

Weekly Market Watch

Weekly Market Watch | Georgia
February 1, 2016

Economy

Real GDP grew 2.8% y/y in 2015

According to GeoStat's rapid estimates, Georgia's real GDP growth averaged 2.9% y/y in 4Q15 (growth was 3.0% in October, 5.3% in November and 0.3% y/y in December), after growing 2.5% y/y in 3Q15. Based on preliminary data, Georgia's economy expanded by 2.8% y/y in 2015, after growing 4.6% y/y in 2014. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.7% in December 2015

In December 2015, the loan portfolio grew 5.8% y/y excluding the exchange rate effect (+23.5% y/y and +1.6% m/m in unadjusted terms), to GEL 16.0bn (US\$ 6.7bn). Deposits grew 5.0% y/y excluding the exchange rate effect (+23.5% y/y and +2.0% m/m in unadjusted terms), reaching GEL 14.3bn (US\$ 6.0bn). NPLs remain under control at 2.7% in December 2015, down 0.3pts y/y.

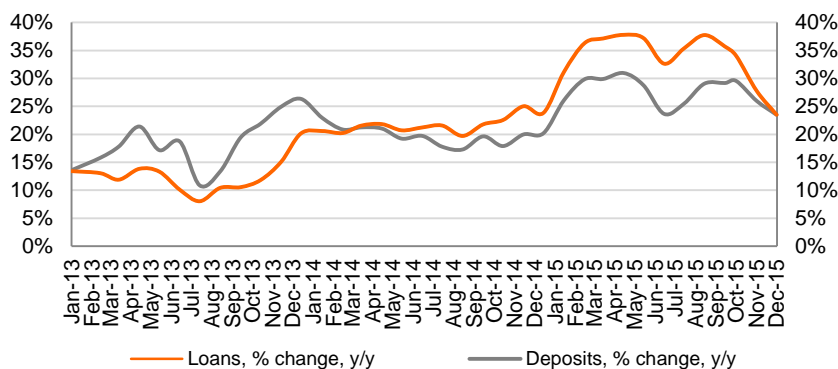
NBG sold US\$ 20mn

NBG sold US\$ 20mn on the FX market to support the GEL on January 26, 2016, and the GEL's official exchange rate weakened 0.9% against the US\$ over the previous day. It was the bank's third intervention on the currency market this year. NBG sold US\$ 40mn at two previous foreign currency auctions this year to support the GEL.

Georgia exports machinery to Saudi Arabia

Delta - Georgia's state military manufacturer - beat out Lenco (USA) in the final stage of the tender and won a contract to supply Saudi Arabia with armored medical evacuation vehicles. The contract is valued at GEL100mn and the first lot of 12 vehicles has been sent to Saudi Arabia on January 30, 2016. According to the CEO, Delta is now in preliminary talks on two other separate contracts with a combined value of GEL 290mn.

Loans/deposits growth y/y



Source: NBG

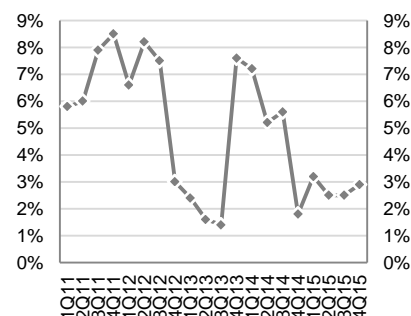
Key macro indicators

	2015E	2014	2013
GDP (% change)	2.8%	4.6%	3.3%
GDP per capita (ppp)*	9,566	9,209	8,526
GDP per capita (US\$)	3,765	3,676	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)	10.7%	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	41.1%	35.5%	34.7%

Source: Official data, IMF, G&T

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

Real GDP growth, %



Source: GeoStat

Note: 4Q15 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 23 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2015	MOODY'S INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies



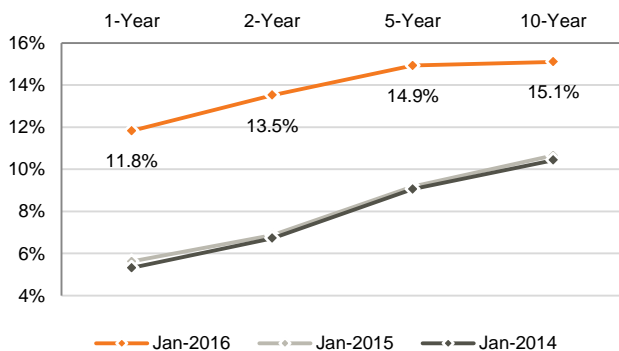
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 280.2mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.0mn) certificates of deposit, with an average yield of 9.87% (down by 35bps from previous issue).

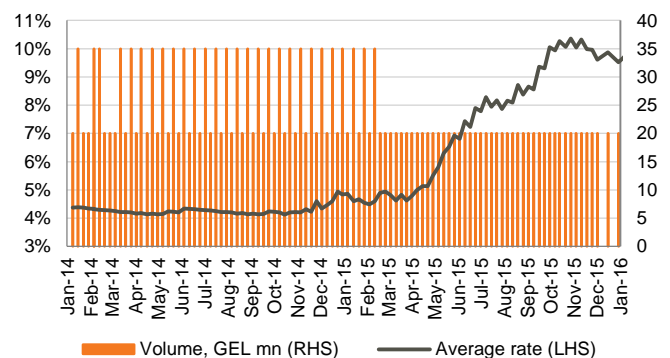
Ministry of Finance Treasury Notes: 1-year GEL 40.0mn (US\$ 16.0mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on January 27, 2016. The weighted average yield was fixed at 11.790%. The nearest treasury securities auction is scheduled for February 10, 2016, where GEL 40mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



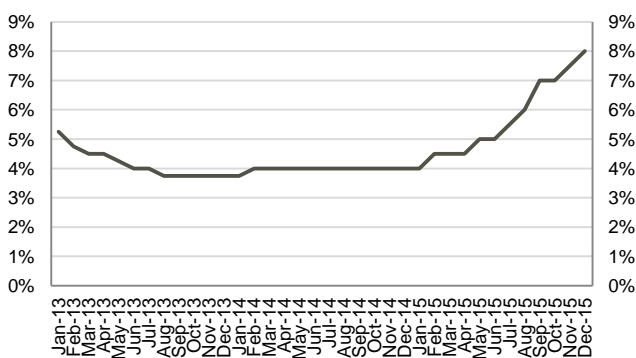
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



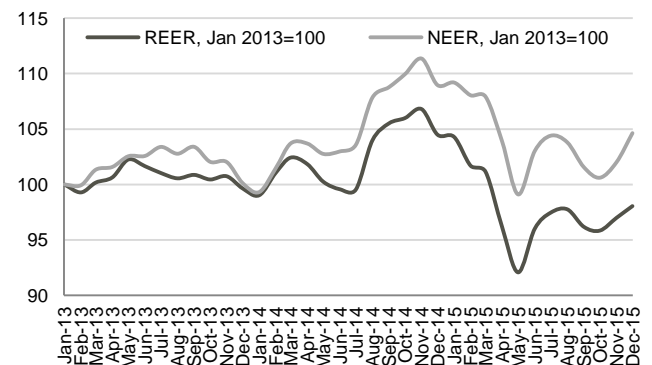
Source: NBG

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

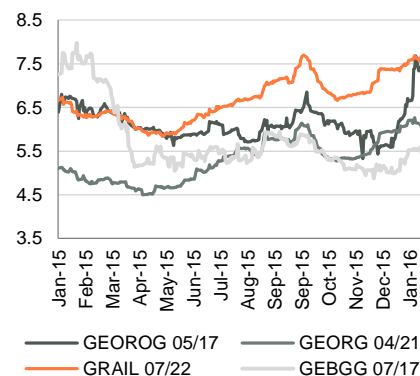


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.4% yield, trading at 103.1 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 99.2 (-0.3% w/w), yielding 7.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.2 (+0.3% w/w), yielding 7.5%.

Georgian Sovereign Eurobonds (GEORG) closed at 104.1 (+1.0% w/w) at 5.9% yield to maturity.

Georgia Eurobonds, YTM (%)



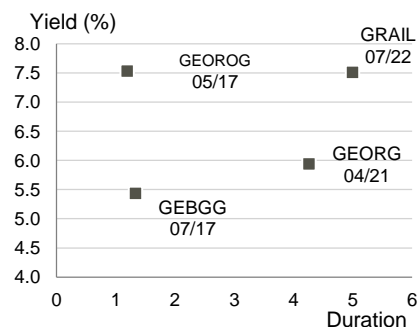
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	15.000**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0*	99.0	100	98.0	99.2	103.1	104.1	101.2
Mid yield, %	15.0	10.1	9.5	9.7	7.5	5.4	5.9	7.5
Z-spread, bps	n/a	n/a	n/a	n/a	654.7	437.0	457.2	595.4

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% over the NBG's refinancing rate

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	104.1	5.9	457.2
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	89.6	6.4	482.4
Bulgaria	323	5.000%	19/07/2021	BBB-/B+	120.0	1.2	-227.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	102.0	3.5	323.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.5	3.5	206.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.2	3.4	183.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	104.0	4.0	271.2
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.6	4.2	283.5

Source: Bloomberg

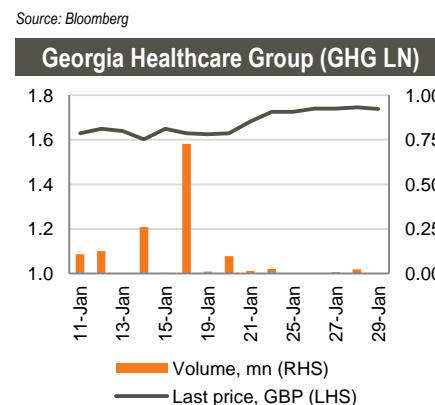
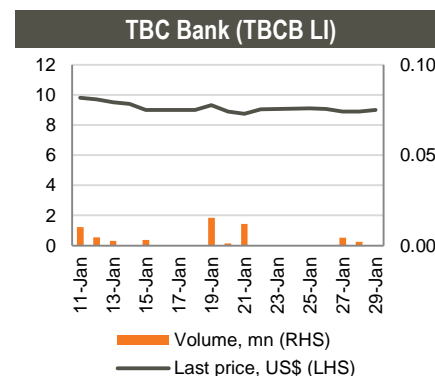
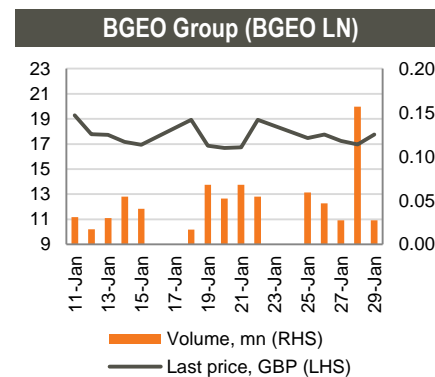
Equities

BGEO Group (BGEO LN) shares closed at GBP 17.75/share (+3.20% w/w and -7.98% m/m). More than 317k shares traded in the range of GBP 16.90 – 18.17/share. Average daily traded volume was 50k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 2.10% w/w and lost 6.28% m/m, respectively. The volume of BOGH shares traded was at 0.80% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 9.00 (-0.44 w/w and -10.00% m/m). More than 6k GDRs changed hands in the range of US\$ 8.90 – 9.12/GDR. Average daily traded volume was 10k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.74/share (+0.80% w/w and +6.59% m/m). More than 33k shares were traded in the range of GBP 1.70 – 1.75/share. Average daily traded volume was 87k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

On the Georgian stock exchange: There were no trades. As a result, the G&T Index remained at 885.86 (unchanged w/w).



Eastern European banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	25.13	993	-12.0%	-19.1%	-20.3%	-22.3%	-18.4%
TBC	TBC	9.00	441	-10.0%	1.4%	-8.1%	-28.6%	-30.0%
Halyk Bank	HSBK	4.20	1,146	-15.2%	-31.4%	-47.6%	-50.6%	-37.5%
KKB	KKB	0.90	359	-26.5%	-68.9%	-70.0%	-76.3%	-72.0%
VTB Bank	VTBR	1.88	12,189	-11.6%	-14.1%	-21.9%	-18.2%	-2.9%
Vozrozhdenie Bank	VZRZ	6.81	162	-18.3%	-28.2%	-31.5%	-7.7%	31.5%
Sberbank	SBER	5.49	29,628	-8.3%	-8.3%	12.2%	35.6%	42.4%

Source: Bloomberg

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

Healthcare sector peers								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG*	GHG	2.46	316	1.9%	nm	nm	nm	nm
Mouwasat	MOUWASAT	29.35	1,467	-6.9%	-5.1%	-25.6%	-10.7%	-12.4%
Fortis	FORH	2.63	1,218	-4.3%	10.9%	-9.2%	49.7%	40.1%
Raffles	RFMD	2.85	1,639	-2.6%	-6.9%	-17.0%	-2.9%	-2.8%
IHH	IHH	1.58	13,015	4.3%	9.9%	1.3%	15.0%	10.8%
Bangkok Chain	BCH	0.23	577	-7.3%	23.2%	18.9%	-3.8%	-12.4%
Netcare	NTC	2.11	3,077	-6.9%	-26.1%	-33.2%	-35.9%	-36.4%

Source: Bloomberg

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



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