



BANK OF GEORGIA

Retail Banking Overview

Speakers:

Mikheil Gomarteli, Deputy CEO, Mass Retail Banking, JSC Bank of Georgia

Ramaz Kukuladze, Deputy CEO, SOLO & MSME, JSC Bank of Georgia

BGEO Investor Day

9 November 2017

Tbilisi, Georgia



- **Retail Banking Performance**
- Mass Retail Results and Initiatives
- SOLO, Premium Retail Banking
- Micro, Small and Medium Enterprises
- Q&A

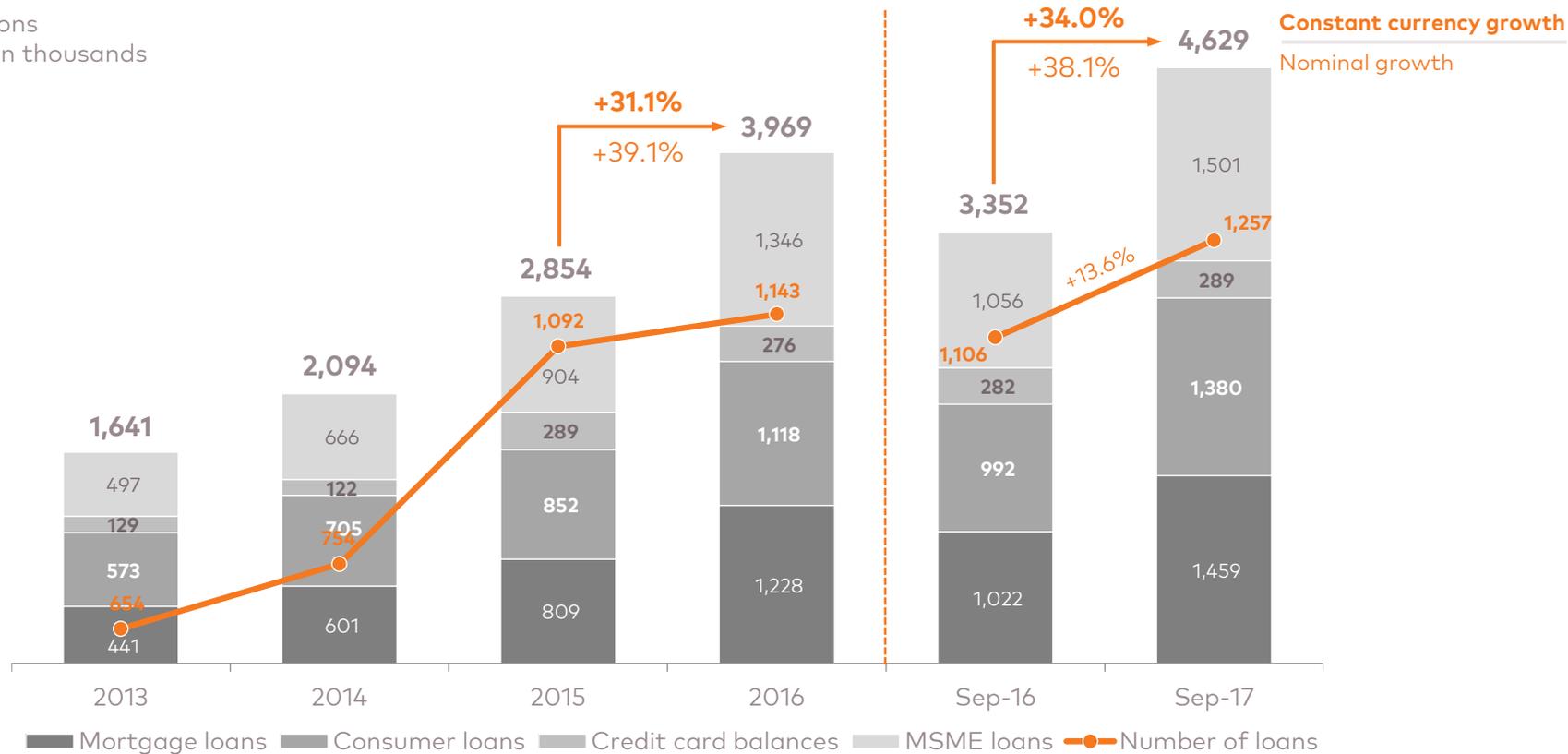
STRONG LOAN BOOK GROWTH



RB gross loan book

GEL millions

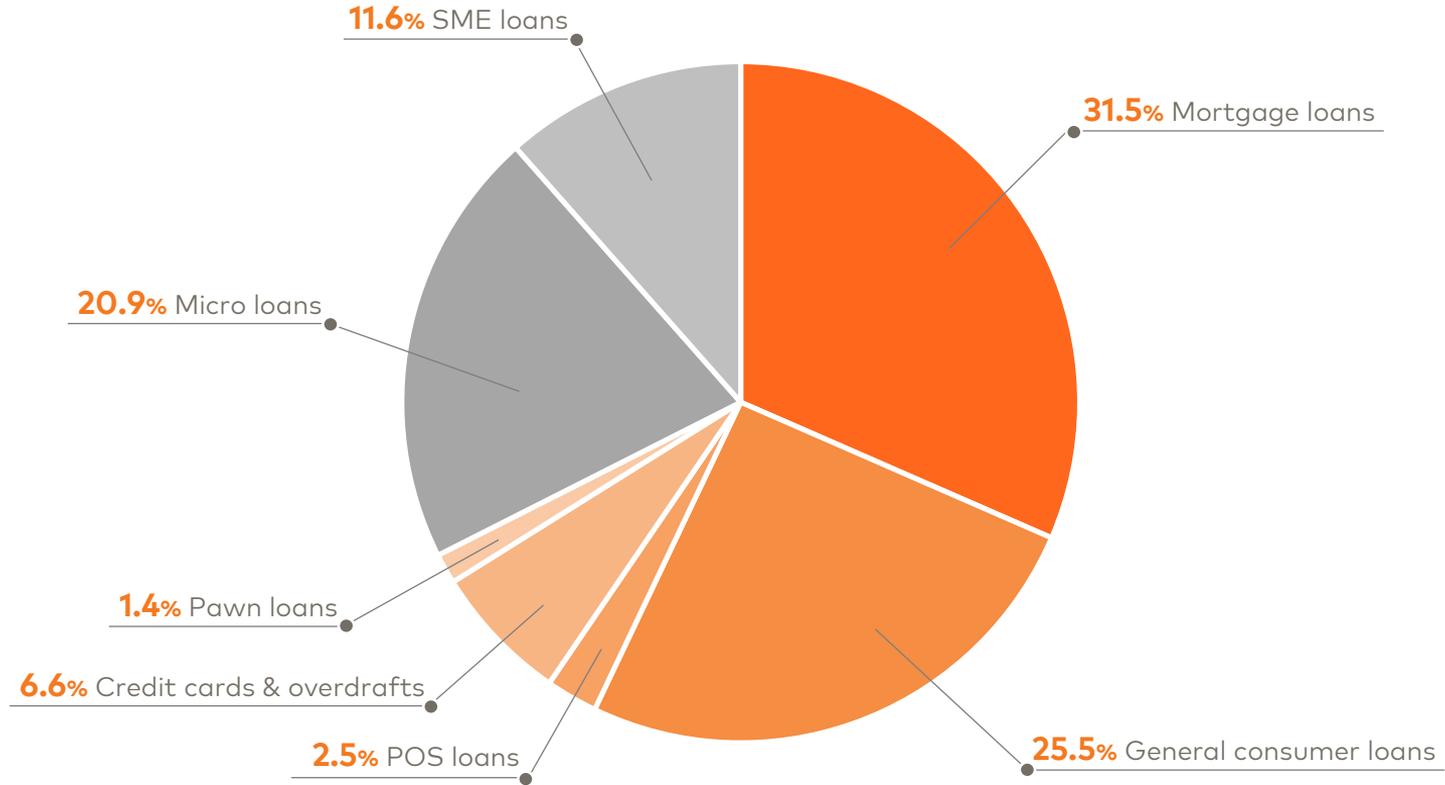
Number in thousands



DIVERSIFIED LOAN BOOK



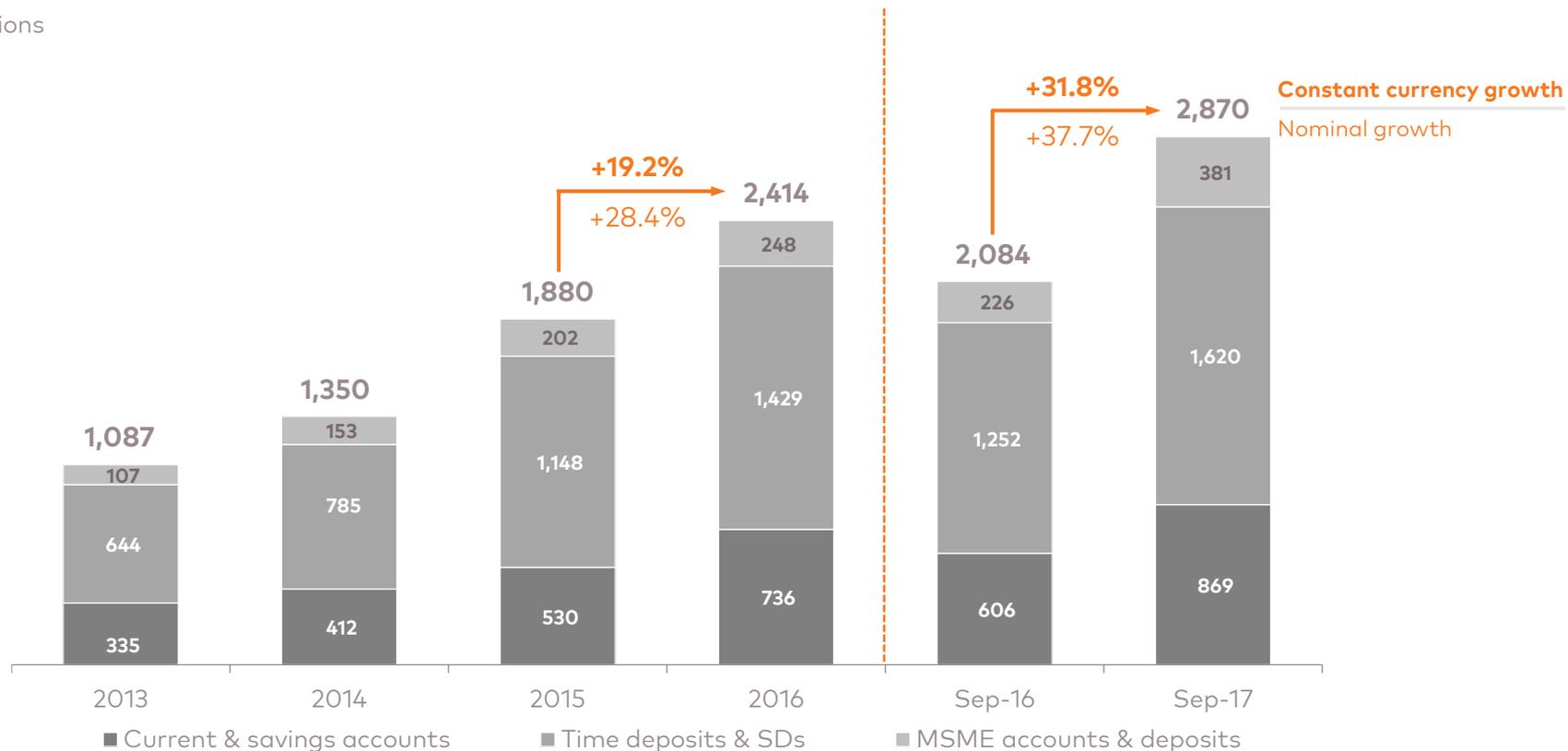
RB gross loan book by products



STRONG DEPOSIT GROWTH

RB deposits

GEL millions



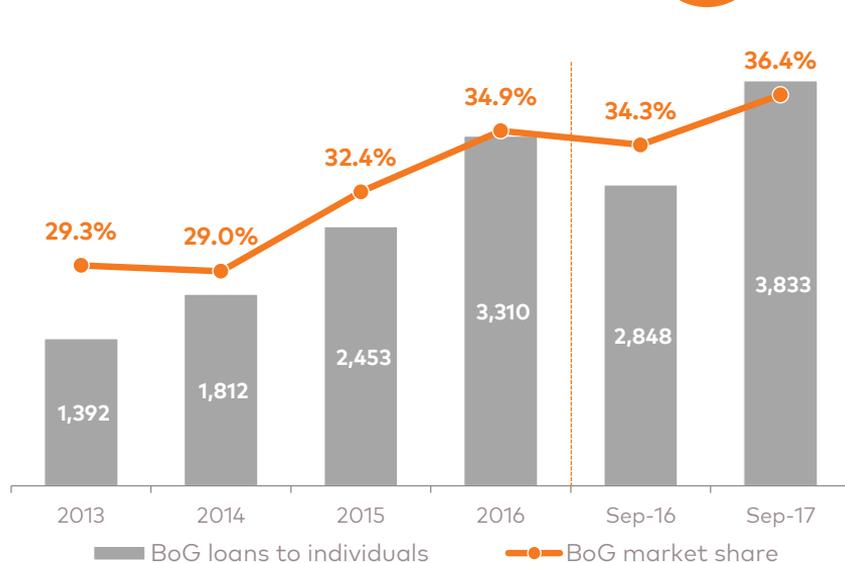
BOG MARKET SHARE



Loans to individuals

GEL millions

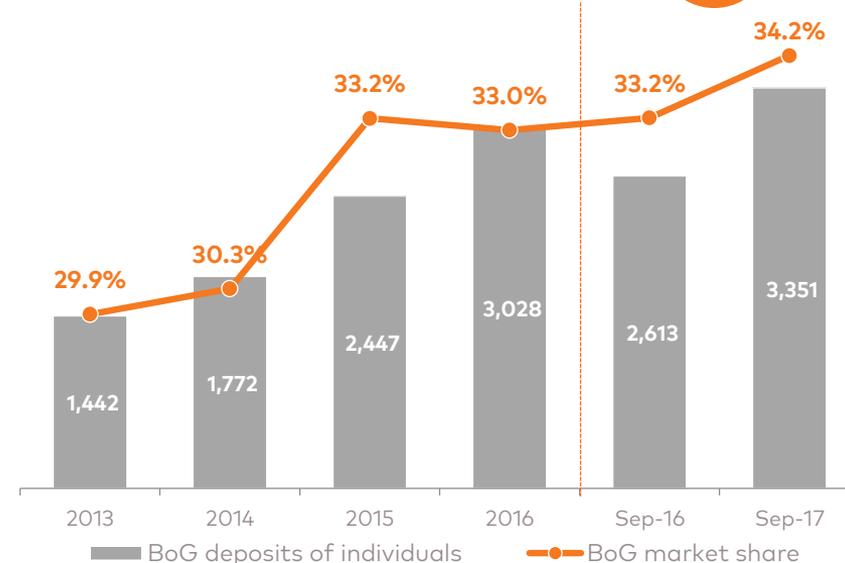
+2.1%*



Deposits of individuals

GEL millions

+1.0%*



* Excluding Credo Bank, which registered as a bank in 1Q 2017

Source: National Bank of Georgia

CONTENT



- Retail Banking Performance
- **Mass Retail Results and Initiatives**
- SOLO, Premium Retail Banking
- Micro, Small and Medium Enterprises
- Q&A

RETAIL BANKING SEGMENTS



Emerging Retail



Mass Retail



Clients	514.2 k	1,554.2 k
Loan book	GEL 253.1 mln	GEL 1,724.8 mln
Deposits	GEL 140.1 mln	GEL 1,266.8 mln
9M profit	GEL 26.2 mln	GEL 77.2 mln
Profit per client <i>Annualised</i>	GEL 70.0	GEL 66.9
Product to client ratio	3.3	1.8
Cost to income ratio	35.1%	37.8%
Branches	153	114

MEDIUM TERM TARGETS



EXPRESS
BANK

Emerging Retail



საქართველოს ბანკი
BANK OF GEORGIA

Mass Retail

Strategic focus

Double number of
transactions

Increase product to
client ratio to 3.0

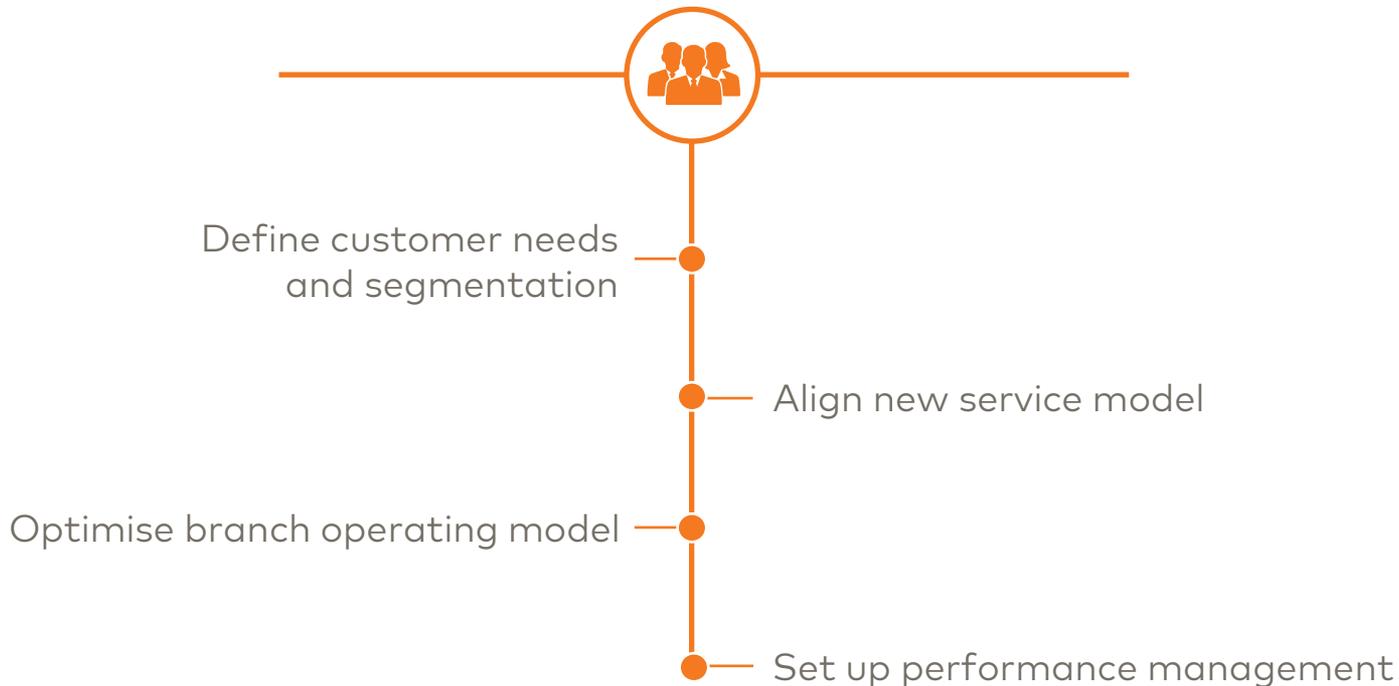
Service model

Product centric
cross-selling

360° financial
planning



We put **customer** at the **core** of our business



NEW SUB-SEGMENTATION AND SERVICE MODEL



From ...

of product categories



Service model



... To

Service model



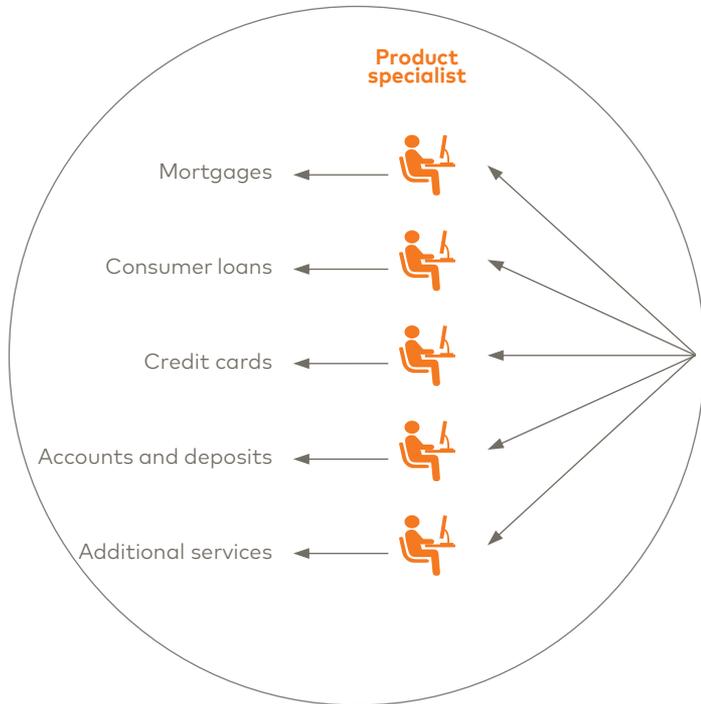
of product categories



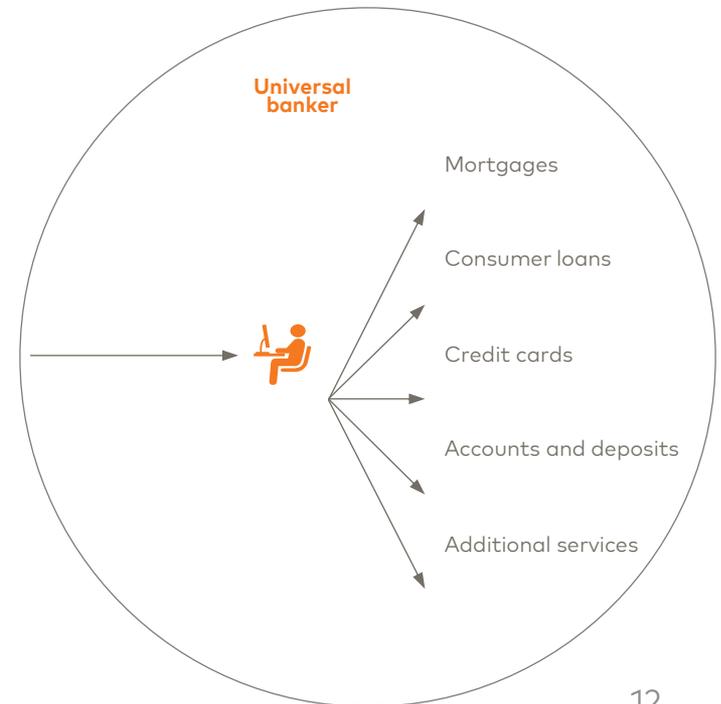
BRANCH OPERATING MODEL



Product centric approach



Customer centric approach



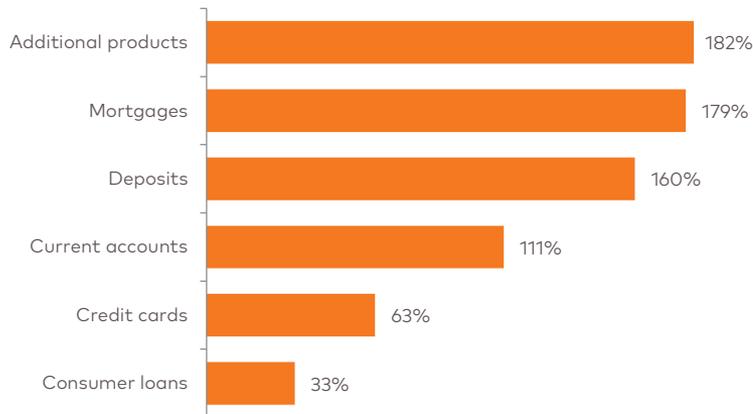
DE-DOLLARISATION CONTINUES



Pro-active
meeting scheduling,
advising and product offering



Pro-active
using customer **flow** for
advising and product offering



+141%
Growth in
number of
products sold

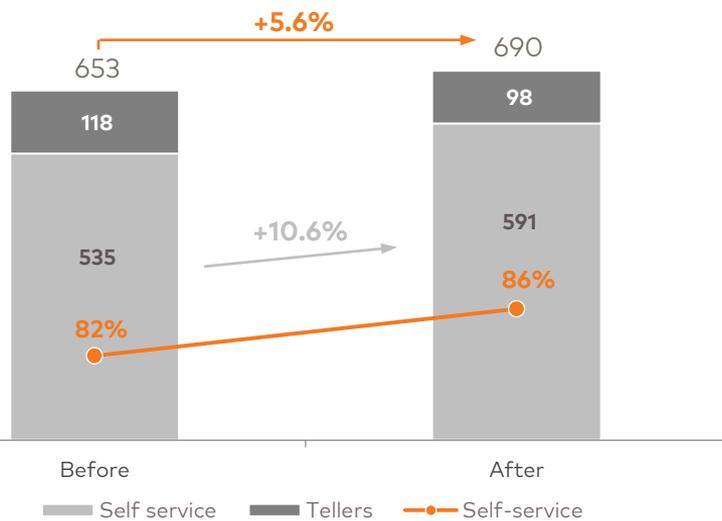
*Compare to the
sales before
transformations*

* Product sold to unique customer/unique customer served

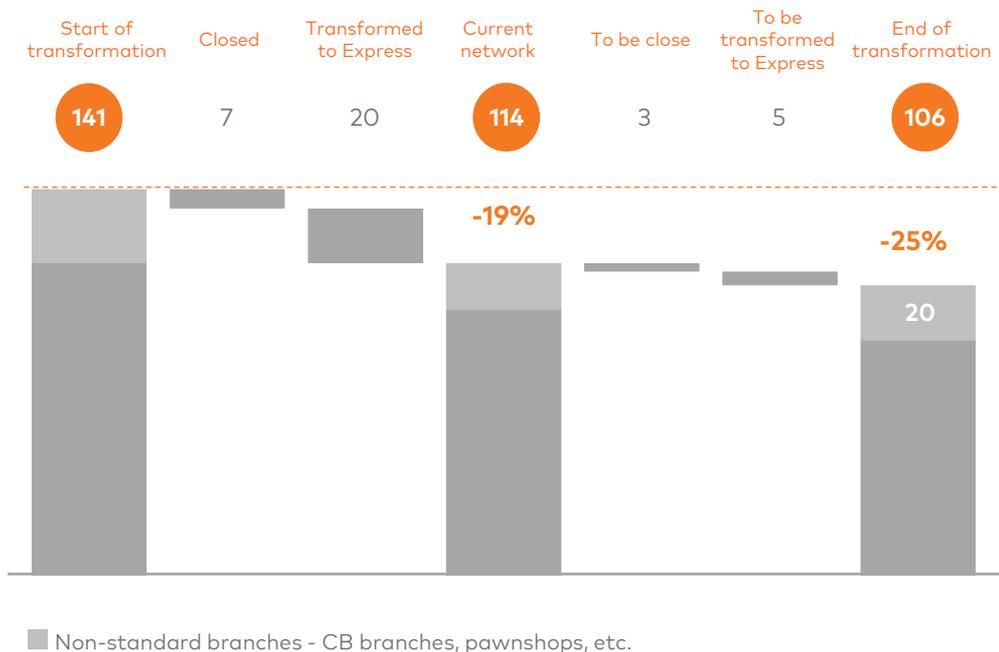
EFFICIENCY



Average number of transactions in transformed branches



Optimising Mass Retail branches



CUSTOMER CENTRIC BRANCH CONCEPT





Relationship brings a PLUS



New
Loyalty Programme



LOYALTY PROGRAMME



Status levels can be achieved by using multiple banking products



Points are collected through different interactions with the bank



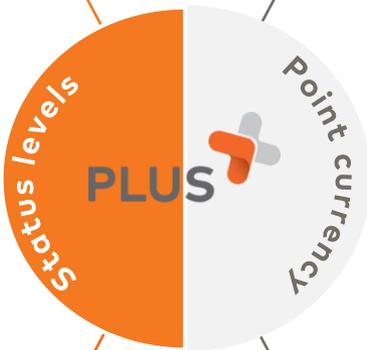
Assets and liability volume



Card transactions



Recommendation



Status level qualifies clients for **exclusive benefits**



Discount on banking products



Priority treatment



More reward points



Insurance benefits



Health care benefits

Points can be **easily redeemed** for specific rewards



Special gifts from catalogue



Consumer goods



Utility and other payments



Transferable



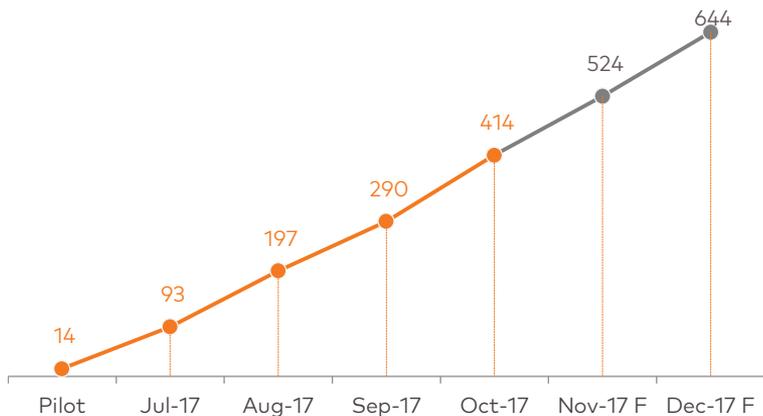
Free transport tickets

LOYALTY PROGRAMME



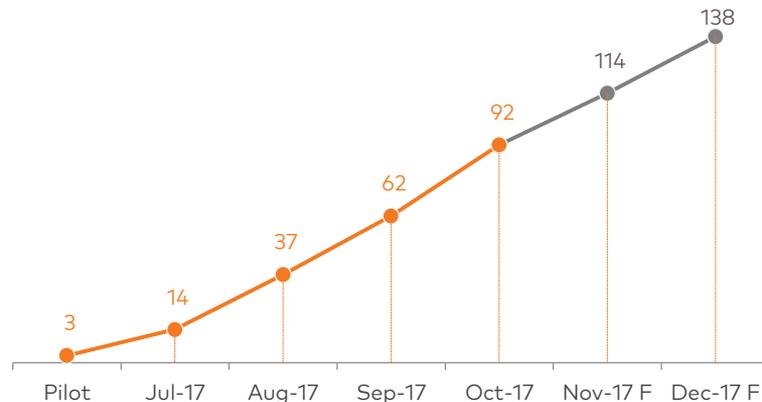
Number program members

Thousands



Number of upgraded members

Thousands



22.9% upgrade rate vs. estimated **10.0%**

Including upgrades **during sign-ups 12.6%**

78

Programme partners



200

Active special offers



3

Special campaigns per month



96k

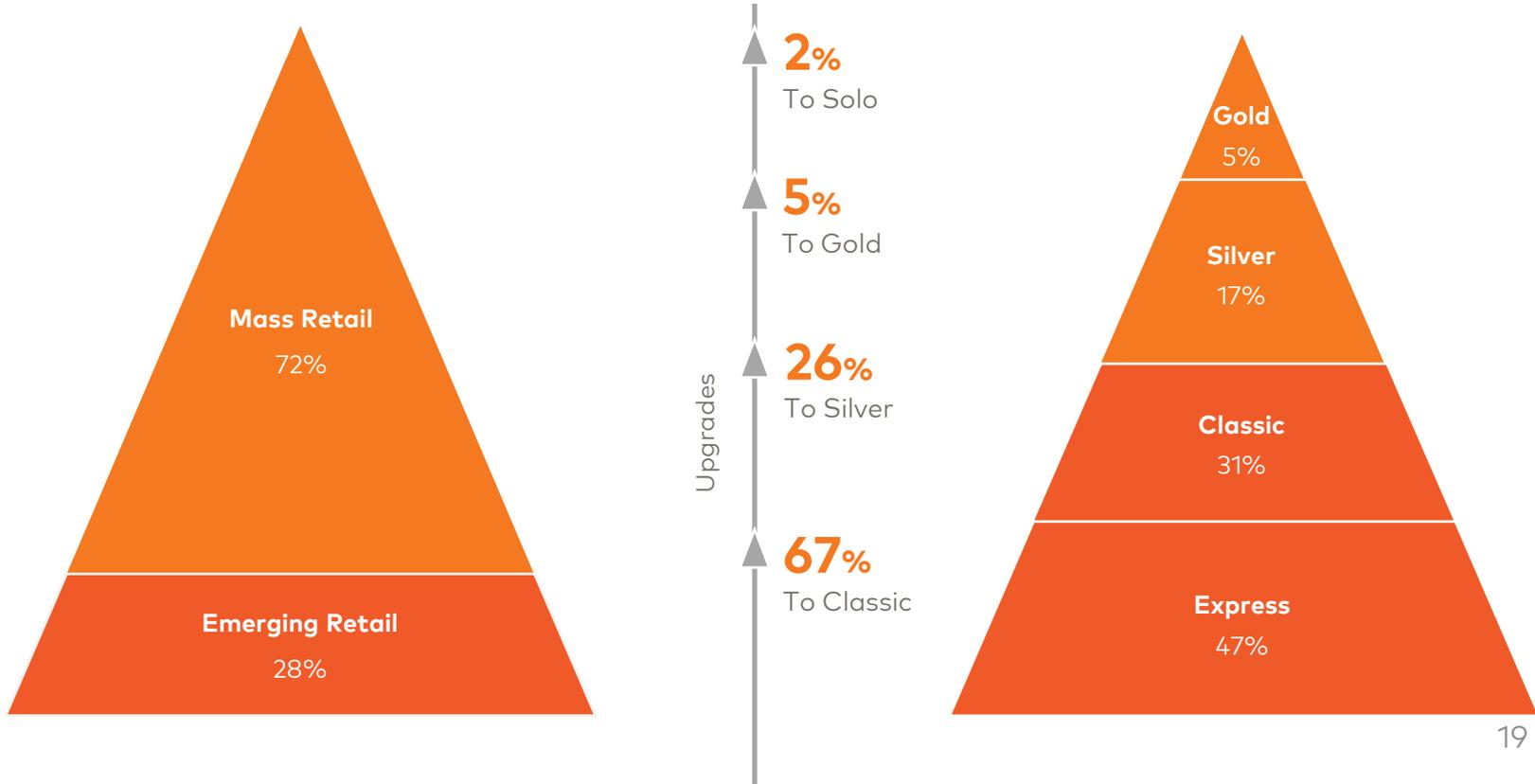
Transactions with Plus points



LOYALTY PROGRAMME

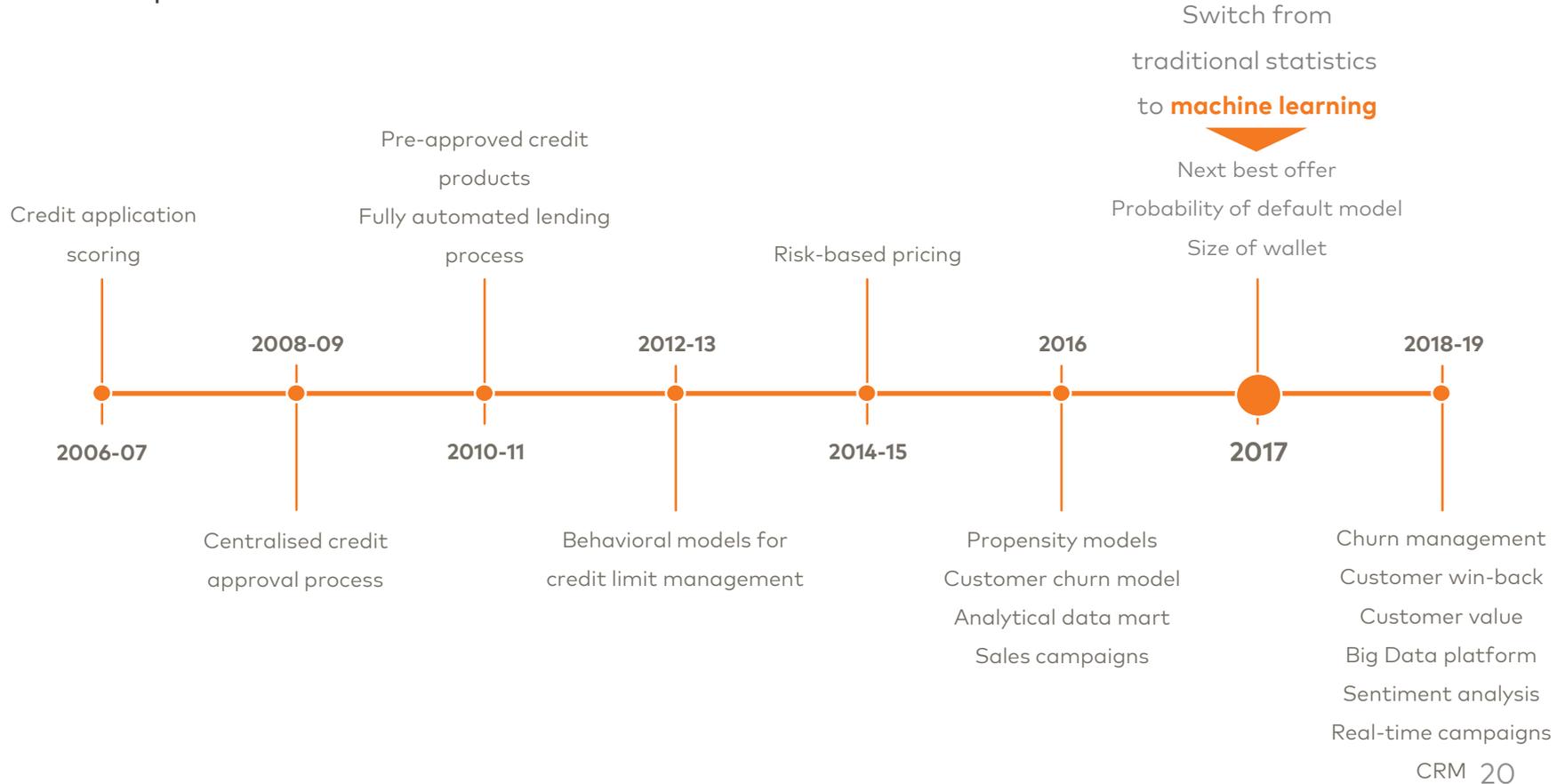


Unlock full **potential**
of current customers



ADVANCED ANALYTICS

Roadmap and main achievements





Underwriting

37%

Pre-approvals in
total credits sold



77%

Fully automated
decisions



105k

Applications
processed per
month



<5min

Decision time for
85% application
processed



Targeted campaigns through different channels

116

Campaigns



8 mln

Offers



205 k

Sold products

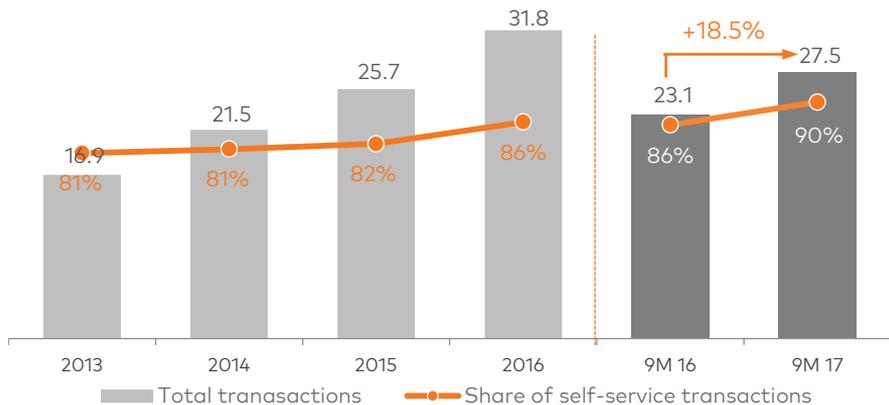


EXPRESS BANK



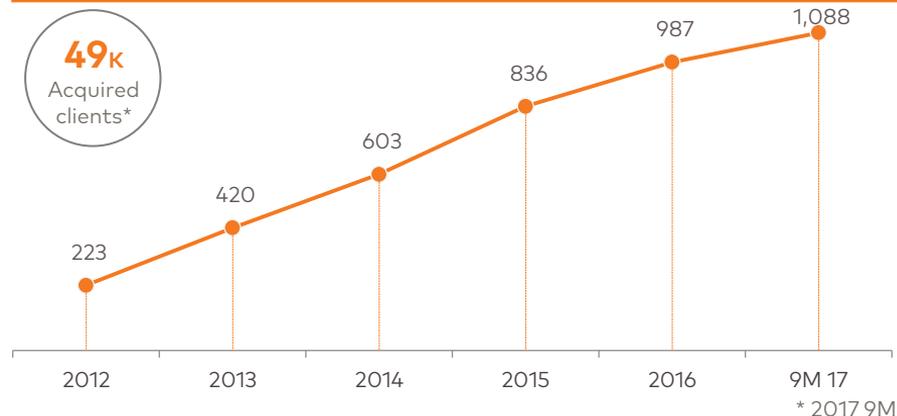
Number of total transactions

Millions



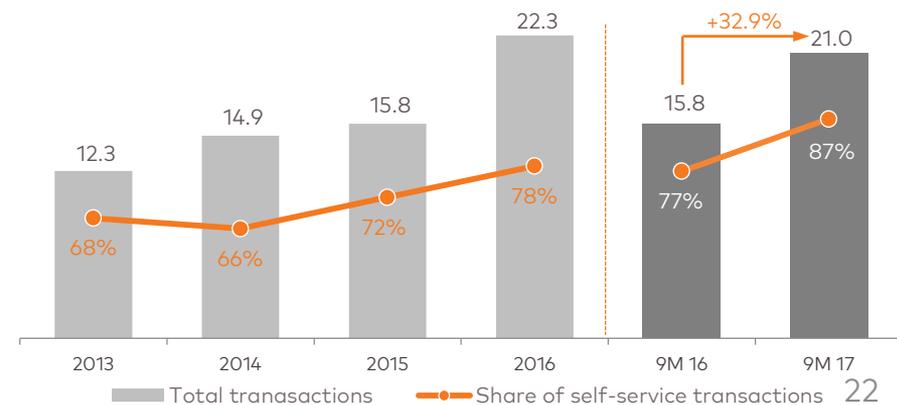
Unique clients served

Thousands



Banking transactions

Millions

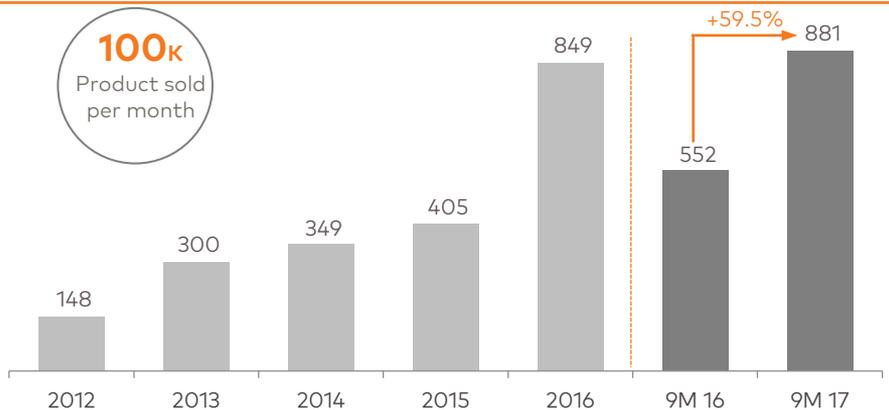


EXPRESS BANK



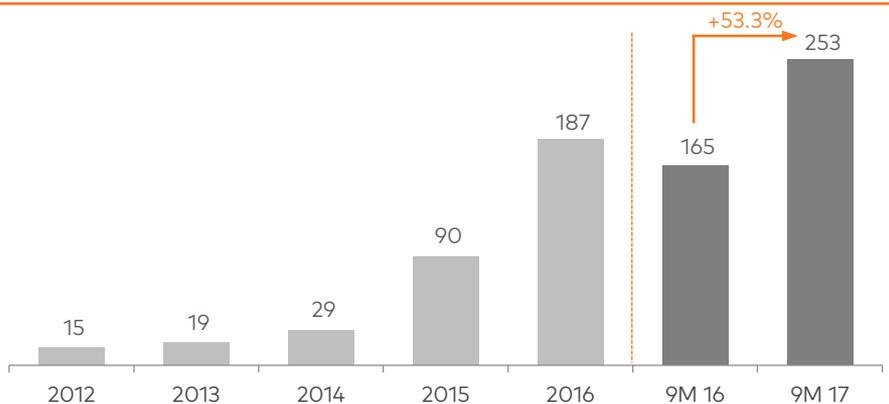
Number of products and services sold

Thousands

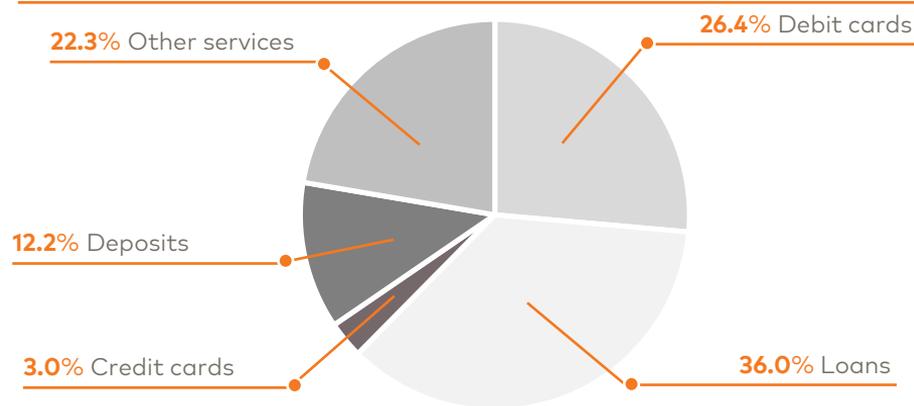


Loan book

GEL millions

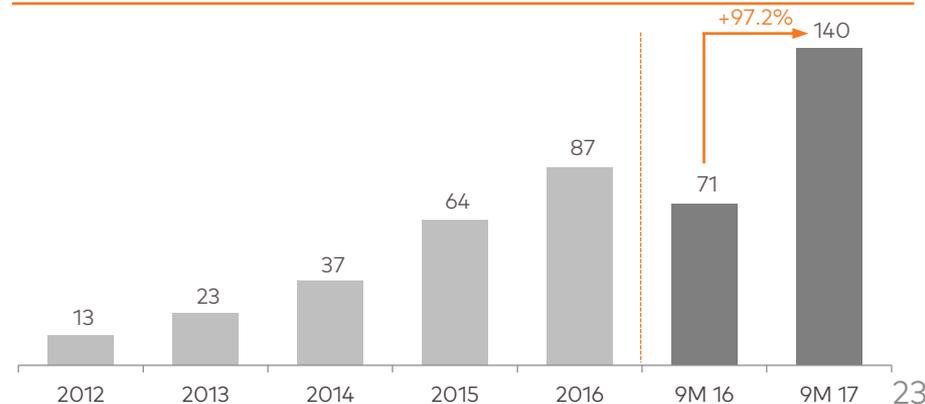


Average monthly sales by products and services

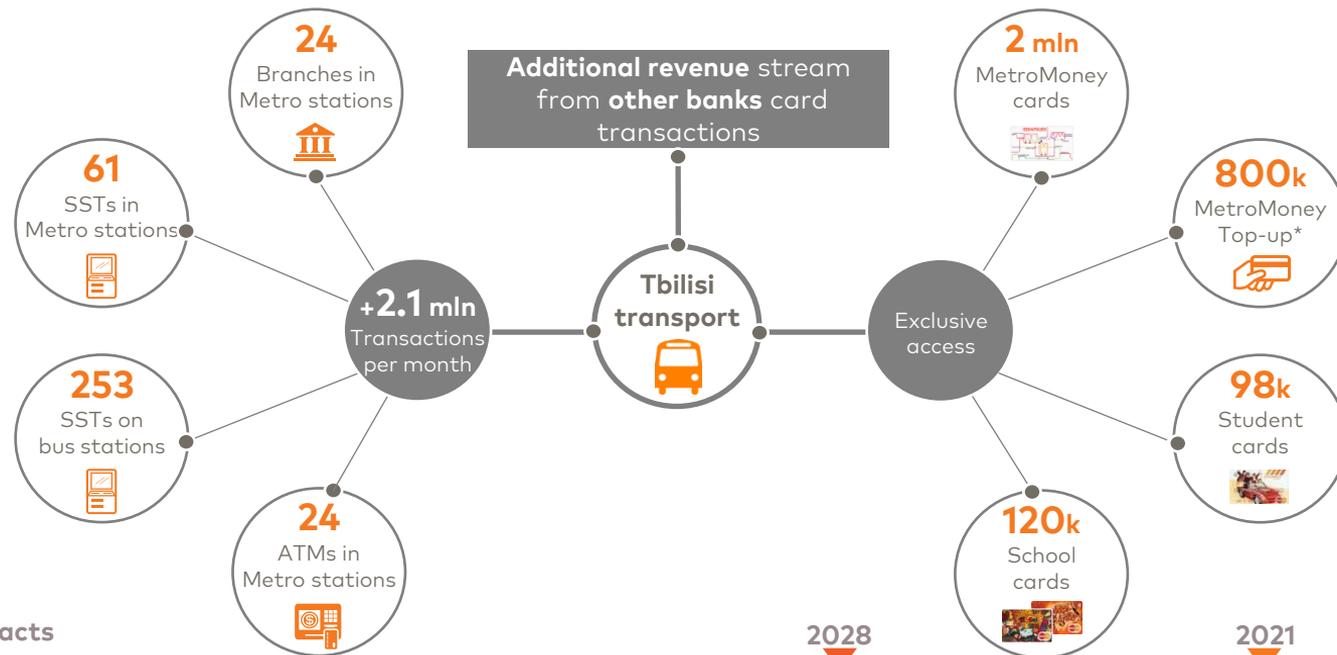


Accounts and deposits

GEL millions



PUBLIC TRANSPORTATION PAYMENT SYSTEM



Exclusive contracts

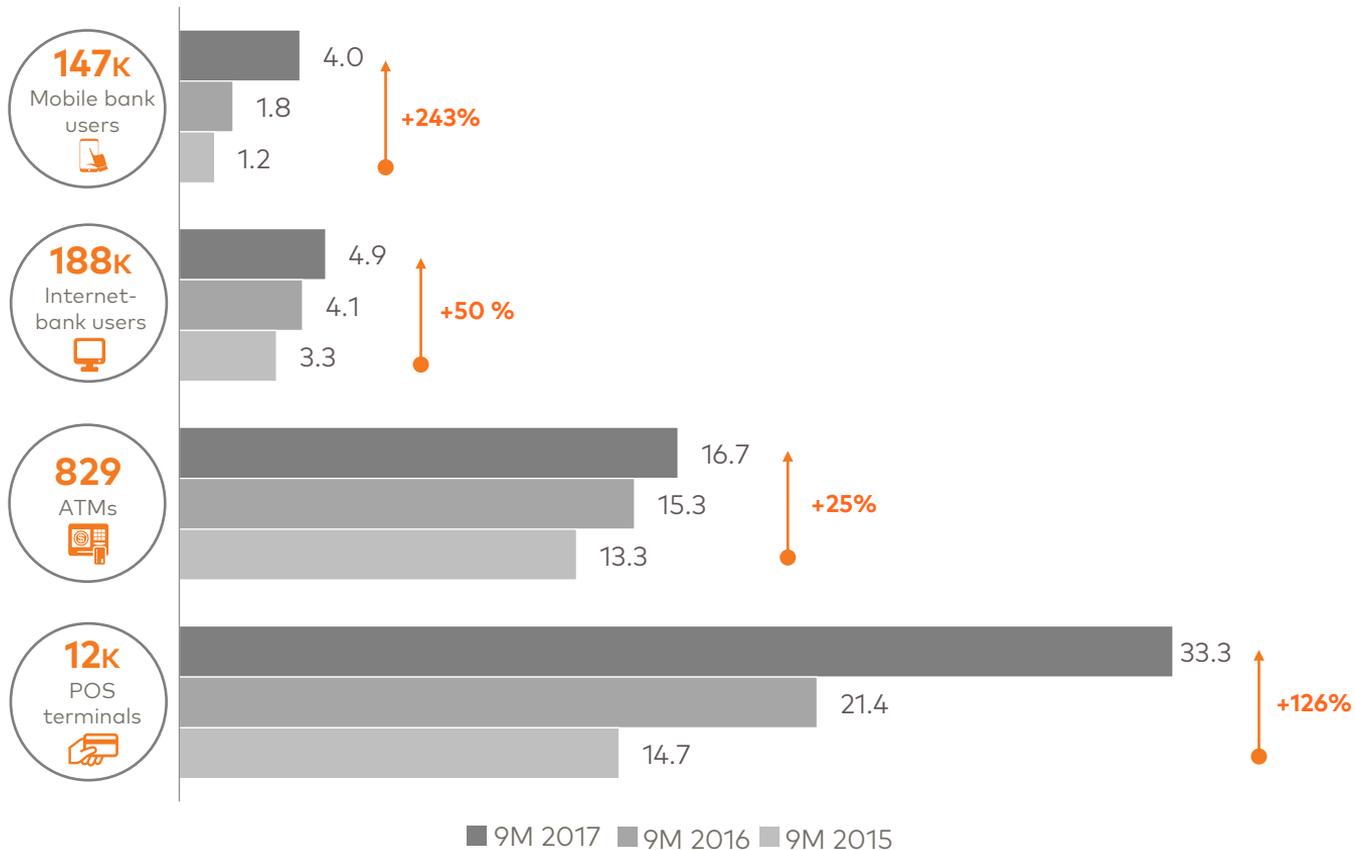


DIGITAL CHANNELS



Number of transactions

Millions



CONTENT



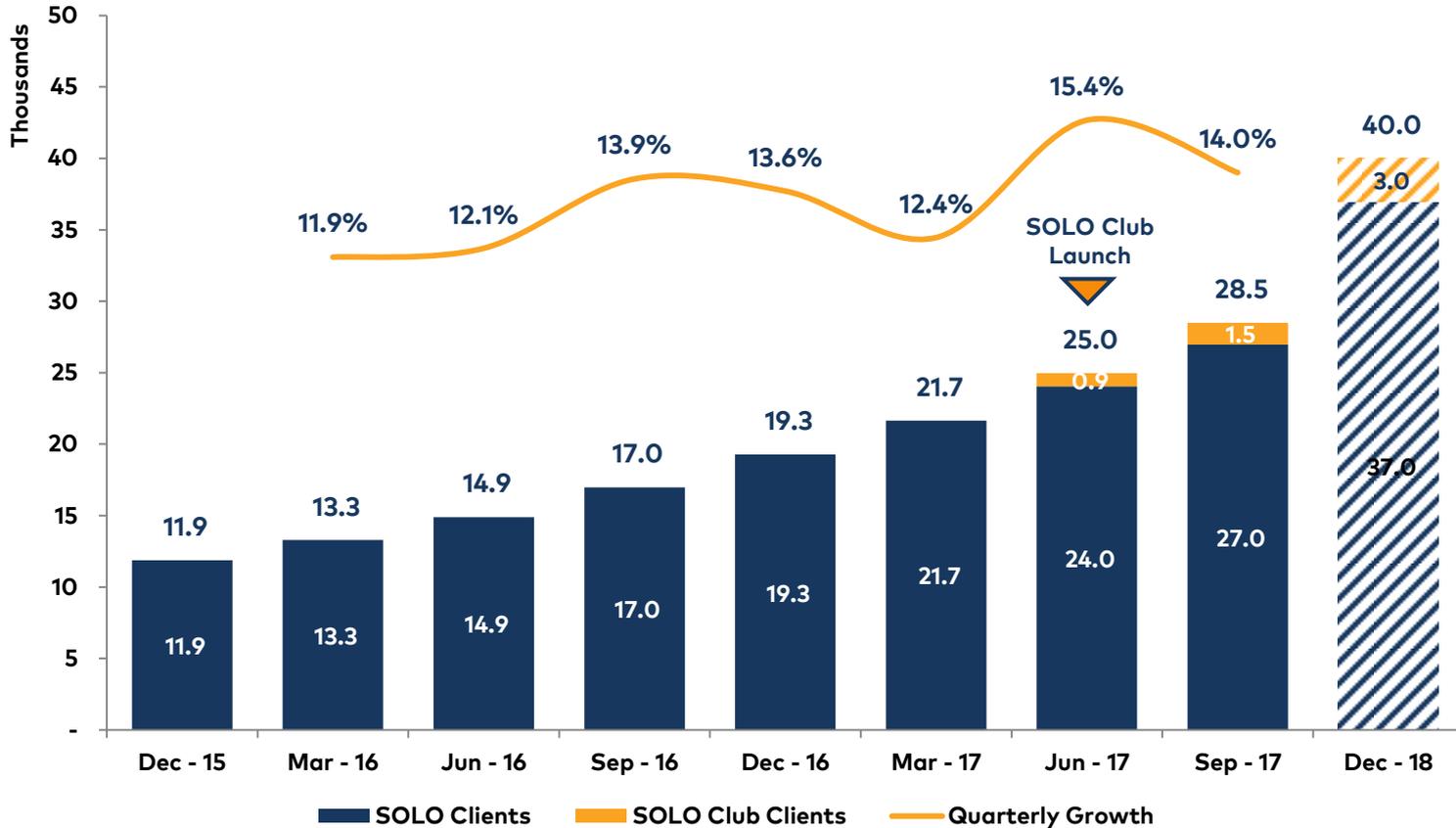
- Retail Banking Performance
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- Micro, Small and Medium Enterprises
- Q&A



S O L O

CONTINUED GROWTH OF CLIENT BASE

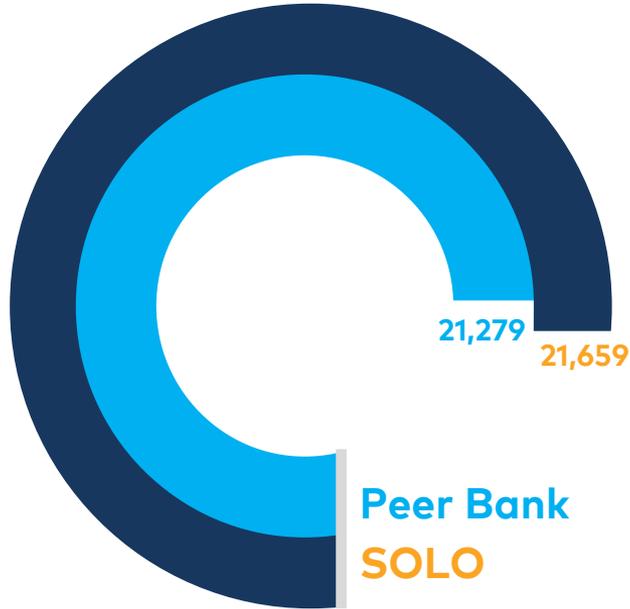
47.9% YTD Growth; 68.0% YOY Growth



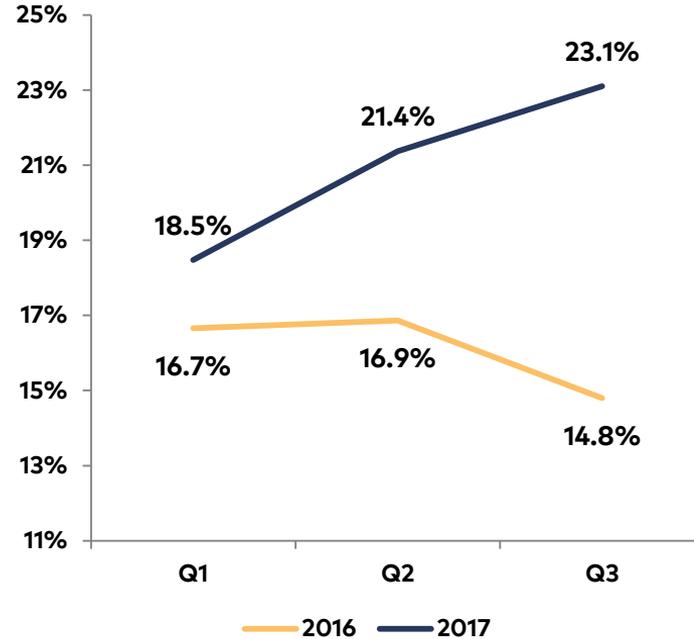
LEADER IN THE PREMIUM BANKING SEGMENT



Number of Premium Segment Clients¹



New Clients' Share in SOLO Acquisition²



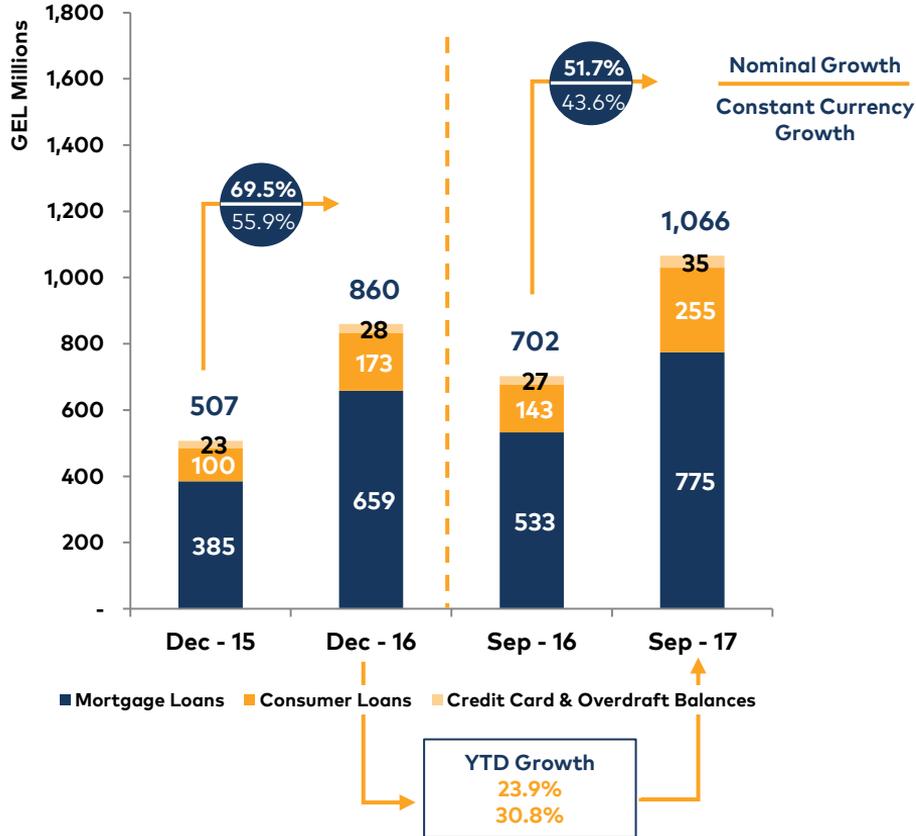
¹ Data as of March 2017 & Source: BOG Internal Reporting; TBC Capital Markets Day 2017

² Source: BOG Internal Reporting

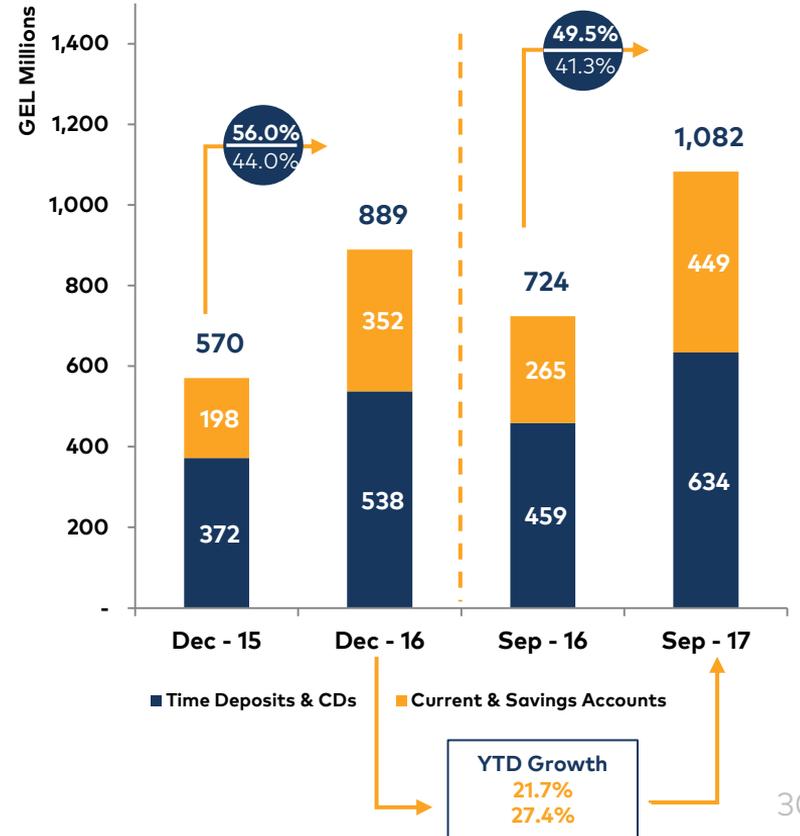
SOLID GROWTH



Gross Loan Book



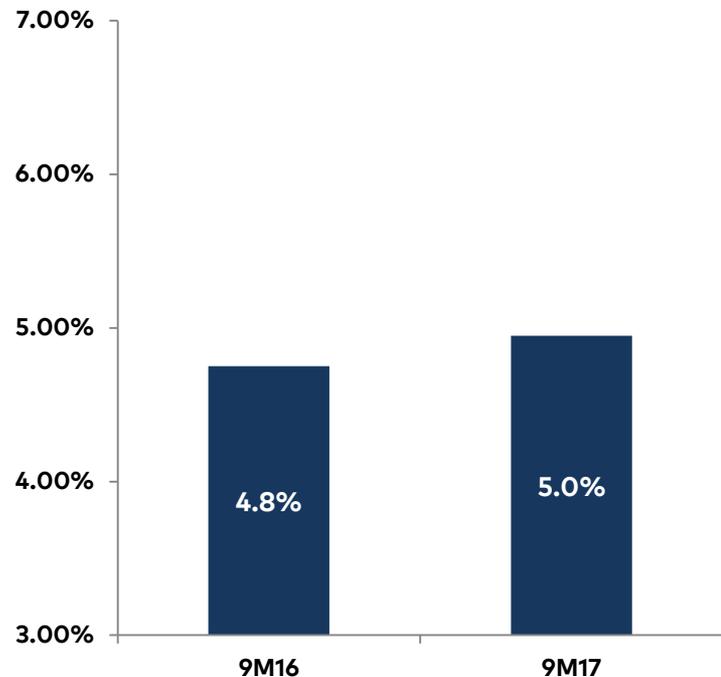
Deposit Portfolio



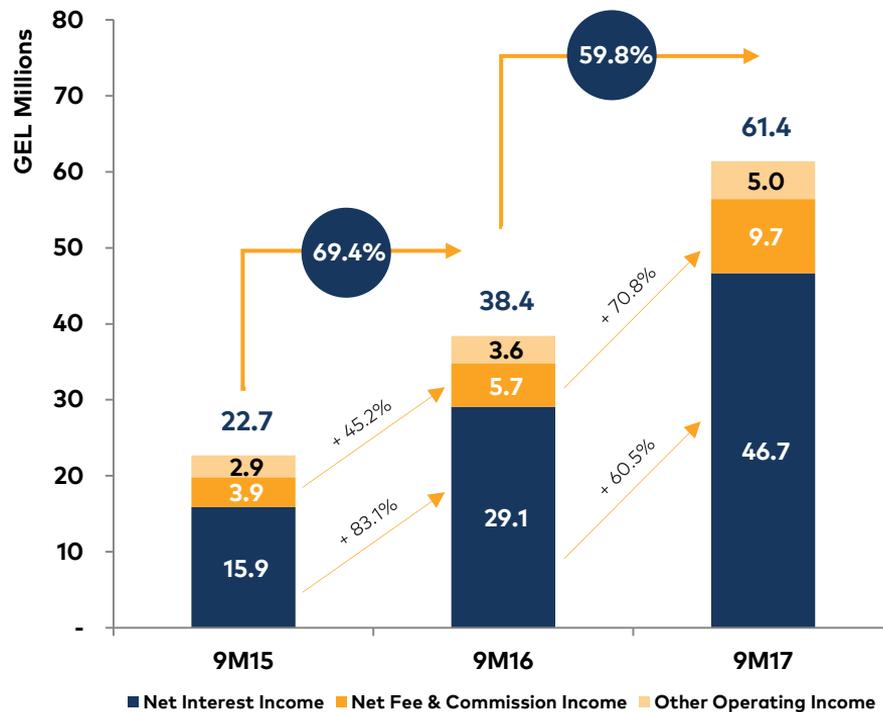
STRONG PROFITABILITY



NIM



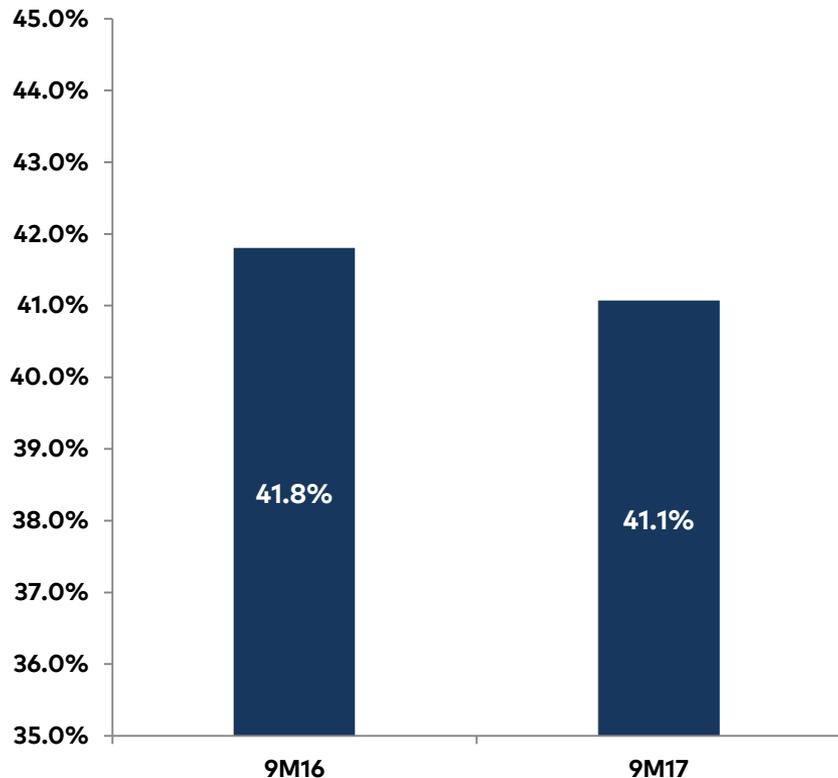
Revenue



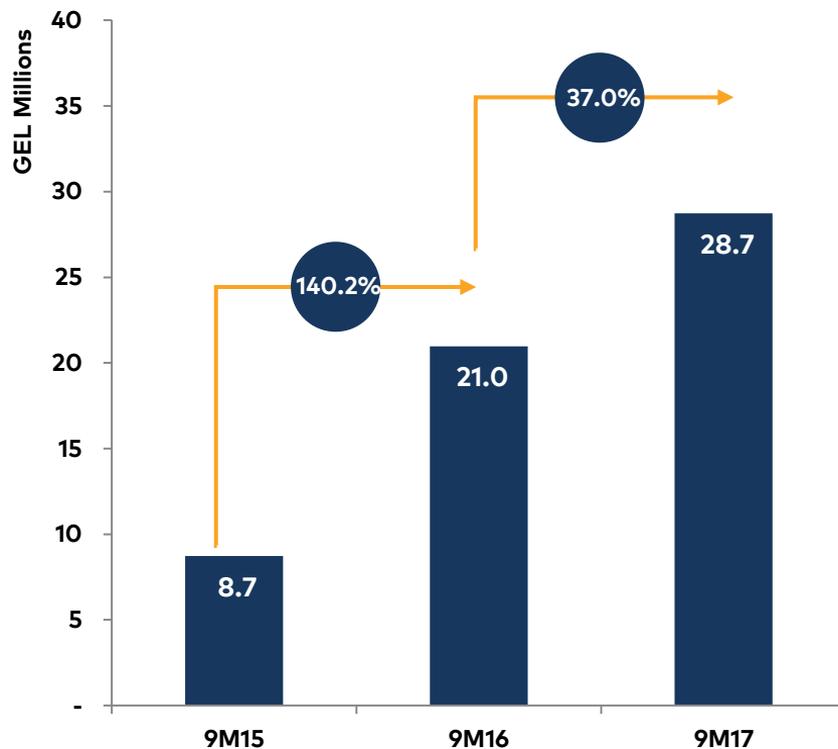
STRONG PROFITABILITY (cont'd)



Cost to Income



Net Profit



STRATEGIC FOCUS



SOLO

- SOLO 40K Clients by the end of 2018
- SOLO 3K SOLO Club members by the end of 2018
- SOLO Focus on advisory services
- SOLO Ramp up sales efforts
 - Broaden product offering
 - Increase cross-selling
- SOLO Enhance customer data management
- SOLO Differentiate on lifestyle

SOLO LOUNGE EXPERIENCE



OFFER

- Tailor-made banking solutions
- Concierge-style environment
- Access to exclusive products and events
- Lifestyle opportunities

LOUNGES



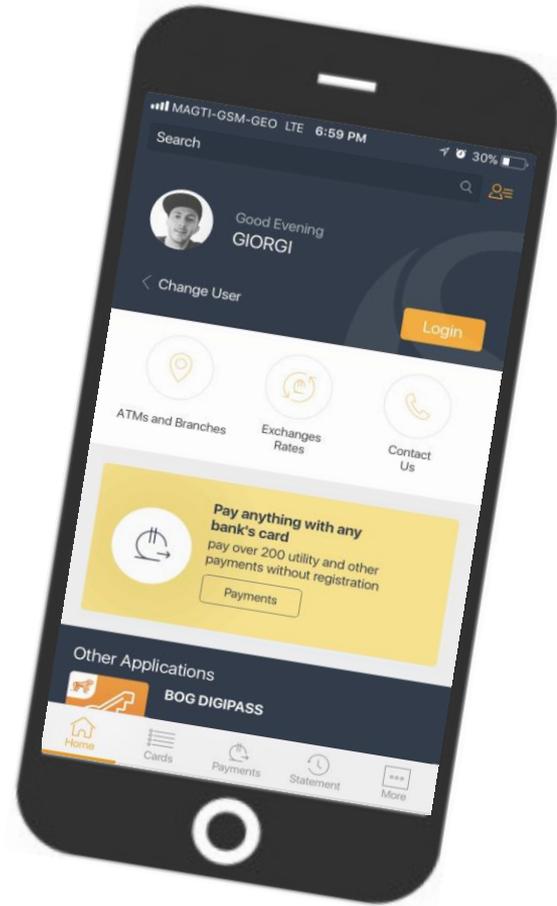
ADVISORY SERVICE



SOLO DIGITAL EXPERIENCE



- Tailor-made digital environment
- Mbank & IBank recognise client status and automatically divert to SOLO interface



SOLO LIFESTYLE

Lifestyle



TRAVEL



ENTERTAINMENT



EDUCATION

Masterclasses in:

- Robotics: Leading More Productive Tomorrow
- Becoming A Cyber Hero
- Launching 21st Century Startups
- Expansion Strategies
- User Experience & Innovation



HEALTHY LIFESTYLE



SOLO AT A GLANCE



As at 30 September 2017



Clients	28.5 k
Gross Loan Book	GEL 1,066 mln
Deposit Portfolio	GEL 1,082 mln
NIM	5.0 %
9M Profit	GEL 28.7 mln
Profit per Client (Annualised)	GEL 1,635
P/C Ratio	6.3
Branches	11
NPS¹	78%

¹ BOG Research

CONTENT



- Retail Banking Performance
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MICRO AND SME



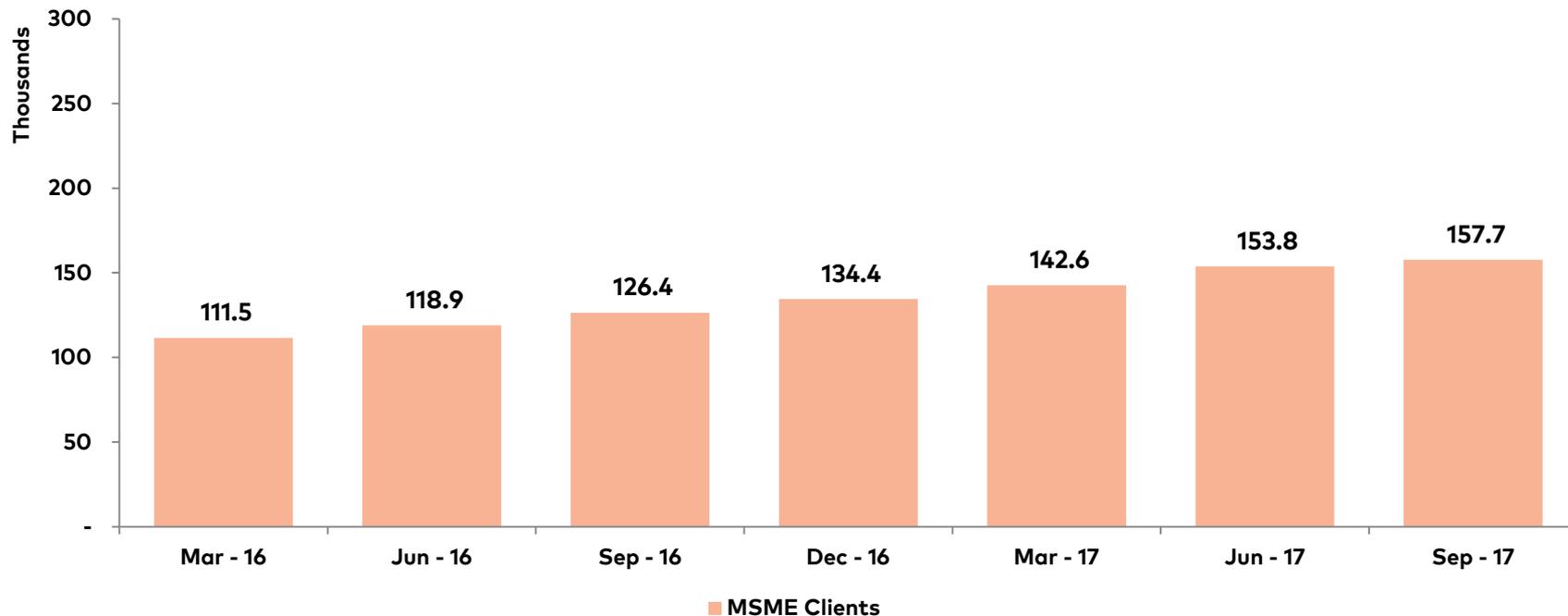
BANK OF GEORGIA
BUSINESS

CONTINUED GROWTH OF CLIENT BASE



17.3% YTD Growth; **24.8%** YOY Growth

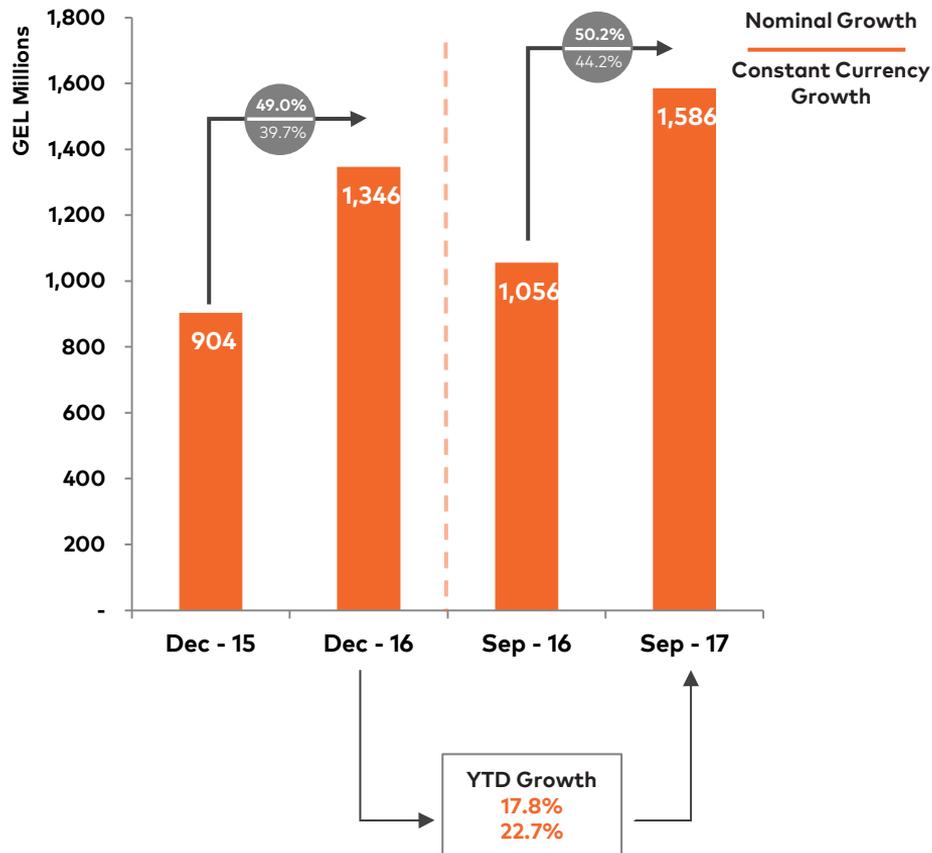
MSME Clients



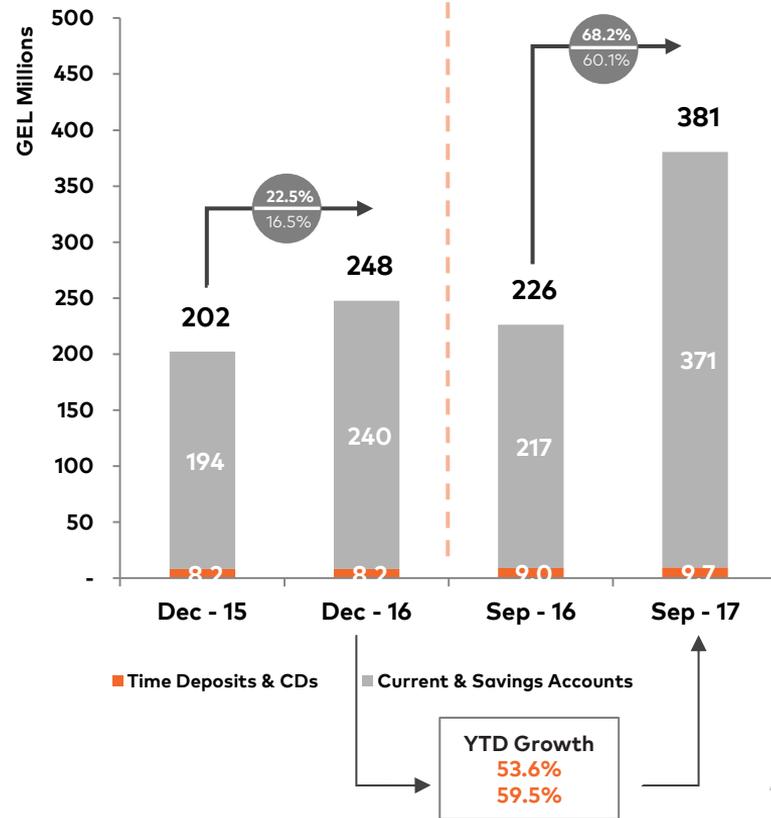
SOLID GROWTH



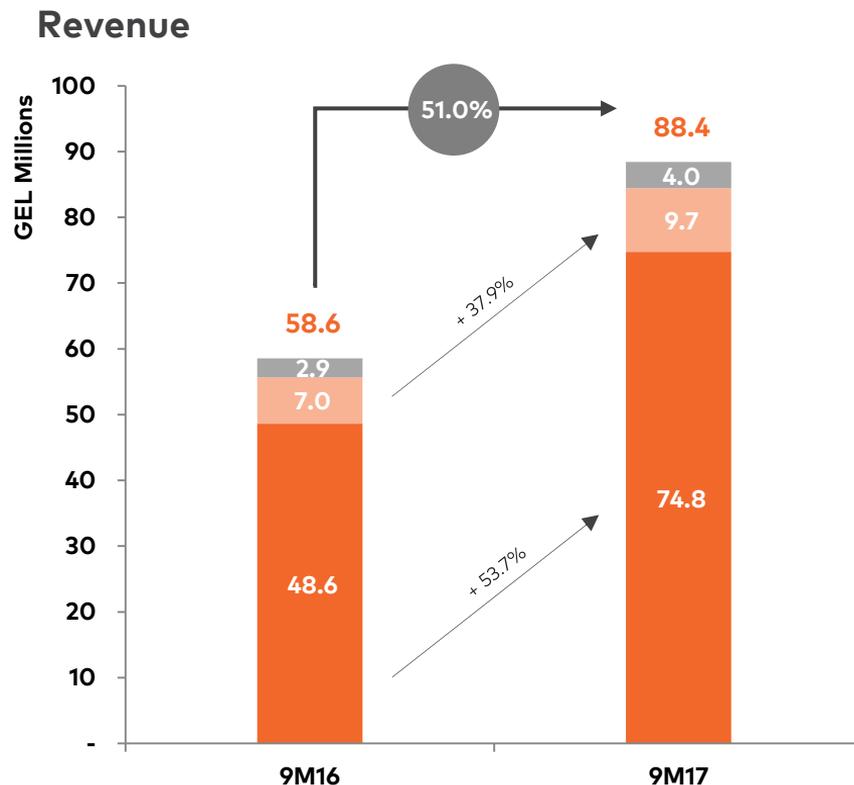
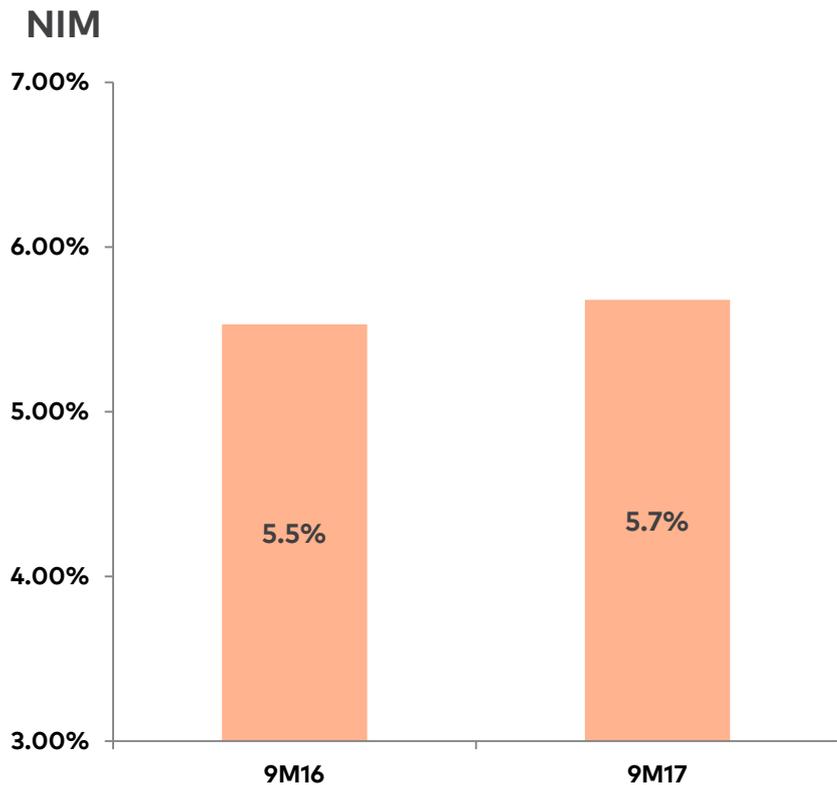
Gross Loan Book



Deposit Portfolio



STRONG PROFITABILITY

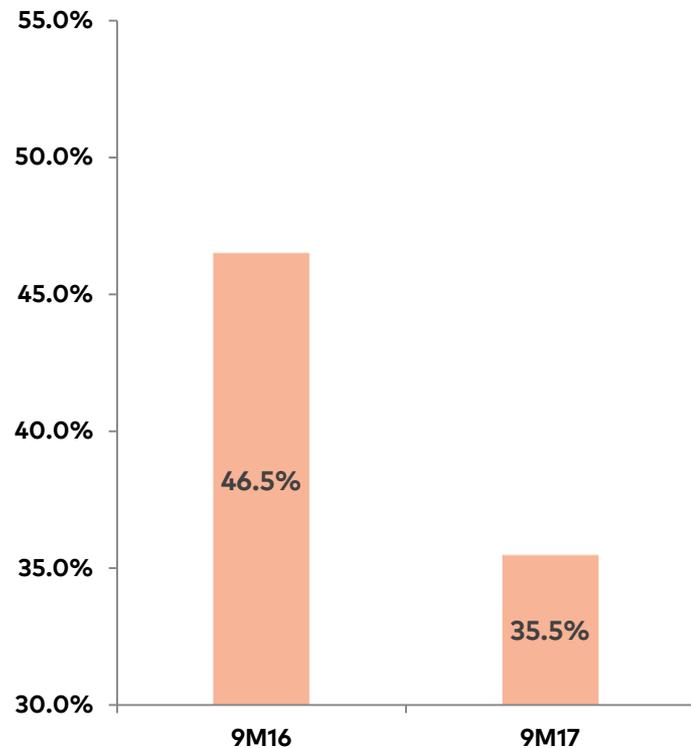


■ Net Interest Income ■ Net Fee & Commission Income ■ Other Operating Income

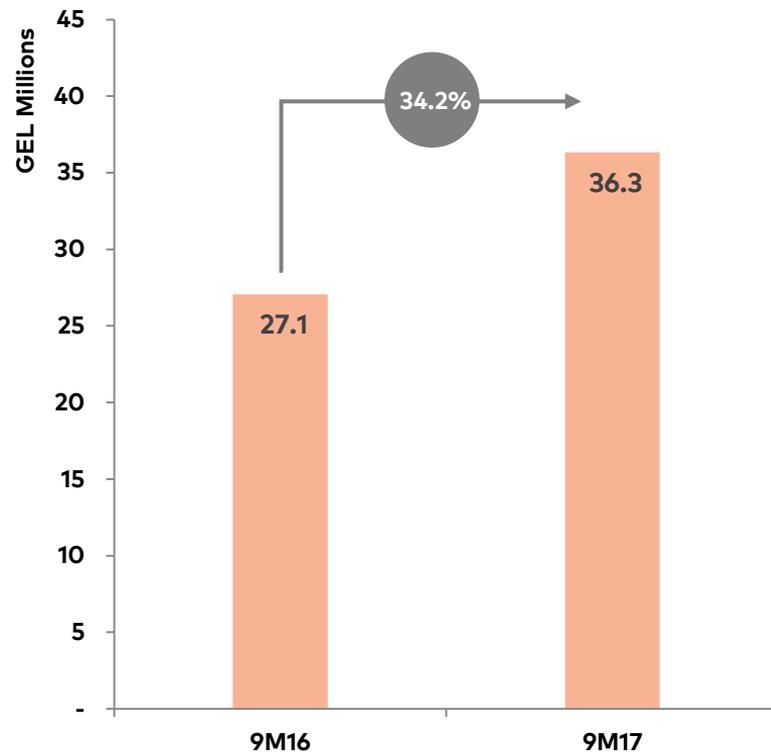
STRONG PROFITABILITY (cont'd)



Cost to Income



Net Profit



STRATEGIC FOCUS



BANK OF GEORGIA
BUSINESS

- Increase number of clients
- Increase profitability per client
- Focus on a relationship banking model
- Balance human touch and digital channels
- New products for SME clients (factoring, insurance, etc)
- Improve customer experience
- Step up relationship with SOLO (owners, directors)

SERVICE MODEL



Relationship based approach
Segment based products



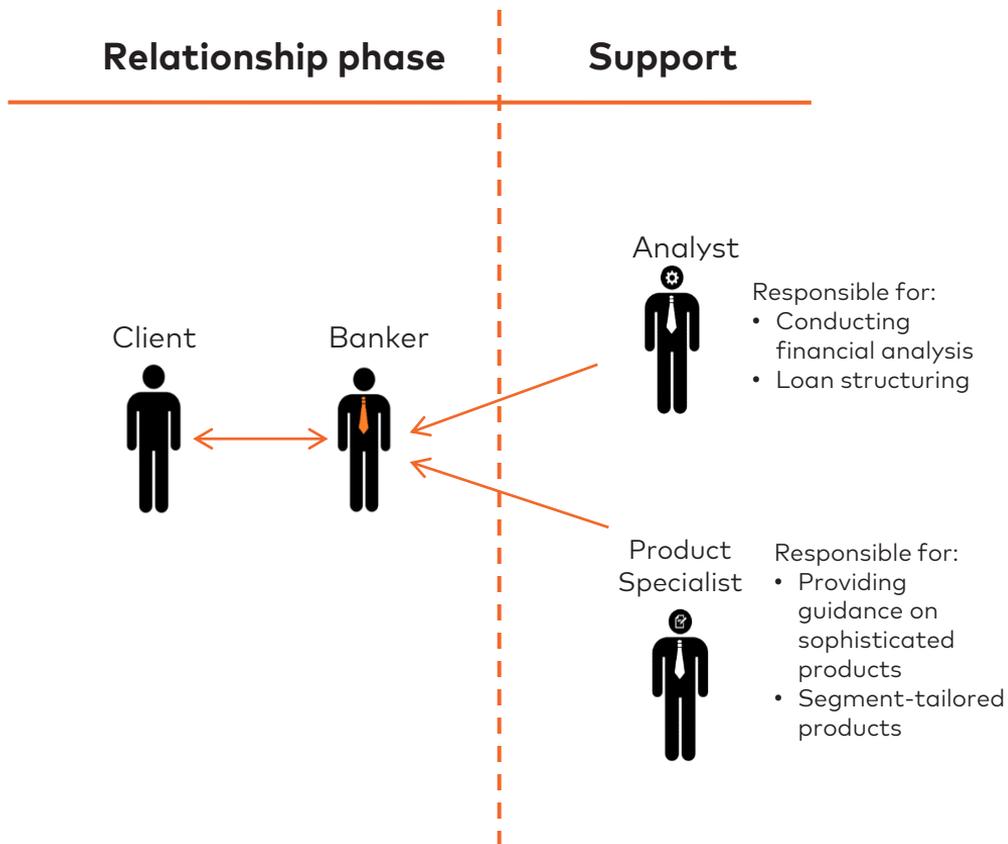
Advisory based approach
SOLO Lifestyle



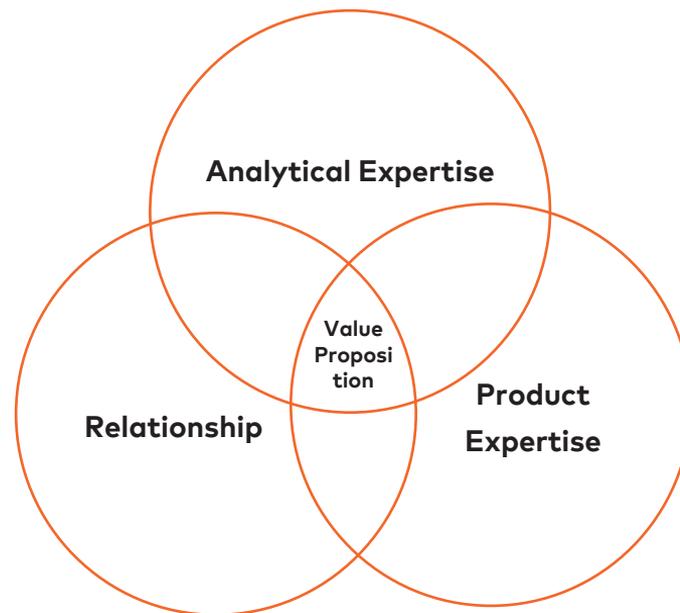
Improve cross-sell



SME RELATIONSHIP MODEL



Providing Value Added Services Through....



CREATING MORE VALUE FOR SME CLIENTS



Pro-Bono & Trainings

- Regular networking events organised for clients
- Acclaimed professionals delivering speeches on various interesting issues (on tax, marketing, IFRS etc.)

Improved Customer Experience

- End-2-end process review
- Simplified products
- Digital innovation

Business Center

- Dedicated branch serving SME clients (including non-banking services)
- Digital Business HUB: Web based self-help knowledge delivered to MSME clients
- Publications based on areas of interest (how to use social and digital channels to increase sales, etc.)

INNOVATIVE SOLUTIONS FOR MSME



Digital Hub for Sharing Business Knowledge

Home > [Self Assessment: Test](#) > [Self Assessment: Test](#)

- BUILD YOUR BUSINESS**
 - STARTUP CHECKLIST
 - Self Assessment: Test
 - Learn Start Up Checklist
 - Define your Strategy: Checklist
 - BUSINESS LEGAL STRUCTURE
 - BUSINESS PLAN TIPS
 - WRITE A BUSINESS PLAN
- FACILITATE FINANCING**
- LEGAL AND REGULATORY**

STARTUP CHECKLIST

Before starting a business, you should ask yourself key questions. Find out which ones they are.

- ✔ **Evaluate the real potential of your idea**

Good businesses usually start because a need of customers or potential customers is not being addressed: goods or services they want are either unavailable, seemingly impractical to supply or too expensive. Go out [take the field](#) and meet potential customers to get their impressions. The greater the need, the bigger the potential. But watch out: can your business idea be easily duplicated?
- ✔ **Why has nobody done it before?**

You need to carefully study why others in the market are not addressing the needs you have identified - good reasons, bad reasons, every reason. You need to [define a strategy](#) that makes your business proposal sustainable and defensible against competition.
- ✔ **The right skills!**

To make your idea work, you need to have a very good understanding of the market and the [critical skills](#) required to address it. Do extensive research to see if others have done the same thing elsewhere in the world, and analyse their success factors.

[Self Assessment: Test](#)

[Learn Start Up Checklist](#)

[Define your Strategy: Checklist](#)

Instant Lending for Micro Organizations



BUSINESS AT A GLANCE



BANK OF GEORGIA
BUSINESS

As at 30 September 2017

Clients	157.7 k
Gross Loan Book	GEL 1,586 mln
Deposit Portfolio	GEL 381 mln
NIM	5.7 %
9M Profit	GEL 36.3 mln
Profit per Client (Annualised)	GEL 343
P/C Ratio	1.4
Branches	N/A
NPS*	Micro 76% SME 67%

* BOG Research

OUTSTANDING PERFORMANCE IN RETAIL BANKING IN 9M17



- RB profit is up **22%** y-o-y
- RB **loan book** is up **38%** y-o-y
- RB **deposit portfolio** is up **38%** y-o-y
- RB **ROAE** - **29.1%**



BANK OF GEORGIA

QUESTIONS?

BGEO Investor Day
9 November 2017
Tbilisi, Georgia

DISCLAIMER – FORWARD LOOKING STATEMENTS



This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although BGE Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; corporate loan portfolio exposure risk; regional tensions; regulatory risk; cyber security, information systems and financial crime risk; investment business strategy risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this presentation and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in BGE Group PLC's Annual Report and Accounts 2016 and in its Half Year 2017 Results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in BGE Group PLC or any other entity, including any future entity such as BGE Investments PLC or Bank of Georgia PLC, and must not be relied upon in any way in connection with any investment decision. BGE Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this presentation should be construed as a profit forecast.