



Economy

Goods exports growth accelerated in Oct-23

In Oct-23, goods exports growth accelerated, rising by 10.4% y/y to US\$ 495.3mn, after a 0.9% y/y growth in previous month. Meanwhile, Goods imports growth slowed to 3.3% y/y, reaching US\$ 1.2bn in October, after growing by 11.1% y/y in September. Consequently, the trade deficit declined by 0.9% y/y to US\$ 747.2mn, marking the first decrease since February 2021

Overall, in 10M23, trade deficit increased by 21.7% y/y to US\$ 7.6bn, as exports increased by 12.5% y/y to US\$ 5.1bn, while imports were up by 17.8% y/y to US\$ 12.7bn.

Money transfers stood at US\$ 283.0mn in Oct-23

Money transfers were down by 43.6% y/y to US\$ 283.0mn in Oct-23 (in line with our expectation), due to the last year's high base and normalization in transfers from Russia. From major remitting countries, transfers reduced from Russia (-79.4% y/y and +3.8% m/m, accounting for 21.8% of total) and Türkiye (-5.5% y/y). In contrast, there were substantial increases in remittances from Italy (+19.2% y/y, 15.0% of total), USA (+39.2% y/y, 14.7% of total), Greece (+11.0% y/y, 7.5% of total), Germany (+31.1% y/y, 7.2% of total), Israel (+4.4% y/y, 6.1% of total) and Kazakhstan (+97.6% y/y, 5.8% of total). Overall, in 10M23 remittances increased by 6.2% y/y to US\$ 3.5bn.

Real GDP growth was 10.4% in 2022, final estimate

Georgia's economic growth was revised upwards to 10.4% y/y in 2022, from the previous estimate of 10.1%, according to Geostat's final estimate. In nominal term, GDP increased by 20.4% y/y to GEL 72.3bn (US\$ 24.8bn) and nominal GDP per capita stood at US\$ 6,676 (+32.9% y/y) in 2022.

In terms of economic sectors, high contributions to the 2022 growth came from ICT (+59.1% y/y), trade (+10.8% y/y), transport (+24.7% y/y), construction (+16.5% y/y) and manufacturing (+10.5% y/y) sectors. Meanwhile, healthcare (-16.3% y/y) and real estate operations (-3.7% y/y) sectors contracted.

In addition, Geostat also revised the 1H23 real GDP growth upwards to 7.9% y/y from the previous estimate of 7.6% y/y. Considering the rapid estimate of real GDP growth in 3Q23, Georgia's economy grew by 7.0% y/y in 9M23.

We forecast Georgia's economic growth at 6.8% for the full year 2023 and at 5.0% for 2024.

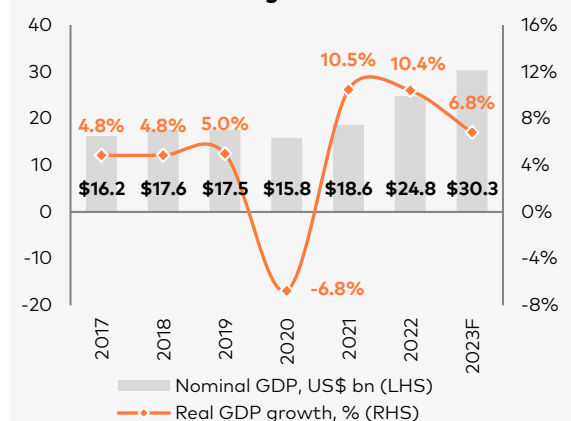
Key macro indicators

| | 2022 | 2023F |
|------------------------------|------------|--------|
| Real GDP growth (% change) | 10.4% | 6.8% |
| GDP per capita (ppp) | 20,260 | 22,043 |
| GDP per capita (US\$) | 6,676 | 8,050 |
| Population (mn) | 3.7 | 3.7 |
| Inflation (eop) | 9.8% | 0.8% |
| Gross reserves (US\$ bn) | 4.9 | 5.3 |
| CAD (% of GDP) | 4.5% | 4.5% |
| Fiscal deficit (% of GDP) | 3.0% | 2.8% |
| Total public debt (% of GDP) | 39.5% | 38.4% |
| Fitch/S&P/Moody's* | BB/BB/Baa2 | |

Source: Official data, Rating agencies, Galt & Taggart

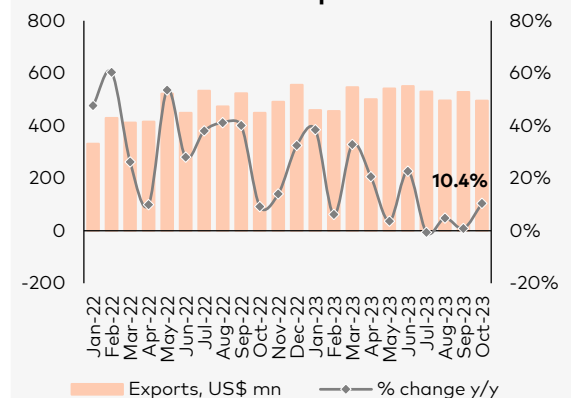
*Latest sovereign credit ratings

Georgia's GDP



Source: Geostat, Galt & Taggart

Goods exports



Source: Geostat



Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 20.0mn (US\$ 7.4mn) Benchmark bonds were sold at the auction held at NBG on November 14, 2023. Total demand was 2.3x higher and the weighted average yield was fixed at 8.314%, up by 0.069ppts from previous auction held in Oct-23.

1-year GEL 20.0mn (US\$ 7.4mn) T-Bills were sold at the auction held at NBG on November 14, 2023. Total demand was 3.0x higher and the weighted average yield was fixed at 9.251%, down by 0.024ppts from previous auction held in Oct-23.

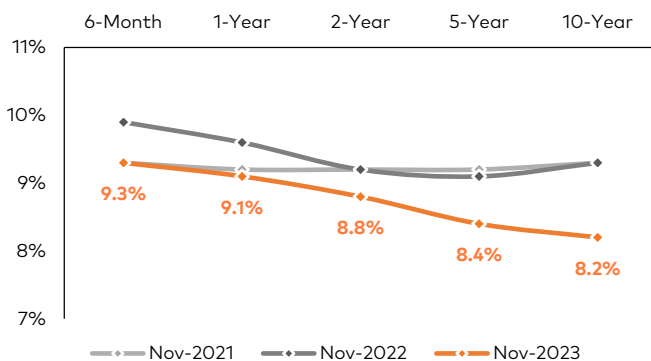
The nearest treasury security auction is scheduled for November 21, 2023, where GEL 50.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

| Maturity | YTD placements, GEL mn | Remaining placements, GEL mn | Outstanding amount, GEL mn* |
|--------------|------------------------|------------------------------|-----------------------------|
| 6-month | 220 | 20 | 380 |
| 1-year | 220 | 20 | |
| 2-year | 467 | 40 | |
| 5-year | 938 | 120 | 7,456 |
| 10-year | 705 | 120 | |
| Total | 2,550 | 320 | 7,836 |

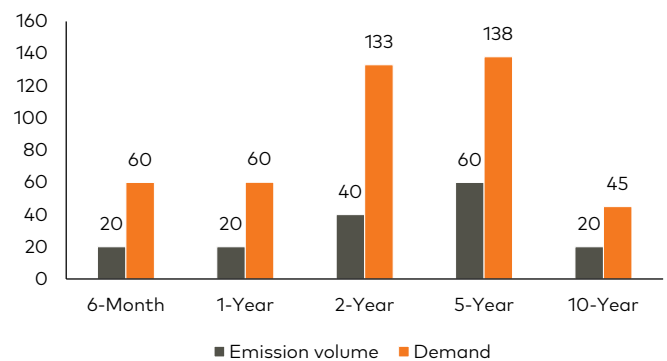
Source: MoF
*As of October 2023

T-bills / T-notes, yield curve



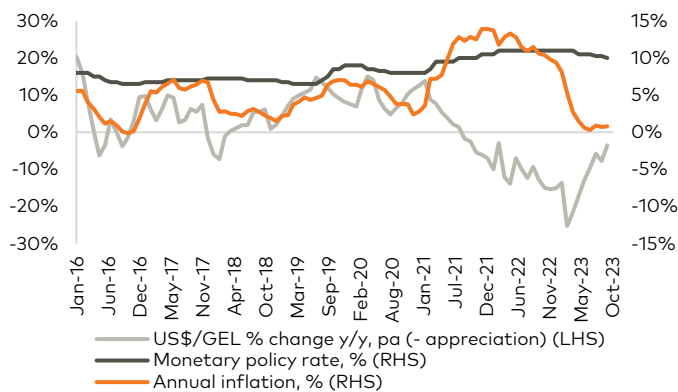
Source: NBG

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



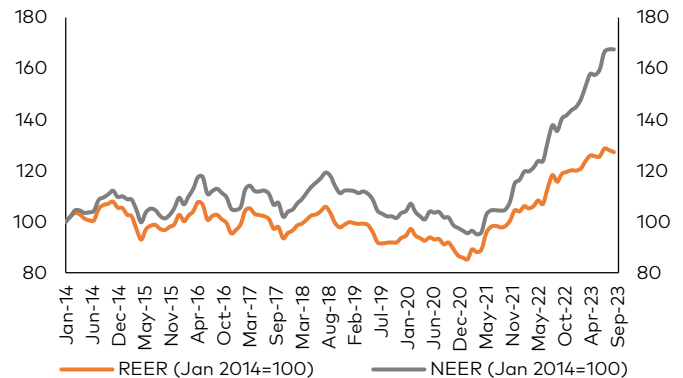
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG, Geostat

Nominal and real effective exchange rates



Source: NBG

Note: Index growth/decline means appreciation/depreciation of exchange rate



Global fixed income markets

Last week:

- The 10-year US Treasury yield fell from 4.61% to 4.45%, while the 10-year German Bund (a European benchmark) yield dropped to 2.59% from past week's 2.72%.
- Last week's major catalyst for decline in yields was the lower-than-expected inflation in the US. While headline inflation fell from 3.7% to 3.2%, the core figure declined from 4.1% to 4.0%.
- Markets are now pricing in a 100% probability of no rate change by the US Federal Reserve on December meeting.

| Sovereigns YTM, % | Last | 4Q23F | 1Q24F | 2Q24F |
|-------------------|------|-------|-------|-------|
| US 2y Treasury | 4.91 | 4.93 | 4.61 | 4.23 |
| US 5y Treasury | 4.46 | 4.52 | 4.29 | 4.03 |
| US 10y Treasury | 4.45 | 4.52 | 4.31 | 4.09 |
| US 30y Treasury | 4.61 | 4.71 | 4.54 | 4.33 |
| German 2y Bund | 2.96 | 3.00 | 2.92 | 2.77 |
| German 10y Bund | 2.59 | 2.64 | 2.54 | 2.50 |

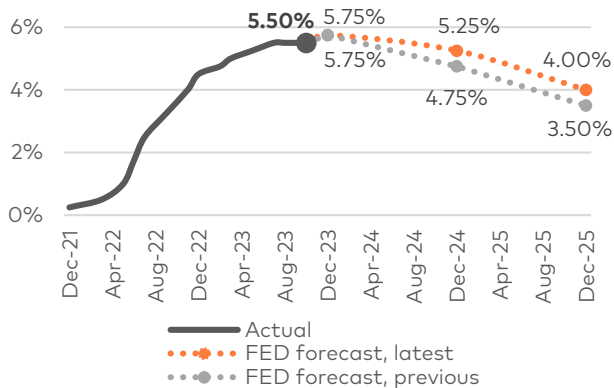
| Interest rates, % | Last | 1 week ago | 1 month ago | 1-Jan 2023 |
|--------------------|------|------------|-------------|------------|
| SOFR | 5.32 | 5.32 | 5.31 | 4.30 |
| EURIBOR (3 months) | 4.00 | 3.99 | 3.97 | 2.13 |

| Corporates YTM, % | Last | 1 week ago | 1 month ago | 1-Jan 2023 |
|---------------------|-------|------------|-------------|------------|
| US Inv. Grade | 5.92 | 6.14 | 6.32 | 5.48 |
| Eurozone Inv. Grade | 4.25 | 4.38 | 4.57 | 4.04 |
| EM Inv. Grade | 5.95 | 6.13 | 6.31 | 5.46 |
| US High Yield | 8.83 | 9.01 | 9.38 | 8.99 |
| EM High Yield | 11.32 | 11.56 | 11.99 | 11.09 |

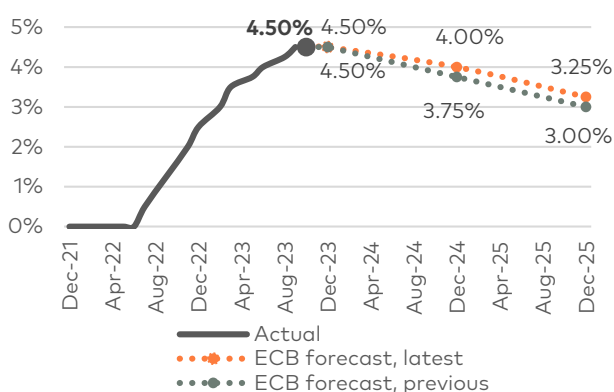
Source: Bloomberg

Note: For sovereign bond YTM projections, we use median forecasts from top tier investment banks.

FED funds rate

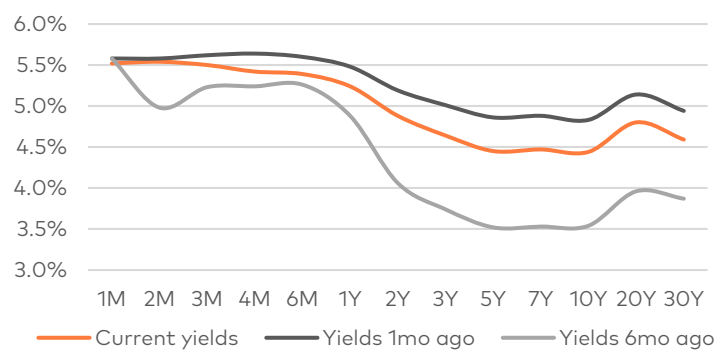


ECB main rate

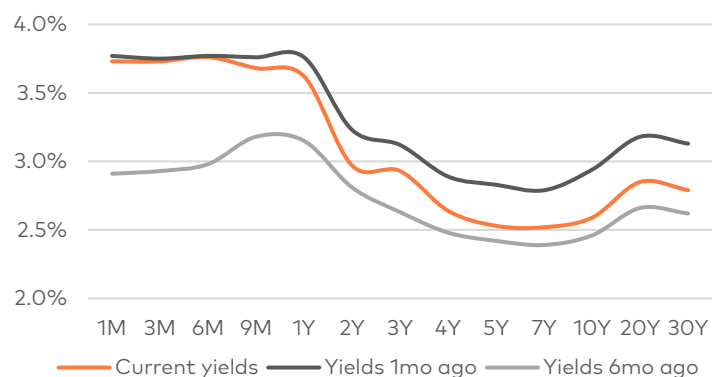


Source: FED, ECB, Bloomberg, Galt & Taggart

US treasuries yield curve



German bonds yield curve





Fixed income

Georgian Eurobonds performance

| Issuer | Currency | Amount, mn | Coupon | Issue date | Maturity date | Ratings (Fitch/S&P/Mood y/Scope) | Mid price | Mid yield, % | Z-spread, bps |
|-------------------|----------|------------|---------|------------|---------------|--|-----------|--------------|---------------|
| GEORG 04/26 | USD | 500 | 2.750% | Apr-21 | Apr-26 | BB/BB/Ba2 | 90.28 | 7.20 | 262.13 |
| GRAIL 06/28 | USD | 500 | 4.000% | Apr-21 | Jun-28 | BB-/BB-/ | 85.92 | 7.71 | 347.50 |
| GEBGG 11 1/8 PERP | USD | 100 | 11.125% | Mar-19 | n/a | B-/ | 99.62 | 12.85 | 632.59 |
| SILKNET 01/27 | USD | 300 | 8.375% | Jan-22 | Jan-27 | BB-/B1 | 98.76 | 8.82 | 438.91 |
| TBC 06/24 | USD | 300 | 5.750% | Jun-19 | Jun-24 | BB-/Ba2 | 99.31 | 6.98 | 155.14 |
| TBC PERP | USD | 125 | 10.775% | Jul-19 | n/a | B-/ | 98.04 | 13.38 | 787.94 |

■ Galt & Taggart-led and/or co-managed deals
Source: Bloomberg

Georgian local bonds performance

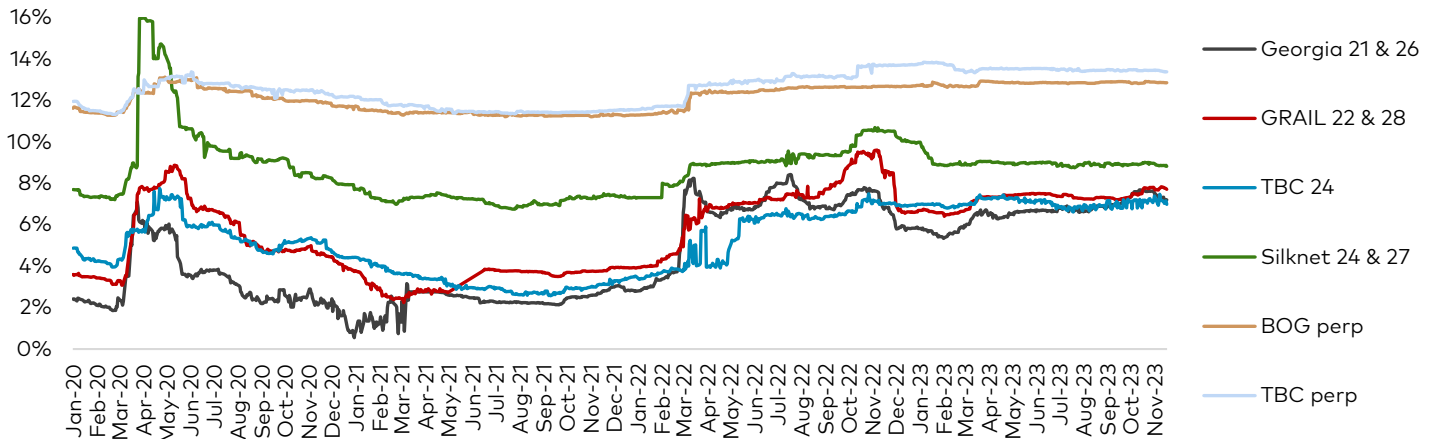
| Issuer | Currency | Amount, mn | Coupon | Issue date | Maturity date | Ratings (Fitch/S&P/Moody/ Scope) | Mid price | Mid yield, % |
|-------------------------------|----------|------------|------------------|------------|---------------|--|-----------|--------------|
| USD | | | | | | | | |
| Bakhvi Hydro Power | USD | 1.2 | 9.40% | Nov-17 | Nov-27 | -/-/- | n/a | n/a |
| Lisi Lake Development | USD | 12 | 6.50% | Dec-21 | Dec-24 | -/-/-B+ | 99.73 | 6.75 |
| IG Development | USD | 15 | 6.75% | Jan-22 | Jan-24 | -/-/- | 99.88 | 7.13 |
| Geosteel | USD | 15 | 9.00% | Apr-22 | Apr-25 | -/-/- | 100.00 | 9.00 |
| Energy Development Georgia | USD | 10 | 8.50% | Jun-22 | Jun-25 | -/-/- | n/a | n/a |
| IG Development | USD | 15 | 8.50% | Jul-22 | Jul-24 | -/-/- | 99.81 | 8.75 |
| Georgia Real Estate | USD | 35 | 8.50% | Oct-22 | Oct-24 | -/-/- | 99.99 | 8.50 |
| Geo. Renewable Power Oper. | USD | 80 | 7.00% | Oct-22 | Oct-27 | -/-/- | 100.00 | 7.00 |
| Lisi Lake Development | USD | 10 | 8.50% | Dec-22 | Dec-24 | -/-/-B+ | 100.00 | 8.50 |
| Silk Real Estate | USD | 20 | 9.00% | Apr-23 | Apr-26 | -/-/- | 100.00 | 9.00 |
| Tegeta Motors | USD | 20 | 8.50% | Apr-23 | Apr-25 | -/-/-BB- | 100.00 | 8.50 |
| Georgia Capital | USD | 150 | 8.50% | Aug-23 | Aug-28 | -/BB-/ | 101.20 | 8.19 |
| Silk Real Estate | USD | 20 | 9.25% | Sep-23 | Sep-26 | -/-/- | 101.21 | 8.63 |
| Prime Concrete | USD | 7.5 | 10.50% | Sep-23 | Sep-27 | -/-/- | n/a | n/a |
| Austrian-Georgian Development | USD | 15 | 9.00% | Oct-23 | Oct-25 | -/-/- | n/a | n/a |
| EUR | | | | | | | | |
| Tegeta Motors | EUR | 5 | 7.00% | Apr-23 | 25-Apr | -/-/-BB- | 100 | 7 |
| GEL | | | | | | | | |
| Geo. Beer Company | GEL | 25 | Ref rate + 4.00% | Dec-18 | Dec-23 | -/-/-BB- | n/a | n/a |
| Vian (Evex) | GEL | 50 | Ref rate + 3.10% | Nov-19 | Nov-24 | -/-/-BB | n/a | n/a |
| Nikora Trade | GEL | 35 | TIBR3M + 3.50% | Nov-21 | Nov-24 | -/-/-BB- | n/a | n/a |
| Nikora | GEL | 35 | TIBR3M + 3.50% | Nov-22 | Nov-25 | -/-/-BB- | n/a | n/a |
| MFO MBC | GEL | 15 | TIBR3M + 4.50% | Dec-22 | Dec-24 | -/-/-B | n/a | n/a |
| Tegeta Motors | GEL | 150 | TIBR3M + 3.50% | Dec-22 | Dec-25 | -/-/-BB- | n/a | n/a |
| MFO Crystal | GEL | 25 | TIBR6M + 4.75% | Dec-22 | Feb-25 | B-/ | n/a | n/a |
| MFO Rico Express | GEL | 130 | TIBR1D + 2.00% | Mar-23 | Mar-26 | -/-/-B+ | n/a | n/a |
| TBC Leasing | GEL | 100 | TIBR3M + 3.00% | Mar-23 | Mar-26 | BB-/ | n/a | n/a |
| TBC Leasing | GEL | 15 | TIBR3M + 2.75% | Jun-23 | Jun-26 | BB-/ | n/a | n/a |
| Tegeta Motors | GEL | 20 | TIBR6M + 3.50% | Jun-23 | Dec-25 | -/-/-BB- | n/a | n/a |

■ Galt & Taggart-led and/or co-managed deals
Source: Bloomberg, Galt & Taggart



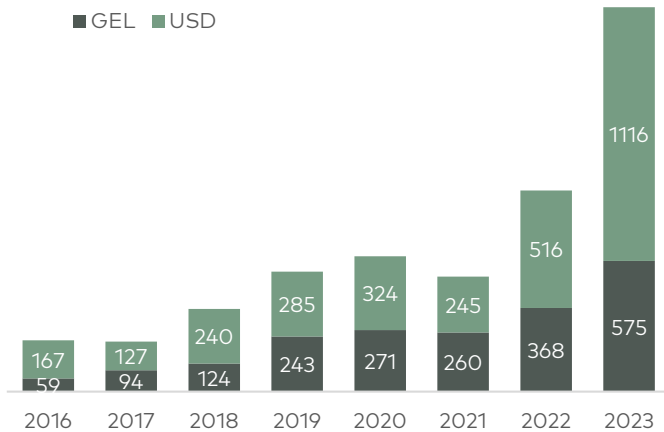
Fixed income

Georgian Eurobonds, YTM



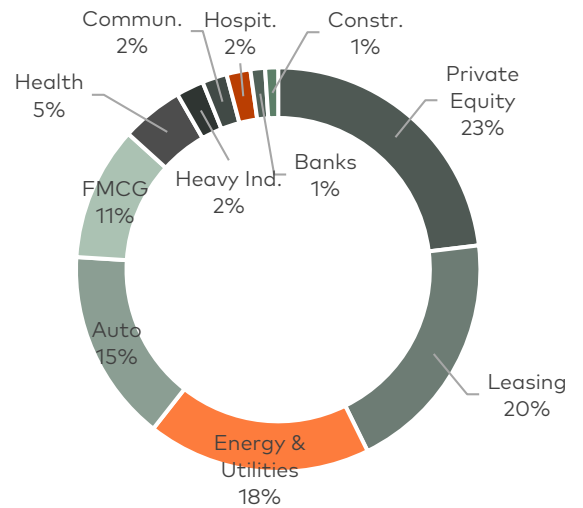
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart
Note: Latest 2023

Georgian corporate public bonds outstanding by sector

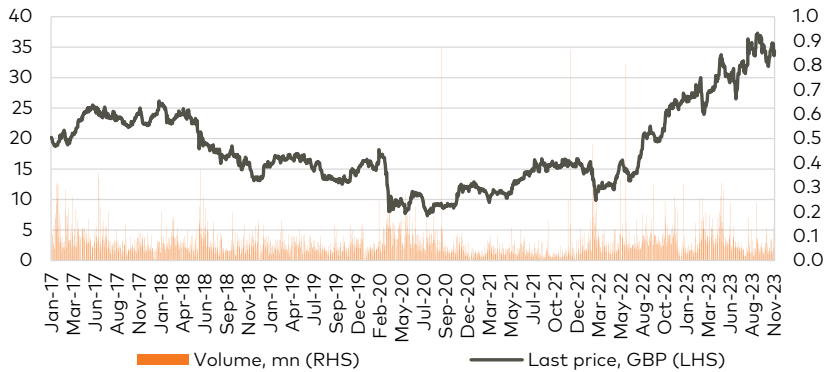


Source: Galt & Taggart



Equities

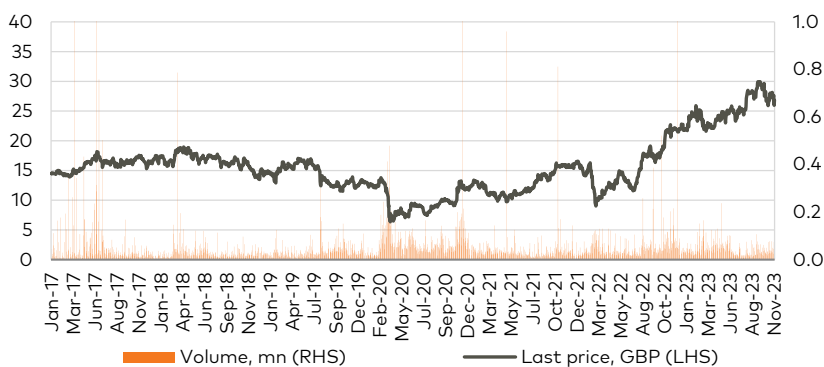
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 34.25/share (-3.11% w/w and -0.29% m/m). More than 321k shares traded in the range of GBP 32.05 - 36.00/share. Average daily traded volume was 53k in the last 4 weeks. The volume of BGEO shares traded was at 0.70% of its capitalization.

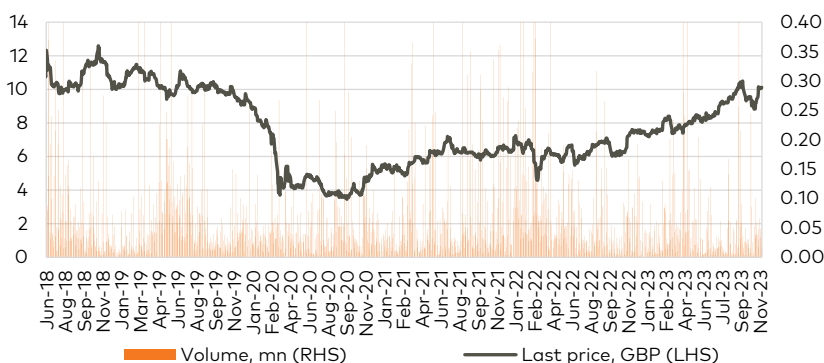
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 26.85/share (-1.65% w/w and -5.12% m/m). More than 252k shares changed hands in the range of GBP 25.95 - 28.35/share. Average daily traded volume was 43k in the last 4 weeks. The volume of TBCG shares traded was at 0.46% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.12/share (+0.40% w/w and +5.75% m/m). More than 159k shares traded in the range of GBP 9.98 - 10.20/share. Average daily traded volume was 36k in the last 4 weeks. The volume of CGEO shares traded was at 0.37% 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 | | |
|--------------------|--------|----------|-------------|----------|--------|---------|---------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | | | | 2022 | 2023F | 2024F | 2022 | 2023F | 2024F |
| Bank of Georgia | BGEO | GBP | 34.25 | 1,571 | 5.4% | 39.8% | 31.5% | 2.74x | 4.12x | 4.16x | 0.90x | 1.02x | 0.86x |
| TBC | TBC | GBP | 26.85 | 1,487 | 13.8% | 22.6% | 18.3% | 4.10x | 4.47x | 3.98x | 1.04x | 1.08x | 0.92x |
| Halyk Bank | HSBK | USD | 13.60 | 3,709 | -3.5% | 33.6% | 22.5% | 2.69x | 2.48x | 2.44x | 0.78x | 0.77x | 0.65x |
| Akbank | AKBNK | TRY | 30.08 | 156,416 | 93.1% | 93.4% | 53.9% | 1.40x | 2.61x | 2.43x | 0.55x | 0.79x | 0.65x |
| Garanti | GARAN | TRY | 47.42 | 199,164 | 80.3% | 92.0% | 57.9% | 1.91x | 2.77x | 2.53x | 0.73x | 1.06x | 0.88x |
| Isbank | ISCTR | TRY | 20.54 | 205,399 | 83.7% | 120.9% | 60.8% | 0.84x | 2.82x | 2.90x | 0.60x | 0.85x | 0.71x |
| PKO | PKO | PLN | 47.68 | 59,600 | 50.6% | 71.0% | 57.4% | 10.98x | 9.63x | 8.57x | 1.03x | 1.28x | 1.24x |
| PEKAO | PEO | PLN | 138.75 | 36,418 | 43.5% | 66.5% | 60.4% | na | 6.11x | 7.62x | na | 1.22x | 1.17x |
| Millennium | MIL | PLN | 7.70 | 9,341 | 63.8% | 59.8% | 68.1% | na | 3.17x | 4.08x | 1.04x | 1.36x | 1.25x |
| Mbank | MBK | PLN | 559.00 | 23,738 | 63.9% | 70.6% | 88.9% | na | 6.65x | 7.34x | 1.10x | 1.51x | 1.34x |
| BRD | BRD | RON | 17.38 | 12,112 | 41.3% | 29.7% | 33.7% | 6.81x | 8.18x | 9.47x | 1.31x | 1.58x | 1.56x |
| Banca Transilvania | TLV | RON | 23.00 | 18,369 | 30.6% | 29.8% | 30.3% | na | 7.06x | 7.24x | 1.60x | 1.48x | 1.37x |
| Komerční | KOMB | CZK | 679.00 | 129,043 | 2.9% | -9.5% | 3.7% | 8.36x | 8.09x | 8.91x | 1.21x | 1.02x | 0.99x |
| Mean | | | | | | | | 4.42x | 5.24x | 5.51x | 0.99x | 1.16x | 1.05x |
| Median | | | | | | | | 2.74x | 4.47x | 4.16x | 1.04x | 1.08x | 0.99x |

Source: Bloomberg, S&P Capital IQ



Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Galt & Taggart

Address: 3 A. Pushkin Street, Tbilisi 0105, Georgia

Tel: +995 32 2401 111

Research: research@gt.ge

Tel: +995 32 2401 111 (4298)

Brokerage: sales@gt.ge

Tel: +995 32 2401 111 (4132)

Investment Banking: ib@gt.ge

Tel: +995 32 2401 111 (7457)