

GROUP STRATEGY

Speaker: Irakli Gilauri, Group CEO

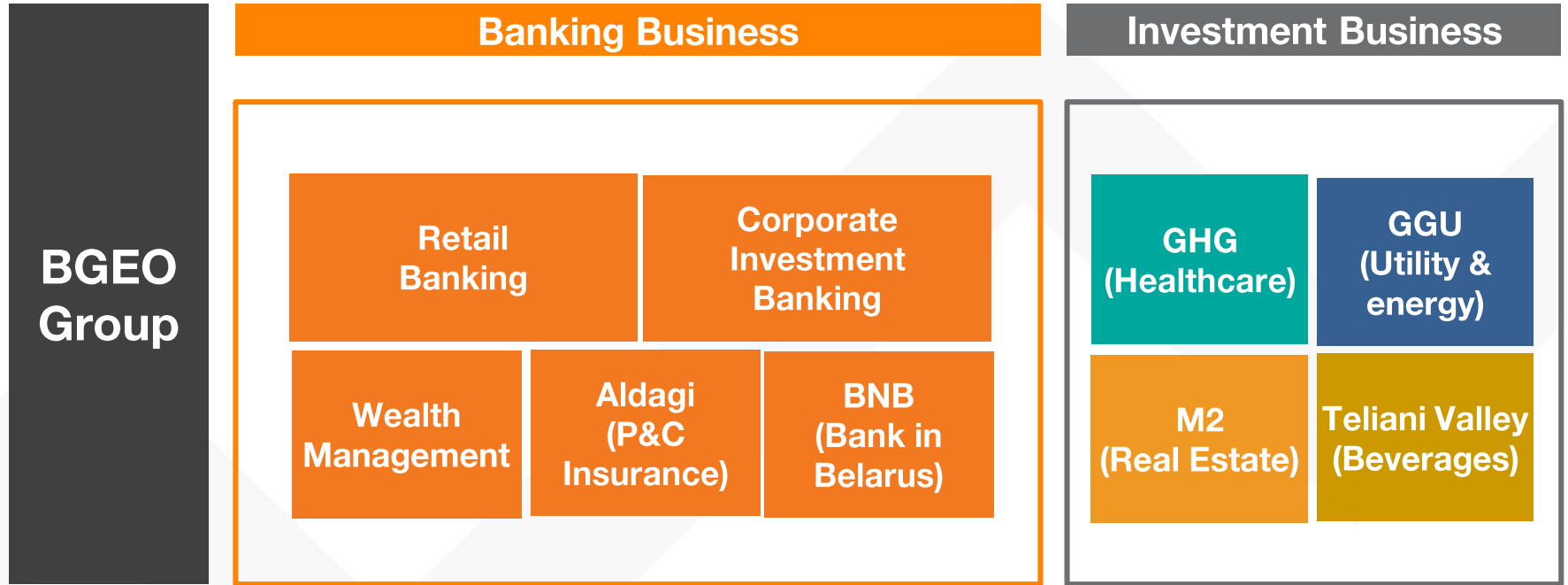
BGEO Investor Day
22 November 2016 | Tbilisi, Georgia

BGEO Group strategy and performance

BGEO Group – as an investment platform

Subsidiary strategies

Q&A



We are a Georgia Focused INVESTMENT PLATFORM

Banking Business

1

ROE
20%+

2

Retail loan book
growth 20%+

Investment Business

3

Min. IRR
of 20%

4

Profit
up to 20%

Dividends

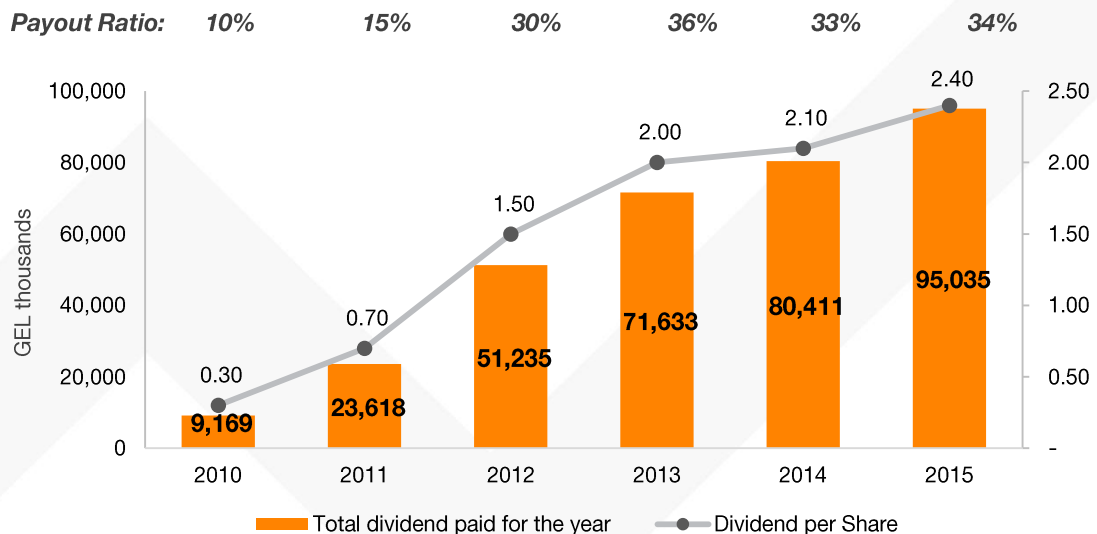
- **Ordinary dividends:** linked to recurring profit from banking business. Aiming 25-40% dividend payout ratio

- **Capital Return:** Aiming for at least **3 capital returns** within 5 years (2015-2019 period)
- Aiming for Capital Return to represent at least 50% of regular dividend paid from banking business within 2015-2019 period

Solid regular dividend and capital return track record

Regular dividends

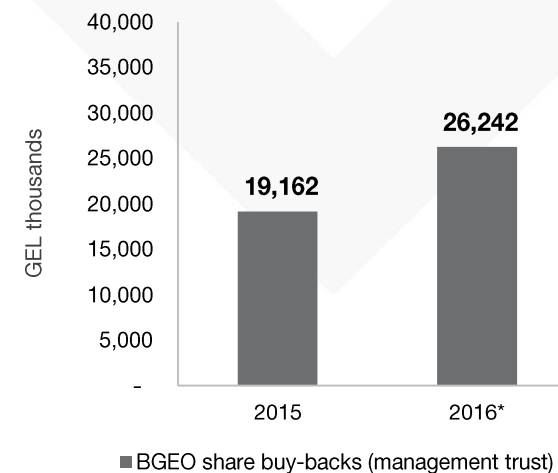
Regular dividends: GEL 331.1mln cash dividend paid since 2010
DPS CAGR'10-15: 51.6%



Capital return

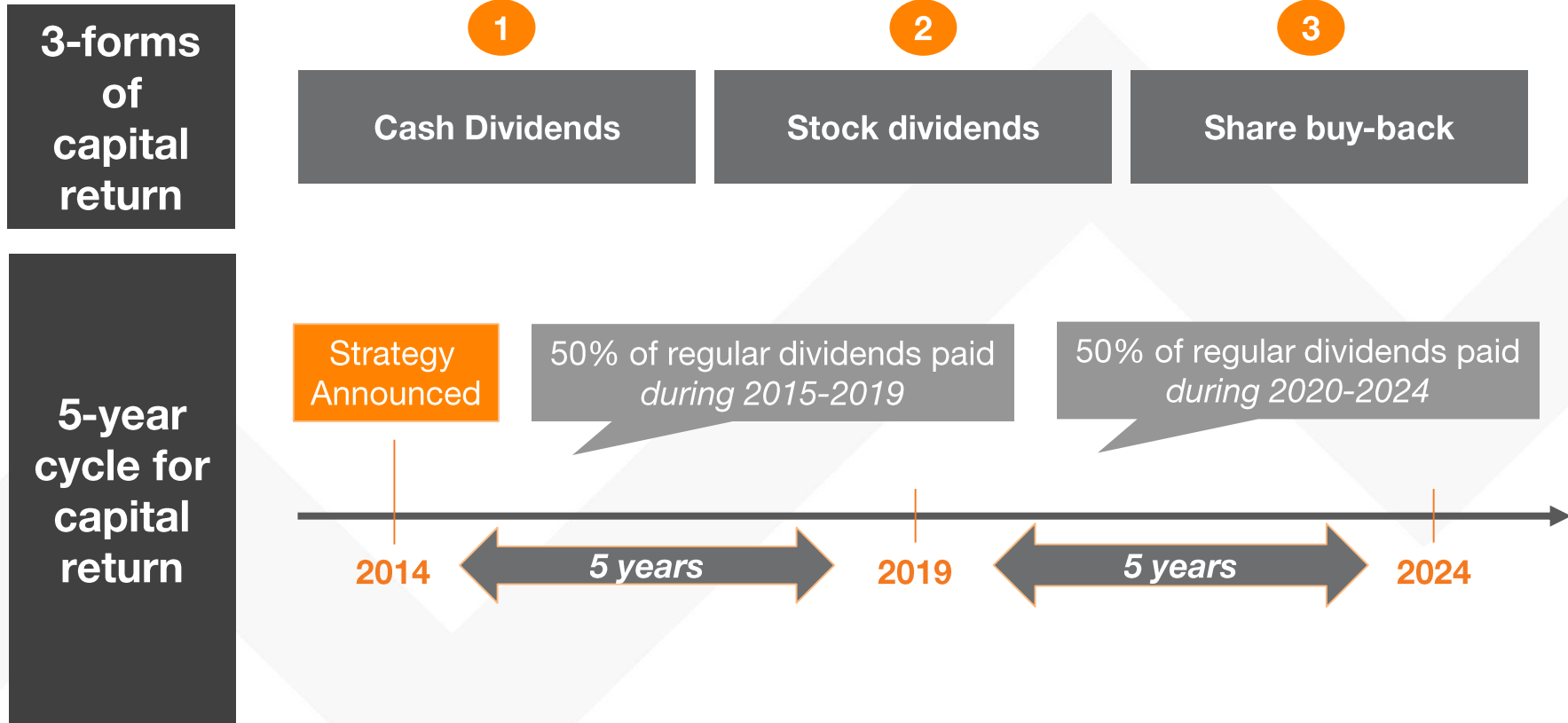
Capital return: GEL 45.4mln share buy-backs since 2015

Crystallised value: BGEO holds GEL 917.2mln worth of GHG shares¹



* Data for the period ended 8 November 2016

Capital Returns: 3-forms, 5-year cycle

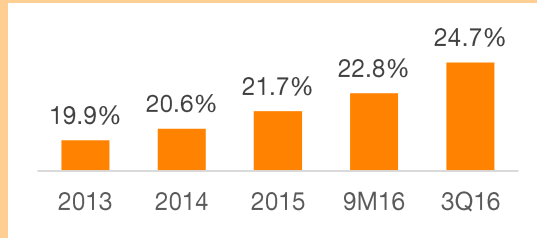


We are a Georgia Focused INVESTMENT PLATFORM

Banking Business

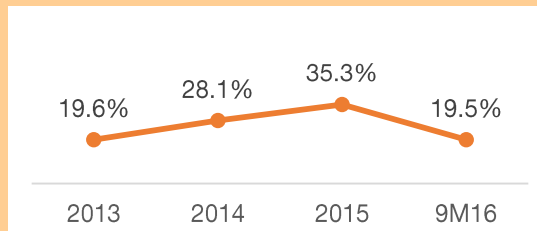
1

**ROE
20%+**



2

**Retail loan
book growth
20%+**



Investment Business

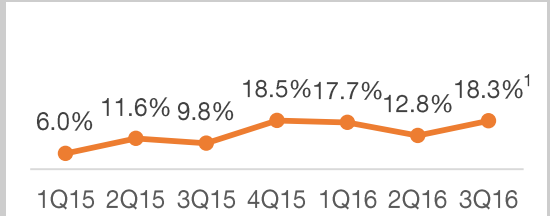
3

**Min. IRR
of 20%**

**121% IRR from GHG IPO
75% IRR from m2 Real Estate
projects**

4

**Profit
up to 20%**



¹ Excluding deferred tax adjustments, gain from bargain purchase of GGU and other net non-recurring items. Including the deferred tax adjustments and other net non-recurring items, the Investment Business contributed GEL 51.8mln or 36.6% to the Group's profit in 3Q16, up from GEL 7.5mln and GEL 36.5mln in 3Q15 and 2Q16, respectively. For the nine month, the contribution was GEL 105.7mln or 31.1% to the Group's profits, up from GEL 21.6mln in 9M15



Data as of 30 September, 2016
unless otherwise stated

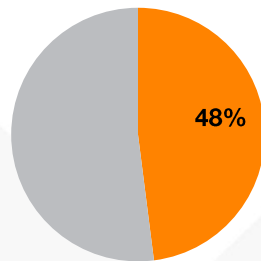
GEL 3,060m¹

Banking Business

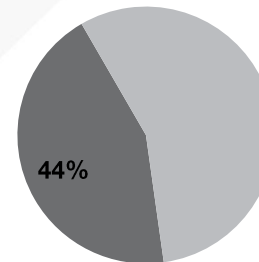
Investment Business

Cash buffer

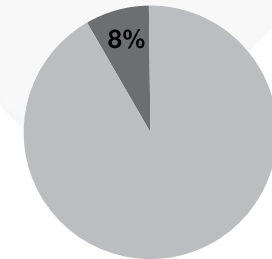
GEL 1,469m¹



GEL 1,342m¹



GEL 249m¹



¹ Comprises the sum of the following three items: the equity attributable to shareholders of BGEO of GEL 2,142.6m¹, GHG market value adjustment of GEL 613.5m¹ and long term financing of GEL 303.9m¹
GHG Equity attributable to shareholders of BGEO Group was GEL 303.7m¹ as at 30 September 2016
Market value of BGEO holdings in GHG as of 8 November, 2016 was GEL 917.2m¹



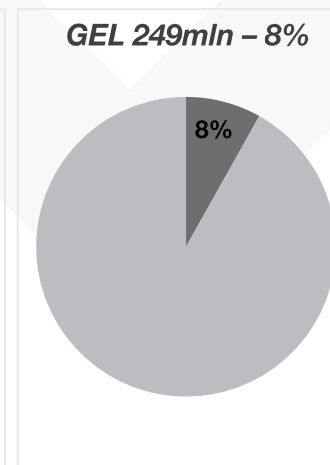
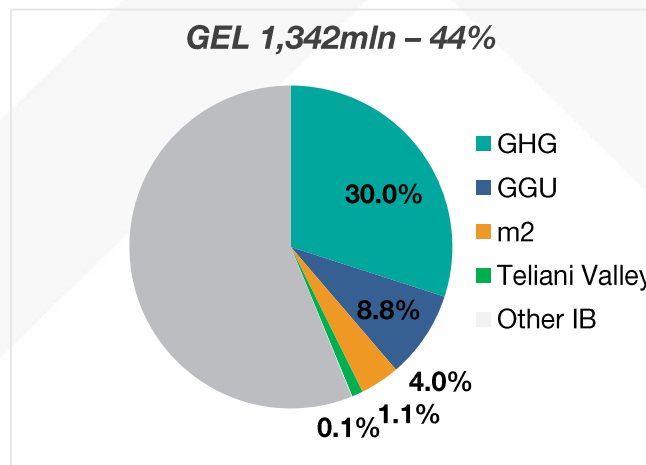
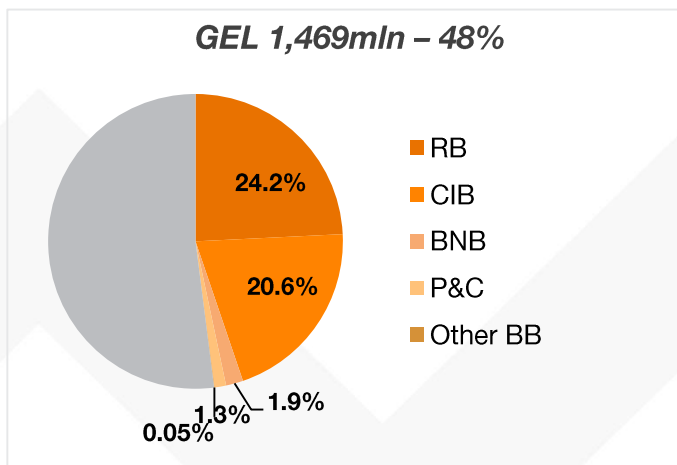
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GEL 3,060m¹

Banking Business

Investment Business

Cash Buffer



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BGEO PROFIT CONTRIBUTION



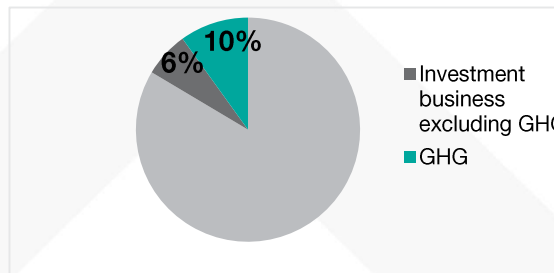
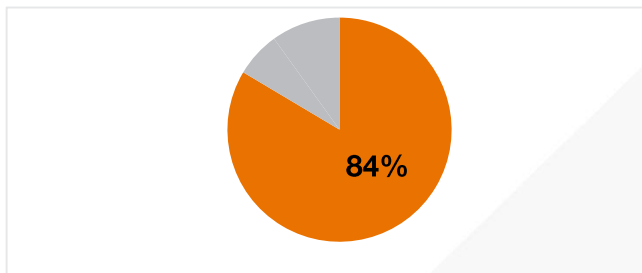
Data for 9M, 2016
unless otherwise stated

At a glance

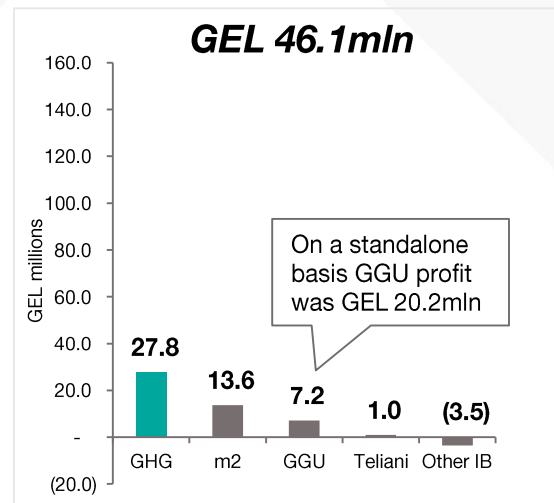
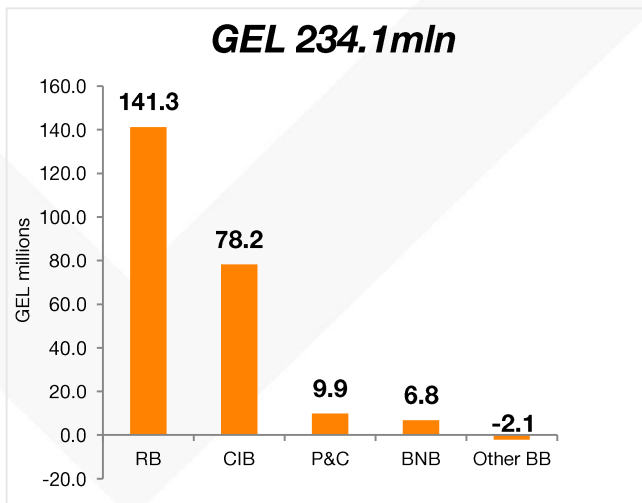
GEL 280.2mln

Banking Business

Investment Business



By businesses



9M16 performance: strong growth across the segments

INCOME STATEMENT HIGHLIGHTS

(GEL thousands)

	BGEO			Banking Business			Investment Business		
	9M16	9M15	Change y-o-y	9M16	9M15	Change y-o-y	9M16	9M15	Change y-o-y
REVENUE	709,311	615,026	15.3%	569,970	550,178	3.6%	147,388	78,484	87.8%
OPERATING INCOME before cost of credit risk / EBITDA	435,881	384,556	13.3%	354,813	353,491	0.4%	85,902	42,202	103.5%
PROFIT	339,834	215,274	57.9%	234,126	193,666	20.9%	105,708	21,608	389.2%
PROFIT, normalised	280,219	213,409	31.3%	234,126	193,666	20.9%	46,094	19,743	133.5%
EPS	8.12	5.51	47.4%	6.02	4.98	21.0%	2.10	0.53	294.7%
							<i>Normalised change in EPS: 80.8%</i>		

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All reasons still in place and our strategy is more relevant

Opportunities in Corporate Sector in Georgia

Big Opportunities with Small Capital Commitments

Access to capital is limited in a small frontier economy like Georgia on capital markets or institutional investors

Opportunities to Add Value through Better Management

BGEO is Best Positioned to Create Value

- ✓ **Leading investment platform with In-depth Country Knowledge**
- ✓ **Strong Management Skills with Proven Track Record**
- ✓ **Access to Capital**
- ✓ **Strong Corporate Governance**

ROBUST CORPORATE GOVERNANCE

ACCESS TO CAPITAL

- **Raised US\$350 million 6.000% bond due 2023**
 - 6.125% yield
 - Lowest coupon from Georgia
- **Local currency funding of GEL 280mln raised at BOG to support local currency lending**
- **Raising long term debt of over US\$ 220mln at our investment businesses**

ACCESS TO MANAGEMENT

- **No cash bonus and heavy share compensation, with long-term vesting, for senior management**
 - Attractive for top talent to be part of what they are creating
 - Full alignment of interest between shareholders and management
- **Developing our management through:**
 - Helping each other to succeed
 - Coaching & feedback culture
 - Rotations & promotions
- **BGEO as a talent producing engine**
 - Further stepping up this machine to produce more senior & middle level managers

FURTHER STRENGTHENING OF THE MANAGEMENT TEAM

Announced on 21 November, 2016

BANKING BUSINESS

Kaha Kiknavelidze

CEO, BOG

Over 15 years of experience in the financial services in a number of roles at UBS and Troika Dialog. Most recently, was the founder and Managing Partner of Rioni Capital Partners LLP, a London-based investment management company.

David Tsiklauri

Deputy CEO, BOG

Corporate investment banking business

Extensive experience in banking and as well as the corporate segment in Georgia. Prior, was Deputy CEO at TBC in charge of Corporate Banking, Vice President of the Capital Markets and Treasury Solutions team at Deutsche Bank. MBA degree from London Business School.

Ramaz Kukuladze

Deputy CEO, BOG

Small and Medium banking business ("SME") and premium retail banking business ("Solo").


Rejoins the Group. Prior was Deputy CEO at Republic Société Générale, in charge of corporate and retail business Bank. While at BOG, Ramaz was responsible for Corporate Banking. Prior to that, he served as Chief Executive Officer of BCI, an Insurance Company founded by him in 1998, which later was acquired by the Group. Ramaz has an executive MBA degree from IE Business School.

INVESTMENT BUSINESS

Archil Gachechiladze

CEO, GGU
Utility and energy business

A long-time professional within the Group, and has held various key senior positions since he joined in 2009 – the Deputy CEO at the Bank, in charge of CIB; Group CFO and Deputy CEO in charge of Investment Management. Prior was Deputy Director in charge of corporate recovery at TBC Bank; Associate at Lehman Brothers Private Equity (currently Trilantic Capital Partners) in London; Senior associate at Salford Equity Partners. MBA with distinction from Cornell University. He is also a CFA charterholder.

		PRIVATE EQUITY	CONGLOMERATE
Investment is not a primary mandate	✓	✗	✓
Platform to produce executive management	✓	✗	✓
Decentralised subsidiaries / investments	✓	✓	✗
Mandate to divest	✓ (within 6-years)	✓	✗
Neither PE nor Conglomerate			

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TARGETS & PRIORITIES NEXT 2-3 YEARS

PRIORITIES

1

Grow Retail Banking share in loan book

2

Increase Product to Client ratio

3

De-concentrate Corporate loan book (Top 10 borrowers)

4

Develop regional private banking franchise

STRATEGIC TARGETS

ROAE

Target: 20%+
9M16: 22.8%

Retail Banking Growth

Target: 20%+
9M16: 19.5%

TARGETS & PRIORITIES NEXT 2-3 YEARS

1 Unlocking land value by developing housing projects. Buy land opportunistically

2 Start developing 3rd party lands

3 Accumulate yielding assets from own-developed projects :

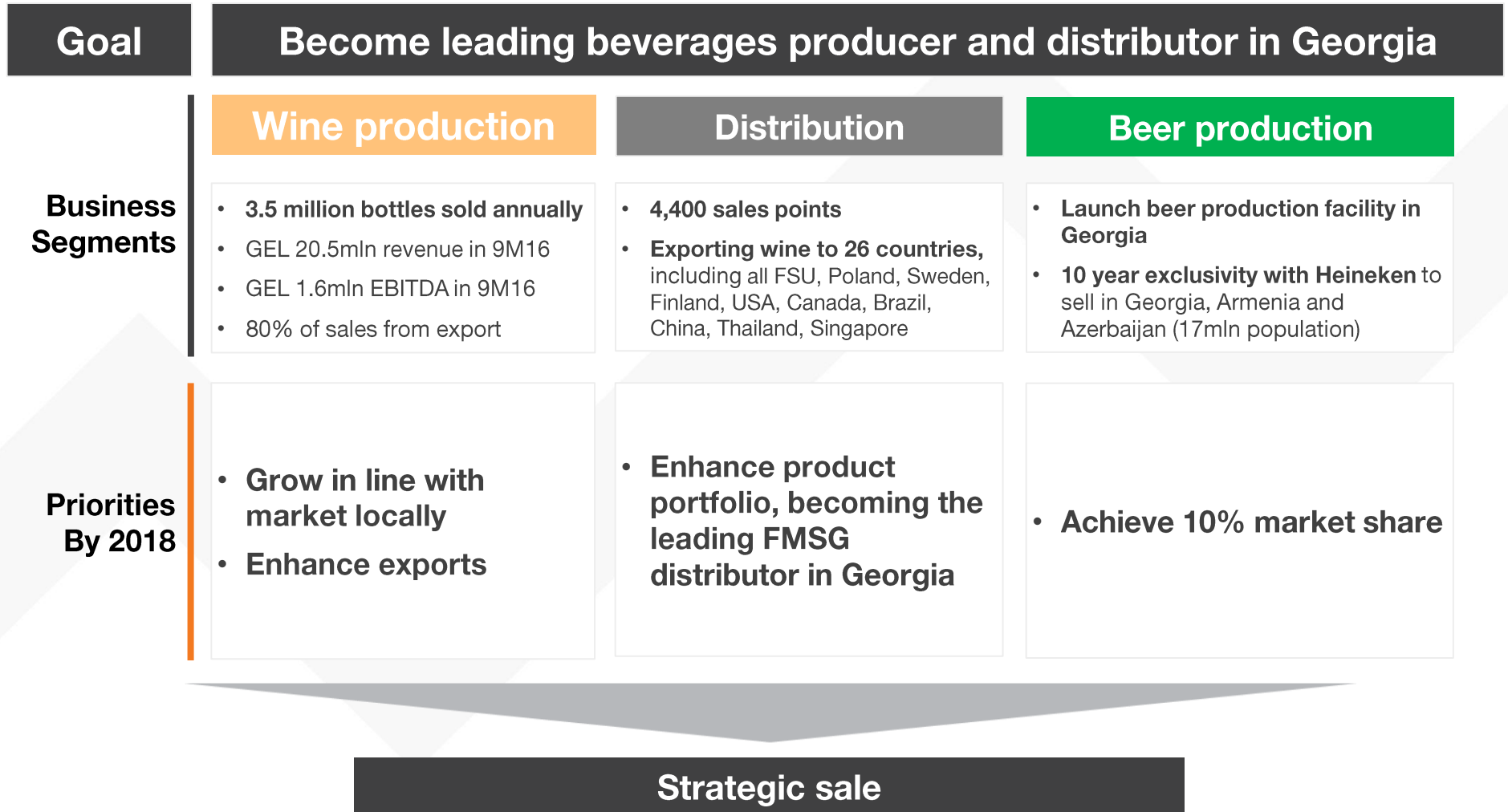
- *Mainly retain commercial real estate in residential buildings*
- *Develop hotels and apartments (mixed-use) to increase yielding business*

- *NAV (Net Asset Value) – US\$ 51.1mln*
- *Land bank – US\$ 27.5mln*
- *Yielding assets currently – US\$ 17.9mln*
- *Sales to be recognized as revenue – US\$ 32.3mln*

- **Capital management discipline – pay US\$ 20-25mln dividends to BGEO in 2019**
- **Possibility to establish m2 as a REIT at the local market**

Teliani Valley | Targets & priorities

(beverage business)



GHG HAS FULL PRESENCE IN GEORGIAN HEALTHCARE ECOSYSTEM

SEGMENT	HOSPITALS	AMBULATORIES	PHARMA	INSURANCE
MARKET (2015)	GEL 1.2bln	GEL 0.9bln	GEL 1.3bln	GEL 0.17bln
MARKET SHARES	BY REVENUE	BY REVENUE	BY REVENUE	BY REVENUE
In 2015	18%	<1%	-	38%
Now	20%	1.5%	15%	35%
Long-term	30%+	15%+	30%+	30%+
P&L TARGETS	<ul style="list-style-type: none"> • Doubling 2015 revenue by 2018 (2015 revenue was GEL 195.0mln) • With 30% EBITDA margin 		8.0%+ EBITDA margin	<ul style="list-style-type: none"> • Combined ratio <97% • Claims retained within GHG >50%

ACQUISITION	Purchased remaining 75% of GGU at 4.2x EV/EBITDA 2016E Recognised GEL 31.8mln negative goodwill from the acquisition	
BUSINESS	1 UTILITY	2 ENERGY
	WATER UTILITY	HYDRO & other renewables
CURRENT STANDING	REVENUE 2016E: GEL 129.4mln EBITDA 2016E: GEL 68.2mln 70% water losses	HYDROs: 149MW operating 50MW ready to build 85MW pipeline
MEDIUM TERM GOAL	EBITDA 2018: GEL 80mln+ 50% water losses	HYDROs: 200MW operating 100MW ready to build 100MW pipeline WIND & SOLAR: 20-20MW ready to build
TARGETING	Oportunistically to target DIVIDEND PROVIDER	VALUE CREATION UPSIDE
IPO in 2-3 years time		

**US\$ 70 MILLION
BUY-BACK PROGRAM for NEXT TWO YEARS**

1 US\$ 50 million

cancellation of shares

2 US\$ 20 million

for the management trust

QUESTIONS?

BGEO Investor Day
22 November 2016 | Tbilisi, Georgia

WRAP-UP

Speaker: Irakli Gilauri, Group CEO

BGEO Investor Day
22 November 2016 | Tbilisi, Georgia

AFTERNOON AGENDA

- 14:00 – 14:40 Breakup into small groups: meetings with GGU, m² and Teliani management
14:50 – 15:30
15:40 – 16:20
- 16:30 – 18:00 Site visits - Bank branches
- 19:00 – 22:00 Dinner
- 22:00 - onwards Reception at Solo Lounge

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

There are various factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, legal, business and social environment. The forward-looking statements in this presentation speak only as of the date of this presentation. The BGEO Group undertakes no obligation to revise or update any forward-looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.