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JSC Bank of Georgia Consolidated YTD September 2006 Results, IFRS, Unaudited, Reviewed



FOR IMMEDIATE RELEASE

December 11, 2006

1.736 GEL/US\$ period end

JSC BANK OF GEORGIA ANNOUNCES NINE MONTH RESULTS

IFRS, unaudited, reviewed

Thousands, unless otherwise noted

	Nine months 2006		Growth y-o-y ¹
	GEL	US\$	
Bank of Georgia (Consolidated, IFRS, Unaudited, Reviewed)			
Revenue ²	72,235	41,622	63.5%
Net Income	17,301	9,969	96.3%
Consolidated EPS (Basic),	1.12	0.65	86.7%
Consolidated EPS (Diluted),	1.12	0.65	86.7%
Adjusted EPS ³ ,	0.76	0.44	
ROAA (Annualized) ⁴	3.5%		
ROAE (Annualized) ⁴	20.2%		

Bank of Georgia (LSE: BGEO, GSE: GEB), a leading Georgian universal bank, announced today nine months consolidated results (IFRS, Unaudited, Reviewed), reporting year to date Net Income of GEL17.3 million (US\$10.0 million), up 96% year on year.

The Bank reported Net Interest Income before impairment of interest earning assets of GEL41.3 million (US\$23.8 million), a 53% growth year on year, and Net Fees and Commission Income of GEL15.9 million (US\$9.2 million) a 68% increase year on year as at 30 September 2006. The Bank's Other Non-Interest Income grew by 94% year on year to GEL15.0 million (US\$8.7 million), while Other Non-Interest Expenses reached GEL39.6 million (US\$22.8 million), up by 49% year on year, for the nine months ended 30 September 2006.

The Bank's total assets were GEL856.7 million (US\$493.6 million), representing an 86% growth year to date, which was largely driven by the increase in the loan book to GEL560.4 million (US\$322.9 million), an 88% growth year to date. Total equity⁵ reached GEL137.1 million (US\$79.0 million).

"I am delighted that the bank's profitable growth in the third quarter of 2006 continued following the strong results for the first half of 2006. The highlights of the quarter were the Bank's success in attracting US\$ 55 million in aggregate in the form of non-deposit debt funding from Merrill Lynch, Thames River Capital and

¹ Compared to the same period last year; growth calculations based on GEL values

² Revenue includes net interest income before impairment of interest earning assets, net fees & commissions income and other non-interest income

³ Adjusted to reflect the number of shares outstanding following the bank's offering of 7,440,207 new shares in the form of GDRs in late November and early December 2006. The number of shares outstanding is the sum of the weighted average number of ordinary shares outstanding during the nine months ended 30 September 2006 and 7,440,207 new shares in the form of GDRs issued in late November and early December 2006. Such number of shares is 22,884,810 (excluding the unawarded shares subscribed for by the bank's Executive Equity Compensation Plan) as compared with the total of 25,180,620 number of shares outstanding as of December 5, 2006

⁴ Nine months average annualized

⁵ Total equity is expected to have increased significantly as a result of the offering of new shares in the form of GDRs that took place in late November and early December 2006

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HBK Investments and an aggregate of GEL23.5 million (US\$13.6 million) in equity funding raised through two capital increases in July and September 2006. The Bank's client deposits grew to GEL468.0 million (US\$269.7 million), a 73% increase year to date. The debt and equity funding raised will continue to support the rapid growth of the Bank's net loan book, which by 30 September 2006 grew by 88 % year to date, and compares to the 52% increase in the total net loan portfolio of the Georgian banking system over the same period. I am particularly pleased that we have been able to grow our market share since the end of 2005," commented **Lado Gurgidze**, Chairman of the Supervisory Board.

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INCOME STATEMENT DATA

	Growth Year on Year ⁽¹⁾	For the nine months ended September 30			
		2006 ⁽²⁾	2005 ⁽³⁾		
<i>JSC Bank of Georgia Consolidated, IFRS, Unaudited, Reviewed</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
<i>thousands, unless otherwise noted</i>		<i>US\$</i>	<i>GEL</i>	<i>US\$</i>	<i>GEL</i>
Interest Income	75.3%	36,372	63,123	20,088	36,007
Interest Expense	141.1%	12,561	21,800	5,044	9,042
Net Interest Income	53.2%	23,810	41,323	15,043	26,965
Impairment of Interest Earning Assets	90.4%	6,145	10,665	3,125	5,602
Net Interest Income After Impairment of Interest Earning Assets	43.5%	17,665	30,658	11,918	21,363
Fees & Commissions Income	68.8%	11,399	19,783	6,538	11,720
Fees & Commissions Expense	71.3%	2,239	3,885	1,265	2,268
Net Fees & Commissions Income	68.2%	9,160	15,898	5,273	9,452
Gains less losses from foreign currencies					
- dealing	77.2%	4,722	8,195	2,580	4,624
- translation differences	NMF ⁽⁴⁾	(174)	(302)	23	41
Net Insurance Premiums Earned	77.5%	2,544	4,415	1,387	2,487
Other Operating Income	350.2%	1,559	2,706	335	601
Other Non-Interest Income	93.7%	8,651	15,014	4,325	7,753
Salaries & Other Employee Benefits	31.8%	12,593	21,855	9,247	16,576
Administrative Expenses	72.2%	7,666	13,304	4,311	7,727
Depreciation, Amortization & Impairment	22.2%	2,207	3,830	1,749	3,135
Reversal of Impairment of Other Assets & Provisions	-29.5%	(426)	(740)	(585)	(1,049)
Net Insurance Claims Incurred	404.8%	782	1,358	150	269
Other Non-Interest Expenses	48.6%	22,822	39,607	14,872	26,658
Income Before Income Tax Expense	84.4%	12,655	21,963	6,644	11,910
Income Tax Expense (Benefit)	50.6%	2,686	4,662	1,727	3,095
Net Income For The Period	96.3%	9,969	17,301	4,918	8,815
EPS (Basic), GEL	86.7%	0.65	1.12	0.33	0.60
EPS (Diluted), GEL	86.7%	0.65	1.12	0.33	0.60
Adjusted EPS	NMF ⁽⁴⁾	0.69	0.44	NMF ⁽⁴⁾	NMF ⁽⁴⁾

⁽¹⁾ Compared to the same period last year; growth calculations based on GEL values

⁽²⁾ Converted to U.S. dollars for convenience using an exchange rate of GEL 1.736 per US\$1.00, being the official Georgian Lari to U.S. dollar exchange rate as reported by National Bank of Georgia on 30 September 2006.

⁽³⁾ Converted to U.S. dollars for convenience using an exchange rate of GEL 1.793 per US\$1.00, being the official Georgian Lari to U.S. dollar exchange rate as reported by National Bank of Georgia on 30 September 2005.

⁽⁴⁾ Not meaningful

The financial information as of and for the nine months ended September 30, 2006 contained in this news report is unaudited. The bank's results for an interim period are not necessarily indicative of what its results will be for the full year.

JSC Bank of Georgia Consolidated YTD September 2006 Results, IFRS, Unaudited, Reviewed
BALANCE SHEET DATA

	Year to Date Growth ⁽¹⁾	September 30, 2006 ⁽²⁾		December 31, 2005 ⁽³⁾	
		(Unaudited)		(Audited)	
<i>JSC Bank of Georgia Consolidated, IFRS</i>		US\$	GEL	US\$	GEL
<i>thousands, unless otherwise noted</i>					
Assets					
Cash and cash equivalents	103.5%	67,118	116,483	31,922	57,236
Amounts due from credit institutions	68.2%	32,378	56,192	18,627	33,398
Loans to customers, net	88.4%	322,906	560,403	165,854	297,376
Net investments in lease	109.9%	5,216	9,053	2,406	4,314
Investment securities:					
-available-for-sale	-26.0%	3,550	6,161	5,643	8,327
-held-to-maturity	-88.9%	146	253	273	2,280
Property and equipment, net	46.9%	30,324	52,627	19,975	35,815
Intangible assets, net	232.5%	14,723	25,551	4,286	7,685
Income tax assets	NMF ⁽⁴⁾	-	-	1,433	2,570
Prepayments	604.8%	1,848	3,207	254	455
Other assets	141.0%	15,433	26,784	6,199	11,114
Total assets	86.0%	493,641	856,714	256,871	460,570
Liabilities					
Amounts owed to credit institutions	183.0%	128,610	223,203	43,989	78,873
Amounts owed to customers	73.4%	269,659	467,993	150,559	269,952
Debt securities issued	-1.3%	650	1,128	637	1,143
Income tax liabilities	86.0%	2,236	3,881	1,164	2,087
Provisions	NMF ⁽⁴⁾	-	-	544	975
Other liabilities	45.7%	13,500	23,430	8,967	16,078
Total liabilities	95.0%	414,656	719,635	205,861	369,108
Equity					
Share capital	13.6%	9,644	16,738	8,215	14,729
Share premium	81.8%	34,495	59,866	18,361	32,922
Treasury shares	148.1%	(116)	(201)	(45)	(81)
Retained earnings	44.9%	31,248	54,231	20,874	37,427
Other reserves	-1.6%	3,045	5,285	2,994	5,369
Total equity attributable to shareholders	50.4%	78,317	135,919	50,399	90,366
Minority interest	5.8%	668	1,160	611	1,096
Total equity	49.9%	78,985	137,079	51,011	91,462
Total liabilities and equity	86.0%	493,641	856,714	256,871	460,570

⁽¹⁾ Growth calculations based on GEL values

⁽²⁾ Converted to U.S. dollars for convenience using an exchange rate of GEL 1.736 per US\$1.00, being the official Georgian Lari to U.S. dollar exchange rate as reported by National Bank of Georgia on 30 September 2006

⁽³⁾ Converted to U.S. dollars for convenience using an exchange rate of GEL 1.793 per US\$1.00, being the official Georgian Lari to U.S. dollar exchange rate as reported by National Bank of Georgia on 31 December 2005

⁽⁴⁾ Not meaningful

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JSC Bank of Georgia Consolidated YTD September 2006 Results, IFRS, Unaudited, Reviewed
RATIOS

	September 30, 2006	December 31, 2005
<i>JSC Bank of Georgia Consolidated Ratios, IFRS, Unaudited</i>		
Profitability		
ROAA ⁽¹⁾	3.5% *	3.3%
ROAE ⁽²⁾	20.2% *	18.5%
Net Interest Margin ⁽³⁾	10.0% *	11.9%
Interest Expense to Interest Income	34.5%	25.2%
Net Fee & Commission Income to Total Operating Income ⁽⁴⁾	22.0%	22.4%
Interest Income to Average Interest Earning Assets ⁽³⁾	15.3%	15.9%
Cost of Funds ⁽⁵⁾	5.6%	4.0%
Net Spread ⁽⁶⁾	9.7%	11.8%
Net Non-Interest Income to Total Operating Income ⁽⁷⁾	42.8%	39.7%
Efficiency Ratios		
Other Non-Interest Expense to Average Total Assets	8.0% *	10.0%
Salaries & Other Employee Benefits to Total Operating Income ⁽⁸⁾⁽⁹⁾	30.3%	36.2%
Salaries & Other Employee Benefits to Other Non-Interest Expense ⁽⁸⁾	55.2%	56.3%
Liquidity Ratios		
Net Loans to Total Assets	65.4%	64.6%
Net Loans to Amounts Owed to Customers	119.7%	110.2%
Net Loans to Total Deposits ⁽⁹⁾	99.7%	96.8%
Net Loans to Total Liabilities	77.9%	80.6%
Interest Earning Assets to Total Assets ⁽³⁾	83.7%	83.7%
Liquid Assets to Total Assets ⁽¹⁰⁾	14.3%	14.2%
Total Deposits to Total Assets ⁽⁹⁾	65.6%	66.7%
Amounts Owed to Customers to Total Deposits	83.3%	87.9%
Amounts Owed to Customers to Total Equity (times)	3.41	2.95
Amounts Due From Credit Institutions to Amounts Owed to Credit Institutions, except for Borrowings from International Credit Institutions	59.7%	89.9%
Total Equity to Net Loans	24.5%	30.8%
Leverage, times ⁽¹¹⁾	5.2	4.0
Asset Quality		
Allowance at Period End for Loan Impairment to Gross Loans ⁽¹²⁾	3.7%	5.4%
Capital Adequacy (At Period End) ⁽¹³⁾		
Consolidated Tier I Capital Adequacy Ratio ⁽¹⁴⁾	19.2%	23.0%
Consolidated Total Capital Adequacy Ratio ⁽¹⁴⁾⁽¹⁵⁾	25.2%	24.0%
Standalone Tier I Capital Adequacy Ratio ⁽¹⁶⁾	19.8%	23.6%
Standalone Total Capital Adequacy Ratio ⁽¹⁶⁾⁽¹⁷⁾	24.4%	23.8%

*Nine month average annualised in 2006

(1) Return on average total assets

(2) Return on average total equity

(3) Net Interest Income before impairment of interest earning assets divided by average interest earning assets. Interest earning assets include time deposits with credit institutions with effective maturity up to 90 days, amounts due from credit institutions, loans to customers, minimum lease payments receivable and investment securities.

(4) Total operating income includes net interest income before impairment of interest earning assets, net fees and commissions income and other non-interest income

(5) Cost of funds equals interest expense over the average amounts owed to credit institutions, amounts owed to customers and debt securities issued

(6) Net spread is calculated as the difference between interest income to average interest earning assets and interest expense to average interest bearing liabilities

(7) Net non-interest income is the sum of net fees and commissions income and other non-interest income

(8) Salaries and other employee benefits amount to GEL21.9 million as of 30 September 2006

(9) Total deposits include amounts owed to customers and amounts owed to credit institutions except for the borrowings from credit institutions

(10) Liquid assets include cash and cash equivalents and investment securities available for sale. Liquid assets amount to GEL122.6 million as of 30 September 2006

(11) Total liabilities divided by total equity

(12) Allowance for loan impairment amounted to GEL 21.3 million as of 30 September 2006

(13) The bank's capital adequacy ratios are expected to have increased significantly as a result of the offering of new shares in the form of GDRs that took place in late November and early December 2006.

(14) The consolidated Tier I capital adequacy ratio calculated in accordance with Basel Capital Accord standards. The consolidated Tier I capital adequacy ratio of the Bank equals the consolidated Tier I capital divided by the consolidated risk weighted assets. The consolidated Tier I capital amounted to GEL 130.8 million as of September 30 2006. The consolidated risk weighted assets amounted to GEL 679.9 million as of 30 September 2006.

(15) The consolidated total capital adequacy ratio calculated in accordance with Basel Capital Accord standards. The consolidated total capital adequacy ratio of the Bank equals regulatory capital (Tier I + Tier II - deductions) divided by the consolidated risk weighted assets. The consolidated regulatory capital (Tier I + Tier II - deductions) amounted to GEL 171.4 million as at 30 September 2006.

(16) The standalone Tier I capital adequacy ratio calculated in accordance with Basel Capital Accord standards. The standalone Tier I capital adequacy ratio of Bank of Georgia equals standalone Tier I capital divided by standalone risk weighted assets. The standalone Tier I capital amounted to GEL 130.9 million as of 30 September 2006. The standalone risk weighted assets amounted to GEL 660.4 million as at September 30, 2006.

(17) The standalone total capital adequacy ratio is calculated in accordance with Basel Capital Accord standards. The standalone total capital adequacy ratio of the Bank equals the standalone regulatory capital (Tier I + Tier II - deductions) divided by the standalone risk weighted assets. The standalone regulatory capital (Tier I + Tier II - deductions) amounted to GEL 161.2 as at 30 September 2006.

The financial information as of and for the nine months ended September 30, 2006 contained in this news report is unaudited. The bank's results for an interim period are not necessarily indicative of what its results will be for the full year.

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Bank of Georgia, a leading universal Georgian bank, is the largest bank by total equity and total assets in the country. The bank has 98 branches and over 380,000 retail clients. The bank offers a full range of retail banking and corporate and investment banking services to its customers across Georgia. The bank also provides a wide range of corporate and retail insurance products through its wholly-owned subsidiary, BCI, as well as asset & wealth management services.

Bank of Georgia has 'B+/B' rating with a stable outlook from Standard & Poor's; 'B3/NP' (FC) and 'Baa3/P-3' (LC) ratings with a stable outlook from Moody's; and a 'B-/B' credit rating with a positive outlook from FitchRatings.

This press release is not an offer of securities for sale in the United States. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to US persons unless the securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. No public offering of the securities will be made in the United States. Other selling restrictions are applicable.

The financial information as of and for the nine months ended September 30, 2006 contained in this news report is unaudited and reflects the best estimates of management. The bank's actual results may differ significantly from the amounts reflected herein as a result of various factors. The bank's results for an interim period are not necessarily indicative of what its results will be for the full year.