



სადავო-საქირაურო კომპანია
GEORGIAN LEASING COMPANY

Bond Presentation

June, 2018



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Terms of Bonds

Issuer	Georgian Leasing Company LLC
Bonds	Unsecured and unsubordinated obligation
Issue currency	U.S.\$
Offering Amount	10,000,000 US\$
Nominal Value	1,000 US\$
Minimum Placement Lot	10 bonds
Maturity	3 Years
Coupon Range	5.5% -6.5% per annum, (To be determined during book-building)
Coupon Payment	Semi Annual
Issue Date	June, 2018
Issue price	100% of the principal amount (nominal value) of the Bonds
Selected Financial Covenants	<ul style="list-style-type: none"> ▪ Indebtedness: Maintain total indebtedness of the Group excluding unsecured contingent liabilities arising in the ordinary course of business at less than 80% (eighty per cent) of the total consolidated assets of the Group; ▪ Payments are restricted: when such payments, aggregated with all other restricted payments previously made on or after 31 December 2017, but prior to the issue date, exceed the sum of: a) 50% of the Issuer's consolidated net profit; b) 100% of the aggregate net cash proceeds received by the Issuer subsequent to 31 December 2017 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2017 of any Indebtedness of the Issuer into or for share capital of the Issuer;
Use of Proceeds	The net proceeds received by the Company from the issuance of the Bonds will be used for Company's operating activities
Governing Law	Georgian law
Listing	Georgian Stock Exchange
Placement Agent	JSC Galt & Taggart

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GLC at a Glance

Established in 2001, GLC was the first Company to offer leasing services in Georgia. The company is a 100% subsidiary of JSC Bank of Georgia. With the total portfolio amounting to **GEL 47 mln**, GLC held **22% of the market share** in 2017. Portfolio, more than 12 business sectors, more than 260 corporates and 1,000 retail active clients.

In 2017, the company's revenue consists of three main business lines:

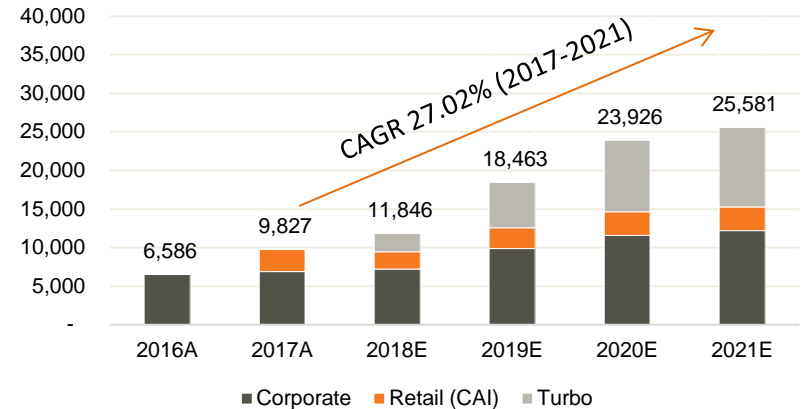
- **Corporate Lease:**
 - Portfolio – GEL 36.6 mln;
 - Revenue – GEL 6.8 mln;
 - Average interest rate – 15%

- **Auto Leasing Partnership with Caucasus Auto Import (CAI)**
 - Launched in 2015;
 - Portfolio – GEL 8.7 mln;
 - Revenue – GEL 2.8 mln;
 - Average interest rate – 18%;

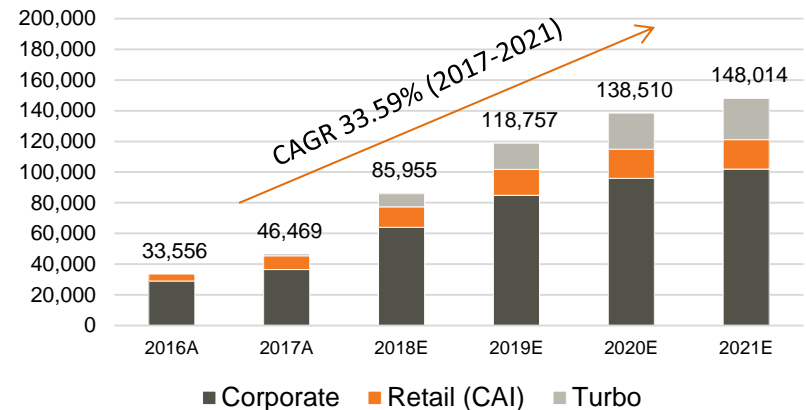
- **Turbo**
 - Launched in September 2017;
 - Portfolio – GEL 1.2 mln
 - Projected Portfolio – GEL 45 mln by 2020;
 - Projected average interest rate – 40%;

Total portfolio showed growth rates of 29% and 38% in 2016 and 2017 respectively;

Revenue Distribution, Gel '000



Portfolio Distribution, Gel '000



Significant Growth Potential Supported by Strong Management

Market with
Significant Growth
potential

- Attractive macro: Georgian market, one of the fastest growing markets in Eastern Europe with 5% GDP growth in 2017 and expected annual 5.4% growth in next 3 years
- Room for expansion:
 - Leasing sector remains underdeveloped in Georgia (only 0.6% of GDP). Corporate Income Tax reform undertaken in 2017 will result in further growth of leasing market
 - Leveraging on an established brand name, potential for introducing new, innovative products for different client groups (retail/corporate)

Growth Oriented
Business Strategy

- Changed risk assessment approach - Asset based financing, which along with new Asset Management Team has resulted in more flexibility and well managed risks
- Entering new market - new brand “Turbo” was introduced on the market to compete with existing MFOs and it covered the segment of high yield car leases for sub-prime customers

Strategic
Partnerships

- Partnership with the leading car importer and retailer
- The ability to offer exclusive product for the market
- Providing quick, easy and cheap import financing solutions for light vehicles
- Substantial profit margin

Strong Management
Team and
Supportive
Shareholder

- Management team with extensive experience in leasing sector
- Strong corporate governance and improved business procedures
- Strong and supportive shareholder

Steadily Growing Existing Portfolio along with New Market Opportunities

Corporate and SME
Lease

- Comprises 78% of the total portfolio in 2017
- Well diversified – customers from more than 12 business sectors
- Demonstrated 17% and 26% portfolio growth rates respectively in 2016 and 2017;

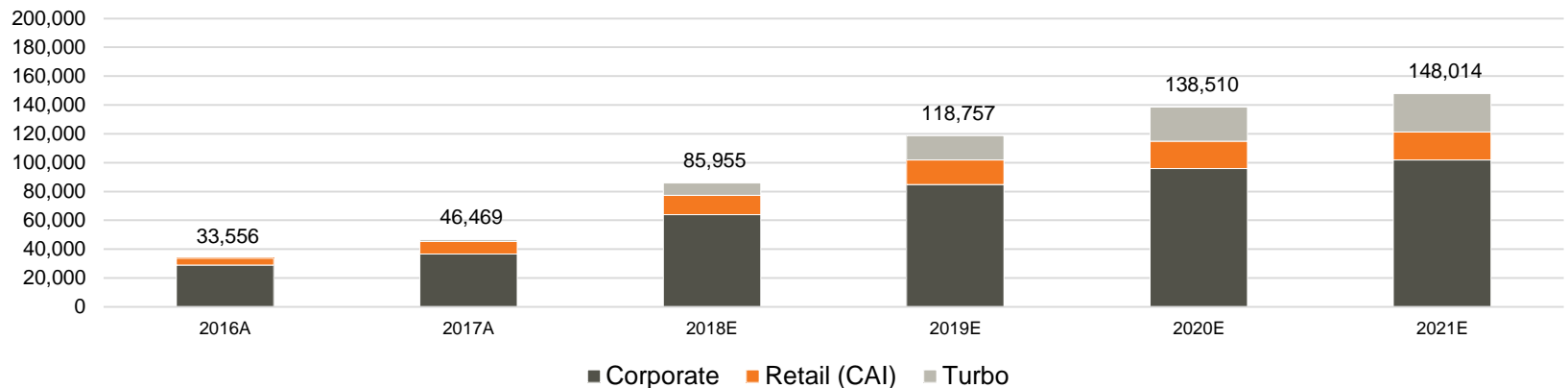
Auto Leasing
partnership with CAI

- New product with significant growth potential
- Exclusive contract with the leading player on second hand car import and retail market (CAI)
- Positive track record - After only two years of operations portfolio amounted GEL 8.7 mln comprising 19% of the total company's portfolio

New Brand "Turbo"

- New segment (from September 2017): higher yield car leases for sub-prime customers
- Aggressive growth strategy: five new branches at strategic locations
- Unorganized market with great growth potential for well managed, financially strong companies

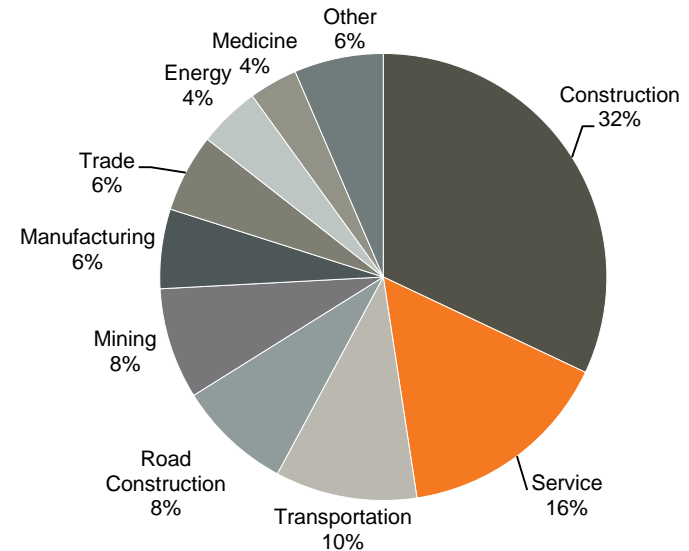
Portfolio Distribution, Gel '000



Corporate and SME Lease - Revenue Stream with Significant Growth Potential

- Corporate and SME revenue streams are the major part of the Company's portfolio and revenue, 78% and 70% in 2017, respectively
- Well diversified portfolio – The Company covers more than 12 industries.
- Despite significant growth, 2016 and 2017 were also characterized with significant level of write-offs, GEL 0.7 mln and GEL 1 mln, respectively. This was due to fact that the company's leasing portfolio was comprised by less liquid assets and in certain cases asset valuation was not adequate and these parameters were not sufficiently taken into consideration while assessing product risk.
- Since 2015, the management team switched to asset based financing, which along with new asset valuation and monitoring team has resulted in more flexibility, well managed risks and improved portfolio quality. Due to changed approach of asset valuation, above mentioned write-offs are considered as one-off expenses by the Management.
- Company has also substantially changed the procedure of sale/releasing of repossessed assets.

Corporate leasing portfolio, 2017



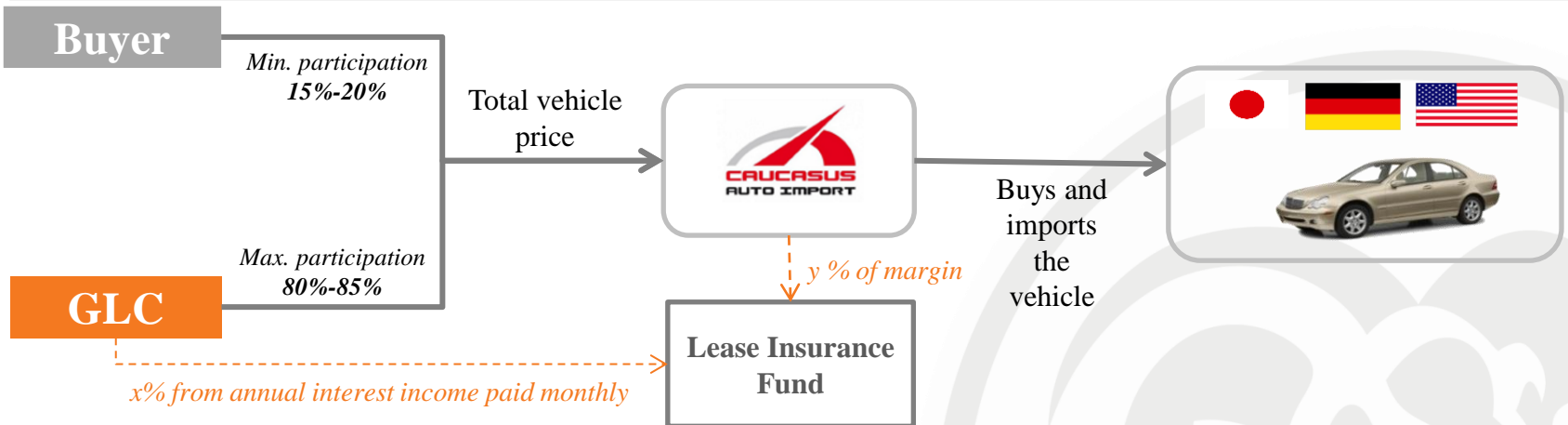
Portfolio Growth - Corporate & SME

Year	Portfolio Amount, GEL 000'	Growth %	Write-off of Assets	Growth % without Write-offs
2015	24,817			
2016	28,991	17%	749	20%
2017	36,617	26%	986	30%

Innovative Auto Leasing Scheme with Caucasus Auto Import (CAI)

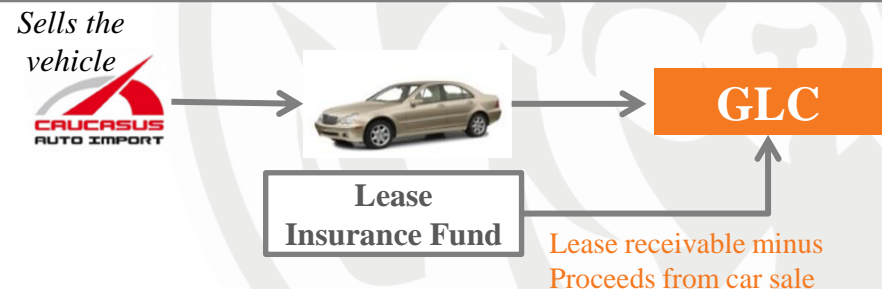
- Strategic partnership with the leading car importer – Caucasus Auto Import. The company is one of the largest second hand car importer, presented on the market since 2004.
- Proposal: Offer customers a quick, easy and cheap import financing solutions for light vehicles by importing cars through GLC leasing service
- Moreover, GLC and CAI have jointly established a Lease Insurance Fund. The fund ensures that GLC risk is covered unless default rate goes over 40%

Illustration of an Example



Event of Default

- In the event of default GLC repossesses the vehicle
- CAI sells the vehicle on behalf of GLC
- Any difference will be covered from the Insurance Fund



“Turbo” – New Business Line with Significant Growth Potential

- Objective to further diversify revenue streams and increase profitability by entering a new market with significant growth potential. The company will target servicing low income customers.
- In order to compete with existing players GLC will offer clients competitive pricing (average interest rate of 48% while market average is at 60%)
- First Turbo branch was opened in September 2017, and has a portfolio of GEL 1.2 mln as of 31/12/2017

What does Turbo do?

Low Income Customer



- Instant Financial/Back Lease
- Average 48% interest rate
- Lease amount to Value 70%-90%
- Average lease length – 5 years
- Security – light vehicle

In the event of default, the vehicles to be sold at a discount or offered for lease to new customers with minimum down payment

Created Opportunities

Result

Much higher margins with average annual rate at 48%	Accelerated Portfolio and revenue growth
Branches in five new locations as well as online sales opportunity	Better customer communication, increased client number
In the event of default, security – light vehicle	More liquid, easy to manage asset in a possession
New brand tailored for different client group - sub-prime customers	More diversified portfolio and significant growth potential
Increased company awareness due to marketing activities for new brand promotion	Increased number of clients, future portfolio growth potential;

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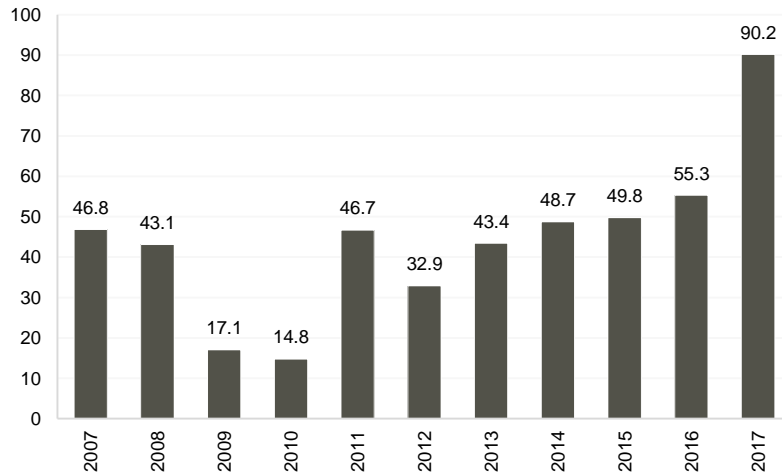
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Industry Overview – Significant Growth Potential

The Georgian leasing sector total portfolio amounted to US\$ 90.2 million, in 2017 (0.6% of GDP)

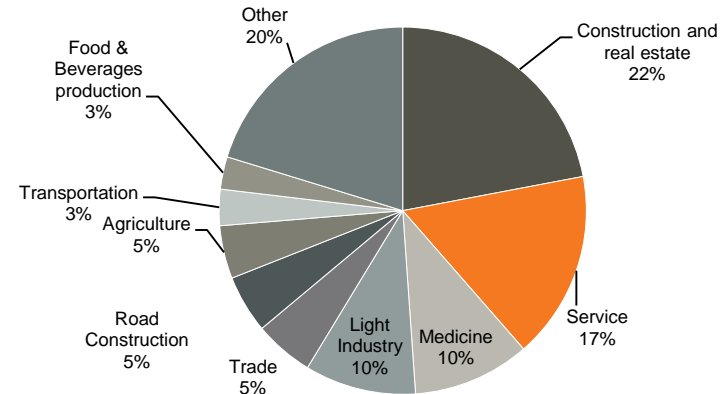
Leasing market development, US\$ million



Source: Company Information

- Georgian Leasing market has been growing steadily since 2012. However, year 2017 was significant for the sector with 63% growth y/y
- Following the changes in legislation in 2011, the Georgian leasing sector has grown and reached pre crisis levels in 2014. The new legislation created stronger incentives for companies to lease by allowing them some tax flexibility as well as easier tax procedures for lessees, and reduced effective tax rates for lessors and lessees due to changes in lease accounting treatments.

Leasing market portfolio by sectors, 2017



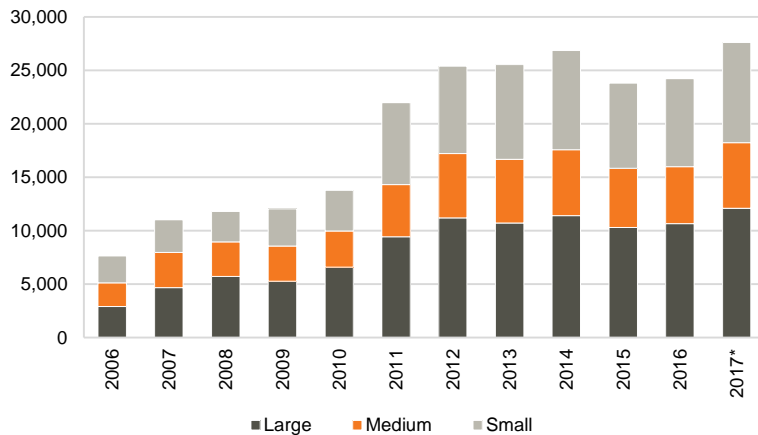
Source: Company Information

- Construction, service, medicine are the largest in terms of leasing activities.
- Portfolio of GLC is comprised of more than 12 different sectors. According to management estimate the company holds overall 22% of the total market share as of 31/12/2017.

Industry Overview – Significant Growth Potential, Cont'd

- Most businesses in Georgia are local SMEs involved in trade and services. The number of registered firms has been growing since 2006. Their number has more than tripled last 10 years on the back of strong GDP growth.
- Economic acceleration forecasted in coming years is expected to further enhance SME business growth and by the same drive increased demand for leasing

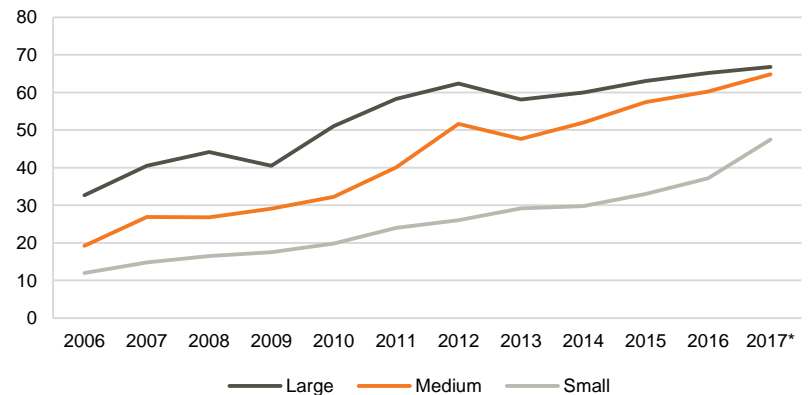
Turnover of small, medium and large enterprises, USD millions



Source: Geostat

- Turnover of SMEs has increased in 2017 by 14.47% y/y and reached USD 15.5 bln
- According to Galt & Taggart nominal GDP is expected to grow from current USD 15 bln to USD 26 bln in 2022 (more than 73% growth), which will result in respective growth of SME.

Effectiveness* of Employees in Small, Medium and Large Enterprises, 000' GEL per Employee



*Value of Products issued/Number of Employees

- SMEs employ disproportionately large share of the population compared to their share of production. The effectiveness of employees is higher in large enterprises than in small and medium ones. This is due to the fact that small and medium enterprises invest in new technologies much less than large enterprises do. This fact itself indicates the huge potential for leasing market development.

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Statement of Financial Position with 4 year projection

<i>All Amounts are in Thousands of Georgian Lari</i>	Actual (Audited)		Projected			
	2016	2017	2018	2019	2020	2021
Total Assets	51,159	66,207	102,816	134,674	153,968	164,906
<i>of which</i>						
<i>Finance Lease Receivables (Gross)</i>	33,556	46,469	85,955	118,757	138,510	148,014
<i>Corporate</i>	28,991	36,617	64,003	84,785	95,984	101,971
<i>Retail (CAI)</i>	4,565	8,790	13,439	17,023	18,840	19,208
<i>Turbo</i>	-	1,242	8,513	16,949	23,686	26,834
<i>Assets held for leasing purposes</i>	11,156	9,446	7,449	7,089	6,829	6,569
Total Liabilities	47,596	48,514	82,440	106,408	113,286	109,903
<i>of which</i>						
<i>Amounts owed to credit institutions</i>	17,729	20,180	29,848	53,728	85,594	107,186
<i>Debt Securities Issued</i>	26,905	26,150	50,000	50,000	25,000	-
Total Equity	3,563	17,692	20,376	28,266	40,682	55,003
<i>of which</i>						
<i>Share Capital</i>	3,180	3,180	3,180	3,180	3,180	3,180
<i>Additional Paid-in Capital</i>	2,473	14,895 ¹	14,766	14,766	14,766	14,766
<i>(Accumulated Deficit) / Retained Earnings</i>	(973)	(2,105)	(248)	2,402	10,292	22,708
<i>Net Profit / (Loss) for the Period</i>	(1,131)	1,855	2,650	7,890	12,416	14,321

¹ Equity is considerably increased because JSC Bank of Georgia supervisory board resolution to convert sub-debt and accrued interest in the amount of GEL 12,004 thousand in Q2 of 2017 into equity

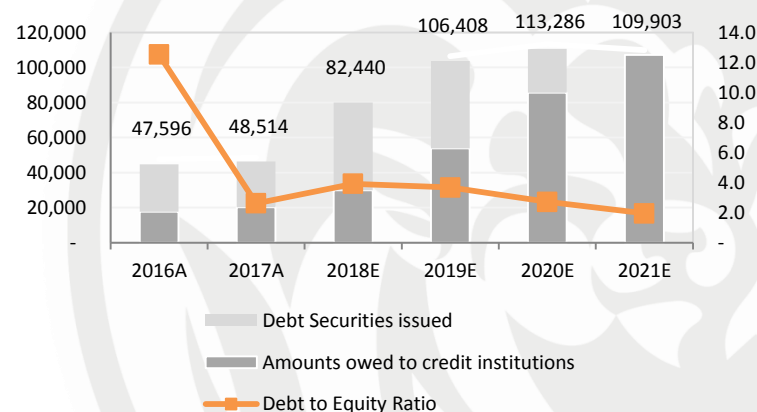
Supportive Shareholder – Improved Capital Structure

	2016	2017	2018	2019	2020	2021
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Total Equity	3,563	17,692	20,376	28,266	40,682	55,003
Debt to Equity Ratio	12.53	2.62	3.92	3.67	2.72	1.95

- As a balance sheet-driven business, the Company requires a substantial amount of funding to support steady growth of the leased asset portfolio, fund its operations and repay the debts.
- Company's total liabilities amounted GEL 48.5 million as at 31 December 2017, which led to the Debt to Equity of 2.62x.

- Per JSC Bank of Georgia supervisory board resolution, Company's equity was increased by USD 5 million by converting outstanding sub-debt and accrued interest in July of 2017.
- The injection of this amount reduced Debt to Equity ratio from 12.5x to 2.6x
- Management expects this ratio to decrease further to 1.95 by 2021, which is a very low indicator for the industry.
- Management assumes that Bonds, that mature in 2020 and in 2021 will be converted to bank loans.** Considering company's projected Debt to Equity ratio by 2020 and 2021, it should not be an issue for the company to repay bonds at maturity.

Liability Distribution, GEL '000



Statement of Profit and Loss with 4 Year Projection

All Amounts are in Thousands of Georgian Lari		Actual (Audited)		Projected			
		2016	2017	2018	2019	2020	2021
Total Interest Income		6,586	9,827	11,846	18,463	23,926	25,581
Growth Rate %			49%	21%	56%	30%	7%
of which							
	Corporate	6,548	6,883	7,241	9,899	11,562	12,207
	Retail (CAI)	38	2,892	2,235	2,673	3,096	3,083
	Turbo	-	52	2,370	5,891	9,268	10,291
Interest Expense		(3,766)	(3,954)	(4,843)	(7,154)	(8,223)	(8,224)
Interest Income, net		2,820	5,873	7,003	11,309	15,703	17,357
Net interest Income Margin		43%	60%	59%	61%	66%	68%
Other Operating non-interest income		1,218	2,649	5,436	8,230	10,347	11,405
Other Operating non-interest expenses		(3,983)	(5,955)	(8,526)	(10,456)	(12,773)	(13,897)
of which							
	Salaries and other employee benefits	(1,043)	(1,208)	(1,745)	(1,914)	(2,015)	(2,062)
	Other General and Administrative expenses	(2,191)	(3,761)	(6,781)	(8,542)	(10,758)	(11,835)
	Write down of assets held for leasing purposes	(749) ¹	(986) ¹	-	-	-	-
Operating Income		55	2,567	3,913	9,083	13,277	14,865
Operating Income Margin %		1%	26%	33%	49%	55%	58%
Other Income/(Expense)		(1,186)	(712)	(1,262)	(1,194)	(862)	(544)
of which							
	Impairment Charges	(459)	(712)	(1,262)	(1,194)	(862)	(544)
	Tax Benefit (Expense)	(727)	-	-	-	-	-
Net Income/(Loss for the year)		(1,131)	1,855	2,651	7,889	12,415	14,321

¹ Assets held for sale for leasing purposes were written-off in the amount of GEL 3.1 million and GEL 0.7 million in 2015 and 2016 respectively. As a result, currently assets are valued at a Fair Value, acceptable by company's current auditors and no significant write-offs are expected in the following years.

Managed Risks along with Conservative Approach for Expense Projection

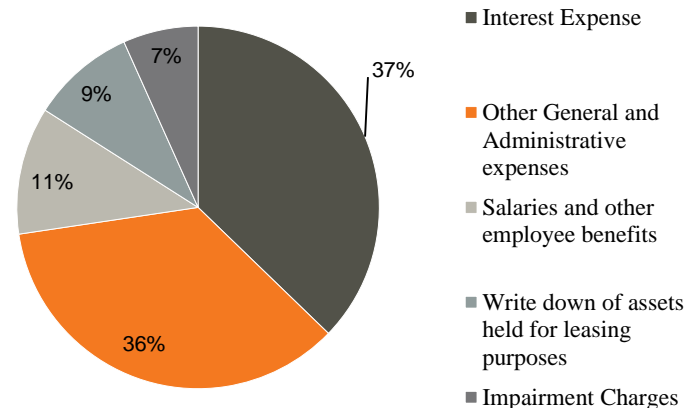
- Main Part of the company expenses is Interest Expense – GEL 3.9 mln as of 31/12/2017.
- Additional funds are projected to be borrowed at 8%, which represents pessimistic approach of the company, taking into consideration the current conditions on the market

- Impairment Charge for Finance Lease receivables comprised 1.5% of the gross lease receivables as of 31/12/2017;
- PAR rate of the company has reduced from 22.2% in 2015 to 7.3% in 2017
- 2.81% and 2.25% of the Lease Receivables were provisioned for lease losses as of 31 December 2016 and 2017, respectively.

- For the year 2016 a net FOREX loss was GEL 0.4 mln, however in 2017 there was a FOREX gain of GEL 0.6 mln
- Using conservative approach, Company used the foreign exchange rate of 2.50 GEL/USD as an assumption for the projection of the 2018-2021 figures.

- Other General and Administrative expenses were 36% of total expenses and mainly consisted of insurance, legal and other professional service, marketing and advertising expenses. It is expected that these expenses will increase 27% annually on average which is necessary for portfolio increase and its administration.
- Salaries and other employee benefits increased by GEL 165 thousand. in 2017 y/y, out of which 150 thousand was bonuses due to good results of the company

Share of the Expenses per Types, 2017



Dynamic of PAR, yearly

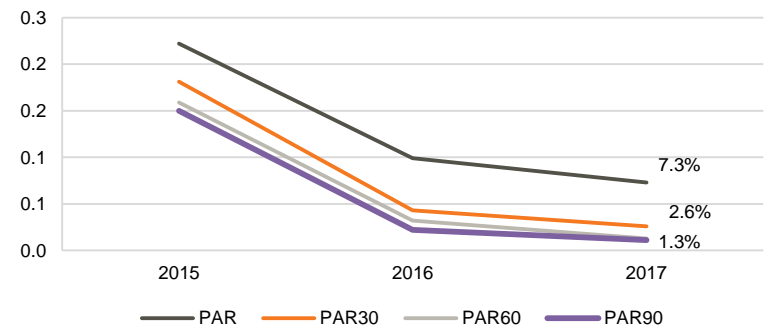


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Consolidated Statement of Financial Position (Audited)

Balance sheet data, 000' GEL	2018 - 2 months (unaudited)	2017 (audited)	2016 (audited)
Assets			
Cash and cash equivalents	1,216	1,178	676
Investment securities: available for sale	-	-	41
Finance lease receivables	45,466	45,424	32,612
Assets held for leasing purposes	9,487	9,446	11,156
Prepayments for assets held for leasing purposes	7,857	6,307	3,259
Current income tax assets	-	-	632
Property plant and equipment	439	413	35
Investment property	2,745	2,745	2,488
Other assets	1,604	694	260
TOTAL ASSETS	68,814	66,206	51,159
Liabilities			
Loans payable	22,252	20,179	17,729
Debt securities issued	25,318	26,151	26,905
Advances from customers	1,479	1,160	2,079
VAT and other taxes payable	246	131	434
Other liabilities	745	893	449
Total Liabilities	50,040	48,514	47,596
Equity			
Charter Capital	3,180	3,180	3,180
Additional paid-in capital	14,905	14,895	2,473
(Accumulated losses) / retained earnings	821	(250)	(2,104)
Other reserve	(133)	(133)	14
Total Equity	18,773	17,692	3,563
TOTAL LIABILITIES AND EQUITY	68,814	66,206	51,159

Consolidated Statement of Profit or Loss (Audited)

Income Statement data, 000' GEL	2018 - 2 months (unaudited)	2017 (audited)	2016 (audited)
Finance income from leases	1,787	9,827	6,586
Investment securities: available-for-sale	-	-	19
Cash and cash equivalents	14	58	71
Interest expense			
Loans payable	(240)	(1,568)	(1,500)
Debt securities issued	(305)	(2,386)	(2,266)
Net interest income	1,256	5,931	2,910
Impairment charge for finance lease receivables	(265)	(712)	(459)
Net interest income after impairment charge for finance lease receivables	991	5,219	2,451
Income from penalties on finance lease receivables	112	669	985
Rent Income from investment property	28	169	169
Net loss on revaluation of investment property	-	257	-
Net loss from foreign currency translation	68	663	(409)
Other Income	72	833	383
Operating Income	1,271	7,810	3,579
Other general and administrative expenses	(819)	(3,761)	(2,191)
Salaries and other employee benefits	(163)	(1,208)	(1,043)
Write-off of assets held for leasing purposes	-	(986)	(749)
Operating expenses	(982)	(5,955)	(3,983)
Loss before income tax expense	289	1,855	(404)
Income tax (expense)/ benefit	-	-	(727)
Net loss for the year	289	1,855	(1,131)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealized gains on investment securities available-for-sale	-	-	14
Realized gains on investment securities available-for-sale	-	(14)	(6)
Income tax effect	-	-	1
Other comprehensive income for the year, net of tax	-	(14)	9
Total comprehensive loss for the year	289	1,841	(1,122)