



GEORGIA
CAPITAL

GEORGIAN MACRO OVERVIEW

4Q20 and FY20 results

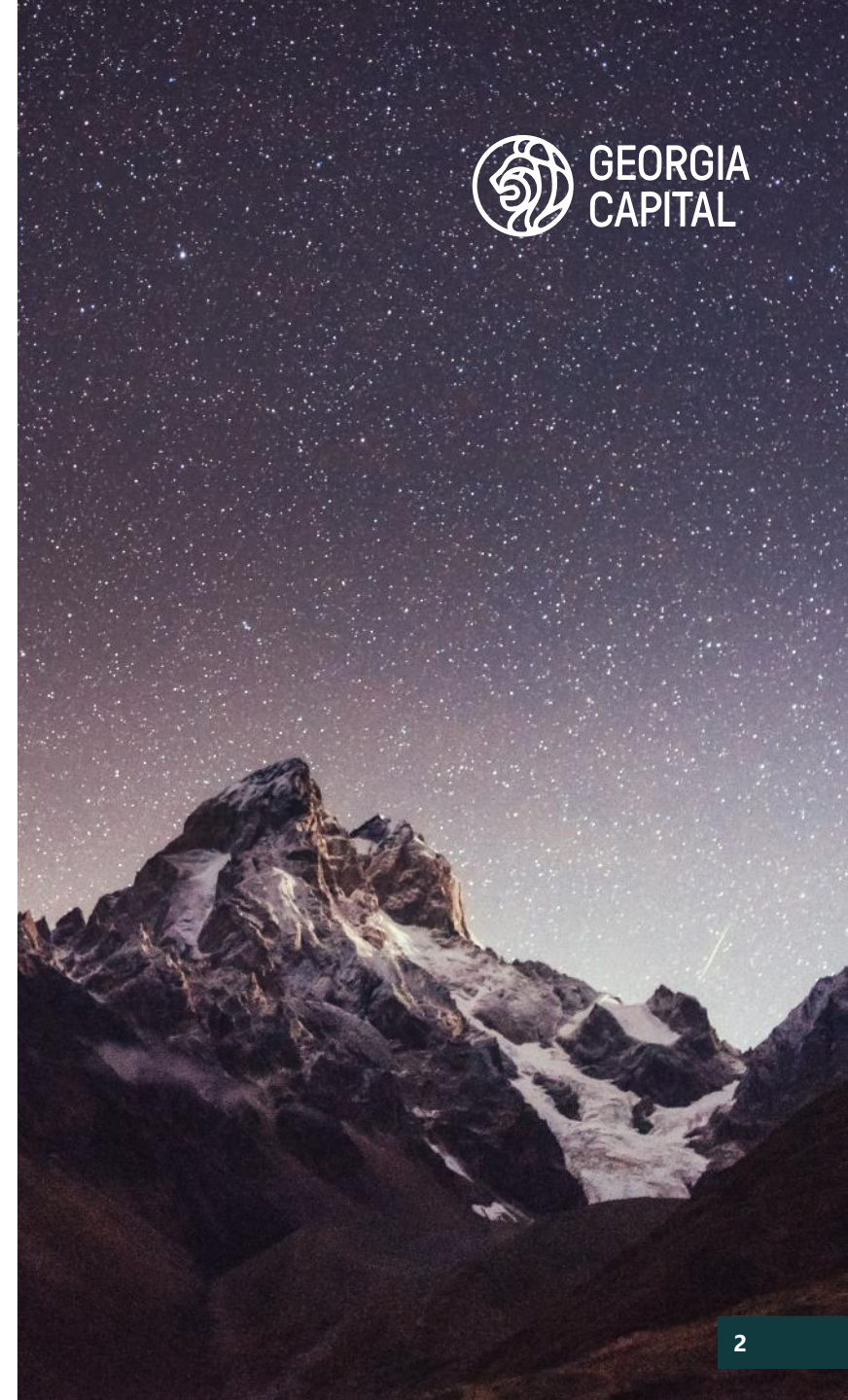
24 February 2021



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COVID-19 STATISTICS



GEORGIA'S STATISTICS AS OF:	4-Dec-20 <i>Peak period of the second lockdown</i>	21-Feb-21 <i>Now</i>	% change
ACTIVE CASES	27,370	3,257	-88%
DAILY CASES	5,450	258	-95%
AVERAGE DAILY TESTS ¹	13,720	15,741	+15%

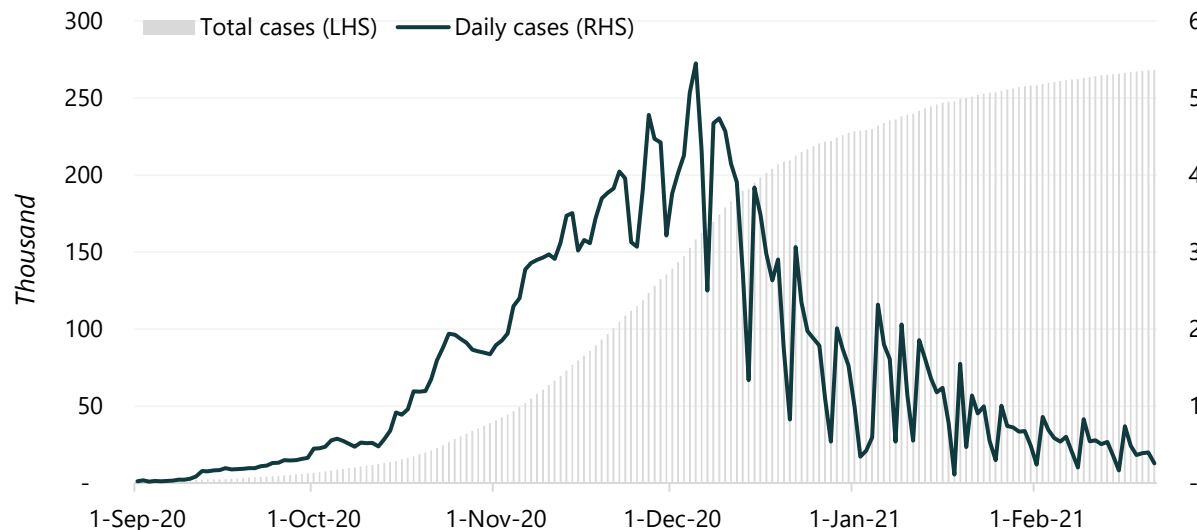
268,355

TOTAL CASES

2.6%

7-DAY POSITIVE RATE

COVID-19 CASES: DYNAMICS IN GEORGIA



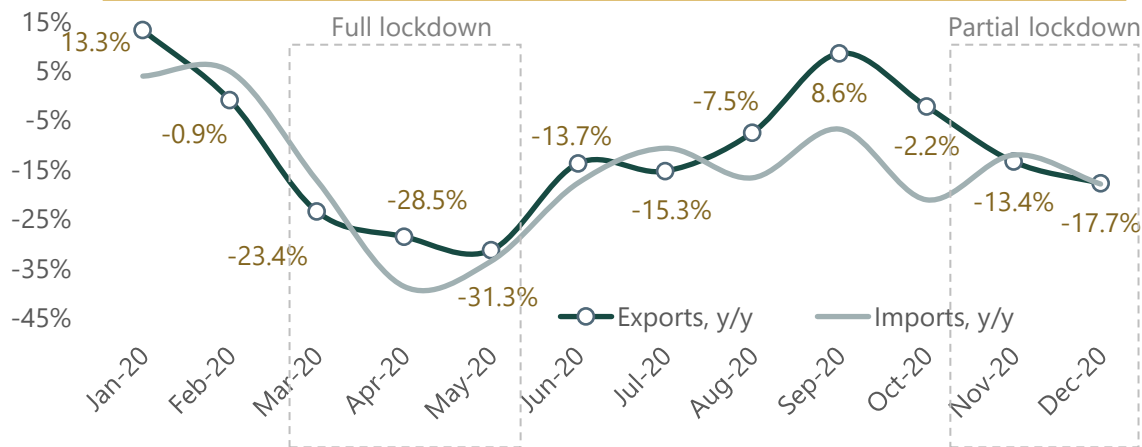
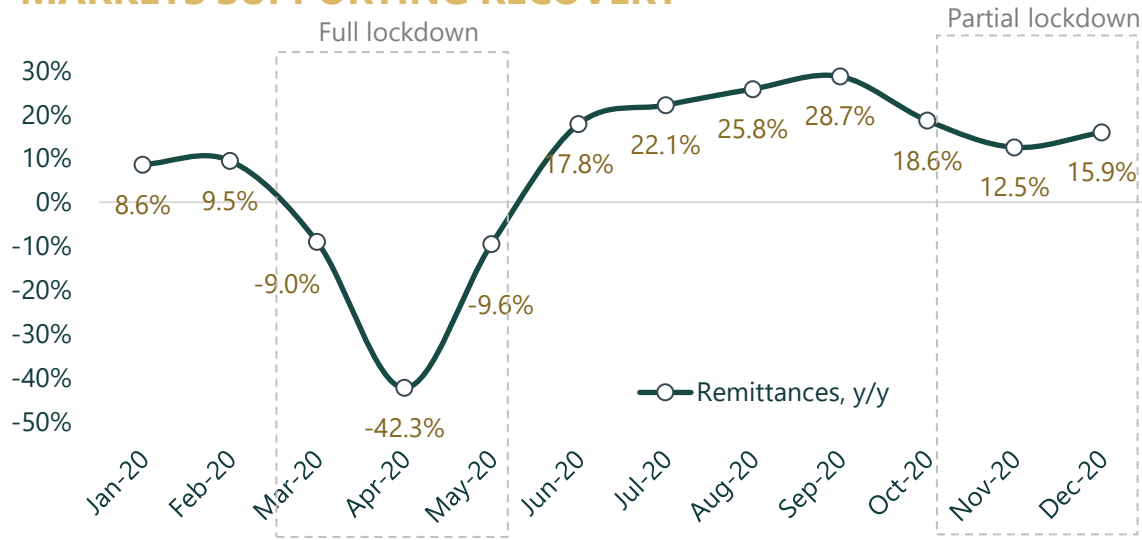
ECONOMY NEARING FULL REOPENING

Restrictions imposed/active at 28 November 2020

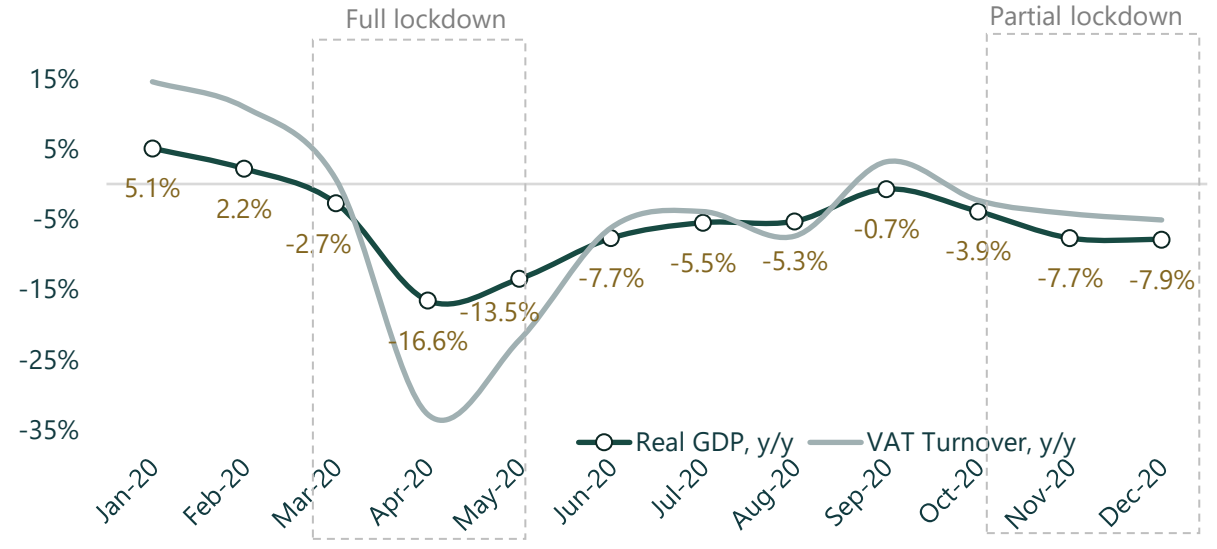
Restrictions imposed/active at 28 November 2020	Status
Suspension of the municipal and inter-city transportation	Lifted
Remote operation of secondary schools and universities. Suspension of public and private kindergartens.	Lifted
Suspension of non-grocery shops/ shopping mall operations except for online sales	Lifted
Closing of restaurants and other food facilities, except for takeaway, delivery and drive-in services	Lifted ²
Suspension of regular flights	Lifted
Country-wide night-time curfew from 21:00 to 05:00	To be lifted in the coming days
Closing of gyms and swimming pools; suspension of activities of sport, art and cultural clubs.	To be lifted in the coming days
Hotels, ski lifts and trails shut down in winter resorts.	To be lifted in the coming days

MACROECONOMIC FAST INDICATORS IN 2020


RECORD HIGH REMITTANCES AND DIVERSIFYING EXPORT MARKETS SUPPORTING RECOVERY



REAL GDP GROWTH RECOVERY DYNAMICS








ECONOMY WAS SUPPORTED BY

-  UNPRECEDENTED STIMULUS AROUND THE GLOBE
-  STRONG INTERNATIONAL SUPPORT
-  SIZEABLE FISCAL PACK
-  SOUND MONETARY POLICY FRAMEWORK
-  RECORD HIGH REMITTANCES
-  DIVERSIFYING EXPORT MARKETS

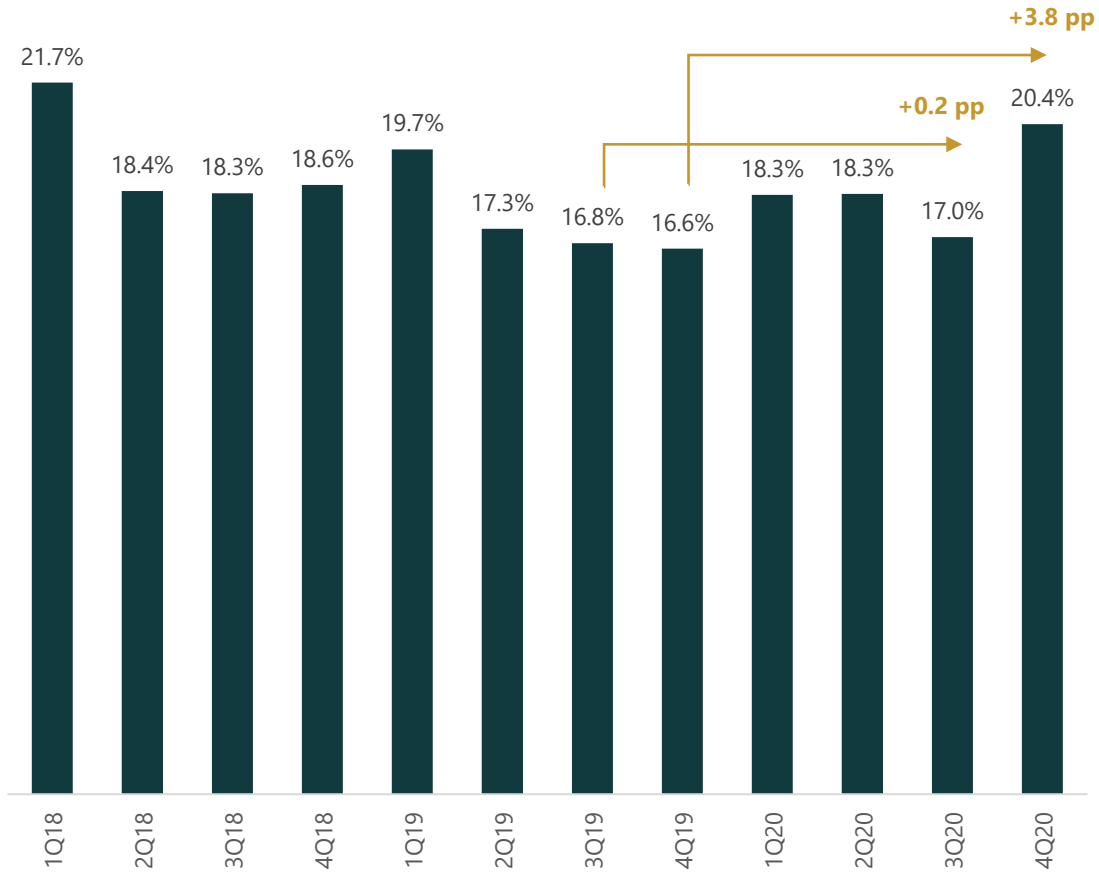
GOVERNMENT MEASURES

ACCUMULATED BUFFERS AND INTERNATIONAL SUPPORT HAVE ALLOWED THE GOVERNMENT TO LAUNCH SIZEABLE MEASURES

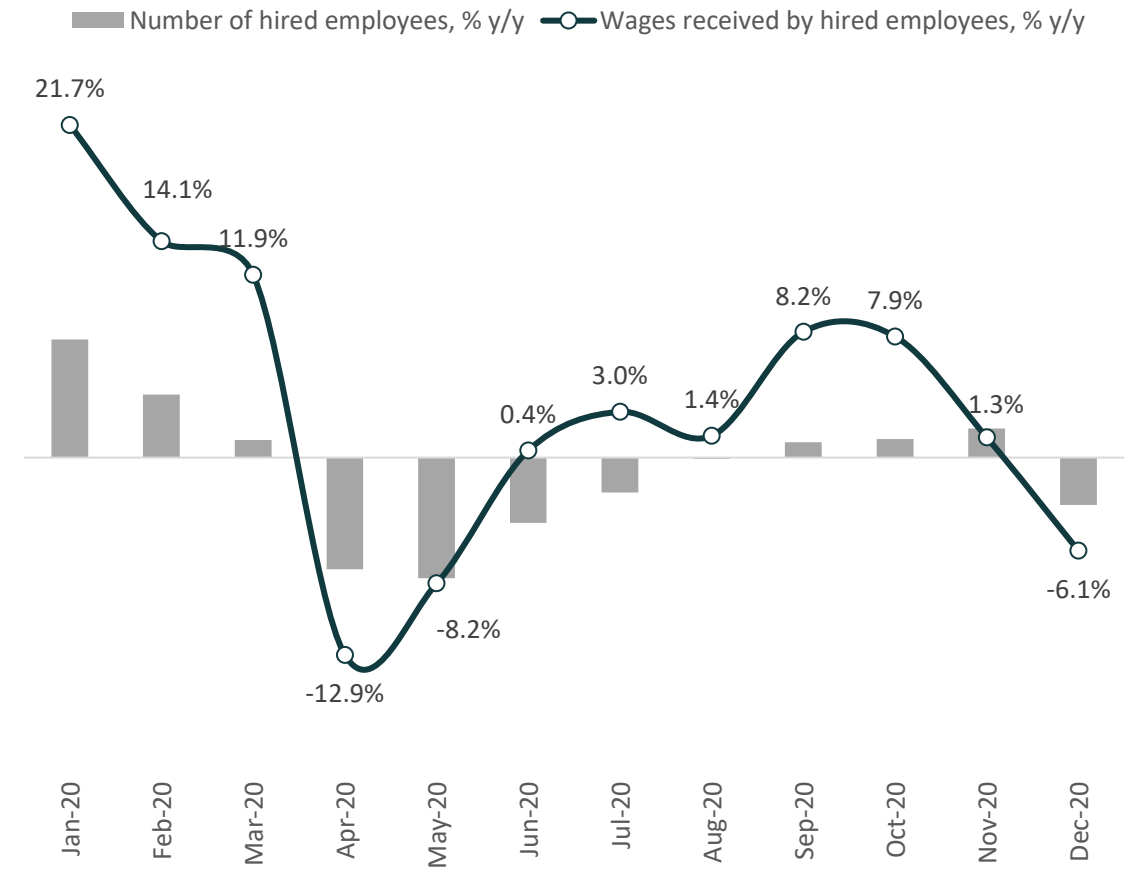
US\$ 3 billion funding facility	Economic Plan	
<ul style="list-style-type: none"> US\$ 3 billion (predominantly loans) from international donors (incl. US\$ 450m from IMF): <ul style="list-style-type: none"> US\$1.5 billion intended for the private sector US\$1.5 billion for the public sector 	<p>Budget – GEL 3.5 billion (1st stage)</p>	
<p>Monetary policy</p>	<ul style="list-style-type: none"> Social aid  GEL 1.03 billion Economic support and business aid  GEL 2.1 billion Anti-pandemic measures  GEL 0.35 billion 	<p>Budget – GEL 1.1 billion (2nd stage)</p>
<ul style="list-style-type: none"> Easing non-price credit conditions (LTV, PTI, etc.); Intervening in the FX market (US\$ 953 million sold in March-January, including US\$873 million in 2020); Monetary policy rate reduced to 8.0%; Introducing US\$ 400 million currency swap facility for the financial sector to provide GEL liquidity; Reduced capital conservation buffer (2.5% of Risk Weighted Assets) and 2/3 of currency induced credit risk buffer total of GEL 1.6 billion; Temporary liquidity instrument to support credit to SMEs; Moratorium announced on new regulatory activity. 	<p>Support measures</p> <ul style="list-style-type: none"> Sectoral special support packages for tourism, agriculture and real estate sectors; Subsidies for utility bills, basic product prices and construction materials; Loan restructuring for all businesses; VAT returns and long-term funds for banks; Extra funding to support business, including a credit guarantee scheme (GEL 2bln); Tax deferrals for car importers; Social aid programs to address job losses; 	<ul style="list-style-type: none"> Social aid  GEL 545 million Economic support and business aid  GEL 515 million
<p>PRUDENT PRE-CRISIS FISCAL PRACTICE ENSURED A STRONG POSITION TO BORROW TO FIGHT THE PANDEMIC, WITH MOF EXPECTING PUBLIC DEBT TO RISE TO AROUND 60% OF GDP BY THE END OF 2020 (41% AT THE END OF 2019)</p>	<ul style="list-style-type: none"> Pension indexation from Jan- 21; GEL 200 transfers to families for every child under 18; Extended into 2021: <ul style="list-style-type: none"> Utility bills; Income tax exemption; Unemployment and social aid; Deferred 2020 income tax waived and 2021 property tax exempted for tourism; New support package for restaurants. 	

THE LABOR MARKET DYNAMICS

AFTER FALLING IN 3Q20, THE UNEMPLOYMENT RATE INCREASED AGAIN IN 4Q20 ON THE BACK OF RESTRICTIONS



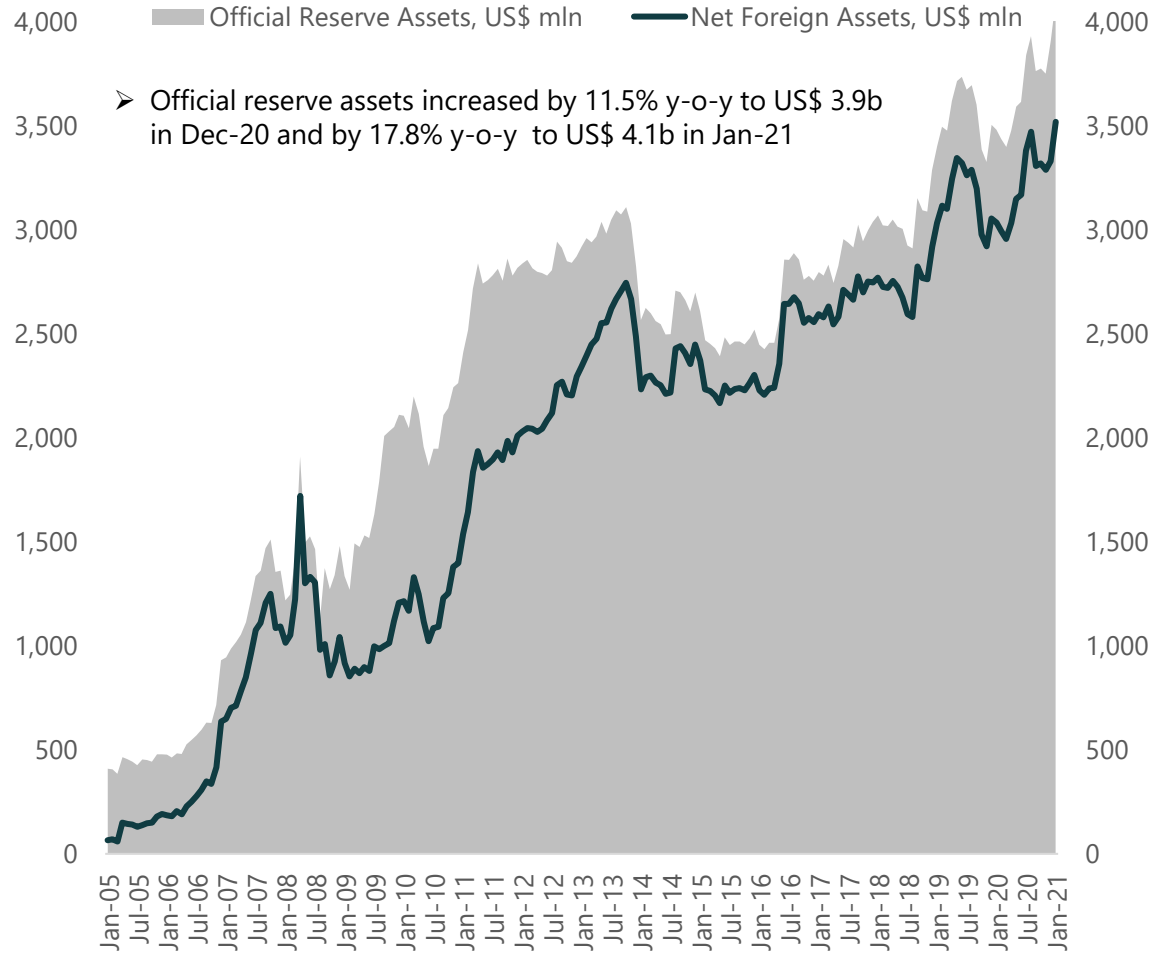
THE NUMBER OF HIRED EMPLOYEES AND SALARIES DECREASED AGAIN BY THE END OF THE YEAR DUE TO THE LOCKDOWN



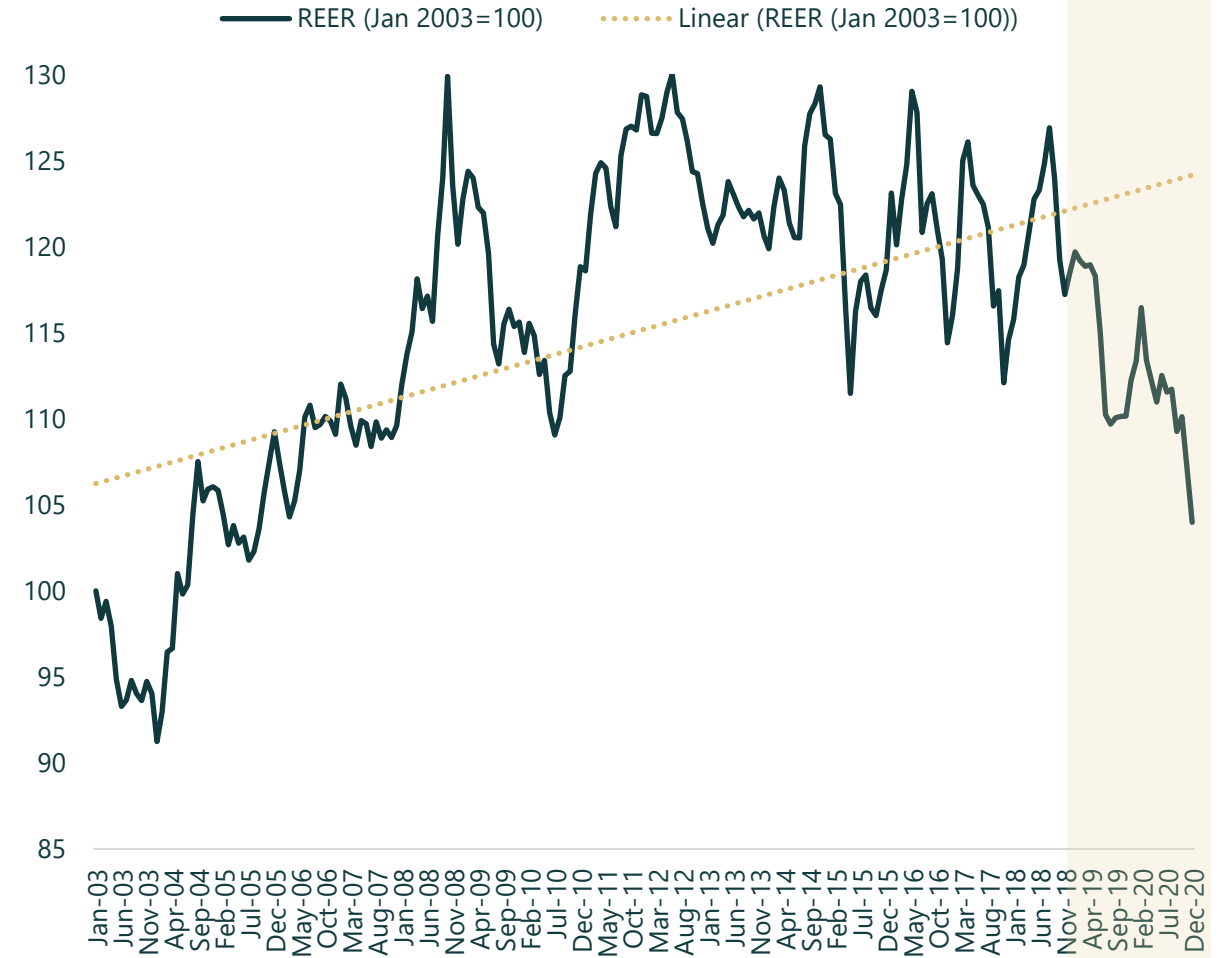
EXCHANGE RATE PERFORMANCE



OFFICIAL RESERVE ASSETS REACHED HISTORIC HIGH OF US\$ 4.1 BILLION BY THE END OF JANUARY 2021



THE REAL EFFECTIVE EXCHANGE RATE HAS DEVIATED FROM THE LONG-TERM TREND FOR ALREADY TWO YEARS



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SOVEREIGN RATINGS WITH FAVOURABLE MACRO FUNDAMENTALS



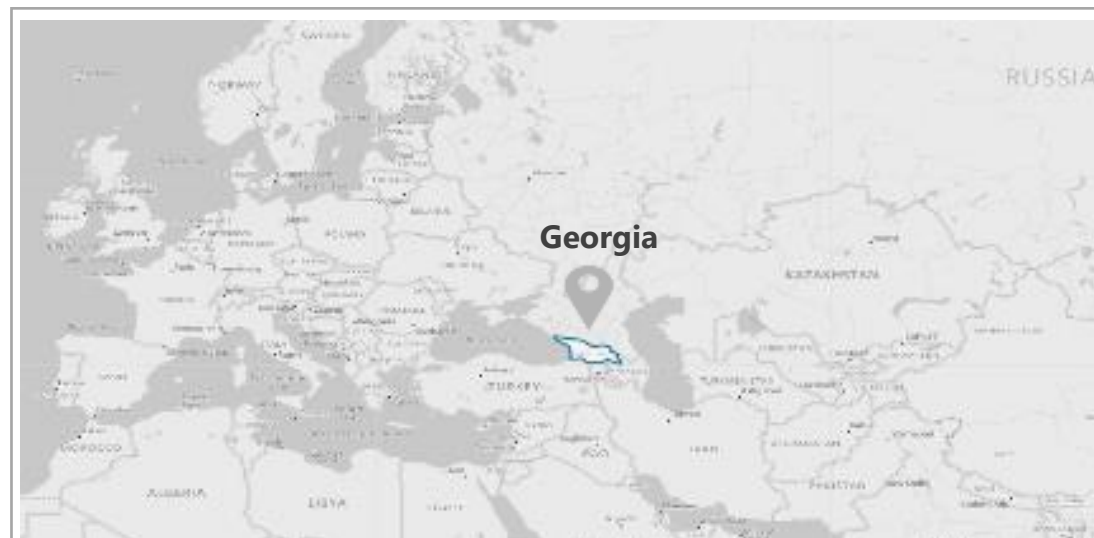
Key Ratings Highlights

Rating Agency	Rating	Outlook	Affirmed
MOODY'S	Ba2	Stable	August 2020
S&P Global	BB	Stable	August 2020
Fitch Ratings	BB	Negative	August 2020

Georgia is favorably placed among peers

Country	Country Rating	Fitch Rating Outlook
Armenia	B+	Stable
Azerbaijan	BB+	Negative
Belarus	B	Negative
Czech Republic	AA-	Stable
Georgia	BB	Negative
Kazakhstan	BBB	Stable
Turkey	BB-	Negative
Ukraine	B	Stable

General Facts



- Area: 69,700 sq. km
- Population (2019): 3.7 million
- Capital: Tbilisi;
- Life expectancy: 73.5 years
- Official language: Georgian
- Literacy: 100%
- Currency (code): Lari (GEL)

Economy

- Nominal GDP (Geostat) 2019: GEL 50 billion (US\$17.7 billion)
- Real GDP growth rate 2020 (snap estimate): -6.1%
- Real GDP 2010-2019 annual average growth rate: 4.8%
- GDP per capita 2019 (PPP, international dollar) IMF: 12,227
- Annual inflation 2020: 5.2%
- External public debt to GDP 2020 (expected): 47.7%

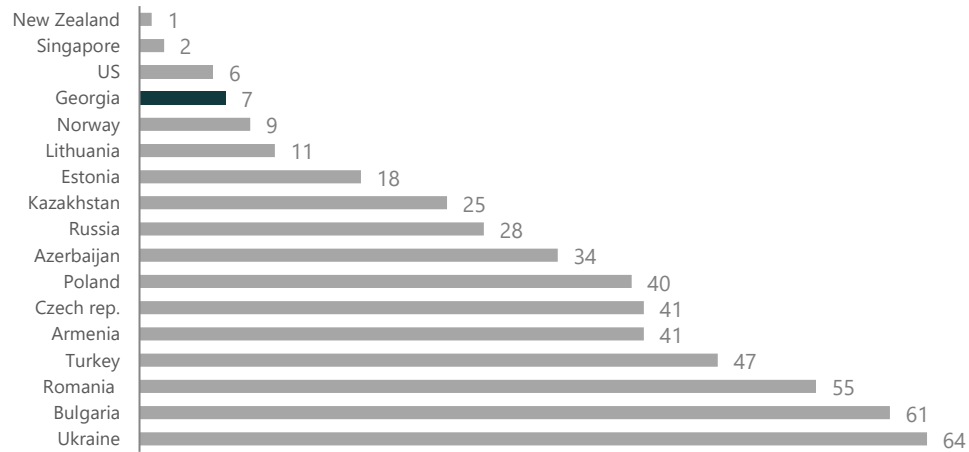
GEORGIA'S KEY ECONOMIC DRIVERS



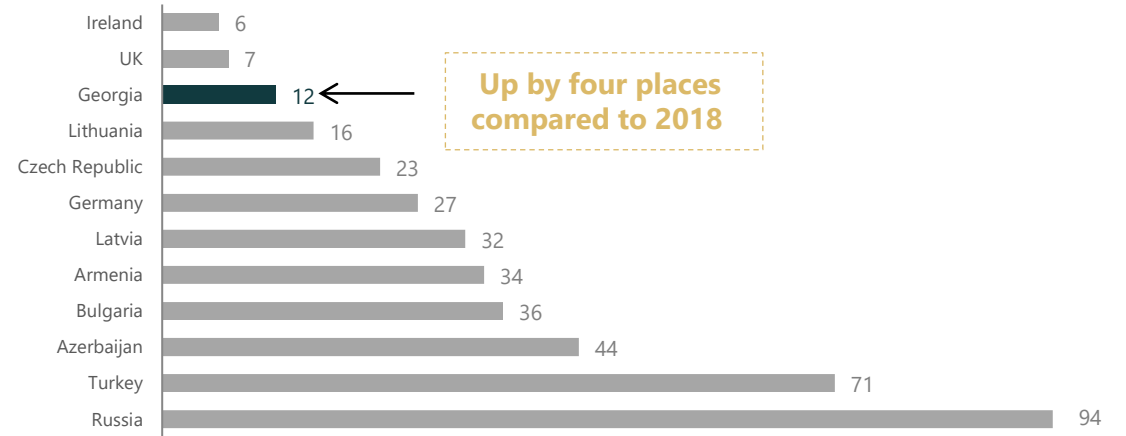
Liberal economic policy	<p>Top performer globally in WB Doing Business over the past 12 years</p> <ul style="list-style-type: none"> Liberty Act (effective January 2014) ensures a credible fiscal framework; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%. Following the emergency clause activation after the COVID-19 shock, the fiscal framework will return within the rule bounds in three years, as specified in the Liberty Act; Business friendly environment and low tax regime (attested by favourable international rankings);
Regional logistics and tourism hub	<p>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</p> <ul style="list-style-type: none"> Access to a market of 2.8 billion customers without customs duties: Free trade agreements with EU, China, Hong Kong, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Israel and India under consideration. Tourism inflows fell sharply to US\$ 542 million in 2020 from US\$ 3.2 billion in 2019 due to COVID-19, but tourism is expected to bounce back once the pandemic is brought under control; Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes.
Strong FDI	<p>An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth</p> <ul style="list-style-type: none"> FDI stood at US\$ 1.3 billion (7.2% of GDP) in 2019. FDI averaged 8.5% of GDP in 2010-2019.
Support from international community	<p>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</p> <ul style="list-style-type: none"> Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free visa entrance to the EU countries from 28 March 2017. Discussions commenced with the USA to drive inward investments and exports. Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU.
Electricity transit hub potential	<p>Developed, stable and competitively priced energy sector</p> <ul style="list-style-type: none"> Only 20% of hydropower capacity utilized; 155 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development. Georgia imports natural gas mainly from Azerbaijan. Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded. Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe.
Political environment stabilised	<ul style="list-style-type: none"> Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU. New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency. Continued economic relationship with Russia, although economic dependence is relatively low. Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Russia announced the easing of visa procedures for Georgian's citizens effective December 23, 2015. Direct flights between the two countries resumed in January 2010. However, they have been banned again since July 2019 following the decision from Russia. Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia. In 2020, Russia accounted for 13% of Georgia's exports and 11% of imports.

INSTITUTIONAL ORIENTED REFORMS

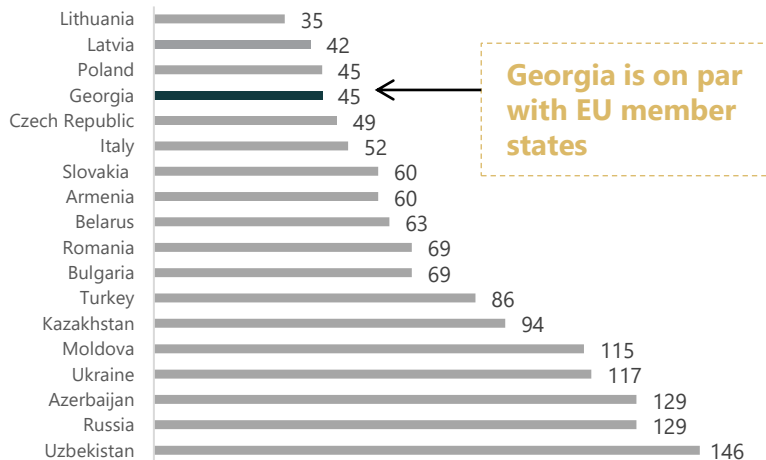
Ease of Doing Business | 2020 (WB Doing Business Report)



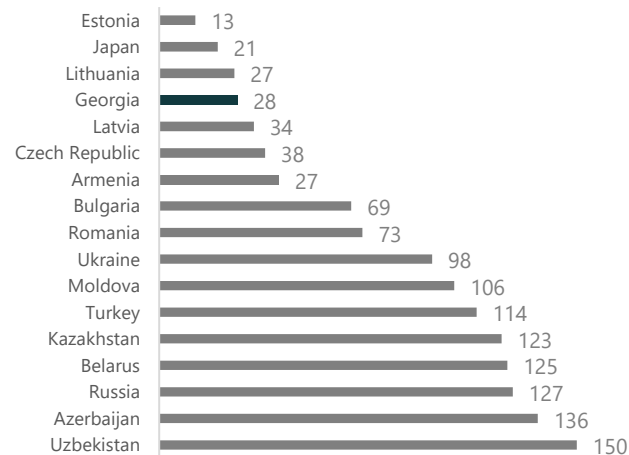
Economic Freedom Index | 2020 (Heritage Foundation)



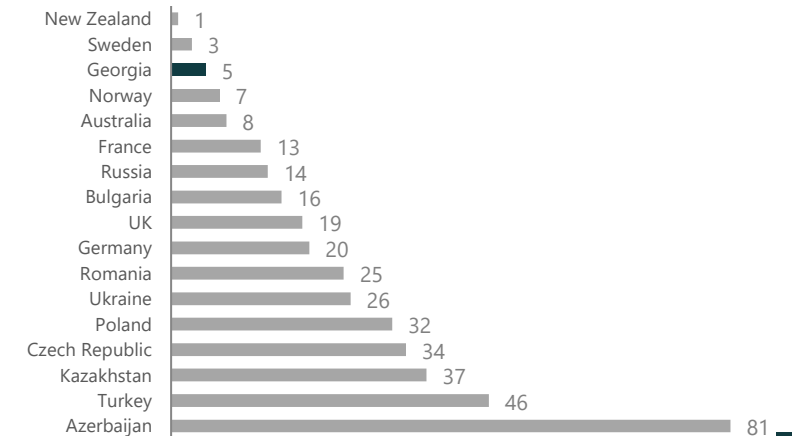
Corruption Perception Index | 2020 (TI)



Business Bribery Risk, 2020 | Trace International



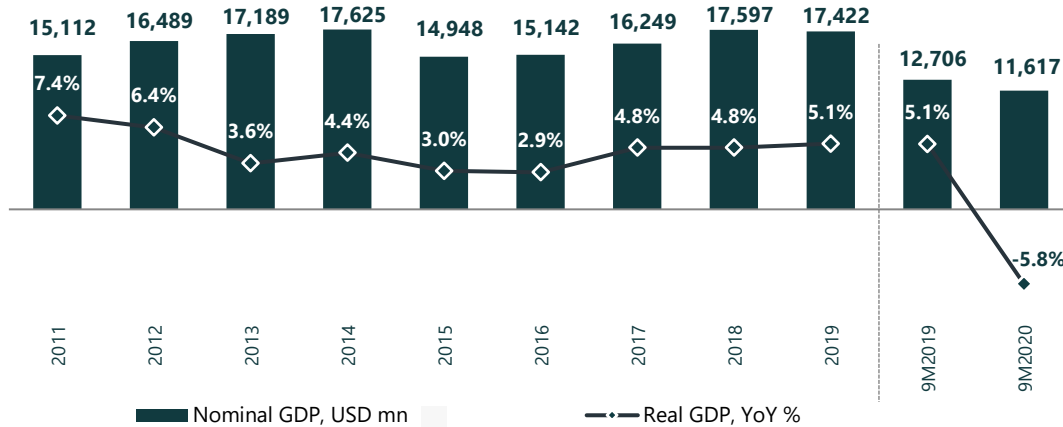
Open Budget Index, 2019 | International Budget Partnership



ECONOMY HIT HARD, BUT EXPECTED TO BOUNCE BACK FAST

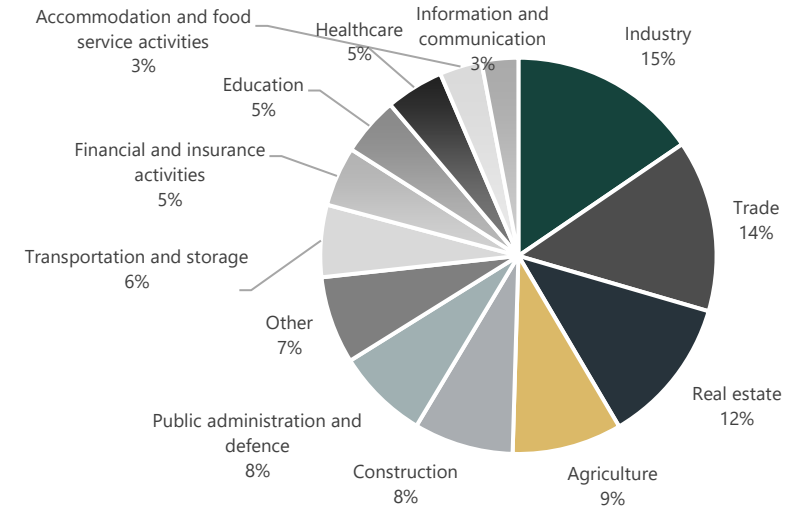
Gross domestic product

Real GDP fell by 5.8% in 9M20. According to rapid estimates, the full year recession was -6.1%, with 4Q fall of -6.5% due to the 2nd lockdown



Source: Geostat

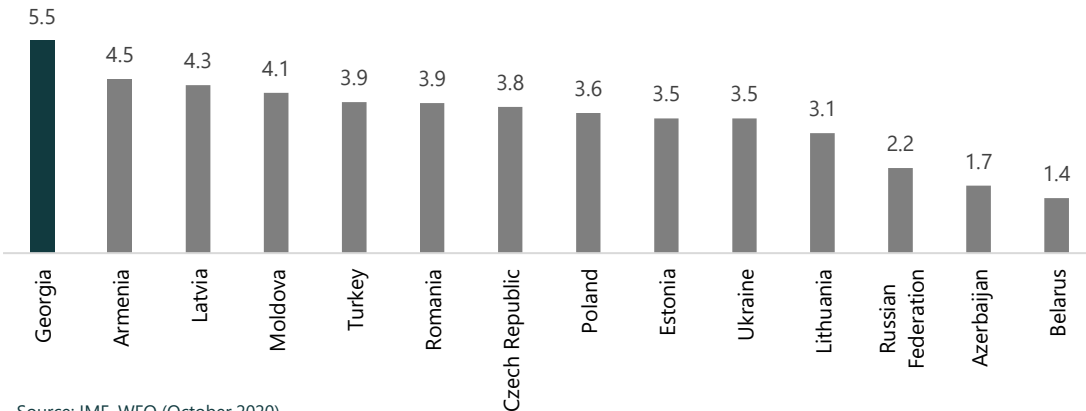
Diversified nominal GDP structure, 9M20



Source: Geostat

Medium-term growth to remain high

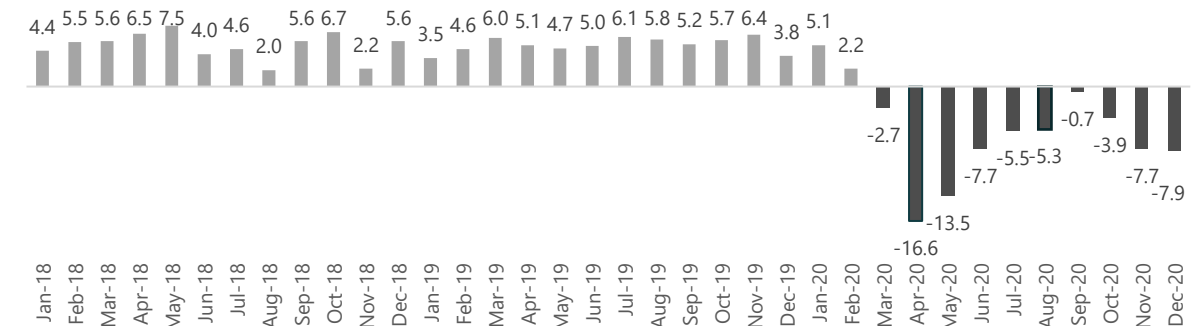
Comparative real GDP growth rates, % (2021-2025 average) | IMF



Source: IMF, WEO (October 2020)

Monthly Economic Activity Estimate, y-o-y growth

Economic activity slowed down again since September due to the 2nd lockdown



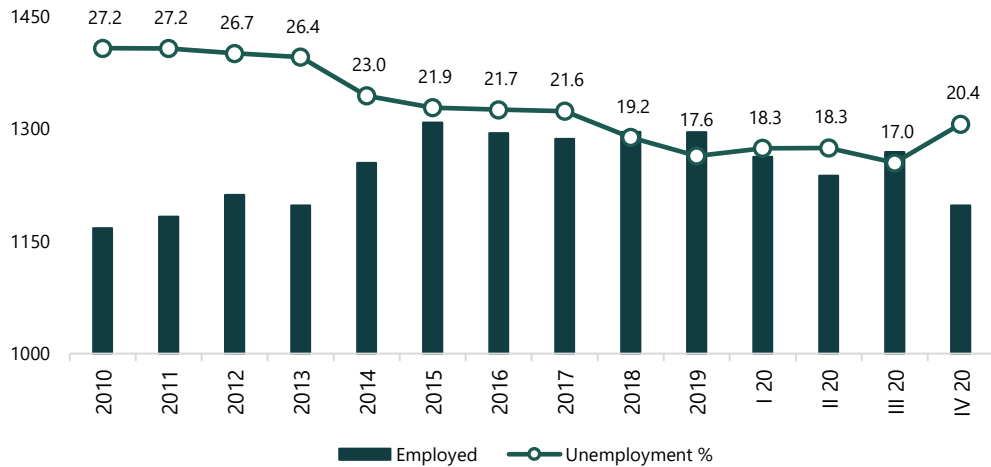
Source: Geostat

SIGNS OF RECOVERY IN THE LABOUR MARKET



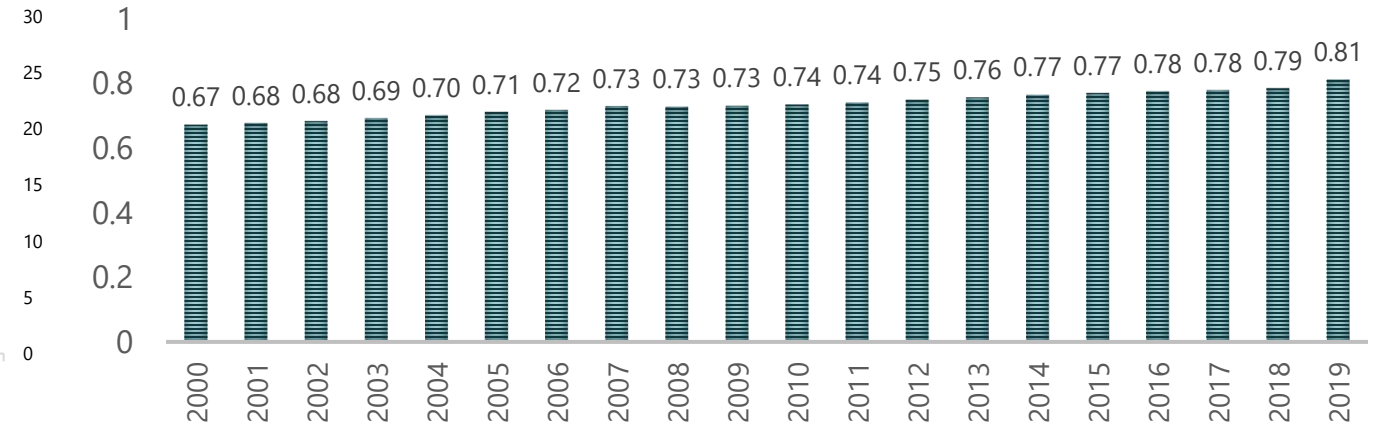
New unemployment rate (updated methodology) equal to 20.4% in 4Q20, up by 3.8 pp y-o-y

Sources: GeoStat



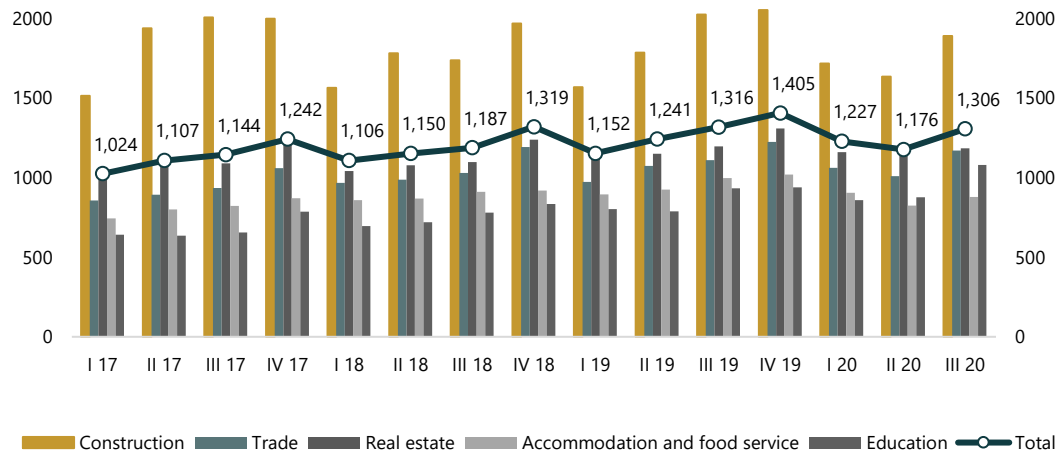
UNDP Human Development Index

Sources: UNDP



Average monthly nominal earnings in business sector

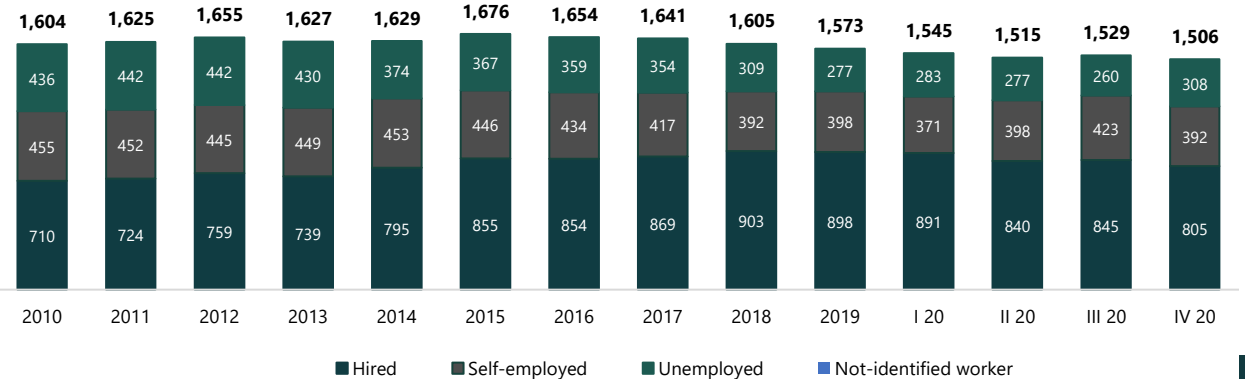
Sources: GeoStat



Labor force decomposition

Sources: GeoStat

Number of hired workers fell by 40,000 q-o-q and by 75,000 YoY in 4Q20, while the number of unemployed increased by 48,000 q-o-q and by 53,000 y-o-y, on the back of restrictions



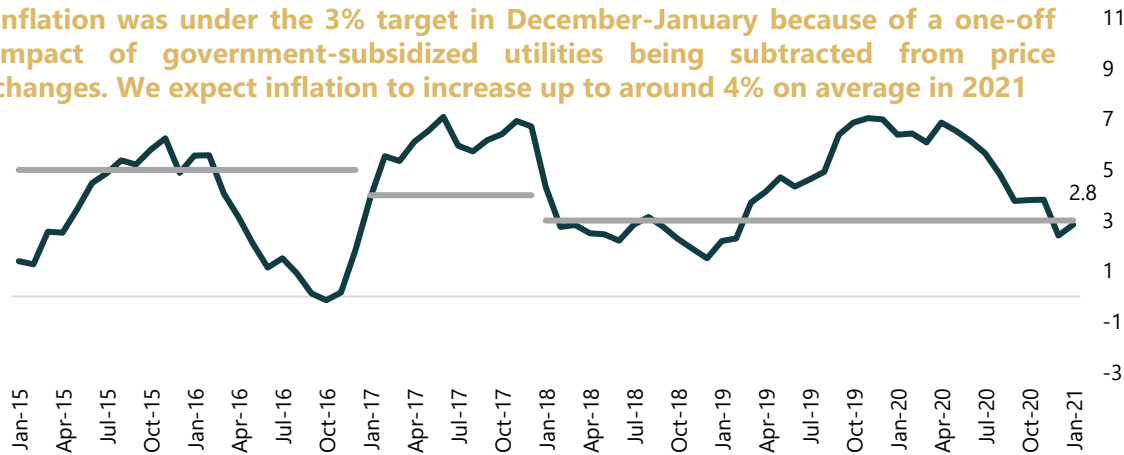
INFLATION TO STAY SLIGHTLY ABOVE TARGET



Inflation y-o-y vs. inflation target

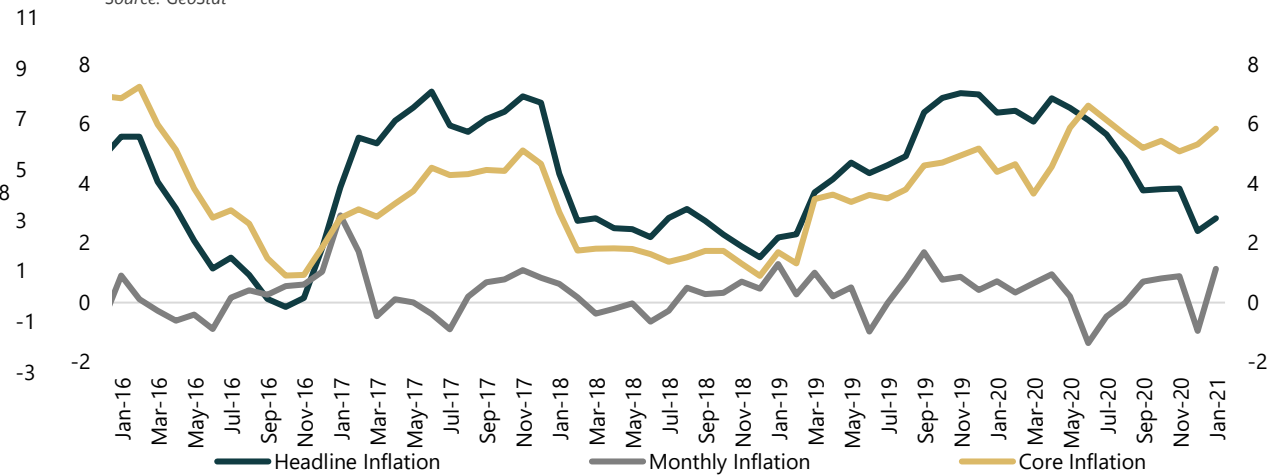
Sources: NBG, GeoStat

Inflation was under the 3% target in December-January because of a one-off impact of government-subsidized utilities being subtracted from price changes. We expect inflation to increase up to around 4% on average in 2021



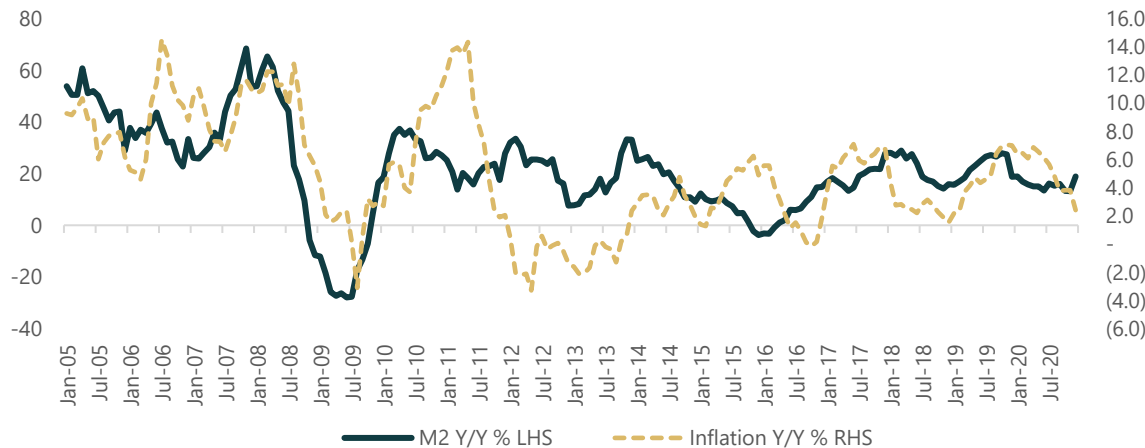
Price Indices

Source: GeoStat



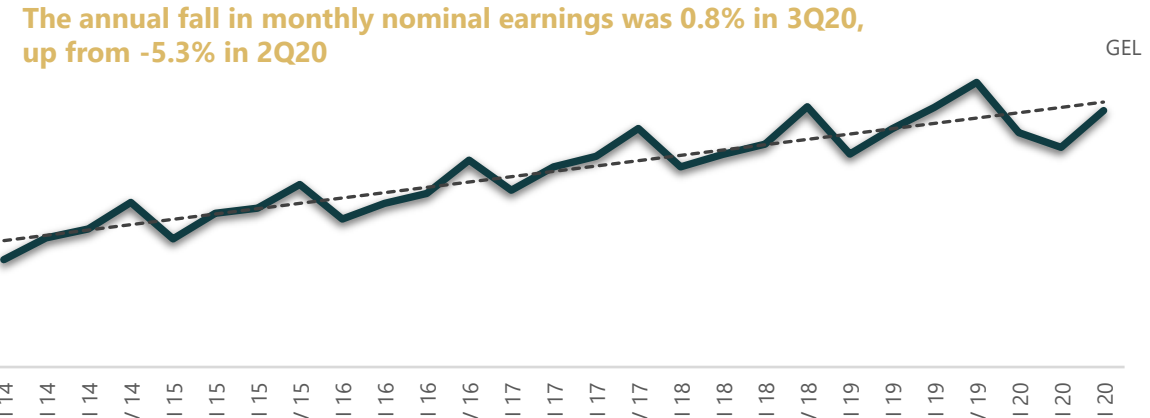
M2 vs. inflation, y-o-y, %

Sources: Geostat, NBG



Average monthly nominal earnings

Source: Geostat

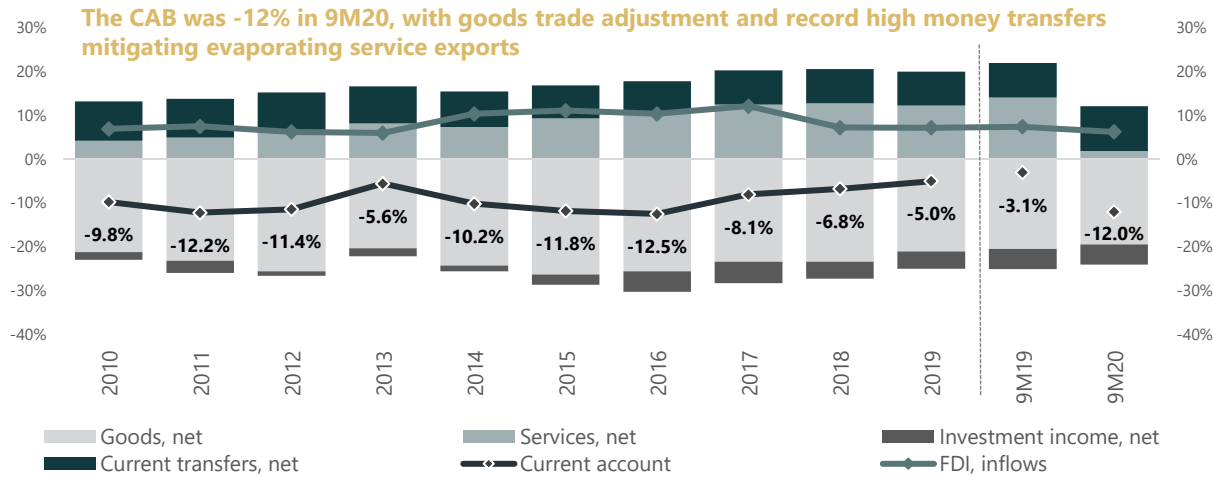


CURRENT ACCOUNT BALANCE ADJUSTING AFTER RECORD LOWS



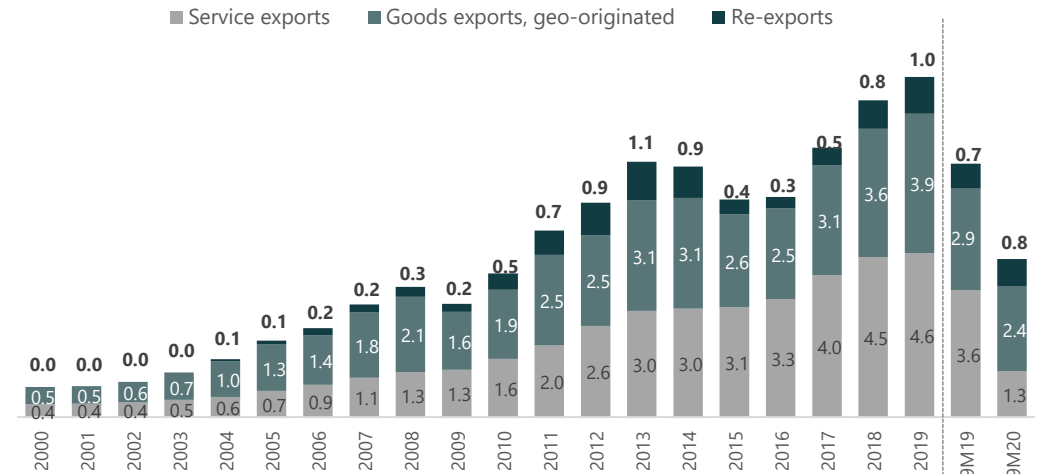
Current account balance (% of nominal GDP)

Sources: NBG



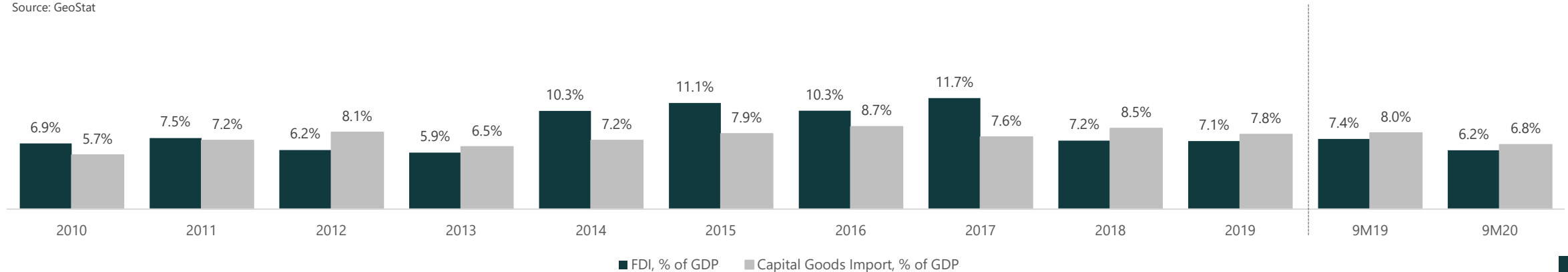
Exports and Re-exports, US\$ billion

Source: NBG



FDI and capital goods import

Source: GeoStat

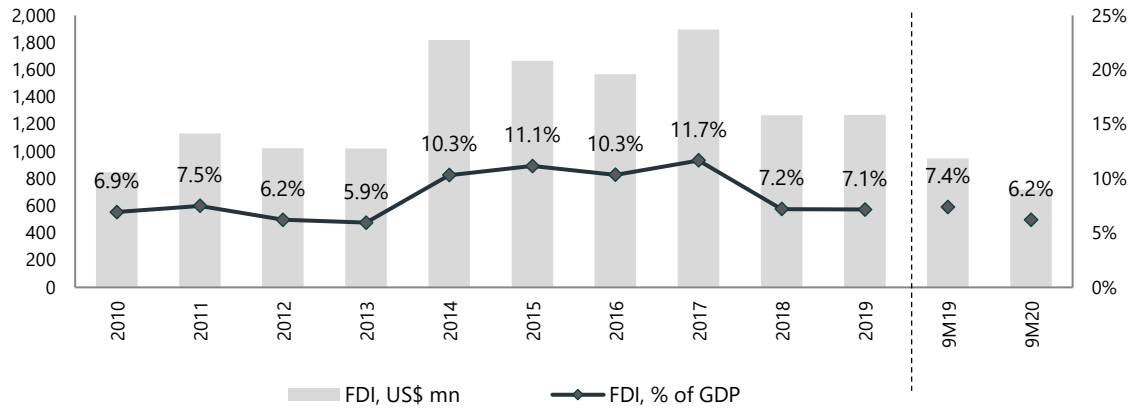


RECORD HIGH REMITTANCES MITIGATING DECREASED TOURISM REVENUES



Foreign investor interest remains resilient

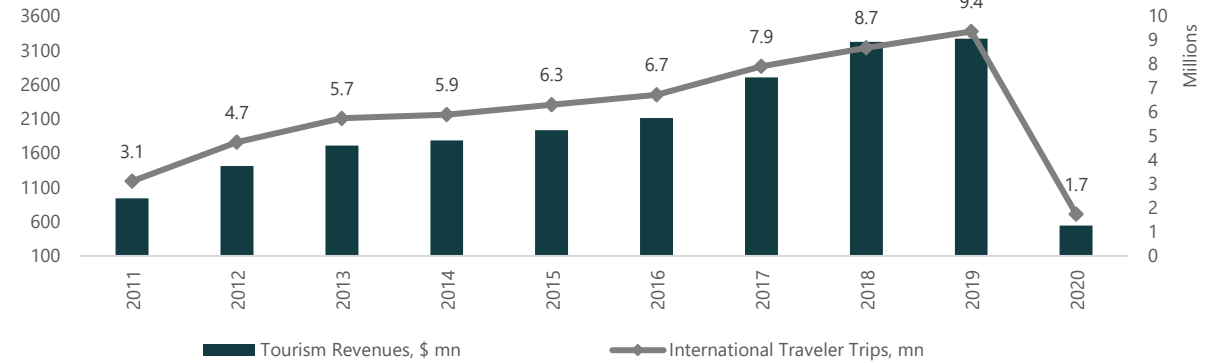
Sources: GeoStat



Visitors and tourism revenues

Sources: GNTA, NBG

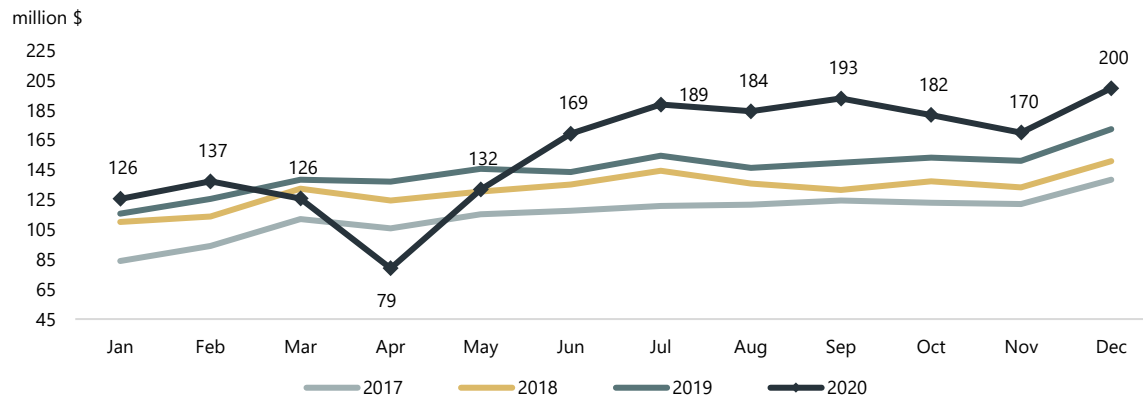
Tourism revenues fell by 83% in 2020, as borders remain closed, including a 96% fall in Apr-Dec



Remittances at record levels

Source: NBG

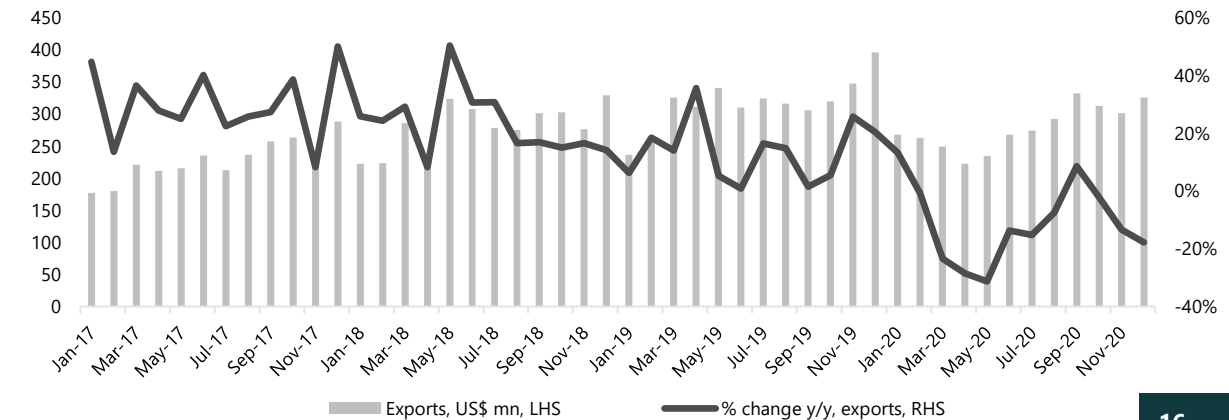
Remittance inflows have reached record high levels after bouncing back in June, with average annual growth in 2H20 equaling 20.2%



Merchandise exports

Source: Geostat

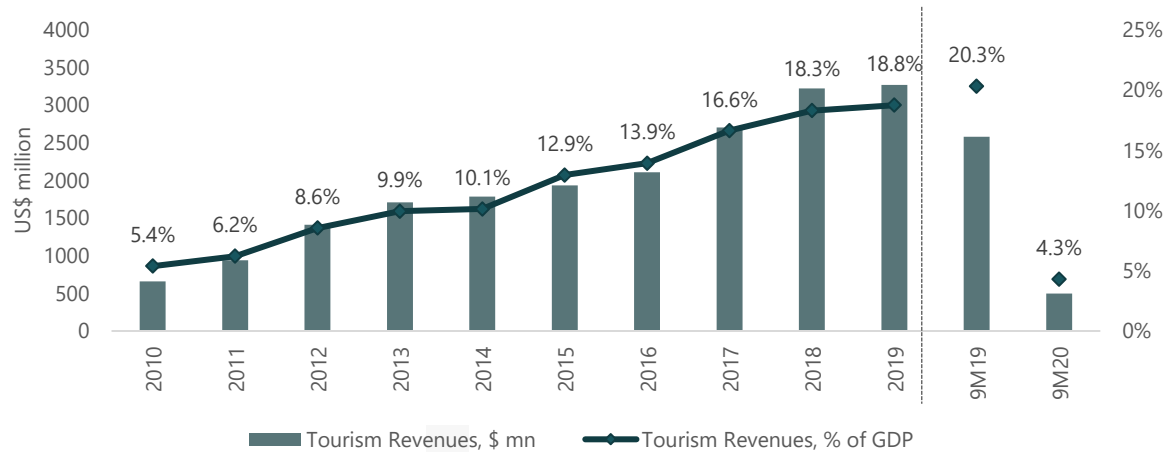
Goods exports fell by 12% y-o-y in 2020



TOURISM SECTOR

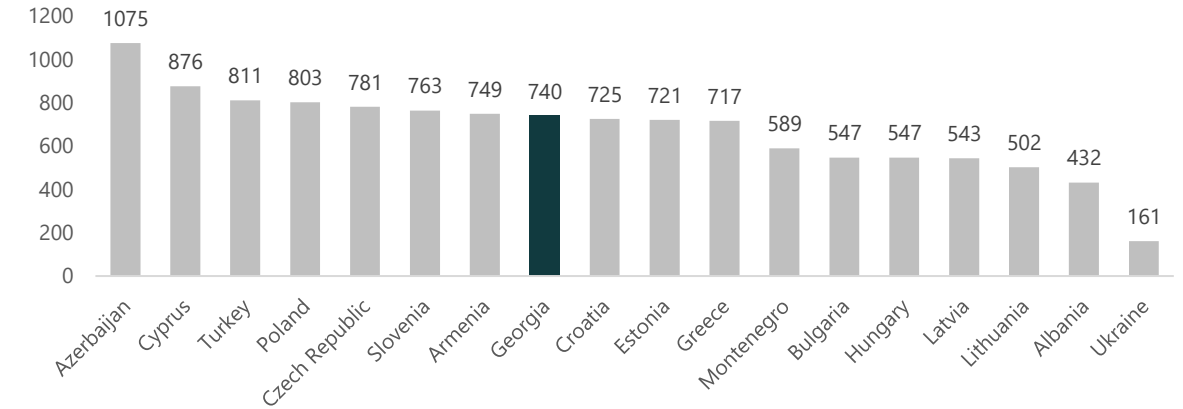
Tourism revenues to GDP

Sources: NBG, Geostat



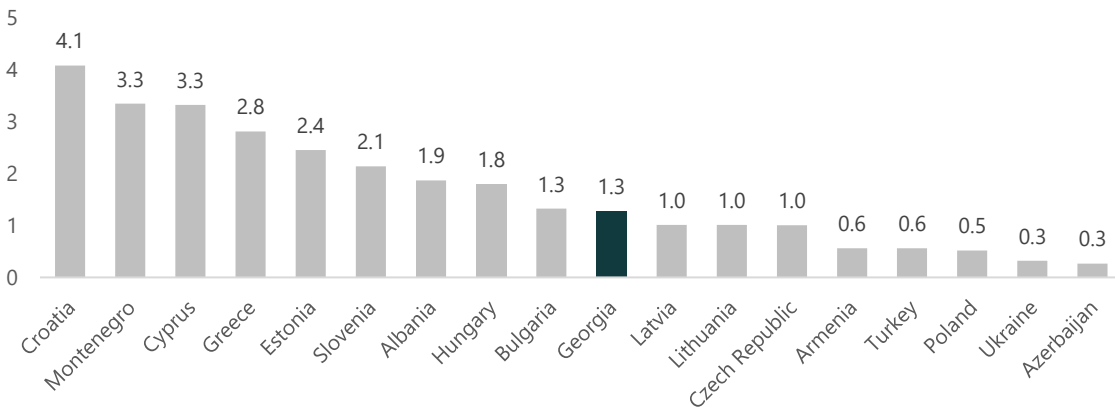
Spending per arrival, 2018

Source: WDI



Arrivals to country's population, 2018

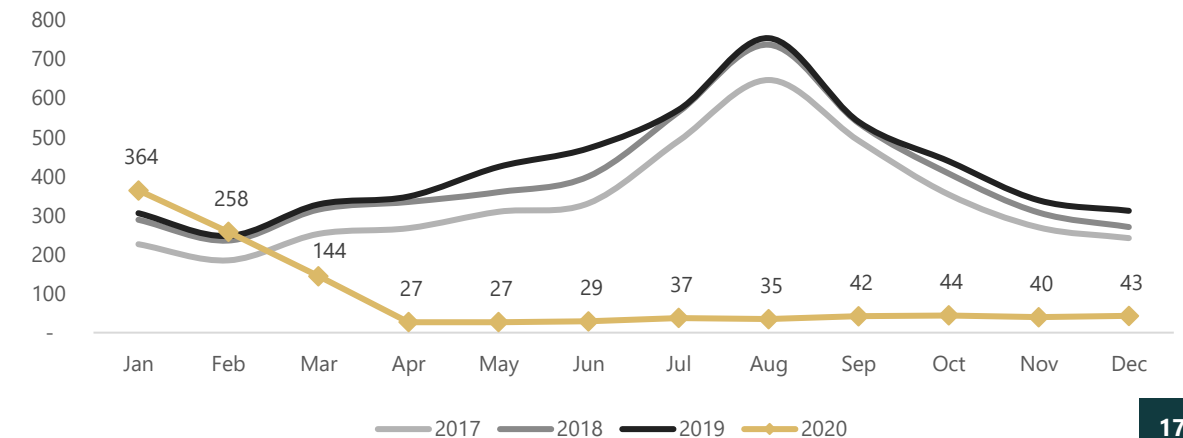
Source: WDI



Number of Tourists (overnight visitors)

Source: GNTA

The number of tourists fell by 79% in 2020, including a 92% fall since April

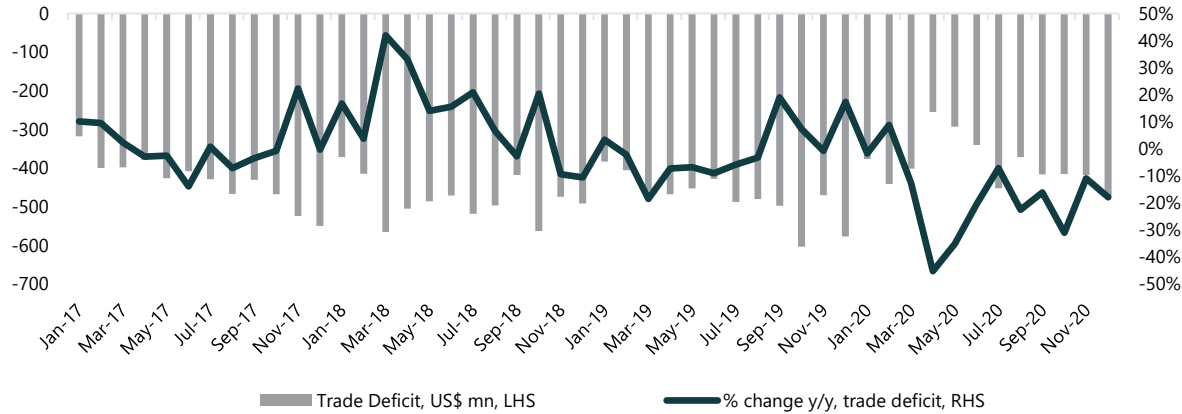


DIVERSIFIED FOREIGN TRADE

Goods' Trade Deficit

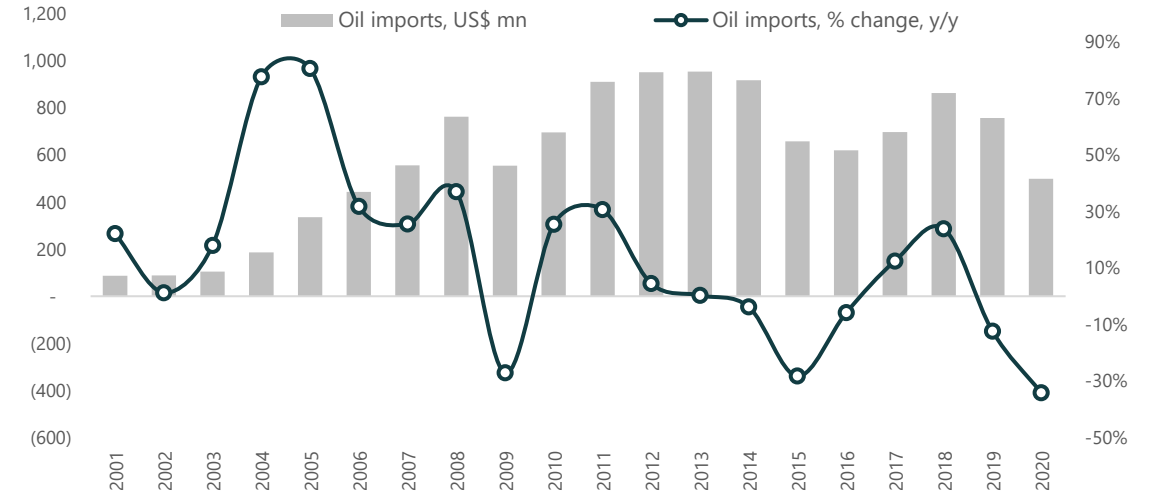
Source: GeoStat

In 2020, the trade deficit fell by 18.5%, as exports were cut by 12% and imports contracted by 15.9% on the back of the pandemic



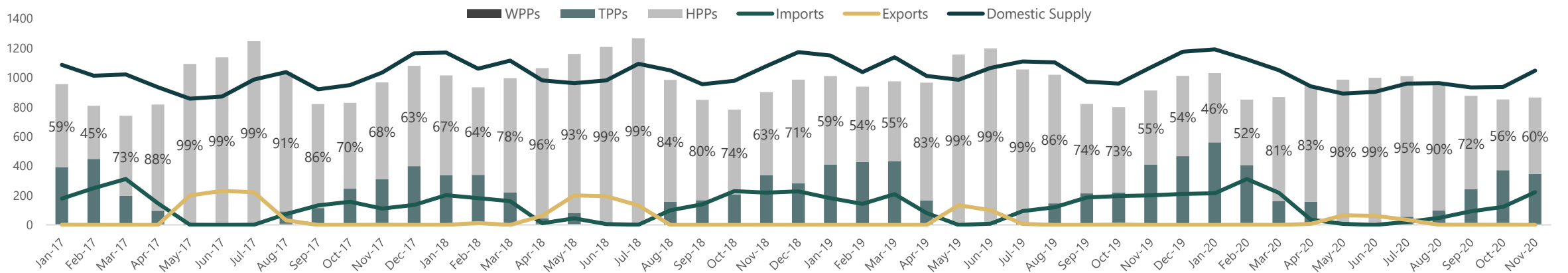
Oil imports

Source: GeoStat



Electricity generation and trade, GWH

Source: ESCO

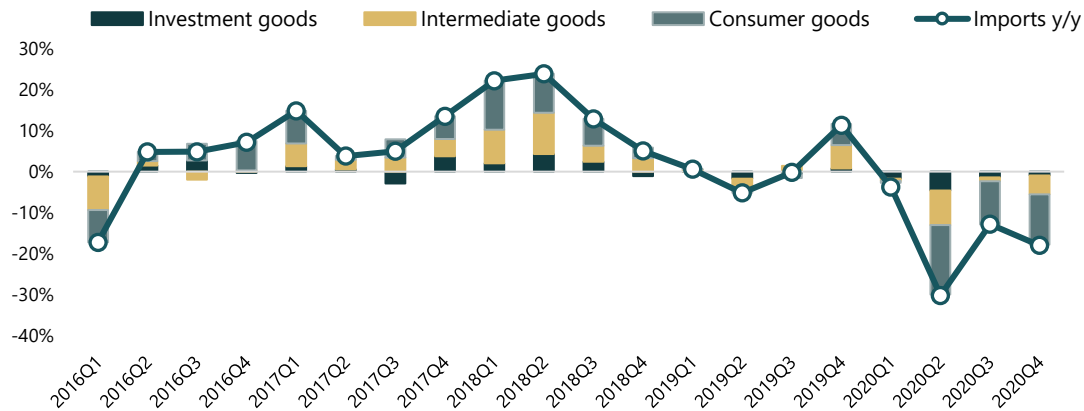


DIVERSIFIED FOREIGN TRADE

Imports of Goods, contribution to growth

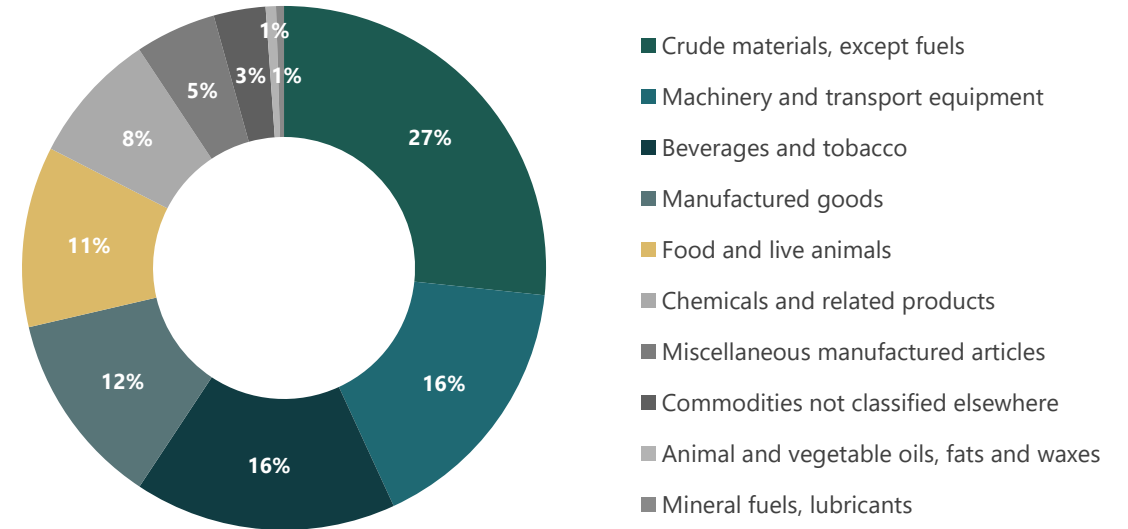
Source: NBG

All types of goods contributed to shrinking imports in 2020, with consumer goods responsible for over a half of the total cut



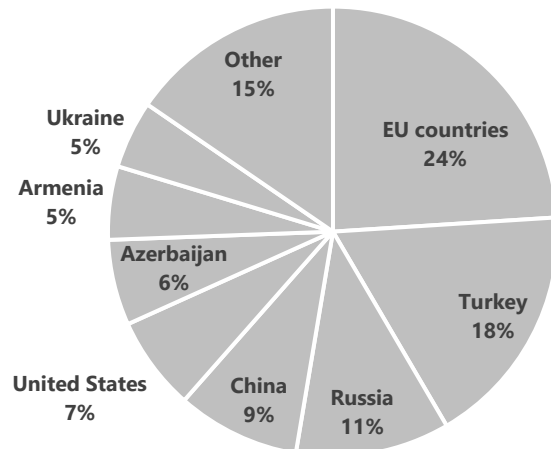
Foreign Demand, 2020

Source: Geostat



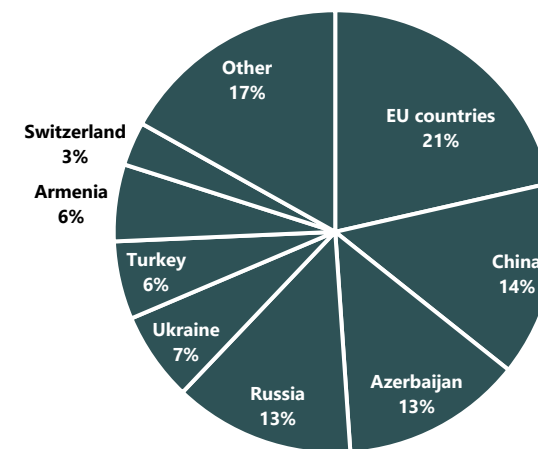
Import countries, 2020

Sources: GeoStat



Export countries, 2020

Sources: GeoStat



China has become the single largest destination country for Georgian exports in 2020 with a 14.3% share, as opposed to 5.9% in 2019

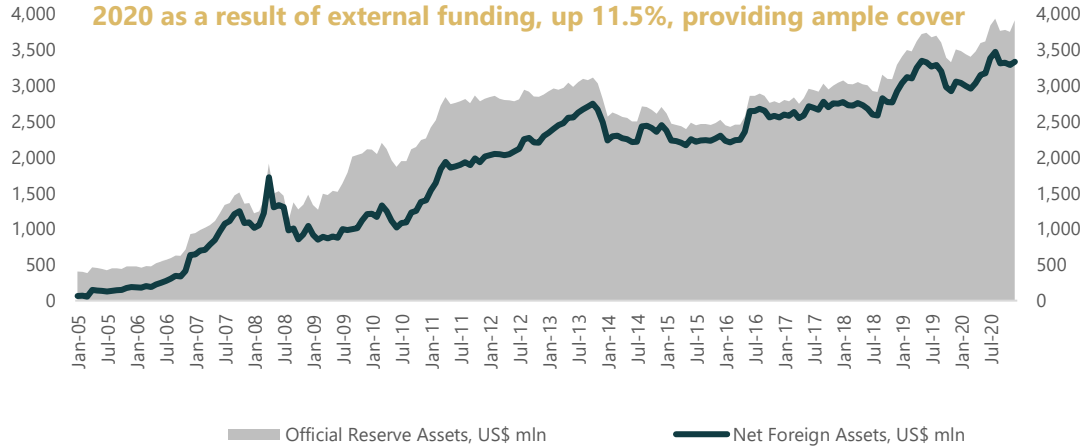
PRUDENT MONETARY POLICY ENSURES MACRO-FINANCIAL STABILITY



International reserves

Sources: NBG

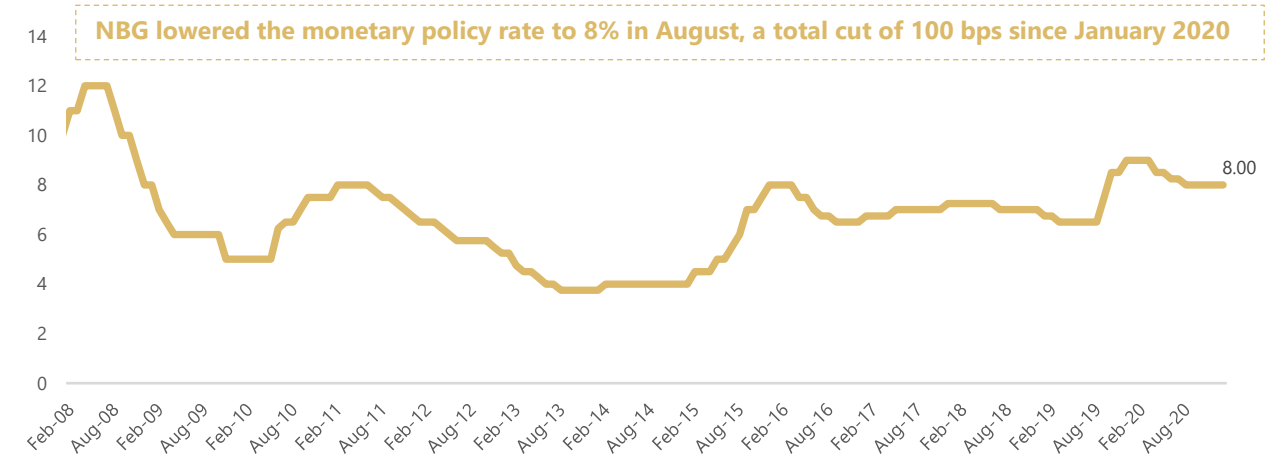
International reserves reached a record high of \$3.9 billion by the end of 2020 as a result of external funding, up 11.5%, providing ample cover



Monetary policy rate

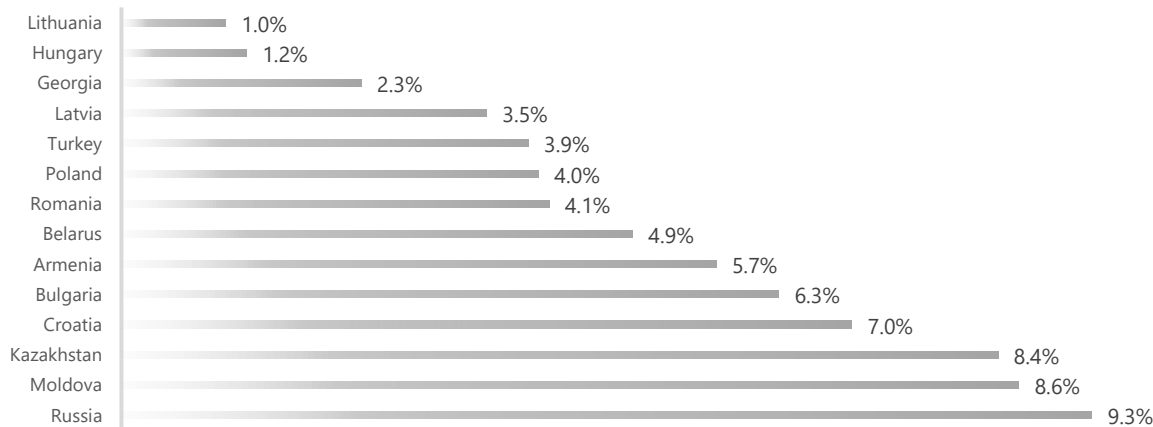
Sources: NBG

NBG lowered the monetary policy rate to 8% in August, a total cut of 100 bps since January 2020



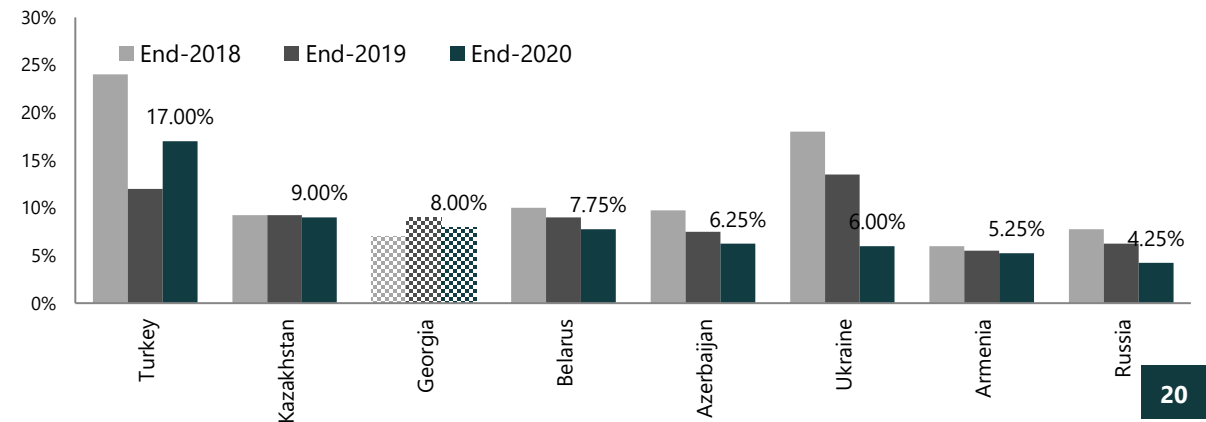
Nonperforming loans to total gross loans, latest 2020

Sources: IMF



Monetary policy rate vs peers

Sources: Central banks



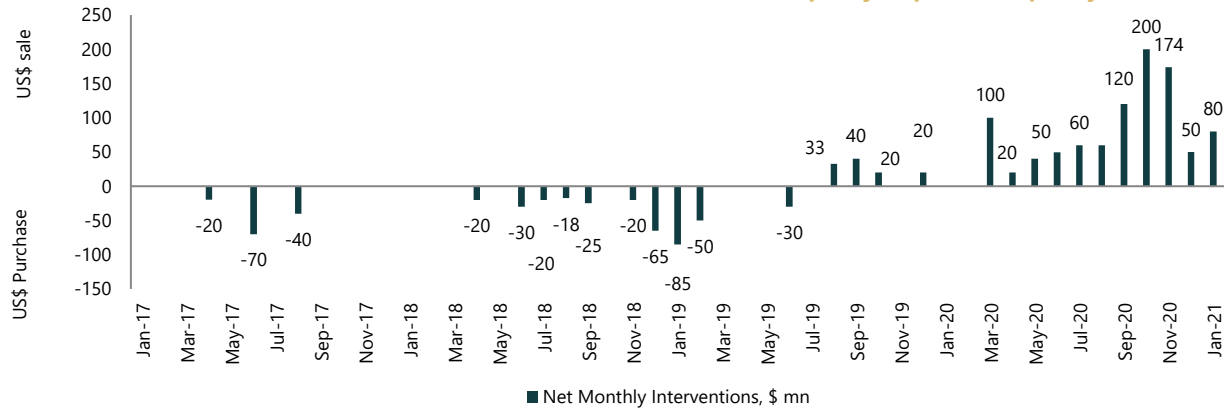
FLOATING EXCHANGE RATE - POLICY PRIORITY



Central Bank's interventions

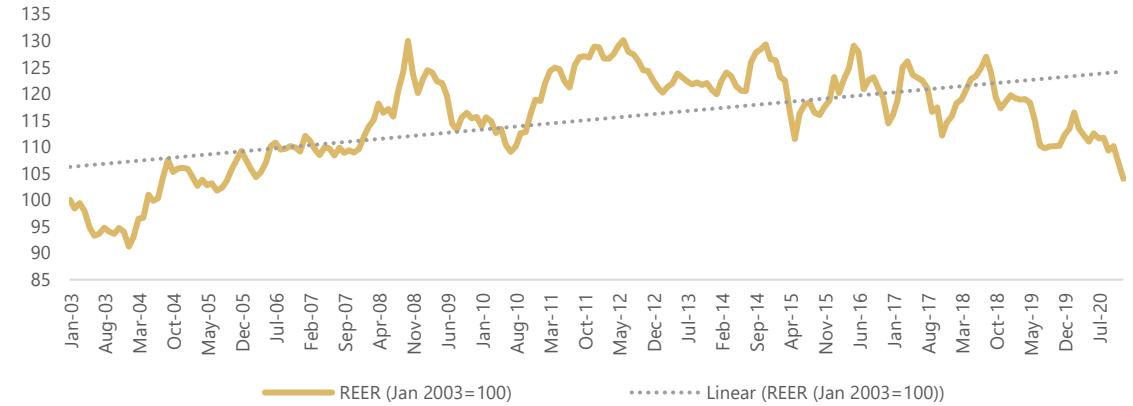
Sources: NBG

NBG has sold \$953 million since March 2020 (\$873 million in 2020) on the foreign exchange market and maintains a declaration of active intervention policy to provide liquidity



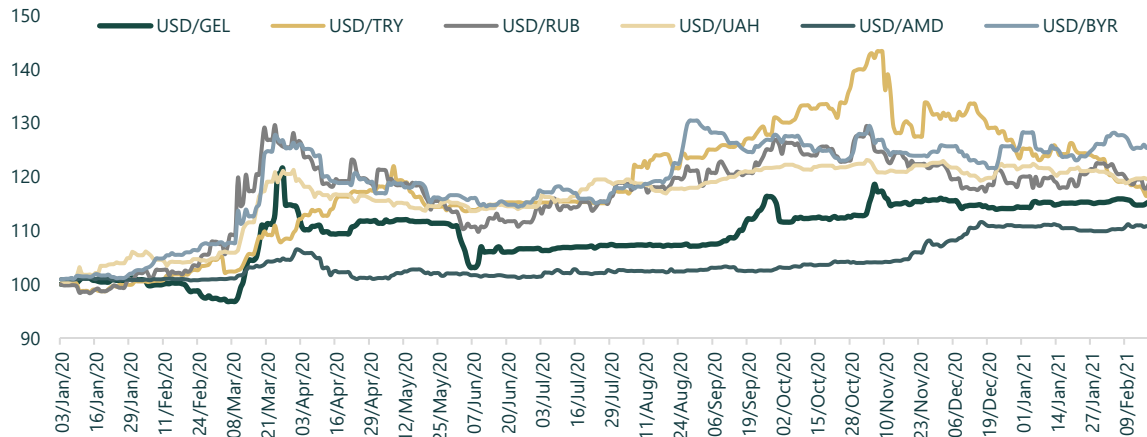
Real effective exchange rate (REER)

Sources: NBG



Exchange rate indices (1 January=100)

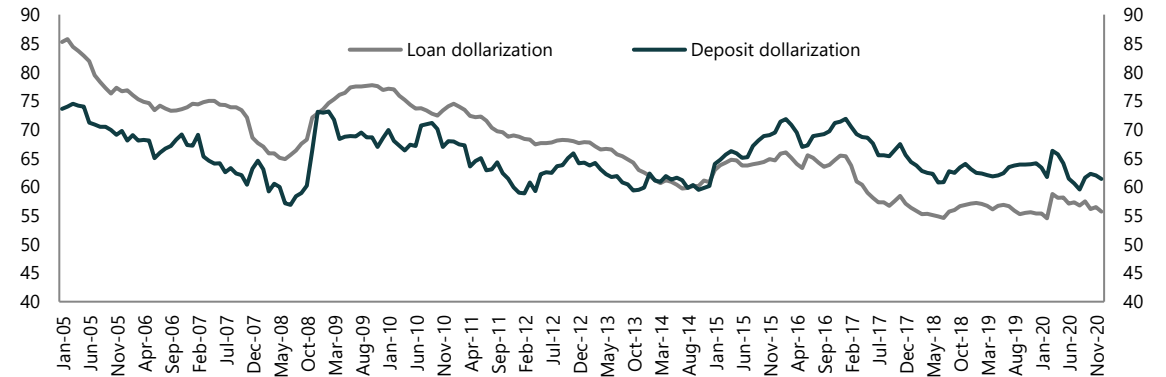
Sources: NBG



Dollarization ratios

Source: NBG

Both deposit and loan dollarization jumped in March on the back of the pandemic and GEL depreciation, but have declined since then

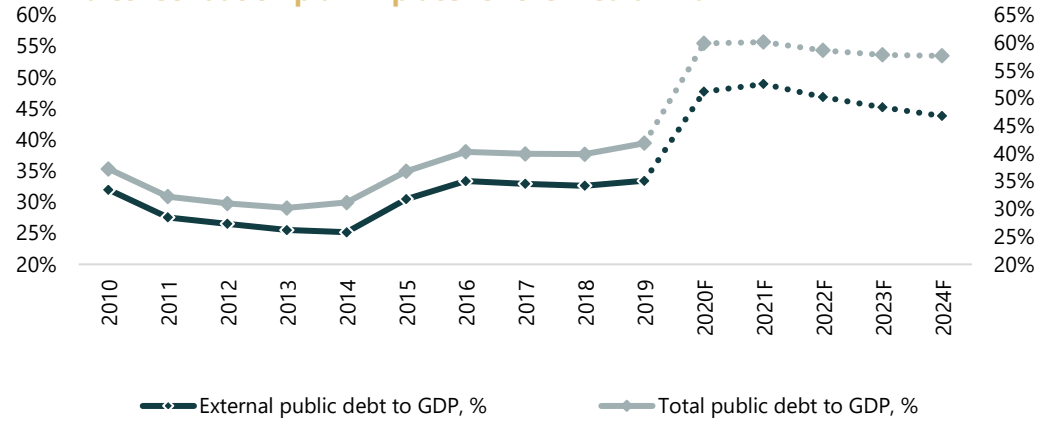


PUBLIC DEBT TO RISE IN THE SHORT RUN

Public debt

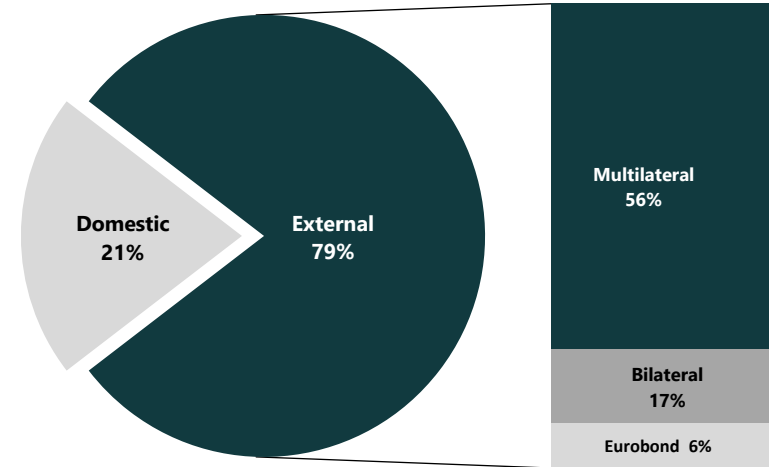
Sources: MOF

Public debt is expected to increase to around 60% of GDP, with a consolidation plan in place for the medium run



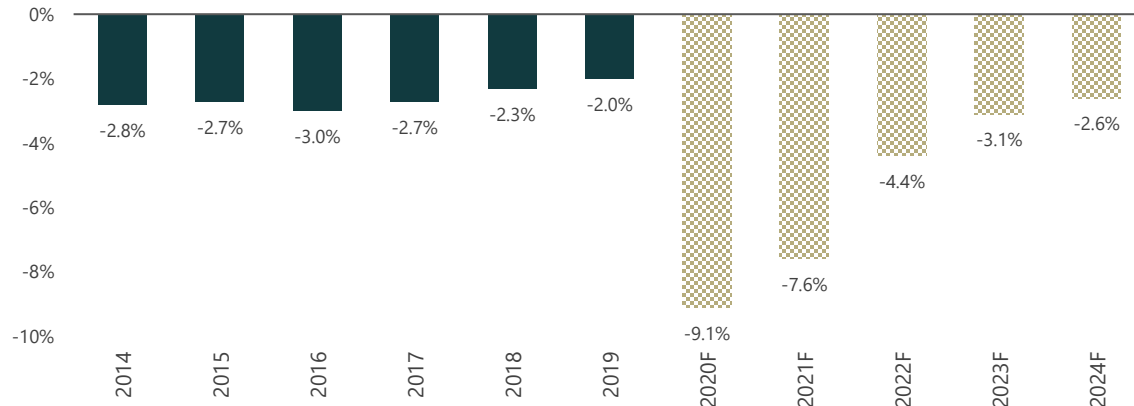
Breakdown of public debt

Source: MOF, as of 31 October 2020



Overall Balance (IMF Modified), % of GDP

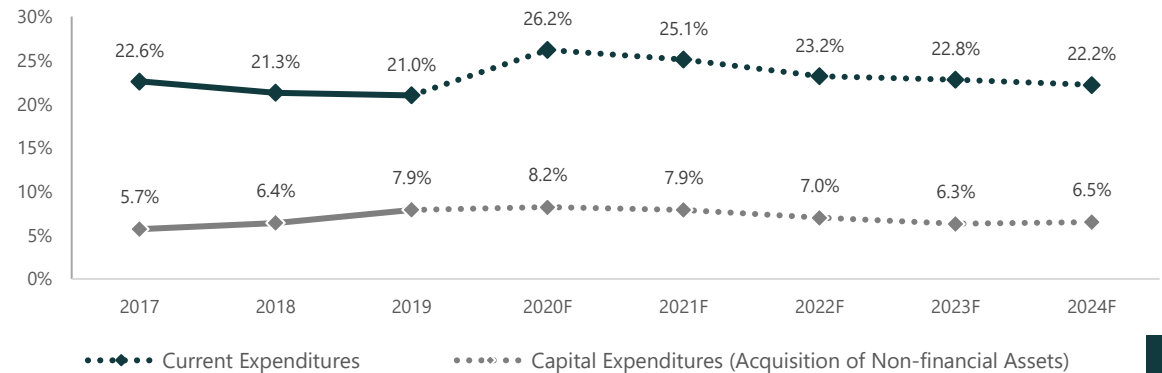
Source: MOF



Current vs Capital Expenditure, % of GDP

Source: MOF

Capital expenditures reached record highs in 2019 and will prove key in the fiscal stimulus



FORWARD LOOKING STATEMENTS



This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, which could include, among other things: impact of COVID-19; regional instability; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained in our past and future filings and reports and also the 'Principal Risks and Uncertainties' and Emerging Risks included in the 1H20 Results Announcement and Georgia Capital PLC's Annual Report and Accounts 2019. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this presentation should be construed as a profit forecast.

COMPANY INFORMATION

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