



საქართველოს ბანკი  
BANK OF GEORGIA

CA-IB Emerging Europe Conference

New York

March 16, 2006

# The Georgian Economy At A Glance

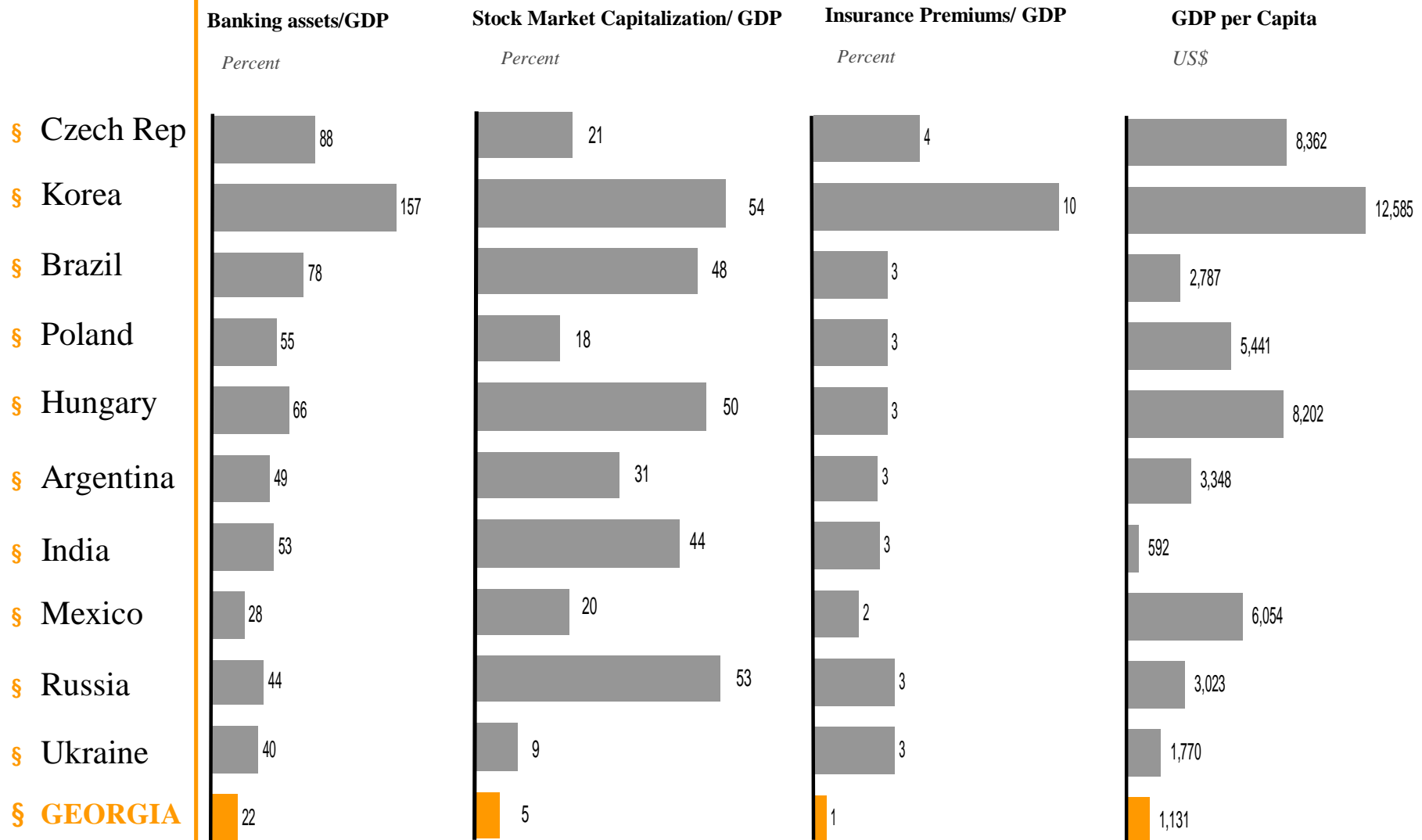
<i>In GEL mln, unless otherwise noted</i>	<b>2003A</b>	<b>2004A</b>	<b>2005E</b>	<b>2006F</b>	<b>2007F</b>	<b>CAGR 04-07</b>
<b>Demographic Parameters</b>						
Population, thousand people, of which	4.55	4.54	4.56	4.58	4.60	0.5%
Economically active	2.11	2.11	2.13	2.14	2.16	0.7%
% of Total Population	46.5%	46.6%	46.7%	46.8%	46.9%	
Number of Households, thousands	1,220	1,200	1,212	1,231	1,239	
<i>In GEL mln, unless otherwise noted</i>	<b>2003A</b>	<b>2004A</b>	<b>2005E</b>	<b>2006F</b>	<b>2007F</b>	<b>CAGR 04-07</b>
<b>Macroeconomic Parameters</b>						
Nominal GDP	8,560	9,506	11,149	12,412	14,649	15.5%
Real GDP Growth, %	11.1	6.2	7.8	6.5	10.2	
GDP Per Capita (GEL)	1,883	2,096	2,446	2,710	3,182	14.9%
CPI, GEL, e-o-p, %	6.9	7.5	6.1	5.1	8.7	
GDP Deflator, y-o-y, %	3.2	5.9	5.5	4.5	7.1	
GEL/US\$, avg	2.14	1.91	1.81	1.79	1.80	-2.0%
GEL/US\$, e-o-p	2.05	1.83	1.79	1.78	1.79	-0.7%
Consolidated State Budget Revenues	1,320	2,282	2,507	3,029	3,807	18.6%
Consolidated State Budget Deficit	202	130	524	385	425	48.4%
<i>As % of GDP</i>	2.36%	1.37%	4.70%	3.10%	2.90%	
Debt to GDP Ratio	44.42	33.17	27.71	N.A.	N.A.	
Debt to Exports Ratio	143.27	112.22	89.1	N.A.	N.A.	
Exports, FOB (US\$ mln)	465.3	648.4	867.1	N.A.	N.A.	

Source: State Statistics Department; National Bank of Georgia; Galt & Taggart Securities' estimates

## *The Georgian Economy cont'd*

- § High GDP growth
- § Stable currency
- § Strong fiscal performance
- § Increasing consumer spending with very low levels of consumer indebtedness
- § Unprecedented government spending on infrastructure, resulting in increased productivity
- § Reasonable interest rate environment
- § Increased foreign investor activity
- § Progressive new tax code
- § Massive deregulation and liberalization
- § Dramatically reduced corruption
- § Improving corporate governance practices
- § Abolition of all customs duties by 2008

## STILL A LAGGARD AMONG EMERGING MARKETS



Note: Estimated real GPW to GDP in Russia was only about 1,7% in 2003; 2005 data for Georgia; 2003 data for all other countries  
 Source: Global Insight; Global Stock Market Factbook 2004; National Banks; McKinsey

## The Georgian Financial Services Sector At A Glance

§ 21 banking licenses, but sector consolidation in progress

	2005	Y-O-Y Growth	Top 5 Banks	Bank of Georgia
<b>Total Assets</b>	GEL 2,548 mln	50.2%	78.4%	<b>17.8%</b>
<b>Loans</b>	GEL 1,730 mln	79.3%	81.8%	<b>18.2%</b>
<b>Deposits</b>	GEL 1,538 mln	56.5%	78.1%	<b>19.0%</b>
<b>Shareholders' Equity</b>	GEL 479 mln	28.7%	68.1%	<b>18.7%</b>
<b>Net Income</b>	GEL 62 mln	124.7%	74.0%	<b>20.7%</b>

§ Bank-owned insurance companies account for a 62% market share

- Bank of Georgia has an approximately 20.1% market share (BCI/EuroPace)

§ Bank-owned leasing companies account for 100% of the leasing assets

- Bank of Georgia (GLC) has an approximately 30% market share

§ Bank-owned broker-dealers account for more than 70% of trading volume on the GSE

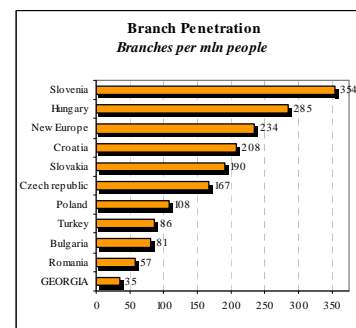
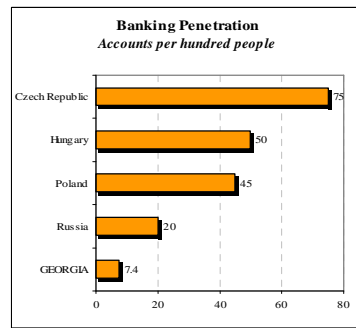
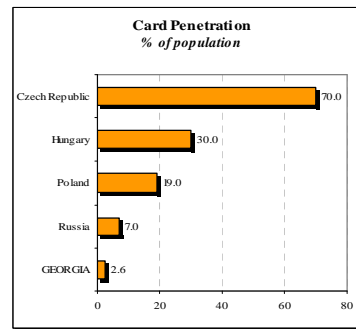
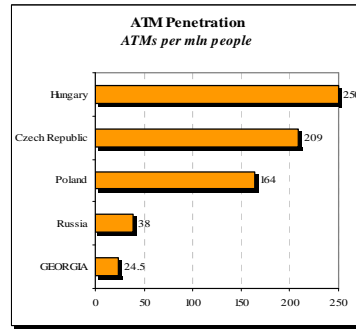
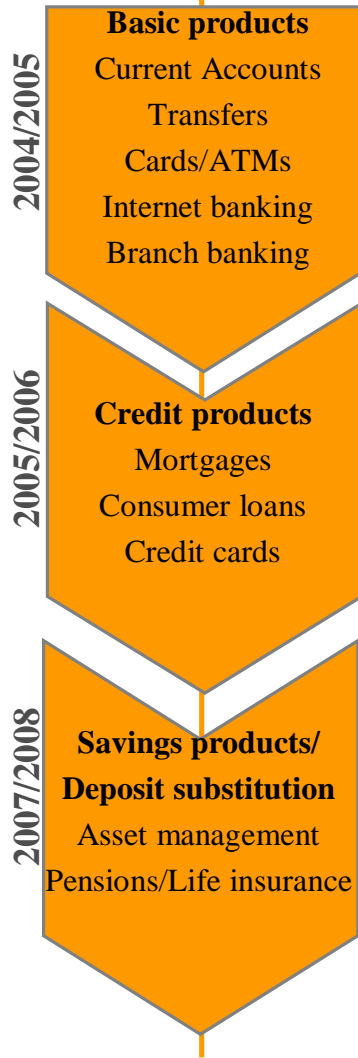
- Bank of Georgia (Galt & Taggart) has an approximately 35% market share

§ 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> largest banks are foreign-controlled

- Bank of Georgia (70% non-resident institutional investor ownership)
- United Georgian Bank (51% owned by VneshtorgBank)
- ProCredit Bank Georgia (majority controlled by the ProCredit network)

# The Georgian Banking Sector – Significant Growth Potential

As consumer demand for financial services becomes more sophisticated



Intermediated  
Retail Financial  
Assets

GEL 745 mln

Total Retail  
Financial Assets

GEL 1,854 mln

Total Consumer  
Loan Stock Per  
Capita (including  
mortgages)

GEL 108

Cards in  
circulation

Under 200,000

Source: GFK, Pentor, McKinsey, Galt & Taggart Securities' estimates;  
Georgia 2005 1H data

	Georgia (2005E)	Georgia (2004)	CIS (2002)	Balkans (2002)	CEE (2002)	EU (2001)
Total Loans/GDP (%)	13.02%	9.85%	17%	14%	32%	172%
Total Deposits/GDP (%)	10.93%	10.03%	22%	25%	53%	186%
Banking Assets per capita (EUR)	169	151	628	695	4,336	64,535
Banking Assets/No. of Banks (EUR mln)	36.5	32.5	92	173	1,375	5,288

Source: ECB, EBRD, NBG, Galt & Taggart

GEL/EUR as Dec 31 03	2.592
GEL/EUR as Dec 31 04	2.485
GEL/EUR as Dec 31 05	2.125

## *The Georgian Banking Sector – Key Trends & Issues 2005 - 2007*

- § **Increasing adoption of the universal banking business model, following the lead of **Bank of Georgia****
- § **Significant IT/infrastructure and marketing spend drives increasing retail banking penetration**
- § **Increasing foreign investment in small banks**
  - Salford/Standard Bank (December 2004)
  - TuranAlem/SilkRoad bank (March 2005)
  - Cascade Holdings/Emporiki Bank Georgia (January 2006)
- § **Increasing availability of non-deposit funding**
  - Driven by the S&P sovereign B+ rating
  - IFIs: EBRD, IFC, DEG, OPIC, BSTDB
  - Syndicated loans (TBC Bank)
  - Domestic bonds (**Bank of Georgia**, ProCredit Bank Georgia)
  - CLNs/Eurobonds (expected Q4 2006/1H 2007)
- § **Significant sector-wide growth triggers expected (2006-2007)**
  - Gradual relaxation of the tough NBG capital adequacy & liquidity ratios
  - Strengthened and improved bank supervision strict AML/KYC regime improve confidence in the banking sector
  - Financial sector liberalization under way, dramatically facilitating non-residents' access to Georgian financial assets
  - Introduction of the deposit insurance scheme (potentially in 2007)

# Bank of Georgia - 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 ROAE 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

*A leader in corporate banking, bank of choice for inbound foreign corporates*  
*The undisputed leader in investment banking*  
*Integrated offering to large corporates through strong client coverage culture*

## Insurance

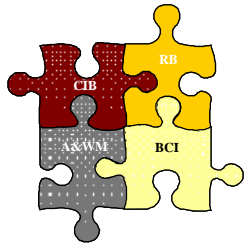
*A leading player in the non-life sector, cross-selling insurance to corporates*  
*A leading life insurance and pensions provider*

## Asset & Wealth Management

*A leading share of the domestic institutional business*  
*The undisputed domestic leader in wealth management, with niche appeal to sophisticated non-resident investors*  
*A player in private equity and venture capital*



# Bank of Georgia – An Integrated Business Model



**One Firm**  
 Strong management  
 Shared expertise  
 Cross-sell synergies  
 Shared services & infrastructure  
 Cost efficiency

Bank of Georgia Group				2005 Results
BCI/Europace	CIB	RB	A&WM	
2/3	2	1	1	Market Position
N/A	US\$ 101.7 mln	US\$ 73.1 mln	AUM/Custody US\$ 44.0 mln	Earning Assets
US\$ 4.3 mln*	N/A	N/A	US\$ 6.7 mln	Total Assets
US\$ 6.9 mln	US\$ 13.9 mln	US\$ 14.5 mln	US\$ 4.1 mln	Revenue
N/A	US\$ 10.6 mln	US\$ 5.9 mln	N/A	NNOI
US\$ 0.7 mln	US\$ 8.1 mln	US\$ 4.2 mln	US\$ 0.4 mln	PBR
US\$ 0.4 mln	US\$ 4.4 mln	US\$ 2.3 mln	US\$ 0.3 mln	Net Income
5.9%	59.5%	31.1%	4.1%	Contribution to Group Net Income

\* Excludes Europace

# Bank of Georgia - Development Milestones

<b>New Management Team Takes Over</b>					
US\$ 151.7 mln US\$ 93.3 mln US\$ 96.4 mln US\$ 26.4 mln	US\$ 198.0.4 mln US\$ 105.3 mln US\$ 137.8 mln US\$ 29.7 mln	US\$ 201.4 mln US\$ 132.4 mln US\$ 135.5 mln US\$ 33.1 mln	US\$ 253.5 mln US\$ 176.0 mln US\$ 151.5 mln US\$ 50.3 mln	US\$ 302.8 mln US\$ 191.7 mln US\$ 177.7 mln US\$ 53.3 mln	<b>Total Assets (e-o-p)</b> <b>Total Loan Book (e-o-p)</b> <b>Deposits (e-o-p)</b> <b>Equity (e-o-p)</b>
	6	11	15	17	<b>Number of Western-Trained Professionals</b>
	TUB (US\$ 6.2 mln) BCI (US\$ 2.1 mln) Georgian Card (increased from 19% to 51%, US\$ 343 K)	Galt & Taggart (increased from 35% to 90%, US\$ 206K)	GLC (increased from 60% to 87.3%, US\$ 350 K) Europace, 100% acquisition by BoG and BCI (US\$ 1.4 mln)	IntellectBank, acquisition of assets & liabilities	<b>Key Acquisitions</b>
Retail Banking Corporate Banking Trade Finance Foreign Exchange Investment Banking	Retail Banking Corporate Banking Trade Finance Foreign Exchange Investment Banking Insurance	Retail Banking Corporate Banking Trade Finance Foreign Exchange Investment Banking Insurance Leasing Pensions	Retail Banking Corporate Banking Trade Finance Foreign Exchange Investment Banking Insurance Leasing Pensions Private Banking	Retail Banking Corporate Banking Trade Finance Foreign Exchange Investment Banking Insurance Leasing Pensions Private Banking	<b>Key Business Lines</b>
BSTDB US\$ 4 mln DEG EUR 6.5 mln AKA Bank EUR 5 mln EBRD US\$ 11 mln IFC US\$ 8 mln		KfW US \$3.5 mln guarantee facility EBRD US\$ 10 mln	GEL 2.0 mln Bond Placement Commerzbank Euro 3 million	World Business Capital US\$ 10 million/10 year loan with OPIC guarantee	<b>Key Lenders</b>
EBRD (since 1998) DEG invests	Post-Communist Opportunities Fund, Firebird Avrora Fund, Firebird Republics Fund Firebird Global Master Fund invest	Ostinvestor clients invest The Firebird funds and East Capital Bering Fund increase their respective stakes	Several hedge funds invest East Capital Holding increases its stake East Capital Bering Ukraine Fund invests Bank Austria Creditanstalt purchases a large block on behalf of institutional client and issues Call Warrants against BoG stock tradable on the Vienna Stock Exchange SEB Vilniaus Bankas purchases a large block on behalf of Finasta	Hedge Funds	<b>Institutional Shareholders</b>
<b>2000 - Q3 2004</b>	<b>Q4 2004</b>	<b>1H 2005</b>	<b>2H 2005</b>	<b>2006 YTD</b>	

# Supportive Shareholders & Lenders

## BoG Shareholder Structure

Bank of Georgia Shareholding		
28-Feb-06	Shares	%
EBRD	1,797,509	11.7%
Victor Gelovani	1,944,840	12.6%
Bank Austria Creditanstalt (nominees)	1,499,993	9.7%
Firebird Avrova Fund	1,356,219	8.8%
Firebird Republics Fund	1,355,706	8.8%
East Capital Holding	846,864	5.5%
East Capital Bering Fund	771,172	5.0%
East Capital Bering Ukraine Fund	670,000	4.3%
Firebird Global Master Fund	637,999	4.1%
Galt & Taggart Securities (nominees)	557,136	3.6%
Lado Gurgenidze	361,243	2.3%
SEB Vilniaus Bankas (nominees)	331,200	2.1%
Sulkhan Gvalia	257,835	1.7%
Tariel Gvalia	243,095	1.6%
<b>Subtotal</b>	<b>12,630,811</b>	<b>81.9%</b>
Free float	2,784,786	18.1%
<b>Total</b>	<b>15,415,597</b>	<b>100.0%</b>

## Key Lenders



## Key Institutional Shareholders



## Custodians/Nominees



- § Management currently owns approximately 623,080 shares and approximately 541,665 options/share grant entitlements
- § New management share ownership plan has been introduced and 40 professionals equitized
- § 40 non-resident individual shareholders
- § Approximately 1,800 domestic retail shareholders

## 2006 YTD Accomplishments

- § Total assets grew to GEL 551.9 mln (US\$ 302.8 mln ) from GEL 453.6 mln (US\$ 253.5 mln) at the YE 2005
- § Acquisition of IntellectBank
  - 25,000 retail clients
  - Approximately 7,000 active cardholders, sole distributor of AmEx Cards, 49% equity interest in UFC
  - Active partner of Anelik, MoneyGram, WesternUnion and other money transfer businesses
  - 18 additional branches, bringing our total to 75
  - Estimated 2006 pre-tax post-synergies earnings contribution of GEL2.6 mln
- § Ahead of schedule on the annual debt funding plan (US\$ 100 mln)
  - GEL20 mln (US\$ 11 mln) 2 year, 6.2% bullet loan
  - US\$10 mln 10 year loan 2.75% over LIBOR loan guaranteed by OPIC
  - A bulge bracket bank mandated on a US\$ 20 mln 1 year unsecured term loan/CDS facility
  - Several proposals received to arrange a debut US\$ 15 mln syndicated loan
  - Proposal received for a US\$ 5 mln subordinated debt, awaiting other proposals
  - Proposal received for a EUR 50 mln debut Eurobond issue
- § Introduced monthly account maintenance fees (GEL 1.5 per month) on all non-payroll retail client accounts with no pushback from clients – additional estimated fee income of GEL 1.0 mln in 2006

# 2006 YTD Accomplishments



## § Good progress on co-branded retail initiatives

- **Chemebi** – launched a new consumer insurance brand – no less than 20,000 additional clients expected in 2006
  - Property, car, health, travel and life insurance packages
  - Co-branded loyalty/discount cards (BoG/Chemebi/Aversi)
- **GeoCell** (a mobile operator with 800,000+ active subscribers 50% market share) – acquisition of up to 5,000 retail clients expected in 2006
  - Co-branded cards distributed to GeoCell's post-paid client base, loyalty program, other projects under development
- **Populi** (the largest supermarket chain with 13 outlets, 9% owned by BoG, 23% owned by Firebird) – acquisition of up to 3,000 retail clients expected in 2006
  - Exclusive POS acquiring, in-store promotion of BoG products, ATMs in most stores, co-branded cards/cashback
- **Aversi** – (the leading pharmacy chain with 80 outlets) – acquisition of up to 20,000 retail clients expected in 2006
  - Co-branded cards/loyalty program, exclusive POS acquiring, ATMs at selected locations, in-store distribution of the *Chemebi* consumer insurance products

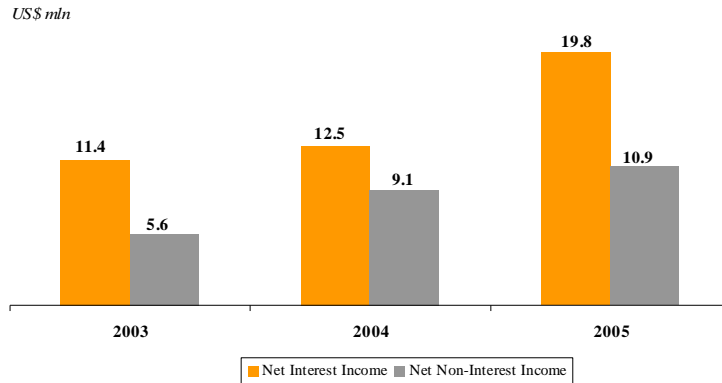
## § The sole servicing bank of Millennium Challenge Georgia (US\$295 mln committed US funding over the next five years)

## § The servicing bank and the sole financial advisor to TAV-Urban the Tbilisi and Batumi airports BOT operator (a US\$77 mln project)

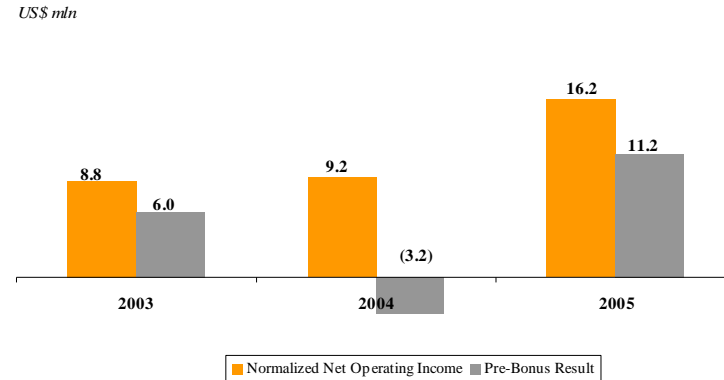
# 2005 Results Overview

ROAE 19.5%  
 ROAA 3.3%  
 CAR (Basel) 22.6%

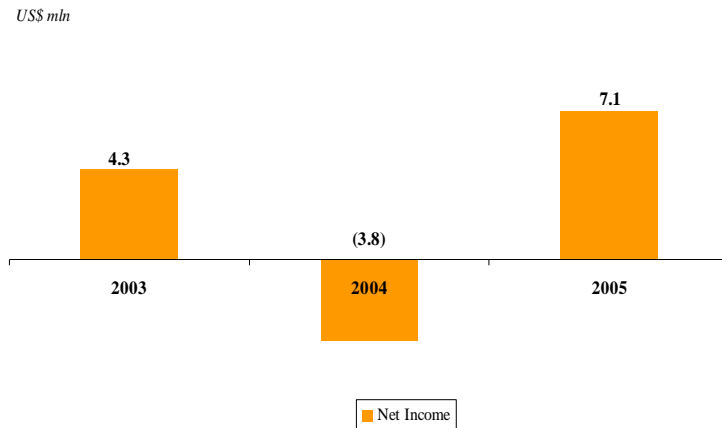
### Net Interest Income & Net Non-Interest Income



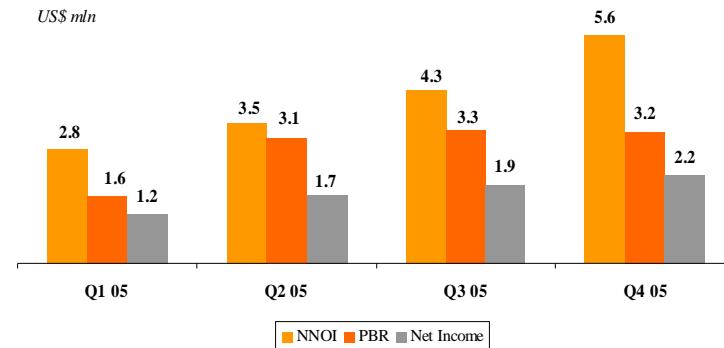
### Normalized Net Operating Income (NNOI) & Pre-Bonus Result (PBR)



### Net Income



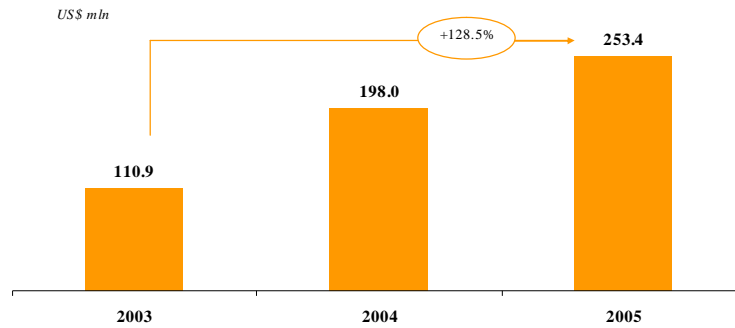
### Quarterly NNOI, PBR & Net Income



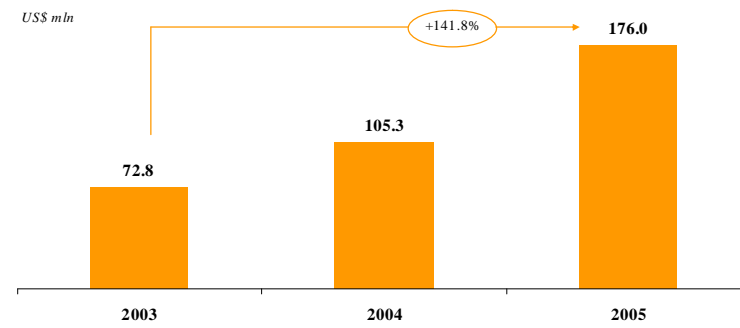
Note: 2004 results include TUB on a combined basis

# Balance Sheet Highlights

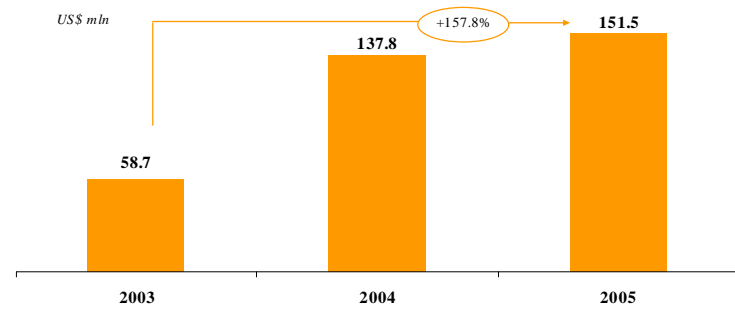
## Total Assets (e-o-p)



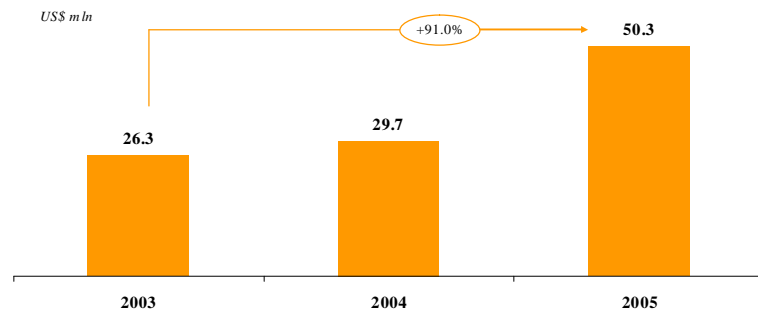
## Gross Loans (e-o-p)



## Deposits (e-o-p)

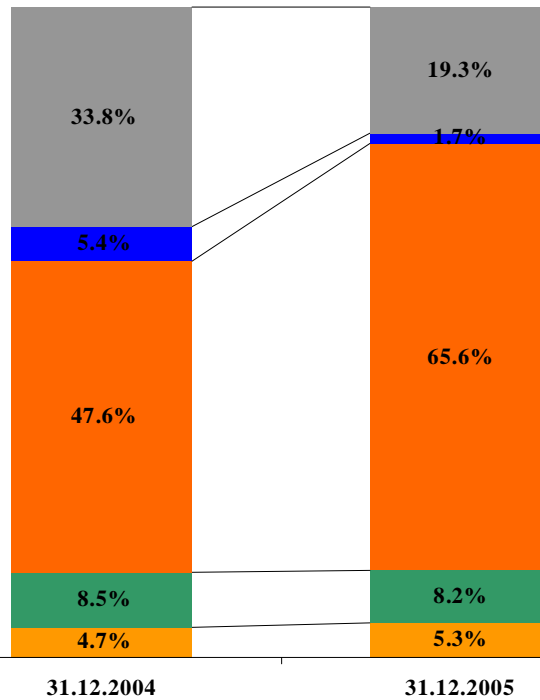


## Shareholders' Equity (e-o-p)

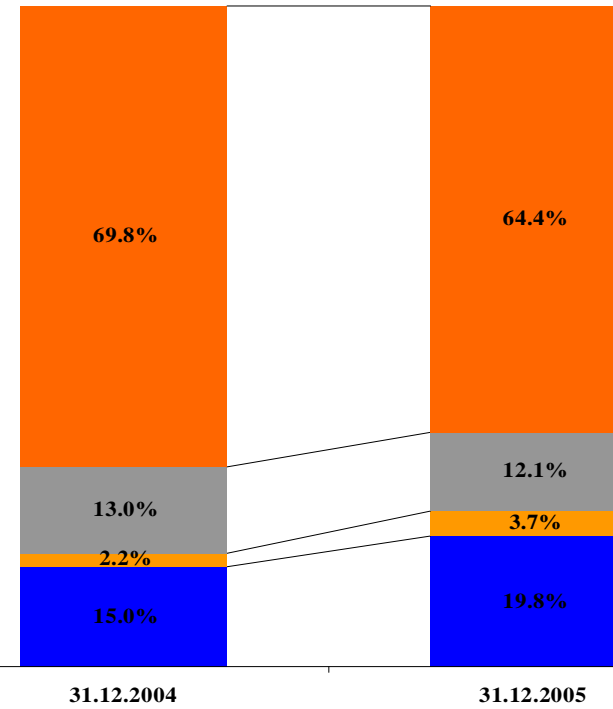


## Changing Balance Sheet Composition Geared Towards Higher Profitability

Total Assets %



Total Liabilities & Shareholders' Equity, %



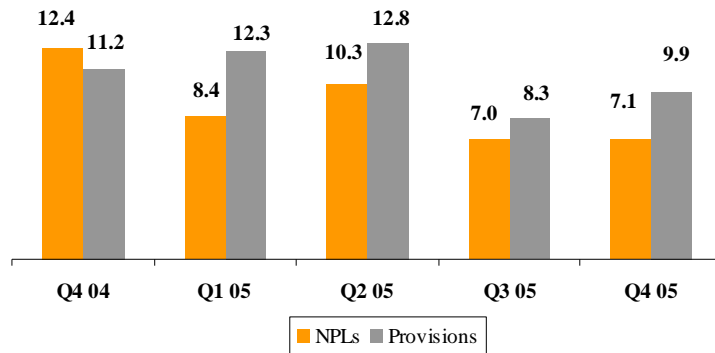
■ Cash and Equivalents ■ Treasuries ■ Loans ■ Fixed Assets ■ Other Assets

■ Deposits ■ Borrowed Funds ■ Other Liabilities ■ Shareholders' Equity

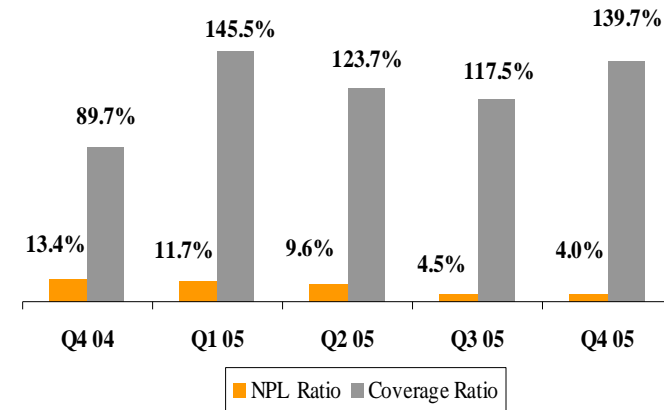


# Diversified Loan Book And Conservative Provisioning Policy

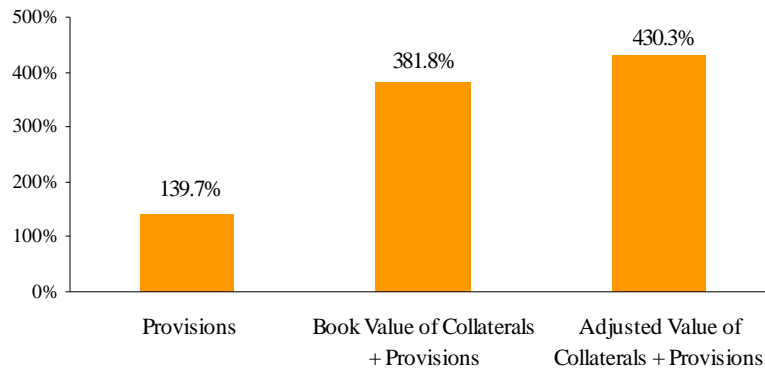
**NPLs vs Provisions (e-o-p, US\$ mln)**



**NPL Ratio vs Coverage**

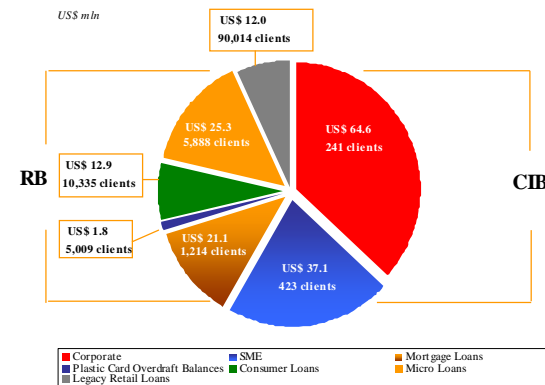


**Provisions as % of NPLs**



**Loan Portfolio Diversification**

(by volume and number of clients)



NPL=Overdue more than 90 days (except for 2004 and 2003); NPL Ratio = NPLs/Total Loans;

Coverage Ratio=Provisions/NPLs



[www.bog.ge/ir](http://www.bog.ge/ir)

# Improving Asset Quality While Expanding The Loan Book

## Asset Quality

<i>GEL mln, unless otherwise noted</i>	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05
Overdues*	14.6	11.7	11.9	14.7	11.5	7.0	9.7	13.5
NPLs**	9.9	9.9	12.7	22.7	15.4	18.7	12.6	12.7
NPLs/Total Loans	6.4%	6.3%	7.5%	13.4%	7.9%	9.2%	4.5%	4.0%
NPL coverage ratio (Provisions/NPLs)	94.0%	87.2%	86.4%	89.7%	145.5%	123.7%	117.5%	139.7%
Provisions/Total Loans	6.1%	5.5%	6.4%	12.1%	11.7%	9.6%	5.3%	5.6%

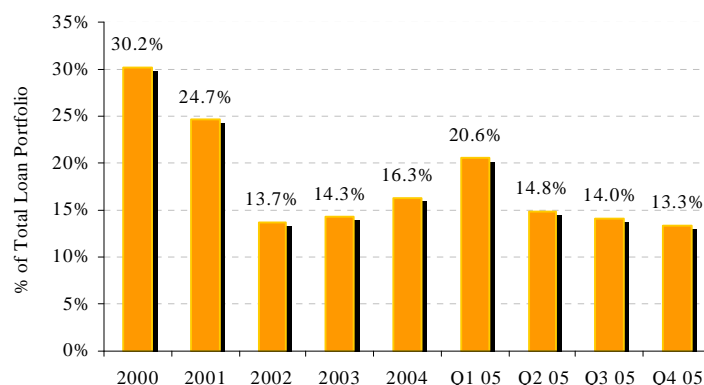
\*Overdue more than 30 days but less than 90 days \*\* Overdue more than 90 days in 2005

## Loan Portfolio Risk by Loan Categories

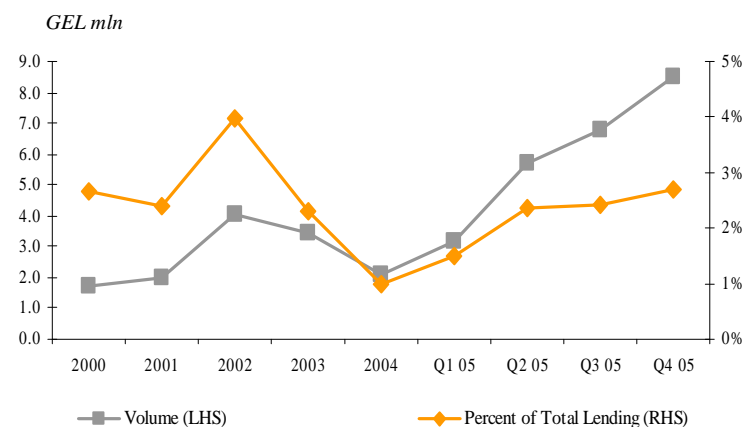
<i>GEL mln, unless otherwise noted</i>	Dec-04	Dec-04	Mar-05*	Mar-05*	Jun-05	Jun-05	Sep-05	Sep-05	Dec-05	Dec-05
Standard (2% provision)	131.6	78%	176.2	81%	202.6	84.4%	252.5	90.2%	281.9	89.5%
Watch (10% provision)	14.7	9%	14.8	7%	11.3	4.7%	11.8	4.2%	13.2	4.2%
Substandard (30% provision)	4.2	3%	6.9	3%	8.2	3.4%	8.5	3.0%	9.0	2.8%
Doubtful (50%-70% provision)	8.2	5%	5.9	3%	6.1	2.6%	2.3	0.8%	6.1	2.0%
Loss (100% provision)	10.3	6%	12.8	6%	11.8	4.9%	4.9	1.7%	4.9	1.6%
Total	169.0	100%	216.6	100%	240.0	100%	279.9	100%	315.1	100%

\* March 05 includes TUB

## Top Ten Borrower Concentration

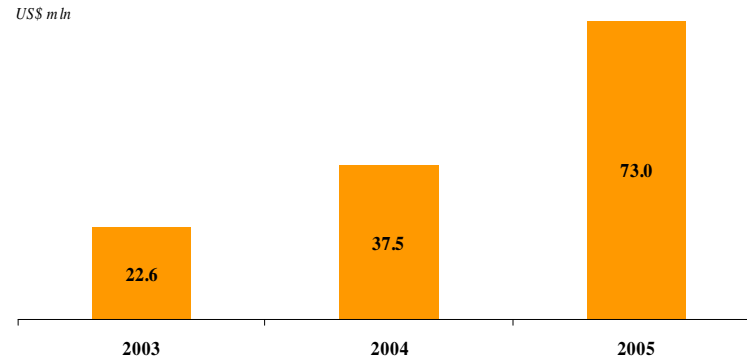


## Insider Loans



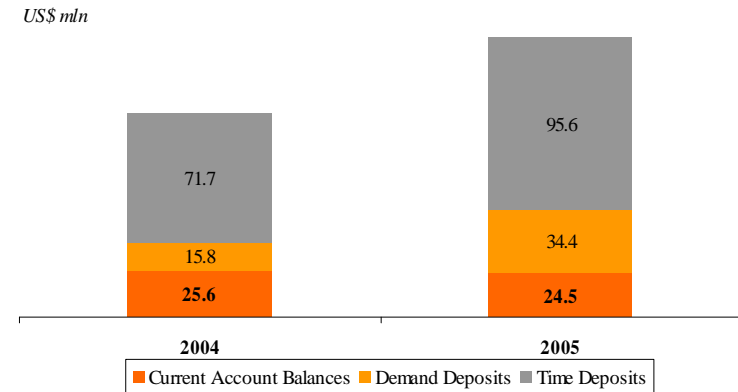
# Retail Banking Overview

## RB Loans

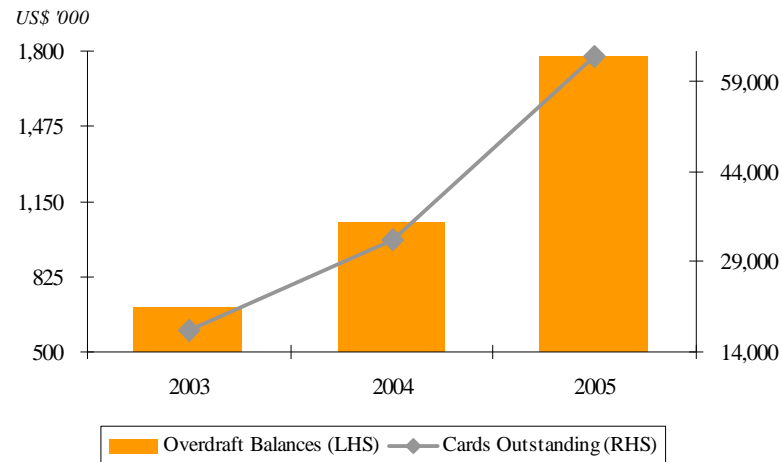


## RB Client Funds

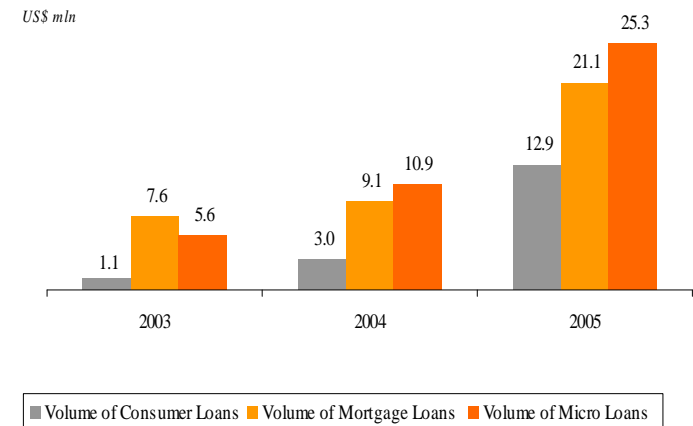
Over 150,000 current accounts at YE 2005



## Plastic Cards

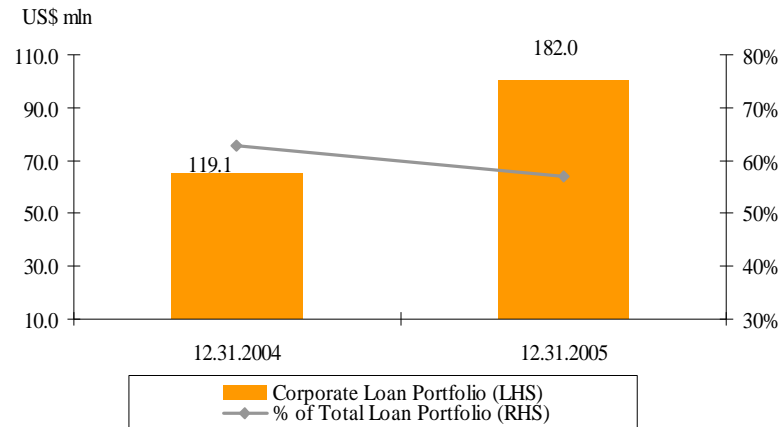


## Consumer, Mortgage & Micro Loans

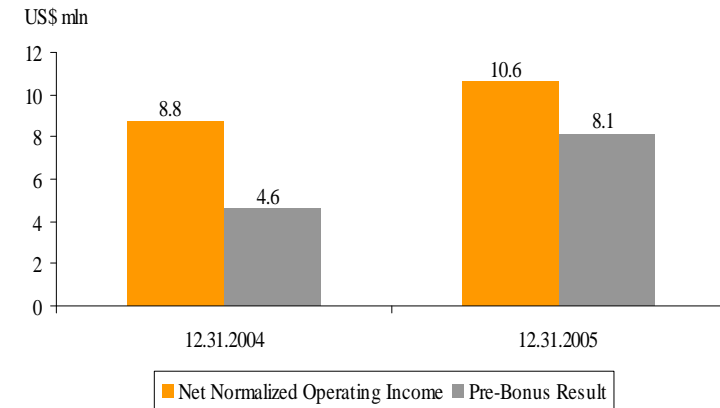


# Overview Of Other SBUs

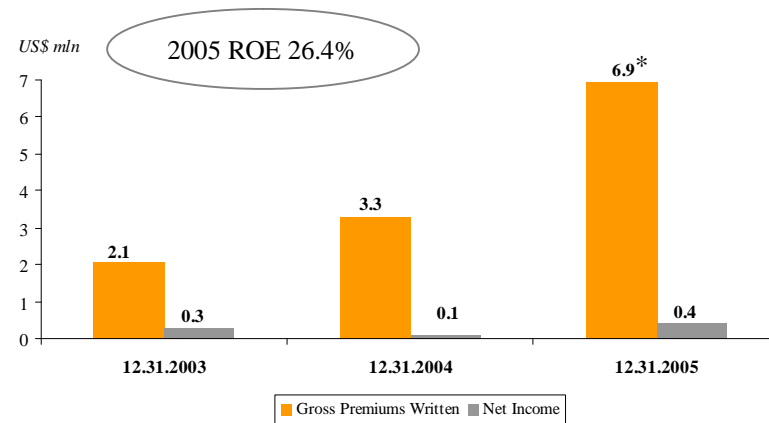
### CIB Loan Portfolio



### CIB NNOI & PBR

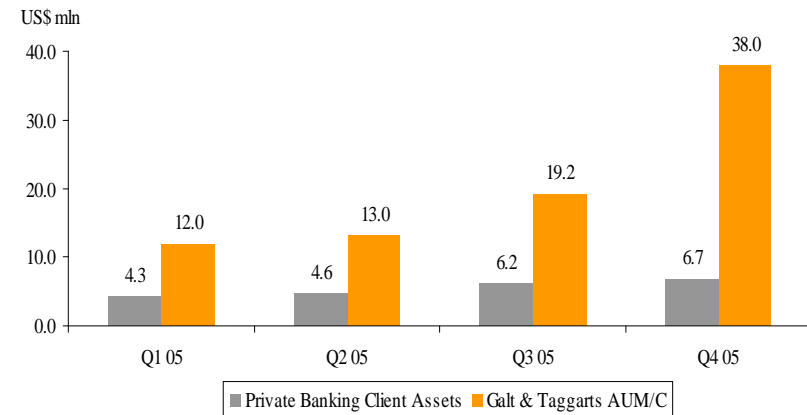


### BCI



\* Includes Europace

### PB Clients & Galt & Taggart AUM/C

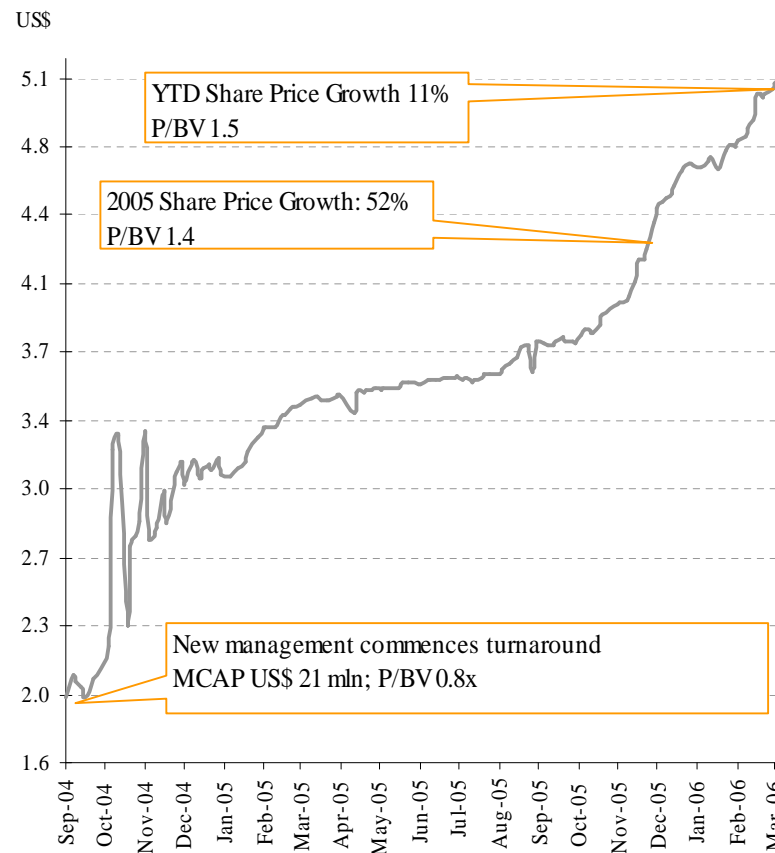


## 2005 – Leadership In Innovation

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- § 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

# Share Price Performance



	10-Mar 2006	31-Dec 2005	31-Dec 2004	30-Sep 2004
Shares Outstanding (mln)	15.4	14.7	11.3	9.9
Share Price (US\$)	5.15	4.66	3.10	2.10
Share Price (GEL)	9.38	8.35	5.60	3.80
MCAP (US\$ mln)	79.5	68.6	35.0	20.8
MCAP (GEL mln)	144.8	122.9	63.3	37.6
MCAP/BV	1.5	1.4	1.2	0.8

Regional peers trade at significantly higher multiples

**2004 Share Price Appreciation 175%**

**2005 Share Price Appreciation 52%**

**2006 YTD Share Price Appreciation 11%**

Annual Trading Volume (US\$ mln)	GSE	OTC
2004	11.2	3.6
2005	15.1	8.4
2006 YTD	0.5	2.7

# Investment Case

- § A “leveraged play” on Georgia’s economic growth
- § Winning strategy for medium-term profitable growth
- § Financial sector consolidator: seven acquisitions in the last 18 months
- § Strong retail “pull” due to core franchise strength
- § Diversified revenue streams being built through product innovation in the context of an integrated business model
- § Disciplined capital management
- § Sophisticated management team and strong staff, comprising more than 15 individuals with Western banking & finance background and education

## *Prior Employees of BoG Management Team Members*



- § Results-oriented corporate culture stressing teamwork, initiative and accountability
- § Transparency and good governance
- § Emphasis on investor relations, retail-lot liquidity and international stock exchange listing
- § Zealous focus on creating attractive exit opportunities by 2008
- § **The only investable banking stock in Georgia (and the Caucasus)**

# Ample Exit Opportunities

*Selected  
Potential  
Buyers*



**КАЗКОММЕРЦБАНК**



**AKBANK**



[www.bog.ge/ir](http://www.bog.ge/ir)

March 16, 2006

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## *Contact Information*

*Lado Gurgenidze*

*Chief Executive Officer*

*+ 995 32 444 103*

*lgurgenidze@bog.ge*

*Irakli Gilauri*

*Chief Financial Officer*

*+ 995 32 444 109*

*igilauri@bog.ge*

*Macca Ekizashvili*

*Head of Investor Relations*

*+ 995 99 900 108*

*ir@bog.ge*

## *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.

# Unaudited 2005 Financial Statements

# Income Statement

		1.81	1.91	2.14
	<b>Y-O-Y</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Audited</b>
	<b>Growth</b>	<b>12/31/2005</b>	<b>12/31/2004</b>	<b>12/31/2003</b>
GEL/US\$ average exchange rate				
<i>JSC Bank of Georgia Standalone, IFRS</i>				
<i>GEL, unless otherwise noted</i>				
<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>

# Balance Sheet

GEL/US\$ exchange rate e-o-p		1.79	1.83	2.08
<i>JSC Bank of Georgia Standalone, IFRS</i>	<b>Y-O-Y</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Audited</b>
<i>GEL, unless otherwise noted</i>	<b>Growth</b>	<b>12/31/2005</b>	<b>12/31/2004</b>	<b>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>

## Key Ratios

<b>RATIOS</b>	<b>Unaudited 12/31/2005</b>	<b>Audited 12/31/2004</b>	<b>Audited 12/31/2003</b>
<i>JSC Bank of Georgia Standalone</i>			
ROAE, %	19.5%	NMF	16.8%
ROAA, %	3.3%	NMF	4.0%
Net Interest Margin, % (Net Interest Income/Average Interest bearing assets)	13.2%	11.4	17.6
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

# 2005 Consolidated Group Performance

	BOG Standalone	BOG Group		BOG Standalone	BOG Group
	Dec-05	Dec-05		Dec-05	Dec-05
<i>GEL, unless otherwise noted</i>			<i>GEL, unless otherwise noted</i>		
<b>Operating Income</b>			<b>Cash</b>	<b>24,907,867</b>	<b>24,911,081</b>
Interest Income	48,664,733	48,747,939	<b>Balances with NBG</b>	<b>33,249,739</b>	<b>33,249,739</b>
Interest Expense	(12,882,304)	(12,827,125)	Correspondent account	4,272,796	4,272,796
<b>Net Interest Income</b>	<b>35,782,429</b>	<b>35,920,814</b>	Regulatory fund	28,976,943	28,976,943
Commission Income	13,035,903	13,776,047	<b>Cash Balances with Banks</b>	<b>29,314,610</b>	<b>30,105,322</b>
Commission Expenses	(2,105,997)	(2,737,557)	In resident banks	15,323,750	16,092,952
<b>Net Commission</b>	<b>10,929,906</b>	<b>11,038,490</b>	In nonresident banks	13,990,860	14,012,370
Income from Documentary Operations	2,807,882	2,807,882	<b>Treasuries</b>	<b>7,700,513</b>	<b>8,303,031</b>
Expense from Documentary Operations	(803,964)	(803,964)	<b>Other fixed income instruments</b>	<b>6,299,527</b>	<b>6,299,527</b>
<b>Net Income From Documentary Operations</b>	<b>2,003,918</b>	<b>2,003,918</b>	Gross Loans, of which	315,078,584	311,905,611
Other Non-Interest Income	181,741	7,563,175	Loans to Banks	2,300,000	2,300,000
Other Non-interest Expenses	-	(3,489,559)	Loans to Clients	312,778,584	309,605,611
<b>Net Other Non-Interest Income</b>	<b>181,741</b>	<b>4,073,616</b>	Provisions for Loan Losses	(17,698,833)	(17,635,373)
<b>FX Trading Income</b>	<b>6,542,241</b>	<b>6,485,183</b>	<b>Net Loans</b>	<b>297,379,751</b>	<b>294,270,238</b>
<b>Non-Interest Income</b>	<b>19,657,806</b>	<b>23,601,207</b>	<b>Accrued Interest and Dividends</b>	<b>3,373,236</b>	<b>745,713</b>
<b>Total Operating Income</b>	<b>55,440,235</b>	<b>59,522,021</b>	Gross Investments	9,501,124	4,174,702
<b>Recurring Operating Costs</b>			Provisions	(279,699)	(279,699)
Personnel Cost (excluding bonus)	(12,422,903)	(14,845,587)	<b>Net Investments</b>	<b>9,221,425</b>	<b>3,895,003</b>
Health Insurance & Pension Costs	(160,657)	-	Gross property owned	2,775,040	2,775,040
Consulting, TA & Development Costs	(311,648)	(323,966)	Provisions	(1,083,602)	(1,083,602)
Marketing, PR & Advertising	(999,056)	(999,597)	<b>Net property owned</b>	<b>1,691,438</b>	<b>1,691,438</b>
Depreciation	(3,491,954)	(3,753,894)	Fixed Assets	35,377,266	38,458,790
Other operating expenses	(8,776,448)	(8,557,010)	<b>Property and equipment, Fixed &amp; Intangible Assets</b>	<b>37,068,704</b>	<b>40,150,228</b>
<b>Total Recurring Operating Costs</b>	<b>(26,162,666)</b>	<b>(28,480,054)</b>	Gross Other assets	7,832,312	13,117,721
<b>Normalized Net Operating Income</b>	<b>29,277,569</b>	<b>31,041,967</b>	Provisions	(95,498)	(865,894)
Non-recurring costs	(1,962,044)	(2,040,831)	<b>Net Other Assets</b>	<b>7,736,814</b>	<b>12,251,826</b>
<b>Profit (pre-bonus) Before Provisions</b>	<b>27,315,525</b>	<b>29,001,136</b>	Goodwill	1,917,416	6,438,952
Provisions	(8,861,148)	(9,372,406)	<b>Total Assets</b>	<b>453,661,404</b>	<b>460,620,659</b>
Gains on asset sale & recovery	1,840,501	1,840,501	<b>Deposits</b>	<b>292,167,823</b>	<b>289,073,971</b>
<b>Pre-Bonus Result</b>	<b>20,294,879</b>	<b>21,469,231</b>	Interbank deposits	21,062,794	20,861,444
Guaranteed Compensation Expenses	(232,000)	(232,000)	Client deposits	271,105,029	268,212,527
ESOP Expenses	-	-	- Deposits of Individuals	154,472,744	154,472,744
Bonus	(6,000,001)	(6,198,148)	- Deposits of Legal Entities	116,632,285	113,739,783
<b>Pre-Tax Income</b>	<b>14,062,878</b>	<b>15,039,083</b>	Borrowed Funds	<b>54,702,186</b>	<b>56,584,055</b>
Profit Tax	(1,289,194)	(1,606,552)	Residents	7,024,500	7,037,048
<b>Net Income</b>	<b>12,773,684</b>	<b>13,432,532</b>	Nonresidents	47,677,686	49,547,007
Minority interest	-	144,939	Payable Interest and Dividends	9,188,107	9,119,366
<b>Consolidated Net income</b>	<b>12,773,684</b>	<b>13,577,471</b>	Other Liabilities	7,590,854	13,758,696
			<b>Total Liabilities</b>	<b>363,648,971</b>	<b>368,536,089</b>
			<b>Minority Interest</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	13,577,471
			<b>Shareholders Equity</b>	<b>90,012,434</b>	<b>90,735,393</b>
			<b>Total Liabilities and Shareholders Equity</b>	<b>453,661,404</b>	<b>460,620,659</b>