



Fixed Income

REGIONAL MARKET
WATCH

01.04.2021

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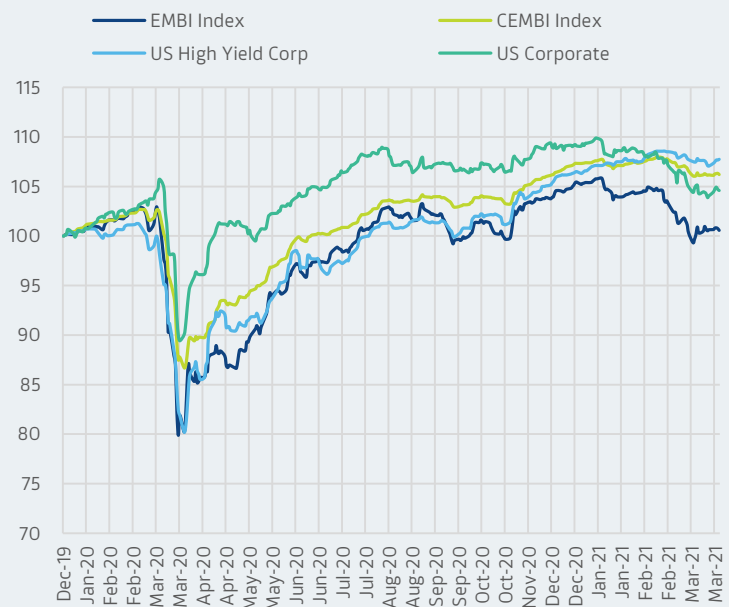
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Chief Broker, TBC Capital

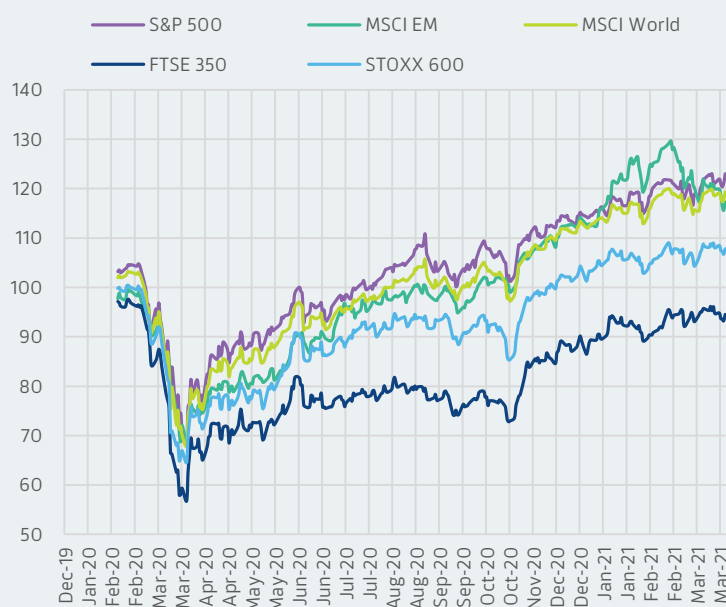
Fixed Income Regional Market Watch report covers the range of EUR and USD state and corporate Eurobonds issued in CIS, Caucasus, Eastern Europe and extended Region (TBC Capital Fixed Income Primary Universe), a diverse and unique universe, offering ample investment opportunities. The report covers the global financial market dynamics, key drivers of emerging market debt performance, describes the latest tendencies of the Primary Universe, with closer look at Georgia and immediate neighbors

- **Rates on longer dated US treasury securities continued to climb in March** with a sharp jump registered in mid-March in nominal yields. Unlike the previous month, in March long term US treasury real yields fluctuated and remained more or less flat on average as inflation expectations continued to rise.
- **No major change observed in global equity indices** over March with S&P 500 posting a minor, 3% MoM increase and MSCI World, FTSE 350, and STOXX 600 remaining stable over the past month. On the other hand, a noticeable shift was observed in the MSCI Emerging Markets index over the same period, posting a 6% MoM decrease.
- **Gold prices have continued to retreat** throughout March at a slow pace, while **oil prices have reached new highs** since the beginning of the pandemics in mid March, exceeding the crisis level. Oil prices somewhat withdrew at month end, standing slightly below the December 2019 level.
- The emerging markets capital flow index, together with the emerging markets currency index have ceased the upward tendency and both posted noticeable drops in March. On the other hand, **the Dollar index has increased in March** after remaining relatively stable throughout the previous three months, following a major drop in Fall 2020.
- **Inflation kept rising in February in the regional economies** with higher commodity prices and elevated inflationary expectations. Monetary policy stances have tightened by respective central banks throughout March, in line with the hiking inflation rates (see more on Page 5 of the publication).

BOND INDICES RETURNS (DEC 2019=100)

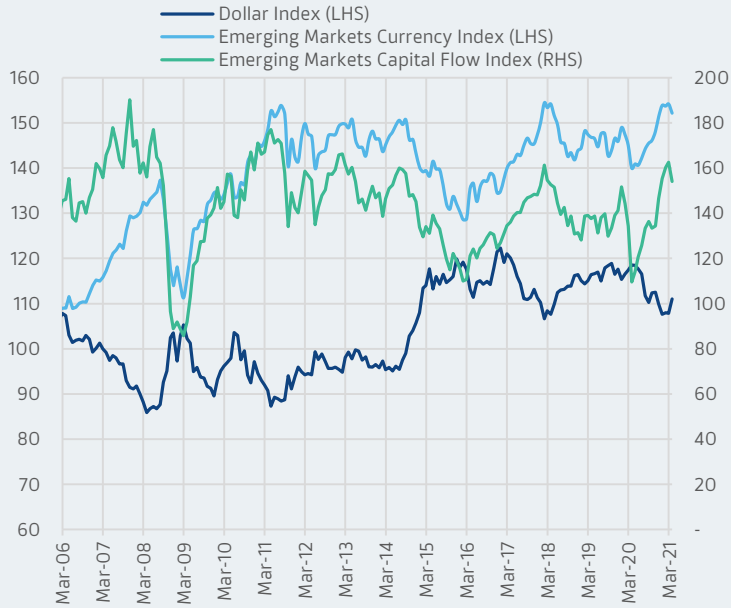


EQUITY INDICES RETURNS, IN USD (DEC 2019=100)

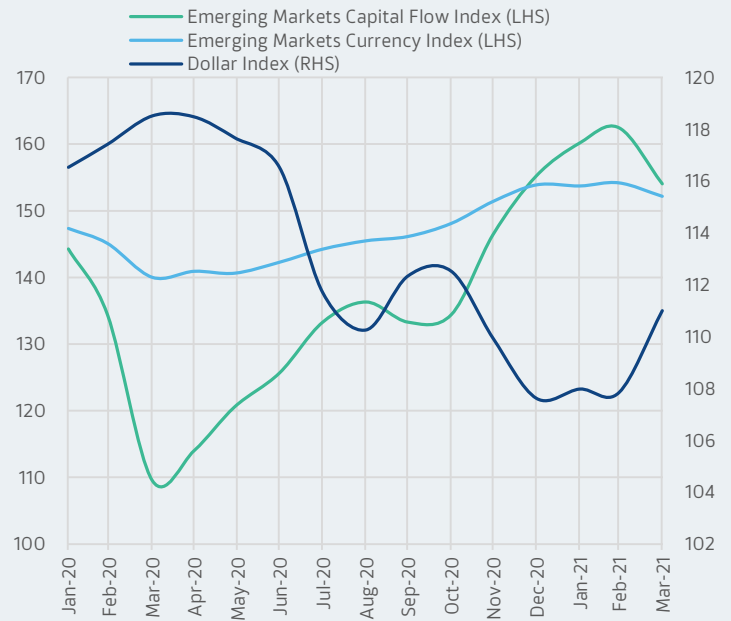


US TREASURY RATES CONTINUED THE INCREASING TENDENCY IN MARCH

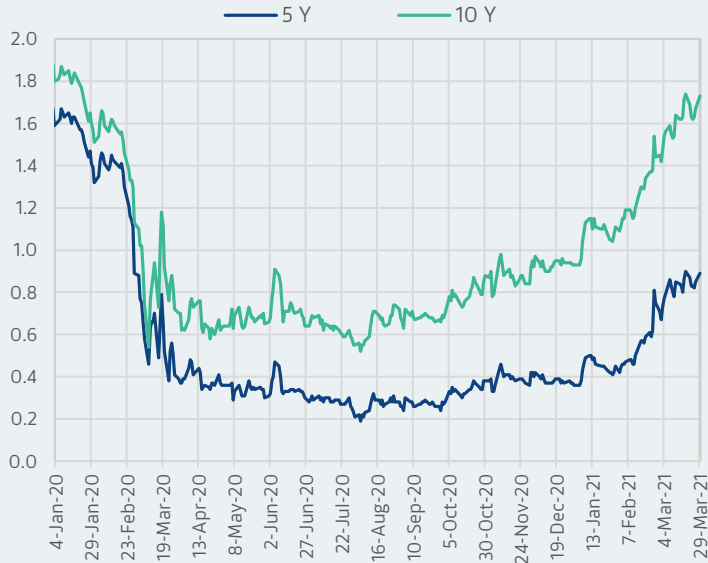
LONG TERM EM CAPITAL FLOW VS DOLLAR INDEX



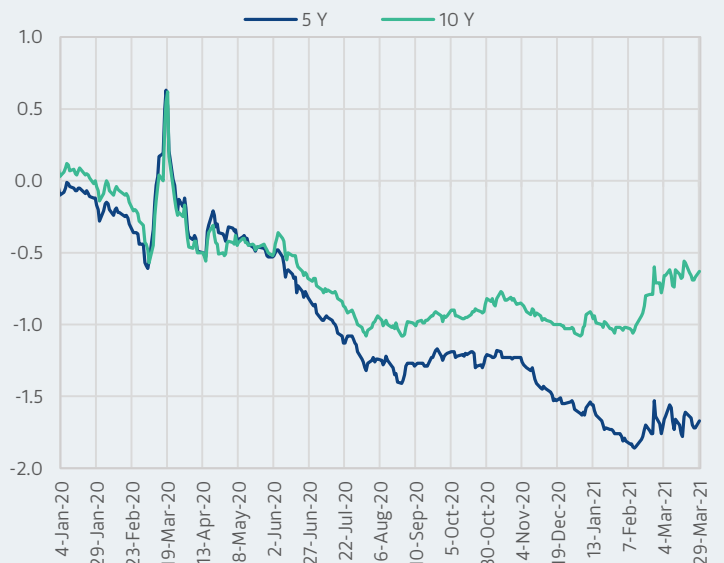
2020-2021 EM CAPITAL FLOW VS DOLLAR INDEX



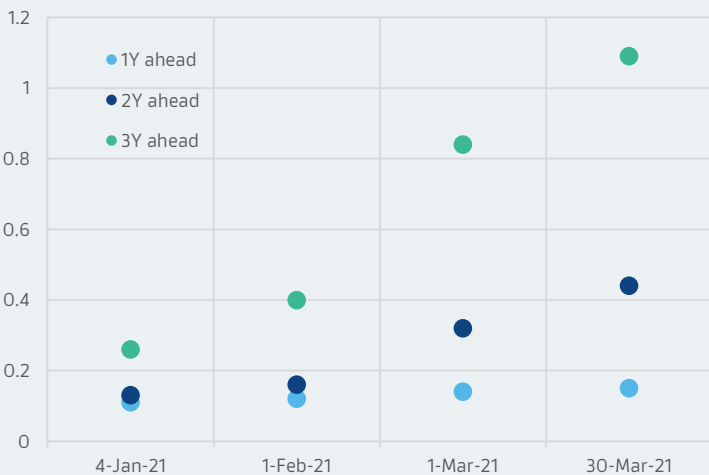
US treasury nominal yields (%)



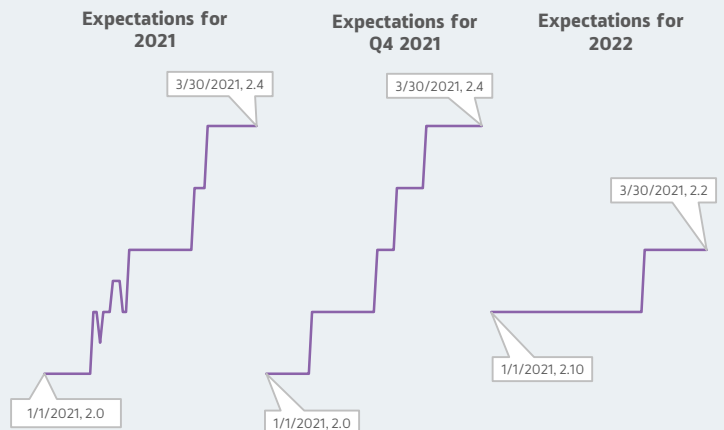
US treasury real yields (%)



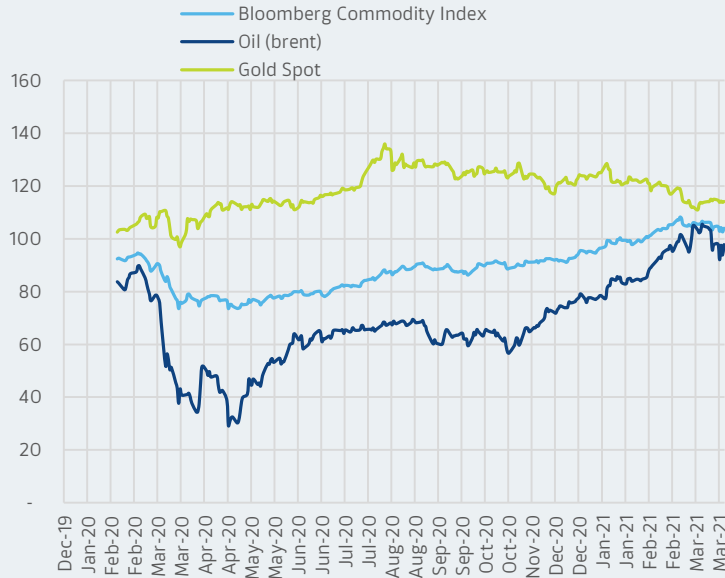
Market implied Fed funds rate (%)



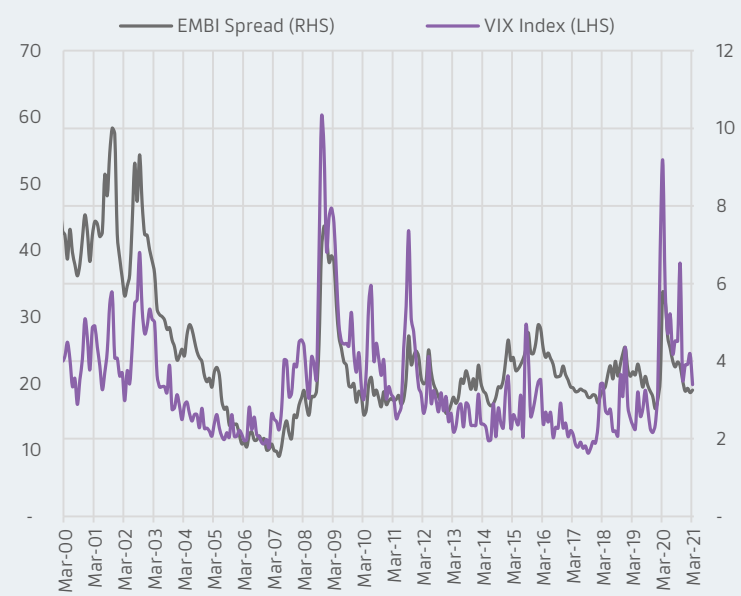
US inflation expectations from Jan-2021 till Feb 26-2021



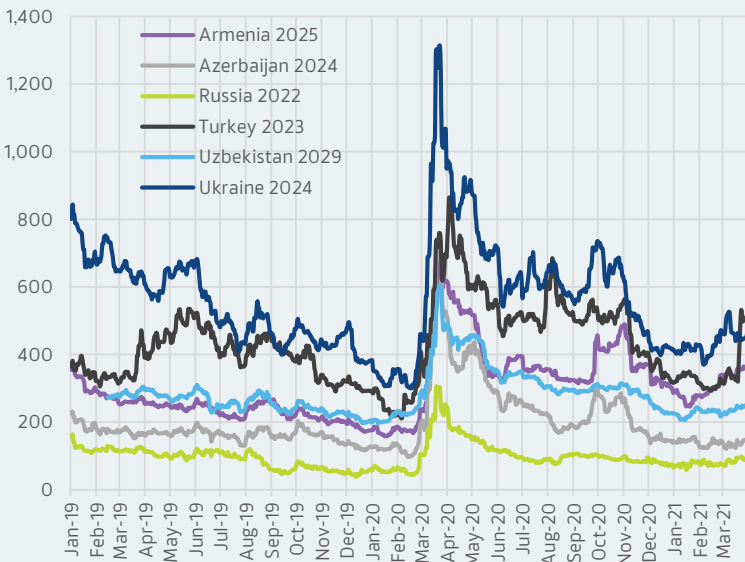
COMMODITY RETURNS (DEC 2019=100)



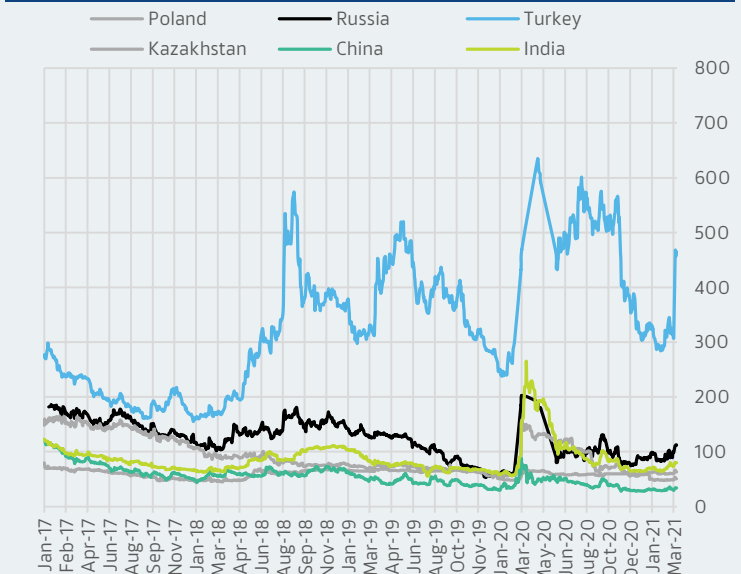
EMBI SPREAD (%) VS VIX



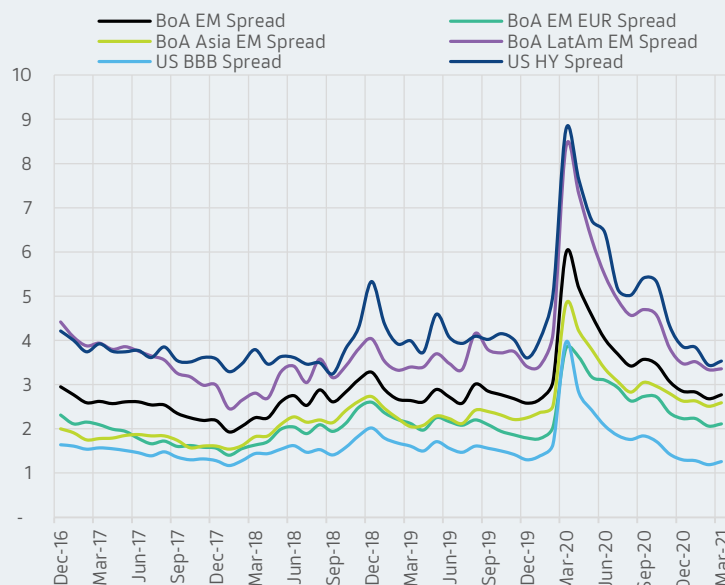
Sovereign Eurobond benchmark spreads (BP)



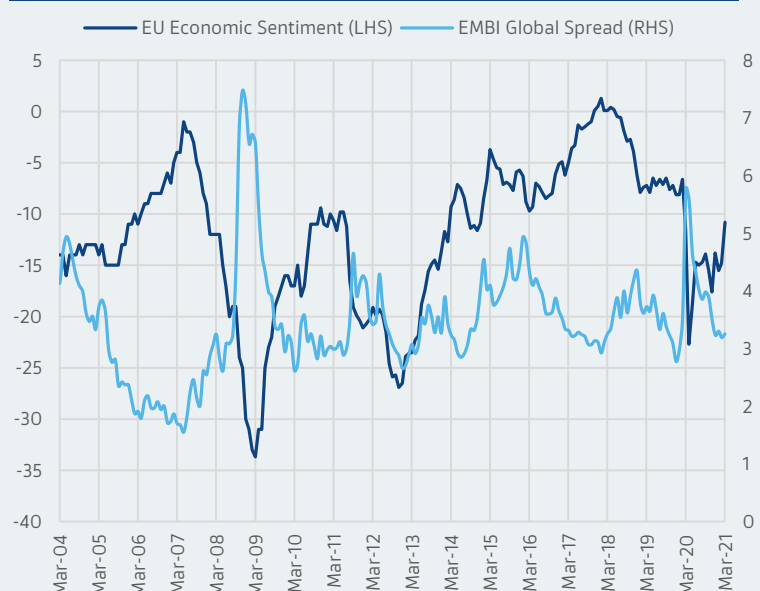
SELECT EM 5Y CDS PRICE



BOND INDICES OPTION ADJUSTED SPREADS (%)



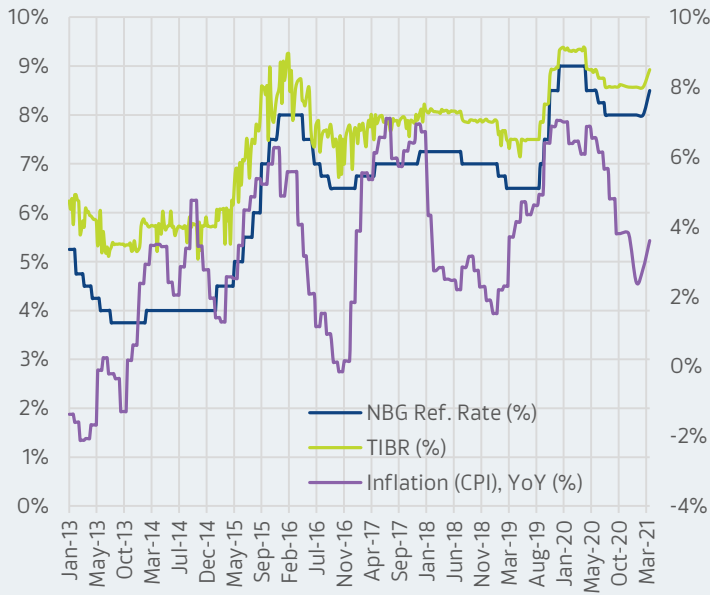
EMBI SPREAD (%) VS EU SENTIMENT



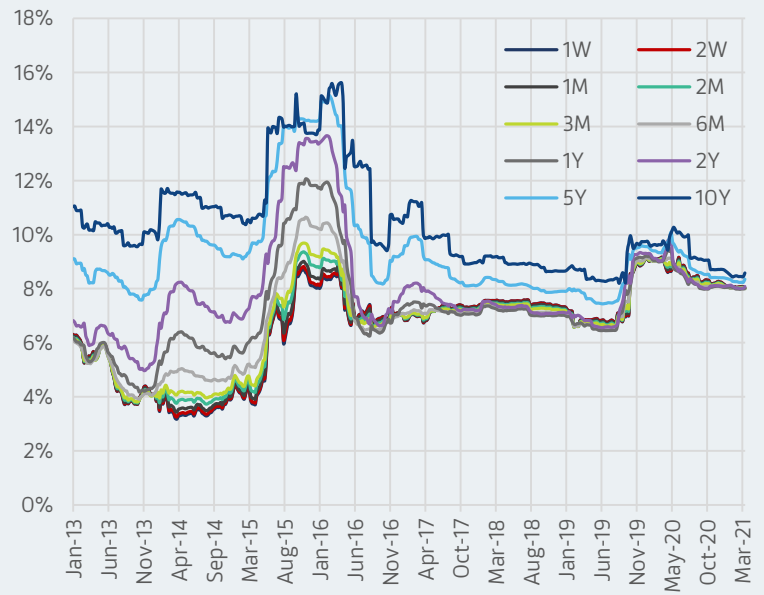
Source: Bloomberg, St Louis Fed

- **Georgia:** The NBG increased the refinance rate by 0.5 pp to 8.5% on the Monetary Policy Committee meeting held on March 17th. According to the National Bank, the decision is made to counter the inflationary factors in place. Per NBG's statement, there is no apparent need for further increase of policy rate throughout the year. While the policy rate increase should lead to a lower growth projection per conventional logic, as there was no tightening in [TBC Capital's latest baseline scenario](#), we still keep the growth outlook unchanged. Q4 2020 GDP growth came in at -6.8% YoY, slightly below the initial estimate of -6.5% YoY. For the whole year, the real GDP growth declined by 6.2% YoY.
- **Russia:** Annual CPI inflation continued to hike to 5.7% YoY in February as compared to 5.2% YoY in January. On its 19th of March meeting, the central bank of Russia delivered a 0.25 pp hike in its policy rate at 4.5% noting that the increase in consumer prices in the first quarter has been higher than expected by the bank. Also, per CBR statement, inflation expectations of both households and business remain elevated. The bank remains open to further increases in the key rate at its upcoming meetings.
- **Turkey:** Replacement of central bank governor in Turkey was followed by turmoil in markets. Sharp fall of Lira reflected the expectations that the previously tight monetary policy implemented by the central bank would be reversed under the new governor of the CBRT. Domestic markets fell sharply and Turkey's CDS jumped above 400 BPS after stabilizing around 300 BPS over last couple of months. The annual CPI inflation accelerated further in February 2021 to 15.61%, however the price growth decelerated on a monthly basis, standing at 0.91% in February, compared to 1.68% the month before. The developments, tied with the exit of the central bank's governor had a significant toll on the Turkish Lira. At the end of March the Turkish Lira is depreciated by 8.0% MoM, while the YoY figure stands at 20.0%.
- **Armenia:** At the March 16th meeting, amid the elevated political and economic uncertainties, exchange rate weakness, and increasing commodity prices the Central Bank of Armenia maintained the tightened stance and left the policy rate unchanged at 5.5% after delivering a 0.25pp rate hike in the beginning of February and a 1PP rate increase by the end of 2020. Inflation continued to rise and came in at 5.3% YoY in February 2021 after 4.5% YoY in January 2021.
- **Ukraine:** Price growth accelerated and further exceeded the 5% target rate, standing at 7.5% YoY in February 2021 compared to 6.1% YoY in the previous month. The core inflation also sped up to 5.6% YoY from 5.0% the month before. Due to the sharp increase in commodity prices and further elevated inflation expectations, the NBU delivered a 0.5 pp hike in the key policy rate to 6.5% in the beginning of March.

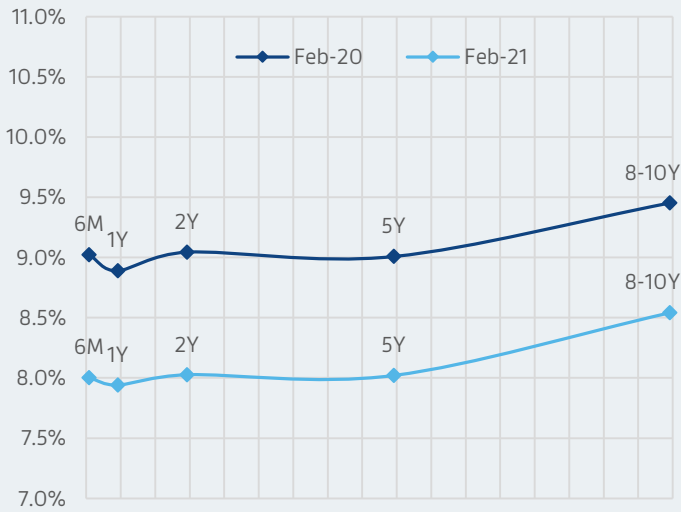
INTEREST RATE DYNAMICS VS INFLATION (%)



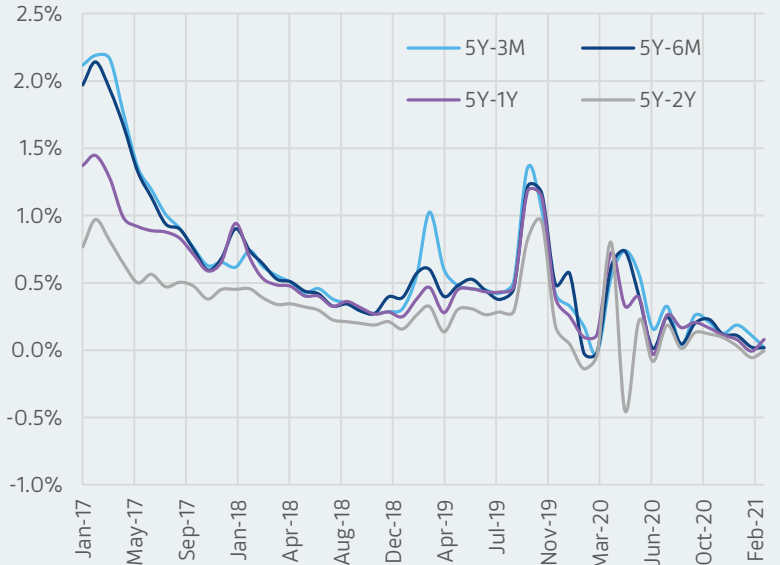
INTEREST RATES ON GEL TREASURIES (%)



YTD SHIFT IN GEL TREASURIES CURVE (%)



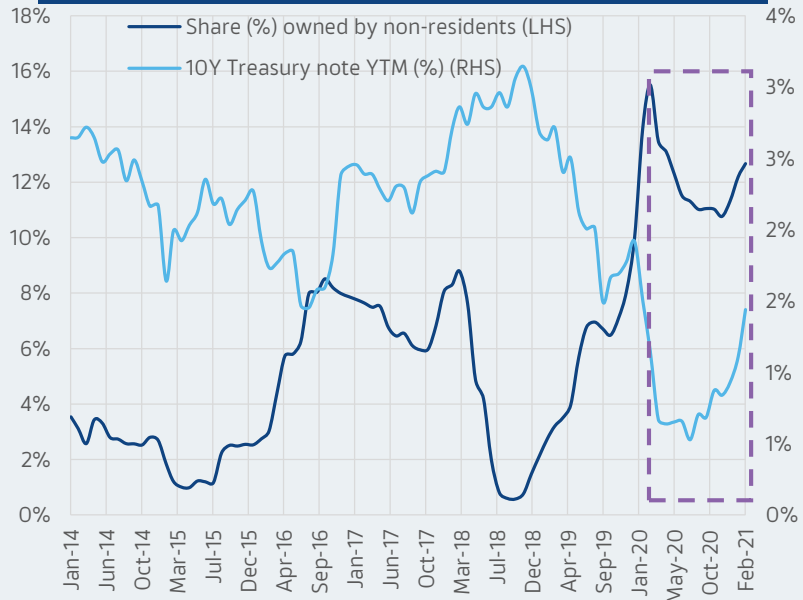
SPREADS ON GEL TREASURIES (%)



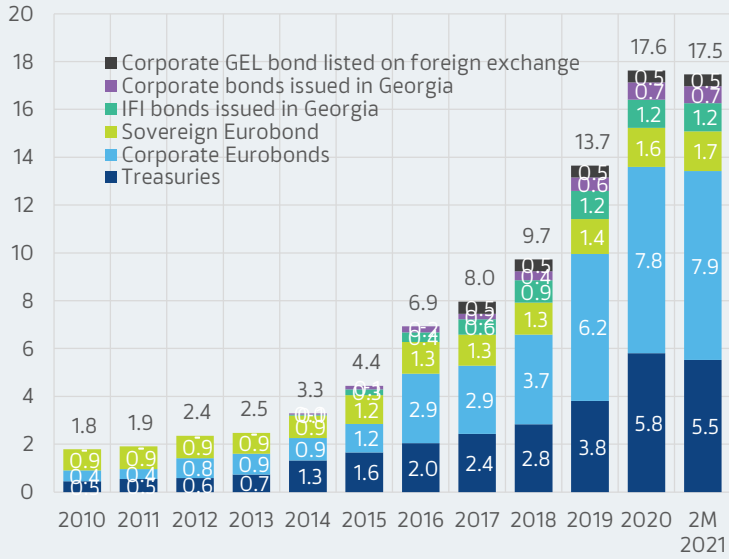
GEORGIAN TREASURIES & SOVEREIGN EUROBOND YTM (%)



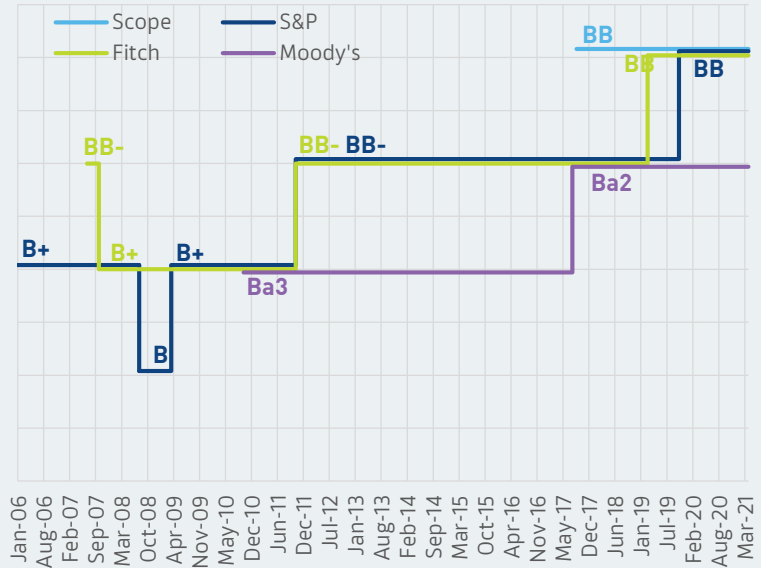
US TREASURY RATES AND SHARE OF NON-RESIDENTS



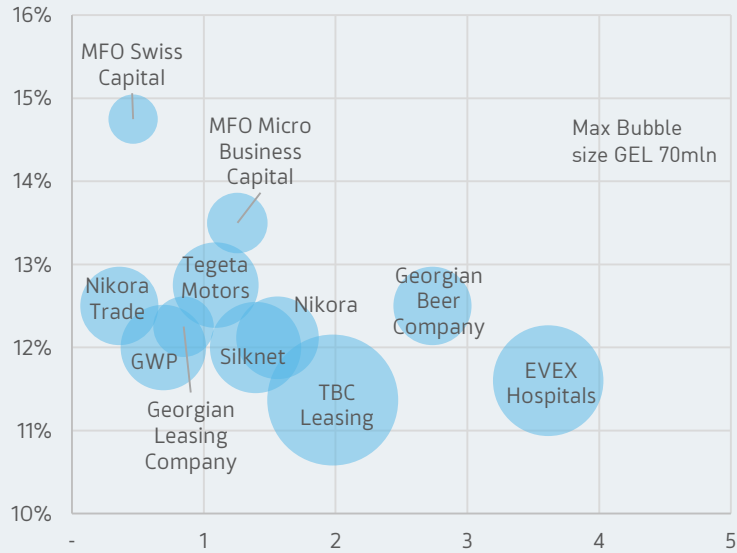
TOTAL BONDS OUTSTANDING (GEL BN) IN GEORGIA



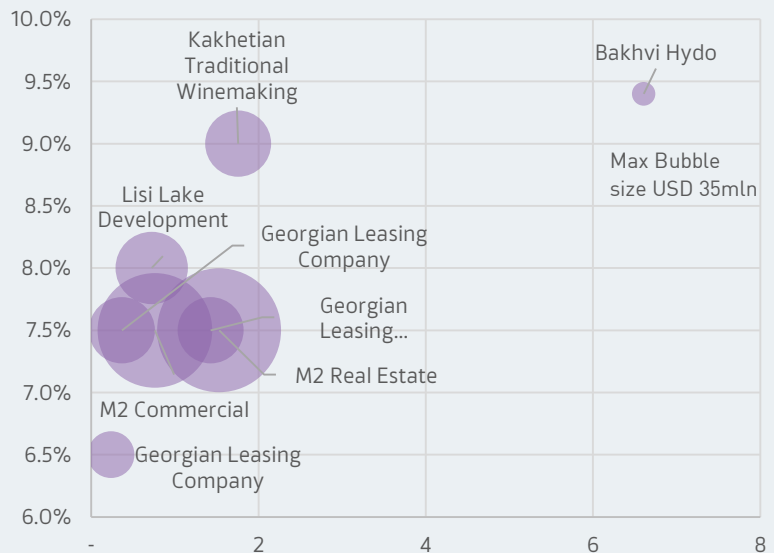
SOVEREIGN RATINGS FOR GEORGIA



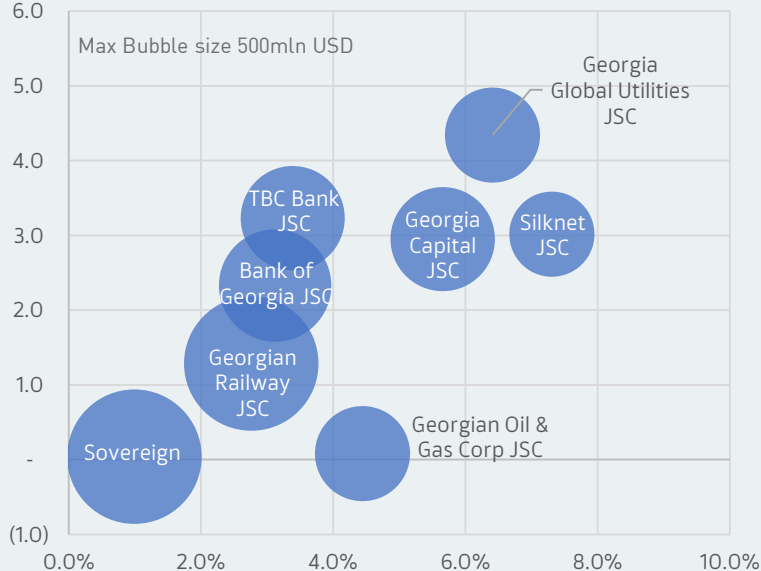
GEORGIAN LOCAL GEL BONDS* (COUPON & MATURITY)



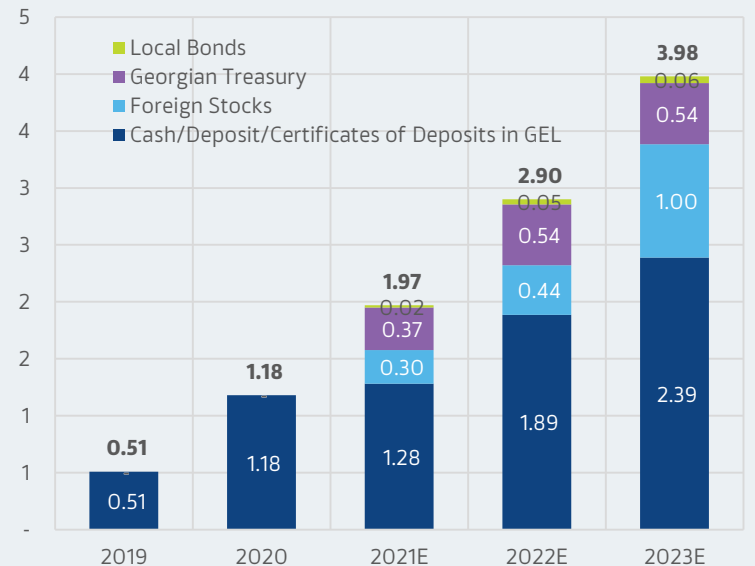
GEORGIAN LOCAL USD BONDS* (COUPON & MATURITY)



GEORGIAN EUROBOND UNIVERSE (YTM & MATURITY)

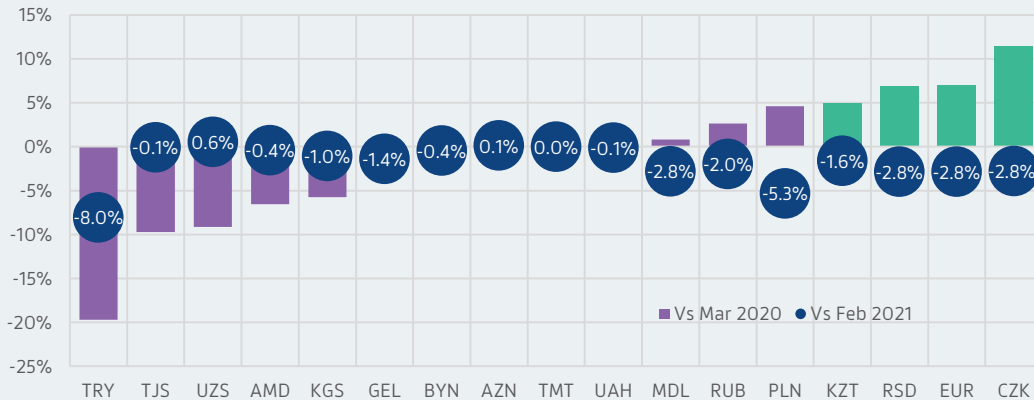


COMPOSITION/GROWTH FCST OF PENSION FUND (GEL BN)

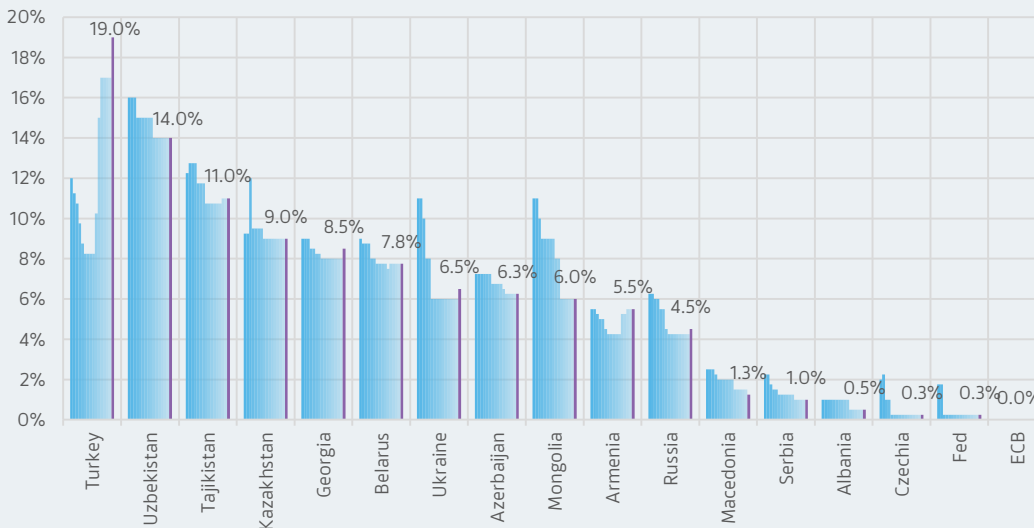


Source: NBG, Moody's, Fitch, S&P, Scope, TBC Capital; *Note: NBG approved prospectuses

FX CHANGES VS USD, AS OF 29-MAR-2021 (DECREASE MEANS DEPRECIATION)



POLICY RATES IN TBC CAPITAL UNIVERSE & MAJOR ECONOMIES (DEC 2019-MAR 2021)



	Moody's	S&P	Fitch
Turkey	B2	B+	BB-
Greece	Ba3	BB-	BB
Poland	A2	A-	A-
Slovakia	A2	A+	A
Romania	Baa3	BBB-	BBB-
Russia	Baa3	BBB-	BBB
Kazakhstan	Baa3	BBB-	BBB
Czechia	Aa3	AA-	AA-
Slovenia	A3	AA-	A
Ukraine	B3	B	B
Lithuania	A2	A+	A
Cyprus	Ba2	BBB-	BBB-
Latvia	A3	A+	A-
Croatia	Ba1	BBB-	BBB-
Hungary	Baa3	BBB	BBB
Bulgaria	Baa1	BBB	BBB
Georgia	Ba2	BB	BB
Serbia	Ba2	BB+	BB+
Azerbaijan	Ba2	BB+	BB+
Mongolia	B3	B	B
Estonia	A1	AA-	AA-
Belarus	B3	B	B
Macedonia	N/R	BB-	BB+
Albania	B1	B+	N/R
Armenia	Ba3	N/R	B+
Uzbekistan	B1	BB-	BB-
Tajikistan	B3	B-	N/R

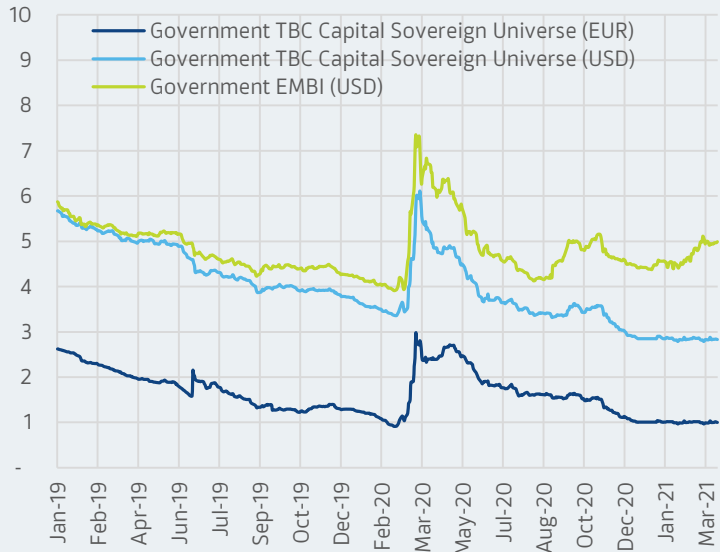
INTEREST RATE OUTLOOK

	Rate	Present	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
US	US 30-Year	2.38%	2.29%	2.31%	2.35%	2.43%	2.50%	2.60%	2.65%	2.69%	2.86%	2.94%
	US 10-Year	1.68%	1.61%	1.58%	1.62%	1.71%	1.79%	1.88%	1.95%	2.02%	2.16%	2.20%
	US 5-Year	0.87%	0.72%	0.78%	0.83%	0.89%	0.96%	1.06%	1.14%	1.22%	1.30%	1.35%
	US 2-Year	0.14%	0.15%	0.20%	0.24%	0.30%	0.38%	0.46%	0.55%	0.62%	0.74%	0.79%
	US 3-Month Libor	0.20%	0.18%	0.21%	0.24%	0.27%	0.31%	0.37%	0.41%	0.44%	0.55%	0.62%
	Fed Funds Rate - Upper Bound	0.25%	0.25%	0.25%	0.25%	0.25%	0.30%	0.30%	0.35%	0.35%	0.40%	0.50%
	2 Year - 10 Year Spread	1.54%	1.46%	1.38%	1.38%	1.40%	1.41%	1.42%	1.40%	1.40%	1.42%	1.41%
EU	3-Month Euribor	-0.54%	-0.51%	-0.50%	-0.49%	-0.48%	-0.46%	-0.45%	-0.44%	-0.43%	-0.38%	-0.37%
	ECB Main Refinancing Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%
	ECB Deposit Rate	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.49%	-0.49%	-0.49%	-0.48%	-0.45%
	2 Year - 10 Year Spread	0.38%	0.38%	0.39%	0.43%	0.44%	0.48%	0.50%	0.49%	0.52%	0.58%	0.58%
TBC Cap Universe	Bulgaria Base Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Croatia Central Bank Rate	3.00%	3.00%	3.00%	3.00%	3.00%	2.25%	2.25%	1.75%	1.75%	1.50%	1.50%
	Czech 10-Year	1.94%	1.43%	1.49%	1.55%	1.62%	1.81%	1.90%	1.96%	2.06%	2.13%	N/A
	Czech 3-Month Pribor	0.36%	0.42%	0.44%	0.47%	0.69%	0.89%	1.09%	1.18%	1.31%	1.42%	N/A
	CNB 2 Week Limit Repo Rate	0.25%	0.25%	0.25%	0.30%	0.45%	0.65%	0.80%	0.95%	1.05%	1.15%	N/A
	Hungary 10-Year	2.63%	2.37%	2.53%	2.51%	2.49%	2.55%	2.60%	2.65%	2.64%	2.81%	N/A
	Poland 10-Year	1.48%	1.49%	1.58%	1.67%	1.75%	1.90%	1.89%	1.76%	1.80%	2.00%	2.09%
	NBP Reference Rate	0.10%	0.00%	0.10%	0.10%	0.10%	0.15%	0.15%	0.20%	0.20%	0.20%	0.25%
	Romania Central Bank Rate	1.25%	1.20%	1.15%	1.15%	1.15%	1.20%	1.25%	1.30%	1.30%	1.55%	N/A
	Romania 10-Year	3.09%	2.95%	3.01%	3.06%	3.01%	3.27%	3.44%	3.57%	3.37%	3.78%	N/A
	Russia 10-Year	7.00%	7.06%	6.96%	6.98%	6.98%	6.93%	7.08%	7.45%	7.00%	7.75%	7.75%
	Russia Key Rate	4.50%	0.00%	4.75%	4.95%	5.05%	4.95%	5.15%	5.15%	4.95%	5.10%	5.10%
	Serbia Repo Rate	1.00%	1.00%	1.00%	1.05%	1.15%	1.20%	1.25%	1.30%	1.40%	1.60%	1.65%
	Slovakia 10-Year	-0.16%	-0.24%	0.00%	0.05%	0.10%	0.22%	0.26%	0.39%	0.52%	0.60%	N/A
	Turkey 10-Year	18.05%	13.71%	13.61%	13.39%	13.00%	12.65%	12.32%	0.00%	11.99%	0.00%	0.00%
	Turkey Late Liquidity Rate	23.50%	19.38%	19.38%	19.13%	17.06%	15.75%	14.88%	14.92%	14.00%	14.25%	14.00%
Ukraine Central Bank Discount Rate	0.00%	0.00%	7.00%	7.00%	7.25%	7.10%	7.10%	7.00%	7.50%	6.90%	N/A	

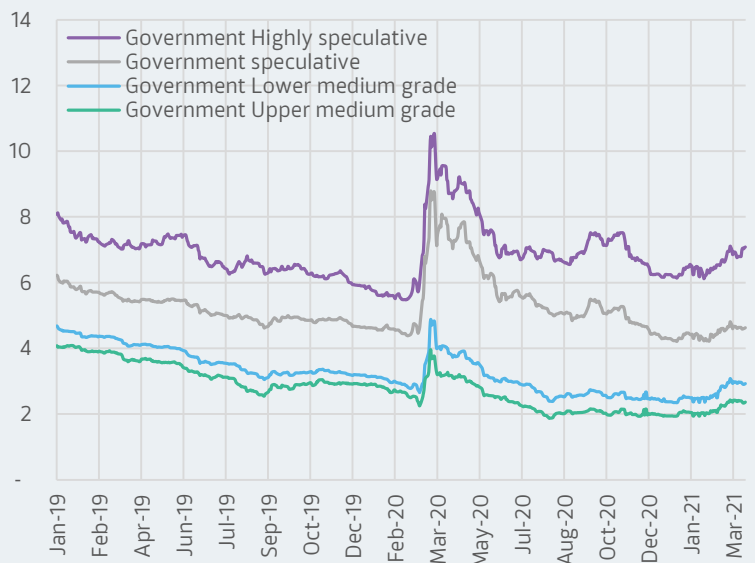
Source: TBC Capital, Bloomberg

SELECT SOVEREIGN EUROBONDS FROM TBC CAPITAL UNIVERSE VS EMBI

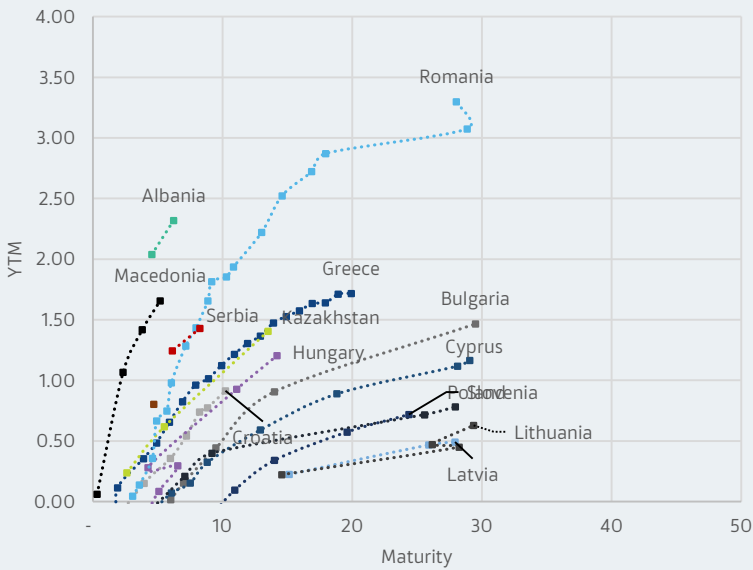
TBC CAPITAL EUROBOND YTM (USD, EUR) VS EMBI (USD)



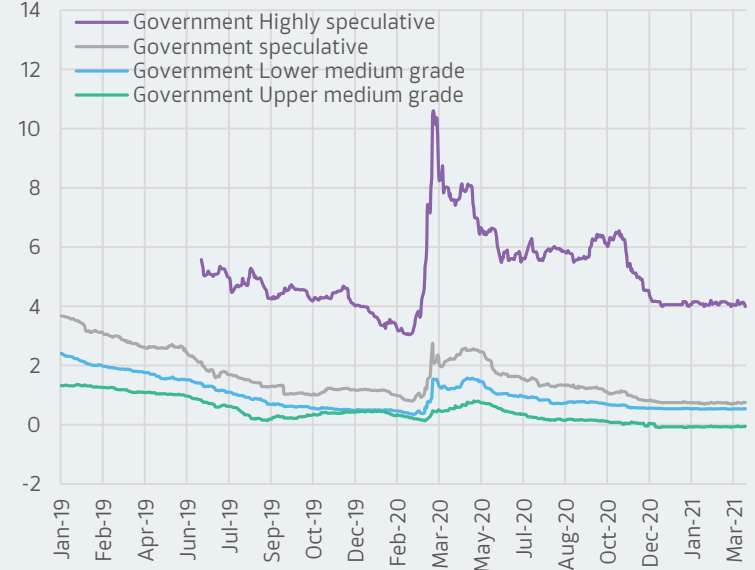
EMBI EUROBOND YTM DYNAMICS*



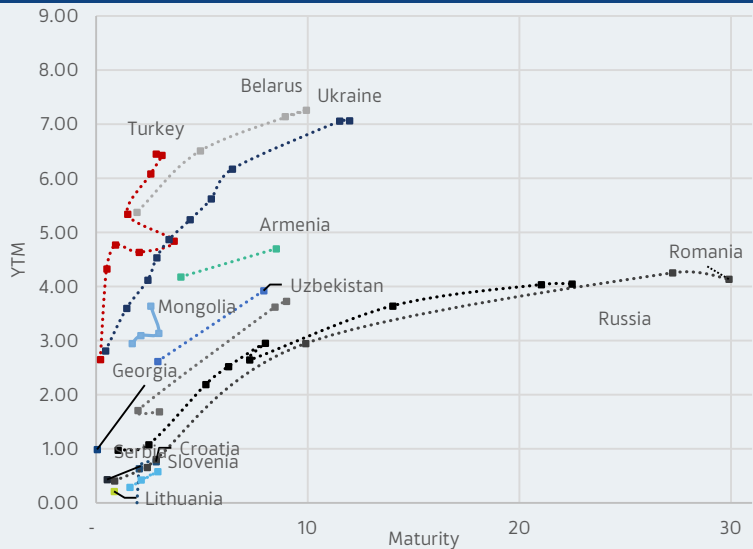
SELECT EUR SOVEREIGN EUROBONDS: YTM vs MATURITY



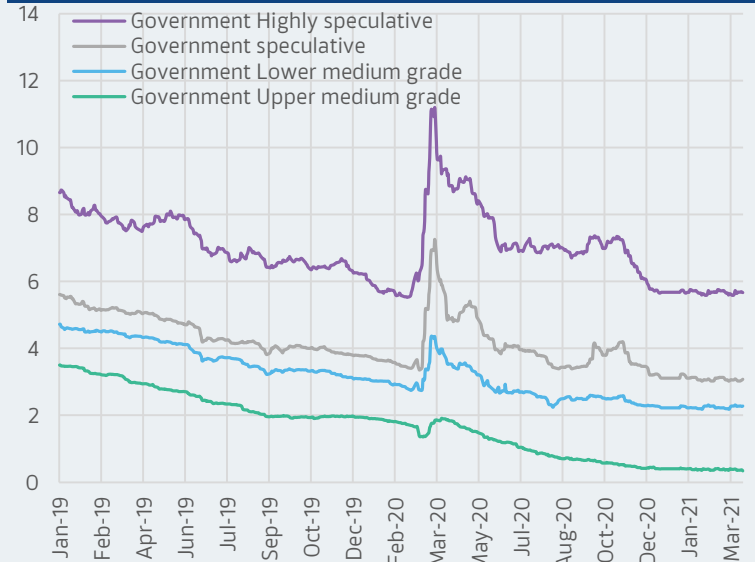
SELECT WEIGHTED SOVEREIGN EUROBOND YTM: EUR*



SELECT USD SOVEREIGN EUROBONDS: YTM vs MATURITY

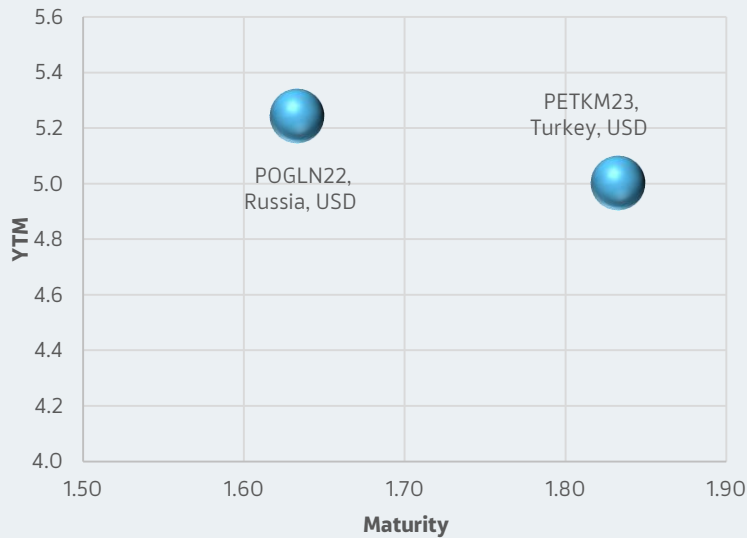


SELECT WEIGHTED SOVEREIGN EUROBOND YTM: USD**

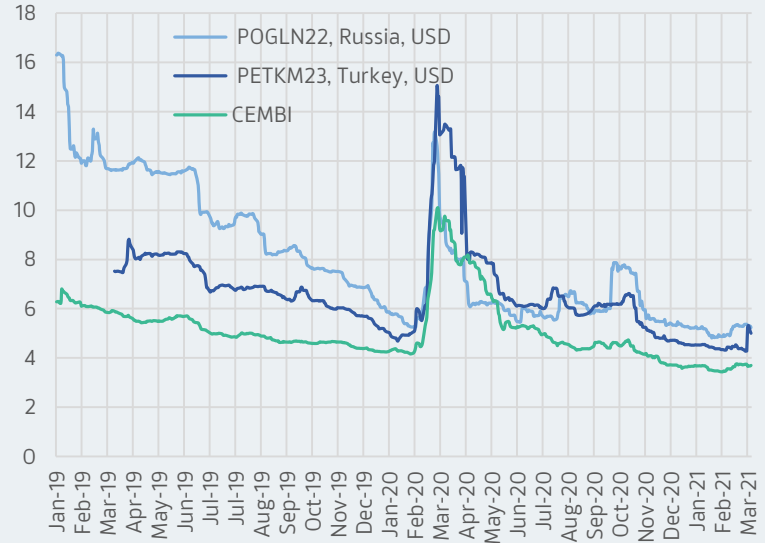


Source: Bloomberg, TBC Capital; As of 26th Mar 2021; EMBI grade yield dynamics calculated by TBC Capital; *Single benchmark bond per country weighted by rating; ** Georgia Eurobond excluded due to short remaining maturity

MATERIALS EUROBOND YTM vs MATURITY: USD



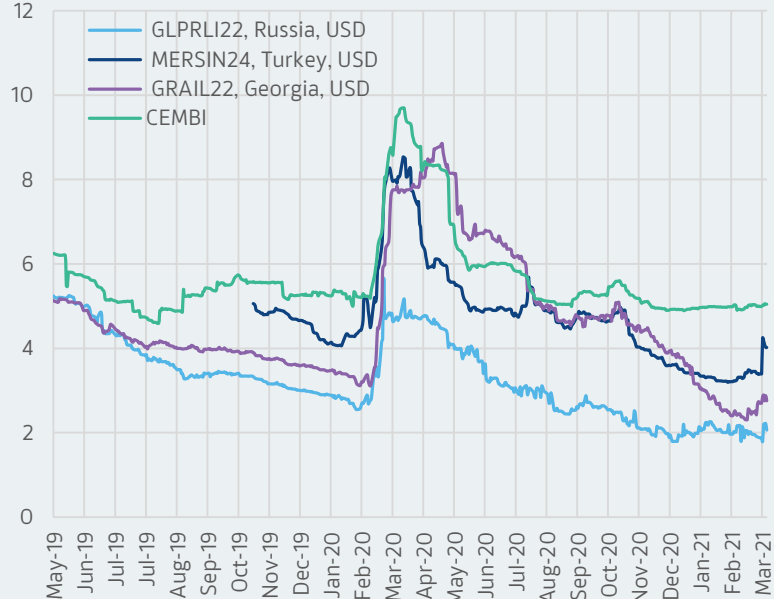
DEVELOPMENT OF MATERIALS YTM: TBC CAP VS CEMBI



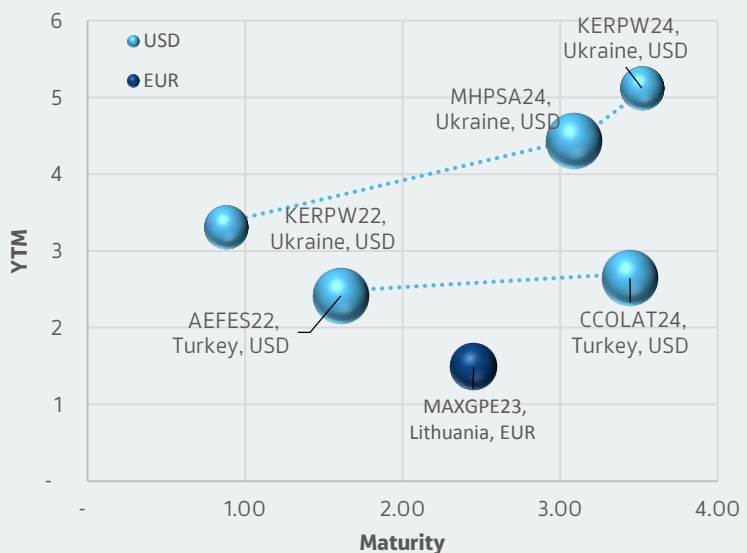
INDUSTRIAL EUROBOND YTM vs MATURITY: USD



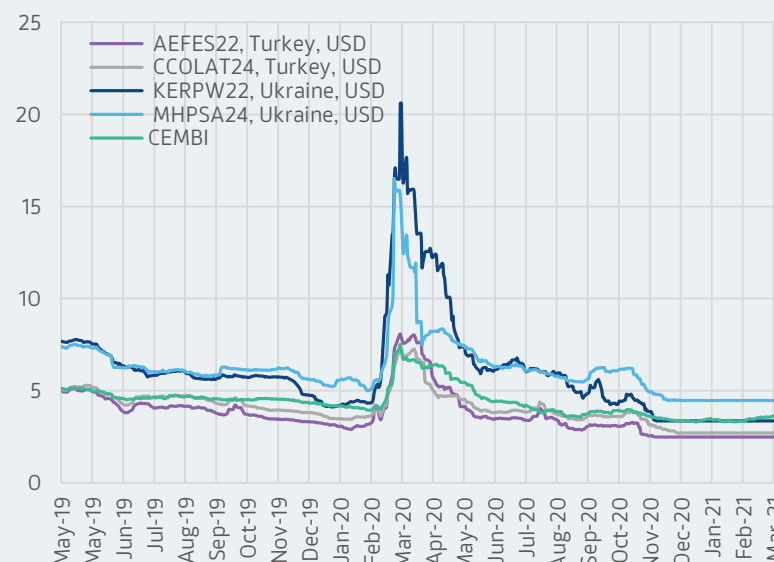
DEVELOPMENT OF INDUSTRIAL YTM: TBC CAP VS CEMBI



STAPLES EUROBOND YTM vs MATURITY: USD & EUR

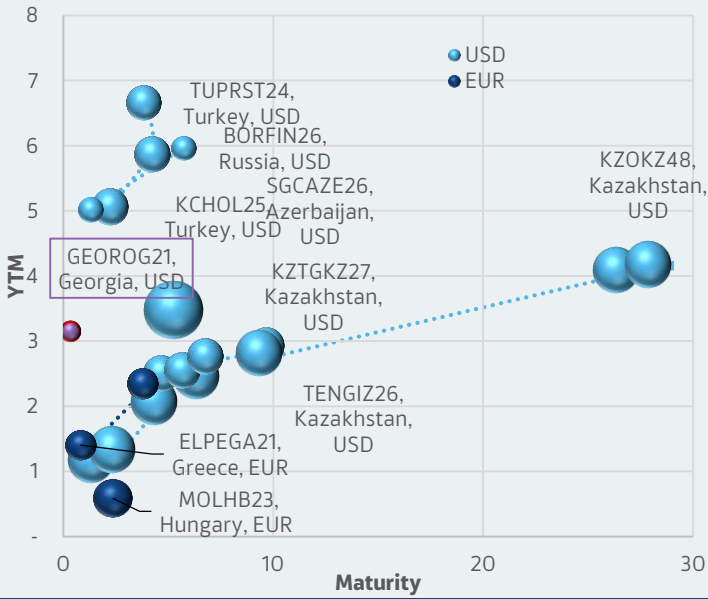


DEVELOPMENT OF STAPLES YTM: TBC CAP VS CEMBI

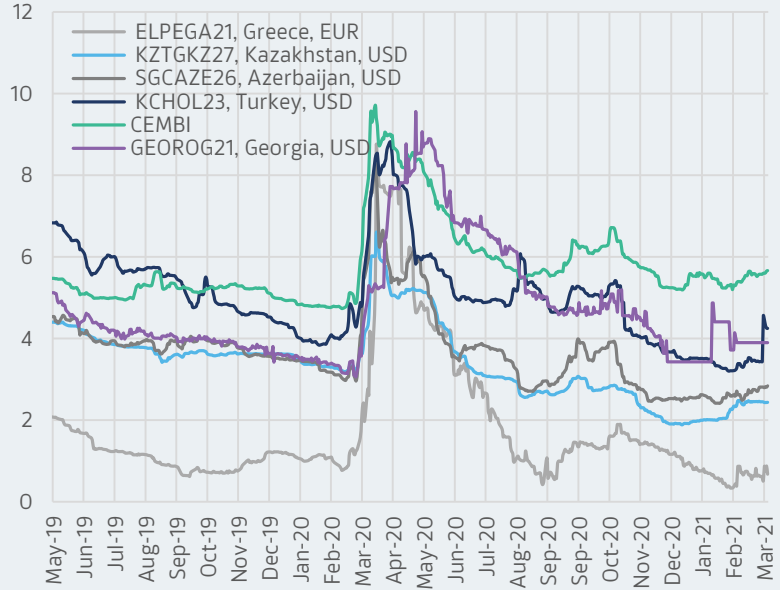


SELECT CORPORATE EUROBONDS FROM TBC CAPITAL UNIVERSE II/III

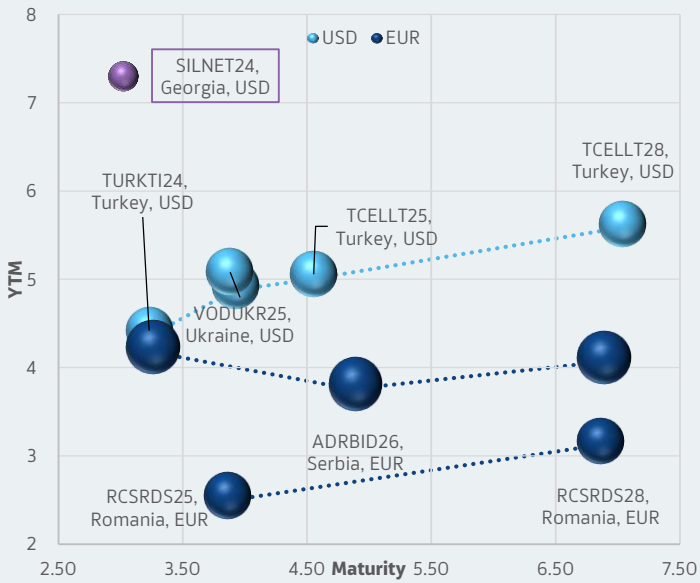
ENERGY EUROBOND YTM vs MATURITY: USD & EUR



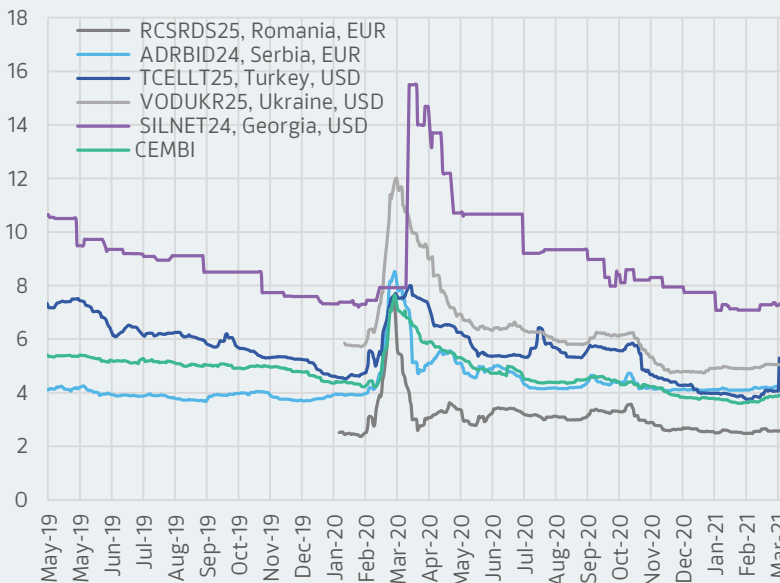
DEVELOPMENT OF ENERGY YTM: TBC CAP VS CEMBI



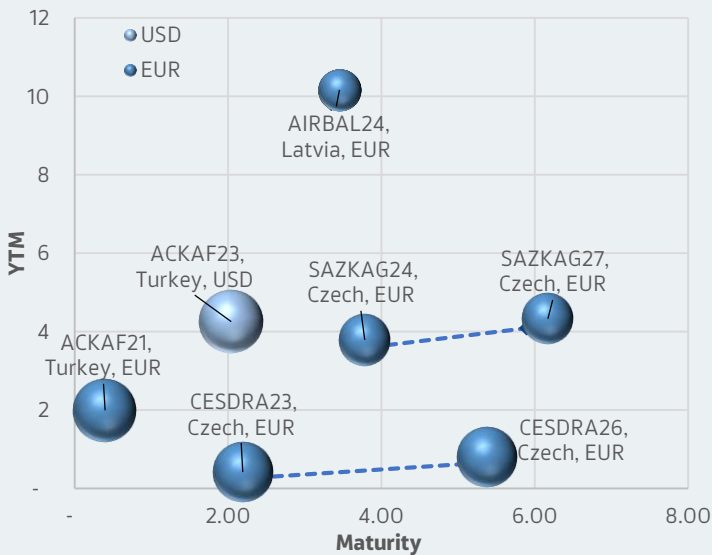
TELECOMS EUROBOND YTM vs MATURITY: USD & EUR



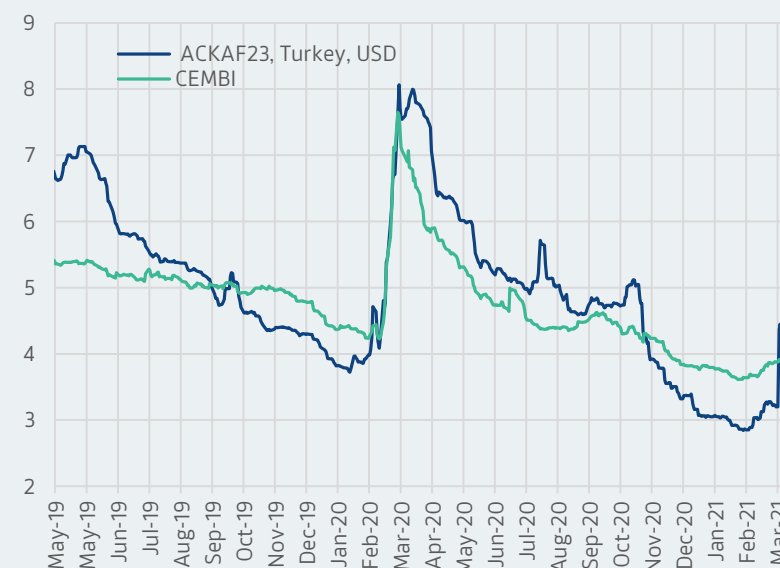
DEVELOPMENT OF COMMUNICATIONS YTM: TBC CAP VS CEMBI



DISCRETIONARY EUROBOND YTM vs MATURITY: USD & EUR



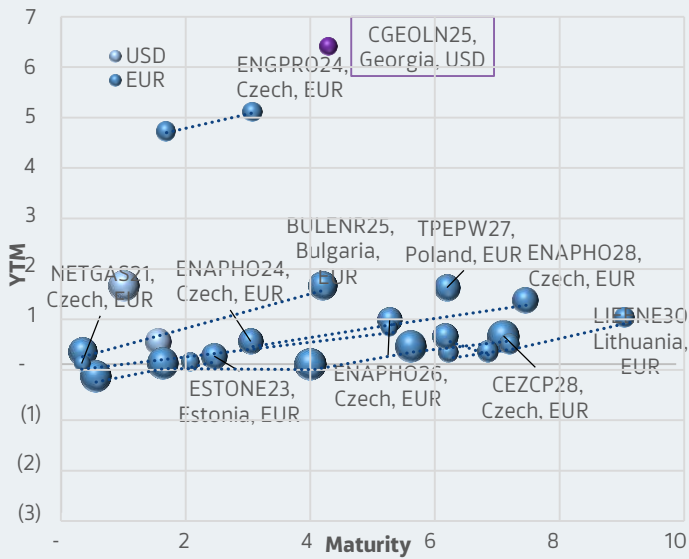
DEVELOPMENT OF DISCRETIONARY YTM: TBC CAP VS CEMBI



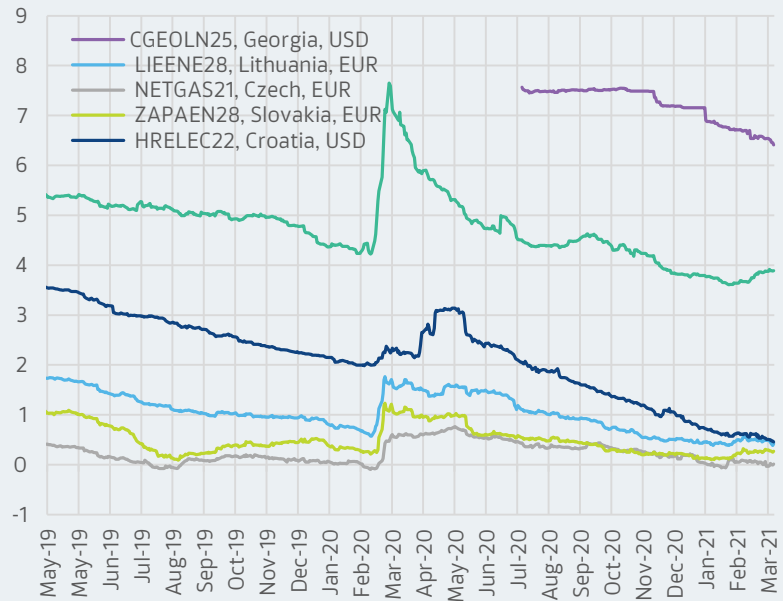
Source: Bloomberg, TBC Capital; As of 26th Mar 2021; CEMBI relevant industry yields calculated by TBC Capital

SELECT CORPORATE EUROBONDS FROM TBC CAPITAL UNIVERSE III/III

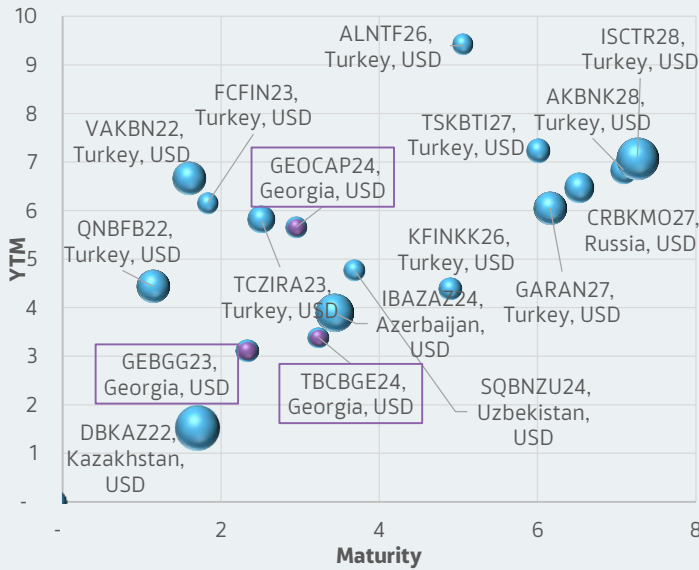
UTILITIES EUROBOND YTM vs MATURITY: USD & EUR



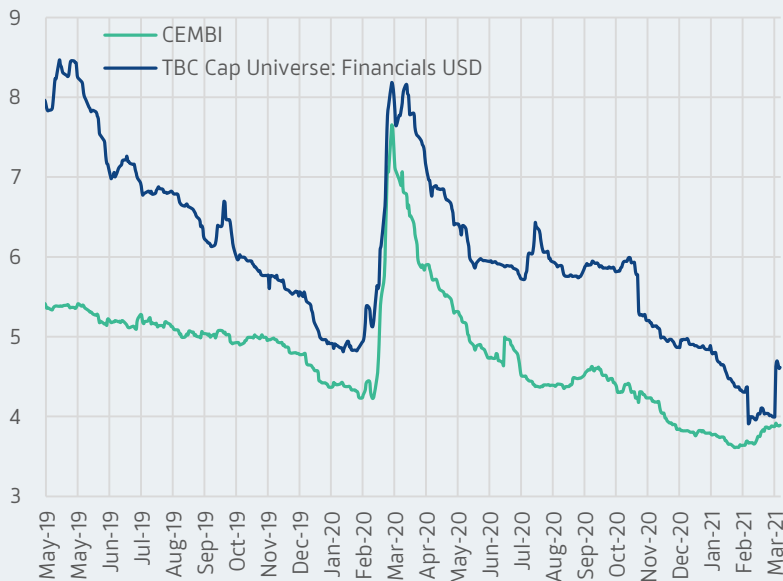
DEVELOPMENT OF UTILITIES YTM: TBC CAP VS CEMBI



FINANCIALS EUROBOND YTM vs MATURITY: USD*



DEVELOPMENT OF FINANCIALS YTM: GEORGIA (USD) VS CEMBI



APPENDIX: SELECT ISSUES SINCE PREVIOUS PUBLICATION

TABLE 1: NEW ISSUES IN TBC CAPITAL'S UNIVERSE SINCE THE LAST PUBLICATION*

N	ISIN	Issuer Name	Country	BICS lvl 1 Classification	Cpn (%)	Issue Date	Maturity Date	Maturity Type	Curr.	YTM (Mid, %)	Duration (Mid)	Price (Mid)	Issue, USD Min	Ratings (Fitch/Moody's/S&P/BBG Comp)
1	XS2314265237	Public Power Corp SA	GR	Utilities	3.9	3/18/2021	3/30/2026	Callable	EUR	3.538	4	102	924.52	NR/NR/B/B+
2	XS2307437629	Alpha Bank AE	GR	Financials	5.5	3/11/2021	6/11/2031	Callable	EUR	5.647	5	99	598.61	NR/NR/B/CCC
3	XS2317123052	Latvia Government Interna	LV	Government	--	3/17/2021	3/17/2031	At maturity	EUR	0.038	10	100	1,490	A-/NR/A+/A-
4	XS2315951041	Eurasian Development Ban	KZ	Government	1.0	3/17/2021	3/17/2026	At maturity	EUR	1.077	5	100	357.24	NR/Baa1/NR/BBB
5	XS2310118893	North Macedonia Governme	MK	Government	1.6	3/10/2021	3/10/2028	Callable	EUR	1.922	7	98	833.59	BB+/NR/BB-/BB
6	XS2304902443	Ozon Holdings PLC	CY	Consumer Discret	1.9	2/24/2021	2/24/2026	Convertible	USD	1.881	5	100	750.00	NR/NR/NR/NR
7	XS2309428113	Croatia Government Intern	HR	Government	1.1	3/4/2021	3/4/2033	At maturity	EUR	1.079	11	101	1,200	BBB-/NR/BBB-/BB+
8	XS2304675791	EP Infrastructure AS	CZ	Utilities	1.8	3/2/2021	3/2/2031	Callable	EUR	1.676	9	101	603.99	NR/Baa3/BBB/BBB-
9	XS2308620793	Serbia International Bond	RS	Government	1.7	3/3/2021	3/3/2033	At maturity	EUR	1.896	11	97	1,210	BB+/NR/BB+/BB
10	XS2309433899	Croatia Government Intern	HR	Government	1.8	3/4/2021	3/4/2041	At maturity	EUR	1.579	17	103	1,200	BBB-/NR/BBB-/BB+
11	SK4000018693	Vseobecna Uverova Banka	SK	Financials	0.0	3/24/2021	3/24/2026	At maturity	EUR	-0.279	5	101	591.37	NR/NR/NR/NR
12	XS2325212368	Public Power Corp SA	GR	Utilities	3.9	3/24/2021	3/30/2026	Callable	EUR	3.515	4	102	147.84	NR/NR/B/NR
13	CZ0003530776	Ceska Zbrojovka Group SE	CZ	Industrials	2.2	3/23/2021	3/23/2027	At maturity	CZK	--	--	--	226.15	NR/NR/NR/NR
14	LT0000404980	Maxima Grupe UAB	LT	Consumer Staples	--	3/22/2021	3/17/2022	At maturity	EUR	0.479	1	100	47.77	NR/NR/BB+/NR
15	XS2322936597	International Investment B	HU	Government	2.4	3/24/2021	3/24/2023	At maturity	RON	--	--	--	45.98	NR/NR/NR/NR
16	XS2306847158	Turkiye Is Bankasi AS	TR	Financials	5.1	2/25/2021	2/25/2026	At maturity	USD	7.503	4	90	13.00	B+/NR/B+/NR
17	SI0002502852	Slovenia Ministry of Financ	SI	Government	--	3/11/2021	9/9/2021	At maturity	EUR	-0.67	--	100.3	111.94	A/NR/AA-/NR
18	XS2314636239	DenizBank AS	TR	Financials	1.7	3/11/2021	9/13/2021	At maturity	USD	1.722	--	100	5.00	BB-/NR/NR/NR
19	SI0002502845	Slovenia Ministry of Financ	SI	Government	--	3/11/2021	6/10/2021	At maturity	EUR	-0.7	--	100	65.85	A/NR/AA-/NR
20	GR0138017836	Hellenic Republic Governm	GR	Government	1.9	3/24/2021	1/24/2052	At maturity	EUR	1.867	24	100	2,960	BB/NR/BB-/BB-
21	XS2327872524	Alternatifbank AS	TR	Financials	10.5	3/31/2021	--	Perp/call	USD	--	--	--	200.00	BB-/NR/NR/NR

Source: Bloomberg, TBC Capital

- Since the last issue of the publication, 10 new Government Eurobonds have been issued by countries of the TBC Capital Universe (Croatia, Greece, Hungary, Kazakhstan, Latvia, Macedonia, Serbia, and Slovenia; 9 in EUR and 1 in domestic currency)
- 11 corporate Eurobonds were issued in consumer discretionary, consumer staples, financial, industrial, and utilities sectors
- **Public Power Corporation S.A. (PPC)** generates, transmits, and distributes electricity across the entire country and the Greek islands. The Company generates electricity from coal, hydroelectric stations, and oil and gas-fired power plants.
- **Alpha Bank AE** provides commercial banking services. The Bank offers lease financing, insurance, corporate banking, asset management, private banking, investment banking and securities brokerage, venture capital, portfolio management, payment systems, consulting, and real estate management services.
- **Ozon Holdings PLC** operates as a holding company. The Company, through its subsidiaries, develops an online marketplace connecting buyers and sellers of merchandise in Russia.
- **EP Infrastructure, a.s.** operates as a dual issuer and special purpose entity. The Company was formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes. EP Infrastructure offers generation, transmission, and distribution of gas and power, as well as provides gas storage services.
- **Vseobecna uverova banka, a.s.** operates as a bank. The Bank offers mortgage and consumer loans, deposit and payment products, corporate banking, financing of foreign trade activities, consumer finance, and factoring activities. Vseobecna uverova banka serves public, corporate, and institutional clients in Slovakia.
- **CZG - Ceska Zbrojovka Group SE** manufactures firearms. The Company provides tactical accessories for military and law enforcement, personal defense, hunting, sport shooting, and other civilian uses. Ceska Zbrojovka Group serves customers in Europe.
- **Maxima Grupe, UAB** owns and operates supermarket. The Company offers meat, fruits and vegetables, snacks, bakery items, dairy products, kitchen facilities, and other consumer goods. Maxima Grupe serves customers in Europe.
- **Denizbank A.S.** is commercial bank. The Bank offers corporate and retail banking, leasing, factoring, insurance and investment brokerage services in Turkey. The Group also provides banking services through local offices in Russia and Germany.
- **Alternatifbank Anonim Sirketi** operates as a bank. The Bank offers personal, investment, financing, internet, mobile, personal, commercial, and private banking, as well as credit and debit card, trade financing, money transfer, and cash management services. Alternatifbank serves customers in Turkey.

Source: Bloomberg; *The additional new issues will be depicted in our analysis starting from next publication

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