



BANK OF GEORGIA

Speaker: Kaha Kiknavelidze, CEO

Georgia Investor Day

12 October 2018 | London, UK

www.bankofgeorgiagroup.com

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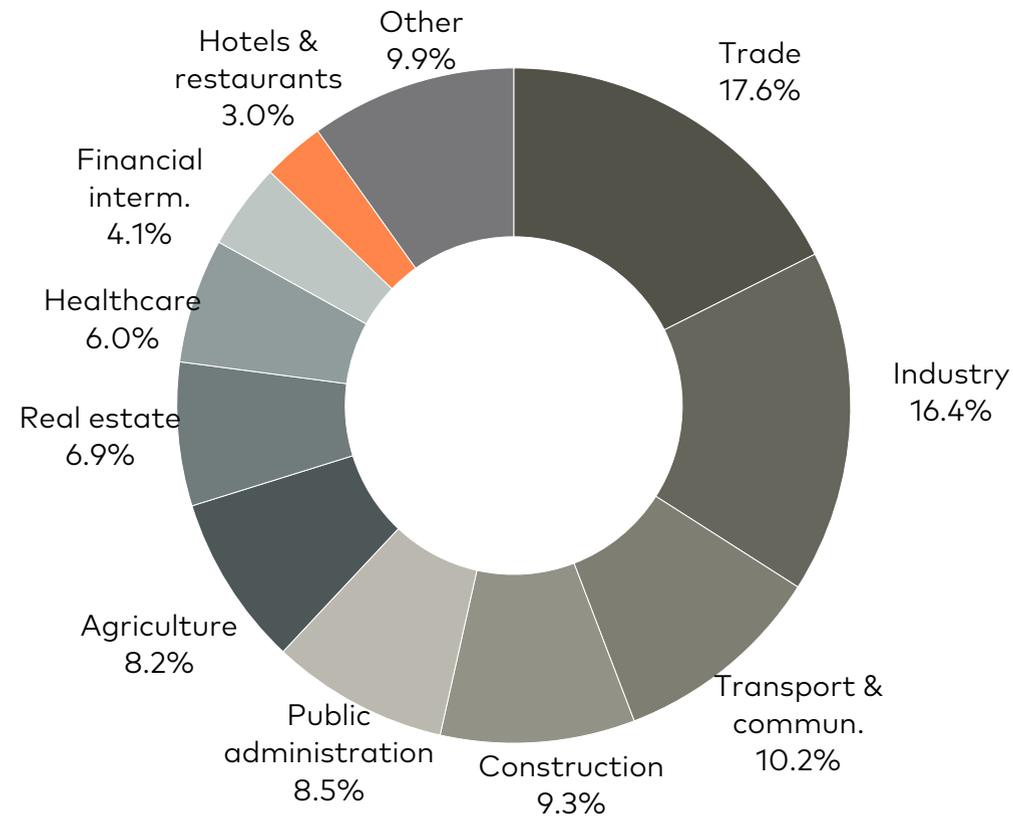


- **Macroeconomic overview**
- Banking industry highlights
- Bank of Georgia Group overview
- Q&A

DIVERSIFIED ECONOMY BY SECTORS AND REGIONS



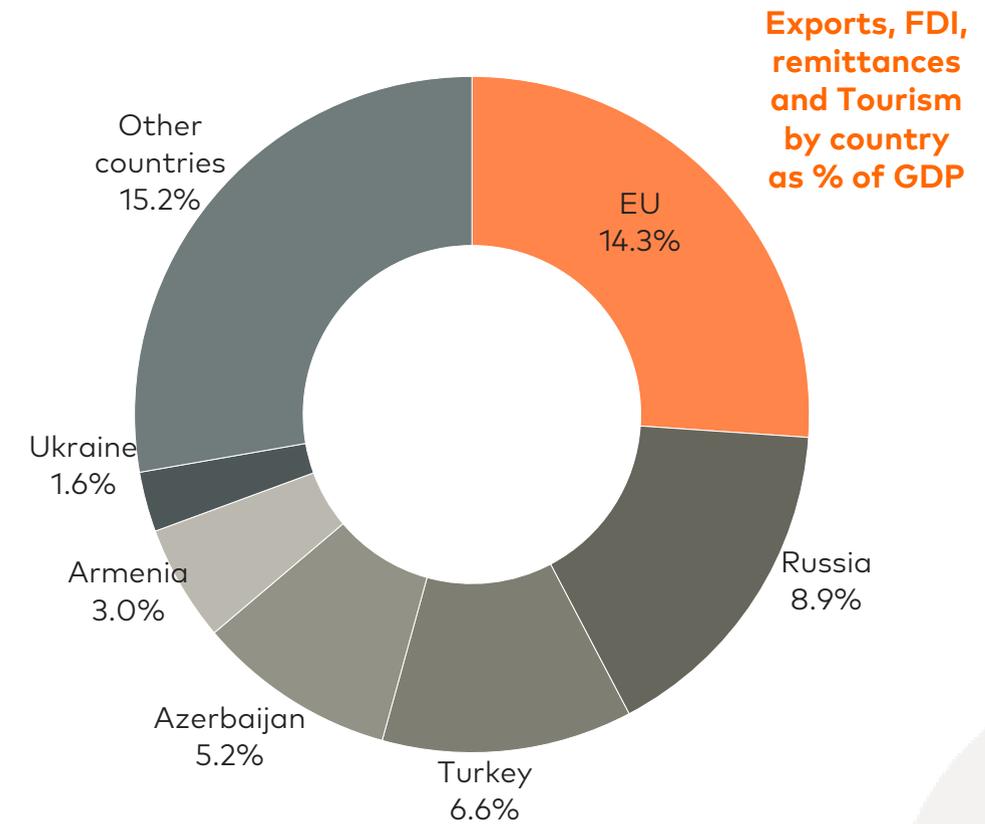
Diversified GDP structure, 2017



- Two largest sectors (trade and industry) accounting for just 34% of GDP

Source: GeoStat

Diversified economic linkages, 2017



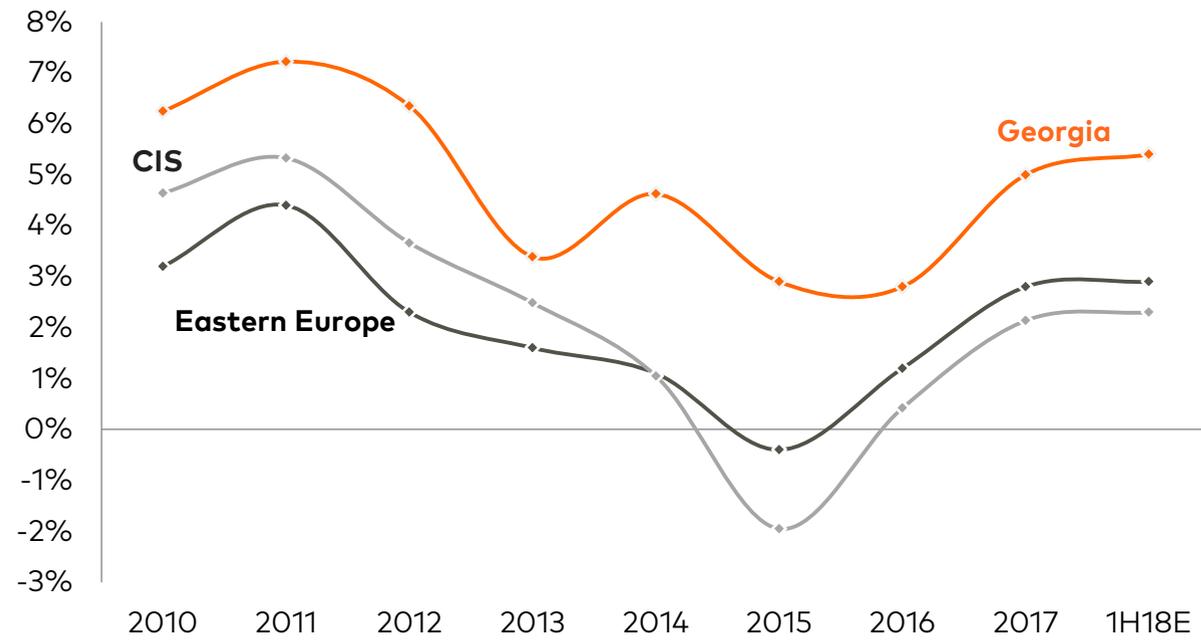
- EU accounts for one third of overall external earnings
- Deepening trade relations to new large markets (EU and China) are expected to broaden export base

Source: GeoStat, GNTA, NBG, G&T calculations

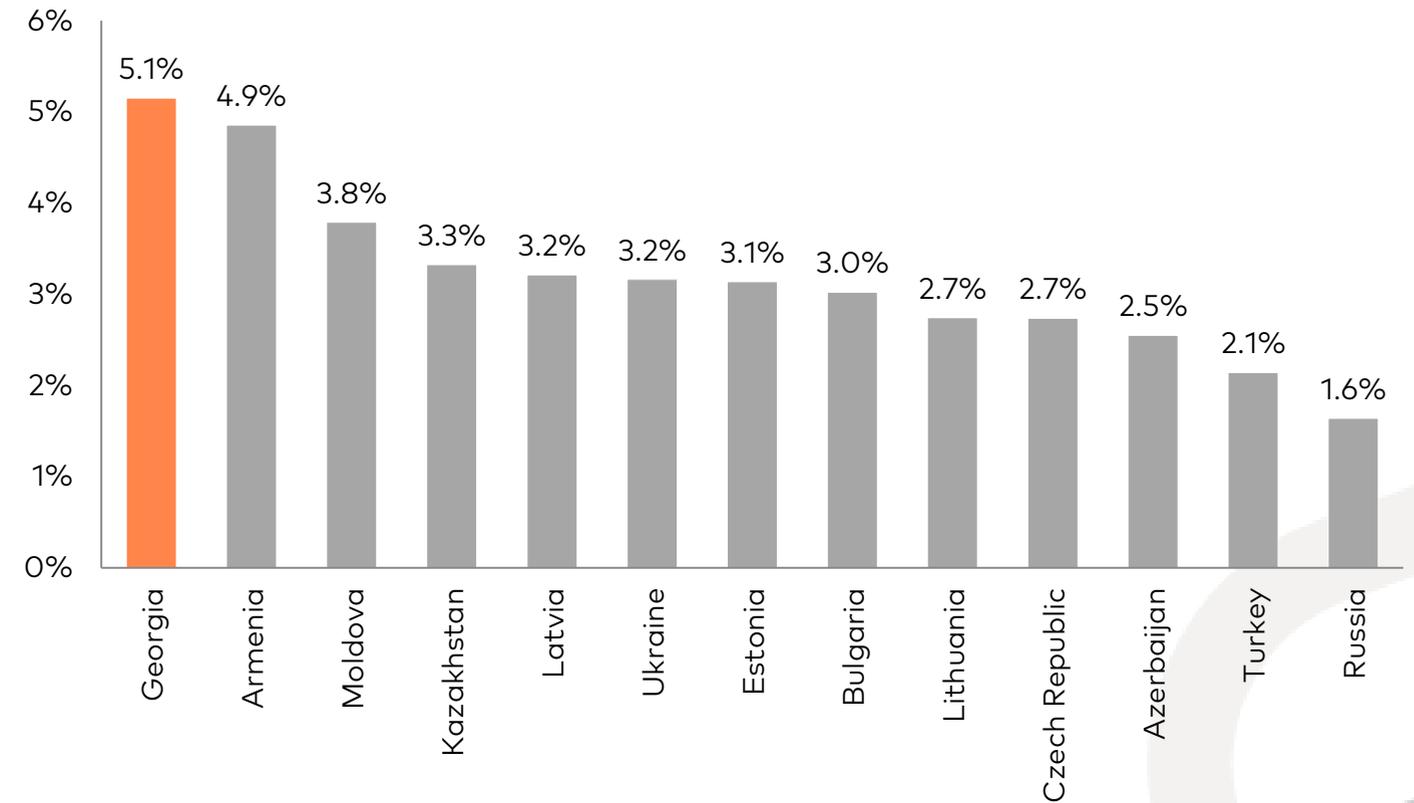
HIGHER BASELINE GROWTH OF THE ECONOMY



Historical GDP growth, Georgia vs. region



IMF's GDP growth projections, 2018-22 average

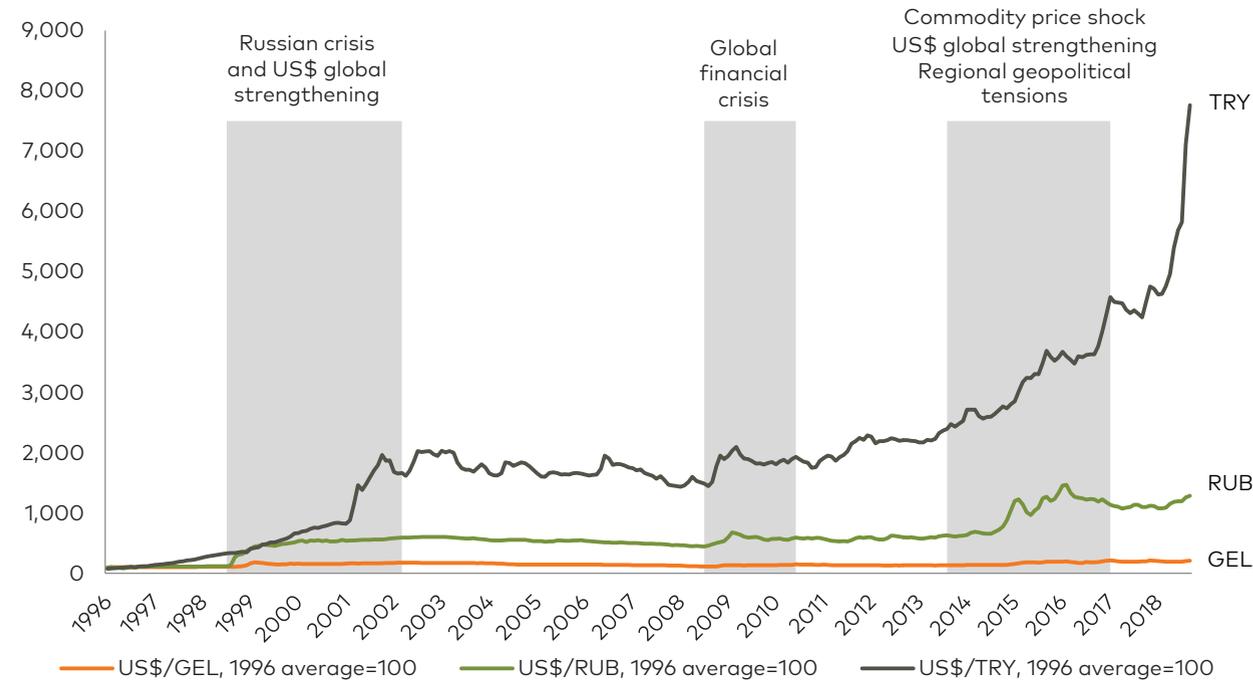


Source: IMF

GEL IS STRONGER VS. TRY AND RUB, WHILE IT ADJUSTS TO MARKET CONDITIONS



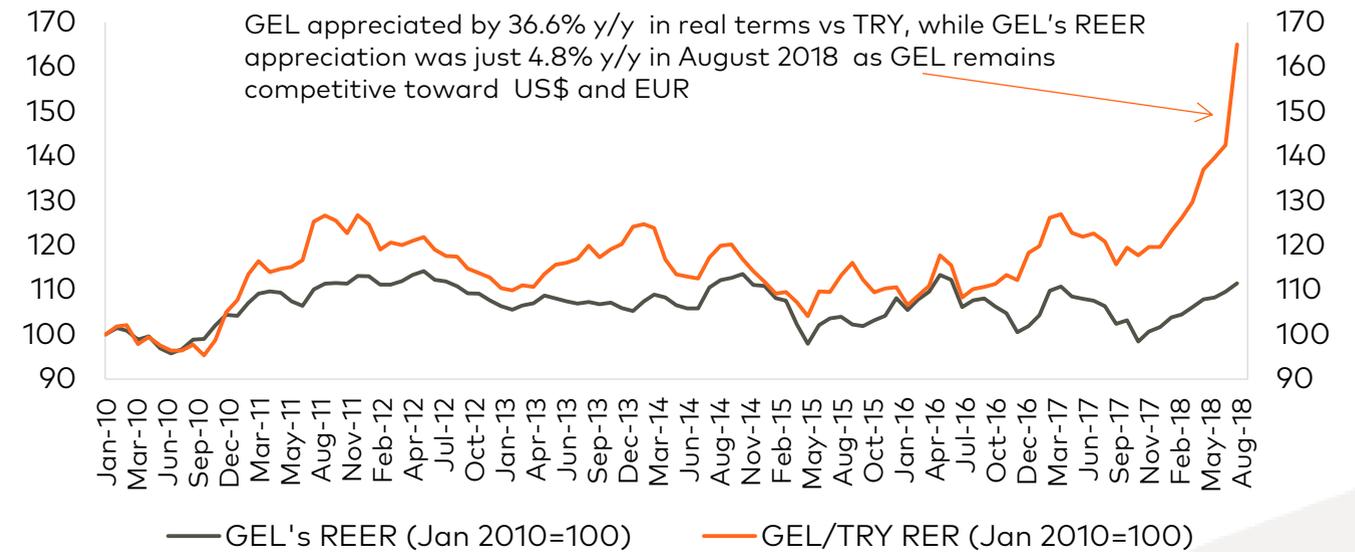
FX development – GEL, TRY, RUB



Average Annual Depreciation vs. US\$ over 1996 - 2018:

	FX rate in 1996	FX rate 2018	Ann. Depreciation
GEL	1.3	2.6	3.3%
RUB	5.1	67.6	11.1%
TRY	0.1	6.3	17.2%

GEL's real exchange rate vs TRY and GEL's REER (weighted for 10 major trade partners, including Euro zone)



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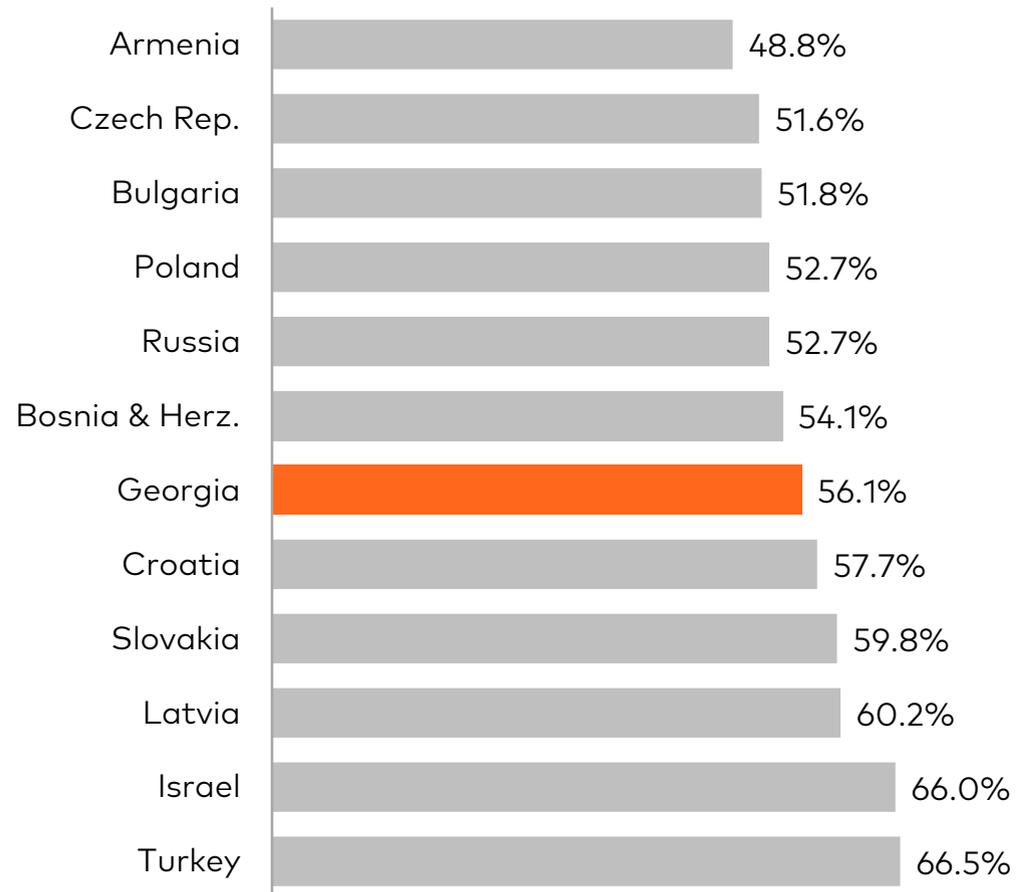


- **Macroeconomic overview**
- **Banking industry highlights**
- **Bank of Georgia Group overview**
- **Q&A**

GROWING AND WELL-CAPITALISED BANKING SECTOR

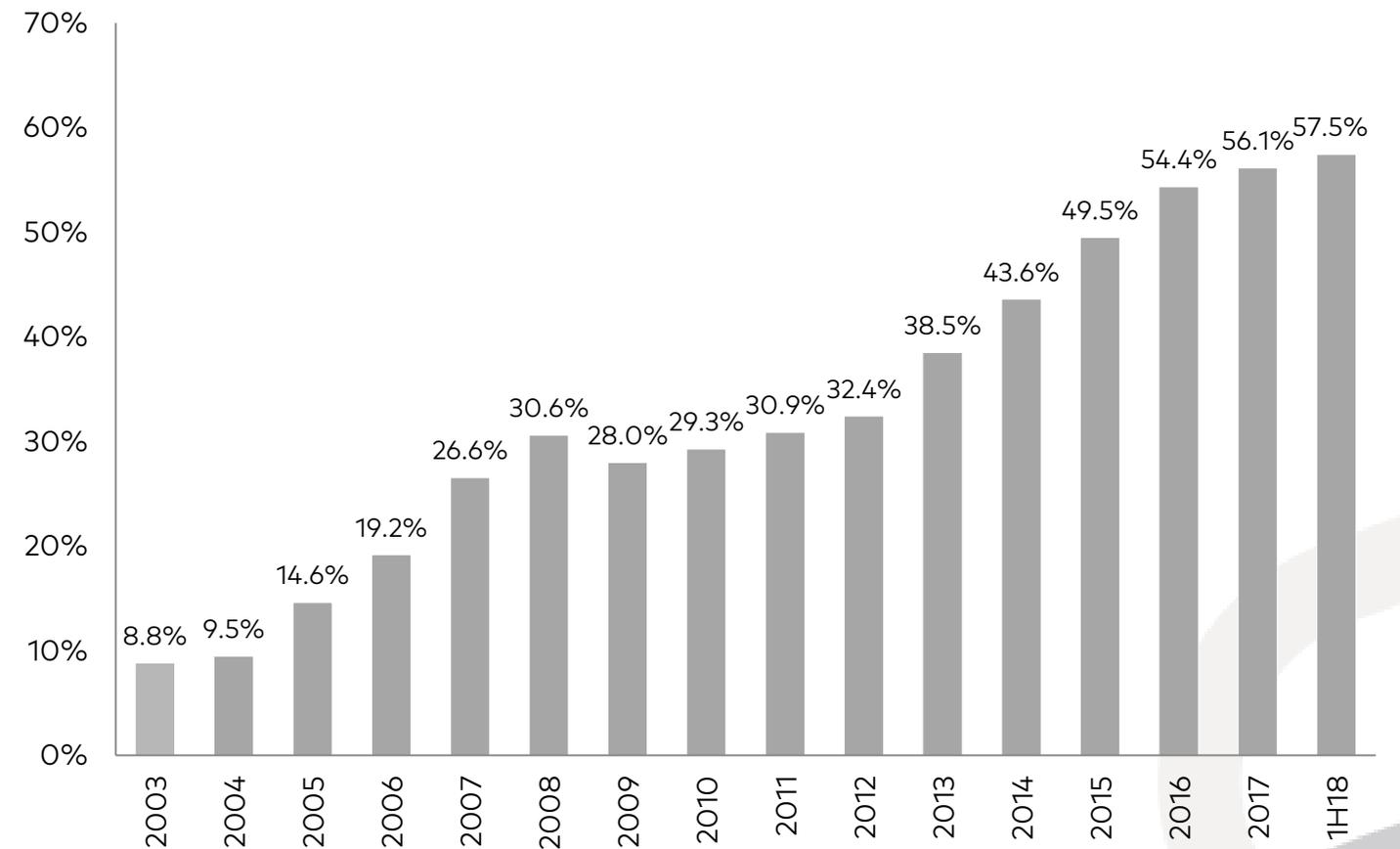


Banking Penetration (Sector Loans to GDP, 2017)



Source: IMF, WB, NBG

Banking sector loans to GDP, Georgia



Source: NBG

RETAIL AND CORPORATE LOANS TO GDP



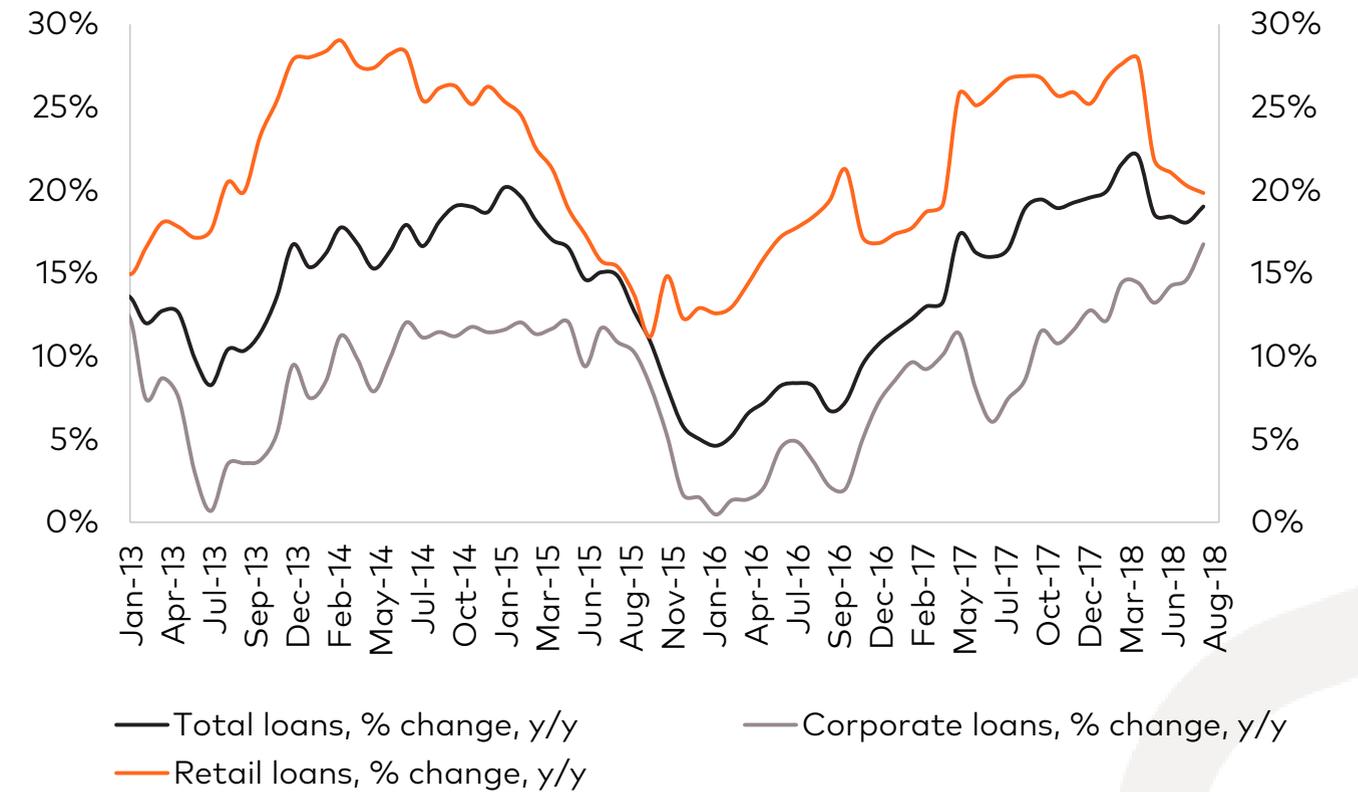
Loan structure: corporate vs. retail



Source: NBG, Geostat

- Growth in loans to GDP ratio mainly driven by retail lending

Y-o-y growth of corporate and retail loans excluding FX effect

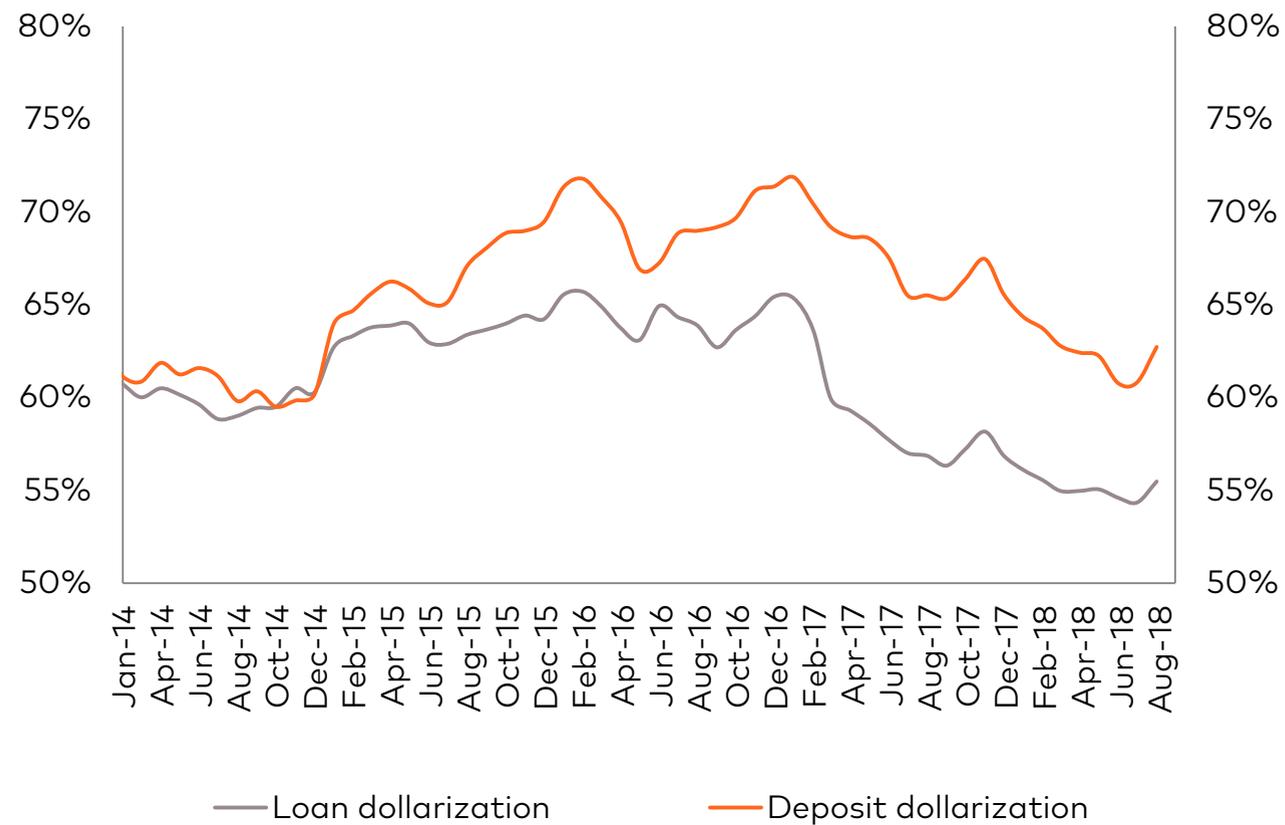


Source: NBG

- Slowdown of retail lending since Q2/2018 reflects recent regulatory changes

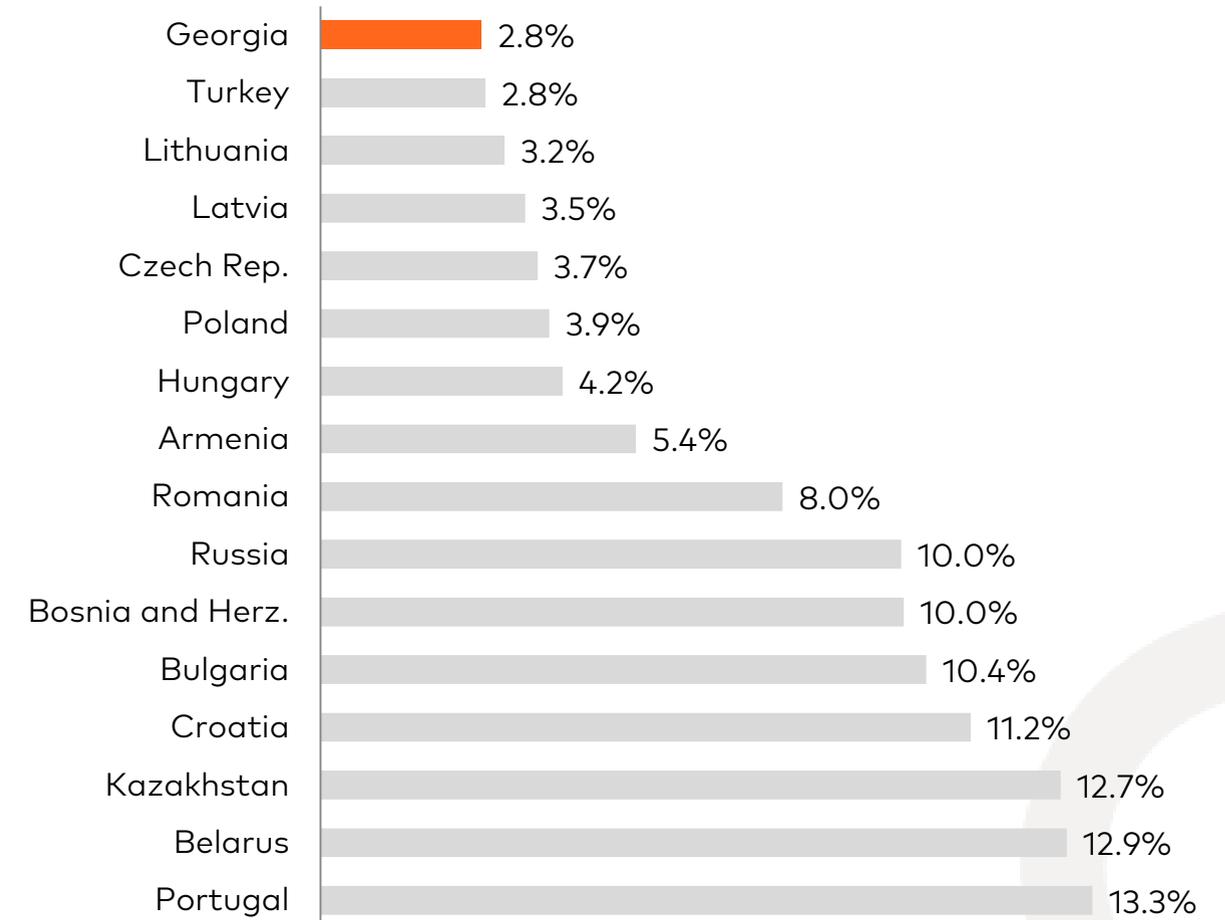


Gradual de-dollarisation



Source: NBG

One of the lowest levels of NPLs worldwide, 2017



Source: IMF, WB



De-dollarisation Measures

- Loans issued below a new threshold of GEL 200 thousand (previously GEL 100 thousand) will be in local currency only, to be introduced in 4Q 2018
- Increased mandatory reserve requirement (25%) on Foreign Currency deposits, effective August 2018

Change in Lending Standards

- Effective Maximum Interest Rate
 - 50%, effective from 1 September 2018
- Payment to income (PTI) and LTV limits
 - PTI and LTV limits for retail clients above which lending is restricted, to be introduced from 1 November 2018



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- Q&A

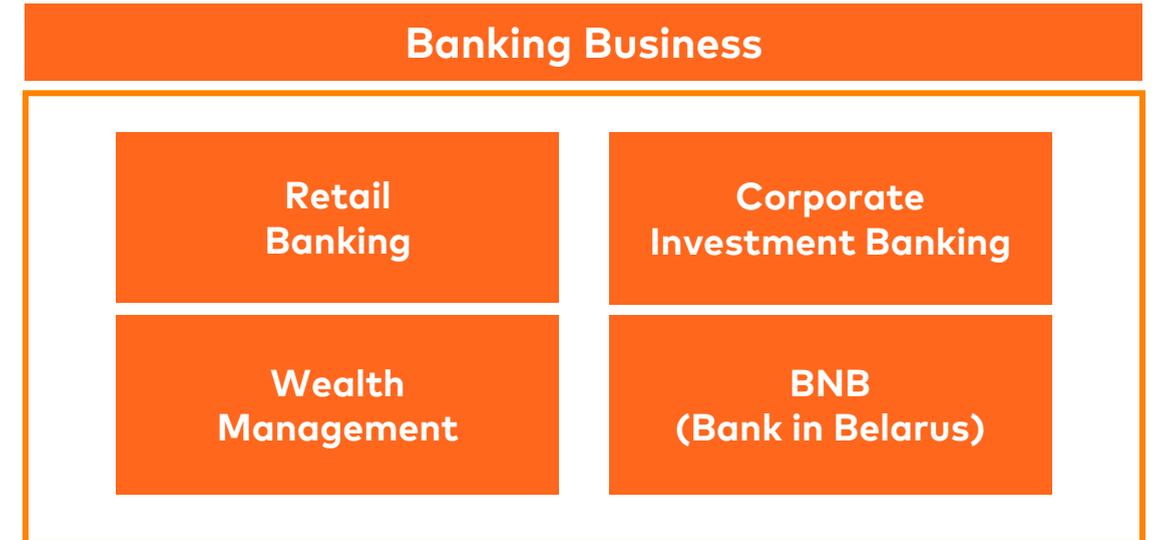
THE LEADING BANK IN GEORGIA

Sustainable growth combined with strong capital, liquidity and robust profitability

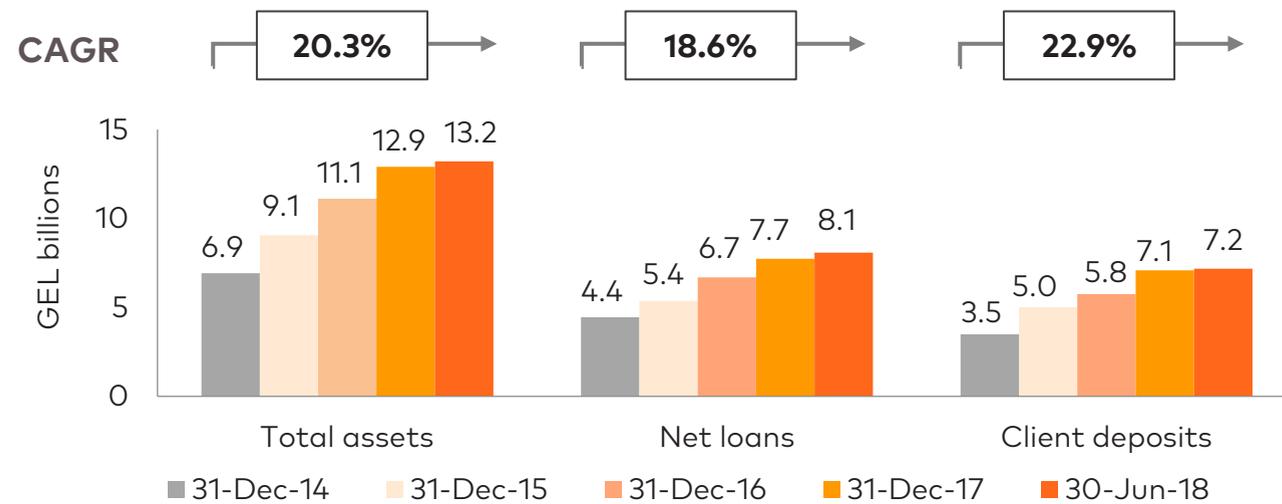


BANK OF GEORGIA AT A GLANCE

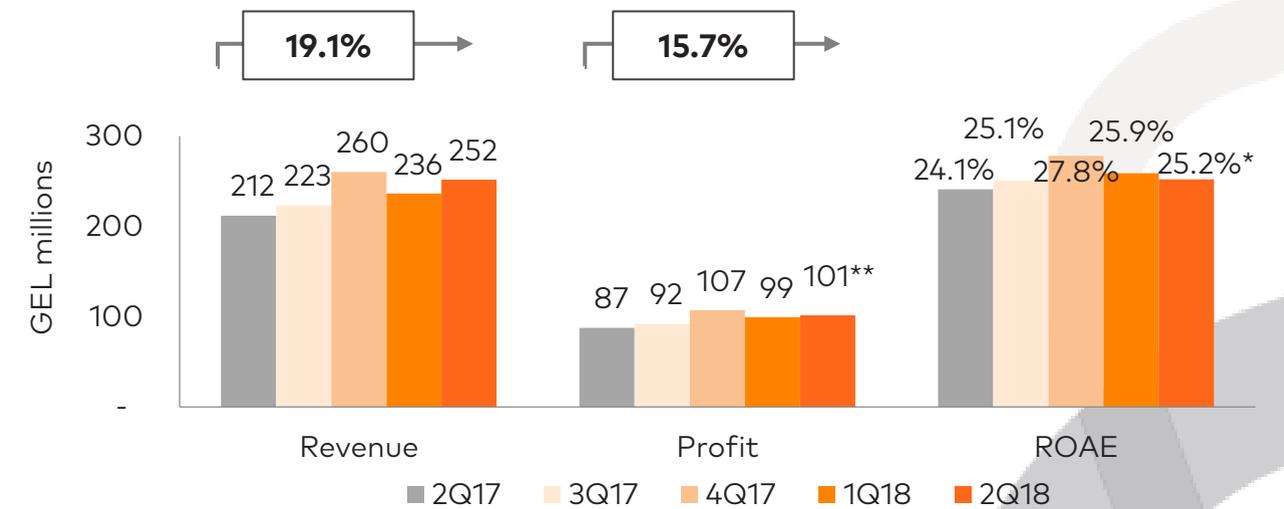
- 20%+ ROAE over the last three years
- 33% to 35% Market Share in loans and deposits
- 76% of daily transactions via Digital Channels
- Strong brand name recognition and retail banking franchise
- High standards of transparency and governance



Balance Sheet Highlights



Income Statement Highlights



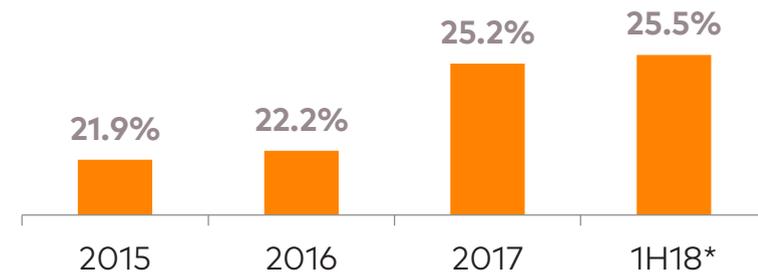


SUCCESSFUL TRACK RECORD OF DELIVERING STRONG RESULTS

BANKING BUSINESS KEY TARGETS

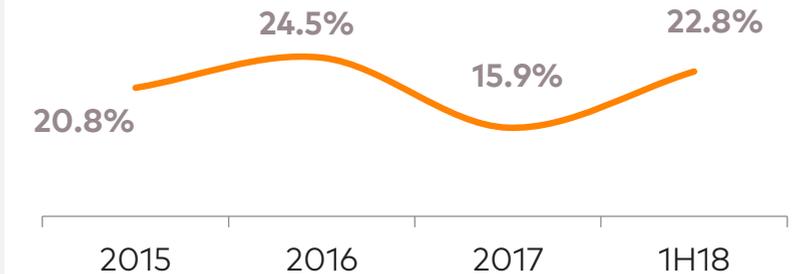
1

ROAE
20%+



2

Loan book
growth
15%-20%

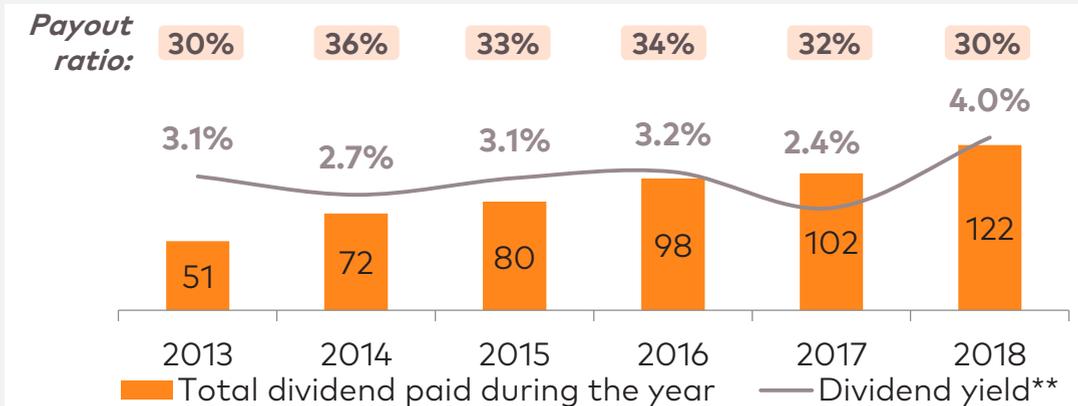


3

Solid Capital
Return Track
Record

- **Regular dividends:** linked to recurring profit from Banking Business. Aiming **25-40%** dividend payout ratio
- **GEL 500mln+** cash dividend paid since 2013, with **payout ratio above 30%** over past 6 years
- **Management trust buybacks:** GEL 43.2mln share buy-backs in 1H18

Regular Dividends

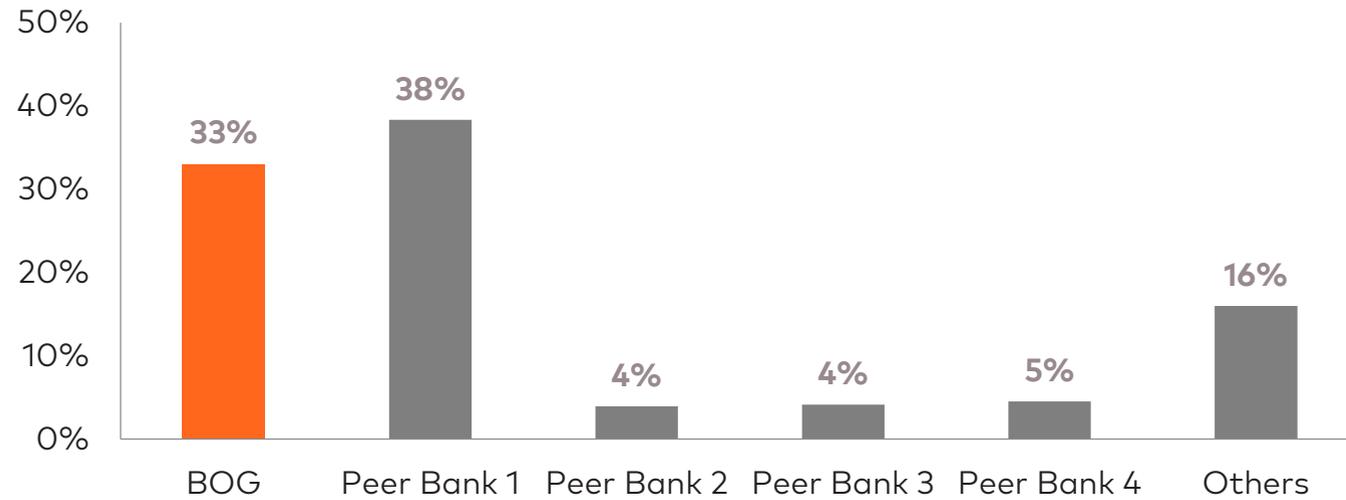


STRONG COMPETITIVE POSITION

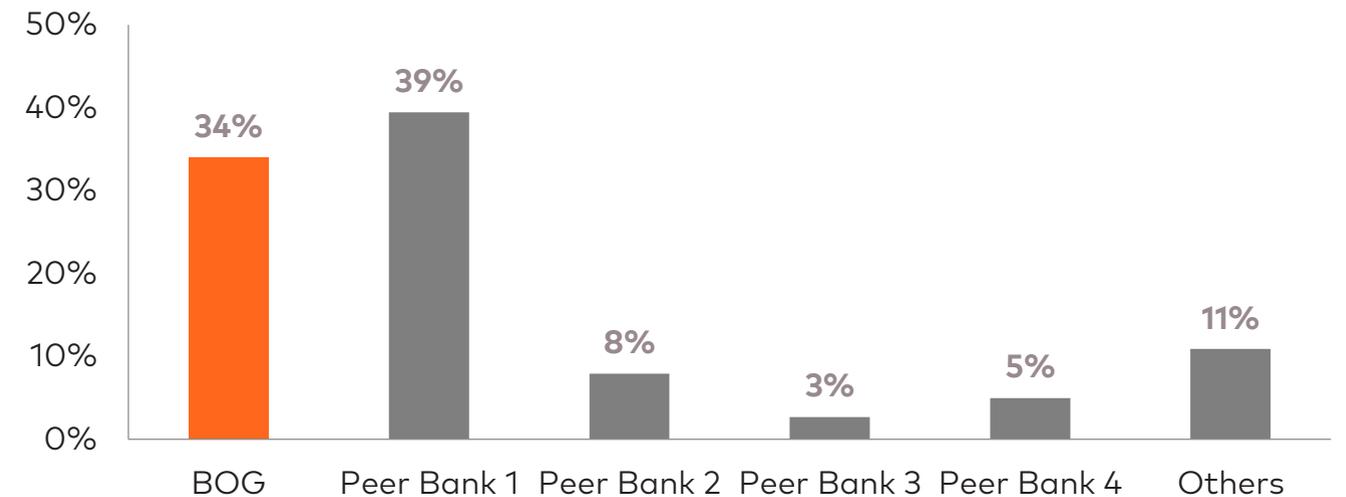
Leading market position in Georgia by assets (34.5%), loans (33.0%), client deposits (34.0%) and equity (28.7%)



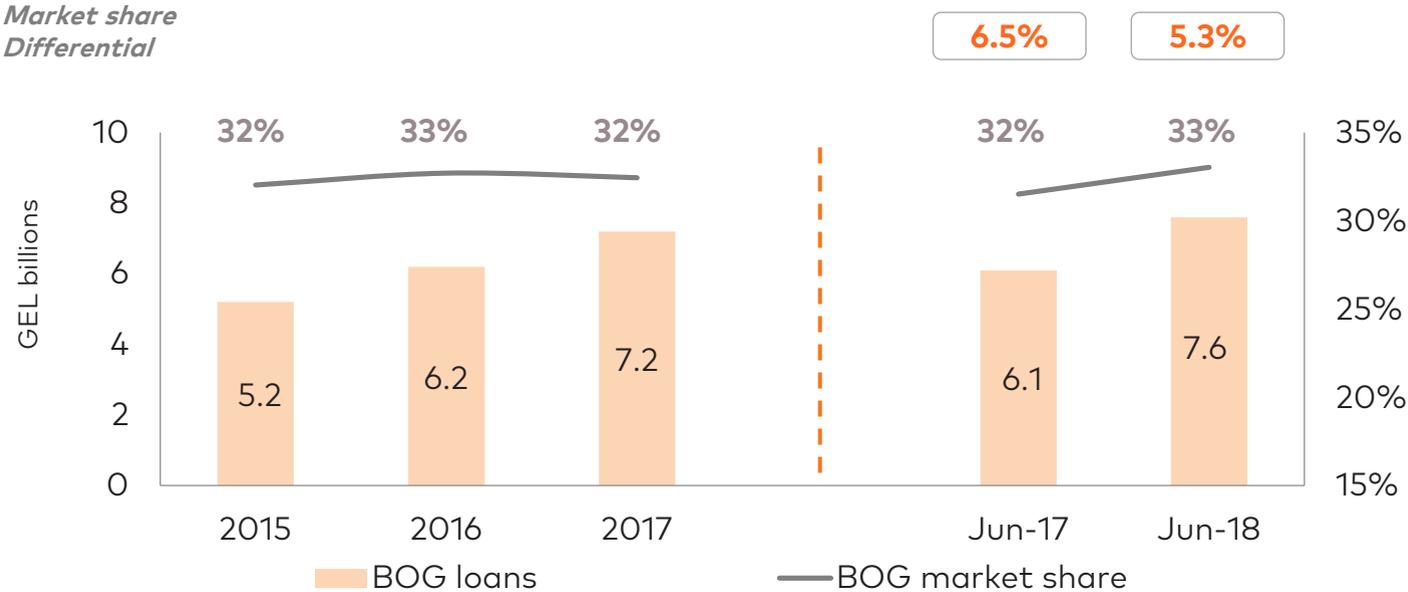
Market share - Gross Loans



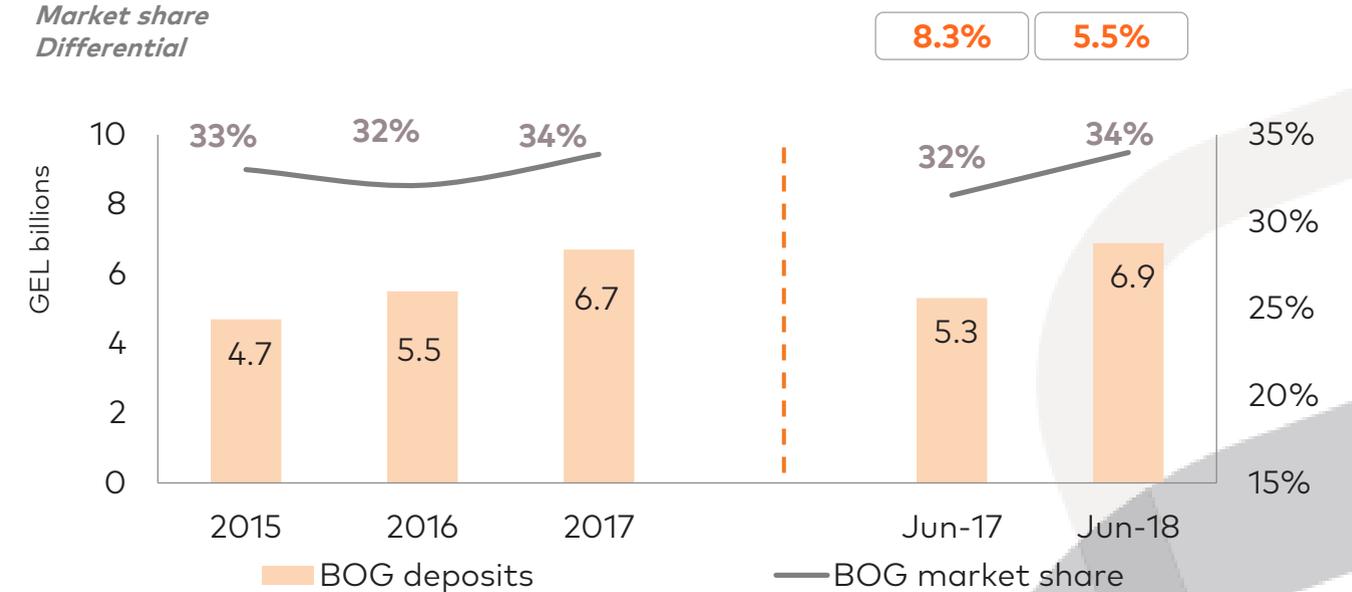
Market share - Client Deposits



Market share Differential



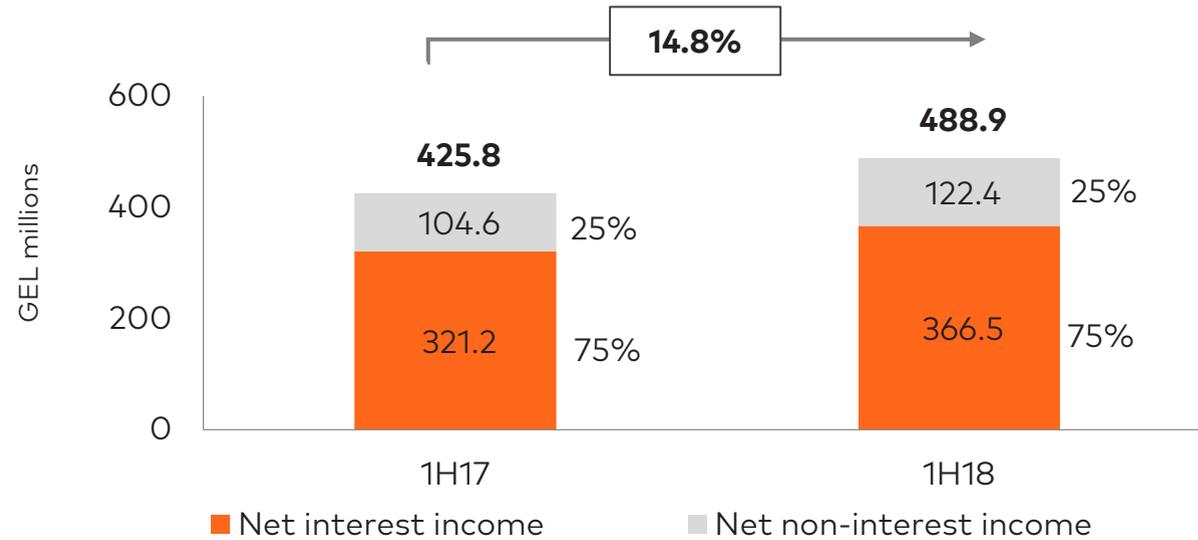
Market share Differential



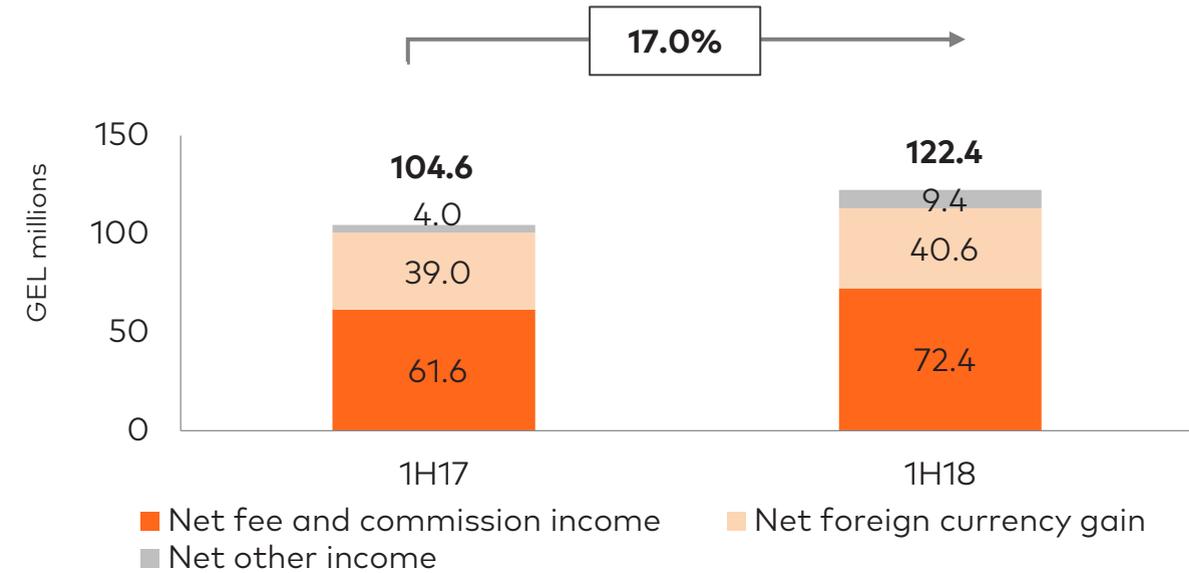
STRONG UNDERLYING BANKING BUSINESS PERFORMANCE



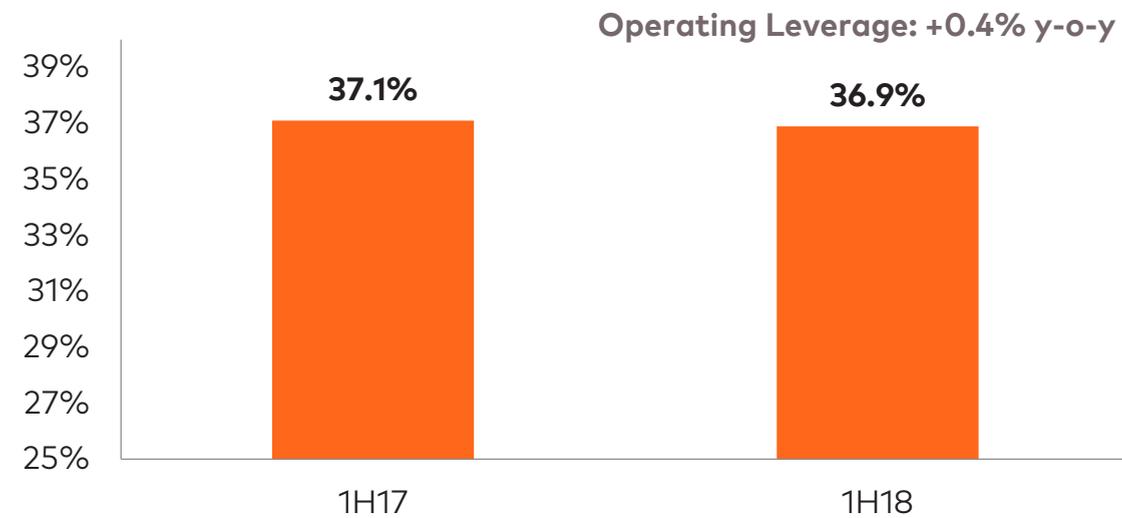
Solid Revenue Growth



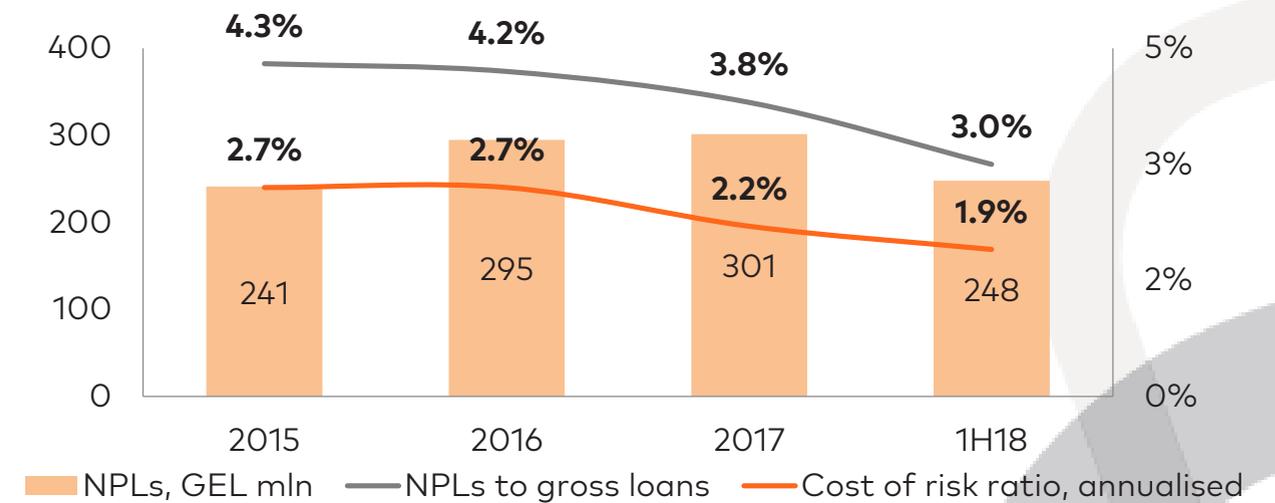
Solid Non-interest Income Growth



Focus on Efficiency



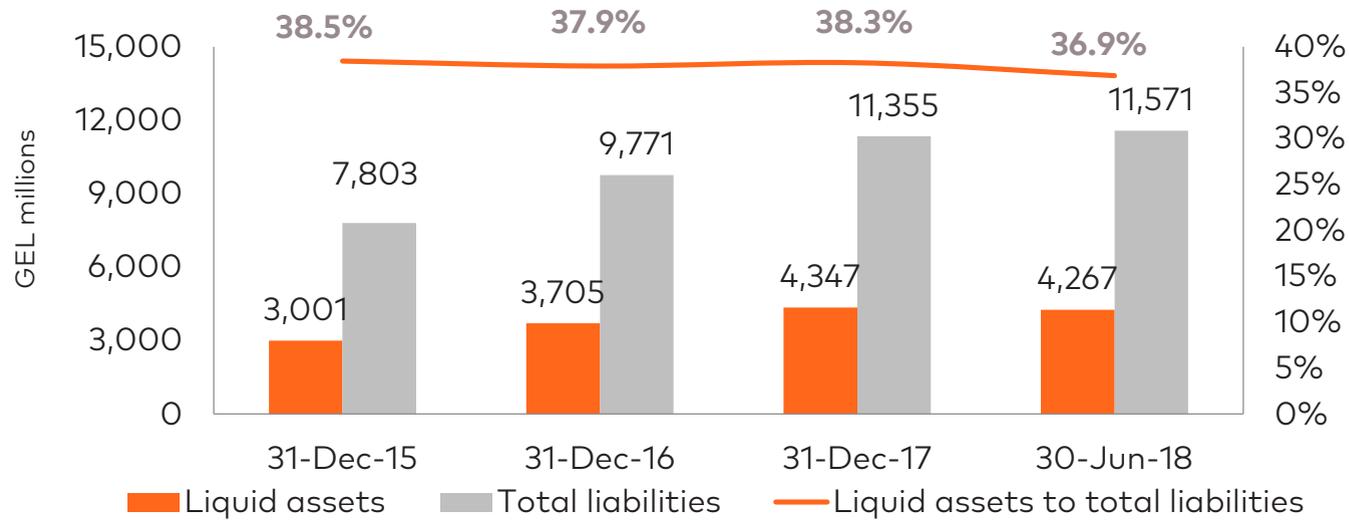
Resilient Loan Portfolio Quality



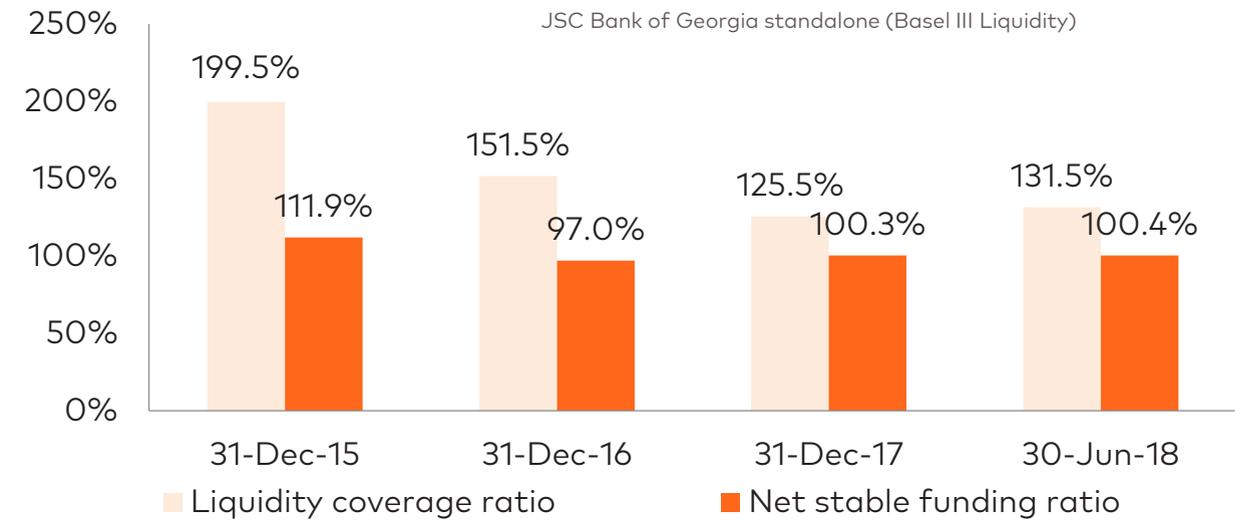
STRONG LIQUIDITY & EXCELLENT CAPITAL ADEQUACY POSITION



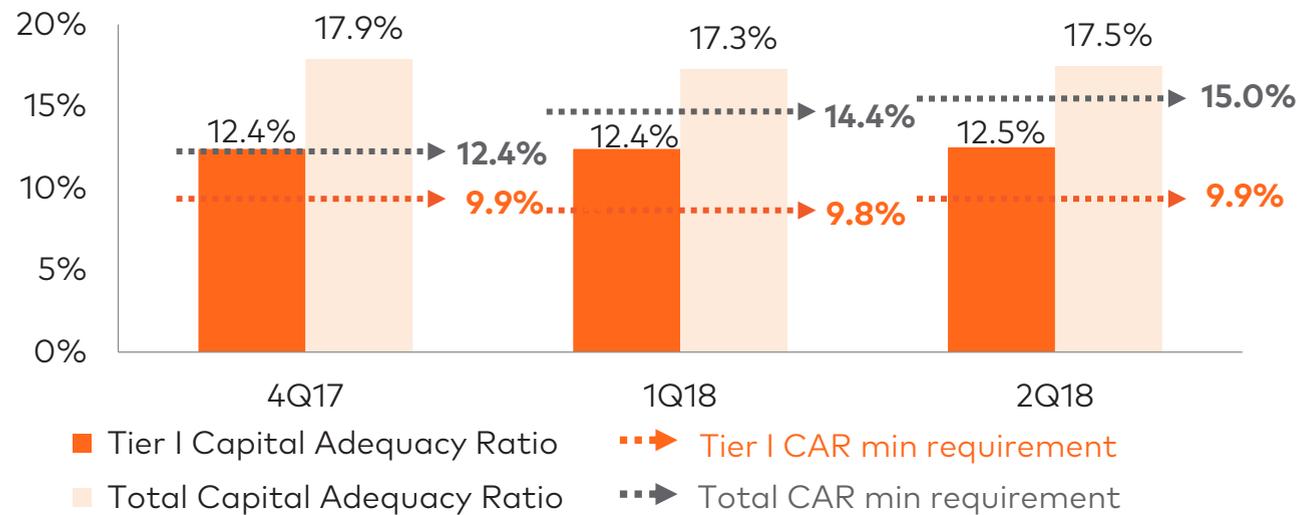
Banking Business Liquid assets to total liabilities



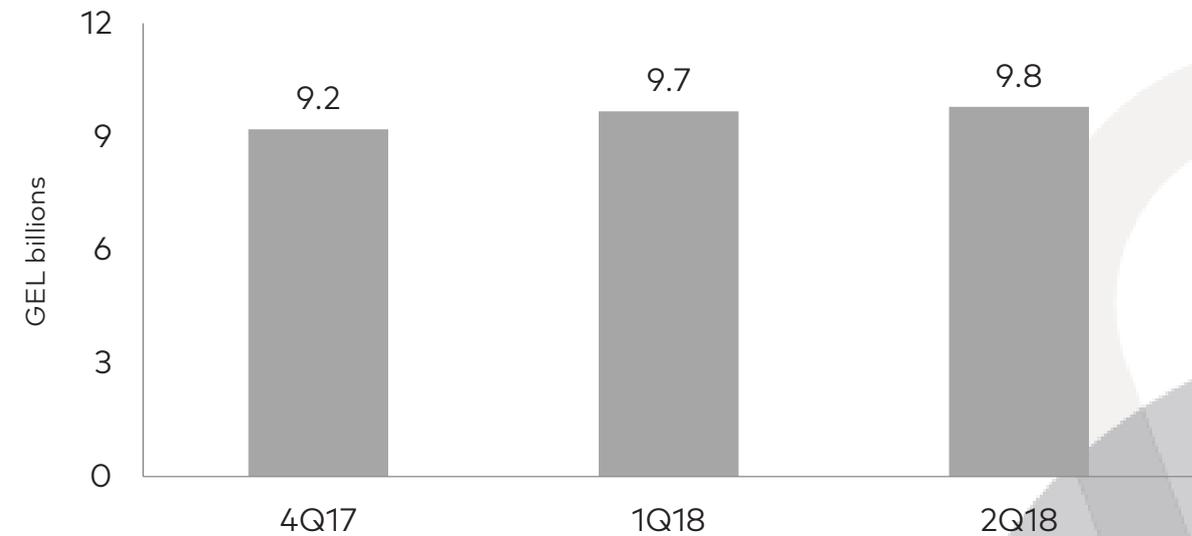
Liquidity Coverage Ratio and Net Stable Funding Ratio



Capital Adequacy ratios

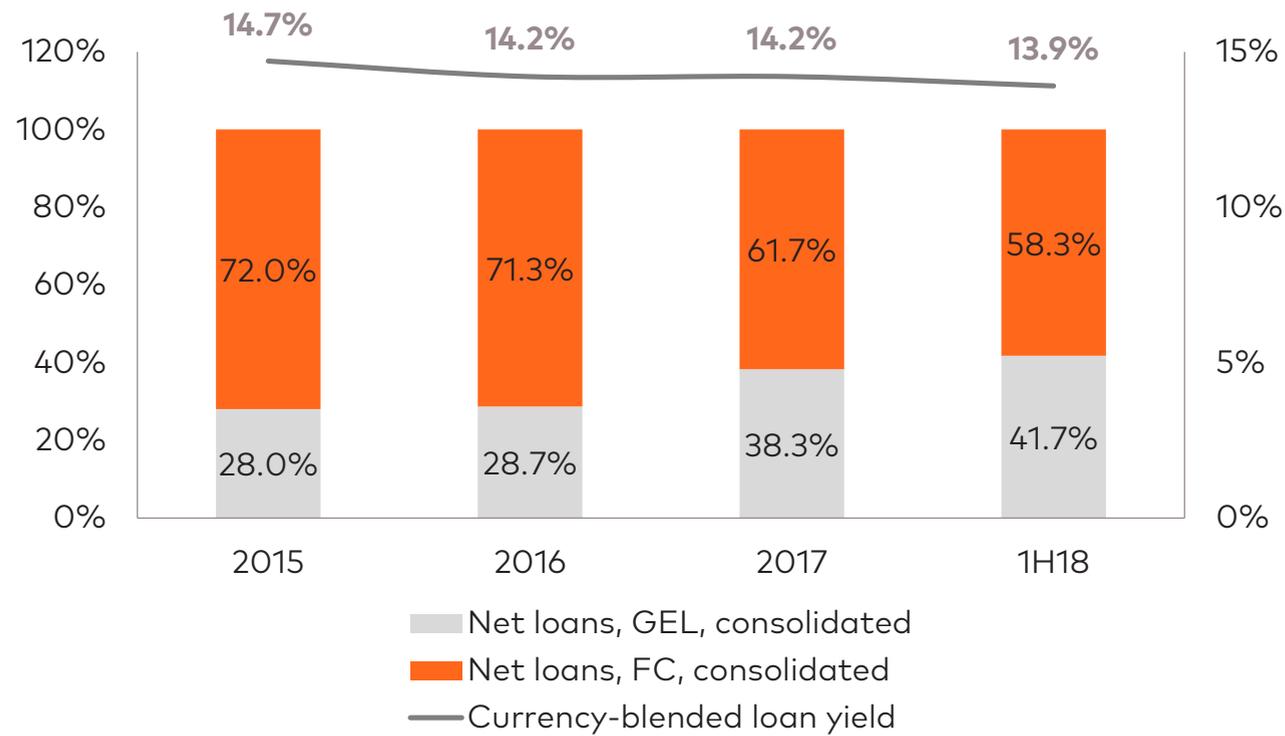


Risk Weighted Assets

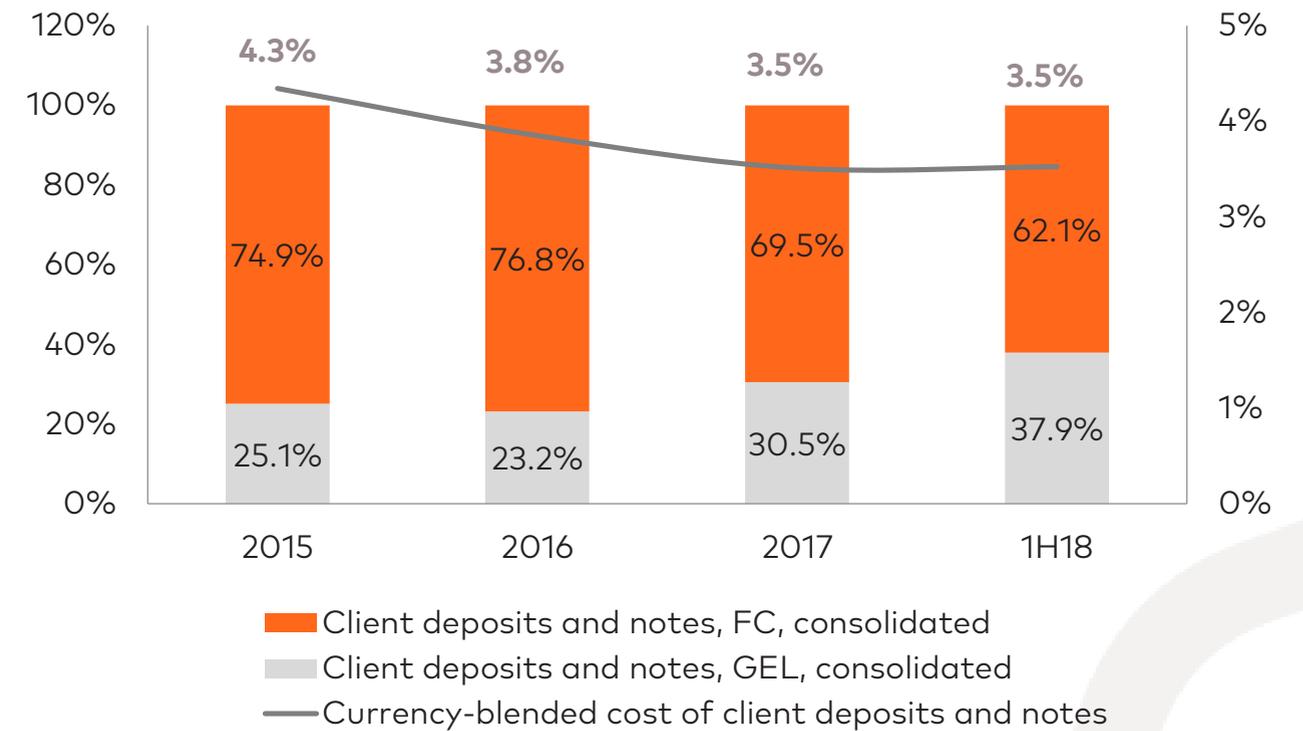




Loans and Loan yields



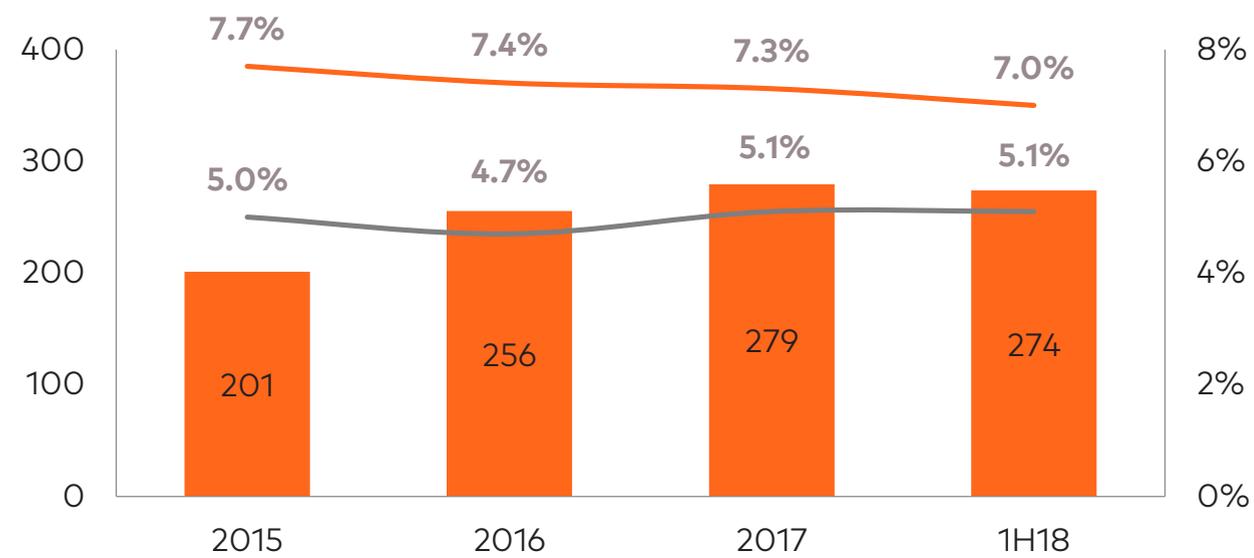
Client Deposits and Cost of customer funds



RESILIENT RISK ADJUSTED NIM ON THE BACK OF HIGHER QUALITY PORTFOLIO

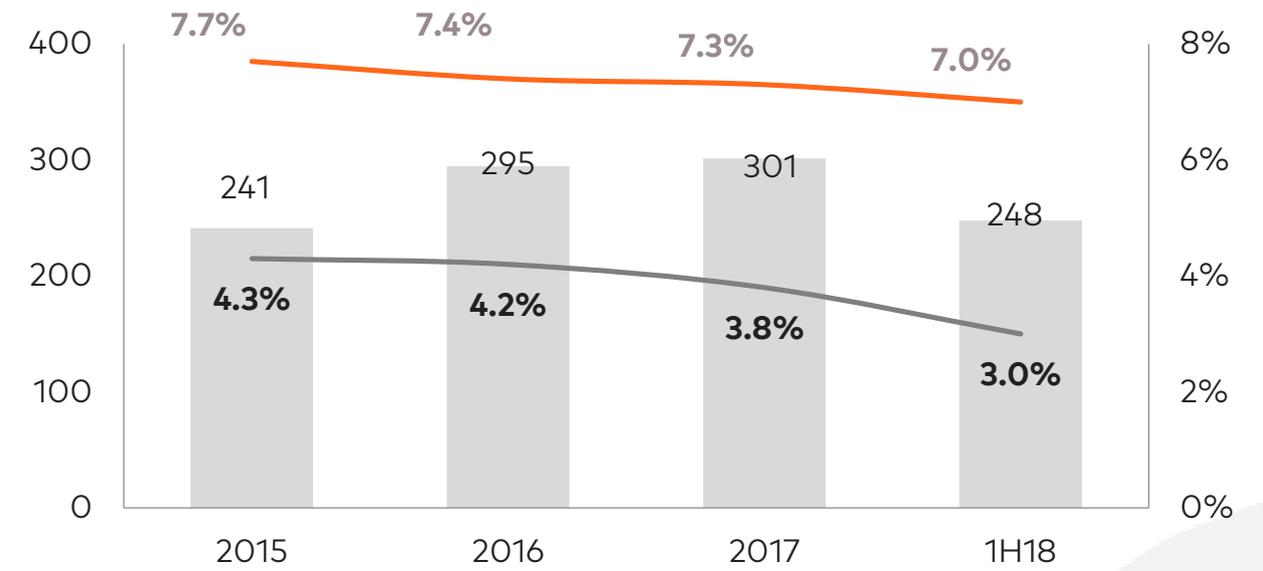


Risk adjusted NIM



■ Loan loss reserves (LLR), GEL mln
— Risk Adjusted NIM
— Net Interest Margin

Portfolio quality

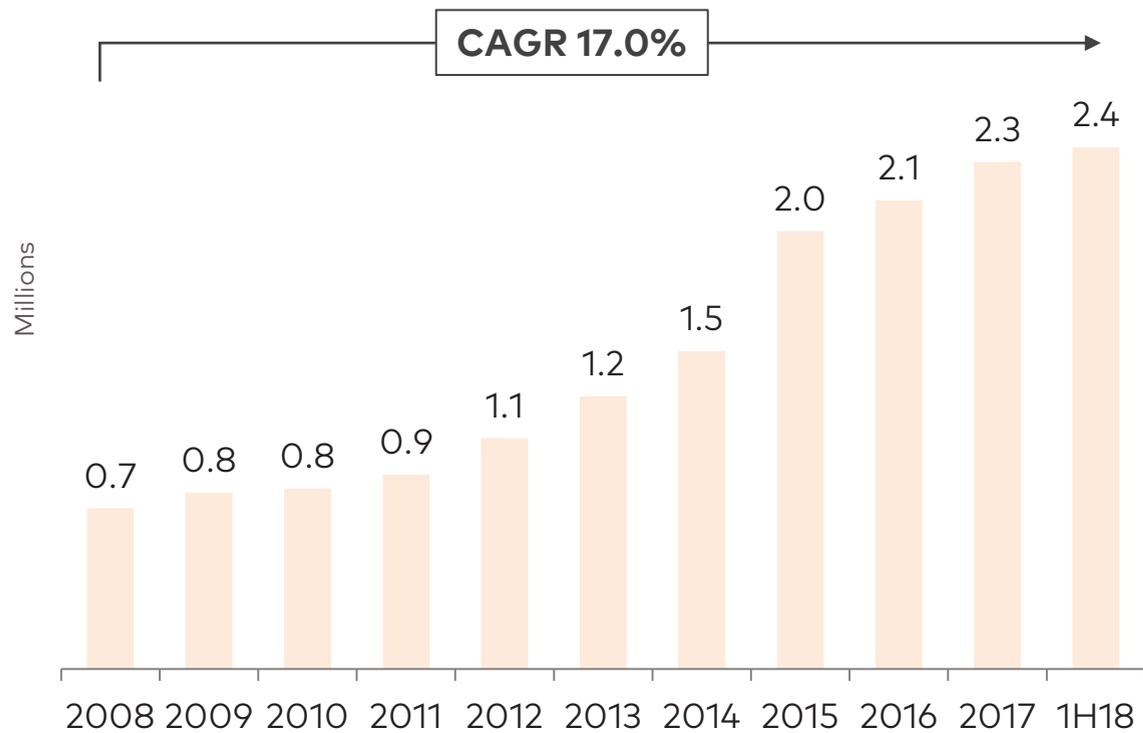


■ NPLs, GEL mln
— NPLs to gross loans
— Net Interest Margin

RETAIL BANKING



OVER 2 MILLION RETAIL BANKING CLIENTS

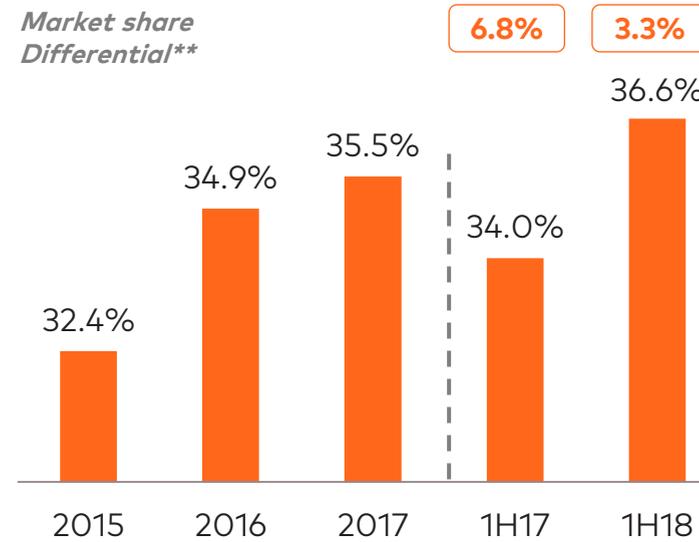


**Aggressive client acquisition phase is over
We target growth through increasing
engagement of existing clients**

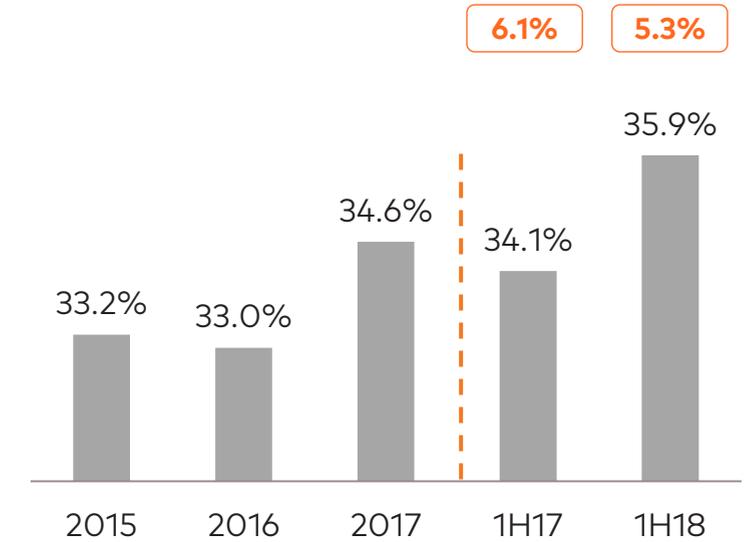
Market Position

Market share – Loans*

Market share
Differential**

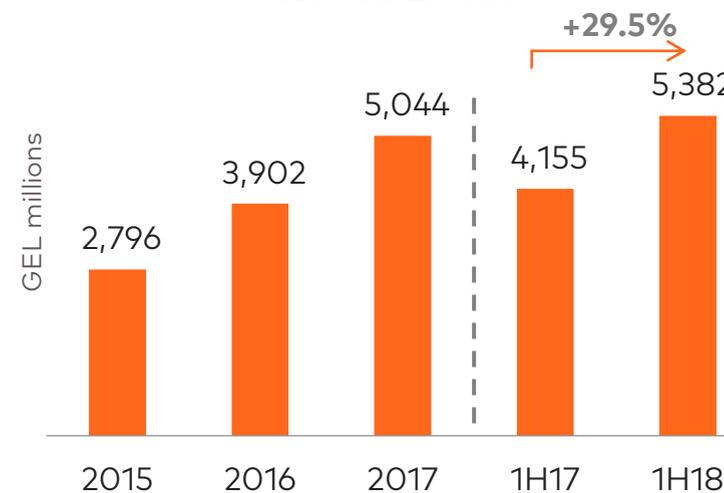


Market share – Deposits*

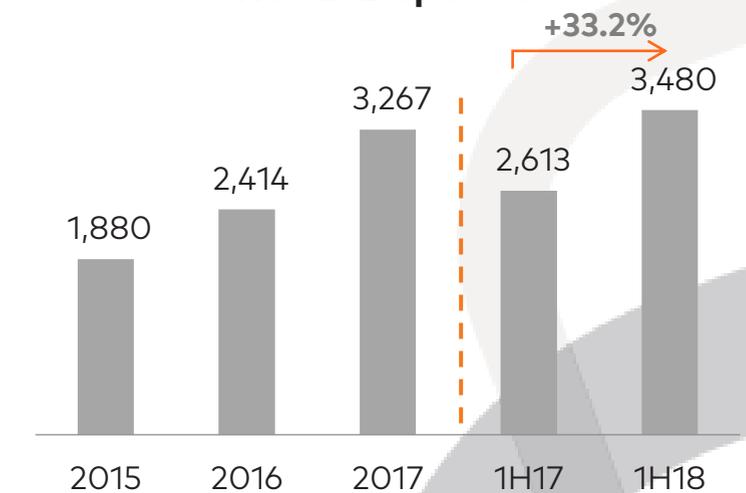


Net Loans and Customer Deposits

Retail Loans



Retail Deposits



RETAIL BANKING SEGMENT COMPOSITION

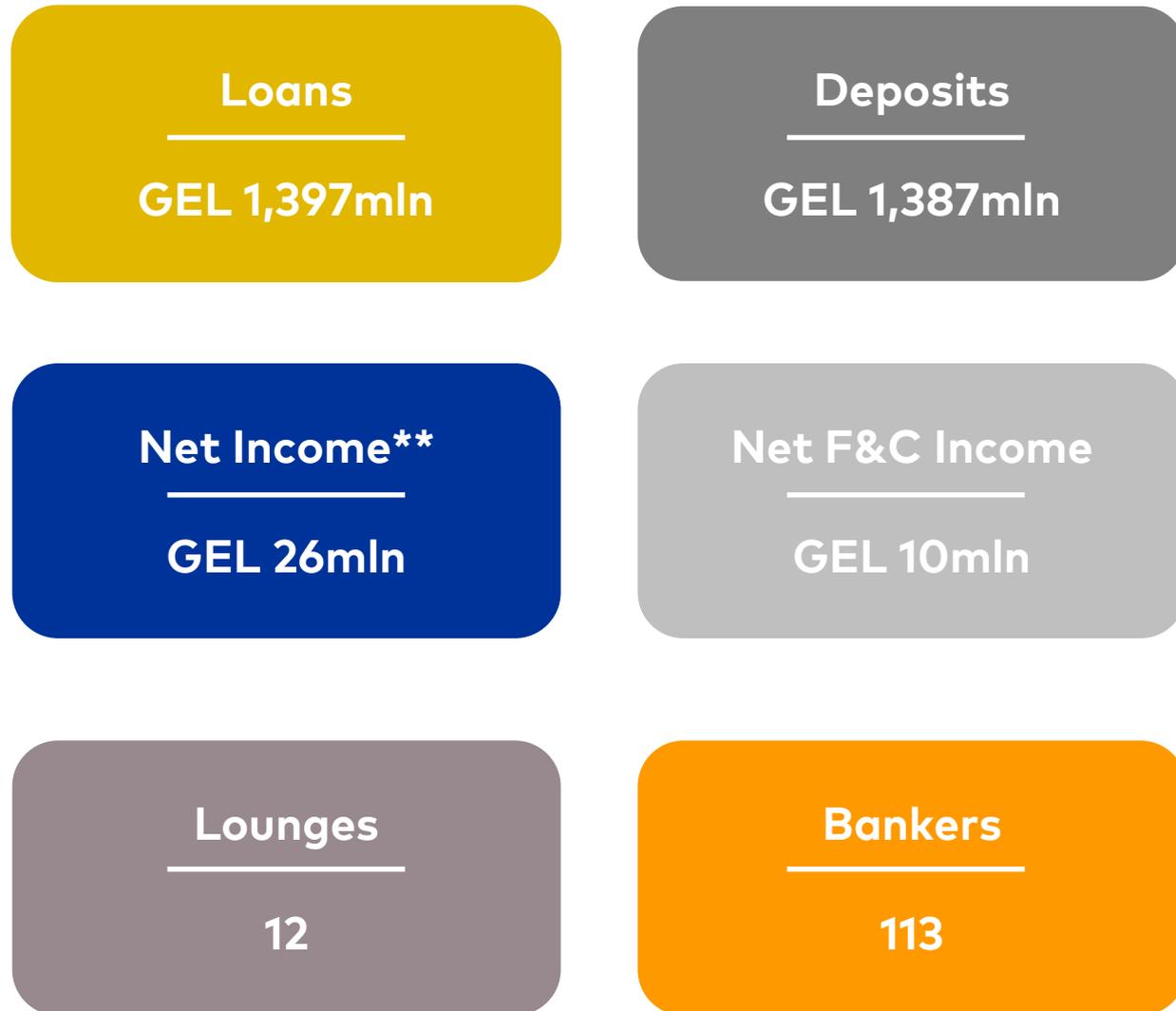


	1 	2  BANK OF GEORGIA	3 	4  BANK OF GEORGIA BUSINESS
Segments	Emerging Retail	Mass Retail	Mass Affluent	MSME
Clients	533 _k	1,628 _k	39 _k	182 _k
Branches	168	99	12	n/a
Loans	GEL 301 _{mln}	GEL 1,952 _{mln}	GEL 1,397 _{mln}	GEL 1,866 _{mln}
Deposits	GEL 166 _{mln}	GEL 1,444 _{mln}	GEL 1,387 _{mln}	GEL 482 _{mln}
Profit per client*	GEL 77	GEL 68	GEL 1,446	GEL 405
Product to Client ratio	3.5	1.9	5.6	1.4

SOLO - A FUNDAMENTALLY DIFFERENT APPROACH TO PREMIUM BANKING



LEADER IN PREMIUM BANKING SEGMENT*



STRATEGIC FOCUS

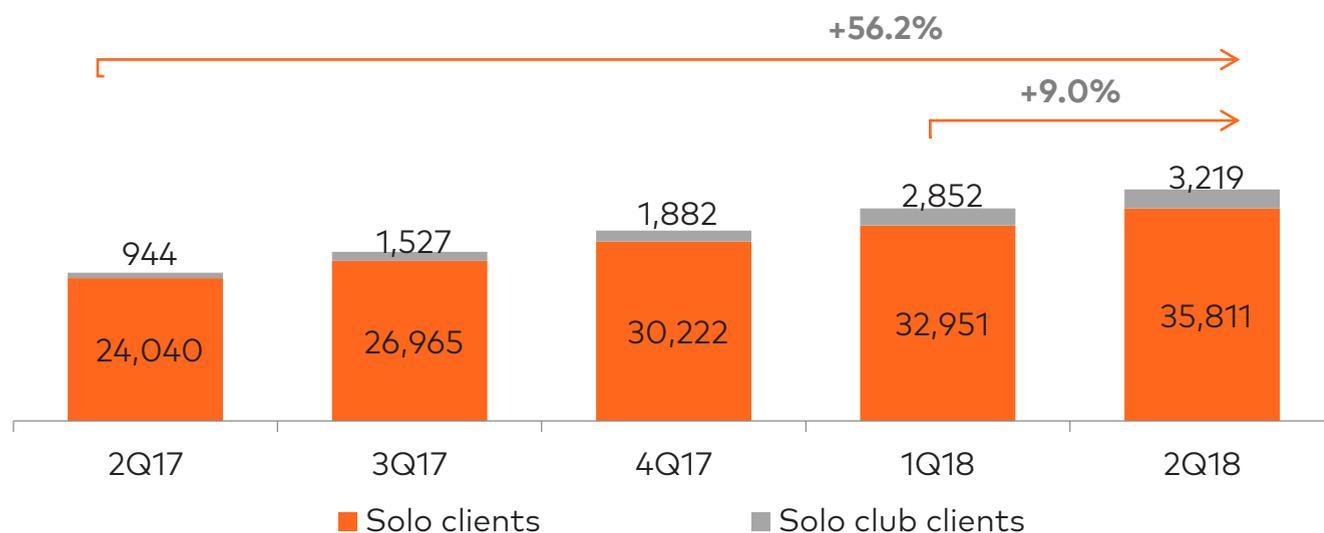
- Focus on loyalty and exclusivity
- Share of wallet growth
- Innovative product offerings
- Cross selling / up selling opportunities
- Synergy between SOLO/SME
- Value-adding advisory services
- SOLO lifestyle – superior customer experience

SOLO - A FUNDAMENTALLY DIFFERENT APPROACH TO PREMIUM BANKING



KEY TARGET ACHIEVED

Solo Clients Evolution



The target of 40,000 Solo clients already achieved.

We target growth through increasing engagement of existing clients and maximising the Profit per client and Product per client measures

Transformation of Retail Banking Clients to Solo Clients

	Retail Client (Before transferring to Solo)	Solo Client (after transferring to Solo)
Product to client ratio	5.2	7.4
Profit per client (<i>annualised</i>)	GEL 385	GEL 690

SOLO – RECENT EVENTS



EDUCATION



TRAVEL



HEALTH



ENTERTAINMENT



LOALTY PROGRAMME



Relationship brings a PLUS⁺

- **Status levels** can be achieved by using multiple banking products
- **Points** are collected through different interactions with the bank
- Status level qualifies clients for **exclusive benefits**
- Points can be **easily redeemed** for specific rewards

868k
Programme members

99
Programme partners

4
Special campaigns per month

343
Active special offers

102k
Transactions with Plus points

PARTNERS





LEADING SERVICE PROVIDER FOR MSMEs*

Net Income**
GEL 35mln

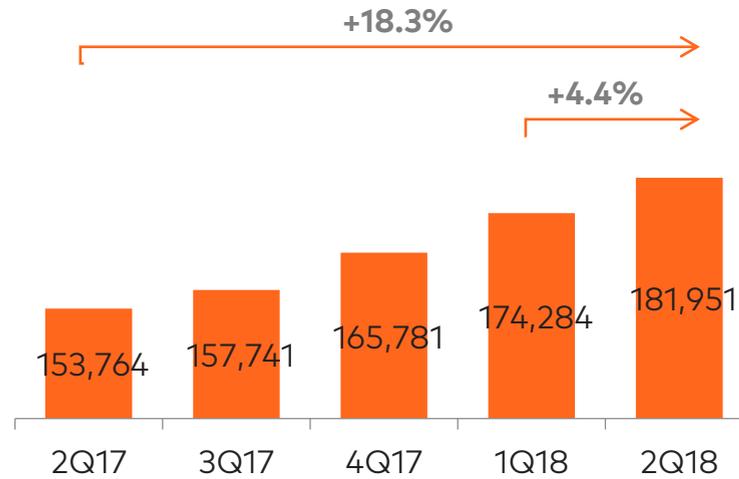
Net F&C Income
GEL 8mln

Net interest income
GEL 59mln

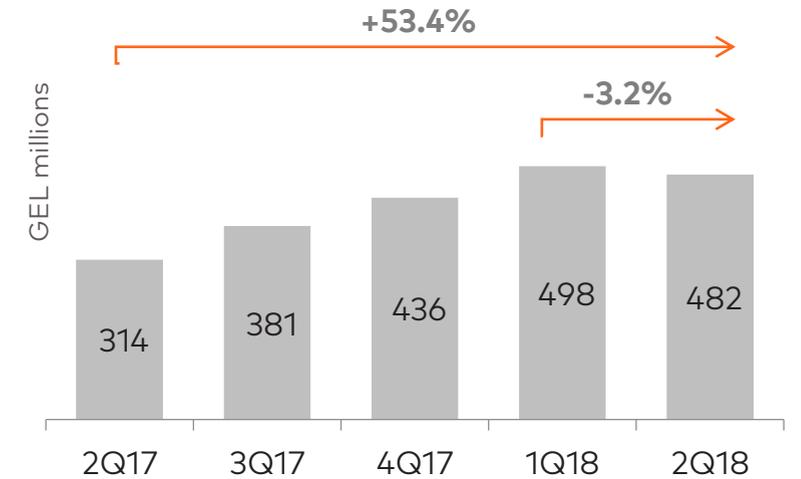
Bankers
350

Key Highlights

Number of Clients



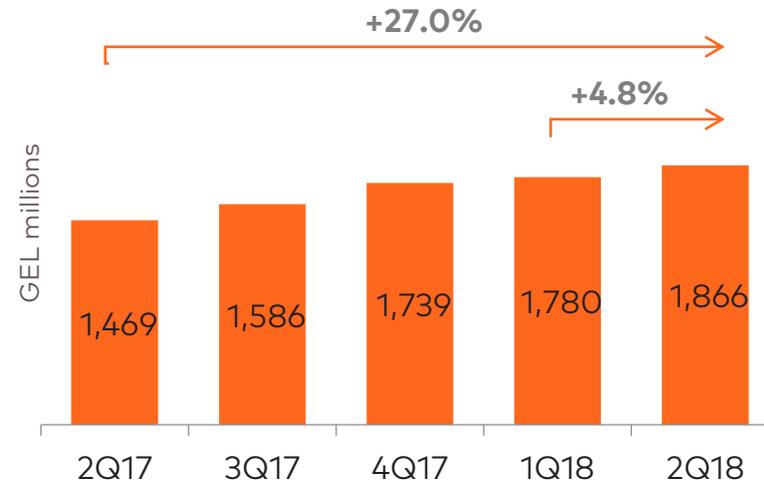
Customer Deposits



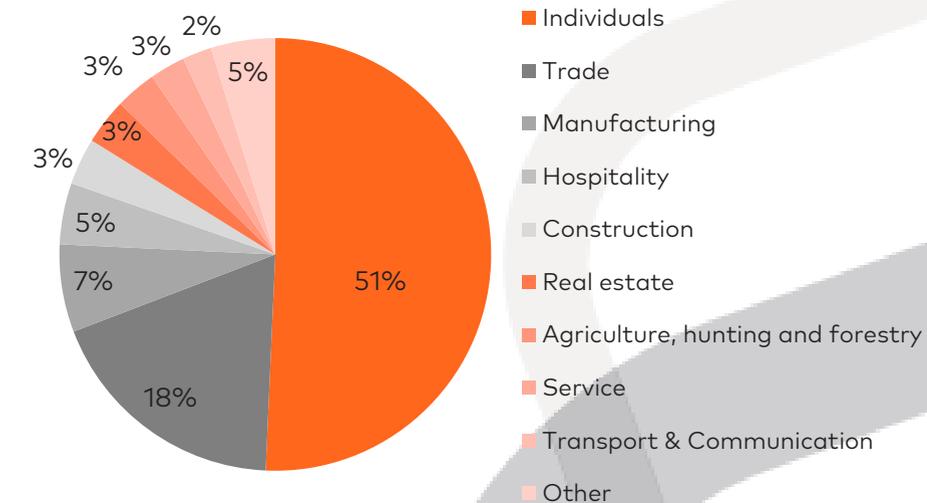
STRATEGIC FOCUS

- Focus on loyalty and best customer experience
- Innovative product offerings
- Simple onboarding and digital channel capabilities
- One-stop-shop within the BOG Business branch
- Education and value adding advisory services

Loan Portfolio



Loan Portfolio by sectors



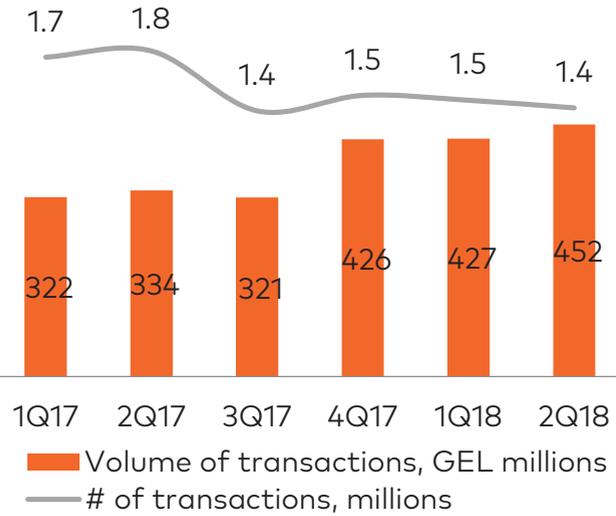
* The data presented as of and for the six months ended 30 June 2018

** 1H18 profit adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances

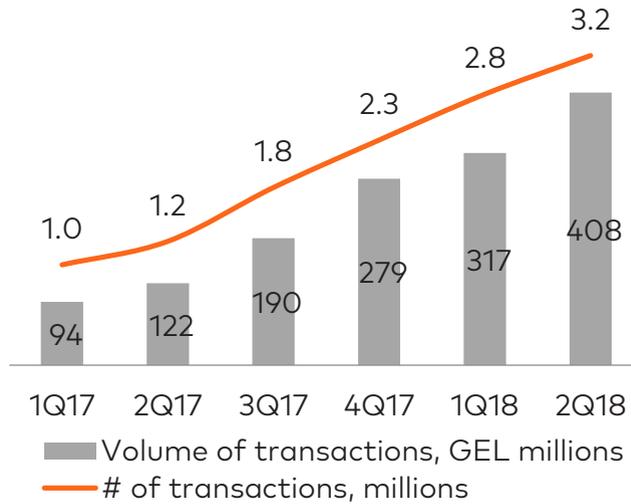
DIGITAL PENETRATION



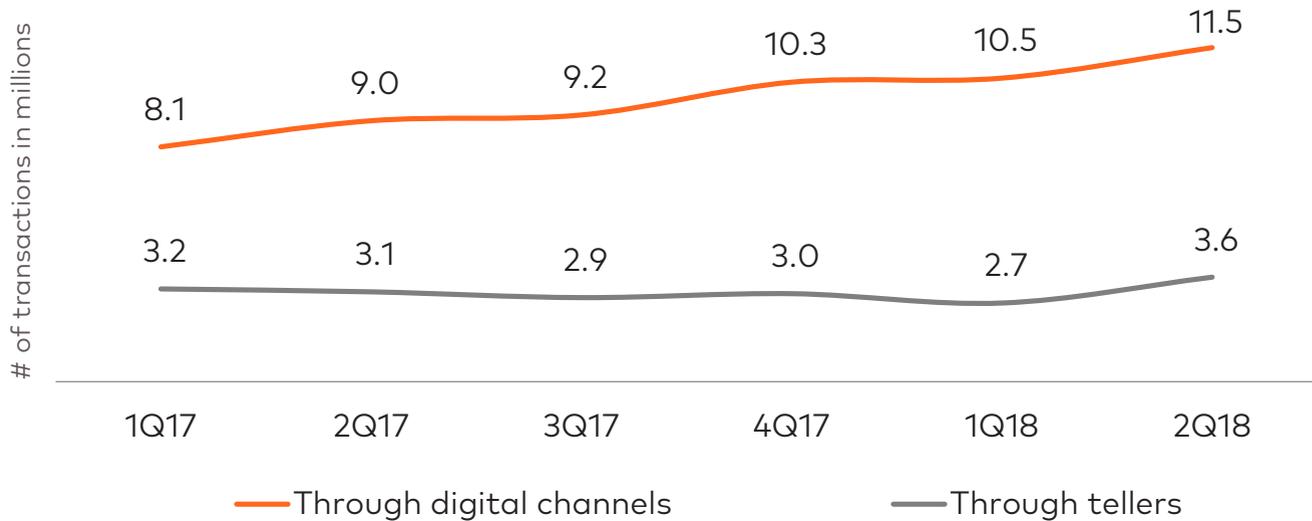
Internet Bank



Mobile Bank



Digital vs. non-digital transactions



EXPRESS ONLINE

ARRANGE, CUSTOMIZE, NAME

EASIER AND MORE CONVENIENT

EVERYTHING ON 1 PAGE

COMPLIANCE WITH INTERNATIONAL STANDARDS

TWICE AS FAST

SEVERAL PAYMENTS WITH A SINGLE CLICK

CHECK OUT THE ALL NEW INTERNET BANK

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GLOBAL FINANCE

2018

DIGITAL BANK OF DISTINCTION

mBank

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მობილური ცხოვრებისთვის

www.mBank.ge

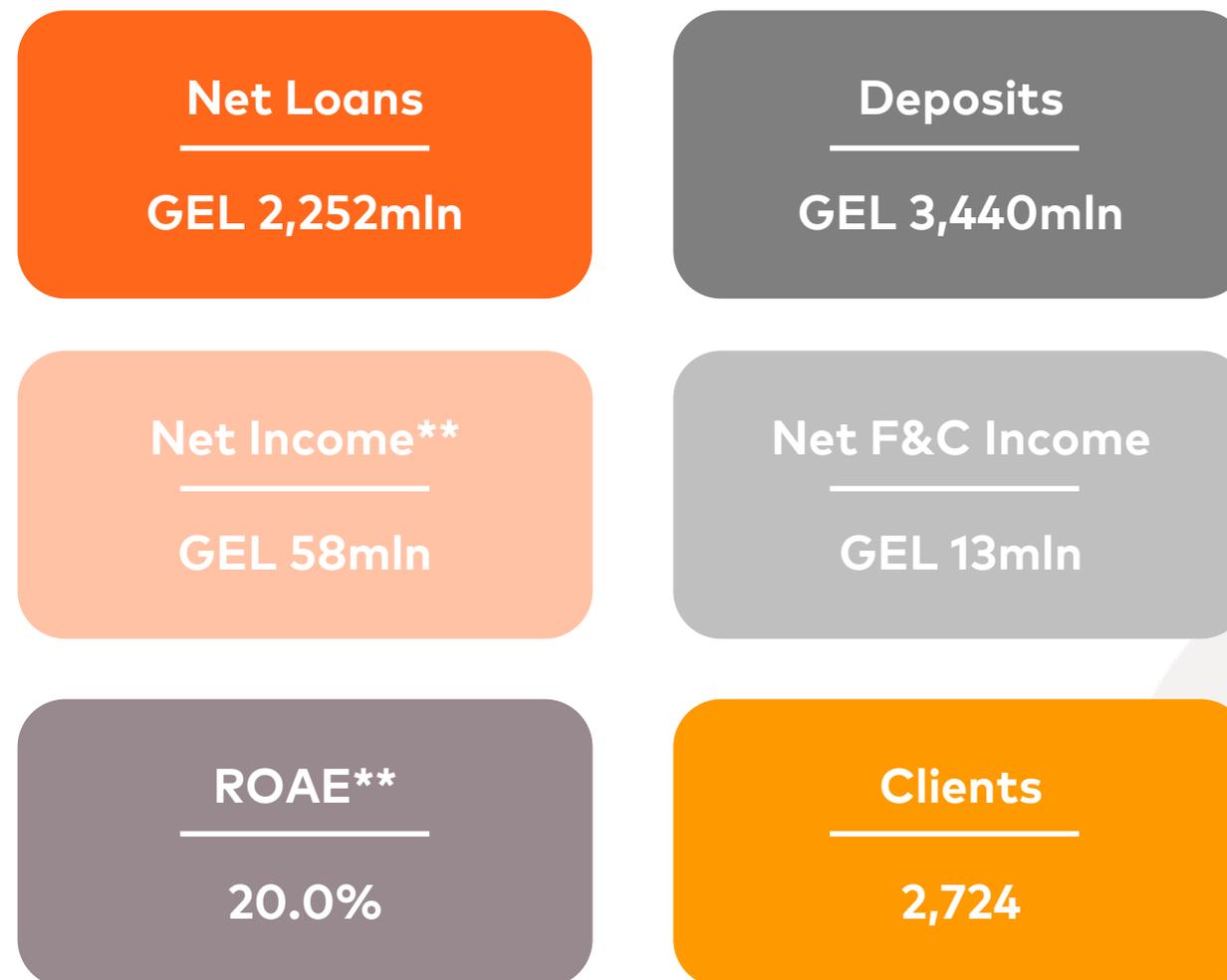
CORPORATE INVESTMENT BANKING



CORPORATE BANK AT A GLANCE

- Leading CIB Franchise in the region
- Best in class product design and performance solutions
- Pricing excellence & discipline, with 360 view of every client
- Uncontested leader in Georgia's capital market development
- Entrepreneurial & diverse pool of talent

LEADING CORPORATE BANK IN GEORGIA*



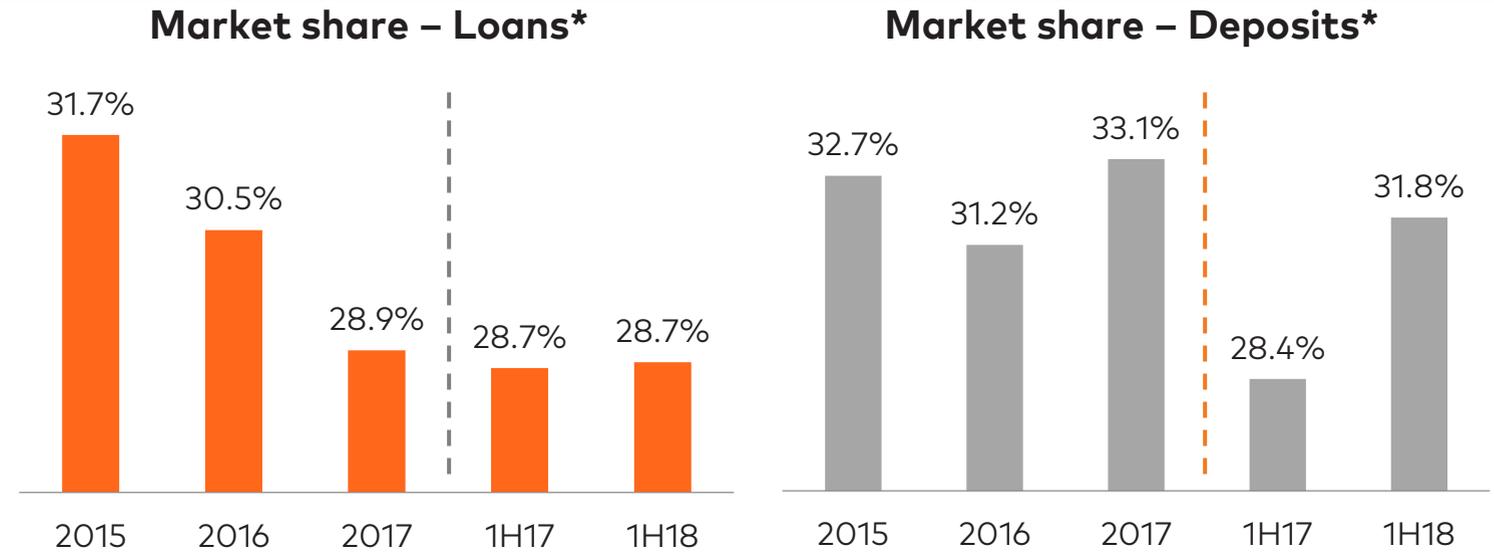
CORPORATE INVESTMENT BANKING



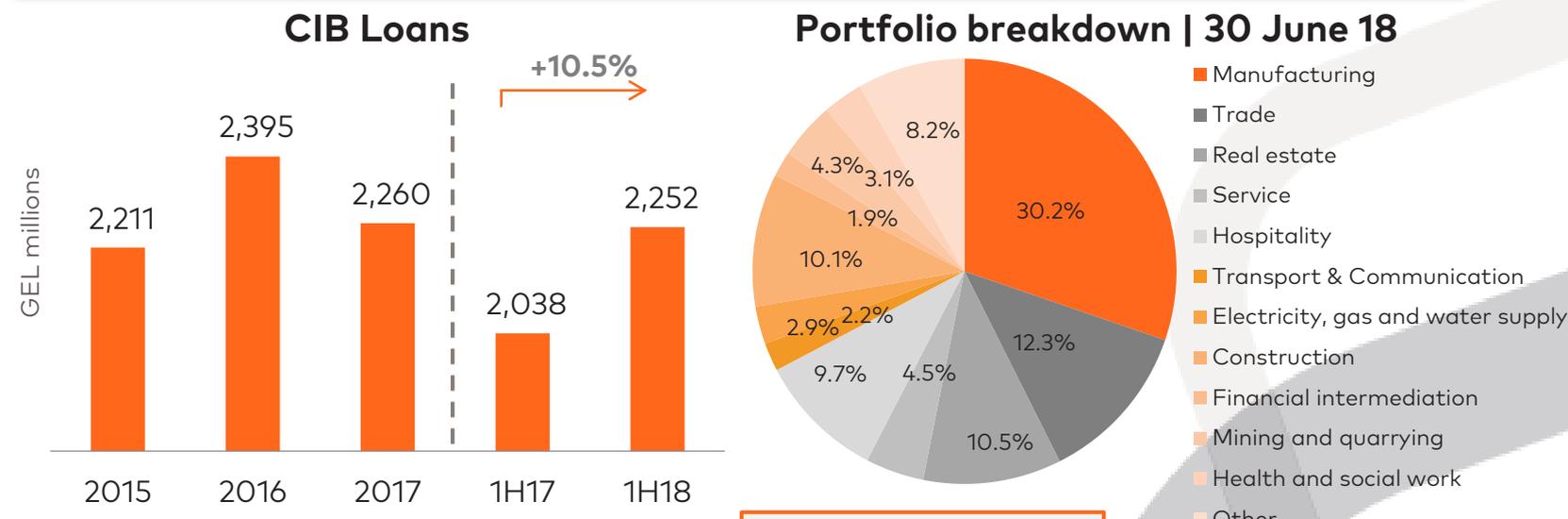
STRATEGIC FOCUS

- Loan portfolio growth of 10%+
- Maintain profitability at ROAE of 20%+
- Focus on automation and fee business
- Manage concentration risk, with top 10 clients < 10% of total loan book
- Acquire and retain top talent

Market Position



Loan portfolio composition



Top 10 CIB borrowers concentration - 10.2% of the loan book

BUILDING BLOCKS TO BECOME THE FINANCIAL SERVICES HUB



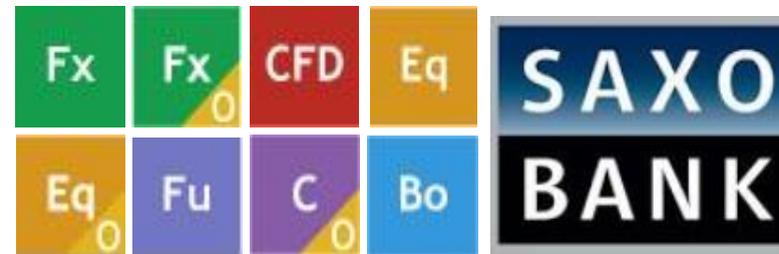
Wealth Management

- **Strong international presence:**
Israel (since 2008), UK (2010), Hungary (2012), Turkey (2013) and Cyprus (2017)
- **AUM of GEL 1,994 million**, up 19.7% y-o-y
- **Diversified funding sources:**
 - Georgia 34%
 - Israel 12%
 - UK 4%
 - Germany 2%
 - Other 48%
- **Wealth Management Vision – Become the regional hub for wealth management offering**
 - Invest globally
 - Superior service
 - Business friendly environment
 - Favorable tax regime
 - High level of banking secrecy



Brokerage & Corporate Advisory

- **The leading brokerage house** in the region
- **The only international sub-custodian** in the region
- **The leading investment bank** in the region

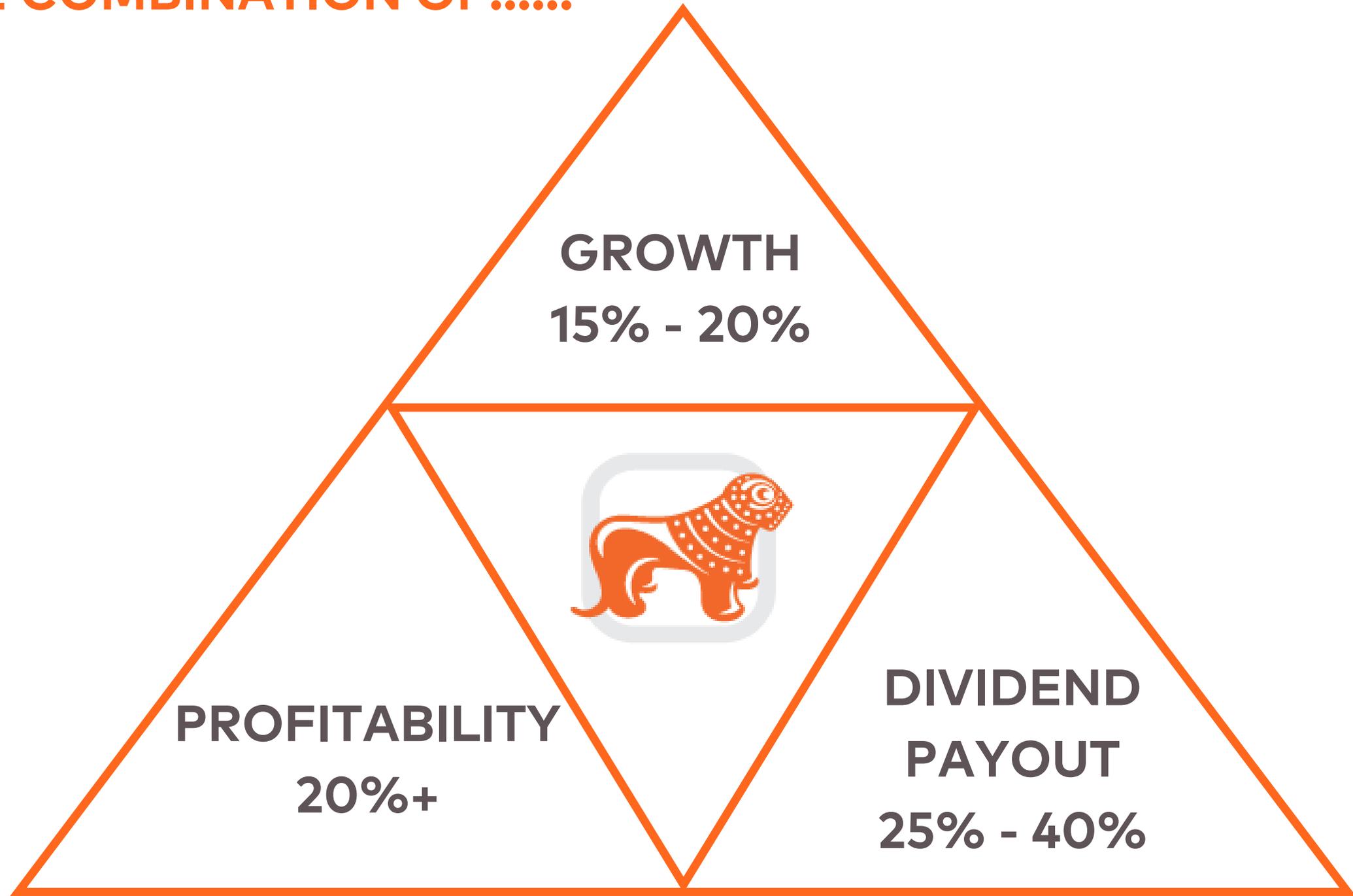


Research

- Sector, macro and fixed income coverage
- Georgian quarterly macroeconomic update
- International distribution



UNIQUE COMBINATION OF.....





BANK OF GEORGIA

QUESTIONS?

Georgia Investor Day
12 October 2018 | London, UK



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 the Board of the 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: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional tensions and instability; loan portfolio quality; regulatory risk; liquidity risk; operational risk, cyber security, information systems and financial crime 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 2Q18 and 1H18 results announcement and in BGEO Group PLC's Annual Report and Accounts 2017. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in the 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. The 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.