

# GEORGIA BIWEEKLY MARKET REPORT

## Weekly Highlights

**Real GDP growth was 10.6% y/y in Mar-22.** Georgia's economy grew by 10.6% y/y in Mar-22, after a 14.6% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, in 1Q22, growth came in at 14.4% y/y. The growth was supported by continued growth in external earnings, including tourism revenues, reflecting migrants' influx after Russia-Ukraine war started. In March, growth was recorded in electricity & gas supply, transportation & storage, hotels & restaurants, arts, entertainment & recreation, mining and manufacturing sectors.

**Loan portfolio increased by 18.0% y/y in Mar-22.** In Mar-22, the banking sector loan portfolio increased by 18.0% y/y (+1.1% m/m), excluding FX effect, after a 17.8% y/y growth in previous month. In unadjusted terms, loan portfolio was up 11.0% y/y (+0.2% m/m) to GEL 43.3bn (US\$ 14.0bn). By sector, corporate loan growth (exc. FX effect) was 16.2% y/y (up from 16.1% y/y growth in previous month) and retail loan growth stood at 19.8% y/y (+19.5% y/y in previous month) in March. Notably, mortgage loan portfolio growth accelerated to 13.6% y/y in March after growing by 12.0% y/y in previous month. In Mar-22, loan dollarization reduced to 50.3% (-4.80ppts y/y and -0.64ppts m/m) and NPLs reduced to 1.8% (-0.55ppts y/y and -0.15ppts m/m). Bank deposits increased by 9.2% y/y (-0.4% m/m, exc. FX effect) to GEL 37.1bn (US\$ 12.0bn) in Mar-22, after a 8.7% y/y growth in previous month. By currency, in March, GEL deposits growth accelerated to 13.9% y/y (up from 11.0% y/y growth in previous month), while FX deposits growth (exc. FX effect) slowed to 6.5% y/y (down from 7.4% y/y growth in previous month). The deposit dollarization stood at 59.4% (-4.07ppts y/y and +0.14ppts m/m).

## IFI GEL Bonds

Issuer	Currency	Size of issue(mn)	Maturity	coupon rate	Rating (Fitch)	Coupon rate terms
ADB	GEL	30	15-Jul-22	11.23%	AAA	3m GEL CD NBG Rate + 20 bps => next fixing date 15/6/22
ADB	GEL	30	15-Jul-24	11.23%	AAA	3m GEL CD NBG Rate + 20 bps => next fixing date 15/6/22
EBRD	GEL	92	20-Oct-26	11.03%	AAA	3m TIBR
EBRD	GEL	93	20-Jul-24	11.03%	AAA	3m TIBR

## Perpetual Bonds

Georgian Issuer	Currency	Amount (mn)	First Reset Date	Current coupon	Rating (Fitch)	%	Z-Spread (bps)
TBC AT1	USD	125	3-Oct-24	10.775%	B-	11.71%	849
BGEO AT1	USD	100	28-Jun-24	11.125%	B-	11.30%	802

## Domestic GEL Bonds

Issuer	Currency	Amount (mn)	Maturity	Yield	Rating (Fitch)	Coupon	Z-spread (bps)
GeoBeer	GEL	25	21-Dec-23	n/a	--	13%	n/a
Silknet	GEL	34	18-Aug-22	n/a	B+	12.50%	n/a
Tegeta	GEL	30	30-Apr-22	n/a	B-	10.75%	n/a
EVEX	GEL	50	1-Nov-24	n/a	--	12.10%	n/a
GWP	GEL	30	1-Dec-21	n/a	--	12.50%	n/a

## Domestic FX Bonds

Issuer	Currency	Amount (mn)	Maturity	Yield	Rating (Fitch)	Coup. rate	Z-spread (bps)
GLC Georgia	USD	10	21-Aug-22	7.50%	--	7.50%	n/a
GLC Georgia	USD	12	22-Jul-23	n/a	--	5.75%	n/a
GLC Georgia	EUR	3	1-Jul-23	n/a	--	4.75%	n/a
Lisi Lake	USD	12	17-Dec-21	n/a	--	8%	n/a
M2R	USD	35	7-Oct-22	7.20%	--	7.50%	n/a
M2C	USD	30	31-Dec-22	7.50%	--	7.50%	n/a
KTW	USD	10	20-Dec-22	n/a	--	9.00%	n/a

## Eurobonds

Georgian Issuer	Currency	Amount (mn)	Maturity	Mid yield	Rating (Fitch)	Coupon rate	Z-Spread (bps)
GEO Sovereign	USD	500	26-Apr-26	6.78%	BB	2.75%	397
GEORAIL	USD	500	11-Jul-28	6.89%	BB-	4.00%	413
Georgia Capital	USD	300	9-Mar-25	8.29%	-	6.13%	557
BGEO	USD	350	26-Jul-23	5.11%	BB-	6%	265
GGU	USD	250	30-Jul-25	7.39%	B+	7.75%	448
TBC	USD	300	19-Jun-24	4.71%	BB-	5.70%	194
Silknet	USD	300	20-Jan-27	9.00%	B	8.37%	623

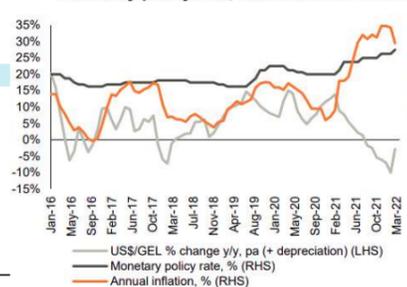
## Short Term Central Bank Facilities

	O/N	6 months	2 years	Issuer
GEL	9.00%	9.10%	10.17%	NBG
USD	0.00%	0.21%	0.27%	US FED
EUR	n/a	-0.55%	-0.64%	ECB

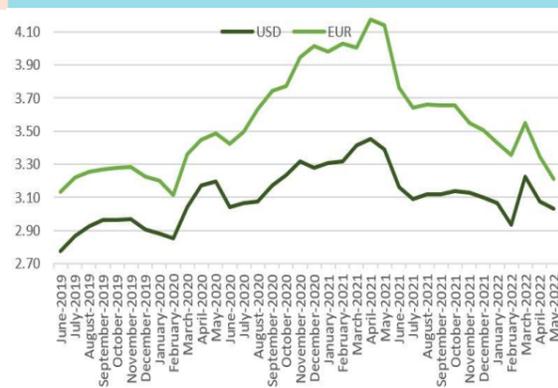
## Geo Ministry of Finance T-Bills

Maturity	Currency	Outstanding amount	%	Remaining placements
6-month	GEL	120	10.9	160
1-year	GEL	220	10.8	315
2-year	GEL	1340	20.7	680
5-year	GEL	2867	10.6	746
10-year	GEL	1346	10.6	50
<b>Total</b>		<b>5893</b>		<b>1951</b>

## Monetary policy rate, inflation and FX rate



## Georgian Lari (GEL) spot FX rates



## GEL Interbank Deposit Rates (TIBR)

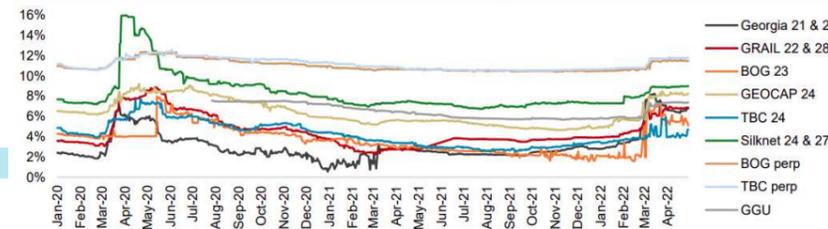


## Bond market news

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.11% yield, trading at 101.09 (+0.08 w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.35 (-0.25% w/w), yielding 8.29%. Georgian Railway Eurobonds (GRAIL) traded at 85.77 (-0.45% w/w), yielding 6.89%. Georgian Sovereign Eurobonds (GEORG) closed at 86.19 (-0.67% w/w) at 6.78% yield to maturity.

**Ministry of Finance T-Bills:** 5-year GEL 80.0mn (US\$ 26.4mn) Benchmark bonds were sold at the auction held at NBG on April 26, 2022. Total demand was c.2.1x higher and the weighted average yield was fixed at 10.603%, up by 0.460ppts from previous auction held in March 2022.

## Georgian Eurobonds, YTM



## Weekly Highlights

**Exports increased by 26.3% y/y in March 2022** In Mar-22, exports growth remained strong growing by 26.3% y/y to US\$ 411.4mn, but slowed compared to 60.3% y/y growth in previous month. Imports growth also slowed to 15.3% y/y, after growing 54.0% y/y in previous month. As a result, the trade deficit growth slowed also, up 7.4% y/y to US\$ 482.6mn, after a 49.6% y/y growth a month before. The top 5 exported commodities were copper (+79.3% y/y), ferro-alloys (+89.0% y/y), cars (-39.0% y/y), fertilizers (+79.9% y/y), and wine (-29.4% y/y) in Mar-22. A 12.0% of exports were directed to the EU (-10.3% y/y), 25.7% to the CIS (-24.9% y/y) and 62.3% to other countries (+97.5% y/y). The top 5 imports were petroleum (+39.0% y/y), copper (-20.6% y/y), gases (+62.4% y/y), cars (+23.5% y/y) and pharmaceuticals (+4.4% y/y) in Mar-22. Overall, in 1Q22, trade deficit was up 30.3% y/y to US\$ 1.5bn, as exports increased by 43.3% y/y to US\$ 1.2bn, while imports were up by 35.7% y/y to US\$ 2.7bn.

**Producer price index up 19.3% y/y in March 2022** Annual PPI for industrial goods was up 19.3% in Mar-22, after a 17.0% growth in previous month, according to Geostat. Price changes in manufacturing (+24.3% y/y) and electricity, gas, steam and air conditioning (-7.9% y/y) contributed the most to the overall index change in March.

**IMF forecasts 3.2% GDP growth in Georgia for 2022** Based on IMF's World Economic Outlook of April 2022, global growth is projected at 3.6% in 2022, after a 6.1% growth in 2021. This is 0.8ppts lower for 2022 than projected in January 2022. The downward revision reflects economic damages triggering from the Russia-Ukraine war. Notably, IMF revised Georgia's 2022 growth forecast downwards to 3.2%, from 5.8% projection in October 2021. Over 2023-27, the IMF projects 5.3% annual average real GDP growth in

## Customer deposit rates

% p.a.	BGEO	TBC
<b>GEL</b>		
3 months	10.70	10.70
1 year	11.60	10.95
2 years	12.35	10.75
<b>USD</b>		
3 months	0.25	0.25
1 year	0.60	0.60
2 years	0.85	1.95
<b>EUR</b>		
3 months	0.00	0.00
1 year	0.45	0.00
2 years	0.00	0.00

## Georgia Macro-Economic Data

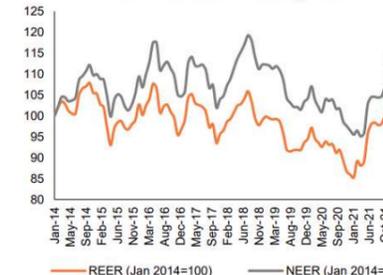
<b>Inflation Rate</b>	<b>12.80%</b>	Aug-21
	<b>12.30%</b>	Sep-21
	<b>12.80%</b>	Oct-21
	<b>12.50%</b>	Nov-21
	<b>13.90%</b>	Dec-21
	<b>13.90%</b>	Jan-22
	<b>13.70%</b>	Feb-22
<b>GDP Growth</b>	<b>-6.80%</b>	2020(IV)
	<b>-4.50%</b>	2021(I)
	<b>29.90%</b>	2021(II)
	<b>9.10%</b>	2021(III)
<b>Unemployment</b>	<b>20.40%</b>	2020(IV)
	<b>21.90%</b>	2021(I)
	<b>22.10%</b>	2021(II)
	<b>19.50%</b>	2021(III)
	<b>19.00%</b>	2022(IV)
<b>Foreign Trade Balance</b>	<b>\$ (0.53)</b>	Aug-21
<b>USD bn +/-</b>	<b>\$ (0.58)</b>	Sep-21
	<b>\$ (0.52)</b>	Oct-21
	<b>\$ (0.58)</b>	Nov-21
	<b>\$ (0.61)</b>	Dec-21
	<b>\$ (0.44)</b>	Jan-22
<b>FX Reserves</b>	<b>\$ 3.66</b>	Jul-21
<b>USD bn +/-</b>	<b>\$ 3.62</b>	Aug-21
	<b>\$ 3.36</b>	Sep-21
	<b>\$ 3.47</b>	Oct-21
	<b>\$ 3.44</b>	Nov-21
	<b>\$ 3.78</b>	Dec-21
	<b>\$ 3.59</b>	Jan-22

## Residential property price index in Georgia

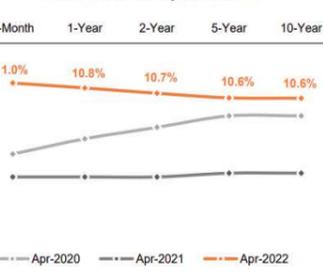


In the first quarter of 2022 the Residential Property Price Index (RPPI) in Georgia increased by 4.2 percent compared to the previous quarter, while the annual increase amounted to 3.4 percent. Compared to the 2020 average, the index change amounted to 13.1 percent.

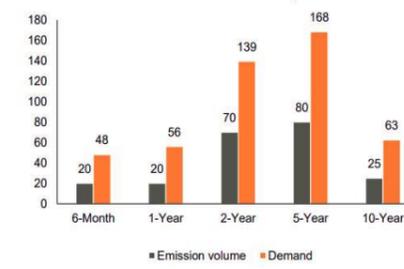
## Nominal effective exchange rate and Real effective exchange rate



## T-bills / T-notes, yield curve



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



Sources: TBC Capital, Galt & Taggart, Bank of Georgia, NBG, GEOSTAT, MarketWatch, Trading Economics...

\*n/a – currently not available, subject of further research



## Silknet company 2021 overview

- Silknet's revenue increased by c. GEL 31 mln (+8.2% YoY ; +4.45% in USD) in 2021.
- EBITDA was up by 7.6% YoY in 2021, with the EBITDA margin mostly unchanged and remaining at 55%.
- Revenue from mobile services, constituting 54.2% of total commercial revenues in 2021, increased by 9.3% YoY.
- The number of subscribers for mobile services grew by +3.75% YoY by the end of 2021.
- A slight decrease in market shares have been observed in the mobile and fixed internet, while the pay TV category market share saw a minor increase in 2021.
- The Eurobond remains high yielding among the comparable communications Eurobond universe.

For more: <https://tbccapital.ge/reports/Silknet---FY-2021-Overview>

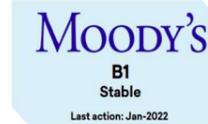
## Silknet's key financial figures

	2020	2021	YoY change
Revenue (GEL mln)	382.2	413.4	8.18%
Revenue (USD mln)	122.9	128.3	4.40%
EBITDA (GEL mln)	215.5	227.6	7.61%
Assets (GEL mln)	881.8	847.5	-3.89%
Equity (GEL mln)	-59.3	-48.8	-17.69%
Total liabilities (GEL mln)	941.1	896.3	-4.76%
Net debt (GEL mln)	645	585	-9.30%
Leverage	3.0	2.6	-0.4 pp

## Silknet's key operating figures

	DEC-2020	DEC-2021	YoY change
Mobile subscribers ('000)	1,656	1,718	3.75%
Internet subscribers ('000)	292	300	2.65%
Pay TV subscribers ('000)	240	254	5.83%
Fixed telephone subscribers ('000)	214	192	-10.25%

## Silknet's issuer credit rating



## Georgian Equities

Equities	London StEx				
Issuer	Price (GBX)	MarkCap (£ mn)	Div. Yield	Rec.Date	Earnings per share
BGEO	1170.0	£ 960.00	-	7-May-22	6.2
CGEO	596.0	£ 430.00	-	7-May-22	8.2
TBCG	1198.0	£ 672.00	-	7-May-22	5.8
<b>Total Top 4</b>					
		£ 2,062.00			

Equities	GeoStEx	
Issuer	Size of Issue (GEL)	volume (GEL)
BGEO	43,308,125	27,993,660
Liberty Bank	29,000,000,000.00	5,502,254,354.00
Green Insurance Georgia	9,000,000	4,000,944.00
Metro Euphoria Hotel Batumi	54,476,929	54,476,929.00

Admitted to Trading	Issuer	volume (mn GEL)	MarkCap (mn GEL)
	Telasi	112.429	224.858
	Sarajishvili	1.8	11.661
	Isani-Kartu	2.38	0.358
	Khasuri Glass Tare	2.74	0.137
	Tramssheni	0.9	1.450
	VTB Bank Georgia	209.008	209.000

## Total Stock Market Cap.

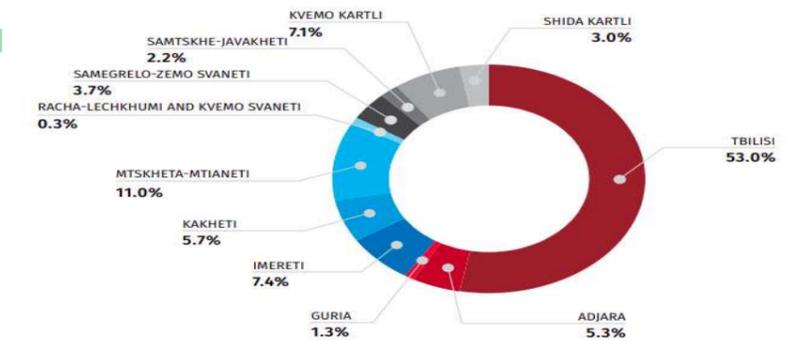
447.46 €



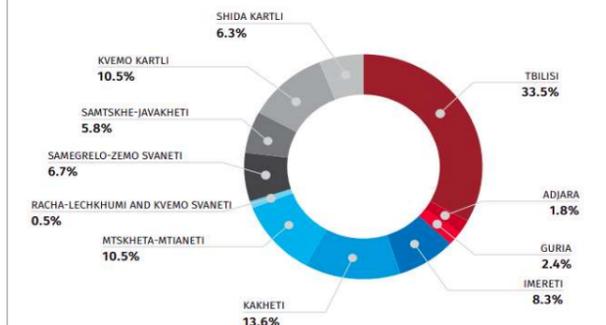
## Information about permissions granted for construction and completed objects

According to official declared data, 2 229 permissions granted were issued in January-March, 2022 (15.4 percent more compared to the previous year) for construction of buildings of 1 516.5 thousand square meters (16.5 percent more compared to the previous year). It should be noted that 78.5 percent of the total permits have been issued in 4 regions of the country, namely: 53.0 percent of the construction works located in Tbilisi, 11.0 percent - in Mtskheta-Mtianeti region, 7.4 percent - in Imereti region, 7.1 percent - in Kvemo Kartli region. The relatively large share of the permissions granted hold the multifunctional residential complexes. More than half of the total completed construction are distributed in 4 regions of the country, namely: 33.5 percent is located in Tbilisi, 13.6 percent - in Kakheti region, 10.5 percent - in Mtskheta-Mtianeti region and 10.5 percent - in Kvemo Kartli region. 552 objects (1.8 percent less compared to the previous year) of 545.9 thousand square meters (59.7 percent more compared to the previous year) were completed in January-March, 2022.

### PERMISSIONS GRANTED FOR CONSTRUCTION BY REGIONS JANUARY - MARCH, 2022



### DISTRIBUTION OF COMPLETED OBJECTS BY REGIONS JANUARY - MARCH, 2022



## Global Equity Indexes

Index	Prev. Close	Div. Yield	Performance	Date
DJIA	33,174.07	--	-1.87%	12-Mar-22
	34,707.94	--	4.42%	27-Mar-22
	34,583.57	--	-0.36%	11-Apr-22
	34,792.76	--	0.60%	23-Apr-22
	32,997.97	--	-5.44%	7-May-22
DAX	13,442.10	--	-1.90%	12-Mar-22
	14,273.79	--	5.83%	27-Mar-22
	14,283.67	--	0.07%	11-Apr-22
	14,502.41	--	1.51%	23-Apr-22
	13,902.52	--	-4.31%	7-May-22
MSCI EAFE	2,053.78	2.85%	-2.59%	12-Mar-22
	2,149.68	2.85%	4.46%	27-Mar-22
	2,202.26	2.85%	2.39%	11-Apr-22
	2,202.26	2.85%	0.00%	23-Apr-22
	2,202.26	2.85%	0.00%	7-May-22

## Shares of the largest US companies on the stock exchanges fell

May 5 ended with extremely unfavourable results for the US stock exchanges - the general index of shares of the 500 largest companies in the US, S&P 500, fell by 3.56% in one day; The value of the Dow Jones fell by 3.12%; The value of the Nasdaq index, loaded with tech companies, has fallen by almost 5%, which is the sharpest drop in stock markets since the pandemic began. In addition to the general stock indexes, the value of the shares of the world's largest companies fell sharply: Amazon's market value fell by 7.6%; Shares of electric car maker Tesla fell 8.3%; Shares of parent company Meta of Facebook and Instagram fell 6.8%; Shares of Alphabet (Google) fell 4.7%; Apple's market capitalization is down 5.6%. The main reason for the sharp decline in shares is the tightening of monetary policy by the US Federal Reserve and an increase in the refinancing rate by 0.5 percentage points. Investors fear that the Federal Reserve will tighten monetary policy to decrease inflation, which will ultimately have a negative impact on the capital market as demand for relatively speculative assets decreases and the risk premium increases.

Factors to be considered include the ongoing Russia-Ukraine war, the possibility of an EU embargo on Russian oil, and the establishment of lockdowns caused by the spread of COVID-19 in China. These factors significantly increase the risks of supply chain restrictions and commodity price increases. One of the main factors behind the strong downward trend is the publication of disappointing quarterly results for companies represented in the e-commerce sector. In the first quarter of this year, against the background of the abolition of covid-regulation, the number of online transactions decreased, due to which the shares of companies represented in the e-commerce sector fell significantly: Amazon (-7%); Shopify (-15%); Etsy (-17%); Wayfair (-26%); Poshmark (-4%).  
**Source:** <https://bm.ge/ka/article/safondo-birjebze-umsxvilesi-amerikuli-kompaniebis-aqciebi-mkvetrad-daeca/108247/>

## Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 12.28/share (- 3.00% w/w and -4.21% m/m). More than 201k shares traded in the range of GBP 12.10 - 12.72/share. Average daily traded volume was 54k in the last 4 weeks. The volume of BGEO shares traded was at 0.41% of its capitalization  
**TBC Bank Group (TBCG LN)** closed the week at GBP 12.62/share (-2.32% w/w and +7.86% m/m). More than 209k shares changed hands in the range of GBP 11.94 - 12.96/share. Average daily traded volume was 42k in the last 4 weeks. The volume of TBCG shares traded was at 0.38% of its capitalization.  
**Georgia Capital (CGEO LN)** shares closed at GBP 6.08/share (-1.14% w/w and -4.25% m/m). More than 208k shares traded in the range of GBP 5.90 - 6.16/share. Average daily traded volume was 68k in the last 4 weeks. The volume of CGEO shares traded was at 0.45% of its capitalization.

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