Bank of Georgia

Green Project Financing

June 2014
Country overview

- Area: 69,700 sq km
- Population (2012): 4.5 mln
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi
- Currency (code): Lari (GEL)
- GDP 2012: GEL 26.2 bn (US$15.8 bn)
- GDP (Geostat): 2013E GEL 26.8 bn (US$16.1 bn)
- GDP growth rate 2011: 7.2%, 2012: 6.2%, 2013E: 3.2%
- GDP growth rate Q1 2014E: 7.4%
- Real GDP average 10 yr growth rate: 6.0%
- GDP per capita 2013E (PPP) per IMF: US$6,145
- Inflation rate (e-o-p) 2013 2.4%
- External Public debt to GDP 2013E: 27.0%
- Sovereign ratings:
  - S&P     BB-/B/Stable/ upgraded in November 2011
  - Moody’s Ba3/NP/ Stable
  - Fitch    BB-/B/Stable upgraded in December 2011

Sources: Ministry of Finance of Georgia, Geostat, IMF, Government of Georgia Presentation (Georgia.gov.ge)
The leading bank in Georgia

Leading market position: No. 1 bank in Georgia by assets (34.1%), loans (31.7%), client deposits (30.2%) and equity (35.1%)¹

Underpenetrated market with stable growth perspectives: Real GDP average growth rate of 5.9% for 2004-2013. Geostat estimates 3.2% GDP growth in 2013. Loans/GDP grew from 8.8% to 39.1% from 2003-2013, still below regional average; Deposits/GDP grew from 8.4% to 36.1% over the period

Strong brand name recognition and retail banking franchise: Offers the broadest range of financial products to the retail market through a branch network of 203 branches, 497 ATMs and 1,423 Express Pay Terminals to c.1.3 million customers as of 31 March 2014

The only Georgian company with credit ratings from all three global rating agencies: S&P: ‘BB-’, Moody’s: ‘B1/Ba3’ (foreign and local currency), Fitch Ratings: ‘BB-’; outlooks are ‘Stable’

High standards of transparency and governance: First and still the only entity from Georgia to list on the London Stock Exchange since 2006 (in the form of GDRs since 2006 and premium listing since February 2012)

Only private entity to issue Eurobonds from the Caucasus: US$400 million Eurobonds outstanding including US$150 raised through a tap issue in November 2013. The bonds are currently trading at a historical low yield of c.5.6%

Sustainable growth combined with strong capital, liquidity and strong profitability

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>3,787.7</td>
<td>3,755.7</td>
<td>3,413.8</td>
<td>2,793.1</td>
<td>15.3%</td>
</tr>
<tr>
<td>Loans to customers, net</td>
<td>1,996.5</td>
<td>2,029.0</td>
<td>1,866.6</td>
<td>1,566.4</td>
<td>13.9%</td>
</tr>
<tr>
<td>Customer funds⁴</td>
<td>1,754.0</td>
<td>1,795.6</td>
<td>1,625.5</td>
<td>1,637.6</td>
<td>15.8%</td>
</tr>
<tr>
<td>Total equity</td>
<td>736.4</td>
<td>714.8</td>
<td>639.5</td>
<td>486.5</td>
<td>17.1%</td>
</tr>
<tr>
<td>Revenue⁵</td>
<td>78.7</td>
<td>314.1</td>
<td>299.0</td>
<td>244.7</td>
<td>10.1%</td>
</tr>
<tr>
<td>Profit</td>
<td>30.7</td>
<td>120.6</td>
<td>108.4</td>
<td>81.2</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Experienced management with deep understanding of local market and a strong track record:

<table>
<thead>
<tr>
<th></th>
<th>31 Mar 2014</th>
<th>30 Sep 2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalisation (US$ mln)</td>
<td>1,551.4*</td>
<td>20.7</td>
<td>74.9x</td>
</tr>
<tr>
<td>Total assets (US$ mln)</td>
<td>3,787.7</td>
<td>151.8</td>
<td>23.6x</td>
</tr>
<tr>
<td>Market share by total assets</td>
<td>34%</td>
<td>18%</td>
<td>16ppts</td>
</tr>
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</table>

¹ Market data based on standalone accounts as published by the National Bank of Georgia (NBG) as of 31 March 2014 www.nbg.gov.ge
² US$/GEL 1.7477, 1.7363, 1.6567 and 1.6703 as at 31 March 2014, 31 December 2013, 31 December 2012 and 31 December 2011, respectively
³ Changes in GEL
⁴ Amounts due to customers
⁵ Revenue adjusted for one-off currency gain by BNB in 2012 and one-off BYR hedge in 2011

*Market capitalisation for Bank of Georgia Holdings PLC, the Bank’s holding company, as of 7 May 2014, GBP/USD exchange rate of 1.6952
Bank of Georgia Holdings PLC (BGH) (LSE: BGEO) a UK-incorporated holding company of JSC Bank of Georgia. As of 31 March 2014, BGH’s shareholder structure was as follows:

- BGEO is included in FTSE 250 and FTSE All Share Index Funds as of 18 June 2012, as announced by FTSE on 6 June 2012

**Average daily number of shares traded**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>118,000</td>
<td>195,000</td>
<td></td>
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</tbody>
</table>

**Share price performance**

- Up 220% since premium listing***
- & 160% since YE 2012

- Third largest growth stock in FTSE 250 in 2013

**Average daily trading volume**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,000,000</td>
<td>$5,300,000</td>
<td></td>
</tr>
</tbody>
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*Includes shares held, shares vested awarded and unvested of the Management Board, Supervisory board and other employees of the Bank and its subsidiaries

**Mostly non-emerging market shareholders since premium listing; management estimates

***Share price change calculated from the last price of BGEO LI on 27 February 2012 to the price of BGEO LN on 7 May 2014
Corporate Banking (CB): Strong growth of the diversified CB loan book

**Highlights**

- No.1 corporate bank in Georgia
- Integrated client coverage in key sectors
- c.7,100 clients served by dedicated relationship bankers
- Rapidly growing loan portfolio: market share 31.7%
- Diversified and stable deposit base: market share 30.4%
- According to the management estimates (in the absence of publicly available data), Bank of Georgia is the leading player on the Georgian trade finance market, with approximately half of the market share.

**Exclusive Service Model:**

- Individual approach
- Fast decision-making
- A wide range of innovative banking products and services
- Highly qualified professionals
- Sectorial approach - an unprecedented practice in Georgia
Exclusive experience in project financing

The Only Bank

Financing construction of a new high-tech hospital
(University Clinic for 200 hospital beds)

The First Bank

Financing the construction of a hotel with a global brand (252 hotel rooms)

Bank with the exclusive experience

of financing an unprecedented large, including regional projects of state importance
(Construction of residential complexes in Tbilisi and Batumi - total Construction area: 260,000 square meters.)
**Giving water the Green Light – Georgia’s Hydropower potential**

- **Hydropower is one of the cheapest energy sources in the region and** enjoys an operating cost advantage over thermal. Hydropower is a future due to global efforts to reduce CO2 emissions.

- **Only 18% of hydropower capacity utilized in Georgia;** 40 hydropower stations are being built/developed. Georgia boasts an electricity production potential of 32 TWh annually, or 4.5x larger than its 2012 generation.


- **Significantly boosted transmission capacity in recent years,** having rehabilitated a 500kV line to Azerbaijan and built a 500/400 kV line to Turkey. Another 500 kV line to Armenia is under construction and Georgia’s transmission capacity to Russia is expected to rise 1.7x to 1,480 MW by 2016 after a new 500 kV line becomes operational.

- **Georgia have attractive regulatory regime mitigating greenfield risks.** Newly built hydro stations will remain the property of investors through a Build-Operate-Own system. HPPs with an installed capacity of less than 13 MW will have the right to operate or expert without a license, sell generated power directly to consumers.
Facilities for HPP and Energy Efficient project financing

Close cooperation with international financial institutions under attractive terms and conditions:

- KFW Facility for Promotion of Renewable Energies II – 25 mln EUR, Term - 10 years, interest rate maximum 9.4% p.a.. The facility is attached with consulting services providing technical support to the bank and to the investor;

- EBRD Co-financing Facility – $25 mln, Financing up to 8 years;

- EBRD EnergoCredit Facility – $10 mln + $10 mln, Term – 5 years, attached with technical services of the consultants; also supported by Grant component from British Petroleum and EU

- Export Credit Agency covered Financing from 5 to 10 years for import of equipment from different countries where Export Credit Agencies operate.

Competitive advantage on Georgian market

- The only bank having expertise in Export Financing in Georgia
- The only bank in Georgia that has insurance cover from Chinese ECAs
- The largest provider of Export Finance in Georgia

Export finance partner agencies

- SACE
- Katradius
- EGAP
- China Exim Bank
- Export Credit Guarantee Department
- CeKB
- Euler Hermes
Under KFW Facility BOG offers its corporate customers:

- Obtain lower interest rates on loans, maximum 9.4% p.a. fixed
- Obtain long term-financing up to 10 years
- Receive technical support by means of consulting services for free from International experts (Engineers, hydrologists, lawyers and etc.) to realize respective HPP construction, rehabilitation or expansion projects

Eligible projects

- Construction or rehabilitation of Hydro Power Stations up to 20MW
Experience in HPP financing

**Bzhuzha HPP (GIEC)**  
*Year - 2010*

- River-bed direction change
- Increased annual generation from 43 GWh to 60 GWh
- BoG Financing - construction of derivation channel

**Alazani 1 HPP (GIEC)**  
*Year - 2011*

- Increased installed capacity from 3 MW to 6.0 MW
- Increased annual generation from 23 GWh to 40 GWh
- BoG Financing - purchase of new turbines
Experience in HPP financing

**Bakhvi 3 HPP**
*Year - 2012-2013*
- Installed Capacity – 9.8 MW
- Generation – 37,000 MW/h
- Estimated capacity utilization – 44%
- BoG Financing – Construction
- Tenor – 96 months

**Akhmeta HPP**
*Year - 2012-2013*
- Installed Capacity – 9.4 MW
- Generation – 47,000 MWh
- Estimated capacity utilization – 81%
- BOG / EBRD co-financing – Construction
- KFW facility for BOG portion
- Loan Tenor – 90 months
Energocredit is a banking product BOG with support of EBRD offers its customers both individuals and corporates:

- Obtain lower interest rates on loans
- Receive 10-15% subsidy (cash back) – EU and BP grant
- Receive technical assistance from International and Local specialists
- Get an energy audit for free

**Eligible categories of Sub-Projects:**

- Commercial and industrial energy efficiency investments;
- Stand-alone renewable energy investments;
- Investments in improvement of energy performance in commercial and industrial buildings;
- Financing for eligible manufacturers, suppliers and installers of energy efficiency and/or renewable energy technology, equipment and/or materials.
GEFP Project – New Flour Mill and Grain Storage in Poti

In the past, Georgia has been a net grain exporter but at present it needs to import grains until that sector of agriculture recovers. The grain storage elevator (silos) and flour mill in the Poti port area, which was built in 1940 were purchased by the company in early 2011.

One of the biggest grain importers to Georgia (with 35% share of grain import market) now plans to mill imported grains in its own mill and either export or sell the flour in Georgia. At present the unloading and transport of grain from the port is inefficient and this is where the major savings can be found.

The project includes:
- Demolition of old flour mill and installation of a new one
- Rehabilitation of unloading/loading equipment - new conveyer belt gallery
- Rehabilitation of the second bucket elevator
- Procurement of a newer locomotive as a back up transport method.

GEFP team assessed proposed project components and identified those installations, which could be eligible for the credit line criteria.

<table>
<thead>
<tr>
<th>Description</th>
<th>Investment USD</th>
<th>Energy Savings kWh/y</th>
<th>IRR %</th>
<th>NPV USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Flour Mill</td>
<td>1,000,000</td>
<td>2,894,000</td>
<td>15.6</td>
<td>376,000</td>
</tr>
<tr>
<td>Gallery Belt</td>
<td>130,000</td>
<td>672,000</td>
<td>73.0</td>
<td>590,000</td>
</tr>
<tr>
<td>Locomotive</td>
<td>160,000</td>
<td>170,000</td>
<td>16.7</td>
<td>72,000</td>
</tr>
</tbody>
</table>

### The Company

<table>
<thead>
<tr>
<th>Main activities</th>
<th>Grain and oilseeds trading and milling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>Poti, Georgia</td>
</tr>
</tbody>
</table>

### Project Goal and Main Investments

#### Project goals
- To install new energy efficient flour mill
- To improve grain transportation methods

#### Main Investments
- Installation of new flour mill
- New conveyer belt gallery
- Rehabilitation of the second bucket elevator
- Procurement of a newer locomotive

### Investment size

Approximately $1.160.000 or 1.130.000 (two alternative methods were investigated)

### Expected Results

#### Operational results
- Reduced electrical consumption
- Reduced diesel consumption

#### Investment profitability
- Annual saving of around USD 303,800
- Payback period of 5.0 years
- Over 35.1% IRR on the investment

For more information on how your company can receive financing for energy efficiency projects, visit [www.energocredit.ge](http://www.energocredit.ge), or call +995 32 224962.

The GEFP assignment is funded by EBRD through grant funds by: United Kingdom Sustainable Energy Initiatives Funds, Canadian International Development Agency, EBRD-Special Shareholders Fund and Early Transition Countries Funds.
Installing a New Gas Fired Boiler at a School

Authorized School #6 has been in operation since 2011. It currently has 250 pupils, but this number is expected to double in the next two years. The school is housed in a building which was constructed in 1917. In order to improve working conditions for both pupils and teachers, and to reduce costs, the school’s management decided to replace the old diesel-fired boiler with a modern, condensing, natural gas-fired boiler.

At present, the cost of diesel for the boiler comprises a significant part of the school’s operating expenses. This is due to the inefficiency of the existing boiler and has been aggravated by the rising price of diesel.

An Energy Audit conducted by Energy Efficiency experts indicated that replacing the boiler and changing the fuel supply would cost about USD 85,000. However, it would reduce energy consumption by 11%, cutting operating costs by around 35% (saving some USD 55,000/year).

The Company

<table>
<thead>
<tr>
<th>Main activities</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>Tbilisi, Georgia</td>
</tr>
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</table>

Project Goal and Main Investments

<table>
<thead>
<tr>
<th>Project goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Improve the performance and reliability of the system</td>
</tr>
<tr>
<td>■ Improve the working environment for teachers and pupils</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Install new condensing boiler</td>
</tr>
<tr>
<td>■ Switch fuel from diesel to natural gas</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximately USD 85,000</td>
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</tbody>
</table>

Expected Results

<table>
<thead>
<tr>
<th>Operational results</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Reduced fuel and O&amp;M costs</td>
</tr>
<tr>
<td>■ Increased comfort within the building</td>
</tr>
<tr>
<td>■ CO2 savings = 37tons/year</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Investment profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Annual savings = USD 55,000</td>
</tr>
<tr>
<td>■ Payback = 1.5 years</td>
</tr>
<tr>
<td>■ IRR = 64%</td>
</tr>
</tbody>
</table>

For more information on how your company can receive financing for energy efficiency projects, visit www.energocredit.ge or call +995 32 3334962.

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Bank of Georgia Renewable Energy Fund

- BoG and rpGlobal to seed ~$100 mln self-managed PE Fund in Lux and raise equity from institutional and private investors
- Target greenfield run-of-the-river HPPs 10-50MW

Successful start

- Formed equity partnership with highly experienced hydro power developer rpGlobal (Austria) to jointly develop projects and manage REF
- Formed JV with Government owned GEDF and through this partnership secured rights to 6 HPPs with ~180 MW installed capacity (GEDF holds 15%)
- Acquired rights to 4 additional projects with 55 MW installed capacity
- Launched feasibility studies on all projects under management, with different timelines per their prioritization

Although individual HPP projects have installed capacity of ~30MW or less (with one exception of 50MW), total installed capacity of all BoG Svaneti projects is well over 150MWs. BoG HPP projects are clustered within 15 km radius from regional capital Mestia, creating an opportunity for significant savings (logistics, infrastructure, environmental and geological studies, etc).
Challenges in Financing of Renewable Energy and Energy Efficient Projects

- Limited access to long term resources
- Long term payback for small HPPs
- High cost of Funding
- Lack of knowledge and expertise in the market in terms of Green Energy and Energy efficiency
- High cost of preparatory works (Feasibility Study) before HPP construction started
- High cost of supervising during construction of HPPs
- High price of Energy Efficient products and equipment
Thank you!

Q&A