

Weekly Market Watch

 Weekly Market Watch | Georgia
 Oct 30, 2017

Economy

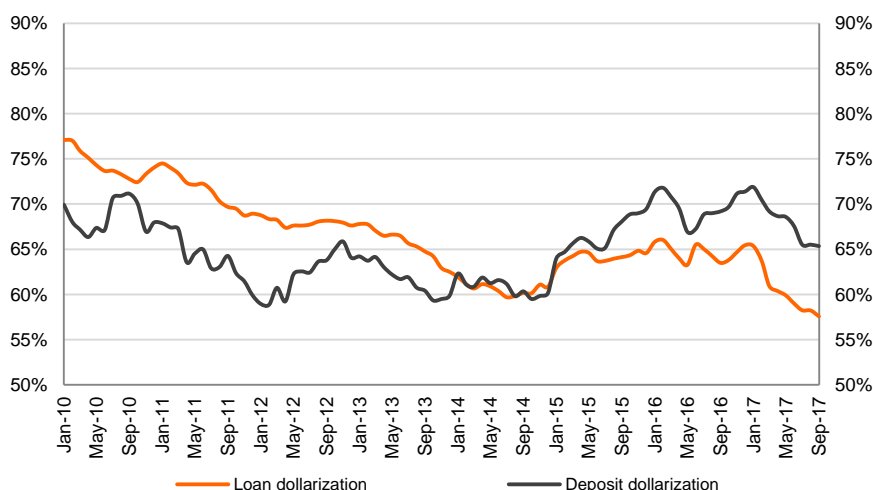
NPLs at 3.2% in September 2017

In September 2017, the banking sector loan portfolio increased 16.0% y/y after growing 13.6% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 22.8% y/y and 3.0% m/m to GEL 20.2bn (US\$ 8.2bn). Deposits were up 18.4% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 23.2% y/y and up 3.2% m/m to GEL 18.3bn (US\$ 7.4bn). Deposit dollarization reached 65.4% (-3.8ppts y/y and -0.2ppts m/m). NPLs stood at 3.2% in September 2017 (-0.7ppts y/y and -0.2ppts m/m).

NBG keeps its policy rate unchanged at 7.0%

At its meeting on 25 October 2017, NBG's monetary policy committee decided to keep the policy rate unchanged at 7.0%. The decision is based on the macroeconomic forecast, according to which the inflation is expected to be above 4.0% target rate during 2017 due to one-offs, and the inflation will get close to the 3.0% target level in the beginning of 2018, once temporary factors expire. NBG added that the annual inflation was 6.2% in September 2017, however inflation was slightly below inflation forecast for 3Q17. NBG also noted that inflation expectations have not changed recently and it expects the key rate to gradually decrease to its neutral level in the medium term given the absence of additional factors affecting price level. The next committee meeting is scheduled for 13 December 2017 (NBG increased the key rate to 6.75% on January 25 and to 7.0% on May 2, and kept the rate unchanged at three previous meetings, on June 14, on July 26 and September 6).

Loan and Deposit dollarization



Source: NBG

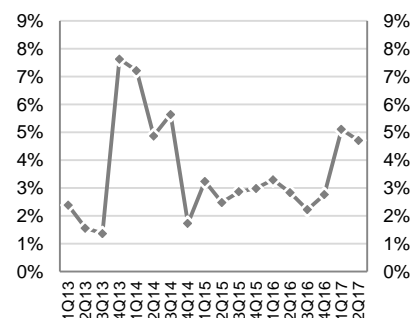
Key macro indicators

	9M17	2016	2015
GDP (% change)	4.7%	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)	6.2%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	9.4% ⁽¹⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

(1) As of 1H17

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 16 (Top 20)
 Economic Freedom Index # 13 (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 Affirmed Sep-2017	 BB- Stable Affirmed Sep-2017
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Source: Rating agencies



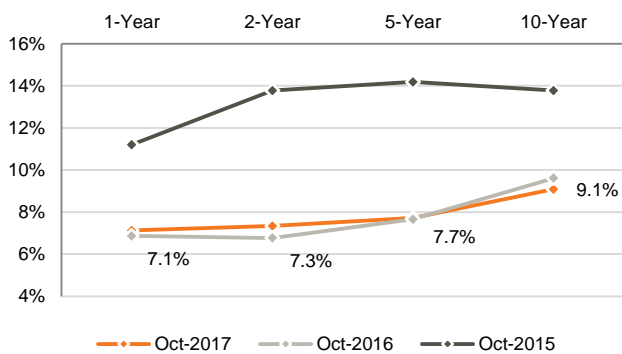
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,050mn (US\$ 414.7mn).

Ministry of Finance Treasury Notes:

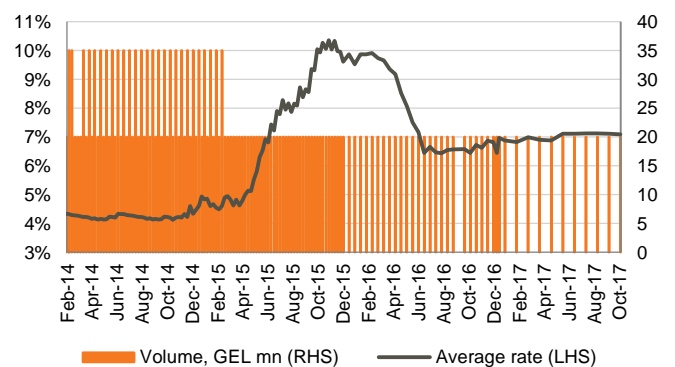
5-year GEL 20.0mn (US\$ 7.9mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on October 25, 2017. The weighted average yield was fixed at 7.718%. The nearest treasury security auction is scheduled for November 1, 2017, where GEL 20.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



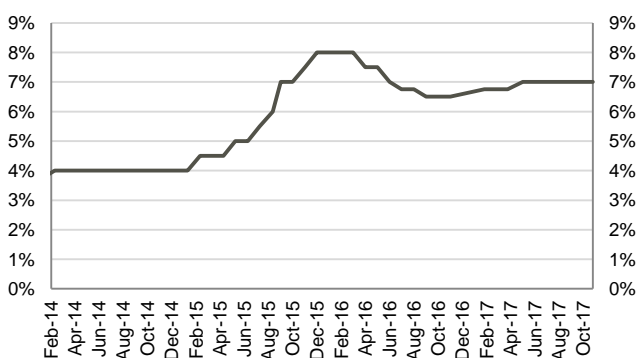
Source: NBG

Certificates of Deposits (weighted average rate)



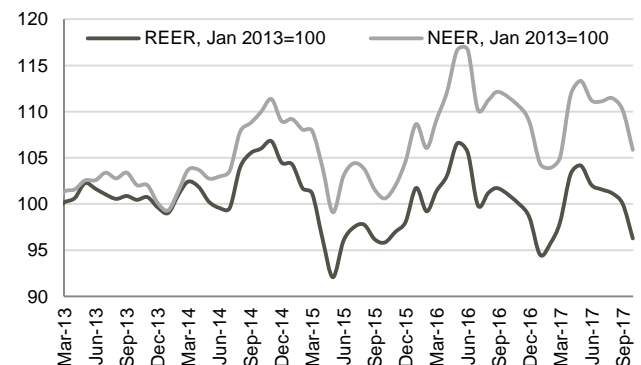
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

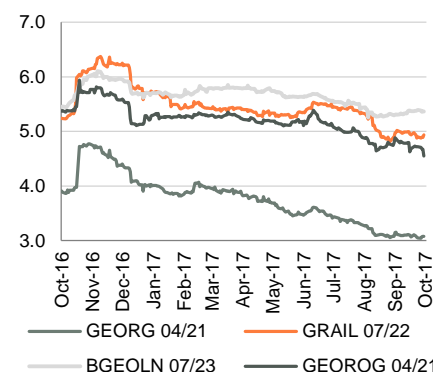
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.4% yield, trading at 103.1 (+0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEOROG) were trading at 107.1 (+0.6% w/w), yielding 4.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.6 (-0.2% w/w), yielding 4.9%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.3 (-0.2% w/w) at 3.1% yield to maturity.

Georgia Eurobonds, YTM (%)



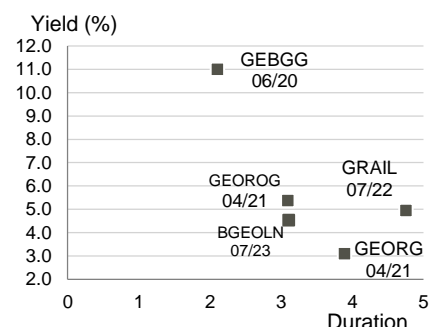
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/ -/-	-/-	-/-	-/-	n/a	BB-/ -/Ba2	BB-/B+/-	BB-/ -/B1	BB-/BB-/Ba2	B+/B+/-
Mid price, US\$	n/a	101.4	101.2	100.0	101.73	100.0	107.1	103.1	112.3	111.6
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	11.0	4.5	5.4	3.1	4.9
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	256.3	112.1	288.4	322.8

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

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-/Ba2	112.3	3.1	112.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.5	4.3	211.5
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.3	0.1	-32.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.3	1.1	97.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.1	2.7	69.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.5	2.9	83.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.8	2.6	72.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.5	3.9	192.4

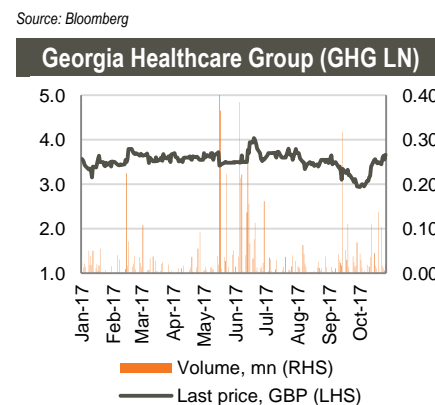
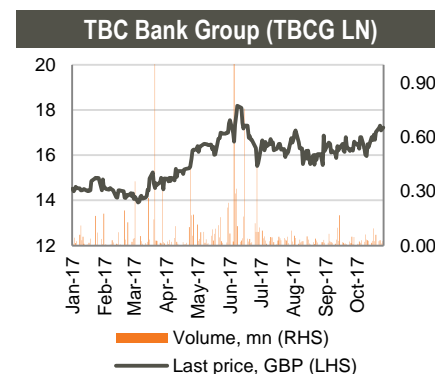
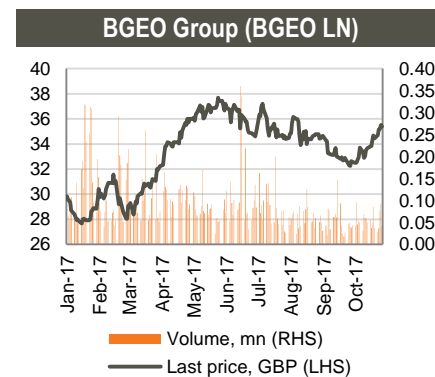
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 35.39/share (+2.70% w/w and +9.70% m/m). More than 278k shares traded in the range of GBP 34.38 – 35.61/share. Average daily traded volume was 55k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.02% w/w and gained 2.93% m/m. The volume of BGEO shares traded was at 0.71% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.22 (+1.18% w/w and +5.84% m/m). More than 99k shares changed hands in the range of GBP 16.75 – 17.33 share. Averaged daily traded volume was 32k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.66/share (+4.57% w/w and +17.50% m/m). More than 214k shares were traded in the range of GBP 3.43 – 3.70/share. Average daily traded volume was 28k in the last 4 weeks. The volume of GHG shares traded was at 0.21% of its capitalization.



Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	46.40	1,827	9.7%	2.2%	-1.0%	18.6%	19.8%
TBC*	TBC	22.58	1,195	5.8%	7.1%	6.3%	18.6%	43.0%
Halyk Bank	HSBK	9.50	2,611	-0.5%	0.1%	26.7%	58.6%	45.7%
KKB	KKB	0.68	712	0.0%	-9.5%	-36.4%	-52.9%	-50.7%
VTB Bank	VTBR	2.08	13,447	-2.9%	-0.9%	-10.0%	-13.1%	-2.8%
Vozrozhdenie Bank	VZRZ	10.11	240	4.5%	-10.0%	-22.3%	-17.4%	-9.2%
Sberbank	SBER	14.31	77,200	0.7%	21.2%	20.4%	23.6%	47.3%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are 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	4.80	632	17.5%	0.0%	2.8%	2.5%	0.3%
Mouwasat	MOUWASAT	42.88	2,144	1.7%	3.7%	12.4%	8.8%	34.0%
Fortis	FORH	2.25	1,164	1.5%	-11.9%	-31.3%	-15.6%	-15.4%
Raffles	RFMD	0.84	1,490	1.6%	-11.0%	-15.2%	-14.9%	-22.5%
IHH	IHH	1.32	10,914	-4.1%	-4.8%	-7.1%	-6.4%	-13.1%
Bangkok Chain	BCH	0.49	1,229	8.7%	14.9%	30.2%	19.4%	36.2%
Netcare	NTC	1.74	2,539	2.2%	-7.9%	-12.2%	-25.1%	-30.7%

Source: Bloomberg

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



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