



BANK OF GEORGIA

# INVESTOR DAY 2019

**Strategy and performance**

Speaker:

Archil Gachechiladze, CEO





# **MACROECONOMIC AND BANKING INDUSTRY HIGHLIGHTS**

**BANK OF GEORGIA GROUP AND STRATEGIC MILESTONES**

# GEORGIA — AN ATTRACTIVE PLACE TO DO BUSINESS

## DOING BUSINESS

#6

UP FROM #112  
IN 2005



## ECONOMIC FREEDOM

#16

UP FROM #99  
IN 2005



## CORRUPTION PERCEPTION

#41

UP FROM #130  
IN 2005



## TAX POLICY AND FTAS

0%

corporate income  
tax on retained  
earnings

ACCESS TO  
**2.8BLN**

customers without  
customs duties

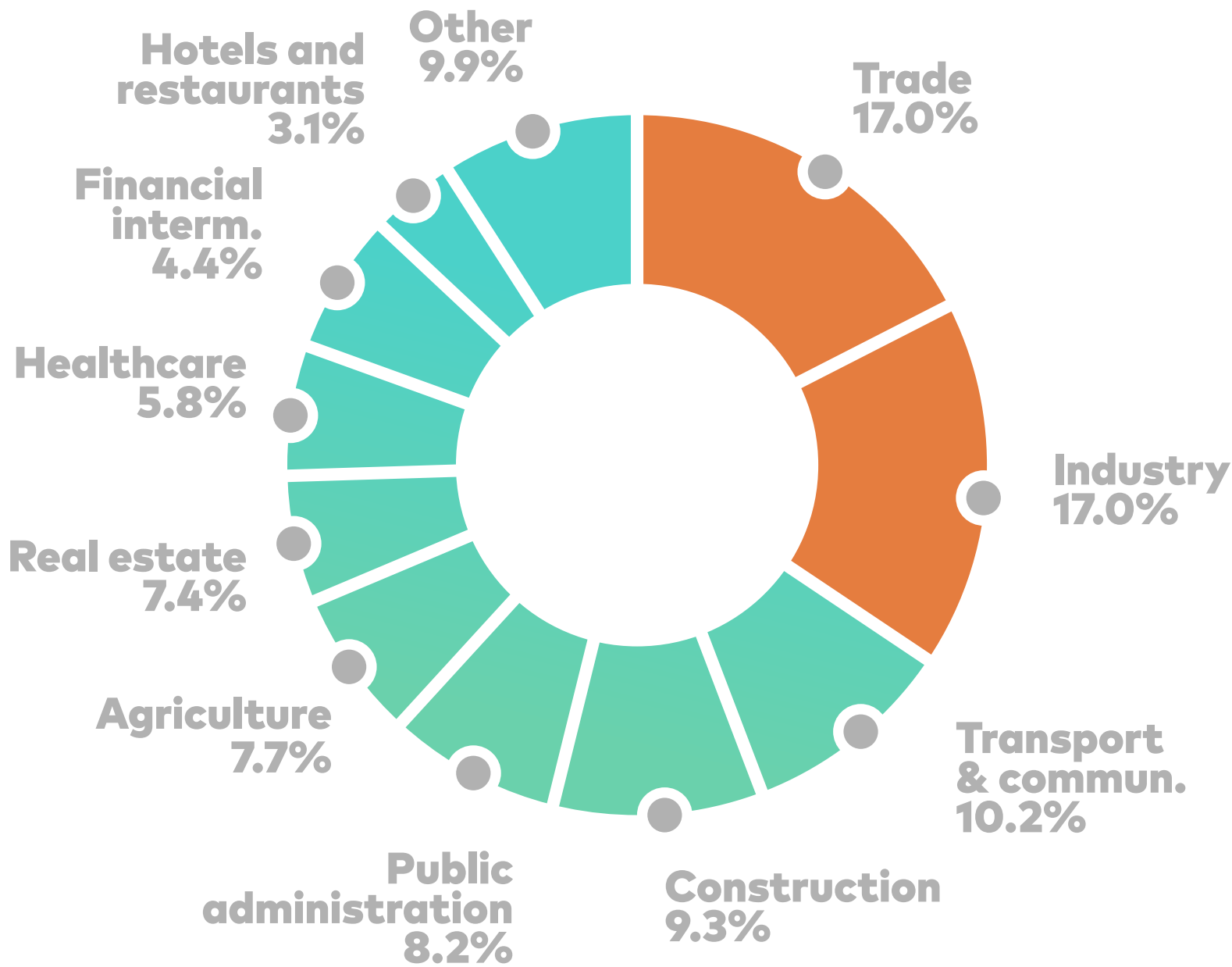
## CREDIT RATINGS

**FitchRatings**  
BB STABLE

**Moody's**  
INVESTORS SERVICE  
BA2 STABLE

**S&P Global**  
Ratings  
BB- POSITIVE

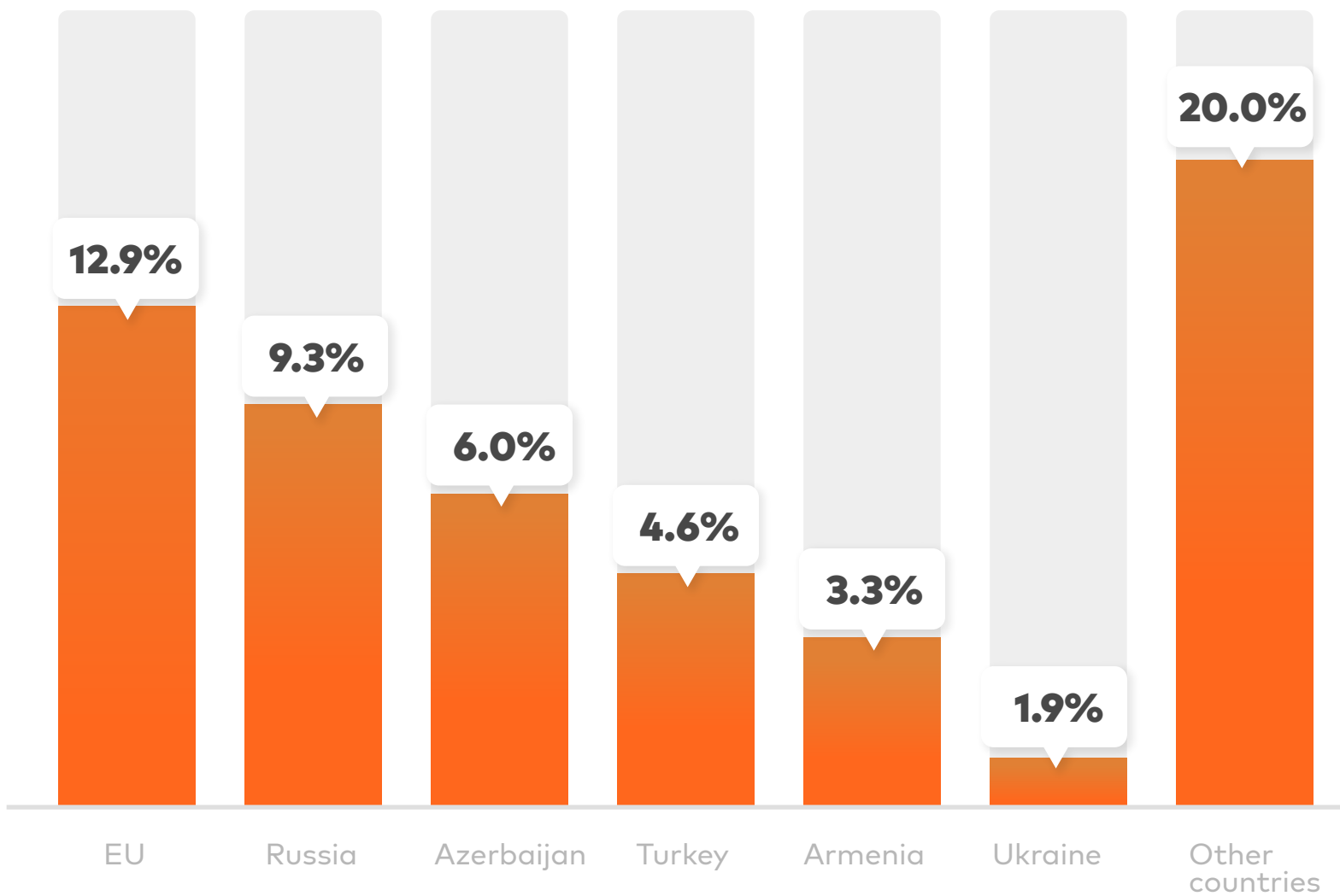
DIVERSIFIED GDP STRUCTURE, 2018



Two largest sectors (trade and industry) accounting for just 34% of GDP

DIVERSIFIED ECONOMIC LINKAGES, 2018

Exports, FDI, remittances and Tourism by country as % of GDP

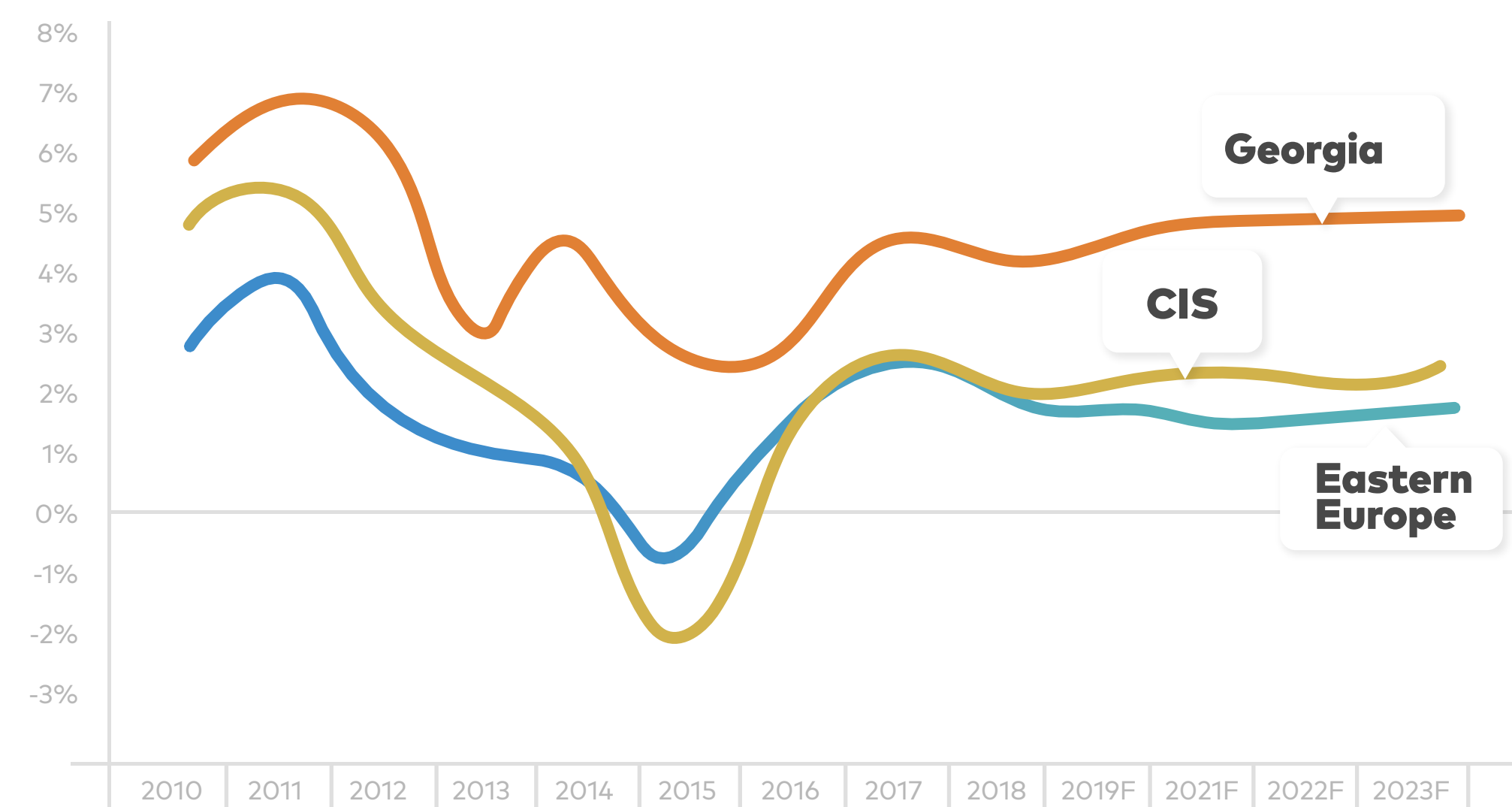


- EU accounts for a quarter of overall external earnings
- Deepening trade relations to new large markets (EU and China) are expected to broaden export base



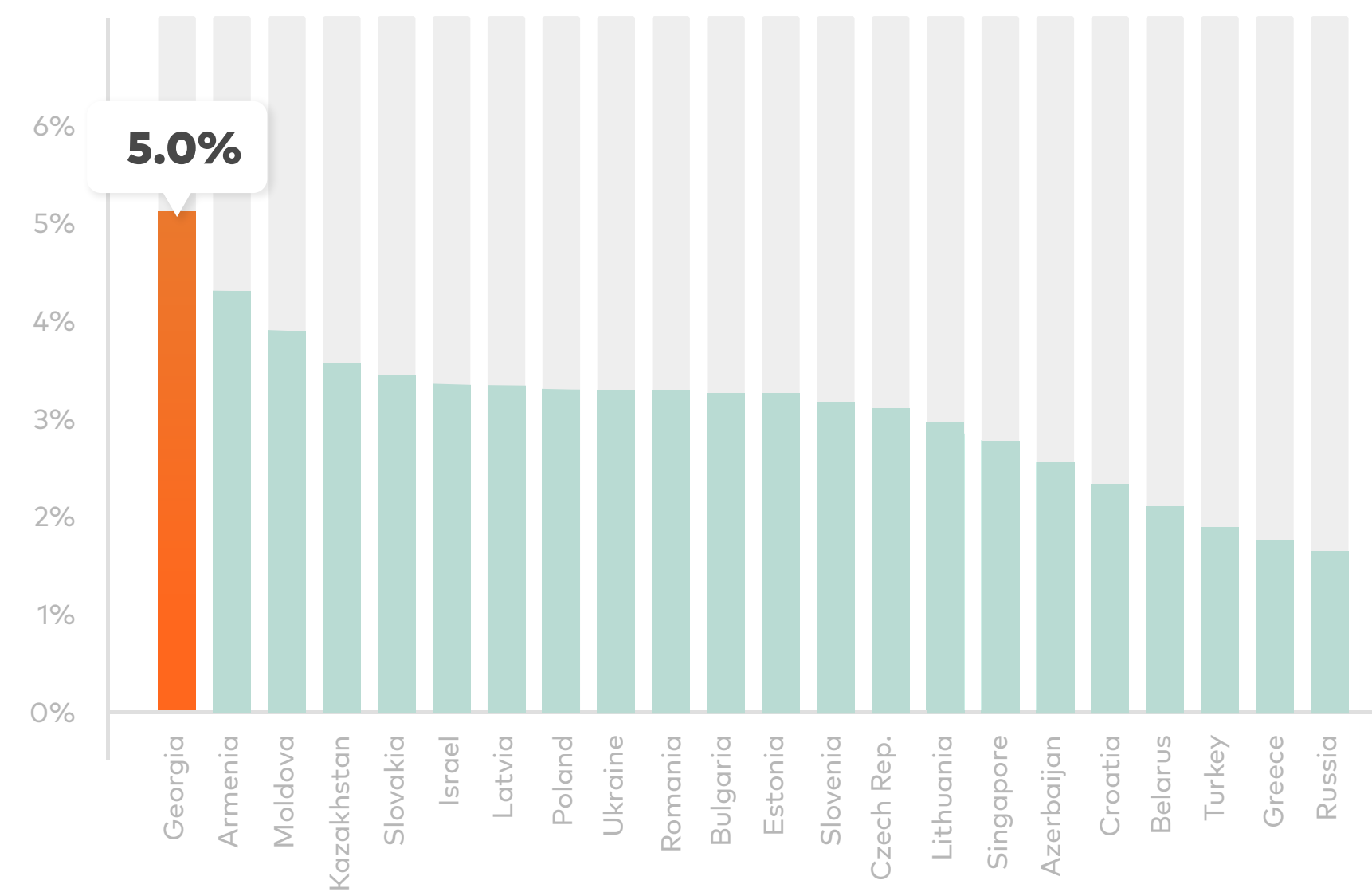
# GEORGIA – FASTEST GROWING ECONOMY IN THE REGION

## GDP GROWTH DYNAMICS, GEORGIA VS. REGION



Source: IMF

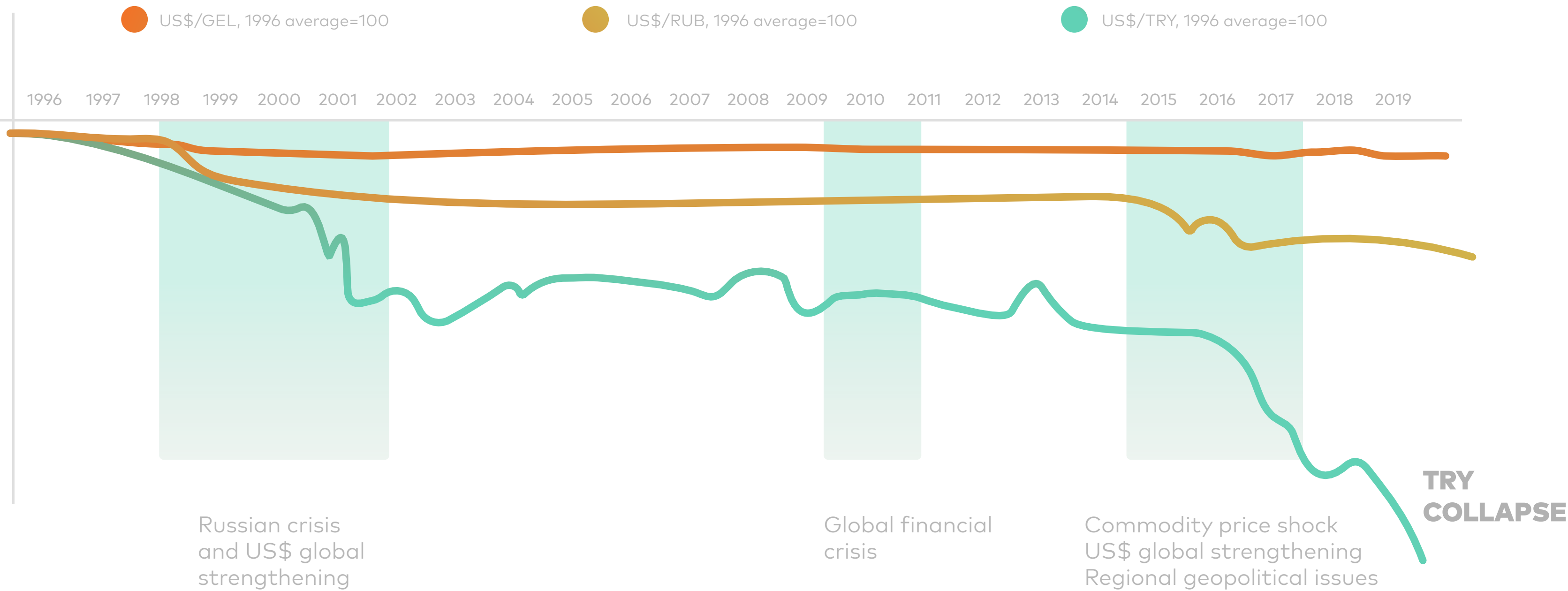
## IMF'S GDP GROWTH PROJECTIONS, 2019-2023 AVERAGE



Source: IMF

# GEL IS MORE STABLE THAN TRY AND RUB, WHILE IT ADJUSTS TO MARKET CONDITIONS

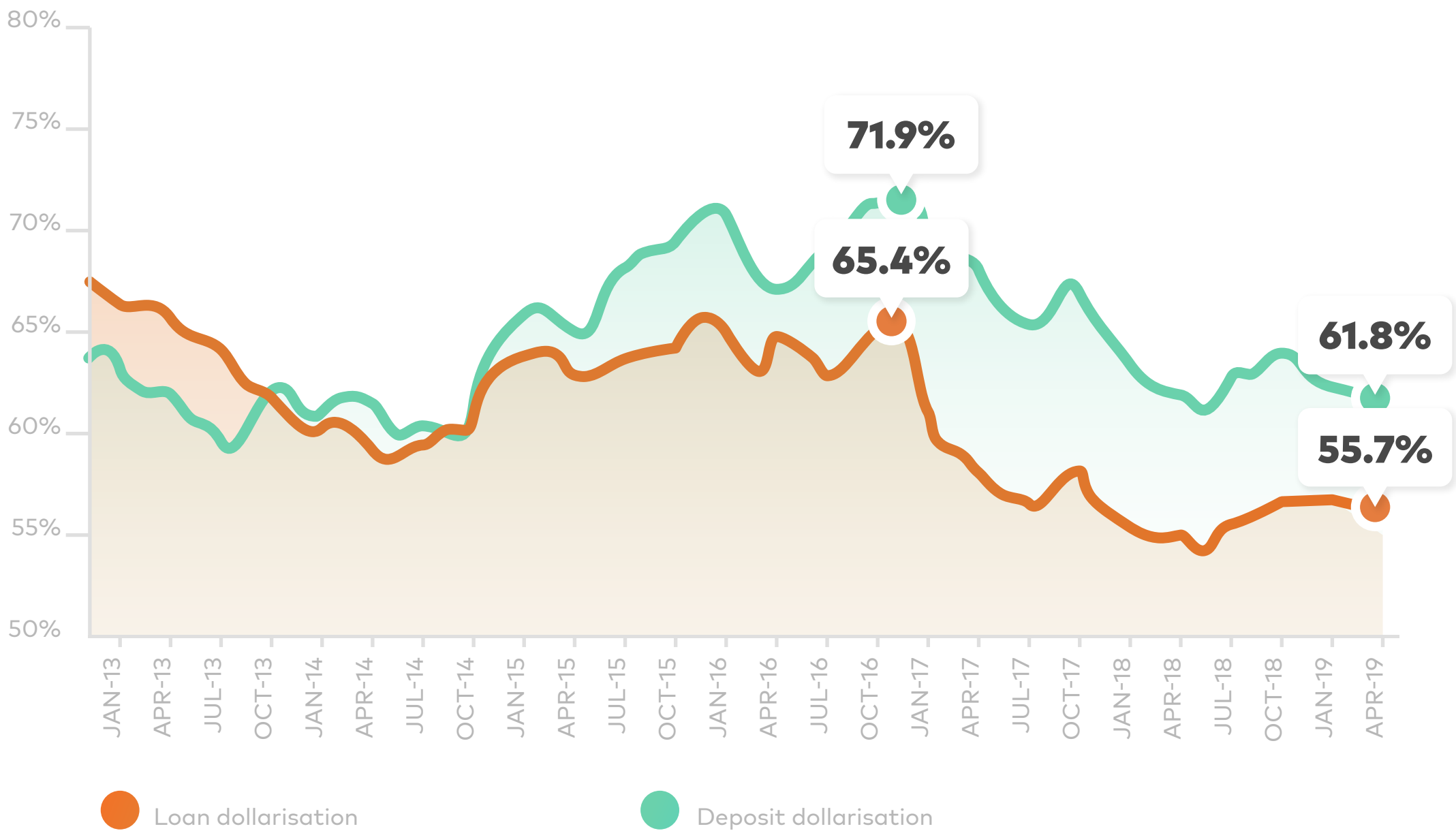
## FX DEVELOPMENT – GEL, TRY AND RUB



Source: NBG

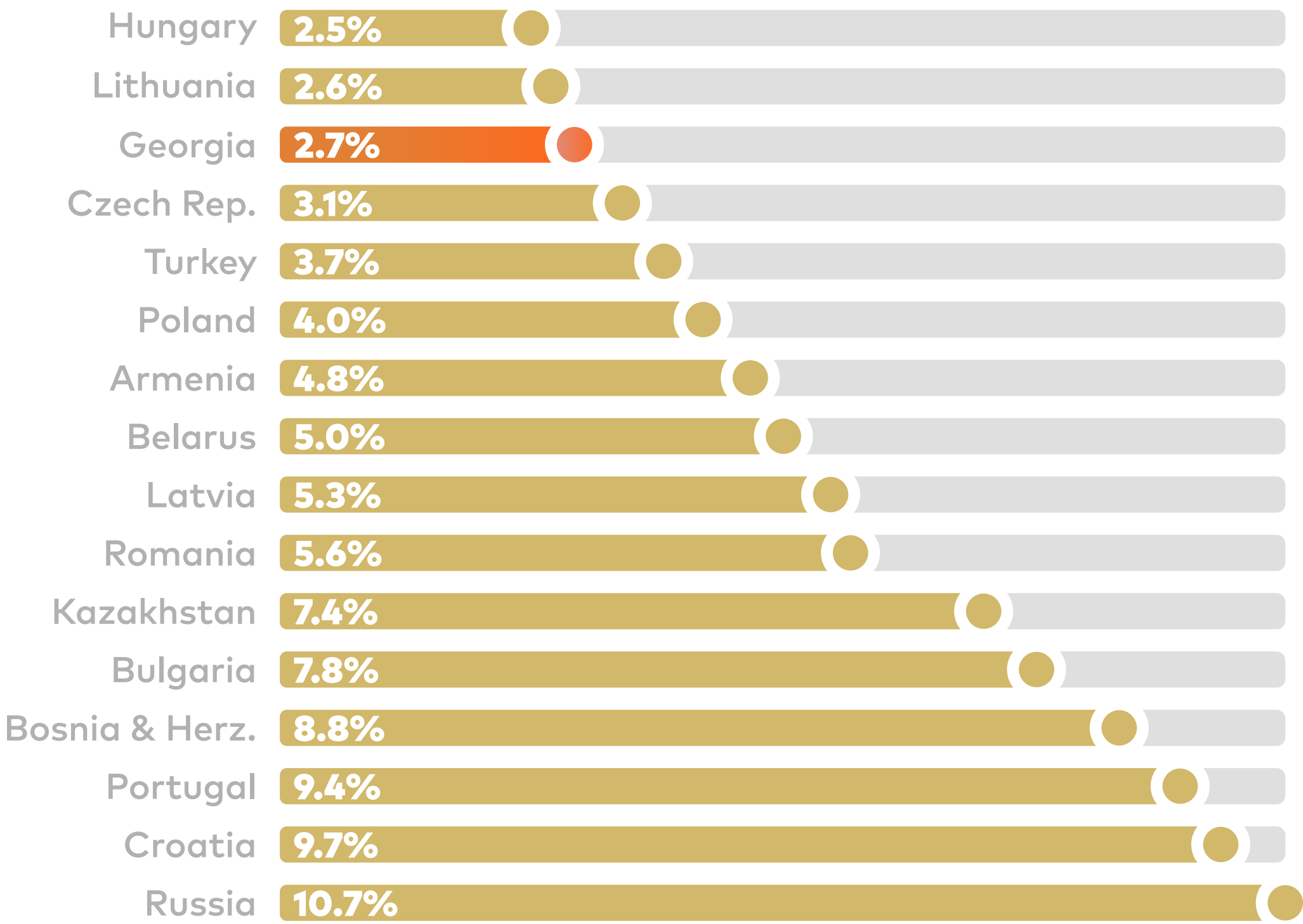


GRADUAL DE-DOLLARISATION



Source: NBS

ONE OF THE LOWEST LEVELS OF NPLS WORLDWIDE, 2018



Source: IMF

## CAPITAL AND LIQUIDITY

- Fully Basel III compliant
- Systemic bank buffers in place
- LCR in place, NSFR to be introduced in 3Q19
- More capital than you see  
(IFRS vs. NBG, 100% risk weighting for NBG reserves)

## CHANGE IN LENDING STANDARDS (RESPONSIBLE LENDING)

- Payment to income (PTI) and LTV limits introduced from 1 January 2019
- Requirement of formal proof of income
- 50% cap on interest rates
- Limited payday loans

## DE-DOLLARISATION MEASURES

- Ban on foreign currency lending below GEL 200,000, effective from 1Q19
- 30% mandatory reserve requirements on foreign currency deposits and short-term borrowings effective May 2019

## DEBT RELIEF INITIATIVE

- Debt relief to the most stressed borrowers
- Around 600,000 borrowers affected



MACROECONOMIC AND BANKING INDUSTRY HIGHLIGHTS

 **BANK OF GEORGIA GROUP AND STRATEGIC MILESTONES**

## BANK OF GEORGIA AT A GLANCE

- 20%+ ROAE over the last three years
- 33% to 35% market share in loans and deposits
- 93% share of transactions via digital channels
- Strong retail banking franchise
- High standards of transparency and governance



**BANK OF GEORGIA**  
GROUP PLC

**RETAIL  
BANKING**

**CORPORATE AND  
INVESTMENT  
BANKING**

**WEALTH  
MANAGEMENT**

**BNB  
(BANK IN BELARUS)**

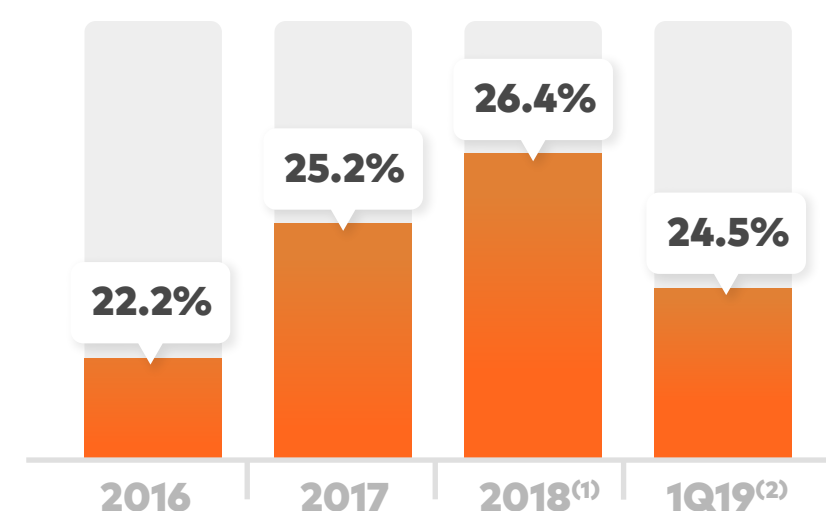


# SUCCESSFUL TRACK RECORD OF DELIVERING PROMISED STRONG RESULTS

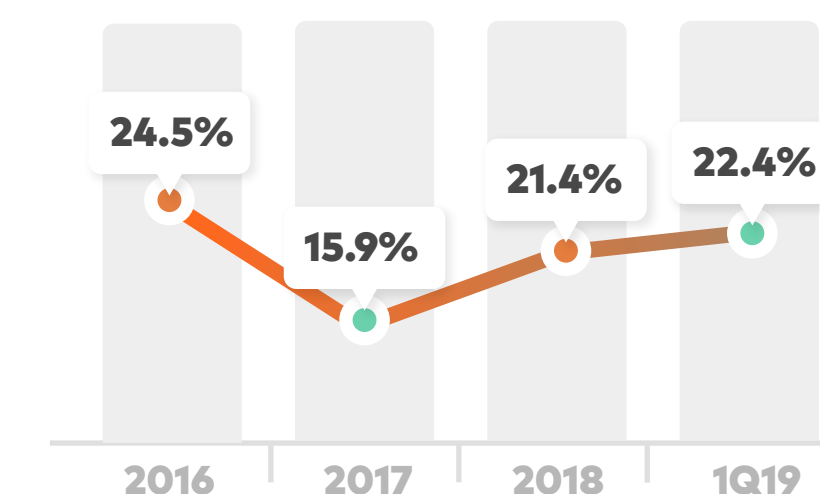
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Banking Business key targets

ROAE  
**20%+**



Loan book growth  
**15-20%**

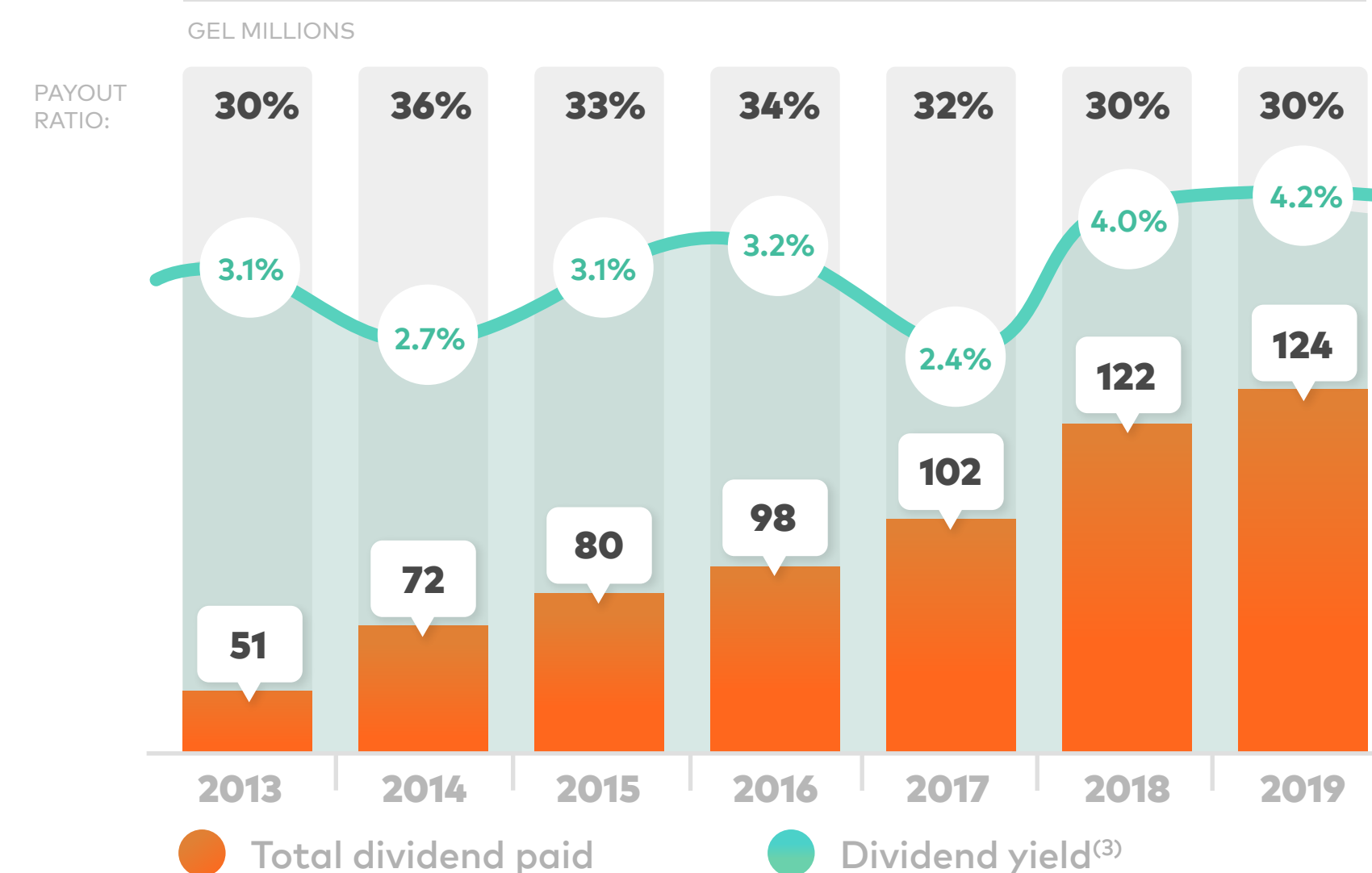


## ROBUST CAPITAL MANAGEMENT TRACK RECORD

- **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

<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  
<sup>(3)</sup> Dividend yield is calculated based on the closing price of shares immediately prior to ex-dividend date

## REGULAR DIVIDENDS



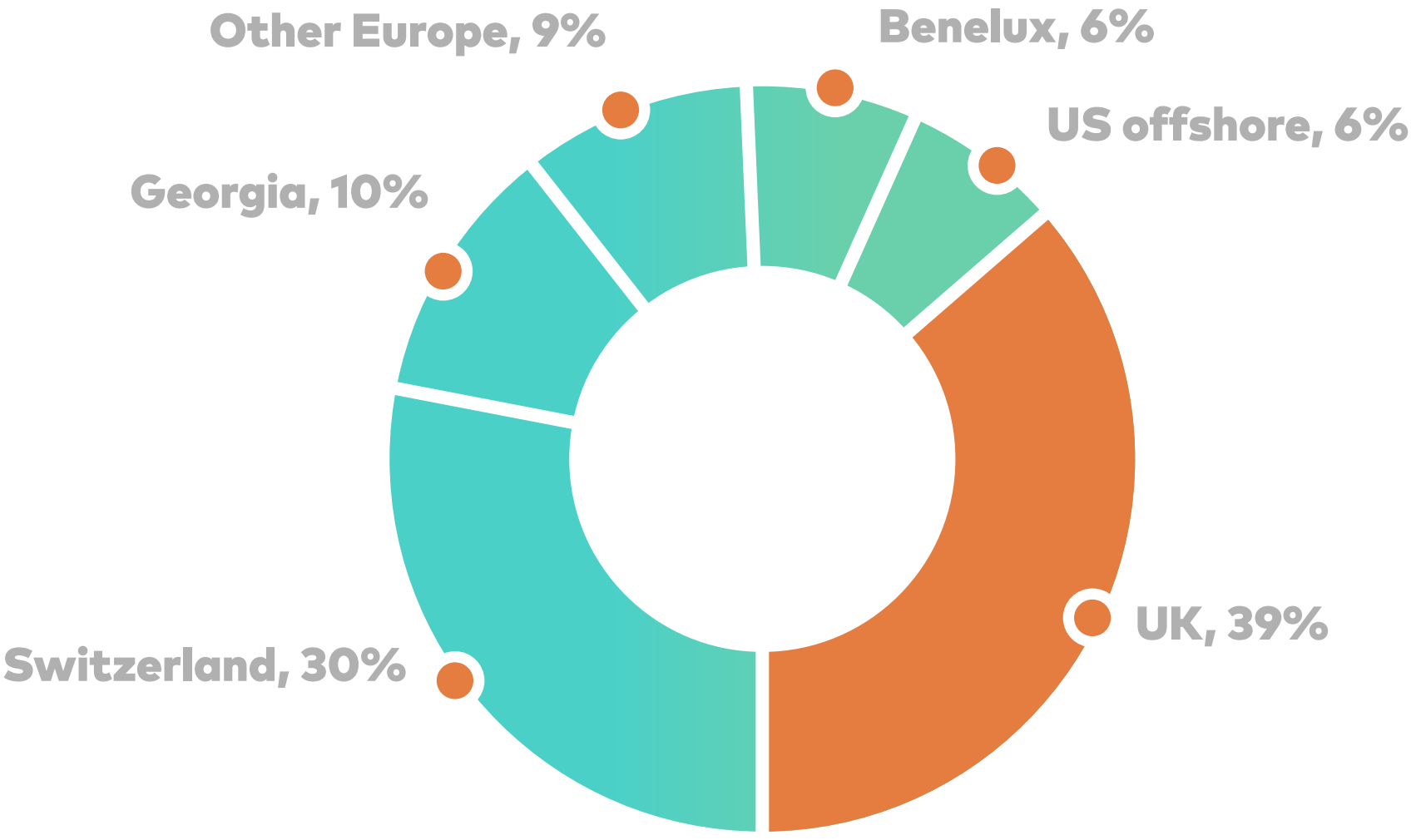
# STRENGTHENING CAPITAL POSITION TO ENABLE THE REALISATION OF THE POTENTIAL UPSIDES

Bank of Georgia issues inaugural AT1 Notes

## TRANSACTION HIGHLIGHTS

NOTES	US\$ 100 million, 11.125% perpetual non-call 5.25 year AT1 notes
LISTING	Irish Stock Exchange
NOTES RATING	Fitch BB-
JOINT LEAD MANAGERS / BOOKRUNNERS	J.P. Morgan, UBS
CO-MANAGER	JSC Galt & Taggart

## INVESTOR ALLOCATION BY REGION



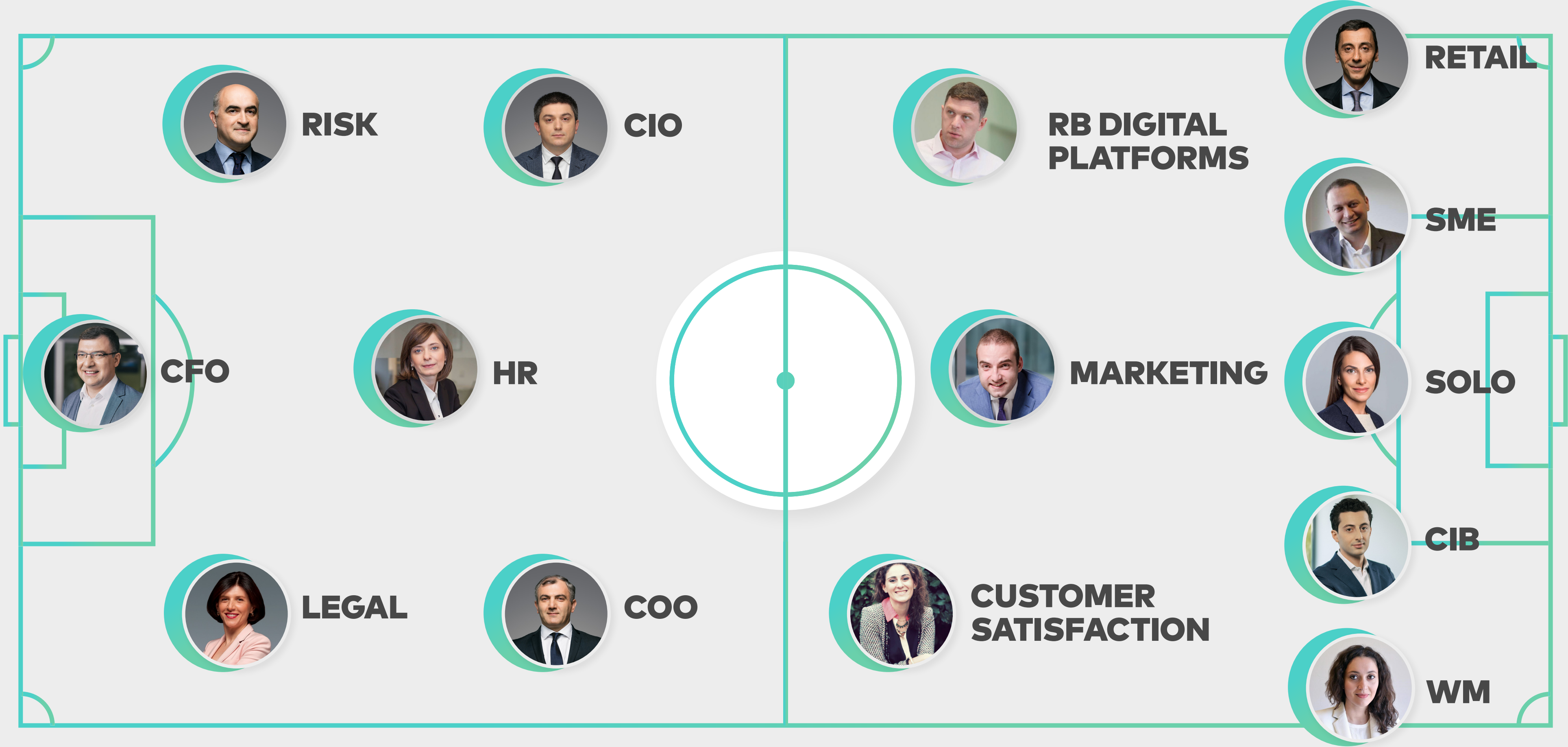
## TRANSACTION HIGHLIGHTS

- The transaction marks the first ever AT1 transaction from Georgia and the first AT1 issuance from CIS since January 2018
- This issuance helped Bank of Georgia optimise its capital structure from a foreign currency perspective and provided a natural hedge against operating in a dollarised economy
- The transaction is expected to add approximately 230bps to the Bank’s Tier 1 capital ratio



# SIGNIFICANT UPSIDE IN DIFFERENT DIRECTIONS OF THE ORGANISATION

Strengthening the management team





**WE ARE  
BANK OF GEORGIA**



**WE BELIEVE  
IN GEORGIA**



WE ARE HERE

TO HELP PEOPLE

ACHIEVE THEIR POTENTIAL

## WHAT DIFFERENTIATES US

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**TOP OF MIND**

Age 18-24



**THE MOST ACCESSIBLE  
BANK IN GEORGIA**

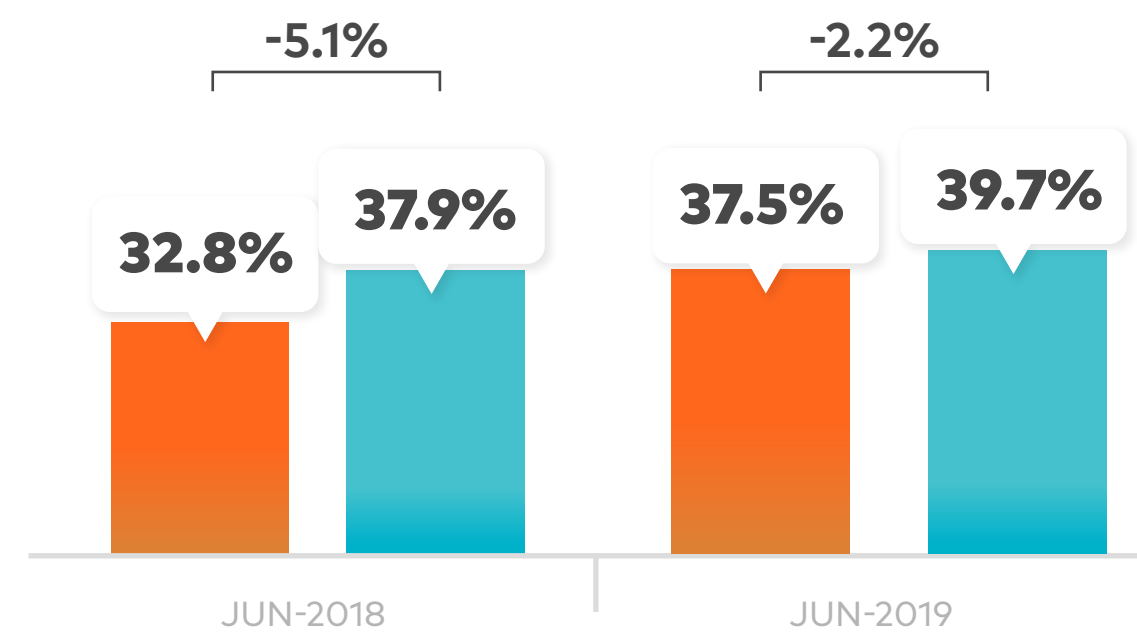


**DATA-DRIVEN  
ORGANISATION**

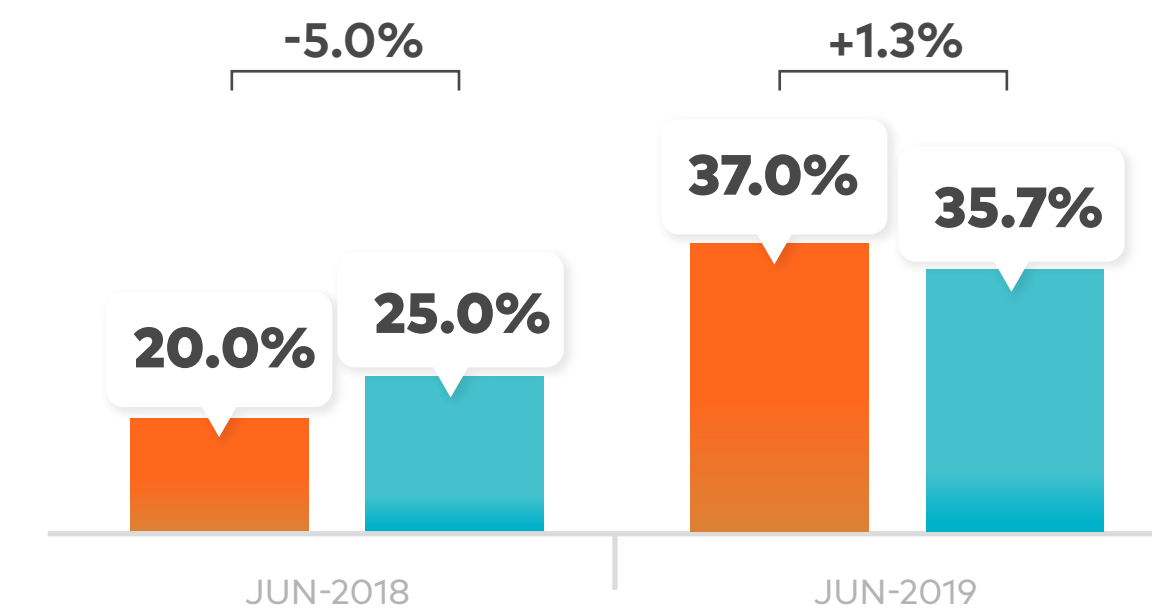
# CUSTOMER EXPERIENCE MANAGEMENT

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## NET PROMOTER SCORE (NPS)



## CUSTOMER SATISFACTION (CSAT)



BOG TBC

# CUSTOMER EXPERIENCE MANAGEMENT

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## MEDALLIA EXPERIENCE CLOUD

Bank of Georgia has invested in  
**#1 Experience Management Platform**



### ENGAGE EVERY CUSTOMER

- CAPTURE INPUT ACROSS JOURNEYS AND CHANNELS
- EFFICIENTLY "CLOSE THE LOOP" FOR EVERY CUSTOMER



### ENGAGE EVERY EMPLOYEE

- ENCOURAGE EMPLOYEES TO ACT TIMELY ON THE FEEDBACK
- PROVIDE EMPLOYEES WITH TIMELY / GRANULAR DATA



### IMPROVE EVERY EXPERIENCE

- LEVERAGE INSIGHTS TO SYSTEMATICALLY IMPROVE EXPERIENCES
- FIX THE PROBLEM ROOT CAUSES OR SYSTEMATICALLY CREATE DELIGHTFUL EXPERIENCES





**VALUES-BASED ORGANISATION**



**FEEDBACK CULTURE**



**EFFECTIVE INTERNAL COMMUNICATION**







# PROCESSES | AGILE TRANSFORMATION

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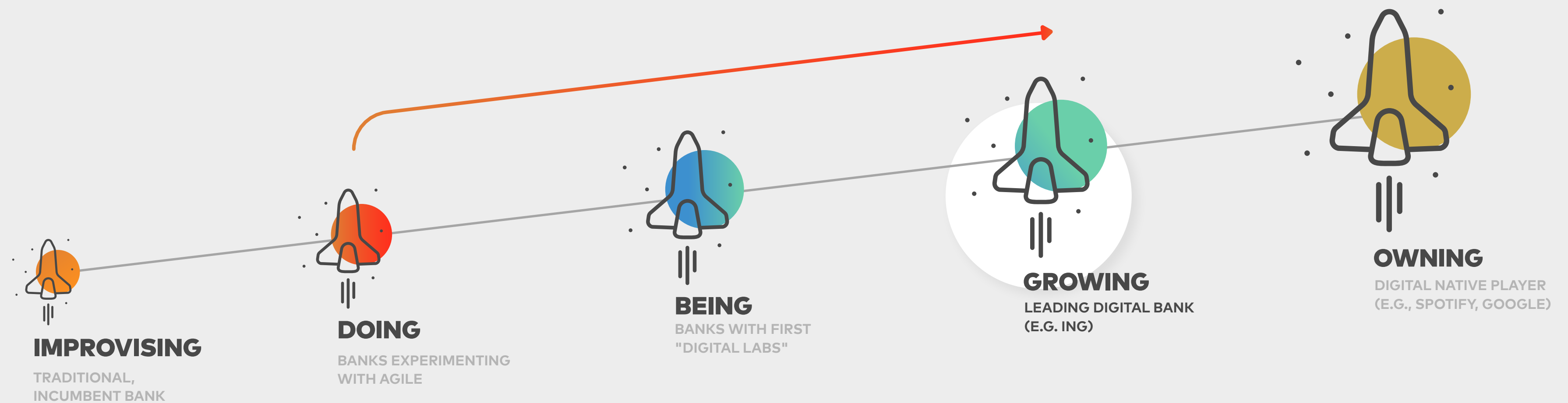
— Fully integrated enterprise agile delivery

Structure

Process

People

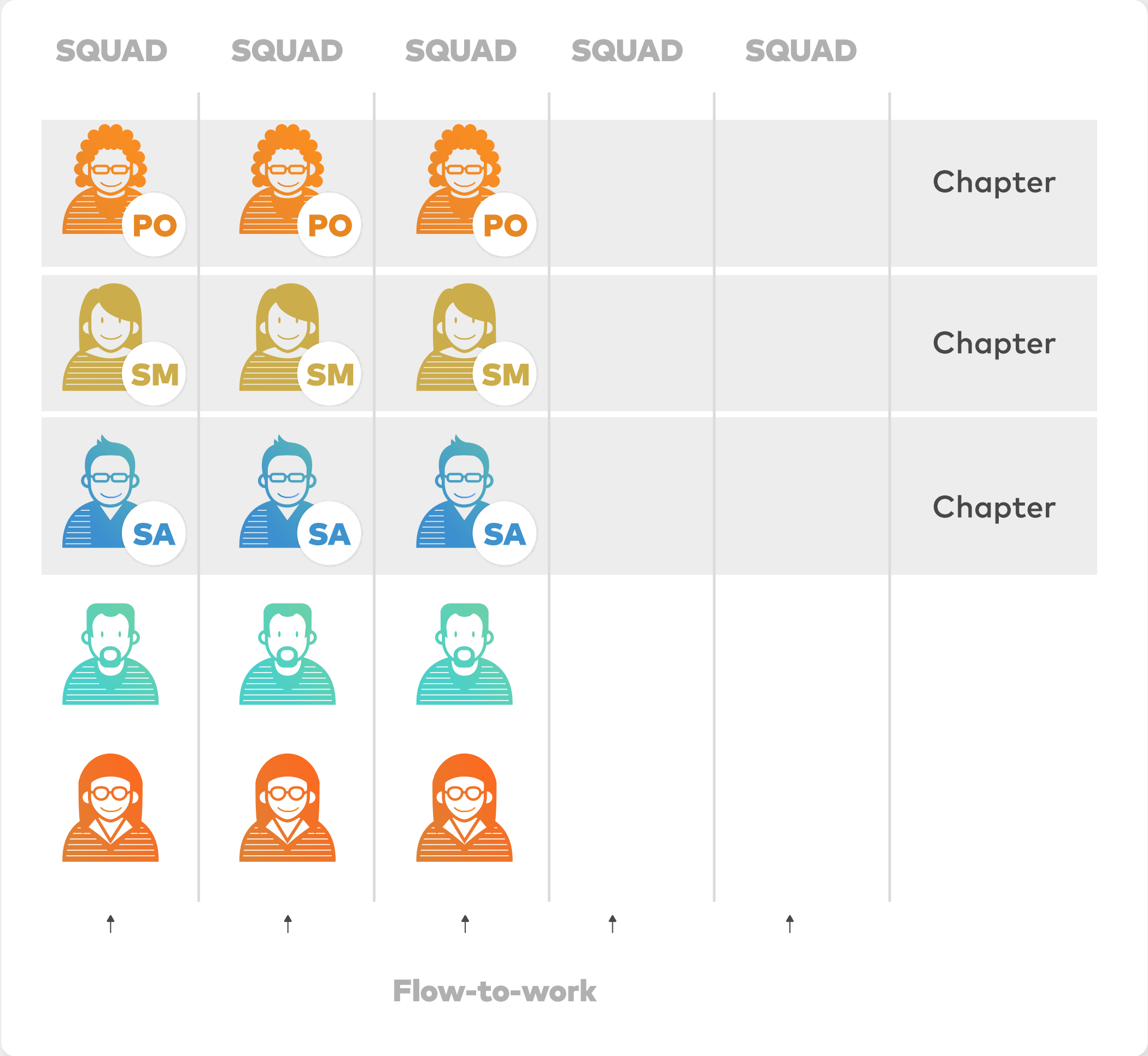
Technology



- Focus on customer experience
- Improve the delivery efficiency
- Reduce time to market
- Self-organised teams around products and digital channels
- Next generation technologies and fully automated processes

# PROCESSES | AGILE TRANSFORMATION

Constant improvement with cross functional and self-organised teams



## AGILE TRANSFORMATION TIMELINE

- Agile transformation kick off – September 2018
- Transformation phases
  - Diagnostics
  - Transformation design
  - Agile rollout and continuous improvement
- Project full rollout – May 2019

## AGILE ORGANISATION

- 30 cross functional teams
- 300+ employee in Agile delivery organisation
- Clear translation of top level strategy to execution and team level goals
- Corporate culture and leadership style that empowers teams and enables delivery
- Frequent deployments and development of MVPs, incorporating regular customer feedback



CUSTOMER SATISFACTION

Branches

STREAMLINED PROCESSES - E2E

Mortgage

SOLO lending SME lending CB lending HR

EFFICIENCY IN FUNCTIONS

Back office Cash center HR function

SOLO CB function SME

WM & G&T RB support

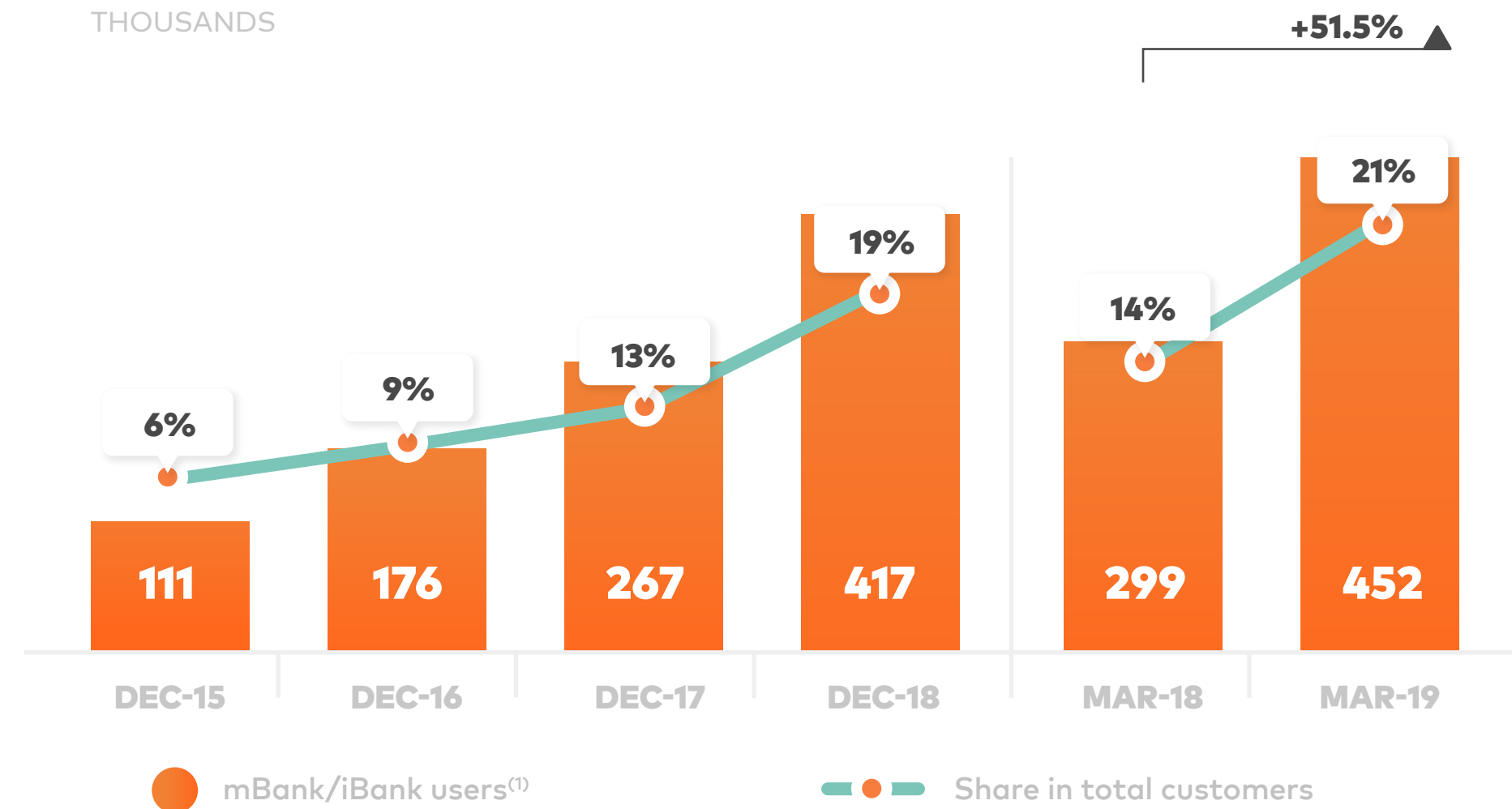
COST SAVINGS: ● GEL 3.5 million  
● Finalised projects ● Ongoing projects

● LOADING: 0-BASED BUDGETING

## DIGITAL CHANNELS

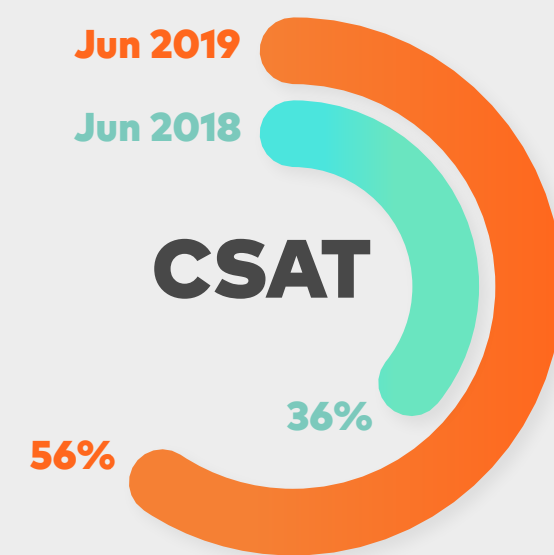
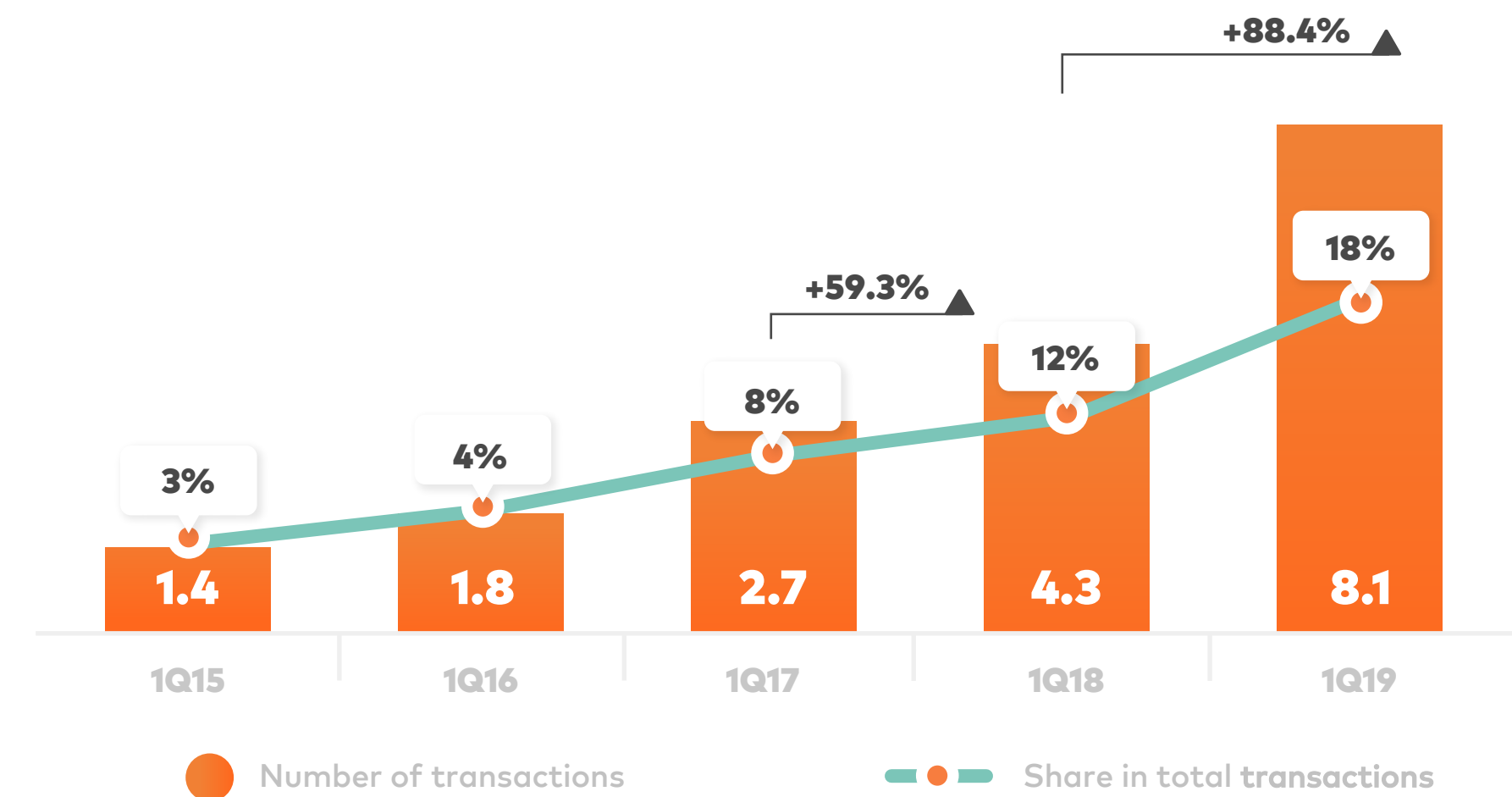
### NUMBER OF MBANK/IBANK ACTIVE USERS<sup>(1)</sup>

THOUSANDS

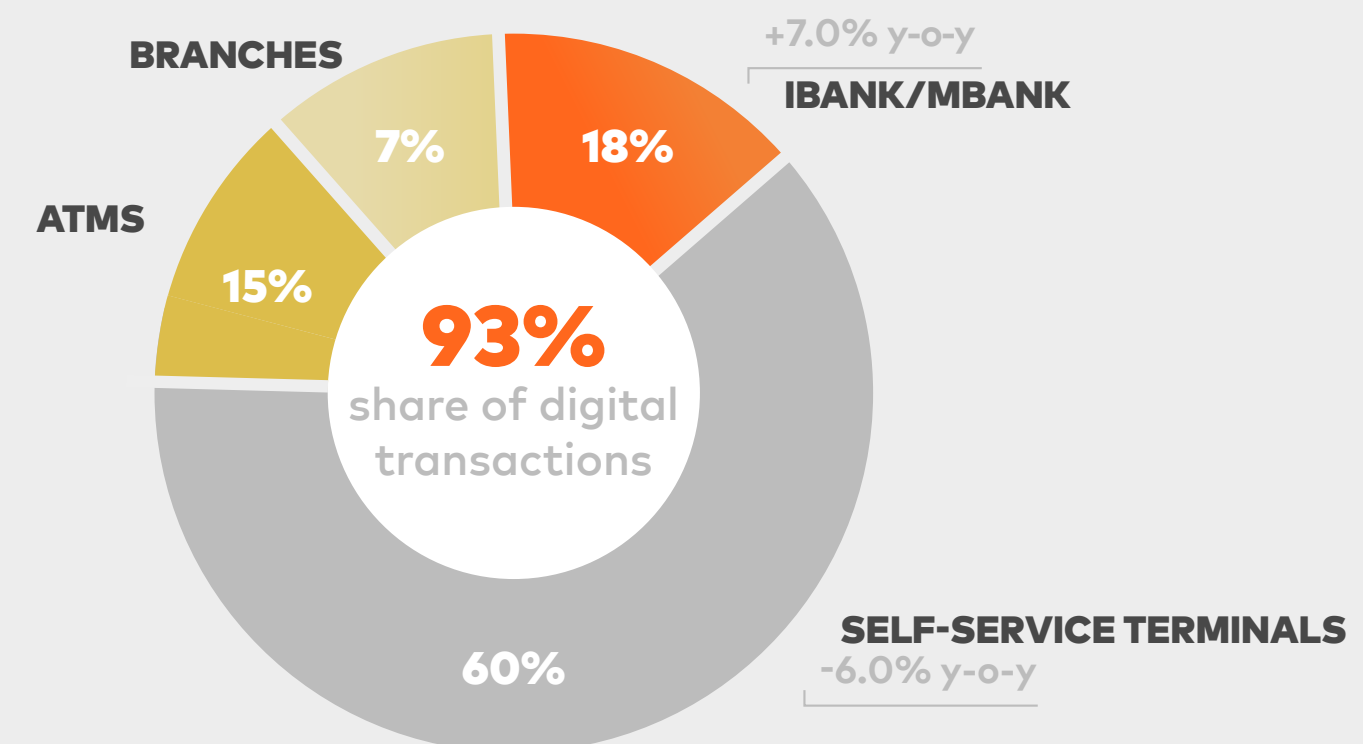


### NUMBER OF MBANK/IBANK TRANSACTIONS

MILLIONS



### DIGITAL TRANSACTIONS



<sup>(1)</sup> Users with at least 1 active product or transaction in the past 3 months



# **SOLUTION-BASED BANKING**

# DIGITAL ECOSYSTEM

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**MSME**



**Merchant services**



**HR solutions**



**Business intelligence  
/accounting**



**RETAIL**



**Real estate ecosystem**



**Online marketplace**

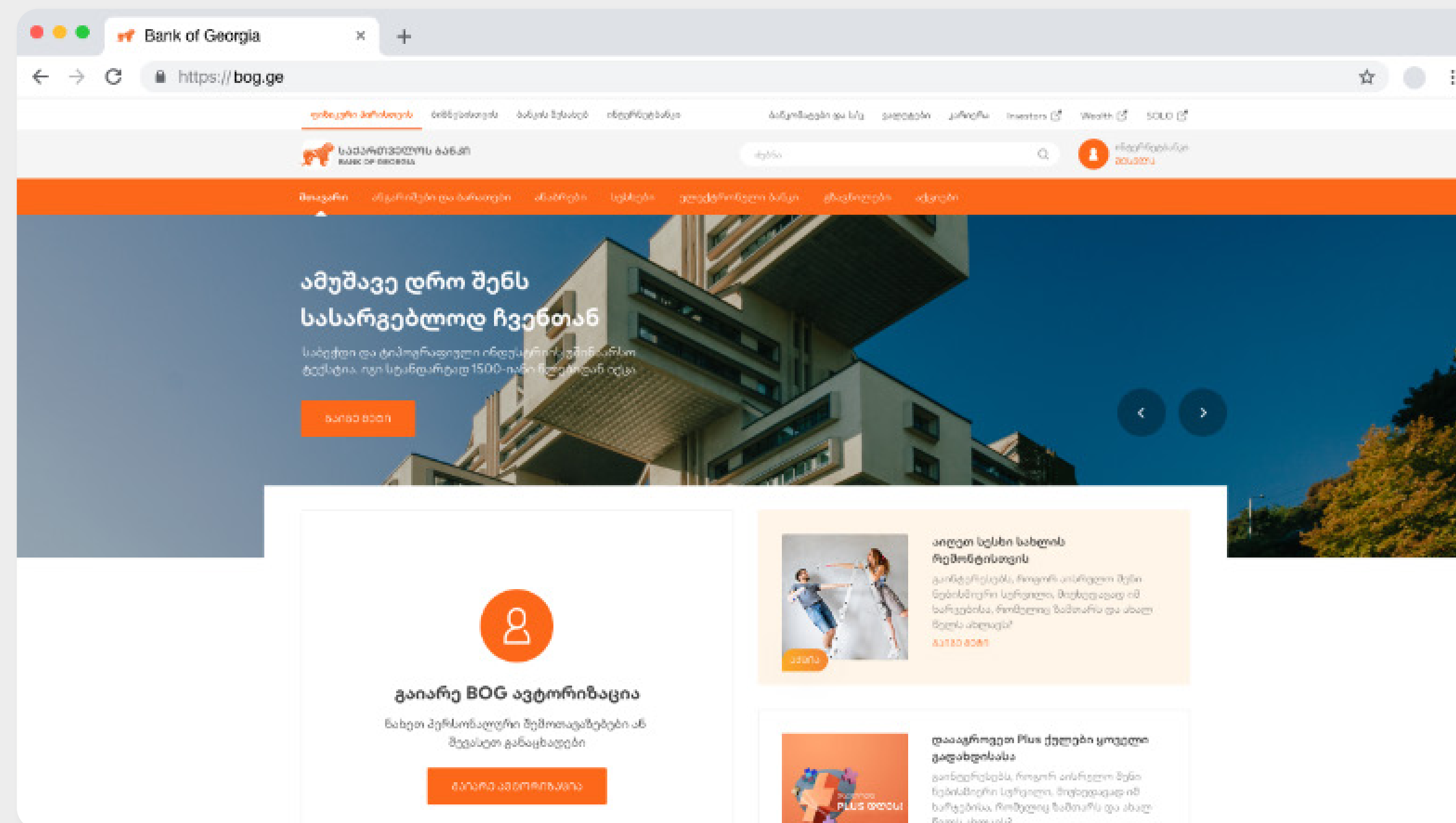


**Auto ecosystem**



# OMNI-CHANNEL DIGITAL PLATFORM

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## BANKOFGEORGIA.GE

- a completely redesigned and revamped website
- a one-stop-shop for all products and services that our bank offers to its clients

# RETAIL BANKING

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## LOANS

up 23.2% y-o-y

 **GEL 6.4BLN**

## DEPOSITS

up 36.8% y-o-y

 **GEL 4.5BLN**

## MARKET SHARE<sup>(2)</sup> - LOANS

 **38.2%**

## MARKET SHARE<sup>(2)</sup> - DEPOSITS

 **38.2%**

## ROAE<sup>(3)</sup>

 **25.3%**

## WE FOCUS ON CUSTOMER SUCCESS

— **ADVANCED ANALYTICS**

— **CONVENIENT CHANNELS**

— **PAYMENT ECOSYSTEM**

— **CUSTOMER EXPERIENCE**

— **DIGITAL ECOSYSTEM**

<sup>(1)</sup> Results are as of and for the period ended 31 March 2019 and includes Retail Banking business, including MSME and Solo

<sup>(2)</sup> Market shares by loans and deposits to individuals

<sup>(3)</sup> Adjusted for one-off employee costs related to the former CEO and executive management termination benefits

# SOLO | LEADER IN PREMIUM RETAIL BANKING

## GROSS LOANS

up 45.1% y-o-y

**GEL 1.9BLN**

## DEPOSITS

up 38.4% y-o-y

**GEL 1.7BLN**

## MARKET POSITION

**3RD**

bank in Georgia by  
portfolios

**47K**

number of clients

## ROAE<sup>(2)</sup>

**21.6%**

### AIMING TO MAXIMISE PROFIT THROUGH:

- EXCELLENT CUSTOMER SERVICE
- DIGITALISATION
- TAILOR-MADE BUNDLED OFFERING

<sup>(1)</sup> Results are as of and for the period ended 31 March 2019  
<sup>(2)</sup> Adjusted for one-off employee costs related to the former CEO and executive management termination benefits

## MARKET SHARE<sup>(2)</sup>

**29% MSME**

**36% MICRO**

**23% SME**  
Significant upside potential

## GROSS LOANS

up 26.2% y-o-y  
**GEL 2.3BLN**

## DEPOSITS

up 36.9% y-o-y  
**GEL 682M**

## ROAE<sup>(3)</sup>

**20.9%**

## OBJECTIVES

- **Bank of Georgia** - a go-to bank for SMEs in need of dedicated banking experience, high class advisory services and expert knowledge of advanced financial products

## STRENGTHS

- Innovative onboarding
- The most technologically advanced micro lending in Georgia
- Support services
- The largest multichannel coverage in the market

<sup>(1)</sup> Results are as of and for the period ended 31 March 2019

<sup>(2)</sup> Market shares are as of 31 December 2018

<sup>(3)</sup> Adjusted for one-off employee costs related to the former CEO and executive management termination benefits

LOANS

up 20.0% y-o-y

GEL 2.8BLN

DEPOSITS

down 3.5% y-o-y

GEL 3.5BLN

MARKET SHARE<sup>(2)</sup> - LOANS

28.7%

MARKET SHARE<sup>(2)</sup> - DEPOSITS

30.3%

ROAE<sup>(3)</sup>

27.1%

STRENGTHS AND OBJECTIVES

- SYNDICATIONS AND CAPITAL MARKETS POWERHOUSE
- TOP OF MIND ADVISOR
- UNIVERSAL BANK OF CHOICE
- ATTRACT BEST TALENT

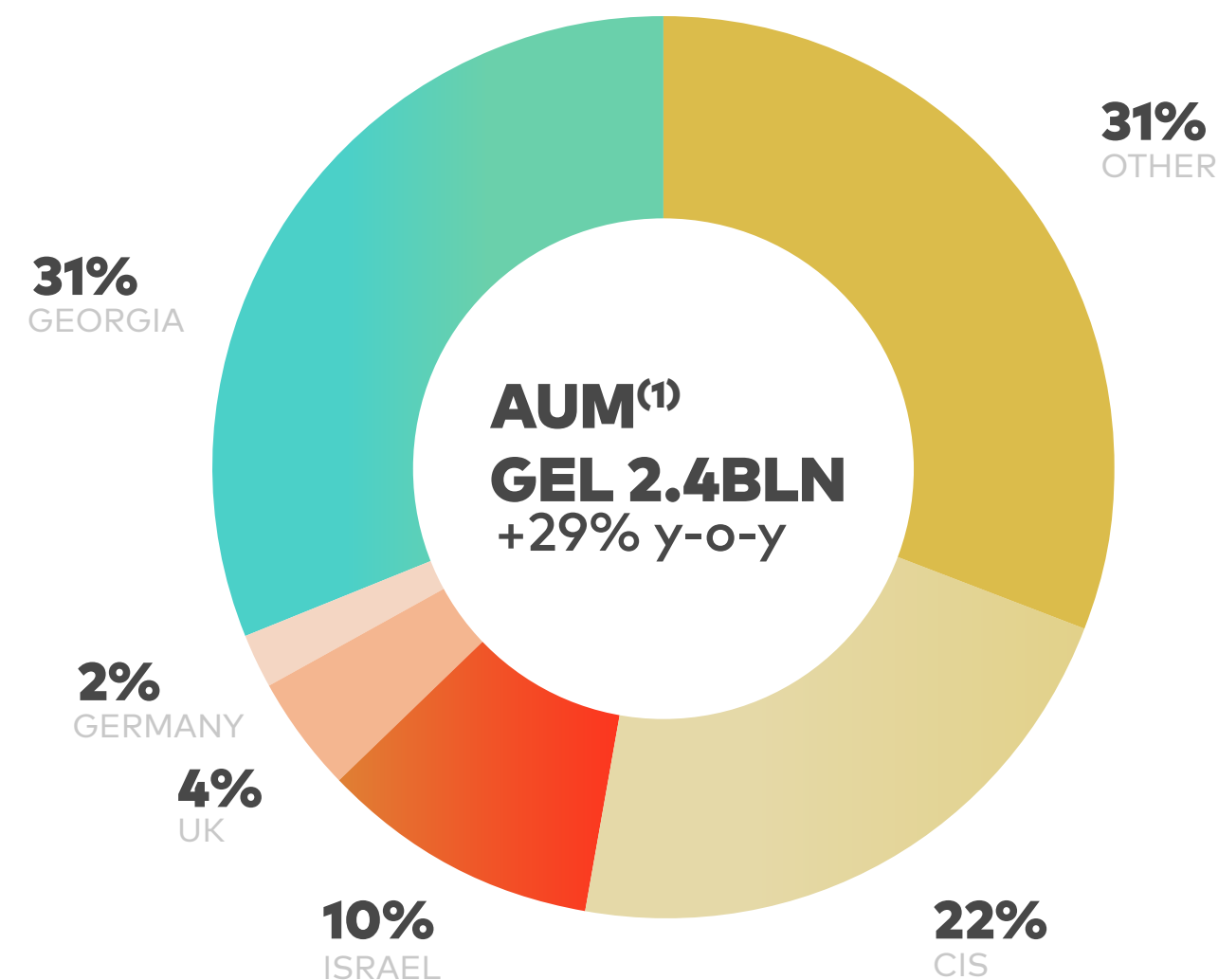
(1) Results are as of and for the period ended 31 March 2019  
(2) Market shares by loans and deposits to legal entities  
(3) Adjusted for one-off employee costs related to the former CEO and executive management termination benefits

## STRONG INTERNATIONAL PRESENCE

LONDON

BUDAPEST

ISTANBUL



LIMASSOL

TEL AVIV

TBILISI

**INCREASE AUM FROM CURRENT \$0.9BLN TO \$3.0BLN IN 5 YEARS TIME**

**BECOME THE REGIONAL HUB FOR WEALTH MANAGEMENT OFFERING**

- Business and tax friendly environment
- Secure and attractive destination
- Conservative regulation and high level of banking secrecy
- Market dominated by two LSE listed banks with high standards of transparency

**BRAND NEW OFFICE IN THE CENTRE OF TBILISI, SINCE JANUARY 2019, DEDICATED TO SERVING WEALTH MANAGEMENT CLIENTS**





**WE ARE BANK OF GEORGIA**



**SOLUTION-BASED BANKING**



**HIGH LEVEL OF DIGITALISATION AND IMPROVING FURTHER**



**ADVANCED ANALYTICS**



**EFFICIENCY IN PROCESSES AND COST CONTROL**

## DISCLAIMER - FORWARD LOOKING STATEMENTS

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