



JSC Bank of Georgia Reports Strong Performance in June, Announces Q2 2005 Results

- Total Operating Income of GEL 12.8 million, up GEL 1.9 million, or 17.9 % from Q1'05 (up 11.0% y-o-y)
- Normalized Net Operating Income (NNOI) of GEL 6.4 million, up GEL 1.1 million, or 21.3 % from Q1'05 (up 32.4% y-o-y)
- Pre-Bonus Result (PBR) of GEL 5.6 million, up GEL 2.7 million, or 89.1% from Q1'05 (up 71.4% y-o-y)
- Net Income of GEL 3.1 million, up GEL 0.8 million, or 36.5 % from Q1 '05 (up 60.7 % y-o-y)
- 1H '05 Basic EPS of GEL 0.46 per share (up from 0.33 Basic EPS in 1H '04)
- 1H '05 Diluted EPS of GEL 0.44 per share (up from 0.33 Diluted EPS in 1H '04)

Bank of Georgia (GSE: GEB), a leading Georgian universal bank, reported today its June 2005, Q2 2005 and 1H 2005 results. "The bank performed well in June 2005, earning this year's highest-ever monthly Net Income of GEL 1,087,000. This result was achieved due to robust Net Interest Income of GEL 2.8 million and this year's highest Non-Interest Income of GEL 1.7 million. This, in turn, was largely due to solid Net Fee & Commission Income, good Documentary Operations performance, and an outstanding performance of the Treasury, with Net Income From Foreign Exchange Operations exceeding GEL 0.5 million – the highest monthly result this year. With Total Operating Income exceeding GEL 4.5 million and Recurring Operating Costs essentially flat m-o-m at GEL 2.1 million, the bank generated this year's highest monthly NNOI of GEL 2.4 million. PBR was solid at GEL 1.9 million", commented **Irakli Gilauri**, Chief Financial Officer. The bank's assets grew in June 2005 by GEL 9 million m-o-m, reaching GEL 365 million as of 30 June 2005. Net Loans grew by almost GEL 15 million m-o-m to GEL 217 million, while Deposits grew by GEL 6.1 million to GEL 245.5 million. "We are particularly pleased that our loan portfolio grew in June in a balanced way, with the retail loan portfolio, which increased by GEL 7.4 million m-o-m to GEL 90.2 million as of 30 June 2005, accounting for almost half of the overall growth. As clients have responded positively to our new lineup of bundled retail products (including Hypo+, Auto+ and Microloan+), the mortgage loan, consumer loan and micro loan portfolios grew by GEL 2.9 million, GEL 1.4 million and GEL 2.6 million, respectively", commented **Lado Gurgenidze**, Chief Executive Officer. Equity capital (book value) stood at GEL 59.9 million as of 30 June 2005, translating into Book Value per share of GEL 5.22.

On a quarterly basis, Net Interest Income in Q2 2005 increased 20.6% q-o-q to GEL 8.4 million, due to the growth of the loan portfolio and the bank's ability to defend its Net Interest Margin despite competitive pressures. Non-Interest Income in Q2 2005 grew by 13.0% q-o-q to GEL 4.4 million. Total Operating Income exceeded GEL 12.8 million in Q2 2005, up 17.9% q-o-q. Recurring Operating Costs increased in Q2 2005 14.7% q-o-q to GEL 6.5 million. "Now that we have proven that the bank is capable of rapid growth at this stage of our turnaround program, we will focus on containing the growth of Recurring Operating Costs in Q3 2005", commented **Irakli Gilauri**. NNOI, PBR and Net Income grew briskly in Q2 2005, up q-o-q 20.3%, 89.1% and 36.5%, respectively, to GEL 6.4 million, GEL 5.6 million, and GEL 3.1 million, respectively.

"The bank's overall financial performance in 1H 2005 has exceeded our expectations. We are particularly pleased to have been able to deliver Basic EPS growth y-o-y of 39%. We continue to refrain from issuing any earnings guidance for the rest of the year, due to seasonal factors affecting Q3 2005 and further enhancements of our retail banking platform, anticipated in the summer and autumn. However, the crude annualization of 1H 2005 Basic EPS results, at the current market price of our stock of GEL 6.48 per share, in a P/E ratio of 7 x. Our P/BV multiple, based on the current price, is 1.24 x. Had we been operating in a low-growth environment, such an undemanding valuation would have probably led us to initiate a share purchase program. However, we anticipate issuing new equity (up to 750,000 common shares) in the near future in order to be able to sustain through the rest of the year the brisk pace of loan portfolio growth we have enjoyed so far. Given our current performance metrics, we will be looking to issuing new shares at the price level significantly exceeding our current market price. In the long term, we continue to believe that the listing on an international stock exchange, such as AIM, for instance, will help us reduce significantly the valuation discount we believe the market currently assigns to our stock due to its relatively low liquidity (by institutional investor standards) and relative difficulty of accessing and trading the stock for international institutional investors. We are at the very early stages of the preparatory work for the international listing, and will issue in the coming months regular updates to the investor community on our progress in this respect", concluded **Lado Gurgenidze**.

About Bank of Georgia

Bank of Georgia is a leading Georgian universal bank, with an approximately 20.0 % market share in loans and 22.2 % market share in client 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. Additionally, BCI, the wholly-owned insurance subsidiary of the bank, has an approximately 12% market share. As at June 30, 2005, the bank had GEL 365 million in assets and 60 million in equity.

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<i>(Unaudited IFRS)</i> <i>GEL, unless otherwise noted</i>	Q2 2005	Q1 2005	Q -O-Q Growth	1H 2005	1H 2004*	Y-O-Y Growth
Operating Income						
Interest Income	11,263,230	9,796,913	15.0%	21,060,143	19,504,175	8.0%
Interest Expense	(2,861,205)	(2,831,650)	1.0%	(5,692,855)	(5,287,777)	7.7%
Net Interest Income	8,402,026	6,965,263	20.6%	15,367,289	14,216,398	8.1%
Fee & Commission Income	2,992,191	2,655,770	12.7%	5,647,960	5,412,078	4.4%
Fee & Commission Expense	(539,209)	(452,688)	19.1%	(991,897)	(968,175)	2.5%
Net Fee & Commission Income	2,452,982	2,203,081	11.3%	4,656,063	4,443,903	4.8%
Income from Documentary Operations	611,797	611,492	0.0%	1,223,289	1,034,387	18.3%
Expense from Documentary Operations	(164,961)	(164,664)	0.2%	(329,625)	(520,667)	-36.7%
Net Income From Documentary Operations	446,835	446,828	0.0%	893,663	513,720	74.0%
Other Non-interest Income	58,578	66,096	-11.4%	124,674	122,528	1.8%
Other Non-interest Expenses	(1,764)	(16)	10925.0%	(1,780)	(13,922)	-87.2%
Net Other Non-interest Income	56,814	66,080	-14.0%	122,894	108,606	13.2%
FX Trading Income	1,487,525	1,215,697	22.4%	2,703,222	2,107,786	28.2%
Non-interest Income	4,444,156	3,931,686	13.0%	8,375,842	7,174,014	16.8%
Total Operating Income	12,846,182	10,896,949	17.9%	23,743,131	21,390,411	11.0%
Recurring Operating Costs						
Personnel Costs	(3,058,479)	(2,901,939)	5.4%	(5,960,418)	(5,383,273)	10.7%
Selling, General & Administrative Expense	(1,239,277)	(728,818)	70.0%	(1,968,095)	(2,522,810)	-22.0%
Procurement & Operations Support Expense	(462,112)	(455,649)	1.4%	(917,761)	(1,170,587)	-21.6%
Depreciation	(813,441)	(798,370)	1.9%	(1,611,811)	(1,374,089)	17.3%
Other Operating Expense	(704,569)	(692,716)	1.7%	(1,397,285)	(1,671,885)	-16.4%
Various Tax Expenses	(212,596)	(79,096)	168.8%	(291,692)	(508,456)	-42.6%
Total Recurring Operating Costs	(6,490,474)	(5,656,587)	14.7%	(12,147,062)	(12,631,100)	-3.8%
Normalized Net Operating Income	6,355,708	5,240,363	21.3%	11,596,069	8,759,311	32.4%
Non-Recurring Costs	(167,758)	(724,642)	-76.8%	(892,400)	(258,211)	245.6%
Profit (pre-bonus) Before Provisions	6,187,950	4,515,721	37.0%	10,703,671	8,501,100	25.9%
Provisions	(804,608)	(2,306,414)	-65.1%	(3,111,022)	(3,487,280)	-10.8%
Gains on Asset Sale & Recovery	250,009	770,026	-67.5%	1,020,035	12,149	8296.0%
Pre-Bonus Result	5,633,351	2,979,333	89.1%	8,612,684	5,025,969	71.4%
Guaranteed Compensation Expenses	(55,000)	(63,000)	-12.7%	(118,000)	-	
Bonuses Paid or Accrued	(1,943,820)	(675,160)	187.9%	(2,618,980)	(1,062,124)	146.6%
Pre-Tax Income	3,634,531	2,241,173	62.2%	5,875,704	3,963,845	48.2%
Profit Tax	(574,259)	-		(574,259)	(664,841)	-13.6%
Net Income	3,060,272	2,241,173	36.5%	5,301,445	3,299,004	60.7%
RATIOS						
EPS (Basic)				0.46	0.33	
EPS (Diluted)				0.44	0.33	
ROE (annualised)				16.5%	12.1%	
ROAE (annualised)				17.1%	11.8%	
ROA (annualised)				2.9%	2.4%	
ROAA (annualised)				3.0%	2.6%	
Net Interest Margin (Net Interest Income/Average Interest Bearing Assets)				13.8%	15.5%	
Cost/Income ratio				66.4%	65.2%	
Cost (excluding Non-Recurring Costs)/Income ratio				62.7%	64.0%	
Personnel Costs/Total Income				36.6%	30.1%	

* 2004 data include TbilUniversalBank on a combined basis.