



Bank of Georgia Announces the Acquisition of TbilUniversalBank

JSC Bank of Georgia (GSE: GEB), a leading Georgian bank, announced today that it has entered into a binding Memorandum of Understanding with the owners of a 80.01% equity interest of JSC TbilUniversalBank (TUB) with regard to the acquisition of their shares of TUB. In a related transaction, Bank of Georgia has agreed with the European Bank for Reconstruction and Development the terms of acquiring its 19.99% equity interest in TUB. The two transactions, which are subject to Bank of Georgia shareholder meeting approval and regulatory approvals, are expected to close simultaneously in December. It is expected that TUB will merge with Bank of Georgia as soon as practicable following the closing.

According to the terms of the two transactions, Bank of Georgia will acquire 100% of the outstanding voting shares of TUB in exchange for a combination of cash (with the amount ranging from GEL 2.6 million to GEL 3.6 million, depending on post-closing adjustments for contingent or undisclosed liabilities) and newly issued Bank of Georgia shares (between 1,116,153 and 1,316,153 shares, depending on post-closing adjustments for contingent or undisclosed liabilities). The post-closing adjustments will be made by April 30, 2005.

Lado Gurgenidze, Chief Executive Officer of Bank of Georgia, commented “I am delighted that we have been able to agree the terms with the TUB shareholders, paving the way for this important transaction. Given the size of the Georgian market, I am convinced that the consolidation of the banking sector is inevitable, and it is vital that Bank of Georgia is an active participant in the consolidation process. The aggregate purchase price, ranging (subject to post-closing adjustments) from 1.0x to 1.24x book value, reflects the quality of the asset we are buying, as TUB is widely considered one of the best-run banks in Georgia. The acquisition makes Bank of Georgia a formidable competitor, as it would help us gain market share and expand client base. We look forward to working closely with the excellent management team and staff of TUB. This will be the largest acquisition in our bank’s history, but the integration risks will be mitigated by the fact that the two banks run the same core banking software”.

Irakli Managadze, President of the National Bank of Georgia, commented “The acquisition of TbilUniversalBank by Bank of Georgia demonstrates the vibrant and competitive nature of the Georgian banking sector. We are confident that this transaction will demonstrate to the market that it is possible to create value through mergers and acquisitions”.

About Bank of Georgia

Bank of Georgia is a leading Georgian universal bank, with an approximately 20.7 % market share in loans and 20.2 % market share in 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. As at September 30, 2004, the bank had GEL 279.2 million in assets. In 2003, the bank earned net income of GEL 9.2 million.

About TbilUniversalBank

TbilUniversalBank is a medium sized Georgian bank, with an approximately 2.3 % market share in loans and 3.0 % market share in deposits, focusing on the SME and high-end retail sectors. As of September 30, 2004, the bank had GEL 38.4 million in assets. In the nine months ended September 30, 2004, the bank earned net income of GEL 1.5 million.

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