

Bank of Georgia announces the sale of 80% equity interest in BG Bank Ukraine

JSC Bank of Georgia (LSE: BGEO) (the “Bank”), Georgia’s leading universal bank announced today that it has sold 80.0% equity interest in BG Bank, its subsidiary in Ukraine, to a number of Ukrainian individuals (the “Transaction”). The total consideration including brokerage fees paid to BG Capital, the Bank’s wholly owned brokerage subsidiary, amounted to US\$9.6 million (GEL 17.0 million), of which US\$5.0 million (GEL 8.9 million) has been paid as of the date of this announcement and the remaining US\$4.6 million (GEL 8.2 million) is to be paid in 2011. BG Capital structured the Transaction.

The aggregate pricing of the Transaction translates into the valuation of 0.82 times book value of BG Bank, which stood at US\$14.6 million (GEL 26.0 million) IFRS-based, as per unaudited management accounts as of 31 January 2011. Bank of Georgia will retain 19.4% equity interest in BG Bank. Bank of Georgia does not have debt exposure to BG Bank or any other Ukrainian entity.

The summary of the accounting treatment of the sale of equity interest in BG Bank is presented below:

GEL '000, unless otherwise noted	Impact On Consolidated Net Income	Impact On Consolidated Book Value
Recognition of prior periods’ FX losses	(31,249)	-
Net realized loss on disposal of 80%	(5,446)	(5,446)
Fair Value revaluation of remaining 19.4%	-	(1,361)
Tax benefit on tax deductible losses on disposal	23,194	23,194
Total Impact	(13,501)	16,387

“We are very pleased to announce the sale of 80% stake in the loss making Ukrainian operation. The timing of this transaction prevented Bank of Georgia from making additional investments in BG Bank and disposal of this asset is expected to improve the Bank’s overall efficiency. The move, which will enable Bank of Georgia to redirect its management resources from Ukraine to its core Georgian operations, aligns well with the Bank’s strategy to focus on the Georgian market as it has suspended its international expansion plans,” commented **Irakli Gilauri**, Chief Executive Officer.

About Bank of Georgia

Bank of Georgia is the leading Georgian bank offering a broad range of corporate banking, retail banking, wealth management, brokerage and insurance services to its clients in Georgia, Ukraine and Belarus. Bank of Georgia is the largest bank in Georgia by assets, loans, deposits and equity, with 36% market share by total assets (all data according to the NBG as of 31 December 2010). The bank has 142 branches and more than one million retail and corporate current accounts.

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

Standard & Poor's	'B/B'
FitchRatings	'B+/B'
Moody's	'B1/NP' (FC) & 'Ba3/NP' (LC)

For further information, please visit www.bog.ge/ir or contact:

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