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BANK OF GEORGIA: UPDATE ON PREMIUM LISTING PLANS; ISSUANCE OF 1.5 MILLION SHARES

- **Irrevocable Undertakings and Letters of Intent received from the holders of majority of Bank of Georgia shares and GDRs, reflecting strong support from shareholders**
- **EBRD and IFC have agreed to convert part of their respective convertible subordinated loans into Bank shares**
- **Issuance of 1.5 million shares for the Bank's Executive Compensation Plan**

Following JSC Bank of Georgia's ("the Bank's") announcement on 5 September 2011 of its intention to seek a premium listing of a newly incorporated public limited liability company ("Bank of Georgia Holdings plc", "BGH") which is intended to become the new holding company of the Bank of Georgia group pursuant to a formal tender offer to be made to the Bank's shareholders ("the Tender Offer"), the Bank today provides an update on the preparation for the Tender Offer.

The Bank has received a positive response to the planned premium listing of BGH shares from its shareholders and GDR holders (together, the "Investors") and preparations for the Tender Offer are continuing. In the course of discussions with Investors, the Bank has received commitments to participate in the planned Tender Offer in the form of irrevocable undertakings from certain major shareholders, European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"), a member of the World Bank Group, (in connection with the Bank's convertible subordinated loans with EBRD and IFC and as further described below), members of the Supervisory Board and the Management Board of the Bank and management and employees of the Bank who hold, in total 29.9% of the shares of the Bank, including Bank shares that are expected to be issued pursuant to the conversion of EBRD and IFC's convertible subordinated loans, ("Fully Diluted Shares") as described below.

Between 17 October 2011 and 4 November 2011, the Bank has also received indications of intention to participate in the Tender Offer in the form of non-binding Letters of Intent ("LOIs") from Investors holding, in total, 35.3% of the shares of the Bank (including Bank shares that are expected to be issued pursuant to the conversion of EBRD and IFC's convertible subordinated loans, as described below). In addition, holders of 9.7% of the Fully Diluted Shares of the Bank have expressed their interest in participating in the Tender Offer, bringing the total to 74.9% of the Fully Diluted Shares of the Bank.

Irakli Gilauri, CEO of Bank of Georgia, commented: "We are very pleased with the strong support for our planned premium listing from our investors, the majority of whom have already indicated that they intend to participate in the Tender Offer. We believe that our investors recognise that such a listing is appropriate and beneficial for Bank of Georgia, which has a large institutional shareholder base and an established track record of high corporate governance standards."

The Bank also announces today that each of EBRD and IFC have agreed to convert part of their respective convertible subordinated loans into a total of 1,817,503 Bank shares each, to be issued fully paid by a conversion of an outstanding principal amount of US\$24,951,541.40 (the "Conversion Option"). The Bank's shares to be issued pursuant to the Conversion Option to each of EBRD and IFC will comprise 1,736,253 shares to be issued at the price of US\$13.80 each and 81,250 shares to be issued at the price of US\$12.20 each. The convertible subordinated loans of US\$26.04 million each from EBRD and IFC are part of US\$200 million 10 year financing package received by the Bank from EBRD and IFC in December 2008, as announced on 31 December 2008. Under the terms of the convertible subordinated loans, the option for the debt conversion will expire in December 2013. The interest rate which would have been payable by the Bank on the principal amount of the convertible subordinated loans being converted pursuant to the Conversion Option is 6 month LIBOR plus 8% per annum.

Each of EBRD and IFC has agreed to accept the Tender Offer in relation to the Bank shares held by each of them as of the option settlement date. The Conversion Option is subject to certain conditions, including, the price of a GDR and the level of acceptance of the Tender Offer being above a specified price and acceptance level (respectively) and certain other conditions, including those generally applicable to the Tender Offer, being satisfied. Each of EBRD and IFC has agreed not to dispose of its interest in BGH shares held or to be held pursuant to the exercise of the Conversion Option for a period of 2 years following admission of the BGH shares to trading on the London Stock Exchange (the "Lock-up Restrictions").

In consideration for EBRD and IFC agreeing to enter into the irrevocable undertakings and to exercise the Conversion Option and to be bound by the Lock-up Restrictions, following completion of the Conversion Option, the Bank has agreed to make cash payments to each of EBRD and IFC of USD\$1,000,000 and up to an aggregate amount of US\$1,000,000 (less amounts of any dividends declared or paid by BGH for periods from the date of issue of the BGH shares to EBRD and IFC to 30 June 2013) in two installments in July 2012 and July 2013.

In addition, the Bank announces that it has issued 1.5 million additional common shares out of its authorised but unissued share capital. The shares have been issued for the purposes of the Bank's Executive Compensation Plan ("Compensation Plan") for the top executives (currently nine in number) of the Bank (the "Executives"). The Compensation Plan, adopted by the Bank in 2010 for the three compensation years ending in January 2013, provides for the award of guaranteed and discretionary amounts of securities to the Executives during the relevant period. No cash bonuses will be paid to the Executives during the term of the Compensation Plan. This issue of shares was authorised by the Bank's Extraordinary Meeting of Shareholders held on 22 November 2010.

The Bank's issued share capital is now 32,877,547 shares. The proposed conversion of the convertible subordinated loans by EBRD and IFC is expected to result in an increase of the Bank's issued share capital by 3,635,006 shares to 36,512,553 shares.

About Bank of Georgia

Bank of Georgia is the leading Georgian bank, based on total assets (with a 36% market share), total gross loans (with a 36% market share) and client deposits (with a 34% market share) as of 30 June 2011, all data based on standalone financial information filed by banks in Georgia with the National Bank of Georgia. The Bank offers a broad range of corporate banking, retail banking, wealth management, brokerage and insurance services to its clients.

DISCLAIMER:

This announcement is an advertisement and not a prospectus and investors should not subscribe for or purchase any transferable securities referred to in this announcement except solely on the basis of information contained in the prospectus (the “Prospectus”) and any Tender Offer documentation proposed to be published by Bank of Georgia Holdings plc in due course in connection with the proposed Tender Offer and the admission of Bank of Georgia Holdings plc Shares to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities (the “Admission”). Copies of the Prospectus will, following publication, be available from Bank of Georgia Holdings plc’s registered office.

The information contained in this announcement is for background purposes only and does not purport to be full or complete. The information in this announcement is subject to change.

The contents of this announcement, which has been prepared by and is the sole responsibility of Bank of Georgia, have been approved by ING Bank N.V., London Branch (“ING”), 60 London Wall, London, EC2M 5TQ, solely for the purposes of section 21(2)(b) of the Financial Services and Markets Act 2000.

ING, which is authorised and regulated in the United Kingdom by the Financial Services Authority (the “FSA”), is acting exclusively for the Bank and Bank of Georgia Holdings plc and no-one else in connection with the Admission and the Tender Offer. ING will not regard any other person (whether or not a recipient of this announcement) as a client in relation to the Admission or the Tender Offer and will not be responsible to anyone other than the Bank and Bank of Georgia Holdings plc for providing the protections afforded to clients of ING, or for providing advice in relation to the Admission, the Tender Offer or any other matters described in this announcement.

The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or under the securities law of any state or other jurisdiction of the United States and may not be offered, sold or delivered, directly or indirectly, in or into the United States or to U.S. persons, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. No public offering of the securities will be made in the United States.

If and when made, the Tender Offer will be subject to Regulation 14E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Bank’s shares are not registered under the Exchange Act and, therefore, Bank of Georgia Holdings plc will not file a Schedule TO. The Tender Offer will be made in respect of the shares of the Bank. The Bank’s shares are listed on the Georgian Stock Exchange and the majority of these shares are represented by GDRs listed on the London Stock Exchange and the Tender Offer will be subject to Georgian and English disclosure requirements.

This announcement may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Bank’s and Bank of Georgia Holdings plc’s control and all of which are based on its directors’ current beliefs and expectations about future events. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Bank’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Bank’s business, results of operations, financial position, liquidity, prospects, growth and strategies. Forward-looking statements speak only as of the date of this announcement and cannot be relied upon as a guide to future performance.

Tbilisi, 15 December 2011

Each of the Bank, Bank of Georgia Holdings plc and ING and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statement contained in this announcement whether as a result of new information, future developments or otherwise, unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules of the FSA.

If and when made, the Tender Offer will only be made in the United Kingdom pursuant to the Prospectus.

The dates of the Admission and the Tender Offer may be influenced by things such as market conditions. There is no guarantee that the Admission and the Tender Offer will occur and you should not base your financial decisions on the Bank's intentions at this stage in relation to the Admission and the Tender Offer.

This announcement is not a tender offer announcement for the purposes of Georgian law. If and when made, the Tender Offer will be made in accordance with the requirements of Georgian law.

This announcement is not an advertisement of any securities for the purposes of Georgian law.

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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)

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