



BANK OF GEORGIA
HOLDINGS PLC

Corporate Banking

Speaker: Archil Gachechiladze, Deputy CEO

September 2012

Discussion topics

Bank of Georgia: Unique value proposition

Corporate banking: financial statements

Loan book & deposit portfolio

Trade finance export financing

Research

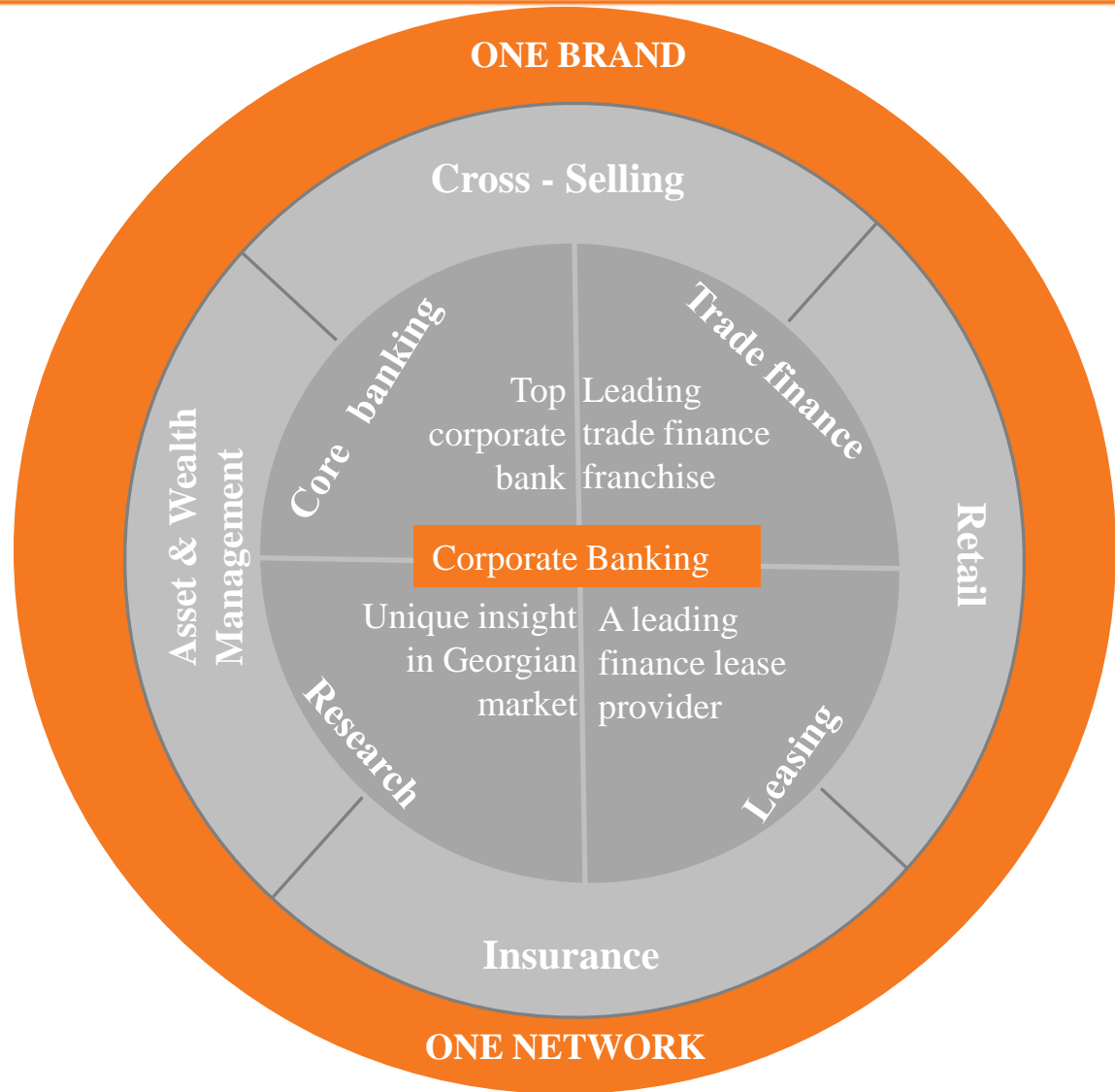
Bank of Georgia: Unique value proposition

Unbeatable competitive advantage

Position on the market

- 🏆 Leadership in the Georgian corporate sector
- 🏆 Access to cheaper long-term funding through superior access to trade finance lines
- 🏆 Superior client coverage
- 🏆 Market insight and corporate access
- 🏆 Robust balance sheet and strong capital
- 🏆 Cross selling to A&WM clients

- 🏆 # 1. 37.6% share by corporate loans and 41.9% share by corporate deposits*
- 🏆 7,980 corporate clients
- 🏆 1.8x larger regulatory capital than #2 bank
- 🏆 Superior integrated model on the Georgian market



*Based on NBG reporting of all legal entities

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Financial statements

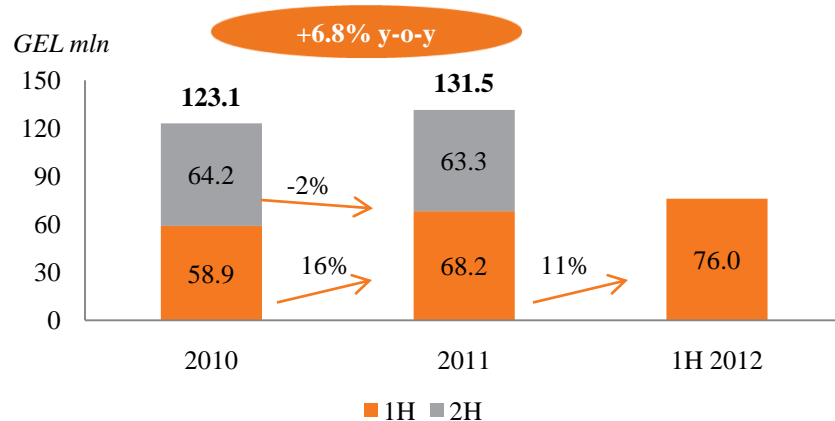
Loan book & deposit portfolio

Trade finance export financing

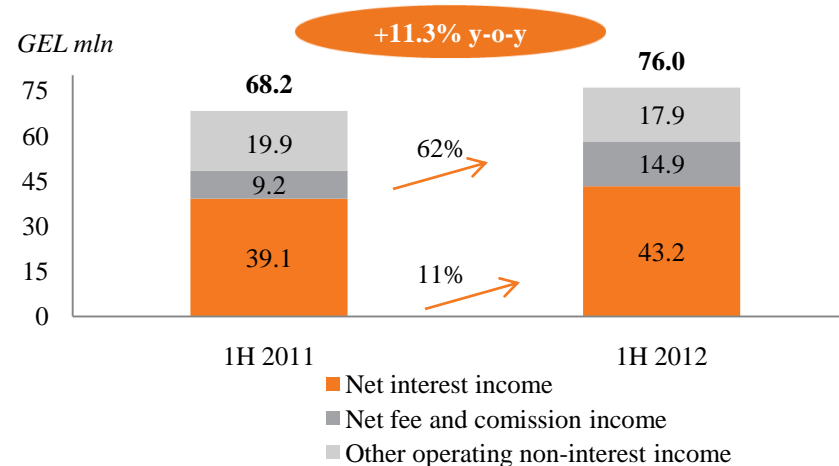
Research

Corporate banking delivers profitable growth

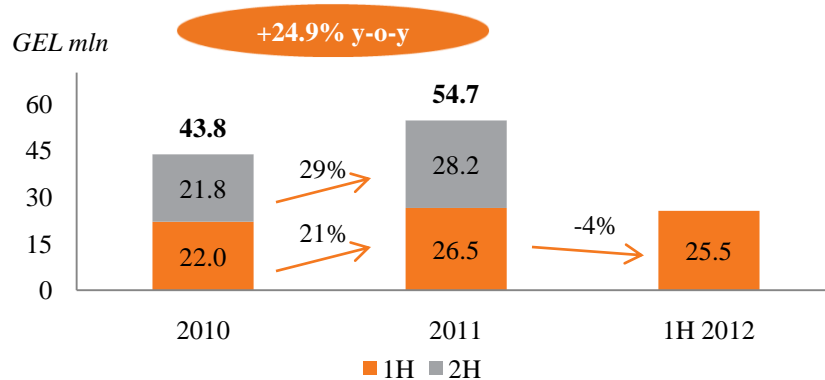
Revenue



Revenue breakdown



Operating expenses

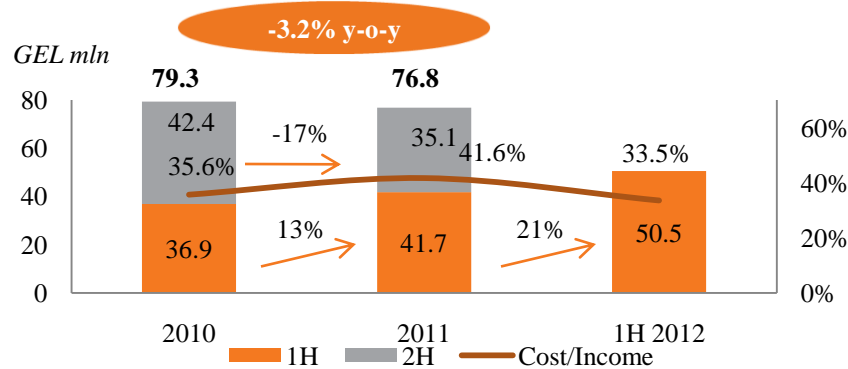


Revenue growth driven by 10.5% growth of net interest income and 61.6% growth of net fee and commission income

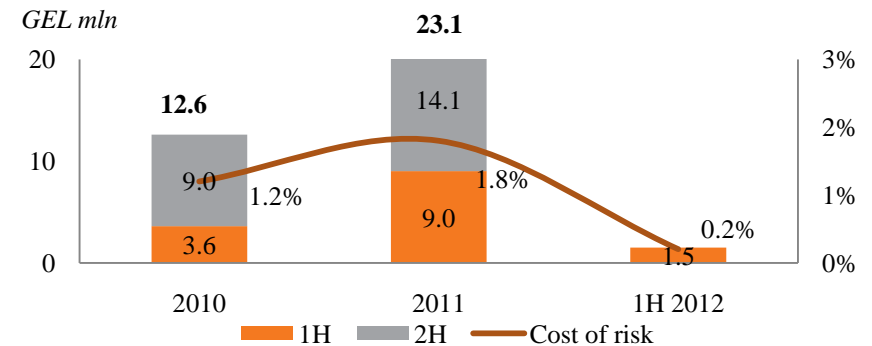
Strong operating leverage as corporate banking costs decline 4.1% y-o-y compared to 10.5% revenue growth

Corporate banking improved cost of risk and profitability

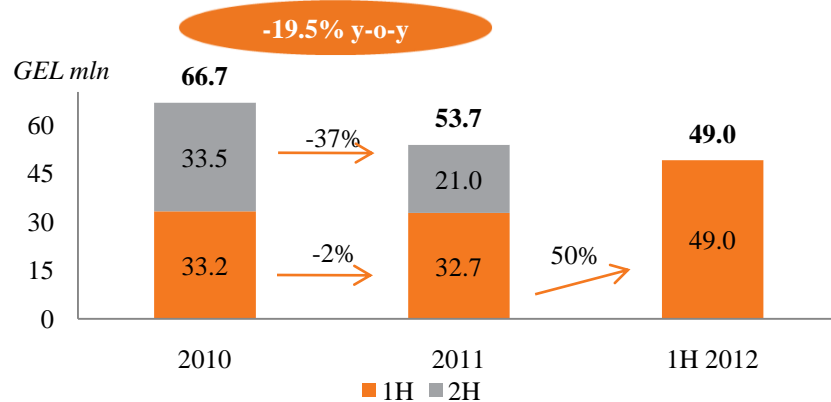
Operating income before cost of credit risk



Cost of credit risk



Net operating income



- Improved efficiency with Cost to Income ratio down to 33.5% from 38.9% in 1H 2011
- Operating income before cost of risk growth of 21.2% y-o-y to the record GEL 50.5 million
- Net operating income of GEL 49.0 million, result of cost of credit declining, reflecting the improving credit environment as well as the moderate volatility of corporate provisioning

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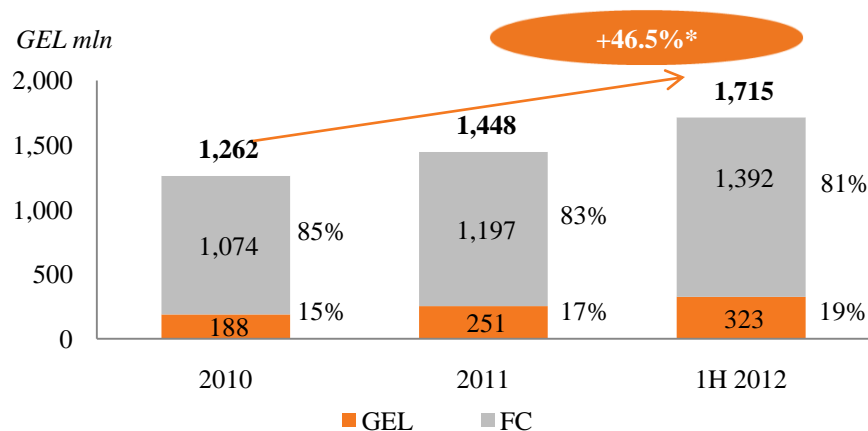
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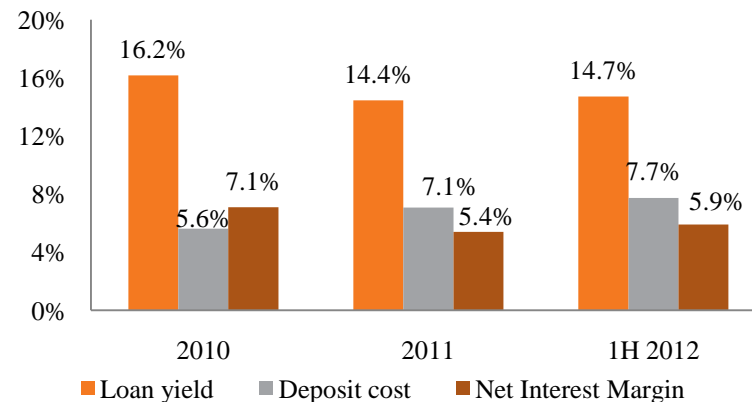
Research

Growing and maintaining healthy margins

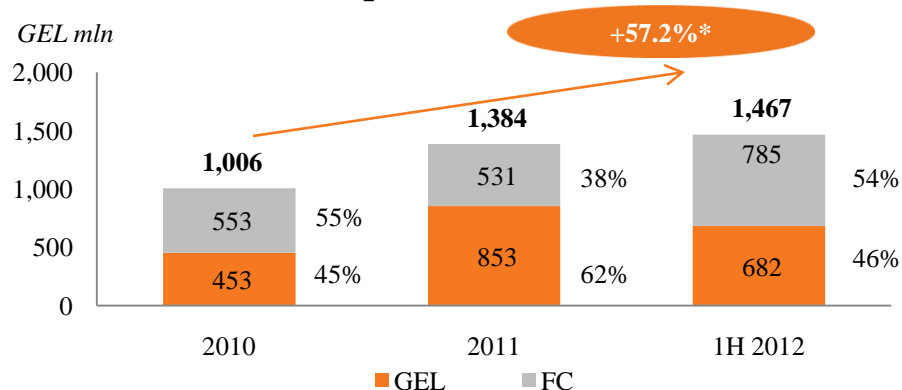
Loan portfolio, gross



Loan yield, deposit cost, NIM



Deposits



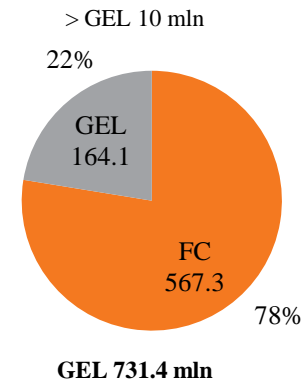
- CB loan book grew 18.4% since YE 2011 to GEL 1.7 bn, while corporate client deposits grew by 6.0% to GEL 1.5 bn
- Sharp reduction in CB deposit rates not yet reflected in 1H 2012 results
- Strong GEL denominated corporate deposit inflow in Q4 2011, followed by the outflow in Q1 2012 as a result of deposit rate cuts

*Growth in US\$

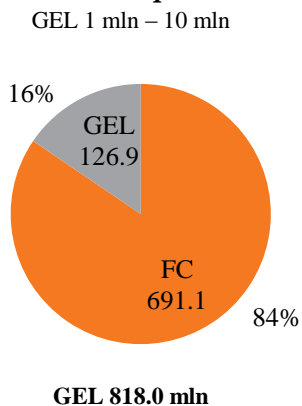
Diversified CB loan book structure, 30 June 2012

Loan book breakdown

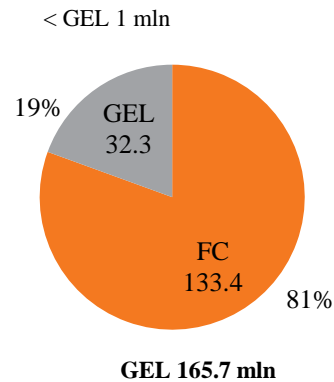
Large corporate



Mid corporate



Small corporate

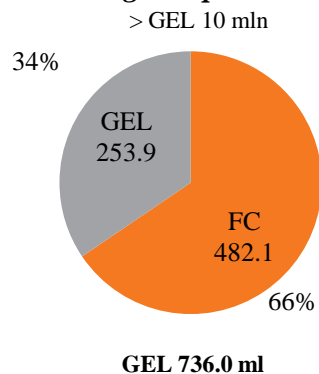


Robust corporate loan book, with mid-sized loans accounting for 48% of the CB loan book and 27% of total loan book

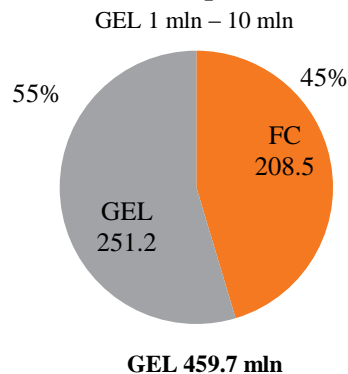
Standalone CB loanbook :
GEL 1,715 mln

Client deposit breakdown

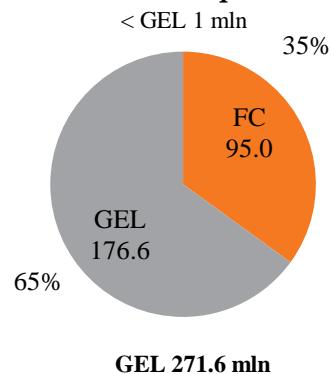
Large corporate



Mid corporate



Small corporate





Standalone CB client deposits:
GEL 1,467 mln

Achieving sustainable growth

Industries to focus

 Healthcare

 Energy

 Food processing

 Hospitality


2009-2011 growth

+ 24.6%

+ 31.5%

+ 33.6%

+ 41.9%

-  Strong momentum in Georgian corporate segment, which is poised to grow along with the economy
-  Focus on quality as we continue coverage build-up
-  De-focus from construction and real estate sectors
-  Financing new import substitution projects, like already financed
 -  A large chicken farm
 -  3 large pig farms
 -  2 greenhouse projects
 -  3 metallurgical plants
 -  A leather production

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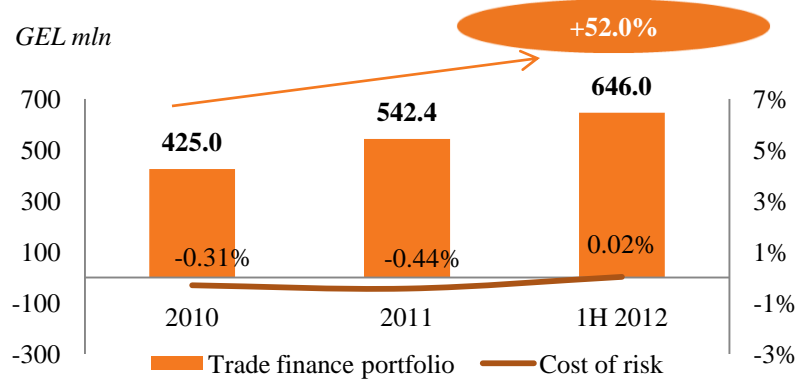
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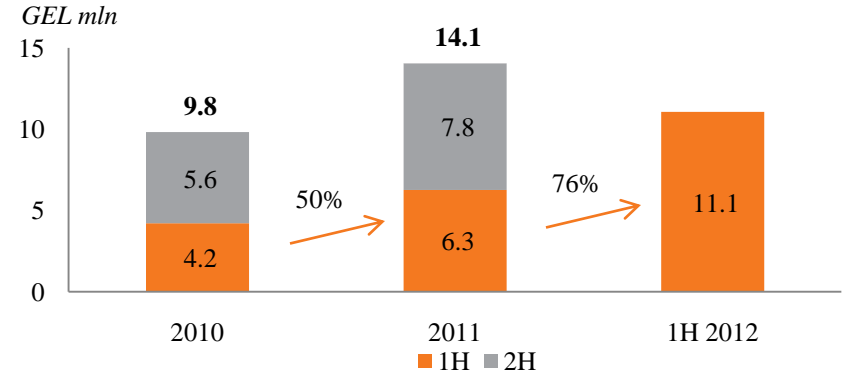
Research

Trade finance business growth boosting CB's non-interest income

Trade finance portfolio



Net fee and commission income



A total of US\$188.2 mln in trade finance limits



European Bank
for Reconstruction and Development



COMMERZBANK T.C. ZIRAAT BANKASI



Export finance partner agencies



中国出口信用保险公司
CHINA EXPORT & CREDIT INSURANCE CORPORATION



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Bank of Georgia Research: Rationale

About Bank of Georgia Research

- ❏ Launched in June 2012
- ❏ To provide comprehensive insight of the under-researched Georgian market to institutional investors and private investors

Sector coverage:

- ❏ Electricity sector ✓
- ❏ Tourism and hospitality - **on the way**

Corporate coverage:

- ❏ Georgian Oil and Gas Corporation ✓
- ❏ Georgian Railways ✓
- ❏ Intention to extend coverage to Armenia and Azerbaijan in the medium-term

Strategic fit

- ❏ Act as first contact for investors for information on Georgia (region in the future)
- ❏ Cover key sectors to support loan origination and M&A advisory
- ❏ Support corporate business in attracting more clients and investments into the country
- ❏ Provide cross-selling opportunities to WM institutional and private clients

**Capture FDI
inflows to
Georgia**

**Provide country
and sector
insights to
investors**

Out first report – what we have found out...



Georgia's Hydropower Potential Giving water the green light



Georgia | Energy | Electricity
Industry Overview
June 28, 2012

Ekaterina Gazadze
Head of Research | egazadze@bog.ge | +995 32 444 444 ext. 3760

George Shengelia
Associate Director | gshengelia@bog.ge | +995 32 444 444 ext. 3751

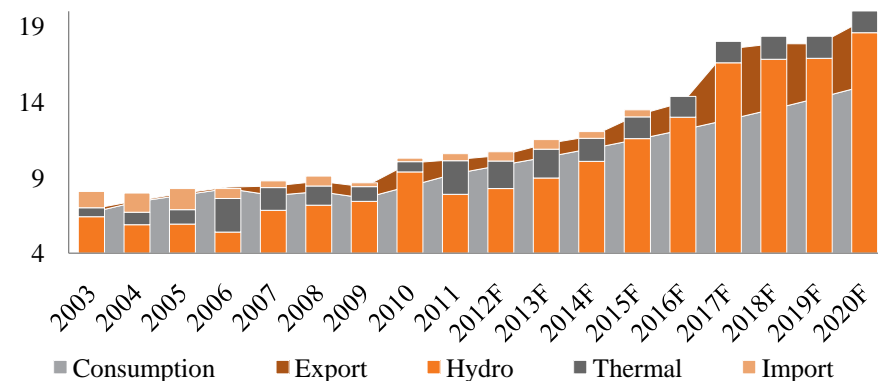
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Georgia has a strong hydropower potential: Georgia may generate 32 TWh/year of hydropower, which is 4x higher than its current generation.

Georgia has strong electricity export capacity: Georgia may grow its export capacities 1.7x times by 2015 and 6.7x times by 2020. Export potential to Turkey is high.

Georgia has competitive generation tariffs: Georgia has competitive generation tariffs in the region and we expect tariffs to remain competitive in foreseeable future.

Georgia's electricity export potential (orange), TWh



Source: BOG Research estimates

Q&A

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 of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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. JSC Bank of Georgia and Bank of Georgia Holdings undertake 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.