GALT & TAGGART
CREATING OPPORTUNITIES

Weekly Market Watch

Economy

Exports up 16.6% y/y in August 2018
In August 2018, exports increased by 16.6% y/y to US$ 275.6mn, imports were up 8.3% y/y to US$ 761.1mn and the trade deficit widened 4.1% y/y to US$ 486.5mn, according to GeoStat.

In August 2018, copper (+28.9% y/y), cars (+96.8% y/y), ferro-alloys (-10.8% y/y), wine (+9.0% y/y) and cigarettes (+327.3% y/y) were the top 5 exported commodities. A 13.9% of exports was directed to the EU (-38.3% y/y), 55.4% to the CIS (+47.2% y/y) and 30.7% to other countries (+19.8% y/y).
In August 2018, petroleum (+41.5% y/y), cars (+30.6% y/y), copper (-10.1% y/y), pharmaceuticals (+7.9% y/y) and cigarettes (+189.2% y/y) represented the top 5 imported commodities.

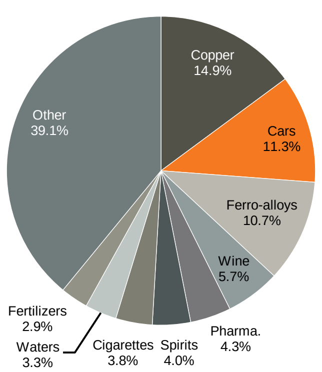
Overall, in 8M18, the trade deficit was up 17.9% y/y at US$ 3.8bn as exports were up 27.1% y/y to US$ 2.1bn and imports increased by 21.0% y/y to US$ 6.0bn.

Money transfers up 11.4% y/y in August 2018
In August 2018, money transfers increased 11.4% y/y to US$ 135.6mn, after growing 19.3% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Russia (+2.9% y/y, 30.6% of total), Italy (+28.2% y/y, 12.0% of total), USA (+16.4% y/y, 11.0% of total), Israel (+20.3% y/y, 9.6% of total) and Greece (+9.8% y/y, 9.3% of total), while remittances were down from Turkey (-25.6% y/y, 5.4% of total). Overall, in 8M18 money transfers were up 17.5% y/y to US$ 1.0bn.

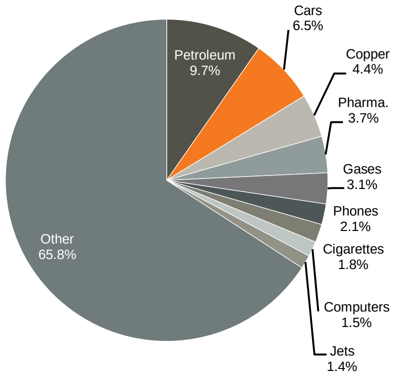
Producer price index up 6.6% y/y in August 2018
Annual PPI for industrial goods was up 6.6% in August 2018, according to GeoStat. Rising prices in manufacturing (+5.8% y/y) and supply of electricity, gas and water (+14.1% y/y) contributed the most to the overall index change.

NBG purchased US$ 10.0mn
On September 19, 2018, the NBG intervened on the FX market and purchased US$ 10.0mn. Overall, during April-September 2018, the NBG purchased US$ 102.5mn on its 9 FX auctions.

Exports by commodities, 8M18



Imports by commodities, 8M18



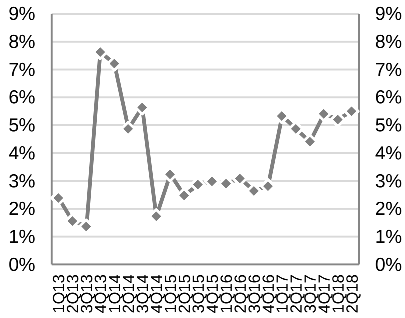
Source: GeoStat

Key macro indicators

	8M18	2017	2016
GDP (% change)	5.3%(1)	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	3.1%	6.7%	1.8%
Gross reserves (US$ bn)	2.9	3.0	2.8
CAD (% of GDP)	11.6%(2)	8.9	13.2%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF
1) As of 7M18
2) As of 1Q18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)
Economic Freedom Index # 16 (mostly free)
Global Competitiveness Index # 67

Source: World Bank, Heritage Foundaition and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S	MOODY'S INVESTORS SERVICE	FitchRatings
BB- Stable Affirmed May-2018	**Ba2** Stable Affirmed Sep-2018	**BB-** Positive Affirmed Aug-2018

Source: Rating agencies

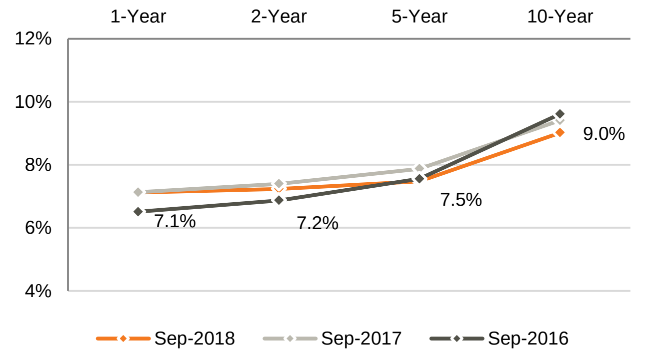
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,290mn (US$ 492.8mn).

Ministry of Finance Benchmark Bonds:

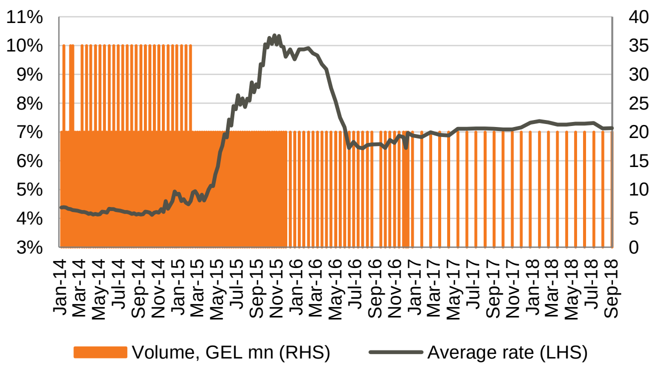
The nearest treasury security auction is scheduled for September 26, 2018, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes, yield curve



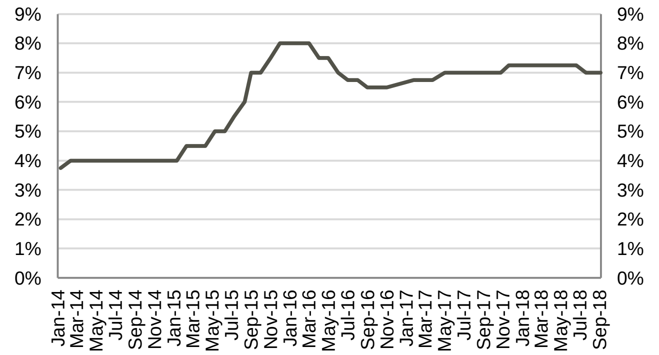
Source: NBG

Certificates of Deposits (weighted average rate)



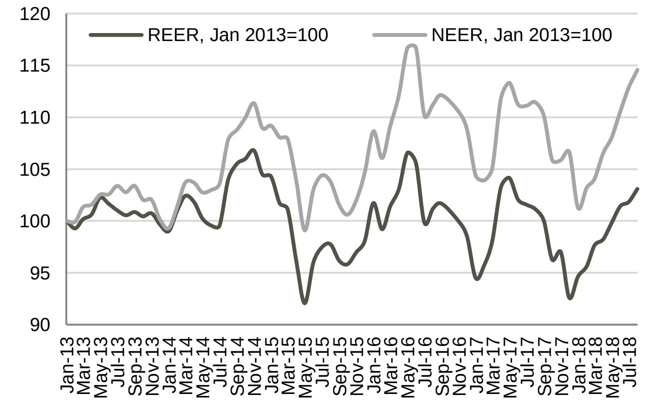
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

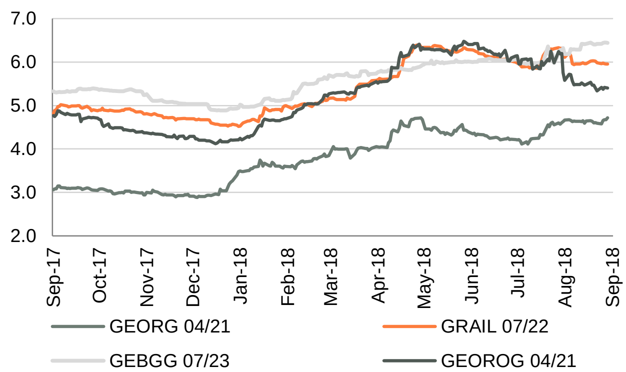
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.4% yield, trading at 98.2 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.1 (unchanged% w/w), yielding 7.9%.

GOGC Eurobonds (GEOROG) were trading at 103.2 (unchanged w/w), yielding 5.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.0 (unchanged w/w), yielding 6.0%.

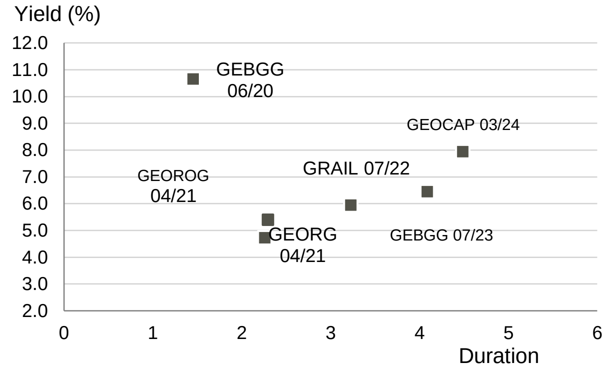
Georgian Sovereign Eurobonds (GEORG) closed at 105.1 (-0.2% w/w) at 4.6% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds performance

Issuer	Amount, US$ mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba2	105.12	4.72	169.94
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.05	5.94	287.96
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.20	5.40	238.31
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/-/Ba2	100.50	10.65	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/-/B2	98.18	6.44	336.50
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	92.12	7.93	484.78

Georgia local bonds performance

Issuer	Amount, US$ mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US$	Mid yield, %	Z-spread, bps
GWP 12/21	30*	10.50%**	06/12/2021	BB****-/-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	102.29	5.25	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.83	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.50%**	18/08/2022	B+****/-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.50%***	28/12/2019	B/-/-	101.01	11.25	n/a

Source: Bloomberg
**GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari*
***Coupon rate 3.5% over the NBG's refinancing rate*
****Coupon rate 4.5% over the NBG's refinancing rate*
*****Company ratings*

Eastern European sovereign 10-year bond performance

Issuer	Amount, US$ mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba2	105.1	4.7	169.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.6	4.6	153.0
Bulgaria	323	5.000%	19/07/2021	BBB-/-/-	113.9	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	111.9	0.6	45.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	106.9	3.5	47.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.3	3.8	72.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.9	3.8	84.4
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	96.9	7.0	396.2

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 18.79/share (+5.93% w/w and +10.36% m/m). More than 416k shares traded in the range of GBP 17.78 – 19.27/share. Average daily traded volume was 50k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.97% w/w and lost 0.33% m/m. The volume of BGEO shares traded was at 0.85% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 11.09/share (+8.73% w/w and +6.66% m/m). More than 262k shares traded in the range of GBP 10.05 – 11.09/share. Average daily traded volume was 48k in the last 4 weeks. The volume of CGEO shares traded was at 0.68% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.42 (+3.01% w/w and -0.48% m/m). More than 105k shares changed hands in the range of GBP 15.86 – 16.60/share. Average daily traded volume was 20k in the last 4 weeks. The volume of TBCG shares traded was at 0.19% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.15/share (-8.70% w/w and -17.31% m/m). More than 92k shares were traded in the range of GBP 2.15 – 2.38/share. Average daily traded volume was 32k in the last 4 weeks. The volume of GHG shares traded was at 0.07% of its capitalization.

Eastern European Banks

	Ticker	Share price, US$	MCap, US$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	18.788*	1,207	10.4%	-1.3%	-23.3%	-21.9%	-15.2%
TBC	TBC	16.42*	1,164	-0.5%	0.6%	-12.2%	-6.2%	-2.3%
Halyk Bank	HSBK	10.50	3,085	-3.7%	-11.8%	-26.8%	6.3%	16.7%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.35	8,722	-1.0%	-7.7%	-35.1%	-26.4%	-36.7%
Vozrozhdenie	VZRZ	6.33	150	2.8%	3.4%	-16.4%	-27.3%	-37.5%
Sberbank	SBER	11.89	64,140	2.8%	-11.1%	-39.1%	-29.8%	-13.4%

Source: Bloomberg
**BGEO and TBC share prices traded and shown in GBP*

Investment Management Company Peers

	Ticker	Share price, US$	MCap, US$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	11.09*	556	6.7%	-3.3%	N/A	N/A	N/A
Creades	CREDA	29.74	244	0.3%	-4.8%	-21.6%	-18.4%	-13.2%
CIE du Bois	COMB	476.85	804	1.9%	2.5%	-5.1%	10.9%	15.1%
Tinc Comm	TINC	14.51	396	3.7%	3.3%	1.0%	-4.0%	-4.9%
Edify	EDIFY	71.06	345	1.6%	1.2%	-6.7%	3.7%	13.2%

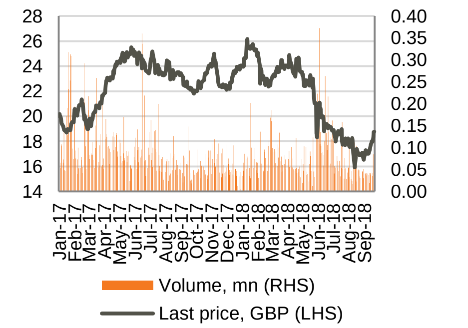
Source: Bloomberg
**CGEO share price traded and shown in GBP*

Healthcare Sector Peers

	Ticker	Share price, US$	MCap, US$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.15*	370	-17.3%	-16.0%	-30.6%	-39.4%	-32.8%
Mouwasat	MOUWASAT	20.08	2,008	-14.4%	-17.2%	-14.8%	-0.5%	-7.0%
Fortis	FORH	1.90	985	-11.3%	-4.4%	-20.6%	-24.4%	-18.9%
Raffles	RFMD	0.81	1,448	4.8%	8.4%	-8.5%	-3.8%	-2.0%
IHH	IHH	1.27	10,452	-7.5%	-13.9%	-18.4%	-12.1%	-8.2%
Bangkok Chain	BCH	0.62	1,552	9.9%	32.0%	15.0%	25.2%	35.6%
Netcare	NTC	1.93	2,832	-0.4%	-5.7%	-8.3%	-5.1%	9.5%

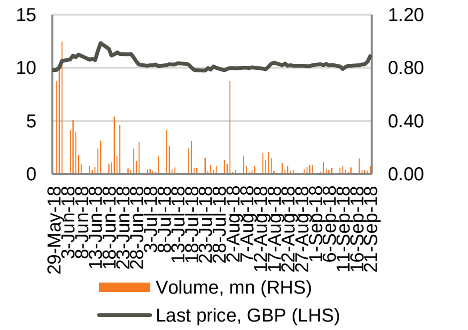
Source: Bloomberg
**GHG share price traded and shown in GBP*

Bank of Georgia Group (BGEO LN)



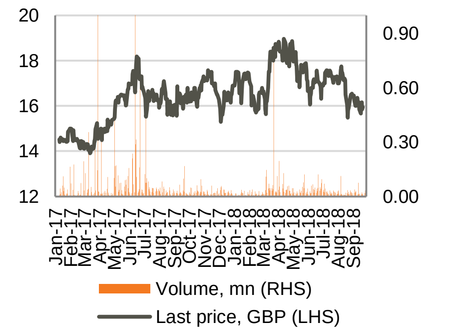
Source: Bloomberg

Georgia Capital (CGEO LN)



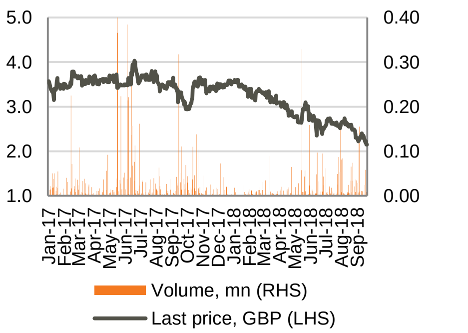
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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