

Weekly Market Watch

 Weekly Market Watch | Georgia
 Sep 3, 2018

Economy

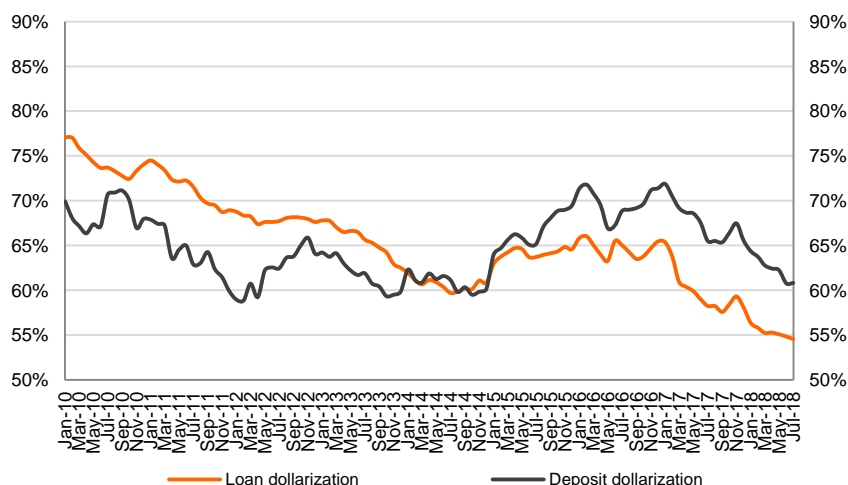
Real GDP growth was 4.6% y/y in July 2018

Georgia's economy grew by 4.6% y/y in July 2018 after growing 4.0% y/y in previous month, according to GeoStat's rapid estimates. In July 2018, the growth was posted in transport, trade, real estate, financial intermediation and hotels and restaurants sectors. Overall, real GDP growth was 5.5% y/y in 7M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.6% in July 2018

In July 2018, the banking sector loan portfolio increased 18.1% y/y after growing 18.4% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.5% y/y and up 0.6% m/m to GEL 23.3bn (US\$ 9.5bn). Deposits were up 19.9% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.0% y/y and up 1.1% m/m to GEL 20.5bn (US\$ 8.4bn). Deposit dollarization stood at 60.8% (-4.7ppts y/y and +0.1ppts m/m). NPLs stood at 2.6% in July 2018 (-0.8ppts y/y and +0.2ppts m/m).

Loan and deposit dollarization



Source: NBG

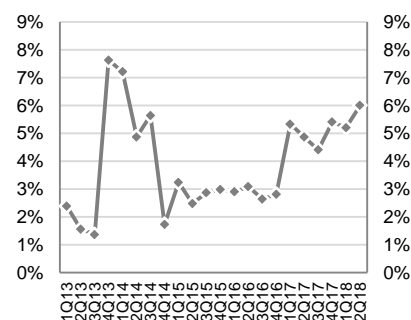
Key macro indicators

	7M18	2017	2016
GDP (% change)	5.5%	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)	2.8%	6.7%	1.8%
Gross reserves (US\$ bn)	2.9	3.0	2.8
CAD (% of GDP)	11.6% ⁽¹⁾	8.9	13.2%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 1Q18

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 Aug-2018
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Source: Rating agencies



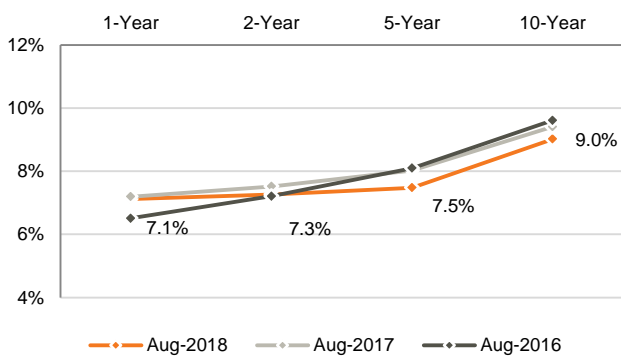
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,090mn (US\$ 423.3mn).

Ministry of Finance Treasury Bills:

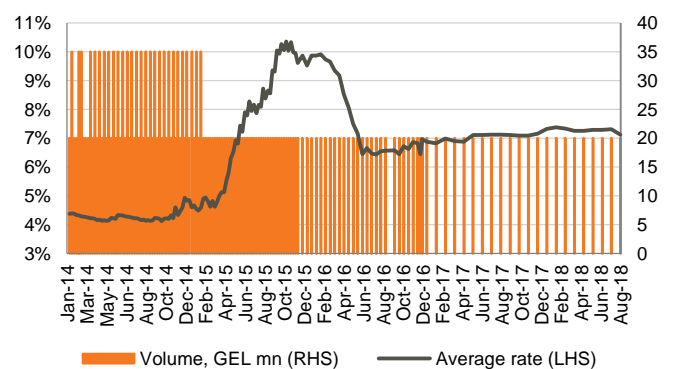
The nearest treasury security auction is scheduled for September 5, 2018, where GEL 40mn nominal value 1-year T-bills will be sold.

T-bills / T-notes, yield curve



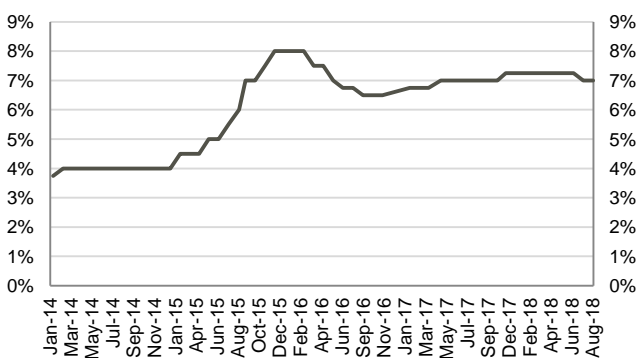
Source: NBG

Certificates of Deposits (weighted average rate)



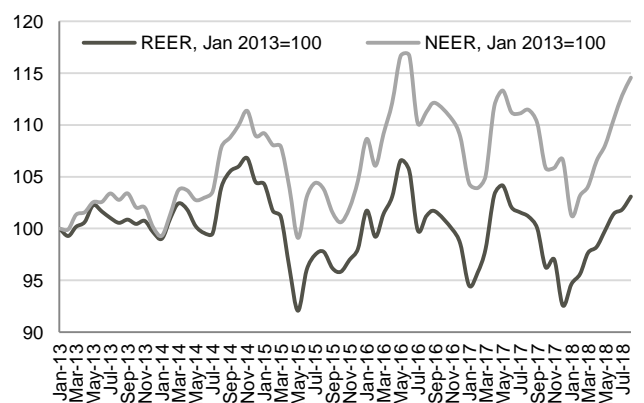
Source: NBG

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



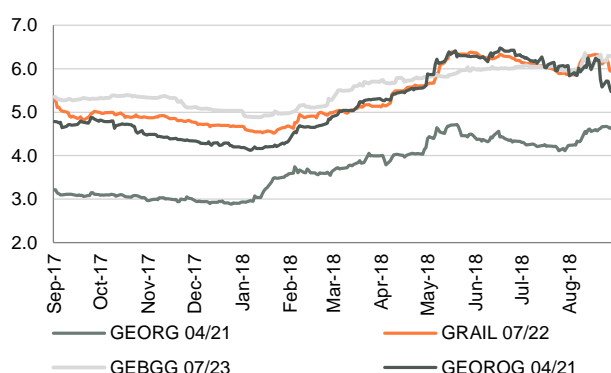
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.3% yield, trading at 98.8 (-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 92.2 (-1.1% w/w), yielding 7.9%.

GOGC Eurobonds (GEOROG) were trading at 103.1 (+1.2% w/w), yielding 5.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.1 (+1.0% w/w), yielding 6.0%.

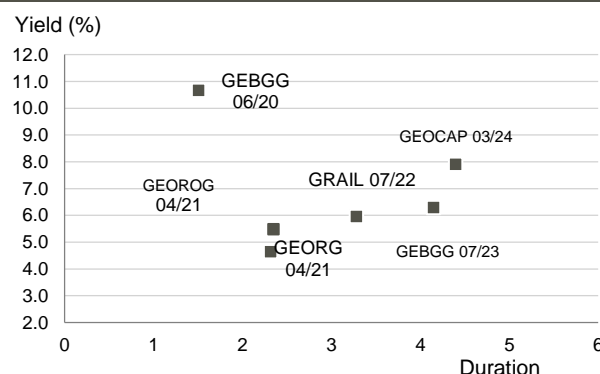
Georgian Sovereign Eurobonds (GEORG) closed at 105.4 (-0.2% w/w) at 4.6% yield to maturity.

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	105.42	4.64	179.25
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.09	5.95	308.73
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.06	5.49	263.85
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B+/-	100.50	10.65	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B+/-	98.82	6.28	340.37
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	92.18	7.90	502.36

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+/-/-	102.37	5.25	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.86	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	105.4	4.6	179.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.1	4.7	184.9
Bulgaria	323	5.000%	19/07/2021	BBB-/B+/-	114.2	0.0	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	111.8	0.7	57.8
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.3	3.4	55.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.5	3.8	88.9
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.9	3.8	100.1
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	91.8	9.3	645.1

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.53/share (-2.19% w/w and -5.81% m/m). More than 202k shares traded in the range of GBP 16.43 – 17.25/share. Average daily traded volume was 51k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.01% w/w and gained 0.26% m/m. The volume of BGEO shares traded was at 0.41% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.32/share (+1.16% w/w and +3.73% m/m). More than 307k shares traded in the range of GBP 9.71 – 10.20/share. Average daily traded volume was 63k in the last 4 weeks. The volume of CGEO shares traded was at 0.80% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.00 (-2.79% w/w and -8.36% m/m). More than 112k shares changed hands in the range of GBP 15.70 – 16.68/share. Average daily traded volume was 20k in the last 4 weeks. The volume of TBCG shares traded was at 0.21% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.30/share (-7.63% w/w and -13.53% m/m). More than 174k shares were traded in the range of GBP 2.30 – 2.54/share. Average daily traded volume was 21k in the last 4 weeks. The volume of GHG shares traded was at 0.13% 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	16.53*	1,053	-9.4%	-11.7%	-28.7%	-31.3%	-29.4%
TBC	TBC	16*	1,125	-9.0%	-3.3%	-1.2%	-8.6%	-5.1%
Halyk Bank	HSBK	10.90	3,203	-6.4%	-9.5%	-23.5%	10.3%	9.0%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.26	8,165	-19.2%	-20.6%	-38.8%	-31.1%	-43.6%
Vozrozhdenie	VZRZ	6.13	146	5.9%	1.9%	-27.2%	-29.5%	-38.1%
Sberbank	SBER	10.86	58,582	-23.0%	-24.5%	-45.5%	-35.9%	-20.5%

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	10.268*	510	3.9%	2.1%	N/A	N/A	N/A
Creades	CREDA	28.30	232	-5.8%	-6.7%	-28.8%	-22.3%	-17.1%
CIE du Bois	COMB	471.92	795	0.8%	1.1%	0.1%	9.7%	22.6%
Tinc Comm	TINC	13.86	378	-1.8%	-0.7%	-10.3%	-8.3%	-4.3%
Edify	EDIFY	70.15	341	-1.8%	-3.8%	-8.1%	2.4%	12.2%

Source: Bloomberg

*CGEO share price traded and shown in GBP

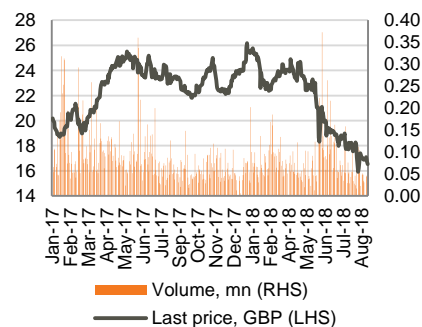
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.3*	392	-9.8%	-17.9%	-30.3%	-35.2%	-35.2%
Mouwasat	MOUWASAT	22.61	2,261	-7.8%	-7.4%	-4.2%	12.0%	5.2%
Fortis	FORH	2.07	1,073	1.4%	-5.2%	-16.2%	-17.7%	-9.4%
Raffles	RFMD	0.78	1,401	-5.3%	-0.6%	-8.9%	-7.0%	-3.8%
IHH	IHH	1.36	11,178	-7.2%	-10.1%	-12.6%	-6.0%	-3.3%
Bangkok Chain	BCH	0.58	1,452	18.5%	13.9%	11.7%	17.1%	30.6%
Netcare	NTC	2.00	2,938	-3.3%	-14.5%	-5.6%	-1.6%	7.8%

Source: Bloomberg

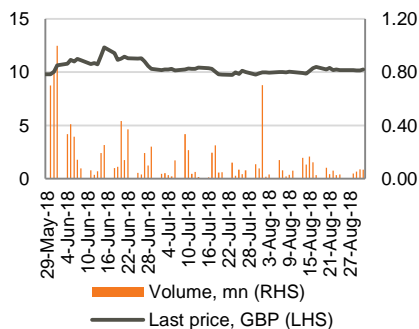
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



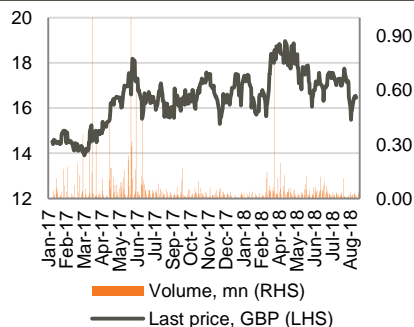
Source: Bloomberg

Georgia Capital (CGEO LN)



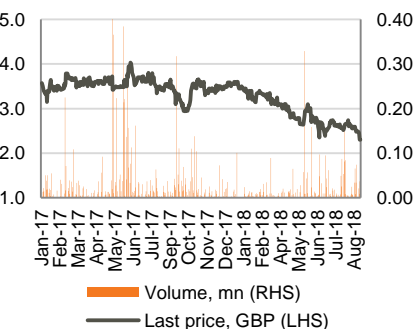
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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