

Weekly Market Watch

 Weekly Market Watch | Georgia
 Oct 1, 2018

Economy

Real GDP growth was 4.8% y/y in 8M18

According to GeoStat's rapid estimates, real GDP growth was 2.0% y/y in August 2018 and growth averaged 4.8% y/y in 8M18. In August 2018, the growth was posted in financial intermediation, trade, transport, real estate and hotels and restaurants sectors. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Current account deficit reached 8.9% of GDP in 2Q18, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, increased 20.6% y/y to US\$ 1.0bn, as exports increased 28.2% y/y, while imports were up 24.5% y/y. Positive balance in services was up 20.6% y/y to US\$ 572.3mn (13.8% of GDP), driven by strong tourism inflows (up 28.6% y/y to US\$ 810.0mn). Surplus in current transfers amounted to US\$ 351.2mn (8.4% of GDP, up 10.7% y/y). Negative income balance increased by 3.4% y/y mostly due to reinvestments (up 34.3% y/y to US\$ 178.8mn). Net FDI (6.7% of GDP) and other investments (4.3% of GDP) were major funding categories of the CA deficit. In 1H18, CA deficit stood at 10.3% of GDP.

NPLs at 2.6% in August 2018

In August 2018, the banking sector loan portfolio increased 19.0% y/y after growing 18.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 23.3% y/y and up 4.1% m/m to GEL 24.2bn (US\$ 9.4bn). Deposits were up 16.9% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.2% y/y and up 5.1% m/m to GEL 21.5bn (US\$ 8.4bn). Deposit dollarization stood at 62.7% (-2.8ppts y/y and +1.9ppts m/m). NPLs stood at 2.6% in August 2018 (-0.7ppts y/y and flat m/m).

NBG purchased US\$ 10.0mn

On September 28, 2018, the NBG intervened on the FX market and purchased US\$ 10.0mn. Overall, during April-September 2018, the NBG purchased US\$ 112.5mn on its 10 FX auctions.

Non-performing loans to total loans, %



Source: NBG

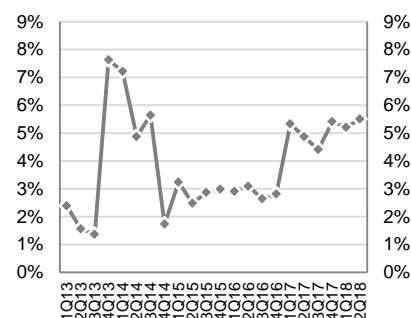
Key macro indicators

	8M18	2017	2016
GDP (% change)	4.8%	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	3.1%	6.7%	1.8%
Gross reserves (US\$ bn)	2.9	3.0	2.8
CAD (% of GDP)	10.3% ⁽¹⁾	8.8%	13.1%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 1H18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2018	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2018	FitchRatings BB- Positive Affirmed Aug-2018
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Source: Rating agencies

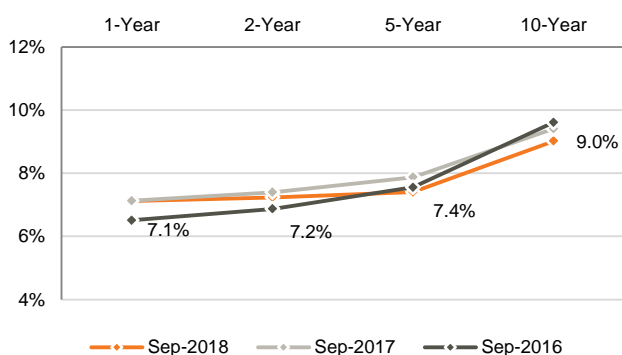
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,230mn (US\$ 469.5mn).

Ministry of Finance Benchmark Bonds:

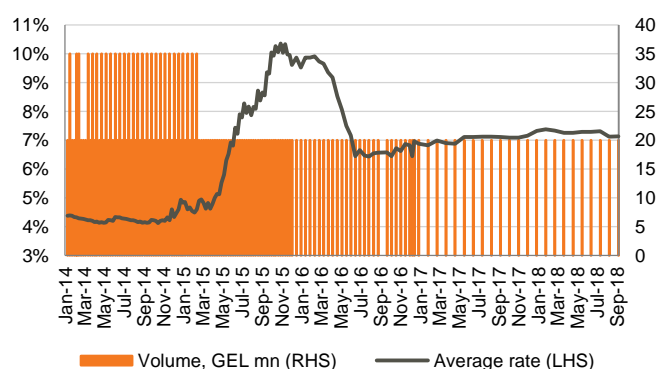
5-year GEL 30.0mn (US\$ 11.5mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on September 26, 2018. The weighted average yield was fixed at 7.40%. The nearest treasury security auction is scheduled for October 3, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



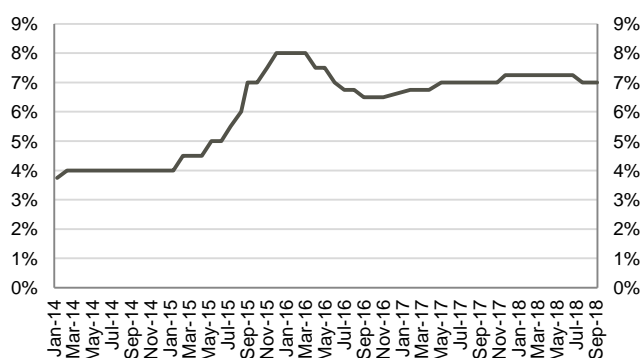
Source: NBG

Certificates of Deposits (weighted average rate)



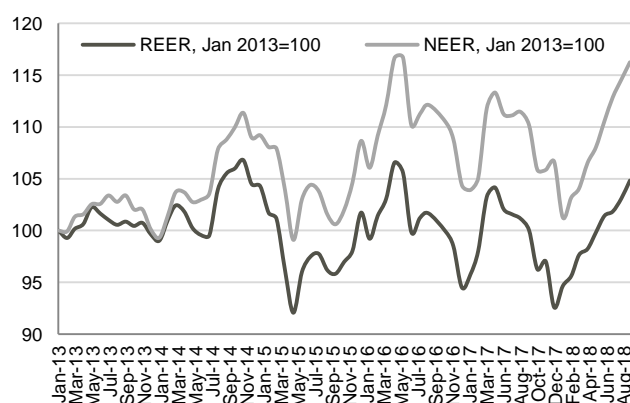
Source: NBG

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



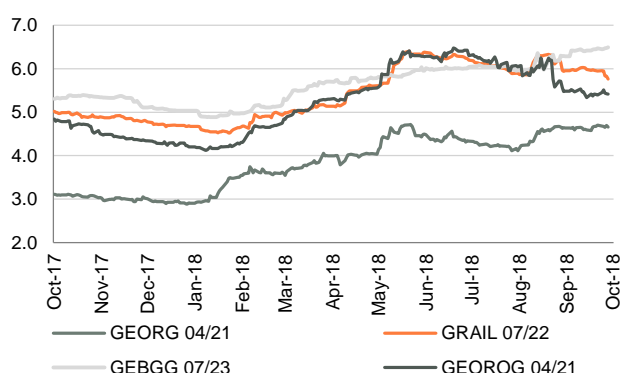
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.5% yield, trading at 98.0 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.5 (+0.4% w/w), yielding 7.8%.

GOGC Eurobonds (GEOROG) were trading at 103.2 (unchanged w/w), yielding 5.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.5 (+0.5% w/w), yielding 5.8%.

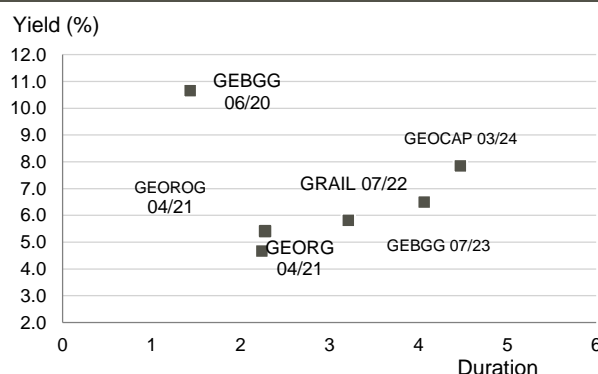
Georgian Sovereign Eurobonds (GEORG) closed at 105.2 (+0.1% w/w) at 4.7% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds 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	105.23	4.66	165.46
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.50	5.80	276.46
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.16	5.41	241.19
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Baa2	100.50	10.64	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	97.98	6.49	344.50
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	92.54	7.84	478.32

Georgia local bonds performance

GWP 12/21	30*	10.50%**	06/12/2021	BB****/-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	102.29	5.25	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.83	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.50%**	18/08/2022	B+****/-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.50%***	28/12/2019	B/-/-	101.01	11.25	n/a

Source: Bloomberg

*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

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

***Coupon rate 4.5% over the NBG's refinancing rate

****Company ratings

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	105.2	4.7	165.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	101.7	4.4	134.7
Bulgaria	323	5.000%	19/07/2021	BBB-/B2	113.8	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	111.7	0.6	46.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	106.9	3.5	46.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.3	3.8	71.2
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.0	3.7	75.2
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	98.2	6.4	343.2

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 17.11/share (-8.91% w/w and +0.18% m/m). More than 365k shares traded in the range of GBP 16.71 – 19.00/share. Average daily traded volume was 58k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.21% w/w and lost 2.44% m/m. The volume of BGEO shares traded was at 0.74% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 11.16/share (+0.60% w/w and +9.37% m/m). More than 491k shares traded in the range of GBP 10.86 – 11.27/share. Average daily traded volume was 59k in the last 4 weeks. The volume of CGEO shares traded was at 1.28% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.84 (+2.56% w/w and +3.95% m/m). More than 122k shares changed hands in the range of GBP 15.82 – 17.04/share. Average daily traded volume was 20k in the last 4 weeks. The volume of TBCG shares traded was at 0.23% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.20/share (+2.33% w/w and -10.93% m/m). More than 45k shares were traded in the range of GBP 2.11 – 2.29/share. Average daily traded volume was 29k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	17.114*	1,097	0.2%	-10.0%	-28.9%	-28.9%	-22.5%
TBC	TBC	16.84*	1,191	4.0%	-0.9%	-8.6%	-3.8%	4.0%
Halyk Bank	HSBK	10.65	3,130	-3.2%	-11.3%	-22.8%	7.8%	10.9%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.34	8,677	2.8%	-10.4%	-31.1%	-26.8%	-37.3%
Vozrozhdenie	VZRZ	7.01	167	16.8%	13.5%	-2.7%	-19.4%	-27.3%
Sberbank	SBER	12.68	68,431	15.3%	-7.2%	-30.7%	-25.1%	-10.3%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	11.156*	558	9.4%	5.4%	N/A	N/A	N/A
Creades	CREDA	29.44	241	0.1%	-2.6%	-23.3%	-19.2%	-13.2%
CIE du Bois	COMB	471.73	795	-1.6%	3.4%	-4.0%	9.7%	15.8%
Tinc Comm	TINC	14.47	395	2.4%	4.1%	0.1%	-4.2%	-4.5%
Edify	EDIFY	70.29	342	-0.8%	-0.5%	-11.0%	2.6%	13.4%

Source: Bloomberg

*CGEO share price traded and shown in GBP

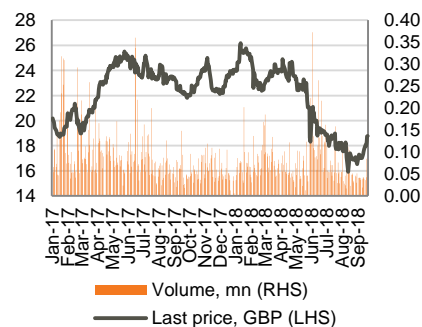
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.2*	378	-10.9%	-12.0%	-29.0%	-38.0%	-27.5%
Mouwasat	MOUWASAT	22.45	2,245	-2.1%	-10.4%	-4.0%	11.2%	6.1%
Fortis	FORH	1.86	965	-13.0%	-5.1%	-1.8%	-26.0%	-16.3%
Raffles	RFMD	0.83	1,485	1.4%	11.9%	-5.0%	-1.3%	-0.2%
IHH	IHH	1.26	10,374	-8.2%	-15.0%	-19.8%	-12.8%	-8.0%
Bangkok Chain	BCH	0.64	1,605	9.7%	39.4%	21.3%	29.4%	42.4%
Netcare	NTC	1.71	2,519	-18.4%	-12.5%	-25.2%	-15.6%	-3.4%

Source: Bloomberg

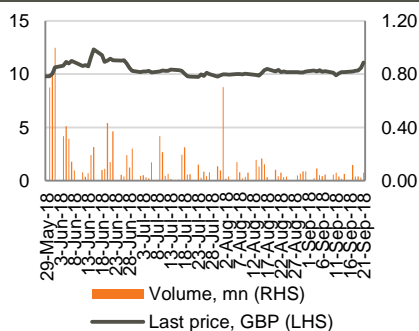
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



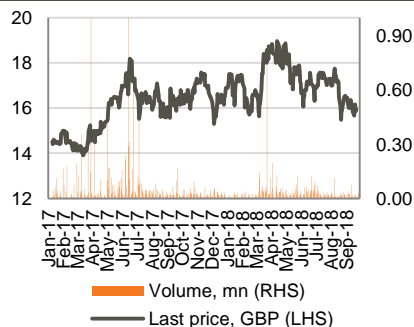
Source: Bloomberg

Georgia Capital (CGEO LN)



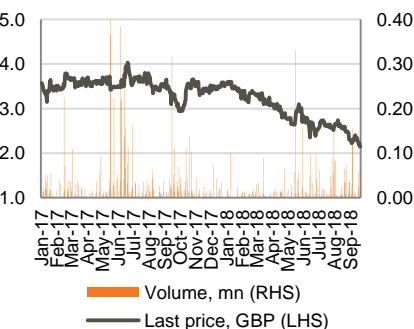
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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