



Economy

FDI up 1.4% y/y in 3Q21

FDI increased by 1.4% y/y to US\$ 299.0mn in 3Q21, after increasing by 23.9% y/y in 2Q21 (revised upwards by US\$ 63.5mn reflecting the adjustment of reinvestments in the financial sector), according to Geostat's preliminary figures. The 3Q21 FDI figure reflected mainly reinvestments, amounting to US\$ 293.3mn (+138.1% y/y, 98.1% of total FDI). The financial sector was the largest FDI recipient at US\$ 87.1mn (-32.9% y/y, 29.1% of total), followed by energy sector at US\$ 69.3mn (+101.5% y/y, 23.2% of total), manufacturing at US\$ 54.8mn (+88.8% y/y, 18.3% of total) and transport and communications at US\$ 42.5mn (+300.6% y/y, 14.2% of total). UK topped the list of investors with US\$ 60.9mn (-47.1% y/y), followed by Netherlands at US\$ 59.8mn (-33.9% y/y) and Czech Republic at US\$ 36.0mn (+528.9% y/y). Overall, FDI was up by 3.2% y/y to US\$ 728.4mn (5.5% of GDP) in 9M21.

NBG raises the key rate to 10.5%

The NBG increased the key rate by 50bps to 10.5% on 8 December 2021 for the 4th time this year, after raising it by 50bps in August. The NBG remains concerned with the persistently high inflation which stood at 12.5% in Nov-2021, slightly lower than in October. According to the central bank, the high inflation is mainly driven by exogenous factors, including increased commodity prices on international markets (contributing 9ppts to inflation), which leads to higher imported inflation (18% in November) in Georgia. From other factors affecting inflation were mentioned strong demand fuelled by fiscal stimulus, re-opening of the economy and bank lending growth and inflationary expectations (stemming from an extended period of above-target inflation). The central bank said it will keep its monetary policy tight until inflation declines, which it expects to happen in spring 2022, before increasing further through December-February due to a temporary additional contribution from utility subsidies.

In addition, supporting the larization process, the NBG decided to link a currency-induced credit risk (CICR) buffer to loan portfolio dollarization, which will come into effect from January 1, 2022. Up to 40% loan dollarization, a bank's individual CICR buffer will be set at 40% risk-weight and above this cap, each percentage change in loan dollarization will increase the CICR risk-weight by 3ppts until it reaches 100%. The regulator also lowered the maximum term of FX mortgages from 15 to 10 years to protect FX borrowers from interest rate and currency risks.

International reserves at US\$ 3.9bn in November 2021

Gross international reserves increased by 4.7% y/y to US\$ 3.9bn in November 2021 according to NBG. On a monthly basis, the reserves were down by 0.8% (-US\$ 30.5mn). Changes in reserves were attributed to the government and banking sector FX operations, and/or asset revaluation.

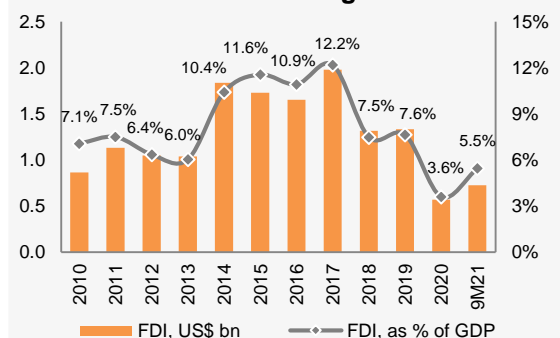
Key macro indicators

	2019	2020
Real GDP growth (% change)	5.0%	-6.8%
GDP per capita (ppp)	15,634	14,918
GDP per capita (US\$)	4,696	4,256
Population (mn)	3.7	3.7
Inflation (eop)	7.0%	2.4%
Gross reserves (US\$ bn)	3.5	3.9
CAD (% of GDP)	5.5%	12.4%
Fiscal deficit (% of GDP)	2.1%	9.3%
Total public debt (% of DP)	40.4%	60.0%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

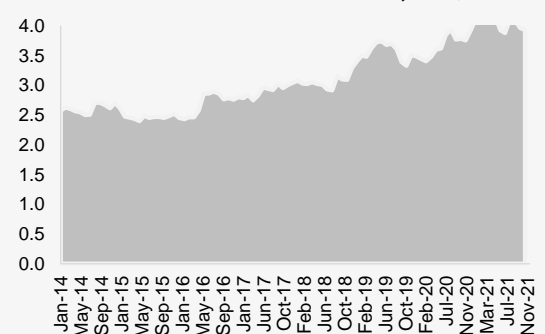
*Latest sovereign credit ratings

FDI in Georgia



Source: Geostat

Gross international reserves, US\$ bn



Source: NBG

Money market

Ministry of Finance T-Bills:

2-year GEL 50.0mn (US\$ 16.1mn) Benchmark bonds were sold at the auction held at NBG on December 7, 2021. Total demand was c.2.8x higher and the weighted average yield was fixed at 9.078%, down by 0.019ppts from previous auction held in November, 2021.

6-month GEL 20.0mn (US\$ 6.5mn) T-Bills were sold at the auction held at NBG on December 7, 2021. Total demand was c.2.8x higher and the weighted average yield was fixed at 9.324%, down by 0.076ppts from previous auction held in November, 2021.

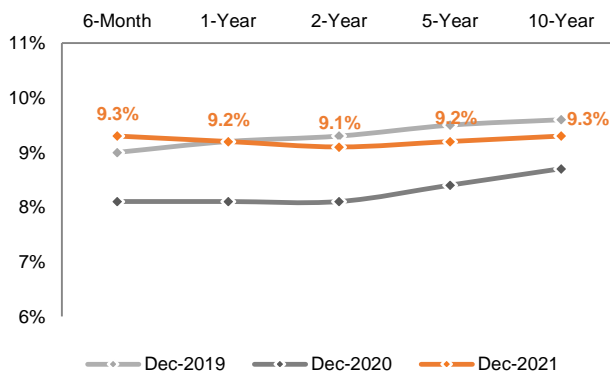
The nearest treasury security auction is scheduled for December 14, 2021, where GEL 30.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	165	0	80
1-year	165	30	235
2-year	290	0	1,033
5-year	514	85	2,533
10-year	94	0	1,331
Total	1,228	115	5,209

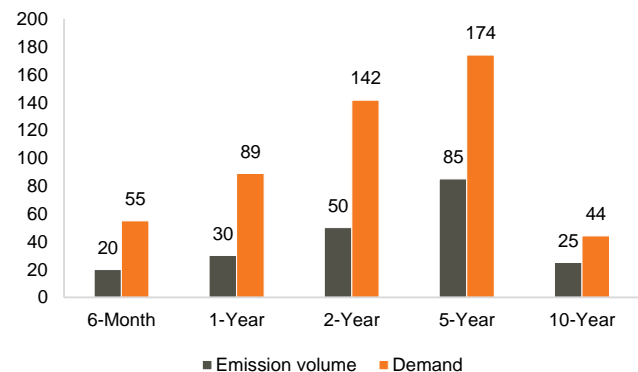
Source: MoF
 * As of 31 October 2021

T-bills / T-notes, yield curve



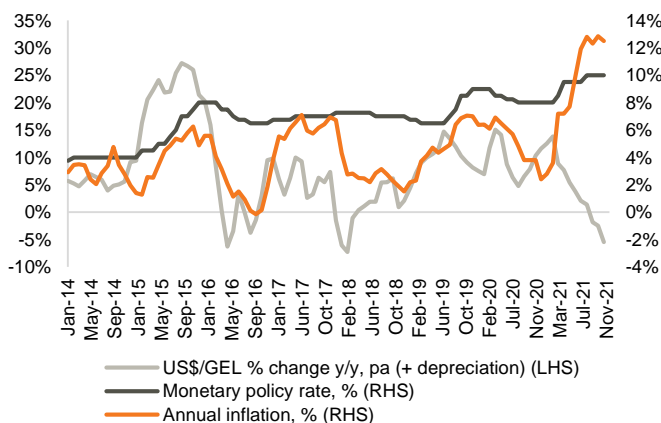
Source: NBG

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



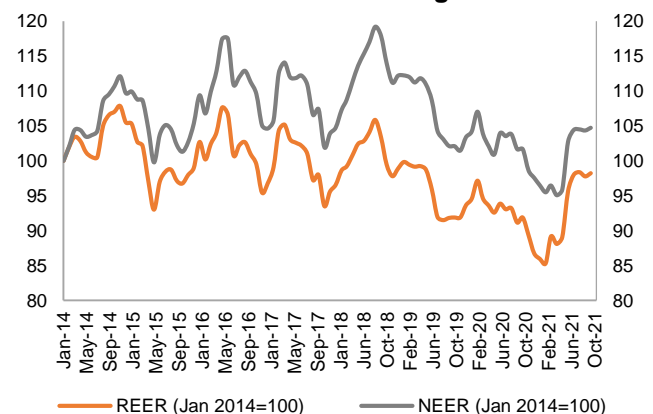
Source: NBG

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

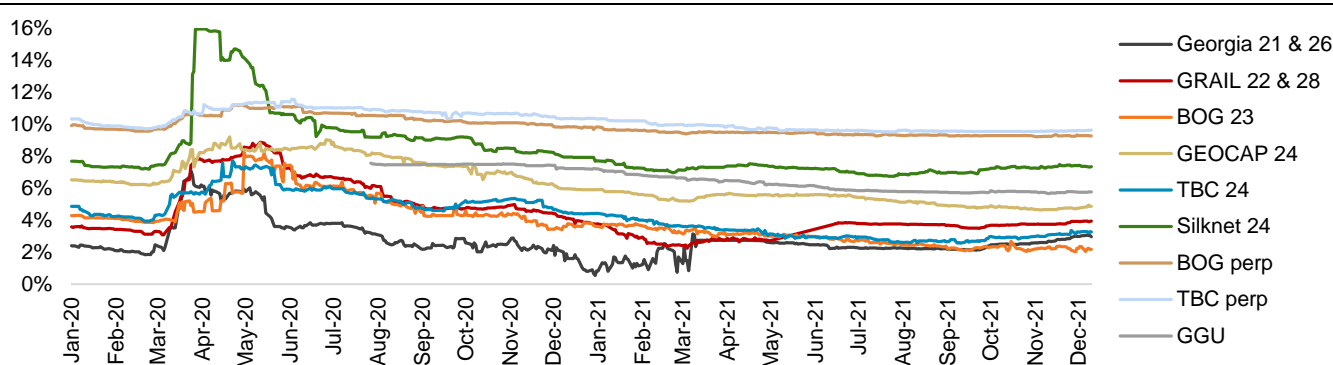
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.19% yield, trading at 106.01 (+0.18% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.62 (-0.19% w/w), yielding 4.87%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 100.29 (-0.04% w/w), yielding 3.95%.

Georgian Sovereign Eurobonds (GEORG) closed at 99.07 (+0.25% w/w) at 2.98% 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	99.07	2.98	193.78
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	100.29	3.95	280.17
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B-/Ba2	106.01	2.19	169.60
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	110.60	9.28	576.57
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	102.62	4.87	417.30
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/-/B1	107.55	7.36	374.51
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B-/Ba2	105.95	3.26	249.49
TBC PERP	USD	125	10.775%	n/a	B-/-/-	109.67	9.64	608.92
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.40	5.77	335.09

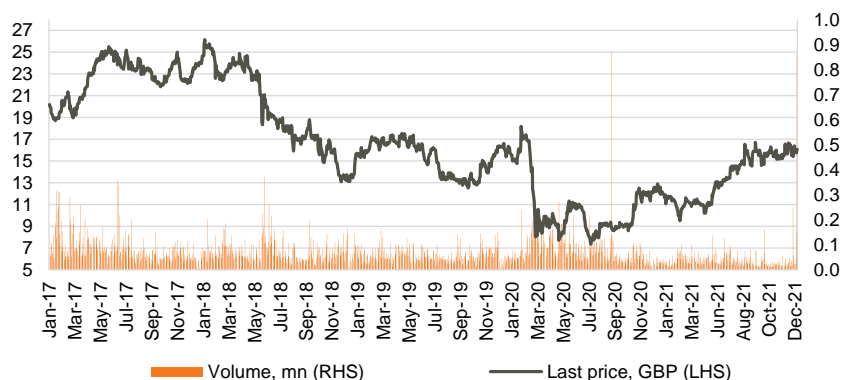
Georgian local bonds performance

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
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-/-	100.00	7.50	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
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/-/B1/-	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

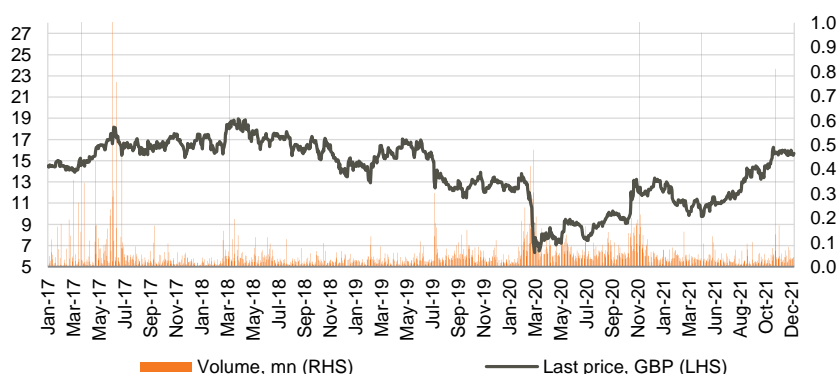
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.06/share (-1.95% w/w and +0.37% m/m). More than 1.1mn shares traded in the range of GBP 15.46 - 16.26/share. Average daily traded volume was 87k in the last 4 weeks. The volume of BGEO shares traded was at 2.24% of its capitalization.

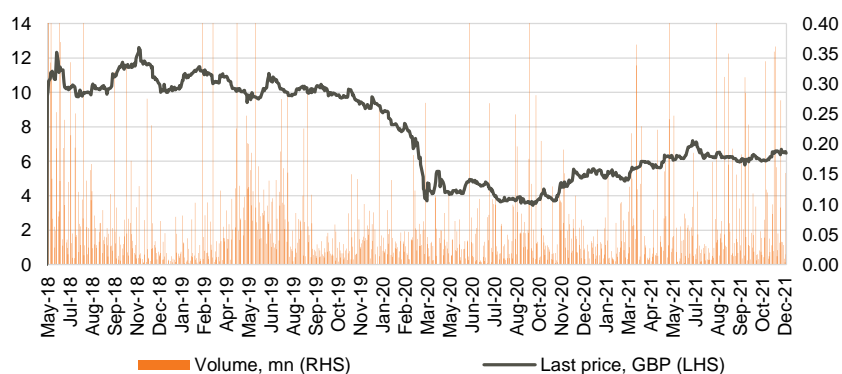
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 15.68/share (-2.00% w/w and unchanged m/m). More than 173k shares changed hands in the range of GBP 15.44 - 16.20/share. Average daily traded volume was 37k in the last 4 weeks. The volume of TBCG shares traded was at 0.31% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.48/share (-1.07% w/w and +6.23% m/m). More than 215k shares traded in the range of GBP 6.48 - 6.68/share. Average daily traded volume was 95k in the last 4 weeks. The volume of CGEO shares traded was at 0.45% 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	16.06	790	25.9%	33.4%	31.6%	4.65x	4.84x	1.06x	0.97x
TBC	TBC	GBP	15.68	865	42.8%	31.8%	25.4%	4.78x	4.90x	0.99x	0.87x
Halyk Bank	HSBK	US\$	16.09	86,807	-7.9%	1.9%	10.8%	5.26x	5.16x	1.10x	0.99x
Sberbank	SBER	USD	16.24	4,772	0.2%	43.1%	39.4%	4.68x	4.47x	1.17x	1.07x
VTB Bank	VTBR	US\$	1.20	7,776	-14.8%	17.4%	25.7%	2.32x	2.35x	0.43x	0.33x
Akbank	AKBNK	TRY	7.27	37,804	31.7%	16.1%	4.9%	3.93x	3.15x	0.52x	0.46x
Garanti	GARAN	TRY	11.73	49,266	38.3%	23.5%	13.1%	3.96x	3.38x	0.66x	0.57x
Isbank	ISCTR	TRY	7.62	34,290	42.7%	16.9%	8.9%	3.51x	2.69x	0.45x	0.39x
PKO	PKO	PLN	43.50	54,375	8.4%	51.8%	51.5%	11.41x	10.21x	1.27x	1.18x
PEKAO	PEO	PLN	115.00	30,184	16.1%	86.1%	88.2%	14.39x	11.34x	1.17x	1.10x
Millennium	MIL	PLN	8.03	9,741	62.0%	148.5%	145.6%	10.34x	11.62x	1.26x	1.15x
Mbank	MBK	PLN	450.00	19,066	51.7%	145.2%	151.1%	16.35x	13.70x	1.13x	1.05x
BRD	BRD	RON	17.48	12,182	9.1%	17.8%	17.6%	10.97x	10.34x	1.31x	1.28x
Banca Transilvania	TLV	RON	2.49	15,684	1.1%	21.8%	21.5%	8.80x	8.61x	1.50x	1.39x
OTP	OTPD	USD	22.00	12,320	0.0%	-3.5%	-3.5%	8.23x	7.40x	0.67x	0.58x
Komerční	KOMB	CZK	895.50	170,189	12.7%	42.1%	36.3%	14.16x	12.93x	1.39x	1.40x
Mean								7.98x	7.32x	1.00x	0.92x
Median								6.74x	6.28x	1.11x	1.02x

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	6.48	308	4.2%	21.8%	20.0%	na	na	na	na
Tinc Comm	TINC	EUR	13.38	487	7.7%	3.7%	3.3%	na	na	na	na
Sabancı Holding	SAHOL	TRY	14.36	29,300	49.9%	37.4%	25.3%	4.82x	3.99x	0.64x	0.53x
Deutsche Beteiligungs	DBAN	EUR	39.20	737	12.2%	24.7%	25.8%	4.01x	10.41x	1.05x	1.05x
Eurazeo	RF	EUR	73.80	5,847	2.4%	34.9%	33.0%	8.67x	9.72x	0.96x	0.88x
Carlyle Group	CG	USD	53.84	19,084	22.3%	81.2%	71.2%	12.80x	12.91x	4.91x	4.16x
Mean								7.57x	9.26x	1.89x	1.65x
Median								6.74x	10.06x	1.01x	0.96x

Source: Bloomberg, S&P Capital IQ

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