



BANK OF GEORGIA

# INVESTOR 20 DAY 20

**Financial Performance Overview**

**Speaker:**  
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**CFO**

## ROAE

**26.0%**

## LOAN GROWTH

(constant currency basis)

**+12.8% YoY**

+3.5% QoQ

## LIQUIDITY COVERAGE RATIO

**147.0%**

Minimum requirement – 100%

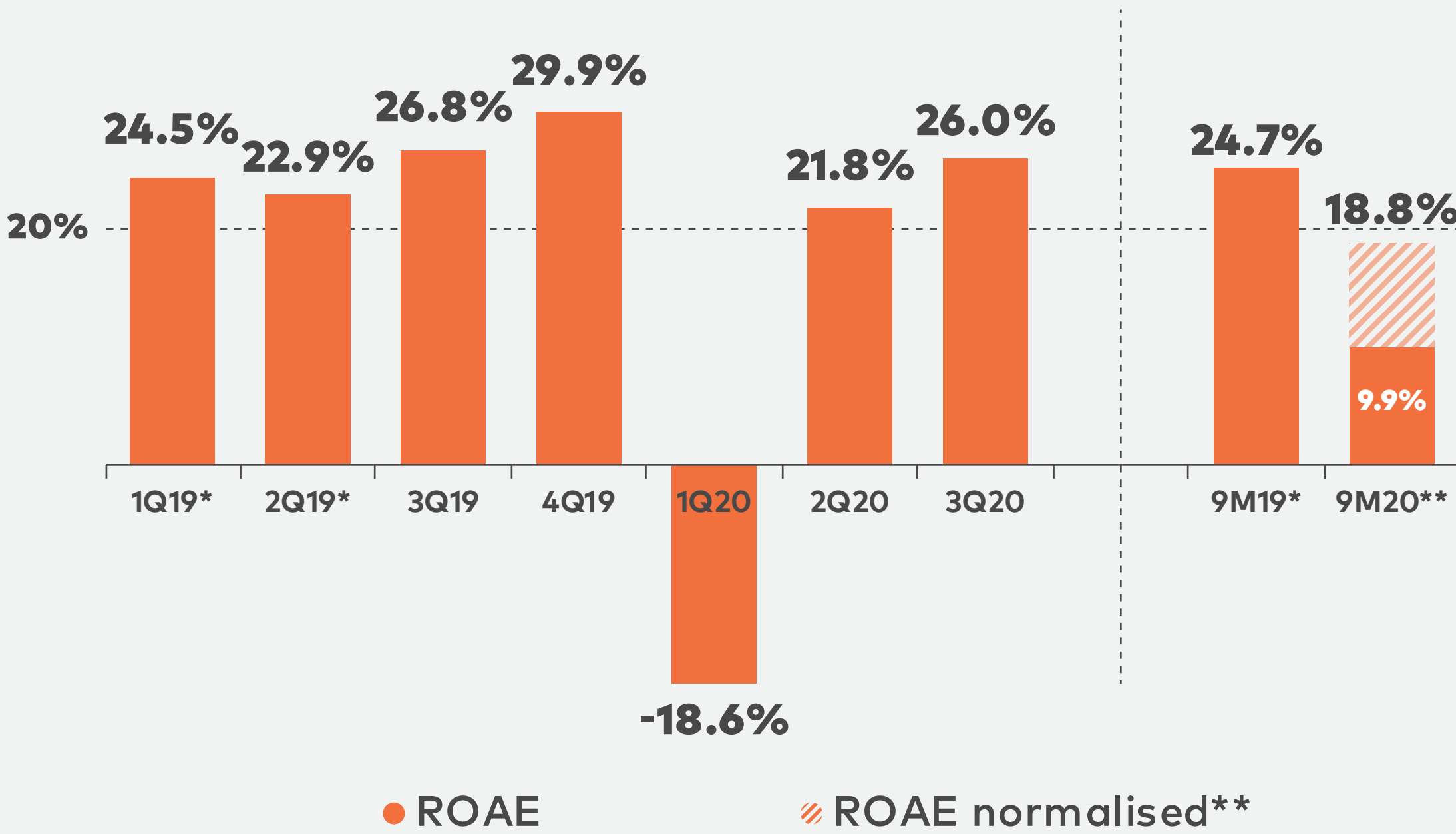
## TIER 1 CAPITAL ADEQUACY RATIO

**12.0%**

Minimum requirement – 8.7%

Minimum requirement to distribute dividends – 12.4%

## ROAE

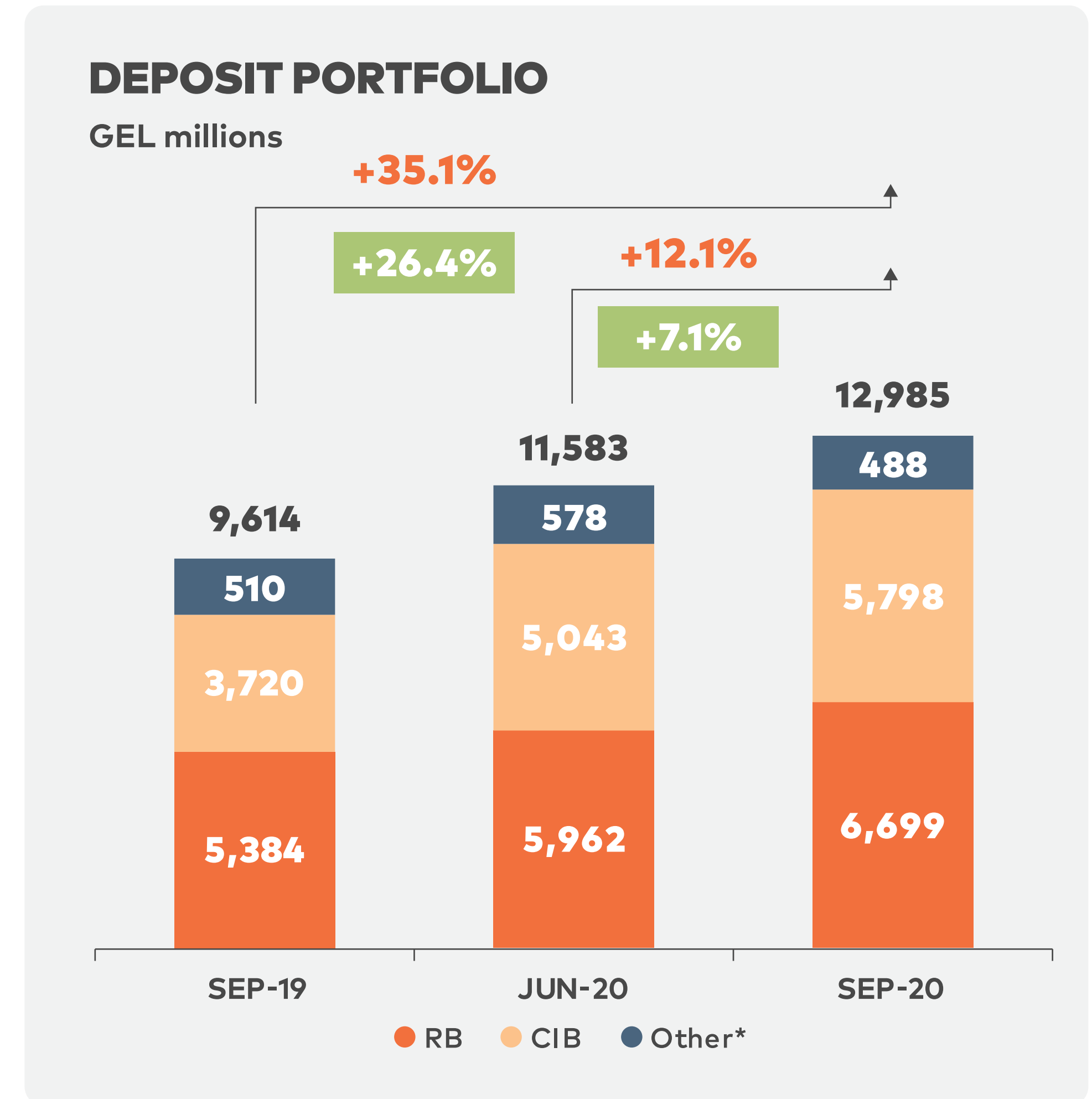
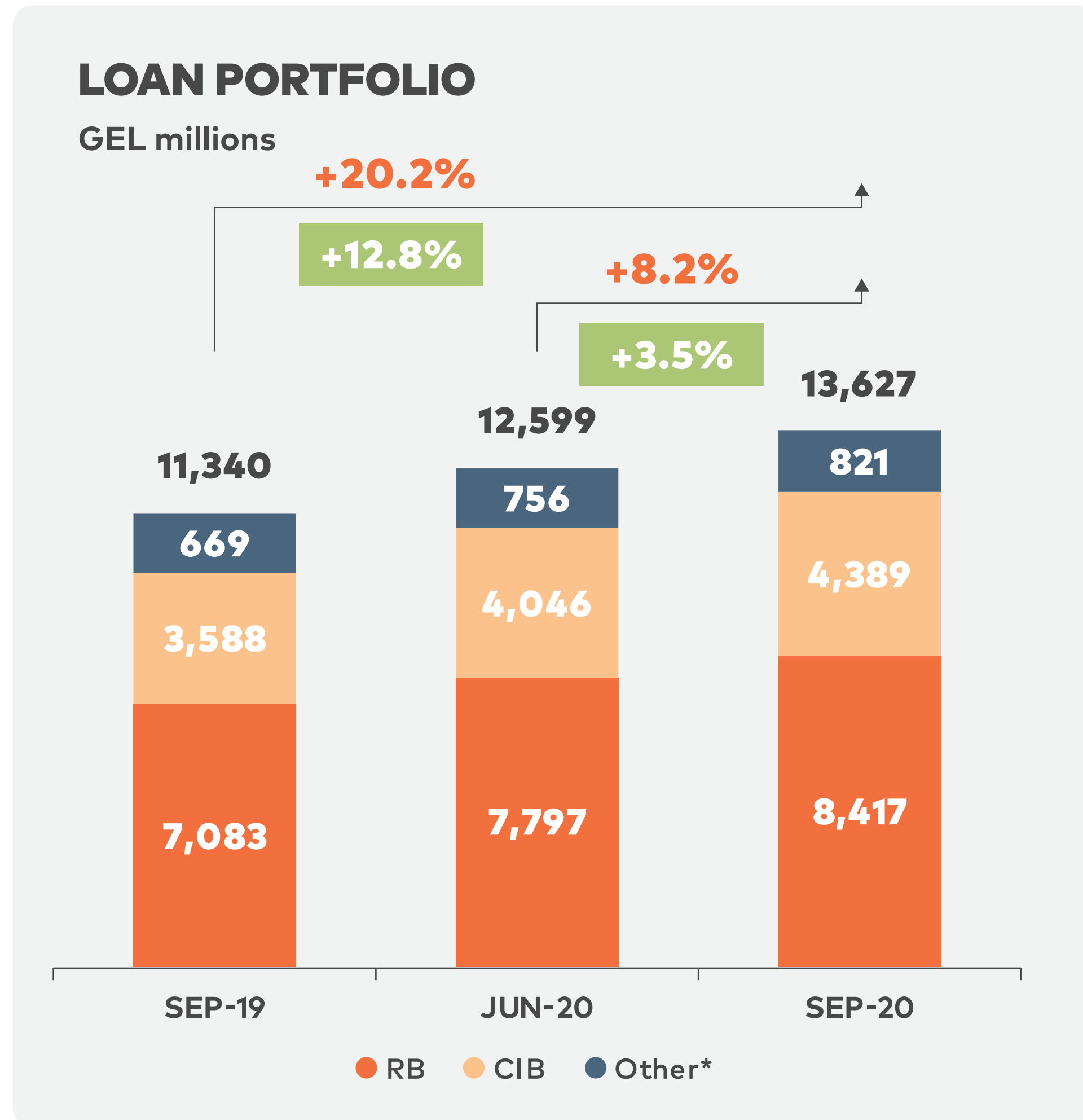


## 20%+ ROAE IN 3Q20 DRIVEN BY:

- Rebound in business activity since June 2020
- Strong recovery in net fee and commission income
- Net interest margin increase
- Focus on efficiency and stringent cost control
- Loan portfolio performing better than expected

\* 1Q19 and 2Q19 ROAE are adjusted for termination costs of former CEO and executive management  
\*\* 9M20 ROAE normalised for cost of credit risk (1.2% for RB and 0.8% for CIB), one-off modification losses incurred on loan restructurings and COVID-19 related other one-off costs

## BETTER THAN EXPECTED GROWTH IN LOANS AND DEPOSITS

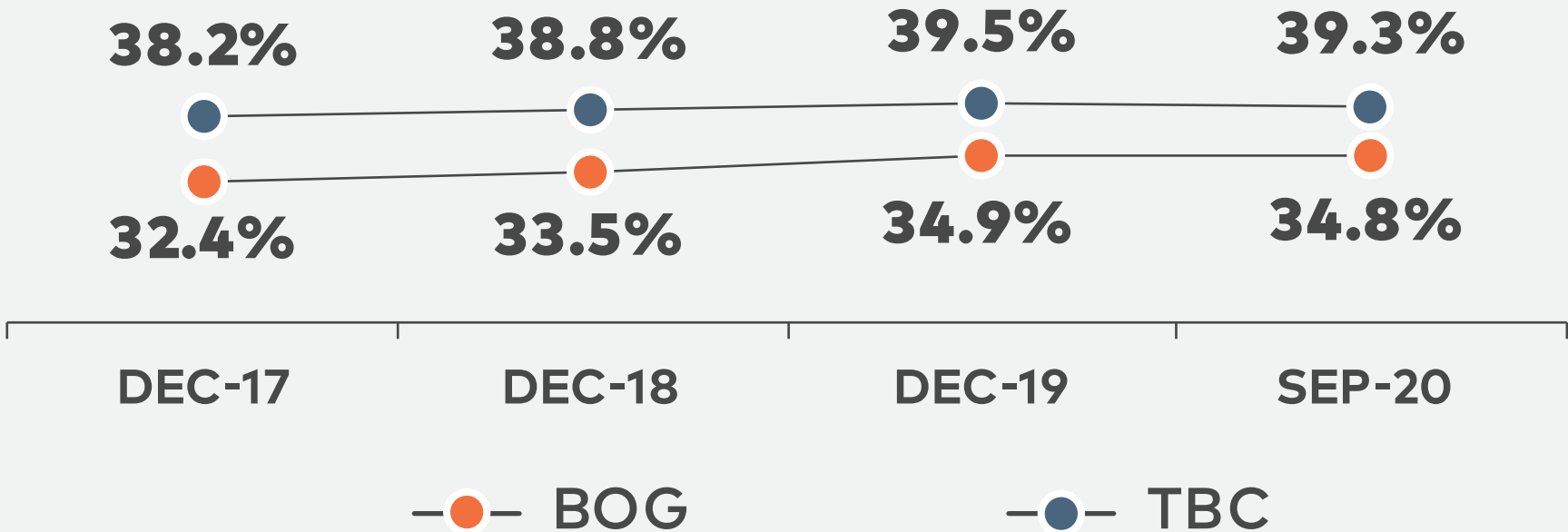


\* Mainly includes BNB and intersegment eliminations

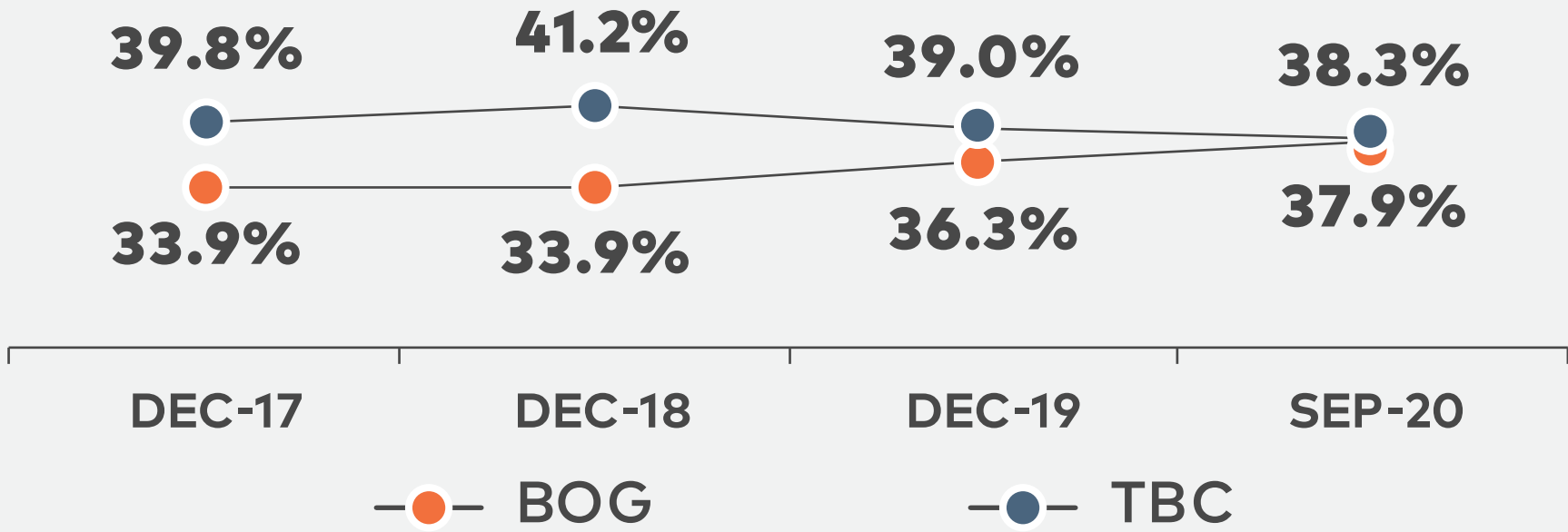
■ Growth on a constant currency basis

- Top two banks hold more than 70% of market share
- Bank of Georgia has consistently been gaining market share on all fronts
- Increase in market share in deposits of individuals underlines the strength of Bank of Georgia's franchise

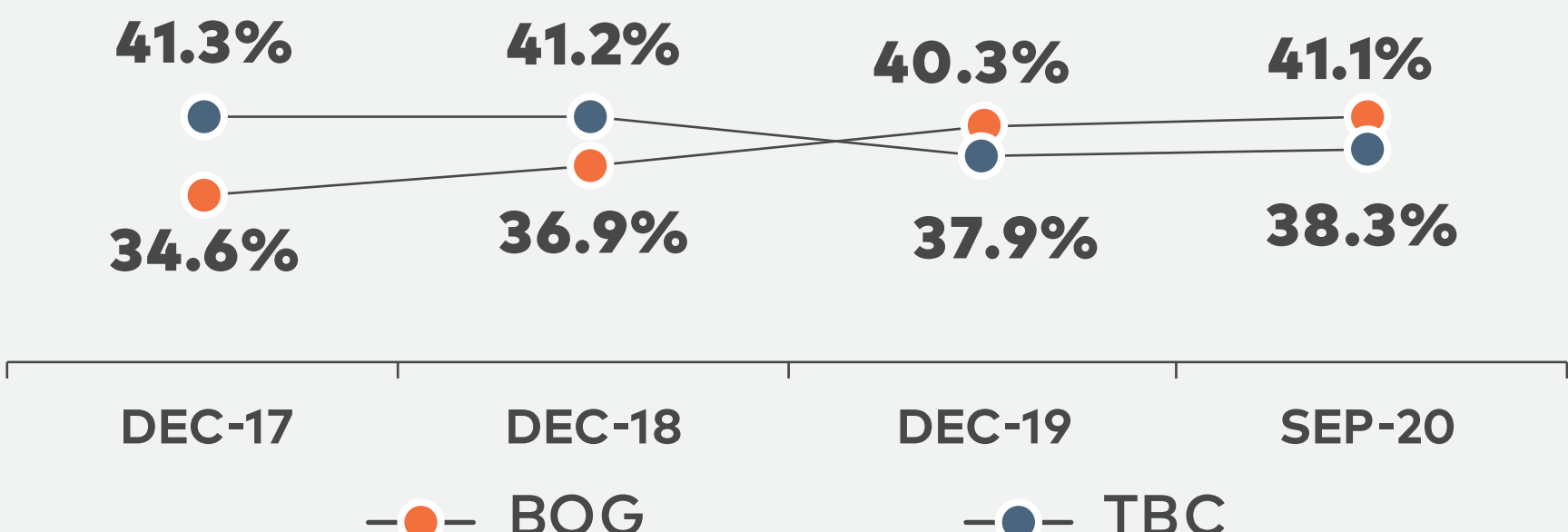
### MARKET SHARE - GROSS LOANS



### MARKET SHARE - CUSTOMER DEPOSITS



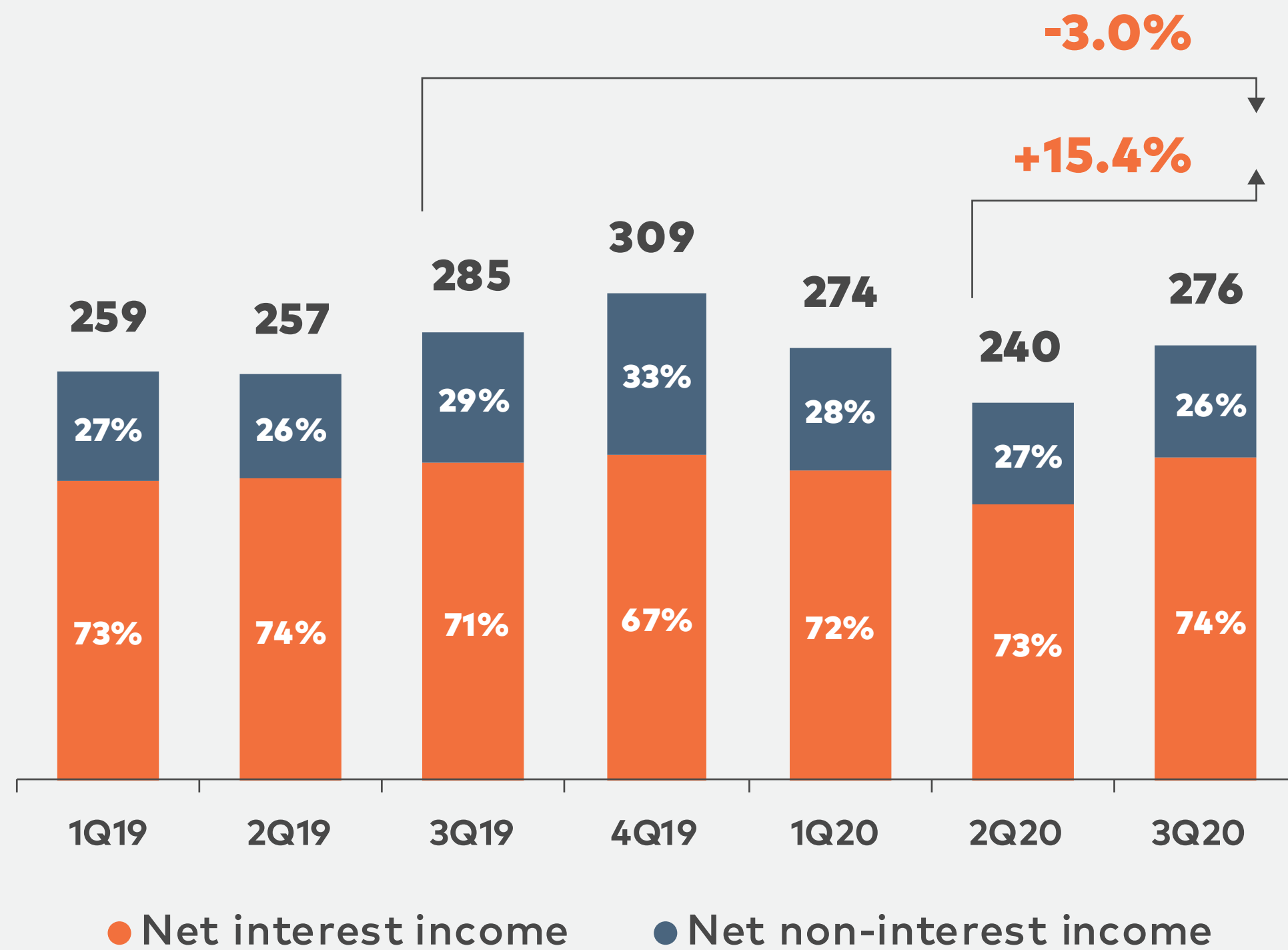
### MARKET SHARE - DEPOSITS OF INDIVIDUALS



\* Market data based on standalone accounts as published by the National Bank of Georgia

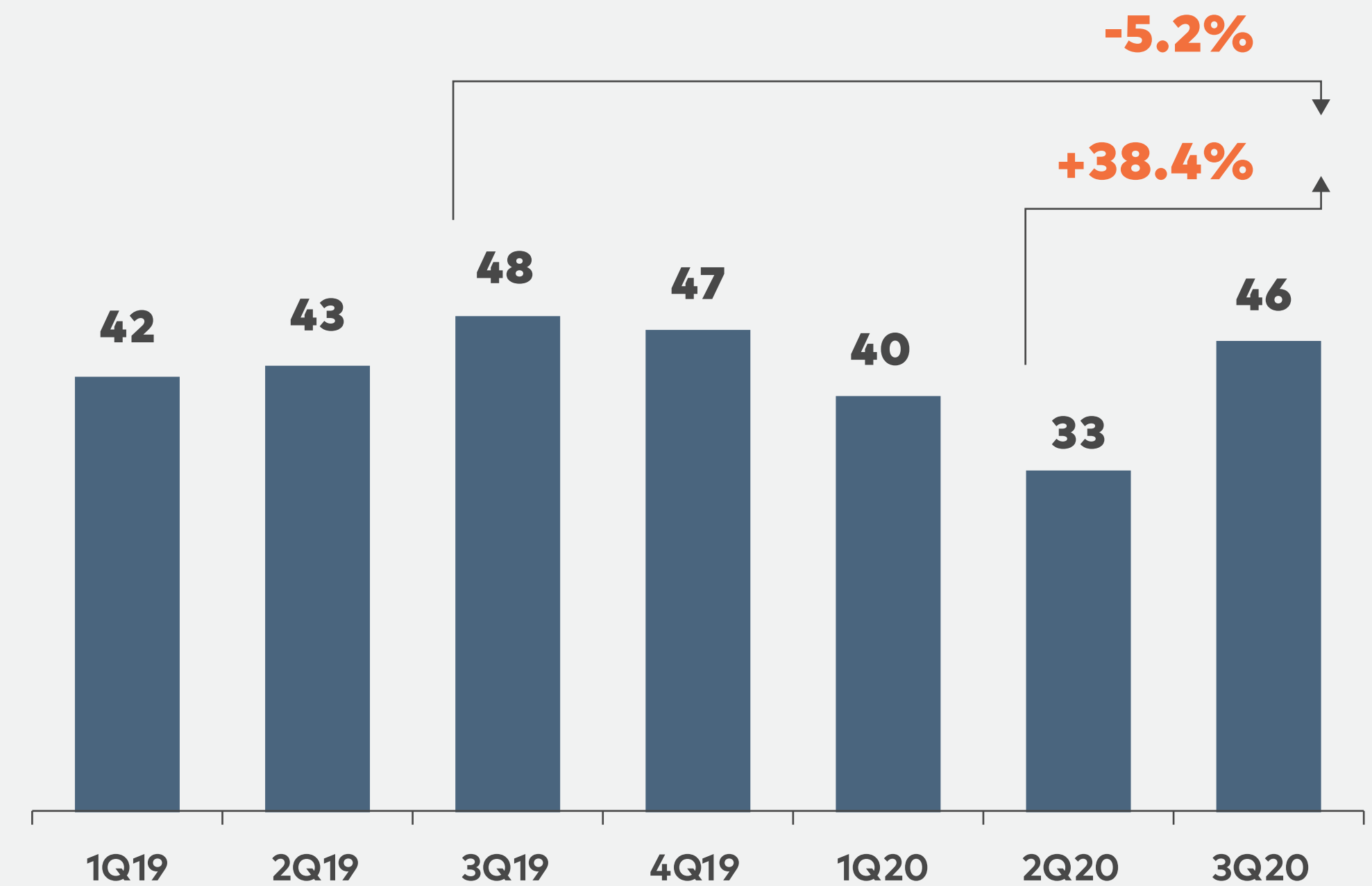
## RESILIENT OPERATING INCOME DESPITE EXTENSIVE ECONOMIC LOCKDOWN

GEL millions



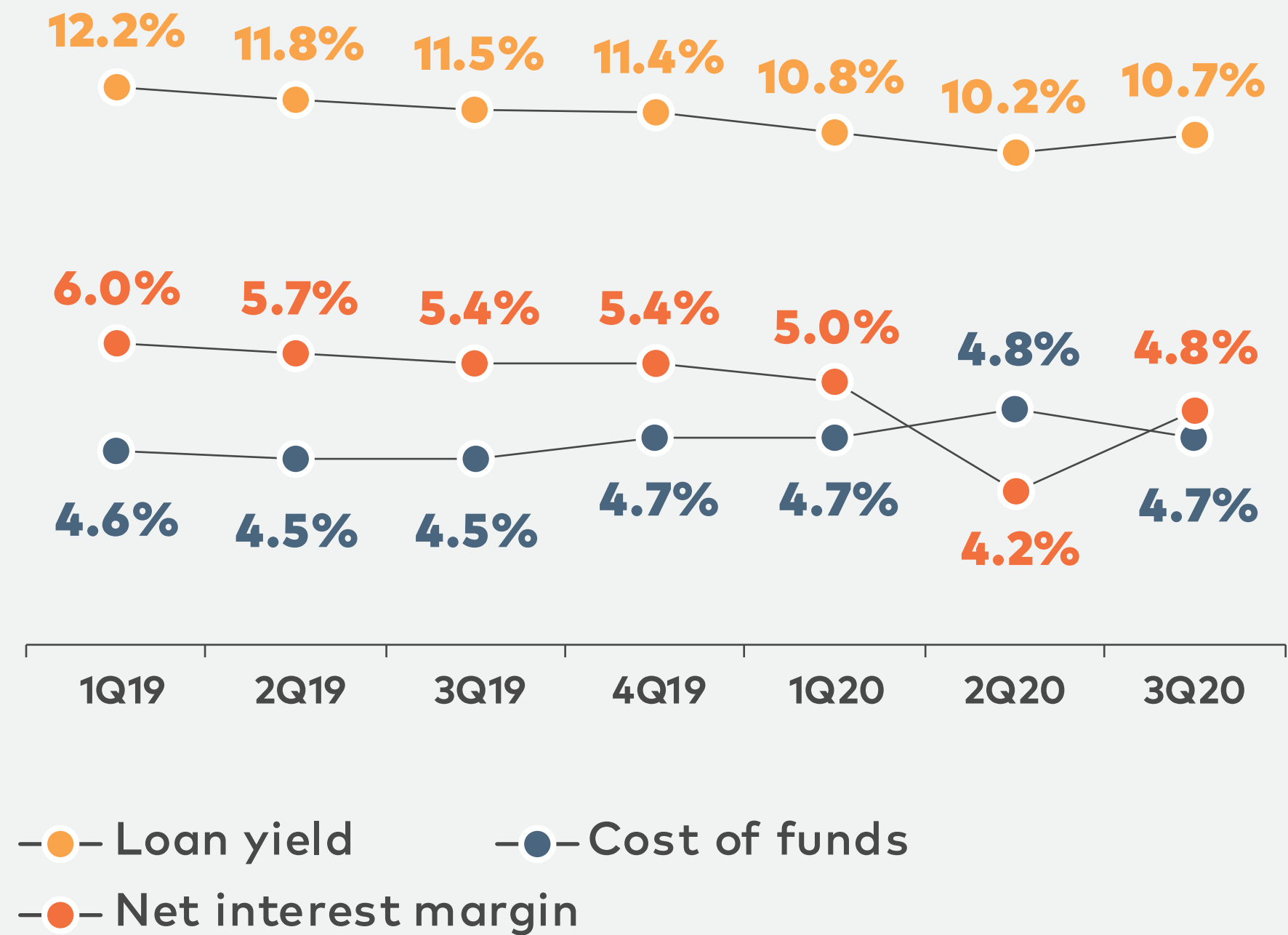
## STRONG QOQ REBOUND IN NET FEE AND COMMISSION INCOME

GEL millions



Strong recovery dynamics in net fee and commission income since May 2020, on the back of improved remittances, growing consumer demand as measured by banking card payment activities, and the recovery in VAT turnover of local businesses

## NIM PERFORMANCE



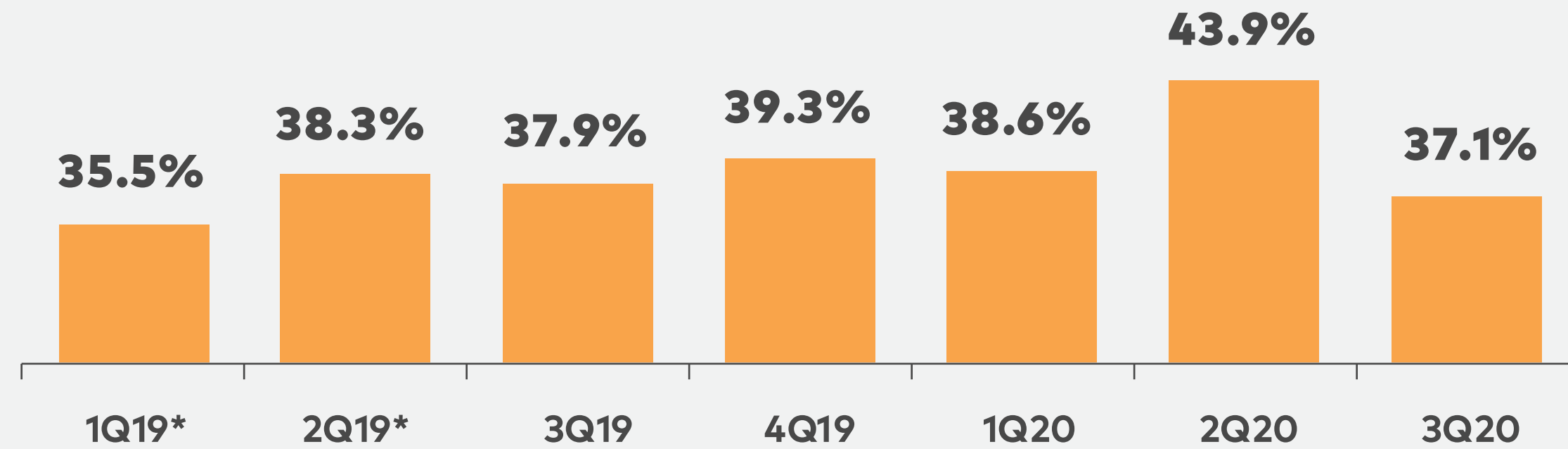
## NIM REBOUND IN 3Q20

- NIM decline in 3Q20 was partially due to still ongoing loan portfolio mix change in 3Q19
- NIM was down in April and May of 2020, as a result of the reduction in retail lending activity and high levels of liquidity in the second quarter of 2020
- NIM started to recover from July and August of 2020 as economic activity resumed, and was up 60 basis points QoQ in the third quarter of 2020

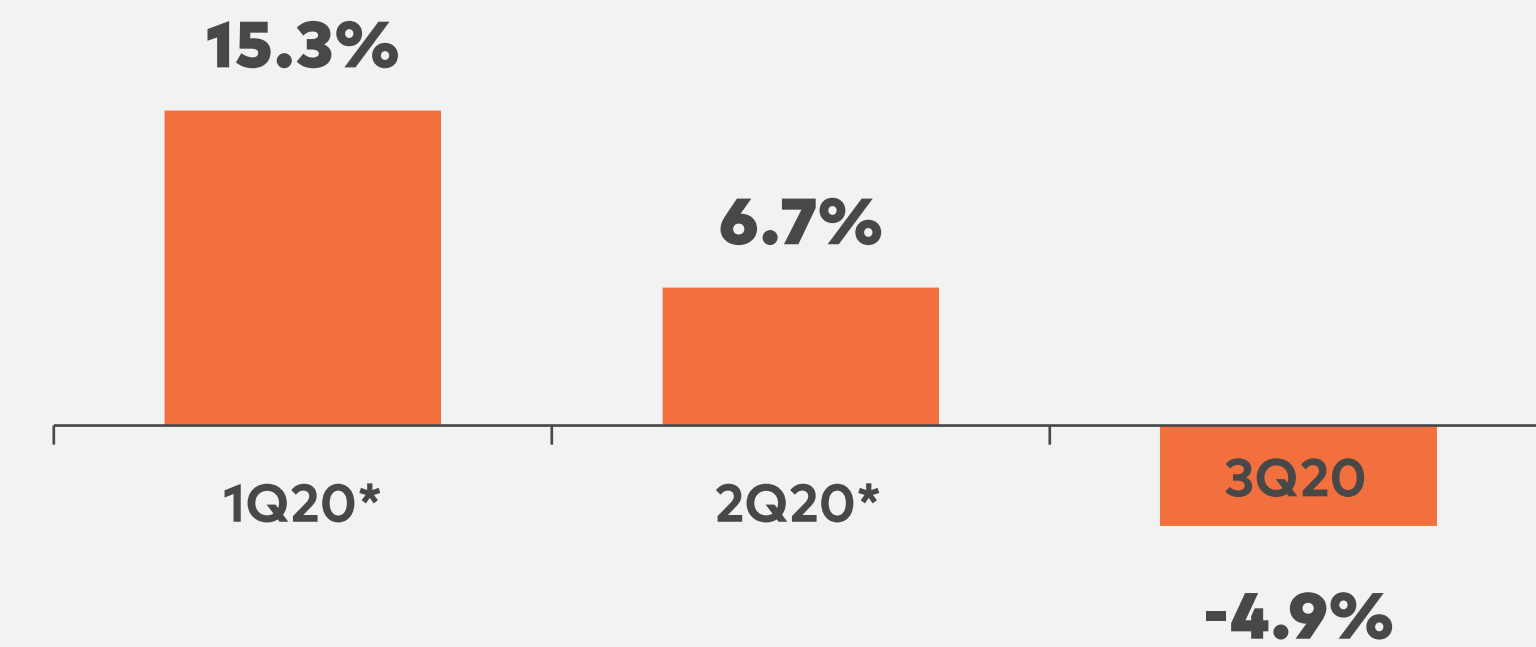
## NIM OUTLOOK

- Broadly stable margin going forward

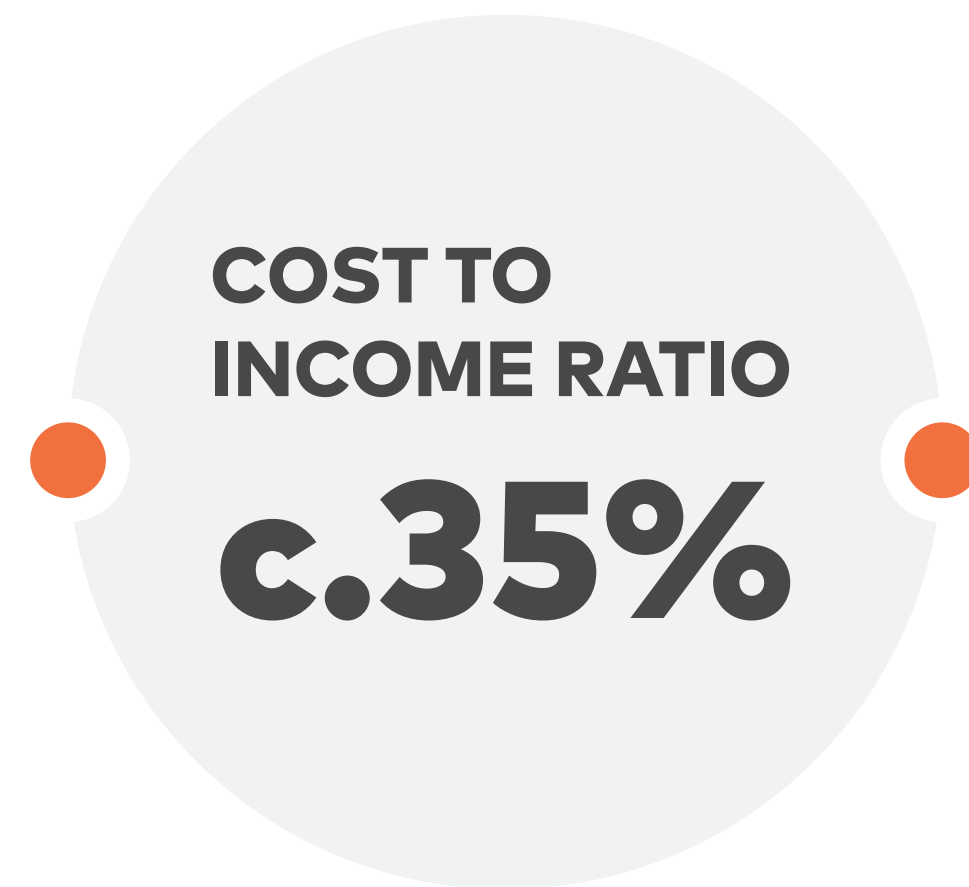
## COST TO INCOME RATIO



## QUARTERLY OPERATING EXPENSES YOY CHANGE



## MEDIUM-TERM GUIDANCE



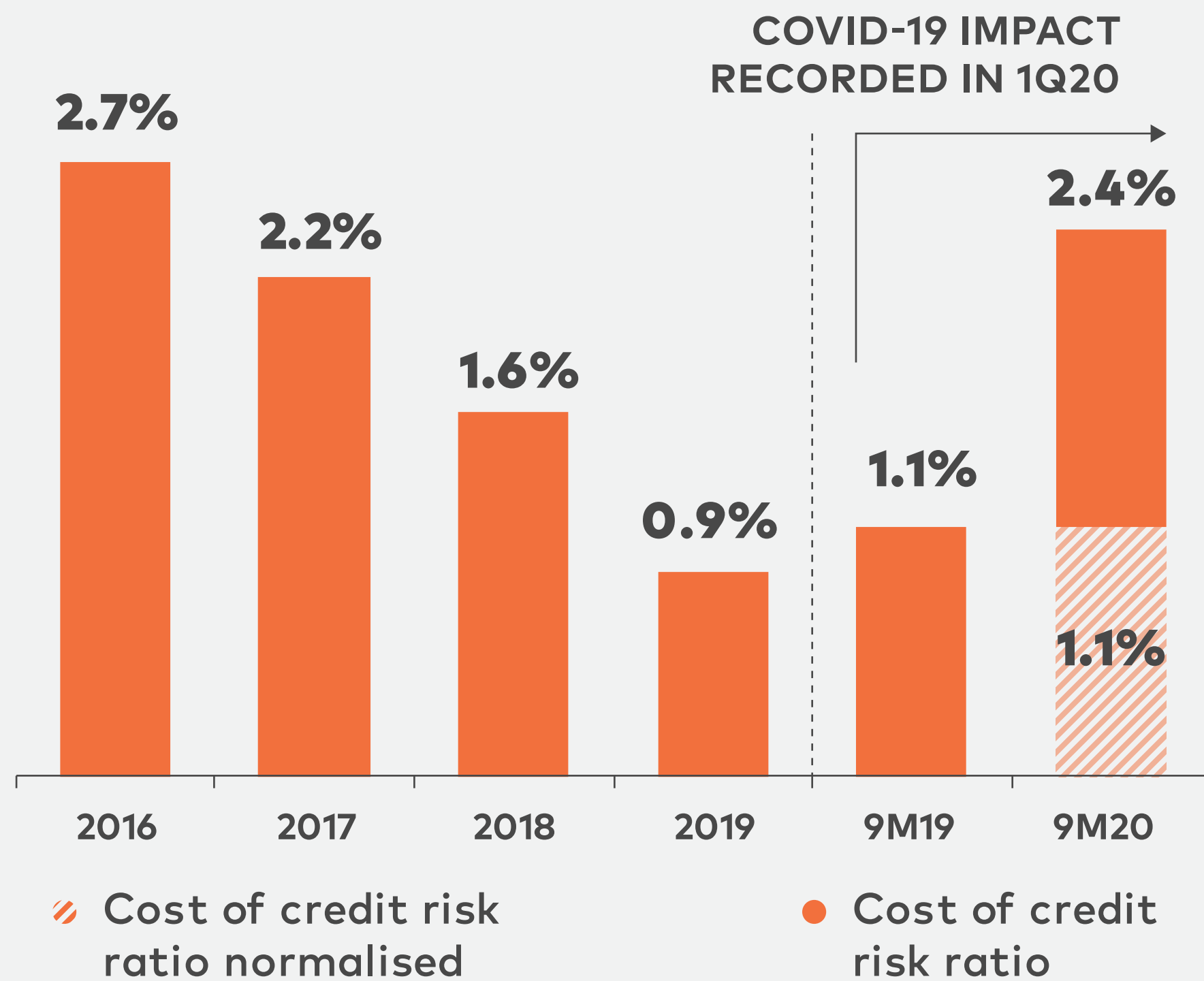
**WE EXPECT OPERATING EXPENSES TO BE BROADLY FLAT YOY IN 2020**

\* 1Q19 and 2Q19 operating expenses and cost to income ratios are adjusted for termination costs of former executive management



## BETTER THAN EXPECTED LOAN BOOK QUALITY

### COST OF CREDIT RISK RATIO

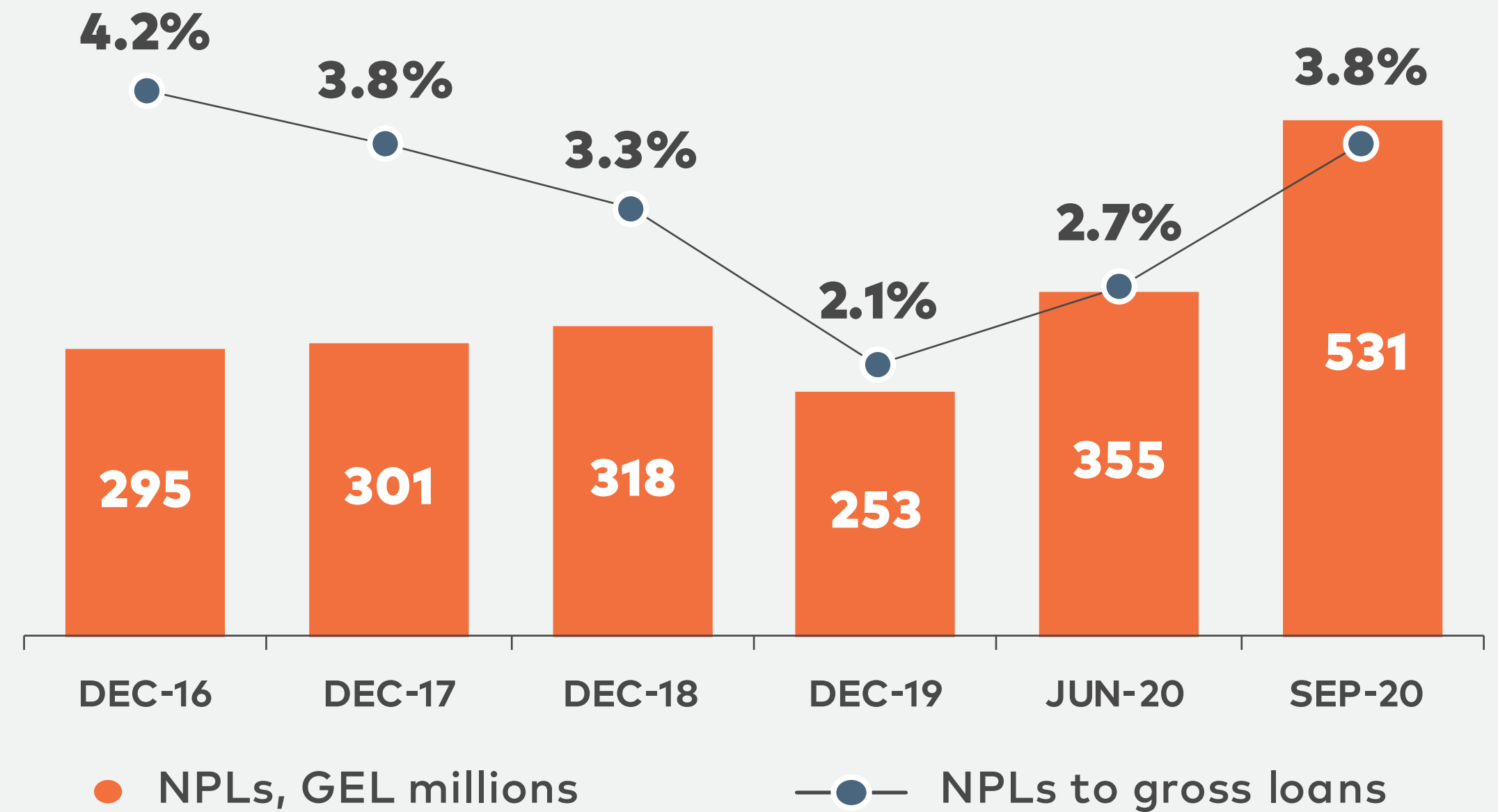


### LOAN PORTFOLIO QUALITY

#### NPL COVERAGE

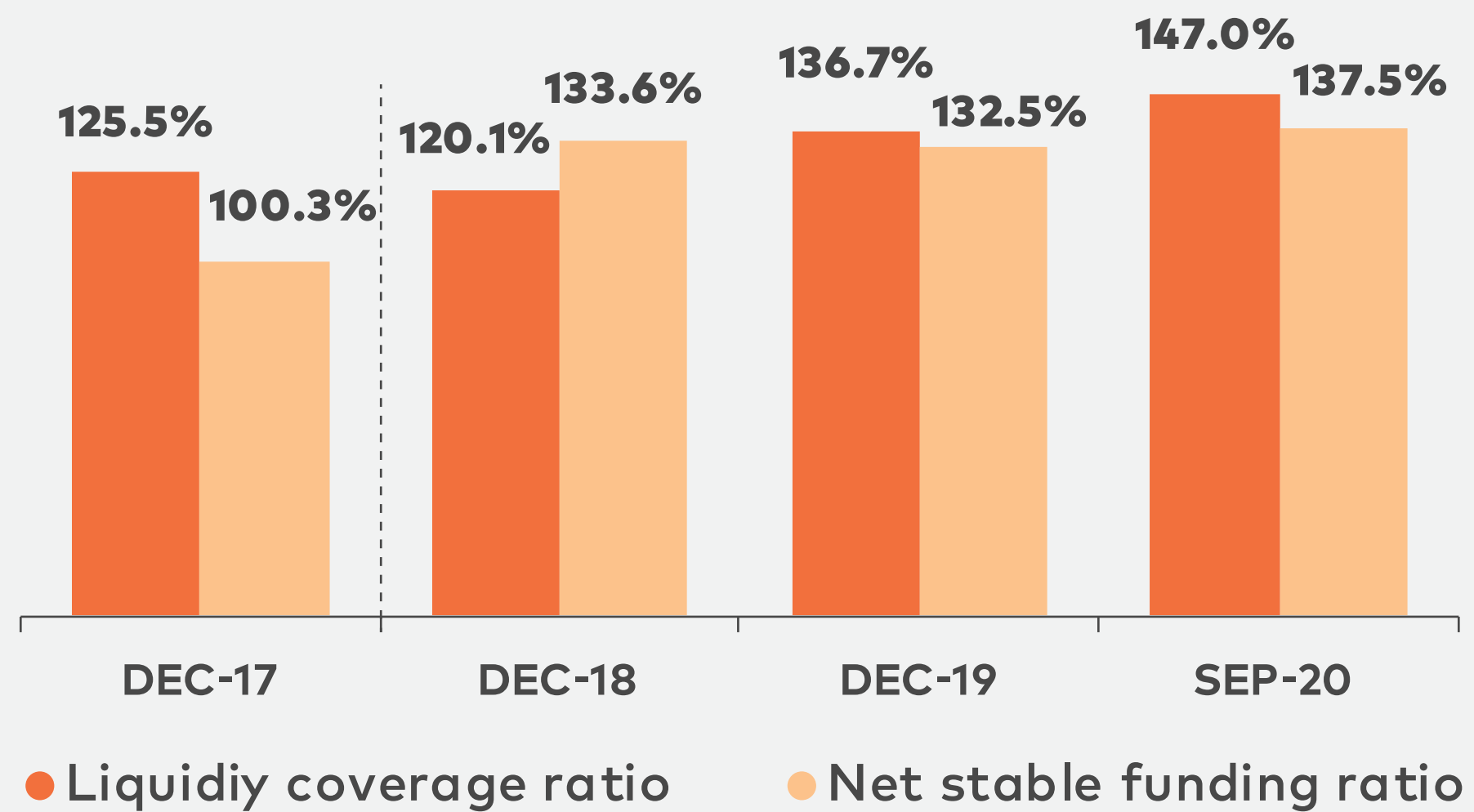


#### NPL COVERAGE ADJUSTED FOR COLLATERAL VALUE



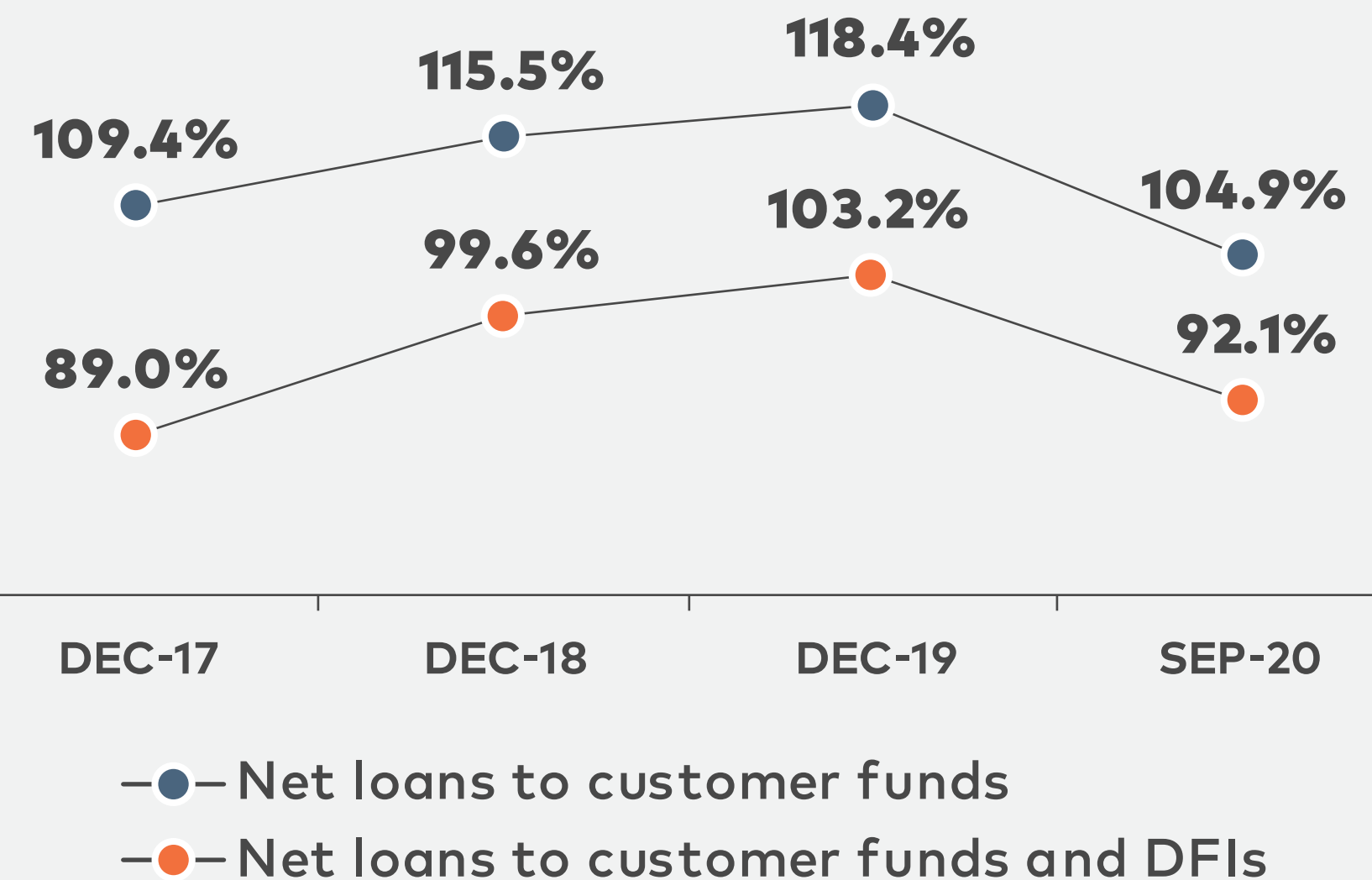
## LIQUIDITY COVERAGE AND NET STABLE FUNDING RATIOS

JSC Bank of Georgia standalone (Basel III liquidity)



2018-2020 ratios are calculated according to NBG guidelines

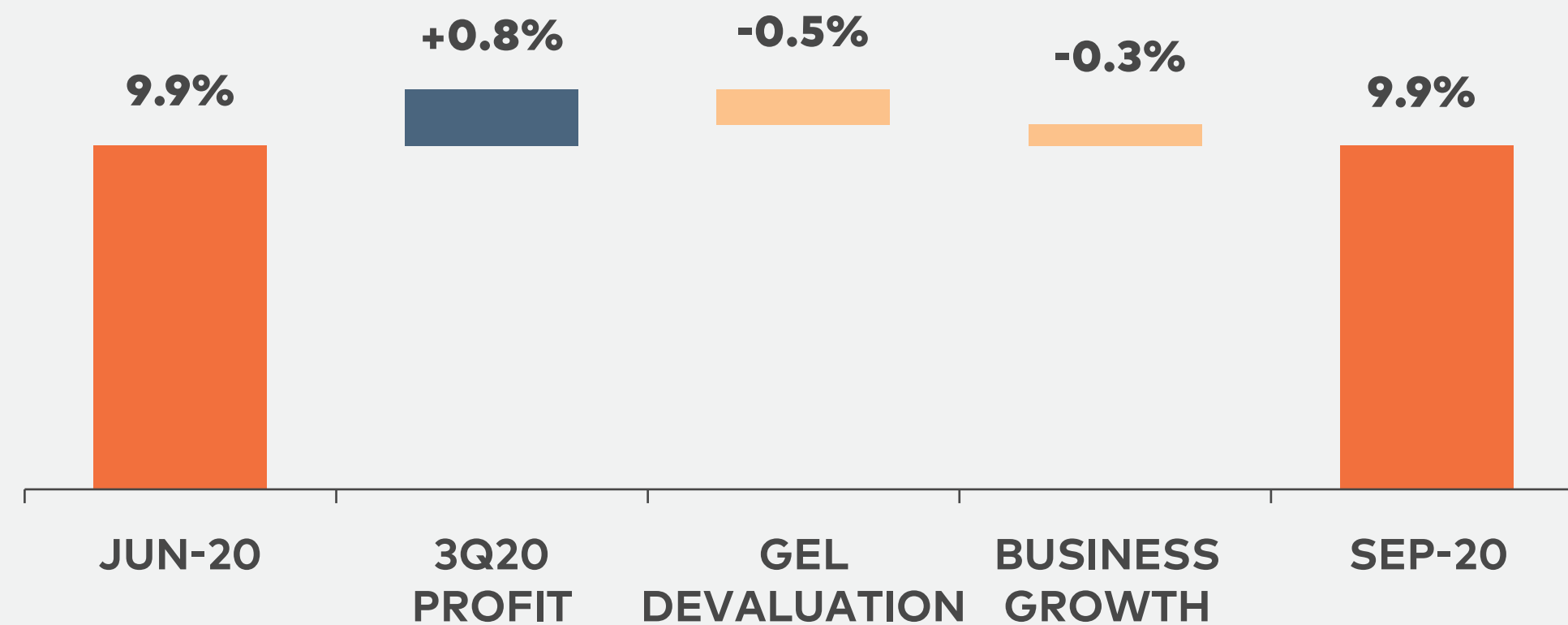
## NET LOANS TO CUSTOMER FUNDS AND DFIs



- Liquidity and funding positions remain strong, following repayment of GEL 500 million local currency bonds in June 2020
- Excess liquidity maintained for risk mitigation purposes, on the back of uncertainty as a result of the COVID-19 crisis
- Liquidity management: we repurchased US\$19.3 million Eurobonds due 2023 since July 2020

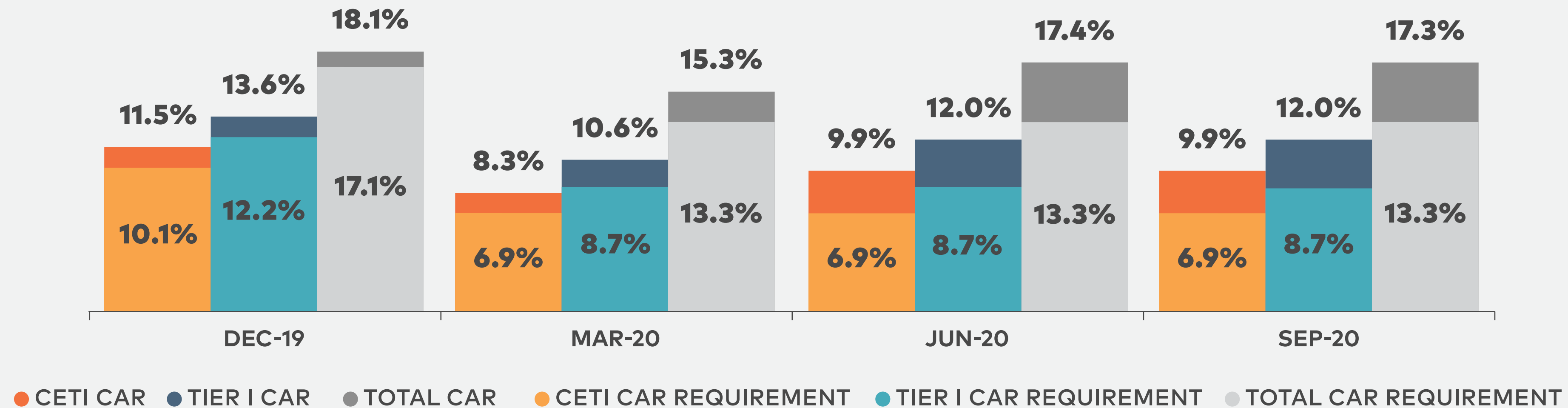
- Strong support from International Financial Institutions:
  - c.GEL 463 million undrawn long-term loan facilities from DFIs at 30 September 2020 with up to seven years of maturity

## NBG BASEL III CET1 CAPITAL ADEQUACY RATIO EVOLUTION DURING 3Q20



- Strong internal capital generation during the quarter offset by loan book growth and the local currency depreciation
- Potential impact of additional 10% GEL devaluation on CET1 capital is -0.7%

## NBG BASEL III CAPITAL ADEQUACY RATIOS



## DIVIDENDS

- Dividends will be resumed once the released capital buffers are rebuilt
- Discussions with NBG regarding the new phase-in schedule for minimum capital requirements are currently in progress

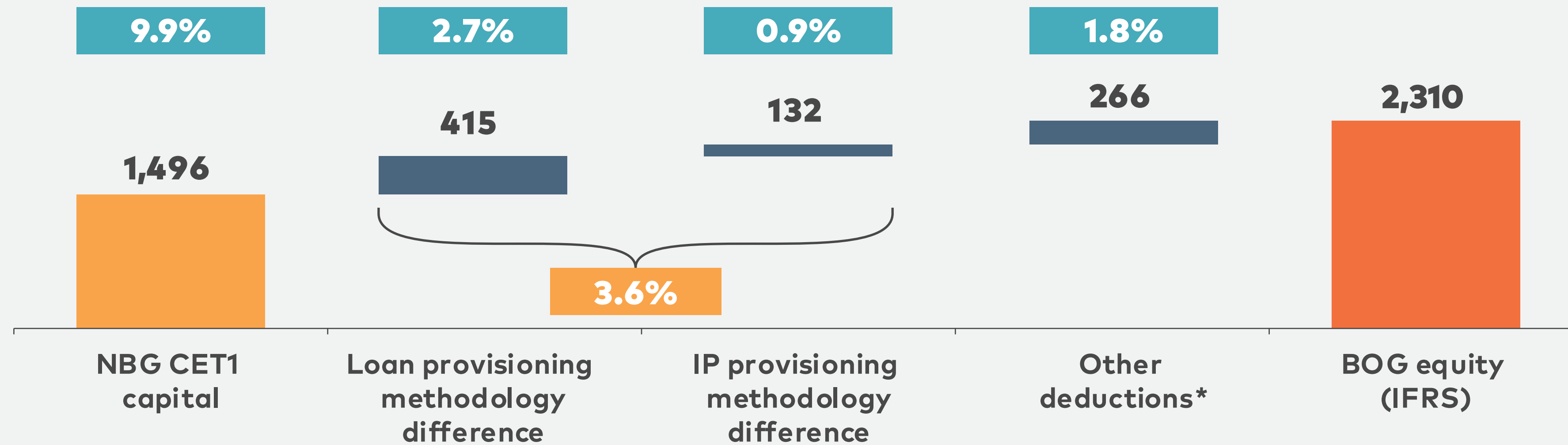
## PRE-COVID-19 CAPITAL REQUIREMENTS

CET1 capital	<b>10.3%</b>
Tier I capital	<b>12.4%</b>
Total capital	<b>17.3%</b>

## BOG IFRS EQUITY VS. CET1 REGULATORY CAPITAL – SEP-20

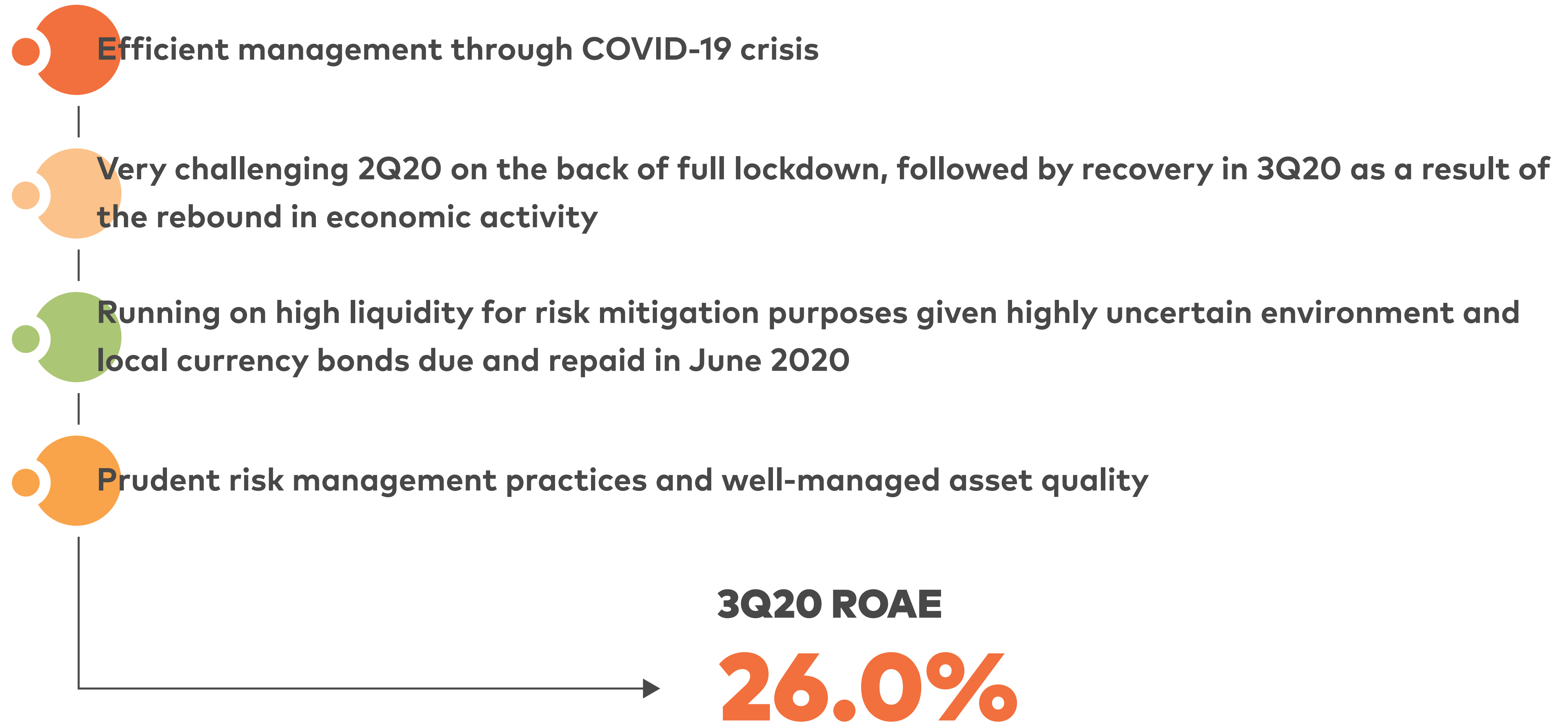
GEL millions

% OF  
RWA



\* Revaluation reserve, investments in non-financial subsidiaries and intangible assets


- Existing additional capital buffers (within c.3.6% of risk-weighted assets) reflecting differences in provisioning methodology between NBG and IFRS 9
- NBG plans to transition to IFRS-based financial reporting during 2021 - 2022



## KEY TARGETS REMAIN UNCHANGED



**c.15%**  
Loan book growth



**20%+**  
ROAE



**25-40%**  
Dividend payout

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