



BANK OF GEORGIA

BANKING BUSINESS CREDIT RISK OVERVIEW

BGEO Investor Day

9 November 2017

Tbilisi, Georgia

Speaker: **Giorgi Chiladze, CRO, JSC Bank of Georgia**

CONTENT

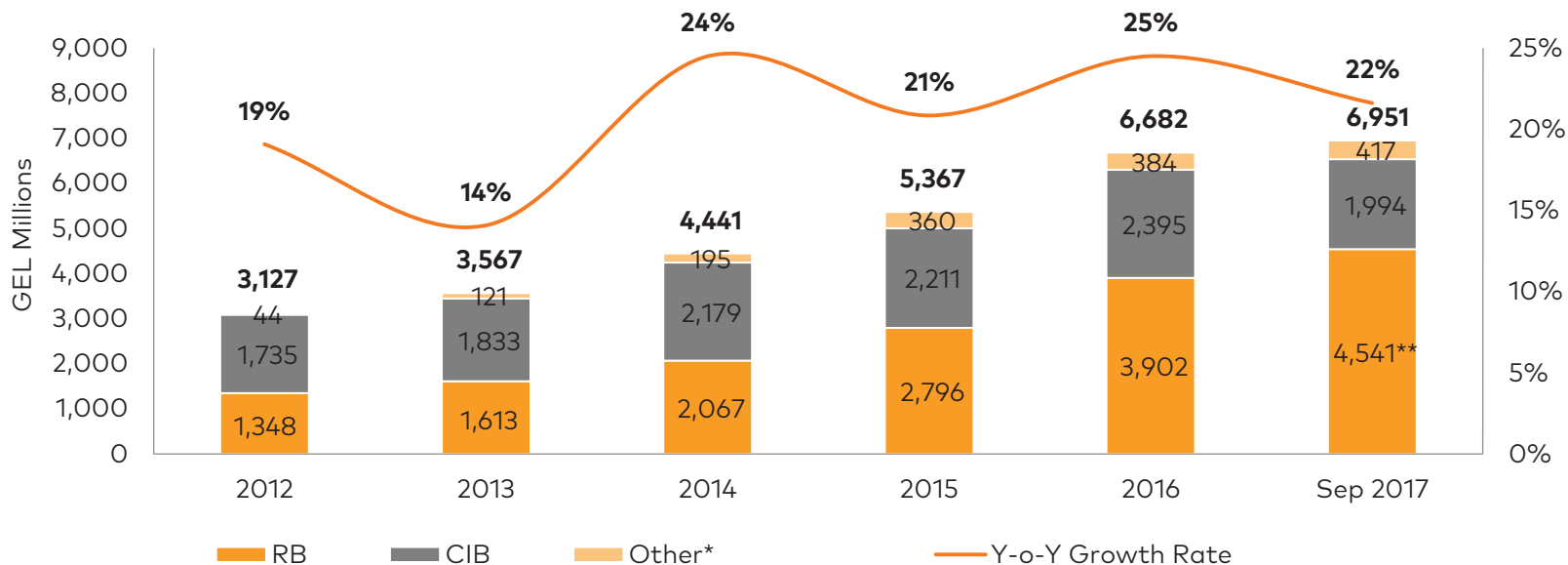


- **Banking Business loan portfolio overview**
- **Cost of risk**
- **IFRS9 impact estimation**
- **Q&A**

LOAN PORTFOLIO DYNAMICS



NET BANKING BUSINESS LOAN PORTFOLIO



* Other mainly includes BNB, GLC and Banking Business eliminations

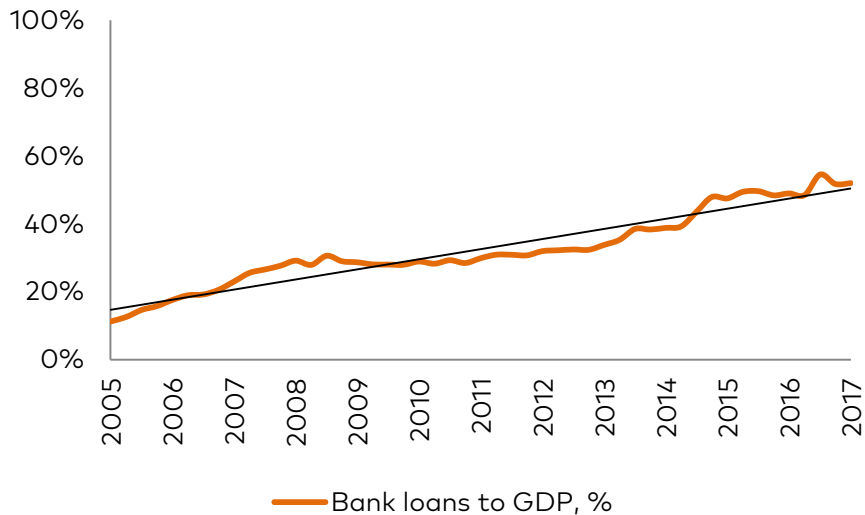
** Growth drivers in RB – Sep 16 to Sep 17:

- Mortgages- 43%
- MSME – 42%
- Consumer loans and credit card balances – 30%

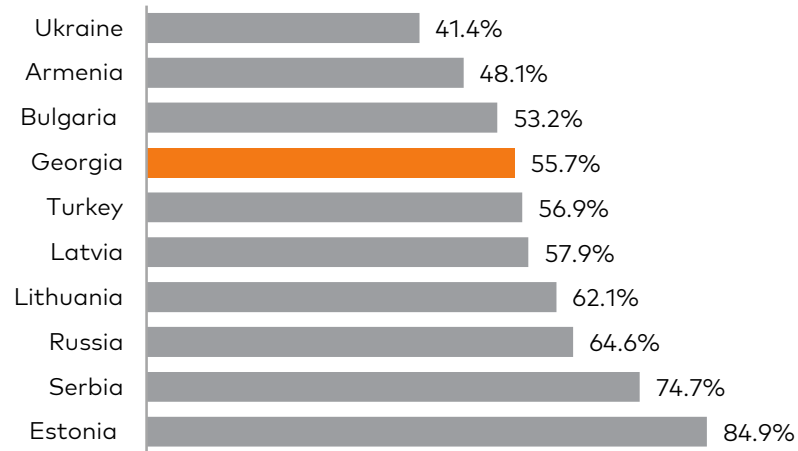
LOANS TO GDP TREND



BANKING SECTOR CREDIT TO GDP*, %



Banking Penetration (Sector Loans to GDP)



* Based on NBG data

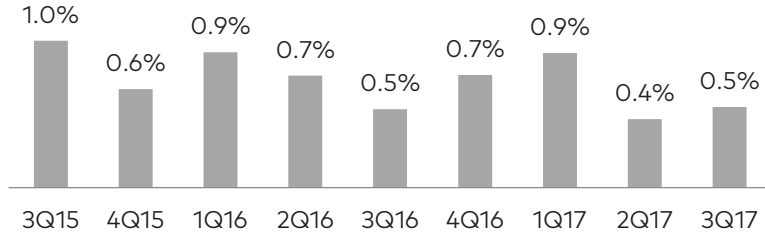
Source: Central Banks, IMF, as of 31 Dec 2016

STABLE LENDING ENVIRONMENT



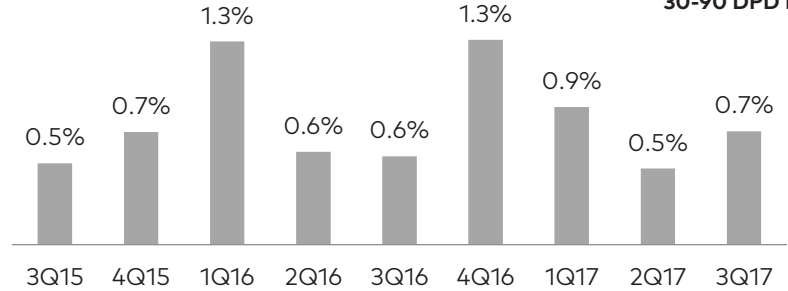
MORTGAGES* – GEL 1,466 MILLION

30-90 DPD Portfolio



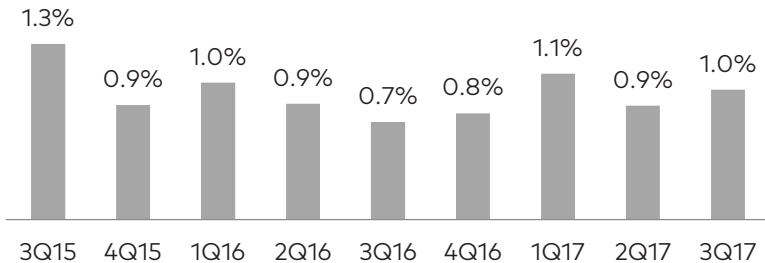
MSME – GEL 1,501 MILLION

30-90 DPD Portfolio



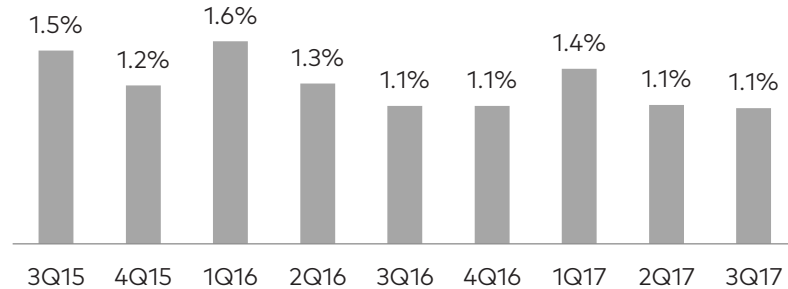
CONSUMER LOANS & CREDIT CARDS* – GEL 1,332 MILLION

30-90 DPD Portfolio



EXPRESS & OTHER RETAIL* – GEL 353 MILLION

30-90 DPD Portfolio

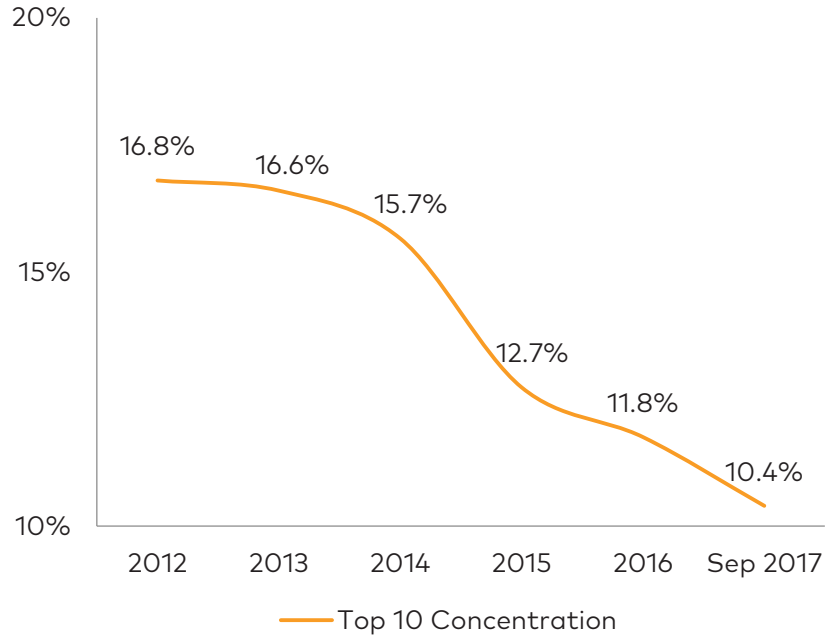


* Includes RB and WM gross loans

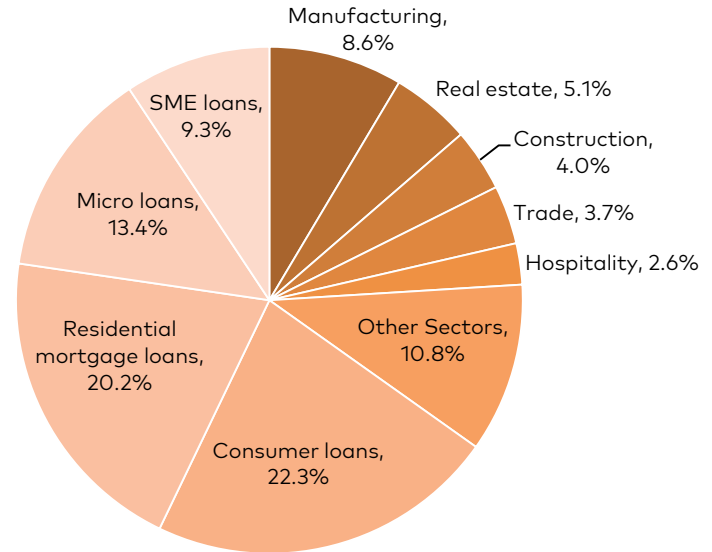
DIVERSIFIED EXPOSURE



CONCENTRATION OF TOP 10 BORROWERS



EXPOSURE BY SECTOR AS OF SEP 2017*

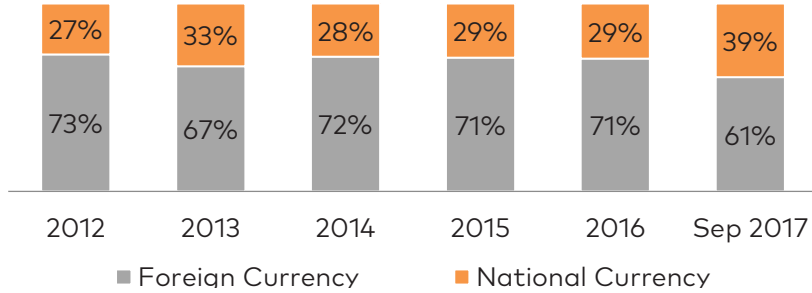


* Sector breakdown based on gross Banking Business portfolio

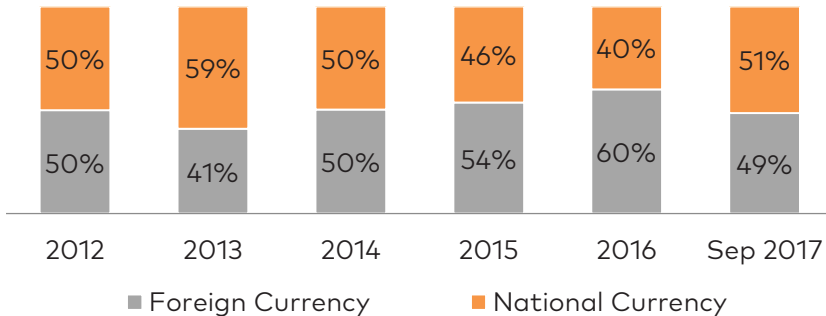
DE-DOLLARISATION



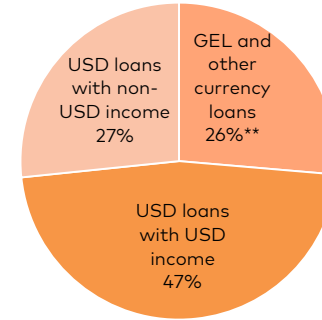
BANKING BUSINESS*



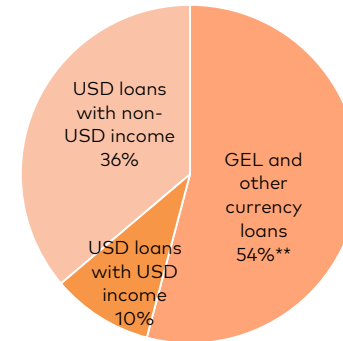
RETAIL BANKING*



CIB CURRENCY BREAKDOWN



RETAIL BANKING CURRENCY BREAKDOWN



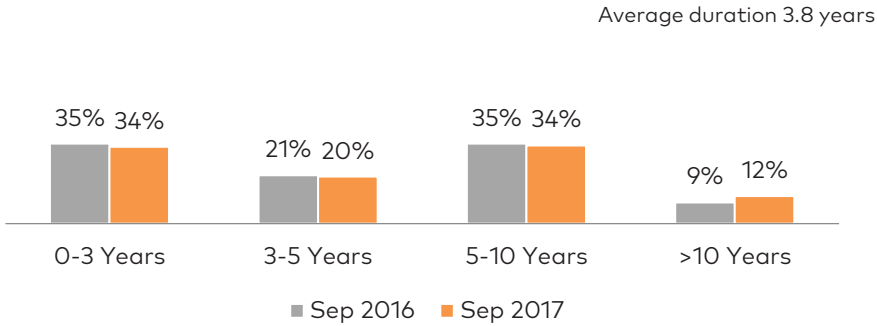
* Currency Breakdown based on gross loan portfolio

** Includes credit cards

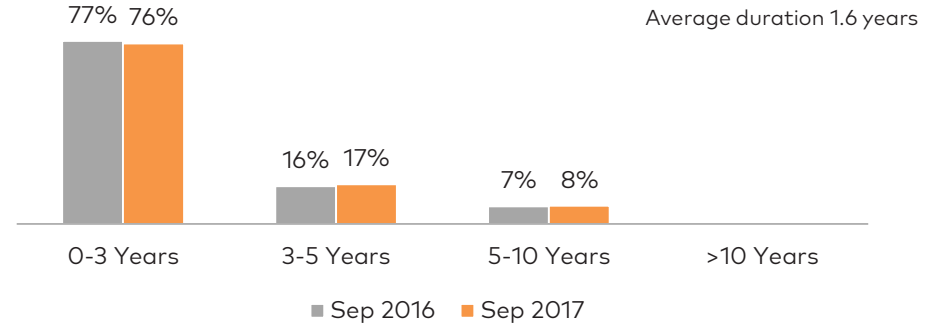
PORTFOLIO AMORTISATION



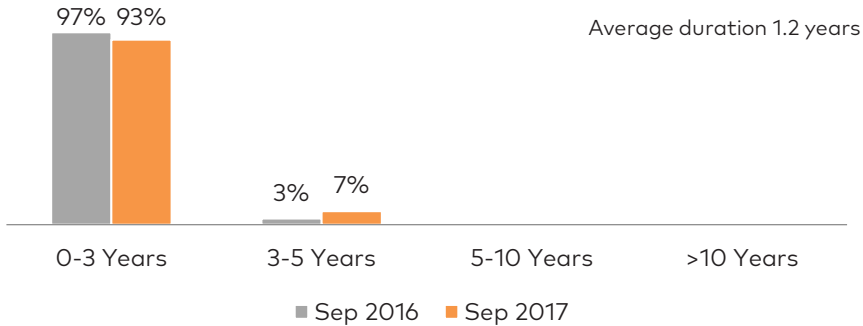
MORTGAGES* – GEL 1,466 MILLION



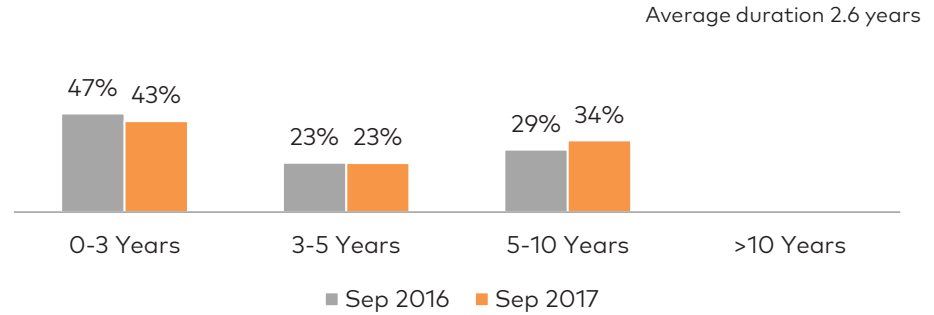
MSME – GEL 1,501 MILLION



GENERAL CONSUMER LOANS* – GEL 632 MILLION



HOME EQUITY CONSUMER LOANS* – GEL 410 MILLION

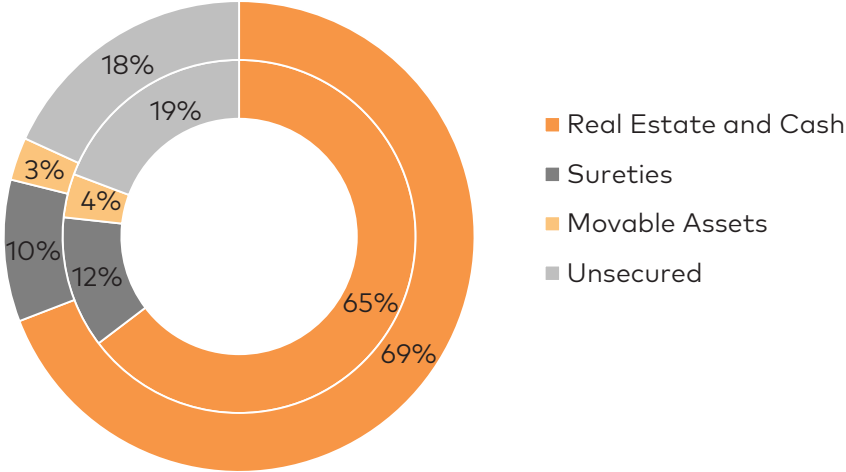


* Based on RB and WM gross loan portfolio

HIGH LEVEL OF COLLATERALISATION



TOTAL LOAN BOOK BY COLLATERAL TYPES SEP 2016 VS SEP 2017

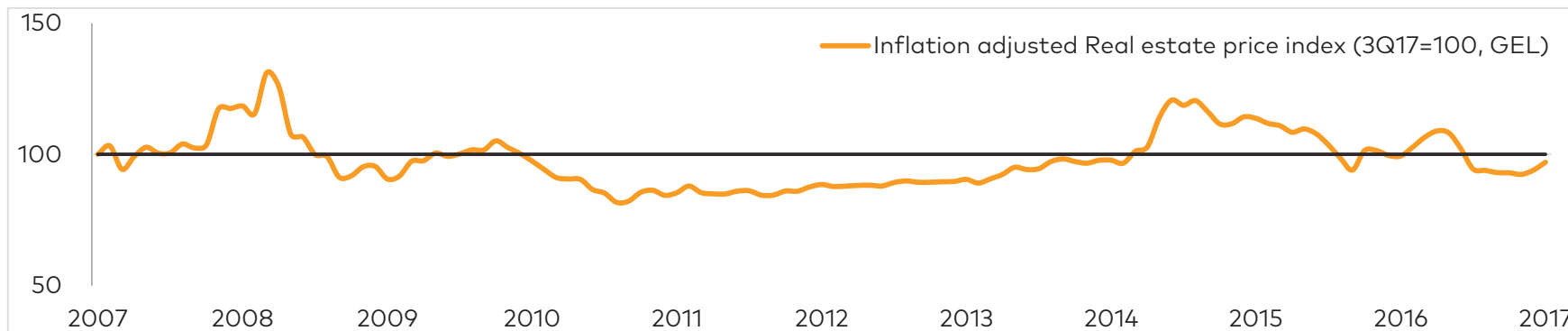


- Inside end – Sep 2016
- Outside end – Sep 2017
- Based on standalone BOG data

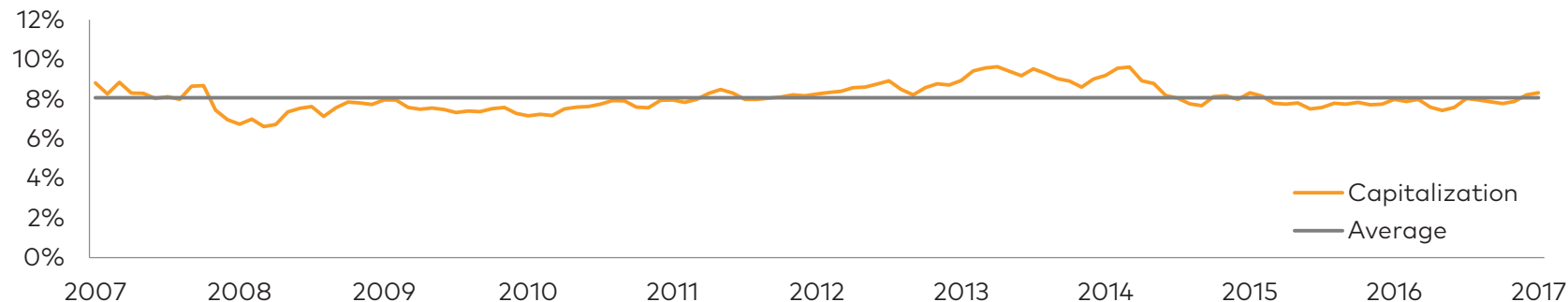
STABLE REAL ESTATE ENVIRONMENT



REAL ESTATE INDICES*



CAPITALISATION (RENT TO PRICE) RATIO*



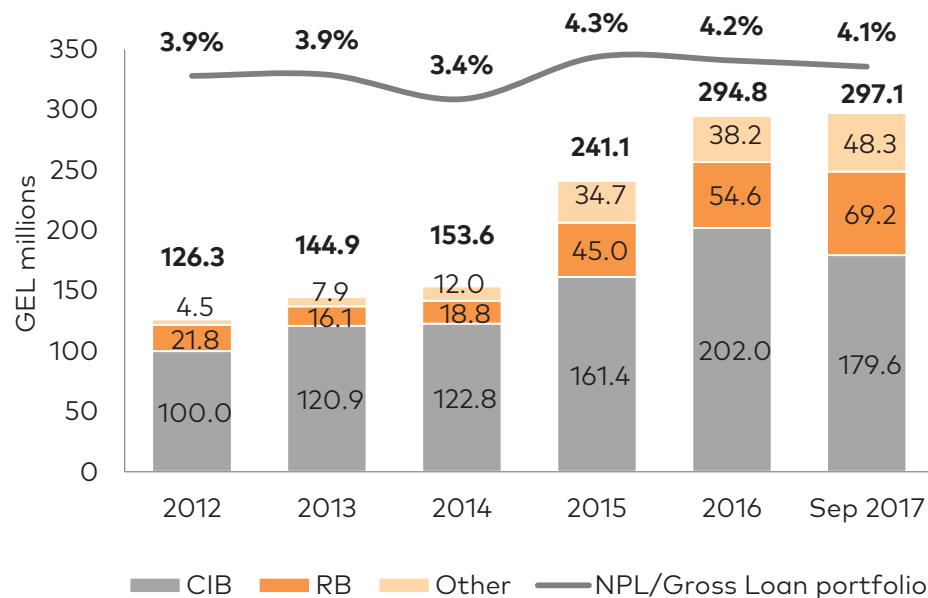
* Based on NBG Data

(Average taken over 3Q07 and 3Q17)

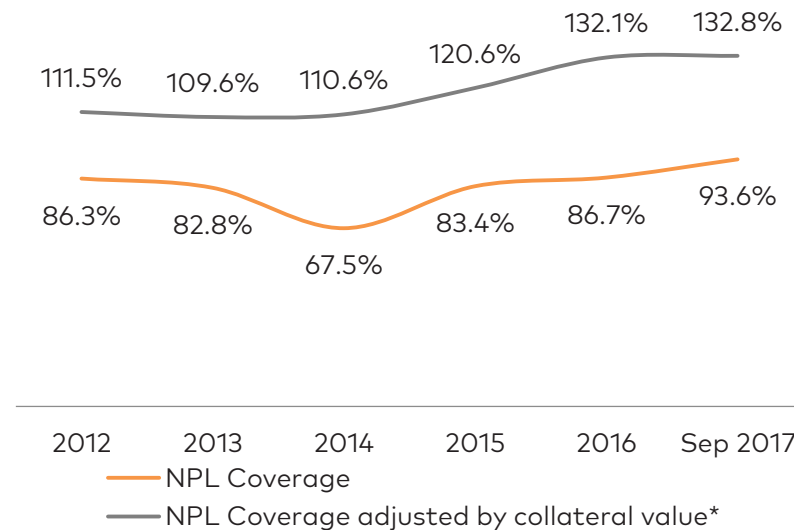
IMPROVING LOAN PORTFOLIO QUALITY



BANKING BUSINESS NPL COMPOSITION



BANKING BUSINESS NPL COVERAGE



* Only real estate assets are used for coverage adjustment

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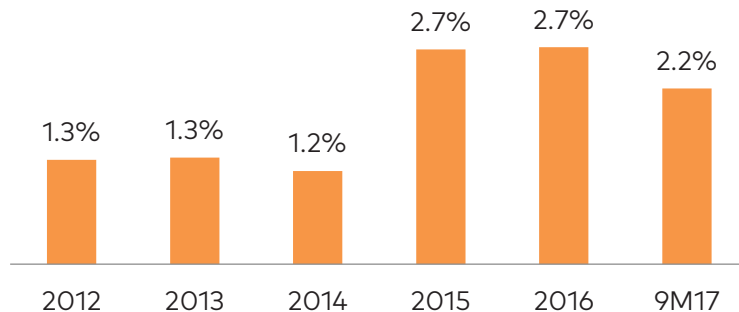


- Banking Business loan portfolio overview
- **Cost of risk**
- IFRS9 impact estimation
- Q&A

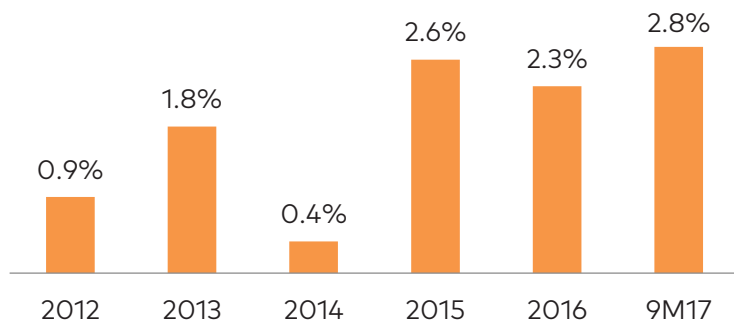
COST OF RISK



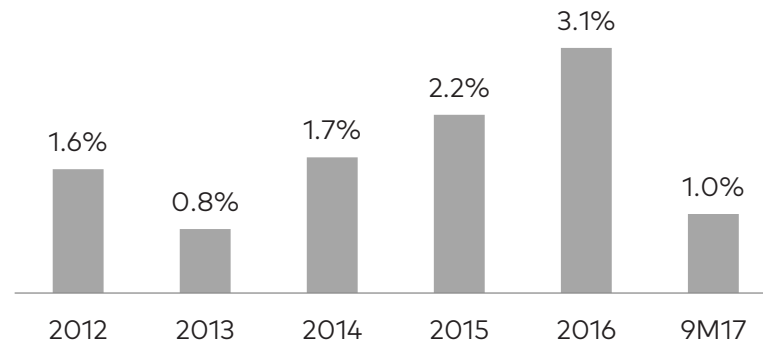
BANKING BUSINESS



RETAIL BANKING



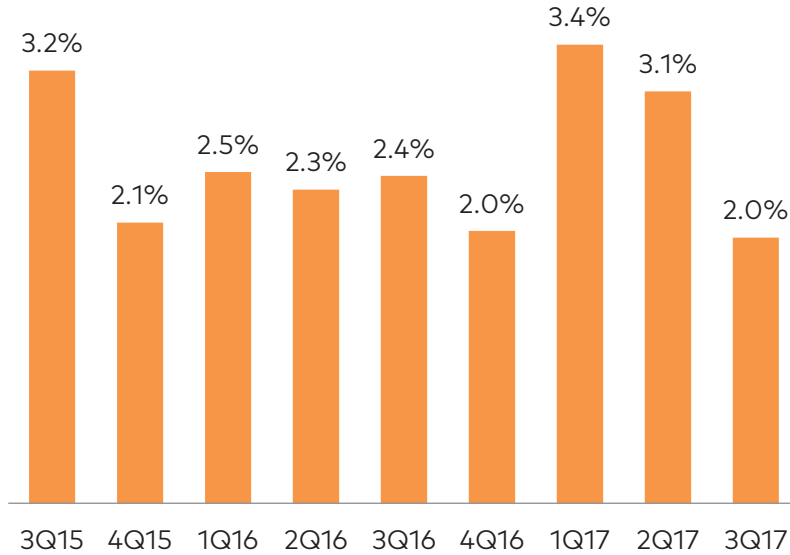
CORPORATE & INVESTMENT BANKING



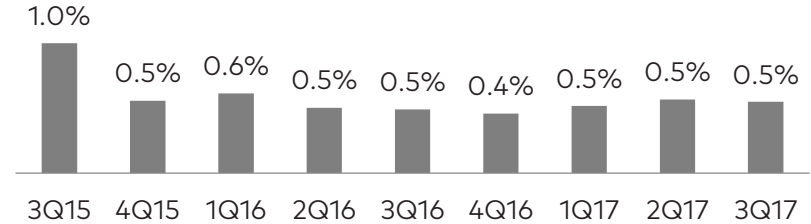
COST OF RISK - RETAIL BANKING



COST OF RISK



NET CHARGE-OFF RATE



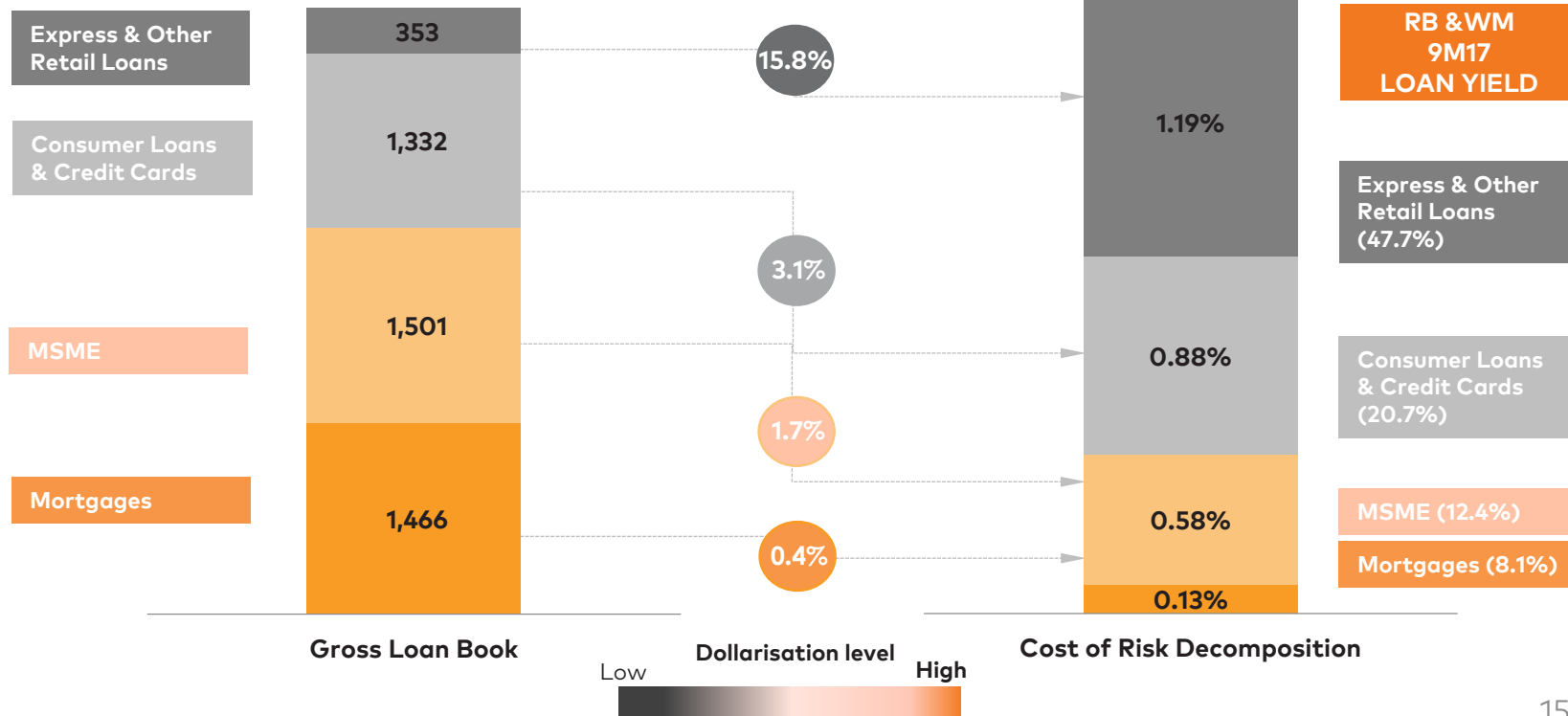
COST OF RISK COMPOSITION



RB & WM GROSS LOAN BOOK FOR
SEP 2017
GEL 4,651.1 MILLION

RB & WM
9M17
COST OF RISK – 2.8%

RB & WM
9M17
COST OF RISK DECOMPOSITION



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IFRS 9 impact estimation



Estimated impact on Banking Business Shareholder Equity

Reduction by GEL 44 million to GEL 58 million

Or by 2.7% to 3.6%

No impact on Regulatory Capital

No change to Cost of Risk through the cycle

Key changes in impairment model

Staging

IFRS 9 introduces new 3-stage expected loss model compared to 2-stage incurred loss model in IAS 39

Calculation of impairment

- Stage 1: 12 months expected credit losses
- Stage 2 and 3: lifetime expected credit losses

Macroeconomic parameters

- Impairment under IFRS 9 is calculated based on forecasted macroeconomic parameters



BANK OF GEORGIA



QUESTIONS?

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