



Economy

GDP recalculation – growth revised upwards

Geostat revised historical series of GDP and other macroeconomic indicators as recommended by international organizations such as the IMF and Eurostat. Based on this recalculation, real GDP growth, nominal GDP, and per capita GDP are higher in the new series compared to the old series for every single year from 2010 to 2023. The Real GDP growth rate was revised upwards to 7.5% in 2023 from the 7.0% recorded in the old series, with real GDP growth averaging 9.7% during 2021-23 in the new series compared to 9.3% in the old series. The only downward revision to the real growth rate was recorded in 2014: 4.1% in the new series versus 4.4% in the old series. The expansion in nominal GDP improves debt indicators, creating fresh borrowing space.

Based on this recalculation, we anticipate growth to reach 6.0% in 2024 in our baseline scenario, compared to the 5.4% projection before this recalculation.

Tourism revenues estimated at US\$ 300mn in Jan-24

Tourism revenues reached US\$ 300mn (+26.6% y/y, excluding migration effect) in Jan-24, according to our estimates.

We forecast tourism revenues at US\$ 4.5bn (+10.0% y/y) for 2024, assuming that international visits to Georgia will fully recover to pre-pandemic levels.

International reserves at US\$ 4.9bn in Jan-24

Gross international reserves decreased by 0.9% y/y to US\$ 4.9bn in Jan-24, according to NBG. On a monthly basis, the reserves reduced by 3.1% (-US\$ 156.4mn). Changes in reserves were attributed to the government and banking sector FX operations.

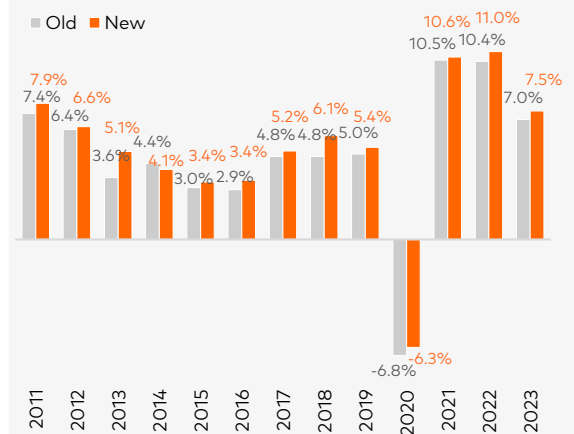
Key macro indicators

| | 2023E | 2024F |
|------------------------------|-----------|--------|
| Real GDP growth (% change) | 7.5% | 6.0% |
| GDP per capita (ppp) | 22,371 | 24,349 |
| GDP per capita (US\$) | 8,170 | 8,685 |
| Population (mn) | 3.7 | 3.7 |
| Inflation (average) | 2.5% | 3.0% |
| Gross reserves (US\$ bn) | 5.0 | 5.2 |
| CAD (% of GDP) | 4.5% | 4.3% |
| Fiscal deficit (% of GDP) | 2.5% | 2.5% |
| Total public debt (% of GDP) | 39.1% | 38.0% |
| Fitch/S&P/Moody's* | BB/BB/Ba2 | |

Source: Official data, Rating agencies, Galt & Taggart

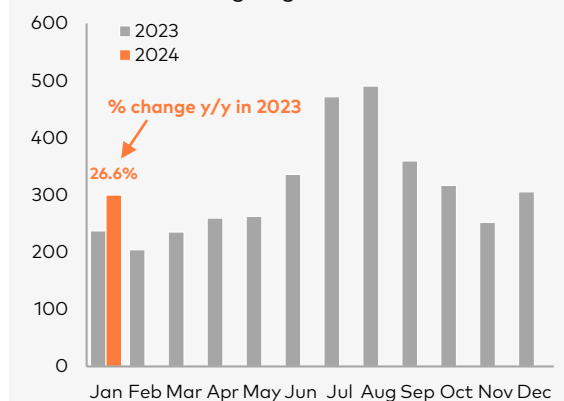
*Latest sovereign credit ratings

Real GDP growth: New vs. Old series



Source: Geostat

Tourism revenues, US\$ mn excluding migration effect



Source: NBG, Galt & Taggart

Money market

Ministry of Finance T-bills/T-notes:

3-year GEL 50.0mn (US\$ 18.8mn) Benchmark bonds were sold at the auction held at NBG on February 6, 2024. Total demand was 1.9x higher and the weighted average yield was fixed at 8.210%, down by 0.082ppts from previous auction held in Jan-24.

6-month GEL 20.0mn (US\$ 7.5mn) T-Bills were sold at the auction held at NBG on February 6, 2024. Total demand was 2.4x higher and the weighted average yield was fixed at 8.345%, down by 0.602ppts from previous auction held in Jan-24.

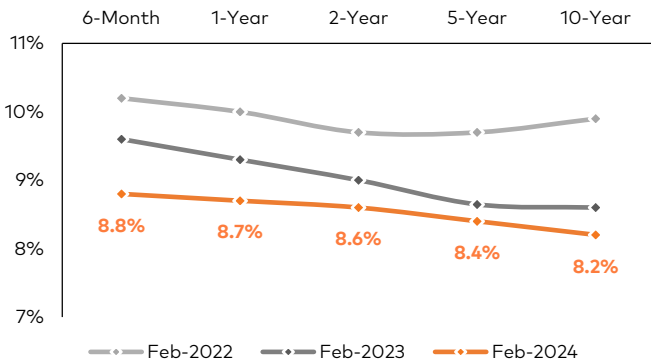
The nearest treasury security auction is scheduled for February 13, 2024, where GEL 20.0mn nominal value 1-year T-bills and GEL 30.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2024

| Maturity | YTD placements, GEL mn | Remaining placements, GEL mn | Outstanding amount, GEL mn* |
|-------------------------------|------------------------|------------------------------|-----------------------------|
| Short-term (less than 1-year) | 110 | 420 | 360 |
| Long-term (over 1-year) | 369 | 2,925 | 7,778 |
| Total | 479 | 3,345 | 8,138 |

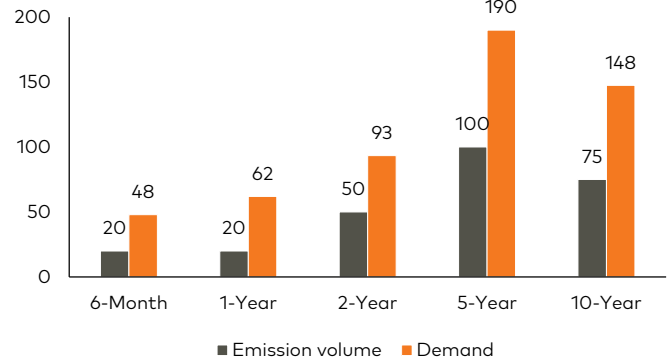
Source: MoF
*As of December 2023

T-bills / T-notes, yield curve



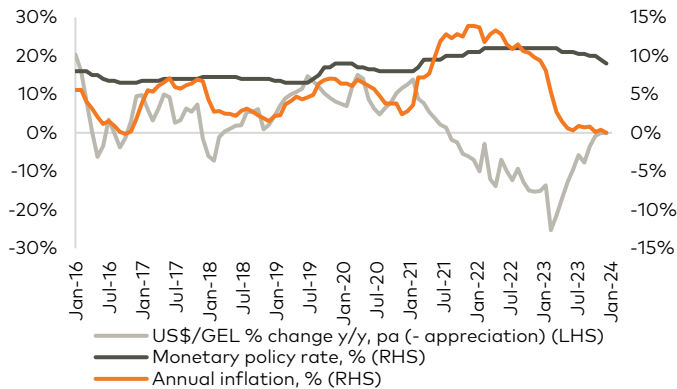
Source: NBG

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



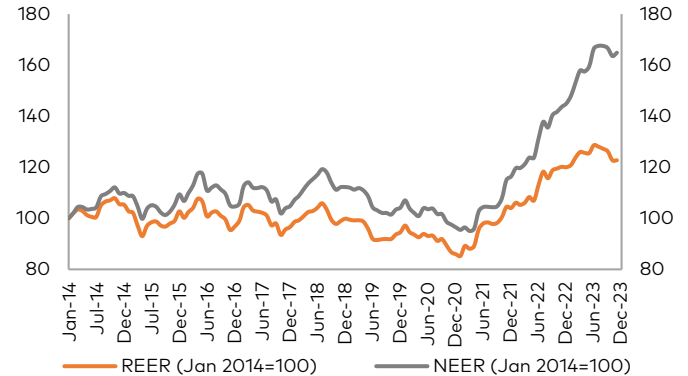
Source: NBG

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 US and European fixed income yields increased. While the 10-year US Treasury yield rose from 4.03% to 4.19%, the 10-year German Bund (a European benchmark) yield went from 2.23% to 2.38%.

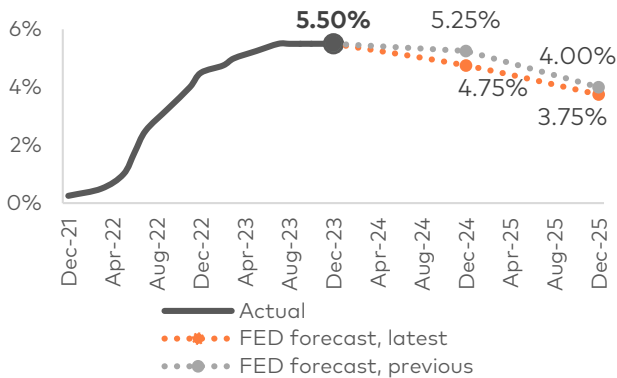
| Sovereigns YTM, % | Last | 1Q24F | 2Q24F | 3Q24F |
|-------------------|------|-------|-------|-------|
| US 2y Treasury | 4.48 | 4.33 | 4.04 | 3.79 |
| US 5y Treasury | 4.14 | 4.04 | 3.84 | 3.69 |
| US 10y Treasury | 4.19 | 4.04 | 3.88 | 3.78 |
| US 30y Treasury | 4.37 | 4.24 | 4.09 | 4.00 |
| German 2y Bund | 2.72 | 2.64 | 2.44 | 2.31 |
| German 10y Bund | 2.38 | 2.31 | 2.20 | 2.19 |

| Interest rates, % | Last | 1 week ago | 1 month ago | 1-Jan 2024 |
|--------------------|------|------------|-------------|------------|
| SOFR | 5.31 | 5.31 | 5.31 | 5.38 |
| EURIBOR (3 months) | 3.90 | 3.92 | 3.93 | 3.91 |

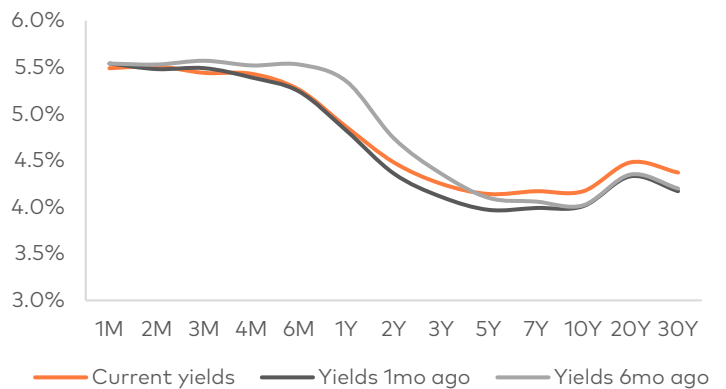
| Corporates YTM, % | Last | 1 week ago | 1 month ago | 1-Jan 2024 |
|---------------------|-------|------------|-------------|------------|
| US Inv. Grade | 5.40 | 5.41 | 5.22 | 5.22 |
| Eurozone Inv. Grade | 3.92 | 3.85 | 3.76 | 3.67 |
| EM Inv. Grade | 5.48 | 5.49 | 5.33 | 5.22 |
| US High Yield | 7.95 | 8.05 | 7.89 | 7.80 |
| EM High Yield | 10.23 | 10.35 | 10.25 | 10.12 |

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

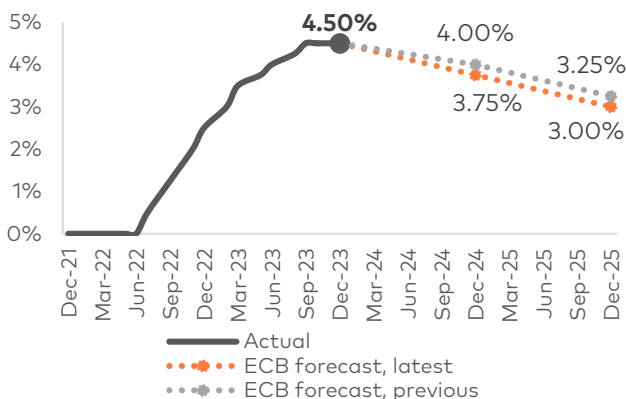
FED funds rate (upper bound)



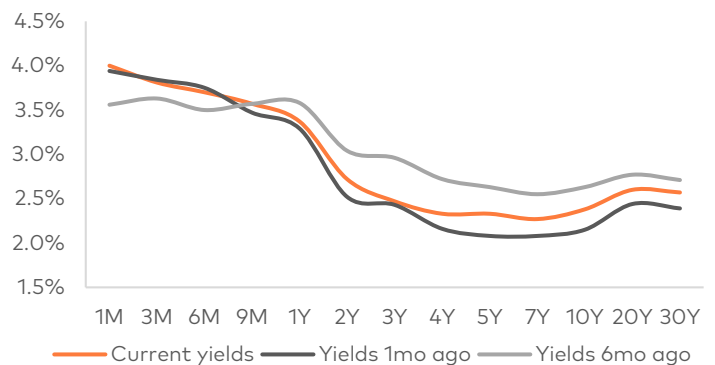
US treasuries yield curve



ECB main rate



German bonds yield curve



Source: FED, ECB, Bloomberg, Galt & Taggart



Fixed income

Georgian Eurobonds performance

| Issuer | Currency | Amount, mn | Coupon | Issue date | Maturity date | Ratings | Mid price | Mid yield, % | Z-spread, bps |
|-------------------|----------|------------|---------|------------|---------------|-------------------------|-----------|--------------|---------------|
| | | | | | | (Fitch/S&P/Moody/Scope) | | | |
| GEORG 04/26 | USD | 500 | 2.750% | Apr-21 | Apr-26 | BB/BB/Ba2 | 93.35 | 6.03 | 174.49 |
| GRAIL 06/28 | USD | 500 | 4.000% | Apr-21 | Jun-28 | BB-/BB-/- | 91.59 | 6.24 | 228.65 |
| GEBGG 11 1/8 PERP | USD | 100 | 11.125% | Mar-19 | n/a | B-/-/- | 100.88 | 12.74 | 332.42 |
| SILKNET 01/27 | USD | 300 | 8.375% | Jan-22 | Jan-27 | BB-/-/B1 | 100.34 | 8.24 | 378.35 |
| TBC 06/24 | USD | 300 | 5.750% | Jun-19 | Jun-24 | BB-/-/Ba2 | 99.62 | 6.80 | 149.59 |
| TBC PERP | USD | 125 | 10.775% | Jul-19 | n/a | B-/-/- | 99.83 | 13.21 | 583.50 |

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

Georgian local bonds performance

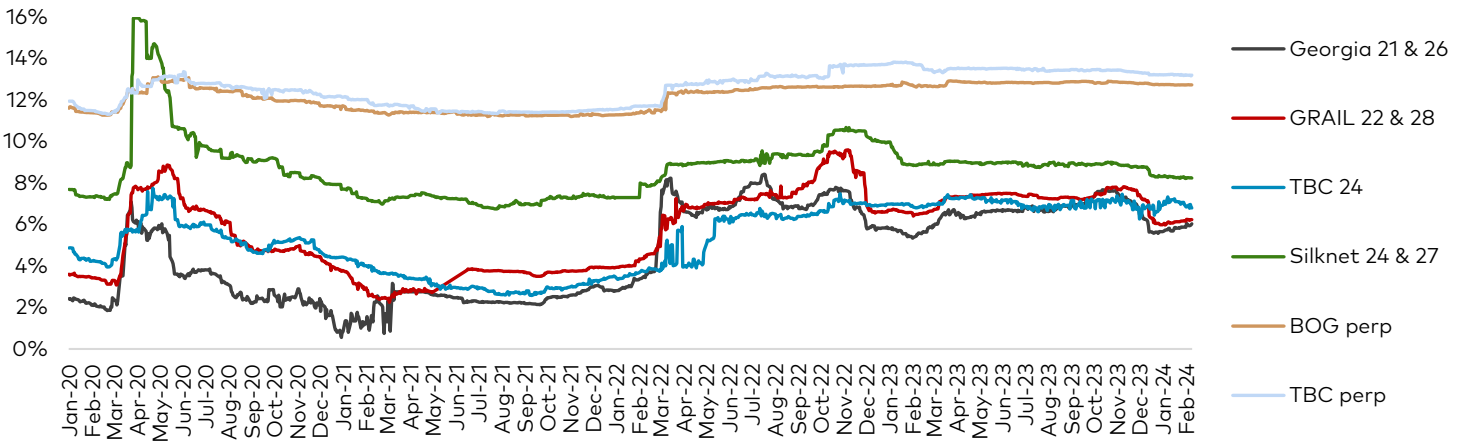
| Issuer | Currency | Amount, mn | Coupon | Issue date | Maturity date | Ratings | Mid price | Mid yield, % |
|-------------------------------|----------|------------|------------------|------------|---------------|-------------------------|-----------|--------------|
| | | | | | | (Fitch/S&P/Moody/Scope) | | |
| 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+ | 99.77 | 6.75 |
| IG Development | USD | 15 | 8.50% | Jul-22 | Jul-24 | -/-/-/- | 99.87 | 8.75 |
| Georgia Real Estate | USD | 35 | 8.50% | Oct-22 | Oct-24 | -/-/-/- | 99.98 | 8.50 |
| Geo. Renewable Power Oper. | USD | 80 | 7.00% | Oct-22 | Oct-27 | -/-/-/- | 99.99 | 7.00 |
| Lisi Lake Development | USD | 10 | 8.50% | Dec-22 | Dec-24 | -/-/-/B+ | 100.00 | 8.50 |
| Geosteel | USD | 15 | 9.00% | Apr-23 | Apr-25 | -/-/-/- | 99.98 | 9.00 |
| Silk Real Estate | USD | 20 | 9.00% | Apr-23 | Apr-26 | -/-/-/- | 99.99 | 9.00 |
| Tegeta Motors | USD | 20 | 8.50% | Apr-23 | Apr-25 | -/-/-/BB- | 99.66 | 8.75 |
| Energy Development Georgia | USD | 10 | 8.50% | Jun-23 | Jun-25 | -/-/-/- | n/a | n/a |
| Georgia Capital | USD | 150 | 8.50% | Aug-23 | Aug-28 | -/BB-/-/ | 101.17 | 8.19 |
| Silk Real Estate | USD | 20 | 9.25% | Sep-23 | Sep-26 | -/-/-/- | 101.14 | 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 |
| MFO EuroCredit | USD | 10 | 9.50% | Dec-23 | Dec-27 | -/-/-/- | n/a | n/a |
| Geosteel | USD | 5 | 8.50% | Dec-23 | Dec-25 | -/-/-/- | 99.57 | 8.75 |
| IG Development | USD | 20 | 8.50% | Dec-23 | Dec-25 | -/-/-/- | 99.56 | 8.75 |
| EUR | | | | | | | | |
| Tegeta Motors | EUR | 5 | 7.00% | Apr-23 | Apr-25 | -/-/-/BB- | 99.67 | 7.25 |
| Tegeta Motors | EUR | 4 | 7.00% | Dec-23 | Dec-25 | -/-/-/BB- | 99.57 | 7.25 |
| Tegeta Motors | EUR | 7 | 6.75% | Dec-23 | Dec-25 | -/-/-/BB- | 100.43 | 6.50 |
| IG Development | EUR | 5 | 7.00% | Jan-24 | Jan-26 | -/-/-/- | 99.55 | 7.25 |
| GEL | | | | | | | | |
| 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 | -/-/-/BB | 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 |
| Tegeta Motors | GEL | 20 | 14.5% | Dec-23 | Dec-25 | -/-/-/BB- | n/a | n/a |
| Cellfie | GEL | 65 | TIBR6M + 3.50% | Dec-23 | Dec-25 | -/-/-/BB- | n/a | n/a |

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



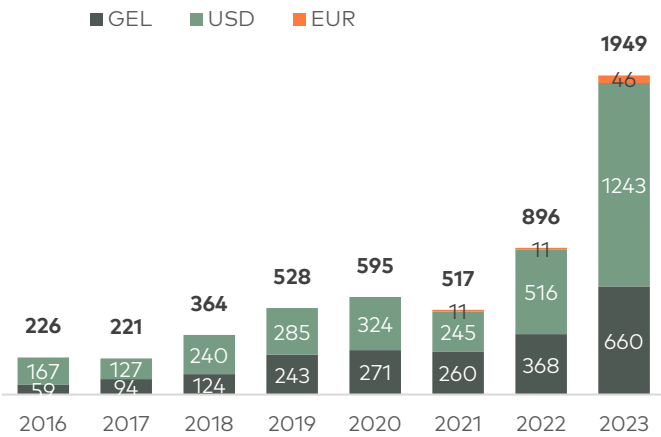
Fixed income

Georgian Eurobonds, YTM



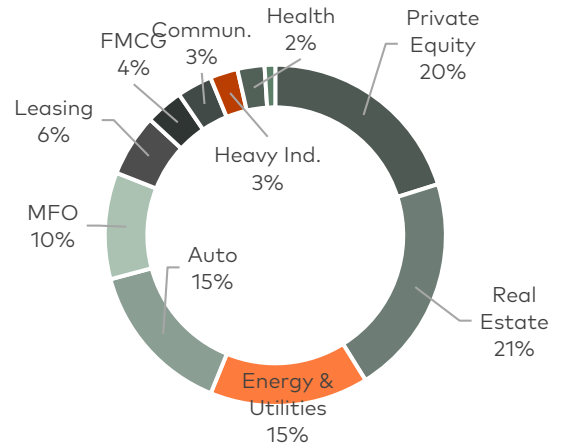
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart
Note: USD and EUR bonds are converted into GEL as of issuance date

Georgian corporate public bonds outstanding by sector

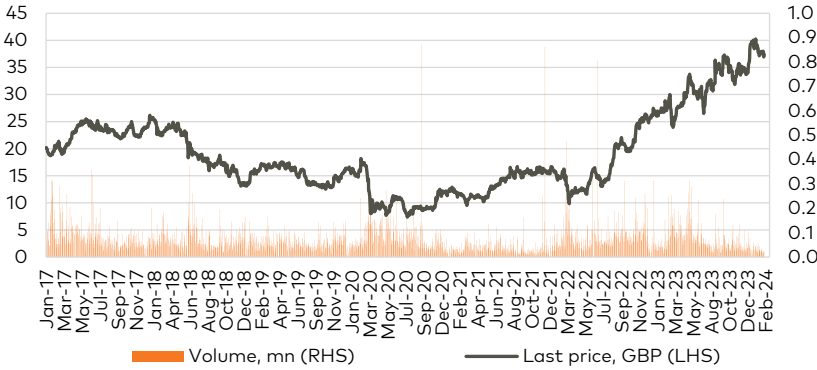


Source: Galt & Taggart



Equities

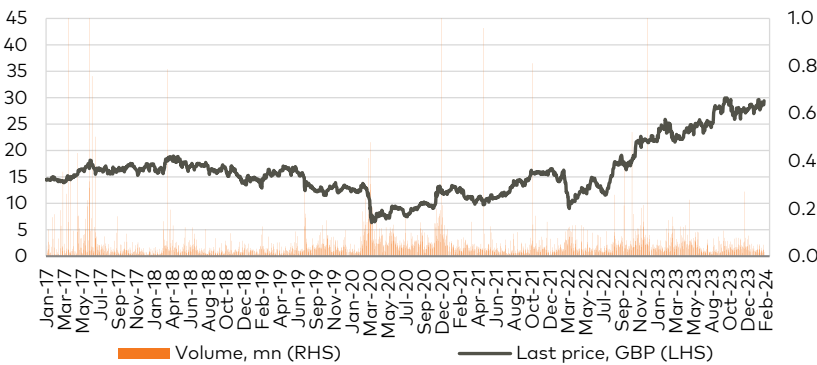
Bank of Georgia Group (BGE0 LN)



Bank of Georgia Group (BGE0 LN) shares closed at GBP 37.50/share (-1.06% w/w and -4.82% m/m). More than 107k shares traded in the range of GBP 36.60 - 38.20/share. Average daily traded volume was 28k in the last 4 weeks. The volume of BGE0 shares traded was at 0.23% of its capitalization.

Source: Bloomberg

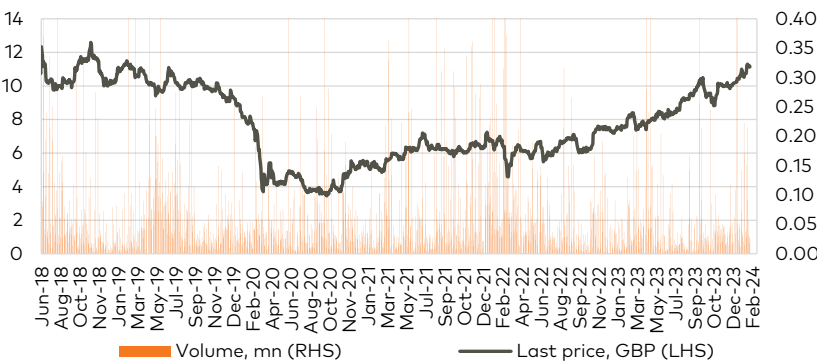
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 29.40/share (+1.03% w/w and +5.38% m/m). More than 133k shares changed hands in the range of GBP 28.10 - 29.40/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.24% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 11.14/share (-1.42% w/w and +6.70% m/m). More than 159k shares traded in the range of GBP 11.14 - 11.44/share. Average daily traded volume was 73k in the last 4 weeks. The volume of CGEO shares traded was at 0.36% of its capitalization.

Source: Bloomberg

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 | 37.50 | 1,721 | 20.4% | 37.4% | -5.7% | 2.74x | 4.43x | 4.37x | 0.90x | na | na |
| TBC | TBC | GBP | 29.40 | 1,629 | 16.7% | 20.5% | 3.9% | 4.10x | 4.87x | 4.23x | 1.04x | na | na |
| Halyk Bank | HSBK | USD | 15.24 | 4,156 | 6.0% | 39.8% | 0.5% | 2.69x | 2.60x | 2.70x | 0.78x | 0.86x | 0.73x |
| Akbank | AKBNK | TRY | 40.26 | 209,352 | 30.0% | 173.9% | 10.2% | 1.40x | 3.05x | 2.92x | 0.55x | 1.00x | 0.78x |
| Garanti | GARAN | TRY | 64.45 | 270,690 | 21.6% | 206.0% | 10.5% | 1.91x | 3.56x | 5.14x | 0.73x | 1.13x | 0.92x |
| Isbank | ISCTR | TRY | 25.82 | 258,199 | 46.5% | 171.2% | 10.5% | 0.84x | 3.68x | 3.70x | 0.60x | 1.07x | 0.92x |
| PKO | PKO | PLN | 52.16 | 65,200 | 33.1% | 59.0% | 3.7% | 10.98x | 7.63x | 7.55x | 1.03x | 1.36x | 1.31x |
| PEKAO | PEO | PLN | 158.00 | 41,470 | 40.6% | 67.8% | 3.9% | na | 6.37x | 7.40x | na | 1.36x | 1.31x |
| Millennium | MIL | PLN | 8.40 | 10,190 | 36.4% | 67.8% | 0.5% | na | 3.15x | 3.91x | 1.04x | 1.47x | 1.35x |
| Mbank | MBK | PLN | 546.40 | 23,203 | 21.9% | 71.3% | 2.1% | na | 7.66x | 6.81x | 1.10x | 1.59x | 1.40x |
| BRD | BRD | RON | 18.06 | 12,586 | 25.4% | 34.4% | 0.8% | 6.81x | 7.79x | 9.59x | 1.31x | 1.55x | 1.60x |
| Banca Transilvania | TLV | RON | 24.92 | 19,903 | 22.8% | 41.9% | 2.7% | na | 7.36x | 7.86x | 1.60x | 1.59x | 1.54x |
| Komerčni | KOMB | CZK | 792.00 | 150,519 | 11.4% | 5.4% | 9.3% | 8.36x | 9.18x | 10.78x | 1.21x | 1.10x | 1.16x |
| Mean | | | | | | | | 4.42x | 5.49x | 5.92x | 0.99x | 1.28x | 1.18x |
| Median | | | | | | | | 2.74x | 4.87x | 5.14x | 1.04x | 1.36x | 1.31x |

Source: Bloomberg, S&P Capital IQ

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