

London, 8 November 2017

*BGEO Group hosts Investor Day in Tbilisi*

BGEO Group PLC (“**BGEO**” or the “**Group**”) announces that the Group is hosting an Investor Day for analysts and investors in Tbilisi on Thursday 9 November 2017.

On 3 July 2017, the Group announced its intention to demerge BGEO Group PLC into two separately London-listed businesses: a banking business, Bank of Georgia PLC, and an investment business, BGEO Investments PLC. The Board believes a demerger of the businesses will deliver additional long-term value to shareholders by creating two distinct entities, each of which will have enhanced growth opportunities in the strongly growing Georgian economy. Both businesses are already leaders in their respective fields, with separate strategic, capital, and economic characteristics and strong and knowledgeable management teams. We expect the demerger to benefit the two businesses in a number of areas, most specifically by providing greater flexibility for each business to manage its own capital and human resources and pursue strategic options appropriate to its respective sector. The Board believes that the demerger is the best way to enable the individual businesses to grow faster and develop independently over the next few years. We expect the demerger, which will be subject to shareholder approval at an Annual General Meeting in April 2018, to take a number of months to implement. A formal Board decision to implement the demerger is expected before the end of 2017, and the process is currently expected to complete by 30 June 2018.

As part of the investor presentations BGEO will update investors on its strategic goals and priorities as summarised below:

**Within the banking business:**

- Over the next few years, Bank of Georgia (the “**Bank**”) will continue its successful client centric, multi-brand strategy with the product per client ratio in the mass retail bank targeted to increase to 3.0 products, from a current 1.8 products
- The Bank will continue to strengthen its market leading digital offering, and introduce data mining solutions within the Retail Bank
- In the Express Banking segment, the Bank will aim to double the number of transactions over the next 2-3 years
- In Solo Banking, the Bank will target to increase the number of Solo clients to 40,000 (currently 28,492)
- The bank will aim to develop a significant regional private banking franchise
- In addition, over the medium-to-long term:
  - The Bank will aim to maintain its return on average equity in excess of 20% per annum
  - The net interest margin is expected to be in excess of 7.0% (currently 7.3%)
  - The Bank aims to manage to a cost/income ratio of around 35% (currently 38%)
  - The Bank will continue to enhance its already prudent risk management practice, and will aim to maintain its Non-Performing Loans coverage ratio in the range of 80-120% (currently 93.6%)
  - Through the long-term economic cycle, the Bank's cost of risk ratio is expected to remain at c.2.0% per annum
- The Bank will aim to maintain a dividend payout in the range of 25%-40% of earnings

**Within the Investment Businesses:**

- The Investment Business is a Georgia focused diversified investment company targeting a minimum IRR of 25%. The business has a highly disciplined approach to unlocking value through opportunistic investments – acquiring early stage, developing businesses or establishing greenfield businesses, whilst establishing clear exit paths through IPO or trade sale over a 5-10 year period
- The investment business currently manages a portfolio of the following 5 investments in Georgian businesses:

**Georgia Healthcare Group (GHG) (57% stake)**

The strategy of GHG is to:

- Target 30%+ market share in Hospitals (currently 24%)
- Target c.15%+ market share in Polyclinics (currently 2%)

- Maintain the *largest market share as a pharmaceuticals retailer* and wholesaler in Georgia (currently 29%)
- Exceed 30% market share in health insurance (currently 30%)

### **Georgia Global Utilities (GGU) (100% stake)**

GGU is targeting to reach combined utility and energy EBITDA in excess of GEL 100 million in 2019. Within its segments, GGU's strategy is as follows:

#### **Utility business**

- Substantially reduce water losses - currently **70%** technical and commercial losses
- Invest GEL 215 million in infrastructure rehabilitation projects

#### **Energy Strategy**

- Construction of Hydro, Wind and Solar generation plants

### **Real Estate business (m<sup>2</sup>) (100% stake).**

The strategy of m<sup>2</sup> Real Estate is to focus on the asset light strategy as described below, while also entering hotel development business:

- Unlock land value by developing housing projects
- Developing third party land – franchise m<sup>2</sup> brand name
- Grow yielding asset portfolio through developing hotels
- Generate fee income from third party construction projects

### **P&C Insurance business (Aldagi) (100% stake).**

Aldagi is aiming to grow its net income to GEL 50 million in 5 years

### **Beverage business (Teliani) (72% stake).**

- The strategy of Teliani Valley is to:
  - Grow in line with wine market by stimulating exports, currently 35% market share, while exporting wine to at least 13 countries
  - Enhance distribution product portfolio and become the leading FMCG distributor in Georgia
  - Achieve 30% market share in beer sales in Georgia
  - Export beer and lemonade products launched in 2017

A full set of the presentation slides can be viewed on the BGEO website at [www.BGEO.com/presentations](http://www.BGEO.com/presentations)

Name of authorised official of issuer responsible for making notification: Giorgi Alpaidze, Group CFO

#### **About BGEO Group PLC**

**The Group:** BGEO Group PLC ("BGEO" – LSE: BGEO LN) is a UK incorporated holding company of a Georgia-focused investment platform. BGEO invests, via its subsidiaries, in the banking and non-banking sectors in Georgia (BGEO and its subsidiaries, together the "Group"). BGEO aims to deliver on a 4x20 strategy: (1) at least 20% ROAE from its Banking Business; (2) at least 20% growth of its Banking Business retail loan book; (3) at least 20% IRR; and (4) up to 20% of the Group's profit from its Investment Business. On 3 July 2017 BGEO announced its intention to demerge BGEO Group PLC into a London-listed banking business (the "Banking Business") and a London-listed investment business (the "Investment Business") by the end of the first half of 2018.

**Banking Business:** Currently representing at least 80% of the Group's profit, will comprise: a) retail banking and payment services, b) corporate investment banking and wealth management operations and c) banking operations in Belarus ("BNB"). JSC Bank of Georgia ("BOG" or the "Bank") is the core entity of the Group's Banking Business. The Banking Business will continue to target to benefit from the underpenetrated banking sector in Georgia primarily through its retail banking services.

**Investment Business:** Currently representing up to 20% of the Group's profit, will comprise the Group's stakes in Georgia Healthcare Group PLC ("Healthcare Business" or "GHG") – an LSE (London Stock Exchange PLC) premium-listed company, Georgia Global Utilities ("Utility and Energy Business" or "GGU"), m<sup>2</sup> Real Estate ("Real Estate Business" or "m<sup>2</sup>"), Teliani Valley ("Beverage Business" or "Teliani") and Aldagi ("Property and Casualty Insurance Business" or Aldagi). Georgia's fast-growing economy provides opportunities in a number of underdeveloped local markets and the Investment Business will target to capture growth opportunities in the Georgian corporate sector.

JSC BGEO Group has, as of the date hereof, the following credit ratings:      Bank of Georgia has, as of the date hereof, the following credit ratings:

Fitch Ratings	'BB-/B'	Fitch Ratings	'BB-/B'
Moody's	B1/NP (FC) & B1/NP (LC)	Moody's	'Ba3/NP' (FC) & 'Ba2/NP' (LC)

For further information, please visit [www.bgeo.com](http://www.bgeo.com) or contact:

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