

# RESULTS CALL PRESENTATION

1Q23 Performance

17 May 2023

[www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com)

## 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 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: macro risk, including domestic instability; geopolitical risk; credit risk; liquidity and funding risk; capital risk; market risk; regulatory and legal risk; conduct risk; financial crime risk; information security and data protection risks; operational risk; human capital risk; model risk; strategic risk; reputational risk; climate-related risk; and other key factors that could adversely affect our business and financial performance, as indicated elsewhere in this document and in 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 2022. No part of this document 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 document should be construed as a profit forecast.

## The Group delivered a strong performance in 1Q23

Profit  
**GEL 301.3M**  
up 25.3% y-o-y

ROE  
**27.9%**

C/I  
**29.1%**

NPS  
**58**

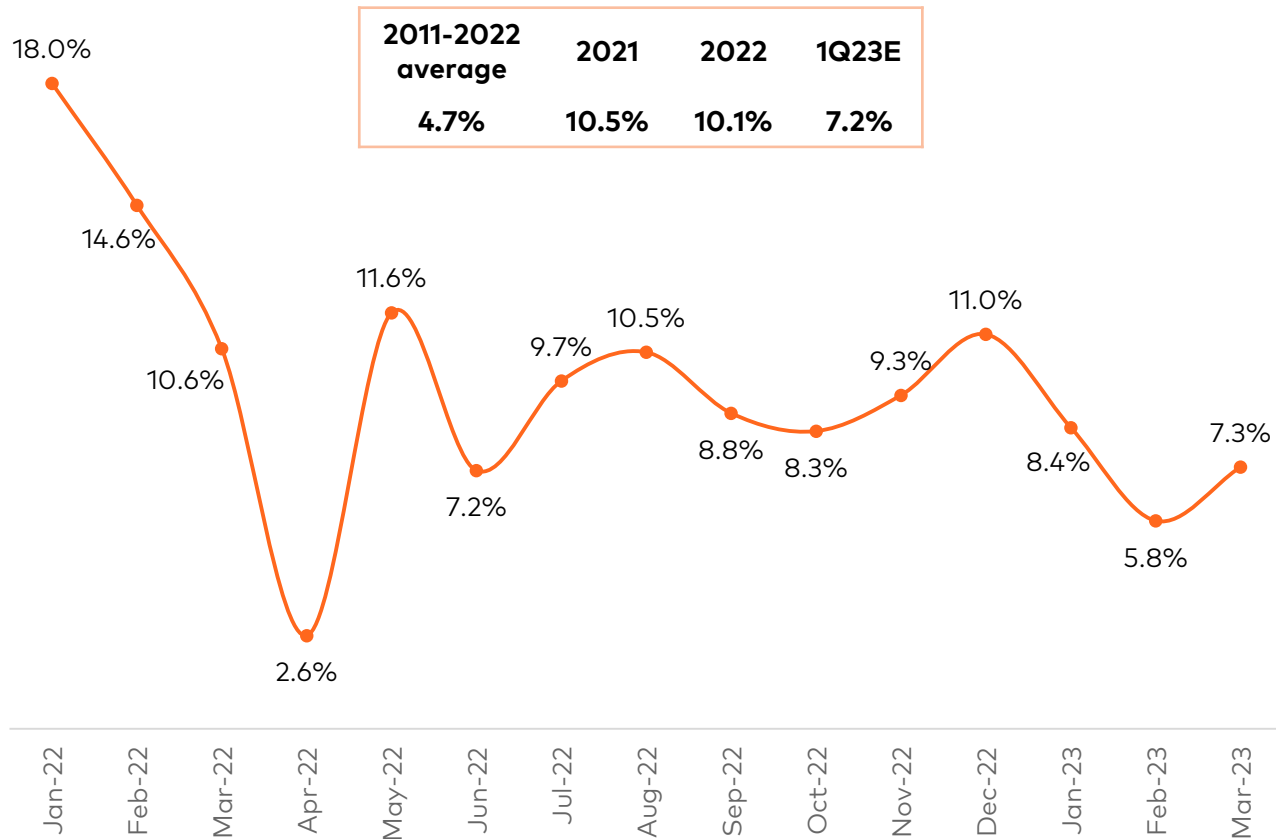
Digital MAU  
**1.2M**  
up 31.6% y-o-y

# Contents

- | MACROECONOMIC HIGHLIGHTS**
- | GROUP OVERVIEW AND STRATEGY
- | 1Q23 RESULTS

# Economic growth remained strong in 1Q23

## Real GDP y-o-y growth



Source: GeoStat

### Key drivers of growth in 1Q23:

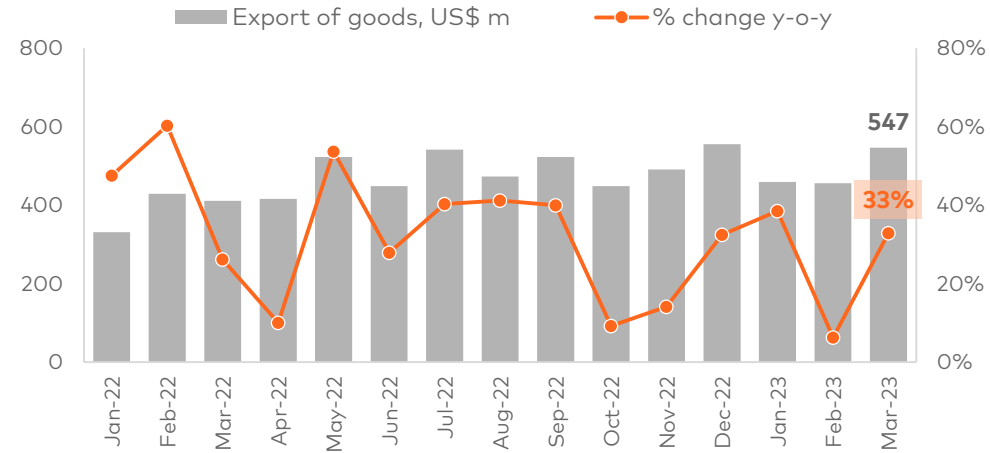
- Resilient inflows from exports, remittances, and tourism
- Increased activity in construction, transport and logistics, trade and hospitality sectors
- Strong investment spending and recovery in consumption on the back of lower inflation

### In 1Q23:

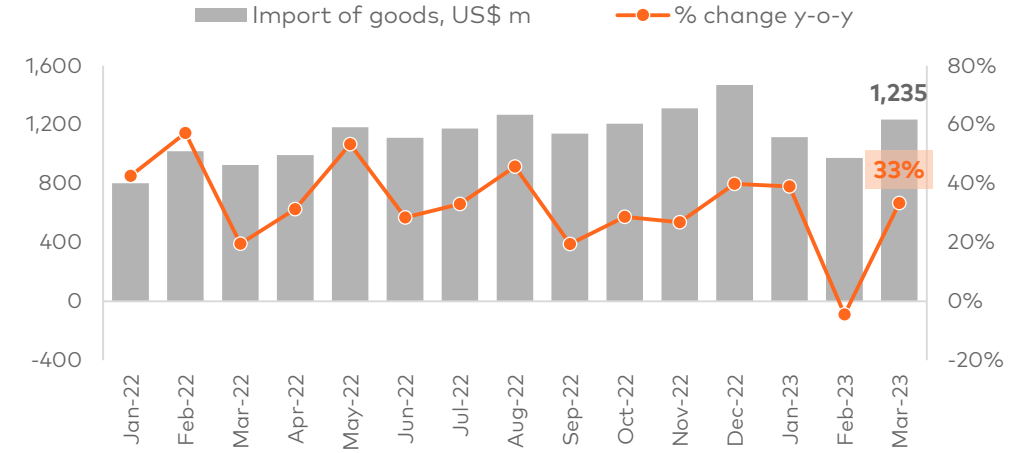
- Export of goods up 24.7% y-o-y
- Remittances up 130.3% y-o-y
- Tourism revenues up 102.0% y-o-y

# Strong external inflows underpinning economic growth

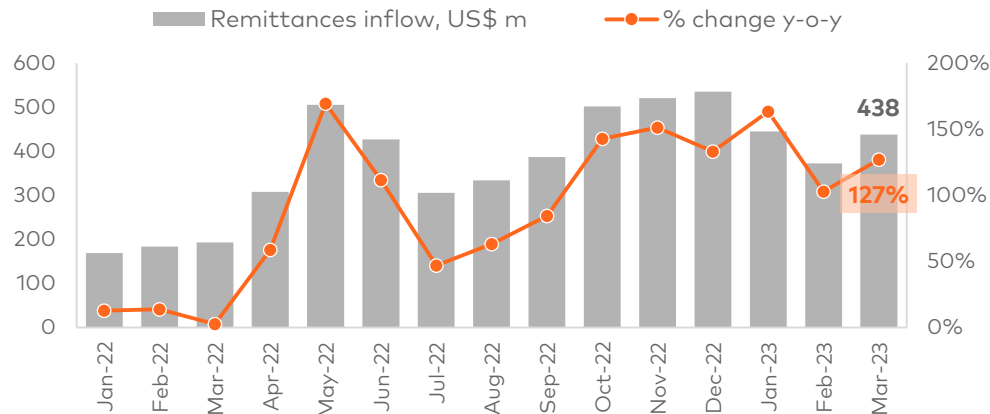
## Export of goods



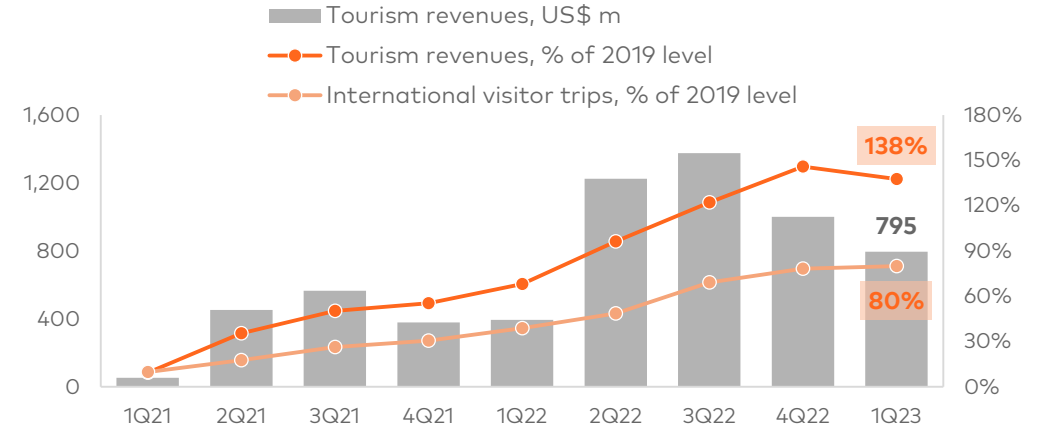
## Import of goods



## Remittances

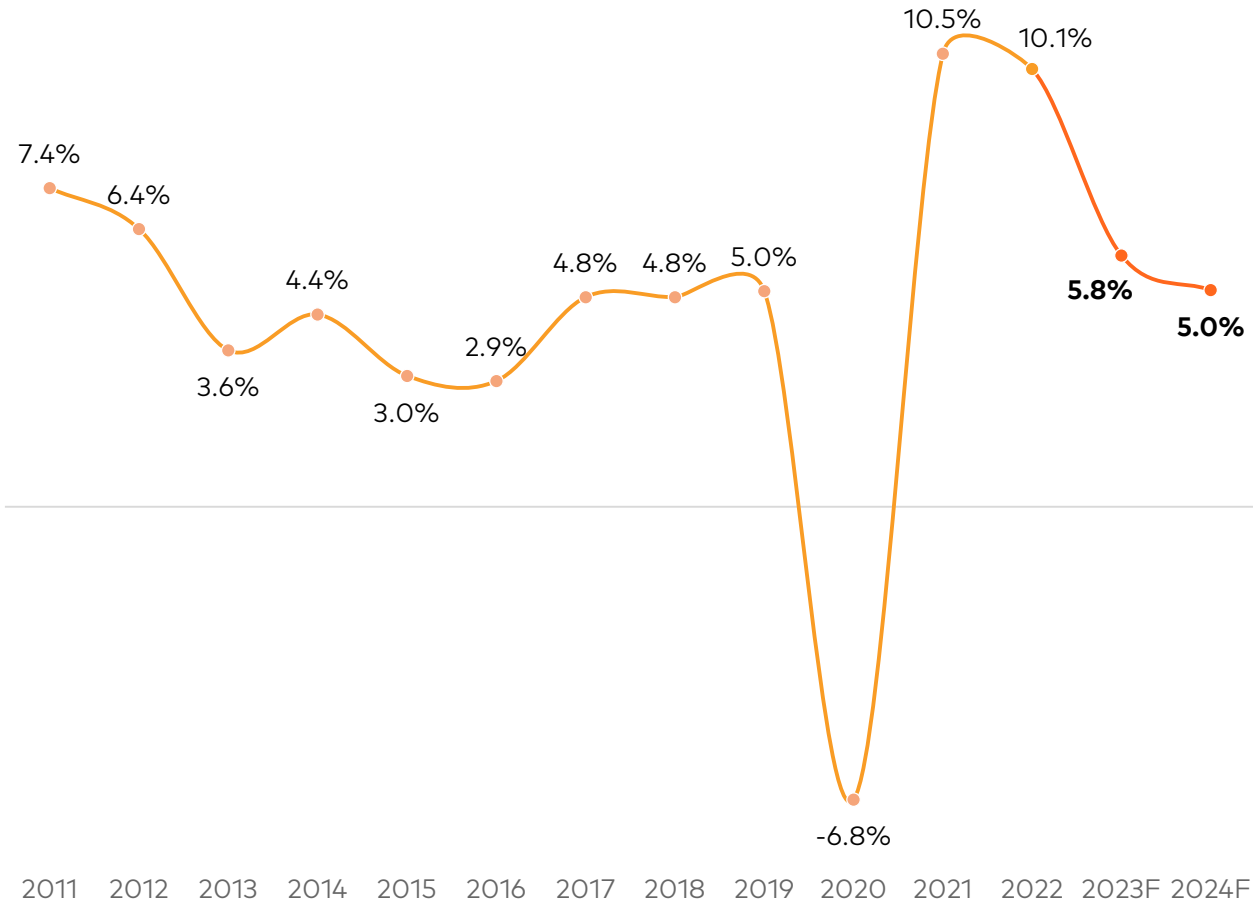


## Tourism inflows



# Economic growth expected to moderate to sustainable levels

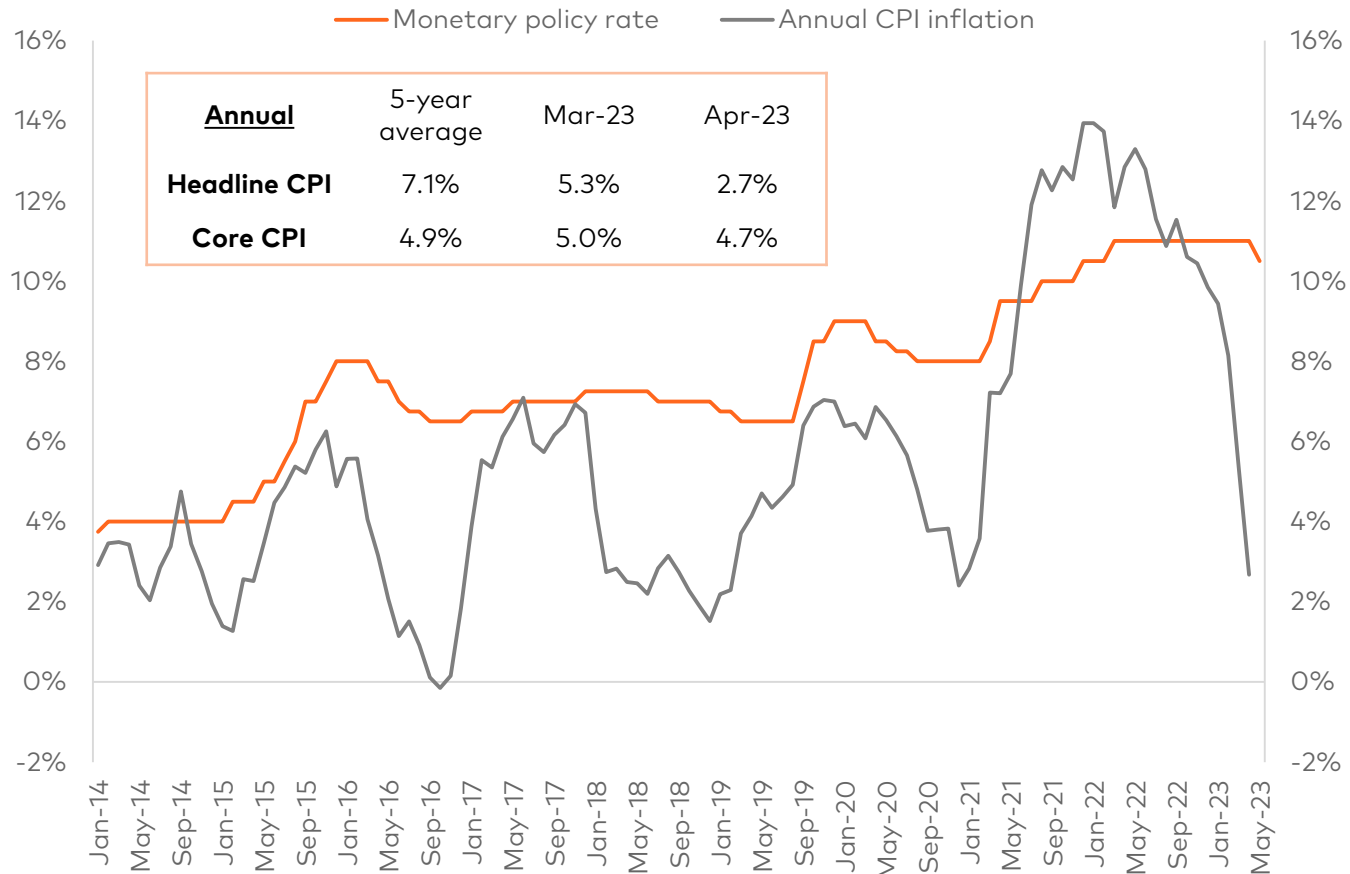
## Georgia's economic growth forecast



- In 2023, real GDP growth is expected to moderate to **5.8%** considering the base effect after two consecutive years of double-digit growth
- The main drivers of growth are expected to be sustained external inflows, rebound in investment expenditure and lasting impact of inbound migration
- Consumption spending should also strengthen amid slowing inflation and anticipated easing of monetary policy
- Ongoing war in Ukraine, tight financial conditions and high inflation are downside risks

# Inflation decreased sharply due to reduction in global commodity prices and GEL appreciation

## The NBG started a gradual exit from tight monetary policy



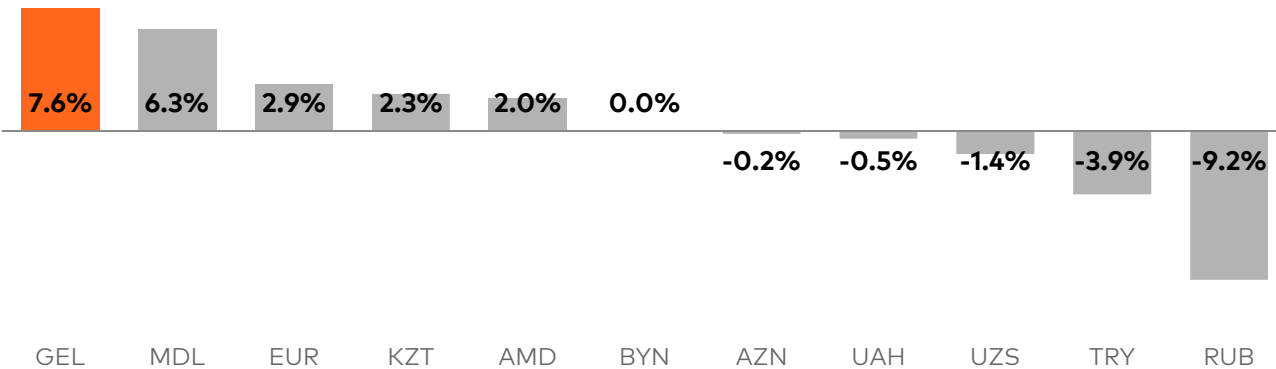
Source: GeoStat, NBG

- Recent reduction in global commodity prices and GEL appreciation contributed to weakening price pressures
- Inflation is expected to remain low amid decreasing commodity prices, strong GEL, normalisation of economic growth and fiscal consolidation
- The NBG cut its monetary policy rate by 50 bps to 10.5% on 10 May 2023, indicating a gradual easing of tight monetary policy



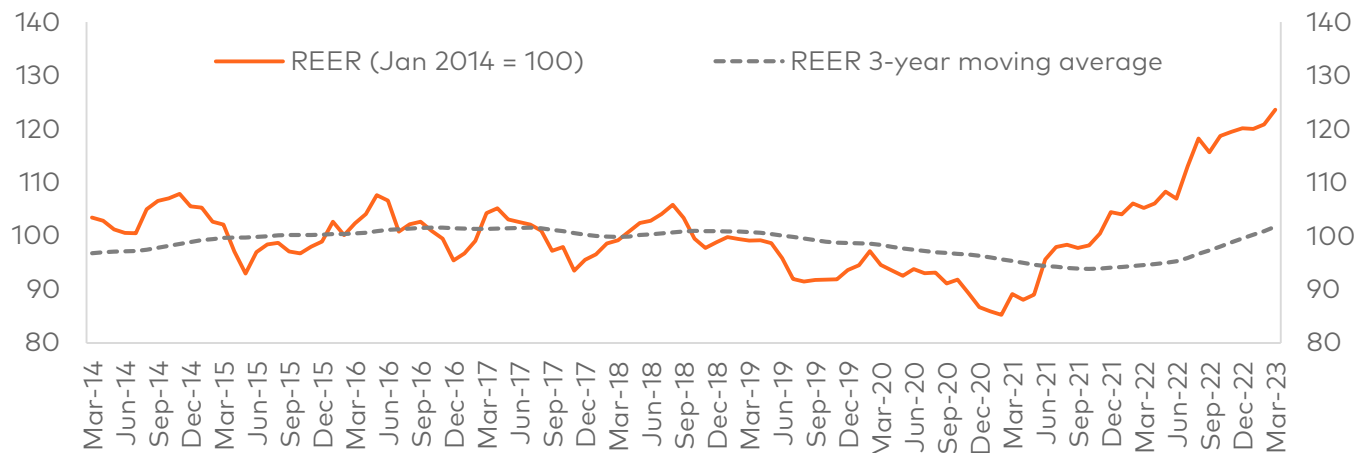
# GEL supported by sustained FX inflows and tight monetary policy

## Currency movements vs. US\$, 12/31/2022 – 4/30/2023



- GEL appreciated by an additional 7.6% against the US dollar during 4M23 on top of a 12.5% appreciation in 2022
- The appreciation of the Georgian currency was driven by strong external inflows, tight monetary policy and improved sentiments
- GEL is expected to stabilise around the current level supported by robust external inflows and positive growth outlook

## GEL real effective exchange rate

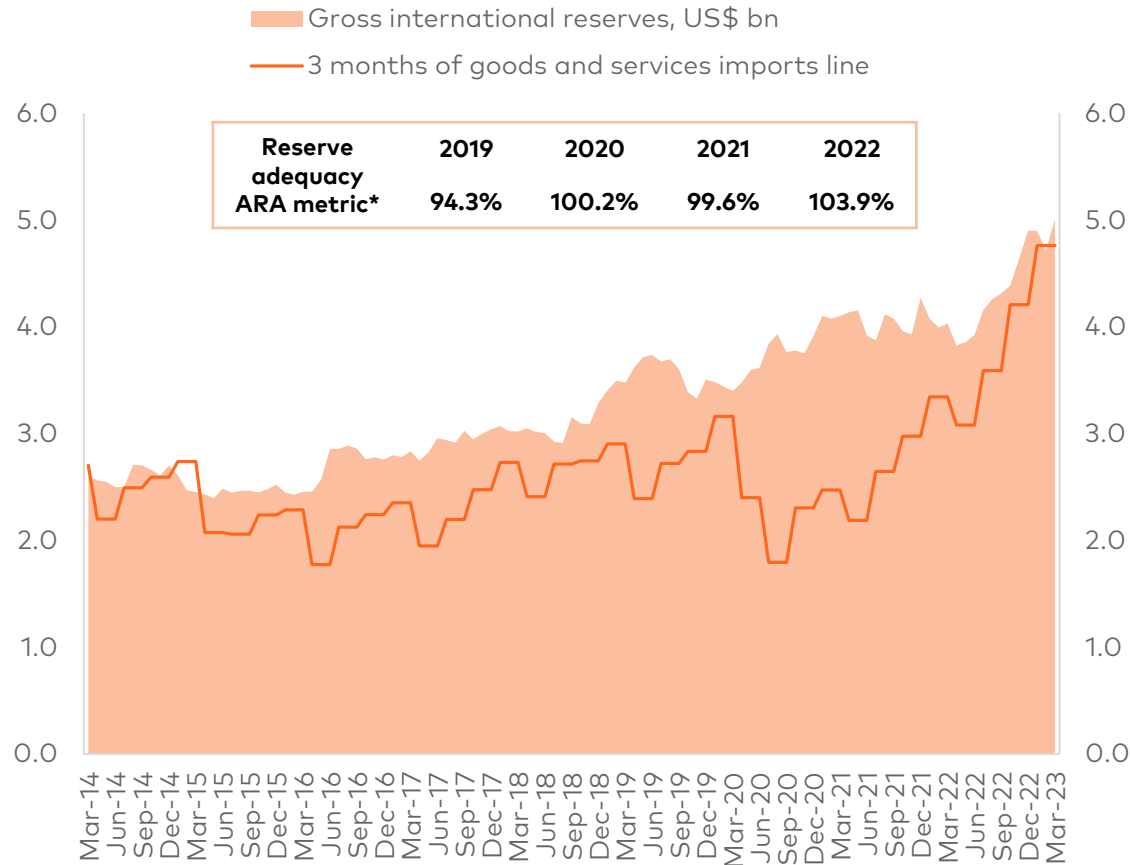


Source: NBG

Note: +/- means appreciation/depreciation of the corresponding currencies

# Growing international reserves cushion the economy against external shocks

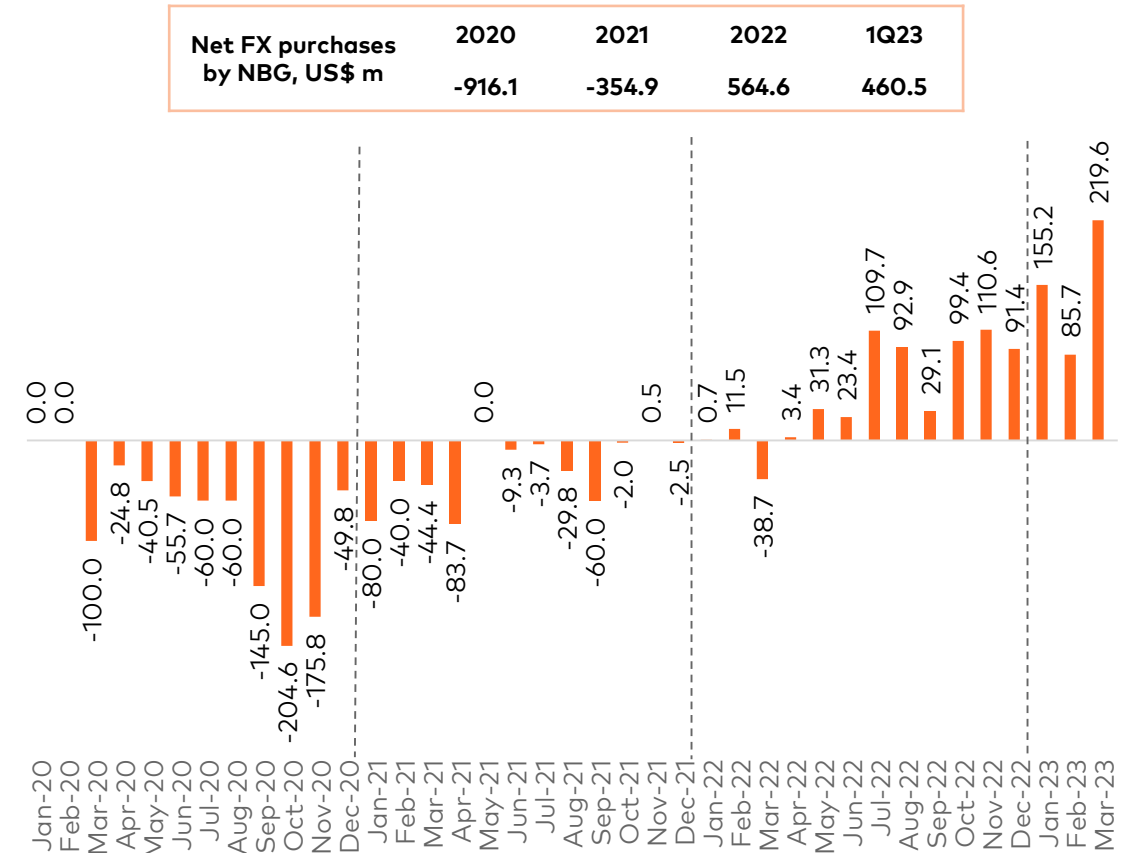
## International reserves



Source: IMF, NBG, BOG

\*A ratio between 100%-150% is considered adequate

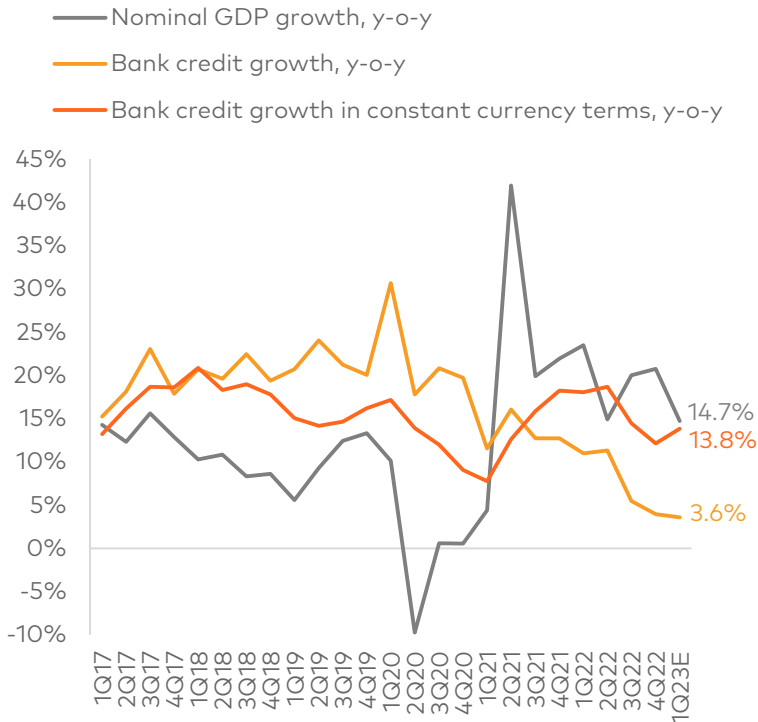
## Central bank's interventions, net purchase in US\$ m



Source: NBG

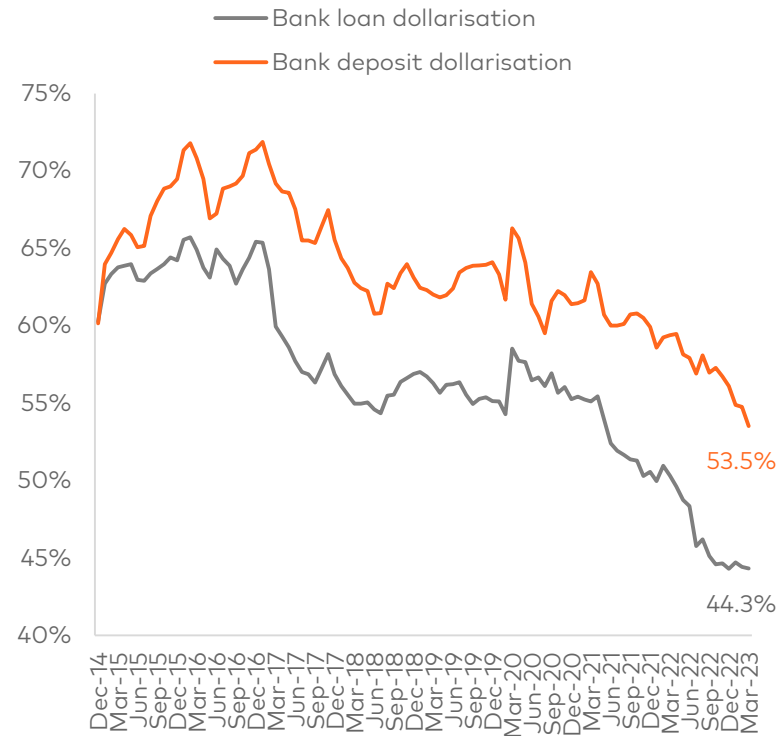
# Healthy banking sector, with reduced dollarisation

## Bank loan book growth vs. nominal GDP growth



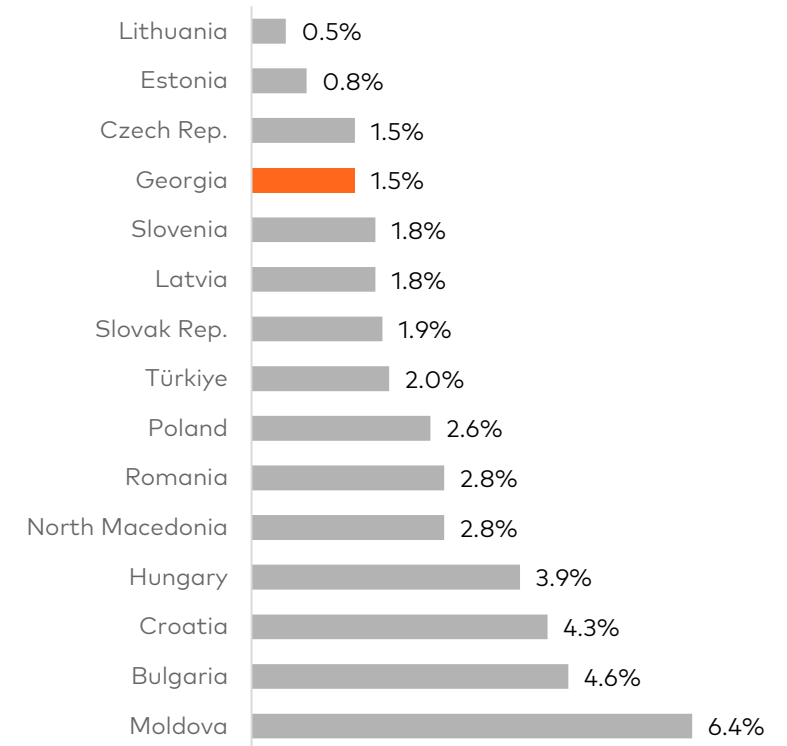
Source: NBS, GeoStat, BOG

## Loan and deposit dollarisation



Source: NBS

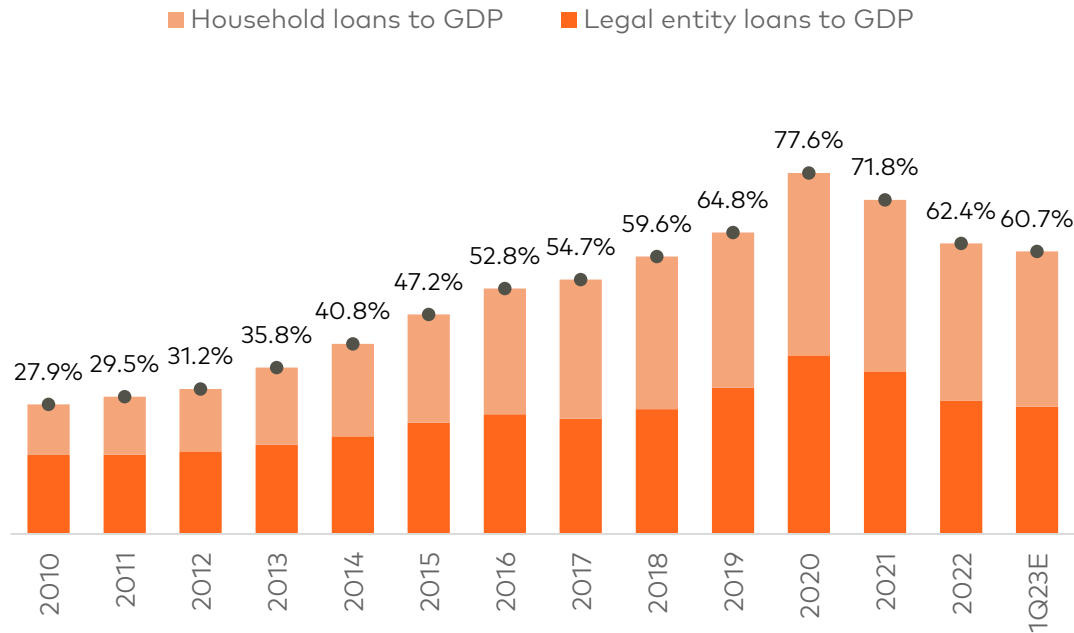
## Non-performing bank loans to total gross loans in selected countries, end-2022



Source: IMF

# Debt burden continues to decrease both in private and public sectors

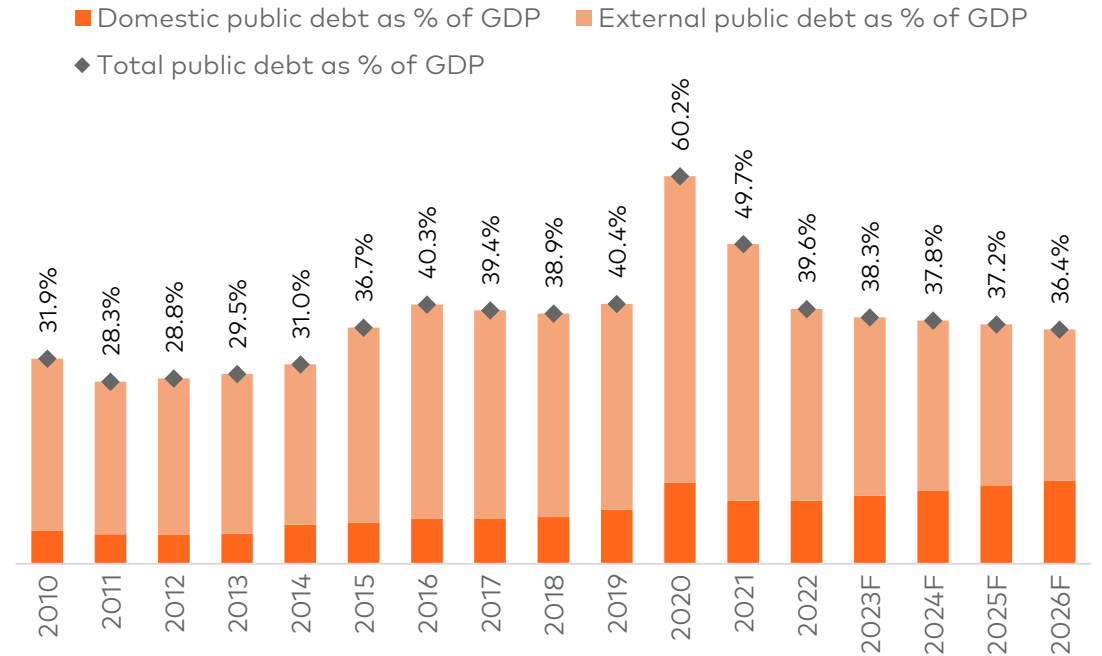
## Banking sector loans to households and legal entities as % of GDP



Source: NBG, GeoStat, BOG

- In the private sector, debt level relative to GDP is on a downward path, driven by high income growth and strong GEL
- The decrease in debt-to-GDP ratio creates room for healthy credit growth

## Public debt as % of GDP



Source: MOF, GeoStat, forecasts as of 2023 budget law

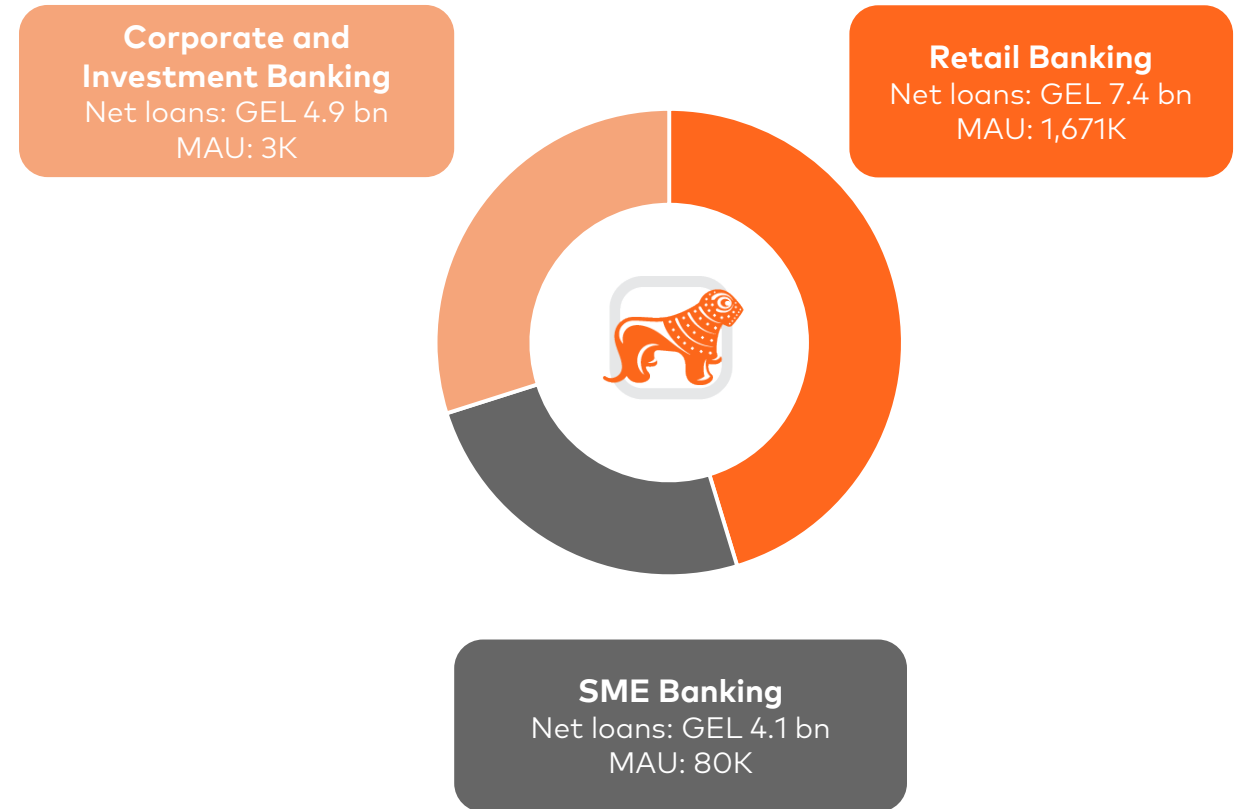
- Public sector has also reduced its debt burden thanks to economic growth momentum and strong GEL
- Given the reduced debt burden and increased international reserves, the Georgian economy is well-positioned to withstand possible shocks

# Contents

- | MACROECONOMIC HIGHLIGHTS
- | **GROUP OVERVIEW AND STRATEGY**
- | 1Q23 RESULTS

# Who we are

- A FTSE-250 company with a diversified institutional investor base
- Retail digital banking leader in Georgia
- Top of mind and the most trusted bank in Georgia
- Consistently delivering high profitability (ROE above 20%)
- Highest standards of corporate governance and a strong focus on ESG



Figures are given for JSC Bank of Georgia (standalone), the main entity of Bank of Georgia Group PLC (as of 31 March 2023)

# What we focus on

## Our strategic priorities

Mobile

Payments

Loyalty

Becoming increasingly relevant in our customers' daily lives through our payments and financial super app

Further improving customer engagement across all business segments

Harnessing the potential of our payments business

Continuing to deliver an excellent customer experience

## Our enablers

Customer-centricity

Data and AI

People and culture

Brand strength

Effective risk management

## Key medium-term targets

**c.10%**

Loan book growth

**20%+**

ROAE

**30-50%**

Dividend and share buyback payout ratio

# Developing our financial super app to fulfill a variety of customer needs

## Credit

- End-to-end online consumer lending
- Pre-approved credit limits
- Fully online credit card

## Savings

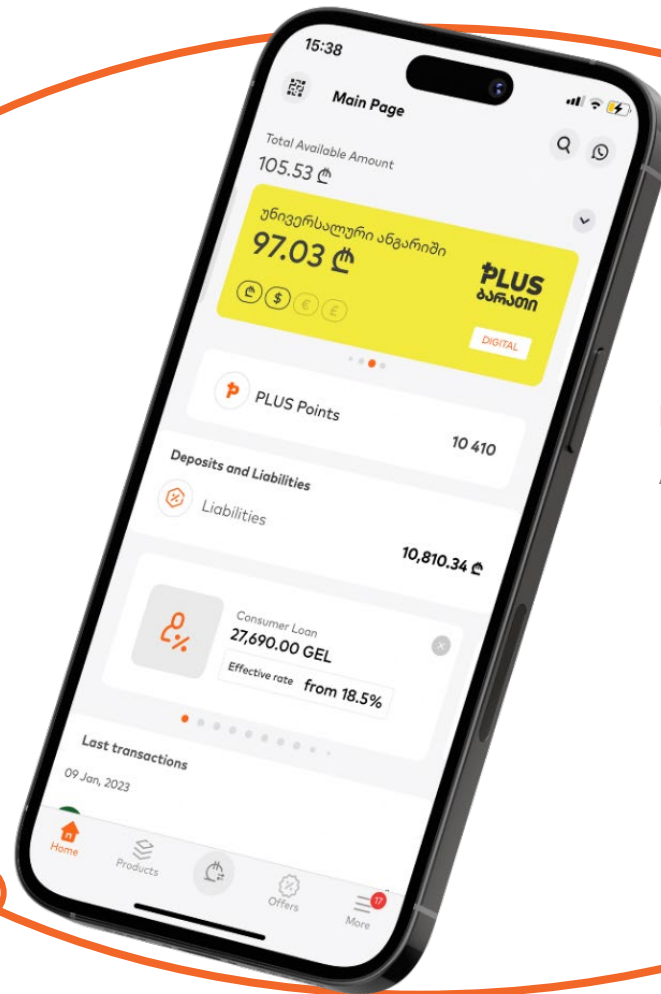
- End-to-end online deposit activation
- Activation of "piggy bank"

## Investments

- Opening investment account
- Managing investment portfolio

## Insurance marketplace

- Motor Third Party Liability insurance (MTPL)
- Travel insurance



## Lifestyle

- Offers from partner merchants
- Buy now, pay later

## Daily banking

- Transactions
- Payments
- Loyalty
- Subscriptions
- Remittances
- Chat and chat-bot support
- Automatic payments & transfers
- Digital debit card and debit card ordering

## Personal finance management

- Daily spend view and personal budget management

Play store 4.9/5

App store 4.7/5

Customer Satisfaction Score 89% in 1Q23 (88% in 1Q22)

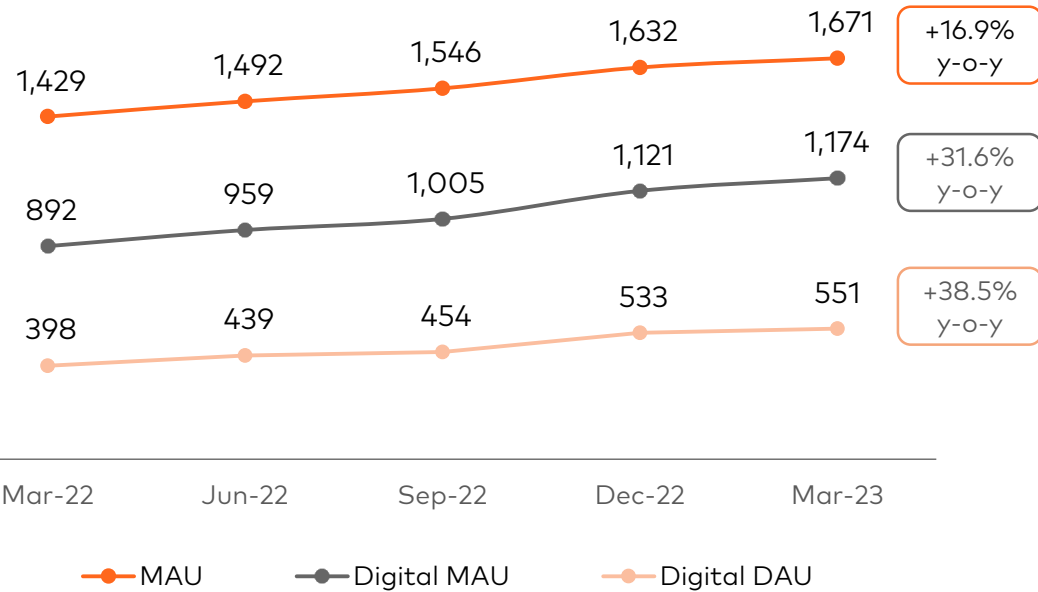


# Our retail customers are becoming more digital and engaged

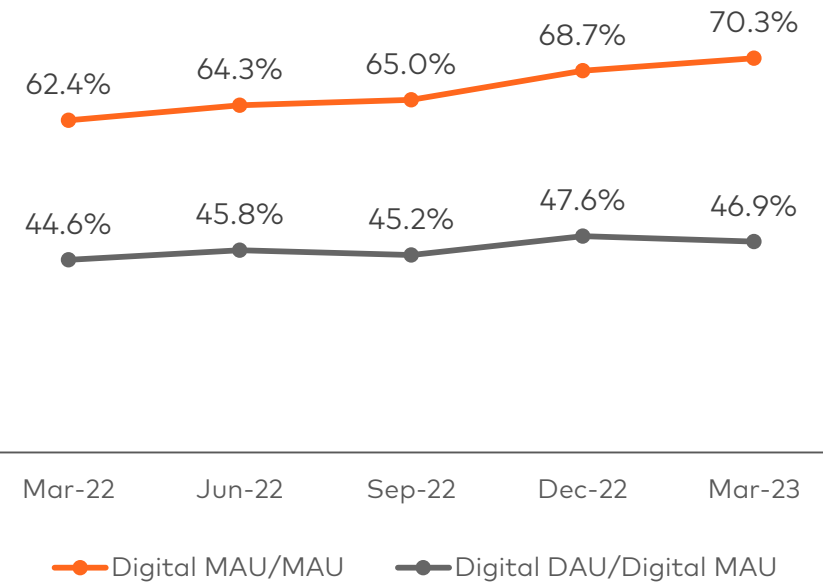
Figures given for JSC Bank of Georgia standalone

## Monthly active users (Retail)

thousands



## Digital engagement of active customers

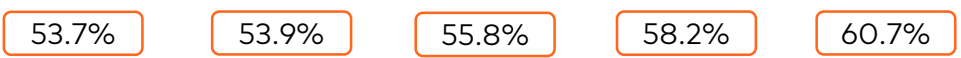
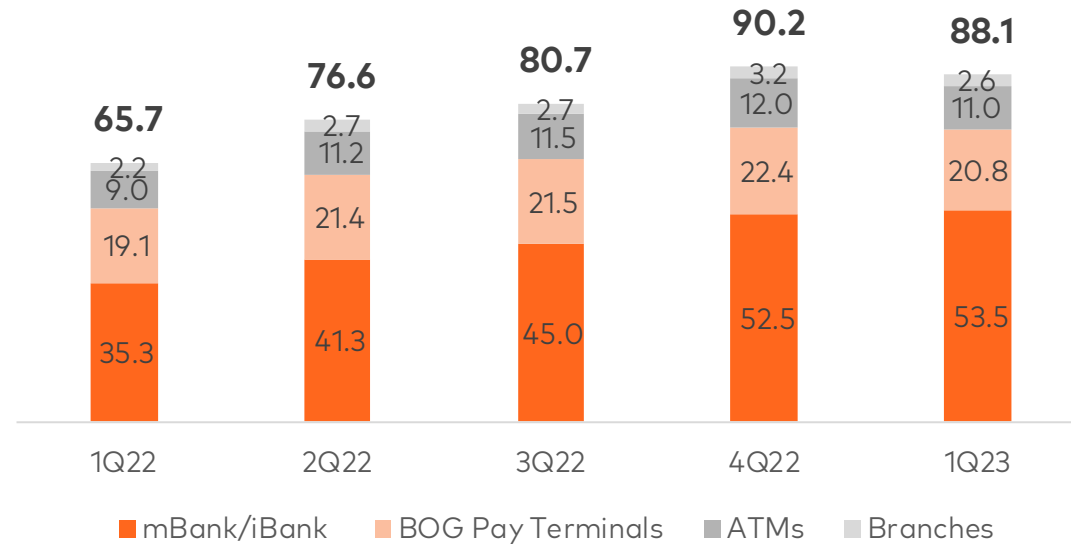


# Focusing on increasing sales in digital channels

Figures given for JSC Bank of Georgia standalone

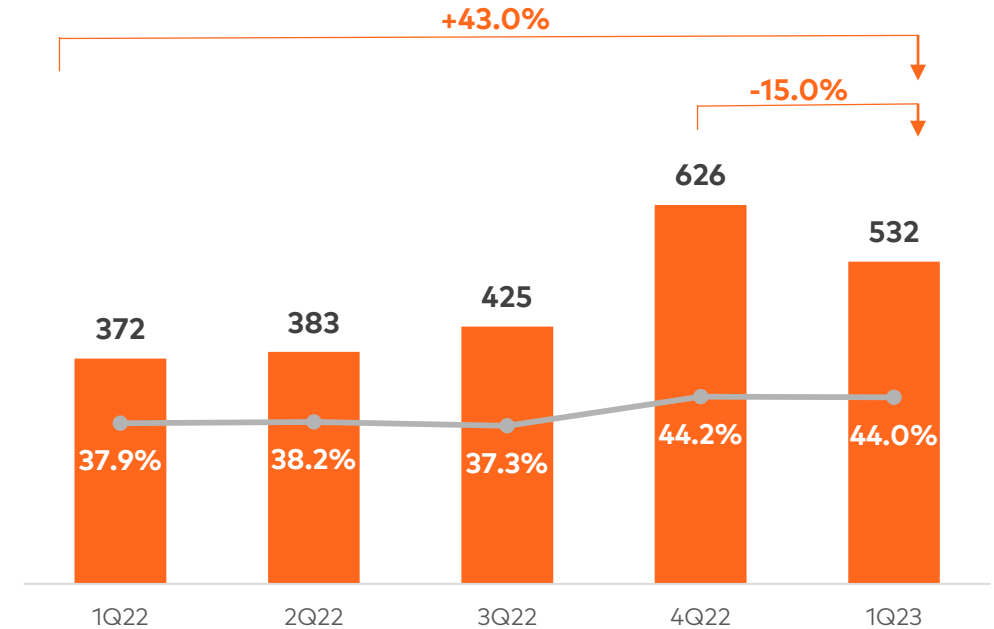
## Number of transactions

millions



## Product offloading\*

thousands



- Deposits digital offloading was **40.8%** in 1Q23, up from **33.7%** in 1Q22
- Consumer loans digital offloading was **79.0%** in 1Q23, up from **66.5%** in 1Q22

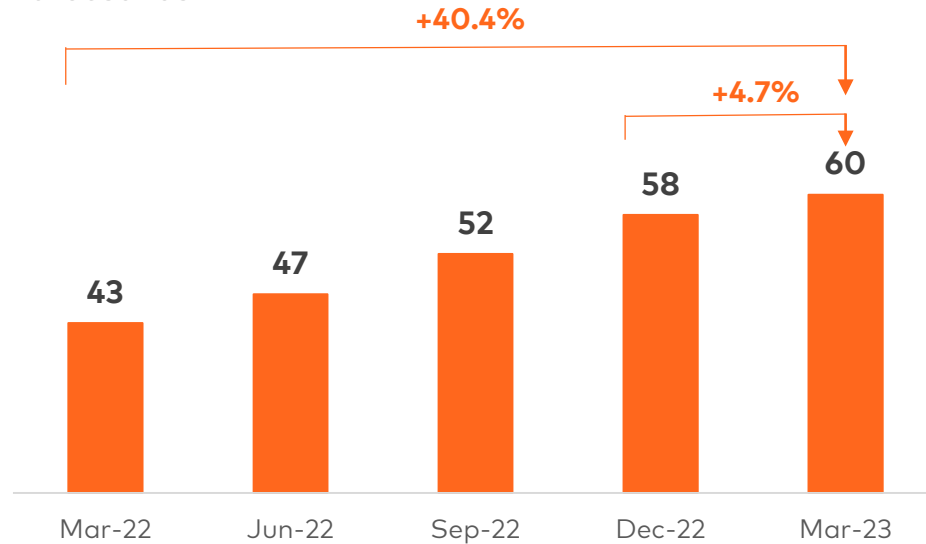
\* During the first quarter of 2023, we changed the methodology of calculating product offloading rate by excluding the activation of SMS notifications from the category of a product activation. The previous periods have been restated. Product offloading includes the activation of cards, deposits, and consumer loans, and is calculated by dividing the number of activations of specific products in digital channels by the number of total activations of the same product categories for a given period

# Full digital experience for our business customers

Figures given for JSC Bank of Georgia standalone

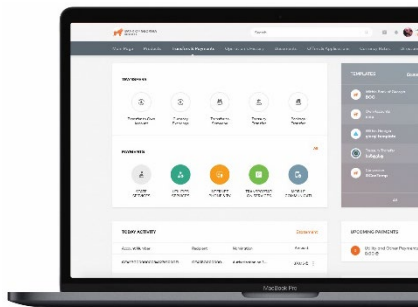
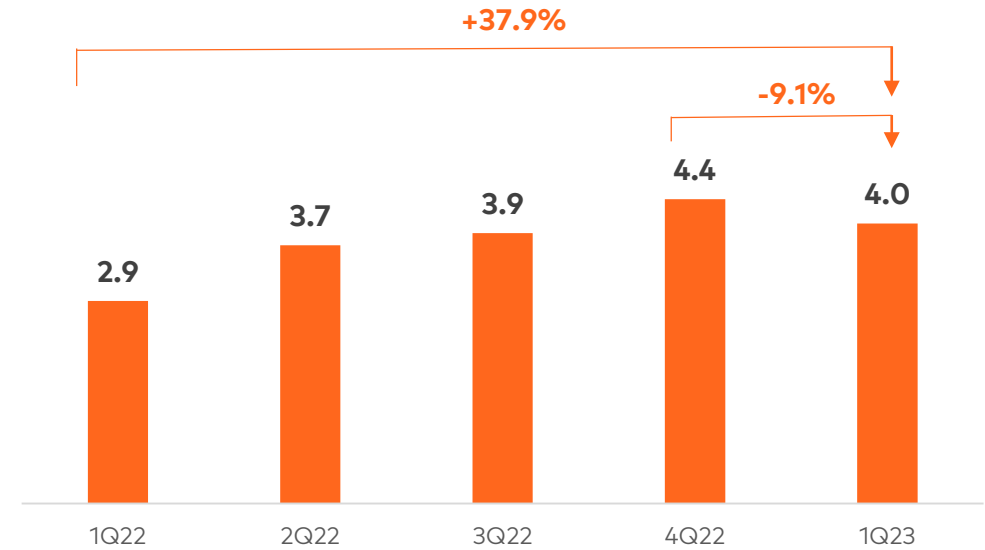
## Monthly active digital users

thousands



## Number of transactions

millions



84%

Customer Satisfaction Score (1Q23)

+6 pts y-o-y



86%

Customer Satisfaction Score (1Q23)

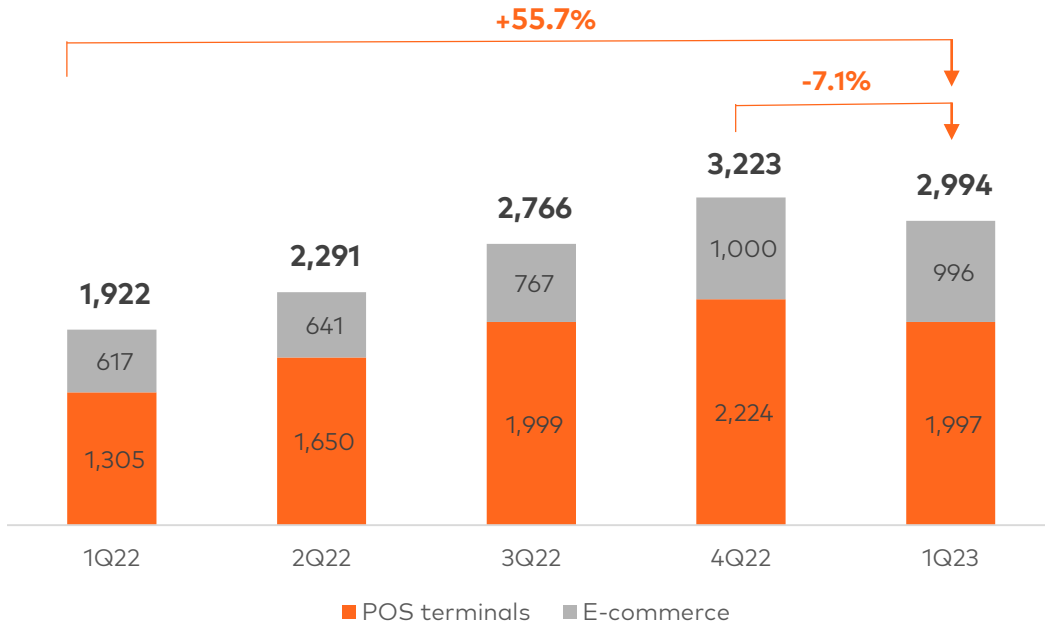
+8 pts y-o-y

# Payments business – our daily touch point with customers

Figures given for JSC Bank of Georgia standalone

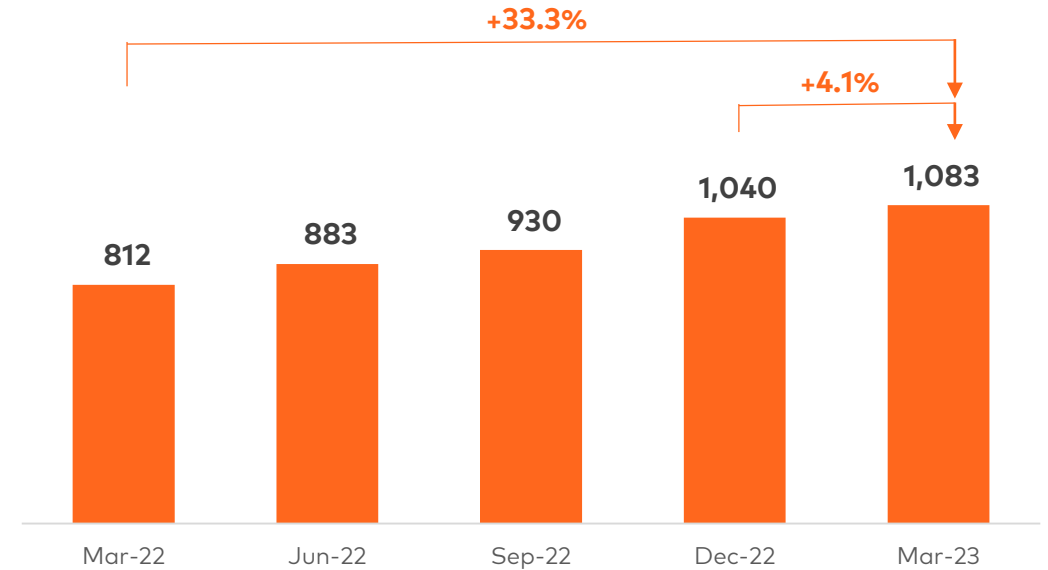
## Acquiring - volume of payment transactions

GEL millions



## Issuing – payment MAU

thousands



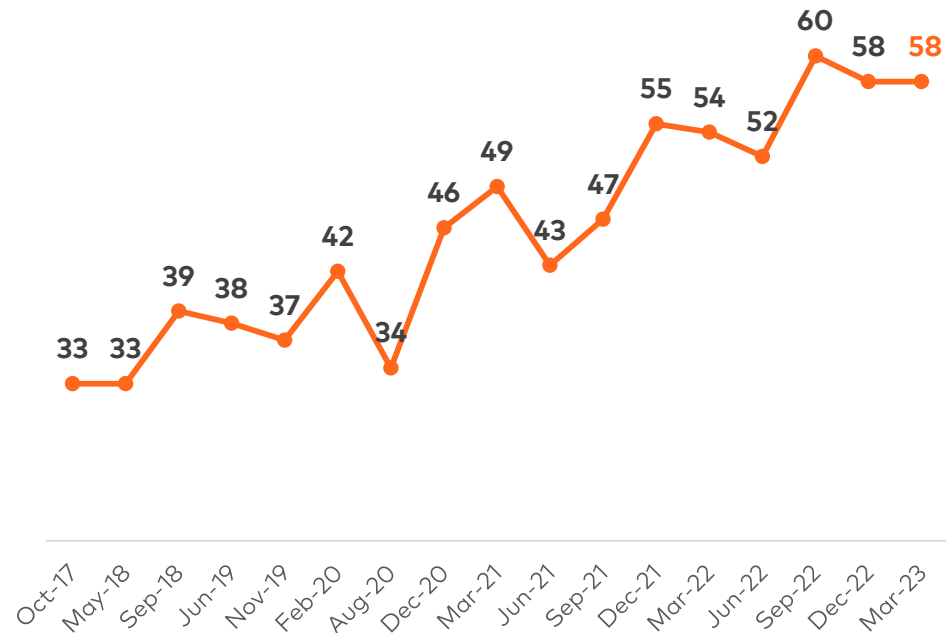
**51.9%**

Market share by volume of transactions in BOG's  
POS and e-commerce | March 2023  
**+5.7 pts YoY**

# Fostering a customer-centric culture

Figures given for JSC Bank of Georgia standalone

## NPS\*



Engaging with customers **proactively** and responding in **real time**

**Anticipating** customer needs, wants, and future behavior

Harnessing strong **human relationships** with **data analytics** for dynamic customer insights

Investing in **technology** to deliver excellent customer experience

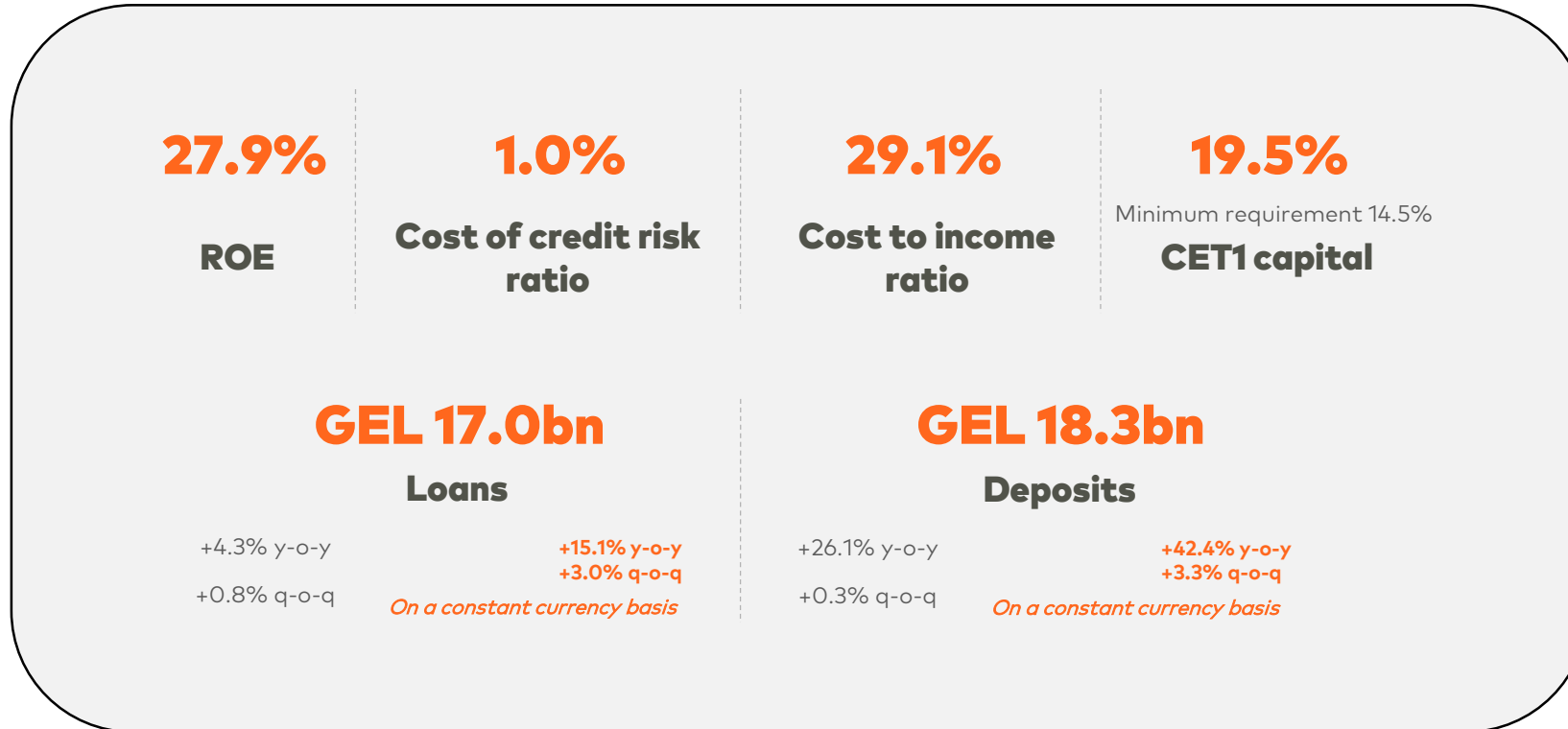


\* Based on an external research by IPM Georgia, surveying a random sample of customers with face-to-face interviews

# Contents

- | MACROECONOMIC HIGHLIGHTS
- | GROUP OVERVIEW AND STRATEGY
- | **1Q23 RESULTS**

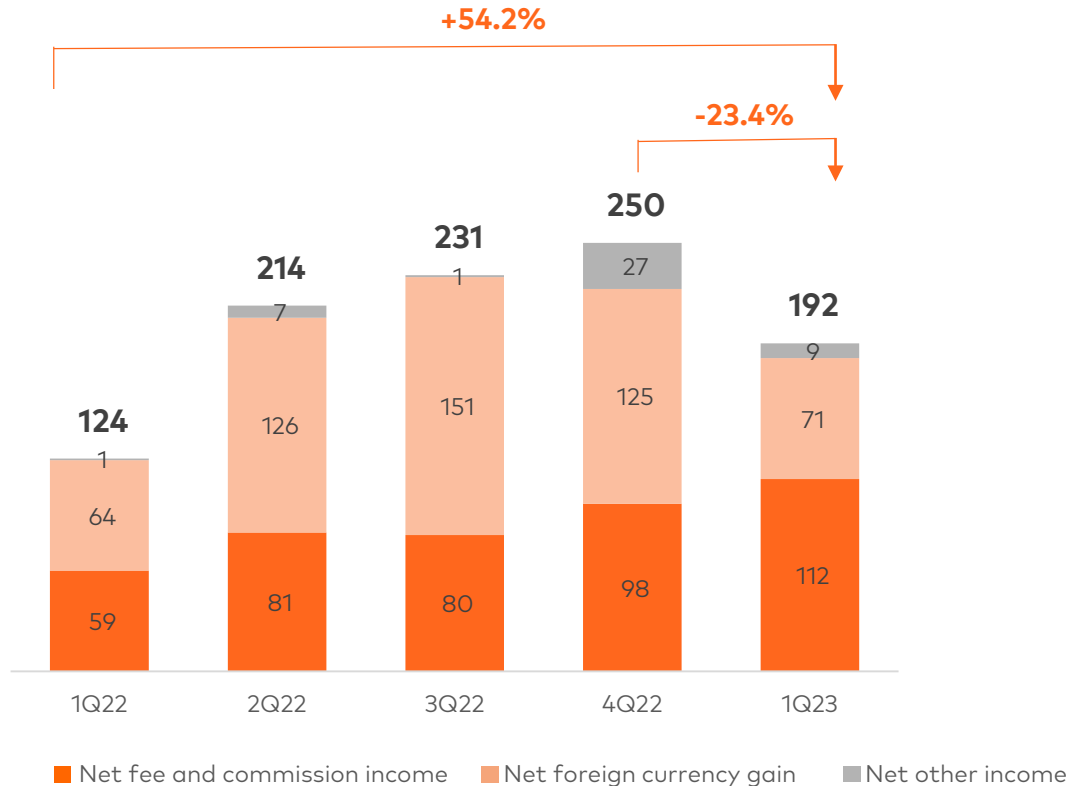
# Financial highlights of 1Q23



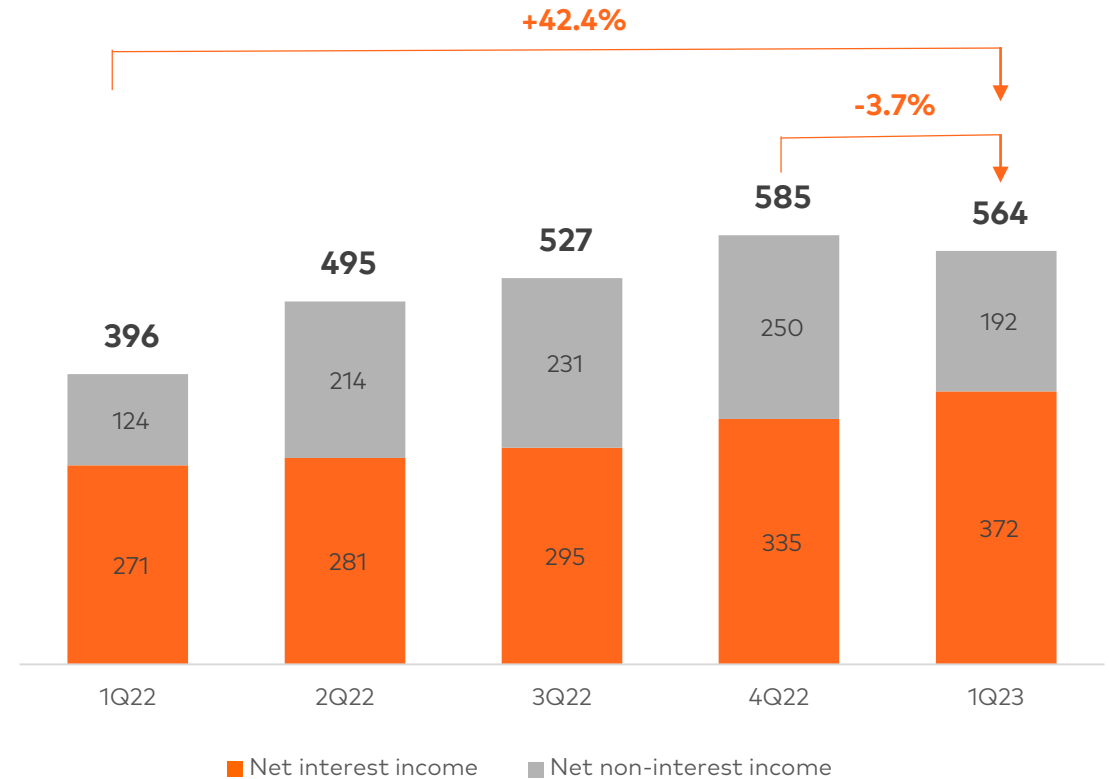
# Strong underlying performance

All currency data are in GEL m unless otherwise stated

## Net non-interest income\*



## Operating income\*



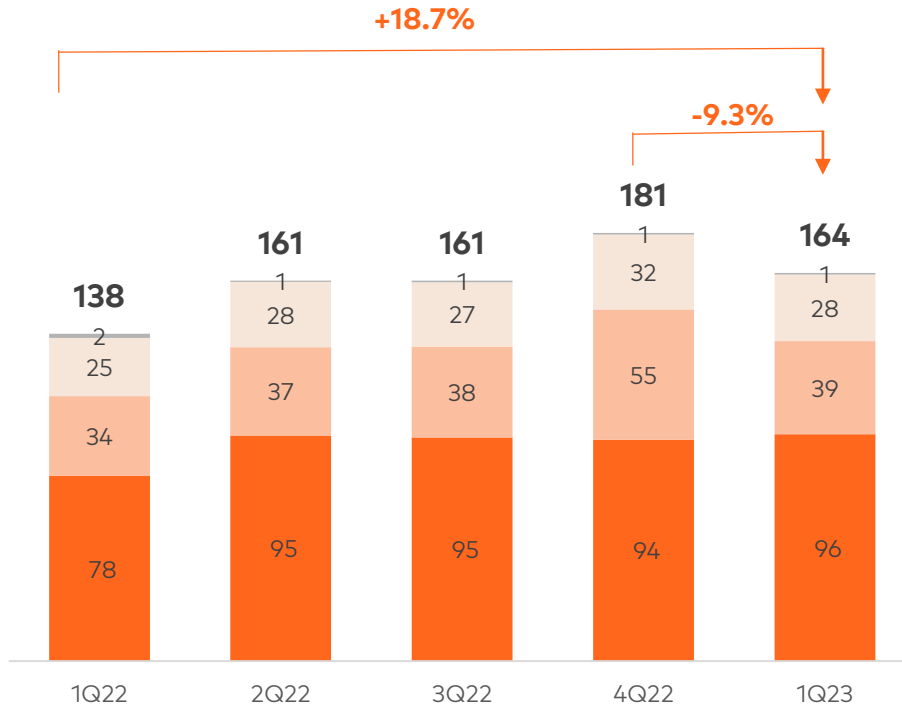
\*4Q22 figures adjusted for a one-off GEL 391.1m other income due to the settlement of an outstanding legacy claim



# Investing for growth while maintaining the focus on efficiency

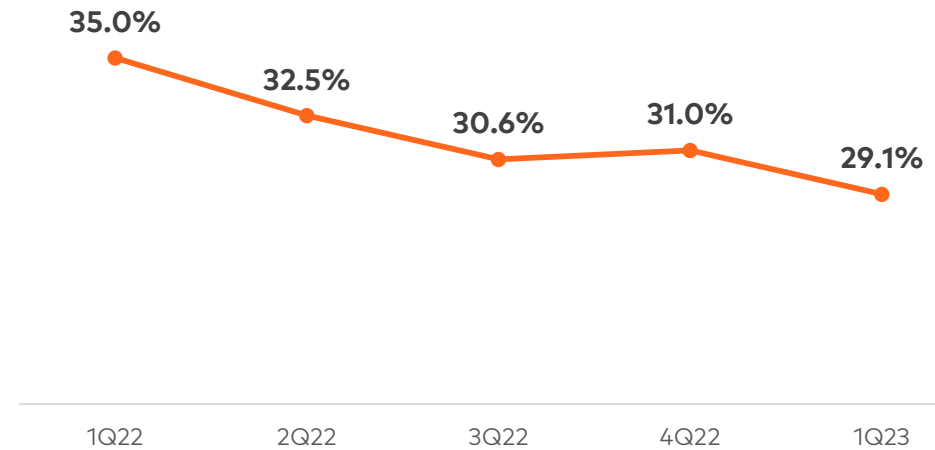
All currency data are in GEL m unless otherwise stated

## Operating expenses



- Salaries and other employee benefits
- Administrative expenses
- Depreciation, amortisation and impairment
- Other operating expenses

## Cost to income ratio\*

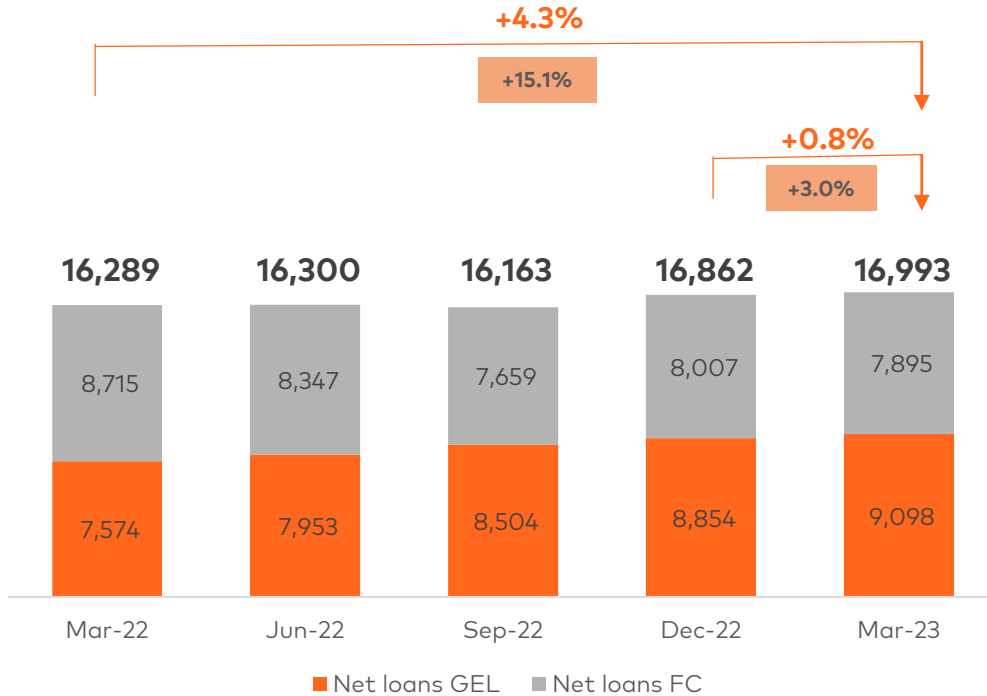


\* 4Q22 figure adjusted for a one-off GEL 391.1m of other income due to the settlement of an outstanding legacy claim

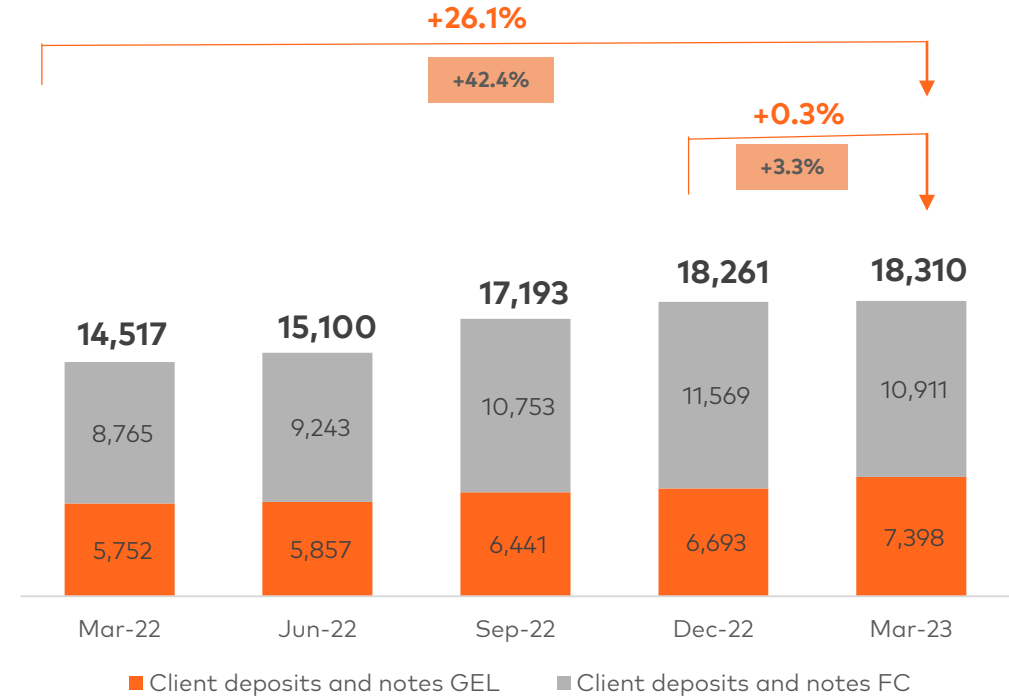
# Loan growth picked up, and deposit growth remains strong

All currency data are in GEL m unless otherwise stated

## Loan portfolio



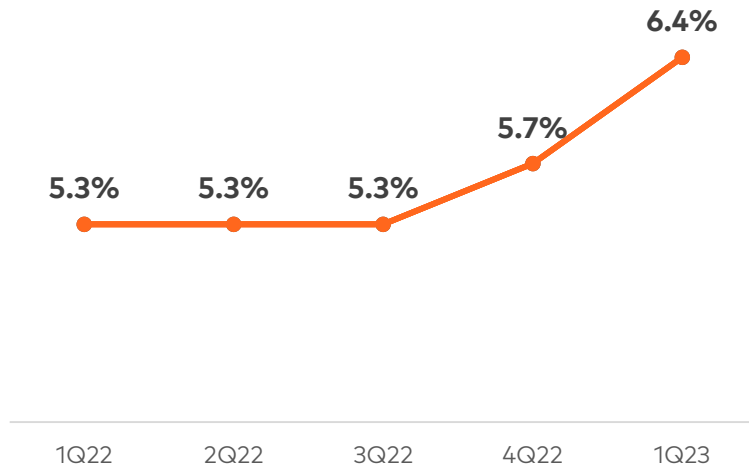
## Deposit portfolio



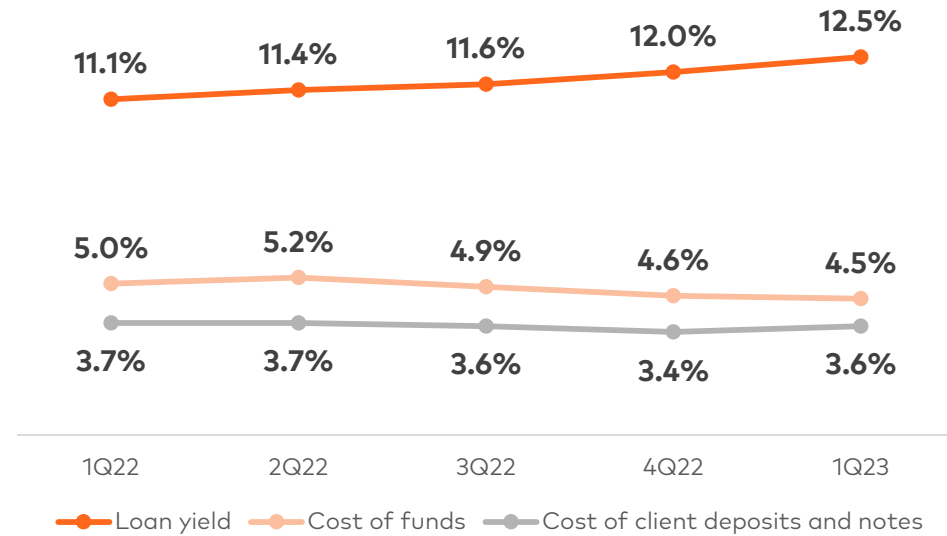
■ Growth on a constant currency basis

# Increase in NIM driven by higher loan yield and lower cost of funds

## Net interest margin



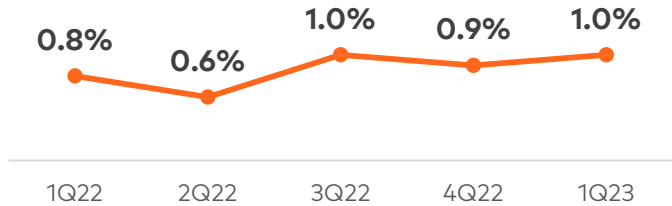
## Loan yield, cost of funds, cost of deposits



# Healthy loan quality portfolio

All currency data are in GEL m unless otherwise stated

## Cost of credit risk ratio



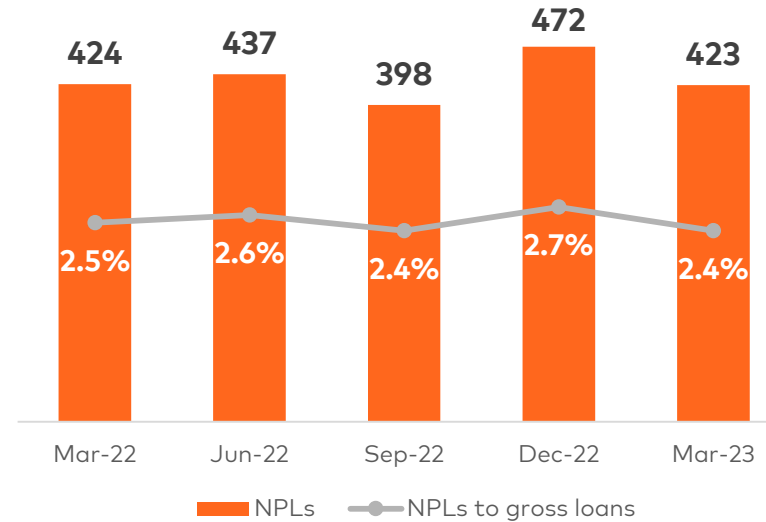
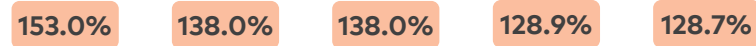
- Cost of credit risk ratio was 1.0% in 1Q23, in line with our normalised through the cycle level
- NPLs to gross loans decreased to 2.4% as at 31 March 2023, mainly driven by reduced NPLs in CIB

## Loan portfolio quality

### NPL coverage



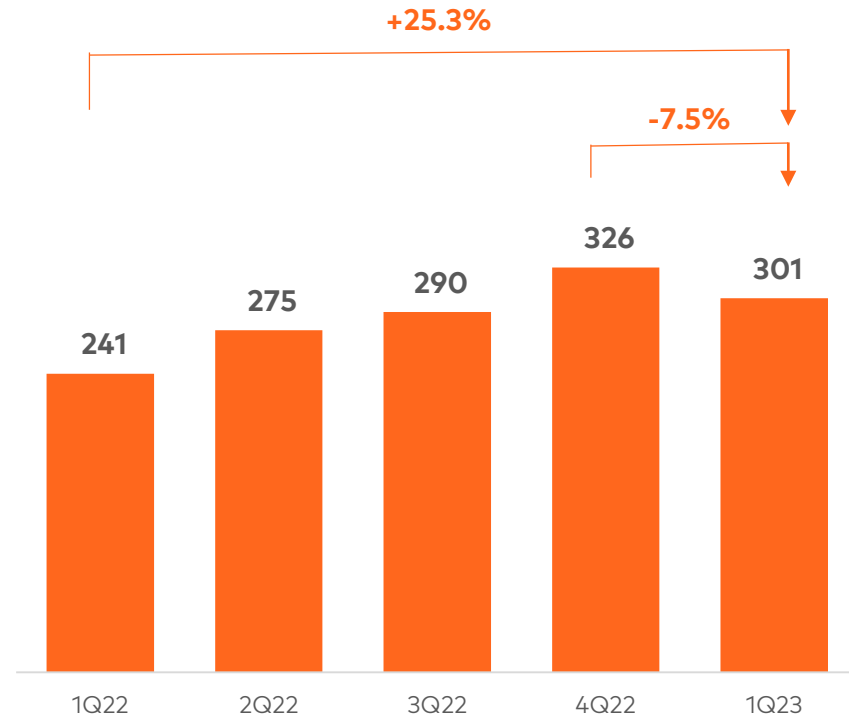
### NPL coverage adjusted for the discounted value of collateral



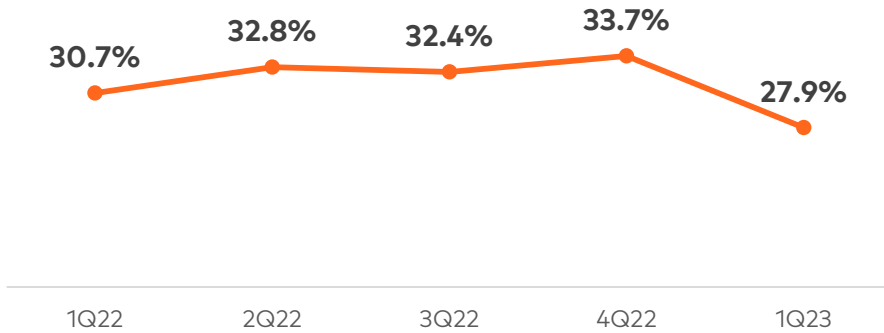
# Robust bottom-line growth and profitability

All currency data are in GEL m unless otherwise stated

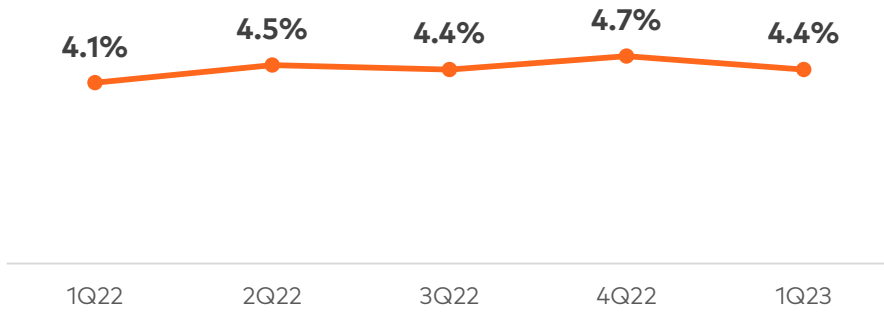
## Profit



## ROE



## ROA



\*4Q22 figures adjusted for a one-off GEL 391.1m other income due to the settlement of an outstanding legacy claim, and a one-off GEL 79.3m tax expense due to an amendment to the corporate taxation model in Georgia

# Strong capital position at Bank of Georgia

Figures given for JSC Bank of Georgia standalone

## Evolution of capital ratios during 1Q23

	31 Dec 2022	1Q23 profit	Business growth	Currency impact	Capital distribution	Capital facility impact	31 March 2023	Minimum requirement (31 Dec 2022)	Potential impact of a 10% GEL devaluation
CET1 capital adequacy ratio	17.7%	1.4%	-0.1%	0.4%	0.0%	0.0%	19.5%	14.5%	-0.9%
Tier1 capital adequacy ratio	19.7%	1.4%	-0.1%	0.4%	0.0%	0.0%	21.4%	16.8%	-0.8%
Total capital adequacy ratio	21.7%	1.4%	-0.1%	0.3%	0.0%	0.0%	23.3%	19.7%	-0.8%

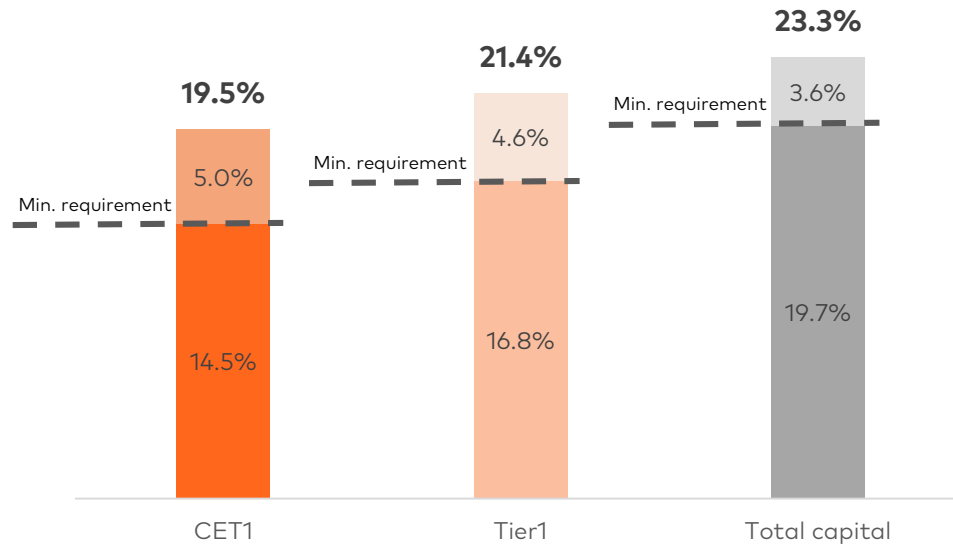
- In January 2023, the NBG transitioned to IFRS-based accounting. For comparability reasons, we present capital ratios as at 31 December 2022 based on IFRS accounting that are presented on a management basis and are not officially approved by the NBG on the basis that they were not mandatory as of December 2022
- The full loading of Basel III capital requirements was completed in March 2023
- In March 2023, the Financial Stability Committee (FSC) of the NBG set the cycle-neutral countercyclical capital buffer (base rate) at 1%. A 12-month period has been given to banks to satisfy the requirement from March 2024

# Strong capital position *continued*

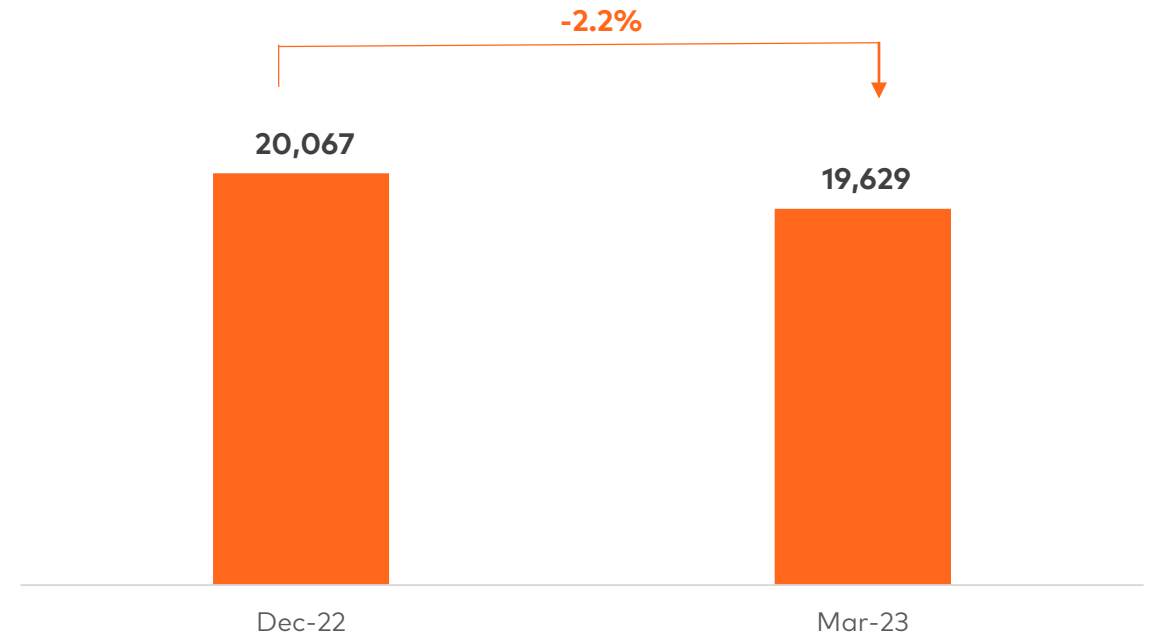
Figures given for JSC Bank of Georgia standalone  
All currency data are in GEL m unless otherwise stated

## Capital adequacy ratios and minimum requirements

31 March 2023



## Risk-weighted assets



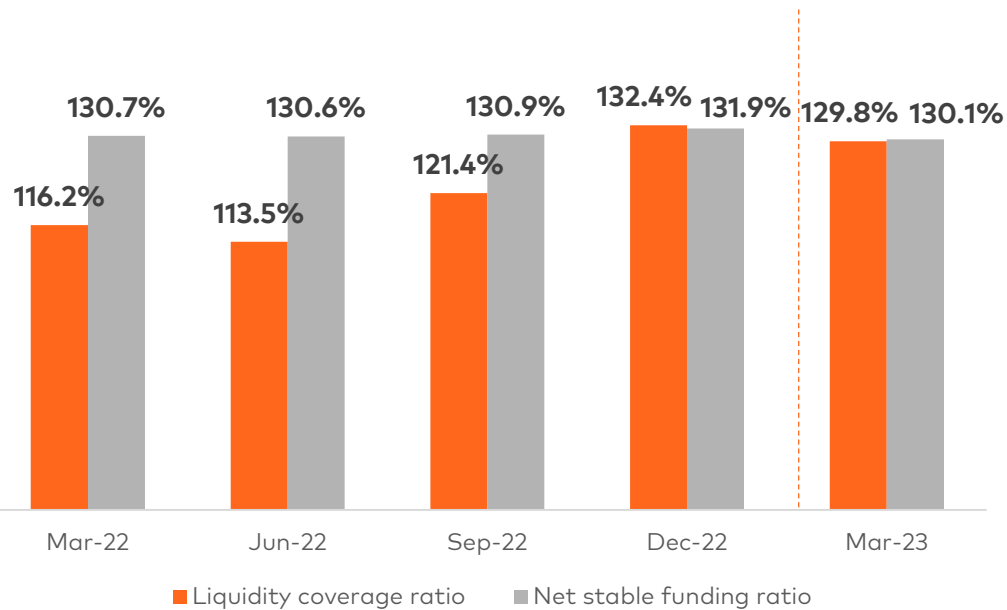
- As at 31 March 2023, the Bank had a 500 bps CET1 ratio buffer
- In addition, the one-off gain of GEL 391.1 million, recorded in the fourth quarter of 2022 has been held at the holding company level and has not affected the Bank's capital ratios

# Excellent levels of liquidity

Figures given for JSC Bank of Georgia standalone

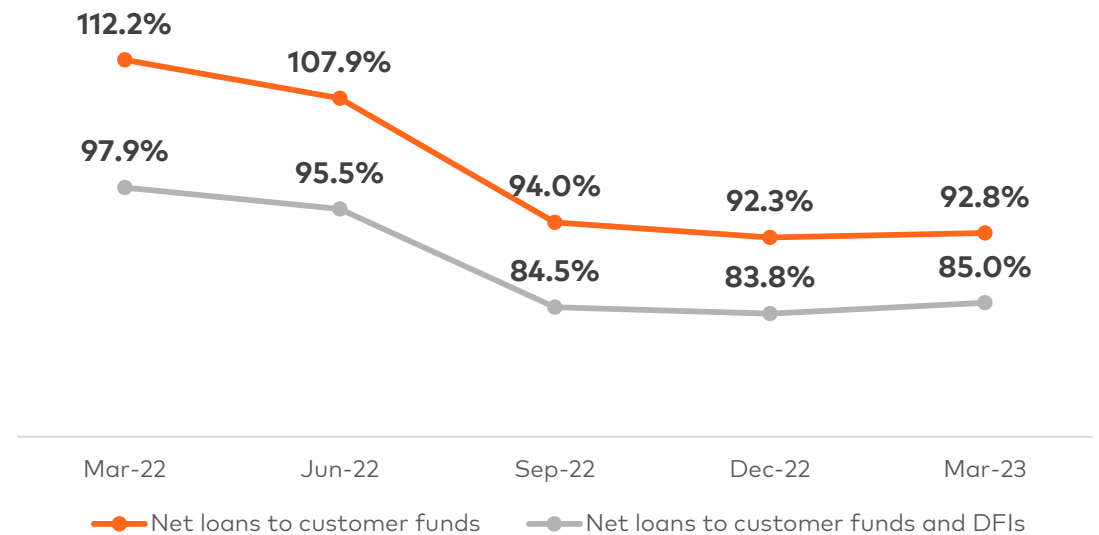
## Liquidity coverage and net stable funding ratios

JSC Bank of Georgia standalone (Basel III liquidity)



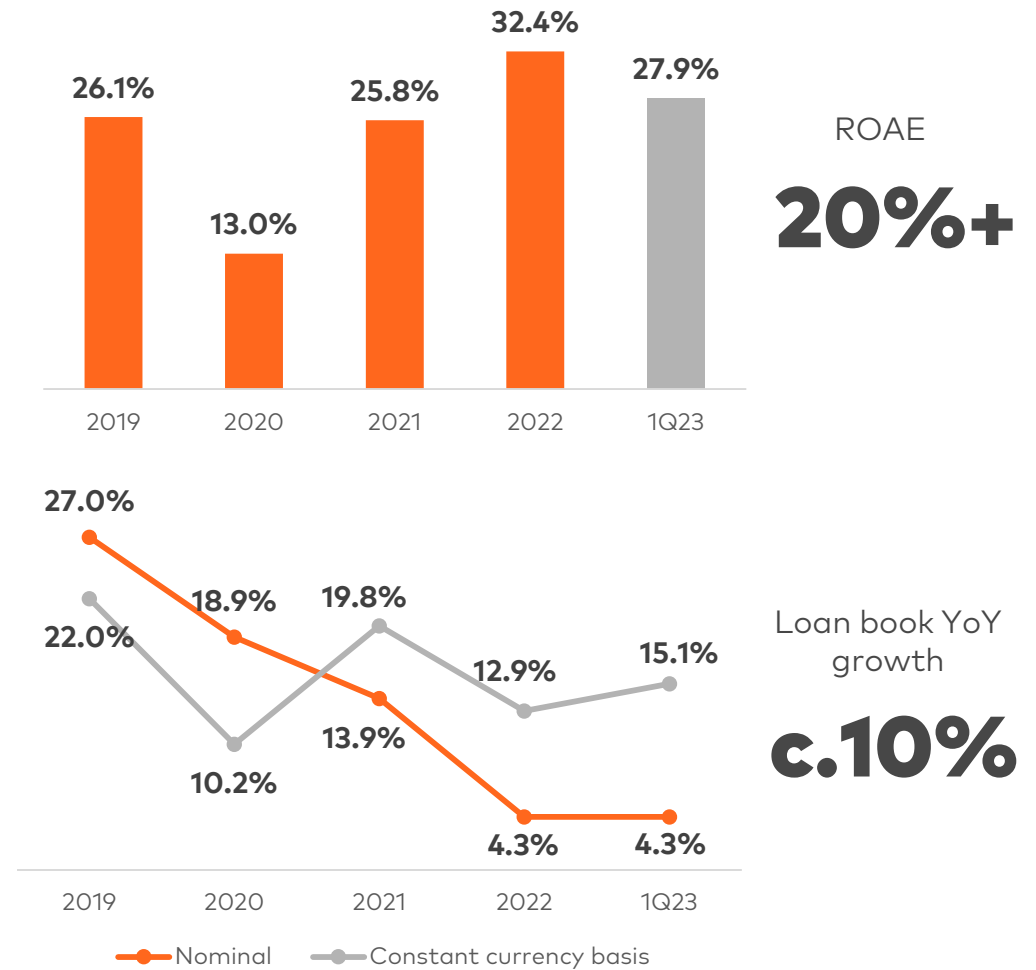
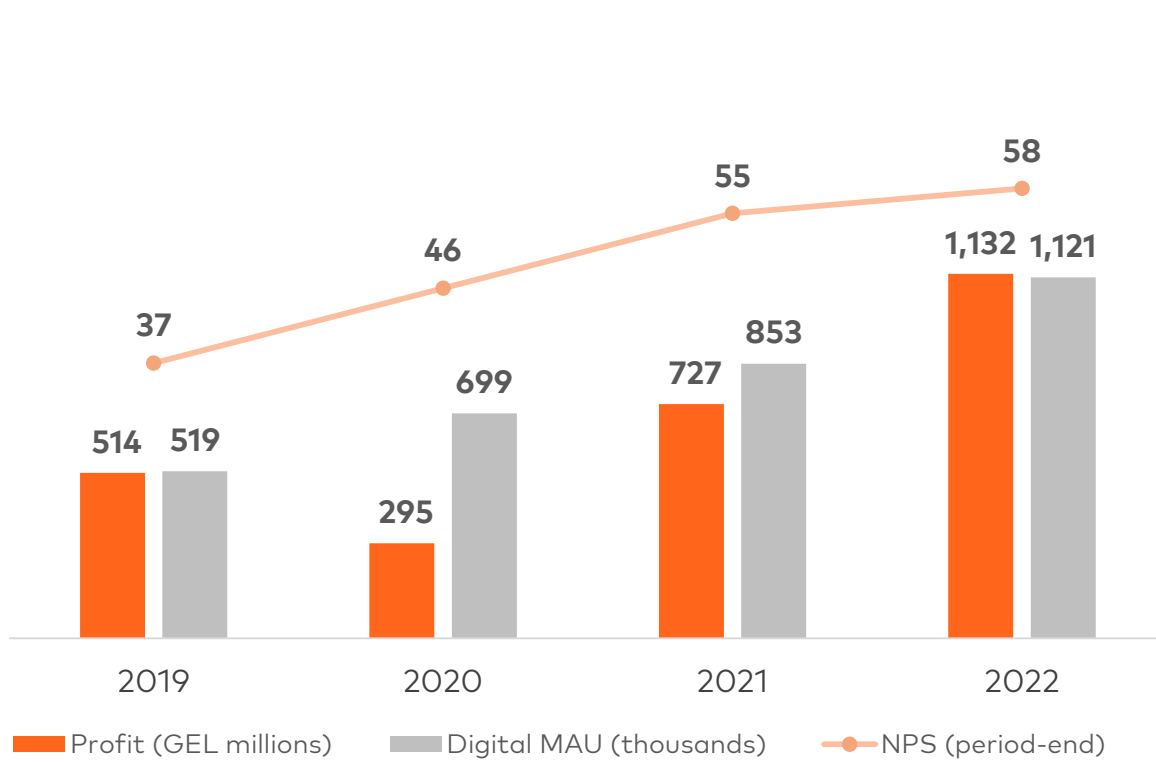
- Since January 2023, the NBG has transitioned to IFRS-based accounting, and the March 2023 liquidity coverage ratio and the net stable funding ratio have been calculated based on IFRS
- Both the LCR and the NSFR ratios have been comfortable above the minimum requirement of 100%

## Net loans to customer funds and DFIs





# Track record of growth and strong performance



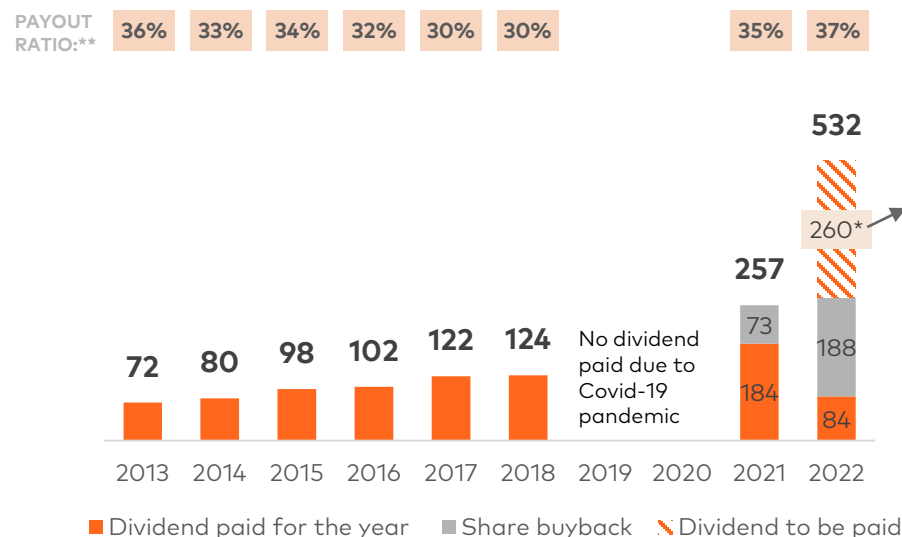
2019 ROAE and profit were adjusted for GEL 14.2m (net of income tax) termination costs of a former CEO and executive management

2022 ROAE and profit were adjusted for a one-off GEL 391.1m other income due to the settlement of an outstanding legacy claim, and a one-off GEL 79.3m income tax expense due to an amendment to the corporate taxation model in Georgia applicable to financial institutions

# Returning capital to shareholders

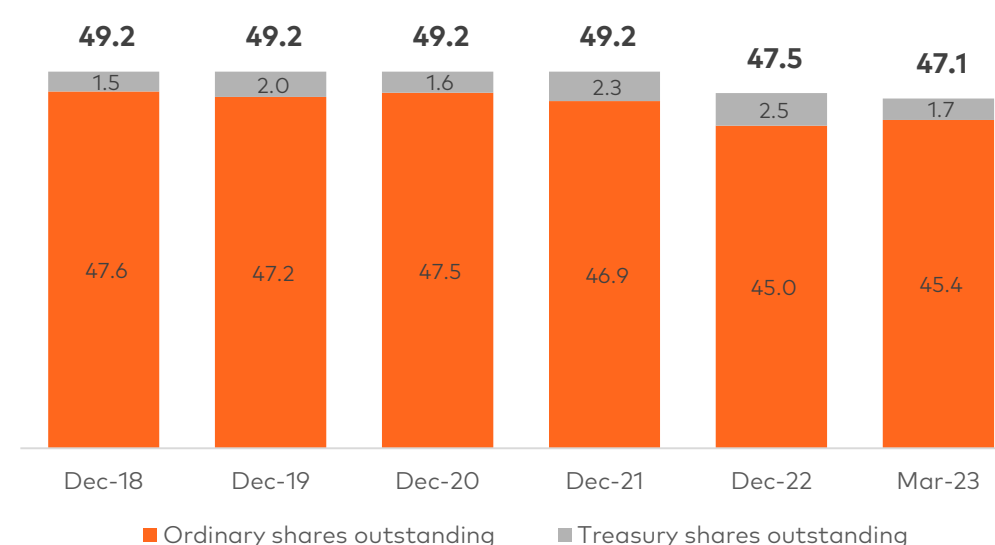
## Capital distribution

GEL millions



## Number of shares outstanding\*\*\*

Millions



- On 16 February 2023, the Board announced an increase in the share buyback and cancellation programme **by up to GEL 148 million**
- Since the announcement of the Company's share buyback and cancellation programme on 30 June 2022, the Company has repurchased **2,684,436** shares from which 2,501,936 shares have been already cancelled as of 11 May 2023
- On 14 April 2023, the Company confirmed that a final dividend for financial year 2022 of **GEL 5.80** per ordinary share payable in Pounds Sterling at the prevailing rate would be put to shareholder approval **at the AGM on 19 May 2023**. This would make a total dividend paid in respect of the Group's 2022 earnings of **GEL 7.65 per share**.

\*Based on number of shares excluding treasury shares per IFRS as at 11 May 2023

\*\*For the purpose of total payout ratio calculation, total buyback amount is divided by outstanding shares before the beginning of the respective programme

\*\*\*Treasury shares are provided per IFRS and mainly include shares held by Executive and Employee trusts

A solid orange circle is positioned to the left of the text, partially overlapping the letter 'T'.

**THANK YOU**