BANK OF GEORGIA HOLDINGS PLC

2Q and 1H 2015 Results

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FORWARD LOOKING STATEMENTS

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

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

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

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

Bank of Georgia Holdings PLC (LSE: **BGEO LN**), the holding company of Georgia's leading bank JSC Bank of Georgia (the "**Bank**") and its subsidiaries (together, the "**Group**"), announces the Group's 2Q15 and 1H15 consolidated results. Unless otherwise mentioned, figures are for 2Q15 and comparisons are with 2Q14. The results are based on IFRS, are unaudited and derived from management accounts.

Bank of Georgia Holdings highlights

- 2Q15 profit was GEL 72.0mln (US$ 32.0mln/GBP 20.4mln), up 23.5% y-o-y and up 15.5% q-o-q
- 2Q15 earnings per share ("EPS") were GEL 1.84 (US$ 0.82 per share/GBP 0.52 per share), up 12.2% y-o-y and up 12.9% q-o-q
- 1H15 profit was GEL 134.4mln (US$ 59.8mln/GBP 38.1mln), up 20.0% y-o-y
- 1H15 EPS was GEL 3.47 (US$ 1.54 per share/GBP 0.98 per share), up 10.2% y-o-y
- Book value per share was GEL 41.74, up 19.4% y-o-y, with total equity attributable to shareholders of GEL 1,597.0mln, up 32.9% y-o-y
- Total assets increased to GEL 9,375.1mln, up 40.6% y-o-y and up 3.8% q-o-q
- Leverage remained low at 4.7 times
- In addition to the capital in the regulated Banking Business (JSC Bank of Georgia), GEL 114.4mln cash is held at the holding company level as of the date of this report

Banking Business highlights

2Q15 performance

- Revenue was GEL 182.6mln (up 42.0% y-o-y and up 2.9% q-o-q)
- Net Interest Margin ("**NIM**") was 7.6% (+20 basis points "**bps**" y-o-y and -20 bps q-o-q)
- Loan Yield stood at 14.6% (+30 bps y-o-y and +10 bps q-o-q)
- Cost of Customer Funds stood at 4.4% (up 20 bps y-o-y and flat q-o-q)
- Cost to Income ratio improved to 35.7% (36.8% in 1Q15 and 42.2% in 2Q14)
- Operating leverage was positive y-o-y and q-o-q, at 21.7% and 2.9%, respectively
- Cost of credit risk stood at GEL 40.8mln (up 207.0% y-o-y and flat q-o-q)
- Cost of Risk ratio was 2.7% (3.1% in 1Q15 and 0.9% in 2Q14)
- Profit increased to GEL 61.5mln (up 14.6% y-o-y and up 4.5% q-o-q)
- Return on Average Assets ("**ROAA**") was 2.9% (3.0% in 1Q15 and 3.5% in 2Q14)
- Return on Average Equity ("**ROAE**") was 19.3% (19.2% in 1Q15 and 21.0% in 2Q14)

1H15 performance

- Revenue was GEL 360.1mln (up 45.3% y-o-y)
- NIM was 7.8%; (+30 bps y-o-y)
- Loan Yield was 14.6% (+10 bps y-o-y)
- Cost of Client Deposits was 4.4% (flat y-o-y)
- Cost to Income ratio improved to 36.2% (41.9% in 1H14)
- Operating leverage was positive at 19.5%
- Cost of credit risk stood at GEL 81.5mln (up 212.6% y-o-y)
- Cost of Risk ratio stood at 2.9% (0.9% in 1H14)
- Profit increased to GEL 120.3mln (up 20.4% y-o-y)
- ROAA was 2.9% (3.3% in 1H14)
- ROAE was 19.3% (19.3% in 1H14)

Balance sheet strength supported by solid capital and liquidity positions

- The net loan book reached a record GEL 5,142.2mln (up 38.4% y-o-y and down -2.0% q-o-q); without Privatbank effect ("**ex-Privatbank**") it was GEL 4,896.6mln; ex-Privatbank growth on constant currency basis was 11.2% y-o-y
- Client deposits increased to GEL 4,212.8mln (up 33.8% y-o-y and down 1.4% q-o-q); ex-Privatbank it was GEL 3,946.0mln; ex-Privatbank growth on constant currency basis was 5.1% y-o-y
- Net Loans to Customer Funds and DFI ratio stood at 102.4% (105.2% at 31 March 2015 and 100.0% at 30 June 2014)
- Tier I and Total Capital Adequacy ratios (CAR) (Basel I) stood at 20.4% and 26.7%, respectively
- NBG (Basel 2/3) Tier I and Total CAR stood at 10.4% and 15.9%, respectively
- NBG Liquidity Ratio was 35.1%

Resilient growth momentum sustained across all major business lines

- **Retail Banking continues to deliver strong franchise growth**, primarily supported by the Express Banking strategy and Privatbank acquisition. Retail Banking revenue reached GEL 103.4mln in 2Q15, up 44.9% y-o-y
- Retail Banking net loan book reached a record GEL 2,623.6mln, up 49.6% y-o-y; ex-Privatbank it was GEL 2,378.0mln; ex-Privatbank growth on constant currency basis was 19.8% y-o-y
- Retail Banking client deposits increased to GEL 1,736.5mln up 53.1% y-o-y; ex-Privatbank it was GEL 1,469.7mln; ex-Privatbank growth on constant currency basis was 9.0% y-o-y
- **The Privatbank acquisition has enhanced our position in the significantly more profitable retail banking franchise** and posted revenue of GEL 38.9mln and profit of GEL 6.1mln in 1H15. Privatbank increased our market share in retail loans by 4.3 percentage points and in retail deposits by 2.5ppts (market data as of 31 March 2015). For more information on Privatbank acquisition see page 19
- **We launched Solo - a new strategy for our premium banking segment** - a fundamentally different approach to premium banking. We have already opened five new Solo lounges and our goal is to significantly increase our market share in this segment, which now stands below 13%, over the next three to four years
- **Corporate Banking net loan book growth rate slowed down in the first half of 2015**, as a result of slower economic activity in the country's corporate sector in 2015, and was GEL 2,174.1mln
- **Investment Management's Assets Under Management ("AUM")[1] increased to GEL 1,231.4mln**, up 31.8% y-o-y, reflecting increased bond issuance activity

Investment Business Highlights

- **Our healthcare business, Georgia Healthcare Group ("GHG") reported standalone profit that almost tripled y-o-y, increasing to GEL 13.0mln in 1H15** (GEL 5.5mln in 1H14). As at 30 June 2015, the healthcare services business had a 22.1% market share, 5 times that of the Company's nearest competitor in Georgia, by number of beds (2,220 beds), which grew to 26.6% following High Technology Medical Center University Clinic ("HTMC") acquisition in July 2015 (450 beds). The market share is expected to grow up to c.30.0% as a result of the renovation of recently acquired hospital facilities, scheduled for completion in 2016 and 2017 (additional c.500 beds).
  - In 2015, GHG completed two major acquisitions, HTMC and Deka LLC ("Deka"), adding 530 beds and bringing market share in beds to 26.6% and 24.0% nationwide and in Tbilisi, respectively. However, our financial results do not yet include their results of operations, as Deka was consolidated as of 30 June 2015 with no effect on the income statement of GHG in 1H15 and HTMC will be consolidated in 3Q15. HTMC revenue was GEL 38.4mln in 2014, and GEL 21.7mln in 1H15
- **Our real estate business, m^2 Real Estate ("m^2 Real Estate") recognised revenue of GEL 1.1mln in 1H15, with US$ 58.9mln sales revenue yet to be recognised as revenue upon completion of the on-going projects in 2015-2016**. Since its establishment in 2010, m^2 Real Estate has generated total sales of US$ 115.8mln, of which US$ 56.9mln has already been recognised as revenue and the remaining will be recognized upon completion of the ongoing construction during 2015-2016
- **Profits in associates, which comprises profit from our water and utilities business – Georgian Global Utilities ("GGU") – recorded strong 2Q15 results, with GEL 2.0mln profit** (reported in gain from associates). Strong 2Q15 performance drove 1H15 profit to GEL 0.7mln, recovering from 1Q15 loss of GEL 1.3mln that was primarily driven by the weaker Lari, which lost 21.3% of its value against the U.S. dollar since 30 June 2014 (the "**GEL devaluation effect**")
  - For the past several months we have focused on enhancing the management capabilities at GGU, and as a result we have appointed a new CFO – a long-standing professional within the Group - and recruited senior management with substantial industry experience in charge of technical and commercial functions

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

"I am pleased to report another set of solid half year results that reflect the strong performance of our banking operations and the increasing impact from our diversified non-banking businesses in which we have made a number of opportunistic investments over the last few years. The Group posted 1H 2015 revenue of GEL 398.4 million and profit of GEL 134.4 million, up 37.5% and 20.0%, respectively. Earnings per share increased by 10.2% to GEL 3.47. This performance was driven by strong levels of balance sheet growth, partly reflecting the acquisition and rapid integration of Privatbank Georgia and the devaluation of the Lari, particularly during the first quarter, as well as positive operating leverage of 19.5 percentage points in the Banking Business. Asset quality remained robust during the first six months of the year despite the impact of the Lari devaluation. We expect a lower cost of risk ratio in the second half of 2015 and the full year cost of risk ratio at c.2.5%.

Within our Banking Business, revenue growth was 42.0% year on year, and 2.9% quarter on quarter. This reflected strong growth in net interest income, up 50.9% y-o-y, as a result of a 38.4% increase in customer lending over the last 12 months, as well as the acquisition and full integration of Privatbank. In addition, net fee and commission income grew by 11.4%, driven by a 31.3% increase in Retail Banking net fee and commission income, which largely reflects the ongoing success of the Bank's Express strategy. The net interest margin at 7.6% was 20 basis points higher than last year, reflecting the impact of the acquisition of Privatbank and our efforts to focus on lower risk retail banking products in our lending activities.

Excluding the impact of the Privatbank acquisition, customer lending increased by 31.8%, implying 11.2% growth on constant currency basis. Our client deposit balances increased by 33.8% despite the continuing reduction in deposit rates. We intend to further decrease interest rates on US dollar deposits from 5% to 4% in September. Excluding the impact of the Privatbank acquisition, client deposits increased by 25.3% and 5.1% on a constant currency basis.

Costs remained well controlled, and the Banking Business Cost/Income ratio improved further to 36.2% in the first half of 2015, compared to 41.9% in the first half of 2014. In the second quarter of 2015 the Banking Cost/Income ratio improved further to 35.7%. Positive operating leverage at 19.5 percentage points reflected the impact of some targeted cost reduction initiatives in the first half of 2015.

Asset quality during the first half of the year has remained robust, with both retail arrears and the NPL ratio remaining low. This remains a good performance against the backdrop of the 17.1% Lari devaluation against the US dollar during the half year, and reflects our conservative lending policy that takes into account, at the time of the initial lending decision, any potential currency mismatch. During the first quarter we offered retail clients affected by the devaluation the opportunity to re-profile their borrowings[1], however the take-up of this offer has been limited with only 799 customers, with loans totaling US$ 28.2 million, taking advantage of the offer. The currency devaluation itself created an increased provision of GEL 11.9 million during the first half of the year. As a result of these effects, the cost of credit risk for the first six months of the year totalled GEL 81.5 million (Cost of Risk ratio 2.9%), compared to GEL 26.1 million in 1H 2014 (Cost of Risk ratio 0.9%). The cost of credit risk in the second quarter was the same as that in the first quarter, as the absence of a Lari devaluation impact was offset by provisions which came from a small number of Corporate Banking customers. Going forward we do not see the need for similar provisioning. We believe that the cost of risk has peaked in the second quarter and will reduce in the second half of 2015. We continue to expect our cost of risk ratio for the year to be c.2.5%.

During the first half of the year, we completed the acquisition and subsequent full integration of Privatbank. This has created significant franchise enhancement for our mass market retail business and has contributed GEL 6.1 million or 5.1% to our Banking Business profit in 1H15. The integration of Privatbank has already been completed, significantly ahead of schedule, and we are now 6 months ahead of capturing our previously announced pre-tax

[1] Re-profiling implies effectively increasing the tenor of the loan so that monthly payment in Lari stays at the same level it was prior to the recent devaluation of the Lari. When re-profiling, we do not change the interest rate of the loan. In Retail Banking, our clients with mortgage loans are most likely to apply for re-profiling, as in total we have 7,500 mortgage loans worth GEL 400mln which are US Dollar loans to Retail Banking clients with non-US Dollar income.

administrative and funding cost synergies of GEL 25 million. Although Privatbank has nearly halved its operating expenses in 2Q15, the full effect of integration efficiencies have not been reflected in the quarterly results, as synergies only materialised in the last 50 days of the quarter. Additionally, Privatbank was focused on a mono-product of an all-in-one debit and credit card, which we further developed in-house by adding the contactless transport and payment capabilities of our Express Card. We are aiming to leverage the enhanced capabilities of Express Banking, to capture increased revenue from cross-selling banking products to the c.400,000 newly acquired customers. We now expect more synergies than we did at the time of the acquisition. You will find full details of the Privatbank integration and performance in the Retail Banking segment discussion of this announcement.

Within our Investment Businesses, GHG, our healthcare business, delivered another record half year results, with revenues totalling GEL 107.4 million, reflecting both good levels of organic growth and the impact of the benefits of last year's acquisitions starting to be captured. In addition, GHG has recently completed a number of further acquisitions in Tbilisi and now has a total of 41 healthcare facilities, 2,670 hospital beds and a 26.6% market share in terms of hospital beds, which is expected to grow up to c.30% as a result of the renovation of recently acquired hospital facilities, scheduled for completion in 2016 and 2017 (additional c.500 beds). Furthermore, GHG has a unique first mover advantage in the highly fragmented and underpenetrated outpatient segment, with an addressable market of GEL 0.9 billion in 2015, where GHG currently has under 1% market share. GHG has all the enablers – bed capacity, competitive advantages and a clear growth strategy – for strong medium-to-long term growth. GHG is now very well positioned for its planned international stock market listing in the next few months. Our real estate business, m2 Real Estate, continues to develop its apartment projects successfully, with apartments continuing to be pre-sold notwithstanding the Lari devaluation. In 2Q15, we posted strong results in our water and utilities business, GGU, with GEL 2.0 million in profit. We have continued to strengthen GGU's management and hired more professionals with substantial industry experience both in Georgia and the West.

The Group's capital position remains strong, with capital being held both in the regulated Banking Business (JSC Bank of Georgia) and at the holding company level (Bank of Georgia Holdings Plc). Within the bank, the BIS Tier 1 Capital Adequacy ratio was 20.4%, and the NBG (Basel 2/3) Tier 1 Capital Adequacy ratio was 10.4%

In August, we completed our corporate legal restructuring as announced in December 2014 and created a unique platform to extend our reach to different industries on the Georgian corporate market. The need for restructuring was created by our recently updated strategy as well as NBG's intention to regulate banks in Georgia on a standalone basis. The new structure is now clearly aligned to our strategy and will facilitate our continued commitment to growing Bank of Georgia's strong retail and corporate banking franchise and allows us to capture compelling investment opportunities in Georgia's corporate sector.

From a macroeconomic perspective Georgia has continued to perform well in the light of the recent macroeconomic and currency pressures in many of Georgia's trading partners. Much of the volatility of the first quarter was significantly reduced in the second quarter of the year, particularly in terms of the Lari/Dollar exchange rate, which has now seen a period of stability in the 2.2-2.3 range. GDP growth in Georgia during the first half of 2015 remained relatively resilient with 2.6% y-o-y growth, and inflation remained well contained at 4.9% y-o-y in July 2015, partly as a result of the beneficial impact of lower oil prices on the Georgian economy. In addition, international arrivals (an important component of capital inflows for the country) continue to be strong, with a 9.5% year on year increase in July supporting overall growth of 4.9% in the first seven months of the year. The Lari has stayed competitive compared to our main trading partners' currencies. Exports are turning the corner with the signs that the negative growth is coming to a halt: Georgia originated exports increased 2.3% year on year in June (first time since August 2014), while re-exported commodities remain the major drag in total exports. The Lari's real depreciation of 8.1% since December 2014 has helped the imports adjustment, which decreased 9.6% year on year in 1H15.

Against the challenging regional macroeconomic backdrop, the Group has continued to perform well. We believe we remain well positioned to deliver a strong performance in the second half of 2015 and beyond, from both good levels of organic business growth in each of our Banking and Investment Businesses, and from the benefits of recent strategic initiatives and acquisitions.

Irakli Gilauri,

Chief Executive Officer of Bank of Georgia Holdings PLC

FINANCIAL SUMMARY

QUARTERLY INCOME STATEMENT

GEL thousands

BGH Consolidated	2Q15	2Q14	Change Y-O-Y	1Q15	Change Q-O-Q
Net banking interest income	122,789	82,513	48.8%	120,989	1.5%
Net fee and commission income	29,121	26,228	11.0%	26,854	8.4%
Net banking foreign currency gain	19,765	11,395	73.5%	18,962	4.2%
Net other banking income	2,481	2,241	10.7%	1,790	38.6%
Gross insurance profit	5,817	6,352	-8.4%	7,574	-23.2%
Gross healthcare profit	18,099	13,627	32.8%	16,877	7.2%
Gross real estate profit	(41)	3,476	NMF	1,209	NMF
Gross other investment profit	4,734	3,498	35.3%	1,398	NMF
Revenue	**202,765**	**149,330**	**35.8%**	**195,653**	**3.6%**
Operating expenses	(76,848)	(63,948)	20.2%	(76,058)	1.0%
Operating income before cost of credit risk / EBITDA	125,917	85,382	47.5%	119,595	5.3%
Profit from associates	1,979	-	-	(1,310)	NMF
Depreciation and amortization of investment business	(2,579)	(2,256)	14.3%	(2,688)	-4.1%
Net foreign currency gain (loss) from investment business	2,689	(1,433)	NMF	3,690	-27.1%
Interest income from investment business	622	(71)	NMF	617	0.8%
Interest expense from investment business	(2,632)	(1,718)	53.2%	(2,463)	6.9%
Cost of credit risk	(41,867)	(13,846)	NMF	(41,841)	0.1%
Profit **	**72,030**	**58,317**	**23.5%**	**62,339**	**15.5%**
Earnings per share (basic, diluted)	1.84	1.64	12.2%	1.63	12.9%

Banking Business*	2Q15	2Q14	Change Y-O-Y	1Q15	Change Q-O-Q
Net banking interest income	126,403	83,779	50.9%	123,058	2.7%
Net fee and commission income	30,172	27,080	11.4%	28,090	7.4%
Net banking foreign currency gain	19,765	11,395	73.5%	18,962	4.2%
Net other banking income	2,810	2,433	15.5%	2,095	34.1%
Gross insurance profit	3,473	3,931	-11.7%	5,306	-34.5%
Gross healthcare profit	-	-	-	-	-
Gross real estate profit	-	-	-	-	-
Gross other investment profit	-	-	-	-	-
Revenue	182,623	128,618	42.0%	177,511	2.9%
Operating expenses	(65,244)	(54,260)	20.2%	(65,277)	-0.1%
Operating income before cost of credit risk / EBITDA	117,379	74,358	57.9%	112,234	4.6%
Profit from associates	-	-	-	-	-
Depreciation and amortization of investment business	-	-	-	-	-
Net foreign currency gain (loss) from investment business	-	-	-	-	-
Interest income from investment business	-	-	-	-	-
Interest expense from investment business	-	-	-	-	-
Cost of credit risk	(40,764)	(13,279)	NMF	(40,771)	0.0%
Profit **	61,453	53,617	14.6%	58,810	4.5%

Investment Business*	2Q15	2Q14	Change Y-O-Y	1Q15	Change Q-O-Q
Net banking interest income	-	-	-	-	-
Net fee and commission income	-	-	-	-	-
Net banking foreign currency gain	-	-	-	-	-
Net other banking income	-	-	-	-	-
Gross insurance profit	2,799	2,827	-1.0%	2,691	4.0%
Gross healthcare profit	18,099	13,627	32.8%	16,877	7.2%
Gross real estate profit	(41)	3,476	NMF	1,209	NMF
Gross other investment profit	4,709	3,437	37.0%	1,543	NMF
Revenue	**25,566**	**23,367**	**9.4%**	**22,320**	**14.5%**
Operating expenses	**(12,381)**	**(10,333)**	**19.8%**	**(11,654)**	**6.2%**
Operating income before cost of credit risk / EBITDA	**13,185**	**13,034**	**1.2%**	**10,666**	**23.6%**
Profit from associates	1,979	-	-	(1,310)	NMF
Depreciation and amortization of investment business	(2,579)	(2,256)	14.3%	(2,688)	-4.1%
Net foreign currency gain (loss) from investment business	2,689	(1,433)	NMF	3,690	-27.1%
Interest income from investment business	844	195	NMF	818	3.2%
Interest expense from investment business	(7,501)	(3,994)	87.8%	(5,969)	25.7%
Cost of credit risk	(1,103)	(567)	94.5%	(1,070)	3.1%
Profit **	**10,577**	**4,700**	**125.0%**	**3,529**	**199.7%**

HALF-YEAR INCOME STATEMENT

GEL thousands

BGH Consolidated	1H15	1H14	Change Y-O-Y
Net banking interest income	243,778	163,448	49.1%
Net fee and commission income	55,975	46,062	21.5%
Net banking foreign currency gain	38,727	22,700	70.6%
Net other banking income	4,272	3,107	37.5%
Gross insurance profit	13,391	16,058	-16.6%
Gross healthcare profit	34,975	22,938	52.5%
Gross real estate profit	1,168	9,579	-87.8%
Gross other investment profit	6,133	5,861	4.6%
Revenue	**398,419**	**289,753**	**37.5%**
Operating expenses	(152,908)	(122,203)	25.1%
Operating income before cost of credit risk / EBITDA	**245,511**	**167,550**	**46.5%**
Profit from associates	668	-	-
Depreciation and amortization of investment business	(5,266)	(4,485)	17.4%
Net foreign currency gain (loss) from investment business	6,379	(1,849)	NMF
Interest income from investment business	1,239	732	69.3%
Interest expense from investment business	(5,094)	(3,749)	35.9%
Cost of credit risk	(83,708)	(27,163)	NMF
Profit **	**134,369**	**111,982**	**20.0%**
Earnings per share (basic)	3.47	3.15	10.2%

Banking Business*	1H15	1H14	Change Y-O-Y
Net banking interest income	249,461	166,231	50.1%
Net fee and commission income	58,262	47,292	23.2%
Net banking foreign currency gain	38,727	22,700	70.6%
Net other banking income	4,906	3,420	43.5%
Gross insurance profit	8,777	8,190	7.2%
Gross healthcare profit	-	-	-
Gross real estate profit	-	-	-
Gross other investment profit	-	-	-
Revenue	**360,133**	**247,833**	**45.3%**
Operating expenses	(130,520)	(103,775)	25.8%
Operating income before cost of credit risk / EBITDA	**229,613**	**144,058**	**59.4%**
Profit from associates	-	-	-
Depreciation and amortization of investment business	-	-	-
Net foreign currency gain (loss) from investment business	-	-	-
Interest income from investment business	-	-	-
Interest expense from investment business	-	-	-
Cost of credit risk	(81,536)	(26,080)	NMF
Profit **	**120,264**	**99,893**	**20.4%**

Investment Business*	1H15	1H14	Change Y-O-Y
Net banking interest income	-	-	-
Net fee and commission income	-	-	-
Net banking foreign currency gain	-	-	-
Net other banking income	-	-	-
Gross insurance profit	5,492	8,727	-37.1%
Gross healthcare profit	34,975	22,938	52.5%
Gross real estate profit	1,168	9,659	-87.9%
Gross other investment profit	6,253	5,741	8.9%
Revenue	**47,888**	**47,065**	**1.7%**
Operating expenses	(24,038)	(19,735)	21.8%
Operating income before cost of credit risk / EBITDA	**23,850**	**27,330**	**-12.7%**
Profit from associates	668	-	-
Depreciation and amortization of investment business	(5,266)	(4,485)	17.4%
Net foreign currency gain (loss) from investment business	6,379	(1,849)	NMF
Interest income from investment business	1,662	980	69.6%
Interest expense from investment business	(13,469)	(7,835)	71.9%
Cost of credit risk	(2,172)	(1,083)	100.6%
Profit **	**14,105**	**12,089**	**16.7%**

* Banking Business and Investment Business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations are provided in annexes.

** As of 30 June 2015, Privatbank integration costs totaled GEL 2.6mln and are recorded in non-recurring expenses

Balance Sheet	Bank of Georgia Holdings PLC					Banking Business					Investment Business				
	Jun-15	Jun-14	Change Y-O-Y	Mar-15	Change Q-O-Q	Jun-15	Jun-14	Change Y-O-Y	Mar-15	Change Q-O-Q	Jun-15	Jun-14	Change Y-O-Y	Mar-15	Change Q-O-Q
Cash and cash equivalents	1,261,805	903,734	39.6%	1,000,713	26.1%	1,252,758	895,287	39.9%	997,547	25.6%	107,511	73,488	46.3%	110,578	-2.8%
Amounts due from credit institutions	583,888	363,468	60.6%	545,714	7.0%	575,534	353,559	62.8%	523,663	9.9%	18,844	17,964	4.9%	87,478	-78.5%
Investment securities	895,840	569,937	57.2%	880,799	1.7%	898,457	568,784	58.0%	881,098	2.0%	1,153	1,153	0.0%	1,153	0.0%
Loans to customers and finance lease receivables	5,052,752	3,650,791	38.4%	5,156,386	-2.0%	5,142,221	3,714,213	38.4%	5,248,559	-2.0%	-	-	-	-	-
Accounts receivable and other loans	77,866	60,677	28.3%	73,315	6.2%	15,474	9,622	60.8%	13,063	18.5%	70,343	51,903	35.5%	64,947	8.3%
Insurance premiums receivable	58,142	52,043	11.7%	58,816	-1.1%	26,519	14,728	80.1%	22,337	18.7%	32,023	37,436	-14.5%	37,205	-13.9%
Prepayments	52,145	28,188	85.0%	42,748	22.0%	30,779	18,417	67.1%	24,969	23.3%	21,366	9,771	118.7%	17,779	20.2%
Inventories	131,534	90,489	45.4%	113,322	16.1%	10,379	6,689	55.2%	7,697	34.8%	121,155	83,800	44.6%	105,625	14.7%
Investment property	221,506	152,292	45.4%	194,623	13.8%	143,873	127,374	13.0%	128,376	12.1%	77,633	24,918	211.6%	66,247	17.2%
Property and equipment	669,153	534,289	25.2%	618,474	8.2%	338,858	293,626	15.4%	334,516	1.3%	330,295	240,663	37.2%	283,958	16.3%
Goodwill	60,056	48,721	23.3%	51,745	16.1%	48,092	38,538	24.8%	39,781	20.9%	11,964	10,183	17.5%	11,964	0.0%
Intangible assets	36,894	28,490	29.5%	33,443	10.3%	33,260	26,596	25.1%	31,761	4.7%	3,634	1,894	91.9%	1,682	116.1%
Income tax assets	29,080	32,204	-9.7%	24,943	16.6%	21,686	24,835	-12.7%	17,602	23.2%	7,394	7,369	0.3%	7,341	0.7%
Other assets	244,398	152,360	60.4%	235,012	4.0%	174,820	140,452	24.5%	176,982	-1.2%	80,058	12,784	526.2%	68,096	17.6%
Total assets	**9,375,059**	**6,667,683**	**40.6%**	**9,030,053**	**3.8%**	**8,712,710**	**6,232,720**	**39.8%**	**8,447,951**	**3.1%**	**883,373**	**573,326**	**54.1%**	**864,053**	**2.2%**
Client deposits and notes	4,104,417	3,074,710	33.5%	4,099,029	0.1%	4,212,822	3,148,729	33.8%	4,271,854	-1.4%	-	-	-	-	-
Amounts due to credit institutions	2,139,517	1,240,128	72.5%	1,780,636	20.2%	2,045,093	1,145,875	78.5%	1,694,668	20.7%	189,124	156,753	20.7%	181,773	4.0%
Debt securities issued	1,063,123	786,432	35.2%	1,026,689	3.5%	990,257	760,144	30.3%	962,587	2.9%	79,894	26,690	199.3%	66,964	19.3%
Accruals and deferred income	132,832	83,784	58.5%	124,344	6.8%	14,369	9,917	44.9%	20,949	-31.4%	118,463	73,867	60.4%	103,395	14.6%
Insurance contracts liabilities	73,001	60,537	20.6%	70,156	4.1%	42,910	25,890	65.7%	34,685	23.7%	30,091	34,647	-13.1%	35,471	-15.2%
Income tax liabilities	111,387	92,617	20.3%	96,761	15.1%	87,392	77,942	12.1%	79,343	10.1%	23,995	14,675	63.5%	17,418	37.8%
Other liabilities	94,839	72,599	30.6%	132,290	-28.3%	71,126	44,634	59.4%	99,677	-28.6%	34,604	29,407	17.7%	43,072	-19.7%
Total liabilities	**7,719,116**	**5,410,807**	**42.7%**	**7,329,905**	**5.3%**	**7,463,969**	**5,213,131**	**43.2%**	**7,163,763**	**4.2%**	**476,171**	**336,039**	**41.7%**	**448,093**	**6.3%**
Total equity	**1,655,943**	**1,256,876**	**31.8%**	**1,700,148**	**-2.6%**	**1,248,741**	**1,019,589**	**22.5%**	**1,284,188**	**-2.8%**	**407,202**	**237,287**	**71.6%**	**415,960**	**-2.1%**
Book value per share	**41.74**	**34.95**	**19.4%**	**42.71**	**-2.3%**										

Banking Business Ratios	2Q15	1Q15	2Q14	1H15	1H14
Profitability					
ROAA	2.9%	3.0%	3.5%	2.9%	3.3%
ROAE	19.3%	19.2%	21.0%	19.3%	19.3%
Net Interest Margin	7.6%	7.8%	7.4%	7.8%	7.5%
Loan Yield	14.6%	14.5%	14.3%	14.6%	14.5%
Cost of Funds	5.0%	5.0%	4.7%	5.0%	4.9%
Cost of Customer Funds	4.4%	4.4%	4.2%	4.4%	4.4%
Cost of Amounts Due to Credit Institutions	5.3%	5.2%	4.7%	5.3%	4.8%
Cost / Income	35.7%	36.8%	42.2%	36.2%	41.9%
NPLs To Gross Loans To Clients	4.1%	3.5%	3.8%	4.1%	3.8%
NPL Coverage Ratio	82.2%	74.2%	73.8%	82.2%	73.8%
NPL Coverage Ratio, Adjusted for discounted value of collateral	115.1%	118.0%	116.1%	115.1%	116.1%
Cost of Risk	2.7%	3.1%	0.9%	2.9%	0.9%
Tier I capital adequacy ratio (BIS)	20.4%	19.9%	22.5%	20.4%	22.5%
Total capital adequacy ratio (BIS)	26.7%	23.9%	26.3%	26.7%	26.3%
Tier I capital adequacy ratio (New NBG, Basel II)	10.4%	9.8%	10.8%	10.4%	10.8%
Total capital adequacy ratio (New NBG, Basel II)	15.9%	12.9%	14.0%	15.9%	14.0%

* Note: Banking Business and Investment Business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations are provided in annexes.

DISCUSSION OF RESULTS

Discussion of Banking Business Quarterly Results

The following discussion refers to the Banking Business only

Revenue

GEL thousands, unless otherwise noted	2Q15	2Q14	Change, Y-o-Y	1Q15	Change, Q-o-Q
Banking interest income	215,313	143,025	50.5%	202,353	6.4%
Banking interest expense	(88,910)	(59,246)	50.1%	(79,295)	12.1%
Net banking interest income	**126,403**	**83,779**	**50.9%**	**123,058**	**2.7%**
Fee and commission income	40,160	35,581	12.9%	37,343	7.5%
Fee and commission expense	(9,988)	(8,501)	17.5%	(9,253)	7.9%
Net fee and commission income	**30,172**	**27,080**	**11.4%**	**28,090**	**7.4%**
Net banking foreign currency gain	19,765	11,395	73.5%	18,962	4.2%
Net other banking income	2,810	2,433	15.5%	2,095	34.1%
Gross insurance profit	3,473	3,931	-11.7%	5,306	-34.5%
Revenue	**182,623**	**128,618**	**42.0%**	**177,511**	**2.9%**
Net Interest Margin	7.6%	7.4%	+20 bps	7.8%	-20 bps
Average interest earning assets	6,638,429	4,517,479	46.9%	6,370,469	4.2%
Average interest bearing liabilities	7,128,014	5,005,868	42.4 %	6,441,353	10.7%
Average net loans, currency blended	5,225,895	3,584,404	45.8%	5,056,404	3.4%
Average net loans, GEL	1,564,867	1,122,031	39.5%	1,490,531	3.0%
Average net loans, FC	3,661,028	2,462,373	48.7%	3,565,873	2.7%
Average client deposits, currency blended	4,313,076	3,139,182	37.4%	4,034,063	6.9%
Average client deposits, GEL	1,216,653	885,205	37.4%	1,199,627	1.4%
Average client deposits, FC	3,096,423	2,253,977	37.4%	2,834,435	9.2%
Average liquid assets, currency blended	2,588,219	1,903,216	36.0%	2,111,126	21.8 %
Average liquid assets, GEL	1,173,577	813,289	44.3%	1,110,790	5.7%
Average liquid assets, FC	1,414,642	1,089,927	29.8%	1,000,336	41.4%
Excess liquidity (NBG)	219,562	255,123	-13.9%	199,690	10.0%
Liquid assets yield, currency blended	*3.1%*	*2.3%*		*3.2%*	
Liquid assets yield, GEL	*6.1%*	*5.0%*		*5.6%*	
Liquid assets yield, FC	*0.5%*	*0.4%*		*0.5%*	
Loan yield, total	*14.6%*	*14.3%*		*14.5%*	
Loan yield, GEL	*21.6%*	*20.0%*		*21.4%*	
Loan yield, FC	*11.4%*	*11.6%*		*11.6%*	
Cost of funding, total	*5.0%*	*4.7%*		*5.0%*	
Cost of funding, GEL	*4.8%*	*3.9%*		*4.8%*	
Cost of funding, FC	*5.0%*	*5.0%*		*5.1%*	

- **Our Banking Business delivered record quarterly revenue of GEL 182.6mln, up 42.0% y-o-y and up 2.9% q-o-q**. The y-o-y revenue growth was driven by:
  - **An increase of our net banking interest income to GEL 126.4mln, up 50.9%**, driven by GEL 72.3mln or a 50.5% increase in Banking interest income, outpacing the growth of GEL 29.7mln or 50.1% in Banking interest expense
  - **The Privatbank acquisition, which added GEL 19.5mln to our Banking Business revenues**, most of it (over 85% of the total in 2Q15) to net banking interest income on the back of adding GEL 245.6mln or 4.8% to the net loan book
  - Strong y-o-y growth of the net loan book to GEL 5,142.2mln, up 38.4%; ex-Privatbank net loan book increased to GEL 4,896.6mln, up 31.8% y-o-y
  - Our Cost of Funds was 5.0%, up 30 bps y-o-y and Cost of Customer Funds was 4.4%, up 20 bps y-o-y. The increase in liability costs was largely due to the Privatbank acquisition. Standalone Privatbank Cost of Funds and Cost of Client Deposits stood at 5.3% and 5.8% respectively in 2Q15
  - Our average interest bearing liabilities increased to GEL 7,128.0mln, up 42.4% y-o-y

- Increased Cost of Funding was offset by Privatbank's high yielding loan portfolio. Standalone Privatbank Loan Yield stood at 29.6% in 2Q15. As a result, **Banking Business loan yield was 14.6% in 2Q15, up 30 bps y-o-y**
- **Our net fee and commission income was GEL 30.2mln, up 11.4% y-o-y and 7.4% q-o-q; despite a high base in 2Q14 as a result of Investment Management's M&A deal**
- Robust growth of our net fee and commission income reflects the ongoing success of our Express Banking service, which has expanded substantially in 1H15 as a result of the rebranding of Privatbank branches as Express branches. This resulted in the addition of 81,338 Express Banking customers y-o-y and triggered a significant increase in the volume of banking transactions - the growth of transactions was achieved largely through cost-effective remote channels.
- **Net gain from foreign currencies increased to GEL 19.8mln**, up 73.5% from GEL 11.4mln a year ago reflecting increased client activity as a result of the increased GEL volatility
- **Our P&C insurance business was a small negative to overall revenue. Gross insurance profit was GEL 3.5mln** which for the Banking Business comprises revenue from the Bank's Property & Casualty subsidiary Aldagi was down 11.7% y-o-y. Although Aldagi posted strong growth in net insurance premiums earned both on y-o-y and q-o-q basis, corresponding claims up by 115.5% y-o-y, more than offset the growth. This was largely due to an increase in claims related to floods in Tbilisi in 2Q15, which resulted in approximately GEL 1.5mln claims and higher motor vehicle insurance claims following an overall decrease in the amount of insurance deductible on the market. *For P&C insurance segment financials please see page 35*

- **Our NIM stood at 7.6% up 20 bps y-o-y and down 20 bps q-o-q,** reflecting:
  - The addition of Privatbank's high yielding loan portfolio, with a Loan Yield of 29.6% and comparatively low Cost of Funds of 5.3% in 2Q15 down from 7.5% in 1Q15, which is a result of our active liability optimization measures. Privatbank's high margin is primarily driven by its mono-product of an all-in-one debit and credit card. Additionally, we have realized cost synergies and are working to further reduce Privatbank's Cost of Funds
  - The ex-Privatbank Loan Yield of 13.7%, which was down 60 bps, driven by a 35.0% increase in banking interest income that lagged behind a 40.4% growth in average interest earning assets; the downward trend also reflects our efforts to focus on lower risk retail banking products in our lending activities. Loan Yield including Privatbank was 14.6%
  - This was partially offset by Liquid Assets Yield of 3.1%, which was up 80 bps y-o-y, largely reflecting higher yield on the Government issued securities
  - Our liquidity levels as a percentage of total assets increased both y-o-y and q-o-q basis in 2Q15 as a result of slower growth of the loan book and an increased liquidity pool

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

GEL thousands, unless otherwise noted	**2Q15**	**2Q14**	**Change y-o-y**	**1Q15**	**Change q-o-q**
Salaries and other employee benefits	(38,066)	(31,347)	21.4%	(38,606)	-1.4%
Administrative expenses	(17,899)	(15,746)	13.7%	(17,506)	2.2%
Banking depreciation and amortisation	(8,338)	(6,364)	31.0%	(8,373)	-0.4%
Other operating expenses	(941)	(803)	17.2%	(792)	18.8%
Operating expenses	**(65,244)**	**(54,260)**	**20.2%**	**(65,277)**	**-0.1%**
Operating income before cost of credit risk	**117,379**	**74,358**	**57.9%**	**112,234**	**4.6%**
Impairment charge on loans to customers	(35,105)	(7,816)	NMF	(38,928)	-9.8%
Impairment charge on finance lease receivables	(1,779)	(387)	NMF	(119)	NMF
Impairment charge on other assets and provisions	(3,880)	(5,076)	-23.6%	(1,724)	125.1%
Cost of credit risk	**(40,764)**	**(13,279)**	**NMF**	**(40,771)**	**0.0%**
Net operating income before non-recurring items	**76,615**	**61,079**	**25.4%**	**71,463**	**7.2%**
Net non-recurring items	(3,409)	(7,951)	-57.1%	(2,167)	57.3%
Profit before income tax	**73,206**	**53,128**	**37.8%**	**69,296**	**5.6%**
Income tax (expense) benefit	(11,753)	489	NMF	(10,486)	12.1%
Profit	**61,453**	**53,617**	**14.6%**	**58,810**	**4.5%**

- **Our efficiency further improved in 2Q15, with operating leverage at 21.7% y-o-y and cost/income at 35.7% in 2Q15 compared to 42.2% in 2Q14**; *ex-Privatbank, operating leverage stood at 16.7% and Cost/Income ratio stood at 36.6%*. Improved efficiency was a result of:
  - Our ongoing efforts to keep a tight grip on costs
  - The integration of Privatbank and the respective synergies realised in 2Q15

- **Operating expenses increased to GEL 65.2mln in 2Q15, up 20.2% y-o-y and flat q-o-q; ex-Privatbank it was GEL 59.8mln, up by GEL 5.5mln or 10.2% y-o-y**, *reflecting:*
  - The Privatbank acquisition that added GEL 5.5mln to our operating expenses in 2Q15
  - Salaries and employee benefits that increased to GEL 38.1mln, up GEL 6.7mln or 21.4%, reflecting the increased revenue base
  - Administrative expenses increased to GEL 17.9mln, up GEL 2.2mln or 13.7%, largely driven by expenses on rent, predominantly due to the appreciation of the US$, the listing currency of rentals in Georgia, in addition to an increase in the number of leased branches

- **On a q-o-q basis, our operating expenses decreased 0.1%,** which was predominantly due to synergies extracted from Privatbank's integration. Privatbank's operating expenses nearly halved on a q-o-q basis to GEL 5.5mln despite synergies taking effect only in the last 50 days of 2Q15

- **The Banking Business like-for-like Cost of Risk ratio was 2.2% in 2Q15** *(1.6% in 1Q15 and 0.9% in 2Q14)* **and cost of credit risk was GEL 33.7mln in 2Q15** (GEL 20.7mln in 1Q15 and GEL 13.3mln in 2Q14). Overall, Cost of Risk ratio was 2.7% and cost of credit risk was GEL 40.8mln (GEL 40.8mln and 3.1% in 1Q15). The Privatbank acquisition added GEL 7.1mln and 50 bps to the cost of credit risk and Cost of Risk ratio, respectively. We also increased our provisioning levels generally on both corporate and retail books to account mainly for the increased post-devaluation risk.

- NPLs to gross loans increased by 30 bps to 4.1%, compared to 3.5% as of 31 March 2015 and 3.8% as of 30 June 2015
- NPLs increased to GEL 219.2mln, up 50.6% y-o-y , reflecting the first time inclusion of Privatbank's NPLs
- NPL coverage ratio adjusted for the discounted value of collateral stood at 115.1% compared to 118.0% as of 31 March 2015 and 116.1% as of 30 June 2014
- The NPL coverage ratio improved to 82.2% compared to 74.2% as of 31 March 2015 and 73.8% as of 30 June 2014
- Our 15 days past due rate for retail loans stood at 1.4% as of 30 June 2015 compared to 1.0% as of 31 March 2015 and 1.6% as of 30 June 2014

- Non-recurring items decreased to GEL 8.0mln from GEL 3.4mln, as a result of high base due to provisioning of legacy investment in Ukrainian subsidiary BG bank in 2Q14. The Banking Business 2Q15 profit was GEL 61.5mln, up 14.6% y-o-y and up 4.5% q-o-q; Privatbank contributed GEL 5.0mln to this profit

- **The Banking Business profit was supported by its banking subsidiary in Belarus – BNB, which added GEL 1.7mln profit in 2Q15.** Strong growth was supported by a 40.7% growth of the BNB loan book to GEL 305.8mln, mostly consisting of SME loans. BNB client deposits increased 52.5% to GEL 242.2mln, reflecting BNB's strong franchise. BNB is well capitalised, with Capital Adequacy Ratios well above the requirements of its regulating Central Bank. *For BNB standalone financials please see page 35*

Banking Business Balance Sheet highlights

GEL thousands, unless otherwise noted	30 June 2015	30 June 2014	Change y-o-y	30 March 2015	Change q-o-q
Liquid assets	2,726,749	1,817,630	50.0%	2,402,308	13.5%
Liquid assets, GEL	1,257,220	753,416	66.9%	1,154,634	8.9%
Liquid assets, FC	1,469,529	1,064,214	38.1%	1,247,674	17.8%
Net loans	5,142,221	3,714,213	38.4%	5,248,559	-2.0%
Net loans, GEL	1,546,104	1,167,711	32.4%	1,523,976	1.5%
Net loans, FC	3,596,117	2,546,502	41.2%	3,724,583	-3.4%
Client deposits and notes	4,212,822	3,148,729	33.8%	4,271,854	-1.4%
Amounts due to credit institutions, of which:	2,045,093	1,145,875	78.5%	1,694,668	20.7%
Borrowings from DFIs	807,809	565,829	42.8%	718,540	12.4%
Short-term loans from central banks	674,701	317,031	112.8%	518,400	30.2%
Loans and deposits from commercial banks	562,583	263,015	113.9%	457,728	22.9%
Debt securities issued	990,257	760,144	30.3%	962,587	2.9%
Liquidity & CAR Ratios					
Net Loans / Customer Funds	122.1%	118.0%		122.9%	
Net Loans / Customer Funds + DFIs	102.4%	100.0%		105.2%	
Liquid assets as percent of total assets	31.3%	29.2%		28.4%	
Liquid assets as percent of total liabilities	36.5%	34.9%		33.5%	
NBG liquidity ratio	35.1%	38.1%		34.7%	
Excess liquidity (NBG)	219,562	255,123	-13.9%	199,690	
Tier I Capital Adequacy Ratio (BIS)	20.4%	22.5%		19.9%	
Total Capital Adequacy Ratio (BIS)	26.7%	26.3%		23.9%	
Tier I Capital Adequacy Ratio (NBG Basel 2/3)	10.4%	10.8%		9.8%	
Total Capital Adequacy Ratio (NBG Basel 2/3)	15.9%	14.0%		12.9%	

Our Banking Business balance sheet remained very liquid (NBG Liquidity ratio of 35.1%[1]) **and well-capitalised** (BIS Tier I of 20.4%[1]) **with a well-diversified funding base** (Client Deposits to Liabilities of 56.4%).

- Liquid assets increased to GEL 2,726.7mln, up 50.0%, reflecting the GEL devaluation as nearly half of liquid assets is held in US$
- Additionally, liquid assets as a percentage of total assets increased q-o-q to 31.3%, up from 28.4% and liquid assets as a percentage of total liabilities also increased q-o-q to 36.5%, up from 33.5%
- The NBG liquidity ratio stood at 35.1% as of 30 June 2015 compared to 34.7% as of 31 March 2015, against a regulatory requirement of 30.0%
- As we further diversified our funding base, our share of amounts due to credit institutions to total liabilities increased q-o-q from 23.7% to 27.4%, with the share of client deposits and notes to total liabilities declining q-o-q from 59.6% to 56.4%. Net Loans to Customer Funds and DFIs ratio, a ratio closely observed by management, stood at 102.4%, up slightly from 100.0% a year ago
- Improvement in our total capital adequacy ratios reflects a US$ 90mln subordinated loan raised from IFC at the end of 2Q 2015, which qualifies as Tier II capital under the Basel 2 framework and will allow us to support further growth without compromising capital ratios

Discussion of Banking Business 1H15 Results

The following discussion refers to the Banking Business only

Revenue

GEL thousands, unless otherwise noted	1H15	1H14	Change, Y-o-Y
Banking interest income	417,666	287,011	45.5%
Banking interest expense	(168,205)	(120,780)	39.3%
Net banking interest income	**249,461**	**166,231**	**50.1%**
Fee and commission income	77,503	64,045	21.0%
Fee and commission expense	(19,241)	(16,753)	14.9%
Net fee and commission income	**58,262**	**47,292**	**23.2%**
Net banking foreign currency gain	38,727	22,700	70.6%
Net other banking income	4,906	3,420	43.5%
Gross insurance profit	**8,777**	**8,190**	**7.2%**
Revenue	**360,133**	**247,833**	**45.3%**
Salaries and other employee benefits	(76,672)	(61,681)	24.3%
Administrative expenses	(35,404)	(27,947)	26.7%
Banking depreciation and amortisation	(16,711)	(12,523)	33.4%
Other operating expenses	(1,733)	(1,624)	6.7%
Operating expenses	**(130,520)**	**(103,775)**	**25.8%**
Operating income before cost of credit risk	**229,613**	**144,058**	**59.4%**
Impairment charge on loans to customers	(74,033)	(16,927)	NMF
Impairment charge on finance lease receivables	(1,899)	(358)	NMF
Impairment charge on other assets and provisions	(5,604)	(8,795)	-36.3%
Cost of credit risk	**(81,536)**	**(26,080)**	**NMF**
Net operating income before non-recurring items	**148,077**	**117,978**	**25.5%**
Net non-recurring items	(5,575)	(9,601)	-41.9%
Profit before income tax	**142,502**	**108,377**	**31.5%**
Income tax expense	(22,238)	(8,484)	162.1%
Profit	**120,264**	**99,893**	**20.4%**

Ratios

GEL thousands, unless otherwise noted	1H15	1H14	Change, Y-o-Y
Net Interest Margin	7.8%	7.5%	
Liquid assets yield, currency blended	*3.2%*	*2.3%*	
Liquid assets yield, GEL	*5.9%*	*4.9%*	
Liquid assets yield, FC	*0.6%*	*0.4%*	
Loan yield, total	*14.6%*	*14.5%*	
Loan yield, GEL	*21.5%*	*20.1%*	
Loan yield, FC	*11.5%*	*11.8%*	
Cost of funding, total	*5.0%*	*4.9%*	
Cost of funding, GEL	*4.8%*	*4.0%*	
Cost of funding, FC	*5.0%*	*5.1%*	

- **Our Banking Business delivered another record half year revenue of GEL 360.1mln, up 45.3%y-o-y.** The revenue growth was diversified across all the revenue items:
  - Net banking interest income was GEL 249.5mln, up 50.1% y-o-y
  - Our net fee and commission income was GEL 58.3mln, up 23.2% The Privatbank acquisition added GEL 38.9mln to our Banking Business revenues
  - Net banking foreign currency gain was GEL 38.7mln, up 70.6%
  - Gross insurance profit was GEL 8.8mln, up 7.2% y-o-y

- **Our NIM stood at 7.8%, increased 30 bps y-o-y**, reflecting:
  - Privatbank NIM of 20.5%, a result of Privatbank's high yielding loan portfolio with a Loan Yield of 29.3% vs a comparatively low Cost of Funds of 6.5%. Privatbank Cost of Funds declined from 7.5% in 1Q15 to 5.3% in 2Q15, which is a result of our active liability optimization measures.
  - Loan Yield of 14.6%, up 10 bps y-o-y, offset by 10 bps increase in Cost of Funds to 5.0%
  - Liquid Assets Yield of 3.2%, up 90 bps y-o-y

- **Our efficiency improved in 1H15, with operating leverage at 19.5% y-o-y and Cost to Income at 36.2% in 1H15**
- **Operating expenses increased to GEL 130.5mln, up GEL 26.7mln or 25.8%**, compared to 45.3% increase in revenues, reflecting:
  - The Privatbank acquisition, which added GEL 15.4mln to our operating expenses in 1H15
  - Ex-Privatbank salaries and employee benefits increased by GEL 7.4mln or 12.0%
  - Administrative expenses increased by GEL 2.2mln or 7.9%

- **The Banking Business like-for-like Cost of Risk ratio was 2.0% in 1H15** (0.9% in 1H14) **and cost of credit risk was GEL 54.4mln** (GEL 26.1mln in 1H14). Overall, Banking Business Cost of Risk ratio and cost of credit risk was 2.9% and GEL 81.5mln, respectively in 1H15, which was driven by:
  - GEL devaluation, which contributed GEL 11.9mln to the cost of credit risk and 40bps to Cost of Risk
  - The Privatbank acquisition, which added GEL 15.2mln to the cost of credit risk and 50 bps to Cost of Risk
  - Like-for-like cost of credit risk increase by GEL 28.3mln or by 110 bps

- As a result of the foregoing, Banking Business 1H15 profit was GEL 120.3mln, up 20.4% y-o-y; Privatbank contributed GEL 6.1mln to this profit, of which GEL 5.0 million was achieved in 2Q15 despite the synergies taking effect only in the last 50 days of 2Q15

Discussion of Segment Results

The segment results discussion is presented for Retail Banking (RB), Corporate Banking (CB), Investment Management, Healthcare Business (GHG), Real Estate Business (m^2 Real Estate)

Banking Business Segment Result Discussion

Retail Banking (RB)

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

GEL thousands, unless otherwise noted	2Q15	2Q14	Change y-o-y	1Q15	Change q-o-q	1H15	1H14	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	**79,269**	**51,742**	**53.2%**	**75,150**	**5.5%**	**154,419**	**100,945**	**53.0%**
Net fee and commission income	**18,406**	**14,021**	**31.3%**	**18,566**	**-0.9%**	**36,971**	**26,009**	**42.1%**
Net banking foreign currency gain	4,305	4,207	2.3%	3,905	10.2%	8,209	8,240	-0.4%
Net other banking income	1,384	1,371	0.9%	963	43.7%	2,348	1,828	28.5%
Revenue	**103,364**	**71,341**	**44.9%**	**98,584**	**4.8%**	**201,947**	**137,022**	**47.4%**
Salaries and other employee benefits	(22,416)	(17,045)	31.5%	(23,596)	-5.0%	(46,012)	(33,493)	37.4%
Administrative expenses	(11,632)	(8,754)	32.9%	(12,240)	-5.0%	(23,872)	(17,102)	39.6%
Banking depreciation and amortisation	(6,818)	(4,847)	40.7%	(6,831)	-0.2%	(13,649)	(9,424)	44.8%
Other operating expenses	(496)	(411)	20.7%	(462)	7.4%	(956)	(739)	29.8%
Operating expenses	(41,362)	(31,057)	33.2%	(43,129)	-4.1%	(84,489)	(60,758)	39.1%
Operating income before cost of credit risk	**62,002**	**40,284**	**53.9%**	**55,455**	**11.8%**	**117,458**	**76,264**	**54.0%**
Cost of credit risk	(20,662)	(2,296)	NMF	(16,660)	24.0%	(37,323)	(372)	NMF
Net non-recurring items	(2,875)	(4,375)	-34.3%	(449)	NMF	(3,323)	(4,766)	-30.3%
Profit before income tax	**38,465**	**33,613**	**14.4%**	**38,346**	**0.3%**	**76,812**	**71,126**	**8.0%**
Income tax expense	(5,900)	(630)	NMF	(5,738)	2.8%	(11,639)	(6,258)	86.0%
Profit	**32,565**	**32,983**	**-1.3%**	**32,608**	**-0.1%**	**65,173**	**64,866**	**0.5%**
BALANCE SHEET HIGHLIGHTS								
Net loans, standalone, Currency Blended	2,623,615	1,754,248	49.6%	2,639,808	-0.6%	2,623,615	1,754,248	49.6%
Net loans, standalone, GEL	1,285,013	941,327	36.5%	1,290,587	-0.4%	1,285,013	941,327	36.5%
Net loans, standalone, FC	1,338,602	812,921	64.7%	1,349,221	-0.8%	1,338,602	812,921	64.7%
Client deposits, standalone, Currency Blended	1,736,508	1,134,186	53.1%	1,874,262	-7.3%	1,736,508	1,134,186	53.1%
Client deposits, standalone, GEL	491,104	372,846	31.7%	618,118	-20.5%	491,104	372,846	31.7%
Client deposits, standalone, FC	1,245,404	761,340	63.6%	1,256,144	-0.9%	1,245,404	761,340	63.6%
Time deposits, standalone, Currency Blended	1,067,316	689,776	54.7%	1,182,396	-9.7%	1,067,316	689,776	54.7%
Time deposits, standalone, GEL	209,735	169,414	23.8%	296,790	-29.3%	209,735	169,414	23.8%
Time deposits, standalone, FC	857,581	520,362	64.8%	885,606	-3.2%	857,581	520,362	64.8%
Current accounts and demand deposits, standalone, Currency Blended	669,192	444,410	50.6%	691,866	-3.3%	669,192	444,410	50.6%
Current accounts and demand deposits, standalone, GEL	281,369	203,432	38.3%	321,328	-12.4%	281,369	203,432	38.3%
Current accounts and demand deposits, standalone, FC	387,823	240,978	60.9%	370,538	4.7%	387,823	240,978	60.9%
KEY RATIOS								
Net interest margin, currency blended	*9.5%*	*9.8%*		*9.7%*		*9.6%*	*9.9%*	
Loan yield, currency blended	*17.3%*	*17.7%*		*17.3%*		*17.3%*	*17.8%*	
Loan yield, GEL	*23.6%*	*21.8%*		*23.0%*		*23.3%*	*21.5%*	
Loan yield, FC	*11.2%*	*12.6%*		*11.4%*		*10.0%*	*12.9%*	
Cost of deposits, currency blended	*3.9%*	*3.9%*		*4.4%*		*4.2%*	*4.0%*	
Cost of deposits, GEL	*4.6%*	*4.4%*		*5.5%*		*5.1%*	*4.5%*	
Cost of deposits, FC	*3.6%*	*3.7%*		*3.8%*		*3.7%*	*3.8%*	
Cost of time deposits, currency blended	*5.7%*	*5.7%*		*5.3%*		*5.8%*	*5.9%*	
Cost of time deposits, GEL	*7.9%*	*8.2%*		*7.2%*		*8.7%*	*8.5%*	
Cost of time deposits, FC	*5.0%*	*4.9%*		*4.6%*		*4.9%*	*5.1%*	
Current accounts and demand deposits, currency blended	*1.2%*	*1.0%*		*2.8%*		*1.4%*	*1.0%*	
Current accounts and demand deposits, GEL	*1.4%*	*1.1%*		*4.0%*		*2.0%*	*1.0%*	
Current accounts and demand deposits, FC	*1.1%*	*1.0%*		*1.8%*		*1.0%*	*1.0%*	
Cost / income ratio	*40.0%*	*43.5%*		*43.7%*		*41.7%*	*44.3%*	

Performance highlights

- **Our Retail Banking revenue increased to GEL 103.4mln in 2Q15, up 44.9% y-o-y from GEL 71.3mln a year ago.** The revenue growth reflected strong performance of Retail Banking segment:
  - Net banking interest income was GEL 79.3mln, up 53.2%, mostly a result of the significant growth of the Retail Banking loan book, particularly the mortgage, micro & SME loan portfolios
  - The Retail Banking net loan book reached a record GEL 2,623.6mln up 49.6% y-o-y; ex-Privatbank it was GEL 2,378.0mln; ex-Privatbank growth on constant currency basis was 19.8% y-o-y. The growth was a result of strong loan origination performance delivered across all segments in 2Q5:
    - Consumer loan originations of GEL 163.2mln resulted in consumer loans outstanding totalling GEL 597.0mln as of 30 June 2015, up 33.9% y-o-y
    - Micro loan originations of GEL 144.1mln resulted in micro loans outstanding totalling GEL 525.3mln as of 30 June 2015, up 39.9% y-o-y
    - SME loan originations of GEL 76.2mln resulted in SME loans outstanding totalling GEL 301.9mln as of 30 June 2015, up 59.0% y-o-y
    - Mortgage loans originations of GEL 53.9mln resulted in mortgage loans outstanding of GEL 732.0mln as of 30 June 2015, 49.5% y-o-y
    - Privatbank added GEL 245.6mln to the net loan book, mostly credit card and consumer loans
  - Retail Banking client deposits increased to GEL 1,736.5mln, up 53.1% y-o-y; ex-Privatbank it was GEL 1,469.7mln; ex-Privatbank growth on constant currency basis was 9.0% y-o-y. Growth of Client Deposits on a y-o-y basis was due to increasing number of Express Banking clients, who bring with them the cheapest source of deposits for the bank – current accounts and demand deposits
  - The Privatbank acquisition, which added GEL 19.5mln to our Retail Banking Business revenues in 2Q15, including GEL 16.8mln net banking interest income, on the back of adding GEL 245.6mln or 4.8% to retail banking net loan book
  - Our Retail Banking net fee and commission income increased to GEL 18.4mln up 31.3%; ex-Privatbank it was GEL 15.7mln, up 12.1% from GEL 14.0mln a year ago. Net fee and commission income reflects our continued Express Banking franchise growth. Our Express Banking franchise attracted 401,753 previously unbanked emerging mass market customers since its launch 3 years ago as well as another c.400,000 as a result of Privatbank acquisition. This has driven the number of client related foreign currency and other banking transactions substantially higher
- **The NIM was 9.5% in 2Q15.** Ex-Privatbank it was 8.2%, down 160 bps y-o-y. *NIM reflected:*
  - The Privatbank NIM of 22.9% in 2Q15 driven by a high Privatbank Loan Yield at 29.6% and a relatively low Cost of Funds at 5.3% in 2Q15. Privatbank contributed 130 bps to RB NIM
  - The Loan Yield at 17.3%; ex-Privatbank it was 15.7%, which declined 200 bps y-o-y, largely as a result of a higher share of lower yielding consumer loans in our portfolio, which is a result of our focus on low risk retail products in our lending activities
  - Cost of Client Deposits at 3.9%; ex-Privatbank it was 3.6%, which was down 30 bps y-o-y, largely as a result of GEL devaluation against the USD, which increased the share of low cost USD deposits in the loan book
- **Operating expenses increased to GEL 41.4mln, up 33.2% y-o-y, resulting in Cost to Income ratio of 40.0% and y-o-y operating leverage of 11.7 percentage points**, which reflects:
  - The acquisition of Privatbank, which added GEL 5.5mln in operating expenses to the retail banking segment in 2Q15 with a Privatbank Cost to Income ratio of 28.1%. Privatbank 2Q15 operating expenses on a pro-forma bases (assuming that synergies took effect in the beginning of the quarter instead of actual last 50 days) would have been GEL 3.4mln
  - Ex-Privatbank, salaries and other employee benefits of GEL 19.7mln, up GEL 2.7mln or 15.6% y-o-y, which was principally driven by the growing revenue base on y-o-y basis, reflecting the growth in headcount and associated payroll

- Cost of credit risk was GEL 20.7mln in 2Q15 which is a result of:
  - Privatbank adding GEL 7.1mln
  - GEL devaluation against the US Dollar, which resulted in an increase of loan loss provisions in Lari terms on US Dollar loan provisions, adding GEL 1.8mln
  - The impact of the retail banking loan book growth of 49.6%
- As a result, Retail Banking profit reached GEL 32.6mln, down 1.3% y-o-y
- **Our Express Banking continues to deliver strong growth as we follow our mass retail banking strategy:**
  - **928,999 Express Cards have been issued** since their launch on 5 September 2012, in essence replacing pre-paid metro cards in circulation since July 2009
  - **Increased number of Express Pay terminals to 2,284 from 2,038 a year ago**. Express Pay terminals are an *alternative to tellers*, placed at bank branches as well as various other venues (groceries, shopping malls, bus stops, etc.), and are used for bank transactions such as credit card and consumer loan payments, utility bill payments and mobile telephone top-ups
  - **In 2Q15, utilisation of Express Pay terminals increased significantly**, with the number of transactions growing to 28.3mln, up 13.4% y-o-y
  - Increased Point of Sales (POS) footprint to 320 desks and 3,418 contracted merchants as of 30 June 2015, up from 309 desks and 891 merchants as of 30 June 2014
  - POS terminals outstanding reached 7,668 up 34.8% y-o-y, including Privatbank's 1,016 POS terminals
  - The volume of transactions through the Bank's POS terminals grew to GEL 176.4mln, up 21.1% y-o-y, while the number of POS transactions increased to 5.1mln in 2Q15, up 25.5%
  - POS loans outstanding reached GEL 83.2mln as of 30 June 2015, up 37.2% y-o-y

- **In April 2015, we launched Solo Lifestyle – a fundamentally different approach to premium banking.** Through Solo Lifestyle, our Solo clients are given access to exclusive products and the finest lounge-style environment at our newly designed Solo lounges and are provided with new lifestyle opportunities, such as exclusive events and handpicked lifestyle products. In our Solo lounges, Solo clients are offered, at cost, a selection of luxury products and accessories that are currently not available in the country. Solo clients enjoy tailor-made solutions including new financial products such as bonds, which pay a significantly higher yield compared to deposits, and other securities developed by Galt & Taggart, the Bank's Investment Banking arm.

  With Solo we are targeting the mass affluent retail segment and aim to build brand loyalty through exclusive experiences offered through the new Solo Lifestyle. New-clients-attracted-per-banker ratio was three-times higher for Solo Lifestyle, compared to regular Solo for the same period last year. As of 30 June 2015, the number of Solo clients reached 9,244, up 30.4% from 7,089 a year ago.

- The number of Retail Banking clients totalled 1,933,360, up 44.6% y-o-y and up 29.7% q-o-q. This includes Privatbank's c.400,000 clients
- The total number of cards reached 1,964,374, up 82.7% y-o-y
- The total number of debit cards outstanding increased to 1,207,573, up 26.1% y-o-y as a result of issuing 126,684 debit cards, including Express cards in 2Q15
- We issued 27,546 credit cards of which 4,858 were American Express cards in 2Q15. A total of 241,046 American Express cards have been issued since the launch in November 2009. The total number of outstanding credit cards amounted to 756,801 (of which 109,132 were American Express Cards)
- Additionally, total number of Privatbank's all-in-one debit and credit cards totalled 694,000
- We have now added 2,284 Express Pay Terminals and 928,999 Express Cards since the launch of the Express Banking service in 2012

Privatbank story: strategic acquisition and flawless integration execution

December 2014 – the Board made the decision to acquire Privatbank as it represented a strong strategic fit with our target to increase our share of retail loans. Privatbank was essentially a credit card business with retail loans making up 85% of its loan book. In addition, Privatbank with its vast branch network (43% of the Bank's network at that time) represented a particularly strong fit for the Bank's Express branch (self-service) format. This was also complemented with Privatbank's strong payment platform.

January 2015 – we completed the acquisition of Privatbank for c.GEL92mln cash consideration for 100% of Privatbank (1.11x P/BV), of which 10% or GEL 9.2mln will be paid on the first anniversary of the closing (January 2016), subject to representations and warranties / holdback provisions. During five months following the acquisition, our integration team focused on IT integration, optimisation of costs and number of branches, Privatbank product development and relevant trainings. Our IT integration team spent two months in Dnepropetrovsk, Ukraine at Privatbank headquarters to migrate Privatbank's information systems into our banking software, which we completed with just 24 hours of downtime for Privatbank clients. This represents an exceptionally short period of time for full IT integration in the banking industry. All of the data associated with the customers and transaction histories, including the data of c.800,000 customers (of which c.400,000 are active customers), over 1.1 million cards with respective transaction histories, c.150,000 loans and c.75,000 deposits, have been successfully migrated onto our banking software.

During this period, we rebranded 35 Privatbank branches into our self-service format Express Banking branches; and completed the in-house development of Privatbank's trademark mono-product of an all-in-one debit and credit card to add the transport and payment capabilities of our Express card. Privatbank customers continue to use Privatbank cards, which are now serviced by our card processing platform, without the need to change them into Bank of Georgia cards. In order to optimise Pirvatbank's branch network, we pilot tested utilisation of our Express Pay terminals by Privatbank's clients. The results showed that the terminals, which act as self-service substitute to branches, had proved very popular with Privatbank clients. Consequently, we closed more branches than initially expected - 58 out of 93 - and reduced Privatbank employee numbers by c.50%, which contributed to a significant reduction in Privatbank operating costs, down 44.6% q-o-q in 2Q15 despite only having effect for last 50 days in 2Q15. Active liability optimisation measures resulted in a significantly reduced Cost of Funding to 5.3% in 2Q15 (7.5% in 1Q15).

May 2015 – we announced the completion of the full integration of Privatbank, in under five months compared to our initial integration estimate of 9-12 months. Integration costs totalled GEL 2.6mln as of 30 June 2015, less compared to our expectation of up to GEL 3mln. We anticipate annualised pre-tax administrative and funding cost synergies to reach c.GEL 29mln – above our pre-announced GEL 25mln – as a result of GEL 18.5mln synergy in operating expenses compared to pre-announced GEL 15mln and GEL 10.5mln synergy in cost of funds, slightly above the pre-announced GEL 10mln. Privatbank, which at the time of acquisition was the 9th largest bank in Georgia by assets, increased our market share in retail loans by 4.3 percentage points and in retail deposits by 2.5ppts (*Market data as of 31 March 2015*). The acquisition added circa 400,000, predominantly emerging mass market, customers. We plan to leverage the enhanced capabilities of our Express Banking franchise to capture increased revenue from cross-selling banking products to these newly acquired customers, who currently have very low product to client ratios.

Privatbank Income Statement Summary	**Actual**		**Actual**
	Q1 2015	**Q2 2015**	**1H15**
Net banking interest income	14,924	16,840	31,764
Net fee and commission income	3,072	2,683	5,755
Net banking foreign currency gain (loss)	900	627	1,527
Net other banking income	499	(668)	-169
Revenue	**19,395**	**19,482**	**38,877**
Operating expenses	9,888	5,474	15,362
Operating income before cost of credit risk	**9,507**	**14,008**	**23,515**
Cost of credit risk	8,165	5,556	13,721
Net operating income before non-recurring items	**1,341**	**8,452**	**9,793**
Net non-recurring items	-	2,621	2,621
Profit before income tax	**1,341**	**5,831**	**7,172**
Income tax (expense) benefit	201	875	1,076
Profit	**1,140**	**4,956**	**6,096**

Privatbank Balance Sheet Summary	Actual Q1 2015	Actual Q2 2015
Liquid assets	204,462	147,392
Loans to customers and finance lease receivables	289,965	245,604
Other assets	22,249	23,181
Total assets	**516,676**	**416,177**
Client deposits and notes	371,454	266,779
Amounts due to credit institutions	48,809	49,438
Other liabilities	3,921	4,905
Total liabilities	**424,185**	**321,121**
Total equity	**92,491**	**95,056**
Total liabilities and equity	**516,676**	**416,178**

Privatbank Selected Ratios	Actual Q1 2015	Actual Q2 2015	Actual 1H15
Loan Yield	29.0%	29.6%	29.3%
Cost of funds	7.5%	5.3%	6.5%
Cost of client deposits and notes	7.4%	5.8%	6.7%
NIM	17.8%	22.9%	20.5%
Cost of risk	10.0%	8.6%	9.3%
Cost / Income	51.0%	28.1%	39.5%
Operating leverage, Q-O-Q	-	45.1%	-

Privatbank 1H15 Highlights:

- GEL 245.6mln of high yielding loan book and GEL 266.8mln client deposits, comprising 4.8% and 6.3% of our loan book and client deposits, respectively
- Privatbank contributed GEL 38.9mln or 10.8% to the Banking Business revenue
- GEL 31.8mln net interest income, which was driven by Privatbank's Loan Yield of 29.3% on the back of 6.5% Cost of Funding
- Net fee & commission income was GEL5.8mln, and mostly comprised of fees related to credit card transactions
- As a result NIM stood at 20.5%
- GEL 15.4mln to operating expenses. Privatbank brought in inefficiencies in 1Q15, which temporarily worsened efficiency ratios in 1Q15. However, successful integration and extensive cost-cutting measures reversed this trend in 2Q15, which resulted in Privatbank's Cost/Income ratio of 28.1% in 2Q15
- Privatbank's cost of credit risk was GEL 15.2mln in 1H15
- Privatbank posted GEL 6.1mln profit or 5.1% of total Banking Business profit
- Privatbank added circa 400,000 clients, 700,000 cards, 36 branches, 371ATMs and more than 1,000 POS terminals

Corporate Banking (CB)

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

GEL thousands, unless otherwise noted	2Q15	2Q14	Change y-o-y	1Q15	Change y-o-y	1H15	1H14	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net banking interest income	**33,949**	**22,866**	**48.5%**	**35,418**	**-4.1%**	**69,368**	**47,487**	**46.1%**
Net fee and commission income	**8,316**	**6,292**	**32.2%**	**6,001**	**38.6%**	**14,317**	**12,014**	**19.2%**
Net banking foreign currency gain	9,769	4,976	96.3%	7,835	24.7%	17,604	11,011	59.9%
Net other banking income	1,819	1,208	50.6%	1,070	70.0%	2,888	1,693	70.6%
Revenue	**53,853**	**35,342**	**52.4%**	**50,324**	**7.0%**	**104,177**	**72,205**	**44.3%**
Salaries and other employee benefits	(8,853)	(7,993)	10.8%	(8,488)	4.3%	(17,341)	(15,696)	10.5%
Administrative expenses	(3,773)	(3,390)	11.3%	(2,507)	50.5%	(6,280)	(5,761)	9.0%
Banking depreciation and amortisation	(957)	(964)	-0.7%	(990)	-3.3%	(1,947)	(1,889)	3.1%
Other operating expenses	(188)	(235)	-20.0%	(212)	-11.3%	(400)	(572)	-30.1%
Operating expenses	**(13,771)**	**(12,582)**	**9.5%**	**(12,197)**	**12.9%**	**(25,968)**	**(23,918)**	**8.6%**
Operating income before cost of credit risk	**40,082**	**22,760**	**76.1%**	**38,127**	**5.1%**	**78,209**	**48,287**	**62.0%**
Cost of credit risk	**(14,146)**	**(10,195)**	**38.8%**	**(19,381)**	**-27.0%**	**(33,527)**	**(23,874)**	**40.4%**
Net non-recurring items	(199)	(2,229)	-91.1%	(598)	-66.7%	(797)	(2,453)	-67.5%
Profit before income tax	**25,737**	**10,336**	**149.0%**	**18,148**	**41.8%**	**43,885**	**21,960**	**99.8%**
Income tax expense	(4,119)	(436)	NMF	(3,346)	23.1%	(7,465)	(2,353)	NMF
Profit	**21,618**	**9,900**	**118.4%**	**14,802**	**46.0%**	**36,420**	**19,607**	**85.7%**
BALANCE SHEET HIGHLIGHTS								
Letters of credit and guarantees, standalone[1]	542,463	499,362	8.6%	525,409	3.2%	542,463	499,362	8.6%
Net loans, standalone, currency blended	2,174,111	1,802,752	20.6%	2,381,348	-8.7%	2,174,111	1,802,752	20.6%
Net loans, standalone, GEL	254,234	268,270	-5.2%	319,760	-20.5%	254,234	268,270	-5.2%
Net loans, standalone, FC	1,919,877	1,534,482	25.1%	2,061,588	-6.9%	1,919,877	1,534,482	25.1%
Client deposits, standalone, currency blended	1,371,927	1,118,359	22.7%	1,341,794	2.2%	1,371,927	1,118,359	22.7%
Client deposits, standalone, GEL	699,262	465,636	50.2%	575,468	21.5%	699,262	465,636	50.2%
Client deposits, standalone, FC	672,665	652,723	3.1%	766,326	-12.2%	672,665	652,723	3.1%
Time deposits, standalone, currency blended	521,031	264,479	97.0%	502,835	3.6%	521,031	264,479	97.0%
Time deposits, standalone, GEL	309,891	105,742	193.1%	222,459	39.3%	309,891	105,742	193.1%
Time deposits, standalone, FC	211,140	158,737	33.0%	280,376	-24.7%	211,140	158,737	33.0%
Current accounts and demand deposits, standalone, currency blended	850,896	853,880	-0.3%	838,959	1.4%	850,896	853,880	-0.3%
Current accounts and demand deposits, standalone, GEL	389,371	359,894	8.2%	353,009	10.3%	389,371	359,894	8.2%
Current accounts and demand deposits, standalone, FC	461,525	493,986	-6.6%	485,950	-5.0%	461,525	493,986	-6.6%
RATIOS								
Net interest margin, currency blended	4.5%	4.4%		4.9%		4.7%	4.3%	
Loan yield, currency blended	10.7%	10.8%		10.7%		10.8%	10.8%	
Loan yield, GEL	12.9%	10.6%		10.9%		12.2%	10.8%	
Loan yield, FC	10.4%	10.8%		10.6%		10.6%	10.8%	
Cost of deposits, currency blended	3.0%	2.8%		2.8%		2.9%	3.0%	
Cost of deposits, GEL	4.4%	3.3%		3.9%		4.1%	3.2%	
Cost of deposits, FC	1.7%	2.4%		1.8%		1.8%	2.8%	
Cost of time deposits, currency blended	5.8%	6.4%		6.1%		6.0%	6.5%	
Cost of time deposits, GEL	8.0%	7.9%		7.5%		7.2%	8.1%	
Cost of time deposits, FC	3.9%	5.7%		4.8%		4.6%	6.0%	
Current accounts and demand deposits, currency blended	1.2%	1.4%		0.9%		1.1%	1.7%	
Current accounts and demand deposits, GEL	2.4%	2.2%		1.8%		2.1%	2.3%	
Current accounts and demand deposits, FC	0.3%	0.7%		0.2%		0.3%	1.0%	
Cost / income ratio	25.6%	35.6%		24.2%		24.9%	33.1%	

[1]Off-balance sheet items

Performance highlights

- Revenue for the Corporate Banking segment increased by 52.4% y-o-y to GEL 53.9mln as a result of:
  - A 20.6% y-o-y increase of the Corporate Loan book to GEL 2,174.1mln. On a constant currency basis, the Corporate Banking loan book decreased 2.1% y-o-y

- The NIM increased to 4.5%, up 10 bps y-o-y, as a result of resilient Loan Yield
- Loan yield stood at 10.7%, down 10 bps y-o-y on the back of slower loan issuance activity. Cost of Customer Funds increased marginally to 3.0%, up 20 bps y-o-y
- Net fee and commission income increased 32.2% to GEL 8.3mln

- Corporate Banking cost of credit risk rose to GEL 14.1mln, up 38.8% y-o-y

Investment Management

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

Investment Management financial highlights *(includes Galt&Taggart)*

INCOME STATEMENT	2Q15	2Q14	Change Y-O-Y	1Q15	Change Q-O-Q	1H15	1H14	Change Y-O-Y
Net banking interest income	5,252	3,129	67.8%	4,082	28.7%	**9,334**	**6,052**	**54.2%**
Net fee and commission income	834	4,192	-80.1%	1,341	-37.8%	**2,175**	**4,663**	**-53.4%**
Net banking foreign currency gain	335	287	16.7%	1,667	-79.9%	2,002	467	NMF
Net other banking income	73	76	-3.9%	530	-86.2%	604	222	172.1%
Revenue	6,494	7,684	-15.5%	7,620	-14.8%	**14,115**	**11,404**	**23.8%**
Salaries and other employee benefits	(2,296)	(2,021)	13.6%	(1,573)	46.0%	(3,868)	(3,998)	-3.3%
Administrative expenses	(584)	(353)	65.4%	(380)	53.7%	(963)	(746)	29.1%
Banking depreciation and amortisation	(112)	(87)	28.7%	(117)	-4.3%	(229)	(177)	29.4%
Other operating expenses	(39)	(18)	116.7%	(33)	18.2%	(75)	(38)	97.4%
Operating expenses	**(3,031)**	**(2,479)**	**22.3%**	**(2,103)**	**44.1%**	**(5,135)**	**(4,959)**	**3.5%**
Operating income before cost of credit risk	**3,463**	**5,205**	**-33.5%**	**5,517**	**-37.2%**	**8,980**	**6,445**	**39.3%**
Cost of credit risk	**(101)**	**29**	**NMF**	**10**	**NMF**	**(91)**	**94**	**NMF**
Net operating income before non-recurring items	**3,362**	**5,234**	**-35.8%**	**5,527**	**-39.2%**	**8,889**	**6,539**	**35.9%**
Net non-recurring items	(17)	(245)	-93.1%	(22)	-22.7%	(39)	(267)	-85.4%
Profit before income tax	**3,345**	**4,989**	**-33.0%**	**5,505**	**-39.2%**	**8,850**	**6,272**	**41.1%**
Income tax expense	(365)	(629)	-42.0%	(849)	-57.0%	(1,214)	(856)	41.8%
Profit	**2,980**	**4,360**	**-31.7%**	**4,656**	**-36.0%**	**7,636**	**5,416**	**41.0%**

Wealth Management financial highlights *(excludes Galt&Taggart)*

GEL thousands, unless otherwise noted	2Q15	2Q14	Change Y-O-Y	1Q15	Change Q-O-Q	1H15	1H14	Change y-o-y
BALANCE SHEET HIGHLIGHTS								
Client deposits, standalone, currency blended	904,775	736,074	22.9%	913,344	-0.9%	904,775	736,074	22.9%
Client deposits, standalone, GEL	22,704	23,879	-4.9%	19,971	13.7%	22,704	23,879	-4.9%
Client deposits, standalone, FC	882,071	712,195	23.9%	893,373	-1.3%	882,071	712,195	23.9%
Time deposits, standalone, currency blended	623,353	496,253	25.6%	660,970	-5.7%	623,353	496,253	25.6%
Time deposits, standalone, GEL	12,046	14,102	-14.6%	12,960	-7.1%	12,046	14,102	-14.6%
Time deposits, standalone, FC	611,307	482,151	26.8%	648,010	-5.7%	611,307	482,151	26.8%
Current accounts& demand deposits, standalone, currency blended	281,422	239,821	17.3%	252,374	11.5%	281,422	239,821	17.3%
Current accounts and demand deposits, standalone, GEL	10,658	9,777	9.0%	7,011	52.0%	10,658	9,777	9.0%
Current accounts and demand deposits, standalone, FC	270,764	230,044	17.7%	245,363	10.4%	270,764	230,044	17.7%
Assets under management	1,231,406	934,472	31.8%	1,213,828	1.4%	1,231,406	934,472	31.8%
RATIOS								
Cost of deposits, currency blended	5.3%	6.4%		5.6%		5.5%	6.5%	
Cost of deposits, GEL	5.5%	6.5%		5.9%		5.6%	6.7%	
Cost of deposits, FC	5.3%	6.4%		5.6%		5.4%	6.5%	
Cost of time deposits, currency blended	6.5%	8.0%		6.7%		6.6%	8.0%	
Cost of time deposits, GEL	8.0%	9.5%		8.6%		8.4%	9.3%	
Cost of time deposits, FC	6.4%	7.9%		6.6%		6.6%	8.0%	
Current accounts and demand deposits, currency blended	2.5%	2.6%		2.6%		2.5%	2.4%	
Current accounts and demand deposits, GEL	1.5%	1.4%		1.4%		1.4%	1.4%	
Current accounts and demand deposits, FC	2.5%	2.7%		2.6%		2.6%	2.4%	

Performance highlights

- **The AUM of the Investment Management segment increased 31.8% y-o-y to GEL 1,231.4mln**, which includes Wealth Management clients' deposits and assets held at Bank of Georgia Custody, Galt & Taggart brokerage client assets and Aldagi pension scheme assets
- Investment Management posted GEL 3.0mln profit, which was largely driven by net interest income, which increased 67.8% y-o-y to GEL 5.3mln. Net fee and commission income decreased on y-o-y basis to GEL 0.8mln from GEL 4.2mln in 2Q14. Galt & Taggart executed a sizable M&A deal in 1H14, which resulted in a high base last year
- **Wealth Management deposits increased 22.9% y-o-y to GEL 904.8mln**, but declined by 2.6% on constant currency basis on the back of a 110 bps decline in Cost of Client deposits to 5.3% in 2Q15. The decrease was partially due to a number of bond issuances by Galt & Taggart, offered to Wealth Management clients, yielding higher rates than deposits
    - We served over 1,400 wealth management clients from 70 countries as of 30 June 2015. Client deposits have grown at a compound annual growth rate (CAGR) of 33.8% over the last five year period, to GEL 904.8mln as of 30 June 2015
- As of 30 June 2015, the amount of the Bank's Certificates of Deposits issued to Investment Management clients increased by 50.5% to GEL 472.6mln
- **Galt & Taggart is succeeding in developing local capital markets,** and acted as a placement agent for:
    - GEL 25mln floating rate notes issued by the European Bank for Reconstruction and Development (EBRD) and GEL 30mln bonds issued by IFC. Both transactions were completed in February 2015
    - US$ 20mln 2-year bonds for m2 Real Estate, the largest non-IFI issue to date. The transaction was met with considerable interest particularly from Wealth Management clients. The transaction was completed in March 2015
    - US$ 15mln 2-year bonds for the Bank's wholly-owned subsidiary Evex, the healthcare services company of BGH's healthcare business GHG. This was the first bond placement by our healthcare subsidiary. The proceeds from the transaction are intended to be used by the healthcare subsidiary to invest in organic growth opportunities. The transaction was completed in May 2015
- Since its launch in June 2012, Galt & Taggart Research has initiated research coverage of the Georgian and Azeri economies, including a report analysing the impact of Russia-Ukraine standoff on the Georgian economy, the Georgian Retail Real Estate Market, the Georgian Wine Sector, Georgian Agricultural Sector, Georgian Electricity Sector, Georgian Oil and Gas Corporation, Georgian Railway, and has issued notes on the Georgian State Budget and the Tourism Sector

Investment Business Segment Result Discussion

Healthcare business (Georgia Healthcare Group – GHG)

Standalone results

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

Income Statement

	Healthcare Services			Medical Insurance			Eliminations		Total		
GEL thousands, unless otherwise noted	**1H15**	**1H14**	**Change, Y-o-Y**	**1H15**	**1H14**	**Change, Y-o-Y**	**1H15**	**1H14**	**1H15**	**1H14**	**Change, Y-o-Y**
Revenue	**85,258**	**65,728**	**29.7%**	**26,355**	**42,539**	**-38.0%**	**4,188**	**13,402**	**107,425**	**94,865**	**13.2%**
COGS, insurance claims expense	**48,167**	**38,610**	**24.8%**	**21,872**	**37,637**	**-41.9%**	**4,024**	**13,291**	**66,015**	**62,956**	**4.9%**
Direct salary	31,022	25,047	23.9%	-	-		1,800	5,714	29,222	19,333	51.2%
Materials, including medicines and medical disposables	12,379	7,804	58.6%	-	-		718	1,780	11,661	6,023	93.6%
Direct healthcare provider expenses	1,032	2,362	-56.3%	-	-		60	539	972	1,823	-46.7%
Utilities and other expenses	3,734	3,397	9.9%	-	-		217	775	3,518	2,622	34.1%
Medical insurance claims expense	-	-		21,872	37,637	-41.9%	1,229	4,483	20,642	33,154	-37.7%
Gross profit	**37,090**	**27,118**	**36.8%**	**4,483**	**4,902**	**-8.5%**	**163**	**111**	**41,410**	**31,909**	**29.8%**
Salaries and other employee benefits	10,578	7,320	44.5%	2,082	2,692	-22.6%	163	111	12,497	9,901	26.2%
General and Administrative expenses	3,790	2,961	28.0%	1,232	1,251	-1.6%	-	-	5,022	4,212	19.2%
Impairment Charge	1,737	833	108.5%	204	262	-22.1%	-	-	1,941	1,095	77.3%
Other operating income	1,120	(602)	-	51	86	-40.9%	-	-	1,171	(517)	-
EBITDA	**22,106**	**15,402**	**43.5%**	**1,015**	**782**	**29.8%**	**-**	**-**	**23,121**	**16,184**	**42.9%**
EBITDA margin*	***25.4%***	***23.1%***		***3.9%***	***1.8%***						
Depreciation	(4,550)	(3,397)	33.9%	(289)	(310)	-6.7%	-	-	(4,839)	(3,707)	30.5%
Net interest income (expense)	(10,049)	(6,157)	63.2%	(34)	295	-	-	-	(10,083)	(5,862)	72.0%
(Losses) gains on currency exchange	4,880	(2,017)	-	569	234	143.0%	-	-	5,449	(1,783)	-
Net non-recurring items	(402)	1,333	-	-	-	-	-	-	(402)	1,333	-
Profit before income tax	**11,985**	**5,165**	**132.1%**	**1,261**	**1,001**	**26.0%**	**-**	**-**	**13,246**	**6,166**	**114.8%**
Income tax expense	(79)	(465)	-83.0%	(185)	(230)	-19.7%	-	-	(264)	(695)	-62.0%
Profit	**11,906**	**4,699**	**153.3%**	**1,077**	**771**	**39.6%**	**-**	**-**	**12,982**	**5,471**	**137.3%**
Attributable to:											
- shareholders of the Company	10,444	3,706	181.8%	1,077	771	39.6%	-	-	11,520	4,478	157.3%
- minority interest	1,462	993	47.2%	-	-	-	-	-	1,462	993	-

Note: the table above does not include intercompany eliminations on the Group consolidated level.
*EBITDA margin is calculated on gross revenue (excluding corrections & rebates)

GHG is the largest, integrated healthcare and medical insurance provider in Georgia and is rapidly growing, with double digit revenue and EBITDA growth for the past 3 years. Our healthcare business, a wholly owned subsidiary Georgia Healthcare Group (GHG), is the single large scale player in the fast-growing, predominantly privately-owned, Georgian healthcare services market. GHG primarily focuses on the mass market segment through a network of 41 healthcare facilities (35 hospitals and six ambulatory clinics). Organised in geographic clusters with ambulatory clinics, community hospitals and referral hospitals, GHG's network of healthcare facilities (under the "Evex" brand) captures patients along the treatment pathway and offers services ranging from basic outpatient and inpatient care to complex specialist services, positioned to complement each other and GHG's medical insurance business (under the "Imedi L" brand). As at 30 June 2015, the healthcare services business had a 22.1% market share, 5 times that of the Company's nearest competitor in Georgia, by number of beds as at 30 June 2015 (2,220 beds), which grew to 26.6% following the HTMC acquisition in July 2015 (450 beds) and is expected to grow up to c.30% as a result of the renovation of recently acquired hospital facilities, scheduled for completion in 2016 and 2017 (an additional c.500 beds). We also have the widest geographic coverage network relative to our competitors, with facilities currently located in six regions covering two thirds of the 4.5 million population of Georgia. We are also the largest provider of medical insurance in Georgia with c.250,000 persons insured and a 38.3% market share based on gross premiums revenue, as at 31 March 2015.

Our integrated network of referral hospitals, community hospitals and ambulatory clinics provides substantial benefits derived from economies of scale. We have centralised certain functions across our healthcare services facilities and our medical insurance business, and have focussed on implementing other efficient cost management practices.

GHG also stands out as a leader in the industry for its strong business management team and corporate governance, exceptional in Georgia's healthcare sector. Our senior management team is comprised of individuals recruited from leading healthcare facilities and medical insurance providers in Georgia and internationally. They have been instrumental in delivering our organic growth strategy and identifying stategic acquisitions to grow the business and create its current market leadership position.

Our healthcare business operates in a fast-growing predominantly privately-owned, Georgian healthcare market which is characterised by low utilisation and high fragmentation, leaving significant room for medium to long term growth. In terms of spending on healthcare, pricing and incidence levels Georgia lags significantly behind its emerging market ("EM") peers, with a medium term (5-10 year horizon) target to catch up with Turkey, which according to the World Bank spent US$ 608 on health per capita in 2013, compared to US$ 350 spent by Georgia in the same year and a longer-term target of catching up with more developed EMs (Estonia, Czech Republic, Croatia, Hungary, Lithuania, Latvia, Poland, Russian Federation, Chile, Costa Rica, Slovak Republic), whose average spend was US$ 1,076 in 2013. The historically high growth of 15% CAGR between 2011 and 2014 of the healthcare services market is expected to continue at 13% CAGR between 2014 and 2018, supported by both the hospital and the ambulatory clinics segments, which are expected to total GEL 1.2bln and GEL 0.9bln in 2015, respectively.

Supportive government reforms and the engagement of private players in the sector has resulted in a significant improvement in the overall standard of infrastructure and boosted demand for quality healthcare services. 150 new, primarily private hospitals opened between 2007 and 2013 that replaced soviet-era run-down facilities. Since 1992 and as a result of the infrastructure reforms, Georgia has reached UK and United States capacity levels: 2.6 beds per 1,000 people, reduced by c.70% from soviet-era cold war legacy overcapacity. Continued investments, mainly by private healthcare providers, to address the growing demand and to improve access to healthcare facilities are also favourable for the development of health tourism. Increasing government financing of healthcare services (State Health Insurance programs – "SIP" and Universal Healthcare Reform – "UHC") allowed a wider population to access quality healthcare and is expected to help increase demand for medical care. Recent amendments to pharmaceuticals regulations (the introduction of prescriptions) are also supportive for the healthcare services market.

In 1H15, GHG reported strongest results yet, despite not yet including the results of operations of our recent acquisitions of HTMC and Deka:

- **Our healthcare business delivered record half year revenue of GEL 107.4mln in 1H15, which was primarily driven by 29.7% growth of our healthcare services revenue, of which 21.9%was organic and 7.8%through acquisitions and other.** Our 1H15 healthcare business performance is a result of our strategy, and reinforced by external factors as described below:
- **Favorable government policy that increased spending on healthcare and improved access to the healthcare services in Georgia.** Following the introduction of the UHC by the government, all Georgian citizens are eligible for the new Government-funded basic health coverage, with co-payment elements required for certain services. Since the full introduction of the UHC in mid-2014, government expenditures on healthcare have increased over 65% from GEL 414.5mln in 2012 to GEL 692.9mln in 2014 and are expected to be further increased to GEL 768.3mln in 2015 according to the government budget for 2015

announced by the Ministry of Finance of Georgia, although it is still modest in terms of percentage to the total budget expenditures (7.9% in 2014), and in terms of expenditures as a percentage of GDP (2.0%), which remains low compared to Emerging Market and European peers that on average exceed 5% of GDP.

Revenue from healthcare services by sources of payment

(GEL thousands, unless otherwise noted)	1H15	1H14	Change, Y-o-Y
Government-funded healthcare programs	62,496	27,371	128.3%
Out-of-pocket payments by patients	17,195	16,819	2.2%
Private medical insurance companies, *of which:*	5,566	21,538	-74.2%
Imedi L medical insurance	*4,024*	*13,291*	-69.7%
Total	**85,258**	**65,728**	**29.7%**

- The growth in revenue from government-funded healthcare programs to GEL 62.5mln, up 128.3%, was primarily driven by the UHC and was partially offset by an anticipated decline in revenues from private medical insurance companies, resulting in a 74.2% decrease in these revenues to GEL 5.6mln in 1H15. Our organic revenue growth of 21.9% was largely sourced from government-funded healthcare programs
- Notably, out-of-pocket payments by patients increased 2.2% to GEL 17.2mln. The UHC places coverage limits on medical treatments, co-payments and has certain exclusions. Any charges in excess of the limit and co-payments are covered by patients on an out-of-pocket basis
- As a result, c.70% of our healthcare services revenue was sourced from the government (up from c.40% a year ago), c.20% was sourced from out-of-pocket payments (largely flat y-o-y) and slightly over 6% was sourced from private medical insurance companies (down from c.33% a year ago)

▪ **Increasing number of hospital beds, primarily in Tbilisi, the capital city of Georgia, where revenue per bed is significantly higher.** The implementation of the expansion strategy that resulted in the acquisition of nine hospitals with the total of 1,380 beds since the end of 2013 has brought the number of total healthcare facilities to 41 and hospital beds to 2,670 as of the date of this report, up from 36 and 1,892, respectively in the previous year

- Our footprint increased in Tbilisi, where our market share in beds grew from 13.6% as of 30 June 2014 to 24.0% as of the date of this report. Although our two recent acquisitions, HTMC and Deka, added 530 in beds, our financial results do not yet include their results of operations, as Deka was consolidated as of 30 June 2015 with no effect on the income statement of GHG in 1H15 and HTMC will be consolidated in 3Q15. HTMC revenue was GEL 38.4mln in 2014, and GEL 21.7mln in 1H15
- Together with acquiring operating beds, we acquired additional development capacities of c.500 beds, that will become operational following renovations that are planned in 2016 and 2017, increasing our national and Tbilisi market share in beds up to c.30%
- Although our market share by number of beds is close to our target of 1/3, we have significant room to catch up in terms of market share by hospital revenue, which currently stands at c.14%, and is expected to grow to 21% following abovementioned renovations, still leaving room for further growth

▪ **Launch of ambulatory clinics, with plans to open 20-30 ambulatory clinics within 2-3 years.** Currently we are predominantly a hospital provider, with under 3% of our healthcare services revenue coming from ambulatory clinics. We aim to tap the highly fragmented and under-penetrated outpatient segment that represents c.40% of national spending on healthcare services, where no single player has more than 3% of the market. There is currently very low utilisation of outpatient services in the country (Georgia has the lowest average number of outpatient encounters per capita in the region – Georgia: 2.7, CIS: 8.9, EU: 7.7) and this, combined with higher margins make this sector even more attractive

- We have already launched one cluster of ambulatory clinics in Tbilisi's central neighbourhood, Saburtalo, and two additional clusters are under renovation and will be opened during the second half of 2015

- We believe that our medical insurance business will play a feeder role for newly launched ambulatory clinics, guaranteeing stable stream of revenue and increasing the number of ambulatory clinic claims retained within GHG (only 33.6% of Imedi L's outpatient claims were retained within GHG for 1H15)
- In addition, a recent initiative of the Ministry of Health, Labour and Social Affairs ("MoLHSA") extended the prescription requirement to over 50% of all medicines registered in Georgia with effect from 1 September 2014 (whereas no more than 2% of all medicines registered in Georgia required a prescription before this date). We believe this initiative will have a favourable impact on revenues in 2015 and beyond as outpatient visits to clinics increase

- **We invest in medical technology, on the back of renovated infrastructure, enhancing our service mix and catering to unfulfilled demand**, as indicated by low incidence levels that lag far behind peer benchmarks. We have completed a number of such projects in 2014 and 2015, including liver transplantation service in Batumi referral hospital; launching a catheterisation laboratory and an emergency department in Zugdidi referral hospital; opening neonatology intensive care departments in Telavi and Zugdidi referral hospitals; and an oncology centre in Kutaisi, which is equipped with the most up-to-date technology including the only linear accelerator in west Georgia. Yet, there are still significant shortages in equipment supply (MRIs, oncology diagnostics and treatment, cardiology diagnostics and treatment, etc.) and service gaps (no pathology laboratory (samples are sent abroad for testing), very limited pediatric oncology services, very limited rehabilitation services, no proper IVF center, no bone marrow transplant, no molecular laboratory, no proper genetic laboratory), which leaves significant room for further growth
- **Healthcare services revenue, which includes revenue from hospitals and ambulatory clinics, increased to GEL 85.3mln, up 29.7% driven primarily by referral hospitals, that grew 36.7% y-o-y and represent c.85% of healthcare services revenue:**

Revenue from healthcare services by business lines

(GEL thousands, unless otherwise noted)	1H15	1H14	Change, Y-o-Y
Referral and specialty hospitals	74,262	54,343	36.7%
Community hospitals	8,518	6,177	37.9%
Ambulatory clinics	2,478	2,345	5.7%
Ambulance and rural primary care	-	2,862	-100.0%
Total	**85,258**	**65,728**	**29.7%**

- Revenue from referral hospitals grew to GEL 74.3mln, up 36.7% y-o-y, driven by strong organic growth and acquisitions. We expect a significant portion of the growth of our hospital revenue to come from referral hospitals, in line with our strategy to increase our market share to 1/3 across Georgia through further investments. Our organic revenue growth of 21.9% was largely sourced from referral hospitals
- 37.9% y-o-y growth of revenue from the community hospitals was the result of organic growth alone and was driven by the introduction of UHC, which made healthcare services, both outpatient and inpatient, more accessible and affordable for the population of Georgia
- 5.7% y-o-y growth of revenue from ambulatory clinics was the result of organic growth alone and was mainly driven by our ambulatory clinics in Tbilisi. We expect ambulatory clinics revenue to grow faster, in line with our strategy of launching additional outpatient clinics in the next 2-3 years

- **Our private medical insurance has shown resilience and revenue from private medical insurance products grew by 29.9%, with approximately 250,000 people holding our medical insurance policies as at 30 June 2015.** The growth is a result of improved pricing, as well as an increase in the number of people insured:

Revenue from medical insurance by sources of payment

(GEL thousands, unless otherwise noted)	1H15	1H14	Change, Y-o-Y
government funded medical insurance products	-	22,252	-100.0%
Private medical insurance products	26,355	20,287	29.9%
Total	**26,355**	**42,539**	**-38.0%**

- High double-digit growth in our healthcare service revenues was partially offset by the anticipated decline in medical insurance revenues. As government spending on healthcare was consolidated under the UHC (the UHC involves direct payments to healthcare facilities by the government, compared to the previous programmes under which the government bought private medical insurance for targeted groups of the population) our revenue from our medical insurance business decreased to GEL 26.4mln, down 38.0%
- Within the changed private insurance landscape that resulted from the introduction of the UHC, our medical insurance business strengthened its market share and now accounts for 38.3% of the total medical insurance sector of Georgia based on gross premiums revenue as of 31 March 2015, up from 37.6% as of 31 March 2014

- **We have improving margins with the increasing scale of our healthcare business as a result of our continuous focus on efficiency.** Margins improved, as a result of increasing utilisation and scale of our healthcare services business, as well as the on-going integration of recently acquired healthcare facilities, with the 24.8% increase in COGS lagging behind 29.7% revenue growth

  - In 1H15, gross profit of our healthcare services business increased to GEL 37.1mln, up 36.8% y-o-y and supported by the 24.8% growth in COGS on the back of 29.7% increase in revenue during the same period
  - The headcount of our healthcare services business reached c.8,300 full-time employees, up 22.9% y-o-y, as a result of new acquisitions in 1H15

- **As a result, our healthcare business EBITDA reached GEL 23.1mln in 1H15, mostly driven by healthcare services EBITDA, which was up 43.5% y-o-y.** Our EBITDA margin for healthcare services in 1H15 was 25.4%, up 2.3% toward our longer-term target of at least 30%. The improvement is mostly a result of extracting inefficiencies brought in through acquisition of the new hospitals in 2014, notwithstanding the costs of the new governance structure that was put in place in the end of 2014 in preparation for the planned stock exchange listing in 2015.

- We expect significant improvement in our EBIDTA margin, as a result of:
  - The integration of the acquired healthcare facilities which is ongoing, including centralisation of some of the back-office functions and we expect significant further synergy gains in 2015 as management shifts its focus from acquisition to integration mode. Further cost synergies are expected mainly as a result of reducing inefficiencies in the acquired hospitals, as benchmarked against the previously managed healthcare facilities in the areas of procurement, process standardisation and payroll
  - The increased contribution from ambulatory clinics to our revenues, which have EBITDA margin above 30% and now represent only 3% of our healthcare services revenues
  - Consolidation of HTMC results starting in 3Q15, which is a strong margin business, posting 36.4% EBITDA in 2014
  - Our recently launched services, listed above, picking-up and reaching the annual run-rates

- Net interest expense of the healthcare services business grew by 63.2% y-o-y as a result of a 51.5% increase in borrowed funds raised for acquisitions as well as new project financing
- The increase in depreciation costs by 33.9% was primarily driven by the acquisitions completed during the past year
- As a result, net income of our healthcare services business increased to GEL 11.9mln, up 153.3% y-o-y

- **Our healthcare business balance sheet increased substantially over the last year with assets growing to GEL 501.6mln, up 45.8%** The growth of total assets (up GEL 157.7mln y-o-y) was largely driven by a GEL 91.0mln, or a 40.1%, increase in the premises and equipment of our healthcare business, reflecting the acquisition of new hospitals during 2014

Healthcare business selected balance sheet items

(GEL thousands, unless otherwise noted)	1H15	1H14	Change, Y-o-Y
Total assets, of which:	**501,583**	**343,905**	**45.8%**
Premises and equipment, net	317,701	226,731	40.1%
Total liabilities, of which:	**288,419**	**208,947**	**38.0%**
Borrowed Funds	195,519	129,038	51.5%
Total shareholders' equity	**213,164**	**134,958**	**57.9%**

Project and development highlights:

- GHG acquired a 95% equity interest in Deka. Deka owns an 80 bed hospital located on 2.4 hectares of land in a prime location in Tbilisi, with an estimated additional development capacity of 270 beds that we aim to develop within 2016-2017
- GHG also acquired a 50.0% equity interest in GNCo, with effective control over the company. GNCo is a holding company that owns 100% of HTMC, a 450-bed major and well-established referral hospital in Tbilisi, which is also the single largest hospital in Georgia, providing a wide-range of in-patient and out-patient services, including the largest department of oncology radiotherapy in Georgia
- GHG launched a new Training Centre in Batumi to continue to support internal skills development and human resource capacity at our healthcare facilities. In total we operate three training centres, of which two were opened in 2014 and are located in Tbilisi and Kutaisi. Through these centres we provide regular training and education for all our medical personnel. We established our own nursing training curriculum and we guarantee employment at our facilities to successful candidates
- GHG continue to actively work on adopting Joint Commission International (JCI) standards
- GHG launched a new ambulatory clinic in Tbilisi as part of our strategy to increase our share in highly fragmented and under-penetrated outpatient market in capital city
- GHG completed a paediatric cardiology department at children’s referral hospital in Tbilisi, which will become the second healthcare facility in Georgia to provide full scale cardiac services, including cardiac surgeries for children in Georgia
- GHG launched West-Georgia Oncology Center, which is equipped with the most up-to-date technology including the only linear accelerator in west Georgia
- Evex successfully completed a US$15 million 2-year bond placement. The bond was issued at par and carries a coupon rate of 9.5% payable semi-annually. The proceeds from the transaction are intended to be used by the healthcare subsidiary to invest in organic growth opportunities, primarily to accelerate the launch of ambulatory clinics, thus increasing our market share in the fast-growing, highly-fragmented and under-penetrated outpatient market through rapid launch of 20-30 ambulatory clinics, within the next 2-3 years

Real estate business (m^2 Real Estate)

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

GEL thousands, unless otherwise noted	2Q15	2Q14	Change y-o-y	1Q15	Change q-o-q	1H15	1H14	Change, y-o-y
Real estate revenue	1,595	11,128	-85.7%	3,938	-59.5%	5,533	33,123	-83.3%
Cost of real estate	(1,757)	(7,657)	-77.1%	(2,865)	-38.7%	(4,622)	(23,465)	-80.3%
Gross real estate profit	**(162)**	**3,471**	**NMF**	**1,073**	**NMF**	**911**	**9,658**	**-90.6%**
Gross other investment profit	(57)	16	NMF	219	NMF	162	54	200.0%
Revenue	**(219)**	**3,487**	**NMF**	**1,292**	**NMF**	**1,073**	**9,712**	**-89.0%**
Salaries and other employee benefits	(269)	(407)	-33.9%	(321)	-16.2%	(590)	(612)	-3.6%
Administrative expenses	(1,275)	(824)	54.7%	(1,041)	22.5%	(2,316)	(1,936)	19.6%
Operating expenses	**(1,544)**	**(1,231)**	**25.4%**	**(1,362)**	**13.4%**	**(2,906)**	**(2,548)**	**14.1%**
EBITDA	**(1,763)**	**2,256**	**NMF**	**(70)**	**NMF**	**(1,833)**	**7,164**	**NMF**
Depreciation and amortization of investment business	(43)	(42)	2.4%	(42)	2.4%	(85)	(226)	-62.4%
Net foreign currency gain from investment business	903	173	NMF	(371)	NMF	532	72	NMF
Interest income from investment business	221	8	NMF	171	29.2%	392	8	NMF
Interest expense from investment business	(227)	(486)	-53.3%	(1,011)	-77.5%	(1,238)	(546)	126.7%
Net operating income before non-recurring items	**(909)**	**1,909**	**NMF**	**(1,323)**	**-31.3%**	**(2,232)**	**6,472**	**NMF**
Net non-recurring items	(67)	15	NMF	(73)	-8.2%	(140)	18	NMF
Profit before income tax	**(976)**	**1,924**	**NMF**	**(1,396)**	**-30.1%**	**(2,372)**	**6,490**	**NMF**
Income tax (expense) benefit	147	(296)	NMF	209	-29.7%	356	(974)	NMF
Profit	**(829)**	**1,628**	**NMF**	**(1,187)**	**-30.2%**	**(2,016)**	**5,516**	**NMF**

Performance highlights

- m^2 Real Estate has enjoyed strong demand of its apartments since its establishment in 2010 and has sold a total of 1,376 apartments to date, generating total sales of US$ 115.8mln, of which US$ 56.9mln has already been recognised as revenue and US$ 58.9mln will be recognised upon completion of the on-going projects
- The decline in revenues from 2014 is due to revenue recognition policy adopted by m^2 Real Estate, pursuant to which revenue is recognised at the full completion of the project instead of in line with the percentage of the construction that has been completed
- Interest expense, decreased significantly q-o-q to GEL 0.2mln as the 1Q15 interest expense of GEL 1.0mln comprised transaction costs associated with the US$ 20mln bond issuance in March 2015 which was fully expensed in 1Q15. The bond proceeds will be used for funding future projects

Project performance highlights

- **Project 1, "Chubinashvili street"**, *construction completed* – 123 (100%) of 123 apartments sold by the end of 2Q15, with total sales of US$ 9.9mln, which is fully recognized as revenue. The project was started in September 2010 and completed in August 2012. We unlocked the land value of US$ 0.9mln and realized Internal Rate of Return ("IRR") of 47% from this project
- **Project 2, "Tamarashvili street"**, *construction completed* – 517 (99%) of 522 apartments sold by end of 2Q15, with total sales of US$ 46.8mln, of which US$ 45.9mln was recognized as revenue. The project was started in May 2012 and completed in June 2014, four months ahead of completion deadline. We unlocked the land value of US$ 5.4mln and realized IRR of 46% from this project
- **Project 3, "Kazbegi Street"**, *construction on-going* – 259 (88%) of 295 apartments sold by end of 2Q15, with total sales of US$ 23.5mln, which is not yet recognized as revenue. The project was started in December 2013, construction is 75% completed as of the date of this release and is expected to be fully completed in December 2015. Upon the completion of the construction of this project, we expect to unlock the land value of US$ 3.6mln and realize IRR of 165% from this project

- **Project 4, "Nutsubidze Street"**, *construction on-going* – 186 (84%) of 221 apartments sold by end of 2Q15, with total sales of US$ 14.9mln, which is not yet recognized as revenue. The project was started in December 2013, construction is 82% completed as of the date of this release and is expected to be fully completed in October 2015. Upon the completion of the construction of this project, we expect to unlock the land value of US$ 2.2mln and realize IRR of 58% from this project

- **Project 5, "Tamarashvili Street II"**, *construction on-going* – 168 (62%) of 270 apartments sold by end of 2Q15, with total sales of US$ 15.6mln, which is not yet recognized as revenue. The project was started in July 2014, construction is 47% completed as of the date of this release and is expected to be fully completed in April 2016. Upon the completion of the construction of this project, we expect to unlock the land value of US$ 2.7mln and realize IRR of 71% from this project

- **Project 6, "Moscow avenue"**, *construction on-going* – 123 (52%) of 238 apartments sold by end of 2Q15, with total sales of US$ 4.6mln, which is not yet recognized as revenue. This project was launched within m^2 Real Estate's new low-cost apartment initiative and offers unprecedented affordable price of as low as US$ 29,000 for refurbished 1 bedroom apartments. The project was started in September 2014, construction is 61% completed as of the date of this release and is expected to be fully completed in March 2016. Upon the completion of the construction of this project, we expect to unlock the land value of US$ 1.6mln and realize IRR of 31% from this project

- **In summary, m^2 Real Estate has started 6 projects since its establishment in 2010, of which two have been completed and construction on four is on-going. Since establishment, total sales have been US$ 115.8mln, of which US$ 58.9mln will be recognized as revenue upon completion of the on-going four projects, two of which expected to be completed in 2015 and the other two expected to be completed in 2016. Currently, only 293 out of total 1,669 apartments are available for sale. We have unlocked total land value of US$ 6.3mln from the two completed projects and additional US$ 10.1mln in land value is expected to be unlocked from the four on-going projects**

- The number of apartments financed with our mortgages in all m^2 Real Estate projects as of the date of this announcement totalled 653, with an aggregate amount of GEL 66.3mln

SELECTED FINANCIAL INFORMATION

INCOME STATEMENT QUARTERLY	Bank of Georgia Holdings PLC Q2 2015	Q2 2014	Change Y-O-Y	Q1 2015	Change Q-O-Q	Banking Business Q2 2015	Q2 2014	Change Y-O-Y	Q1 2015	Change Q-O-Q	Investment Business Q2 2015	Q2 2014	Change Y-O-Y	Q1 2015	Change Q-O-Q	Eliminations Q2 2015	Q2 2014	Q1 2015
Banking interest income	211,869	141,483	49.7%	199,698	6.1%	215,313	143,025	50.5%	202,353	6.4%	-	-	-	-	-	(3,444)	(1,542)	(2,655)
Banking interest expense	(89,080)	(58,970)	51.1%	(78,709)	13.2%	(88,910)	(59,246)	50.1%	(79,295)	12.1%	-	-	-	-	-	(170)	276	586
Net banking interest income	**122,789**	**82,513**	**48.8%**	**120,989**	**1.5%**	**126,403**	**83,779**	**50.9%**	**123,058**	**2.7%**	**-**	**-**	**-**	**-**	**-**	**(3,614)**	**(1,266)**	**(2,069)**
Fee and commission income	38,944	34,729	12.1%	35,991	8.2%	40,160	35,581	12.9%	37,343	7.5%	-	-	-	-	-	(1,216)	(852)	(1,352)
Fee and commission expense	(9,823)	(8,501)	15.6%	(9,137)	7.5%	(9,988)	(8,501)	17.5%	(9,253)	7.9%	-	-	-	-	-	165	-	116
Net fee and commission income	**29,121**	**26,228**	**11.0%**	**26,854**	**8.4%**	**30,172**	**27,080**	**11.4%**	**28,090**	**7.4%**	**-**	**-**	**-**	**-**	**-**	**(1,051)**	**(852)**	**(1,236)**
Net banking foreign currency gain	19,765	11,395	73.5%	18,962	4.2%	19,765	11,395	73.5%	18,962	4.2%	-	-	-	-	-	-	-	-
Net other banking income	2,481	2,241	10.7%	1,790	38.6%	2,810	2,433	15.5%	2,095	34.1%	-	-	-	-	-	(329)	(192)	(305)
Net insurance premiums earned	22,566	25,228	-10.6%	21,709	3.9%	9,777	6,856	42.6%	9,242	5.8%	13,244	18,778	-29.5%	12,890	2.7%	(455)	(406)	(423)
Net insurance claims incurred	(16,749)	(18,876)	-11.3%	(14,135)	18.5%	(6,304)	(2,925)	115.5%	(3,936)	60.2%	(10,445)	(15,951)	-34.5%	(10,199)	2.4%	-	-	-
Gross insurance profit	**5,817**	**6,352**	**-8.4%**	**7,574**	**-23.2%**	**3,473**	**3,931**	**-11.7%**	**5,306**	**-34.5%**	**2,799**	**2,827**	**-1.0%**	**2,691**	**4.0%**	**(455)**	**(406)**	**(423)**
Healthcare revenue	41,217	29,843	38.1%	40,017	3.0%	-	-	-	-	-	41,217	29,843	38.1%	40,017	3.0%	-	-	-
Cost of healthcare services	(23,118)	(16,216)	42.6%	(23,140)	-0.1%	-	-	-	-	-	(23,118)	(16,216)	42.6%	(23,140)	-0.1%	-	-	-
Gross healthcare profit	**18,099**	**13,627**	**32.8%**	**16,877**	**7.2%**	**-**	**-**	**-**	**-**	**-**	**18,099**	**13,627**	**32.8%**	**16,877**	**7.2%**	**-**	**-**	**-**
Real estate revenue	1,716	11,133	-84.6%	4,074	-57.9%	-	-	-	-	-	1,716	11,133	-84.6%	4,074	-57.9%	-	-	-
Cost of real estate	(1,757)	(7,657)	-77.1%	(2,865)	-38.7%	-	-	-	-	-	(1,757)	(7,657)	-77.1%	(2,865)	-38.7%	-	-	-
Gross real estate profit	**(41)**	**3,476**	**NMF**	**1,209**	**NMF**	**-**	**-**	**-**	**-**	**-**	**(41)**	**3,476**	**NMF**	**1,209**	**NMF**	**-**	**-**	**-**
Gross other investment profit	4,734	3,498	35.3%	1,398	NMF	-	-	-	-	-	4,709	3,437	37.0%	1,543	NMF	25	61	(145)
Revenue	**202,765**	**149,330**	**35.8%**	**195,653**	**3.6%**	**182,623**	**128,618**	**42.0%**	**177,511**	**2.9%**	**25,566**	**23,367**	**9.4%**	**22,320**	**14.5%**	**(5,424)**	**(2,655)**	**(4,178)**
Salaries and other employee benefits	(45,044)	(37,462)	20.2%	(45,742)	-1.5%	(38,066)	(31,347)	21.4%	(38,606)	-1.4%	(7,460)	(6,282)	18.8%	(7,531)	-0.9%	482	167	395
Administrative expenses	(22,102)	(19,235)	14.9%	(21,056)	5.0%	(17,899)	(15,746)	13.7%	(17,506)	2.2%	(4,498)	(3,967)	13.4%	(4,028)	11.7%	295	478	478
Banking depreciation and amortisation	(8,338)	(6,364)	31.0%	(8,373)	-0.4%	(8,338)	(6,364)	31.0%	(8,373)	-0.4%	-	-	-	-	-	-	-	-
Other operating expenses	(1,364)	(887)	53.8%	(887)	53.8%	(941)	(803)	17.2%	(792)	18.8%	(423)	(84)	NMF	(95)	NMF	-	-	-
Operating expenses	**(76,848)**	**(63,948)**	**20.2%**	**(76,058)**	**1.0%**	**(65,244)**	**(54,260)**	**20.2%**	**(65,277)**	**-0.1%**	**(12,381)**	**(10,333)**	**19.8%**	**(11,654)**	**6.2%**	**777**	**645**	**873**
Operating income before cost of credit risk / EBITDA	**125,917**	**85,382**	**47.5%**	**119,595**	**5.3%**	**117,379**	**74,358**	**57.9%**	**112,234**	**4.6%**	**13,185**	**13,034**	**1.2%**	**10,666**	**23.6%**	**(4,647)**	**(2,010)**	**(3,305)**
Profit from associates	1,979	-	-	(1,310)	NMF	-	-	-	-	-	1,979	-	-	(1,310)	NMF	-	-	-
Depreciation and amortization of investment business	(2,579)	(2,256)	14.3%	(2,688)	-4.1%	-	-	-	-	-	(2,579)	(2,256)	14.3%	(2,688)	-4.1%	-	-	-
Net foreign currency gain from investment business	2,689	(1,433)	NMF	3,690	-27.1%	-	-	-	-	-	2,689	(1,433)	NMF	3,690	-27.1%	-	-	-
Interest income from investment business	622	(71)	NMF	617	0.8%	-	-	-	-	-	844	195	NMF	818	3.2%	(222)	(266)	(201)
Interest expense from investment business	(2,632)	(1,718)	53.2%	(2,463)	6.9%	-	-	-	-	-	(7,501)	(3,994)	87.8%	(5,969)	25.7%	4,869	2,276	3,506
Operating income before cost of credit risk	**125,996**	**79,904**	**57.7%**	**117,441**	**7.3%**	**117,379**	**74,358**	**57.9%**	**112,234**	**4.6%**	**8,617**	**5,546**	**55.4%**	**5,207**	**65.5%**	**-**	**-**	**-**
Impairment charge on loans to customers	(35,105)	(7,816)	NMF	(38,928)	-9.8%	(35,105)	(7,816)	NMF	(38,928)	-9.8%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	(1,779)	(387)	NMF	(119)	NMF	(1,779)	(387)	NMF	(119)	NMF	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	(4,983)	(5,643)	-11.7%	(2,794)	78.3%	(3,880)	(5,076)	-23.6%	(1,724)	125.1%	(1,103)	(567)	94.5%	(1,070)	3.1%	-	-	-
Cost of credit risk	**(41,867)**	**(13,846)**	**NMF**	**(41,841)**	**0.1%**	**(40,764)**	**(13,279)**	**NMF**	**(40,771)**	**0.0%**	**(1,103)**	**(567)**	**94.5%**	**(1,070)**	**3.1%**	**-**	**-**	**-**
Net operating income before non-recurring items	**84,129**	**66,058**	**27.4%**	**75,600**	**11.3%**	**76,615**	**61,079**	**25.4%**	**71,463**	**7.2%**	**7,514**	**4,979**	**50.9%**	**4,137**	**81.6%**	**-**	**-**	**-**
Net non-recurring items	(413)	(7,078)	-94.2%	(2,447)	-83.1%	(3,409)	(7,951)	-57.1%	(2,167)	57.3%	2,996	873	NMF	(280)	NMF	-	-	-
Profit before income tax	**83,716**	**58,980**	**41.9%**	**73,153**	**14.4%**	**73,206**	**53,128**	**37.8%**	**69,296**	**5.6%**	**10,510**	**5,852**	**79.6%**	**3,857**	**172.5%**	**-**	**-**	**-**
Income tax expense	(11,686)	(663)	NMF	(10,814)	8.1%	(11,753)	489	NMF	(10,486)	12.1%	67	(1,152)	NMF	(328)	NMF	-	-	-
Profit	**72,030**	**58,317**	**23.5%**	**62,339**	**15.5%**	**61,453**	**53,617**	**14.6%**	**58,810**	**4.5%**	**10,577**	**4,700**	**125.0%**	**3,529**	**199.7%**	**-**	**-**	**-**
Attributable to:																		
– shareholders of the Group	70,601	56,421	25.1%	62,640	12.7%	60,963	52,702	15.7%	58,247	4.7%	9,638	3,719	159.2%	4,393	119.4%	-	-	-
– non-controlling interests	1,429	1,896	-24.6%	(301)	NMF	490	915	-46.4%	563	-13.0%	939	981	-4.3%	(864)	NMF	-	-	-
Earnings per share (basic)	**1.84**	**1.64**	**12.2%**	**1.63**	**12.9%**													

INCOME STATEMENT HALF YEAR	Bank of Georgia Holdings PLC Jun-15	Jun-14	Change Y-O-Y	Banking Business Jun-15	Jun-14	Change Y-O-Y	Investment Business Jun-15	Jun-14	Change Y-O-Y	Eliminations Jun-15	Jun-14	Change Y-O-Y
Banking interest income	411,567	283,913	45.0%	417,666	287,011	45.5%	-	-	-	(6,099)	(3,098)	96.9%
Banking interest expense	(167,789)	(120,465)	39.3%	(168,205)	(120,780)	39.3%	-	-	-	416	315	32.1%
Net banking interest income	**243,778**	**163,448**	**49.1%**	**249,461**	**166,231**	**50.1%**	**-**	**-**	**-**	**(5,683)**	**(2,783)**	**104.2%**
Fee and commission income	74,935	62,815	19.3%	77,503	64,045	21.0%	-	-	-	(2,568)	(1,230)	108.8%
Fee and commission expense	(18,960)	(16,753)	13.2%	(19,241)	(16,753)	14.9%	-	-	-	281	-	-
Net fee and commission income	**55,975**	**46,062**	**21.5%**	**58,262**	**47,292**	**23.2%**	**-**	**-**	**-**	**(2,287)**	**(1,230)**	**85.9%**
Net banking foreign currency gain	38,727	22,700	70.6%	38,727	22,700	70.6%	-	-	-	-	-	-
Net other banking income	4,272	3,107	37.5%	4,906	3,420	43.5%	-	-	-	(634)	(313)	102.6%
Net insurance premiums earned	44,275	54,618	-18.9%	19,019	13,034	45.9%	26,134	42,443	-38.4%	(878)	(859)	2.2%
Net insurance claims incurred	(30,884)	(38,560)	-19.9%	(10,242)	(4,844)	111.4%	(20,642)	(33,716)	-38.8%	-	-	-
Gross insurance profit	**13,391**	**16,058**	**-16.6%**	**8,777**	**8,190**	**7.2%**	**5,492**	**8,727**	**-37.1%**	**(878)**	**(859)**	**2.2%**
Healthcare revenue	81,234	52,591	54.5%	-	-	-	81,234	52,591	54.5%	-	-	-
Cost of healthcare services	(46,259)	(29,653)	56.0%	-	-	-	(46,259)	(29,653)	56.0%	-	-	-
Gross healthcare profit	**34,975**	**22,938**	**52.5%**	**-**	**-**	**-**	**34,975**	**22,938**	**52.5%**	**-**	**-**	**-**
Real estate revenue	5,790	33,044	-82.5%	-	-	-	5,790	33,124	-82.5%	-	(80)	-100.0%
Cost of real estate	(4,622)	(23,465)	-80.3%	-	-	-	(4,622)	(23,465)	-80.3%	-	-	-
Gross real estate profit	**1,168**	**9,579**	**-87.8%**	**-**	**-**	**-**	**1,168**	**9,659**	**-87.9%**	**-**	**(80)**	**-100.0%**
Gross other investment profit	6,133	5,861	4.6%	-	-	-	6,253	5,741	8.9%	(120)	120	NMF
Revenue	**398,419**	**289,753**	**37.5%**	**360,133**	**247,833**	**45.3%**	**47,888**	**47,065**	**1.7%**	**(9,602)**	**(5,145)**	**86.6%**
Salaries and other employee benefits	(90,786)	(73,146)	24.1%	(76,672)	(61,681)	24.3%	(14,991)	(12,084)	24.1%	877	619	41.7%
Administrative expenses	(43,158)	(34,773)	24.1%	(35,404)	(27,947)	26.7%	(8,527)	(7,514)	13.5%	773	688	12.4%
Banking depreciation and amortisation	(16,711)	(12,523)	33.4%	(16,711)	(12,523)	33.4%	-	-	-	-	-	-
Other operating expenses	(2,253)	(1,761)	27.9%	(1,733)	(1,624)	6.7%	(520)	(137)	NMF	-	-	-
Operating expenses	**(152,908)**	**(122,203)**	**25.1%**	**(130,520)**	**(103,775)**	**25.8%**	**(24,038)**	**(19,735)**	**21.8%**	**1,650**	**1,307**	**26.2%**
Operating income before cost of credit risk / EBITDA	**245,511**	**167,550**	**46.5%**	**229,613**	**144,058**	**59.4%**	**23,850**	**27,330**	**-12.7%**	**(7,952)**	**(3,838)**	**107.2%**
Profit from associates	668	-	-	-	-	-	668	-	-	-	-	-
Depreciation and amortization of investment business	(5,266)	(4,485)	17.4%	-	-	-	(5,266)	(4,485)	17.4%	-	-	-
Net foreign currency gain from investment business	6,379	(1,849)	NMF	-	-	-	6,379	(1,849)	NMF	-	-	-
Interest income from investment business	1,239	732	69.3%	-	-	-	1,662	980	69.6%	(423)	(248)	70.6%
Interest expense from investment business	(5,094)	(3,749)	35.9%	-	-	-	(13,469)	(7,835)	71.9%	8,375	4,086	105.0%
Operating income before cost of credit risk	**243,437**	**158,199**	**53.9%**	**229,613**	**144,058**	**59.4%**	**13,824**	**14,141**	**-2.2%**	**-**	**-**	**-**
Impairment charge on loans to customers	(74,033)	(16,927)	NMF	(74,033)	(16,927)	NMF	-	-	-	-	-	-
Impairment charge on finance lease receivables	(1,899)	(358)	NMF	(1,899)	(358)	NMF	-	-	-	-	-	-
Impairment charge on other assets and provisions	(7,776)	(9,878)	-21.3%	(5,604)	(8,795)	-36.3%	(2,172)	(1,083)	100.6%	-	-	-
Cost of credit risk	**(83,708)**	**(27,163)**	**NMF**	**(81,536)**	**(26,080)**	**NMF**	**(2,172)**	**(1,083)**	**100.6%**	**-**	**-**	**-**
Net operating income before non-recurring items	**159,729**	**131,036**	**21.9%**	**148,077**	**117,978**	**25.5%**	**11,652**	**13,058**	**-10.8%**	**-**	**-**	**-**
Net non-recurring items	(2,860)	(8,197)	-65.1%	(5,575)	(9,601)	-41.9%	2,715	1,404	93.4%	-	-	-
Profit before income tax	**156,869**	**122,839**	**27.7%**	**142,502**	**108,377**	**31.5%**	**14,367**	**14,462**	**-0.7%**	**-**	**-**	**-**
Income tax expense	(22,500)	(10,857)	107.2%	(22,238)	(8,484)	162.1%	(262)	(2,373)	-89.0%	-	-	-
Profit	**134,369**	**111,982**	**20.0%**	**120,264**	**99,893**	**20.4%**	**14,105**	**12,089**	**16.7%**	**-**	**-**	**-**
Attributable to:												
– shareholders of the Group	133,241	108,347	23.0%	119,211	98,102	21.5%	14,030	10,245	36.9%	-	-	-
– non-controlling interests	1,128	3,635	-69.0%	1,053	1,791	-41.2%	75	1,844	-95.9%	-	-	-
Earnings per share (basic)	**3.47**	**3.15**	**10.2%**									

	Bank of Georgia Holdings PLC					Banking Business					Investment Business					Eliminations		
Balance Sheet	**Jun-15**	**Jun-14**	**Change Y-O-Y**	**Mar-15**	**Change Q-O-Q**	**Jun-15**	**Jun-14**	**Change Y-O-Y**	**Mar-15**	**Change Q-O-Q**	**Jun-15**	**Jun-14**	**Change Y-O-Y**	**Mar-15**	**Change Q-O-Q**	**Jun-15**	**Jun-14**	**Mar-15**
Cash and cash equivalents	1,261,805	903,734	39.6%	1,000,713	26.1%	1,252,758	895,287	39.9%	997,547	25.6%	107,511	73,488	46.3%	110,578	-2.8%	(98,464)	(65,041)	(107,412)
Amounts due from credit institutions	583,888	363,468	60.6%	545,714	7.0%	575,534	353,559	62.8%	523,663	9.9%	18,844	17,964	4.9%	87,478	-78.5%	(10,490)	(8,055)	(65,427)
Investment securities	895,840	569,937	57.2%	880,799	1.7%	898,457	568,784	58.0%	881,098	2.0%	1,153	1,153	0.0%	1,153	0.0%	(3,770)	-	(1,452)
Loans to customers and finance lease receivables	5,052,752	3,650,791	38.4%	5,156,386	-2.0%	5,142,221	3,714,213	38.4%	5,248,559	-2.0%	-	-	-	-	-	(89,469)	(63,422)	(92,173)
Accounts receivable and other loans	77,866	60,677	28.3%	73,315	6.2%	15,474	9,622	60.8%	13,063	18.5%	70,343	51,903	35.5%	64,947	8.3%	(7,951)	(848)	(4,695)
Insurance premiums receivable	58,142	52,043	11.7%	58,816	-1.1%	26,519	14,728	80.1%	22,337	18.7%	32,023	37,436	-14.5%	37,205	-13.9%	(400)	(121)	(726)
Prepayments	52,145	28,188	85.0%	42,748	22.0%	30,779	18,417	67.1%	24,969	23.3%	21,366	9,771	118.7%	17,779	20.2%	-	-	-
Inventories	131,534	90,489	45.4%	113,322	16.1%	10,379	6,689	55.2%	7,697	34.8%	121,155	83,800	44.6%	105,625	14.7%	-	-	-
Investment property	221,506	152,292	45.4%	194,623	13.8%	143,873	127,374	13.0%	128,376	12.1%	77,633	24,918	211.6%	66,247	17.2%	-	-	-
Property and equipment	669,153	534,289	25.2%	618,474	8.2%	338,858	293,626	15.4%	334,516	1.3%	330,295	240,663	37.2%	283,958	16.3%	-	-	-
Goodwill	60,056	48,721	23.3%	51,745	16.1%	48,092	38,538	24.8%	39,781	20.9%	11,964	10,183	17.5%	11,964	0.0%	-	-	-
Intangible assets	36,894	28,490	29.5%	33,443	10.3%	33,260	26,596	25.1%	31,761	4.7%	3,634	1,894	91.9%	1,682	116.1%	-	-	-
Income tax assets	29,080	32,204	-9.7%	24,943	16.6%	21,686	24,835	-12.7%	17,602	23.2%	7,394	7,369	0.3%	7,341	0.7%	-	-	-
Other assets	244,398	152,360	60.4%	235,012	4.0%	174,820	140,452	24.5%	176,982	-1.2%	80,058	12,784	526.2%	68,096	17.6%	(10,480)	(876)	(10,066)
Total assets	**9,375,059**	**6,667,683**	**40.6%**	**9,030,053**	**3.8%**	**8,712,710**	**6,232,720**	**39.8%**	**8,447,951**	**3.1%**	**883,373**	**573,326**	**54.1%**	**864,053**	**2.2%**	**(221,024)**	**(138,363)**	**(281,951)**
Client deposits and notes	4,104,417	3,074,710	33.5%	4,099,029	0.1%	4,212,822	3,148,729	33.8%	4,271,854	-1.4%	-	-	-	-	-	(108,405)	(74,019)	(172,825)
Amounts due to credit institutions	2,139,517	1,240,128	72.5%	1,780,636	20.2%	2,045,093	1,145,875	78.5%	1,694,668	20.7%	189,124	156,753	20.7%	181,773	4.0%	(94,700)	(62,500)	(95,805)
Debt securities issued	1,063,123	786,432	35.2%	1,026,689	3.5%	990,257	760,144	30.3%	962,587	2.9%	79,894	26,690	199.3%	66,964	19.3%	(7,028)	(402)	(2,862)
Accruals and deferred income	132,832	83,784	58.5%	124,344	6.8%	14,369	9,917	44.9%	20,949	-31.4%	118,463	73,867	60.4%	103,395	14.6%	-	-	-
Insurance contracts liabilities	73,001	60,537	20.6%	70,156	4.1%	42,910	25,890	65.7%	34,685	23.7%	30,091	34,647	-13.1%	35,471	-15.2%	-	-	-
Income tax liabilities	111,387	92,617	20.3%	96,761	15.1%	87,392	77,942	12.1%	79,343	10.1%	23,995	14,675	63.5%	17,418	37.8%	-	-	-
Other liabilities	94,839	72,599	30.6%	132,290	-28.3%	71,126	44,634	59.4%	99,677	-28.6%	34,604	29,407	17.7%	43,072	-19.7%	(10,891)	(1,442)	(10,459)
Total liabilities	**7,719,116**	**5,410,807**	**42.7%**	**7,329,905**	**5.3%**	**7,463,969**	**5,213,131**	**43.2%**	**7,163,763**	**4.2%**	**476,171**	**336,039**	**41.7%**	**448,093**	**6.3%**	**(221,024)**	**(138,363)**	**(281,951)**
Share capital	1,154	1,081	6.8%	1,154	0.0%	1,154	1,081	6.8%	1,154	0.0%	-	-	-	-	-	-	-	-
Additional paid-in capital	243,482	33,409	628.8%	252,568	-3.6%	32,277	30,635	5.4%	94,886	-66.0%	211,205	2,774	7513.7%	157,682	33.9%	-	-	-
Treasury shares	(36)	(46)	-21.7%	(34)	5.9%	(36)	(46)	-21.7%	(34)	5.9%	-	-	-	-	-	-	-	-
Other reserves	(61,509)	(82,317)	-25.3%	(30,568)	101.2%	(51,917)	(72,614)	-28.5%	(20,977)	147.5%	(9,592)	(9,703)	-1.1%	(9,591)	0.0%	-	-	-
Retained earnings	1,413,870	1,249,580	13.1%	1,420,513	-0.5%	1,247,508	1,042,804	19.6%	1,189,365	4.9%	166,362	206,776	-19.5%	231,148	-28.0%	-	-	-
Total equity attributable to shareholders of the Group	**1,596,961**	**1,201,707**	**32.9%**	**1,643,633**	**-2.8%**	**1,228,986**	**1,001,860**	**22.7%**	**1,264,394**	**-2.8%**	**367,975**	**199,847**	**84.1%**	**379,239**	**-3.0%**	**-**	**-**	**-**
Non-controlling interests	58,982	55,169	6.9%	56,515	4.4%	19,755	17,729	11.4%	19,794	-0.2%	39,227	37,440	4.8%	36,721	6.8%	-	-	-
Total equity	**1,655,943**	**1,256,876**	**31.8%**	**1,700,148**	**-2.6%**	**1,248,741**	**1,019,589**	**22.5%**	**1,284,188**	**-2.8%**	**407,202**	**237,287**	**71.6%**	**415,960**	**-2.1%**	**-**	**-**	**-**
Total liabilities and equity	**9,375,059**	**6,667,683**	**40.6%**	**9,030,053**	**3.8%**	**8,712,710**	**6,232,720**	**39.8%**	**8,447,951**	**3.1%**	**883,373**	**573,326**	**54.1%**	**864,053**	**2.2%**	**(221,024)**	**(138,363)**	**(281,951)**
Book value per share	**41.74**	**34.95**	**19.4%**	**42.71**	**-2.3%**													

Banking Business, excluding Privatbank

INCOME STATEMENT	2Q15	2Q14	Change	1Q15	Change	1H15	1H14	Change
GEL thousands, unless otherwise stated			**Y-O-Y**		**Q-O-Q**			**Y-O-Y**
Banking interest income	193,068	143,025	35.0%	180,512	7.0%	373,581	287,011	30.2%
Banking interest expense	(83,505)	(59,246)	40.9%	(72,378)	15.4%	(155,883)	(120,780)	29.1%
Net banking interest income	**109,563**	**83,779**	**30.8%**	**108,134**	**1.3%**	**217,698**	**166,231**	**31.0%**
Fee and commission income	36,800	35,581	3.4%	33,418	10.1%	70,218	64,045	9.6%
Fee and commission expense	(9,311)	(8,501)	9.5%	(8,399)	10.9%	(17,710)	(16,753)	5.7%
Net fee and commission income	**27,489**	**27,080**	**1.5%**	**25,019**	**9.9%**	**52,508**	**47,292**	**11.0%**
Net banking foreign currency gain	19,138	11,395	68.0%	18,062	6.0%	37,199	22,700	63.9%
Net other banking income	3,175	2,433	30.5%	1,900	67.1%	5,075	3,420	48.4%
Net insurance premiums earned	10,128	6,856	47.7%	8,891	13.9%	19,019	13,034	45.9%
Net insurance claims incurred	(6,352)	(2,925)	117.2%	(3,890)	63.3%	(10,243)	(4,844)	111.5%
Gross insurance profit	**3,776**	**3,931**	**-3.9%**	**5,001**	**-24.5%**	**8,776**	**8,190**	**7.2%**
Revenue	**163,141**	**128,618**	**26.8%**	**158,116**	**3.2%**	**321,256**	**247,833**	**29.6%**
Salaries and other employee benefits	(35,351)	(31,347)	12.8%	(33,746)	4.8%	(69,097)	(61,681)	12.0%
Administrative expenses	(16,184)	(15,746)	2.8%	(13,970)	15.8%	(30,154)	(27,947)	7.9%
Banking depreciation and amortisation	(7,370)	(6,364)	15.8%	(6,979)	5.6%	(14,349)	(12,523)	14.6%
Other operating expenses	(865)	(803)	7.7%	(694)	24.6%	(1,558)	(1,624)	-4.1%
Operating expenses	**(59,770)**	**(54,260)**	**10.2%**	**(55,389)**	**7.9%**	**(115,158)**	**(103,775)**	**11.0%**
Operating income before cost of credit risk	**103,371**	**74,358**	**39.0%**	**102,727**	**0.6%**	**206,098**	**144,058**	**43.1%**
Cost of credit risk	**(35,208)**	**(13,279)**	**165.1%**	**(32,606)**	**8.0%**	**(67,814)**	**(26,080)**	**160.0%**
Net operating income before non-recurring items	**68,163**	**61,079**	**11.6%**	**70,121**	**-2.8%**	**138,284**	**117,978**	**17.2%**
Net non-recurring items*	(788)	(7,951)	-90.1%	(2,167)	-63.6%	(2,955)	(9,601)	-69.2%
Profit before income tax	**67,375**	**53,128**	**26.8%**	**67,954**	**-0.9%**	**135,329**	**108,377**	**24.9%**
Income tax (expense) benefit	(10,878)	489	NMF	(10,284)	5.8%	(21,162)	(8,484)	149.4%
Profit	**56,497**	**53,617**	**5.4%**	**57,670**	**-2.0%**	**114,167**	**99,893**	**14.3%**

Excluding Privatbank related integration costs

Banking Business, excluding Privatbank

BALANCE SHEET	Jun-15	Jun-14	Change	Mar-15	Change
GEL thousands, unless otherwise stated			**Y-O-Y**		**Q-O-Q**
Cash and cash equivalents	1,105,420	895,287	23.5%	892,454	23.9%
Amounts due from credit institutions	575,534	353,559	62.8%	473,415	21.6%
Investment securities	898,403	568,784	58.0%	876,244	2.5%
Loans to customers and finance lease receivables	4,896,616	3,714,213	31.8%	4,958,594	-1.2%
Accounts receivable and other loans	15,474	9,622	60.8%	13,063	18.5%
Insurance premiums receivable	26,519	14,728	80.1%	21,468	23.5%
Prepayments	29,828	18,417	62.0%	24,325	22.6%
Inventories	10,379	6,689	55.2%	7,697	34.8%
Investment property	143,537	127,374	12.7%	128,040	12.1%
Property and equipment	320,925	293,626	9.3%	315,564	1.7%
Goodwill	46,848	38,538	21.6%	38,537	21.6%
Intangible assets	33,155	26,596	24.7%	31,648	4.8%
Income tax assets	21,686	24,835	-12.7%	17,229	25.9%
Other assets	263,559	140,452	87.7%	268,614	-1.9%
Total assets	**8,387,883**	**6,232,720**	**34.6%**	**8,066,892**	**4.0%**
Client deposits and notes	3,946,043	3,148,729	25.3%	3,901,943	1.1%
Amounts due to credit institutions	1,995,655	1,145,875	74.2%	1,688,582	18.2%
Debt securities issued	990,257	760,144	30.3%	962,587	2.9%
Accruals and deferred income	12,436	9,917	25.4%	19,016	-34.6%
Insurance contracts liabilities	42,910	25,890	65.7%	33,544	27.9%
Income tax liabilities	86,605	77,942	11.1%	79,343	9.2%
Other liabilities	68,941	44,634	54.5%	98,830	-30.2%
Total liabilities	**7,142,847**	**5,213,131**	**37.0%**	**6,783,845**	**5.3%**
Share capital	1,154	1,081	6.8%	1,154	0.0%
Additional paid-in capital	32,277	30,635	5.4%	94,886	-66.0%
Treasury shares	(36)	(46)	-21.7%	(34)	5.9%
Other reserves	(51,918)	(72,614)	-28.5%	(20,977)	147.5%
Retained earnings	1,243,803	1,042,804	19.3%	1,188,225	4.7%
Total equity attributable to shareholders of the Group	**1,225,280**	**1,001,860**	**22.3%**	**1,263,254**	**-3.0%**
Non-controlling interests	19,756	17,729	11.4%	19,793	-0.2%
Total equity	**1,245,036**	**1,019,589**	**22.1%**	**1,283,047**	**-3.0%**
Total liabilities and equity	**8,387,883**	**6,232,720**	**34.6%**	**8,066,892**	**4.0%**

P&C Insurance (Aldagi)

INCOME STATEMENT *GEL thousands, unless otherwise stated*	2Q15	2Q14	Change Y-O-Y	1Q15	Change Q-O-Q	1H15	1H14	Change Y-O-Y
Net banking interest income	567	80	NMF	546	3.8%	1,113	136	NMF
Net fee and commission income	72	80	-10.0%	71	1.4%	143	155	-7.7%
Net banking foreign currency gain	1,687	(87)	NMF	528	NMF	2,215	54	NMF
Net other banking income	90	152	-40.8%	297	-69.7%	387	287	34.8%
Gross insurance profit	3,853	4,258	-9.5%	5,607	-31.3%	9,460	8,765	7.9%
Revenue	6,269	4,483	39.8%	7,049	-11.1%	**13,318**	**9,397**	**41.7%**
Operating expenses	(2,524)	(2,113)	19.5%	(2,970)	-15.0%	(5,494)	(4,167)	31.8%
Operating income before cost of credit risk	3,745	2,370	58.0%	4,079	-8.2%	**7,824**	**5,230**	**49.6%**
Cost of credit risk	(172)	(118)	45.8%	(95)	81.1%	(267)	(327)	-18.3%
Profit before income tax	3,573	2,252	58.7%	3,984	-10.3%	**7,557**	**4,903**	**54.1%**
Income tax (expense) benefit	(150)	(383)	-60.8%	388	NMF	238	(823)	NMF
Profit	3,423	1,869	83.1%	4,372	-21.7%	**7,795**	**4,080**	**91.1%**

Belarusky Narodny Bank (BNB)

INCOME STATEMENT, HIGHLIGHTS *GEL thousands, unless otherwise stated*	2Q15	2Q14	Change Y-O-Y	1Q15	Change Q-O-Q	1H15	1H14	Change Y-O-Y
Net banking interest income	6,638	5,496	20.8%	7,429	-10.6%	14,067	11,175	25.9%
Net fee and commission income	2,699	2,367	14.0%	2,217	21.7%	4,916	4,342	13.2%
Net banking foreign currency gain	3,668	2,012	82.3%	5,017	-26.9%	8,685	2,928	196.6%
Net other banking income	137	91	50.5%	97	41.2%	234	272	-14.0%
Revenue	**13,142**	**9,966**	**31.9%**	**14,760**	**-11.0%**	**27,902**	**18,717**	**49.1%**
Operating expenses	(4,687)	(4,670)	0.4%	(4,254)	10.2%	(8,941)	(8,639)	3.5%
Operating income before cost of credit risk	**8,455**	**5,296**	**59.6%**	**10,506**	**-19.5%**	**18,961**	**10,078**	**88.1%**
Cost of credit risk	(5,683)	(699)	NMF	(4,645)	22.3%	(10,328)	(1,601)	NMF
Net non-recurring items	(318)	(1,249)	-74.5%	(1,098)	-71.0%	(1,416)	(2,115)	-33.0%
Profit before income tax	**2,454**	**3,348**	**-26.7%**	**4,763**	**-48.5%**	**7,217**	**6,362**	**13.4%**
Income tax (expense) benefit	(785)	2,443	NMF	(1,427)	-45.0%	(2,212)	1,577	NMF
Profit	**1,669**	**5,791**	**-71.2%**	**3,336**	**-50.0%**	**5,005**	**7,939**	**-37.0%**

BALANCE SHEET, HIGHLIGHTS *GEL thousands, unless otherwise stated*	30-Jun-15	30-Jun-14	Changes, Y-O-Y	31-Mar-15	Change, Q-O-Q
Cash and cash equivalents	67,632	50,797	33.1%	64,043	5.6%
Amounts due from credit institutions	3,636	3,213	13.2%	3,575	1.7%
Loans to customers and finance lease receivables	305,816	217,325	40.7%	297,803	2.7%
Total assets	**444,377**	**327,100**	**35.9%**	**433,438**	**2.5%**
Client deposits and notes, of which:	242,249	158,856	52.5%	233,658	3.7%
Amounts due to credit institutions, of which:	114,161	83,805	36.2%	110,730	3.1%
Debt securities issued	-	4,229	-100.0%	-	-
Total liabilities	**363,782**	**252,335**	**44.2%**	**352,204**	**3.3%**
Total equity attributable to shareholders of the Group	**66,953**	**61,905**	**8.2%**	**67,452**	**-0.7%**
Non-controlling interests	13,642	12,860	6.1%	13,782	-1.0%
Total equity	**80,595**	**74,765**	**7.8%**	**81,234**	**-0.8%**
Total liabilities and equity	**444,377**	**327,100**	**35.9%**	**433,438**	**2.5%**

Key Ratios Quarterly

	Including Privatbank 2Q15	Excluding Privatbank 2Q15	2Q14	Including Privatbank 1Q15	Excluding Privatbank 1Q15
Profitability					
ROAA, Annualised	2.9%	2.7%	3.5%	3.0%	3.1%
ROAE, Annualised	19.3%	17.8%	21.0%	19.2%	18.8%
Net Interest Margin, Annualised	7.6%	6.9%	7.4%	7.8%	7.3%
Loan Yield, Annualised	14.6%	13.7%	14.3%	14.5%	13.7%
Liquid assets yield, Annualised	3.1%	3.1%	2.3%	3.2%	3.3%
Cost of Funds, Annualised	5.0%	4.9%	4.7%	5.0%	4.8%
Cost of Client Deposits and Notes, annualised	4.4%	4.3%	4.2%	4.4%	4.1%
Cost of Amounts Due to Credit Institutions, annualised	5.3%	5.2%	4.7%	5.2%	5.1%
Cost of Debt Securities Issued	7.2%	7.2%	7.2%	7.1%	7.1%
Operating Leverage, Y-O-Y	21.7%	16.7%	-6.3%	17.1%	20.8%
Operating Leverage, Q-O-Q	2.9%	-4.7%	-1.7%	5.0%	9.1%
Efficiency					
Cost / Income	35.7%	36.6%	42.2%	36.8%	35.0%
Liquidity					
NBG Liquidity Ratio	35.1%	34.1%	38.1%	34.7%	34.1%
Liquid Assets To Total Liabilities	36.5%	36.1%	34.9%	33.5%	33.1%
Net Loans To Client Deposits and Notes	122.1%	124.1%	118.0%	122.9%	127.1%
Net Loans To Client Deposits and Notes + DFIs	102.4%	103.0%	100.0%	105.2%	107.3%
Leverage (Times)	6.0	5.7	5.1	5.6	5.3
Asset Quality:					
NPLs (in GEL)	219,230	208,321	145,590	187,129	183,184
NPLs To Gross Loans To Clients	4.1%	4.1%	3.8%	3.5%	3.6%
NPL Coverage Ratio	82.2%	75.9%	73.8%	74.2%	71.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	115.1%	110.6%	116.1%	118.0%	116.5%
Cost of Risk, Annualised	2.7%	2.4%	0.9%	3.1%	2.6%
Capital Adequacy:					
BIS Tier I Capital Adequacy Ratio, Consolidated	20.4%	20.9%	22.5%	19.9%	20.5%
BIS Total Capital Adequacy Ratio, Consolidated	26.7%	27.4%	26.3%	23.9%	24.7%
New NBG (Basel II) Tier I Capital Adequacy Ratio	10.4%	9.9%	10.8%	9.8%	9.1%
New NBG (Basel II) Total Capital Adequacy Ratio	15.9%	15.7%	14.0%	12.9%	12.3%
Old NBG Tier I Capital Adequacy Ratio	13.9%	14.5%	14.8%	14.2%	14.9%
Old NBG Total Capital Adequacy Ratio	15.8%	15.2%	13.8%	12.9%	12.3%
Selected Operating Data:					
Total Assets Per FTE, BOG Standalone	1,995		1,717		2,277
Number Of Active Branches, Of Which:	246		206		219
- Flagship Branches	*35*		*34*		*34*
- Standard Branches	*114*		*100*		*101*
- Express Branches (including Metro)	*97*		*72*		*84*
Number Of ATMs	685		510		554
Number Of Cards Outstanding, Of Which:	1,964,374		1,075,134		1,204,662
- Debit cards	*1,207,573*		*957,386*		*1,088,878*
- Credit cards	*756,801*		*117,748*		*115,784*
Number Of POS Terminals	7,668		5,689		6,537

Key Ratios Half-Year

KEY RATIOS	Including Privatbank 1H15	Excluding Privatbank 1H15	1H14
Profitability			
ROAA, Annualised	2.9%	2.9%	3.3%
ROAE, Annualised	19.3%	18.3%	19.3%
Net Interest Margin, Annualised	7.8%	7.1%	7.5%
Loan Yield, Annualised	14.6%	13.7%	14.5%
Liquid assets yield, Annualised	3.2%	3.2%	2.3%
Cost of Funds, Annualised	5.0%	4.9%	4.9%
Cost of Client Deposits and Notes, annualised	4.4%	4.2%	4.4%
Cost of Amounts Due to Credit Institutions, annualised	5.3%	5.2%	4.8%
Cost of Debt Securities Issued	7.2%	7.2%	7.2%
Operating Leverage, Y-O-Y	19.5%	18.7%	-3.2%
Efficiency			
Cost / Income	36.2%	35.8%	41.9%
Liquidity			
NBG Liquidity Ratio	35.1%	34.1%	38.1%
Liquid Assets To Total Liabilities	36.5%	36.1%	34.9%
Net Loans To Client Deposits and Notes	122.1%	124.1%	118.0%
Net Loans To Client Deposits and Notes + DFIs	102.4%	103.0%	100.0%
Leverage (Times)	6.0	5.7	5.1
Asset Quality:			
NPLs (in GEL)	219,230	208,321	145,590
NPLs To Gross Loans To Clients	4.1%	4.1%	3.8%
NPL Coverage Ratio	82.2%	75.9%	73.8%
NPL Coverage Ratio, Adjusted for discounted value of collateral	115.1%	110.6%	116.1%
Cost of Risk, Annualised	2.9%	2.5%	0.9%
Capital Adequacy:			
BIS Tier I Capital Adequacy Ratio, Consolidated	20.4%	20.9%	22.5%
BIS Total Capital Adequacy Ratio, Consolidated	26.7%	27.4%	26.3%
New NBG (Basel II) Tier I Capital Adequacy Ratio	10.4%	9.9%	10.8%
New NBG (Basel II) Total Capital Adequacy Ratio	15.9%	15.7%	14.0%
Old NBG Tier I Capital Adequacy Ratio	13.9%	14.5%	14.8%
Old NBG Total Capital Adequacy Ratio	15.8%	15.2%	13.8%
Selected Operating Data:			
Total Assets Per FTE, BOG Standalone	1,995		1,717
Number Of Active Branches, Of Which:	246		206
- Flagship Branches	*35*		*34*
- Standard Branches	*114*		*100*
- Express Branches (including Metro)	*97*		*72*
Number Of ATMs	685		510
Number Of Cards Outstanding, Of Which:	1,964,374		1,075,134
- Debit cards	*1,207,573*		*957,386*
- Credit cards	*756,801*		*117,748*
Number Of POS Terminals	7,668		5,689

Principal Risks and Uncertainties

Understanding our risks

The table below describes the principal risks and uncertainties relating to the Group's operations and their potential impact, as well the trend and outlook associated with these risks and the mitigating actions we take to address these risks. If any of the following risks actually occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities

Risks and uncertainties	Trend and outlook	Mitigation
We may be adversely affected by devaluation of the Lari in addition to general deterioration of global, regional and Georgian economic conditions. Since year-end 2014, the Lari has depreciated against the US Dollar by nearly 20%. Although this devaluation has not adversely affected our business or performance to date, there is a risk that the devaluation that has occurred and/or any future devaluation of the Lari against the US Dollar may adversely affect the quality of our loan portfolio, as our corporate loan book and mortgage portfolio is heavily US Dollar denominated and many of our customers earn Lari. We are also affected by other macroeconomic and market conditions globally, regionally and in Georgia. Growth has recently slowed in many emerging economies, including Georgia. In addition to currency exchange rates, other macroeconomic factors relating to Georgia, such as GDP, inflation and interest rates may have a material impact on loan losses, our margins and customer demand for our products and services.	Although the Lari has significantly depreciated against the US Dollar since the year-end 2014, Lari depreciation against the Euro has been lower at approximately 10%. We expect that there may be further depreciation of the Lari but are unable to predict whether this will be significant. Global and regional economic conditions remain volatile and there is significant economic uncertainty notwithstanding general improvement in the financial sector. The IMF has predicted that GDP growth in the region is expected to decrease significantly in 2015. Real GDP growth in Georgia was 4.8% in 2014, according to Geostat, but the growth slowed in 2015 to 2.6% in 1H15 and we believe that real GDP growth in Georgia will be in the range of 1.5% to 3.0% as a result of weaker external economic environment as reflected in lower net exports from Georgia, weaker remittances and lower FDI. Average annual inflation was 4.9% as of July 2015 and is expected to remain relatively stable for the rest of 2015.	We continuously monitor market conditions and review market changes. We also perform stress and scenario testing to test our financial position in adverse economic conditions, which include Lari/US Dollar exchange rates of 2.5/1 and 2.7/1. We also establish limits on possible losses for each type of operation and monitor compliance with such limits. Given our strong liquidity position, we believe that we will be able to manage risk related to our US Dollar denominated loan book by re-profiling such loans. We are also looking at ways to stimulate growth of our Euro denominated loan book. In addition, the NBG requires banks to hold additional capital to mitigate potential risk associated with foreign currency loans to customers that earn Lari.
Our loan book is heavily US Dollar denominated, the quality of which may deteriorate as a result of Lari devaluation. As at 30 June 2015, approximately 88% and 51% of our corporate loan book and retail loan book, respectively, was denominated in foreign currency (predominantly US Dollars), while US Dollar income covered approximately 50% of the total loan book. The quality of our loan book is affected by changes in the creditworthiness of our customers, the ability of our customers to repay their loans on time, the statutory priority of claims against customers, our ability to enforce our security interests on customers' collateral and the value of such collateral should such customers fail to repay their loans, as well as factors beyond our control such as economic instability. Depreciation of the Lari against the US Dollar may result in customers having difficulty repaying their loans. Our impairment charges and, in turn, our cost of credit risk, may increase if a single large borrower defaults or a material concentration of smaller borrowers default.	In 2014, we saw significant loan book growth of 23.8%, as a result of the success of our Express Banking strategy. Growth slowed down however in 2015 on the back of slower economic growth, Cost of Risk increased to 2.9% in 1H15 from 0.9% in 1H14. NPLs to gross loans increased to 4.1% as of 30 June 2015 from 3.8% as of 30 June 2014 Our loan book is collateralised and as at 30 June 2015, the value of collateral covered 81.8% of the gross banking business loan book. The quality of our loan book and our future cost of risk is dependent on macroeconomic conditions and may deteriorate if conditions worsen. Devaluation of the Lari against the US Dollar may cause our customers to face difficulty in meeting their payment obligations.	We have credit policies and procedures in place which incorporate prudent lending criteria aligned with our risk appetite to effectively manage risk. These policies and procedures are reviewed frequently and amended as necessary to account for changes in the economic environment or other factors. Our Credit Committees set counterparty limits by the use of a credit risk classification and scoring system and approve individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, potential losses and corrective actions needed to reduce risk. We also stress test our loan book to estimate the size of the portfolio that may be impaired. In light of the Lari to US Dollar devaluation, we will continue to stress test using Lari/US Dollar exchange rates of 2.5/1 and 2.7/1. We allocate 75% more capital to the foreign currency loans of clients who earn income in Lari and discount real estate collateral values by 20%. Given our strong liquidity position, we believe that

Risks and uncertainties	Trend and outlook	Mitigation
		we will be able to manage risk related to our US Dollar denominated loan book by re-profiling such loans. Potential re-profiling may include extending maturities and/or converting US Dollar denominated loans into Euro denominated loans. We will also continue to expand our Lari and Euro denominated loan book in order to offset risk associated with our US Dollar denominated loan book.
The local economy and our business may be adversely affected by regional tensions. Since Georgia's independence from Russia in 1991, there have been ongoing disputes in the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia and with Russia. In 2008, Georgian troops engaged with local militias and Russian forces that crossed the international border. Although a ceasefire was signed in 2008, Russia continues to recognise the independence of the breakaway regions and its troops occupy these regions and relations between Russia and Georgia remain tense. The annexation of Crimea by Russia in 2014 has resulted in sanctions levied against Russia as well as social, political and military unrest between Russia and Ukraine, and has adversely affected the financial markets and economic stability of Russia and the neighbouring region. In addition, relations between Azerbaijan and Armenia, remain tense, particularly in relation to the Nagorno-Karabakh region, and there are sporadic instances of violence between these two countries.	Despite tensions in the breakaway territories, Russia has opened its market to Georgian exports. Over the past year, Russia and Ukraine's relationship has continued to deteriorate. Although Russia and Ukraine signed a ceasefire agreement in February, fighting continues between pro-Russian rebels and the Ukrainian Army. As a result, there is significant uncertainty as to if, how and when the conflict between Russia and Ukraine will be resolved.	Georgia has taken significant steps to reduce its dependence on Russia Georgia's exports to Russia have decreased from 18.0% of total exports in 2006 to 9.9% of total exports in 2014. With the recent signing of the Deep and Comprehensive Free Trade Area (DCFTA) with the EU, we expect that Georgia's dependence on its regional neighbours will continue to decrease.
We face regulatory risk. Our businesses are highly regulated. Our banking operations must comply with capital adequacy and other regulatory ratios set by our regulator, the NBG, including reserve requirements and mandatory financial ratios. Our ability to comply with these regulations may be affected by a number of factors, including but not limited to increases in minimum capital adequacy ratios imposed by the NBG, our ability to raise capital, losses resulting from a deterioration in our asset quality, an increase in expenses and a decline in the values of our securities portfolio. We also provide other regulated financial services and offer financing products, including brokerage and pension fund operations, insurance and services such as asset management, all of which are subject to governmental supervision and regulation. With respect to our healthcare operations, there have been a number of reforms in the Georgian healthcare services market, including but not limited to the introduction of a Universal Healthcare Programme (UHC). It is possible that the Government may amend the UHC to enhance coverage and it may introduce new licensing or accreditation requirements, which may	Our businesses are currently in compliance with all applicable laws and regulations. Compliance with changes in capital adequacy requirements and other regulatory ratios may be affected by factors outside of our control, including but not limited to a weakening of the global and Georgian economies. In October 2014, an anti-monopoly agency was established and anti-monopoly legislation was implemented in respect of certain non-banking operations. We expect that such legislation may have an impact on our non-banking operations acquisitions as we will be required to seek permission to proceed with certain future acquisitions. As healthcare legislation is continuously evolving, we expect that additional regulations will be adopted. We, however, cannot predict what additional regulatory changes will be introduced in the future or their effect.	Continued investment in our people and processes is enabling us to meet our regulatory requirements and places us well to respond to changes in regulation. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfil our compliance obligations. Our compliance framework, at all levels, is subject to regular review by internal audit and external assurance providers.

Risks and uncertainties	Trend and outlook	Mitigation
adversely affect our healthcare services and medical insurance businesses.		
We face operational risks. We are subject to the risk of incurring losses or undue costs due to inadequacies or failure of internal control processes or systems or human error, business disruptions, criminal activities (including fraud and electronic crimes), unauthorised transactions, robbery and damage to assets. We are highly dependent on our information technology systems. The proper functioning of our systems, controls, risk management, accounting, customer service and other information technology systems, are critical to our operations.	Over the past few years, we have seen an increase in external fraud, although losses from such frauds have not increased significantly. In the future we expect that data security, particularly an increasing number of cyber-threats, will be the greatest concern in respect of operational risk.	We have an integrated control framework encompassing operational risk management and control, AML compliance, corporate and information security and physical security, each of which is managed by a separate department. We identify and assess operational risk categories within our processes and operations, detecting critical risk areas or groups of operations with an increased risk level and seek to implement appropriate preventative tools. Our internal audit function provides assurance on the adequacy and effectiveness of our internal controls. The work of the Audit Committee in reviewing our internal control system is set out in our 2014 Annual Report.
We face risks related to our healthcare business, GHG, and other non-banking investment businesses. Over the past several years, we have significantly expanded our healthcare operations through GHG and intend to continue with this expansion. There is a risk that GHG may be unable to efficiently integrate the acquired hospitals and/or may not be able to realise the anticipated cost savings, benefits, synergies and revenue enhancements from the acquisitions. We have recently acquired a minority interest in Georgia Global Utilities, a water utility company. As this is a new business area for the Group, we face risks associated with water utility companies. We have stated that as part of our strategy we intend to divest our investment businesses (in full or partially) within six years. We have announced our intention to IPO our healthcare business through a planned stock market listing in 2015. It may not be possible, or desirable, to IPO our healthcare business due to a number of factors, including supportive equity issuance markets, the ability to achieve favourable terms for the IPO and/or the political and economic environment. With respect to future divestments by way of a stock market listing or trade sale, similar risks may be present.	From 2011 to 2013, we added over 600 beds through acquisitions and successfully integrated the acquired businesses, achieving significant cost savings, synergies and revenue enhancements from these acquisitions. Since 1 January 2014, we added an additional 1,341beds through acquisitions. Businesses within the Group have successfully accessed the international capital markets since 2006. With respect to current capital markets conditions, although there is a strong level of preparatory activity by companies across Europe who are planning an IPO, the success of an IPO is very much linked to global and regional macroeconomic and political events, among other factors.	GHG has a solid track record of acquisitions. Led by a highly experienced management team, GHG has successfully acquired and integrated more than 20 companies in the hospital and insurance sectors over the past decade. We have a dedicated integration team comprising of highly experienced professionals with extensive integration project experience. The integration team meets at least weekly to discuss all aspects of the integration process, including but not limited to financial, commercial, clinical, human resources and legal matters. With respect to our minority interest in GGU, Mr Gilauri has recently joined the Supervisory Board and we have been able to select strong Group executives to join the GGU management team. We are also seeking advice from experienced global professionals in the industry. With respect to the GHG IPO, we are targeting an IPO in 2H 2015. However, if GHG decides to postpone the IPO due to market related or other reasons, we are confident that the Group's current funding levels are sufficient to meet our business plan and the financial position would not be adversely affected.

Responsibility Statements

We confirm that to the best of our knowledge:

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

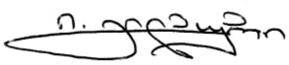
- This Results Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

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

By order of the board

Neil Janin
Chairman

Irakli Gilauri
Chief Executive



20 August 2015

Consolidated Financial Statements

CONTENTS

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT REVIEW REPORT TO BANK OF GEORGIA HOLDINGS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015, which comprises the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and related notes 1 to 22. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst + Young LLP

Ernst & Young LLP

London

Date: 20 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 Unaudited				31 December 2014 Reclassified			
		Banking Business	Investment Business	Elimi-nation	Total	Banking Business	Investment Business	Elimi-nation	Total
Assets									
Cash and cash equivalents	6	1,252,758	107,511	(98,464)	1,261,805	706,780	92,722	(89,358)	710,144
Amounts due from credit institutions	7	575,534	18,844	(10,490)	583,888	399,430	72,181	(53,330)	418,281
Investment securities	8	898,457	1,153	(3,770)	895,840	768,559	1,153	-	769,712
Loans to customers and finance lease receivables	9	5,142,221	-	(89,469)	5,052,752	4,440,984	-	(90,181)	4,350,803
Accounts receivable and other loans		15,474	70,343	(7,951)	77,866	9,701	61,836	(4,282)	67,255
Insurance premiums receivable		26,519	32,023	(400)	58,142	14,573	18,020	(753)	31,840
Prepayments		30,779	21,366	-	52,145	15,644	18,130	-	33,774
Inventories		10,379	121,155	-	131,534	6,857	94,585	-	101,442
Investment property	10	143,873	77,633	-	221,506	128,552	62,308	-	190,860
Property and equipment		338,858	330,295	-	669,153	314,369	274,144	-	588,513
Goodwill		48,092	11,964	-	60,056	38,537	11,096	-	49,633
Intangible assets		33,260	3,634	-	36,894	31,768	2,664	-	34,432
Income tax assets		21,686	7,394	-	29,080	14,484	8,261	-	22,745
Other assets		174,820	80,058	(10,480)	244,398	153,764	58,407	(2,460)	209,711
Total assets		**8,712,710**	**883,373**	**(221,024)**	**9,375,059**	**7,044,002**	**775,507**	**(240,364)**	**7,579,145**
Liabilities									
Client deposits and notes	11	4,212,822	-	(108,405)	4,104,417	3,482,001	-	(143,276)	3,338,725
Amounts owed to credit institutions	12	2,045,093	189,124	(94,700)	2,139,517	1,324,609	177,313	(92,708)	1,409,214
Debt securities issued	13	990,257	79,894	(7,028)	1,063,123	827,721	29,374	(400)	856,695
Accruals and defered income		14,369	118,463	-	132,832	19,897	88,726	-	108,623
Insurance contracts liabilities		42,910	30,091	-	73,001	27,979	18,607	-	46,586
Income tax liabilities		87,392	23,995	-	111,387	79,987	17,577	-	97,564
Other liabilities		71,126	34,604	(10,891)	94,839	51,031	40,594	(3,980)	87,645
Total liabilities		**7,463,969**	**476,171**	**(221,024)**	**7,719,116**	**5,813,225**	**372,191**	**(240,364)**	**5,945,052**
Equity	14								
Share capital		1,154	-	-	1,154	1,143	-	-	1,143
Additional paid-in capital		32,277	211,205	-	243,482	87,950	157,355	-	245,305
Treasury shares		(36)	-	-	(36)	(46)	-	-	(46)
Other reserves		(51,917)	(9,592)	-	(61,509)	(11,073)	(11,501)	-	(22,574)
Retained earnings		1,247,508	166,362	-	1,413,870	1,134,159	216,099	-	1,350,258
Total equity attributable to shareholders of the Group		**1,228,986**	**367,975**	**-**	**1,596,961**	**1,212,133**	**361,953**	**-**	**1,574,086**
Non-controlling interests		19,755	39,227	-	58,982	18,644	41,363	-	60,007
Total equity		**1,248,741**	**407,202**	**-**	**1,655,943**	**1,230,777**	**403,316**	**-**	**1,634,093**
Total liabilities and equity		**8,712,710**	**883,373**	**(221,024)**	**9,375,059**	**7,044,002**	**775,507**	**(240,364)**	**7,579,145**

As at

Signed and authorised for release on behalf of the Board of Directors of the Group:

Irakli Gilauri Chief Executive Officer

20 August 2015

The accompanying selected explanatory notes on pages 52 to 78 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	*For the six months ended 30 June*							
		2015				*2014*			
		Unaudited				*Unaudited, Reclassified*			
		Banking Business	Investment Business	Elimi-nation	Total	Banking Business	Investment Business	Elimi-nation	Total
Banking interest income		417,666	-	(6,099)	411,567	287,011	-	(3,098)	283,913
Banking interest expense		(168,205)	-	416	(167,789)	(120,780)	-	315	(120,465)
Net banking interest income	16	**249,461**	**-**	**(5,683)**	**243,778**	**166,231**	**-**	**(2,783)**	**163,448**
Fee and commission income		77,503	-	(2,568)	74,935	64,045	-	(1,230)	62,815
Fee and commission expense		(19,241)	-	281	(18,960)	(16,753)	-	-	(16,753)
Net fee and commission income	17	**58,262**	**-**	**(2,287)**	**55,975**	**47,292**	**-**	**(1,230)**	**46,062**
Net banking foreign currency gain		38,727	-	-	38,727	22,700	-	-	22,700
Net other banking income		4,906	-	(634)	4,272	3,420	-	(313)	3,107
Net insurance premiums earned		19,019	26,134	(878)	44,275	13,034	42,443	(859)	54,618
Net insurance claims incurred		(10,242)	(20,642)	-	(30,884)	(4,844)	(33,716)	-	(38,560)
Gross insurance profit		**8,777**	**5,492**	**(878)**	**13,391**	**8,190**	**8,727**	**(859)**	**16,058**
Healthcare revenue		-	81,234	-	81,234	-	52,591	-	52,591
Cost of healthcare services		-	(46,259)	-	(46,259)	-	(29,653)	-	(29,653)
Gross healthcare profit		**-**	**34,975**	**-**	**34,975**	**-**	**22,938**	**-**	**22,938**
Real estate revenue		-	5,790	-	5,790	-	33,124	(80)	33,044
Cost of real estate		-	(4,622)	-	(4,622)	-	(23,465)	-	(23,465)
Gross real estate profit		**-**	**1,168**	**-**	**1,168**	**-**	**9,659**	**(80)**	**9,579**
Gross other investment profit		-	6,253	(120)	6,133	-	5,741	120	5,861
Revenue		**360,133**	**47,888**	**(9,602)**	**398,419**	**247,833**	**47,065**	**(5,145)**	**289,753**
Salaries and other employee benefits		(76,672)	(14,991)	877	(90,786)	(61,681)	(12,084)	619	(73,146)
Administrative expenses		(35,404)	(8,527)	773	(43,158)	(27,947)	(7,514)	688	(34,773)
Banking depreciation and amortisation		(16,711)	-	-	(16,711)	(12,523)	-	-	(12,523)
Other operating expenses		(1,733)	(520)	-	(2,253)	(1,624)	(137)	-	(1,761)
Operating expenses		**(130,520)**	**(24,038)**	**1,650**	**(152,908)**	**(103,775)**	**(19,735)**	**1,307**	**(122,203)**
Operating income before cost of credit risk / EBITDA		**229,613**	**23,850**	**(7,952)**	**245,511**	**144,058**	**27,330**	**(3,838)**	**167,550**
Profit from associates		-	668	-	668	-	-	-	-
Depreciation and amortization of investment business		-	(5,266)	-	(5,266)	-	(4,485)	-	(4,485)
Net foreign currency gain (loss) from investment business		-	6,379	-	6,379	-	(1,849)	-	(1,849)
Interest income from investment business	16	-	1,662	(423)	1,239	-	980	(248)	732
Interest expense from investment business	16	-	(13,469)	8,375	(5,094)	-	(7,835)	4,086	(3,749)
Operating income before cost of credit risk		**229,613**	**13,824**	**-**	**243,437**	**144,058**	**14,141**	**-**	**158,199**

The accompanying selected explanatory notes on pages 52 to 78 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Notes	2015 *Unaudited* Banking Business	Investment Business	Elimi-nation	Total	2014 *Unaudited, Reclassified* Banking Business	Investment Business	Elimi-nation	Total
		For the six months ended 30 June							
Operating income before cost of credit risk		**229,613**	**13,824**	**-**	**243,437**	**144,058**	**14,141**	**-**	**158,199**
Impairment charge on loans to customers	9	(74,033)	-	-	(74,033)	(16,927)	-	-	(16,927)
Impairment charge on finance lease receivables		(1,899)	-	-	(1,899)	(358)	-	-	(358)
Impairment charge on other assets and provisions		(5,604)	(2,172)	-	(7,776)	(8,795)	(1,083)	-	(9,878)
Cost of credit risk		**(81,536)**	**(2,172)**	**-**	**(83,708)**	**(26,080)**	**(1,083)**	**-**	**(27,163)**
Net operating income before non-recurring items		**148,077**	**11,652**	**-**	**159,729**	**117,978**	**13,058**	**-**	**131,036**
Net non-recurring items		(5,575)	2,715	-	(2,860)	(9,601)	1,404	-	(8,197)
Profit before income tax expense		**142,502**	**14,367**	**-**	**156,869**	**108,377**	**14,462**	**-**	**122,839**
Income tax expense		(22,238)	(262)	-	(22,500)	(8,484)	(2,373)	-	(10,857)
Profit for the period		**120,264**	**14,105**	**-**	**134,369**	**99,893**	**12,089**	**-**	**111,982**
Attributable to:									
– shareholders of the Group		119,211	14,030	-	133,241	98,102	10,245	-	108,347
– non-controlling interests		1,053	75	-	1,128	1,791	1,844	-	3,635
		120,264	**14,105**	**-**	**134,369**	**99,893**	**12,089**	**-**	**111,982**
Earnings per share:	14								
– basic and diluted earnings per share					3.4679				3.1458

The accompanying selected explanatory notes on pages 52 to 78 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2015	***2014***
	Unaudited	*Unaudited*
Profit for the period	**134,369**	**111,982**
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
– Unrealized revaluation of available-for-sale securities	(33,200)	(13,603)
– Realised loss on available-for-sale securities reclassified to the consolidated income statement	81	22
– Gain from currency translation differences	5,633	3,720
Income tax effect	(1,487)	(543)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(28,973)**	**(10,404)**
Other comprehensive loss for the period, net of tax	**(28,973)**	**(10,404)**
Total comprehensive income for the period	**105,396**	**101,578**
Attributable to:		
– shareholders of the Group	105,190	98,811
– non-controlling interests	206	2,767
	105,396	**101,578**

The accompanying selected explanatory notes on pages 52 to 78 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Group							
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
31 December 2013	**1,028**	**23,843**	**(56)**	**(16,399)**	**1,174,124**	**1,182,540**	**58,514**	**1,241,054**
Profit for the six months ended 30 June 2014 (unaudited)	-	-	-	-	108,347	108,347	3,635	111,982
Other comprehensive loss for the six months ended 30 June 2014 (unaudited)	-	-	-	(49,004)	39,468	(9,536)	(868)	(10,404)
Total comprehensive income for the six months ended 30 June 2014 (unaudited)	**-**	**-**	**-**	**(49,004)**	**147,815**	**98,811**	**2,767**	**101,578**
Depreciation of property and equipment revaluation reserve, net of tax	-	-	-	(213)	213	-	-	-
Increase in equity arising from share-based payments	-	14,027	70	-	-	14,097	-	14,097
GBP-GEL translation effect	53	-	(2)	888	(939)	-	-	-
Dividends to shareholders of the Group (Note 14)	-	-	-	-	(71,633)	(71,633)	-	(71,633)
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	(17,590)	-	(17,590)	(15,516)	(33,106)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	9,405	9,405
Purchase of treasury shares	-	(4,461)	(58)	-	-	(4,519)	-	(4,519)
30 June 2014	**1,081**	**33,409**	**(46)**	**(82,318)**	**1,249,580**	**1,201,706**	**55,170**	**1,256,876**
31 December 2014	**1,143**	**245,305**	**(46)**	**(22,574)**	**1,350,258**	**1,574,086**	**60,007**	**1,634,093**
Profit for the six months ended 30 June 2015 (unaudited)	-	-	-	-	133,241	133,241	1,128	134,369
Other comprehensive loss for the six months ended 30 June 2015 (unaudited)	-	-	-	(29,601)	1,550	(28,051)	(922)	(28,973)
Total comprehensive income for the six months ended 30 June 2015 (unaudited)	**-**	**-**	**-**	**(29,601)**	**134,791**	**105,190**	**206**	**105,396**
Depreciation of property and equipment revaluation reserve, net of tax	-	-	-	(512)	512	-	-	-
Increase in equity arising from share-based payments	-	5,748	15	-	-	5,763	112	5,875
GBP-GEL translation effect *	11	1,736	-	(10,467)	8,720	-	-	-
Dividends to shareholders of the Group (Note 14)	-	-	-	-	(80,411)	(80,411)	-	(80,411)
Dilution of interests in existing subsidiaries	-	-	-	-	-	-	434	434
Acquisition of non-controlling interests in existing subsidiary	-	-	-	1,645	-	1,645	(3,265)	(1,620)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	1,488	1,488
Purchase of treasury shares	-	(9,307)	(5)	-	-	(9,312)	-	(9,312)
30 June 2015	**1,154**	**243,482**	**(36)**	**(61,509)**	**1,413,870**	**1,596,961**	**58,982**	**1,655,943**

** Effect of GBP-GEL exchange rate changes from 2.8932 as at 31 December 2014 to 2.9220 as at 1 January 2015, when changes in functional currency became effective (note 3).*

The accompanying selected explanatory notes on pages 52 to 78 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	*For the six months ended 30 June* *2015*	*2014*
		Unaudited	Unaudited
Cash flows from operating activities			
Interest received		416,521	281,327
Interest paid		(160,439)	(146,966)
Fees and commissions received		76,084	62,762
Fees and commissions paid		(19,134)	(16,368)
Insurance premiums received		36,760	51,264
Insurance claims paid		(23,039)	(38,521)
Healthcare revenue received		72,982	33,812
Cost of healthcare services paid		(38,020)	(31,839)
Net cash inflow from real estate		5,104	24,727
Net realised gains from trading securities		887	314
Net realised gains from investment securities available-for-sale		(81)	(22)
Net realised gains from foreign currencies		30,605	18,661
Recoveries of loans to customers previously written off	9	14,722	13,465
Other expenses paid		(8,692)	(3,215)
Salaries and other employee benefits paid		(73,773)	(62,766)
General and administrative and operating expenses paid		(43,405)	(34,756)
Cash flows from operating activities before changes in operating assets and liabilities		**287,082**	**151,879**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		(139,356)	(16,173)
Loans to customers		(527,825)	(170,142)
Finance lease receivables		242	1,089
Prepayments and other assets		(37,905)	126
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		688,510	75,938
Debt securities issued		201,052	59,384
Amounts due to customers		421,460	(23,346)
Other liabilities		(27,890)	(10,011)
Net cash flows from operating activities before income tax		**865,370**	**68,744**
Income tax paid		(15,196)	(5,029)
Net cash flows from operating activities		**850,174**	**63,715**
Cash flows (used in) from investing activities			
Acquisition of subsidiaries, net of cash acquired		7,861	(20,987)
Purchase of investment securities available-for-sale		(158,505)	(65,795)
Proceeds from sale of investment properties	10	5,785	4,763
Purchase of investment property		(10,160)	-
Proceeds from sale of property and equipment and intangible assets		4,137	1,494
Purchase of property and equipment and intangible assets		(69,018)	(29,602)
Net cash flows used in investing activities		**(219,900)**	**(110,127)**

The accompanying selected explanatory notes on pages 52 to 78 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	*For the six months ended 30 June* 2015	2014
		Unaudited	Unaudited
Cash flows (used in) from financing activities			
Dividends paid		(82,182)	(69,696)
Purchase of treasury shares		(9,312)	(4,519)
Purchase of additional interests in existing subsidiaries		(1,620)	(29,603)
Net cash used in financing activities		**(93,114)**	**(103,818)**
Effect of exchange rates changes on cash and cash equivalents		14,501	293
Net increase (decrease) in cash and cash equivalents		**551,661**	**(149,937)**
Cash and cash equivalents, beginning	6	**710,144**	**1,053,671**
Cash and cash equivalents, ending	6	**1,261,805**	**903,734**

The accompanying selected explanatory notes on pages 52 to 78 are an integral part of these interim condensed consolidated financial statements.

1. Principal Activities

JSC Bank of Georgia (the "Bank") was established on 21 October 1994 as a joint stock company ("JSC") under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia ("NBG"; the Central Bank of Georgia) on 15 December 1994.

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2015 the Bank has 246 operating outlets in all major cities of Georgia (31 December 2014: 219). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia.

The Bank is the parent of a group of companies incorporated in Georgia and Belarus. Primary business activities include providing banking, leasing, insurance, real estate, healthcare, brokerage and investment management services, to corporate and individual customers.

Bank of Georgia Holdings PLC ("BGH") is a public limited liability company incorporated in England and Wales and holds 99.63% of the share capital of the Bank as at 30 June 2015, representing the Bank's ultimate parent company. Together with the Bank's subsidiaries, BGH makes up a group of companies (the "Group"). The shares of BGH ("BGH Shares") are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

Bank of Georgia Holdings PLC's registered legal address is 84 Brook Street, London, United Kingdom W1IK 5EH.

As at 30 June 2015 and 31 December 2014 the following shareholders owned more than 5% of the outstanding shares of the Group. Other shareholders individually owned less than 5% of the outstanding shares.

Shareholder	***30 June 2015***	***31 December 2014***
Schroder Investment Management	11.99%	12.46%
Royal Bank of Canada	5.48%	3.42%
Others	82.53%	84.12%
Total*	**100.00%**	**100.00%**

**** For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares, which includes shares held in the trust for the share-based compensation purposes of the Bank.***

As at 30 June 2015, the members of the Board of Directors of BGH and members of the Supervisory Board and Management Board of the Bank owned 764,887 shares or 1.9% (31 December 2014: 508,541 shares or 1.3%) of the Group.

Shareholder	***30 June 2015, shares held***	***31 December 2014, shares held***
Irakli Gilauri	271,131	161,131
Giorgi Chiladze	116,596	101,800
Avto Namicheishvili	102,264	61,664
Sulkhan Gvalia	57,022	42,022
Mikheil Gomarteli	52,851	30,851
Archil Gachechiladze	50,750	-
Neil Janin	35,729	35,729
David Morrison	26,357	26,357
Kaha Kiknavelidze	26,337	26,337
Al Breach	16,400	16,400
Kim Bradley	1,250	1,250
Murtaz Kikoria	200	5,000
Total	**756,887**	**508,541**

2. Basis of Preparation

General

The financial information set out in these interim condensed consolidated financial statements does not constitute the Group's statutory financial statements within the meaning of section 435 of the Companies Act 2006. Those financial statements were prepared for the year ended 31 December 2014 under IFRS, as adopted by the European Union and have been reported on by BGH's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union. The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2014, signed and authorized for release on 7 April 2015.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts and unless otherwise indicated.

In these interim condensed consolidated financial statements income tax expense is based on management's best estimates of the effective annual income tax rate expected for the full financial year. Costs that occur unevenly during the financial year are anticipated or deferred in the interim condensed consolidated financial statements only if it is also appropriate to anticipate or defer such costs at the end of the financial year.

Going concern

The BGH's Board of Directors has made an assessment of the Group's ability to continue as a going concern and has a reasonable expectation that it has the resources to continue in business for the foreseeable future, being a period of at least 12 months from the date of this report. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Summary of Selected Significant Accounting Policies

Accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2014.

Functional and reporting currencies and foreign currency translation

The interim condensed consolidated financial statements are presented in GEL, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the interim condensed financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. BGH's and the Bank's functional currency is GEL effective 1 January 2015.

3. Summary of Selected Significant Accounting Policies (continued)

Functional and reporting currencies and foreign currency translation (continued)

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 30 June 2015 and 31 December 2014 were:

	Lari to GBP	*Lari to USD*	*Lari to EUR*	*Lari to BYR (10,000)*
30 June 2015	3.5289	2.2483	2.4992	1.4733
31 December 2014	2.8932	1.8636	2.2656	1.5727

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

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

Change in Functional Currency

Prior to 1 January 2007, the Bank determined that GEL was its functional currency, as it was the currency of the primary economic environment in which the Bank operated. However, in 2007 the Bank determined that US Dollar ("USD") was its functional currency, due to the following:

- The USD share of the Bank's assets and liabilities was constantly increasing;
- Pricing of the loans was primarily based on the cost of funds which were sourced primarily from USD denominated offshore banking borrowings and deposits, at the same time Global Depositary Receipts ("GDR") of the Bank floated on the London Stock Exchange, and were priced and traded in USD;
- After the Bank had listed its shares in the form of GDRs on the London Stock Exchange in November 2006, communication, planning and execution of business activities of the Bank with shareholders were generally in USD.

In 2015 the Bank performed a re-assessment of its functional currency in accordance with International Accounting Standard 21 - "Effects of Changes in Foreign Exchange Rates" (IAS 21) and determined that GEL was its functional currency, due to the following:

- USD share of the Bank's assets is stable and no longer increasing, while USD share of liabilities is constantly decreasing;
- Due to their decreasing share in debt financing, pricing of the loans is constantly becoming less dependent on USD denominated offshore banking borrowings and deposits, while following the listing of BGH on the premium listing segment of the London Stock Exchange in February 2012, the Bank's equity financing source also changed from USD to British Pound Sterling ("GBP");
- Communication, planning and execution of business activities of the Bank with shareholders has become less relevant, concentrating more on GEL and GBP;
- Following listing on the premium segment of the London Stock Exchange, share-based compensation of the management has changed from being USD denominated to being GBP denominated;

3. Summary of Selected Significant Accounting Policies (continued)

Change in Functional Currency (continued)

In 2015 BGH also performed a re-assessment of its functional currency in accordance with IAS 21 and determined that GEL was its functional currency as well, due to the fact that BGH is a holding company that has no sufficiently substantive operations to enable it to have a different functional currency from its subsidiary.

As the result, the Bank and BGH changed their functional currencies, from USD and GBP respectively, to GEL starting 1 January 2015 and this has been accounted for prospectively from that date.

Share capital, additional paid-in capital and retained earnings of BGH were retranslated to GEL from 31 December 2014 GBP-GEL exchange rate of 2.8932 to 1 January 2015 exchange rate of 2.9220. This movement is shown as GBP-GEL translation effect in the consolidated statement of changes in equity for the six months ended 30 June 2015.

Change in Presentation of Statement of Financial Position and Income Statement

The Group changed the reporting format to reflect its recently updated strategy to operate as a Georgia-focused banking group with an investment arm. As the result, consolidated statements of financial position and income statement are presented as a combination of the Group's Banking and Investment businesses with corresponding inter-business eliminations. Certain line items of the statement of financial position and the income statement were reorganised to provide a more relevant presentation of these two distinct parts of the Group.

Reclassifications

Due to the change in the presentation of statement of financial position, the following reclassifications were made to the 31 December 2014 statement of financial position to conform to the six months ended 30 June 2015 presentation requirements:

As at	**Caption**			
	Consolidated Statement of Financial Position:	***As previously reported***	***Reclassification***	***As reclassified***
31 December 2014	Loans to customers	4,322,186	(4,322,186)	–
31 December 2014	Finance lease receivables	38,519	(38,519)	–
31 December 2014	Investments in associates	48,659	(48,659)	–
31 December 2014	Other assets	351,687	(141,976)	209,711
31 December 2014	Loans to customers and finance lease receivables	–	4,350,803	4,350,803
31 December 2014	Accounts receivable and other loans	–	67,255	67,255
31 December 2014	Insurance premiums receivable	–	31,840	31,840
31 December 2014	Inventories	–	101,442	101,442
31 December 2014	Current income tax assets	4,215	(4,215)	–
31 December 2014	Deferred income tax assets	18,530	(18,530)	–
31 December 2014	Income tax assets	–	22,745	22,745
31 December 2014	Current income tax liabilities	11,093	(11,093)	–
31 December 2014	Deferred income tax liabilities	86,471	(86,471)	–
31 December 2014	Income tax liabilities	–	97,564	97,564
31 December 2014	Provisions	4,732	(4,732)	–
31 December 2014	Other liabilities	238,122	(150,477)	87,645
31 December 2014	Accruals and deferred income	–	108,623	108,623
31 December 2014	Insurance contracts liabilities	–	46,586	46,586

3. Summary of Selected Significant Accounting Policies (continued)

Reclassifications (continued)

Due to the change in the presentation of income statement, the following line items were divided into Banking Business and Investment Business parts and placed above and below revenue respectively. The following main reclassifications were made to the six months ended 30 June 2014 income statement to conform to the six months ended 30 June 2015 presentation requirements:

Six months ended	**Caption** **Consolidated Statement of Financial Position:**	***As previously reported***	***Reclassification***	***As reclassified***
30 June 2014	Interest income	284,645	(284,645)	–
30 June 2014	Banking interest income	–	283,913	283,913
30 June 2014	Interest income from investment business	–	732	732
30 June 2014	Interest expense	(124,387)	124,387	–
30 June 2014	Salaries and other employee benefits	(73,058)	(88)	(73,146)
30 June 2014	General and administrative expenses	(34,688)	(85)	(34,773)
30 June 2014	Banking interest expense	–	(120,465)	(120,465)
30 June 2014	Interest expense from investment business	–	(3,749)	(3,749)
30 June 2014	Depreciation and amortization	(13,806)	13,806	–
30 June 2014	Cost of healthcare services	(32,855)	3,202	(29,653)
30 June 2014	Banking depreciation and amortization	–	(12,523)	(12,523)
30 June 2014	Depreciation and amortization of investment business	–	(4,485)	(4,485)
30 June 2014	Net gain from foreign currencies: dealing	20,559	(20,559)	–
30 June 2014	Net gain from foreign currencies: translation differences	292	(292)	–
30 June 2014	Net banking foreign currency gain	–	22,700	22,700
30 June 2014	Net foreign currency loss from investment business	–	(1,849)	(1,849)

4. Business Combination

Acquisition of JSC PrivatBank

On 9 January 2015 the Bank acquired 100% of shares in JSC PrivatBank ("Acquiree"), a commercial Bank operating in Georgia, from PJSC CB PrivatBank (Ukraine) and its subsidiary for a total consideration of GEL 92.7 million.

The provisionally estimated fair values of identifiable assets and liabilities of the acquiree as at the date of acquisition was:

	Provisional Fair value recognized on acquisition
Cash and cash equivalents	107,553
Amounts due from credit institutions	26,226
Loans to customers and finance lease receivables	297,387
Insurance premiums receivable	2,069
Investment property (note 10)	705
Property and equipment	20,301
Intangible assets	148
Income tax assets	1,785
Other assets	14,515
	470,689
Client deposits and notes	340,284
Amounts due to credit institutions	38,620
Accruals and deferred income	1,991
Other liabilities	6,668
	387,563
Total identifiable net assets	**83,126**
Goodwill arising on business combination	9,555
Consideration given[1]	**92,681**

The net cash inflow on acquisition was as follows:

Cash paid	(83,433)
Cash acquired with the subsidiary	107,553
Net cash inflow	**24,120**

The Group decided to increase their presence in retail segment of Georgia's banking sector, by acquiring JSC PrivatBank, thus consolidating a leading position in the growing retail segment of the Georgian commercial banking sector. Management considers that the deal will have a positive impact on the value of the Group.

GEL 32,130 and GEL 3,546 of revenue and profit, respectively comes from the Acquiree during five months ended 31 May 2015. In May 2015, the Bank completed the integration of the Acquiree. The goodwill of GEL 9,555 was added to the Retail Banking cash generating unit, as JSC PrivatBank operations became an indistinguishable part of our Retail Banking business.

The primary factor that contributed to the cost of business combination that resulted in the recognition of goodwill on acquisition is the positive synergy which is expected to be brought into the Group's operations. The whole amount of goodwill recognized is expected to be tax deductible.

The net assets as well as the amount of goodwill presented above are estimated provisionally, while customer-related intangible assets have not been identified and measured yet as at 30 June 2015. The Group continues thorough full examination and if identified, adjustments will be made to the net assets and amount of the goodwill during the twelve month period from the acquisition date, as allowed by IFRS 3 “Business Combinations”.

[1] Consideration comprised of GEL 92,681, which consists of GEL 83,433 cash payment and GEL 9,248 fair value of a holdback amount.

5. Segment Information

Following the updated strategy of the Group to operate as a Georgia-focused banking group with an investment arm, the management also reorganised its segment information accordingly. The previously presented Corporate Banking, Retail Banking, Investment Management and Corporate Centre of the Strategic group, P&C of the Synergistic group and BNB of the Non-core group was reorganised into the Banking Business, while GHG and Affordable Housing of the Synergistic group and Liberty Consumer and Other of the Non-core group were reorganised into the Investment Business.

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

Banking Business - The Group's Banking Business segments, dedicated to delivery and enhancement of banking and related financial services:

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

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

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

P&C - Property and Casualty Insurance - principally providing wide-scale property and casualty insurance services to corporate clients and insured individuals;

BNB - Comprising JSC Belarusky Narodny Bank, principally providing retail and corporate banking services in Belarus.

Investment Business - the Group's investment arm segments, with disciplined development paths and exit strategies:

GHG - Georgia Healthcare Group - principally providing wide-scale healthcare and medical insurance services to clients and insured individuals;

m2 - Comprising the Group's real estate subsidiaries, principally developing and selling affordable residential apartments and also, holding investment properties repossessed by the Bank from defaulted borrowers and managing those properties.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured in the same manner as profit or loss in the consolidated financial statements.

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the six months ended 30 June 2015 and 30 June 2014.

5. Segment Information (continued)

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments as at and for the six months ended 30 June 2015 (unaudited):

	Banking Business								*Investment Business*						
	Retail banking	*Corporate banking*	*Investment management*	*BNB*	*P&C*	*Other Banking Business*	*Banking Business Eliminations*	*Banking Business*	*GHG*	*M2*	*Other Investment Business*	*Investment Business Eliminations*	*Investment Business*	*Inter-Business Eliminations*	*Group Total*
Net banking interest income	154,419	69,368	9,334	14,067	1,113	1,004	156	249,461	-	-	-	-	-	(5,683)	243,778
Net fee and commission income	36,971	14,317	2,175	4,916	143	(293)	33	58,262	-	-	-	-	-	(2,287)	55,975
Net banking foreign currency gain (loss)	8,209	17,604	2,002	8,685	2,215	12	-	38,727	-	-	-	-	-	-	38,727
Net other banking income	2,348	2,888	604	234	388	10	(1,566)	4,906	-	-	-	-	-	(634)	4,272
Gross insurance profit	-	-	-	-	9,459	-	(682)	8,777	5,492	-	-	-	5,492	(878)	13,391
Gross healthcare profit	-	-	-	-	-	-	-	-	34,975	-	-	-	34,975	-	34,975
Gross real estate profit	-	-	-	-	-	-	-	-	257	911	-	-	1,168	-	1,168
Gross other investment profit	-	-	-	-	-	-	-	-	1,917	162	4,188	(14)	6,253	(120)	6,133
Revenue	**201,947**	**104,177**	**14,115**	**27,902**	**13,318**	**733**	**(2,059)**	**360,133**	**42,641**	**1,073**	**4,188**	**(14)**	**47,888**	**(9,602)**	**398,419**
Operating expenses	(84,489)	(25,968)	(5,135)	(8,941)	(5,494)	(2,552)	2,059	(130,520)	(18,102)	(2,906)	(3,044)	14	(24,038)	1,650	(152,908)
Operating income (expense) before cost of credit risk/EBITDA	**117,458**	**78,209**	**8,980**	**18,961**	**7,824**	**(1,819)**	**-**	**229,613**	**24,539**	**(1,833)**	**1,144**	**-**	**23,850**	**(7,952)**	**245,511**
Investment Business related income statement items	-	-	-	-	-	-	-	-	(9,609)	(399)	(18)	-	(10,026)	7,952	(2,074)
Operating income before cost of credit risk	**117,458**	**78,209**	**8,980**	**18,961**	**7,824**	**(1,819)**	**-**	**229,613**	**14,930**	**(2,232)**	**1,126**	**-**	13,824	-	243,437
Cost of credit risk	(37,323)	(33,527)	(91)	(10,328)	(267)	-	-	(81,536)	(1,940)	-	(232)	-	(2,172)	-	(83,708)
Net operating income (loss) before non-recurring items	**80,135**	**44,682**	**8,889**	**8,633**	**7,557**	**(1,819)**	**-**	**148,077**	**12,990**	**(2,232)**	**894**	**-**	**11,652**	**-**	**159,729**
Net non-recurring (expense/loss) income/gain	(3,323)	(797)	(39)	(1,416)	-	-	-	(5,575)	(403)	(140)	3,258	-	2,715	-	(2,860)
Profit before income tax	**76,812**	**43,885**	**8,850**	**7,217**	**7,557**	**(1,819)**	**-**	**142,502**	**12,587**	**(2,372)**	**4,152**	**-**	**14,367**	**-**	**156,869**
Income tax (expense) benefit	(11,639)	(7,465)	(1,214)	(2,212)	238	54	-	(22,238)	(252)	356	(366)	-	(262)	-	(22,500)
Profit	**65,173**	**36,420**	**7,636**	**5,005**	**7,795**	**(1,765)**	**-**	**120,264**	**12,335**	**(2,016)**	**3,786**	**-**	**14,105**	**-**	**134,369**
Assets and liabilities															
Total assets	4,457,921	3,742,410	47,429	444,377	111,303	18,000	(108,730)	8,712,710	500,779	234,066	148,844	(316)	883,373	(221,024)	9,375,059
Total liabilities	3,282,904	2,897,171	947,309	363,782	80,189	1,344	(108,730)	7,463,969	289,514	155,343	31,630	(316)	476,171	(221,024)	7,719,116
Other segment information															
Property and equipment	19,835	2,221	619	475	296	150	-	23,596	26,889	422	1,291	-	28,602	-	52,198
Intangible assets	2,999	420	32	166	621	11	-	4,249	1,237	-	12	-	1,249	-	5,498
Capital expenditure	**22,834**	**2,641**	**651**	**641**	**917**	**161**	**-**	**27,845**	**28,126**	**422**	**1,303**	**-**	**29,851**	**-**	**57,696**
Depreciation & Amortization	(13,649)	(1,947)	(229)	(532)	(352)	(2)	-	(16,711)	(4,528)	(85)	(653)	-	(5,266)	-	(21,977)

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5. Segment Information (continued)

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments for the six months ended 30 June 2014 (unaudited and reclassified) and as at 31 December 2014 (reclassified):

	Banking Business								*Investment Business*						
	Retail banking	*Corporate banking*	*Investment management*	*BNB*	*P&C*	*Other Banking Business*	*Banking Business Elimination*	*Banking Business*	*GHG*	*M2*	*Other Investment Business*	*Investment Business Elimination*	*Investment Business*	*Inter-Business Eliminations*	*Group Total*
Net banking interest income	100,945	47,487	6,052	11,175	136	526	(90)	166,231	-	-	-	-	-	(2,783)	163,448
Net fee and commission income	26,009	12,014	4,663	4,342	155	(183)	292	47,292	-	-	-	-	-	(1,230)	46,062
Net banking foreign currency gain (loss)	8,240	11,011	467	2,928	54	-	-	22,700	-	-	-	-	-	-	22,700
Net other banking income	1,828	1,693	222	272	288	12	(895)	3,420	-	-	-	-	-	(313)	3,107
Gross insurance profit	-	-	-	-	8,764	-	(574)	8,190	8,727	-	-	-	8,727	(859)	16,058
Gross healthcare profit	-	-	-	-	-	-	-	-	22,938	-	-	-	22,938	-	22,938
Gross real estate profit	-	-	-	-	-	-	-	-	-	9,658	1	-	9,659	(80)	9,579
Gross other investment profit	-	-	-	-	-	-	-	-	130	54	5,571	(14)	5,741	120	5,861
Revenue	**137,022**	**72,205**	**11,404**	**18,717**	**9,397**	**355**	**(1,267)**	**247,833**	**31,795**	**9,712**	**5,572**	**(14)**	**47,065**	**(5,145)**	**289,753**
Operating expenses	(60,758)	(23,918)	(4,959)	(8,639)	(4,167)	(2,601)	1,267	(103,775)	(13,812)	(2,548)	(3,389)	14	(19,735)	1,307	(122,203)
Operating income (expense) before cost of credit risk/EBITDA	**76,264**	**48,287**	**6,445**	**10,078**	**5,230**	**(2,246)**	**-**	**144,058**	**17,983**	**7,164**	**2,183**	**-**	**27,330**	**(3,838)**	**167,550**
Investment Business related income statement items	-	-	-	-	-	-	-	-	(11,406)	(692)	(1,091)	-	(13,189)	3,838	(9,351)
Operating income before cost of credit risk	**76,264**	**48,287**	**6,445**	**10,078**	**5,230**	**(2,246)**	**-**	**144,058**	**6,577**	**6,472**	**1,092**	**-**	14,141	-	158,199
Cost of credit risk	(372)	(23,874)	94	(1,601)	(327)	-	-	(26,080)	(1,083)	-	-	-	(1,083)	-	(27,163)
Net operating income (loss) before non-recurring items	**75,892**	**24,413**	**6,539**	**8,477**	**4,903**	**(2,246)**	**-**	**117,978**	**5,494**	**6,472**	**1,092**	**-**	**13,058**	**-**	**131,036**
Net non-recurring (expense/loss) income/gain	(4,766)	(2,453)	(267)	(2,115)	-	-	-	(9,601)	1,375	18	11	-	1,404	-	(8,197)
Profit before income tax	**71,126**	**21,960**	**6,272**	**6,362**	**4,903**	**(2,246)**	**-**	**108,377**	**6,869**	**6,490**	**1,103**	**-**	**14,462**	**-**	**122,839**
Income tax (expense) benefit	(6,258)	(2,353)	(856)	1,577	(823)	229	-	(8,484)	(669)	(974)	(730)	-	(2,373)	-	(10,857)
Profit	**64,868**	**19,607**	**5,416**	**7,939**	**4,080**	**(2,017)**	**-**	**99,893**	**6,200**	**5,516**	**373**	**-**	**12,089**	**-**	**111,982**
Assets and liabilities															
Total assets	3,269,069	3,315,377	40,888	403,764	86,750	73,120	(144,966)	7,044,002	409,834	193,119	172,785	(231)	775,507	(240,364)	7,579,145
Total liabilities	2,316,688	2,412,671	842,874	326,515	58,695	748	(144,966)	5,813,225	237,565	112,407	22,449	(230)	372,191	(240,364)	5,945,052
Other segment information															
Property and equipment	11,993	1,557	308	1,050	474	42	-	15,424	9,209	135	1,011	-	10,355	-	25,779
Intangible assets	2,434	495	36	158	28	3	-	3,154	624	24	21	-	669	-	3,823
Capital expenditure	**14,427**	**2,052**	**344**	**1,208**	**502**	**45**	**-**	**18,578**	**9,833**	**159**	**1,032**	**-**	**11,024**	**-**	**29,602**
Depreciation & Amortization	(9,425)	(1,889)	(177)	(766)	(264)	(2)	-	(12,523)	(3,730)	(226)	(529)	-	(4,485)	-	(17,008)

6. Cash and Cash Equivalents

	As at	
	30 June 2015 (unaudited)	***31 December 2014***
Cash on hand	389,046	393,315
Current accounts with central banks, excluding obligatory reserves	215,736	152,647
Current accounts with other credit institutions	323,495	138,243
Time deposits with credit institutions with maturity of up to 90 days	333,528	25,939
Cash and cash equivalents	**1,261,805**	**710,144**

As at 30 June 2015 GEL 547,776 (31 December 2014: GEL 136,559) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 1.2% interest per annum on these deposits (31 December 2014: 1.3%).

7. Amounts Due from Credit Institutions

	As at	
	30 June 2015 (unaudited)	***31 December 2014***
Obligatory reserves with central banks	486,763	382,963
Time deposits with maturity of more than 90 days	18,501	33,832
Inter-bank loan receivables	78,624	1,486
Amounts due from credit institutions	**583,888**	**418,281**

Obligatory reserves with central banks represent amounts deposited with the NBG and the NBRB (National Bank of the Republic of Belarus). Credit institutions are required to maintain cash deposit (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by the statutory legislature. The Group did not earn any interest on obligatory reserves with NBG or NBRB during the six months ended 30 June 2015 and 30 June 2014.

As at 30 June 2015 inter-bank loans and receivables include GEL 1,845 (31 December 2014: GEL 1,486) placed with non-OECD banks.

8. Investment Securities Available-for-sale

Available-for-sale securities comprise:

	As at	
	30 June 2015 (unaudited)	***31 December 2014***
Georgian ministry of Finance treasury bonds*	564,949	459,400
Georgian ministry of Finance treasury bills**	176,913	169,796
Certificates of deposit of central banks***	69,477	92,547
Other debt instruments****	83,049	46,557
Corporate shares	1,452	1,412
Investment securities available-for-sale	**895,840**	**769,712**

**** GEL 509,668 was pledged for short-term loans from the National Bank of Georgia (31 December 2014: GEL 341,681).***
***** GEL 142,574 was pledged for short-term loans from the National Bank of Georgia (31 December 2014: GEL 60,889).***
****** GEL 8,819 was pledged for short-term loans from the National Bank of Georgia (31 December 2014: nil).***
******* GEL 78,842 was pledged for short-term loans from the National Bank of Georgia (31 December 2014: GEL 25,069).***

Other debt instruments as at 30 June 2015 comprises GEL denominated bonds issued by European Bank for Reconstruction and Development of GEL 50,383, GEL denominated bonds issued by International Finance Corporation of GEL 28,458, and USD denominated corporate bonds of GEL 4,208.

9. Loans to Customers and Finance Lease Receivables

	As at	
	30 June 2015 (unaudited)	*31 December 2014 (reclassified)*
Commercial loans	2,363,295	2,184,379
Consumer loans	1,087,140	801,474
Micro and SME loans	946,163	772,283
Residential mortgage loans	736,249	604,143
Gold – pawn loans	60,820	53,785
Loans to customers, gross	**5,193,667**	**4,416,064**
Less – Allowance for loan impairment	(177,717)	(103,780)
Loans to customers, net	**5,015,950**	**4,312,284**
Finance Lease Receivables, gross	**39,253**	**39,248**
Less – Allowance for Finance Lease Receivables impairment	(2,451)	(729)
Finance Lease Receivables , net	**36,802**	**38,519**
Loans to customers and finance lease receivables, net	**5,052,752**	**4,350,803**

Allowance for loan impairment

Movements of the allowance for impairment of loans to customers by class are as follows:

	Commercial loans	*Consumer loans*	*Residential mortgage loans*	*Micro and SME loans*	*Total*
	2015	*2015*	*2015*	*2015*	*2015*
At 1 January	**72,885**	**23,648**	**2,993**	**4,254**	**103,780**
Charge *	33,261	32,564	1,405	6,803	74,033
Recoveries	1,818	9,448	1,425	2,031	14,722
Write-offs	(1,217)	(7,636)	(485)	(2,339)	(11,677)
Accrued interest on written-off loans	(401)	(1,476)	(346)	(446)	(2,669)
Currency translation differences	(162)	(58)	-	(252)	(472)
At 30 June	**106,184**	**56,490**	**4,992**	**10,051**	**177,717**

	Commercial loans	*Consumer loans*	*Residential mortgage loans*	*Micro and SME loans*	*Total*
	2014	*2014*	*2014*	*2014*	*2014*
At 1 January	**90,949**	**20,772**	**3,093**	**5,971**	**120,785**
Charge (reversal)	15,767	5,146	(1,373)	(2,613)	16,927
Recoveries	1,798	7,194	2,459	2,014	13,465
Write-offs	(23,326)	(9,169)	(2,104)	(2,402)	(37,001)
Accrued interest on written-off loans	(3,992)	(1,350)	(606)	(176)	(6,124)
Currency translation differences	(69)	(17)	-	(86)	(172)
At 30 June	**81,127**	**22,576**	**1,469**	**2,708**	**107,880**

** Increased impairment charges for six months ended 30 June 2015 are attributable to acquisition of JSC PrivatBank in January 2015 (note 4), which added higher cost of risk carrying loans in credit cards and consumer loan product lines, as well as increased cost of risk on existing loan portfolio – mostly due to GEL devaluation against USD during six months ended 2015.*

9. Loans to Customers and Finance Lease Receivables (continued)

Concentration of loans to customers

As at 30 June 2015 concentration of loans granted by the Group to the ten largest third party borrowers comprised GEL 588,746 accounting for 11% of the gross loan portfolio of the Group (31 December 2014: GEL 711,647 and 16% respectively). An allowance of GEL 5,077 (31 December 2014: GEL 4,034) was established against these loans.

As at 30 June 2015, the concentration of loans granted by the Group to the ten largest third party group of borrowers comprised GEL 877,278 accounting for 24% of the gross loan portfolio of the Group (31 December 2014: GEL 1,094,084 and 25% respectively). An allowance of GEL 7,903 (31 December 2014: GEL 18,324) was established against these loans.

As at 30 June 2015 and 31 December 2014 loans are principally issued within Georgia, and their distribution by industry sector is as follows:

	As at	
	30 June 2015 (unaudited)	*31 December 2014 (reclassified)*
Individuals	2,288,862	1,831,479
Manufacturing	702,116	719,003
Trade	754,744	647,858
Real estate	533,649	400,533
Hospitality	155,528	166,214
Transport & Communication	160,563	151,715
Electricity, gas and water supply	82,371	124,772
Construction	141,490	114,891
Mining and quarrying	124,290	15,310
Other	250,054	244,289
Loans to customers, gross	**5,193,667**	**4,416,064**
Less – allowance for loan impairment	(177,717)	(103,780)
Loans to customers, net	**5,015,950**	**4,312,284**

Loans have been extended to the following types of customers:

	2015	*2014*
Private companies	2,857,394	2,534,641
Individuals	2,288,862	1,831,479
State-owned entities	47,411	49,944
Loans to customers, gross	**5,193,667**	**4,416,064**
Less – allowance for loan impairment	(177,717)	(103,780)
Loans to customers, net	**5,015,950**	**4,312,284**

10. Investment Properties

	2015	*2014*
At 1 January	**190,860**	**157,707**
Additions	30,459	4,325
Business Combination (note 4)	705	-
Disposals	(5,785)	(4,763)
Hyperinflation effect	240	264
Transfers from (to) property and equipment and other assets	5,266	(11,369)
Currency translation differences	(239)	6,128
At 30 June	**221,506**	**152,292**

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The date of latest revaluation is 31 December 2013. As at 30 June 2015 the Group concluded that the market price of investment properties was not materially different from their carrying value.

The Group has no restrictions on the realisability of its investment properties and has a commitment to invest GEL 25,200 until the end of 2018, for the development of an investment property.

11. Client Deposits and Notes

Client deposits and notes include the following:

	As at	
	30 June 2015 (unaudited)	*31 December 2014*
Time deposits	2,377,926	1,867,925
Current accounts	1,724,946	1,445,790
Promissory notes issued	1,545	25,010
Client deposits and notes	**4,104,417**	**3,338,725**
Held as security against letters of credit and guarantees (Note 15)	**32,725**	**53,393**

As at 30 June 2015 and 31 December 2014, promissory notes issued by the Group comprise the notes privately held by financial institutions being effectively equivalents of certificates of deposits with fixed maturity and fixed interest rate. The average remaining maturity of the notes is 10 months (31 December 2014: 1 month).

At 30 June 2015, GEL 588,785 (14%) was due to the 10 largest customers (31 December 2014: GEL 424,103 (13%)).

Client deposits and notes include accounts with the following types of customers:

	As at	
	30 June 2015 (unaudited)	*31 December 2014*
Individuals	2,346,627	1,868,762
Private enterprises	1,529,425	1,284,955
State and state-owned entities	228,365	185,008
Client deposits and notes	**4,104,417**	**3,338,725**

The breakdown of client deposits by industry sector is as follows:

	As at	
	30 June 2015 (unaudited)	*31 December 2014*
Individuals	2,346,627	1,868,762
Real estate	361,407	329,246
Transport & Communication	322,621	173,591
Trade	255,246	277,792
Construction	214,607	220,234
Government services	158,368	128,046
Financial intermediation	150,007	110,759
Manufacturing	126,983	107,813
Electricity, gas and water supply	34,070	21,275
Hospitality	20,660	33,503
Other	113,821	67,704
Client deposits and notes	**4,104,417**	**3,338,725**

12. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2015 (unaudited)	***31 December 2014***
Borrowings from international credit institutions	661,655	574,240
Short-term loans from the National Bank of Georgia	674,701	400,772
Time deposits and inter-bank loans	367,182	261,551
Correspondent accounts	64,364	32,606
	1,767,902	**1,269,169**
Non-convertible subordinated debt	371,615	140,045
Amounts due to credit institutions	**2,139,517**	**1,409,214**

During the six months ended 30 June 2015 the Group received short-term funds from Georgian banks in different currencies.

During the six months ended 30 June 2015 the Group paid up to 4.00% on USD borrowings from international credit institutions (30 June 2014: up to 5.19%). During the six months ended 30 June 2015 the Group paid up to 7.75% on USD subordinated debt (30 June 2014: up to 7.75%).

In June 2015, the Group signed a USD 90 million subordinated loan agreement with the International Finance Corporation. The loan facility, which includes USD 20 million from the European Fund for Southeast Europe bears a maturity of ten years and qualifies as Tier II capital under the Basel 2 framework.

Some long-term borrowings from international credit institutions are subject to certain conditions (the "Lender Covenants"). These covenants require the Group to maintain different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 30 June 2015 and 31 December 2014 the Group complied with all the Lender Covenants of the borrowings from international credit institutions.

13. Debt Securities Issued

Debt securities issued comprise:

	As at	
	30 June 2015 (unaudited)	***31 December 2014***
Eurobonds	938,739	779,445
Georgian local bonds	92,572	46,217
Certificates of deposit	31,812	31,033
Debt securities issued	**1,063,123**	**856,695**

In May 2015, the Group's healthcare subsidiary JSC Medical Corporation EVEX completed the issuance of 2-year local bonds of USD 15 million (GEL 34 million). The bonds were issued at par with an annual coupon rate of 9.50% payable semi-annually with 5% withholding tax applying to individuals.

In May 2015, the Group's real estate subsidiary JSC m2 Real Estate completed the issuance of 2-year local bonds of USD 20 million (GEL 45 million). The bonds were issued at par with an annual coupon rate of 9.50% payable semi-annually with 5% withholding tax applying to individuals.

14. Equity

Share capital

As at 30 June 2015 and 31 December 2014, issued share capital of BGH comprised 39,500,320 common shares, all of which were fully paid. Each share has a nominal value of one (1) British Penny (31 December 2014: one (1) British Penny). Shares issued and outstanding as at 30 June 2015 are described below:

	Number of shares Ordinary	*Amount of shares Ordinary*
31 December 2013	**35,909,383**	**1,028**
Effect of translation of equity components to presentation currency	-	53
30 June 2014	**35,909,383**	**1,081**
31 December 2014	**39,500,320**	**1,143**
Effect of translation of equity components to presentation currency (note 3)	-	11
30 June 2015	**39,500,320**	**1,154**

Treasury shares

Treasury shares of GEL 36 as at 30 June 2015 comprise 1,242,527 of the Group's shares owned by the Bank (31 December 2014: GEL 46, or 1,522,185 shares). Purchase of treasury shares were conducted by the Bank in the open market.

Dividends

Shareholders are entitled to dividends in British Pounds.

On 21 May 2015, the Directors of Bank of Georgia Holdings PLC declared 2015 interim dividends comprising Georgian Lari 2.1 per share. The currency conversion date was set at 8 June 2015, with the official GEL – GBP exchange rate of 3.5110, resulting in a GBP denominated interim dividend of 0.5981 per share. Payment of the total GEL 80,411 interim dividends was received by shareholders on 16 June 2015.

Nature and purpose of other reserves

Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of office buildings and service centers and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised gains (losses) on investment securities available-for-sale

This reserve records fair value changes on investment securities available-for-sale.

Unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries

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

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the interim condensed financial statements of foreign subsidiaries.

Movements in other reserves during six months ended 30 June 2015 and 30 June 2014 are presented in the statements of other comprehensive income.

14. Equity (continued)

Earnings per share

	For the six months ended	
	30 June 2015 (unaudited)	*30 June 2014 (unaudited)*
Basic and diluted earnings per share		
Profit for the year attributable to ordinary shareholders of the Group	133,241	108,347
Weighted average number of ordinary shares outstanding during the year	38,419,705	34,442,314
Basic and diluted earnings per share	3.4679	3.1458

15. Commitments and Contingencies

Legal

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

Financial commitments and contingencies

As at 30 June 2015 and 31 December 2014 the Group's financial commitments and contingencies comprised the following:

	As at	
	30 June 2015 (unaudited)	*31 December 2014*
Credit-related commitments		
Guarantees issued	488,432	465,527
Undrawn loan facilities	259,079	144,634
Letters of credit	54,564	95,669
	802,075	**705,830**
Operating lease commitments		
Not later than 1 year	14,855	12,382
Later than 1 year but not later than 5 years	29,122	21,943
Later than 5 years	4,095	3,178
	48,072	**37,503**
Capital expenditure commitments	**26,005**	**10,035**
Less – Cash held as security against letters of credit and guarantees (Note 11)	(32,725)	(53,393)
Less – Provisions	(3,249)	(4,732)
Financial commitments and contingencies, net	**840,178**	**695,243**

As at 30 June 2015 the capital expenditure represented the commitment for purchase of property and capital repairs of GEL 25,859 and software and other intangible assets of GEL 146. As at 31 December 2014 the capital expenditure represented the commitment for purchase of property and capital repairs of GEL 9,810 and software and other intangible assets of GEL 225.

16. Interest Income and Interest Expense

	For the six months ended 30 June							
	2015				2014			
	Unaudited				Unaudited, Reclassified			
	Banking Business	Investment Business	Elimi-nation	Total	Banking Business	Investment Business	Elimi-nation	Total
From loans to customers	376,974	585	(6,033)	371,526	261,084	585	(3,098)	258,571
From investment securities: available-for-sale	30,561	14	(72)	30,503	18,071	-	-	18,071
From finance lease receivable	4,827	-	-	4,827	4,498	-	-	4,498
From amounts due from credit institutions	5,303	1,063	(416)	5,950	3,358	395	(248)	3,505
Interest Income	**417,666**	**1,662**	**(6,522)**	**412,806**	**287,011**	**980**	**(3,346)**	**284,645**
On client deposits and notes	(91,185)	-	932	(90,253)	(67,129)	-	315	(66,814)
On amounts owed to credit institutions	(43,341)	(11,557)	6,138	(48,760)	(27,228)	(7,386)	3,644	(30,970)
On debt securities issued	(33,679)	(1,912)	1,721	(33,870)	(26,423)	(449)	442	(26,430)
Interest Expense	**(168,205)**	**(13,469)**	**8,791**	**(172,883)**	**(120,780)**	**(7,835)**	**4,401**	**(124,214)**
Net Interest Income	**249,461**	**(11,807)**	**2,269**	**239,923**	**166,231**	**(6,855)**	**1,055**	**160,431**

17. Net Fee and Commission Income

	For the six months ended	
	30 June 2015 (unaudited)	***30 June 2014 (unaudited, reclassified)***
Settlements operations	52,566	41,114
Guarantees and letters of credit	12,293	10,604
Cash operations	6,806	4,161
Currency conversion operations	1,325	1,535
Brokerage service fees	412	4,051
Advisory	15	-
Other	1,518	1,350
Fee and commission income	**74,935**	**62,815**
Settlements operations	(13,902)	(11,824)
Cash operations	(2,247)	(1,767)
Guarantees and letters of credit	(1,890)	(1,835)
Insurance brokerage service fees	(359)	(364)
Currency conversion operations	(41)	(50)
Other	(521)	(913)
Fee and commission expense	**(18,960)**	**(16,753)**
Net fee and commission income	**55,975**	**46,062**

18. Fair Value Measurements

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

18. Fair Value Measurements (continued)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

30 June 2015 ***(unaudited)***	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Investment securities	-	894,614	1,226	895,840
Other assets – derivative financial assets	-	64,127	-	64,127
Other assets – trading securities owned	280	-	-	280
Assets for which fair values are disclosed				
Cash and cash equivalents	-	-	1,261,805	1,261,805
Amounts due from credit institutions	-	-	583,888	583,888
Loans to customers and finance lease receivables	-	24,116	4,886,582	4,910,698
Liabilities measured at fair value:				
Other liabilities – derivative financial liabilities	-	1,873	-	1,873
Liabilities for which fair values are disclosed				
Client deposits and notes	-	-	4,138,931	4,138,931
Amounts owed to credit institutions	-	-	2,139,517	2,139,517
Debt securities issued	-	-	1,063,123	1,063,123

31 December 2014 (reclassified)	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Investment securities	-	768,300	1,412	769,712
Other assets – derivative financial assets	-	45,733	-	45,733
Other assets – trading securities owned	1,034	-	-	1,034
Assets for which fair values are disclosed				
Cash and cash equivalents	-	-	710,144	710,144
Amounts due from credit institutions	-	-	418,281	418,281
Loans to customers and finance lease receivables	-	-	4,450,930	4,450,930
Liabilities measured at fair value:				
Other liabilities – derivative financial liabilities	-	7,505	-	7,505
Liabilities for which fair values are disclosed				
Client deposits and notes	-	-	3,366,108	3,366,108
Amounts owed to credit institutions	-	-	1,409,214	1,409,214
Debt securities issued	-	-	856,695	856,695

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

18. Fair Value Measurements (continued)

Derivative financial instruments

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

Trading securities and investment securities available-for-sale

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

Movements in level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value:

	31 December 2013	*Impairment of Investment in BG Bank*	*Transfers from level 2*	*At 31 December 2014*	*Impairment of Investment in BG Bank*	*At 30 June 2015*
Level 3 financial assets						
Equity investment securities available-for-sale	5,222	(3,837)	27	1,412	(186)	1,226

Movements in level 3 non-financial assets measured at fair value

All investment properties and revalued properties included in property and equipment are of level 3.

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

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

	Carrying value 2015	*Fair value 2015*	*Unrecognised gain (loss) 2015*	*Carrying value 2014*	*Fair value 2014*	*Unrecognised gain (loss) 2014*
		Unaudited			*Reclassified*	
Financial assets						
Cash and cash equivalents	1,261,805	1,261,805	-	710,144	710,144	-
Amounts due from credit institutions	583,888	583,888	-	418,281	418,281	-
Loans to customers and finance lease receivables	5,052,752	4,910,698	(142,054)	4,350,803	4,450,930	100,127
Financial liabilities						
Client deposits and notes	4,104,417	4,138,931	(34,514)	3,338,725	3,366,109	(27,384)
Amounts owed to credit institutions	2,139,517	2,139,517	-	1,409,214	1,409,214	-
Debt securities issued	1,063,123	1,063,123	-	856,695	856,695	-
Total unrecognised change in unrealised fair value			**(176,568)**			**72,743**

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

18. Fair Value Measurements (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

19. Maturity Analysis of Financial Assets and Liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	30 June 2015 (unaudited)							
	On Demand	*Up to 3 Months*	*Up to 6 Months*	*Up to 1 Year*	*Up to 3 Years*	*Up to 5 Years*	*Over 5 Years*	*Total*
Financial assets								
Cash and cash equivalents	928,622	333,183	-	-	-	-	-	1,261,805
Amounts due from credit institutions	485,954	5,462	17,171	71,665	1,845	-	1,791	583,888
Investment securities	165,387	644,394	2,325	26,638	57,064	32	-	895,840
Loans to customers and finance lease receivables	-	812,549	493,480	991,616	1,438,266	692,298	624,543	5,052,752
Total	**1,579,963**	**1,795,588**	**512,976**	**1,089,919**	**1,497,175**	**692,330**	**626,334**	**7,794,285**
Financial liabilities								
Client deposits and notes	475,072	862,017	435,265	1,879,248	371,229	63,625	17,961	4,104,417
Amounts owed to credit institutions	65,183	953,051	138,419	142,281	412,893	181,174	246,516	2,139,517
Debt securities issued	-	55,224	877	48,152	942,608	16,262	-	1,063,123
Total	**540,255**	**1,870,292**	**574,561**	**2,069,681**	**1,726,730**	**261,061**	**264,477**	**7,307,057**
Net	**1,039,708**	**(74,704)**	**(61,585)**	**(979,762)**	**(229,555)**	**431,269**	**361,857**	**487,228**
Accumulated gap	**1,039,708**	**965,004**	**903,419**	**(76,343)**	**(305,898)**	**125,371**	**487,228**	

	2014 (reclassified)							
	On Demand	*Up to 3 Months*	*Up to 6 Months*	*Up to 1 Year*	*Up to 3 Years*	*Up to 5 Years*	*Over 5 Years*	*Total*
Financial assets								
Cash and cash equivalents	691,573	18,571	-	-	-	-	-	710,144
Amounts due from credit institutions	382,714	808	3,974	26,324	2,486	-	1,975	418,281
Investment securities	327,846	383,657	7,361	9,698	34,008	1,966	5,176	769,712
Loans to customers and finance lease receivables	-	698,671	510,881	734,149	1,282,395	624,387	500,320	4,350,803
Total	**1,402,133**	**1,101,707**	**522,216**	**770,171**	**1,318,889**	**626,353**	**507,471**	**6,248,940**
Financial liabilities								
Client deposits and notes	272,235	603,510	366,000	1,686,080	355,892	39,995	15,013	3,338,725
Amounts owed to credit institutions	32,951	582,882	63,704	153,848	314,313	152,742	108,774	1,409,214
Debt securities issued	-	45,864	28,930	43,425	738,476	-	-	856,695
Total	**305,186**	**1,232,256**	**458,634**	**1,883,353**	**1,408,681**	**192,737**	**123,787**	**5,604,634**
Net	**1,096,947**	**(130,549)**	**63,582**	**(1,113,182)**	**(89,792)**	**433,616**	**383,684**	**644,306**
Accumulated gap	**1,096,947**	**966,398**	**1,029,980**	**(83,202)**	**(172,994)**	**260,622**	**644,306**	

19. Maturity Analysis of Financial Assets and Liabilities (continued)

The Group's capability to discharge its liabilities relies on its ability to realise equivalent assets within the same period of time. In the Georgian marketplace, where most of the Group's business is concentrated, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. To reflect the historical stability of current accounts, the Group calculates the minimal daily balance of current accounts over the past two years and includes the amount in the less than 1 year category in the table above. The remaining current accounts are included in the on demand category.

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

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

As at 30 June 2015 client deposits and notes amounted to GEL 4,104,417 (31 December 2014: GEL 3,338,725) and represented 53% (31 December 2014: 56%) of Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 30 June 2015 amounts owed to credit institutions amounted to GEL 2,139,517 (31 December 2014: GEL 1,409,214) and represented 28% (31 December 2014: 24%) of total liabilities. As at 30 June 2015 debt securities issued amounted to GEL 1,063,123 (31 December 2014: GEL 856,695) and represented 14% (31 December 2014: 14%) of total liabilities.

The Bank was in compliance with regulatory liquidity requirements as at 30 June 2015 and 31 December 2014. In management's opinion, liquidity is sufficient to meet the Group's present requirements.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	30 June 2015 (unaudited)			*31 December 2014 (reclassified)*		
	Less than 1 Year	*More than 1 Year*	*Total*	*Less than 1 Year*	*More than 1 Year*	*Total*
Cash and cash equivalents	1,261,805	-	1,261,805	710,144	-	710,144
Amounts due from credit institutions	580,252	3,636	583,888	413,820	4,461	418,281
Investment securities	838,744	57,096	895,840	728,562	41,150	769,712
Loans to customers and finance lease receivables	2,297,645	2,755,107	5,052,752	1,943,701	2,407,102	4,350,803
Accounts receivable and other loans	67,124	10,742	77,866	67,255	-	67,255
Insurance premiums receivable	57,336	806	58,142	31,764	76	31,840
Prepayments	33,667	18,478	52,145	17,848	15,926	33,774
Inventories	53,761	77,773	131,534	61,654	39,788	101,442
Investment property	-	221,506	221,506	-	190,860	190,860
Property and equipment	-	669,153	669,153	-	588,513	588,513
Goodwill	-	60,056	60,056	-	49,633	49,633
Intangible assets	-	36,894	36,894	-	34,432	34,432
Income tax assets	8,840	20,240	29,080	4,215	18,530	22,745
Other assets	176,704	67,694	244,398	109,577	100,134	209,711
Total assets	**5,375,878**	**3,999,181**	**9,375,059**	**4,088,540**	**3,490,605**	**7,579,145**
Client deposits and notes	3,651,602	452,815	4,104,417	2,927,825	410,900	3,338,725
Amounts owed to credit institutions	1,298,934	840,583	2,139,517	833,385	575,829	1,409,214
Debt securities issued	104,253	958,870	1,063,123	118,219	738,476	856,695
Accruals and deferred income	58,924	73,908	132,832	36,241	72,382	108,623
Insurance contracts liabilities	69,141	3,860	73,001	43,166	3,420	46,586
Income tax liabilities	3,035	108,352	111,387	11,093	86,471	97,564
Other liabilities	76,971	17,868	94,839	49,482	38,163	87,645
Total liabilities	**5,262,860**	**2,456,256**	**7,719,116**	**4,019,411**	**1,925,641**	**5,945,052**
Net	**113,018**	**1,542,925**	**1,655,943**	**69,129**	**1,564,964**	**1,634,093**

20. Related Party Disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's length basis.

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

	2015 (Unaudited)			*2014 (Unaudited)*		
	*Share-holders**	*Asso-ciates***	*Key management personnel****	*Share-holders*	*Asso-ciates*	*Key management personnel****
Loans outstanding at 1 January, gross	**-**	**78,592**	**2,048**	**-**	**-**	**1,484**
Loans issued during the period	-	4,000	2,519	-	-	1,149
Loan repayments during the period	-	(44,260)	(4,058)	-	-	(1,785)
Other movements	-	12,963	371	-	-	39
Loans outstanding at 30 June, gross	**-**	**51,295**	**880**	**-**	**-**	**887**
Less: allowance for impairment at 31 December	-	(649)	(1)	-	-	(1)
Loans outstanding at 30 June, net	**-**	**50,646**	**879**	**-**	**-**	**886**
Interest income on loans	-	2,546	70	-	-	33
Loan impairment charge	-	(92)	(1)	-	-	(15)
Deposits at 1 January	**-**	**4,975**	**17,500**	**-**	**50**	**11,455**
Deposits received during the period	-	102,712	24,126	-	54	17,447
Deposits repaid during the period	-	(103,204)	(21,191)	-	(75)	(14,568)
Other movements	-	(70)	3,729	-	6	3,176
Deposits at 30 June	**-**	**4,413**	**24,164**	**-**	**35**	**17,510**
Interest expense on deposits	-	-	(272)	-	-	(296)
Other income	-	-	41	-	-	57
Borrowings at 1 January	**-**	**-**	**-**	**233,209**	**-**	**-**
Borrowings received during the period	-	-	-	16,522	-	-
Borrowings repaid during the period	-	-	-	(73,429)	-	-
Other movements****	-	-	-	(96,837)	-	-
Borrowings at 30 June	**-**	**-**	**-**	**79,465**	**-**	**-**
Interest expense on borrowings	-	-	-	(3,693)	-	-
Interest rate swaps*** at 1 January**	**-**	**-**	**-**	**1,453**	**-**	**-**
Payments during the period	-	-	-	(1,453)	-	-
Interest rate swaps at 30 June	**-**	**-**	**-**	**-**	**-**	**-**

**** On 24 February 2012 the EBRD and IFC utilized the equity conversion feature of subordinated convertible loans, becoming shareholders of the Group and sold their shares in 2014.***
***** On 23 December 2014 the Group acquired 25% interest in Georgian Global Utilities LLC (the "GGU"), a holding company with wholly owned subsidiaries that supply water and provide wastewater services, which also owns and operates three hydropower generation facilities in Georgia.***
****** Key management personnel include members of BGH's Board of Directors and Chief Executive Officer and Deputies of the Bank.***
******* Movements caused by the change in the list of respective related parties during the period. GEL 96,837 reduction of borrowings from related parties is attributable to the sale of BGH shares by the International Finance Corporation during the six months ended 30 June 2014.***
******** Interest rate swap agreements with IFC.***

20. Related Party Disclosures (continued)

Compensation of key management personnel comprised the following:

	For the six months ended	
	30 June 2015 (unaudited)	***30 June 2014 (unaudited)***
Salaries and other benefits	2,599	2,160
Share-based payments compensation	7,546	14,763
Social security costs	24	20
Total key management compensation	**10,169**	**16,943**

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2015 was 16 (31 December 2014:16).

21. Capital Adequacy

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

Approved and published on 28 October 2013 by NBG, a new capital adequacy regulation became effective in 2014, based on Basel II/III requirements, adjusted for NBG's discretionary items. Pillar 1 requirements became effective on 30 June 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.

During six months ended 30 June 2015, the Bank and the Group complied in full with all its externally imposed capital requirements.

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

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

NBG (Basel II/III) capital adequacy ratio

Effective 30 June 2014, the NBG requires banks to maintain a minimum total capital adequacy ratio of 12.5% of risk-weighted assets, computed based on the bank's stand-alone special purpose financial statements prepared in accordance with NBG regulations and pronouncements, based on Basel II/III requirements. As at 30 June 2015 and 31 December 2014 the Bank's capital adequacy ratio on this basis was as follows:

	As at	
	30 June 2015 (unaudited)	***31 December 2014***
Tier 1 capital	1,204,760	1,128,004
Less: Deductions from capital	(335,380)	(327,539)
Tier 2 capital	458,686	217,100
Total capital	**1,328,066**	**1,017,565**
Risk-weighted assets	**8,350,545**	**7,204,080**
Total capital ratio	**15.9%**	**14.1%**
Tier 1 capital ratio	**10.4%**	**11.1%**

21. Capital Adequacy (continued)

NBG (Basel II/III) capital adequacy ratio (continued)

Tier 1 capital comprises share capital, additional paid-in capital and retained earnings, less investments in subsidiaries, intangible assets and goodwill. Tier 2 capital includes subordinated long-term debt and general loss provisions. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBG.

NBG capital adequacy ratio

The NBG requires banks to maintain a minimum capital adequacy ratio of 12% of risk-weighted assets, computed based on the Bank's standalone special purpose financial statements prepared in accordance with NBG regulations and pronouncements. As at 30 June 2015 and 31 December 2014, the Bank's capital adequacy ratio on this basis was as follows:

	As at	
	30 June 2015 (unaudited)	*31 December 2014*
Core capital	1,074,049	895,318
Supplementary capital	530,376	398,598
Less: Deductions from capital	(380,473)	(365,487)
Total regulatory capital	**1,223,952**	**928,429**
Risk-weighted assets	**7,741,720**	**6,719,169**
Total capital ratio	**15.8%**	**13.8%**
Tier 1 capital ratio	**13.9%**	**13.3%**

Core capital comprises share capital, additional paid-in capital and retained earnings (without current period profits), less intangible assets and goodwill. Supplementary capital includes subordinated long-term debt, current period profits and general loss provisions. Deductions from the capital include investments in subsidiaries. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBG.

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the consolidated statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2015 and 31 December 2014, was as follows:

	As at	
	30 June 2015 (unaudited)	*31 December 2014*
Tier 1 capital	1,537,213	1,431,398
Less: Deductions Goodwill	(60,056)	(49,633)
Tier 2 capital	461,128	249,419
Less: Deductions from capital	(1,162)	(1,521)
Total capital	**1,937,123**	**1,629,663**
Risk-weighted assets	**7,253,159**	**6,252,992**
Total capital ratio	**26.7%**	**26.1%**
Tier 1 capital ratio	**20.4%**	**22.9%**

22. Event after the Reporting Period

In July 2015 the Group acquired 50% equity interest in GNCo. GNCo is a holding company that owns 100% of High Technology Medical University Center ("HTMC"), a 450 bed referral hospital in Tbilisi, which provides a wide range of in-patient and out-patient services. The Group preliminary assessed that it obtained control over GNC Co as a result of that acquisition. Initial purchase accounting is currently in progress and not all of the asset valuations and accounting estimates are formally finalised. Therefore, management considers a more detailed disclosure impracticable. A full and complete IFRS 3 disclosure will be presented in the Group's 2015 annual financial statements.

In August, the Bank completed the corporate legal restructuring as announced in December 2014. The need for restructuring was created by the recently updated strategy as well as NBG's intention to regulate banks in Georgia on a standalone basis.

ANNEX 1: Glossary of financial items

Cash and cash equivalents	Consists of cash on hand, current accounts with central banks, current accounts with credit institutions and time deposits with credit institutions with contractual maturities of less than 90 days.
Amounts due from credit institutions	Consists of obligatory reserves with central banks, time deposits with credit institutions with original maturities of over 90 days and interbank loans receivable.
Investment securities	Consists of government T-bills and T-bonds, NBG Certificate of Deposit and other interest-earning corporate bonds, as well as some corporate shares.
Loans to customers and finance lease receivables	Consists of loans to clients and finance lease receivables.
Client deposits and notes	Consists of client deposits, client certificates of deposit and promissory notes.
Insurance contracts liabilities	Consists of insurance contracts' Unearned Premiums Reserves (UPR), Reported But Not Settled (RBNS) and Incurred But Not Reported (IBNR) reserves.
Other reserves	Consists mainly of property revaluation, currency translation and available-for-sale investment security revaluation reserves.
Banking interest income	Consists of interest income from loans to clients, finance lease receivables, amounts due from credit institutions and available-for-sale investment securities.
Banking interest expense	Consists of interest expense on client deposits and notes, amounts due to credit institutions and debt securities issued.
Fee and commission income	Consists of fee and commission income from settlement, documentary, cash, brokerage and currency conversion operations.
Fee and commission expense	Consists of fee and commission expense on settlement, documentary, cash, brokerage and currency conversion operations.
Net banking foreign currency gain	Consists of income from foreign currency dealing, and gains & losses from currency translation differences of the Banking Business.
Net other banking income	Consists of banking business operating lease income, and gains & losses from sale of investment securities, trading securities and real estate properties.
Net insurance premiums earned	Consists of premium income from insurance contracts, net of reinsurance.
Net insurance claims incurred	Consists of claim expenses on insurance contracts, net of reinsurance.
Real estate revenue	Consists of income from sale of affordable housing apartments of m2, and investment business operating lease income and gains & losses from sale of real estate properties.
Gross other investment profit	Consists of income from sale of wine & spirits of Teliani Valley and other investment business income.
Banking depreciation and amortisation	Consists of depreciation and amortization expenses of the Banking Business.
Profit (loss) from associates	Consists of share in profit or loss of investments in associates.
Depreciation and amortization of investment business	Consists of depreciation and amortization expenses of the Investment Business.
Net foreign currency gain from investment business	Consists of gains & losses from currency translation differences of the Investment Business.
Impairment charge on other assets and provisions	Consists of impairment charges on other credit risk carrying financial assets and expenses for provisions.
Non-recurring income and expenses	as an income or expense triggered by or originated from an extraordinary economic, business or financial event that is not inherent to the regular and ordinary business course of the Group and is caused by uncertain or unpredictable external factors

ANNEX 2: 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 Group divided by monthly average equity attributable to shareholders of the Group for the same period;

3 Net Interest Margin equals Net Banking Interest Income of the period divided by monthly Average Interest Earning Assets Excluding Cash for the same period; Interest Earning Assets Excluding Cash comprise: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares) and net Loans To Customers And Finance Lease Receivables;

4 Loan Yield equals Banking 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 banking interest expense of the period divided by monthly average interest bearing liabilities; interest bearing liabilities include: amounts due to credit institutions, client deposits and notes and debt securities issued;

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

9 Liquid assets include: cash and cash equivalents, amounts due from credit institutions and investment securities;

10 Leverage (Times) equals total liabilities divided by total equity;

11 NPL Coverage Ratio equals allowance for impairment of loans and finance lease receivables divided by NPLs;

12 NPL Coverage Ratio adjusted for discounted value of collateral equals allowance for impairment of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for impairment)

13 Cost of Risk equals impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;

14 BIS Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements of Basel Accord I;

15 BIS Total Capital Adequacy ratio equals total capital divided by total risk weighted assets, both calculated in accordance with the requirements of Basel Accord I;

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

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

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

19 Old NBG Total Capital Adequacy ratio equals total capital divided by total risk weighted Assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;

ANNEX 3: REPORTING FORMAT CHANGE

Effective 1Q15, we have changed our reporting format to reflect our recently updated strategy. As a result, we now present our consolidated Group financial statements as a combination of our Banking Business and Investment Business, with corresponding interbusiness eliminations.

- **Banking Business** comprises: Retail Banking, Corporate Banking, Investment Management, P&C insurance, and Belarusky Narodny Bank ("**BNB**")
- **Investment Business** comprises: Healthcare Business (GHG), which includes healthcare services business ("**Evex**") and the medical insurance business ("**Imedi L**"), Real Estate Business (m^2 Real Estate), Water & Utility Business (GGU) and other legacy investments (including the wine subsidiary Teliani Valley)
  - Banking Business discussion is presented separately, following the Group's financial summary
  - Retail Banking, Corporate Banking, Investment Management, GHG and m^2 Real Estate are reported separately in the segment results discussion
- **BGH consolidated** financials comprise Banking Business and Investment Business, as well as respective interbusiness eliminations on the face of the income statement and balance sheet.
- **Interbusiness eliminations represent** transactions and/or balances that exist as of and for each reporting period between the Banking Business and Investment Business. They are eliminated for final consolidation purposes.
- Privatbank results were fully consolidated in 1Q15
- GGU, of which we own a 25% stake, was accounted for on an equity basis reflected in *profit and loss from associates* in the income statement and *other assets* in the balance sheet

COMPANY INFORMATION

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Registered under number 7811410 in England and Wales
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Share price information
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