



Bank of Georgia Announces the Acquisition of Control in JSC Georgian Card

JSC Bank of Georgia (GSE: GEB), a leading Georgian bank, announced today that it has signed a definitive agreement to acquire a controlling stake in JSC Georgian Card, the card processing company providing services to Bank of Georgia and Bank Republic. Once the transaction closes, the bank will increase its equity interest in Georgian Card from 19.06% to 50.1%. The bank will pay GEL 1 per share for 621,255 shares it will acquire from Imedi S.A., the former majority shareholder of Georgian Card. In a related transaction, Bank Republic, the other client of Georgian Card, will increase on the same terms its equity interest in Georgian Card from 19.06% to 39.0%. The remaining minority shareholders will be offered the same terms.

Lado Gurgenidze, Chief Executive Officer of Bank of Georgia, commented “I am pleased to have concluded negotiations with Imedi so swiftly. Card issuance and acquiring represent a pillar of our retail banking strategy and, as such, the ability to control (together with Bank Republic) the upgrading and development of our card processing platform is very important. Our ATM network, one of the largest in the market, needs to continue growing rapidly. In the near future, we aspire to obtain an acquiring license from VISA, in order to be able to offer merchants both VISA and MasterCard POS acquiring services. Much needs to be done to ensure a smooth transition to smart cards in a couple of years. Georgian Card has approximately GEL 1 million in cash, which will be put to good use to reach these goals. I was impressed by the expertise and dedication of the staff at Georgian Card and am confident that, with an enhanced management team, the company faces a bright future.”

Henry Potter, Vice Chairman of the Supervisory Board of Bank of Georgia, added “The board is delighted that the bank has acquired control of its card processing platform. The fact that we owned a minority stake in the company to whom we give about 70% of its business has been a source of dissatisfaction for a while. To have acquired control of Georgian Card inexpensively, at book value, is the icing on the cake”.

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. With 13,034 VISA and 18,136 MasterCard debit and credit cards issued as of October 31, 2004, Bank of Georgia enjoys a 40% market share in Georgia.

About Georgian Card

One of the three card processing platforms in Georgia, JSC Georgian Card serves approximately 39,000 cards issued by Bank of Georgia and Bank Republic. During the nine months ended September 30, 2004, Georgian Card has processed 252,000 transactions, a 22.9% increase over 2003, and generated revenue and net income of GEL 564,610 and GEL 66,806, respectively. As at September 30, 2004, the book value of the company's equity stood at GEL 1,999,104.

For more information, please contact:

Lado Gurgenidze, Chief Executive Officer

+995 32 444 103

lgurgenidze@bog.ge

Macca Ekizashvili, Head of Investor Relations

+995 32 444 256

ir@bog.ge

Or visit our investor relations page at www.bog.ge/ir

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