

Weekly Market Watch

Weekly Market Watch | Georgia
November 3, 2014

Economy

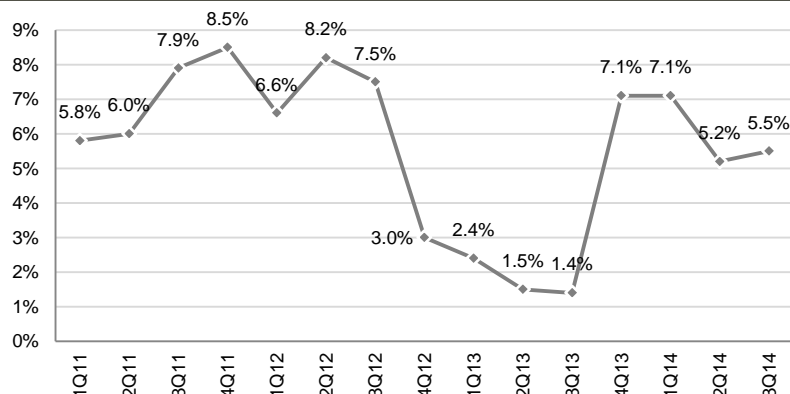
9M14 GDP up 5.9% y/y

Economic activity remains solid, with real GDP growing 5.9% y/y in 9M14 despite September growth (4.1% y/y) coming in below expectations (mainly due to deceleration of public spending, in our view), according to GeoStat's preliminary figures. While higher base effect will have a negative impact on growth at the end of the year, we expect 2014 GDP growth to remain above 5.0% on the back of consumer spending and private investments.

Loan portfolio up 21.8% y/y and deposits up 19.6% y/y in September 2014

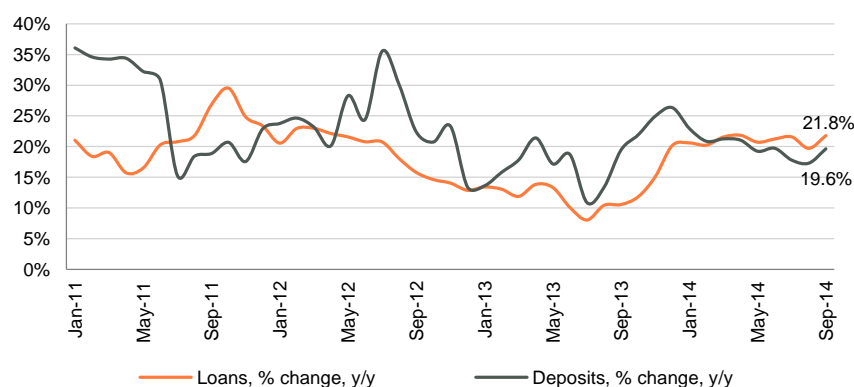
Loans and deposits continue robust growth according to NBG. Loan portfolio increased 21.8% y/y, reaching GEL 11.5bn (US\$ 6.6bn) and deposits grew 19.6% y/y totaling GEL 10.7bn (US\$ 6.1bn) in September 2014.

Real GDP growth, y/y



Source: GeoStat, 3Q14 data is preliminary

Loans/deposits growth, y/y



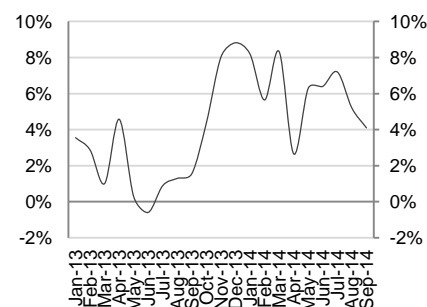
Source: NBG

Key macro indicators

	9M14	2014F	2013
GDP (% change)	5.9%	5.0%	3.2%
GDP per capita (US\$)	na	3,720	3,597
Population (mn)	4.5	4.5	4.5
Inflation	4.8%	4.5%	2.4%
Gross reserves (US\$ bn)	2.7	2.8	2.8
CAD (% of GDP)	na	8.0%	5.9%
Fiscal deficit (% of GDP)	1.1%	3.0%	2.6%
Total public debt (% of GDP)	33.1%	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

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



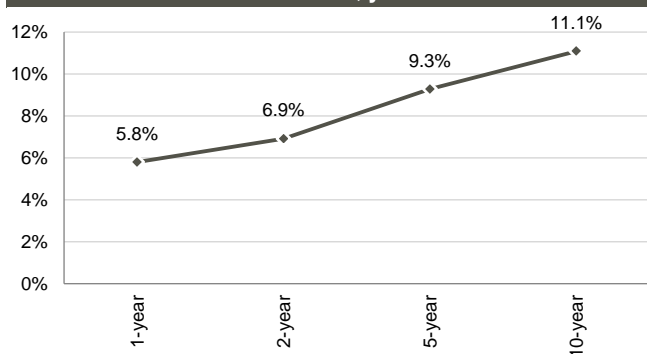
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 350mn (US\$ 199mn) with an average yield of 4.00% (unchanged w/w).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 11.4mn) certificates of deposits, with an average yield of 4.22% (10bps up from previous issue).

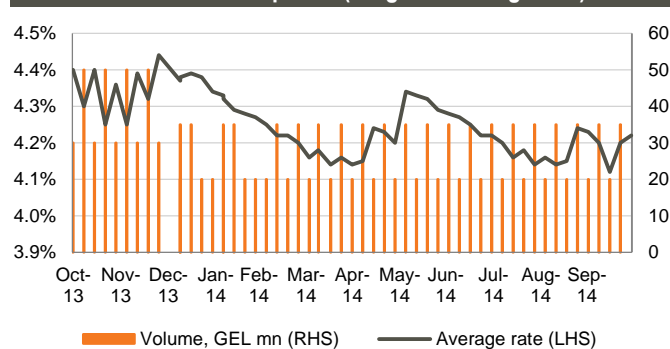
Exchange rate: Real effective exchange rate appreciated 1.5% m/m.

T-bills / T-notes, yield curve



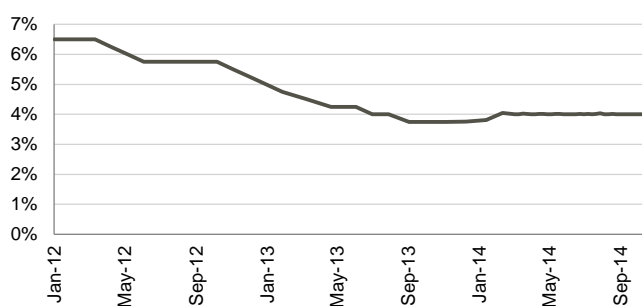
Source: NBG

Certificates of Deposits (weighted average rate)



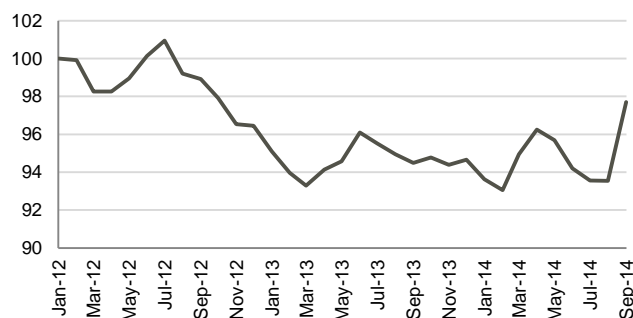
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



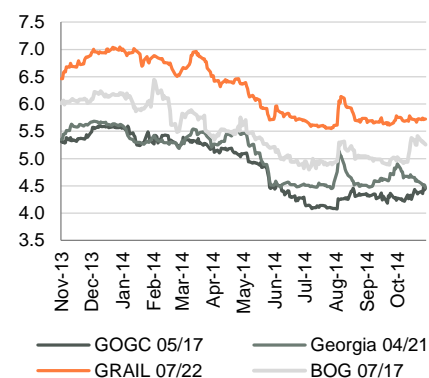
Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 5.3% yield, trading at a premium, at 106.1 (up 0.3% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 105.7 (down 0.3% w/w) yielding 4.5%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 112.4 (unchanged w/w) yielding 5.7%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 113.3 (+0.6% w/w) closing at 4.5% YTM. Compared to peer sovereign bonds (please see the list below), Georgian paper offers one of the best yields in the universe, except of Ukraine which resembles the higher political and economic risks.

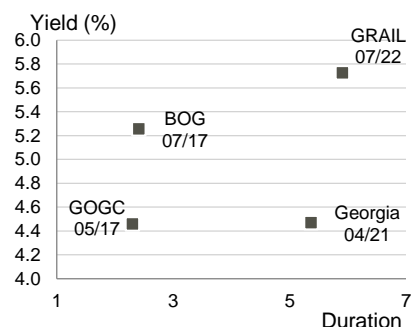
Georgia Eurobonds, YTM (%)



	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	400
Issue date	04/14	06/14	09/14	12-May	11-Apr	12-Jul	12-Jul
Maturity date	04/15	06/15	09/17	17-May	21-Apr	22-Jul	17-Jul
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	105.7	113.3	112.4	106.1
Mid yield, %	9.00%	8.00%	8.75%	4.5	4.5	5.7	5.3
Z-spread	n/a	n/a	n/a	337.3	244.5	374.6	407.3

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
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	113.3	4.5	244.9
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/BBB-/Baa3	104.3	4.2	176.6
Bulgaria	323	5.000%	19/07/2021	BBB-/	113.9	2.7	-56.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	101.4	3.7	287.3
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	113.6	3.9	194.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.0	3.6	144.0
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa2	103.5	4.3	244.8
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	109.7	3.9	186.4
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	88.8	10.4	848.0

Source: Bloomberg

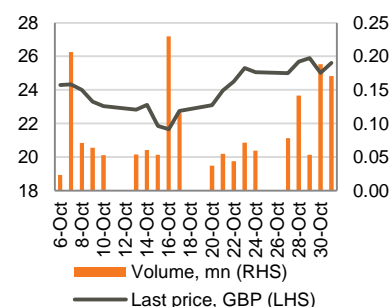
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 25.05/share (+2.20% w/w and +4.15% m/m). More than 630k shares traded in a range of GBP 24.14 – 26.00/share. Average daily traded volume was 91k in the last 4 weeks, lower than in previous month. FTSE 250 index, of which BOGH is the constituent has been growing third week in a row (2.73% w/w) with BOGH shares outperforming the index. The volume of BOGH shares traded was at 1.83% of its capitalization.

TBC Bank closed the week at US\$ 14.80 (+4.23% w/w and -6.92% m/m), more than 192k GDRs changed hands in the range of US\$ 13.80 – 15.00/GDR. Average daily traded volume was 42k in the last 4 weeks, lower than in previous month. The price has added 13.85% since the start of the trading on June 5, 2014.

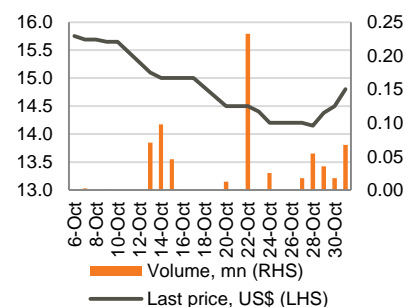
On the Georgian stock exchange Bank of Georgia shares were traded in a range of GEL 33.00 – 35.00, closing at GEL35 (unchanged w/w). Liberty Consumer shares were traded at GEL 0.10 (unchanged w/w) and Liberty Bank shares were trades in a range of GEL 0.014 – 0.015, closing at GEL 0.015 (unchanged w/w), as a result G&T Index remains at 801.1.

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	40.94	1,447	2.1%	-2.9%	-11.7%	0.6%	26.0%
TBC	TBC	14.80	729	-6.9%	6.1%	N/A	N/A	N/A
Halyk Bank	HSBK	9.80	2,726	-15.5%	-4.4%	9.4%	-3.9%	20.1%
KKB	KKB	3.75	1,460	-6.3%	1.3%	70.5%	108.3%	87.5%
VTB Bank	VTBR	1.89	12,196	-4.6%	-14.6%	-11.0%	-37.4%	-32.5%
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%	-15.6%

Source: Bloomberg

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

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