



Economy

Fitch affirms Georgia's credit rating at BB with a Stable Outlook

On 4 February 2022 Fitch Ratings affirmed Georgia's sovereign credit rating at BB with a Stable Outlook. Based on Fitch, the rating is supported by a credible and effective policy framework and stronger governance indicators relative to 'BB' peers. In the assessment report, Fitch underlined that Georgia's growth was robust in 2021, which has been driven by domestic demand, strong inflows of net remittances, a partial tourism recovery, and fiscal stimulus. Moreover, growth in exports of goods also performed strongly due to the recovery of key trading partners and higher commodity prices. According to Fitch, Georgia's economy is expected to grow by 5.5% and 5.3% in 2022 and 2023, respectively, above potential of 4.0%-4.5%. Fitch forecasts tourism revenues to recover to 80% of 2019 levels in 2022, after reaching 38.1% of 2019 levels in 2021. Based on Fitch, risks surrounding the pandemic and low vaccination rate pose downside risks to GDP outlook.

International reserves at US\$ 4.1bn in January 2022

Gross international reserves decreased by 0.6% y/y to US\$ 4.1bn in January 2022 according to NBG. On a monthly basis, the reserves were also down by 4.5% (-US\$ 194.0mn). There were no FX auctions in January and changes in reserves were attributed to the government and banking sector FX operations, and/or asset revaluation.

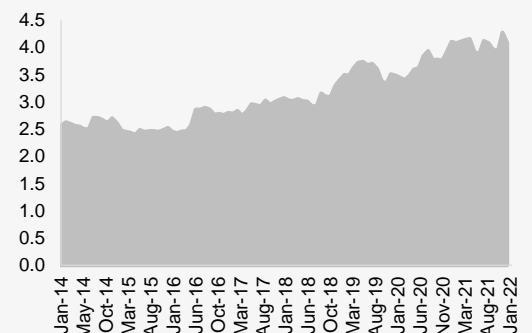
Key macro indicators

	2020	2021E
Real GDP growth (% change)	-6.8%	10.6%
GDP per capita (ppp)	14,849	17,391
GDP per capita (US\$)	4,256	5,017
Population (mn)	3.7	3.7
Inflation (eop)	2.4%	13.9%
Gross reserves (US\$ bn)	3.9	4.3
CAD (% of GDP)	12.4%	9.7%
Fiscal deficit (% of GDP)	9.3%	6.1%
Total public debt (% of GDP)	60.2%	49.6%
Fitch/S&P/Moody's*	BB/BB/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

*Latest sovereign credit ratings

Gross international reserves, US\$ bn



Source: NBG

Money market

Ministry of Finance T-Bills: 1-year GEL 20.0mn (US\$ 6.8mn) T-Bills were sold at the auction held at NBG on February 8, 2022. Total demand was c.2.3x higher and the weighted average yield was fixed at 9.913%, down by 0.094ppts from previous auction held in January, 2022.

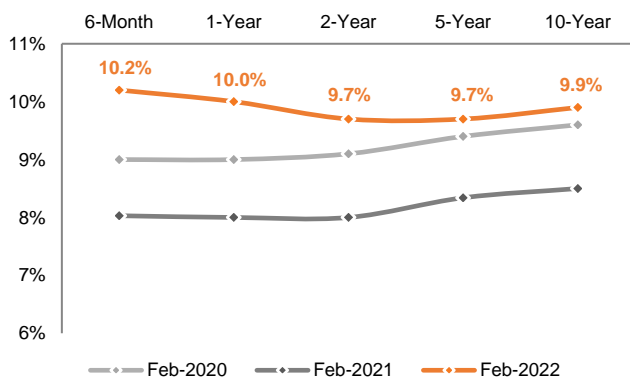
The nearest treasury security auction is scheduled for February 22, 2022, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	40	200	105
1-year	40	350	195
2-year	140	820	1,130
5-year	87	993	2,718
10-year	25	75	1,331
Total	332	2,438	5,479

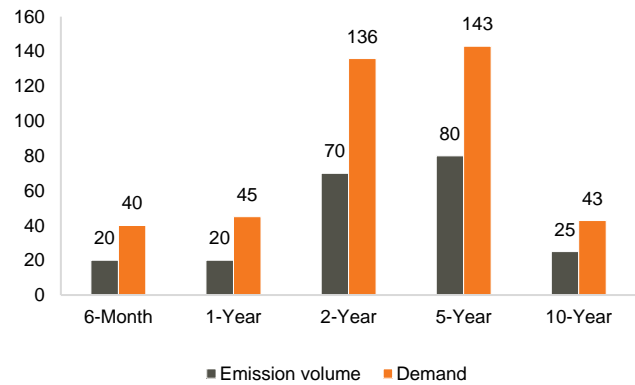
Source: MoF
*As of December 2021

T-bills / T-notes, yield curve



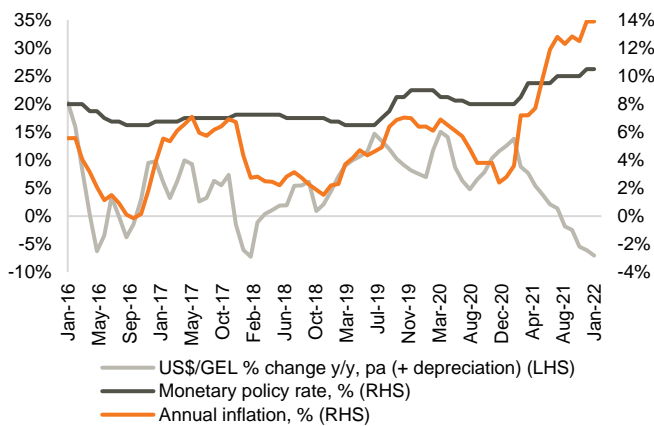
Source: NBG

Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



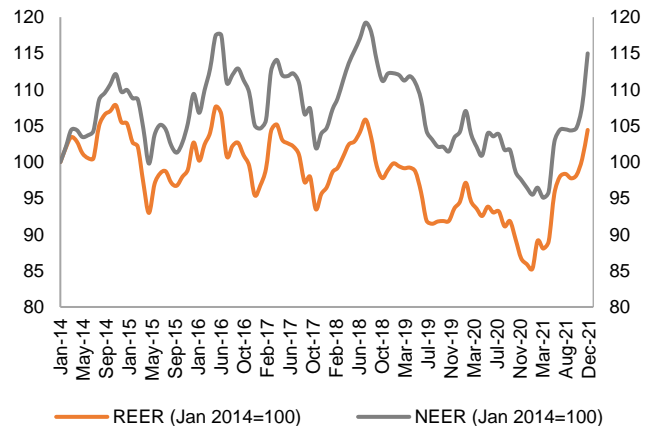
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal effective exchange rate and Real effective exchange rate



Source: NBG

Note: Index growth/decline means appreciation/depreciation of exchange rate

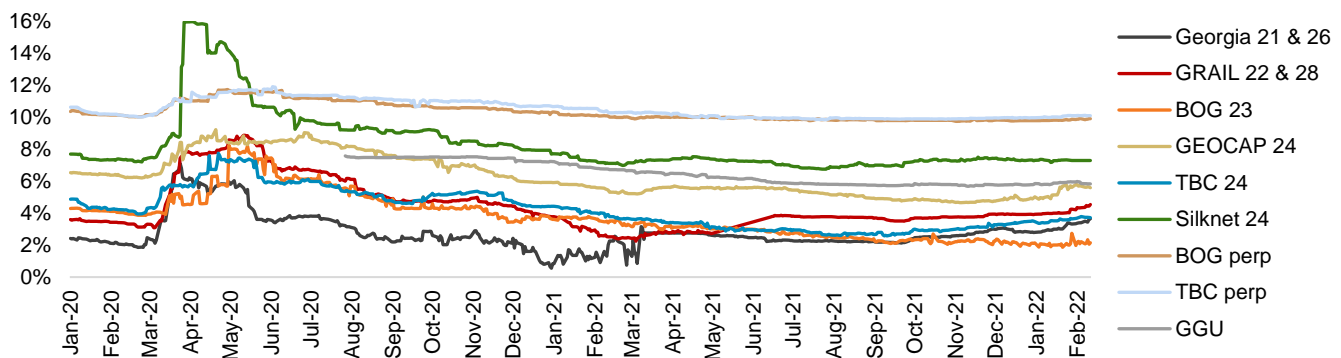
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.15% yield, trading at 105.46 (+0.02% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.03 (+0.18% w/w), yielding 5.59%.

Georgian Railway Eurobonds (GRAIL) traded at 97.05 (-1.07% w/w), yielding 4.54%.

Georgian Sovereign Eurobonds (GEORG) closed at 96.53 (-0.96% w/w) at 3.65% yield to maturity.

Georgian Eurobonds, YTM



Source: Bloomberg

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	96.53	3.65	186.43
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	97.05	4.54	271.18
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	105.46	2.15	75.82
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	109.37	9.91	513.65
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B2	101.03	5.59	399.36
SILKNET 01/27	USD	300	8.375%	Jan-27	B-/B1	102.11	7.86	599.52
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	104.51	3.72	207.61
TBC PERP	USD	125	10.775%	n/a	B-/B-	108.43	10.10	552.80
GGU 07/25	USD	250	7.750%	Jul-25	B+*/B/-	105.91	5.84	245.35

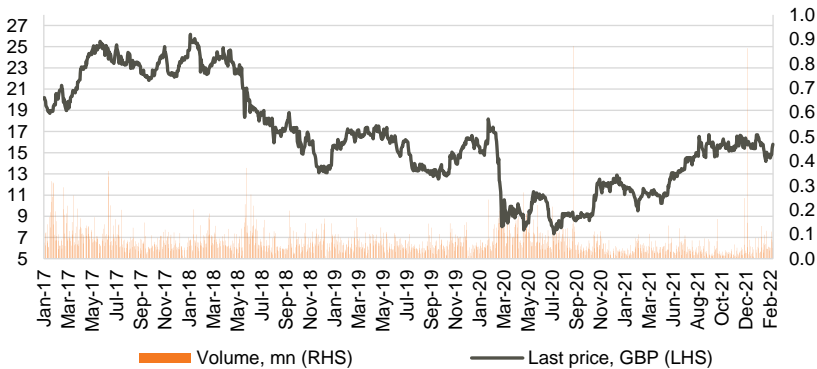
Georgian local bonds performance

KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.50%	Nov-24	-/-/-	n/a	n/a	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
GLC 07/23	USD	12	5.75%	Jul-23	-/-/-	n/a	n/a	n/a
GLC 07/23	EUR	3	4.75%	Jul-23	-/-/-	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

Source: Bloomberg

Equities

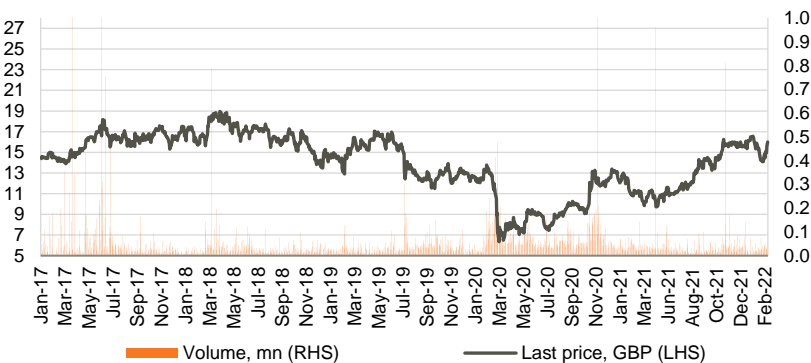
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.80/share (+8.97% w/w and +0.89% m/m). More than 379k shares traded in the range of GBP 14.28 - 15.80/share. Average daily traded volume was 59k in the last 4 weeks. The volume of BGEO shares traded was at 0.77% of its capitalization.

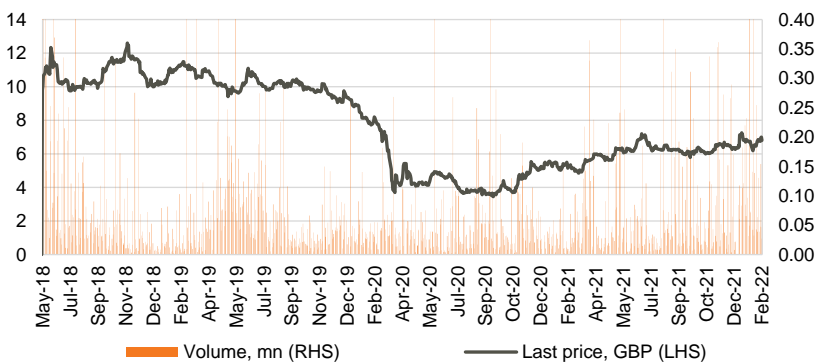
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 16.00/share (+10.65% w/w and +4.30% m/m). More than 130k shares changed hands in the range of GBP 14.50 - 16.02/share. Average daily traded volume was 32k in the last 4 weeks. The volume of TBCG shares traded was at 0.24% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.81/share (-0.58% w/w and +1.64% m/m). More than 314k shares traded in the range of GBP 6.69 - 7.05/share. Average daily traded volume was 118k in the last 4 weeks. The volume of CGEO shares traded was at 0.66% of its capitalization.

Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	15.80	777	0.0%	39.6%	-5.3%	4.69x	4.70x	1.02x	0.93x
TBC	TBC	GBP	16.00	882	20.3%	33.8%	-3.0%	5.16x	4.88x	1.04x	0.87x
Halyk Bank	HSBK	US\$	14.17	76,445	-20.7%	-1.7%	-11.7%	4.75x	4.63x	0.98x	0.89x
Sberbank	SBER	USD	14.32	4,208	-8.0%	6.5%	-13.2%	4.17x	3.95x	1.07x	0.96x
VTB Bank	VTBR	US\$	1.07	6,921	-24.4%	10.2%	-15.2%	2.01x	2.07x	0.32x	0.30x
Akbank	AKBNK	TRY	8.12	42,224	51.5%	21.2%	12.8%	3.99x	2.08x	0.57x	0.45x
Garanti	GARAN	TRY	11.94	50,148	33.4%	20.1%	5.9%	3.79x	2.14x	0.66x	0.50x
Isbank	ISCTR	TRY	8.83	39,735	66.3%	38.4%	22.8%	3.54x	2.07x	0.50x	0.37x
PKO	PKO	PLN	47.65	59,563	18.8%	68.8%	6.1%	12.50x	10.31x	1.39x	1.28x
PEKAO	PEO	PLN	133.15	34,948	27.7%	101.4%	9.1%	16.99x	12.12x	1.36x	1.26x
Millennium	MIL	PLN	8.84	10,723	60.7%	132.5%	7.9%	10.73x	12.87x	1.40x	1.32x
Mbank	MBK	PLN	475.40	20,142	47.5%	150.7%	9.7%	-60.95x	31.10x	1.30x	1.17x
BRD	BRD	RON	21.30	14,844	12.8%	51.3%	20.3%	12.76x	12.20x	1.58x	1.59x
Banca Transilvania	TLV	RON	2.72	17,136	-0.1%	29.3%	5.2%	9.10x	8.57x	1.61x	1.49x
OTP	OTPD	USD	22.00	12,320	0.0%	-1.8%	0.0%	8.16x	6.88x	0.67x	0.55x
Komerčni	KOMB	CZK	989.50	188,054	18.9%	46.6%	5.8%	15.76x	12.84x	1.56x	1.51x
Mean								3.57x	8.34x	1.07x	0.97x
Median								4.96x	5.88x	1.06x	0.95x

Source: Bloomberg, S&P Capital IQ

Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	6.81	323	5.7%	32.2%	-4.5%	na	na	na	na
Tinc Comm	TINC	EUR	13.24	481	5.1%	5.9%	-1.5%	na	na	na	na
Sabanci Holding	SAHOL	TRY	15.52	31,667	58.5%	35.5%	17.3%	2.99x	3.82x	0.68x	0.57x
Deutsche Beteiligungs	DBAN	EUR	37.05	697	-4.0%	3.0%	-7.0%	3.81x	10.24x	1.00x	0.99x
Eurazeo	RF	EUR	70.45	5,581	-20.0%	12.0%	-8.3%	8.18x	8.86x	0.92x	0.83x
Carlyle Group	CG	USD	48.85	17,315	2.7%	31.4%	-11.0%	11.44x	11.23x	6.64x	3.52x
Mean								6.61x	8.54x	2.31x	1.48x
Median								6.00x	9.55x	0.96x	0.91x

Source: Bloomberg, S&P Capital IQ

Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Galt & Taggart

Address: 3 A. Pushkini Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge