

Weekly Market Watch

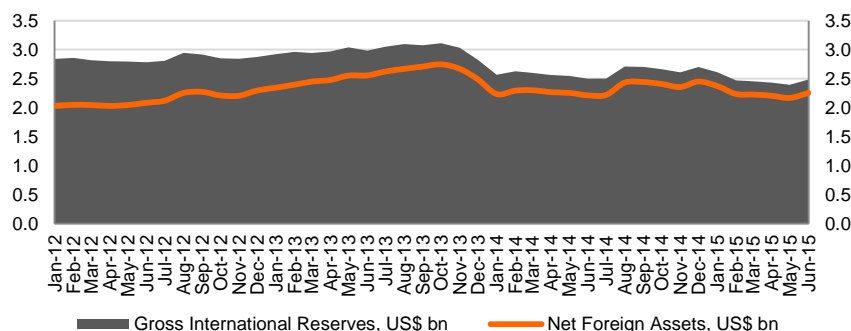
 Weekly Market Watch | Georgia
 July 13, 2015

Economy

Gross international reserves stood at US\$ 2.48bn end-June 2015

International reserves of Georgia increased for the first time in 2015. Gross international reserves stood at US\$ 2.48bn (+3.8% m/m) and net foreign assets of NBG at US\$ 2.25bn (+3.9% m/m) as of end-June 2015, according to NBG. The central bank has not intervened in the FX market since April 28, 2015. The increase in FX reserves was likely due to government FX operations and/or asset revaluation.

International Reserves



Source: NBG

Key macro indicators

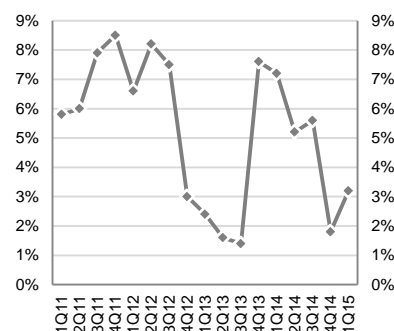
	1H15	2014	2013
GDP (% change)	2.5%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.5%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

*As of 5M15

**Preliminary results of census, previous data is subject to recalculation

Real GDP growth, %



Source: GeoStat, preliminary data for 1Q15

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- Stable Affirmed Apr-2015
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Source: Rating agencies



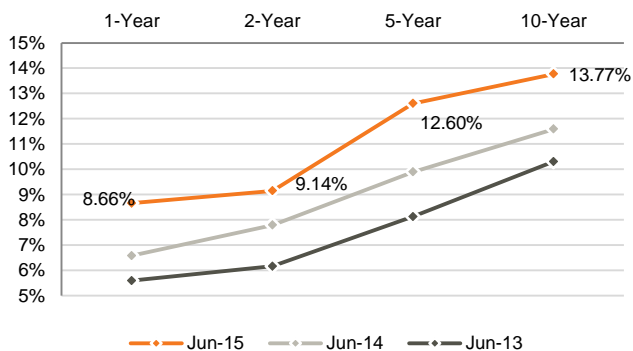
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 311.7mn) with an average yield of 5.5%.

Certificates of deposit: NBG sold 183-day, GEL 20mn (US\$ 8.9mn) certificates of deposit, with an average yield of 8.28% (up by 38bps from previous issue).

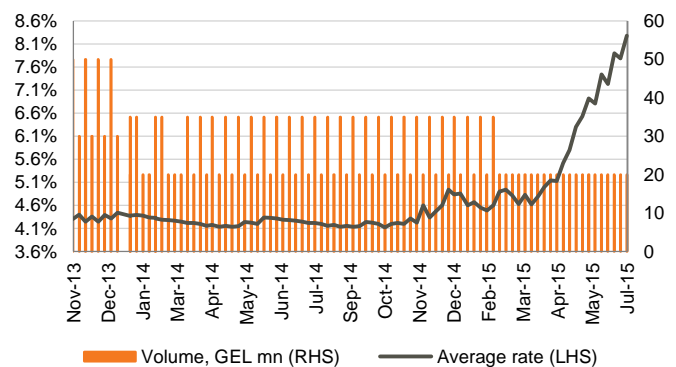
Ministry of Finance Treasury Notes: 2 year, GEL 20mn (US\$ 8.9mn) T-notes of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 10.746%. The nearest treasury securities auction is scheduled for July 15, 2015, where GEL 15mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



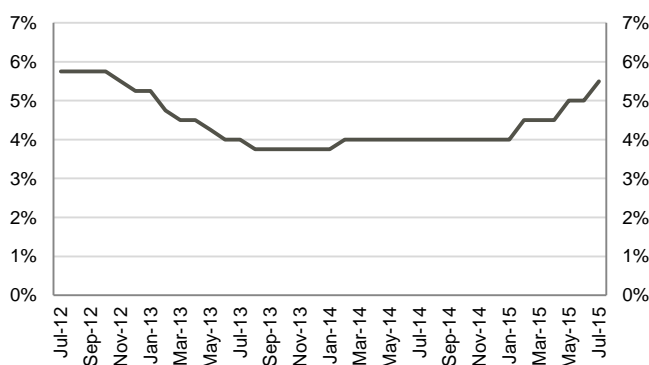
Source: NBG

Certificates of Deposits (weighted average rate)



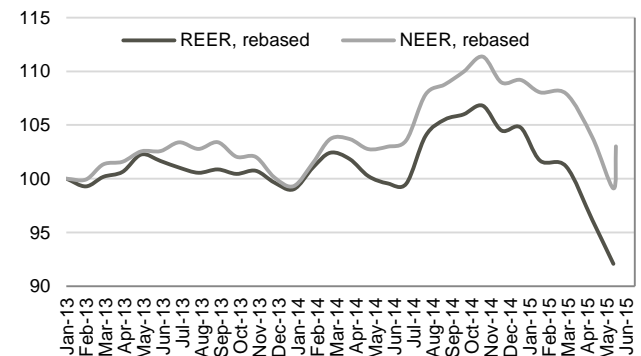
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

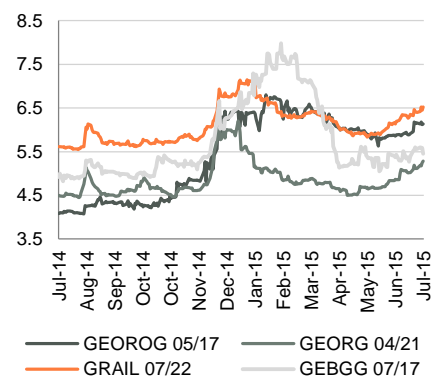


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.4% yield, trading at 104.3 (+0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 101.3 (unchanged w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 107.1 (-0.3% w/w), yielding 6.5%.

Georgian Sovereign Eurobonds (GEORG) went down to 107.9 (-0.7% w/w), closing at 5.3% yield to maturity.

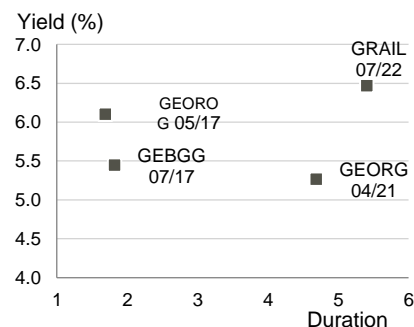
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M ² RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	05/12	07/12	04/11	07/12
Maturity date	03/17	05/17	09/17	05/17	07/17	04/21	07/22
Coupon, %	9.500	9.500	8.750	6.875	7.750	6.875	7.750
Fitch/S&P/Moody's	-/-/-	-/-/-	-/-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.0	100	98.0	101.3	104.3	107.9	107.1
Mid yield, %	10.1	9.5	9.7	6.1	5.4	5.3	6.5
Z-spread, bps	n/a	n/a	n/a	533.6	458	329.9	442.7

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, bps
Georgia	500	6.875	12/04/2021	BB-/BB-/Ba3	107.9	5.3	329.9
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	101.7	4.5	215.4
Bulgaria	323	5.000	19/07/2021	BBB-/	115.7	2.2	-156.1
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	100.8	3.7	284.8
Hungary	3,000	6.375	29/03/2021	BB+/BB+/Baa1	114.6	3.5	161.6
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	118.5	3.6	151
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa1	103.9	4.1	234.8
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	108.7	3.9	198.8
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	56.5	21.7	1973.2

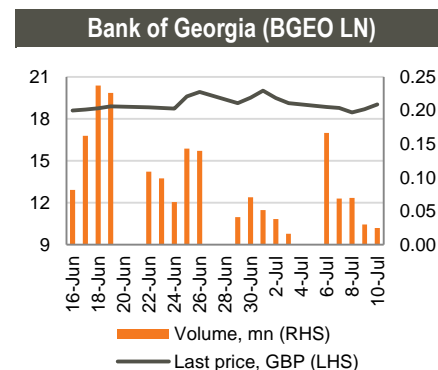
Source: Bloomberg

Equities

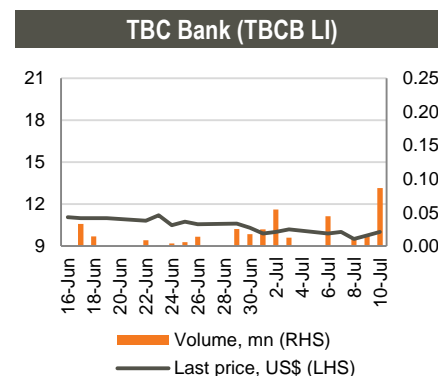
Bank of Georgia Holdings (BGEO LN) shares closed at GBP 19.02/share (-0.47% w/w and +2.26% m/m). More than 359k shares traded in the range of GBP 18.29 – 19.18/share. Average daily traded volume was 94k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 0.72% w/w and 3.02% m/m. The volume of BOGH shares traded was at 0.90% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 10.00 (-1.96% w/w and -9.09% m/m). More than 159k GDRs changed hands in the range of US\$ 9.50 – 10.00/GDR. Average daily traded volume was 20k in the last 4 weeks, more than in the previous month.

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 level of 799.12 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg

Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	29.46	1,164	2.1%	5.3%	-7.8%	-8.9%	-29.9%
	TBC	10.00	490	-9.1%	-18.4%	-19.4%	-20.6%	-30.2%
	Halyk Bank	8.15	2,223	3.8%	4.5%	8.5%	-4.1%	-21.6%
	KKB	2.90	1,156	-9.9%	-9.9%	-17.1%	-23.7%	44.1%
	VTB Bank	2.58	16,687	-12.0%	17.0%	21.9%	12.0%	5.3%
	Vozrozhdenie Bank	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	2.74	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg

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

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