

Weekly Market Watch

Weekly Market Watch | Georgia
December 29, 2014

Economy

11M14 exports up 0.5% y/y; imports up 9.3% y/y

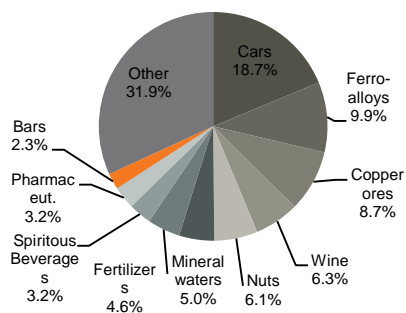
11M14 exports increased 0.5% y/y at US\$ 2.6bn, while imports were up 9.3% y/y at US\$ 7.7bn, according to foreign trade data released by GeoStat. As a result, trade deficit was US\$ 5.1bn with 49% share in total trade turnover. During this period, export growth to Turkey (+56.8%), USA (+55.9%), Russia (+28.9%), and Bulgaria (+8.7%) was more than sufficient to outweigh reduction of exports (re-export of cars) to Azerbaijan and Ukraine. Export structure remains diversified with cars (18.7%), ferro-alloys (9.9%), copper (8.7%), wine (6.3%) and nuts (6.1%) representing top 5 export commodities. In 11M14, 21% of exports were directed to EU, 52% to CIS and 27% to other countries. In other countries Turkey (8.3%) and USA (7.2%) were the largest trading partners.

Increased economic activity supported import growth in 11M14, with petroleum (10.8%), cars (8.5%), gas (4.1%), pharmaceuticals (3.6%) and phones (2.2%) representing top 5 imported commodities. In 11M14, 28% of imports were originated from EU, 24% from CIS and 48% from other countries. In other countries Turkey (20.1%) and China (8.7%) were the largest trading partners.

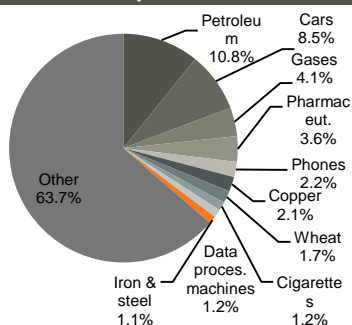
Loan portfolio up 25.0% y/y and deposits up 20.0% y/y in November 2014

Loans and deposits continue robust growth according to NBG. Loan portfolio increased 25.0% y/y, reaching GEL 12.3bn (US\$ 6.7bn) and deposits grew 20.0% y/y totaling GEL 11.2bn (US\$ 6.1bn) as of November 2014.

11M14 export structure

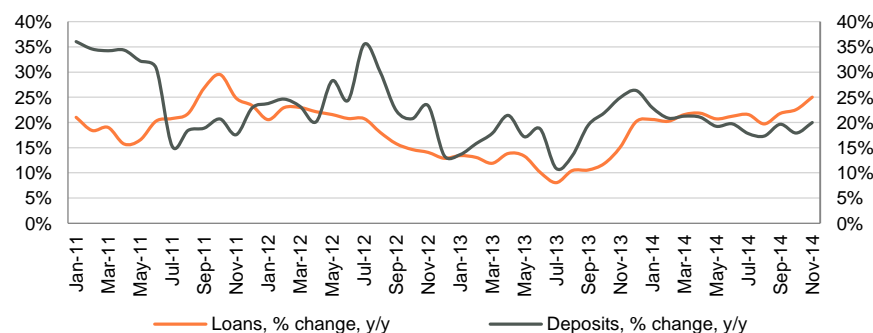


11M14 import structure



Source: GeoStat

Loans/deposits growth, y/y



Source: GeoStat

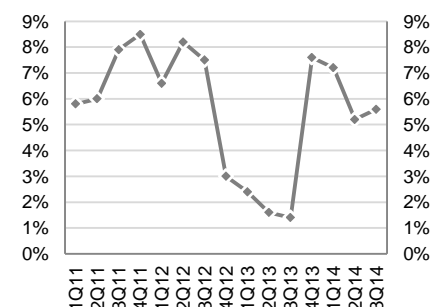
Key macro indicators

	11M14	2014F	2013
GDP (% change)	5.6%*	5.0%	3.3%
GDP per capita (US\$)	na	3,720	3,597
Population (mn)	4.5	4.5	4.5
Inflation	2.8%	4.5%	2.4%
Gross reserves (US\$ bn)	2.6	2.8	2.8
CAD (% of GDP)	na	8.0%	5.9%
Fiscal deficit (% of GDP)	2.1%	3.0%	2.6%
Total public debt (% of GDP)	32.9%	35.0%	34.7%

* as of 10M14

Source: Official data, G&T Research

Real GDP growth, %



Source: GeoStat

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 & POORS 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

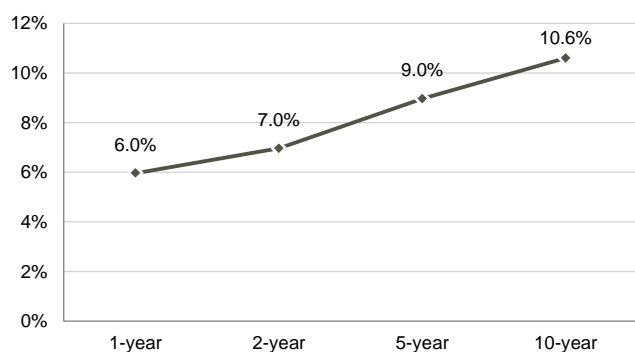
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 550mn (US\$ 290mn) with an average yield of 4.05% (+1.25% w/w).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 10.5mn) certificates of deposits, with an average yield of 4.94% (up by 47bps from previous issue).

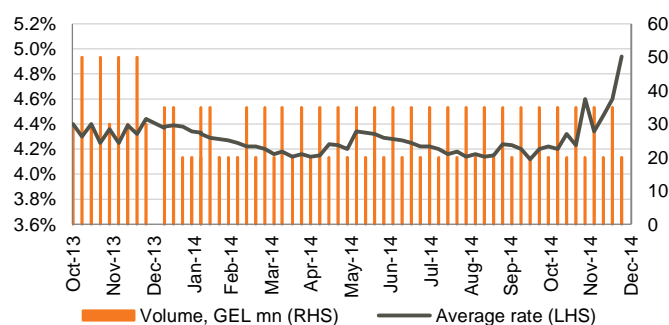
Ministry of Finance Treasury Notes: 1-year, GEL 20mn (US\$ 10.5mn) T-Bills of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 5.500%, maximum yield was 6.500% and the weighted average yield was fixed at 5.966%.

T-bills / T-notes, yield curve



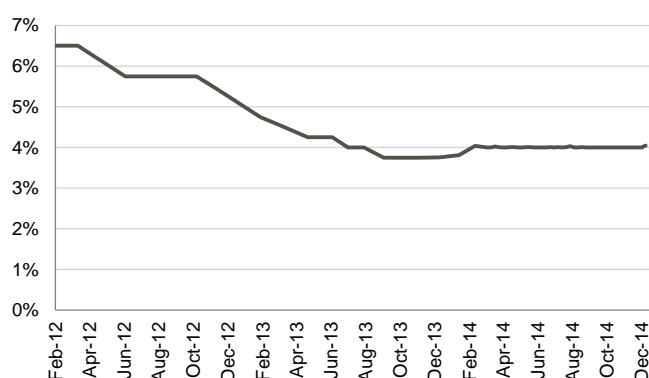
Source: NBG

Certificates of Deposits (weighted average rate)



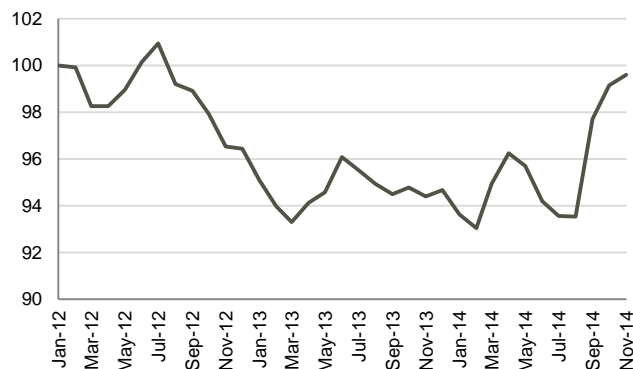
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



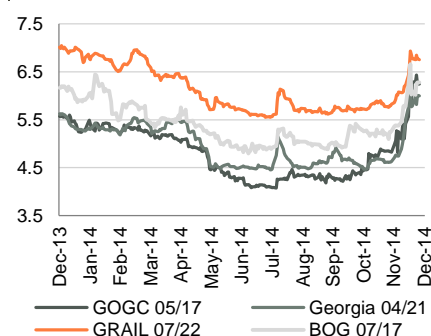
Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 6.3% yield, trading at a premium, at 103.4 (down 0.4% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 101.4 (up 0.1% w/w) yielding 6.2%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 105.7 (down 3.1% w/w) yielding 6.8%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went down to 104.5 (-1.1% w/w) closing at 6.0% YTM.

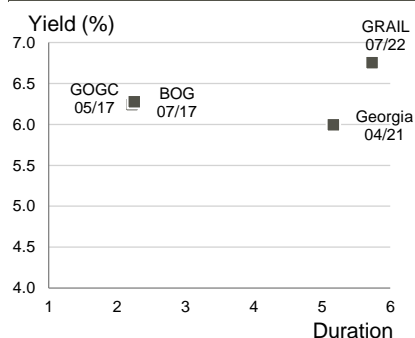
Georgia Eurobonds, YTM (%)



	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-/Baa3	BB-/BB-/	BB-/BB-/Baa3
Mid price, US\$	102.2	102.8	100.0	101.4	104.5	105.8	103.4
Mid yield, %	9.00%	8.00%	8.75%	6.2	6.0	6.8	6.3
Z-spread	n/a	n/a	n/a	447.2	390.8	408.5	553.7

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
Georgia	500	6.875%	12/04/2021	BB-/BB-/Baa3	104.5	6.0	390.8
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/BBB-/Baa3	98.9	4.9	251.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	116.5	2.3	-159.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	102.7	3.5	279.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	114.3	3.8	180.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.2	3.5	132.7
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa2	95.3	6.0	412.6
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	109.9	3.8	175.2
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	65.7	17.2	1537.8

Source: Bloomberg

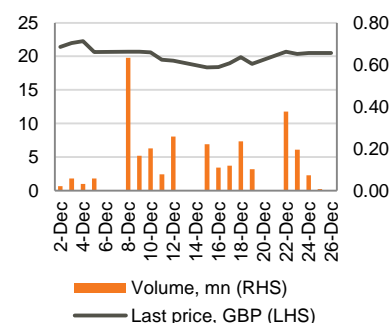
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 20.51/share (+8.58% w/w and -6.35% m/m). More than 275K shares traded in a range of GBP 18.95 – 20.77/share. Average daily traded volume was 163k in the last 4 weeks, more than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 1.36% w/w and 2.0% m/m. The volume of BOGH shares traded was at 0.7% of its capitalization.

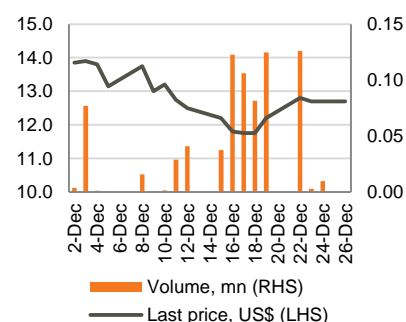
TBC Bank closed the week at US\$ 12.70 (+4.10 w/w and -12.4% m/m), more than 12k GDRs changed hands in the range of US\$ 12.60 – 13.00/GDR. Average daily traded volume was 45k in the last 4 weeks, more than in previous month. The price has decreased 2.31% since the start of the trading on June 5, 2014.

On the Georgian stock exchange. Bank of Georgia shares were traded at GEL 37.00 (-7.5% w/w), as a result G&T Index went down to the level of 843.50 (-7.37 w/w).

Bank of Georgia (BGEO LN)



TBC Bank (TBCL LI)



Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	31.89	1,592	-7.7%	-17.9%	-20.5%	-19.6%	-20.2%
TBC	TBC	12.70	635	-12.4%	-20.1%	N/A	N/A	N/A
Halyk Bank	HSBK	7.25	2,095	-16.7%	-36.8%	-30.3%	-29.3%	-29.6%
KKB	KKB	3.10	1,038	-14.6%	-22.5%	55.0%	72.2%	82.4%
VTB Bank	VTBR	2.22	14,918	10.8%	6.7%	-13.4%	-26.0%	-24.9%
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%	-11.6%

Source: Bloomberg

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

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