

Weekly Market Watch

Weekly Market Watch | Georgia
June 13, 2016

Economy

FDI up 103.2% y/y in 1Q16

FDI in Georgia hit US\$ 376mn (+103.2% y/y) in 1Q16, according to GeoStat's preliminary figures. Similar to previous quarters, the transport and communications sector was the largest FDI recipient at US\$ 200mn (+37.0% y/y, 53.2% of total) in 1Q, followed by financial sector at US\$ 58mn (15.4% of total), and construction sector at US\$ 40mn (+90.5% y/y, 10.6% of total). Azerbaijan topped the list of investors with US\$ 137mn, followed by Turkey at US\$ 57mn, and United Kingdom at US\$ 44mn.

International reserves up 7.4% y/y in May 2016

Gross international reserves increased 7.4% y/y (+US\$ 175.9mn) to US\$ 2.6bn as of end-May 2016, according to NBG. Reserves were up 4.6% m/m (+US\$ 112.6mn). The growth was attributed to NBG's FX interventions with a US\$ 140mn purchase in May.

NBG buys US\$ 63mn

Last week, NBG intervened on the FX market 2 times and purchased US\$ 63mn, aimed at curbing the appreciation of the national currency. Overall, NBG bought total of US\$ 258mn at 13 interventions during March 17 – June 9. GEL strengthened 0.6% w/w and 11.2% YTD against US\$.

Property registration up 11.6% y/y in May 2016

Property registration (commercial and residential real estate) increased 11.6% y/y (-16.4% m/m), reaching 46,707 units in May 2016, according to the National Agency of Public Registry. Registration increased for primary (+19.9% y/y, 20.2% of total), as well as secondary (+9.6% y/y, 79.8% of total) properties.

Company registration up 2.0% y/y in May 2016

In May 2016, company registration increased 2.0% y/y (-6.5% m/m) to 3,816 units, according to the National Agency of Public Registry. Out of newly registered companies, 96.2% were business legal entities, while 3.8% comprised non-entrepreneurial (non-commercial) legal entities.

Georgia hosts Cbonds-Congress on June 16-17, 2016

Georgia will host 13th CIS, Baltic States and Caucasus Bond Congress for the first time on June 16-17, 2016, which has previously been held in various locations throughout Europe. The congress participants are gathering to discuss the most acute issues related to fixed income markets in emerging countries. Galt & Taggart, which plays a key role in developing of Georgian debt capital market, is general partner of the congress.

Key macro indicators

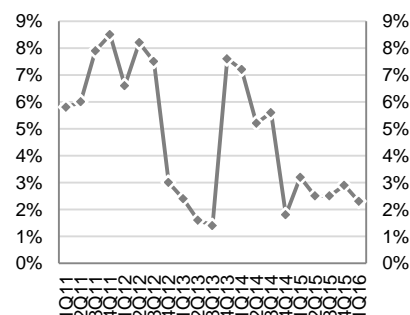
	5M16	2015	2014
GDP (% change)	2.8%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	2.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.6	2.5	2.7
CAD (% of GDP)	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt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

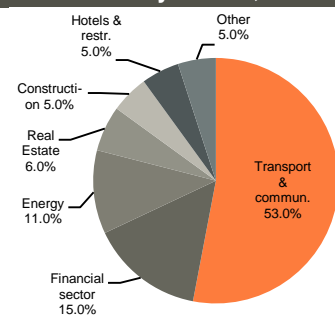
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

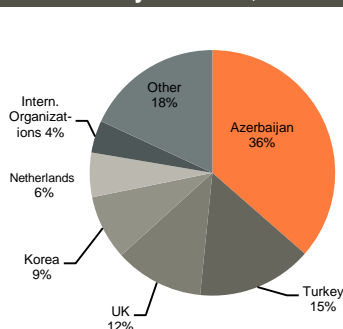
STANDARD & POORS BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Apr-2016
---	---	---

Source: Rating agencies

FDI by sectors, 1Q16



FDI by countries, 1Q16



Source: GeoStat



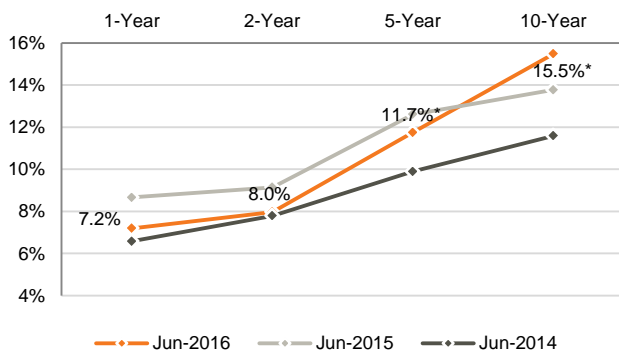
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 400mn (US\$ 188.0mn).

Certificates of deposit: NBG sold 184-day, GEL 20mn (US\$ 9.3mn) certificates of deposit, with an average yield of 7.17% (down 90bps from previous issue).

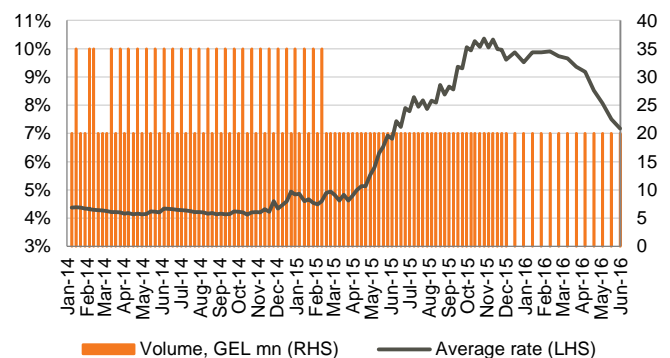
Ministry of Finance Treasury Notes: 2-year GEL 20.0mn (US\$ 9.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on June 8, 2016. The weighted average yield was fixed at 7.972%. The nearest treasury securities auction is scheduled for June 15, 2016, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



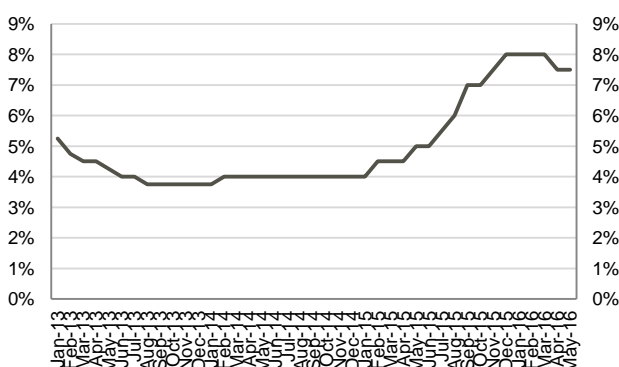
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



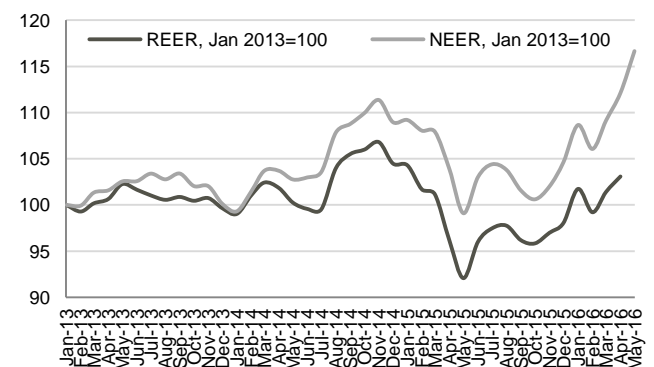
Source: NBG

Monetary policy rate



Source: NBG
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

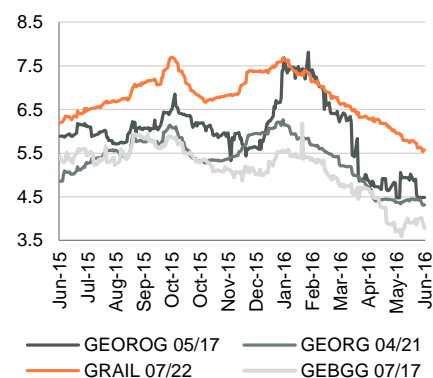


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 3.8% yield, trading at 104.1 (+0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 101.9 (-0.1% w/w), yielding 4.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.2 (+0.6% w/w), yielding 5.6%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.1 (+0.5% w/w) at 4.3% yield to maturity.

Georgia Eurobonds, YTM (%)



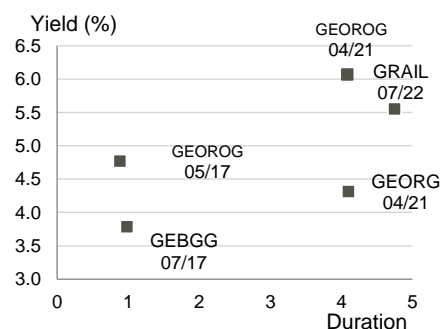
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	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- /B+	BB-/BB- /Ba3	BB-/BB- /Ba3	BB- /BB-
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	102.8	101.9	104.1	111.1	111.2
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.1	4.8	3.8	4.3	5.6
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	484.0	386.3	327.7	308.6	433.5

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	111.1	4.3	308.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	99.1	4.9	351.9
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.3	1.1	-221.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	103.1	3.3	320.4
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.3	3.1	196.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.6	3.1	194.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.5	3.2	208.0
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	108.0	3.8	261.7

Source: Bloomberg

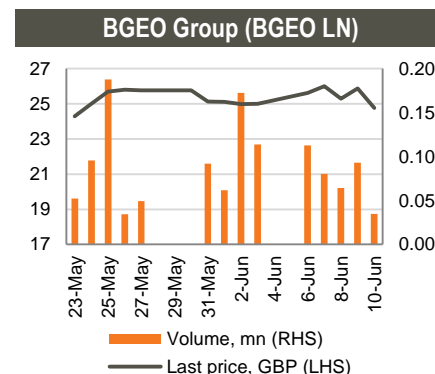
Equities

BGEO Group (BGEO LN) shares closed at GBP 24.77/share (-0.92% w/w and +7.65% m/m). More than 384k shares traded in the range of GBP 24.60 – 26.28/share. Average daily traded volume was 81k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, declined 1.42% w/w and gained 0.61% m/m, respectively. The volume of BOGH shares traded was at 0.97% of its capitalization.

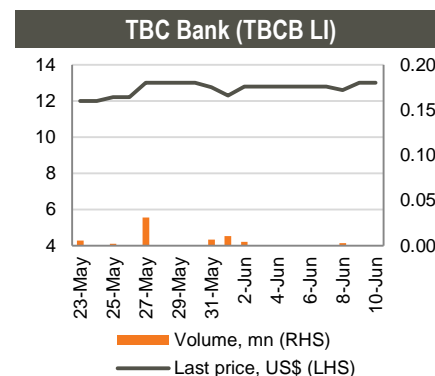
TBC Bank (TBCB LI) closed the week at US\$ 13.00 (+1.56% w/w and +20.93% m/m). More than 2k GDRs changed hands in the range of GBP 12.60 – 13.00/GDR. Average daily traded volume was 11k in the last 4 weeks, more than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.60/share (+2.56% w/w and +32.44% m/m). More than 851k shares were traded in the range of GBP 2.56 – 2.68/share. Average daily traded volume was 96k in the last 4 weeks. The volume of GHG shares traded was at 0.29% of its capitalization.

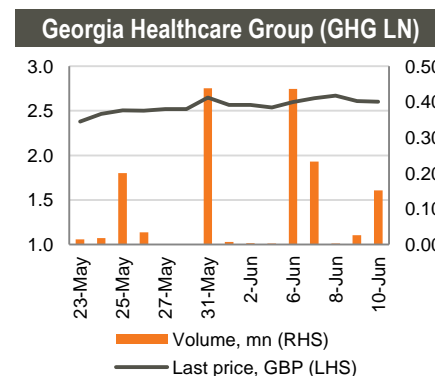
On the Georgian stock exchange Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w), and Teliani Valley shares were traded at GEL 0.18 (unchanged w/w). As a result, the G&T remained at 797.63 (unchanged w/w).



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*	BGEO	35.51	1,403	6.9%	29.2%	25.5%	9.8%	23.1%
TBC	TBC	13.00	651	20.9%	30.0%	33.3%	3.2%	18.2%
Halyk Bank	HSBK	5.00	1,364	42.7%	11.1%	-11.5%	-41.2%	-36.3%
KKB	KKB	1.59	634	-20.5%	59.0%	6.0%	-58.2%	-50.6%
VTB Bank	VTBR	2.20	14,237	9.2%	6.0%	2.2%	-4.5%	-24.9%
Vozrozhdenie Bank	VZRZ	9.91	235	26.7%	35.5%	13.5%	34.3%	26.7%
Sberbank	SBER	8.67	46,763	15.0%	31.3%	40.0%	114.0%	63.7%

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	3.73	491	31.6%	63.2%	46.0%	nm	nm
	Mouwasat	MOUWASAT	34.46	1,723	-1.2%	7.8%	12.0%	4.8%	-8.9%
	Fortis	FORH	2.52	1,168	-1.1%	0.1%	-3.7%	43.6%	2.3%
	Raffles	RFMD	1.18	2,034	-1.2%	10.7%	15.5%	20.1%	5.9%
	IHH	IHH	1.57	12,959	-1.5%	0.7%	5.8%	14.4%	-0.3%
	Bangkok Chain	BCH	0.35	872	20.8%	23.1%	54.1%	45.5%	71.5%
	Netcare	NTC	2.11	3,086	-6.3%	-2.1%	0.8%	-35.7%	-29.9%

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