



Weekly Market Watch

Weekly Market Watch | Georgia
May 1, 2017

Economy

Real GDP grew 5.3% y/y in March 2017

Georgia's economy expanded 5.3% y/y in March 2017, after growing 4.4% y/y in previous month, according to GeoStat's rapid estimates. Overall, in 1Q17 GDP growth was 5.0% y/y compared to 3.3% growth in 1Q16. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 3.7% y/y in March 2017

In March 2017, the banking sector loan portfolio increased 13.0% y/y after growing 12.4% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 17.9% y/y and 0.6% m/m to GEL 18.8bn (US\$ 7.6bn). Deposits were up 10.6% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 12.6% y/y and down 2.8% m/m to GEL 16.1bn (US\$ 6.6bn). Deposit dollarization reached 69.2% (-1.6ppts y/y and -1.3ppts m/m). NPLs stood at 3.7% in March 2017, up 0.5ppts y/y and down 0.1ppts m/m.

Loan and Deposit dollarization



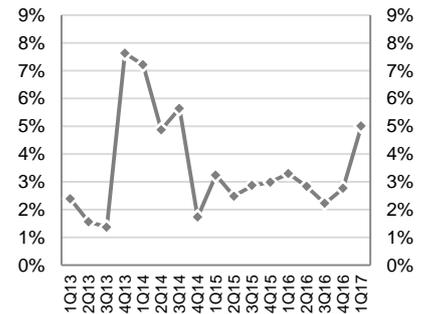
Source: NBG

Key macro indicators

	3M17	2016	2015
GDP (% change)	5.0%	2.7%	2.9%
GDP per capita (ppp)	9,630
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	5.4%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	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

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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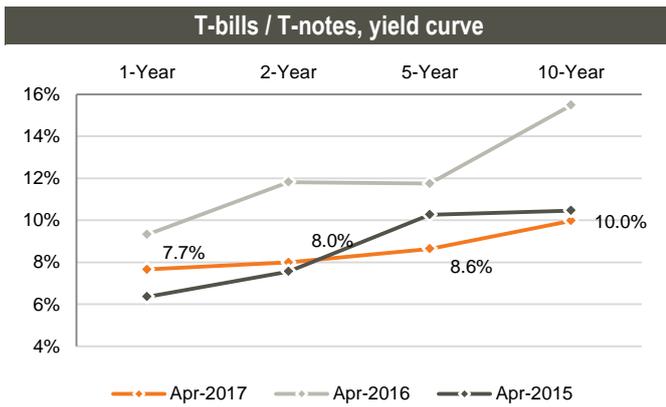
Source: Rating agencies

Money market

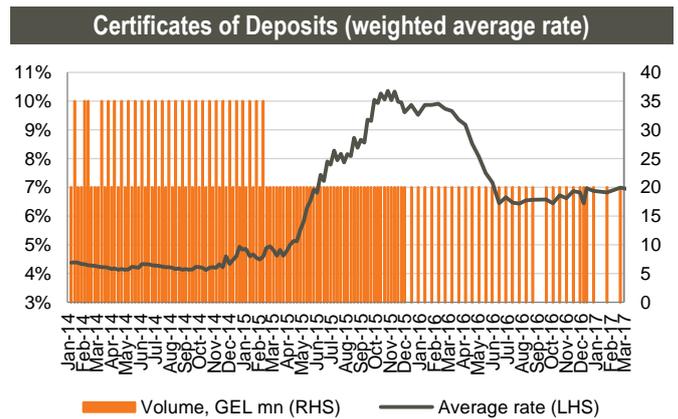
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,200mn (US\$ 484.4mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.2mn) certificates of deposit, with an average yield of 6.88% (down by 2bps from previous issue).

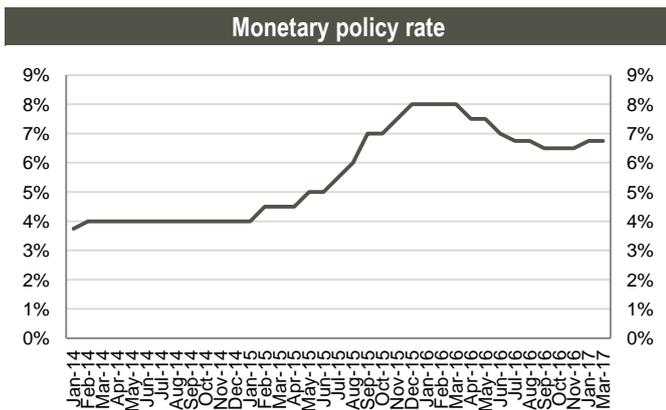
Ministry of Finance Treasury Notes: 5-year GEL 25.0mn (US\$ 10.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 26, 2017. The weighted average yield was fixed at 8.638%. The nearest treasury security auction is scheduled for May 3, 2017, where GEL 40.0mn nominal value 1-years T-Bills will be sold.



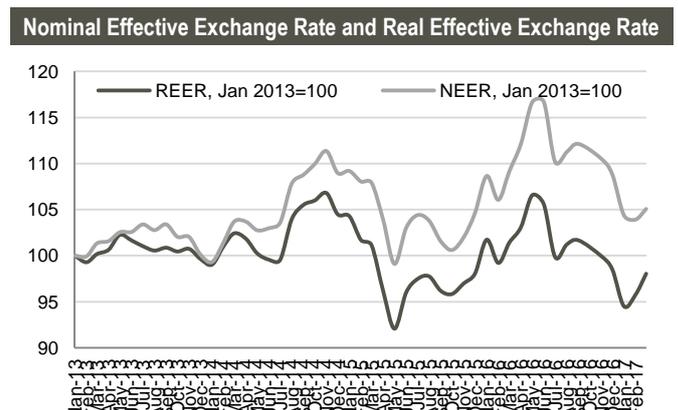
Source: NBG



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

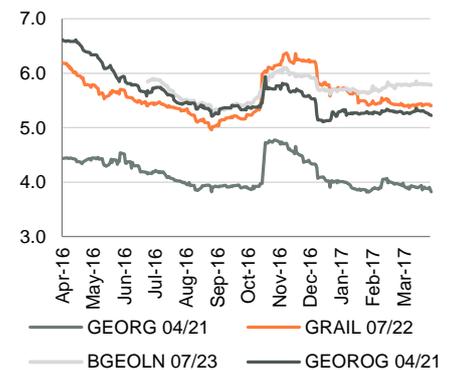


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 101.0 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 105.5 (+0.3% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.5 (+0.1% w/w), yielding 5.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.0 (+0.1% w/w) at 3.8% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

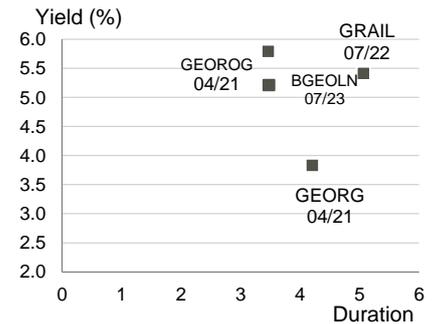
	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	10.25	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	101.6	101.0	105.5	101.1	111.0	110.5
Mid yield, %	n/a	7.00%	9.0%	6.00%	5.2	5.8	3.8	5.4
Z-spread, bps	n/a	n/a	n/a	n/a	338.1	200.1	346.7	375.9

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

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

Georgian Eurobond universe



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	111.0	3.8	200.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.1	4.4	231.4
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.4	0.4	-223.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	109.1	2.0	177.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.2	2.8	95.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.1	3.1	117.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.9	2.6	85.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	106.1	3.9	210.0

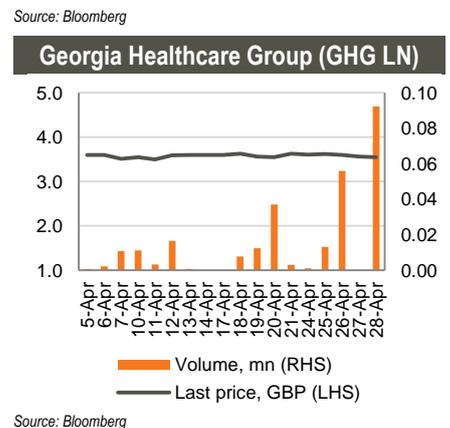
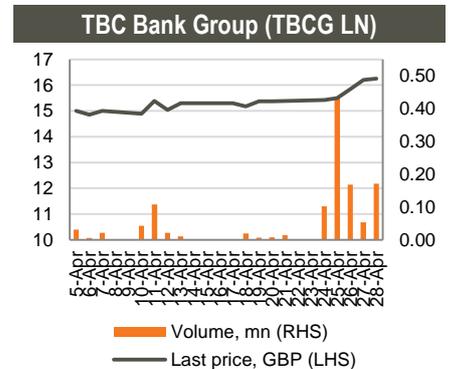
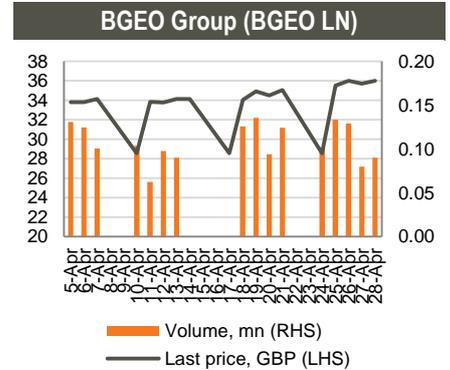
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 36.00/share (+2.68% w/w and +12.50% m/m). More than 533k shares traded in the range of GBP 34.63 – 36.33/share. Average daily traded volume was 111k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.37% w/w and gained 3.54% m/m. The volume of BGEO shares traded was at 1.35% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.25 (+5.59% w/w and +8.33% m/m). More than 927k shares changed hands in the range of GBP 15.30 – 16.41/share. Averaged daily traded volume was 68k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.55/share (-2.07% w/w and -2.07% m/m). More than 162k shares were traded in the range of GBP 3.55 – 3.65/share. Average daily traded volume was 15k in the last 4 weeks. The volume of GHG shares traded was at 0.12% 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*	46.59	1,839	16.7%	28.7%	28.5%	66.1%	39.8%
	TBC*	21.03	1,108	12.3%	83.7%	83.7%	108.2%	100.3%
	Halyk Bank	7.50	2,062	4.0%	28.0%	12.8%	51.5%	97.1%
	KKB	1.07	427	-12.3%	-28.7%	-22.5%	-12.7%	-20.7%
	VTB Bank	2.31	14,976	2.4%	-0.3%	8.4%	9.6%	8.3%
	Vozrozhdenie Bank	VZRZ	13.03	309	0.4%	2.7%	17.3%	57.9%
	Sberbank	SBER	11.89	64,167	2.0%	-2.2%	23.6%	102.2%

Source: Bloomberg

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

Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

Healthcare Sector Peers								
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	GHG*	GHG	4.59	605	1.6%	6.7%	5.0%	101.2%
	Mouwasat	MOUWASAT	38.16	1,908	2.2%	-0.8%	17.8%	17.6%
	Fortis	FORH	3.43	1,774	24.4%	22.4%	26.6%	27.1%
	Raffles	RFMD	1.00	1,755	-0.5%	-2.5%	-7.6%	2.4%
	IHH	IHH	1.42	11,712	4.7%	0.6%	-7.0%	-6.9%
	Bangkok Chain	BCH	0.38	944	-1.4%	-9.1%	2.8%	50.8%
	Netcare	NTC	1.99	2,905	-15.4%	-17.0%	-20.2%	-9.3%

Source: Bloomberg

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

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