

Bank of Georgia Announces Third Quarter 2004 Results

- Total revenues of GEL10.0 million, up GEL0.5 million, or 5.7% over Q2 2004
- Expenses of GEL6.0 million, down GEL0.8 million, or -12.0% from Q2 2004
- Operating profit of GEL4.0 million, up GEL1.4 million, or 51% over Q2 2004

October 28, 2004: JSC Bank of Georgia ("BoG", GSE: GEB) reported total revenues of GEL 10.0 million for Q3 2004, a 6.1% increase y-o-y. The growth in revenues was mostly attributed to the growth in non-interest income, which at GEL 4.4 million increased 37.1% y-o-y. Net interest income declined 10.1% from GEL 6.1 million in Q3 2003 to GEL5.6 million in Q3 2004. Operating profit for Q3 2004 amounted to GEL 4.0 million, a 14.4% decrease from the same period in 2003.

BoG's total assets grew from GEL224.8 million on September 30, 2003 to GEL 279.2 million on September 30, 2004, a y-o-y increase of 24%. The bank continued to fund its growth through the increase in client deposits, which, at GEL 176.8 million as of September 30, 2004, grew by 50.7% since September 30, 2003. The loan book of GEL 158.2 million (net of reserves) at September 30, 2004 grew by 16% y-o-y. The relatively slow growth of the loan book reflects the bank's focus on credit quality, as it further diversifies its corporate client base and expands into the mid-market segment by continuous development and improvement of products and services. The loan loss reserves stood at GEL 11.0 million at September 30, 2004, an increase of GEL 3.4 million, or 45.6% from GEL 7.6 million in Q3 2003. BoG has stepped up the provisioning in line with the new management's conservative approach to the bank's loan book.

The bank also reported total revenues of GEL 29.5 million for the nine months ended September 30, 2004, compared to the total revenues of GEL 26.9 million for the same period in 2003. Higher net interest income, supported by loan book growth and an increase in income from commissions and foreign exchange trading, contributed to the 9.6% y-o-y increase in the bank's total revenues. Despite the positive trends on the revenue side, the bank's YTD operating profit of GEL 10.2 million was 15% lower y-o-y due to the 29.7% increase in the operating expenses during the first nine months of 2004. Net income for the nine months ended September 30, 2004 amounted to GEL 2.9 million, a decrease from GEL 7.0 million for the same period last year. The decreasing trend in net income for the last two quarters is largely caused by a significant increase in provisions, reaching GEL 3.5 million for the Q3 2004, a 106% increase from the same period in 2003.

"The last quarter was clearly a difficult one for the bank, as the protracted search for the new management took its toll. Cleaning up the loan book and implementing various cost-cutting initiatives remain our priorities in Q4 2004. At the same time, the organizational changes we're implementing are designed to enhance our market reach in the retail sector. We also hope that we'll be able to build upon the momentum in the corporate market, as we change our client coverage model and introduce, for the first time in Georgia, investment banking products as part of our service package," noted Lado Gurgenzidze, Chief Executive Officer.

GEL thousands unless otherwise noted

	Q3 2004	Q2 2004	Q1 2004	Year to date 9/30/2004	Year to date 9/30/2003
Total income	10,009	9,474	9,984	29,467	26,874
Net income	491	159	2,318	2,968	7,054
Net interest income	5,567	5,942	6,507	18,015	17,384
Non interest income	4,443	3,532	3,477	11,452	9,491
Net interest margin	12.5%	13.4%	14.9%	13.1%	15.9%
Cost/Income ratio	60.0%	72.0%	64.2%	65.3%	55.2%
Provisions/Total Loan Portfolio				6.4%	5.3%
NPL Coverage Ratio				44.43%	46.49%

About Bank of Georgia

Bank of Georgia is a leading Georgian universal bank, with an approximately 19.4 % market share in loans and 17.2 % market share in deposits. The bank markets and distributes a wide spectrum of retail products through its extensive branch network, and offers a full range of commercial banking and investment banking (through its affiliate, Galt & Taggart Securities) services to corporate clients. As at September 30, 2004, the bank had GEL 279.2 million in assets. In 2003, the bank earned net income of GEL 9.2 million.

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