

Weekly Market Watch

Weekly Market Watch | Georgia
August 3, 2015

Economy

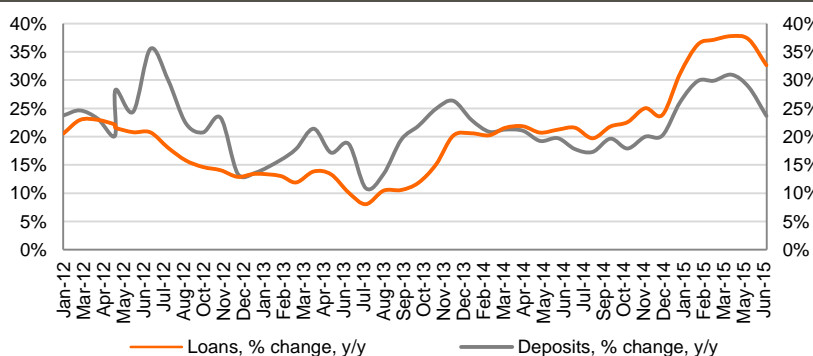
Real GDP grew 3.1% y/y in June 2015 and 2.6% y/y in 1H15

Georgia's real GDP grew 2.1% y/y in 2Q15 as output expanded 3.1% y/y in June, 2.1% y/y in May and 0.9% y/y in April, according to GeoStat's rapid estimate. As a result, real growth averaged 2.6% y/y in 1H15 from a higher base in 1H14 when real GDP growth was 6.1% y/y. In June 2015, VAT turnover increased 10.3% y/y (second largest after February). Based on available data, tourism, financial intermediation, operations in real estate, and budget capital spending (+22.1% y/y) supported the expansion in 2Q15, while lower external earnings were dragging the growth. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Banking sector remains profitable, NPLs are low

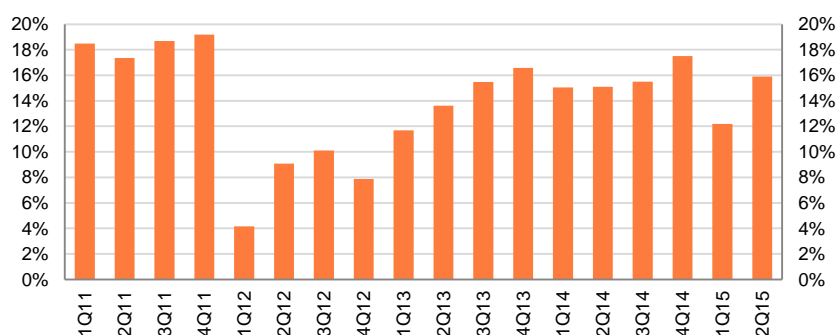
In June 2015, the loan portfolio grew 14.7% y/y excluding the exchange rate effect (+32.6% y/y and -0.8% m/m in unadjusted terms) to GEL 14.7bn (US\$ 6.6bn). Deposits grew 6.5% y/y excluding the exchange rate effect (+23.7% y/y and -1.2% m/m in unadjusted terms), reaching GEL 12.6bn (US\$ 5.6bn). NPLs remain under control at 3.3%, unchanged m/m and -0.2ppts y/y. The banking sector remains profitable with ROE reaching 15.9% in 2Q15 (+3.7ppts q/q and +0.8ppts y/y).

Loans/deposits growth y/y



Source: NBG

Banking sector ROE



Source: NBG

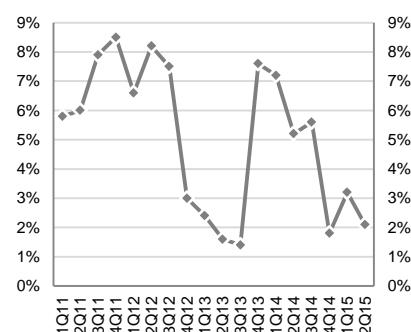
Key macro indicators

	1H15	2014	2013
GDP (% change)	2.6%	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

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

Real GDP growth, %



Source: GeoStat, rapid estimate for 2Q15

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 & POORS 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



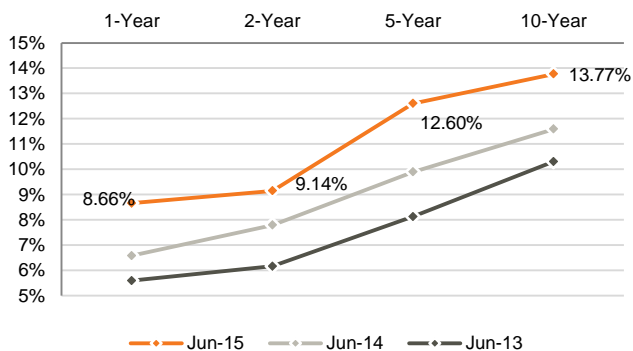
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 308.4mn) with an average yield of 5.5%.

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.8mn) certificates of deposit, with an average yield of 7.87% (down by 8bps from previous issue).

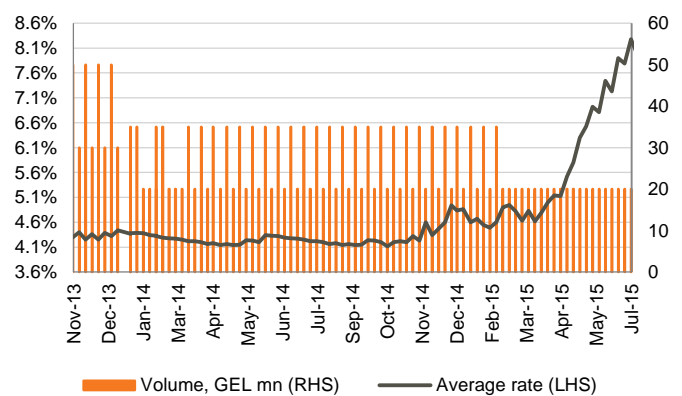
Ministry of Finance Treasury Notes: 1 year, GEL 30mn (US\$ 13.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 9.691%. The nearest treasury securities auction is scheduled for August 5, 2015, where GEL 20mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



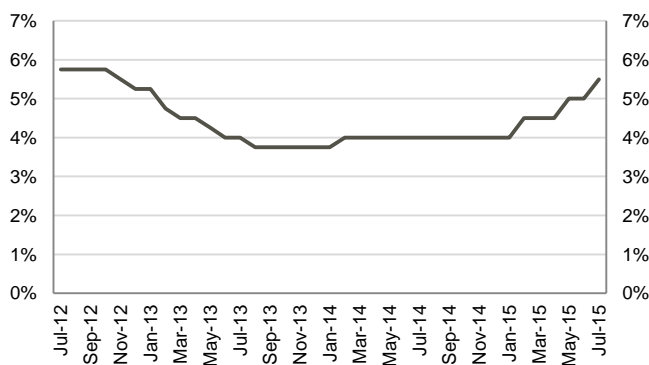
Source: NBG

Certificates of Deposits (weighted average rate)



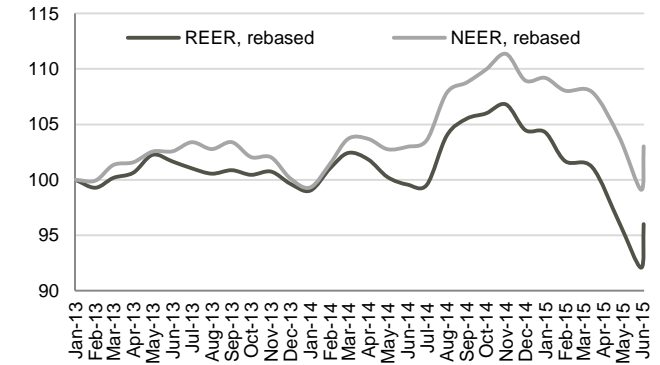
Source: NBG

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

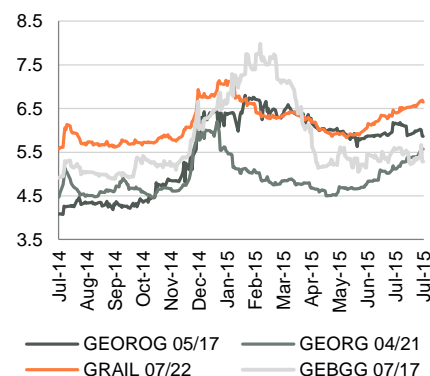


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.3% yield, trading at 104.4 (+0.1% w/w). GOGC Eurobonds (GEORG) were trading at 101.8 (+0.5% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 105.9 (+0.3% w/w), yielding 6.7%.

Georgian Sovereign Eurobonds (GEORG) went down to 106.3 (-0.7% w/w), closing at 5.6% yield to maturity.

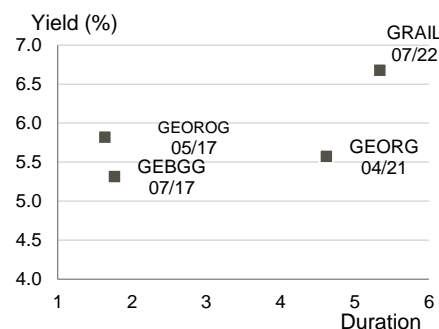
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M ² RE 03/17	EVEX 05/17	GLC 09/17	GEORG 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-/Baa3	BB-/BB-/Baa3	BB-/BB-/
Mid price, US\$	99.0	100	98.0	101.8	104.4	106.3	105.9
Mid yield, %	10.1	9.5	9.7	5.8	5.3	5.6	6.7
Z-spread, bps	n/a	n/a	n/a	544.2	431.4	368.8	477.2

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-/Baa3	106.3	5.6	369
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	99.0	4.9	269
Bulgaria	323	5.000	19/07/2021	BBB-/	115.4	2.2	-107
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	102.6	3.4	277
Hungary	3,000	6.375	29/03/2021	BB+/BB+/Baa1	114.6	3.5	165
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	118.1	3.6	166
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa1	102.3	4.5	277
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	107.5	4.1	231
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	59.3	20.6	2005

Source: Bloomberg

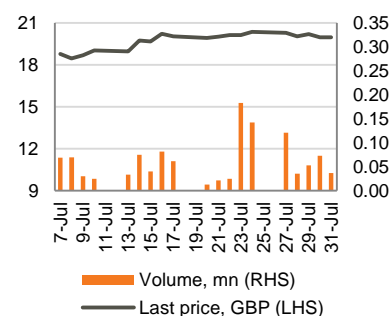
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 19.96/share (-1.92% w/w and +2.36% m/m). More than 318k shares traded in the range of GBP 19.80 – 20.79/share. Average daily traded volume was 68k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 1.02% w/w and 0.83% m/m. The volume of BOGH shares traded was at 0.8% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 9.70 (+2.11% w/w and -5.8% m/m). More than 18k GDRs changed hands in the range of US\$ 9.49 – 10.00/GDR. Average daily traded volume was 54k in the last 4 weeks, less than in the previous month.

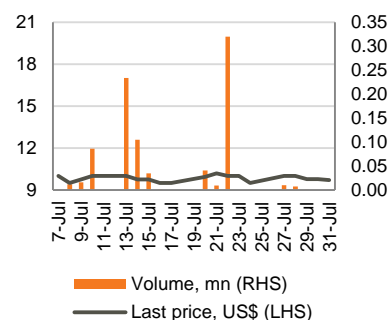
On the Georgian stock exchange, Bank of Georgia shares were traded in the range of GEL 35.00 – 37.00, closing at GEL 37.00 (+5.7% w/w) and Liberty Bank shares were traded at GEL 0.013 (unchanged w/w). As a result, the G&T Index went up to 843.95 (+5.59% w/w).

Bank of Georgia (BGEO LN)



Source: Bloomberg

TBC Bank (TBCB LI)



Source: Bloomberg

Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	31.22	1,233	0.0%	14.0%	2.4%	-3.5%	-24.1%
	TBC	9.70	475	-2.0%	-13.4%	-26.2%	-23.0%	-30.5%
	Halyk Bank	8.14	2,220	-4.2%	5.0%	33.0%	-4.2%	-21.0%
	KKB	3.00	1,196	-3.8%	-6.8%	-6.7%	-21.1%	-18.9%
	VTB Bank	2.36	15,274	-13.5%	-5.3%	22.2%	2.5%	7.3%
	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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