



BANK OF GEORGIA

# INVESTOR 20 DAY 20

**Risk Management**

**Speaker:  
Giorgi Chiladze  
CRO**



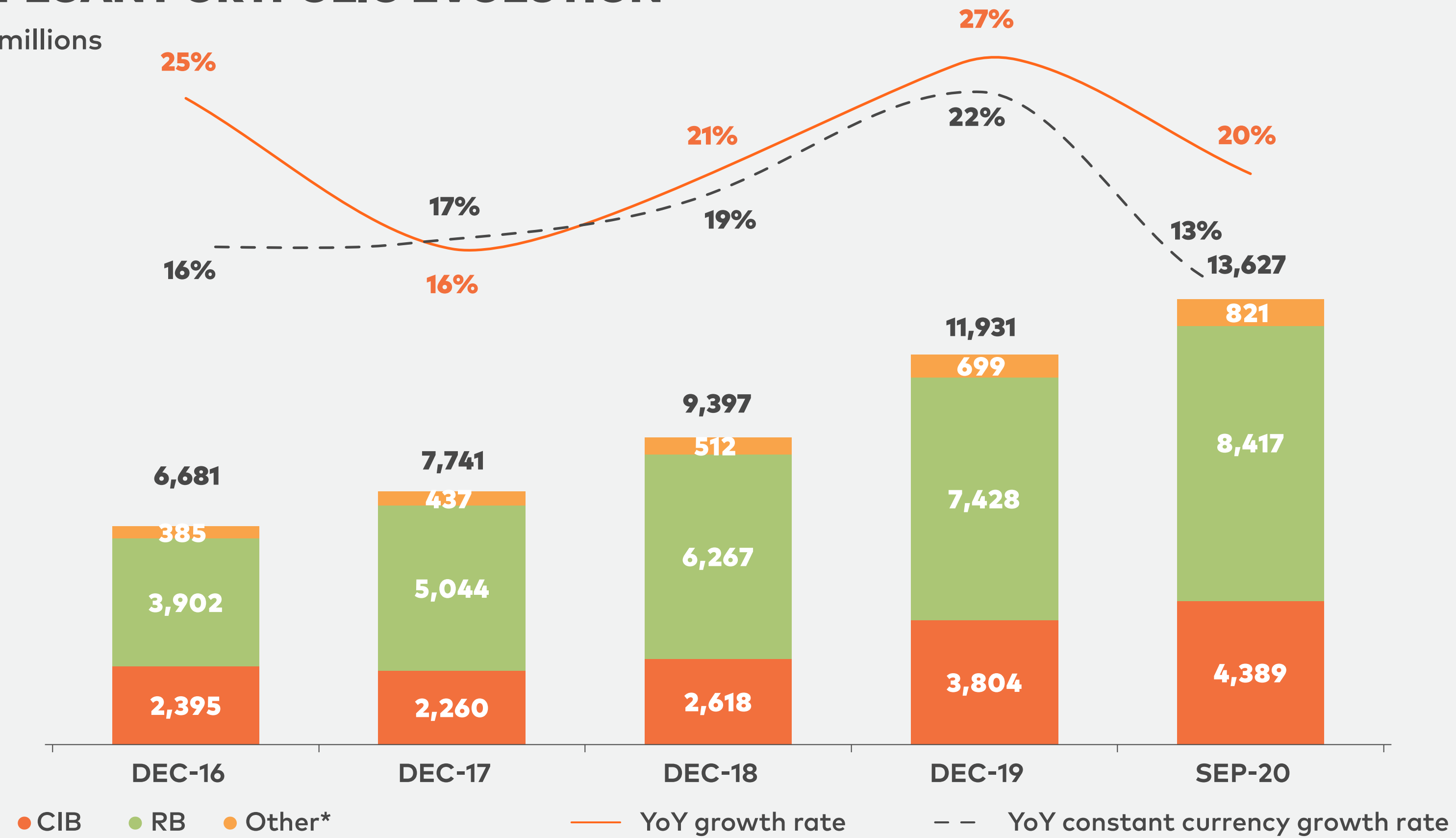


# **CONTENTS**

- **CREDIT RISK**
- **RISK MANAGEMENT PRIORITIES**

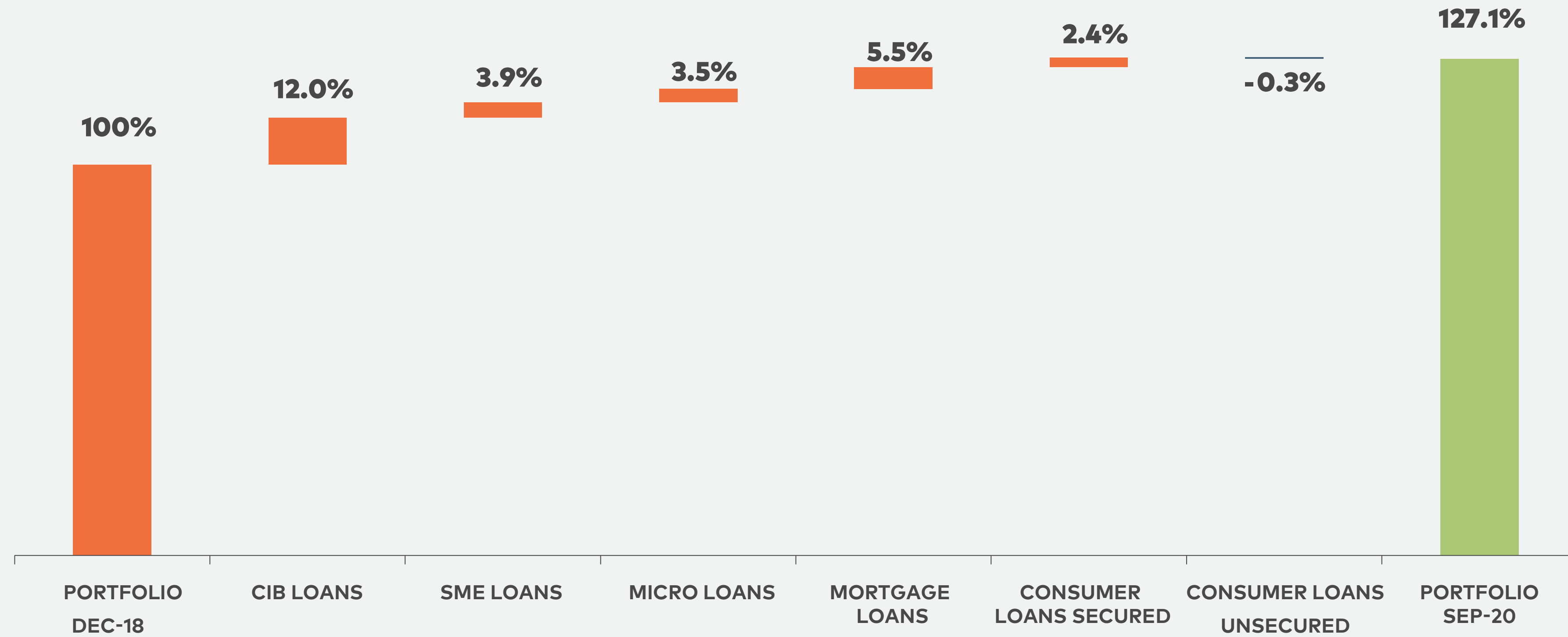
## NET LOAN PORTFOLIO EVOLUTION

GEL millions

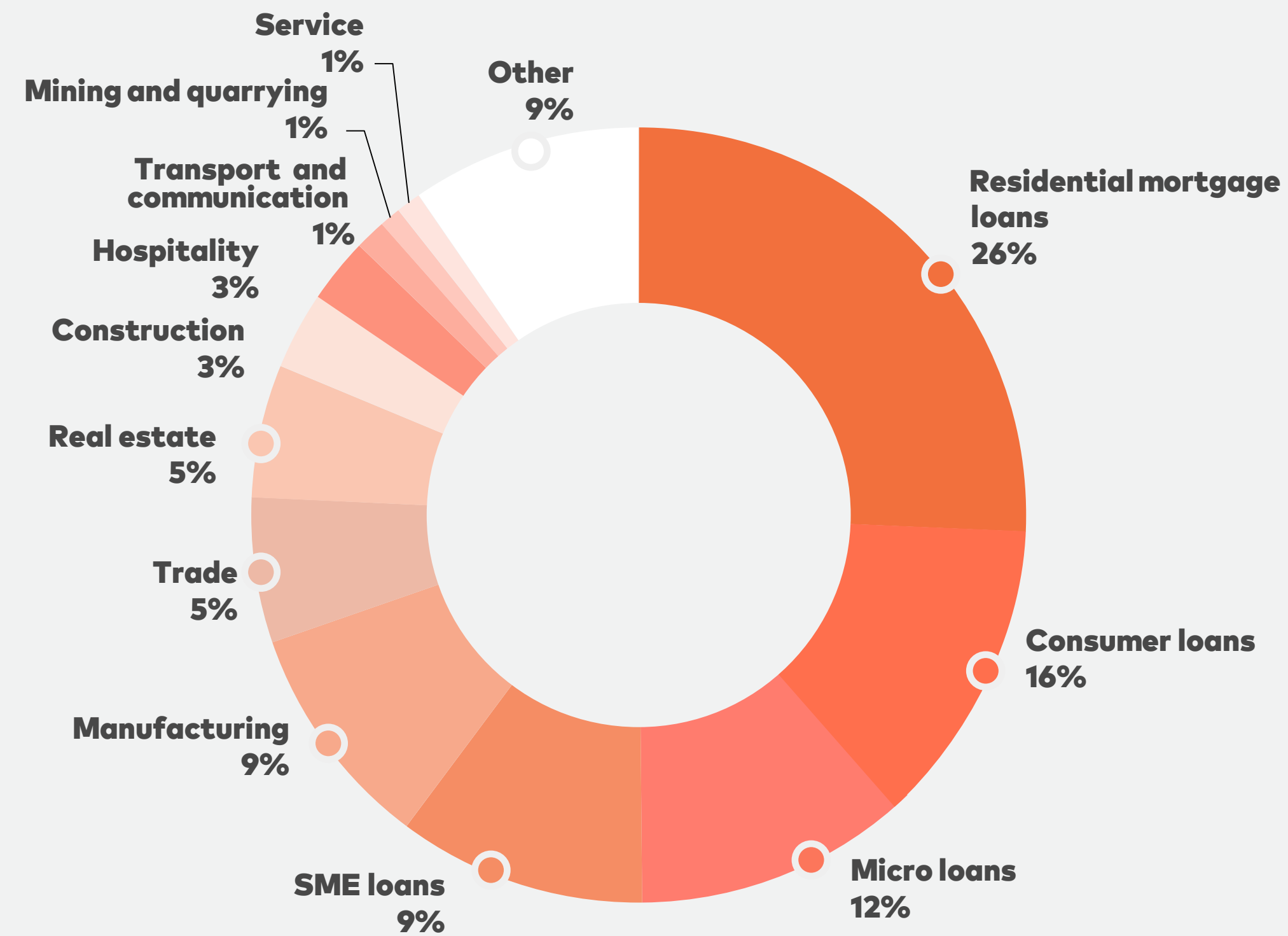


\* Other mainly includes BNB and intersegment eliminations

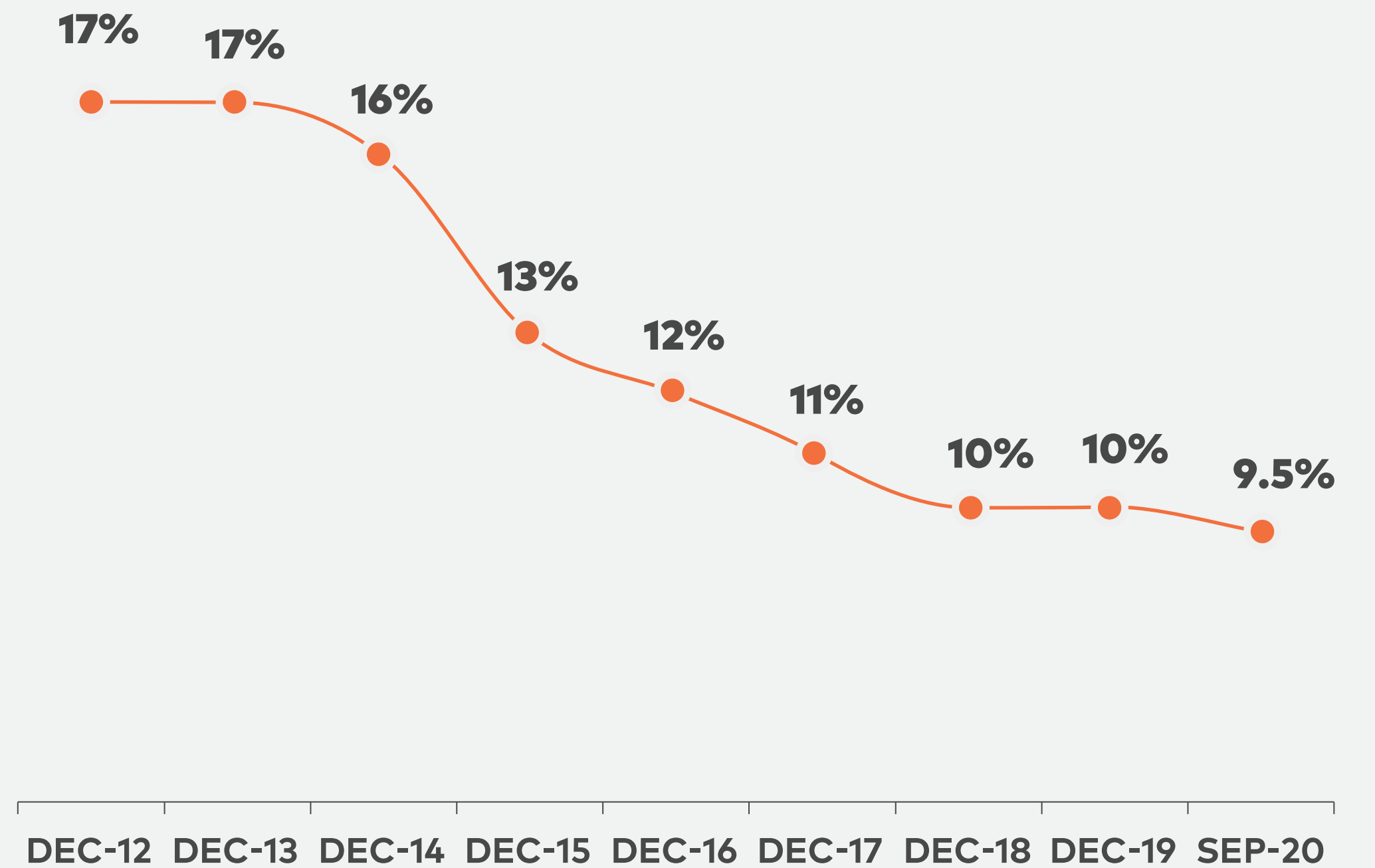
## GROWTH ON A CONSTANT CURRENCY BASIS SINCE DEC-18



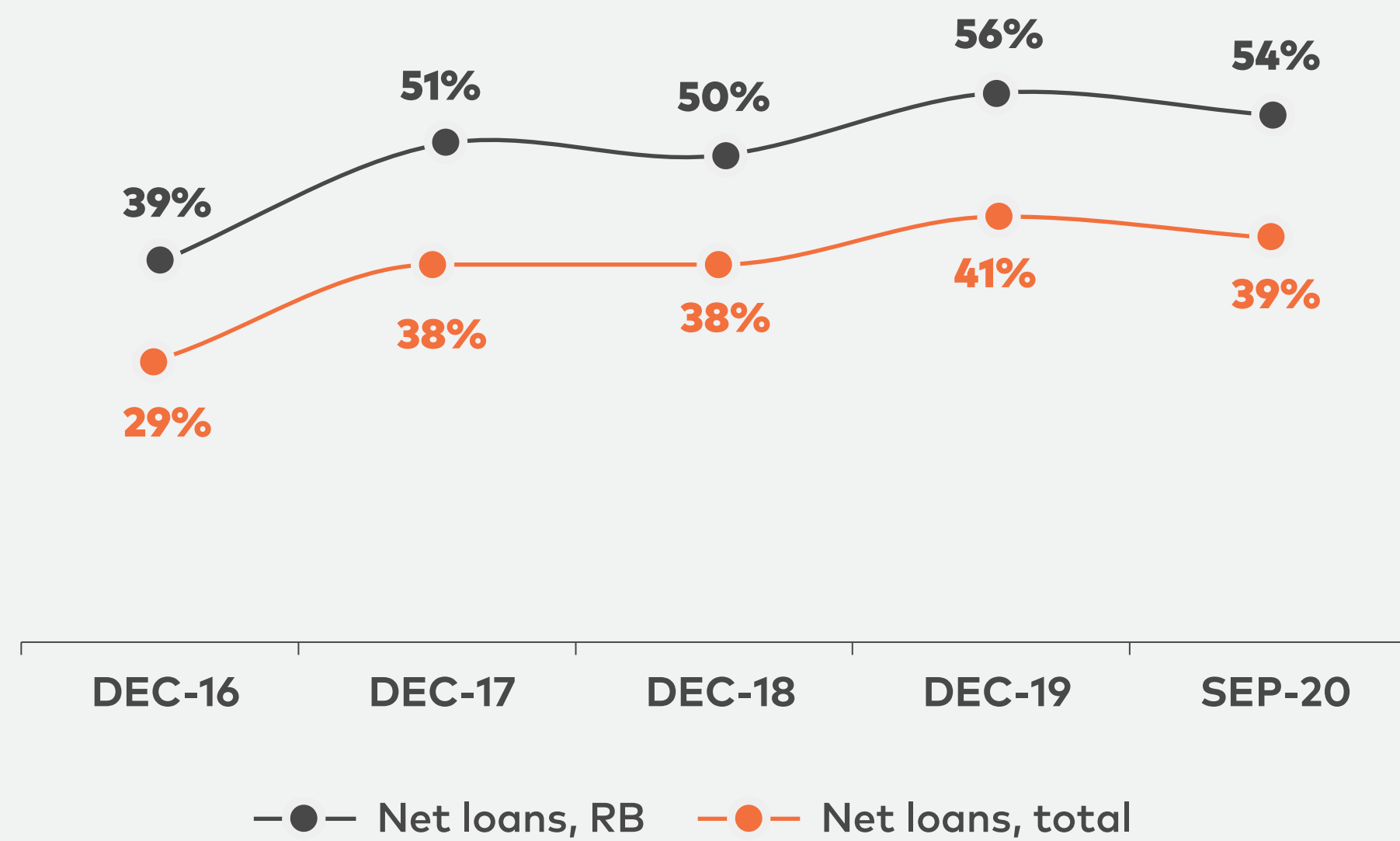
## GROSS LOAN PORTFOLIO BY SECTOR SEP-20



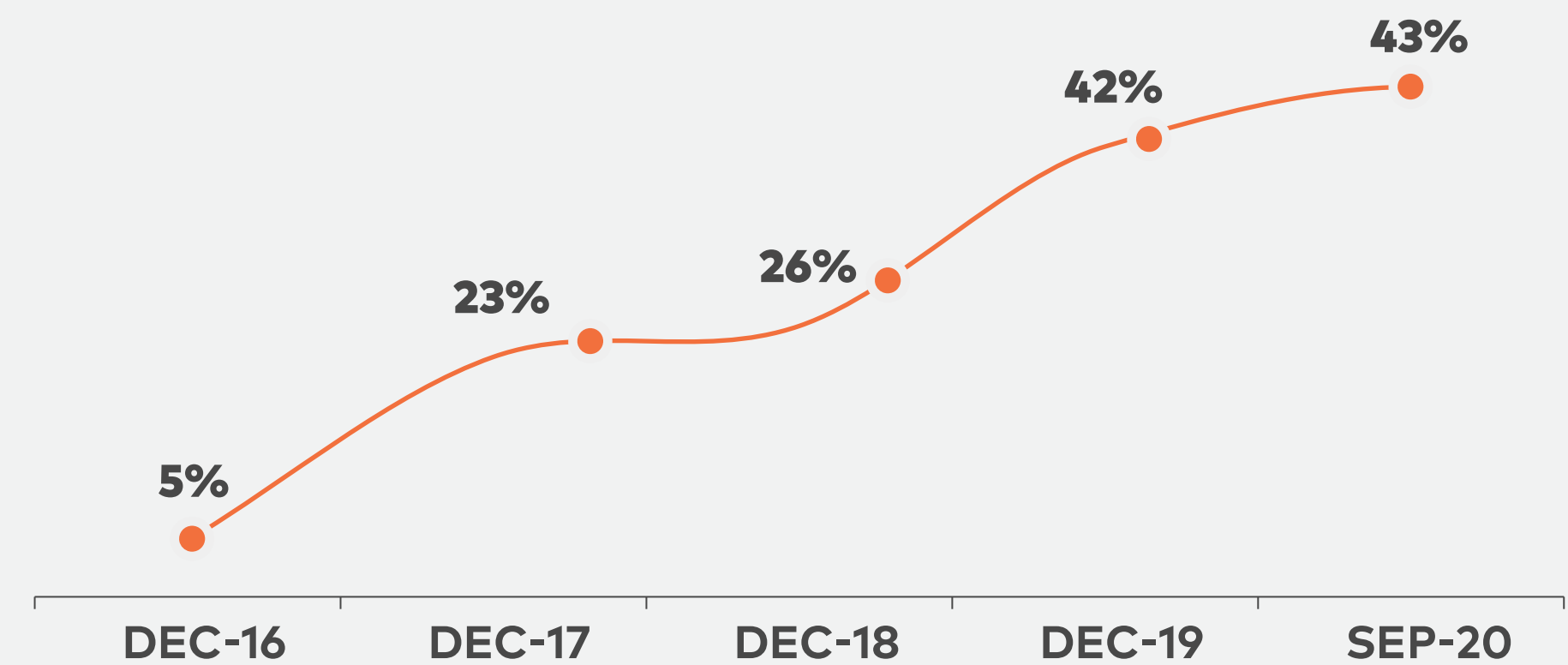
## CONCENTRATION OF TOP 10 BORROWERS



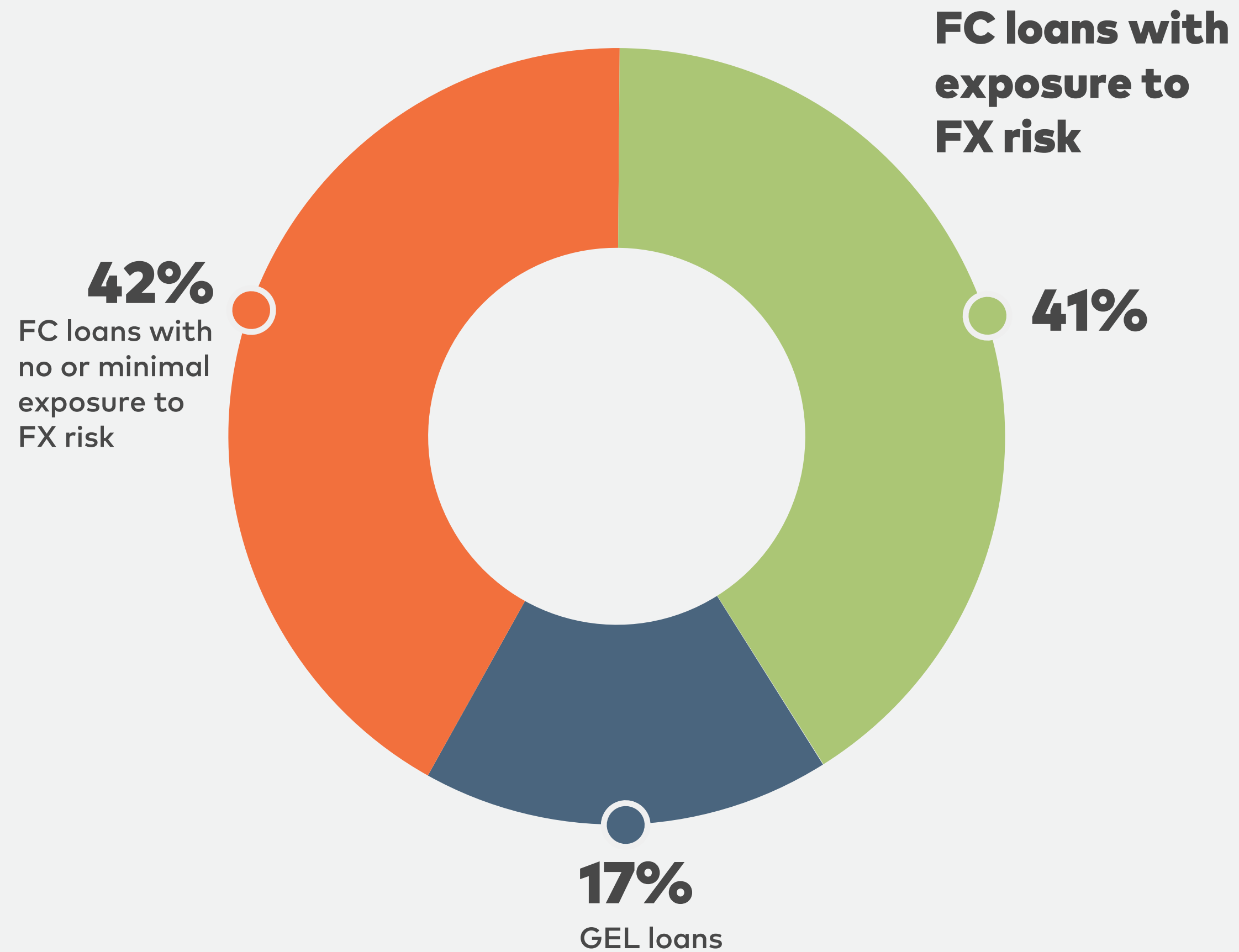
## SHARE OF LOCAL CURRENCY LOANS



## SHARE OF RETAIL MORTGAGE LOANS IN LOCAL CURRENCY



## CIB LOAN BOOK\*



Differentiated approach in underwriting

Increased capital requirements

Higher collateralisation level

\* Bank of Georgia standalone corporate and wealth management portfolio composition at SEP-20

**AVERAGE DURATION OF LOANS IN FOREIGN CURRENCY**

 **MORTGAGES**

**6.3 YEARS**

 **MSME**

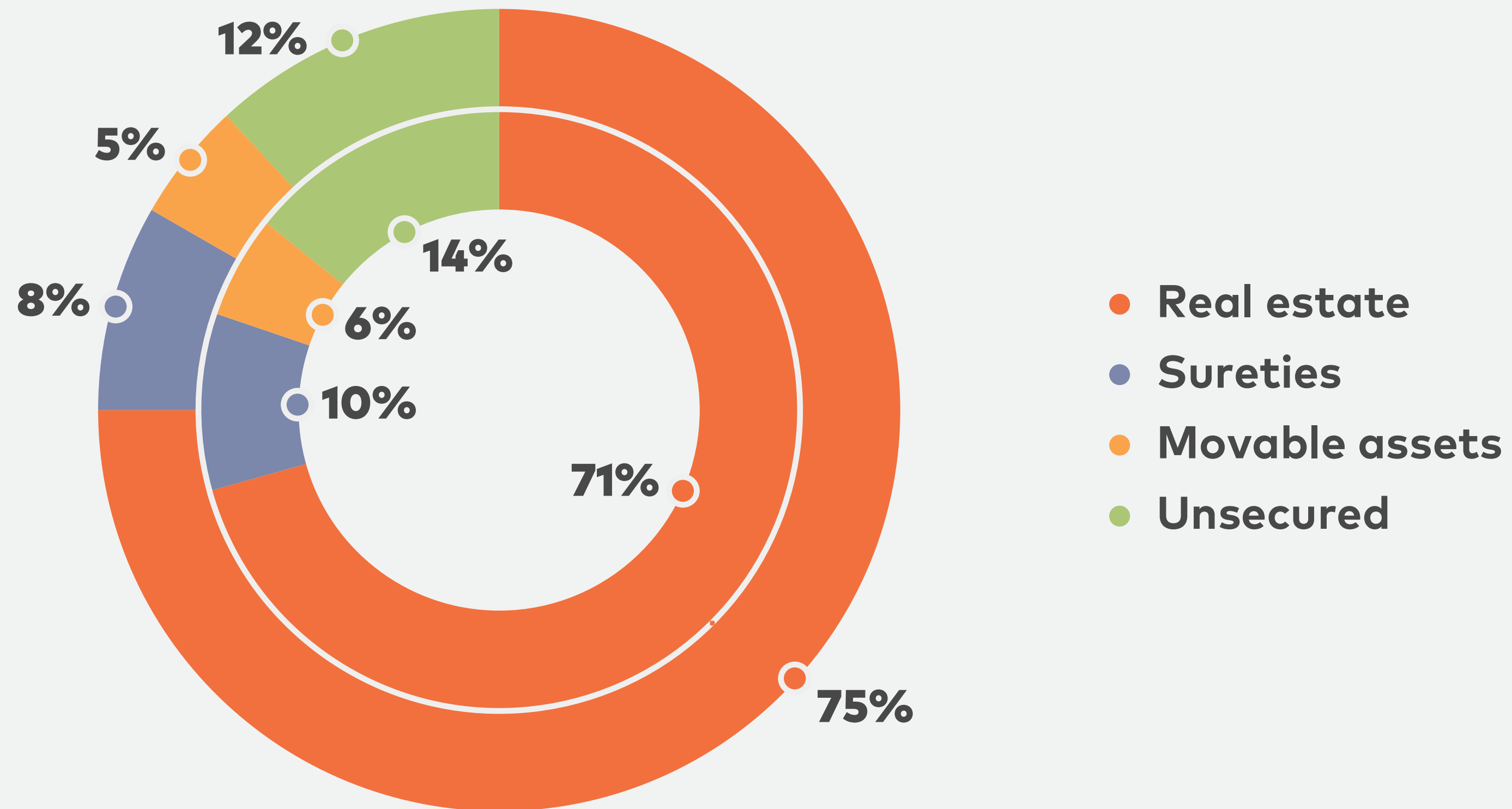
**3.2 YEARS**

 **CORPORATE**

**3.1 YEARS**

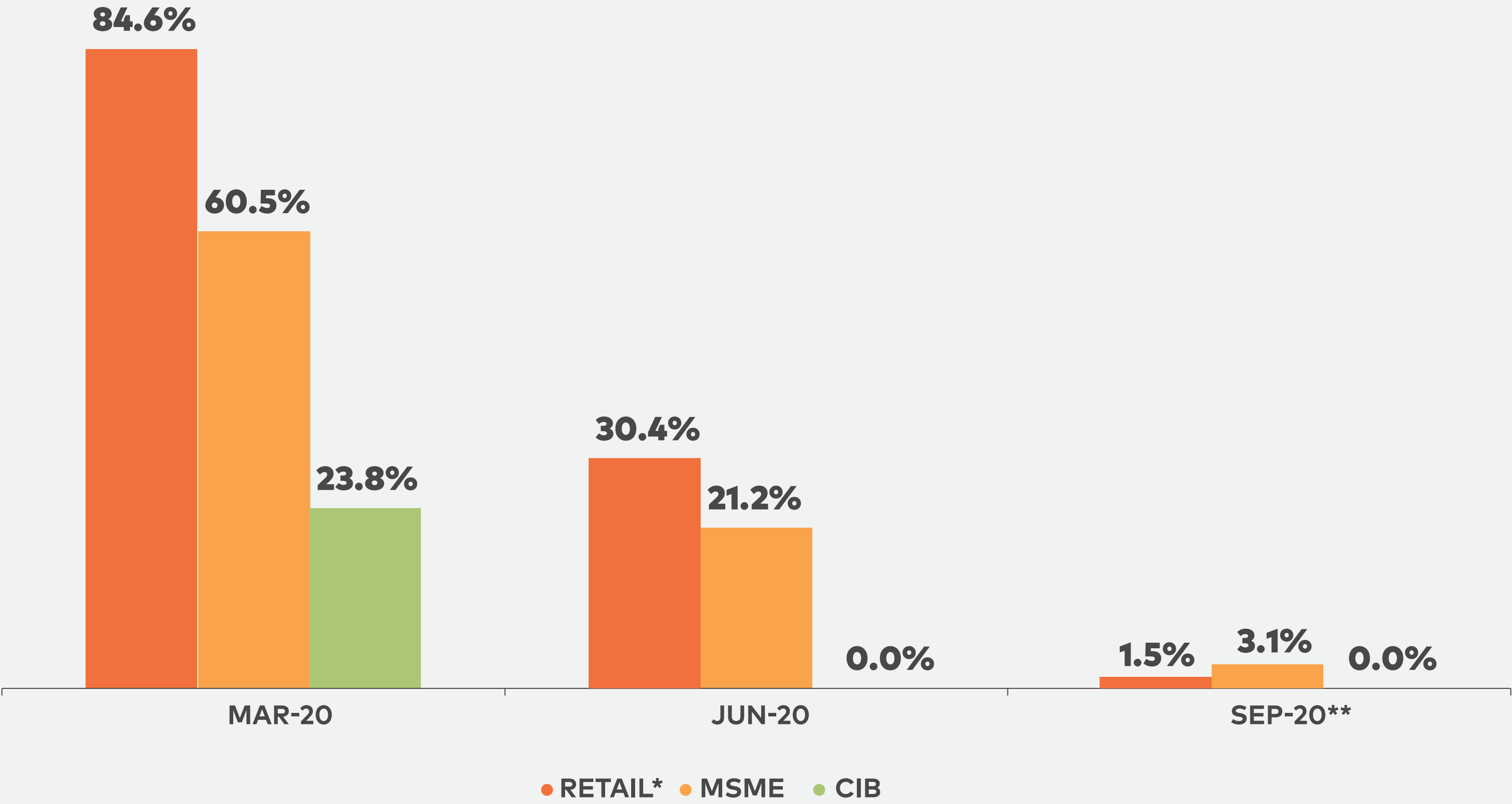


## TOTAL LOAN BOOK BY COLLATERAL TYPE



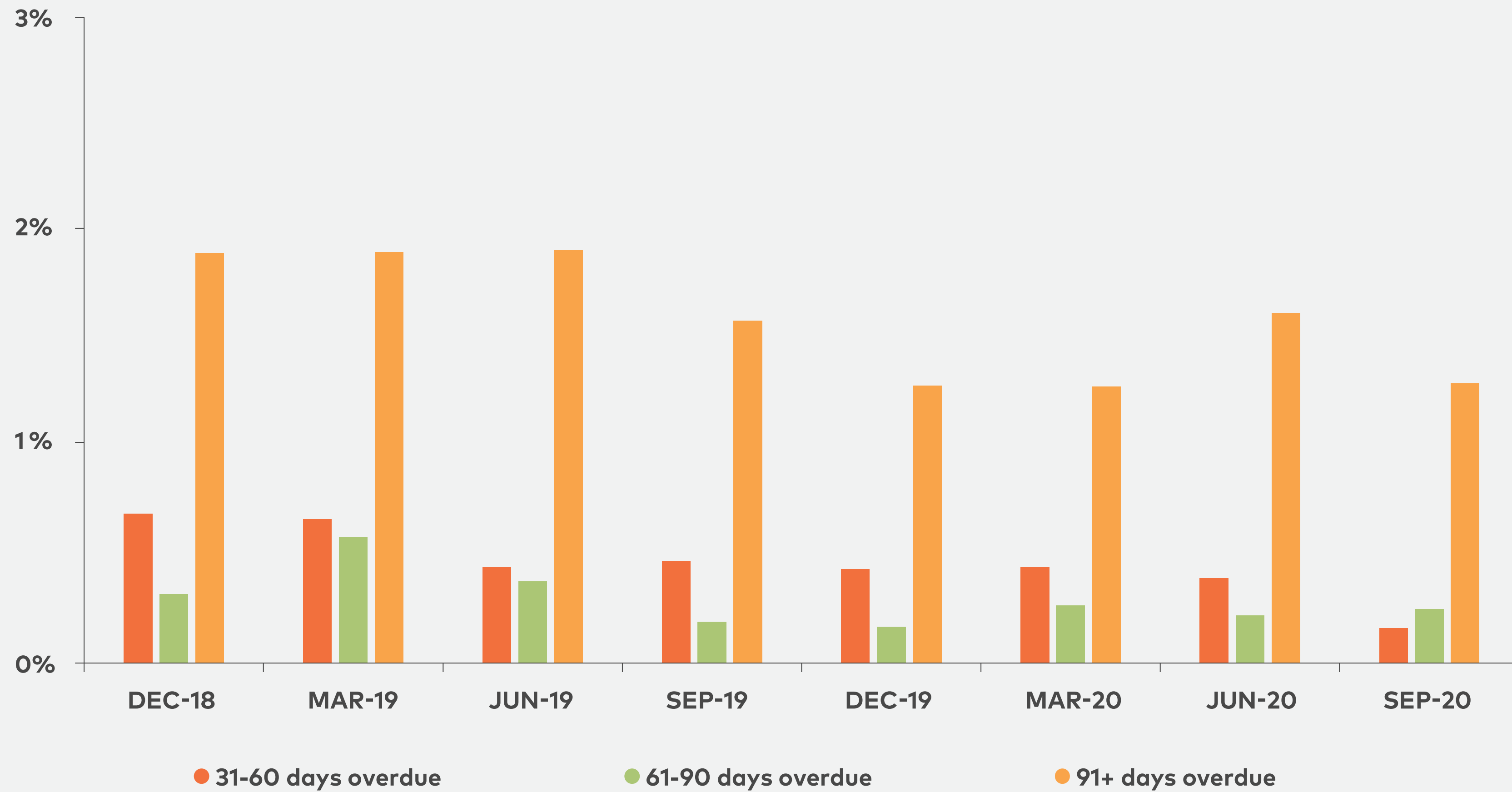
Inner circle – SEP-19 | Outer circle – SEP-20 | Based on standalone BOG data

SHARE OF LOANS USING PAYMENT HOLIDAYS



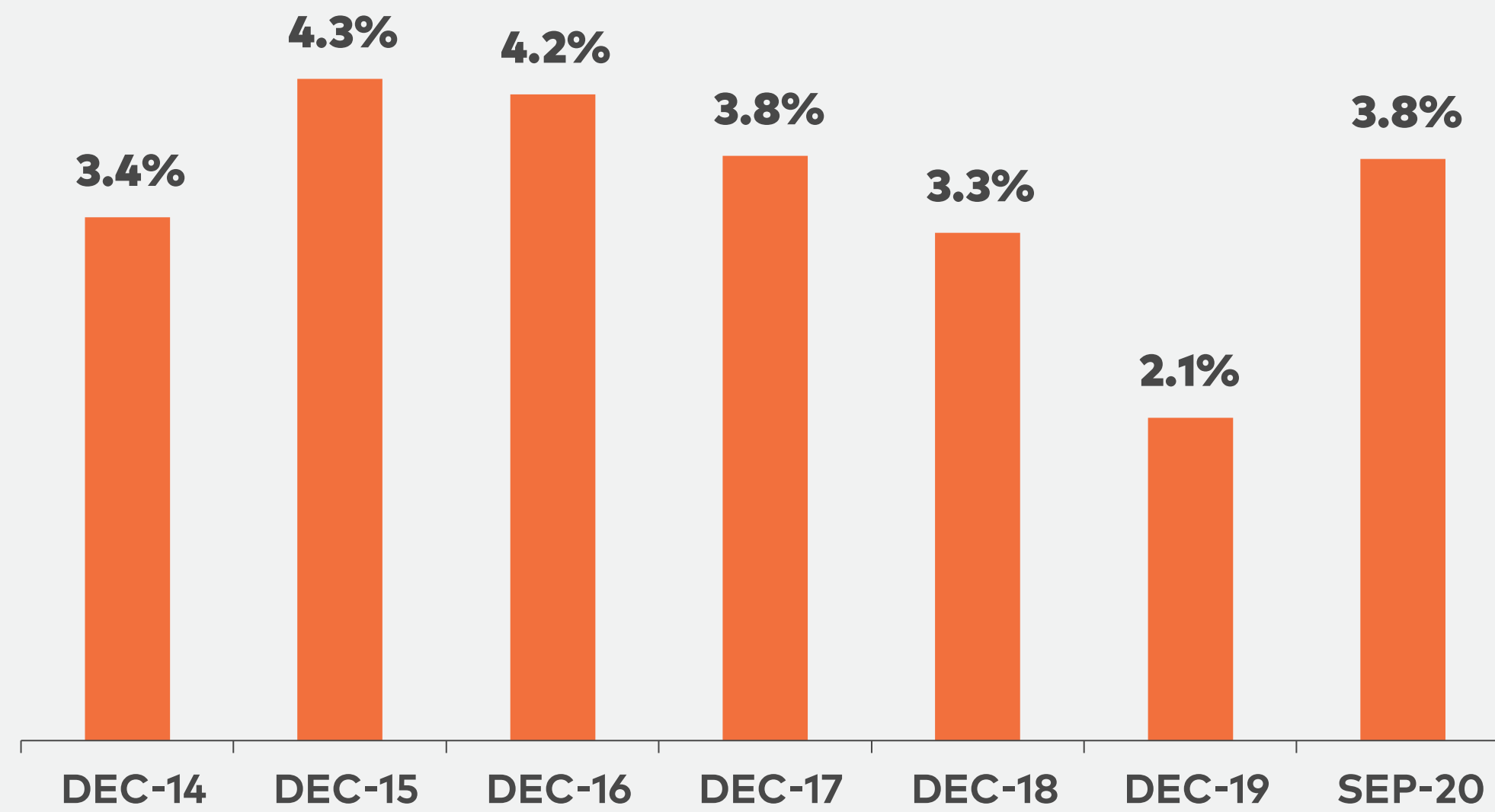
\* Includes Mass Retail and SOLO  
\*\* Includes OCT-20 take-up as well

## RETAIL BANKING

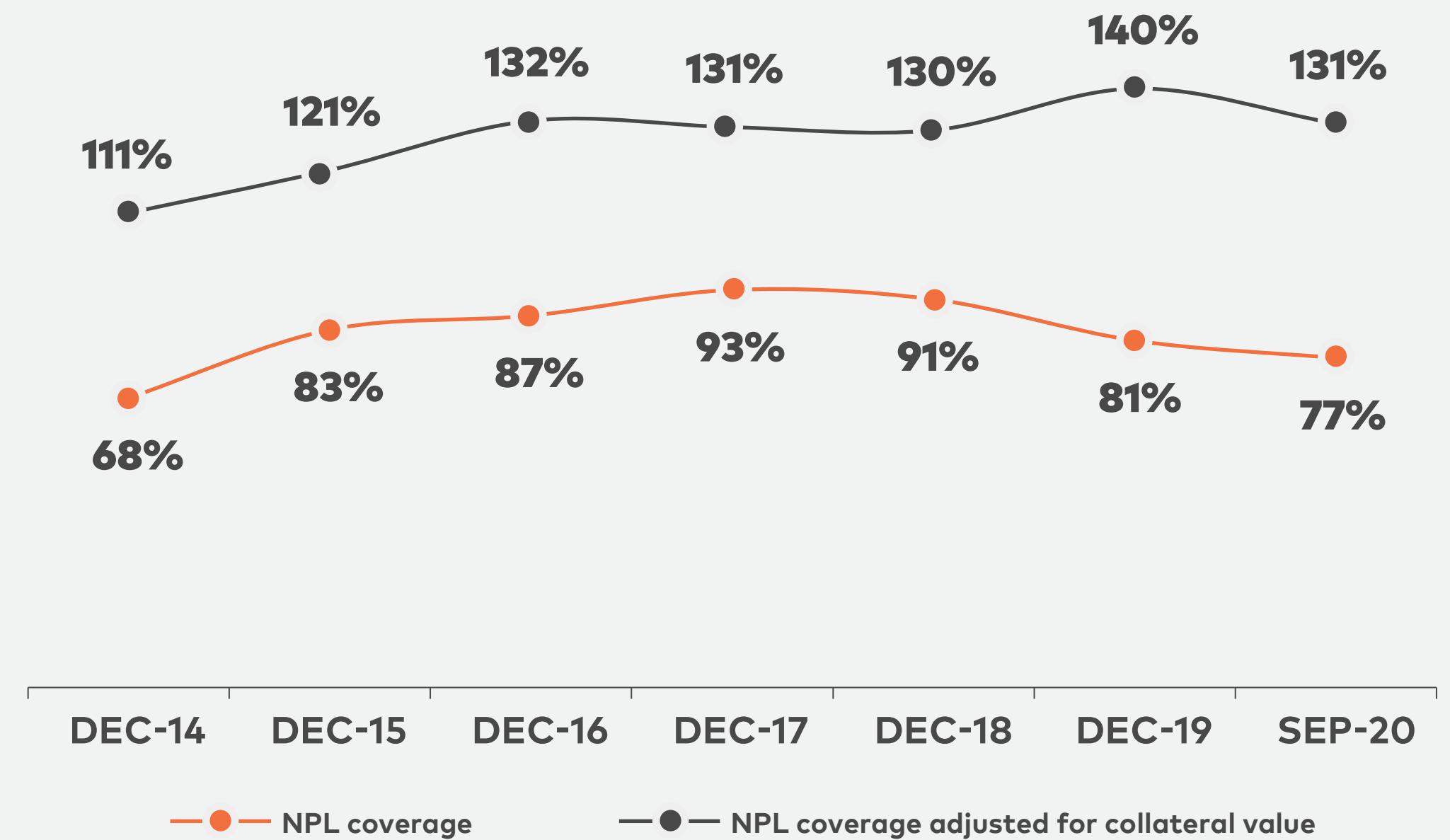




## NPL TO GROSS LOANS

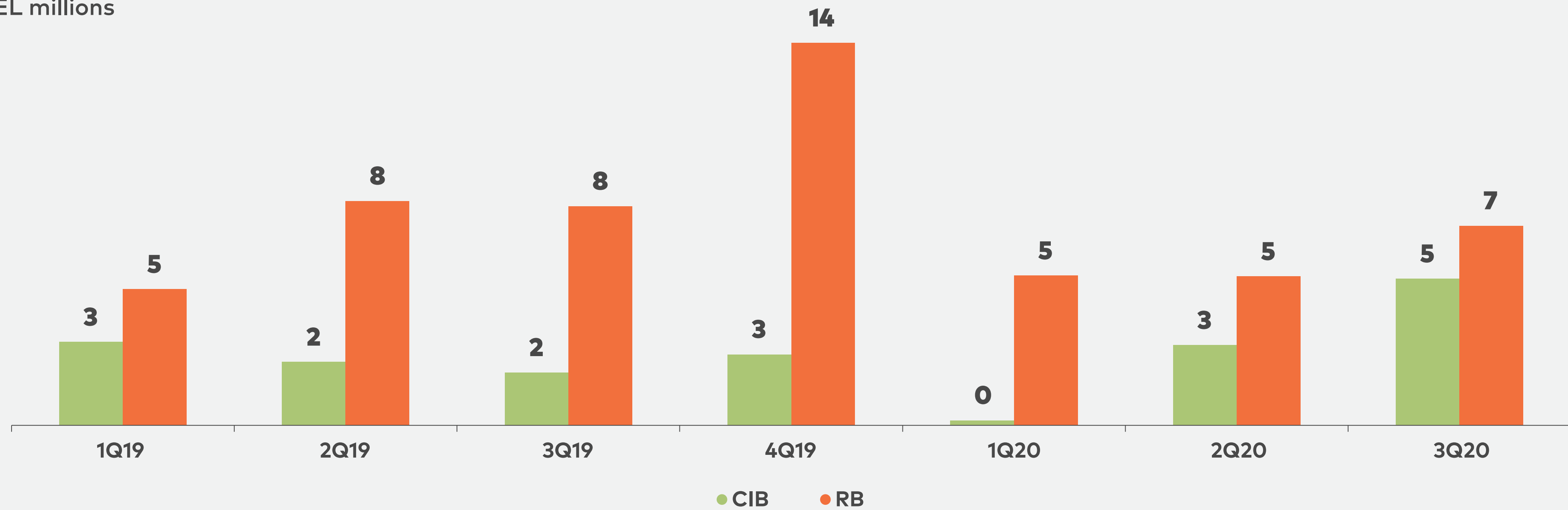


## NPL COVERAGE



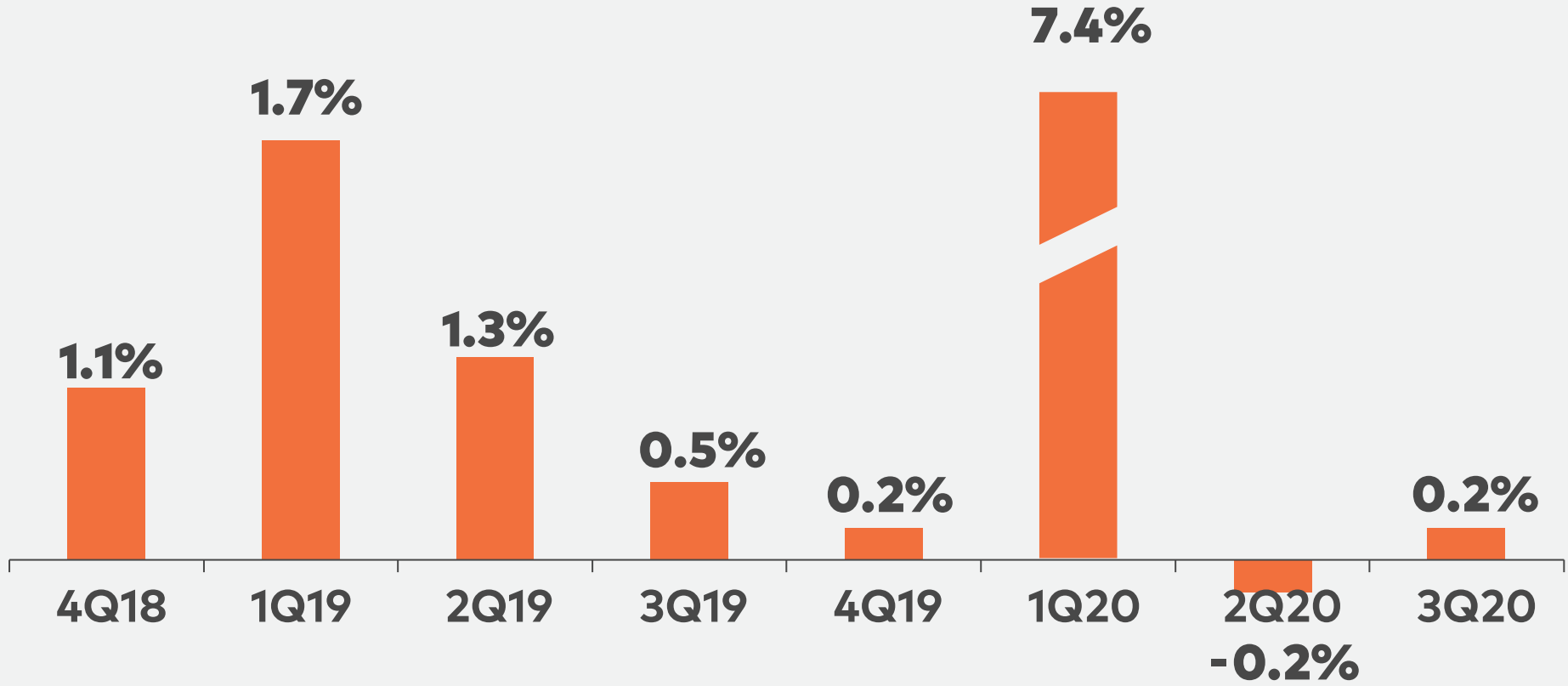
## RECOVERY OF WRITTEN-OFF LOANS

GEL millions

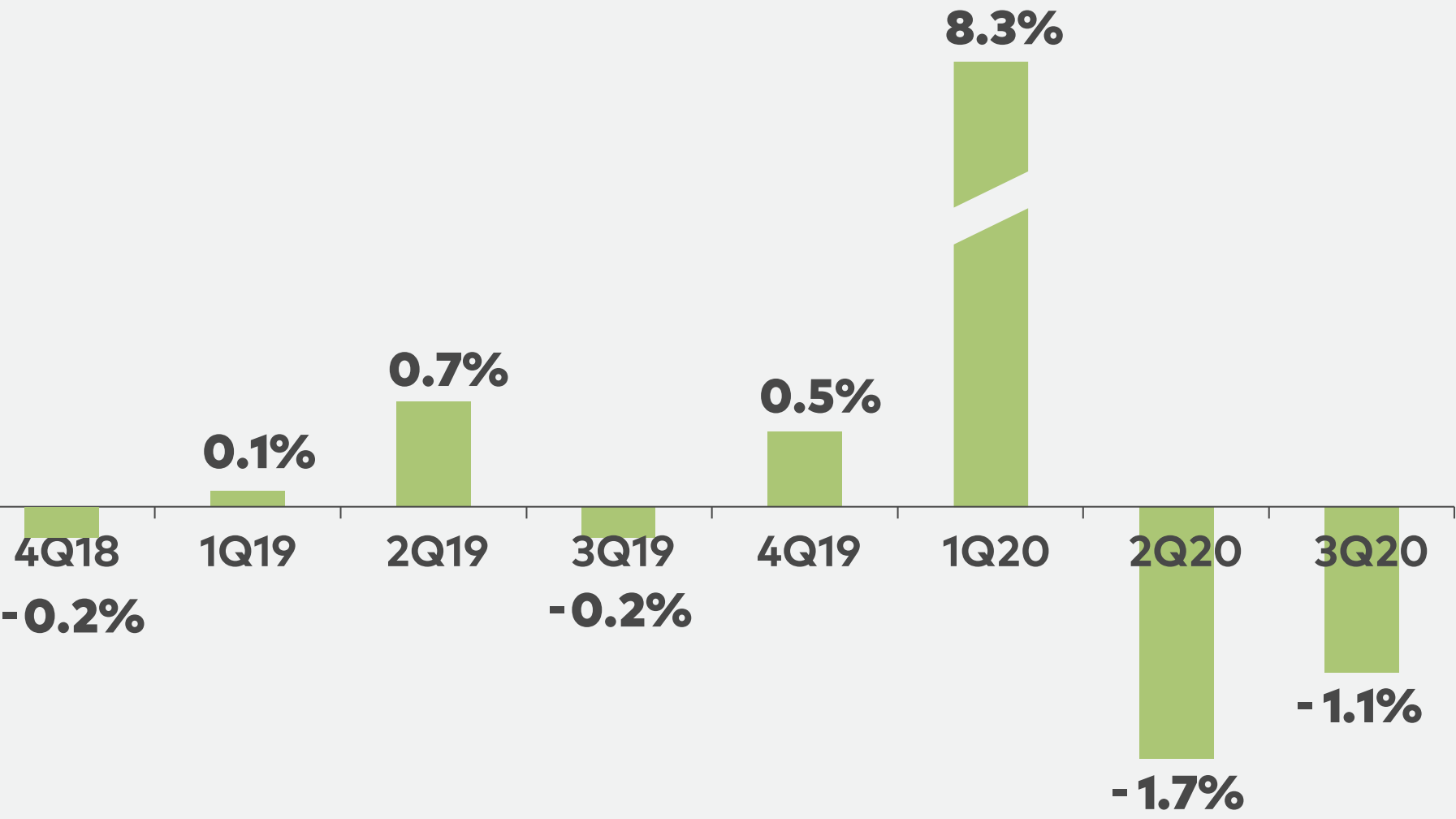


\* Standalone Bank of Georgia figures

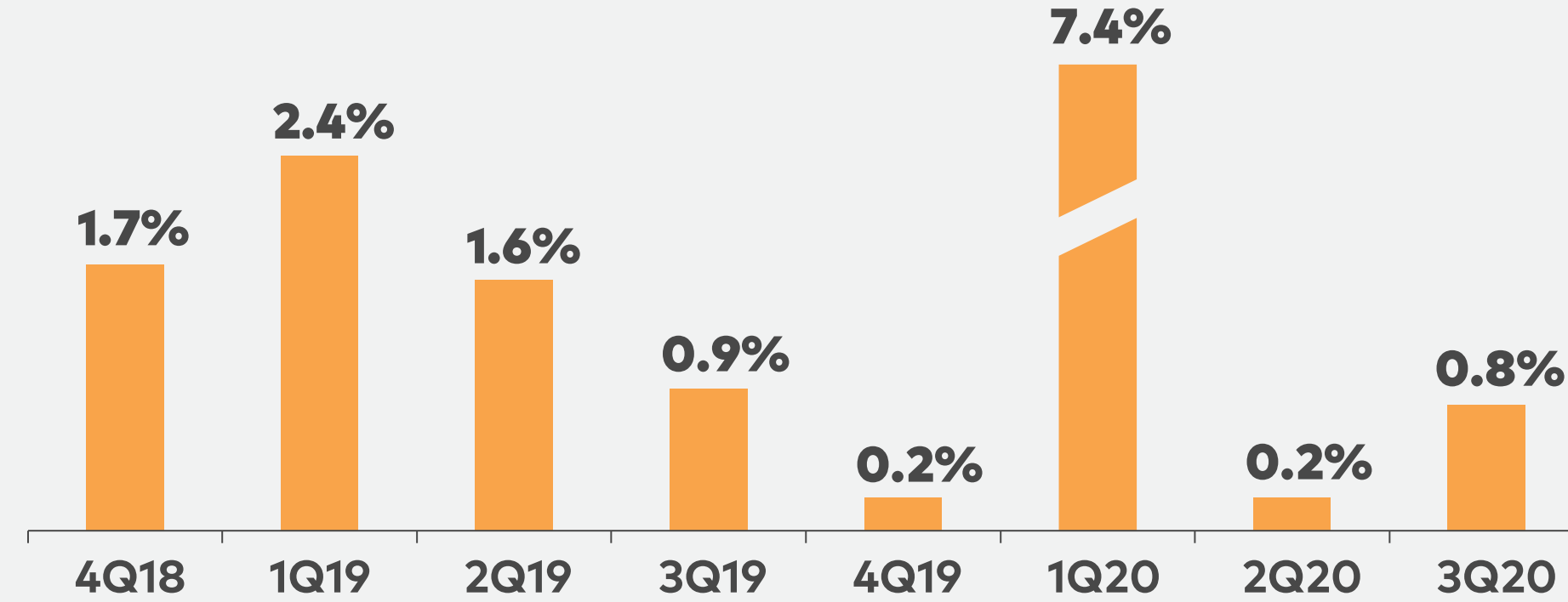
## COST OF CREDIT RISK RATIO



## CIB COST OF CREDIT RISK RATIO

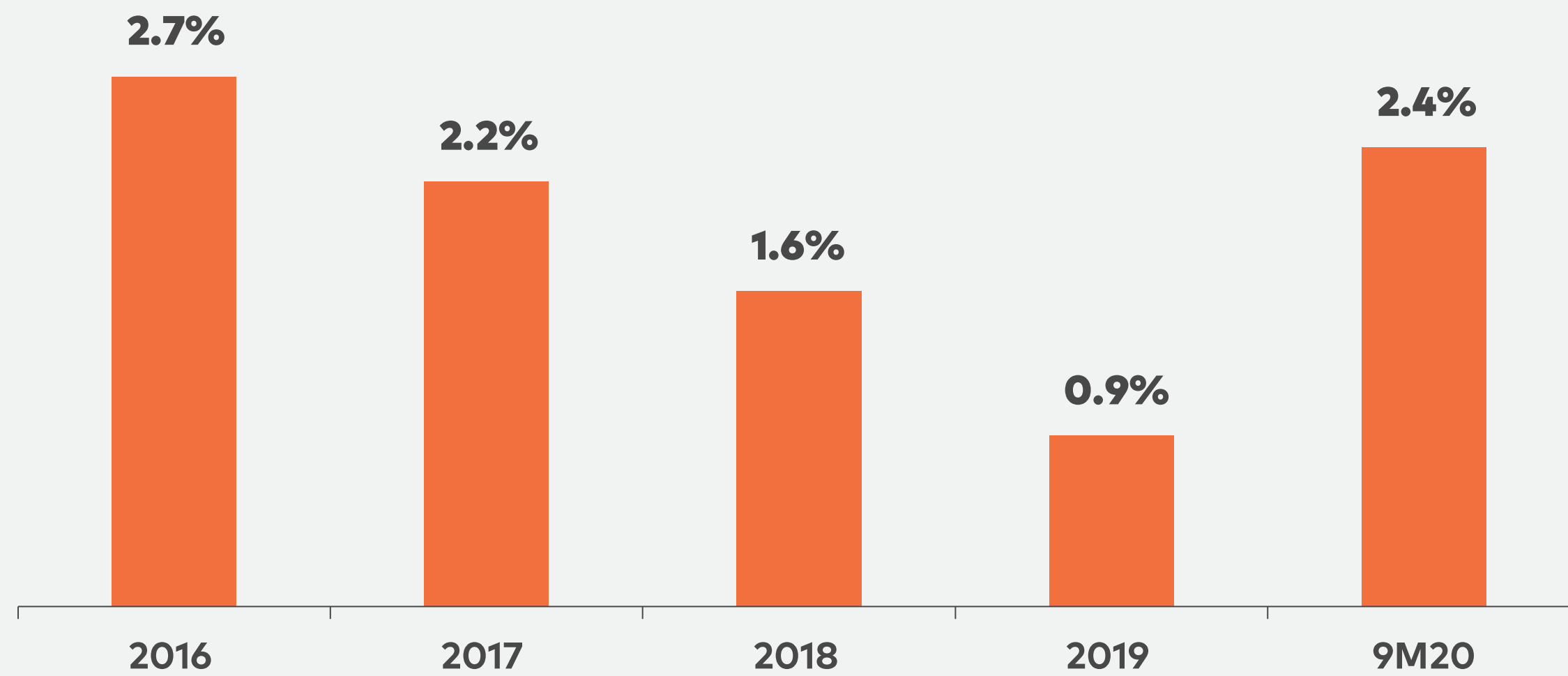


## RB COST OF CREDIT RISK RATIO





## COST OF CREDIT RISK RATIO



- Higher cost of credit risk in 2020 due to COVID-19
- Getting back to normal levels going forward

Sufficient buffers for credit losses both under the NBG and IFRS accounting standards

Normalised cost of credit risk - c.1.1%



# **CONTENTS**

- **CREDIT RISK**
- **RISK MANAGEMENT PRIORITIES**



## Increasing use of data analytics tools

- Double the number of scoring models
- Develop models for post-credit management

## Digitalising credit processes in Retail banking

## Re-designing credit processes in SME banking to shorten Time-To-Yes

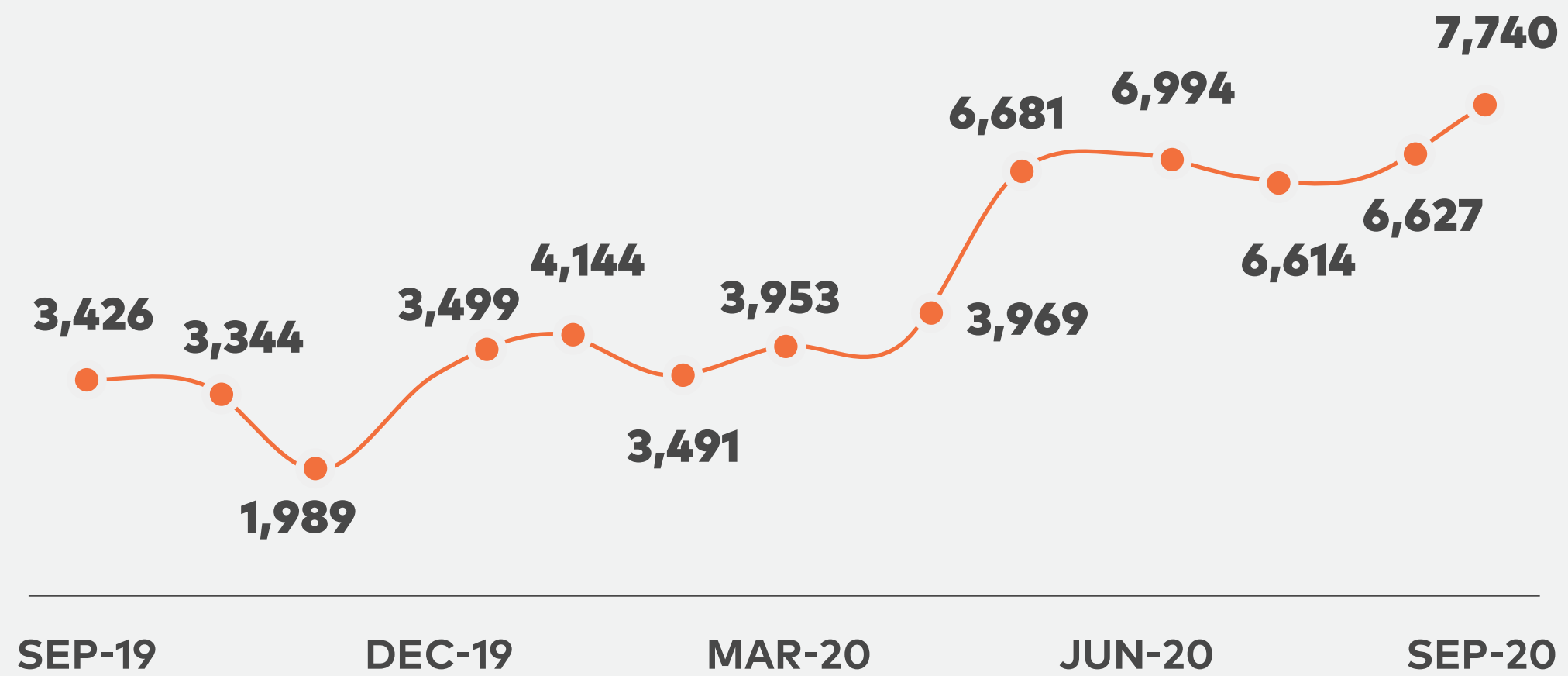
## Strengthening already strong risk culture - increase the role of businesses in credit risk management

**Focus on operational continuity - reduce time to recovery of our systems (up to 4 times)**

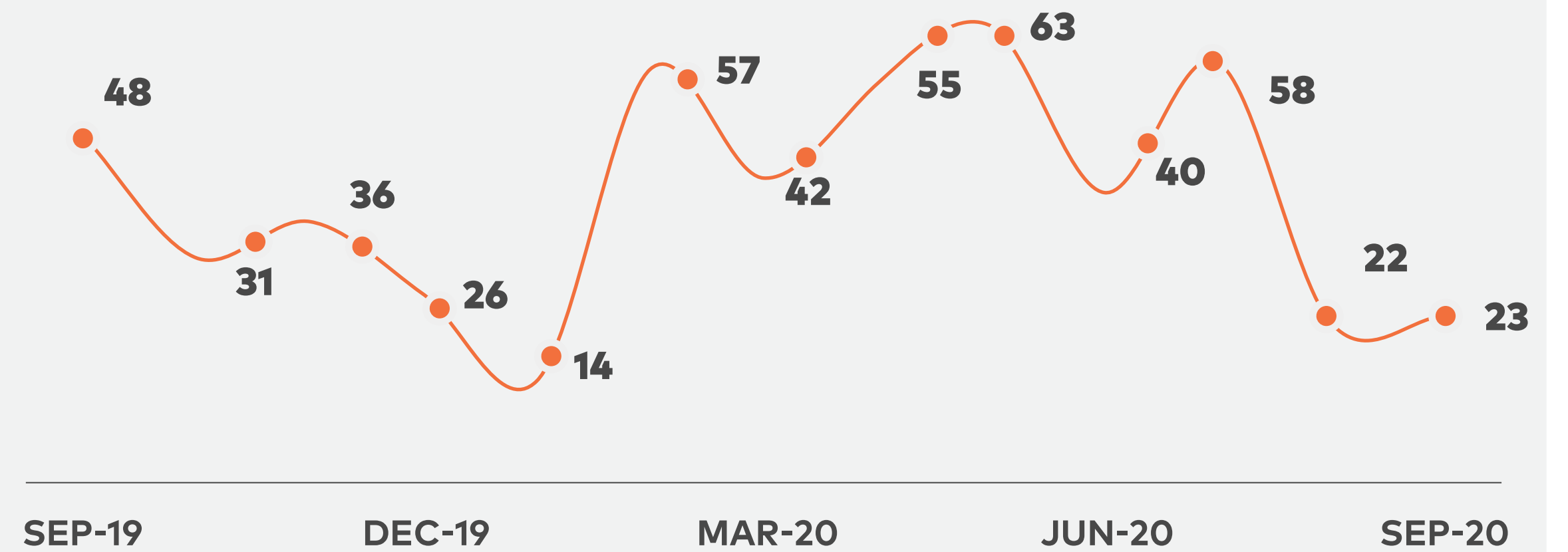
**Increase use of data analytics tools to improve the efficiency of our operational risk controls in our processes**

(Example - the fraud detection models to protect both bank and customers from losses)

## HONEYPOT STATISTICS



## MANUALLY BLOCKED ATTACKERS WHO EXTENSIVELY ATTACKED OUR NETWORK



Threat-Informed Defense approach

The only CERT-certified commercial organisation in Georgia

Extensive testing – 192 researches spent 2,493 hours (104) days

Blackberry audit identified 0 critical and 1 high severity issues

Our solutions' providers are market leaders as ranked by Gartner and Forrester

- **ESMS ADOPTED AND APPROVED BY BOARD OF DIRECTORS IN 2012**
  - Maximise opportunities for environmentally and socially responsible and sustainable economic development
  - Minimise the Bank's exposure to financial, reputational, and legal risks and liabilities stemming from environmental and social issues
- **BANK OF GEORGIA ENSURES THAT TRANSACTIONS ARE REVIEWED AND EVALUATED AGAINST THE FOLLOWING ENVIRONMENTAL AND SOCIAL REQUIREMENTS**
  - Bank of Georgia Environmental and Social Management Policy
  - IFIs E&S Exclusion List
  - Georgia's environmental, social, health and safety and labour laws and regulations
  - International Labour Organisation Core Labour Standards
  - Applicable international environmental, social and health and safety conventions that Georgia is a signatory to
  - IFC Performance Standards and EBRD Performance Requirements
  - Relevant environmental and social requirements of Bank of Georgia's creditors
- **BANK OF GEORGIA DEVELOPED PROCEDURES TO ADDRESS EXTERNAL QUERIES AND CONCERNS RELATED TO THE BANK'S ESMS**

● Sufficient buffers to absorb a negative impact of economic slowdown

● Expect normal credit costs going forward

● Focus on

- Increased use of data analytics tools in all risk areas
- Further strengthening an already strong risk culture



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 Bank of Georgia 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: macroeconomic risk, including currency fluctuations and depreciation of the Georgian Lari; regional instability; loan portfolio quality; regulatory risk; liquidity and funding risk; capital risk; operational risk, cyber security, information systems and financial crime risk; COVID-19 pandemic impact risk; climate change risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2019 and in 2Q20 and 1H20 results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake 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.





**THANK YOU**