

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 1, 2015

Economy

Real GDP grew 0.9% y/y in April 2015

Real GDP expanded by 0.9% y/y in April 2015, according to GeoStat's rapid estimates, and output growth averaged 2.6% y/y in 4M15. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Unemployment rate declined 2.2ppts to 12.4% in 2014

The annual unemployment rate stood at 12.4% in 2014 (-2.2ppts y/y), according to GeoStat. Out of employed persons, the share of hired labor increased by 1.1ppts and accounted for 39.8% of total, while share of self-employed persons declined to 60.2% of total (-1.1ppts). According to Ministry of Economy and Sustainable Development of Georgia, employment growth was significant in construction, transport and communication and education sectors.

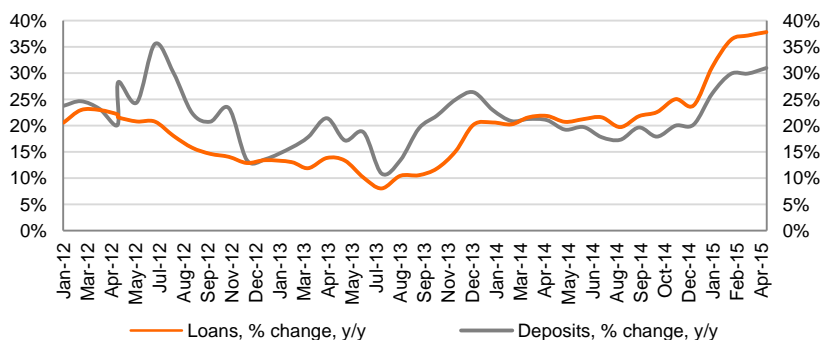
10-Y Ministry of Finance Treasury Notes issued at a historical high yield of 13.770%

Last week, GEL 10mn (US\$ 4.39mn) 10-year Ministry of Finance Treasury Notes were sold at the Auction held at NBG. Total demand from the two commercial banks participating in the auction amounted to GEL 12.50mn. Minimum yield was 12.300%, maximum yield was 14.750% and the weighted average yield was fixed at a historical high of 13.770%. The coupon rate was 10.500%, with semiannual coupon payment. Prior to this issuance, the highest average yield for the 10-Y T-Notes, 12.305%, was recorded in March 2012.

Loans/deposits continue growing, NPLs are low

Loans and deposits continue growing in April 2015, according to NBG. Excluding exchange rate effect, the loan portfolio increased 17.0% y/y (+37.8% y/y in unadjusted terms) to GEL 14.8bn (US\$ 6.4bn). Deposits grew by 10.7% y/y excluding exchange rate effect (+31.0% y/y in unadjusted terms), reaching GEL 13.0bn (US\$ 5.6bn). NPLs stood at 3.5% (+0.2ppts m/m, and +0.2ppts y/y).

Loans/deposits growth, y/y



Source: NBG

Key macro indicators

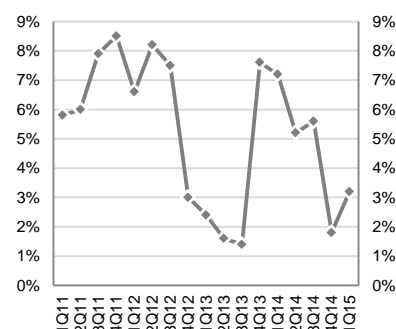
	1Q15	2014	2013
GDP (% change)	3.2%	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	2.5%*	2.0%	2.4%
Gross reserves (US\$ bn)	2.4*	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

* As of 4M15

**Preliminary results of census, previous data is subject to recalculation

Real GDP growth, %



Source: GeoStat, preliminary data for 1Q15

International ranking of Georgia, 2015

Ease of Doing Business # 15 (regional leader)
 Economic Freedom Index # 22 (mostly free)
 Global Competitiveness Index # 69 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2014	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Aug-2014	FitchRatings BB- Stable Affirmed Apr-2015
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Source: Rating agencies



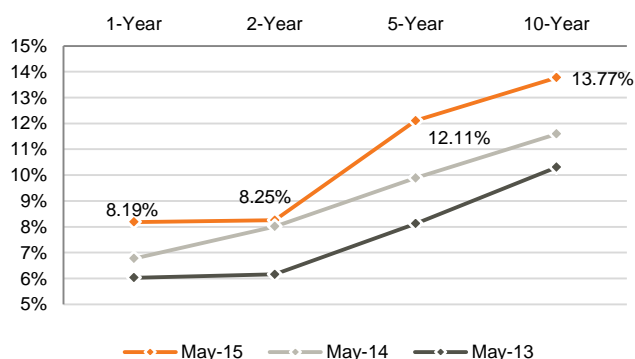
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 305.68mn) with an average yield of 5.0% (unchanged w/w).

Certificates of deposit: NBG sold 181-day, GEL 20mn (US\$ 8.78mn) certificates of deposit, with an average yield of 6.92% (up by 62bps from previous issue).

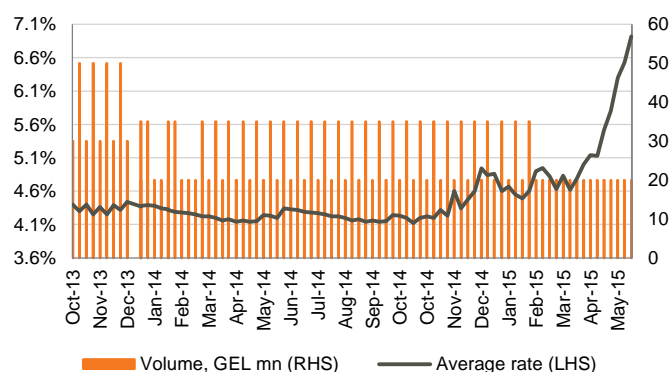
Ministry of Finance Treasury Notes: 10-year, GEL 10mn (US\$ 4.39mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 13.77%. The nearest treasury securities auction is scheduled for June 3, 2015, where GEL 20mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



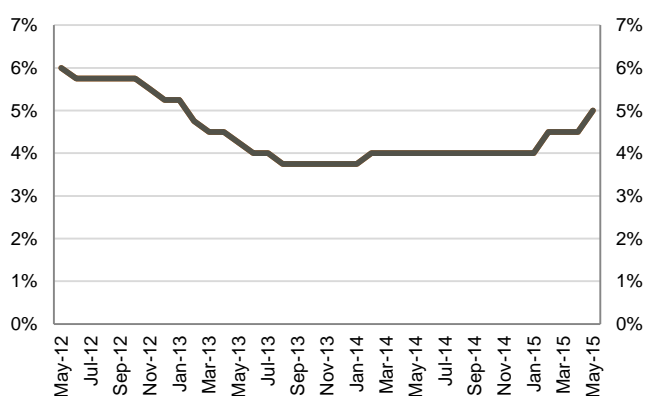
Source: NBG

Certificates of Deposits (weighted average rate)



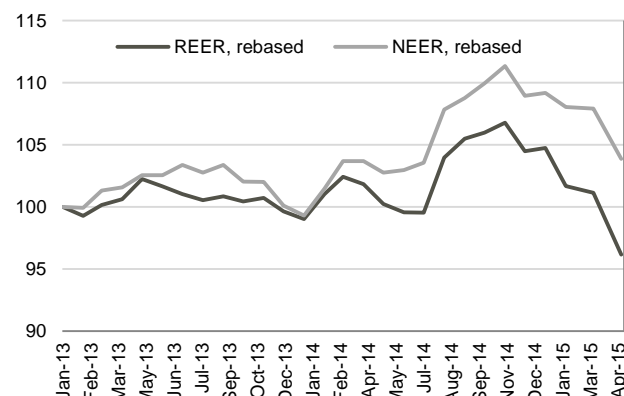
Source: NBG

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

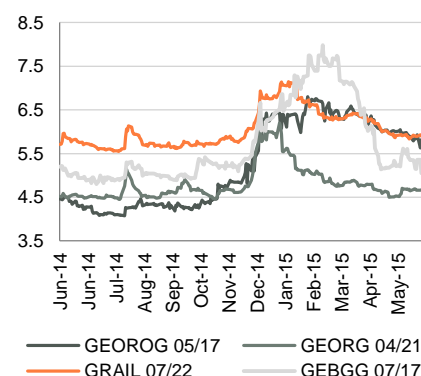


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 5.2% yield, trading at 104.9 (up 0.2% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 102.0 (down 0.2% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 110.5 (down 0.1% w/w), yielding 5.9%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went down to 111.0 (down 0.2% w/w), closing at 4.7% yield to maturity.

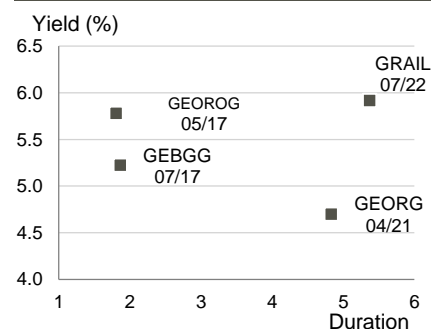
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M ² 06/15	M ² RE 03/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	10	20	10	250	400	500	500
Issue date	06/14	03/15	09/14	05/12	07/12	04/11	07/12
Maturity date	06/15	03/17	09/17	05/17	07/17	04/21	07/22
Coupon, %	8.420	9.500	8.750	6.875	7.750	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.5	100.0	98.0	102.0	104.9	111.0	110.5
Mid yield, %	9.9	9.5	9.7	5.8	5.2	4.7	5.9
Z-spread, bps	n/a	n/a	n/a	462.4	456.5	286.5	404.8

Source: Bloomberg

Georgian Eurobond universe



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-/Ba3	111.0	4.7	286.5
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	103.7	4.2	213.3
Bulgaria	323	5.000	19/07/2021	BBB-/	120.0	1.6	-137.4
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	102.8	3.4	280.7
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	115.8	3.4	154
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	120.1	3.4	137.9
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	103.3	4.3	259.5
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	109.4	3.8	201.6
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	48.1	25.7	2403.2

Source: Bloomberg

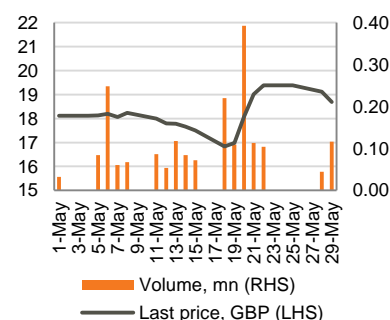
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.69/share (-3.61% w/w and +2.52% m/m). More than 320k shares traded in the range of GBP 18.55 – 19.83/share. Average daily traded volume was 118k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 0.39% w/w and gained 3.66% m/m. The volume of BOGH shares traded was at 0.89% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 11.15 (-0.45% w/w and -3.04% m/m). More than 102k GDRs changed hands in the range of US\$ 11.15 – 11.55/GDR. Average daily traded volume was 22k in the last 4 weeks, more than in the previous month. The price has decreased 14.23% since the start of trading on June 5, 2014.

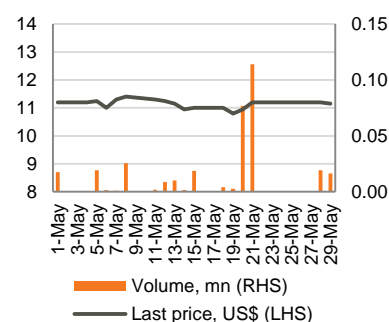
On the Georgian stock exchange, there were no trades, as a result, the G&T Index remained at the same level of 799.12 (unchanged w/w).

Bank of Georgia (BGEO LN)



Source: Bloomberg

TBC Bank (TBCB LI)



Source: Bloomberg

Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	28.54	1,127	1.3%	3.4%	-15.7%	-11.8%	-31.2%
	TBC	11.15	533	-3.0%	-0.4%	-20.4%	-11.5%	N/A
	Halyk Bank	7.65	2,087	2.0%	15.9%	-10.9%	-10.0%	-23.3%
	KKB	3.20	1,276	-0.6%	-7.2%	-23.8%	-15.8%	60.0%
	VTB Bank	2.98	19,279	24.0%	37.1%	61.1%	29.3%	9.5%
	Vozrozhdenie Bank	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	2.74	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg

Note: * BGEO is traded in GBP and is shown in US\$ equivalent

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