



BANK OF GEORGIA

CORPORATE INVESTMENT BANKING OVERVIEW

BGEO Investor Day
9 November 2017
Tbilisi, Georgia

Speaker: **Vasil Khodeli, CIB, JSC Bank of Georgia**

CIB OVERVIEW

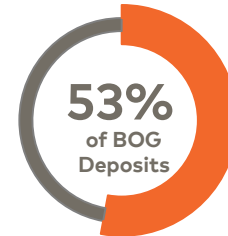


Market



CIB
Bank of Georgia

BOG

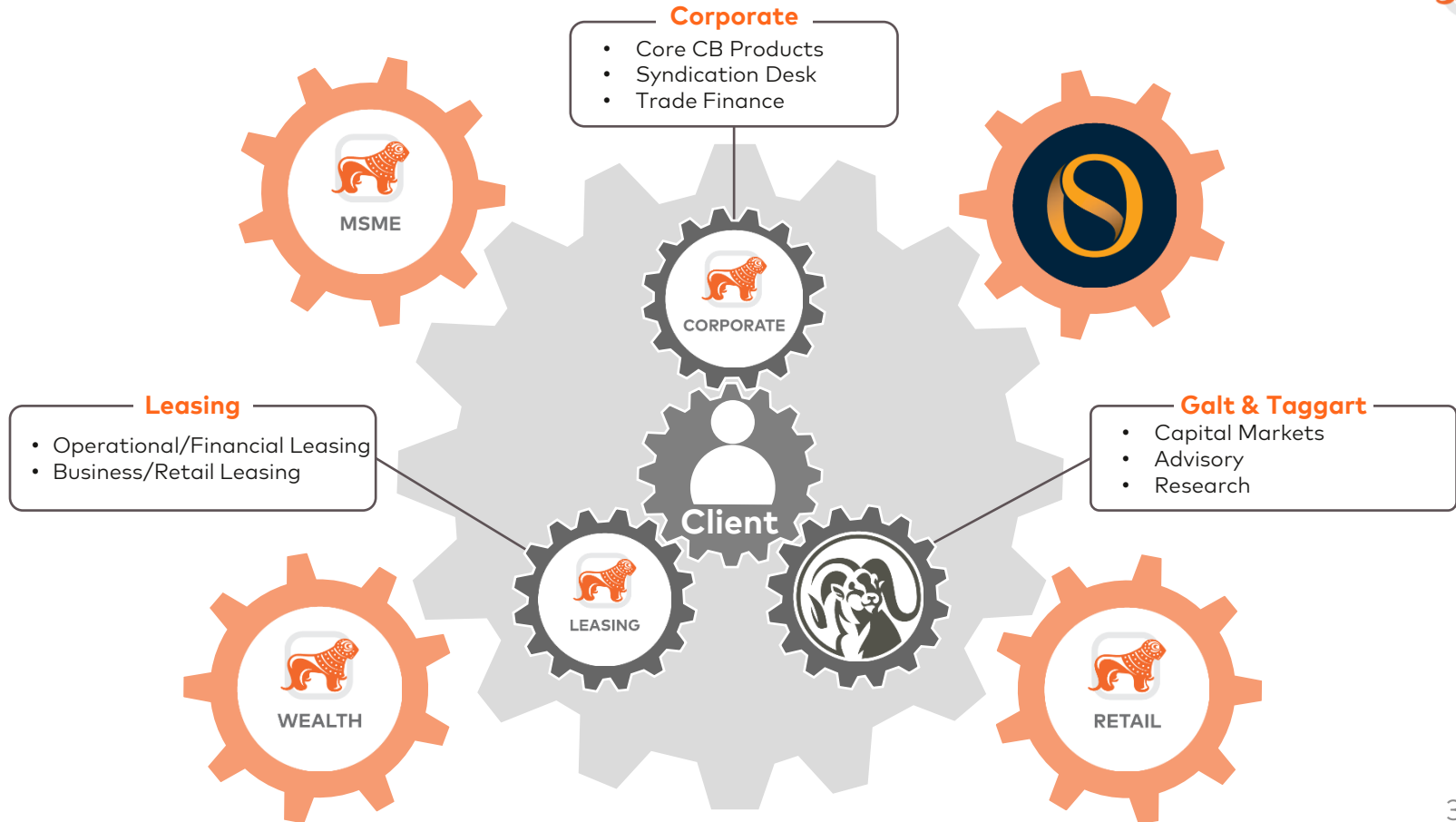


CIB Gross Loans
2,143 GEL mln

CIB Deposits
3,308 GEL mln

CIB Revenue
168 GEL mln

CORPORATE & INVESTMENT POWERHOUSE

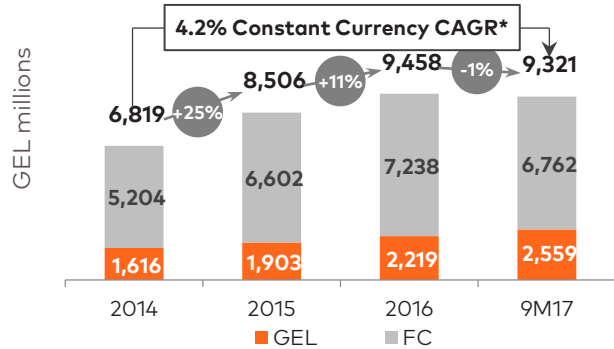


SUBDUED MARKET GROWTH

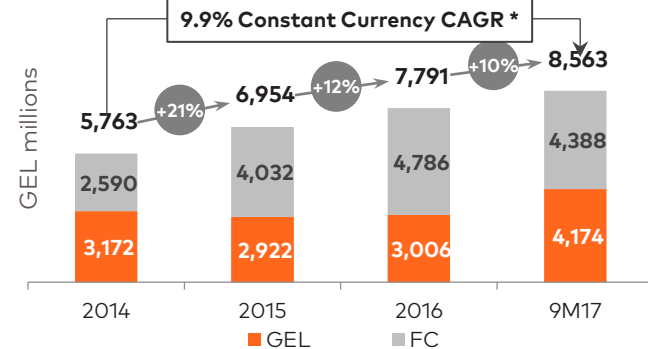


- Deposits growth outpaced loans growth, mainly driven by:
 - GEL depreciation-related slowdown of lending growth
 - "Estonian Model"- related increase in Deposits (~450mln GEL in 9M17)
- Available liquidity was not fully absorbed
- Downward pressure on loan yields

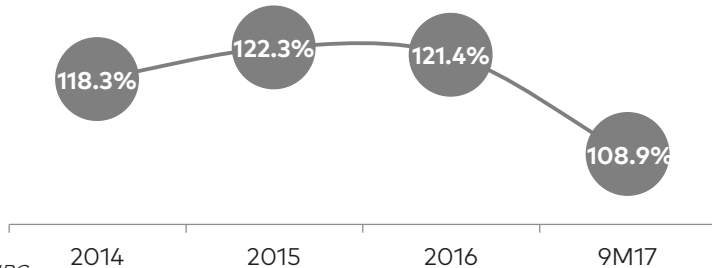
Gross Loans to Legal Entities



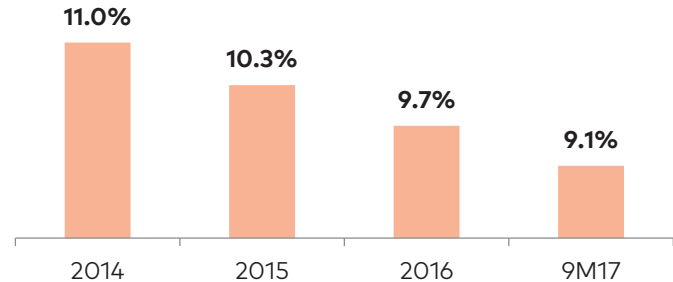
Deposits to Legal Entities



Legal Entities Market Loans / Deposits, %



Loan Yield (Loans to Legal Entities)**



Source: NBG

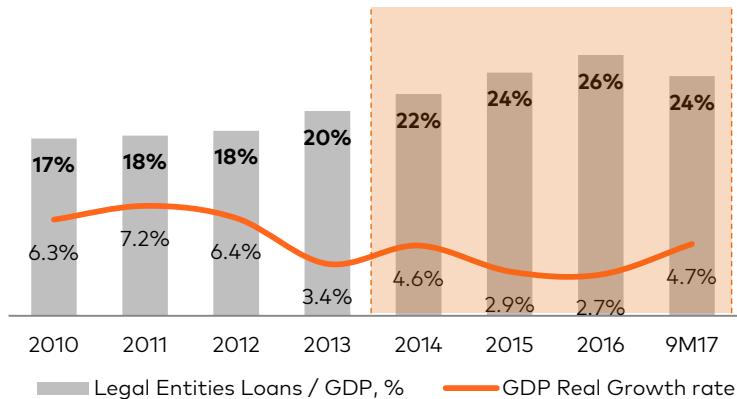
* Constant currency market loans and deposits (2014 ex. Rate)

** Estimated based on data from top 7 banks

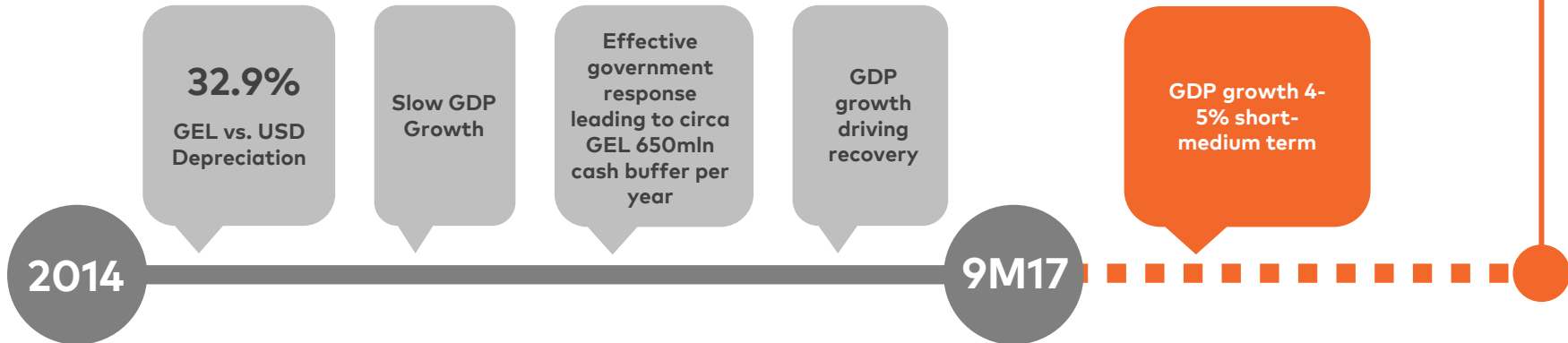
GEL DEPRECIATION LARGELY ABSORBED



Loans to Legal Entities as % of GDP



circa 10% p.a.
 Estimated nominal loan book growth over next 2-3 years

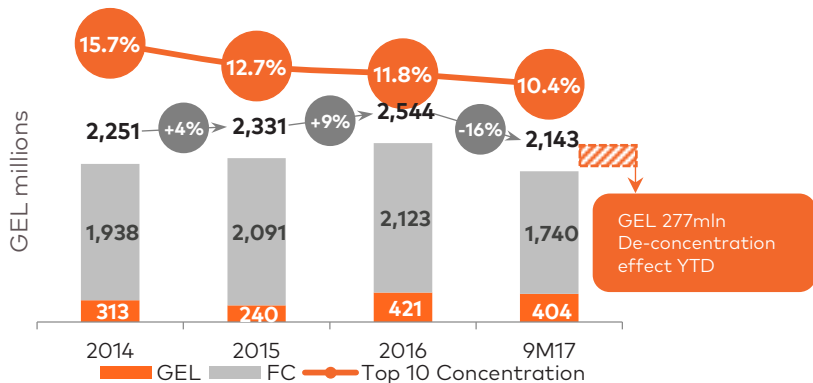


CAUTIOUS CIB BALANCE SHEET MANAGEMENT AND ...

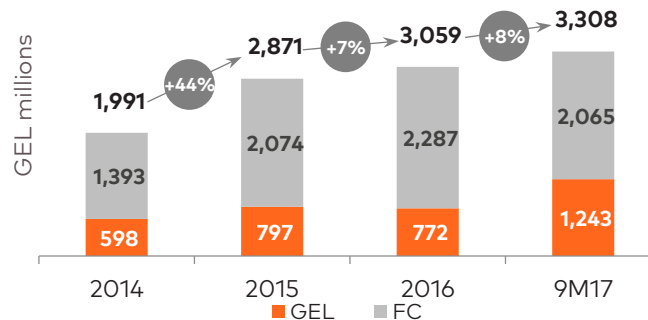


- Market share of loan portfolio reduced by 240 bps YTD, due to:
 - Meeting de-concentration targets (top 10 client concentration <10% of bank portfolio)
 - Perceived corporate conflict of interest
- Deposit growth driven by attracting GEL funds, feeding Lari lending appetite of the Bank

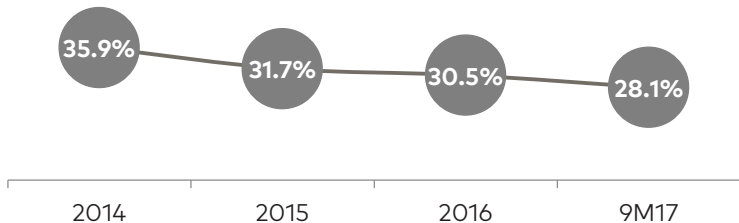
CIB Gross Loan Portfolio



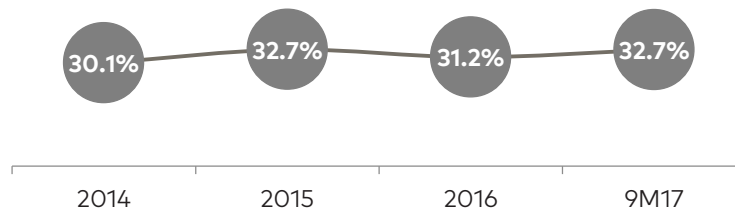
CIB Deposit Portfolio



Market Share – Loans To Legal Entities



Market Share – Deposits Of Legal Entities

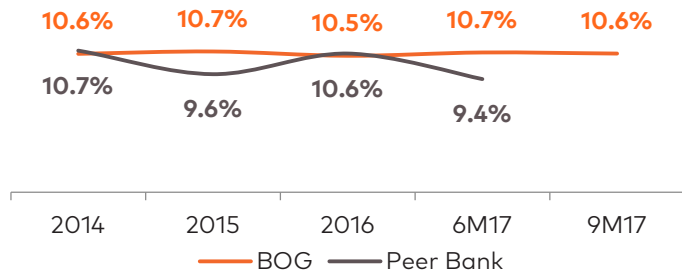


... FOCUS ON PROFITABILITY

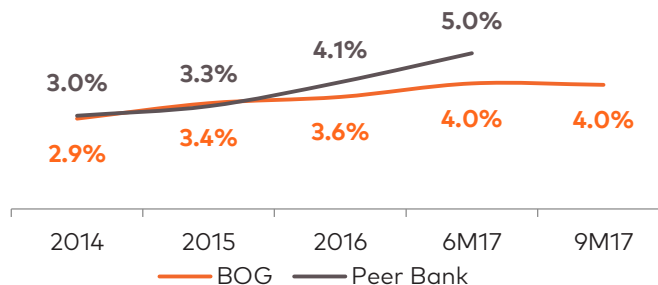


- Upper hand in corporate yields and spread, compared to peers
- Target profitability sustained
- CIB consolidated 9M17 ROAE currently stands at 17.1%

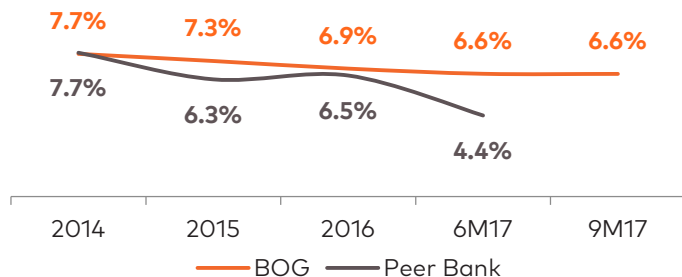
Corporate Loan Yields



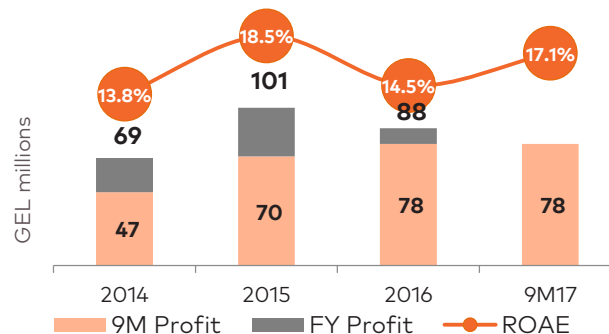
Corporate Cost of Deposits



Corporate Spreads



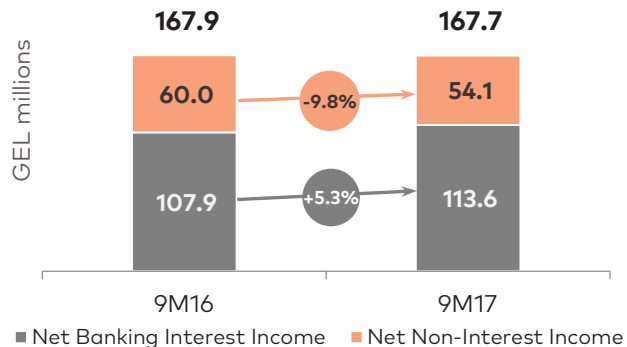
CIB Profit & ROAE



CONCENTRATING ON FEE INCOME



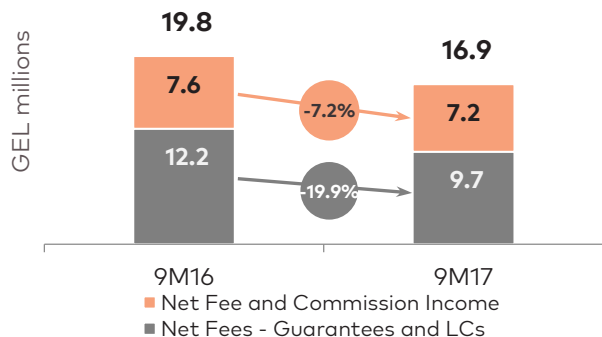
CIB Revenue Breakdown



- Revenue was almost flat Y-o-Y, due to:

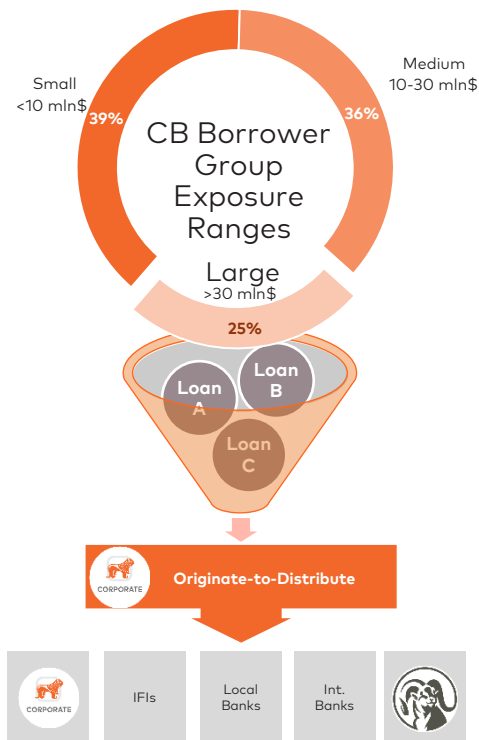
- 5.3% increase in net banking interest income
- Offset by:
 - 5.5% decrease in FX income, caused by reduced currency volatility and overall contraction of operations volume
 - 15% decrease in net fee and commission income

CIB Net Fee & Commissions



- Drop in the net fee and commission income was mainly attributable to contraction of documentary business (-19.9% Y-o-Y), due to:
 - De-concentration efforts
 - Dialing back on infrastructure financing
- Going forward, documentary business fees are expected to recover on the back of strong pipeline

GROWING OUR BUSINESS AND SHARING KNOWLEDGE



Lending Strategy

Growing loan portfolio circa 10% p.a. over next 2-3 years,

- Supported by demerger effect:
 - Access to BGEO subsidiaries
 - Elimination of conflicts of interest
- Concentrate on growth in mid-corp deals
- Leveraging on Galt & Taggart's distribution franchise, participate in large deals via Originate-to-Distribute strategy, resulting in:
 - Improving portfolio risk/return
 - Fee generation
 - Deleveraging

Fee Business

- Documentary business
- Innovative product solutions

Sharing Knowledge

- Increasing client loyalty through knowledge sharing strategy
- Value added services by Galt & Taggart

VALUE ADDED SERVICES



The biggest and most active research house in the Caucasus:

- Macro coverage of 6 regional Economies
- Coverage of all major sectors of Georgian economy

Sample Reports



Research



Advisory



"Best Corporate Finance Advisory in Georgia in 2016" by Global Banking and Finance Review

Sample Transactions



Capital Markets

DCM

"First in corporate bond placements in the Caucasus Region in 2016" – Cbonds More than GEL 260mln local bonds placed in 2017

Sample Transactions



ECM

Successful track record of ECM transactions in Georgia. More than 20 transactions since 2000

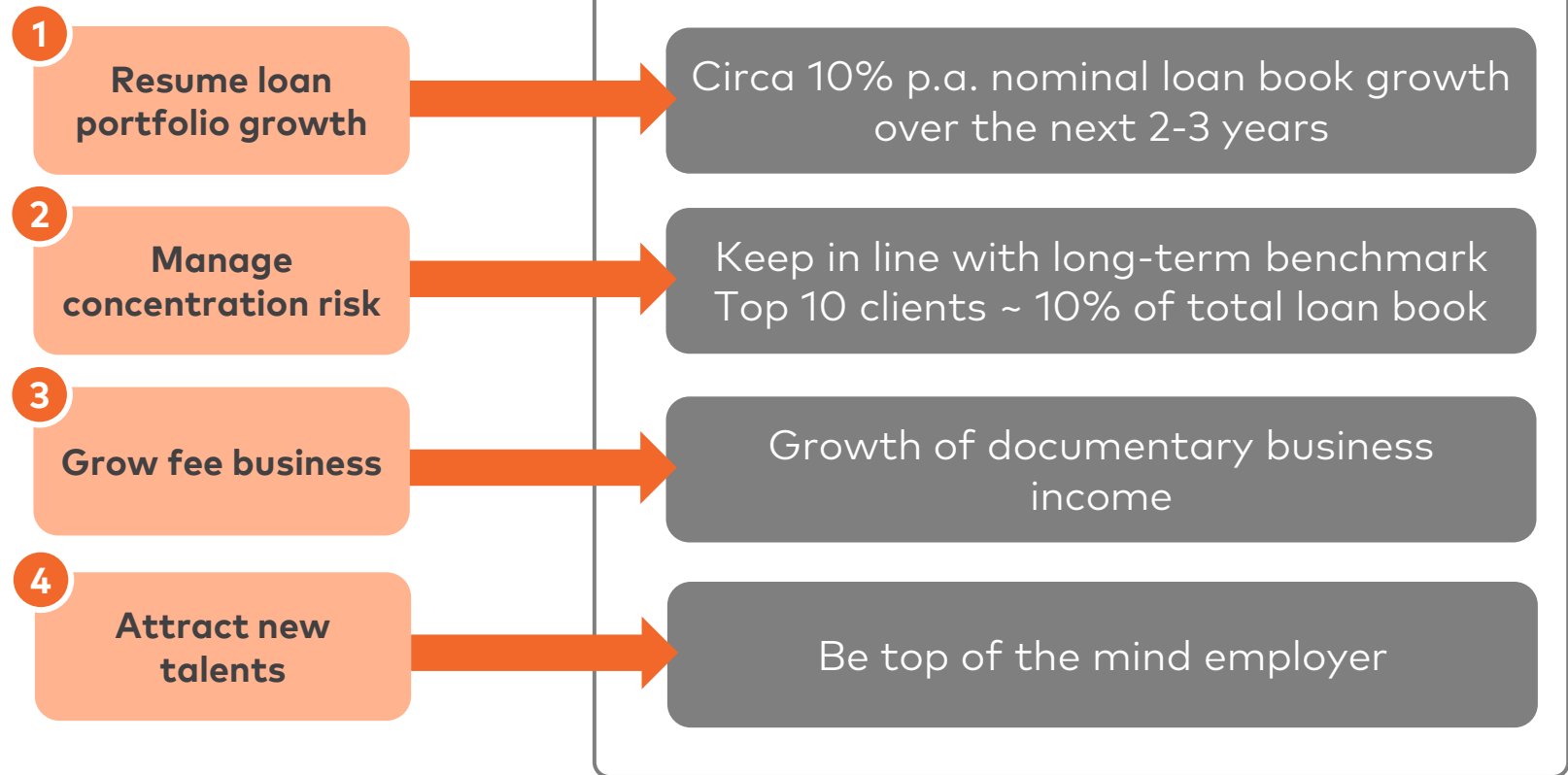
Sample Transactions



MEDIUM/LONG-TERM TARGETS



ROAE 20%+





BANK OF GEORGIA

QUESTIONS?

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Tbilisi, Georgia

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