

Weekly Market Watch

Weekly Market Watch | Georgia
February 2, 2015

Economy

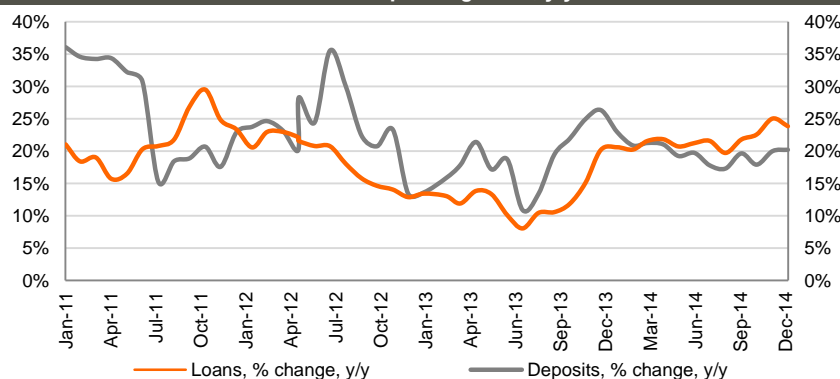
Loan portfolio up 23.8% y/y and deposits up 20.2% y/y in December 2014

Loans and deposits continued growing according to NBG. Loan portfolio increased 23.8% y/y, reaching GEL 13.0bn (US\$ 7.0bn) and deposits grew 20.2% y/y totaling GEL 11.6bn (US\$ 6.2bn) as of December 2014. Banking sector net profit increased 22% y/y and reached GEL 474.8mn (US\$ 268.9mn) in 2014.

Real GDP up 4.7% y/y in 2014 and up 1.9% y/y in December

Real GDP growth slowed to 1.9% y/y in December according to GeoStat rapid monthly estimates. As a result 4Q14 real GDP growth was estimated at 1.6% y/y and output increased 4.7% y/y in 2014.

Loans/deposits growth, y/y



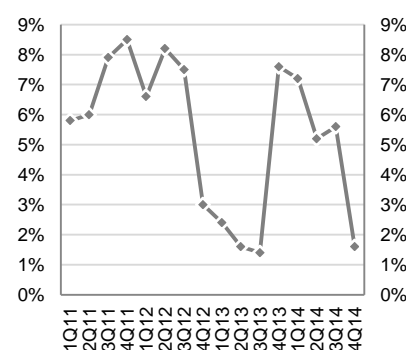
Source: NBG

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

International ranking of Georgia

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

 BB- Stable Affirmed May-2014	 Ba3 Positive Affirmed Sep-2014	 BB- Positive Affirmed Oct-2014
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Source: Rating agencies



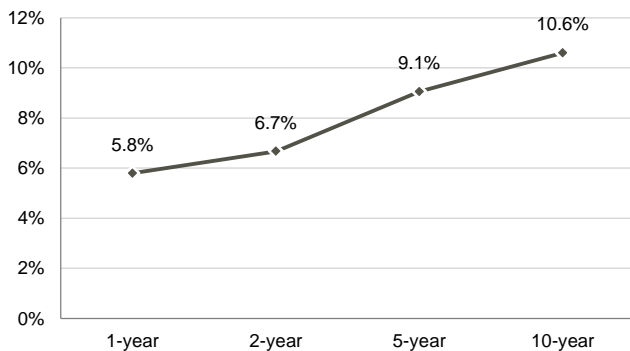
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 600mn (US\$ 295mn) with an average yield of 4.00% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 35mn (US\$ 17.4mn) certificates of deposits, with an average yield of 4.55% (down by 5bps from previous issue).

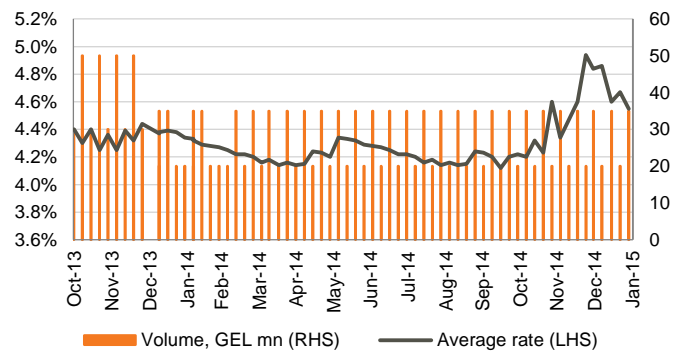
Ministry of Finance Treasury Notes: 5-year, GEL 10mn (US\$ 5mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 8.980%, maximum yield was 9.240% and the weighted average yield was fixed at 9.054%. The coupon rate was 9.054%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled for February 4, 2015, where GEL 10mn nominal value 10-year, T-Notes will be sold.

T-bills / T-notes, yield curve



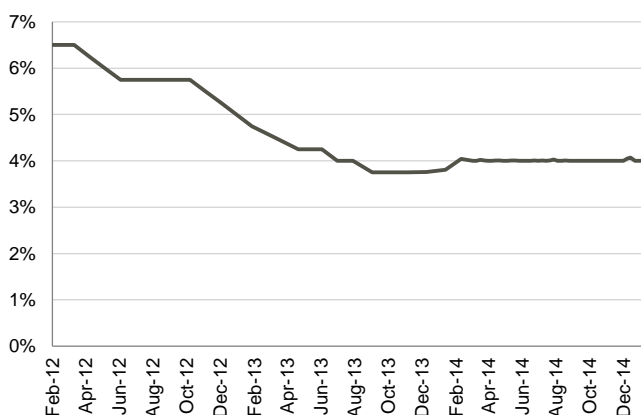
Source: NBG

Certificates of Deposits (weighted average rate)



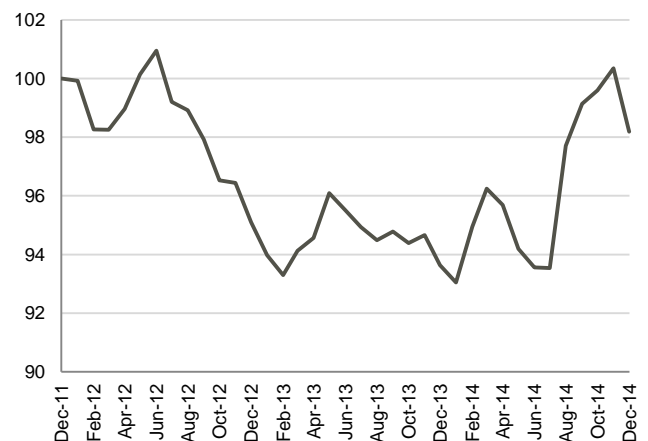
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



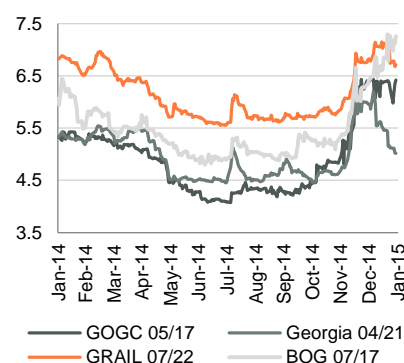
Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 7.3% yield, trading at a premium, at 101.1 (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 106.1 (up 0.3% w/w) yielding 6.7%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 109.2 (unchanged w/w) closing at 5.1% YTM.

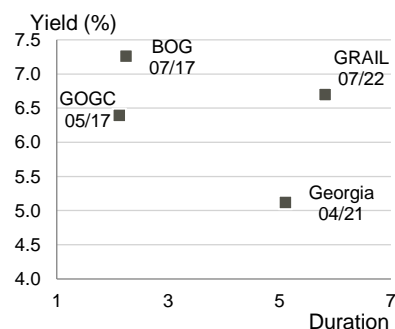
Georgia Eurobonds, YTM (%)



	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	109.2	106.1	101.1
Mid yield, %	9.00%	8.00%	8.75%	6.4	5.1	6.7	7.3
Z-spread, bps	n/a	n/a	n/a	514.2	355.1	517.9	644.3

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	109.2	5.1	355.1
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	97.8	5.0	325.2
Bulgaria	323	5.000%	19/07/2021	BBB-/	120.5	1.6	-103
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	104.1	3.2	273
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	117.7	3.2	169.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	122.9	3.1	143
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Baa3	88.8	7.6	615.3
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	111.6	3.5	199.6
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	52.1	23.0	2086.5

Source: Bloomberg

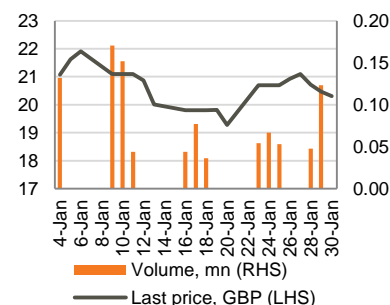
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 20.31/share -1.88% w/w and -0.98% m/m). More than 380K shares traded in a range of GBP 20.23 – 21.19/share. Average daily traded volume was 77k in the last 4 weeks, more than in previous month. FTSE 250 index, of which BOGH is the constituent, has lost 0.93% w/w and gained 1.97% m/m. The volume of BOGH shares traded was at 0.9% of its capitalization.

TBC Bank closed the week at US\$ 13.15 (+1.54% w/w and +2.73% m/m), more than 320k GDRs changed hands in the range of US\$ 12.60 – 13.15/GDR. Average daily traded volume was 76k in the last 4 weeks, more than in previous month. The price has increased 1.15% since the start of the trading on June 5, 2014.

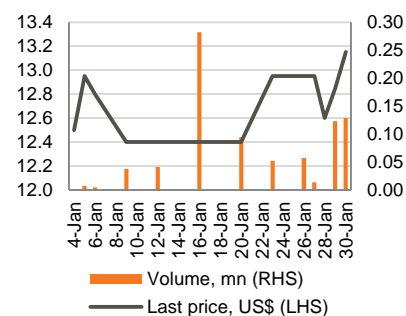
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.0135 (-2.9 w/w) as a result G&T Index decreased to the level of 798.74 (-0.01% w/w).

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	30.52	1,592	-4.4%	-23.7%	-27.6%	-23.1%	-13.5%
TBC	TBC	13.15	648	2.7%	-9.3%	N/A	N/A	N/A
Halyk Bank	HSBK	6.12	1,703	-23.5%	-37.6%	-41.2%	-40.3%	-36.3%
KKB	KKB	3.22	1,077	14.8%	-14.3%	-8.6%	78.6%	83.7%
VTB Bank	VTBR	1.93	12,500	-17.2%	-1.0%	-13.5%	-35.6%	-25.0%
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%	0.9%

Source: Bloomberg

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

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