

# BANKING BUSINESS

## CORPORATE INVESTMENT BANKING OVERVIEW

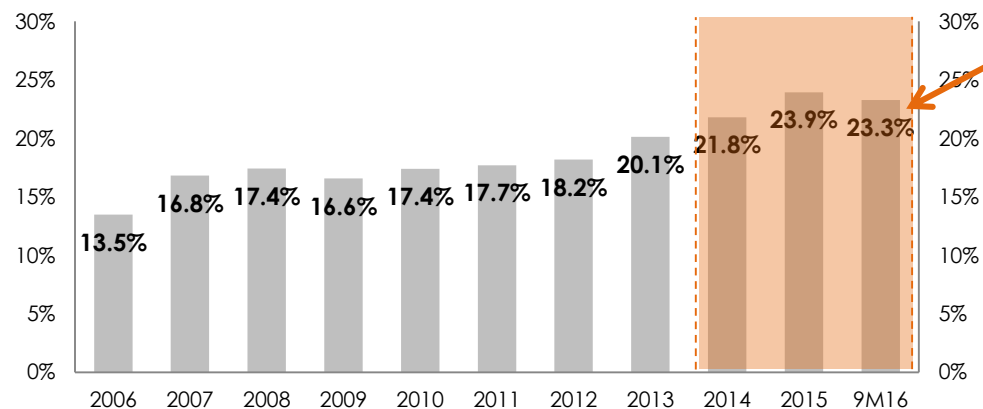
Speaker: Archil Gachechiladze, CIB, JSC Bank of Georgia

## BGEO Investor Day

22 November 2016

Tbilisi, Georgia

## CB-MSME Loans / GDP, %



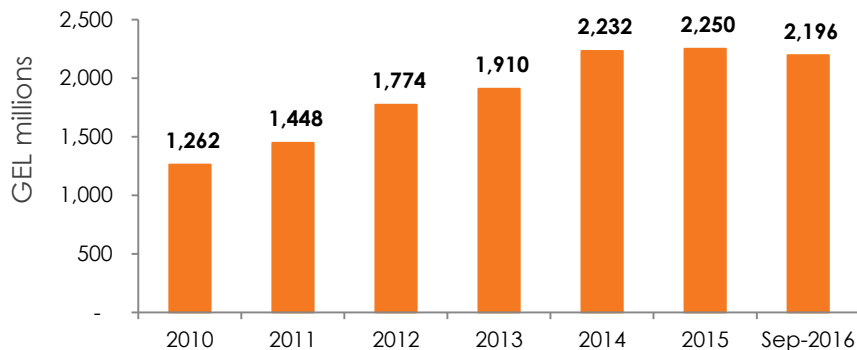
Source: NBG, GeoStat

### (2014→9M'2016)

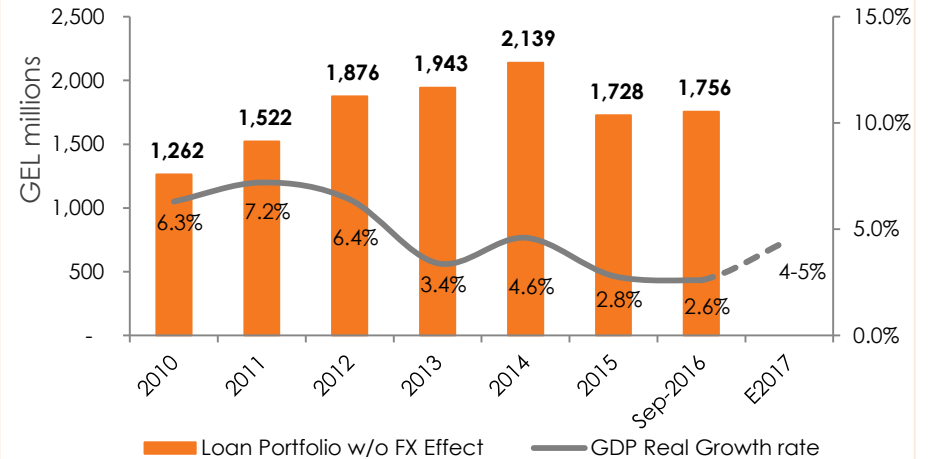
- 25.01% GEL vs. USD devaluation
- BOG response was cautious, absorbing effects of devaluation risk
- Sluggish GDP growth
- Increasing efforts to deconcentrate CB portfolio

• Georgian CB/MSME loans to GDP at 23.3%

### CB Nominal Gross Portfolio



### CB Real Gross Portfolio (2010 ex. rates)



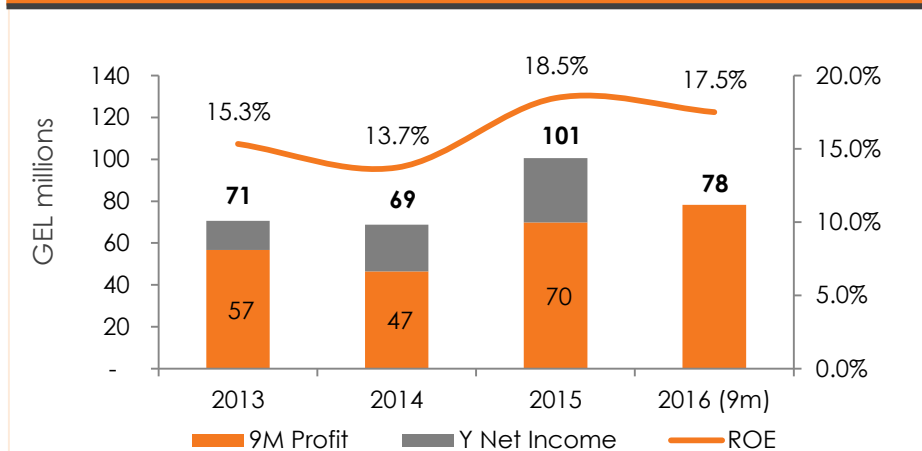
- Corporates have digested high leverage – 18.1% real drop over last 2 years (2014→9M'2016)
- Going forward:
  - Positive GDP growth outlook: short term: **4 - 5%**; medium-to-long term: **5 - 6%**
  - Implementing Estonian Model, releases ~500-600mln GEL free cash for corporate businesses (~10-15% growth prospect for banking sector)
- Resulting:
  - Estimated **10%+ p.a.** loan book growth over the next 3 years

Source: CB Standalone, NBG

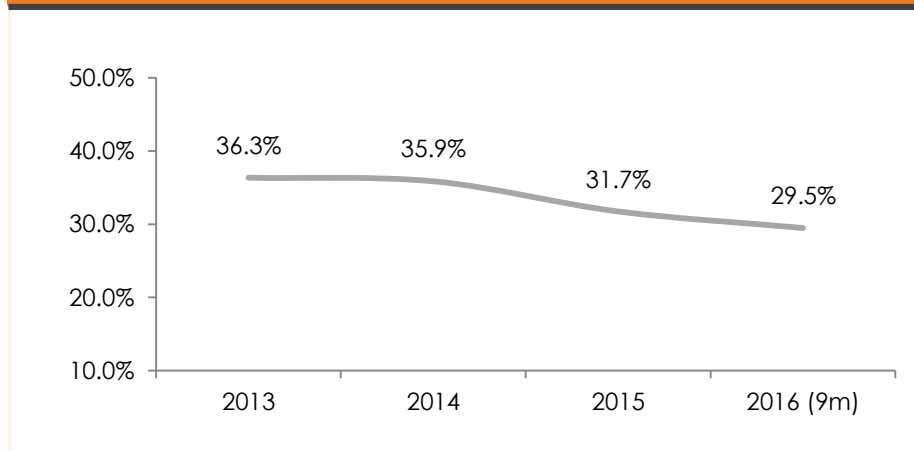
## Regained profitability

- CIB consolidated ROE currently stands at 17.5%

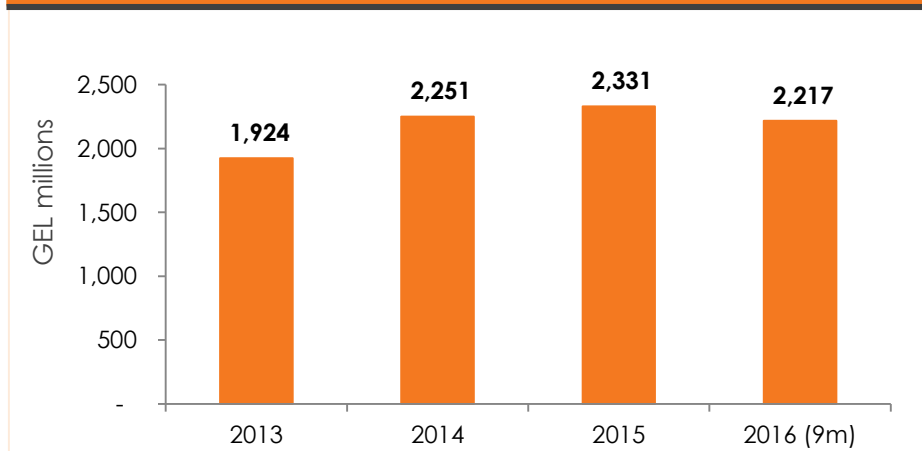
### CIB Net Income & ROE



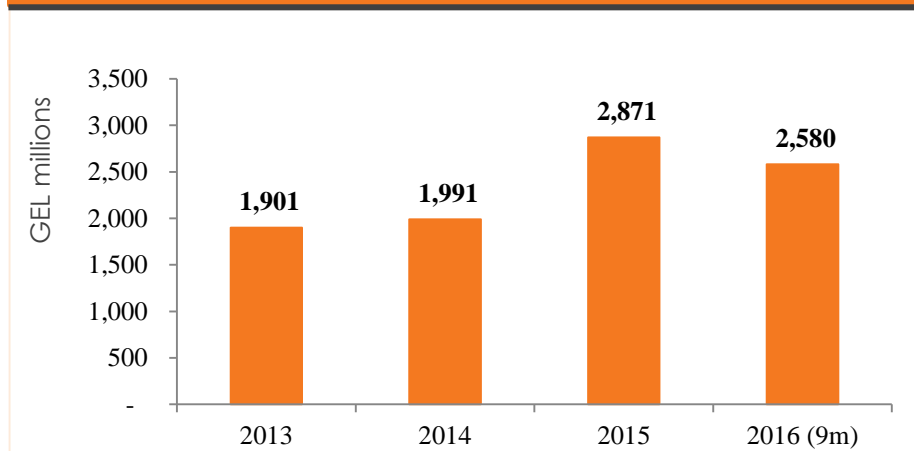
### Market Share - Loans To Legal Entities



### CIB Loan Portfolio

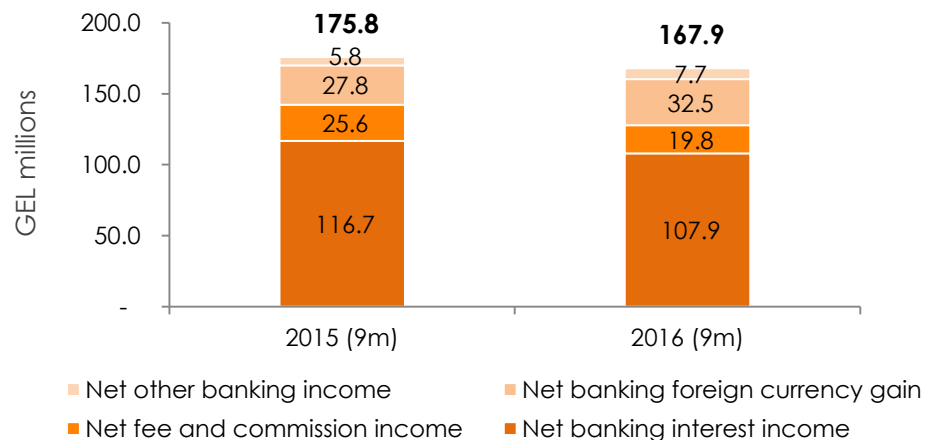


### CIB Deposit Portfolio



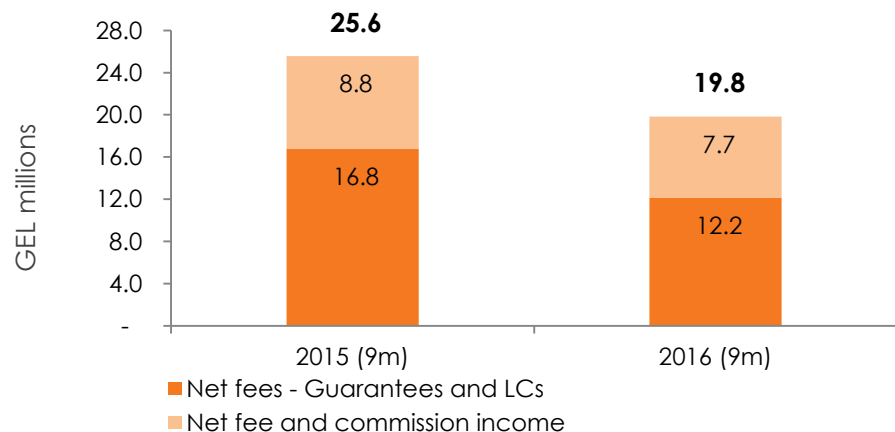
\*Consolidated CIB includes Corporate Banking, WM, WM Rep. Offices, GLC & G&T

## CIB Revenue Breakdown



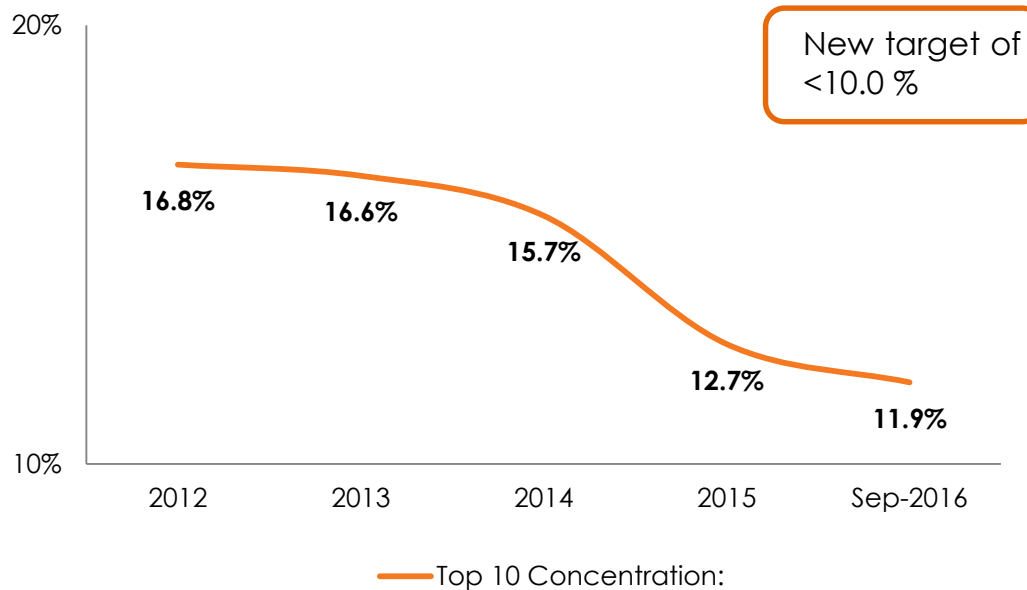
- Net fee and commission income decreased by 22.4% Y-o-Y
- FX income remains relatively stable despite contraction of overall operations' volume

## CIB Net Fee & Commissions



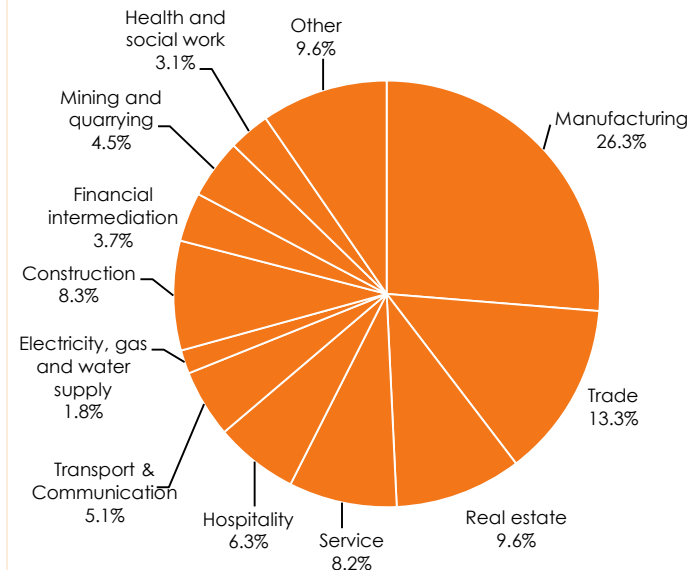
- Drop in the net fee and commission income was mainly attributable to contraction of documentary business (-27.5% Y-o-Y), due to:
  - Being cautious on infrastructure financing
  - Eliminating business related to high risk clients
  - Major shift in government infrastructural spending towards SME sector

## Top 10 Clients as a % of Total Loan Book



## CIB Loan Book

30 September 2016



CIB standalone

- During 2010-2015, we engaged in big positions with large, single clients
  - This delivered high profitability but resulted in large exposure to top clients
- We are currently targeting reduction of top 10 concentration to 9.0%-10.0%

- 1 Resume loan portfolio growth
- 2 Reduce concentration risk
  - Limit maximum exposures
  - Syndicate large exposures
- 3 Growth of fee business

### Syndication and de-concentration partnerships

#### IFIs

- EBRD
- IFC
- FMO
- EIB
- DEG
- Proparco

#### Foreign Banks

- Credit Suisse
- Isbank
- Pasha Bank

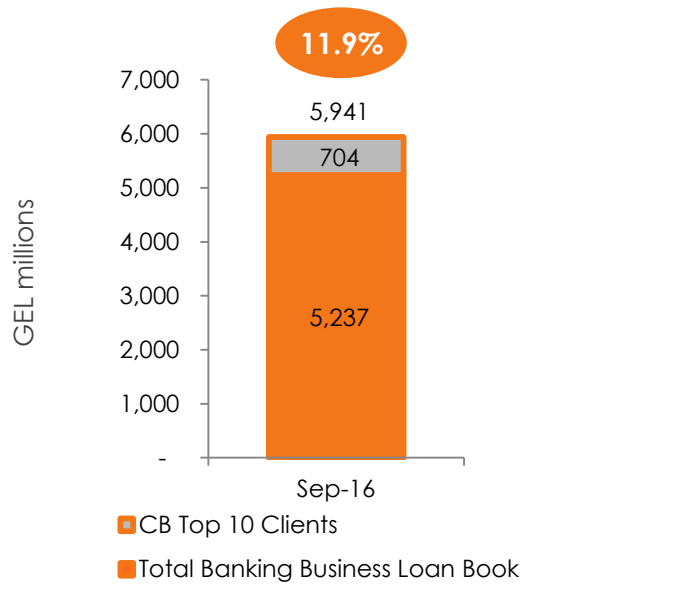
#### Local Banks

- TBC
- Pasha Bank
- Isbank
- Basis Bank
- VTB Bank

#### Bonds

- BOG WM

### CB Top 10 Client Concentration

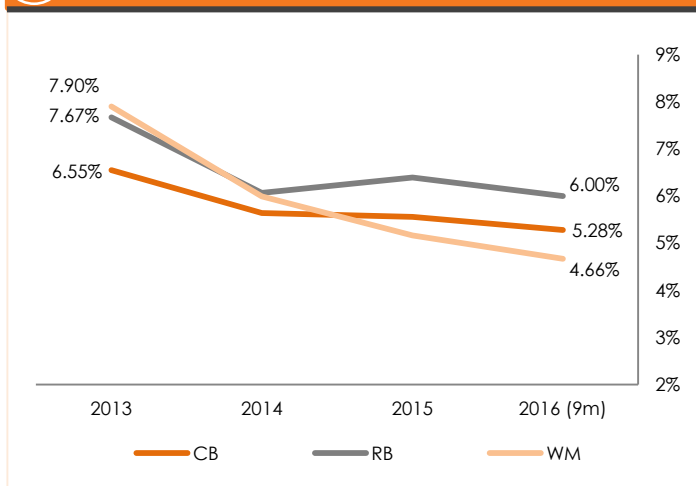


- More in depth sector analysis in cooperation with G&T
- Try to synchronize clients accounting system with I-banking platform, thus receiving client information on a regular basis
- Launching Moody's risk management and scoring software
  - Knowing better cyclical sectors
  - Better "Probability of Default" measurement
  - Industry benchmarking

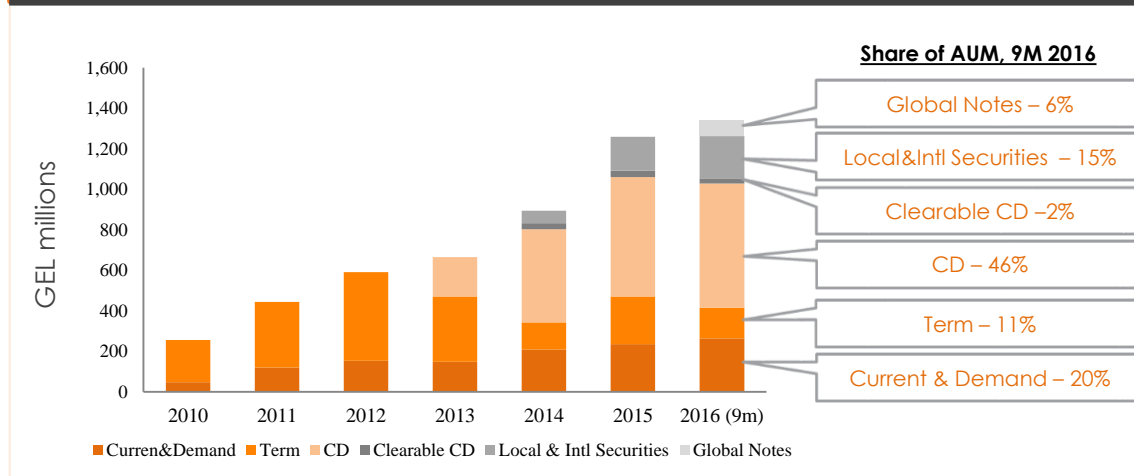


# Growing fee business with brokerage

## 1 Decreased cost of funds rates...



## 2 ...resulted in increase of bonds related products in WM portfolio



- Significant existing demand for higher yield products, creating potential for further bond issues

## 3 fueled regional fixed income coverage and...

- Broker-dealer service to **hard-to-reach CIS frontier markets**, such as: Georgia, Armenia, Azerbaijan, Ukraine, Kazakhstan, Belarus, Russia, Turkey, Uzbekistan, etc.
- Expanding product distribution capacity to more institutional clients

## 4 ...creation of customized investment products

- **G&T Brokerage**
  - REPOs for institutional clients
  - Securitized products
  - Fixed income fund
- **G&T TRADER**
  - Futures on commodities (for CIB clients)
  - Principal-hedged ETFs and Indices

3

WM CLIENTS

GEORGIA & BOG

INTERNATIONAL ASSETS



INVEST AND KEEP ASSETS VIA

### GEORGIA

- ✓ Onshore economy with offshore benefits
- ✓ No capital gain tax on the internationally traded securities
- ✓ No accounts reporting liability
- ✓ High account safety
- ✓ Fast and easy way to open account and transfer in/out assets/funds

### BANK OF GEORGIA



G & T TRADER



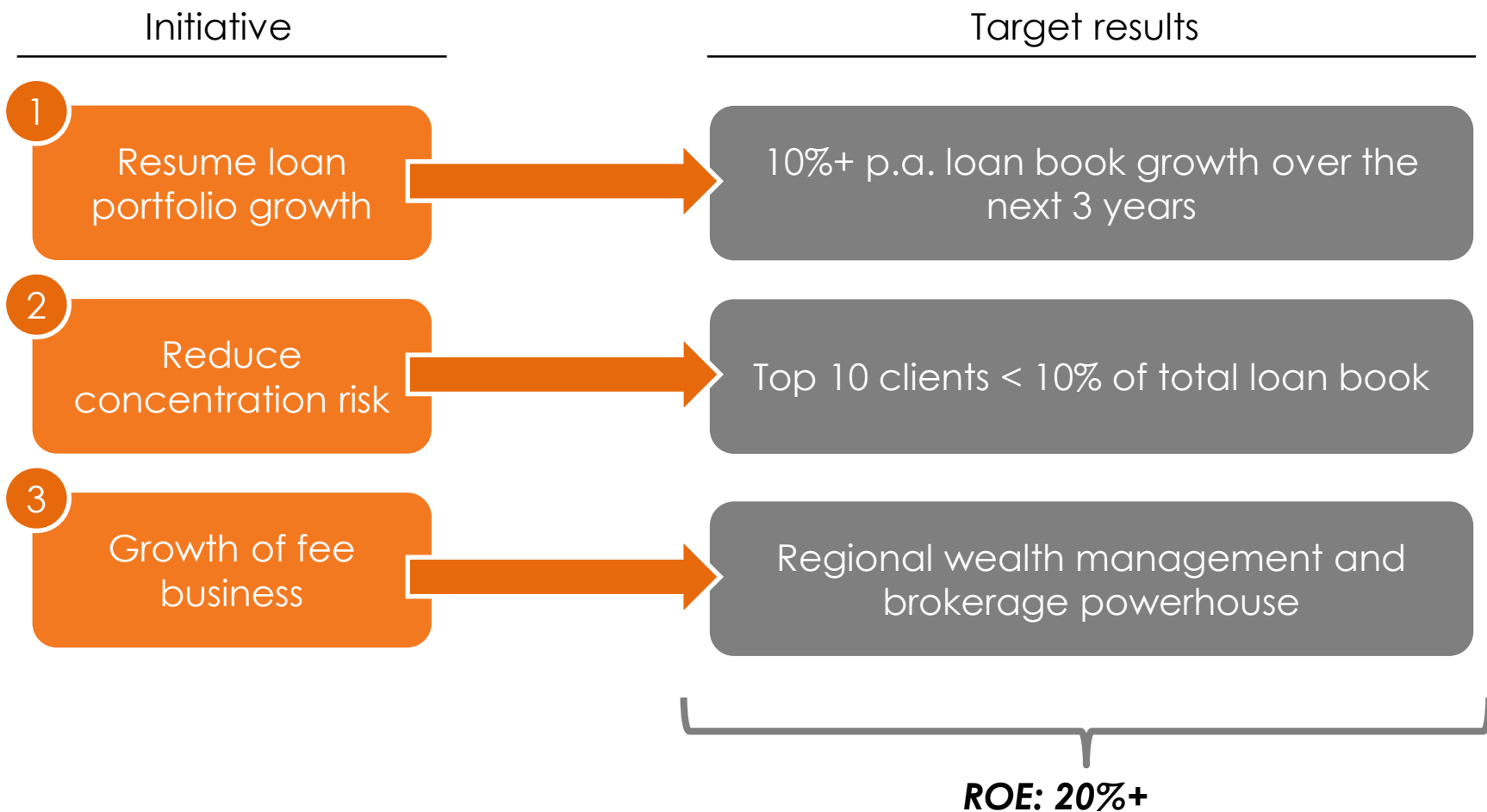
Trading and custody capabilities of **international assets** on all **major international exchanges**



- Equities
- Fixed Income
- CFDs

- Benefits of the Georgian jurisdiction has never been communicated to portfolio investors
- Therefore, almost no knowledge among investors community about Georgian jurisdiction benefits
- Government of Georgia must be involved in promoting Georgian jurisdiction to financial investors and international tax houses

# What are we planning to achieve?



# Questions?

## BGEO investor day

22 November 2016

Tbilisi, Georgia

[www.bankofgeorgia.ge](http://www.bankofgeorgia.ge)

# Forward Looking Statements

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