

Weekly Market Watch

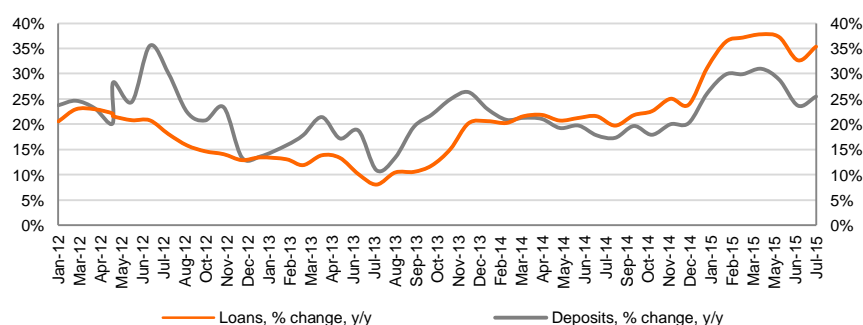
 Weekly Market Watch | Georgia
 August 31, 2015

Economy

NPLs remain under control

In July 2015, the loan portfolio grew 15.0% y/y excluding the exchange rate effect (+35.4% y/y and +1.9% m/m in unadjusted terms) to GEL 15.0bn (US\$ 6.6bn). Deposits grew 6.1% y/y excluding the exchange rate effect (+25.5% y/y and +1.6% m/m in unadjusted terms), reaching GEL 12.8bn (US\$ 5.6bn). NPLs remain under control at 3.2%, -0.1ppts m/m and -0.3ppts y/y.

Loans/deposits growth y/y



Key macro indicators

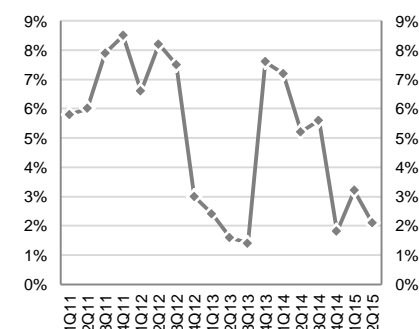
	1H15	2014	2013
GDP (% change)	2.6%	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.9%*	2.0%	2.4%
Gross reserves (US\$ bn)	2.5*	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

*As of 7M15

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

Real GDP growth, %



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



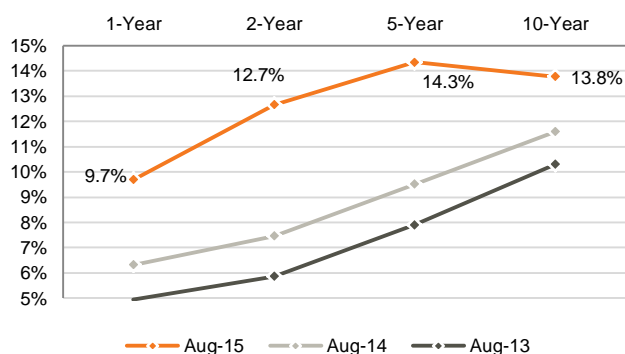
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 294.5mn) with an average yield of 6.0%.

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 8.38% (up by 29bps from previous issue).

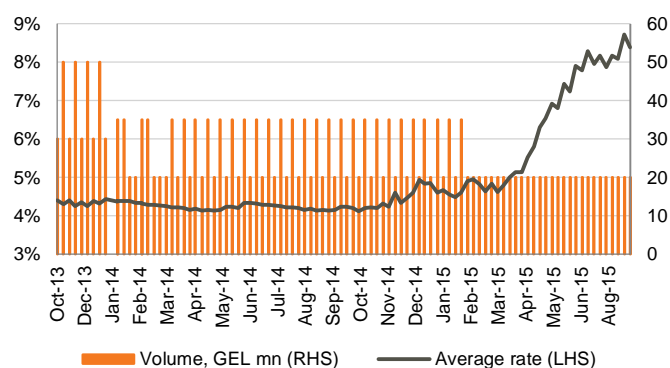
Ministry of Finance Treasury Notes: The nearest treasury securities auction is scheduled for September 9, 2015, where GEL 20mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



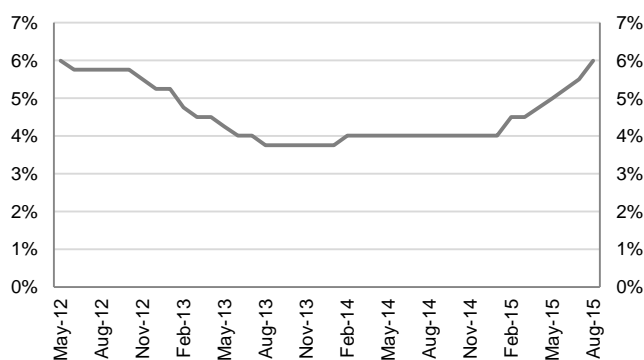
Source: NBG

Certificates of Deposits (weighted average rate)



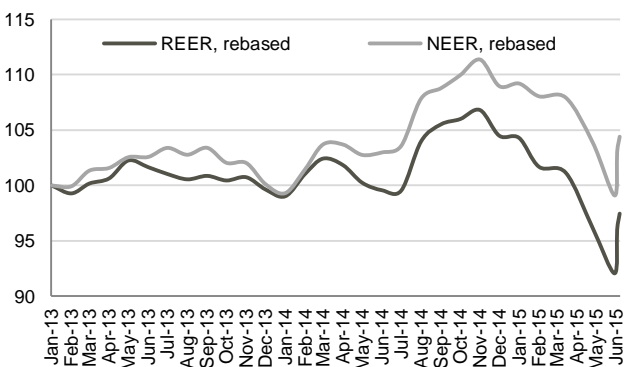
Source: NBG

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 5.9% yield, trading at 103.1 (-0.7% w/w). GOGC Eurobonds (GEOROG) were trading at 101.1 (-0.3% w/w), yielding 6.2%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 103.2 (-2.2% w/w), yielding 7.2%.

Georgian Sovereign Eurobonds (GEORG) remained at 105.2 (-1.3% w/w), closing at 5.8% yield to maturity.

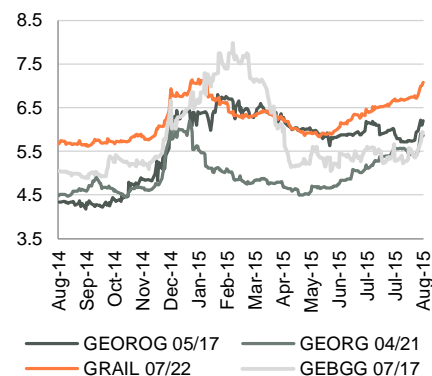
	Local bonds			Eurobonds			
	M ² RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	12-May	12-Jul	11-Apr	12-Jul
Maturity date	03/17	05/17	09/17	17-May	17-Jul	21-Apr	22-Jul
Coupon, %	9.500	9.500	8.750	6.875%	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	101.1	103.1	105.2	103.2
Mid yield, %	10.1	9.5	9.7	6.2	5.9	5.8	7.2
Z-spread, bps	n/a	n/a	n/a	550.2	509.4	405.7	521.3

Source: Bloomberg

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	105.2	5.8	405.7	
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	95.6	5.4	322.6	
Bulgaria	323	5.000%	19/07/2021	BBB-/Baa3	117.0	1.9	2.7	
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba1	101.8	3.6	287.6	
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.1	3.6	185.4	
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.0	3.6	178.2	
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	101.3	4.7	310.1	
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	106.4	4.3	258.0	
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	71.2	16.0	1415.4	

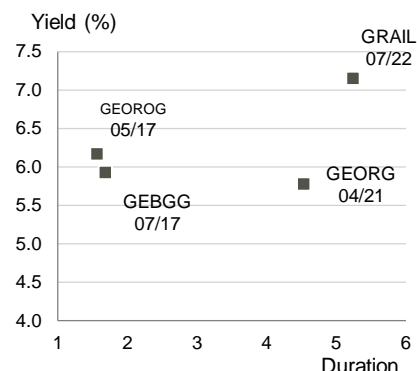
Source: Bloomberg

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

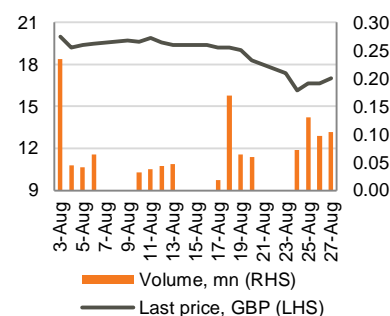
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 17.02/share (-6.99% w/w and -16.03% m/m). More than 535k shares traded in the range of GBP 16.09 – 18.30/share. Average daily traded volume was 75k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 1.84% w/w and 2.00% m/m. The volume of BOGH shares traded was at 1.4% of its capitalization.

TBC Bank (TBCB LI) closed at US\$ 9.90 (-1.98% w/w and -1.0% m/m). More than 7k GDRs changed hands in the range of US\$ 9.90 – 10.10/GDR. Average daily traded volume was 4k in the last 4 weeks, same as in the previous month.

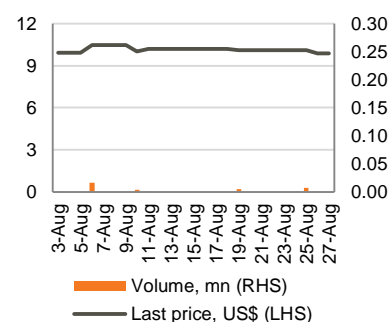
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.013 (unchanged w/w), and Bank of Georgia shares were traded at GEL 38.00 (+8.6% w/w). As a result, the G&T Index went up to 864.25 (+8.35% w/w).

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*	26.22	1,036	-16.9%	-11.8%	-1.6%	-18.9%	-36.1%
	TBC	9.90	485	-1.0%	-13.2%	-13.9%	-21.4%	-35.4%
	Halyk Bank	6.35	1,732	-22.0%	-15.3%	-3.6%	-25.3%	-44.8%
	KKB	2.72	1,085	-9.3%	-15.0%	-21.2%	-28.4%	-44.0%
	VTB Bank	2.05	13,252	-14.0%	-34.9%	-7.0%	-11.1%	-6.5%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	4.63	24,981	-2.5%	-19.7%	-8.9%	14.3%	-48.5%

Source: Bloomberg

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

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