



BANK OF GEORGIA

# INVESTOR DAY 2019

**Financial performance overview**

Speaker:

Sulkhan Gvalia, CFO

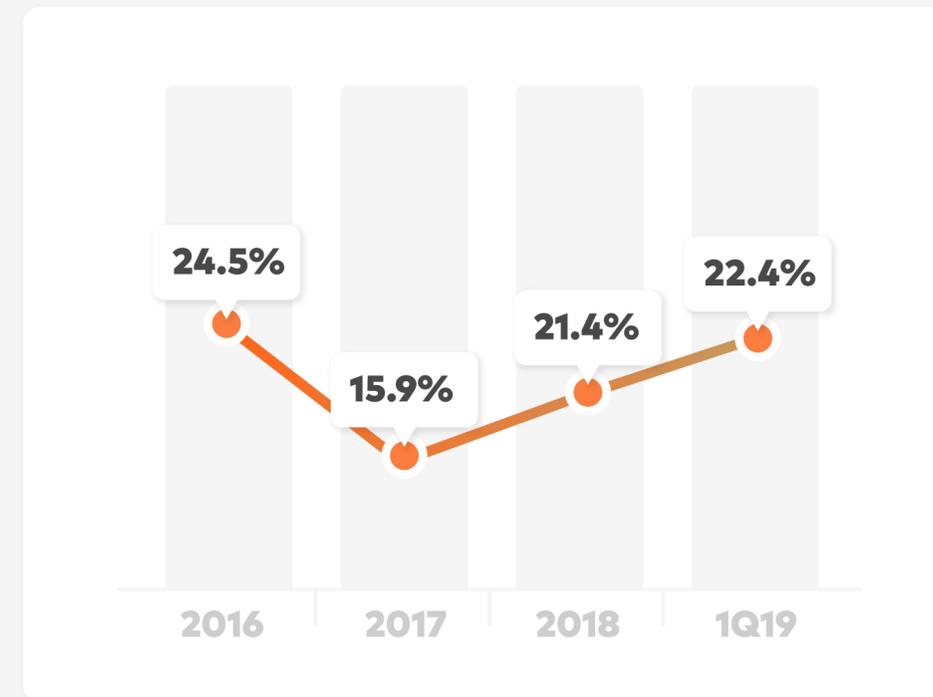
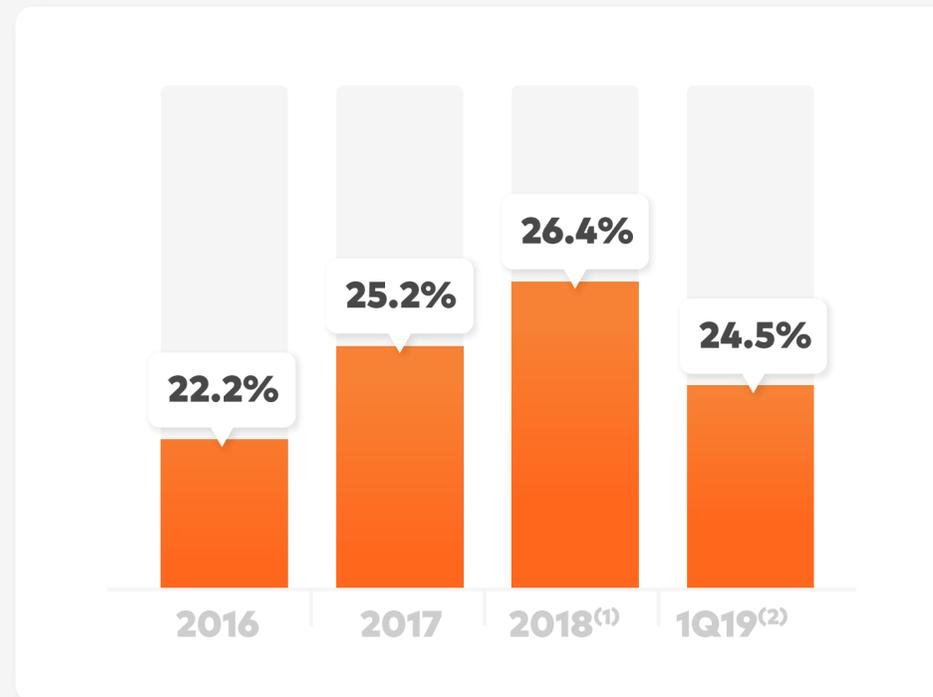


# SUCCESSFUL TRACK RECORD OF DELIVERING STRONG RESULTS

— Banking Business key targets

ROAE  
**20%+**

Loan book growth  
**15-20%**



<sup>(1)</sup> 2018 ROAE adjusted for GEL 30.3mln demerger related costs, GEL 8.0mln demerger related corporate income tax gain, GEL 30.3mln one-off impact of re-measurement of deferred tax balances and GEL 3.9mln (net of income tax) termination costs of the former CEO

<sup>(2)</sup> 1Q19 ROAE adjusted for GEL 10.2mln (net of income tax) termination costs of the former CEO and executive management

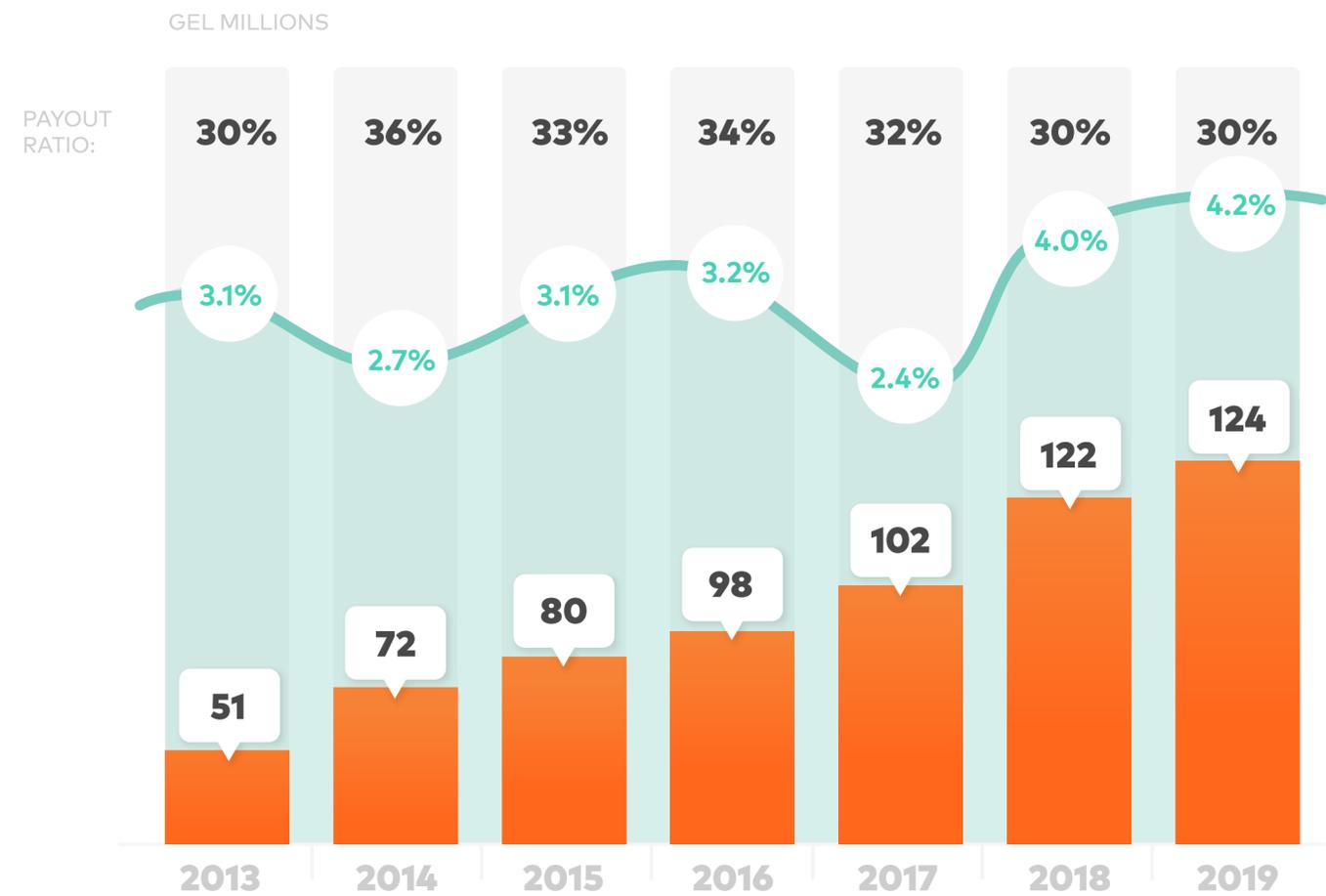
# SUCCESSFUL TRACK RECORD OF DELIVERING STRONG RESULTS

Banking Business key targets

## ROBUST CAPITAL MANAGEMENT TRACK RECORD

- Capital position: We aim to maintain **+200bps buffer** for CET1 and Tier 1 capital ratios over minimum regulatory requirement
- Maintain regular dividend payouts: Aiming 25-40% dividend payout ratio
- GEL 500mln+ cash dividend paid since 2013, with **payout ratio above 30%** over the past 6 years

## REGULAR DIVIDENDS



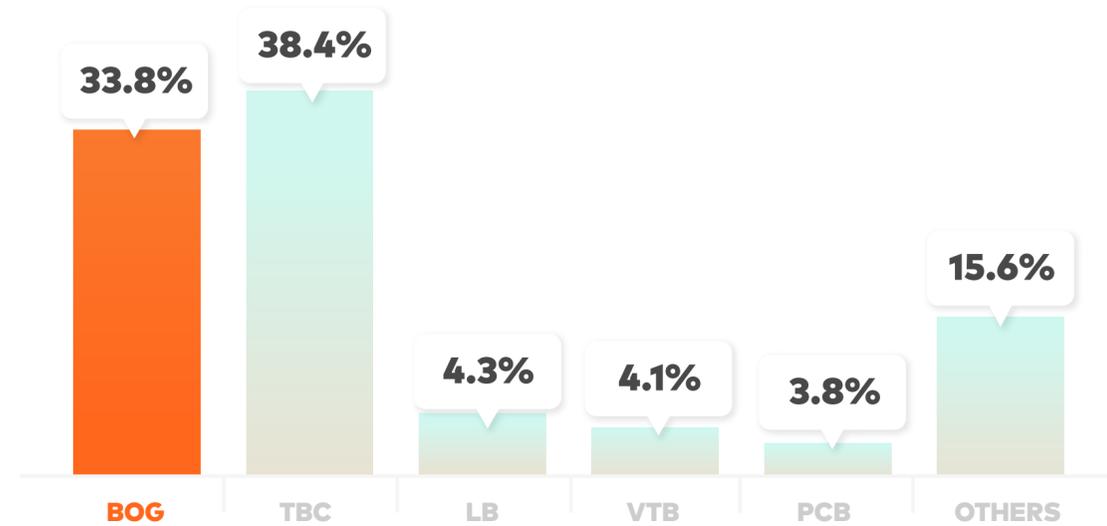
Total dividend paid

Dividend yield<sup>(1)</sup>

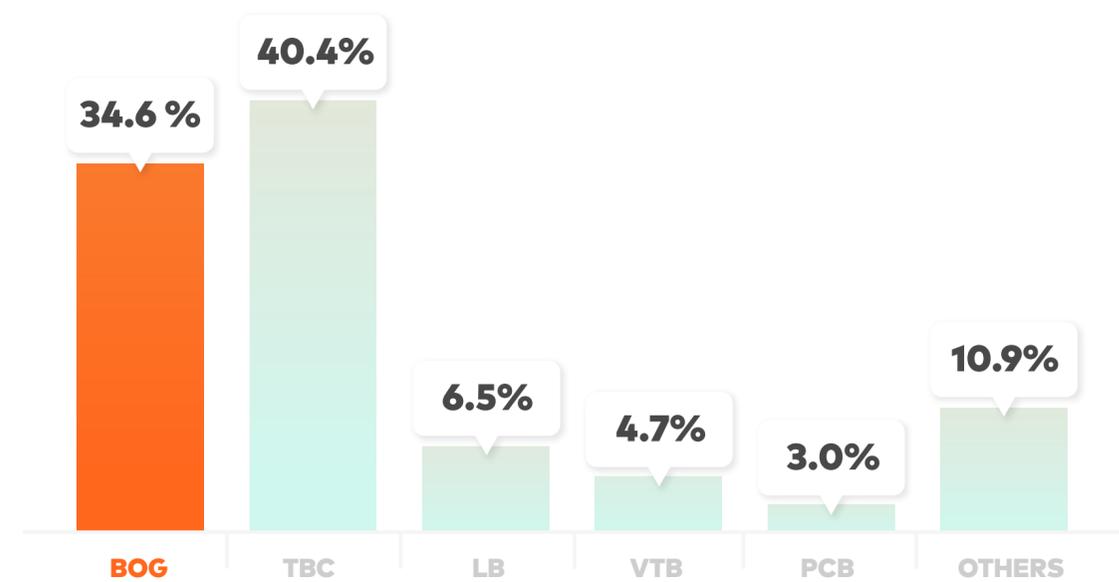
<sup>(1)</sup> Dividend yield is calculated based on the closing price of shares immediately prior to ex-dividend date

# STRONG COMPETITIVE POSITION

## MARKET SHARE<sup>(1)</sup> – GROSS LOANS



## MARKET SHARE<sup>(1)</sup> – CLIENT DEPOSITS

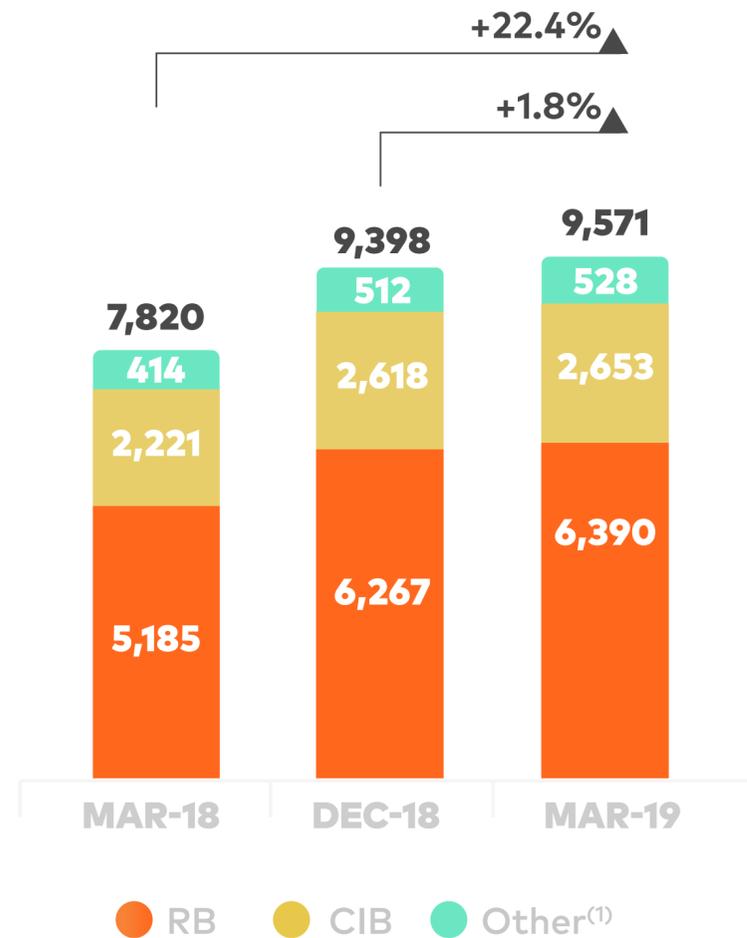


<sup>(1)</sup> Market data based on standalone accounts as published by the National Bank of Georgia (NBG) as of 31 March 2019

# STRONG LOAN BOOK GROWTH AND DEPOSIT GENERATION

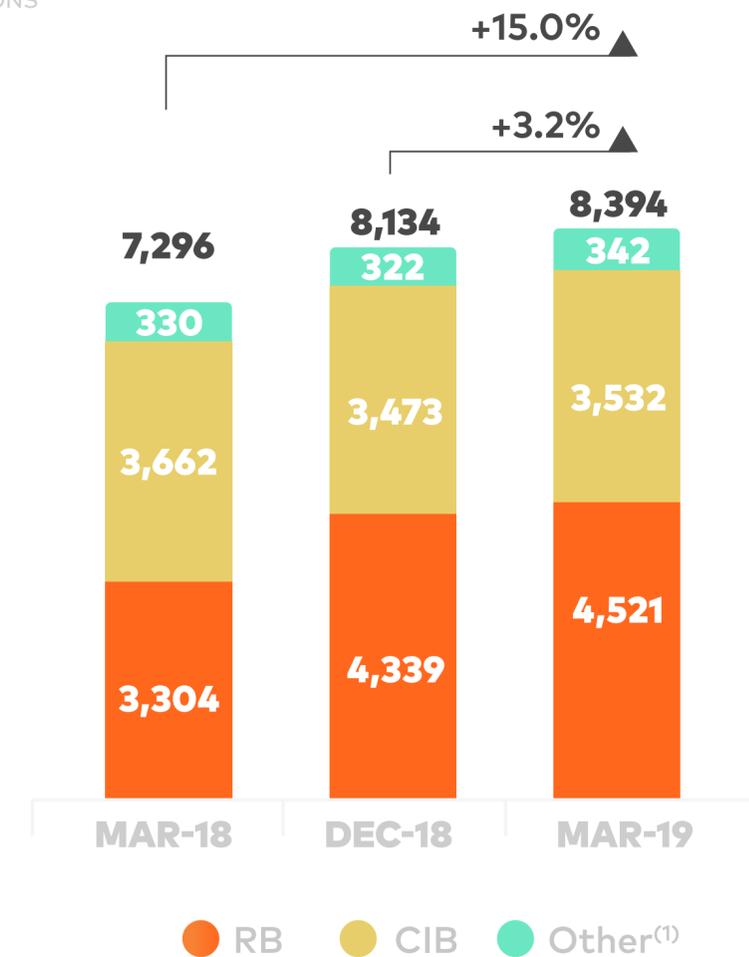
## LOAN BOOK GROWTH

GEL MILLIONS



## DEPOSIT GENERATION

GEL MILLIONS

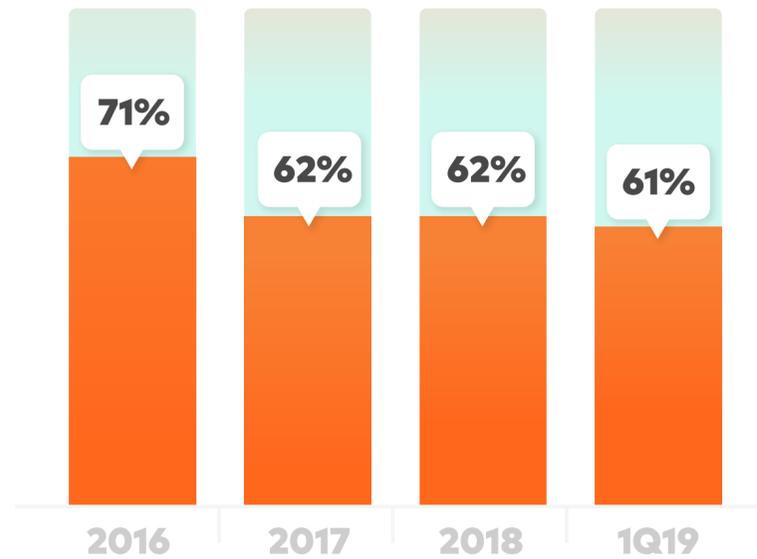


**SOLID Q-O-Q LOAN PORTFOLIO GROWTH, DESPITE TRADITIONALLY QUIET FIRST QUARTER OF THE YEAR AND SIGNIFICANT REGULATORY CHANGES IN RETAIL LENDING**

<sup>(1)</sup> Other mainly includes BNB and intersegment eliminations

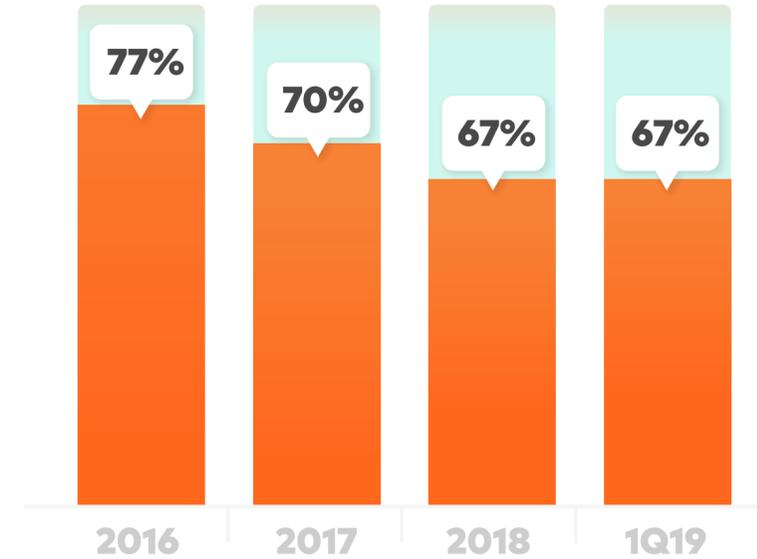
# DE-DOLLARISATION CONTINUES

## LOAN PORTFOLIO DOLLARISATION LEVEL



● Net loans to customers, FC ● Net loans to customers, GEL

## CLIENT DEPOSITS DOLLARISATION LEVEL



● Client deposits and notes, FC ● Client deposits and notes, GEL

## PENSION FUND – NEW SOURCE OF LONG-TERM LOCAL CURRENCY FUNDING

# SUSTAINING OUTSTANDING PROFITABILITY

## 20%+ ROAE DRIVEN BY:

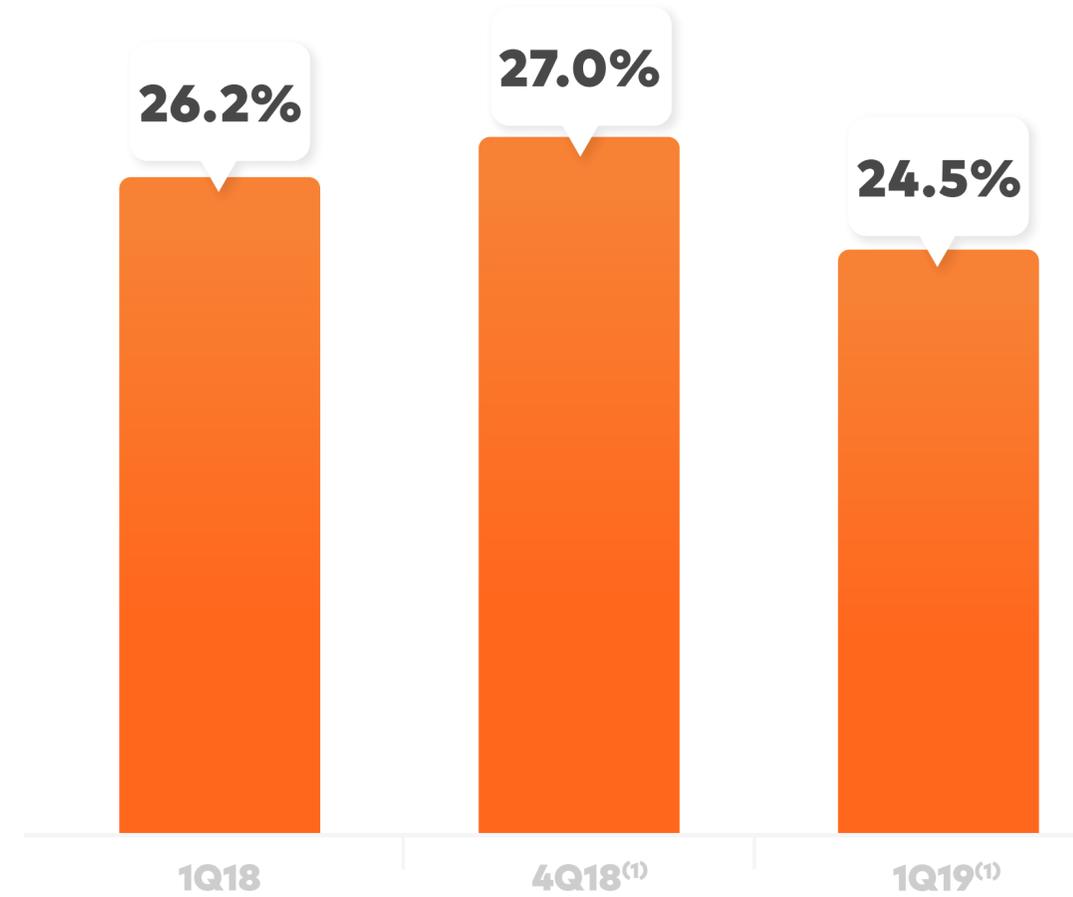
SOLID NET INTEREST MARGIN

INCREASING NON-INTEREST INCOME

FOCUS ON EFFICIENCY AND STRINGENT COST CONTROL

SOUND RISK MANAGEMENT PRACTICES

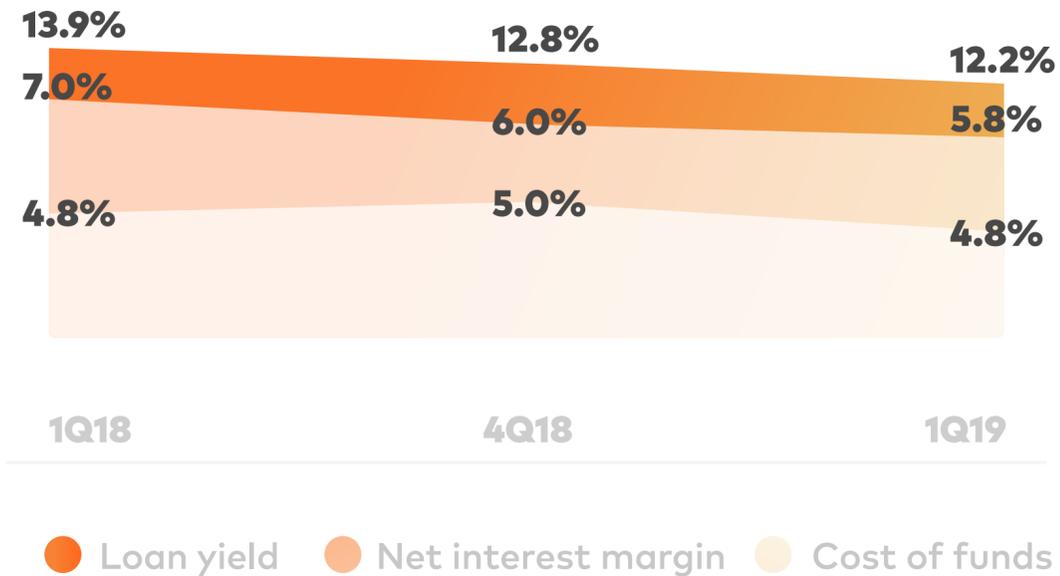
## ROAE



<sup>(1)</sup>4Q18 results adjusted for GEL 3.9mIn (net of income tax) termination costs of the former CEO  
<sup>(1)</sup>1Q19 results adjusted for GEL 10.2mIn (net of income tax) termination costs of the former CEO and executive management

# SOLID NET INTEREST MARGIN

## NIM PERFORMANCE



## NIM DECLINE ON THE BACK OF PRODUCT MIX CHANGE DRIVEN BY REGULATORY CHANGES:

- Individual product loan yields remain broadly stable
- Increasing focus on lending in the mortgage segment and to finer margin corporate and SME clients

## NIM OUTLOOK (2Q19 - 4Q19)

↓ 30-40 BPS

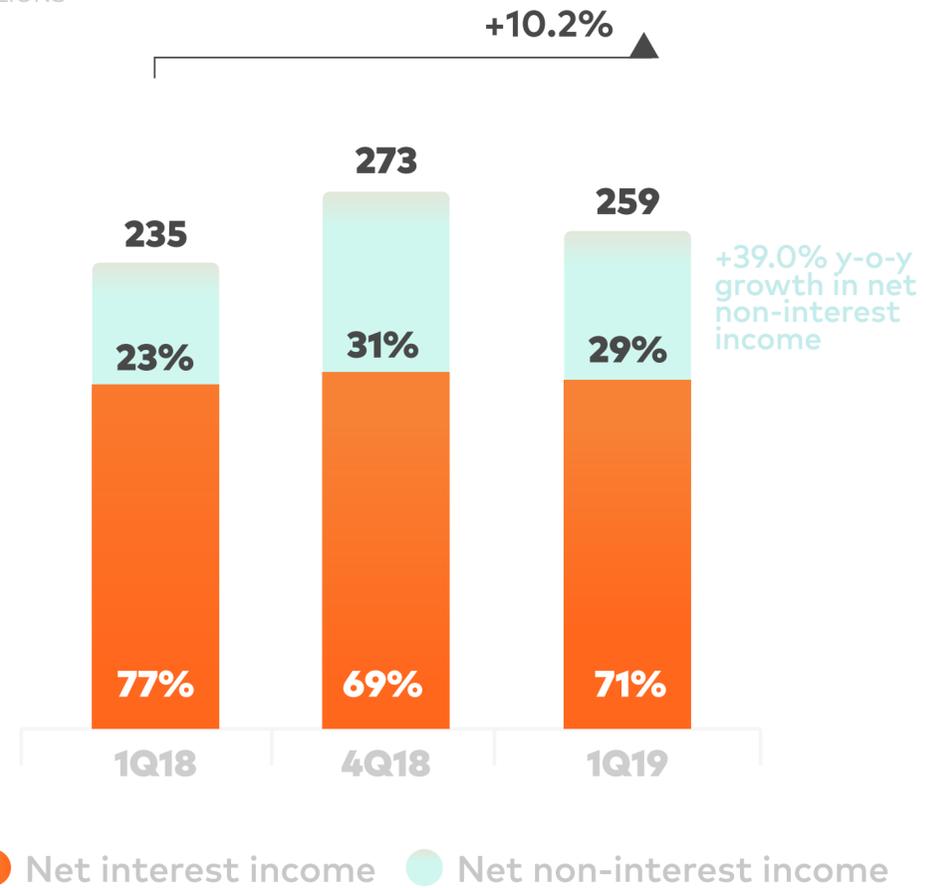
- Product mix change further impact **5-10 BPS**
- Increased mandatory reserve requirements **15-20 BPS**
- AT1 Notes issued in Mar'19 – negative carry **10 BPS**

## BROAD MARGIN STABILITY THEREAFTER

# INCREASING NON-INTEREST INCOME

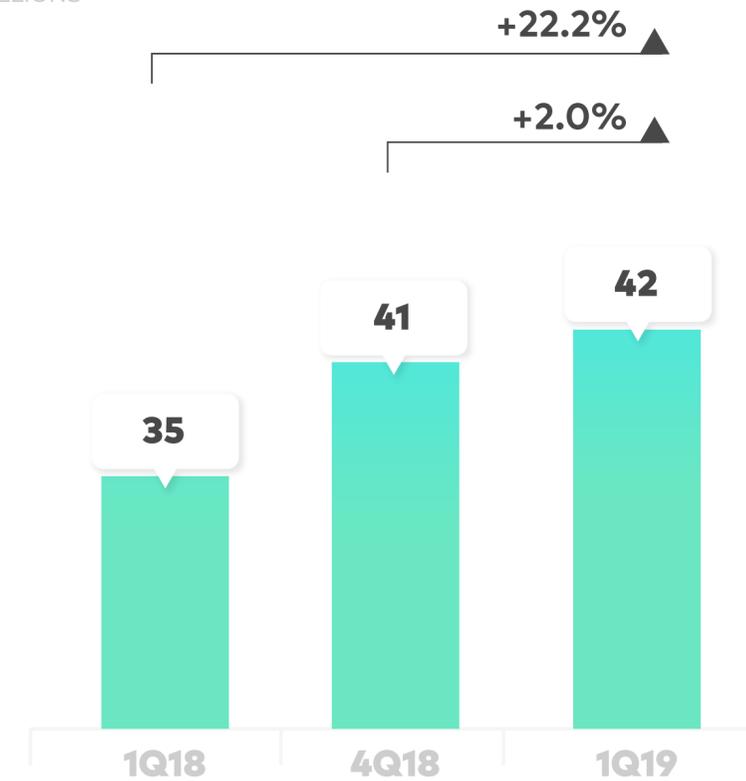
## STRONG Y-O-Y OPERATING INCOME GROWTH

GEL MILLIONS



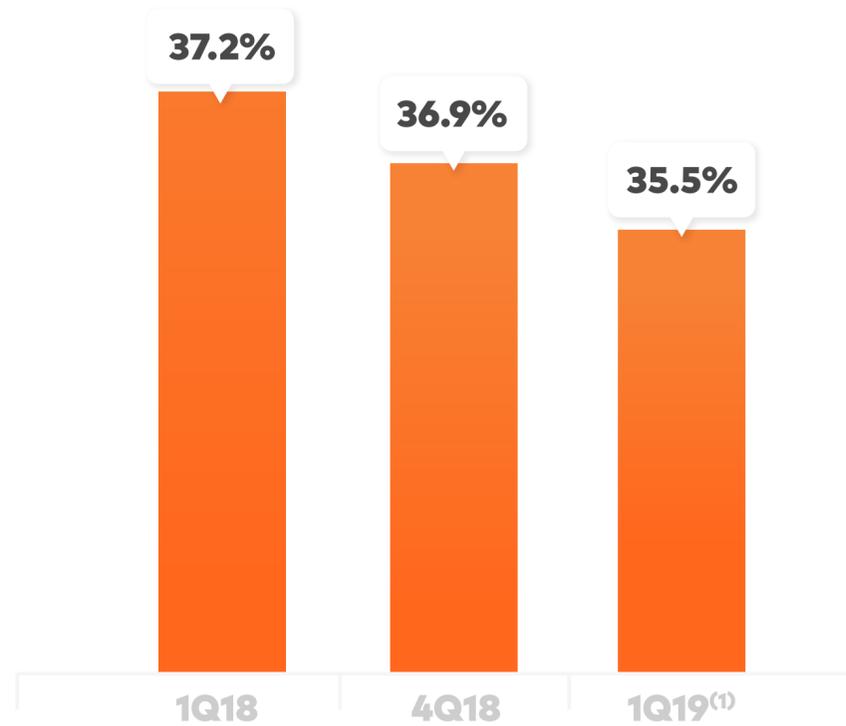
## OUTSTANDING NET FEE AND COMMISSION INCOME GROWTH

GEL MILLIONS



Q-O-Q GROWTH IN NET FEE AND COMMISSION INCOME DESPITE THE SEASONALLY QUIET FIRST QUARTER OF THE YEAR

## COST TO INCOME RATIO

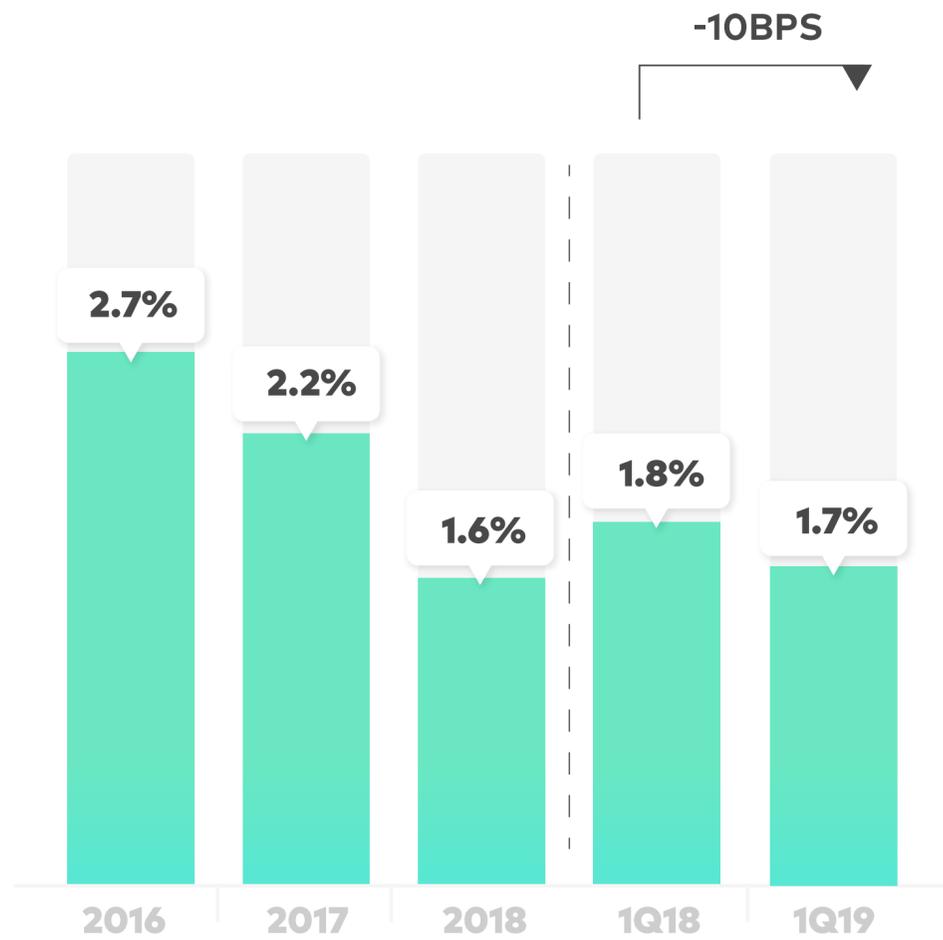


Medium- to long-term guidance

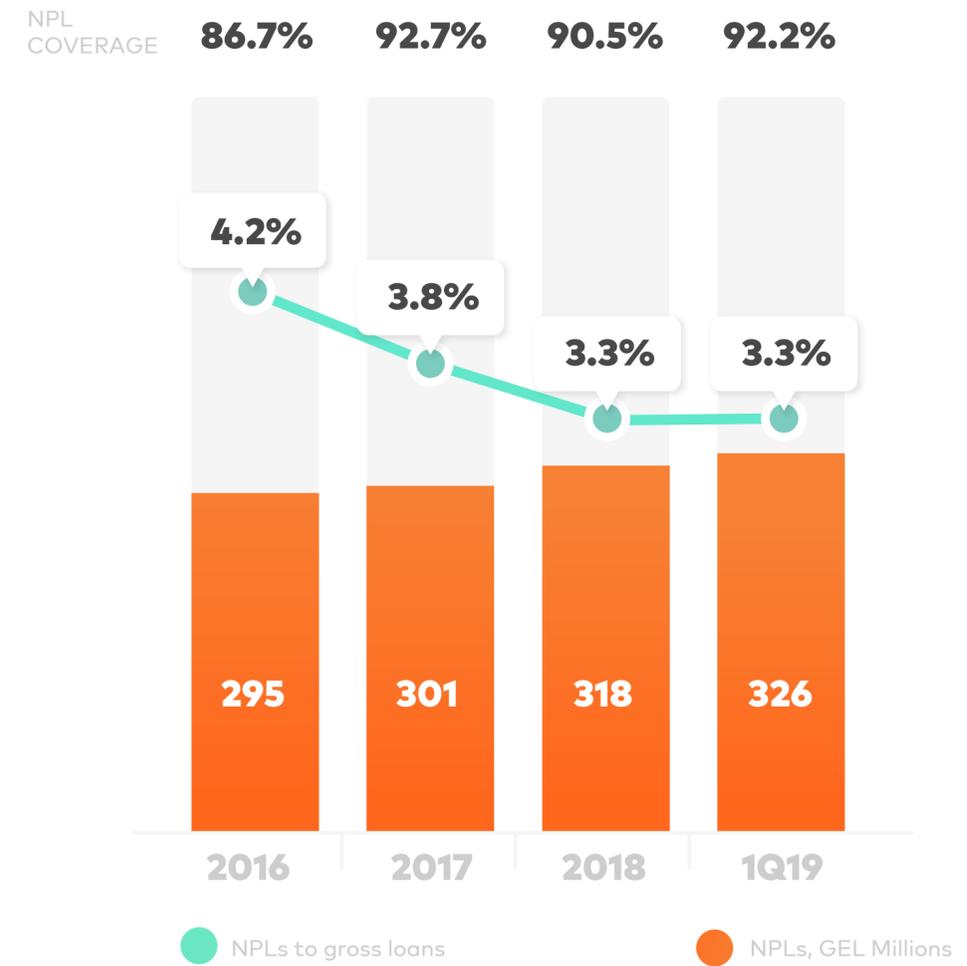


<sup>(1)</sup> Adjusted for termination costs of the former CEO and executive management

## COST OF CREDIT RISK RATIO



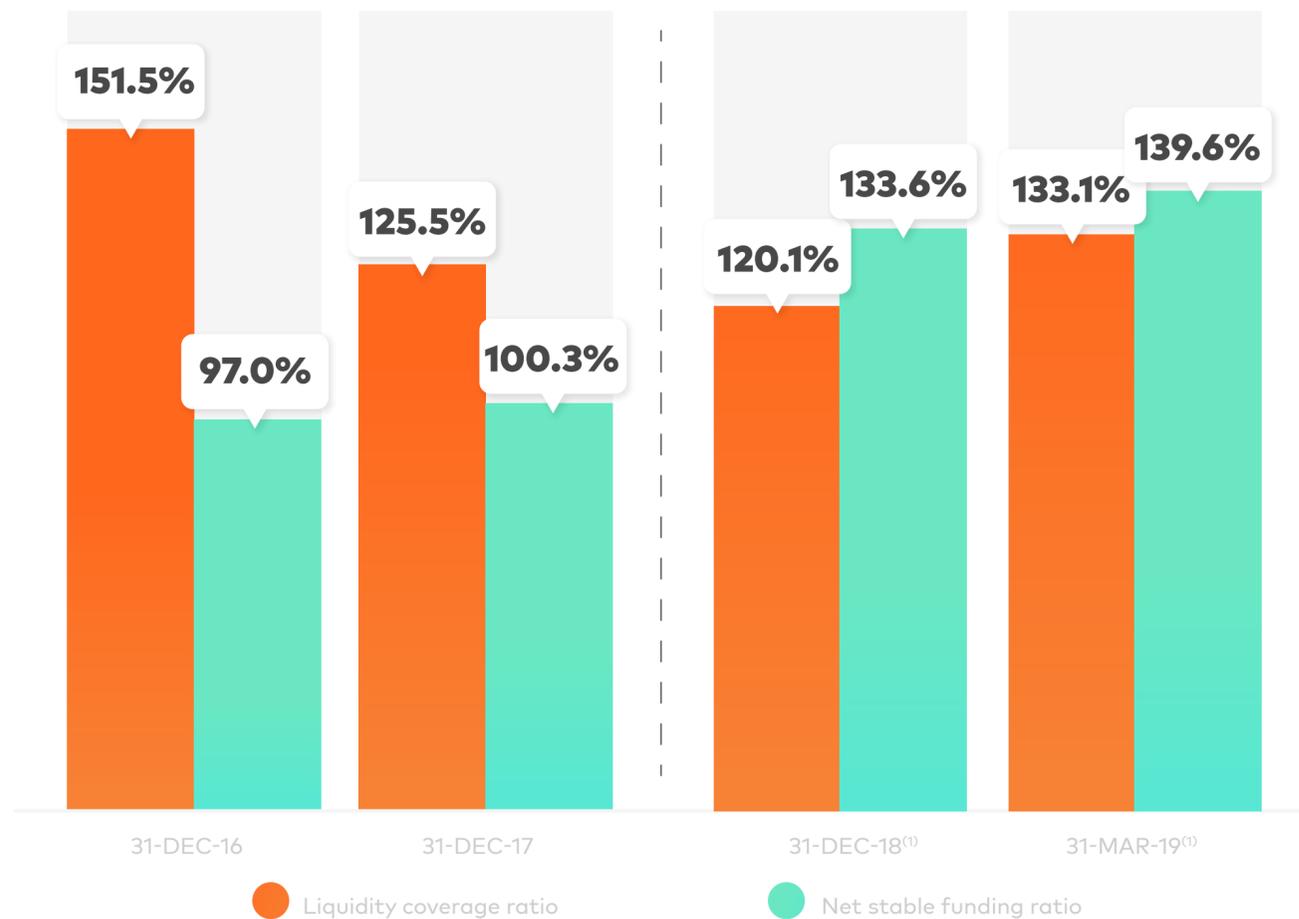
## LOAN PORTFOLIO QUALITY



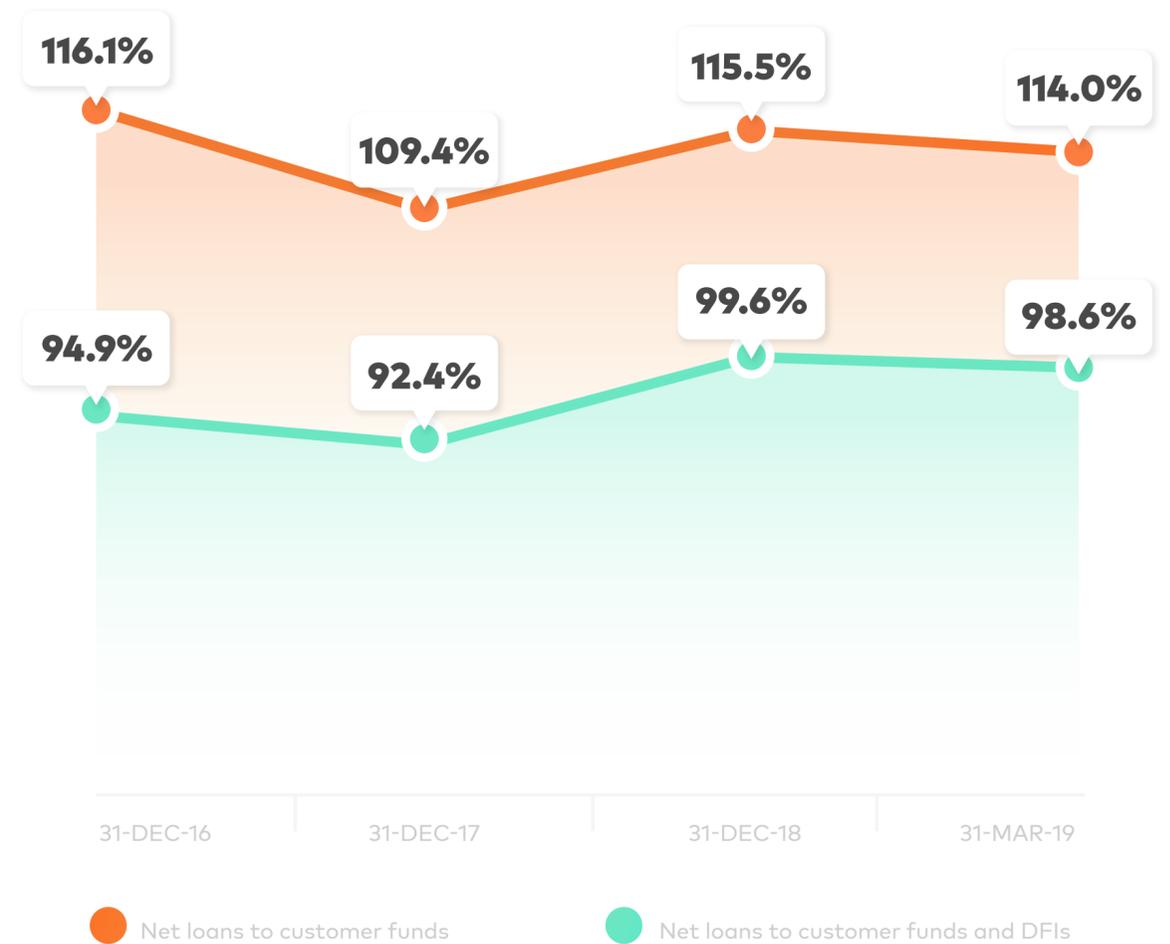
# STRONG LIQUIDITY POSITION

## LIQUIDITY COVERAGE AND NET STABLE FUNDING RATIOS

JSC BANK OF GEORGIA STANDALONE (BASEL III LIQUIDITY)



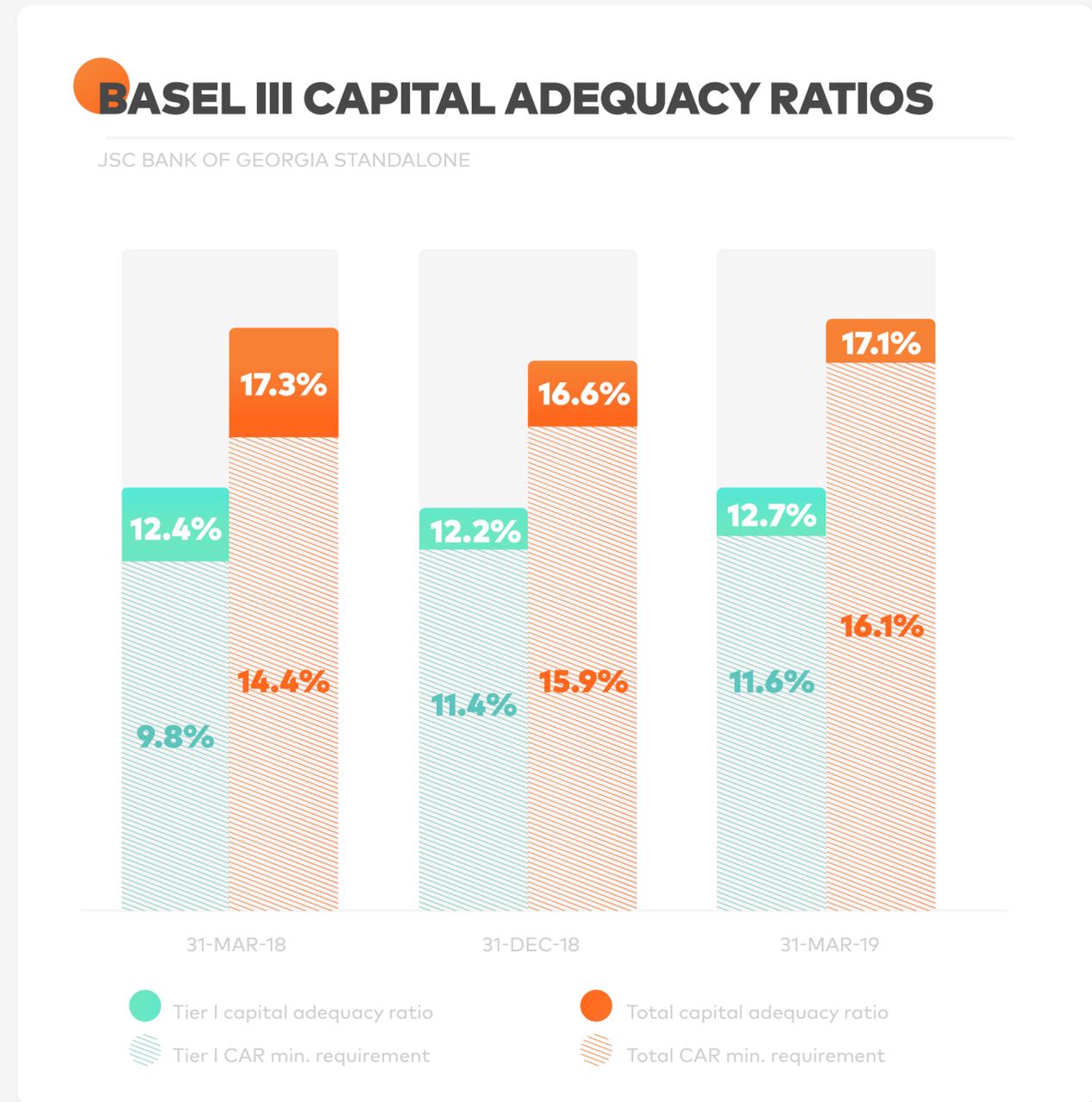
## NET LOANS TO CUSTOMER FUNDS AND DFIs



<sup>(1)</sup> The ratios at 31 December 2018 and 31 March 2019 are calculated according to the guidelines set by National Bank of Georgia

# EXCELLENT CAPITAL ADEQUACY POSITION

- US\$100 million inaugural AT1 capital perpetual subordinated notes issued in March 2019 (regulatory approval on the classification as AT1 instruments received in April 2019)
- This issuance added approximately **230bps** to the Bank's Tier 1 capital ratio
- **CET1 and Tier 1 capital adequacy ratios are already above the estimated fully-loaded requirements for 2021**



# EXCELLENT CAPITAL ADEQUACY POSITION

## INCREASING MINIMUM CAPITAL REQUIREMENTS

JSC BANK OF GEORGIA STANDALONE

	31-Dec-17	Fully loaded range <sup>(1)</sup> from 31-Dec-21
<b>CET 1 CAPITAL</b>	<b>8.1%</b>	<b>11.1% - 11.8%</b>
<b>TIER 1 CAPITAL</b>	<b>9.9%</b>	<b>13.2% - 14.1%</b>
<b>TOTAL CAPITAL</b>	<b>12.4%</b>	<b>16.0% - 17.1%</b>

<sup>(1)</sup> Indicated minimum capital adequacy ratios contain Pillar 1 and Pillar 2 buffer estimates. Range provides our best minimum and maximum estimates of the variable buffers

## EXCELLENT CAPITAL ADEQUACY POSITION

14

— Capital Buffer

Going forward, we aim to maintain

**c.200bps**

**for CET 1 and Tier 1**

capital ratios over the minimum  
regulatory requirements

## MEDIUM- TO LONG-TERM STRATEGY

15

— Key targets

**c.15%**

Loan book growth

**20%+**

ROAE

**25-40%**

Dividend payout



**QUESTIONS?**

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