



Economy

Real GDP growth was 7.2% in Jun-22

The economic growth in Georgia remains strong, while it softened to 7.2% y/y in Jun-22, after growing by 11.6% y/y in previous month, based on Geostat's rapid estimates. Cumulatively, in 1H22, the real growth came in at 10.5% y/y. Considering strong 1H growth and ongoing data, we revise the 2022 baseline growth forecast up to 9.2% from 7.6%. In this forecast, we assume growth to moderate in 4Q22 reflecting global slowdown. However, if external inflows remain strong despite global slowdown in 2H, in optimistic scenario, we expect 2022 growth at 10.6%. Growth in June was recorded in hospitality, mining, transport and communication, while it reduced in manufacturing, construction and real estate sectors (see [here](#)).

Loan portfolio growth accelerated to 18.7% y/y in Jun-22

In Jun-22, the banking sector loan portfolio accelerated to 18.7% y/y (+2.1% m/m), excluding FX effect, after a 18.1% y/y growth in previous month. In unadjusted terms, loan portfolio growth was 11.3% y/y (+1.2% m/m) to GEL 43.7bn (US\$ 14.9bn), after growing by 9.1% in May. By sector, corporate loan growth (exc. FX effect) accelerated to 16.9% y/y (+15.7% y/y in previous month) and retail loans growth was unchanged at 20.4% y/y in June. The mortgages increased by 14.2% y/y in June after growing by 13.9% y/y in previous month. In Jun-22, loan dollarization reduced further to 48.3% (-4.06ppts y/y and -0.39ppts m/m) and NPLs stood at 1.9% (-0.36ppts y/y and -0.08ppts m/m).

Bank deposits growth accelerated to 17.4% y/y (+3.8% m/m, exc. FX effect) to GEL 38.3bn (US\$ 13.1 bn) in Jun-22, after a 13.1% y/y growth in previous month. By currency, in June, both GEL and FX (exc. FX effect) deposits growth accelerated to 16.6 % y/y (from 11.8% y/y growth in previous month), and 17.9% y/y (from 13.9% y/y growth in previous month), respectively. The deposit dollarization reduced to 57.9% (-2.08ppts y/y and -0.21ppts m/m).

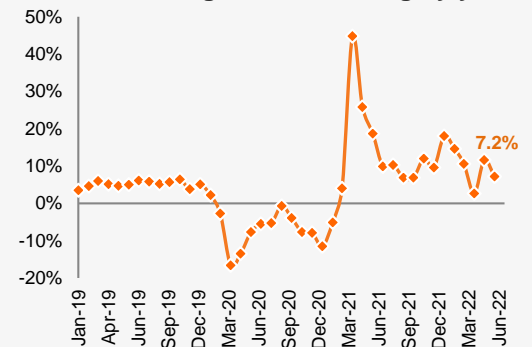
Key macro indicators

	2020	2021
Real GDP growth (% change)	-6.8%	10.4%
GDP per capita (ppp)	14,849	17,386
GDP per capita (US\$)	4,256	5,015
Population (mn)	3.7	3.7
Inflation (eop)	2.4%	13.9%
Gross reserves (US\$ bn)	3.9	4.3
CAD (% of GDP)	12.5%	10.1%
Fiscal deficit (% of GDP)	9.3%	6.3%
Total public debt (% of GDP)	60.2%	49.5%
Fitch/S&P/Moody's*	BB/BB/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

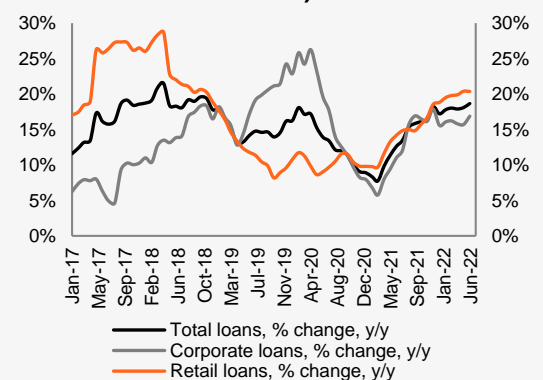
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Banking sector loan growth (exc. FX effect)



Source: NBG

Money market

Ministry of Finance T-Notes:

5-year GEL 90.0mn (US\$ 32.2mn) Benchmark bonds were sold at the auction held at NBG on July 26, 2022. Total demand was c.2.8x higher and the weighted average yield was fixed at 9.832%, down by 0.245ppts from previous auction held in June 2022.

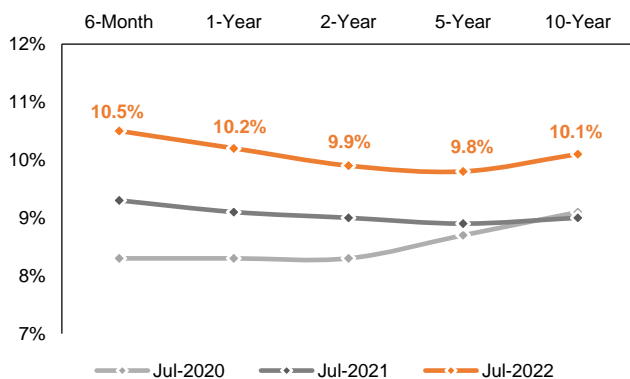
The nearest treasury security auction is scheduled for August 2, 2022, where GEL 20.0mn nominal value 6-month T-bills and GEL 80.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	140	100	120
1-year	145	150	250
2-year	500	400	1,060
5-year	585	450	3,115
10-year	75	25	1,371
Total	1,445	1,125	5,915

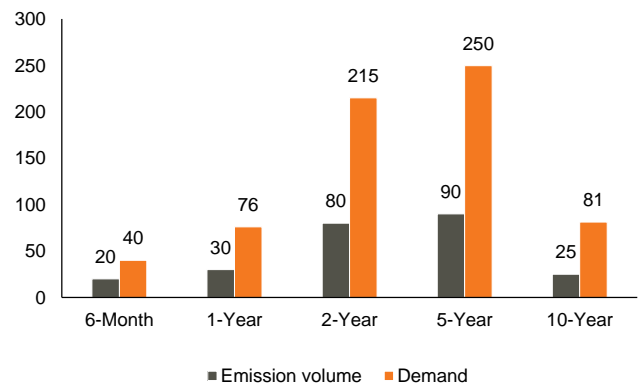
Source: MoF
*As of June 2022

T-bills / T-notes, yield curve



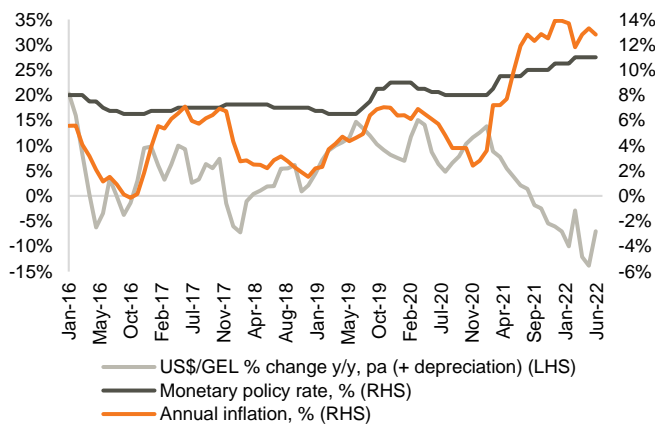
Source: NBG

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



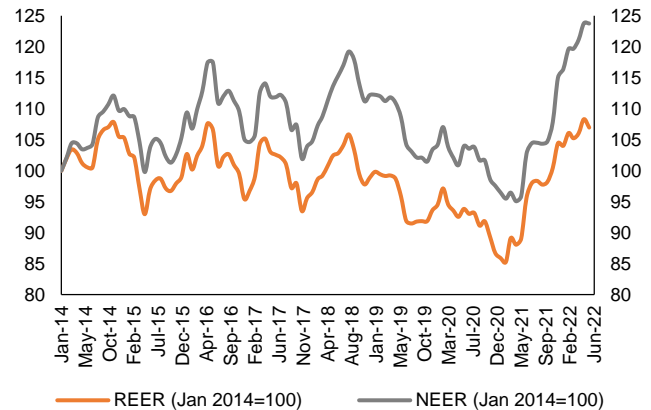
Source: NBG

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

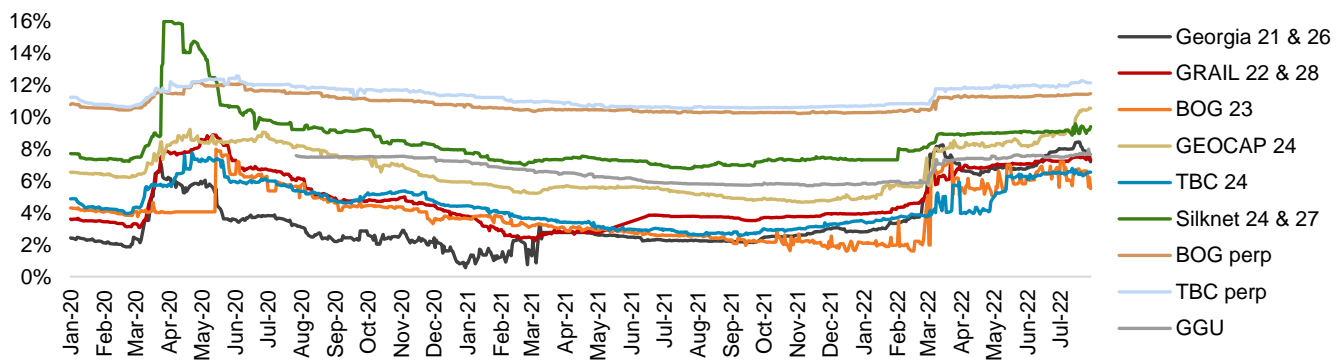
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.51% yield, trading at 100.50 (+1.08% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 93.64 (-0.07% w/w), yielding 10.53%.

Georgian Railway Eurobonds (GRAIL) traded at 84.53 (+1.07% w/w), yielding 7.28%.

Georgian Sovereign Eurobonds (GEORG) closed at 85.73 (+2.48% w/w) at 7.19% 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	85.73	7.19	465.76
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	84.53	7.28	486.46
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.50	5.51	246.62
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.37	11.44	861.45
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B+/B1	93.64	10.53	759.31
SILKNET 01/27	USD	300	8.375%	Jan-27	B-/B1	96.34	9.39	690.04
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.62	6.54	366.59
TBC PERP	USD	125	10.775%	n/a	B-/-/-	96.97	12.12	958.37
GGU 07/25	USD	250	7.750%	Jul-25	B+*/B/-	100.26	7.65	475.51

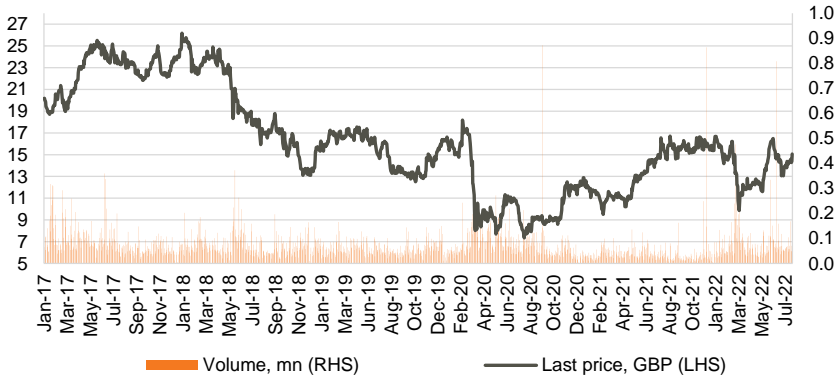
Georgian local bonds performance

Georgia Real Estate	USD	35	7.50%	Oct-22	-/-/-	99.97	7.50	n/a
KTW	USD	10	9.00%	Dec-22	-/-/-	99.75	9.50	n/a
GLC	USD	12	5.75%	Jul-23	-/-/-	99.87	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	100.00	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.43	6.75	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	99.44	7.13	n/a
Geo. Beer Company	GEL	25	14.50%	Dec-23	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	13.60%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.96%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora	GEL	28	14.31%	Oct-22	-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	58.4	13.89%	Mar-23	-/-/-	n/a	n/a	n/a

Source: Bloomberg

Equities

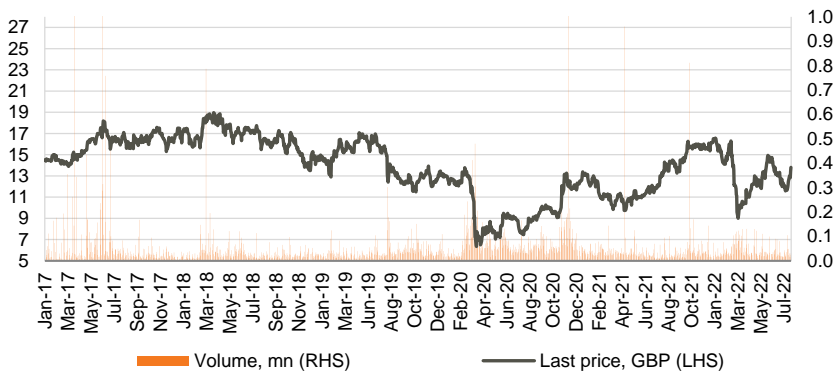
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.06/share (+4.73% w/w and +7.26% m/m). More than 440k shares traded in the range of GBP 14.08 - 15.14/share. Average daily traded volume was 68k in the last 4 weeks. The volume of BGEO shares traded was at 0.90% of its capitalization.

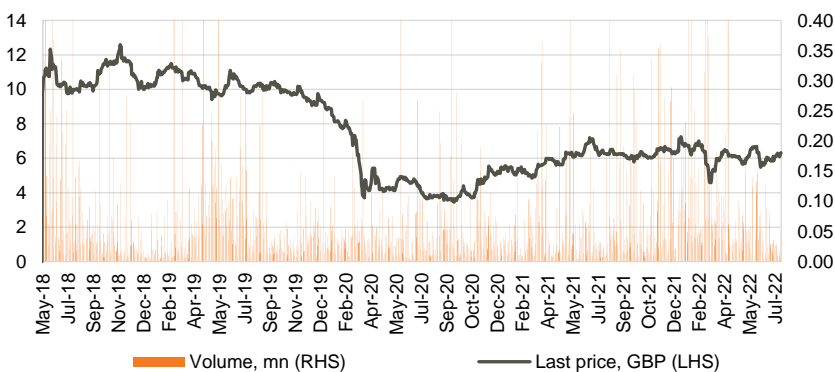
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 13.80/share (+10.58% w/w and +6.32% m/m). More than 115k shares changed hands in the range of GBP 12.40 - 13.84/share. Average daily traded volume was 30k in the last 4 weeks. The volume of TBCG shares traded was at 0.21% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.32/share (+0.32% w/w and +7.67% m/m). More than 92k shares traded in the range of GBP 6.07 - 6.35/share. Average daily traded volume was 26k in the last 4 weeks. The volume of CGEO shares traded was at 0.20% 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		
								2021	2022F	2023F	2021	2022F	2023F
Bank of Georgia	BGEO	GBP	15.06	740	3.3%	0.4%	-9.7%	4.30x	3.45x	3.33x	0.97x	0.78x	0.70x
TBC	TBC	GBP	13.80	761	-2.1%	14.0%	-16.4%	4.00x	3.52x	3.19x	0.87x	0.69x	0.59x
Halyk Bank	HSBK	USD	9.33	2,544	-26.7%	-37.9%	-43.5%	2.39x	3.09x	2.64x	0.70x	0.67x	0.58x
Akbank	AKBNK	TRY	8.63	44,876	11.6%	65.6%	19.9%	3.58x	1.31x	2.22x	0.57x	0.56x	0.47x
Garanti	GARAN	TRY	14.52	60,984	23.1%	74.1%	28.8%	4.38x	1.89x	2.66x	0.74x	0.63x	0.59x
Isbank	ISCTR	TRY	5.22	23,490	43.0%	123.1%	61.3%	1.68x	0.86x	0.99x	0.58x	0.49x	0.46x
PKO	PKO	PLN	26.19	32,738	-44.6%	-30.9%	-41.7%	6.77x	6.52x	5.98x	0.87x	1.00x	0.88x
PEKAO	PEO	PLN	73.20	19,213	-44.8%	-22.3%	-40.0%	8.90x	6.57x	6.03x	0.81x	0.89x	0.82x
Millennium	MIL	PLN	3.69	4,476	-55.3%	-23.3%	-55.0%	na	2.53x	2.85x	0.67x	1.10x	0.80x
Mbank	MBK	PLN	220.80	9,359	-51.6%	-30.7%	-49.0%	na	4.09x	4.18x	0.69x	0.81x	0.67x
BRD	BRD	RON	12.92	9,004	-34.1%	-28.2%	-27.0%	6.85x	7.48x	6.97x	0.91x	1.19x	1.11x
Banca Transilvania	TLV	RON	1.97	12,434	-16.0%	-13.2%	-14.4%	6.25x	6.43x	6.07x	1.37x	1.38x	1.34x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	13.93x	10.65x	0.65x	0.78x	0.69x
Komercni	KOMB	CZK	608.00	115,550	-35.6%	-23.9%	-35.0%	9.25x	8.24x	8.32x	0.95x	1.04x	0.99x
Mean								5.59x	4.99x	4.72x	0.81x	0.86x	0.76x
Median								5.31x	3.81x	3.75x	0.77x	0.79x	0.70x

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		
								2021	2022F	2023F	2021	2022F	2023F
Georgia Capital	CGEO	GBP	6.32	295	-3.4%	0.5%	-11.4%	1.79x	na	na	0.40x	na	na
Tinc Comm	TINC	EUR	13.28	483	-1.0%	6.2%	-1.2%	14.85x	na	na	1.01x	na	na
Sabanci Holding	SAHOL	TRY	19.87	40,543	31.5%	110.0%	50.2%	3.26x	4.60x	4.24x	0.76x	0.72x	0.57x
Deutsche Beteiligungs	DBAN	EUR	28.20	530	-22.1%	-23.5%	-29.2%	2.80x	na	9.03x	0.74x	1.10x	1.01x
Eurazeo	RF	EUR	69.65	5,518	1.5%	-14.5%	-9.3%	3.49x	na	na	0.86x	0.85x	0.80x
Carlyle Group	CG	USD	38.91	13,865	-19.8%	-22.4%	-29.1%	4.66x	9.48x	8.51x	2.62x	2.14x	2.76x
Wendel SE	MF	EUR	89.65	4,012	-6.1%	-24.2%	-14.9%	3.82x	8.28x	8.18x	1.50x	1.57x	1.37x
HgCapital Trust	HGT	GBP	3.77	1,714	-6.2%	-6.1%	-10.5%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.70	685	-7.4%	5.4%	-15.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.30	768	4.9%	21.3%	2.7%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	11.30	781	-13.1%	-9.6%	-21.8%	4.37x	na	na	0.74x	na	na
Symphony International Holding	SIHL	USD	0.47	239	8.1%	10.7%	12.3%	1.95x	na	na	0.49x	na	na
Mean								4.55x	7.45x	7.49x	1.01x	1.27x	1.30x
Median								3.49x	8.28x	8.34x	0.76x	1.10x	1.01x

Source: Bloomberg, S&P Capital IQ

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