



საქართველოს ბანკი
BANK OF GEORGIA

Bank of Georgia Holdings

Capturing Further Growth Opportunities

Investor Presentation

4 December 2014

Today's Agenda



Updating BoGH Strategy from 3x20 to 4x20

- Strategy geared at delivering sustainable profitable growth by optimising capital allocation
- Focus on highly profitable retail business and augmenting returns through selective equity investments
- Attractive equity investment in the Georgian utilities sector (Georgian Global Utilities, “GGU”) with an expected IRR above 20%



Acquisition of Privatbank Georgia

- Proposed acquisition of 100% shareholding in JSC Privatbank Georgia (“Privatbank Georgia”) for a total cash consideration of c.US\$51m
- Proposed transaction is in line with the retail expansion strategy and offers significant synergy potential

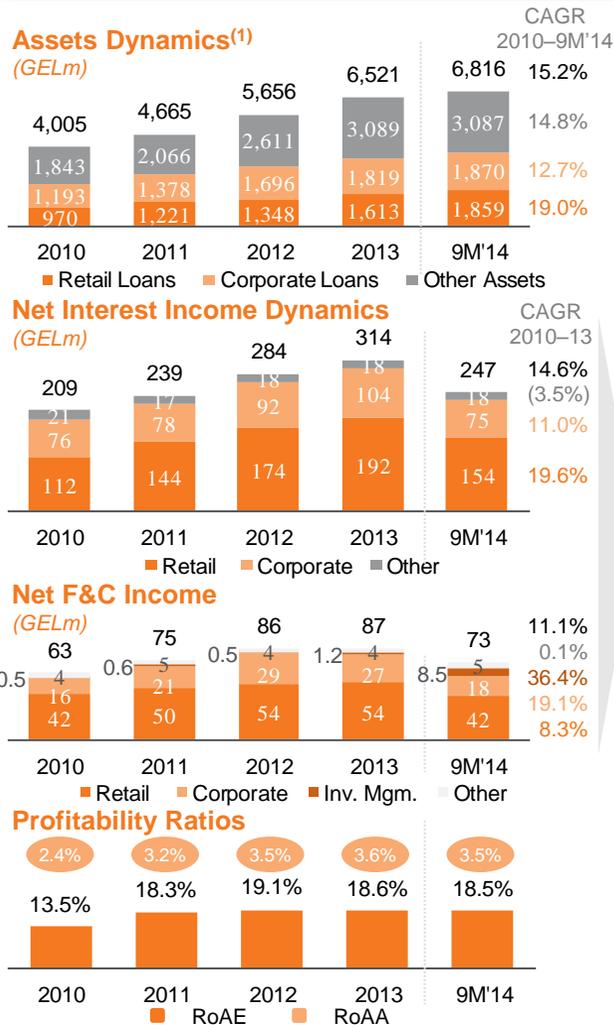


Overview of the Proposed Transaction

- Up to 10% capital raise via an accelerated equity offering
- Proceeds intended to be used to fund acquisitions of Privatbank Georgia, the equity investment in GGU and potential add-ons in Healthcare

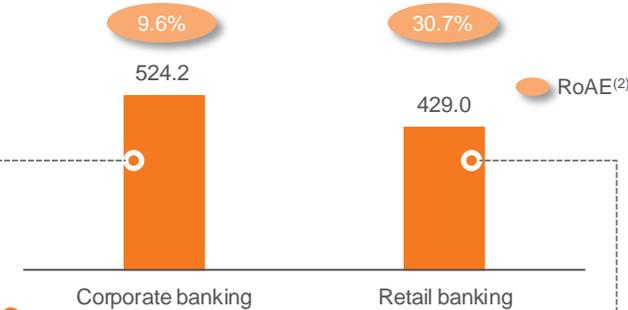
Successful Track Record of Delivering Profitable Growth

Key Drivers of Growth and Profitability



Return on Capital By Segment

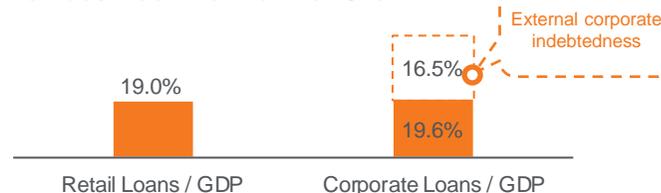
Capital Allocation

(GELm)


- Relative allocation of capital to corporate lending business will decline in favor of retail business and equity investments
- Launch and development of advisory franchise to optimise and diversify returns from the corporate sector

- Acquisition of Privatbank Georgia fits BoGH's strategy of capital allocation in favor of retail business

Underpenetrated Retail Banking Sector Provides Room for Further Growth⁽³⁾



Strategy for Optimising Capital Allocation

- Target sustainable **RoAE of at least 20%**
- **Allocate capital** to most attractive segments and investment opportunities
- Further attractive opportunities in **retail banking**
- Complementary strategy to improve returns through **direct equity investments**
- Strong **non-interest income** generation from brokerage business, insurance and other non-banking businesses
 - Healthcare revenue CAGR'10-13 of 70% with EBITDA margin above 20%
 - Rapid growth of real estate business with project IRR of 40%+

Refining Our Strategy to Capture Compelling Opportunities in Georgian Corporate Sector

Opportunities in Corporate Sector in Georgia

Big Opportunities with Small Capital Commitments

- Corporate Georgia is evolving
- Substantial growth prospects in an underdeveloped market with low competition and ability to unlock demand

Capital Needed to Fund Growth

- Fast growing economy provides opportunities for profitable deployment of capital across various industries (e.g. healthcare, agriculture)
- Access to capital provides significant advantage
- Access to capital is superior in banking sector

Opportunities to Add Value through Better Management

- Potential to significantly improve operating performance through better management
- Management talent is superior in banking sector to other sectors in Georgia

Low Competition from Other Investors

- Limited number of potential buyers of scale businesses in Georgia makes us well positioned to acquire at attractive valuations

BoG is Best Positioned to Create Value

Leading Bank with In-depth Country Knowledge

- BoG is the leading bank in Georgia with an excellent understanding of the economy and corporate sector

Strong Management Skills with Proven Track Record

- Management with a proven track record in creating value through successful business development and investments (in banking, healthcare, real estate)
- Combination of entrepreneurship and discipline makes BoGH management distinct in Georgia

Access to Capital Markets

- Longstanding relationships with a large and diversified investor base

Strong Corporate Governance

- Best-in-class corporate governance and ability to institutionalize companies is a key competitive advantage of the Group

Updating Our Strategy from 3x20 to 4x20

Current Strategy

Leading Georgian bank with investments in non-core sectors with a divestment strategy

1 ROAE c.20%

2 TIER I c.20%

3 Growth c.20%

Dividend Policy:

- Payout Ratio 25-40%
- One-off dividends from divestments over time

Updated Strategy – Georgia Focused Banking Group with an Investment Arm

Banking Group

1
ROE c.20%

- Profitability to be driven by growth primarily in retail banking business

2
Tier I c.20%

- Strong internal cash generation to support loan growth without compromising capital ratios
- Tier I ratio under Basel 1

3
Growth c.20%

- Committed to 20% growth in retail banking business

Current Profit Contribution⁽¹⁾

- GEL156m or c.90% of the Group's Profit

Expected Profit Contribution

- Aiming for Bank to contribute c.80% of Group's profit

Investment Business

4
Min. IRR of 20%

- Target investments with min. 20% IRR and partial or full exit in max 6 years

Investment Approach

Highly disciplined approach to unlock value through selective investments in Georgia, which have a well defined exit path

- Manage risk through staging investments and small (compared to market cap of the Company) capital commitments
- Investment strategy tailored for specific opportunities (eg. Industry consolidation, business optimization, pre-IPO financing)
- Target companies & sectors with potential EBITDA of at least GEL55m (US\$30m) in 3-4 years
- Clear exit paths for investments: potential IPO in the medium term or positioning for an M&A transaction

- GEL18m or c.10% of the Group's Profit

- Due to disciplined exit strategy Group will be aiming for c.20% profit contribution from Investment Business

Ongoing Dividends

2014 dividend is expected to be not less than GEL2.1 per share

- **Recurring:** linked to recurring profit from BoG
- Aim to maintain dividend payout ratio of 25-40% going forward

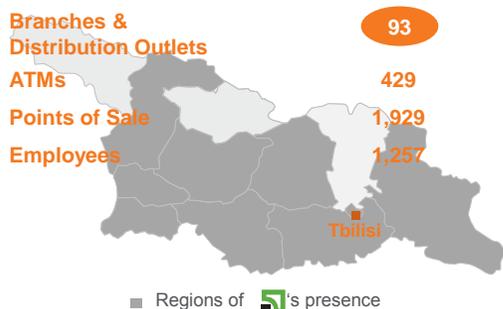
- **Special dividends** upon realisation of investments with some of the profits reinvested if attractive opportunities arise
- Aiming for at least 3 special dividends in next 5 years

Acquisition of Privatbank Georgia – a Value Creative Transaction

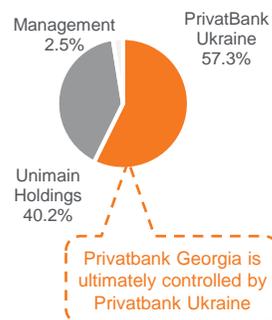
Company Overview

- Privatbank Georgia is the 9th largest bank in Georgia by total assets with a focus on retail banking
- Retail loans represent 85% of the loan book, credit cards account for 69% of loans⁽¹⁾
- Countrywide distribution network with 93 branches, 429 ATMs and 1,929 POS terminals
- Over 1,257 employees
- Privatbank Georgia has a 3.2% market share in Georgia by total assets, 5.3% by retail loans and 3.2% by customer deposits⁽²⁾
- Operates captive insurance and leasing franchise
- Privatbank Georgia is a subsidiary of PJSC Commercial Bank Privatbank (“Privatbank Ukraine”), ultimately owned by Igor Kolomoisky and Gennady Bogolyubov

Geographical Footprint



Shareholders



Strong Transaction Rationale

The acquisition of Privatbank is expected to be earnings accretive on a run rate basis before the end of year one

- Strong Strategic Fit**
 - Privatbank Georgia operates in an Express branch model; loans to individuals represent 85% of its total loan book
 - The transaction fits BoG's strategy to further grow its Express business. Currently BoG has c.259,000 Express clients.
- Market Share Enhancement**
 - Transaction will increase BoG's market share in loans to individuals by 5.3% and in deposits from individuals by 2.6%
- Distribution Network Enhancement**
 - Privatbank Georgia operates a large distribution network of 93 branches across the country, which is 43% of BoG's distribution network⁽³⁾
 - Strengthens BoG's Express branch distribution network
 - Strong payment platform (429 ATMs and 1,929 POS)
- Synergistic Transaction**
 - Significant cost and funding synergy potential:
 - BoGH's cost of funding of 4.9%⁽⁴⁾ vs 8.1%⁽⁴⁾ for Privatbank implies estimated annualized pre-tax funding synergies of approximately GEL10m realizable within 9-12 months
 - Substantial cost synergies estimated pre-tax of at least GEL15m on an annual basis and realizable within 9-12 months expected from back office and distribution network optimisation initiatives
 - Up to GEL3m of integration costs
 - Significant potential to increase utilization of Privatbank franchise (e.g. assets per employee of Privatbank Georgia is GEL417k vs. GEL1,868k⁽⁵⁾ of BoGH)
 - Opportunity to cross-sell BoG banking products to customers of Privatbank Georgia, which has limited portfolio of banking products due to strategic focus on credit cards

Transaction Overview

- c.GEL92m (US\$51m) cash consideration for 100% of Privatbank (1.12x P/BV⁽⁴⁾)
- Memorandum of Understanding signed, acquisition subject to Definitive Agreements being agreed and signed, certain conditions including regulatory approvals and completing confirmatory due diligence
- The Memorandum of Understanding includes a break fee of 10% of the proposed consideration payable to either party if the other fails to enter into definitive agreements
- Pro forma capital position of BoG broadly unchanged (NBG Tier 1 ratio slightly declines to 11.0% from 11.2%)

Acquisition of Privatbank Georgia – a Value Creative Transaction (Cont'd)

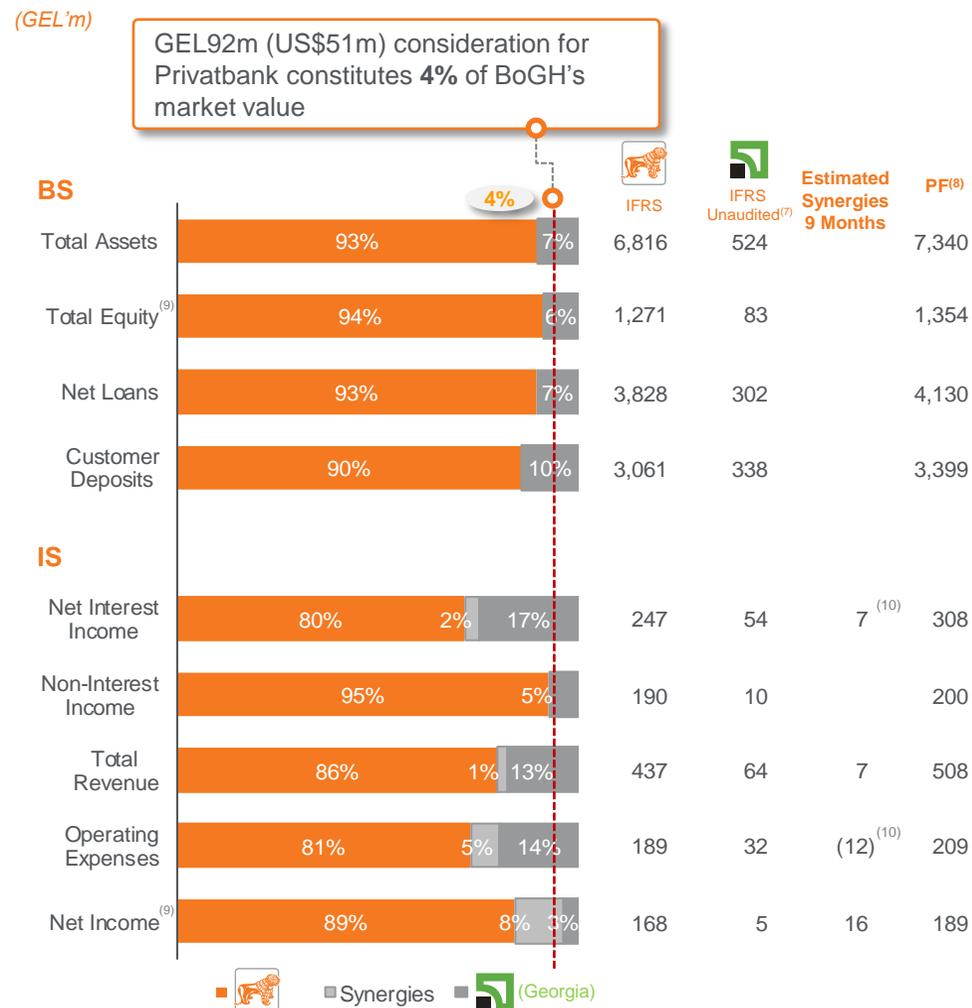
Side by Side Analysis of Operating KPIs

		
1 Total # of Clients ⁽¹⁾ (k)	1,378	418
Total # of Cards (k)	1,103	841 ⁽²⁾
# of Branches	217	93
# of ATMs	521	429
# of POS terminals	5,979	1,929
# of Employees	3,649	1,257
Total Loan Yield, % ⁽³⁾	14.6	29.8
F&C / Total Revenue, % ⁽⁴⁾	19.4	16.6
2 Cost of Funds, % ⁽⁵⁾	4.9	8.1
3 Assets per Employee, GEL'm ⁽⁶⁾	1.9	0.4

Attractive opportunity to expand retail business and extract synergies

- Acquisition of a significant distribution network and retail customer base will accelerate BoG's retail banking growth, particularly in high margin card business
- Cost synergies from optimisation of network and back office function
- Substantial difference in funding costs implies strong synergy potential
- Low assets per employee implies significant potential to increase utilization of the franchise

Relative Contribution based on 9M 2014 Results



Source: Companies' IFRS Financial Statements.

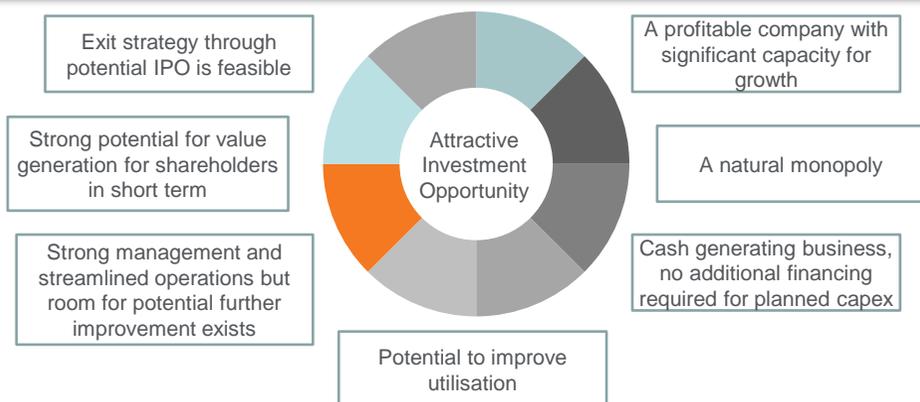
(1) Retail customers only. Number of borrowers for Privatbank. (2) Active and non-active cards. (3) As per IFRS FS 9M'14, calculated over average Gross Loans.

(4) As per IFRS FS 9M'14, Total revenue excluding healthcare and insurance operations. (5) As per IFRS FS 9M'14, calculated over monthly average IBL (adjusted for the gains or losses from revaluation of interest rate derivatives). (6) BoG number of employees are taken for the calculation of BoGH assets per employee. (7) IFRS as per BoG estimates derived by applying auditor IFRS transformations for 2013 numbers to 9M 2014 data. (8) Pro-forma figures including potential synergies. (9) Attributable to shareholders of the Group.

(10) Estimated 9M 2014 synergies: Nil synergies from Interest Expenses due to lower cost of funding; OpEx synergies from network and back office optimisation initiatives.

Acquisition of a Minority Interest in GGU – an Attractive Investment Opportunity

Transaction Rationale



Transaction Overview

- Transaction to be structured in several steps
 - Acquisition of 25% shareholding for GEL47.6m (US\$26m)
 - Option to acquire an additional 24.9% within 10 months for GEL47.6m (US\$26m), plus 20% per annum accrued on the call option consideration over the period from closing date to exercise date less any dividends distributed through the call option period
 - Total consideration of c.GEL95m (US\$52m)⁽¹⁾ represents c. 1.3% of BoGH's assets and 4.5% of its market capitalisation⁽²⁾
- Attractive valuation with GGU valued at EV / EBITDA 2014E deal multiple of 4.7x, while industry peers are trading at 8.5x average EV / EBITDA 2014E multiple⁽³⁾
- BoGH will also provide a US\$25mn loan to GGU with proceeds to be paid as dividend to the selling shareholders
- The transaction is earnings accretive
- Commercial terms have been agreed, transaction will be subject to certain conditions

Company Overview

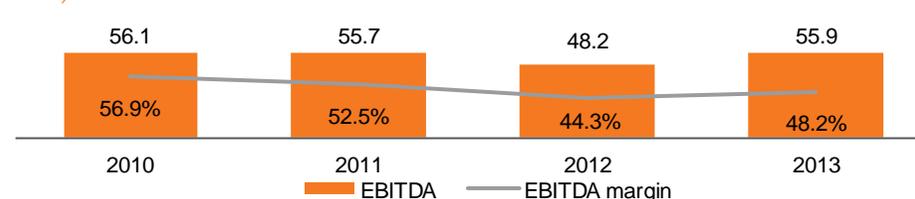
- Georgian Global Utilities Ltd. ("GGU") is a privately owned company that supplies water and provides wastewater services to 1.4 million people (approximately 1/3 of Georgia's total population) in Tbilisi, Mtskheta and Rustavi and operates hydropower electricity generation facilities
- Sales to corporates represented c.70% of water revenue
- GGU owns and operates 3 hydropower generation facilities with a total capacity of 143MW
- Most of the milestones committed to the authorities during the privatization have already been achieved with one project remaining before 2018
- No additional equity financing is required for planned Capex program

Selected Financials

Revenue Dynamics⁽⁴⁾ (GEL'm)



EBITDA Dynamics⁽⁴⁾ (GEL'm)



Summary

Updated Strategy

- BoGH is committed to continuing to deliver profitable growth to its shareholders
- The updated strategy is focused on enhancing BoGH profitability by optimising capital allocation
 - Continued commitment to highly performing retail banking business
 - Augmenting group returns through direct equity investments with expected IRR above 20%

Transaction and Use of Proceeds

- BoGH is looking to increase its issued share capital by up to 10% through an accelerated equity offering, raising c. US\$120m in gross proceeds (based on closing price as of 1 December 2014)
- The proceeds to be used to fund the acquisition of Privatbank Georgia, a shareholding in GGU and the remainder for other potential add-on acquisitions in the healthcare sector
- The targeted acquisitions are strategically attractive and earnings accretive transactions for BoGH and its shareholders

Strategy focused on delivering sustainable RoAE above 20%

Key Transaction Terms

Issuer	<ul style="list-style-type: none"> BoGH
Current Listing	<ul style="list-style-type: none"> Premium listing on London Stock Exchange
Offer Structure	<ul style="list-style-type: none"> Accelerated bookbuild 100% primary proceeds
Distribution	<ul style="list-style-type: none"> Private placement to institutional investors outside the US under Reg S Offering into US to QIBs under Rule 4(a)(2)
Offer Size	<ul style="list-style-type: none"> Up to 10% of the company's issued share capital (approximately US\$120m gross proceeds based on closing price as of 1 December 2014)⁽¹⁾
Timing	<ul style="list-style-type: none"> Expected to launch post close on Thursday, 4 December 2014
Lock-up	<ul style="list-style-type: none"> 180 days company
Admission and Settlement	<ul style="list-style-type: none"> 10 December

Intended Use of Proceeds

- The gross proceeds of c.US\$120m would be used:
 - To fund the acquisition of a 100% shareholding in Privatbank Georgia with the total consideration of c.US\$51m
 - To fund acquisition of 25% in Georgian Global Utilities Limited ("GGU") for c.US\$26m with a call option to acquire an additional 24.9% shareholding for US\$26.1m-US\$30.7m depending on option exercise date
 - Remainder to fund other potential add-on acquisitions in the healthcare sector



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BANK OF GEORGIA

Annex

Investor Presentation

4 December 2014

The Leading Bank in Georgia

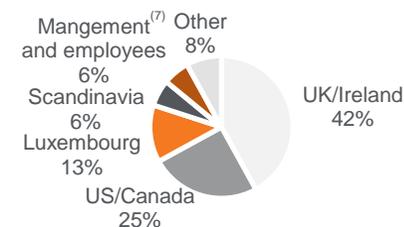
Overview

- ✚ Bank of Georgia Holdings plc (“BoGH”) is a holding company with banking services as its core and largest business segment
- ✚ BoGH has a 99.6% shareholding in JSC Bank of Georgia (“BoG”), the largest bank in Georgia by total assets (market share of 31.6%), loans (32.0%), client deposits (27.5%) and equity (32.3%)⁽¹⁾
 - The company is also engaged in healthcare, insurance, affordable housing, brokerage and other businesses
- ✚ BoG operates in an underpenetrated market with stable growth prospects
 - Real GDP Growth CAGR 2004-13 of 5.9%, Real GDP growth in 2013 and in 9M 2014 of 3.3% and 5.9% respectively
 - Loans/GDP ratio grew from 9.0% to 39.4% in 2003 - 2013, and is still below regional average
 - Deposits/GDP ratio grew from 8.6% to 38.3% in 2003 - 2013
- ✚ Strong brand name recognition and country wide retail banking franchise which offers broad range of financial products via a network of 217 branches, 521 ATMs and 2,217 Express Pay Terminals to c.1.4 million customers as of 30 September 2014
- ✚ The only Georgian company with credit ratings from all three global rating agencies
 - S&P: BB-, Moody's: B1/Ba3 (foreign and local currency), Fitch Ratings: BB-; Outlooks are ‘Stable’
- ✚ The only Georgian company to be listed on the premium segment of the Main Market of the London Stock Exchange (LSE:BGEO) since February 2012. LSE listed through GDRs since 2006
 - Market capitalisation of US\$1,171m⁽²⁾
 - Included in FTSE250 and FTSE All Share Index
- ✚ The only private entity from the Caucasus to issue Eurobonds: US\$400m Eurobonds outstanding currently trading at a historically low yield of c.5.3%

Summary Financials

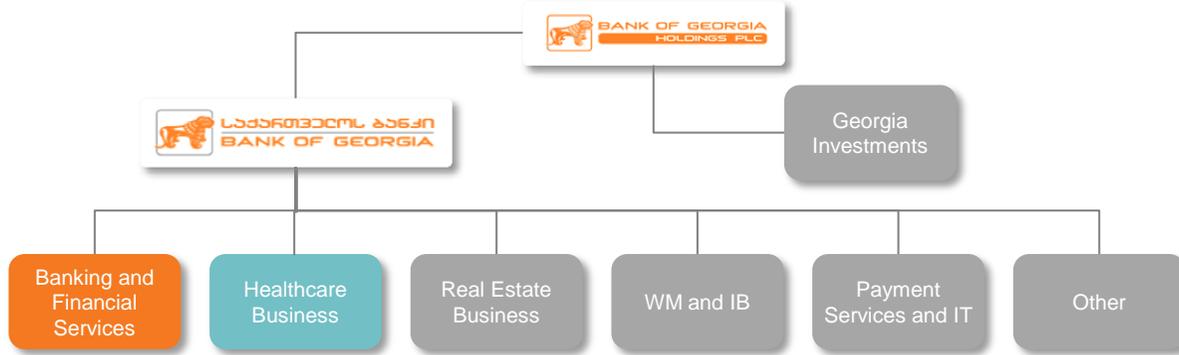
GEL'm	2011	2012	2013	9M'14
Balance Sheet				
Customer Loans	2,616	3,092	3,523	3,828
Total Assets	4,665	5,656	6,521	6,816
Customer Deposits	2,554	2,623	3,107	3,061
Total Liabilities	3,853	4,596	5,280	5,487
Total Equity ⁽³⁾	773	1,011	1,183	1,271
Income Statement				
Net Interest Income	239	284	314	247
Net F&C Income	75	86	87	73
Profit before Tax	157	213	245	196
Net Profit ⁽³⁾	133	174	201	168
Key Ratios				
Loans growth	10.6%	18.2%	13.9%	8.6%
Loans / Deposits	102	118	113	125
Equity / Assets ⁽³⁾	16.6	17.9	18.1	18.7
Net Interest Margin ⁽⁴⁾	7.8	7.9	7.8	7.4
Cost / Income	48.5	44.3	41.2	43.3
Cost of Risk	0.9	1.3	1.4	1.2
NBG Tier 1 CAR (Basel 2/3)	n.a.	n.a.	13.1	11.2
Tier 1 CAR (Basel I)	19.9	21.2	23.0	22.7
Total CAR (Basel I)	28.5	26.1	27.1	26.4
RoAE ⁽⁵⁾	18.3	19.1	18.6	18.5
RoAA ⁽⁶⁾	3.2	3.5	3.6	3.5

High Quality Institutional Shareholders Base



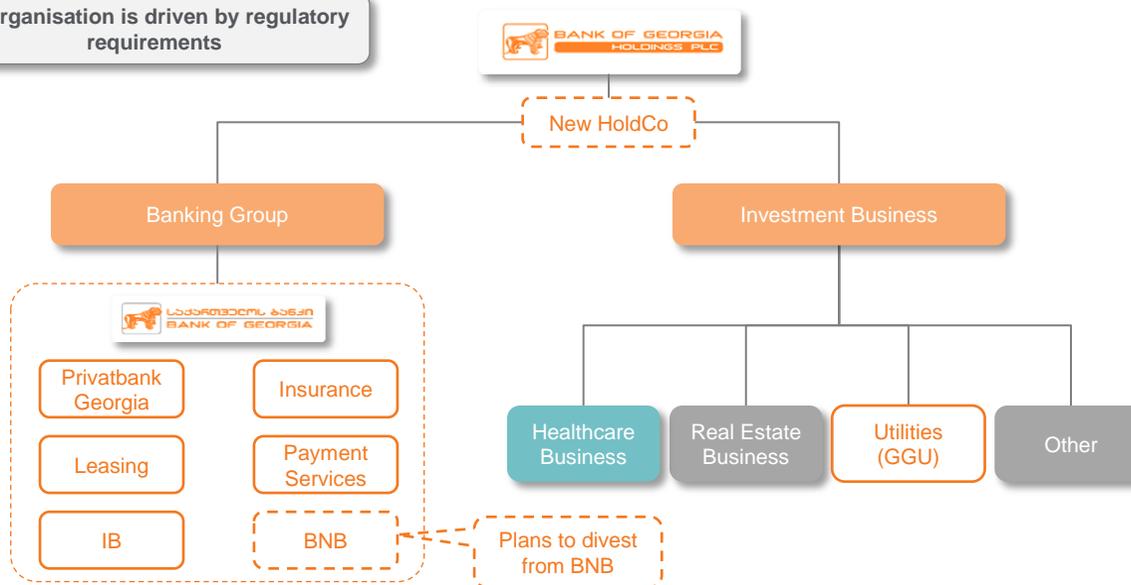
Revised Structure and Capital Position

Existing Group Structure



Reorganisation is driven by regulatory requirements

Revised Group Structure



Capital Impact Analysis

As of 30 September 2014 under NBG Basel 2/3 Standard

GEL m	BoGH	Reorga- nisation Effect	1 PF 1	PBG	Dedu- ctions	2 PF 2
RWA	6,471	(40)	6,431	416	0	6,847
Tier 1 Capital	723	(16)	707	70	(26)	751
Total Capital	922	(16)	906	96	(26)	976
Tier 1 Ratio	11.2%		11.0%	16.9%		11.0%
Total CAR	14.2%		14.1%	23.1%		14.3%

- Aggregate after reorganisation (PF1) includes
 - Decrease in RWA of GEL39.6m due to deduction of investment subsidiaries eligible for inclusion in RWAs of GEL15.8m risk weighted at 250%
 - Decrease in Tier 1 and Total Capital is driven by (a) GEL256m decrease from de-merger of selected subsidiaries, and (b) increase of GEL240m from removal of deductions on investments in selected subsidiaries
- Aggregate after the acquisition of PBG (PF2) is based on Aggregate after reorganisation (PF1) and includes
 - Decrease in Tier 1 and Total Capital driven by (a) decrease from reversal of PBG Tier 1 Capital of GEL71m, (b) increase of GEL57m from the capital raise, and (c) Goodwill deduction of GEL12m

Revised Management Structure (with Effect from June 2015)

Murtaz Kikoria will become CFO of JSC Bank of Georgia with immediate effect and CEO of JSC Bank of Georgia with effect from June 2015.

Nikoloz Gamkrelidze will become CEO of Georgia Healthcare Group with immediate effect.

Bank of Georgia Holdings PLC – No changes

New Holding Company



Irakli Gilauri, CEO, formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland



Archil Gachechiladze, Group CFO and Deputy CEO, Investment Management; formerly Deputy CEO in charge of Corporate Banking, Deputy CEO of TBC Bank, Georgia; Lehman Brothers Private Equity, London; MBA from Cornell University



Avto Namicheishvili, Deputy CEO, Group Legal Counsel; previously partner at Begiashvili & Co, law firm in Georgia; LLM from CEU, Hungary

Georgia Healthcare Group



Nikoloz Gamkrelidze, CEO Georgia Healthcare Group; previously Group CFO, CEO of Aldagi BCI and JSC My Family Clinic; World Bank Health Development Project; Masters degree in International Health Management from Imperial College London, Tanaka Business School

m2 Real Estate



Irakli Burdiladze, Chairman, m2 Real Estate; previously CFO at GMT Group, Georgian real estate developer; Masters degree from Johns Hopkins University

JSC Bank of Georgia

Irakli Gilauri will become Chairman of JSC Bank of Georgia



Murtaz Kikoria, CEO of Bank of Georgia; previously CEO of Group's healthcare business; c.20 years banking experience including various senior positions at Bank of Georgia Group, Senior Banker at EBRD and Head of Banking Supervision at the National Bank of Georgia



Mikheil Gomarteli, Deputy CEO, Retail Banking; 15 years work experience at BOG



Sulkhvan Gvalia, Deputy CEO, Corporate Banking; formerly Chief Risk Officer, c.20 years banking experience founder of TUB, Georgian bank acquired by BOG in 2004



George Chiladze, Deputy CEO, Chief Risk Officer; formerly Deputy CEO in Finance, Deputy CEO at Partnership Fund, Programme trading desk at Bear Stearns NY, Ph.D. in physics from John Hopkins University in Baltimore



Archil Gachechiladze, Group CFO and Deputy CEO, Investment Management; formerly Deputy CEO in charge of Corporate Banking, Deputy CEO of TBC Bank, Georgia; Lehman Brothers Private Equity, London; MBA from Cornell University

BoG will aim to appoint Deputy CEO, Finance by the end of June 2015

Georgia Healthcare Group – Leading Market Player

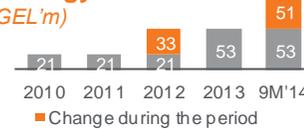
Company Overview

- GHG has two core activities:
 - EVEX: largest healthcare service provider in Georgia
 - Over 2/3 of population covered⁽¹⁾
 - Operating 33 hospitals and 5 ambulatory clinics⁽²⁾
 - 2,140 beds (85% of new beds)⁽²⁾
 - 22.5% of market share by bed capacity⁽³⁾
 - IMEDI L: leading health insurance business
 - 36.7% market share⁽⁴⁾
 - Insuring 192 thousand people⁽²⁾

Evolution of GHG's Number of Beds

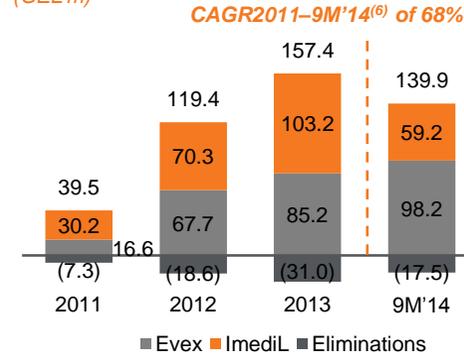


Disciplined Investment Strategy (GEL'm)

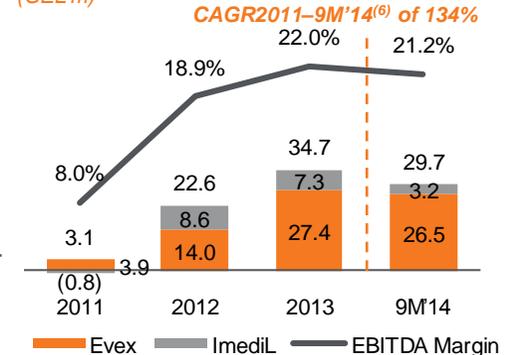


Delivering Growth

Revenue Dynamics (GEL'm)

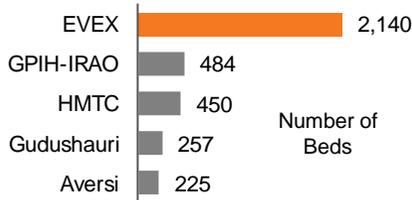


EBITDA Dynamics (GEL'm)

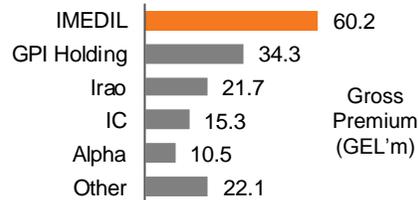


Undisputed Leader in a Significant Market

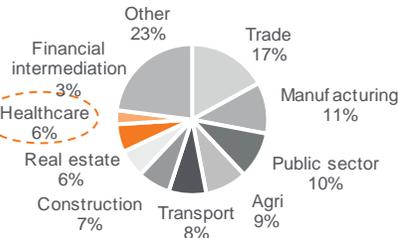
Hospital Services⁽³⁾



Health Insurance⁽⁴⁾



GDP Composition⁽⁵⁾



Total Healthcare expenditure is c.9.4% of GDP

Value Creation

Project Initiation

- By the end of 2010, BoG already had cumulative investment of GEL 20.7 million (US\$11.7 million) in its insurance and healthcare business initiatives

Testing the market and potential for value creation

- 2012-2014 - Acknowledging the potential for growth and value creation of the GHG group, BoG additionally invested GEL84m (US\$48m)

Value Creation

- GHG has turned into an undisputed leader in healthcare business in Georgia leveraging on its two pillars, EVEX and Imedi L

M² – Leading Real Estate Development Company

Outstanding Track Record

- Core business activities: the company develops, sells and manages residential apartments

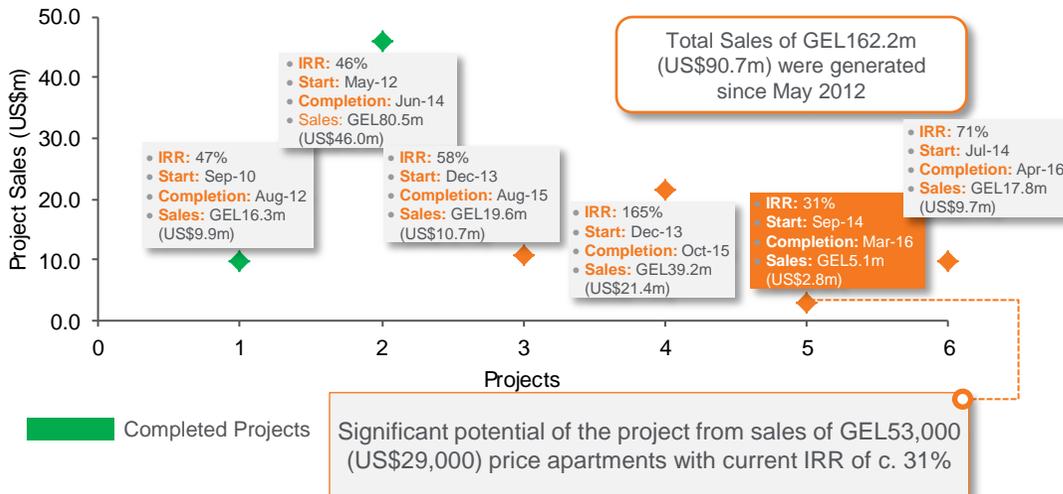
2 Completed Projects

- Number of apartments: 645
- Total Project Cost: GEL86.7m (US\$48.6m)
- Total net income: GEL12.5m (US\$7m)
- Land value materialized: GEL11.2m (US\$6.3m)

4 On-going Projects

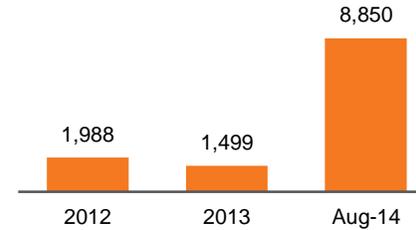
- Number of apartments: 1,024
- Total Project Cost: GEL119.4m (US\$65.2m)
- Total expected net income: GEL26m (US\$14m)
- Land value to be materialized: GEL18m (US\$10m)

Profitable Project Developments⁽¹⁾

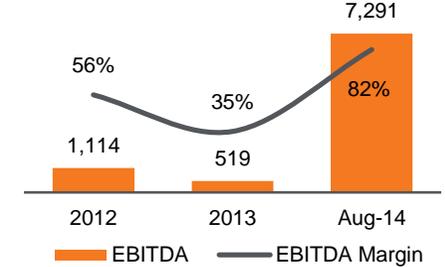


Fast Growing Company

Revenue Dynamics (GEL' thousand)



EBITDA Dynamics (GEL' thousand)



Note: M² Affordable Housing Business figures only

- In 2013 the business generated ROE of c. 21%

Value Creation

Project Initiation

- 2010-2012 - BoG made a cash investment of GEL 5.0m (US\$3m) with an idea to develop problem land plots seized after 2008 into an opportunity

Testing the market and potential for value creation

- 2012-2014 – After successful completion of two projects and four ongoing projects, M² has become a leading real estate company with significant potential for growth

Value Creation

- The Group generates an IRR of more than 40%. Leveraging on M²'s successful track record of completed projects