8.1%
Client deposits, of which	*3,313,715*	*3,107,209*	*6.6%*	*3,060,784*	*8.3%*
CDs	*543,640*	*221,539*	*145.4%*	*442,808*	*22.8%*
Promissory notes	*25,010*	*10,523*	*137.7%*	*27,470*	*-9.0%*
Net Loans / Customer Funds	130.6%	113.0%		123.9%	
Net Loans / Customer Funds + DFIs	110.6%	96.2%		103.9%	
Liquid assets	**1,899,171**	**1,921,704**	**-1.2%**	**1,750,417**	**8.5%**
Liquid assets, GEL	**1,036,126**	**806,870**	**28.4%**	**854,270**	**21.3%**
Liquid assets, FC	**863,045**	**1,114,834**	**-22.6%**	**896,147**	**-3.7%**
Liquid assets as percent of total assets	25.0%	29.5%	-450 bps	25.7%	-70 bps
Liquid assets as percent of total liabilities	31.8%	36.4%	-460 bps	31.9%	-10 bps
NBG liquidity ratio	35.0%	45.7%	-10.7%	37.8%	-2.8%
Excess liquidity (NBG)	177,917	537,107	*-66.9%*	245,941	*-27.7%*
RATIOS					
Tier I Capital Adequacy Ratio (NBG)	13.3%	14.4%	-110 bps	14.5%	-120 bps
Total Capital Adequacy Ratio (NBG)	13.8%	15.4%	-160 bps	14.1%	-30 bps
Tier I Capital Adequacy Ratio (NBG Basel 2/3)	11.1%	n/a	n/a	11.2%	-10 bps
Total Capital Adequacy Ratio (NBG Basel 2/3)	14.1%	n/a	n/a	14.2%	-10 bps
Tier I Capital Adequacy Ratio (BIS)	22.1%	23.0%	-90 bps	22.7%	-60 bps
Total Capital Adequacy Ratio (BIS)	26.1%	27.1%	-100 bps	26.4%	-30 bps

We maintained a strong liquidity position while at the same time deploying a large portion of our excess liquid assets into loans in 2014. The deployment of liquid assets into loans in the second half of 2014 led to a 1.2% y-o-y decline in liquid assets. Consequently, the NBG liquidity ratio decreased to 35.0% from 45.7% at the end of 2013, against a regulatory requirement of 30.0%. The pick-up in lending during the period also resulted in a Net Loans to Customer Funds ratio of 130.6% compared to 113.0% a year ago. Net Loans to Customer Funds and DFIs ratio, closely observed by management, stood at 110.6% compared to 96.2% as of 31 December 2013.

The Bank's Tier I ratio (BIS) stood at a robust 22.1%, compared to 22.7% as of 30 September 2014 and 23.0% as of 31 December 2013. Risk weighted assets increased 23.1% y-o-y to GEL 6,253.0 million, reflecting the increase in the loan book during the year, while Tier I Capital (BIS) increased 18.1% to GEL 1,381.8 million. The Bank's NBG Tier I Capital Adequacy Ratio calculated according to new regulations based on Basel 2/3 stood at 11.1% compared to11.2% as of 30 September 2014. *For information on the regulatory changes on capital requirements see Annex II on page 47.*

RESULTS BY QUARTER

Revenue

GEL thousands, unless otherwise noted	Quarter ended 31 Dec 2014	Quarter ended 31 Dec 2013	Change y-o-y	Quarter ended 30 Sep 2014	Change q-o-q
Loans to customers	146,795	133,354	10.1%	134,617	9.0%
Investment securities	11,587	8,148	42.2%	10,330	12.2%
Amounts due from credit institutions	1,318	1,745	-24.5%	1,758	-25.0%
Finance lease receivables	1,992	2,570	-22.5%	1,880	6.0%
Interest income	**161,692**	**145,817**	**10.9%**	**148,585**	**8.8%**
Amounts due to customers	(34,116)	(35,624)	-4.2%	(32,762)	4.1%
Amounts due to credit institutions	(15,825)	(15,511)	2.0%	(15,764)	0.4%
Subordinated debt	*(2,758)*	*(5,456)*	*-49.5%*	*(2,665)*	*3.5%*
Loans and deposits from other banks	*(13,067)*	*(10,055)*	*30.0%*	*(13,099)*	*-0.2%*
Debt securities issued, of which:	(14,460)	(11,020)	31.2%	(13,547)	6.7%
Eurobonds	*(13,685)*	*(11,020)*	*24.2%*	*(13,027)*	*5.1%*
Other	*(775)*	*-*	*-*	*(520)*	*49.0%*
Interest expense	**(64,401)**	**(62,155)**	**3.6%**	**(62,073)**	**3.8%**
Net interest income before interest rate swaps	**97,291**	**83,662**	**16.3%**	**86,512**	**12.5%**
Net loss from interest rate swaps	-	(95)	-100.0%	-	-
Net interest income	**97,291**	**83,567**	**16.4%**	**86,512**	**12.5%**
Fee and commission income	34,480	31,200	10.5%	35,159	-1.9%
Fee and commission expense	(8,180)	(8,099)	1.0%	(7,844)	4.3%
Net fee and commission income	**26,300**	**23,101**	**13.8%**	**27,315**	**-3.7%**
Net insurance premiums earned	17,900	34,012	-47.4%	23,332	-23.3%
Net insurance claims incurred	(14,213)	(23,799)	-40.3%	(13,647)	4.1%
Net insurance revenue	**3,687**	**10,213**	**-63.9%**	**9,685**	**-61.9%**
Healthcare revenue[1]	40,039	18,268	119.2%	33,090	21.0%
Cost of healthcare services	(25,415)	(9,915)	156.3%	(20,566)	23.6%
Net healthcare revenue[1]	**14,624**	**8,353**	**75.1%**	**12,524**	**16.8%**
Real estate income	1,781	1,926	-7.5%	2,209	-19.4%
Net gain from trading and investment securities	66	279	-76.3%	125	-47.2%
Net gain from revaluation of investment property	1,323	2,078	-36.3%	586	125.8%
Net gain from foreign currencies	15,582	9,631	61.8%	13,150	18.5%
Other operating income	8,048	4,410	82.5%	3,257	147.1%
Other operating non-interest income	**26,800**	**18,324**	**46.3%**	**19,327**	**38.7%**
Net-non interest income	**71,411**	**59,991**	**19.0%**	**68,851**	**3.7%**
Revenue	**168,702**	**143,558**	**17.5%**	**155,363**	**8.6%**

[1] For the net healthcare revenue disclosures please see the Healthcare Business segment discussion

We delivered record quarterly revenue of GEL 168.7 million in Q4 2014, up 17.5% y-o-y and 8.6% q-o-q. The y-o-y growth was predominantly driven by a solid increase in net interest income, net fee and commission income and strong performance of our healthcare services business.

On a y-o-y basis, net interest income increased 16.4% to GEL 97.3 million, which is a result of interest income growth by 10.9% to GEL 161.7 million primarily driven by a 10.1% increase in interest income from loans to GEL 146.8 million. The main driving force of robust performance was a 21.5% increase in the average net loan book to GEL 4,061.6 million in Q4 2014, which far outweighed the negative impact of the decline in the Loan Yield, down 170 bps to 14.1%. Interest income from liquid assets (investment securities and amounts due from credit institutions) increased markedly, by 30.4% driven by a significant increase of 70 bps in the Liquid Asset Yield coupled with a 2.7% increase in the corresponding average balance sheet item. Interest expense grew by 3.6% to GEL 64.4 million as a result of 14.6% increase in average interest bearing liabilities partially offset by 50 bps decrease in Cost of Funding. This increase was due to the issue of Eurobonds in Q4 2013, the cost of which was only partially included in Q4 2013 interest expense.

On a q-o-q basis, net interest income growth of 12.5% was driven by strong growth of the average loan book, which increased 9.8% in Q4 2014, resulting in a 9.0% increase in interest income from loans. The 6.5% decline in average liquid assets following strong customer lending also had a positive impact on the Liquid Asset Yield, which increased 40 bps and resulted in a 6.8% increase in interest income from liquid assets. The interest expense increase of 3.8% was mostly driven by amounts due to customers as a result of a 3.8% increase in average client deposits on the back of a flat Cost of Client Deposits.

Net fee and commission income increased 13.8% y-o-y to GEL 26.3 million as a result of expansion of the Bank's Express banking service. Net fee & commission income decreased on q-o-q basis by 3.7% largely due to the impact of the transaction fee for Galt & Taggart's M&A deal posted in Q3 2014. The bank's healthcare business also recorded strong results in Q4 2014. Net healthcare revenue increased 75.1% y-o-y and 16.8% q-o-q to GEL 14.6 million as it continues to expand organically and through acquisitions. Income from real estate, which comprises predominantly revenue from sale of m^2 Real Estate properties and income from operating leases, decreased 19.4% q-o-q and 7.5% y-o-y to GEL 1.8 million. This is due to the handover of apartments in completed project of m^2 Real Estate nearing completion –most of the apartments were handed over in Q4 2013 and 9M 2014.

Net gain from foreign currencies increased 61.8% y-o-y and 18.5% q-o-q driven by the increased economic activity and higher volatility of Georgian Lari.

Net Interest Margin

GEL thousands, unless otherwise noted	**As at and for quarter ended 31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**	**As at and for quarter ended 30 Sep 2014**	**Change q-o-q**
Net interest income	97,291	83,567	16.4%	86,512	12.5%
Net Interest Margin	**7.6%**	**8.0%**	**-40 bps**	**7.4%**	**20 bps**
Average interest earning assets[1]	5,122,751	4,192,519	22.2%	4,667,024	9.8%
Average interest bearing liabilities[1]	5,296,437	4,620,387	14.6%	5,133,468	3.2%
Average net loans, currency blended	4,061,593	3,341,678	21.5%	3,700,099	9.8%
Average net loans, GEL	1,176,075	1,095,951	7.3%	1,150,884	2.2%
Average net loans, FC	2,885,518	2,245,727	28.5%	2,549,215	13.2%
Average client deposits, currency blended	3,186,127	2,933,323	8.6%	3,070,472	3.8%
Average client deposits, GEL	961,277	922,253	4.2%	900,555	6.7%
Average client deposits, FC	2,224,850	2,011,070	10.6%	2,169,917	2.5%
Average liquid assets, currency blended	1,727,719	1,681,582	2.7%	1,848,733	-6.5%
Average liquid assets, GEL	892,604	737,194	21.1%	824,197	8.3%
Average liquid assets, FC	835,115	944,388	11.6%	1,024,536	-18.5%
Excess liquidity (NBG)[2]	177,917	537,107	-66.9%	245,941	-27.7%
Liquid assets yield, currency blended	3.0%	2.3%	70 bps	2.6%	40 bps
Liquid assets yield, GEL	5.3%	4.6%	70 bps	5.1%	20 bps
Liquid assets yield, FC	0.5%	0.5%	-	0.6%	-10 bps
Loan yield, total	14.1%	15.8%	-170 bps	14.3%	-20 bps
Loan yield, GEL	20.0%	20.6%	-60 bps	19.9%	10 bps
Loan yield, FC	11.7%	13.0%	-130 bps	11.6%	10 bps
Cost of funding, total	4.8%	5.3%	-50 bps	4.8%	0 bps
Cost of funding, GEL	3.9%	3.8%	10 bps	4.0%	-10 bps
Cost of funding, FC	5.2%	5.9%	-70 bps	5.1%	10 bps

[1] Daily averages are used for calculation of average interest earning assets and average interest bearing liabilities

[2] Excess liquidity is the excess amount of the liquid assets, as defined per NBG, which exceeds the minimum amount of the same liquid assets for the purposes of the minimal 30% liquidity ratio per NBG definitions.

On q-o-q basis, the NIM improved by 20 bps to 7.6% as a result of net interest income growth of 12.5% that outweighed a 9.8% increase in average interest earning assets. This was due to a robust growth of the loan book, up 9.8% q-o-q on the back of a significantly decreased liquidity pool. Lower liquidity also provided substantial support for asset yields – Loan Yield decreased 20 bps q-o-q to14.1% and Liquid Asset Yield increased 40 bps to 3.0%. Interest bearing liabilities also increased 3.2% on q-o-q basis to support increased lending on the back of flat Cost of Funding of 4.8% in Q4 2014.

On y-o-y basis however, the NIM declined by 40 bps as the 16.4% increase in net interest income lagged behind the 22.2% increase in average interest earning assets. This was largely due to a 170 bps y-o-y decline in the Loan Yield, which is partially offset by a 50 bps y-o-y decline in the Cost of Funding. The NIM was positively impacted by the growth of higher yielding Retail Banking loans in the total loan portfolio.

Operating income before non-recurring items; cost of credit risk; profit for the period

GEL thousands, unless otherwise noted	Quarter ended 31 Dec 2014	31 Dec 2013	Change y-o-y	Quarter ended 30 Sep 2014	Change q-o-q
Salaries and other employee benefits	(40,552)	(35,627)	13.8%	(40,196)	0.9%
General and administrative expenses	(20,660)	(17,142)	20.5%	(17,837)	15.8%
Depreciation and amortisation expenses	(7,354)	(6,682)	10.1%	(7,047)	4.4%
Other operating expenses	(1,112)	(664)	67.5%	(876)	26.9%
Operating expenses	**(69,678)**	**(60,115)**	**15.9%**	**(65,956)**	**5.6%**
Operating income before cost of credit risk	**99,024**	**83,443**	**18.7%**	**89,407**	**10.8%**
Cost of credit risk	**(16,552)**	**(10,000)**	**65.5%**	**(15,306)**	**8.1%**
Operating income before net non-recurring items	**82,472**	**73,443**	**12.3%**	**74,101**	**11.3%**
Net non-recurring items	(2,093)	(5,959)	-64.9%	(727)	187.9%
Profit before income tax expense	**80,379**	**67,484**	**19.1%**	**73,374**	**9.5%**
Income tax expense	(13,902)	(11,840)	17.4%	(11,066)	25.6%
Profit	**66,477**	**55,644**	**19.5%**	**62,308**	**6.7%**

Cost discipline, reflected in improved Cost to Income ratio (41.3%) and positive Operating Leverage (1.6%). On y-o-y basis, the Group's operating expenses increased 15.9% to GEL 69.7 million in Q4 2014 predominantly as a result of a 13.8% growth of salaries and employee benefits to GEL 40.6 million and a 20.5% increase in general and administrative expenses to GEL 20.7 million. The growth of expenses was primarily fuelled by the Group's non-banking businesses, particularly its healthcare business which significantly increased its headcount over the past year, from 6,316 healthcare employees to 7,697. The increase in headcount and associated costs follows a string of acquisitions over the last year period, while synergies have not yet been fully realised. The y-o-y increase in operating expenses was also affected by the increase in the number of senior managers eligible for the Group's share based compensation (non-cash bonus), which translated into the increase in salaries and employee benefits, albeit largely flat standalone headcount of the Bank on year-on-year basis. The new initiatives within our Investment Management business aimed at expanding our fee generating businesses, as well as our expanded Corporate Social Responsibility programme, also contributed to the increased operating expenses.

On q-o-q basis, operating expenses increased as a result of a 15.8% increase in general and administrative expenses, which was mainly attributed to increased marketing and corporate hospitality expenses associated with the Christmas period. Salaries and other employee benefits also increased slightly by 0.9%, in line with the increased revenue base, eventually resulting in positive q-o-q operating leverage.

As a result, operating income before cost of credit risk increased 18.7% y-o-y and 10.8% q-o-q to GEL 99.0 million in Q4 2014.

Cost of credit risk increased 8.1% q-o-q to GEL 16.6 million predominantly as a result of higher impairment of other assets and provisions. Impairment of loans was significantly lower on q-o-q basis due to lower impairment charges in Retail Banking as well as recoveries. This increase, on the back of a significant q-o-q increase in the loan book, resulted in a decline in the Cost of Risk to 1.2% in Q4 2014 from 1.6% in Q3 2014 – below the management's target of 1.5%. On y-o-y basis, the Cost of credit risk increased from GEL 10.0 million in Q4 2013 to GEL 16.6 million in Q4 2014 reflecting the loan book growth as well as low base in Q4 2013 due to high level of recoveries. Cost of Risk as a result increased from 0.9% in Q4 2013 to 1.2% in Q4 2014.

As a result of the foregoing, in Q4 2014, the Group's operating income before non-recurring items totalled GEL 82.5 million, up 12.3% y-o-y and 11.3% q-o-q. The Group's net non-recurring items declined to GEL 2.1 million from GEL 6.0 in Q4 2013. Profit before income tax in Q4 2014 reached GEL 80.4 million, up 19.1% y-o-y. After income tax expense of GEL 13.9 million, the Group's Q4 2014 profit for the period stood at GEL 66.5 million, up 19.5% y-o-y and 6.7% q-o-q.

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 Investment Management (comprising Wealth Management and Galt and Taggart), Healthcare Business, P&C and Life Insurance, Real Estate Business (m^2 Real Estate) in Georgia and Belarusky Narodny Bank (BNB) in Belarus, excluding inter-company eliminations.

Retail Banking (RB)

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.

GEL thousands, unless otherwise noted	**As at and for year ended** **31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
INCOME STATEMENT HIGHLIGHTS			
Net interest income	213,790	191,851	11.4%
Net fee and commission income	58,867	54,025	9.0%
Net gain from foreign currencies	20,274	16,308	24.3%
Other operating non-interest income	3,650	4,537	-19.6%
Revenue	**296,581**	**266,721**	**11.2%**
Operating expenses	(128,972)	(119,963)	7.5%
Operating income before cost of credit risk	**167,609**	**146,758**	**14.2%**
Cost of credit risk	(9,226)	(29,172)	-68.4%
Net non-recurring items	(5,795)	(2,200)	163.4%
Profit before income tax expense	**152,588**	**115,386**	**32.2%**
Income tax expense	(19,325)	(14,468)	33.6%
Profit	**133,263**	**100,918**	**32.1%**
BALANCE SHEET HIGHLIGHTS			
Net loans, standalone, Currency Blended	2,066,973	1,612,942	28.1%
Net loans, standalone, GEL	1,023,756	950,353	7.7%
Net loans, standalone, FC	1,043,217	662,589	57.4%
Client deposits, standalone, Currency Blended	1,349,556	1,086,607	24.2%
Client deposits, standalone, GEL	437,712	395,314	10.7%
Client deposits, standalone, FC	911,844	691,293	31.9%
Time deposits, standalone, Currency Blended	789,413	647,459	21.9%
Time deposits, standalone, GEL	174,552	161,129	8.3%
Time deposits, standalone, FC	614,861	486,330	26.4%
Current accounts and demand deposits, standalone, Currency Blended	560,143	439,148	27.6%
Current accounts and demand deposits, standalone, GEL	263,160	234,185	12.4%
Current accounts and demand deposits, standalone, FC	296,983	204,963	44.9%
KEY RATIOS			
Net interest margin, currency blended	*9.8%*	*10.3%*	*-50 bps*
Loan yield, currency blended	*17.4%*	*19.8%*	*-240 bps*
Loan yield, GEL	*21.5%*	*24.9%*	*-340 bps*
Loan yield, FC	*12.4%*	*13.9%*	*-150 bps*
Cost of deposits, currency blended	*3.8%*	*5.2%*	*-140 bps*
Cost of deposits, GEL	*4.2%*	*5.0%*	*-80 bps*
Cost of deposits, FC	*3.6%*	*5.2%*	*-160 bps*
Cost of time deposits, currency blended	*5.7%*	*7.4%*	*-170 bps*
Cost of time deposits, GEL	*8.2%*	*9.7%*	*-150 bps*
Cost of time deposits, FC	*4.9%*	*6.7%*	*-180 bps*
Current accounts and demand deposits, currency blended	*1.5%*	*3.1%*	*-160 bps*
Current accounts and demand deposits, GEL	*1.8%*	*3.7%*	*-190 bps*
Current accounts and demand deposits, FC	*1.2%*	*2.3%*	*-110 bps*
Cost / income ratio	*43.5%*	*45.0%*	*-150 bps*

The Bank's Retail Banking registered another year of record performance.

Financial highlights

- **Retail Banking revenue increased 11.2% to GEL 296.6 million**, driven by:
  - Net interest income that increased 11.4% to GEL 213.8 million as a result of the significant growth of 28.1% in the Retail Banking loan book to GEL 2,067.0 million, strongly supported by a robust growth of SME & micro, mortgage loans and consumer loans
  - In line with the market trends across the banking sector, the Retail Banking Loan Yield declined by 240 bps y-o-y to 17.4% putting downward pressure on the Retail Banking NIM
  - The decline in the Loan Yield was partially mitigated by a 140 bps decline in Client Deposit Costs for Retail Banking
  - The growth of Retail Banking client deposit balances, which increased 24.2% y-o-y to GEL 1,349.6 million, has not been compromised by the cut in deposit costs
  - This is largely due to the significant number of new Express Banking clients, who bring with them the cheapest source of deposits for the bank – current accounts and demand deposits
  - Net fee and commission income and net gain from foreign currencies that increased 9.0% and 24.3% respectively. The growth of both items are mainly attributed to the Express Banking franchise, which has attracted c.560,000 previously unbanked emerging mass market customers since its launch 3 years ago, and driven the number of client related foreign currency and other banking transactions substantially higher

- **Operating expenses increased 7.5%, or at a much slower rate than revenue growth rate**, reflecting:
  - Cost efficiencies achieved largely due to the success of the Express Banking footprint, with increasing shift to low cost remote channel-intensive Express Banking services
  - In 2014, transactions executed through Express Pay terminals, ATMs, Internet and Mobile channels increased 100.1%, 21.2% 38.4% and 202.2%, respectively while operations through tellers decreased 4.0%

- **The Cost of credit risk improved significantly from GEL 29.2 million to GEL 9.2 million**, as a result of:
  - Lower impairments reflecting further economic growth and our continuing prudent risk management policies
  - The effects of the new provisioning methodology which had a positive impact on the Retail Banking cost of credit risk

- As a result, Retail Banking profit reached GEL 133.3 million, up by 32.1% y-o-y

- **We enhanced our footprint in the significantly more profitable retail franchise through the Privatbank acquisition in January 2015.** Privatbank is the 9th largest bank in Georgia by total assets and has a focus on retail banking, with retail loans representing 86% of its loan book, while the cards business accounts for 69% of loans (based on 2013 IFRS consolidated financial statements). Privatbank has a countrywide distribution network with 92 branches (equal to 42% of our current distribution network), 431 ATMs and 1,937 POS terminals and 1,154 employees. Privatbank has a 4.9% market share by retail loans and 3.0% by customer deposits (market data based on standalone accounts as published by the National Bank of Georgia ("NBG") as of 31 December 2014.)

  This transaction offers significant synergy potential. Express Pay terminals will be used by Privatbank customers for transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups. Potential revenue synergies are expected to be captured from the cross-selling of our banking products to the customers of Privatbank, which has a more limited portfolio of banking products due to its strategic focus on credit cards. Cost synergies are expected mainly as a result of reduction in

Privatbank's Cost of Funding, back office and distribution network optimisation initiatives, significant potential to increase the utilisation of the Privatbank franchise.

Side by side analysis of operating KPIs

	31 December 2014		31 December 2013
	Bank of Georgia (standalone)	**Privatbank Georgia**	**Bank of Georgia (standalone)**
Total # of Retail Banking Clients (k)	1,452	436[1]	1,245
Total # of Cards (k)	1,157	904[2]	976
# of Branches	219	92	202
# of ATMs	523	431	496
# of POS	6,320	1,937	4,836
# of Employees	3,769	1,154	3,574

Operating highlights

- Number of active internet and mobile banking clients increased 33.7% and 103.7% to 72,357 and 28,984 as of 31 December 2014, respectively. Number of transactions increased 54.2% from 3,408,926 in 2013 to 5,258,196 in 2014
- Increased number of Express Pay terminals to 2,239 from 985 in 2013. Express Pay terminals are used for bank transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups
- Utilisation of Express Pay terminals have doubled in 2014, with number of transactions growing at 100.1% y-o-y to 99.4 million during the year
- Outstanding balances on retail current accounts increased 24.7% to GEL 356.3 million in 2014
- Stepped up the issuance of Express cards, first contactless cards in Georgia, which also serve as a metro and bus transport payment card and offer loyalty programmes to clients
- Since the launch on 5 September 2012, 721,909 Express cards have been issued in essence replacing pre-paid metro cards in circulation since July 2009
- Issued 589,348 debit cards, including Express cards in 2014 bringing the total debit cards outstanding to 1,040,016, up 21.3% y-o-y
- Issued 33,779 credit cards of which 26,450 were American Express cards in 2014. A total of 230,790 American Express cards have been issued since the launch in November 2009. The total number of outstanding credit cards amounted to 116,615 (of which 110,362 were American Express Cards)
- Number of Retail Banking clients totalled 1,451,777 up 16.6% y-o-y and by 5.3% (73,304 clients) q-o-q
- In 2014 acquired 1,701 new clients in the Solo business line, the Bank's mass affluent sub-brand. As of 31 December 2014, the number of Solo clients reached 7,971
- Increased the number of corporate clients using the Bank's payroll services from 3,842 as of 31 December 2013 to 4,340 as of 31 December 2014. At the period end, the number of individual clients serviced through the corporate payroll programmes administered by the Bank amounted to 239,884, compared to 233,153 as of 31 December 2013
- Increased Point of Sales (POS) footprint: as of 31 December 2014, 329 desks at 1,035 contracted merchants, up from 283 desks and 731 merchants as of 31 December 2013. GEL 165.7 million POS loans were issued in 2014, compared to GEL110.2 million during the same period last year. POS loans outstanding amounted to GEL 93.1 million, up 47.9% over a one year period

[1] Includes active clients only

[2] Includes active and non-active card accounts

- POS terminals outstanding reached 6,320, up 30.7% y-o-y. The volume of transactions through the Bank's POS terminals grew 35.4% y-o-y to GEL 579.1 million, while the number of POS transactions increased 7.4 million y-o-y from 7.2 million in 2013 to 14.6 million in 2014
- Added a new product on the market, whereby a client can activate a pre-approved overdraft limit upon making a purchase through any Bank of Georgia POS terminal. Since the launch in March 2013, 11,045 pre-approved POS loans were issued, worth GEL 8.05 million
- Consumer loan originations of GEL 644.7 million resulted in consumer loans outstanding totalling GEL 525.7 million as of 31 December 2014, up 25.8% y-o-y
- Micro loan originations of GEL 498 million resulted in micro loans outstanding totalling GEL 429.9 million as of 31 December 2014, up 27.5% y-o-y
- SME loan originations of GEL 269.4 million resulted in SME loans outstanding totalling GEL 236.1 million as of 31 December 2014, up 47.8% y-o-y
- Mortgage loans originations of GEL 315.2 million resulted in mortgage loans outstanding of GEL 600.9 million as of 31 December 2014, 36.1% y-o-y

Corporate Banking (CB)

Corporate Banking business in Georgia comprises 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 services and documentary operations as well as handling savings and term deposits for corporate and institutional customers. The Corporate Banking business also includes finance lease facilities provided by the Bank's leasing operations (Georgian Leasing Company).

GEL thousands, unless otherwise noted	**As at and for year ended** **31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
INCOME STATEMENT HIGHLIGHTS			
Net interest income	105,223	103,967	1.2%
Net fee and commission income	24,810	27,318	-9.2%
Net gain from foreign currencies	27,386	24,774	10.5%
Other operating non-interest income	6,653	5,971	11.4%
Revenue	**164,072**	**162,030**	**1.3%**
Operating expenses	(49,060)	(43,833)	11.9%
Operating income before cost of credit risk	**115,012**	**118,197**	**-2.7%**
Cost of credit risk	(41,176)	(31,054)	32.6%
Net non-recurring items	(2,672)	(2,690)	-0.7%
Profit before income tax expense	**71,164**	**84,453**	**-15.7%**
Income tax expense	(9,528)	(11,164)	-14.7%
Profit	**61,636**	**73,289**	**-15.9%**
BALANCE SHEET HIGHLIGHTS			
Letters of credit and guarantees, standalone[1]	552,661	499,055	10.7%
Net loans, standalone, currency blended	2,160,767	1,819,171	18.8%
Net loans, standalone, GEL	284,987	306,175	-6.9%
Net loans, standalone, FC	1,875,780	1,512,996	24.0%
Client deposits, standalone, currency blended	1,186,026	1,221,428	-2.9%
Client deposits, standalone, GEL	575,882	599,623	-4.0%
Client deposits, standalone, FC	610,144	621,805	-1.9%
Time deposits, standalone, currency blended	391,514	318,475	22.9%
Time deposits, standalone, GEL	197,222	39,845	NMF
Time deposits, standalone, FC	194,292	278,630	-30.3%
Current accounts and demand deposits, standalone, currency blended	794,512	902,953	-12.0%
Current accounts and demand deposits, standalone, GEL	378,660	559,778	-32.4%
Current accounts and demand deposits, standalone, FC	415,852	343,175	21.2%
RATIOS			
Net interest margin, currency blended	*4.5%*	*5.0%*	*-50 bps*
Loan yield, currency blended	*10.6%*	*12.4%*	*-180 bps*
Loan yield, GEL	*10.5%*	*12.2%*	*-170 bps*
Loan yield, FC	*10.6%*	*12.5%*	*-190 bps*
Cost of deposits, currency blended	*2.9%*	*4.6%*	*-170 bps*
Cost of deposits, GEL	*3.4%*	*4.7%*	*-130 bps*
Cost of deposits, FC	*2.4%*	*4.4%*	*-200 bps*
Cost of time deposits, currency blended	*6.4%*	*7.2%*	*-80 bps*
Cost of time deposits, GEL	*7.9%*	*8.2%*	*-30 bps*
Cost of time deposits, FC	*5.6%*	*7.0%*	*-140 bps*
Current accounts and demand deposits, currency blended	*1.5%*	*3.6%*	*-210 bps*
Current accounts and demand deposits, GEL	*2.2%*	*4.4%*	*-220 bps*
Current accounts and demand deposits, FC	*0.8%*	*2.2%*	*-140 bps*
Cost / income ratio	*29.9%*	*27.1%*	*280 bps*

[1]Off-balance sheet items

Highlights

- Revenue for the Corporate Banking segment remained largely flat, increasing by 1.3% to GEL 164.1 million, as a result of:
  - A largely flat net interest income of GEL 105.2 million, up 1.2% is a result of a slower growth of Corporate Banking segment that was largely due to competitive pressures
  - High liquidity environment in the Georgian banking sector during the year, that resulted in declining Corporate Banking Loan Yields (down 180 bps) and consequent downward pressure on the NIM, which declined by 50 bps
  - NIM pressure that was partially offset by 170 bps decline in Cost of Client Deposits and 18.8% y-o-y growth in the Corporate Banking loan book
  - 9.2% decrease in net fee and commission income to GEL 24.8 million
  - Net gain from foreign currencies increased 10.5% to GEL 27.4 million as a result of a significant growth of foreign currency related client transactions
- Corporate Banking cost of credit risk rose to GEL 41.2 million up 32.6% y-o-y, which reflected the default of a borrower in the agricultural sector in Q1 2014 as well as a slight negative impact of the new provisioning methodology
- Agreed a US$25 million one-year Trade Finance Club Facility with Citi, the first Trade Finance Club facility arranged by Citi for a Georgian bank
- Signed a US$20 million trade facility loan agreement with Turk Eximbank to extend financing to Georgian companies that import Turkish consumer and capital goods in Georgia

Investment Management

Investment Management consists of Bank of Georgia Wealth Management and the brokerage arm of the Bank, Galt & Taggart. Bank of Georgia Wealth Management provides private banking services to high-net-worth individuals and offers investment management products internationally through representative offices in London, Budapest, Istanbul and Tel Aviv. Galt & Taggart brings under one brand corporate advisory, private equity and brokerage services.

Wealth Management financial highlights

GEL thousands, unless otherwise noted	As at and for year ended 31 Dec 2014	31 Dec 2013	Change y-o-y
BALANCE SHEET HIGHLIGHTS			
Client deposits, standalone, currency blended	805,266	679,401	18.5%
Client deposits, standalone, GEL	22,115	27,476	-19.5%
Client deposits, standalone, FC	783,151	651,925	20.1%
Time deposits, standalone, currency blended	596,366	531,021	12.3%
Time deposits, standalone, GEL	13,882	19,794	-29.9%
Time deposits, standalone, FC	582,484	511,227	13.9%
Current accounts and demand deposits, standalone, currency blended	208,900	148,380	40.8%
Current accounts and demand deposits, standalone, GEL	8,233	7,682	7.2%
Current accounts and demand deposits, standalone, FC	200,667	140,698	42.6%
RATIOS			
Cost of deposits, currency blended	6.0%	7.9%	-190 bps
Cost of deposits, GEL	6.3%	7.5%	-120 bps
Cost of deposits, FC	6.0%	7.9%	-190 bps
Cost of time deposits, currency blended	7.4%	9.3%	-190 bps
Cost of time deposits, GEL	9.0%	10.4%	-140 bps
Cost of time deposits, FC	7.3%	9.2%	-190 bps
Current accounts and demand deposits, currency blended	2.4%	3.6%	-120 bps
Current accounts and demand deposits, GEL	1.3%	2.3%	-100 bps
Current accounts and demand deposits, FC	2.5%	3.7%	-120 bps

Highlights

- Wealth Management deposits increased 18.5% y-o-y to GEL 805.3 million notwithstanding a 190 bps decline in Cost of Client deposits to 6.0% for the Investment Management segment
- The growth in deposits was fuelled by strong growth of current accounts and demand deposits, which increased 40.8% y-o-y in spite of a 120 bps y-o-y decrease in cost of current accounts and demand deposits
- The AUM of Investment management segment, which includes WM client deposits, Galt & Taggart brokerage client assets, Wealth Management clients' assets held at Bank of Georgia Custody and Aldagi pension scheme assets, increased 21.4% y-o-y to GEL 1,027.1 million
- Galt & Taggart had a particularly strong year in 2014 following high bond issuance activity on the local market, led by Galt & Taggart, as well as a successful M&A transaction during the year. As a result, net fee and commission income of Investment Management business increased to GEL 8.8 million in 2014 from just GEL 1.2 million in 2013
- Rebranded BG Capital to Galt and Taggart bringing corporate advisory, private equity and brokerage services with consistent branding under one roof
- Galt & Taggart hosted first investor conference dedicated to the equity and bond market development in the region. The conference brought together 60 institutional investors and analysts and more than 100 one-on-one meetings were held with Georgian and Azeri companies
- As of 31 December 2014, the amount of the Bank's CDs issued to Investment Management clients reached GEL 460.6 million
- Successfully placed US$8 million, EUR 8 million and GBP 5 million Euroclearable CDs

- The Investment Management business served over 1,400 clients from 70 countries as of 31 December 2014. Client deposits attracted by Investment Management have grown at a compound annual growth rate (CAGR) of 37.6% over the last five year period, to GEL 805.3 million as of 31 December 2014
- Since its launch in June 2012, Galt & Taggart Research has initiated research coverage of the Georgian economy and Azeri economies, including a report analysing the impact of Russia-Ukraine standoff on the Georgian economy, the Georgian Retail Real Estate Market, the Georgian Wine Sector, Georgian Agricultural Sector, Georgian Electricity Sector, Georgian Oil and Gas Corporation, Georgian Railway, and has issued notes on the Georgian State Budget and the Tourism Sector
- Within the Hydro Private Equity fund, actively moving forward with the detailed feasibility study on the first hydropower plant in Georgia with the help of several specialised contractors. Preparatory works have started in the Spring this year and are scheduled to be completed late autumn/early winter of 2014. The feasibility study is carried out and financed jointly by Bank of Georgia Group and rpGlobal – the Bank's Austrian partners in Hydro development (total cost of feasibility is approximately US$1.3 million)

Healthcare Business

On 1 August 2014, the Group announced the split of Aldagi into two separate business lines, and the respective rebranding of the new business entities. One business line is a pure play healthcare business that provides healthcare services (through JSC Evex Medical Corporation, (Evex)) and health insurance products (through JSC Insurance Company Imedi L, (Imedi L)) in Georgia. The Group expects to establish a new holding company JSC Georgia Healthcare Group (GHG) which will ultimately own the healthcare business. The second business line is a P&C insurance business (through JSC Insurance Company Aldagi, (Aldagi)) that continues to provide life and non-life insurance products and services in Georgia, retaining the brand name of Aldagi. P&C insurance business is reported separately on page 32.

HEALTHCARE BUSINESS

Income Statement

GEL thousands, unless otherwise noted	**Healthcare Services**			**Health Insurance**			**Eliminations**		**Total**		
	Year-ended			**Year-ended**			**Year-ended**		**Year-ended**		
	31 Dec 2014	**31 Dec 2013**	**Change y-o-y**	**31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Net interest income (expenses)	(13,147)	(12,404)	6.0%	332	2,723	-87.8%	-	-	(12,815)	(9,681)	32.4%
Net fee and commission income (expense)	(176)	(250)	-29.6%	(10)	8	NMF	-	-	(186)	(242)	-23.1%
Net insurance revenue, of which:	-	-	-	8,045	16,160	-50.2%	6,941	11,088	14,986	27,248	-45.0%
Net insurance premiums earned	-	-	-	*70,010*	*103,200*	*-32.2%*	*(310)*	*(320)*	*69,700*	*102,880*	*-32.3%*
Net insurance claims incurred	-	-	-	*(61,965)*	*(87,040)*	*-28.8%*	*7,251*	*11,408*	*(54,714)*	*(75,632)*	*-27.7%*
Net healthcare services revenue, of which:	54,136	33,776	60.3%	-	-	-	(7,252)	(11,407)	46,884	22,369	109.6%
Healthcare services revenue	*144,185*	*90,745*	*58.9%*	-	-	-	*(18,465)*	*(30,732)*	*125,720*	*60,013*	*109.5%*
Cost of healthcare services	*(90,049)*	*(56,969)*	*58.1%*	-	-	-	*11,213*	*19,325*	*(78,836)*	*(37,644)*	*109.4%*
Net loss from foreign currencies	(1,837)	(5,139)	-64.3%	326	442	-26.2%	-	-	(1,511)	(4,697)	-67.8%
Other operating non-interest income	432	1,210	-64.3%	133	259	-48.6%	-	-	565	1,469	-61.5%
Revenue	**39,408**	**17,193**	**129.2%**	**8,826**	**19,592**	**-55.0%**	**(311)**	**(319)**	**47,923**	**36,466**	**31.4%**
Operating expenses	(22,579)	(12,367)	82.6%	(7,287)	(8,529)	-14.6%	311	319	(29,555)	(20,577)	43.6%
Operating income before cost of credit risk	**16,829**	**4,826**	**NMF**	**1,539**	**11,063**	**-86.1%**	**-**	**-**	**18,368**	**15,889**	**15.6%**
Cost of credit risk	(2,233)	(39)	NMF	(639)	(708)	-9.7%	-	-	(2,872)	(747)	NMF
Net non-recurring items	661	-	-	(156)	(1)	NMF	-	-	505	(1)	NMF
Profit before income tax expense	**15,257**	**4,787**	**NMF**	**744**	**10,354**	**-92.8%**	**-**	**-**	**16,001**	**15,141**	**5.7%**
Income tax expense	(1,210)	(389)	NMF	(136)	(1,660)	-91.8%	-	-	(1,346)	(2,049)	-34.3%
Profit	**14,047**	**4,398**	**NMF**	**608**	**8,694**	**-93.0%**	**-**	**-**	**14,655**	**13,092**	**11.9%**
Cost / income ratio	57.3%	71.9%		*82.6%*	*43.5%*	*39.1%*			*61.7%*	*56.4%*	

Healthcare Services

- **Our healthcare services business delivered record growth in 2014, driven by acquisitions that resulted in a much stronger market position, especially in Tbilisi, and by favorable government policy that increased spending on healthcare**
- In 2014, the net healthcare services revenue, which includes revenue from hospitals and ambulatory clinics, increased 60.3% y-o-y to GEL 54.1 million, mainly driven by the following factors:
  - Implementation of the expansion strategy that resulted in the acquisition of seven hospitals with total of 850 beds during 2014, bringing the number of total healthcare facilities to 39 and hospital beds to 2,140, up from 32 and 1,329, respectively

  - Our increased footprint in Tbilisi, the capital city of Georgia, where our market share grew from 1.3% as of 31 December 2013 to 14.1% as of 31 December 2014 in terms of the hospital beds
  - The introduction of UHC by the Government, as a result of which all Georgian citizens are eligible for the new Government-funded basic health coverage. Since the introduction of UHC in 2012, Government expenditures on healthcare have increased over 65% from GEL 414.5 million in 2012 to GEL 692.9 million in 2014 and are expected to be further increased to GEL 768.3 million in 2015 according to the state budget for 2015 announced by the Ministry of Finance of Georgia

- The increase in costs outpaced growth in net healthcare services revenue as a result of inefficiencies brought in through acquisition of the new hospitals. While the integration of the acquired healthcare facilities is ongoing and partially completed, including centralisation of some of the back-office functions, we expect significant further synergy gains to be made in 2015 as management shifts its focus from acquisition to integration mode

Health Insurance

- **High double digit growth in our healthcare service revenues was partially offset by the anticipated decline in health insurance revenues**, resulting from UHC implementation. In addition to providing basic healthcare coverage to all citizens of Georgia, the UHC also entails a structural shift of private insurers' revenues that had previously come from state to the UHC system, implying direct management by the Government
- As anticipated, this had a negative effect on the health insurance businesses. In addition to moving the revenue from the state funded insurance away from private insurance companies, the shift of revenue to the state did not immediately result in elimination of associated costs, including insurance claims incurred
- As a result, our net insurance premiums earned decreased by 32.2% to GEL 70.0 million and insurance claims incurred decreased 28.8% to GEL 62.0 million, resulting in GEL 8.0 million in net insurance revenue, down 50.2% y-o-y
- However, our private health insurance has shown resilience notwithstanding challenges posed by the implementation of UHC in the light of competition from UHC and revenue from private medical insurance products grew by 3.9% y-o-y, with approximately 200,000 people holding our health insurance policies as at 31 December 2014
- **Within the changed private insurance landscape that resulted from the introduction of UHC, our health insurance business strengthened its market share** and accounted for 36.7% of the total health insurance sector of Georgia based on gross premiums revenue as of 30 September 2014, up from 28.9% as of 31 December 2013

The discussion below refers to the healthcare services and health insurance business standalone numbers.

Healthcare Business standalone results

For the purposes of the results discussion below, healthcare business refers to the Group's pure-play healthcare businesses which includes healthcare services (Evex) and health insurance (Imedi L). The results are based on management accounts and refer to standalone numbers.

Income Statement

GEL thousands, unless otherwise noted	Year ended 31 Dec 2014 Healthcare Services	Health Insurance	Eliminations	Consolidated Healthcare Business	Year ended 31 Dec 2013 Healthcare Services	Health Insurance	Eliminations	Consolidated Healthcare Business	Change, y-o-y Healthcare Services	Health Insurance	Consolidated Healthcare Business
Revenue	**138,473**	**70,010**	**(18,776)**	**189,707**	**85,213**	**103,220**	**(30,959)**	**157,474**	**62.5%**	**-32.2%**	**20.5%**
COGS, insurance claims expense	**(78,891)**	**(61,965)**	**18,465**	**(122,391)**	**(48,810)**	**(87,040)**	**30,732**	**(105,118)**	**61.6%**	**-28.8%**	**16.4%**
Gross profit	**59,582**	**8,045**	**(311)**	**67,316**	**36,403**	**16,180**	**(227)**	**52,356**	**63.7%**	**-50.3%**	**28.6%**
Selling, general and administrative	(23,776)	(7,125)	311	(30,590)	(12,220)	(8,719)	227	(20,712)	94.6%	-18.3%	47.7%
Other operating income	1,106	(14)	-	1,092	3,236	(5)	(6)	3,225	-65.8%	180.0%	-66.1%
EBITDA	**36,912**	**906**	**-**	**37,818**	**27,419**	**7,456**	**(6)**	**34,869**	**34.6%**	**-87.8%**	**8.5%**
Depreciation	(6,998)	(633)	-	(7,631)	(5,195)	(683)	-	(5,878)	34.7%	-7.3%	29.8%
Net interest (expense) income	(13,139)	332	-	(12,807)	(12,404)	2,723	-	(9,681)	5.9%	-87.8%	32.3%
(Losses) gains on currency exchange	(2,819)	326	-	(2,493)	(4,157)	442	-	(3,715)	-32.2%	-26.2%	-32.9%
Net non-recurring items	314	(186)	-	128	115	11	-	126	173.0%	NMF	1.6%
Profit before income tax	**14,270**	**745**	**-**	**15,015**	**5,778**	**9,949**	**(6)**	**15,721**	**147.0%**	**-92.5%**	**-4.5%**
Income tax expense	(1,143)	(137)	-	(1,280)	(455)	(1,681)	-	(2,136)	151.2%	-91.9%	-40.1%
Profit	**13,127**	**608**	**-**	**13,735**	**5,323**	**8,268**	**(6)**	**13,585**	**146.6%**	**-92.6%**	**1.1%**
Attributable to:											
- shareholders of the Company	9,807	608	-	10,415	1,370	8,268	(6)	9,632	615.8%	-92.6%	8.1%
- minority interest	3,320	-	-	3,320	3,953	-	-	3,953	-16.0%	-	-16.0%

Note: the table above does not include intercompany eliminations on the Group consolidated level.

Revenue from healthcare services by business lines

GEL thousands, unless otherwise noted	Year ended 31 Dec 2014	31 Dec 2013	Change y-o-y
Referral and specialty hospitals	117,354	57,180	105.2%
Community hospitals	13,518	11,788	14.7%
Ambulatory clinics	4,739	4,687	1.1%
Ambulance and rural primary care	2,862	11,558	-75.2%
Total	**138,473**	**85,213**	**62.5%**

- **Revenue from healthcare services increased 62.5% y-o-y to GEL 138.5 million in 2014, which is the result of acquisitions as well as organic growth**
- As discussed above, during 2014, Evex acquired seven hospitals enabling it to increase its healthcare revenues and expand into new market segments. As of 31 December 2014, Evex was the largest healthcare provider in Georgia, with 14 referral (multi-profile or specialty) hospitals and 19 community hospitals, which have total of 2,140 beds, and six ambulatory clinics providing outpatient services
- Revenue from referral hospitals, which are the main source of revenue for the healthcare services

business, grew by 105.2% y-o-y, driven by both acquisitions and organic growth

- The 14.7% y-o-y growth of revenue from the community hospitals was the result of organic growth alone and was driven by the introduction of UHC, which made healthcare services, both outpatient and inpatient, more accessible and affordable for the population of Georgia
- In addition, a recent initiative of the Ministry of Health, Labour and Social Affairs extended the prescription requirement to over 55% of all medicines registered in Georgia with effect from 1 September 2014 (whereas no more than 2% of all medicines registered in Georgia required a prescription before this date[1]). We believe this initiative will begin to have a favourable impact on revenues in 2015 as outpatient visits to clinics increase
- Ambulatory clinics revenue was largely flat because of a change in our health insurance service delivery. Prior to 2014, we mainly provided outpatient services to Imedi L health insurance patients in Tbilisi at our ambulatory clinics (i.e. the Evex ambulatory clinics). During 2014, the list of provider ambulatory clinics that are eligible to treat Imedi L's health insurance clients in Tbilisi expanded to include other (non-Evex) clinics, which has placed downward pressure on ambulatory service revenues
- The 75.2% y-o-y decline in revenue from ambulance and rural primary care services was due to the full handover of the administration function related to these services to the Government as part of UHC. Management expects the handover to improve Evex's operating margins due to the very low profitability of ambulance and rural primary care services

Revenue from healthcare services by sources of payment

GEL thousands, unless otherwise noted	**Year ended 31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Private insurance companies, *of which:*	25,177	46,768	-46.2%
Imedi L health insurance	*18,465*	*30,732*	*-39.9%*
Government-funded healthcare programmes	80,820	19,809	308.0%
Out-of-pocket payments by patients	32,476	18,636	74.3%
Total	**138,473**	**85,213**	**62.5%**

- **High double digit growth of our revenue from healthcare services was primarily driven by the revenues from government-funded healthcare programmes, which more than quadrupled y-o-y to GEL 80.8 million, reflecting the implementation of UHC**
- This was partially offset by an anticipated decline in revenues from private insurance companies, resulting in 46.2% y-o-y decrease in these revenues to GEL 25.2 million in 2014
- Notably, out-of-pocket payments by patients increased 74.3% to GEL 32.5 million. The UHC places coverage limits on medical treatments and has certain exclusions. Any charges in excess of the limit for services financed by UHC must be covered by patients out-of-pocket

Healthcare services cost of goods sold (COGS)

GEL thousands, unless otherwise noted	**Year ended 31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
COGS for healthcare services rendered, of which:	**78,891**	**48,810**	**61.6%**
Direct salary	54,059	32,497	*66.4%*
Materials, including medicines and medical disposables	18,139	11,121	*63.1%*
Utilities and other expenses	6,693	5,192	*28.9%*
Gross profit	**59,582**	**36,403**	**63.7%**

[1] Source: Ministry of Labour, Health and Social Affairs

- **Margins improved, as a result of increasing utilisation and scale of our healthcare services business**
- More than half of the growth in COGS comes from an increase in payroll costs, primarily attributed to recent acquisitions. Since 31 December 2013 the headcount of our healthcare services business increased by 1,342 employees and reached 7,658 full-time employees as of 31 December 2014
- In 2014, gross profit of our healthcare services business increased 63.7% y-o-y to GEL 59.6 million, supported by the 61.6% growth in COGS on the back of 62.5% increase in revenue during the same period
- Gross margin (which is defined as gross profit divided by revenue) improved to 43.0%, up from 42.7% in 2013. The handover of the margin-dilutive ambulance and rural primary health care service to the Government also had a positive effect on margins

SG&A expenses for healthcare services

GEL thousands, unless otherwise noted	Year ended 31 Dec 2014	 31 Dec 2013	Change y-o-y
Healthcare services SG&A expenses, of which:	**23,776**	**12,220**	**94.6%**
Salaries and other employee benefits	15,156	8,284	83.0%
Rent	403	413	-2.4%
Impairment Charge	2,212	629	NMF
Marketing and advertising	775	40	NMF
Stationery and office supplies	1,585	974	62.7%
Communications	672	413	62.7%
Other	2,973	1,467	102.7%

- **Our healthcare services business grew significantly in 2014, which is reflected in its selling, general and administrative expenses, with additional efficiencies yet to be realised**. Primarily driven by recent acquisitions, SG&A expenses increased 94.6% y-o-y, with salaries and other employee benefits constituting c.60% of this growth resulting from increased headcount
- Further cost synergies are expected mainly as a result of reducing inefficiencies in the acquired hospitals, as benchmarked against the previously managed healthcare facilities in the areas of procurement, process standardisation and payroll
- Post-acquisition synergies are not yet fully reflected in the current financial results, as the integration process is still ongoing for a number of recent acquisitions

Healthcare services EBITDA; depreciation; net-interest income and profit for the period

GEL thousands, unless otherwise noted	Year ended 31 Dec 2014	 31 Dec 2013	Change y-o-y
Healthcare services business EBITDA	**36,912**	**27,419**	**34.6%**
Depreciation	(6,998)	(5,195)	34.7%
Net interest expense	(13,139)	(12,404)	5.9%
Loss on currency exchange	(2,819)	(4,157)	-32.2%
Net non-recurring items	314	115	173.0%
Healthcare services business profit before income tax expense	**14,270**	**5,778**	**147.0%**
Income tax expense	(1,143)	(455)	151.2%
Healthcare services business profit	**13,127**	**5,323**	**146.6%**

- Our healthcare services business EBITDA reached GEL 36.9 million, up 34.6% y-o-y
- Net interest expense of the healthcare services business grew by 5.9% y-o-y as a result of a 54.6% increase in borrowed funds raised for acquisitions as well as new project financing

- The increase in depreciation costs by 34.7% was primarily driven by the acquisitions completed during the past year
- Foreign exchange related losses have decreased 32.9% to GEL 2.5 million in 2014, primarily as a result of the company's efforts during 2014 to decrease foreign currency risk exposure on foreign currency borrowings, as compared to previous reporting periods, as well as potential future exposure. The company has converted most of the borrowings into local currency and the rest was hedged thus short position was closed
- As a result, net income of our healthcare services business more than doubled on y-o-y basis to GEL 13.1 million up from 5.3 million

Selected balance sheet items

	As at		Change
GEL thousands, unless otherwise noted	**31 Dec 2014**	**31 Dec 2013**	**YTD**
Total assets, of which:	**410,157**	**276,332**	**48.4%**
Premises and equipment, net	261,739	172,584	51.7%
Total liabilities, of which:	**237,564**	**176,183**	**34.8%**
Borrowed funds	162,435	105,074	54.6%
Total shareholders' equity	**172,593**	**100,149**	**72.3%**

- Our healthcare business balance sheet increased substantially over the last year with assets growing to GEL 410.2 million as of 31 December 2014, up 48.4% from GEL 276.3 million as of 31 December 2013. The growth of total assets (up GEL 133.8 million y-o-y) was largely driven by a GEL 89.2 million, or a 51.7%, increase in the premises and equipment of our healthcare business, reflecting the acquisition of new hospitals during the twelve months of 2014
- We own 38 out of the 39 healthcare facilities we operate, which are fully reflected on the balance sheet. We operate the Poti community hospital under a management contract

Operating highlights

- Our market share in healthcare services increased to 22.0% as of 31 December 2014 compared to 14.3% as of 31 December 2013, based on hospital beds
- Our market share stood at 36.7% in health insurance as of 30 September 2014 based on gross premiums revenue
- Our healthcare services subsidiary Evex completed a number of hospital acquisitions, in line with the Group's strategy to scale up its healthcare business in Tbilisi. Seven healthcare facilities were acquired during 2014 and 850 beds were added as a result of these acquisitions, bringing the total number of beds to 2,140, and enabling us to increase market share in Tbilisi to 14.1% as of 31 December 2014 up from 1.3% at the end of 2013
- We launched a new Training Centre to continue to support internal skills development and human resource capacity at our healthcare facilities

P&C Insurance

Our P&C insurance business is Georgia's leading provider, offering of the widest range of insurance products available in Georgia for corporate and retail clients, including motor third party liability and own damage, commercial property, contractor's all liability, general third party liability, travel, household property, cargo, professional indemnity, MPA, freight forwarders liability, guarantees, aviation hull, containers, employers liability, financial risks, agro, product liability, marine hull, machinery breakdown.

GEL thousands, unless otherwise noted	**Year ended** **31 Dec 2014**	**31 Dec 2013**	**Change** **y-o-y**
Net interest income (expense)	506	(177)	NMF
Net fee and commission income	312	248	25.8%
Net insurance revenue, of which:	17,752	20,785	-14.6%
Net insurance premiums earned	*29,459*	*29,813*	*-1.2%*
Net insurance claims incurred	*(11,707)*	*(9,028)*	*29.7%*
Net loss from foreign currencies	(2,085)	101	NMF
Other operating non-interest income	515	545	-5.5%
Revenue	**17,000**	**21,502**	**-20.9%**
Operating expenses	(9,402)	(8,049)	16.8%
Operating income before cost of credit risk	**7,598**	**13,453**	**-43.5%**
Cost of credit risk	(601)	(272)	121.0%
Profit before Income tax expense	**6,997**	**13,181**	**-46.9%**
Income tax expense	(1,083)	(2,100)	-48.4%
Profit	**5,914**	**11,081**	**-46.6%**

Financial highlights

- Net insurance premiums earned remained largely flat y-o-y at GEL 29.5 million. This was offset however by a 29.7% increase in net insurance claims incurred, as a result of a single large property and general third party liability claim following a major fire incident
- As a result, revenue decreased 20.9% to GEL 17.0 million
- Operating expenses increased 16.8% to GEL 9.4 million partly as a result of the above-mentioned split of the P&C insurance and healthcare businesses. Profit for the period for P&C insurance business was GEL 5.9 million

Operating highlights

- Market share of 37.8% as of 30 September 2014 based on gross insurance premium revenue as reported by the Insurance State Supervision Service of Georgia
- Our P&C insurance business leads the market with a powerful distribution network of 87 points of sale, up from 80 in 2013, and more than 200 account managers. The number of clients has surpassed 250,000, an increase of over 70% y-o-y mainly driven by increased cross-selling of life insurance products to our Retail Banking clients and the number of vehicles insured exceeded 19,000, increasing 17.1% y-o-y

m^2 Real Estate

Our real estate business, the Bank's wholly-owned subsidiary m^2 Real Estate, develops residential property on real estate assets previously repossessed by the Bank. m^2 Real Estate outsources the construction and architecture works while focusing on project management and sales. The Bank's real estate business is in place to meet the unsatisfied demand for housing through our well-established branch network and sales force, while stimulating our mortgage lending business.

GEL thousands, unless otherwise noted	**Year ended**								
	31 Dec 2014			**31 Dec 2013**			**Change, y-o-y**		
	m^2	**Mortgages**	**Total**	**m^2**	**Mortgages**	**Total**	**m^2**	**Mortgages**	**Total**
Net interest (expenses) income	(524)	2,005	1,481	1,063	948	2,011	NMF	111.5%	-26.4%
Net fee and commission expenses	-	-	-	(27)	-	(27)	-100.0%	-	-100.0%
Net loss from foreign currencies	(895)	-	(895)	123	-	123	NMF	-	NMF
Other operating non-interest income	13,751	-	13,751	10,505	-	10,505	30.9%	-	30.9%
Revenue	**12,332**	**2,005**	**14,337**	**11,664**	**948**	**12,612**	**5.7%**	**111.5**	**13.7%**
Operating expenses	(5,468)	-	(5,468)	(2,893)	-	(2,893)	89.0%	-	89.0%
Operating income before cost of credit risk	**6,864**	**2,005**	**8,869**	**8,771**	**948**	**9,719**	**-21.7%**	**111.5**	**-8.7%**
Cost of credit risk	(66)	(16)	(82)	(185)	240	55	-64.3%	NMF	NMF
Net non-recurring items	18	-	18	(823)	(1)	(824)	NMF	-	NMF
Profit before income tax expense	**6,816**	**1,989**	**8,805**	**7,763**	**1,187**	**8,950**	**-12.2%**	**67.6%**	**-1.6%**
Income tax expense	(1,022)	-	(1,022)	(1,142)	-	(1,142)	-10.5%	-	-10.5%
Profit	**5,794**	**1,989**	**7,783**	**6,621**	**1,187**	**7,808**	**-12.5%**	**67.6%**	**-0.3%**

Highlights

- Total revenue reached GEL 14.3 million, up 13.7% y-o-y. Operating expenses increased to GEL 5.5 million in 2014, predominantly due to increased marketing activity and expansion of m^2 Real Estate distribution network. As a result, profit for the period remained largely flat at GEL 7.8 million in 2014
- **m^2 Real Estate enjoys strong demand, selling 574 apartments in 2014, which brings total apartments sold since 2010 to 1,327**
- Strong sales performance enabled us to prepay our USD 5 million IFC debt facility in full in December 2014
- **99% of apartments sold in second project that was completed in Q2 2014.** Completed four months ahead of completion deadline, project has an estimated IRR of 40%. As of the date of this announcement, 516 or 99% of 522 apartments had been sold. The total sales from this project amounted to US$46.8 million.
- **Over 80% of apartments pre-sold at the two additional new projects launched in December 2013.** m^2 Real Estate launched its third and fourth projects: Kazbegi Avenue and Nutsubidze Street. As the date of this announcement, m^2 Real Estate sold 253 apartment or 86% of the total number of units in the Kazbegi Avenue project and 164 apartments or 74% of the total number of units in the Nutsubidze Street project. Sales totalled US$22.8 million and US$12.9 million, respectively, including mortgage financing of US$5.0 million and US$5.0 million, respectively
- **59% of apartments pre-sold at the fifth project started in July 2014.** m^2 Real Estate launched its fifth project: Tamarashvili Avenue and sold 158 apartments or 59% of the total number of units. Sales amounted to US$14.5 million, including mortgage financing of US$7.6 million as of the date of this announcement
- **47% of apartments pre-sold at the sixth project launched in September 2014.** m^2 Real Estate launched its sixth project within m^2 Real Estate's new low-cost apartment initiative this time on Moscow Avenue, which will offer unprecedented affordable price of as low as US$29,000 for refurbished 1 bedroom apartments. Sales amounted to US$4.3 million, including mortgage financing of US$3.6 million
- Number of apartments financed with our mortgages in all m^2 Real Estate projects as of the date of this announcement totalled 583, with aggregate amount of GEL 58.3 million
- Completed two bond offerings in June 2014. A US$10 million 1-year bond placement at par with a coupon rate of 8.42% and a US$5 million 1 year bond with a coupon rate of 9.5%. The US$10 million bond was issued following exceptionally strong interest in the bonds for the US$5 million issue, which left US$3 million demand unmet

Non-Core businesses

Our non-core businesses accounted for 6.2% of total assets and 8.0% of total revenue in 2014 and predominantly comprised Joint Stock Company Belarusky Narodny Bank (BNB), our Belarus banking operation, and Liberty Consumer, a Georgia-focused investment company in which the Group holds a 70% stake. In order to focus on its strategic businesses, the Bank has announced its intention to exit from its non-core operations. As of 31 December 2014, the Bank still held Teliani Valley, a Georgian wine producer, through Liberty Consumer.

BNB

GEL thousands, unless otherwise noted	**As at and for year ended** **31 Dec 2014**	**31 Dec 2013**	**Change y-o-y**
Net interest income	22,410	18,565	20.7%
Net fee and commission income	9,443	6,350	48.7%
Net gain from foreign currencies	9,932	5,875	69.1%
Other operating non-interest income	504	(127)	NMF
Revenue	**42,289**	**30,663**	**37.9%**
Operating expenses	(18,390)	(15,201)	21.0%
Operating income before cost of credit risk	**23,899**	**15,462**	**54.6%**
Cost of credit risk	(4,187)	(563)	NMF
Net non-recurring items	(3,073)	(399)	NMF
Profit before income tax expense	**16,639**	**14,500**	**14.8%**
Income tax expense	(4,471)	(3,514)	27.2%
Profit	**12,168**	**10,986**	**10.8%**
Cost / income ratio	*43.5%*	*49.6%*	*-6.1 ppts*
ROAE	*16.8%*	*21.9%*	*-5.1 ppts*
Net loans	265,952	199,308	33.4%
Total assets	403,764	326,465	23.7%
Client deposits	201,810	156,323	29.1%
Total liabilities	319,308	254,451	25.5%

Highlights

- Through BNB, the Bank provides retail and corporate banking services in Belarus
- BNB delivered another year of excellent performance in 2014, achieving record revenue at GEL 42.3 million, up 37.9%. The revenue growth was driven by double digit growth of all revenue items
- Net interest income increased 20.7% to GEL 22.4 million supported by strong loan book growth. Net fee and commission income and net gain from foreign currencies increased 48.7% and 69.1%, respectively
- Operating expenses grew at a slower pace than revenue, increasing 21.0% to GEL 18.4 million, resulting in a strong operating leverage of 16.9%
- The cost of credit risk increased from GEL 0.6 million to GEL 4.2 million as a result of a sharp growth in net loans, which increased 33.4% to GEL 266.0 million
- As a result of the foregoing, the profit for the period increased 10.8% to GEL 12.2 million

- Strong support from international and local financial institutions. In 2014, attracted funding from IFC (US$6 million), EBRD (US$12 million), Triple Jump (US$2 million) and Development Bank of the Republic of Belarus (BYR 30 billion – equivalent of US$ 3 million) as well as getting increased trade finance limits from Commerzbank (EUR1 million) and EBRD (US$4 million) to support the development of SME sector in Belarus
- Received funding totalling US$10 million from IFC and Triple Jump, a fund management company investing in micro and small and medium size enterprises in developing countries
- Added 10,765 cards bringing total number of cards to more than 29,418 as of 31 December 2014
- Increased number of clients served through payroll services by 54.6% y-o-y to 27,203 clients
- Increased number of retail clients by 57.3% to 36,615 and increased the number of corporate clients by 11.9% to 4,466
- Introduced a credit card with a grace period, which is still a novelty product in Belarus

SELECTED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

GEL thousands, unless otherwise noted	Year ended 31 Dec 2014	31 Dec 2013	Change y-o-y
	Unaudited	*Audited*	
Loans to customers	539,983	522,847	3.3%
Investment securities	39,988	35,371	13.1%
Amounts due from credit institutions	6,581	8,423	-21.9%
Finance lease receivables	8,370	7,466	12.1%
Interest income	**594,922**	**574,107**	**3.6%**
Amounts due to customers	(133,865)	(159,028)	-15.8%
Amounts due to credit institutions, of which:	(62,560)	(65,161)	-4.0%
Subordinated debt	*(11,412)*	*(22,394)*	*-49.0%*
Loans and deposits from other banks	*(51,148)*	*(42,767)*	*19.6%*
Debt securities issued, of which:	(54,436)	(35,424)	53.7%
Eurobonds	*(52,679)*	*(35,424)*	*48.7%*
Other	*(1,757)*	-	-
Interest expense	**(250,861)**	**(259,613)**	**-3.4%**
Net interest income before interest rate swaps	**344,061**	**314,494**	**9.4%**
Net loss from interest rate swaps	-	(398)	-100.0%
Net interest income	**344,061**	**314,096**	**9.5%**
Fee and commission income	132,455	115,106	15.1%
Fee and commission expense	(32,793)	(28,210)	16.2%
Net fee and commission income	**99,662**	**86,896**	**14.7%**
Net insurance premiums earned	95,850	129,993	-26.3%
Net insurance claims incurred	(66,421)	(84,660)	-21.5%
Net insurance revenue	**29,429**	**45,333**	**-35.1%**
Healthcare revenue	125,720	60,013	109.5%
Cost of healthcare services	(78,836)	(37,644)	109.4%
Net healthcare revenue	**46,884**	**22,369**	**109.6%**
Real estate income	15,782	5,898	167.6%
Net gain from trading and investment securities	376	3,097	-87.9%
Net gain from revaluation of investment property	1,909	9,788	-80.5%
Net gain from foreign currencies	49,584	43,512	14.0%
Other operating income	17,891	13,267	34.9%
Other operating non-interest income	**85,542**	**75,562**	**13.2%**
Revenue	**605,578**	**544,256**	**11.3%**
Salaries and other employee benefits	(153,807)	(135,065)	13.9%
General and administrative expenses	(73,185)	(60,364)	21.2%
Depreciation and amortisation expenses	(28,207)	(26,572)	6.2%
Other operating expenses	(3,750)	(2,366)	58.5%
Operating expenses	**(258,949)**	**(224,367)**	**15.4%**
Operating income before cost of credit risk	**346,629**	**319,889**	**8.4%**
Cost of credit risk	**(59,020)**	**(61,802)**	**-4.5%**
Net operating income before non-recurring items	**287,609**	**258,087**	**11.4%**
Net non-recurring items	(11,017)	(12,831)	-14.1%
Profit before income tax expense	**276,592**	**245,256**	**12.8%**
Income tax expense	(35,825)	(35,913)	-0.2%
Profit	**240,767**	**209,343**	**15.0%**
Attributable to:			
– shareholders of the Group	*232,509*	*201,490*	*15.4%*
– non-controlling interests	*8,258*	*7,853*	*5.2%*
Earnings per share (basic, diluted)	**6.72**	**5.93**	**13.3%**

CONSOLIDATED INCOME STATEMENT

	Quarter ended			Quarter ended	
	31 Dec 2014	**31 Dec 2013**	**Change**	**30 Sep 2014**	**Change**
GEL thousands, unless otherwise noted	***Unaudited***	***Unaudited***	**y-o-y**	***Unaudited***	**q-o-q**
Loans to customers	146,795	133,354	10.1%	134,617	9.0%
Investment securities	11,587	8,148	42.2%	10,330	12.2%
Amounts due from credit institutions	1,318	1,745	-24.5%	1,758	-25.0%
Finance lease receivables	1,992	2,570	-22.5%	1,880	6.0%
Interest income	**161,692**	**145,817**	**10.9%**	**148,585**	**8.8%**
Amounts due to customers	(34,116)	(35,624)	-4.2%	(32,762)	4.1%
Amounts due to credit institutions, of which:	(15,825)	(15,511)	2.0%	(15,764)	0.4%
Subordinated debt	*(2,758)*	*(5,456)*	*-49.5%*	*(2,665)*	*3.5%*
Loans and deposits from other banks	*(13,067)*	*(10,055)*	*30.0%*	*(13,099)*	*-0.2%*
Debt securities issued, of which:	(14,460)	(11,020)	31.2%	(13,547)	6.7%
Eurobonds	*(13,685)*	*(11,020)*	*24.2%*	*(13,027)*	*5.1%*
Other	*(775)*	-	-	*(520)*	*49.0%*
Interest expense	**(64,401)**	**(62,155)**	**3.6%**	**(62,073)**	**3.8%**
Net interest income before interest rate swaps	**97,291**	**83,662**	**16.3%**	**86,512**	**12.5%**
Net loss from interest rate swaps	-	(95)	-100.0%	-	-
Net interest income	**97,291**	**83,567**	**16.4%**	**86,512**	**12.5%**
Fee and commission income	34,480	31,200	10.5%	35,159	-1.9%
Fee and commission expense	(8,180)	(8,099)	1.0%	(7,844)	4.3%
Net fee and commission income	**26,300**	**23,101**	**13.8%**	**27,315**	**-3.7%**
Net insurance premiums earned	17,900	34,012	-47.4%	23,332	-23.3%
Net insurance claims incurred	(14,213)	(23,799)	-40.3%	(13,647)	4.1%
Net insurance revenue	**3,687**	**10,213**	**-63.9%**	**9,685**	**-61.9%**
Healthcare revenue	40,039	18,268	119.2%	33,090	21.0%
Cost of healthcare services	(25,415)	(9,915)	156.3%	(20,566)	23.6%
Net healthcare revenue	**14,624**	**8,353**	**75.1%**	**12,524**	**16.8%**
Real estate income	1,781	1,926	-7.5%	2,209	-19.4%
Net gain from trading and investment securities	66	279	-76.3%	125	-47.2%
Net gain from revaluation of investment property	1,323	2,078	-36.3%	586	125.8%
Net gain from foreign currencies, of which:	15,582	9,631	61.8%	13,150	18.5%
Other operating income	8,048	4,410	82.5%	3,257	147.1%
Other operating non-interest income	**26,800**	**18,324**	**46.3%**	**19,327**	**38.7%**
Revenue	**168,702**	**143,558**	**17.5%**	**155,363**	**8.6%**
Salaries and other employee benefits	(40,552)	(35,627)	13.8%	(40,196)	0.9%
General and administrative expenses	(20,660)	(17,142)	20.5%	(17,837)	15.8%
Depreciation and amortisation expenses	(7,354)	(6,682)	10.1%	(7,047)	4.4%
Other operating expenses	(1,112)	(664)	67.5%	(876)	26.9%
Operating expenses	**(69,678)**	**(60,115)**	**15.9%**	**(65,956)**	**5.6%**
Operating income before cost of credit risk	**99,024**	**83,443**	**18.7%**	**89,407**	**10.8%**
Cost of credit risk	**(16,552)**	**(10,000)**	**65.5%**	**(15,306)**	**8.1%**
Net operating income before non-recurring items	**82,472**	**73,443**	**12.3%**	**74,101**	**11.3%**
Net non-recurring itemss	(2,093)	(5,959)	-64.9%	(727)	187.9%
Profit before Income tax expense	**80,379**	**67,484**	**19.1%**	**73,374**	**9.5%**
Income tax expense	(13,902)	(11,840)	17.4%	(11,066)	25.6%
Profit	**66,477**	**55,644**	**19.5%**	**62,308**	**6.7%**
Attributable to:					
– shareholders of the Group	*64,225*	*53,645*	*19.7%*	*59,937*	*7.2%*
– non-controlling interests	*2,252*	*1,999*	*12.7%*	*2,371*	*-5.0%*
Earnings per share (basic, diluted)	**1.82**	**1.58**	**15.2%**	**1.74**	**4.6%**

CONSOLIDATED BALANCE SHEET

GEL thousands, unless otherwise noted	**As at 31 Dec 2014** ***Unaudited***	**31 Dec 2013** ***Audited***	**Change y-o-y**	**As at 30 Sep 2014** ***Unaudited***	**Change q-o-q**
Cash and cash equivalents	710,144	1,053,671	-32.6%	759,639	-6.5%
Amounts due from credit institutions	418,281	347,261	20.5%	372,042	12.4%
Investment securities	769,712	519,623	48.1%	617,700	24.6%
Loans to customers and finance lease receivables	4,360,705	3,522,915	23.8%	3,827,556	13.9%
Investment property	190,860	157,707	21.0%	185,316	3.0%
Property and equipment	588,513	470,669	25.0%	562,342	4.7%
Goodwill	49,633	48,720	1.9%	49,794	-0.3%
Intangible assets	34,432	26,434	30.3%	30,019	14.7%
Income tax assets	42,517	19,096	122.6%	39,999	6.3%
Prepayments	33,774	25,534	32.3%	34,945	-3.4%
Other assets	400,346	329,339	21.6%	336,316	19.0%
Total assets	**7,598,917**	**6,520,969**	**16.5%**	**6,815,668**	**11.5%**
Amounts due to customers, of which:	3,338,725	3,117,732	7.1%	3,088,254	8.1%
Client deposits	*3,313,715*	*3,107,209*	*6.6%*	*3,060,784*	*8.3%*
Promissory notes	*25,010*	*10,523*	*137.7%*	*27,470*	*-9.0%*
Amounts due to credit institutions	1,409,214	1,157,979	21.7%	1,264,299	11.5%
Debt securities issued	856,695	728,117	17.7%	794,952	7.8%
Income tax liabilities	117,336	69,028	70.0%	104,692	12.1%
Provisions	4,732	481	NMF	3,765	25.7%
Other liabilities	238,122	206,578	15.3%	231,474	2.9%
Total liabilities	**5,964,824**	**5,279,915**	**13.0%**	**5,487,436**	**8.7%**
Share capital	1,143	1,028	11.2%	1,024	11.6%
Additional paid-in capital	245,305	23,843	NMF	40,909	NMF
Treasury shares	(46)	(56)	-17.9%	(43)	7.0%
Other reserves	(22,574)	(16,399)	37.7%	(47,298)	-52.3%
Retained earnings	1,350,258	1,174,124	15.0%	1,276,801	5.8%
Total equity attributable to shareholders of the Group	**1,574,086**	**1,182,540**	**33.1%**	**1,271,393**	**23.8%**
Non-controlling interests	60,007	58,514	2.6%	56,839	5.6%
Total equity	**1,634,093**	**1,241,054**	**31.7%**	**1,328,232**	**23.0%**
Total liabilities and equity	**7,598,917**	**6,520,969**	**16.5%**	**6,815,668**	**11.5%**
Book value per share	**41.45**	**34.85**	**18.9%**	**36.97**	**12.1%**

CONSOLIDATED INCOME STATEMENT

	USD			GBP		
	Full-year ended			Full-year ended		
Thousands, unless otherwise noted	**31 Dec 2014**	**31 Dec 2013**	**Change**	**31 Dec 2014**	**31 Dec 2013**	**Change**
	Unaudited	***Audited***	**y-o-y**	***Unaudited***	***Audited***	**y-o-y**
Loans to customers	289,753	301,127	-3.8%	186,639	182,724	2.1%
Investment securities	21,457	20,371	5.3%	13,821	12,361	11.8%
Amounts due from credit institutions	3,531	4,851	-27.2%	2,275	2,944	-22.7%
Finance lease receivables	4,492	4,301	4.4%	2,893	2,609	10.9%
Interest income	**319,233**	**330,650**	**-3.5%**	**205,628**	**200,638**	**2.5%**
Amounts due to customers	(71,831)	(91,590)	-21.6%	(46,269)	(55,577)	-16.7%
Amounts due to credit institutions, of which:	(33,570)	(37,529)	-10.5%	(21,623)	(22,772)	-5.0%
Subordinated debt	*(6,124)*	*(12,898)*	*-52.5%*	*(3,944)*	*(7,826)*	*-49.6%*
Loans and deposits from other banks	*(27,446)*	*(24,631)*	*11.4%*	*(17,679)*	*(14,946)*	*18.3%*
Debt securities issued, of which:	*(29,210)*	*(20,402)*	*43.2%*	*(18,815)*	*(12,380)*	*52.0%*
Eurobonds	*(28,267)*	*(20,402)*	*38.6%*	*(18,208)*	*(12,380)*	*47.1%*
Other	*(943)*	-	-	*(607)*	-	-
Interest expense	**(134,611)**	**(149,521)**	**-10.0%**	**(86,707)**	**(90,729)**	**-4.4%**
Net interest income before interest rate swaps	**184,622**	**181,129**	**1.9%**	**118,921**	**109,909**	**8.2%**
Net loss from interest rate swaps	-	(229)	-100.0%	-	(139)	-100.0%
Net interest income	**184,622**	**180,900**	**2.1%**	**118,921**	**109,770**	**8.3%**
Fee and commission income	71,075	66,294	7.2%	45,781	40,227	13.8%
Fee and commission expense	(17,597)	(16,247)	8.3%	(11,334)	(9,859)	15.0%
Net fee and commission income	**53,478**	**50,047**	**6.9%**	**34,447**	**30,368**	**13.4%**
Net insurance premiums earned	51,433	74,868	-31.3%	33,129	45,430	-27.1%
Net insurance claims incurred	(35,642)	(48,759)	-26.9%	(22,957)	(29,587)	-22.4%
Net insurance revenue	**15,791**	**26,109**	**-39.5%**	**10,172**	**15,843**	**-35.8%**
Healthcare revenue	67,461	34,564	95.2%	43,454	20,973	107.2%
Cost of healthcare services	(42,303)	(21,681)	95.1%	(27,249)	(13,155)	107.1%
Net healthcare revenue	**25,158**	**12,883**	**95.3%**	**16,205**	**7,818**	**107.3%**
Real estate income	8,469	3,397	149.3%	5,455	2,061	164.7%
Net gain from trading and investment securities	202	1,784	-88.7%	130	1,082	-88.0%
Net gain from revaluation of investment property	1,024	5,637	-81.8%	660	3,421	-80.7%
Net gain from foreign currencies, of which:	26,607	25,060	6.2%	17,138	15,207	12.7%
Other operating income	9,600	7,640	25.7%	6,183	4,636	33.4%
Other operating non-interest income	**45,902**	**43,518**	**5.5%**	**29,566**	**26,407**	**12.0%**
Revenue	**324,951**	**313,457**	**3.7%**	**209,311**	**190,206**	**10.0%**
Salaries and other employee benefits	(82,532)	(77,789)	6.1%	(53,162)	(47,202)	12.6%
General and administrative expenses	(39,271)	(34,766)	13.0%	(25,296)	(21,096)	19.9%
Depreciation and amortisation expenses	(15,136)	(15,304)	-1.1%	(9,749)	(9,286)	5.0%
Other operating expenses	(2,012)	(1,362)	47.7%	(1,296)	(827)	56.7%
Operating expenses	**(138,951)**	**(129,221)**	**7.5%**	**(89,503)**	**(78,411)**	**14.1%**
Operating income before cost of credit risk	**186,000**	**184,236**	**1.0%**	**119,808**	**111,795**	**7.2%**
Cost of credit risk	**(31,670)**	**(35,594)**	**-11.0%**	**(20,399)**	**(21,599)**	**-5.6%**
Net operating income before non-recurring items	**154,330**	**148,642**	**3.8%**	**99,409**	**90,196**	**10.2%**
Net non-recurring itemss	(5,912)	(7,390)	-20.0%	(3,808)	(4,484)	-15.1%
Profit before income tax expense	**148,418**	**141,252**	**5.1%**	**95,601**	**85,712**	**11.5%**
Income tax expense	(19,223)	(20,684)	-7.1%	(12,383)	(12,551)	-1.3%
Profit	**129,195**	**120,568**	**7.2%**	**83,218**	**73,161**	**13.7%**
Attributable to:						
– shareholders of the Group	*124,764*	*116,045*	*7.5%*	*80,364*	*70,417*	*14.1%*
– non-controlling interests	*4,431*	*4,523*	*-2.0%*	*2,854*	*2,744*	*4.0%*
Earnings per share (basic, diluted)	**3.61**	**3.42**	**5.6%**	**2.32**	**2.07**	**12.1%**

CONSOLIDATED INCOME STATEMENT

	USD					GBP				
	Quarter ended					Quarter ended				
Thousands, unless otherwise noted	**31 Dec 2014** ***Unaudited***	**31 Dec 2013** ***Unaudited***	**Change y-o-y**	**30 Sep 2014** ***Unaudite***	**Change q-o-q**	**31 Dec 2014** ***Unaudited***	**31 Dec 2013** ***Unaudit***	**Change y-o-y**	**30 Sep 2014** ***Unaudite***	**Change q-o-q**
Loans to customers	78,770	76,804	2.6%	76,819	2.5%	50,738	46,604	8.9%	47,317	7.2%
Investment securities	6,218	4,693	32.5%	5,895	5.5%	4,005	2,848	40.6%	3,631	10.3%
Amounts due from credit institutions	707	1,005	-29.7%	1,003	-29.5%	456	610	-25.2%	618	-26.2%
Finance lease receivables	1,068	1,479	-27.8%	1,072	-0.4%	688	898	-23.4%	661	4.1%
Interest income	**86,763**	**83,981**	**3.3%**	**84,789**	**2.3%**	**55,887**	**50,960**	**9.7%**	**52,227**	**7.0%**
Amounts due to customers	(18,307)	(20,517)	-10.8%	(18,696)	-2.1%	(11,792)	(12,450)	-5.3%	(11,516)	2.4%
Amounts due to credit institutions, of which:	(8,491)	(8,933)	-4.9%	(8,994)	-5.6%	(5,470)	(5,421)	0.9%	(5,541)	-1.3%
Subordinated debt	*(1,480)*	*(3,142)*	*-52.9%*	*(1,521)*	*-2.7%*	*(953)*	*(1,907)*	*-50.0%*	*(937)*	*1.7%*
Loans and deposits from other banks	*(7,011)*	*(5,791)*	*21.1%*	*(7,473)*	*-6.2%*	*(4,517)*	*(3,514)*	*28.5%*	*(4,604)*	*-1.9%*
Debt securities issued, of which:	(7,759)	(6,347)	22.2%	(7,731)	0.4%	(4,998)	(3,851)	29.8%	(4,762)	5.0%
Eurobonds	*(7,343)*	*(6,347)*	*15.7%*	*(7,434)*	*-1.2%*	*(4,730)*	*(3,851)*	*22.8%*	*(4,579)*	*3.3%*
Other	*(416)*	-	-	*(297)*	*40.1%*	*(268)*	-	-	*(183)*	*46.4%*
Interest expense	**(34,557)**	**(35,797)**	**-3.5%**	**(35,421)**	**-2.4%**	**(22,260)**	**(21,722)**	**2.5%**	**(21,819)**	**2.0%**
Net interest income before interest rate swaps	**52,206**	**48,184**	**8.3%**	**49,368**	**5.7%**	**33,627**	**29,238**	**15.0%**	**30,408**	**10.6%**
Net loss from interest rate swaps	-	(55)	-100.0%	-	-	-	(33)	-100.0%	-	-
Net interest income	**52,206**	**48,129**	**8.5%**	**49,368**	**5.7%**	**33,627**	**29,205**	**15.1%**	**30,408**	**10.6%**
Fee and commission income	18,502	17,969	3.0%	20,063	-7.8%	11,918	10,904	9.3%	12,358	-3.6%
Fee and commission expense	(4,390)	(4,664)	-5.9%	(4,476)	-1.9%	(2,828)	(2,831)	-0.1%	(2,757)	2.6%
Net fee and commission income	**14,112**	**13,305**	**6.1%**	**15,587**	**-9.5%**	**9,090**	**8,073**	**12.6%**	**9,601**	**-5.3%**
Net insurance premiums earned	9,605	19,589	-51.0%	13,314	-27.9%	6,187	11,886	-47.9%	8,201	-24.6%
Net insurance claims incurred	(7,627)	(13,707)	-44.4%	(7,787)	-2.1%	(4,913)	(8,317)	-40.9%	(4,797)	2.4%
Net insurance revenue	**1,978**	**5,882**	**-66.4%**	**5,527**	**-64.2%**	**1,274**	**3,569**	**-64.3%**	**3,404**	**-62.6%**
Healthcare revenue	21,485	10,521	104.2%	18,883	13.8%	13,839	6,384	116.8%	11,631	19.0%
Cost of healthcare services	(13,638)	(5,710)	138.8%	(11,736)	16.2%	(8,784)	(3,465)	153.5%	(7,229)	21.5%
Net healthcare revenue	**7,847**	**4,811**	**63.1%**	**7,147**	**9.8%**	**5,055**	**2,919**	**73.2%**	**4,402**	**14.8%**
Real estate income	956	1,109	-13.8%	1,261	-24.2%	616	673	-8.5%	776	-20.6%
Net gain from trading and investment	35	161	-78.3%	71	-50.7%	23	98	-76.5%	44	-47.7%
Net gain from revaluation of	710	1,197	-40.7%	334	112.6%	457	726	-37.1%	206	121.8%
Net gain from foreign currencies, of	8,361	5,547	50.7%	7,504	11.4%	5,386	3,366	60.0%	4,622	16.5%
Other operating income	4,320	2,539	70.1%	1,858	132.5%	2,782	1,542	80.4%	1,146	142.8%
Other operating non-interest income	**14,382**	**10,553**	**36.3%**	**11,028**	**30.4%**	**9,264**	**6,405**	**44.6%**	**6,794**	**36.4%**
Revenue	**90,525**	**82,680**	**9.5%**	**88,657**	**2.1%**	**58,310**	**50,171**	**16.2%**	**54,609**	**6.8%**
Salaries and other employee benefits	(21,760)	(20,519)	6.0%	(22,938)	-5.1%	(14,016)	(12,451)	12.6%	(14,129)	-0.8%
General and administrative expenses	(11,086)	(9,873)	12.3%	(10,179)	8.9%	(7,141)	(5,991)	19.2%	(6,270)	13.9%
Depreciation and amortisation	(3,946)	(3,848)	2.5%	(4,021)	-1.9%	(2,542)	(2,335)	8.9%	(2,477)	2.6%
Other operating expenses	(597)	(382)	56.3%	(499)	19.6%	(385)	(232)	65.9%	(307)	25.4%
Operating expenses	**(37,389)**	**(34,622)**	**8.0%**	**(37,637)**	**-0.7%**	**(24,084)**	**(21,009)**	**14.6%**	**(23,183)**	**3.9%**
Operating income before cost of credit risk	**53,136**	**48,058**	**10.6%**	**51,020**	**4.1%**	**34,226**	**29,162**	**17.4%**	**31,426**	**8.9%**
Cost of credit risk	**(8,882)**	**(5,759)**	**54.2%**	**(8,735)**	**1.7%**	**(5,721)**	**(3,495)**	**63.7%**	**(5,380)**	**6.3%**
Net operating income before non-recurring items	**44,254**	**42,299**	**4.6%**	**42,285**	**4.7%**	**28,505**	**25,667**	**11.1%**	**26,046**	**9.4%**
Net non-recurring itemss	(1,123)	(3,432)	-67.3%	(414)	171.3%	(723)	(2,083)	-65.3%	(255)	183.5%
Profit before Income tax expense	**43,131**	**38,867**	**11.0%**	**41,871**	**3.0%**	**27,782**	**23,584**	**17.8%**	**25,791**	**7.7%**
Income tax expense	(7,460)	(6,820)	9.4%	(6,315)	18.1%	(4,805)	(4,138)	16.1%	(3,890)	23.5%
Profit	**35,671**	**32,047**	**11.3%**	**35,556**	**0.3%**	**22,977**	**19,446**	**18.2%**	**21,901**	**4.9%**
Attributable to:										
– shareholders of the Group	*34,463*	*30,896*	*11.5%*	*34,203*	*0.8%*	*22,199*	*18,747*	*18.4%*	*21,068*	*5.4%*
– non-controlling interests	*1,208*	*1,151*	*5.0%*	*1,353*	*-10.7%*	*778*	*699*	*11.3%*	*833*	*-6.6%*
Earnings per share (basic)	**0.98**	**0.91**	**7.7%**	**0.99**	**-1.0%**	**0.63**	**0.55**	**14.5%**	**0.61**	**3.3%**

CONSOLIDATED BALANCE SHEET

	USD					GBP				
	As at			As at		As at			As at	
Thousands, unless otherwise noted	31 Dec 2014	31 Dec 2013	Change	30 Sep 2014	Change	31 Dec 2014	31 Dec 2013	Change	30 Sep 2014	Change
	Unaudited	*Audited*	y-o-y	*Unaudited*	q-o-q	*Unaudited*	*Audited*	y-o-y	*Unaudited*	q-o-q
Cash and cash equivalents	381,060	606,848	-37.2%	433,485	-12.1%	245,453	368,236	-33.3%	267,008	-8.1%
Amounts due from credit institutions	224,448	200,001	12.2%	212,304	5.7%	144,574	121,361	19.1%	130,770	10.6%
Investment securities	413,024	299,270	38.0%	352,488	17.2%	266,042	181,597	46.5%	217,118	22.5%
Loans to customers and finance lease receivables	2,339,936	2,028,978	15.3%	2,184,179	7.1%	1,507,226	1,231,186	22.4%	1,345,362	12.0%
Investment property	102,415	90,829	12.8%	105,750	-3.2%	65,968	55,115	19.7%	65,137	1.3%
Property and equipment	315,794	271,076	16.5%	320,898	-1.6%	203,412	164,489	23.7%	197,660	2.9%
Goodwill	26,633	28,060	-5.1%	28,415	-6.3%	17,155	17,027	0.8%	17,502	-2.0%
Intangible assets	18,476	15,224	21.4%	17,130	7.9%	11,901	9,238	28.8%	10,551	12.8%
Income tax assets	22,814	10,998	107.4%	22,825	0.0%	14,695	6,674	120.2%	14,059	4.5%
Prepayments	18,123	14,706	23.2%	19,941	-9.1%	11,674	8,924	30.8%	12,283	-5.0%
Other assets	214,824	189,680	13.3%	191,918	11.9%	138,375	115,097	20.2%	118,215	17.1%
Total assets	**4,077,547**	**3,755,670**	**8.6%**	**3,889,333**	**4.8%**	**2,626,475**	**2,278,944**	**15.2%**	**2,395,665**	**9.6%**
Amounts due to customers, of which:	1,791,546	1,795,619	-0.2%	1,762,300	1.7%	1,153,990	1,089,583	5.9%	1,085,503	6.3%
Client deposits	*1,778,126*	*1,789,558*	*-0.6%*	*1,746,624*	*1.8%*	*1,145,346*	*1,085,905*	*5.5%*	*1,075,847*	*6.5%*
Promissory notes	*13,420*	*6,061*	*121.4%*	*15,676*	*-14.4%*	*8,644*	*3,678*	*135.0%*	*9,656*	*-10.5%*
Amounts due to credit institutions	756,178	666,923	13.4%	721,467	4.8%	487,078	404,690	20.4%	444,393	9.6%
Debt securities issued	459,699	419,350	9.6%	453,636	1.3%	296,106	254,462	16.4%	279,421	6.0%
Income tax liabilities	62,962	39,756	58.4%	59,742	5.4%	40,556	24,124	68.1%	36,799	10.2%
Provisions	2,539	277	NMF	2,148	18.2%	1,636	168	NMF	1,323	23.7%
Other liabilities	127,776	118,975	7.4%	132,090	-3.3%	82,304	72,194	14.0%	81,361	1.2%
Total liabilities	**3,200,700**	**3,040,900**	**5.3%**	**3,131,383**	**2.2%**	**2,061,670**	**1,845,221**	**11.7%**	**1,928,800**	**6.9%**
Share capital	613	592	3.5%	584	5.0%	395	359	10.0%	360	9.7%
Additional paid-in capital	131,630	13,732	NMF	23,345	NMF	84,787	8,333	NMF	14,379	NMF
Treasury shares	(25)	(32)	-21.9%	(25)	-	(16)	(20)	-20.0%	(15)	6.7%
Other reserves	(12.113)	(9,445)	28.2%	(26,990)	-55.1%	(7,803)	(5,731)	36.2%	(16,625)	-32.0%
Retained earnings	724,543	676,222	7.1%	728,601	-0.6%	466,701	410,332	13.7%	448,788	4.0%
Total equity attributable to shareholders of the Group	**844,648**	**681,069**	**24.0%**	**725,515**	**16.4%**	**544,064**	**413,273**	**31.6%**	**446,887**	**21.7%**
Non-controlling interests	32,199	33,701	-4.5%	32,435	-0.7%	20,741	20,450	1.4%	19,978	3.8%
Total equity	**876,847**	**714,770**	**22.7%**	**757,950**	**15.7%**	**564,805**	**433,723**	**30.2%**	**466,865**	**21.0%**
Total liabilities and equity	**4,077,547**	**3,755,670**	**8.6%**	**3,889,333**	**4.8%**	**2,626,475**	**2,278,944**	**15.2%**	**2,395,665**	**9.6%**
Book value per share	**22.24**	**20.07**	**10.8%**	**21.10**	**5.4%**	**14.33**	**12.18**	**17.7%**	**12.99**	**10.3%**

	Currency Blended		GEL		FC	
			Full-year ended			
KEY RATIOS	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Profitability						
ROAA[1]	3.6%	3.6%				
ROAE[2]	18.5%	18.6%				
Net Interest Margin[3]	7.4%	7.8%	12.6%	13.5%	4.1%	4.2%
Loan Yield[4]	14.4%	16.3%	19.7%	22.2%	11.8%	13.5%
Cost of Funds[5]	4.9%	5.9%	4.0%	4.9%	5.2%	6.3%
Cost of Customer Funds	4.3%	5.6%	3.8%	4.9%	4.5%	5.9%
Cost of Client Deposits	4.3%	5.6%	3.8%	4.9%	4.5%	5.9%
Cost of Amounts Due to Credit Institutions	5.0%	6.2%	4.4%	5.0%	5.5%	6.5%
Cost of Debt Securities Issued	7.0%	7.6%				
Operating Leverage, y-o-y[6]	-4.1%	7.6%				
Efficiency						
Cost to Income[7]	42.8%	41.2%				
Liquidity						
NBG Liquidity ratio[8]	35.0%	45.7%				
Liquid Assets To Total Liabilities[9]	31.8%	36.4%				
Net Loans to Customer Funds	130.6%	113.0%				
Net Loans to Customer Funds + DFIs	110.6%	96.2%				
Gross Loan Dollarisation rate	71.7%	66.4%				
Customer Funds Dollarisation rate	70.0%	68.0%				
Client Deposits Dollarisation rate	69.8%	67.9%				
Leverage (times)[10]						
Asset Quality:						
NPLs (in GEL)	153,628	144,917				
NPLs To Gross Loans to Clients	3.4%	4.0%				
NPL Coverage ratio[11]	68.0%	83.8%				
NPL Coverage ratio, adjusted for discounted value of collateral[12]	111.1%	110.6%				
Cost of Risk, annualised[13]	1.2%	1.4%				
Capital Adequacy:						
BIS Tier I Capital Adequacy Ratio, consolidated[14]	22.1%	23.0%				
BIS Total Capital Adequacy Ratio, consolidated[15]	26.1%	27.1%				
New NBG (Basel 2/3) Tier I Capital Adequacy Ratio[16]	11.1%	0.0%				
New NBG (Basel 2/3) Total Capital Adequacy Ratio[17]	14.1%	0.0%				
Old NBG Tier I Capital Adequacy Ratio[18]	13.3%	14.4%				
Old NBG Total Capital Adequacy Ratio[19]	13.8%	15.4%				
Per Share Values:						
Basic, diluted EPS (GEL)[20]	**6.72**	**5.93**				
Book Value Per Share (GEL)[21]	**41.45**	**34.85**				
Ordinary Shares Outstanding - Weighted Average, Basic[22]	34,584,751	33,983,014				
Ordinary Shares Outstanding - Weighted Average, Diluted[22]	34,584,751	33,983,014				
Ordinary Shares Outstanding - Period End, Basic	37,978,135	33,936,007				
Treasury Shares Outstanding - Period End	(1,522,185)	(1,973,376)				
Selected Operating Data:						
Full Time Employees, Group, of which:	13,395	11,711				
- Full Time Employees, BOG Standalone	*3,769*	*3,574*				
- Full Time Employees, Aldagi Insurance[24]	*n/a*	*579*				
- Full Time Employees, Evex	*7,658*	*6,316*				
- Full Time Employees, Imedi L	*353*	*n/a*				
- Full Time Employees, Aldagi	*250*	*n/a*				
- Full Time Employees, BNB	*463*	*392*				
- Full Time Employees, Other	*902*	*850*				
Total Assets Per FTE, BOG standalone (in GEL thousands)	2,016	1,825				
Number Of Active Branches, of which:	219	202				
- Flagship Branches	*34*	*34*				
- Standard Branches	*101*	*100*				
- Express Branches (including Metro)	*84*	*68*				
Number Of ATMs	523	496				
Number Of Cards Outstanding, of which:	1,156,631	975,647				
- Debit cards	*1,040,016*	*857,734*				
- Credit cards	*116,615*	*117,913*				
Number Of POS Terminals	6,320	4,836				

OTHER RATIOS	Full-year ended 31 Dec 2014	31 Dec 2013
Profitability Ratios:		
ROE	14.8%	17.0%
Interest Income to Average Interest Earning Assets[25]	12.7%	14.2%
Net Fee and Commission Income To Average Interest Earning Assets	1.9%	1.9%
Net Fee and Commission Income to Revenue	16.5%	16.0%
Revenue to Total Assets	8.0%	8.3%
Recurring Earning Power[26]	5.1%	5.5%
Profit to Revenue	39.8%	38.5%
Efficiency Ratios:		
Operating Cost to Average Total Assets[27]	3.8%	3.9%
Cost to Average Total Assets	4.0%	4.1%
Personnel Cost to Revenue	25.4%	24.8%
Personnel Cost to Operating Cost	59.4%	60.2%
Personnel Cost to Average Total Assets	2.3%	2.3%
Liquidity Ratios:		
Liquid Assets to Total Assets	25.0%	29.5%
Net Loans to Total Assets	57.4%	54.0%
Average Net Loans to Average Total Assets	54.8%	54.6%
Interest Earning Assets to Total Assets	77.2%	77.5%
Average Interest Earning Assets to Average Total Assets	77.8%	77.6%
Net Loans to Client Deposits	131.6%	113.4%
Average Net Loans to Average Customer funds	119.2%	110.3%
Net Loans to Total Deposits	108.8%	98.1%
Net Loans to (Total Deposits + Equity)	77.3%	72.9%
Net Loans to Total Liabilities	73.1%	66.7%
Total Deposits to Total Liabilities	67.2%	68.0%
Client Deposits to Total Deposits	82.7%	86.5%
Client Deposits to Total Liabilities	55.6%	58.8%
Total Deposits to Total Assets	52.8%	55.1%
Client Deposits to Total Assets	43.6%	47.6%
Client Deposits to Total Equity (times)	2.0	2.5
Total Equity to Net Loans	37.5%	35.2%
Asset Quality:		
Reserve For Loan Losses to Gross Loans to Clients[27]	2.3%	3.3%
% of Loans to Clients collateralized	87.3%	87.4%
Equity to Average Net Loans to Clients	44.0%	39.4%

KEY RATIOS QUARTERLY	Currency Blended Quarter ended 31 Dec 2014	31 Dec 2013	30 Sep 2014	GEL Quarter ended 31 Dec 2014	31 Dec 2013	30 Sep 2014	FC Quarter ended 31 Dec 2014	31 Dec 2013	30 Sep 2014
Profitability									
ROAA, annualised[1]	3.7%	3.6%	3.7%						
ROAE, annualised[2]	18.7%	18.6%	19.2%						
Net Interest Margin, annualised[3]	7.6%	8.0%	7.4%	12.6%	13.7%	12.6%	4.7%	4.1%	4.2%
Loan Yield, annualised[4]	14.1%	15.8%	14.3%	20.0%	20.6%	19.9%	11.7%	13.0%	11.6%
Cost of Funds, annualised[5]	4.8%	5.3%	4.8%	3.9%	3.8%	4.0%	5.2%	5.9%	5.1%
Cost of Customer Funds, annualised	4.2%	4.8%	4.2%	3.9%	3.6%	3.8%	4.3%	5.4%	4.4%
Cost of Client Deposits, annualised	4.2%	4.8%	4.2%	3.9%	3.6%	3.8%	4.3%	5.4%	4.4%
Cost of Amounts Due to Credit Institutions,	5.0%	5.6%	5.0%	3.9%	4.5%	4.4%	5.6%	6.0%	5.4%
Cost of Debt Securities issued	7.0%	7.7%	6.9%						
Operating Leverage, y-o-y[6]	1.6%	-0.4%	-7.8%						
Efficiency									
Cost to Income[7]	41.3%	41.9%	42.5%						
Liquidity									
NBG Liquidity ratio[8]	35.0%	45.7%	37.8%						
Liquid Assets to Total Liabilities[9]	31.8%	36.4%	31.9%						
Net Loans to Customer Funds	130.6%	113.0%	123.9%						
Net Loans to Customer Funds + DFIs	110.6%	96.2%	103.9%						
Gross Loan Dollarisation rate	71.7%	66.4%	69.4%						
Customer Funds Dollarisation rate	70.0%	68.0%	70.2%						
Client Deposits Dollarisation rate	69.8%	67.9%	69.9%						
Leverage (times)[10]	3.7	4.3	4.1						
Asset Quality:									
NPLs (in GEL)	153,628	144,917	154,417						
NPLs to Gross Loans to Clients	3.4%	4.0%	3.9%						
NPL Coverage ratio[11]	68.0%	83.8%	78.5%						
NPL Coverage ratio, Adjusted for discounted value of collateral[12]	111.1%	110.6%	112.4%						
Cost of Risk, annualised[13]	1.2%	0.9%	1.6%						
Capital Adequacy:									
BIS Tier I Capital Adequacy Ratio,consolidated[14]	22.1%	23.0%	22.7%						
BIS Total Capital Adequacy Ratio, consolidated[15]	26.1%	27.1%	26.4%						
New NBG (Basel 2/3) Tier I Capital Adequacy	11.1%	0.0%	11.2%						
New NBG (Basel 2/3) Total Capital Adequacy	14.1%	0.0%	14.2%						
Old NBG Tier I Capital Adequacy Ratio[18]	13.3%	14.4%	14.5%						
Old NBG Total Capital Adequacy Ratio[19]	13.8%	15.4%	14.1%						
Per Share Values:									
Basic, diluted EPS (GEL)[20]	**1.82**	**1.58**	**1.74**						
Book Value Per Share (GEL)[21]	**41.45**	**34.85**	**36.97**						
Ordinary Shares Outstanding - Weighted Average,	35,206,865	33,940,021	34,387,198						
Ordinary Shares Outstanding -Weighted Average,	35,206,865	33,940,021	34,387,198						
Ordinary Shares Outstanding - Period End, Basic	37,978,135	33,936,007	34,387,198						
Treasury Shares Outstanding - Period End	(1,522,185)	(1,973,376)	(1,522,185)						
Selected Operating Data:									
Full Time Employees, Group, Of Which:	13,395	11,711	13,182						
- Full Time Employees, BOG Stand-Alone	*3,769*	*3,574*	*3,649*						
- Full Time Employees, Aldagi Insurance[24]	n/a	579	n/a						
- Full Time Employees, Evex	7,658	6,316	7,642						
- Full Time Employees, Imedi L	353	n/a	384						
- Full Time Employees, Aldagi	*250*	*n/a*	*240*						
- Full Time Employees, BNB	*463*	*392*	*455*						
- Full Time Employees, Other	*902*	*850*	*812*						
Total Assets Per FTE, BOG Standalone (in GEL	2,016	1,825	1,868						
Number Of Active Branches, Of Which:	219	202	217						
- Flagship Branches	*34*	*34*	*34*						
- Standard Branches	*101*	*100*	*100*						
- Express Branches (including Metro)	*84*	*68*	*83*						
Number Of ATMs	523	496	521						
Number Of Cards Outstanding, of which:	1,156,631	975,647	1,103,066						
- Debit cards	*1,040,016*	*857,734*	*986,477*						
- Credit cards	*116,615*	*117,913*	*116,589*						
Number Of POS Terminals	6,320	4,836	5,979						

OTHER RATIOS QUARTERLY	Currency Blended Quarter ended 31 Dec 2014	31 Dec 2013	30 Sep 2014
Profitability Ratios:			
ROE, annualised,	16.2%	18.0%	18.7%
Interest Income to Average Interest Earning Assets, annualised[23]	12.5%	13.8%	12.6%
Net Fee and Commission Income To Average Interest Earning Assets, annualised	1.9%	1.9%	2.1%
Net Fee and Commission Income to Revenue	15.6%	16.1%	17.6%
Operating Leverage, q-o-q	2.9%	-5.7%	5.1%
Revenue to Total Assets, annualised	8.8%	8.7%	9.0%
Recurring Earning Power, annualised[24]	5.6%	5.4%	5.3%
Profit to Revenue	39.4%	38.8%	40.1%
Efficiency Ratios:			
Operating Cost to Average Total Assets, annualised[25]	3.9%	3.9%	3.9%
Cost to Average Total Assets, annualised	4.0%	4.3%	3.9%
Personnel Cost to Revenue	24.0%	24.8%	25.9%
Personnel Cost to Operating Cost	58.2%	59.3%	60.9%
Personnel Cost to Average Total Assets, annualised	2.3%	2.3%	2.4%
Liquidity Ratios:			
Liquid Assets to Total Assets	25.0%	29.5%	25.7%
Net Loans to Total Assets	57.4%	54.0%	56.2%
Average Net Loans to Average Total Assets	57.5%	54.7%	54.8%
Interest Earning Assets to Total Assets	77.2%	77.5%	77.8%
Average Interest Earning Assets to Average Total Assets	77.9%	77.4%	77.7%
Net Loans to Client Deposits	131.6%	113.4%	125.1%
Average Net Loans to Av. Customer funds	126.5%	113.5%	119.4%
Net Loans to Total Deposits	108.8%	98.1%	103.7%
Net Loans to (Total Deposits + Equity)	77.3%	72.9%	76.3%
Net Loans to Total Liabilities	73.1%	66.7%	69.8%
Total Deposits to Total Liabilities	67.2%	68.0%	67.2%
Client Deposits to Total Deposits	82.7%	86.5%	83.0%
Client Deposits to Total Liabilities	55.6%	58.8%	55.8%
Total Deposits to Total Assets	52.8%	55.1%	54.1%
Client Deposits to Total Assets	43.6%	47.6%	44.9%
Client Deposits to Total Equity (Times)	2.0	2.5	2.3
Total Equity to Net Loans	37.5%	35.2%	34.7%
Asset Quality:			
Reserve For Loan Losses to Gross Loans to Clients[26]	2.3%	3.3%	3.1%
% of Loans to Clients collateralised	87.3%	87.4%	86.5%
Equity to Average Net Loans to Clients	40.2%	37.1%	35.9%

NOTES TO KEY RATIOS

1 Return on average total assets (ROAA) equals Profit for the period divided by monthly average total assets for the same period;

2 Return on average total equity (ROAE) equals Profit for the period 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 Excluding Cash for the same period (daily averages are used for Bank of Georgia standalone Average Interest Earning assets); Interest Earning Assets Excluding Cash comprise: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares and other equity instruments) and net 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; (daily averages are used for Bank of Georgia standalone Gross Loans to Customers and Finance Lease Receivables);

5 Cost of Funding 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, amounts due to customers and debt securities issued;

6 Operating Leverage equals percentage change in revenue less percentage change in Other operating expenses;

7 Cost / Income Ratio equals other operating expenses divided by revenue;

8 Daily average liquid assets (as defined by NBG) during the month divided by daily average liabilities (as defined by NBG) during the month;

9 Liquid assets include: cash and cash equivalents, amounts due from credit institutions and investment and trading 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 NPL Coverage Ratio adjusted for discounted value of collateral equals allowance for impairment of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for impairment)

13 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;

14 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;

15 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;

16 New NBG (Basel 2/3) Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;

17 New NBG (Basel 2/3) 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;

18 Old NBG Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;

19 Old 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;

20 Basic EPS equals Profit for the period attributable to shareholders of the Group divided by the weighted average number of outstanding ordinary shares over the same period;

21 Book Value Per Share equals total equity attributable to shareholders of the Group 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;

22 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;

23 Average Interest Earning Assets are calculated on a monthly basis; interest earning assets excluding cash include: amounts due from credit institutions, investment securities (but excluding corporate shares) and loans to customers and finance lease receivables;

24 Aldagi Insurance headcount refers to Aldagi & Imedi L headcount numbers prior to the split of Aldagi into two business lines on 1 August 2014.

24 Recurring Earning Power equals operating income before cost of credit risk for the period divided by monthly average total assets of the same period;
25 Operating cost equals other operating expenses;

26 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.

ANNEX I – Pro-forma Income Statement

The table below represents management's new proposal for IFRS Financial Reporting, for 2015 onwards. The Income Statement presented below is illustrative and for demonstration purposes only. It represents management's estimates for future reporting format and have not yet been officially approved by the Company or reviewed by or agreed with the independent auditors.

Income Statement (pro-forma)

GEL thousands, unless otherwise noted	**Banking Business**	**Investment Business**	**Interbusiness Eliminations**	**BGH Group Consolidated**
Banking interest income	602,619	-	(7,313)	595,307
Banking interest expense	246,344	-	(617)	245,727
Net loss from interest rate swaps	-	-	-	-
Net banking interest income	**356,276**	**-**	**(6,696)**	**349,580**
Fee and commission income	134,487	-	(2,053)	132,434
Fee and commission expense	32,617	75	-	32,692
Net fee and commission income	**101,870**	**(75)**	**(2,053)**	**99,742**
Net banking foreign currency income	52,795	(130)	-	52,665
Net other banking income	9,543	-	(620)	8,923
Net insurance revenue	16,388	14,986	(1,944)	29,430
Net healthcare service revenue	-	53,482	-	53,482
Net real estate revenue	-	13,751	(80)	13,671
Net other investment revenue	-	13,096	187	13,283
Revenue	**536,872**	**95,111**	**(11,206)**	**620,776**
Salaries and other employee benefits	131,038	24,264	(1,496)	153,806
General and administrative expenses	57,766	16,766	(1,348)	73,185
Banking depreciation and amortisation	25,637	-	-	25,637
Other operating expenses	3,226	525	-	3,750
Operating expenses	**217,667**	**41,555**	**(2,844)**	**256,379**
Operating income before cost of credit risk / EBITDA	**319,204**	**53,555**	**(8,362)**	**364,397**
Profit (loss) from associates	-	-	-	-
Net gains (losses) from disposal of investment businesses	-	-	-	-
Depreciation and amortization of investment business	-	9,168	-	9,168
Net foreign currency income from investment business	-	(3,081)	-	(3,081)
Net interest income (expense) from investment business	-	(13,882)	8,362	(5,520)
Operating income before cost of credit risk	**319,204**	**27,424**	**-**	**346,629**
Impairment charge on loans to customers	45,088	-	-	45,088
Impairment charge on finance lease receivables	476	-	-	476
Impairment charge on other assets and provisions	10,167	3,288	-	13,455
Cost of credit risk	**55,732**	**3,288**	**-**	**59,020**
Net operating income before non-recurring items	**263,473**	**24,136**	**-**	**287,609**
Net non-recurring items	11,836	(820)	-	11,017
Profit before income tax	**251,636**	**24,956**	**-**	**276,592**
Income tax (expense) benefit	32,724	3,102	-	35,826
Profit	**218,913**	**21,854**	**-**	**240,767**
Attributable to:				
Equity holders of the parent	215,292	17,217	-	232,509
Non-controlling Interest	3,621	4,637	-	8,258

ANNEX II – Summary of the new capital regulation

On 28 October 2013, the National Bank of Georgia published Decree No. 100/04, introducing a new capital regulation to replace the NBG capital regulation in place since 2002 (and updated from time to time). The new capital regulation is based on the Basel Accord 2 and 3, with material regulatory discretions applied by the NBG. According to the Decree No. 100/04, Pillar 1 requirements under the new regulation came into force on 30 June 2014. The period starting 30 June 2014 through 31 December 2017 was declared as a transition period. During the transition period, Georgian banks are required to comply with certain ratios under the previous NBG regulation according to the following schedule: 2014 – 100% of the old regulatory capital, in 2015 – 95% of the old regulatory capital, in 2016 – 90% of the older regulatory capital and in 2017 – 80% of the old regulatory capital.

According to the Decree No. 1s 00/04 by the National Bank of Georgia, Pillar 2 requirements (the "ICAAP") have come in force starting 1 October 2014. In October of 2014, the Bank submitted its first Pillar 2 ICAAP Report for Q3 2014 to the regulator. The Bank has also submitted to NBG a full draft of its internal capital regulation and policies. Currently, the entire package is going through review process by the regulator and the Bank is expecting to receive a feedback from NBG regarding the results of this review. Once the regulatory review process is finalized, a final package of the Pillar 2 internal regulation will be approved by the Board. Currently, the Bank is only required to submit its ICAAP report on a quarterly basis. No deadline has been set by NBG yet for this quarterly reporting. However, the Bank has its internal deadline 30 days after each quarter-end. The Q4 2014 ICAAP report has been already submitted.

Summary analysis of the key features of the new Basel 2/3 based regulation and a comparison with the old capital regulation is provided below:

Feature	**NBG new Basel 2/3 based regulation, Pillar 1**	**NBG old regulation (no Pillar 2 or 3 existed)**
Tier 1 Capital Ratio requirement	8.5%	8%
Total Capital Ratio requirement	10.5%	12%
Level of consolidation	JSC Bank of Georgia stand-alone	JSC Bank of Georgia stand-alone
Input data based on	Unconsolidated (stand-alone) financial statements per NBG accounting standards	Unconsolidated (stand-alone) financial statements per NBG accounting standards
Capital composition	Basel 3 based: share capital, share premium (additionally paid-in capital), prior period retained earnings are all components of Tier 1; revaluation and other reserves are excluded from regulatory capital; current period profit or loss included in Tier 1; investments in financial institution subsidiaries, above the 10% allowed threshold of Tier 1, are deducted from Tier 1, while the allowed 10% of Tier 1 is risk-weighted at 250%; investments in non-financial institution subsidiaries are fully deducted from Tier 1; sub-debt definition applies "no step-up" requirement; amount of sub-debt to be added to Tier 2 is not limited	NBG discretion: share capital, share premium (additionally paid-in capital), prior period retained earnings are all components of Tier 1; revaluation and other reserves are excluded from regulatory capital; current period profit or loss included in Tier 2; all investments in all subsidiaries deducted from Tier 2; sub-debt definition does not apply "no step-up" requirement; amount of sub-debt to be added to Tier 2 is limited to 50% of total Tier 1
RWA: Cash and cash equivalents	0% risk weighted, except for cash in transit	0% risk-weighted, except for cash and cash equivalents denominated in non-OECD currencies

Feature	NBG new Basel 2/3 based regulation, Pillar 1	NBG old regulation (no Pillar 2 or 3 existed)
RWA: Foreign currency denominated balances placed with NBG (including mandatory reserves)	100% risk weighted	0% risk weighted
RWA: Inter-bank loans and deposits	Based on individual international ratings, or, in absence of such, based on the international rating of the country of incorporation	OECD placed loans and deposits risk weighted at 20%; non-OECD placed loans and deposits risk weighted at 100%; placements with resident banks risk weighted at 50%
RWA: Investment securities	Sovereign securities of Georgia denominated in local currency risk weighted at 0%; all other sovereigns risk-weighted based on the international rating of the country; investment securities issued by financial institutions risk weighted based on individual international ratings, or, in absence of such, based on the international rating of the country of incorporation; investment securities of non-financial institutions (commercial entities) risk weighted at 100%	Sovereign securities of Georgia denominated in local currency risk weighted at 0%; investment securities issued by local banks risk weighted at 50%; investments securities issued by OECD institutions risk weighted at 20%; all other investment securities risk weighted at 100%
RWA: Commercial loans	Commercial loans are risk-weighted at 100%	No segregation by types / categories of loans; all loans are risk-weighted at 100%
RWA: Mortgage loans	Mortgage loans are risk-weighted at 35% (only for the properties of up to 120 m^2)	No segregation by types / categories of loans; all loans are risk-weighted at 100%
RWA: Retail loans (all other)	Retail loans are risk-weighted at 75%	No segregation by types / categories of loans; all loans are risk-weighted at 100%
RWA: Market risk (on-balance sheet)	Additional 75% risk weight is applied to all on-balance sheet foreign currency denominated loan exposures, on top of their original credit risk weights	Additional 75% risk weight is applied to all on-balance sheet foreign currency denominated loan exposures, on top of their original credit risk weights
RWA: Loans fully secured with deposits	0% risk weight is applied	0% risk weight is applied
RWA: Credit risk mitigations, other than deposits	Gold pawns available for Retail loans providing 50% discount in the risk weight	No other mitigations available
RWA: Off-balance sheet items	For guarantees: differentiated, based on the type of the guarantee; for letters of credit: 50% credit conversion factor is further risk weighted at 100%; for undrawn credit commitments: 50%	For guarantees: differentiated, based on the term of the guaranteed (short-term / long-term) and the type of guarantor; for letters of credit: differentiated, based on the term of the letter of credit (short-

Feature	NBG new Basel 2/3 based regulation, Pillar 1	NBG old regulation (no Pillar 2 or 3 existed)
	credit conversion factor is applied to credit cards and overdrafts and further risk weighted at 75%, and 0% for all other undrawn credit commitments	term / long-term) and the type of the guarantor; for undrawn credit commitments: 100% credit conversion factor is applied to credit cards and overdrafts and further risk weighted at 100%, and 0% for all other undrawn credit commitments
RWA: Operational risk	Calculated using Basic Indicator Approach and the amount further divided by 10.5% and the product included in RWA	None
RWA: Market risk (FX)	Total open currency position added to RWA	None
RWA: Property leased out	250% risk weighted	100% risk weighted
RWA: All other assets	100% risk weighted	100% risk weighted

COMPANY INFORMATION

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