

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 May 3, 2016

## Economy

### Real GDP up 3.4% y/y in March 2016

Georgia's real GDP grew 3.4% y/y in March 2016, after 2.6% and 0.8% y/y growth in February and January respectively, according to GeoStat's rapid estimates. In 1Q16, output growth averaged 2.3% y/y (growth was 3.3% y/y in 1Q15). Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

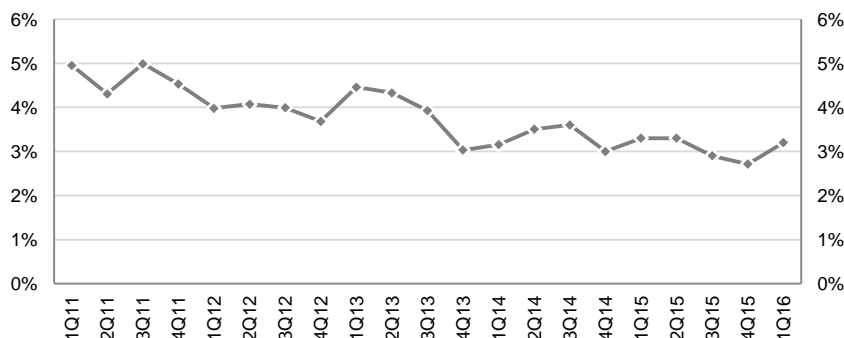
### NPLs at 3.2% in March 2016

In March 2016, the loan portfolio grew 5.2% y/y, excluding the exchange rate effect (+9.4% y/y and -1.6% m/m in unadjusted terms), to GEL 15.9bn (US\$ 6.7bn). Deposits grew 9.0% y/y, excluding the exchange rate effect (+13.6% y/y and -2.4% m/m in unadjusted terms), reaching GEL 14.3bn (US\$ 6.0bn). On a monthly basis, deposits and loans growth was down due to GEL appreciation, lowering FX-denominated loans and deposits nominal value in GEL terms. Deposit dollarization was down by 1ppts m/m to 70.8% in March. NPLs remain under control at 3.2% in March 2016, down 0.1ppts y/y and m/m.

### NBG cuts its policy rate to 7.5%

At its meeting on April 27, 2016, NBG's monetary policy committee cut its policy rate by 50 basis points to 7.5%, citing that there is a need to ease monetary policy gradually and reduce key rate to neutral level of 5-6% in the medium-term. NBG started monetary tightening from February 2015 with the policy rate raised from 4.0% to 8.0% during 2015 and keeping unchanged at 8.0% in 1Q16. NBG's monetary policy committee cited that tightening of monetary policy in 2015 contributed to lower inflation expectations and annual inflation is expected to remain below central bank's target level of 5.0% in coming months, reaching the target level by the end of the year. Annual inflation rate retreated to 4.1% in March from 5.6% in February 2016. At the same time, on April 27, in an attempt to boost funds attracted in national currency, the monetary policy committee decided to decrease commercial banks' minimum reserve requirements for local currency from 10 to 7%. But committee increased minimum reserve requirements for the funds attracted in foreign currency from 15 to 20%, in order to mitigate potential risks affecting the financial stability. The next committee meeting is scheduled for June 15, 2016.

### NPLs



Source: NBG

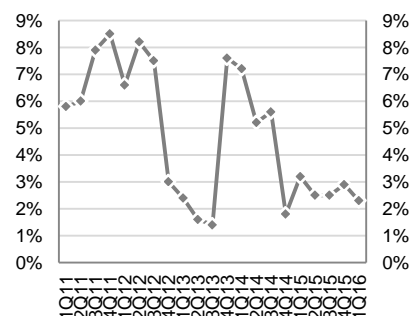
### Key macro indicators

|                              | 3M16  | 2015  | 2014  |
|------------------------------|-------|-------|-------|
| GDP (% change)               | 2.3%  | 2.8%  | 4.6%  |
| GDP per capita (ppp)         | ...   | 9,566 | 9,209 |
| GDP per capita (US\$)        | ...   | 3,743 | 3,676 |
| Population (mn)              | 3.7** | 3.7** | 4.5   |
| Inflation (eop)              | 4.1%  | 4.9%  | 2.0%  |
| Gross reserves (US\$ bn)     | 2.5   | 2.5   | 2.7   |
| CAD (% of GDP)               | ....  | 11.8% | 10.6% |
| Fiscal deficit (% of GDP)    | ....  | 3.8%  | 3.0%  |
| Total public debt (% of GDP) | ...   | 41.5% | 35.5% |

Source: Official data, IMF, G&amp;T

\*\*Preliminary results of census, previous data is subject to recalculation

### Real GDP growth, %



Source: GeoStat

Note: 1Q16 figure based on rapid estimates

### International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)  
 Economic Freedom Index # 23 (mostly free)  
 Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

|  |   |   |
|--|---|---|
| <b>STANDARD &amp; POOR'S</b><br><br><b>BB-</b><br>Stable<br>Affirmed<br>Nov-2015 | <b>MOODY'S</b><br>INVESTORS SERVICE<br><br><b>Ba3</b><br>Stable<br>Affirmed<br>Mar-2016 | <b>FitchRatings</b><br><br><b>BB-</b><br>Stable<br>Affirmed<br>Oct-2015 |
|--|---|---|

Source: Rating agencies



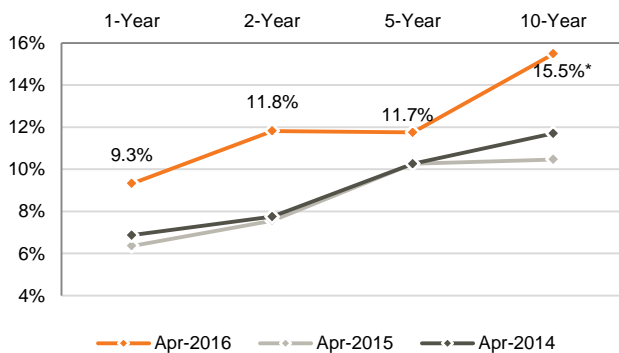
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 720mn (US\$ 322.7mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 8.9mn) certificates of deposit, with an average yield of 9.52% (down by 84bps from previous issue).

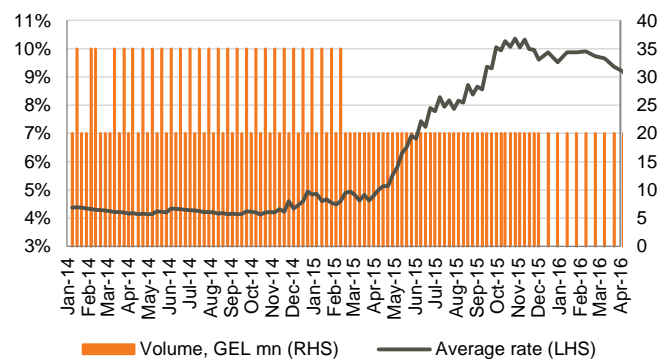
**Ministry of Finance Treasury Notes:** 5-year GEL 10.0mn (US\$ 4.5mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 27, 2016. The weighted average yield was fixed at 11.749%. The nearest treasury securities auction is scheduled for May 4, 2016, where GEL 10mn nominal value 10-year T-Notes will be sold.

T-bills / T-notes, yield curve



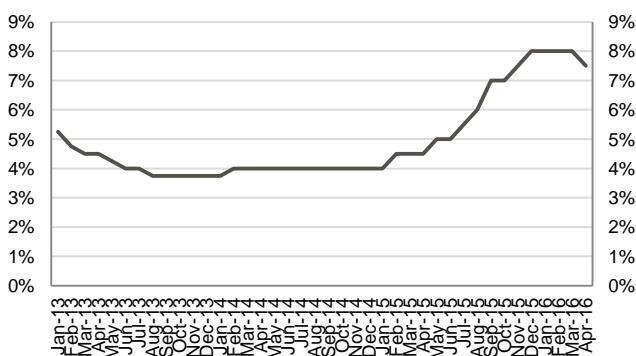
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



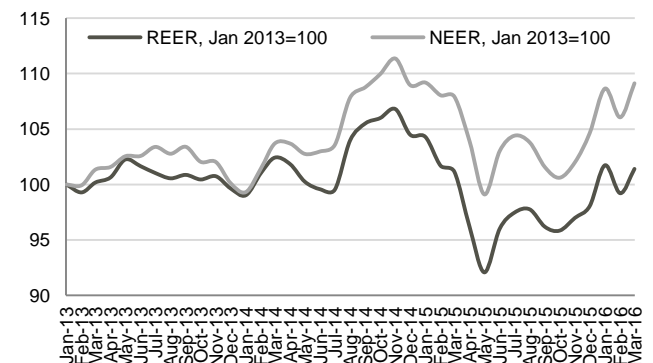
Source: NBG

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

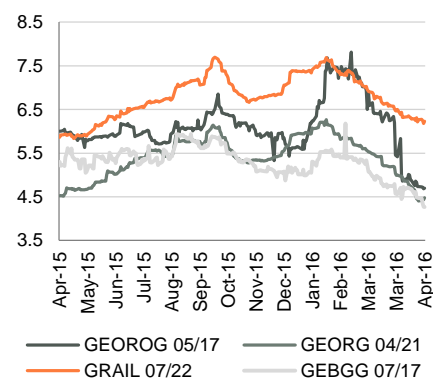


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 4.3% yield, trading at 103.9 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 102.1 (unchanged w/w), yielding 4.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.7 (-0.1% w/w), yielding 6.2%.

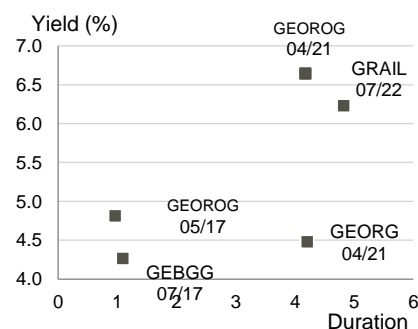
**Georgian Sovereign Eurobonds (GEORG)** closed at 110.5 (-0.3% w/w) at 4.5% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

**Georgian Eurobond universe**



Source: Bloomberg

|                   | Local bonds     |              |               |               |              | Eurobonds       |                 |                |                |                |
|-------------------|-----------------|--------------|---------------|---------------|--------------|-----------------|-----------------|----------------|----------------|----------------|
|                   | Nikora<br>03/18 | GWP<br>11/17 | M2RE<br>03/17 | EVEX<br>05/17 | GLC<br>09/17 | GEOROG<br>04/21 | GEOROG<br>05/17 | GEBGG<br>07/17 | GEORG<br>04/21 | GRAIL<br>07/22 |
| Amount, US\$ mn   | 5               | 6*           | 20            | 15            | 10           | 250             | 250             | 400            | 500            | 500            |
| Issue date        | 03/16           | 12/15        | 03/15         | 05/15         | 09/14        | Apr-2016        | May-2012        | Jul-2012       | Apr-2011       | Jul-2012       |
| Maturity date     | 03/18           | 12/17        | 03/17         | 05/17         | 09/17        | Apr-2021        | May-2017        | Jul-2017       | Apr-2021       | Jul-2022       |
| Coupon, %         | 11.000          | 15.500**     | 9.500         | 9.500         | 8.750        | 6.750%          | 6.875%          | 7.750%         | 6.875%         | 7.750%         |
| Fitch/S&P/Moody's | -/-             | BB-/         | -/-           | -/-           | -/-          | BB-/            | BB-/B+          | BB-/BB-/Ba3    | BB-/BB-/Ba3    | BB-/BB-/       |
| Mid price, US\$   | 100.0           | 100.0*       | 101.6         | 101.87        | 100.65       | 100.4           | 102.1           | 103.9          | 110.5          | 107.7          |
| Mid yield, %      | 11.0            | 15.0         | 7.75          | 7.75          | 8.25         | 6.6             | 4.8             | 4.3            | 4.5            | 6.2            |
| Z-spread, bps     | n/a             | n/a          | n/a           | n/a           | n/a          | 525.8           | 406.9           | 351.7          | 308.0          | 482.7          |

Source: Bloomberg

\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% 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-/Ba3               | 110.5           | 4.5          | 308.0         |
| Azerbaijan | 1,250           | 4.750%    | 18/03/2024    | BB+/-/Ba1/-               | 96.8            | 5.3          | 364.5         |
| Bulgaria   | 323             | 5.000%    | 19/07/2021    | BBB-/                     | 119.5           | 1.1          | -239.3        |
| Croatia    | 1,250           | 3.875%    | 30/05/2022    | BB/BB/Ba2                 | 103.2           | 3.3          | 308.0         |
| Hungary    | 3,000           | 6.375%    | 29/03/2021    | BB+/BB+/Ba1               | 113.8           | 3.3          | 197.2         |
| Romania    | 2,250           | 6.750%    | 07/02/2022    | BBB-/BBB-/Baa3            | 118.5           | 3.2          | 184.6         |
| Russia     | 3,500           | 5.000%    | 29/04/2020    | BBB-/BB+/Ba1              | 105.8           | 3.4          | 217.0         |
| Turkey     | 2,000           | 5.625%    | 30/03/2021    | BBB-/NR/Baa3              | 108.6           | 3.7          | 235.1         |

Source: Bloomberg

## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 22.83/share\* (+5.35% w/w and +12.21% m/m). More than 180k shares traded in the range of GBP 21.46 – 22.83/share. Average daily traded volume was 44k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 1.15% w/w and gained 2.11% m/m, respectively. The volume of BOGH shares traded was at 0.46% of its capitalization.

**TBC Bank** (TBCB LI) closed the week at US\$ 10.50\* (+2.94% w/w and +1.94% m/m). More than 3k GDRs changed hands in the range of US\$ 10.20 – 10.50/GDR. Average daily traded volume was 10k in the last 4 weeks, less than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 1.92/share\* (+7.19% w/w and +19.35% m/m). More than 57k shares were traded in the range of GBP 1.77 – 1.95/share. Average daily traded volume was 15k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.

**On the Georgian stock exchange:** Liberty Bank shares were traded at GEL 0.0159 (-0.6% w/w) and Liberty Consumer shares were traded at GEL 0.11 (unchanged w/w). As a result, the G&T remained at 796.74 (unchanged w/w).

\*Note: Share prices as of Thursday April 28<sup>th</sup>, 2016.

| Eastern European banks |                   |               |         |         |         |          |         |        |
|------------------------|-------------------|---------------|---------|---------|---------|----------|---------|--------|
| Ticker                 | Share price, US\$ | MCap, US\$ mn | 1M, chg | 3M, chg | 6M, chg | YTD, chg | 1Y, chg |        |
| BGEO*                  | BGEO              | 33.33         | 1,317   | 12.5%   | 36.7%   | 8.7%     | 3.0%    | 19.4%  |
| TBC                    | TBC               | 10.50         | 526     | 1.9%    | 18.0%   | 19.3%    | -16.7%  | -8.7%  |
| Halyk Bank             | HSBK              | 3.81          | 1,038   | -16.4%  | -9.7%   | -39.1%   | -55.2%  | -49.4% |
| KKB                    | KKB               | 1.35          | 538     | 35.0%   | 50.0%   | -53.3%   | -64.5%  | -58.1% |
| VTB Bank               | VTBR              | 2.13          | 13,829  | 2.1%    | 19.6%   | -3.0%    | -7.2%   | -9.2%  |
| Vozrozhdie nie Bank    | VZRZ              | 7.85          | 186     | 3.9%    | 16.4%   | -17.6%   | 6.4%    | -3.0%  |
| Sberbank               | SBER              | 8.09          | 43,638  | 23.6%   | 51.1%   | 34.1%    | 99.7%   | 38.5%  |

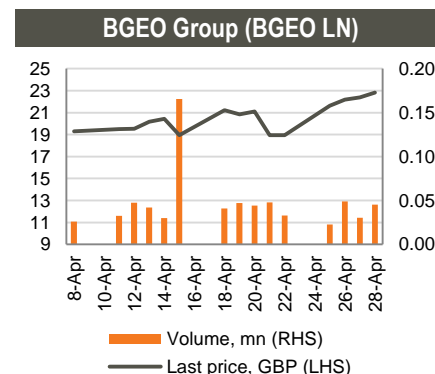
Source: Bloomberg

Note: \* BGEO is traded in GBP and is shown in US\$ equivalent

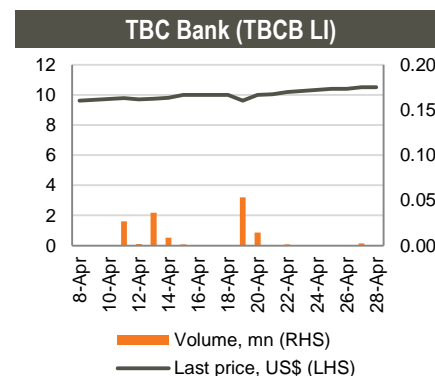
| Healthcare sector peers |                   |               |         |         |         |          |         |        |
|-------------------------|-------------------|---------------|---------|---------|---------|----------|---------|--------|
| Ticker                  | Share price, US\$ | MCap, US\$ mn | 1M, chg | 3M, chg | 6M, chg | YTD, chg | 1Y, chg |        |
| GHG*                    | GHG               | 2.80          | 359     | 20.5%   | 11.8%   | nm       | nm      | nm     |
| Mouwasat                | MOUWASAT          | 35.56         | 1,778   | 12.7%   | 21.2%   | 19.4%    | 8.2%    | -4.3%  |
| Fortis                  | FORH              | 2.69          | 1,248   | 1.6%    | 5.6%    | 11.1%    | 53.4%   | 13.1%  |
| Raffles                 | RFMD              | 3.49          | 2,011   | 7.2%    | 23.2%   | 11.9%    | 18.8%   | 15.1%  |
| IHH                     | IHH               | 1.69          | 13,886  | 4.4%    | 7.4%    | 12.2%    | 22.7%   | 0.4%   |
| Bangkok Chain           | BCH               | 0.30          | 748     | -1.8%   | 34.3%   | 57.4%    | 24.8%   | 14.4%  |
| Netcare                 | NTC               | 2.52          | 3,684   | 11.3%   | 25.8%   | -13.4%   | -23.3%  | -29.3% |

Source: Bloomberg

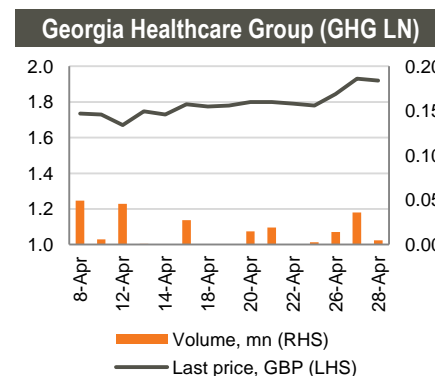
Note: \* GHG is traded in GBP and is shown in US\$ equivalent



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

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