



TBC CAPITAL

A Journey Through the Evolving Landscape of Local Capital Markets in Georgia



Georgian capital market has a significant room for growth, as the economy of the country progresses

Benefits of developed capital Markets



Enhancing
Financial
Inclusion



Facilitating
Corporate
Growth



Risk
Diversification



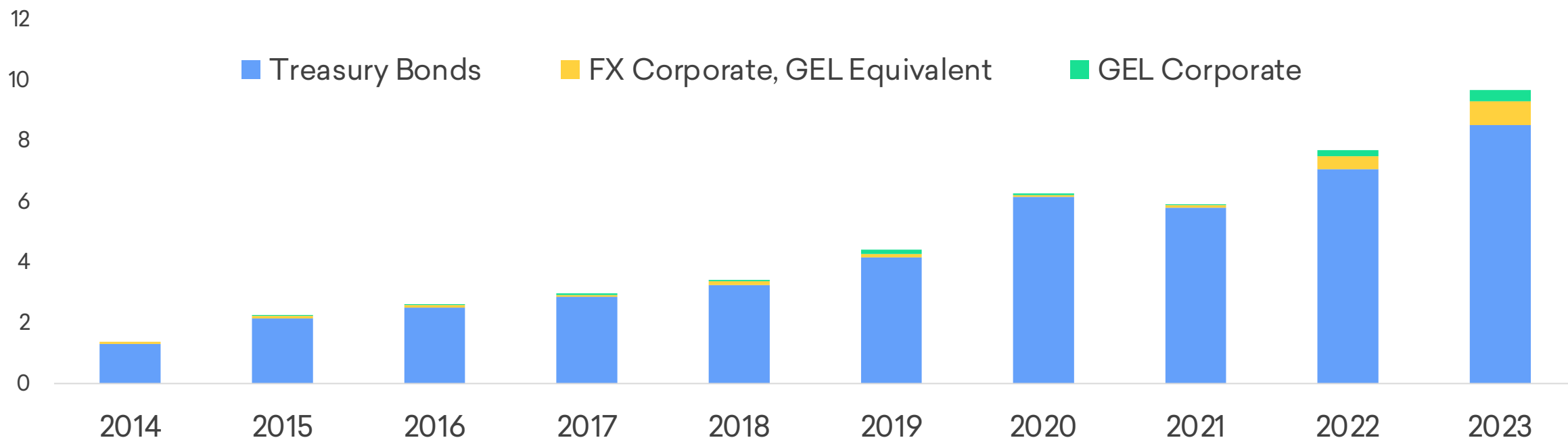
Attracting
Foreign
Investment



Job Creation
and Higher
Wages

Georgia's local bond market development timeline

Local bond market size, GEL, bn



- NBG allows USD Issues
- List of repo-eligible IFI issuers established

- Rated GEL Denominated Corporate bond become eligible for Repo Transactions

- New Taxation scheme for publicly listed financial instruments, abolishing the tax on coupon and capital gain

- Pension Reform

- Fund Management Law enacted
- GDN Framework
- Derivatives law and ISDA agreement

- Securities Holding Law

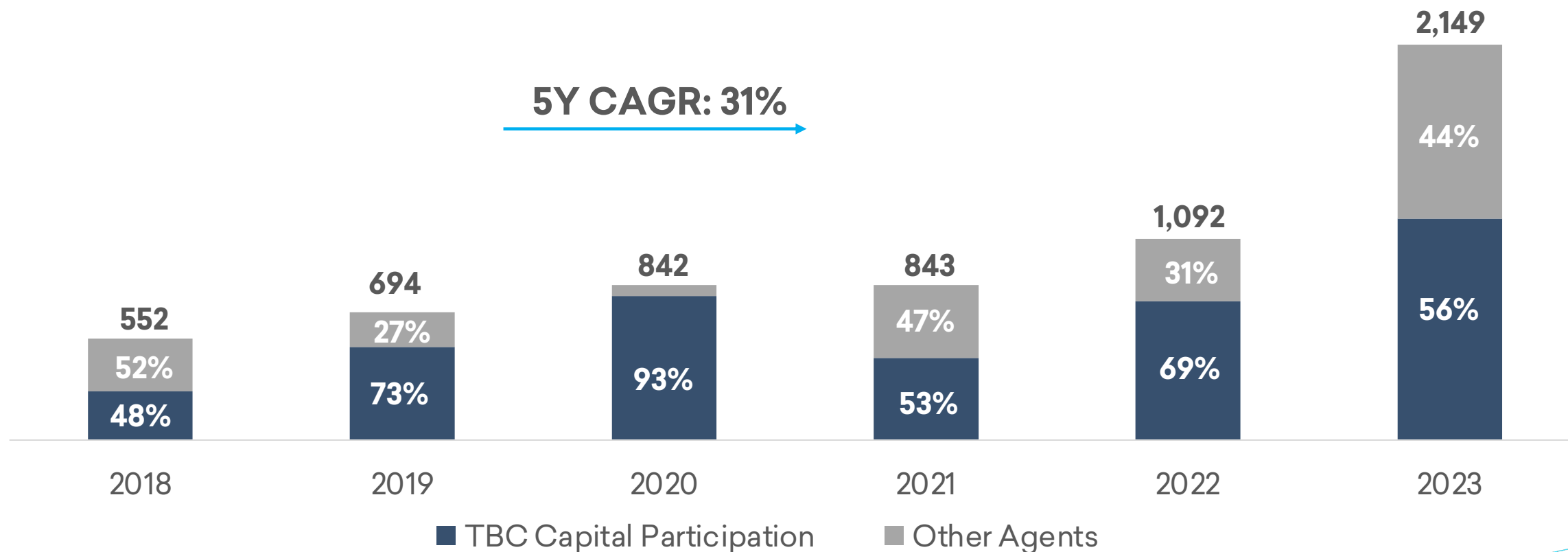
- Covered Bond Law

- Law on Securitization

Source: NBG, TBC Capital

Local Corporate Bond Market surged in the last two years, driven by favorable economic conditions and increased attractiveness of bonds compared to various saving or borrowing instruments

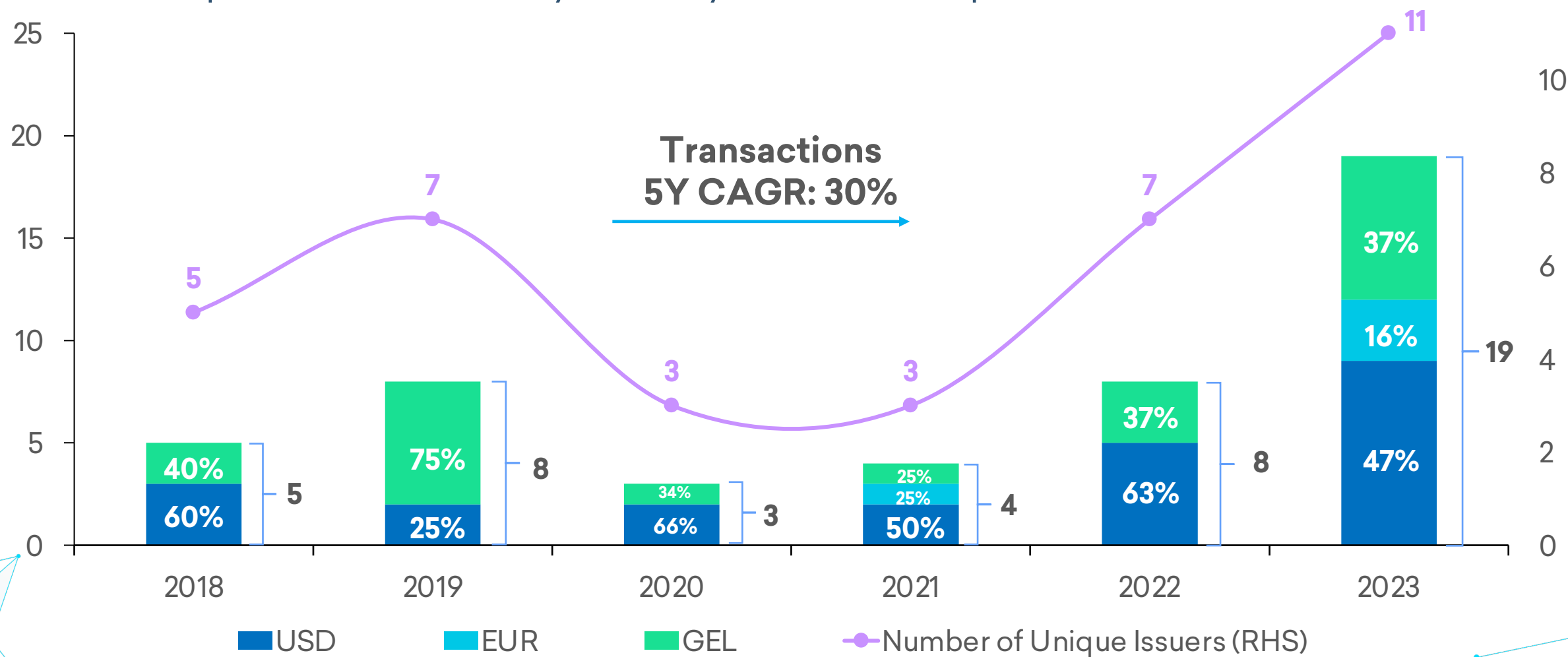
Local bond market size, GEL, mn



Source: NBG, TBC Capital

Growth in market size is driven by the interest from new issuers and increased number of transactions

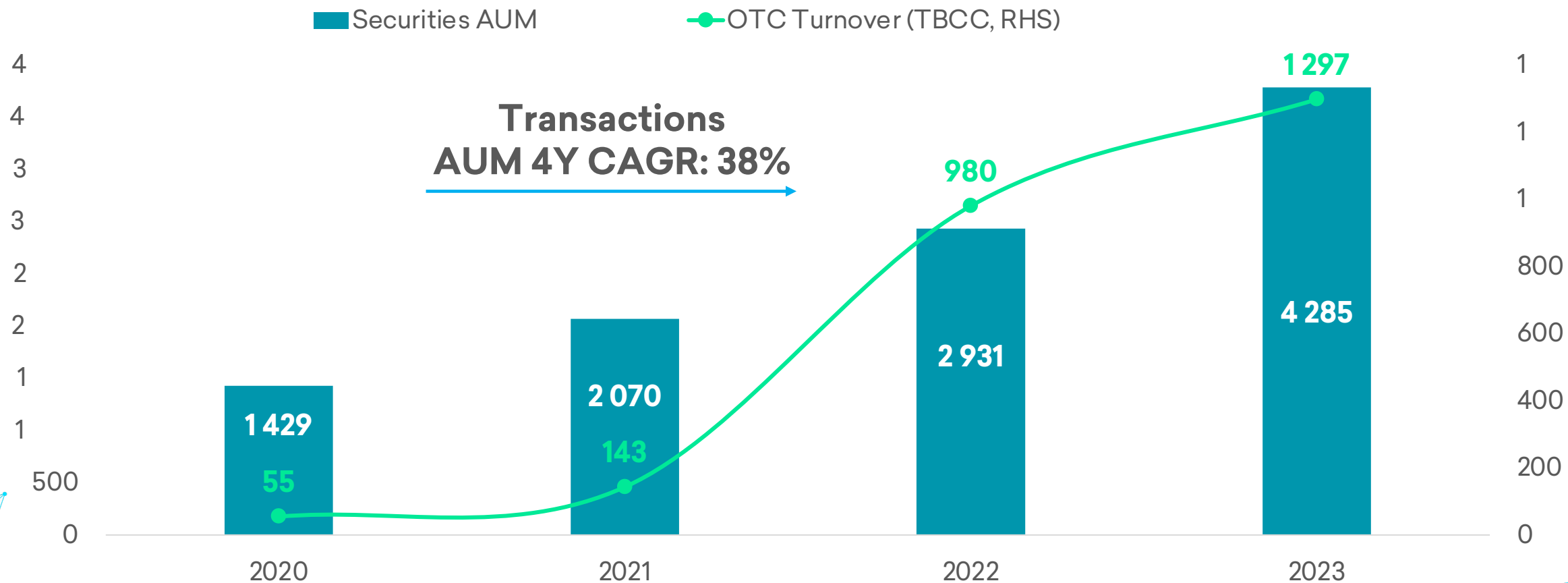
Number of public transactions by currency (LHS) and unique issuers (RHS)



Source: NBG, TBC Capital

As investor interest increases, the total market size and OTC turnover in international bonds gain momentum as OTC Turnover increased by 130% compounded annually

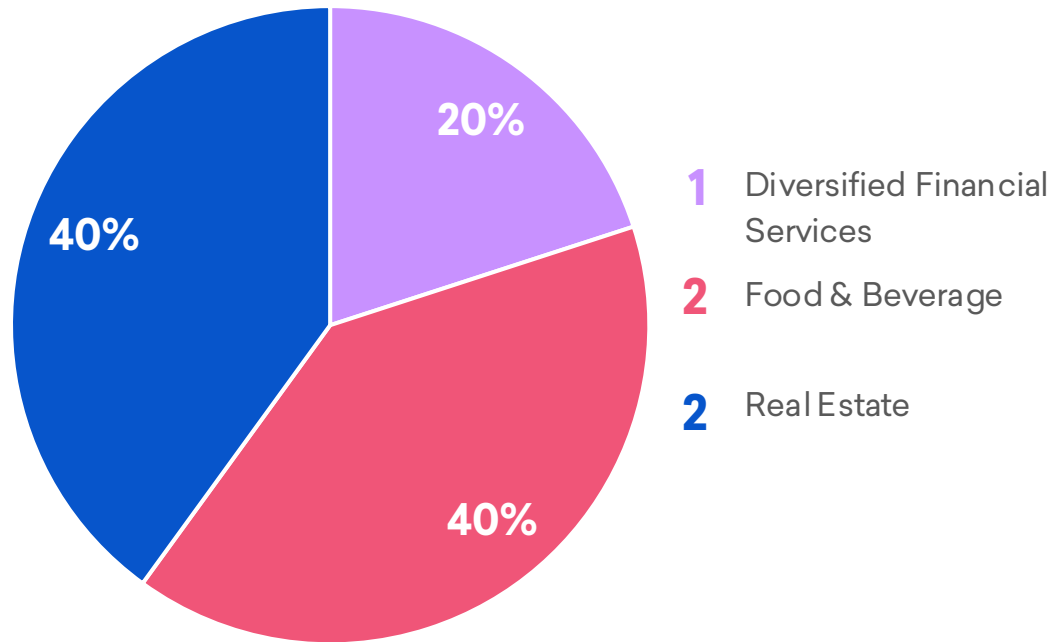
Secondary market turnover and brokerage's AUM, GEL, mn



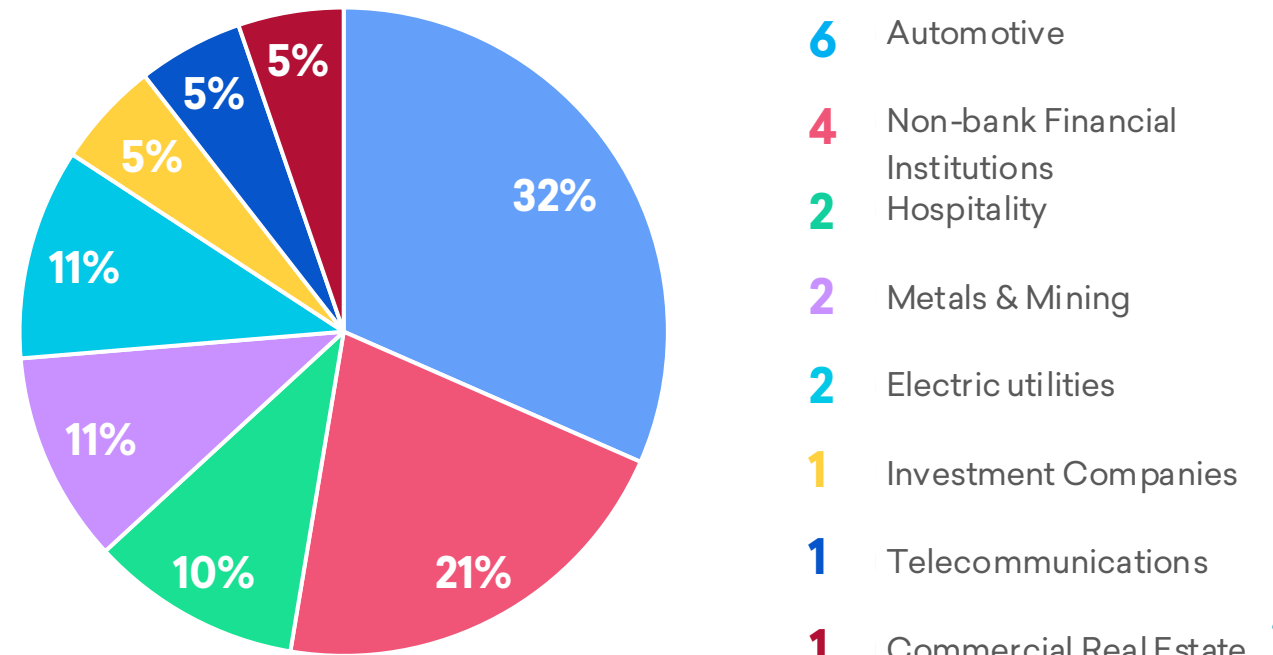
Source: NBG, TBC Capital,

Bond financing is becoming attractive for local corporates across the range of industries

Number of issues by industry 2018

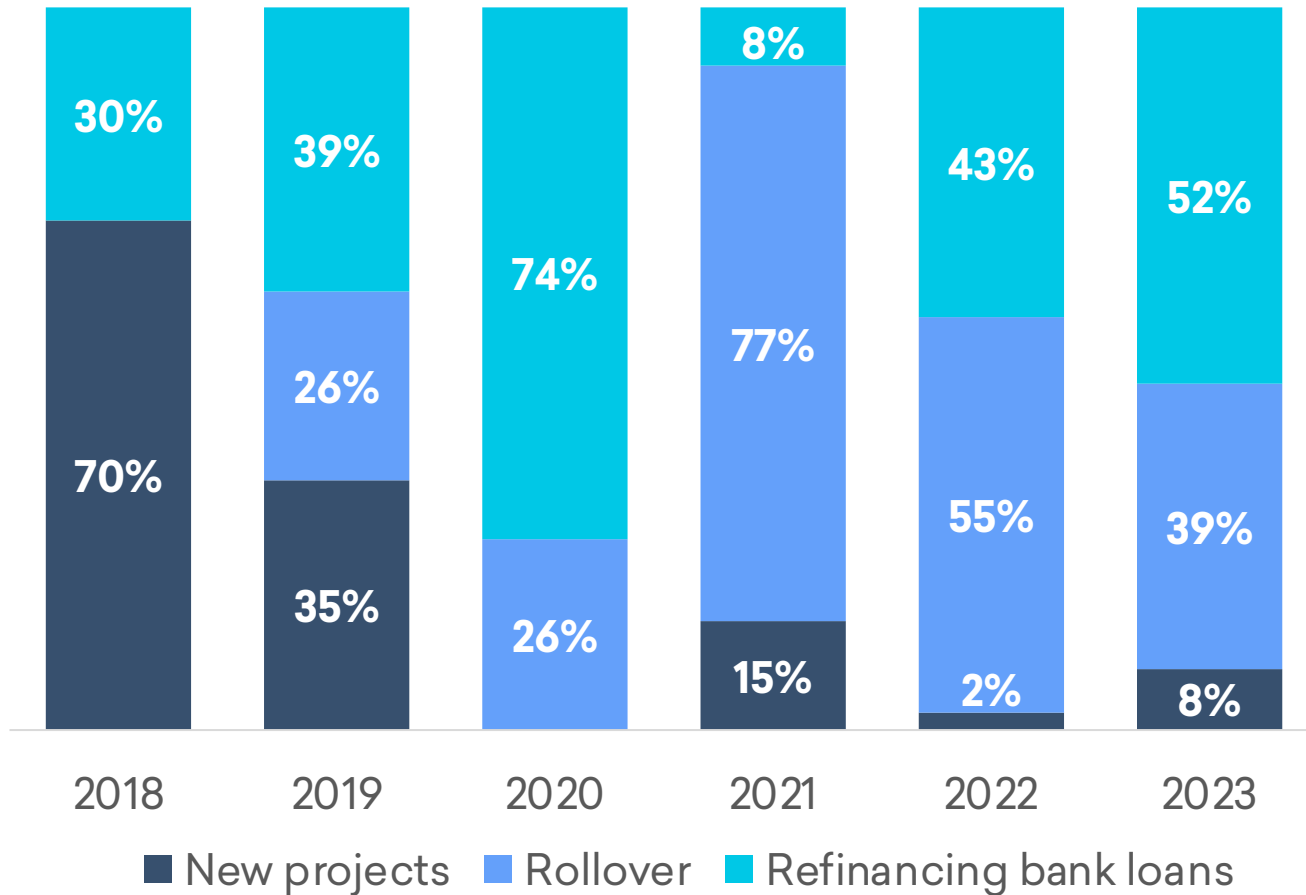


Number of issues by industry 2023



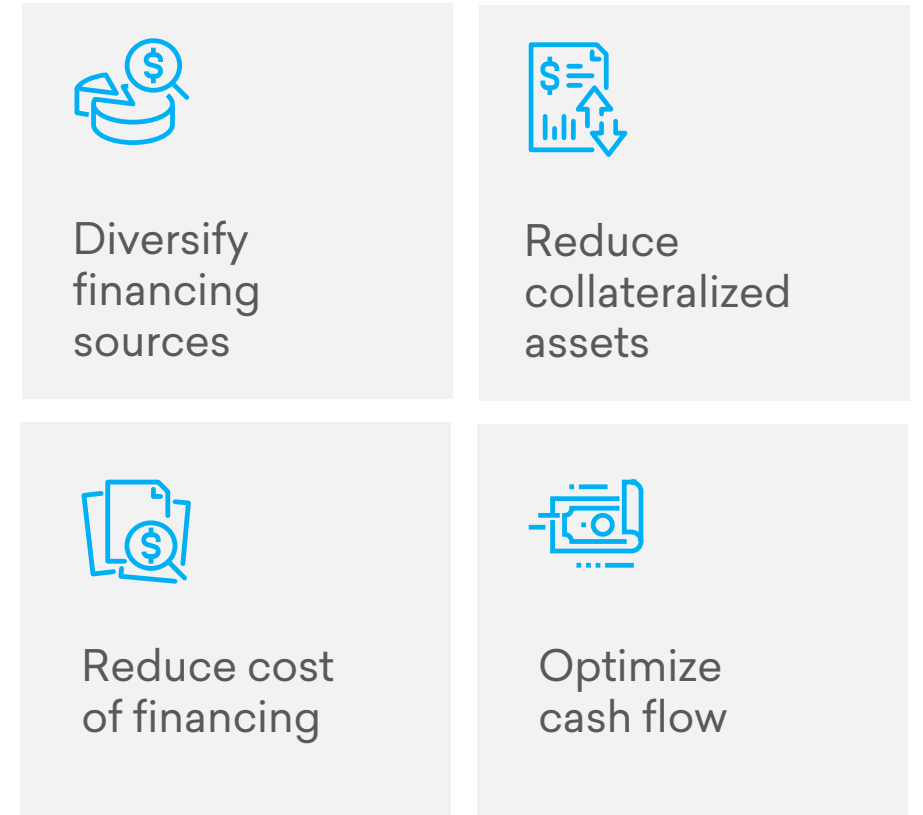
There is a shift in use of proceeds from funding new projects to refinancing bank loans

Purpose of issuance by years



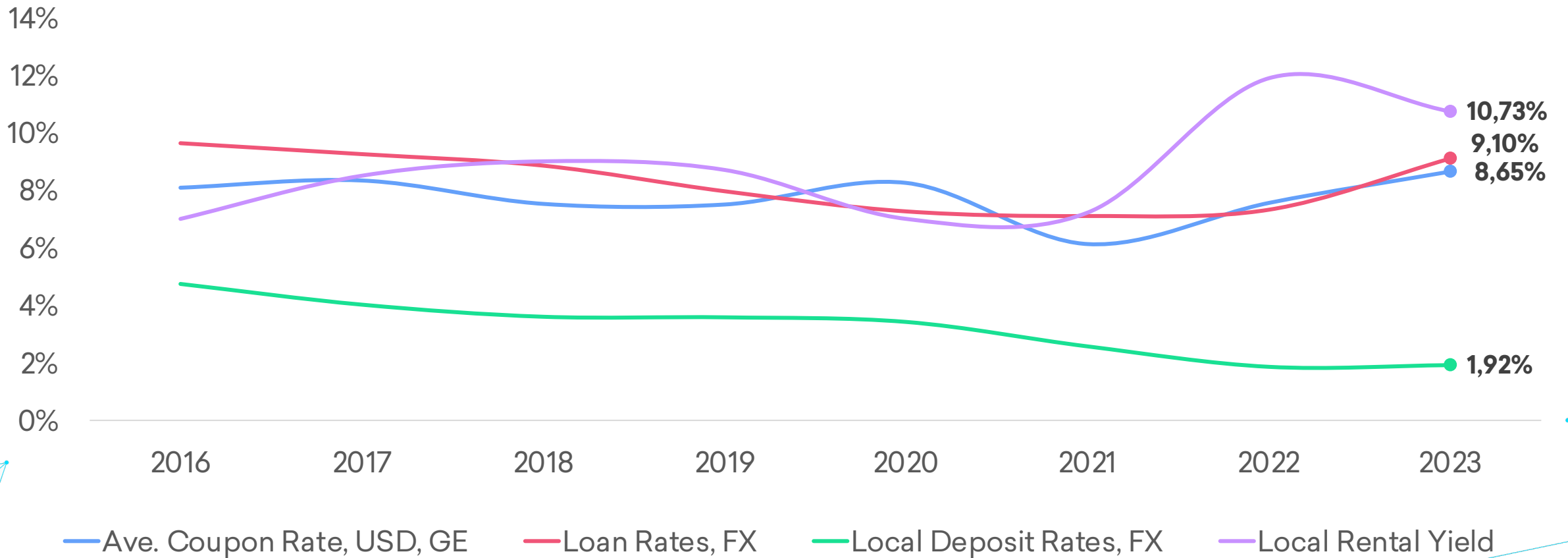
Source: NBG, TBC Capital

Benefits of bond issuance



Rental yields pose significant competition to bond returns, however bonds remain a favorable investment option for investors and offer a cheaper funding alternative for corporations

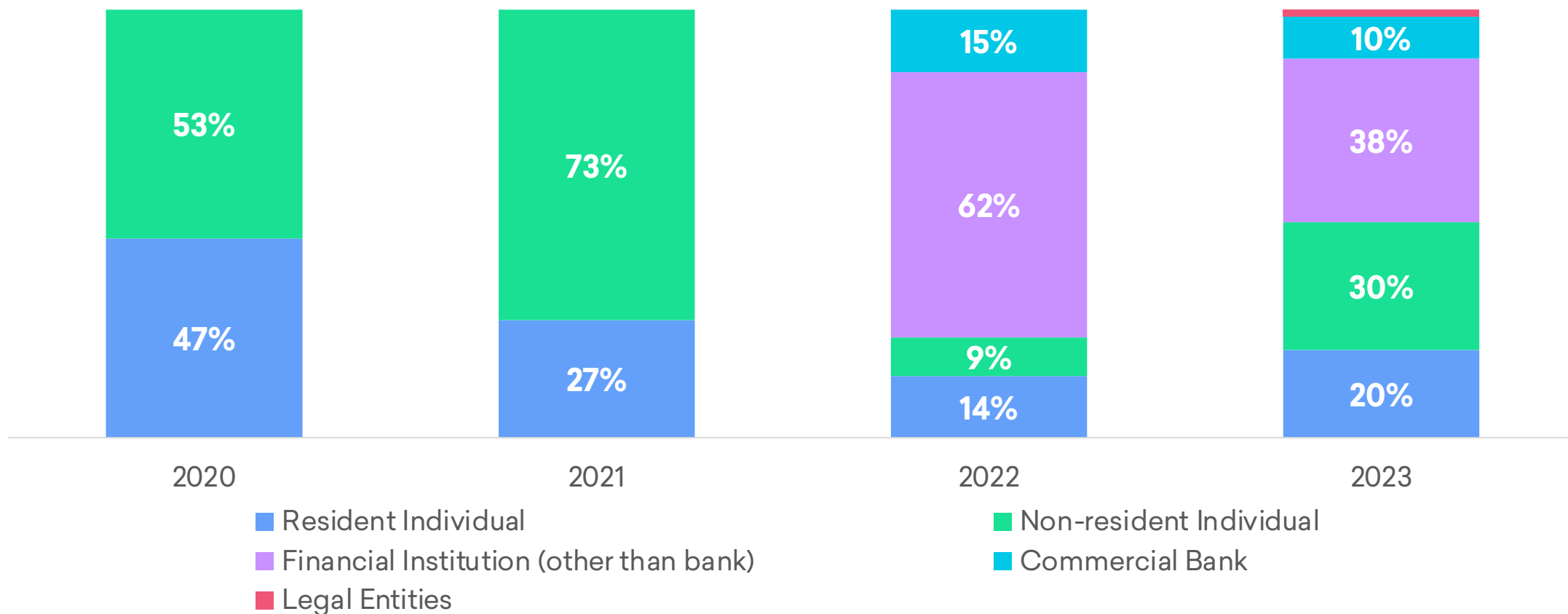
Interest rates on various saving and funding options



Source: TBC Capital, NBG, NAPR, Myhome.ge

Major investors in local USD corporate bonds are individuals predominantly non-residents with average of 40% share, however, non-banking financial institutions are gaining momentum in the last 2 years

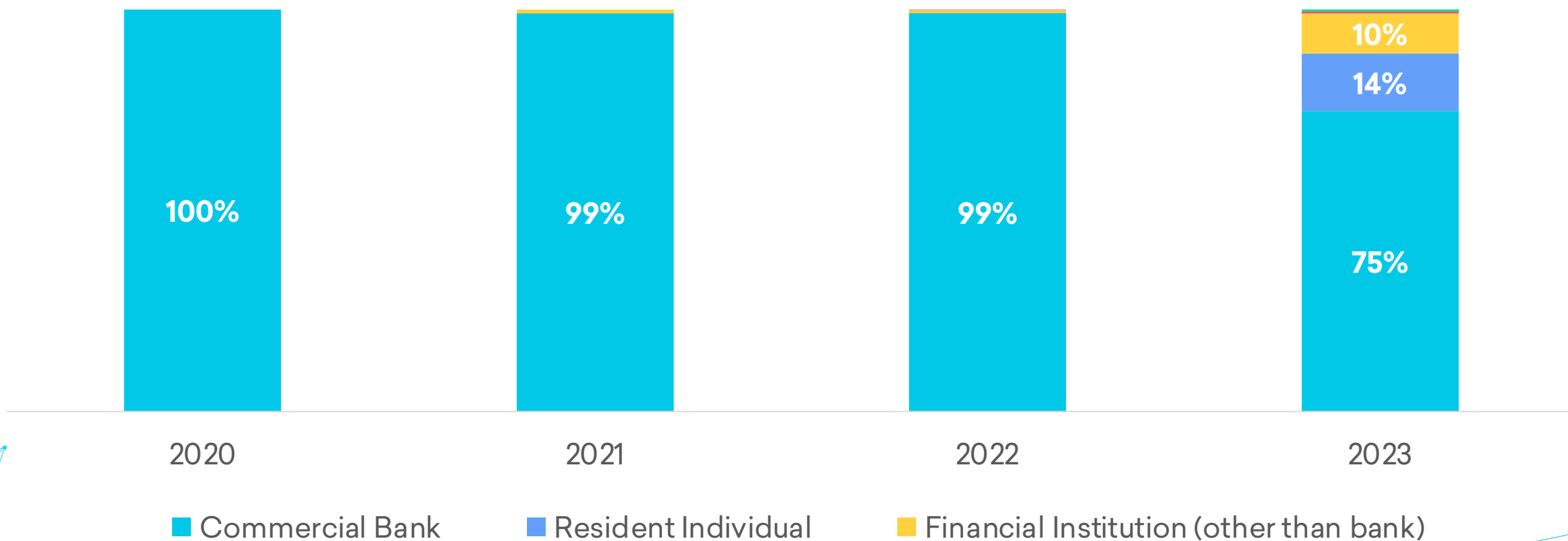
USD bond investors by type in primary market



Source: TBC Capital, NBG

Commercial banks are major investors in GEL bonds, but in 2023 individuals and non-bank institutions also demonstrated certain interest

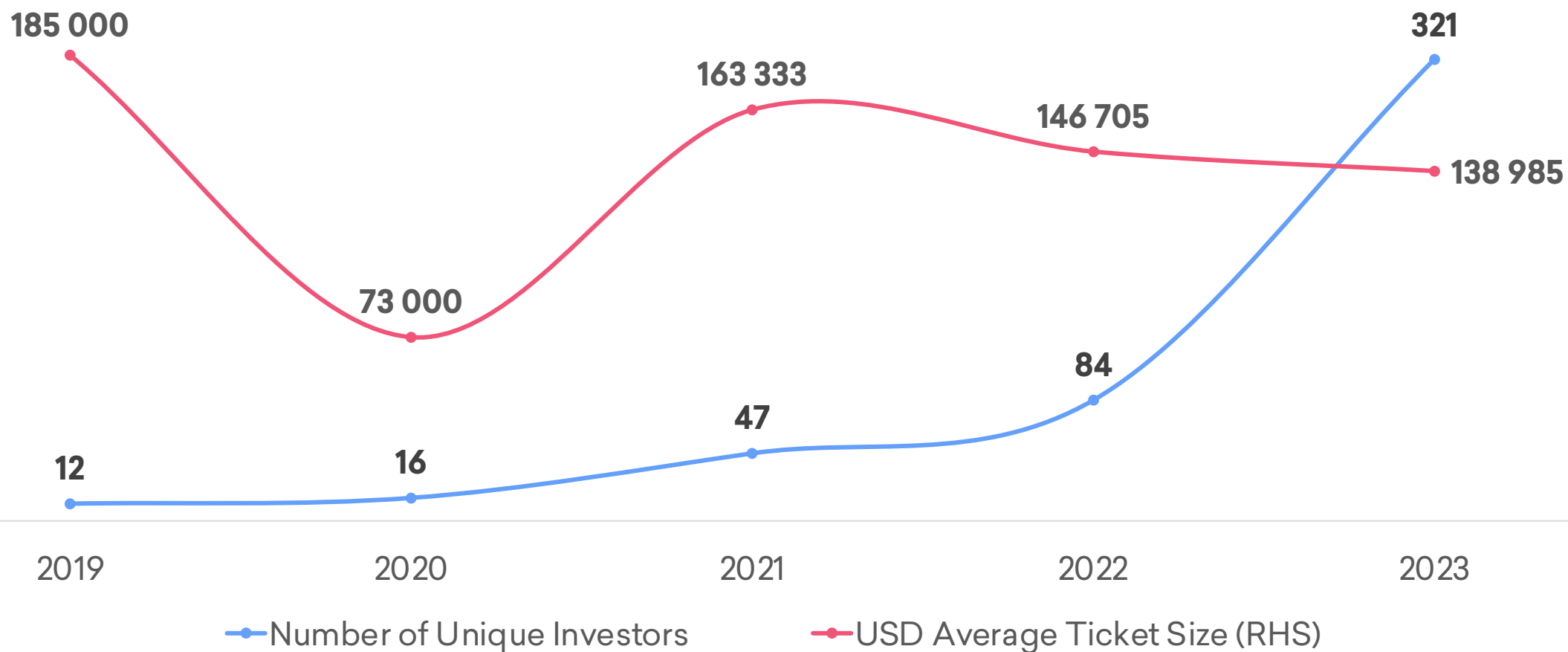
GEL bonds investors by type in primary market



Source: TBC Capital, NBG

Interest in the primary market is increasing as more and more new investors tap into the local bond market

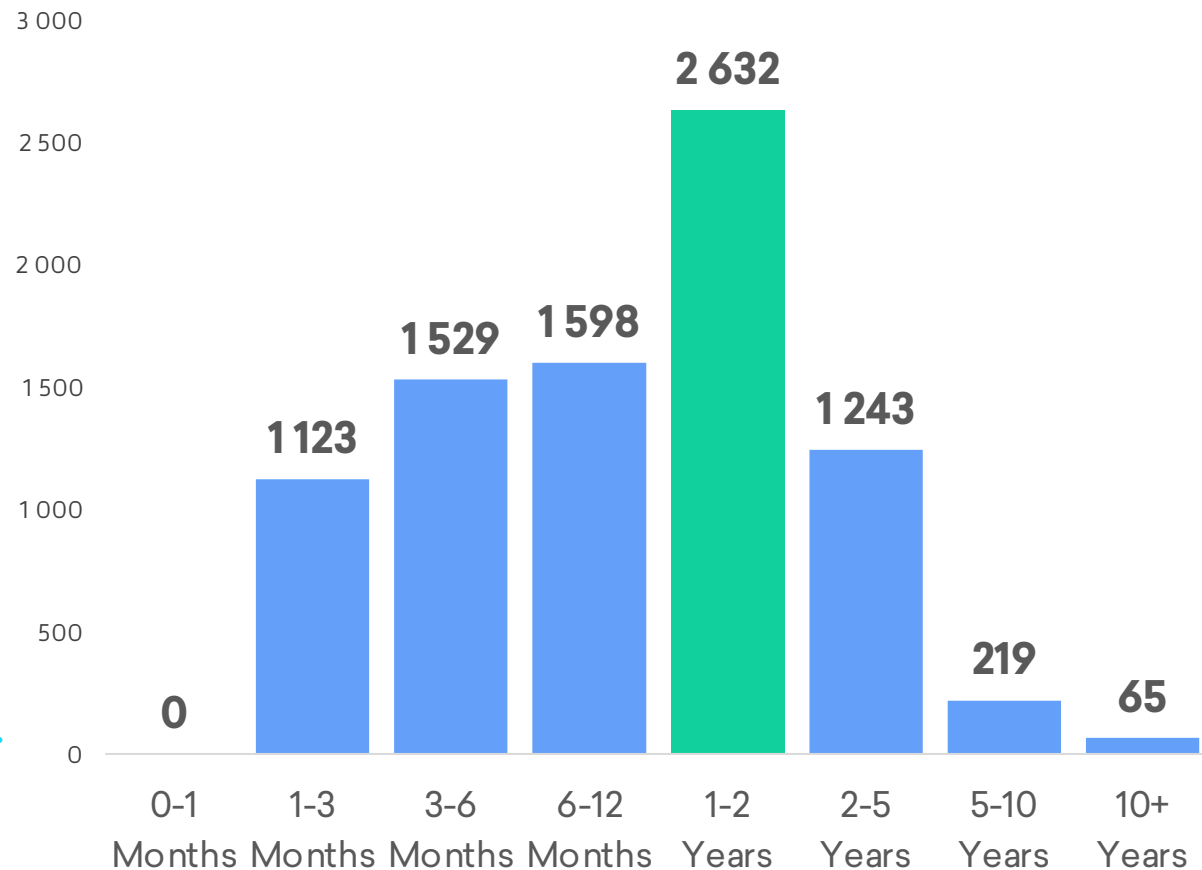
Number of unique investors in primary issues with TBC Capital's participation



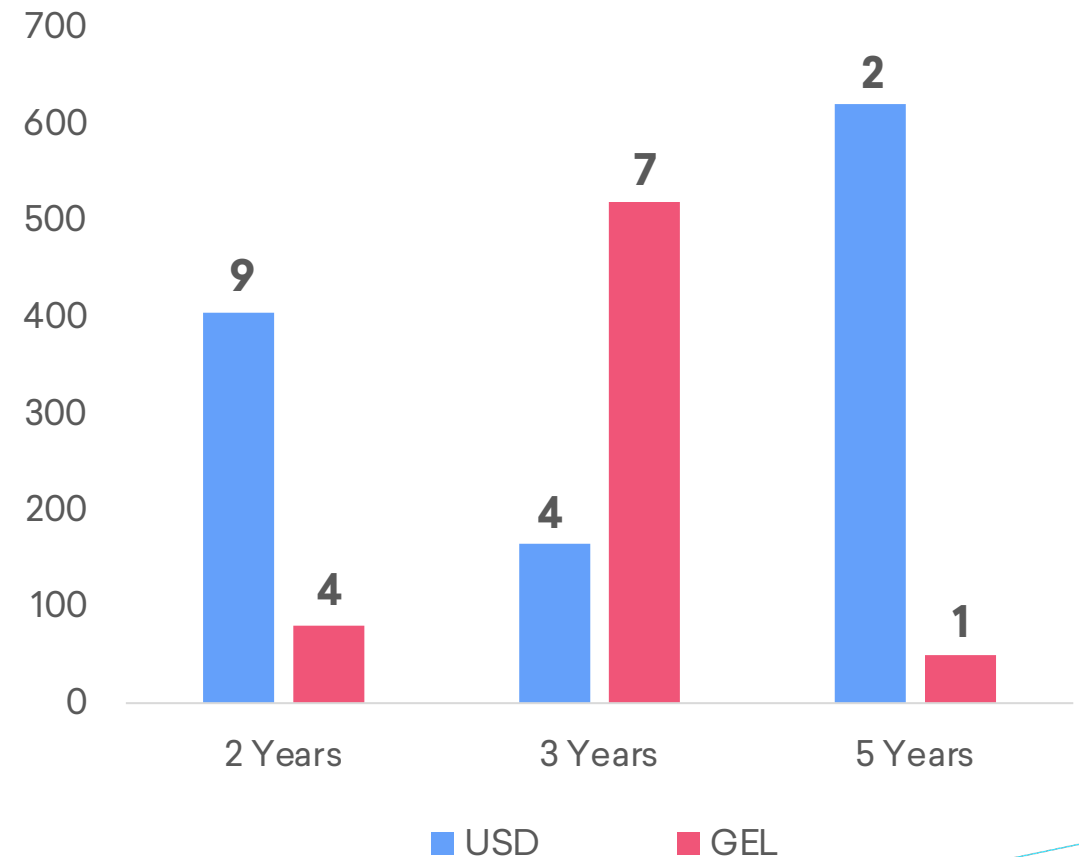
Source: TBC Capital

As saving horizon on local market is rather short, relatively short term bonds are prevalent

Deposit balances by maturity type, GEL, mn



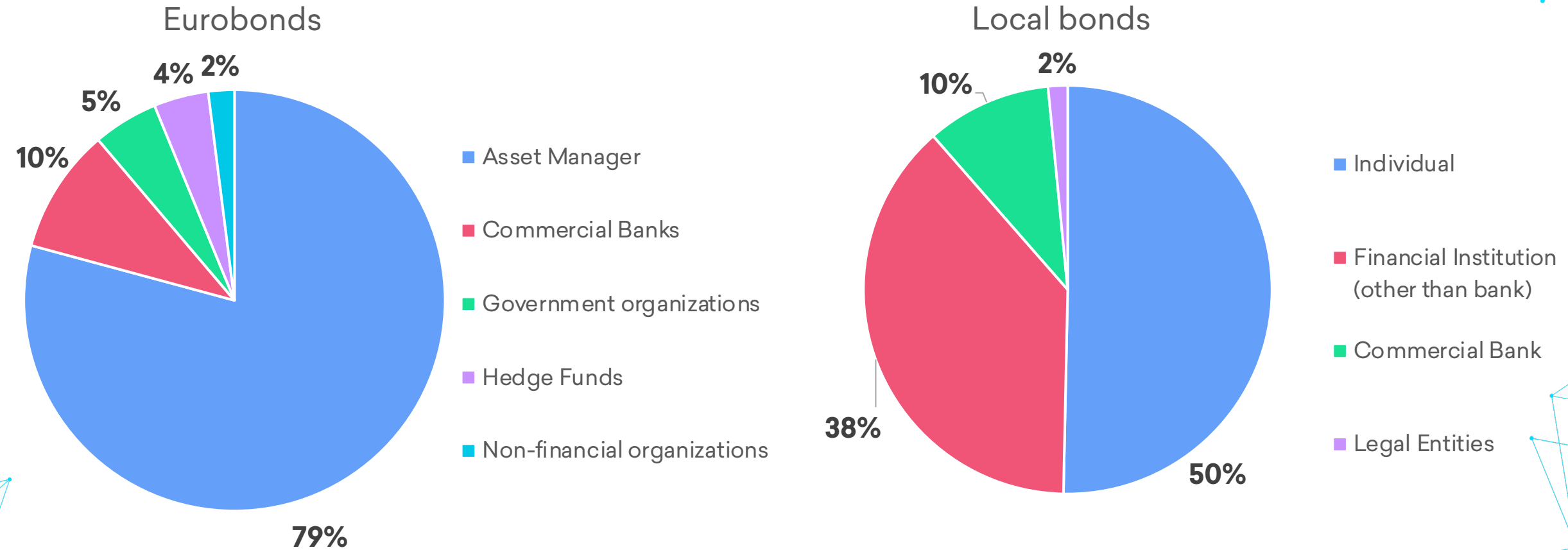
Bond balances by maturity type, Dec 2023



Source: TBC Capital, NBG

Georgian Eurobonds benefit from significant interest from international market participants, enabling them to improve financing terms and secure long-term funds

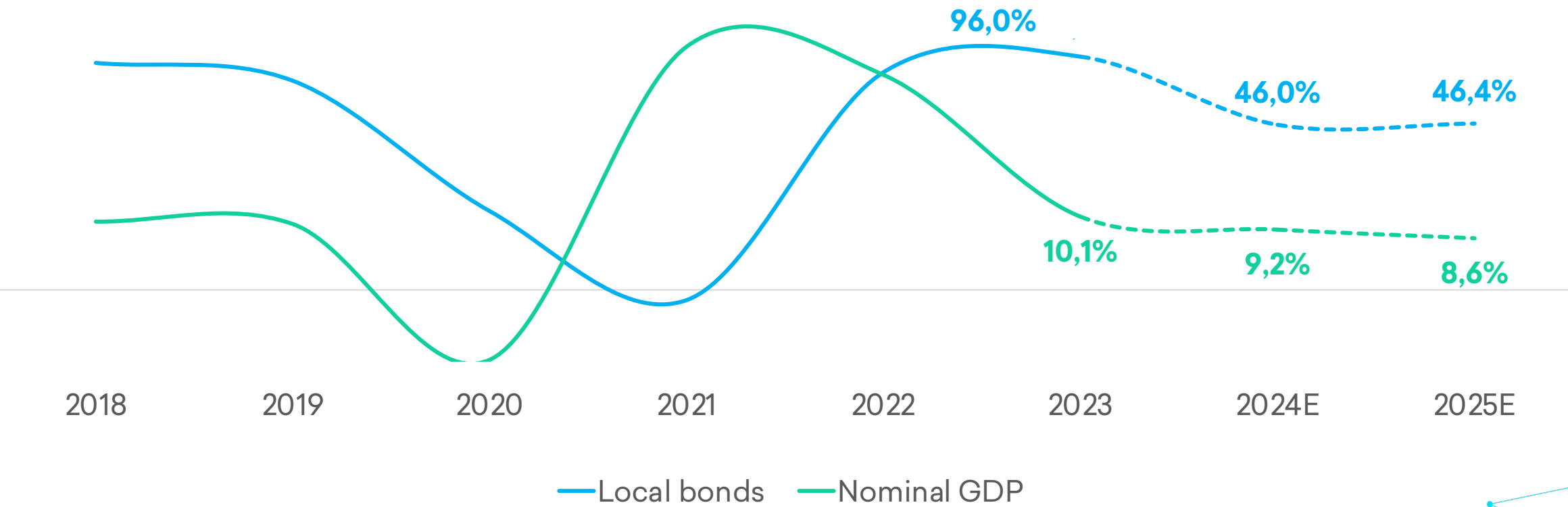
Georgian bond book distribution as of issue date by volume



Source: TBC Capital, J.P. Morgan.

Given the high correlation with the nominal GDP growth, the Georgian bond market is expected to sustain strong two-digit growths in the short-term period

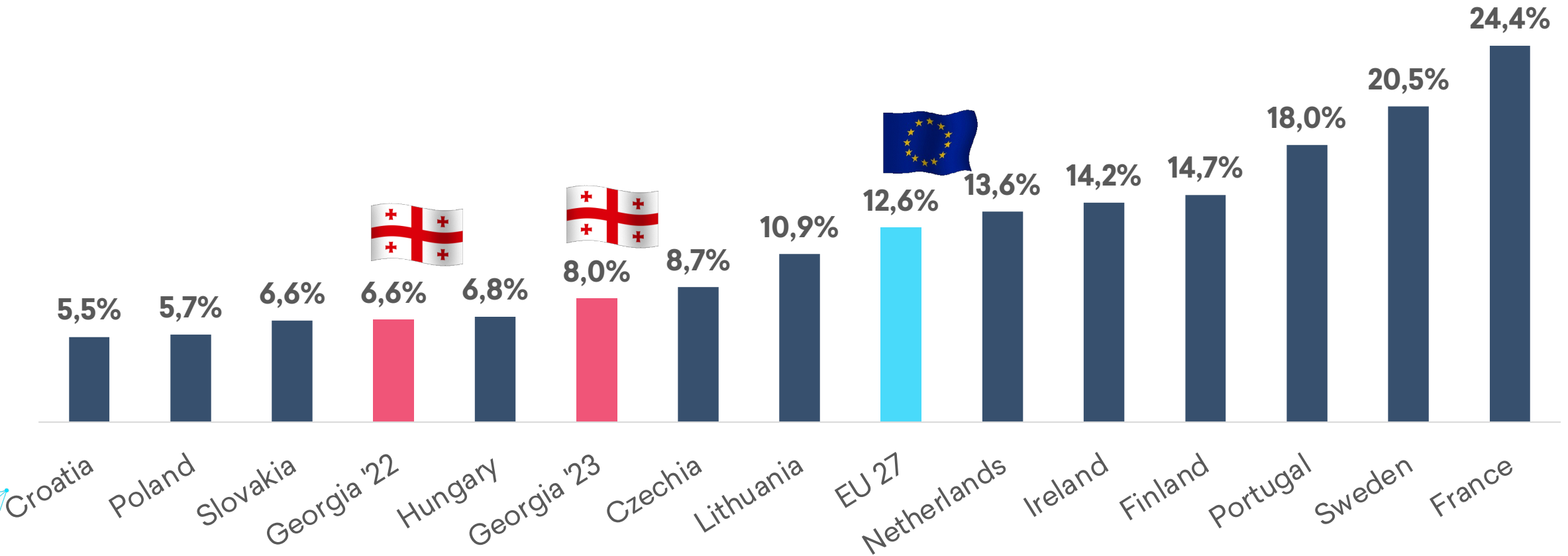
Annual growth in nominal GDP and local public bonds outstanding, %



Source: NBG, TBC Capital

Georgian bond market still has significant room for growth as suggested by comparable European countries

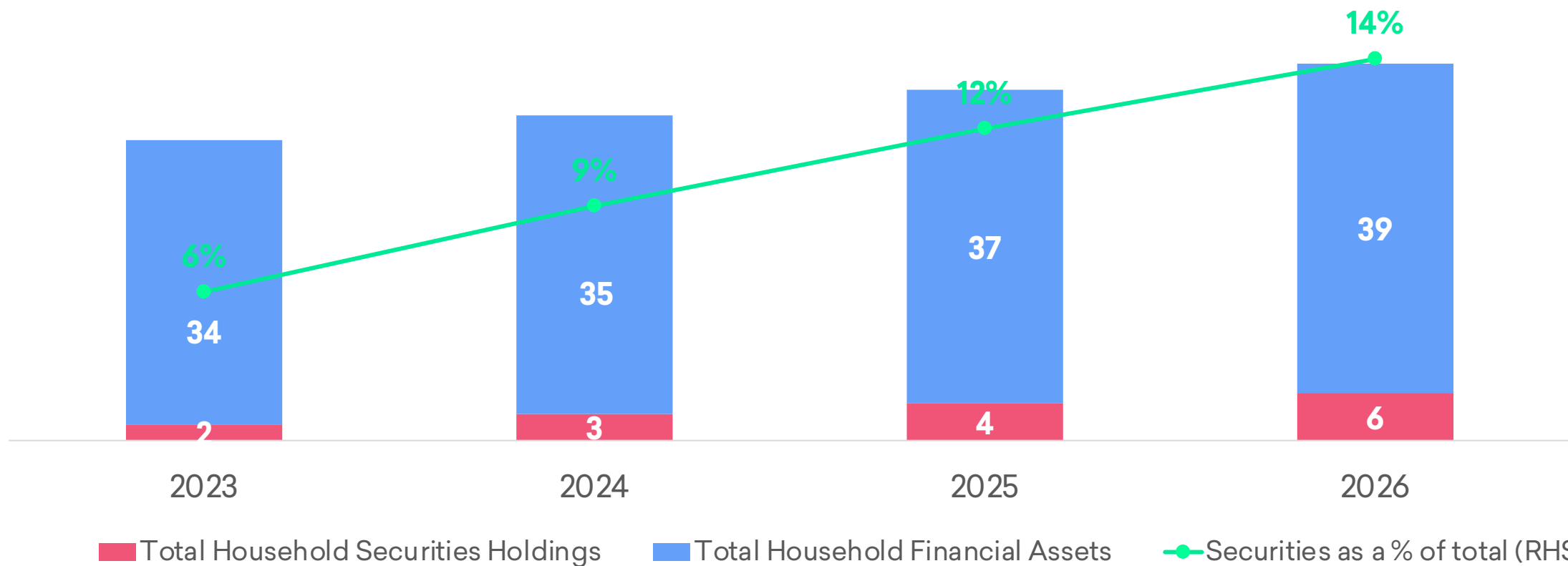
Share of dept securities in private sector's indebtedness, latest available data



Source: NBG, Eurostat, TBC Capital

Georgia's household financial asset allocation in securities stands at 6%, lagging behind peer countries. With a projected 5% CAGR, reaching 14% penetration in 3 years suggests securities holdings could reach around 6 billion Gel.

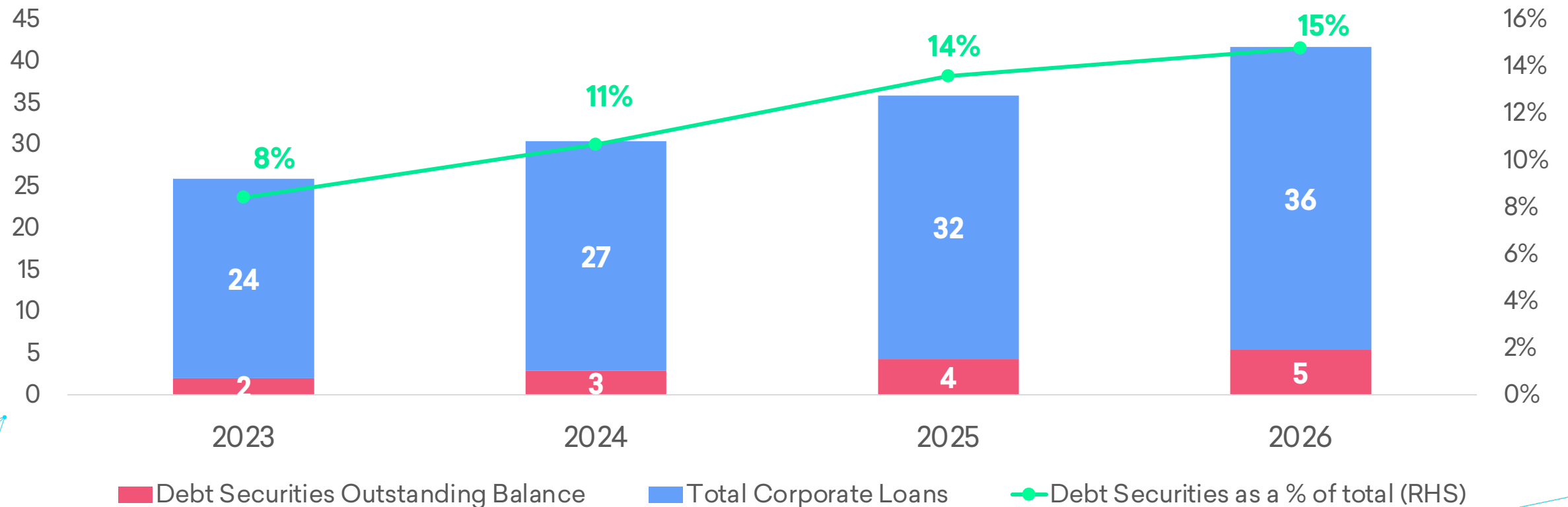
Resident demand on financial assets (including deposits and pension assets) GEL, bn



Source: NBG, Eurostat, TBC Capital

Driven by robust GDP growth and increased penetration rates in corporate indebtedness, we estimate total issuances at c.5 billion GEL in next 3 years

Debt securities outstanding balance GEL, bn



What's Next?



Increased awareness to attract new issuers and investors



Engagement of local and international institutional investors



Availability of advanced investment options, such as funds, REITs, and asset-backed securities



Technological integration and innovation



Further enhancement of regulatory framework