

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 June 27, 2016

## Economy

### Trade deficit down 7.8% y/y excluding one-offs in 5M16

In May 2016, exports decreased 11.6% y/y to US\$ 172.3mn, imports were up 8.1% y/y to US\$ 608.6mn (excluding one-offs), and the trade deficit was up 18.5% y/y to US\$ 436.3mn, according to GeoStat. Reduced copper ore exports (-30.7% y/y) and car re-exports (-5.7% y/y) were the major commodities weighing on export growth in May 2016, while ferro-alloys (+59.7% y/y), nuts (+52.6% y/y), pharmaceuticals (+19.9% y/y), and gold (+29.0% y/y) posted increases.

Petroleum (-11.3% y/y), cars (+2.3% y/y), pharmaceuticals (+1.3% y/y, excluding one-offs), gases (-38.8% y/y), and telephones (+55.9% y/y) represented the top 5 imported commodities in May 2016.

In 5M16, the trade deficit is down 7.8% y/y to US\$ 1.87bn, excluding one-offs, as imports fell 9.0% y/y to US\$ 2.64bn and exports fell 11.7% y/y to US\$ 780.4mn.

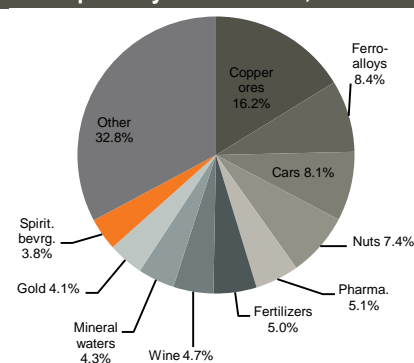
### BGEO Group PLC announces the purchase of the remaining 75% stake in GGU

BGEO group PLC announces that JSC BGEO Investments, a wholly owned subsidiary of BGEO, has signed a Share Purchase Agreement, to acquire a 75% equity stake in Georgian Global Utilities Limited (GGU) on 23 June, 2016. As a result of this buy-out, the Group will own 100% of GGU. The transaction values GGU's enterprise value at GEL 287.5mn.

### EBRD issued its first public bond on the Georgian Stock Exchange

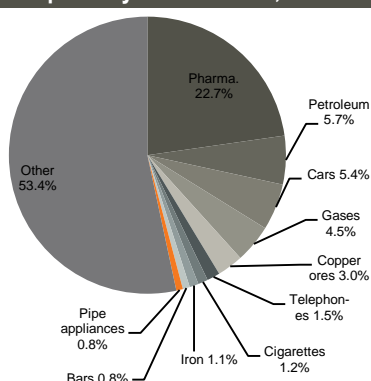
The European Bank for Reconstruction and Development (EBRD) issued its first public bond on the Georgian Stock Exchange in the amount of GEL 107mn on 17 June, 2016. The five-year issuance has a floating rate coupon linked to the three-month Certificate of Deposit (CD) issued by the National Bank of Georgia, with the initial three-month coupon set at 6.45%, following the NBG's CD auction. This is the EBRD's third successful bond issuance in Georgian lari managed by JSC Galt & Taggart.

Exports by commodities, 5M16



Source: GeoStat

Imports by commodities, 5M16



### Key macro indicators

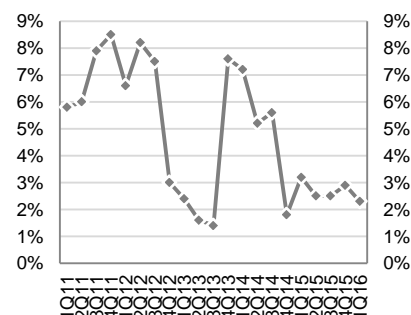
	5M16	2015	2014
GDP (% change)	2.8%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	2.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.6	2.5	2.7
CAD (% of GDP)	....	11.8%	10.6%
Fiscal deficit (% of GDP)	....	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

Source: Official data, IMF, G&T

\*As of 4M16

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

### Real GDP growth, %



Source: GeoStat

Note: 1Q16 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

<b>STANDARD &amp; POORS</b>  <b>BB-</b> Stable Affirmed Nov-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Apr-2016
---	---	---

Source: Rating agencies



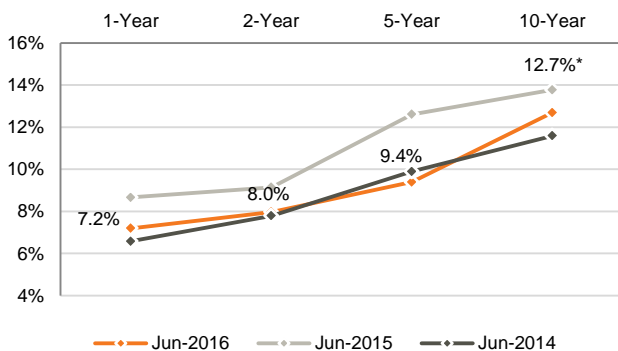
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 250mn (US\$ 112.4mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 9.4mn) certificates of deposit, with an average yield of 6.45% (down 105bps from previous issue).

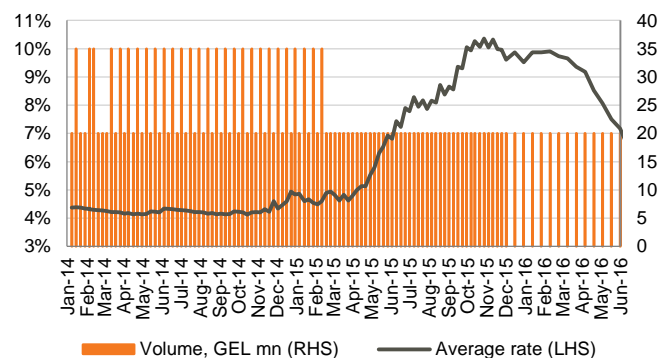
**Ministry of Finance Treasury Notes:** 5-year GEL 10.0mn (US\$ 4.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on June 15, 2016. The weighted average yield was fixed at 9.392%. The nearest treasury securities auction is scheduled for June 29, 2016, where GEL 25mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



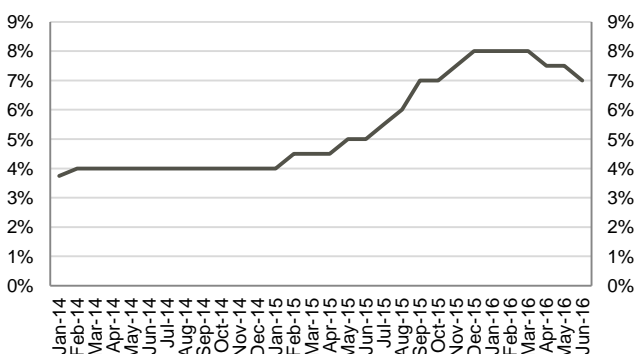
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



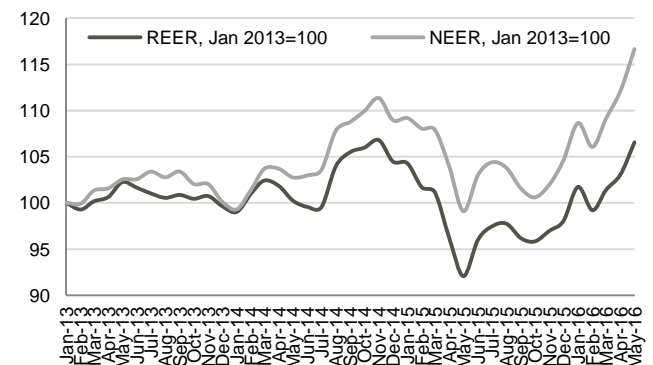
Source: NBG

Monetary policy rate



Source: NBG  
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016

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

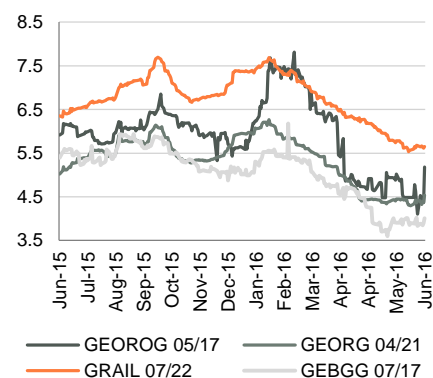


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 4.0% yield, trading at 103.7 (-0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 101.8 (-0.3% w/w), yielding 4.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.6 (+0.1% w/w), yielding 5.7%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 109.9 (-0.5% w/w) at 4.5% yield to maturity.

**Georgia Eurobonds, YTM (%)**



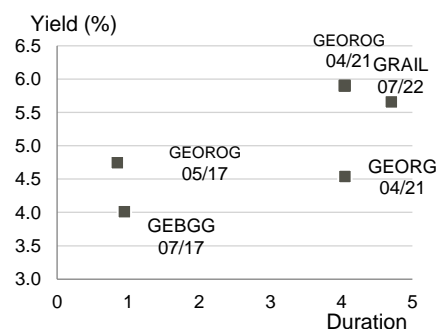
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/-	BB-/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/Ba3
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	103.5	101.8	103.7	109.9	110.6
Mid yield, %	11.0	15.0	7.75	7.75	8.25	5.9	4.7	4.0	4.5	5.7
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	484.7	389.5	337.1	343.4	457.0

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	109.9	4.5	343.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	100.4	4.7	337.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	118.9	1.1	-237.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	102.5	3.4	334.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.6	3.3	214.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.0	3.2	210.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.9	3.1	206.9
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	108.2	3.7	272.6

Source: Bloomberg

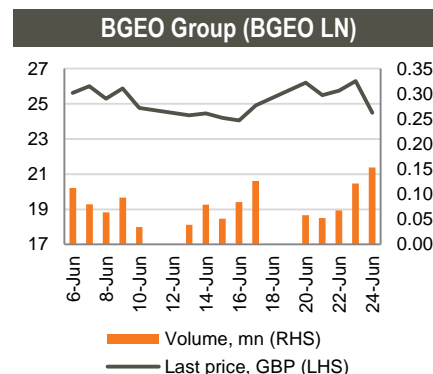
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 24.50/share (-2.08% w/w and -2.00% m/m). More than 453k shares traded in the range of GBP 23.11 – 26.79/share. Average daily traded volume was 85k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, declined 2.00% w/w and lost 6.08% m/m, respectively. The volume of BOGH shares traded was at 1.15% of its capitalization.

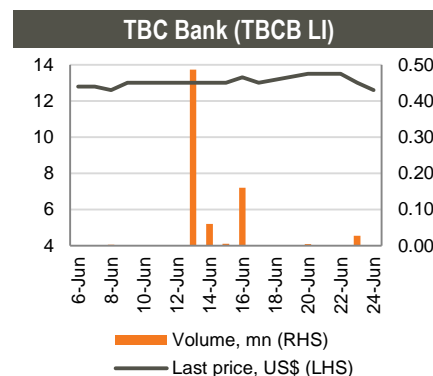
**TBC Bank** (TBCB LI) closed the week at US\$ 12.60 (-3.08% w/w and +5.00% m/m). More than 32k GDRs changed hands in the range of US\$ 12.60 – 13.50/GDR. Average daily traded volume was 53k in the last 4 weeks, less than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 2.75/share (-3.34% w/w and +11.66% m/m). More than 149k shares were traded in the range of GBP 2.70 – 2.95/share. Average daily traded volume was 80k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.

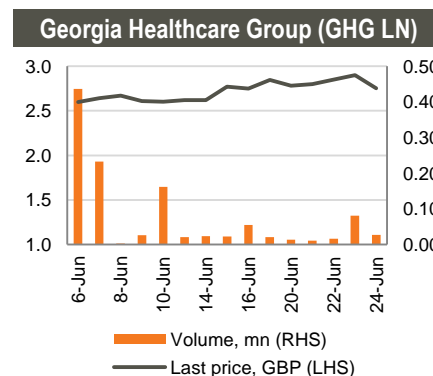
On the Georgian stock exchange Bank of Georgia shares were traded at GEL 37.00 (+2.8% w/w), and Liberty Bank shares were traded at GEL 0.15 (unchanged w/w). As a result, the G&T went up to 842.35 (+2.7% w/w).



Source: Bloomberg



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*	33.44	1,321	-8.6%	15.8%	18.3%	3.4%	13.9%
	TBC	12.60	631	5.0%	22.3%	24.8%	0.0%	20.0%
	Halyk Bank	HSBK	4.60	1,264	1.1%	1.1%	-6.1%	-45.9%
	KKB	1.59	634	0.0%	59.0%	12.8%	-58.2%	-50.3%
	VTB Bank	VTBR	2.06	13,349	3.4%	-1.4%	-4.3%	-10.4%
	Vozrozhdenie Bank	VZRZ	9.89	235	2.6%	30.9%	14.5%	34.0%
	Sberbank	SBER	8.48	45,775	9.4%	29.6%	39.5%	109.4%

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	3.76	495	4.2%	61.5%	53.2%	nm	nm
Mouwasat	MOUWASAT	34.30	1,715	-3.1%	5.9%	7.7%	4.3%	-10.6%
Fortis	FORH	2.30	1,064	-7.3%	-15.3%	-14.7%	30.7%	-16.6%
Raffles	RFMD	1.12	1,940	0.2%	2.2%	14.9%	14.4%	-0.9%
IHH	IHH	1.64	13,491	2.6%	1.4%	9.8%	19.1%	6.5%
Bangkok Chain	BCH	0.35	862	18.8%	14.1%	44.9%	43.8%	66.9%
Netcare	NTC	2.04	2,986	1.7%	-9.8%	-9.9%	-37.8%	-33.9%

Source: Bloomberg

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



## Disclaimer

This document is strictly confidential and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of JSC Bank of Georgia group ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

This document is confidential to clients of Galt & Taggart. Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

### **Galt & Taggart**

**Address:** 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

**Tel:** + (995) 32 2401 111

**Email:** gt@gt.ge