



BGEO Investor Day

23 November, 2015
London

Capturing Growth Opportunities

Banking: performance and priorities

Speaker: Murtaz Kikoria, CEO, JSC Bank of Georgia

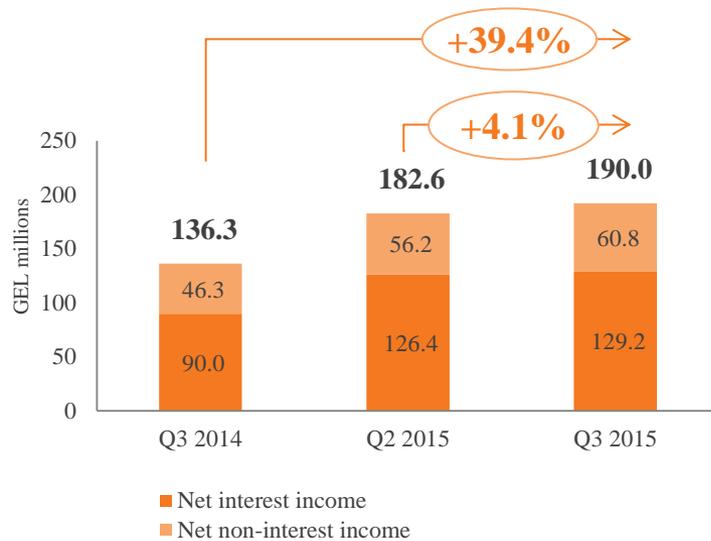
Contents

Banking performance update – 3Q15

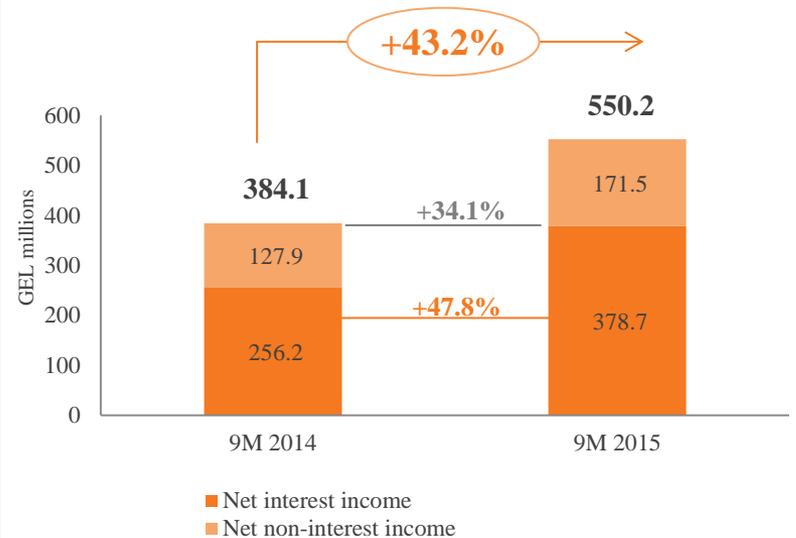
Banking priorities for next 3 years

Strong banking revenue performance in 2015

Revenue, *quarterly*



Revenue, *nine-month*



Banking Business – Focus on efficiency

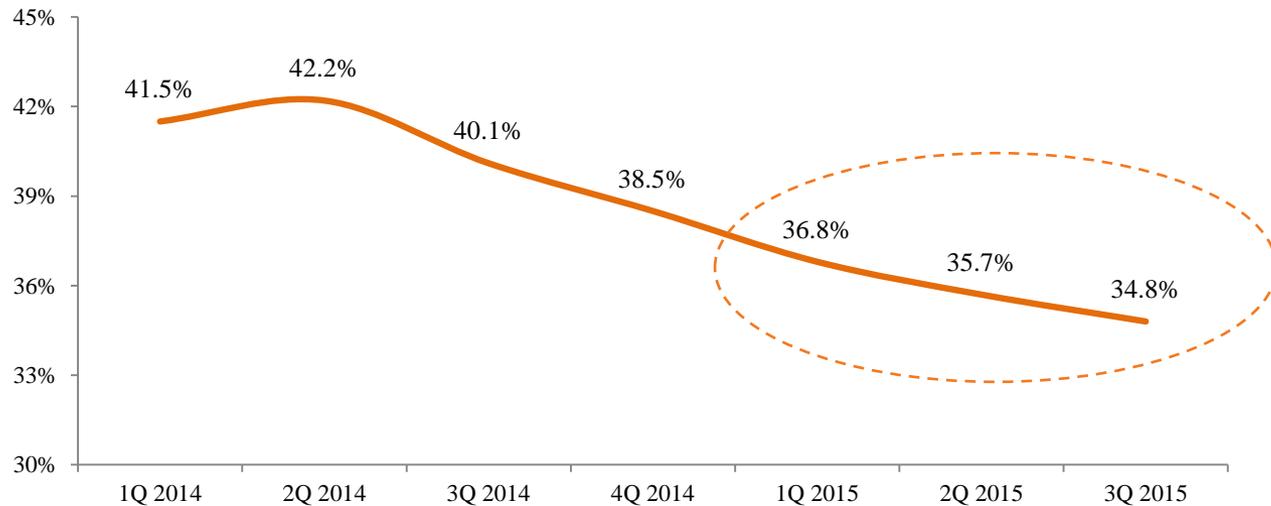
Low Cost to Income ratio

- **34.8%, 3Q15**
- **35.7%, 9M15**

Positive operating leverage

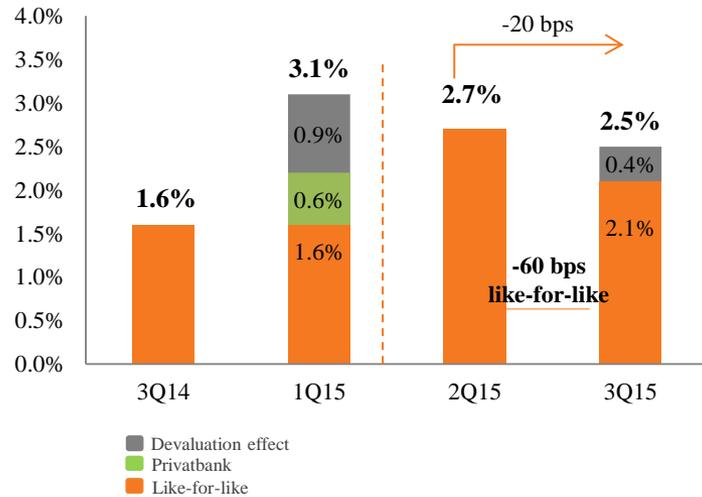
- **+19.1% y-o-y, 9M15**
- **+18.5% y-o-y, 3Q15**
- **+2.7% q-o-q, 3Q15**

Decreasing Cost / Income ratio

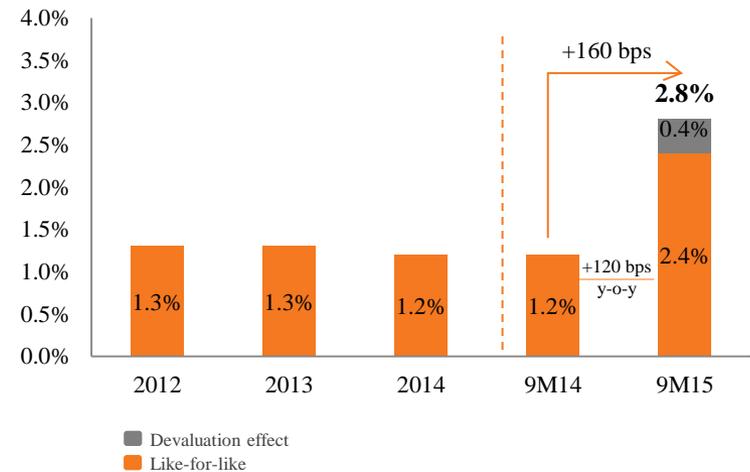


Banking Business – Resilient loan portfolio quality, *quarterly*

Cost of Risk Ratio, *quarterly*

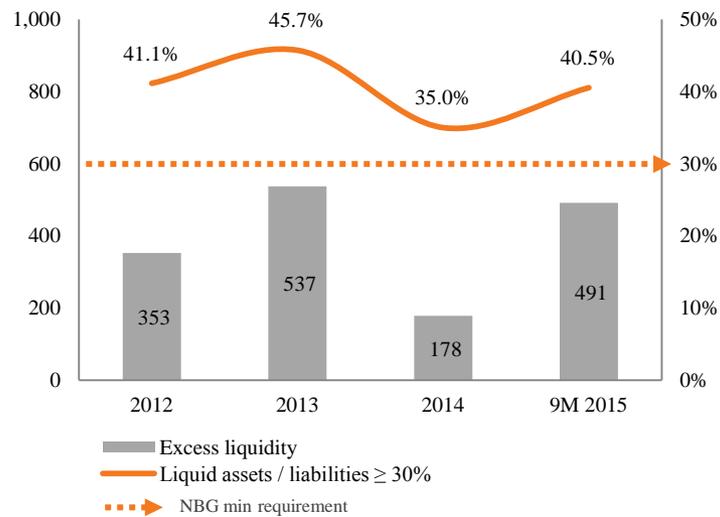


Cost of Risk Ratio, *nine-month*

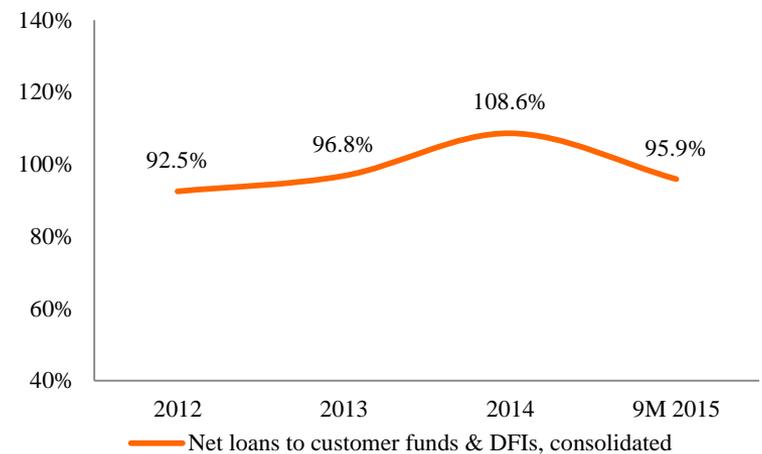


Banking Business – Strong liquidity

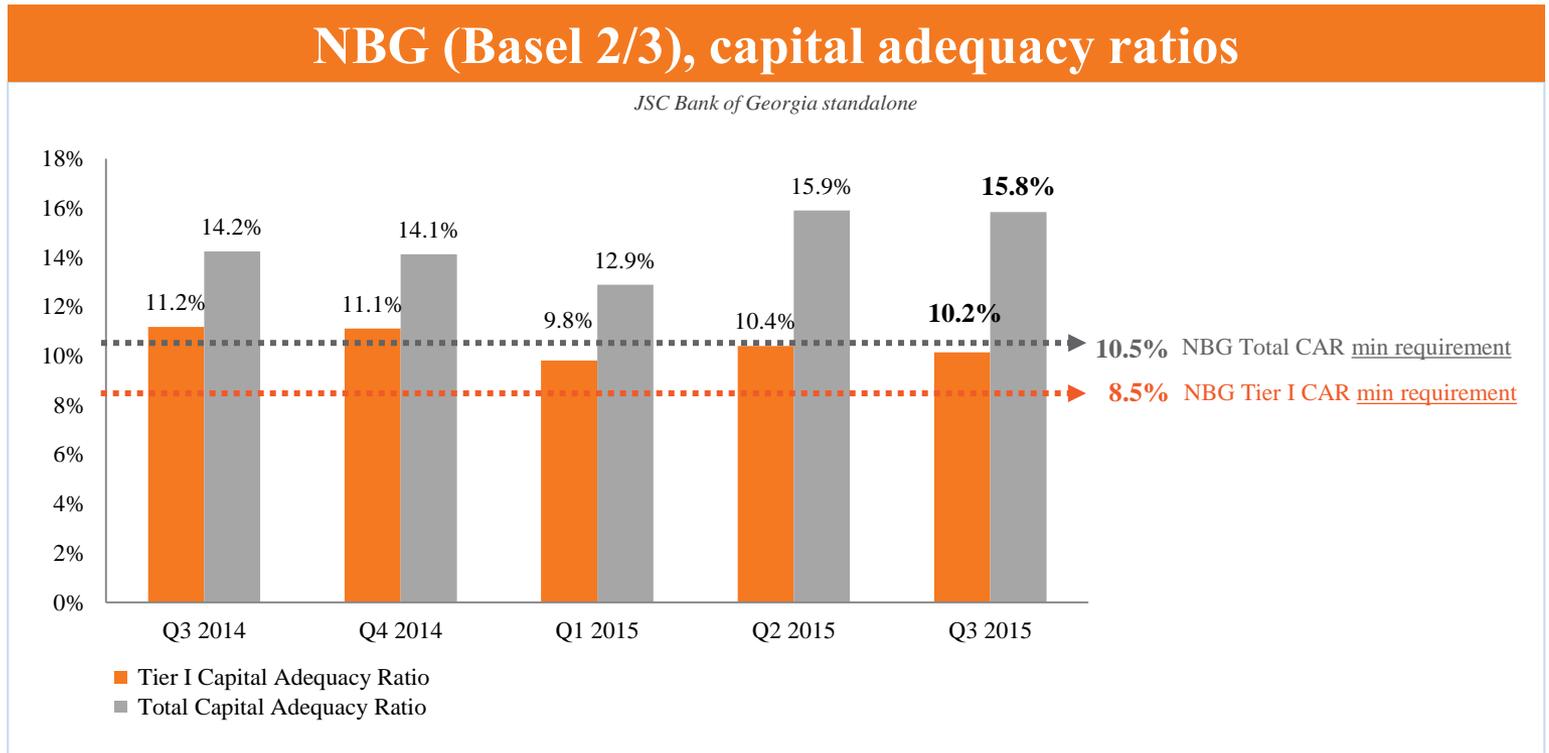
NBG liquidity ratio



Net loans to customer funds & DFIs

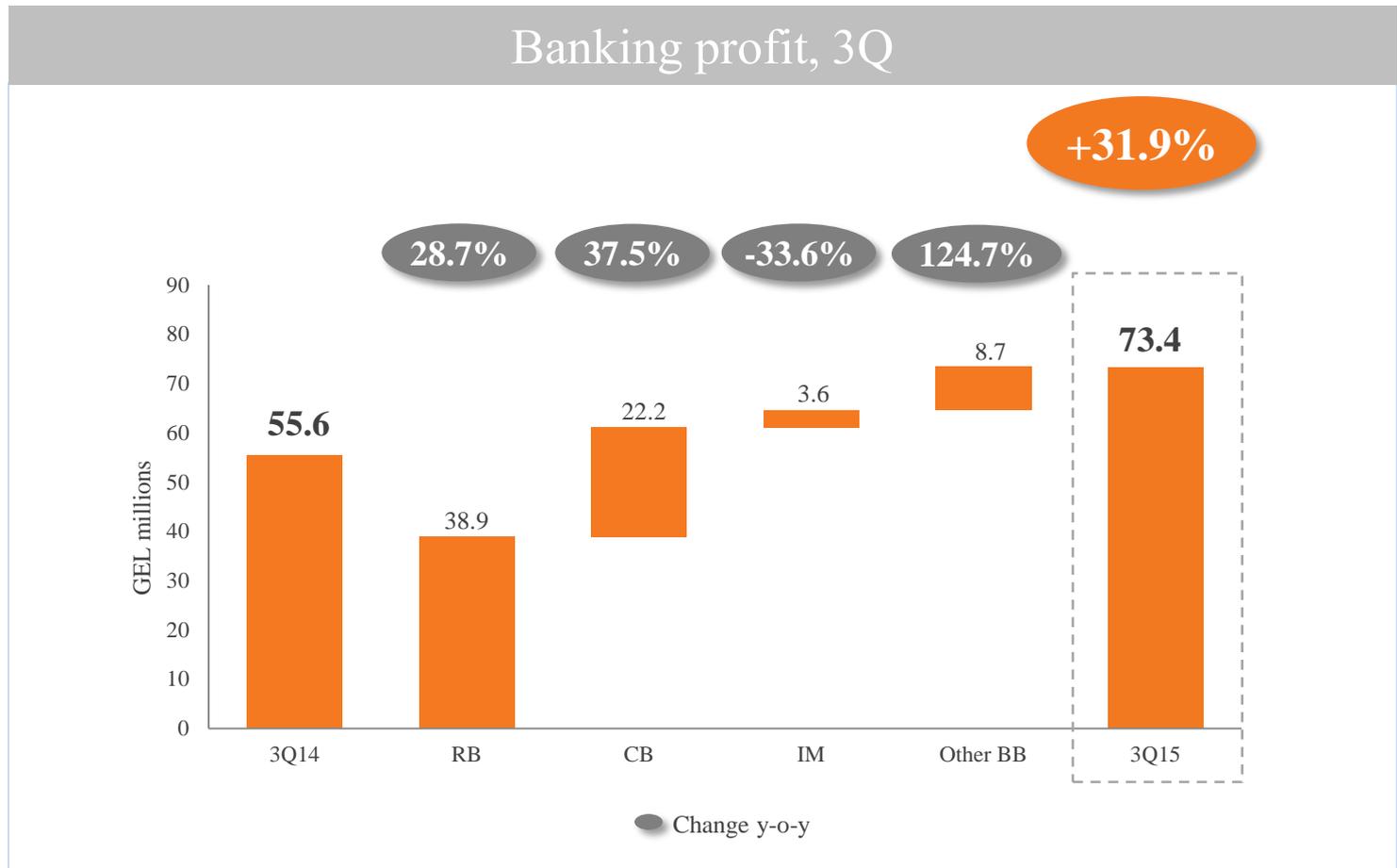


Banking Business – Excellent capital adequacy position

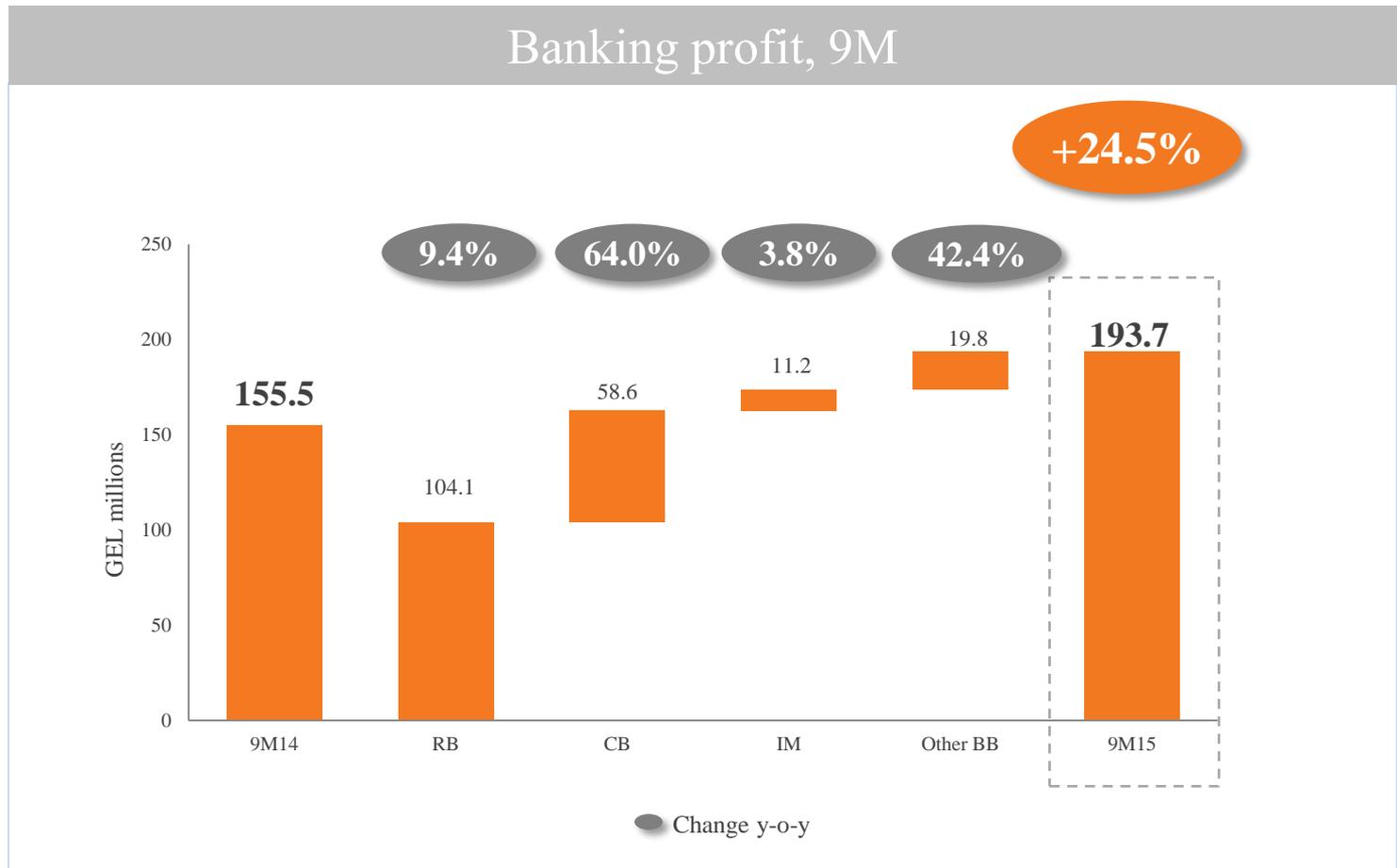


Note: 1Q15 includes Privatbank

Banking Business – Strong profitability, *quarterly*



Banking Business – Strong profitability, 9M



Privatbank Story – Strategic acquisition and flawless integration execution

Strategic acquisition

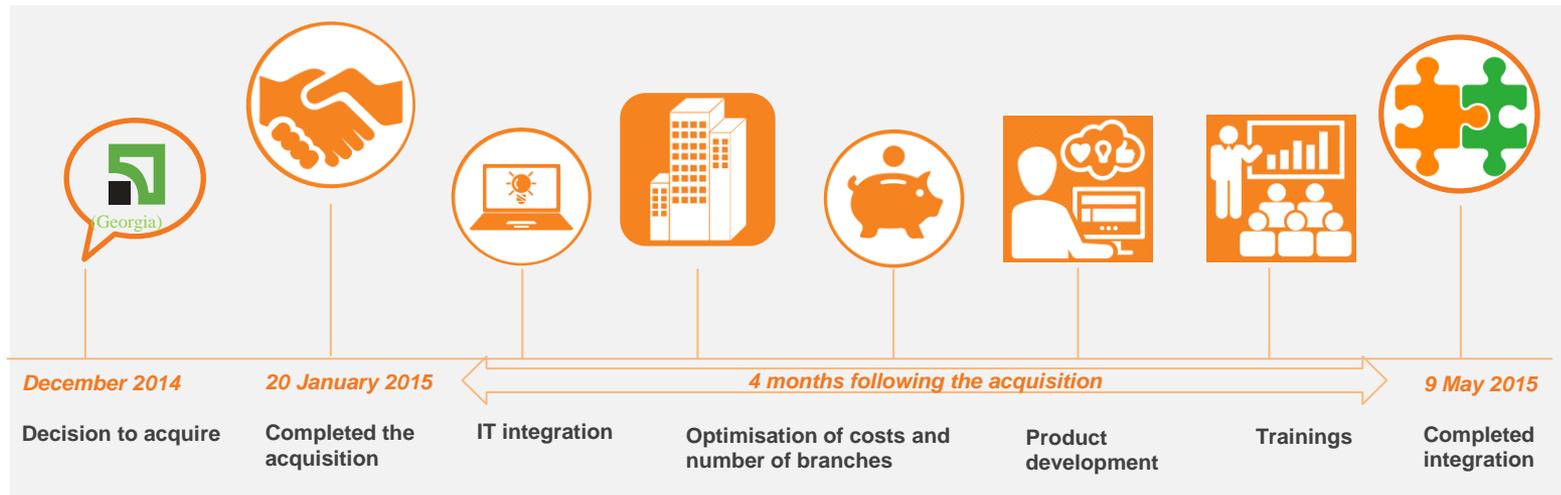
Business highlights

- Primarily a credit card business, with mono-product
- Loan Book GEL 245.6mln
- Deposits GEL 266.8mln
- Total Clients 400K
- NIM 20.5%
- Cost of funding 8.1%
- Cost of risk 10.1%

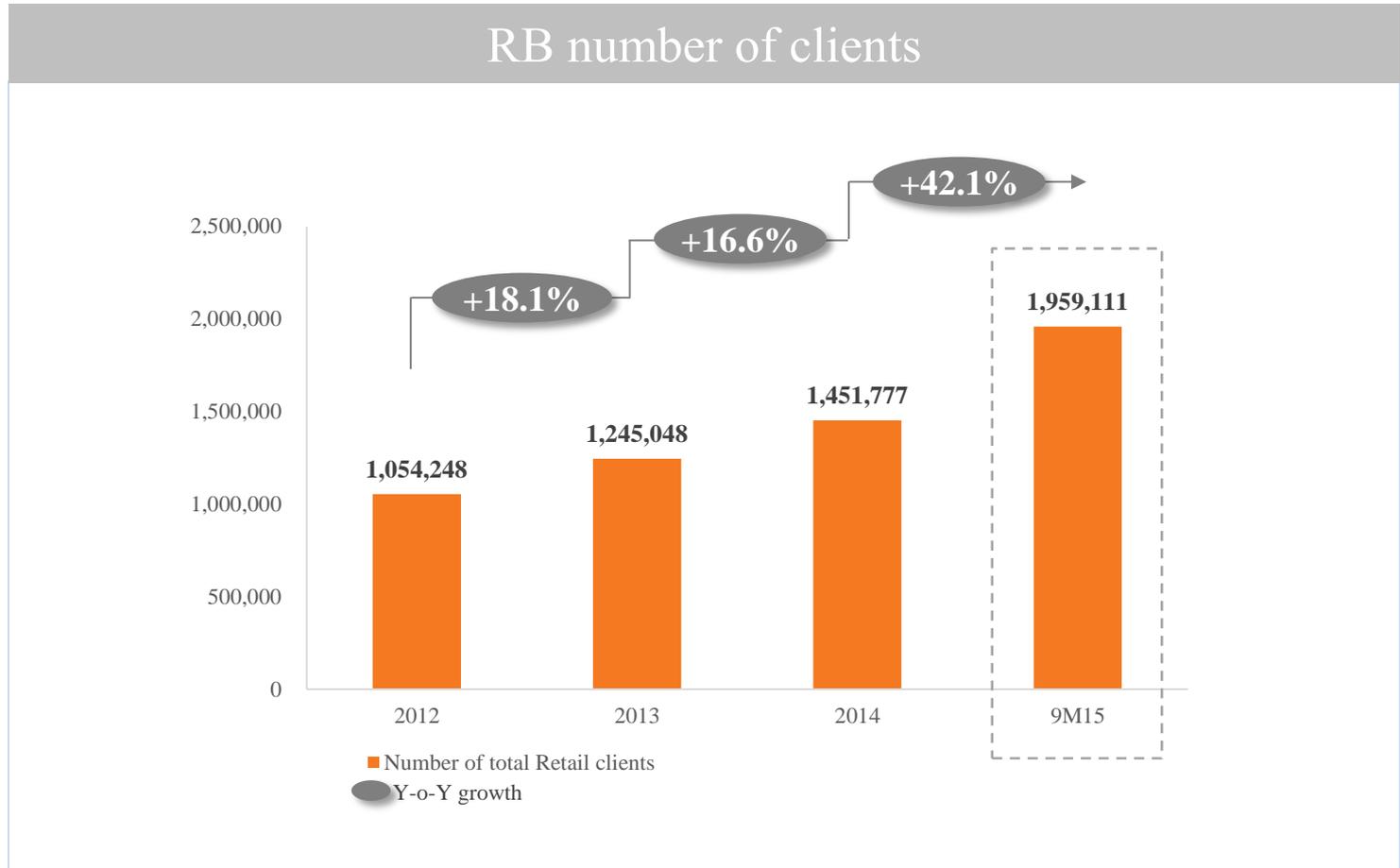
Transaction highlights

- A strong strategic fit with our target to increase our share of retail loans.
- c.GEL92mln cash consideration for 100% of Privatbank (1.11x P/BV), resulting in P/E of 3.2x
- Integration costs totalled GEL 2.6mln as of 30 June 2015, less compared to our expectation of up to GEL 3mln
- Completed integration in under five months compared to our initial integration estimate of 9-12 months.
- We anticipate annualised pre-tax administrative and funding cost synergies to reach c.GEL 29mln – above our pre-announced GEL 25mln

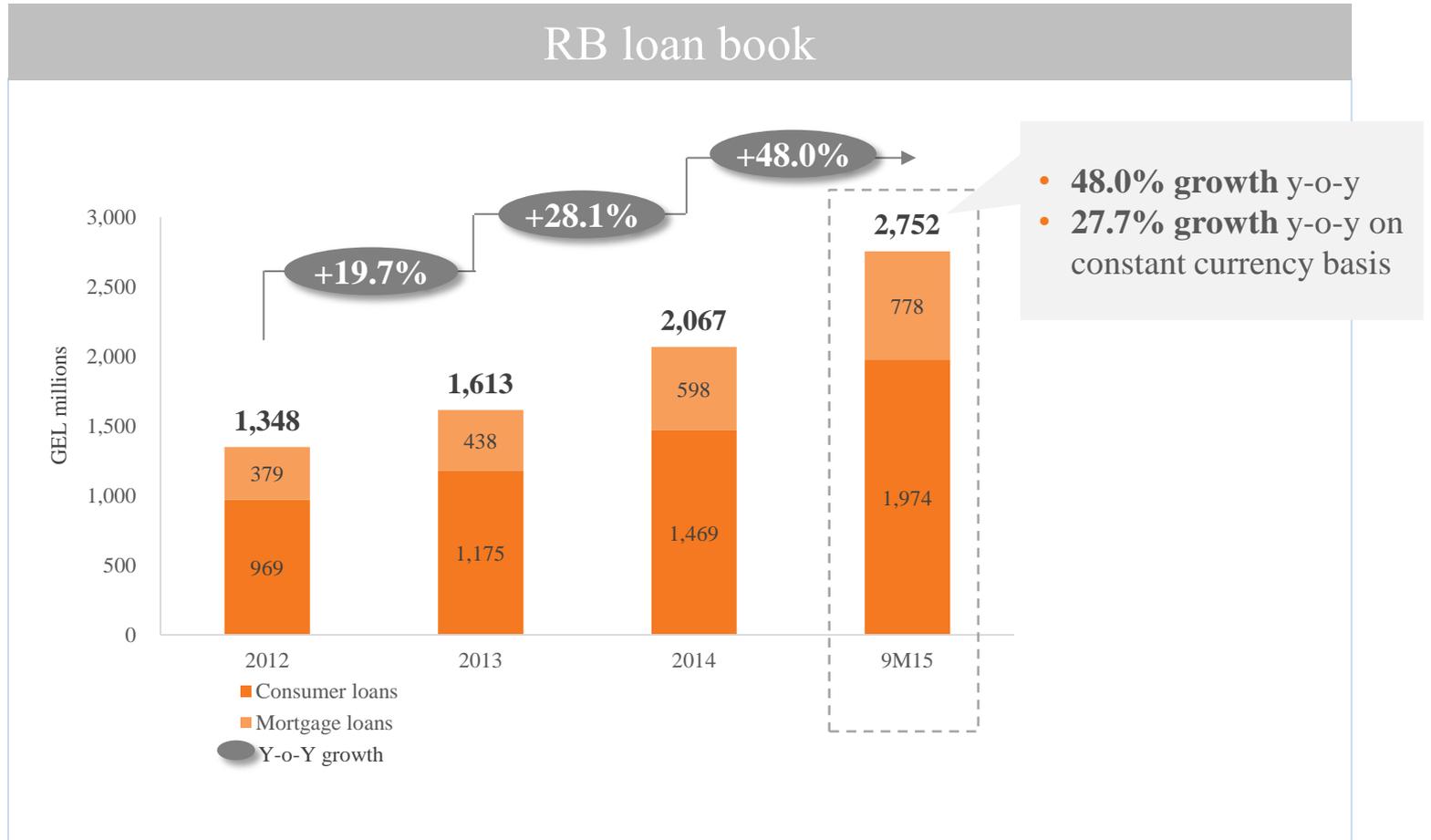
flawless integration execution



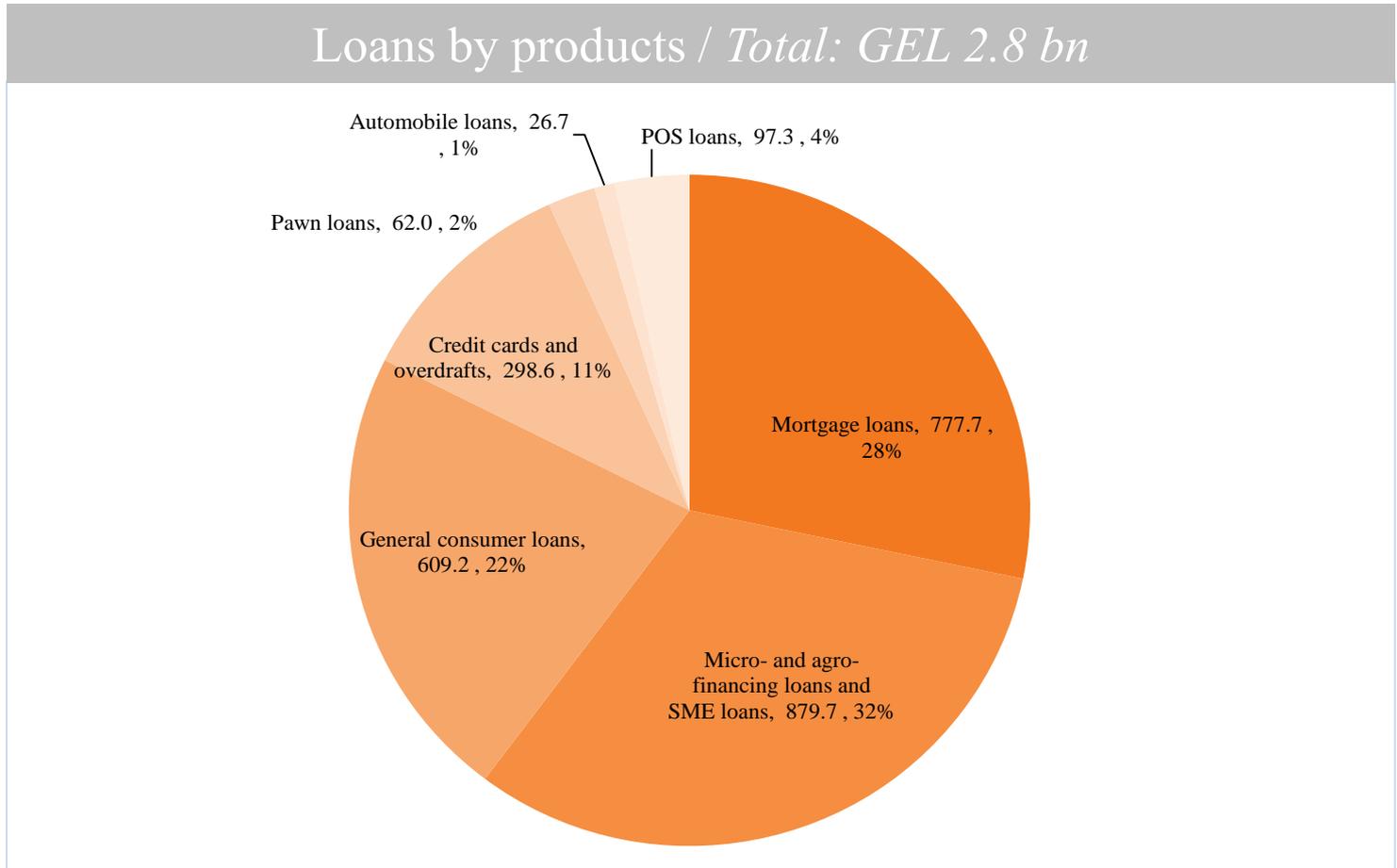
Retail Banking – Strong client base growth



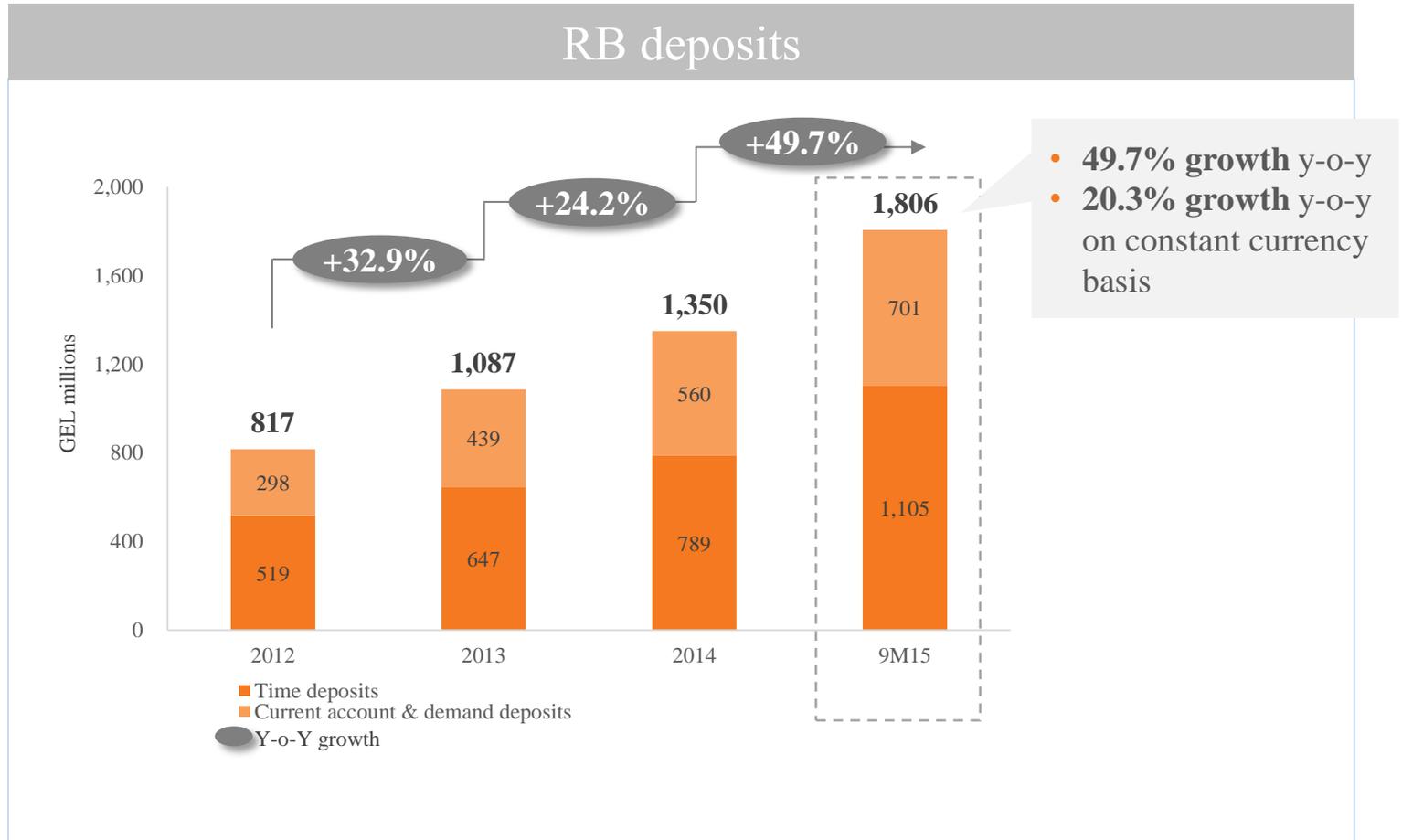
Retail Banking – Strong loan book growth



Retail Banking – Diversified retail loan book, with a room to grow

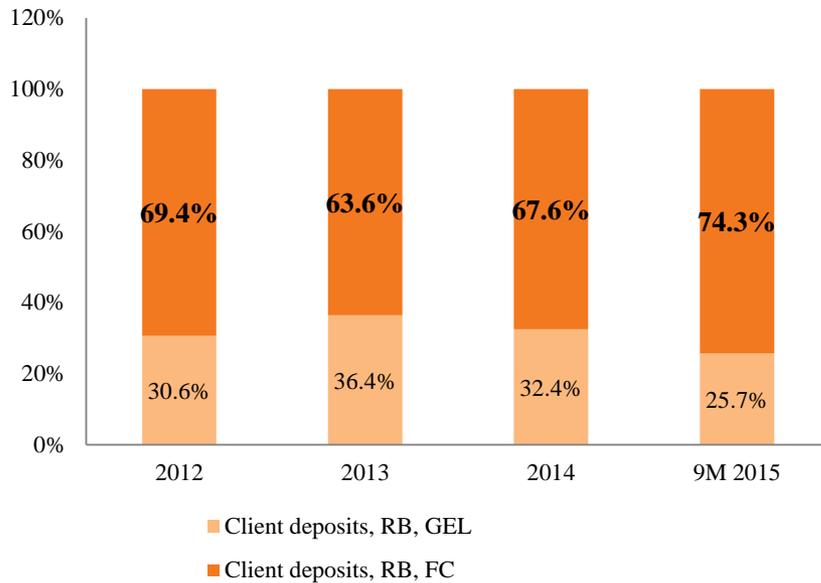


Retail Banking – Strong deposit growth

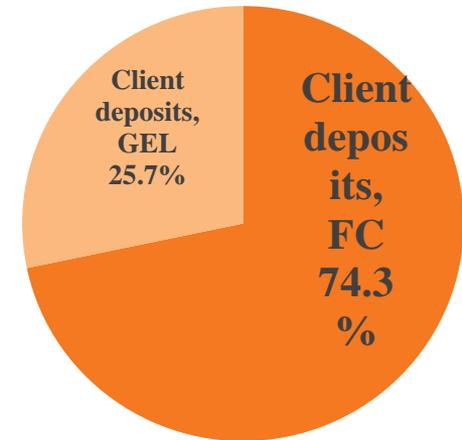


Retail Banking – Deposit dollarisation increased

RB deposits dollarization trend

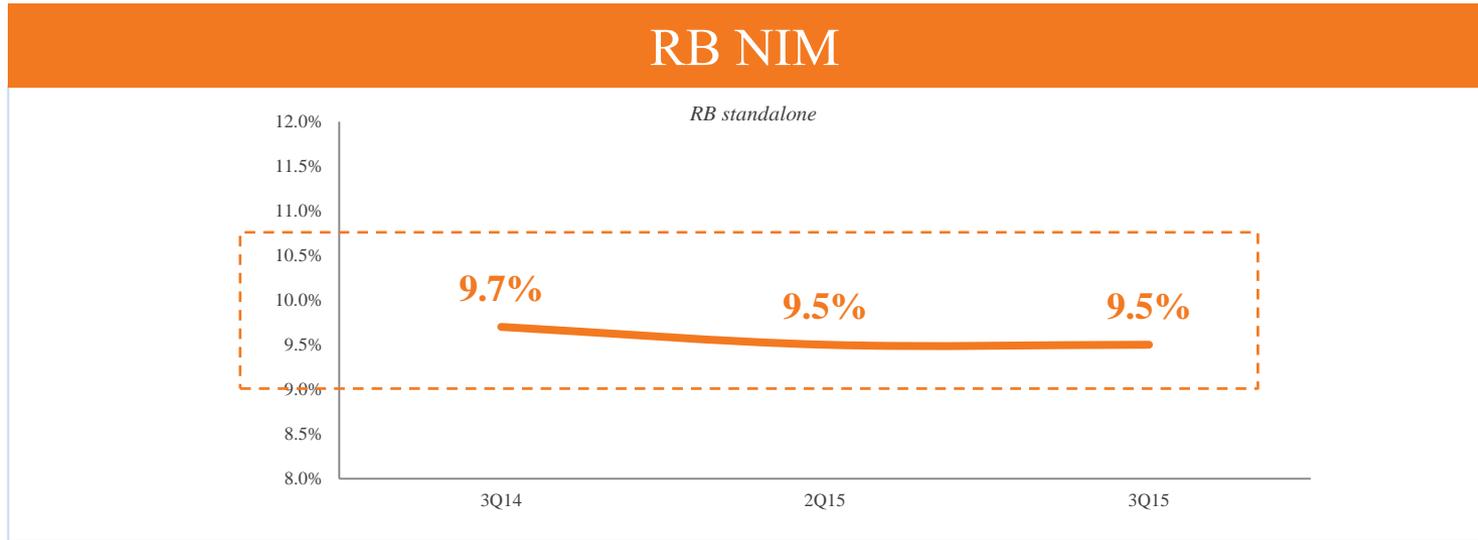


RB deposits by currency / Total: GEL 1.8 bn

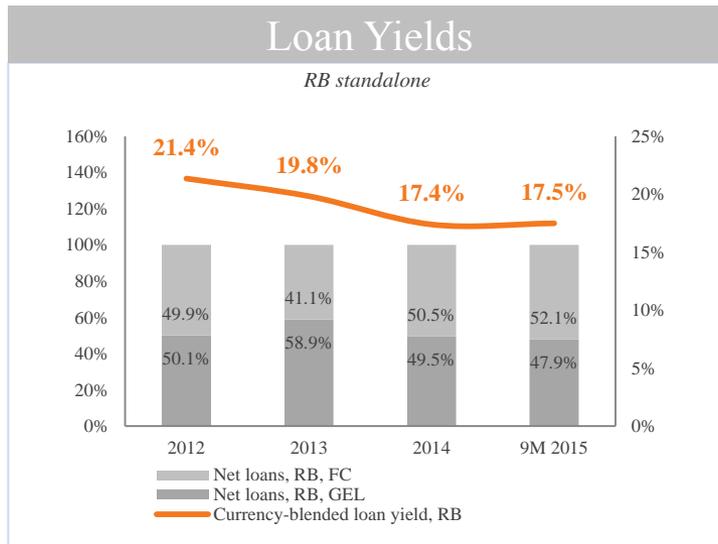


Retail banking – Resilient NIM

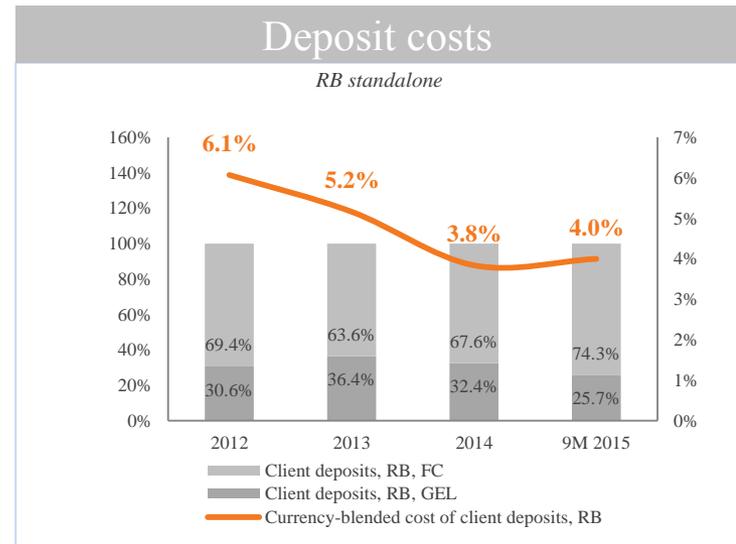
RB NIM



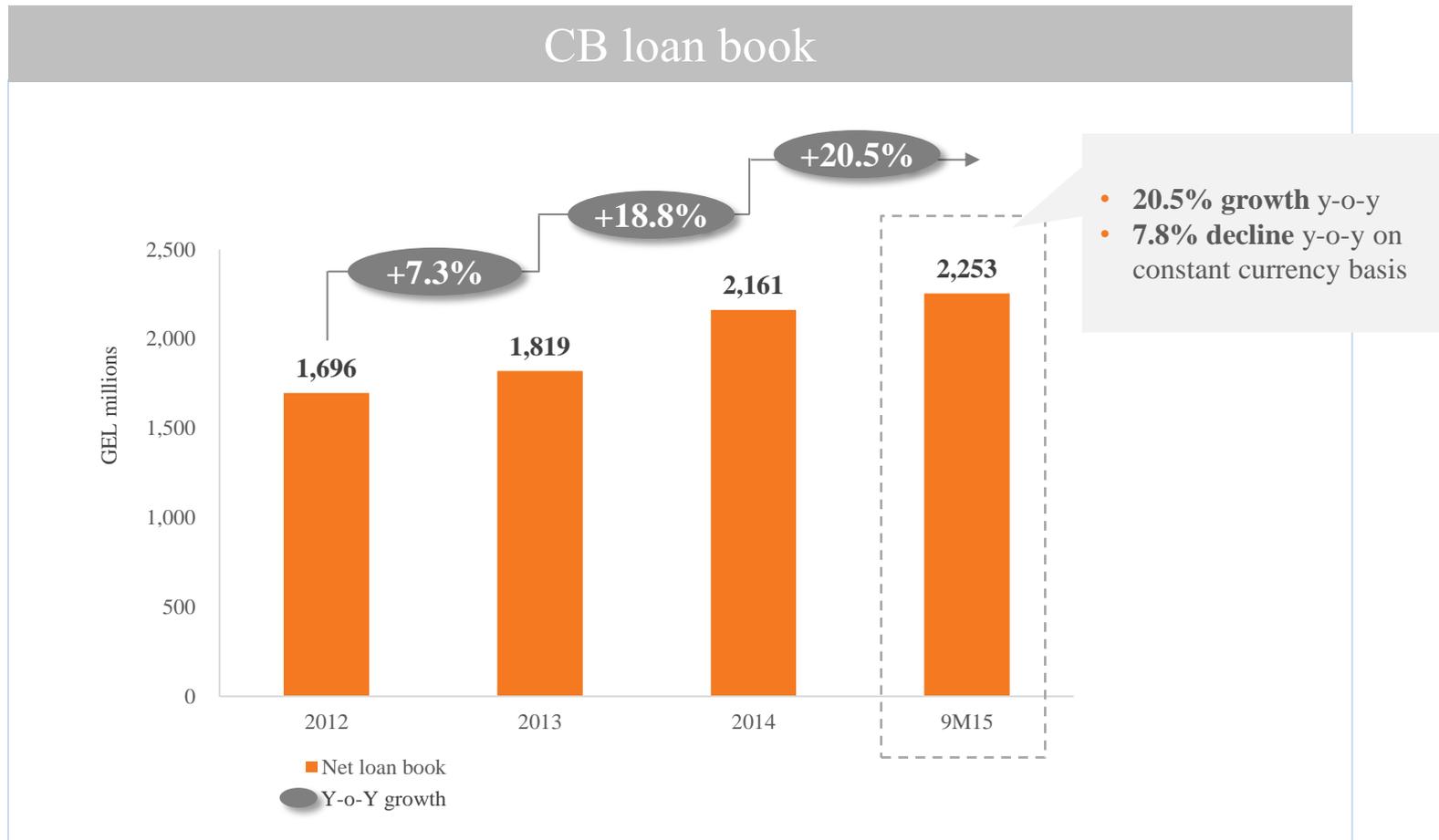
Loan Yields



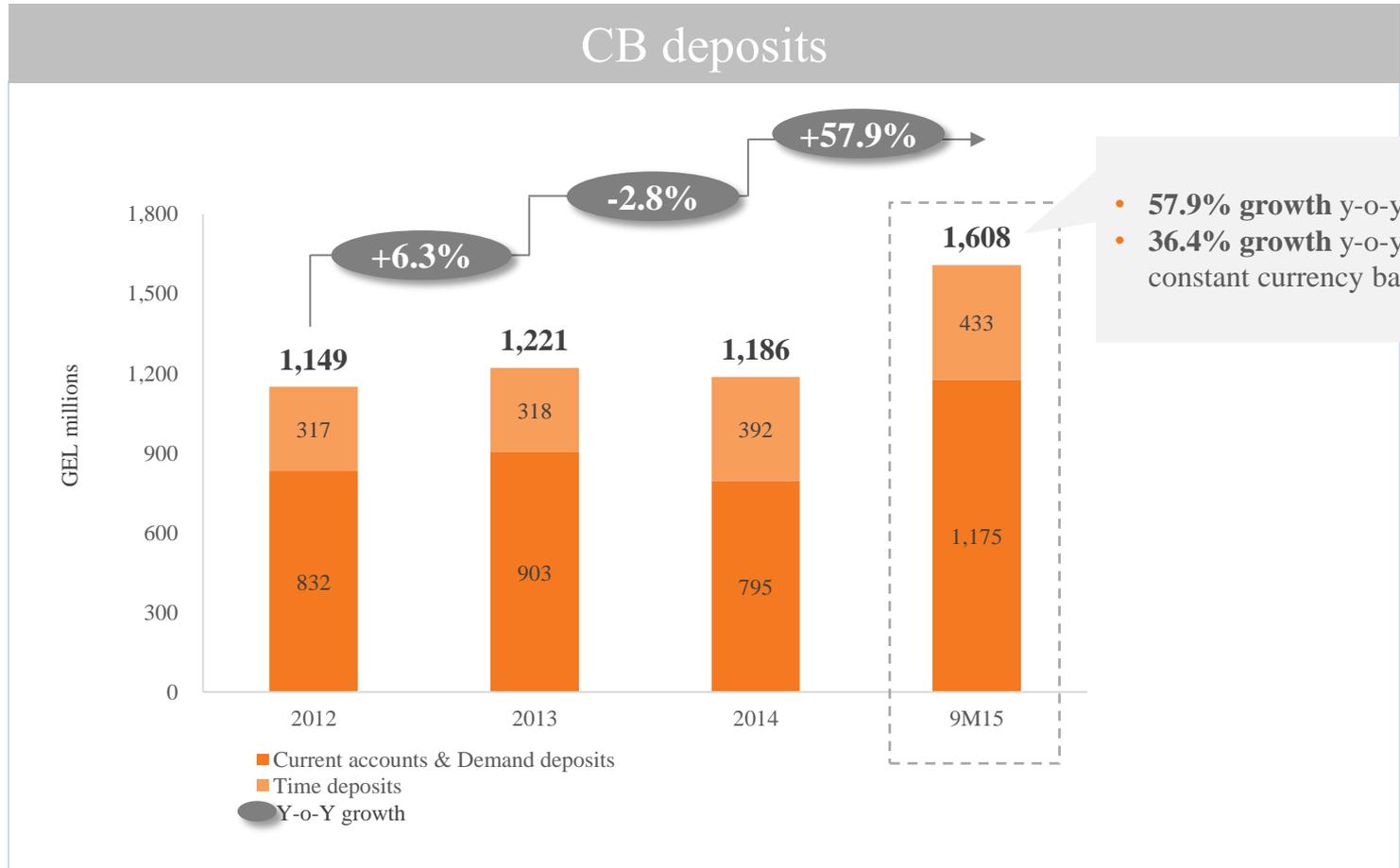
Deposit costs



Corporate Banking – relatively low loan book growth

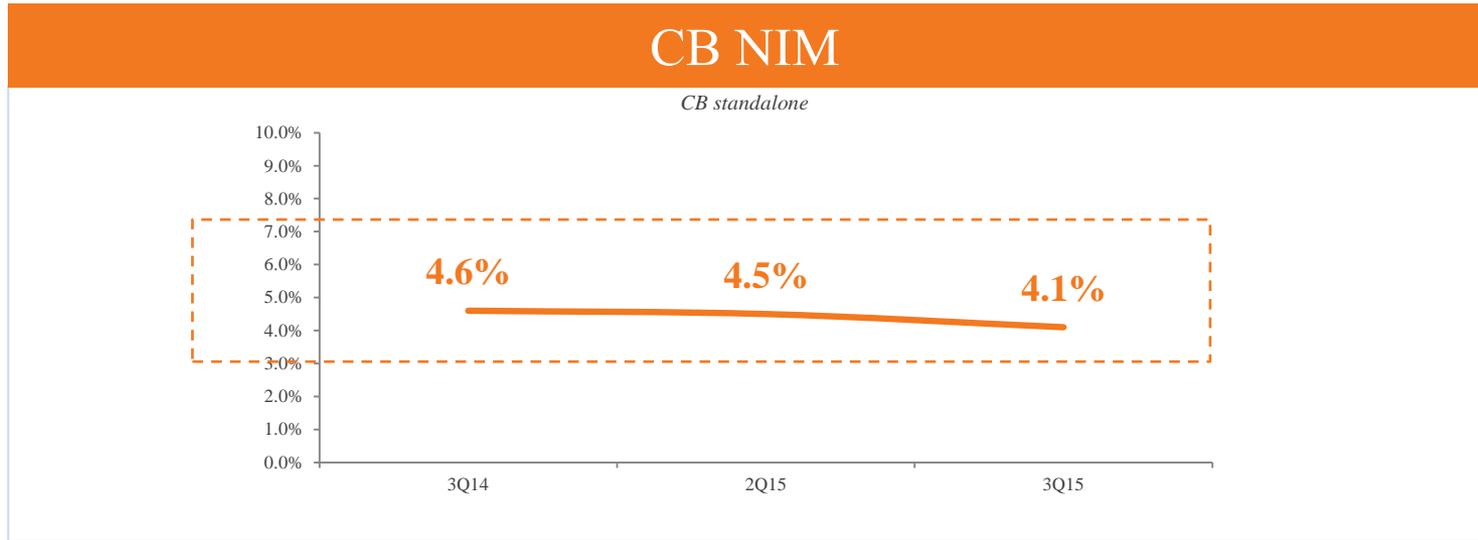


Corporate Banking – Strong deposit growth in 2015

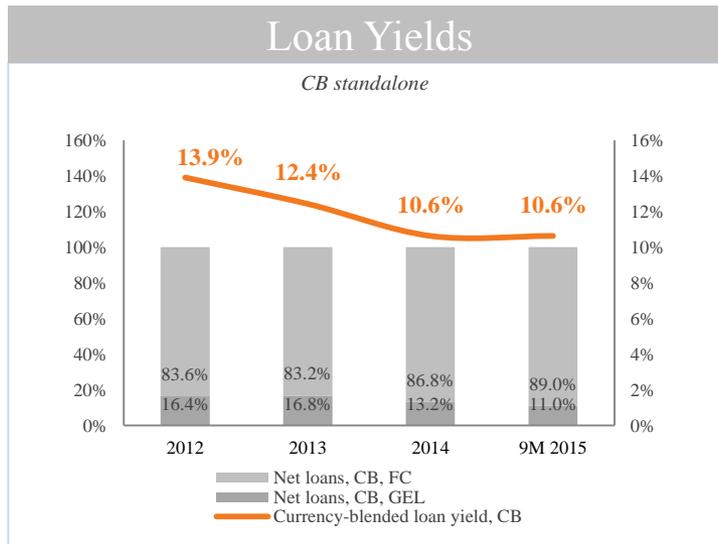


Corporate banking – Declining NIM

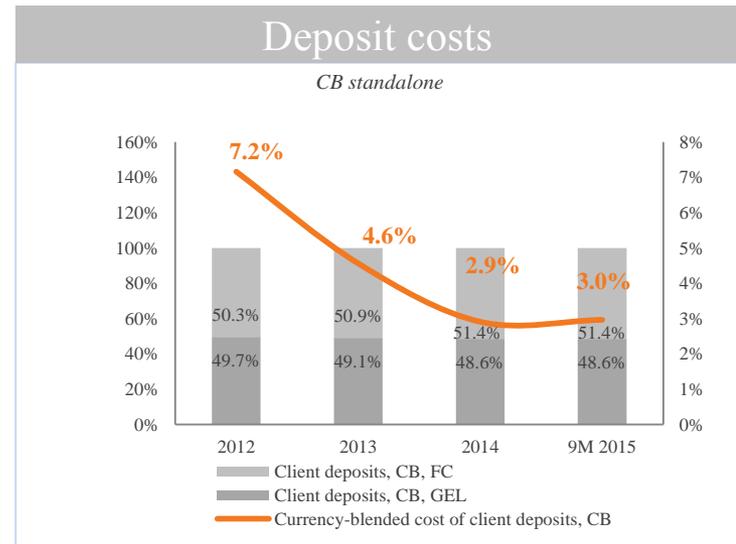
CB NIM



Loan Yields



Deposit costs



Contents

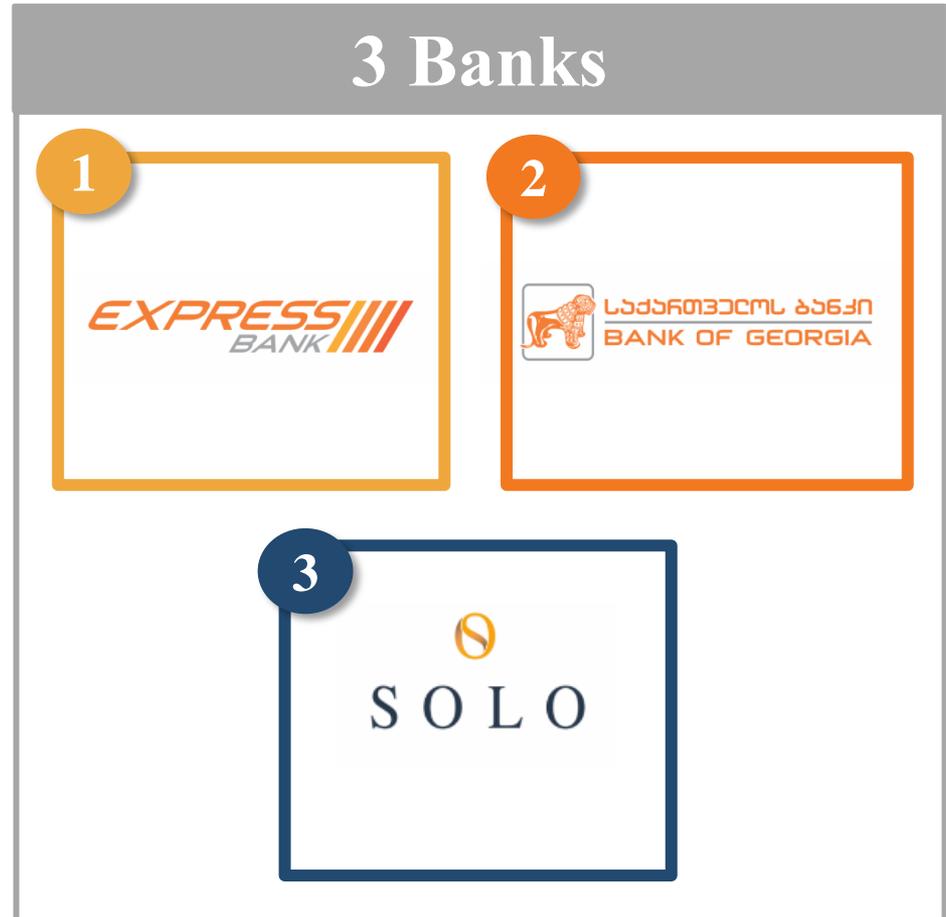
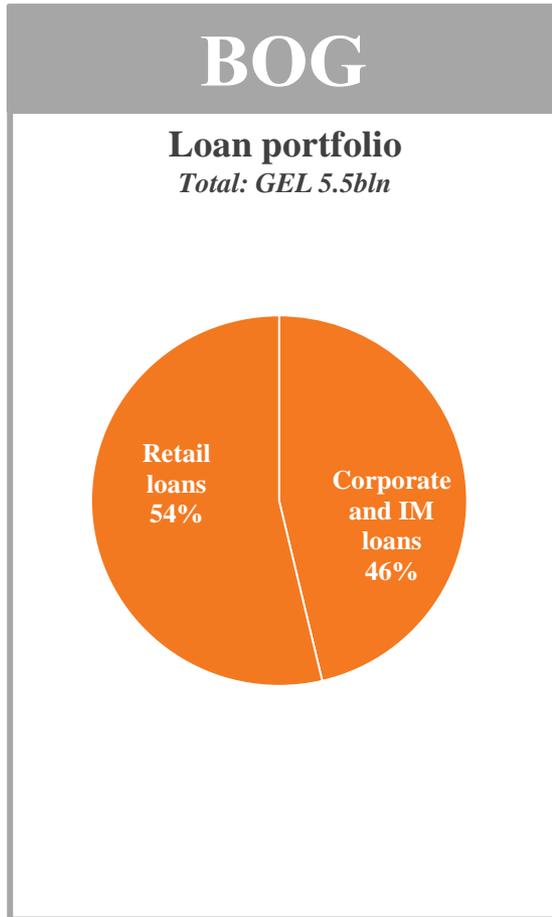
Banking performance update – 3Q15

Banking priorities for next 3 years

Main priorities

- 1 **Grow retail banking to 65% of loan book**
- 2 **Increase product to client ratio to 3.0, from current 1.7**
- 3 **Reduce concentration risk in corporate banking**
– top 10 clients less than 10% of loan book

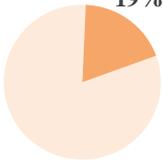
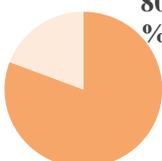
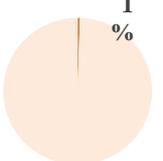
Client-Centric, Multi-brand strategy



Note: bubble size does not represent relative size of the segment

Retail banking – Client-Centric, Multi-brand strategy

Client-Centric, Multi-brand strategy

| Brands & target segments | 1  Emerging Retail | 2  Mass Retail and MSME | 3  SOLO Mass Affluent |
|--------------------------------|---|---|--|
| Selected Operating Data (9M15) | <p data-bbox="396 654 426 791">No of Clients</p> <div data-bbox="542 575 705 819"> <p data-bbox="571 575 658 629">367,000 clients</p>  <p data-bbox="653 644 705 668">19%</p> </div> <p data-bbox="396 896 620 925">P/C ratio: 1.3</p> <p data-bbox="396 958 620 986"># of branches: 110</p> <p data-bbox="396 1015 687 1043">Profit / client: GEL 42.2</p> | <div data-bbox="977 575 1139 819"> <p data-bbox="1006 575 1112 629">1,581,000 clients</p>  <p data-bbox="1107 644 1139 668">80%</p> </div> <p data-bbox="996 896 1083 925">1.7</p> <p data-bbox="1035 958 1083 986">143</p> <p data-bbox="996 1015 1122 1043">GEL 44.3</p> | <div data-bbox="1454 575 1617 819"> <p data-bbox="1483 575 1570 629">10,328 clients</p>  <p data-bbox="1564 644 1597 668">1%</p> </div> <p data-bbox="1503 896 1551 925">7.5</p> <p data-bbox="1512 958 1541 986">8</p> <p data-bbox="1454 1015 1605 1043">GEL 1,500</p> |
| Focus | Grow transactions | Product/client ratio growth | Client growth |

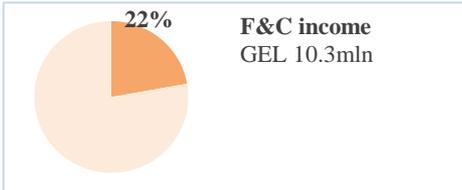
Express franchise – increasing source of fee income



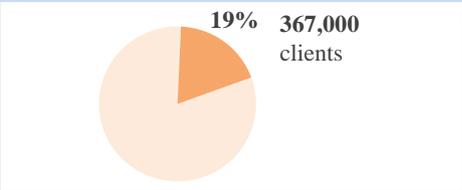
Selected balance sheet data



Selected income statement data

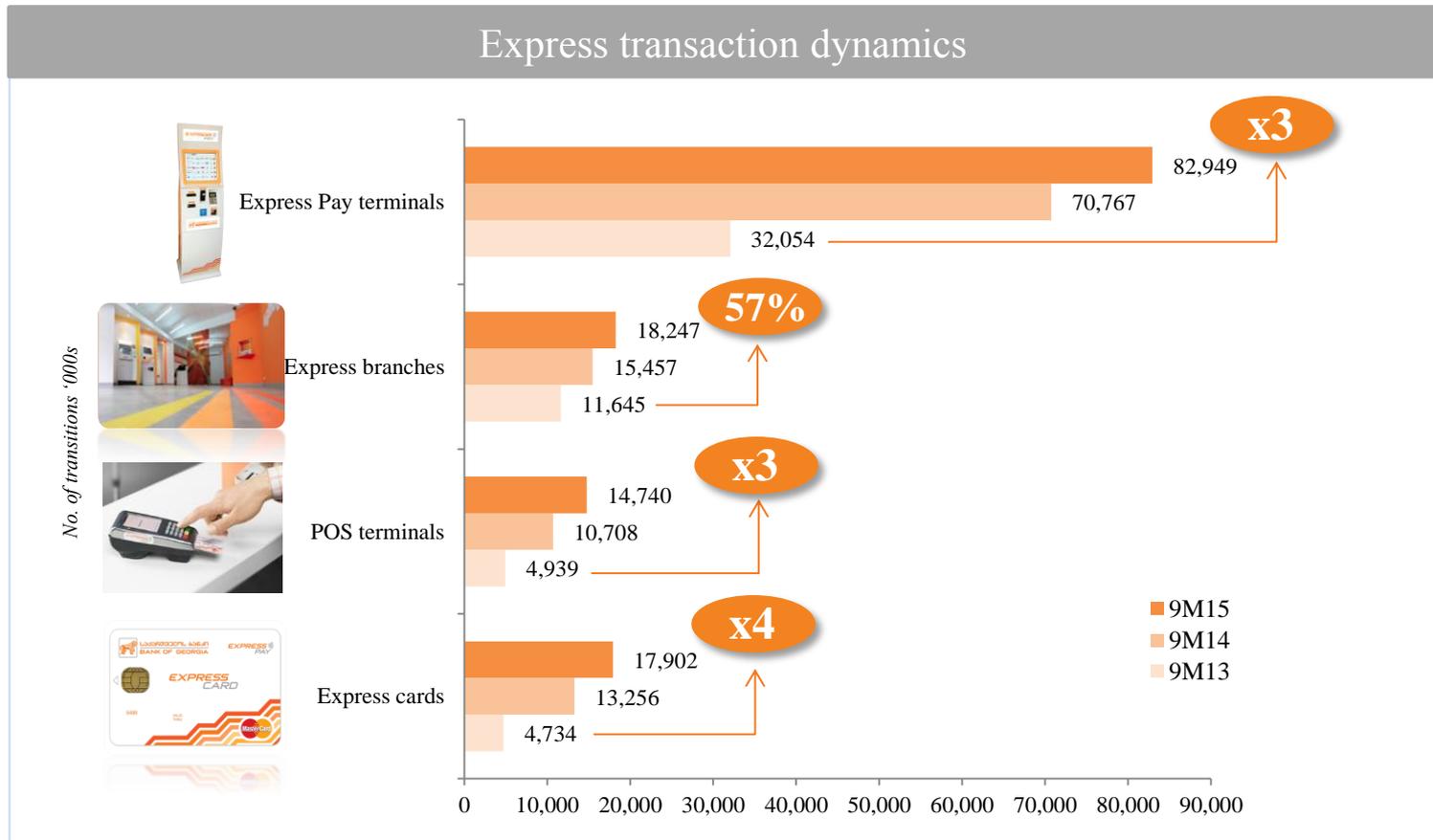


Selected operating data



- **P/C ratio – 1.3**
- **# of branches – 110**
- **Express cards – 1,053,564**
- Express terminals – 2,354
- POS terminals – 7,685
- Capex/branch – US\$ 50k

Express Banking – Capturing emerging mass market customers



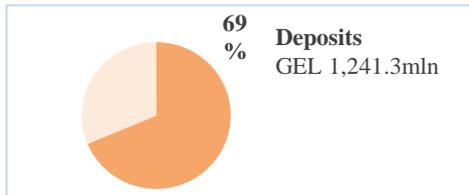
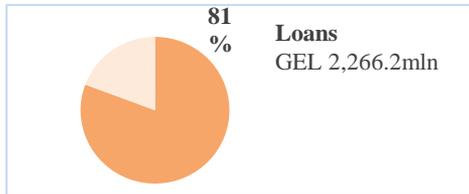
3 year target

Double number of transactions

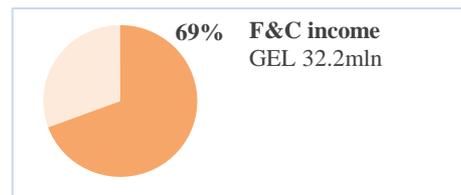
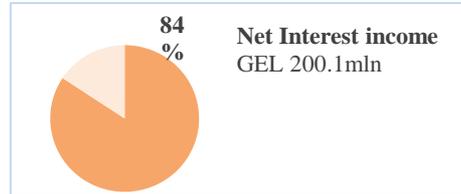
BOG – Mass retail banking franchise



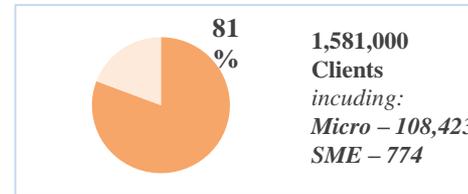
Selected balance sheet data



Selected income statement data

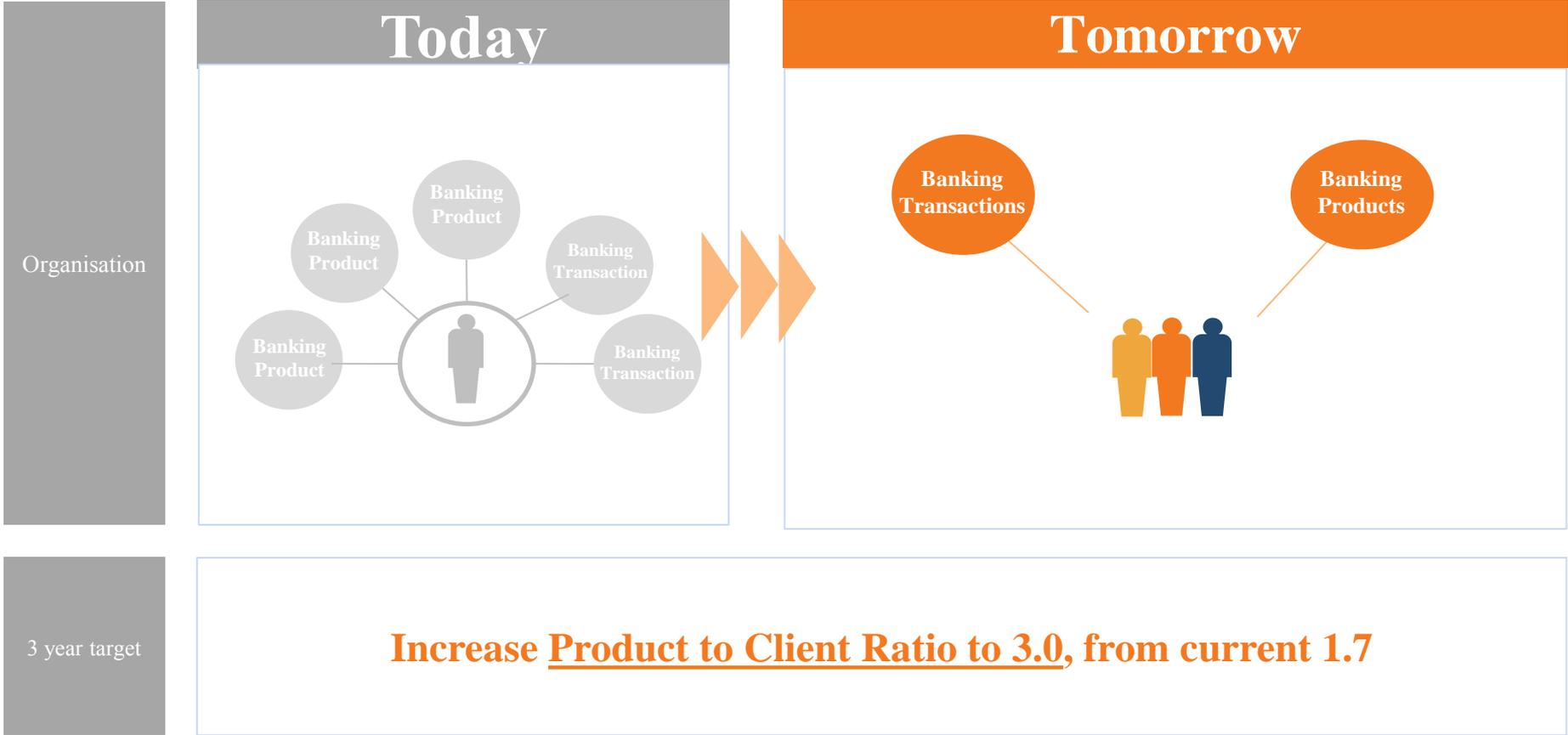


Selected operating data



- **P/C ratio – 1.7**
- **# of branches – 143**

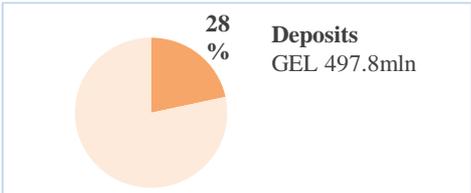
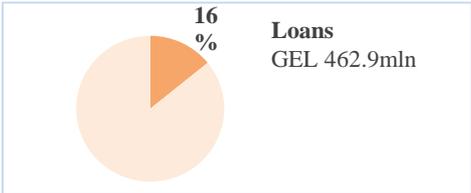
a PRODUCT organisation to CLIENT organisation



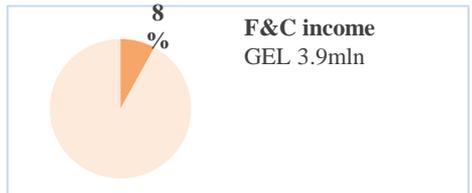
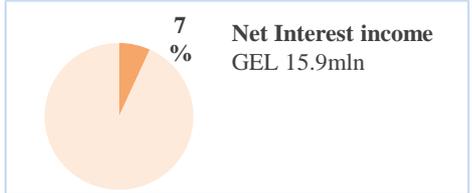
BOG – Mass affluent banking franchise


S O L O
 Mass Affluent

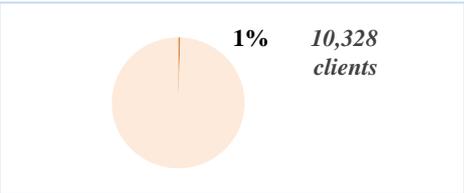
Selected balance sheet data



Selected income statement data



Selected operating data



- P/C ratio – 7.5 (2014 – 6.8)
- Client acquisition per banker – 13/mth (2014 – 3)
- # of branches – 8
- Profit per client – GEL 1,500

3 year target: increase number of Solo clients to 40,000, from current 10,328

Banking + lifestyle

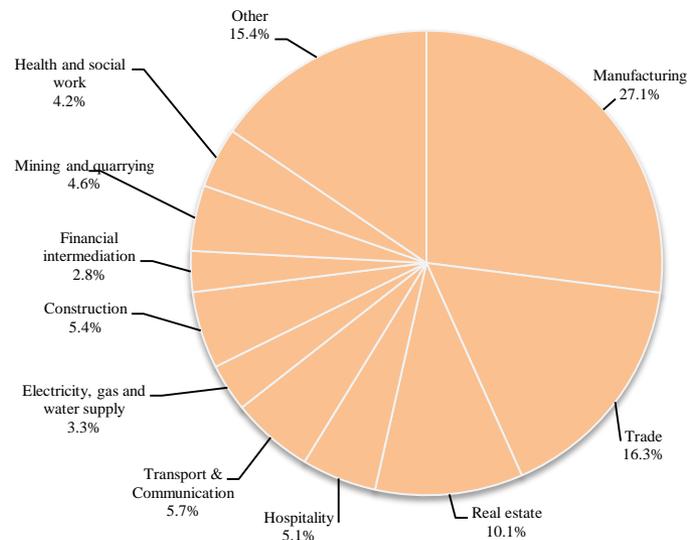
Solo – Mass affluent banking



Corporate banking

CB loans – GEL 2,253mln

breakdown by category



Top 10 CB borrowers represent 13% of total loan book

Top 20 CB borrowers represent 19% of total loan book

3 year target

De-concentrate corporate loan book to less than 10% of total loan book, from current 13%

Investment Management platform

1

Wealth Management

- **Strong international presence:** Israel (since 2008), UK (2010), Hungary (2012) and Turkey (2013). Planned expansion - Cyprus, Singapore, USA.
- **AUM of GEL 1,347 million**, up 37% y-o-y
- **Diversified funding sources:**
 - Georgia 28%
 - Israel & MENA 20%
 - UK 15%
 - CIS 13%
 - CEE 6%

2

Research

- **Sector, macro and fixed income coverage**
- **International distribution**



Bloomberg



4

Brokerage

- **Wide product coverage**



- **Exclusive partner of SAXO Bank** via While Label structure, that provides highly adaptive trading platform with professional tools, insights and world-class execution

Investment Management

3

Corporate Advisory

- **Bond placement** GEL GEL60 mln and US\$35 mln bonds placement at year-to-date. c. US\$15 million bonds placement planned till the end of this year
- **Corporate advisory platform**
 - Team with sector expertise and international M&A experience
 - Proven track record of more than 15 completed transactions over the past 8 years with an accumulated transaction value of more than GEL 200 million

3 year priorities for Banking Business

| Priorities | | 3-year targets |
|------------|--|--|
| 1 | Grow Retail Banking | Grow retail banking to 65% of total loan book |
| 2 | Express: grow number of transactions | Double number of transactions |
| 3 | BoG retail: grow products/client ratio | Increase Product to Client Ratio to 3.0, from current 1.7 |
| 4 | Solo: client growth | Increase number of Solo clients to 40,000, from current 10,328 |
| 5 | Integrate IM into CB | De-concentrate corporate banking – top 10 clients 10% of loan book |



BGEO Investor Day

23 November, 2015
London

Questions?

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