



BANK OF GEORGIA

INVESTOR 20 DAY 20

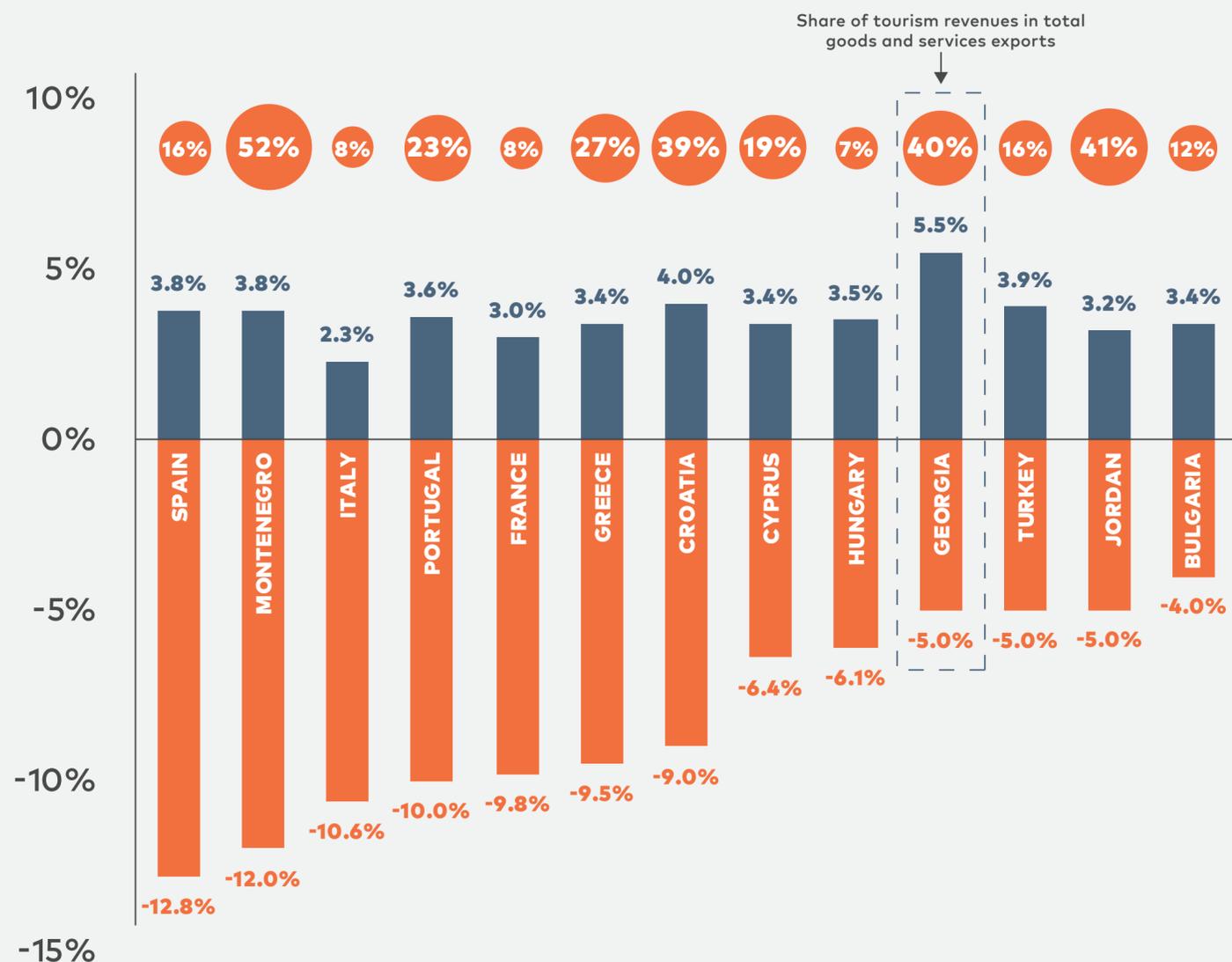
Macroeconomic Overview

Speaker:

Archil Gachechiladze

CEO

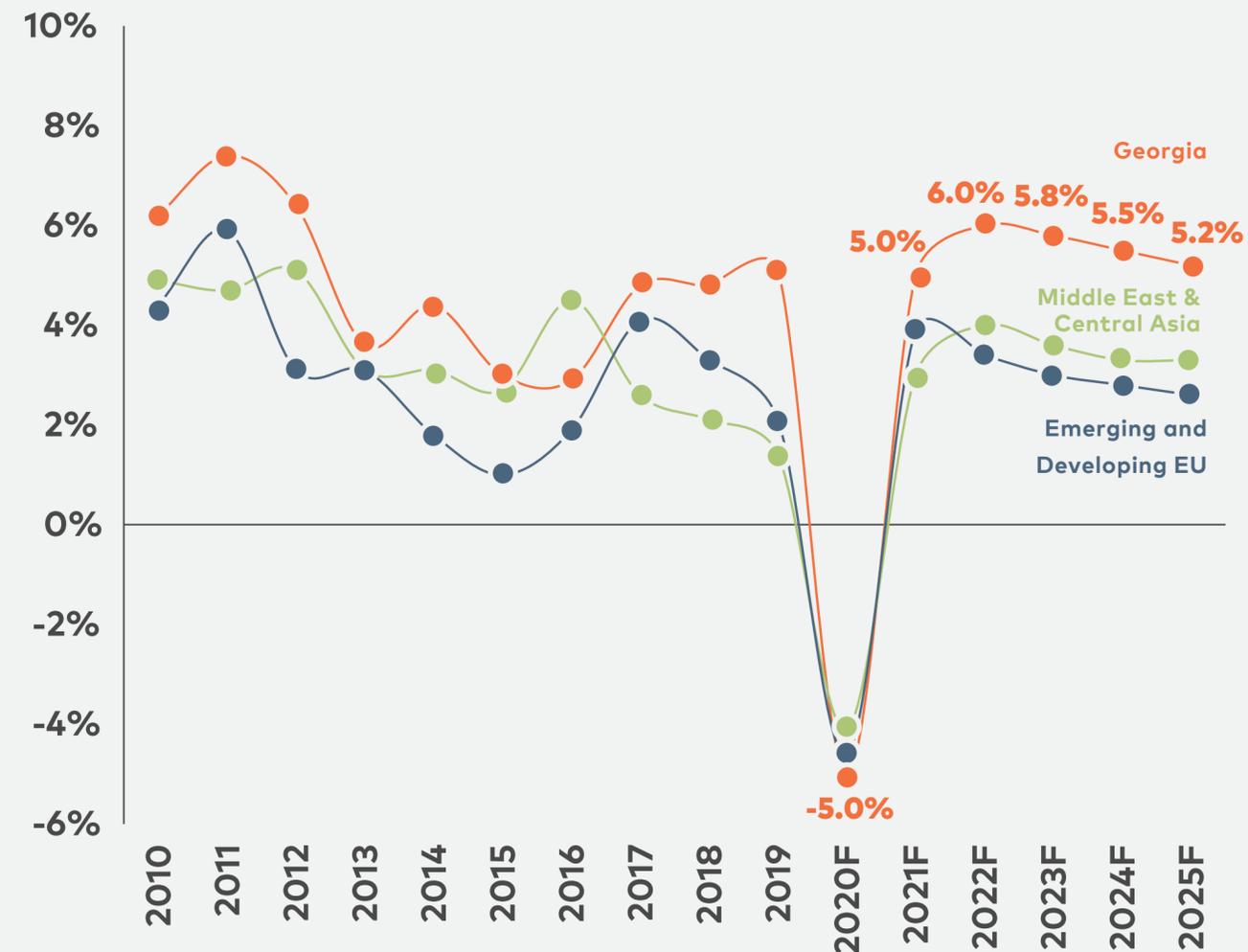
GEORGIA VS. OTHER TOURISM-DEPENDENT ECONOMIES, REAL GDP GROWTH FORECAST



Source: IMF, WB
Note: Tourism revenues as of 2018

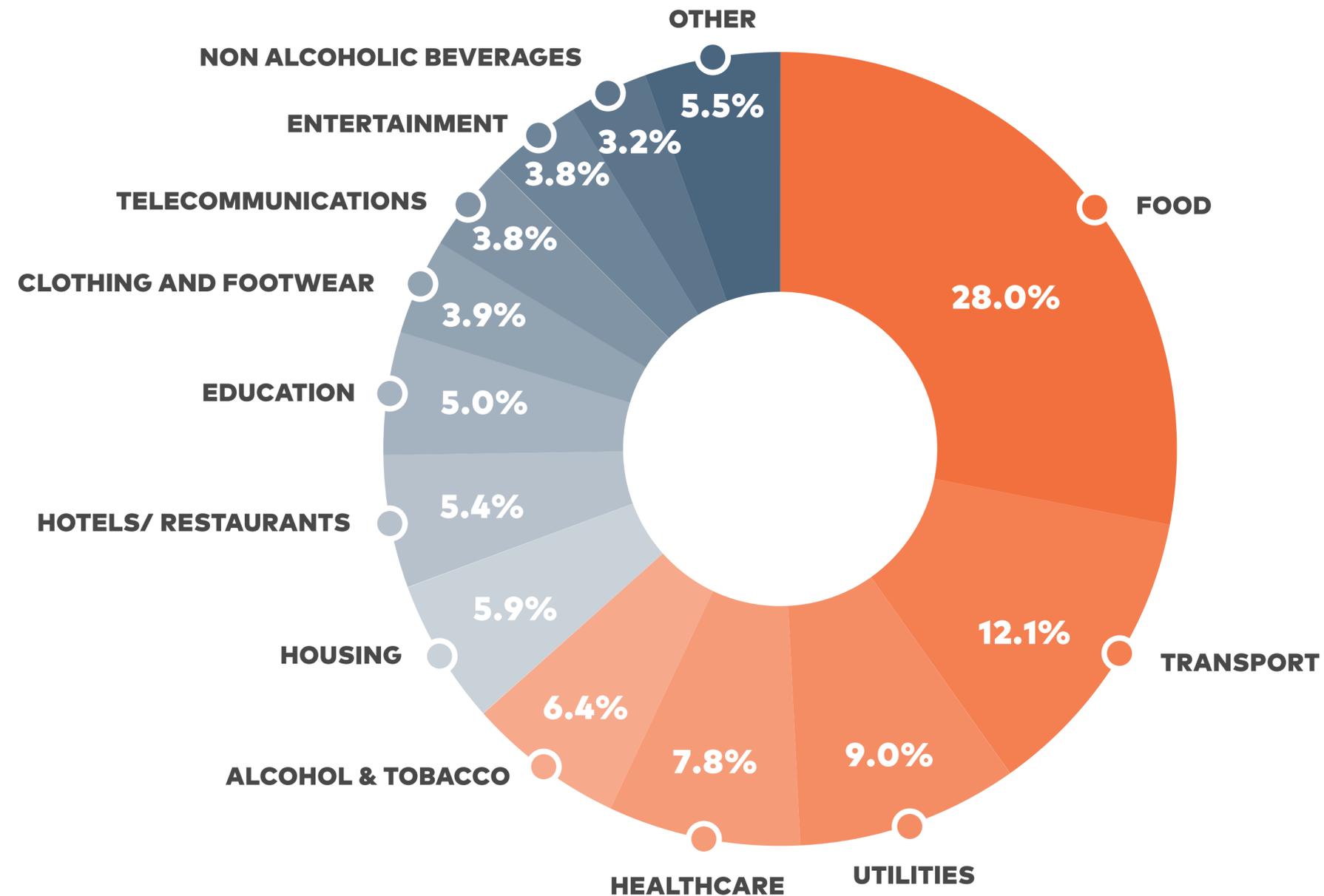
● 2020 ● 2021-25 average

GEORGIA VS. REGION, REAL GDP GROWTH



Source: IMF

CONSUMER BASKET IN GEORGIA IN 2020



Food consumption, typically less affected during crises compared with other goods and services, accounts for 28% of total consumption in Georgia vs. 11% in the EU

COVID-19 STATISTICS AS OF 6 NOVEMBER 2020

52K

Confirmed cases

37K

Recovered

423

Deaths

3.1K

Under quarantine

4.6K

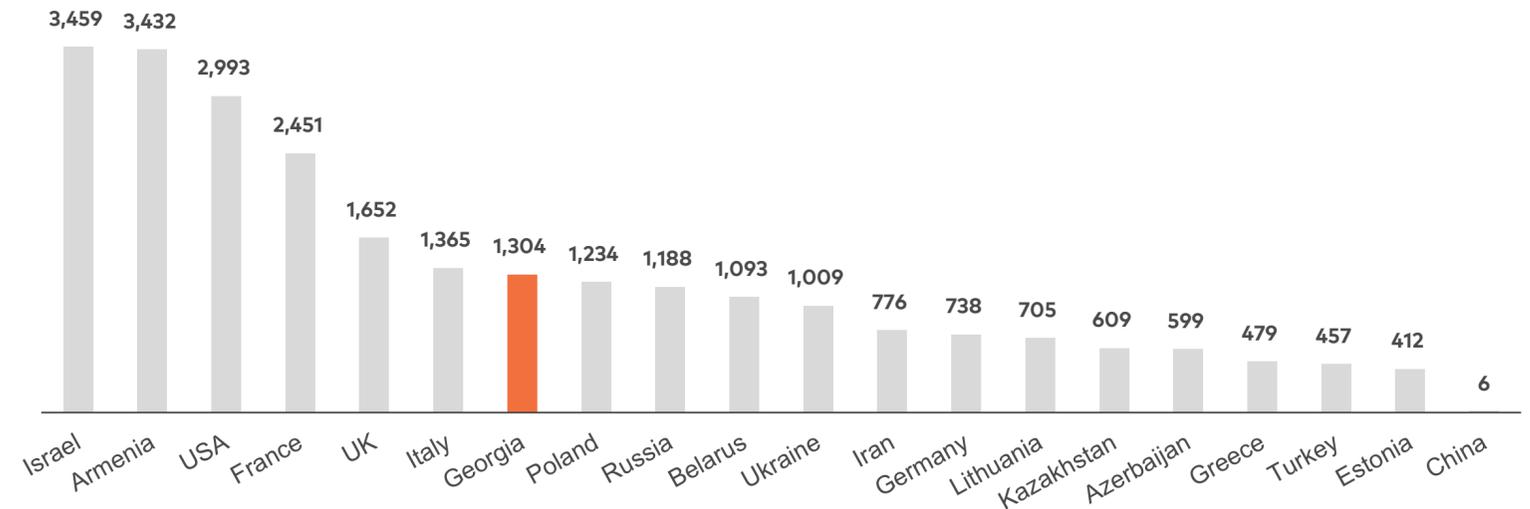
Under hospital supervision

2.4K

At COVID hotels

Source: www.stopcov.ge

COVID-19 CASES PER 100,000 PERSONS



Source: Johns Hopkins University, as of 6 November 2020

GEORGIA'S POSITION GLOBALLY AS OF 6 NOVEMBER 2020:

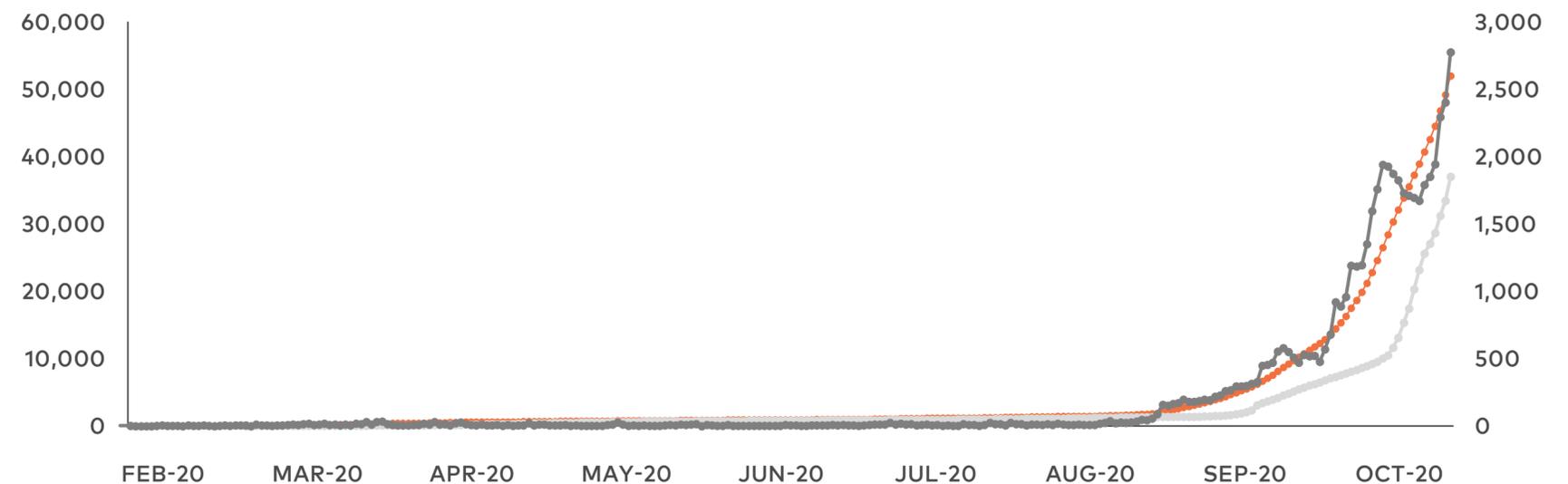
#82 by number of confirmed cases

#56 by number of confirmed cases per 100,000

#46 by number of tests taken per 100,000

Source: Johns Hopkins University, Worldometer

COVID-19 STATISTICS IN GEORGIA, PERSONS



Source: NCDC, as of 6 November 2020

● Total cases (LHS) ● Total recoveries (LHS) ● Daily new cases (RHS)

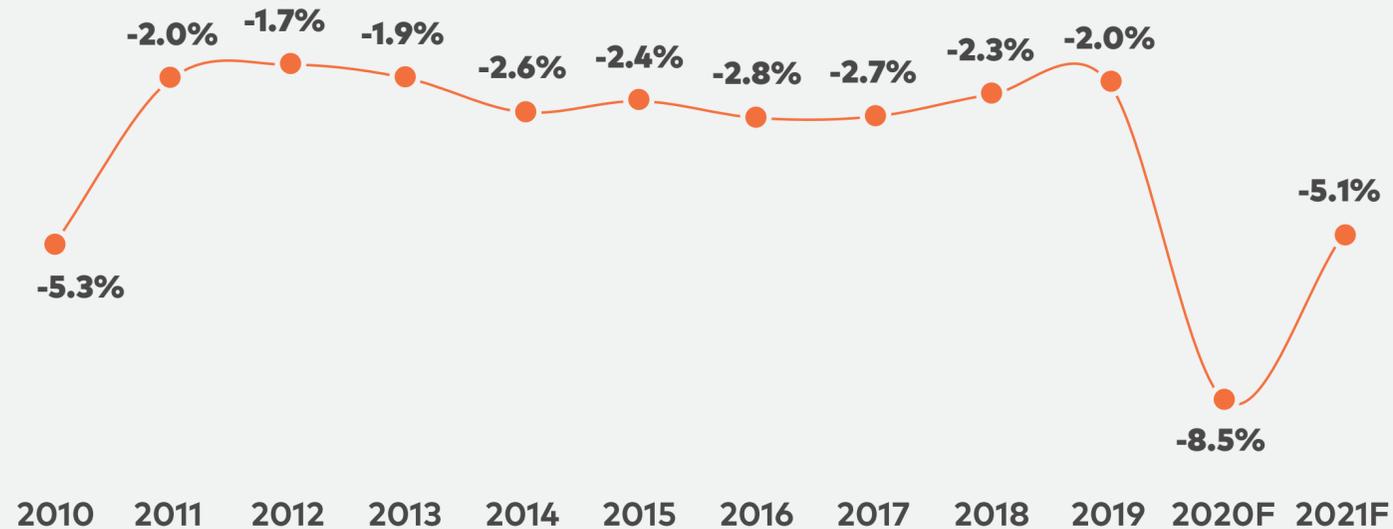
SIGNIFICANT FISCAL STIMULUS IN 2020:

- Support to households - 2.8% of GDP
- Support to businesses - 3.8% of GDP

MACROECONOMIC STABILISATION SUPPORTED BY DONOR FUNDS:

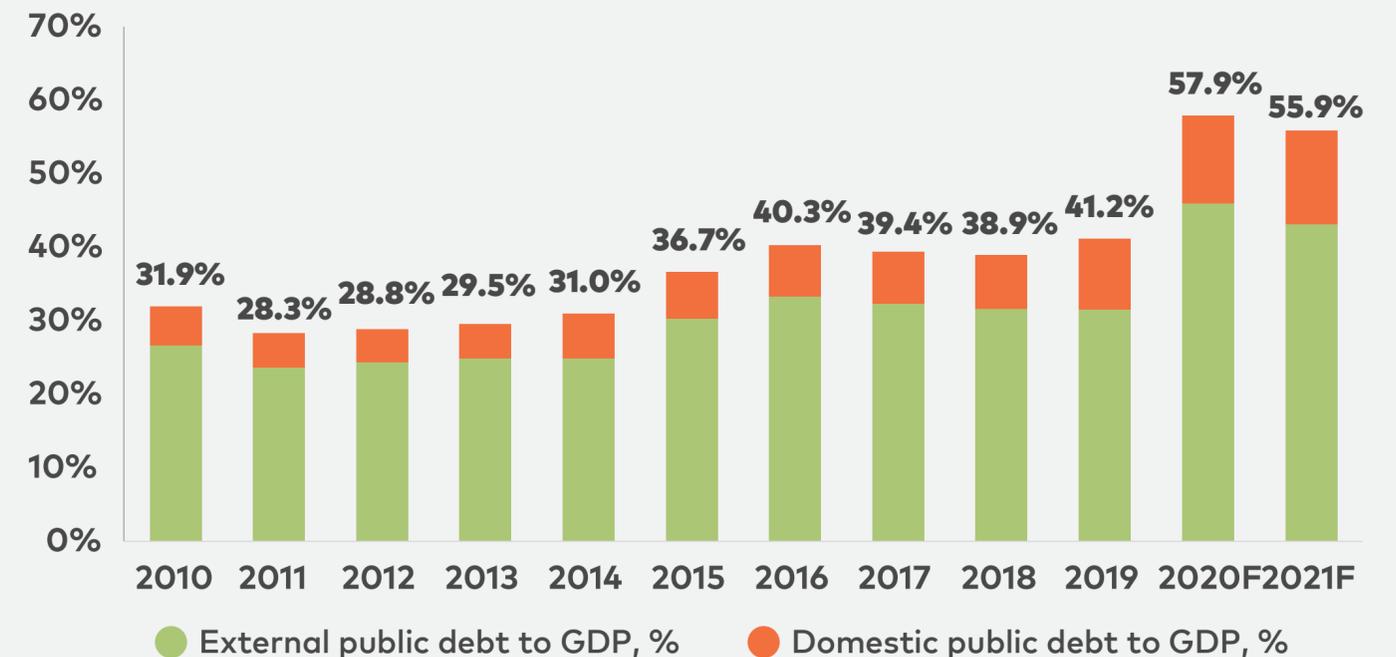
- \$3.0bln attracted from IFIs in 2020:
 - \$1.5bln for public sector
 - \$1.5bln for private sector

FISCAL DEFICIT, % OF GDP



Source: MOF, first draft of 2021 budget; deficit as defined by the IMF program

PUBLIC DEBT



Source: MOF, first draft of 2021 budget

DOING BUSINESS

#7

out of 190 countries



ECONOMIC FREEDOM

#12

out of 180 countries



CORRUPTION PERCEPTION

#44

out of 180 countries



- Ease of doing business and low level of corruption
- Benefits from diversified economic linkages and economic base (free trade with EU and China)
- Good track record of fiscal discipline and strong donor support

OPEN BUDGET INDEX

#5

out of 117 countries



BUSINESS BRIBERY INDEX

#27

out of 200 countries



3RD LOWEST TAX BURDEN GLOBALLY

0%

corporate income tax on retained earnings



NO DOWNGRADES FROM GLOBAL RATING AGENCIES

FitchRatings

**BB NEGATIVE
AFFIRMED AUG-2020**

MOODY'S
INVESTORS SERVICE

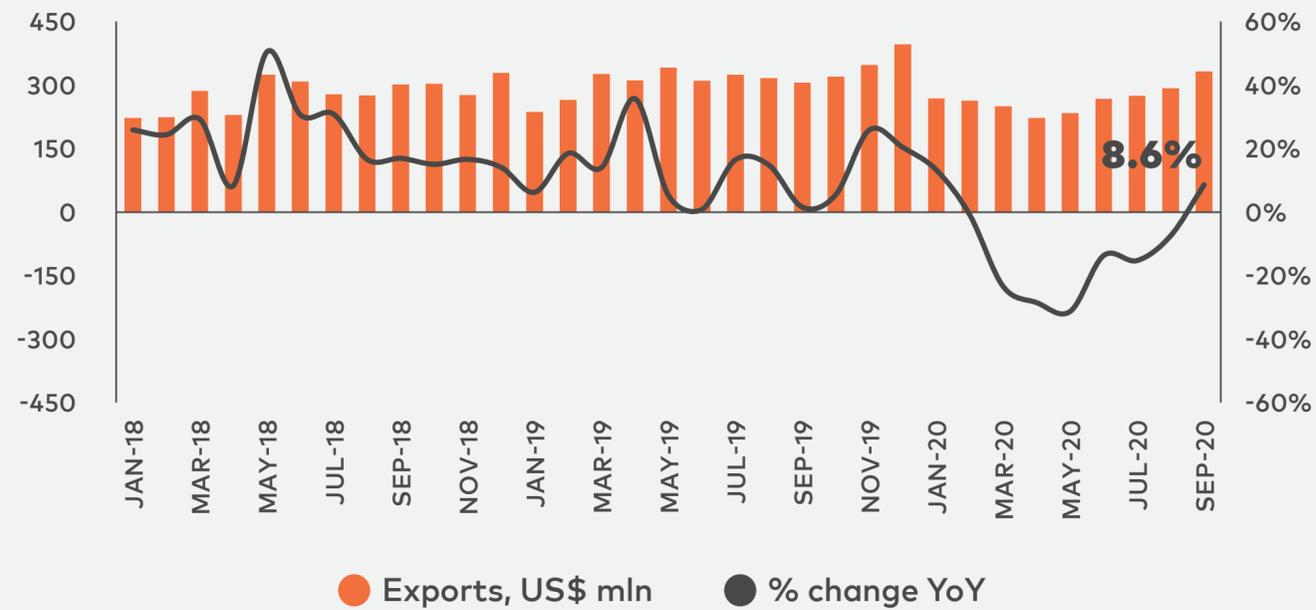
**BA2 STABLE
AFFIRMED AUG-2020**

S&P Global
Ratings

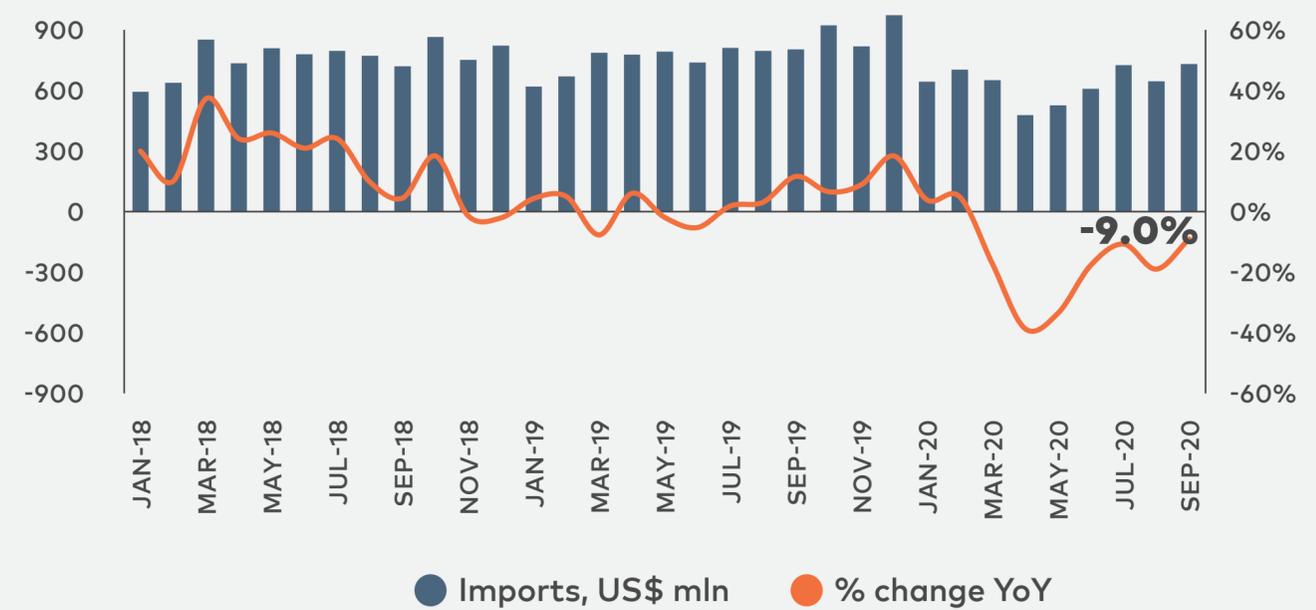
**BB STABLE
AFFIRMED AUG-2020**

CONTINUED IMPROVEMENT IN TRADE DEFICIT AS EXPORTS REBOUND AND LOWER OIL IMPORT BILL LIMITS GROWTH IN IMPORTS

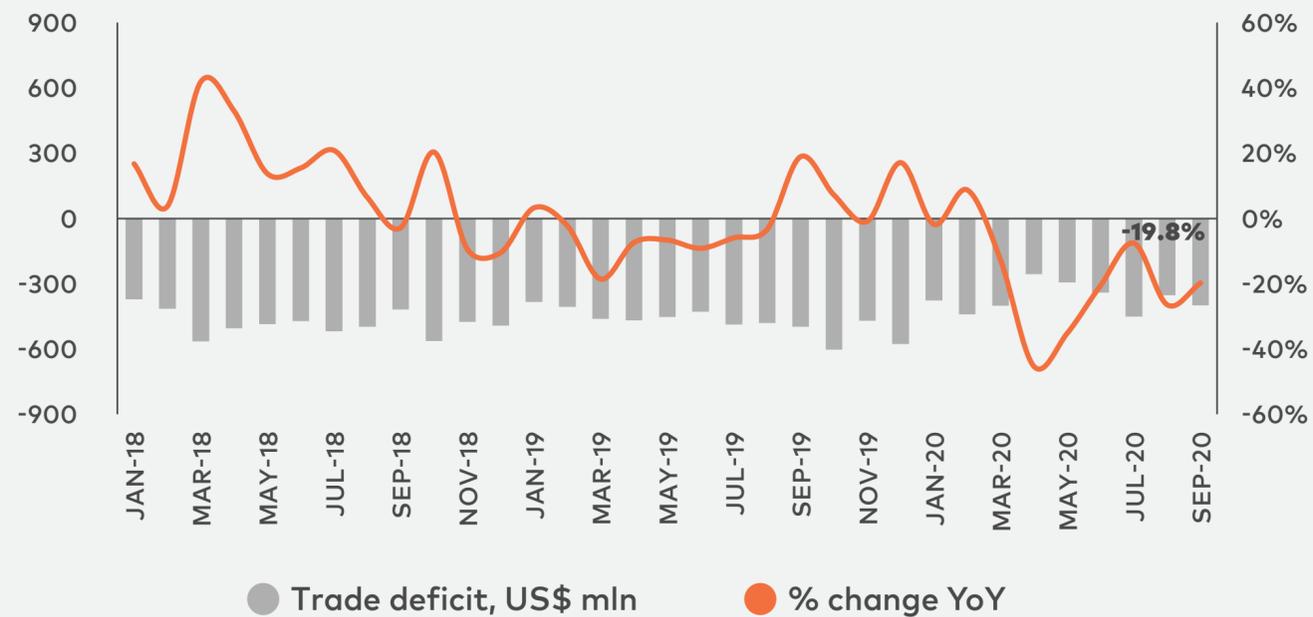
GOODS EXPORTS



GOODS IMPORTS

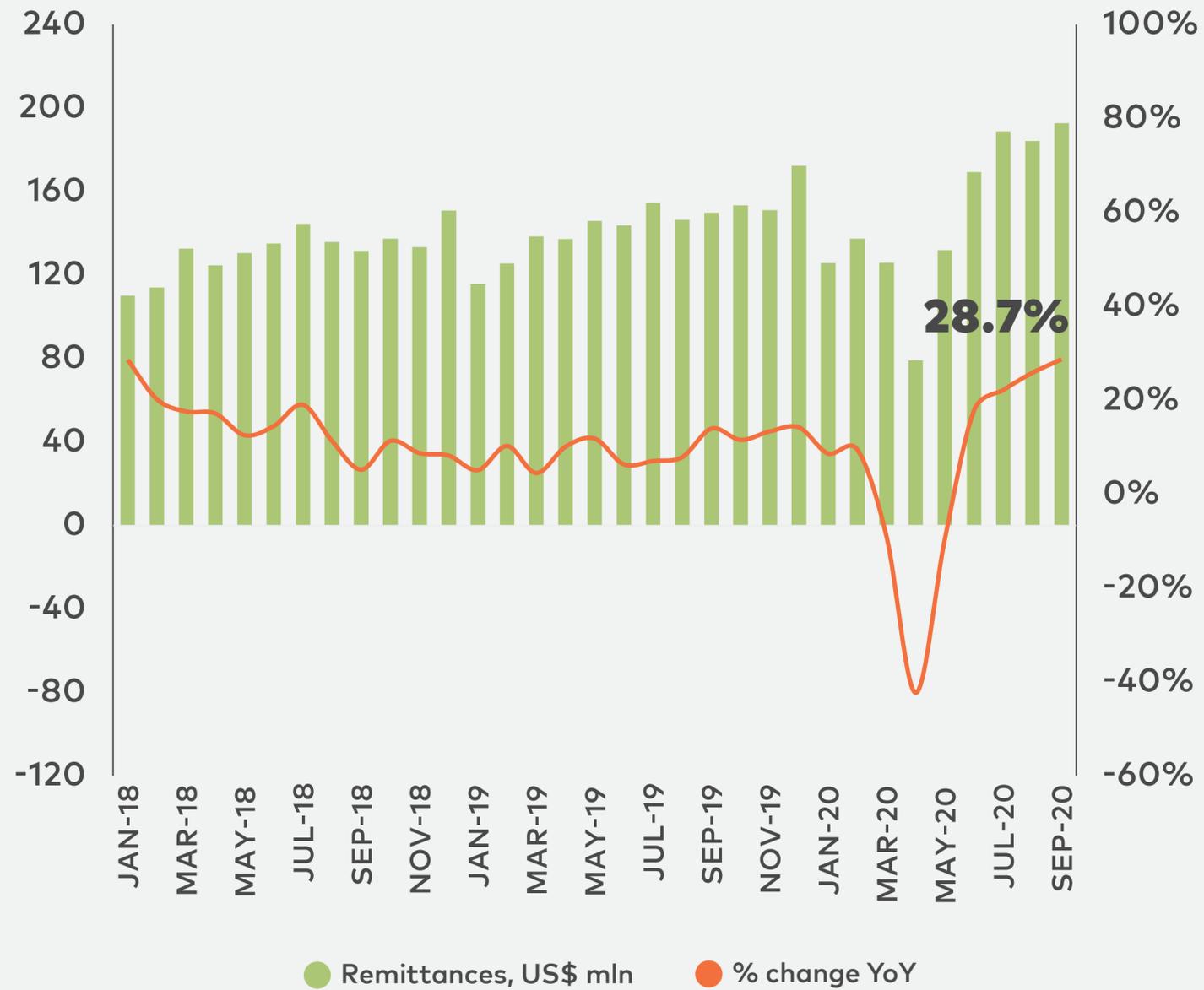


GOODS TRADE DEFICIT

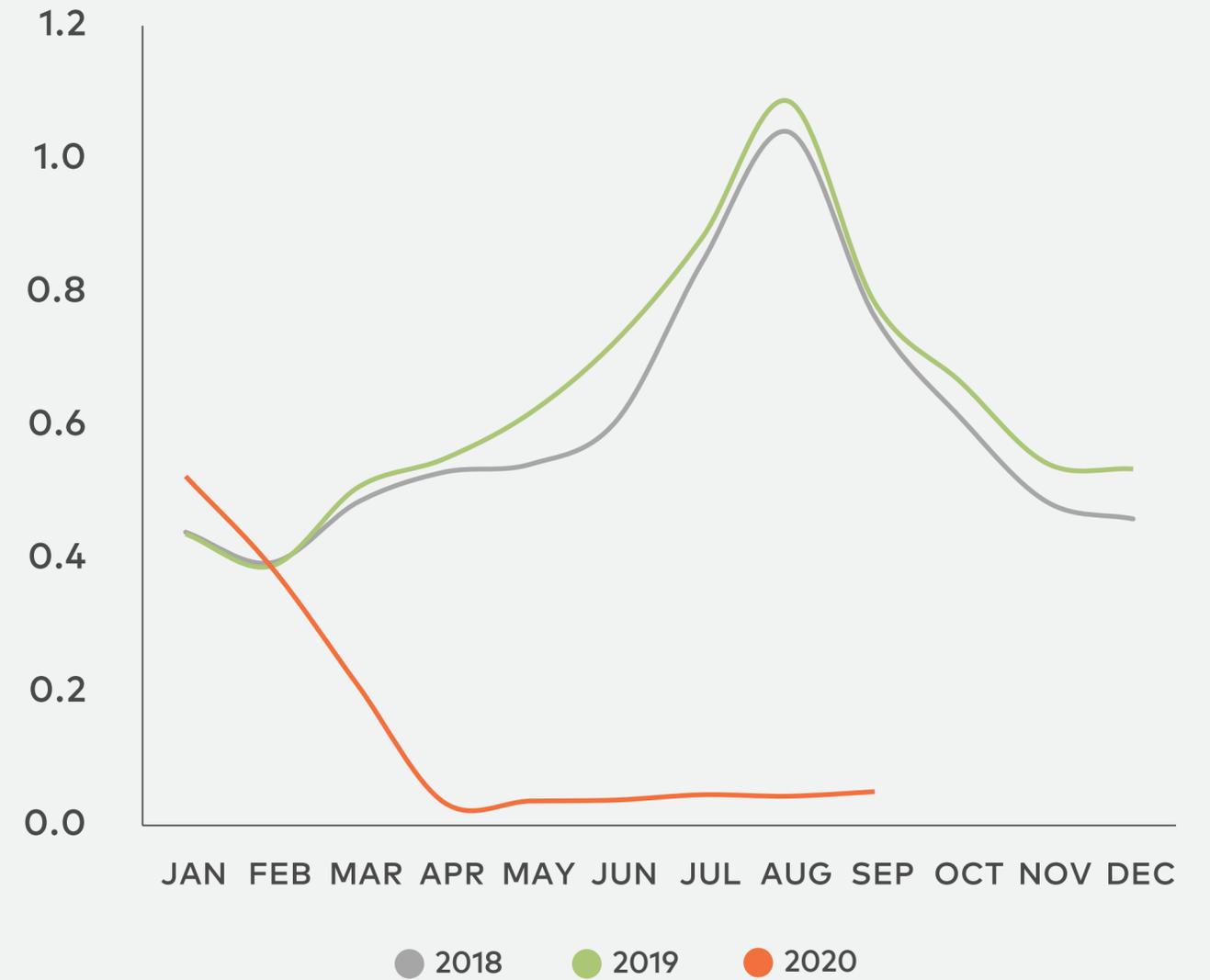


SURGE IN REMITTANCES SUPPORTING RECOVERY AMID ABSENCE OF INTERNATIONAL TOURISM

REMITTANCES, US\$ MLN

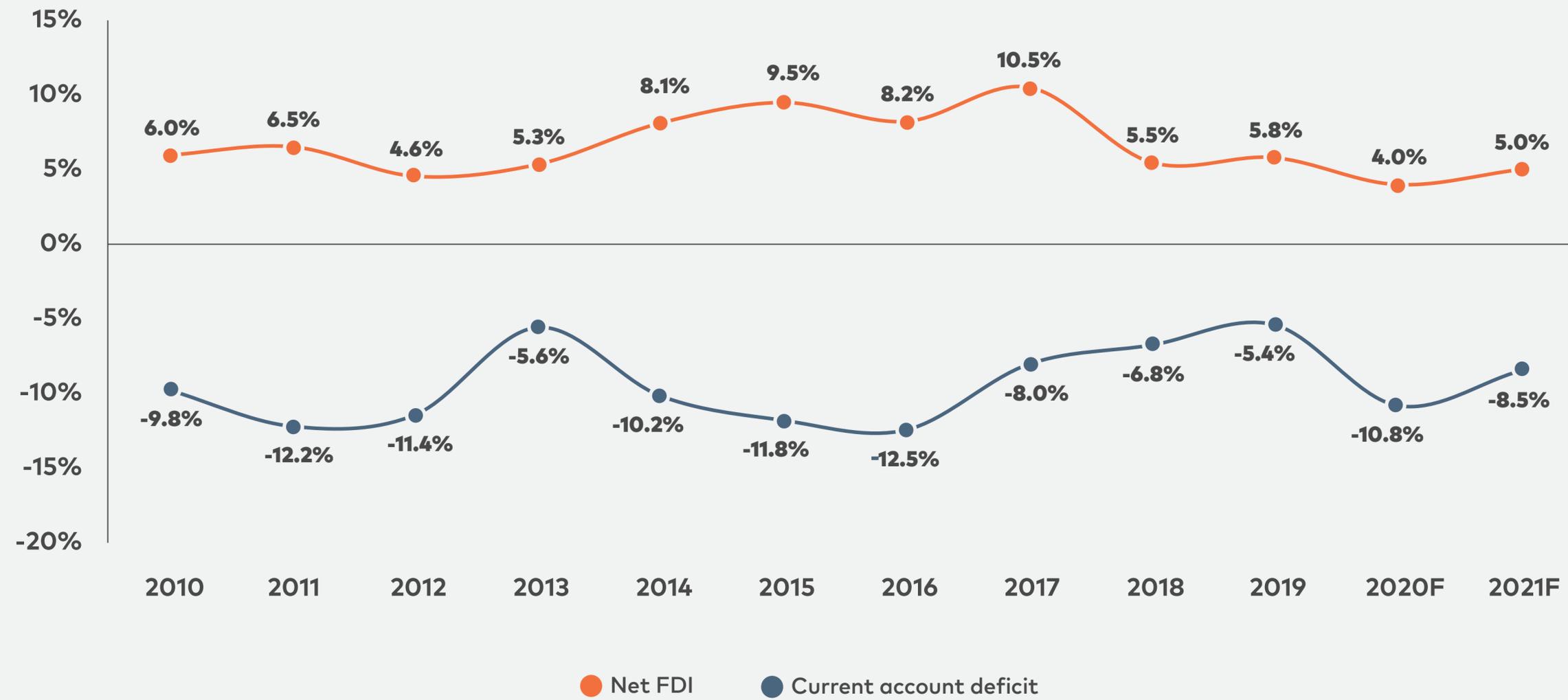


INTERNATIONAL ARRIVALS, MILLION PERSONS

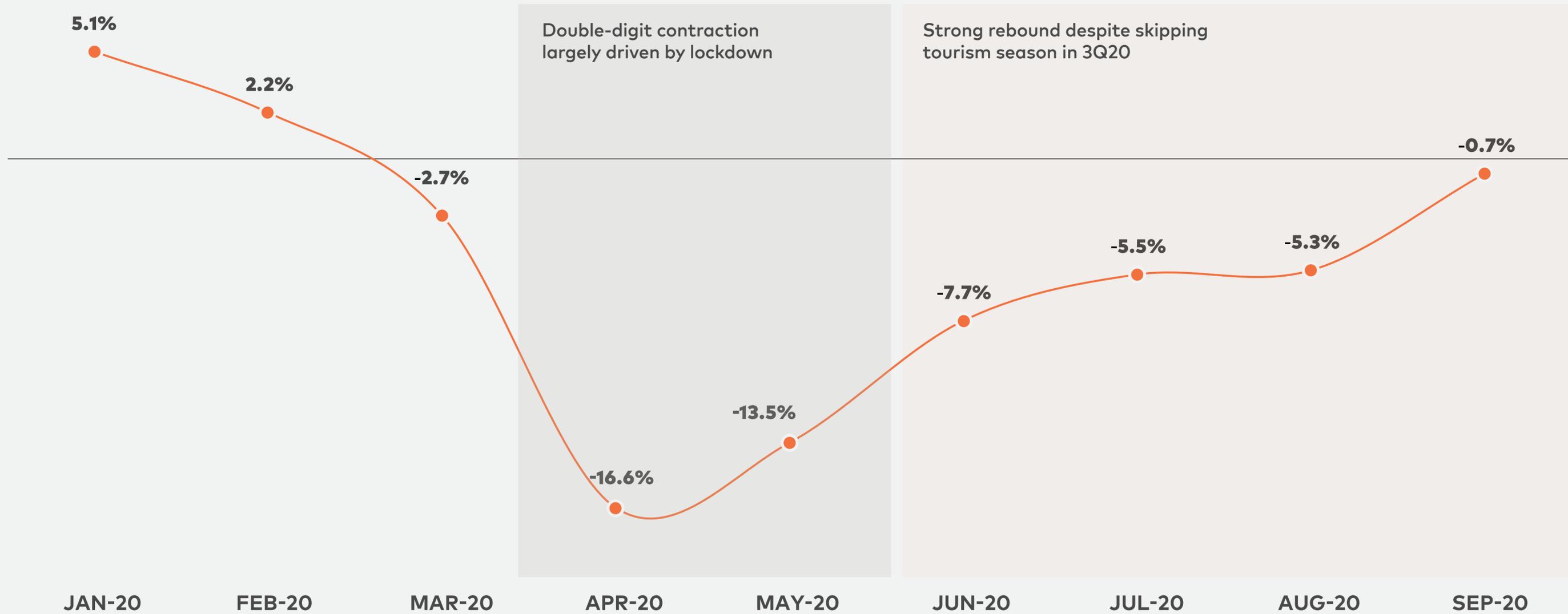


GOOD TRACK RECORD OF CURRENT ACCOUNT DEFICIT REDUCTION HITTING RECORD LOW IN 2019, SET TO NARROW STEADILY AGAIN FROM 2021

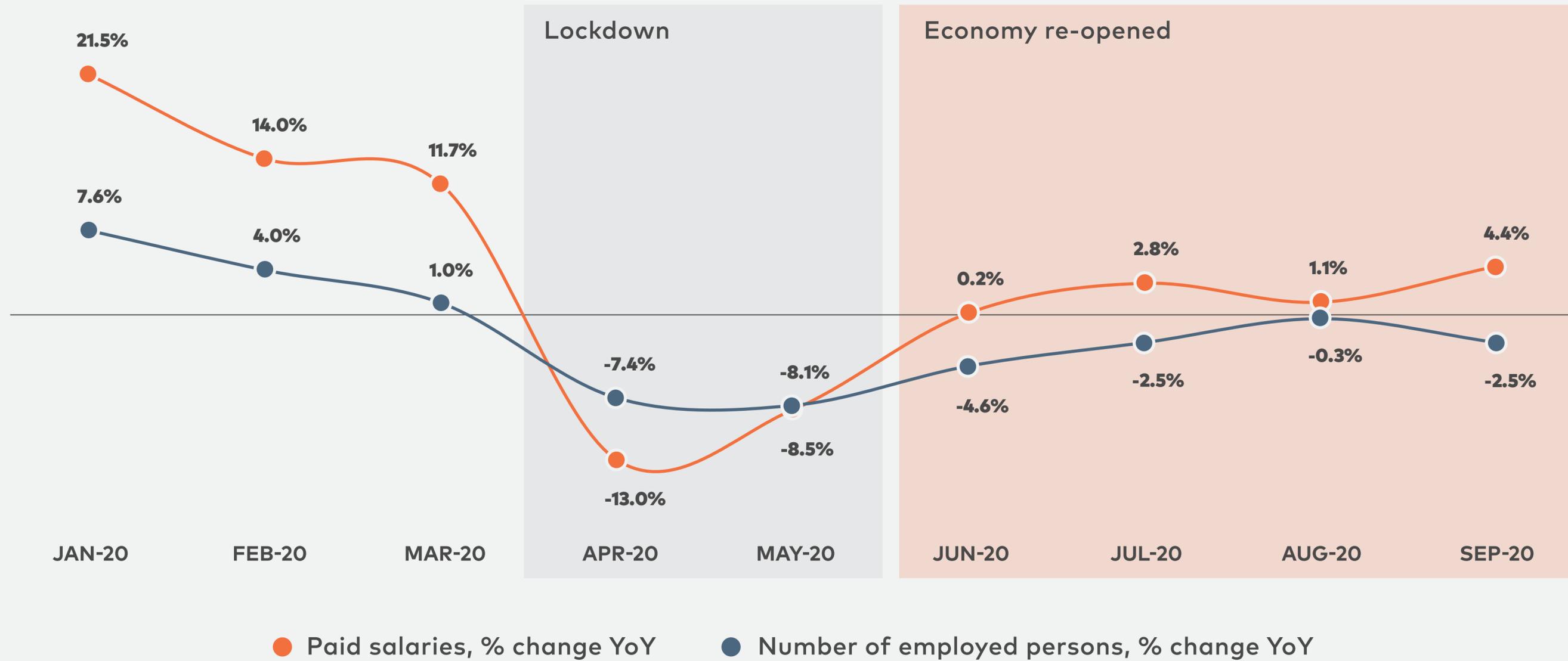
CURRENT ACCOUNT AND NET FDI, % OF GDP



REAL GDP GROWTH DYNAMICS



PAID SALARIES AND NUMBER OF EMPLOYED PERSONS, % CHANGE YoY



Source: Revenue service

REAL ESTATE PRICES IN TBILISI



Source: NBG, Galt & Taggart
 Note: Weighted average market prices

NO SIGNS OF A HOUSING BUBBLE

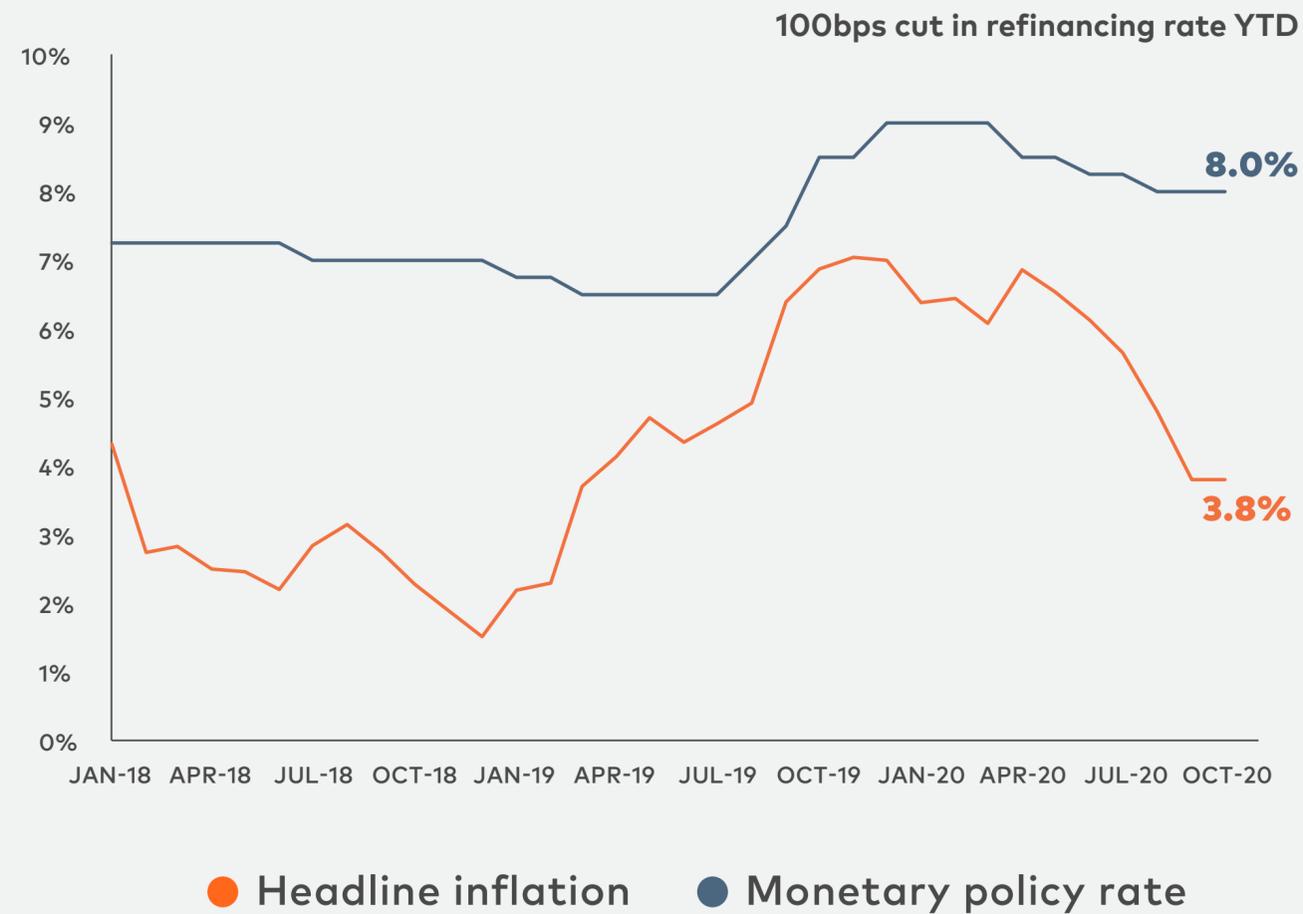
- Tbilisi is the cheapest real estate market in its peer group – the apartment price per square meter is 2.5x lower in the city center and 3.1x lower in suburbs
- No signs of a real estate bubble in Tbilisi considering healthy demand drivers and stable prices of recent years

HEALTHY DEMAND DRIVERS

- Urbanisation
- Shrinkage of family size
- Non-residents
- Remittances
- Economic growth and tourism

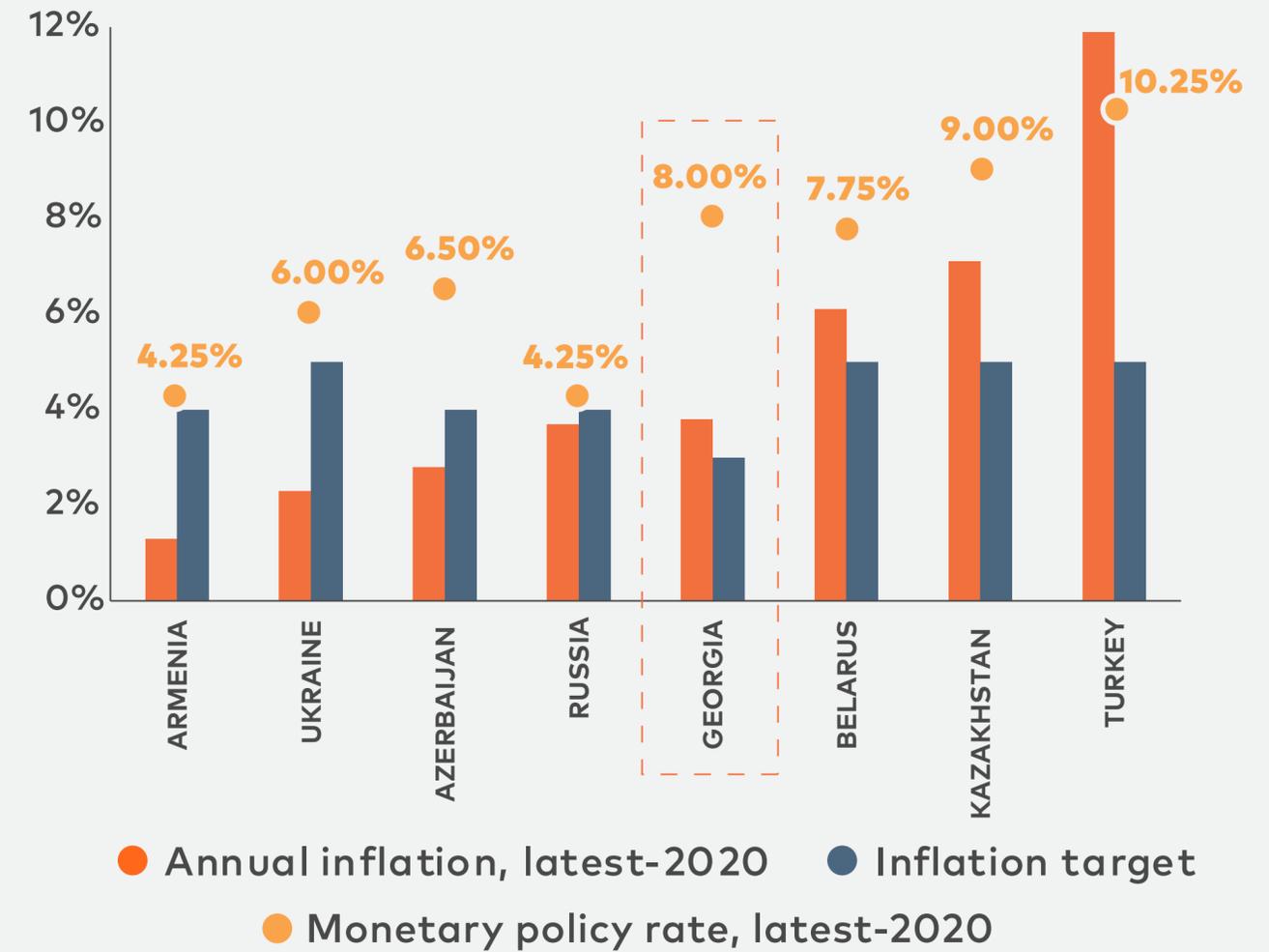
Source: Galt & Taggart report – Tbilisi real estate market outlook

ANNUAL INFLATION AND MONETARY POLICY RATE



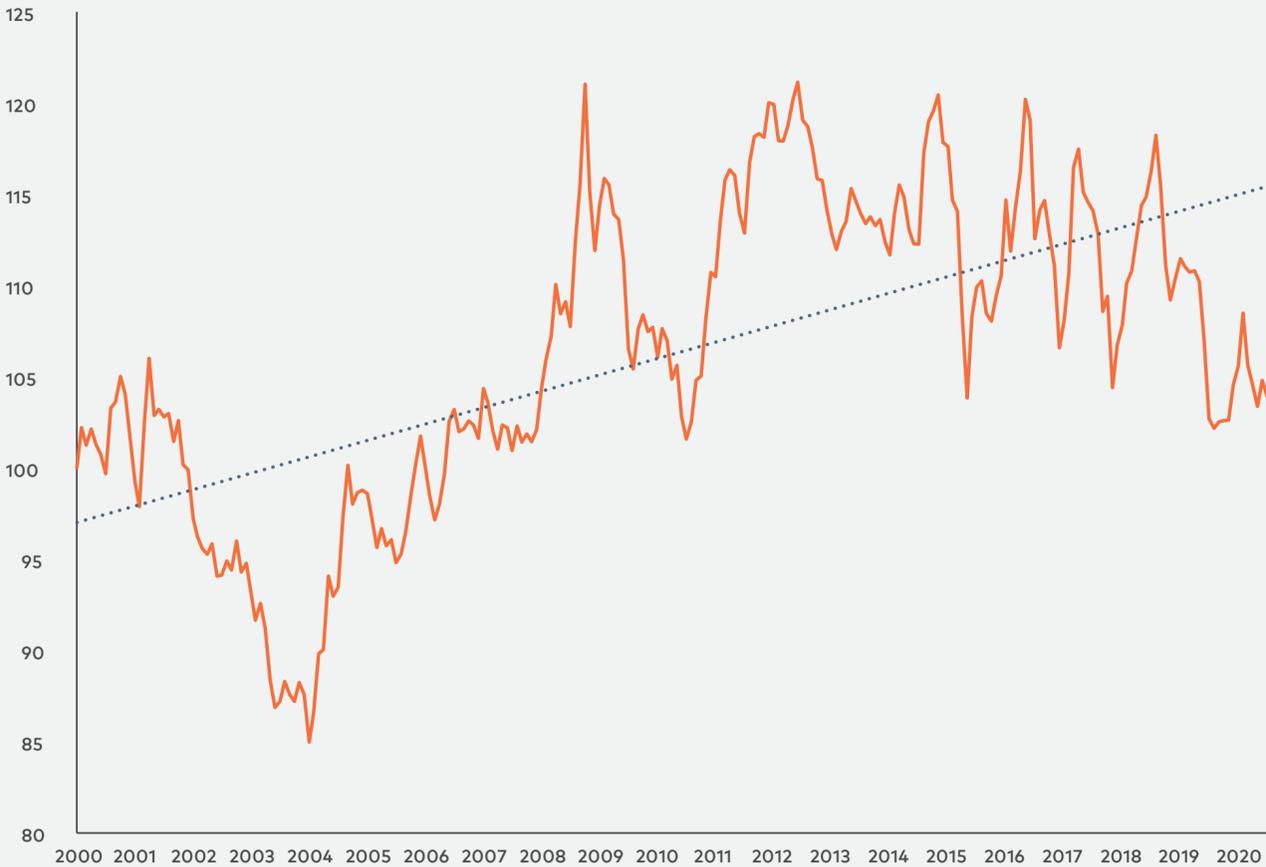
Source: Geostat, NBG

INFLATION AND MONETARY POLICY RATES IN THE REGION



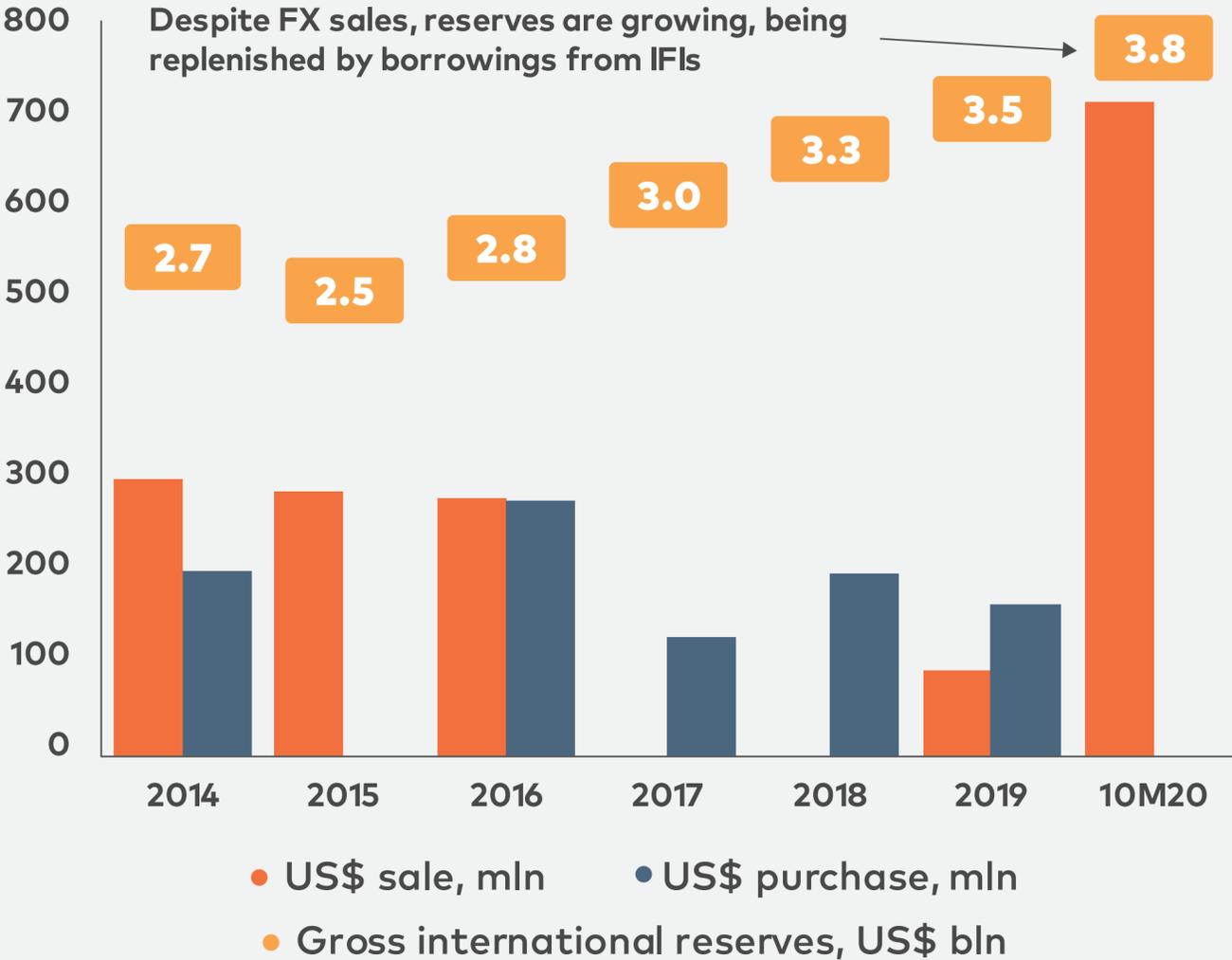
Source: Central banks and statistical offices

GEL'S REER INDEX (JAN 2000 = 100)



Source: NBG
Note: Index growth/appreciation, decline/depreciation

NBG RESERVES



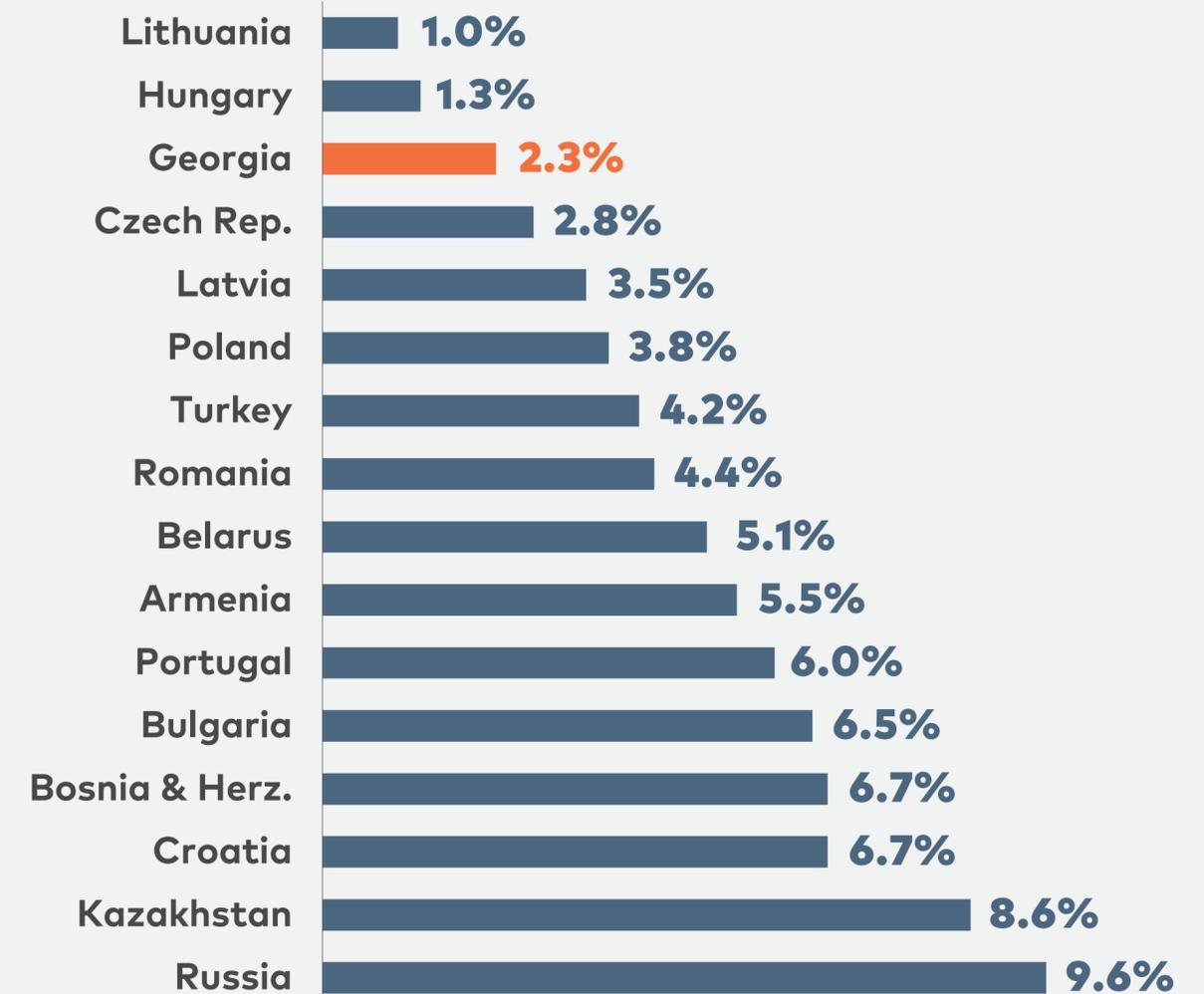
Source: NBG
Note: 10M20 interventions, as of 6 November 2020

RETAIL AND CORPORATE LOANS GROWTH (EXCL. FX EFFECT)



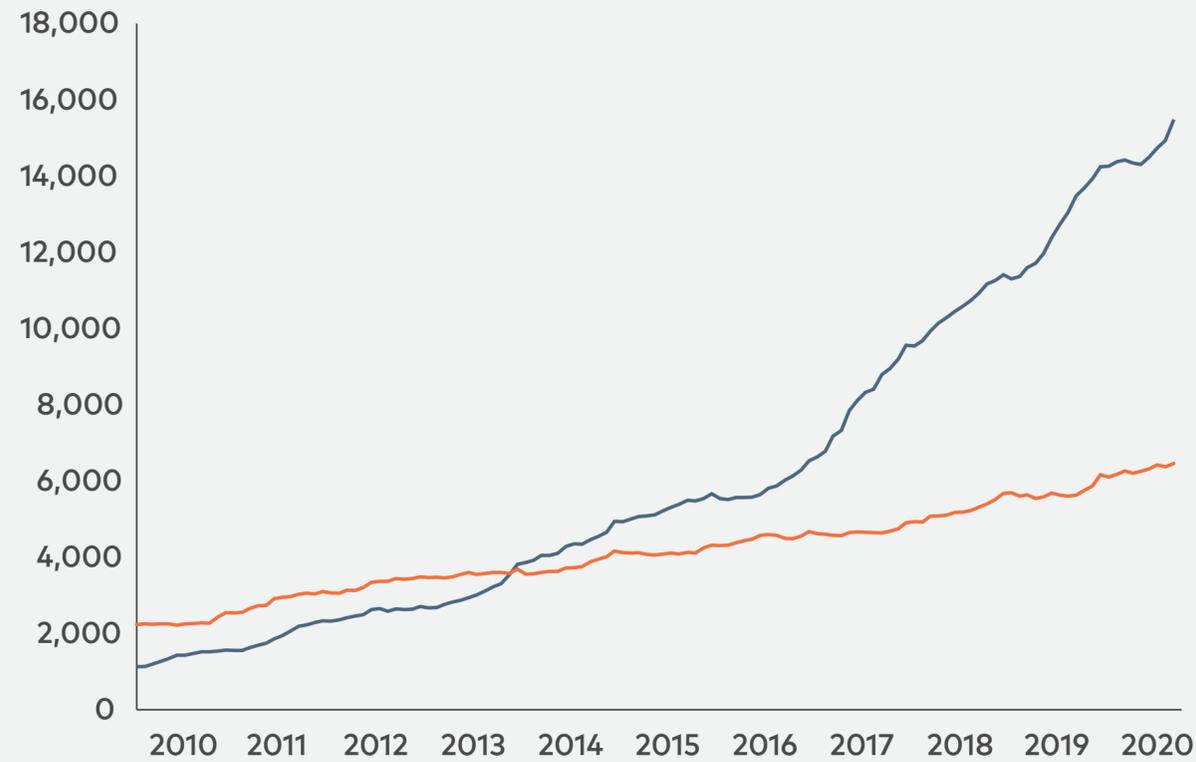
Source: NBG

NON-PERFORMING LOANS, LATEST-2020



Source: IMF, NBG

LOAN PORTFOLIO IN GEL AND USD



- Bank loans in local currency (GEL mln)
- Bank loans in foreign currency (US\$ mln)

Source: NBG

LOAN AND DEPOSIT DOLLARISATION



- Loan dollarisation
- Deposit dollarisation

Source: NBG

ONGOING REFORMS TO STRENGTHEN THE ECONOMY

- Capital market development
- Education reform
- Restructuring state-owned enterprises
- Energy reform
- Insolvency reform
- Tax disputes reform

NEW REFORMS TRIGGERED BY THE COVID-19 CRISIS

- FDI attraction strategy
- Privatisation agenda, including privatisation of agricultural lands
- Tax benefits for maritime and IT companies
- Focus on further diversifying the economy
- Work From Georgia program



GDP

c.5% growth in 2021



GEL/\$

GEL stability



BANK LOANS

Loan growth on the back of growing economy in 2021



INFLATION

Inflation converging to 3% target in 2021



REFINANCING RATE

1ppts rate cut in 2021



RISKS

- COVID-19 pandemic
- Regional geopolitical tensions

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