



BANK OF GEORGIA
HOLDINGS PLC

Financial Results Update

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Deputy CEO, Finance*

September 2014

Key highlights

Plain vanilla balance sheet

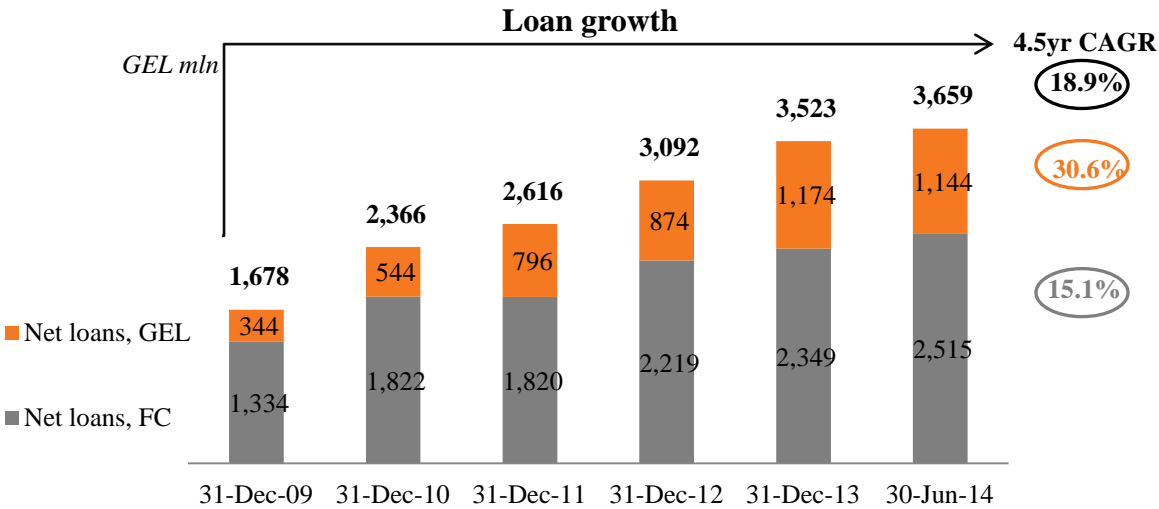
Profitability

Funding and liquidity

Capital regulation

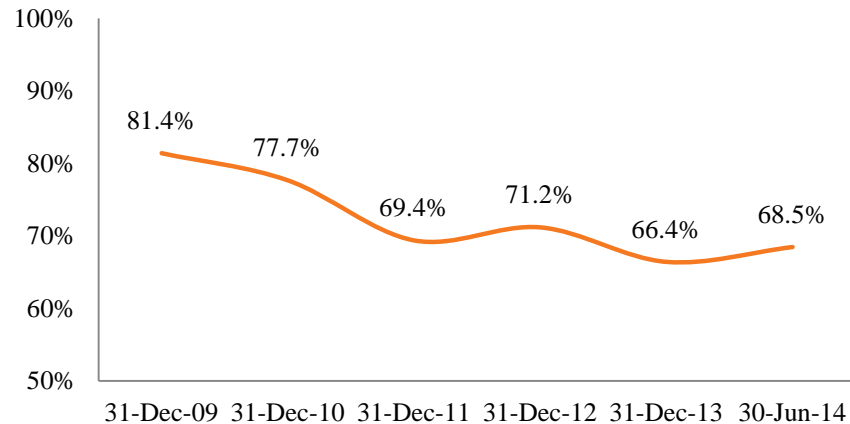
Appendices

Loan and deposit growth

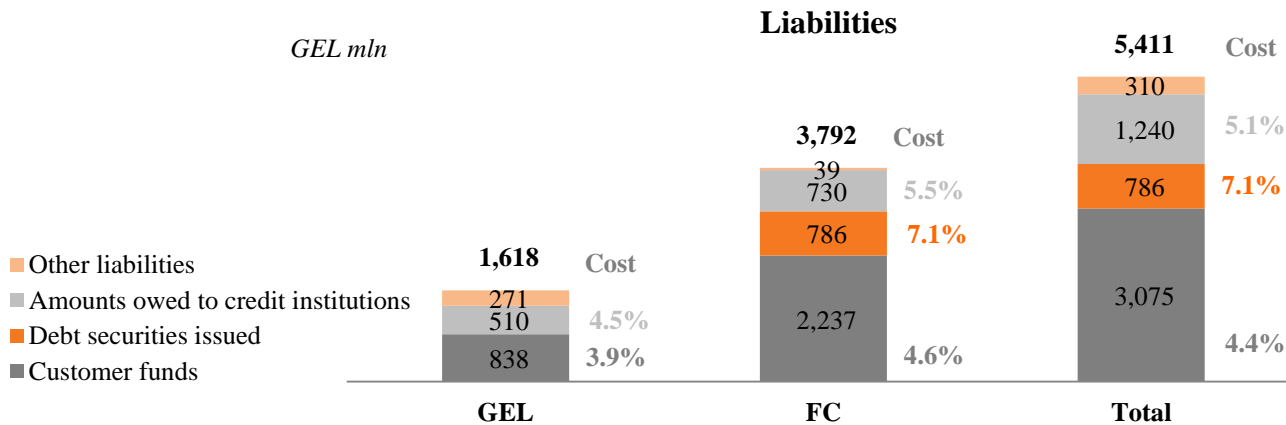
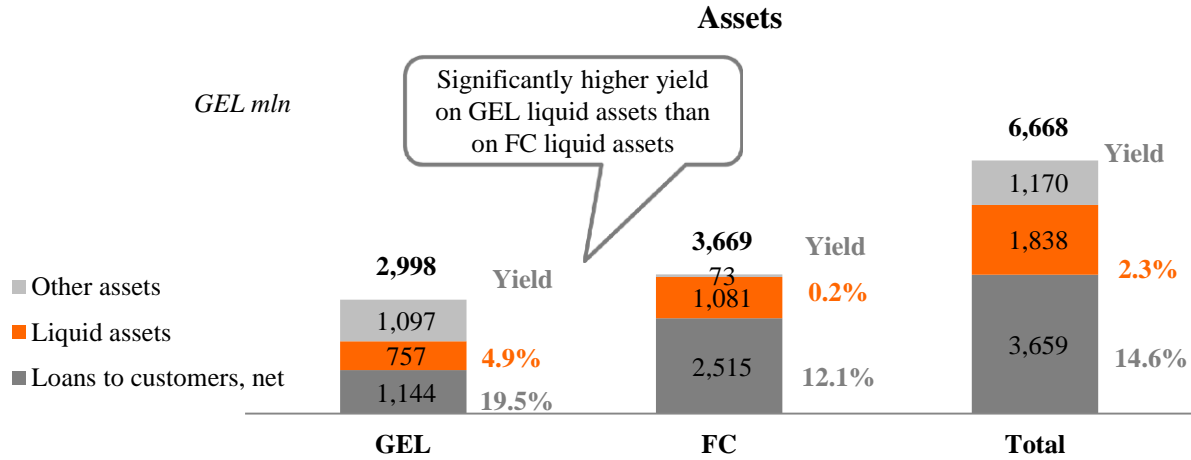


- Higher CAGR of GEL loan book compared to the CAGR of FC loans, reflects decreasing dollarisation of the Georgian economy
- Higher CAGR of GEL loans and FC deposits translate into higher loan yields and lower deposit costs, improving the Group's profitability

Gross loan dollarisation, group consolidated



Plain vanilla balance sheet, 30 June 2014



Key highlights

Plain vanilla balance sheet

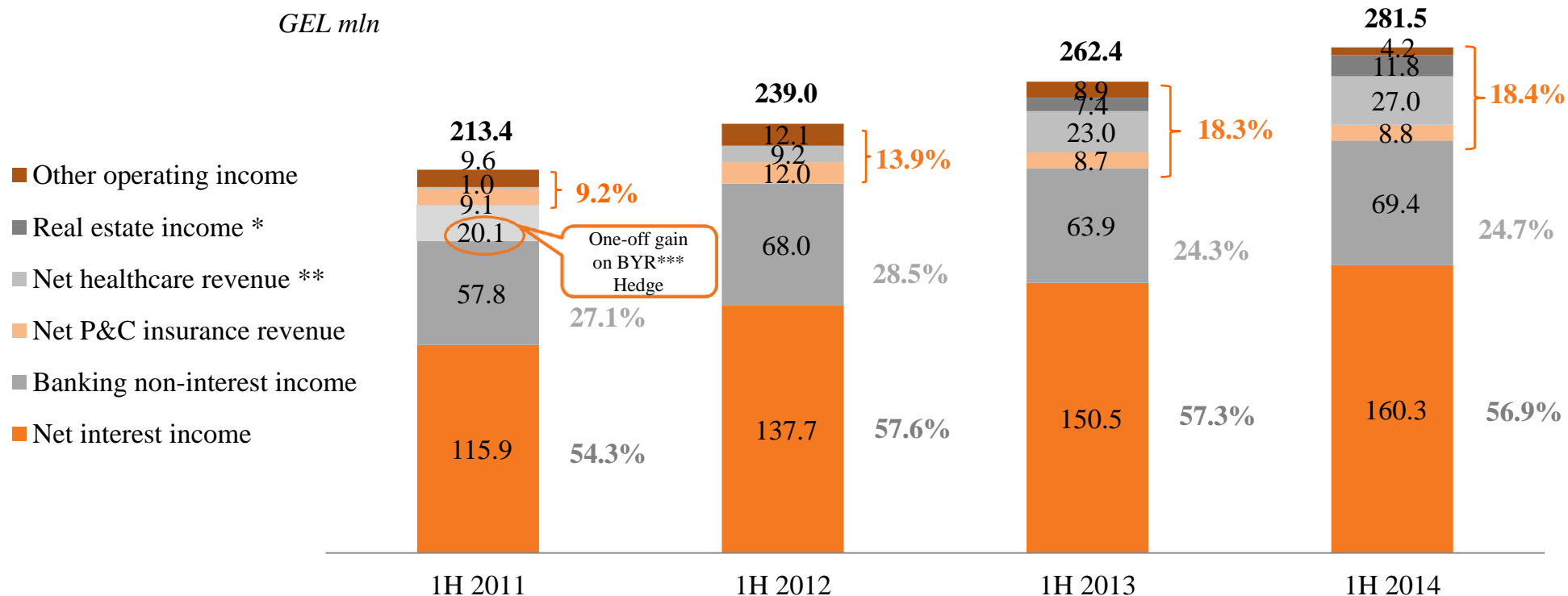
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Diversified revenue sources



* 1H 2013 real estate income includes GEL 4.8 mln gain from revaluation of investment properties

** Net healthcare revenue includes net health insurance revenue in 1H 2013 and 1H 2014

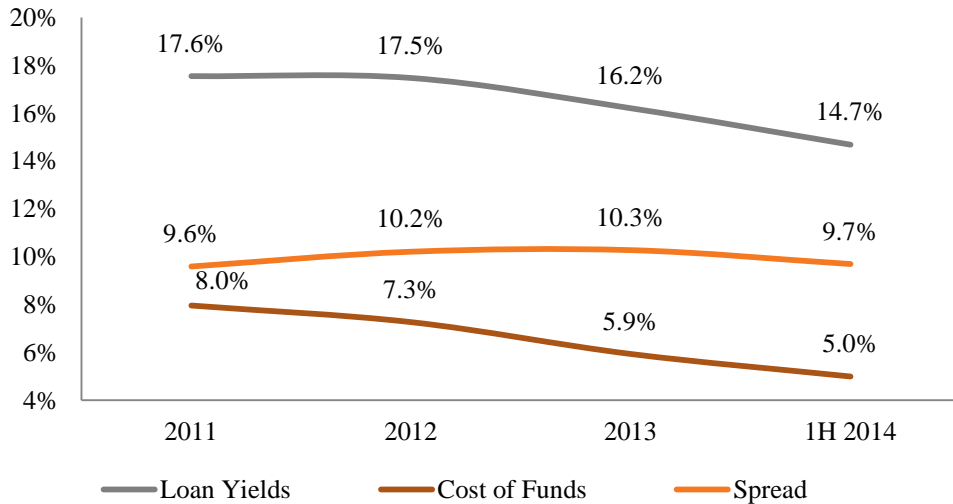
*** Belarusian Ruble

NIM growth opportunities

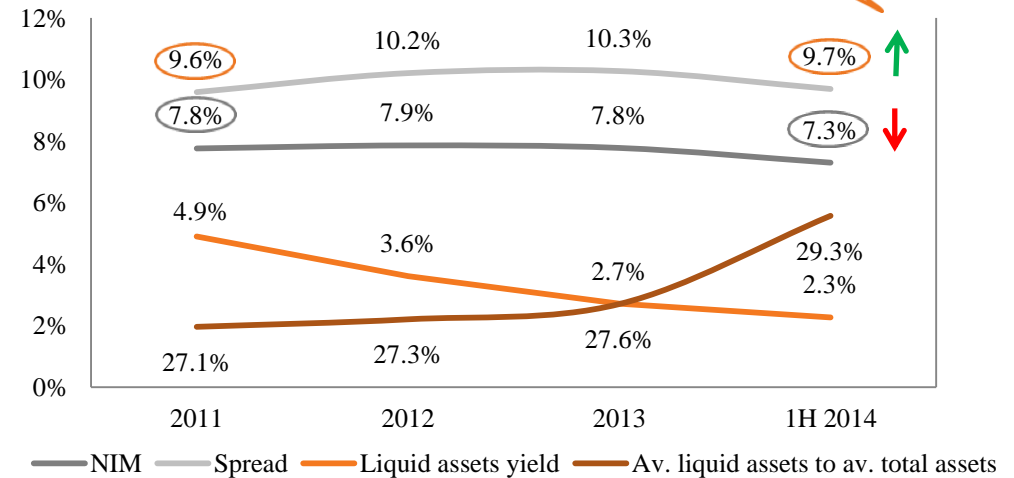
Expected upsides for NIM

- Spread over NIM gap and excess liquidity deployment capacity
- Room to further decrease funding costs
- Increasing share of RB loans

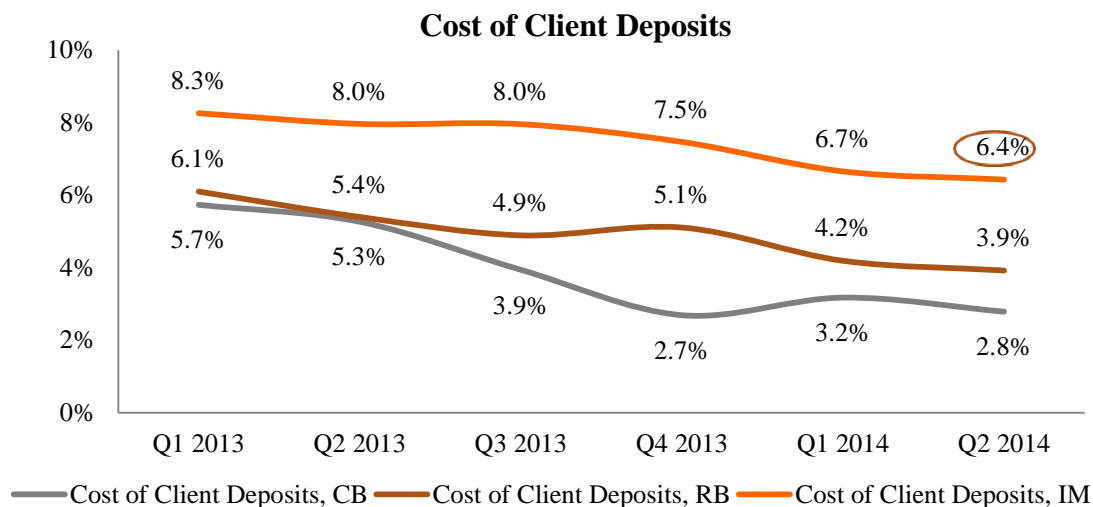
Yields and Cost of Funds



NIM vs Spread

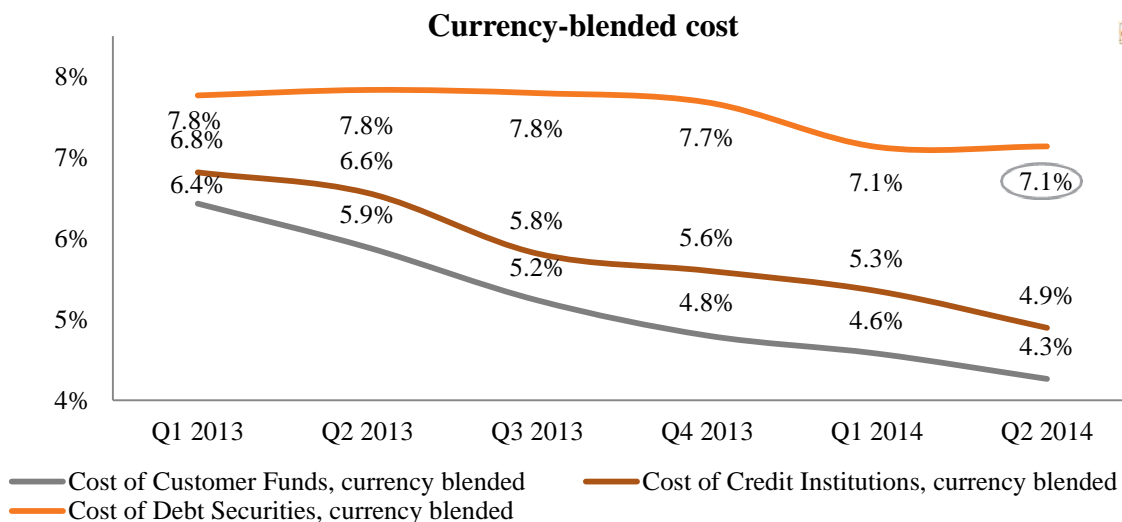


Cost of interest bearing liabilities



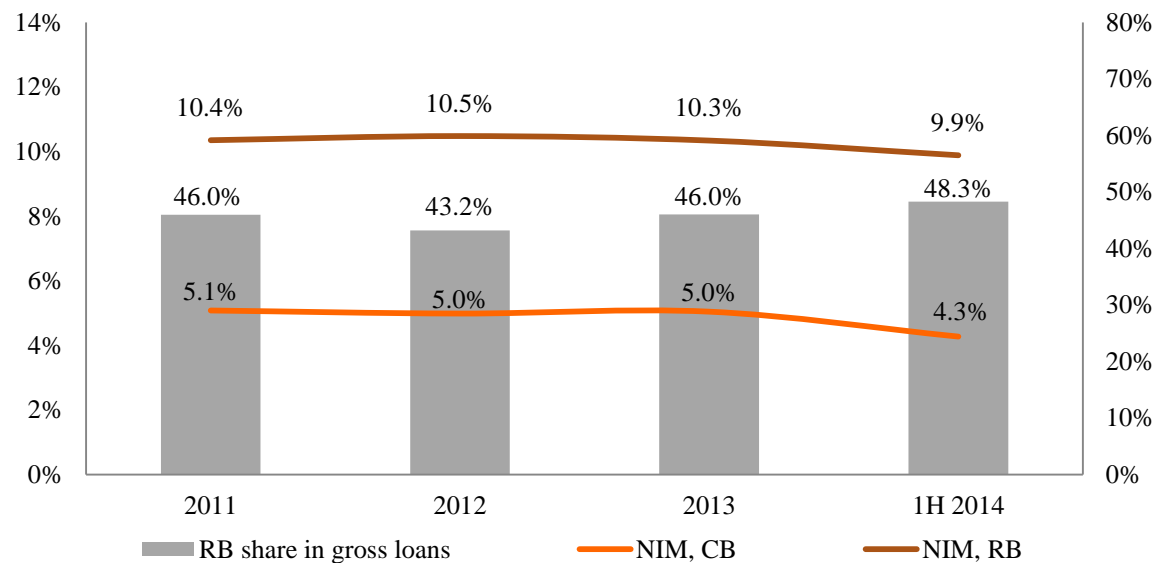
Sharp decline in Cost of Client Deposits without significantly compromising deposit growth

Debt securities issued and Investment Management deposits are the most costly funds



Opportunity to grow the less costly RB and CB client deposits to have positive impact on Cost of Funding, improvement of loan to deposit ratios, also supported by declining IM client deposit costs

NIM enhancement through RB growth

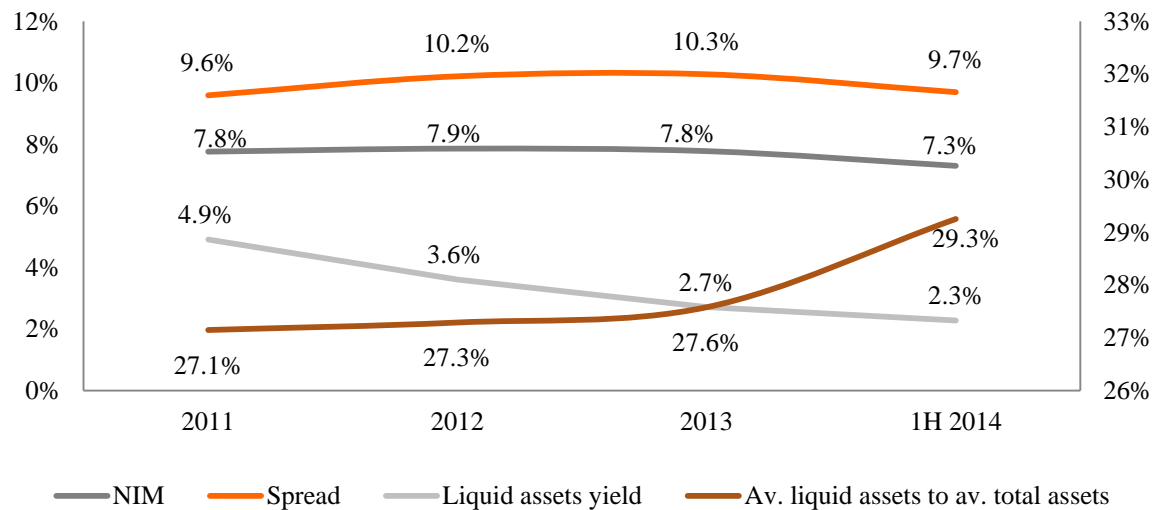


NIM growth opportunities

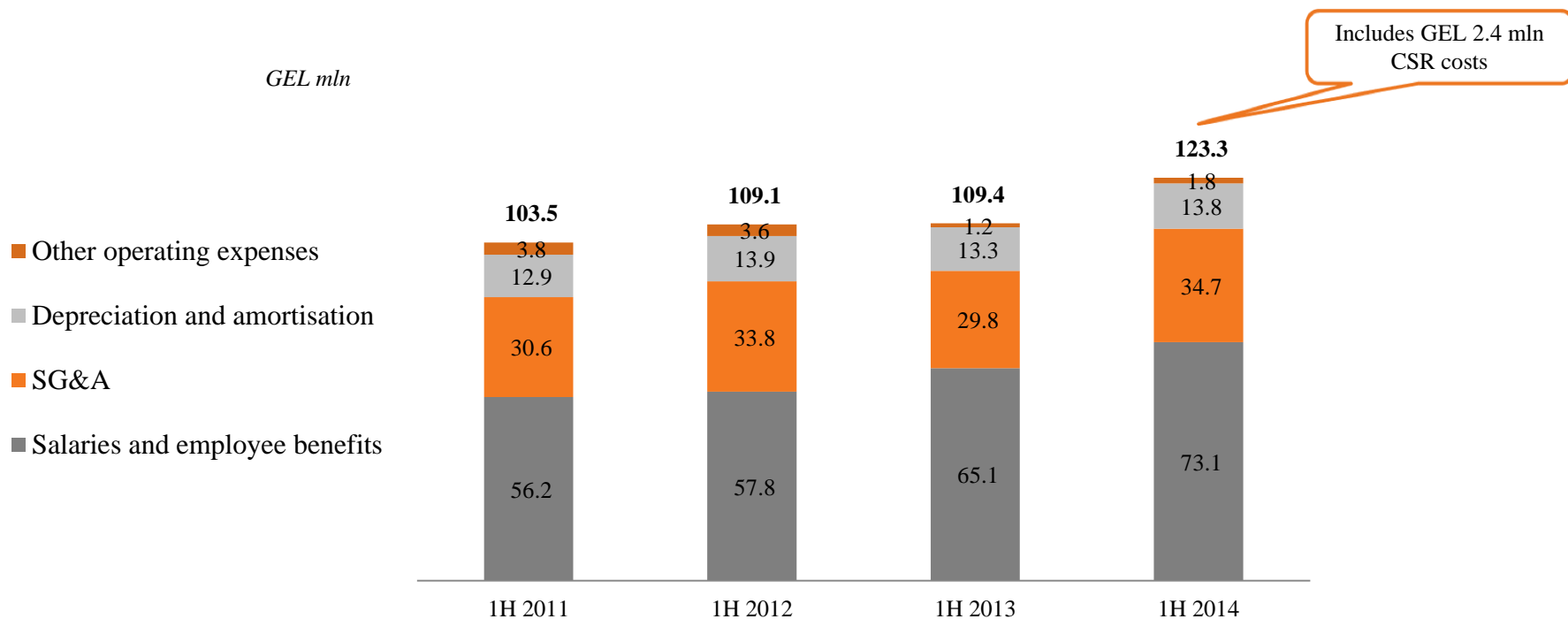
Expected upsides for NIM

- ☒ Spread over NIM gap and excess liquidity deployment capacity
- ☒ Further room to decrease funding costs
- ☒ Increasing share of RB loans

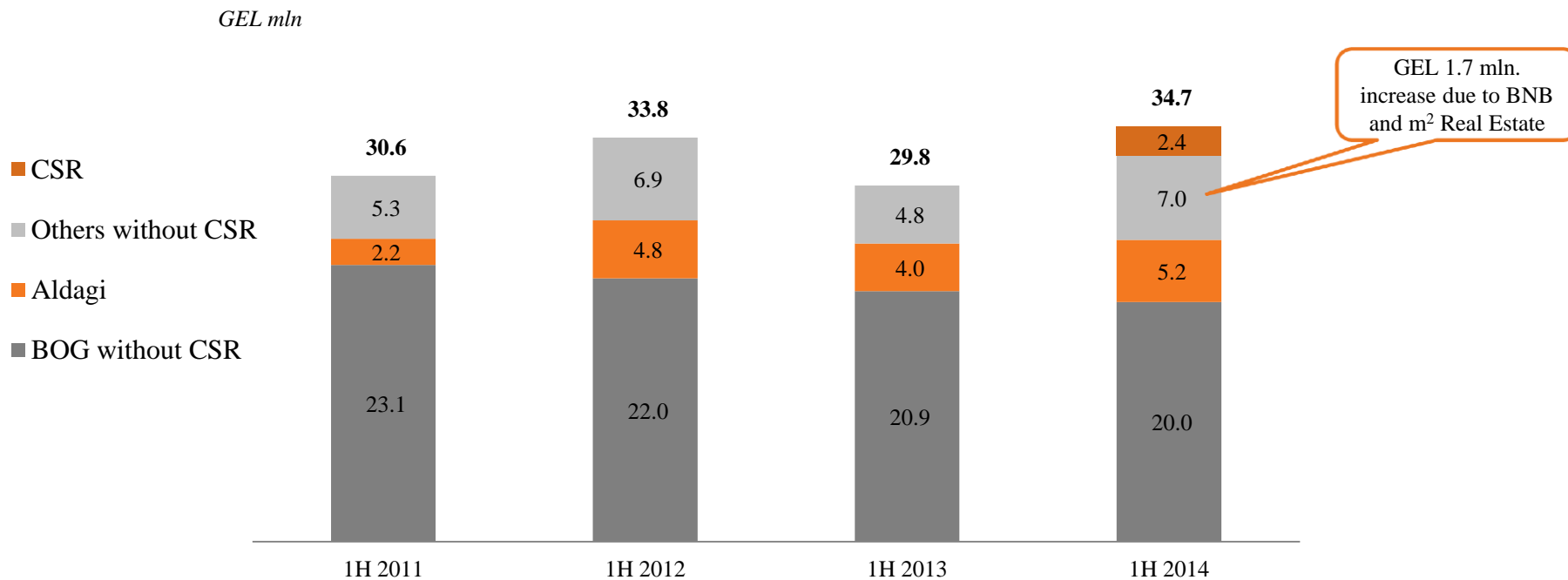
NIM vs Spread



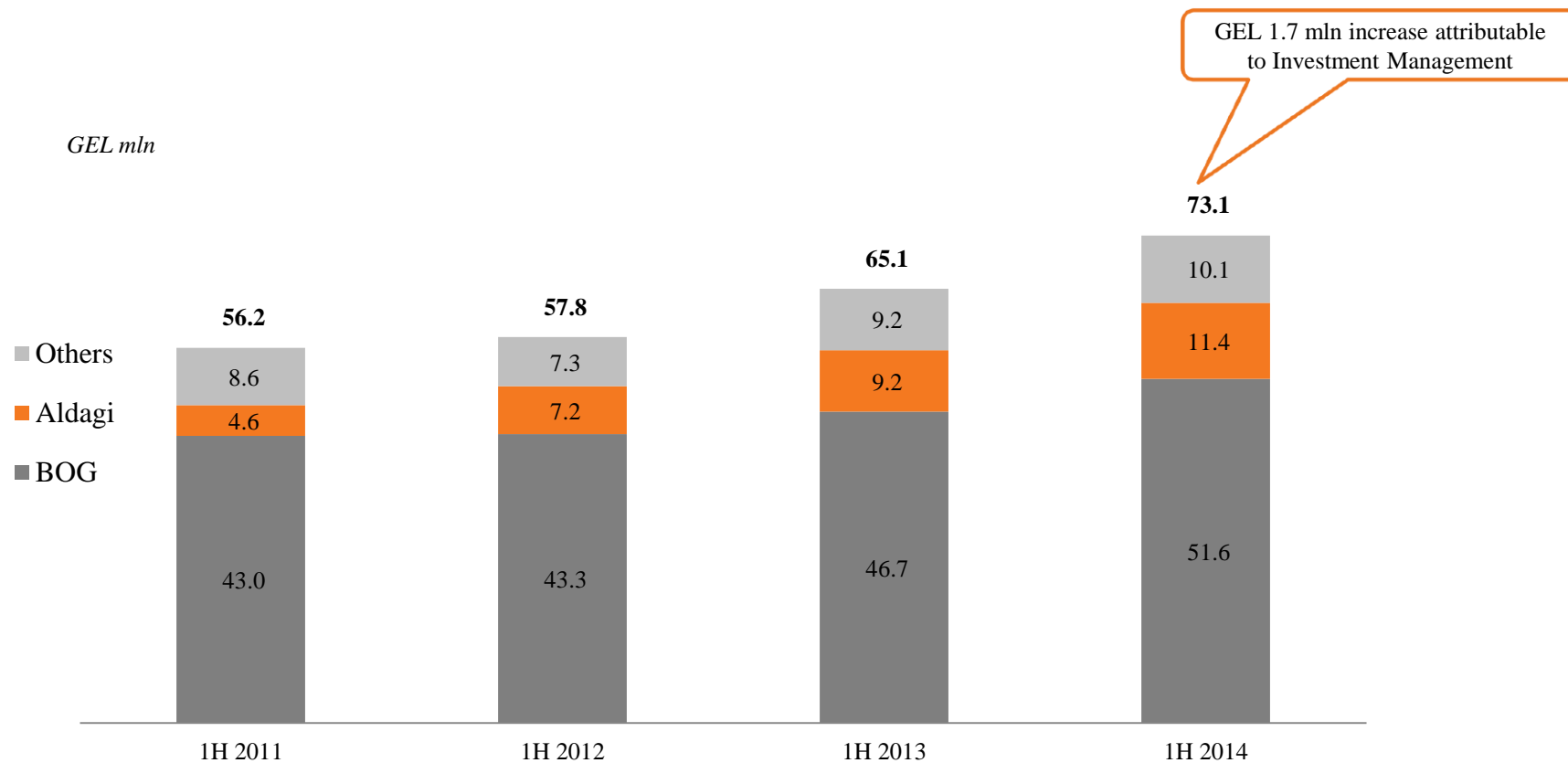
Operating expenses



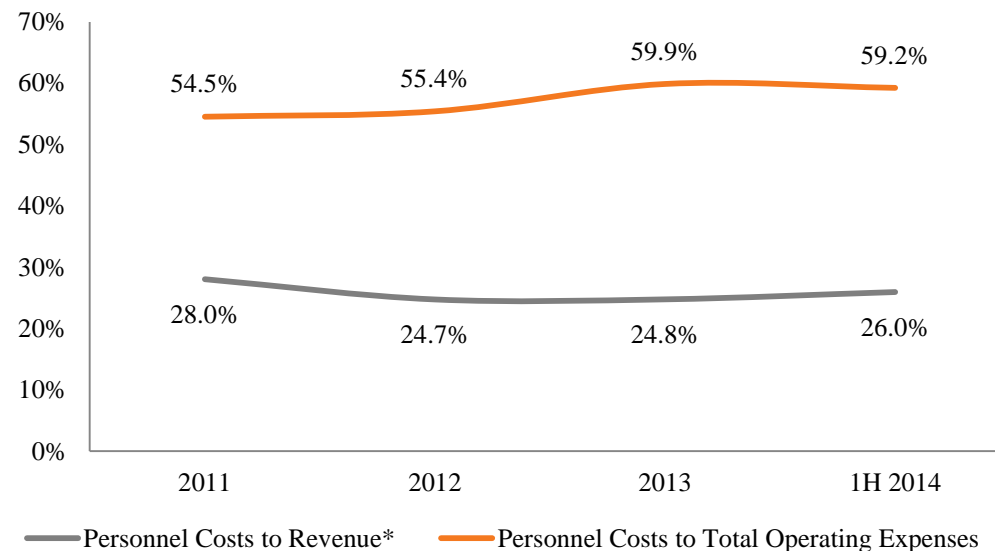
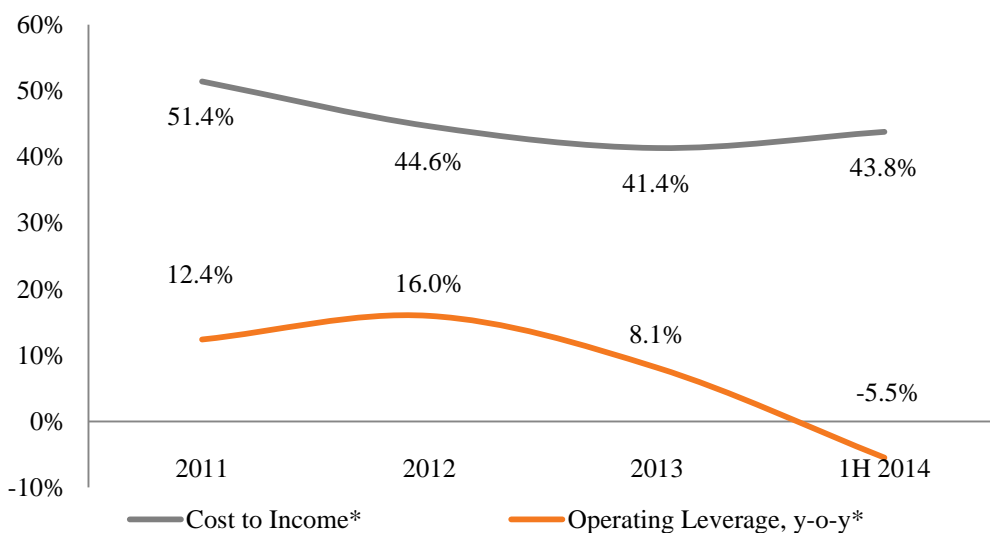
SG&A Expenses



Salary expenses

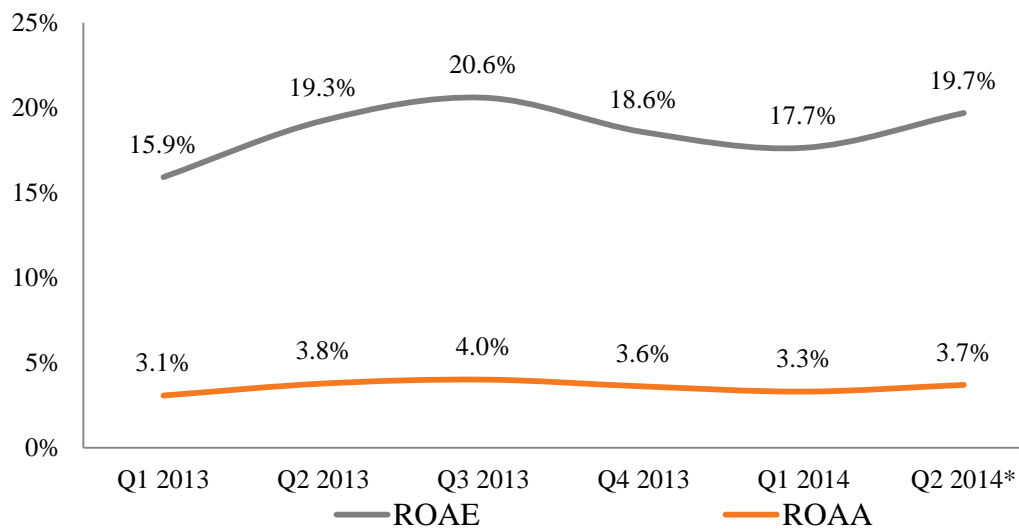
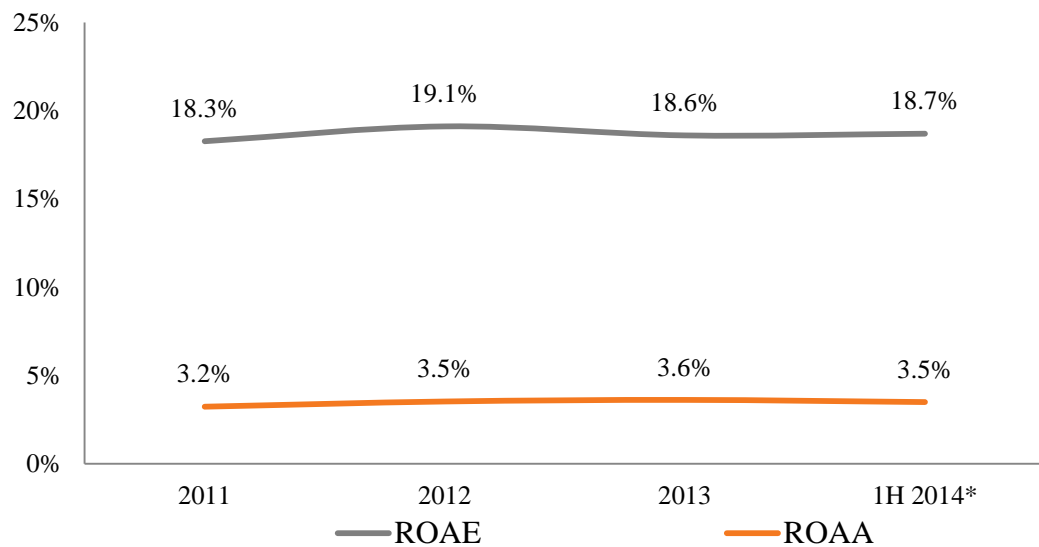


Operating efficiency



* 2011, 2012 and 2013 numbers normalised for one-off currency gains from Belarussian operations in the amounts of GEL 25 mln and GEL 2.9 mln in 2011 and 2012, respectively.

Key profitability measures



* 1H and Q2 2014 ROAE and ROAA are adjusted for GEL 3.3 mln one-off impairment of the remaining shares in BG Bank (Ukraine).

Key highlights

Plain vanilla balance sheet

Profitability

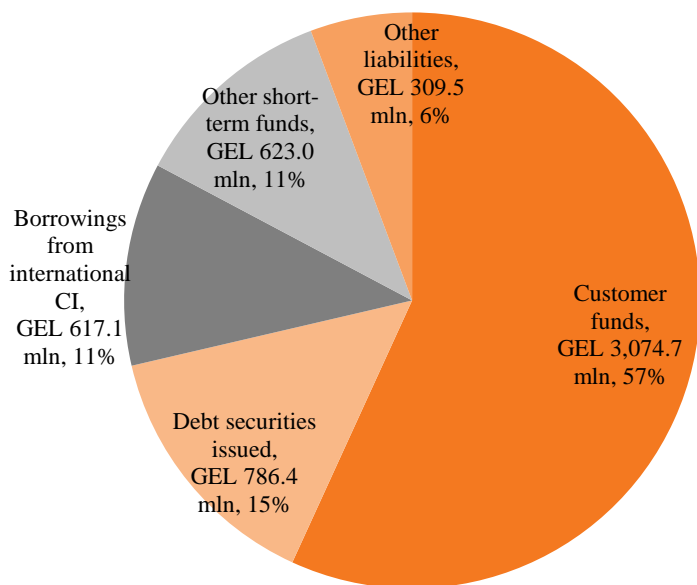
Funding and liquidity

Capital regulation

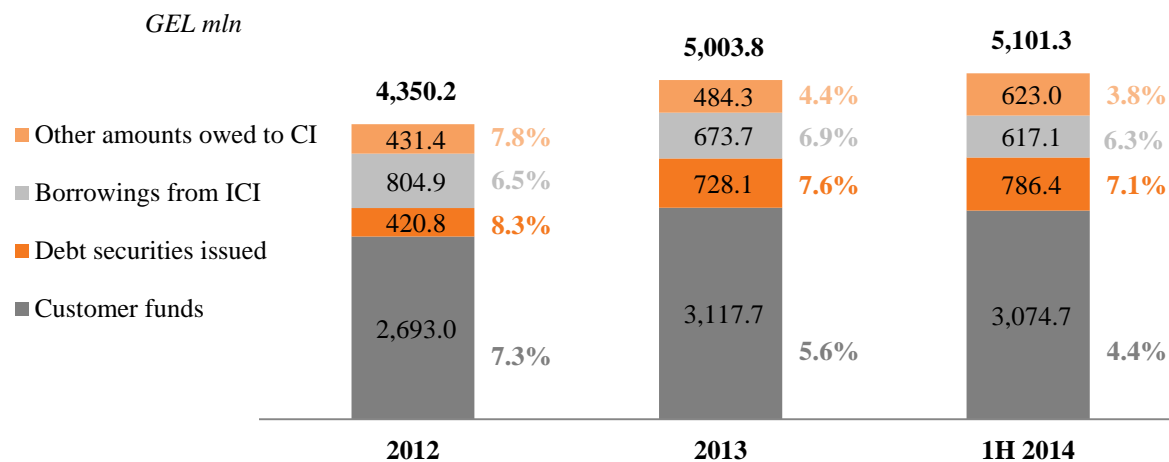
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Funding structure & costs

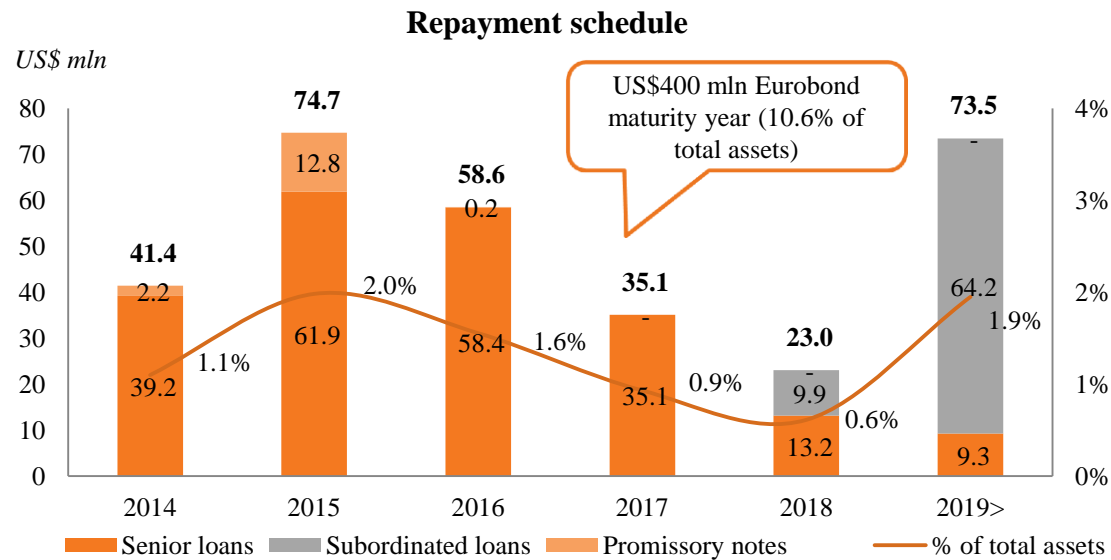
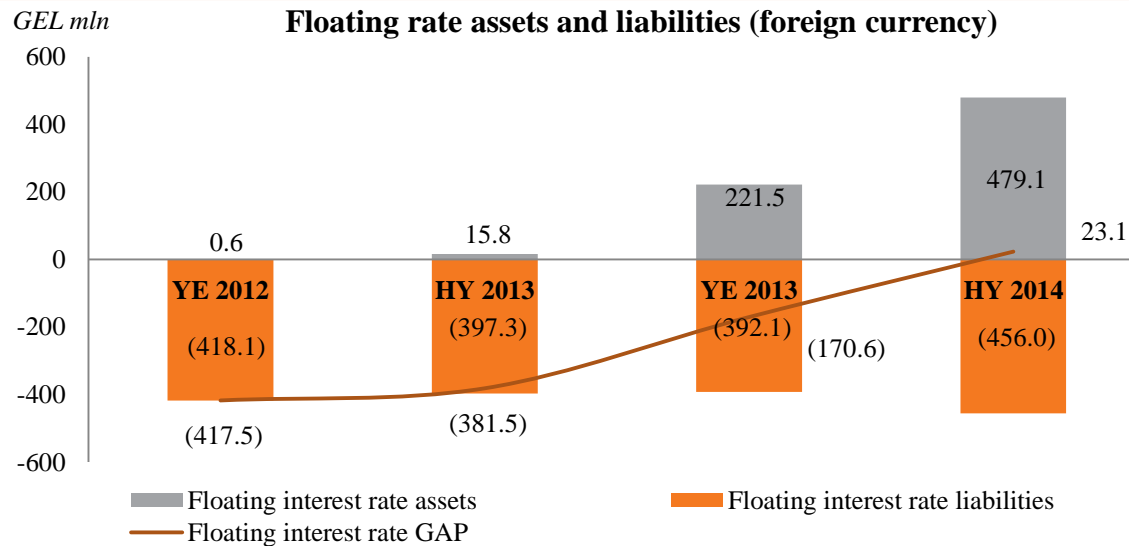
Total Liabilities Structure, 30 June 2014



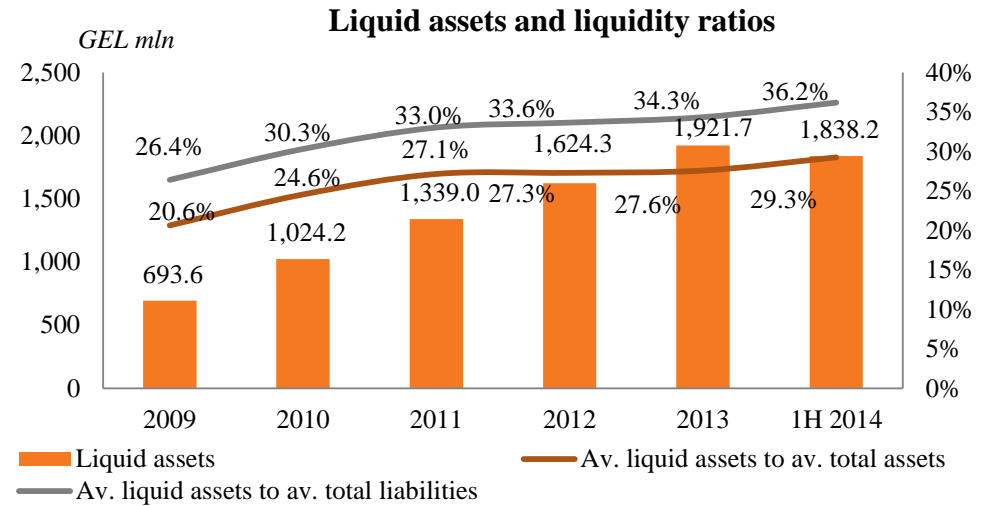
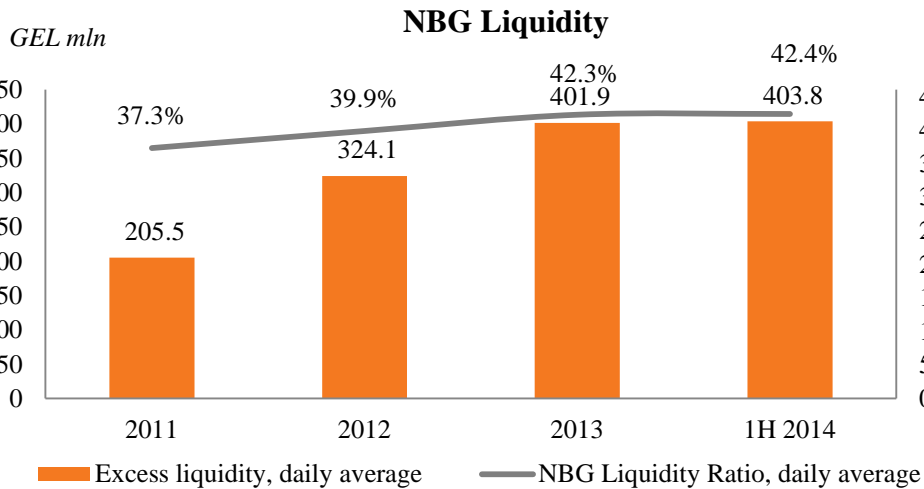
Funding structure and costs



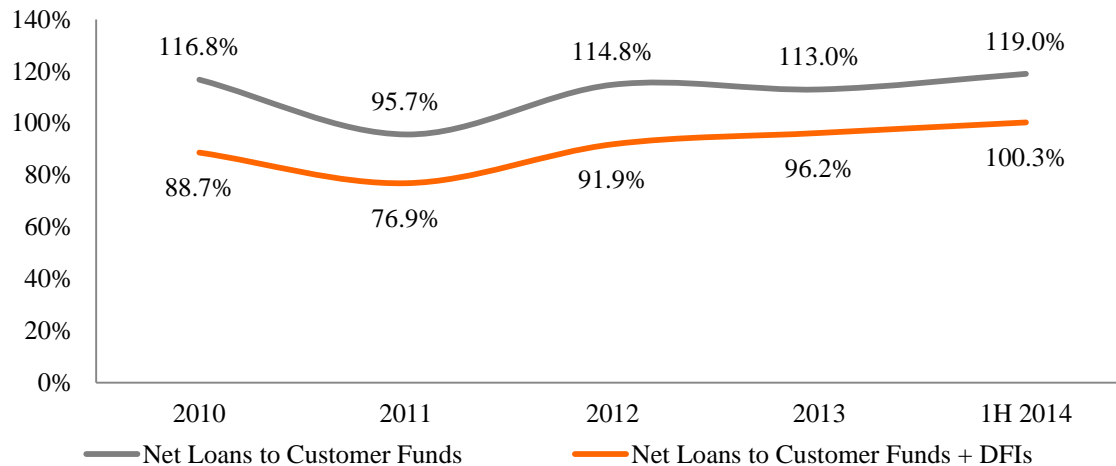
Funding structure



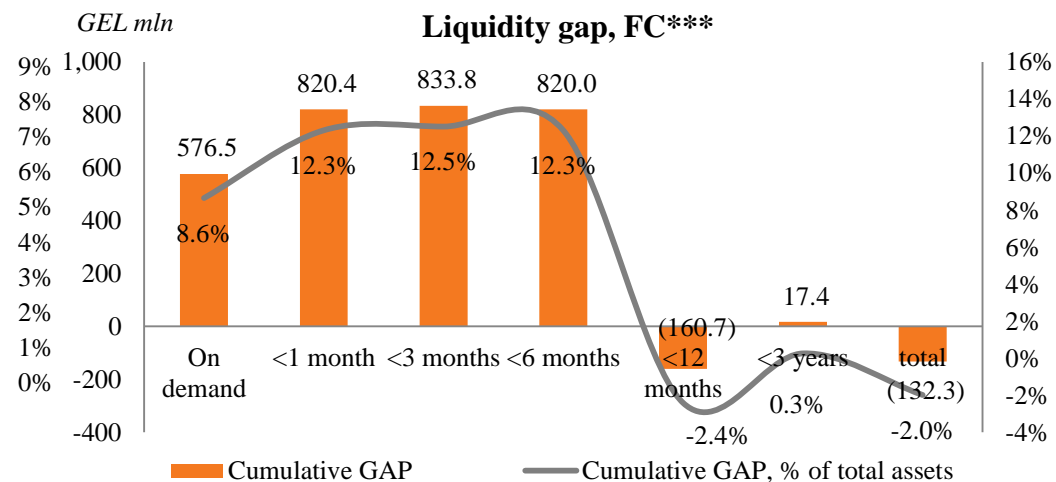
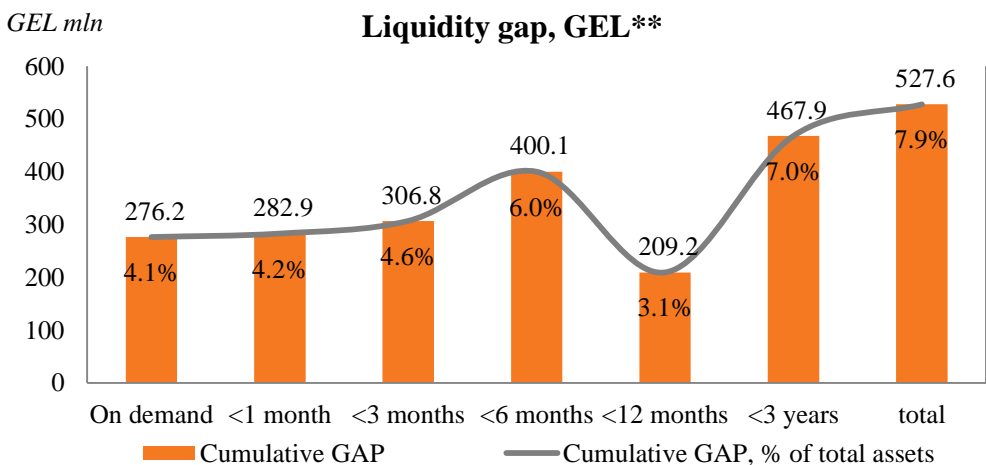
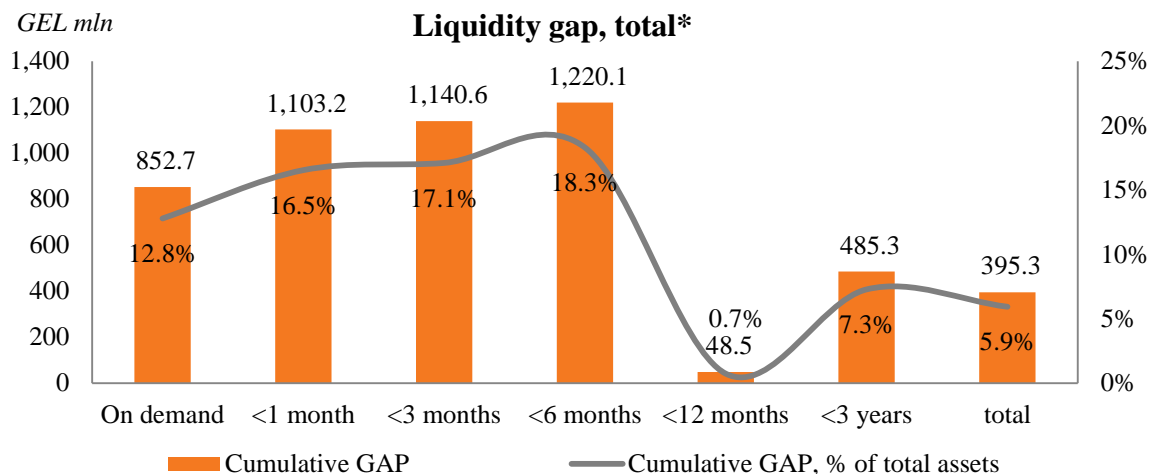
Maintaining strong liquidity



Loan to Deposit ratios



Liquidity gap



* Minimal daily balance of current accounts and demand deposits (GEL 1,168.3 million) over the past 2 years is placed in 6-12 months bucket.

** Current accounts and demand deposits of GEL 437.3 million are placed in 6-12 months bucket.

*** Current accounts and demand deposits of GEL 731.0 million are placed in 6-12 months bucket.

Key highlights

Plain vanilla balance sheet

Profitability

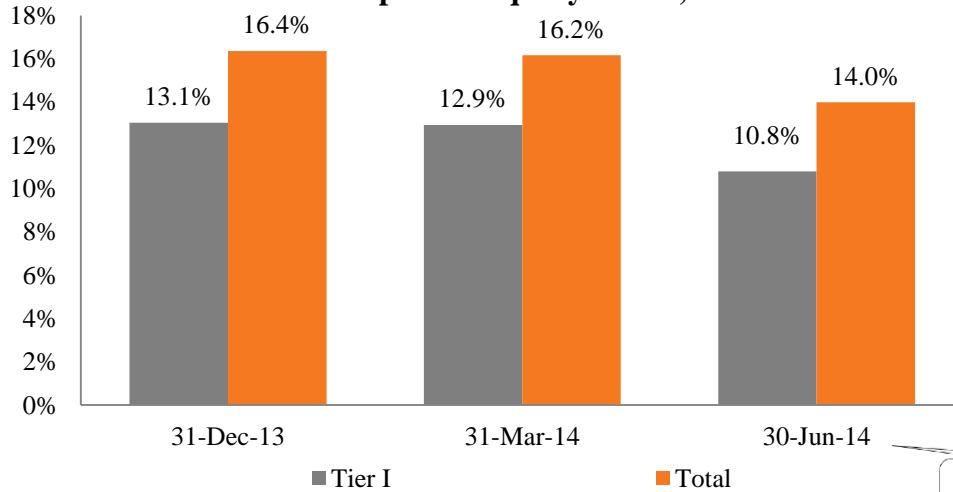
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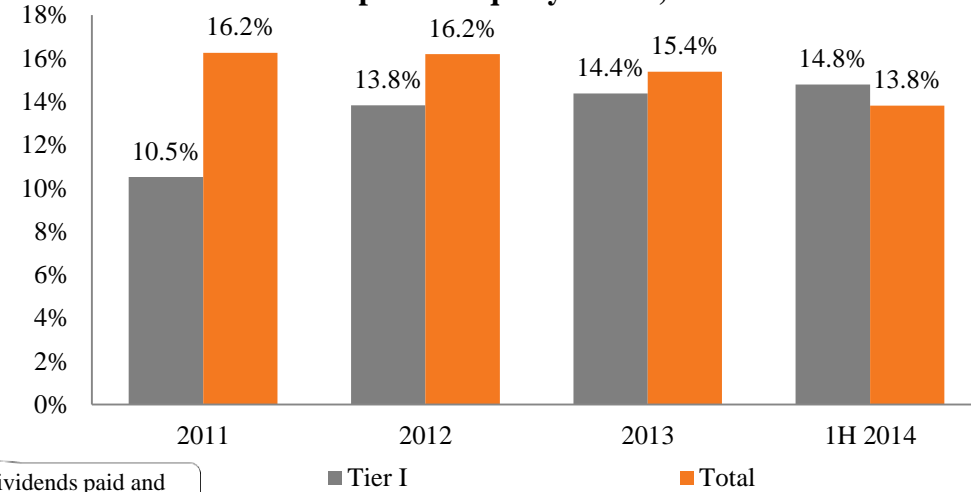
Appendices

Capital Adequacy Ratios

New NBG Capital Adequacy Ratios, standalone

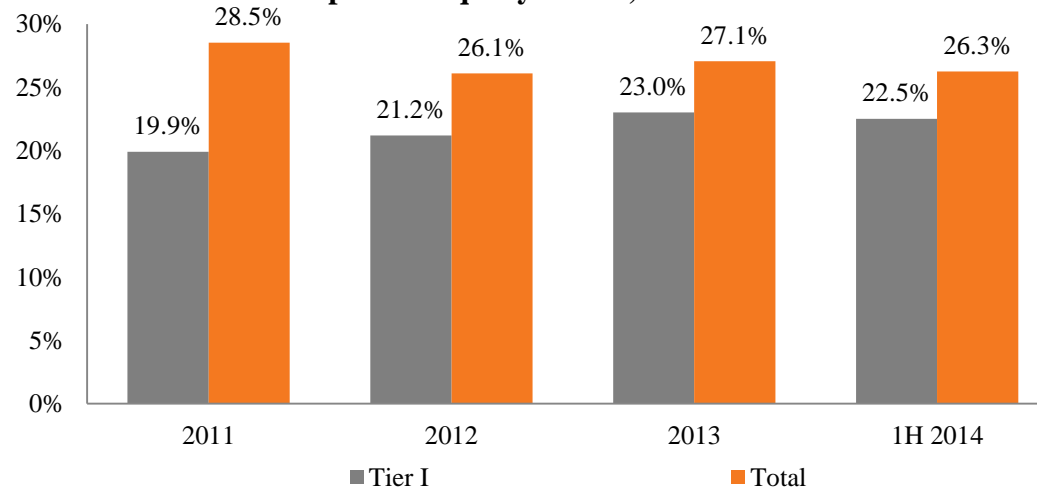


Old NBG Capital Adequacy Ratios, standalone



2013 dividends paid and investment in healthcare.

Basel 1 Capital Adequacy Ratios, consolidated



Capital Adequacy Ratio comparisons, 30 June 2014

<i>GEL millions, unless otherwise stated</i>	30-Jun-14		Differences
	Old NBG	New NBG (Basel 2/3)	
Ordinary shares	34.5	36.5	2.0
Share premium	566.4	566.4	-
Retained earnings	303.5	386.5	83.0
Non-controlling interests	-	-	-
Deductions from Tier I	(45.4)	(319.4)	(274.1)
Tier I capital	859.0	669.9	(189.1)
Current period profit	83.0	-	(83.0)
General loan loss provisions	71.3	71.3	-
Revaluation reserves	-	-	-
Subordinated term debt	124.7	129.1	4.4
Deductions from Tier II	-	(2.7)	(2.7)
Tier II capital	279.1	197.8	(81.2)
Deductions from total capital	(335.8)	-	335.8
Total Capital	802.3	867.8	65.4
Risk Weighted Assets	5,806.5	6,202.9	396.4
Tier I Capital Adequacy Ratio	14.8%	10.8%	
Total Capital Adequacy Ratio	13.8%	14.0%	
<i>Excess Tier I Capital</i>	<i>394.5</i>	<i>142.7</i>	<i>(251.8)</i>
<i>Excess Total Capital</i>	<i>105.5</i>	<i>216.4</i>	<i>110.9</i>

- The New NBG (Basel 2/3) rule includes current period profit in Tier I, while the Old NBG rule included it in Tier II
- The New NBG (Basel 2/3) requires the deduction of investments in subsidiaries from Tier I (Note: a maximum of 10% of Tier I capital less deductions is allowed to be risk-weighted at 250%). According to the Old NBG such deduction is from Total Capital
- Under the New NBG (Basel 2/3) rule FC risk weights are applied to net exposures instead of gross exposures required by the Old NBG rules
- Lower risk weights for part of the exposures in new NBG (Basel 2/3) compared to Old NBG
- New items introduced by the New NBG (Basel 2/3) rule

<i>GEL millions, unless otherwise stated</i>	30-Jun-14		Differences
	Old NBG	New NBG (Basel 2/3)	
On-balance items	3,956.5	3,961.2	4.7
Additional FX risk weights	1,411.4	1,299.7	(111.7)
Operating risk positions	-	574.7	574.7
Off-balance items	438.6	350.0	(88.6)
Market risk positions	-	17.3	17.3
Total risk-weighted assets:	5,806.5	6,202.9	396.4

GEL 110.9 mln total regulatory capital release

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.