

Weekly Market Watch

Weekly Market Watch | Georgia
March 30, 2015

Economy

Trade deficit down 12.2ppts m/m in February 2015

In February 2015, exports decreased 22.6% y/y to US\$ 167.2mn, imports fell 3.5% y/y to US\$ 571.2mn, and trade deficit increased 7.5% y/y to US\$ 404mn (a 12.2ppts lower increase than in January 2015), according to foreign trade data released by GeoStat.

The negative trend in exports was mainly attributed to 32.6% y/y drop in re-exports. Georgia-originated exports somewhat recovered compared to January, falling 18.3% y/y (vs. a 30.2% y/y drop in Jan 2015). Nuts (+246.9%), fertilizers (+40.6%), gold (+120.8%), and t-shirts (+76.7%) were the major Georgian exports expanding significantly, while a 45.7% y/y drop in car re-exports to CIS countries was the major reason dragging the re-exports. In February 2015, 28% of exports were directed to EU, 33% to CIS, and 39% to other countries. In other countries, USA (12.5% of total) and Turkey (7.5%) were the largest export destinations.

The 3.5% drop in imports was mainly attributed to a 10.5% y/y decrease in consumer goods imports, while capital and intermediate goods imports continued to grow, expanding by 7.8% y/y. In February gases (8.9%), cars (8.0%), petroleum (6.4%), pharmaceuticals (3.9%), and copper ores (3.6%) represented the top 5 imported commodities. 27% of imports originated from EU, 29% from CIS, and 44% from other countries. In other countries, Turkey (18% of total) and China (7.9%) were the largest trading partners.

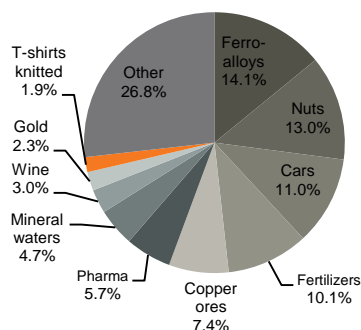
NBG keeps the monetary policy rate unchanged at 4.5%

The Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate unchanged at 4.5% at its March 25, 2015 meeting. The monetary policy decision was based on the short term nature of existing inflationary risks stemming from external and internal factors. According to NBG's current forecast, inflation will stay below 5% in 2015.

Loans/deposits continue growing, NPLs are low

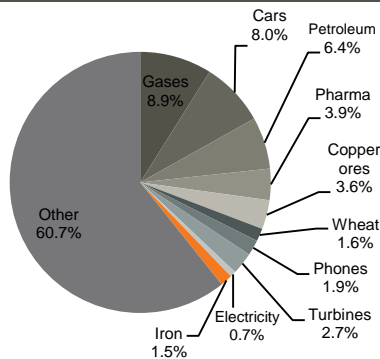
Loans and deposits continued growing in February 2015, according to NBG. Excluding the exchange rate effect, the loan portfolio increased by 19.6% y/y (+36.3% y/y in unadjusted terms) to GEL 14.2bn (US\$ 6.6bn). Deposits grew by 13.6% y/y, excluding exchange rate effect (+29.8% y/y in unadjusted terms), reaching GEL 12.4bn (US\$ 5.7bn). Banking sector asset quality remains robust, with non-performing loans at 3.2% (unchanged m/m) in February 2015.

Feb-15 export structure



Source: GeoStat

Feb-15 import structure

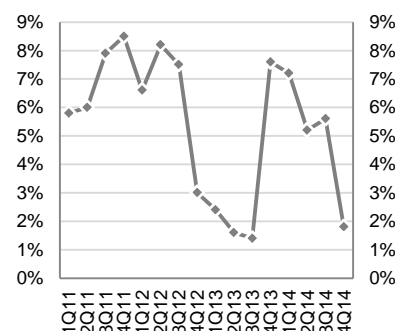


Key macro indicators

	2014	2013
GDP (% change)	4.8%	3.3%
GDP per capita (ppp)	7,666	7,156
GDP per capita (US\$)	3,681	3,560
Population (mn)	4.5	4.5
Inflation (eop)	2.0%	2.4%
Gross reserves (US\$ bn)	2.7	2.8
CAD (% of GDP)	9.7%	5.9%
Fiscal deficit (% of GDP)	3.0%	2.6%
Total public debt (% of GDP)	35.6%	34.7%

Source: Official data, G&T Research

Real GDP growth, %



Source: GeoStat

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- Positive Affirmed Oct-2014
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Source: Rating agencies



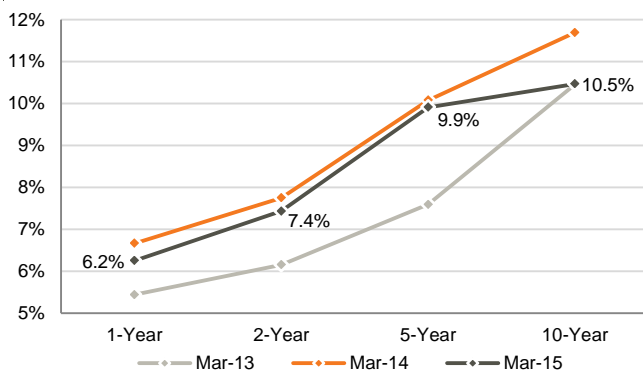
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 314mn) with an average yield of 4.50% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.97mn) certificates of deposit, with an average yield of 4.62% (down by 1bps from previous issue).

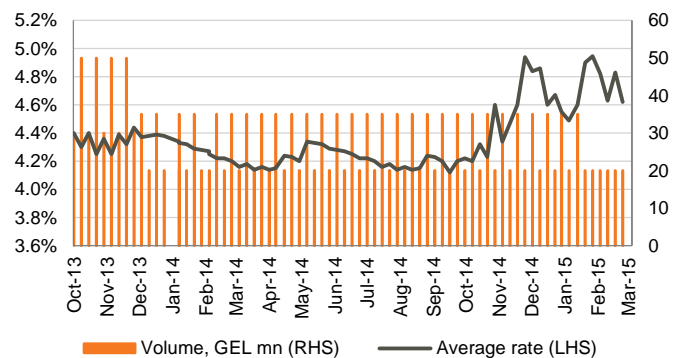
Ministry of Finance Treasury Notes: The nearest treasury auction is scheduled for April 1, 2015, where GEL 30mn nominal value 364-day T-Bills will be sold.

T-bills / T-notes, yield curve



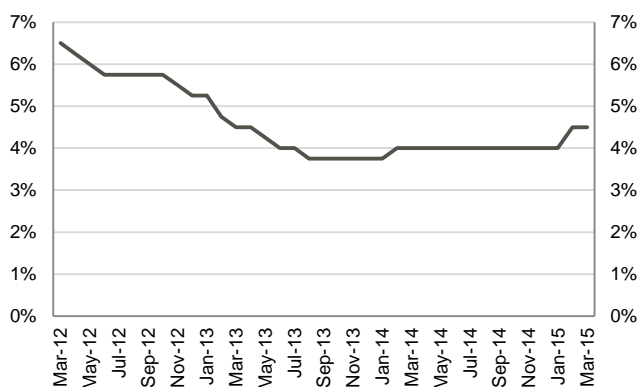
Source: NBG

Certificates of Deposits (weighted average rate)



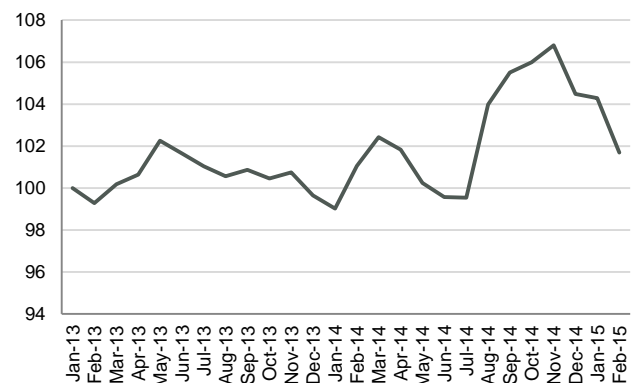
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



Source: NBG



Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 7.0% yield, trading at 102.8 (up 1.4% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 101.1 (up 0.5% w/w) yielding 6.3%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 108.1 (up 0.4% w/w) yielding 6.3%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went up to 110.9 (up 0.4% w/w) closing at 4.8% YTM.

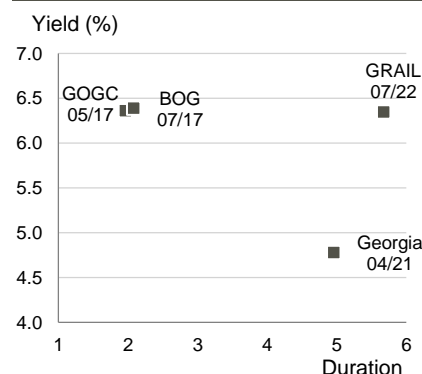
Georgia Eurobonds, YTM (%)



	Local bonds				Eurobonds			
	M ² 04/15	M ² 06/15	GLC 09/17	M ² RE 03/17	GOGC 05/17	Georgia 04/21	GR 07/22	BOG 07/17
Amount, US\$ mn	5	10	10	20	250	500	500	400
Issue date	04/14	06/14	09/14	03/15	05/12	04/11	07/12	07/12
Maturity date	04/15	06/15	09/17	03/17	05/17	04/21	07/22	07/17
Coupon	9.500%	8.420%	8.750%	9.500%	6.875%	6.875%	7.750%	7.750%
Fitch/S&P/Moody's	-/-	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/B-/BB-/Ba3	
Mid price, US\$	100.0	99.5	98.0	100.0	101.1	110.9	108.1	102.8
Mid yield, %	8.7	9.9	9.7	9.5	6.3	4.8	6.3	6.4
Z-spread, bps	n/a	n/a	n/a	n/a	580.6	303.8	468.3	540

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	110.9	4.8	303.8
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	100.0	4.8	273.9
Bulgaria	323	5.000%	19/07/2021	BBB-/B	121.1	1.5	-132.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	105.6	3.0	258.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	116.2	3.4	170.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.8	3.3	148.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa3	101.5	4.7	304
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	109.7	3.8	205
Ukraine	1,500	7.950%	23/02/2021	CCC-/CCC-/Caa3	39.3	30.9	2850.5

Source: Bloomberg



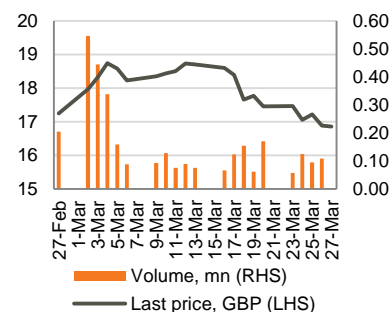
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 16.86/share (-3.44% w/w and -2.26% m/m). More than 465k shares traded in the range of GBP 16.75 – 17.67 /share. Average daily traded volume was 154k in the last 4 weeks, lower than in the previous month. FTSE 250 index, of which BOGH is a constituent, has lost 2.14% w/w and 0.64% m/m. The volume of BOGH shares traded was at 1.18% of its capitalization.

TBC Bank closed the week at US\$ 11.30 (-1.74% w/w and -1.74% m/m). More than 720k GDRs changed hands in the range of US\$ 11.00 – 12.20/GDR. Average daily traded volume was 94k in the last 4 weeks, more than in the previous month. The price has decreased 13.08% since the start of trading on June 5, 2014.

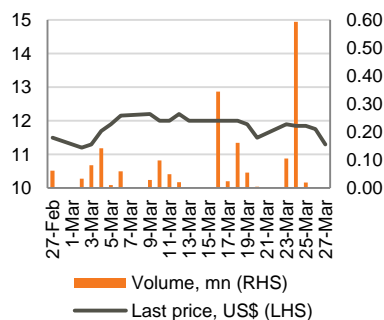
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w). As a result, the G&T Index remained at the same level of 798.90 (unchanged w/w).

Bank of Georgia (BGEO LN)



Source: Bloomberg

TBC Bank (TBCL LI)



Source: Bloomberg

Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	25.09	991	-5.8%	-21.3%	-35.4%	-36.8%	-37.1%
TBC	TBC	11.30	553	-1.7%	-11.0%	N/A	N/A	N/A
Halyk Bank	HSBK	6.95	1,934	5.5%	-4.1%	-39.5%	-32.2%	-16.1%
KKB	KKB	3.38	1,132	-2.0%	9.0%	-15.5%	87.8%	64.9%
VTB Bank	VTBR	2.07	13,427	-5.8%	-6.5%	-0.2%	-30.8%	2.8%
Vozrozhdenie Bank	VZRZ	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Sberbank	SBER	2.74	N/A	0.0%	0.0%	0.0%	-12.7%	0.0%

Source: Bloomberg

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

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