



Economy

Fitch revises Georgia's outlook to Positive from Stable

On 27 January 2023, Fitch revised Georgia's outlook to Positive from Stable and affirmed the sovereign credit rating at 'BB'. Based on Fitch, the outlook partly reflects very strong GDP growth, a rise in international reserves, and fiscal outperformance in 2022. Moreover, Fitch underlines that Georgia's macro-fiscal policy has remained sound, with relatively tight monetary policy, a reduction in fiscal deficit and public debt-to-GDP ratio in 2022. Fitch forecasts real GDP growth to moderate to 4.5% in 2023 and 5.0% in 2024. The agency anticipates that last year's migrant and capital inflows will not sharply reverse, partly due to the protracted nature of the war in Ukraine and as migrants become more integrated into the Georgian economy.

Loan portfolio growth was 12.1% y/y in Dec-22

In Dec-22, the banking sector loan portfolio growth slowed to 12.1% y/y (+2.4% m/m), excluding FX effect, after a 13.8% y/y growth in previous month, explained mainly by high base effect. In unadjusted terms, loan portfolio increased by 4.0% y/y (+2.7% m/m) to GEL 44.8bn (US\$ 16.6bn), after growing by 5.4% in November. By sector, corporate loans growth was 8.7% y/y (+10.0% y/y in previous month, exc. FX effect) and retail loans growth stood at 15.4% y/y (+17.3% y/y in previous month). The mortgages increased by 12.2% y/y in December (+13.6% y/y in November). In Dec-22, loan dollarization reduced to 44.3% (-6.23ppts y/y and -0.32ppts m/m) and NPLs reduced to all-time low level of 1.7% (-0.22ppts y/y and -0.22ppts m/m).

Bank deposits growth remained strong, up by 29.6% y/y (+4.0% m/m, exc. FX effect) to GEL 44.3bn (US\$ 16.4bn) in Dec-22, after a 29.7% y/y growth in previous month. By currency, GEL deposits increased by 30.3% y/y (+30.6% y/y in previous month) and FX deposits (exc. FX effect) by 29.2% y/y (same as in previous month). The deposit dollarization reduced further to 56.1% (-3.82ppts y/y and -0.62ppts m/m).

Residential property price index up 14.3% y/y in 4Q22

Tbilisi residential property price index was up 5.5% q/q and 14.3% y/y (+3.2% q/q and +10.7% y/y in previous quarter), according to Geostat. On a quarterly basis, prices increased for both flats (+3.8% q/q) and detached houses (+8.9% q/q) segment. On an annual basis, prices were up by 12.5% y/y for flats and up by 18.0% y/y for detached houses.

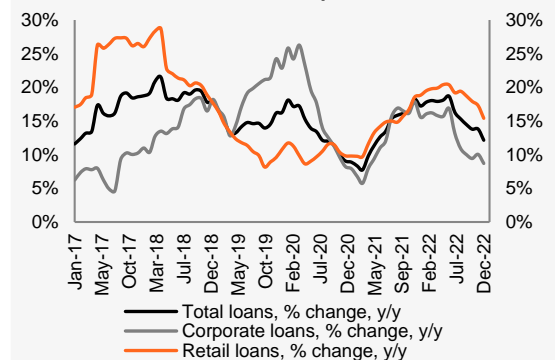
Key macro indicators

	2020	2021
Real GDP growth (% change)	-6.8%	10.5%
GDP per capita (ppp)	14,849	17,386
GDP per capita (US\$)	4,256	5,023
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%	10.4%
Fiscal deficit (% of GDP)	9.3%	6.1%
Total public debt (% of GDP)	60.2%	49.7%
Fitch/S&P/Moody's*	BB/BB/Ba2	

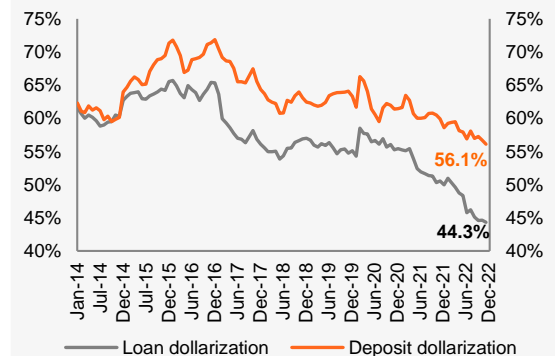
Source: Official data, Rating agencies, Galt & Taggart

*Latest sovereign credit ratings

Banking sector loan growth (exc. FX effect)



Loan and deposit dollarization



Money market

Ministry of Finance T-Bills:

10-year GEL 60.0mn (US\$ 22.6mn) Benchmark bonds were sold at the auction held at NBG on January 24, 2023. Total demand was 2.6x higher and the weighted average yield was fixed at 8.812%, down by 0.117ppts from previous auction held in Dec-22.

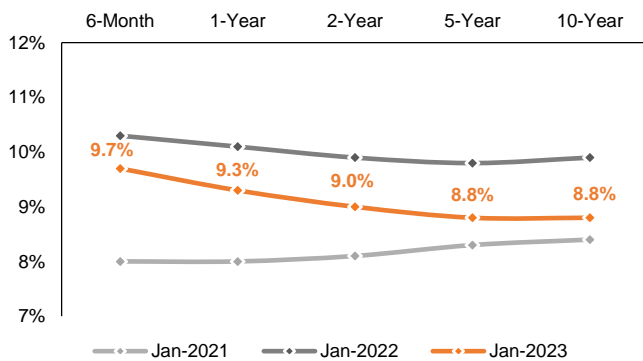
The nearest treasury security auction is scheduled for 31 January 2023, where GEL 90.0mn nominal value 5-year Benchmark bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	20	220	120
1-year	20	220	295
2-year	43	440	1,197
5-year	0	1,080	3,598
10-year	60	660	1,596
Total	143	2,620	6,806

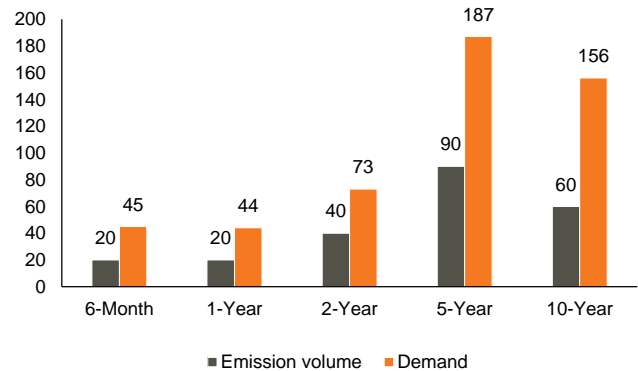
Source: MoF
*As of December 2022

T-bills / T-notes, yield curve



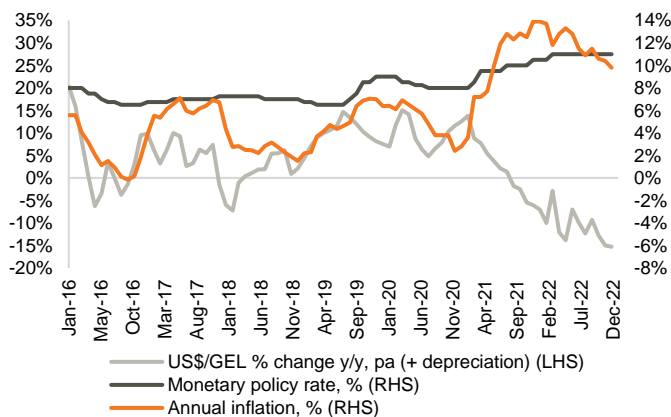
Source: NBG

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



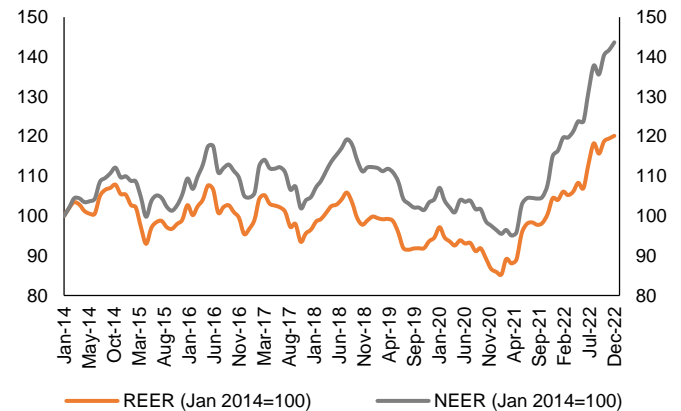
Source: NBG

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

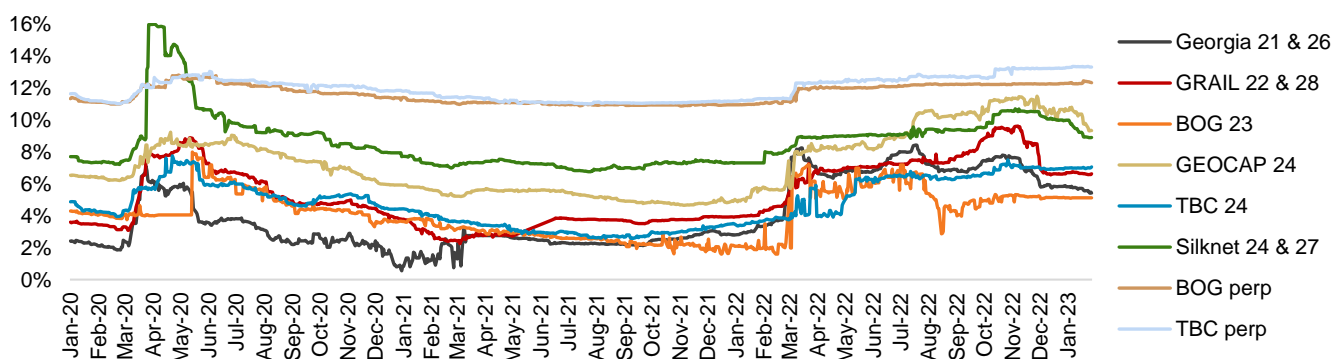
Fixed income

Corporate Eurobonds: Georgia Capital Eurobonds (GEOCAP) were trading at 96.69 (+0.53% w/w), yielding 9.32%.

Georgian Railway Eurobonds (GRAIL) traded at 88.29 (-0.04% w/w), yielding 6.62%.

Georgian Sovereign Eurobonds (GEORG) closed at 92.18 (+0.44% w/w) at 5.42% 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	92.18	5.42	169.19
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	88.29	6.62	321.62
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/-/Ba2	n/a	n/a	31.02
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.10	12.32	721.24
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	96.69	9.32	457.19
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.28	8.90	528.25
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	98.30	7.05	243.77
TBC PERP	USD	125	10.775%	n/a	B-/-/-	93.29	13.30	1,099.75

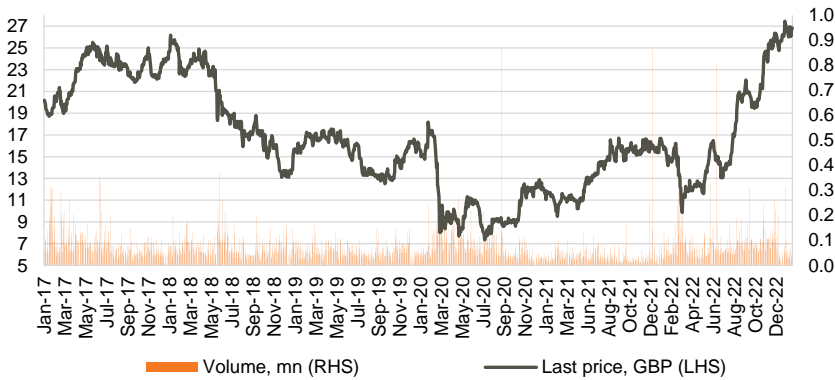
Georgian local bonds performance

GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.49	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/-	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.77	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.73	8.65	n/a
Geo. Beer Company	GEL	25	15.50%	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	13.62%	Nov-24	-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	58.4	13.37%	Mar-23	-/-/-	n/a	n/a	n/a
Geo Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	n/a	n/a	-/-/-

Source: Bloomberg

Equities

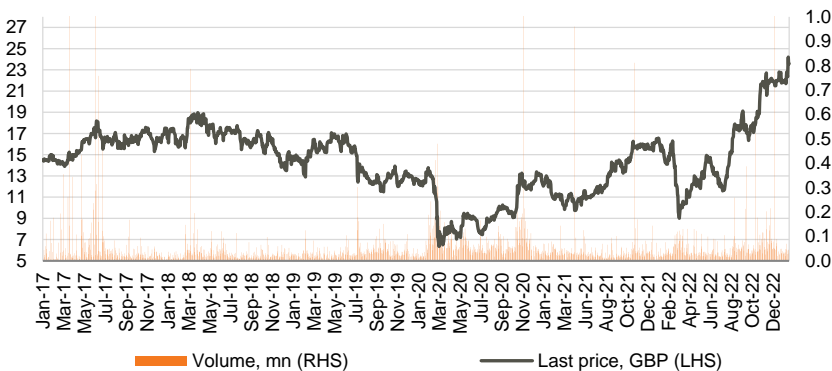
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 26.85/share (-0.37% w/w and +4.68% m/m). More than 217k shares traded in the range of GBP 25.80 - 27.15/share. Average daily traded volume was 61k in the last 4 weeks. The volume of BGEO shares traded was at 0.44% of its capitalization.

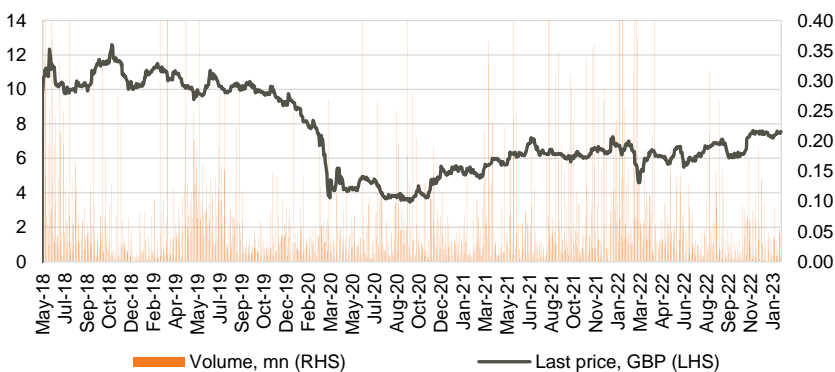
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 23.60/share (+3.51% w/w and +7.27% m/m). More than 189k shares changed hands in the range of GBP 22.20 - 24.35/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.34% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 7.55/share (+0.67% w/w and +0.67% m/m). More than 118k shares traded in the range of GBP 7.38 - 7.59/share. Average daily traded volume was 26k in the last 4 weeks. The volume of CGEO shares traded was at 0.25% 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	26.85	1,320	88.0%	80.7%	3.1%	4.58x	3.41x	4.43x	1.06x	1.06x	0.88x
TBC	TBC	GBP	23.60	1,302	83.8%	65.7%	4.0%	4.75x	4.50x	4.24x	1.04x	0.97x	0.84x
Halyk Bank	HSBK	USD	10.66	2,907	18.4%	-17.4%	-4.0%	2.60x	2.82x	2.85x	0.76x	0.72x	0.61x
Akbank	AKBNK	TRY	16.65	86,580	88.6%	114.6%	-14.8%	6.04x	1.51x	2.27x	0.96x	0.68x	0.57x
Garanti	GARAN	TRY	23.82	100,044	58.2%	99.8%	-20.7%	7.12x	1.86x	2.38x	1.20x	0.75x	0.58x
Isbank	ISCTR	TRY	10.89	49,005	112.3%	196.9%	-14.7%	2.87x	0.93x	1.14x	0.99x	0.53x	0.46x
PKO	PKO	PLN	32.22	40,275	26.4%	-33.1%	6.4%	6.63x	11.21x	6.35x	0.86x	1.16x	1.01x
PEKAO	PEO	PLN	91.48	24,011	29.2%	-32.2%	5.8%	9.22x	7.75x	5.93x	0.84x	1.04x	0.90x
Millennium	MIL	PLN	4.79	5,806	39.5%	-43.7%	4.5%	na	2.47x	2.78x	0.81x	1.23x	0.98x
Mbank	MBK	PLN	317.40	13,453	54.2%	-30.7%	7.2%	na	na	8.55x	0.83x	1.08x	0.91x
BRD	BRD	RON	13.66	9,520	7.4%	-30.2%	5.1%	6.06x	7.50x	6.57x	0.81x	1.51x	1.15x
Banca Transilvania	TLV	RON	20.10	126,861	0.6%	-13.5%	0.9%	na	na	na	1.24x	1.40x	1.22x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	8.75x	8.49x	0.65x	0.66x	0.57x
Komerčni	KOMB	CZK	725.00	137,786	13.3%	-24.1%	10.7%	11.10x	8.45x	8.95x	1.14x	1.15x	1.06x
Mean								6.34x	5.10x	4.99x	0.94x	1.00x	0.84x
Median								6.06x	3.95x	4.43x	0.91x	1.05x	0.89x

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	7.55	352	22.4%	16.2%	3.4%	1.80x	4.22x	3.12x	0.41x	na	na
Tinc Comm	TINC	EUR	12.44	452	-6.0%	-6.5%	-0.5%	13.85x	na	na	0.94x	na	na
Sabancı Holding	SAHOL	TRY	39.90	81,412	101.5%	161.1%	-11.5%	5.61x	2.19x	3.33x	1.31x	0.77x	0.71x
Deutsche Beteiligungs	DBAN	EUR	29.75	559	11.2%	-20.6%	6.6%	2.57x	na	7.43x	0.68x	1.14x	0.89x
Eurazeo	RF	EUR	65.65	5,201	-0.8%	-8.3%	13.0%	2.91x	15.07x	10.36x	0.72x	0.75x	0.70x
Carlyle Group	CG	USD	35.46	12,635	-0.3%	-24.5%	18.8%	3.34x	8.19x	8.70x	1.87x	3.05x	2.43x
Wendel SE	MF	EUR	99.90	4,470	15.9%	3.5%	14.6%	3.45x	8.44x	8.21x	1.35x	1.60x	1.37x
HgCapital Trust	HGT	GBP	3.68	1,675	-1.2%	-4.8%	5.0%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	16.15	704	-0.3%	-4.4%	0.9%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.54	811	6.2%	8.6%	8.2%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.24	639	-19.7%	-28.9%	9.5%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.45	229	-4.1%	3.5%	-0.4%	1.78x	na	na	0.45x	na	na
Mean								4.27x	7.62x	6.86x	0.92x	1.46x	1.22x
Median								3.10x	8.19x	7.82x	0.72x	1.14x	0.89x

Source: Bloomberg, S&P Capital IQ

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