



სადაზღვეო კომპანია ჯეორჯიან ლიზინგ კომპანი
GEORGIAN LEASING COMPANY

Georgian Leasing Company

Bond presentation

Key features of the bond



სადავრობო-საფინანსო კომპანია
GEORGIAN LEASING COMPANY

Issuer	Georgian Leasing Company LLC
Bonds	Unsecured and unsubordinated obligation
Regulatory treatment	Georgian law
Issue size	US \$ 10 million
Issuer call date	22 September 2014
Maturity date	22 September 2017
Coupon rate	7.50%-8.75%
Listing	GSE's official list

GLC at a glance:



სადავრო-სადავროს სსიპი
GEORGIAN LEASING COMPANY

- Company portfolio*, 2013 **GEL 27.4 million**
- Total liabilities/Total equity, 2013 **2.7x**
- Total revenues, 2013 **GEL 6.14 million**
- Return on equity, 2013 **17.6%**
- Number of customers, 2013 **423**
- Average lease size, 2013 **GEL 42,669**



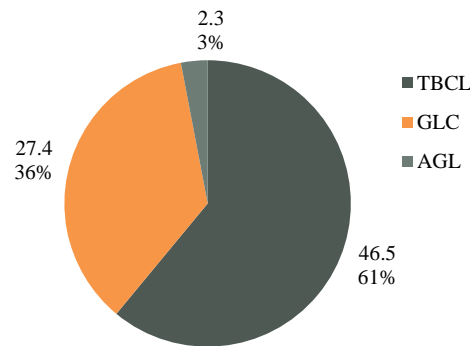
GLC – the only leasing company, which:



- Has gained OPIC/WBC trust and long-term partnership
- Executes projects larger than USD \$ 500,000
- Uses specialized software (Microsoft Dynamic Nav) to make processes more standardized and efficient

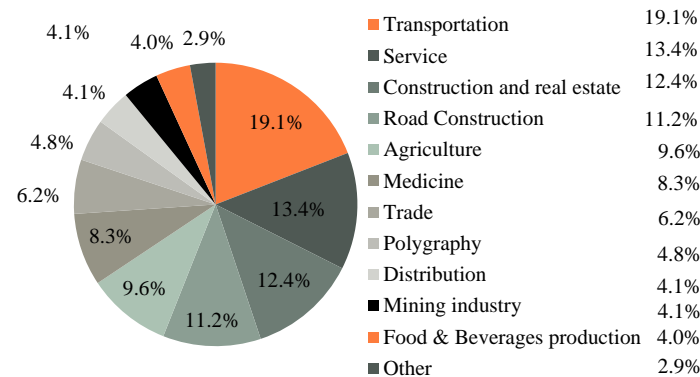
*Note: Company portfolio=Gross portfolio (23.65 mln)
+prepayments for assets held for leasing purposes (3.75 mln)

Leasing market share by main companies, GEL million, 2013



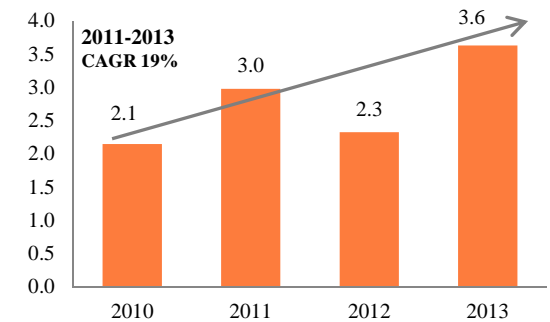
Source: Company data

Leasing portfolio breakdown by sectors, 2013



Source: Company data

Total operating income, GEL million



Source: Company data

Competitors



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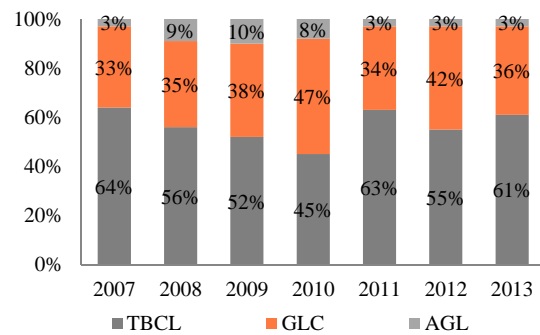
- Along with GLC other major players are, TBC Leasing (TBCL) and Alliance Group Leasing (AGL), that were established in 2003 and 2006, respectively. These three companies dominate Georgia’s leasing market.
- Of these 3 players, the 2 largest are bank-owned leasing companies, which is in-line with global practice.

With the exception of 2010, TBC Leasing has held the largest market share for the past number of years. Its market share stood at 61% as of 2013, followed by GLC (36%) and AGL (3%), respectively.

In 2013 the sector’s total assets of GEL 75.4 million amounted to 0.3% of 2013 GDP (Eastern Europe’s benchmark is 1.67%).

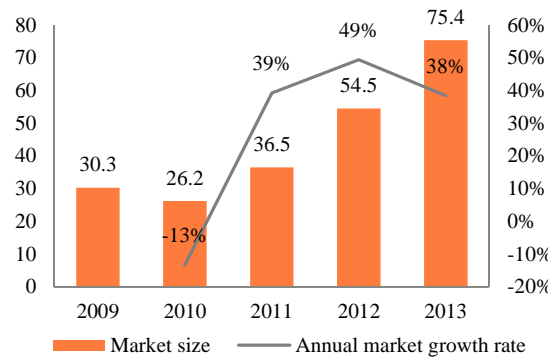
Although TBC Leasing boasts a larger portfolio, GLC has consistently posted higher profits and has outperformed competitors in terms of the return on equity ratio.

Shares in total leasing portfolio, of the three major companies



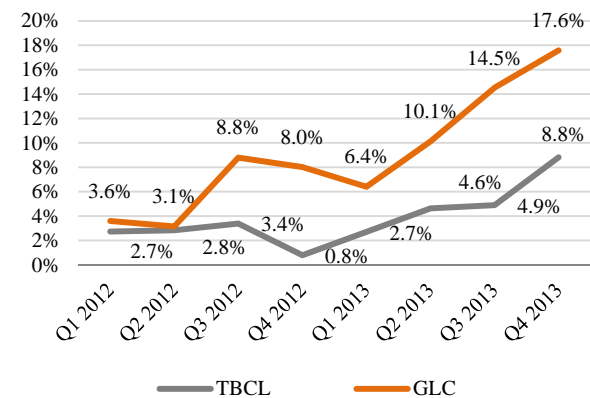
Source: company data

Leasing market development, GEL million



Source: company data

Return on equity, 2013



Source: company data

Legislative environment



სადავო-მეწარმე სავაჭრო კომპანია
GEORGIAN LEASING COMPANY

- Slow growth prior to 2011 due to different legislature.
- 2011 new legislature bringing Georgia in-line with international standards-UNIDROIT. Amendments were made to Georgia's Tax and Civil Code.

Main problems solved after the introduction of the new legislation:

- Tax administration was simplified and the tax burden reduced
- Leasing companies were allowed to write-off 80% of the value of above 60 day overdue leases
- Leasing companies became able to apply 100% amortization rates
- Lease payments came to be treated as an expense for tax accounting purposes, allowing companies to reduce profit tax
- Property tax calculation on leased assets became more effective
- Any risk in connection with the asset came to be carried by supplier or the Lessee
- Easier and more flexible forms of repossession were put in place
- Leasing definition has become more accurate and useful

Still existing problems:

- Some of the amendments in tax and civil codes are still vague and leave room for interpretation
- Clients' awareness of leasing's advantages is still low

WIP on solutions:

- New Tax Code Manual is being developed by industry players and Ministry of Finance and will be adopted shortly
- Advertisement/public education campaign is being developed with the support from USAID

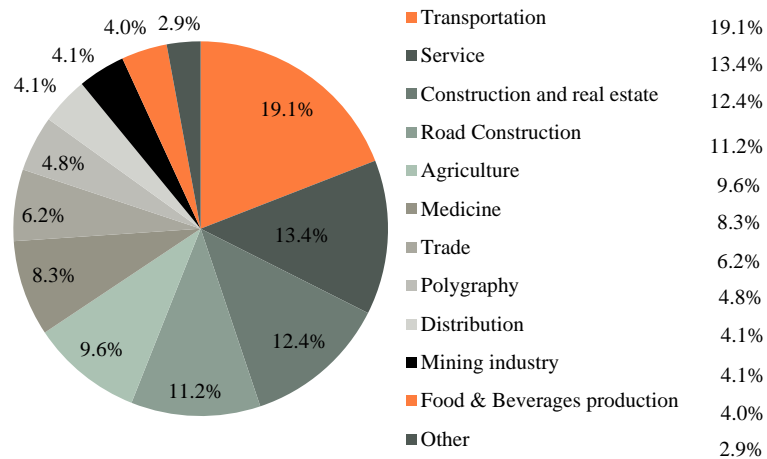
GLC's portfolio



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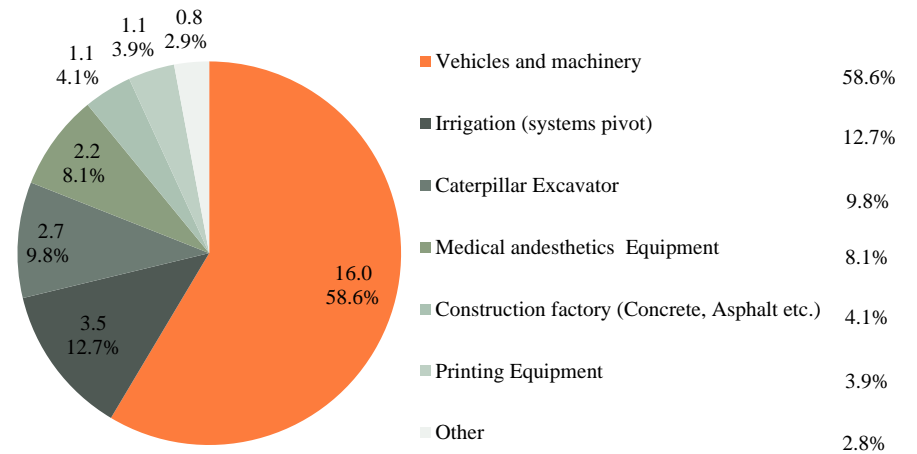
- The construction, transport, medical and agriculture sectors are among the largest markets for leasing.
- GLC has a portfolio that is more oriented towards transport, services and construction.
- GLC aims to increase its share in the medical and HORECA equipment segments through new products and more attractive terms.

Leasing portfolio by sectors, 2013



Source: company data

Leasing portfolio by asset type, GEL million, 2013



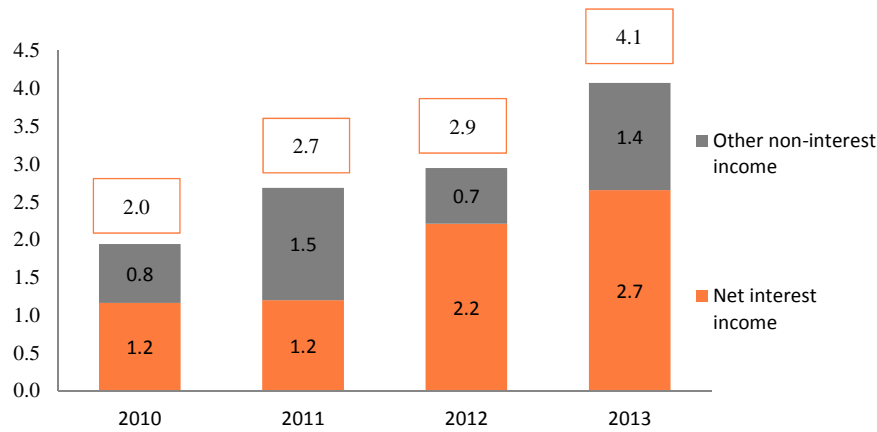
Source: Company data

Financial highlights



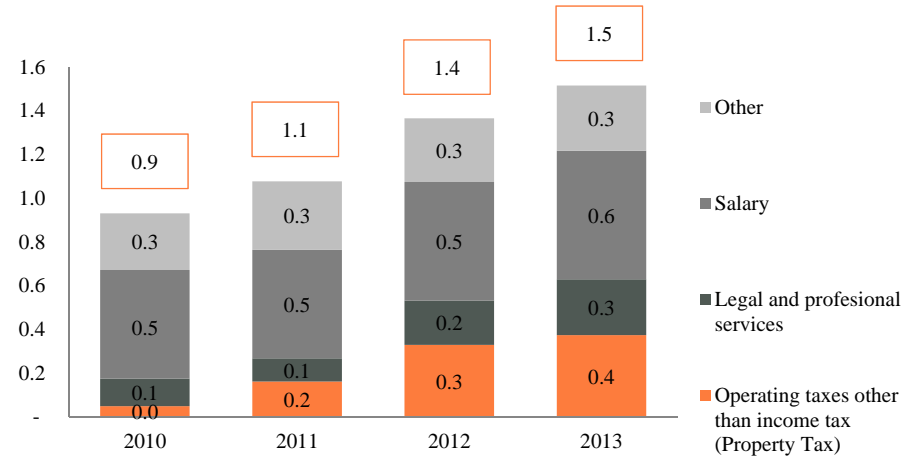
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Revenue breakdown, GEL million



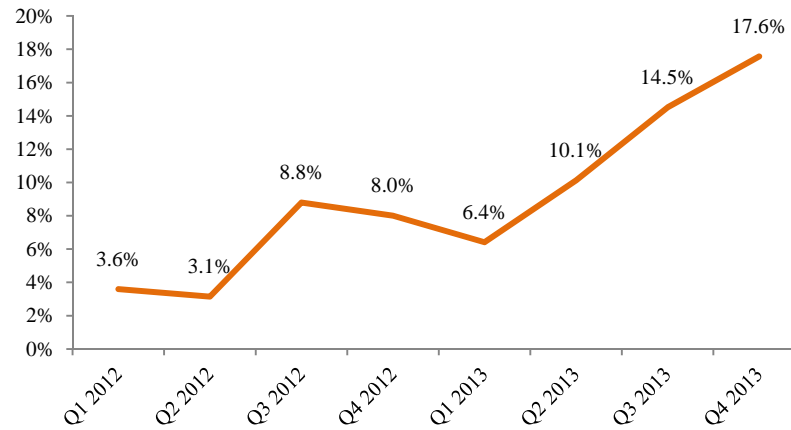
Source: Company data

Salaries and SG&A breakdown, GEL million



Source: Company data

Return on equity



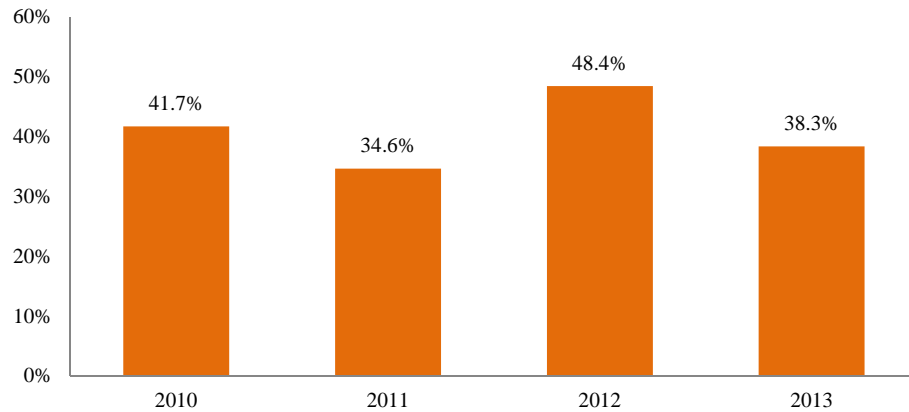
Source: Company data

Financial highlights



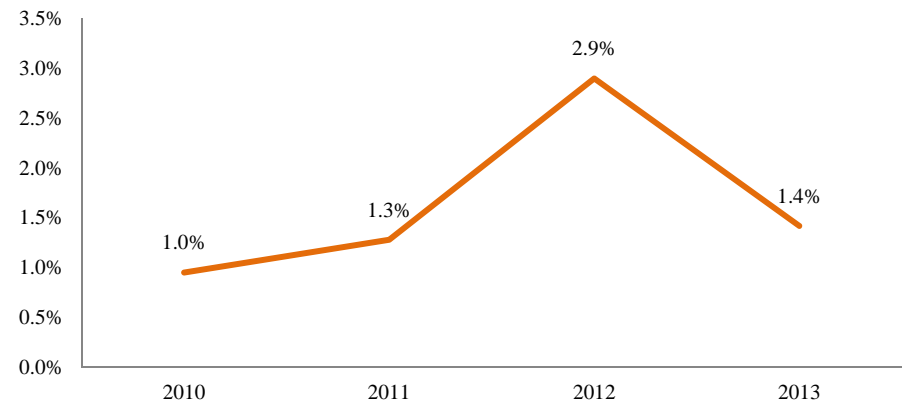
სადავრობო-საწირვო კომპანია
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Cost-income ratio



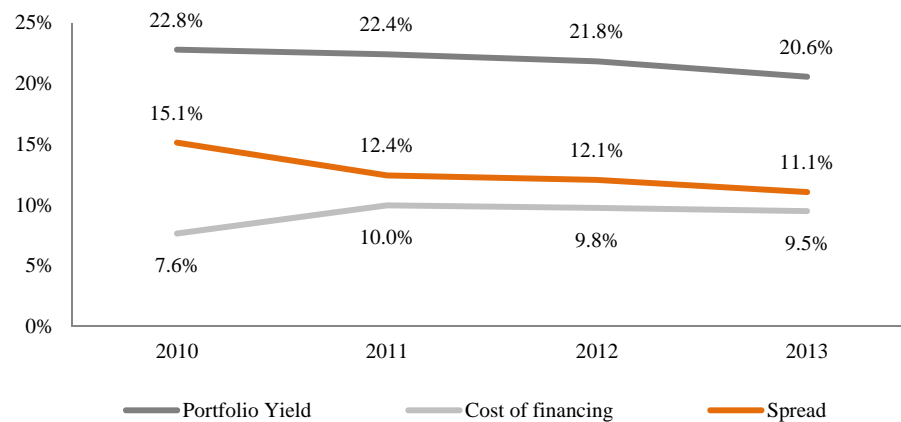
Source: Company data

Cost of risk



Source: Company data

Portfolio yield, Cost of financing, spread



Source: Company data

Potential of the market



Market analysis confirm a very strong untapped opportunity in leasing sector

Demand for leasing estimated based on SME potential

- Primary users of leasing are SMEs
- In 2012 total demand for SME loans was estimated at US\$ 1.88bn:

A	Number of SMEs	48,100 ¹
B	Average loan size demanded, US\$	82,106 ²
C	% of enterprises needing a loan	47.5% ³
Total loan demand (A * B * C), US\$ million		1,875.9

- Assuming that around 50% of loan demand is relevant to leasing (i.e. 50% of loans are used to finance equipment/assets), implied potential market for leasing works out to be more than 20x the current size

Source: EIB

¹ GeoStat

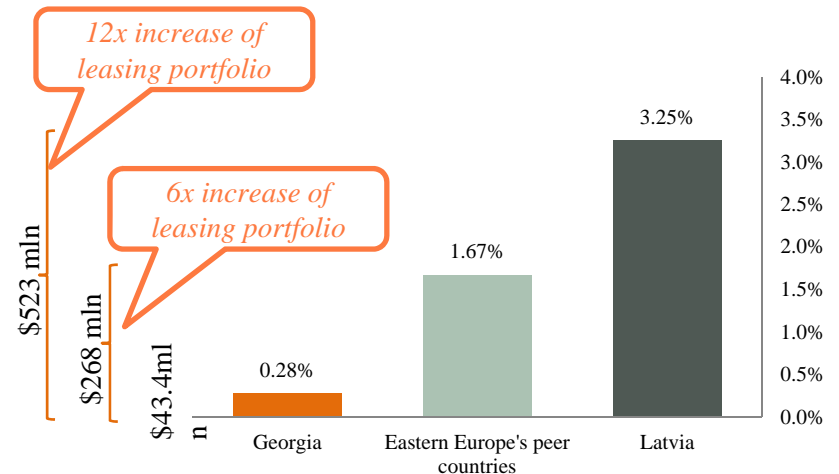
² BFC survey of local lenders; EUR/US\$ FX rate of 1.286 applied

³ World Bank Enterprise Surveys

Demand for leasing estimated based on benchmark

- Georgia's 2013 annual leasing volume to GDP - 0.28%
- If Georgia reaches Eastern Europe's benchmark, Leasing portfolio will increase 6x.

Leasing volume as a % of GDP, 2012-2013



Source: Company.

- Company plans to aggressively expand into following sectors:
 - Medical/Aesthetics
 - Agriculture
 - HORECA



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Annexes



Leasing advantages vs. loan

- Asset acquisition is financed without any collateral
- Monthly leasing payment is recorded as an operating expense, which significantly reduces Profit Tax (in case of loan only accrued interest is recorded as an operating expense)
- VAT is paid proportionally to the lease payments, which reduces total cash outflow and gives opportunity to allocate VAT during the lease period
- During lease period property tax is reduced and at the end of the term it equals 0%
- Working capital is freed up for further business development
- All asset acquisition expenses (Asset value, transportation, customs clearance, insurance, installation, etc.) are financed through lease
- Flexible payment schedule is tailored to clients' needs
- Simplified procedures - no additional expenses are required to draw up leasing agreement
- Support during negotiations, purchase and documentation (with supplier, transportation company, customs clearance office and insurance company)
- Solvency is maintained

Annex 2

GLC's products



სადავრობო-საწირვო კომპანია
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	Leasing amount (US\$)	Co-financing	Leasing term	Implicit rate	Other requirements
Express leasing	Max. 100,000 (70% of project cost)	Min. 30%	Max. 5 years	4.5% – 7.5%	· Exclusive offer to Bank of Georgia clients
					· Insurance
					· One year credit history at Bank of Georgia
					· No financials required
Auto leasing	Min. 5,000	Min. 20%	Max. 5 years	0%-7.5%	· Insurance
					· At least 6 months of profitability
Construction equipment leasing	Min. 5,000	Min. 20%	Max. 5 years	0%-7.5%	· Insurance
					· At least 6 months of profitability
Medical equipment leasing	Min. 5,000	Min. 15%	Max. 5 years	4.5%-7.5%	· Insurance
					· At least 6 months of profitability
Aesthetic equipment leasing	Min. 5,000	Min. 20%	Max. 5 years	4.5%-7.5%	· Insurance
					· At least 6 months of profitability
HORECA	Max. 100,000 (70% of project cost)	Min. 30%	Max. 5 years	4.5% – 7.5%	· Insurance
					· At least 6 months of profitability
					· Financial statements and other related documents
Sale and leaseback	Min. 5,000	Min. 20%	Max. 5 years	4.5%-7.5%	· Insurance
					· At least 6 months of profitability
					· Financial statements and other related documents

Annex 3

Statement of Financial Position



სადავრობო-სადავრობო-სადავრობო
GEORGIAN LEASING COMPANY

Statement of Financial Position, GEL	Actual 2013	Actual 2012	Adjusted 2012
Cash & cash equivalents	740,599	351,959	351,959
Amounts due from credit institutions	0	2,660,651	0
Finance lease receivables	23,145,142	21,846,555	21,846,555
Assets held for leasing purposes	3,431,960	44,054,774	1,394,749
Prepayments for assets held for leasing purposes	3,753,474	758,822	758,822
Current income tax assets	0	175,438	175,438
Deferred income tax assets	417,586	201,896	201,896
Investment property	2,687,037	2,699,551	2,699,551
Other assets	538,441	342,676	342,676
Total assets	34,714,239	73,092,322	27,771,646
Amounts due to credit institutions	23,912,452	63,950,804	18,777,141
Advances from customers	2,004,737	542,157	542,157
VAT and other taxes payable	79,283	422,088	272,617
Current income tax liabilities	171,887	0	0
Other liabilities	449,561	489,447	489,447
Total liabilities	26,617,920	65,404,496	20,081,362
Charter capital	3,180,000	3,180,000	3,180,000
Additional paid-in capital	2,546,141	2,546,141	2,546,141
Retained earnings	2,370,178*	1,961,685	1,964,143
Total equity	8,096,319	7,687,826	7,690,284
Total liabilities & equity	34,714,239	73,092,322	27,771,646

* Includes 1,447,505 GEL loss related to one-off event

Annex 4

Statement of Comprehensive Income



სადავრობო-საწირავო კომპანია
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Statement of Comprehensive Income, GEL	Adjusted 2013	Adjusted 2012	Actual 2013	Actual 2012
Interest income				
Finance income from leases	4,721,208	3,736,275	4,721,208	7,334,543
Interest expense				
Amounts due to credit institutions	-2,063,669	-1,523,457	-4,060,801	-5,124,745
Net interest income	2,657,539	2,212,818	660,407	2,209,798
Impairment charge for finance lease receivables	-325,324	-495,782	-325,324	-2,857,998
Net interest (expense)/income after impairment charge for finance lease receivables	2,332,215	1,717,036	335,083	-648,200
Income from overdue penalties on finance lease receivables	1,019,247	488,928	1,019,247	488,928
Rent income from investment property	168,766	153,097	168,766	153,097
Net loss on revaluation of investment property	-12,514	0	-12,514	0
Net loss from foreign currency translation	-110,363	-128,922	-110,363	-128,922
Other income	230,080	93,657	1,239,313	2,754,308
Total operating income	3,627,431	2,323,796	2,639,532	2,619,211
General and administrative expenses	-926,786	-821,949	-1,386,392	-1,120,384
Salaries and other employee benefits	-588,579	-543,212	-588,579	-543,212
Impairment charge for assets held for leasing purposes	-124,434	-61,415	-124,434	-61,415
Operating expenses	-1,639,799	-1,426,576	-2,099,405	-1,725,011
Profit before income tax expense	1,987,632	897,220	540,127	894,200
Income tax expense	-348,760	-278,749	-131,634	-278,296
Profit for the year	1,638,872	618,471	408,493	615,904



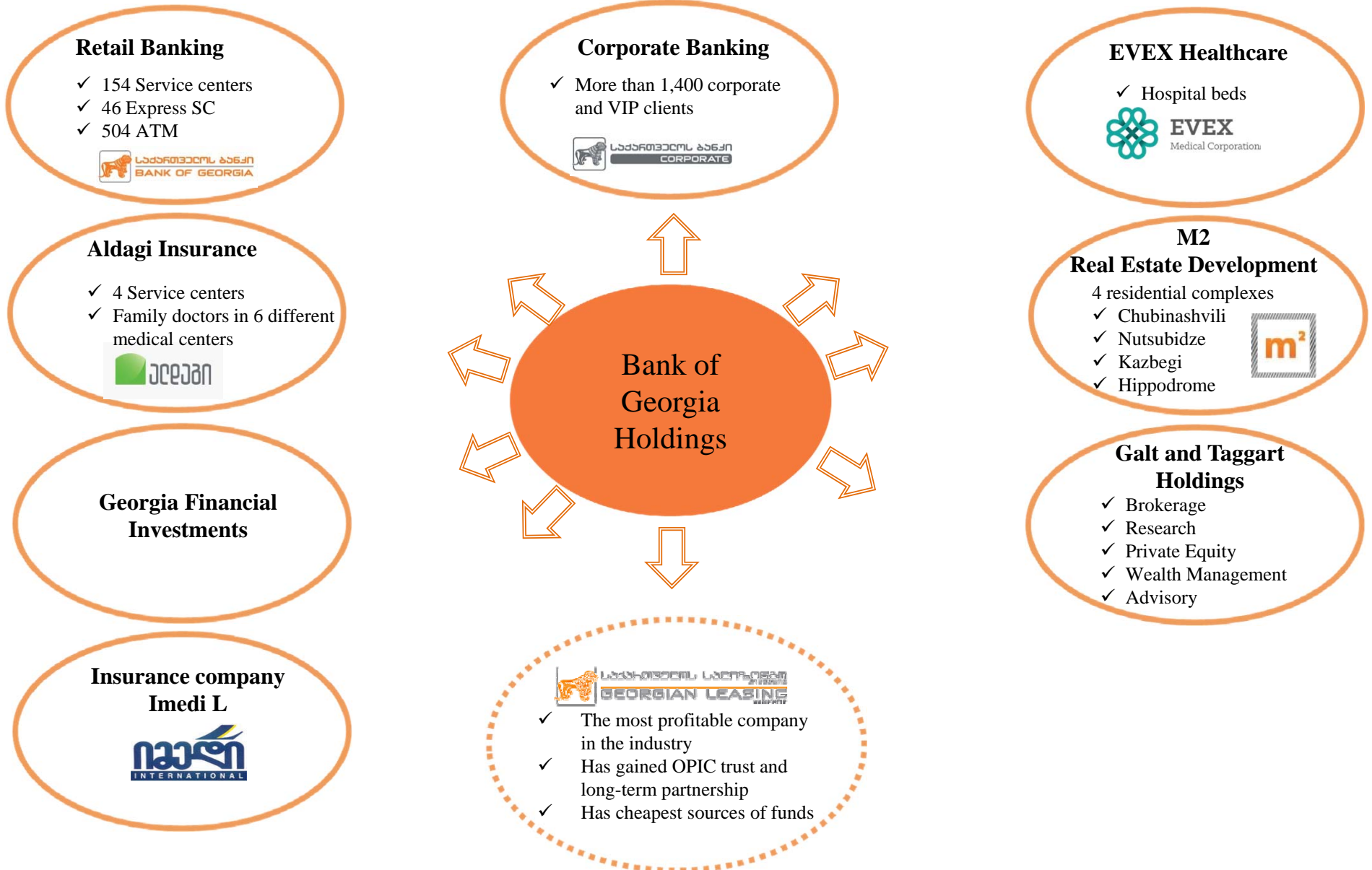
Financial Institution	Currency	Initial Date	Interest Rate	Maturity Date	Amount, FC	Amount, GEL
Bank of Georgia*	USD	40,789	11.0%	2,020	2,777,012	4,821,727
Bank of Georgia	USD	41,229	10.5%	42,505	905,750	1,572,653
Bank of Georgia	USD	41,387	8.1%	43224	719,732	1,249,672
Bank of Georgia*	USD	40,240	11.0%	2,020	2,252,277	3,910,630
WBC	USD	39,231	7.1%	42,819	1,986,071	3,448,415
WBC	USD	41,533	9.0%	44,002	1,729,686	3,003,253
Bank of Georgia*	EUR	40,267	11.0%	2,020	1,652,725	3,948,526
Bank of Georgia*	EUR	40,451	11.0%	2,020	425,128	1,015,674
Bank of Georgia	EUR	41,057	7.0%	42,310	239,250	571,592
Bank of Georgia	EUR	41,254	7.0%	41979	155,000	370,311

* Revolving

Financial Institution	Amount, GEL	Average %
Bank of Georgia	17,460,785	10.5%
WBC	6,451,668	8.0%
Total	23,912,453	9.8%



	Within One Year	More Than One Year	Total
Assets			
Cash & Cash Equivalents	0.7	0.0	0.7
Amounts due from credit institutions	0.0	0.0	0.0
Finance lease receivables	14.0	9.2	23.1
Assets held for leasing purposes	3.4	0.0	3.4
Prepayments for assets held for leasing purposes	3.8	0.0	3.8
Current income tax assets	0.0	0.0	0.0
Deferred income tax assets	0.0	0.4	0.4
Investment property	0.0	2.7	2.7
Other Assets	0.3	0.2	0.5
Total	22.2	12.5	34.7
Liabilities			
Amounts due to credit institutions	2.6	21.3	23.9
Advances from customers	2.0	0.0	2.0
VAT and other taxes payable	0.1	0.0	0.1
Current income tax liabilities	0.2	0.0	0.2
Other Liabilities	0.4	0.0	0.4
Total	5.3	21.3	26.6
Gap	16.9	-8.8	8.1

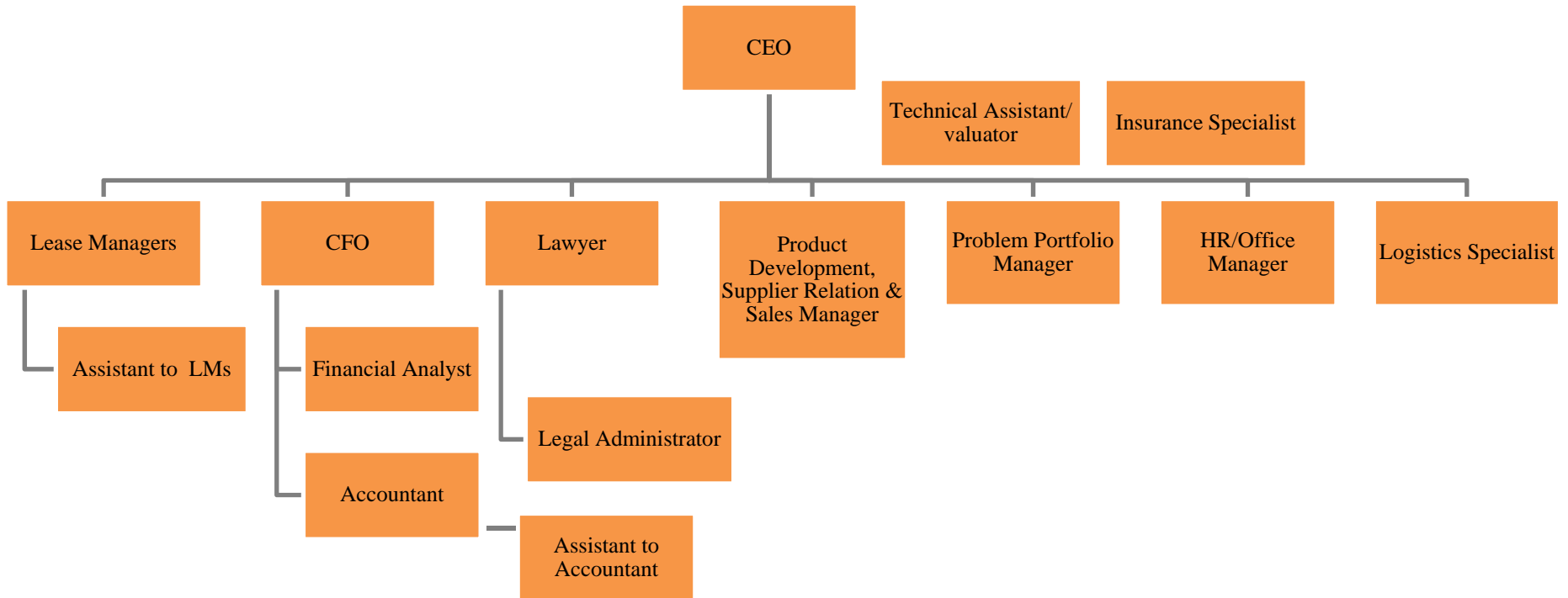


Annex 8

Management and Organizational Chart



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 GEORGIAN LEASING COMPANY



Tinatin Gobejishvili
CEO

- 18 years of experience:
 - 6 years of experience in GLC as a CEO
 - 12 years of experience in the financial services sector
- BBA from European School of Management (ESM)

Teimuraz Gabriadze
Chief Lawyer

- More than 7 years of experience in the legal field
- Bachelor's degree in law and a dual master's degree in law and public administration from Tbilisi State University and the Speyer University of Administrative Sciences (Germany).

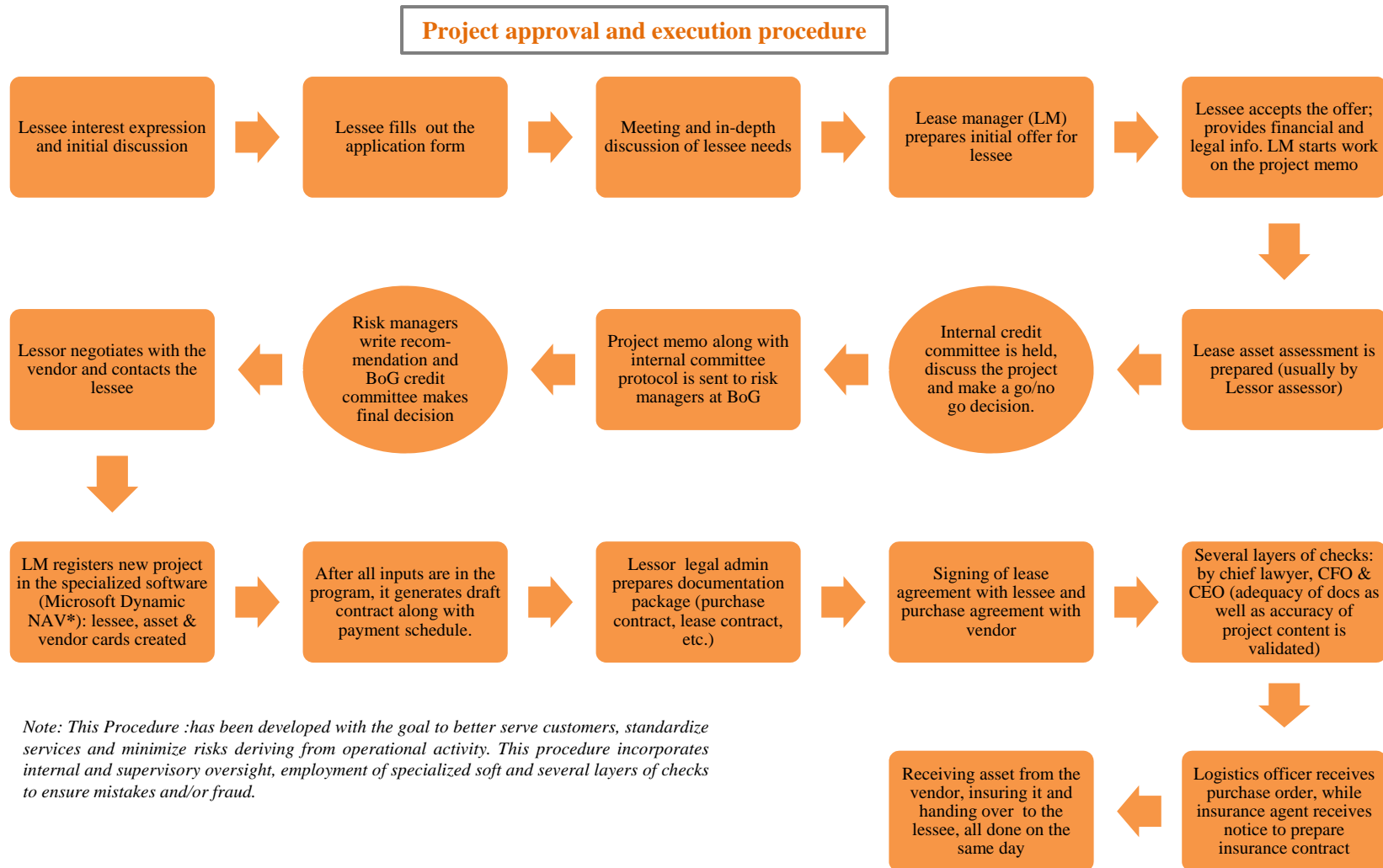
Nato Melitskauri
CFO

- More than 10 years of experience in the financial sector
- BA in finance and banking from Tbilisi State University



GLC has established procedures for approving and executing projects, monitoring projects, provisioning, dealing with overdue payments and asset repossession. These procedures are set out in internal documents adopted by GLC.

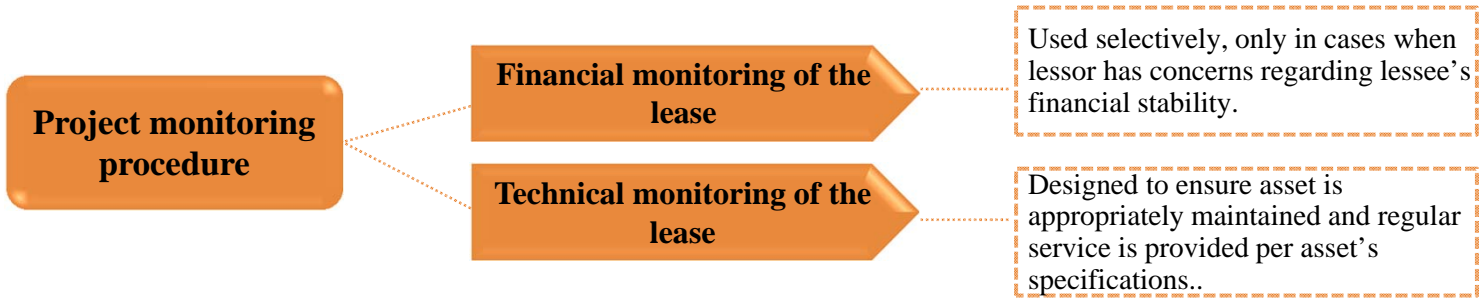
- **Project approval and execution procedure**



Note: This Procedure has been developed with the goal to better serve customers, standardize services and minimize risks deriving from operational activity. This procedure incorporates internal and supervisory oversight, employment of specialized soft and several layers of checks to ensure mistakes and/or fraud.



Project monitoring procedure



Note: All other assets are being monitored semi-annually or annually depending on the asset type, unless special circumstances require unscheduled monitoring.

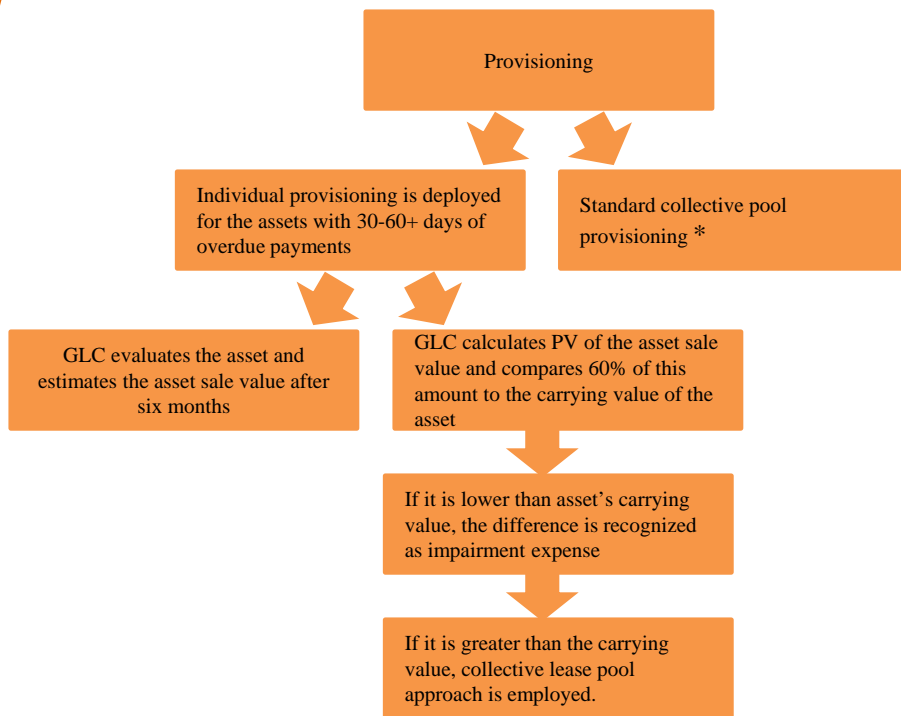
Overdue portfolio management procedure

Overdue portfolio management procedure sets out rules and steps for dealing with overdue payments and emphasizes early action and close interactions with the lessee in order to minimize technical, financial and litigation risks.

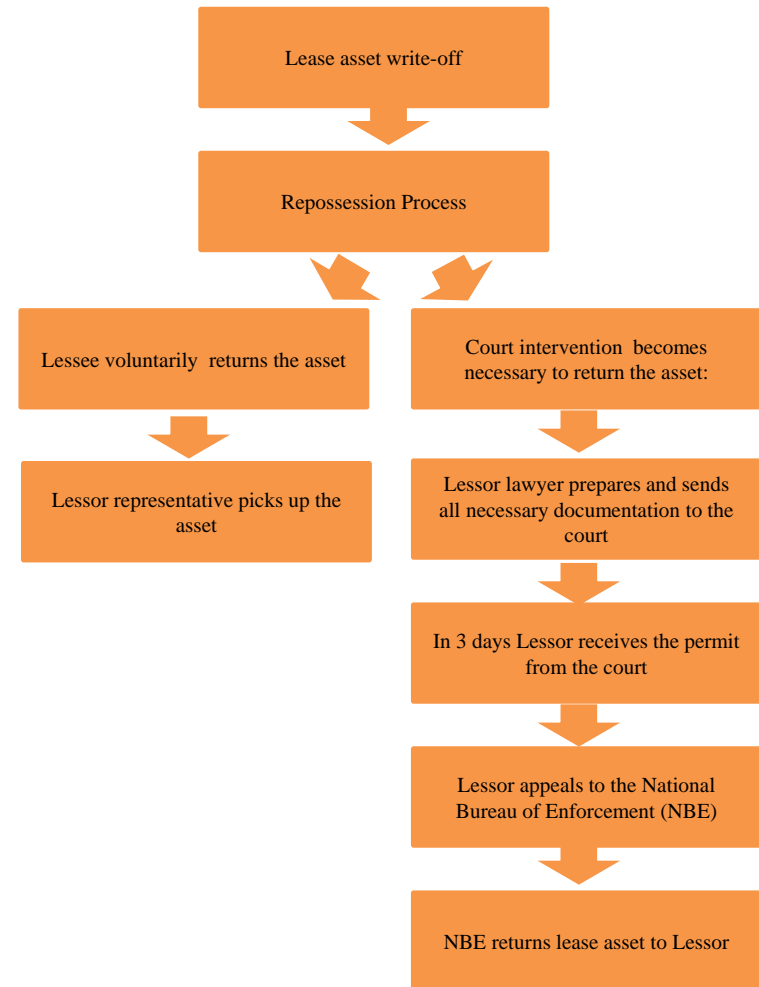
Daily monitoring of overdue payments	Days	4	8	12	16	20	24	28	32	36	40	44	48	52	56	60	60+	
Lease manager calls lessee and informs about overdue payment	1 day	[Bar from Day 4 to Day 4]																
Lessor sends a formal notification letter to the lessee regarding overdue payment	1-5 days	[Bar from Day 4 to Day 8]																
Lessee receives daily reminders regarding overdue payment	1-45 days	[Bar from Day 4 to Day 60]																
Lease manager works with lessee to investigate reasons for the overdue payments	5-30 days	[Bar from Day 8 to Day 28]																
Problem lease portfolio manager receives the case and starts working	30-60 days	[Bar from Day 28 to Day 52]																
Lessor makes a decision regarding repossession of the lease asset	45-60+ days	[Bar from Day 52 to Day 60]																



Provisioning procedure



Asset repossession procedure



* • Standard collective pool provisioning is based on 10 year historical data for the portfolio (currently at 1.75% of the asset value).
 • Standard provisioning is used until 30 day overdue payment at 1.75%

Contact information



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GEORGIAN LEASING COMPANY



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