Bank of Georgia Announces Q1 2014 Results

Bank of Georgia Holdings PLC (LSE: BGEO LN) (the "Bank"), the holding company of JSC Bank of Georgia and its subsidiaries, Georgia's leading bank, announces today the consolidated results for the quarter ended 31 March 2014. The Bank reported Q1 2014 profit of GEL 53.7 million (US$30.7 million/GBP 18.5 million), or GEL 1.51 per share (US$0.86 per share/GBP 0.52 per share). Unless otherwise mentioned, all comparisons refer to Q1 2013 results.

- **Strong profit momentum maintained**
  - Net Interest Margin (NIM) of 7.3%, compared 7.6% in Q1 2013
  - Revenue increased by GEL 14.5 million, or 11.8% y-o-y, to GEL 137.5 million
  - Positive operating leverage maintained at 1.9 percentage points in Q1 2014
  - Cost to Income ratio improved to 43.1% compared to 43.8% in Q1 2013
  - Profit for the period increased to GEL 53.7 million, up 27.8% y-o-y
  - Earnings per share (basic) increased by 26.9% to GEL 1.51 compared to GEL 1.19 in Q1 2013 Return on Average Assets (ROAA) stood at 3.3% in Q1 2014 compared to 3.1% in Q1 2013
  - Return on Average Equity (ROAE) stood at 17.7% in Q1 2014, compared to 15.9% in Q1 2013
- **Balance sheet strength supported by solid capital and liquidity positions and declining Cost of Funding**
  - Net loan book increased by 18.1% y-o-y (down 1.0% q-o-q), while client deposits increased by 8.2% y-o-y (down 2.3% q-o-q)
  - Cost of Client Deposits decreased to a record low of 4.6% in Q1 2014 from 4.8% in Q4 2013 and 6.4% in Q1 2013. Loan Yields also declined to 14.8% from 16.9% in Q1 2013 and 15.6% in Q4 2013.
  - Cost of credit risk improved significantly in Q1 2014 to GEL 13.3 million from GEL 17.3 million in Q1 2013
  - High liquidity maintained with 29.6% of total assets made up of cash and cash equivalents, amounts due from credit institutions, NBG CDs, Georgian government treasury bills and bonds and other high quality liquid assets as of 31 March 2014. Liquidity ratio, as per National Bank of Georgia (NBG), stood at 43.5%, compared to 44.1% a year ago
  - As of 31 March 2014 the Net Loans to Customer Funds and DFI ratio stood at 96.4% compared to 96.2% as of 31 December 2013 and 85.2% as of 31 March 2013. The Net Loans to Customer Funds ratio stood at a healthy level of 113.8% compared to 113.0% as of 31 December 2013 and 104.9% as of 31 March 2013.
  - BIS Tier I capital adequacy ratio stood at 23.8% compared to 23.2% a year ago.
  - Book value per share increased by 13.9% y-o-y to GEL 34.35 (US$20.23/GBP 12.17)
  - Balance Sheet leverage remained largely flat y-o-y at 4.1 times
- **Business highlights**
  - Retail Banking continues to deliver strong franchise growth, supported by the successful roll-out of the Express Banking strategy, adding 1,423 Express Pay Terminals and 513,707 Express Cards since the launch of the Express Banking service. Retail Banking's net loan book grew 21.1% and client deposits 24.9% y-o-y.
  - Corporate Banking's net loan book increased 7.8% to GEL 1,715.5 but decreased 5.7% q-o-q. Corporate Banking Cost of Deposits decreased markedly from 5.7% in Q1 2013 to 3.2% in Q1 2014.
  - Investment Management's Assets under Management (AUM) increased by 14.5% y-o-y to GEL 702.7 million as of 31 March 2014. Since the launch of the Certificate of Deposit (CD) programme in January 2013, the amount of CDs issued to Investment Management clients reached GEL 239.0 million, as of 31 March 2014
  - The Group's insurance and healthcare business, reported GEL 6.0 million Q1 2014 profit, up 14.6% y-o-y and expanded its healthcare business through acquisitions, adding 578 hospital beds to a total of 1,907
  - Affordable Housing's second housing project is near completion and the construction of two new housing projects is underway. Net profit from the Bank's affordable housing business totalled GEL 4.2 million in Q1 2014, reflecting the partial recognition of revenue from its second project as it nears completion.

"I am pleased with the Bank's continued progress in the first quarter 2014 and its ability to report strong results in the seasonally quiet first quarter of the year. Our profit of GEL 53.7 million in Q1 2014 increased by 27.8% year on year, driven by positive operating leverage of 1.9% during the quarter and improving cost of risk compared to the same period last year. Asset quality improvements have translated into a reduced cost of risk of 1.0% compared to 1.4% in the first quarter last year.

The revenue growth reflected strong growth in net interest income, up 9.8% year-on-year, as a result of an 18.1% increase in customer lending over the last 12 months; a more than doubling of net healthcare revenues and a strong performance from the Bank's Affordable Housing businesses. The net interest margin at 7.3% was slightly lower than last year, partly reflecting the cost of excess liquidity as well as the margin pressure on loans amid increased competition for credit - but remains within our medium-term target of 7.0-7.5%.

The 19.6% asset growth was primarily driven by the 18.1% increase of the loan book. Our client deposit balances increased by 8.2% despite the substantial reduction of deposit rates to the lowest levels that are now offered on the Georgian market. As a result, our Cost of Client Deposits has reached another historical low of 4.6%, which compares to 4.8% in Q4 2013 and 6.4% in the first quarter of last year. The significant efforts we made to improve our Cost of Funding, which is down 160 bps to 5.1% in Q1 2014, have supported our NIM. The Q1 2014 NIM of 7.3% declined by 30 bps on the back of 210 bps reduction on Loan Yields.

I would also like to note the robust performance of our synergistic businesses. Our healthcare business started the year with several acquisitions that have further strengthened our healthcare franchise through the addition of 578 hospital beds to a total of 1,907 and significantly increased our market share in terms of hospital beds. Our healthcare business doubled its revenue compared to Q1 2013, however, the effects of recent acquisitions have not yet been fully reflected in Q1 2014 results as the integration process of the new hospitals has just started. Our real estate business is nearing the completion of its second project, having sold 96% of apartments as of today. More than half of flats with an aggregate worth of US$24.4 million in two new projects commenced by m2 Real Estate in December 2013 have already been sold.

With current excess liquidity and our solid capital level, we believe we are strongly positioned to benefit from the continuation of macro-economic improvement in 2014, for which IMF estimates a 5.0% growth. We are looking forward to continue delivering on our targets for the full year on the back of the encouraging 7.4% estimated real GDP growth in Q1 2014," commented ***Irakli Gilauri***, Chief Executive Officer of Bank of Georgia Holdings PLC and JSC Bank of Georgia.

FINANCIAL SUMMARY

BGH (Consolidated, IFRS-based)					
Income Statement Summary			**Change**		**Change**
GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Y-O-Y**	**Q4 2013**	**Q-O-Q**
Revenue[1]	137,480	122,976	11.8%	144,441	-4.8%
Operating expenses	(59,186)	(53,880)	9.8%	(60,998)	-3.0%
Operating income before cost of credit risk	78,294	69,096	13.3%	83,443	-6.2%
Cost of credit risk[2]	(13,316)	(17,278)	-22.9%	(9,999)	33.2%
Net operating income	64,978	51,818	25.4%	73,444	-11.5%
Net non-operating expenses	(1,120)	(1,365)	-17.9%	(5,960)	-81.2%
Profit	53,664	41,997	27.8%	55,644	-3.6%
Earnings per share (basic)	1.51	1.19	26.9%	1.58	-4.4%

BGH (Consolidated, IFRS-based)			**Change**		**Change**
Statement of Financial Position Summary	**Q1 2014**	**Q1 2013**	**Y-O-Y**	**Q4 2013**	**Q-O-Q**
Total assets	6,619,775	5,533,858	19.6%	6,520,969	1.5%
Net loans[3]	3,489,252	2,954,724	18.1%	3,522,915	-1.0%
Customer funds[4]	3,065,536	2,817,677	8.8%	3,117,732	-1.7%
Tier I Capital Adequacy Ratio (BIS)[5]	23.8%	23.2%		23.0%	
Total Capital Adequacy Ratio (BIS)[5]	27.8%	28.2%		27.1%	
NBG Tier I Capital Adequacy Ratio[6]	16.4%	16.8%		14.4%	
NBG Total Capital Adequacy Ratio[6]	15.5%	17.1%		15.4%	
Leverage[7]	4.1	4.0		4.3	
GEL/US$ Exchange Rate (period-end)	1.7477	1.6577		1.7363	
GEL/GBP Exchange Rate (period-end)	2.9035	2.5189		2.8614	

[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
[7] Leverage (times) equals Total Liabilities divided by Total Equity

DISCUSSION OF RESULTS

Revenue

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Loans to customers	130,414	129,458	0.7%	133,354	-2.2%
Investment securities[8]	8,519	8,007	6.4%	8,148	4.6%
Amounts due from credit institutions[9]	2,038	2,615	-22.1%	1,745	16.8%
Finance lease receivables	2,260	1,500	50.7%	2,570	-12.1%
Interest income	**143,231**	**141,580**	**1.2%**	**145,817**	**-1.8%**
Amounts due to customers	(34,384)	(43,918)	-21.7%	(35,624)	-3.5%
Amounts due to credit institutions	(16,244)	(17,013)	-4.5%	(15,511)	4.7%
Subordinated debt	*(3,356)*	*(6,220)*	*-46.0%*	*(5,456)*	*-38.5%*
Loans and deposits from other banks	*(12,888)*	*(10,793)*	*19.4%*	*(10,055)*	*28.2%*
Debt securities issued, of which:	(12,899)	(7,977)	61.7%	(11,020)	17.1%
Eurobonds	*(12,734)*	*(7,977)*	*59.6%*	*(11,020)*	*15.6%*
Other	*(165)*	-	-	-	-
Interest expense	**(63,527)**	**(68,908)**	**-7.8%**	**(62,155)**	**2.2%**
Net interest income before interest rate swaps	**79,704**	**72,672**	**9.7%**	**83,662**	**-4.7%**
Net loss from interest rate swaps	-	(76)	-100.0%	(95)	-100.0%
Net interest income	**79,704**	**72,596**	**9.8%**	**83,567**	**-4.6%**
Fee and commission income	28,078	26,562	5.7%	31,200	-10.0%
Fee and commission expense	(8,158)	(6,066)	34.5%	(8,099)	0.7%
Net fee and commission income	**19,920**	**20,496**	**-2.8%**	**23,101**	**-13.8%**
Net insurance premiums earned	29,390	31,744	-7.4%	34,012	-13.6%
Net insurance claims incurred	(19,684)	(20,018)	-1.7%	(23,799)	-17.3%
Net insurance revenue	**9,706**	**11,726**	**-17.2%**	**10,213**	**-5.0%**
Healthcare revenue	22,748	13,070	74.0%	18,268	24.5%
Cost of healthcare services	(14,951)	(9,179)	62.9%	(9,915)	50.8%
Net healthcare revenue[10]	**7,797**	**3,891**	**100.4%**	**8,353**	**-6.7%**
Net gain from trading and investment securities	88	1,284	-93.1%	279	-68.5%
Net gain from revaluation of investment property	-	-	-	2,078	-100.0%
Net gain from foreign currencies	10,889	9,452	15.2%	9,631	13.1%
Other operating income	9,376	3,531	165.5%	7,219	29.9%
Other operating non-interest income	**20,353**	**14,267**	**42.7%**	**19,207**	**6.0%**
Total net non-interest income	**57,776**	**50,380**	**14.7%**	**60,874**	**-5.1%**
Revenue	**137,480**	**122,976**	**11.8%**	**144,441**	**-4.8%**

[8] Primarily consist of Georgian government treasury bills and bonds and National Bank of Georgia's Certificates of Deposits (CDs)
[9] Includes interest income from cash and cash equivalents
[10] For net healthcare revenue disclosures please see Insurance and Healthcare segment discussion

The Bank reported Q1 2013 revenue of GEL 137.5 million, up by GEL 14.5 million, or 11.8% year-on-year, a result of healthy growth of both net interest income and total net non-interest income, the latter primarily supported by the strong performance of the Group's healthcare business and real estate subsidiary.

A 9.8% y-o-y increase in net interest income to GEL 79.7 million was largely driven by a 7.8% y-o-y decrease in interest expense, predominantly due to a 21.7% decline in interest expense on deposits (amounts due to customers), as the Bank continues to benefit from the impact of the deposit rate cuts that took place in 2013. The Cost of Client Deposits reached a record low level of 4.6%, (down 180 bps y-o-y), contributing to the reduction of Cost of Funding to 5.1% in Q1 2014 from 5.3% in Q4 2013 and 6.7% in Q1 2013. The decline in interest expense was also attributed to the reduction of interest expense on amounts due to credit institutions, a result of selected prepayments of more costly subordinated debt in the middle of Q1 2014, which more than offset the increase in interest expense due to the addition of the less costly US$ 150 million Eurobonds placed in November 2013. The 1.2% year-on-year growth of interest income to GEL 143.2 million was a result of practically flat interest income from loans to customers that reflects the 210 bps year-on-year reduction in Loan Yield on the back of 18.1% year-on-year growth of the loan portfolio. Interest income from investment securities grew 6.4% y-o-y, the growth attributed to the increase in investments in government treasury bills and bonds and the NBG CDs (corresponding balance sheet item up 17.5% y-o-y) and the increase in yields on investment securities.

On a q-o-q basis, net interest income declined by 4.6%, mostly a result of the seasonally slow quarter in terms of demand for credit, particularly in our corporate lending business that led to a 1.8% q-o-q reduction in interest income. This compares to a 2.2% q-o-q increase in interest expense, a result of the growth of interest payments on borrowed funds, which more than offset the 3.5% q-o-q decline in interest expense on amounts due to customers.

A 14.7% y-o-y increase in total net non-interest income was predominantly driven by net healthcare revenue, which doubled year-on-year to GEL 7.8 million due to both organic growth and number of acquisitions in 2013 and Q1 2014. The strong performance of the Bank's real estate subsidiary, which partially recognised revenue from the sale of apartments in Q1 2014, was the main contributor to the 165.5% y-o-y growth of other operating income.

Net Interest Margin

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Net interest income	79,704	72,596	9.8%	83,567	-4.6%
Net Interest Margin	**7.3%**	**7.6%**		**7.9%**	
Average interest earning assets[12]	4,413,089	3,873,126	13.9%	4,192,519	5.3%
Average interest bearing liabilities[12]	5,012,699	4,203,717	19.2%	4,620,387	8.5%
Average liquid assets[12]	1,948,419	1,528,007	27.5%	1,681,582	15.9%
Excess liquidity (NBG) *(excl. additional liquidity requirement for non-resident depositors)*	568,459	475,708	19.5%	655,392	-13.3%
Additional liquidity requirement for non-resident depositors	(129,023)	-	-	(118,285)	9.1%
Excess liquidity (NBG) [13]	439,436	475,708	-7.6%	537,107	-18.2%
Loan yield	14.8%	16.9%		15.6%	
Cost of funds	5.1%	6.7%		5.3%	

[12] Monthly averages are used for calculation of average interest earning assets, average interest bearing liabilities and average liquid assets

[13] Excess liquidity is the excess amount of the 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 of 7.3% in Q1 2013 was reduced by 30 bps y-o-y, reflecting the reduction of the Loan Yield by 210 bps between the comparative periods that compares to a 160 bps decline in Cost of Funding over the same period. In addition, higher average liquid assets for the period, which increased 27.5% y-o-y to GEL 1,948.4 million, contributed to the lower asset yields resulting in a slower growth of net interest income compared to average interest earning assets.

Net fee and commission income

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Fee and commission income	28,078	26,562	5.7%	31,200	-10.0%
Fee and commission expense	(8,158)	(6,066)	34.5%	(8,099)	0.7%
Net fee and commission income	**19,920**	**20,496**	**-2.8%**	**23,101**	**-13.8%**

Net fee and commission income decreased 2.8% y-o-y to GEL 19.9 million as a result of a 34.5% increase in fee and commission expense, which continued to be driven by the costs associated with client acquisition within the Express Banking, and higher plastic card fees. Fee and commission expense also increased following outsourcing of the Bank's cash collection service, the costs of which effectively shifted from salaries and other employee benefits to fee and commission expense.

In Q1 2014 alone, we acquired 40,000 new accounts, on top of 190,000 new clients joining the Bank in 2013. Retail Current account balances, the cheapest source of funding for the Bank, increased 33.3% to GEL 243.8 million as of 31 March 2014.

Net insurance revenue and net healthcare revenue

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Net insurance premiums earned	29,390	31,744	-7.4%	34,012	-13.6%
Net insurance claims incurred	(19,684)	(20,018)	-1.7%	(23,799)	-17.3%
Net insurance revenue	**9,706**	**11,726**	**-17.2%**	**10,213**	**-5.0%**
Healthcare revenue	22,748	13,070	74.0%	18,268	24.5%
Cost of healthcare services, of which:	(14,951)	(9,179)	62.9%	(9,915)	50.8%
Net healthcare revenue[14]	**7,797**	**3,891**	**100.4%**	**8,353**	**-6.7%**
Net insurance and healthcare revenue	**17,503**	**15,617**	**12.1%**	**18,566**	**-5.7%**

[14] For the net healthcare revenue disclosures please see the Insurance and Healthcare segment discussion

The Bank's insurance and healthcare revenue totalled GEL 17.5 million in Q1 2014 compared to GEL 15.6 million in Q1 2013. The increase was driven primarily by a strong performance of the Bank's healthcare operations, following a number of acquisitions towards the end of 2013 and beginning of 2014. The healthcare industry also benefited from the introduction of a new state-funded healthcare programme, which has extended healthcare coverage to a wider portion of the population. Healthcare revenue in Q1 2014 partially includes revenue and costs generated from the hospital businesses acquired in Q1 2014.

As expected, the Bank's insurance business posted a decline in net insurance revenue due to lower insurance premiums earned as the recently introduced state-funded healthcare coverage has started to gradually shift to the direct management by the state away from insurance companies. (For more information please see Insurance and Healthcare discussion on page 14)

Aldagi's healthcare business comprises 36 hospitals and outpatient clinics with 1,907 hospital beds in Georgia, representing the largest healthcare provider in the country.

Other operating non-interest income

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Net gain from trading and investment securities	88	1,284	-93.1%	279	-68.5%
Net gain from revaluation of investment property	-	-	-	2,078	-100.0%
Net gain from foreign currencies	10,889	9,452	15.2%	9,631	13.1%
Other operating income[15]	9,376	3,531	165.5%	7,219	29.9%
Other operating non-interest income	**20,353**	**14,267**	**42.7%**	**19,207**	**6.0%**

[15] Other operating income includes net revenue from the Bank's non-banking subsidiaries, including the real estate subsidiary m2 Real Estate

The 42.7% y-o-y increase in other operating non-interest income to GEL 20.3 million was driven by the Bank's real estate subsidiary, m2 Real Estate, which partially recognised the revenue from its second and the largest project to date. Other operating income stood at GEL 9.4 million in Q1 2014, out of which GEL 6.2 million (or 66.4%) was the contribution from m2 Real Estate. M2 Real estate contributed GEL 0.4 million, or 11.8% to GEL 3.5 million other operating income in Q1 2013. A 15.2% y-o-y increase in net gain from foreign currencies to GEL 10.9 million was driven by the Bank's dealing transactions. On a quarterly basis, other operating non-interest income increased by 6.0%, largely supported by a 29.9% increase in other operating income from the Bank's non-banking subsidiaries.

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

GEL thousands, unless otherwise noted	Q1 2014	Q1 2013	Change Y-O-Y	Q4 2013	Change Q-O-Q
Salaries and other employee benefits	(35,808)	(32,501)	10.2%	(35,627)	0.5%
General and administrative expenses	(15,490)	(14,057)	10.2%	(17,142)	-9.6%
Depreciation and amortisation expenses	(6,874)	(6,593)	4.3%	(6,682)	2.9%
Other operating expenses	(1,014)	(729)	39.1%	(1,547)	-34.5%
Operating expenses	**(59,186)**	**(53,880)**	**9.8%**	**(60,998)**	**-3.0%**
Operating income before cost of credit risk	**78,294**	**69,096**	**13.3%**	**83,443**	**-6.2%**
Cost of credit risk	**(13,316)**	**(17,278)**	**-22.9%**	**(9,999)**	**33.2%**
Net operating income	**64,978**	**51,818**	**25.4%**	**73,444**	**-11.5%**
Net non-operating expenses	(1,120)	(1,365)	-17.9%	(5,960)	-81.2%
Profit before income tax expense	**63,858**	**50,453**	**26.6%**	**67,484**	**-5.4%**
Income tax expense	(10,194)	(8,456)	20.6%	(11,840)	-13.9%
Profit	**53,664**	**41,997**	**27.8%**	**55,644**	**-3.6%**

The Bank continues to deliver positive operating leverage, as operating expenses increased 9.8% y-o-y compared to an 11.8% y-o-y increase in revenue, translating into a positive operating leverage of 1.9 percentage points. The growth in operating expenses was mainly driven by a 10.2% increase in salaries and other employee benefits to GEL 35.8 million as a result of acquisitions of hospitals by its healthcare subsidiary and the growth of business across the board. Benefiting from the success of the Express Banking strategy, which aims to boost transactional banking using IT technologies. Bank of Georgia's standalone headcount continues to decline, decreasing 5.0% y-o-y and 0.4% q-o-q to 3,561 employees. The headcount of the whole group however increased significantly, adding 1,901 employees since the beginning of the year to 13,612, with the overwhelming majority of headcount increase associated with the expansion of the Group's healthcare business. A 10.2% y-o-y increase in general and administrative expenses to GEL 15.5 million was primarily due to an extensive marketing campaign of the Bank's real estate subsidiary m2 Real Estate for the two new apartment projects launched at the end of 2013.

On a quarterly basis, operating expenses decreased by 3.0% compared to Q4 2013, reflecting the continued progress on cost containment initiatives with an emphasis on reducing general and administrative expenses, down 9.6% q-o-q largely as a result of the absence of marketing expenses during Q4 2013 associated with the Christmas period.

As a result, the cost to income ratio stood at 43.1% in Q1 2014 compared to 43.8% in Q1 2013 and 42.2% in Q4 2013.

The Bank's operating income before the cost of credit risk increased by 13.3% y-o-y to GEL 78.3 million.

The cost of credit risk decreased to GEL 13.3 million from GEL 17.3 million in Q1 2013, as a result of lower impairment charges during the quarter. The cost of credit risk increased however compared to Q4 2013, up 33.2%, due to higher recoveries in Q4 2013 in both in Retail Banking and Corporate Banking segments. The Q1 2014 cost of risk of 1.0% increased from 0.9% in Q4 2013, but improved considerably from 1.4% in Q1 2013. The improvement in cost of credit risk now reflects a new provisioning methodology* the Bank implemented in January 2014, which had a minor positive impact on the Retail Banking cost of credit risk.

The Bank's non-performing loans (NPLs), defined as the principal and interest on overdue loans for more than 90 days and additional potential loss estimated by management, increased by GEL 6.8 million y-o-y in Q1 2014 and totalled GEL 138.5 million, reflecting the growth of the loan book between the periods. The trend of improving asset quality is reflected in the NPLs to Gross Loans ratio, which stood at 3.8% in Q1 2014, compared to 4.3% in Q1 2013 and 4.0% in Q4 2013. The NPL coverage ratio stood at 92.0% as of 31 March 2014 compared to 86.5% as of 31 March 2013 and 83.8% as of 31 December 2013. The NPL Coverage Ratio (adjusted for the discounted value of collateral) stood at 121.4% as of 31 March 2014 and 110.6% as of 31 December 2013.

*The new provisioning methodology is based on statistical assessment of Probability of Default (PD) and Loss Given Default (LGD) for each of the loan type. The management believes that the new methodology is a refinement of the previous methodology and will allow better allocation of Cost of Risk between different products. The overall impact of the change in methodology on provisioning rate and on financial statements will not be material. The new methodology was developed in consultation with Deloitte, which provided the IT solution as well..

The Bank's net operating income totalled GEL 65.0 million, up 25.4% year-on-year. The Bank's net non-operating expenses declined to GEL 1.1 million from GEL 1.4 million in Q1 2013 and GEL 6.0 million in Q4 2013.

As a result of the foregoing, profit before income tax in Q1 2014 totalled GEL 63.9 million, an increase from GEL 50.5 million, or 26.6% y-o-y. After income tax expense of GEL 10.2 million, the Bank's profit for the period stood at GEL 53.7 million, up 27.8%.

Balance Sheet highlights

The Bank's balance sheet remains extremely well capitalised and highly liquid. The composition of our liabilities has changed y-o-y following significant liability optimisation efforts aimed at the continuous reduction of our Cost of Funding. Debt securities, which primarily included 2012 Eurobond (US$150 million Eurobond tap issued November 2013), made up 13.8% of liabilities compared to 9.5% a year before, while DFI funding accounted for 10.4% of our total liabilities, compared to 14.7% a year ago. Client deposits increased 8.2% to GEL 3,037.1 million despite the lower rates that we offer on the market following the significant cuts in contractual deposit rates in 2013. As a result for the foregoing, Cost of Client Deposits decreased 180 bps to 4.6% in Q1 2014 driving the 160 bps decline in Cost of Funding to 5.1%.

The main driver of the asset growth on y-o-y basis was loans to customers, which increased by GEL 534.5 million or by 18.1% y-o-y, although on year-to-date basis, loan book stayed largely flat due to an unfavorable base effect as the demand for credit picked up in the seasonally most active Q4 2013. Liquid assets increased 25.8% y-o-y to GEL 1,961.0 million reflecting the tap issue of Eurobonds in the second half of 2013, which have not yet been fully deployed into loans.

As of 31 March 2014, the Bank's total assets stood at GEL 6,619.8 million, an increase of 19.6% since 31 March 2013 and a 1.5% increase YTD.

Total equity attributable to the shareholders of the Group stood at GEL 1,218.6 million, up 15.3% y-o-y and 3.0% YTD. As a result, the Bank's Book Value per share on 31 March 2014 stood at GEL 35.35 (US$20.23/GBP12.17) compared to GEL 34.85 (US$20.07/GBP12.18) as of 31 December 2013 and GEL 31.04/ (US$18.72/GBP12.32) as of 31 March 2013.

Currency denomination of selected balance sheet items, monthly averages

	GEL					FC				
GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Loans to customers and finance lease receivables, net	1,204,029	996,533	20.8%	1,158,516	3.9%	2,300,561	2,038,548	12.9%	2,183,161	5.4%
Amounts due to customers, of which:	885,451	922,259	-4.0%	922,331	-4.0%	2,161,859	1,848,102	17.0%	2,023,171	6.9%

De-dollarsation without compromising the margins remains one of the priorities for Bank of Georgia. On the asset side, average GEL loans have increased 20.8% y-o-y compared to a 12.9% increase in foreign currency loans. The bank issued GEL 75.0 million Lari denominated mortgage and SME loans in Q1 2014, contributing to the 20.8% y-o-y increase of GEL denominated loans in Q1 2014. GEL denominated average customer funds however decreased 4.0% compared to a 17.0% increase in foreign currency deposits, a result of the Bank's primary focus on managing yields.

Liquidity, Funding and Capital Management

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Amounts due to credit institutions, of which:	1,206,818	936,673	28.8%	1,157,979	4.2%
Subordinated debt	*131,175*	*206,947*	*-36.6%*	*168,710*	*-22.2%*
Other amounts due to credit institutions	*1,075,643*	*729,726*	*47.4%*	*989,269*	*8.7%*
Debt securities issued, of which:	734,771	418,353	75.6%	728,117	0.9%
Eurobonds	*718,495*	*418,353*	*71.7%*	*728,117*	*-1.3%*
Other	*16,276*	-	-	-	-
Customer Funds, of which:	3,065,536	2,817,677	8.8%	3,117,732	-1.7%
Client deposits, of which	*3,037,120*	*2,807,064*	*8.2%*	*3,107,209*	*-2.3%*
CDs	*273,948*	*47,806*	*NMF*	*221,539*	*23.7%*
Promissory notes	*28,416*	*10,613*	*167.7%*	*10,523*	*170.0%*
Net Loans / Customer Funds	113.8%	104.9%	8.9%	113.0%	0.8%
Net Loans / Customer Funds + DFIs	96.4%	85.2%	11.2%	96.2%	0.2%
Liquid assets	**1,960,973**	**1,558,685**	**25.8%**	**1,921,704**	**2.0%**
Liquid assets as percent of total assets	29.6%	28.2%	1.4%	29.5%	0.1%
Liquid assets as percent of total liabilities	36.8%	35.2%	1.6%	36.4%	0.4%
NBG liquidity ratio	43.5%	44.1%	-0.6%	45.7%	-2.2%
Excess liquidity (NBG)	439,436	475,708	*-7.6%*	537,107	*-18.2%*
Tier I Capital Adequacy Ratio (NBG)	16.4%	16.8%		14.4%	
Total Capital Adequacy Ratio (NBG)	15.5%	17.1%		15.4%	
Tier I Capital Adequacy Ratio (Basel I)	23.8%	23.2%		23.0%	
Total Capital Adequacy Ratio (Basel I)	27.8%	28.2%		27.1%	
Tier I Capital Adequacy Ratio (Basel II/III)	*12.9%*			*13.1%*	
Total Capital Adequacy Ratio (Basel II/III)	*16.2%*			*16.4%*	

The Bank's liquidity position remains well-above regulatory requirements. The Bank's liquidity ratio, as per the requirements of the NBG, stood at 43.5% against a required minimum of 30%, while liquid assets, (primarily comprising of cash and cash equivalents, amounts due from credit institutions and investment securities) accounted for 29.6% of total assets and 36.8% of total liabilities. The increase in liquidity was primarily due to the additional Eurobond issuance in November 2013, which significantly contributed to the increased liquidity pool.

The composition of the Bank's balance sheet reflects its aim to maintain a diversified funding base, while optimising funding costs. Net loans/Customer funds ratio stood at 113.8% as of 31 March 2014, compared to 104.9% a year ago. Net loans/ Customer funds and Development Finance Institutions (DFIs) however increased to 96.4% from 85.2% as a result of a pick-up in lending and the repayment of selected loans from DFIs following the issuance of Eurobonds in November 2013. Borrowed Funds from DFIs made up 10.4% of total liabilities, down from 14.7% as a result of the repayment of certain subordinated loans.

The Bank ended the quarter with a particularly strong capital position with a robust Tier I ratio (BIS) of 23.8%, compared to 23.0% as of 31 December 2013 and 23.2% as of 31 March 2013. Risk weighted assets increased by 9.6% to GEL 5,179.0 million, reflecting the increase in interest earning assets during the year, while Tier I Capital (BIS) increased by GEL 136.4 million to GEL 1,231.0 million.

Approved and published on 28 October 2013 by NBG, a new capital adequacy regulation comes into force in 2014. Pillar 1 requirements become effective 30 June 2014, however, the Bank has been reporting under Basel II/III Pillar 1 Requirements since 1 January 2014. Pillar II (ICAAP) requirements shall become effective 30 September 2014. A transition period is to continue through 1 January 2017, during which the Bank will be required to comply with both, the new, as well as the current, capital regulations of the NBG. The new capital regulation is based on Basel II/III requirements, adjusted for NBG's discretionary items. The Bank has been already calculating its capital adequacy under the new regulation during 2013 and is fully ready for the new regulation, which it has already implemented. The Bank sees no particular risks associated with the new regulation and the transition period and it expects its absolute capital requirement to stay materially unchanged or even slightly reduced.

SEGMENT RESULTS

Strategic Businesses Segment Results Discussion

Segment results discussion is presented for the Bank of Georgia's Retail Banking (RB), Corporate Banking (CB) and Investment Management, Insurance and Healthcare (Aldagi), Affordable Housing (m2 RE) in Georgia and BNB in Belarus, excluding inter-company eliminations.

Retail Banking (RB)

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Net interest income	48,878	42,989	13.7%	50,843	-3.9%
Net fee and commission income	12,251	12,516	-2.1%	15,071	-18.7%
Net gain from foreign currencies	4,227	3,423	23.5%	4,201	0.6%
Other operating non-interest income	572	1,110	-48.5%	1,491	-61.6%
Revenue	**65,928**	**60,038**	**9.8%**	**71,606**	**-7.9%**
Operating expenses	(30,390)	(28,244)	7.6%	(30,845)	-1.5%
Operating income before cost of credit risk	**35,538**	**31,794**	**11.8%**	**40,761**	**-12.8%**
Cost of credit risk	1,949	(9,589)	NMF	(3,467)	NMF
Net non-operating expenses	(392)	(264)	48.5%	(1,168)	-66.4%
Profit before income tax expense	**37,095**	**21,941**	**69.1%**	**36,126**	**2.7%**
Income tax expense	(5,617)	(3,341)	68.1%	(5,025)	11.8%
Profit	**31,478**	**18,600**	**69.2%**	**31,101**	**1.2%**
Net loans, standalone	1,661,076	1,371,948	21.1%	1,612,942	3.0%
Client deposits, standalone	1,080,265	865,226	24.9%	1,086,607	-0.6%
Loan yield	*18.0%*	*20.3%*		*19.0%*	
Cost of deposits	*4.2%*	*6.1%*		*5.1%*	
Cost / income ratio	*46.1%*	*47.0%*		*43.1%*	

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.

Retail Banking posted revenue of GEL 65.9 million, up 9.8% year-on-year, and profit of GEL 31.5 million, up 69.2% year-on-year, contributing 48.0% and 58.7% of the Group's total revenue and profit, respectively. The growth was primarily driven by a 13.7% growth in net interest income reflecting the combination of 21.1% y-o-y growth in net Retail Banking loans, partially offset by a decrease in net interest margin. The decrease of NIM was reflected in a decrease in the Retail Banking Loan Yield from 20.3% in Q1 2013 to 18.0% in Q1 2014 not fully offset by the decline in funding costs. Retail Banking Cost of Deposits declined by 190 bps to 4.2% as a result of a reduction in contractual rates. Notwithstanding the sharp decline in deposit rates, client deposits increased 24.9% y-o-y. The Express Banking strategy continued to boost the growth of Retail Banking current account balances, which increased by 33.3% y-o-y or by GEL 60.9 million to GEL 243.8 million. Supported by Express Banking, we acquired another 40,000 clients alone in Q1 2014 on top of 190,000 new clients acquired in 2013 – while opening only two standard branches since the end of 2012.

In Q1 2014, Retail Banking posted positive cost of credit risk, which equalled GEL 1.9 million as a result of strong recoveries in the consumer loan portfolio as well as the change of provisioning methodology in 2014 (as announced during our Investor Day in 2013), which had a minor positive impact on Retail Banking cost of credit risk for the quarter. The improvement in the cost of credit risk supported a strong growth in Retail Banking profit, which increased 69.2% to reach a record high profit for the Retail Banking segment at GEL 31.5 million in Q1 2014

Highlights

- Distributed 123 tablet POS terminals within the Express Merchant service that was launched in the second half of 2013within the wider franchise of Express Banking service. Express Merchant is aimed at small retailers that do not offer card payments in their stores. Express Merchant offers these retailers a simple, low cost tablet payment system (tablet POS) as well as a wide range of attractive services tied to this tablet. This service, apart from helping the Bank to expand its footprint on the Micro and SME market, helps to further popularise the Express Card.
- Increased number of Express Pay (self-service) Terminals to 1,423 from 759 as of 31 March 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.
- 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, 513,707 Express Cards have been issued.
- Issued 146,828 debit cards, including Express Cards, in Q1 2014 bringing the total debit cards outstanding to 897,856 up 23.5% y-o-y.
- Issued 8,745 credit cards of which 6,578 were American Express Cards in Q1 2014. The total number of outstanding credit cards amounted to 117,846 (of which 109,321 were American Express cards).
- Outstanding number of Retail Banking clients totalled 1,285,957 up 16.7%y-o-y and by 3.3% (40,909 clients) q-o-q.
- Acquired 339 new clients in the Solo business line, the Bank's mass affluent sub-brand, in Q1 2014. As of 31 March 2014, the number of Solo clients reached 6,993.
- Increased the number of corporate clients using the Bank's payroll services from 3,528 as of 31 March 2013 to 3,912 as of 31 March 2014. As of the period end, the number of individual clients serviced through the corporate payroll programmes administered by the Bank amounted to 231,294, compared to 206,980 as of 31 March 2013.
- Increased Point of Sales (POS) footprint: as of 31 March 2014, 295 desks at 813 contracted merchants, up from 231 desks and 522 merchants as of 31 March 2013. GEL 26.5 million POS loans were issued in Q1 2014, compared to GEL 12.4 million during the same period last year. POS loans outstanding amounted to GEL 59.4 million, up 113.9% over one year period.
- POS terminals outstanding reached 4,836, up 29.8% y-o-y. The volume of transactions through the Bank's POS terminals grew 34.2% y-o-y to GEL 120.2 million, while the number of POS transactions increased by 1.8 million y-o-y from 1.3 million in Q1 2013 to 3.1 million in Q1 2014.
- Consumer loan originations of GEL 121.4 million resulted in consumer loans outstanding totalling GEL 424.1 million as of 31 March 2014, up 16.7% y-o-y.
- Micro loan originations of GEL 101.1 million resulted in micro loans outstanding totalling GEL 348.5 million as of 31 March 2014, up 28.3% y-o-y.
- SME loan originations of GEL 60.1 million resulted in SME loans outstanding totalling GEL 174.2 million as of 31 March 2014, up 55.5% y-o-y.
- Mortgage loans originations of GEL 59.1 million resulted in mortgage loans outstanding of GEL 458.6 million as of 31 March 2014, up 19.1% y-o-y.
- RB loan yield amounted to 18.0% in Q1 2014 (20.3% in Q1 2013) and RB deposit cost declined to 4.2% in Q1 2014 (6.1% in Q1 2013).

Corporate Banking (CB)

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Net interest income	24,607	25,177	-2.3%	27,723	-11.2%
Net fee and commission income	5,722	6,436	-11.1%	6,470	-11.6%
Net gain from foreign currencies	6,326	5,518	14.6%	6,340	-0.2%
Other operating non-interest income	527	1,479	-64.4%	2,355	-77.6%
Revenue	**37,182**	**38,610**	**-3.7%**	**42,888**	**-13.3%**
Operating expenses	(11,468)	(12,366)	-7.3%	(12,314)	-6.9%
Operating income before cost of credit risk	**25,714**	**26,244**	**-2.0%**	**30,574**	**-15.9%**
Cost of credit risk	(12,919)	(6,916)	86.8%	(7,902)	63.5%
Net non-operating expenses	(223)	(253)	-11.9%	(1,351)	-83.5%
Profit before income tax expense	**12,572**	**19,075**	**-34.1%**	**21,321**	**-41.0%**
Income tax expense	(1,906)	(3,292)	-42.1%	(3,246)	-41.3%
Profit	**10,666**	**15,783**	**-32.4%**	**18,075**	**-41.0%**
Net loans, standalone	1,715,461	1,591,087	7.8%	1,819,171	-5.7%
Letters of credit and guarantees, standalone*	484,778	592,960	-18.2%	499,055	-2.9%
Client deposits, standalone	1,174,670	1,274,621	-7.8%	1,221,428	-3.8%
Loan yield	*10.8%*	*13.5%*	*-2.7%*	*11.6%*	*-0.8%*
Cost of deposits	*3.2%*	*5.7%*	*-2.5%*	*2.7%*	*0.5%*
Cost / income ratio	*30.8%*	*32.0%*	*-1.2%*	*28.7%*	*2.1%*

*Off-balance sheet items

The Group's 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 service offerings include fund transfers and settlements services, currency conversion operations, trade finance service, trade finance services and documentary operations as well as handling savings and term deposits for corporate and institutional customers. The Corporate Banking business also includes finance lease facility provided by the Bank's leasing operations (Georgian Leasing LLC).

Net interest income for the Corporate Banking business decreased 2.3% to GEL 24.6 million as a result of a 270 bps decrease in the Corporate Banking Loan Yield, which was not sufficient to offset a 7.8% increase in net loans. Net fee and commission income also decreased 11.1% y-o-y to GEL 5.7 million, reflecting the seasonally slow quarter and reduced business activities of corporates. Client deposits also decreased 7.8% to GEL 1,174.7 million. Cost of deposits decreased by 250 bps to 3.2% in Q1 2014. Operating expenses decreased 7.3% to GEL 11.5 million as a result of further improvements in operating efficiency.

The cost of credit risk increased 86.8% to GEL 12.9 million in Q1 2014, which reflected the default of a borrower in the agriculture sector as well as a slight negative impact of the change in the new provisioning methodology, described above. The defaulted loan with a total amount of GEL 14.9 million has been fully provisioned. The provision after collateral discount equalled GEL 7.2 million.

As a result, the Q1 2014 profit of the Corporate Banking business amounted to GEL 10.7 million down 32.4% y-o-y.

Investment Management

Investment Management consists of Asset and Wealth Management services and Research platform complemented by advisory brokerage services. Asset and 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. Our Research platform provides sector and macroeconomic coverage of Georgia and neighbouring countries. Investment Management is expected to boost the Group's fee generating capabilities, and to facilitate the expansion of the Group's client base and product penetration by means of offerings of Investment Management products. To this end, presentation of the segment profit and loss statement for IM segment has become not meaningful. Starting from Q1 2014 reporting period, we intend to report operating highlights and key financial metrics for the Investment Management business.

Highlights

- Investment Management client deposits totalled GEL 702.7 million, up 14.5% y-o-y
- Cost of Deposits stood at 6.7% down from 8.3% in Q1 2013
- As of 31 March 2014, the amount of the Bank's CDs issued to Investment Management clients reached GEL 239.0 million.
- Successfully placed US$ 8 million and EUR 8 million Euroclearable CDs in January 2014.
- The Investment Management business served over 1,500 clients from 69 countries as of 31 March 2014. Client funds attracted by Investment Management have grown at a compound annual growth rate (CAGR) of 49.7% over the last five year period to GEL 702.7 million as of 31 March 2014.
- Since its launch in June 2012, Bank of Georgia Research has initiated research coverage of the Georgian economy and Azeri economies, including a report analysing impact of Russia-Ukraine standoff on the Georgian economy, the Georgian Wine Sector, Georgian Agricultural Sector, Georgian Electricity Sector, Georgian Oil and Gas Corporation, Georgian Railway, and issued notes on Georgian State Budget and the Tourism Sector as of the date of this report.
- In line with the Bank's strategy to expand research platform to cover the neighbouring economies in the region, IM has hired a research economist in Azerbaijan. Macro-economic coverage of Azerbaijan is expected to be initiated in the next few months.
- In preparation for setting up a Mezzanine Fund, we have launched a pilot mezzanine project by providing a five-year mezzanine growth financing in the amount of US$1.4 million to a medium size grocery store chain in Tbilisi.

Insurance and Healthcare (Aldagi)

Aldagi, the Bank's wholly-owned subsidiary, provides life and non-life insurance and healthcare products and services in Georgia. A leader in the Georgian life and non-life insurance markets, with a market share of 30.0% as of 31 December 2013 based on gross insurance premium revenue, Aldagi cross-sells its insurance products with the Bank's Retail Banking, Corporate Banking and Investment Management products. As of the date of this report, Aldagi's healthcare business consists of My Family Clinic (MFC) and Unimed, each of which are leading healthcare providers in Georgia and wholly owned by Aldagi (following the buy-out of a non-controlling shareholder of MFC in April 2014). MFC and Unimed operate a chain of healthcare centres in Georgia, in line with the Bank's strategy of vertically integrating its insurance and healthcare with dominant presence in a number of regions. Aldagi operates a highly integrated patient capture business model with significant synergies between its insurance and healthcare operations.

	Q1 2014				Q1 2013				Change, Y-O-Y		
GEL thousands, unless otherwise noted	**Insurance**	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Total**
Gross premiums written	**31,317**	**-**	**-**	**31,317**	**37,827**	**-**	**-**	**37,827**	**-17.2%**	**-**	**-17.2%**
Net interest income (expenses)	248	(2,991)	-	(2,743)	583	(2,802)	-	(2,219)	-57.5%	6.7%	23.6%
Net fee and commission income (expenses)	72	(24)	-	48	28	-	-	28	157.1%	-	71.4%
Net insurance revenue, of which:	7,992	-	2,394	10,386	9,228	-	3,268	12,496	-13.4%	-	-16.9%
Net insurance premiums earned	*30,140*	-	*(69)*	*30,071*	*32,642*	-	*(127)*	*32,515*	*-7.7%*	-	*-7.5%*
Net insurance claims incurred	*(22,148)*	-	*2,463*	*(19,685)*	*(23,414)*	-	*3,395*	*(20,019)*	*-5.4%*	-	*-1.7%*
Net healthcare revenue (loss), of which:	-	10,260	(2,462)	7,798	-	7,286	(3,395)	3,891	-	40.8%	100.4%
Healthcare revenue	-	*30,264*	*(7,516)*	*22,748*	-	*21,554*	*(8,484)*	*13,070*	-	*40.4%*	*74.0%*
Cost of healthcare services	-	*(20,004)*	*5,054*	*(14,950)*	-	*(14,268)*	*5,089*	*(9,179)*	-	*40.2%*	*62.9%*
Net gain (loss) from foreign currencies	237	(534)	-	(297)	(92)	(332)	-	(424)	NMF	60.8%	-30.0%
Other operating non-interest income	148	141	-	289	204	422	-	626	-27.5%	-66.6%	-53.8%
Revenue	**8,697**	**6,852**	**(68)**	**15,481**	**9,951**	**4,574**	**(127)**	**14,398**	**-12.6%**	**49.8%**	**7.5%**
Operating expenses	(4,069)	(4,414)	68	(8,415)	(4,237)	(3,274)	127	(7,384)	-4.0%	34.8%	14.0%
Operating income before cost of credit risk	**4,628**	**2,438**	**-**	**7,066**	**5,714**	**1,300**	**-**	**7,014**	**-19.0%**	**87.5%**	**0.7%**
Cost of credit risk	(374)	(350)	-	(724)	(565)	(294)	-	(859)	-33.8%	19.0%	-15.7%
Net non-operating income	-	546	-	546	-	-	-	-	-	-	-
Profit before Income tax expense	**4,254**	**2,634**	**-**	**6,888**	**5,149**	**1,006**	**-**	**6,155**	**-17.4%**	**161.8%**	**11.9%**
Income tax expense	(685)	(214)	-	(899)	(773)	(154)	-	(927)	-11.4%	39.0%	-3.0%
Profit	**3,569**	**2,420**	**-**	**5,989**	**4,376**	**852**	**-**	**5,228**	**-18.4%**	**184.0%**	**14.6%**
Cost / income ratio	*46.8%*	*64.4%*	-	*54.4%*	*42.6%*	*71.6%*	-	*51.3%*	*4.2%*	*-7.2%*	*3.1%*

Aldagi's revenue increased from GEL 14.4 million in Q1 2013 to GEL 15.5 million in Q1 2014, primarily reflecting strong performance of its healthcare business, which benefited from successful acquisitions. The Bank continues to execute its previously announced strategy to scale up its healthcare business through targeted hospital acquisitions.

As a result of reforms of the state-funded healthcare model, Aldagi's gross premiums written decreased 17.2% y-o-y to GEL 31.3 million and net insurance revenue decreased 13.4% y-o-y to GEL 8.0 million. Operating expenses for the insurance business decreased 4.0% y-o-y to GEL 4.1 million in Q1 2014.

Healthcare revenue increased by 49.8% y-o-y to GEL 6.9 million in Q1 2014, which compared favourably to the 34.8% y-o-y growth in operating expenses, reflecting the successful reorganisation and integration of the newly acquired hospitals. Aldagi management expects to achieve meaningful cost synergies from the recent acquisitions stemming from centralisation of back office functions of the hospital businesses and centralisation of its procurement policy.

The discussion below refers to the Aldagi group standalone numbers.

INCOME STATEMENT

GEL thousands, unless otherwise noted	**Q1 2014**				**Q1 2013**				**Change, Y-O-Y**		
	Insurance	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Elimination**	**Total**	**Insurance**	**Healthcare**	**Total**
Revenue, gross	35,777	30,264	(7,585)	58,456	36,339	21,554	(8,612)	49,281	-1.5%	40.4%	18.6%
Insurance premiums revenue ceded to reinsurers	(3,964)	-	-	(3,964)	(2,294)	-	-	(2,294)	72.8%	-	72.8%
Net Revenue	**31,813**	**30,264**	**(7,585)**	**54,492**	**34,045**	**21,554**	**(8,612)**	**46,987**	**-6.6%**	**40.4%**	**16.0%**
Net insurance claims expenses/COGS	**22,147)**	**(18,495)**	**7,516**	**(33,126)**	**(23,414)**	**(13,105)**	**8,484**	**(28,035)**	**-5.4%**	**41.1%**	**18.2%**
Net commission income / (expense)	(1,674)	-	-	(1,674)	(1,403)	-	-	(1,403)	19.3%	-	19.3%
Net underwriting profit/(loss)/ gross profit	**7,992**	**11,769**	**(69)**	**19,692**	**9,228**	**8,449**	**(128)**	**17,549**	**-13.4%**	**39.3%**	**12.2%**
Other operating income / (loss)	229	141	-	370	231	409	-	640	-0.9%	-65.5%	-42.2%
Total recurring operating costs	(4,169)	(4,674)	69	(8,774)	(4,505)	(3,557)	128	(7,934)	-7.5%	31.4%	10.6%
EBITDA	**4,052**	**7,236**	**-**	**11,288**	**4,954**	**5,301**	**-**	**10,255**	**-18.2%**	**36.5%**	**10.1%**
Foreign exchange gain / (loss)	**237**	**(534)**	**-**	**(297)**	**(92)**	**(332)**	**-**	**(424)**	**NMF**	**60.8%**	**-30.0%**
Depreciation and amortization expenses	**(283)**	**(1,622)**	**-**	**(1,905)**	**(256)**	**(1,174)**	**-**	**(1,430)**	**10.5%**	**38.2%**	**33.2%**
Net Interest Income	**248**	**(2,991)**	**-**	**(2,743)**	**583**	**(2,802)**	**-**	**(2,219)**	**-57.5%**	**6.7%**	**23.6%**
Non-recurring income / (costs)	**-**	**545**	**-**	**545**	**(40)**	**13**	**-**	**(27)**	**-100.0%**	**NMF**	**NMF**
Pre-tax income / (loss)	**4,254**	**2,634**	**-**	**6,888**	**5,149**	**1,006**	**-**	**6,155**	**-17.4%**	**161.8%**	**11.9%**
Income tax expense / (benefit)	(685)	(214)	-	(899)	(773)	(153)	-	(926)	-11.4%	39.9%	-2.9%
Net income / (loss)	**3,569**	**2,420**	**-**	**5,989**	**4,376**	**853**	**-**	**5,229**	**-18.4%**	**183.7%**	**14.5%**
Attributable to:											
- shareholders of the Company	3,569	2,121	(377)	5,313	4,376	574	(564)	4,386	-18.4%	NMF	21.1%
- minority interest	-	299	377	676	-	279	564	843	-	7.2%	-19.8%

Aldagi's insurance and healthcare net revenue increased by 16.0% y-o-y, totalling GEL 54.5 million in Q1 2014. The increase was driven primarily by a strong performance of the Bank's healthcare operations, reflecting the growth of the healthcare business through organic growth as well as acquisitions. In particular, in Q1 2014 Aldagi acquired five hospitals in the second half 2013 and beginning of 2014, allowing Aldagi to increase its revenues and tap new market segments.

Aldagi reported a decline in net insurance revenue as a result of lower health insurance premiums earned. In Q1 2014, the state commenced the gradual shift towards directly managing state-funded insurance policies that were previously managed by private insurance companies, including certain insurance policies previously managed by Aldagi. As a result, gross premiums written decreased by 17.2% y-o-y to GEL 31.3 million and net insurance revenue decreased by 6.6% y-o-y to GEL 31.8 million. The table below shows the breakdown of net insurance revenue and average number of insured by source.

INSURANCE REVENUE BREAKDOWN

GEL thousands, unless otherwise noted	**Q1 2014**		**Q1 2013**	
	Revenue (net)	**Average number of insured**	**Revenue (net)**	**Average number of insured**
Health State Insurance Programmes	13,998	400,943	15,797	415,100
Corporate/Retail	10,447	146,637	10,943	154,311
P&C	7,369	N/a	7,305	N/a
Total	**31,813**	**547,580**	**34,045**	**569,411**

The year-on-year reduction in the average number of the insured reflects the redirection of the management of state-funded health insurance policies away from insurance companies. The process of moving to entirely state-administered state-funded health insurance coverage is expected to continue throughout the year, further reducing the revenue from state-funded health insurance programmes.

Aldagi's healthcare business comprises 36 hospitals and outpatient clinics in Georgia, operating 1,907 beds and representing the largest healthcare provider in the country. Aldagi clinics and hospitals are located in the capital

Tbilisi and in five geographical clusters outside the capital city. There are four types of clinics: ambulatory clinics, community clinics, specialty hospitals and referral hospitals, the mission of each defined by the complexity of services they provide.

CLINICS AND BEDS BY REGIONS

Region	Geography	Population	TOTAL		Referral & Specialty Hospitals		Community Clinic		Ambulatory
		mln persons	*Hospitals & Clinics*	*Beds*	*Hospitals*	*Beds*	*Hospitals*	*Bed*	*Clinic*
Tbilisi	Capital	1.14	5	518	4	518	-	-	1
Imereti	West Georgia	0.69	7	454	3	389	4	65	-
Adjara	West Georgia	0.38	8	399	2	254	5	145	1
Samegrelo	West Georgia	0.47	8	295	1	150	6	145	1
Kakheti	East Georgia	0.40	4	110	1	70	2	40	1
Samtskhe	South-East Georgia	0.16	4	131	1	50	3	81	-
		3.24	**36**	**1,907**	**12**	**1,431**	**20**	**476**	**4**

REVENUE FROM HEALTHCARE BY CLINIC TYPE

GEL thousands, unless otherwise noted	Q1 2014	Share	Q1 2013	Share	Change Y-O-Y
Revenue from healthcare, *of which:*	**30,264**		**21,554**		**40.4%**
Referral and Specialty Hospitals	22,997	*76.0%*	13,663	*63.4%*	68.3%
Community Clinic	4,950	*16.4%*	4,749	*22.0%*	4.2%
Ambulatory	1,286	*4.2%*	2,218	*10.3%*	-42.0%
Other	1,031	*3.4%*	924	*4.3%*	11.4%

REVENUE FROM HEALTHCARE BY GEOGRAPHY

GEL thousands, unless otherwise noted	Q1 2014	Share	Q1 2013	Share	Change Y-O-Y
Revenue from healthcare, *of which:*	**30,264**		**21,554**		**40.4%**
Imereti	9,255	*30.6%*	9,910	*46.0%*	-6.6%
Tbilisi	7,716	*25.5%*	2,499	*11.6%*	208.8%
Adjara	5,249	*17.3%*	2,673	*12.4%*	96.4%
Samegrelo	4,558	*15.1%*	4,101	*19.0%*	11.1%
Kakheti	1,828	*6.0%*	895	*4.2%*	104.2%
Samtskhe	1,658	*5.5%*	1,476	*6.8%*	12.3%

Revenue from the referral and specialty hospitals, the main source of revenue for Aldagi Healthcare, grew by 68.3% year-on-year, due to both organic growth and acquisitions. The net decline in revenue from ambulatory services was driven by broadening of the range of provider clinics in Tbilisi to Aldagi insurance policy holders.

The breakdown of healthcare revenue by geography depicts a higher degree of diversification in Q1 2014 compared to the same period last year, with Imereti leading the way in total healthcare revenue generated for Q1 2014. Revenue from Tbilisi grew strongly, as a result of recent acquisitions, which is in line with the Group's previously announced strategy to scale up its healthcare business through targeted hospital acquisitions focusing primarily on Tbilisi.

Aldagi healthcare's three main sources of revenue consist of healthcare insurance plans (private and state funded), state vertical programmes and out-of-pocket payments by clients. Private healthcare insurance plans and state insurance programmes are administered by several private insurance companies, which have regional contracts on an exclusive basis and provide insurance coverage for socially vulnerable citizens, retired citizens and children (state insurance programmes to be gradually moved from private insurance companies to state). Vertical healthcare programmes provide coverage for services that are not covered by any insurance programmes and are currently administered by the state. Out-of-pocket payments consist of payments for services not covered by either insurance or state funded non-insurance programmes as well as co-payments.

As depicted in the table below, the largest contributors to Aldagi Healthcare's revenue were insurance companies. The year-on-year decline in the contribution of insurance companies in healthcare revenue is driven by the change in administration of state insurance programmes to state management. GEL 12.4 million healthcare revenue from insurance companies in Q1 2014 comprised of GEL 10.8 million revenue from patients covered under state-funded insurance programmes and GEL 1.6 million from patients covered under corporate and retail health insurance policies. Healthcare revenue from the state programmes more than tripled to GEL 10.6 million, up from GEL 2.8 million in the same period last year. The share of the state-funded programmes in healthcare revenue is expected to continue to grow, from which Aldagi's healthcare business should benefit given its leading market share.

REVENUE FROM HEALTHCARE BY SOURCES OF BUSINESS

GEL thousands, unless otherwise noted	**Q1 2014**	**Share**	**Q1 2013**	**Share**	**Change Y-O-Y**
Revenue from healthcare, *of which:*	**30,264**		**21,554**		**40.4%**
Insurance companies, *of which:*	12,415	*41.0%*	12,920	*59.9%*	-3.9%
Aldagi	*7,516*	*24.8%*	*8,612*	*40.0%*	*-12.7%*
State programmes	10,639	*35.2%*	2,769	*12.8%*	284.2%
Out of pocket payments	7,132	*23.6%*	5,149	*23.9%*	38.5%
Other	78	*0.3%*	716	*3.3%*	-89.2%

Capitalising on its successful track record of integrating newly acquired companies in an efficient way (Aldagi has successfully integrated Block Georgia and Unimed with MFC in 2011 and 2012 respectively), Aldagi is in the process of realising post-acquisition synergies in operating expenses, medicines and medical disposable costs.

Aldagi's balance sheet has increased substantially over the last year with assets growing to GEL 405.9 million as of 31 March 2014, up 20.6% from GEL 336.5 million as of 31 March, 2013. The growth of assets by GEL 69.4 million was largely driven by 41.7%, or GEL 66.2 million, increases in property and equipment, reflecting the acquisition of new hospitals in late 2013 and early 2014. All hospital buildings and equipment are owned by Aldagi and fully reflected in the balance sheet. One ambulatory clinic and our administrative offices in Tbilisi operate in rented facilities, with total rented area of 9,062 m^2.

Highlights

- Aldagi's market share stood at 30.0% in Georgia's insurance sector as of 31 December 2013 based on gross insurance revenue
- Aldagi Healthcare business completed the roll-out of hospital and clinics, predominantly in Western Georgia. As of 31 March 2014, Aldagi operated 36 healthcare facilities with a total of 1,907 beds.
- During the quarter, Aldagi's healthcare subsidiary acquired the second largest healthcare provider in the country with four hospitals and 578 beds located in Tbilisi and Batumi and a 60 bed, high-end, multi-specialty hospital in Tbilisi. Both acquisitions are in line with the company's strategy to scale up its healthcare business through targeted acquisitions in the capital city.
- In April 2014, Aldagi completed a buy-out of a 49% minority shareholder of MFC. Aldagi has held a 51% controlling interest in MFC since December 2011.
- As the largest healthcare services provider in the country, Aldagi Healthcare is well positioned well to benefit from increased healthcare spending by the Government over the next few years.
- Launched Teaching and Research Center in Kutaisi to support internal skills development and human resource capacity building at hospitals

Affordable Housing

GEL thousands, unless otherwise noted	Q1 2014			Q1 2013			Change, Y-O-Y		
	m2	Mortgages	Total	m2	Mortgages	Total	m2	Mortgages	Total
Net interest income (expenses)	(60)	323	263	367	187	554	NMF	72.7%	-52.5%
Net fee and commission expenses	-	-	-	(4)	-	(4)	-100.0%	-	-100.0%
Net loss from foreign currencies	(101)	-	(101)	(18)	-	(18)	NMF	-	NMF
Other operating non-interest income	6,225	-	6,225	418	-	418	NMF	-	NMF
Revenue	**6,064**	**323**	**6,387**	**763**	**187**	**950**	**NMF**	**72.7%**	**NMF**
Operating expenses	(1,501)	-	(1,501)	(654)	-	(654)	129.5%	-	129.5%
Operating income before cost of credit risk	**4,563**	**323**	**4,886**	**109**	**187**	**296**	**NMF**	**72.7%**	**NMF**
Cost of credit risk	-	(25)	(25)	-	244	244	-	NMF	NMF
Net non-operating income (expenses)	3	-	3	(268)	-	(268)	NMF	-	NMF
Profit (loss) before income tax benefit (expense)	**4,566**	**298**	**4,864**	**(159)**	**431**	**272**	**NMF**	**-30.9%**	**NMF**
Income tax benefit (expense)	(678)	-	(678)	30	-	30	NMF	-	NMF
Profit (loss)	**3,888**	**298**	**4,186**	**(129)**	**431**	**302**	**NMF**	**-30.9%**	**NMF**
Cost / income ratio	*24.8%*	*0.0%*	*23.5%*	*85.7%*	*0.0%*	*68.8%*	*-60.9%*	*0.0%*	*-45.3%*

The Affordable Housing business consists of the Bank's wholly-owned subsidiary m2 Real Estate, which holds investment properties repossessed by the Bank from previously defaulted borrowers. With the aim to improve the liquidity of these repossessed real estate assets and stimulate the Bank's mortgage lending business by capitalising on the market opportunity in the affordable housing segment in Georgia, the Bank develops, sells and leases such real estate assets through m2 Real Estate. m2 Real Estate outsources the construction and architecture works and focuses on project management and sales of apartments and mortgages through its well-established branch network and sales force, thus representing a synergistic business for the Bank's mortgage business.

The main source of revenue for the Affordable housing business is m2 Real Estate's other operating non-interest income, which primarily represents the partial recognition of revenue from its second project. The business also is allocated the net interest income on mortgages generated for the Bank by the sale of the apartments. Expenses of m2 Real Estate included in Operating expenses are the business's back office, sales and other period costs (e.g. marketing expenses) that are not direct and incremental to the development and construction of the apartments. m2 Real Estate records Net interest income or expense on placements of excess liquidities in short-term interest-earning assets and those parts of borrowings received that are not used for the construction operations in respective periods. The cost of credit risk includes allocated cost of credit risk on the mortgages issued by the Bank and occasionally impairments of other financial assets owned by m2 Real Estate.

The Bank's affordable housing business posted the strongest quarter with revenue of GEL 6.4 million and profit of GEL 4.2 million. Other operating non-interest income reached GEL 6.2 million following partial recognition of revenue from its largest project (the second project on Tamarashvili Street) as the handover of apartments in completed blocks.

Highlights

- Construction of a second project of a 522 apartment building with a total buildable area of 63,247 square meters is near completion. As of the date of this report, 501 or 96% of apartments had been sold. The total sales from this project amounted to US$44.1 million. The project is expected to be completed in the summer of 2014 with a planned IRR of 40%. Strong sales performance enabled the company to prepay FMO debt facility in full in December 2013.
- In December 2013, m2 Real Estate launched its third and fourth projects: Kazbegi Avenue (total buildable area of 33,574 square meters) and Nutsubidze Street (total buildable area of 26,014 square meters). As the date of this report, m2 sold 65% of the apartments in the Kazbegi Avenue project and 44% of the units in the Nutsubidze Street project. Sales amounted to US$16.9 million and US$7.5 million, respectively out of which US$2.2 and US$1.7 were sold as mortgages.
- Number of mortgages sold in all the m2 Real Estate projects totalled 324 amounting to GEL 34.6 million.

Non-Core Businesses

The Group's non-core businesses accounted for 5.5% of total assets and 7.6% of total revenue in Q1 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 Bank holds a 68% 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 March 2014, the Bank still held Teliani Valley, a Georgian wine producer, through Liberty Consumer. The Bank intends to sell this remaining asset in due course.

BNB

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change Y-O-Y**	**Q4 2013**	**Change Q-O-Q**
Net interest income	5,679	4,102	38.4%	5,304	7.1%
Net fee and commission income	1,974	1,161	70.0%	1,833	7.7%
Net gain from foreign currencies	916	551	66.2%	2,473	-63.0%
Other operating non-interest income	181	25	NMF	5	NMF
Revenue	**8,750**	**5,839**	**49.9%**	**9,615**	**-9.0%**
Operating expenses	(3,969)	(3,126)	27.0%	(4,982)	-20.3%
Operating income before cost of credit risk	**4,781**	**2,713**	**76.2%**	**4,633**	**3.2%**
Cost of credit risk	(902)	(439)	105.5%	809	NMF
Net non-operating income (expense)	(866)	(580)	49.3%	687	NMF
Profit before Income tax expense	**3,013**	**1,694**	**77.9%**	**6,129**	**-50.8%**
Income tax expense	(865)	(612)	41.3%	(1,420)	-39.1%
Profit	**2,148**	**1,082**	**98.5%**	**4,709**	**-54.4%**
Cost / income ratio	*45.4%*	*53.5%*	*-8.1%*	*51.8%*	*-6.4%*
Net loans	200,543	122,599	63.6%	199,308	0.6%
Total assets	300,481	204,452	47.0%	326,465	-8.0%
Client deposits	137,088	100,079	37.0%	156,323	-12.3%
Total liabilities	226,216	150,418	50.4%	254,451	-11.1%

Through BNB, the Bank provides retail and corporate banking services in Belarus. After a strong performance in 2013, BNB continued to post solid numbers in Q1 2014 with revenue increasing to GEL 8.8 million, up 49.9%. Revenue was supported by strong net interest income and net fee and commission income, up 38.4% y-o-y and 70.0% y-o-y, respectively. Operating expenses increased 27.0% to GEL 4.0 million due to the increased revenue base, although BNB managed to keep a tight grip on costs and registered a 22.9 ppts improvement in operating leverage. Cost of credit risk increased to GEL 0.9 million compared to GEL 0.4 million in Q1 2014 – this growth can be partially attributable to a sharp growth in loans, which increased from GEL 122.6 million a year ago to GEL 200.5 million as of 31 March 2014. As a result of the foregoing, profit for the quarter totalled GEL 2.1 million, nearly doubling from Q1 2014. As of 31 March 2014, BNB's total assets stood at GEL 300.5 million, net loan book at GEL 200.5 million, client deposits at GEL 137.1 million and equity at GEL 60.8 million, representing 4.5%,5.7%, 4.5% and 4.7% of the Bank's total assets, loan book, client deposits and equity, respectively.

Highlights

- BNB had over 25,000 retail clients and over 4,800 corporate clients as of 31 March 2014
- Number of debit cards reached 20,839 as of 31 March 2014 compared to 18,653 debit cards outstanding as of 31 December 2013
- As of 31 March 2014, BNB had 10 branches and 17 ATMs

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

GEL thousands, unless otherwise noted	**Q1 2014** *Unaudited*	**Q1 2013** *Unaudited*	**Change Y-O-Y**	**Q4 2013** *Unaudited*	**Change Q-O-Q**
Loans to customers	130,414	129,458	0.7%	133,354	-2.2%
Investment securities	8,519	8,007	6.4%	8,148	4.6%
Amounts due from credit institutions	2,038	2,615	-22.1%	1,745	16.8%
Finance lease receivables	2,260	1,500	50.7%	2,570	-12.1%
Interest income	**143,231**	**141,580**	**1.2%**	**145,817**	**-1.8%**
Amounts due to customers	(34,384)	(43,918)	-21.7%	(35,624)	-3.5%
Amounts due to credit institutions, *of which:*	(16,244)	(17,013)	-4.5%	(15,511)	4.7%
Subordinated debt	*(3,356)*	*(6,220)*	*-46.0%*	*(5,456)*	*-38.5%*
Loans and deposits from other banks	*(12,888)*	*(10,793)*	*19.4%*	*(10,055)*	*28.2%*
Debt securities issued, *of which:*	(12,899)	(7,977)	61.7%	(11,020)	17.1%
Eurobonds	*(12,734)*	*(7,977)*	*59.6%*	*(11,020)*	*15.6%*
Other	*(165)*	-	-	-	-
Interest expense	**(63,527)**	**(68,908)**	**-7.8%**	**(62,155)**	**2.2%**
Net interest income before interest rate swaps	**79,704**	**72,672**	**9.7%**	**83,662**	**-4.7%**
Net loss from interest rate swaps	-	(76)	-100.0%	(95)	-100.0%
Net interest income	**79,704**	**72,596**	**9.8%**	**83,567**	**-4.6%**
Fee and commission income	28,078	26,562	5.7%	31,200	-10.0%
Fee and commission expense	(8,158)	(6,066)	34.5%	(8,099)	0.7%
Net fee and commission income	**19,920**	**20,496**	**-2.8%**	**23,101**	**-13.8%**
Net insurance premiums earned	29,390	31,744	-7.4%	34,012	-13.6%
Net insurance claims incurred	(19,684)	(20,018)	-1.7%	(23,799)	-17.3%
Net insurance revenue	**9,706**	**11,726**	**-17.2%**	**10,213**	**-5.0%**
Healthcare revenue	22,748	13,070	74.0%	18,268	24.5%
Cost of healthcare services	(14,951)	(9,179)	62.9%	(9,915)	50.8%
Net healthcare revenue	**7,797**	**3,891**	**100.4%**	**8,353**	**-6.7%**
Net gain from trading and investment securities	88	1,284	-93.1%	279	-68.5%
Net gain from revaluation of investment property	-	-	-	2,078	-100.0%
Net gain from foreign currencies	10,889	9,452	15.2%	9,631	13.1%
Other operating income	9,376	3,531	165.5%	7,219	29.9%
Other operating non-interest income	**20,353**	**14,267**	**42.7%**	**19,207**	**6.0%**
Revenue	**137,480**	**122,976**	**11.8%**	**144,441**	**-4.8%**
Salaries and other employee benefits	(35,808)	(32,501)	10.2%	(35,627)	0.5%
General and administrative expenses	(15,490)	(14,057)	10.2%	(17,142)	-9.6%
Depreciation and amortisation expenses	(6,874)	(6,593)	4.3%	(6,682)	2.9%
Other operating expenses	(1,014)	(729)	39.1%	(1,547)	-34.5%
Operating expenses	**(59,186)**	**(53,880)**	**9.8%**	**(60,998)**	**-3.0%**
Operating income before cost of credit risk	**78,294**	**69,096**	**13.3%**	**83,443**	**-6.2%**
Cost of credit risk	**(13,316)**	**(17,278)**	**-22.9%**	**(9,999)**	**33.2%**
Net operating income	**64,978**	**51,818**	**25.4%**	**73,444**	**-11.5%**
Net non-operating expenses	(1,120)	(1,365)	-17.9%	(5,960)	-81.2%
Profit before income tax expense	**63,858**	**50,453**	**26.6%**	**67,484**	**-5.4%**
Income tax expense	(10,194)	(8,456)	20.6%	(11,840)	-13.9%
Profit	**53,664**	**41,997**	**27.8%**	**55,644**	**-3.6%**
Attributable to:					
– shareholders of the Group	*51,925*	*40,597*	*27.9%*	*53,645*	*-3.2%*
– non-controlling interests	*1,739*	*1,400*	*24.2%*	*1,999*	*-13.0%*
Earnings per share (basic, diluted)	**1.51**	**1.19**	**26.9%**	**1.58**	**-4.4%**

CONSOLIDATED BALANCE SHEET

GEL thousands, unless otherwise noted	**Mar-14** *Unaudited*	**Mar-13** *Audited*	**Change Y-O-Y**	**Dec-13** *Unaudited*	**Change Q-O-Q**
Cash and cash equivalents	979,498	696,590	40.6%	1,053,671	-7.0%
Amounts due from credit institutions	379,255	349,196	8.6%	347,261	9.2%
Investment securities	601,128	511,450	17.5%	519,623	15.7%
Loans to customers and finance lease receivables	3,489,252	2,954,724	18.1%	3,522,915	-1.0%
Investments in associates	-	2,441	-100.0%	-	-
Investment property	154,847	163,458	-5.3%	157,707	-1.8%
Property and equipment	516,731	439,941	17.5%	470,669	9.8%
Goodwill	48,720	45,657	6.7%	48,720	0.0%
Intangible assets	27,873	22,916	21.6%	26,434	5.4%
Income tax assets	27,772	17,889	55.2%	19,096	45.4%
Prepayments	35,735	32,219	10.9%	25,534	40.0%
Other assets	358,964	297,377	20.7%	329,339	9.0%
Total assets	**6,619,775**	**5,533,858**	**19.6%**	**6,520,969**	**1.5%**
Amounts due to customers, of which:	3,065,536	2,817,677	8.8%	3,117,732	-1.7%
Client deposits	*3,037,120*	*2,807,064*	*8.2%*	*3,107,209*	*-2.3%*
Promissory notes	*28,416*	*10,613*	*167.7%*	*10,523*	*170.0%*
Amounts due to credit institutions	1,206,818	936,673	28.8%	1,157,979	4.2%
Debt securities issued	734,771	418,353	75.6%	728,117	0.9%
Income tax liabilities	96,384	55,447	73.8%	69,030	39.6%
Provisions	2,289	991	131.0%	481	NMF
Other liabilities	226,950	194,902	16.4%	206,576	9.9%
Total liabilities	**5,332,748**	**4,424,043**	**20.5%**	**5,279,915**	**1.0%**
Additional paid-in capital	26,827	19,765	35.7%	23,843	12.5%
Treasury shares	(42)	(47)	-10.6%	(56)	-25.0%
Other reserves	(39,222)	14,421	NMF	(16,399)	139.2%
Retained earnings	1,229,995	1,022,301	20.3%	1,174,124	4.8%
Total equity attributable to shareholders of the Group	**1,218,601**	**1,057,345**	**15.3%**	**1,182,540**	**3.0%**
Non-controlling interests	68,426	52,470	30.4%	58,514	16.9%
Total equity	**1,287,027**	**1,109,815**	**16.0%**	**1,241,054**	**3.7%**
Total liabilities and equity	**6,619,775**	**5,533,858**	**19.6%**	**6,520,969**	**1.5%**
Book value per share	**35.35**	**31.04**	**13.9%**	**34.85**	**1.4%**

CONSOLIDATED INCOME STATEMENT

			USD					GBP		
	Q1 2014	Q1 2013	Change	Q4 2013	Change	Q1 2014	Q1 2013	Change	Q4 2013	Change
Thousands, unless otherwise noted	Quarter	Quarter	Y-O-Y	Quarter	Q-O-Q	Quarter	Quarter	Y-O-Y	Quarter	Q-O-Q
	Unaudited	*Unaudited*	%	*Unaudited*	%	*Unaudited*	*Unaudited*	%	*Unaudited*	%
Loans to customers	74,620	78,095	-4.4%	76,804	-2.8%	44,916	51,395	-12.6%	46,604	-3.6%
Investment securities	4,874	4,830	0.9%	4,693	3.9%	2,934	3,179	-7.7%	2,848	3.0%
Amounts due from credit institutions	1,166	1,577	-26.1%	1,005	16.0%	702	1,038	-32.4%	610	15.1%
Finance lease receivables	1,294	905	43.0%	1,479	-12.5%	778	595	30.8%	898	-13.4%
Interest income	**81,954**	**85,407**	**-4.0%**	**83,981**	**-2.4%**	**49,330**	**56,207**	**-12.2%**	**50,960**	**-3.2%**
Amounts due to customers	(19,674)	(26,493)	-25.7%	(20,517)	-4.1%	(11,842)	(17,435)	-32.1%	(12,450)	-4.9%
Amounts due to credit institutions, of which:	(9,294)	(10,263)	-9.4%	(8,933)	4.0%	(5,594)	(6,754)	-17.2%	(5,421)	3.2%
Subordinated debt	*(1,920)*	*(3,752)*	*-48.8%*	*(3,142)*	*-38.9%*	*(1,156)*	*(2,469)*	*-53.2%*	*(1,907)*	*-39.4%*
Loans and deposits from other banks	*(7,374)*	*(6,511)*	*13.3%*	*(5,791)*	*27.3%*	*(4,438)*	*(4,285)*	*3.6%*	*(3,514)*	*26.3%*
Debt securities issued, of which:	(7,381)	(4,812)	53.4%	(6,347)	16.3%	(4,443)	(3,167)	40.3%	(3,851)	15.4%
Eurobonds	*(7,286)*	*(4,812)*	*51.4%*	*(6,347)*	*14.8%*	*(4,386)*	*(3,167)*	*38.5%*	*(3,851)*	*13.9%*
Other	*(95)*	-	-	-	-	*(57)*	-	-	-	-
Interest expense	**(36,349)**	**(41,568)**	**-12.6%**	**(35,797)**	**1.5%**	**(21,879)**	**(27,356)**	**-20.0%**	**(21,722)**	**0.7%**
Net interest income before interest rate swaps	**45,605**	**43,839**	**4.0%**	**48,184**	**-5.4%**	**27,451**	**28,851**	**-4.9%**	**29,238**	**-6.1%**
Net loss from interest rate swaps	-	(46)	-100.0%	(55)	-100.0%	-	(30)	-100.0%	(33)	-100.0%
Net interest income	**45,605**	**43,793**	**4.1%**	**48,129**	**-5.2%**	**27,451**	**28,821**	**-4.8%**	**29,205**	**-6.0%**
Fee and commission income	16,066	16,023	0.3%	17,969	-10.6%	9,670	10,545	-8.3%	10,904	-11.3%
Fee and commission expense	(4,668)	(3,659)	27.6%	(4,664)	0.1%	(2,809)	(2,408)	16.7%	(2,831)	-0.8%
Net fee and commission income	**11,398**	**12,364**	**-7.8%**	**13,305**	**-14.3%**	**6,861**	**8,137**	**-15.7%**	**8,073**	**-15.0%**
Net insurance premiums earned	16,816	19,149	-12.2%	19,589	-14.2%	10,122	12,602	-19.7%	11,886	-14.8%
Net insurance claims incurred	(11,262)	(12,075)	-6.7%	(13,707)	-17.8%	(6,779)	(7,947)	-14.7%	(8,317)	-18.5%
Net insurance revenue	**5,554**	**7,074**	**-21.5%**	**5,882**	**-5.6%**	**3,343**	**4,655**	**-28.2%**	**3,569**	**-6.3%**
Healthcare revenue	13,016	7,884	65.1%	10,521	23.7%	7,835	5,189	51.0%	6,384	22.7%
Cost of healthcare services	(8,555)	(5,537)	54.5%	(5,710)	49.8%	(5,150)	(3,644)	41.3%	(3,465)	48.6%
Net healthcare revenue	**4,461**	**2,347**	**90.1%**	**4,811**	**-7.3%**	**2,685**	**1,545**	**73.8%**	**2,919**	**-8.0%**
Net gain from trading and investment securities	50	775	-93.5%	161	-68.9%	30	510	-94.1%	98	-69.4%
Net gain from revaluation of investment property	-	-	-	1,197	-100.0%	-	-	-	726	-100.0%
Net gain from foreign currencies	6,230	5,702	9.3%	5,547	12.3%	3,750	3,752	-0.1%	3,366	11.4%
Other operating income	5,365	2,130	151.9%	4,157	29.1%	3,230	1,401	130.5%	2,523	28.0%
Other operating non-interest income	**11,645**	**8,607**	**35.3%**	**11,062**	**5.3%**	**7,010**	**5,663**	**23.8%**	**6,713**	**4.4%**
Revenue	**78,663**	**74,185**	**6.0%**	**83,189**	**-5.4%**	**47,350**	**48,821**	**-3.0%**	**50,479**	**-6.2%**
Salaries and other employee benefits	(20,489)	(19,606)	4.5%	(20,519)	-0.1%	(12,333)	(12,903)	-4.4%	(12,451)	-0.9%
General and administrative expenses	(8,863)	(8,480)	4.5%	(9,873)	-10.2%	(5,335)	(5,581)	-4.4%	(5,991)	-10.9%
Depreciation and amortisation expenses	(3,933)	(3,977)	-1.1%	(3,848)	2.2%	(2,367)	(2,617)	-9.6%	(2,335)	1.4%
Other operating expenses	(580)	(440)	31.8%	(891)	-34.9%	(350)	(289)	21.1%	(540)	-35.2%
Operating expenses	**(33,865)**	**(32,503)**	**4.2%**	**(35,131)**	**-3.6%**	**(20,385)**	**(21,390)**	**-4.7%**	**(21,317)**	**-4.4%**
Operating income before cost of credit risk	**44,798**	**41,682**	**7.5%**	**48,058**	**-6.8%**	**26,965**	**27,431**	**-1.7%**	**29,162**	**-7.5%**
Cost of credit risk	**(7,619)**	**(10,423)**	**-26.9%**	**(5,759)**	**32.3%**	**(4,586)**	**(6,859)**	**-33.1%**	**(3,495)**	**31.2%**
Net operating income	**37,179**	**31,259**	**18.9%**	**42,299**	**-12.1%**	**22,379**	**20,572**	**8.8%**	**25,667**	**-12.8%**
Net non-operating expenses	(641)	(823)	-22.1%	(3,432)	-81.3%	(386)	(542)	-28.8%	(2,083)	-81.5%
Profit before income tax expense	**36,538**	**30,436**	**20.0%**	**38,867**	**-6.0%**	**21,993**	**20,030**	**9.8%**	**23,584**	**-6.7%**
Income tax expense	(5,833)	(5,102)	14.3%	(6,820)	-14.5%	(3,510)	(3,357)	4.6%	(4,138)	-15.2%
Profit	**30,705**	**25,334**	**21.2%**	**32,047**	**-4.2%**	**18,483**	**16,673**	**10.9%**	**19,446**	**-5.0%**
Attributable to:										
– shareholders of the Group	*29,710*	*24,489*	*21.3%*	*30,896*	*-3.8%*	*17,884*	*16,117*	*11.0%*	*18,747*	*-4.6%*
– non-controlling interests	*995*	*845*	*17.8%*	*1,151*	*-13.6%*	*599*	*556*	*7.7%*	*699*	*-14.3%*
Earnings per share (basic, diluted)	**0.86**	**0.72**	**19.4%**	**0.91**	**-5.5%**	**0.52**	**0.47**	**10.6%**	**0.55**	**-5.5%**

CONSOLIDATED BALANCE SHEET

	USD					GBP				
	Mar-14	**Mar-13**	**Change**	**Dec-13**	**Change**	**Mar-14**	**Mar-13**	**Change**	**Dec-13**	**Change**
Thousands, unless otherwise noted	***Unaudited***	***Audited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**	***Unaudited***	***Audited***	**Y-O-Y**	***Unaudited***	**Q-O-Q**
Cash and cash equivalents	560,450	420,215	33.4%	606,848	-7.6%	337,351	276,545	22.0%	368,236	-8.4%
Amounts due from credit institutions	217,002	210,651	3.0%	200,001	8.5%	130,620	138,630	-5.8%	121,361	7.6%
Investment securities	343,954	308,530	11.5%	299,270	14.9%	207,036	203,045	2.0%	181,597	14.0%
Loans to customers and finance lease receivables	1,996,482	1,782,424	12.0%	2,028,978	-1.6%	1,201,740	1,173,022	2.4%	1,231,186	-2.4%
Investments in associates	-	1,473	-100.0%	-	-	-	969	-100.0%	-	-
Investment property	88,600	98,605	-10.1%	90,829	-2.5%	53,331	64,893	-17.8%	55,115	-3.2%
Property and equipment	295,663	265,392	11.4%	271,076	9.1%	177,968	174,656	1.9%	164,489	8.2%
Goodwill	27,877	27,542	1.2%	28,060	-0.7%	16,780	18,126	-7.4%	17,027	-1.5%
Intangible assets	15,948	13,824	15.4%	15,224	4.8%	9,600	9,098	5.5%	9,238	3.9%
Income tax assets	15,891	10,791	47.3%	10,998	44.5%	9,565	7,102	34.7%	6,674	43.3%
Prepayments	20,447	19,436	5.2%	14,706	39.0%	12,308	12,791	-3.8%	8,924	37.9%
Other assets	205,393	179,392	14.5%	189,680	8.3%	123,630	118,057	4.7%	115,097	7.4%
Total assets	**3,787,707**	**3,338,275**	**13.5%**	**3,755,670**	**0.9%**	**2,279,929**	**2,196,934**	**3.8%**	**2,278,944**	**0.0%**
Amounts due to customers, of which:	1,754,040	1,699,751	3.2%	1,795,619	-2.3%	1,055,807	1,118,614	-5.6%	1,089,583	-3.1%
Client deposits	*1,737,781*	*1,693,349*	*2.6%*	*1,789,558*	*-2.9%*	*1,046,020*	*1,114,401*	*-6.1%*	*1,085,905*	*-3.7%*
Promissory notes	*16,259*	*6,402*	*154.0%*	*6,061*	168.3%	*9,787*	*4,213*	*132.3%*	*3,678*	*166.1%*
Amounts due to credit institutions	690,518	565,044	22.2%	666,923	3.5%	415,643	371,858	11.8%	404,690	2.7%
Debt securities issued	420,422	252,370	66.6%	419,350	0.3%	253,064	166,086	52.4%	254,462	-0.5%
Income tax liabilities	55,149	33,448	64.9%	39,757	38.7%	33,196	22,012	50.8%	24,125	37.6%
Provisions	1,310	598	119.1%	277	NMF	788	393	100.5%	168	NMF
Other liabilities	129,856	117,573	10.4%	118,974	9.1%	78,164	77,376	1.0%	72,193	8.3%
Total liabilities	**3,051,295**	**2,668,784**	**14.3%**	**3,040,900**	**0.3%**	**1,836,662**	**1,756,339**	**4.6%**	**1,845,221**	**-0.5%**
Additional paid-in capital	15,350	11,923	28.7%	13,732	11.8%	9,240	7,847	17.8%	8,333	10.9%
Treasury shares	(24)	(28)	-14.3%	(32)	-25.0%	(14)	(19)	-26.3%	(20)	-30.0%
Other reserves	(22,442)	8,700	NMF	(9,445)	137.6%	(13,509)	5,726	NMF	(5,731)	135.7%
Retained earnings	703,779	616,698	14.1%	676,222	4.1%	423,625	405,852	4.4%	410,332	3.2%
Total equity attributable to shareholders of the Group	**697,260**	**637,839**	**9.3%**	**681,069**	**2.4%**	**419,701**	**419,765**	**0.0%**	**413,273**	**1.6%**
Non-controlling interests	39,152	31,652	23.7%	33,701	16.2%	23,566	20,830	13.1%	20,450	15.2%
Total equity	**736,412**	**669,491**	**10.0%**	**714,770**	**3.0%**	**443,267**	**440,595**	**0.6%**	**433,723**	**2.2%**
Total liabilities and equity	**3,787,707**	**3,338,275**	**13.5%**	**3,755,670**	**0.9%**	**2,279,929**	**2,196,934**	**3.8%**	**2,278,944**	**0.0%**
Book value per share	**20.23**	**18.72**	**8.1%**	**20.07**	**0.8%**	**12.17**	**12.32**	**-1.2%**	**12.18**	**-0.1%**

ALDAGI
Consolidated Income Statement

GEL thousands, unless otherwise noted	**Q1 2014**	**Q1 2013**	**Change, Y-O-Y**	**Q4 2013**	**Change, Q-O-Q**
Revenue, Gross	58,456	49,281	18.6%	60,377	-3.2%
Insurance premiums revenue ceded to reinsurers	(3,964)	(2,294)	72.8%	(7,003)	-43.4%
Net Revenue	**54,492**	**46,987**	**16.0%**	**53,374**	**2.1%**
Net insurance claims expenses / COGS	**(33,126)**	**(28,035)**	**18.2%**	**(32,310)**	**2.5%**
Net commission expense	(1,674)	(1,403)	19.3%	(1,841)	-9.1%
Net underwriting profit / gross profit	**19,692**	**17,549**	**12.2%**	**19,223**	**2.4%**
Other operating income	370	640	-42.2%	575	-35.7%
Total recurring operating expenses	(8,774)	(7,934)	10.6%	(6,679)	31.4%
EBITDA	**11,288**	**10,255**	**10.1%**	**13,119**	**-14.0%**
Foreign exchange loss	(297)	(424)	-30.0%	(2,588)	-88.5%
Depreciation and amortization expenses	(1,905)	(1,430)	33.2%	(1,816)	4.9%
Net interest expense	(2,743)	(2,219)	23.6%	(2,465)	11.3%
Non-recurring income (expense)	545	(27)	NMF	1,653	-67.0%
Pre-tax income	**6,888**	**6,155**	**11.9%**	**7,903**	**-12.8%**
Income tax expense	(899)	(926)	-2.9%	(1,145)	-21.5%
Net income	**5,989**	**5,229**	**14.5%**	**6,758**	**-11.4%**
Attributable to:					
- shareholders of the Company	5,313	4,386	21.1%	6,038	-12.0%
- non-controlling interest	676	843	-19.8%	720	-6.1%

ALDAGI
Consolidated Balance Sheet

GEL thousands, unless otherwise noted	Q1 2014	Q1 2013	Change, Y-O-Y	Q4 2013	Change, Q-O-Q
Cash and cash equivalents	14,006	4,486	NMF	9,049	54.8%
Amounts due from credit institutions	14,079	19,756	-28.7%	13,206	6.6%
Investment securities: available-for-sale	1,500	97	NMF	982	52.7%
Insurance premiums receivable, net	60,095	69,735	-13.8%	61,697	-2.6%
Reinsurance assets	6,756	8,654	-21.9%	9,471	-28.7%
Loans and other receivables, net	36,646	23,477	56.1%	24,042	52.4%
Premises and equipment, net	225,936	158,598	42.5%	181,668	24.4%
Goodwill and intangible assets	21,683	17,503	23.9%	21,790	-0.5%
Current income tax assets	1,320	1,980	-33.3%	991	33.2%
Deferred income tax assets	1,775	1,548	14.7%	1,909	-7.0%
Prepayments and other assets	22,027	30,625	-28.1%	20,017	10.0%
Total assets	**405,823**	**336,459**	**20.6%**	**344,822**	**17.7%**
Insurance contracts	69,324	84,104	-17.6%	73,719	-6.0%
Reinsurance premium payable	7,746	11,313	-31.5%	7,360	5.2%
Borrowed funds	121,846	105,609	15.4%	110,830	9.9%
Current income tax liabilities	3,680	1,930	90.7%	1,508	144.0%
Deferred income tax liabilities	5,281	1,405	NMF	3,384	56.1%
Accruals and other liabilities	53,412	33,445	59.7%	29,765	79.4%
Total liabilities	**261,289**	**237,806**	**9.9%**	**226,566**	**15.3%**
Share capital	17,061	15,286	11.6%	15,286	11.6%
Additional paid-in capital	44,429	35,021	26.9%	35,021	26.9%
Revaluation and other reserves	745	683	9.1%	759	-1.8%
Retained earnings	48,108	26,213	83.5%	42,796	12.4%
Total equity attributable to shareholders	**110,343**	**77,203**	**42.9%**	**93,862**	**17.6%**
Non-controlling interests	34,191	21,450	59.4%	24,394	40.2%
Total equity	**144,534**	**98,653**	**46.5%**	**118,256**	**22.2%**
Total liabilities and equity	**405,823**	**336,459**	**20.6%**	**344,822**	**17.7%**

RATIOS

	Q1 2014	Q1 2013	Q4 2013
Profitability			
ROAA, Annualised[1]	3.3%	3.1%	3.6%
ROAE, Annualised[2]	17.7%	15.9%	18.6%
Net Interest Margin, Annualised[3]	7.3%	7.6%	7.9%
Loan Yield, Annualised[4]	14.8%	16.9%	15.6%
Cost of Funds, Annualised[5]	5.1%	6.7%	5.3%
Cost of Client Deposits, annualised	4.6%	6.4%	4.8%
Cost of Amounts Due to Credit Institutions, annualised	5.3%	6.8%	5.6%
Cost of Debt Securities Issued	7.1%	7.8%	7.7%
Operating Leverage, Y-O-Y[6]	1.9%	4.9%	-0.4%
Efficiency			
Cost / Income[7]	43.1%	43.8%	42.2%
Liquidity			
NBG Liquidity Ratio[8]	43.5%	44.1%	45.7%
Liquid Assets To Total Liabilities[9]	36.8%	35.2%	36.4%
Net Loans To Customer Funds	113.8%	104.9%	113.0%
Net Loans To Customer Funds + DFIs[10]	96.4%	85.2%	96.2%
Leverage (Times)[11]	4.1	4.0	4.3
Asset Quality:			
NPLs (in GEL)	138,477	131,631	144,917
NPLs To Gross Loans To Clients	3.8%	4.3%	4.0%
NPL Coverage Ratio[12]	92.0%	86.5%	83.8%
NPL Coverage Ratio, Adjusted for discounted value of collateral[13]	121.4%	111.1%	110.6%
Cost of Risk, Annualised[14]	1.0%	1.4%	0.9%
Capital Adequacy:			
BIS Tier I Capital Adequacy Ratio, Consolidated[15]	23.8%	23.2%	23.0%
BIS Total Capital Adequacy Ratio, Consolidated[16]	27.8%	28.2%	27.1%
NBG Tier I Capital Adequacy Ratio[17]	16.4%	16.8%	14.4%
NBG Total Capital Adequacy Ratio[18]	15.5%	17.1%	15.4%
Per Share Values:			
Basic EPS (GEL)[19]	**1.51**	**1.19**	**1.58**
Diluted EPS (GEL)	**1.51**	**1.19**	**1.58**
Book Value Per Share (GEL)[20]	**35.35**	**31.04**	**34.85**
Ordinary Shares Outstanding - Weighted Average, Basic[21]	34,470,332	34,061,344	33,940,021
Ordinary Shares Outstanding - Weighted Average, Diluted[22]	34,470,332	34,061,344	33,940,021
Ordinary Shares Outstanding - Period End, Basic[23]	34,470,332	34,061,344	33,936,007
Treasury Shares Outstanding - Period End[24]	(1,439,051)	(1,848,039)	(1,973,376)
Selected Operating Data:			
Full Time Employees, Group, Of Which:	13,612	11,515	11,711
- Full Time Employees, BOG Stand-Alone	*3,561*	*3,750*	*3,574*
- Full Time Employees, Aldagi BCI Insurance	*573*	*625*	*579*
- Full Time Employees, Aldagi BCI Healthcare	*8,227*	*6,013*	*6,316*
- Full Time Employees, BNB	*410*	*332*	*392*
- Full Time Employees, Other	*841*	*795*	*850*
Total Assets Per FTE, BOG Stand-Alone (in GEL thousands)	1,859	1,476	1,825
Number Of Active Branches, Of Which:	203	194	202
- Flagship Branches	*34*	*34*	*34*
- Standard Branches	*99*	*98*	*100*
- Express Branches (including Metro)	*70*	*62*	*68*
Number Of ATMs	497	479	496
Number Of Cards Outstanding, Of Which:	1,015,702	838,610	975,647
- Debit cards	*897,856*	*727,019*	*857,734*
- Credit cards	*117,846*	*111,591*	*117,913*
Number Of POS Terminals	4,990	3,899	4,836

OTHER RATIOS	Q1 2014	Q1 2013	Q4 2013
Profitability Ratios:			
ROE, annualised,	17.3%	15.6%	18.0%
Interest Income / Average Int. Earning Assets, Annualised[25]	13.2%	14.8%	13.8%
Net F&C Inc. To Av. Int. Earn. Ass., annualised	1.6%	1.9%	1.9%
Net Fee And Commission Income To Revenue	14.5%	16.7%	16.0%
Operating Leverage, Q-O-Q	-1.8%	-4.0%	-6.6%
Revenue to Total Assets, annualised	8.4%	9.0%	8.8%
Recurring Earning Power, Annualised[26]	4.8%	5.1%	5.4%
Profit To Revenue	39.0%	34.2%	38.5%
Efficiency Ratios:			
Operating Cost to Av. Total Ass., Annualised[24]	3.6%	3.9%	4.0%
Cost to Average Total Assets, annualised	3.8%	4.1%	4.4%
Personnel Cost to Revenue	26.0%	26.4%	24.7%
Personnel Cost to Operating Cost	60.5%	60.3%	58.4%
Personnel Cost to Average Total Assets, annualised	2.2%	2.4%	2.3%
Liquidity Ratios:			
Liquid Assets To Total Assets	29.6%	28.2%	29.5%
Net Loans to Total Assets	52.7%	53.4%	54.0%
Average Net Loans to Average Total Assets	53.3%	54.8%	54.7%
Interest Earning Assets to Total Assets	77.6%	77.6%	77.5%
Average Interest Earning Assets/Average Total Assets	78.0%	78.2%	77.4%
Net Loans to Client Deposits	114.9%	105.3%	113.4%
Average Net Loans to Av. Client Deposits	115.9%	111.5%	113.9%
Net Loans to Total Deposits	96.4%	99.8%	98.1%
Net Loans to (Total Deposits + Equity)	71.1%	72.6%	72.9%
Net Loans to Total Liabilities	65.4%	66.8%	66.7%
Total Deposits to Total Liabilities	67.9%	66.9%	68.0%
Client Deposits to Total Deposits	83.9%	94.8%	86.5%
Client Deposits to Total Liabilities	57.0%	63.5%	58.8%
Total Deposits to Total Assets	54.7%	53.5%	55.1%
Client Deposits to Total Assets	45.9%	50.7%	47.6%
Client Deposits to Total Equity (Times)	2.4	2.5	2.5
Total Equity to Net Loans	36.9%	37.6%	35.2%
Asset Quality:			
Reserve For Loan Losses to Gross Loans to Clients[27]	3.5%	3.7%	3.3%
% of Loans to Clients collateralized	87.0%	87.8%	87.4%
Equity to Average Net Loans to Clients	36.7%	36.6%	37.1%
Aldagi Ratios:			
ROAA, Annualised	6.4%	6.4%	7.6%
ROAE, Annualised	21.7%	23.8%	26.4%
Loss Ratio[28]	69.6%	68.8%	73.4%
Combined Ratio[29]	88.2%	86.2%	89.7%

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 for the same period
4 Loan Yield equals Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;
5 Cost Of Funds equals Interest Expense of the period (adjusted for the gains or losses from revaluation of interest rate swaps) divided by monthly Average Interest Bearing Liabilities; Interest Bearing Liabilities Include: Amounts Due To Credit Institutions and Amounts Due To Customers;
6 Operating Leverage equals percentage change in Revenue less percentage change in Operating expenses;
7 Cost / Income Ratio equals Operating expenses divided by Revenue;
8 Average liquid assets during the month (as defined by NBG) divided by selected average liabilities and selected average off-balance sheet commitments (both as defined by NBG);
9 Liquid Assets include: Cash And Cash Equivalents, Amounts Due From Credit Institutions, Investment Securities and Trading Securities;
10 Net loans divided by Customer Funds and Amounts Owned to Developmental Financial Institutions
11Leverage (Times) equals Total Liabilities divided by Total Equity;
12 NPL Coverage Ratio equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by NPLs;
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 NPL Coverage Ratio equals Allowance For Impairment Of Loans And Finance Lease Receivables divided by NPLs (Discounted value of collateral is added back to allowance for impairment);
15 BIS Tier I Capital Adequacy Ratio equals Tier I Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
16 BIS Total Capital Adequacy Ratio equals Total Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements of Basel Accord I;
17 NBG Tier I Capital Adequacy Ratio equals Tier I Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements the National Bank of Georgia;
18 NBG Total Capital Adequacy Ratio equals Total Capital divided by Risk Weighted Assets, both calculated in accordance with the requirements of the National Bank of Georgia;
19 Basic EPS equals Profit for the period attributable to shareholders of the Bank divided by the weighted average number of outstanding ordinary shares, net of treasury shares over the same period;
20 Book Value per share equals Total Equity attributable to shareholders of the Bank divided by Net Ordinary Shares Outstanding at period end; Net Ordinary Shares Outstanding equals total number of Ordinary Shares Outstanding at period end less number of Treasury Shares at period end;
21 Weighted average number of ordinary shares equal average of monthly outstanding number of shares less monthly outstanding number of treasury shares;
22 Weighted average number of diluted ordinary shares equals weighted average number of ordinary shares plus weighted average number of dilutive shares during the same period;
23 Number of outstanding ordinary shares at period end;
24 Number of outstanding ordinary shares at period end less number of treasury shares;
25 Average Interest Earning Assets are calculated on a monthly basis; Interest Earning Assets Excluding Cash include: Amounts Due From Credit Institutions, Debt Investment and Trading Securities and Net Loans To Customers And Net Finance Lease Receivables;
26 Recurring Earning Power equals Operating Income Before Cost of Credit Risk for the period divided by monthly average Total Assets of the same period;
27 Reserve For Loan Losses To Gross Loans equals Allowance For Impairment Of Loans To Customers And Finance Lease Receivables divided by Gross Loans And Finance Lease Receivables;
28 Loss ratio is defined as net insurance claims incurred divided by net insurance premiums earned;
29 Combined ratio is sum of net insurance claims incurred and operating expenses divided by net insurance premiums earned.