



# Weekly Market Watch

Weekly Market Watch | Georgia  
May 30, 2016

## Economy

### NPLs at 3.6% in April 2016

In April 2016, the loan portfolio grew 6.6% y/y, excluding the exchange rate effect (+4.2% y/y and -3.0% m/m in unadjusted terms), to GEL 15.5bn (US\$ 6.9bn). Deposits grew 14.2% y/y, excluding the exchange rate effect (+11.4% y/y and +1.1% m/m in unadjusted terms), reaching GEL 14.4bn (US\$ 6.5bn). On a monthly basis, loan growth was down due to GEL appreciation, lowering FX-denominated loan nominal value in GEL terms. NPLs remain under control at 3.6% in April 2016, unchanged y/y and up 0.4ppts m/m.

### Property registration up 32.4% y/y in April 2016

Property registration (commercial and residential real estate) increased 32.4% y/y (-7.4% m/m), reaching 55,882 units in April 2016, according to the National Agency of Public Registry. Registration increased for primary (+66.1% y/y, 23.9% of total), as well as secondary (+24.5% y/y, 76.1% of total) properties.

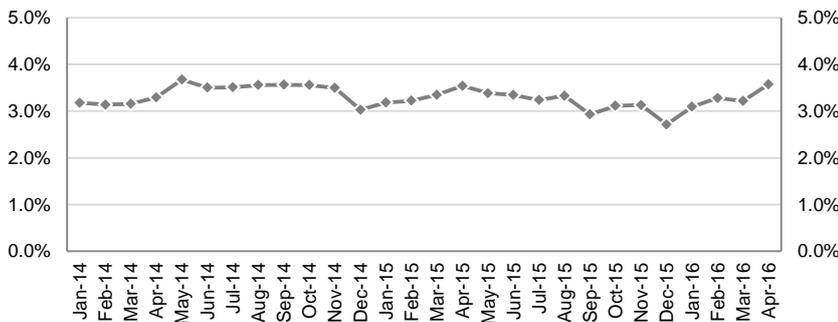
### Company registration up 10.6% y/y in April 2016

In April 2016, company registration increased 10.6% y/y (-16.9% m/m) to 4,081 units, according to National Agency of Public Registry. Out of newly registered companies, 97.3% were business legal entities, while 2.7% comprised non-entrepreneurial (non-commercial) legal entities.

### Unemployment rate at 12 year low

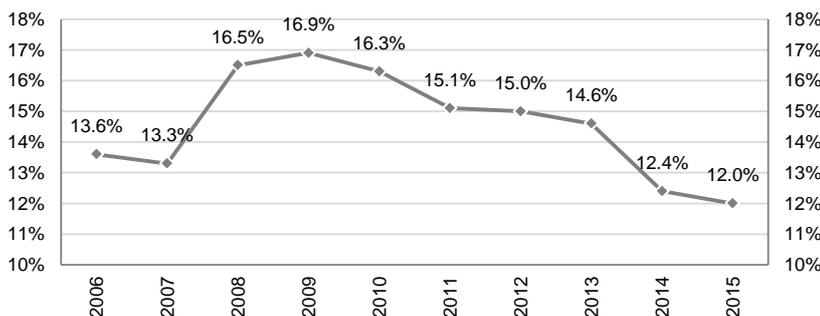
In 2015, the annual unemployment rate in Georgia fell by 0.4ppts y/y to 12.0% (12 year low), according to GeoStat. Out of employed persons, the share of hired labor increased by 2.7ppts and accounted for 42.5% of total (753.4 thousand persons, highest number since record started), while share of self-employed persons declined to 57.5% of total (1.0mn persons).

NPLs



Source: NBG

Unemployment rate



Source: GeoStat

Key macro indicators

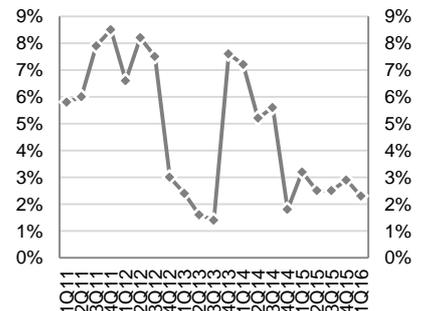
|                              | 4M16  | 2015  | 2014  |
|------------------------------|-------|-------|-------|
| GDP (% change)               | 2.3%* | 2.8%  | 4.6%  |
| GDP per capita (ppp)         | ...   | 9,566 | 9,209 |
| GDP per capita (US\$)        | ...   | 3,743 | 3,676 |
| Population (mn)              | 3.7** | 3.7** | 4.5   |
| Inflation (eop)              | 3.2%  | 4.9%  | 2.0%  |
| Gross reserves (US\$ bn)     | 2.5   | 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 3M16

\*\*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

|   |   |   |
|---|---|---|
| <br><b>BB-</b><br>Stable Affirmed<br>Nov-2015 | <br><b>Ba3</b><br>Stable Affirmed<br>Mar-2016 | <br><b>BB-</b><br>Stable Affirmed<br>Apr-2016 |
|---|---|---|

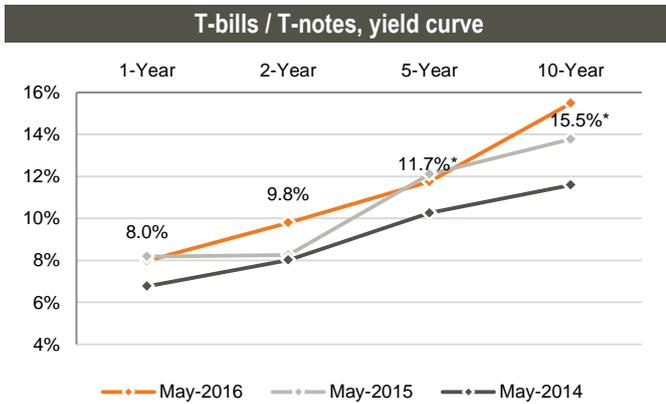
Source: Rating agencies

# Money market

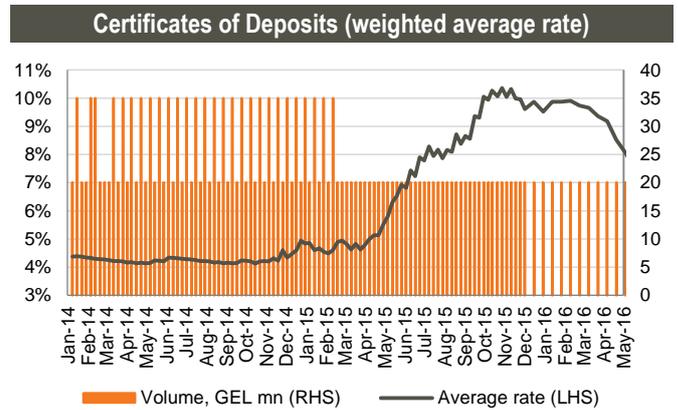
**Refinancing loans:** National Bank of Georgia (NBG) issued 6-day refinancing loans of GEL 250mn (US\$ 116.4mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 9.1mn) certificates of deposit, with an average yield of 7.50% (down 102bps from previous issue).

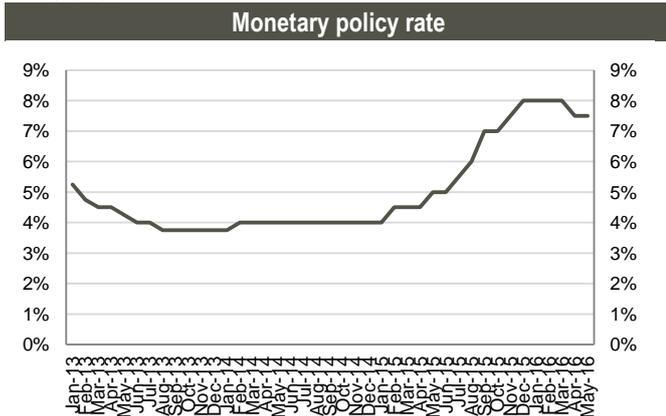
**Ministry of Finance Treasury Notes:** 1-year GEL 45.0mn (US\$ 20.7mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on May 18, 2016. The weighted average yield was fixed at 7.986%. The nearest treasury securities auction is scheduled for June 1, 2016, where GEL 25mn nominal value 1-year T-Bills will be sold.



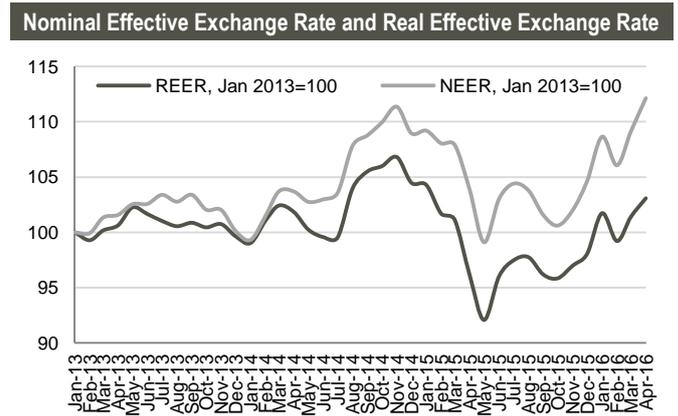
Source: NBG  
\*As of latest auction



Source: NBG



Source: NBG  
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016



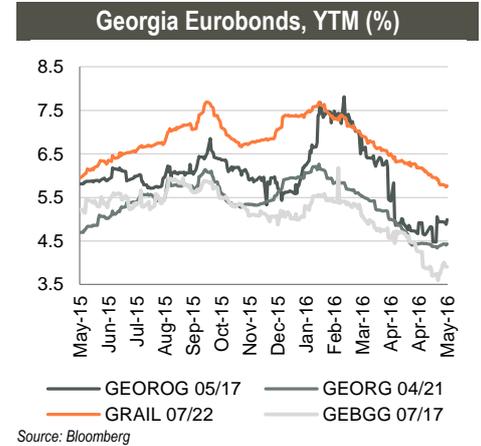
Source: NBG  
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate



## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 3.9% yield, trading at 104.1 (-0.4% w/w). GOGC Eurobonds (GEOROG) were trading at 101.9 (unchanged w/w), yielding 4.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.0 (+0.4% w/w), yielding 5.8%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 110.6 (-0.2% w/w) at 4.4% yield to maturity.

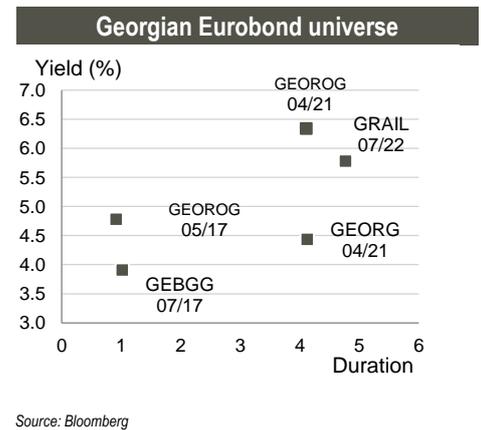


|                       | Local bonds     |              |               |               |              | Eurobonds       |                 |                 |                 |                |
|-----------------------|-----------------|--------------|---------------|---------------|--------------|-----------------|-----------------|-----------------|-----------------|----------------|
|                       | Nikora<br>03/18 | GWP<br>11/17 | M2RE<br>03/17 | EVEX<br>05/17 | GLC<br>09/17 | GEOROG<br>04/21 | GEOROG<br>05/17 | GEBGG<br>07/17  | GEORG<br>04/21  | GRAIL<br>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/<br>Moody's | -/-             | BB-/-        | -/-           | -/-           | -/-          | BB-/-           | BB-<br>/B+/-    | BB-/BB-<br>/Ba3 | BB-/BB-<br>/Ba3 | BB-<br>/BB-/-  |
| Mid price, US\$       | 100.0           | 100.0*       | 101.6         | 101.87        | 100.65       | 101.7           | 101.9           | 104.1           | 110.6           | 110.0          |
| Mid yield, %          | 11.0            | 15.0         | 7.75          | 7.75          | 8.25         | 6.3             | 4.8             | 3.9             | 4.4             | 5.8            |
| Z-spread, bps         | n/a             | n/a          | n/a           | n/a           | n/a          | 493.5           | 385.7           | 282.0           | 304.4           | 436.2          |

Source: Bloomberg

\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% 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-/Ba3               | 110.6           | 4.4          | 304.4         |
| Azerbaijan | 1,250           | 4.750%    | 18/03/2024    | BB+/-/Ba1/-               | 96.6            | 5.3          | 369.6         |
| Bulgaria   | 323             | 5.000%    | 19/07/2021    | BBB-/-                    | 119.2           | 1.1          | -247.9        |
| Croatia    | 1,250           | 3.875%    | 30/05/2022    | BB/BB/Ba2                 | 102.7           | 3.4          | 324.6         |
| Hungary    | 3,000           | 6.375%    | 29/03/2021    | BB+/BB+/Ba1               | 113.7           | 3.3          | 189.7         |
| Romania    | 2,250           | 6.750%    | 07/02/2022    | BBB-/BBB-/Baa3            | 118.2           | 3.2          | 181.9         |
| Russia     | 3,500           | 5.000%    | 29/04/2020    | BBB-/BB+/Ba1              | 105.5           | 3.5          | 218.6         |
| Turkey     | 2,000           | 5.625%    | 30/03/2021    | BBB-/NR/Baa3              | 107.0           | 4.0          | 265.9         |

Source: Bloomberg

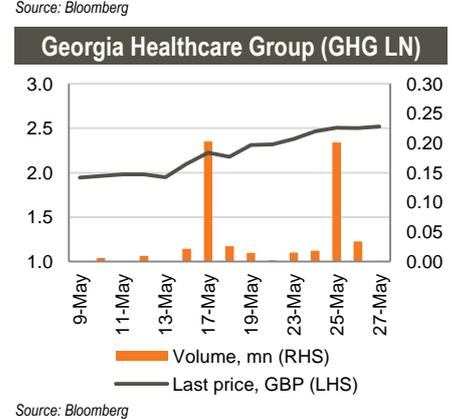
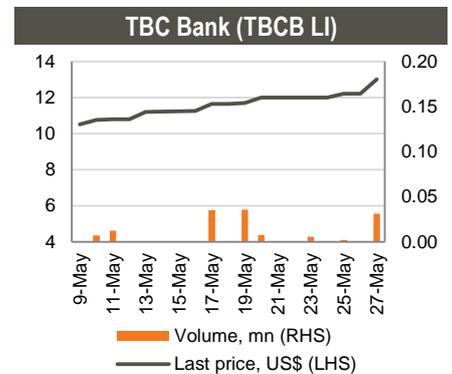
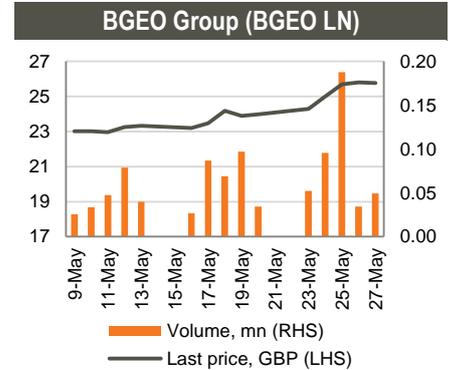
## Equities

**BGEO Group (BGEO LN)** shares closed at GBP 25.77/share (+7.42% w/w and +15.10% m/m). More than 419k shares traded in the range of GBP 23.73 – 26.50/share. Average daily traded volume was 63k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 2.86% w/w and gained 0.74% m/m, respectively. The volume of BOGH shares traded was at 1.06% of its capitalization.

**TBC Bank (TBCB LI)** closed the week at US\$ 13.00 (+8.33% w/w and +23.81% m/m). More than 38k GDRs changed hands in the range of GBP 11.75 – 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 2.52/share (+8.62% w/w and +30.57% m/m). More than 269k shares were traded in the range of GBP 2.21 – 2.62/share. Average daily traded volume was 35k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.

**On the Georgian stock exchange** Liberty Bank shares were traded at GEL 0.015 (-5.7% w/w). As a result, the G&T went down to 796.64 (-0.01% w/w).



| Eastern European banks |                   |               |         |         |         |          |         |        |
|------------------------|-------------------|---------------|---------|---------|---------|----------|---------|--------|
| Ticker                 | Share price, US\$ | MCap, US\$ mn | 1M, chg | 3M, chg | 6M, chg | YTD, chg | 1Y, chg |        |
| BGEO*                  | BGEO              | 37.71         | 1,490   | 15.7%   | 38.7%   | 35.5%    | 16.6%   | 26.8%  |
| TBC                    | TBC               | 13.00         | 651     | 23.8%   | 36.8%   | 45.1%    | 3.2%    | 14.0%  |
| Halyk Bank             | HSBK              | 4.81          | 1,312   | 25.9%   | 33.2%   | -21.8%   | -43.4%  | -35.9% |
| KKB                    | KKB               | 1.59          | 634     | 17.8%   | 89.3%   | -0.6%    | -58.2%  | -50.3% |
| VTB Bank               | VTBR              | 2.05          | 13,252  | -2.5%   | 9.6%    | -4.9%    | -11.1%  | -34.9% |
| Vozrozhdenie Bank      | VZRZ              | 9.78          | 232     | 26.4%   | 43.1%   | 6.1%     | 32.6%   | 16.0%  |
| Sberbank               | SBER              | 8.48          | 45,748  | 9.2%    | 41.5%   | 24.8%    | 109.3%  | 47.0%  |

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               | 3.69          | 486     | 31.3%   | 73.7%   | 38.5%    | nm      | nm     |
| Mouwasat                | MOUWASAT          | 34.48         | 1,724   | 0.6%    | 13.9%   | 13.5%    | 4.9%    | -9.4%  |
| Fortis                  | FORH              | 2.45          | 1,134   | -8.6%   | 0.9%    | 1.6%     | 39.4%   | -3.3%  |
| Raffles                 | RFMD              | 1.12          | 1,937   | -0.9%   | 8.5%    | 12.4%    | 14.4%   | 4.0%   |
| IHH                     | IHH               | 1.60          | 13,160  | -5.3%   | 3.8%    | 6.3%     | 16.2%   | 1.5%   |
| Bangkok Chain           | BCH               | 0.31          | 782     | 2.0%    | 13.8%   | 34.8%    | 30.6%   | 50.3%  |
| Netcare                 | NTC               | 2.12          | 3,095   | -15.3%  | 6.0%    | -15.3%   | -35.5%  | -34.3% |

Source: Bloomberg  
 Note: \*GHG is traded in GBP and is shown in US\$ equivalent

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