



საქართველოს ბანკი
BANK OF GEORGIA

GROWTH AT THE RIGHT PRICE
LSE: BGEO / GSE: GEB

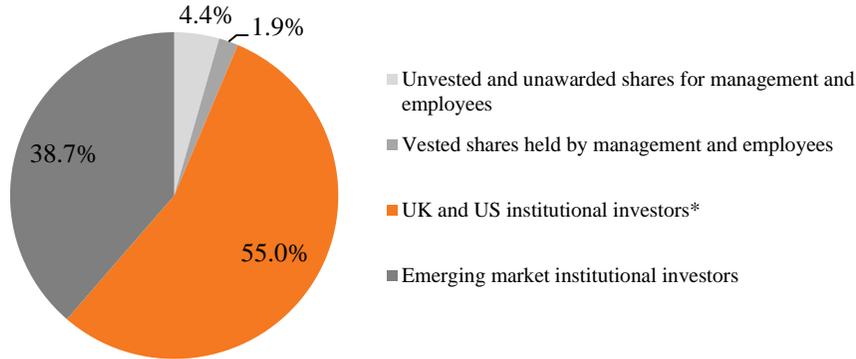
Strategy

Tbilisi

5 September 2014

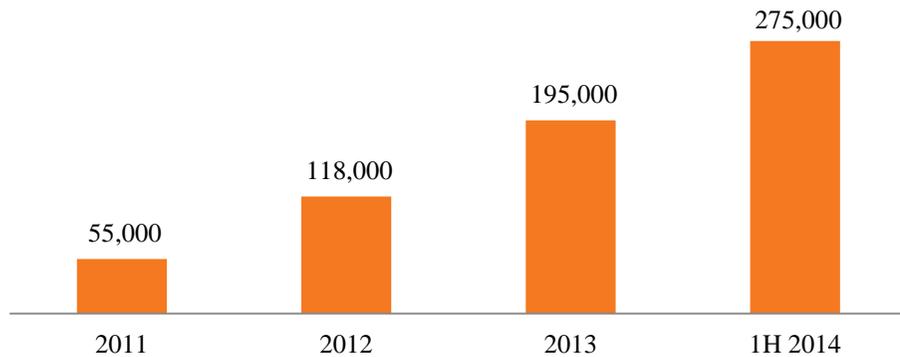
Shareholder structure and share price

Bank of Georgia Holdings PLC (BGH) (LSE: BGEO) a UK-incorporated holding company of JSC Bank of Georgia

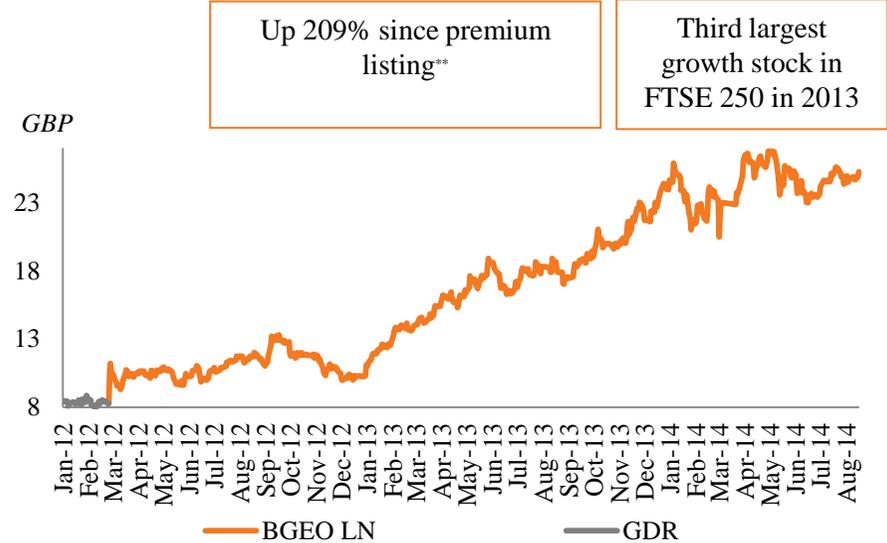


- Since 2012 included in the FTSE 250 and FTSE All Share Index Funds

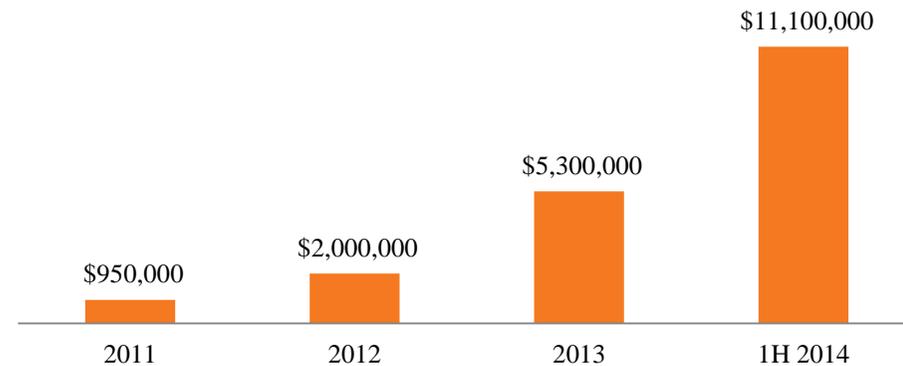
Average daily number of shares traded



Share price performance



Average daily trading volume



*Mostly non-emerging market shareholders since premium listing; management estimates

**Share price change calculated from the last price of BGEO LI on 27 February 2012 to the price of BGEO LN on 19 August 2014

Analyst coverage of Bank of Georgia Holdings PLC

- During the last three months, HSBC and UBS have initiated coverage. Cantor Fitzgerald withdrew coverage, following the departure of their Banks analyst.
- Consensus target price has increased from GBP 26.17 to GBP 26.92 over the last three months

Consensus Target Price: GBP 26.92

2014 Net Income Consensus: GEL 244 mln

 **UBS** GBP 28.00
(Cost of Equity: 14.4%)

 PANMURE GORDON & CO GBP 30.00

 **Numis** (Cost of Equity: 14%)
GBP 27.08

 **Bank of America Merrill Lynch** GBP 27.10
(Cost of Equity: 13.8%)

 **citi** GBP 26.70
(Cost of Equity: 15%)

 **HSBC** GBP 27.20

 **RBC Capital Markets** GBP 27.00
(Cost of Equity: 13%)

 **Oriental Securities**

GBP 24.69
(Cost of Equity: 14%)

 **VTB Capital**

GBP 24.50
(Cost of Equity: 15.1%)

Renaissance Capital

GBP 32.00
(Cost of Equity: 15%)

VisorCapital

GBP 25.77

CANACCORD Genuity

GBP 24.00
(Cost of Equity: 13%, from 16%)

PEEL HUNT

GBP 26.00

3x20%: Growth story over time with dividends

UK corporate governance

FTSE 250

ROE c.20%

-  Record profitability:
 - Revenue up 7.3% y-o-y to GEL 281.5 mln in 1H 2014 and up 3.2% y-o-y to GEL 144.2 mln in Q2 2014
 - Profit up 17.7% y-o-y to GEL 112.0 mln in 1H 2014, up 9.8% y-o-y to GEL 58.3 mln in Q2 2014
 - Non-interest income increased by 8.3% y-o-y to GEL 121.3 mln in 1H 2014 and in Q2 2014 increased by 3.0% y-o-y to GEL 63.6 mln
 - Adjusted ROAE¹ stood at 18.7% in 1H 2014 and at 19.7% in Q2 2014
-  Efficiency and scale:
 - Cost to Income ratio at 43.8% in 1H 2014 and Q2 2014 Cost to Income of 44.6%
-  Prudent risk management:
 - Cost of Risk² of 1.0% in 1H 2014, compared to 1.5% in 1H 2013. Cost of Risk stood at 0.9% in Q2 2014 compared to 1.5% in Q2 2013 and 1.0% in Q1 2014

TIER I c.20%

-  Conservative National Bank of Georgia (NBG) regulation:
 - Risk weighting of FX assets at 175%. Bank's leverage stayed largely flat year-to-date at 4.3x as of 30 June 2014
-  Strong internal cash generation to support loan growth without compromising capital ratios:
 - BIS Tier I Capital Adequacy Ratio (CAR) of 22.5% and BIS Total CAR of 26.3% as of 30 June 2014
 - NBG (Basel 2/3) Tier I CAR and Total CAR stood at 10.8% and 14.0% as of 30 June 2014

Growth c.20%

-  Net loan book³ grew 17.2% y-o-y to GEL 3,659.4 million, while client deposits increased 7.4% y-o-y to GEL 3,046.8 million
-  Cost of client deposits declined to 4.4% in 1H 2014 from 6.2% in 1H 2013. RB Cost of Client Deposits: 4.0% in 1H 2014 vs 5.7% in 1H 2013; CB Cost of Client Deposits: 3.0% in 1H 2014 vs 5.5%
-  Consumer driven franchise with robust sales force
 - Strong growth across the board supported by synergistic businesses
 - Increase in contribution from synergistic business in the group's profit. Insurance & healthcare and real estate businesses contributed 14.4% to the Group's revenue and 15.5% to profit in 1H 2014

Dividends

-  Two types of dividends are targeted:
 -  Recurring - linked to recurring profit
 -  One-off(s) – linked to divestments & de-dollarisation
-  An annual dividend of GEL 2.0 per share was paid for 2013, up 33% y-o-y translating into a payout ratio of 33.7% and dividend yield of 2.7%
-  The Board will aim to maintain a dividend payout ratio in the 25%-40% range

¹Adjusted for one-off impairment of available-for-sale investments in BG Bank in Ukraine

²Equals impairment charge for loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period

³Including finance lease receivables

Board of Directors of Bank of Georgia Holdings PLC



Neil Janin, Chairman of the Supervisory Board, Independent Director - *experience: formerly director at McKinsey & Company in Paris; formerly co-chairman of the commission of the French Institute of Directors (IFA); formerly Chase Manhattan Bank (now JP Morgan Chase) in New York and Paris; Procter & Gamble in Toronto*



Kaha Kiknavelidze, Independent Director *currently managing partner of Rioni Capital, London based investment fund; experience: previously Executive Director of Oil and Gas research team for UBS*



Irakli Gilauri, *formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland*



Al Breach, Chairman of the Remuneration Committee, Independent Director *experience: Head of Research, Strategist & Economist at UBS; Russia and CIS economist at Goldman Sachs*



Kim Bradley, Chairman of Risk Committee, Independent Director *experience: Goldman Sachs AM, Senior Executive at GE Capital, President of Societa Gestione Crediti, Board Chairman at Archon Capital Deutschland*



Tamaz Georgadze, Independent Director *experience: Partner at McKinsey & Company in Berlin, Founded SavingGlobal GmbH, aide to President of Georgia*



David Morrison, Chairman of the Audit Committee, Vice Chairman of the Supervisory Board, Independent Director *experience: senior partner at Sullivan & Cromwell LLP prior to retirement*



Bozidar Djelic, Independent Director *experience: EBRD's 'Transition to Transition' senior advisory group, Deputy Prime Minister of Serbia, Governor of World Bank Group and Deputy Governor of EBRD, Director at Credit Agricole*

Members of management boards of JSC Bank of Georgia and major subsidiaries



Irakli Gilauri, CEO, *formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland*



Nikoloz Gamkrelidze, Group CFO; *previously CEO of Aldagi BCI and JSC My Family Clinic; World Bank Health Development Project; Masters degree in International Health Management from Imperial College London, Tanaka Business School*



Sulkhan Gvalia, Deputy CEO, Corporate Banking; *formerly Chief Risk Officer, c.20 years banking experience founder of TUB, Georgian bank acquired by BOG in 2004*



Archil Gachechiladze, Deputy CEO, Investment Management; *formerly Deputy CEO in charge of Corporate Banking, Deputy CEO of TBC Bank, Georgia; Lehman Brothers Private Equity, London; MBA from Cornell University*



Mikheil Gomarteli, Deputy CEO, Retail Banking; *15 years work experience at BOG*



Avto Namicheishvili, Deputy CEO, Group Legal Counsel; *previously partner at Begiashvili & Co, law firm in Georgia; LLM from CEU, Hungary*



George Chiladze, Deputy CEO, Chief Risk Officer; *formerly Deputy CEO in Finance, Deputy CEO at Partnership Fund, Programme trading desk at Bear Stearns NY, Ph.D. in physics from John Hopkins University in Baltimore*



Irakli Burdiladze, Deputy CEO, Affordable Housing; *previously CFO at GMT Group, Georgian real estate developer; Masters degree from Johns Hopkins University*



Sascha Ternes, Deputy CEO, Special Projects; *previously CEO at Procredit Bank; Honorary doctorate, affirmed by the German Ministry of Education & Science*



Murtaz Kikoria, CEO of Group's healthcare business (CEO of GHG); *c.20 years banking experience including various senior positions at Bank of Georgia Group, Senior Banker at EBRD and Head of Banking Supervision at the National Bank of Georgia*

Senior Executive Compensation Policy applies to top executives and envisages long-term deferred and discretionary awards of securities and no cash bonuses to be paid to such executives

Business Lines

Strategic Businesses

-  Retail Banking
-  Corporate Banking
-  Investment Management
-  P&C and Life Insurance
-  Express Technologies

Other Businesses

-  Georgian Healthcare Group
-  Affordable Housing
-  BNB – bank in Belarus

Key strategic priorities for next 3 years

1

Consolidate Market
Leadership

2

Further Increase Revenue
Diversification

3

Further Decrease Cost
of Funding

4

De-Dollarise Balance
Sheet

5

Cost Discipline

6

Education Platform & IT



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1 *Consolidate Market Leadership*

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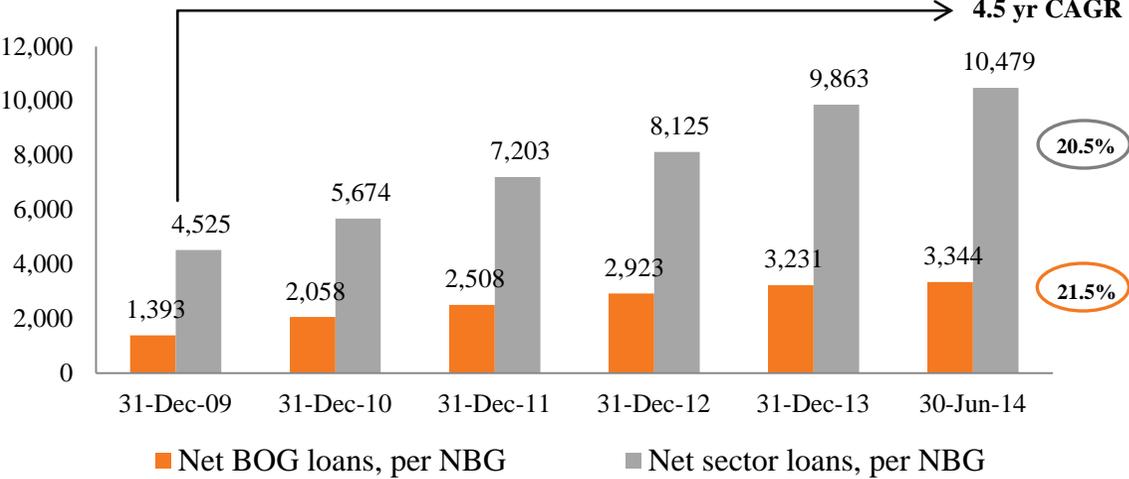
5 September 2014

1 Loan and Deposit Growth - BOG vs Market

GEL mln

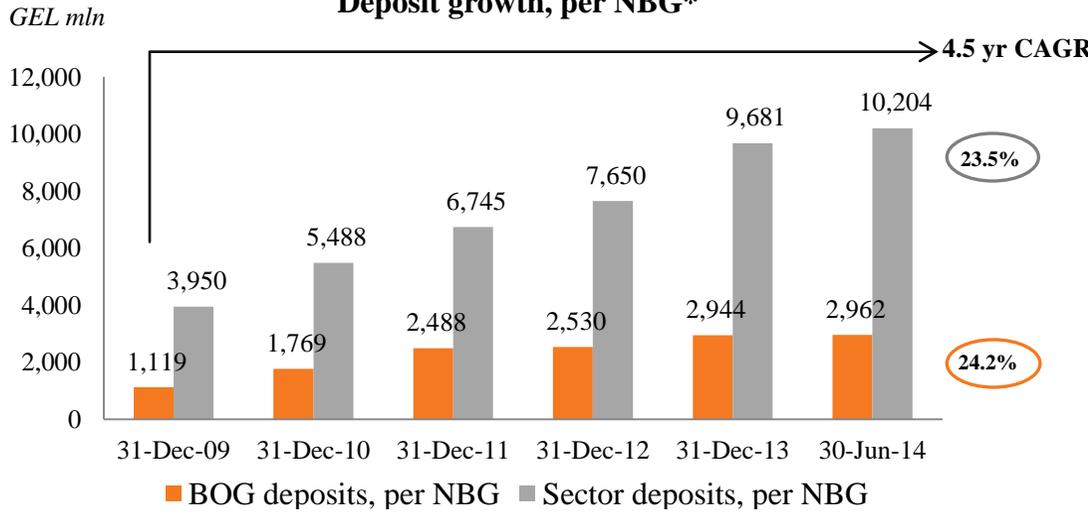
Loan growth, per NBG *

4.5 yr CAGR



Deposit growth, per NBG*

4.5 yr CAGR



* Net loans and deposits per NBG are based on standalone BOG numbers calculated per NBG rules and are different from the IFRS Group Consolidated numbers used elsewhere.

1

Loan & Deposit Market Share

Market Share in Loans	30-Jun-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<i>BOG</i>	31.6%	32.5%	35.4%	34.5%	35.9%	31.8%
<i>TBC*</i>	24.5%	25.3%	26.2%	26.1%	23.8%	21.6%
<i>ProCredit</i>	6.7%	6.7%	8.3%	8.8%	9.4%	10.2%
<i>Liberty</i>	6.6%	6.2%	4.6%	4.6%	3.0%	2.0%
<i>Republic (SocGen)</i>	6.4%	6.7%	6.6%	6.1%	6.8%	10.1%
<i>VTB</i>	5.0%	4.8%	4.2%	3.9%	3.7%	5.6%
<i>Cartu</i>	4.0%	3.8%	3.0%	4.7%	6.8%	7.6%
<i>All Other Banks</i>	15.1%	13.9%	11.7%	11.2%	10.5%	11.0%

Market Share in Deposits	30-Jun-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<i>Bank of Georgia</i>	29.0%	30.4%	33.1%	36.9%	32.2%	28.3%
<i>TBC*</i>	27.7%	28.8%	31.5%	29.2%	24.7%	24.9%
<i>Liberty</i>	12.7%	11.8%	9.0%	8.7%	7.0%	6.2%
<i>VTB</i>	5.7%	5.4%	3.8%	2.7%	3.2%	3.8%
<i>ProCredit</i>	5.4%	5.8%	6.9%	7.6%	8.6%	9.6%
<i>Republic Bank (SocGen)</i>	5.1%	5.3%	5.6%	5.0%	8.8%	11.3%
<i>Cartu</i>	2.9%	1.9%	0.9%	1.2%	1.6%	2.8%
<i>All Other Banks</i>	11.5%	10.7%	9.2%	8.7%	13.8%	13.0%

* Does not include Bank Constanta



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2 *Further Diversify Revenue Base*

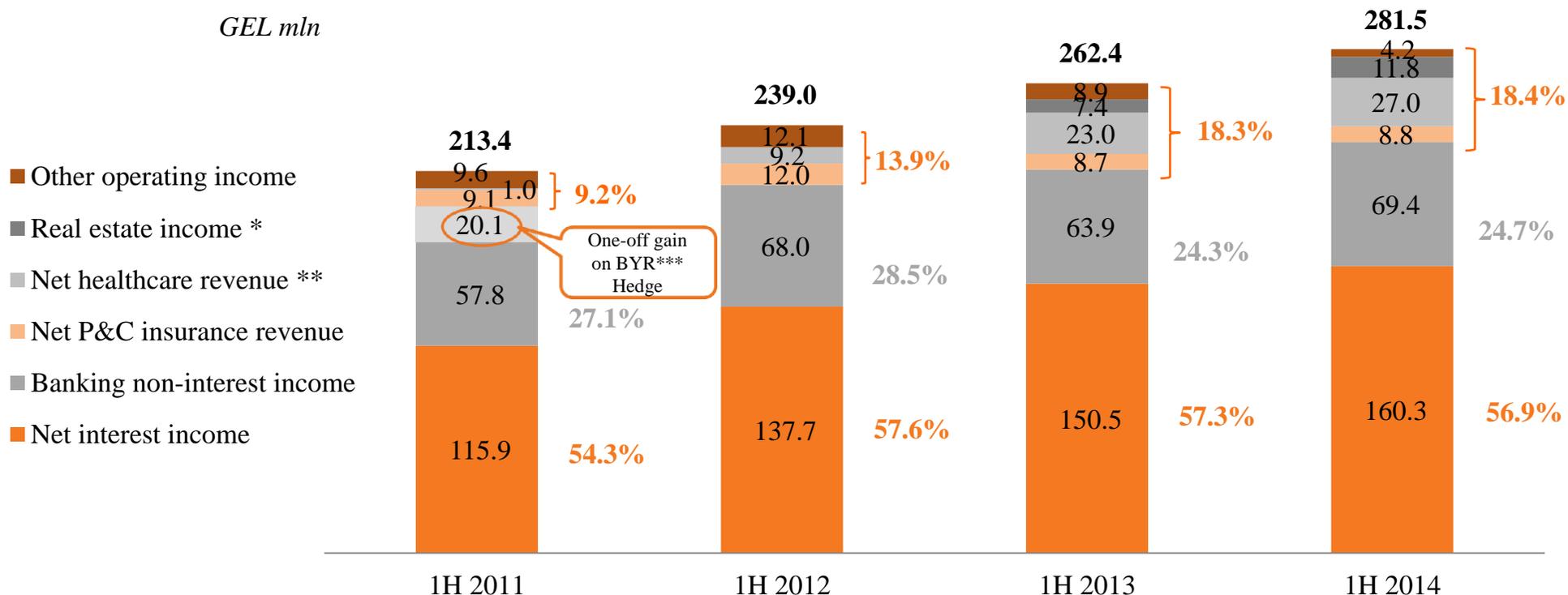
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Revenue Summary

6m Revenues

GEL mln



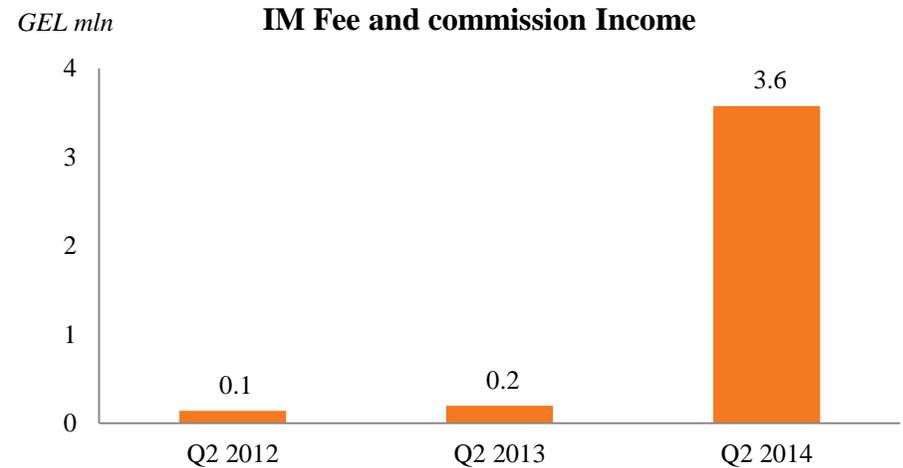
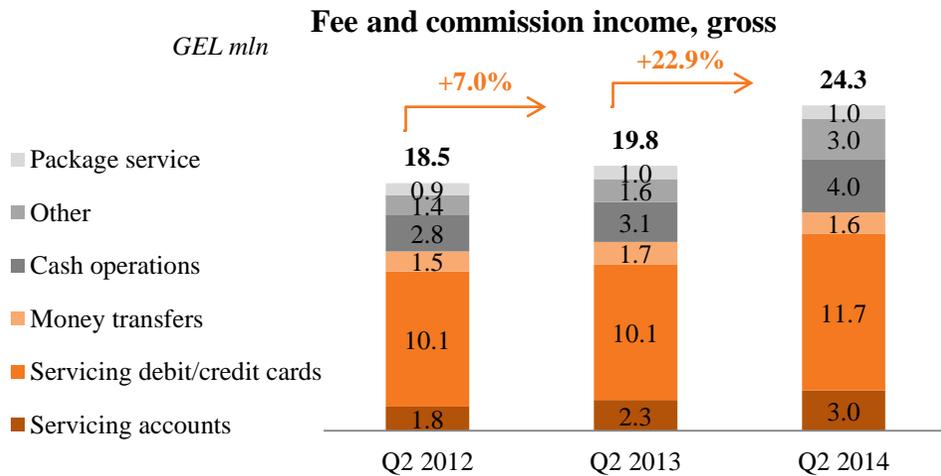
* 1H 2013 real estate income includes GEL 4.8 mln gain from revaluation of investment properties

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

*** Belarusian currency

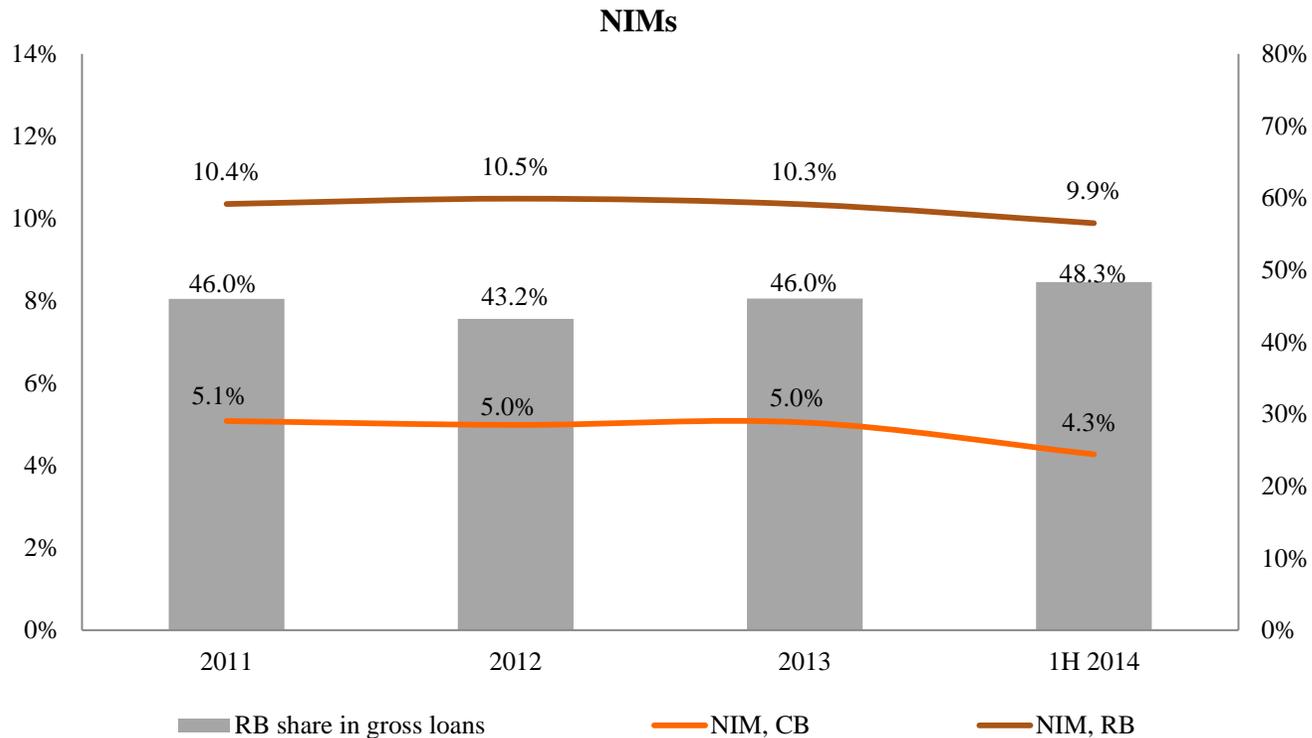
2 Revenue diversification

-  Aim is to increase non-interest income contribution to total revenue
-  Retail Banking with its Express/Payments business and Investment Management are expected to be key drivers



2 Increase Share of Retail Lending

- Aim to increase share of retail loans
- We also aim to step-up agro lending where BoG market share is c. 7-9%





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3 *Further Decrease Cost of Funding*

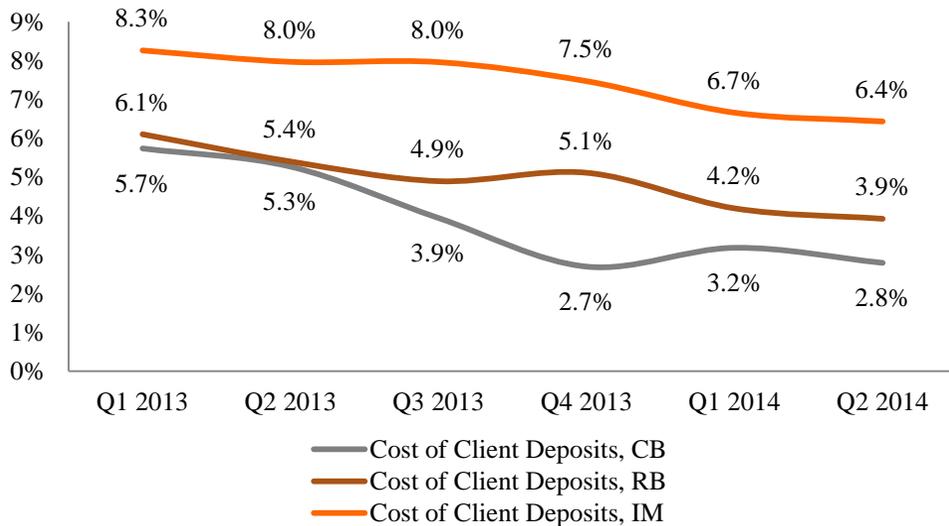
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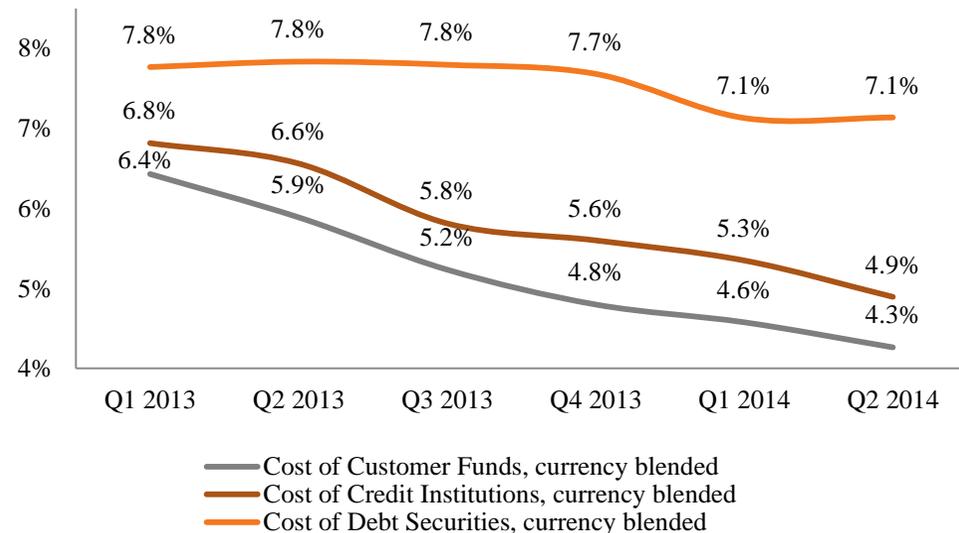
3 Further Decrease Cost of Funding

- 🏠 Loan yield is expected to further decrease
- 🏠 We expect to decrease cost of funding as well
- 🏠 Even though cost of funding has been significantly reduced over last 18 months further decrease is expected:
 - 🏠 In short to medium term Investment Management will be key driver to reduce cost of funding
 - 🏠 Repricing of IM deposits was slower as maturity of deposits is longer term than RB
 - 🏠 In medium to long run borrowed funds is expected to be contributor to decrease cost of funding

Cost of Client Deposits



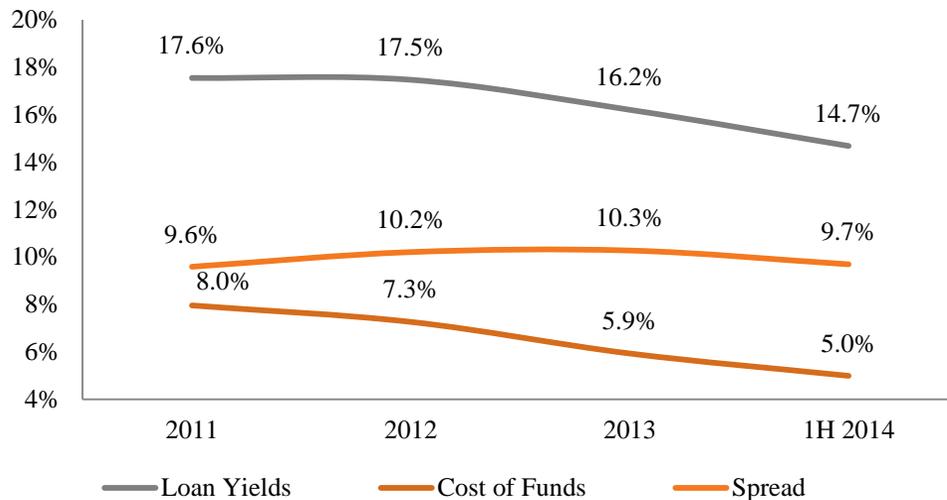
Currency-blended Cost



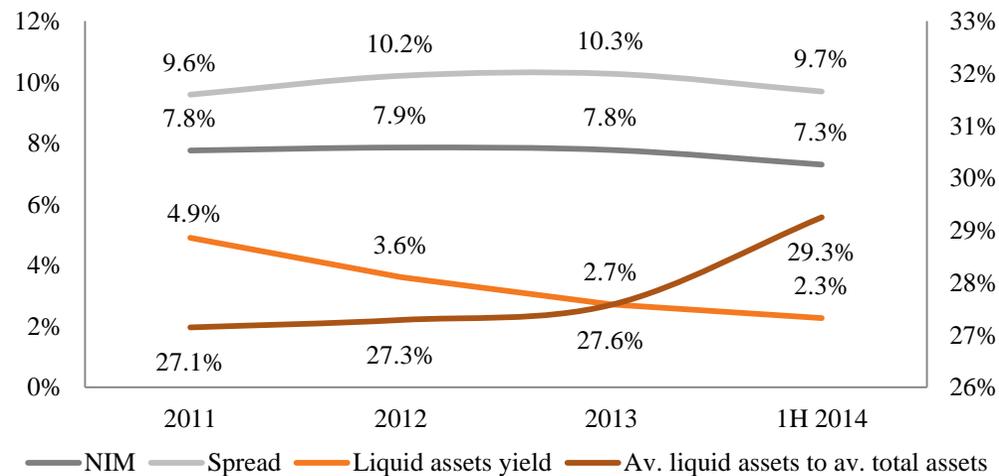
3 *NIM Outlook is Positive*

- 🏠 NIM declined mainly on the back of excess liquidity and decrease of yields on liquid assets
- 🏠 Increase share of retail loans as percentage of total loans should help to improve NIM

Yields and Cost of Funds



NIM vs Spread





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4 *De-dollarise Balance Sheet*

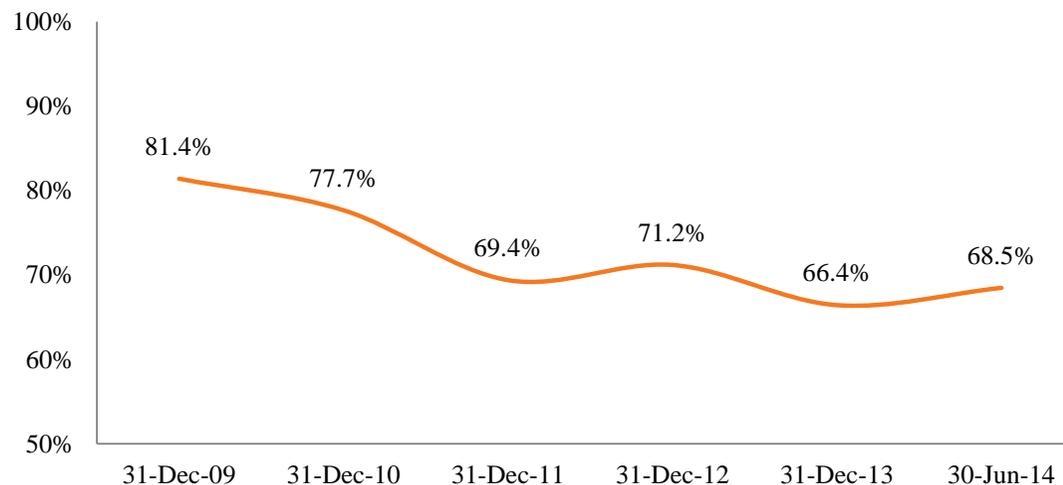
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4 *Dedollarise Balance Sheet*

- Keep US\$ & GEL deposit rate differential
- PR on GEL deposits
- Every 1% de-dollarisation of loan book releases GEL 3 mln regulatory capital

Gross loan dollarisation, group consolidated





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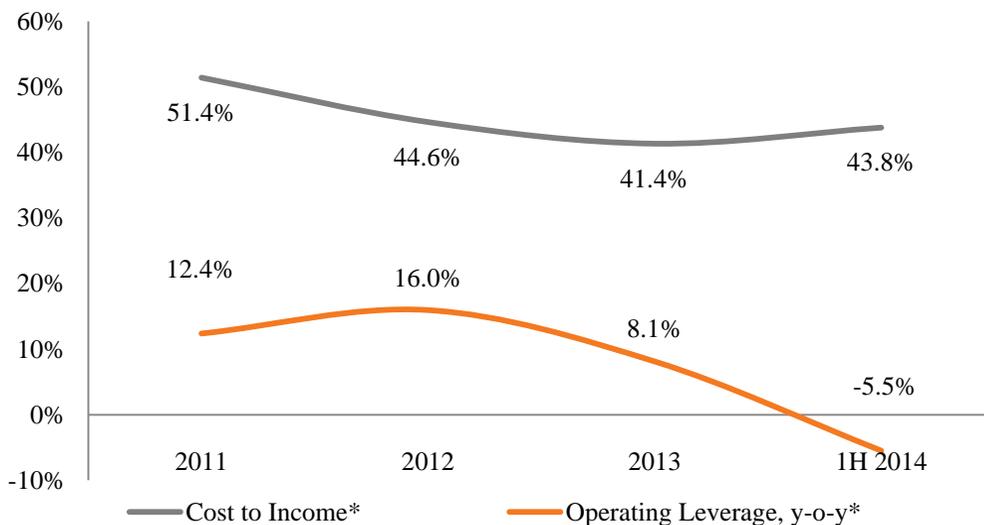
5 *Cost Discipline*

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5 September 2014

5 Cost Discipline

- Good progress has been made in recent years
- 1H 2014 increase was mainly driven by CSR, Aldagi acquisitions, Investment Management and upfront charge on share compensation



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



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6 *Education Platform & IT*

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6 *Education & Training Platform & IT*

Education & Training:

- ❑ Disproportionally high employee cost for sophisticated professions
- ❑ Platform to attract external talent
 - ❑ Launched MBA program at BoG University
- ❑ Platform to discover future leaders within 11,000 employees
- ❑ Education platform is to train tellers and bankers using vocational studies to significantly decrease costs of front office employees

IT:

- ❑ IT strategy is to develop software in-house
- ❑ We have IT department with 100+ professionals
- ❑ We have attracted top 20 IT students this year
- ❑ We are developing IT company Express Technologies to support payment business and eventually export services

New Capital Allocations in next 2-3 years

Business Line	Capital Allocation (US\$) Announced in 2013	Performance (US\$)	Comment
Investment Management: (distribution in CIS, seed capital & EU platform)	c. \$30 mln	\$0.3 mln	Investments so far has been made through operating costs
Healthcare	c. \$30 mln	\$28.9 mln	Pre-IPO we may invest additional US\$ 10 – 15 mln
Express Technologies	c. \$10 mln	\$2.7 mln	Acquired 46% of Georgian Card and invested in SST
Total in next 2-3 years	c. \$70 mln	\$31.9 mln	

Bank of Georgia in 2-3 years time

Strategic Businesses

-  Retail Banking
 -  Express Banking
 -  Solo Banking
 -  Micro & SME Business
 -  Agro Lending
-  Corporate Banking
-  Investment Management
 -  Advisory Business
 -  Asset & Wealth Management
 -  Brokerage Business
 -  Research
-  P&C and Life Insurance
-  Express Technologies
 -  Card Business (Georgian Card)
 -  Payments Business
 -  Self Service Terminals

Businesses to be divested in next 1-3 years

-  Georgia Healthcare Group
-  Affordable Housing
-  BNB

What we are aiming for next 2-3 years...

	Targets Announced in 2013 for next 2-3 years	Performance	Comment/New Target
3X20	ROAE – 20% / Tier I 20% / Growth 20%	✓ partially delivered	ROAE Priority
Dividends	- 25-40% payout - aim for one-offs	✓✓ in line	- 25-40% payout - aim for one-offs
NIM	c. 7.5%	✓ in line	c. 7.5%
Cost / Income	c. 37%	✗ above target	c. 40%
Net Loan / Deposits +DFI	c. 100%	✓ in line	c. 100%
Cost of Risk	c. 1.5%	✓✓ below target	c. 1.5%
Operating Leverage	Positive	✗ below target	Positive

What we are aiming for next 2-3 years...

	Targets Announced in 2013 for next 2-3 years	Performance	Comment
Affordable Housing	IRR – c.40%+	✓✓ above target	Targeting to IPO as a fund in 2016/17
Insurance & Healthcare	scale up the business through acquisitions and IPO the company within 2 years	✓ in line	aiming IPO in 2015
Investment Management	AUM of GEL 2.0 bln by YE 2016 investment of US\$ 30 mln	✓ on track with AUM of GEL 900 mln	So far total investment in IM amounts to US\$ \$0.3 mln
Belarus	- focusing on ROAE - divestment within 2 years	✓✓ in line	In order to make more attractive target will consider M&A (without additional capital commitment)

1

Legal entities - loan & deposit market share

Loans to Legal Entities	30-Jun-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<i>BOG</i>	34.5%	35.6%	37.6%	34.3%	33.8%	26.8%
<i>TBC*</i>	26.7%	27.9%	28.5%	27.5%	24.2%	22.7%
<i>ProCredit</i>	9.6%	9.3%	10.9%	10.9%	9.6%	9.8%
<i>Cartu</i>	6.9%	6.2%	4.3%	7.2%	10.2%	11.1%
<i>Republic (SocGen)</i>	4.1%	4.7%	4.6%	5.1%	6.5%	10.2%
<i>VTB</i>	5.7%	5.1%	4.5%	4.6%	4.3%	7.0%
<i>Liberty</i>	1.2%	1.3%	0.7%	1.6%	1.5%	1.3%
<i>All Other Banks</i>	11.2%	9.9%	8.9%	8.7%	9.9%	11.1%
Deposits of Legal Entities	30-Jun-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<i>BOG</i>	28.4%	30.9%	35.6%	41.4%	36.1%	31.9%
<i>TBC*</i>	22.9%	25.7%	27.8%	24.9%	18.1%	17.6%
<i>Liberty</i>	13.2%	12.6%	10.4%	11.0%	8.0%	8.3%
<i>VTB</i>	7.7%	6.9%	4.9%	2.9%	3.5%	4.4%
<i>Republic Bank (SocGen)</i>	5.8%	5.6%	5.8%	3.8%	8.0%	11.3%
<i>Cartu</i>	3.9%	2.2%	0.7%	1.4%	1.9%	2.3%
<i>ProCredit</i>	3.3%	3.5%	4.5%	4.4%	4.9%	5.3%
<i>All Other Banks</i>	14.7%	12.4%	10.4%	10.1%	19.6%	18.8%

* Does not include Bank Constanta

1

Individuals - loan & deposit market share

Loans to Individuals	30-Jun-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<i>BOG</i>	28.5%	28.9%	32.4%	34.8%	39.2%	39.3%
<i>TBC*</i>	22.1%	22.2%	23.1%	24.1%	23.2%	20.1%
<i>Liberty</i>	12.6%	12.0%	9.9%	8.9%	5.3%	3.1%
<i>Republic (SocGen)</i>	9.0%	9.2%	9.2%	7.5%	7.3%	10.1%
<i>VTB</i>	4.2%	4.3%	3.9%	3.0%	2.8%	3.5%
<i>ProCredit</i>	3.5%	3.6%	4.9%	5.8%	9.2%	11.0%
<i>Cartu</i>	0.9%	1.0%	1.2%	1.2%	1.5%	2.3%
<i>All Other Banks</i>	19.3%	18.7%	15.4%	14.7%	11.4%	10.7%
Deposits of Individuals	30-Jun-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<i>BOG</i>	29.6%	29.9%	30.6%	31.7%	28.0%	25.2%
<i>TBC*</i>	32.2%	31.8%	35.2%	34.2%	31.8%	31.4%
<i>Liberty</i>	12.2%	10.9%	7.6%	6.2%	6.1%	4.4%
<i>ProCredit</i>	7.3%	8.2%	9.3%	11.1%	12.6%	13.3%
<i>Republic Bank (SocGen)</i>	4.4%	4.9%	5.4%	6.3%	9.6%	11.3%
<i>VTB</i>	3.9%	3.8%	2.8%	2.4%	3.0%	3.3%
<i>Cartu</i>	1.9%	1.5%	1.1%	1.0%	1.3%	3.3%
<i>All Other Banks</i>	8.5%	9.0%	7.9%	7.2%	7.6%	7.8%

* Does not include Bank Constanta

Forward Looking Statements

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