

Post-crisis financial markets in Georgia





About Liberty Bank – Turnaround in Progress

As of 31 May 2010

Shares outstanding*	3,060,446,927
Shares owned by Liberty Capital	2,409,047,026
% owned by Liberty Capital	78.7%
Treasury shares	9.1%
ESOP	5.7%
Free Float*	6.4%
Exchange	GSE
Ticker Code	BANK
Share price	GEL 0.034
Mcap**	GEL 94.7 mln

*including treasury shares








**net of treasury shares

GEL/US\$ Exchange Rate (e-o-p) of 1.7847 as at 31 May 2010

GSE+OTC Trading Volume		
	GEL	Shares
July '09	200	6,250
August '09	98,014	1,444,852
September '09	300,796	3,077,545
October '09	128,119	1,605,407
November '09	242,089	3,910,182
December '09	244,261	3,748,464
January '10	1,519,989	35,608,902
February '10	24,406,336	1,450,727,143
March '10	592,548	26,830,620
April '10	989,269	43,034,141
May '10	120,560	3,493,095
June '10	422,899	12,264,678
Total	29,065,080	1,585,751,279

Source: The Georgian Stock Exchange

Leading Retail Footprint

-  The leading bank by number of clients, serving approximately 1.2 million individuals and over 20,000 legal entities
-  The largest retail network comprising 179 branches and sales outlets 1,350 mobile sales force
-  Sixth largest bank by total assets, with a 4.8% market share*
-  Exclusive provider of state pension services
-  Sole provider of welfare payment services
-  Providing payroll services to approximately 100,000 individuals employed at over 2,900 organisations
-  Robust in-house card processing platform, servicing 1.2 mln cards, with estimated capacity of over 5 mln cards

*As of 31 May 2010

Source: the National Bank of Georgia

Key Figures*

GEL mln, unless otherwise noted *	Mar '10	Dec '09	Sep '09	YE 2008	YE 2007
Consolidated					
Total Assets	362	325	281	318	283
Net Loans, of which	101	84	78	109	114
Retail loans	66	56	46	81	75
Corporate loans	33	27	32	28	39
Private Banking loans	1.2	0.7	0.4	N/A	N/A
Total Liabilities	333	315	263	303	222
Account Balances, of which	271	254	202	199	204
Retail client account balances	91	77	80	114	107
Corporate client account balances	124	111	63	68	94
Private Banking client account balances	16	15	13	N/A	N/A
Shareholders' Equity	29	11	17	15	59




GEL mln, unless otherwise noted *	Q1 '10	Q4 '09	Q3 '09	2008	2007
Consolidated					
Revenue	12	11	NMF	55	49
Net Income/(Loss)	0.1	(3)	NMF	(46)	3
GEL/US\$ Exchange Rate, e-o-p	1.75	1.69	1.68	1.67	1.59

	June '10	Mar '10	Dec '09	Sep '09	YE 2008	YE 2007
Number of debit cards outstanding	1,202,647	1,189,421	885,938	N/A	N/A	N/A
Number of ATMs	171	137	136	134	135	N/A
Number of employees, of which	3,765	3,857	3,804	3,700	3,880	4,121
Full-time employees	1,860	1,946	1,890	1,790	1,907	2,162
Number of POS terminals	533	491	510	503	548	N/A





*Not audited or reviewed (except for 2007 and 2008 figures), IFRS-based. Audited IFRS results may vary significantly from these preliminary figures

1-2 July 2010




Greater Size/Market Share

-  Q1 2010 Total Assets of GEL 362 mln – a 29.6% increase from 30 September '09 – with our market share (by Total Assets) reaching 4.4% by 31 March 2010 vs. 3.5% as of 30 September 2009
-  Q1 2010 Q-o-Q growth of 11.3% in Total Assets vs. 2.2% increase in total assets of the banking sector
-  2010 YTD (May) growth of 30.6% in Total Assets vs. 6.2% increase in total assets of the banking sector



Improving Asset Composition

-  Gross Loans up 8.9% in Q1 2010 and up 25.7% YTD 2010 (through May 2010)
-  Net Loans up 20.4% in Q1 2010 and up 39.9% YTD 2010 (through May 2010)
-  However, Net Loans/Total Assets still at very low level of 27.9% as at 31 May 2010
-  Significant untapped lending potential, given the low loan penetration rate among retail clients, Net Loans/Total Deposits ratio of 37.4% and Liquidity Ratio of 34.6%






Early Signs of the Diversification of Funding Sources

-  Client Deposits up 14.4% in Q1 2010 and up 49.4% YTD 2010 (through May 2010)
-  Term Deposits of individuals up 16.8% in Q1 2010 and up further 27.7% YTD 2010 despite the absence of advertising
-  Client Deposits/Total Liabilities at 77.9% as at 31 May 2010 vs. 64.5% at YE 2009 vs. 59.2% as at 30 September 2009



Dramatically Better Capital Position

-  Q1 2010 consolidated Equity Book Value of GEL 29.1 mln, after all major legacy asset impairments have been provisioned for, plus a capital increase of GEL 18.7 million paid in in February 2010
-  May 2010 standalone equity of GEL 35.1 mln

Improved share liquidity and transparency

-  Ticker code changed to BANK and B Listing attained on the GSE
-  IR effort since September 2009: 15 investor press releases issued, Chairman/CEO and Head of Investor Relations accessible by phone and email
-  Free float of 6.4%
-  GEL 1.5 mln raised, at the weighted-average sale price of GEL 0.0422 per share
-  A GDR programme launched in June 2010 with BoNY Mellon

Liberty Securities acting as retail-size lot market-maker in BANK

-  The sale of 2.2% treasury shares completed
-  [55]% YTD 2010 market share in BANK trading on the GSE & OTC

Mandatory Tender Offer Completed

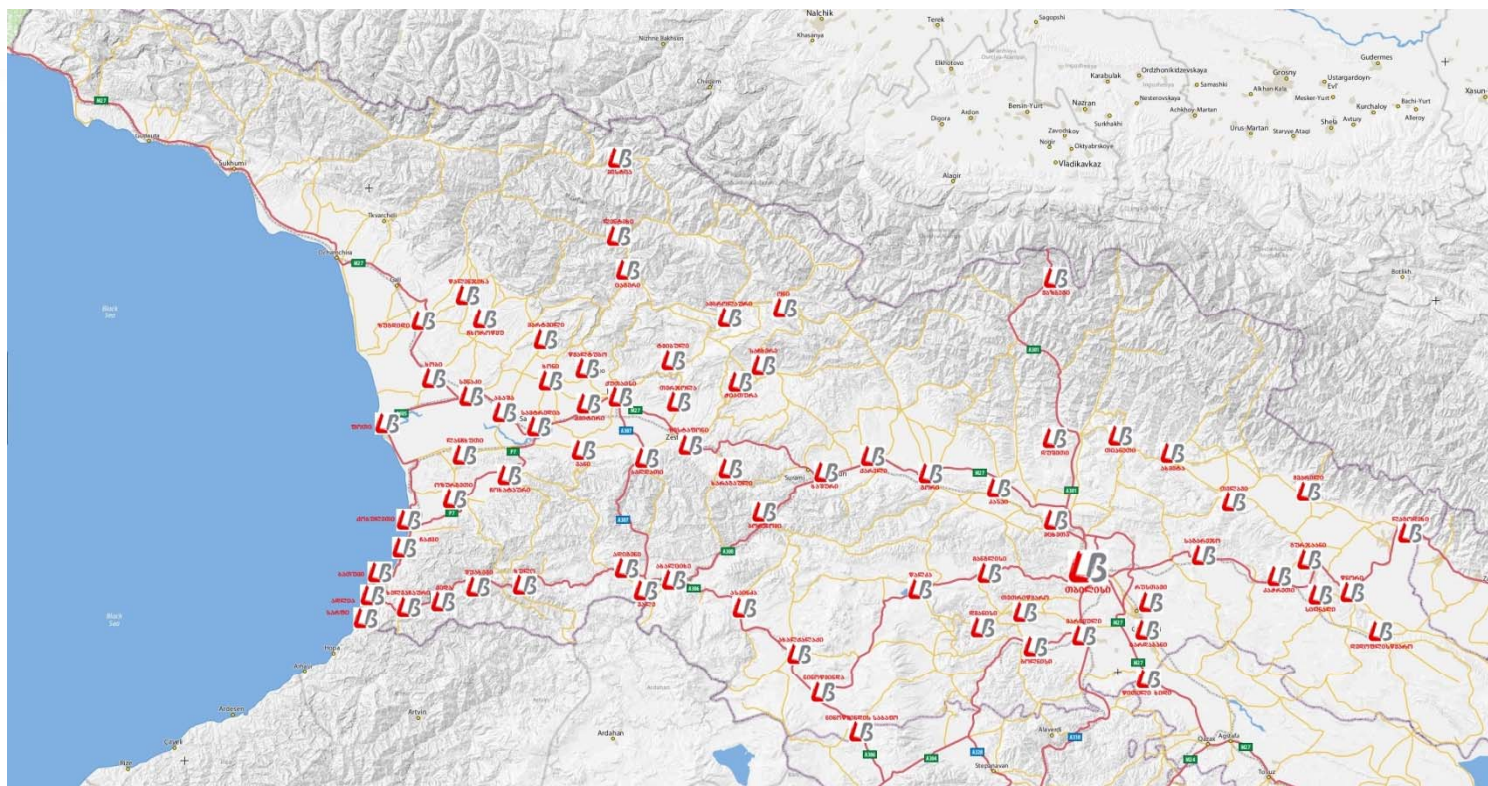
-  No shares have been tendered by minority shareholders at our purchase price of GEL 0.0176 per share

1-2 July 2010

The Largest Branch Network & Retail Client Base In Georgia

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- LB** Over 800,000 pensioners as of 31 March 2010
- LB** Over 300,000 welfare payment recipients as of 31 March 2009
- LB** c. 200,000 other retail client accounts as of 31 March 2010
- LB** c. 26,000 legal entities accounts as of 31 March 2010
- LB** 1,350 mobile cashiers
- LB** 202 sales agents

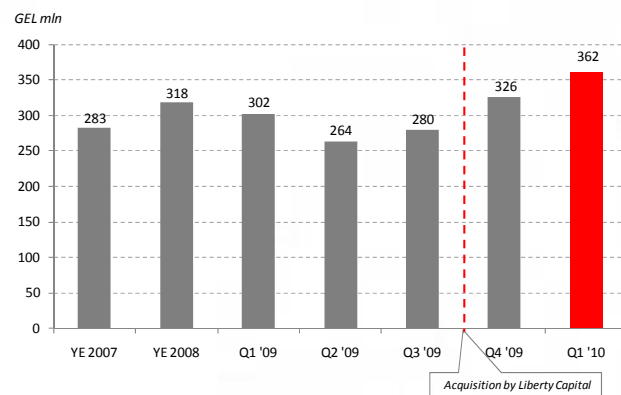


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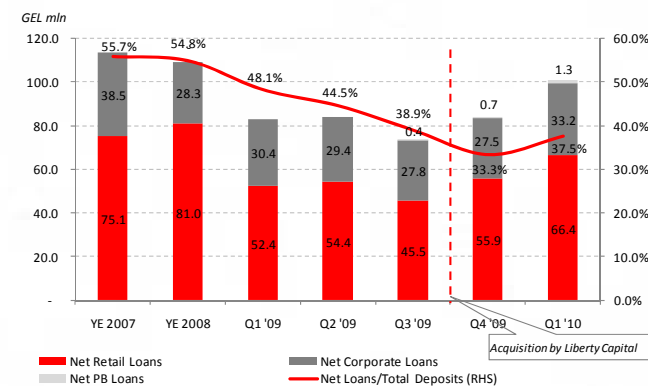
LB **ლიბერთი ბანკი**
LIBERTY BANK

Financial Highlights

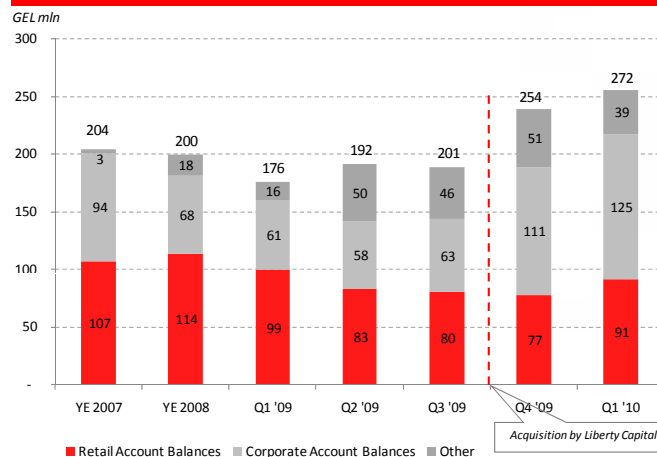
Total Assets



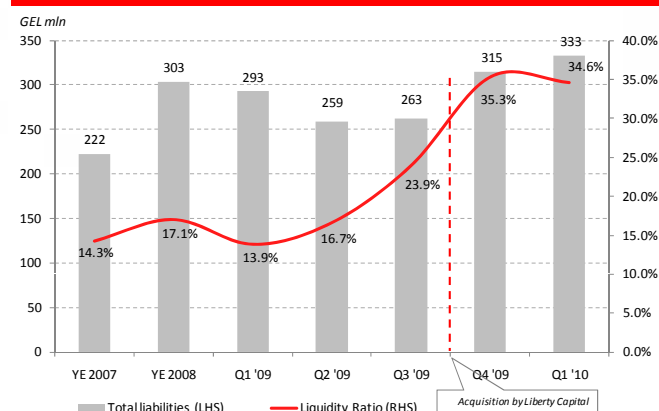
Net Loans



Account Balances



Total Liabilities



Note: Not audited or reviewed (except for 2007 and 2008 figures). IFRS-based, consolidated. Audited IFRS results may vary significantly from these preliminary figures

1-2 July 2010



Georgian Economy & Banking Sector

Georgia is the only country moving from negative to stable outlook in the Fitch Ratings in 2009



Area:	69,700 sq km
Population (2009E):	4.4 mln
Life expectancy:	74 years
Official language:	Georgian
Literacy:	100%
Capital:	Tbilisi
Currency (code):	Lari (GEL)
GDP 2009:	US\$10.7 bln
GDP real growth rate 2009E:	-3.9%
GDP real growth rate 2010F	4.5%
GDP CAGR '03-'08	22.2%
GDP per capita 2009E (PPP):	US\$4,747
Inflation rate (e-o-p) 2009:	3.0%
External debt to GDP 2009E:	31.5%

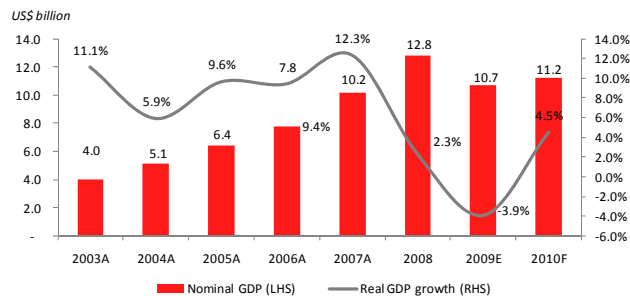
	2003	2009
Nominal GDP (GEL mln)	8,564	17,948
GDP per capita (GEL)	1,972	4,093
Total budget revenues (GEL mln)	1,368	5,265

Source: Government of Georgia



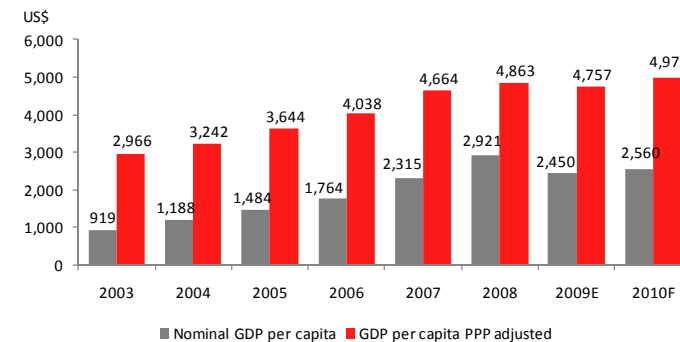
June 2010

Gross Domestic Product (GDP)



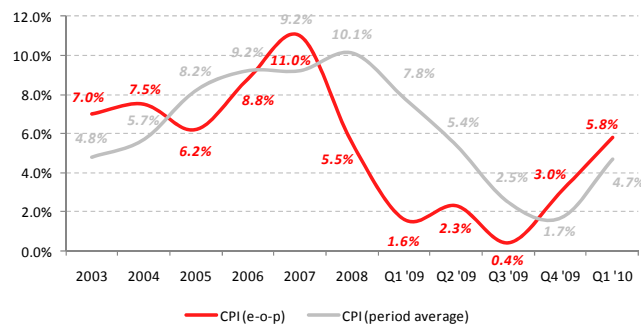
Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

GDP Per Capita



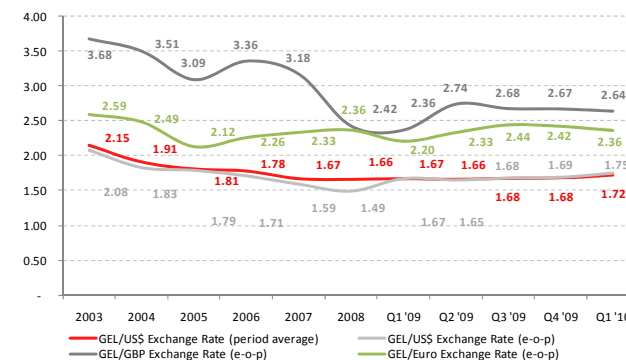
Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

Consumer Price Index



Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

Exchange Rate

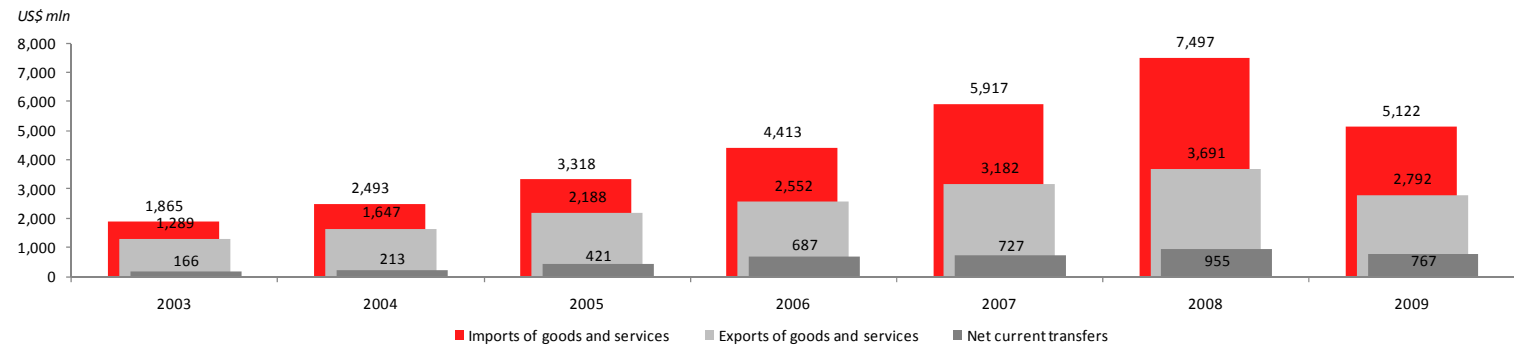


Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

June 2010

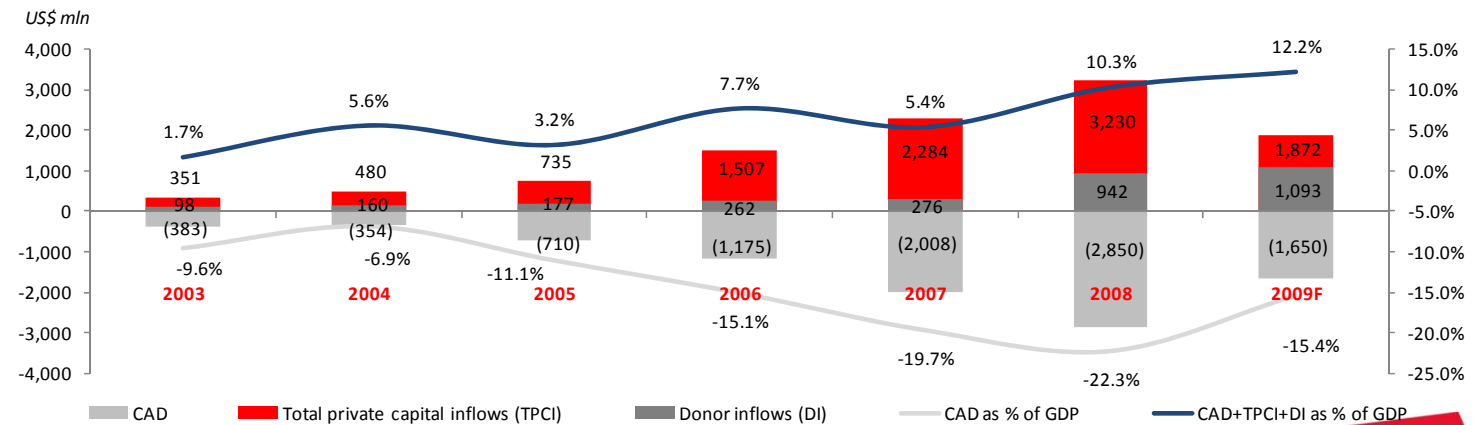
Current Account Deficit

Exports & Imports



Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

Current Account Deficit



Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

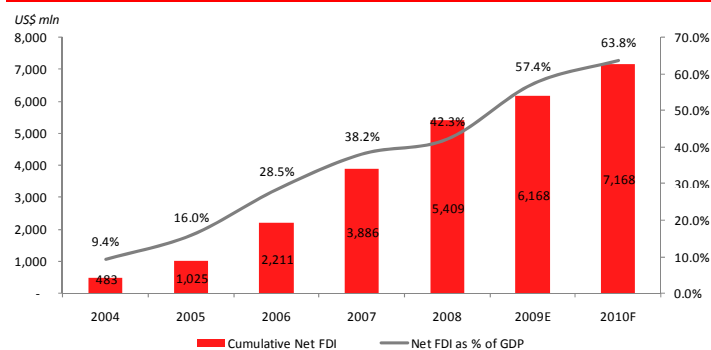
June 2010

Net Cumulative FDI Breakdown By Origin (2004-2009)

Country	US\$ mln	Share in Total
UAE	696	10.7%
UK	678	10.5%
Netherlands	597	9.2%
Turkey	581	9.0%
USA	445	6.9%
British Virgin Islands	414	6.4%
Kazakhstan	310	4.8%
Czech Republic	294	4.5%
Cyprus	259	4.0%
Bahamas	214	3.3%
Subtotal	4,488	69.3%
Other	1,990	30.7%
Total	6,477	100.0%

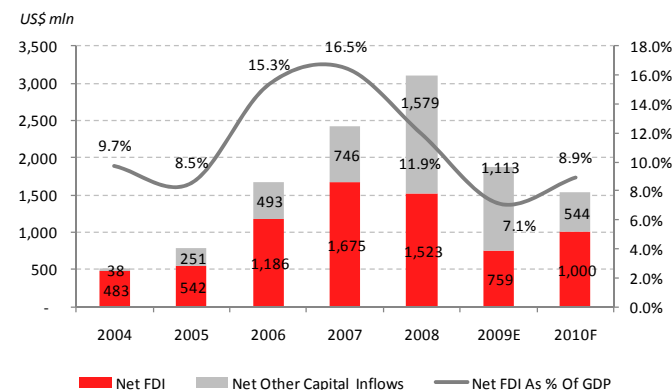
Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

Cumulative Net FDI



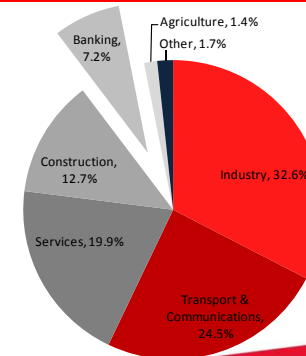
Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

Net Inflows



Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

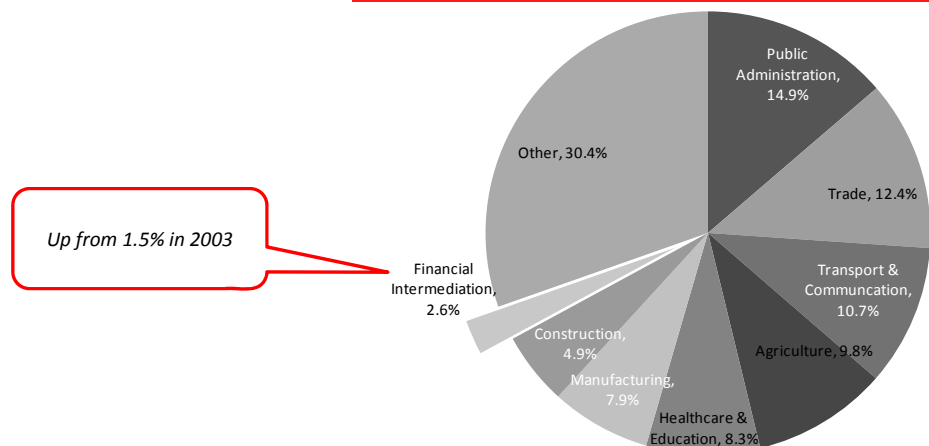
Net FDI Breakdown By Sectors (2009)



Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

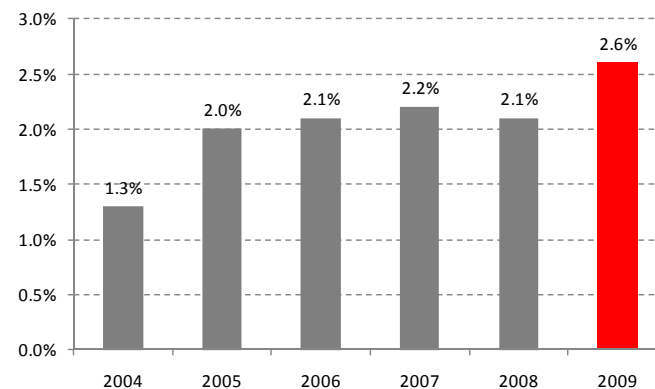
June 2010

Components of GDP, 2009



Source: Department of Statistics of Georgia

Share of Financial Intermediation in GDP, 2004-2009



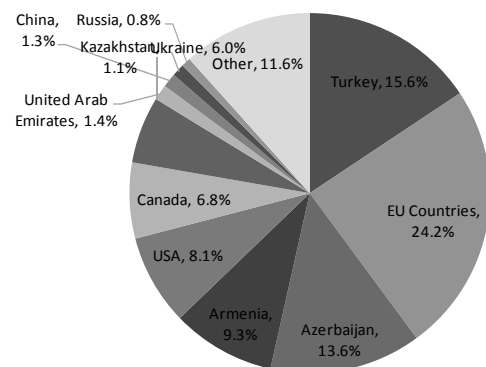
Source: Department of Statistics of Georgia

GEL millio, unless otherwise noed	2009	As % of GDP	2008	As % of GDP	Change, y-o-y
Public Administration	2,458	14%	2,850	15%	-14%
Trade	2,226	12%	2,681	14%	-17%
Transport & Communication	1,846	10%	1,813	10%	2%
Healthcare & Education	1,766	10%	1,506	8%	17%
Agriculture	1,488	8%	1,551	8%	-4%
Manufacturing	1,308	7%	1,509	8%	-13%
Construction	949	5%	1,058	6%	-10%
Financial Intermediation	453	3%	442	2%	2%
Other	5,455	30%	5,664	30%	-4%
Total	17,949	100%	19,075	100%	-6%

Source: Department of Statistics of Georgia

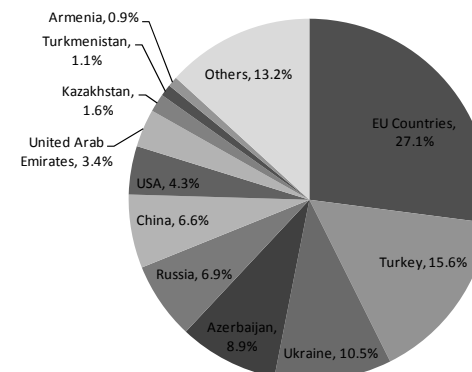
June 2010

Export By Country, Q1 2010



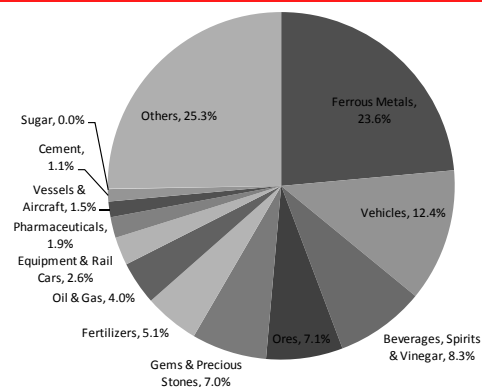
Source: Department of Statistics of Georgia

Import By Country, Q1 2010



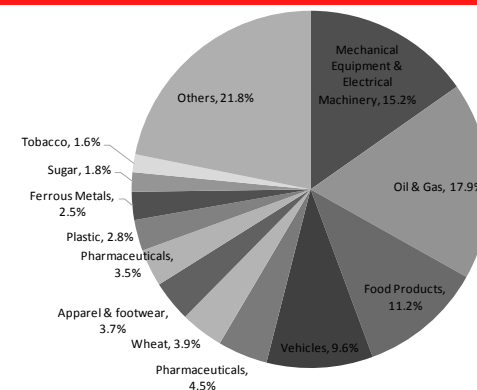
Source: Department of Statistics of Georgia

Export By Product, Q1 2010



Source: Department of Statistics of Georgia

Import By Product, Q1 2010

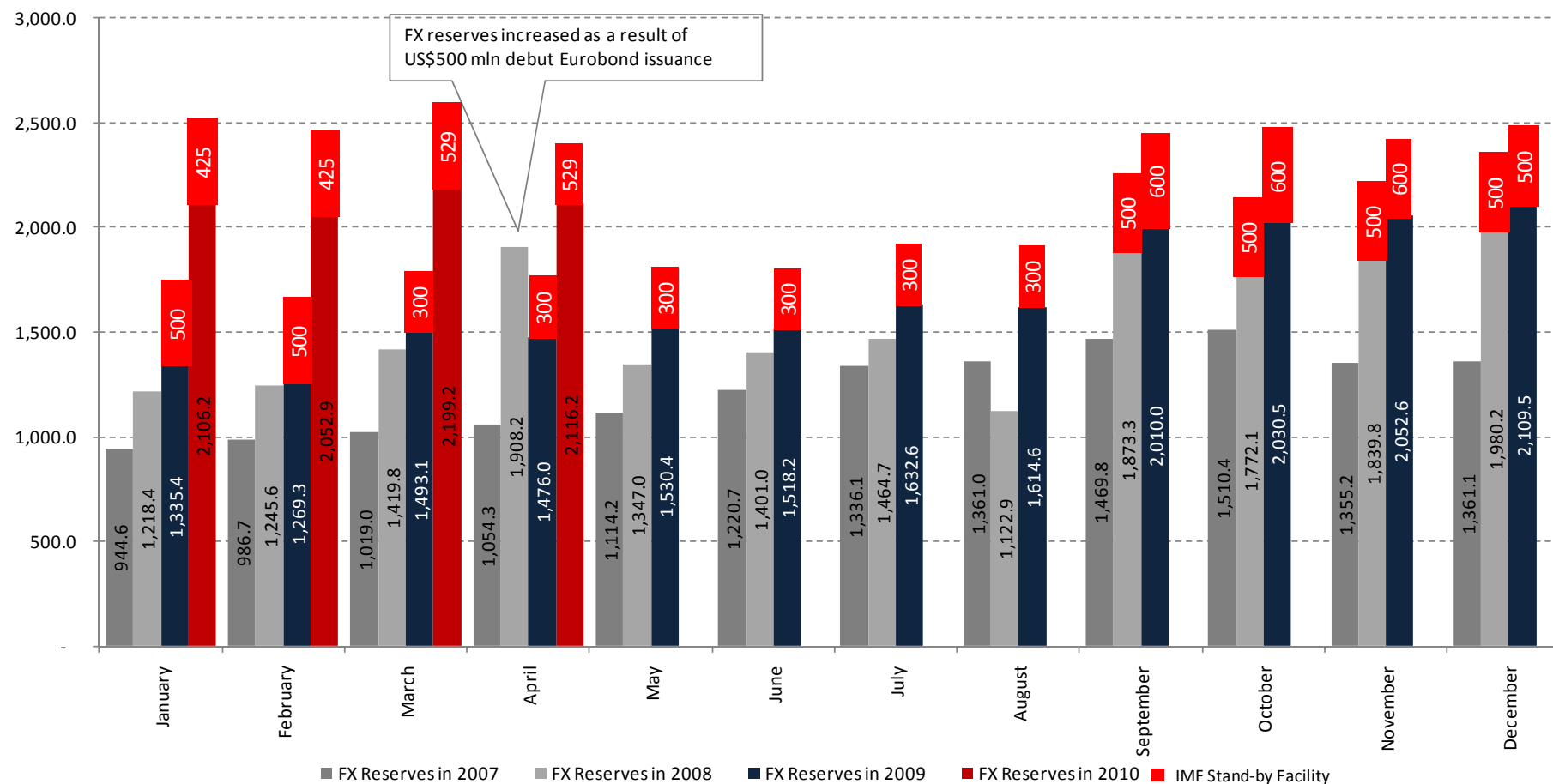


Source: Department of Statistics of Georgia

June 2010

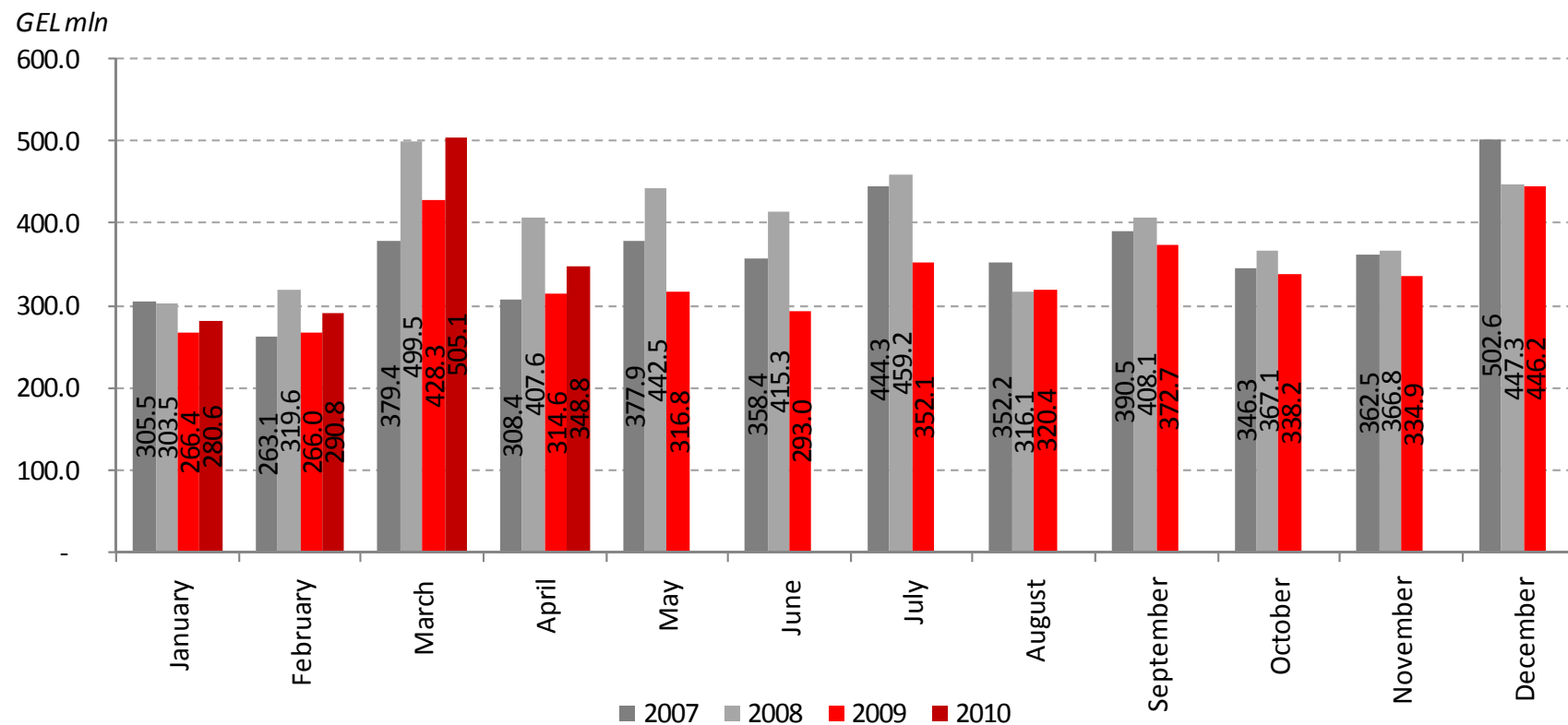
Central Bank Gross Reserves

US\$ mln



Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

June 2010

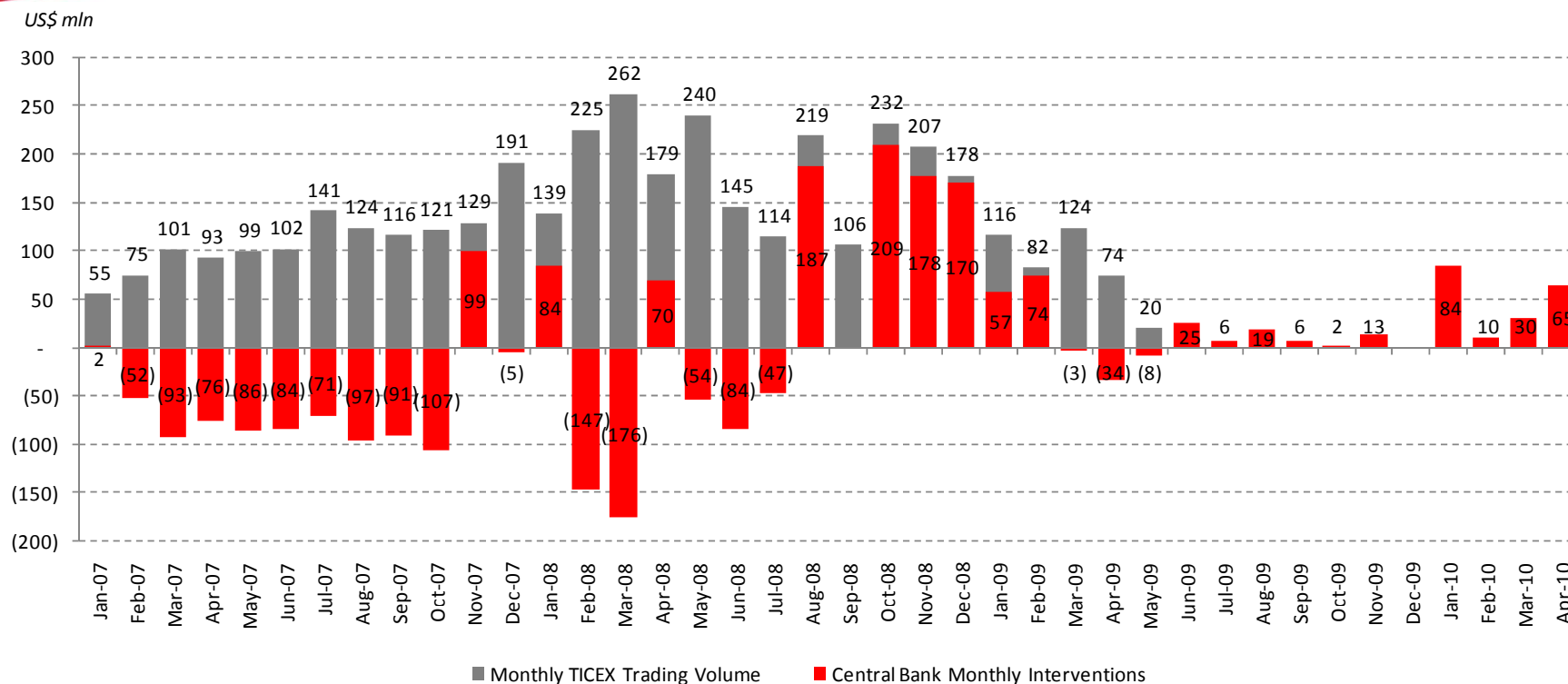


Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

June 2010

Central Bank Involvement In FX Market

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Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

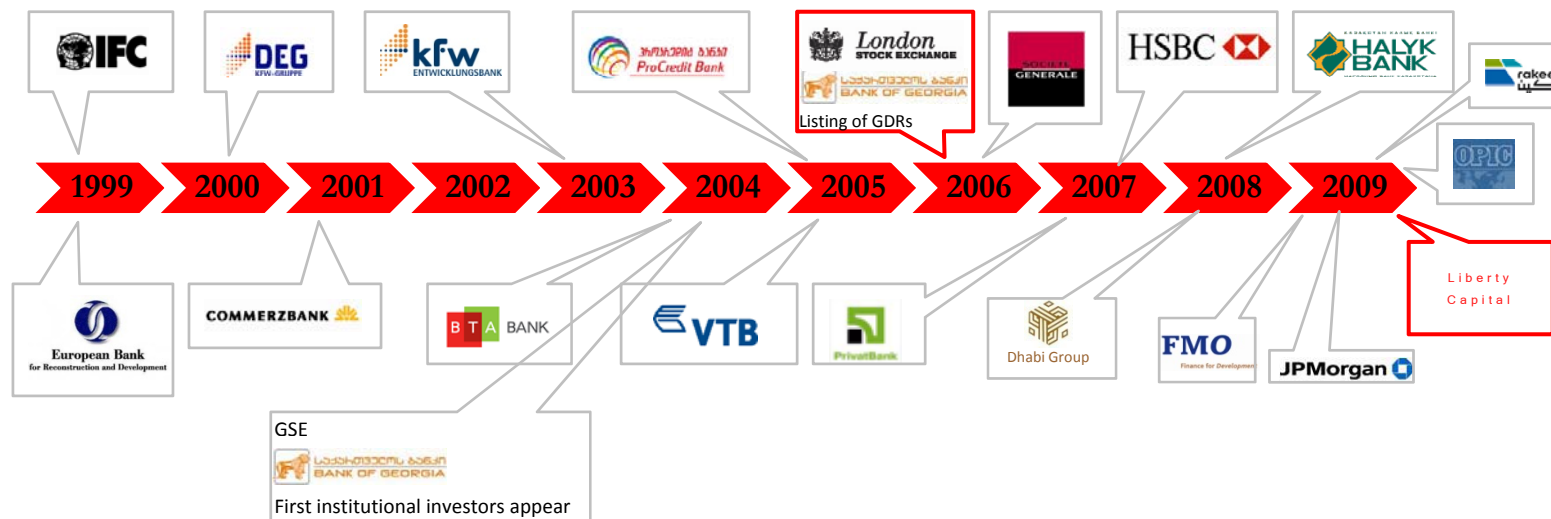
June 2010

- ✦ The rule of law & property rights
- ✦ Minimal state fiscal footprint
 - ✦ Few, low and flat taxes
 - ✦ Minimal social security burden
- ✦ Sound money
 - ✦ Inflation targeting, single-digit inflation
 - ✦ No currency or capital controls
- ✦ Free trade, few and low customs tariffs and hardly any non-tariff barriers
- ✦ Flexible labour market, with minimal state interference in employer-employee relations
- ✦ Limited government
 - ✦ Deep de-regulation
 - ✦ Dramatically minimized and simplified licensing
 - ✦ Aggressive privatisation
- ✦ Means-tested, focused state assistance to the poor
- ✦ Lean and efficient civil service sector – providing value for taxpayers' money

<i>In GEL mln unless otherwise noted</i>	Apr-2010	YE 2009	YE 2008	YE 2007	YE 2006	YE 2005	YE 2004
Total Assets	8,717	8,293	8,866	7,208	4,228	2,548	1,699
Total Assets/GDP	n.a.	46%	47%	42%	31%	22%	17%
Gross Loans	5,498	5,185	5,993	4,589	2,681	1,730	965
Mortgage Loans Outstanding	2,874	2,784	2,540	1,994	961	n.a.	n.a.
Consumer Loans Outstanding	677	656	753	1,135	527	296	180
Net Loans	4,833	4,525	5,455	4,425	2,586	1,645	900
Total Deposits	4,426	4,174	3,845	3,511	2,328	1,538	983
Retail Deposits	2,274	2,104	1,859	1,549	1,109	718	493
Shareholders' Equity	1,554	1,517	1,517	1,471	898	479	373
Net Interest Income	164	544	572	390	245	161	113
Operating Profit	85	276	391	266	163	112	71
Net Income/(Loss)	24	-65	-216	109	93	62	27
ROA, %	0.86%	-0.80%	-2.60%	1.90%	2.80%	3.10%	2.40%
ROE, %	4.75%	-4.30%	-12.40%	9.60%	15.30%	14.90%	10.00%
Loans/Assets, %	63%	63%	66%	64%	63%	68%	57%
Loans/Deposits, %	124%	124%	155%	131%	115%	113%	98%
Deposits/Liabilities, %	62%	61%	52%	61%	70%	74%	74%
Number of Debit Cards Outstanding	3,435,926	3,488,835	3,006,749	1,885,119	1,138,384	n.a.	< 100,000
Number of Credit Cards Outstanding	499,178	470,484	549,328	161,352	7,632	0	0
Number of ATMs	1,378	1,339	1,344	864	n.a.	n.a.	< 150
Number of POS Terminals	7,741	7,494	7,623	5,255	n.a.	n.a.	< 750

*Note: Non-IFRS, based on the National Bank of Georgia standalone accounts
Source: National Bank of Georgia, company estimates*

Timeline Of Foreign Investments



- LB Entirely privately owned since 1995
- LB No restrictions on foreign ownership of banks
- LB Well capitalised with average BIS capital adequacy ratio of 19% as of November 2009

Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

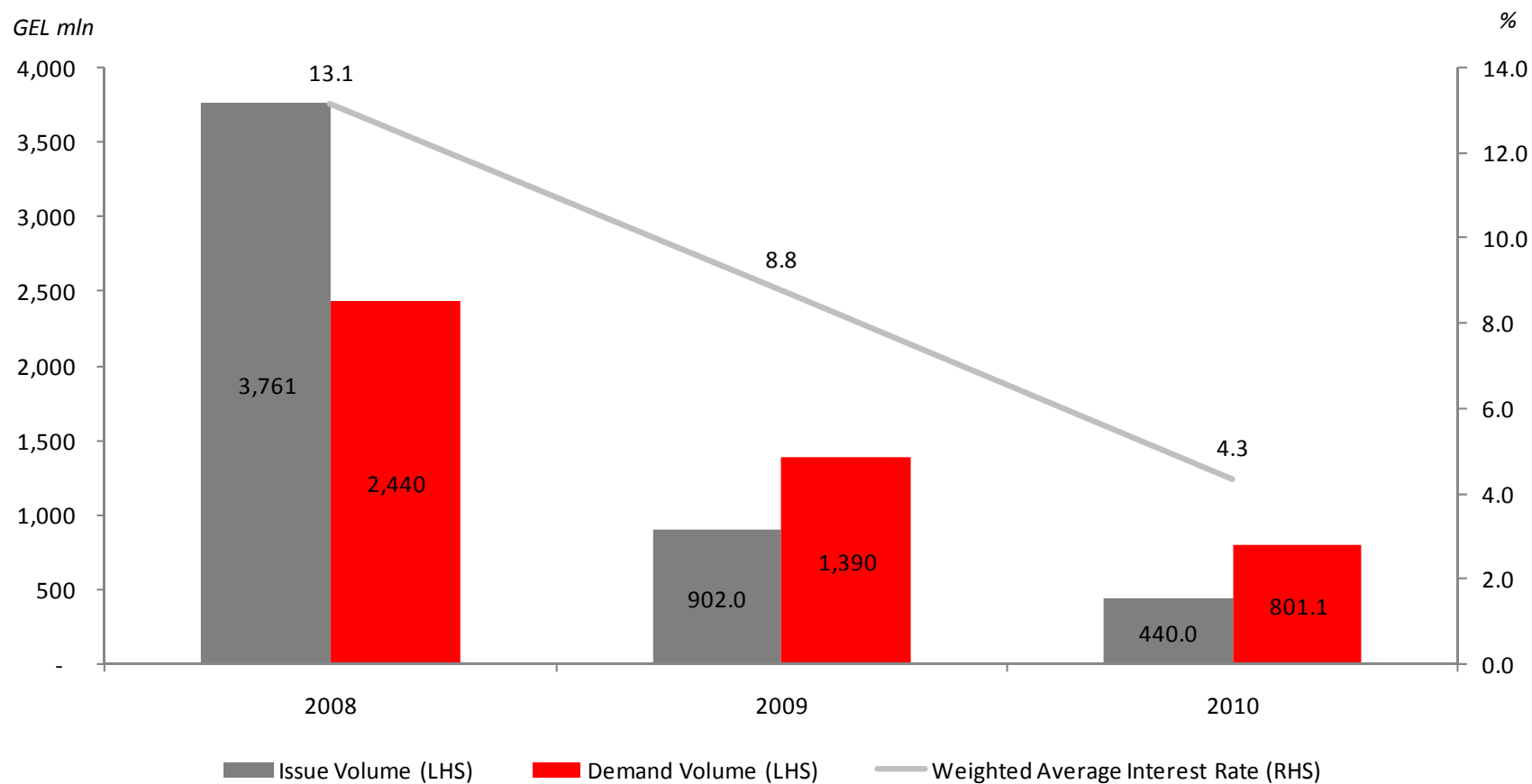
June 2010



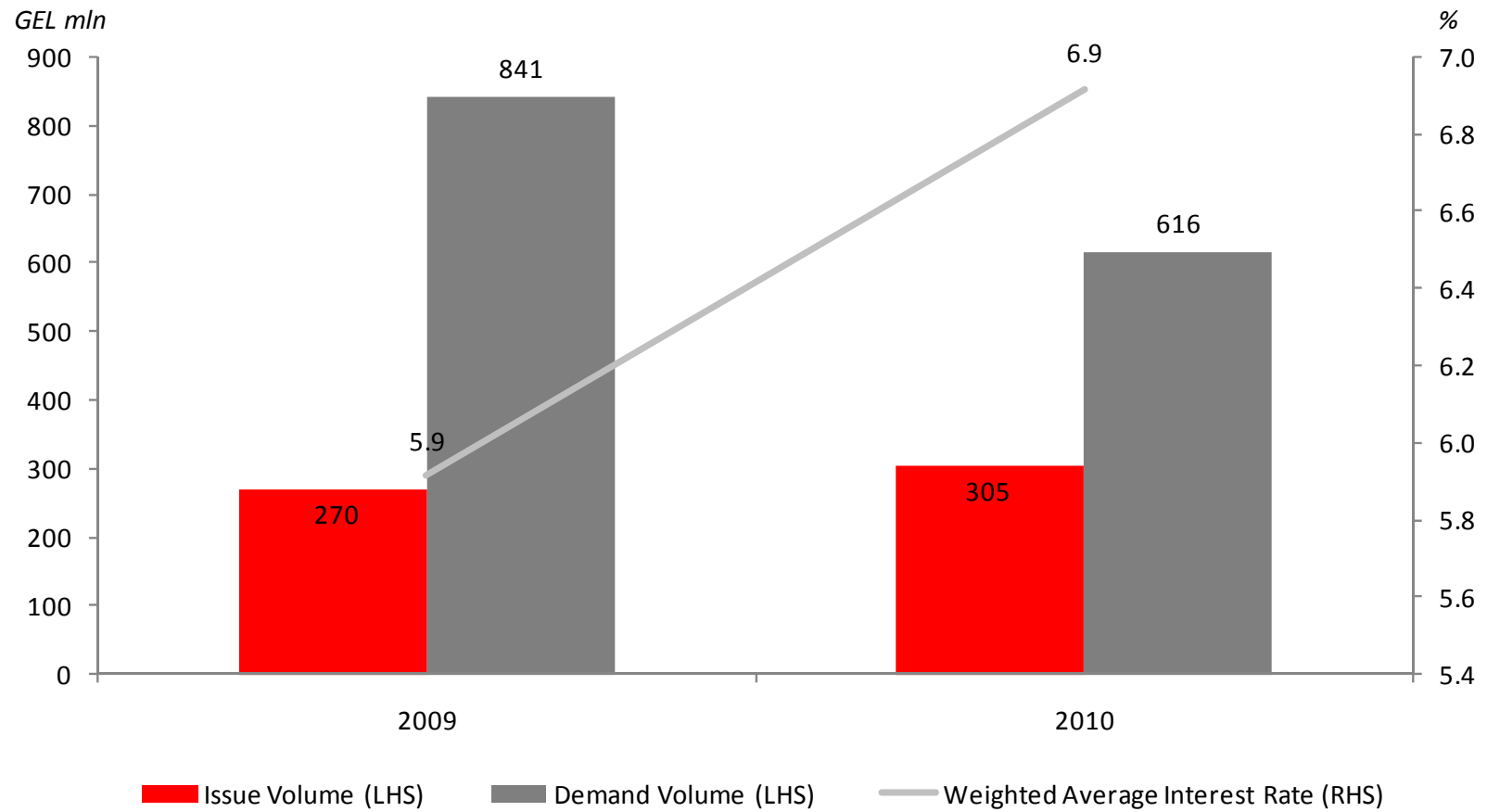
Georgian Financial Market At A Glance

Certificate Of Deposits By The National Bank Of Georgia

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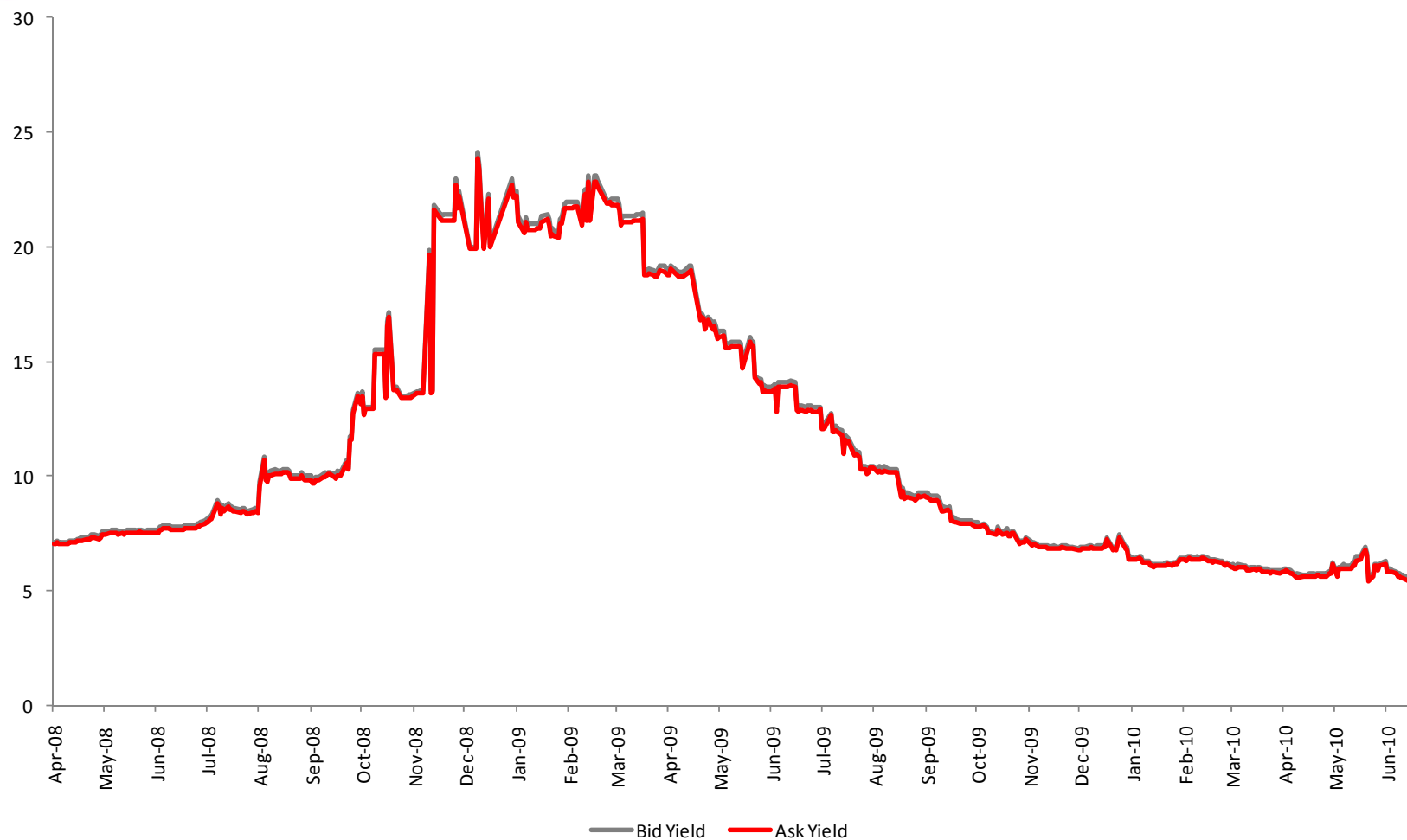
1-2 July 2010



1-2 July 2010

Sovereign Eurobond Yield

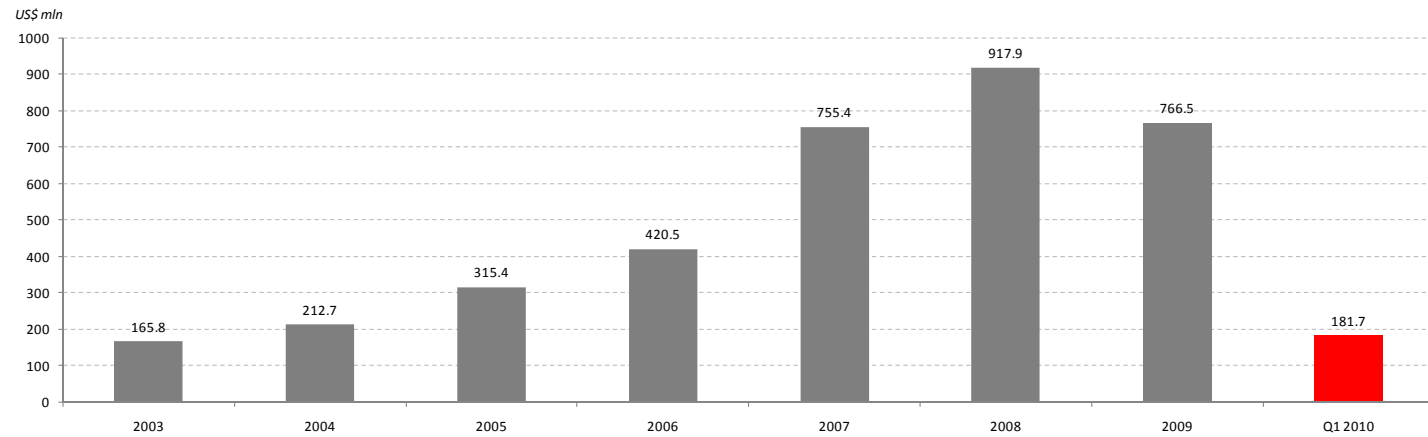
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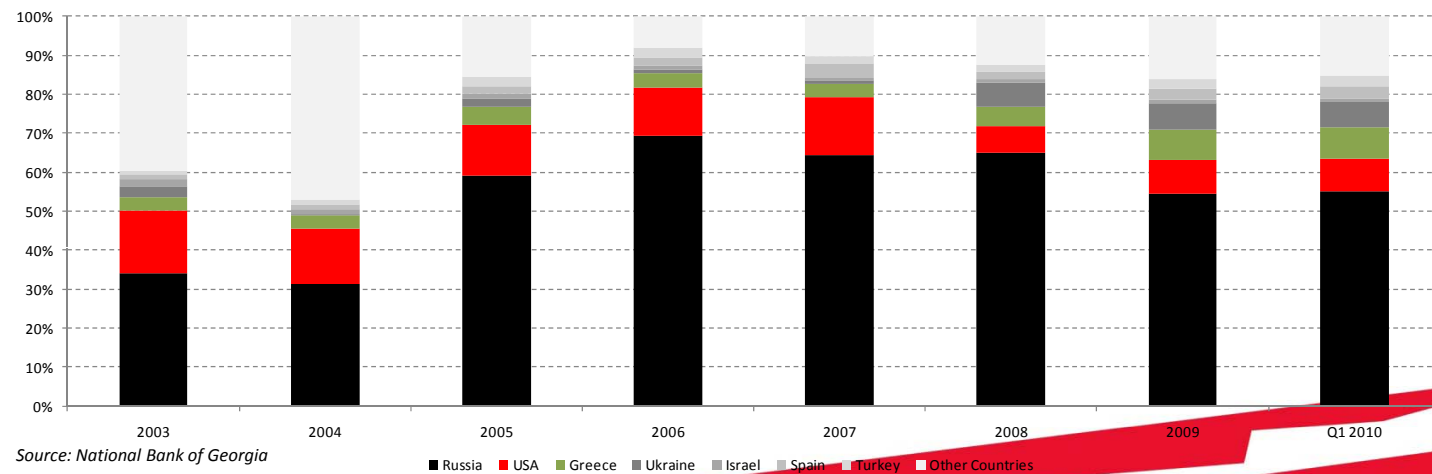
1-2 July 2010

Net Remittances

Net Remittances, 2003-Q1 2010

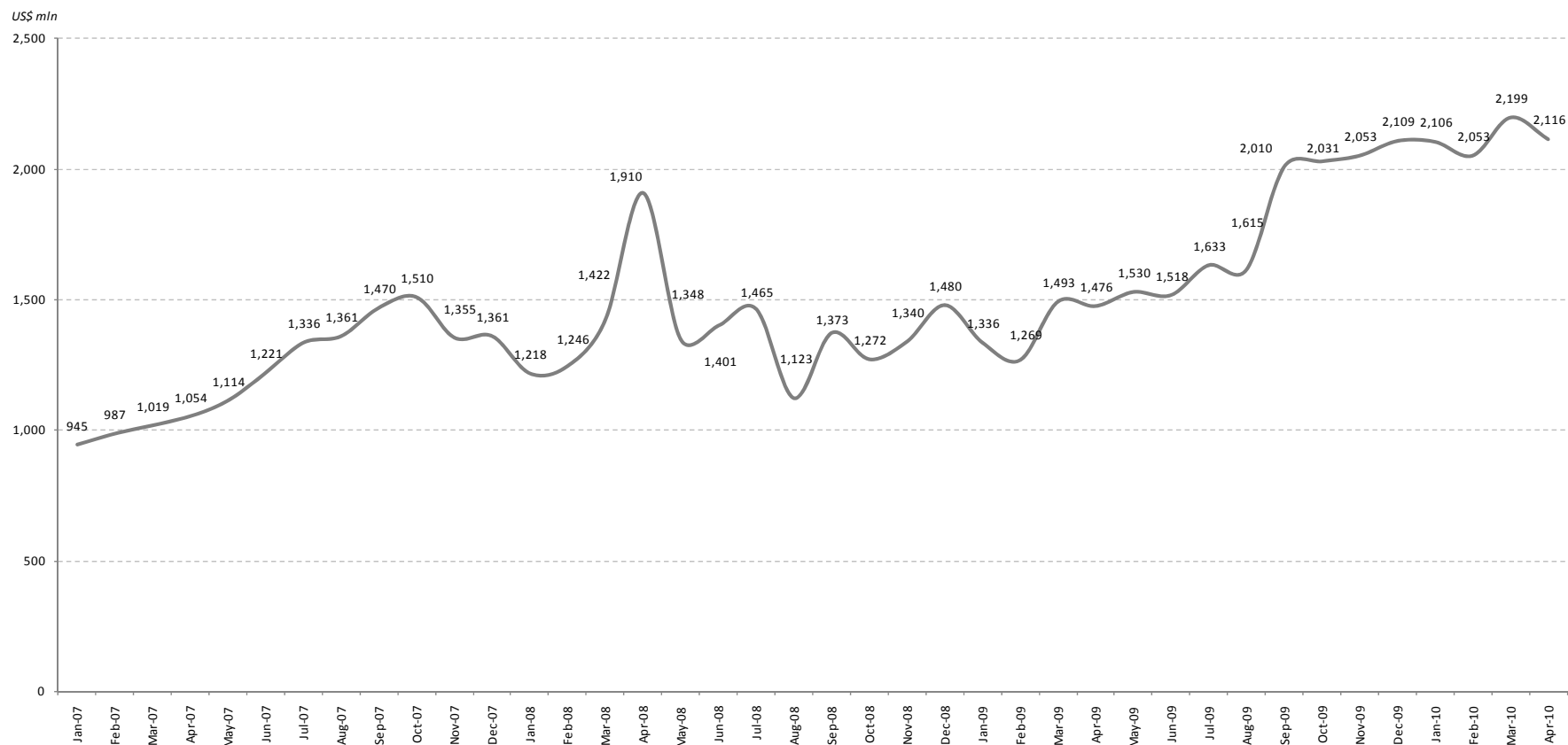


Net Remittances By Countries, 2003-Q1 2010



June 2010

Central Bank Gross FX Reserves

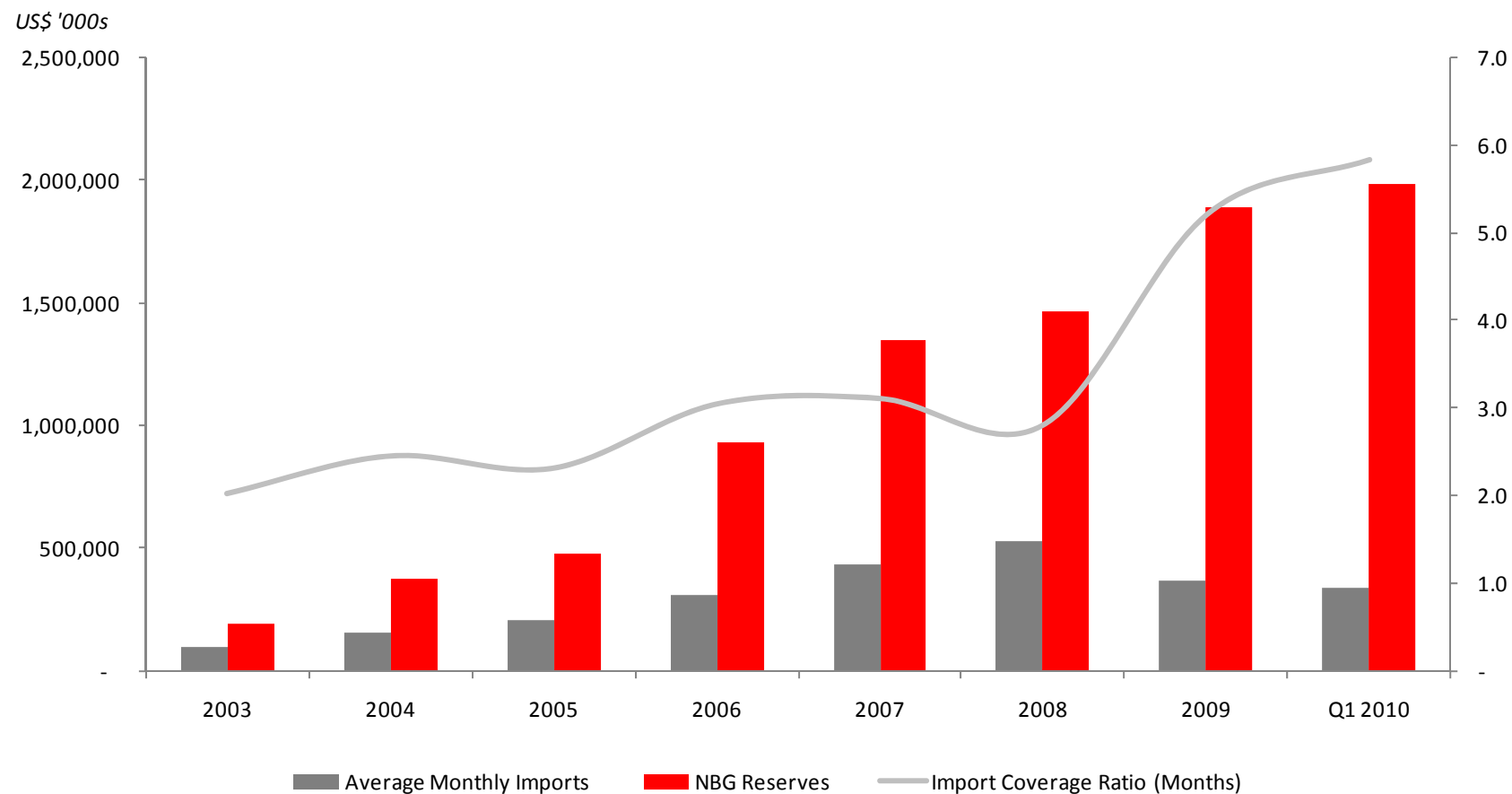


Source: Georgian Economy Overview; www.georgia.gov.ge; May 2010

June 2010

Import Coverage Ratio

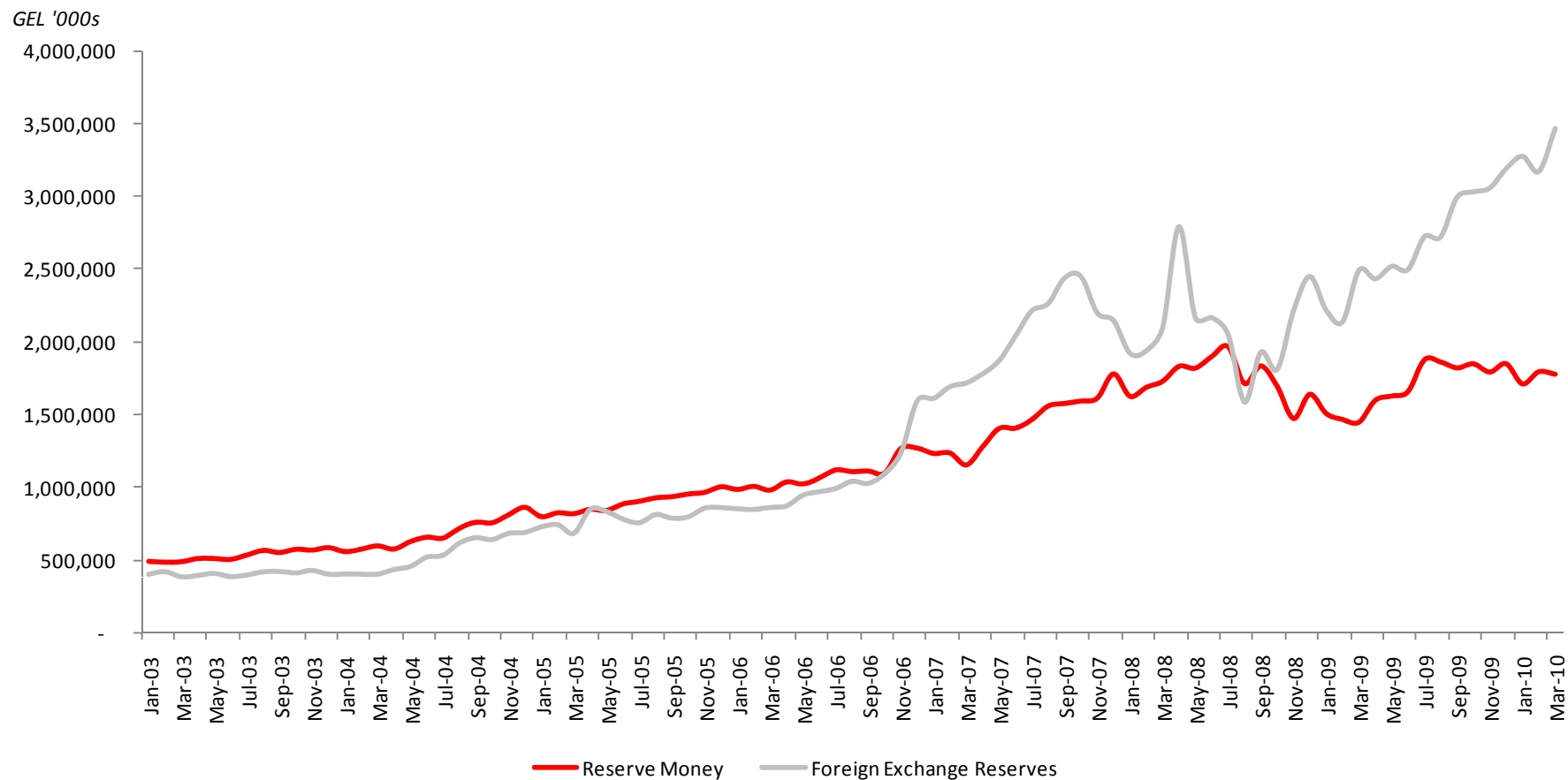
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Reserve Money vs. Foreign Exchange Reserves

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Thank you for your attention !

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