



**GEORGIAN
LEASING COMPANY**

Bond Presentation

August, 2020



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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	1 bond
Maturity	2 Years
Coupon Range	7% -8% per annum, (To be determined during book-building)
Coupon Payment	Semi Annual
Issue Date	August, 2020
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 90% (ninety 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 2019, 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 2019 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2019 of any Indebtedness of the Issuer into or for share capital of the Issuer;
Use of Proceeds	Net proceeds from placement will be used for refinancing of existing bond (ISIN Code: GE2700603535) maturing on 29th of August 2020
Governing Law	Georgian law
Listing	Georgian Stock Exchange
Placement Agent	JSC Galt & Taggart

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Georgian Leasing Company at a Glance

Established in 2001, **Georgian Leasing Company** was the first Company to offer leasing services in Georgia. The company is a 100% subsidiary of JSC Bank of Georgia.

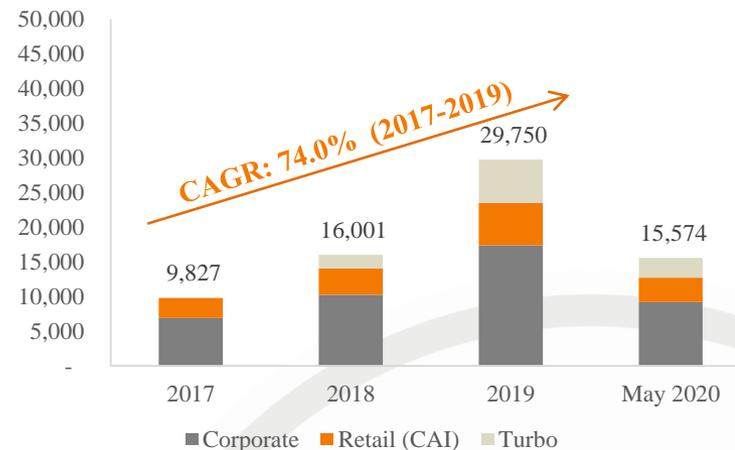
With the total portfolio amounting to **GEL 130.4 mn**, **Georgian Leasing Company** held **31% of the market share** in 2019. Company has a diversified portfolio of more than 12 business sectors, more than 260 corporates and 1,000 retail active clients.

In 2019, the company's revenue consists of three main business lines:

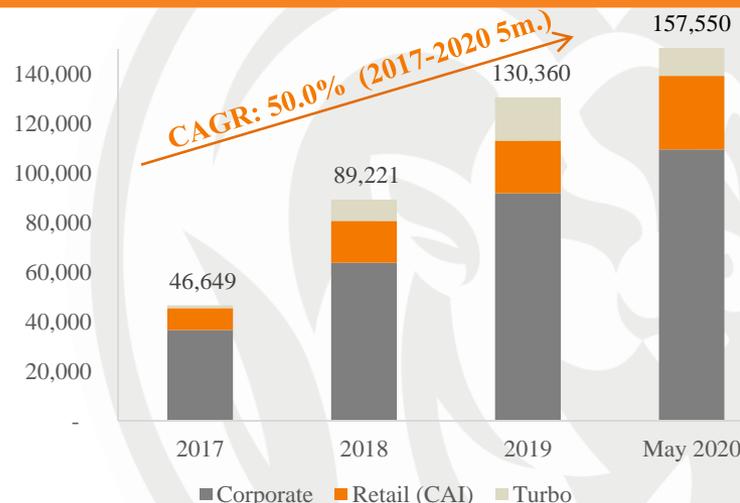
- **Corporate Lease:**
 - Portfolio – GEL 91.7 mln;
 - Revenue – GEL 17.4 mln;
 - Average interest rate – 14%.
- **Auto Leasing Partnership with Caucasus Auto Import (CAI)**
 - Launched in 2015;
 - Portfolio – GEL 21.3 mln;
 - Revenue – GEL 6.1 mln;
 - Average interest rate – 18%.
- **Turbo**
 - Launched in September 2017;
 - Portfolio – GEL 17.4 mln
 - Revenue – GEL 6.3 mln;
 - Average interest rate – 40%.

Total portfolio showed growth rates of 46% and 91% in 2019 and 2018 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 5.1% GDP growth in 2019. Due to the reduced economic activities caused by the Covid pandemic IMF forecasts that from 2021 economic growth is expected to recover and reach 3%.
- Room for expansion:
 - Leasing sector remains underdeveloped in Georgia (only 1.1% 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 - 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

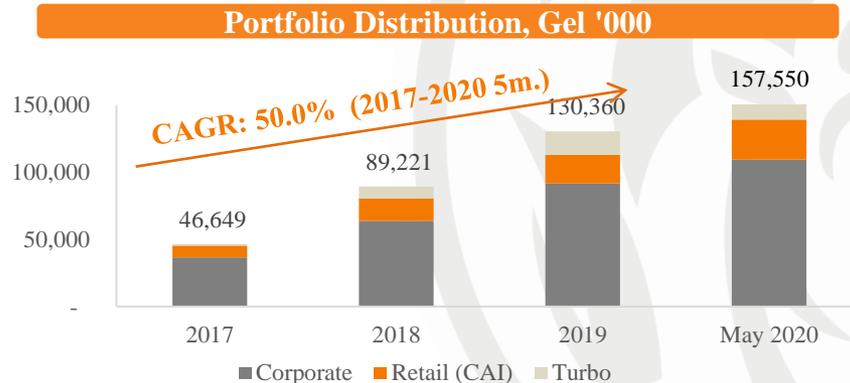
- Comprises 70% of the total portfolio in 2019
- Well diversified – customers from more than 12 business sectors
- Demonstrated 74% and 44% portfolio growth rates respectively in 2018 and 2019;

Auto Leasing partnership with CAI

- Exclusive contract with the leading player on second hand car import and retail market (CAI)
- Positive track record - After 4 years of operations portfolio amounted to GEL 21.3 mln comprising 16% of the total company's portfolio

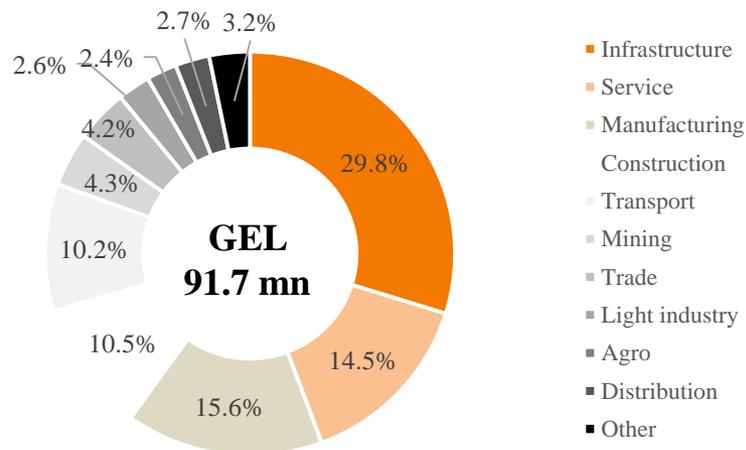
Brand "Turbo"

- New segment (from September 2017): higher yield car leases for sub-prime customers
- Aggressive growth strategy: five branches at strategic locations
- Unorganized market with great growth potential for well managed, financially strong companies
- Positive track record – After 2 years of operations portfolio amounted to GEL 17.4 mln comprising 13% of total company's portfolio.



Corporate and SME Lease - Revenue Stream with Significant Growth Potential

Corporate leasing portfolio, 2019



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%
2018	63,775	74%	1,562	78%
2019	91,716	44%	2,338	44%

- Corporate and SME revenue streams are the major part of the Company's portfolio and revenue, 64% and 59% in 2018 and 2019, respectively.
- Well diversified portfolio: – The Company covers more than 12 industries.
- In 2019, the write-offs amounted to GEL 2.3 mn, that represents 2.5% of total portfolio, whereas the total write offs in 2018 amounted GEL 1.6 mn, representing 2.4% of total gross portfolio.

Risks associated with the company and bonds

On March 11, 2020, COVID-19 ("Coronavirus") was declared a pandemic by the World Health Organization. This has caused significant losses to both Georgian economy and companies in the local market. While the country was able to successfully prevent the spread of the virus, this situation could pose additional risks to both the country, the company and the industry in which it operates.

These developments have already created difficulties for the company in terms of slowing down portfolio growth, deteriorating portfolio quality and increasing impairment charges. Due to limited economic activity, the revenue growth rate has also decreased.

The company has been able to successfully manage liquidity risks, minimize portfolio deterioration, prevent the spread of the virus in the company and adapt to the new reality in general. However, due to economic problems and uncertain future, there are additional risks that the company may face.

For more information, see Bond Prospectus subsection "Risk Factors" p. 23

The following is a brief overview of the risks associated with the Company's industry, operations and securities risks in general:

Brief overview of Macroeconomic Risks and Political Risks Related to Georgia:

1. Risk of economic instability and investment risks are high in developing countries, such as Georgia
2. Risks associated with neighboring countries and region
3. Risks associated with legislation and judicial systems
4. Force Majeure

For more information please refer to Bond Prospectus p.23

Brief overview of the material risks, that are specific to the Company's business:

5. Risks associated with liquidity and financing
6. Credit risks
7. Operational Risks
8. Risks associated with strategic development and other risks

For more information please refer to Bond Prospectus p.30

Brief overview of the material risks, that are specific to the Bonds:

9. Risks associated with market price, liquidity and interest rate of bonds
10. Risks associated with rights attached to bonds
11. Risks associated with the regulations/legislation regarding bonds and their holding

For more information please refer to Bond Prospectus p.39

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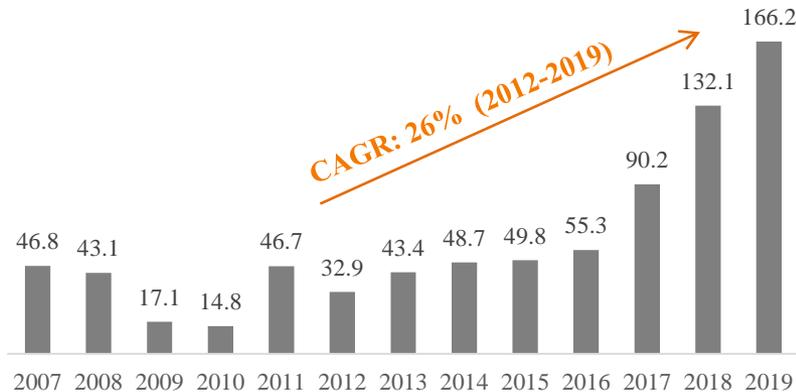
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Industry Overview – Significant Growth Potential

The Georgian leasing sector total portfolio amounted to GEL 476.6 million (USD\$ 166.2 million), in 2019 (1.1% of GDP)

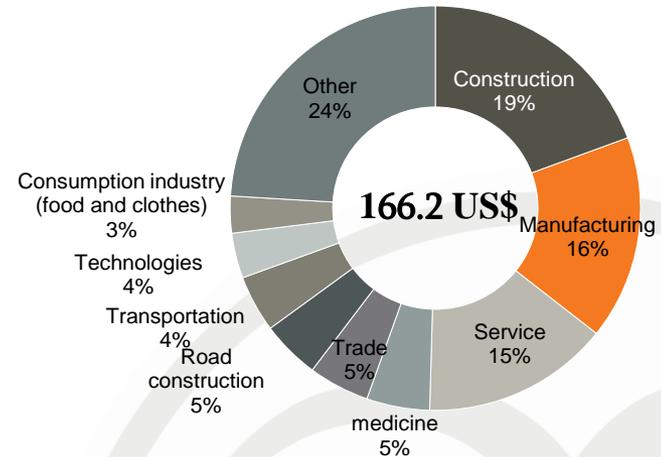
Leasing market development, US\$ million



Source: Company Information

- Georgian Leasing market has been growing steadily since 2012. However, year 2018 and 2019 were significant for the sector with 46% and 26% growths y/y, respectively.
- 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, 2019



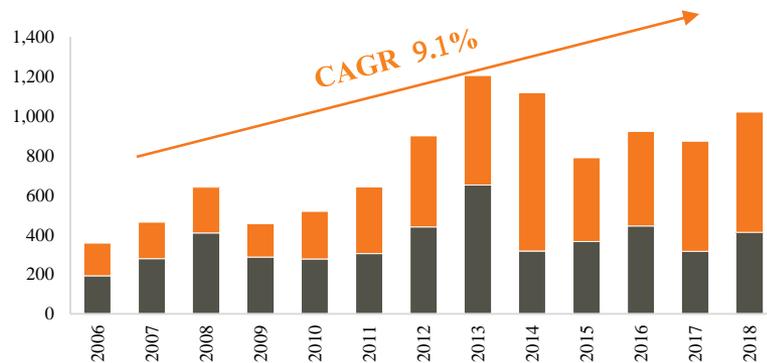
Source: Company Information

- Construction, service and manufacturing are the largest in terms of leasing activities.
- Portfolio of Georgian Leasing Company is comprised of more than 12 different sectors. According to management estimate the company holds overall 27% of the total market share as of 31/12/2019.

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

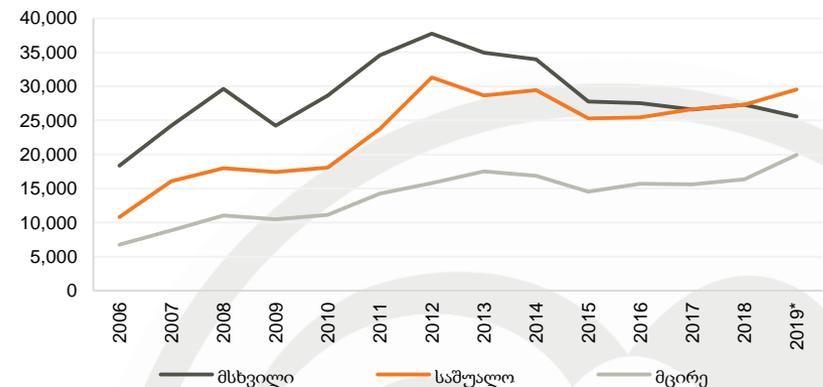
SMEs' Investments in Fixed Assets



Source: Geostat ■ სამშენებლო საწარმოები ■ მცირე საწარმოები

- The demand for leasing sector in Georgia stems from primarily SMEs as leasing allows them to hold the asset while saving on working capital
- However, public awareness of leasing products and its benefits remains still low in Georgia, which results in relatively weak demand for leasing
- On a positive note, imports of potentially leasable products has increased substantially over the last 5 years, with c. US\$ 218mn worth of goods with leasing potential imported in 2018.

Effectiveness** of Employees in Small, Medium and Large Enterprises, USD per Employee



Source: Geostat * Data is preliminary **Value of Products issued/Number of Employees

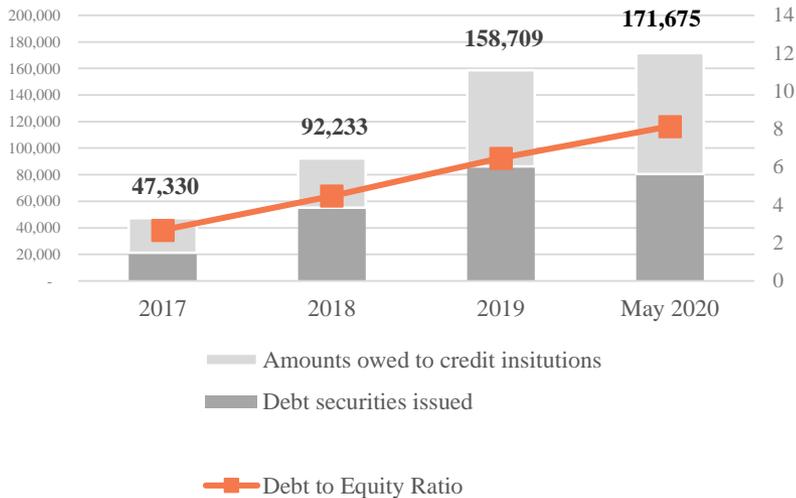
- SMEs employ disproportionately large share of the population compared to their share of production. Employee productivity is one of the best indicators of business success
- Historically, the effectiveness of employees is higher in large enterprises than in small and medium ones. This is due to the 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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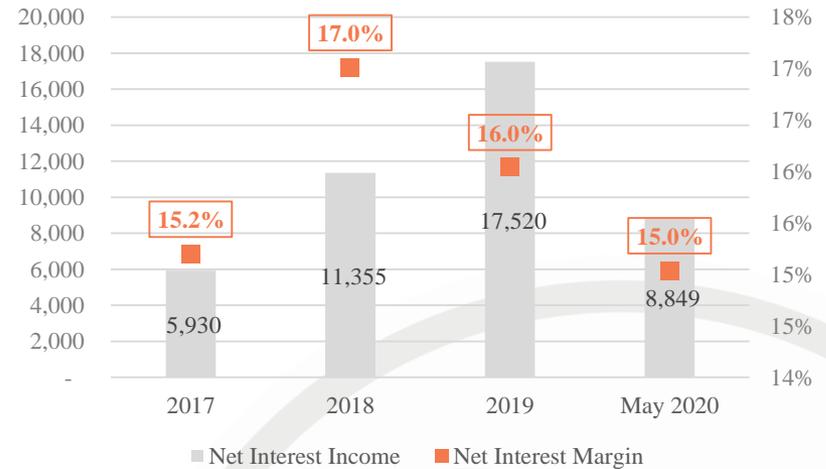
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Key Financial Information (1/2)

Liability Distribution, GEL '000



Net Interest Income & Margin, GEL '000

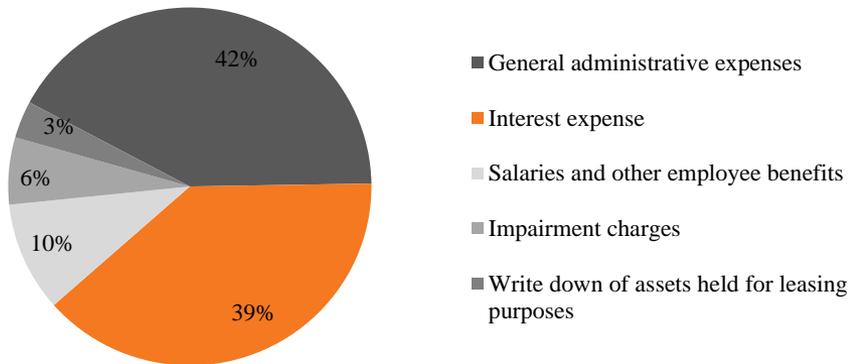


- As a balance sheet-driven business, the Company requires a substantial amount of funding to support steady growth of the leased asset portfolio, fund its operations and repay the debts.
- Company's total liabilities amounted GEL 171 million as of 31 May 2020, which led to the Debt to Equity of 8.15x.
- Management assumes that Bonds, that mature in 2020 and in 2021 will be converted to bank loans.

- Company's net interest income has increased by 91% and 54% in 2018 and 2019 respectively.
- Net Interest Margin stood at 17% and 16% for 2018 and 2019 respectively. Due to COVID-19 pandemic and economic difficulties in 2020 this figure has decreased to 15%.

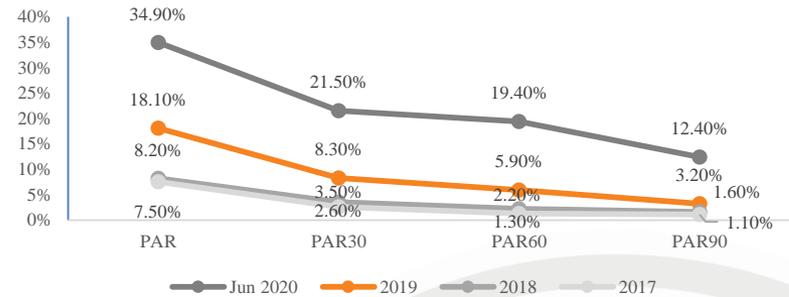
Key Financial Information (2/2)

Share of the Expenses per Types, 2019



- One of the main part of Company's expenses is Interest Expense – GEL 10.2 mn for the 2019. Funds are borrowed on average at 8.3%
- General and Administrative expenses were 42% of total expenses and mainly consisted of insurance, legal and other professional service, marketing and advertising expenses.
- Salaries and other employee benefits increased by 41% in 2019 to GEL 2.61 mln, which was mainly attributable to more staff and good results of the company (as bonuses are linked to company growth and profitability)

Dynamic of PAR, yearly



- PAR rate of the company has reduced from 22.2% in 2015 to 18.1% in 2019
- Due to COVID-19 pandemic and the announced moratorium company's PAR statistics deteriorated. PAR amounted to 34.9% as of June 2020.
- For detailed information please refer to "Financial Position" subsection of Bond Prospectus.

Selected Financial Ratios

		31-05-20	31-12-19	31-12-18
Financial Leverage Ratios				
1	Debt to Equity	8.15	6.48	4.47
2	Return on Capital Employed	3.1%	11.2%	10.3%
3	Interest Coverage Ratio	0.99	1.56	1.72
4	Total Debt Ratio	0.86	0.84	0.79
5	Debt to Total Capital	0.89	0.87	0.82
Profitability Ratios				
6	Return on Assets	-4.1%	2.5%	2.5%
7	Return on Equity	-35.2%	17.1%	12.2%
8	Gross Profit Margin	38.8%	57.1%	64.1%
9	Operating Profit Margin	-27.7%	12.8%	13.5%
10	Net Profit Margin	-27.8%	12.8%	13.2%
Liquidity Ratios				
11	Liquid Assets/Total Assets	49.1%	45.0%	42.4%
12	Liquid Assets/Current Liabilities	83.4%	77.5%	131.5%
13	Working Capital Turnover	-24023.3%	-704.1%	53.1%
14	Current Ratio	1.00	0.96	1.81
Operating Ratios				
18	Fixed Asset Turnover	38.5	31.0	15.1
Other Ratios				
19	Equity to Total Portfolio	13.9%	18.8%	23.4%
20	Net Impairment Charge to Interest Income	22.8%	5.8%	5.8%
21	Portfolio Write-off to Total Portfolio	8.6%	14.4%	8.0%
22	Reversal of Written-off Portfolio	16.6%	30.7%	29.4%
23	Restructured Portfolio to Total Portfolio	47.0%	8.8%	18.0%
24	Write-off of Restructured Portfolio to Restructured Portfolio for the Period	1.9%	52.6%	10.5%



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Consolidated Statement of Financial Position (Audited)

Balance Sheet ('000 GEL)	<i>Unaudited 31-05-20</i>	<i>Audited 31-12-2019</i>	<i>Audited 31-12-2018</i>
Assets			
Cash and cash equivalents	17,118	21,281	3,541
Restricted deposits	-	-	2,794
Restricted cash	152,100	130,359	88,081
Finance lease receivables	23,028	21,468	11,115
Assets held for leasing purposes	4,543	13,820	6,112
Property and equipment	551	565	750
Intangible assets	246	278	251
Right of use assets	563	686	-
Investment property	-	-	2,745
Tax assets	-	160	-
Other assets	2,066	931	1,300
Total assets	200,217	189,549	116,698
Liabilities			
Loans payable	91,138	86,170	55,292
Debt securities issued	80,537	72,539	36,941
Lease liability	635	736	-
Advances from customers	1,939	3,556	2,606
Taxes payable	1,307	-	117
Other liabilities	3,593	2,050	1,098
Total liabilities	179,149	165,052	96,053
Equity			
Charter capital	3,180	3,180	3,180
Additional paid-in capital	15,245	15,188	15,030
Accumulated losses	3,238	6,581	2,714
Other reserve	(596)	(452)	(279)
Total equity	21,067	24,497	20,645
Total liabilities and equity	200,217	189,549	116,698

Consolidated Statement of Profit or Loss (Audited)

	<i>Unaudited</i> 2020 5 months	<i>Unaudited</i> 2019 5 months	<i>Audited</i> 2019	<i>Audited</i> 2018
Consolidated statement of comprehensive income ('000 GEL)				
Interest income calculated using effective interest method				
Finance income from leases	14,192	9,680	27,439	16,001
Cash and cash equivalents	176	52	283	119
Interest expense				
Lease liability	(19)	(23)	(63)	-
Loans payable	(3,052)	(2,030)	(6,143)	(2,505)
Debt securities issued	(2,448)	(1,159)	(3,995)	(2,261)
Net interest income	8,849	6,518	17,520	11,355
Expected credit losses on interest bearing assets	(3,279)	(573)	(1,595)	(932)
Expected credit losses for other assets	-	-	(91)	(97)
Net interest income after expected credit losses for assets	5,570	5,946	15,834	10,325
Income from penalties on finance lease receivables	708	628	2,059	983
Rent income from investment property	-	-	-	84
Net gain on revaluation of investment property	-	-	-	19
Net loss from foreign currency translation	(3,350)	(329)	(532)	(556)
Other income	315	593	1,075	947
Operating income	3,244	6,837	18,436	11,803
Other general and administrative expenses	(5,587)	(4,249)	(11,054)	(7,100)
Salaries and other employee benefits	(1,100)	(998)	(2,610)	(1,855)
Write-off of assets held for leasing purposes	104	(66)	(883)	(464)
Operating expenses	(6,583)	(5,313)	(14,547)	(9,419)
Income before income tax expense	(3,339)	1,525	3,889	2,384
Income tax expense	(4)	(2)	(22)	(54)
Net income for the year	(3,343)	1,522	3,867	2,330
<i>Other comprehensive income</i>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-	-	-
Reclassification of realized gains on investment securities available-for-sale to profit or loss	-	-	-	-
Other comprehensive (loss)/income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	(3,343)	1,522	3,867	2,330