



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

# RESULTS CALL PRESENTATION

**1Q22 Financial Results**

11 May 2022

[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: macro risk, including domestic instability; regional instability risk; credit risk; liquidity and funding risk; capital risk; market risk; regulatory and legal risk; financial crime risk; information security and data protection risks; operational risk; human capital risk; COVID-19 pandemic risk; model risk; climate change risk; and other key factors that could adversely affect our business and financial performance, as indicated elsewhere in this document and in 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 2021. No part of this document 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 document should be construed as a profit forecast.

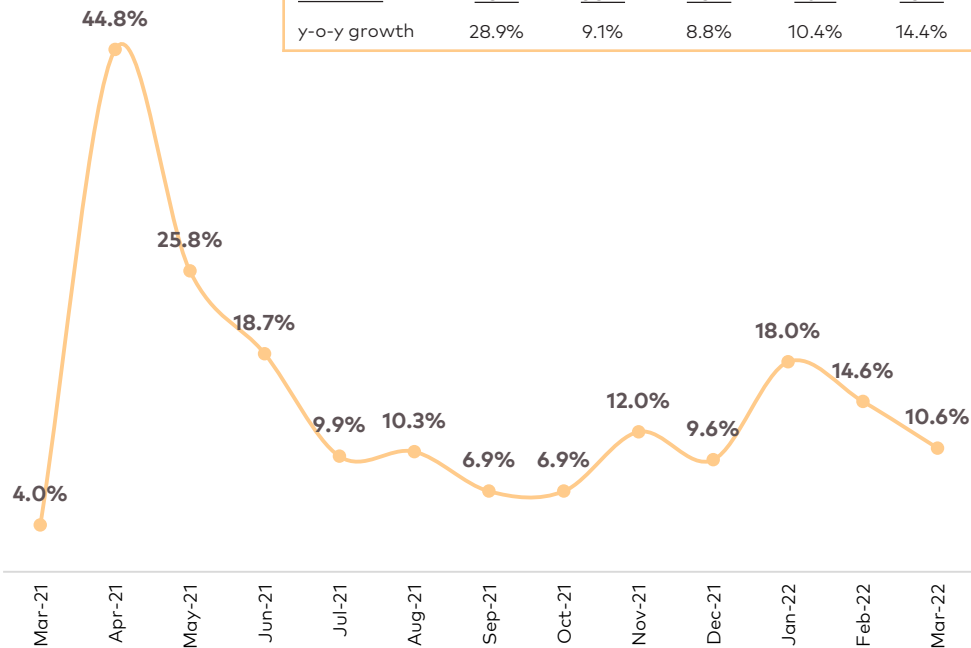
**MACROECONOMIC HIGHLIGHTS**

**GROUP OVERVIEW AND STRATEGY**

**1Q22 RESULTS**

## Real GDP y-o-y growth: preliminary estimate

Real GDP	2Q21	3Q21	4Q21	2021	1Q22
y-o-y growth	28.9%	9.1%	8.8%	10.4%	14.4%



Source: GeoStat

## Real GDP increased by 14.4% y-o-y in 1Q22

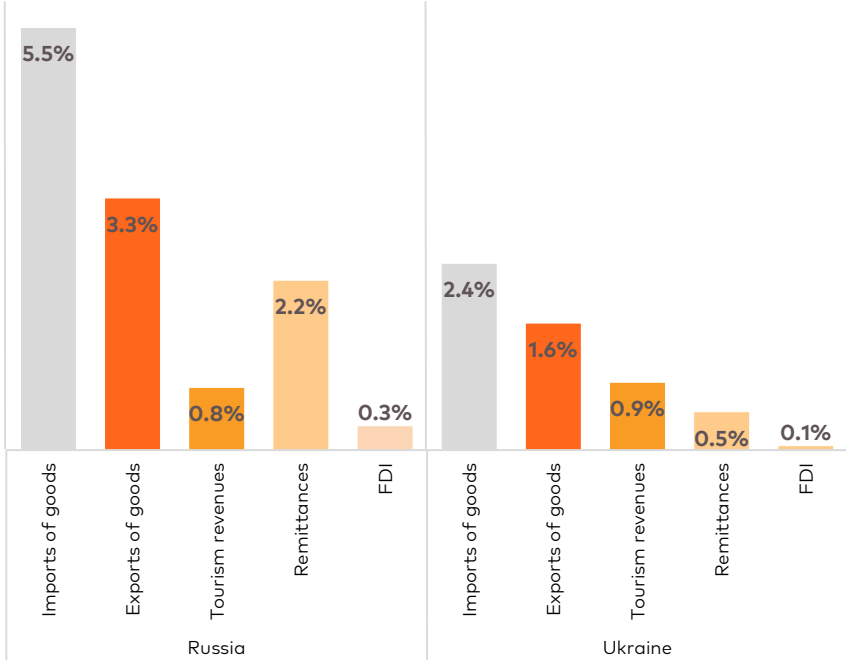
### Key drivers:

- Steady recovery in tourism revenues, resilient inflows from exports and remittances
- Robust domestic demand driven by healthy credit growth and government spending
- Significant reduction in COVID-19 cases and removal of restrictions

### In 1Q22:

- Exports of goods - up 43.3% y-o-y
- Remittances - up 9.2% y-o-y
- Tourism revenues – at 68.1% of 2019 levels

## Dependence on Russia and Ukraine in 2021, as % of GDP

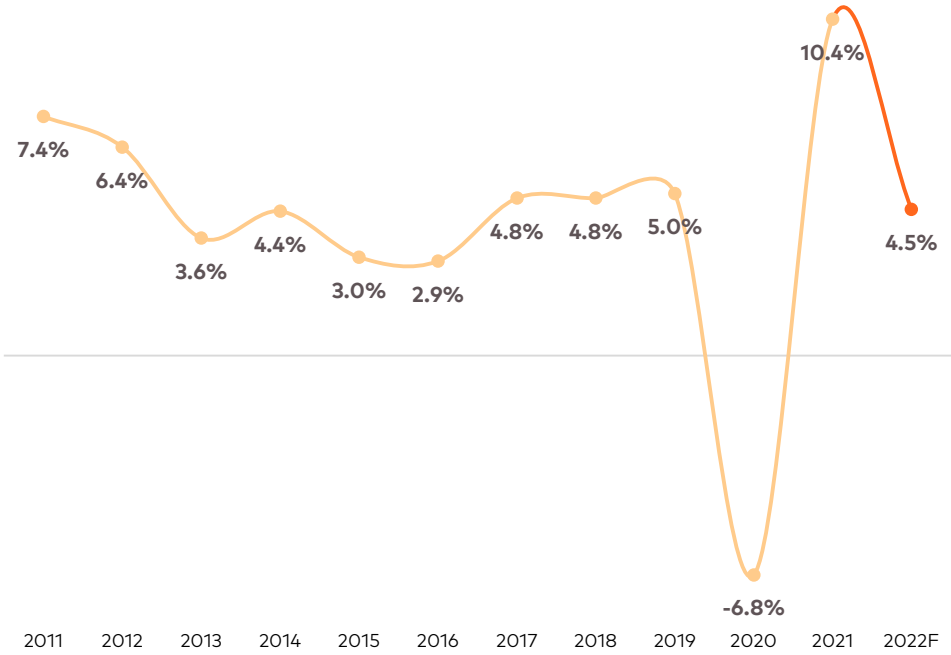


Despite considerable dependence on Russian and Ukrainian markets, Georgia's external flows remain strong amid ongoing military conflict in Ukraine

- Imports and exports have been redirected to alternative markets thanks to trade diversification (EU, Turkey, China, among others)
- Loss of remittances from Russia and Ukraine have been compensated by stronger inflows from EU countries and the US
- Arrival of migrants from Russia and Ukraine have resulted in increased tourism revenues from these countries

Source: GeoStat, NBG

## Georgia's economic growth forecast

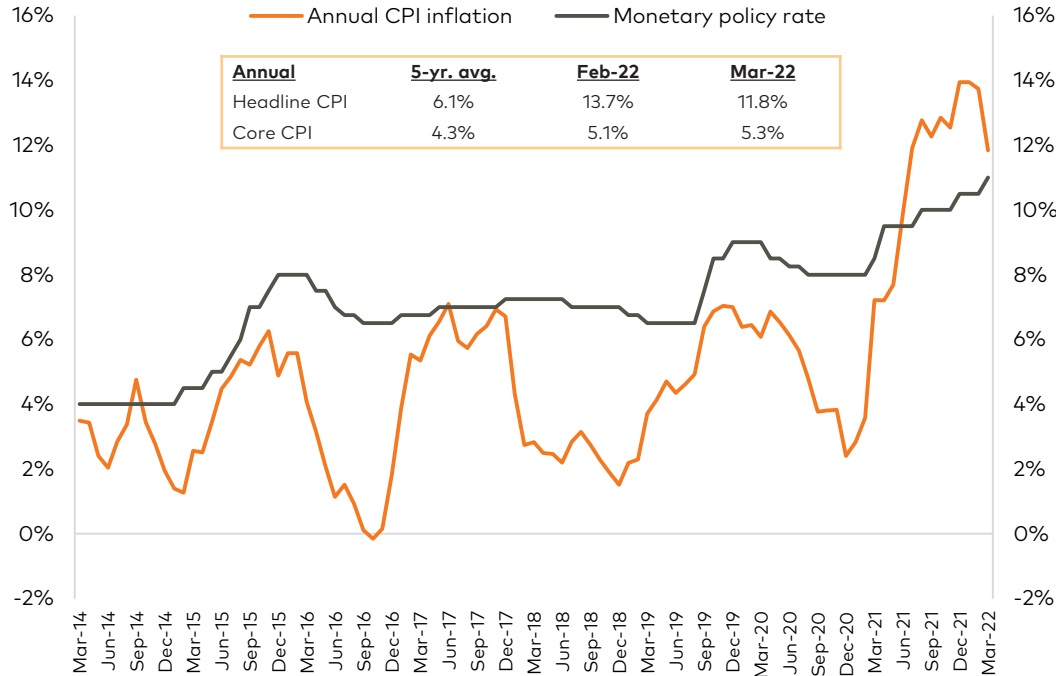


- Galt & Taggart forecasts a 4.5% real GDP growth in 2022, a 0.5ppt downward revision from pre-war projection
- Downside risks are high given elevated uncertainties, but Georgia is expected to be resilient in the face of ongoing regional tensions

Source: GeoStat, Galt & Taggart

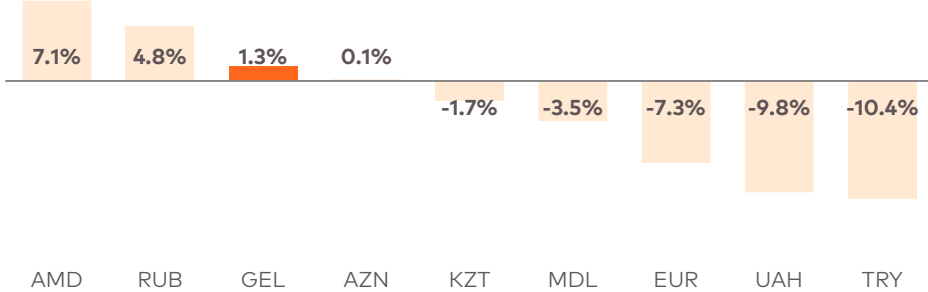
# Inflation remains elevated, reflecting mostly global commodity price pressures

## Monetary policy tightened further to curb inflation expectations



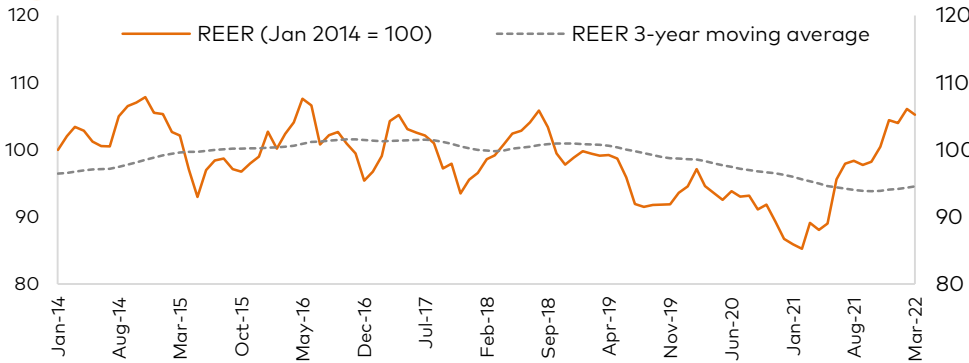
- Annual CPI inflation in Georgia was 11.8% in March 2022, with a 2.5% increase in the price level month-on-month
- Currently, inflation is mainly driven by commodity price rally coupled with a pass-through effect of GEL depreciation in the wake of the Russia-Ukraine war
- To curb inflation expectations, the NBG increased the refinancing rate further by 0.5 ppt to 11.0% in March 2022
- Given the tight monetary policy and transitory nature of current price pressures, inflation is expected to decelerate gradually throughout 2022, but likely to remain above target, at around 9.0%, on average

## Currency movements vs. US\$, Jan 2022 – Apr 2022



GEL vs. US\$, change during the reporting period	2Q21	3Q21	4Q21	1Q22
	8.0%	1.2%	0.8%	-0.1%

## GEL real effective exchange rate

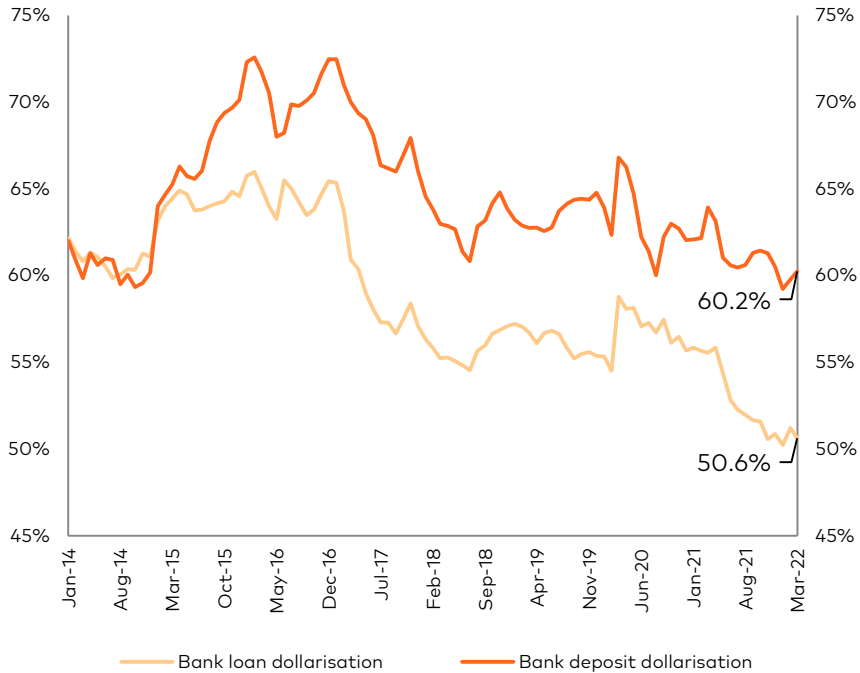


- GEL regained its value against Dollar after a short-lived depreciation at the onset of the Russia-Ukraine war
- Tight monetary policy coupled with resilient external inflows contributed positively to local currency stability

Source: Bloomberg, NBG  
 Note: +/- means appreciation/depreciation

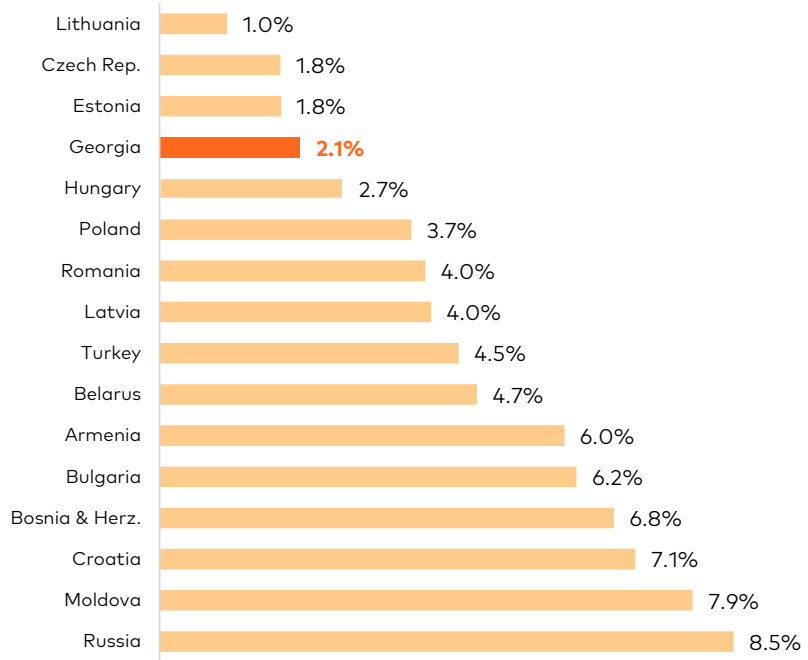


## Loan and deposit dollarisation



Source: NBG

## Non-performing bank loans to total gross loans (2019-2020 average)



Source: IMF

**MACROECONOMIC HIGHLIGHTS**

**GROUP OVERVIEW AND STRATEGY**

**1Q22 RESULTS**



**BANK OF GEORGIA**  
GROUP PLC

## RETAIL BANKING

Mass  
Retail

Premium  
Banking

MSME

## CORPORATE AND INVESTMENT BANKING

### Leader in payments and financial mobile app

- 54% of total POS payment transactions executed in BOG POS terminals
- c.11.4 mln transactions executed in mobile app per month in 1Q22, up 61% y-o-y
- 97% of transactions of individuals executed through digital channels

### Strongest retail banking franchise

- 41% market share in deposits of individuals\*
- 39% market share in loans to individuals\*
- Most trusted bank and top of mind bank in Georgia\*\*
- NPS of 54% in March 2022\*\*\*

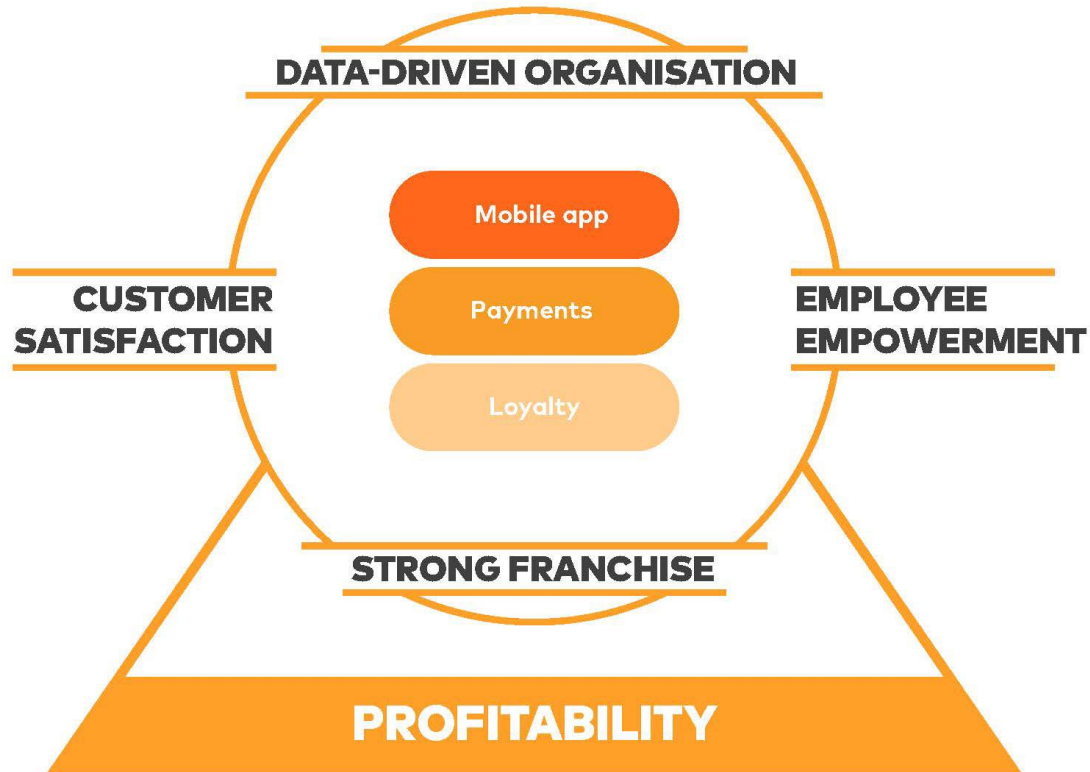
### Robust profitability

- Delivering ROAE of 20%+ sustainably

\* Based on data published by the National Bank of Georgia as at 31 March 2022.

\*\* Based on autumn 2021 external research by IPM Georgia.

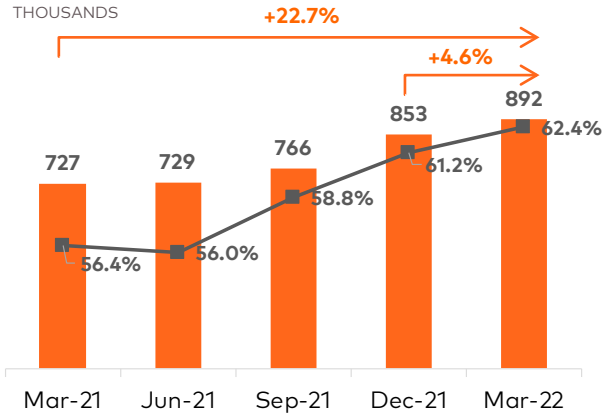
\*\*\* Based on 1Q22 external research by IPM Georgia.



## MBANK/IBANK STATISTICS\*

### Number of monthly active users\*\*

THOUSANDS



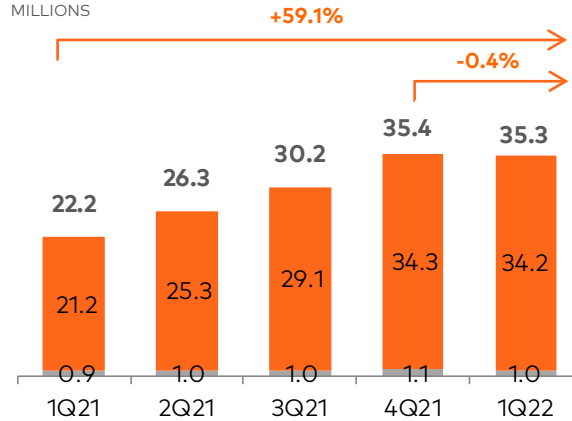
■ Number of monthly active digital users  
—■ Share in monthly active customers (individuals)

**44.6%**  
Mar-22

**Daily active users/monthly active users**

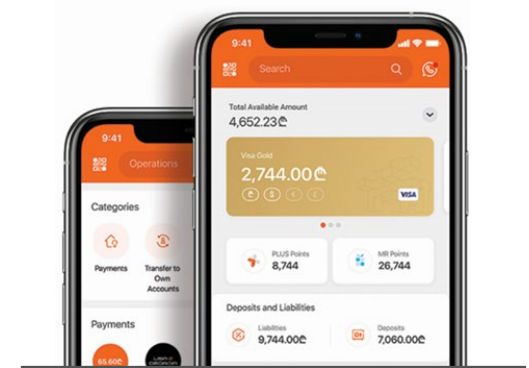
### Number of transactions

MILLIONS



■ iBank ■ mBank

**NEXT STEP:  
BUILDING A SUPER APP**



**11.4mln  
Transactions per month**

**87%  
Customer Satisfaction Score**



★★★★★ 4.8



★★★★★ 4.8

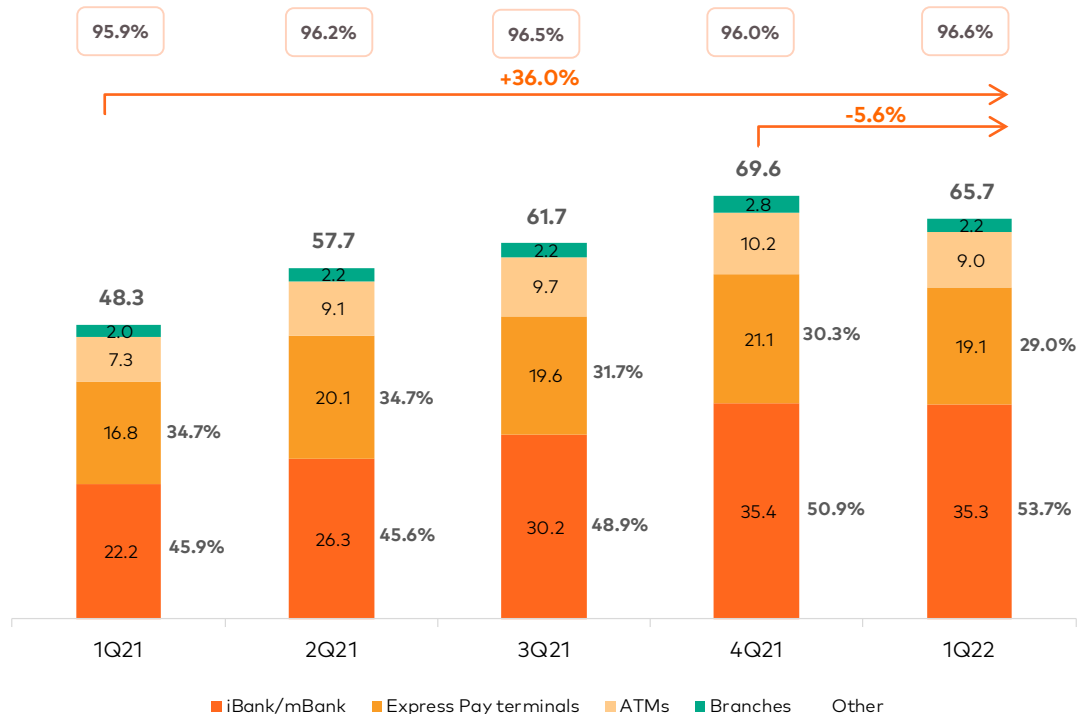
\* Information on this slide depicts the use of mobile and internet banking platforms by individuals.  
 \*\* Monthly active user – at least one login within the past month.

# Increasing share of mBank/iBank transactions\*

## NUMBER OF TRANSACTIONS

MILLIONS

Offloading rate



**3,122**

Express Pay terminals

-0.1% y-o-y

-0.4% q-o-q

**211**

Branches\*\*

Flat y-o-y

Flat q-o-q

**892k**

mBank/iBank MAU\*\*\*

+22.7% y-o-y

+4.6% q-o-q

**990**

ATMs

+2.8% y-o-y

+0.1% q-o-q

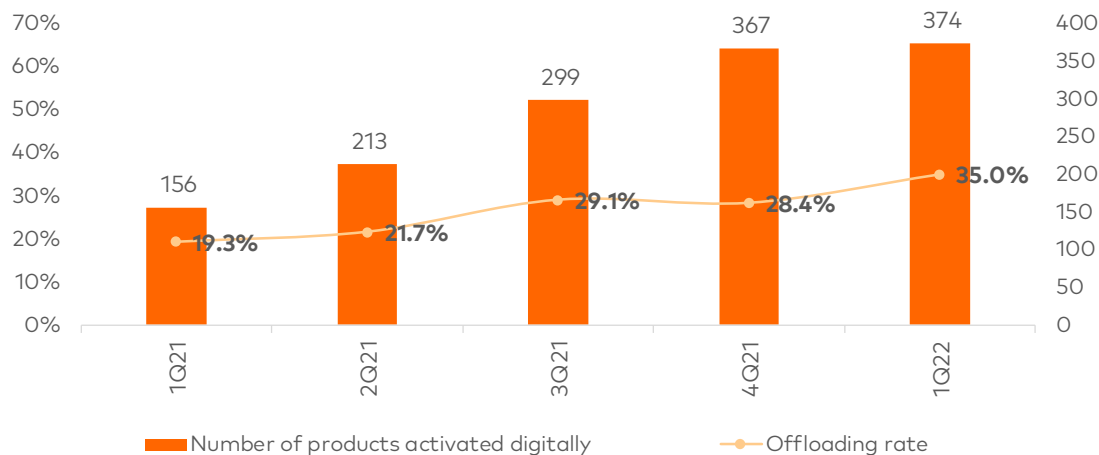
\* Information on this slide depicts the use of channels by individuals.

\*\* Includes representative offices of the Wealth Management business, which was reclassified from Corporate and Investment Banking to Retail Banking in 3Q21.

\*\*\*Monthly active user – at least one login within the past month.

## PRODUCT OFFLOADING\*

THOUSANDS



- Continuously developing our digital products and refining **end-to-end digital journeys**. The functionalities of our digital channels are updated every two to three weeks
- Redesigned deposit activation flow** launched at the end of 2021
- Offers Hub** added to our mobile app at the end of 2021, with personalised offers driven by our recommendation engine
- Insurance marketplace** launched in the first quarter of 2022

35%

Product offloading rate in 1Q22

c.36%

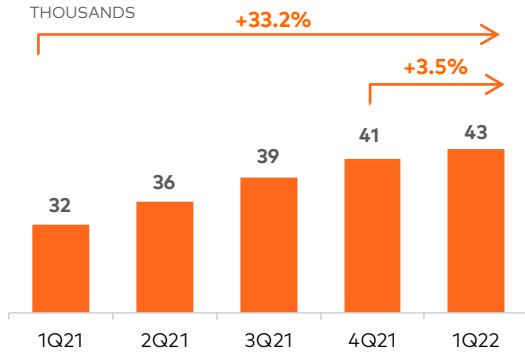
Planned product offloading rate by the end of June 2022

\* Mainly comprises **card**, **deposit**, and **loan** activations in digital channels.

## BUSINESS MBANK/IBANK STATISTICS\*

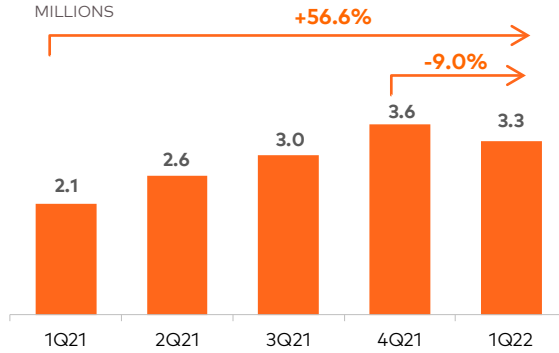
Number of monthly active users\*\*

THOUSANDS

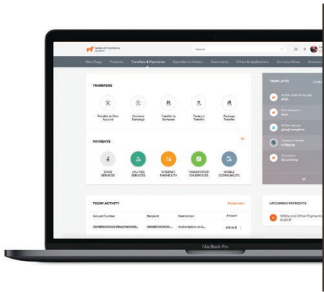
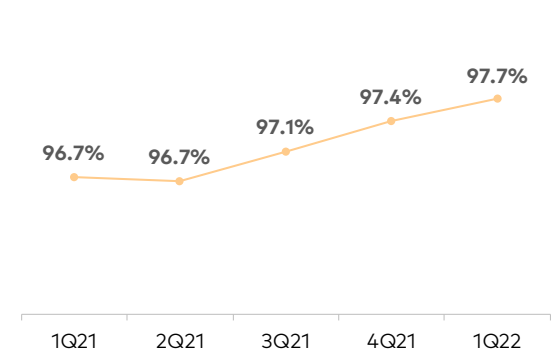


Number of transactions

MILLIONS

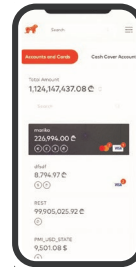


Transactions offloading rate



**979k**  
Transactions per month

**77%**  
Customer Satisfaction Score



Financial mobile application launched in 1Q21

**111k**  
Transactions per month

**80%**  
Customer Satisfaction Score

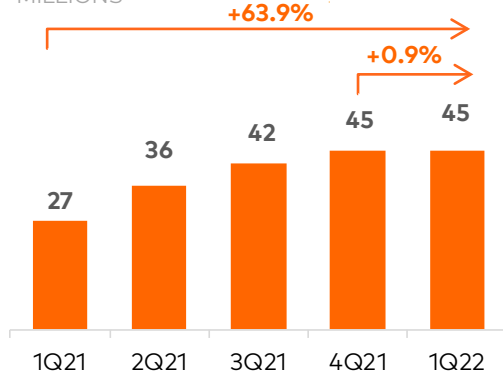
\* Information on this slide depicts the use of internet and mobile banking platforms by legal entities.

\*\*Monthly active user – at least one login within the past month.



## NUMBER OF PAYMENT TRANSACTIONS IN BOG TERMINALS

MILLIONS



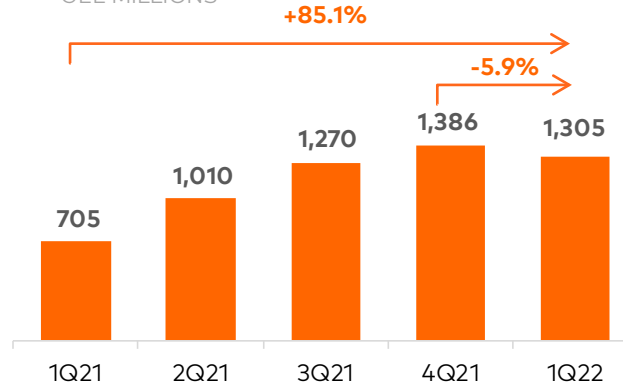
**54%**

Share by number of POS payment transactions in BOG's POS terminals | 1Q22\*

+3ppts YoY

## VOLUME OF PAYMENT TRANSACTIONS IN BOG TERMINALS

GEL MILLIONS



**52%**

Share by volume of POS payment transactions in BOG's POS terminals | 1Q22\*

+3ppts YoY

**39k**

Multifunctional POS terminals

+30.1% y-o-y

+1.5% y-o-y

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

## FOCUS ON INCREASING CUSTOMER SATISFACTION BY:

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

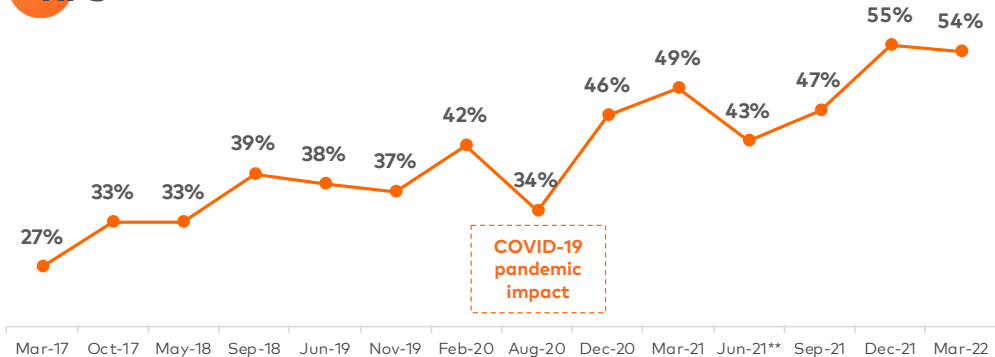
**Anticipating** customer needs, wants, and future behavior

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

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



NPS\*



\* Based on external research by IPM Georgia.

\*\* NPS of all major banks decreased due to monetary policy rate hike.

**MACROECONOMIC HIGHLIGHTS**

**GROUP OVERVIEW AND STRATEGY**

**1Q22 RESULTS**

## Outstanding profitability

### ROAE

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**30.7%**

## Strong top-line

### Operating income

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**GEL 396mln**

+30.3% y-o-y  
+4.4% q-o-q

## Resilient loan portfolio quality and focus on cost control

### Cost of credit risk

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**0.8%**

## Solid portfolio growth

### Loan growth

31 Mar 2022

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**GEL 16.3bln**

+11.6% y-o-y \*  
+0.7% q-o-q \*

## Robust capital base and liquidity positions

### CET 1 capital

31 Mar 2022

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**13.7%**

Minimum requirement  
11.8%

## Net profit

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**GEL 241mln**

+73.2% y-o-y  
+19.9% q-o-q

## Share of non-interest income

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**31.4%**

## Cost to income

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**35.0%**

## Deposit growth

31 Mar 2022

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**GEL 14.5bln**

+3.7% y-o-y \*\*  
+3.4% q-o-q \*\*

## Liquidity coverage

31 Mar 2022

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**116.2%**

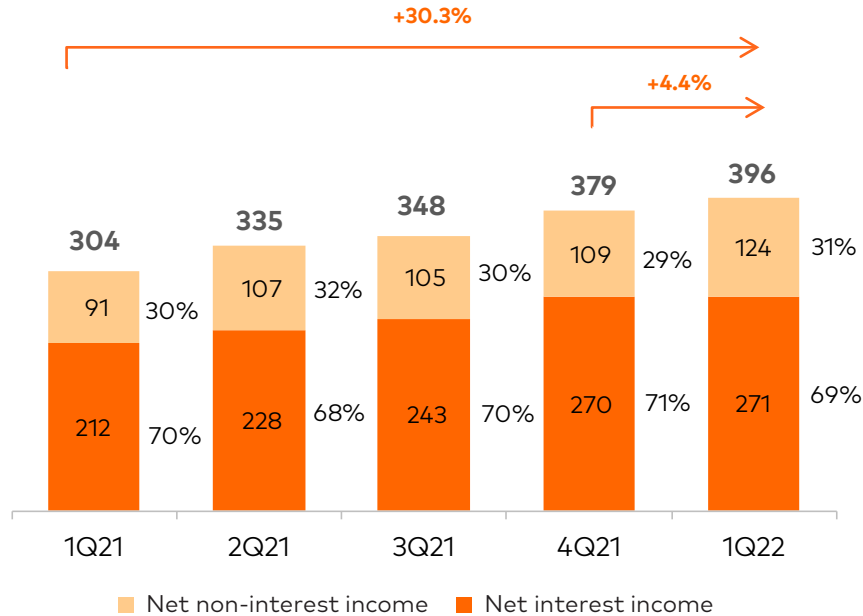
Minimum requirement  
100%

\* Growth on a constant currency basis was 19.0% y-o-y and 1.0% q-o-q.

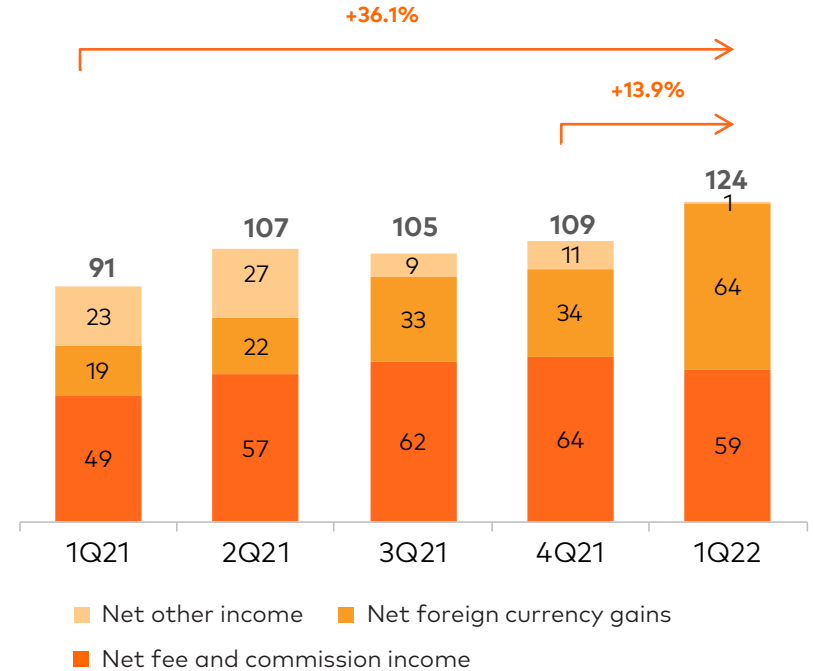
\*\* Growth on a constant currency basis was 10.6% y-o-y and 3.6% q-o-q.

All currency data are in GEL mln unless otherwise stated

## OPERATING INCOME

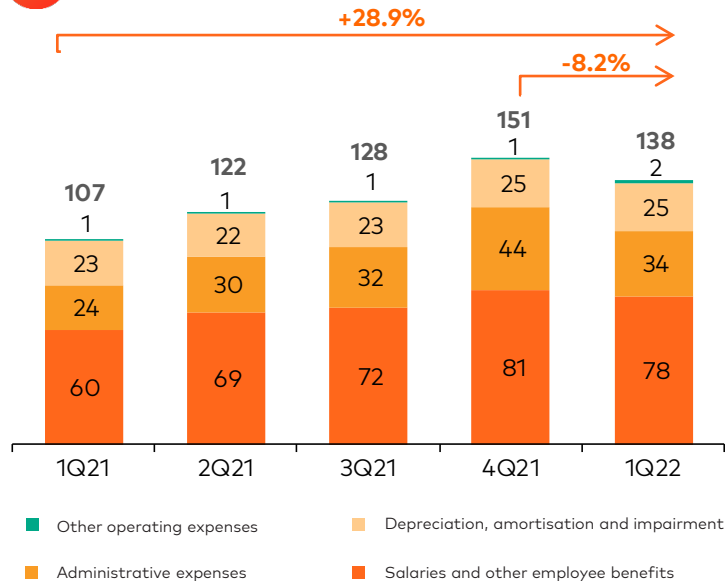


## NET NON-INTEREST INCOME



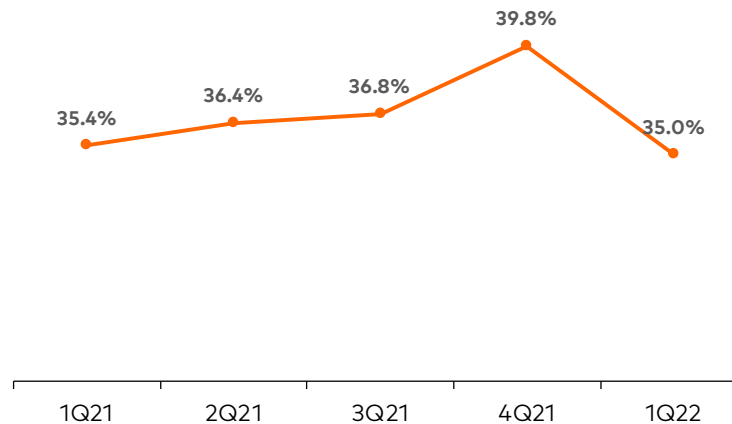
- Strong net interest income and net fee and commission income generation coupled with higher net foreign currency gains driving strong y-o-y growth in the first quarter of 2022

## OPERATING EXPENSES



## COST TO INCOME RATIO

All currency data are in GEL mln unless otherwise stated

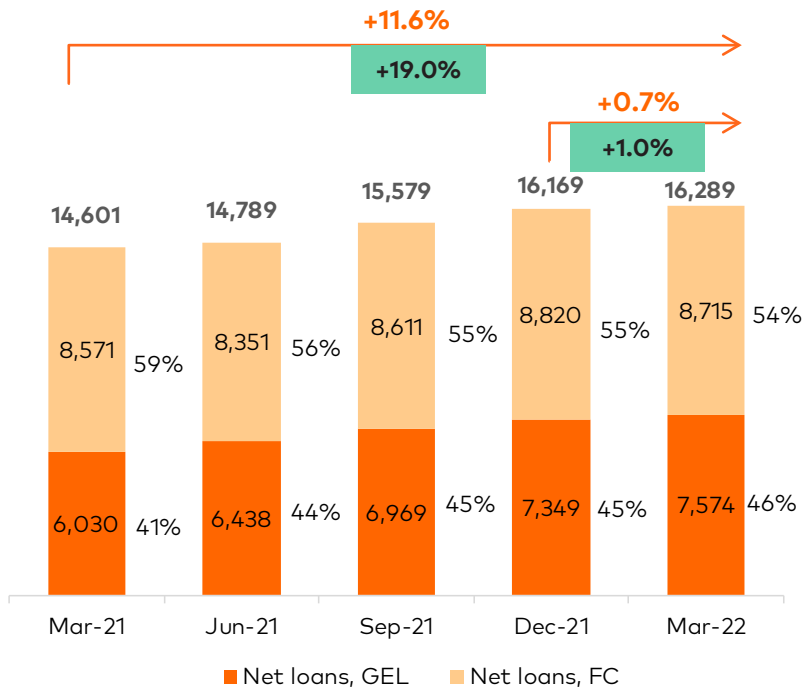


- Operating expenses up y-o-y in the first quarter of 2022, driven primarily by strong business growth and our investments in the Group's technological capabilities, digital programmes and marketing.
- We maintain our key focus on efficiency, with cost to income ratio improving to 35% in 1Q22.

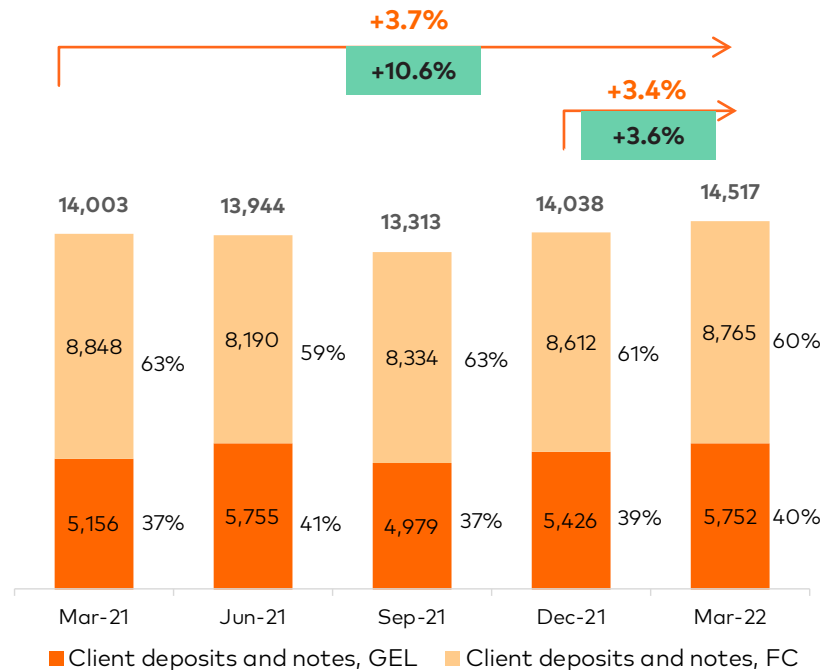
**c.35%**  
**Medium-term**  
**guidance**

All currency data are in GEL mln unless otherwise stated

## LOAN PORTFOLIO

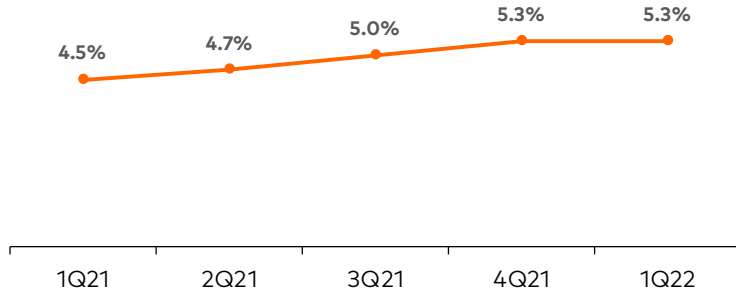


## DEPOSIT PORTFOLIO

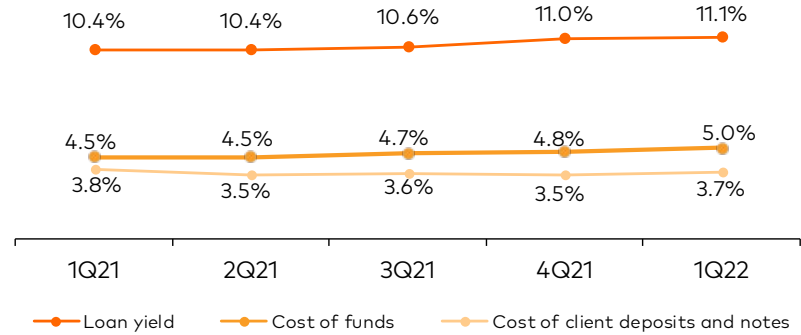


■ Growth on a constant currency basis

## NET INTEREST MARGIN



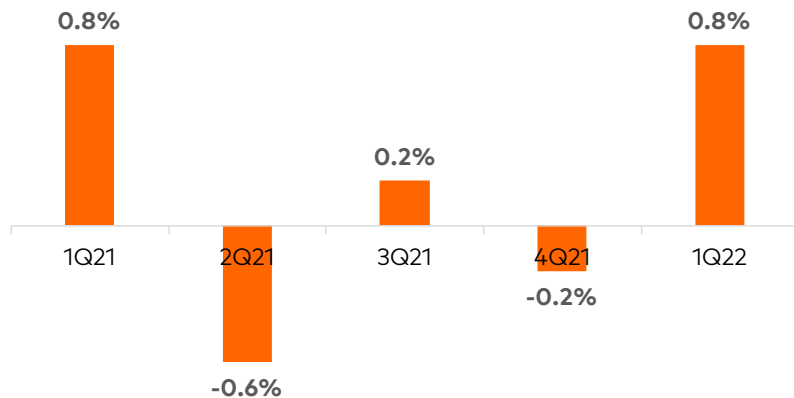
## LOAN YIELD, COST OF FUNDS, COST OF DEPOSITS



- The y-o-y increase in NIM driven primarily by higher loan yield coupled with the successful deployment of some excess liquidity.



## COST OF CREDIT RISK RATIO

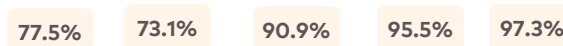


- Cost of credit risk in the first quarter of 2022 reflected higher ECL provisions posted in the Retail Banking segment as well as higher ECL provisions for the Group's operations in Belarus. These were partially offset by strong recoveries in Corporate and Investment Banking segment.

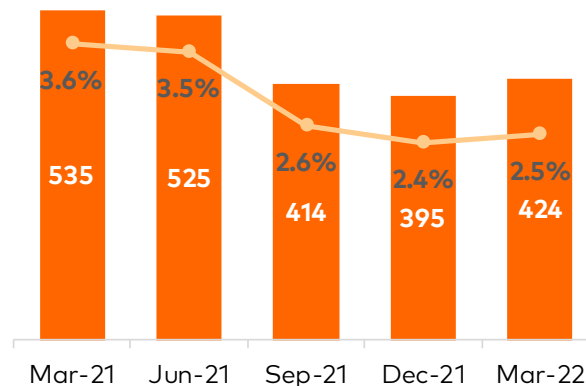
All currency data are in GEL mln unless otherwise stated

## LOAN PORTFOLIO QUALITY

### NPL coverage



### NPL coverage adjusted for collateral value

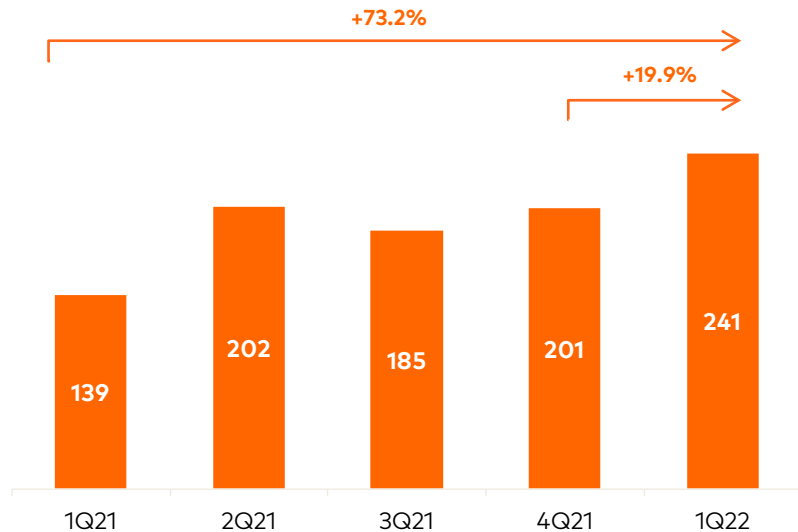


■ NPLs, GEL millions

—● NPLs to gross loans

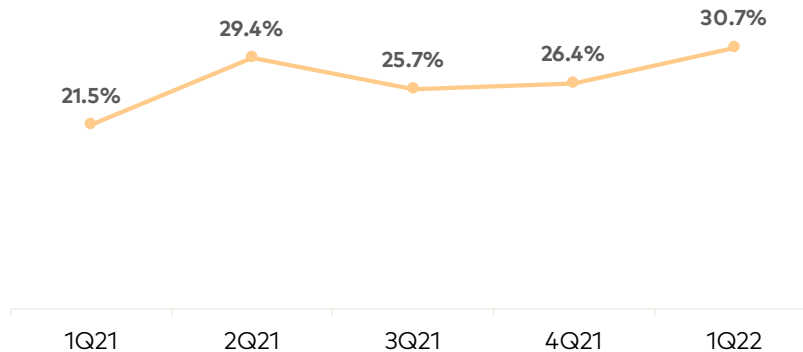
# Strong bottom-line growth and robust profitability

## PROFIT



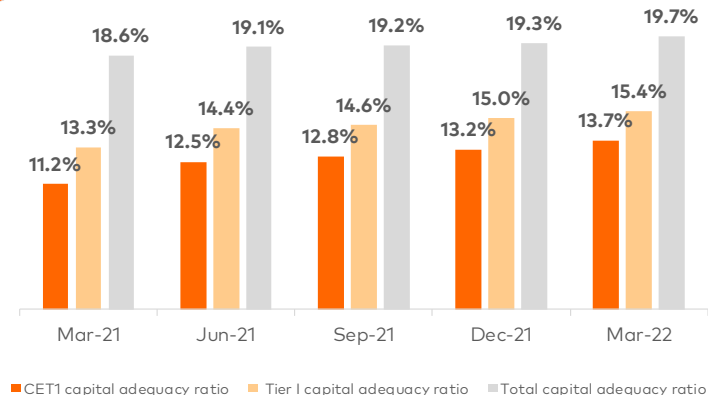
## ROAE

All currency data are in GEL mln unless otherwise stated

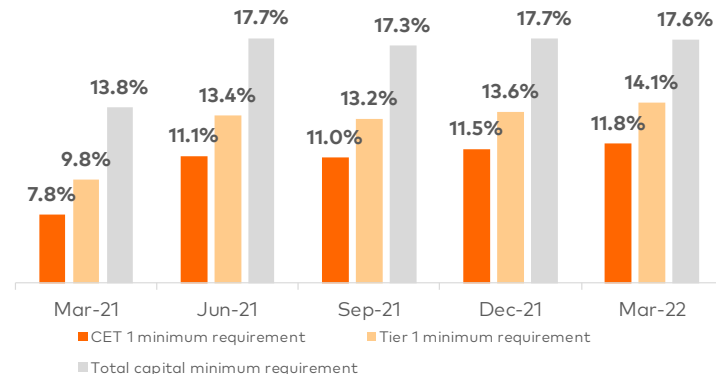


# Strong capital position, with ratios comfortably above minimum requirements

## Capital adequacy ratios



## Minimum requirements



- In April 2020, as part of its updated supervisory plan in response to the COVID-19 pandemic, the NBG released Pillar 2 and conservation buffers, reducing the minimum regulatory capital requirements at the time. Subsequently, the NBG announced a **released capital buffers rebuild plan** and updated the timeline for the phase-in of additional Basel III capital requirements for the banking sector.
- In May 2021, the Bank confirmed to the NBG that since May 2021 it no longer used or expected to use any of the Pillar 2 or conservation buffers that had been waived in 2020. **As a result, the Bank no longer faces any regulatory restriction on making any capital distributions.**
- **Capital distribution:** In August 2021, the Group declared an interim dividend of GEL 1.48 per ordinary share for the period ended 30 June 2021, paid to shareholders on 5 November 2021. The Board intends to recommend a final dividend for 2021 of 2.33 GEL per ordinary share payable in Pounds Sterling at the prevailing rate. This will make a total dividend paid in respect of the Group's 2021 earnings of GEL 3.81 per share.

## EVOLUTION OF CAPITAL RATIOS DURING 1Q22

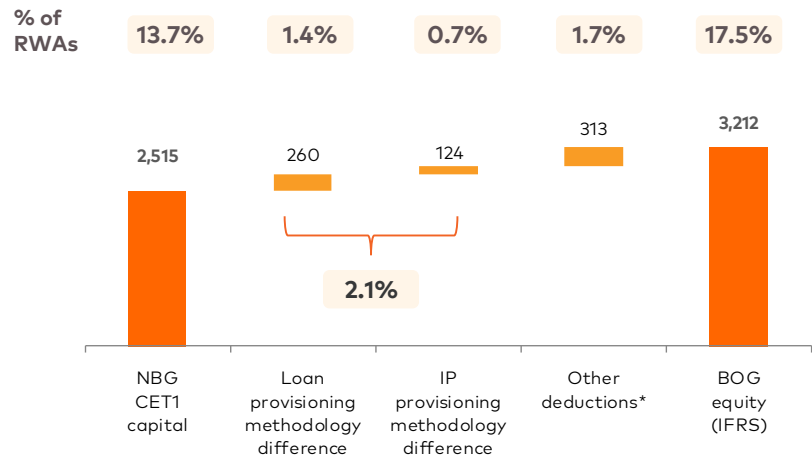
	Capital ratios Dec-21	1Q22 profit	Business growth	Currency impact	Capital ratios Mar-22	Potential impact of a 10% GEL devaluation
CET1 capital adequacy ratio	13.2%	0.9%	-0.4%	0.0%	13.7%	-0.9%
Tier I capital adequacy ratio	15.0%	0.9%	-0.5%	0.0%	15.4%	-0.9%
Total capital adequacy ratio	19.3%	0.9%	-0.5%	0.0%	19.7%	-0.8%

## EXPECTED MINIMUM CAPITAL REQUIREMENTS FOR 2022-2023

Bank of Georgia's minimum capital requirements, reflecting the full loading of Basel III capital requirements, to be completed in 2023, which remain subject to ongoing annual regulatory reviews, are currently expected to be as follows:

	Dec-22	Dec-23
CET1 capital requirement	11.8%	12.1%
Tier I capital requirement	14.1%	14.5%
Total capital requirement	17.6%	17.6%

## BOG EQUITY VS. CET1 REG. CAPITAL | MAR-22

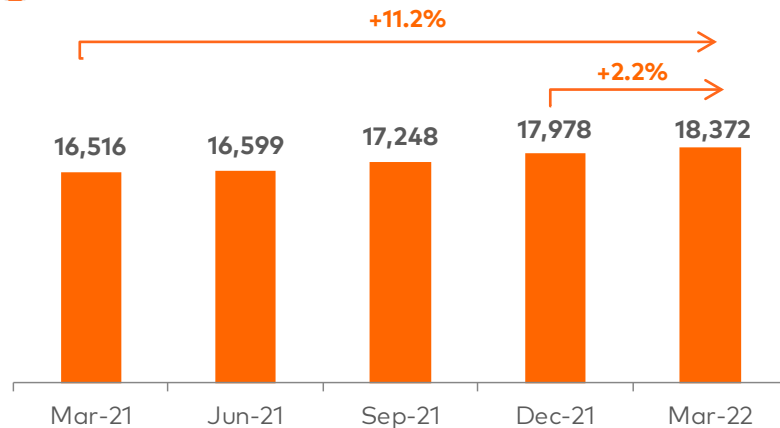


\* Revaluation reserve, investments in non-financial subsidiaries and intangible assets

- Existing additional capital buffer (**c.2.1%** of risk-weighted assets) reflects the differences in the provisioning methodology of IFRS 9 and the NBG
- The NBG is currently transitioning to IFRS-based financial reporting

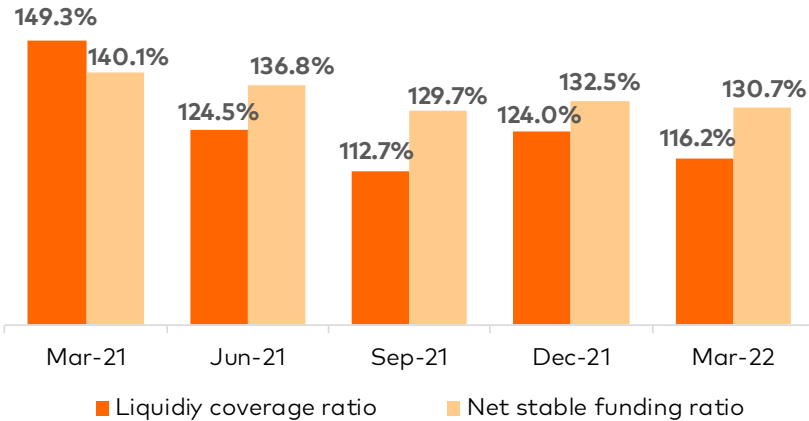
## RISK-WEIGHTED ASSETS

All currency data are in GEL mln unless otherwise stated

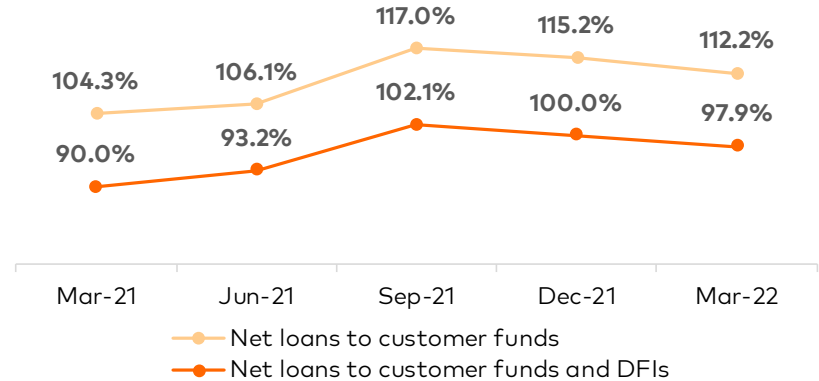


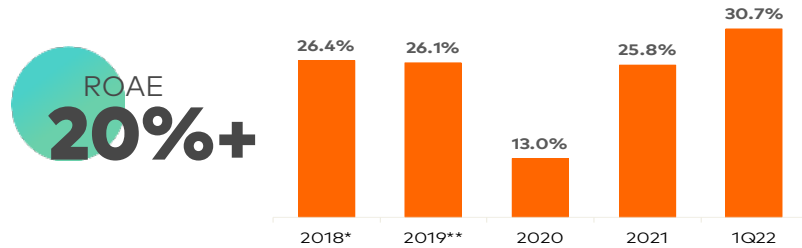
## LIQUIDITY COVERAGE AND NET STABLE FUNDING RATIOS

JSC Bank of Georgia standalone (Basel III liquidity)

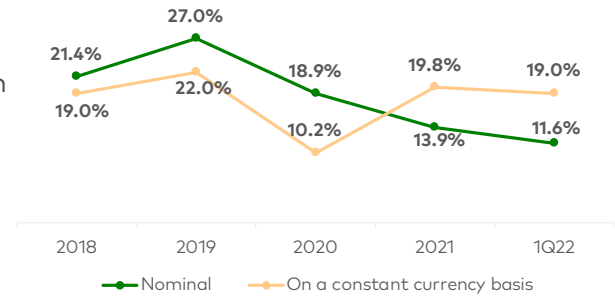


## NET LOANS TO CUSTOMER FUNDS AND DFIs





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

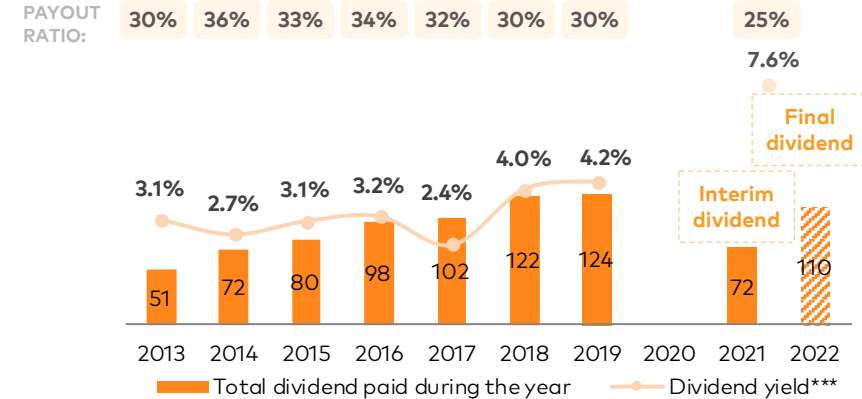


## CAPITAL DISTRIBUTION

- **Maintain regular progressive semi-annual dividend payouts:** aiming at a **30-50%** dividend/share buyback payout ratio
- Interim dividend of **GEL 1.48** per ordinary share paid on 5 November 2021
- At the 2022 Annual General Meeting, the Board intends to recommend a final dividend for 2021 of **GEL 2.33** per share payable in Pounds Sterling at the prevailing rate

## REGULAR DIVIDENDS

GEL MILLIONS



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

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

\*\*\* Dividend yield for 2013-2019 and for interim dividend for 2021 is calculated based on the closing price of shares immediately prior to ex-dividend date. Final dividend yield is calculated based on the closing price of shares on 10 May 2022



**THANK YOU**