

## Bank of Georgia Announces Its 2005 Preliminary Unaudited Results

### Bank of Georgia Standalone Results

- 2005 Net Interest Income of GEL 35.8 million, up GEL 8.2 million or 29.8% y-o-y
- 2005 Net Non-Interest Income of GEL 19.7 million, up GEL 2.7 million or 15.7% y-o-y
- 2005 Total Operating Income of GEL 55.4 million, up GEL 10.9 million or 24.4% y-o-y
- 2005 Net Normalized Operating Income (NNOI) of GEL 29.3 million, up GEL 10.0 million or 51.5% y-o-y
- 2005 Pre-Bonus Result (PBR) of GEL 20.3 million
- 2005 Net Income of GEL 12.8 million
- EPS GEL 0.87 (Basic)
- EPS GEL 0.84 (Diluted)
- ROAE 19.5%
- ROAA 3.3 %

Bank of Georgia (GSE: GEB), a leading Georgian universal bank, announced today the completion of a successful year with annual Net Income reaching GEL 12.8 million (54.2% ahead of the budget) and annual Net Income on a consolidated basis exceeding GEL 13.5 million, based on the preliminary unaudited results.

Net Normalized Operating Income, a key metric observed during the turnaround of the bank in 2005, grew by an impressive 51.5% y-o-y to GEL 29.3 million and exceeded the annual budget by 46.7%. Net Interest Income of GEL 35.8 million increased by 29.8% y-o-y, driven by the loan book growth, while Net Non-Interest Income of GEL 19.7 million grew by 15.7% y-o-y and was mostly driven by the solid growth in Net Income from Documentary Operations (GEL 2.0 million, a 64.8% increase y-o-y) and Net Commission Income (GEL 10.9 million, a 12.4% increase y-o-y), as well as the 13.5% y-o-y growth of the FX Trading Income (GEL 6.5 million for the year 2005).

“I am pleased with the results of our cost containment strategy adopted in the beginning of the year, with Total Recurring Operating Costs increasing by a 10.5% y-o-y to GEL 26.2 million, mostly due to the 33.8% y-o-y increase in depreciation costs, as well as the 10.1% (GEL 1.1 million) increase y-o-y in personnel costs, which reflects the costs associated with the recruitment of the highly qualified Western-educated Georgian professionals, the process that has been mostly completed. Cash Recurring Operating Costs (excluding depreciation and amortization) increased by only 7.6% y-o-y to GEL 22.7 million. As a result of the tight discipline in procurement and operating cost control, the year-end PBR of GEL 20.3 million exceeded the annual target by 20% and, despite a 208.6% increase y-o-y in paid and accrued bonuses (GEL 6.0 million by the year end), Net Income of GEL 12.8 million exceeded the annual target by 54%”, commented **Irakli Gilauri**, Chief Financial Officer.

The bank’s total assets reached GEL 453.7 million on December 31, 2005, a 26.2% increase y-o-y, mostly driven by the growth of Net Loans, which increased by GEL 128.8 million or 76.4% y-o-y to GEL 297.4 million at the year end. With the dramatically improved credit process discipline and the adopted conservative approach to its provisioning policy, the Provisions/Total Loan Portfolio ratio stood at 6% on December 31, 2005, while Provisions/NPLs ratio reached 139.7%. The dramatic improvements of the Retail Banking SBU’s performance throughout the year boosted the retail loan book growth (GEL 130.8 million at year-end 2005, a 91.1% increase y-o-y). Retail loans amounted to 41.5% of the total loan portfolio by December 31, 2005, up from 36.0% at the year-end 2004. The dramatically improved retail lending activity was driven by the mortgage loan portfolio growth, which, at GEL 37.8 million on December 31, 2005, has more than doubled y-o-y, and the consumer loan portfolio (GEL 23.0 million on December 31, 2005), which has tripled during 2005. The micro-lending business continued to grow, with GEL 45.3 million worth of micro loans outstanding at year-end 2005, an increase of 91.0% y-o-y. The bank believes it has maintained leadership in plastic card issuance, with 63,097 cards outstanding by the end of 2005, compared to 32,590 at December 31, 2004. As at the year end, the bank’s served 154,089 retail current accounts, including 62,806 Universal Accounts and 91,283 Standard Accounts. Retail client funds grew by 36.6% y-o-y, reaching GEL 154.5 million on December 31, 2005, driven primarily by the 120.6% y-o-y growth in demand deposits and 33.3% y-o-y growth in time deposits.

#### About Bank of Georgia

Bank of Georgia is a leading Georgian universal bank. 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 services to corporate clients. Additionally, BCI, the wholly-owned insurance subsidiary of the bank, offers a wide range of corporate and retail insurance products. As at December 31, 2005, the bank had GEL 453.7 million in assets and GEL 90 million in equity.

For more information, please contact:

Lado Gurgenidze, Chief Executive Officer  
Irakli Gilauri, Chief Financial Officer  
Macca Ekizashvili, Head of Investor Relations  
Or visit our investor relations page at [www.bog.ge/ir](http://www.bog.ge/ir)

+995 32 444 103  
+995 32 444 109  
+995 32 444 256

[lgurgenidze@bog.ge](mailto:lgurgenidze@bog.ge)  
[igilauri@bog.ge](mailto:igilauri@bog.ge)  
[ir@bog.ge](mailto:ir@bog.ge)

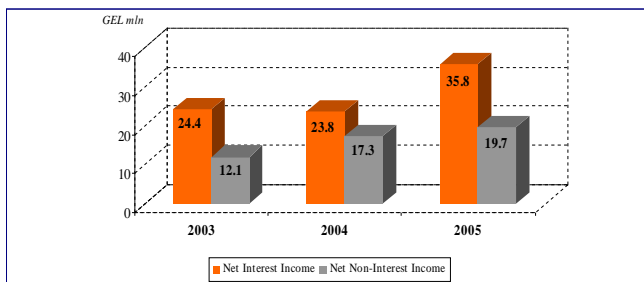
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“The bank’s performance in 2005 has exceeded our expectations, and we finished the year on a high note with record-breaking monthly results in December. All SBU’s performed well. Nearly matching the very impressive growth of the Retail Banking SBU, Corporate & Investment Banking benefited from the adoption of an integrated client coverage model, growing its loan book by 52.9% y-o-y and reaching PBR of GEL 14.7 million. BCI, our insurance SBU, increased its net income by 344.7% y-o-y to GEL 0.8 million. Asset & Wealth Management, in its inaugural year, generated PBR in excess of GEL 0.7 million, serving 459 private banking clients, 109 brokerage clients and 1,017 pension fund members. Our equity capital (book value) exceeded GEL 90.0 million as of December 31, 2005, with equity book value per share reaching GEL 6.11,” noted **Lado Gurgenedze**, Chief Executive Officer.

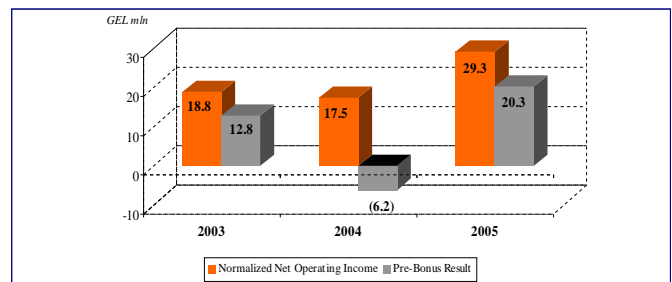
JSC Bank of Georgia Standalone, IFRS GEL, unless otherwise noted	Y-O-Y Growth	Unaudited 12/31/2005	Audited 12/31/2004	Audited 12/31/2003
<b>Operating Income</b>				
Interest Income	44.2%	48,664,733	33,757,694	32,298,796
Interest Expense	29.9%	12,882,305	9,919,060	7,880,255
<b>Net Interest Income</b>	<b>50.1%</b>	<b>35,782,428</b>	<b>23,838,634</b>	<b>24,418,541</b>
Commission Income	18.5%	13,035,903	11,002,843	9,398,030
Commission Expenses	17.8%	2,105,997	1,787,312	3,022,039
<b>Net Commission Income</b>	<b>18.6%</b>	<b>10,929,905</b>	<b>9,215,531</b>	<b>6,375,991</b>
Income from Documentary Operations	27.1%	2,807,882	2,209,396	2,159,701
Expense from Documentary Operations	7.7%	803,965	746,689	545,816
<b>Net Income From Documentary Operations</b>	<b>37.0%</b>	<b>2,003,918</b>	<b>1,462,707</b>	<b>1,613,885</b>
Other Non-Interest Income	-91.6%	183,522	2,193,304	235,762
Other Non-Interest Expenses	-99.5%	1,780	391,474	23,471
<b>Net Other Non-Interest Income</b>	<b>-89.9%</b>	<b>181,742</b>	<b>1,801,830</b>	<b>212,291</b>
<b>FX Trading Income</b>	<b>34.9%</b>	<b>6,542,241</b>	<b>4,848,068</b>	<b>3,868,124</b>
<b>Net Non-Interest Income</b>	<b>13.4%</b>	<b>19,657,806</b>	<b>17,328,136</b>	<b>12,070,291</b>
<b>Total Operating Income</b>	<b>34.7%</b>	<b>55,440,233</b>	<b>41,166,770</b>	<b>36,488,833</b>
<b>Recurring Operating Costs</b>				
Personnel Costs	10.0%	12,442,922	11,313,359	7,848,031
Selling, General & Administrative Expenses	20.3%	4,714,949	3,920,334	3,169,058
Procurement & Operations Support Expenses	-3.0%	1,989,900	2,050,793	1,428,956
Depreciation	33.8%	3,491,954	2,609,282	2,230,987
Other Operating Expenses	-2.2%	2,925,812	2,991,103	2,113,851
Various Tax Expenses	-24.0%	597,126	785,494	908,348
<b>Total Recurring Operating Costs</b>	<b>10.5%</b>	<b>26,162,663</b>	<b>23,670,364</b>	<b>17,699,230</b>
<b>Normalized Net Operating Income</b>	<b>67.3%</b>	<b>29,277,571</b>	<b>17,496,405</b>	<b>18,789,603</b>
Non-recurring costs	21.6%	1,962,044	1,613,052	1,073,227
<b>Profit (pre-bonus) Before Provisions</b>	<b>72.0%</b>	<b>27,315,526</b>	<b>15,883,353</b>	<b>17,716,376</b>
Provisions	-59.9%	8,861,148	22,118,260	5,258,312
Gains on asset sale & recovery	3635.4%	1,840,501	49,272	340,122
<b>Pre-Bonus Result</b>	<b>NMF</b>	<b>20,294,879</b>	<b>-6,185,634</b>	<b>12,798,186</b>
Guaranteed Compensation Expenses	NMF	232,000	-	-
<b>Bonuses</b>	<b>208.6%</b>	<b>6,000,001</b>	<b>1,944,016</b>	<b>1,213,174</b>
<b>Pre-Tax Income</b>	<b>NMF</b>	<b>14,062,878</b>	<b>-8,129,650</b>	<b>11,585,011</b>
Profit Tax	65.3%	1,289,194	780,117	2,431,357
<b>Net Income</b>	<b>NMF</b>	<b>12,773,685</b>	<b>-7,349,533</b>	<b>9,153,654</b>

Note: 2004 Results include TbilUniversalBank on a proforma consolidated basis

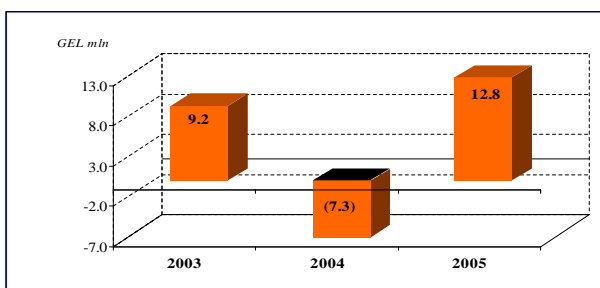
Net Interest Income & Net Non-Interest Income



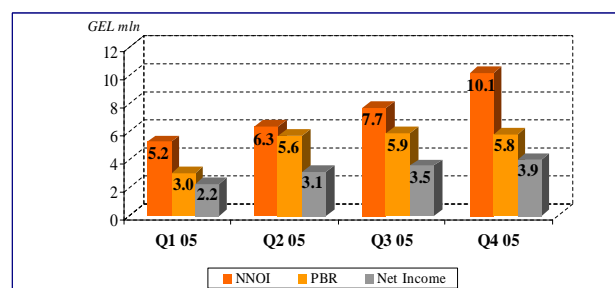
Normalized Net Operating Income & Pre-Bonus Result



Net Income



Quarterly NNOI, PBR & Net Income



## BALANCE SHEET

<i>JSC Bank of Georgia Standalone, IFRS GEL, unless otherwise noted</i>	<b>Y-O-Y Growth</b>	<b>Unaudited 12/31/2005</b>	<b>Audited 12/31/2004</b>	<b>Audited 12/31/2003</b>
Cash	-30.5%	24,907,867	35,849,634	15,924,546
Balances with NBG	-16.2%	33,249,739	39,665,998	24,786,617
Cash Balances with Banks	-37.2%	29,314,610	46,700,386	17,823,156
Treasuries	-60.4%	7,700,513	19,455,949	1,683,201
Other fixed income instruments	NMF	1,791,329	0	0
<b>Net Loans</b>	<b>72.9%</b>	<b>297,379,751</b>	<b>171,958,234</b>	<b>140,539,186</b>
Accrued Interest and Dividends	21.3%	3,373,236	2,781,047	2,450,541
Net Investments	70.8%	9,221,425	5,399,517	1,048,287
Fixed Assets	20.6%	37,068,704	30,727,445	22,807,269
Other assets	11.8%	7,736,814	6,922,934	3,059,924
Goodwill	1.3%	1,917,416	1,892,010	-
<b>TOTAL ASSETS</b>	<b>25.5%</b>	<b>453,661,404</b>	<b>361,353,155</b>	<b>230,122,727</b>
<b>Deposits</b>	<b>15.8%</b>	<b>292,167,823</b>	<b>252,280,910</b>	<b>122,668,093</b>
Interbank deposits	2563.4%	21,062,794	790,817	763,668
Client deposits	7.8%	271,105,029	251,490,093	121,904,425
<b>Borrowed Funds</b>	<b>16.8%</b>	<b>54,702,186</b>	<b>46,828,912</b>	<b>48,940,983</b>
<b>Payable Interest and Dividends</b>	<b>199.3%</b>	<b>9,188,107</b>	<b>3,069,630</b>	<b>2,320,631</b>
<b>Other Liabilities</b>	<b>51.6%</b>	<b>7,590,854</b>	<b>5,007,842</b>	<b>1,551,595</b>
<b>TOTAL LIABILITIES</b>	<b>18.4%</b>	<b>363,648,971</b>	<b>307,187,294</b>	<b>175,481,302</b>
Ordinary Shares	30.7%	14,728,704	11,273,386	9,855,606
Retained Earnings and Revaluation Reserves	24.2%	62,510,045	50,347,143	35,631,581
Net Income for the Year	NMF	12,773,684	-7,454,668	9,154,238
<b>SHAREHOLDERS' EQUITY</b>	<b>66.2%</b>	<b>90,012,434</b>	<b>54,165,861</b>	<b>54,641,425</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>25.5%</b>	<b>453,661,404</b>	<b>361,353,155</b>	<b>230,122,727</b>
<i>Shares Outstanding</i>		<i>14,728,704</i>	<i>11,273,386</i>	<i>9,855,606</i>

Note: 2004 Results include TbilUniversalBank on a proforma consolidated basis

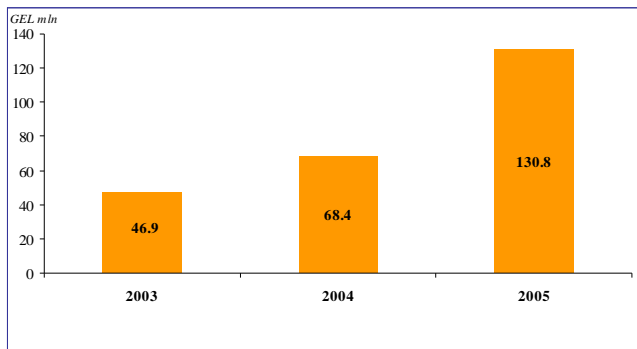
## RATIOS

<i>JSC Bank of Georgia Standalone</i>				
ROAE, %		19.5%	NMF	16.8%
ROAA, %		3.3%	NMF	4.0%
Net Interest Margin, %		13.2%	11.4	17.6
(Net Interest Income/Average Interest bearing assets)				
Interest Spread, %		8.6%	7.9%	10.8%
Cost/Income Ratio (normalized)		58.43%	62.2%	51.8%
Personnel Costs/Total Income,%		33.7%	32.2%	24.8%
Net Income/Total Operating Income, %		23.0%	NMF	25.1%
Capital Adequacy Ratio (Tier I + Tier II, Basel),%		22.6%	22.2%	27.5%
Net Loans/Total Assets, %		65.6%	47.6%	61.1%
Net Loans/Total Liabilities,%		81.8%	56.0%	80.1%
Net Loans/Client Deposits, %		109.7%	68.4%	115.3%
Total Deposits/Total Liabilities, %		80.3%	82.1%	69.9%
Time Deposits/Total Deposits, %		45.2%	37.5%	48.6%
Demand Deposits/Total Deposits, %		12.9%	6.3%	6.2%
Current Account Balances/Total Deposits, %		41.8%	56.2%	45.2%
Provisions/Gross Loans,%		5.6%	12.1%	6.0%
NPLs/Gross Loans, %*		4.0%	13.4%	12.3%
Provisions/NPLs, %		139.7%	89.7%	48.8%
Leverage (total Liabilities/Equity)		4.0%	5.7%	3.2%
Book Value per Share		6.11	4.80	5.54
Share Price**		8.35	5.60	2.03

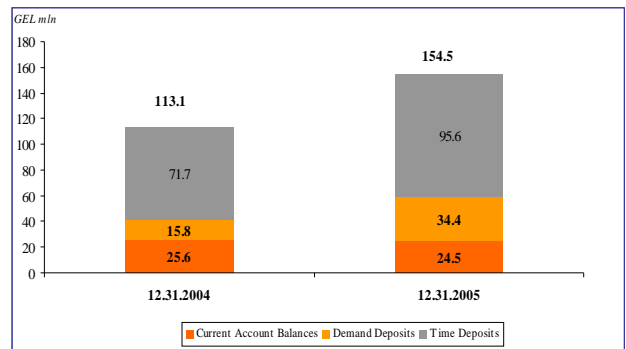
\* NPLs includes loans classified as Substandard, Doubtful and Loss

\*\* GSE closing price on the last trading day of the year

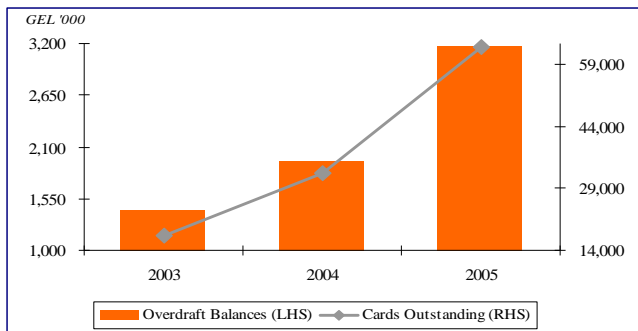
**RB Loans**



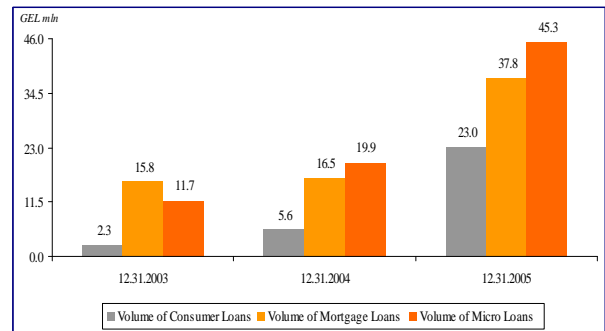
**RB Client Funds**



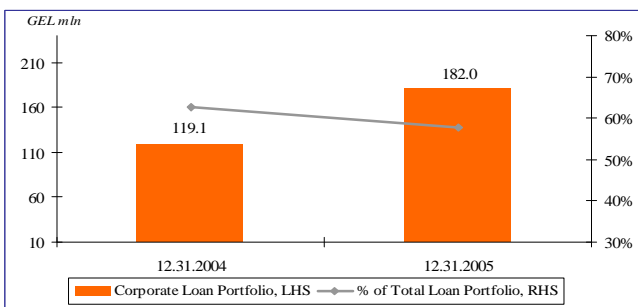
**Plastic Cards**



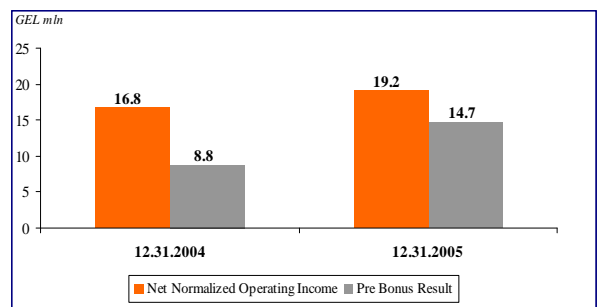
**Consumer, Mortgage & Micro Loans**



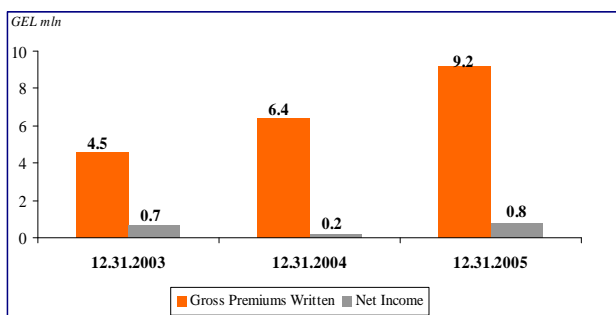
**CIB Loan Portfolio**



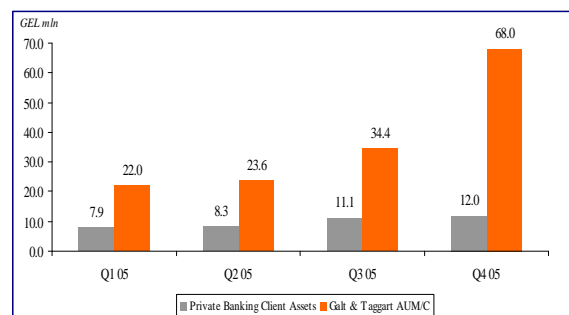
**CIB NNOI and PBR**



**BCI**



**Asset & Wealth Management**



OVERVIEW OF 2005

Leadership In Innovation

- § The first Georgian bank to adopt a CIB integrated client coverage model
- § The first Georgian bank to introduce packaged Retail Banking products
- § The first Georgian bank to introduce *bancassurance*
- § The first Georgian bank to launch Private Banking
- § The first successful live migration to a new card processing platform in Georgia
- § The first LBO transaction in Georgia
- § The first cross-border M&A transaction advisory by a Georgian investment bank
- § The first corporate bond issue in Georgia
- § The first structured equity transaction in Georgia
- § The first research coverage of a Georgian company by a non-resident brokerage house

Modernized Retail & Private Banking Product Lines

Hypo+    Auto+    Micro Loan+    mel    Money    Student Loan+    Traveler+    Ski+    Deposit+  
 იპოვ+    ავტო+    მიკრო სესხი+    mel    Money    სტუდენტური სესხი+    მოგზაური+    სკი+    ანაბანკი

OneCard



ArtCards



Unprecedented Investor Interest



EAST CAPITAL



**GEL 26,349,663**  
 Capital Increase  
 Placement Agent  
 August-December 2005

**GEL 1,400,000**  
 Public Offering of 11%  
 Callable Bonds due  
 September 2007  
 Issue Price: 100%  
 Placement Agent  
 September-December 2005

International Recognition



## BANK OF GEORGIA GROUP CONSOLIDATED UNAUDITED RESULTS

<i>GEL, unless otherwise noted</i>	BOG Standalone	BOG Group
<b>Cash</b>	<b>24,907,867</b>	<b>24,911,081</b>
<b>Balances with NBG</b>	<b>33,249,739</b>	<b>33,249,739</b>
Correspondent account	4,272,796	4,272,796
Regulatory fund	28,976,943	28,976,943
<b>Cash Balances with Banks</b>	<b>29,314,610</b>	<b>30,105,322</b>
In resident banks	15,323,750	16,092,952
In nonresident banks	13,990,860	14,012,370
<b>Treasuries</b>	<b>7,700,513</b>	<b>8,303,031</b>
<b>Other fixed income instruments</b>	<b>1,791,329</b>	<b>6,299,527</b>
Gross Loans, of which	315,078,584	311,905,611
Loans to Banks	2,300,000	2,300,000
Loans to Clients	312,778,584	309,605,611
Provisions for Loan Losses	(17,698,833)	(17,635,373)
<b>Net Loans</b>	<b>297,379,751</b>	<b>294,270,238</b>
<b>Accrued Interest and Dividends</b>	<b>3,373,236</b>	<b>745,713</b>
Gross Investments	9,501,124	4,174,702
Provisions	(279,699)	(279,699)
<b>Net Investments</b>	<b>9,221,425</b>	<b>3,895,003</b>
Gross property owned	2,775,040	2,775,040
Provisions	(1,083,602)	(1,083,602)
<b>Net property owned</b>	<b>1,691,438</b>	<b>1,691,438</b>
Fixed Assets	35,377,266	38,458,790
<b>Property and equipment, Fixed &amp; Intangible Assets</b>	<b>37,068,704</b>	<b>40,150,228</b>
Gross Other assets	7,832,312	13,117,721
Provisions	(95,498)	(865,894)
<b>Net Other Assets</b>	<b>7,736,814</b>	<b>12,251,826</b>
Goodwill	1,917,416	6,438,952
<b>Total Assets</b>	<b>453,661,404</b>	<b>460,620,659</b>
<b>Deposits</b>	<b>292,167,823</b>	<b>289,073,971</b>
Interbank deposits	21,062,794	20,861,444
Client deposits	271,105,029	268,212,527
- Deposits of Individuals	154,472,744	154,472,744
- Deposits of Legal Entities	116,632,285	113,739,783
Borrowed Funds	<b>54,702,186</b>	<b>56,584,055</b>
Residents	7,024,500	7,037,048
Nonresidents	47,677,686	49,547,007
Payable Interest and Dividends	9,188,107	9,119,366
Other Liabilities	7,590,854	14,158,696
<b>Total Liabilities</b>	<b>363,648,971</b>	<b>368,936,089</b>
<b>Minority Interest</b>	<b>1,349,177</b>	<b>1,349,177</b>
Ordinary Shares	14,728,704	14,728,704
Preferred Shares	-	-
Treasury Shares	-	(80,827)
Retained Earnings and Revaluation Reserves	62,510,045	62,510,045
Net Income for the year	12,773,684	13,537,471
<b>Shareholders Equity</b>	<b>90,012,434</b>	<b>90,695,393</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>453,661,404</b>	<b>460,620,659</b>
<b>Operating Income</b>		
Interest Income	48,664,733	48,747,939
Interest Expense	(12,882,304)	(12,827,125)
<b>Net Interest Income</b>	<b>35,782,429</b>	<b>35,920,814</b>
Commission Income	13,035,903	13,776,047
Commission Expenses	(2,105,997)	(2,737,557)
<b>Net Commission</b>	<b>10,929,906</b>	<b>11,038,490</b>
Income from Documentary Operations	2,807,882	2,807,882
Expense from Documentary Operations	(803,964)	(803,964)
<b>Net Income From Documentary Operations</b>	<b>2,003,918</b>	<b>2,003,918</b>
Other Non-Interest Income	181,741	7,563,175
Other Non-interest Expenses	-	(3,489,559)
<b>Net Other Non-Interest Income</b>	<b>181,741</b>	<b>4,073,616</b>
<b>FX Trading Income</b>	<b>6,542,241</b>	<b>6,485,183</b>
<b>Non-Interest Income</b>	<b>19,657,806</b>	<b>23,601,207</b>
<b>Total Operating Income</b>	<b>55,440,235</b>	<b>59,522,021</b>
<b>Recurring Operating Costs</b>		
Personnel Cost (excluding bonus)	(12,422,903)	(14,845,587)
Health Insurance & Pension Costs	(160,657)	-
Consulting, TA & Development Costs	(311,648)	(323,966)
Marketing, PR & Advertising	(999,056)	(999,597)
Depreciation	(3,491,954)	(3,753,894)
Other operating expenses	(8,776,448)	(8,557,010)
<b>Total Recurring Operating Costs</b>	<b>(26,162,666)</b>	<b>(28,480,054)</b>
<b>Normalized Net Operating Income</b>	<b>29,277,569</b>	<b>31,041,967</b>
Non-recurring costs	(1,962,044)	(2,040,831)
<b>Profit (pre-bonus) Before Provisions</b>	<b>27,315,525</b>	<b>29,001,136</b>
Provisions	(8,861,148)	(9,372,406)
Gains on asset sale & recovery	1,840,501	1,840,501
<b>Pre-Bonus Result</b>	<b>20,294,879</b>	<b>21,469,231</b>
Guaranteed Compensation Expenses	(232,000)	(232,000)
ESOP Expenses	-	-
Bonus	(6,000,001)	(6,238,148)
<b>Pre-Tax Income</b>	<b>14,062,878</b>	<b>14,999,083</b>
Profit Tax	(1,289,194)	(1,606,552)
<b>Net Income</b>	<b>12,773,684</b>	<b>13,392,531</b>
Minority interest	-	144,939
<b>Consolidated Net income</b>	<b>12,773,684</b>	<b>13,537,471</b>