



BANK OF GEORGIA
HOLDINGS PLC

Retail Banking

Speaker: Irakli Gilauri, CEO

September 2012

Discussion topics

Retail banking financial statements

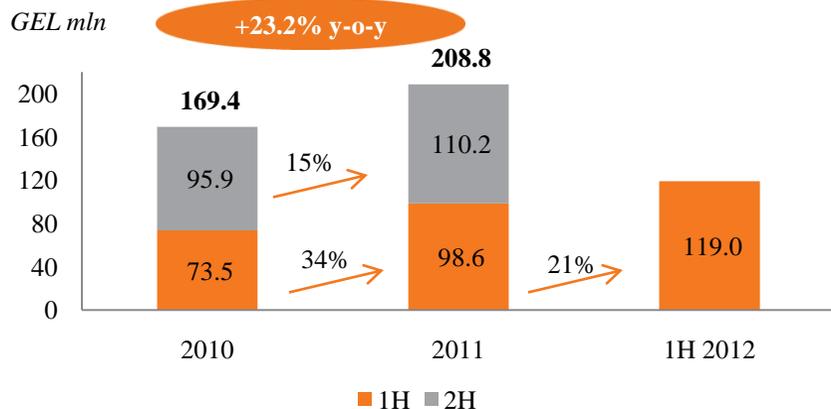
Superior franchise

Strategic goals

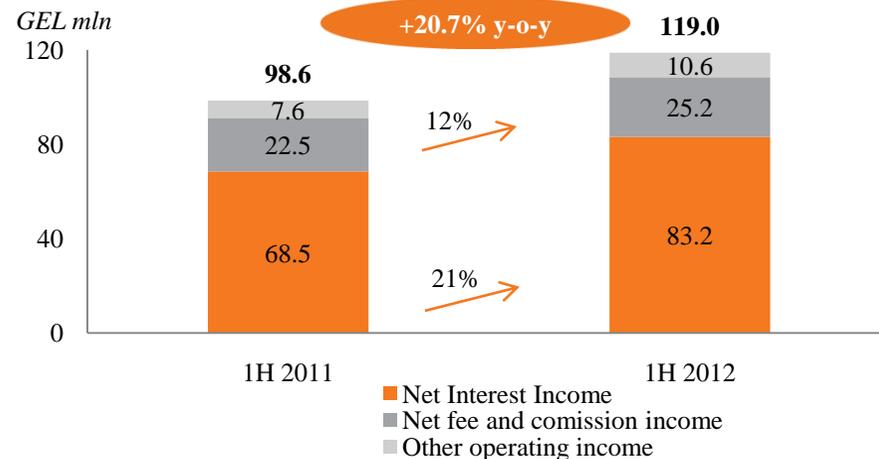
Innovative channels

Retail banking delivers profitable growth

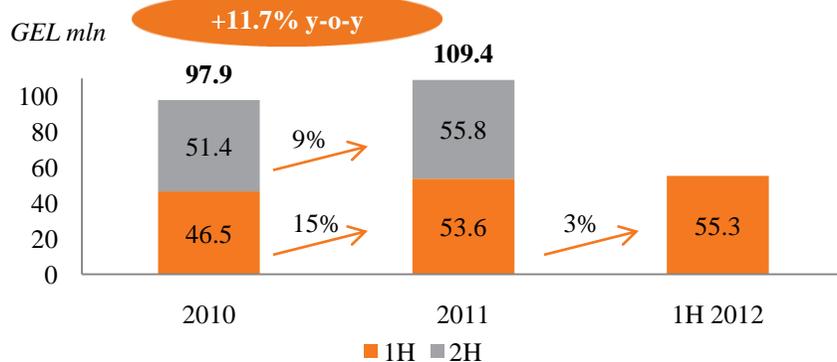
Revenue



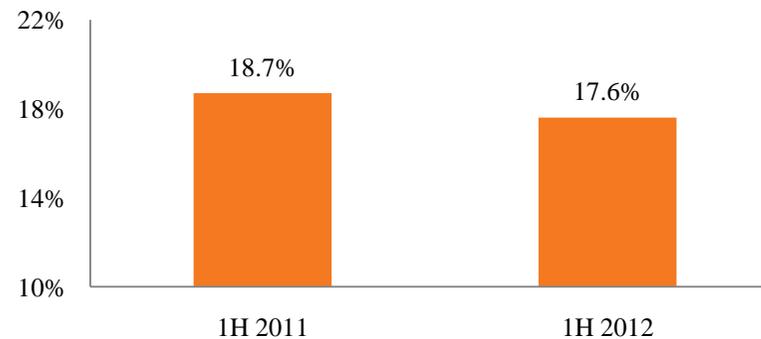
Revenue breakdown



Other operating non-interest expenses

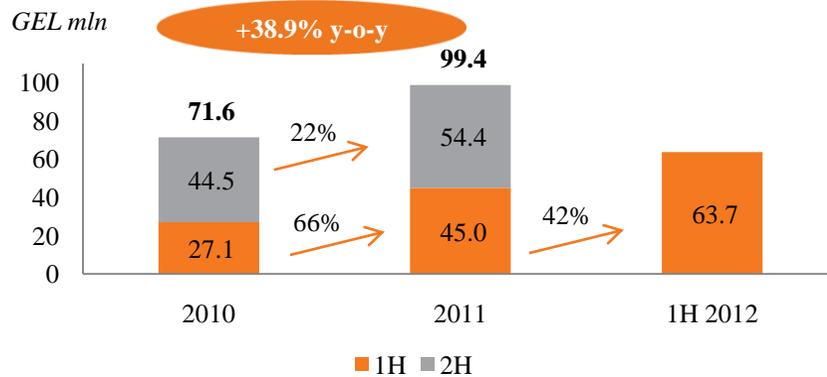


Operating leverage

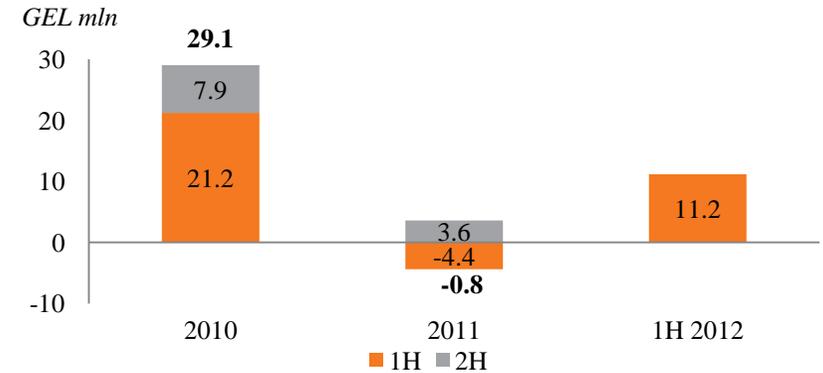


Retail banking improved cost of risk and profitability

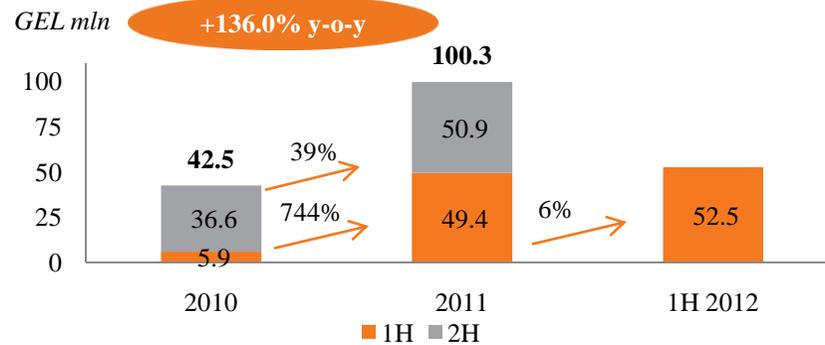
Operating income before cost of credit risk



Cost of credit risk



Net operating income

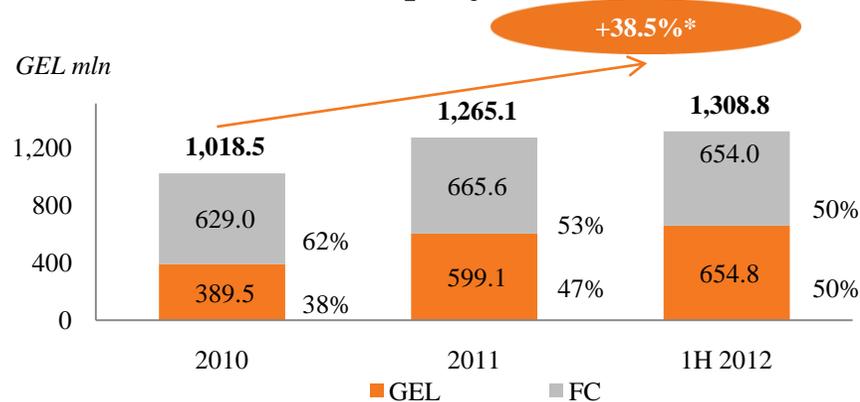


Cost of risk (provisions)

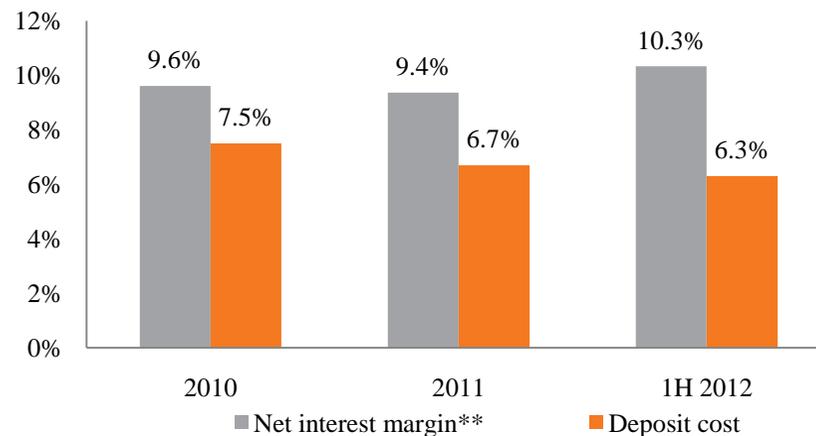


Retail banking loan portfolio

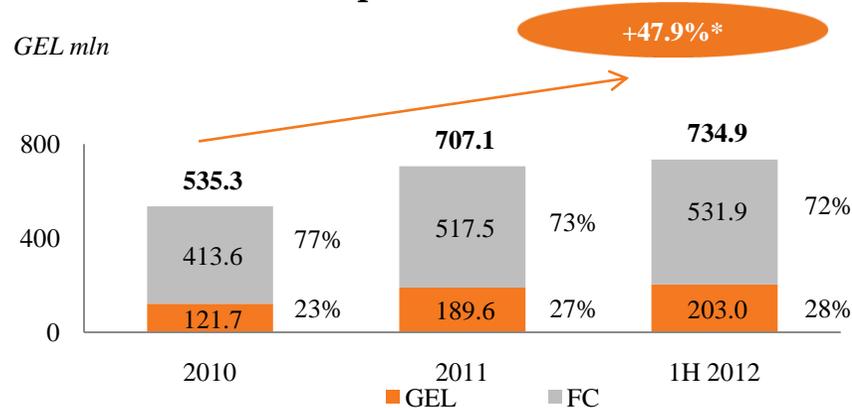
Loan portfolio



Net Interest Margin & Deposit Cost



Deposits



Share of GEL loans in total loans increased from 38% in 2010 to 50% in 1H 2012

Strong NIM

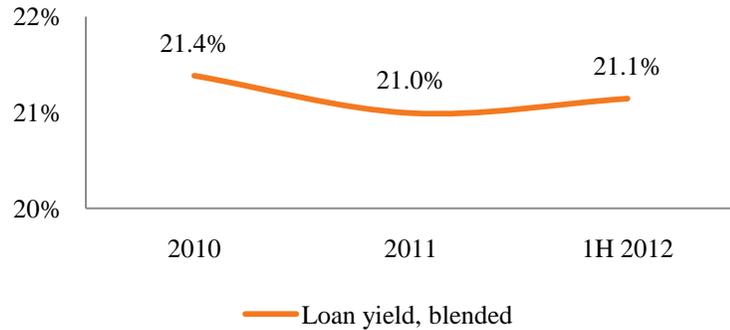
Declining cost of deposits

*Growth in US\$

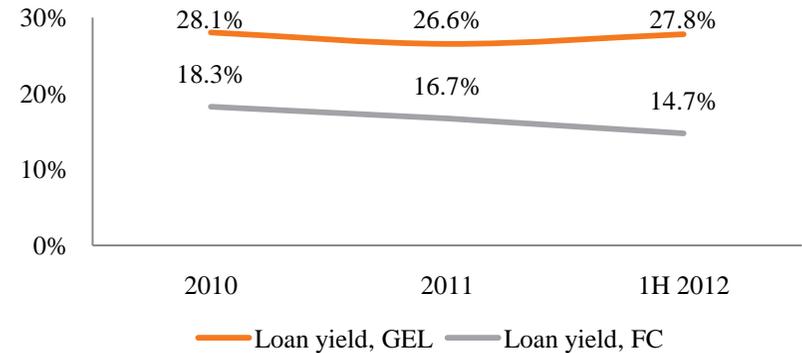
**Includes effect of transfer pricing

Retail banking loan portfolio, cont'd

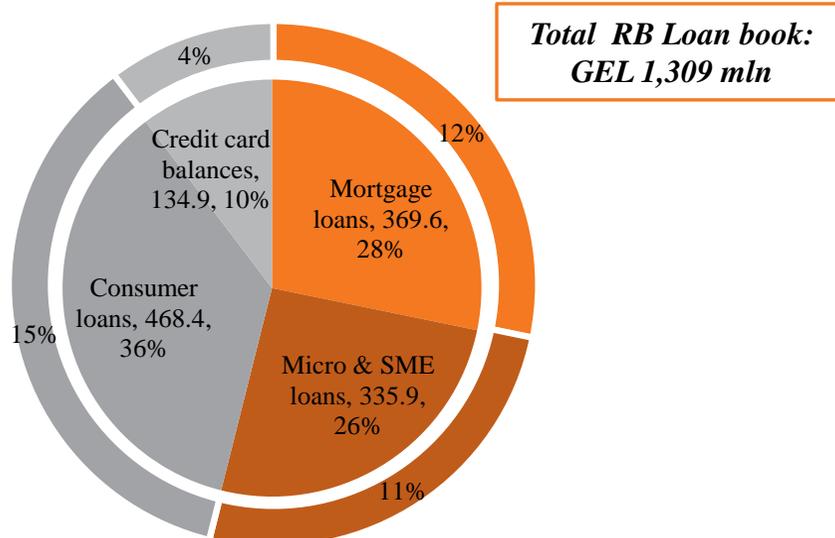
Loan yield, blended



Loan yields, by currencies



Loan book breakdown, 30 June 2012

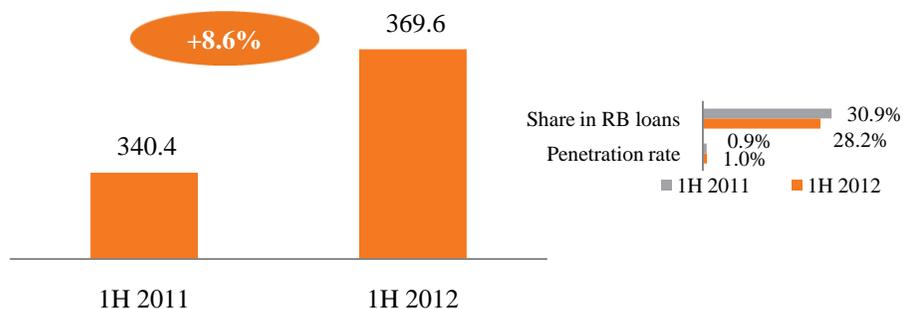


Outer layer represents proportion of respective segment of total bank loan portfolio

Retail banking loan portfolio, cont'd

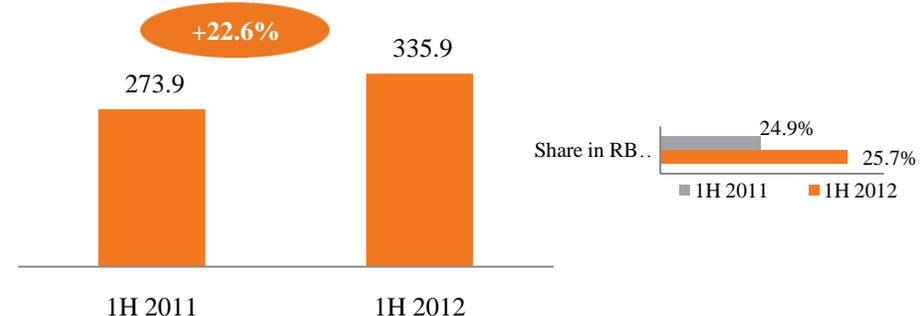
Mortgage loans

GEL mln



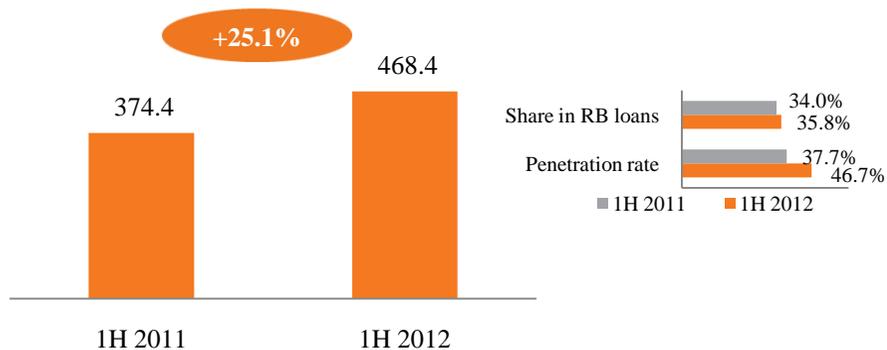
Micro & SME

GEL mln



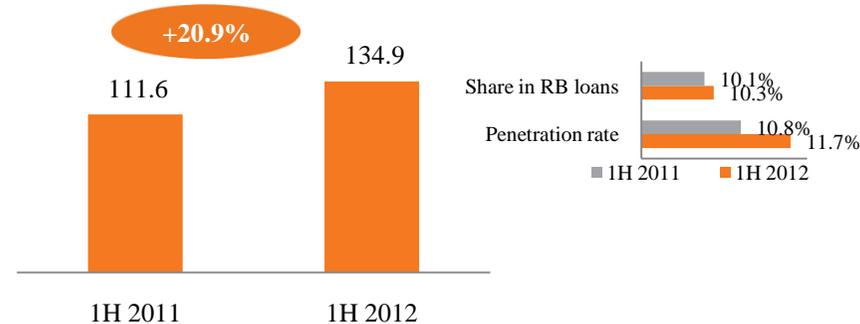
Consumer loans

GEL mln



Credit card balances

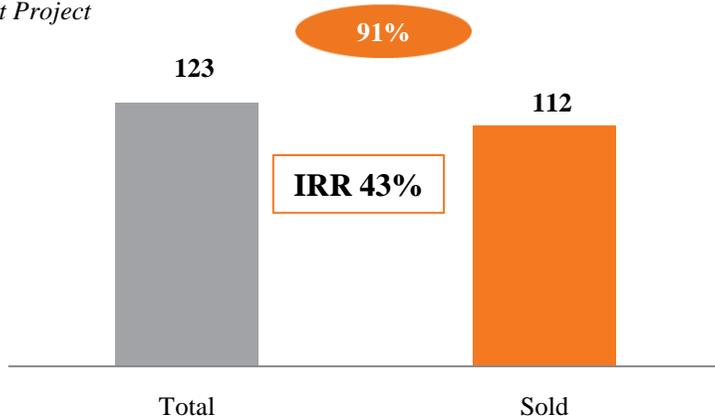
GEL mln



Affordable Housing: supporting mortgage growth

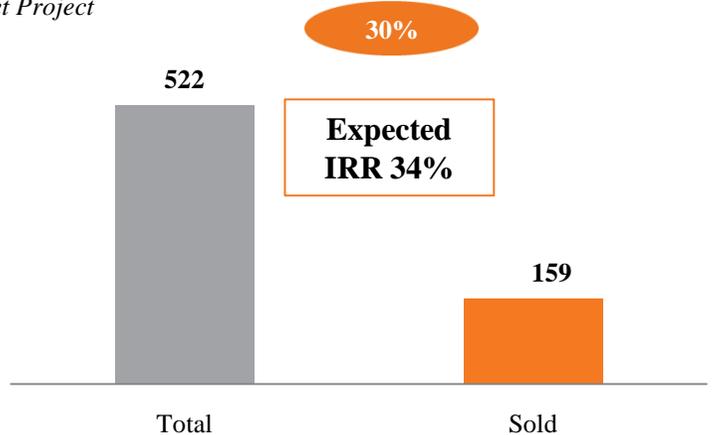
Chubinashvili Street Project

Units sold since 09/10

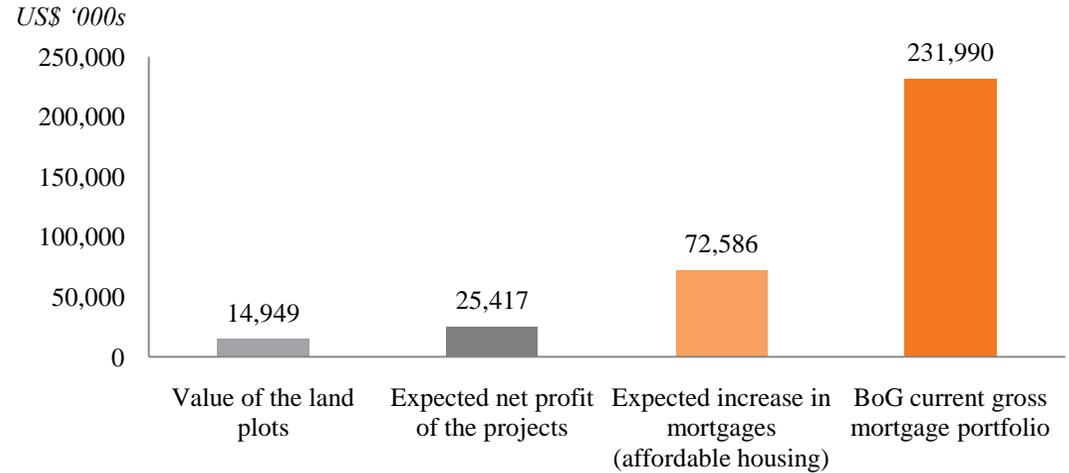


Tamarashvili Street Project

Units sold since 06/12



Impact of Affordable Housing Projects on Bank of Georgia Group



Mortgage Loans Disbursed on Affordable Housing Projects

Project	Total volume of mortgages issued	# of mortgages	Total area of flats purchased with mortgages, sqm
Tamarashvili St	\$5,225,392	81	7,458
Chubinashvili St	\$2,675,414	51	3,690
Total	\$7,900,805	132	11,148

Project	Average mortgage size	Average LTV at current prices	Average LTV at completion prices
Tamarashvili St	\$64,511	77%	63%
Chubinashvili St	\$52,459	75%	68%

Discussion topics

Retail banking financial statements

Superior franchise

Strategic goals

Innovative channels

Superior franchise

**Strong brand
and
scale**

- 🏦 930,000+ retail clients (and legal entities), up c.5% YTD
- 🏦 182 branches as of 30 August 2012
- 🏦 197 sales points
- 🏦 459 ATMs
- 🏦 3,233 POS (Point-of-Sale) terminals
- 🏦 2,115 sales force
- 🏦 >13m metro and bus payment clicks per month
- 🏦 Leading market reputation for performance and service
- 🏦 Strongly positioned for new client acquisition

Segments	Products/Client	# of Clients	Branches
 სანაწარმოებლად ბანკი BANK OF GEORGIA	SME / Micro	N/A	48,334 Points of Sale in 41 Branches
 სანაწარმოებლად ბანკი SOLO	Mass Affluent	4.99	4,375 1 Branch, 8 Corners
 სანაწარმოებლად ბანკი BANK OF GEORGIA	Retail	1.74	776,643 123 Branches
 სანაწარმოებლად ბანკი EXPRESS ივერის მემბრანა	Emerging Retail	2.05	54,355 56 Express Branches

Note: In addition, the bank's branch network includes one WM and two CB branches

Discussion topics

Retail banking financial statements

Superior franchise

Strategic goals

Innovative channels

On a path of creating an indestructible franchise

Strategic goals

1

Further strengthen client driven franchise

2

Increase efficiency

3

Increase revenue and product per client

Key initiatives and rationale



- 📌 No need to build costly flagship branches
- 📌 Intensify the shift to transactional banking through wide-range of electronic channels
- 📌 Step-up optimisation of the centralised RB back office; we invested in IT to eliminate the document flow

- 📌 Introduce sophisticated CRM system to increase product to client ratio
- 📌 Increase penetration within our client base. Currently:
 - 📌 Mortgages - 1.0%
 - 📌 Credit Cards - 11.7%
- 📌 Differentiated product and service offering for different segments

Key strength

Segment offering

Shift to electronic channels

Superior retail franchise & segment approach

On a path of creating an indestructible franchise

Strategic goal

4

Increase revenue

5

Keep cost of risk down

6

Leadership in payments

Key initiatives and rationale

- Organic growth to come on the back of:
 - GDP growth
 - Penetration growth as individual loans to GDP is at circa 13%
 - Increase penetration within Bank of Georgia clients
- Capture emerging bankable population through Express offering

- In total we scored approximately 2 mln clients, which gives us superior ability to understand credit risk
- Differentiated credit underwriting systems for GEL and US\$ loans
- 50% of RB loan book in GEL compared to 38% in 2010
- Sophisticated collection IT software was introduced, which was one of the weaknesses back in 2008/09

- More people pay with cards rather than cash
- Acquiring network of 50%+ market share
- AmEx exclusivity in Georgia – 108,000 cards
- Exclusive management of transportation system payment
- Introduction of Express Card with loyalty program
- Self Service Terminals to grow from 123 to 1,000 by YE

Key strength

Superior retail franchise & Segment Offering

Superior risk insight

Further increase fee income

Discussion topics

Retail banking financial statements

Superior franchise

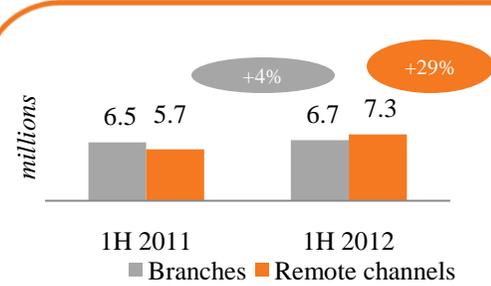
Strategic goals: Retail

Innovative channels

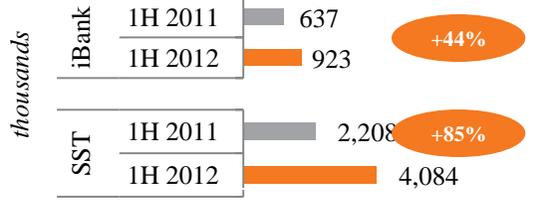
New channels driving growth



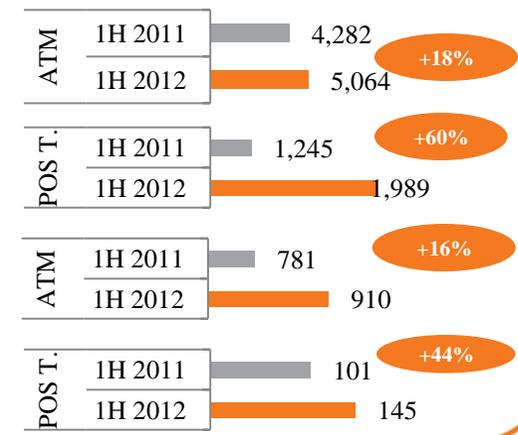
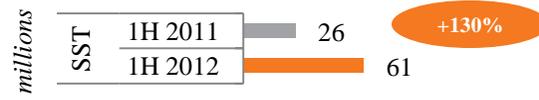
337,000+



Number of transactions



Volume



Discussion topics

Retail banking financial statements

Superior franchise

Strategic goals: Retail

Innovative channels

Bank of Georgia: Strategic goals

Strategic goals, going forward

Affordable Housing

- Targeted IRR of 30%+
- Aiming to cash out in 2015 and discontinue business
- Targeted capital formation of US\$ 25 million from 2012-2015

Insurance & Healthcare business

- Target ROAE of 25%+
- Target net profit of GEL 16 mln for 2012 and GEL 24 mln for 2013 (GEL 6.5 mln in 2011)
- Unlock Aldagi value:
 - To encourage market for sum of the parts valuation as insurance & healthcare business multiples are significantly higher than banks' multiples
 - We will also consider Aldagi IPO in 2-3 years time

Non-core assets

- Belarus:
 - To continue focusing on ROAE formation
 - Position the bank for sale within next 2-3 years
 - Equity of GEL 41.3 mln
- Only meaningful remaining investment is Teliani Valley
 - Equity of GEL 14.1 mln

Strategic goals, going forward

Continue prudent capital management

- Continued focus on the rapidly growing Georgian market
- Maintaining progressive dividend policy, aiming to increase dividend per share over time
- “3x20” story to continue:
 - ROAE 20%
 - Loan and deposit growth of 20%
 - Tier I of 20%
- Further capital flexibility from Insurance & Healthcare and Affordable Housing businesses

Other key metrics

- To keep NIM between 7% - 7.5% range in next 2-3 years
- Maintaining positive operating leverage in next 2-3 years
- To bring cost/income close to 40% in 2-3 years time
- To keep net loans to deposits ratio in 100% -110% range over the next 2-3 years

Risk

- Continue and enhance prudent risk management practice
- Decrease NPL coverage ratio to the 90%-100% range within one year as we move further away from 2008-09 crisis
- Maintain cost of risk at 0.8% to 1.2% level going forward

Strategic goals/Going forward

Retail banking

- ☞ Continue segment approach to further build customer driven franchise and boost revenue and product per client
- ☞ Introduce sophisticated CRM system to further increase currently low penetration and enhance product to client ratio
- ☞ Through Express offering create platform for under-banked population in order to cement our leading retail franchise
- ☞ Shift customers (including through Express offering) to electronic channels to further improve efficiency

Corporate banking

- ☞ Further decrease cost of deposits
- ☞ Continue to focus on mid-size corporate to further decrease concentration
- ☞ Expand research regionally
- ☞ Focus on fee generating businesses including advisory business
- ☞ Leverage on Bank of Georgia profile to expand export and trade finance businesses

Asset & Wealth Management

- ☞ Further decrease cost of deposits
- ☞ Continue to expand distribution platform
- ☞ Build regional asset management business on the wealth management platform
- ☞ Targeted AUM of US\$ 1 billion by YE 2016

Q&A

Forward looking statements

This presentation contains forward-looking statements that are based on current beliefs or expectations, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are various factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, legal, business and social environment. The forward-looking statements in this presentation speak only as of the date of this presentation. JSC Bank of Georgia and Bank of Georgia Holdings undertake no obligation to revise or update any forward-looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.