

# **GROUP RESULTS AND PROPOSED DEMERGER UPDATE**

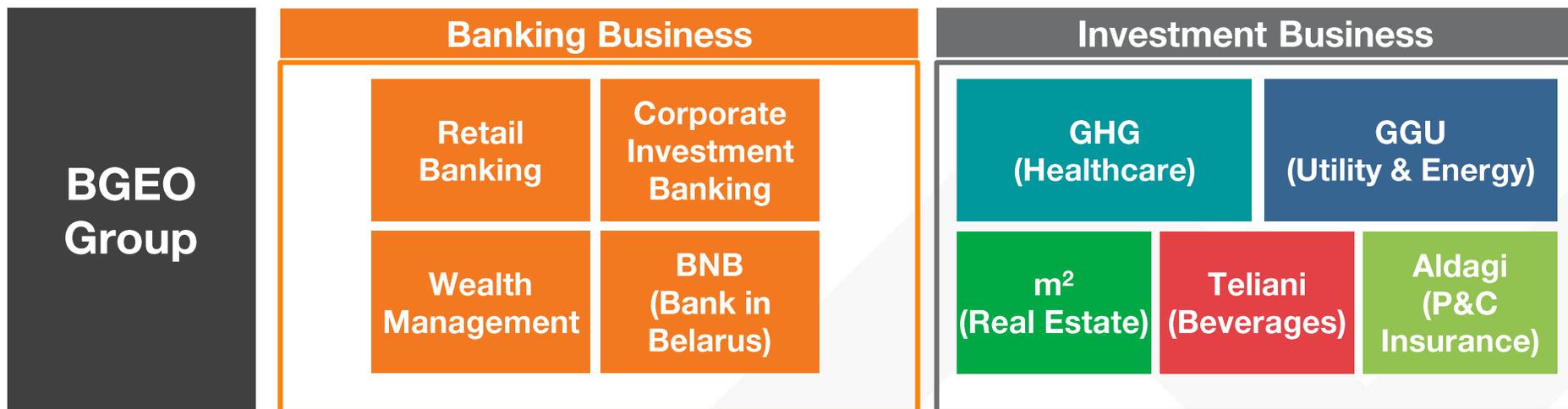
Speaker: Irakli Gilauri, Group CEO

BGEO Investor Day  
9 November 2017 | Tbilisi, Georgia

1 Group performance update – 3Q17 & 9M17

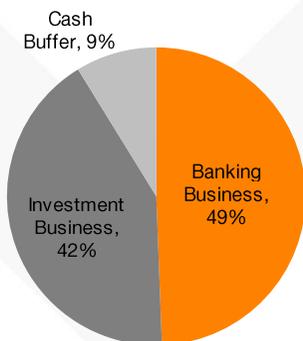
2 Update on proposed demerger

3 Q&A



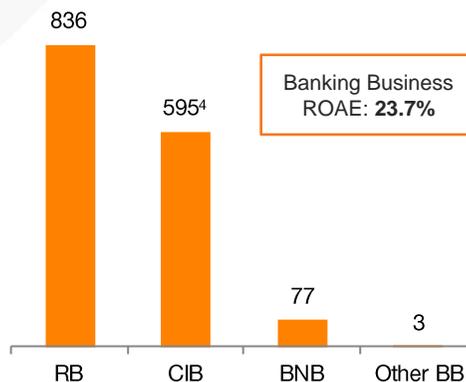
## Capital Allocation<sup>1</sup> (9M 2017, GELmIn)

Total Capital – GEL 3,075mIn

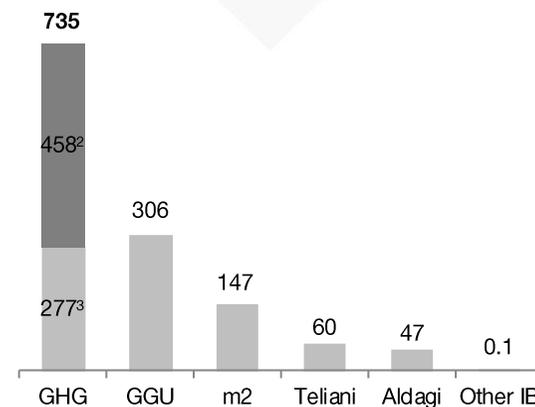


Capital allocated to BB – GEL 1,511mIn

9M17 ROAE: 29.1% (RB), 17.1% (CIB), 12.3% (BNB), n.m. (Other BB)



Capital allocated to IB – GEL 1,295mIn



1. Represents the sum of: a book value of equity attributable to shareholders of GEL 2,363mIn, GEL 458mIn market value adjustment to GHG's book value and long term debt of GEL 254mIn.  
 2. Market value of BGEO Group's equity interests in GHG as of 30 September 2017.  
 3. Book value of GHG's Equity attributable to shareholders of the BGEO Group.  
 4. Corporate Investment Banking and Wealth Management are presented together under CIB  
 5. Of GEL 269mIn Cash Buffer at 30 September 2017, GEL 10.5mIn is pledged as collateral for borrowings from Georgian commercial banks

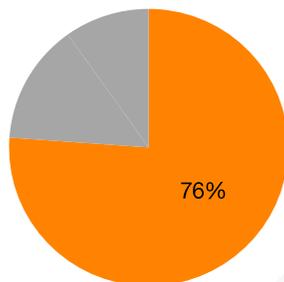


Data for 9M17  
unless otherwise stated

At a glance

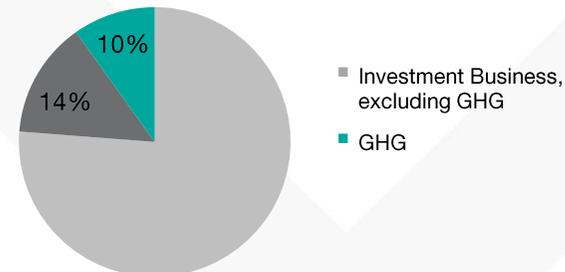
## 9M 2017 Profit - GEL 345mln

### Banking Business



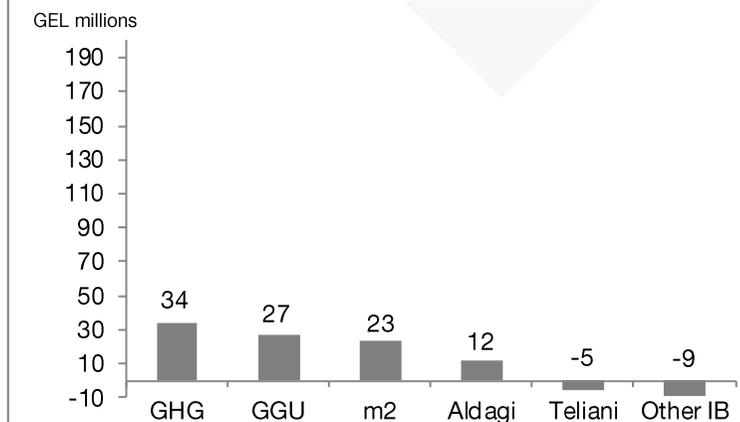
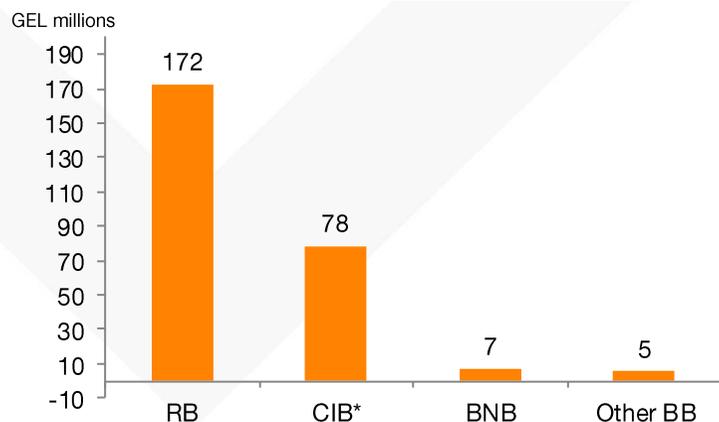
GEL 262mln

### Investment Business



GEL 83mln

By businesses



\* Corporate Investment Banking and Wealth Management are presented together under CIB

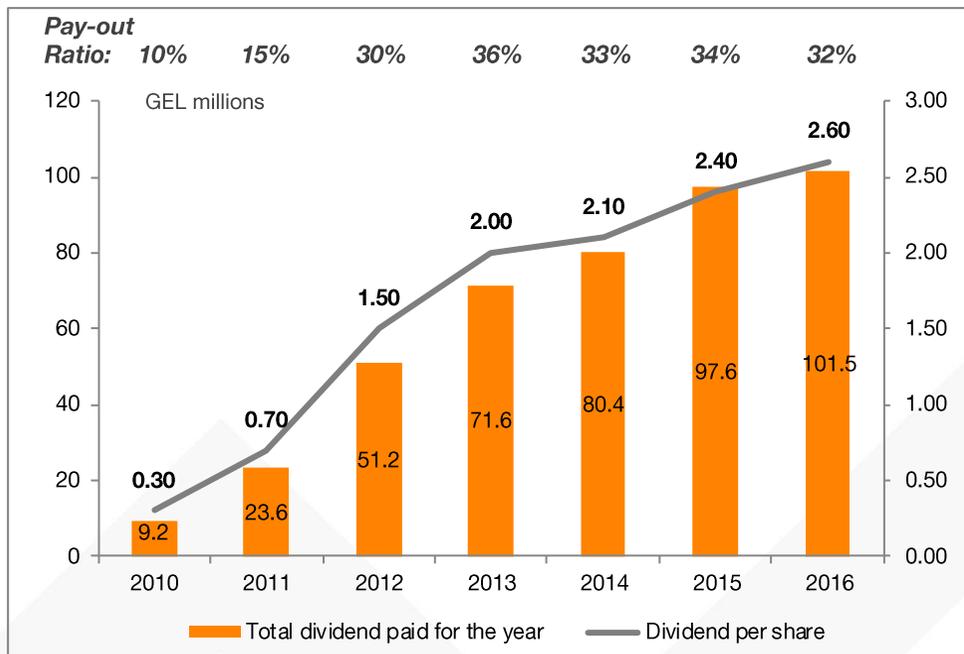
## 9M17 Performance: strong growth across all segments

Income Statement Highlights	BGEO			Banking Business			Investment Business		
	9M17	9M16	Change Y-o-Y	9M17	9M16	Change Y-o-Y	9M17	9M16	Change Y-o-Y
Revenue	960	709	35.4%	649	550	18.1%	316	167	89.0%
Operating Income before cost of credit risk / EBITDA	571	437	30.8%	406	342	19.0%	166	98	69.1%
Profit before non-recurring items and income tax	373	306	21.9%	282	245	15.2%	91	61	48.9%
Profit (normalized)*	345	281	22.7%	262	224	17.0%	82	57	45.1%

\* 9M16 Investment Business profit is presented excluding the impact of gains from deferred tax liability write-offs of GEL 27mln and GEL 32mln bargain purchase gain recorded on GGU acquisition.

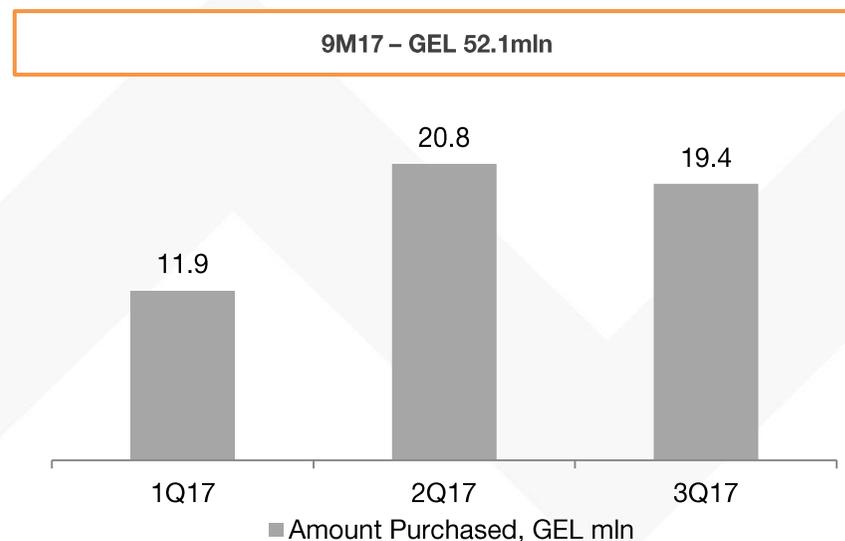
# Solid regular dividend and capital return track record

## Regular Dividends



## Capital Return

### Management Trust Buybacks and Share Buyback & Cancellation



- Linked to recurring profit from Banking Business. Aiming 25-40% dividend payout ratio
- **GEL 435.2mln** cash dividend paid since 2010 resulting in **DPS CAGR'10-16 of 43.3%** and **payout ratio above 30%** over the past 5 years

- Share buy back and cancellation program in place with **US\$45mln** repurchases remaining as of 30 September 2017

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## Two distinct entities to unlock additional long-term value for shareholders

### Structure post proposed demerger



#### Bank of Georgia

Retail  
Banking

Corporate  
Investment  
Banking

Wealth Management

BNB  
(Bank in Belarus)



#### BGEO Investments

##### Private companies

100%  
GGU  
(Utility & energy)

100%  
Aldagi  
(P&C Insurance)

72%  
Teliani Valley  
(Beverages)

100%  
M<sup>2</sup>  
(Real Estate)

##### Public companies

57%  
GHG  
(Healthcare)

9.9%  
Bank of Georgia

### Benefits of the proposed demerger

Business flexibility

Growth opportunities

Regulatory clarity and flexibility

Efficient capital structure

Improved management focus

Alignment of incentives

Investor clarity and understanding

## Proposed demerger is progressing

### Timeline

- Formal Board decision to implement demerger expected by year end
- AGM expected in April 2018
- Completion is expected by 30 June 2018

### Tax Impact

- Targeting tax efficient structure for shareholders, including UK and the US
- Engaged with HMRC on the proposed demerger related taxation matters
- Positive response from HMRC to statutory clearance application
- Based on the opinion of US tax counsel, a) shareholders of the BGEO Group should not recognize gain or loss as a result of the demerger and b) investment business is not expected to have PFIC status

### Listing and Indexation

- Bank of Georgia expected to remain in FTSE 250 post demerger
- Relevant listing procedures for BGEO Investments to be listed on LSE are in process

### Corporate Governance

- Key Board positions settled, no cross-directorships post demerger
- Strong corporate governance based on heritage of BGEO as a long-standing premium listed financial institution

### Eurobond

- BGEO continues to consider a US\$350mln bond push down to Bank of Georgia

## Robust and transparent corporate governance framework to be put in place on demerger

### Bank of Georgia



**Neil Janin**, Independent Non-Executive Chairman

*formerly a Director of McKinsey & Company, based in its Paris office, for over 27 years*



**Kaha Kiknavelidze**, Chief Executive Officer

*Formerly managing partner of Rioni Capital, Executive Director at UBS*



**David Morrison**, Senior Independent Non-executive Director

*formerly a senior partner at Sullivan & Cromwell LLP for over 28 years*



**Al Breach**, Independent Non-executive Director

*Formerly a head of research, strategist & economist at UBS Russia and CIS; economist at Goldman Sachs*



**Tamaz Georgadze**, Independent Non-Executive Director

*Formerly a partner at McKinsey & Company in Berlin, Founder of SavingGlobal GmbH*



**Hanna Loikkanen**, Independent Non-executive Director

*advisor to East Capital; over 20 years of experience working with financial institutions in Russia and Eastern Europe*



**Jonathan Muir**, Independent Non-executive Director

*CEO of LetterOne; formerly a Partner at Ernst & Young*

### BGEO Investments



**Irakli Gilauri**, Chairman and Chief Executive Officer  
*BGEO CEO since 2011; previously BOGCEO since 2006. Formerly an EBRD banker*



**Kim Bradley**, Independent Non-executive Director  
*Formerly with Goldman Sachs for over 15 years; Senior Executive at GE Capital*



**William Huyett**, Independent Non-executive Director  
*formerly a Director of McKinsey & Company, based in its Boston office, for over 28 years*



**Massimo Gesua'Sive Salvadori**, Independent Non-Executive Director  
*currently an analyst at Odey asset management, formerly with McKinsey & Company for over 9 years*

**Recruitment of additional Board members is ongoing**

# QUESTIONS?

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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 BGEO 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; corporate loan portfolio exposure risk; regional tensions; regulatory risk; cyber security, information systems and financial crime risk; investment business strategy risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this presentation and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in BGEO Group PLC's Annual Report and Accounts 2016 and in its Half Year 2017 Results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in BGEO Group PLC or any other entity, including any future entity such as BGEO Investments PLC or Bank of Georgia PLC, and must not be relied upon in any way in connection with any investment decision. BGEO Group PLC undertakes 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.