

JSC Bank Of Georgia Announces The Acquisition Of Universal Bank For Development & Partnership

Bank of Georgia (LSE: BGEO, GSE: GEB), the leading Georgian universal bank, announced today that it has successfully completed the acquisition of a 98.77% equity interest in Universal Bank of Development & Partnership (“UBDP”), a mid-sized bank in Ukraine. The completion of the transaction followed the approval of the National Bank of Ukraine as announced in August 2007, allowing Bank of Georgia to increase its stake up to 100% since the acquisition of a 9.92% equity interest in UBDP in January 2007. The aggregate consideration paid for the 98.77% equity interest comprised US\$81.7 million, which translates into a P/BV (2006A) of 2.15x, based on UBDP’s 2006 Audited IFRS financial results. Galt & Taggart Securities acted as Bank of Georgia’s sole financial advisor in connection with this transaction.

As of 30 June 2007, UBDP held market shares of approximately 0.22% by total assets, 0.25% by gross loans, 0.21% by total deposits and 0.31% by shareholders’ equity, based on the National Bank of Ukraine data. UBDP, which is headquartered in Kiev, currently serves approximately 20,000 retail and 2,500 corporate clients through its 39 branches located in five *oblasts* of Ukraine, of which 14 operate in Kiev. UBDP is an associate member of VISA international. The bank has a network of 31 ATMs.

Selected Financial Indicators:

UBDP Overview	YE 2006 (IFRS, Audited)	1H 2007 (IFRS based, Unaudited)
<i>US\$ '000, unless otherwise noted</i>		
Assets	196,830	208,508
Loans	143,650	158,520
Total Deposits	148,738	154,984
Equity	38,547	41,439
Net Income	8,522	4,073
ROA*	4.3%	3.9%
ROE*	22.1%	19.7%
	YE 2006	30 September 2007
Branches	32	39
Employees	710	750
Retail Clients	15,000+	20,000+
Corporate & SME Clients	2,000+	2,500+

*Annualised for 1H 2007

About Bank of Georgia

Bank of Georgia, a leading universal Georgian bank with operations in Georgia and Ukraine, is the largest bank by assets, loans, deposits and equity in Georgia, with a 34% market share by total assets (all data according to the NBG as of 31 August 2007). The major component of Galt & Taggart Index, the bank has 109 branches, over 595,000 retail and over 60,000 corporate current accounts as at 30 September 2007. 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, Aldagi BCI, as well as asset & wealth management services.

About Universal Bank of Development & Partnership

Universal Bank of Development & Partnership is a mid-sized Ukrainian bank, with an approximately 0.2% market share in total assets, 0.3% in gross loans, 0.2% in client deposits and 0.3% in equity. As of 30 June 2007, the bank had US\$209 mln in total assets. In 1H 2007 the bank earned net income of US\$4 mln.

Bank of Georgia has, as of the date hereof, the following credit ratings:

Standard & Poor’s	‘B+/B’	Stable
Moody’s	‘B3/NP’ (FC) & Ba1/P-3 (LC)	Stable
Fitch Ratings	‘B+/B’	Stable

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“I am delighted that we have successfully completed this milestone cross-border transaction. Given that, in addition to UBDP, we have a large and successful broker-dealer subsidiary in Ukraine, this country has genuinely become our second home market. UBDP has all the basic building blocks to turn into a success story, assuming we execute well. In some ways, UBDP reminds us of Bank of Georgia circa October 2004, when our management team commenced its turnaround; Bank of Georgia had assets of US\$158 million back then, compared to UBDP’s US\$209 million, had just 54 branches (compared to UBDP’s 39) serving 60,875 retail clients, less than 40,000 cards in issuance and 17 ATMs. While skeptics may say that the Ukrainian market is highly competitive, let me point out that it is also very fragmented, with top ten banks accounting for just 52% of total banking sector assets, with the rest of the sector comprising over 160 small and medium-sized banks. Those who have followed closely Bank of Georgia’s progress will agree, I believe, that, we are well positioned competitively vis-à-vis our Ukrainian peer group. It is also important to note that in Ukraine we aspire to up to 1% in terms of market share, so we are entering this market with highly realistic expectations. We intend to emphasise retail banking (but will abstain from point-of-sale consumer lending) and SME coverage, tightly integrating Galt & Taggart’s platform with that of UBDP to offer an end-to-end service proposition to Ukrainian growth companies. We will also seek to build a private banking and asset management presence in Ukraine. We intend to enhance UBDP’s management team by seconding Sulkhan Gvalia, deputy CEO and Chief Risk Officer to Kiev to spearhead the crucial initial phases of the integration. UBDP will continue to operate as a standalone bank, owned and controlled by Bank of Georgia, so no “heavy lifting” in terms of cross-border integration of the back office operations is intended. Dmytro Perepolkin, Group COO in Ukraine, Deborah Fairlamb, Group Head of Wealth Management, Sergiy Lesyk, Global Head of Equities and Dmitry Kasatkin, Global Head of Investment Banking – all of whom are Kiev-based - will contribute significantly to the integration process, ultimately overseen by Nicholas Enukidze, Vice Chairman. We have been pleased to find dedicated professionals at UBDP, who are excited at the opportunity to build and enhance the bank’s franchise as part of the Bank of Georgia group, and look forward to working closely with them.

While the Ukrainian market is attractive *per se*, we are also mindful of our market-leading status in Georgia and the friendly relationship between the two countries, as this affords us additional opportunities. We look forward to servicing Georgian diaspora in Kiev, Ukrainian visitors to Georgia and the increasing trade flows between the two countries. The Georgian corporate sector, which is growing rapidly, is seeking to deepen its presence in key export markets, with Ukraine featuring prominently in this respect. In 1H 2007, Ukraine accounted for 7% of Georgian exports and 10% of Georgian imports – we intend to capitalise on our market-leading trade finance franchise to facilitate the trade flows.

I would like to thank all my colleagues – old and new - as well as our advisors, for their tireless work over the past year to make this transaction happen. We were pleased with the constructive and principled approach of the National Bank of Ukraine and look forward to building a relationship with our new regulator in Ukraine. Last but not least, I would like to thank the Georgian embassy in Ukraine and specifically Ambassador, H.E. Grigol Katamadze, for his unrelenting support.

As excited as we are about entering the Ukrainian market, we continue to look for other attractive opportunities in our vicinity, to further expand our footprint – carefully, without causing a management overstretch, and with our acquisition discipline intact,” commented **Lado Gurgeni***idze*, Chairman of the Supervisory Board.