



The first 30 days



საქართველოს ბანკი
BANK OF GEORGIA

November 11, 2004

Caution regarding forward-looking statements

This presentation contains statements that constitute “forward-looking statements”, including, but not limited to, statements relating to the implementation of strategic initiatives and other statements relating to our business development and financial performance.

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, (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 markets 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 presentation and in our past and future filings and reports, including those filed with the NSCG.

We are under no obligation (and expressly disclaim any such obligations to) update or alter our forward-looking statements whether as a result of new information, future events, or otherwise.



Bank of Georgia At A Glance

▪ *The largest bank in Georgia by equity capital*

▪ *A leading retail bank by both retail loans and deposits*

▪ *One of the leaders in corporate banking and the undisputed leader in investment banking*

▪ *Significant ambitions in asset management*

▪ *Aspiring entrant into the insurance market*

▪ *Business based on financial intermediation between unrelated parties*

<i>GEL mln, unless otherwise noted</i>	YE 2003	Market Share	30-Sep-04
Assets	230.12	17.2%	279.25
Loans, of which	141.78	19.4%	158.21
Retail Loans	59.22	23.1%	56.36
Corporate Loans	82.56	16.5%	101.85
Deposits	126.17	17.2%	177.43
Risk Weighted Assets	312.42	NA	357.21
Shares outstanding	9,855,606	NMF	8,489,610 *
Book Value per share, GEL	5.54	NMF	5.72
Tier I Capital, % of RWA	11.8%	NMF	10.6%
# of Accounts	118,124	NA	206,466
# of Cards	17,474	35.0%	30,429
Branches & Service Centers	50	NMF	50
ATMs	12	NA	16
Employees	878	NMF	944

* Excluding treasury shares



Our Vision & Mission

Our vision is to be recognized as *the best financial services company in Georgia*

Our mission is to create long-term value and deliver by 2007 ROE of 20%+ by building a relationship-driven, client-facing integrated financial services company based on the core values of *excellence in execution, teamwork, integrity and trust.*

*Retail
Banking*

The largest Georgian retail bank, offering consumers the broadest range of services through multiple channels

*Corporate &
Investment
Banking*

Among the select leaders in corporate banking

The undisputed investment banking leader

Integrated offering to large corporates through strong client coverage culture

*Asset
Management*

A leading share of the domestic institutional business

The undisputed domestic leader in wealth management, with niche appeal for sophisticated non-resident investors

A player in private equity and venture capital

*Retail
Banking*

A player in the non-life sector, cross-selling insurance to corporate clients

A leading life insurance and pensions provider

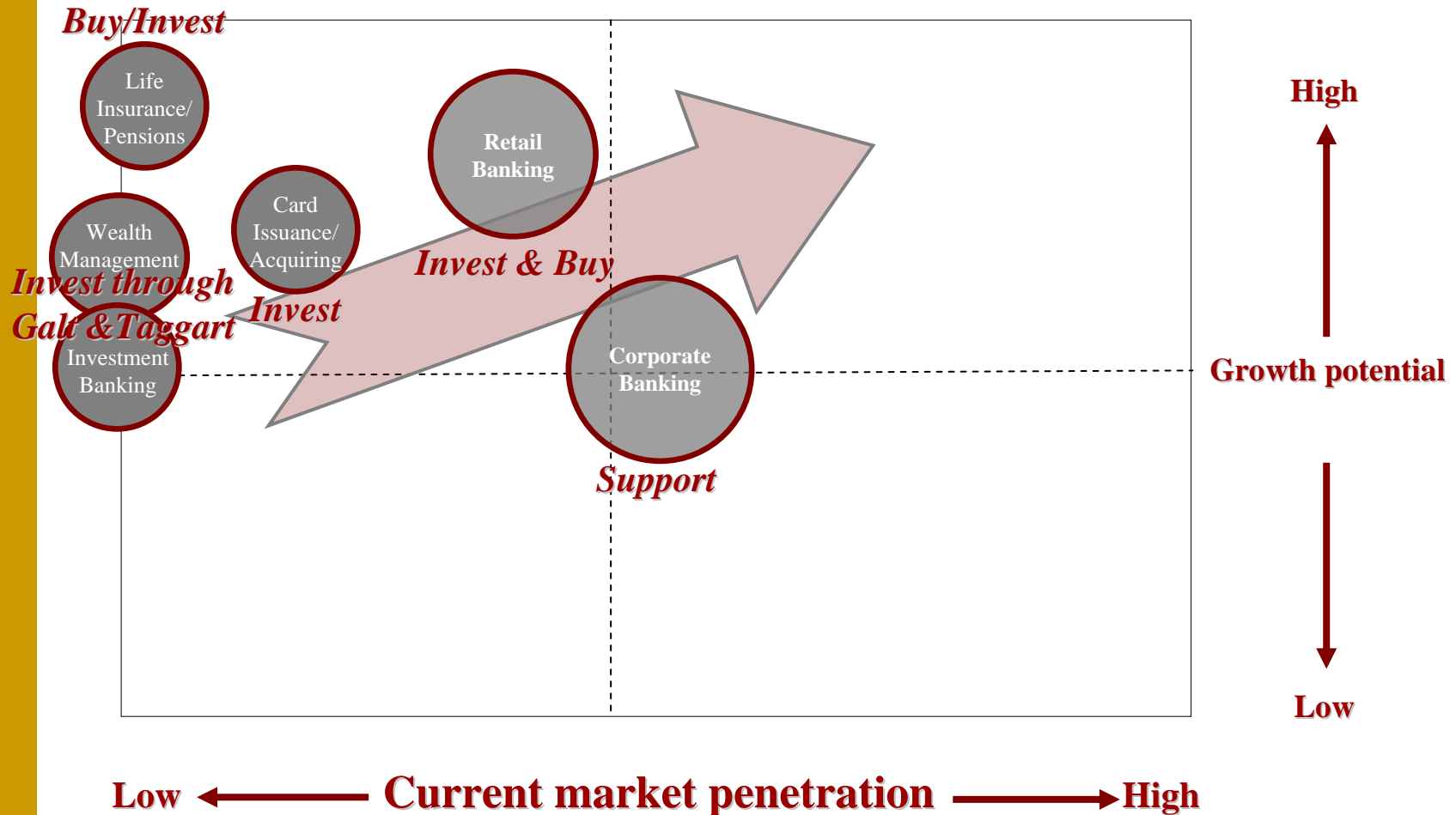


Main growth drivers

- Reduced tax burden through the new, streamlined tax code
- Improving transparency of the economy
- BTC & gas pipelines
- Inflow of funds from the Millennium Challenge
- New US\$1 bn aid package
- Successful restructuring of the Paris Club debt
- Privatization
- Continuing inflows of funds from the diaspora
- Payroll services
- Expat & private banking
- Retail, retail, retail
- Banking sector consolidation



Developing a diversified portfolio of businesses



Source: Bank of Georgia, Galt & Taggart Securities



Investment Case

- A “leveraged play” on Georgia’s economic growth
- Winning strategy for medium-term profitable growth
- Banking sector consolidator
- Solid historical performance due to core franchise strength
- Diversified revenue streams being built through product innovation
- Disciplined capital management
- Management team enhancement largely completed
- Evolving corporate culture
- Cost efficiencies to be realized within the next six months
- Transparency and good governance
- New emphasis on investor relations and retail-lot liquidity
- Zealous focus on creating attractive exit opportunities by 2007
- The only investable banking stock in Georgia (and the Caucasus)



The only investable stock in Georgia

GEB Stock Trading & Liquidity Developments

	2001	2002	2003	Q1 2004	Q2 2004	Q3 2004
Trading Volume, GEL	4,871,737	800,816	229,359	65,803	695,507	8,513,555
Growth, y-o-y %	328.8%	-83.6%	-71.4%	13.2%	1202.9%	31787.2%
As % of MCap	15.2%	2.3%	1.1%	0.3%	3.0%	22.3%
As % of GTBCI	43.5%	15.5%	36.2%	68.4%	74.8%	78.1%
As % of the GSE	37.3%	9.5%	13.2%	5.1%	4.5%	59.0%
Shares Traded	2,533,964	513,492	152,594	35,159	300,033	1,967,437
Growth, y-o-y %	343.6%	-79.7%	-70.3%	-15.4%	662.8%	9216.4%
As % of Shares Outstanding	25.3%	5.1%	1.5%	0.4%	3.0%	20.0%
As % of GTBCI	59.4%	21.4%	10.5%	70.6%	35.9%	24.8%
As % of GSE	23.3%	4.5%	1.9%	0.9%	2.7%	17.0%

Source: The GSE, Galt & Taggart Securities

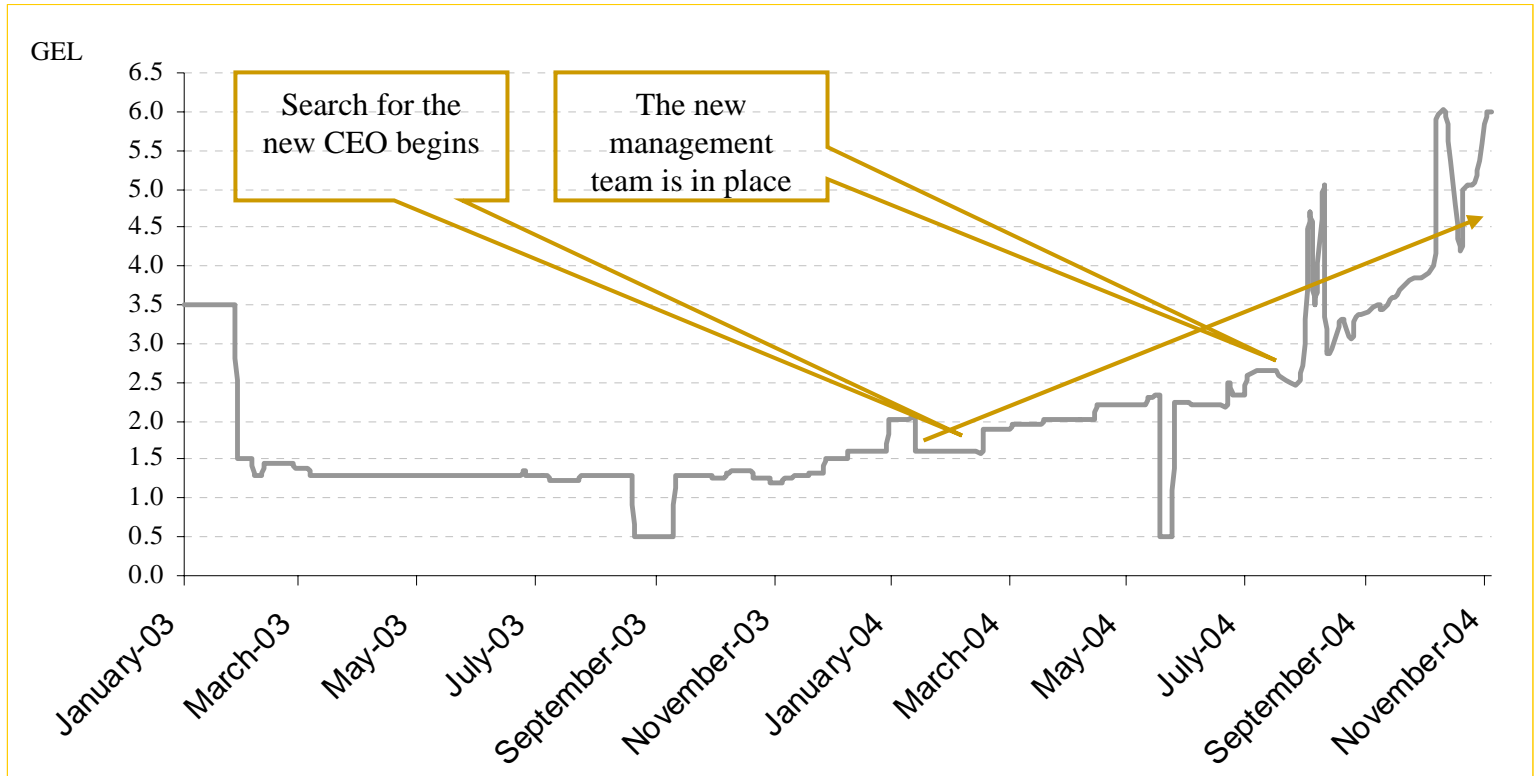
Bank of Georgia
acquires a 35% stake
in Galt & Taggart

Galt & Taggart is
appointed corporate
broker to Bank of
Georgia

Galt & Taggart is
appointed corporate
broker to Bank of
Georgia



Stock Price Performance – So Far



<i>GEL mln</i>	<i>MCAP</i>
<i>Jan 01 '04</i>	<i>20.3</i>
<i>Nov 03 '04</i>	<i>59.1</i>

YTD Stock Price Performance 195%



Strategic Action Plan

	Retail Banking	Corporate & Investment Banking	Asset Management	Insurance
Q4 2004	Play an active role in the establishment of credit bureau	Establish integrated Client Coverage with Galt & Taggart	Consolidate control of Galt & Taggart	Consider a <i>bancassurance</i> strategy
1H 2005	Roll out CRM and credit analytics	Roll out CRM	Develop Asset Management as the third Strategic Business Unit of the bank	Consider establishing a greenfield insurance subsidiary
2H 2005/2006	Focus retail lending on lower risk products, such as car loans, consumer finance, mortgages and credit cards	Expand customer base in the large & mid-sized corporate segment	However, limit initial spending on business development until a “heavy hitting” head of Asset Management is recruited (in 2H 2005)	Consider acquisition opportunities
2007	Target the growing middle-class customer segment (monthly income of GEL 750-2,000), which is currently very underbanked	Aggressively market payroll services	Focus on the following key markets	
2008	Establish direct sales channels (including point-of-sale consumer loans) to reduce reliance on branch network; regularly evaluate the bottom 10% of the branches	Enhance penetration of the SME market	-Private clients/DAM	
		Implement improved credit and market risk management procedures and systems	-Personal pensions	
		Maintain focus on asset quality, rather than growth, in corporate lending	-Corporate pension funds	
		Focus business with the top corporates on products/services that international banks/markets do not provide	-Retail	
			-Institutional (private equity)	



Under New Management: The First 30 Days

Strategic Initiatives				Acquisition of TbilUniversalBank announced
Funding & Shareholder Base	Firebird Global Master Fund acquires 314,500 shares at GEL 6 per share	Firebird Avrora acquires 512,348 shares at GEL 6 per share	East Capital accumulates a 1.7% stake through open market purchases	Firebird Republics Funds acquires 512,348 shares at GEL 6 per share US AID-backed corporate bond issue announced
CIB		Integrated client coverage initiative launched	First joint client pitch with Galt & Taggart	Tentative 2005/06 IPO pipeline: 3 domestic companies 1 local listing
Private Banking			Private Banking Trainee recruited Product redesign launched	First new private banking client attracted
Retail/Cards		Consumer finance product package relaunched	ATM /acquiring agreement concluded with a leading supermarket chain	Acquisition of a controlling stake in Georgian Card announced
NPLs & Asset Recovery		NPL portfolio review initiated	Sale of real estate collateral outsourced to real estate agents	New aggressive provisioning policy adopted
Cost Base				GEL 313, 000 worth of real estate sold GEL 5.2 mln worth of Substandard loans restructured New Head of Procurement Appointed
Headcount	944	944	944	921
Timeline	Oct 4-10	Oct 11-17	Oct 18-24	Oct 25-31



Core Franchise Strengths & Weaknesses: Retail



How We Are Fixing This

20% market share in deposits

Footprint of 50 branches and service centers

Some branches are unprofitable

No uniform service standards

We are shutting down three rural branches

We are flattening out the hierarchical branch management structure

**40% market share in cards
Largest ATM network**

Lack of control over the card processing platform

Quality of service and scalability issues due to under-investment

We have acquired control of the platform

Plans are drawn for investing up to GEL 1 mln in platform upgrade

Trusted, reputable brand

But perceived as a bit boring and old-style

Targeted marketing with a catchy, simple message

WE GET THINGS DONE



Case Study: Acquisition of Georgian Card

- **Transaction Rationale**

Card processing platform is in need of upgrade to address quality of service, scalability and migration to smart cards. BoG, the largest client of Georgian Card (accounting for approximately 70% of its business), lacked levers to induce the required changes against the wishes of the former majority owner.
- **Transaction Summary**

On October 28 Bank of Georgia (“BoG”) signed a definitive agreement to acquire controlling stake in JSC Georgian Card, a card processing company providing services to Bank of Georgia and Bank Republic
- **Transaction Structure**

Cash Purchase
- **Consideration**

BoG will pay GEL 1 per share for 621,255 shares from the majority shareholder Imedi S.A. and increases its equity interest from 19.06% to 50.1%; Bank Republic will increase its equity interest from 19.06% to 39%; the minority shareholders will be offered the same terms.



Core Franchise Strengths & Weaknesses: CIB



Robust corporate client base

Robust balance sheet enables focused lending to core clients at competitive rates

A leading FX dealer & market-maker

The leading trade finance bank

The leading investment banking franchise in Georgia



Decentralized client coverage

No cross-sell

No sector focus

Credit process fails to take into account overall client profitability

No syndication desk, with single borrower limits impeding strategic relationships with top corporates with large funding needs

No merchant banking or private equity arm

How We Are Fixing This

**Introducing
the
Integrated
Client
Coverage
model**



The new client coverage model

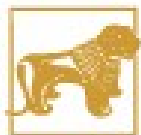
- CIB managed centrally, along sector lines, with Account Managers reporting to Sector Heads
- Nine sector coverage teams will be created

Financial Institutions	Industry, SOEs & Budget	Construction, Real Estate & Building Materials
Telecoms, Media & Technology	Energy	Consumer Goods & Pharmaceuticals
Foreign Organisations	Transport & Logistics	Retail & Wholesale Trade

- Dialogue with clients institutionalized through central database, annual client action plans, circulation of meeting notes and CRM
- Better capture of client revenue flows and profitability; measurable yardsticks for performance-based compensation
- Sector responsibilities assigned to top management, facilitating strategic dialogue with core clients
- No direct or dotted-line reporting by Account Managers to Branch Managers, which will focus solely on retail
- Significant cost savings



Pioneering the banking sector consolidation in Georgia



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BANK OF GEORGIA

+



თბილუნის უნივერსალ ბანკი
TBILUNIVERSALBANK

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November 11, 2004

The Lion Has Roared

- **On November 1, 2004, Bank of Georgia (“BoG”), TbilUniversalBank (“TUB”), and TUB shareholders have entered into a binding commitment regarding the acquisition of 100% of common stock of TUB by BoG (the “Transaction”)**
- **The two banks and TUB shareholders intend to sign the definitive documentation to this effect on November 30, 2004**
- **BoG will apply for approval of the Transaction by the Regulator(s)**
- **The Transaction is subject to approval by BoG’s EGM, which will be held in early December**
- **TUB will be merged into BoG as soon as practicable following the EGM approval, **creating the largest bank in Georgia by equity and second largest by assets****



Transaction Summary

- **Transaction Structure** Cash and stock purchase
- **Consideration**

The EBRD, as the owner of a 19.99% equity interest in TUB, will receive GEL 1.75 million in cash

The other TUB shareholders will receive cash and 1,116,153 – 1,316,153 newly issued BoG shares (subject to post-closing adjustments for contingencies)

All post-closing adjustments will be made by April 30, 2005
- **Key Roles**

Tariel Gvalia, Chairman of TUB Supervisory Board, will be nominated for election as Vice Chairman of BoG Supervisory Board

Sulkhan Gvalia, Vice Chairman of the Management Board of TUB, will be appointed Deputy General Director of BoG
- **Other Key Terms** Lock-up of BoG shares received by Tariel Gvalia and Sulkhan Gvalia for up to 3 years
- **Financial Advisors**

BoG: Galt & Taggart Securities

TUB: none used
- **Legal Counsel**

BoG: Begiashvili & Co

TUB: Mgaloblishvili, Kipiani, Dzidziguri



Transaction Pricing

- Value will be attributed approximately as follows:

Asset	Minimum	Maximum
100% of TUB	GEL 8.50 mln	GEL 10.70 mln
60% of Georgian Leasing Company	GEL 0.35 mln	<i>fixed</i>
7.8% of Galt & Taggart Securities	GEL 0.05 mln	<i>fixed</i>
Special Closing Bonus to TUB Shareholders	GEL 0.15 mln	<i>fixed</i>
Total	GEL 9.05 mln	GEL 11.25 mln

- Resulting in the following implied multiples of TUB:

<i>100% of TUB</i>	TUB Data	Implied Multiples	
		Minimum	Maximum
<i>Price/Book Value</i>			
Book Value <i>(as at September 30, 2004)</i>	GEL 9.03 mln	0.94x	1.18x
<i>Price/Earnings 2004F</i>			
2004 Net Income forecast <i>(GEL 1.80 mln YTD)</i>	GEL 1.90 mln	4.47x	5.63x



Cost Synergies & Deal Economics

- We estimate the following synergies to be captured in 2005:

<i>GEL '000, unless otherwise noted</i>	YTD Costs (Jan-Sep)	Annualized Costs (YTD x 1.33)	Synergies (% of Annualized Costs)	Synergies
Personnel	536	713	40%	285
Administrative Expenses	335	445	50%	222
Other Costs	710	944	50%	472
Total	1,784	2,372		980
Less 10% attrition				98
Pre-Tax Synergies				882
Less 20% tax				176
Net Annual Synergies				706

- Resulting in the following deal economics for BoG:

Estimated TUB Annual Earnings	GEL 1.90 mln	Goodwill	GEL 2.13 mln
Estimated TUB Net Annual Synergies	GEL 0.70 mln	Non-recurring transaction & integration costs	GEL 0.25 mln
	GEL 2.6 mln		GEL 2.38 mln

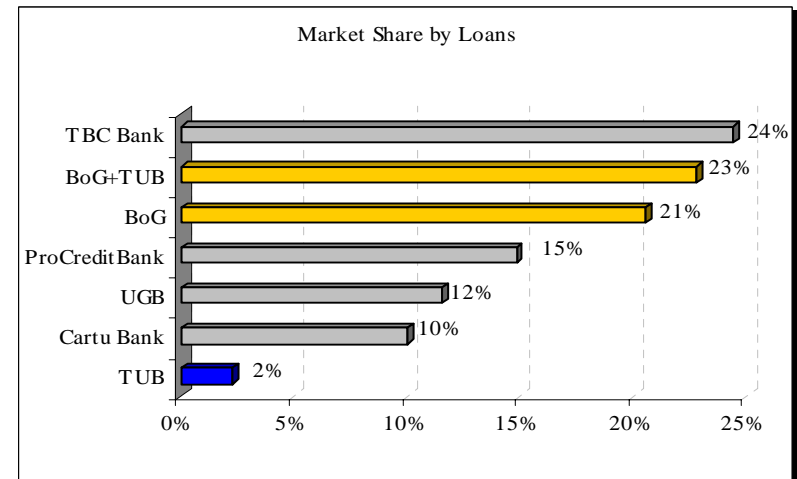
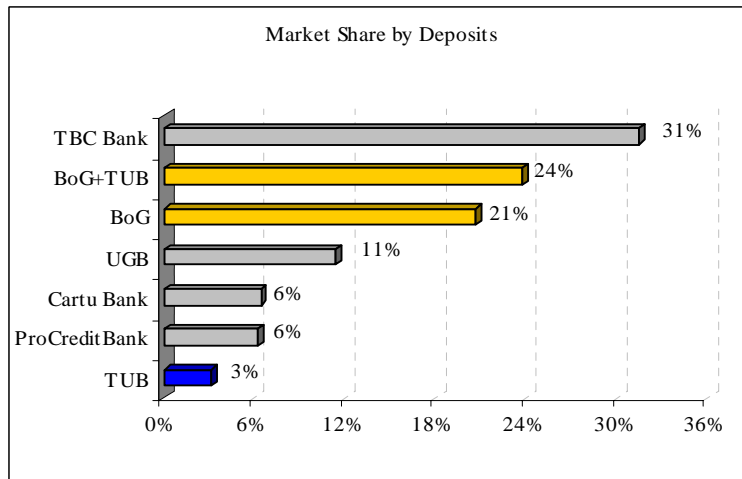
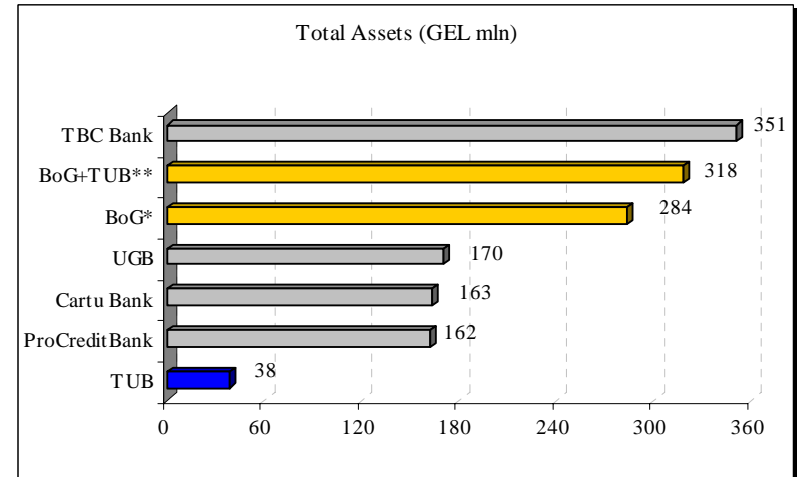
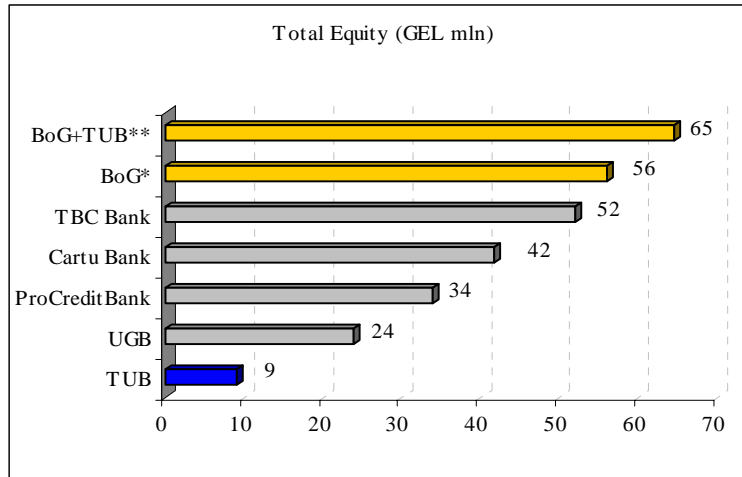


Transaction Rationale

- Effective way for BoG to reach critical mass, gain market share and expand client base (especially in the SME sector) without sacrificing the margins
- TUB is in the rapid growth phase, almost tripling its Net Income in the current year
- Acquiring a skilled and reputable management team and staff
- Transparency of TUB, as evidenced by the EBRD's involvement with the bank (as lender and shareholder)
- The two banks run on the same core banking software, making integration easy
- No regional branch network and, therefore, minimal branch footprint duplication



The New Banking Sector Leader Is Being Created



All data are as of September 30, 2004

Market shares are based on a sample of 11 largest banks. The sample represents approximately 90% of the banking sector

* BoG data includes the sale of treasury shares in November 2004

** Assumes the expected cash payment of GEL 3.6 million to TUB shareholders



Questions?

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