



**BANK OF GEORGIA**

# **BANK OF GEORGIA GROUP PLC**

## **UNLOCKING SHAREHOLDER VALUE**

Investor Presentation: 1Q18 financial results

[www.bgeo.com](http://www.bgeo.com)  
[www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com)

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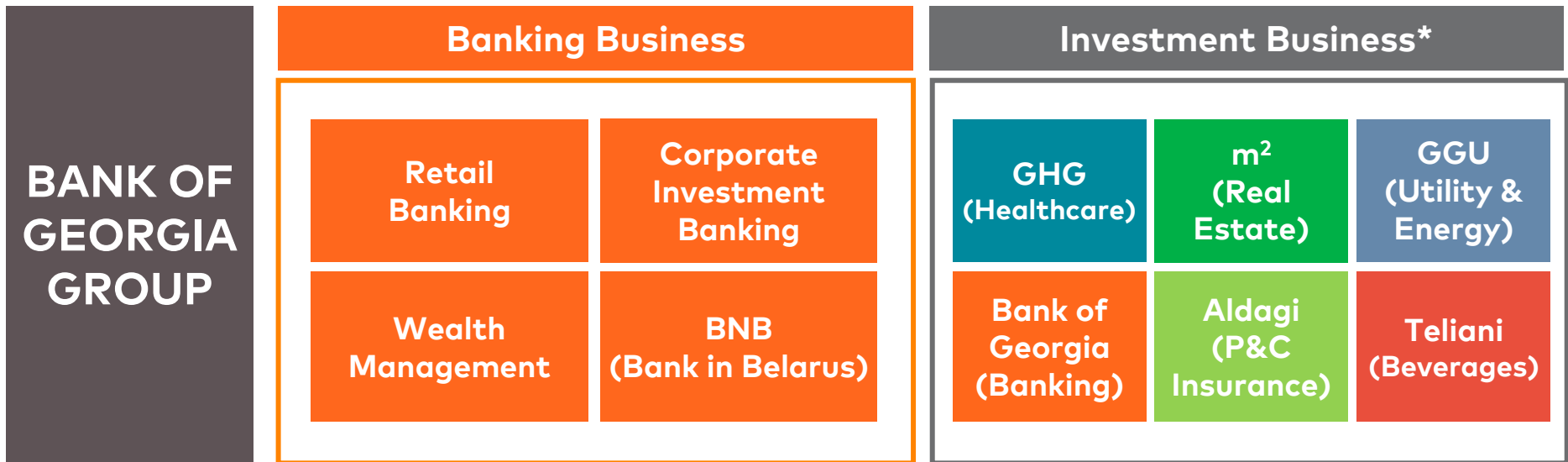
This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia 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; regional tensions and instability; regulatory risk across a wide range of industries; cyber security, information systems and financial crime risk; investment business and investment business strategy risk; risks associated with the demerger and future performance; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports of the Group, including the 'Principal Risks and Uncertainties' included in BGEO Group PLC's Annual Report and Accounts 2017. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity, including Georgia Capital PLC or any of their associated entities, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities undertake 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.

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# BANK OF GEORGIA GROUP – CURRENT STRUCTURE



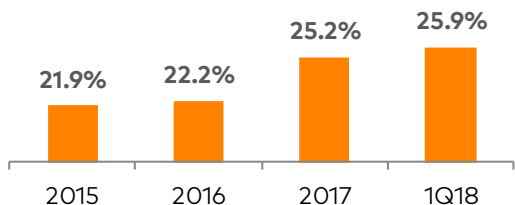


## SUCCESSFUL TRACK RECORD OF DELIVERING STRONG RESULTS

### BANKING BUSINESS

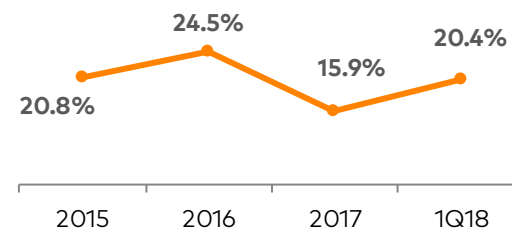
1

ROAE  
20%+



2

Loan book  
growth  
15%-20%



Solid Capital  
Return Track  
Record



#### Regular Dividends

- **Regular dividends:** 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 past 5 years



#### Management trust buybacks

- **GEL 205.9mln** share buy-backs since 2015
- In 2017 we repurchased GEL88.4mln
- In 1Q18 we repurchased GEL 28.0mln



# BANK OF GEORGIA GROUP RESULTS HIGHLIGHTS

## Quarterly Income Statement

GEL thousands unless otherwise noted	Bank of Georgia Group Consolidated					Banking Business*					Investment Business*				
	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Net banking interest income	181,114	160,335	13.0%	183,498	-1.3%	180,123	160,880	12.0%	183,124	-1.6%	-	-	-	-	-
Net fee and commission income	34,185	29,786	14.8%	36,483	-6.3%	34,511	30,193	14.3%	36,738	-6.1%	-	-	-	-	-
Net banking foreign currency gain	14,913	12,526	19.1%	28,139	-47.0%	16,015	19,700	-18.7%	27,464	-41.7%	-	-	-	-	-
Net other banking income	5,518	2,783	98.3%	12,708	-56.6%	5,744	3,016	90.5%	12,986	-55.8%	-	-	-	-	-
<b>Revenue</b>	<b>235,730</b>	<b>205,430</b>	<b>14.7%</b>	<b>260,828</b>	<b>-9.6%</b>	<b>236,393</b>	<b>213,789</b>	<b>10.6%</b>	<b>260,312</b>	<b>-9.2%</b>	-	-	-	-	-
<b>Operating expenses</b>	<b>(86,279)</b>	<b>(76,102)</b>	<b>13.4%</b>	<b>(98,612)</b>	<b>-12.5%</b>	<b>(87,379)</b>	<b>(77,054)</b>	<b>13.4%</b>	<b>(99,742)</b>	<b>-12.4%</b>	-	-	-	-	-
Profit from associates	319	514	-37.9%	255	25.1%	319	514	-37.9%	255	25.1%	-	-	-	-	-
<b>Operating income before cost of credit risk</b>	<b>149,770</b>	<b>129,842</b>	<b>15.3%</b>	<b>162,471</b>	<b>-7.8%</b>	<b>149,333</b>	<b>137,249</b>	<b>8.8%</b>	<b>160,825</b>	<b>-7.1%</b>	-	-	-	-	-
Cost of credit risk	(38,143)	(48,020)	-20.6%	(42,428)	-10.1%	(38,143)	(48,020)	-20.6%	(42,428)	-10.1%	-	-	-	-	-
<b>Profit before non-recurring items and income tax</b>	<b>111,627</b>	<b>81,822</b>	<b>36.4%</b>	<b>120,043</b>	<b>-7.0%</b>	<b>111,190</b>	<b>89,229</b>	<b>24.6%</b>	<b>118,397</b>	<b>-6.1%</b>	-	-	-	-	-
Net non-recurring items	(2,948)	(1,695)	73.9%	(213)	NMF	(2,948)	(1,695)	73.9%	(213)	NMF	-	-	-	-	-
<b>Profit before income tax expense</b>	<b>108,679</b>	<b>80,127</b>	<b>35.6%</b>	<b>119,830</b>	<b>-9.3%</b>	<b>108,242</b>	<b>87,534</b>	<b>23.7%</b>	<b>118,184</b>	<b>-8.4%</b>	-	-	-	-	-
Income tax expense	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	-	-	-	-	-
<b>Profit from continuing operations</b>	<b>99,621</b>	<b>75,720</b>	<b>31.6%</b>	<b>108,780</b>	<b>-8.4%</b>	<b>99,184</b>	<b>83,127</b>	<b>19.3%</b>	<b>107,134</b>	<b>-7.4%</b>	-	-	-	-	-
Profit from discontinued operations**	28,938	32,453	-10.8%	10,029	NMF	-	-	-	-	-	29,375	25,046	17.3%	11,675	151.6%
<b>Profit</b>	<b>128,559</b>	<b>108,173</b>	<b>18.8%</b>	<b>118,809</b>	<b>8.2%</b>	<b>99,184</b>	<b>83,127</b>	<b>19.3%</b>	<b>107,134</b>	<b>-7.4%</b>	<b>29,375</b>	<b>25,046</b>	<b>17.3%</b>	<b>11,675</b>	<b>151.6%</b>
Earnings per share (basic)	<b>3.08</b>	<b>2.64</b>	<b>16.7%</b>	<b>3.05</b>	<b>1.0%</b>	<b>2.62</b>	<b>2.17</b>	<b>20.8%</b>	<b>2.86</b>	<b>-8.3%</b>	<b>0.46</b>	<b>0.47</b>	<b>-2.5%</b>	<b>0.19</b>	<b>141.5%</b>
Earnings per share (diluted)	<b>2.98</b>	<b>2.55</b>	<b>16.9%</b>	<b>2.90</b>	<b>2.8%</b>	<b>2.54</b>	<b>2.10</b>	<b>21.0%</b>	<b>2.72</b>	<b>-6.7%</b>	<b>0.44</b>	<b>0.45</b>	<b>-2.3%</b>	<b>0.18</b>	<b>145.7%</b>

# BANK OF GEORGIA GROUP RESULTS HIGHLIGHTS



## Balance Sheet

### Bank of Georgia Group Consolidated

<i>GEL thousands unless otherwise noted</i>	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
Liquid assets	4,445,452	3,606,926	23.2%	4,373,251	1.7%
Cash and cash equivalents	1,754,920	1,285,483	36.5%	1,582,435	10.9%
Amounts due from credit institutions	941,804	1,090,111	-13.6%	1,225,947	-23.2%
Investment securities	1,748,728	1,231,332	42.0%	1,564,869	11.7%
Loans to customers and finance lease receivables	7,727,568	6,408,711	20.6%	7,690,450	0.5%
Property and equipment	324,810	1,353,661	-76.0%	988,436	-67.1%
Assets of disposal group held for distribution	2,447,592	-	NMF	1,136,417	115.4%
<b>Total assets</b>	<b>15,474,490</b>	<b>12,571,248</b>	<b>23.1%</b>	<b>15,168,669</b>	<b>2.0%</b>
Client deposits and notes	6,762,071	5,294,462	27.7%	6,712,482	0.7%
Amounts due to credit institutions	2,521,291	3,133,422	-19.5%	3,155,839	-20.1%
Borrowings from DFI	1,191,605	1,376,864	-13.5%	1,624,347	-26.6%
Short-term loans from NBG	729,244	1,005,404	-27.5%	793,528	-8.1%
Loans and deposits from commercial banks	600,442	751,154	-20.1%	737,964	-18.6%
Debt securities issued	1,524,600	1,157,082	31.8%	1,709,152	-10.8%
Liabilities of disposal group held for distribution	1,837,869	-	NMF	516,663	NMF
<b>Total liabilities</b>	<b>12,733,920</b>	<b>10,153,699</b>	<b>25.4%</b>	<b>12,436,299</b>	<b>2.4%</b>
<b>Total equity</b>	<b>2,740,570</b>	<b>2,417,549</b>	<b>13.4%</b>	<b>2,732,370</b>	<b>0.3%</b>

### Banking Business

	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
	4,514,326	3,398,385	32.8%	4,346,509	3.9%
	1,754,920	1,198,301	46.5%	1,516,401	15.7%
	955,175	970,653	-1.6%	1,216,349	-21.5%
	1,804,231	1,229,431	46.8%	1,613,759	11.8%
	7,792,108	6,470,771	20.4%	7,741,420	0.7%
	324,810	299,875	8.3%	322,925	0.6%
	-	-	-	-	-
	13,166,862	10,554,058	24.8%	12,907,678	2.0%
	7,296,110	5,622,023	29.8%	7,078,058	3.1%
	2,642,427	2,662,910	-0.8%	2,778,338	-4.9%
	1,191,605	1,143,408	4.2%	1,297,749	-8.2%
	729,244	1,005,404	-27.5%	793,528	-8.1%
	721,578	514,098	40.4%	687,061	5.0%
	1,569,404	827,025	89.8%	1,386,412	13.2%
	-	-	-	-	-
	11,596,833	9,198,592	26.1%	11,354,976	2.1%
	1,570,029	1,355,466	15.8%	1,552,702	1.1%

### Investment Business\*\*

	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q
	-	537,227	NMF	445,501	NMF
	-	359,629	NMF	374,301	NMF
	-	174,248	NMF	38,141	NMF
	-	3,350	NMF	33,059	NMF
	-	-	-	-	-
	-	1,053,786	NMF	661,176	NMF
	3,841,004	-	NMF	1,165,182	NMF
	3,841,004	2,415,485	59.0%	2,763,913	39.0%
	-	-	-	-	-
	-	532,572	NMF	377,501	NMF
	-	233,456	NMF	326,598	NMF
	-	-	-	-	-
	-	299,116	NMF	50,903	NMF
	-	335,773	NMF	357,442	NMF
	1,964,463	-	NMF	619,026	NMF
	1,964,463	1,353,402	45.1%	1,584,245	24.0%
	1,876,541	1,062,083	76.7%	1,179,668	59.1%

## Key Ratios\*

	1Q18	1Q17	4Q17
ROAA	3.1%	3.1%	3.4%
ROAE	25.9%	23.7%	27.8%
Net Interest Margin	7.0%	7.4%	7.3%
Loan Yield	13.9%	14.0%	14.3%
Liquid assets yield	3.6%	3.3%	3.4%
Cost of Funds	4.8%	4.6%	4.8%
Cost of Client Deposits and Notes	3.4%	3.5%	3.5%
Cost of Amounts Due to Credit Institutions	6.9%	6.3%	6.5%
Cost of Debt Securities Issued	7.7%	6.0%	7.8%
Cost / Income	37.0%	36.0%	38.3%
NPLs to Gross Loans to Clients	3.1%	4.6%	3.8%
NPL Coverage Ratio***	111.4%	87.1%	92.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	147.2%	126.9%	130.6%
Cost of Risk	2.1%	2.4%	2.1%
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a	12.4%
NBG (Basel III) Total Capital Adequacy Ratio	17.3%	n/a	17.9%

\* For the definitions of Key ratios, refer to page 70

\*\* Investment Business is classified as Discontinued Operations in Bank of Georgia Group PLC's 1Q18 consolidated financial statements.

Investor presentation on 1Q18 Results discussion of Investment Business can be found on the Group's website at [www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com) or [www.bgeo.com](http://www.bgeo.com).

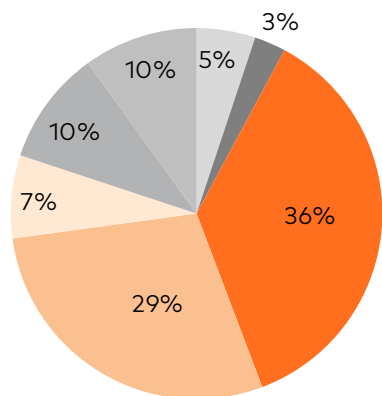
\*\*\* NPL Coverage Ratio adjusted for IFRS 9 was 102.9% at 31 December 2017

# GROUP SHAREHOLDER STRUCTURE AND SHARE PRICE



## Shareholder structure

As of 31 March 2018



- Unvested and unawarded shares for management and employees
- Vested shares held by management and employees
- US/Canada
- UK/Ireland
- Scandinavia
- Luxembourg
- Others

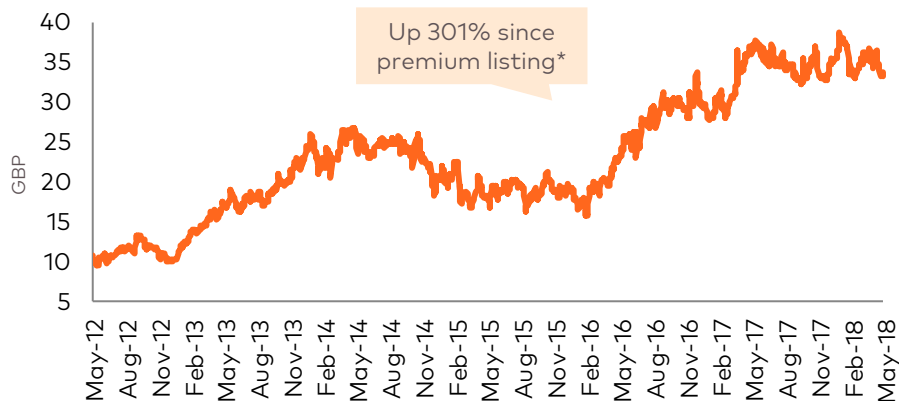
## Top shareholders

As of 31 March 2018

Rank	Shareholder name	Ownership
1	Harding Loevner LP	8.42%
2	Schroder Investment Management	4.79%
3	LGM Investments Ltd	3.59%
4	Norges Bank Investment Management	3.13%
5	Dimensional Fund Advisors (DFA)	3.00%

The Group has been included in the **FTSE 250** and **FTSE All-share Index Funds** since 18 June 2012

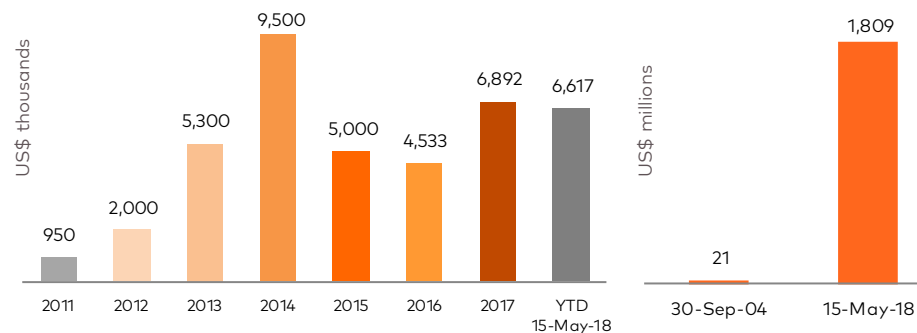
## Share price performance



## x86 growth in market capitalisation

Average daily trading volume\*\*

Market capitalisation\*\*







## Robust Corporate Governance based on UK Corporate Governance Code



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

Experience: formerly Director at McKinsey & Company in Paris; formerly co-chairman of the commission of the French Institute of Directors (IFA); formerly Chase Manhattan Bank in New York and Paris



### **Kaha Kiknavelidze, Chief Executive Officer**

Experience: with the Group since 2008; originally joined as member of the Bank's Supervisory Board and Audit Committee; formerly: managing partner of Rioni Capital, Executive Director at UBS



### **Hanna Loikkanen, Senior Independent Non-Executive Director**

Experience: currently advisor to East Capital Private Equity AB; Non-Executive Director of PJSC Rosbank; formerly: Senior executive at East Capital, FIM Group Russia, Nordea Finance, SEB



### **Al Breach, Independent Non-Executive Director**

Experience: Director of Gemsstock Ltd, The Browser and Furka Holdings AG, and advisor to East Capital; formerly: Head of Research, Strategist & Economist at UBS Russia and CIS, economist at Goldman Sachs



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

Experience: Executive Director and founder of Raisin GmbH (formerly SavingGlobal GmbH); formerly: Partner at McKinsey & Company in Berlin, aide to President of Georgia



### **Jonathan Muir, Independent Non-Executive Director**

Experience: CEO of LetterOne Holdings SA and of LetterOne Investment Holdings; formerly: CFO and Vice President of Finance and Control of TNK-BP, Partner at Ernst & Young



### **Cecil Quillen, Independent Non-Executive Director**

Experience: Partner at Linklaters LLP with nearly 29 years of experience in working on a broad spectrum of securities and finance matters

# HIGHLY EXPERIENCED MANAGEMENT TEAM



Senior Executive Compensation Policy will continue to apply to top executives and envisages long-term deferred and discretionary awards of securities and no cash bonuses to be paid to such executives



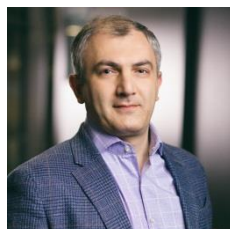
## **Kaha Kiknavelidze, Chief Executive Officer**

With the Group since 2008. Originally joined as member of the Bank's Supervisory Board and Audit Committee. Kaha founded and managed Rioni Capital Partners LLP, a London-based investment management company until his appointment as a CEO of the Bank. Kaha has served in a number of roles at UBS and Troika Dialog. Holds an MBA from Emory University.



## **David Tsiklauri, Chief Financial Officer**

Joined the Group as Deputy CEO in charge of Corporate Investment Banking in 2017 from TBC, where he was a Deputy CEO in charge of Corporate Banking since 2014. Before joining TBC Bank, David served as the Vice President of the Capital Markets and Treasury Solutions team at Deutsche Bank. Holds an MBA from London Business School.



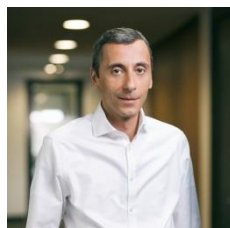
## **Levan Kulijanishvili, Deputy CEO, Operations**

With the Group since 1997. Joined as a Junior Financial Analyst of the Bank. Held various senior positions, including Deputy CEO in charge of finance, Head of Internal Audit, Head of Financial Monitoring, Head of Strategy and Planning, and Head of the Financial Analysis. Holds an MBA from Grenoble Graduate School of Business



## **George Chiladze, Deputy CEO, Chief Risk Officer**

With the Group since 2008. Joined as a Deputy CEO in charge of finance at the Bank. Left the Group in 2011 and rejoined in 2013 as Deputy CEO, Chief Risk Officer. Prior to rejoining the Group, he was Deputy CEO at the Partnership Fund. Prior to returning to Georgia in 2003, he worked at the programme trading desk at Bear Stearns in New York City. Holds a PhD in physics from Johns Hopkins University in Baltimore, Maryland.



## **Mikheil Gomarteli, Deputy CEO, Emerging and Mass Retail Banking**

With the Group since 1997. Mikheil is a textbook professional growth story made possible in our Group – he developed his way from selling debit cards door-to-door to successfully leading our Retail Banking franchise for over ten years now. Holds an undergraduate degree in Economics from Tbilisi State University.



## **Ramaz Kukuladze, Deputy CEO, SOLO and MSME Banking**

With the Group since 2006. Joined as Deputy CEO, Corporate Banking. Left the Group in 2009 and rejoined the Group in February 2017. Prior to rejoining the Group, Ramaz held the role of Chief Commercial Officer and Deputy CEO at Bank Republic since 2013. Holds an MBA from IE Business School.



## **Vasil Khodeli, Deputy CEO, Corporate Investment Banking**

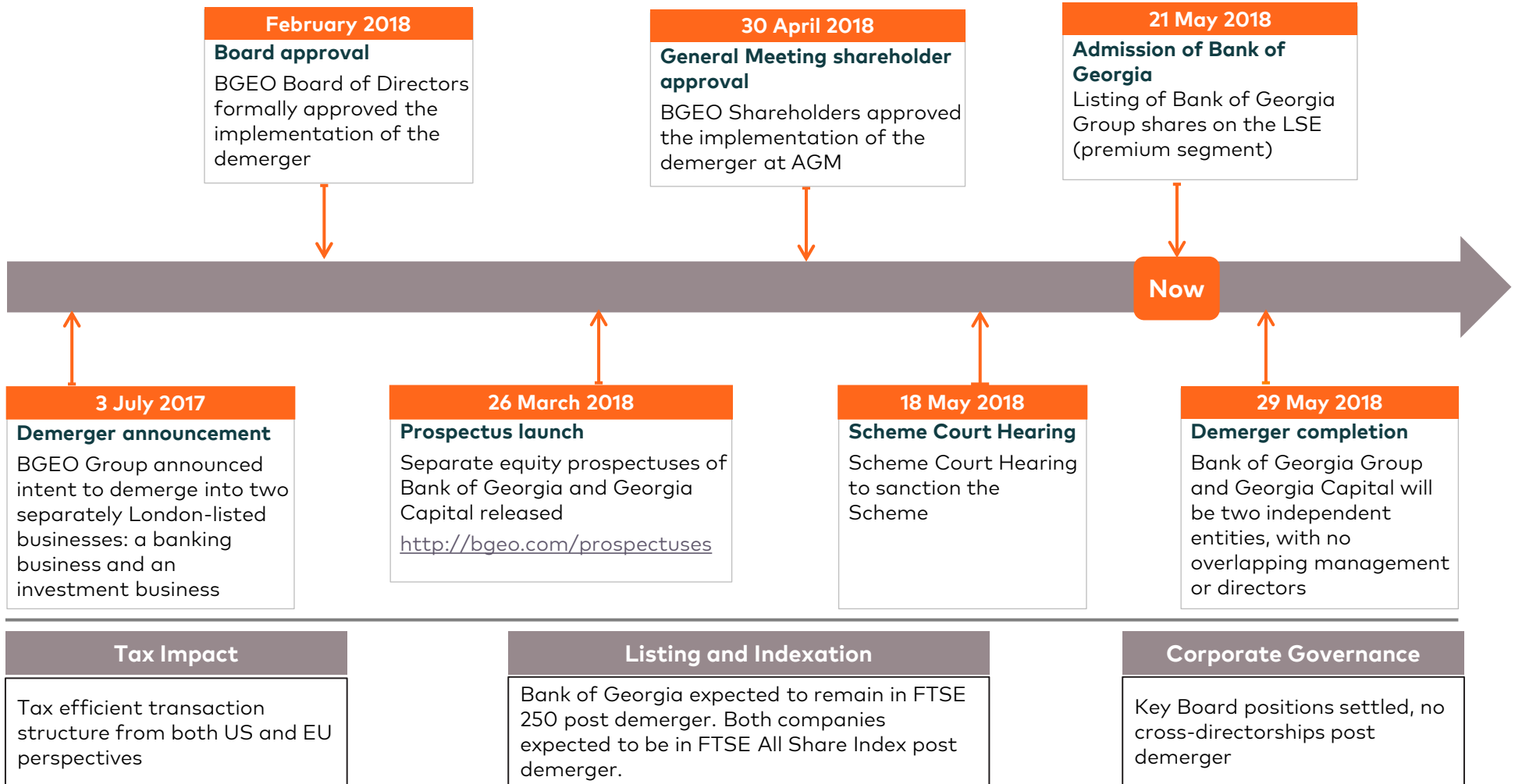
With the Group since 1998. Previously served as Head of Corporate Banking of the Bank since 2004. He has more than 20 years of banking experience and has held various roles with the Group. Holds an MBA from Grenoble Business School.



## **Vakhtang Bobokhidze, Deputy CEO, Information Technologies**

With the Group since 2005. Joined as Quality Control Manager. Left the Group in 2010 and rejoined the Group in December 2010. Prior to being appointed as Deputy CEO, served as Head of IT Department since 2016. Holds an MBA from Tbilisi State University.

# UPDATE ON THE BGEO DEMERGER PROGRESS





Bank of Georgia	Georgia Capital	Overall
<p><b>More business:</b></p> <ul style="list-style-type: none"> <li>Enhanced flexibility and stronger focus on further expansion of corporate franchise and growth of corporate clients</li> <li>Opportunity to gain access to Georgia Capital's portfolio companies</li> </ul> <p><b>Higher efficiency:</b></p> <ul style="list-style-type: none"> <li>More efficient capital structure, financing and balance sheet</li> <li>Less regulatory scrutiny and disclosure requirements</li> </ul>	<ul style="list-style-type: none"> <li><b>The only professionally managed publicly listed investment company</b> in Georgia</li> <li><b>Wider access to investment opportunities:</b> ability to establish more efficient and direct dialogue with Georgian corporates</li> <li>Enhanced flexibility to allocate capital and pursue growth strategy more effectively</li> <li>As a separate entity, Georgia Capital would not be subject to the banking regulatory regime thereby improving its ability and flexibility to allocate capital, take advantage of various investment opportunities and better execute its growth strategy</li> </ul>	<p><b>Clear play</b></p> <ul style="list-style-type: none"> <li>Two leaders in their respective sectors which are strongly positioned to pursue significant growth opportunities coming from rapidly growing Georgian economy</li> <li>Independent and more focused management teams with management rewards more directly aligned with business and stock market performance</li> <li>Separate and more focused companies with clearer strategy and separate market valuations</li> <li>Optionality for investors to make own choice when taking investment decisions:             <ul style="list-style-type: none"> <li>Pure play banking story in Georgia</li> <li>Diversified investment vehicle in Georgia</li> </ul> </li> </ul>

## Benefits of the Demerger

Business flexibility	Growth opportunities
Investor clarity and understanding	Efficient capital structure
Improved management focus	Alignment of incentives

# TWO DISTINCT LONDON-LISTED ENTITIES POST DEMERGER



**Industry-leading systemically important universal bank focused on Georgia**

<b>Retail Banking</b>	<b>Corporate and Investment Banking</b>
<b>Wealth Management</b>	<b>BNB (Bank in Belarus)</b>

**Diversified holding company focused on investing in and developing businesses in Georgia**

LSE listed	Private	
57% <b>GHG</b> (Healthcare)	100% <b>m<sup>2</sup></b> (Real Estate)	100% <b>GGU</b> (Utilities & Energy)
19.9% <b>Bank of Georgia</b>	100% <b>Aldagi</b> (P&C Insurance)	76% <b>Teliani Valley</b> (Beverages)

**Both strategies remain largely unchanged**

**Bank of Georgia strategy is expected to remain largely unchanged:**

- Return on average equity of over 20%
- Growth of banking business customer lending by 15%-20%
- Maintaining a strong capital base and liquidity position
- Targeting a dividend payout in the 25-40% of earnings range

**Georgia Capital will continue to pursue the same dividend and capital returns policy as the Investment Business of BGEO Group:**

- Capitalise on Georgia's fast-growing economy with opportunities in a number of underdeveloped sectors
- Target a minimum IRR of 25%
- Retain its current capital return policy - buyback and cancel its shares
- Consider potential exits, starting with GGU IPO in 2-3 years' time

**Both entities will maintain strong corporate governance standards**

- Kaha Kiknavelidze as CEO will continue to lead Bank of Georgia
- Neil Janin, currently the Non-Executive Chairman of BGEO Group, will become the Non-Executive Chairman of Bank of Georgia

- The senior management team of Georgia Capital will be led by Irakli Gilauri as Chairman and CEO
- The Board of Georgia Capital will maintain strong corporate governance standards and a talented team of high calibre independent directors

# CONTENT



- **Overview** | Bank of Georgia Group PLC **4**
- **Results Discussion** | Banking Business **15**
- **Georgian Macro Overview** **40**
- **Appendices** **61**

# THE LEADING BANK IN GEORGIA

Sustainable growth combined with strong capital, liquidity and robust profitability



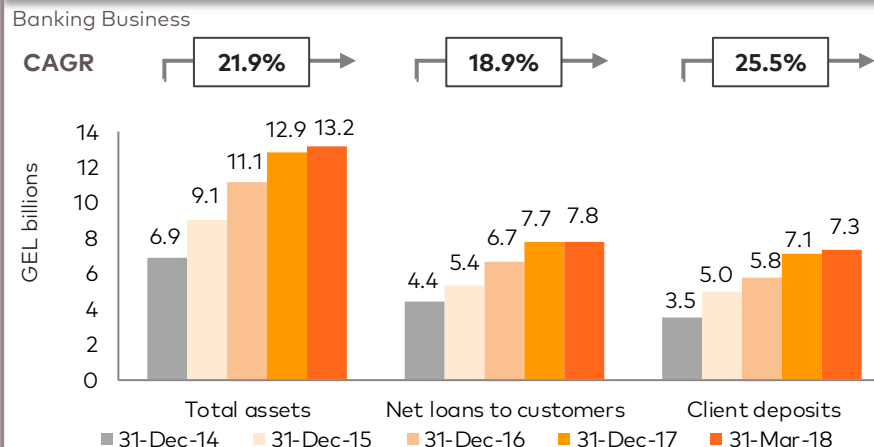
## BOG – Premium Bank in Attractive Banking Sector

- **Top Systemically important financial institution in Georgia**
- **Leading market position in Georgia by assets (36.2%)**, loans (33.3%), client deposits (35.4%) and equity (28.6%) as of 31 March 2018\*
- **Market with stable growth perspectives:** Real GDP average annual growth rate of 4.6 % for 2007-1Q18; 5.0% real GDP growth in 2017 and 5.2% growth in 1Q18 according to Geostat. Loans/GDP grew from 8.8% to 56.2% in the period of 2003-1Q18; Deposits/GDP grew from 8.4% to 50.6% over the same period
- **Strong brand name recognition and retail banking franchise:** Offers the broadest range of financial products to the retail market through a network of 277 branches, 842 ATMs, 2,825 Express Pay Terminals and 2.4 million customers as of 31 March 2018
- **Sustainable high profitability** with average ROAE of c.20% over the last three years on the back of strong NIM, low cost of risk and stringent cost control
- **Resilient credit profile:** Well-capitalised, diversified and high quality loan book and strong liquidity profile
- **High standards of transparency and governance:** The first entity from Georgia 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

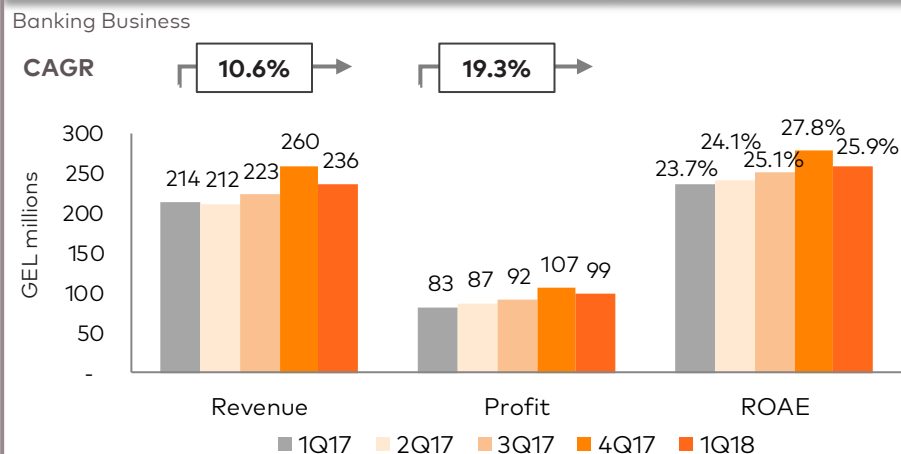
## Credit ratings from global rating agencies

Rating Agency	Rating	Outlook	Affirmed
MOODY'S	Ba3/Ba2	Stable	14-Feb-18
FitchRatings	BB-	Positive	23-Apr-18

## Balance Sheet Highlights



## Income Statement Highlights

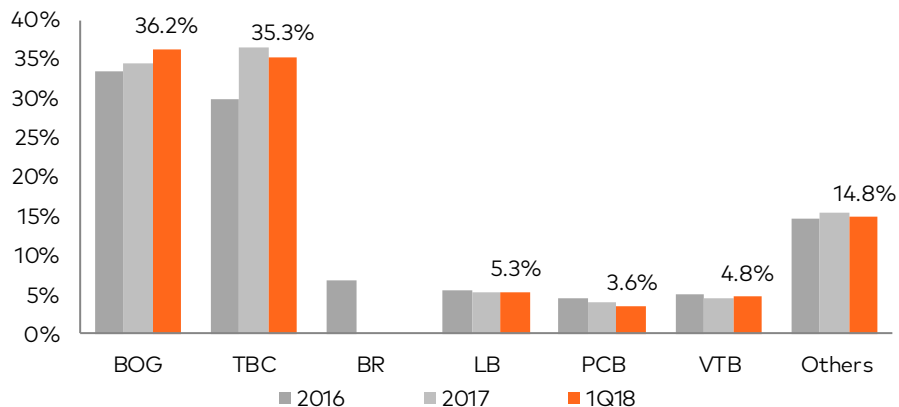


# THE COMPETITION

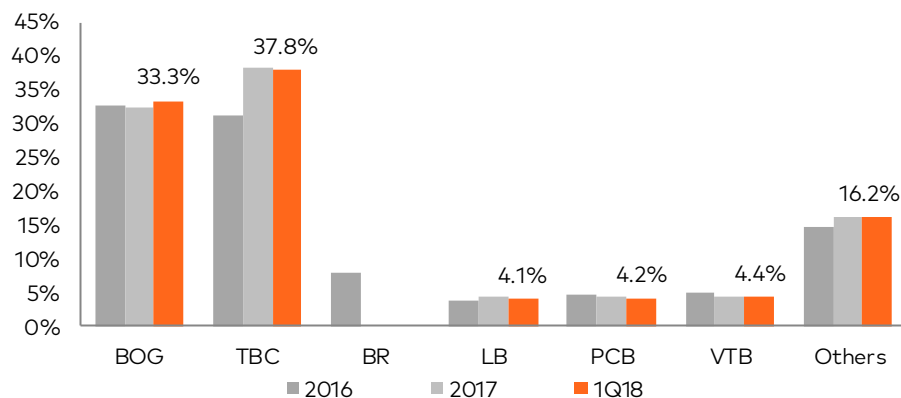
Leading market position in Georgia by assets (36.2%), loans (33.3%), client deposits (35.4%) and equity (28.6%)



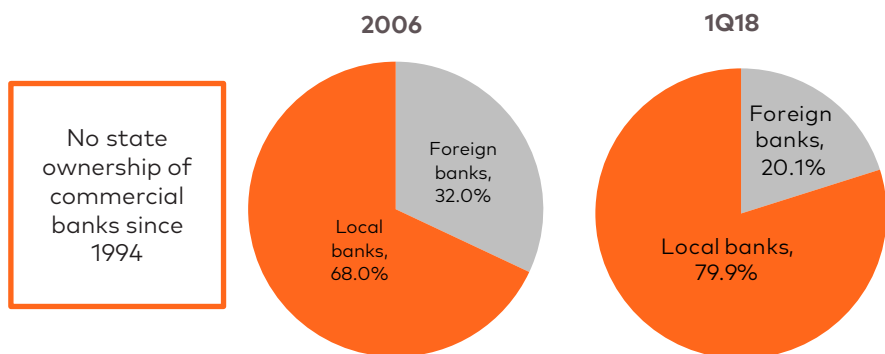
## Peer group's market share in total assets



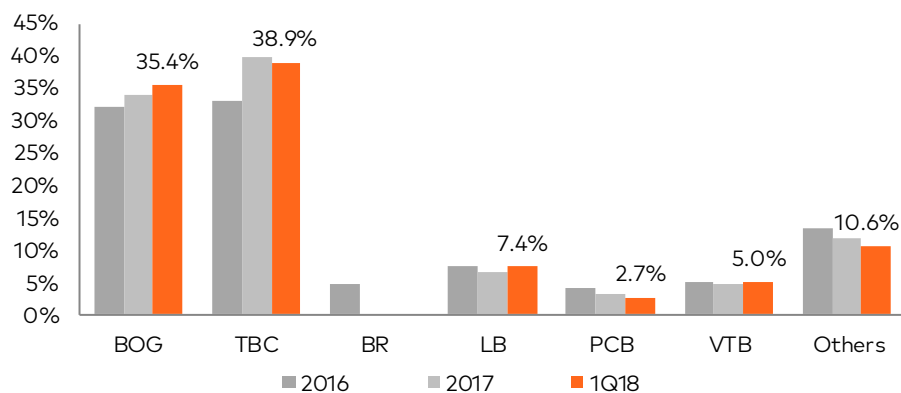
## Peer group's market share in gross loans



## Foreign banks market share by assets



## Peer group's market share in client deposits





# BANKING BUSINESS TARGETS AND PRIORITIES

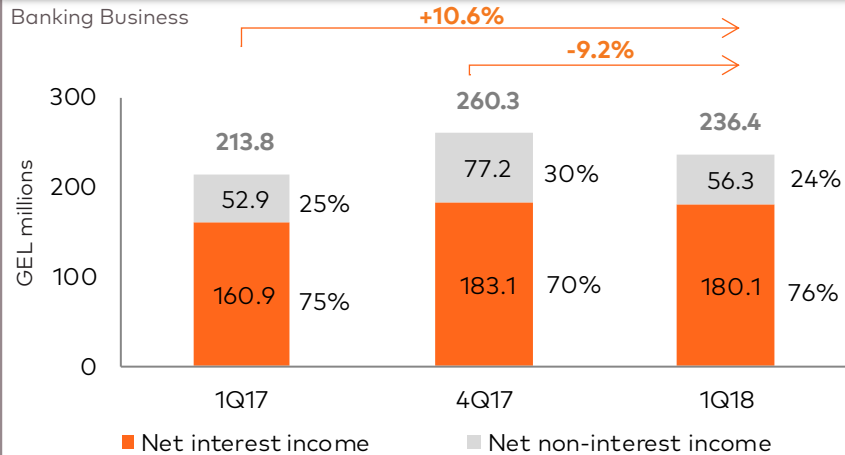


		Targets	1Q18	1Q17
KEY TARGETS	1 ROAE	20%+	25.9%	23.7%
	2 Banking Business loan book growth	15% - 20%	20.4%	19.9%
PRIORITIES	1 Increase Mass Retail product to client ratio	3.0	1.8	1.7
	2 Increase number of Solo clients	To 40,000	35,803	21,657
	3 Become a regional private banking hub	AUM: GEL 2.5bln	1.8bln	GEL 1.6bln
FINANCIAL METRICS	1 NIM	7%+	7.0%	7.4%
	2 Cost / income	c.35%	37.0%	36.0%
	3 NPL coverage ratio	80-120%	111.4%	87.1%
	4 Cost of risk (through the cycle)	c.2.0%	2.1%	2.4%
	5 Dividend payout ratio	25-40%	2017: 32%	2016: 32%

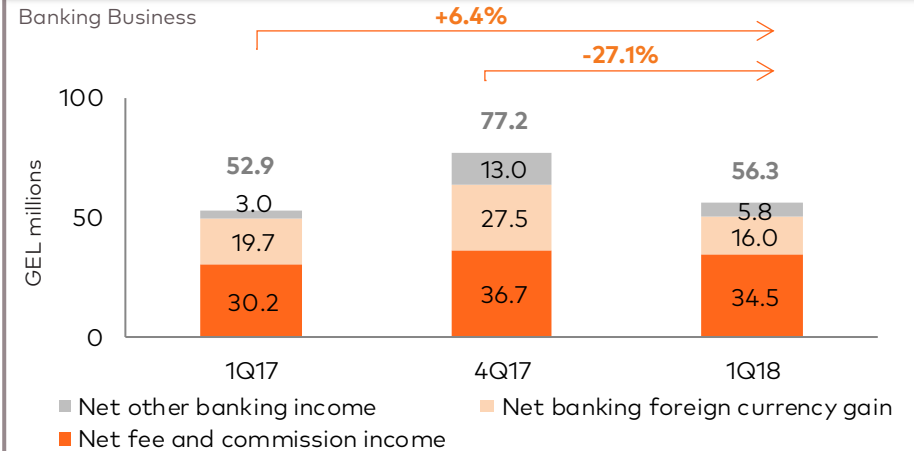
# STRONG UNDERLYING PERFORMANCE



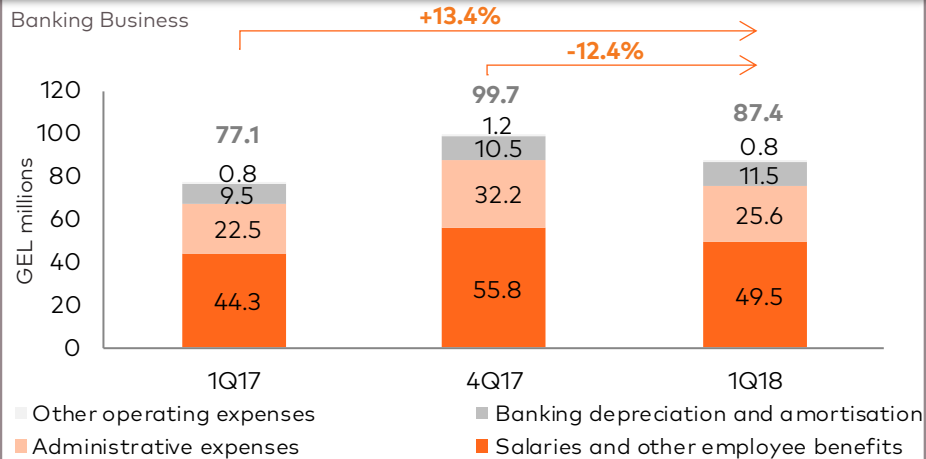
## Revenue growth | quarterly



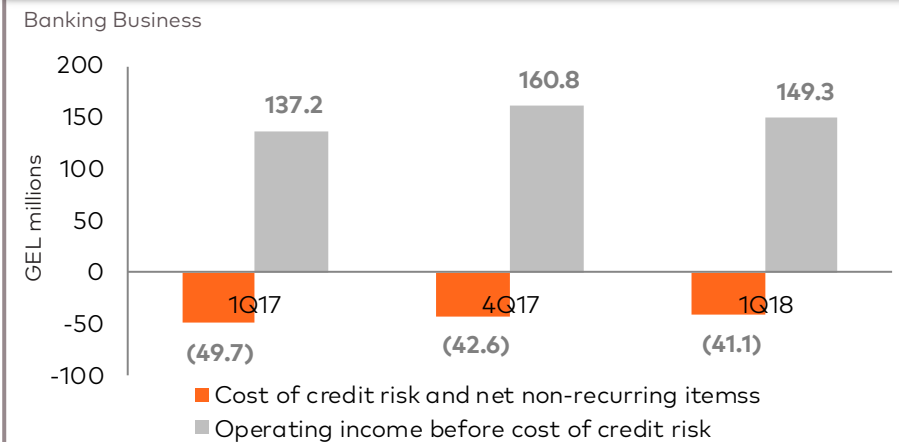
## Net non-interest income | quarterly



## Operating expenses | quarterly



## Operating income before cost of credit risk | quarterly

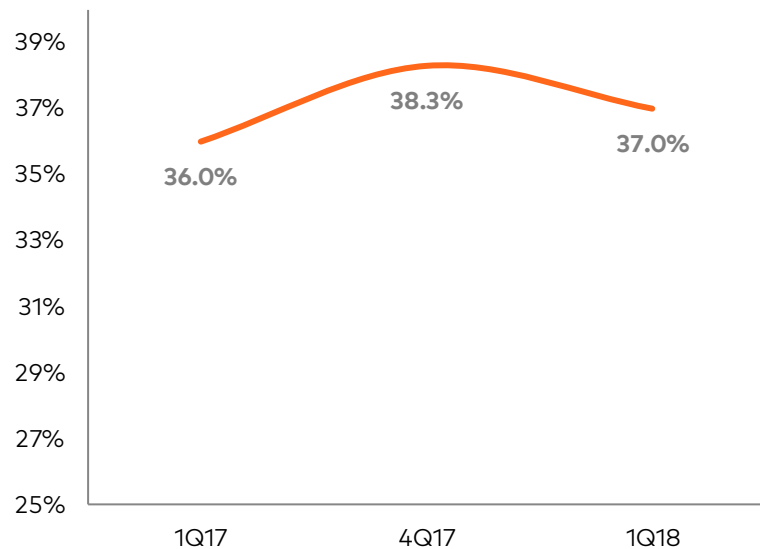


# FOCUS ON EFFICIENCY



## Cost / Income | quarterly

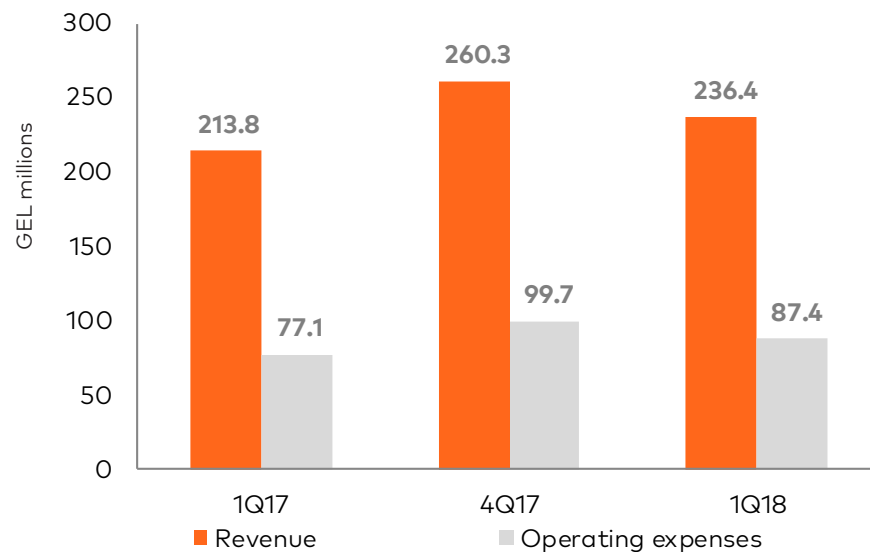
Banking Business



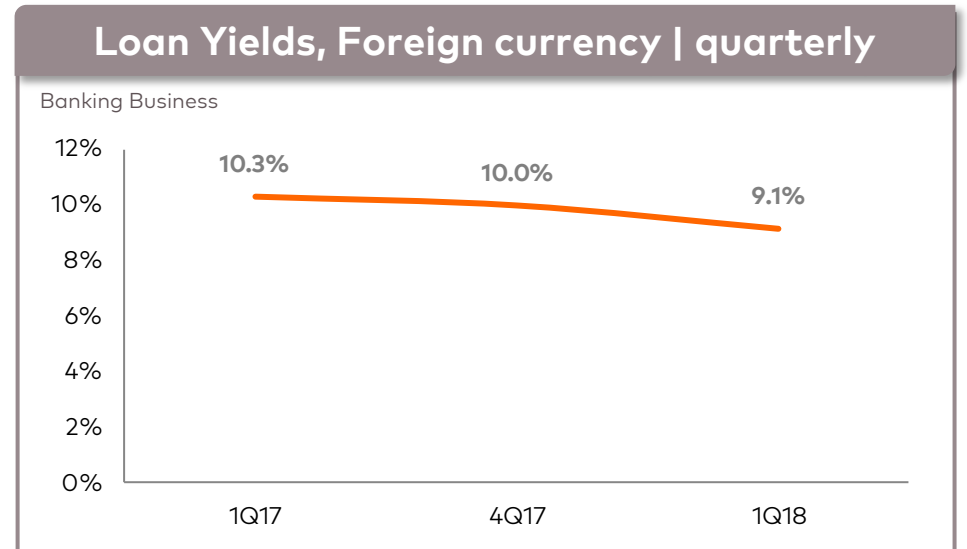
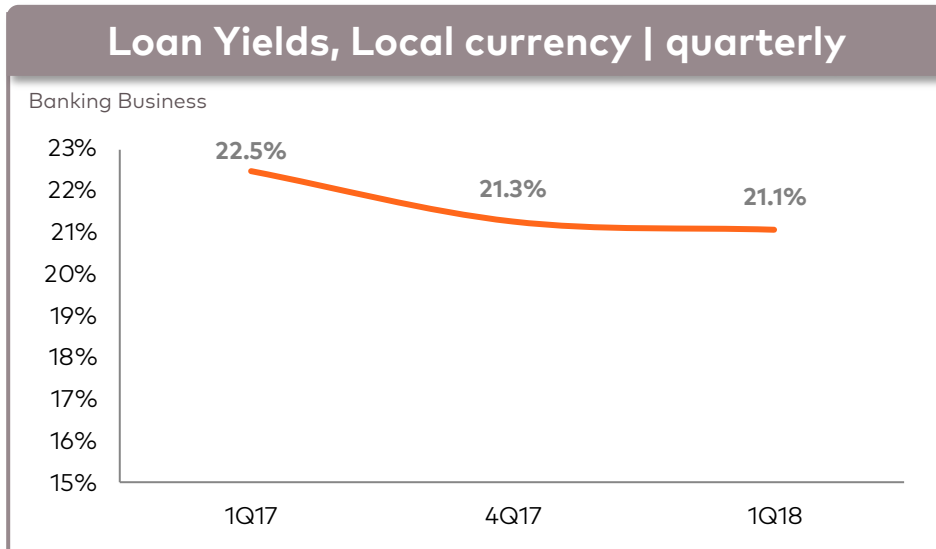
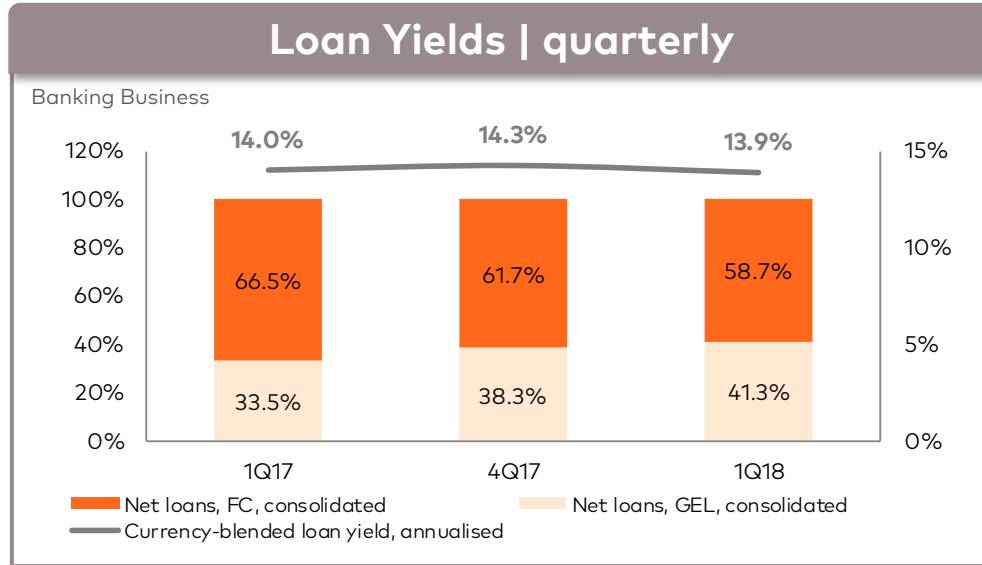
## Revenue and operating expenses | quarterly

Banking Business

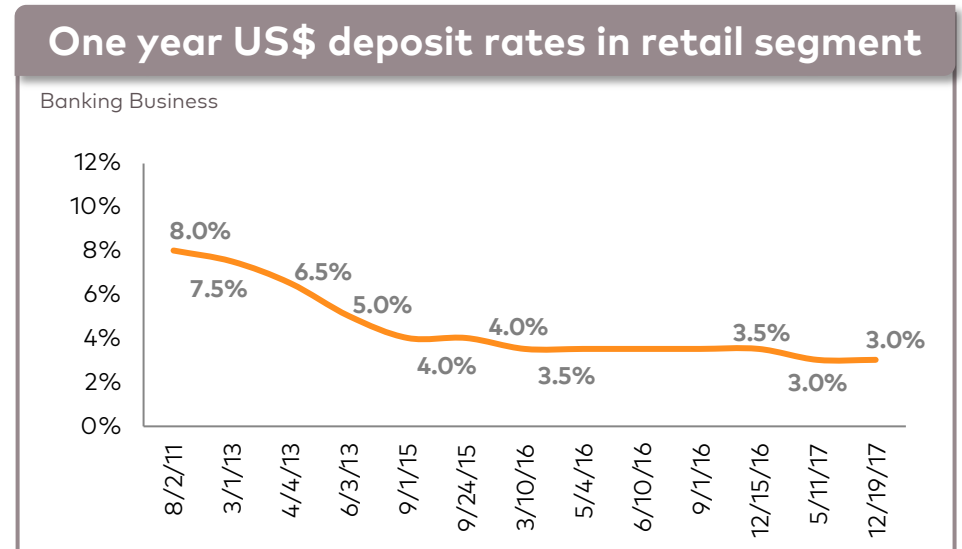
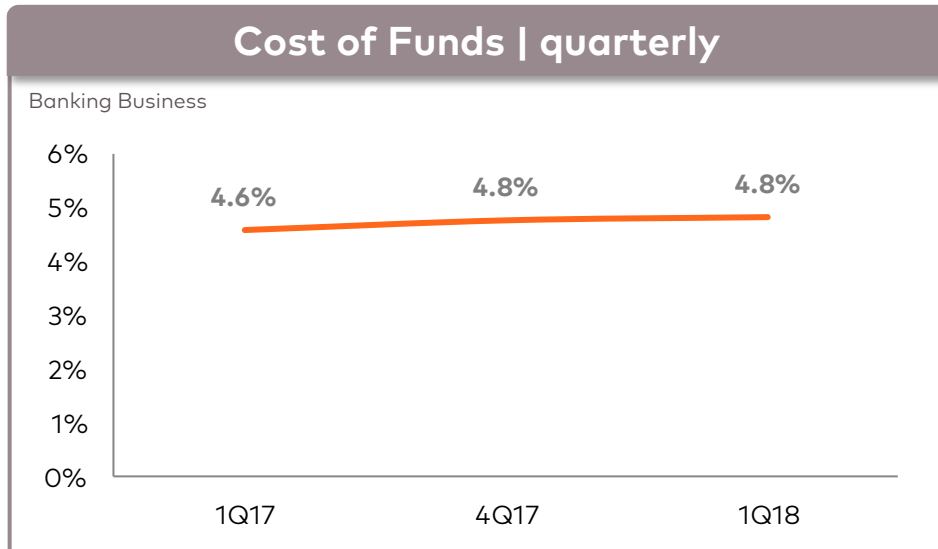
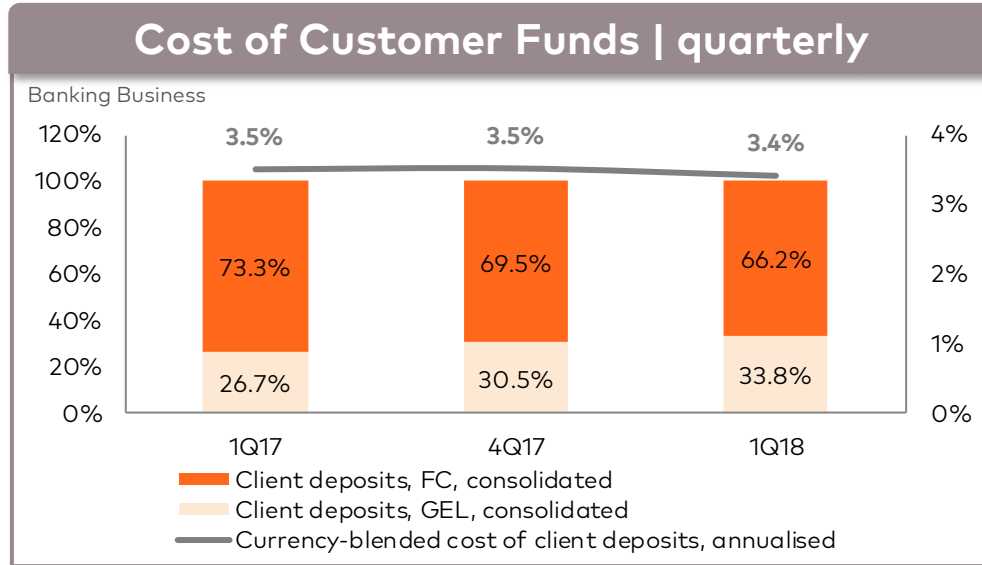
Operating Leverage: -2.8% y-o-y  
3.2% q-o-q



# GROWING INCOME NOTWITHSTANDING THE PRESSURE ON YIELDS



# STABLE COST OF FUNDING



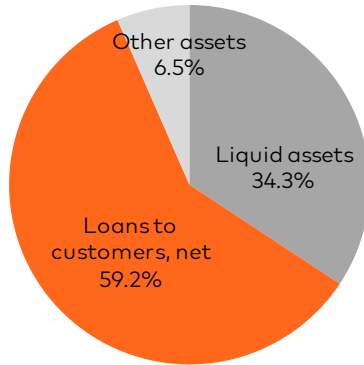
# DIVERSIFIED ASSET STRUCTURE AND LOAN PORTFOLIO



## Total asset structure | 31 March 2018

Banking Business

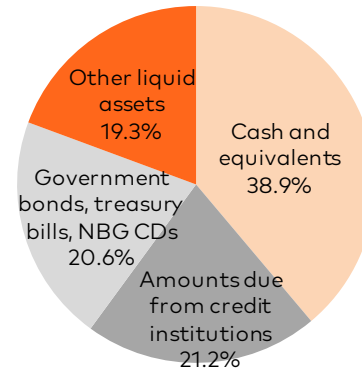
Total: **GEL 13.2bln**



## Liquid assets | 31 March 2018

Banking Business

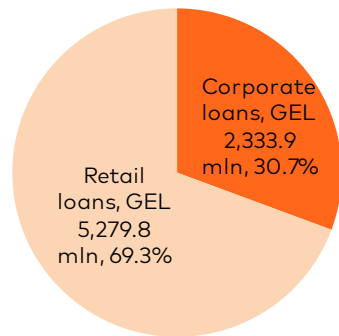
Total: **GEL 4.5bln**



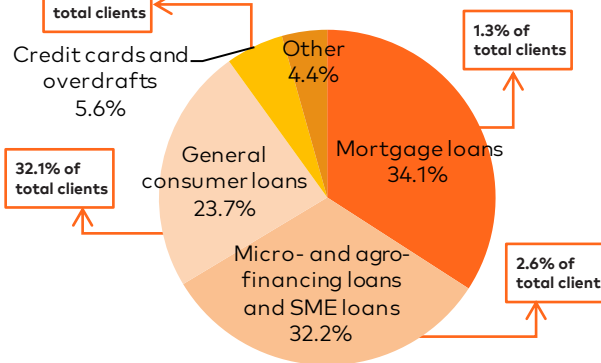
## Loans breakdown | 31 March 2018

Banking Business  
(excluding BNB)

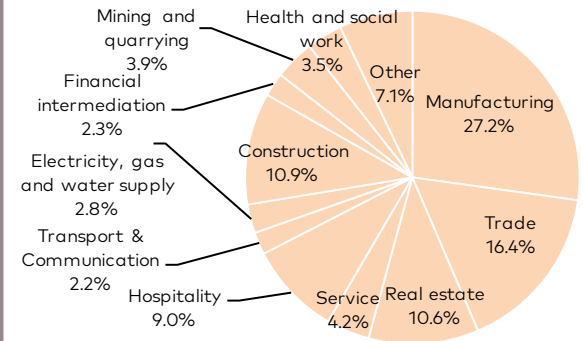
**Total Gross Loans  
breakdown by segments**  
Total: **GEL 7.6bln**



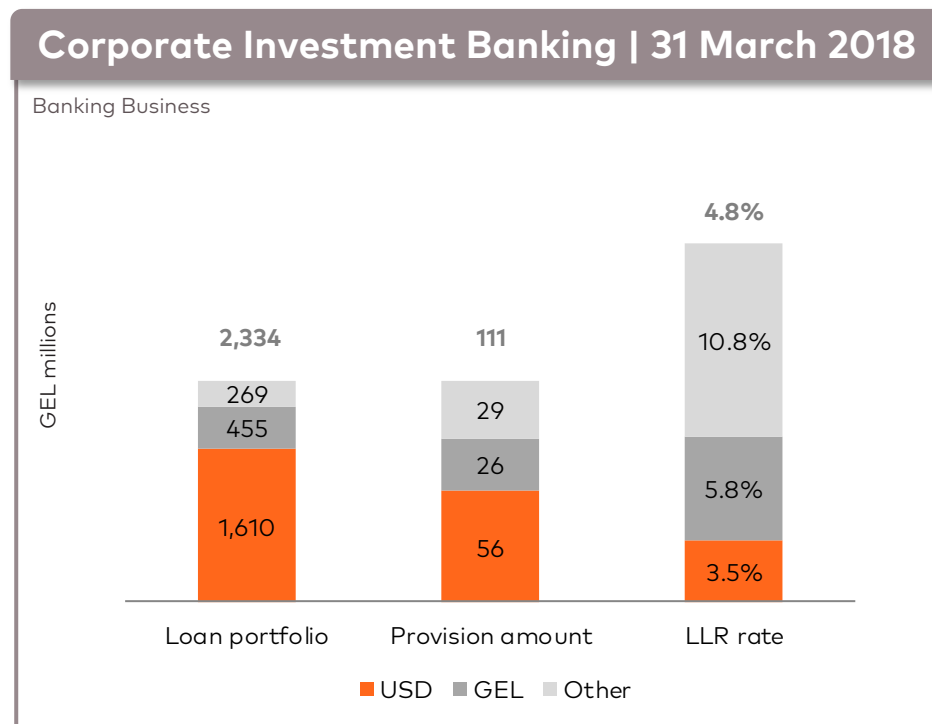
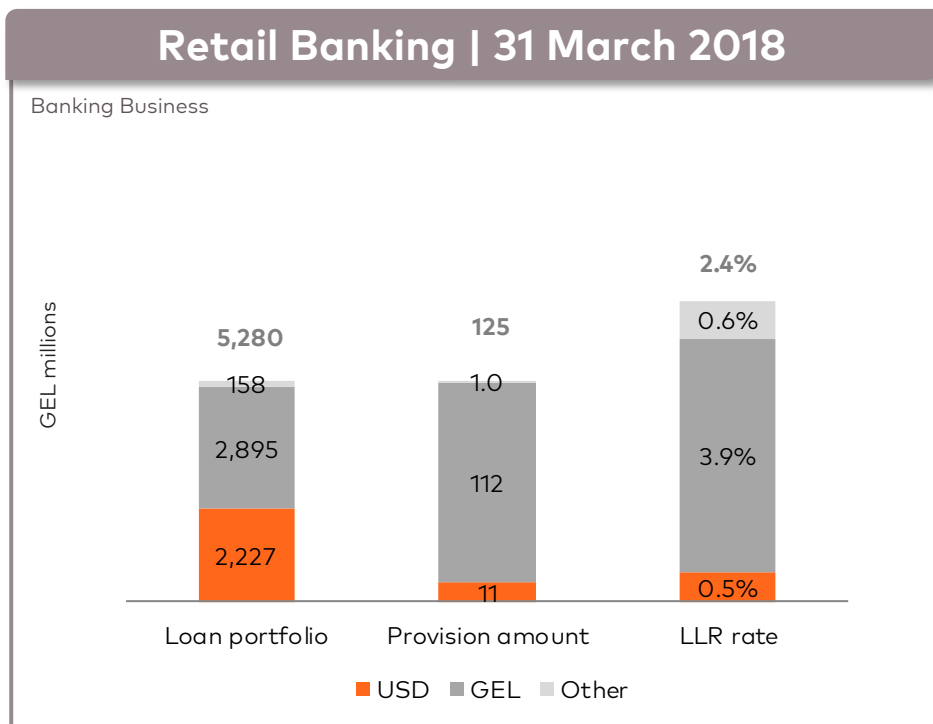
**Retail Banking Net Loans breakdown by product**  
Total: **GEL 5.2bln**



**Corporate Investment Banking Gross Loans  
breakdown by sectors**  
Total: **GEL 2.3bln**



# LOAN PORTFOLIO BREAKDOWN



Amounts in GEL millions	RB Loan portfolio	% of total RB loan portfolio	Mortgages	Consumer loans*	SME & Micro
GEL and other currency loans*	3,053	57.8%	535	1,617	901
USD loans with USD income	458	8.7%	295	44	119
USD loans with non-USD income	1,769	33.5%	933	180	655
<b>Total</b>	<b>5,280</b>	<b>100.0%</b>	<b>1,763</b>	<b>1,841</b>	<b>1,675</b>

\* Includes credit cards

Amounts in GEL millions	CB & WM Loan portfolio	% of total CB loan portfolio
GEL and other currency loans*	724	31.0%
USD loans with USD income	892	38.2%
USD loans with non-USD income	718	30.7%
<b>Total</b>	<b>2,334</b>	<b>100.0%</b>

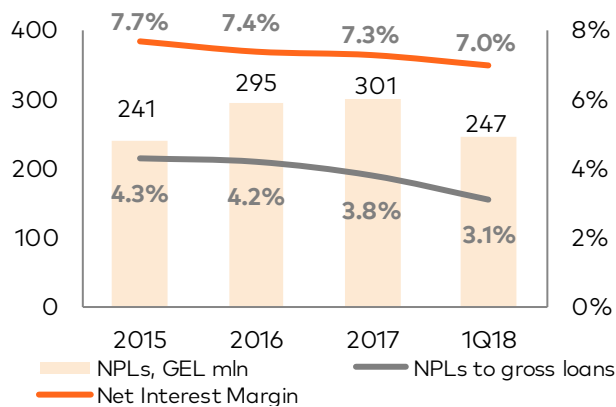
**Note:** Standalone figures received from management accounts

# RESILIENT LOAN PORTFOLIO QUALITY



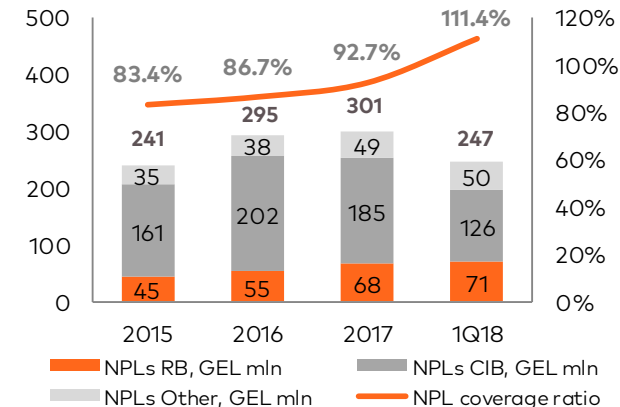
## NPLs and NIM

Banking Business



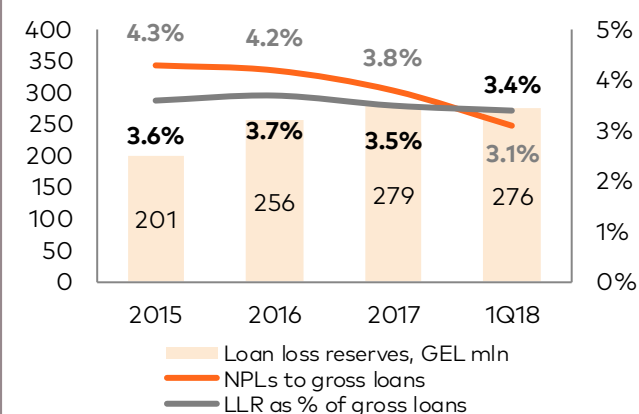
## NPL composition

Banking Business



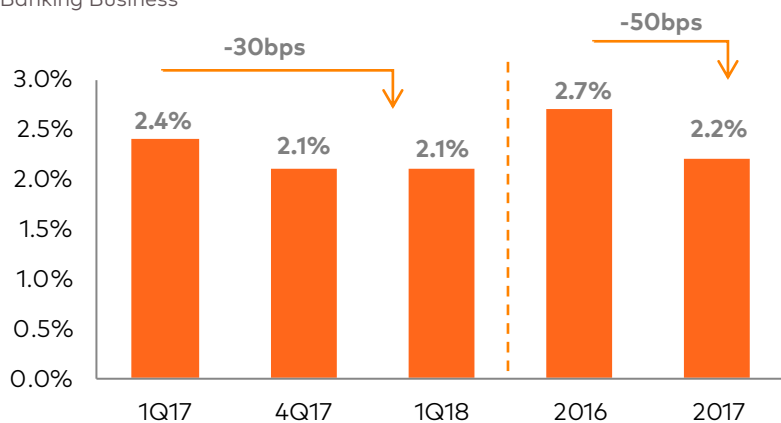
## Loan loss reserve

Banking Business



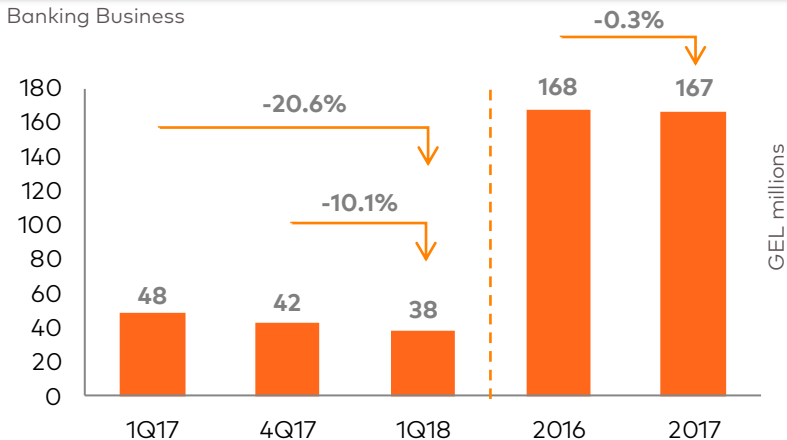
## Cost of Risk

Banking Business



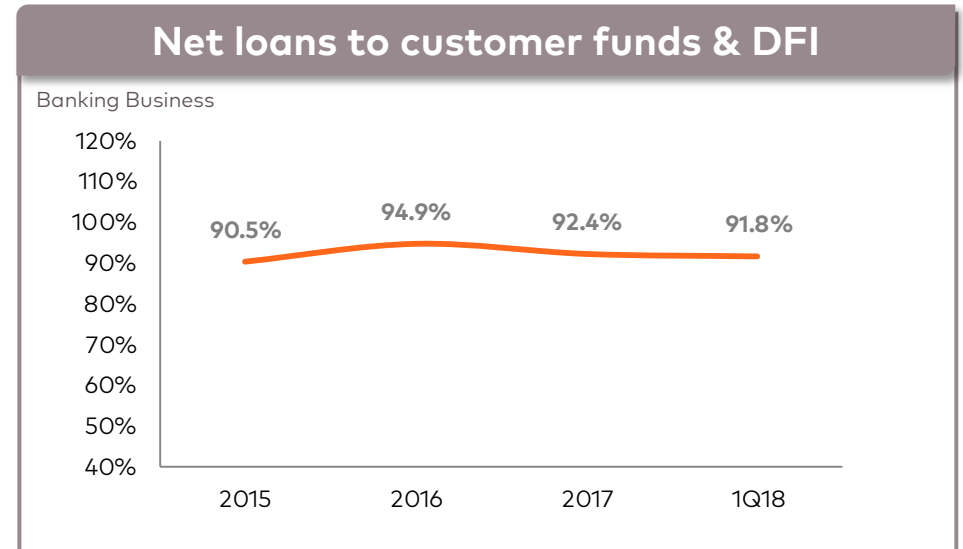
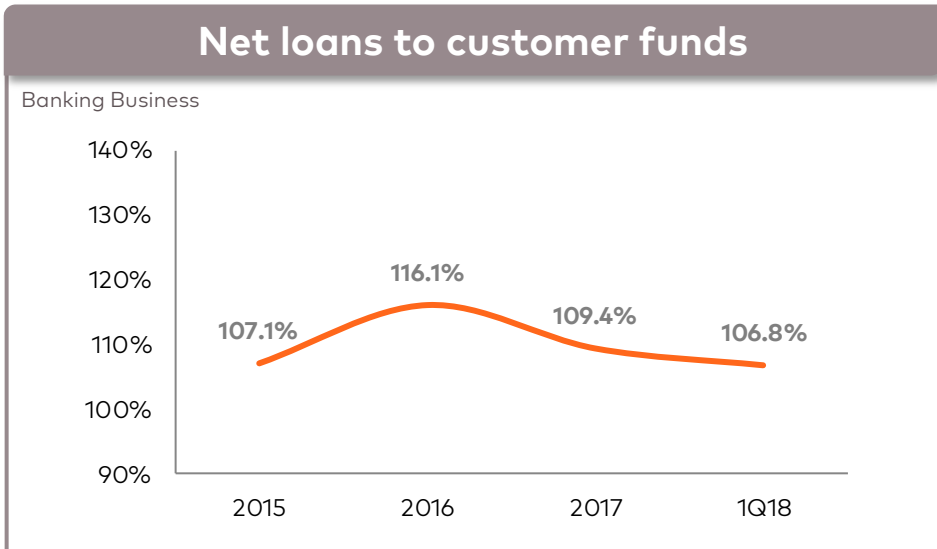
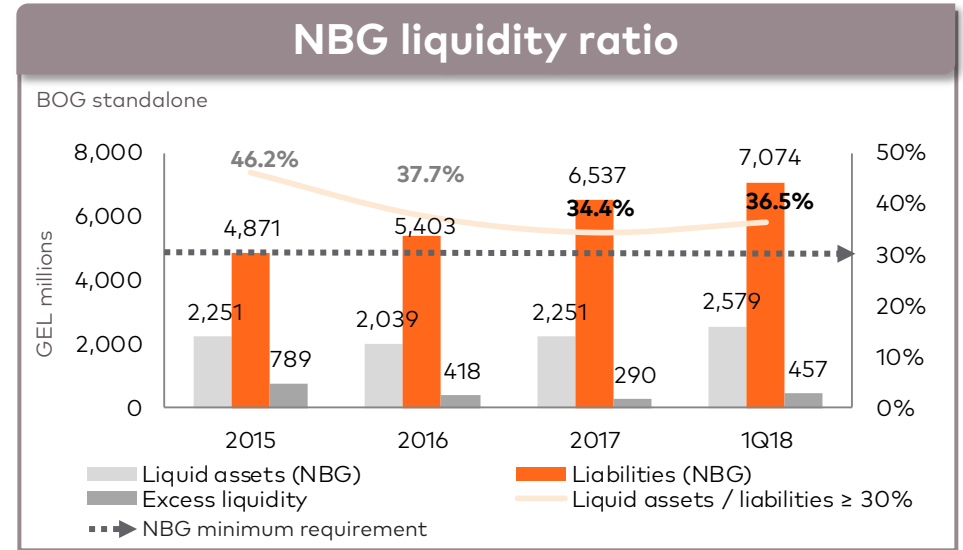
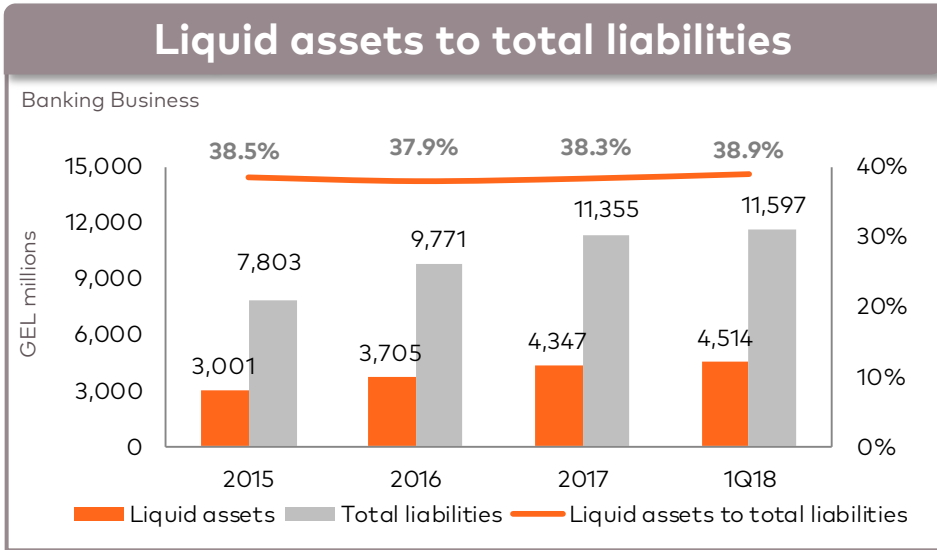
## Cost of Credit risk

Banking Business





# STRONG LIQUIDITY (1/2)

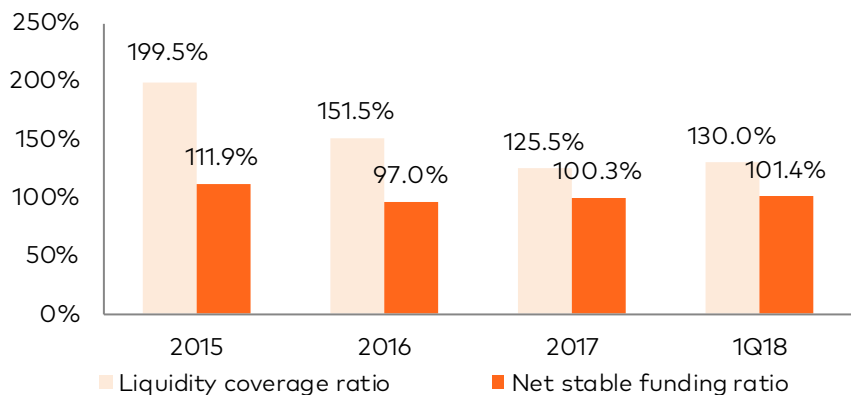


# STRONG LIQUIDITY (2/2)



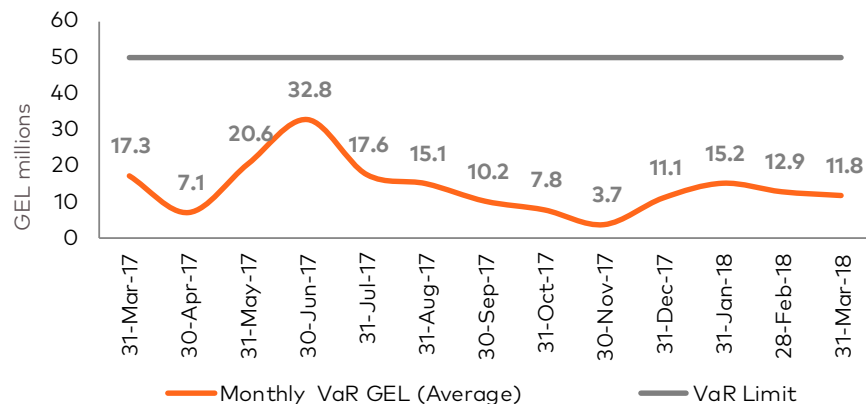
## Liquidity coverage ratio & net stable funding ratio

JSC Bank of Georgia standalone (Basel III Liquidity)



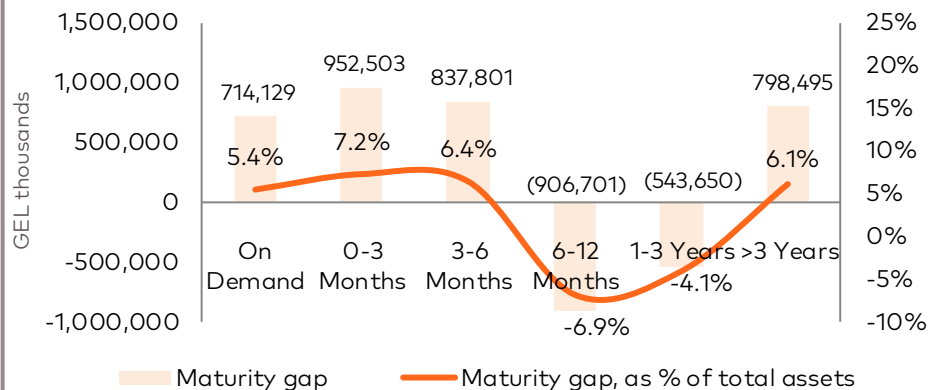
## Foreign currency VaR analysis\*

JSC Bank of Georgia standalone



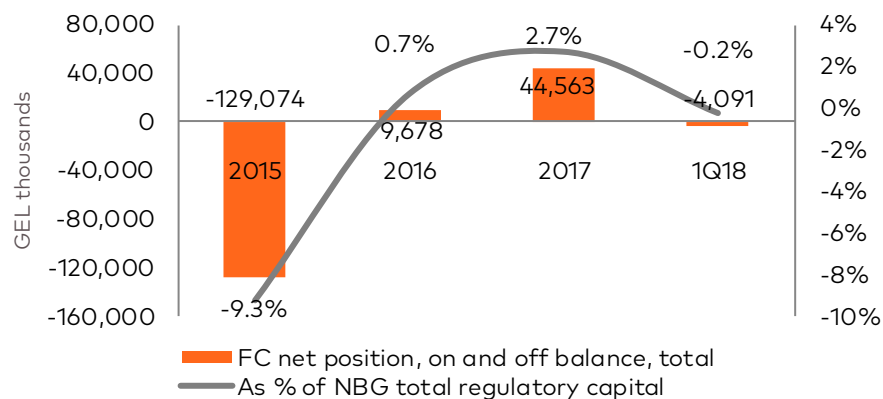
## Cumulative maturity gap | 31 March 2018

Banking Business



## Open currency position

JSC Bank of Georgia standalone



# NBG (BASEL III) CAPITAL ADEQUACY POSITION



## New capital adequacy requirements introduced by National Bank of Georgia in December 2017

### Transition to Basel III Standards:

- Systemic capital surcharge:** 2.5% of risk weighted assets to be phased-in during the next four years as per below schedule:

	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21
Systemic Buffer	0%	1.0%	1.5%	2.0%	2.5%

- General Risk Assessment Program ("GRAPE")** for individual banks: GRAPE buffer, which includes Credit Portfolio Concentration buffer and Net Stress Test buffer is expected to be set at 2.2%. GRAPE buffer will be reviewed annually and will be phased-in on different levels of capital according to the below schedule:

	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21
CET 1	0%	15%	30%	45%	56%
Tier 1	0%	20%	40%	60%	75%
Total Capital	100%	100%	100%	100%	100%

- Currency induced credit risk ("CICR")** buffer was introduced instead of current additional 75% weighting of FX denominated loans. 56% of CICR buffer should be held on CET1 level, 75% on Tier 1 level and 100% on total capital

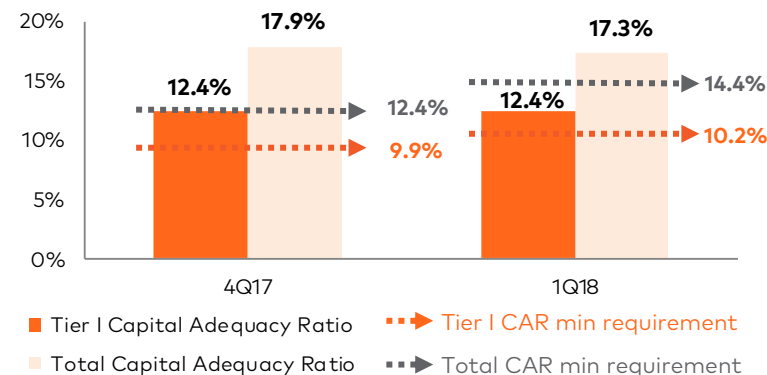
- In the view of above, Bank of Georgia became subject to the following minimum capital requirements:

	31-Dec-17	31-Mar-18	31-Dec-18 Expected
CET 1	8.1%	8.3%	9.5%*
Tier 1	9.9%	10.2%	11.4%*
Total Capital	12.4%	14.4%	16.0%*

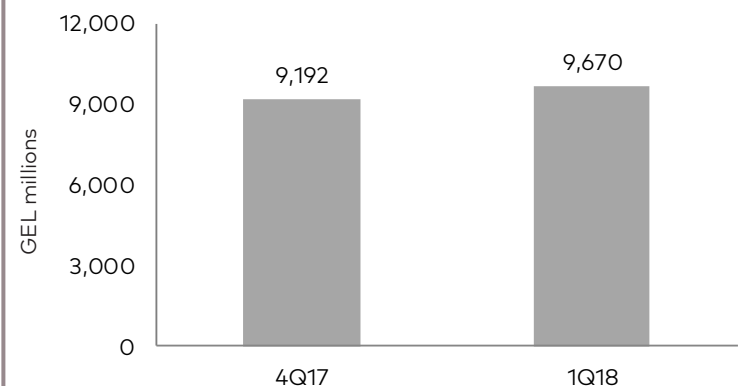
\* Indicated minimum capital adequacy ratio contains CICR buffer estimate for 31 December 2018

**Transition to Basel III is not expected to affect the Bank's growth prospects or its ability to maintain dividend distributions within the existing dividend payout range**

### Capital Adequacy Ratios



### Risk Weighted Assets



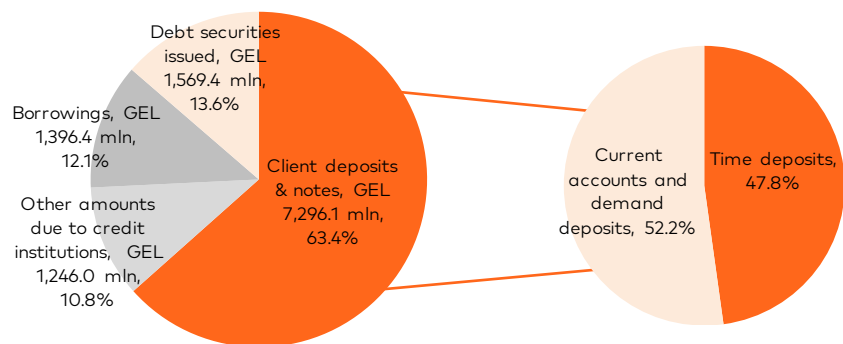
# WELL-ESTABLISHED FUNDING STRUCTURE



## Interest Bearing Liability structure | 31 March 18

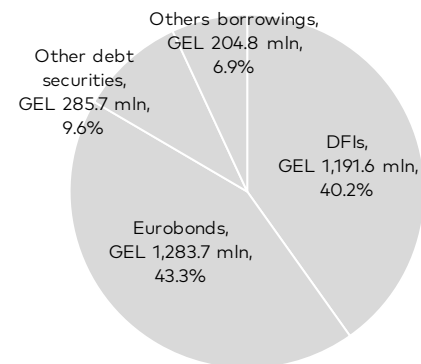
Banking Business

Interest Bearing Liabilities **GEL 11.5bn**



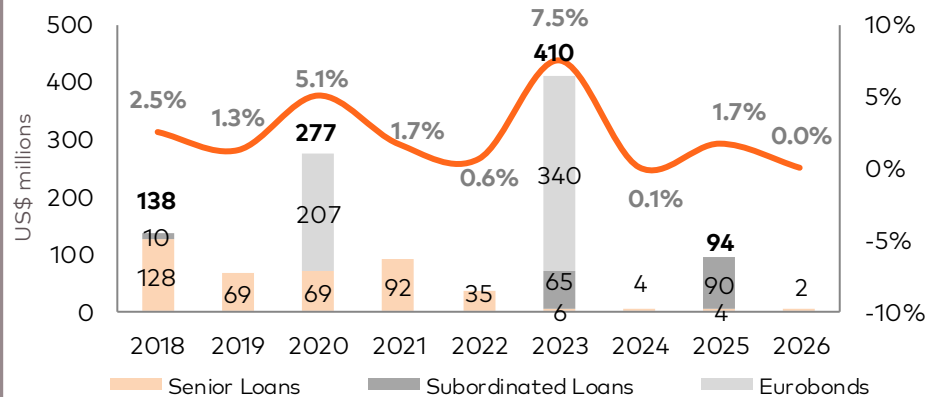
## Well diversified international borrowings | 1Q18

Banking Business



## Borrowed funds maturity breakdown\*

Banking Business



## Highlights for 1Q18

- Banking Business has a well-balanced funding structure with 63.4% of interest bearing liabilities coming from client deposits and notes, 10.4% from Developmental Financial Institutions (DFIs) and 11.2% from Eurobonds and notes issued, as of 31 March 2018
- The Bank has also been able to secure favorable financing from reputable international commercial sources, as well as DFIs, such as EBRD, IFC, EFSE, etc.
- As of 31 March 2018, GEL 90 million undrawn facilities from DFIs with up to five years maturity
- In July 2016, BGEO Group issued 7 year, US\$ 350mln Eurobonds with 6.00% coupon (bonds were pushed down to BOG in March 2018). Bonds were trading at 5.798%\*\* on 15 May 2018
- In June 2017, BOG issued 3 year, GEL 500mln local currency international bonds with 11.00% coupon. Bonds were trading at 10.994%\*\* on 15 May 2018



BANK OF GEORGIA



\* converted at GEL/US\$ exchange rate of 2.4144 as of 31 March 2018

\*\* source: Bloomberg

# RETAIL BANKING HIGHLIGHTS



Data as at 31 March 2018 for JSC Bank of Georgia standalone

	1 	2  BANK OF GEORGIA	3  SOLO	4  BANK OF GEORGIA BUSINESS
Segments	Emerging Retail	Mass Retail	Mass Affluent	MSME
Clients	529 <sub>k</sub>	1,617 <sub>k</sub>	36 <sub>k</sub>	174 <sub>k</sub>
Loans	GEL 316 mln	GEL 1,897 mln	GEL 1,287 mln	GEL 1,780 mln
Deposits	GEL 163 mln	GEL 1,380 mln	GEL 1,263 mln	GEL 498 mln
1Q18 Profit	GEL 10 mln	GEL 27 mln	GEL 13 mln	GEL 18 mln
Profit per client (annualised)	GEL 74	GEL 67	GEL 1,583	GEL 429
P/C ratio	3.5	1.8	5.9	1.4
Branches	156	109	12	n/a

# RETAIL BANKING HIGHLIGHTS



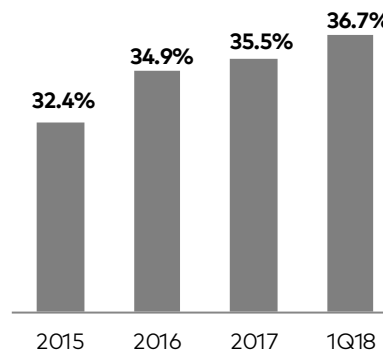
## Income Statement Highlights

*GEL thousands unless otherwise noted*

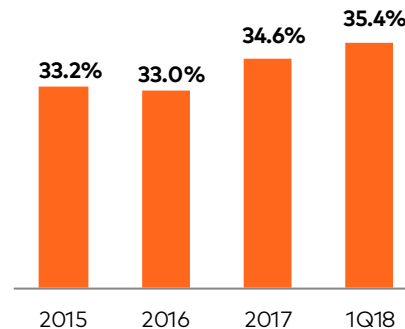
	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Net banking interest income	135,327	111,511	21.4%	134,517	0.6%
Net fee and commission income	26,141	22,245	17.5%	28,511	-8.3%
Net banking foreign currency gain	6,111	6,492	-5.9%	8,407	-27.3%
Net other banking income	3,103	982	NMF	4,531	-31.5%
<b>Revenue</b>	<b>170,682</b>	<b>141,230</b>	<b>20.9%</b>	<b>175,966</b>	<b>-3.0%</b>
Salaries and other employee benefits	(32,112)	(27,865)	15.2%	(35,778)	-10.2%
Administrative expenses	(19,541)	(16,835)	16.1%	(22,461)	-13.0%
Banking depreciation and amortisation	(9,902)	(7,991)	23.9%	(9,020)	9.8%
Other operating expenses	(503)	(989)	-49.1%	(843)	-40.3%
<b>Operating expenses</b>	<b>(62,058)</b>	<b>(53,680)</b>	<b>15.6%</b>	<b>(68,102)</b>	<b>-8.9%</b>
Profit from associate	319	514	-37.9%	255	25.1%
<b>Operating income before cost of credit risk</b>	<b>108,943</b>	<b>88,064</b>	<b>23.7%</b>	<b>108,119</b>	<b>0.8%</b>
Cost of credit risk	(32,783)	(33,173)	-1.2%	(23,122)	41.8%
<b>Profit before non-recurring items and income tax</b>	<b>76,160</b>	<b>54,891</b>	<b>38.7%</b>	<b>84,997</b>	<b>-10.4%</b>
Net non-recurring items	(1,975)	(482)	NMF	(74)	NMF
<b>Profit before income tax</b>	<b>74,185</b>	<b>54,409</b>	<b>36.3%</b>	<b>84,923</b>	<b>-12.6%</b>
Income tax (expense)/benefit	(5,836)	(3,592)	62.5%	(7,335)	-20.4%
<b>Profit</b>	<b>68,349</b>	<b>50,817</b>	<b>34.5%</b>	<b>77,588</b>	<b>-11.9%</b>

## Market Position

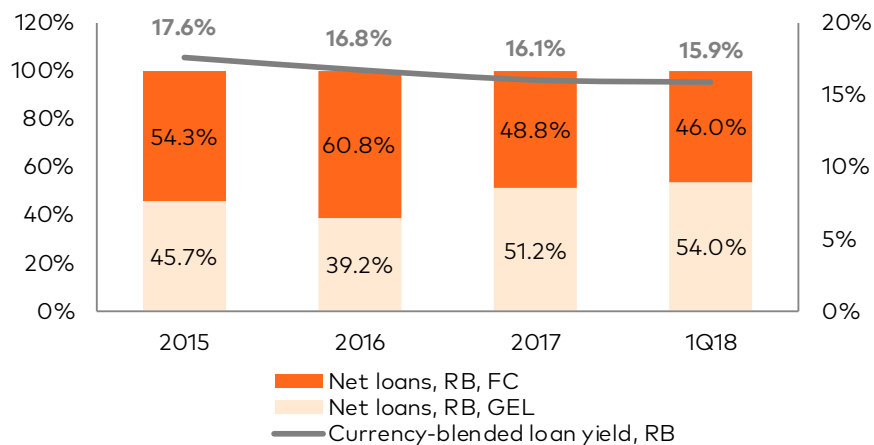
Market Share by Loans\*



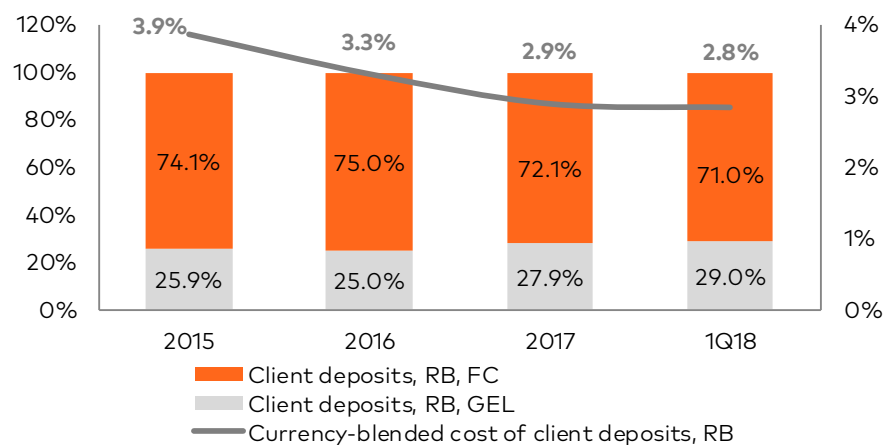
Market Share by Deposits\*



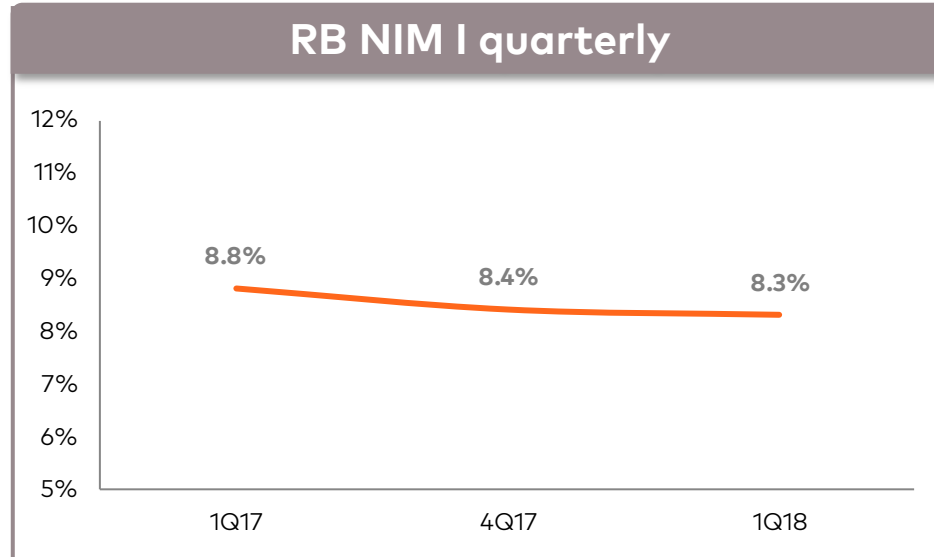
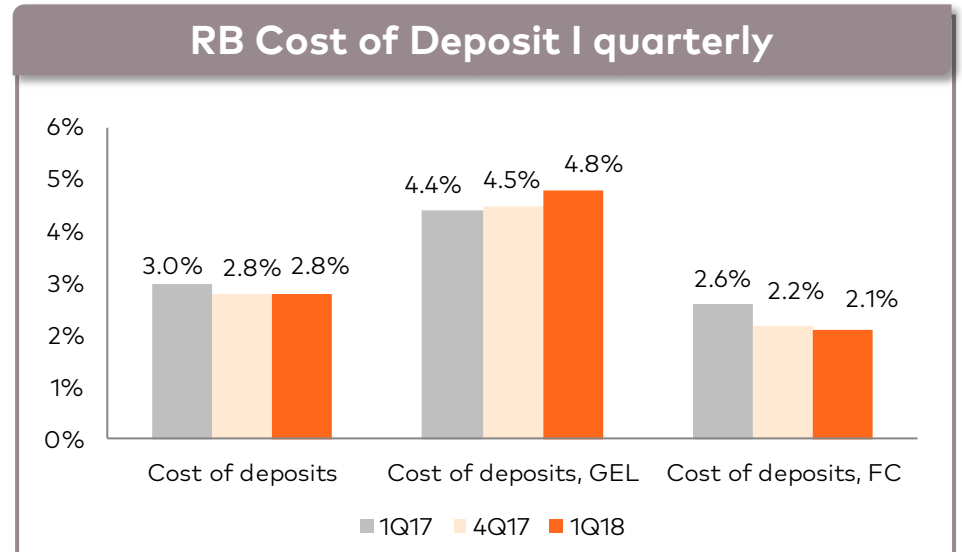
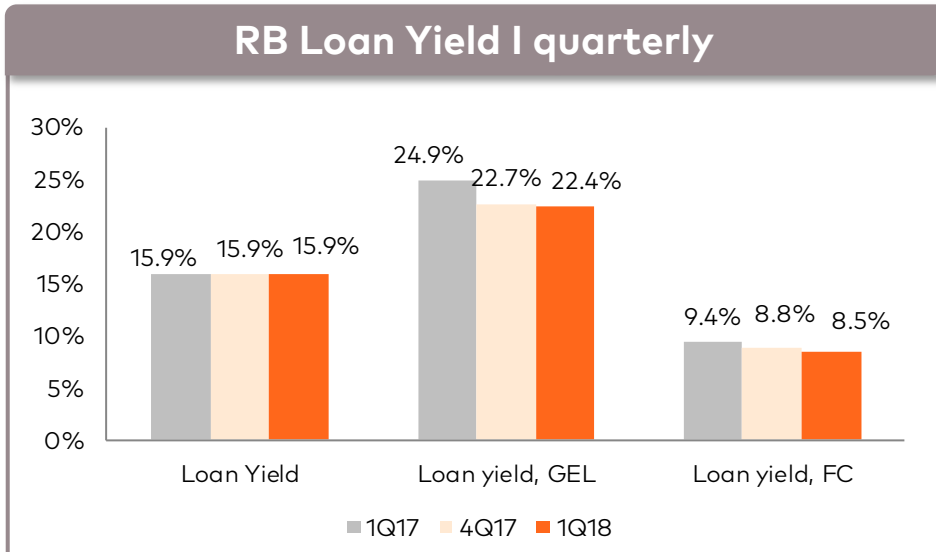
## Loan Yield



## Deposit Cost



# RETAIL BANKING LOAN YIELD, COST OF DEPOSITS & NIM



# RETAIL BANKING - LEADING RETAIL BANK IN GEORGIA



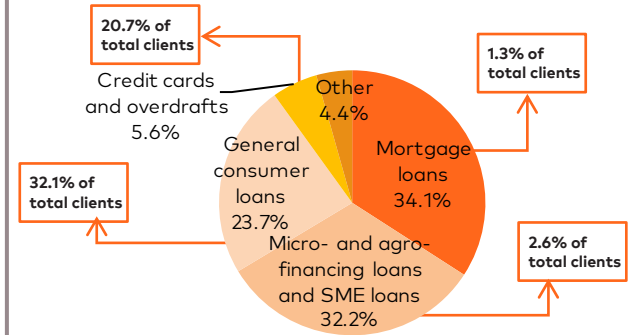
## RB Client Data

Operating Data, GEL mln	1Q18	% of clients	2017	2016	2015
<b>Number of total Retail clients, of which:</b>	<b>2,356,294</b>		<b>2,315,038</b>	<b>2,141,229</b>	<b>1,999,869</b>
<i>Number of Solo clients</i>	35,803	1.5%	32,104	19,267	11,869
<b>Consumer loans &amp; other outstanding, volume</b>	<b>1,526</b>		<b>1,480</b>	<b>1,104</b>	<b>836</b>
Consumer loans & other outstanding, number	756,798	32.1%	738,694	647,441	625,458
<b>Mortgage loans outstanding, volume</b>	<b>1,763</b>		<b>1,706</b>	<b>1,228</b>	<b>809</b>
Mortgage loans outstanding, number	30,031	1.3%	26,643	16,300	12,857
<b>Micro &amp; SME loans outstanding, volume</b>	<b>1,675</b>		<b>1,637</b>	<b>1,346</b>	<b>904</b>
Micro & SME loans outstanding, number	60,373	2.6%	53,732	36,379	19,045
<b>Credit cards and overdrafts outstanding, volume</b>	<b>315</b>		<b>308</b>	<b>291</b>	<b>306</b>
Credit cards and overdrafts outstanding, number	487,959	20.7%	480,105	442,487	435,010
Credit cards outstanding, number, of which:	648,734	27.5%	673,573	800,621	754,274
<i>American Express cards</i>	103,451	4.4%	97,178	9,567	100,515

## RB Portfolio breakdown

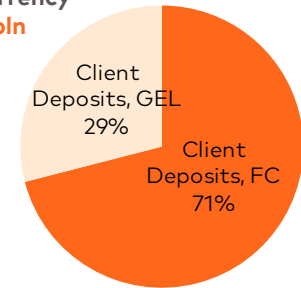
### Loans by products

Total: **GEL 5.2bln**



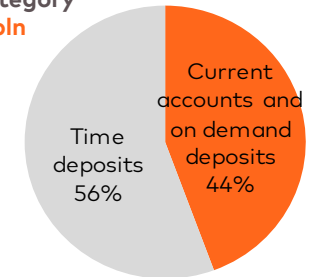
### Deposits by currency

Total: **GEL 3.3bln**



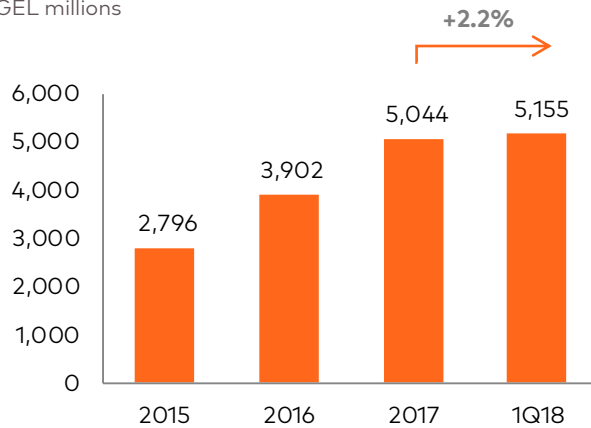
### Deposits by category

Total: **GEL 3.3bln**



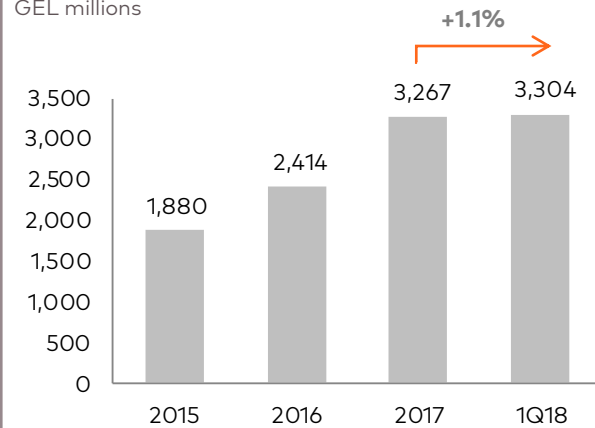
## RB Loans

GEL millions



## RB Deposits

GEL millions





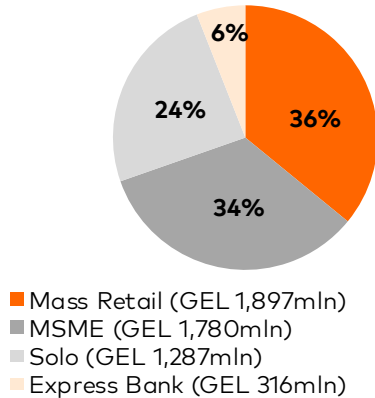
# RETAIL BANKING FINANCIAL DATA



## Balance Sheet | 31 March 2018

JSC Bank of Georgia Standalone

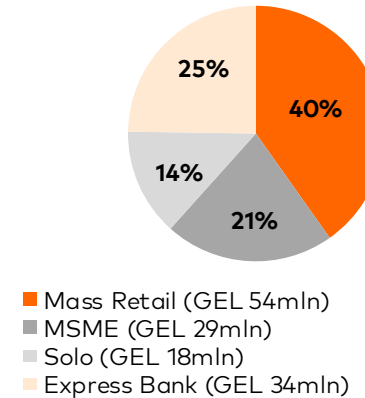
**Total Gross Loans**  
GEL 5,280mln



## Income Statement | 1Q18

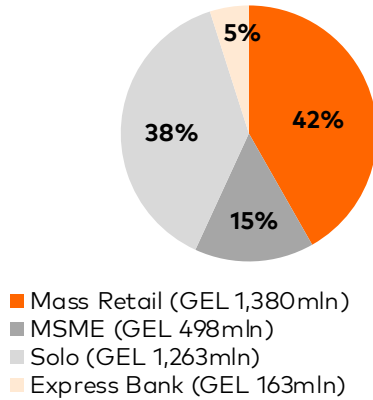
JSC Bank of Georgia Standalone

**Net Interest Income**  
GEL 135mln



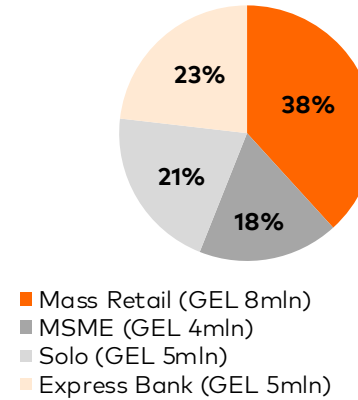
JSC Bank of Georgia Standalone

**Total Deposits**  
GEL 3,304mln



JSC Bank of Georgia Standalone

**Net Fee & Commission Income**  
GEL 22mln

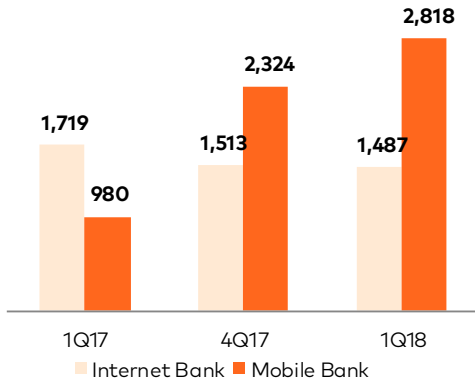


# RETAIL BANKING – DIGITAL PENETRATION

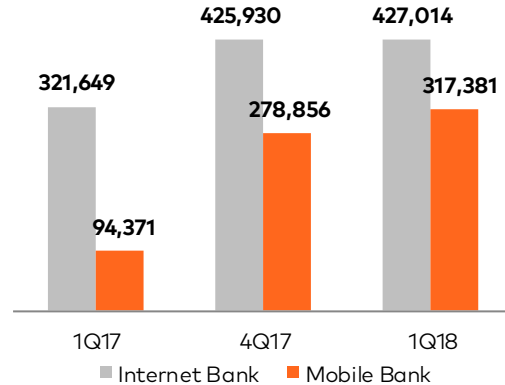


## Digital Channel Statistics

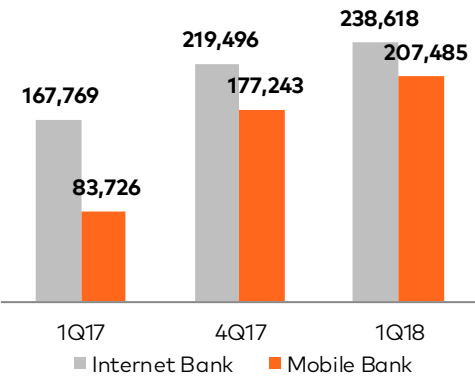
Number of Transactions | '000



Volume of Transactions | GEL '000

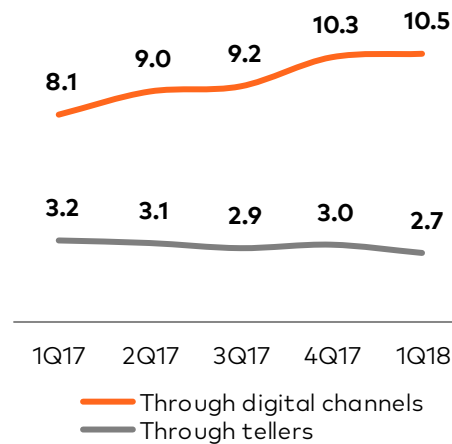


Number of Active Users



Digital vs. Non-digital Transactions

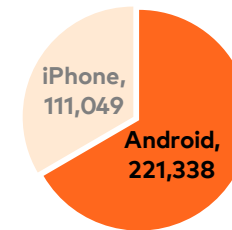
# of transactions in millions



## New Mobile Banking App

- Volume of transactions +13.8% q-o-q
- Number of transactions +21.3% q-o-q
- Number of active users +17.1% q-o-q

332,387 mBank downloads since June 2017



70,696 mBank downloads in 2018



# CORPORATE INVESTMENT BANKING HIGHLIGHTS



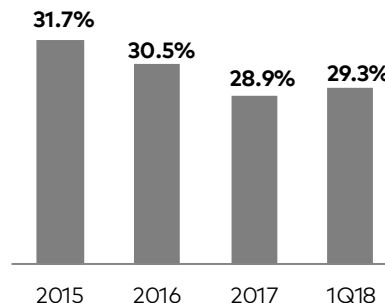
## Income Statement Highlights

*GEL thousands unless otherwise noted*

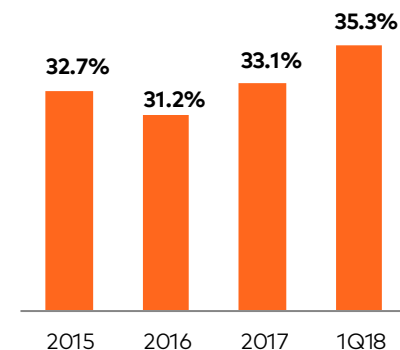
	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Net banking interest income	38,232	37,949	0.7%	42,539	-10.1%
Net fee and commission income	6,198	5,666	9.4%	5,859	5.8%
Net banking foreign currency gain	6,644	11,429	-41.9%	15,585	-57.4%
Net other banking income	2,798	2,259	23.9%	7,710	-63.7%
<b>Revenue</b>	<b>53,872</b>	<b>57,303</b>	<b>-6.0%</b>	<b>71,693</b>	<b>-24.9%</b>
Salaries and other employee benefits	(12,595)	(12,346)	2.0%	(15,271)	-17.5%
Administrative expenses	(3,459)	(3,535)	-2.1%	(5,439)	-36.4%
Banking depreciation and amortisation	(1,309)	(1,217)	7.6%	(1,316)	-0.5%
Other operating expenses	(144)	(157)	-8.3%	(228)	-36.8%
<b>Operating expenses</b>	<b>(17,507)</b>	<b>(17,255)</b>	<b>1.5%</b>	<b>(22,254)</b>	<b>-21.3%</b>
<b>Operating income before cost of credit risk</b>	<b>36,365</b>	<b>40,048</b>	<b>-9.2%</b>	<b>49,439</b>	<b>-26.4%</b>
Cost of credit risk	(4,643)	(8,699)	-46.6%	(18,788)	-75.3%
<b>Profit before non-recurring items and income tax</b>	<b>31,722</b>	<b>31,349</b>	<b>1.2%</b>	<b>30,651</b>	<b>3.5%</b>
Net non-recurring items	(272)	(1,155)	-76.5%	(134)	103.0%
<b>Profit before income tax</b>	<b>31,450</b>	<b>30,194</b>	<b>4.2%</b>	<b>30,517</b>	<b>3.1%</b>
Income tax (expense)/benefit	(2,444)	(1,912)	27.8%	(2,840)	-13.9%
<b>Profit</b>	<b>29,006</b>	<b>28,282</b>	<b>2.6%</b>	<b>27,677</b>	<b>4.8%</b>

## Market Position

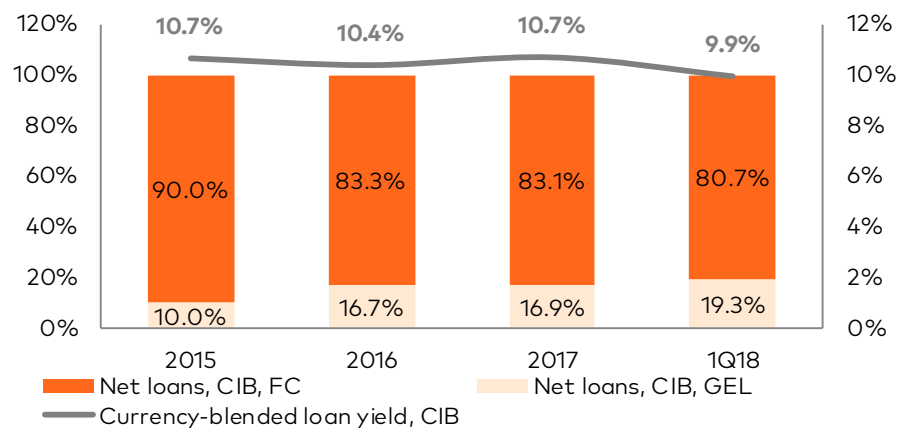
### Market Share by Loans\*



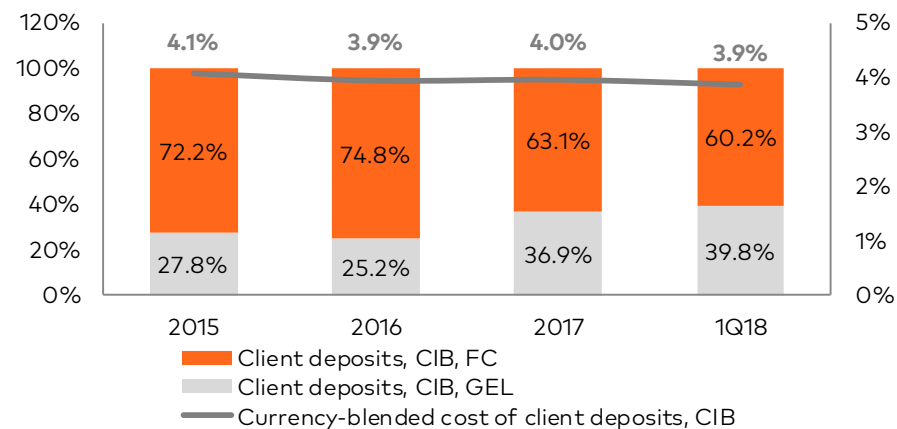
### Market Share by Deposits\*



## Loan Yield



## Deposit Cost



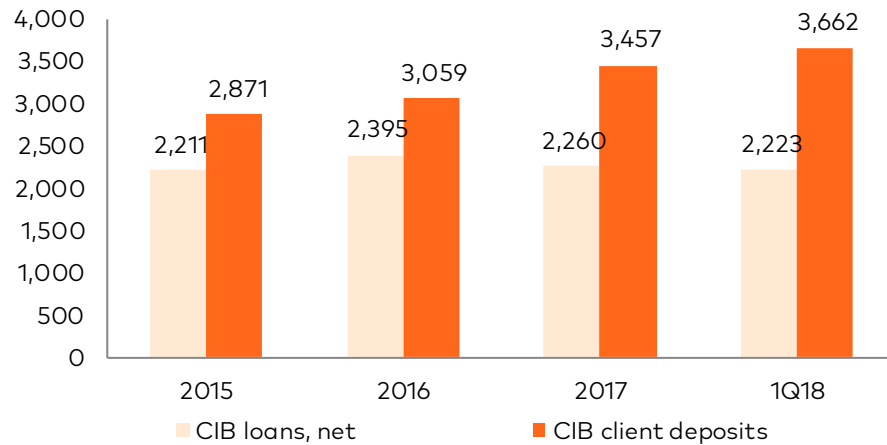


## Highlights

- **Leading corporate bank in Georgia**
- Integrated client coverage in key sectors
  - **c.2,681** corporate clients served by dedicated relationship bankers

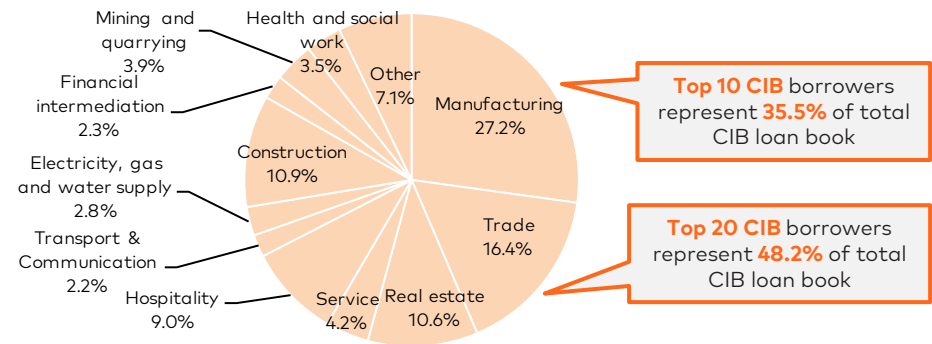
## Loans & Deposits

GEL millions

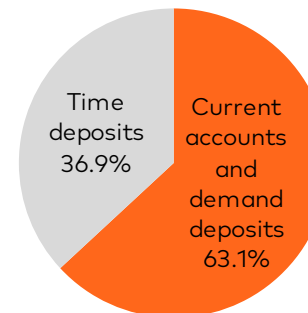


## Portfolio breakdown | 31 March 2018

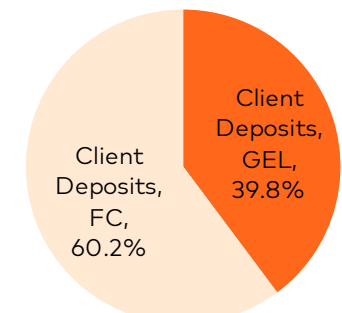
### Loans by sectors



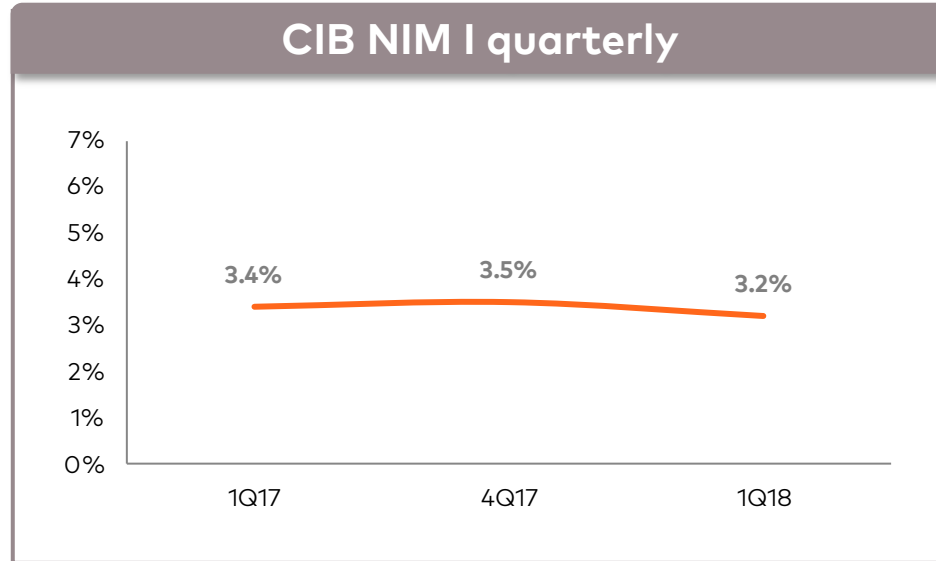
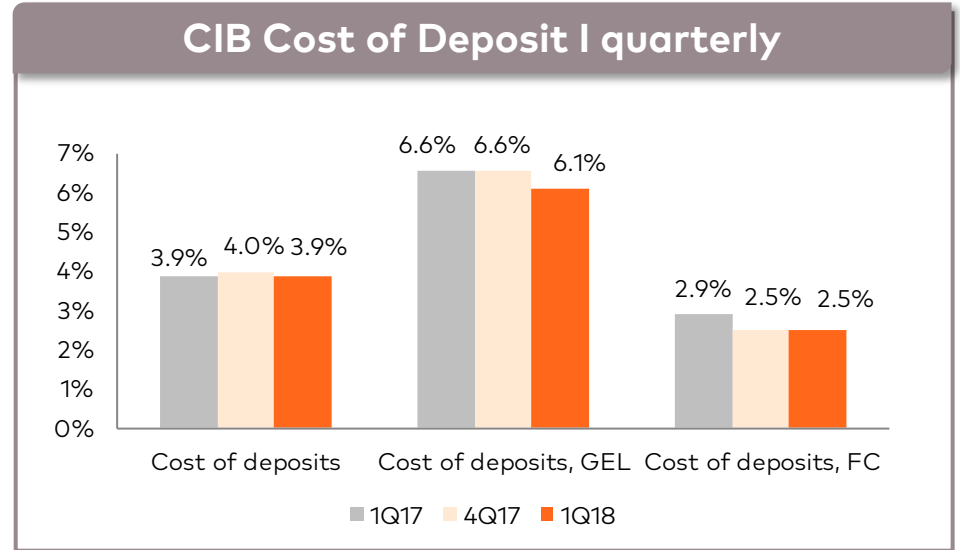
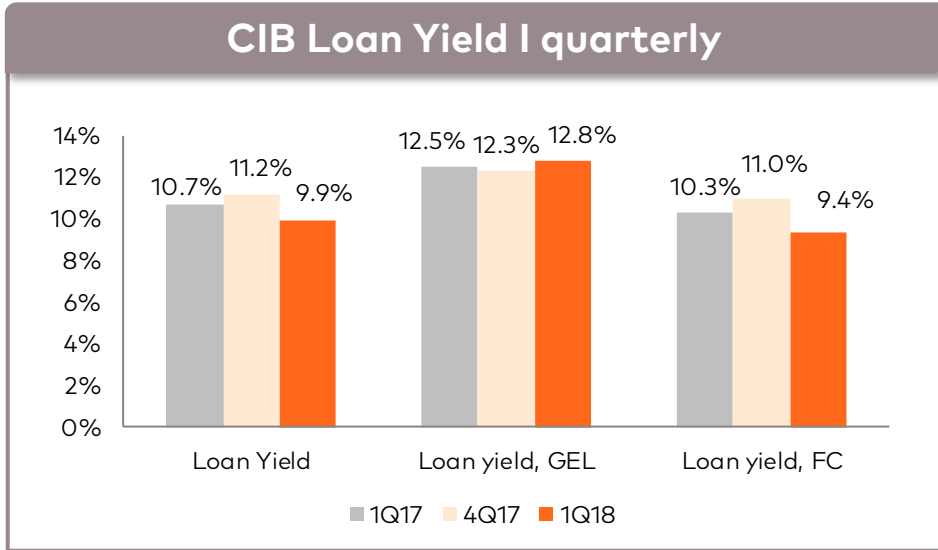
### Deposits by category



### Deposits by currency



# CIB - LOAN YIELD, COST OF DEPOSITS & NIM



# BUILDING BLOCKS TO BECOME THE FINANCIAL SERVICES HUB



## Wealth Management

- **Strong international presence:**  
Israel (since 2008), UK (2010), Hungary (2012), Turkey (2013) and Cyprus (2017)
- **AUM of GEL 1,836 million**, up 18.3% y-o-y
- **Diversified funding sources:**
  - Georgia 36%
  - Israel 13%
  - UK 4%
  - Germany 2%
  - Other 45%



## Research

- Sector, macro and fixed income coverage
- Georgian quarterly macroeconomic update
- International distribution



## Brokerage

- **Wide product coverage**



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



## Corporate Advisory

- **Bond placements in 1Q18**
  - In March 2018, Galt & Taggart acted as a co-manager of Georgia Capital's inaugural US\$300mln international bond issuance due in 2024
  - In March 2018, Galt & Taggart acted as a lead manager for Black Sea Trade and Development Bank, facilitating a public placement of GEL 75mln local bonds
- **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

# CONTENT



- **Overview** | Bank of Georgia Group PLC **4**
- **Results Discussion** | Banking Business **15**
- **Georgian Macro Overview** **40**
- **Appendices** **61**

# GEORGIA AT A GLANCE



## General Facts

- Area: 69,700 sq km
- Population (2017): 3.7 mln
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi
- Currency (code): Lari (GEL)

## Economy

- Nominal GDP (Geostat) 2017: GEL 38.0 bln (US\$15.2 bln)
- Real GDP growth rate 2014-2017: 4.6%, 2.9%, 2.8%, 5.0%
- Real GDP 2007-17 annual average growth rate: 4.5%
- GDP per capita 2017 (PPP) per IMF: US\$ 10,747
- Annual inflation (e-o-p) 2017: 6.7%
- External public debt to GDP 2017: 35.3%
- Sovereign credit ratings:
  - S&P BB-/Stable, affirmed in May 2017
  - Moody's Ba2/Stable, upgraded in September 2017
  - Fitch BB-/Positive, affirmed in March 2018





# GEORGIA'S KEY ECONOMIC DRIVERS

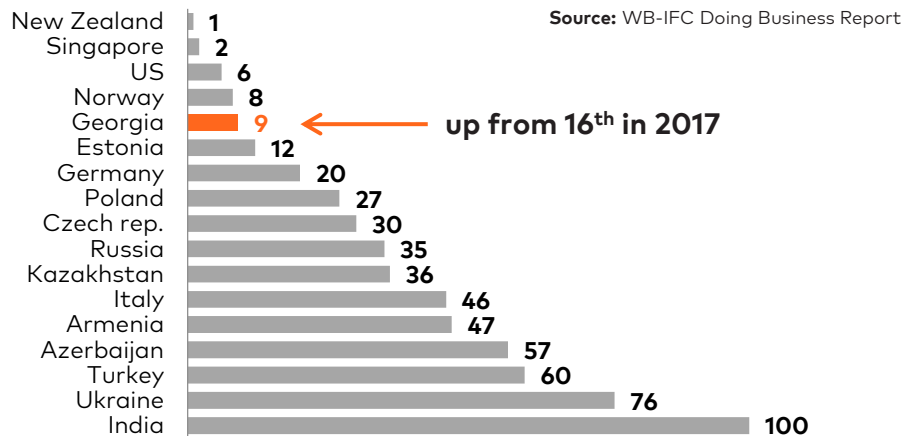


<p><b>Liberal economic policy</b></p>	<p><b>Top performer globally in WB Doing Business over the past 12 years</b></p> <ul style="list-style-type: none"> <li>Liberty Act (effective January 2014) ensures a credible fiscal and monetary framework:</li> <li>Public expenditure/GDP capped at 30%; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%</li> <li>Business friendly environment and low tax regime (attested by favourable international rankings)</li> </ul>
<p><b>Regional logistics and tourism hub</b></p>	<p><b>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</b></p> <ul style="list-style-type: none"> <li>Access to a market of 2.8bn customers without customs duties: Free trade agreements with EU, China, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Hong Kong to be signed shortly; FTA with India under consideration</li> <li>Tourism revenues on the rise: tourism inflows stood at 18.1% of GDP in 2017 and total arrivals reached 7.6mln visitors in 2017 (up 18.8% y-o-y), out of which tourist arrivals were up 27.9% y-o-y to 3.5mln visitors.</li> <li>Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes</li> </ul>
<p><b>Strong FDI</b></p>	<p><b>An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth</b></p> <ul style="list-style-type: none"> <li>FDI stood at US\$ 1.9bln (12.3% of GDP) in 2017, up 16.2% y-o-y</li> <li>FDI averaged 10.0% of GDP in 2007-2017</li> </ul>
<p><b>Support from international community</b></p>	<p><b>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</b></p> <ul style="list-style-type: none"> <li>Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free entrance to the EU countries from 28 March 2017</li> <li>Discussions commenced with the USA to drive inward investments and exports</li> <li>Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU</li> </ul>
<p><b>Electricity transit hub potential</b></p>	<p><b>Developed, stable and competitively priced energy sector</b></p> <ul style="list-style-type: none"> <li>Only 20% of hydropower capacity utilized; 145 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development</li> <li>Georgia imports natural gas mainly from Azerbaijan</li> <li>Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded</li> <li>Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe</li> </ul>
<p><b>Political environment stabilised</b></p>	<ul style="list-style-type: none"> <li>Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU</li> <li>Constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency</li> <li>Continued economic relationship with Russia, although economic dependence is relatively low</li> <li>Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians -The Russian side announced to ease visa procedures for Georgians citizens effective December 23, 2015</li> <li>Direct flights between the two countries resumed in January 2010</li> <li>Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia</li> <li>In 2017, Russia accounted for 14.5% of Georgia's exports and 9.9% of imports; just 3.5% of cumulative FDI over 2003-17</li> </ul>

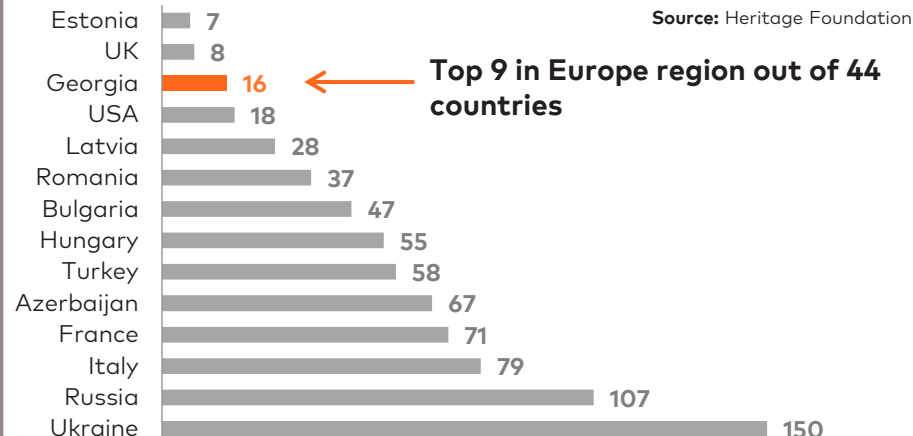
# GROWTH ORIENTED REFORMS



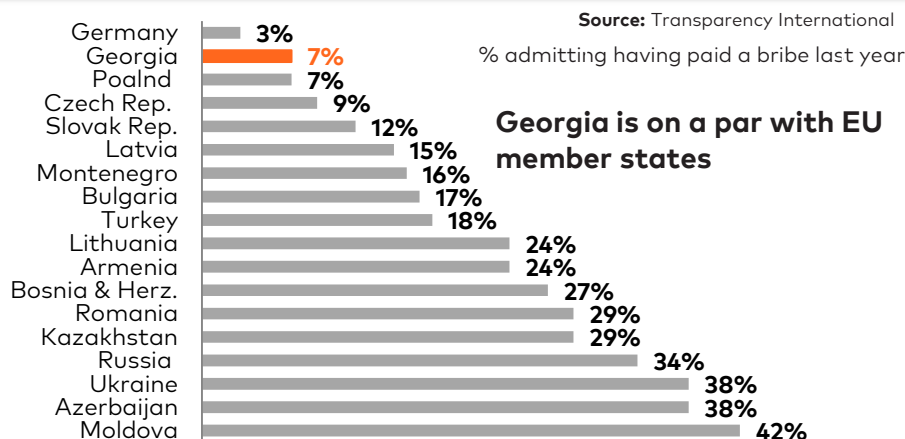
## Ease of Doing Business | 2018



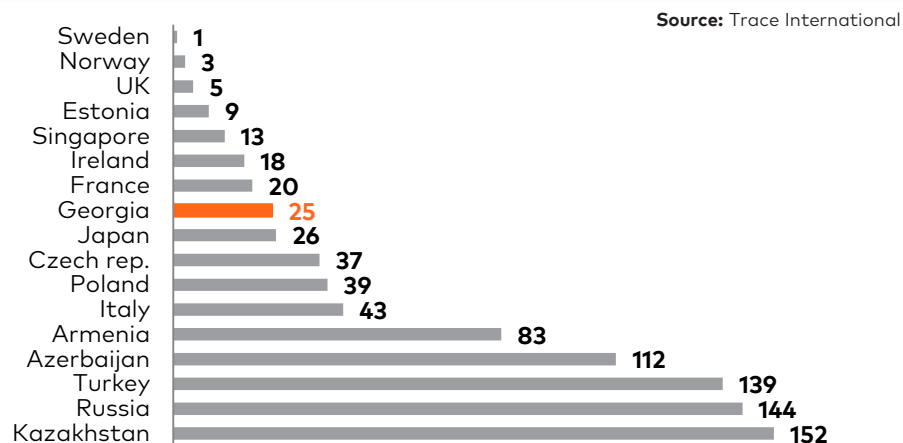
## Economic Freedom Index | 2018



## Global Corruption Barometer | 2017



## Business Bribery Risk | 2017



# GOVERNMENT 4-PILLAR OF REFORMS



## 1 Structural Reforms

- **Tax Reform**
  - Corporate income tax reform
  - Enhancing easiness of tax compliance
- **Capital Market Reform**
  - Boosting stock exchange activities
  - Developing of local bond market
- **Pension Reform**
  - Introduction of private pension system
- **PPP Reform**
  - Introduction of transparent and efficient PPP framework
- **Public Investment Management Framework**
  - Improved efficiency of state projects
- **Deposit Insurance**
  - Boosting private savings
  - Enhancing trust to financial system
- **Accounting Reform**
  - Increased transparency and financial accountability
  - Enhanced protection of shareholder rights
- **Association Agreement Agenda**

## 2 Promoting Transit & Tourism Hub

- **Roads**
  - Plan to finish all spinal projects by 2020 – East-West Highway, other supporting infrastructure
- **Rail**
  - Baku – Tbilisi Kars new railroad line
  - Railway modernization project
- **Air**
  - Tbilisi International Airport
    - 2nd runway to be constructed
    - International Cargo terminal
- **Maritime**
  - Anaklia deep water Black Sea port
    - Strategic location
    - Capable of accommodating Panamax type cargo vessels
    - High capacity – up to 100mln tons turnover annually
- **Up to USD 1bln** for first phase (out of 9) in Georgia

## 3 Promoting Open Governance

- **Improvement of public services offered to the private sector**
  - Creation of "Front Office"
  - Application of "Single Window Principle"
- **Involvement of the private sector in legislative process**
  - Discussion of draft legislation at an early stage
- **Strict monitoring of implementation of government decisions**
  - Creation of a special unit for monitoring purposes

## 4 Education Reform

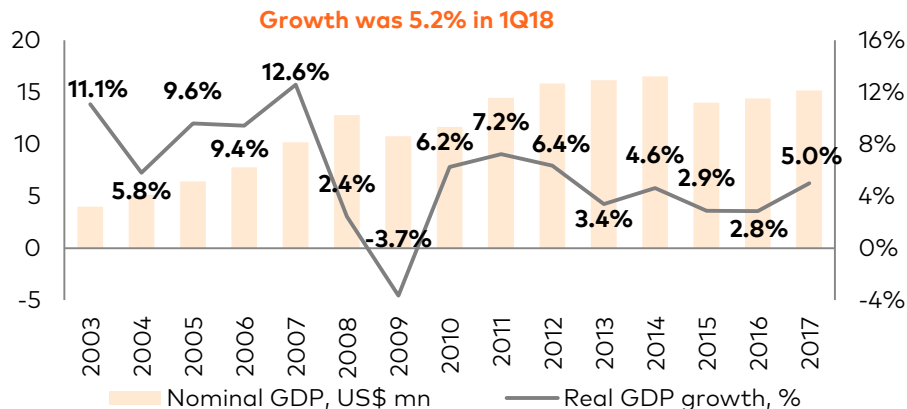
- **General Education Reform**
  - Maximising quality of teaching in secondary schools
- **Fundamental Reform of Higher Education**
  - Based on the comprehensive research of the labor market needs
- **Improvement of Vocational Education**
  - Increase involvement of the private sector in the professional education

# DIVERSIFIED RESILIENT ECONOMY



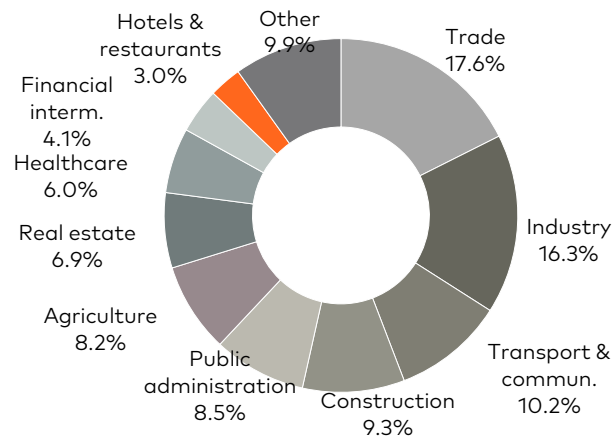
## Gross domestic product

Source: Geostat



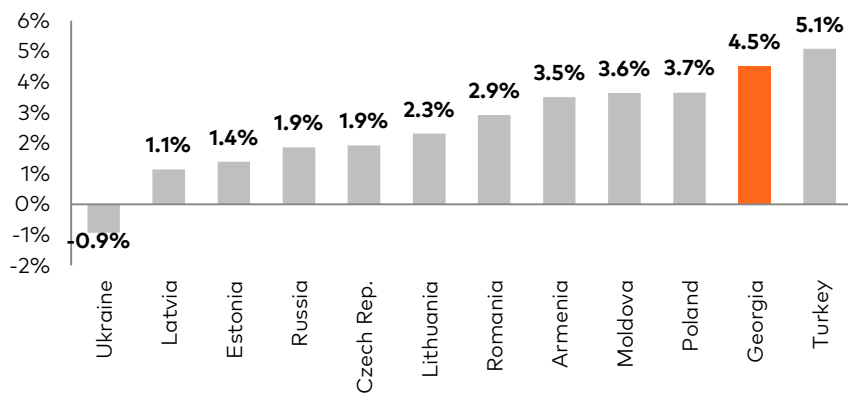
## Diversified nominal GDP structure, 2017

Source: Geostat



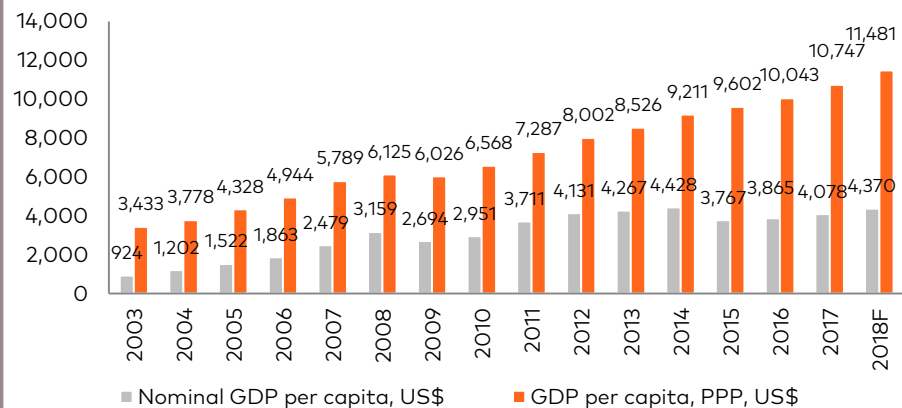
## Comparative real GDP growth rates, % (2007-2017 average)

Source: IMF, GeoStat



## GDP per capita

Source: IMF, GeoStat

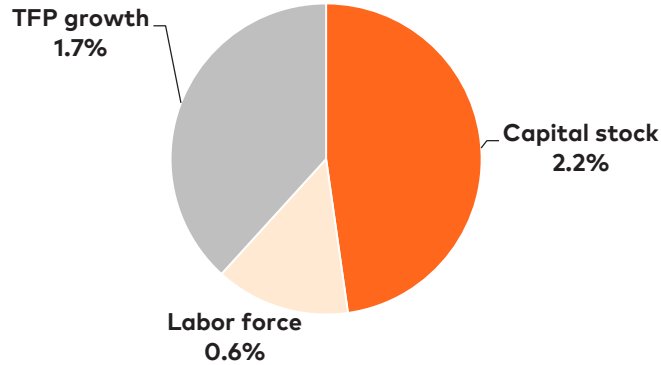


# PRODUCTIVITY AND CAPITAL HAVE BEEN THE MAIN ENGINE OF GROWTH SINCE 2004



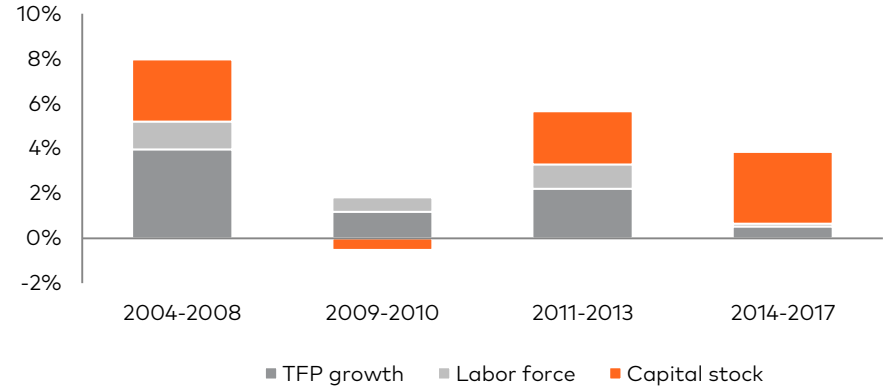
Overall contribution of capital, labour, and Total Factor Productivity (TFP) to growth, 2007-17

Source: GeoStat, G&T calculation



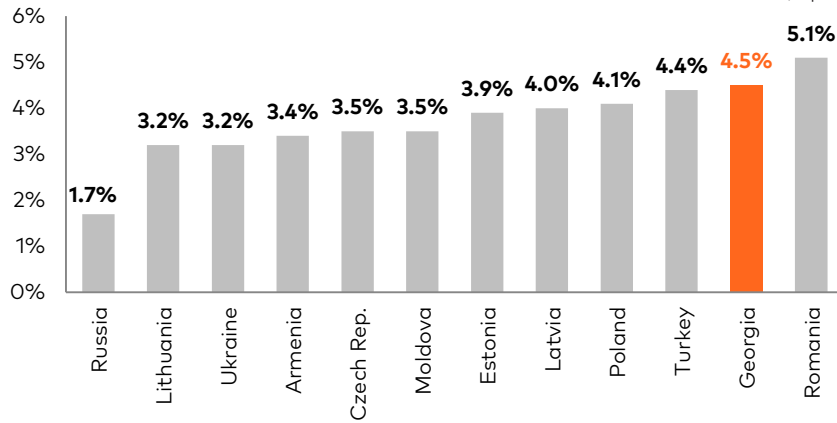
Contributions of capital, labour, and TFP to growth during periods

Source: GeoStat, G&T calculation



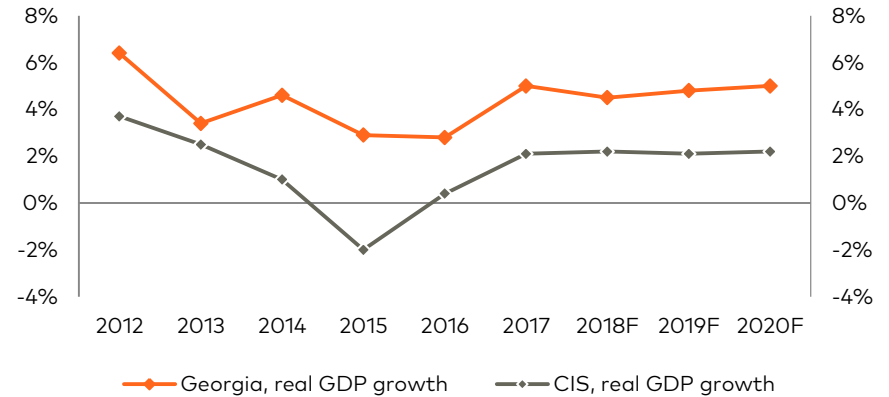
Real GDP growth projection, 2018

Source: IMF, April 2018



Georgia vs. CIS: GDP growth

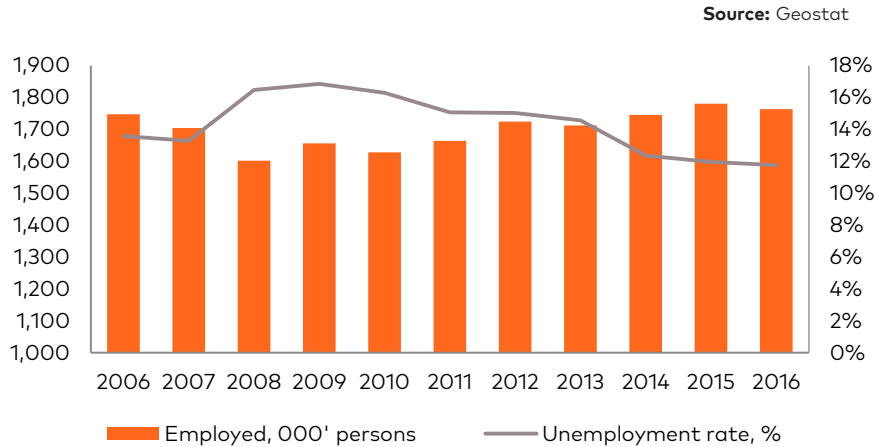
Source: IMF, April 2018



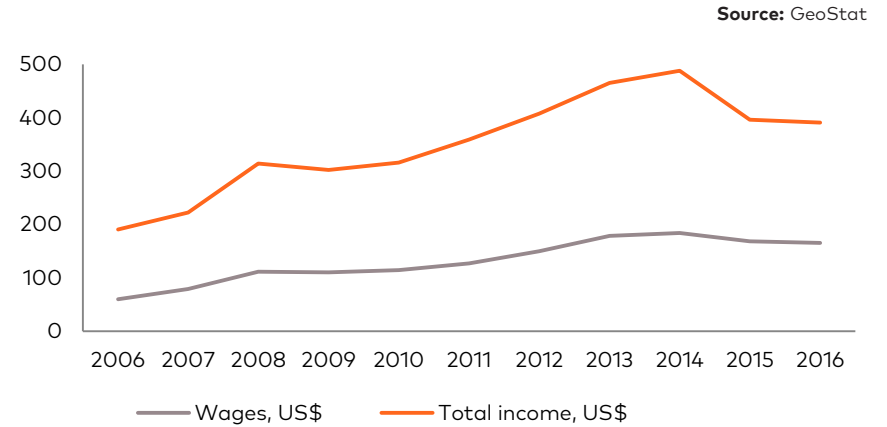
# FURTHER JOB CREATION IS ACHIEVABLE



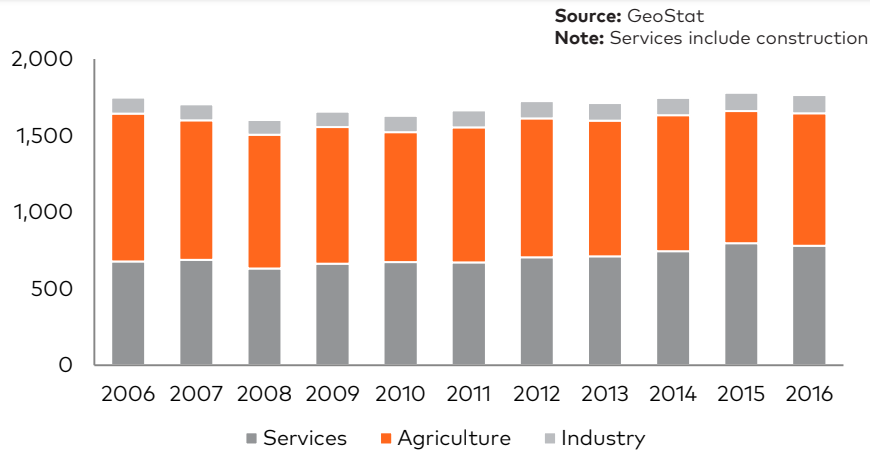
## Unemployment rate down 0.2ppts y/y to 11.8% in 2016



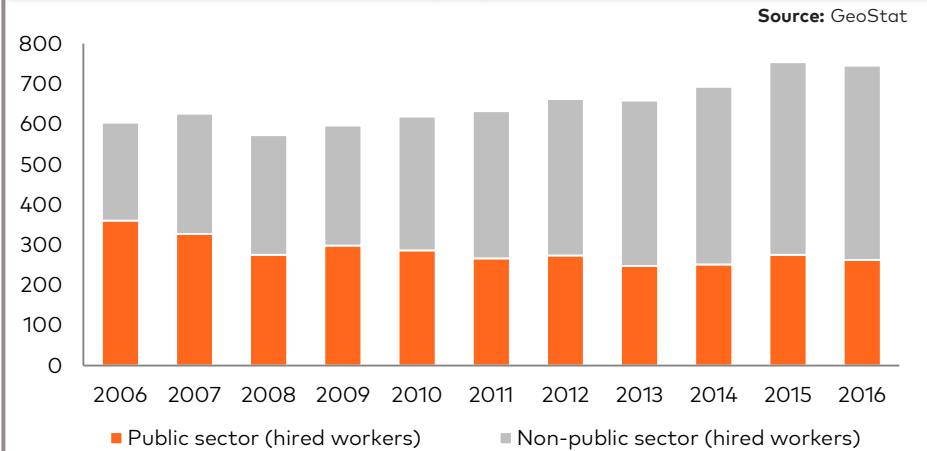
## Average monthly wages and income per household



## Share of services in total employment has increased



## Hired workers accounted for 42.3% in total employment in 2016

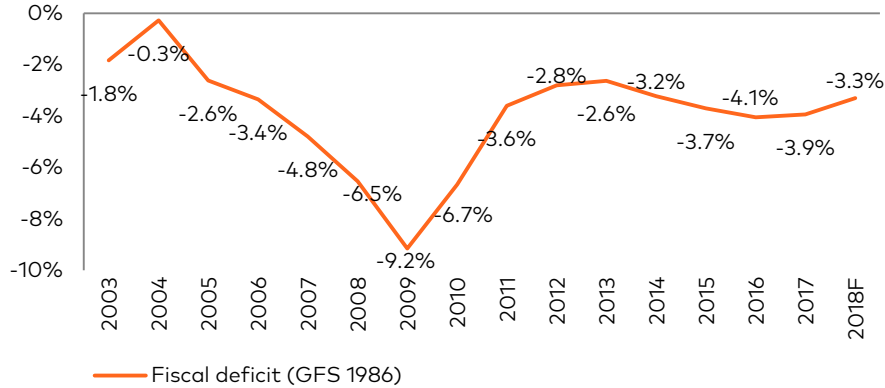


# LOW PUBLIC DEBT



## Fiscal deficit

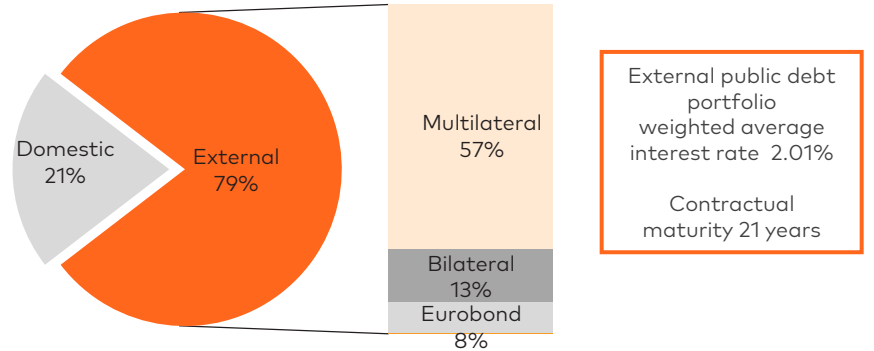
Source: Ministry of Finance of Georgia



Note: Deficit calculated based on IMF's GFSM-1986 methodology

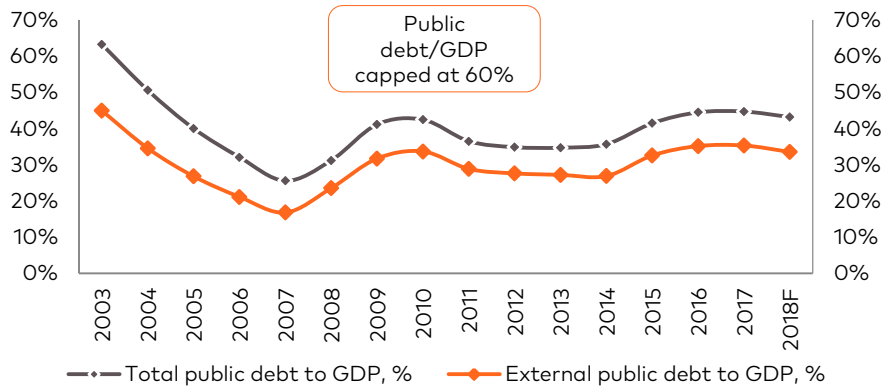
## Breakdown of public debt

Source: Ministry of Finance of Georgia, as of Dec-2017



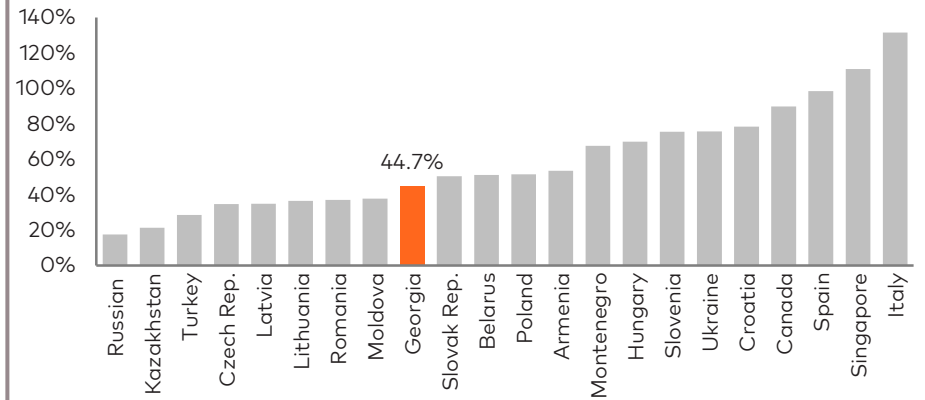
## Public debt as % of GDP

Source: Ministry of Finance of Georgia, Geostat



## Gross government debt/GDP, 2017

Source: IMF, MoF

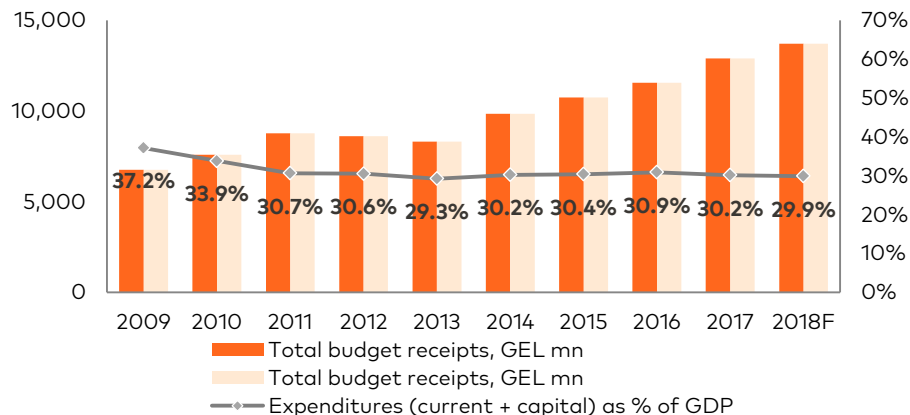


# INVESTING IN INFRASTRUCTURE AND SPENDING LOW ON SOCIAL



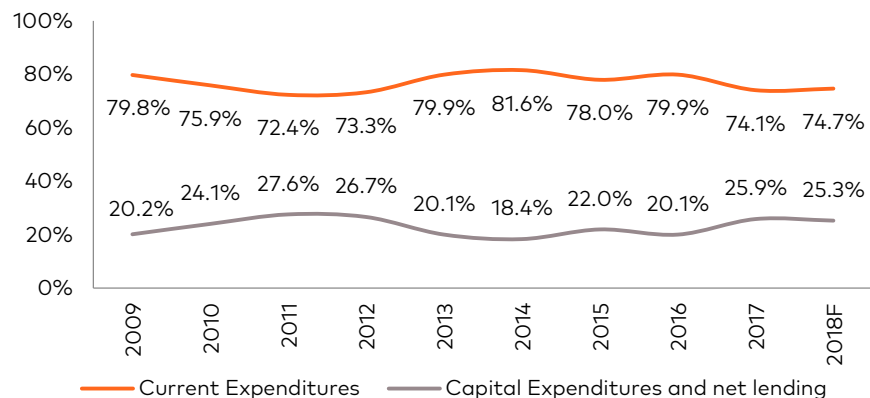
## Revenues and expenditures, consolidated budget

Source: Ministry of Finance, GeoStat



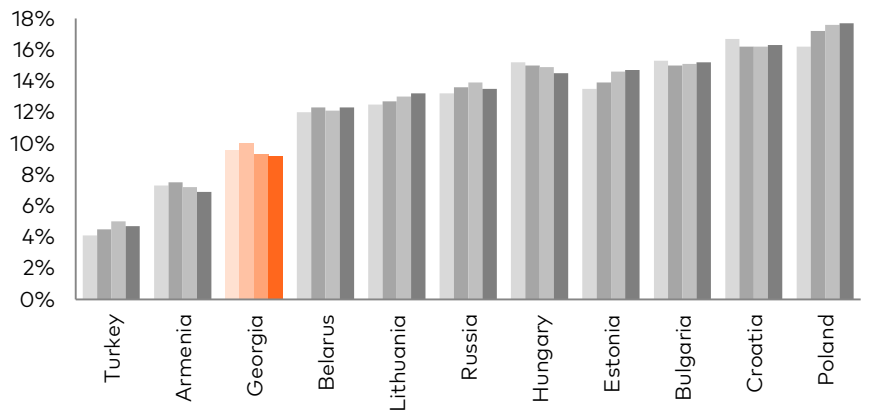
## Current and capital expenditure

Source: Ministry of Finance



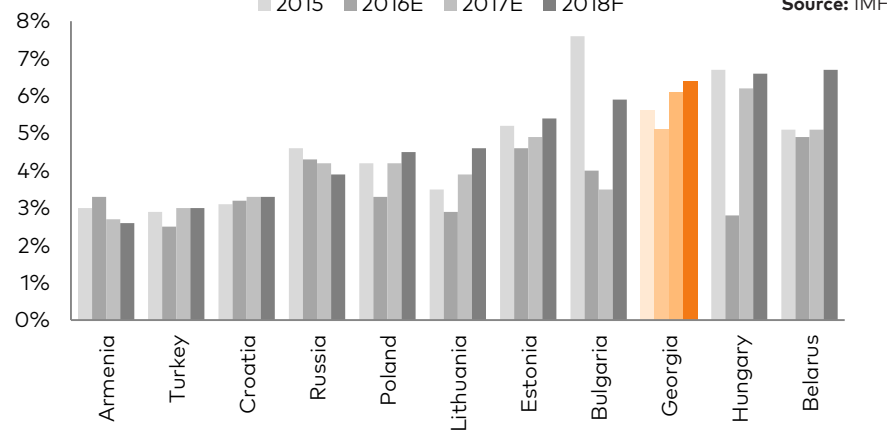
## Government social expenditure as % of GDP

Source: IMF



## Government capital expenditure as % of GDP

Source: IMF



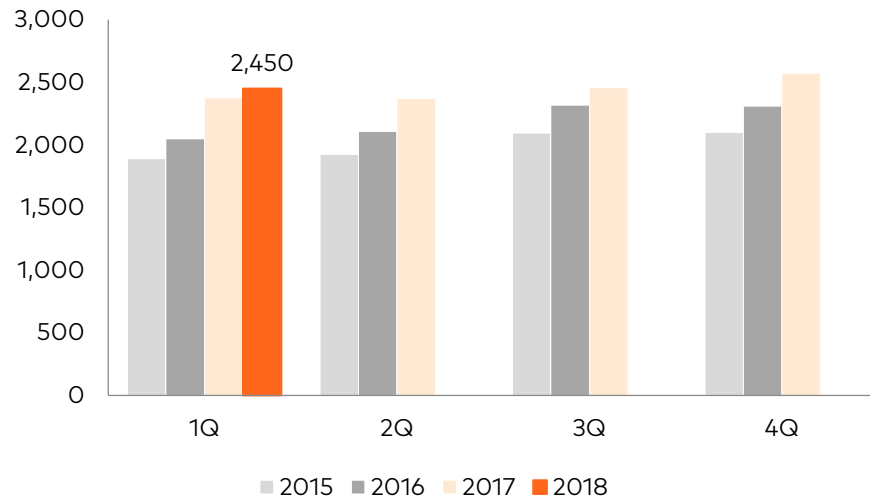


# FISCAL PERFORMANCE



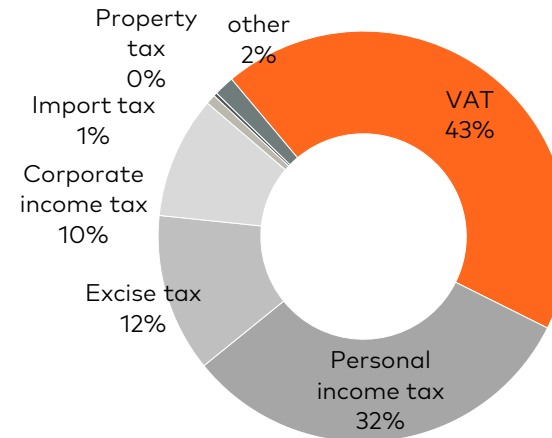
## Consolidated budget tax revenues, GEL mln

Source: Ministry of Finance



## Consolidated budget tax revenues breakdown, 1Q18

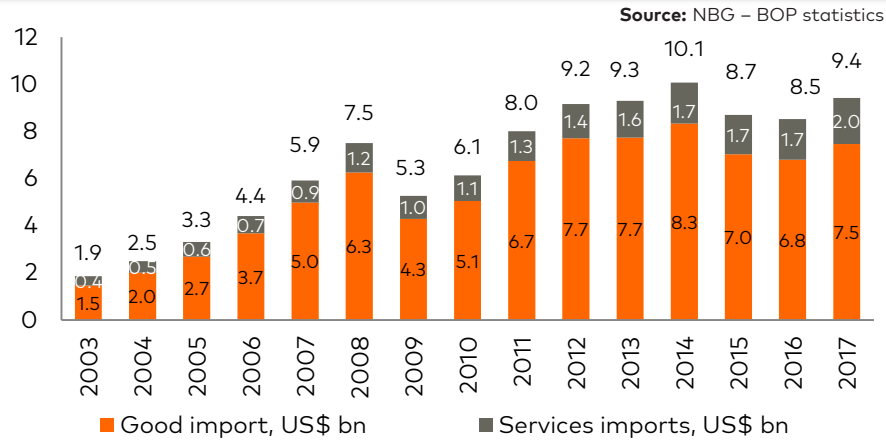
Source: Ministry of Finance



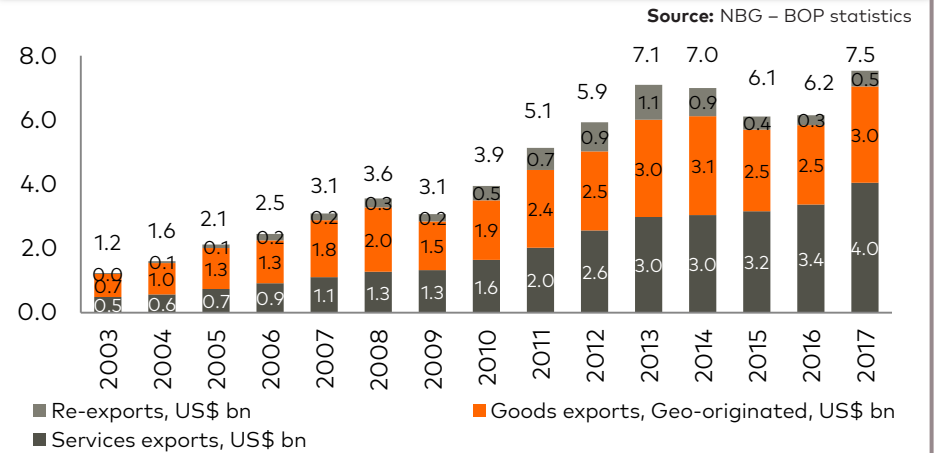
# DIVERSIFIED FOREIGN TRADE



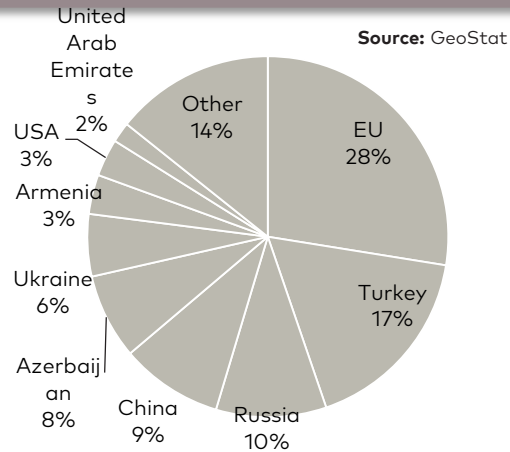
## Imports of goods and services



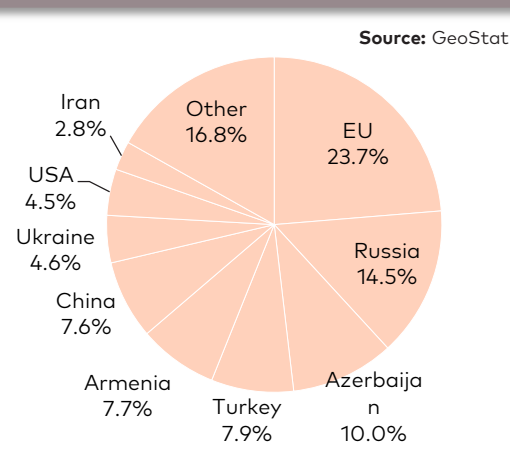
## Exports and Re-exports



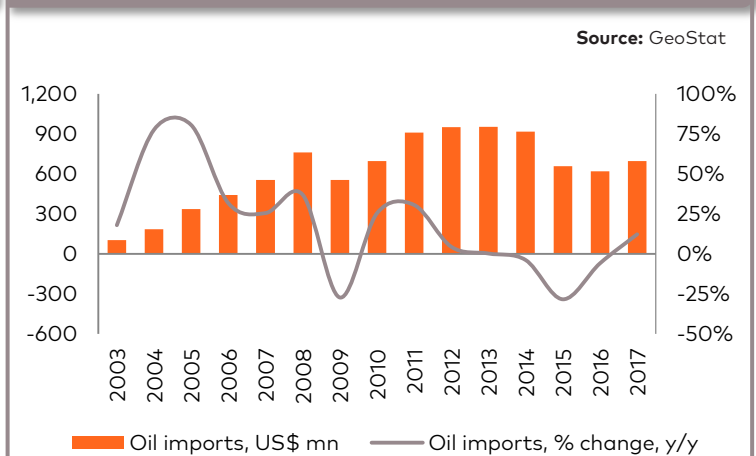
## Imports, 2017



## Exports, 2017



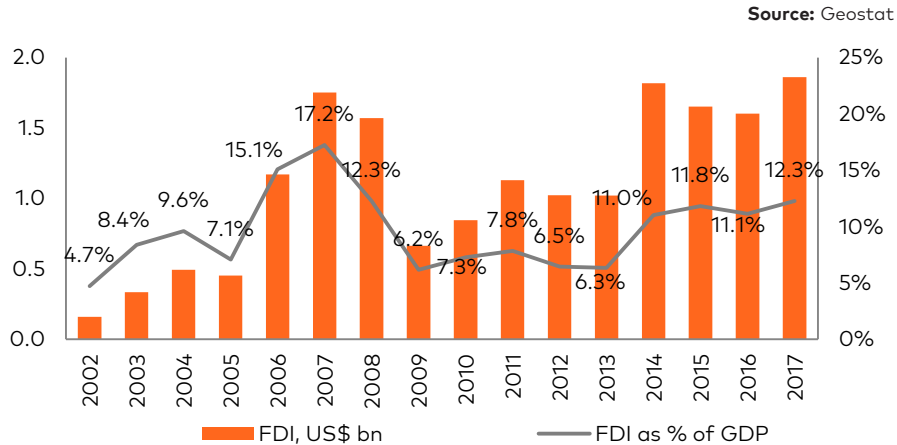
## Oil imports



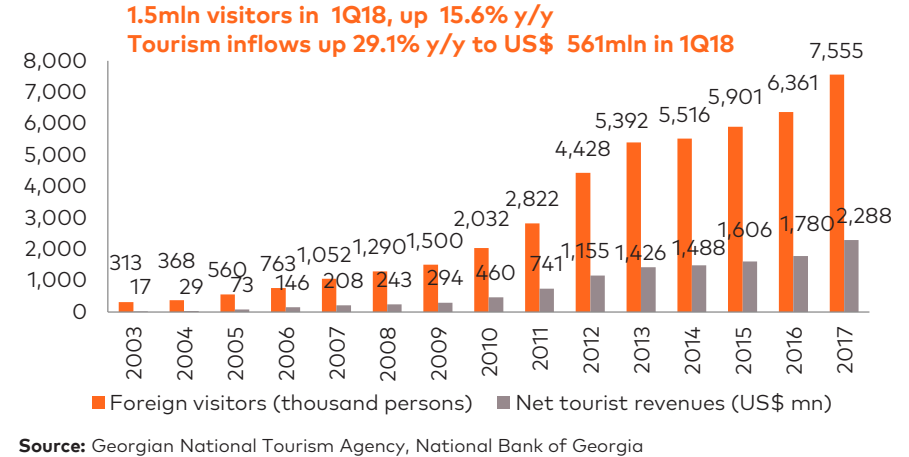
# DIVERSIFIED SOURCES OF CAPITAL



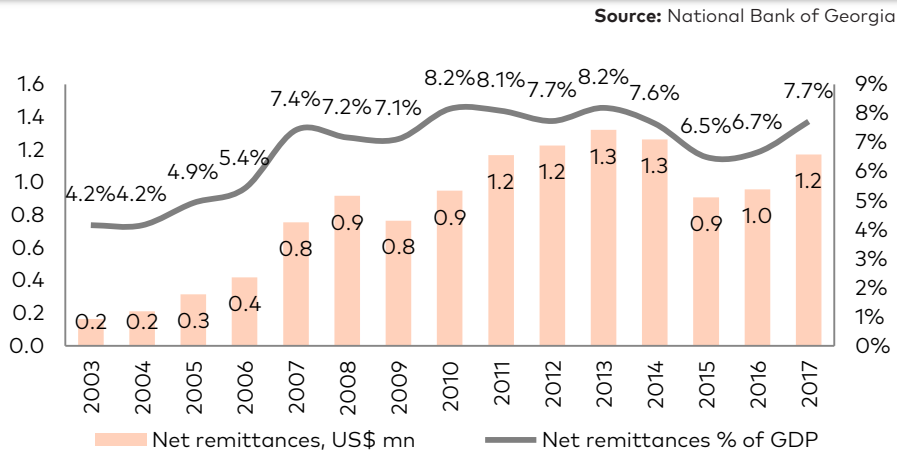
## Strong foreign investor interest



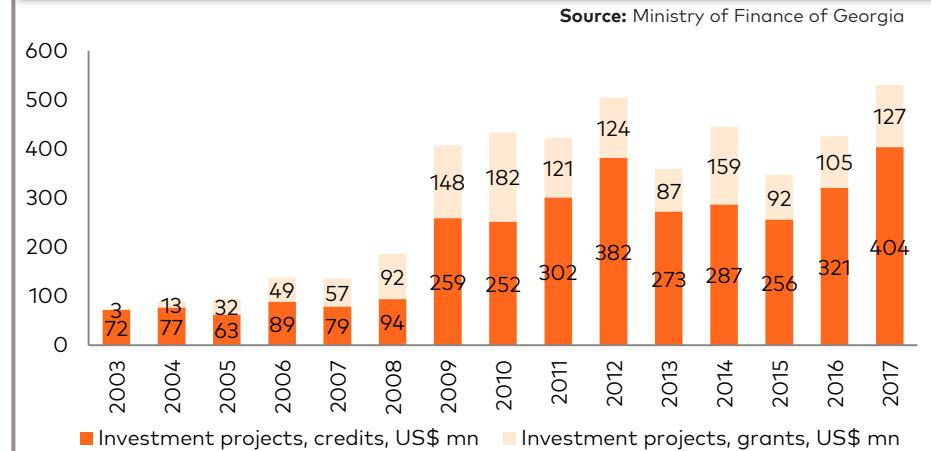
## Tourist arrivals and revenues on the rise



## Remittances - steady source of external funding



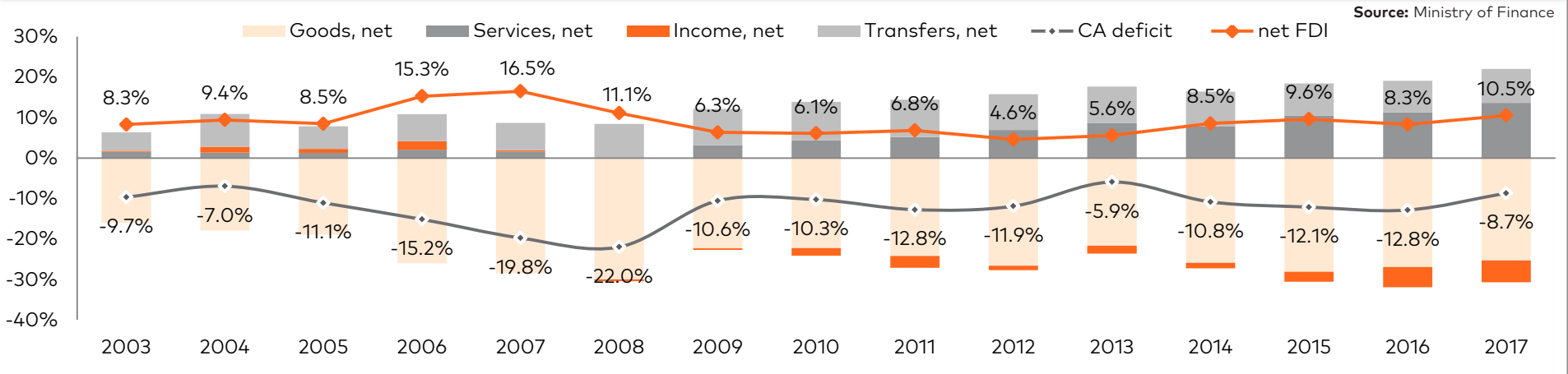
## Donor funding for public infrastructure projects



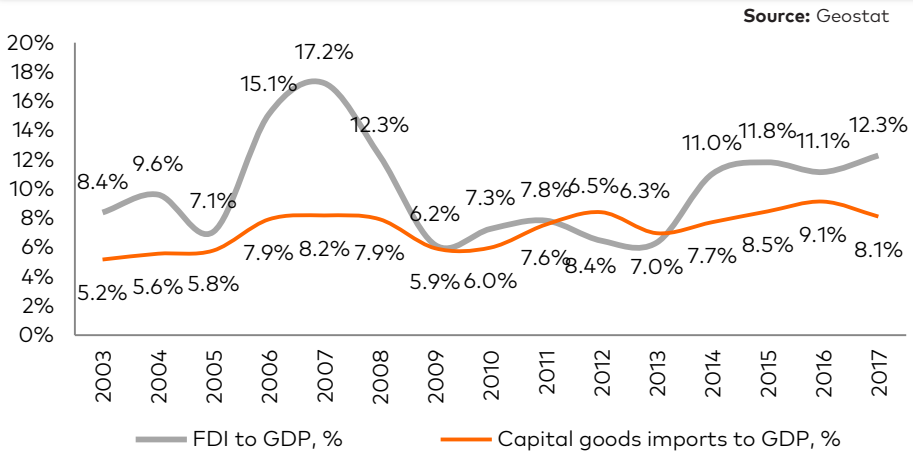
# CURRENT ACCOUNT DEFICIT SUPPORTED BY FDI



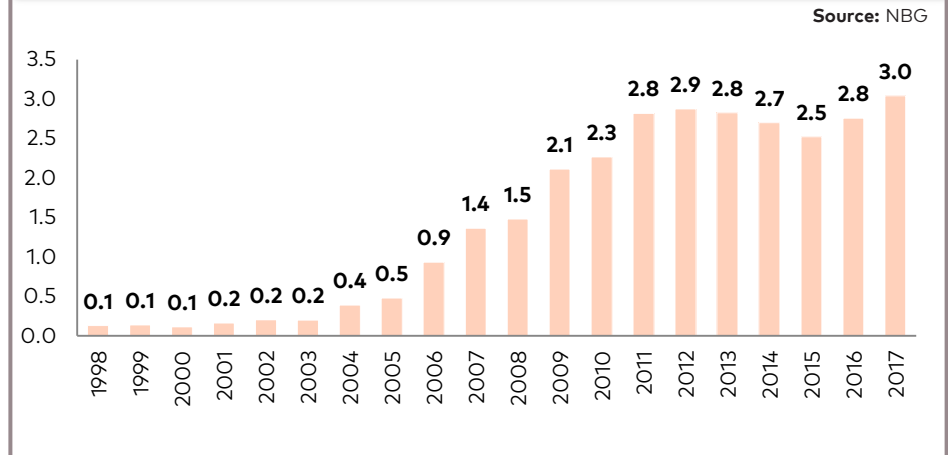
## Current account balance (% of nominal GDP)



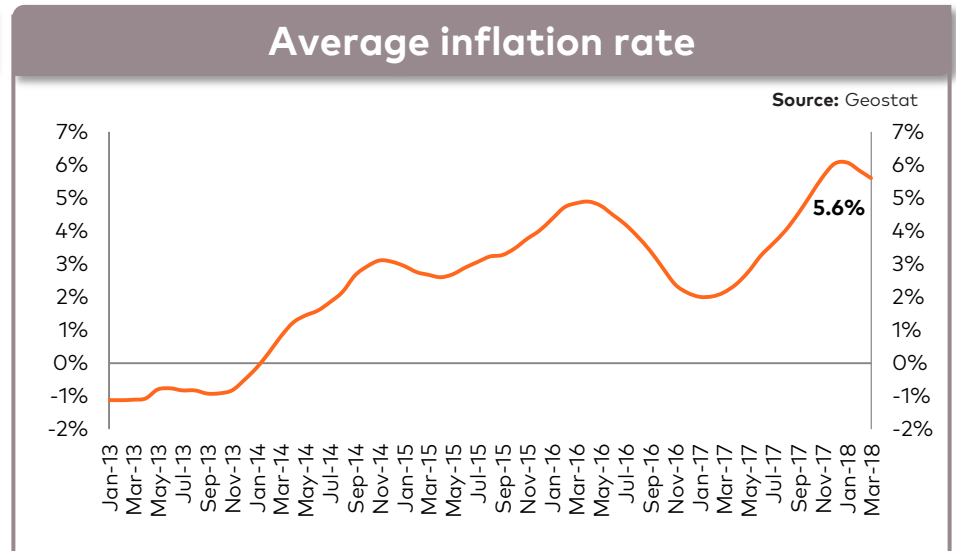
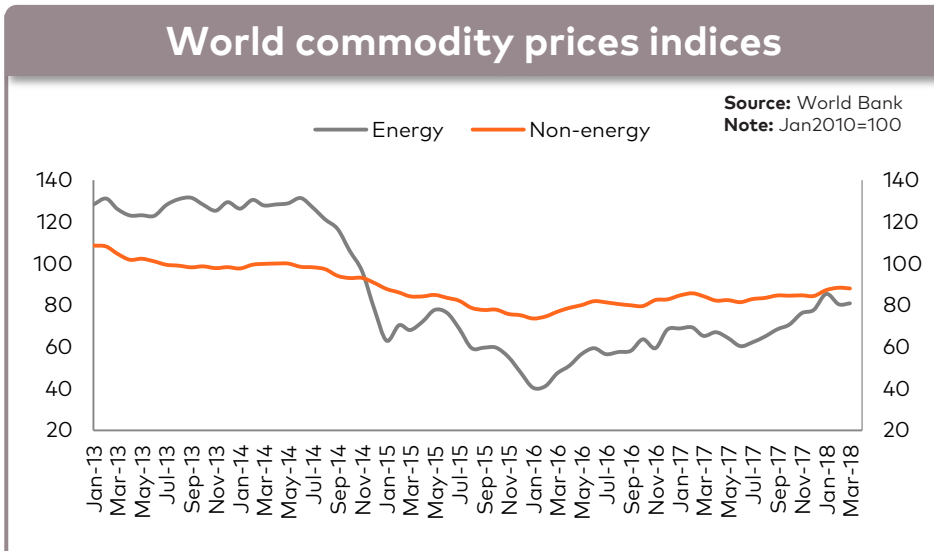
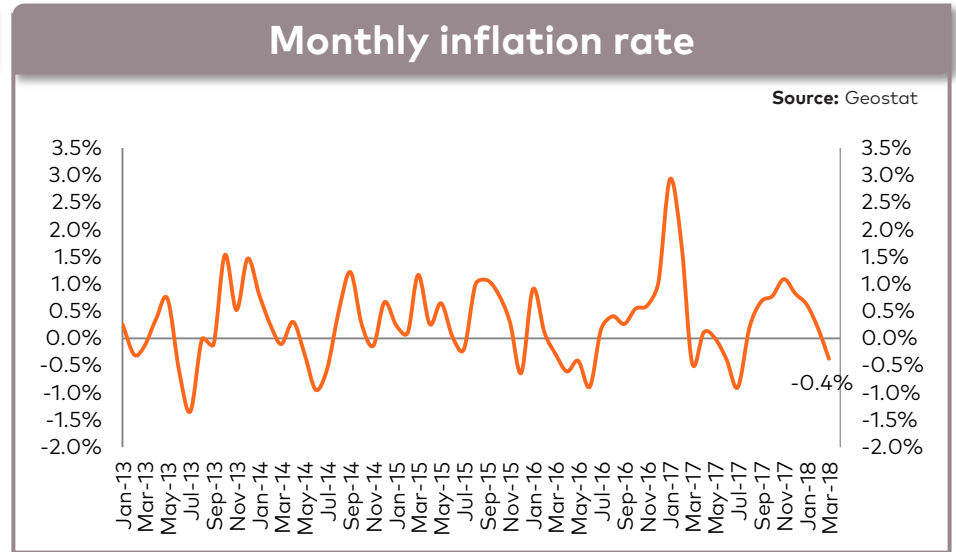
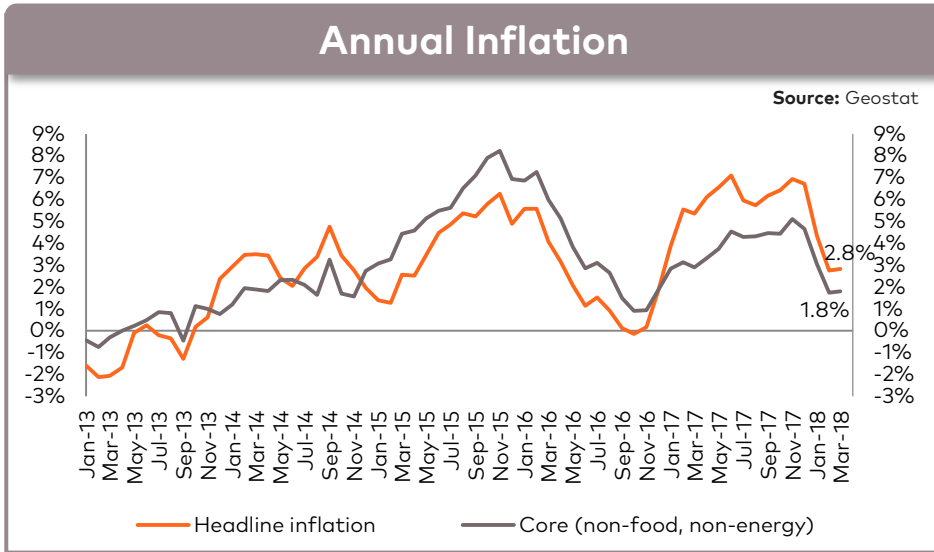
## FDI and capital goods import



## Building international reserves



# INFLATION TARGETING SINCE 2009

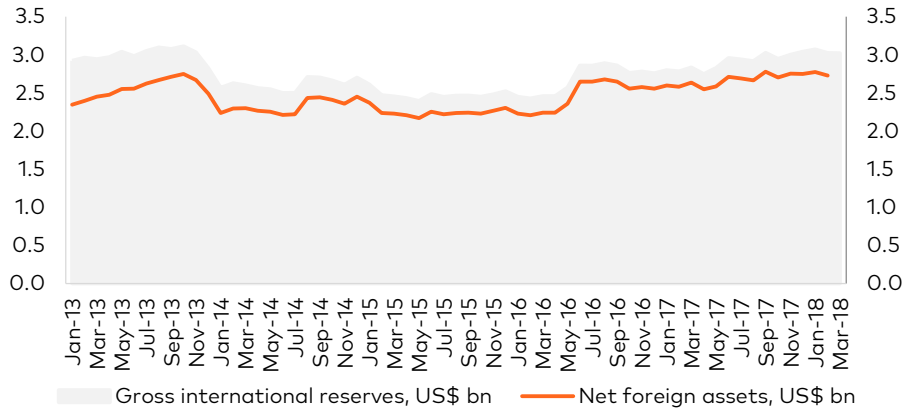


# INTERNATIONAL RESERVES SUFFICIENT TO FINANCE MORE THAN 3 MONTHS OF IMPORTS



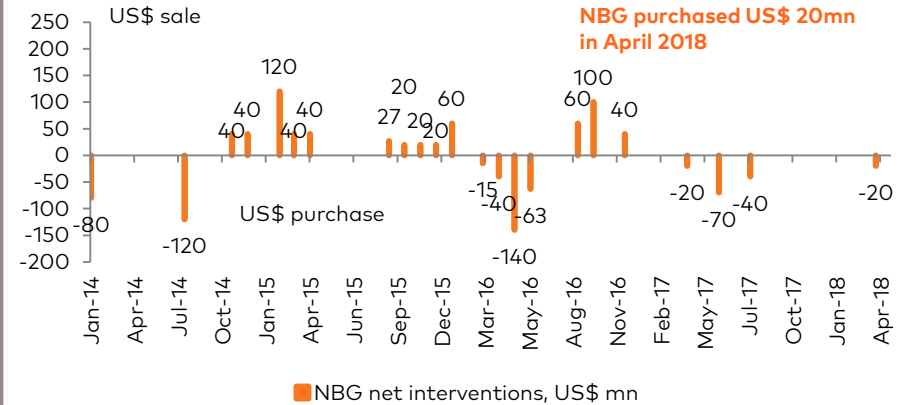
## International reserves

Source: NBG



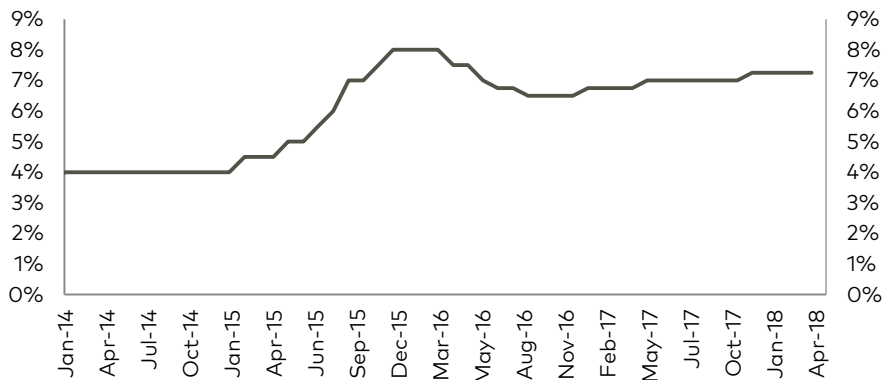
## Central Bank's interventions

Source: NBG



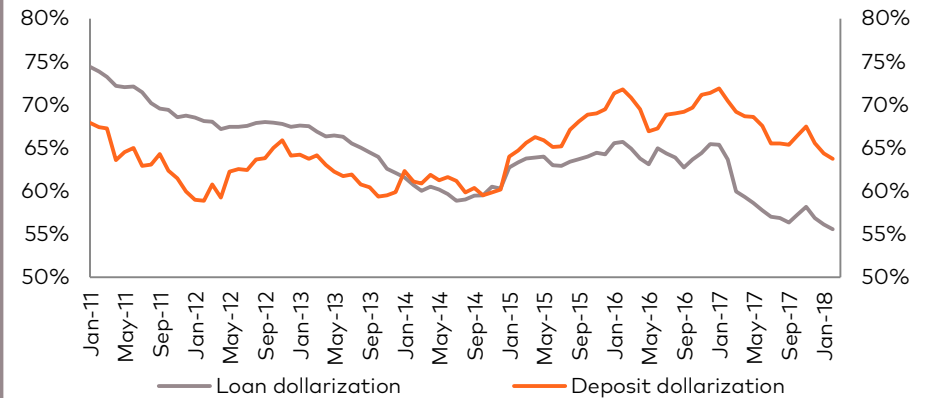
## Monetary policy rate

Source: NBG

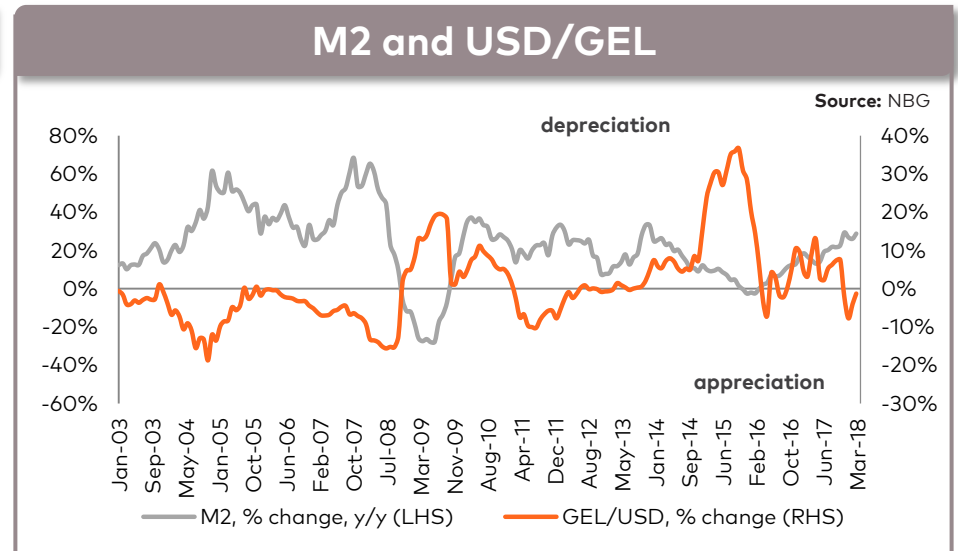
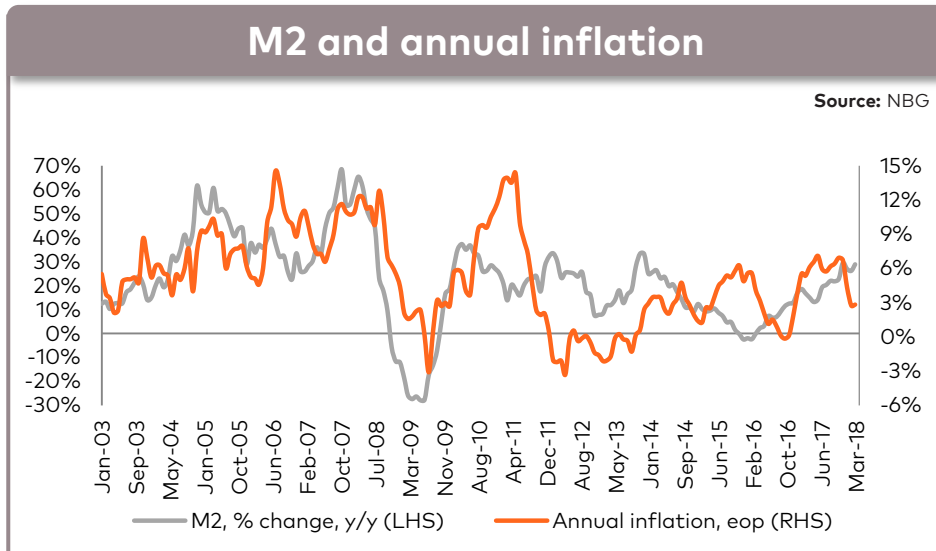
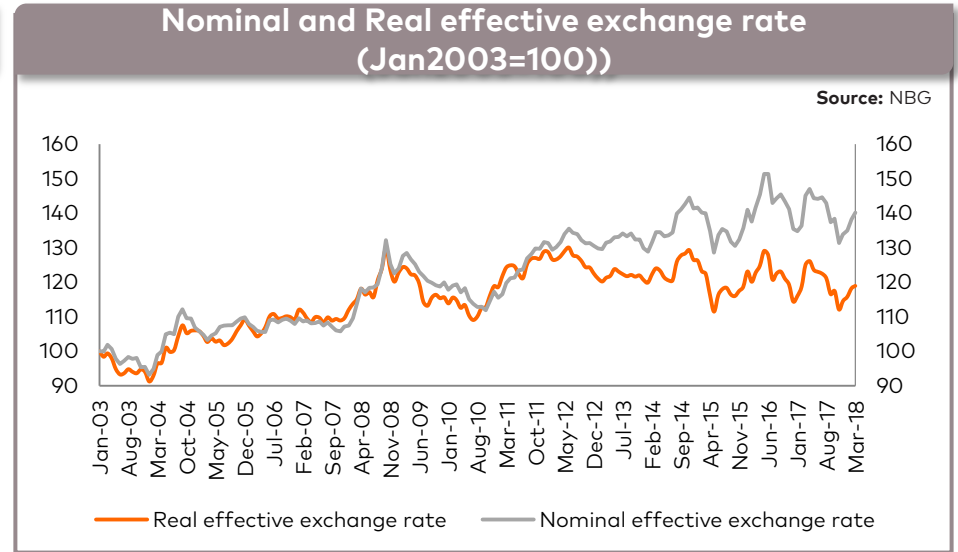
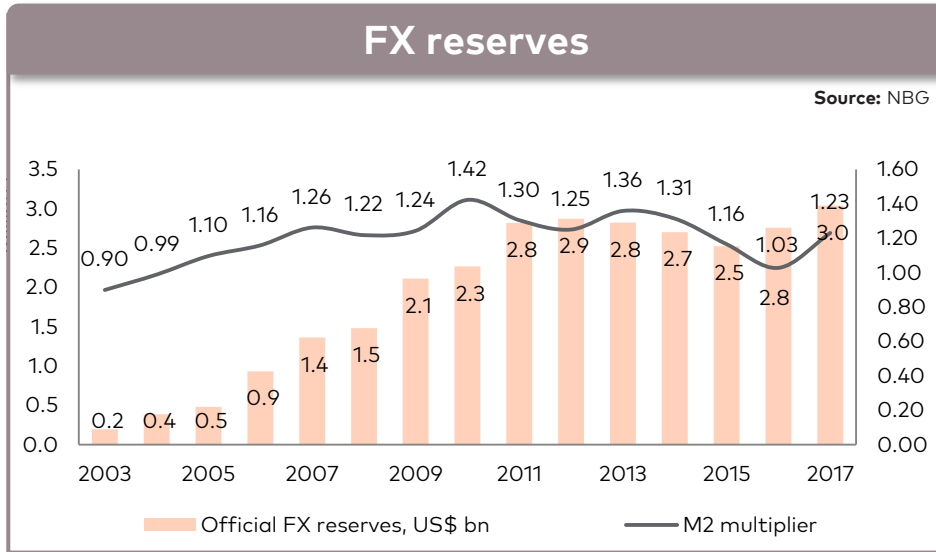


## Dollarisation

Source: NBG



# FLOATING EXCHANGE RATE - POLICY PRIORITY



# GROWING AND WELL-CAPITALISED BANKING SECTOR

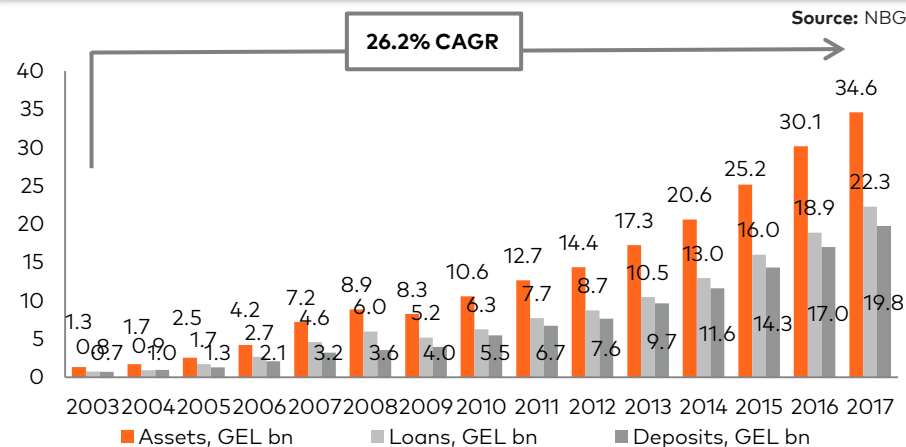


## Summary

- **Prudent regulation ensuring financial stability**
  - High level of liquidity requirements from NBG at 30% of liabilities, resulting in banking sector liquid assets to client deposits of 37% as of Dec 2017
- **Resilient banking sector**
  - Demonstrated strong resilience towards both domestic and external shocks *without single bank going bankrupt*
  - **No nationalization** of the banks and no government ownership since 1994
  - **Very low leverage** with retail loans estimated at 31% of GDP and total loans at 56% of GDP as of 2017 resulting in low number of defaults in face of different shocks to the economy

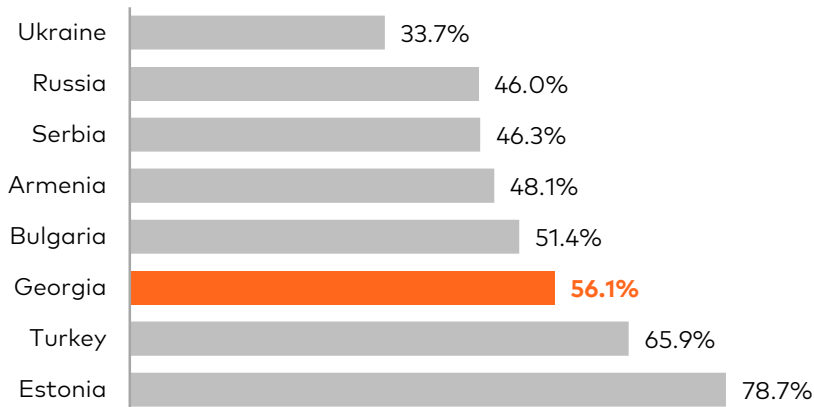
Source: National Bank of Georgia, GeoStat

## Banking sector assets, loans and deposits



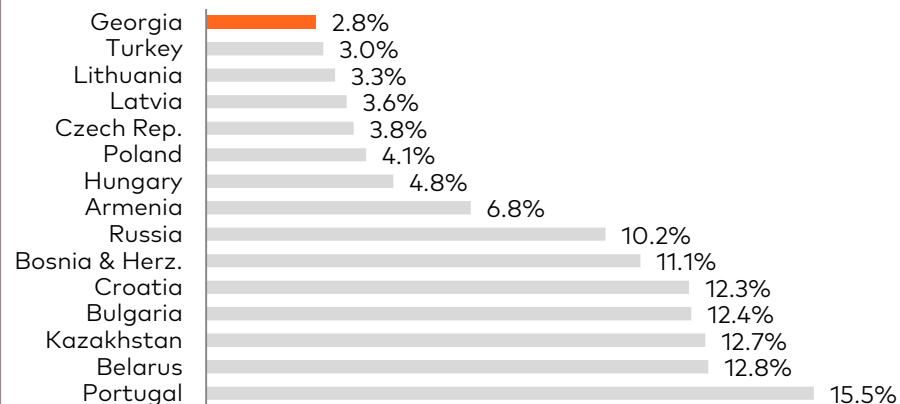
## Banking Sector loans to GDP, 2017

Source: IMF, Central Banks



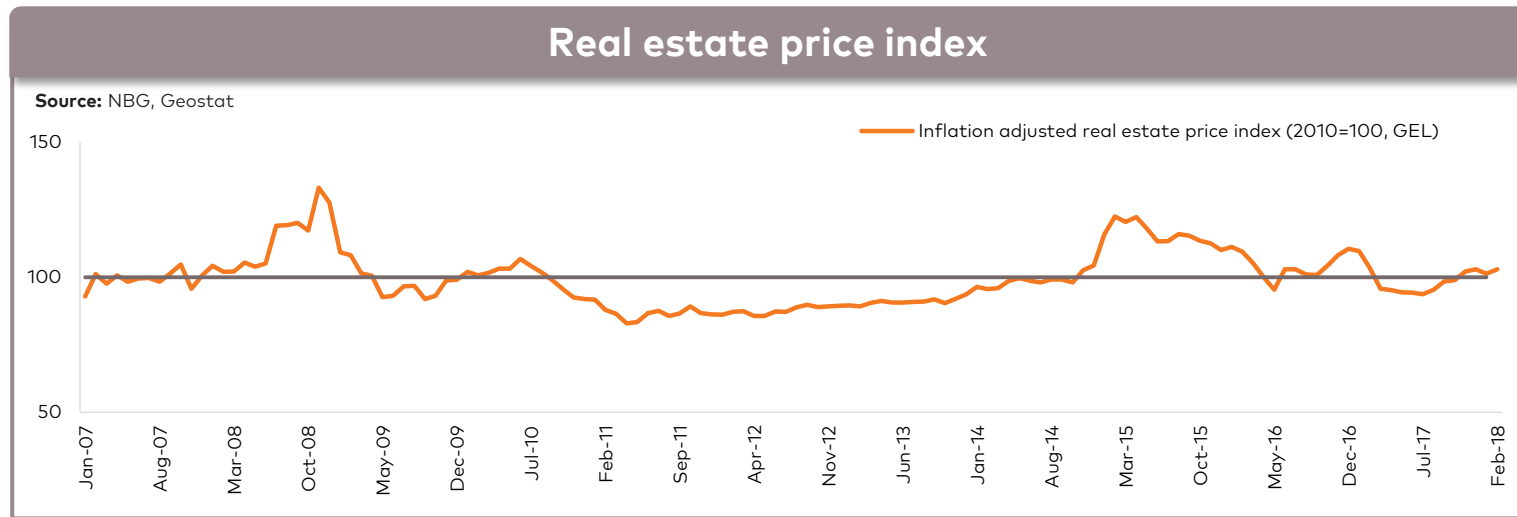
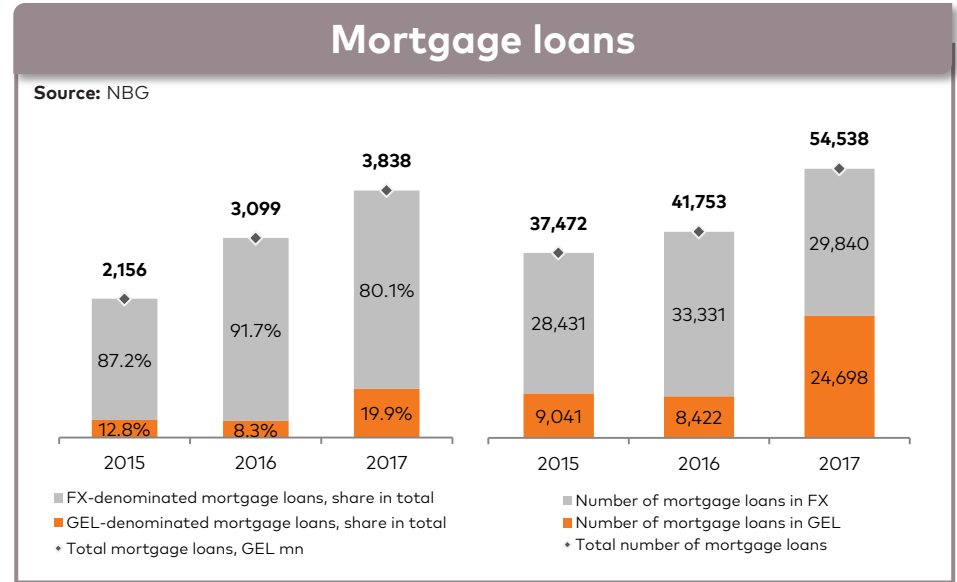
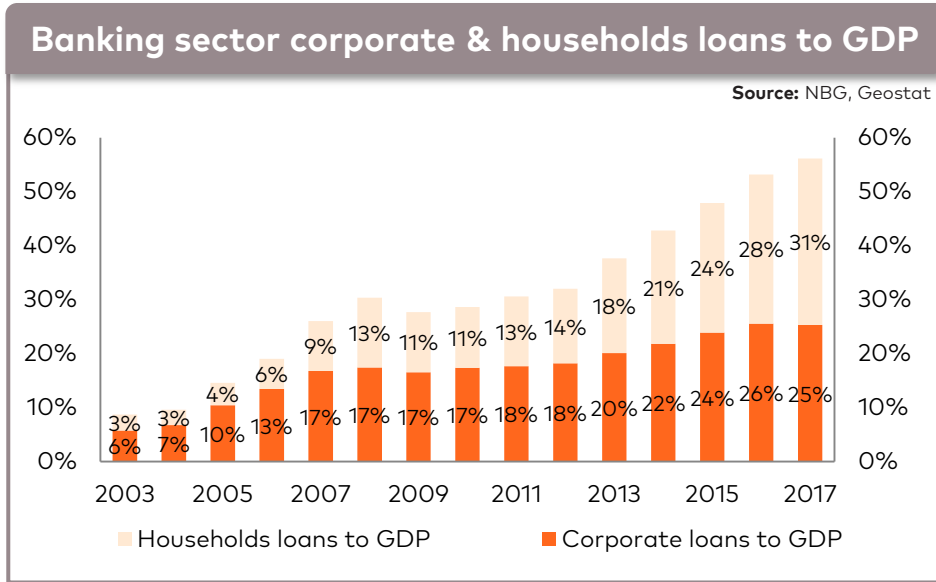
## Non-performing loans, 2017

Source: IMF, NBG

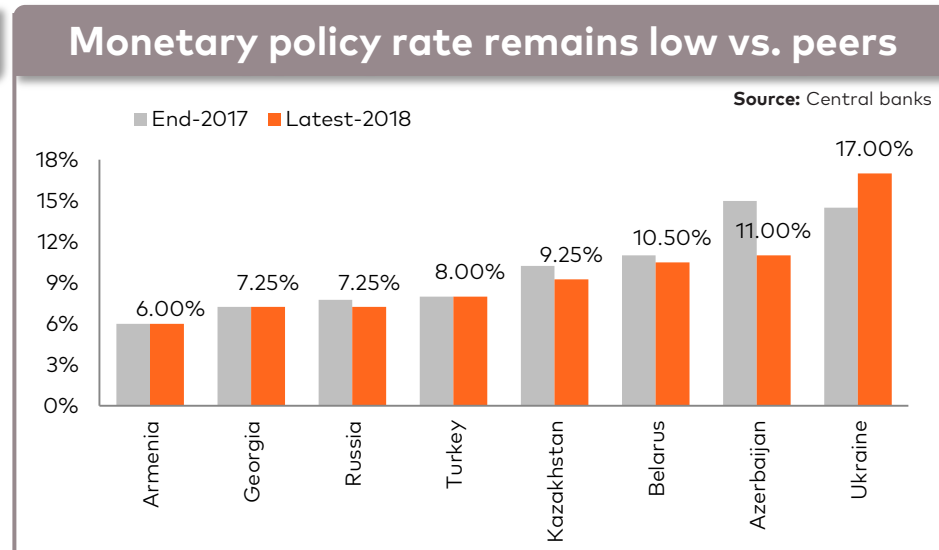
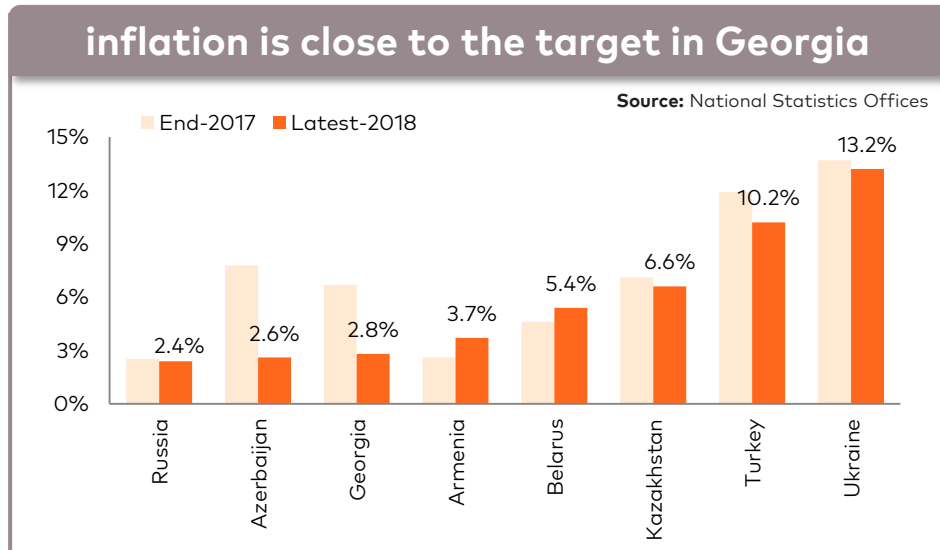
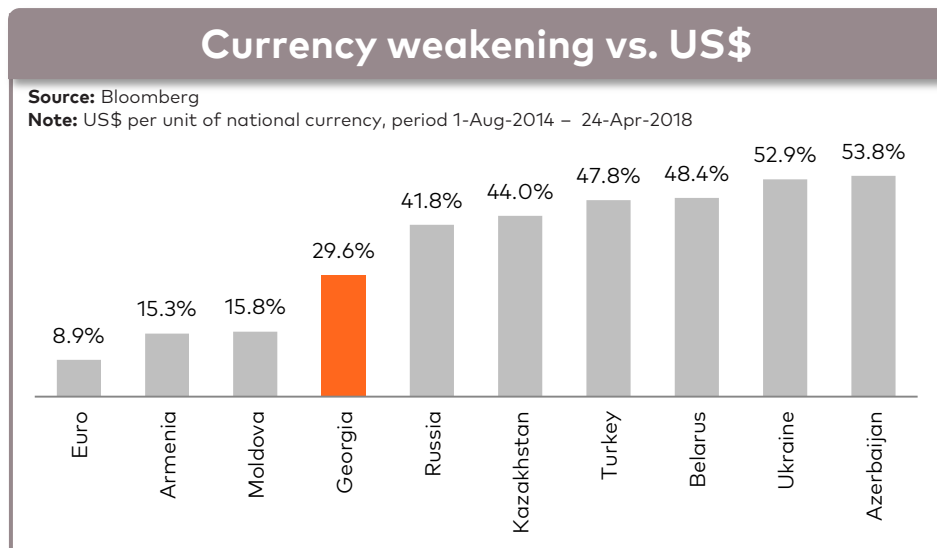




# UNDERPENETRATED BANKING SECTOR PROVIDES ROOM FOR FURTHER GROWTH



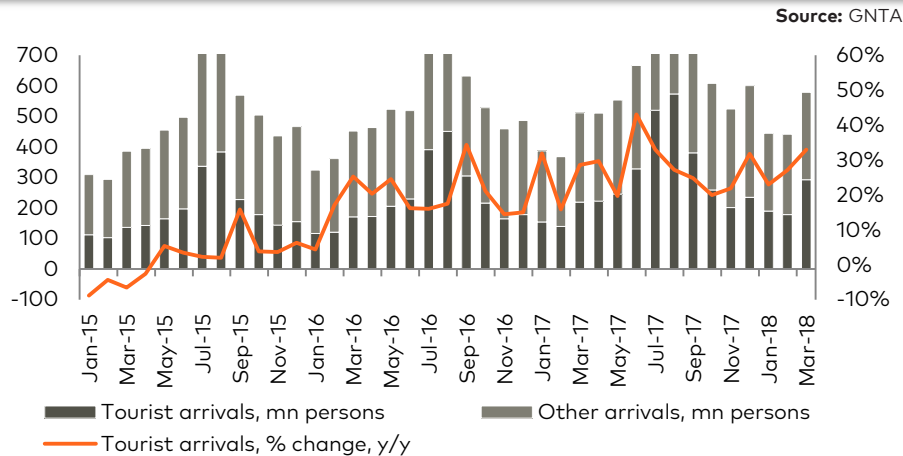
# FLEXIBLE FX REGIME SUPPORTS TO MACRO STABILITY



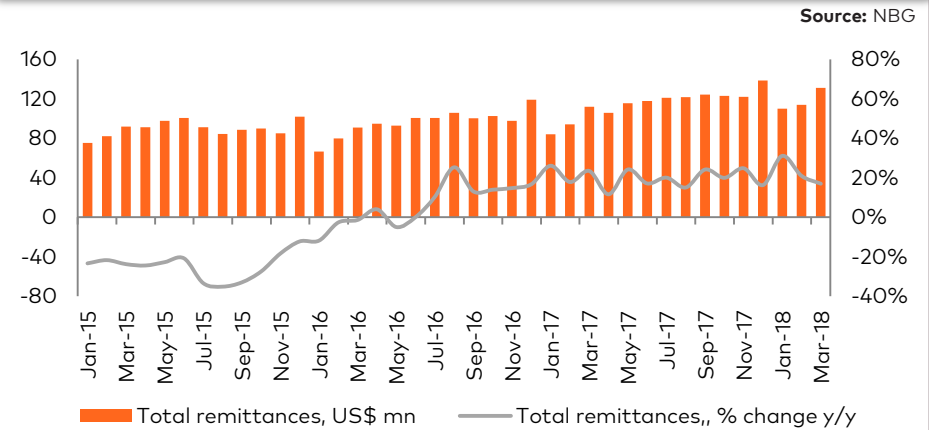
# RECENT TREND – TOURIST ARRIVALS, EXPORTS AND REMITTANCES UP



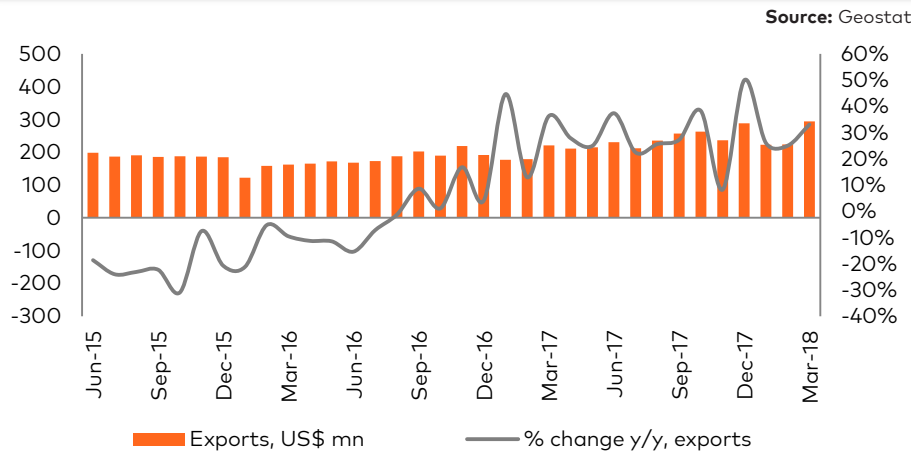
## Tourist arrivals up 28.4% y/y in 1Q18



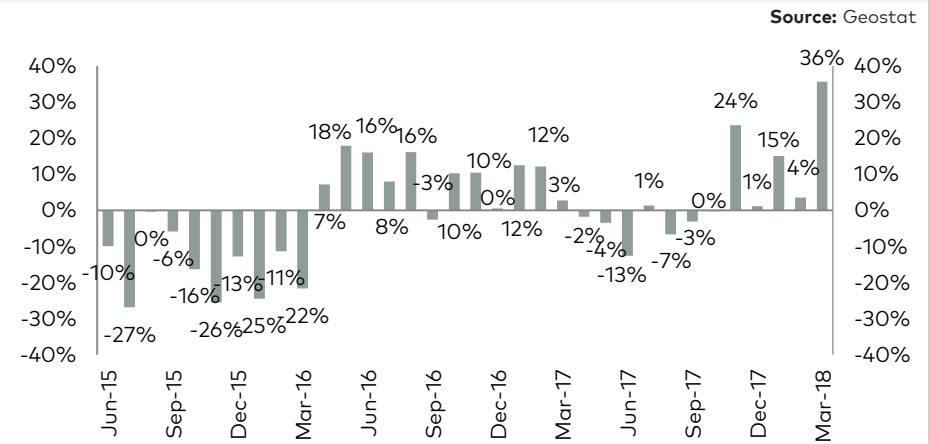
## Remittances up 22.4% y/y in 1Q18



## Exports up 28.4% y/y in 1Q18



## Trade deficit up 18.1% y/y in 1Q18



# CONTENT



- **Overview** | Bank of Georgia Group PLC **4**
- **Results Discussion** | Banking Business **15**
- **Georgian Macro Overview** **40**
- **Appendices** **61**

# BANK OF GEORGIA GROUP INCOME STATEMENT



GEL thousands, unless otherwise noted	Bank of Georgia Group Consolidated					Banking Business					Investment Business*					Eliminations		
	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q	1Q18	1Q17	4Q17
Banking interest income	311,149	265,330	17.3%	310,589	0.2%	313,553	267,121	17.4%	312,950	0.2%	-	-	-	-	-	(2,404)	(1,791)	(2,361)
Banking interest expense	(130,035)	(104,995)	23.8%	(127,091)	2.3%	(133,430)	(106,241)	25.6%	(129,826)	2.8%	-	-	-	-	-	3,395	1,246	2,735
<b>Net banking interest income</b>	<b>181,114</b>	<b>160,335</b>	<b>13.0%</b>	<b>183,498</b>	<b>-1.3%</b>	<b>180,123</b>	<b>160,880</b>	<b>12.0%</b>	<b>183,124</b>	<b>-1.6%</b>	-	-	-	-	-	<b>991</b>	<b>(545)</b>	<b>374</b>
Fee and commission income	50,673	43,150	17.4%	53,290	-4.9%	51,213	43,702	17.2%	53,739	-4.7%	-	-	-	-	-	(540)	(552)	(449)
Fee and commission expense	(16,488)	(13,364)	23.4%	(16,807)	-1.9%	(16,702)	(13,509)	23.6%	(17,001)	-1.8%	-	-	-	-	-	214	145	194
<b>Net fee and commission income</b>	<b>34,185</b>	<b>29,786</b>	<b>14.8%</b>	<b>36,483</b>	<b>-6.3%</b>	<b>34,511</b>	<b>30,193</b>	<b>14.3%</b>	<b>36,738</b>	<b>-6.1%</b>	-	-	-	-	-	<b>(326)</b>	<b>(407)</b>	<b>(255)</b>
Net banking foreign currency gain	14,913	12,526	<b>19.1%</b>	28,139	<b>-47.0%</b>	16,015	19,700	<b>-18.7%</b>	27,464	<b>-41.7%</b>	-	-	-	-	-	(1,102)	(7,174)	675
Net other banking income	5,518	2,783	<b>98.3%</b>	12,708	<b>-56.6%</b>	5,744	3,016	<b>90.5%</b>	12,986	<b>-55.8%</b>	-	-	-	-	-	(226)	(233)	(278)
<b>Revenue</b>	<b>235,730</b>	<b>205,430</b>	<b>14.7%</b>	<b>260,828</b>	<b>-9.6%</b>	<b>236,393</b>	<b>213,789</b>	<b>10.6%</b>	<b>260,312</b>	<b>-9.2%</b>	-	-	-	-	-	<b>(663)</b>	<b>(8,359)</b>	<b>516</b>
Salaries and other employee benefits	(48,818)	(43,788)	11.5%	(55,144)	-11.5%	(49,453)	(44,279)	11.7%	(55,789)	-11.4%	-	-	-	-	-	635	491	645
Administrative expenses	(25,168)	(22,058)	14.1%	(31,760)	-20.8%	(25,633)	(22,519)	13.8%	(32,245)	-20.5%	-	-	-	-	-	465	461	485
Banking depreciation and amortisation	(11,522)	(9,525)	21.0%	(10,514)	9.6%	(11,522)	(9,525)	21.0%	(10,514)	9.6%	-	-	-	-	-	-	-	-
Other operating expenses	(771)	(731)	5.5%	(1,194)	-35.4%	(771)	(731)	5.5%	(1,194)	-35.4%	-	-	-	-	-	-	-	-
<b>Operating expenses</b>	<b>(86,279)</b>	<b>(76,102)</b>	<b>13.4%</b>	<b>(98,612)</b>	<b>-12.5%</b>	<b>(87,379)</b>	<b>(77,054)</b>	<b>13.4%</b>	<b>(99,742)</b>	<b>-12.4%</b>	-	-	-	-	-	<b>1,100</b>	<b>952</b>	<b>1,130</b>
Profit from associates	319	514	-37.9%	255	25.1%	319	514	-37.9%	255	25.1%	-	-	-	-	-	-	-	-
<b>Operating income before cost of credit risk</b>	<b>149,770</b>	<b>129,842</b>	<b>15.3%</b>	<b>162,471</b>	<b>-7.8%</b>	<b>149,333</b>	<b>137,249</b>	<b>8.8%</b>	<b>160,825</b>	<b>-7.1%</b>	-	-	-	-	-	<b>437</b>	<b>(7,407)</b>	<b>1,646</b>
Impairment charge on loans to customers	(41,006)	(41,341)	-0.8%	(41,911)	-2.2%	(41,006)	(41,341)	-0.8%	(41,911)	-2.2%	-	-	-	-	-	-	-	-
Impairment charge on finance lease receivables	13	(139)	NMF	492	-97.4%	13	(139)	NMF	492	-97.4%	-	-	-	-	-	-	-	-
Impairment charge on other assets and provisions	2,850	(6,540)	NMF	(1,009)	NMF	2,850	(6,540)	NMF	(1,009)	NMF	-	-	-	-	-	-	-	-
<b>Cost of credit risk</b>	<b>(38,143)</b>	<b>(48,020)</b>	<b>-20.6%</b>	<b>(42,428)</b>	<b>-10.1%</b>	<b>(38,143)</b>	<b>(48,020)</b>	<b>-20.6%</b>	<b>(42,428)</b>	<b>-10.1%</b>	-	-	-	-	-	-	-	-
<b>Profit before non-recurring items and income tax</b>	<b>111,627</b>	<b>81,822</b>	<b>36.4%</b>	<b>120,043</b>	<b>-7.0%</b>	<b>111,190</b>	<b>89,229</b>	<b>24.6%</b>	<b>118,397</b>	<b>-6.1%</b>	-	-	-	-	-	<b>437</b>	<b>(7,407)</b>	<b>1,646</b>
Net non-recurring items	(2,948)	(1,695)	73.9%	(213)	NMF	(2,948)	(1,695)	73.9%	(213)	NMF	-	-	-	-	-	-	-	-
<b>Profit before income tax</b>	<b>108,679</b>	<b>80,127</b>	<b>35.6%</b>	<b>119,830</b>	<b>-9.3%</b>	<b>108,242</b>	<b>87,534</b>	<b>23.7%</b>	<b>118,184</b>	<b>-8.4%</b>	-	-	-	-	-	<b>437</b>	<b>(7,407)</b>	<b>1,646</b>
Income tax (expense) benefit	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	(9,058)	(4,407)	105.5%	(11,050)	-18.0%	-	-	-	-	-	-	-	-
<b>Profit from continuing operations</b>	<b>99,621</b>	<b>75,720</b>	<b>31.6%</b>	<b>108,780</b>	<b>-8.4%</b>	<b>99,184</b>	<b>83,127</b>	<b>19.3%</b>	<b>107,134</b>	<b>-7.4%</b>	-	-	-	-	-	<b>437</b>	<b>(7,407)</b>	<b>1,646</b>
Profit from discontinued operations	28,938	32,453	-10.8%	10,029	NMF	-	-	-	-	-	29,375	25,046	17.3%	11,675	151.6%	(437)	7,407	(1,646)
<b>Profit</b>	<b>128,559</b>	<b>108,173</b>	<b>18.8%</b>	<b>118,809</b>	<b>8.2%</b>	<b>99,184</b>	<b>83,127</b>	<b>19.3%</b>	<b>107,134</b>	<b>-7.4%</b>	<b>29,375</b>	<b>25,046</b>	<b>17.3%</b>	<b>11,675</b>	<b>151.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Attributable to:</b>																		
– shareholders of the Group	115,952	100,431	15.5%	113,729	2.0%	98,784	82,640	19.5%	106,687	-7.4%	17,168	17,791	-3.5%	7,042	143.8%	-	-	-
– non-controlling interests	12,607	7,742	62.8%	5,080	148.2%	400	487	-17.9%	447	-10.5%	12,207	7,255	68.3%	4,633	NMF	-	-	-
<b>Profit from continuing operations attributable to:</b>																		
– shareholders of the Group	99,221	75,233	31.9%	108,333	-8.4%	98,784	82,640	19.5%	106,687	-7.4%	-	-	-	-	-	437	(7,407)	1,646
– non-controlling interests	400	487	-17.9%	447	-10.5%	400	487	-17.9%	447	-10.5%	-	-	-	-	-	-	-	-
<b>Profit from discontinued operations attributable to:</b>																		
– shareholders of the Group	16,731	25,198	-33.6%	5,396	NMF	-	-	-	-	-	17,168	17,791	-3.5%	7,042	143.8%	(437)	7,407	(1,646)
– non-controlling interests	12,207	7,255	68.3%	4,633	NMF	-	-	-	-	-	12,207	7,255	68.3%	4,633	NMF	-	-	-
<b>Earnings per share (basic)</b>	<b>3.08</b>	<b>2.64</b>	<b>16.7%</b>	<b>3.05</b>	<b>1.0%</b>													
– earnings per share from continuing operations	2.64	1.97	34.0%	2.91	-9.3%													
– earnings per share from discontinued operations	0.44	0.67	-34.3%	0.14	NMF													
<b>Earnings per share (diluted)</b>	<b>2.98</b>	<b>2.55</b>	<b>16.9%</b>	<b>2.90</b>	<b>2.8%</b>													
– earnings per share from continuing operations	2.55	1.91	33.5%	2.77	-7.9%													
– earnings per share from discontinued operations	0.43	0.64	-32.8%	0.13	NMF													



# BANK OF GEORGIA GROUP BALANCE SHEET



GEL thousands, unless otherwise noted	Bank of Georgia Group Consolidated					Banking Business					Investment Business*					Eliminations		
	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Mar-18	Mar-17	Change y-o-y	Dec-17	Change q-o-q	Mar-18	Mar-17	Dec-17
Cash and cash equivalents	1,754,920	1,285,483	36.5%	1,582,435	10.9%	1,754,920	1,198,301	46.5%	1,516,401	15.7%	-	359,629	NMF	374,301	NMF	-	(272,447)	(308,267)
Amounts due from credit institutions	941,804	1,090,111	-13.6%	1,225,947	-23.2%	955,175	970,653	-1.6%	1,216,349	-21.5%	-	174,248	NMF	38,141	NMF	(13,371)	(54,790)	(28,543)
Investment securities	1,748,728	1,231,332	42.0%	1,564,869	11.7%	1,804,231	1,229,431	46.8%	1,613,759	11.8%	-	3,350	NMF	33,059	NMF	(55,503)	(1,449)	(81,949)
Loans to customers and finance lease receivables	7,727,568	6,408,711	20.6%	7,690,450	0.5%	7,792,108	6,470,771	20.4%	7,741,420	0.7%	-	-	-	-	-	(64,540)	(62,060)	(50,970)
Accounts receivable and other loans	3,453	143,417	-97.6%	38,944	-91.1%	6,537	3,105	110.5%	3,572	83.0%	-	140,489	NMF	35,446	NMF	(3,084)	(177)	(74)
Insurance premiums receivable	-	51,595	NMF	30,573	NMF	-	-	-	-	-	-	53,256	NMF	30,854	NMF	-	(1,661)	(281)
Prepayments	79,600	101,297	-21.4%	149,558	-46.8%	79,600	27,355	NMF	61,501	29.4%	-	74,168	NMF	88,057	NMF	-	(226)	-
Inventories	10,371	205,132	-94.9%	100,194	-89.6%	10,371	9,186	12.9%	20,086	-48.4%	-	195,946	NMF	80,108	NMF	-	-	-
Investment property	218,142	285,996	-23.7%	353,565	-38.3%	218,142	154,618	41.1%	202,533	7.7%	-	131,378	NMF	155,367	NMF	-	-	(4,335)
Property and equipment	324,810	1,353,661	-76.0%	988,436	-67.1%	324,810	299,875	8.3%	322,925	0.6%	-	1,053,786	NMF	661,176	NMF	-	-	4,335
Goodwill	33,351	157,824	-78.9%	55,276	-39.7%	33,351	33,453	-0.3%	33,351	0.0%	-	124,371	NMF	21,925	NMF	-	-	-
Intangible assets	57,139	63,121	-9.5%	60,980	-6.3%	57,139	42,520	34.4%	55,525	2.9%	-	20,601	NMF	5,455	NMF	-	-	-
Income tax assets	13,189	11,277	17.0%	2,293	475.2%	13,189	6,986	88.8%	919	NMF	-	4,291	NMF	1,374	NMF	-	-	-
Other assets	113,823	182,291	-37.6%	188,732	-39.7%	117,289	107,804	8.8%	119,337	-1.7%	-	79,972	NMF	73,468	NMF	(3,466)	(5,485)	(4,073)
Assets of disposal group held for distribution	2,447,592	-	NMF	1,136,417	115.4%	-	-	-	-	-	3,841,004	-	NMF	1,165,182	NMF	(1,393,412)	-	(28,765)
<b>Total assets</b>	<b>15,474,490</b>	<b>12,571,248</b>	<b>23.1%</b>	<b>15,168,669</b>	<b>2.0%</b>	<b>13,166,862</b>	<b>10,554,058</b>	<b>24.8%</b>	<b>12,907,678</b>	<b>2.0%</b>	<b>3,841,004</b>	<b>2,415,485</b>	<b>59.0%</b>	<b>2,763,913</b>	<b>39.0%</b>	<b>(1,533,376)</b>	<b>(398,295)</b>	<b>(502,922)</b>
Client deposits and notes	6,762,071	5,294,462	27.7%	6,712,482	0.7%	7,296,110	5,622,023	29.8%	7,078,058	3.1%	-	-	-	-	-	(534,039)	(327,561)	(365,576)
Amounts due to credit institutions	2,521,291	3,133,422	-19.5%	3,155,839	-20.1%	2,642,427	2,662,910	-0.8%	2,778,338	-4.9%	-	532,572	NMF	377,501	NMF	(121,136)	(62,060)	-
Debt securities issued	1,524,600	1,157,082	31.8%	1,709,152	-10.8%	1,569,404	827,025	89.8%	1,386,412	13.2%	-	335,773	NMF	357,442	NMF	(44,804)	(5,716)	(34,702)
Accruals and deferred income	27,478	131,372	-79.1%	132,669	-79.3%	27,478	26,109	5.2%	42,207	-34.9%	-	105,263	NMF	90,462	NMF	-	-	-
Insurance contracts liabilities	-	71,620	NMF	46,402	NMF	-	-	-	-	-	-	71,620	NMF	46,402	NMF	-	-	-
Income tax liabilities	19,538	17,155	13.9%	20,959	-6.8%	19,538	15,493	26.1%	20,100	-2.8%	-	1,662	NMF	859	NMF	-	-	-
Other liabilities	41,073	348,586	-88.2%	142,133	-71.1%	41,876	45,032	-7.0%	49,861	-16.0%	-	306,512	NMF	92,553	NMF	(803)	(2,958)	(281)
Liabilities of disposal group held for distribution	1,837,869	-	NMF	516,663	NMF	-	-	-	-	-	1,964,463	-	NMF	619,026	NMF	(126,594)	-	(102,363)
<b>Total liabilities</b>	<b>12,733,920</b>	<b>10,153,699</b>	<b>25.4%</b>	<b>12,436,299</b>	<b>2.4%</b>	<b>11,596,833</b>	<b>9,198,592</b>	<b>26.1%</b>	<b>11,354,976</b>	<b>2.1%</b>	<b>1,964,463</b>	<b>1,353,402</b>	<b>45.1%</b>	<b>1,584,245</b>	<b>24.0%</b>	<b>(827,376)</b>	<b>(398,295)</b>	<b>(502,922)</b>
Share capital	1,151	1,153	-0.2%	1,151	0.0%	1,151	1,153	-0.2%	1,151	-	-	-	-	-	-	-	-	-
Additional paid-in capital	64,530	177,793	-63.7%	106,086	-39.2%	-	38,474	NMF	-	-	64,530	139,319	-53.7%	106,086	-39.2%	-	-	-
Treasury shares	(57)	(40)	42.5%	(66)	-13.6%	(57)	(40)	42.5%	(66)	-13.6%	-	-	-	-	-	-	-	-
Other reserves	101,967	55,679	83.1%	122,082	-16.5%	(117,684)	(54,267)	116.9%	(74,046)	58.9%	797,564	109,946	NMF	196,128	NMF	(577,913)	-	-
Retained earnings	2,246,096	1,939,587	15.8%	2,180,415	3.0%	1,679,497	1,364,143	23.1%	1,618,775	3.8%	694,686	575,444	20.7%	561,640	23.7%	(128,087)	-	-
Reserves of disposal group held for distribution	15,828	-	NMF	10,934	44.8%	-	-	-	-	-	15,828	-	NMF	10,934	44.8%	-	-	-
<b>Total equity attributable to shareholders of the Group</b>	<b>2,429,515</b>	<b>2,174,172</b>	<b>11.7%</b>	<b>2,420,602</b>	<b>0.4%</b>	<b>1,562,907</b>	<b>1,349,463</b>	<b>15.8%</b>	<b>1,545,814</b>	<b>1.1%</b>	<b>1,572,608</b>	<b>824,709</b>	<b>90.7%</b>	<b>874,788</b>	<b>79.8%</b>	<b>(706,000)</b>	-	-
Non-controlling interests	311,055	243,377	27.8%	311,768	-0.2%	7,122	6,003	18.6%	6,888	3.4%	303,933	237,374	28.0%	304,880	-0.3%	-	-	-
<b>Total equity</b>	<b>2,740,570</b>	<b>2,417,549</b>	<b>13.4%</b>	<b>2,732,370</b>	<b>0.3%</b>	<b>1,570,029</b>	<b>1,355,466</b>	<b>15.8%</b>	<b>1,552,702</b>	<b>1.1%</b>	<b>1,876,541</b>	<b>1,062,083</b>	<b>76.7%</b>	<b>1,179,668</b>	<b>59.1%</b>	<b>(706,000)</b>	-	-
<b>Total liabilities and equity</b>	<b>15,474,490</b>	<b>12,571,248</b>	<b>23.1%</b>	<b>15,168,669</b>	<b>2.0%</b>	<b>13,166,862</b>	<b>10,554,058</b>	<b>24.8%</b>	<b>12,907,678</b>	<b>2.0%</b>	<b>3,841,004</b>	<b>2,415,485</b>	<b>59.0%</b>	<b>2,763,913</b>	<b>39.0%</b>	<b>(1,533,376)</b>	<b>(398,295)</b>	<b>(502,922)</b>
Book value per share	64.91	57.08	13.7%	65.22	-0.5%	-	-	-	-	-	-	-	-	-	-	-	-	-

\* Investment Business is classified as Discontinued Operations in Bank of Georgia Group's 1Q18 consolidated financial statements



# BNB FINANCIAL HIGHLIGHTS



## INCOME STATEMENT, HIGHLIGHTS

GEL thousands, unless otherwise stated

	1Q18	1Q17	Change y-o-y	4Q17	Change q-o-q
Net banking interest income	6,544	8,702	-24.8%	6,021	8.7%
Net fee and commission income	2,277	2,350	-3.1%	2,421	-5.9%
Net banking foreign currency gain	3,277	1,798	82.3%	3,457	-5.2%
Net other banking income	117	109	7.3%	1,295	-91.0%
<b>Revenue</b>	<b>12,215</b>	<b>12,959</b>	<b>-5.7%</b>	<b>13,194</b>	<b>-7.4%</b>
Operating expenses	(7,721)	(6,401)	20.6%	(8,185)	-5.7%
<b>Operating income before cost of credit risk</b>	<b>4,494</b>	<b>6,558</b>	<b>-31.5%</b>	<b>5,009</b>	<b>-10.3%</b>
Cost of credit risk	(717)	(5,634)	-87.3%	(518)	38.4%
Net non-recurring items	(700)	(57)	NMF	(5)	NMF
<b>Profit before income tax</b>	<b>3,077</b>	<b>867</b>	<b>NMF</b>	<b>4,486</b>	<b>-31.4%</b>
Income tax expense	(779)	(199)	NMF	(875)	-11.0%
<b>Profit</b>	<b>2,298</b>	<b>668</b>	<b>NMF</b>	<b>3,611</b>	<b>-36.4%</b>

## BALANCE SHEET, HIGHLIGHTS

GEL thousands, unless otherwise stated

	Mar-18	Mar-17	Change y-o-y	Dec-17	Mar-18
Cash and cash equivalents	77,403	66,619	16.2%	104,309	-25.8%
Amounts due from credit institutions	10,387	3,981	NMF	10,499	-1.1%
Investment securities	40,819	95,758	-57.4%	73,415	-44.4%
Loans to customers and finance lease receivables	377,680	335,538	12.6%	399,516	-5.5%
Other assets	37,731	26,564	42.0%	37,096	1.7%
<b>Total assets</b>	<b>544,020</b>	<b>528,460</b>	<b>2.9%</b>	<b>624,835</b>	<b>-12.9%</b>
Client deposits and notes	288,337	235,877	22.2%	310,050	-7.0%
Amounts due to credit institutions	144,208	193,494	-25.5%	202,492	-28.8%
Debt securities issued	30,726	25,512	20.4%	28,512	7.8%
Other liabilities	7,331	5,186	41.4%	4,261	72.0%
<b>Total liabilities</b>	<b>470,602</b>	<b>460,069</b>	<b>2.3%</b>	<b>545,315</b>	<b>-13.7%</b>
<b>Total equity</b>	<b>73,418</b>	<b>68,391</b>	<b>7.4%</b>	<b>79,520</b>	<b>-7.7%</b>
<b>Total liabilities and equity</b>	<b>544,020</b>	<b>528,460</b>	<b>2.9%</b>	<b>624,835</b>	<b>-12.9%</b>

# BANKING BUSINESS KEY RATIOS



	1Q18	1Q17	4Q17
<b>Profitability</b>			
ROAA, Annualised	3.1%	3.1%	3.4%
ROAE, Annualised	25.9%	23.7%	27.8%
<i>RB ROAE</i>	31.5%	27.8%	36.6%
<i>CIB ROAE</i>	19.7%	18.6%	18.1%
Net Interest Margin, Annualised	7.0%	7.4%	7.3%
<i>RB NIM</i>	8.3%	8.8%	8.4%
<i>CIB NIM</i>	3.2%	3.4%	3.5%
Loan Yield, Annualised	13.9%	14.0%	14.3%
<i>RB Loan Yield</i>	15.9%	15.9%	15.9%
<i>CIB Loan Yield</i>	9.9%	10.7%	11.2%
Liquid Assets Yield, Annualised	3.6%	3.3%	3.4%
Cost of Funds, Annualised	4.8%	4.6%	4.8%
Cost of Client Deposits and Notes, Annualised	3.4%	3.5%	3.5%
<i>RB Cost of Client Deposits and Notes</i>	2.8%	3.0%	2.8%
<i>CIB Cost of Client Deposits and Notes</i>	3.9%	3.9%	4.0%
Cost of Amounts Due to Credit Institutions, Annualised	6.9%	6.3%	6.5%
Cost of Debt Securities Issued	7.7%	6.0%	7.8%
Operating Leverage, Y-O-Y	-2.8%	6.0%	-2.9%
Operating Leverage, Q-O-Q	3.2%	3.4%	-0.2%
<b>Efficiency</b>			
Cost / Income	37.0%	36.0%	38.3%
<i>RB Cost / Income</i>	36.4%	37.6%	38.7%
<i>CIB Cost / Income</i>	32.5%	30.1%	31.0%
<b>Liquidity</b>			
NBG Liquidity Ratio	36.5%	37.4%	34.4%
Liquid Assets To Total Liabilities	38.9%	36.9%	38.3%
Net Loans To Client Deposits and Notes	106.8%	115.1%	109.4%
Net Loans To Client Deposits and Notes + DFIs	91.8%	95.6%	92.4%
Leverage (Times)	7.4	6.8	7.3
<b>Asset Quality:</b>			
NPLs (in GEL)	247,335	311,940	301,268
NPLs To Gross Loans To Clients	3.1%	4.6%	3.8%
NPL Coverage Ratio**	111.4%	87.1%	92.7%
NPL Coverage Ratio, Adjusted for discounted value of collateral	147.2%	126.9%	130.6%
Cost of Risk, Annualised	2.1%	2.4%	2.1%
<i>RB Cost of Risk</i>	2.6%	3.4%	1.8%
<i>CIB Cost of Risk</i>	1.3%	0.3%	3.2%
<b>Capital Adequacy:</b>			
NBG (Basel III) Tier I Capital Adequacy Ratio	12.4%	n/a	12.4%
NBG (Basel III) Total Capital Adequacy Ratio	17.3%	n/a	17.9%



# KEY OPERATING DATA



	Mar-18	Mar-17	Dec-17
<b>Selected Operating Data:</b>			
Total Assets Per FTE, BOG Standalone	1,854	1,598	1,832
Number Of Active Branches, Of Which:	282	279	286
- Express Branches (including Metro)	156	130	156
- Bank of Georgia Branches	114	138	118
- Solo Lounges	12	11	12
Number Of ATMs	842	813	850
Number Of Cards Outstanding, Of Which:	2,246,396	2,099,488	2,227,000
- Debit cards	1,597,662	1,307,135	1,553,427
- Credit cards	648,734	792,353	673,573
Number Of POS Terminals	12,571	10,774	13,216
<b>FX Rates:</b>			
GEL/US\$ exchange rate (period-end)	2.4144	2.4452	2.5922
GEL/GBP exchange rate (period-end)	3.3932	3.0418	3.5005
<b>Full Time Employees, Group, Of Which:</b>			
<b>Total Banking Business companies, of which:</b>	<b>7,102</b>	<b>6,605</b>	<b>7,045</b>
- Full Time Employees, BOG Standalone	5,505	5,183	5,501
- Full Time Employees, BNB	708	622	702
- Full Time Employees, BB other	889	800	842
<b>Total Investment Business companies*, of which:</b>	<b>19,351</b>	<b>17,486</b>	<b>18,750</b>
- Full Time Employees, GHG	15,482	14,510	15,070
- Full Time Employees, Aldagi	325	293	328
- Full Time Employees, GGU	2,651	2,373	2,631
- Full Time Employees, m <sup>2</sup>	232	84	156
- Full Time Employees, Other	661	226	565
<b>Shares Outstanding</b>			
Ordinary Shares	37,431,257	38,085,220	37,116,399
Treasury Shares	1,953,455	1,384,100	2,268,313
Total Shares Outstanding	39,384,712	39,469,320	39,384,712



# EXPRESS BANKING



## 1 156 Express Branches



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

## 3 2,825 Express Pay Terminals



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



## 2 1,176,896 Express Cards for Transport payments



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

## 4 12,571 POS Terminals at 5,112 Merchants

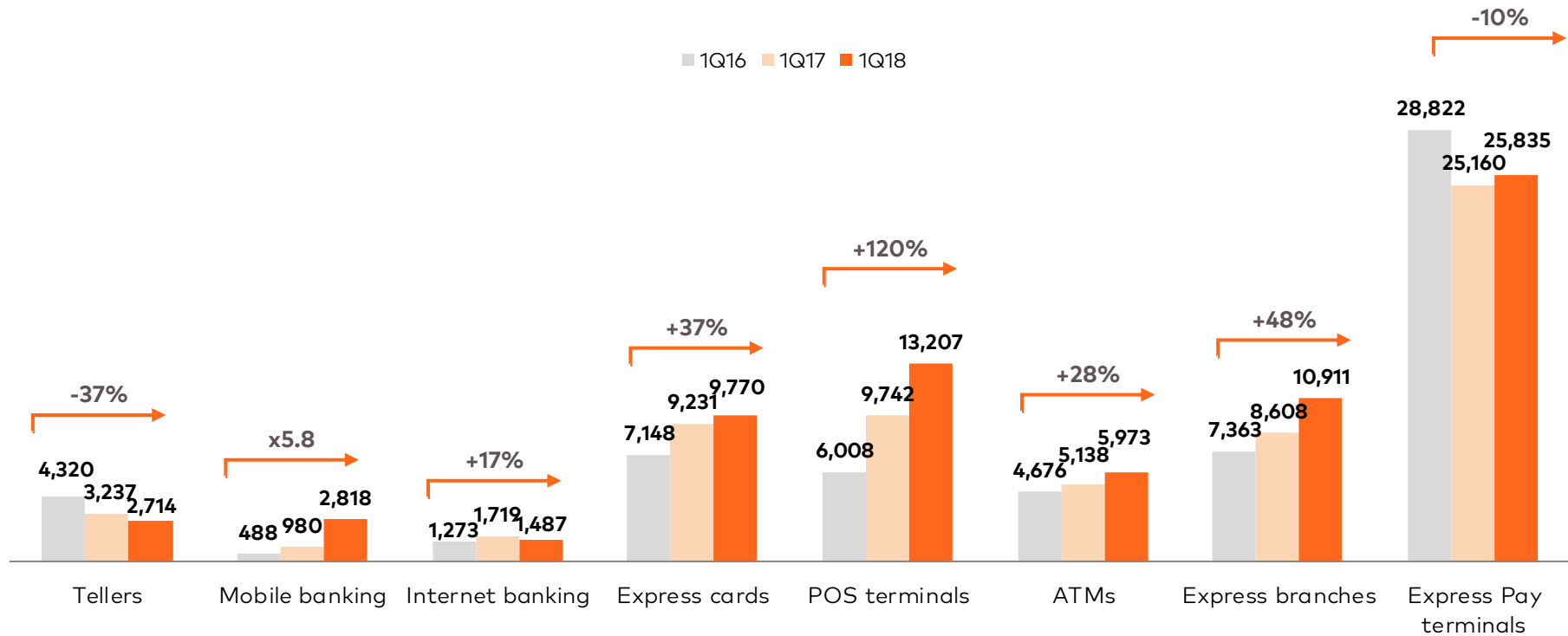


- Payments via cards and Express points
- P2P transactions between merchant and supplier
- Credit limit with 0% interest rate

# EXPRESS - CAPTURING EMERGING MASS MARKET CUSTOMERS



## Number of Transactions '000s



# SOLO - A FUNDAMENTALLY DIFFERENT APPROACH TO PREMIUM BANKING



Through Solo, we target to **attract new clients** (currently 35,803) to significantly **increase market share** in **premium banking**. We aim to reach our target of **40,000** Solo clients by the end of 2018.

## SOLO Lounges



### New Solo offers:

- Tailor made banking solutions
- New financial products such as bonds
- Concierge-style environment
- Access to exclusive products and events
- Lifestyle opportunities

3x higher new clients attracted per banker ratio, compared to the same period last year

# RETAIL BANKING TRANSFORMATION



- The transformation of retail banking operations from the product-based model into the client-centric model complete
- The implementation of the client-centric model completed in 86 branches
- Outstanding growth in sales volumes and the number of products sold to clients in transformed branches



# NOTES TO KEY RATIOS



- 1 Return on average total assets (ROAA) equals Banking Business Profit for the period divided by monthly average total assets for the same period;
- 2 Return on average total equity (ROAE) equals Banking Business Profit for the period attributable to shareholders of BGEO divided by monthly average equity attributable to shareholders of BGEO for the same period;
- 3 Net Interest Margin equals Net Banking Interest Income of the period divided by monthly Average Interest Earning Assets Excluding Cash for the same period; Interest Earning Assets Excluding Cash comprise: Amounts Due From Credit Institutions, Investment Securities (but excluding corporate shares) and net Loans To Customers And Finance Lease Receivables;
- 4 Loan Yield equals Banking Interest Income From Loans To Customers And Finance Lease Receivables divided by monthly Average Gross Loans To Customers And Finance Lease Receivables;
- 5 Cost of Funds equals banking interest expense of the period divided by monthly average interest bearing liabilities; interest bearing liabilities include: amounts due to credit institutions, client deposits and notes and debt securities issued;
- 6 Operating Leverage equals percentage change in revenue less percentage change in operating expenses;
- 7 Cost / Income Ratio equals operating expenses divided by revenue;
- 8 NBG liquidity ratio equals daily average liquid assets (as defined by NBG) during the months divided by daily average liabilities (as defined by NBG) during the months;
- 9 Liquid assets include: cash and cash equivalents, amounts due from credit institutions and investment securities;
- 10 Liquidity Coverage Ratio equals high quality liquid assets (as defined by NBG) divided by net cash outflow over the next 30 days (as defined by NBG)
- 11 Leverage (Times) equals total liabilities divided by total equity;
- 12 NPL Coverage Ratio equals allowance for impairment of loans and finance lease receivables divided by NPLs;
- 13 NPL Coverage Ratio adjusted for discounted value of collateral equals allowance for impairment of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for impairment)
- 14 Cost of Risk equals impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period;
- 15 NBG (Basel III) Tier I Capital Adequacy ratio equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;
- 16 NBG (Basel III) Total Capital Adequacy ratio equals total capital divided by total risk weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
- 17 NMF – Not meaningful

# BANK OF GEORGIA GROUP COMPANY INFORMATION



## Registered Address

84 Brook Street  
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United Kingdom

[www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com) or [www.bgeo.com](http://www.bgeo.com)

Registered under number 10917019 in England and Wales

## Stock Listing

London Stock Exchange PLC's Main Market for listed securities

Ticker: "BGeo.LN"

## Contact Information

Bank of Georgia Group Investor Relations

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## Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF  
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## Registrar

Computershare Investor Services PLC  
The Pavilions  
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Bristol BS13 8AE  
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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.

Investor Centre Web Address - [www.investorcentre.co.uk](http://www.investorcentre.co.uk)

Investor Centre Shareholder Helpline - +44 (0)370 873 5866

## Share price information

Shareholders can access both the latest and historical prices via the websites,

[www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com) or [www.bgeo.com](http://www.bgeo.com)

