

# RESULTS CALL PRESENTATION

**3Q22 and 9M22**

**Performance**

10 November 2022  
[www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com)

## Disclaimer – forward looking statements

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## Highlights of the quarter

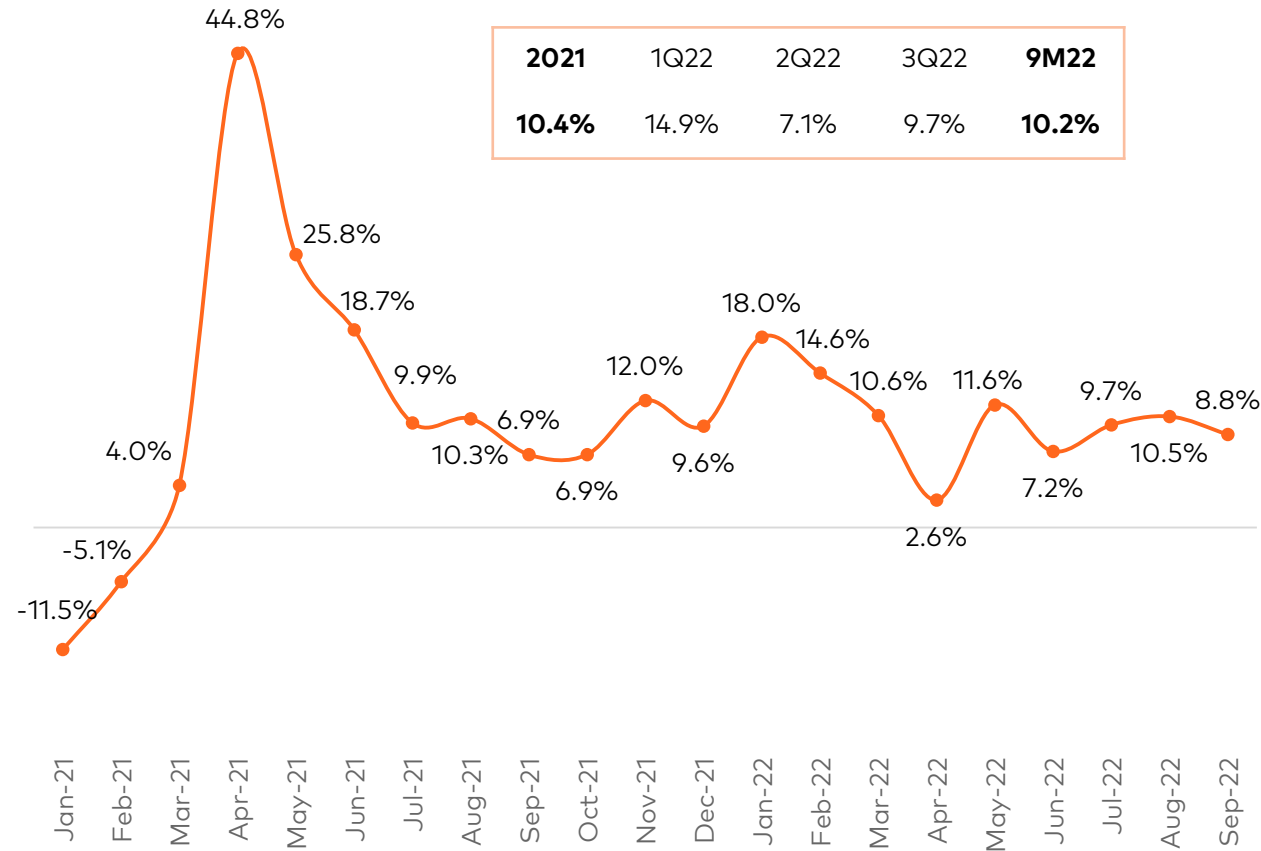


# Contents

- | MACROECONOMIC HIGHLIGHTS**
- | GROUP OVERVIEW AND STRATEGY
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# Strong growth momentum maintained in the third quarter

## Real GDP y-o-y growth



Source: GeoStat

### Key drivers of growth:

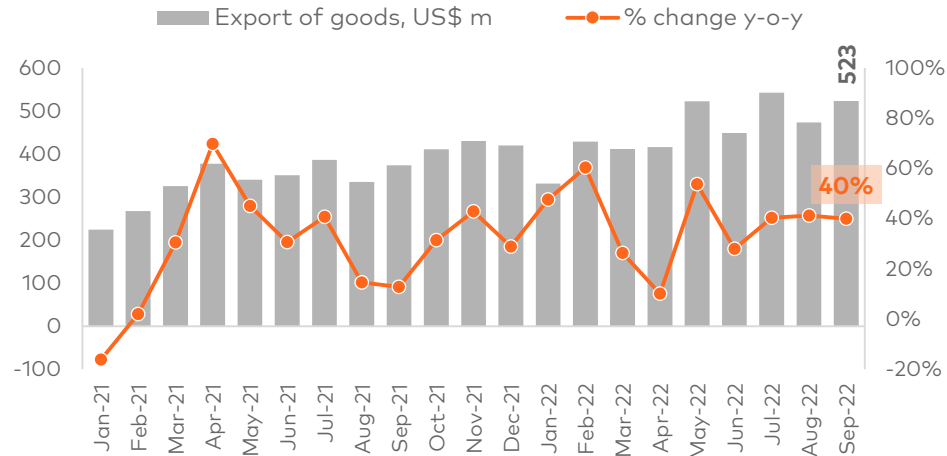
- Recovery in tourism revenues, resilient inflows from exports and remittances
- Increased activity in transport and communication, real estate and hospitality sectors
- Strong rebound in domestic investment expenditure

### In 3Q22:

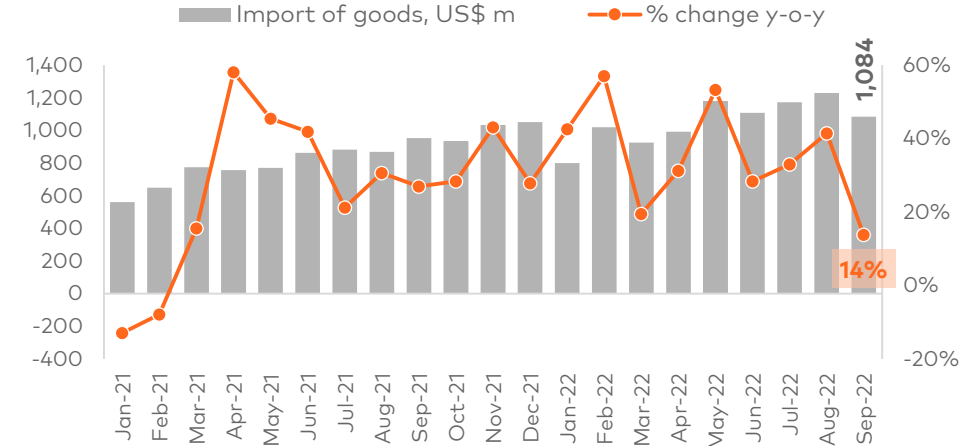
- Export of goods up 40.5% y-o-y (37.4% y-o-y growth in 9M22)
- Remittances up 64.9% y-o-y (64.9% y-o-y growth in 9M22)
- Tourism revenues exceeded 2019 levels (97.5% recovery in 9M22)

# Sustained external inflows underpinning growth momentum

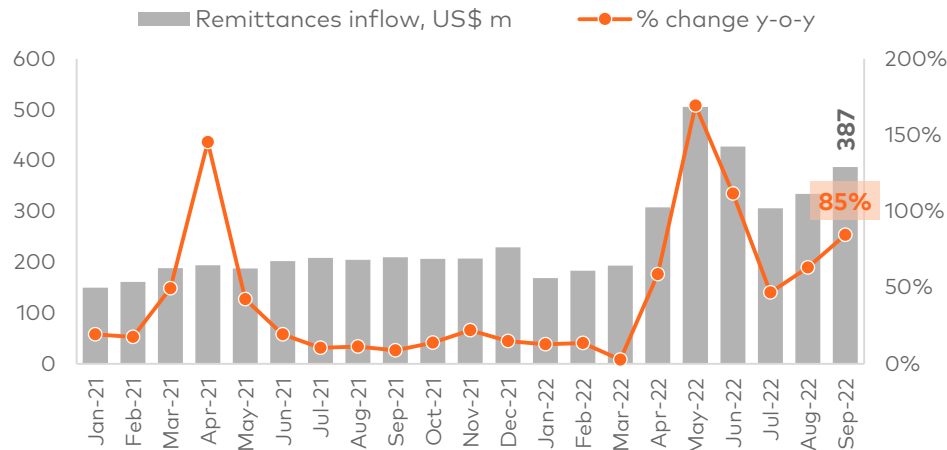
## Export of goods



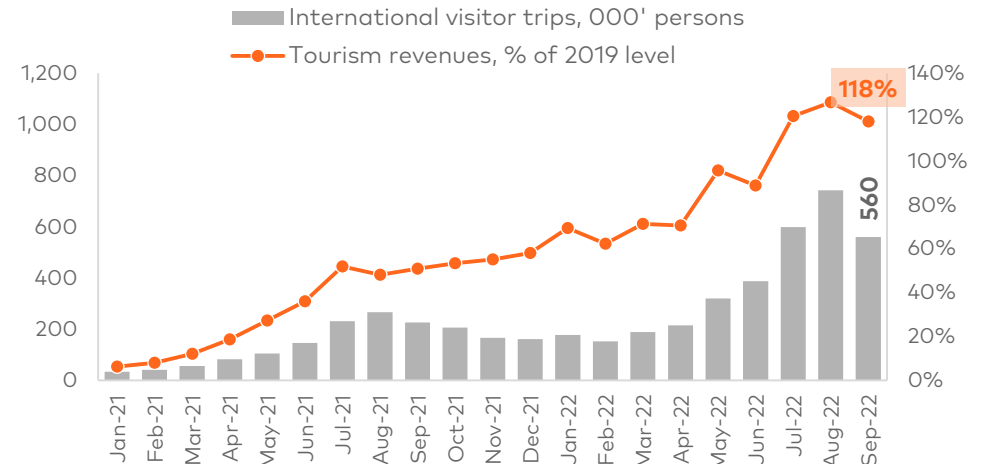
## Import of goods



## Remittances



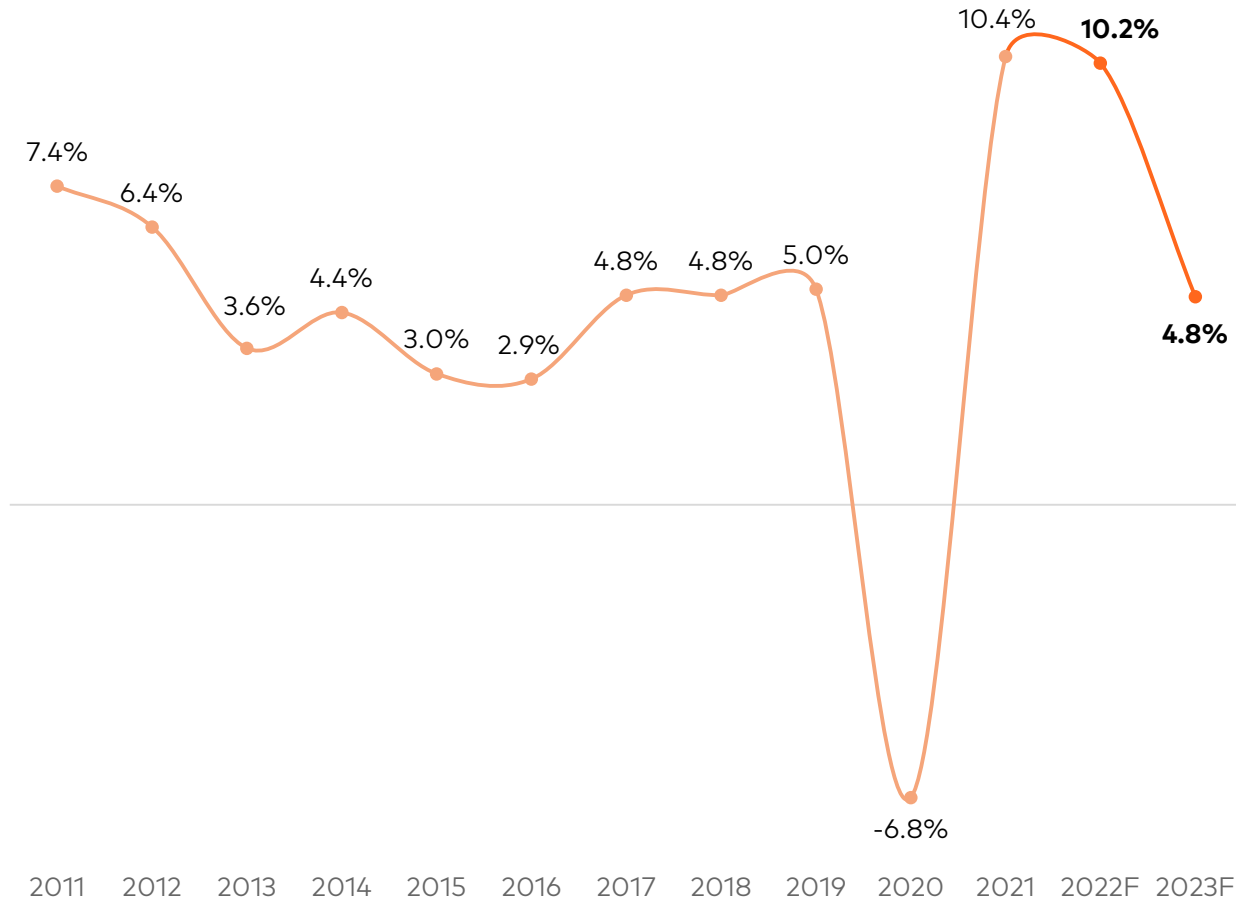
## Tourism inflows



Source: GeoStat, NBS, GNTA

# Reasonably optimistic economic outlook

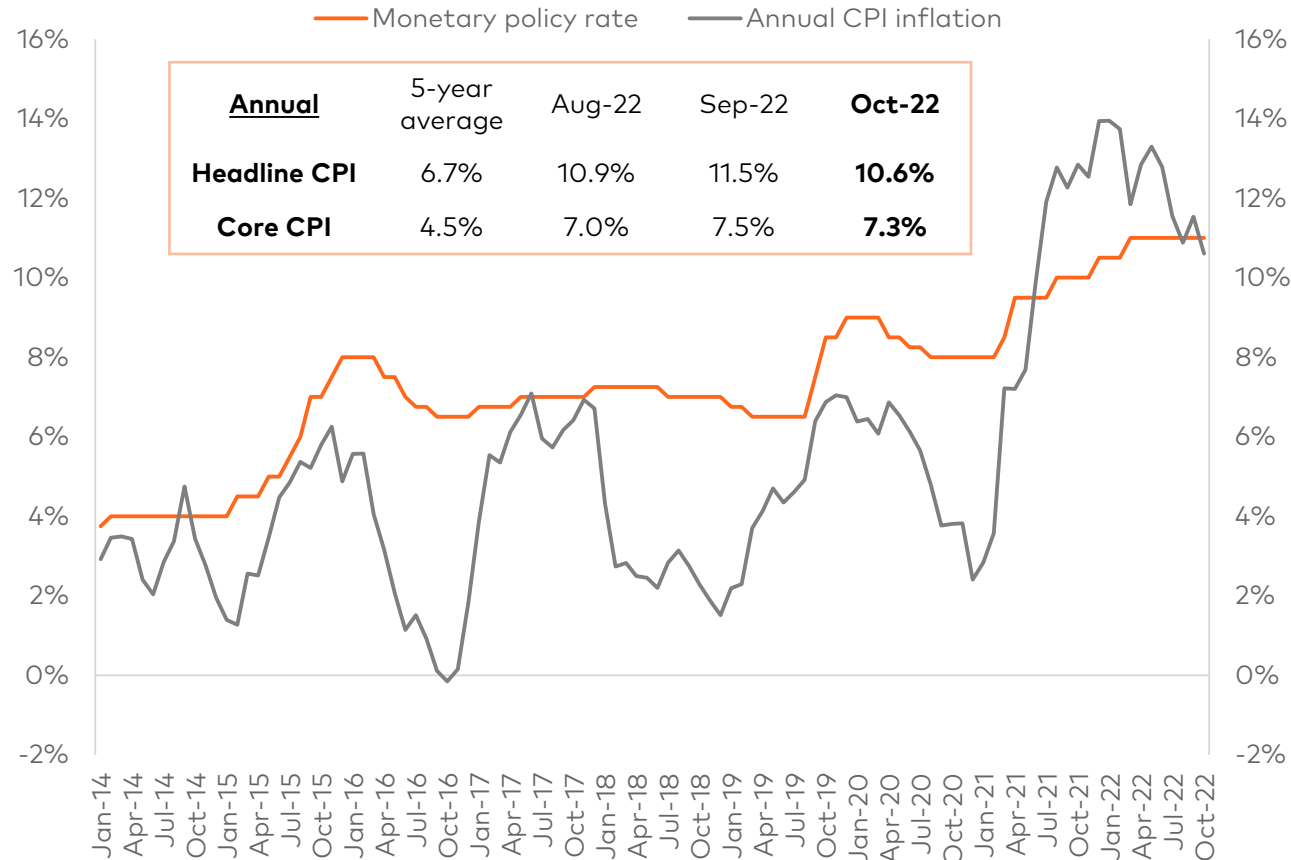
## Georgia's economic growth forecast



- Considering stronger-than-expected growth in the first nine months of the year and promising preliminary data, Galt & Taggart revised 2022 real GDP growth upwards to **10.2%**
- In 2023, real GDP growth is expected at **4.8%** considering robust consumption as well as lasting recovery in tourism and investment spending
- Ongoing war in Ukraine, global recession fears and high inflation are downside risks

# Inflation remains elevated, driven by global commodity price pressures

## Monetary policy remains tight to curb inflation pressures



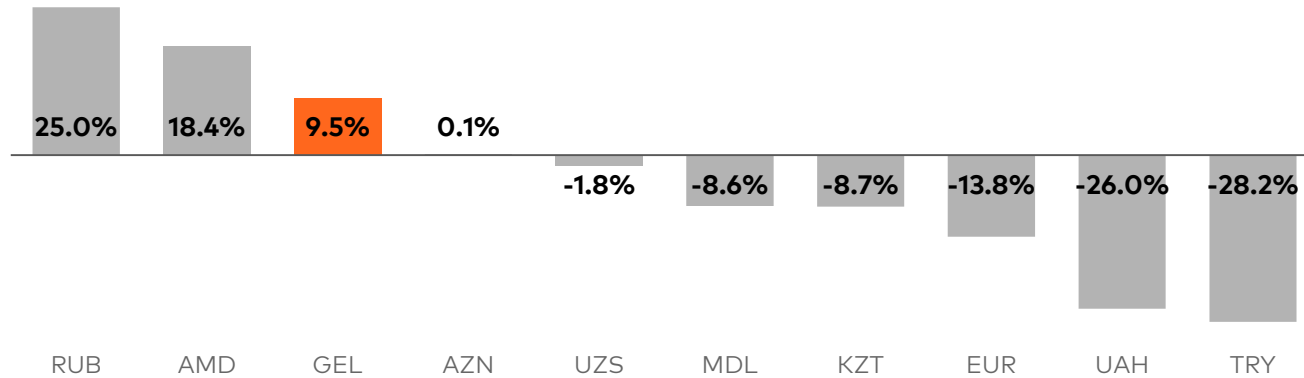
- Inflation mainly driven by globally elevated food and energy prices
- Demand-side price pressures have also intensified
- PPI inflation on a downward trend slowing from 15.4% year-on-year in Jun-22 to 9.2% in Sep-22 and indicating that consumer prices should also slow
- The NBG maintains a tight monetary policy with the refinancing rate at 11% since March 2022
- Inflation is expected to moderate during the first half of 2023

Source: GeoStat, NBG



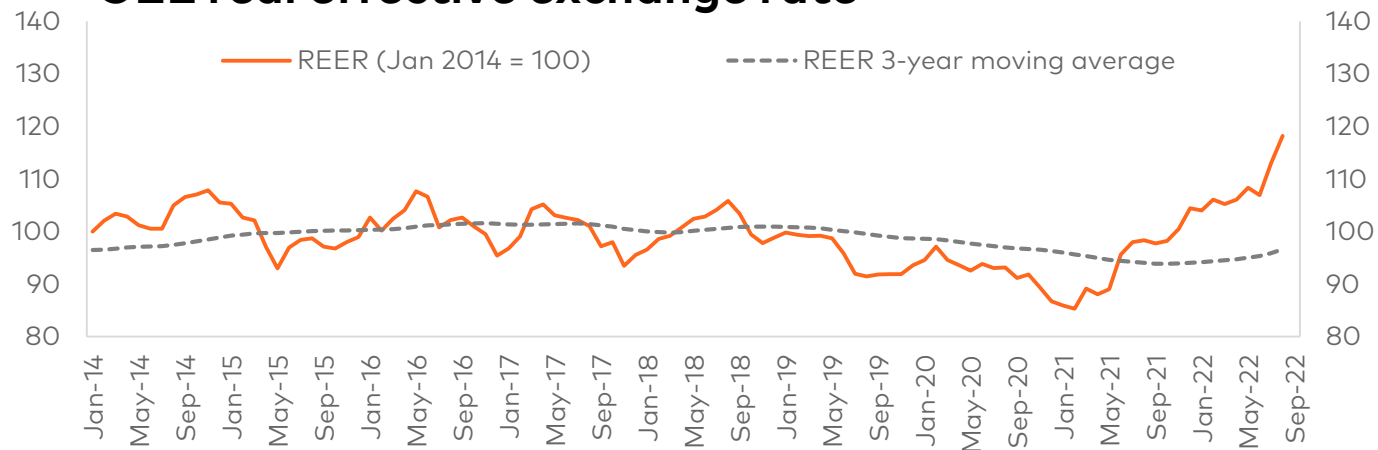
# GEL supported by sustained FX inflows and tight monetary policy

## Currency movements vs. US\$, 12/31/2021 – 9/30/2022



- GEL continues to appreciate on the back of strong external inflows, tight monetary policy and improved sentiments. As at 31 October 2022, the Georgian currency has gained 10.4% against the US Dollar year-to-date
- GEL is expected to remain stable in the medium term

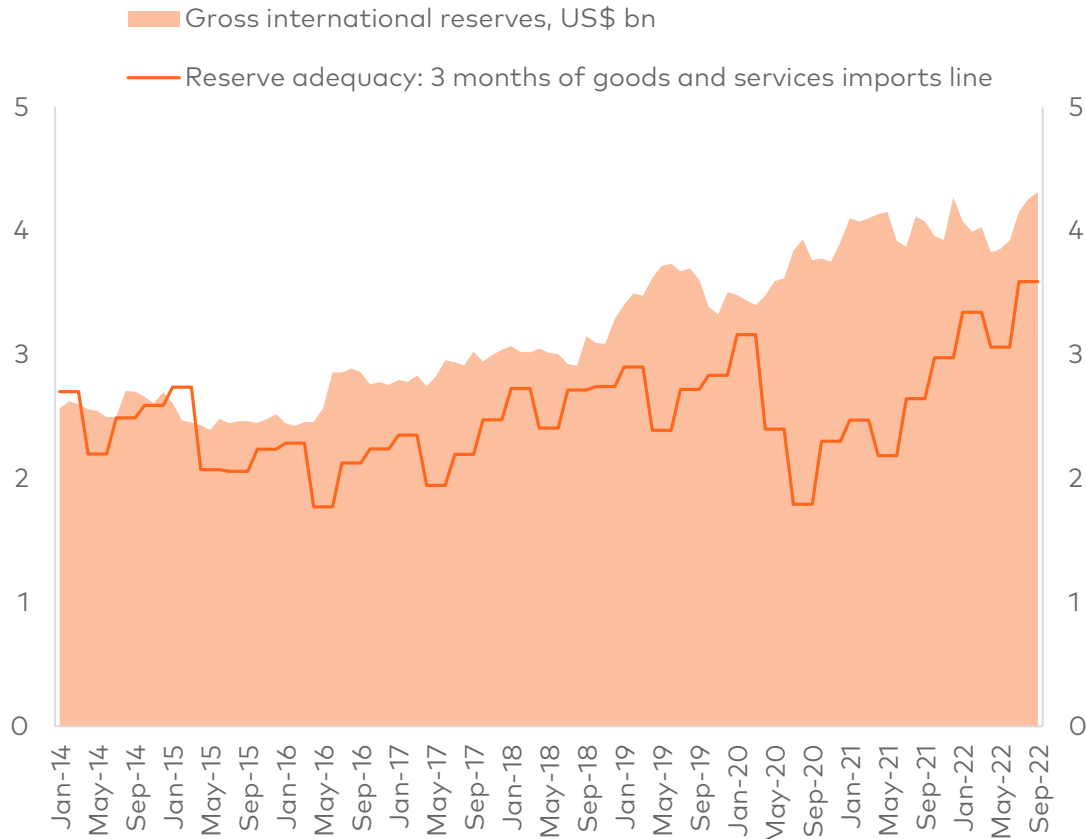
## GEL real effective exchange rate



Source: Bloomberg, NBG  
Note: +/- means appreciation/depreciation

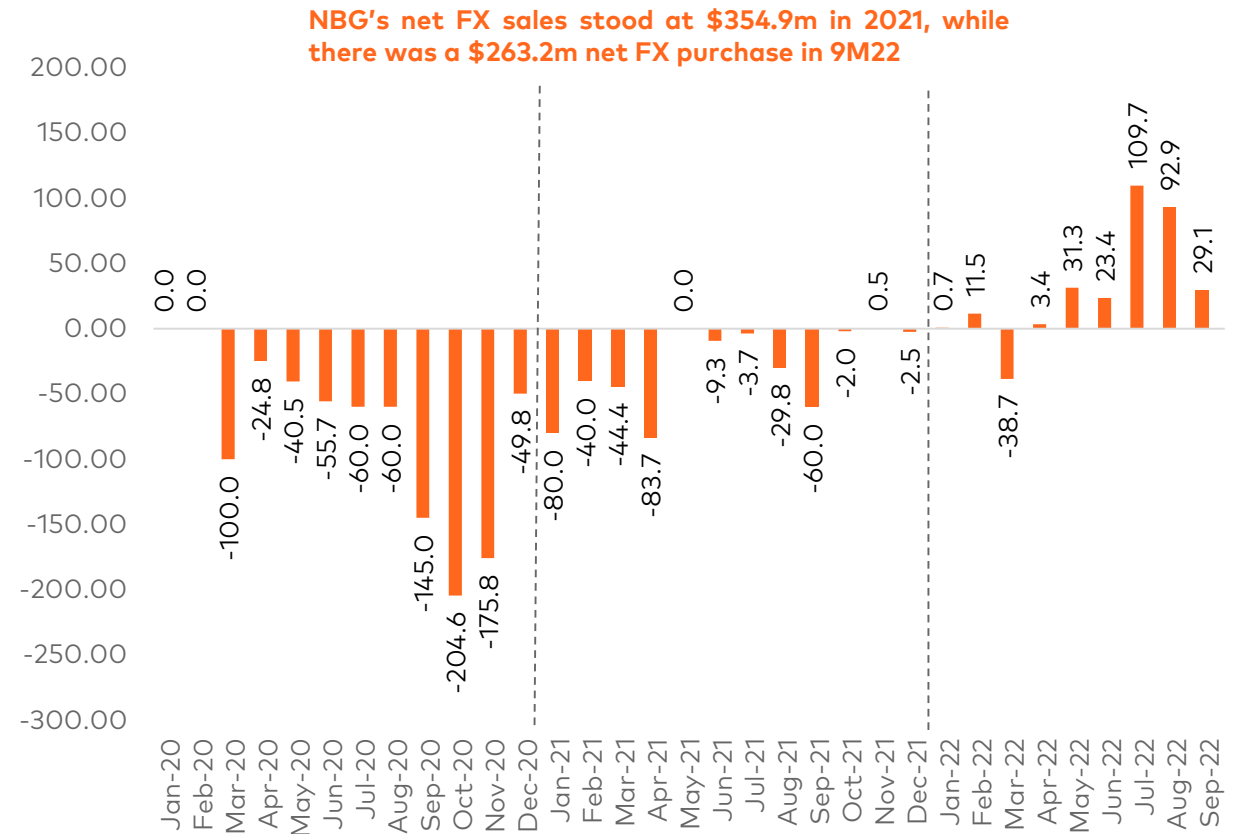
# Growing international reserves

## International reserves



Source: NBG, BOG

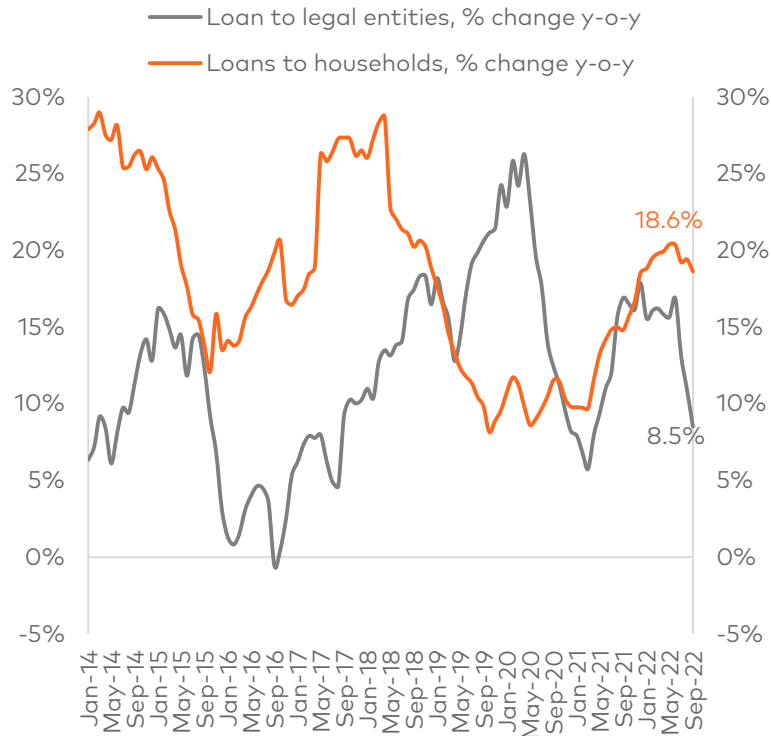
## Central bank's interventions, net purchase in US\$ m



Source: NBG

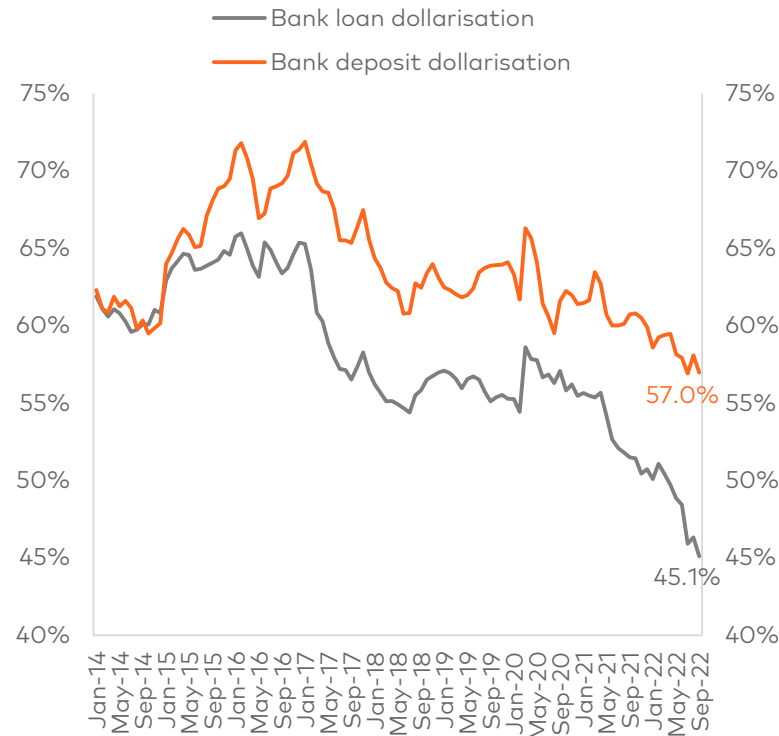
# Healthy banking sector, with dollarisation down

## Loan book growth: legal entities vs. households (exc. FX effect)



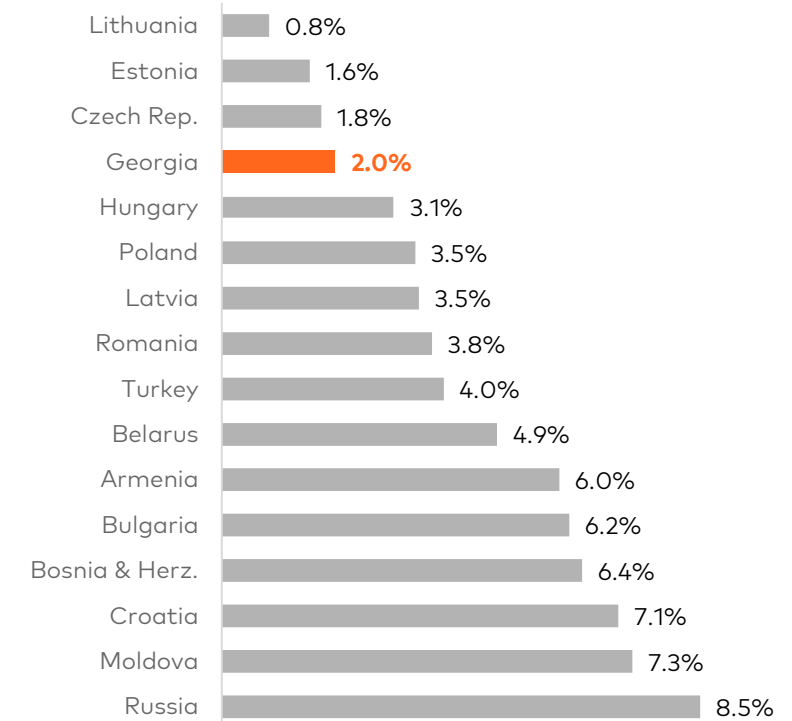
Source: NBG

## Loan and deposit dollarisation



Source: NBG

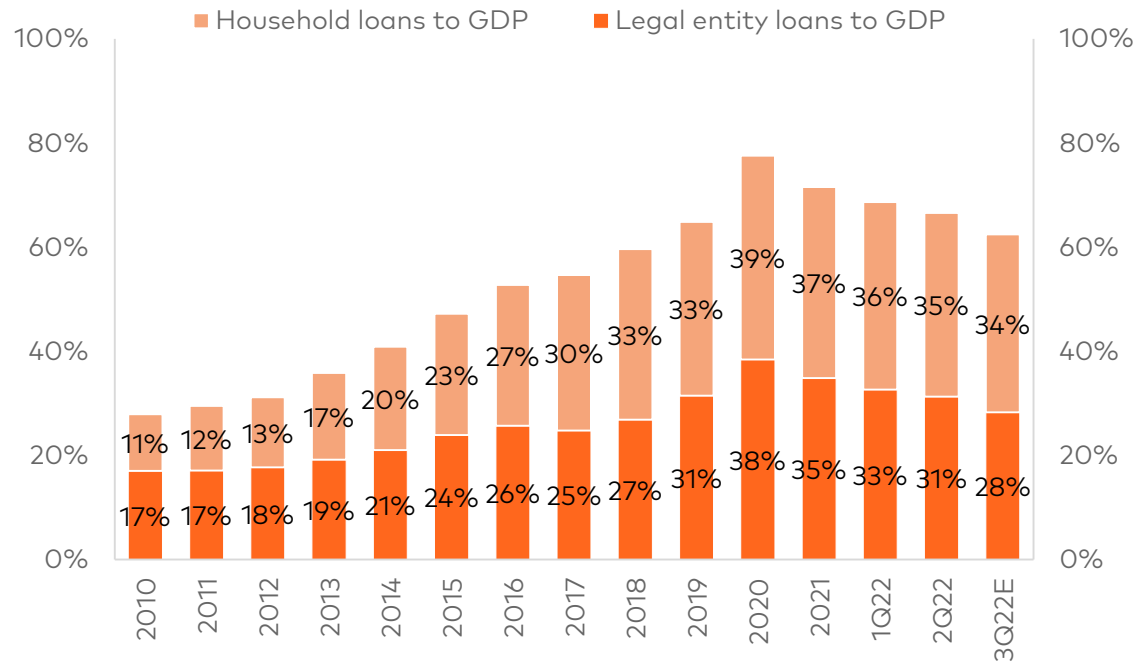
## Non-performing bank loans to total gross loans, 2019-2021 average



Source: IMF

# Reduced debt burden in the economy

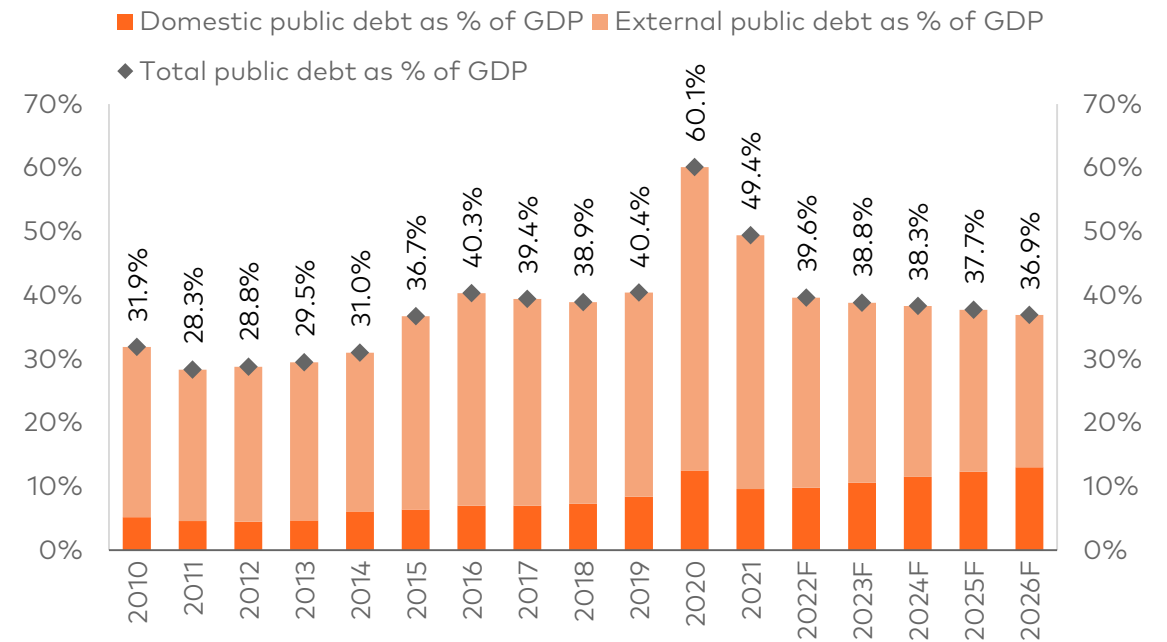
## Banking sector loans to legal entities and households as % of GDP



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
- Several big issuers, including BOG and GGU, have repurchased their outstanding bonds, thus reducing refinancing risks

## Public debt as % of GDP



Source: MOF, GeoStat, forecasts as of 2022 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 well-positioned to maintain its growth momentum and withstand possible shocks

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## Who we are and what we focus on

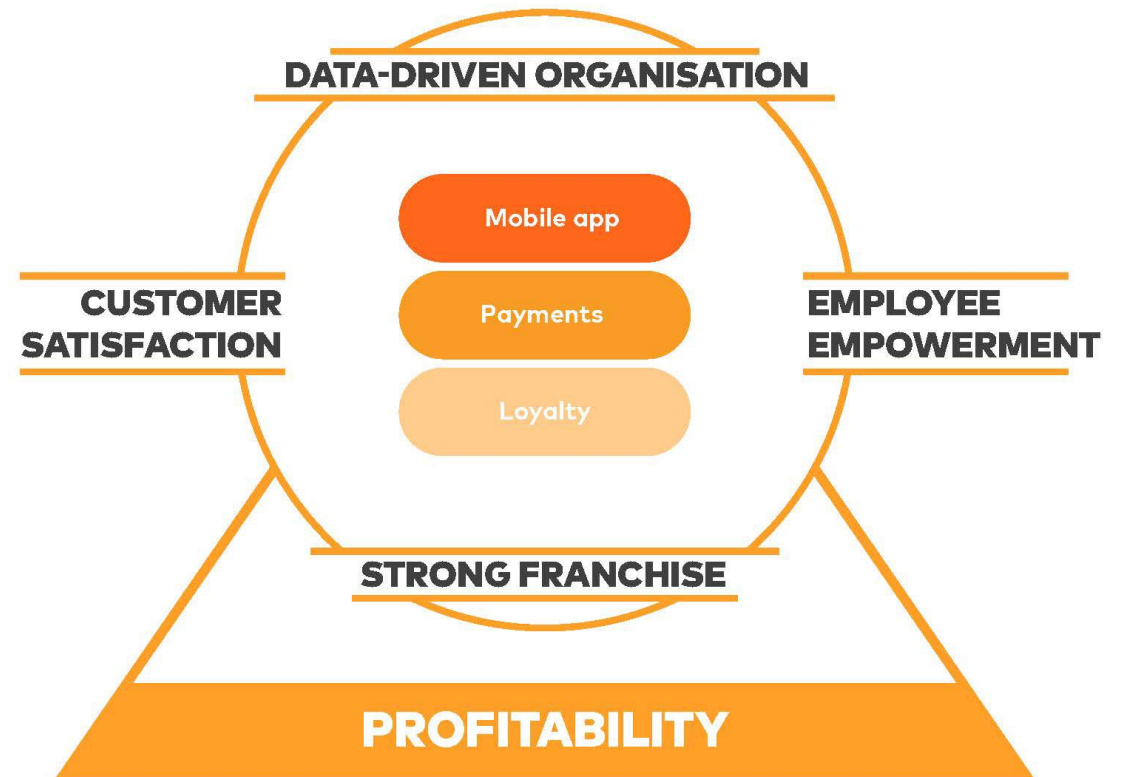
A FTSE-250 company with a diversified institutional investor base

Retail digital banking leader

Top of mind and the most trusted bank in Georgia

Consistently delivering high profitability (ROAE above 20%)

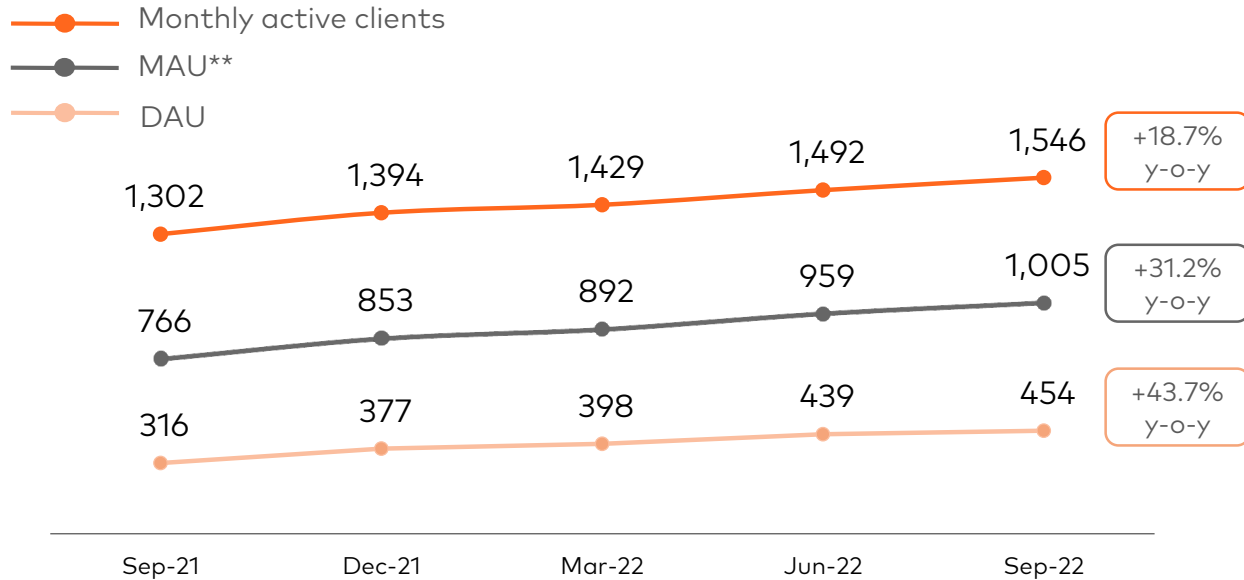
Highest standards of corporate governance and a strong focus on ESG



# Our customers are becoming more digital and engaged

## Active users\*

thousands

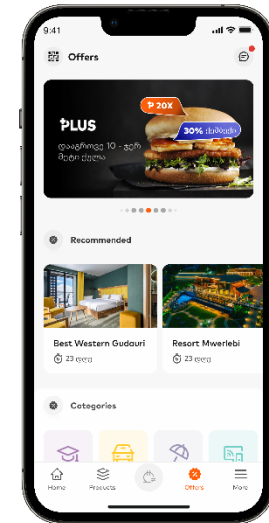
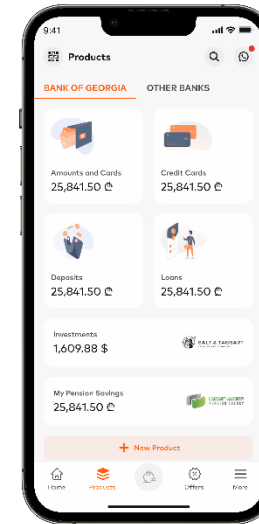


$\frac{DAU}{MAU}$	41.2%	44.2%	44.6%	45.8%	45.2%
$\frac{MAU}{\text{Monthly active clients}}$	58.8%	61.2%	62.4%	64.3%	65.0%

\*Information on this slide depicts the use of channels by individual clients.

\*\*Monthly active user – at least one login within the past month in mBank or iBank.

## Building a financial Super App



Play store

4.7/5

App store

4.8/5

Customer Satisfaction Score (Sep-22)

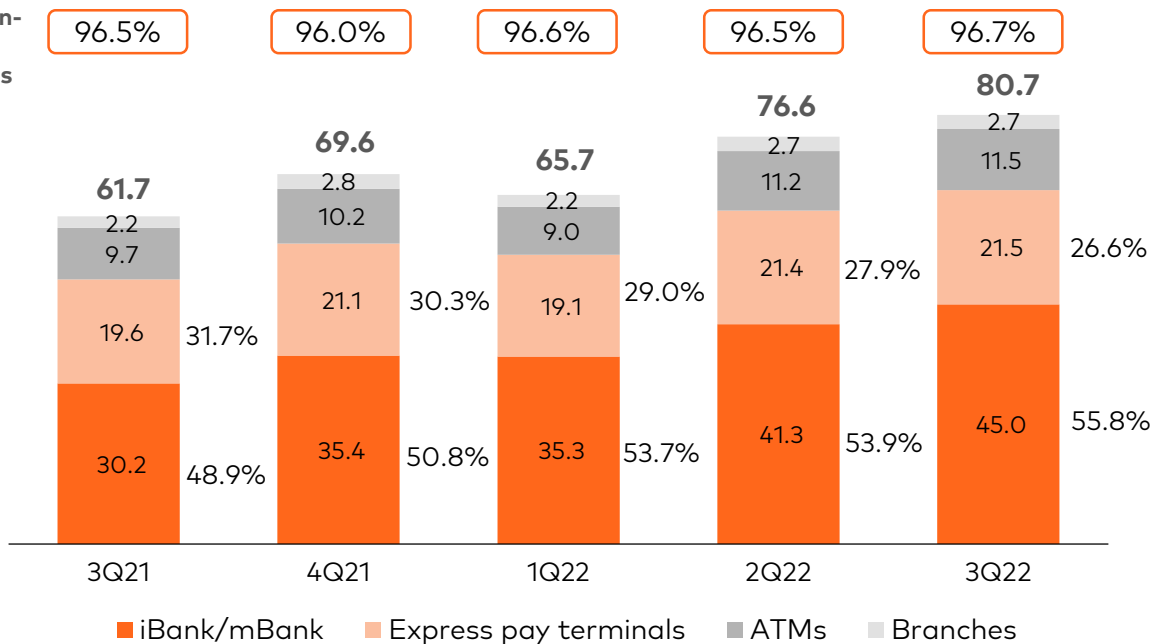
87%

# Focusing on increasing sales in digital channels

## Number of transactions\*

millions

Share of non-branch transactions



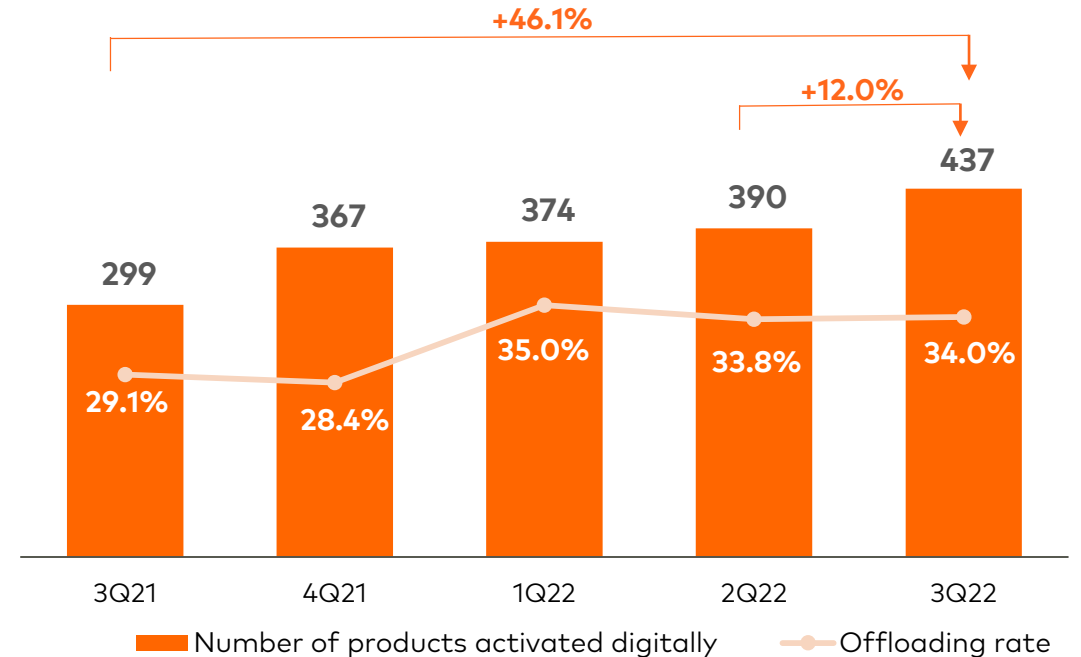
- Number of transactions in mBank/iBank grew 49.3% y-o-y and 9.0% q-o-q
- Launched [www.bogpay.ge](http://www.bogpay.ge) – a new webpage for daily payments
- Fully launched a chatbot in mBank to digitally assist our clients
- Launched sCoolApp – a mobile banking application for pupils

\*Shows the use of channels by individual clients.

\*\*Mainly comprises card, deposit and loan activations in digital channels.

## Product offloading\*\*

thousands



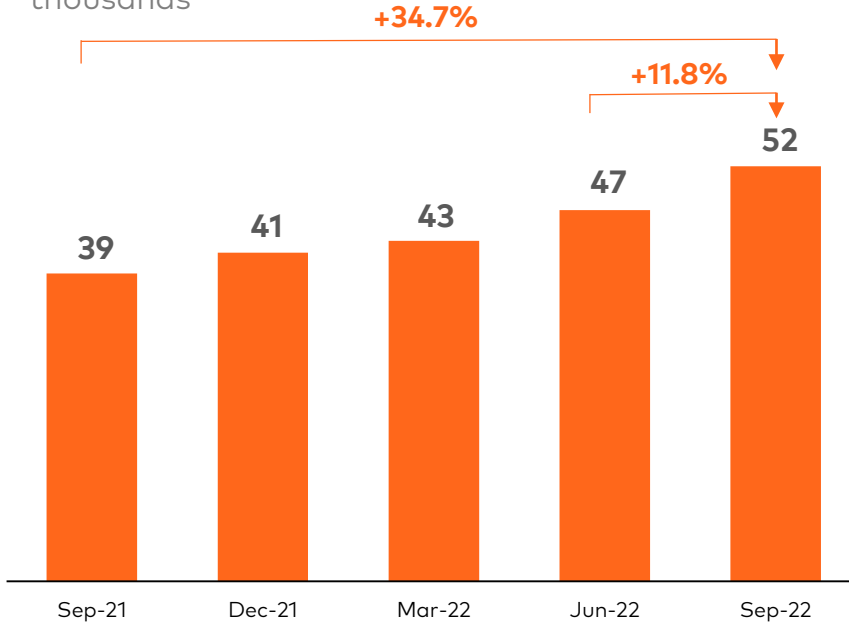
- Loans digital offloading was **64.1%** in Sep-22, up from **60.8%** in Sep-21



# Full digital experience for our business customers

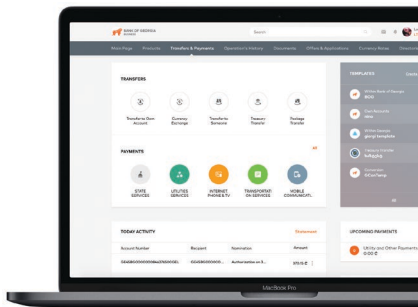
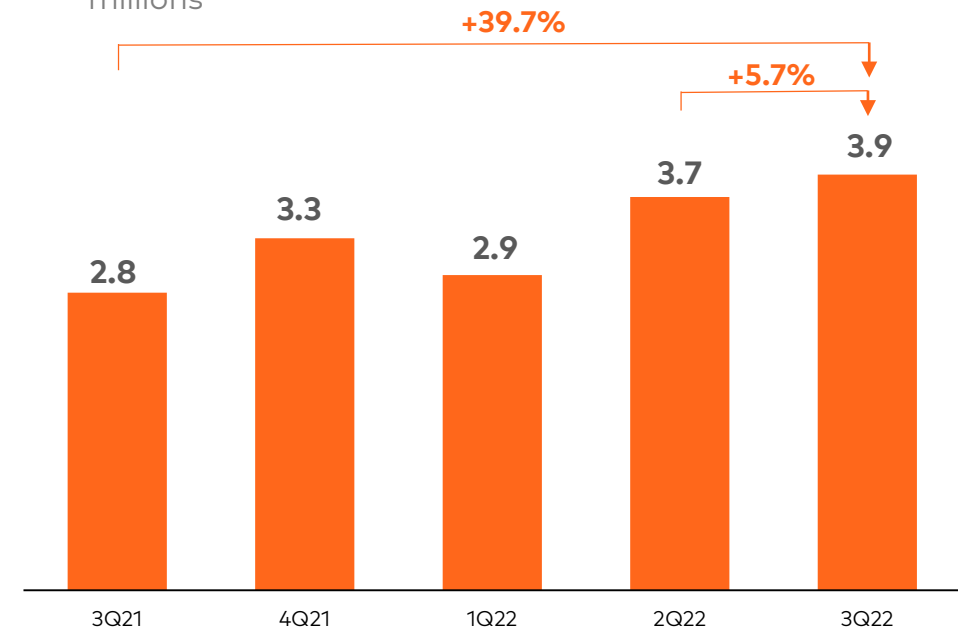
## Number of monthly active users\*

thousands



## Number of transactions

millions



900k

Average transactions per month

80%

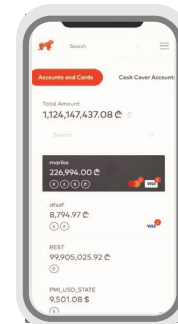
Customer Satisfaction Score (Sep-22)

212k

Average transactions per month

79%

Customer Satisfaction Score (Sep-22)



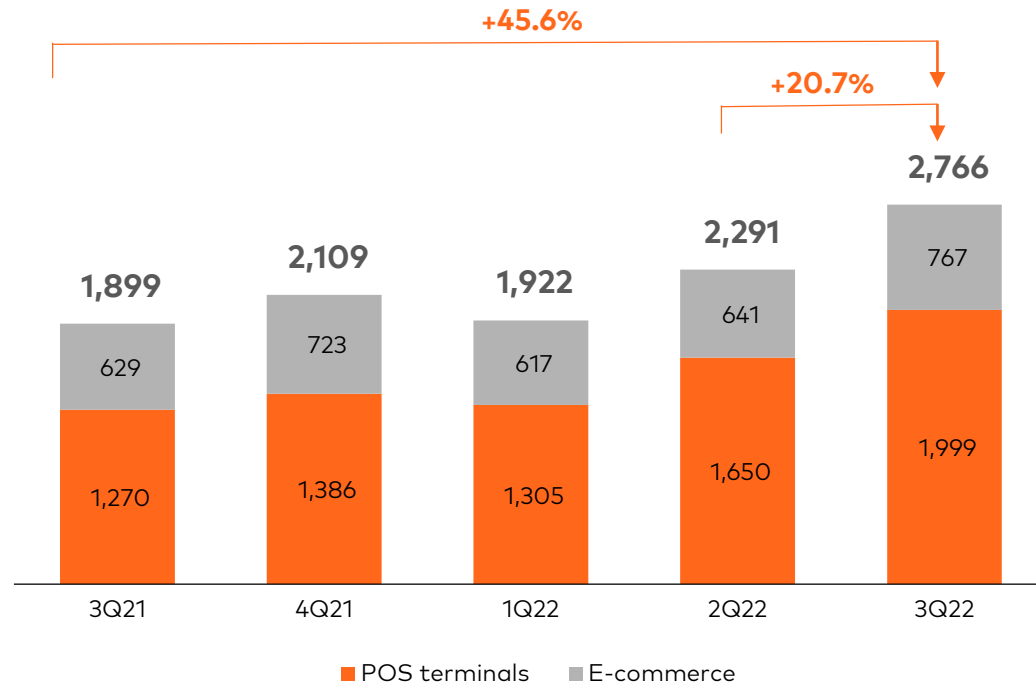
\*Information on this slide depicts the use of internet and mobile banking platforms by legal entities.

\*\*Monthly active user – at least one login within the past month in Business mBank or iBank.

# Payments business – our daily touch point with customers

## Acquiring - volume of payment transactions

GEL millions



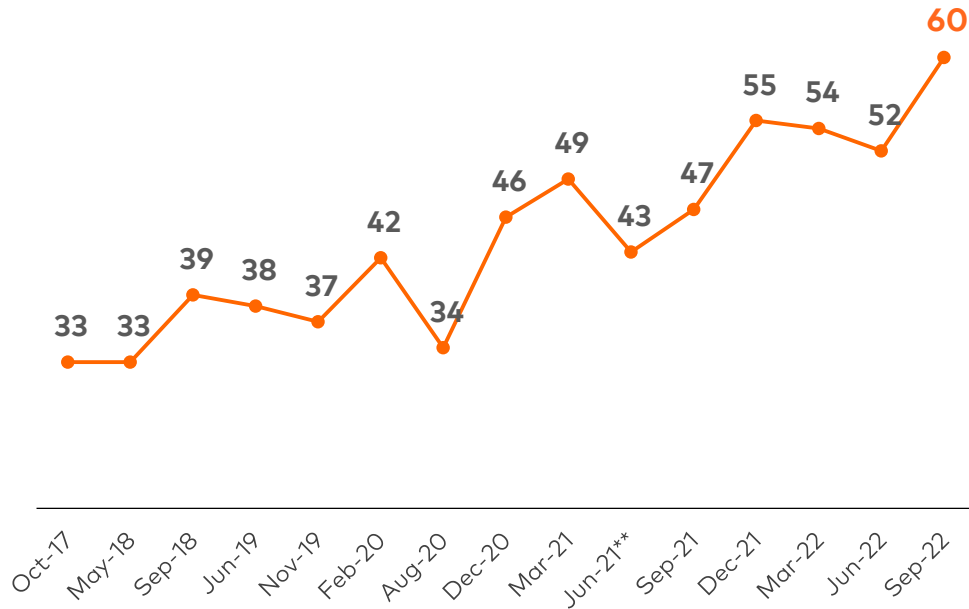
**48.8%**

Market share by volume of transactions in BOG's  
POS and e-commerce | 3Q22  
**+7.6 ppts YoY**

- Active merchants increased by 25.9% y-o-y to 13,560 in 3Q22
- 97% of merchants use our online settlement functionality

# Fostering a customer-centric culture

## 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 external research by IPM Georgia.

\*\*NPS of all major banks decreased due to monetary policy rate hike.

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# 3Q22 and 9M22 financial highlights

Strong operating performance	Outstanding profitability	Resilient loan portfolio quality and focus on efficiency	Strong deposit growth during the quarter	Robust capital base and liquidity position
<p><b>Operating income</b></p> <p><b>GEL 527m</b> +51.4% y-o-y +6.4% q-o-q</p> <hr/> <p><b>GEL 1,417m</b></p> <p>+43.7% y-o-y</p> <p style="text-align: right;"><b>3Q</b> <b>9M</b></p>	<p><b>Profit</b></p> <p><b>GEL 290m</b> +56.6% y-o-y +5.3% q-o-q</p> <hr/> <p><b>GEL 806m</b></p> <p>+53.2% y-o-y</p> <p style="text-align: right;"><b>3Q</b> <b>9M</b></p>	<p><b>Cost of credit risk ratio</b></p> <p><b>1.0%</b></p> <hr/> <p><b>0.8%</b></p> <p style="text-align: right;"><b>3Q</b> <b>9M</b></p>	<p><b>Loans</b></p> <p>30 Sep 2022</p> <hr/> <p><b>GEL 16.2bn</b></p> <p>+3.7% y-o-y * -0.8% q-o-q *</p>	<p><b>CET 1 capital</b></p> <p>30 Sep 2022</p> <hr/> <p><b>14.8%</b></p> <p>Minimum requirement 11.6%</p>
<p><b>Share of non-interest income</b></p> <p><b>44.0%</b></p> <hr/> <p><b>40.2%</b></p> <p style="text-align: right;"><b>3Q</b> <b>9M</b></p>	<p><b>ROAE</b></p> <p><b>32.4%</b></p> <hr/> <p><b>32.0%</b></p> <p style="text-align: right;"><b>3Q</b> <b>9M</b></p>	<p><b>Cost to income ratio</b></p> <p><b>30.6%</b></p> <hr/> <p><b>32.5%</b></p> <p style="text-align: right;"><b>3Q</b> <b>9M</b></p>	<p><b>Deposits</b></p> <p>30 Sep 2022</p> <hr/> <p><b>GEL 17.2bn</b></p> <p>+29.1% y-o-y ** +13.9% q-o-q **</p>	<p><b>LCR</b></p> <p>30 Sep 2022</p> <hr/> <p><b>121.4%</b></p> <p>Minimum requirement 100%</p>

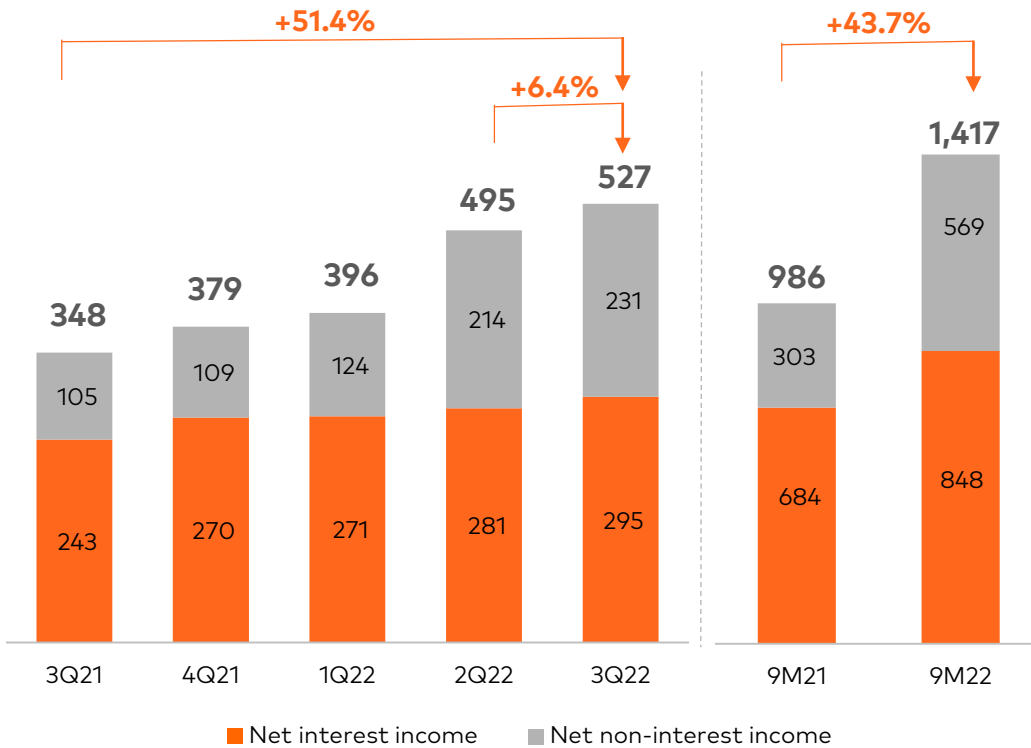
\*Growth on a constant currency basis was 12.9% y-o-y and 2.3% q-o-q.

\*\*Growth on a constant currency basis was 40.3% y-o-y and 17.2% q-o-q.

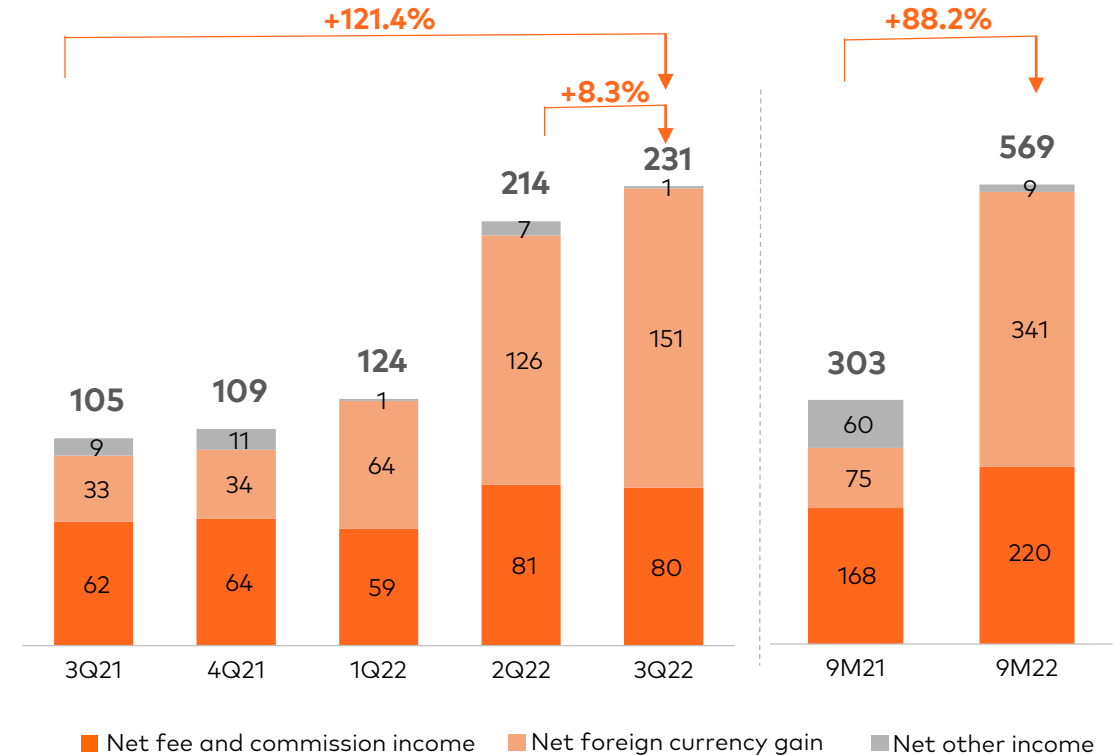
# Strong underlying performance

All currency data are in GEL m unless otherwise stated

## Operating income



## Net non-interest income

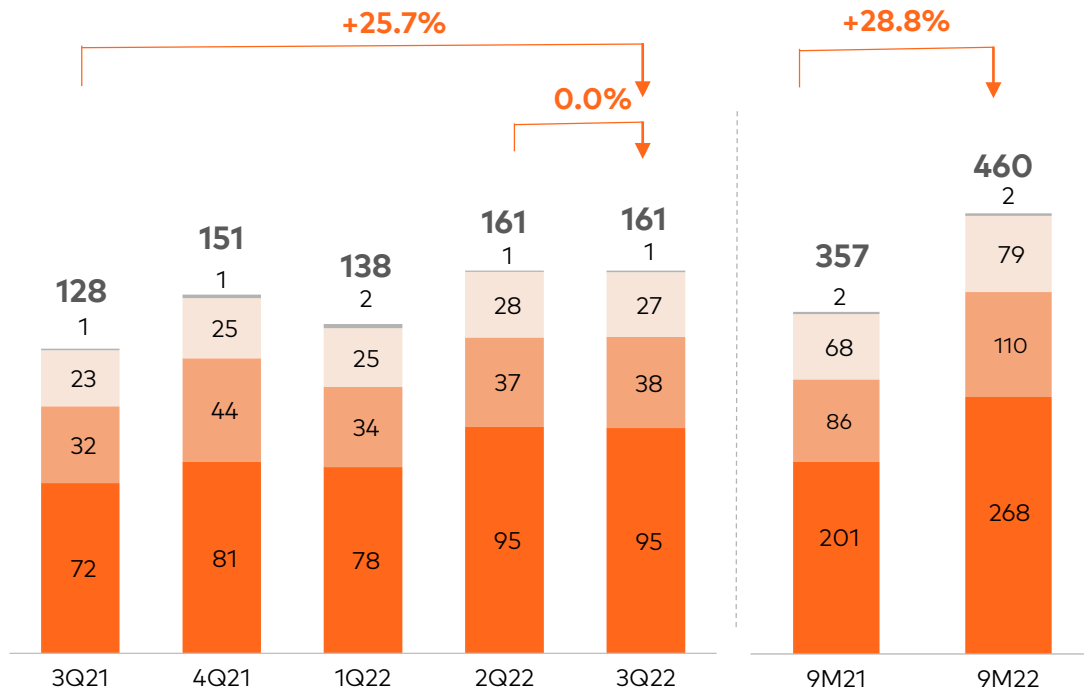


- Strong y-o-y growth in 3Q22 and 9M22 across core revenue lines, with continuing net foreign currency gains boosting the top line

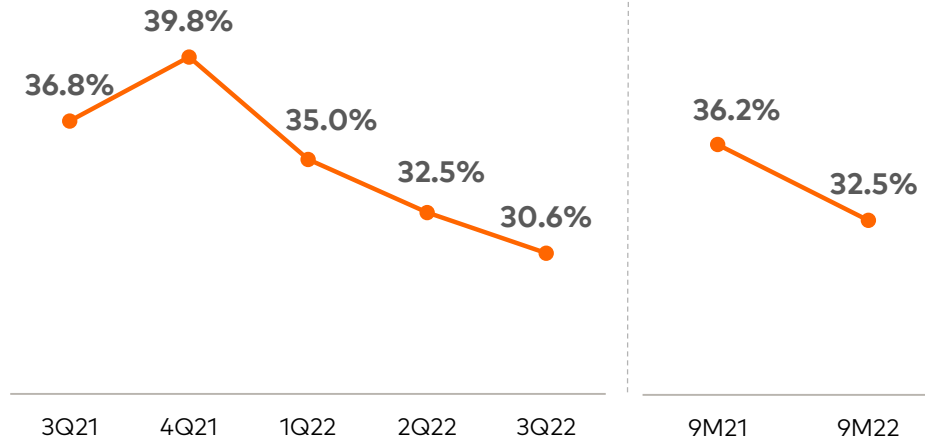
# Investing for growth while maintaining the focus on efficiency

All currency data are in GEL m unless otherwise stated

## Operating expenses



## Cost to income ratio



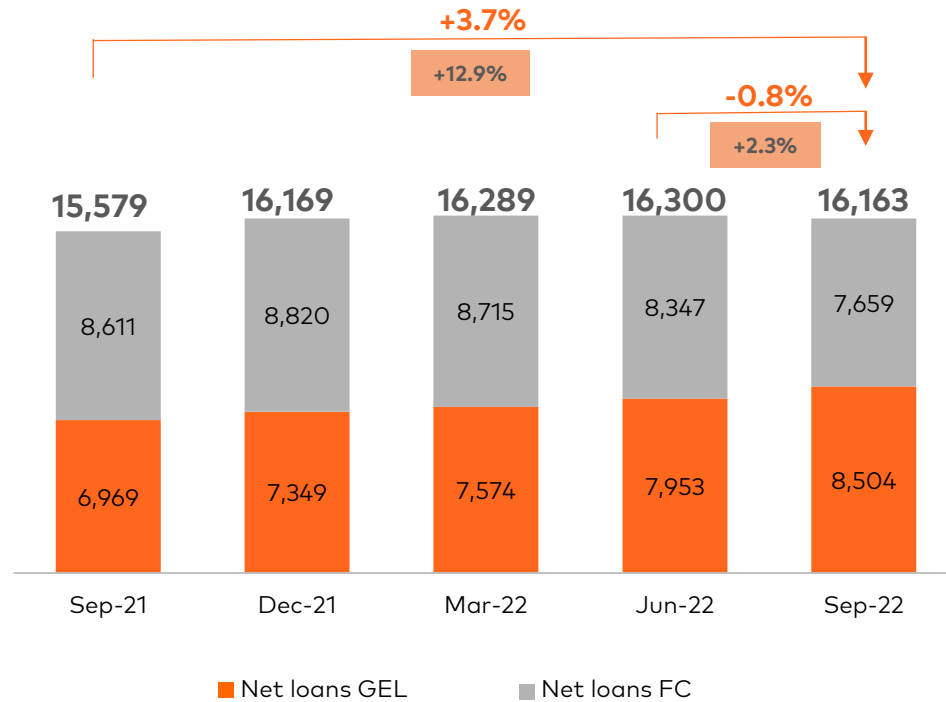
- Salaries and other employee benefits
- Administrative expenses
- Depreciation, amortisation and impairment
- Other operating expenses

**c.35%** ✓  
**medium-term**  
**guidance**

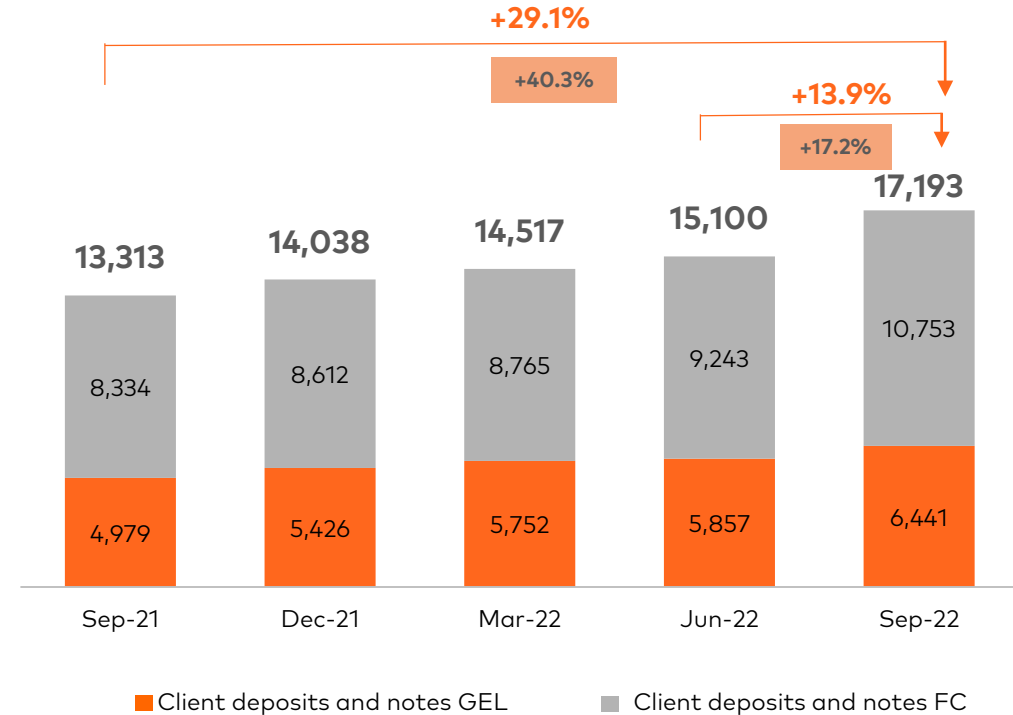
# Increased deposits reflecting the strength of our franchise

All currency data are in GEL m unless otherwise stated

## Loan portfolio



## Deposit portfolio

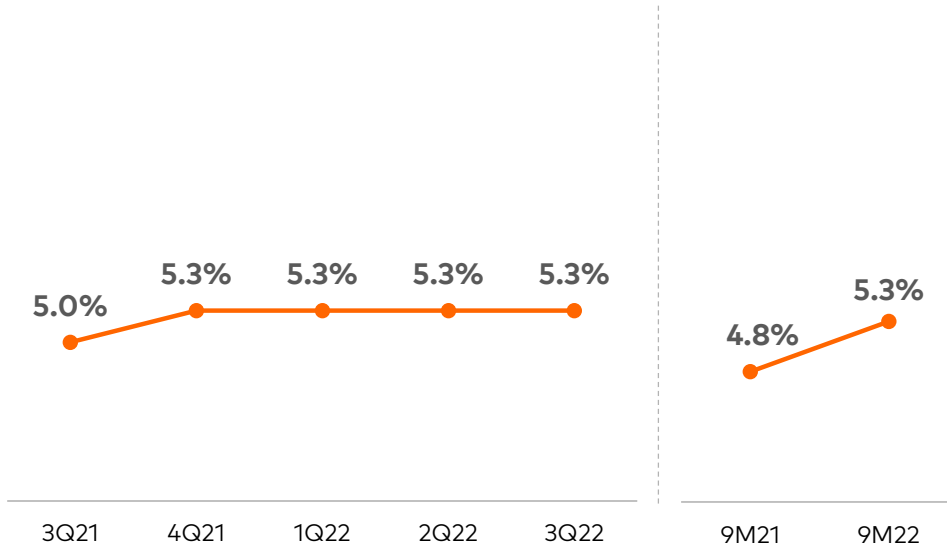


■ Growth on a constant currency basis

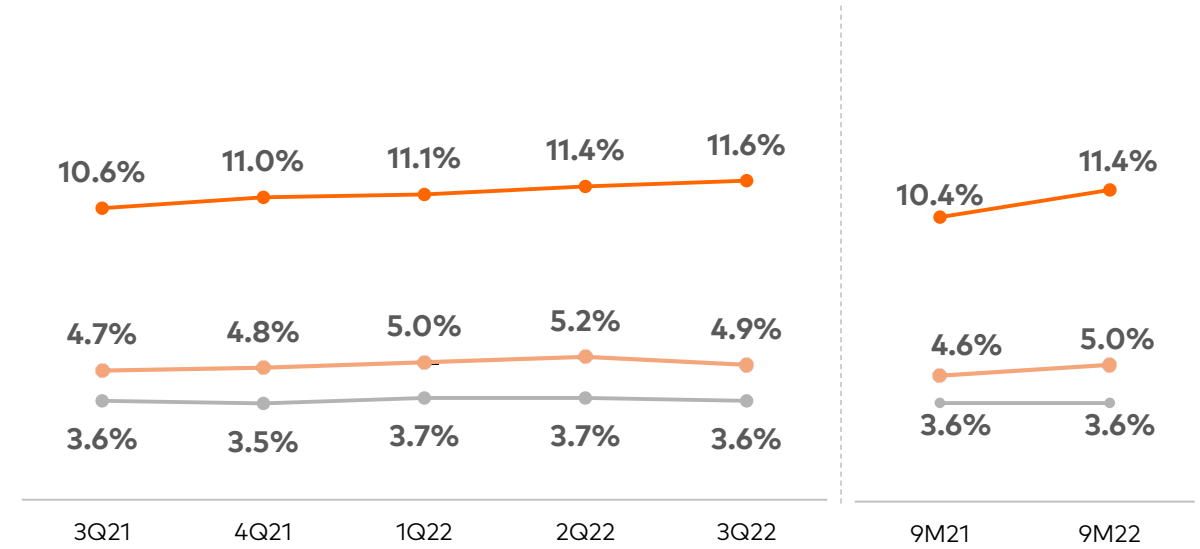


# Net interest margin broadly stable

## Net interest margin



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



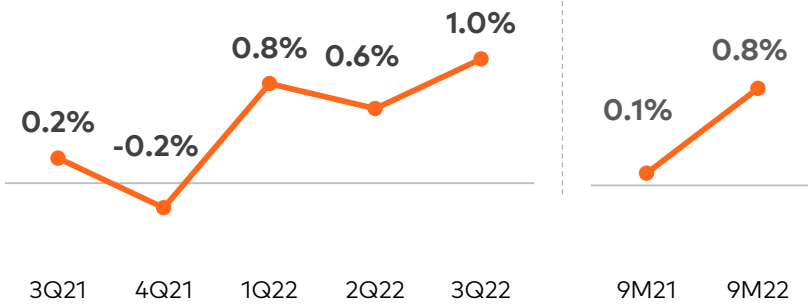
- The y-o-y increase in NIM driven by higher loan yield partly offset by increased cost of funds and higher liquidity

- Loan yield
- Cost of funds
- Cost of client deposits and notes

# Healthy loan portfolio

All currency data are in GEL m unless otherwise stated

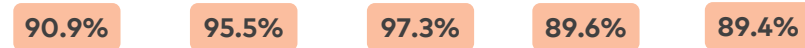
## Cost of credit risk ratio



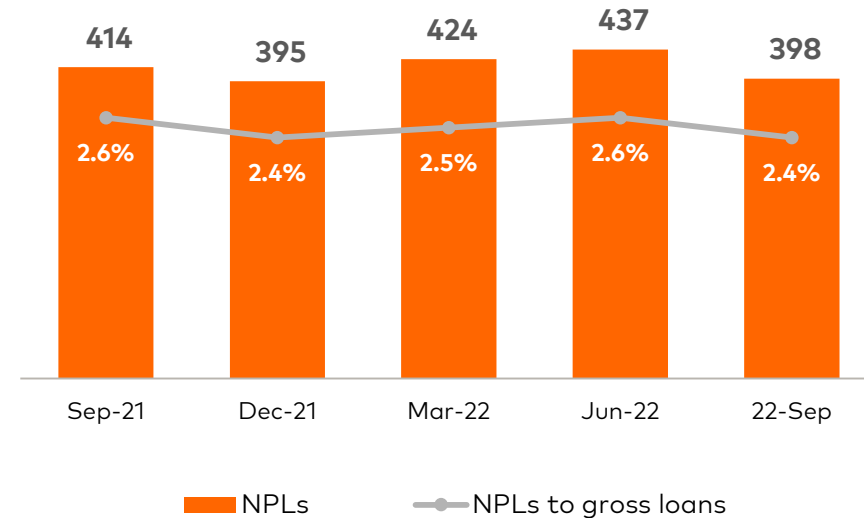
- ECL provisions on loans to customers and finance lease receivables posted during the third quarter predominantly driven by the unsecured consumer and micro portfolios in Retail Banking
- NPLs to gross loans broadly stable

## Loan portfolio quality

NPL coverage



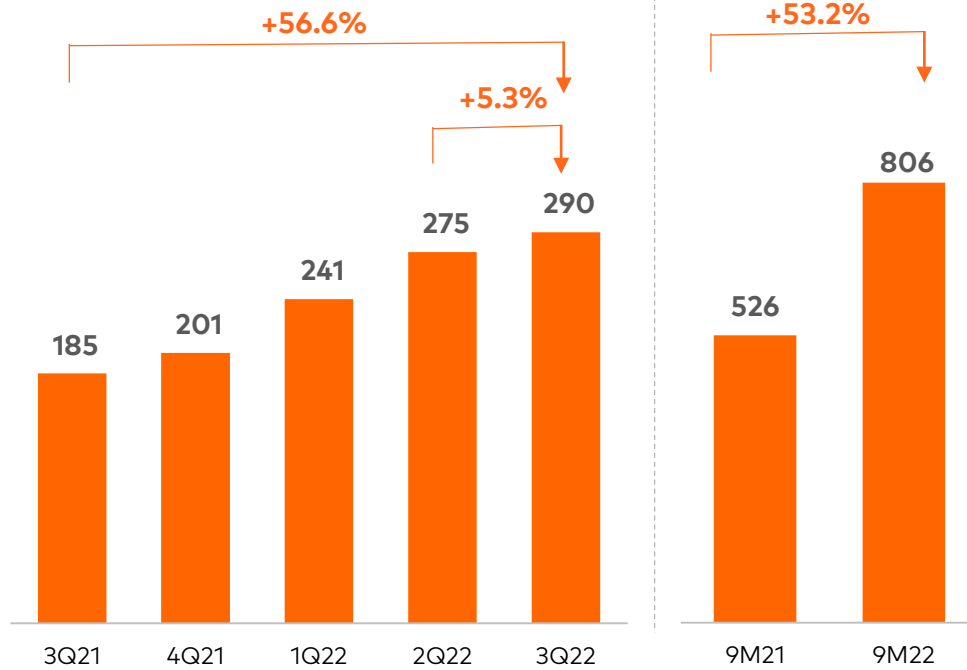
NPL coverage adjusted for collateral value



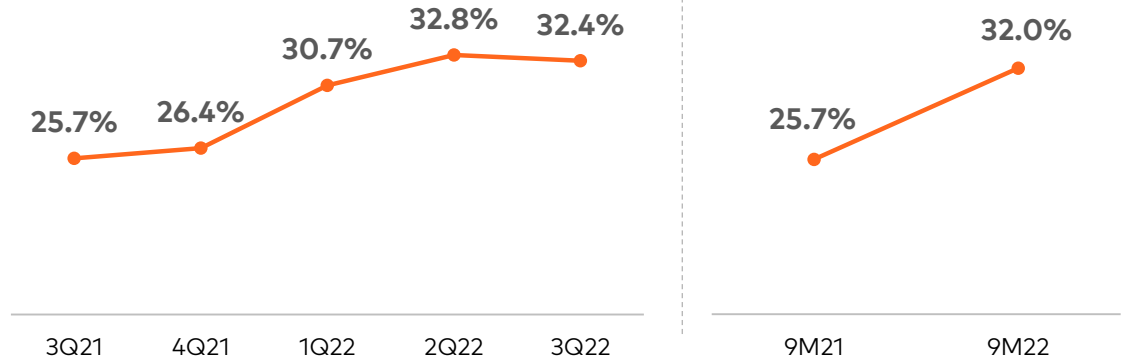
# Robust bottom-line growth and profitability

All currency data are in GEL m unless otherwise stated

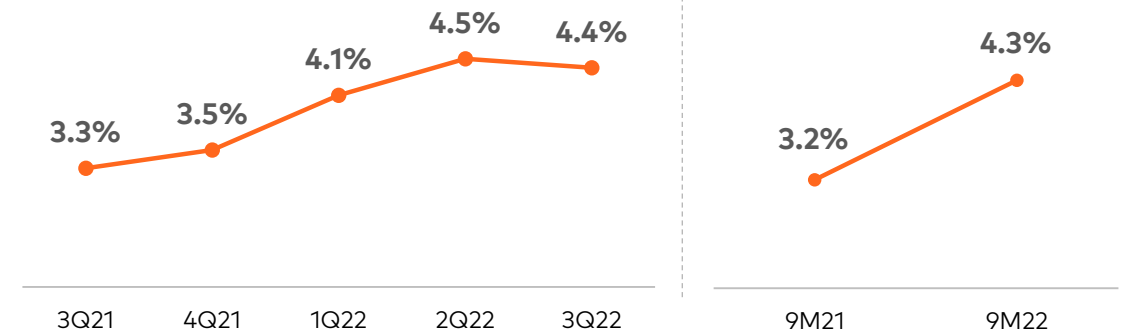
## Profit



## ROAE



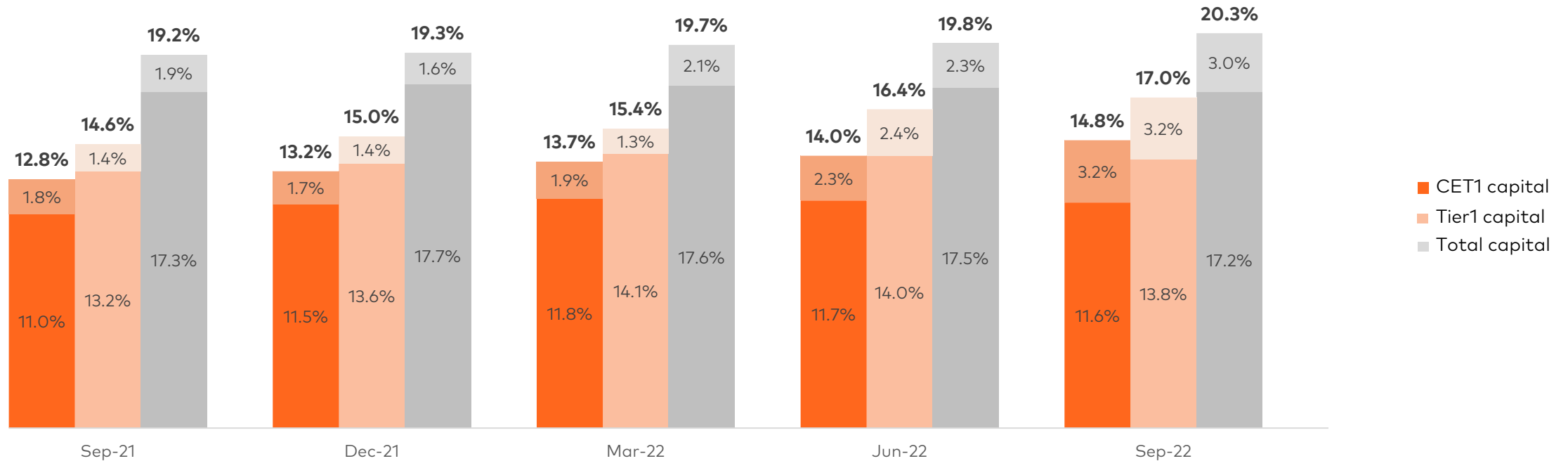
## ROAA



# Continued strong capital generation

Figures given for JSC Bank of Georgia standalone

## Capital adequacy ratios and minimum requirements



# Evolution of capital ratios and update on minimum capital requirements

Figures given for JSC Bank of Georgia standalone

## Evolution of capital ratios during 3Q22

	30 Jun 2022	3Q22 profit	Business growth	Currency impact	Capital distribution	Capital facility impact	30 Sep 2022	Minimum requirement (30 Sep 2022)	Potential impact of a 10% GEL devaluation
CET1 capital adequacy ratio	14.0%	1.5%	-1.0%	0.3%	0.0%	0.0%	14.8%	11.6%	-0.9%
Tier1 capital adequacy ratio	16.4%	1.5%	-1.1%	0.2%	0.0%	0.0%	17.0%	13.8%	-0.8%
Total capital adequacy ratio	19.8%	1.5%	-1.3%	0.2%	0.0%	0.0%	20.3%	17.2%	-0.7%

## Expected minimum capital requirements for 2022-2023

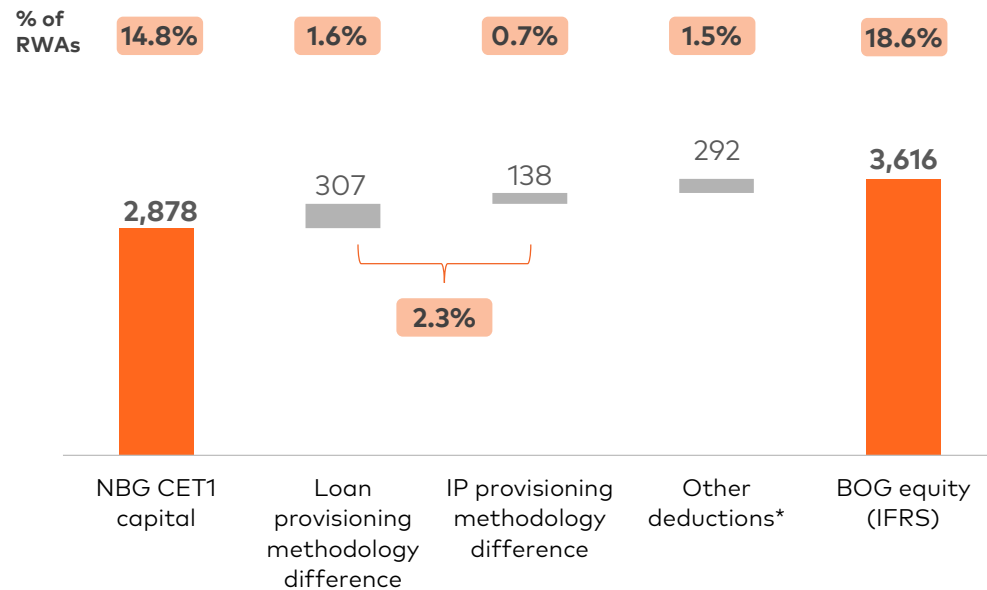
Bank of Georgia's minimum capital requirements, reflecting the full loading of Basel III capital requirements, to be completed in 2023, which remain subject to ongoing annual regulatory reviews, are currently expected to be as follows:

	Dec-22	Dec-23
CET1 capital	11.7%	12.0%
Tier1 capital	13.9%	14.3%
Total capital	17.3%	17.4%

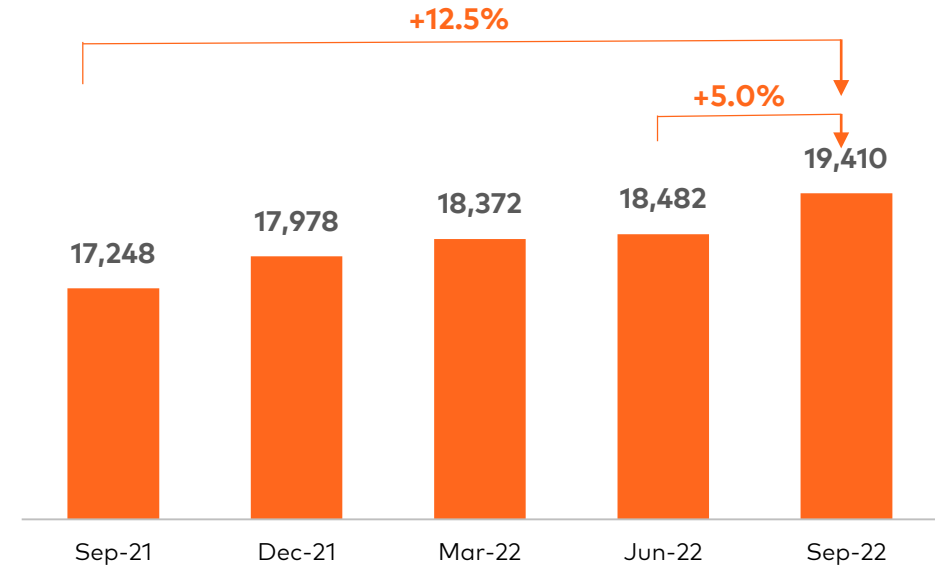
# Strong capital adequacy position

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

## BOG equity vs.CET1 regulatory capital - Sep-22



## Risk-weighted assets



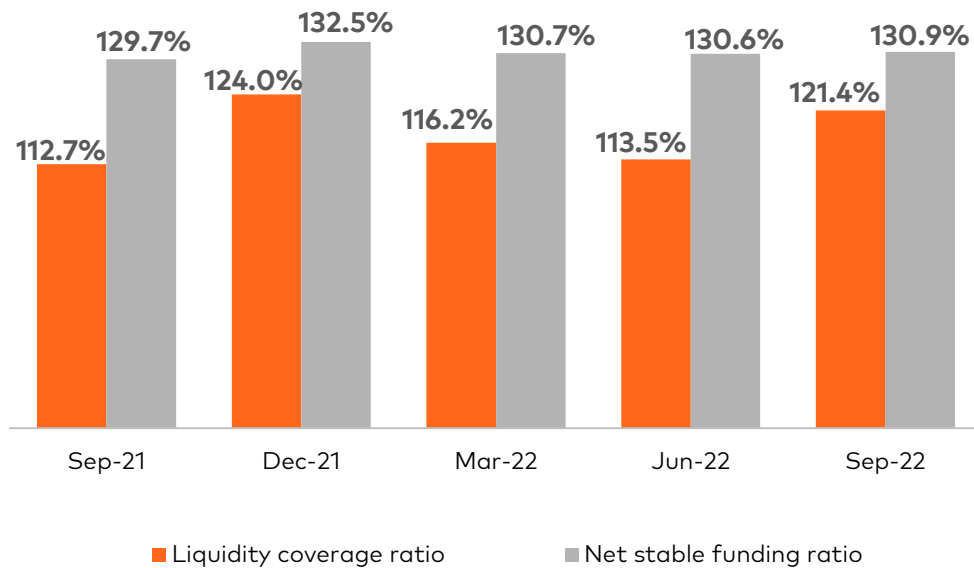
- Existing additional capital buffer (**2.3%** of risk-weighted assets) reflects the differences in provisioning methodology between IFRS 9 and the NBG
- The NBG is currently transitioning to IFRS-based financial reporting

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

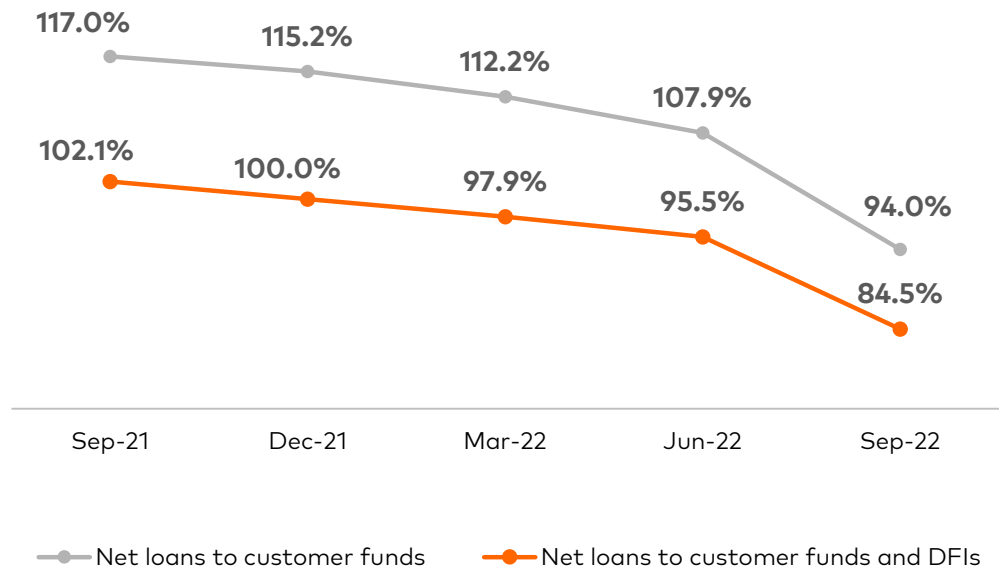
# Strong liquidity position

## Liquidity coverage and net stable funding ratios

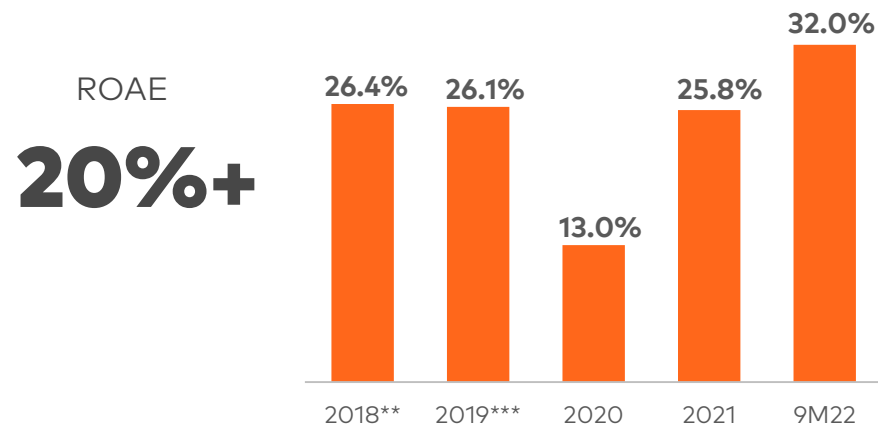
JSC Bank of Georgia standalone (Basel III liquidity)



## Net loans to customer funds and DFIs

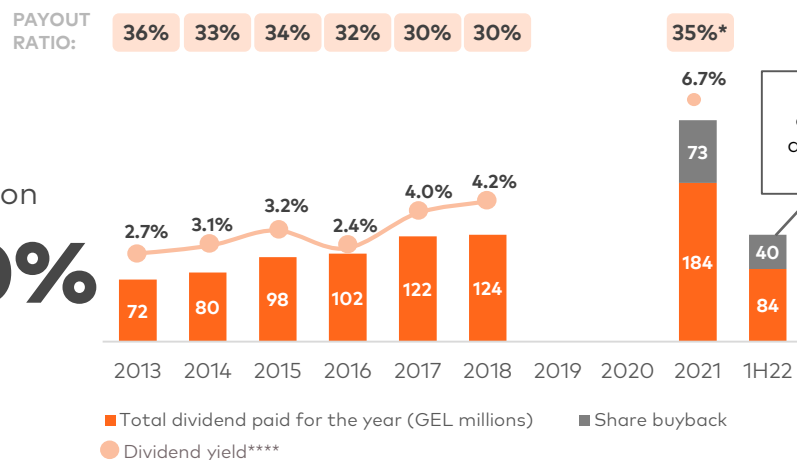
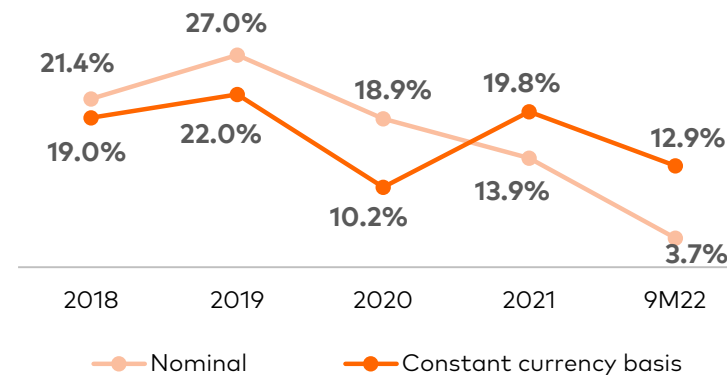


# Track record of strong performance



Loan book YoY growth

**c.10%**



## Capital distribution

- Interim dividend of GEL 1.85 per ordinary share in respect of the period ended 30 June 2022 was paid on 20 October 2022
- Since the announcement of the Group's share buyback and cancellation programme on 30 June 2022, the Group bought back and cancelled 1,269,273 ordinary shares as at 1 November 2022, at a total cost of GEL 78.9 million
- As at 31 October 2022, the number of shares with voting rights amounted to 47,866,655

\* For the purpose of payout ratio calculation, total buyback amount is divided by weighted average number of outstanding shares less treasury shares for the year.

\*\* Adjusted for GEL 30.3m demerger-related costs, a GEL 8.0m demerger-related corporate income tax gain, a GEL 30.3m one-off impact of re-measurement of deferred tax balances and a GEL 3.9m (net of income tax) termination costs of former CEO.

\*\*\* Adjusted for GEL 14.2m (net of income tax) termination costs of former CEO and executive management.

\*\*\*\* Dividend yield for 2013-2021 is calculated based on the closing price of shares immediately prior to ex-dividend date.



 **THANK YOU**