



**BANK OF GEORGIA**  
**GROUP PLC**

# RESULTS CALL PRESENTATION

**2Q21 and 1H21 Financial Results**

17 August 2021

[www.bankofgeorgiagroup.com](http://www.bankofgeorgiagroup.com)



This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: macroeconomic risk, including currency fluctuations and depreciation of the Lari; regional and domestic instability; loan portfolio quality risk; regulatory risk; liquidity risk; capital risk; financial crime risk; cyber-security, information security and data privacy risk; operational risk; COVID-19 pandemic impact risk; climate change risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this presentation and in our past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2020 and in 2Q21 and 1H21 results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this presentation should be construed as a profit forecast.

 **COVID-19 PANDEMIC AND MACROECONOMIC HIGHLIGHTS**

 **GROUP OVERVIEW AND STRATEGY**

 **2Q21 AND 1H21 RESULTS**

## COVID-19 STATISTICS IN GEORGIA

Georgia now has sufficient vaccine supplies (Pfizer, Sinovac, Sinopharm and AstraZeneca). The government plans to vaccinate around 60% of adult population by the end of 2021.

Source: www.stopcov.ge, NCDC at 14:30, 16 August 2021

**484,254**  
Confirmed cases

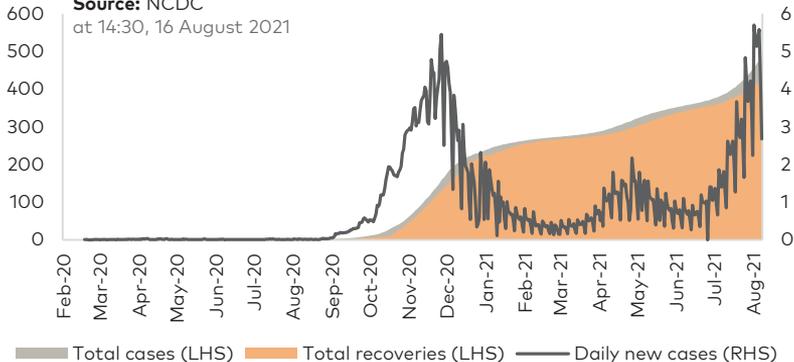
**52,141**  
Active cases

**425,651**  
Recovered

**806,681**  
Total administered vaccine doses

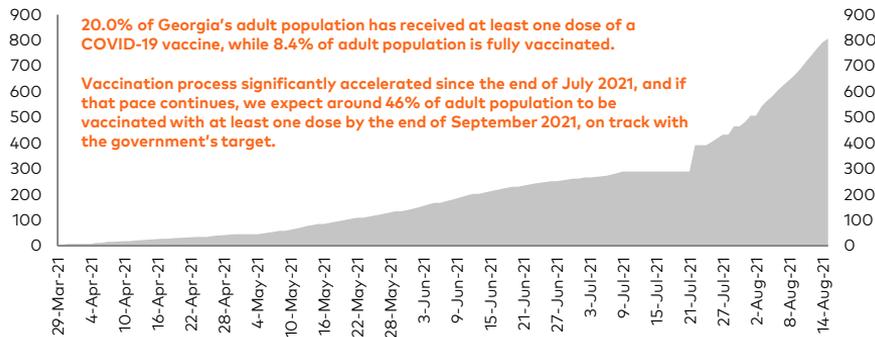
## COVID-19 STATISTICS IN GEORGIA, 000' PERSONS

Source: NCDC at 14:30, 16 August 2021



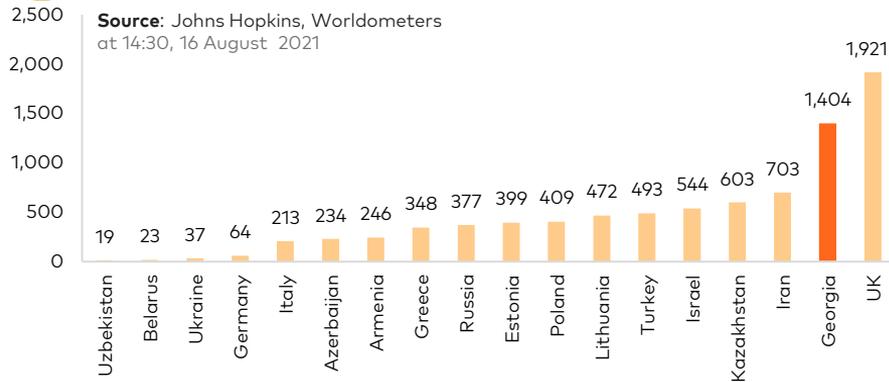
## CUMULATIVE VACCINATIONS, 000'

Source: NCDC, ourworldindata 16 August 2021



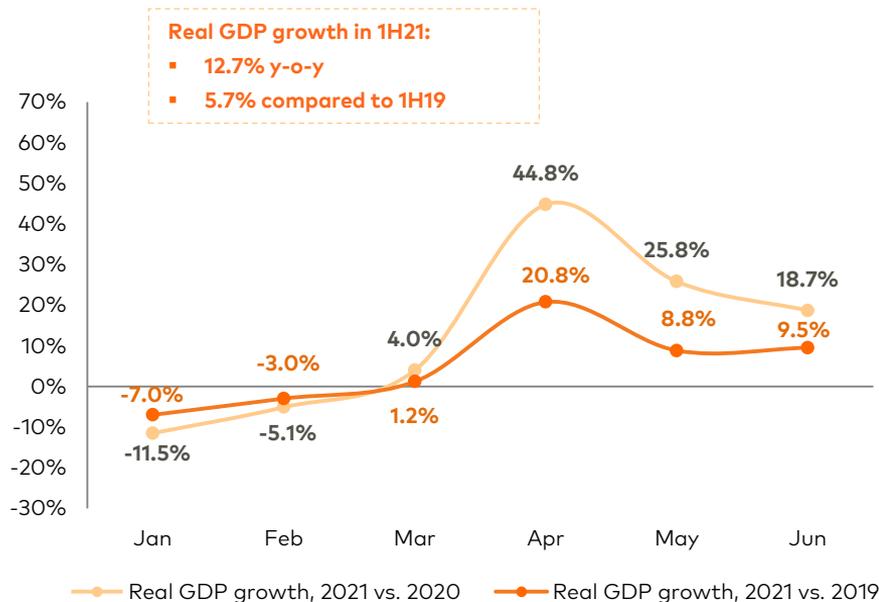
## COVID-19 ACTIVE CASES PER 100,000 PERSONS

Source: Johns Hopkins, Worldometers at 14:30, 16 August 2021



## REAL GDP GROWTH EXCEEDING 2019 LEVEL

Source: Geostat



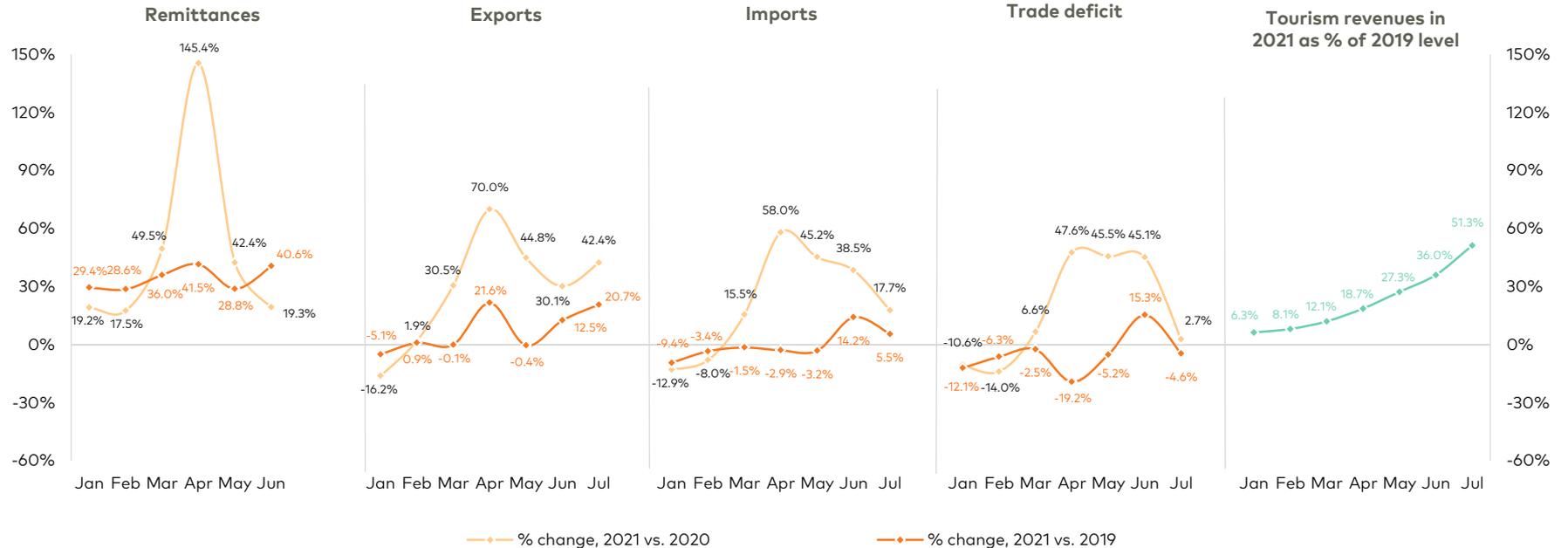
- COVID-19 pandemic-related mobility restrictions caused GDP to contract by 6.2% in 2020 and by 4.5% in 1Q21
- With restrictions gradually eased, recovery gained impressive momentum in the second quarter of 2021, with real GDP up 29.8% y-o-y and up 12.6% compared to the second quarter of 2019 (pre-pandemic)
- Overall, real GDP growth during the first half of 2021 was 12.7% y-o-y, exceeding the first half of 2019 pre-pandemic level by 5.7%
- Robust growth in remittances and exports, and faster than expected rebound in tourism supported the recovery along with the fiscal stimulus

In the first half of 2021:

- Exports were up 25.2% y-o-y and up 5.3% compared to the first half of 2019
- Remittances were up 40.8% y-o-y and up 34.4% compared to the first half of 2019
- Tourism revenues accounted for c.21% of 2019 level, with tourism arrivals accelerating since April 2021

## EXPORTS, REMITTANCES, IMPORTS AND TOURISM REVENUES SHOWING STRONG REBOUND

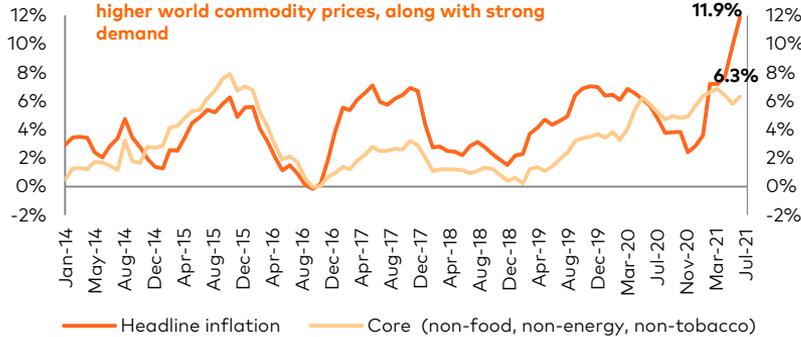
Source: Geostat, NBG, GNTA, G&T



## ANNUAL INFLATION

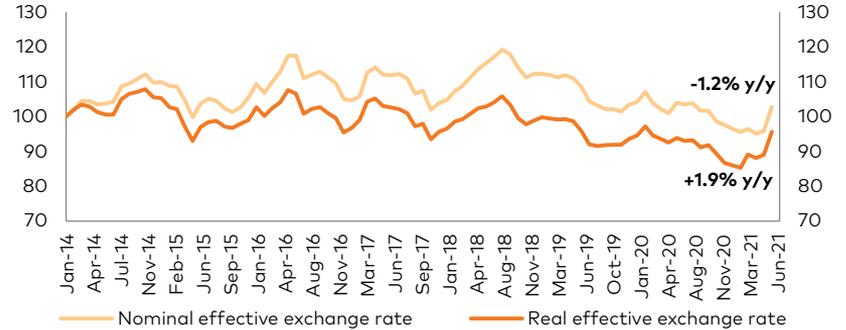
Source: Geostat

Inflation acceleration reflects utility price increases, higher world commodity prices, along with strong demand



## NOMINAL AND REAL EFFECTIVE EXCHANGE RATE (JAN2014=100)

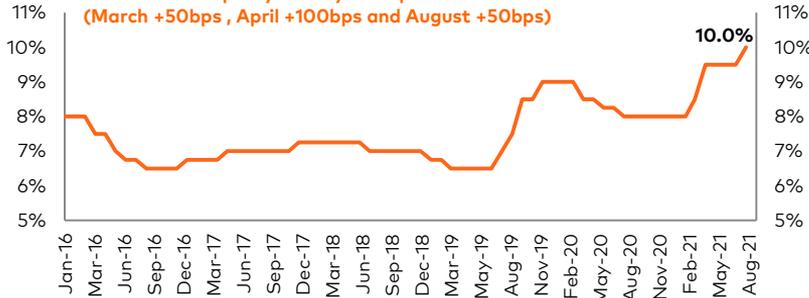
Source: NBG



## MONETARY POLICY RATE

Source: NBG

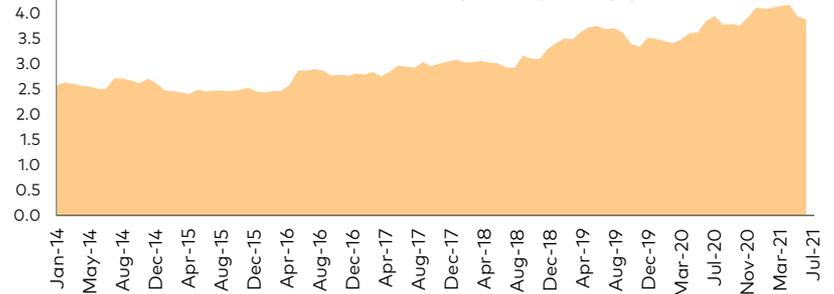
NBG increased policy rate by 200bps to 10.0% in 2021 (March +50bps, April +100bps and August +50bps)



## GROSS INTERNATIONAL RESERVES

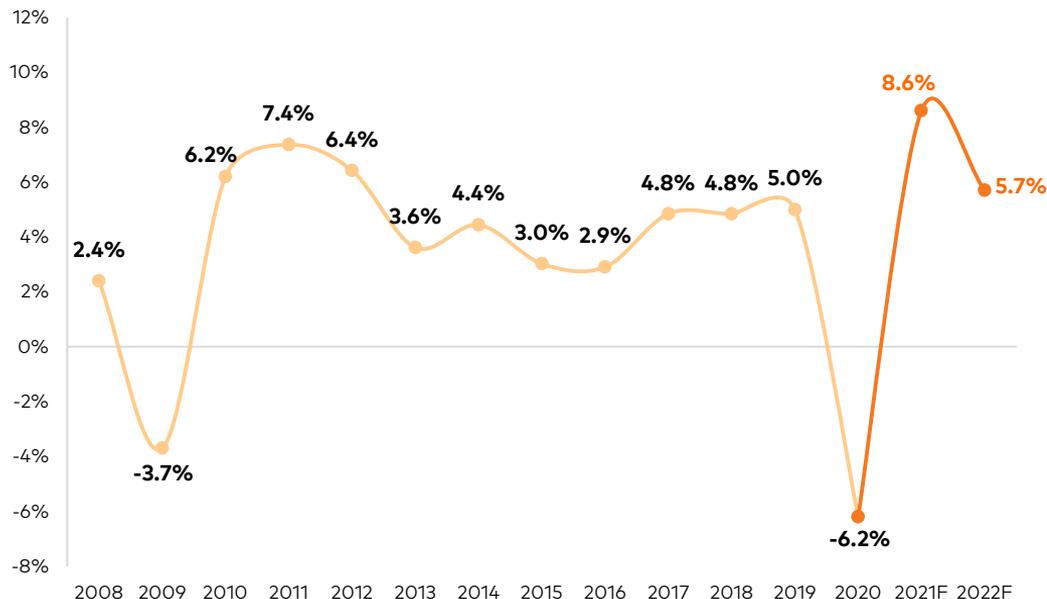
Source: NBG

International reserves at US\$ 3.9bn in July 2021, up 0.8% y/y



## GEORGIA'S ECONOMIC GROWTH FORECAST

Source: Geostat, Galt & Taggart



- Our brokerage and investment arm, Galt & Taggart's revised 2021 growth forecasts upwards to 8.6% from the previous forecast of 7.0%.
- Government and International Monetary Fund revised Georgia's real GDP growth projection upwards to 7.7%, expecting GDP growth in 2021 to exceed pre-pandemic level. The National Bank of Georgia forecasts real GDP growth at 8.5% in 2021.
- Downside risks remain – delays in the vaccination progress, as well as the potential appearance of new COVID-19 variants may require tightening of restrictions and may increase Lari volatility.
- If the risks do not materialise, there is a likelihood of higher real GDP growth of 11.2% in 2021.

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 **GROUP OVERVIEW AND STRATEGY**

 **2Q21 AND 1H21 RESULTS**



**BANK OF GEORGIA**  
GROUP PLC

## RETAIL BANKING

**Mass  
Retail**

**SOLO**

**MSME**

## CORPORATE AND INVESTMENT BANKING

**Corporate Banking**

**WM and Investment Banking**

### Leader in payments and financial mobile app

- 51% of total POS payments transactions are executed in BOG POS terminals
- c.8.5mln transactions executed in mobile app per month, almost doubled y-o-y
- 96% of daily transactions of individuals executed through digital channels

### Strongest retail banking franchise

- 40% market share in deposits of individuals
- 38% market share in loans to individuals
- Most trusted bank and top of mind bank in Georgia\*
- NPS\*\* of 43% in June 2021

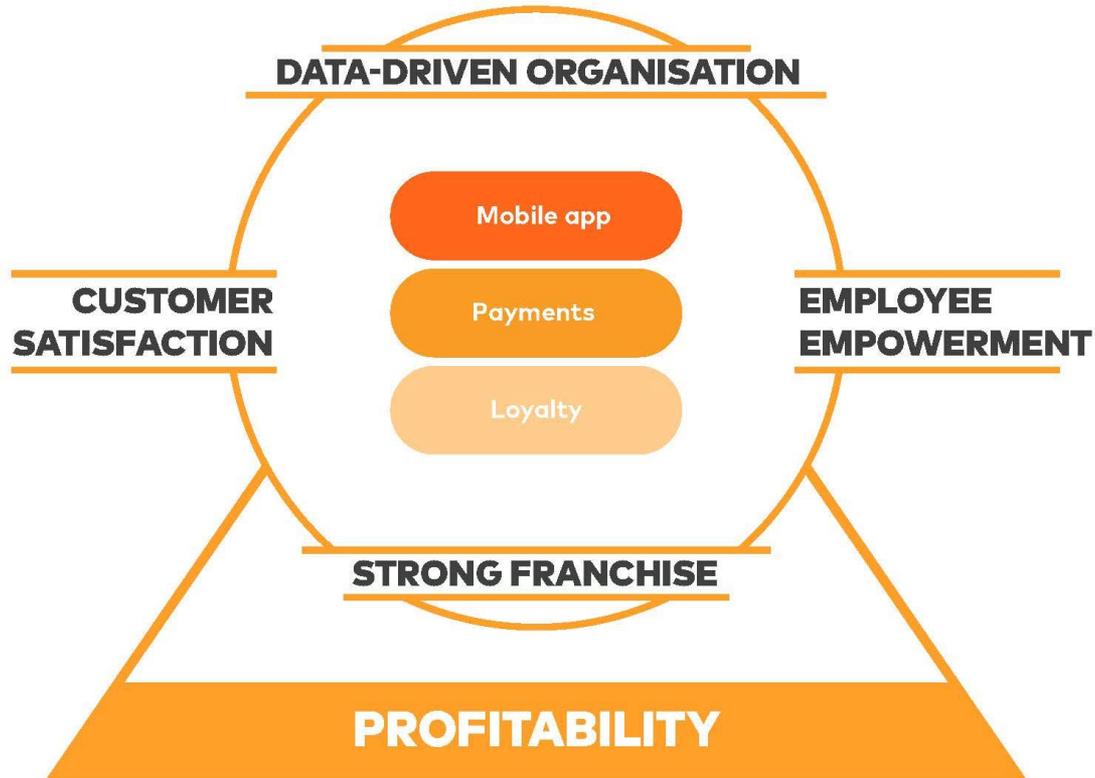
### Sustainable high profitability

- ROAE of 20%+ over the last four years (pre-COVID-19)
- ROAE of 20%+ for the fifth consecutive quarter since pandemic

\* Based on Spring 2021 external research by IPM Georgia

\*\* Based on summer 2021 external research by IPM Georgia

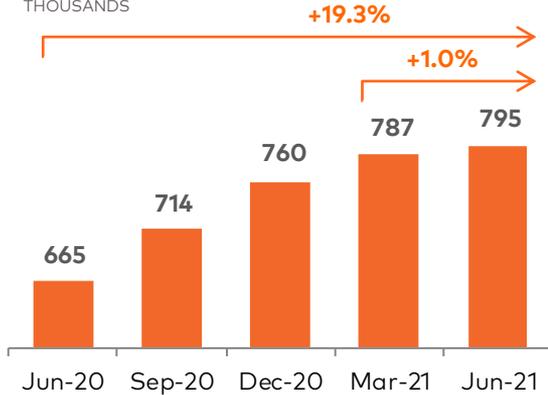
**BANK OF THE FUTURE**



## MBANK/IBANK STATISTICS\*

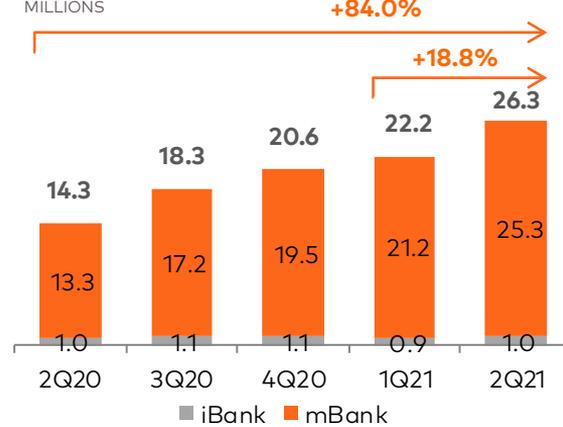
### Number of active users\*\*

THOUSANDS



### Number of transactions

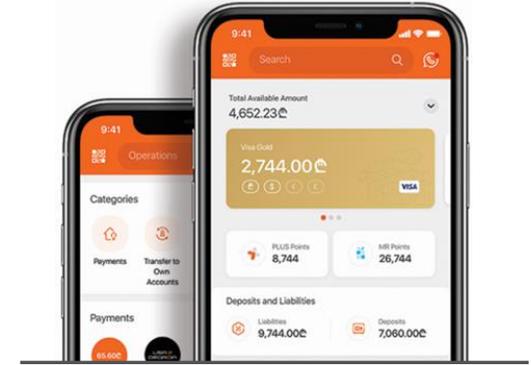
MILLIONS



40.2%

Daily active users/monthly active users

NEXT STEP:  
BUILDING THE  
SUPER APP



c.8.5mln  
Transactions per month

86.3%  
Customer Satisfaction Score



★★★★★ 4.7



★★★★★ 4.7

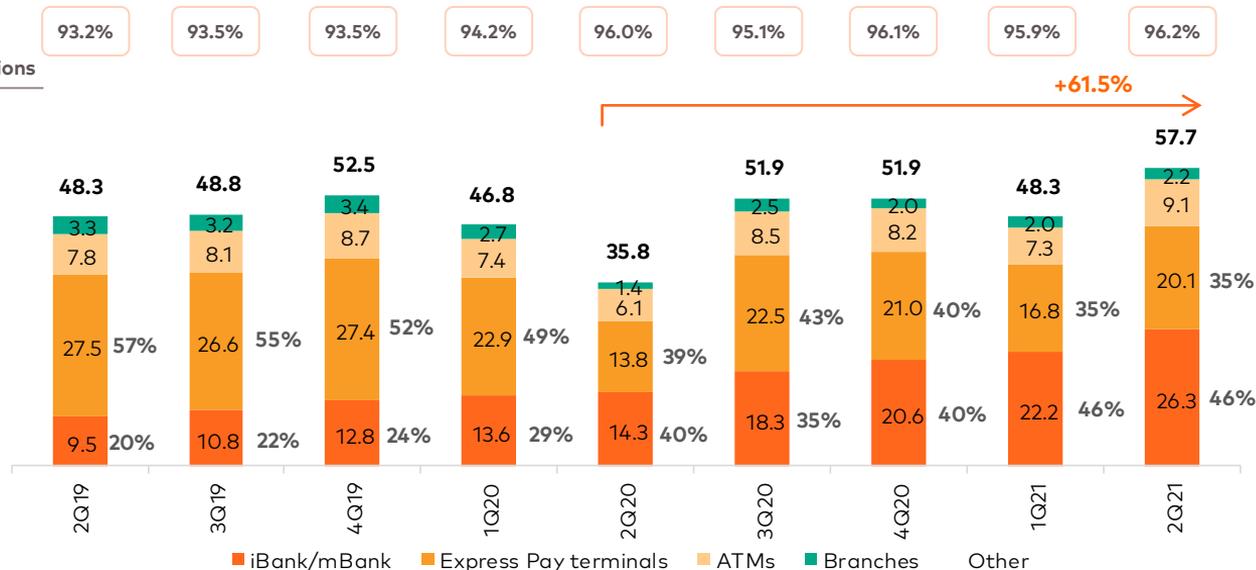
\*Information on this slide depicts the usage of internet and mobile banking platforms by individual customers

\*\*Active user – at least one login in the past three months

## NUMBER OF TRANSACTIONS

MILLIONS

Share of digital transactions



**3,141**

Express pay terminals

+0.7% y-o-y

+0.5% q-o-q

**206**

Branches

-8.0% y-o-y

Flat q-o-q

**795k**

mBank/iBank active users\*\*

+19.3% y-o-y

+1.0% q-o-q

**972**

ATMs

+3.4% y-o-y

+0.9% q-o-q

- Strong presence in Georgia via our self-service Express Pay terminals
- Continuous migration of customers activity to mBank/iBank from Express Pay terminals — 26% of customers activity migrated to mBank/iBank during the past two years
- More than 96% of daily transactions executed through digital channels

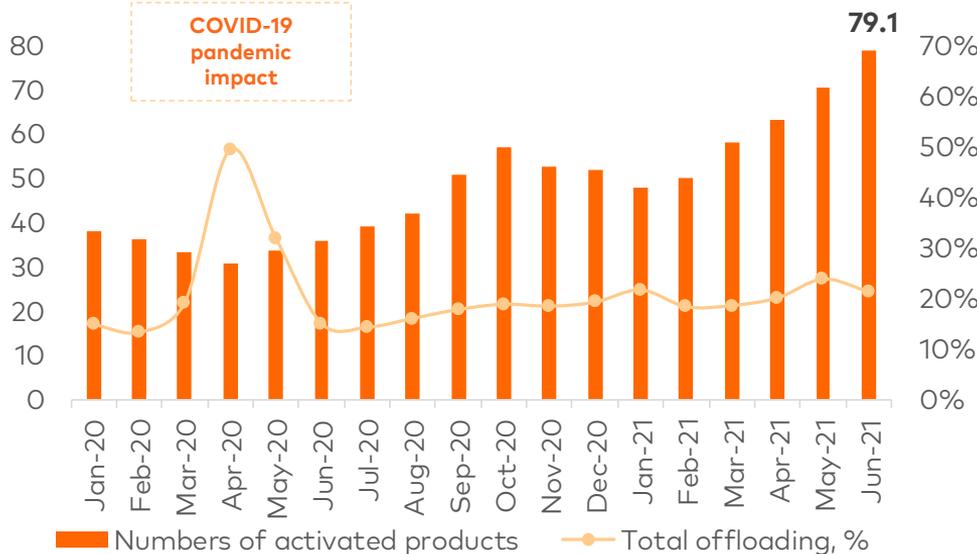
\* Information on this slide depicts the usage of channels by individual customers

\*\* Active user – at least one login in the past three months

## HAVING ACHIEVED HIGH TRANSACTIONS OFFLOADING RATE TO DIGITAL CHANNELS, OUR AIM NOW IS TO INCREASE PRODUCT OFFLOADING RATE

### PRODUCT OFFLOADING\*

THOUSANDS



- Continuously developing our digital products and refining **end-to-end digital journeys**. Our digital channels' functionalities are updated every two to three weeks
- Digital consumer lending process** improvements launched at the end of June 2021
- Further improvements planned in **deposit activation process** in digital channels in 3Q21

**21%** JUN-21  
Total products offloading rate

**c.36%** Planned offloading rate over the next 12 months

\* Mainly comprises **cards, deposits** and **loans** offloading through digital channels

## MARKET POTENTIAL

**c.1.3 mln**

Georgians living abroad in need of daily banking services in Georgia

**US\$ 1.9 bln**

Transferred in 2020  
+8.8% y-o-y

**c.350 k**

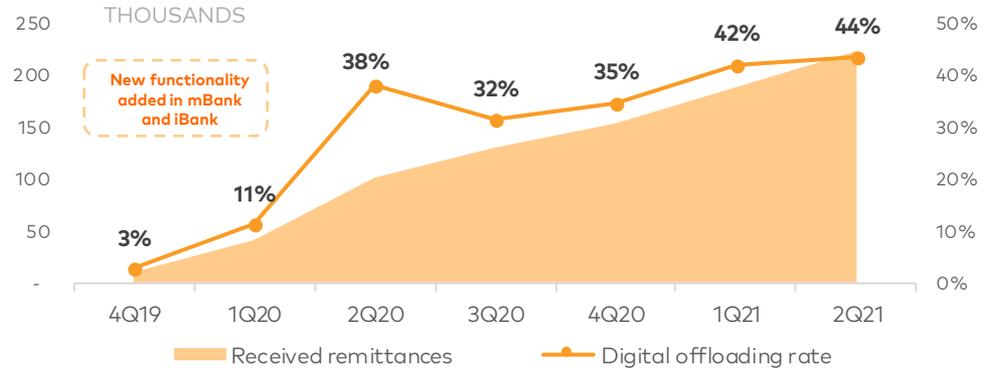
Customers with high potential for loans and deposits\*

We expect to gain 35%-40% of the potential market share in the medium-term

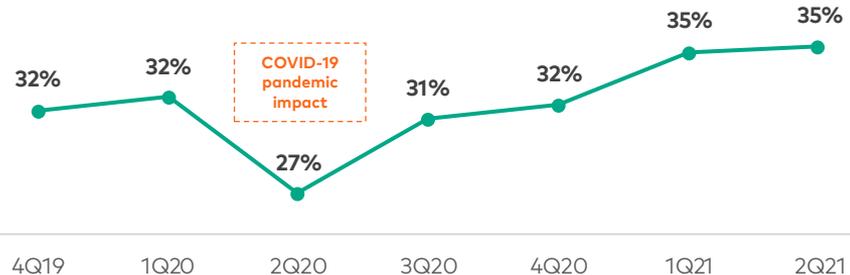
\* More than three transfers in the last 12 months

\*\* Based on the National Bank of Georgia and Bank of Georgia data

## NUMBER OF RECEIVED REMITTANCES AT BOG THROUGH DIGITAL CHANNELS

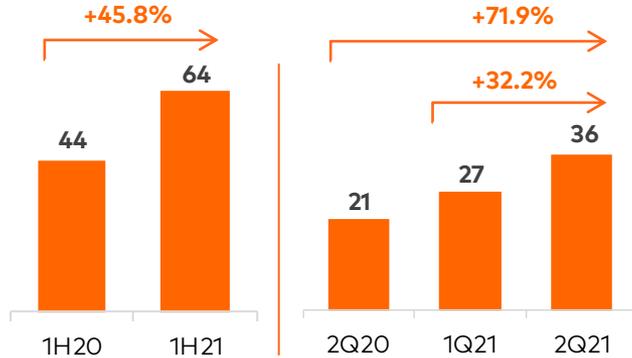


## BOG MARKET SHARE IN TOTAL REMITTANCE INFLOWS\*\*



## NUMBER OF PAYMENTS TRANSACTIONS AT BOG TERMINALS

MILLIONS



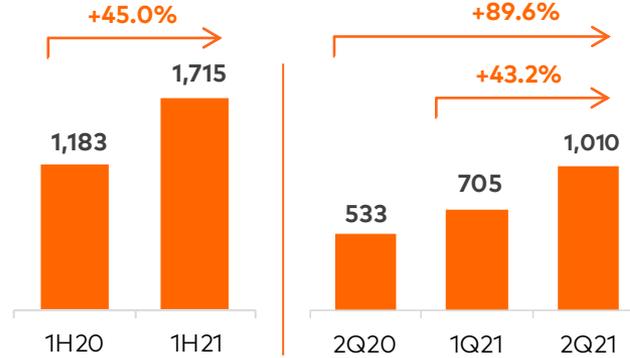
**51%**

Share by number of POS payments transactions in BOG's POS terminals | 1H21\*

+2ppts YoY

## VOLUME OF PAYMENTS TRANSACTIONS AT BOG TERMINALS

GEL MILLIONS



**49%**

Share by volume of POS payments transactions in BOG's POS terminals | 1H21\*

+1ppts YoY

**33k+**

Multifunctional POS terminals  
+42.0% y-o-y

**2.3mln+**

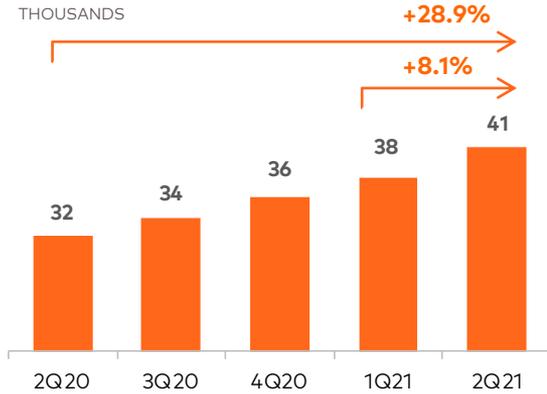
Mass Retail and SOLO customers  
+0.8% y-o-y

\* Based on the National Bank of Georgia and Bank of Georgia data

## BUSINESS MBANK/IBANK STATISTICS\*

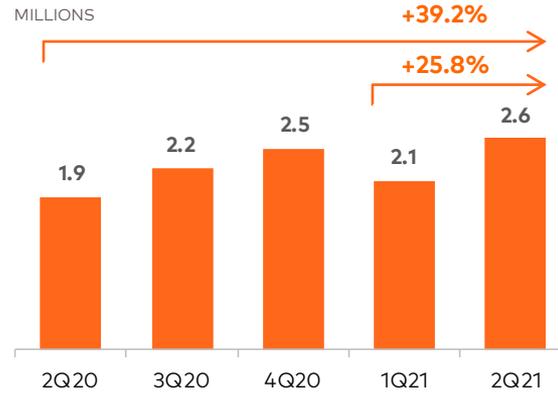
### Number of active users\*\*

THOUSANDS

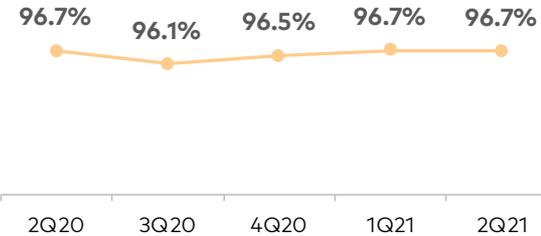


### Number of transactions

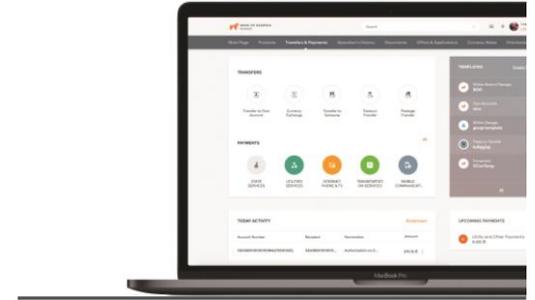
MILLIONS



### Transactions offloading rate



**New financial mobile application launched in 1Q21**



**c.825k Transactions per month**

**63.7% Customer Satisfaction Score**

\*Information on this slide depicts the usage of internet and mobile banking platforms by legal entities

\*\*Active user – at least one login in the past three months

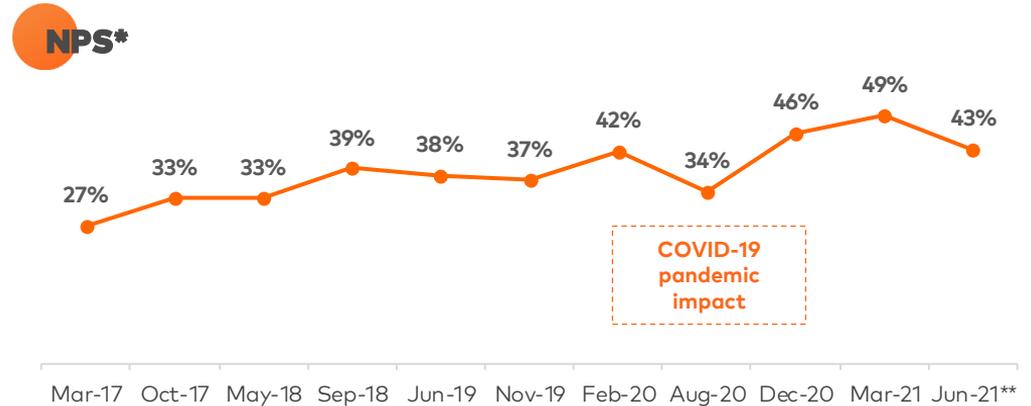
## FOCUS ON INCREASING CUSTOMER SATISFACTION BY:

Engaging with customers **proactively** and responding in real time

**Anticipating** customer needs, wants, and future behavior

Harnessing strong human relationships with **data analytics** for dynamic customer insights

Investing in **technology** to deliver **seamless customer experiences**



\* Based on external research conducted by IPM Georgia

\*\* NPS of all major banks has fallen due to the recent raise in the NBG's Monetary Policy Rate

112

Data models running online, covering different business processes

62%

Automation rate for retail lending process in 1H21

35%

Contribution in sales process, powered by data-driven models in 1H21

## KEY DATA-RELATED INITIATIVES IMPLEMENTED DURING 1H21

- Implementation of non-financial recommender engine
- Data and AI trainings for middle management
- Predicting and improving NPS with data-driven models
- Improvement of natural language understanding capabilities

### DATA IN BANKING

Use of data analytics to cover core banking processes with impact on decision making, automation, sales, customer satisfaction, efficiency

### DATA BEYOND BANKING

Use of data analytics for data monetisation and to create additional value for customers, the Bank, and the ecosystem

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## Outstanding profitability

### ROAE

2Q21

**29.4%**

## Strong interest and F&C income generation

### Operating income

2Q21

**GEL 335mln**

+39.8% y-o-y  
+10.3% q-o-q

## Resilient loan portfolio quality and high cost efficiencies

### Cost of credit risk

2Q21

**-0.6%**

## Strong portfolio growth

### Loan growth

30 Jun 2021

**GEL 14.8bln**

+17.4% y-o-y \*  
+1.3% q-o-q \*

## Strong capital and liquidity positions

### CET 1 capital

30 Jun 2021

**12.5%**

Minimum requirement  
11.1%

## Net profit

2Q21

**GEL 202mln**

+76.3% y-o-y  
+45.5% q-o-q

## Net F&C income

2Q21

**GEL 57mln**

+73.9% y-o-y  
+17.6% q-o-q

## Cost to income

2Q21

**36.4%**

## Deposits growth

30 Jun 2021

**GEL 13.9bln**

+20.4% y-o-y \*\*  
-0.4% q-o-q \*\*

## Liquidity coverage

30 Jun 2021

**124.5%**

Minimum requirement  
100%

\* Growth on a constant currency basis was 13.7% y-o-y and 5.5% q-o-q

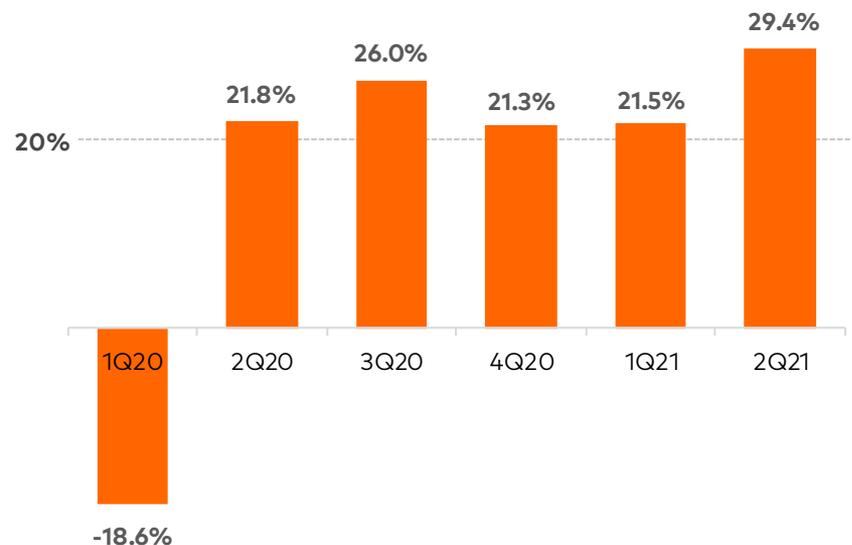
\*\* Growth on a constant currency basis was 17.4% y-o-y and 4.1% q-o-q

## OUTSTANDING QUARTERLY PERFORMANCE

Bank of Georgia's performance has been very strong in 2Q21:

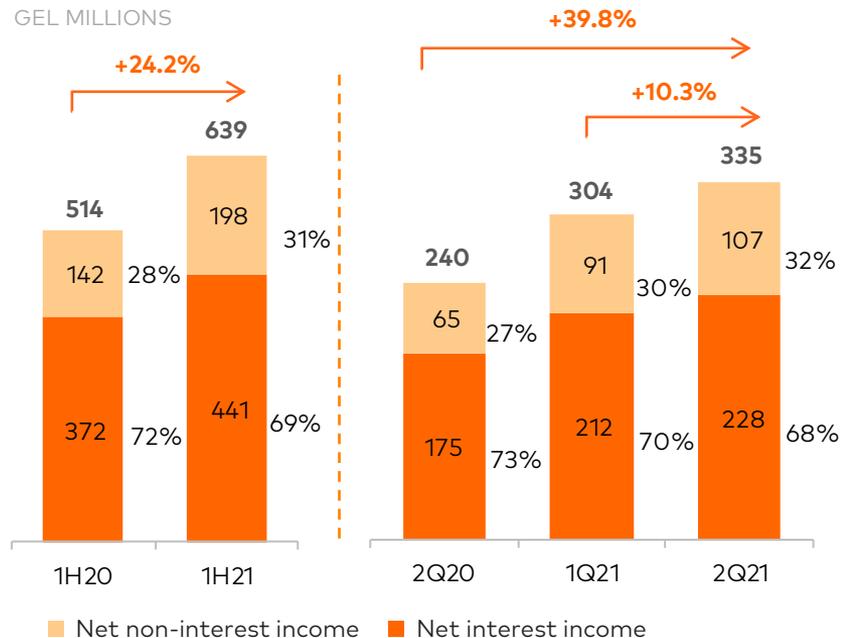
- **Strong balance sheet growth** with better than expected levels of lending in consumer, micro and SME portfolios
- **Robust operating income performance.** Net interest income up 7.5% q-o-q, coupled with strong net fee and commission income generation, up 17.6% q-o-q, on the back of a strong performance in the payments and settlement operations
- **Net interest margin of 4.7%**, up 20 basis points q-o-q in 2Q21
- **Costs well-managed**, with 36.4% cost to income ratio, while continuing to invest in IT-related resources, digitalisation and marketing
- **Lending portfolio performing extremely well.** Annualised cost of credit risk ratio was a net gain of 0.6% in 2Q21. The non-performing loans ratio remained stable at 3.5%, down 10 basis points q-o-q
- **Robust capital adequacy ratios**, comfortably above the increased minimum regulatory requirements. We do not utilise previously released capital buffers by the NBG
- **Superior levels of profitability.** Despite a still challenging operating environment, delivering ROAE of 29.4% in 2Q21, fifth consecutive quarter of delivering profitability above 20% during the pandemic

## TRACK RECORD OF STRONG PROFITABILITY



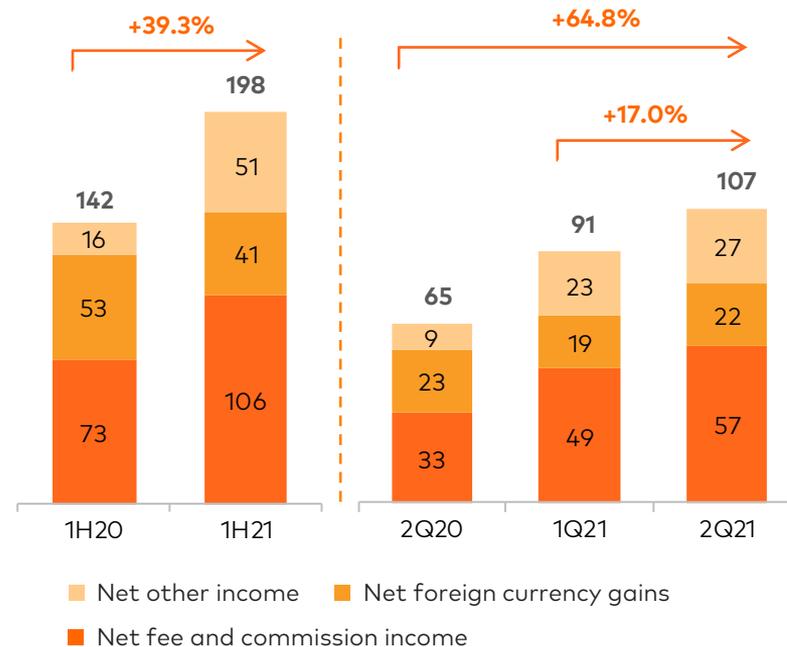
## OPERATING INCOME

GEL MILLIONS



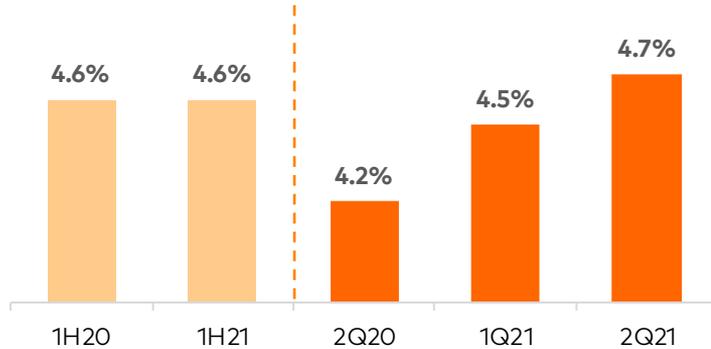
## NET NON-INTEREST INCOME

GEL MILLIONS



- Strong net interest income and net fee and commission income generation driving robust top-line performance

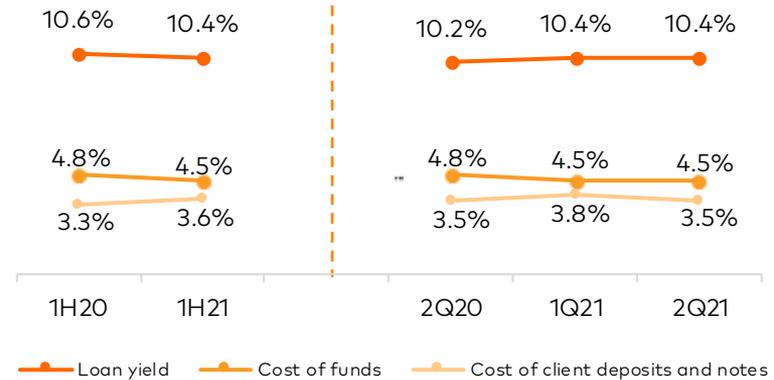
## NET INTEREST MARGIN



## NIM UP IN 2Q21 DUE TO

- Rebound in economic activity
- Decline in cost of funds on the back of successful deployment of excess liquidity kept at high level for risk mitigation purposes

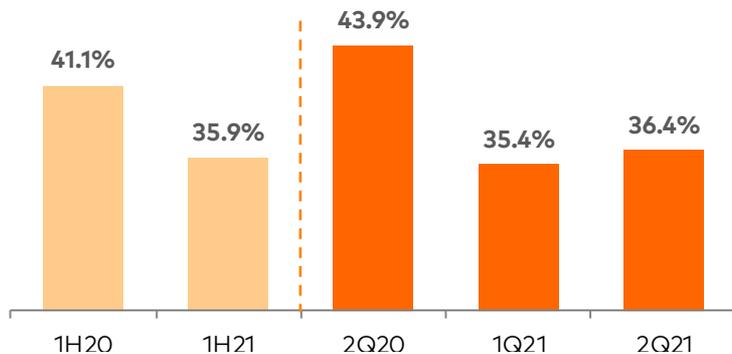
## LOAN YIELD, COST OF FUNDS, COST OF DEPOSITS



## NIM OUTLOOK

Broadly stable margin going forward

## COST TO INCOME RATIO

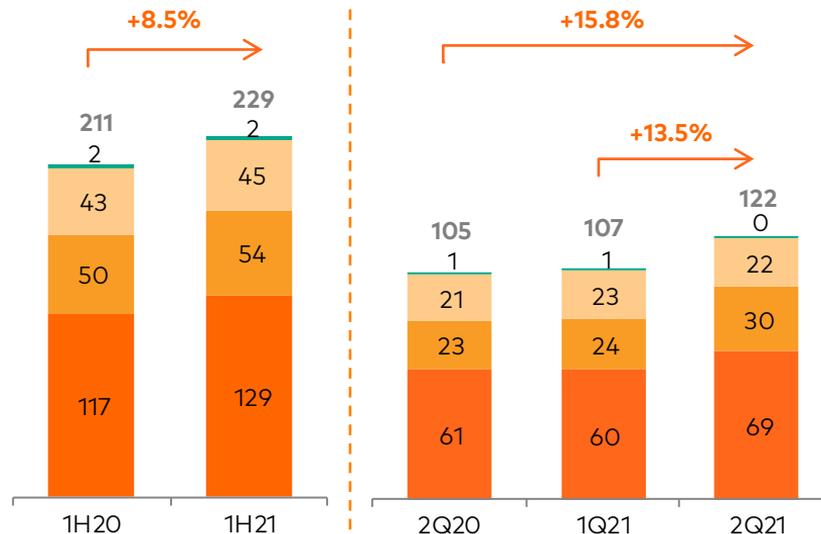


- Continued investment in IT-related resources, digitalisation and marketing, in line with strategic priorities, and, at the same time, maintaining focus on efficiency and cost control
- Cost optimisation measures initiated in 2Q20, the impact of which had been reflected in subsequent quarters

**c.35%**  
Medium-term guidance

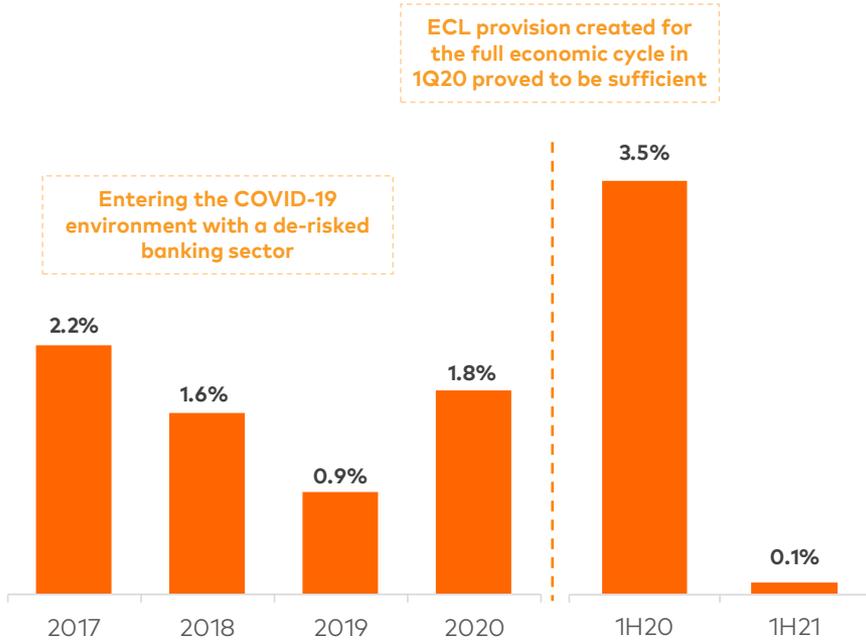
## OPERATING EXPENSES

GEL MILLIONS



- Other operating expenses
- Depreciation, amortisation and impairment
- Administrative expenses
- Salaries and other employee benefits

## COST OF CREDIT RISK RATIO



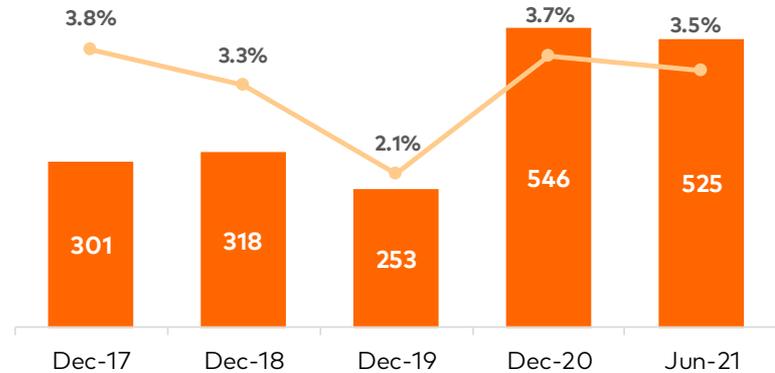
## LOAN PORTFOLIO QUALITY

### NPL coverage

92.7%    90.5%    80.9%    76.3%    73.1%

### NPL coverage adjusted for collateral value

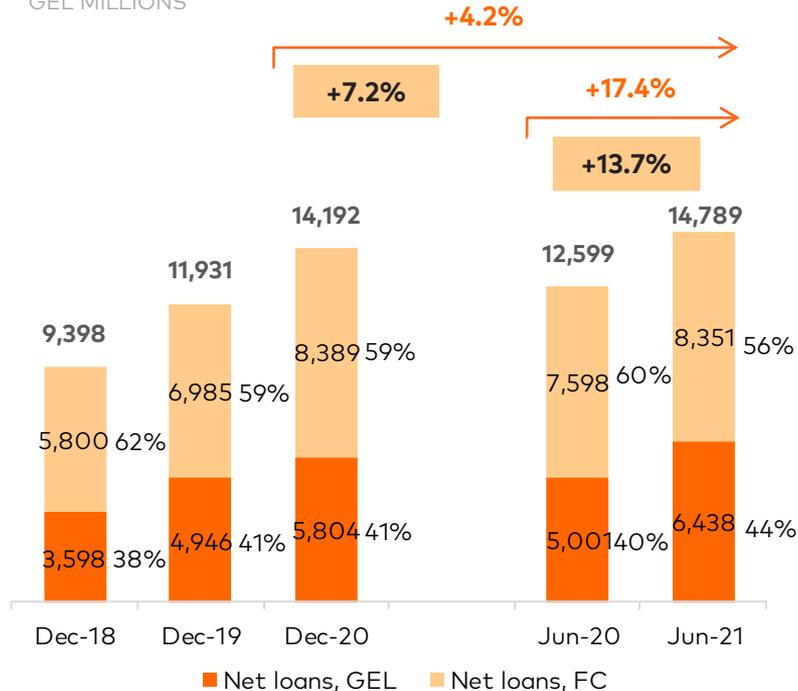
130.6%    129.9%    139.6%    128.8%    122.2%



— NPLs, GEL millions    — NPLs to gross loans

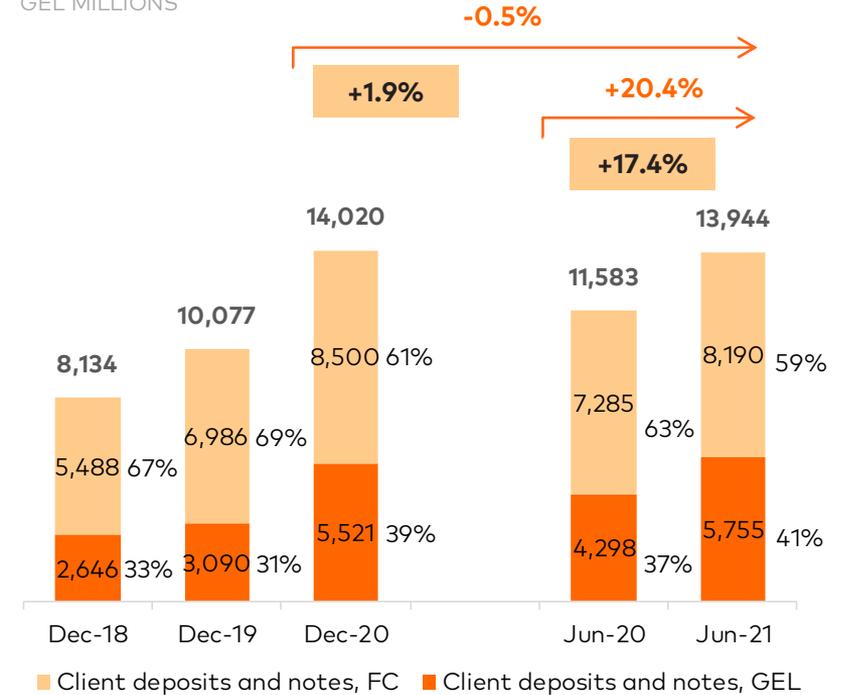
## LOAN PORTFOLIO

GEL MILLIONS



## DEPOSIT PORTFOLIO

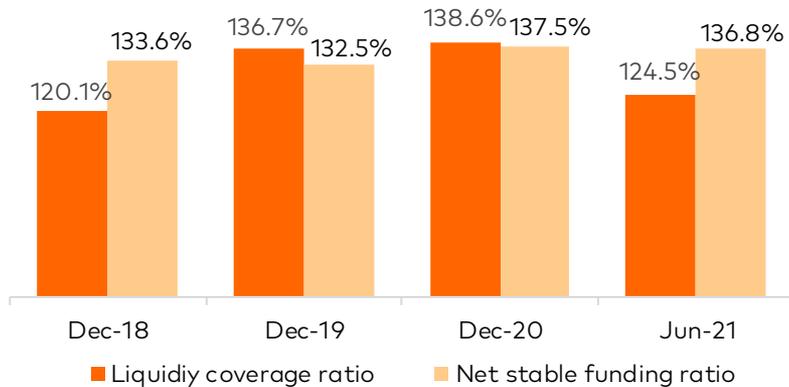
GEL MILLIONS



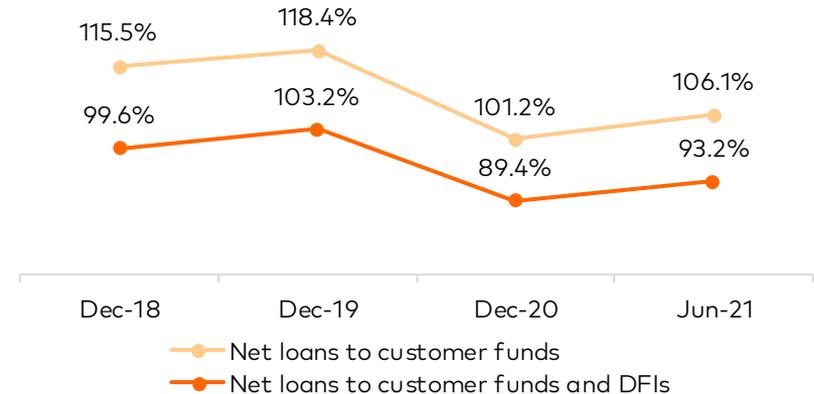
■ Growth on a constant currency basis

## LIQUIDITY COVERAGE AND NET STABLE FUNDING RATIOS

JSC Bank of Georgia standalone (Basel III liquidity)



## NET LOANS TO CUSTOMER FUNDS AND DFIs

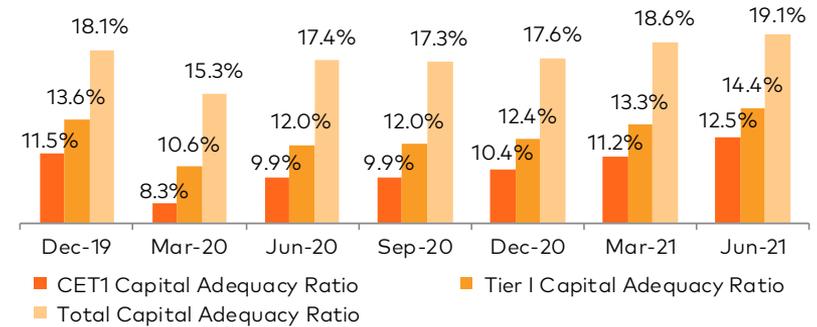


- Excess liquidity maintained for risk mitigation purposes, on the back of the COVID-19 crisis, partially successfully deployed during the second quarter of 2021
- Strong support from International Financial Institutions

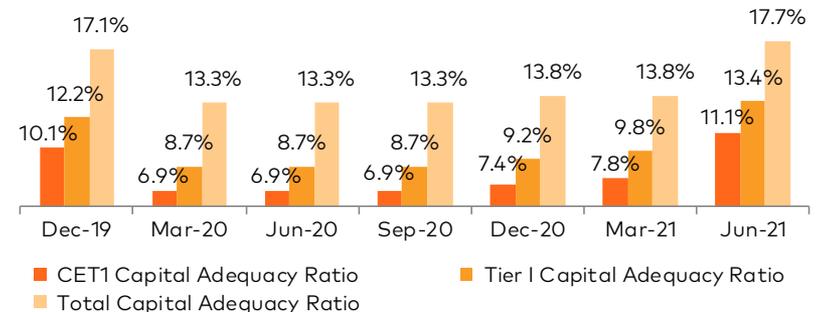
## NBG'S COVID-19 RESPONSE AND CURRENT UPDATE

- Release of capital buffers:** In April 2020, as part of its updated supervisory plan as a response to the COVID-19 pandemic, the NBG released Pillar 2 and conservation buffers, which reduced the minimum regulatory capital requirements at the time.
- Capital distribution:** During the period that banks partially or fully utilised the reduced buffers, banks have not been able to make any form of capital distribution.
- General COVID-19-related loan loss provision:** The Bank has recorded c.GEL 400 million general provision (c.3.3% of the Bank's lending portfolio) under the Bank's local regulatory accounting basis in March 2020, reflecting the NBG's expectations of estimated credit losses on the Bank's lending book for the full economic cycle.
- Subsequently, the NBG has announced a **released capital buffers rebuild plan** and has updated the timeline for the phase-in of additional Basel III capital requirements for the banking sector.
- Rebuild of capital buffers:** As a result of robust operating performance and strong internal capital generation, and thus strong capital position, to ensure flexibility on capital distribution to shareholders, the Bank has confirmed to the NBG that since May 2021, it is no longer utilising, or expects to utilise, any of the Pillar 2 or conservation buffers that were waived last year. **Consequently, there is no longer any regulatory restriction for Bank of Georgia on making any capital distributions.**

## CAPITAL ADEQUACY RATIOS



## MINIMUM REGULATORY REQUIREMENTS



# CAPITAL RATIOS EVOLUTION AND UPDATE ON MINIMUM CAPITAL REQUIREMENTS

## CAPITAL RATIOS EVOLUTION DURING 1H21

	Capital ratios DEC-20	1H21 profit	Business growth	GEL appreciation	Tier 2 facility impact	Capital ratios JUN-21	Potential impact of 10% GEL devaluation
CET1 capital adequacy ratio	10.4%	2.6%	-0.8%	0.3%	-	12.5%	-0.8%
Tier I capital adequacy ratio	12.4%	2.6%	-0.9%	0.3%	-	14.4%	-0.7%
Total capital adequacy ratio	17.6%	2.6%	-1.1%	0.2%	-0.2%	19.1%	-0.6%

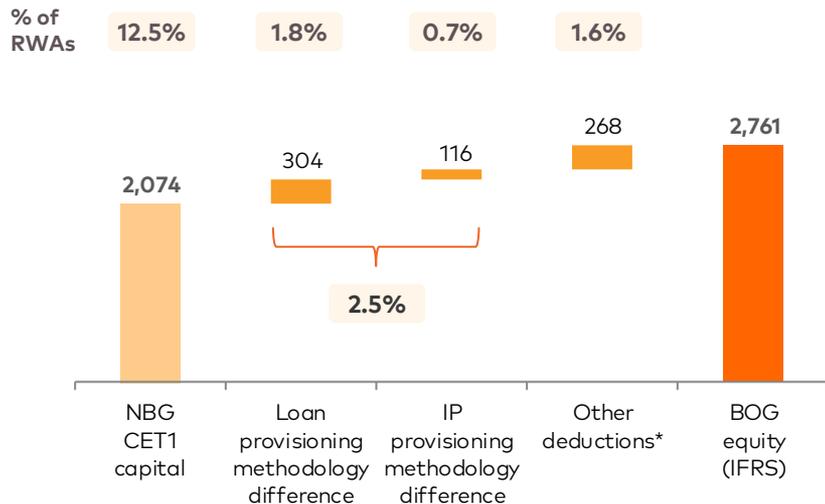
## EXPECTED MINIMUM CAPITAL REQUIREMENTS FOR 2021-2023

Bank of Georgia's ongoing minimum capital adequacy ratios reflecting the full phase-in of Basel III capital requirements, which remain subject to ongoing annual regulatory reviews, are currently expected to be as follows:

	DEC-21	DEC-22	DEC-23
CET1 capital requirement	11.6%	11.9%	12.2%
Tier I capital requirement	13.8%	14.3%	14.7%
Total capital requirement	17.9%	17.9%	17.9%

## BOG EQUITY VS. CET1 REG. CAPITAL | JUN-21

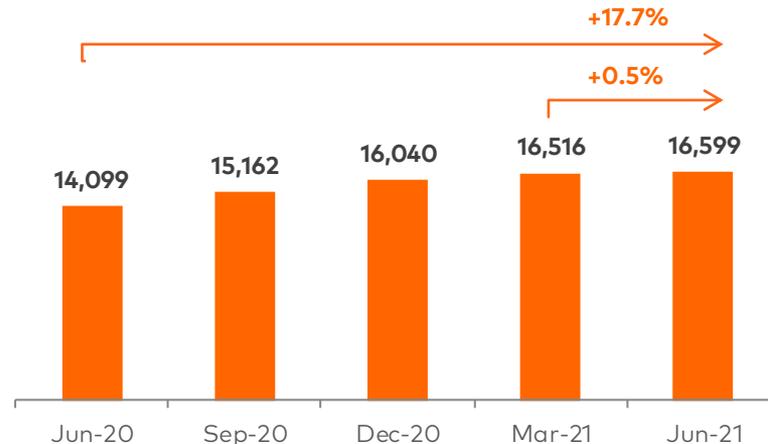
GEL MILLIONS



\* Revaluation reserve, investments in non-financial subsidiaries and intangible assets

## RISK WEIGHTED ASSETS

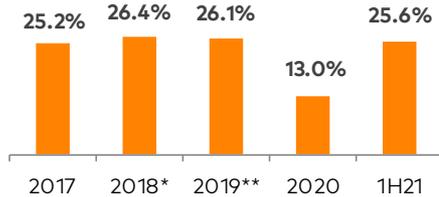
GEL MILLIONS



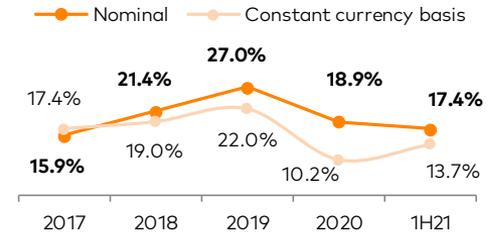
- Existing additional capital buffers (within **c.2.5%** of risk-weighted assets) reflecting differences in provisioning methodology between the NBG and IFRS 9
- The NBG plans to transition to IFRS-based financial reporting during 2021 - 2022

## Revised medium-term loan book growth target from c.15% to c.10%

ROAE  
**20%+**



Loan book growth YoY  
**c.10%**



## ROBUST CAPITAL MANAGEMENT TRACK RECORD

- **Maintain regular dividend payouts:** aiming **25-40%** dividend payout ratio
- **GEL 648mln+** cash dividend paid during 2013-2019, within the targeted payout range
- **Capital repatriation policy:** In the light of the evolving macroeconomic situation and expected levels of medium-term growth, the Board will formally review the Group's capital repatriation policy in the second half of 2021.

## REGULAR DIVIDENDS

GEL MILLIONS

PAYOUT RATIO:



\* Adjusted for GEL 30.3mln demerger related costs, GEL 8.0mln demerger related corporate income tax gain, GEL 30.3mln one-off impact of re-measurement of deferred tax balances and GEL 3.9mln (net of income tax) termination costs of the former CEO

\*\* Adjusted for GEL 14.2mln (net of income tax) termination costs of the former CEO and executive management

\*\*\* Dividend yield is calculated based on the closing price of shares immediately prior to ex-dividend date



**THANK YOU**