

Weekly Market Watch

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November 16, 2015

Economy

Trade deficit down 9.7% y/y in 10M15, excluding one-offs

According to GeoStat's preliminary figures, the trade deficit in October 2015 decreased 16.3% y/y to US\$ 427mn, as exports fell 30.9% y/y to US\$ 188mn, while imports were down 21.4% y/y to US\$ 615mn. As a result, in 10M15, exports decreased 24.4% y/y to US\$ 1.8bn, imports fell 14.8% y/y to US\$ 6.0bn (excluding donated c-hepatitis medicine imports of US\$ 318mn in 10M15), and the trade deficit decreased 9.7% y/y to US\$ 4.1bn. Therefore, the adjustment in imports was instrumental in the elimination of external imbalances, easing pressure on GEL. Detailed statistics will be available on November 24, 2015.

Property registration up 0.3% y/y and company registration down 15.0% y/y in Oct-2015

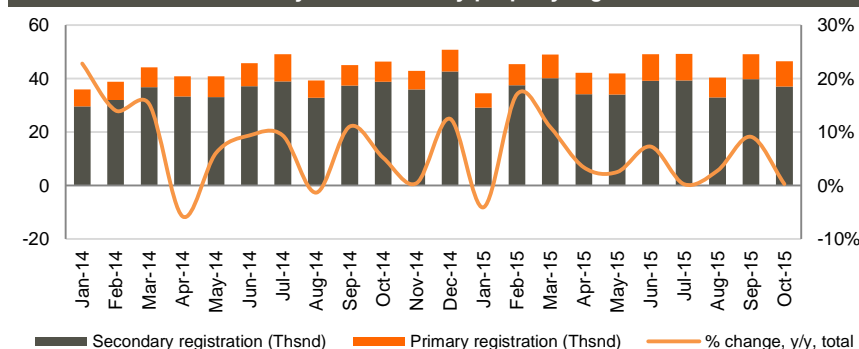
Property registration (commercial and residential real estate) increased 0.3% y/y (-5.2% m/m), reaching 46,516 units in October 2015, according to National Agency of Public Registry. Notably, a sharp increase in primary properties (+26.6% y/y, 20.5% of total) fully compensated a decrease in secondary property registration (-4.8% y/y, 79.5% of total).

Company registration decreased 15.0% y/y (-4.6% m/m) to 3,681 units in October 2015. Out of newly registered companies, 96.8% were business legal entities, while 3.2% comprised non-entrepreneurial (non-commercial) legal entities.

Amendments to the 2015 state budget

On November 10, 2015, Government submitted amendments to the 2015 state budget to the Parliament. The government-proposed changes include increasing the tax revenue target by GEL 120mn, on the back of 2015E growth adjustment from 2.0% to 2.8%, adding GEL 96mn to the Healthcare Ministry and reducing funding for the Ministry of Regional Development and Infrastructure by GEL 77mn. To maintain the 2015 deficit target at 3.0% of GDP, the government plans to use deposits and cut public borrowing by GEL 293mn (o.w. external borrowing by GEL 108mn and domestic borrowing by GEL 185mn). As a result, the government is expected to accumulate GEL 140mn in deposits, compared to the previous target of GEL 320mn in 2015.

Primary and secondary property registration



Source: NAPR

Key macro indicators

	9M15	2014	2013
GDP (% change)	2.7%	4.8%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	5.8%***	2.0%	2.4%
Gross reserves (US\$ bn)	2.4***	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

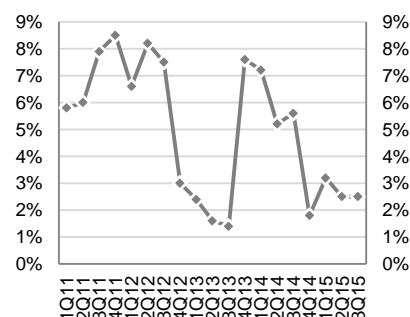
Source: Official data

*Source: IMF

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

***As of 10M15

Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 22 (mostly free)

Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POORS 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



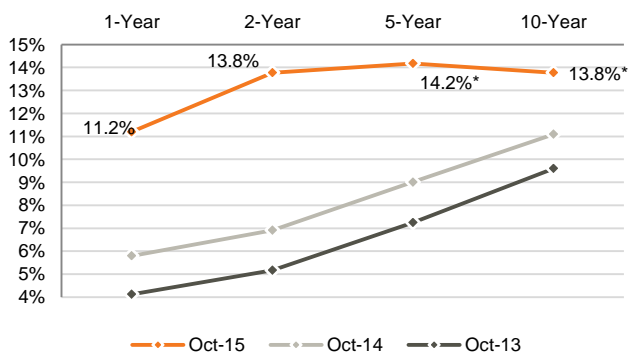
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 291.9mn) with an average yield of 7.5%.

Certificates of deposit: NBG sold 183-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 10.33% (down by 3bps from previous issue).

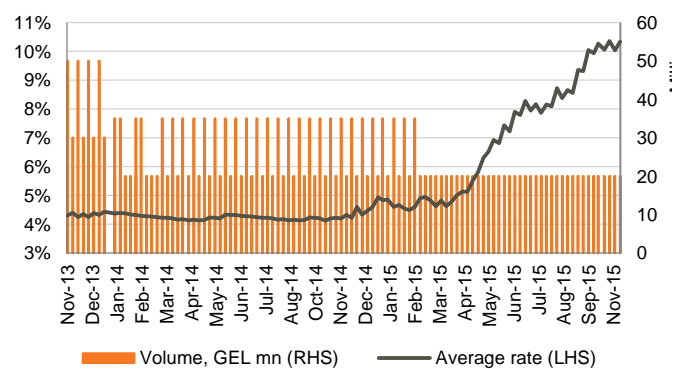
Ministry of Finance Treasury Notes: 1-year GEL 10mn (US\$ 4.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on November 11, 2015. The weighted average yield was fixed at 11.506%. The nearest treasury securities auction is scheduled for November 18, 2015, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



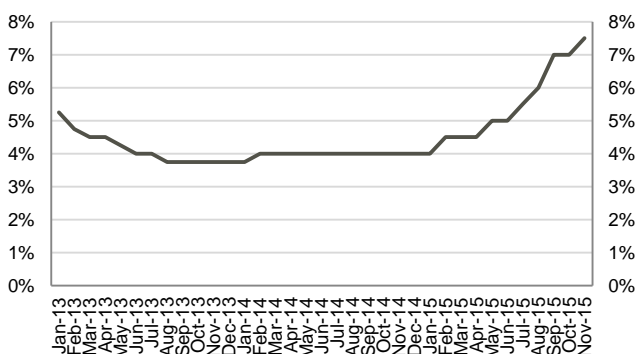
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



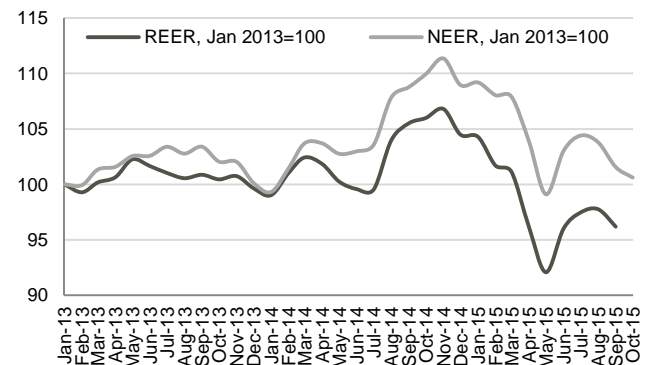
Source: NBG

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

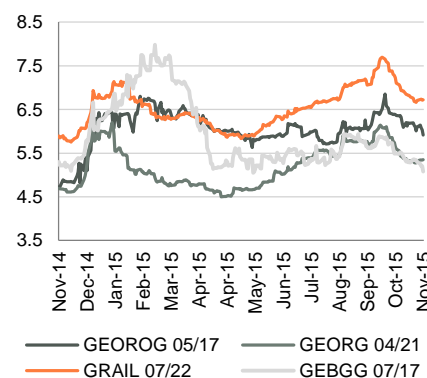


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.1% yield, trading at 104.1 (+0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 101.5 (+0.4% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.4 (-0.4% w/w), yielding 6.7%.

Georgian Sovereign Eurobonds (GEORG) closed at 107.2 (-0.1% w/w) at 5.3% yield to maturity.

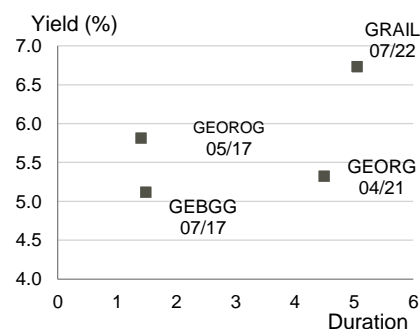
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M2RE 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	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
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	101.5	104.1	107.2	105.4
Mid yield, %	10.1	9.5	9.7	5.8	5.1	5.3	6.7
Z-spread, bps	n/a	n/a	n/a	506.0	432.6	357.5	506.9

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	107.2	5.3	357.5
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	94.7	5.6	347.5
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.1	1.5	-229.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	101.1	3.7	319.5
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.5	3.4	169.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.2	3.5	167.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.0	3.8	220.6
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	107.0	4.2	247.1
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	79.8	14.0	1179.2

Source: Bloomberg

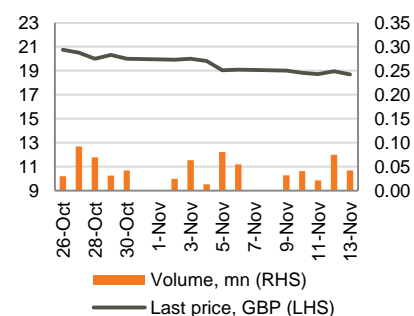
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.70/share (-2.04% w/w and -3.66% m/m). More than 211k shares traded in the range of GBP 18.42 – 19.15/share. Average daily traded volume was 44k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 2.28% w/w and lost 0.72% m/m. The volume of BOGH shares traded was at 0.54% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 8.60 (+1.78% w/w and -3.37% m/m). More than 154k GDRs changed hands in the range of US\$ 8.20 – 8.80/GDR. Average daily traded volume was 24k in the last 4 weeks, more than in the previous month.

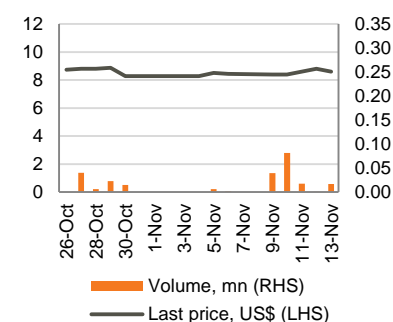
On the Georgian stock exchange, Teliani Valley shares were traded at GEL 0.13 (-35.0% w/w), and Liberty Bank shares were traded at GEL 0.013 (+0.8% w/w). As a result, the G&T Index went down to 885.96 (-0.15% w/w). Also, Georgian Leasing Company (GLC) bonds were traded on the GSE. Total trading volume amounted to US\$ 20k, with 20 bonds changing hands at 8.75% YTM.

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*	28.44	1,123	-3.9%	-6.0%	1.5%	-12.1%	-21.8%
	TBC	8.60	421	-3.4%	-15.7%	-22.9%	-31.7%	-40.7%
	Halyk Bank	5.92	1,615	-3.7%	-19.2%	-26.9%	-30.4%	-32.7%
	KKB	2.00	798	-30.8%	-26.5%	-37.9%	-47.4%	-42.9%
	VTB Bank	2.22	14,386	-7.5%	4.5%	-16.0%	-3.5%	17.8%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	6.10	32,899	6.2%	29.1%	-1.2%	50.5%	-9.0%

Source: Bloomberg

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

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