



Weekly Market Watch

Weekly Market Watch | Georgia
June 4, 2018

Economy

Real GDP growth was 6.5% y/y in April 2018

Georgia's economy grew by 6.5% y/y in April 2018 (highest since July 2014) after growing 5.6% y/y in previous month, according to GeoStat's rapid estimates. In April 2018, the growth was posted in social and personal service activities, transport, manufacturing, financial intermediation, trade, and real estate sectors. Overall, real GDP growth was 5.5% y/y in 4M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

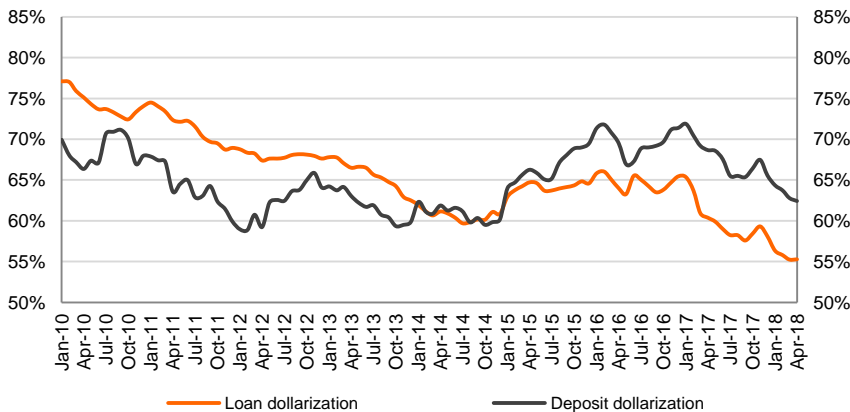
NPLs at 2.6% in April 2018

In April 2018, the banking sector loan portfolio increased 22.1% y/y after growing 21.6% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.8% y/y and up 2.2% m/m to GEL 22.7bn (US\$ 9.2bn). Deposits were up 21.8% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 22.7% y/y and up 1.3% m/m to GEL 19.9bn (US\$ 8.1bn). Deposit dollarization declined to 62.4% (-6.2ppts y/y and -0.4ppts m/m). NPLs stood at 2.6% in April 2018 (-1.2ppts y/y and +0.2ppts m/m).

BGEO demerger finalized

On 29 May 2018, Bank of Georgia Group PLC (new parent company of BGEO Group PLC) demerged into two separate companies – 1) Bank of Georgia Group PLC and 2) Georgia Capital PLC. Both companies are admitted to the premium listing segment of the Official list and to trading on the London Stock Exchange's main market for listed securities. Bank of Georgia Group PLC retained its existing ticker "BGEO" and Georgia Capital PLC's shares are traded under the ticker "CGEO". After the demerger Bank of Georgia Group PLC remains in the FTSE 250 and Georgia Capital PLC has been included in the FTSE Small Cap index.

Loan and deposit dollarization



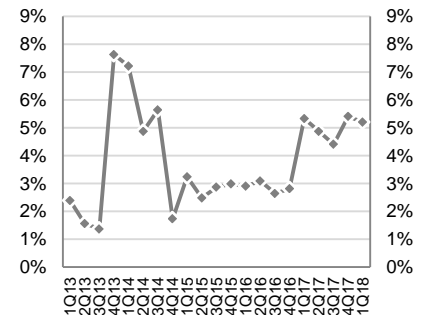
Source: NBG

Key macro indicators

	4M18	2017	2016
GDP (% change)	5.5%	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.4%

Source: Official data, IMF

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

- Ease of Doing Business # 9 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2017	 Ba2 Stable Upgraded Sep-2017	 BB- Positive Affirmed Mar-2018
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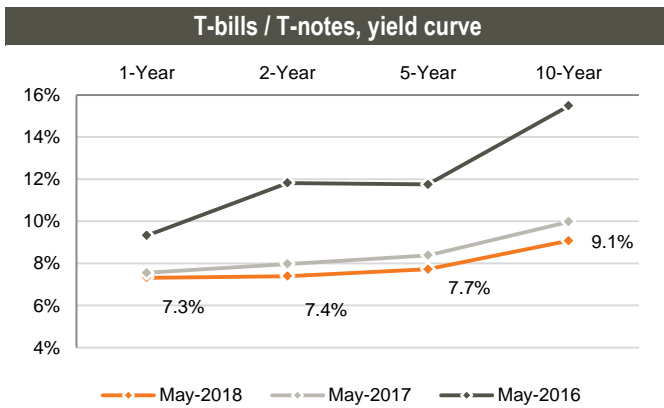
Source: Rating agencies

Money market

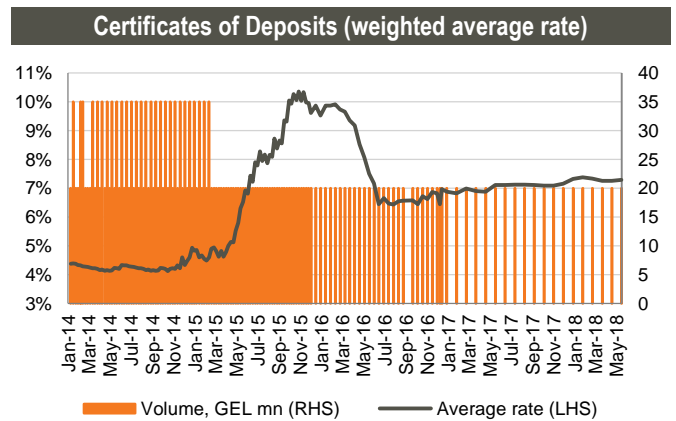
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,010mn (US\$ 408.6mn).

Ministry of Finance Treasury Notes:

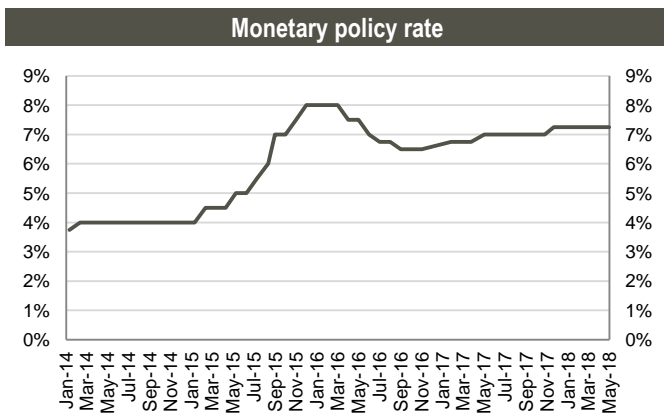
The nearest treasury security auction is scheduled for June 6, 2018, where GEL 40mn nominal value 1-year T-bills will be sold.



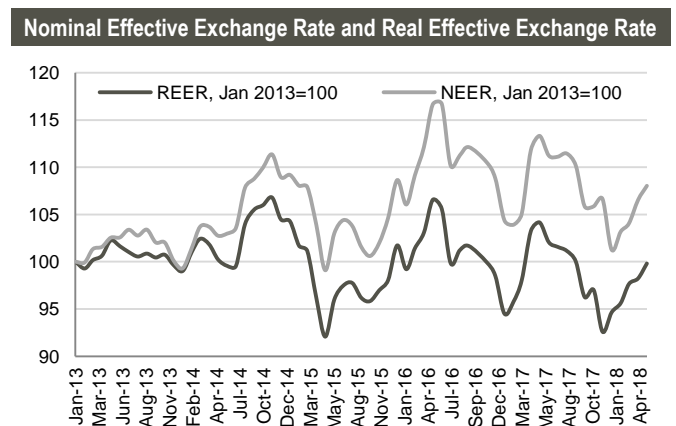
Source: NBG



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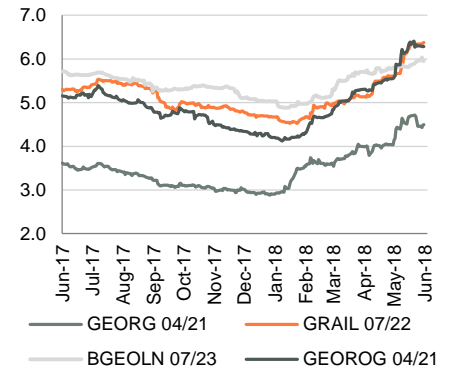
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

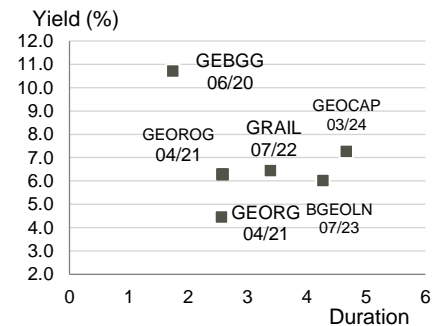
Corporate Eurobonds: Bank of Georgia Group Eurobonds (BGEOLN) closed at 6.0% yield, trading at 99.9 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.7 (unchanged w/w), yielding 7.3%.

GOGC Eurobonds (GEOROG) were trading at 101.2 (+0.1% w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.6 (-0.4% w/w), yielding 6.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.4 (+0.6% w/w) at 4.4% yield to maturity.

Georgia Eurobonds, YTM (%)


Source: Bloomberg

Georgian Eurobond universe


Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/ Moody's	BB-/-	-/-	-/-	n/a	-/-B2e	B-/-Ba2	BB-/B+/-	BB-/-B1	BB-/BB- /Ba2	B+/-B+/-
Mid price, US\$	n/a	102.6	101.3	102.07	94.7	100.5	101.2	99.9	106.4	104.6
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.3	10.7	6.3	6.0	4.4	6.4
Z-spread, bps	n/a	n/a	n/a	n/a	438.7	346.1	349.6	314.9	165.9	360.3

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian Lari

**Coupon rate 3.5% over the NBG's refinancing rate

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-/Ba2	106.4	4.4	165.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	99.3	4.9	202.0
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	115.6	0.0	-29.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	110.8	1.1	95.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.2	3.6	85.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.3	4.0	117.8
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.4	3.7	97.5
Turkey	2,000	5.625%	30/03/2021	BB+/BB-/Ba2	99.8	5.7	290.0

Source: Bloomberg

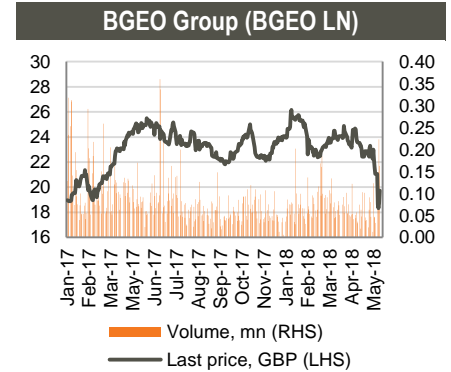
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 19.72/share (-6.36% w/w and -15.36% m/m). More than 698k shares traded in the range of GBP 18.17 – 23.49/share. Average daily traded volume was 80k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.57% w/w and gained 3.15% m/m. The volume of BGEO shares traded was at 1.77% of its capitalization.

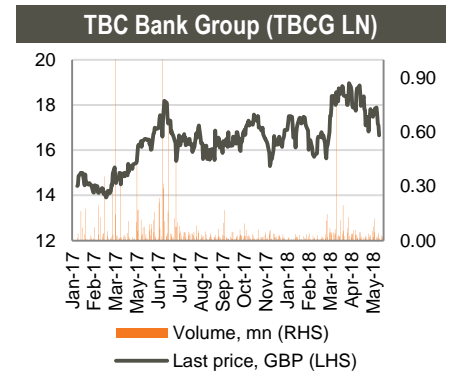
Georgia Capital (CGEO LN) shares closed at GBP 10.65/share. More than 2,924k shares traded in the range of GBP 9.23 – 11.9/share.

TBC Bank Group (TBCG LN) closed the week at GBP 16.80 (+0.84% w/w and -5.62% m/m). More than 100k shares changed hands in the range of GBP 15.76 – 17.24 share. Averaged daily traded volume was 34k in the last 4 weeks.

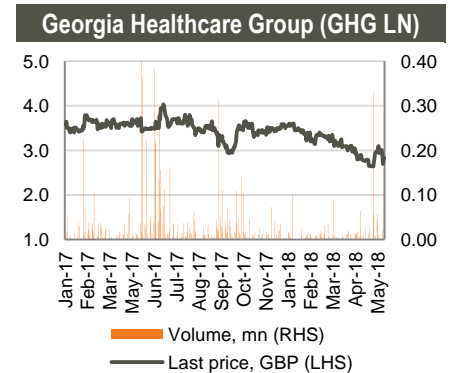
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.84/share (-5.97% w/w and +2.35% m/m). More than 192k shares were traded in the range of GBP 2.70 – 3.02/share. Average daily traded volume was 44k in the last 4 weeks. The volume of GHG shares traded was at 0.15% of its capitalization.



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	19.72*	1,295	-15.4%	-14.4%	-10.8%	-18.0%	-21.6%
TBC	16.8*	1,216	-5.6%	3.7%	7.7%	-4.0%	-3.4%
Halyk Bank	11.95	3,285	-4.4%	-15.2%	22.3%	21.0%	58.5%
KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-38.2%
VTB Bank	1.52	9,863	-16.6%	-26.9%	-17.5%	-16.8%	-31.7%
Vozrozhdenie Bank	6.12	145	14.7%	-28.0%	-38.9%	-29.7%	-53.6%
Sberbank	14.55	78,523	-1.2%	-28.2%	-10.5%	-14.1%	31.1%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Healthcare Sector Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	2.835*	499	2.3%	-14.7%	-16.6%	-20.1%	-18.5%
Mouwasat	MOUWASAT	48.85	2,442	-1.0%	3.5%	13.0%	21.0%
Fortis	FORH	2.18	1,129	-4.8%	-11.9%	-2.2%	-13.4%
Raffles	RFMD	0.78	1,390	-9.7%	-9.5%	-0.4%	-6.3%
IHH	IHH	1.50	12,398	-3.0%	-1.4%	9.1%	4.2%
Bangkok Chain	BCH	0.51	1,261	-8.2%	0.1%	5.1%	1.7%
Netcare	NTC	2.36	3,467	-5.3%	11.7%	42.1%	16.1%

Source: Bloomberg

*GHG share price traded and shown in GBP

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