



BANK OF GEORGIA
HOLDINGS PLC

GROWTH AT THE RIGHT PRICE
LSE: BGEO

Retail Banking

Tbilisi

Speaker: Irakli Gilauri, CEO

15 November 2013

Discussion topics

Superior franchise

Retail banking financial statements

Strategic goals

Innovative channels

Superior franchise

Strong brand and scale

Total customers: 1,190,000, +210K y-o-y

Sales staff: 2,000

Branches: 199, +12 branches y-o-y

ATMs: 486, +18 y-o-y

POS terminals: 4,541, +1,013 y-o-y

Express Pay Terminals: 893, +738 y-o-y

Active online clients: 40,000

Active mobile clients: 10,000

No of cards: 926,000

Deposits: GEL 970 mln, up 30% y-o-y

Loans: GEL 1,556 mln, up 14% y-o-y

Transport pmts: +10 mln clicks per month

Segmentation

30 September 2013

Segment	Clients	Products/Client	Branches*
SME / Micro	96,631	N/A	45
Mass Affluent	6,305	5.1	11
Retail	926,164	1.5	128
Emerging Retail	161,155	2.6	65



*SME/Micro points of sale, Mass Affluent branches include 9 corners in standard branches

Discussion topics

Superior franchise

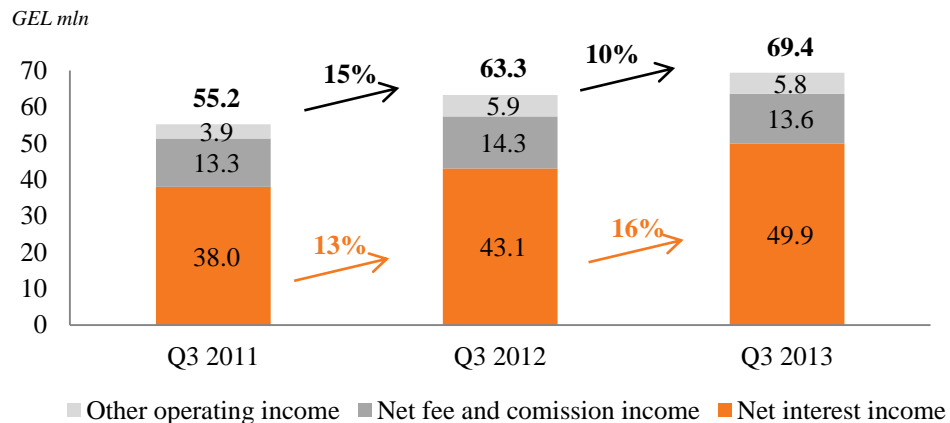
Retail banking financial statements

Strategic goals

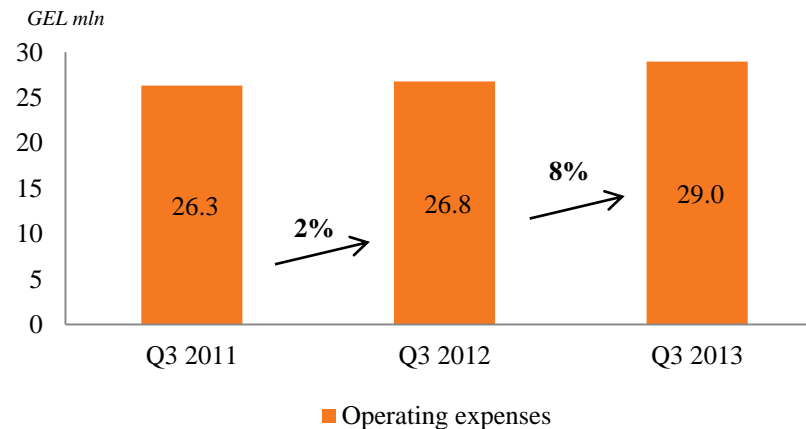
Innovative channels

Retail banking delivers profitable growth

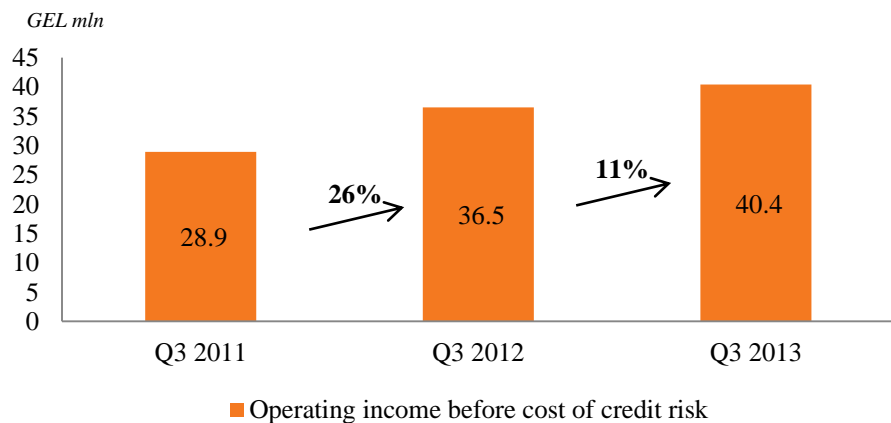
Revenue breakdown



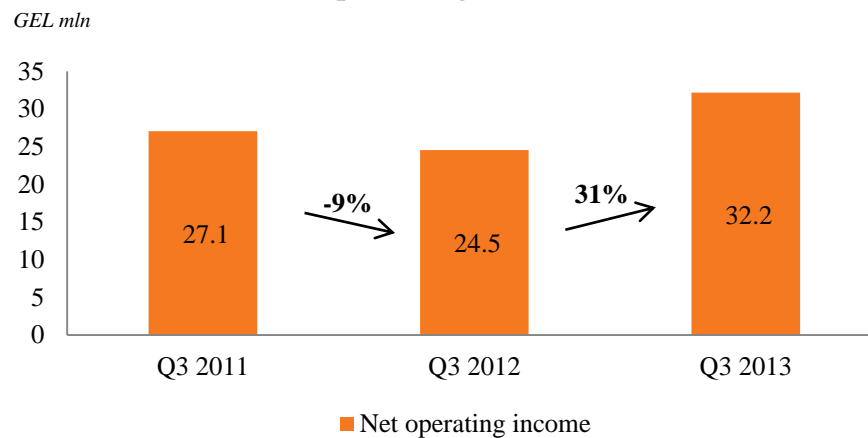
Other operating non-interest expenses



Operating income before cost of credit risk

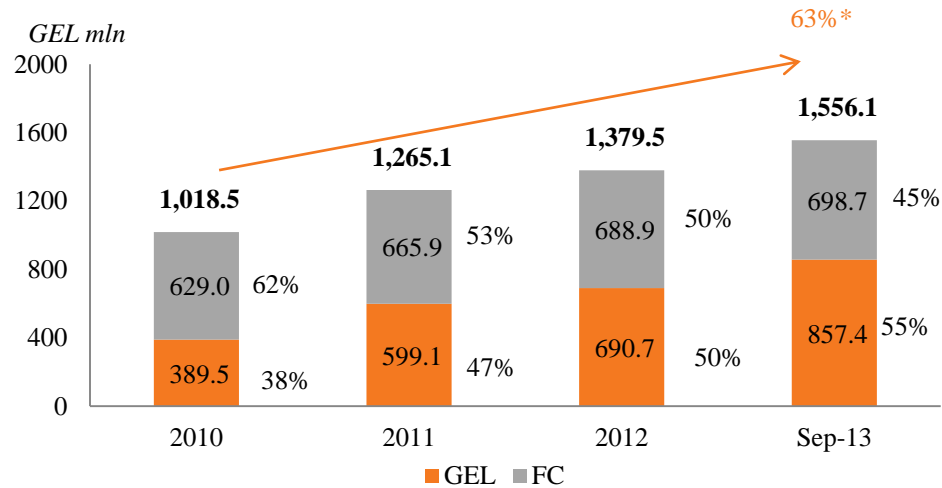


Net operating income

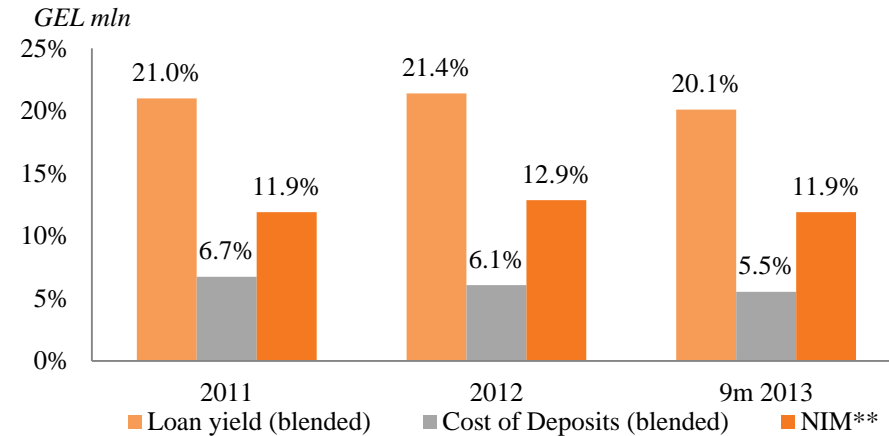


Retail banking loan portfolio, deposits and NIM

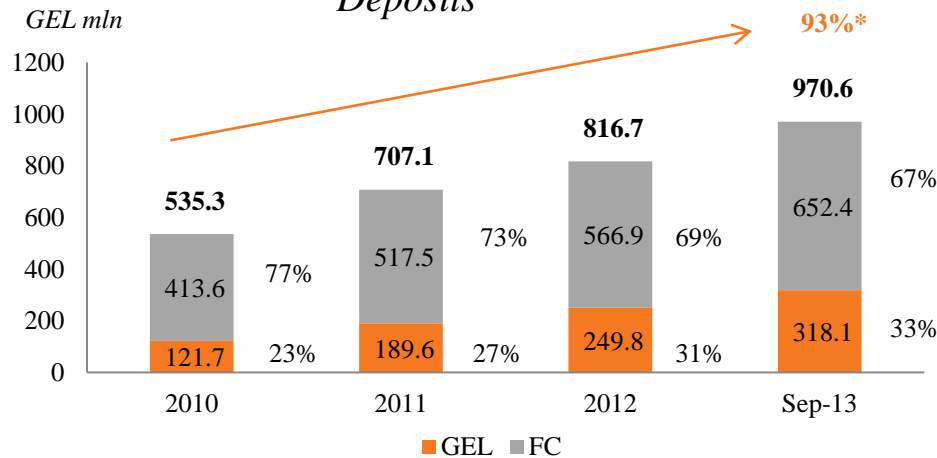
Loan portfolio



Net Interest Margin & deposit cost



Deposits

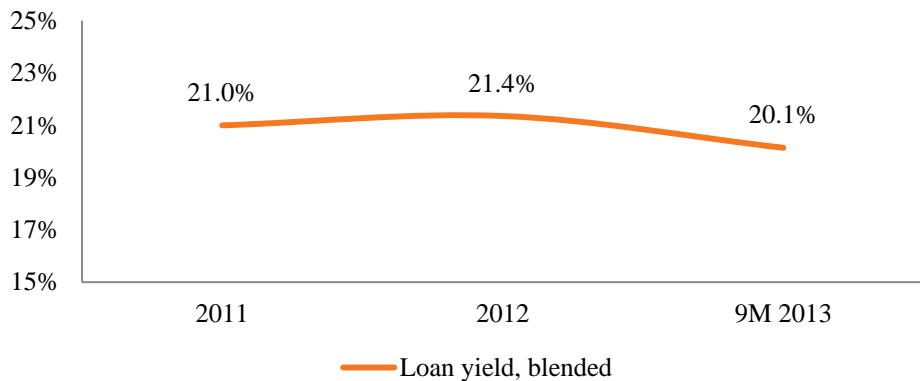


*Growth in US\$

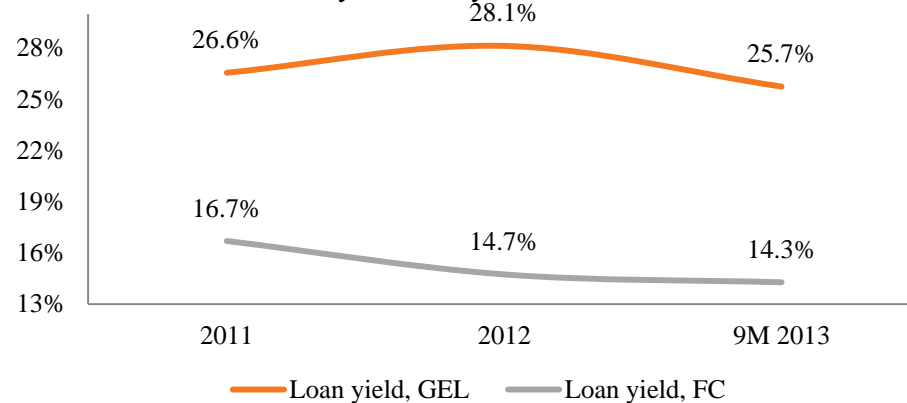
**Excludes effect of transfer pricing

Retail banking loan yields

Loan yield, currency blended

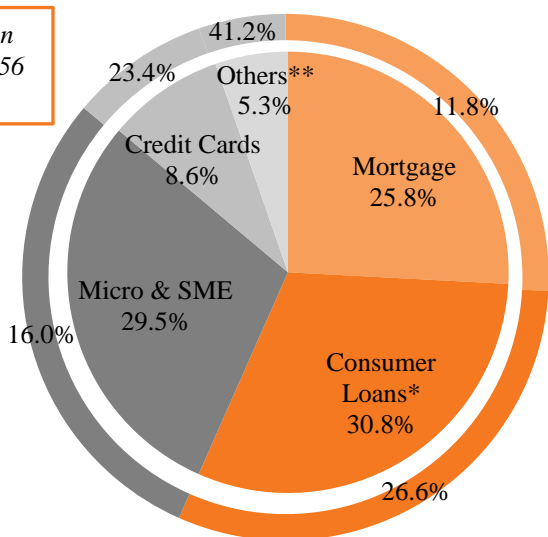


Loan yields, by currencies



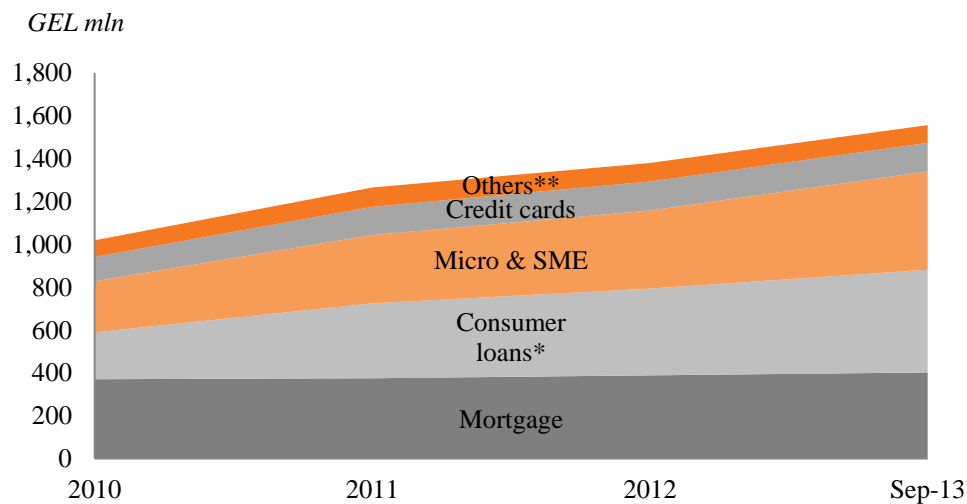
Loan book breakdown, 30 September 2013

Total RB Loan book: GEL 1,556 mln



outer layer represents loan yields for respective products

Loan book dynamics



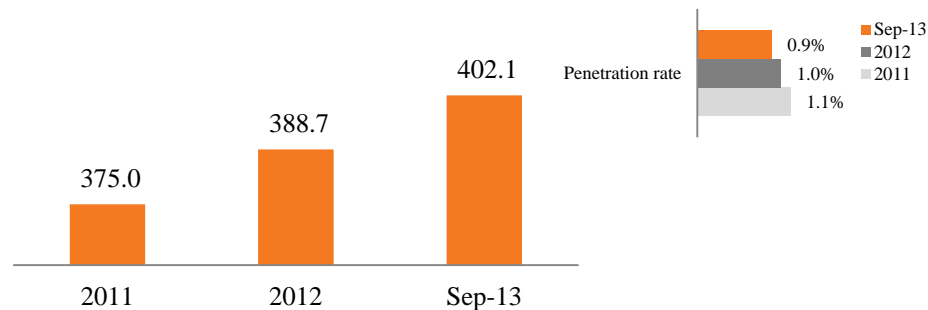
*Includes car loans

**Overdrafts and legacy loans

Retail banking loan portfolio, cont'd

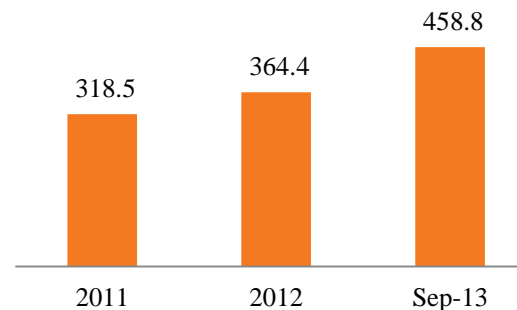
Mortgage loans

GEL mln



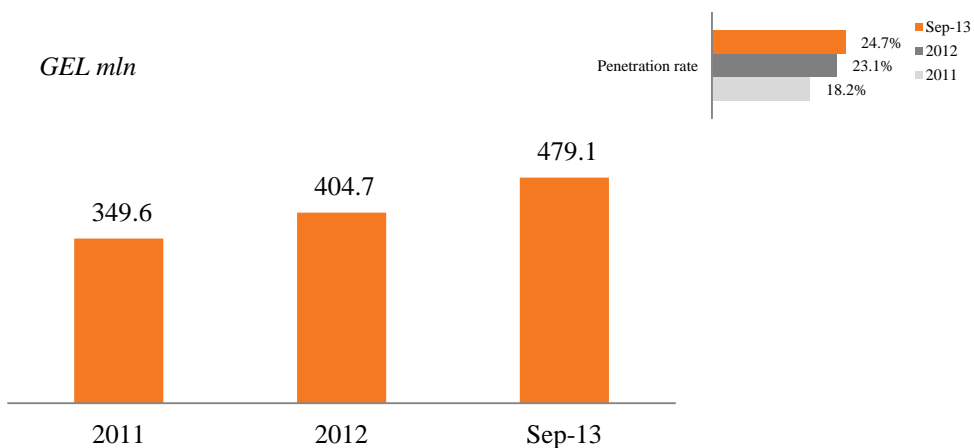
Micro & SME

GEL mln



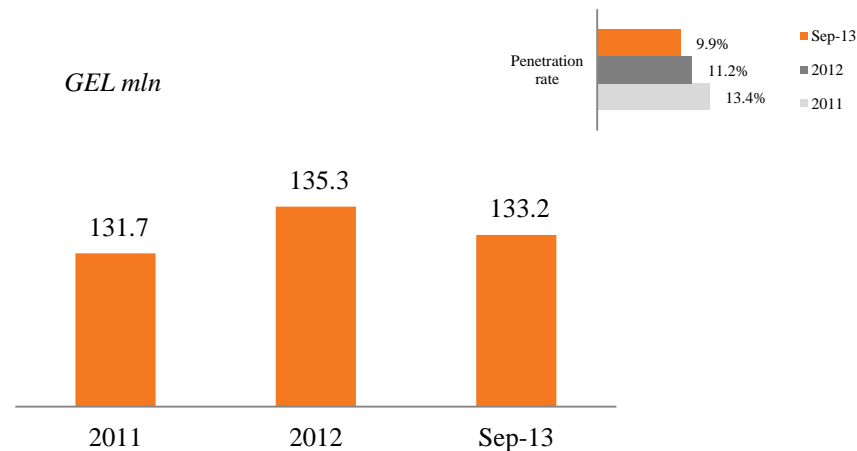
Consumer loans*

GEL mln



Credit card balances

GEL mln



*Includes car loans

Penetration rate is the number of clients using the respective product divided by the total number of individual clients

Discussion topics

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Strategic goals

Innovative channels

On a path of creating an indestructible franchise

Strategic goals

1

Further strengthen client driven franchise

2

Increase efficiency

3

Increase revenue and product per client

Key initiatives and rationale



- 📌 No need to build costly flagship branches
- 📌 Intensify the shift to transactional banking through wide-range of electronic channels
- 📌 Step-up optimisation of the centralised RB back office; we invested in IT to eliminate the document flow

- 📌 Introduce sophisticated CRM system to increase product to client ratio
- 📌 Increase penetration within our client base. Currently:
 - 📌 Mortgages – 0.9%
 - 📌 Credit Cards – 9.9%
- 📌 Differentiated product and service offering for different segments

Key strength

Segment offering

Shift to electronic channels

Superior retail franchise & segment approach

On a path of creating an indestructible franchise

Strategic goal

4

Increase revenue

5

Keep cost of risk down

6

Leadership in payments

Key initiatives and rationale

- Organic growth to come on the back of:
 - GDP growth
 - Penetration growth as individual loans to GDP is at circa 15%
 - Increase penetration within Bank of Georgia clients
- Capture emerging bankable population through Express offering

- In total we scored approximately 2.5 mln clients, which gives us superior ability to understand credit risk
- Differentiated credit underwriting systems for GEL and US\$ loans
- 55% of RB loan book in GEL compared to 38% in 2010
- Sophisticated collection IT software was introduced, which was one of the weaknesses back in 2008/09

- More people pay with cards rather than cash
- Acquiring network of 60% market share; 1 mln cards, 10mln+clicks
- AmEx exclusivity in Georgia – 106,000 cards
- Exclusive management of transportation system payment
- Introduction of Express Merchant
- 893 Express Pay terminals (from 155 as of 30 Sep 2012)

Key strength

Superior retail franchise & segment offering

Superior risk insight

Further increase fee income

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Strategic goals: Retail

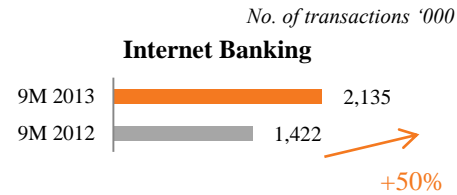
Innovative channels



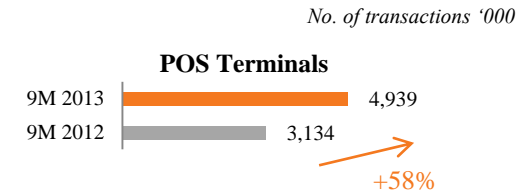
426,000+

A rise of distance channels

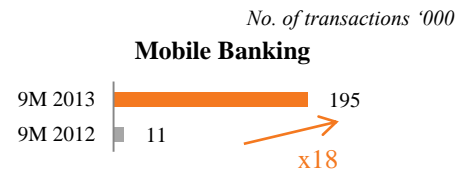
Internet banking: 40,000 active users



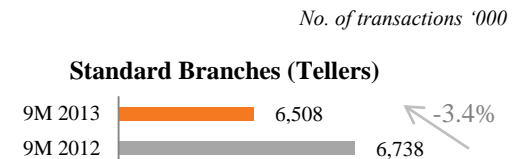
POS terminals: 4.5K throughout Georgia



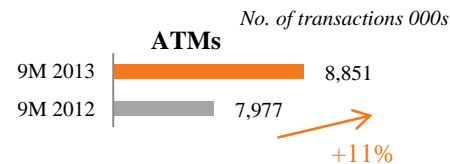
Mobile banking: 10,000 active users



Standard Branches (tellers): 134 branches



ATMs: 486 throughout Georgia



Digital corners



- Digital corners provide free tutorials for internet and mobile banking services
- Uniquely placed to benefit from internet and mobile banking's huge upside potential

How Express works

Express Branch



- ✦ Opening accounts and deposits
- ✦ Issuing loans and credit cards
- ✦ Credit card and loan repayments
- ✦ Cash deposit into accounts
- ✦ Money transfers
- ✦ Utility and other payments

Express Pay



- ✦ Credit card repayments
- ✦ Loan repayments
- ✦ Cash deposit into accounts
- ✦ Loan activation
- ✦ Utility and other payments
- ✦ Mobile top-ups
- ✦ MetroMoney top-ups



Transport



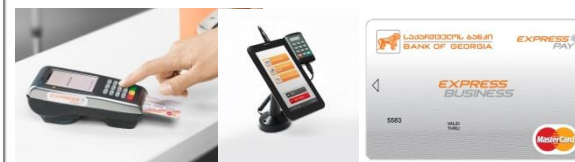
- ✦ Acts as payments card in metro, buses and mini-buses

10 Payments



1 Free Ride on Bus or Metro





Express Merchant



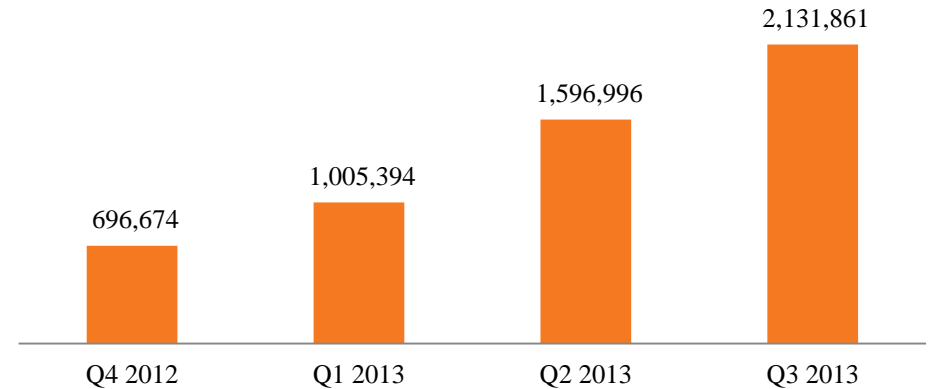
- ✦ Payments via cards and Express points
- ✦ P2P transactions between merchant and supplier
- ✦ Credit limit with 0% interest rate

Express Card

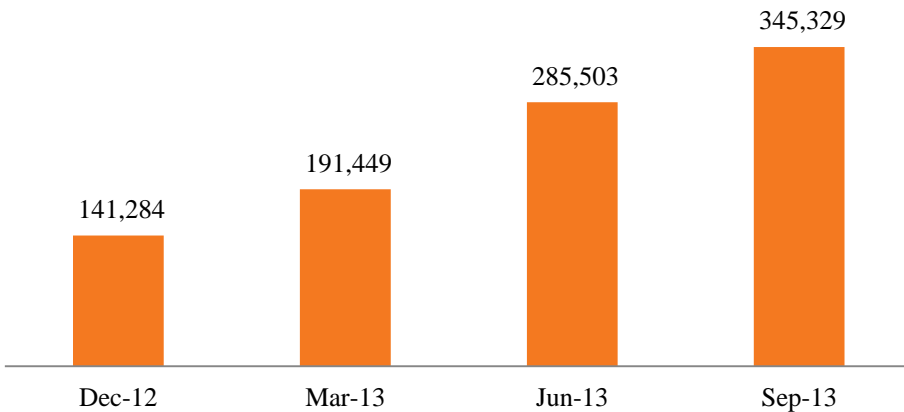


-  345K cards outstanding
-  Balance of GEL 39 mln
-  > 1 mln payments in transport per month
-  C. GEL 1 bn card payment and GEL 20 bn. cash payments

Number of transactions

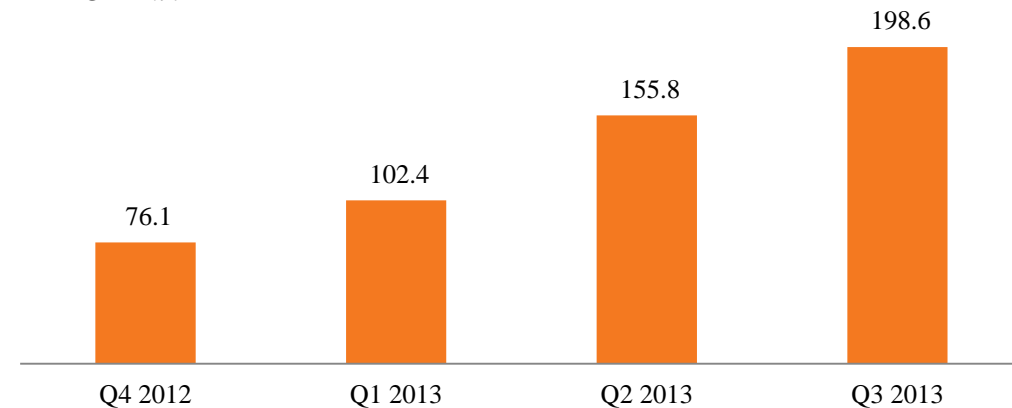


Number of cards outstanding



Volume of transactions

GEL mln



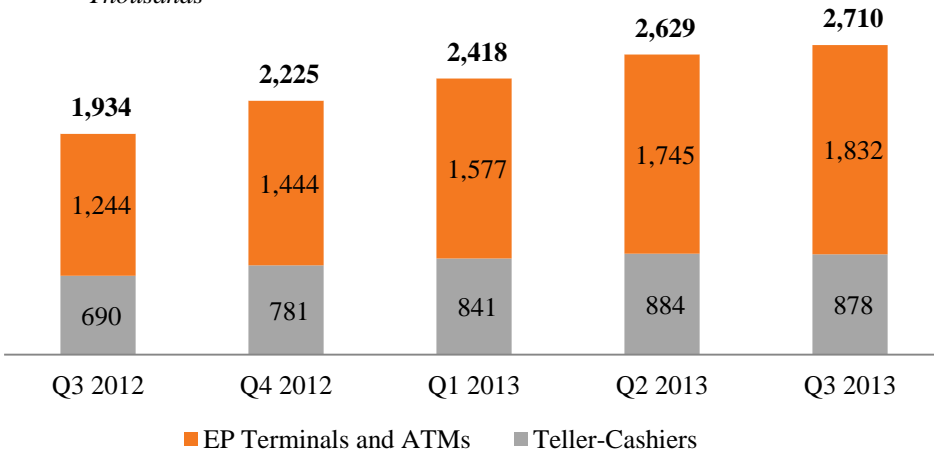
Express Branch



- 65 small format branches
- GEL 1 mln net profit per month
- 575K + banking transactions per month, up 51% y-o-y
- Average capex per one express branch: US\$50K

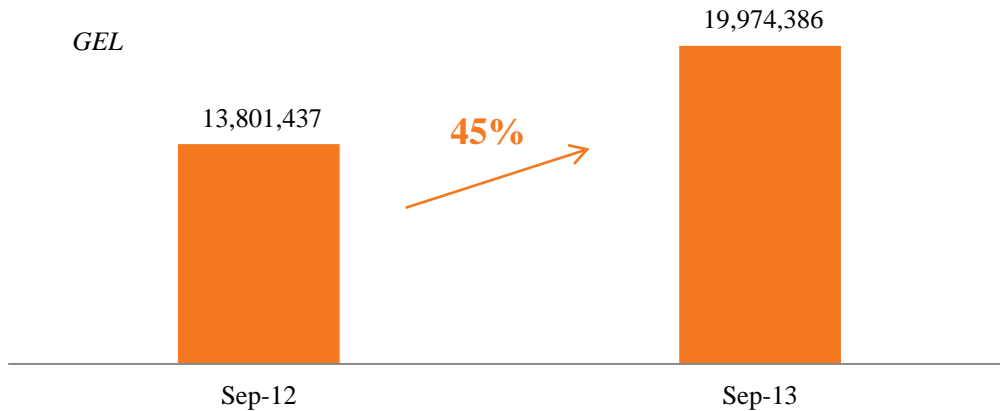
Number of transactions

Thousands



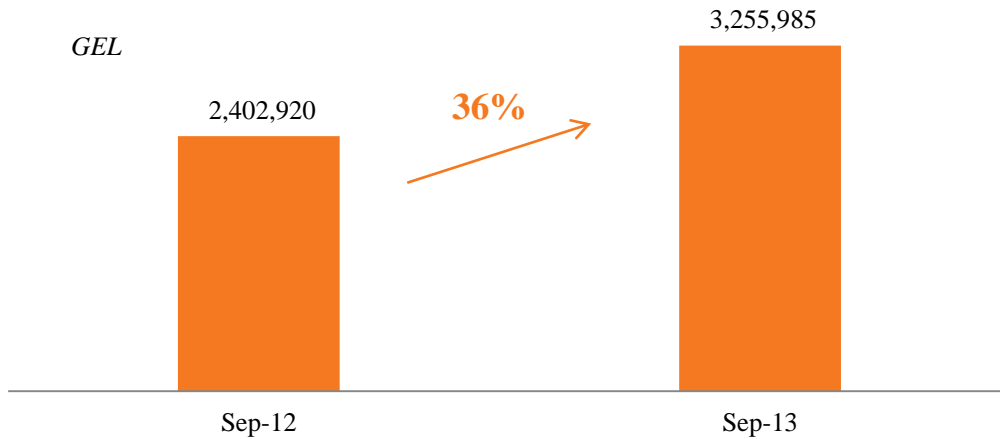
Loan book

GEL



Fee income

GEL

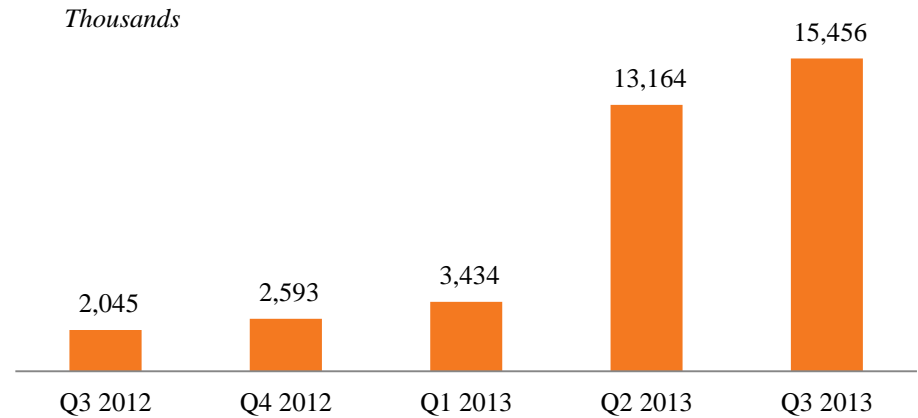


Express Pay Terminal

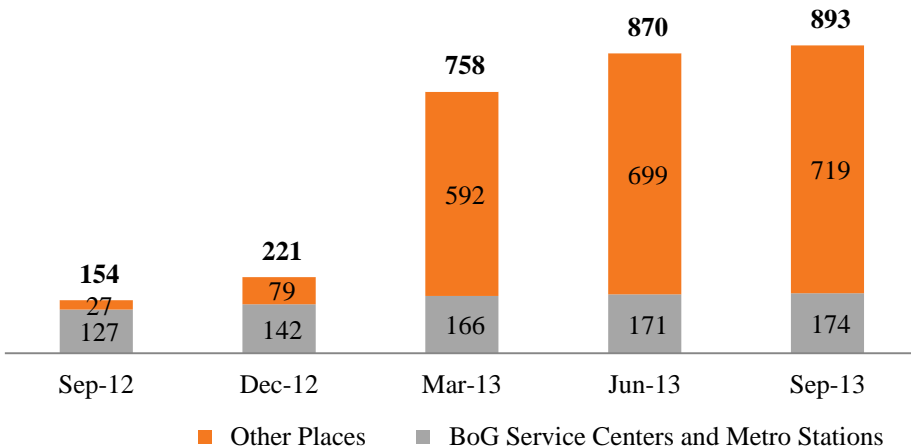


- 893 terminals
- 87 merchants and 131 services
- GEL 50 mln monthly transactions, up 422% y-o-y
- GEL 18 mln banking transactions, up 238% y-o-y
- Cost of one Express Pay Terminal: US\$2,500

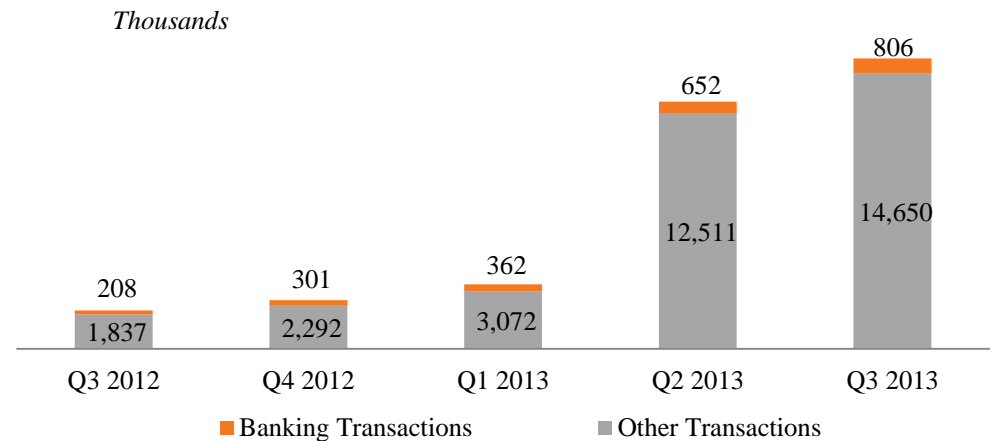
Number of transactions



Number of Express Pay Terminals






Number of banking transactions

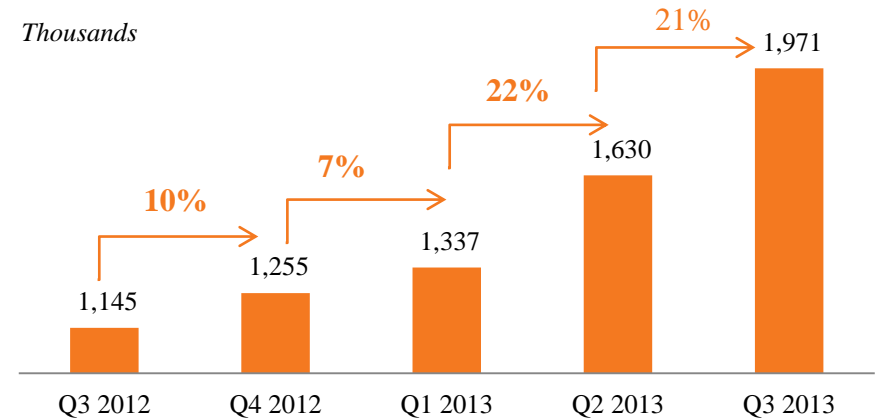


Express Merchant

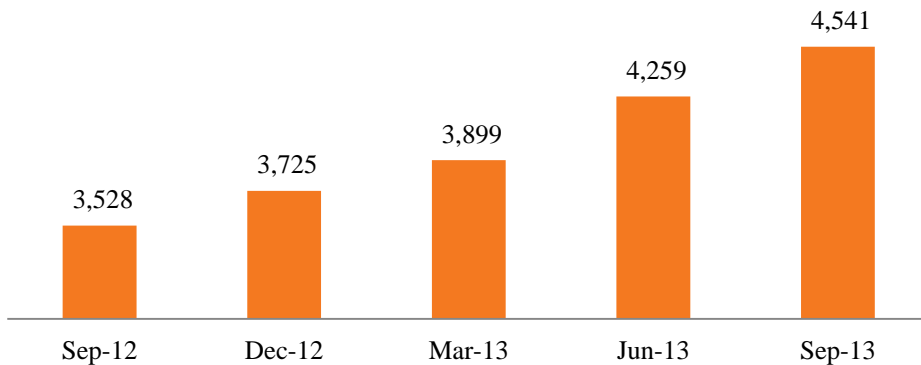


-  4.5K POS Terminals
-  >50% Market Share
-  Market Size – 10,000 Merchants

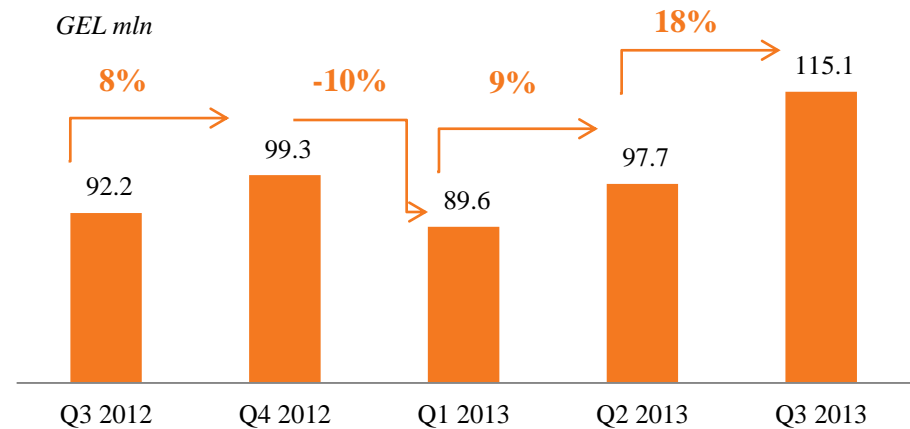
Number of transactions



Number of POS Terminals



Volume of transactions



Q&A

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This presentation contains forward-looking statements that are based on current beliefs or expectations, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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