



# Weekly Market Watch

Weekly Market Watch | Georgia  
December 28, 2020

## Economy

### NPLs at 2.2% in November 2020

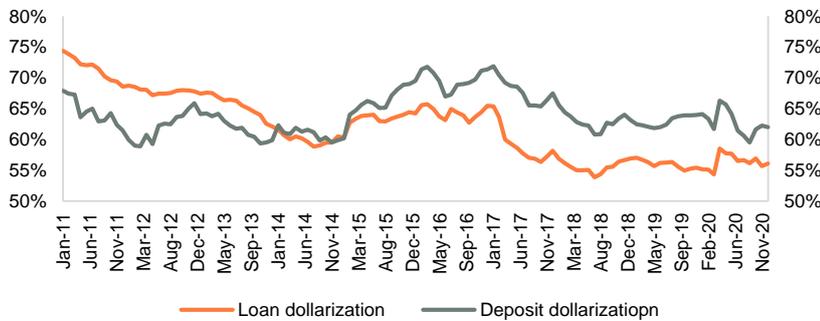
In November 2020, the banking sector loan portfolio increased by 10.0% y/y and 0.7% m/m (exc. FX effect). In unadjusted terms, loan portfolio was up 19.1% y/y and 2.8% m/m, amounting to GEL 37.4bn (US\$ 11.3bn). By currency, the GEL-denominated loans rose by 16.8% y/y (+2.0ppts m/m), and foreign currency loans increased by 4.6% y/y (exc. FX effect). By sector, corporate lending increased by 9.6% y/y and 0.9% m/m, while retail loan growth was 10.3% y/y (exc. FX effect). In November 2020, loan dollarization stood at 56.1% (+0.66ppts y/y and +0.38ppts m/m) and NPLs stood at 2.2% (-0.37ppts y/y and -0.17ppts m/m).

Bank deposits increased by 18.6% y/y and 2.1% m/m (exc. FX effect) to GEL 33.6bn (US\$ 10.1bn) in November 2020. Both, GEL and FX deposit growth accelerated in November and deposit dollarization reached 62.0% (-1.98ppts y/y and -0.28ppts m/m).

### Producer price index up 10.0% y/y in November 2020

Annual PPI for industrial goods was up 10.0% in November 2020 from 8.0% in previous month, according to Geostat. Price changes in manufacturing (+9.4% y/y) and mining (+24.1% y/y) contributed the most to the overall index change.

### Loan and deposit dollarization



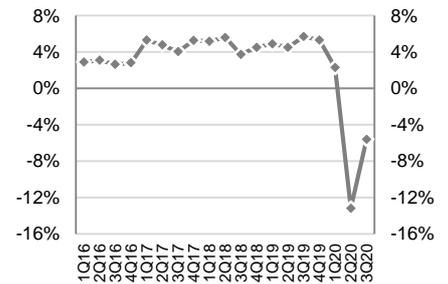
Source: NBG

### Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

Source: Official data, Galt & Taggart

### Real GDP growth, %



Source: Geostat

### International ranking, 2019-20

- Ease of Doing Business # 7 (Top 10)
- Economic Freedom Index # 12 (mostly free)
- Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

 <b>BB</b> Stable Affirmed Aug-2020	 <b>Ba2</b> Stable Affirmed Aug-2020	 <b>BB</b> Negative Affirmed Aug-2020
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Source: Rating agencies



# Money market

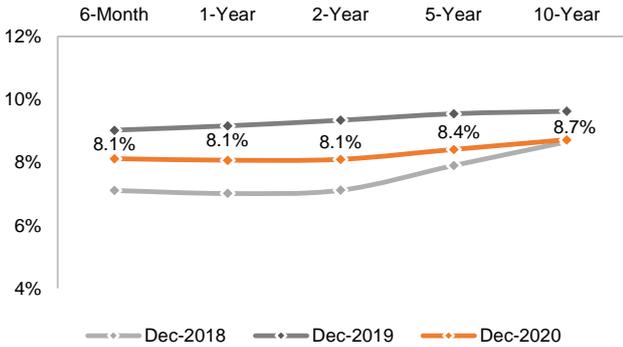
**Ministry of Finance Benchmark Bonds:** 5-year GEL 80.0mn (US\$ 24.5mn)  
Benchmark Bonds were sold at the auction held at NBG on December 22, 2020. Total demand was c.2.0x higher and the weighted average yield was fixed at 8.197%, down by 0.068ppts from previous auction held in November, 2020.

## T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	350	0	180
1-year	660	0	680
2-year	840	0	1,390
5-year	960	0	2,088
10-year	150	0	1,237
<b>Total</b>	<b>2,960</b>	<b>0</b>	<b>5,575</b>

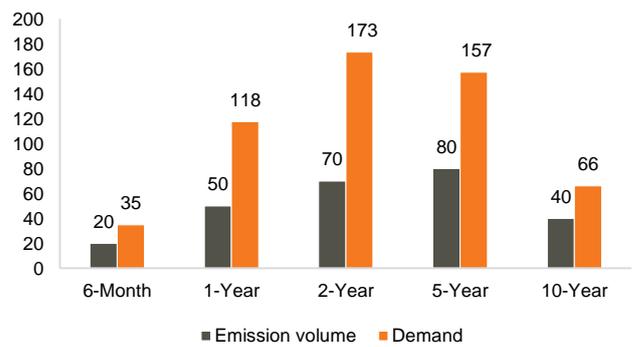
Source: MoF  
Note: \* As of 31 October 2020

## T-bills / T-notes, yield curve



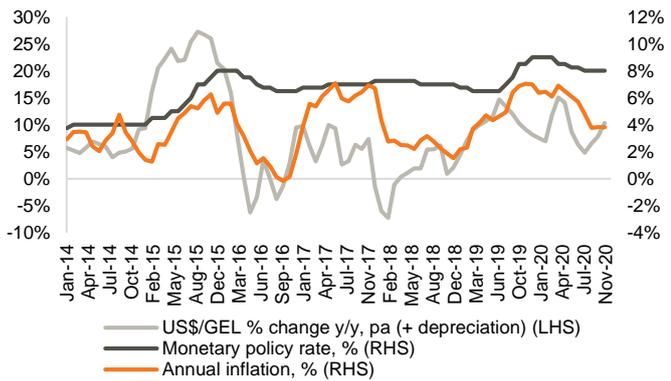
Source: NBG

## Emission volume vs. demand on latest T-bill01s / T-notes auctions, GEL mn



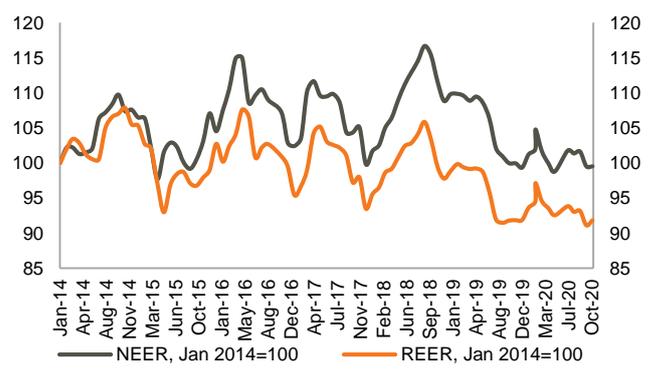
Source: NBG

## Monetary policy rate, inflation and FX 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

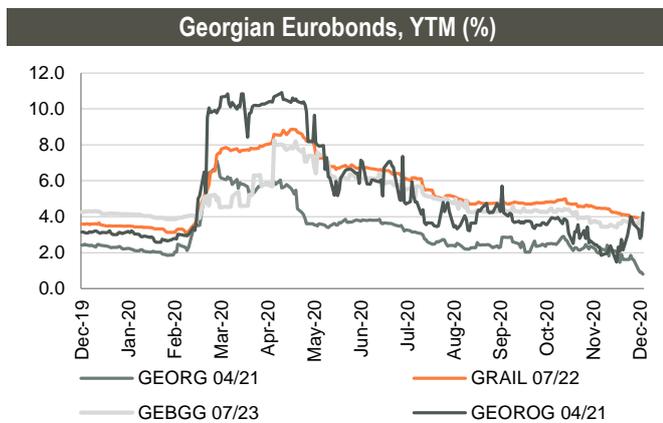


## Fixed income

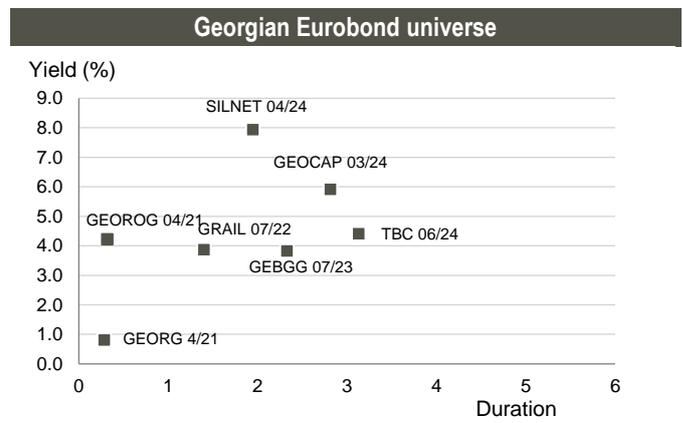
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 3.83% yield, trading at 105.28 (-0.44% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 100.58 (+0.01% w/w), yielding 5.92%.

GOGC Eurobonds (GEOROG) were trading at 100.80 (-0.20% w/w), yielding 4.21%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.72 (+0.08% w/w), yielding 3.87%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 101.73 (+0.12% w/w) at 0.81% yield to maturity.



Source: Bloomberg



Source: Bloomberg

### Georgian bonds performance

Georgian Eurobonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps	
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	101.73	0.81	56.36	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.72	3.87	367.23	
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	100.80	4.21	398.94	
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/-/Ba2	105.28	3.83	359.71	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	105.49	9.19	896.91	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	100.58	5.92	565.65	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	108.62	7.94	766.62	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/-/Ba2	104.27	4.41	412.22	
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	101.99	9.73	981.01	
GGU 07/25	US\$	250	7.750%	Jul-25	B+/-/-	102.07	7.21	678.79	
Georgian local bonds performance									
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	n/a	n/a	n/a	
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.49	7.00	n/a	
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.82	7.00	n/a	
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	n/a	n/a	n/a	
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.99	7.50	n/a	
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a	
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-/-	100.00	12.00	n/a	
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a	
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/-/B1-	n/a	n/a	n/a	
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/BB-	n/a	n/a	n/a	
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a	
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a	
Swiss Capital 09/21	GEL	10	13.25%	Sep-21	B-/-/-	100.00	14.25	n/a	
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a	

Source: Bloomberg



## Fixed income, continued

### Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	101.73	0.81	56.36
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.03	1.28	108.01
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.77	4.53	432.22
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.27	0.85	53.21
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.94	1.15	90.93
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B2	100.89	2.06	180.94
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	103.72	2.13	192.99

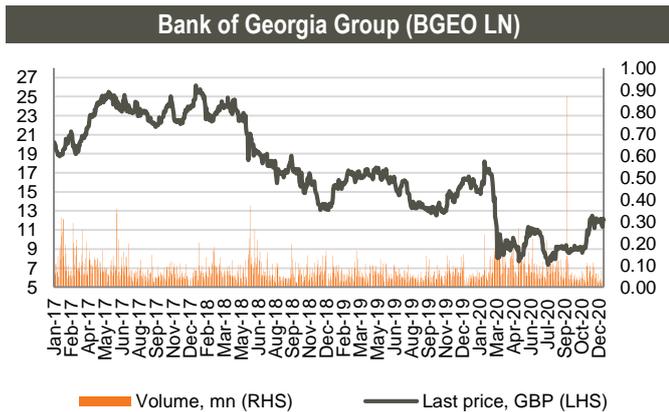
Source: Bloomberg

# Equities

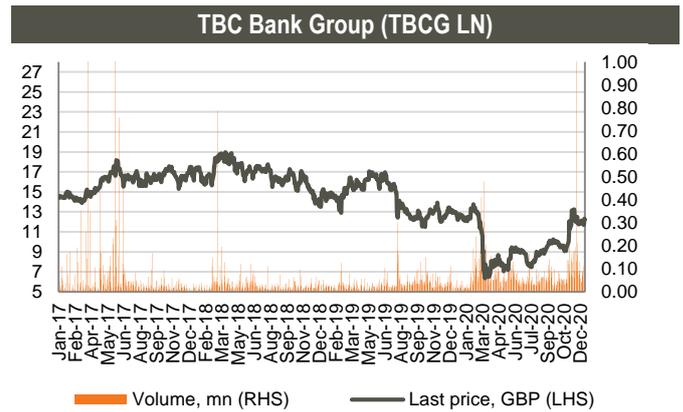
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 12.10/share (-0.33% w/w and -3.20% m/m). More than 65k shares traded in the range of GBP 11.16 - 12.26/share. Average daily traded volume was 40k in the last 4 weeks. The volume of BGEO shares traded was at 0.13% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 5.13/share (+1.58% w/w and +10.68% m/m). More than 124k shares traded in the range of GBP 5.00 - 5.25/share. Average daily traded volume was 43k in the last 4 weeks. The volume of CGEO shares traded was at 0.34% of its capitalization.

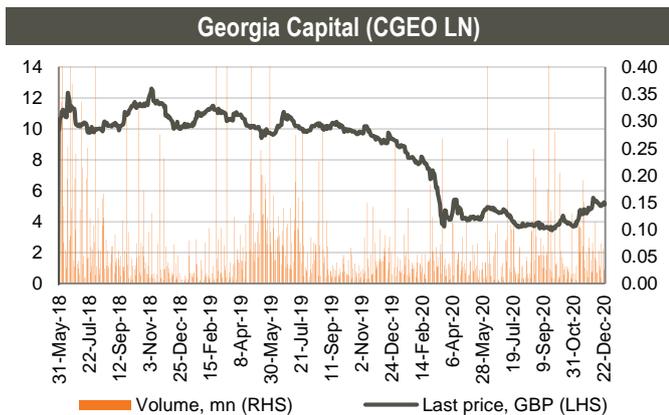
**TBC Bank Group (TBCG LN)** closed the week at GBP 12.24/share (+0.99% w/w and -7.69% m/m). More than 223k shares changed hands in the range of GBP 11.34 - 12.36/share. Average daily traded volume was 148k in the last 4 weeks. The volume of TBCG shares traded was at 0.41% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



## Equities, continued

### Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	12.10	595	14.2%	-25.6%	-25.5%	8.66x	5.10x	1.00x	0.84x
TBC	TBC	GBP	12.24	673	36.0%	-5.1%	-5.8%	6.41x	5.83x	1.00x	0.87x
Halyk Bank	HSBK	US\$	11.50	3,379	-13.2%	-13.2%	-13.9%	4.79x	4.36x	0.93x	0.87x
VTB Bank	VTBR	US\$	0.98	6,360	1.7%	-33.2%	-32.9%	7.19x	3.19x	0.33x	0.31x
Akbank	AKBNK	TRY	6.55	34,060	9.9%	-20.2%	-19.2%	5.72x	4.29x	0.56x	0.49x
Garanti	GARAN	TRY	9.94	41,748	21.4%	-9.6%	-10.8%	5.96x	4.25x	0.64x	0.54x
Isbank	ISCTR	TRY	6.68	30,060	25.1%	6.7%	4.2%	4.49x	3.35x	0.45x	0.40x
PKO	PKO	PLN	28.73	35,913	26.0%	-17.1%	-16.6%	13.03x	12.39x	0.80x	0.78x
PEKAO	PEO	PLN	61.08	16,032	11.9%	-39.7%	-39.2%	13.08x	11.86x	0.64x	0.62x
Millennium	MIL	PLN	3.17	3,845	-2.9%	-45.4%	-45.8%	11.01x	10.20x	0.42x	0.43x
Mbank	MBK	PLN	177.90	7,532	-26.2%	-54.4%	-54.3%	21.78x	16.02x	0.44x	0.44x
BRD	BRD	RON	14.70	10,244	25.4%	-6.5%	-7.2%	13.06x	12.81x	1.16x	1.22x
Banca Transilvania	TLV	RON	2.27	11,840	18.6%	-3.4%	-3.8%	12.72x	11.24x	1.61x	1.56x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	12.83x	11.57x	0.72x	0.67x
Komercni	KOMB	CZK	635.00	120,681	12.0%	-22.7%	-23.4%	15.14x	13.28x	1.06x	1.03x
<b>Mean</b>								<b>10.39x</b>	<b>8.65x</b>	<b>0.78x</b>	<b>0.74x</b>
<b>Median</b>								<b>11.01x</b>	<b>10.20x</b>	<b>0.72x</b>	<b>0.67x</b>

Source: Bloomberg, S&P Capital IQ

### Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	5.13	188	11.0%	-45.1%	-44.4%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.80	349	-0.4%	-4.1%	-4.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	10.58	21,587	17.6%	11.8%	10.9%	4.63x	4.05x	0.59x	0.50x
Deutsche Beteiligungs	DBAN	EUR	33.95	511	16.5%	-11.7%	-13.9%	nmf	12.07x	1.20x	1.16x
Eurazeo	RF	EUR	56.00	4,411	23.9%	-9.2%	-8.2%	33.75x	9.21x	0.81x	0.76x
Carlyle Group	CG	USD	31.36	3,471	10.5%	0.7%	-2.2%	5.45x	4.64x	5.41x	5.73x
<b>Mean</b>								<b>14.61x</b>	<b>7.49x</b>	<b>2.00x</b>	<b>2.04x</b>
<b>Median</b>								<b>5.45x</b>	<b>6.92x</b>	<b>1.01x</b>	<b>0.96x</b>

Source: Bloomberg, S&P Capital IQ

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