



BANK OF GEORGIA

Investment Opportunities in the Region

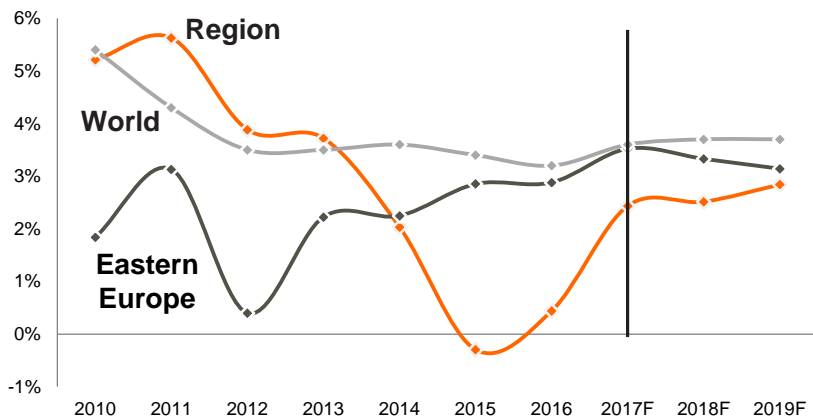
30 November 2017

Speaker: **Kaha Kiknavelidze, CEO, Bank of Georgia**

ECONOMIC GROWTH ACCELERATED GLOBALLY



GDP growth, Region vs. global economies



Oil prices stabilized



- Growth in the region strengthened and expected to pick up to 2.4% in 2017 up from 0.4% in 2016
- Massive adjustment to lower oil prices is over
- We are in a bull market

Source: IMF

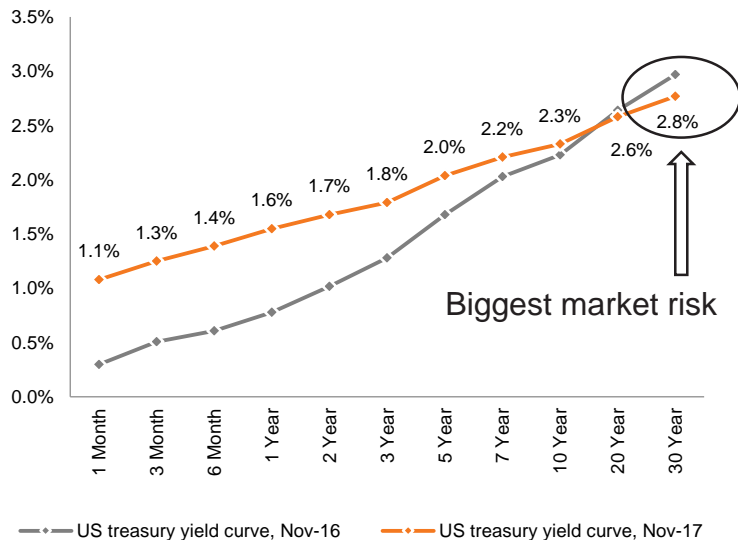
Note: REGION includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Russia, Turkey and Ukraine

Source: Bloomberg

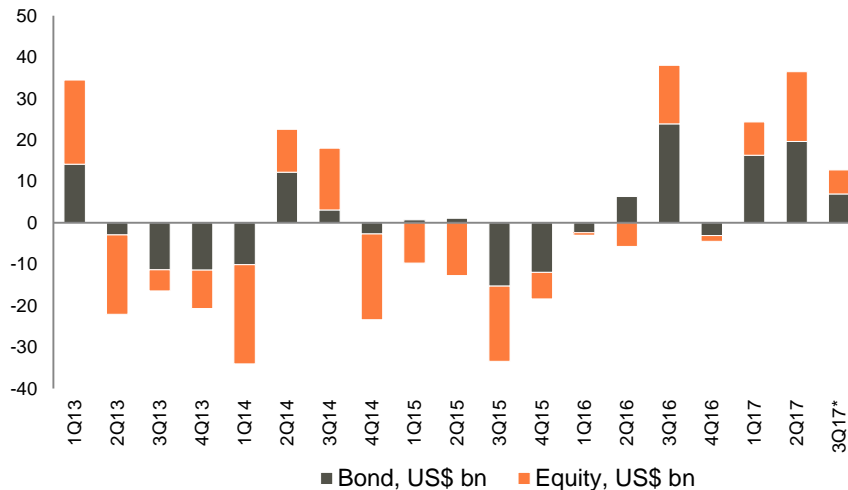
LOW INTEREST RATES, FAVOURABLE FINANCIAL CONDITIONS



US treasury yield curve



Net flows in emerging market funds



- More gradual normalization of US monetary policy than anticipated, long-term yields declined

- Capital inflows to emerging market economies have remained resilient in 2017, continuing their recovery after sharp outflows in 2015 and early 2016

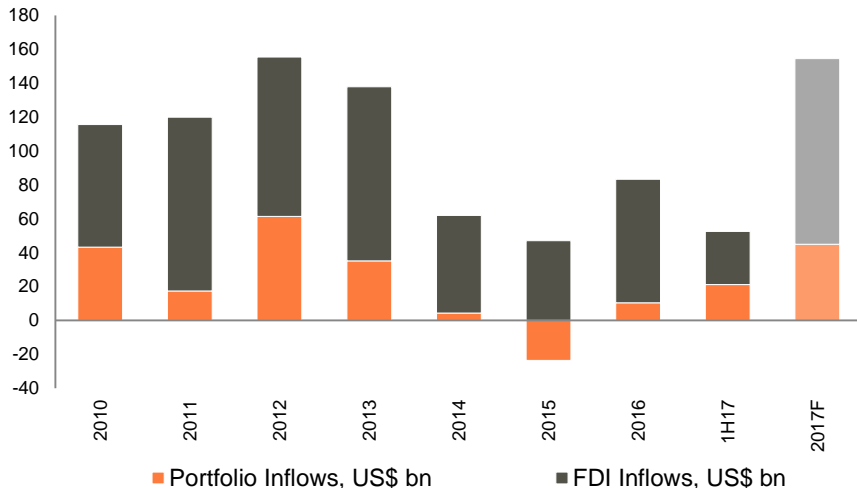
Source: U.S. Department of the Treasury

Source: IMF
Note: 3Q17 includes only July and August

CAPITAL FLOWS TO THE REGIONAL ECONOMIES INCREASED



FDI and portfolio inflows

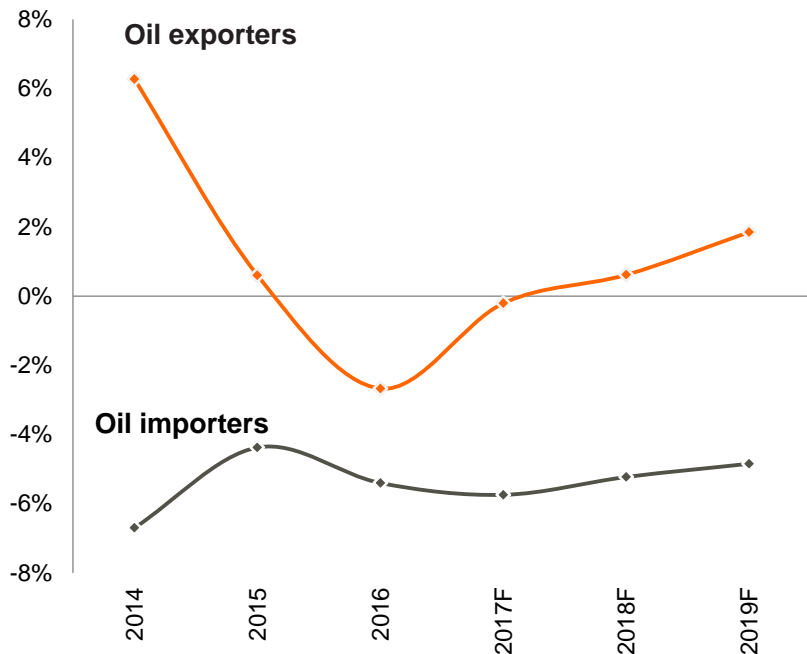


- Capital inflows to the region increased in 1H17 and expected to grow further
- Search for yield gave advantage to economies with relatively weak credit ratings:
 - Ukraine's USD 3bn bond placement in Jun-17 was oversubscribed several times
 - Belarus placed 10-year bonds yielding 7.6% in Jun-17 (5 and 10-year issues totaling USD 1.4bn)

EXTERNAL DEFICITS DECLINE, HELPED BY FX ADJUSTMENT

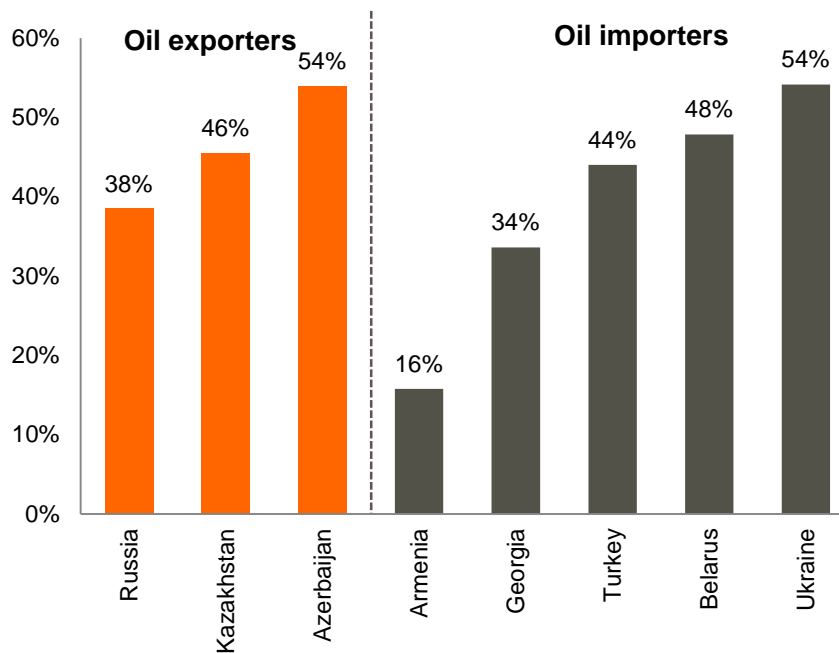


CA deficit/surplus (as % of GDP)



Source: IMF
 Note: Oil exporters – Russia, Kazakhstan and Azerbaijan
 Oil importers – Armenia, Belarus, Georgia, Turkey and Ukraine

Currency depreciation against USD – 3yr

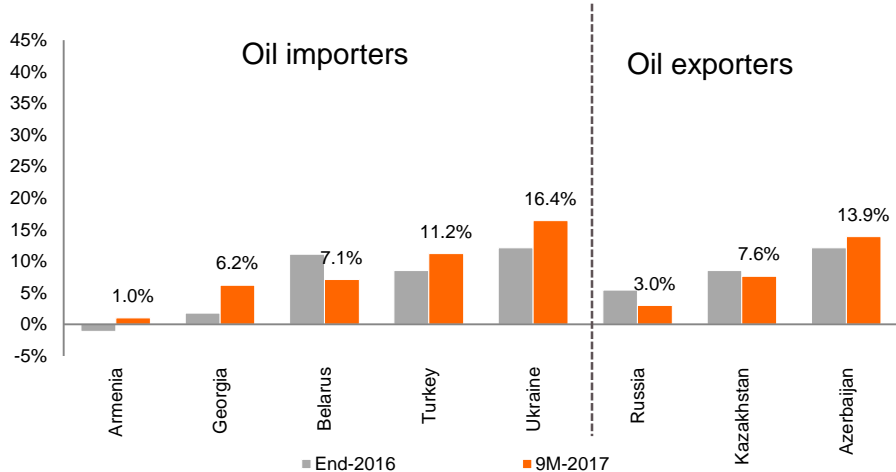


Source: Bloomberg
 Note: USD per unit of national currency; Aug 2014 – 1-Nov 2017

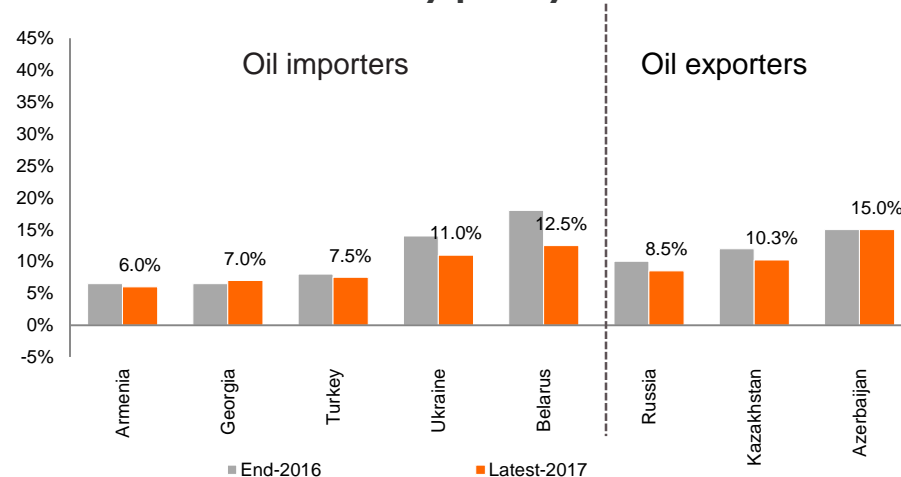
PRICE PRESSURES SOFTENED IN MOST COUNTRIES, WHILE PERSIST IN SOME



Inflation



Monetary policy rate



- Inflation has been in line with the targets established by Central Banks in Georgia, Belarus, Kazakhstan and Russia, enabling central banks to lower policy rates
- Inflation rates remain in double digits in Azerbaijan, Turkey and Ukraine, reflecting earlier depreciations of the respective currencies

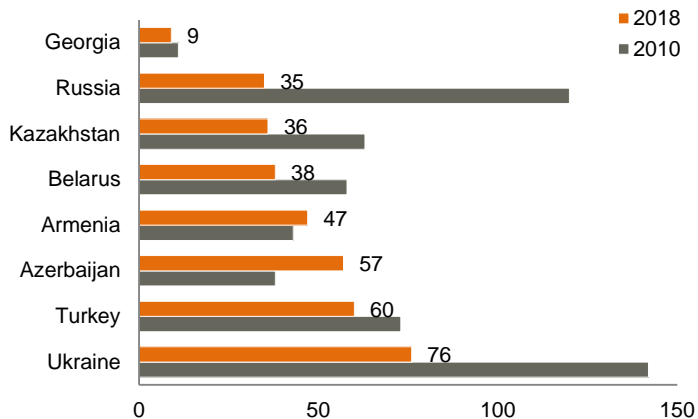
Source: Statistical offices

Source: Central Banks

PROGRESS IN SUPPORTING BUSINESS ENVIRONMENT



Doing Business ranking, 2018



Source: World Bank

- Regional economies made considerable progress in enhancing doing business environment, with 5 countries falling under top-50 easiest markets in 2018 vs. 3 in 2010
- However, governance remains weak compared to world best practices, and more growth-friendly reforms create further opportunities to attract investments

Global Corruption Barometer 2016

BRIBERY RATES ACROSS EUROPE AND CENTRAL ASIA

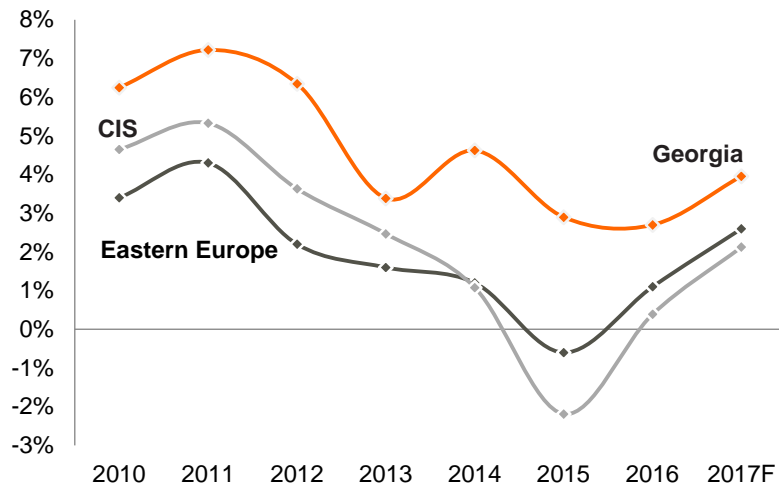


Source: Transparency International

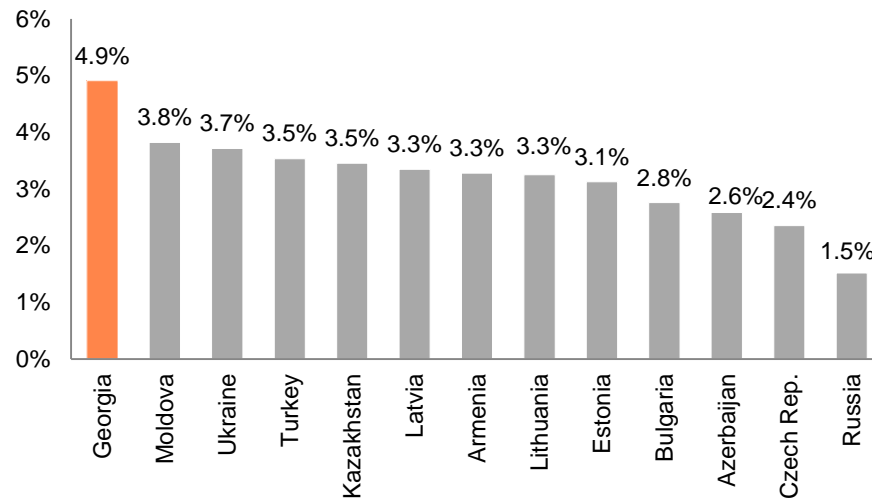
GEORGIA - HIGHER BASELINE GROWTH OF THE ECONOMY



Historical GDP growth, Georgia vs. Region



IMF's GDP growth projections, 2018-22 average



Source: IMF

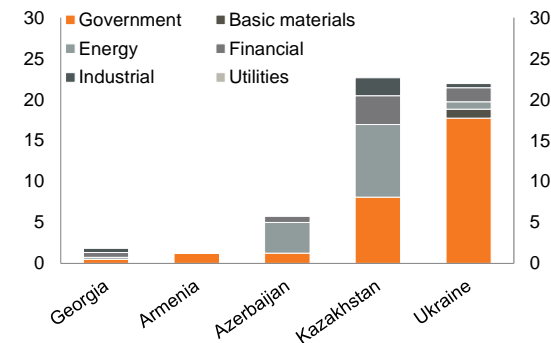
FIXED INCOME PERFORMANCE



Eastern European sovereign bond performance

	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %
Georgia	500	6.88%	Apr-2021	BB-/BB-/Ba2	112.4	3.0
Azerbaijan	1,250	4.75%	Mar-2024	BB+/-/Ba1	102.5	4.3
Kazakhstan	2,500	5.13%	Oct-2024	BBB/BBB-/Baa3	111.6	3.4
Romania	2,250	6.75%	Feb-2022	BBB-/BBB-/Baa3	114.8	3.0
Turkey	2,000	5.63%	Mar-2021	BB+/-/Ba1	104.4	4.2
Ukraine	1,409	7.75%	Sep-2021	B-/B-/Caa2	106.5	5.8

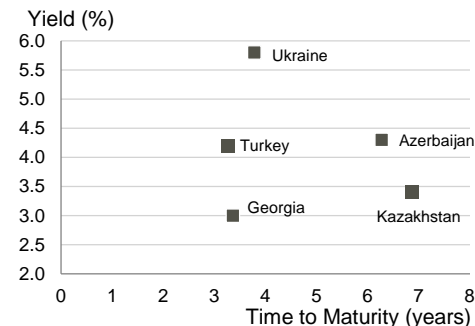
Eurobonds outstanding, US\$ bn



Eurobonds – Georgia, Ukraine, Kazakhstan

	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %
GEBGG 06/20	500*	11.00	Jun-2020	BB-/-/Ba2	100.5	10.8
GEOROG 04/21	250	6.75	Apr-2021	BB-/B+/-	107.4	4.4
BGEOLN 07/23	350	6.00	Jul-2023	BB-/-/B1	103.2	5.3
GEORG 04/21	500	6.88	Apr-2021	BB-/BB-/Ba2	112.4	3.0
GRAIL 07/22	500	7.75	Jul-2022	B+/B+/-	111.8	4.9
EXIMUK 02/23	125	8.45	Feb-2023	CC-/Caa3	100.5	8.5
Fortebank 06/22	63	14.00	Jun-2022	-/B/-	118.6	9.0
Halyk Bank 01/21	500	7.25	Jan-2021	BB/BB/Ba3	110.2	3.8

Eurobond universe



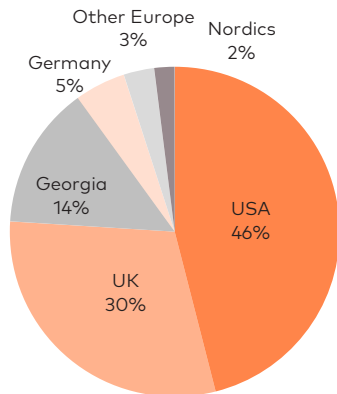
Source: Bloomberg, as of 21-Nov-2017
 * GEBGG 06/20 bond is in Georgian lari

BANK OF GEORGIA 500MN GEL INNAUGURAL LARI EUROBOND

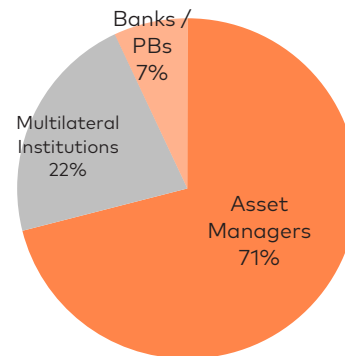


Notes	GEL 500mn, 3 year, 11.00% Eurobonds payable in U.S.\$
Listing	Irish Stock Exchange
Notes rating at issue	Moody's Ba3 / Fitch BB-
Joint Lead Managers / Bookrunners	J.P. Morgan, Renaissance Capital
Co-Manager	JSC Galt & Taggart

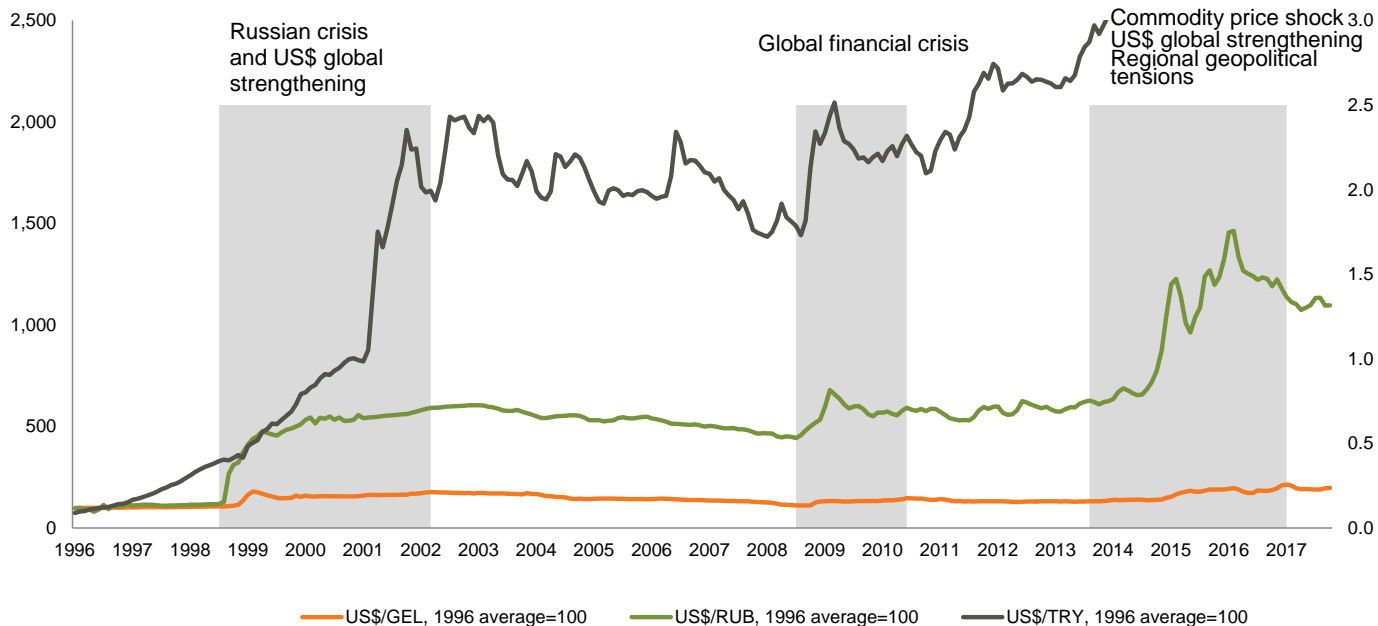
ALLOCATION BY GEOGRAPHY



ALLOCATION BY INVESTOR TYPE



EXCHANGE RATES ADJUST TO MARKET CONDITIONS



Source: NBG

Note: Depreciation rate calculated from unit of national currency per USD, Jan-1996 to Oct-2017

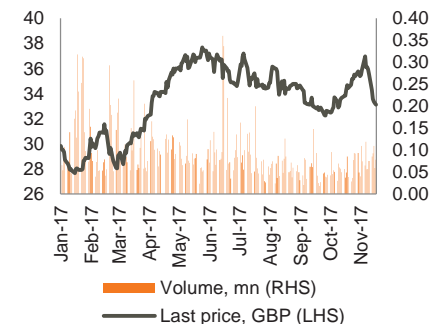
EQUITIES PERFORMANCE



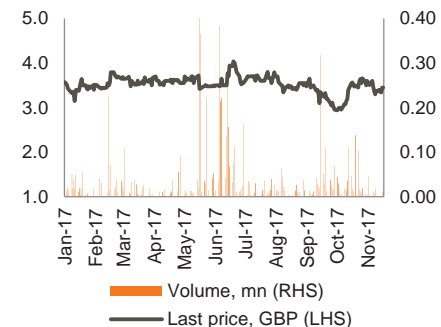
Eastern European Companies

Company	Ticker	Share price, USD	MCap USD mn	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO	BGEO	33.20*	1,730	-3.4%	-9.9%	11.3%	18.6%
GHG	GHG	3.40*	593	-1.3%	-1.4%	-4.8%	-8.1%
TBC	TBC	16.50*	1,156	3.1%	2.9%	13.6%	24.5%
Halyk Bank	HSBK	9.61	2,642	-6.7%	27.3%	60.4%	60.2%
MHP	MHPC	11.50	1,228	11.1%	12.2%	30.8%	28.9%
VTB Bank	VTBR	1.89	12,274	-4.4%	-18.2%	-20.7%	-9.1%
Vozrozhdenie	VZRZ	10.01	238	2.3%	-23.5%	-18.2%	-9.2%
Sberbank	SBER	16.35	88,237	35.0%	33.5%	41.3%	67.0%

BGEO Group (BGEO LN)



Georgia Healthcare Group (GHG LN)



Source: Bloomberg, as of 20-Nov-2017

*BGEO, GHG and TBC share prices traded and shown in GBP

BGEO GROUP CURRENT STRUCTURE



Banking Business	
Retail Banking	Corporate Investment Banking
Wealth Management	BNB (Bank in Belarus)

Investment Business		
GHG (Healthcare)	GGU (Utility & Energy)	
m ² (Real Estate)	Teliani (Beverages)	Aldagi (P&C Insurance)

Bank of Georgia (Banking)

- 33.3% market share in total assets
- 31.7% market share in gross loans
- 33.5% market share in client deposits

GHG (Healthcare)

- 24% market share in Hospitals
- 29% market share in pharmaceuticals retail
- 30% market share in health insurance

GGU (Utility & Energy)

- Natural monopoly in water supply and wastewater services in Tbilisi, Rustavi, Mtskheta
- 149.3MW existing capacity in HPPs; medium term pipeline of 200MW in HPPs and wind

m² Real Estate

- Largest developer in Georgia; 1,672 apartments completed; 1,220 apartments under construction
- Entering hospitality market with 3 hotels under construction

Teliani (Beverages)

- Market leader in wine, with 35% market share, exporting wine to 13 countries
- Exclusive Heineken producer in Caucasus

Aldagi (P&C insurance)

- 38% market share by revenues
- Doubled retail portfolio during last 3 years

BOG WEALTH MANAGEMENT PRODUCTS



Deposit Products

Term Deposit

- Callable
- Convertible
- Deposit Secured Loan
- Interest income: not subject to taxation
- Indicative rates in FC: 2.5%-3.0%
- Indicative rates in GEL: 9%-9.5%

Certificate of Deposit

- Not Callable
- Transferable
- Deposit Secured Loan
- Interest income: not subject to taxation
- Indicative rates in FC: 3.25%-4.10%
- Indicative rates in GEL: 9.5%-11.25%

Global Notes

Notes in USD/ILS

- Coupon Rate: 5.5% pa
- Term: 3 years
- Coupon Payment: annual
- Minimum Trading Size: 10,000

Index Linked Structured Notes in USD

- Guaranteed Interest: 1%
- Term: 3 years
- Guaranteed Int. Payment: annual
- Capital: Guaranteed
- Participation: 100% in positive performance of reference asset
- Reference Asset: INDEXSP:.INX (S&P 500)
- Minimum Trading Size: 10,000
- Subscription fee: none

Index Linked Structured Notes in EUR

- Guaranteed Interest: 0.5%
- Term: 3 years
- Guaranteed Int. Payment: annual
- Capital: Guaranteed
- Participation: 100% in positive performance of reference asset
- Reference Asset: SX5E:IND (EURO STOXX 50)
- Minimum Trading Size: 10,000
- Subscription fee: none

- Clearing Systems: Euroclear and Clearstream
- International Paying Agent: Citibank GTS
- Tradable/Transferable
- Non-callable
- Coupon payment: not subject to income tax

- Tailor-made issuance from 5 million USD or equivalent
- Bank account opening: not required
- Simple KYC procedure
- Eligibility: Family offices, HNWI, Entities with access to Euroclear/Clearstream



BANK OF GEORGIA

QUESTIONS?

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