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Bank Of Georgia Announces The Acquisition By Its Wholly-Owned Insurance Subsidiary, BCI, Of Europace

JSC Bank of Georgia (GSE: GEB), a leading Georgian universal bank, announced today that the bank and BCI, its wholly-owned insurance subsidiary has signed binding definitive documentation regarding the acquisition of a 100% equity interest in Europace, one of the leading insurance companies in Georgia. The aggregate consideration for the 80% and 20% equity interests acquired by BCI and the bank, respectively, is GEL 2,562,500, 49% of which is payable upon closing. The closing is expected to take place within the next two weeks. The aggregate consideration comprises cash and 95,000 newly issued Bank of Georgia shares.

Lado Gurgenidze, Chief Executive Officer of Bank of Georgia, commented "I wish to congratulate our entire team on successfully executing this important transaction. Given our track record of successfully integrating in a timely fashion our previous significant acquisitions, including TbilUniversalBank and BCI, I have full confidence in the ability of BCI to complete the integration of Europace on schedule and to realize significant financial and operating synergies in the process. This transaction is one more step toward the consolidation of the Georgian financial services sector."

Irakli Gilauri, Chief Financial Officer of Bank of Georgia, commented "the valuation of Europace of GEL 2,562,500, implied by this transaction, is undemanding, as it results in the P/BV ratio of 2.51 and 2006F P/E ratio of 6.4 (inclusive of projected post-tax synergies). Europace has net cash of GEL 1.4 mln, so the valuation multiples become even more compelling if this is factored in. Taking into account the rate of growth of the Georgian insurance market and dynamic market positioning of Europace, this acquisition is yet another example of the disciplined and responsible transactional philosophy of our group."

Ramaz Kukuladze, Chief Executive Officer of BCI, commented "during this year BCI, building upon its core franchise strength and fueled by the introduction of bancassurance in partnership with Bank of Georgia, has proven to be a formidable competitor and has attained market leadership in Q3 2005 by gross written premium. Our YTD market share is 15%, which, taking into account Europace's market share of 7%, makes us the second largest insurance company in Georgia on a pro forma YTD basis. I look forward to welcoming the talented staff of Europace to our team. I am confident that together, we will be able to further improve the service offering and customer value, on which both BCI and Europace have each won high acclaim from the marketplace."

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 (through its affiliate, Galt & Taggart Securities) 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 October 31, 2005, the bank had GEL 440.7 million in assets and GEL 75.5 million in equity.

About Europace

Europace, one of the leading insurance companies of Georgia, is the sixth largest insurance company in terms of premiums written by August 30, 2005. Europace has built a reputation of reliable and trustworthy partner for a number of leading Georgian corporate clients and is comprised of professional staff dedicated to serving its policyholders.

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