

BANKING BUSINESS

CORPORATE INVESTMENT BANKING OVERVIEW

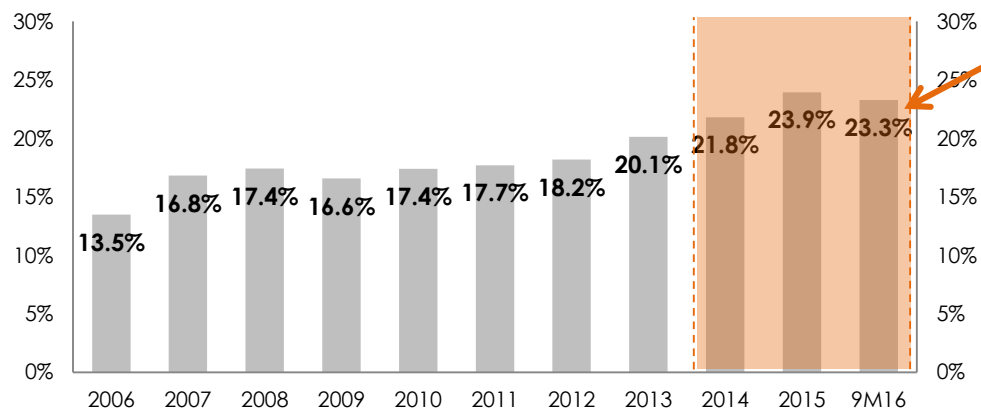
Speaker: Archil Gachechiladze, CIB, JSC Bank of Georgia

BGEO Investor Day

22 November 2016

Tbilisi, Georgia

CB-MSME Loans / GDP, %



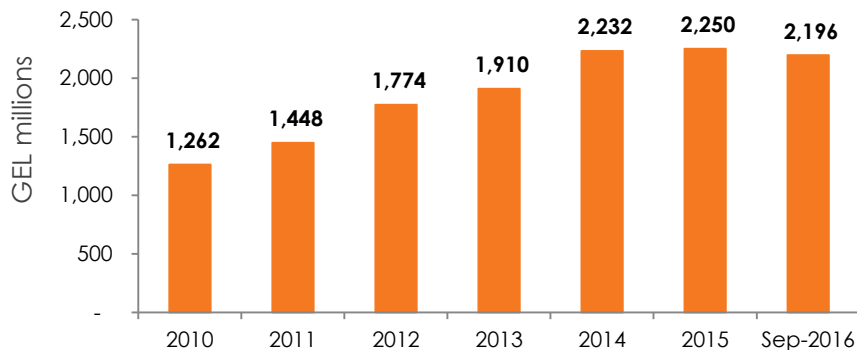
Source: NBG, GeoStat

- Georgian CB/MSME loans to GDP at 23.3%

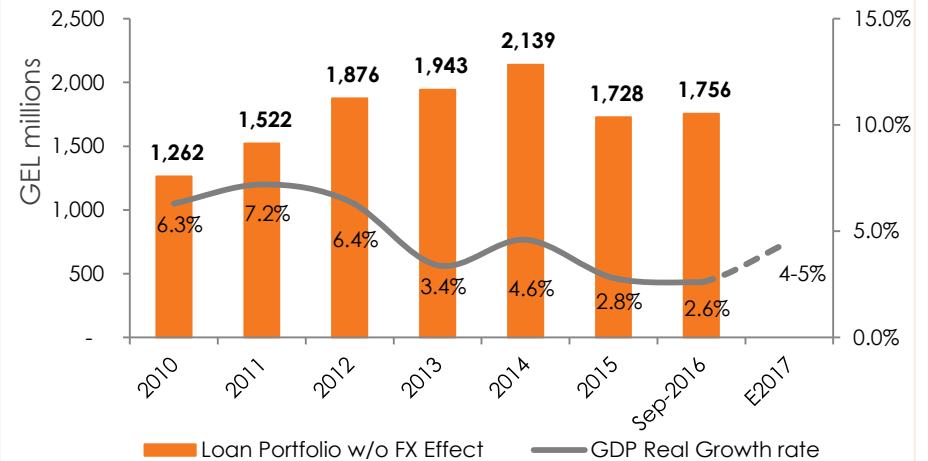
(2014→9M'2016)

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

CB Nominal Gross Portfolio



CB Real Gross Portfolio (2010 ex. rates)

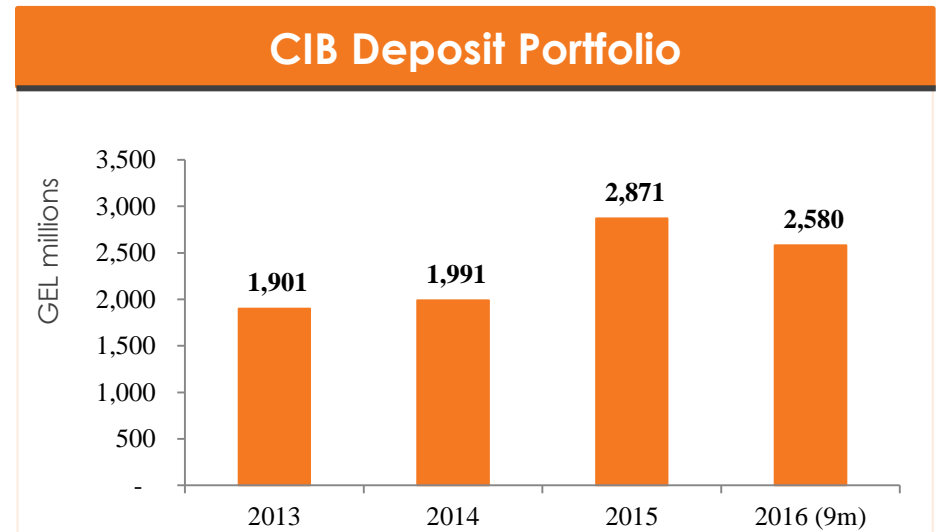
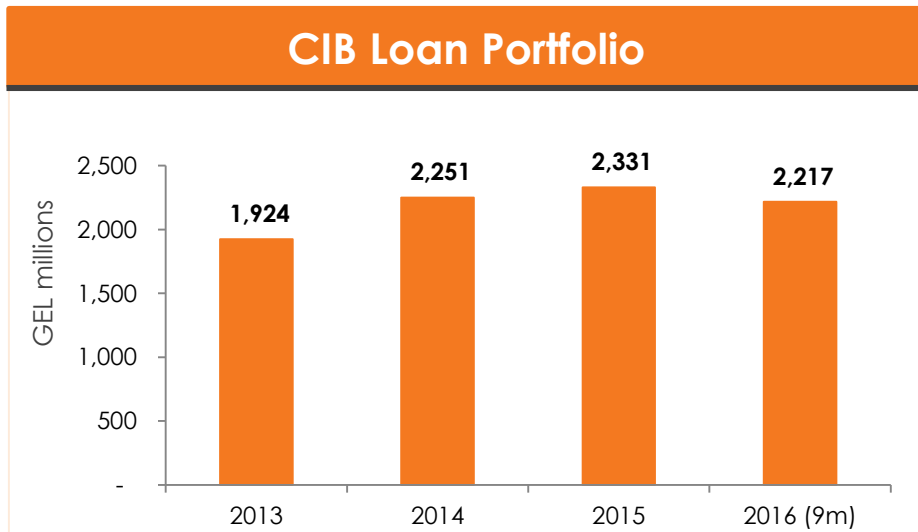
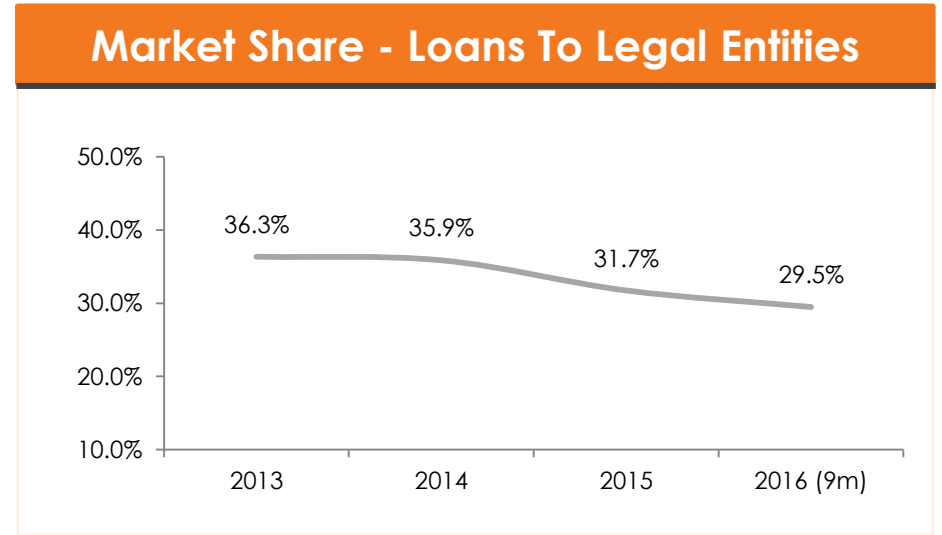
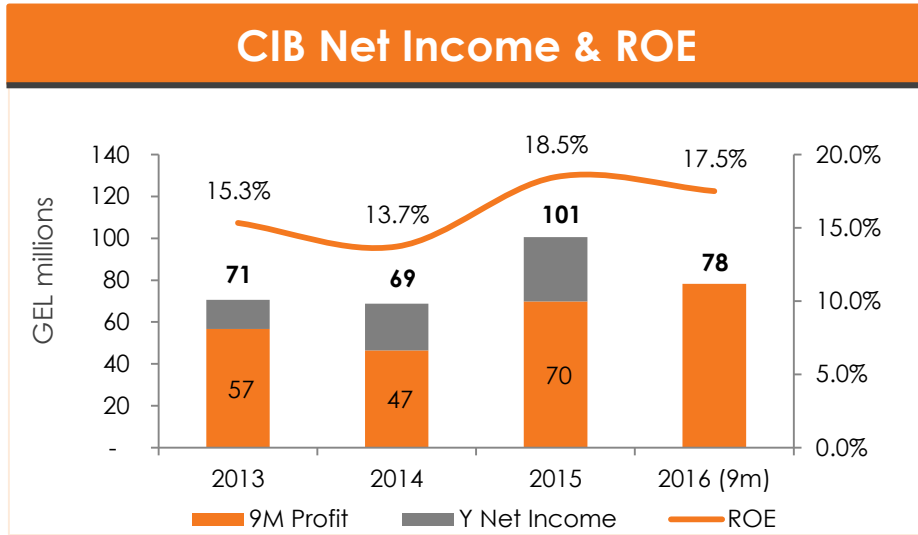


- Corporates have digested high leverage – 18.1% real drop over last 2 years (2014→9M'2016)
- Going forward:
 - Positive GDP growth outlook: short term: **4 - 5%**; medium-to-long term: **5 - 6%**
 - Implementing Estonian Model, releases ~500-600mln GEL free cash for corporate businesses (~10-15% growth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

Source: CB Standalone, NBG

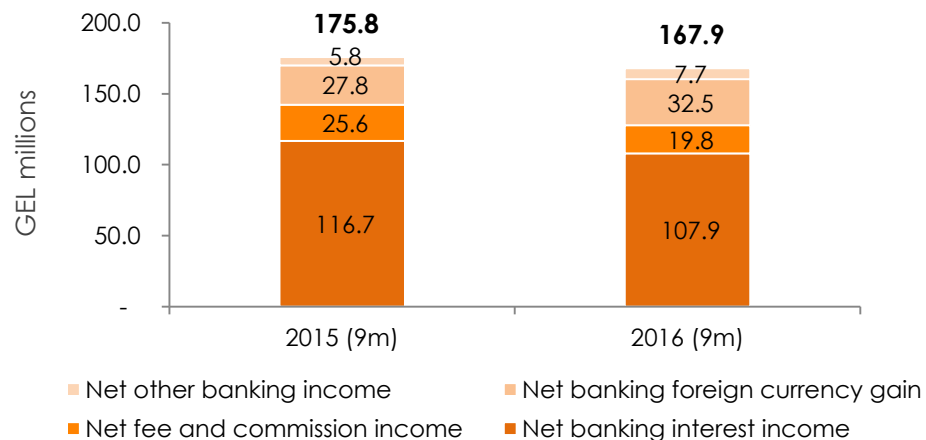
Regained profitability

- CIB consolidated ROE currently stands at 17.5%



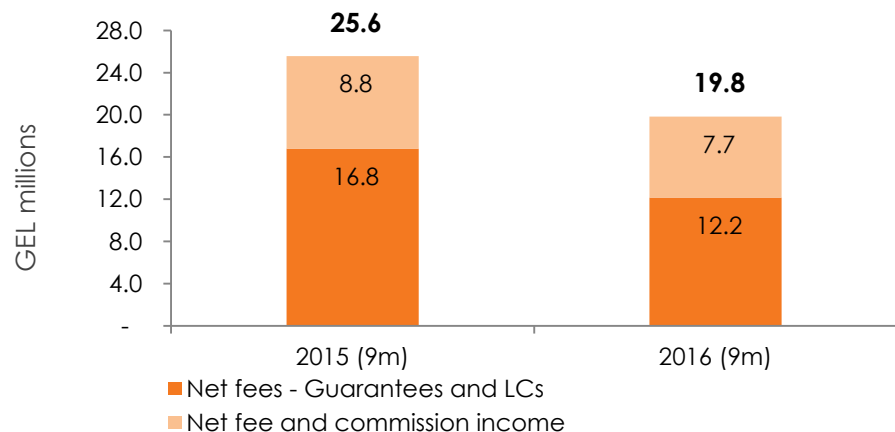
*Consolidated CIB includes Corporate Banking, WM, WM Rep. Offices, GLC & G&T

CIB Revenue Breakdown



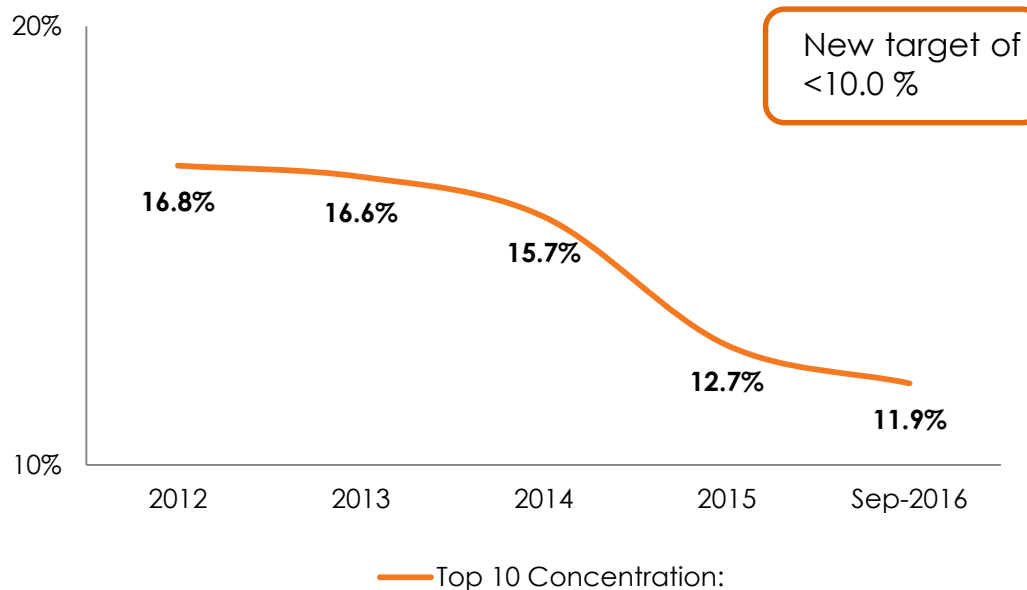
- Net fee and commission income decreased by 22.4% Y-o-Y
- FX income remains relatively stable despite contraction of overall operations' volume

CIB Net Fee & Commissions



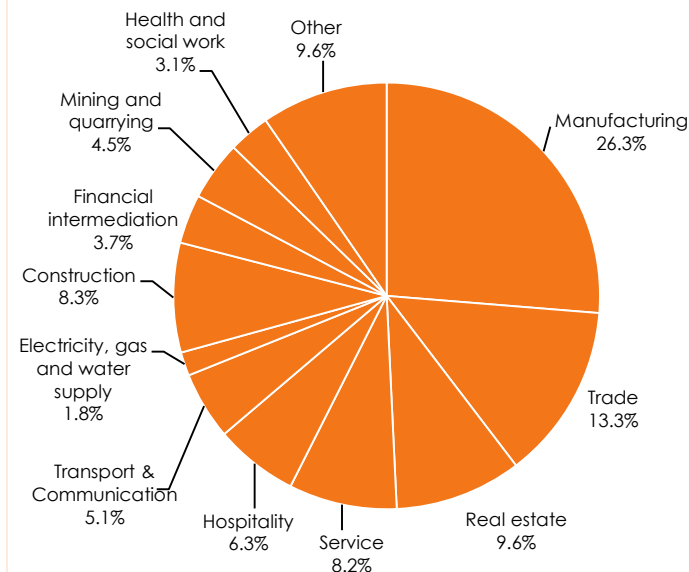
- Drop in the net fee and commission income was mainly attributable to contraction of documentary business (-27.5% Y-o-Y), due to:
 - Being cautious on infrastructure financing
 - Eliminating business related to high risk clients
 - Major shift in government infrastructural spending towards SME sector

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

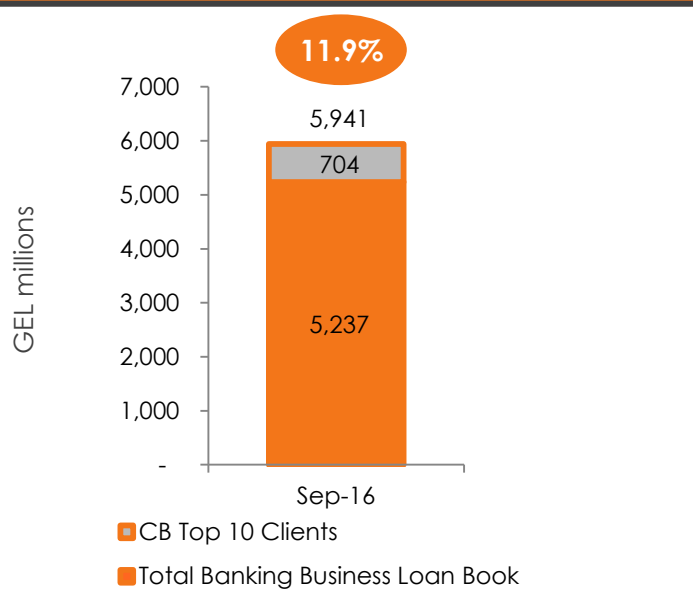
Local Banks

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

Bonds

- BOG WM

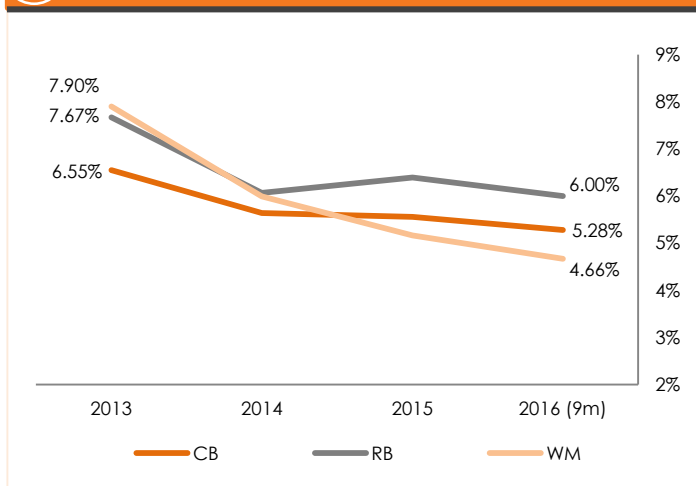
CB Top 10 Client Concentration



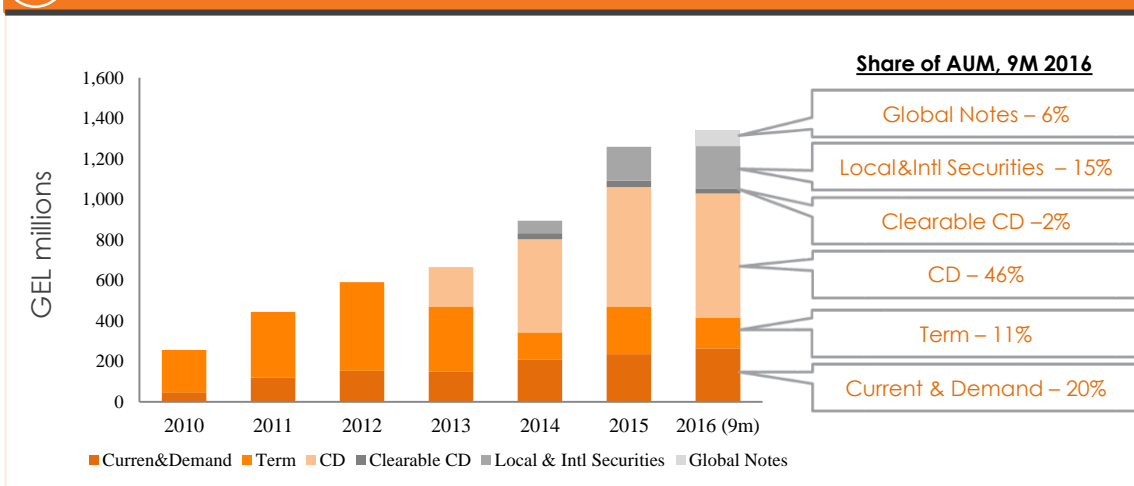
- More in depth sector analysis in cooperation with G&T
- Try to synchronize clients accounting system with I-banking platform, thus receiving client information on a regular basis
- Launching Moody's risk management and scoring software
 - Knowing better cyclical sectors
 - Better "Probability of Default"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

Growing fee business with brokerage

3 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



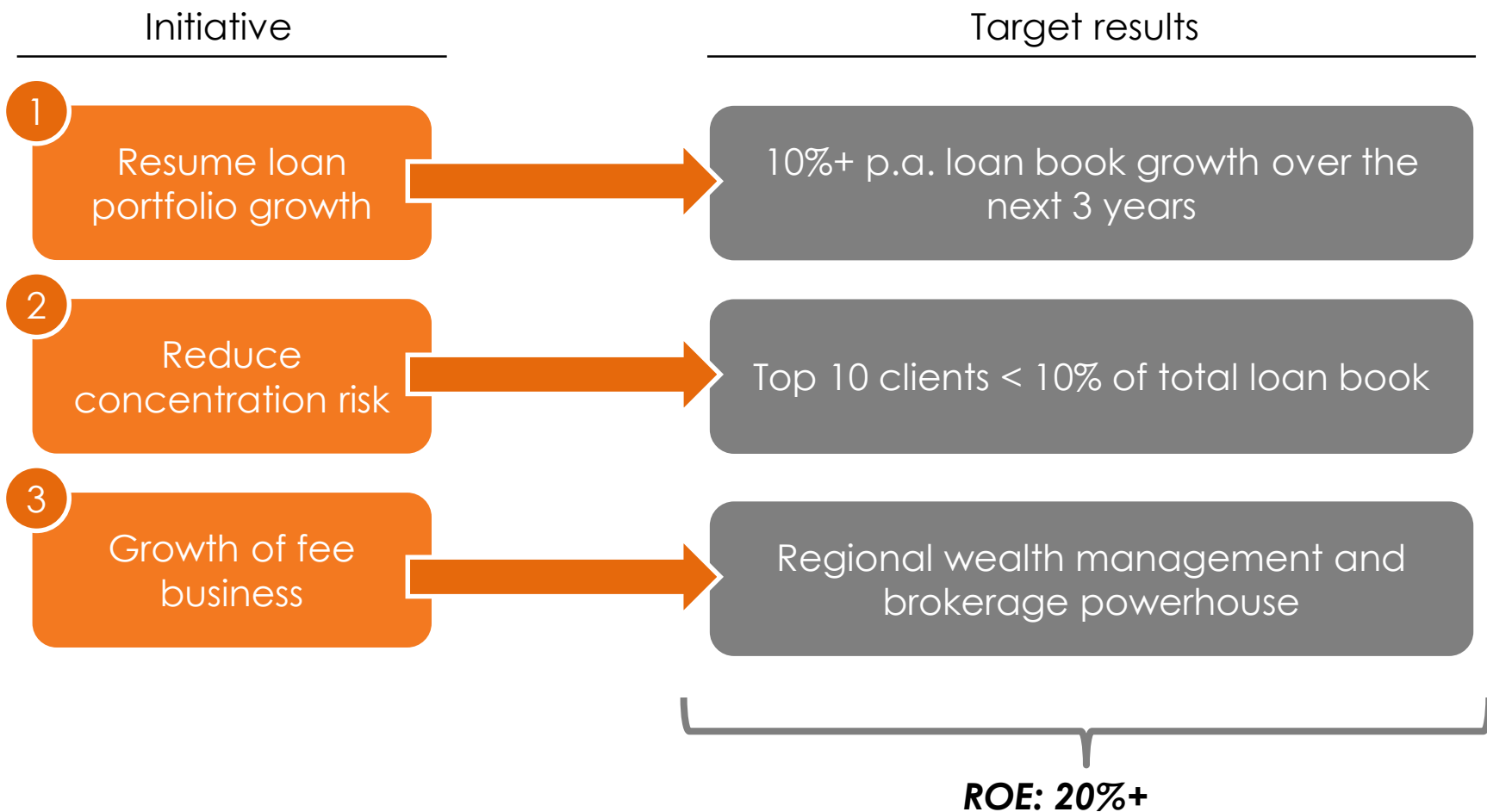
Trading and custody capabilities of **international assets** on all **major international exchanges**



- 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

Forward Looking Statements

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.

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