



უძრავი ქონება  
REAL ESTATE

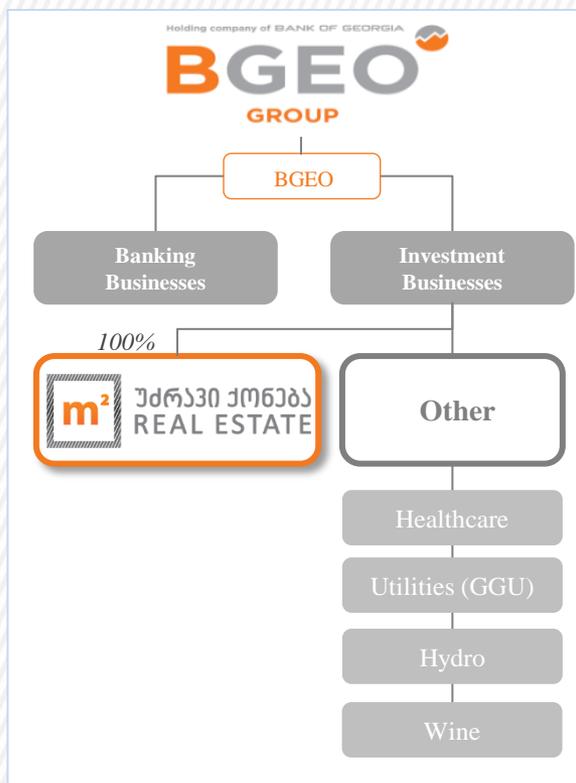
# m<sup>2</sup> Real Estate

a major player on Georgian real estate sector

# Premium LSE listed parent group, with c.95% institutional shareholder base and strong track record for growth

*m<sup>2</sup> is 100% Subsidiary of BGEO Group, holding company of Bank of Georgia – the leading bank in Georgia by total assets, total loans and client deposits*

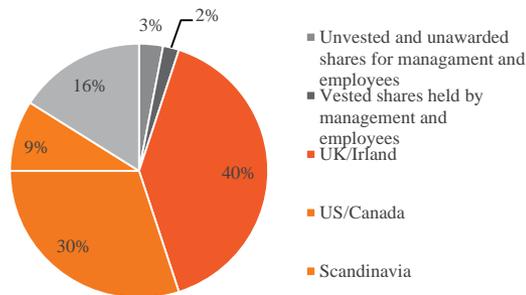
## m<sup>2</sup> ownership structure



## Diversified 95% Institutional Shareholder Base

Included in **FTSE 250** and **FTSE All-share Index Funds**

*As of 31 DEC 2015, BGEO's shareholder structure was as follows:*

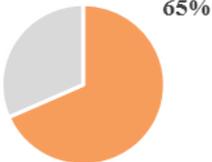
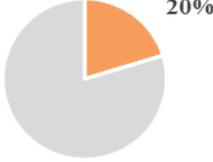


## Robust corporate governance

### Our governance philosophy:

- Our Chairman and CEO positions are separate and will not be filled by a single person
- We want our senior executives focused on our business and not involved in potential conflicts, so they are not allowed to hold equity interests in any Georgian company without express Board approval
- **Remuneration policy** senior officers receive remuneration based on two components:
- Salary, which includes both a modest cash sum and deferred share compensation which vests over a five-year period; and
- A discretionary award, payable 100% in deferred share compensation vesting over a two-year period, which is dependent on both Group performance and the executive achieving his KPIs.

# At a glance – Major player on Georgian real estate market

Key Segments & market size	<b>1 Residential Developments</b> Affordable housing <b>Market: US\$ 1.2bln<sup>1</sup></b> As a residential real estate developer, m <sup>2</sup> targets mass market customers by introducing high quality and comfortable living standards in Georgia and making them affordable. 	<b>2 Yielding Business</b> Commercial space (offices, industrial properties, high street retail) <b>Market: US\$ 2.5bln<sup>2</sup></b> As a property manager, m <sup>2</sup> makes opportunistic investments and manages a well diversified portfolio of yielding assets, primarily consisting of high street real estate assets, and also including industrial and office space real estate assets. 	Hotels <b>Market: US\$ 1.9bln<sup>3</sup></b> As a hotel developer and operator, m <sup>2</sup> targets 3-star, mixed use hotels (residential combined with hotel development). m <sup>2</sup> finances equity needs of the hotel from the profits and land value unlocked through sale of the apartments in the same development. 
	Asset base (as of 1Q16) <b>Includes:</b> 1. Inventory of residential real estate 2. Land bank <b>US\$ 55 million</b> 	<b>Includes:</b> 1. High street retail 2. Industrial properties: warehouses and logistics centers 3. Offices <b>US\$ 17 million</b> 	<b>Includes:</b> 1. Hotels (mixed use) 2. Land bank <b>US\$ 2 million</b> 
	Track record <ul style="list-style-type: none"> <li>- <b>Delivering average 65% IRR on residential projects</b></li> <li>- Started operations in 2010 and since:                         <ul style="list-style-type: none"> <li>- <b>Completed 6 projects – 1,672 apartments</b>, 87% sold with US\$ 123.1mln sales value, land value unlocked US\$ 16.4mln</li> <li>- <b>Ongoing 2 projects – 838 apartments</b>, 28% sold with US\$ 19.3mln sales value, land value to be unlocked US\$ 8.9mln</li> </ul> </li> <li>- <b>All completed projects were on budget and on schedule</b></li> <li>- <b>Land bank of value US\$ 43.4mln, with c.5,200 apartments</b></li> </ul>	<ul style="list-style-type: none"> <li>- Generated annual yield of 9.7% in 2015 on portfolio rented out. Rent earning assets are with capital appreciation upside.</li> <li>- m<sup>2</sup> has developed its current yielding portfolio through:                         <ul style="list-style-type: none"> <li>- m<sup>2</sup> retains commercial space (ground floor) at its own residential developments. This constitutes up to 25% of total yielding portfolio</li> <li>- Acquired opportunistically the commercial space. This constitutes over 75% of total yielding portfolio</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• m<sup>2</sup> attained exclusive development agreement with Wyndham to develop Wyndham’s 3-star brand Ramada Encore exclusively in Georgia. Plan is to build at least 3 hotels within next 7 years with minimum 370 rooms in total.</li> <li>• 3 projects in the pipeline:                         <ol style="list-style-type: none"> <li>1) 2 hotels in Tbilisi – land acquired, project design stage</li> <li>2) 1 hotel in Kutaisi – searching for property</li> </ol> </li> </ul>

1 – US\$ value of annual transaction in the capital city in 2014 (NPRG, Colliers Company own data)

2 – trade volume in Georgia in 2015

3 – gross tourism inflows in 2015

# Track record

All projects were completed on budget and on schedule

Project timeline



Project highlights

2,510 apartments in total: 1,672 apartments completed with 87% sales and 838 apartments under construction with 28% pre-sales

<p><b>1 Chubinishvili street</b></p> <ul style="list-style-type: none"> <li>123 apartments</li> <li><b>IRR: 47%</b></li> <li>Equity multiple: x1.8</li> <li>Apartments sold: 123/123, 100%</li> <li>Pre-sales<sup>1</sup> was: 92%</li> <li>Start date: Sep'2010</li> <li>Completion: Aug'2012</li> <li>Sales: US\$ 9.9mln</li> <li>Land value unlocked: US\$ 0.9mln</li> </ul>	<p><b>2 Tamarashvili street</b></p> <ul style="list-style-type: none"> <li>522 apartments</li> <li><b>IRR: 46%</b></li> <li>Equity multiple: x1.6</li> <li>Apartments sold: 522/525, 99%</li> <li>Pre-sales was: 94%</li> <li>Start date: Apr'2012</li> <li>Completion: Jun'2014</li> <li>Sales: US\$ 48.0mln</li> <li>Land value unlocked: US\$ 5.4mln</li> </ul>	<p><b>3 Nutsubidze street</b></p> <ul style="list-style-type: none"> <li>221 apartments</li> <li><b>IRR: 58%</b></li> <li>Equity multiple: x1.2</li> <li>Apartments sold: 202/221, 91%</li> <li>Pre-sales: 89%</li> <li>Start date: Dec'2013</li> <li>Completion: Sep'2015</li> <li>Sales: US\$ 16.2mln</li> <li>Land value unlocked: US\$ 2.2mln</li> </ul>	<p><b>4 Kazbegi Street</b></p> <ul style="list-style-type: none"> <li>295 apartments</li> <li><b>IRR: 165%</b></li> <li>Equity multiple: x2.2</li> <li>Apartments sold: 266/295, 90%</li> <li>Pre-sales: 90%</li> <li>Start date: Dec'2013</li> <li>Completion: Mar'2016</li> <li>Sales: US\$ 24.4mln</li> <li>Land value unlocked: US\$ 3.6mln</li> </ul>
<p><b>5 Tamarashvili Street II</b></p> <ul style="list-style-type: none"> <li>270 apartments</li> <li><b>IRR: 71%</b></li> <li>Equity multiple: x2.5</li> <li>Apartments sold: 193/270, 71%</li> <li>Pre-sales: 71%</li> <li>Start date: Jul'2014</li> <li>Completion: Apr'2016</li> <li>Sales: US\$ 17.9mln</li> <li>Land value unlocked: US\$ 2.7mln</li> </ul>	<p><b>6 Moscow avenue</b></p> <ul style="list-style-type: none"> <li>238 apartments</li> <li><b>IRR: 31%</b></li> <li>Equity multiple: x1.2</li> <li>Apartments sold: 144/238, 61%</li> <li>Pre-sales: 61%</li> <li>Start date: Sep'2014</li> <li>Completion: May'2016</li> <li>Sales: US\$ 6.8mln</li> <li>Land value unlocked: US\$ 1.6mln</li> </ul>	<p><b>7 Kartozia Street</b></p> <ul style="list-style-type: none"> <li>819 apartments</li> <li><b>IRR: 31%</b></li> <li>Equity multiple: x1.7</li> <li>Pre-sales: 223/819, 27%</li> <li>Pre-sales: US\$ 15.7mln</li> <li>Start date: Jul'2015</li> <li>Completion expected: Sep'2018</li> <li>Construction progress: 8% completed</li> <li>Land value to be unlocked: US\$ 5.8mln</li> </ul>	<p><b>8 Skyline</b></p> <ul style="list-style-type: none"> <li>19 apartments</li> <li><b>IRR: 329%</b></li> <li>Equity multiple: x1.1</li> <li>Pre-sales: 9/19, 47%</li> <li>Pre-sales: US\$ 3.7mln</li> <li>Start date: Dec'2015</li> <li>Completion expected: Dec'2016</li> <li>Construction progress: 5% completed</li> <li>Land value to be unlocked: US\$ 3.1mln</li> </ul>

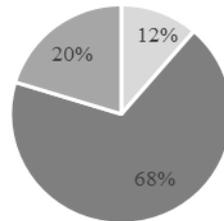
# m<sup>2</sup> Real Estate – Strategy: accelerating growth

## GOAL

Accelerate growth, building on existing track record, to develop m<sup>2</sup> into a sizable player on Georgian real estate market

## Asset composition target

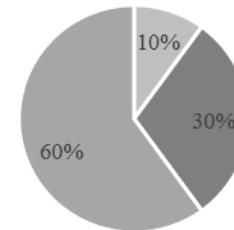
Asset composition  
(Current)  
Total assets: US\$ 85 mln  
Net Asset Value: US\$ 63 mln\*



\*NAV excludes m2 franchise value

Accelerating growth

Asset composition  
(6 years from now)  
US\$ 400 mln  
US\$ 200 mln



- Cash
- Residential & Hotel developments
- Yielding assets

## Growth highlights

### Residential Developments

**Liquidating all land-plots by developing housing. Start development of third party lands.**

Currently, own land bank of US\$ 43.4mln\*, with capacity of c.5200 apartments (in addition to 2,510 apartments in existing 8 projects, both completed and on-going)

\*Excludes hotel lands

### Commercial space

**Grow portfolio of yielding assets by retaining investment property from own residential developments, and acquiring opportunistically and/or developing high street retail, commercial and office space, with capital gain upside and c.10-12% annual yield.**

Investment policy:

- Good location
- Good tenant
- Good lease terms
- 10-12% yield range

### Hotels

**Develop 3 hotels** (3-star, select service mixed-use hotels) **in next 7 years in Tbilisi and Kutaisi with minimum room-count of 370 in total, catering to budget travelers**

Ramada Encore exclusivity for 7 years

- Investment per room – US\$ 70k
- Occupancy rate – 74% (after 3rd year stabilised)
- ADR – US\$ 110 (Tbilisi)  
US\$ 105 (Kutaisi)

# Strong existing pipeline – US\$ 422.1mln total investment

Project timeline

## Accelerating the growth



Project highlights

## Existing land bank of US\$ 45.6mln value, with c.5200 apartments

- 1 Kavtaradze street (economy/low cost development)**
  - 544 apartments
  - IRR: 26%, expected**
  - Expected sales: US\$ 26.0 mln
  - Start: Apr-16
  - Completion: Mar-18
  - Total completion cost: US\$ 23.1mln
  - Land value: US\$ 2.6mln
  - Equity multiple: x1.5
- 2 50 Chavchavadze avenue (upscale development)**
  - 62 apartments
  - IRR: 99%, expected**
  - Expected sales: US\$ 16.5 mln
  - Start: May-16
  - Completion: Sep-17
  - Total completion cost: US\$ 12.1mln
  - Land value: US\$ 3.3 mln
  - Equity multiple: x1.8
- 1 Ramada Encore (Kazbegi 15–mixed-use)**
  - Hotel:** 152 rooms, 7000 sqm (gross)
  - Start: May-16; Completion: Nov-17
  - Total completion cost: US\$ 13.2mln
  - Profit stabilized year: US\$ 1.4mln
  - ADR (stabilized year): US\$ 110
  - Residential:** 353 apartments
  - IRR: 45%**
  - Expected sales: US\$ 47.1 mln
  - Start: May-16; Completion: Nov-17
  - Total completion cost: US\$ 37.0mln
  - Equity multiple: x1.8
- 2 Ramada Encore (Meliqishvili–mixed-use)**
  - Hotel:** 127 rooms, 5900 sqm (gross)
  - Start: Aug-16; Completion: Feb-18
  - Total completion cost: US\$ 11.9mln
  - Profit stabilized year: US\$ 1.2mln
  - ADR (stabilized year): US\$ 110
  - Residential:** 34 apartments
  - IRR: 329%**
  - Expected sales: US\$ 6.2 mln
  - Start: Aug-16; Completion: Feb-18
  - Total completion cost: US\$ 4.3mln
  - Equity multiple: x2.1

- 3 Ramada Encore (Kutaisi – 3-star hotel)**
  - Hotel:** 127 rooms, 6000 sqm (gross)
  - Start: Dec'16; Completion: Sep'18
  - Total completion cost: US\$ 11.3mln
  - Profit stabilized year: US\$ 1.2mln
  - ADR (stabilized year): US\$ 105

### Dighomi development

m<sup>2</sup> owns 13 hectare of land in close proximity to the city center. Plan is to develop a modern neighborhood with c.4,200 apartments, 30,000 sqm of retail, 20,000 sqm of offices, primary school, kindergarten, outpatient clinic, park and plaza. The project will be a novel development combining multi-family real estate for all types of customers: micro lofts for millennials, townhouses with private patios for larger families, high rise apartment blocks and small size units to meet the budget constraints of the clients. Retail will host hypermarket and plaza level shops, cafes and restaurants. Almost 4 hectares will be dedicated to park and greenery to provide the residents and the guests of the neighborhood with relaxing atmosphere.

Project highlights	Total	1	2	3
Expected sales, US\$ mln	<b>387.8</b>	59.9	119.8	208.1
Start date	<b>Jan-17</b>	Jan-17	Jan-19	Apr-21
Completion date	<b>Apr-24</b>	Mar-20	Jan-22	Apr-24
Total completion cost, US\$ mln	<b>324.9</b>	71.5	99.0	154.4
Land value, US\$ mln	<b>27.0</b>	6.0	9.6	11.4
Number of apartments	<b>4,243</b>	<b>1,097</b>	<b>1,746</b>	<b>1,400</b>
Commercial space	<b>54,421</b>	<b>400</b>	<b>4,629</b>	<b>49,392</b>
Equity multiple	<b>1.9</b>			



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**N** Residential development

**N** Hotel development

**N** Dighomi development (Residential & Commercial space). Numbers designate project phases.

# Successful placement of 3 bonds

## March 2015 – key features

Issuer	JSC m2 Real Estate
Bonds	Unsecured and unsubordinated obligation
Regulatory treatment	Georgian law
Issue size	US\$20 million
Issuance date	20 March 2015
Duration	2 Years
Coupon rate*	9.50%
Listing	GSE's official list

\* 5% income tax applies in most cases

# Successful placement of 3 bonds, cont'd

## June 2014 – key features

Issuer	JSC m2 Real Estate
Bonds	Unsecured and unsubordinated obligation
Regulatory treatment	Georgian law
Issue size	US\$10 million
Issuance date	11 June 2014
Duration	1 Year
Coupon rate*	8.42%
Listing	GSE's official list

\* 5% income tax applies in most cases

# Successful placement of 3 bonds, cont'd

## April 2014 – key features

Issuer	JSC m2 Real Estate
Bonds	Unsecured and unsubordinated obligation
Regulatory treatment	Georgian law
Issue size	US\$5 million
Issuance date	23 April 2014
Duration	1 Year
Coupon rate*	9.50%
Listing	GSE's official list

\* 5% income tax applies in most cases



Thank You

## Forward Looking Statements

This presentation contains forward-looking statements that are based on current beliefs or expectations, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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