

Weekly Market Watch

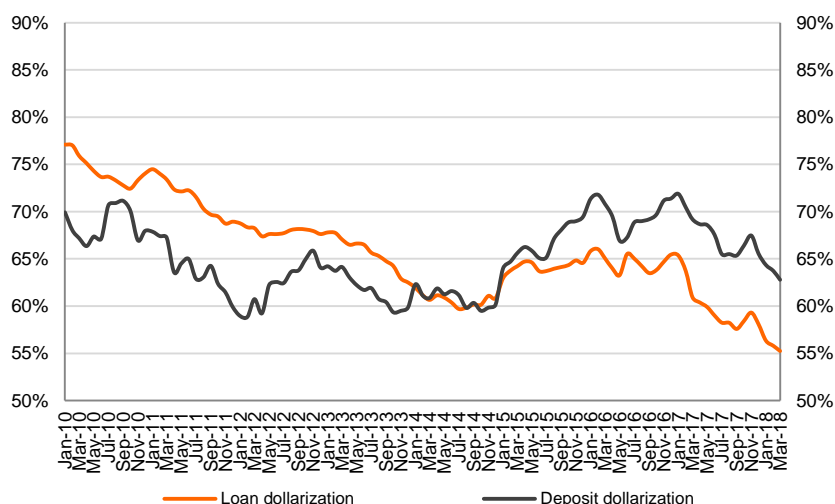
Weekly Market Watch | Georgia
Apr 30, 2018

Economy

NPLs at 2.4% in March 2018

In March 2018, the banking sector loan portfolio increased 21.6% y/y after growing 20.0% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 18.0% y/y and up 1.3% m/m to GEL 22.2bn (US\$ 9.2bn). Deposits were up 22.9% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 22.1% y/y and up 2.4% m/m to GEL 19.6bn (US\$ 8.1bn). Deposit dollarization declined to 62.8% (-6.4ppts y/y and -0.9ppts m/m). NPLs stood at 2.4% in March 2018 (-1.3ppts y/y and -0.4ppts m/m).

Loan and Deposit dollarization



Source: NBG

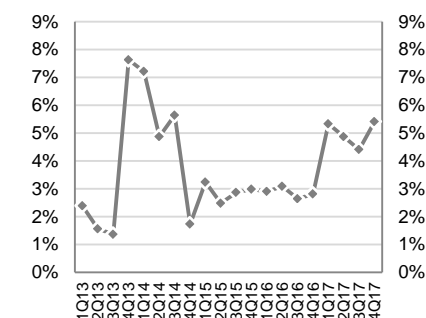
Key macro indicators

	1Q18	2017	2016
GDP (% change)	4.9% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.8%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.4%

Source: Official data, IMF

1) As of 2M18

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

 BB- Stable Affirmed May-2017	 Ba2 Stable Upgraded Sep-2017	 BB- Positive Affirmed Mar-2018
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Source: Rating agencies



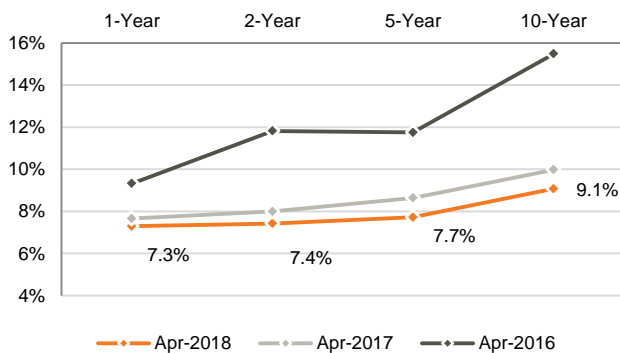
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 920mn (US\$ 371.2mn).

Ministry of Finance Treasury Notes:

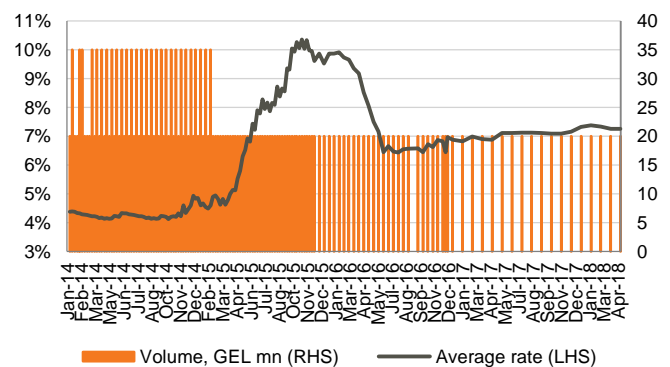
5-year GEL 30.0mn (US\$ 12.1mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 25, 2018. The weighted average yield was fixed at 7.720%. The nearest treasury security auction is scheduled for May 2, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



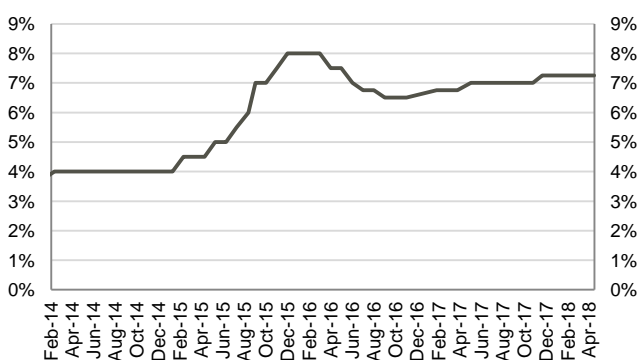
Source: NBG

Certificates of Deposits (weighted average rate)



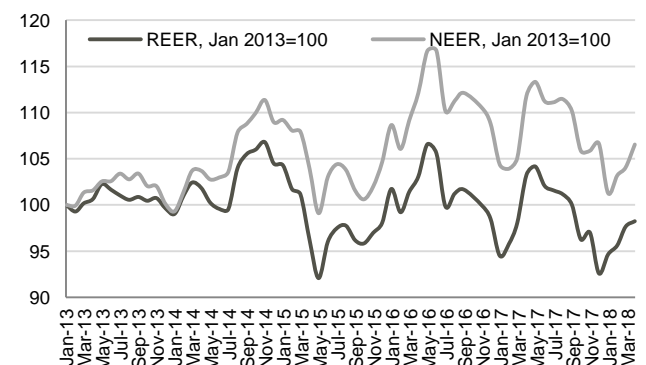
Source: NBG

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



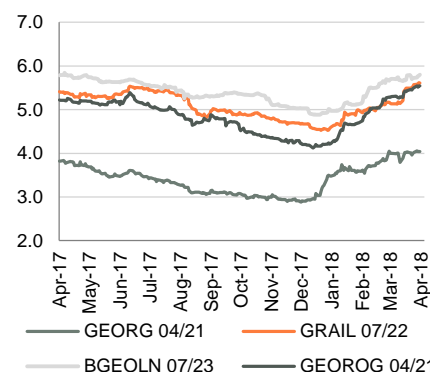
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 100.9 (-0.3% 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 95.5 (-0.6% w/w), yielding 7.1%.

GOGC Eurobonds (GEOROG) were trading at 103.2 (-0.3% w/w), yielding 5.6%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.9 (-0.3% w/w), yielding 5.6%.

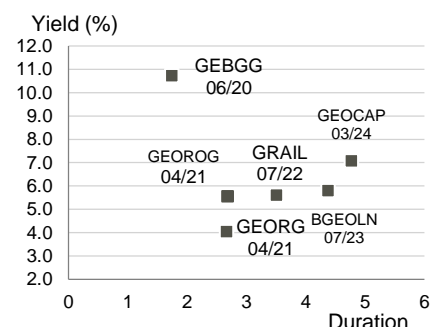
Georgian Sovereign Eurobonds (GEORG) closed at 107.8 (-0.1% w/w) at 4.0% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B2	-/-	-/-	n/a	-/-B2e	B-/B2	BB-/B+	BB-/B1	BB-/BB-/B2	B+/B+
Mid price, US\$	n/a	102.8	101.3	101.07	95.5	100.5	103.2	100.9	107.8	107.9
Mid yield, %	n/a	5.5%	3.8%	6.50%	7.1	10.7	5.6	5.8	4.0	5.6
Z-spread, bps	n/a	n/a	n/a	n/a	415.1	346.1	273.9	289.1	122.0	273.0

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

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	107.8	4.0	122.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	99.9	4.8	185.0
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	115.9	0.0	-32.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	111.3	1.0	79.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.9	3.5	67.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	110.1	3.8	97.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.4	3.7	101.9
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa2	103.3	4.4	158.5

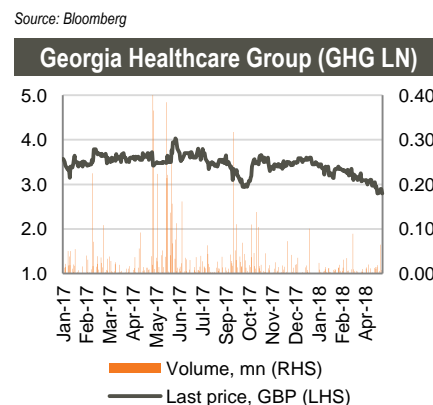
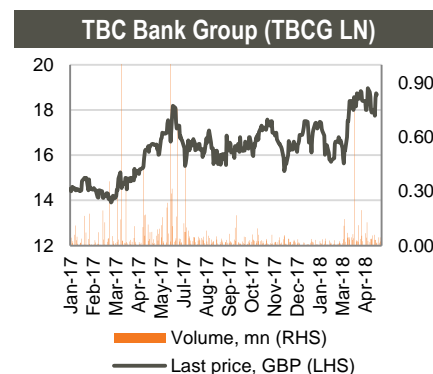
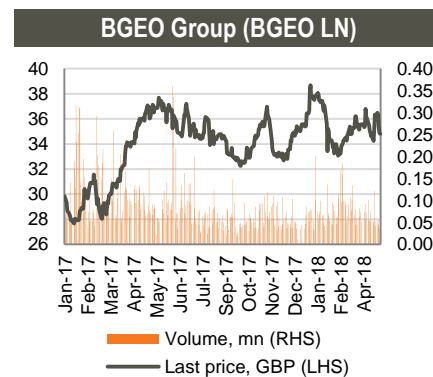
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 34.82/share (-3.92% w/w and -1.80% m/m). More than 219k shares traded in the range of GBP 34.54 – 36.76/share. Average daily traded volume was 61k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.22% w/w and gained 4.51% m/m. The volume of BGEO shares traded was at 0.56% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 18.16 (-2.78% w/w and -3.40% m/m). More than 135k shares changed hands in the range of GBP 17.84 – 18.94 share. Averaged daily traded volume was 38k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.80/share (-5.72% w/w and -8.79% m/m). More than 81k shares were traded in the range of GBP 2.77 – 2.95/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.06% 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	34.82*	1,890	-1.8%	-6.7%	-1.6%	-2.1%	-2.5%
TBC	TBC	18.16*	1,356	-3.4%	6.4%	5.5%	3.8%	12.1%
Halyk Bank	HSBK	12.25	3,367	-13.7%	-6.1%	28.9%	24.0%	63.3%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-36.4%
VTB Bank	VTBR	1.88	12,163	-5.2%	-3.2%	-9.5%	2.6%	-18.6%
Vozrozhdenie Bank	VZRZ	5.25	125	-27.3%	-43.0%	-48.2%	-39.7%	-59.7%
Sberbank	SBER	14.60	78,792	-22.1%	-22.1%	2.1%	-13.8%	22.9%

Source: Bloomberg

*BGEO and TBC share prices 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	2.8*	508	-8.8%	-17.0%	-23.5%	-21.1%	-21.3%
Mouwasat	MOUWASAT	50.65	2,532	8.2%	11.9%	18.3%	25.5%	32.7%
Fortis	FORH	2.31	1,198	5.3%	-6.8%	2.8%	-8.1%	-29.4%
Raffles	RFMD	0.88	1,565	-1.2%	3.1%	5.0%	5.4%	-10.9%
IHH	IHH	1.55	12,754	-0.5%	-0.1%	16.8%	7.3%	8.5%
Bangkok Chain	BCH	0.55	1,360	0.5%	7.5%	10.6%	9.6%	44.0%
Netcare	NTC	2.43	3,572	12.4%	13.4%	40.0%	19.7%	22.8%

Source: Bloomberg

*GHG share price traded and shown in GBP



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