



BGEO Investor Day

23 November, 2015
London

Capturing Growth Opportunities

Performance on group strategy

Speaker: Irakli Gilauri, Group CEO

Contents

Update on strategy

Update on performance

Planned capital allocations for next 2-3 years

Renaming the group to reflect 4x20 strategy

Platform for Efficiently Allocating Cash & Human Capital

- B GEO is a Georgia focused bank holding company with investment arm
- B GEO aims to deliver on its 4X20 strategy by allocating capital efficiently



4x20 strategy – Overview

We are a Georgia Focused Banking Group with an Investment Arm

Banking Business

1

ROE c.20%

2

Tier I c.20%

3

Retail loan book
Growth c.20%

Investment Business

4

Min. IRR of 20%

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

Profit Contribution

At least 80%

Up to 20%

Ongoing Dividends

- **Ordinary:** linked to recurring profit from banking business
- Aiming 25-40% dividend payout ratio

- **Capital Return:** Aiming for at least **3 capital returns** in next 5 years, representing at least 50% of regular dividend from banking business

4x20 strategy – Strong performance in 2015, 9M

We are a Georgia Focused Banking Group with an Investment Arm

Banking Business

1

ROE
c.20%

- ROAE of 23.3% in 3Q15
- ROAE of 20.6% in 9M15

2

Tier I
c.20%

- N/A – became non-relevant:**
1. Regulation moved to Basel 2/3
 2. In the context of excess capital of c. GEL700mln at HoldCo, have efficient capital management at bank

3

Retail Growth
c.20%

- 48.0% y-o-y growth
- 27.7% y-o-y growth on constant currency basis

Investment Business

4

Min. IRR
of 20%

121% IRR from GHG IPO

65% IRR from m2 Real Estate projects

Profit Contribution

Target : **At least 80%**



9M15:
GEL 194mln
or 90%

Target : **Up to 20%**



9M15:
GEL 22mln
or 10%

Ongoing Dividends

• **Ordinary dividends:**

- Dividend 2014 was GEL 2.1 / share
- GEL 80.4mln total, 31.2% payout ratio

• **Capital return:**

- Planned US\$ 10mln management trust share buy-back

4x20 strategy going forward

We are a Georgia Focused Banking Group with an Investment Arm

Banking Business

1

ROE c.20%

2

Growth c.20%
of retail loan book

Investment Business

3

Min. IRR of 20%

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

4

Profit up to 20%
of BGEO Group profit

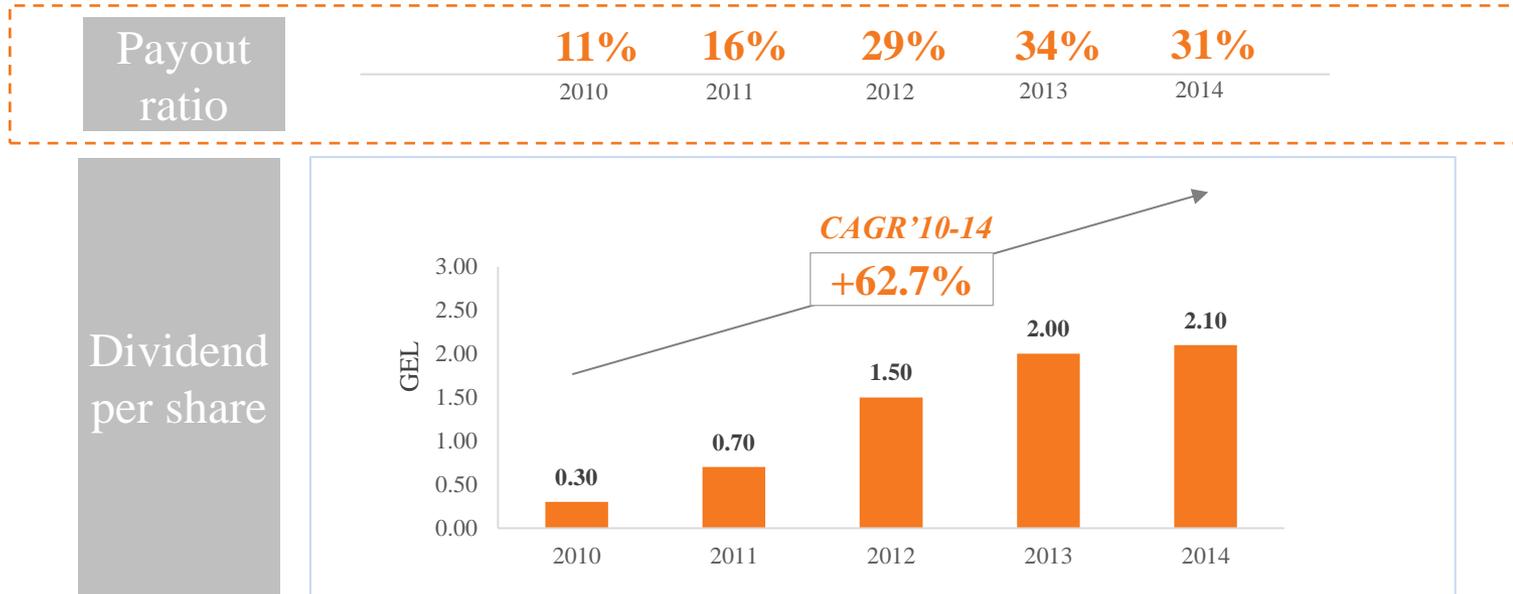
New target

Ongoing Dividends

- **Ordinary dividends:** linked to recurring profit from banking business
- Aiming 25-40% dividend payout ratio

- **Capital Return:** Aiming for at least **3 capital returns** in next 5 years
- Aiming for Capital Return to represent at least 50% of regular dividend from banking business

Solid regular dividend payout from banking business



3 forms of Capital Returns

Capital Return forms

3 forms of Capital Returns

1

Cash Dividends

2

Stock dividends

3

Share buy-back

As of today we are starting US\$ 10mln buy-back for management trust

Capital Return timeline

Strategy Announced

3 capital returns during 2014-2019

3 capital returns during 2019-2024

2014

5 years

2019

5 years

2024

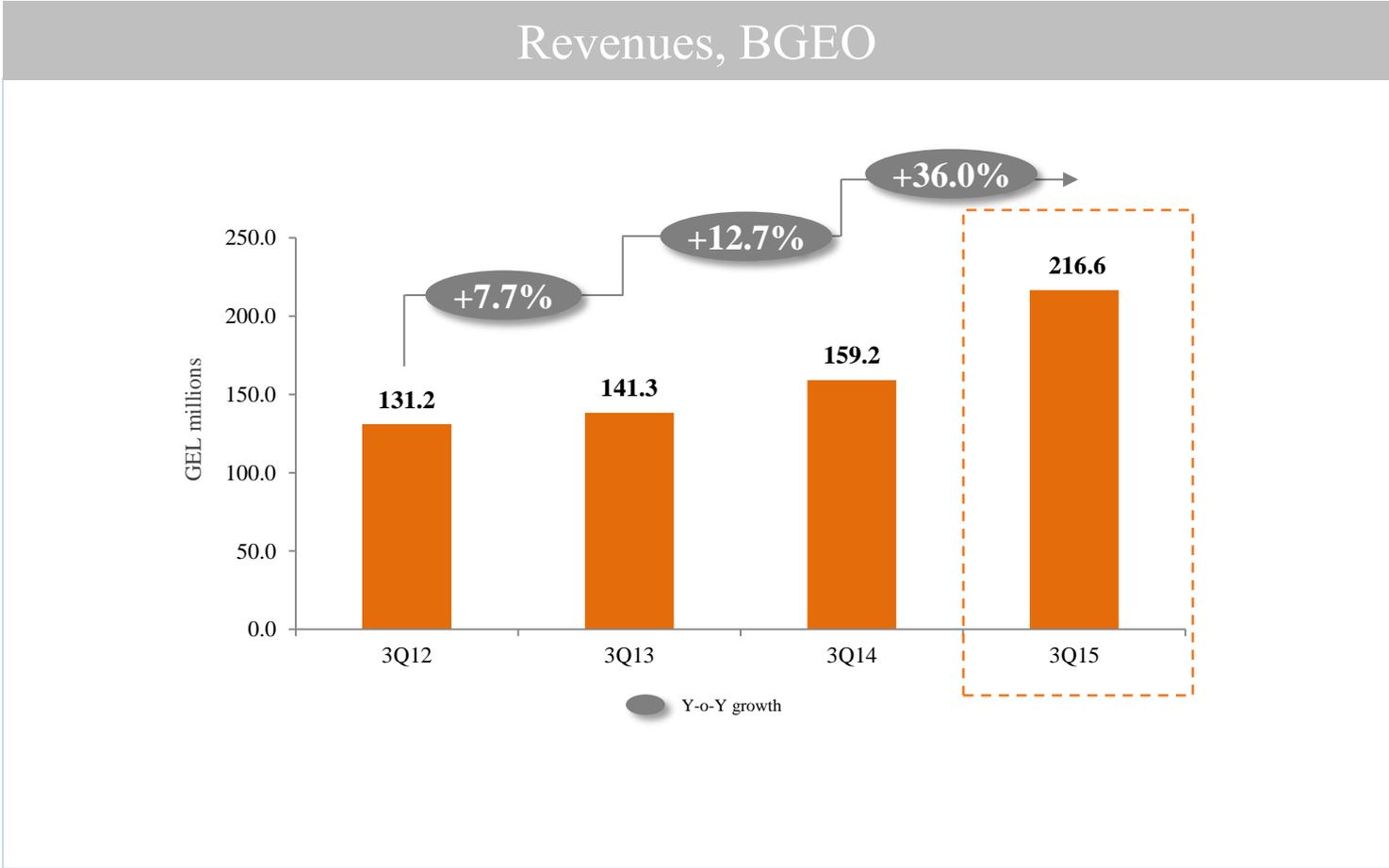
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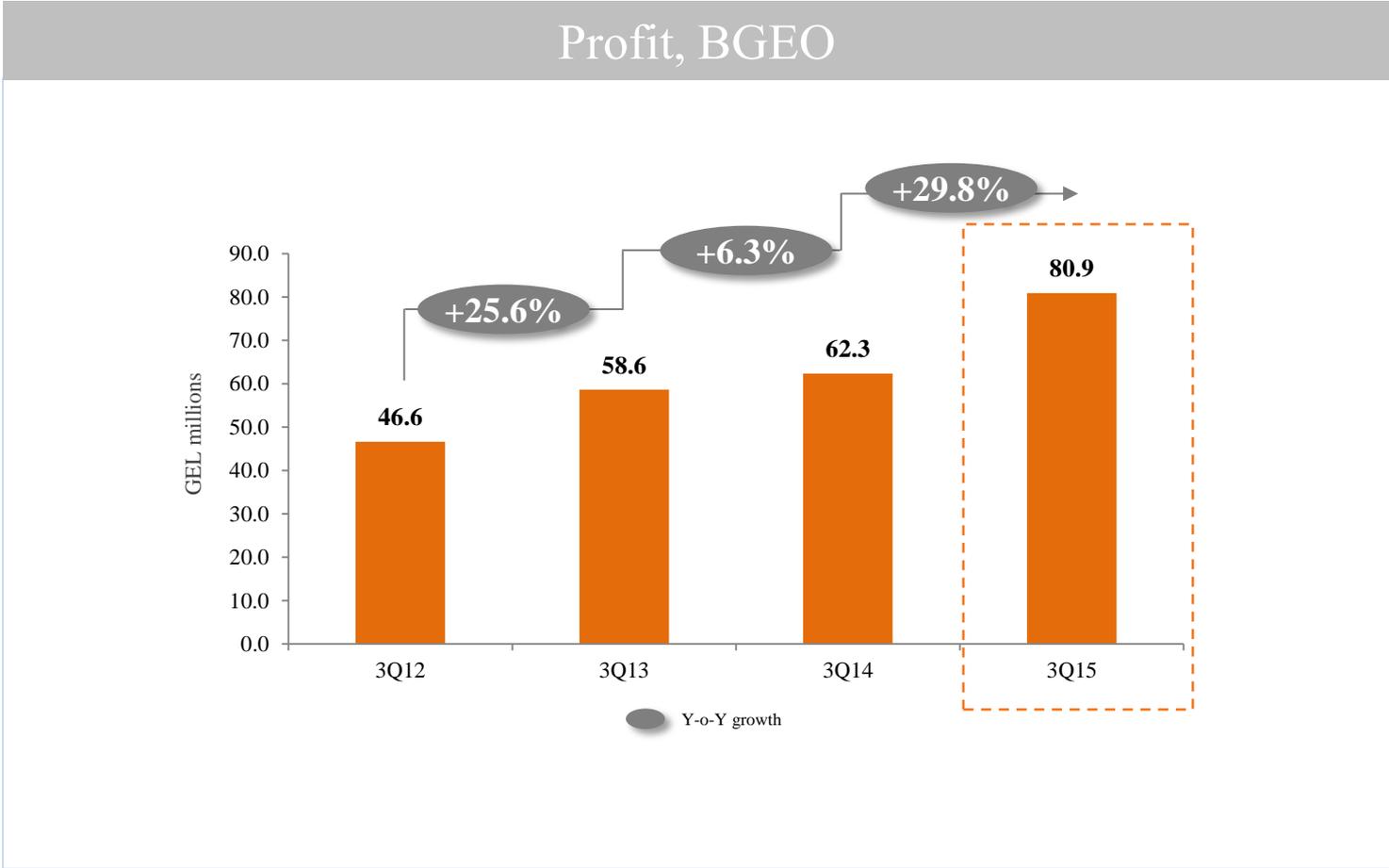
Update on performance

Planned capital allocations for next 2-3 years

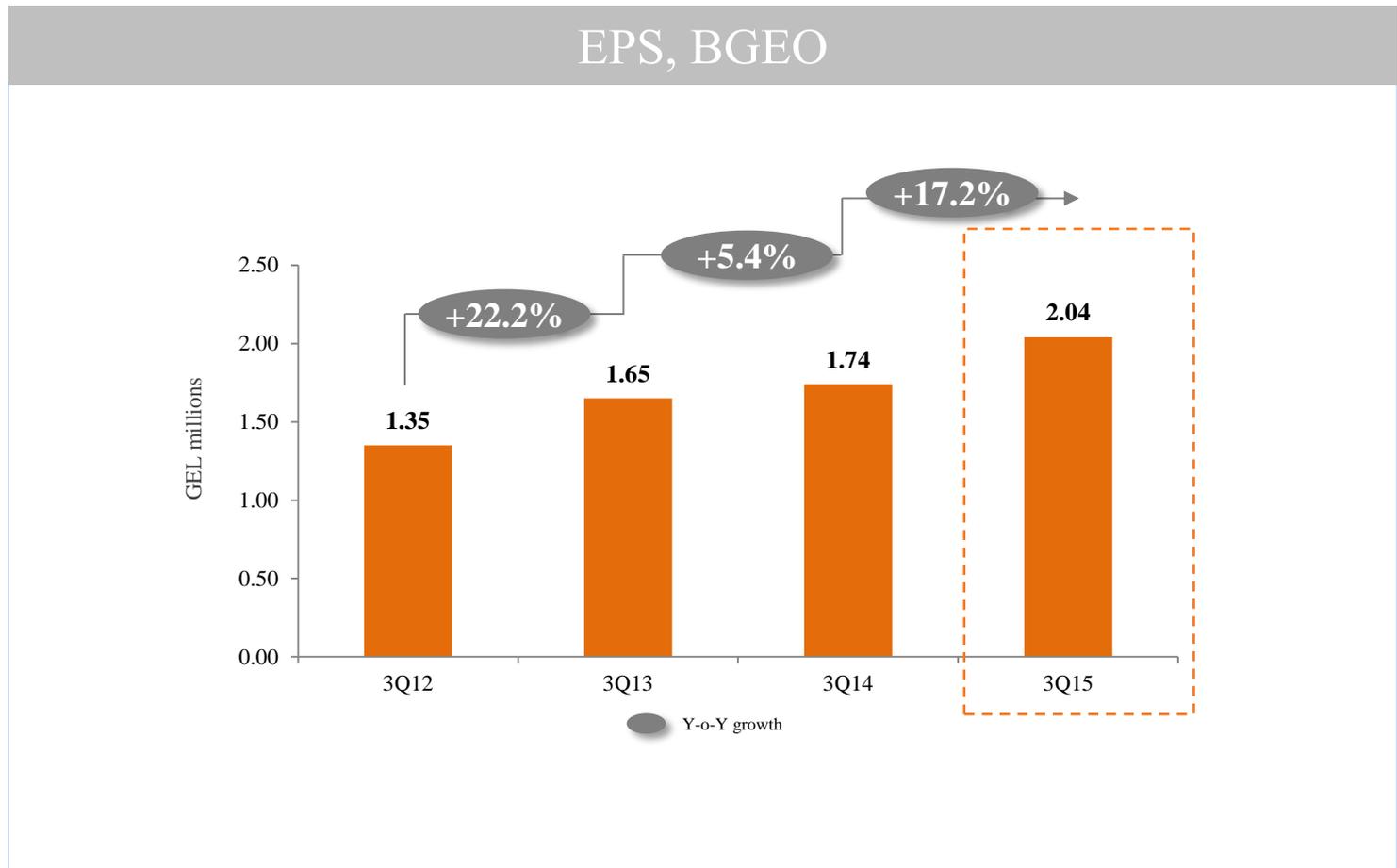
BGEO – Strong group performance in 2015, 9M | Revenues



BGEO – Strong group performance in 2015, 9M | Profit



BGEO – Strong group performance in 2015, 9M | EPS



Banking Business – Strong performance in 2015, 3Q

Income Statement highlights <i>GEL'000</i>	3Q 2015	3Q 2014	Change y-o-y
Net interest income	129,249	89,977	43.6%
Net non-interest income	60,796	46,310	31.3%
Total revenue	190,045	136,287	39.4%
Operating expenses	(66,167)	(54,718)	20.9%
Pre-provision income	123,878	81,569	51.9%
Cost of credit risk	(34,752)	(14,863)	133.8%
Net profit	73,402	55,635	31.9%
NIM	7.6%	7.6%	-
Cost to Income ratio	34.8%	40.1%	-530 bps

Banking Business – Strong performance in 2015, 9M

Income Statement highlights <i>GEL'000</i>	9M 2015	9M 2014	Change y-o-y
Net interest income	378,710	256,208	47.8%
Net non-interest income	171,468	127,912	34.1%
Total revenue	550,178	384,120	43.2%
Operating expenses	(196,687)	(158,493)	24.1%
Pre-provision income	353,491	225,627	56.7%
Cost of credit risk	(116,287)	(40,942)	184.0%
Net profit	193,666	155,528	24.5%
NIM	7.7%	7.5%	20 bps
Cost to Income ratio	35.7%	41.3%	-560 bps

GHG – Outstanding performance in 2015, 9M

Income Statement highlights <i>GEL '000</i>	<u>GHG Consolidated</u>			<u>Healthcare services</u>			<u>Medical insurance</u>		
	9M 2015	9M 2014	Change y-o-y	9M 2015	9M 2014	Change y-o-y	9M 2015	9M 2014	Change y-o-y
Revenue	171,430	142,711	20.1%	137,028	101,849	34.5%	40,724	59,171	-31.2%
Gross profit	67,113	51,086	31.4%	59,745	42,405	40.9%	7,566	8,900	-15.0%
EBITDA	39,617	29,727	33.3%	36,987	26,494	39.6%	2,630	3,233	-18.7%
<i>EBITDA margin (Healthcare services)</i>				26.5%	25.5%	100 bps			
Net Profit	18,564	12,320	50.7%	16,210	9,664	67.7%	2,354	2,656	-11.4%
Organic revenue growth (healthcare services)				22.0%					
Organic revenue growth (private med. insurance)							30.3%		

*Targeting to double 2015 healthcare revenue by 2018
with 30% EBITDA margin*

GHG roadmap | Creating single largest healthcare player



Year	Milestone	EV/EBITDA Investment per bed	BGH Investment GEL mln	Facilities & beds
2011	State infrastructure reform starts			6 145
	Started investing in hospitals			
	Merged with Block Georgia (<i>non-cash</i>)	3.1x, GEL 74k	0	9 530
2012	Imedi L acquisition	4.9x, GEL 47k	9.6	8 206
	Investment to support organic growth	GEL 56k	22.9	10 409
2013	State Universal Healthcare Program starts			
	Acquired Caraps	6.0x, GEL 142k	0	1 60
			32.5	
2014	Acquired Avante	3.7x, GEL 73k	82.4	4 578
	Acquired Sunstone	GEL 99k		1 152
	Acquired Traumatology	3.9x, GEL 134k		1 60
	Acquired Block minority			
2015, 9M	Acquired HTMC	6.4x, GEL 206k	27.5	1 450
	Acquired Deka	GEL 183k		1 80
	Launched ambulatory expansion strategy			
	IPO-ed			
			110.0	
Total (as of Sep-2015)			142.4	42 2,670

BGEO achieved 121% IRR at GHG IPO



Achieved 3.9x money at IPO

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Update on performance

Planned capital allocations for next 2-3 years

The way we invest & manage the companies

1 Be opportunistic & disciplined

- Big opportunities = Small economy + limited capital & management skills
- Start small and step up investment as company gets institutionalised
- Buy cheap

2 In scale we trust

- Targeting 30%+ market share
- Economy of scale reduces risk of failure

3 Get our hands dirty

- Execution is key and understanding industry inside-out
- Coaching and rotating management

4 Good governance makes good returns

- Separate persons as Chairman and CEO
- Our board is engaged, with sector specialists
- 85% of top management compensation is shares, vesting over 5 years

5 Liquidity is king

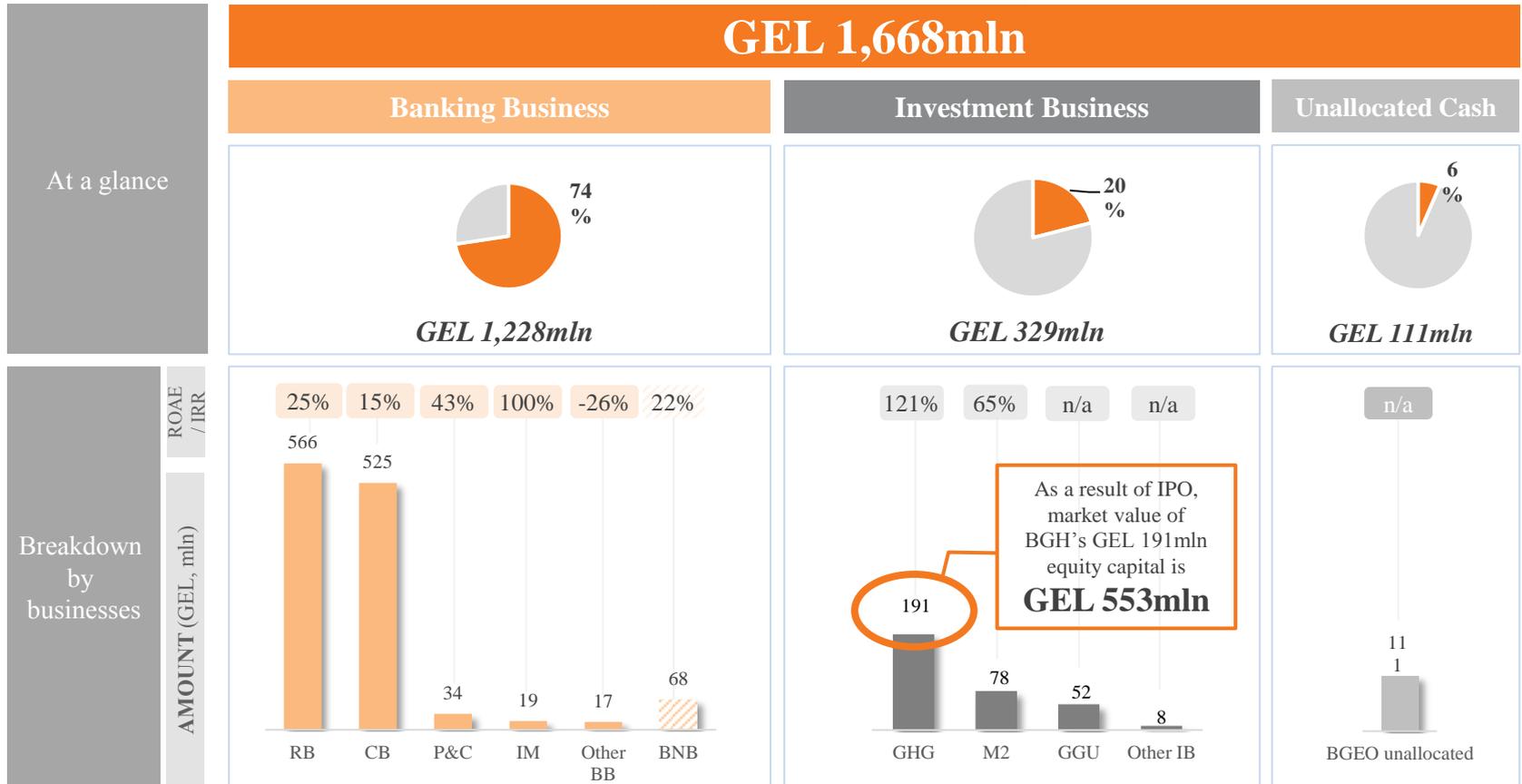
- Crystallising value within 6 years

BGEO – Capital allocation



Data as of 30 Sep, 2015
unless otherwise stated

GEL 1,668mln



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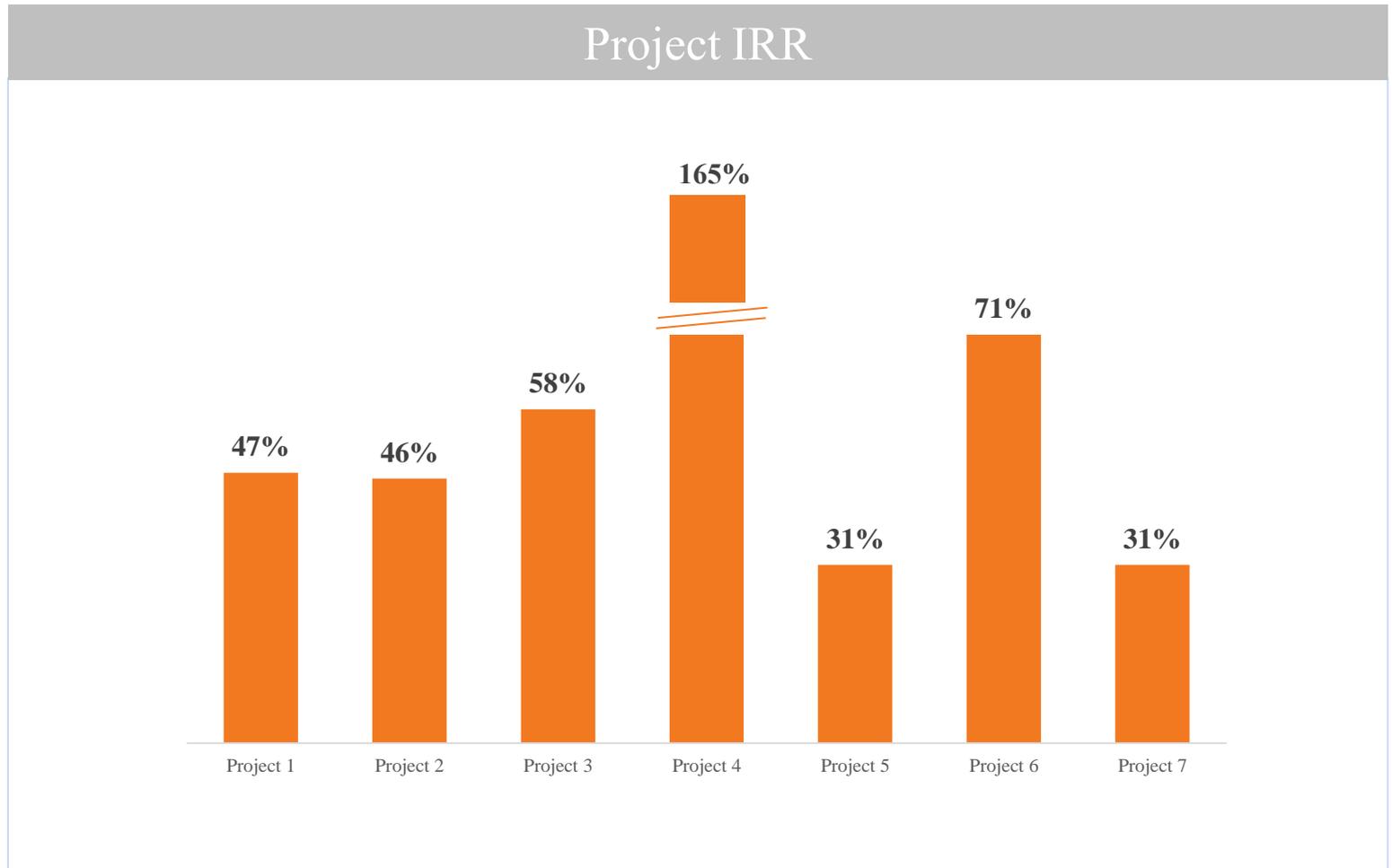
- m² Real Estate

m² Real Estate – Strong project performance and pipeline

Project status	No of projects	Total Apartments	Apartments sold %	Sales US\$ mln	Land value unlocked, US\$m	Completion date
Completed	3	866	97%	73.0	8.5	n/a
Ongoing	3	803	70%	45.5	7.9	Dec'2015 Mar'2016 Apr'2016
Pre-sales	1	819	16%	9.0	5.8	Sep'2018
Total	7	2,488	62%	127.5	22.2	

- **Outstanding performance:** All completed projects were **on budget and on schedule**
- **Strong revenue and development pipeline:**
 - US\$ **70.6mln** will be recognised upon completion of the on-going projects during 2015-2018 years
 - Land stock of value US\$ 26mln, with c.5200 apartments

m² Real Estate – Outstanding project IRR



Business lines

Real estate developer

- **Continue unlocking land value by developing housing projects**
- **Start developing 3rd party lands**
- **Accumulate yielding assets, by:**
 - Mainly retain commercial real estate in residential buildings
 - Develop hotels and apartments (mixed-use) to increase yielding business
- **Capital management discipline – pay to BGEO US\$ 20-25mln dividends every five years**

m² Real Estate – Hotel strategy



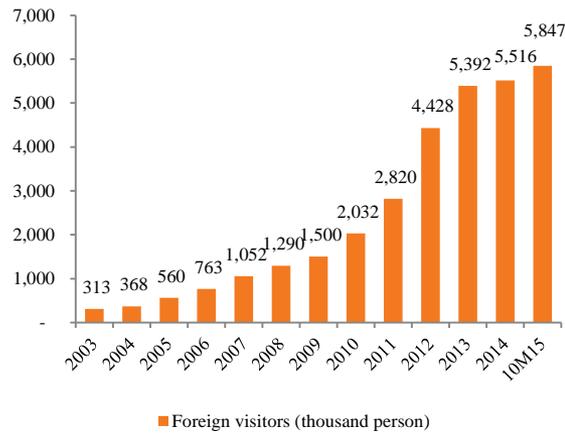
3-star hotel opportunity in Tbilisi

Develop 3 hotels in next 7 years in Tbilisi catering to budget travelers



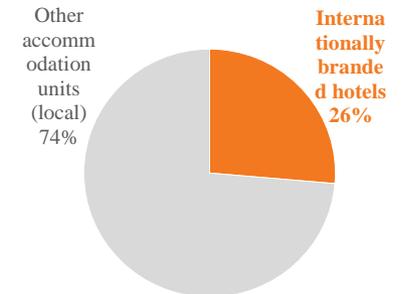
- Wyndham Ramada Anchor exclusivity for 7 years
- Equity investment US\$ 7 million
- Number of rooms – 370
- Investment per room – US\$ 70k
- Occupancy rate – 65% (3rd year stabilised)
- ADR – US\$ 100
- ROE – 20%

Visitors in Georgia 30% CAGR '03-14



Limited supply – last Branded hotel opening in Tbilisi in 2012

Distribution of rooms in Tbilisi by accommodation type, 2011



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- Renewable Energy Business

Renewable Energy opportunity

Opportunities

1

Underpenetrated industry

Only 20-25% of Georgia's hydro resources utilised

2

Cheap to develop

US\$ 1.5mln for 1MW development in Georgia

3

Strategic partnership

RENEWABLE POWER
rpGLOBAL

Strategic partnership with industry specialists – RP Global (Austria)

4

Small investment to date

Only US 1mln invested during first 1.5 years of due-diligence and planning

5

BGEO planned investment in ongoing projects

BGEO investment – US\$ 28mln

Total investment – US\$ 43mln (*partnership: 65% BGEO – 35% RP Global*)

Expected IRR – 25%+

Renewable Energy – 5 year roadmap

Goal

**Establish renewable energy platform,
targeting 100MW+ in 4 medium size hydro power plants by 2019**

Pipeline

Development

2 ongoing projects – 105MW, 4 HPPs

Projects	Mestiachala 1 & 2	Zoti 1 & 2
Estimated Capacity 100 MW	50MW	55MW
Estimated Project Timeline ²	2017-2018	2017-2019

Note: Project timeline includes only construction period. In general construction period is preceded by a 1-2 year pre-construction period. On average 5% of total project cost is spent during this period on due diligence

Renewable Energy – 5 year roadmap

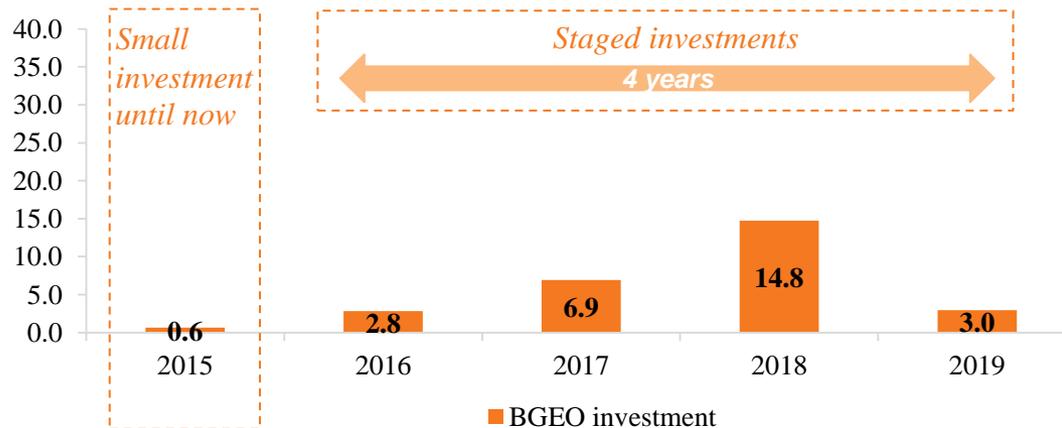
Goal

**Establish renewable energy platform,
targeting 100MW+ in 4 medium size hydro power plants by 2019**

Pipeline

Financing

**BGEO contribution US\$ 28mln over next 4 years
(estimated total equity US\$ 43mln)**



Renewable Energy – 5 year roadmap

Goal	Expected IRR 25%+	
Math	Total	BGEO share
EBITDA (run rate)	US\$ 15.9mln	US\$ 10.3mln
Equity contribution	US\$ 43mln	US\$ 28mln
Exit opportunities	① Sale in parts	
	② Scale up (2 nd stage) and public listing or strategic sale	

GGU – Overview

Business overview

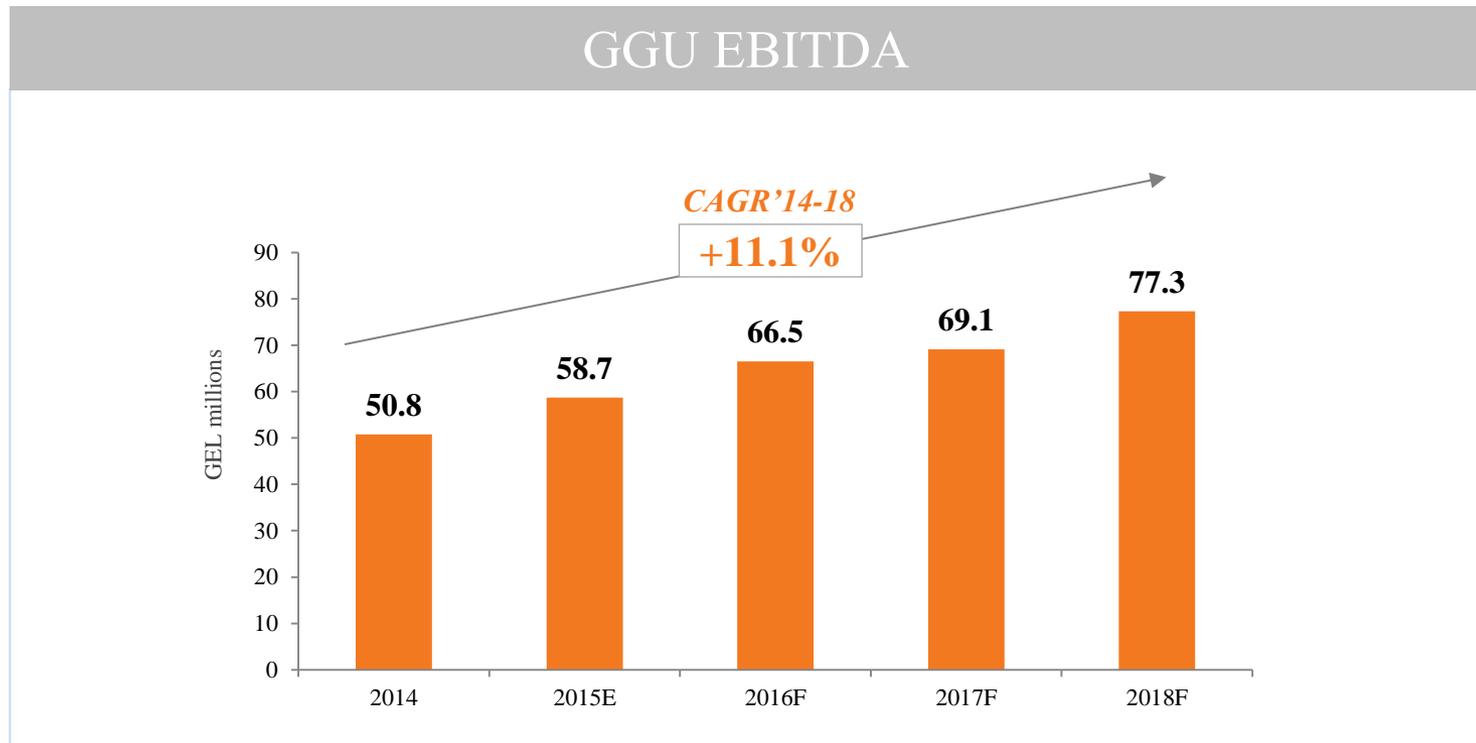
Two core activities:

- 1. Water utility** – Provides water to 1.4mln people (1/3 of Georgia)
- 2. Generation of electric power** – Owns and operates 3 HPPs with total installed capacity of 143MW. **Generated power is primarily used by GGU's water business.** The excess amount of generated power is sold to the third party clients every year

Highlights

- We acquired 25% of shareholding, December 2014
- We had an option to acquire an additional 24.9% share in GGU. We did not exercise this option
- 2014 EBITDA – GEL50.8mln
- 2015E EBITDA – GEL 58.7mln
- Profit contribution to BGEO:
 - *3Q15 – GEL 1.4mln*
 - *9M15 – GEL 2.1mln*
- water delivery losses to 40%, from current 50%

GGU – EBITDA dynamics



EBITDA growth drivers

- Cost saving from reduction in water delivery losses to 40%, from current 50%
- Double effect from water delivery loss reduction – selling freed-up energy

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- Teliani Valey

Teliani Valley – Business overview

Goal

Become leading beverages producer and distributor in Caucasus

Teliani
Business

Strong existing franchise

Leading wine producer



- 3 million bottles sold annually
- US\$ 14mln revenue in 2014
- US\$ 3.1mln EBITDA in 2014
- 50% of sales from export

With wide distribution platform



- 4,400 sales points
- Exporting to 26 countries, including all FSU, Poland, Sweden, Finland, USA, Canada, Brazil, China, Thailand, Singapore

New business line

Launch beer production



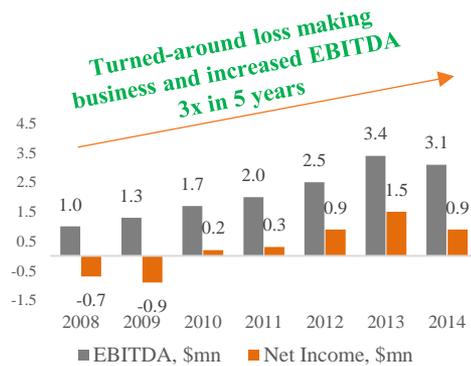
- Launch beer production facility in Georgia
- 10 year exclusivity with Heineken to sell in Georgia, Armenia and Azerbaijan (17mln population)

Teliani Valley – Exclusive Heineken producer in Caucasus



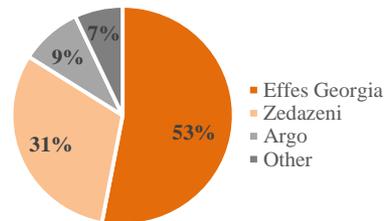
Exclusive Heineken producer in Caucasus

Strong management with proven track record



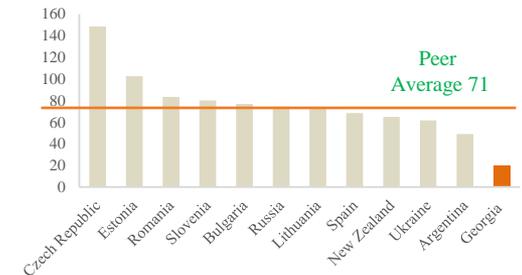
Highly concentrated market

Domestic market segmentation (Q1 2015)



Low consumption per capita compared to peers

Beer Consumption in Peer Countries 2014 (l/capita)



Investment Rationale

Teliani Valley – Exclusive Heineken producer in Caucasus



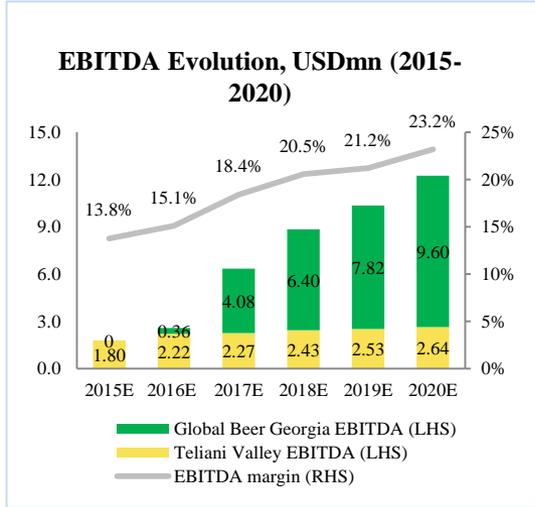
Financials

Exclusive Heineken producer in Caucasus

Investment

- Total investment – US\$ 37.9mln, of which US\$ 15mln is equity
- BGEO to invest – US\$ 10.9mln in total, amounting to 64% of shares of Teliani
- GEO equity value of c.US\$ 14mln is projected to grow 5x in 7 years, targeting 25%+ IRR in 5-7 years time

EBITDA projection



Exit options

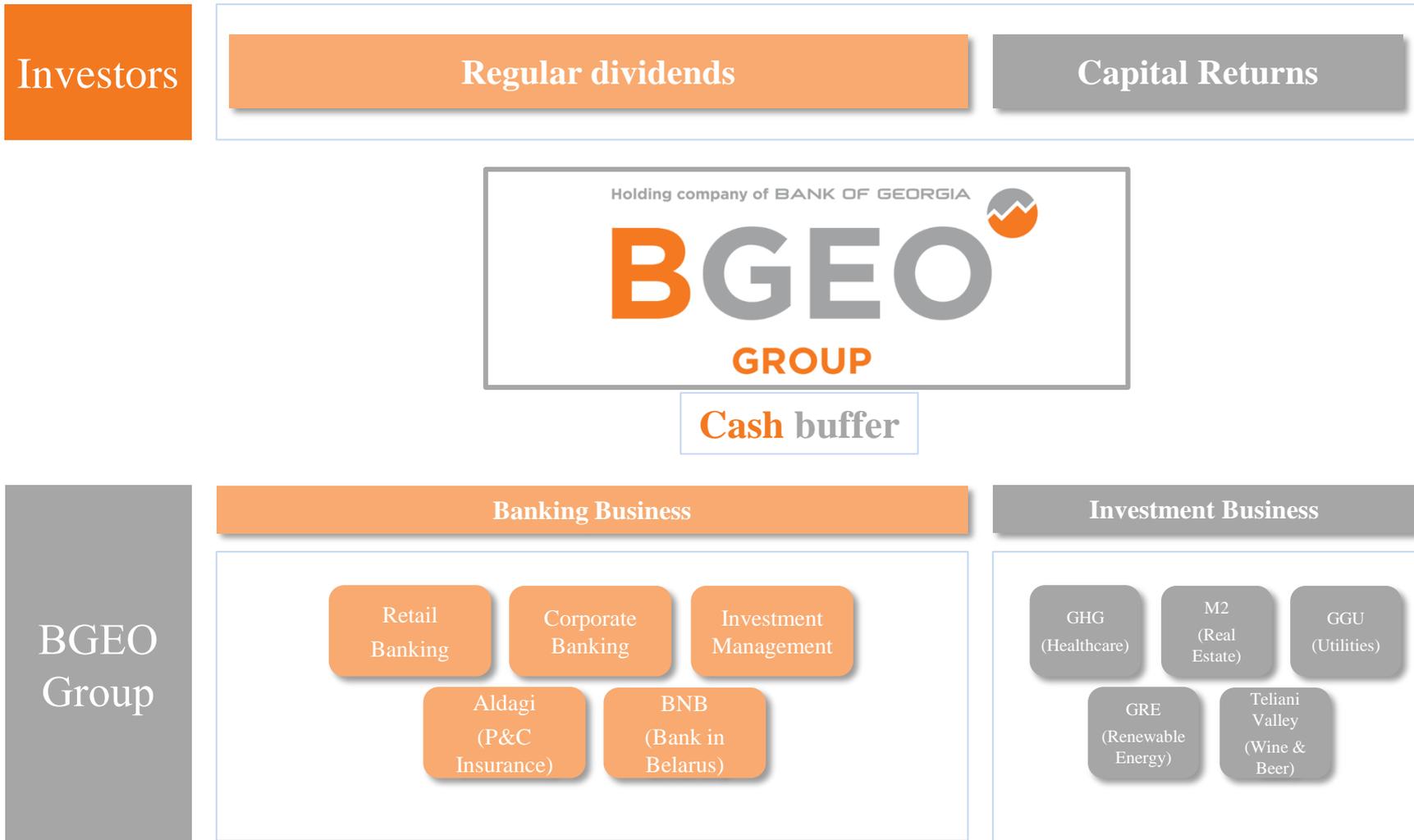
- Trade sale

BGEO – Planned capital allocations

<i>US\$ mln</i>	2015	2016	2017	2018	Total
Energy & Utility	-	3	7	15	25
Teliani Valley (Heineken Project)	10	-	-	-	10
m ² Real Estate	-	-	-	-	0
Total	10	3	7	15	35

Cash balance at BGEO is GEL 111.5 million

BGEO Group structure



A stylized illustration in shades of orange and brown. On the left, the Elizabeth Tower (Big Ben) is depicted with intricate architectural details. To its right and in front, a modern, multi-story building complex is shown with various levels, balconies, and windows, rendered in a sketch-like style with wavy lines at the base.

BGEO Investor Day

23 November, 2015
London

Questions?



BGEO Investor Day

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Wrap-up

Targets & priorities – Banking Business

	Current Target	3-year Targets	9M 2015
1 ROAE	c. 20%	20%+	21%
2 Retail Banking Growth	c.20%	20%+	48%
3 Grow Retail share in loan book	-	65%	54%
4 Increase Product to Client Ratio	-	3.0	1.7
5 De-concentrate Corporate Loan Book	-	10%	Top 10 borrowers 13%
6 NIM	7.5% - 8%	7.25% - 7.75%	7.7%
7 Cost / Income	40%	c. 35%	c. 36%
8 Cost of Risk	1% - 1.5%	1.5 - 2%	2.8 %

Targets & priorities – Investment Business

	Target description
Healthcare Business (GHG)	Double 2015 revenue in 2018, with 30% EBITDA margin
Real Estate Business (m ² Real Estate)	Capital Return of US\$ 20-25 million by 2019
Utility Business	Achieve EBITDA of GEL c. 80mln in 2018 (from GEL 51mln in 2014)
Renewable Energy Business	Complete 100MW, 4 HPPs with cost per MW not more than US\$ 1.5mln by 2019
Beverage Business (Teliani Valley)	Launch beer production, within budget of US\$ 37mln, by end of 2016

The screenshot shows the BGEO Group homepage. At the top left is the BGEO GROUP logo. To its right is the tagline: "We are a Georgia focused banking group with an investment arm". Below the logo is a main menu grid with 12 items: Our Business, Our Story, Our Thinking, Our People, Our Governance, CSR, News, Financial Results, Presentations, Annual Reports, Analyst Coverage, and Other Info. To the right of the main menu is an "Investor toolkit" section listing documents such as "2Q and 1H 2015 results Announcement", "2Q and 1H 2015 results Presentation", "GHG investor presentation 1H 2015", "Chairman's statement 2014 Annual Report", "CEO's statement 2014 Annual Report", and "Annual Report 2014". Below the main menu is a "What's new" section with a "Sign-up for e-mail alerts" button and a list of news items and presentations. To the right of "What's new" is a "Galt & Taggart Reports" section listing reports like "Georgian Economy - Top Performer in the Region" and "Georgian Economy - Navigating Regional Turbulence". At the bottom of the page is a footer with copyright information and links to "Legal Notices", "Privacy Policy", and "Our Contacts".

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