

Weekly Market Watch

Weekly Market Watch | Georgia
March 2, 2015

Economy

Exports down 30.0% y/y; imports down 0.8% y/y in January 2015

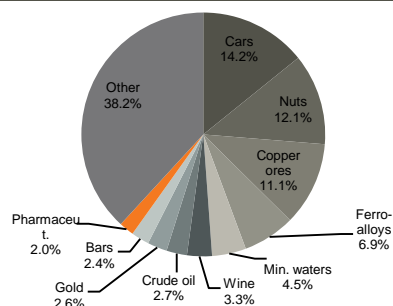
Exports decreased 30.0% y/y reaching US\$ 156.4mn, while imports were down 0.8% y/y at US\$ 538.1mn in January 2015, according to foreign trade data released by GeoStat. As a result, trade deficit was US\$ 381.6mn with 55% share in total trade turnover. Exports to EU increased by 35% as exports significantly grew to Germany (+123.1% y/y), Bulgaria (+40.8% y/y), and Italy (+33.1% y/y). However 51% y/y reduction in trade flows to CIS countries (Azerbaijan, Armenia, Russia and Ukraine) negatively weighed on exports. Car remained major exported commodity (14.2% of total) despite 48.8% y/y drop in car exports, followed by nuts (12.1%), copper (11.1%), ferro-alloys (6.9%) and mineral waters (4.5%). In January 2015, 39% of exports were directed to EU, 35% to CIS and 26% to other countries. In other countries Turkey (8.6%) and Canada (3.8%) were the largest trading partners.

In January 2015 gases (9.5%), cars (7.9%), petroleum (7.5%), pharmaceuticals (3.1%) and copper ores (3.0%) represented top 5 imported commodities. 22% of imports were originated from EU, 28% from CIS and 50% from other countries. In other countries Turkey (17.7%) and China (9.7%) were the largest trading partners.

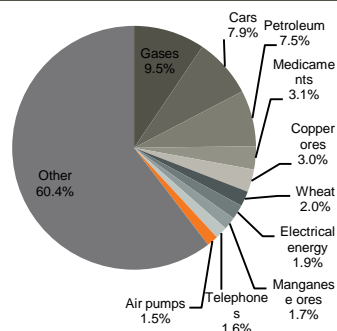
Loan portfolio up 31.2% y/y and deposits up 26.1% y/y in January 2015

Loans and deposits continue growing according to NBG. Loan portfolio increased 31.2% y/y, reaching GEL 13.7bn (US\$ 6.7bn) and deposits grew 26.1% y/y totaling GEL 11.9bn (US\$ 5.8bn) in January 2015.

January 2015 export structure

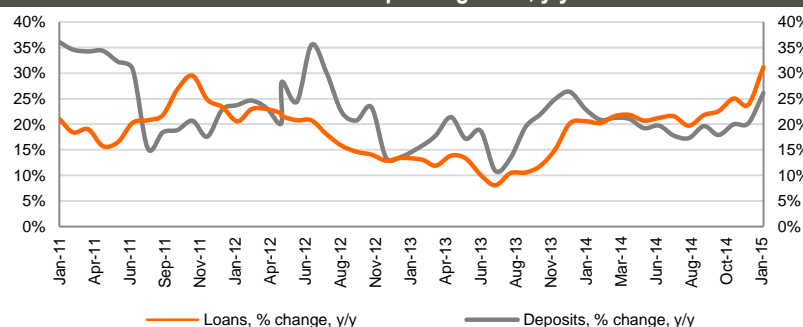


January 2015 import structure



Source: GeoStat

Loans/deposits growth, y/y



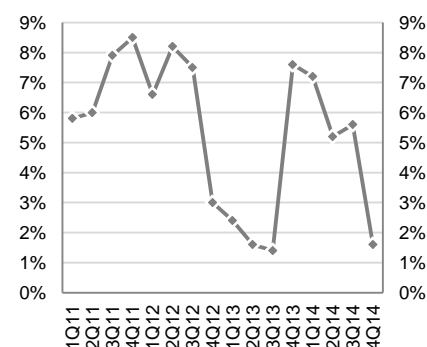
Source: NBG

Key macro indicators

	2014E	2013
GDP (% change)	4.7%	3.3%
GDP per capita (US\$)	3,700	3,597
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)	35.0%	34.7%

Source: Official data, G&T Research

Real GDP growth, %



Source: GeoStat, 4Q14 data preliminary

International ranking of Georgia, 2014

Ease of doing business # 15 (regional leader)
 Economic freedom index # 22 (mostly free)
 Global competitiveness rank # 69 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2014	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Sep-2014	FitchRatings BB- Positive Affirmed Oct-2014
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Source: Rating agencies



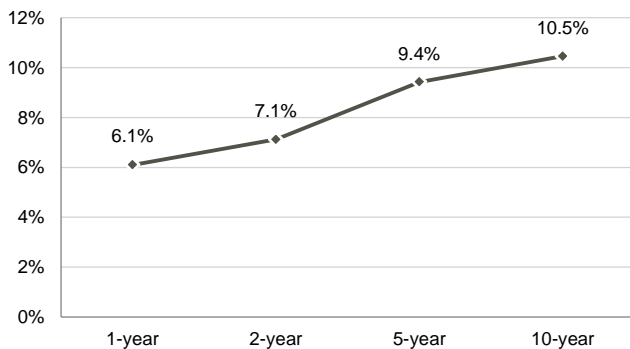
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 309mn) with an average yield of 4.50% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.8mn) certificates of deposits, with an average yield of 4.95% (up by 35bps from previous issue).

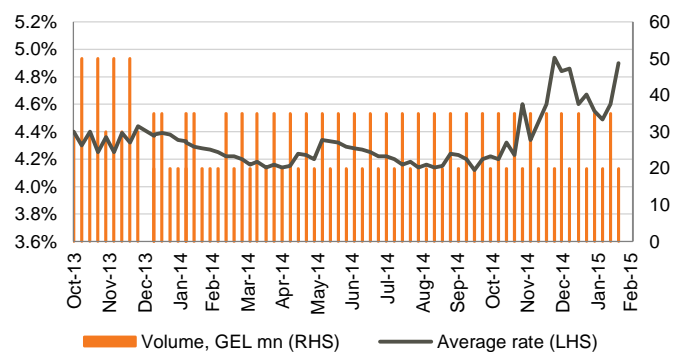
Ministry of Finance Treasury Notes: 5-year, GEL 15mn (US\$ 6.6mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 9.280%, maximum yield was 9.980% and the weighted average yield was fixed at 9.428%. The coupon rate was 9.054%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled for March 4, 2015, where GEL 40mn nominal value 350-day T-Bills will be sold.

T-bills / T-notes, yield curve



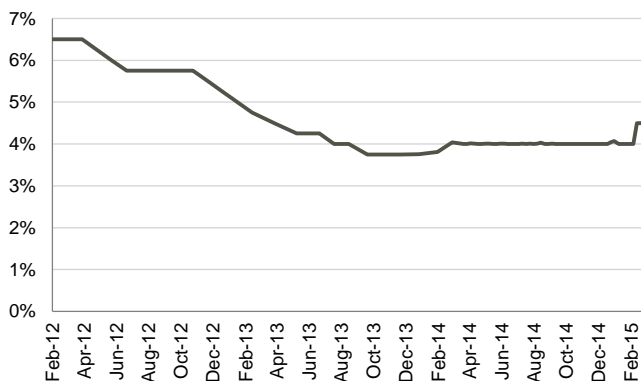
Source: NBG

Certificates of Deposits (weighted average rate)



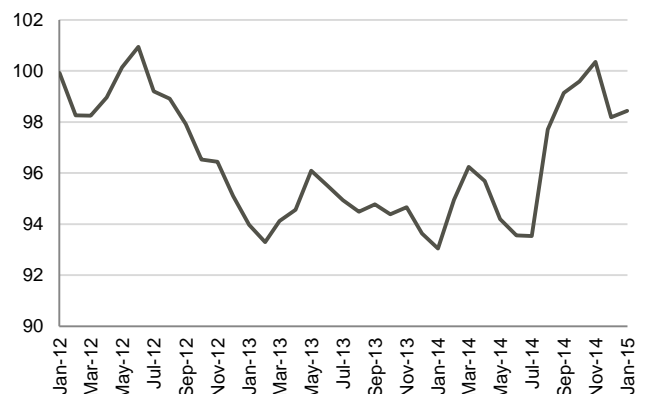
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



Source: NBG

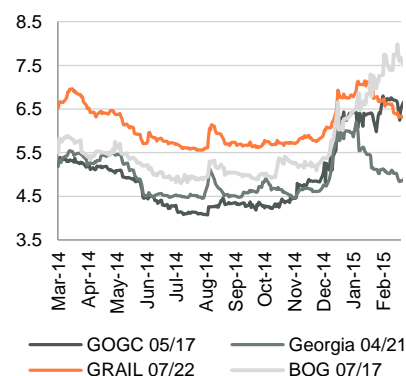


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 7.7% yield, trading at 100.1 (unchanged w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 101.0 (down 0.3% w/w) yielding 6.4%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 108.6 (up 0.4% w/w) yielding 6.3%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 110.8 (up 0.2% w/w) closing at 4.8% YTM.

Georgia Eurobonds, YTM (%)

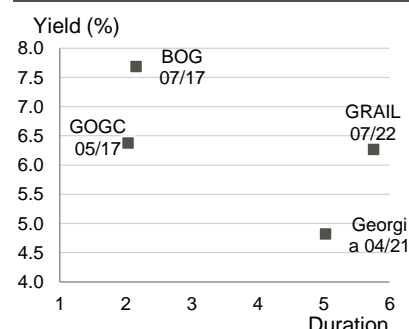


Source: Bloomberg

	Local bonds			Eurobonds			
	M ² 04/15	M ² 06/15	GLC 09/17	GOGC 05/17	Georgia 04/21	GR 07/22	BOG 07/17
Amount, US\$ mn	5	10	10	250	500	500	250
Issue date	04/14	06/14	09/14	05/12	04/11	07/12	07/12
Maturity date	04/15	06/15	09/17	05/17	04/21	07/22	07/17
Coupon	9.500%	8.420%	8.750%	6.875%	6.875%	7.750%	7.750%
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/	BB-/BB-/Ba3
Mid price, US\$	102.2	102.8	100.0	101.0	110.8	108.6	100.1
Mid yield, %	9.00%	8.00%	8.75%	6.4	4.8	6.3	7.7
Z-spread, bps	n/a	n/a	n/a	609.8	290.9	440.7	650.6

Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

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	110.8	4.8	290.9
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	101.6	4.5	244.5
Bulgaria	323	5.000%	19/07/2021	BBB-/	122.5	1.3	-165.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	106.9	2.8	229.4
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	117.2	3.2	144.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	122.4	3.1	116.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa3	95.4	6.1	431.3
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	109.8	3.8	195.3
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	42.3	28.7	2623.7

Source: Bloomberg

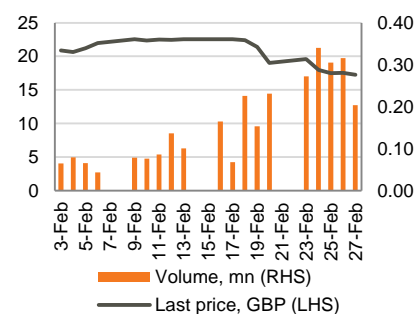
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 17.25/share (-9.21% w/w and -18.25% m/m). More than 1.3mn shares traded in a range of GBP 16.86 – 19.73/share. Average daily traded volume was 160k in the last 4 weeks, more than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 0.88% w/w and 5.63% m/m. The volume of BOGH shares traded was at 3.3% of its capitalization.

TBC Bank closed the week at US\$ 11.50 (-9.45% w/w and -11.20% m/m), more than 450k GDRs changed hands in the range of US\$ 10.90 – 12.50/GDR. Average daily traded volume was 78k in the last 4 weeks, more than in previous month. The price has decreased 11.54% since the start of the trading on June 5, 2014.

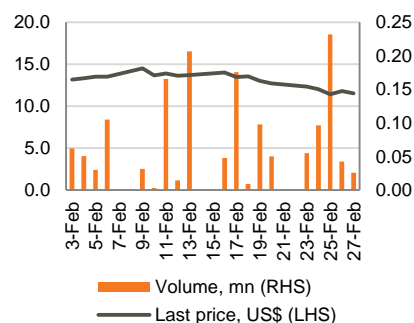
On the Georgian stock exchange, there were no trades as a result G&T Index remained at the same level of 799.13 (unchanged w/w).

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	26.63	1,592	-17.0%	-21.8%	-35.1%	-32.9%	-31.8%
TBC	TBC	11.50	553	-11.20%	-19.6%	N/A	N/A	N/A
Halyk Bank	HSBK	6.59	1,833	-2.5%	-24.3%	-42.7%	-35.7%	-28.0%
KKB	KKB	3.45	1,155	23.0%	-13.8%	-28.9%	91.7%	79.9%
VTB Bank	VTBR	2.20	14,218	16.5%	12.8%	0.6%	-26.5%	-2.5%
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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