

Capital Market Development in Georgia

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Structural reforms

- | | |
|-----------------------|---|
| Tax Reform | <ul style="list-style-type: none"> • No capital gain or interest income tax on listed securities • Corporate income tax deferral (Estonian Model) • Automated VAT refund, enhancing easiness of tax compliance, International Company status introduction |
| Capital Market Reform | <ul style="list-style-type: none"> • Capital Market development strategy being reviewed with international donors' help • Local bond market development: Rating agencies, REPO facility with Central Bank, new bond listings, Clearstream • MiFID adoption; Market infrastructure upgrade |
| Accounting Reform | <ul style="list-style-type: none"> • New accounting & audit supervisory body established • Public companies required to publish IFRS-compliant annual reports and Management Reports • Corporate Governance standards are improving, new CG Code being drafted |
| Legislative Reform | <ul style="list-style-type: none"> • Law on Entrepreneurs and Securities Market Law amended, new Law on Investment Funds and new Insolvency Law drafted • Independent board members and audit committee • Disclosure requirements for related party transactions and management compensation • Protection of minority investors |

Pension Reform: Pillar II System

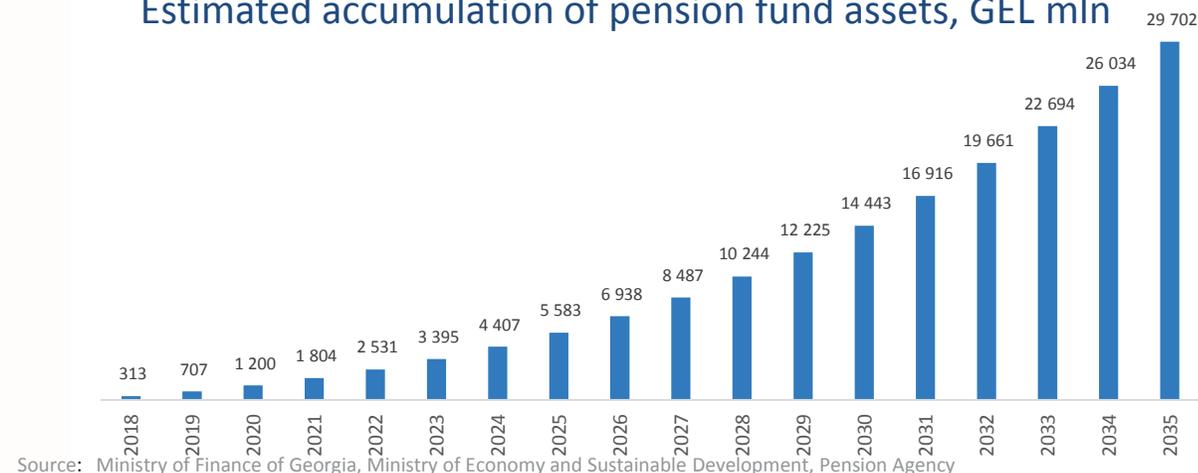
Pension reform design (launched on 1 January 2019): 2% + 2% + 2%, truly tax-free

- Mandatory for every formally employed person under age of 40
- Employees contribute 2% of their salary to their individual pension savings account
- Employers match this contribution with another 2% and the State with additional 2%
- Contributions, reinvestment income and withdrawals are tax-exempt (unique EEE model)

Thus total monthly contribution is 6% of employee's gross salary

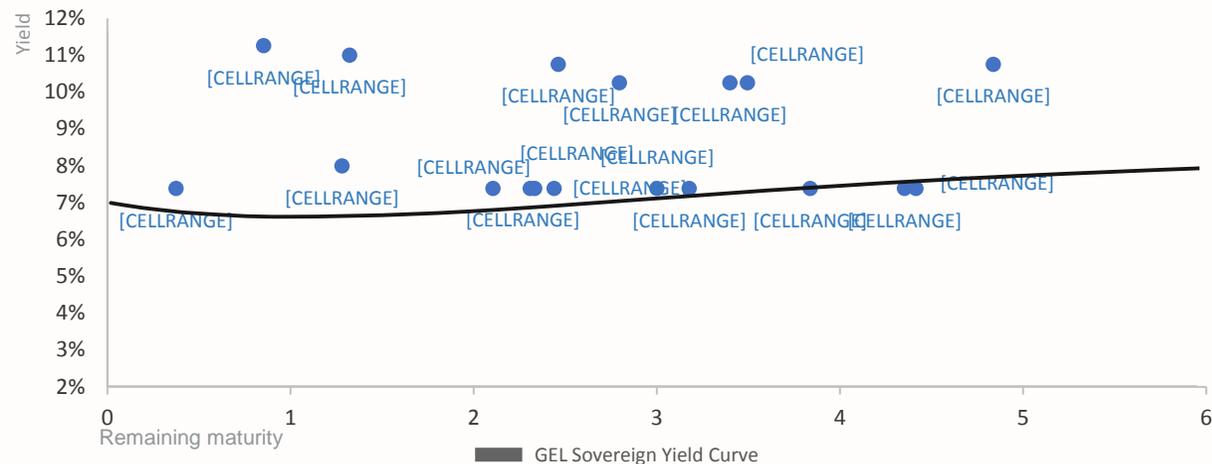
Source: Ministry of Economy and Sustainable Development of Georgia

Estimated accumulation of pension fund assets, GEL mln



Significant funding source for domestic economy through debt and equity issuances by companies (long-term GEL funding, dedollarization)

BOND MARKET – GEL Denominated bonds



Eurobonds

| | BOG | EBRD III |
|---|-----------|-----------------------|
| Issue Size | 500 mln | 120 mln |
| Currency | GEL | GEL |
| Issue Date | Jun-17 | Apr-17 |
| Tenor | 3 Y | 5 Y |
| Coupon | Fixed | Floating |
| Issuer rating Fitch/S&P/ Moody's/Sc o pe | BB-/-/Ba3 | AAA |
| Coupon Rate | 11.00% | 3 m GEL/CD/ NBG |
| Listed on | LSE | LSE |

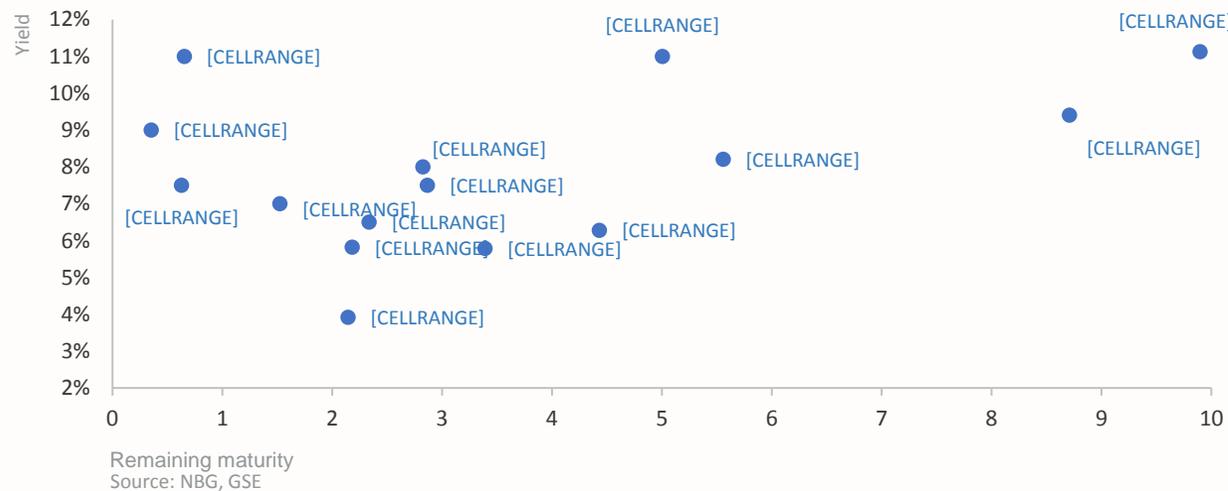
Corporate

| GWP | Silknet | Evex | MFO Crystal | Nikora Trade | Georgian Beer Company |
|------------------------|------------------------|------------------------|------------------------|----------------------|-----------------------|
| 30 mln | 34 mln | 90 mln | 10 mln | 25 mln | 25 mln |
| GEL | GEL | GEL | GEL | GEL | GEL |
| Dec-16 | Aug-17 | Jul-17 | Dec-17 | Aug-18 | Dec18 |
| 5 Y | 5 Y | 5 Y | 2 Y | 3 Y | 5 Y |
| Floating | Floating | Floating | Floating | Floating | Floating |
| BB- | B+ | | B | B+ | BB |
| NBG Ref Rate + 3.5% | NBG Ref Rate + 3.5% | NBG Ref Rate + 3.5% | NBG Ref Rate + 4.5% | NBG Ref Rate + 4% | NBG Ref Rate + 4% |
| - | GSE | | GSE | GSE | GSE |

IFI issues

| EBRD II | EBRD I | ADB | BSTDB III | IFC | BSTDB II | BSTDB IV | BSTDB V | FMO | FMO II |
|-----------------------|-----------------------|-----------------------------------|-----------------------|-----------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 135 mln | 107 mln | 64 mln | 25 mln | 108.3 mln | 60 mln | 120 mln | 50 mln | 160 mln | 103 mln |
| GEL | GEL | GEL | GEL | GEL | GEL | GEL | GEL | GEL | GEL |
| Dec-17 | Jun-16 | Jul-16 | Mar-18 | Jun-17 | Aug-16 | Jun-18 | Jun-18 | Jul-18 | Nov-18 |
| 5 Y | 5 Y | 3 Y | 3 Y | 3 Y | 5 Y | 3 Y | 5 Y | 5 Y | 5 Y |
| Floating | Floating | Floating | Floating | Fixed | Floating | Floating | Floating | Floating | Floating |
| AAA | AAA | AAA | A2/A- | AAA | A2/A- | A2/A- | A2/A- | AAA/AAA | AAA/AAA |
| 3 m GEL/CD/ NBG | 3 m GEL/CD/ NBG | 3 m GEL/CD/ NBG + 20 bps | 3 m GEL/CD/ NBG | 7.99% | 3 m GEL/CD/ NBG |
| - | GSE | - | GSE | - | - | GSE | GSE | GSE | GSE |

BOND MARKET – USD Denominated Bonds



Eurobonds

| | GoG | GOGC | GRAIL | GEBGG | GEOCAP | Silknet | BoG II |
|--|--------------|----------|---------|-----------|---------|--------------------|-----------|
| Issue Size | 500 mln | 250 mln | 500 mln | 350 mln | 300 mln | 200 mln | 100 mln |
| Currency | USD | USD | USD | USD | USD | USD | USD |
| Issue Date | Apr-11 | Apr-16 | Jul-12 | Jul-16 | Mar-18 | Mar-19 | Mar-19 |
| Tenor | 10 Y | 5 Y | 10 Y | 7 Y | 6 Y | 5 Y | Perpetual |
| Coupon | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed |
| Issuer rating Fitch/S&P/ Moody's/Scope | BB/BB-/Ba2/- | BB-/B+/- | BB-/B+ | BB-/-/Ba2 | B2/B+ | B+/B1 | BB-/-/Ba3 |
| Coupon Rate | 6.88% | 6.75% | 7.75% | 6.00% | 6.38% | 11.00% | 11.125% |
| Listed on | LSE | LSE | LSE | LSE | - | Euronext Dublin | LSE |

Corporate

| GLC I | GLC II | m2 Real Estate I | m2 Real Estate II | Nikora | Green Development | Bakhvi Hydro Power | Lisi Lake Development |
|--------|--------|------------------|-------------------|--------|-------------------|--------------------|-----------------------|
| 10 mln | 5 mln | 25 mln | 30 mln | 10 mln | 2 mln | 1.265 mln | 12 mln |
| USD | USD | USD | USD | USD | USD | USD | USD |
| Aug-17 | Jun-18 | Oct-16 | Dec-18 | Jun-17 | Oct-17 | Nov-17 | Dec-18 |
| 3 Y | 3 Y | 3 Y | 3 Y | 2 Y | 2 Y | 10 Y | 3 Y |
| Fixed | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed |
| - | - | - | - | BB | - | - | - |
| 7.00% | 6.50% | 7.50% | 7.50% | 9.00% | 11.00% | 9.40% | 8.00% |
| GSE | GSE | GSE | GSE | GSE | - | - | GSE |

New system advantages

Advantage

Clearing and settlement in Central Bank's money

Better access to secondary market by institutional investors
(including pension and mutual funds)

NBG and commercial banks are able to electronically conduct
REPO operations using rated corporate bonds; Securities lending
and borrowing becomes available

DVP and T+ 2 becomes available

Access to foreign investors

Impact

Higher speed, lower operational risks and costs, reliable

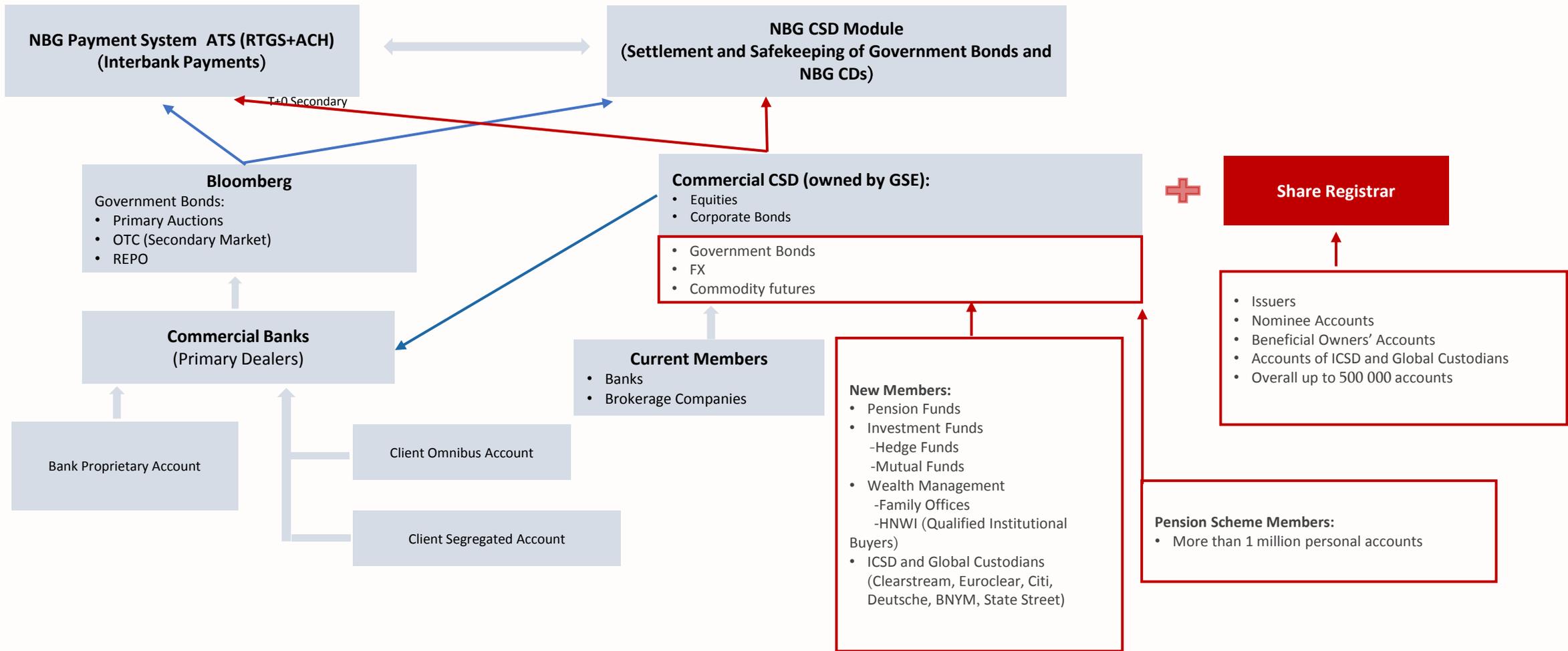
Institutional investors will be able to trade and hold government
securities through GSE and GCSD, thus increasing liquidity of
government bond market; DMA

Corporate bonds are now accepted as collateral electronically,
directly from market participants (banks, brokers, pension
funds) in semi-automated manner

Reduced counterparty risk for OTC trades as settlements will
take place in DVP (Delivery vs Payment) mode. No pre-funding
and pre-validation will be required for executing trades

Foreign investors are able to hold local securities in Georgia
through Clearstream. This should increase demand and improve
market liquidity

NEW CSD CLEARING AND SETTLEMENT SYSTEM



Thank you