



Economy

Inflation was 2.2% y/y and 1.3% m/m in January 2019

Annual CPI inflation was 2.2% in January 2019 up from 1.5% in previous month, according to Geostat. Core inflation was 1.7% in January 2019 up from 0.9% recorded in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+3.2% y/y, +1.00ppts), alcoholic beverages and tobacco (+10.1% y/y, +0.66ppts) and healthcare (+3.4% y/y, +0.28ppts) categories, while prices were down in clothing and footwear (-8.8% y/y, -0.32ppts). On a monthly basis, there was 1.3% inflation in January 2019, affected by price increases in food and non-alcoholic beverages (+3.2% m/m, +0.98ppts) and alcoholic beverages and tobacco (+5.8% m/m, +0.39ppts) categories.

Tourist arrivals up 5.9% y/y in January 2019

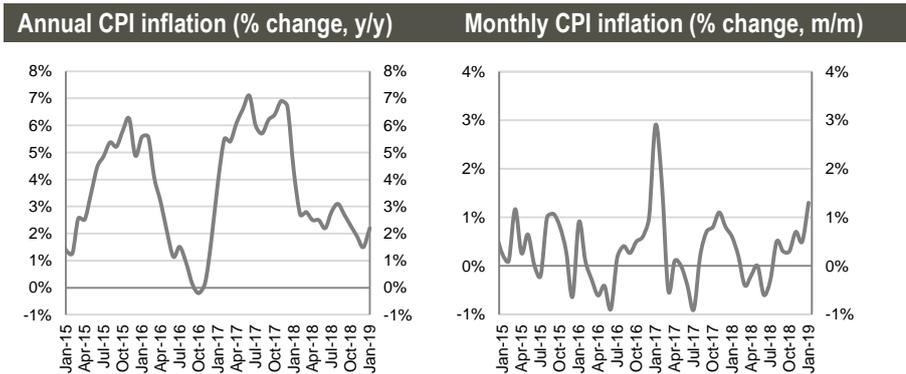
Total international arrivals to Georgia decreased by 0.6% y/y to 0.44mn in January 2019, according to the Ministry of Internal Affairs. This drop was on the back of reduced same-day arrivals (-13.1% y/y), as tourists arrivals increased by 5.9% y/y (0.31mn trips, 70.0% of total). Out of top countries, in January 2019, international visitors increased from Russia (+16.8% y/y), Ukraine (3.6% y/y) and Israel (+132.1% y/y), while visitors were down from Azerbaijan (-3.4% y/y), Armenia (-5.0% y/y) and Turkey (-20.2% y/y). Visitors from the EU were up 36.0% y/y to over 15,000 visitors, with Germany and Poland driving growth.

International reserves stood at US\$ 3.4bn in January 2019

Gross international reserves were up 10.9% y/y to US\$ 3.4bn in January 2019 according to NBG. Change in reserves was attributed to FX auctions (total purchase of US\$ 85.0mn in January), government FX operations and/or asset revaluation.

NBG purchased US\$ 15.0mn

On 6 February 2019, the NBG intervened on the FX market and purchased US\$ 15.0mn. The NBG purchased US\$ 100mn YTD on its 7 FX auctions.



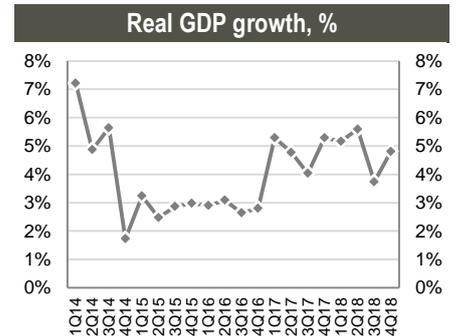
Source: GeoStat

| Key macro indicators | | | |
|------------------------------|-----------------------|--------|--------|
| | 2018 | 2017 | 2016 |
| GDP (% change) | 4.8% | 4.8% | 2.8% |
| GDP per capita (ppp) | 11,600 ⁽²⁾ | 10,742 | 10,065 |
| GDP per capita (US\$) | 4,363 ⁽²⁾ | 4,047 | 3,857 |
| Population (mn) | 3.7 | 3.7 | 3.7 |
| Inflation (eop) | 1.5% | 6.7% | 1.8% |
| Gross reserves (US\$ bn) | 3.3 | 3.0 | 2.8 |
| CAD (% of GDP) | 6.5% ⁽¹⁾ | 8.8% | 13.1% |
| Fiscal deficit (% of GDP) | 2.3% ⁽²⁾ | 2.9% | 3.0% |
| Total public debt (% of GDP) | 44.8% ⁽²⁾ | 44.8% | 44.4% |

Source: Official data, IMF

1) As of 9M18

2) Preliminary estimate



Source: GeoStat

Note: Rapid estimate for 4Q17

International ranking, 2018-19

- Ease of Doing Business # 6 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 66

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

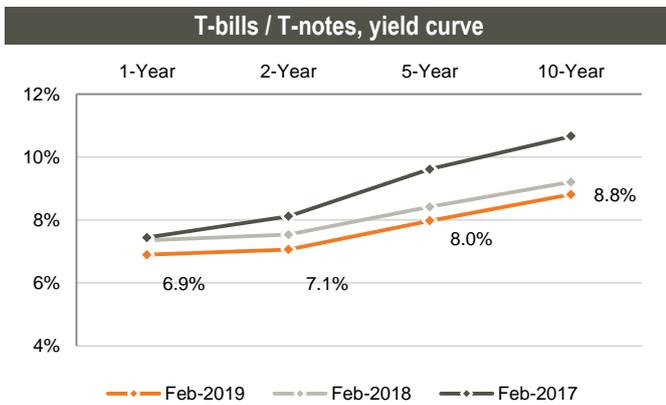
| | | |
|--|--|--|
| BB- Stable Affirmed May-2018 | Ba2 Stable Affirmed Sep-2018 | BB- Positive Affirmed Aug-2018 |
|--|--|--|

Source: Rating agencies

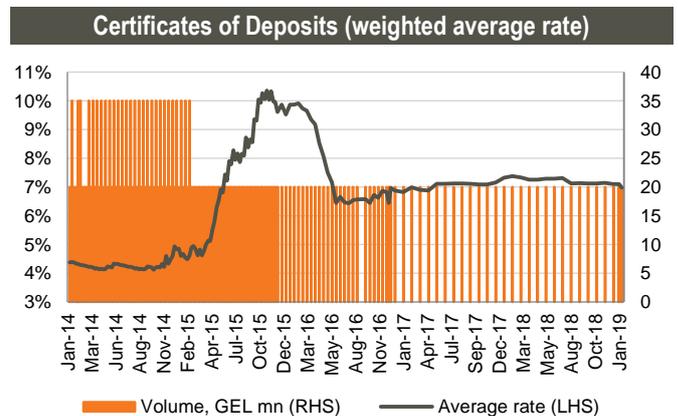


Money market

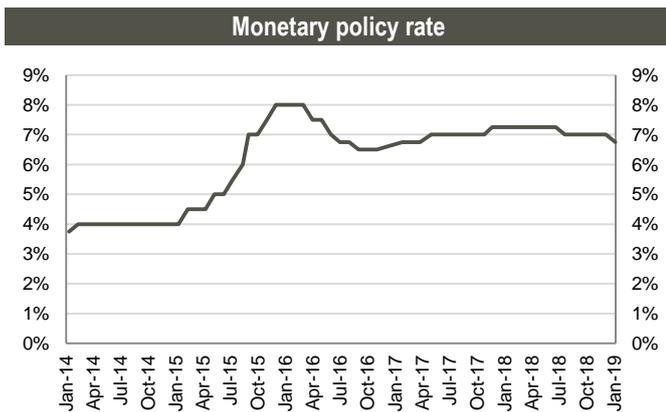
Ministry of Finance T-Bills: 1-year GEL 40.0mn (US\$ 15.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on February 5, 2019. The weighted average yield was fixed at 6.890%. The nearest treasury securities auction is scheduled for February 12, 2019, where GEL 40.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn 6-month T-Bills will be sold.



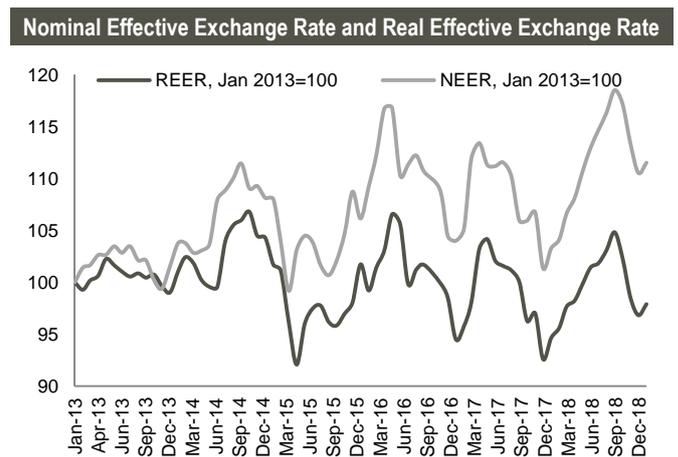
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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



Fixed income

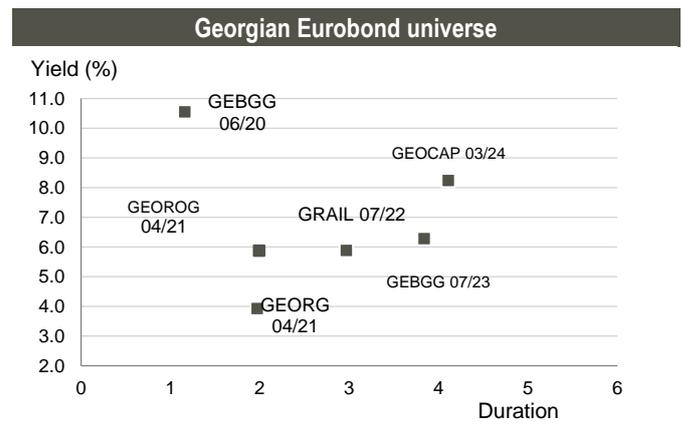
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.3% yield, trading at 98.9 (+0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.5 (-1.0 w/w), yielding 10.6%. Georgia Capital Eurobonds (GEOCAP) were trading at 91.4 (+0.3% w/w), yielding 8.2%.

GOGC Eurobonds (GEOROG) were trading at 101.8 (-0.4% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.6 (-0.1% w/w), yielding 5.9%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.1 (+0.1% w/w) at 3.9% yield to maturity.



Source: Bloomberg



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% | 04/12/2021 | BB-/BB-/Ba2 | 106.07 | 3.92 | 133.79 |
| GRAIL 07/22 | 500 | 7.750% | 07/11/2022 | B+/B+/- | 105.62 | 5.87 | 334.14 |
| GEOROG 04/21 | 250 | 6.750% | 04/26/2021 | BB-/B+/- | 101.77 | 5.88 | 329.56 |
| GEBGG 06/20 | 500* | 11.000% | 06/01/2020 | BB-/B2 | 99.5 | 10.55 | n/a |
| GEBGG 07/23 | 350 | 6.000% | 07/26/2023 | BB-/B2 | 98.94 | 6.27 | 375.46 |
| GEOCAP 03/24 | 300 | 6.125% | 03/09/2024 | -/B+/B2 | 91.39 | 8.23 | 570.97 |

Georgia local bonds performance

| | | | | | | | |
|---------------|-----|-----------|------------|-------------|--------|-------|-----|
| 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 | -/-/- | 100.95 | 6.00 | n/a |
| GLC 08/20 | 10 | 7.000% | 29/08/2020 | -/-/- | 100.36 | 6.75 | n/a |
| GLC 06/21 | 5 | 6.500% | 22/06/2021 | -/-/- | 98.93 | 7.00 | 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/-/- | 100.84 | 11.00 | 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

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****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 | 106.1 | 3.9 | 133.8 |
| Azerbaijan | 1,250 | 4.750% | 18/03/2024 | BB+/-/Ba2 | 102.4 | 4.2 | 169.7 |
| Bulgaria | 323 | 5.000% | 19/07/2021 | BBB/-/- | 112.2 | 0.0 | n/a |
| Croatia | 1,250 | 3.875% | 30/05/2022 | BB+/BB/Ba2 | 110.7 | 0.6 | 65.3 |
| Hungary | 2,654 | 6.375% | 29/03/2021 | BBB-/BBB-/Baa3 | 106.3 | 3.3 | 69.0 |
| Romania | 2,019 | 6.750% | 07/02/2022 | BBB-/BBB-/Baa3 | 108.7 | 3.7 | 110.8 |
| Russia | 3,500 | 5.000% | 29/04/2020 | BBB-/BBB-/Ba1 | 102.2 | 3.2 | 49.8 |
| Turkey | 2,000 | 5.625% | 30/03/2021 | BB+/-/Ba2 | 100.9 | 5.2 | 260.1 |

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.85/share (-0.54% w/w and +9.55% m/m). More than 227k shares traded in the range of GBP 15.49 – 16.05/share. Average daily traded volume was 59k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.77 % w/w and gained 2.70% m/m. The volume of BGEO shares traded was at 0.46% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 11.14/share (+1.29% w/w and +9.67% m/m). More than 128k shares traded in the range of GBP 10.80 – 11.14/share. Average daily traded volume was 23k in the last 4 weeks. The volume of CGEO shares traded was at 0.34% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 14.08 (-3.03% w/w and -5.38% m/m). More than 52k shares changed hands in the range of GBP 13.82 – 14.96/share. Average daily traded volume was 18k in the last 4 weeks. The volume of TBCG shares traded was at 0.10% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.35/share (+3.07% w/w and +21.13% m/m). More than 95k shares were traded in the range of GBP 2.21 – 2.35/share. Average daily traded volume was 81k 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 15.85* | 1,008 | 9.6% | -5.9% | -13.2% | 15.1% | -33.1% |
| TBC | TBC 14.08* | 988 | -5.4% | -15.4% | -18.1% | -7.5% | -10.3% |
| Halyk Bank | HSBK 10.50 | 3,085 | 4.0% | -8.7% | -10.3% | 1.4% | -18.9% |
| VTB Bank | VTBR 1.26 | 8,152 | 6.8% | -2.4% | -12.6% | 13.5% | -28.7% |
| Vozrozhdenie | VZRZ 7.11 | 169 | -0.3% | 1.4% | 27.2% | 3.8% | -17.7% |
| Sberbank | SBER 12.88 | 69,510 | 11.0% | 2.8% | 6.8% | 17.5% | -30.4% |

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 11.14* | 549 | 9.7% | -10.7% | 11.6% | 9.1% | n/a |
| Creades | CREDA 30.47 | 250 | 1.3% | -0.6% | 0.4% | 8.9% | -23.9% |
| CIE du Bois | COMB 446.21 | 752 | 3.3% | 1.7% | -2.3% | 3.4% | -4.1% |
| Tinc Comm | TINC 13.53 | 369 | 0.1% | -2.2% | -3.5% | 0.1% | -12.3% |
| Edify | EDIFY 58.89 | 286 | -1.1% | -6.9% | -16.1% | -3.0% | -22.5% |

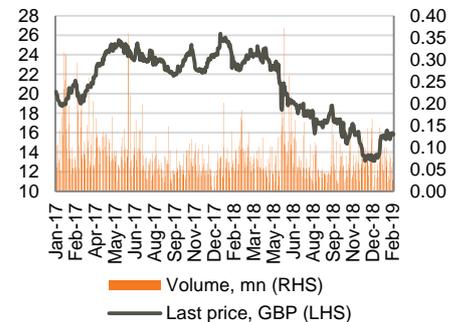
Source: Bloomberg
*CGEO share price traded and shown in GBP

Healthcare Sector Peers

| Ticker | Share price, US\$ | MCap, US\$ mn | 1M, chg | 3M, chg | 6M, chg | YTD, chg | 1Y, chg |
|---------------|-------------------|---------------|---------|---------|---------|----------|---------|
| GHG | GHG 2.35* | 400 | 21.1% | -3.3% | -14.2% | 15.2% | -27.1% |
| Mouwasat | MOUWASAT 19.79 | 1,979 | -7.0% | 3.1% | -19.3% | -7.8% | -13.7% |
| Fortis | FORH 1.90 | 1,431 | -4.6% | -3.2% | -8.7% | -6.0% | -3.0% |
| Raffles | RFMD 0.81 | 1,458 | 0.1% | 3.1% | 1.5% | 0.5% | -1.0% |
| IHH | IHH 1.39 | 12,154 | 1.2% | 15.7% | -5.2% | 6.3% | -7.4% |
| Bangkok Chain | BCH 0.53 | 1,320 | 3.4% | -8.1% | 4.7% | 3.2% | 4.3% |
| Netcare | NTC 1.78 | 2,611 | -5.0% | -2.3% | -15.5% | -3.4% | -15.6% |

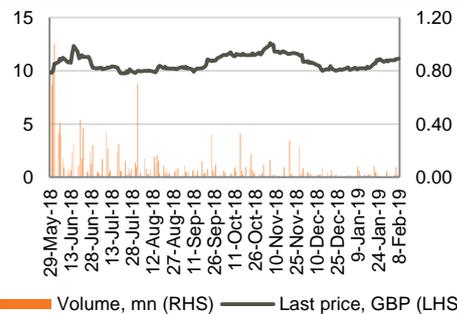
Source: Bloomberg
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



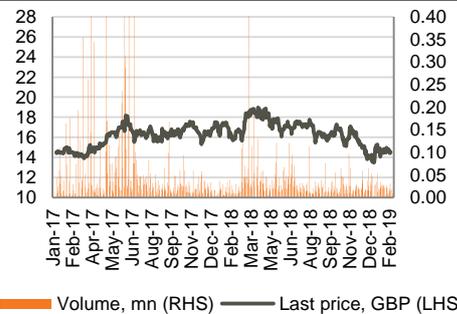
Source: Bloomberg

Georgia Capital (CGEO LN)



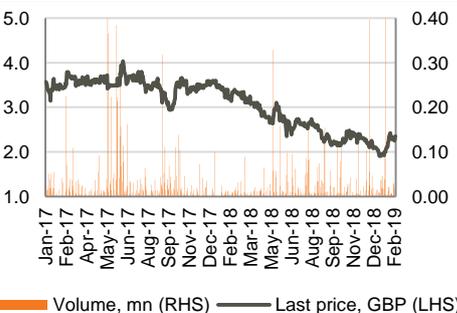
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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