



Weekly Market Watch

Weekly Market Watch | Georgia
May 29, 2017

Economy

NPLs at 3.7% y/y in April 2017

In April 2017, the banking sector loan portfolio increased 13.3% y/y after growing 13.0% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 22.3% y/y and 0.6% m/m to GEL 18.9bn (US\$ 7.7bn). Deposits were up 6.2% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 12.3% y/y and up 0.8% m/m to GEL 16.2bn (US\$ 6.6bn). Deposit dollarization reached 68.7% (-0.8ppts y/y and -0.5ppts m/m). NPLs stood at 3.7% in April 2017, up 0.2ppts y/y and flat m/m.

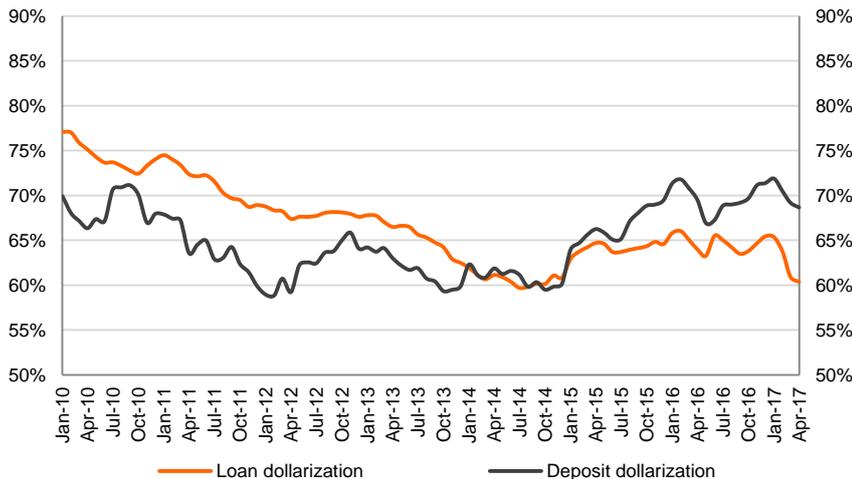
Unemployment rate at 13 year low

In 2016, the unemployment rate in Georgia fell by 0.2ppts y/y to 11.8% (13 year low), according to GeoStat. Out of employed persons, the share of hired labor stood at 745.4 thousand persons (-1.1% y/y) and accounted for 42.3% of total, while 1.0mn persons (-0.7% y/y) were self-employed accounting for 57.3% of total.

Bank of Georgia inaugural debt issuance - GEL 500mn due 2020

On 24 May 2017, BGEO Group PLC's banking business subsidiary, JSC Bank of Georgia successfully priced an inaugural GEL 500mn offering of 11.00% notes due June 2020. The Notes are denominated in GEL and are expected to settle on 1 June 2017. J.P. Morgan and Renaissance Capital are acting as Joint Bookrunners for the Notes, and Galt & Taggart is acting as a Co-Manager. Dechert LLP and Baker & McKenzie LLP are acting as legal advisors to the Joint Bookrunners and the Bank, respectively. The Notes are expected to be listed on the Irish Stock Exchange and to be rated BB- (Fitch) and Ba3 (Moody's). On closing, the issuance is expected to be the first international local currency bond offering from the wider CIS region (excluding Russia) in the past ten years and represent a landmark transaction for Georgia.

Loan and Deposit dollarization



Source: NBG

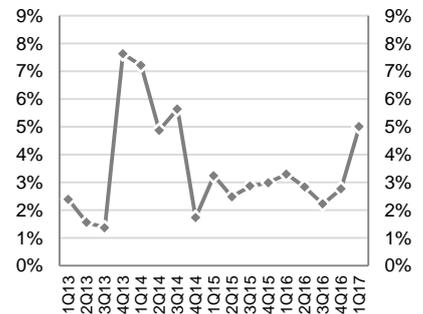
Key macro indicators

	4M17	2016	2015
GDP (% change)	5.0% ⁽¹⁾	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.1%	1.8%	4.9%
Gross reserves (US\$ bn)	2.7	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&T

(1) As of 3M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017

- Ease of Doing Business # 16 (Top 20)
- Economic Freedom Index # 13 (mostly free)
- Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed Nov-2016	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Mar-2017
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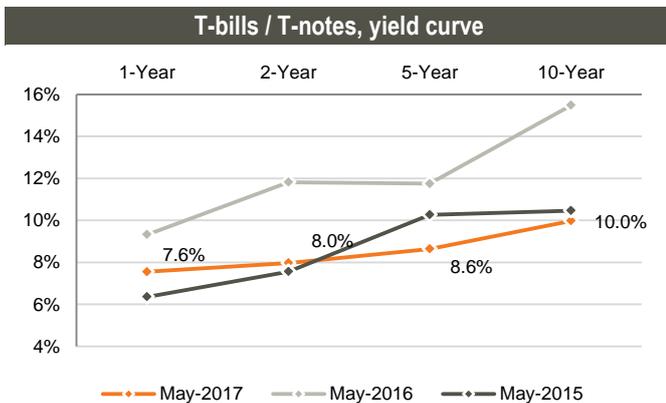
Source: Rating agencies



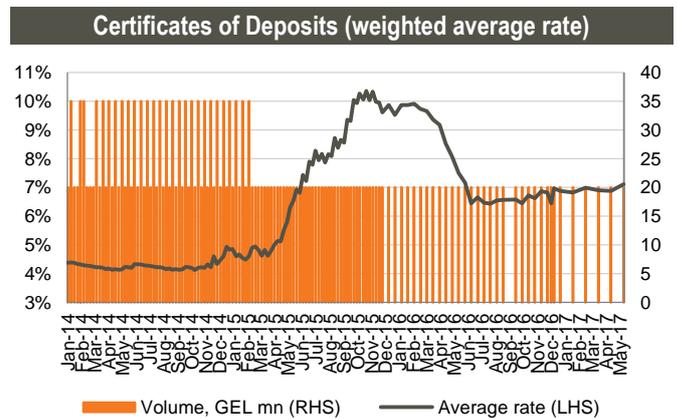
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,300mn (US\$ 540.0mn).

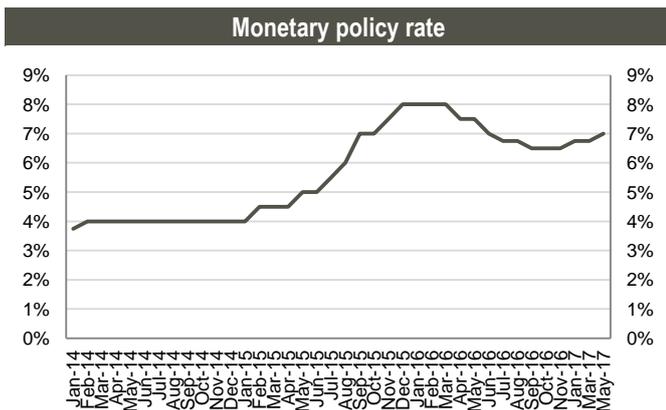
Ministry of Finance Treasury Bills: The nearest treasury security auction is scheduled for May 31, 2017, where GEL 20.0mn nominal value 5-Year T-Notes will be sold.



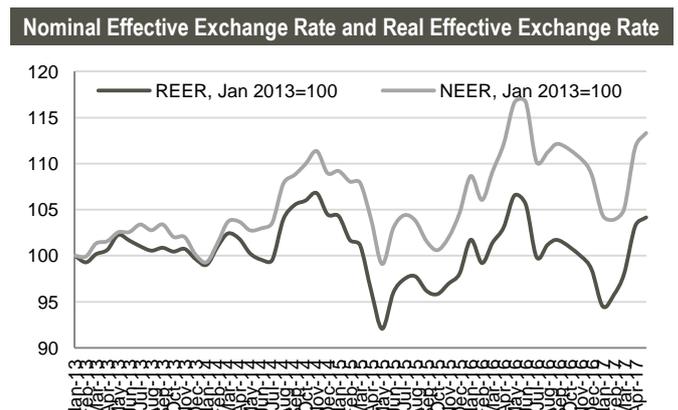
Source: NBG



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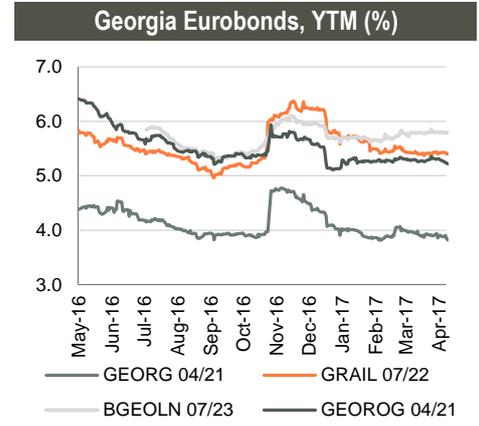
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate



Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 101.3 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 105.4 (-0.2% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.7 (-0.1% w/w), yielding 5.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.2 (-0.2% w/w) at 3.7% yield to maturity.



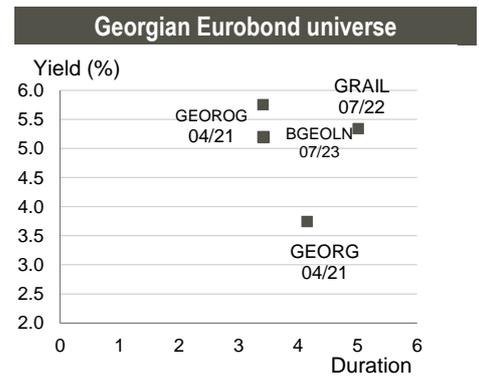
Source: Bloomberg

	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-	-/-	-/-	-/-	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.1	101.4	100.7	105.4	101.3	111.2	110.7
Mid yield, %	n/a	7.00%	9.0%	6.50%	5.2	5.8	3.7	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	345.4	200.3	349.6	382.1

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

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



Source: Bloomberg

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	111.2	3.7	200.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.2	4.6	256.8
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.5	0.3	-278.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	109.2	1.9	175.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.9	2.8	106.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.1	3.0	122.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.8	2.6	94.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.6	4.0	228.9

Source: Bloomberg

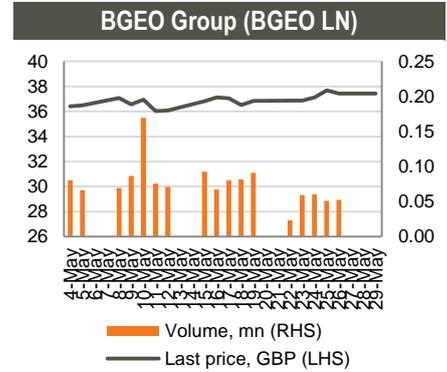


Equities

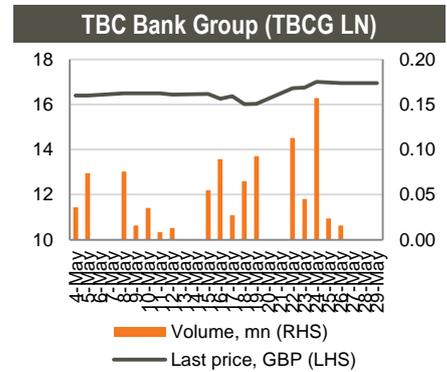
BGEO Group (BGEO LN) shares closed at GBP 37.44/share (+1.63% w/w and +4.00% m/m). More than 246k shares traded in the range of GBP 36.36 – 37.81/share. Average daily traded volume was 79k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.07% w/w and gained 1.76% m/m. The volume of BGEO shares traded was at 0.62% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.95 (+5.74% w/w and +7.01% m/m). More than 354k shares changed hands in the range of GBP 16.47 – 17.25/share. Averaged daily traded volume was 57k in the last 4 weeks.

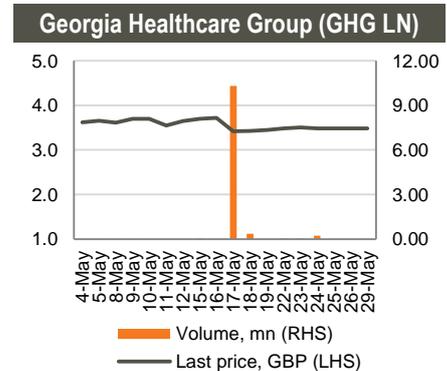
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.48/share (+0.87% w/w and -3.33% m/m). More than 304k shares were traded in the range of GBP 3.43 – 3.68/share. Average daily traded volume was 585k in the last 4 weeks. The volume of GHG shares traded was at 0.23% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks									
	Tick er	Share price, US\$	MCAp, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
	BGEO*	BGEO	47.91	1,890	4.0%	33.4%	22.8%	25.5%	45.1%
	TBC*	TBC	21.69	1,143	7.0%	18.4%	25.6%	16.7%	77.8%**
	Halyk Bank	HSBK	7.38	2,029	-2.0%	13.2%	28.6%	23.2%	57.0%
	KKB	KKB	1.10	439	2.8%	-24.7%	-19.7%	-23.9%	-30.8%
	VTB Bank	VTBR	2.29	14,846	-2.7%	2.0%	11.4%	-4.0%	10.8%
	Vozrozhdenie Bank	VZRZ	13.20	314	0.8%	0.8%	21.4%	7.9%	34.6%
	Sberbank	SBER	11.67	62,980	-2.1%	3.0%	13.9%	0.8%	38.5%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

** 1Y change in TBC share prices calculated using GDR price.

Healthcare Sector Peers									
	Ticker	Share price, US\$	MCAp, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
	GHG*	GHG	4.45	586	-3.3%	-4.9%	-4.7%	-2.5%	39.2%
	Mouwasat	MOUWASAT	38.66	1,933	1.0%	4.3%	9.1%	-1.9%	12.1%
	Fortis	FORH	3.14	1,626	-6.6%	7.1%	22.1%	18.0%	21.4%
	Raffles	RFMD	1.00	1,751	1.6%	-1.4%	-3.2%	1.1%	-10.8%
	IHH	IHH	1.32	10,844	-6.8%	-0.6%	-8.1%	-7.0%	-17.9%
	Bangkok Chain	BCH	0.36	909	-5.5%	-6.7%	-4.6%	-11.7%	19.1%
	Netcare	NTC	2.08	3,040	5.1%	-16.3%	-12.4%	-10.4%	-1.3%

Source: Bloomberg

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



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