

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 July 4, 2016

## Economy

### Real GDP up 2.1% y/y in May 2016

Georgia's real GDP grew 2.1% y/y in May 2016, after 4.3% y/y growth in April 2016, according to GeoStat's rapid estimates. In 5M16, output growth averaged 2.9% y/y (growth was 2.5% y/y in 5M15). Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### NPLs at 3.8% in May 2016

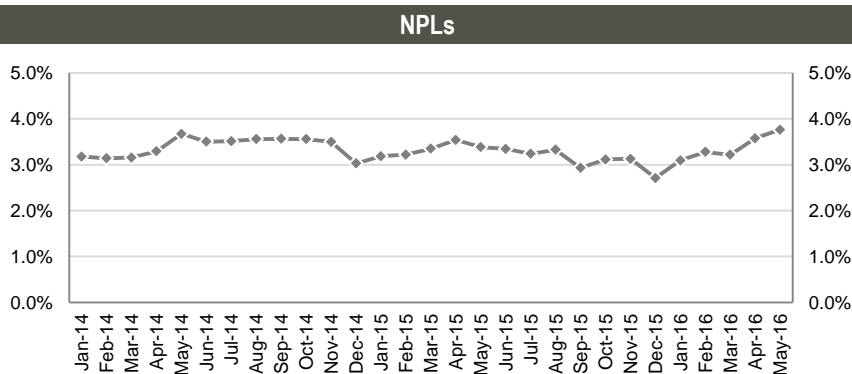
In May 2016, the loan portfolio grew 7.2% y/y, excluding the exchange rate effect (+2.3% y/y and -1.8% m/m in unadjusted terms), to GEL 15.2bn (US\$ 7.1bn). Deposits grew 11.1% y/y, excluding the exchange rate effect (+5.6% y/y and -6.5% m/m in unadjusted terms), reaching GEL 13.5bn (US\$ 6.3bn). NPLs stood at 3.8% in May 2016, up 0.4ppts y/y and up 0.2ppts m/m.

### Current account deficit stood at 13.1% of GDP in 1Q16

Current account deficit narrowed to 13.1% of GDP in 1Q16 from 14.7% of GDP in 1Q15, decreasing 19.4% y/y in nominal terms to US\$ 395.1mn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, remained almost flat y/y as exports (-12.4% y/y) and imports (-4.3% y/y) were both down. Positive balance in services and current transfers compensated 71.0% of trade deficit. Among services, tourism had the largest positive balance, increasing 15.7% y/y to US\$ 354.5mn (11.7% of GDP). Net current transfers, the largest positive item of the current account, were up 47.0% y/y to US\$ 462.1mn, on the back of 8.5x increase in the government sector transfers due to the international aid received for hepatitis-C elimination program. Net FDI, significant item for financing the current account deficit, amounted to US\$ 333.4mn (11.0% of GDP, up 161.1% y/y). The largest investment inflows were directed to transport and communications sector.

### Joint stock company Bank of Georgia announces tender offer and consent solicitation for its US\$ 400mn notes due 2017

On 30 June, 2016 Joint Stock Company Bank Of Georgia launched the invitation to the holders of its outstanding US\$ 400mn 7.75% fixed rate notes due 2017 to tender any or all of such notes held by the holder for purchase by the Bank of Georgia for cash. Total consideration offered of 105.75% comprises the tender offer consideration (102.75%) and the early tender premium (3.0%) for tender submissions made before the early redemption deadline of 14 July, 2016. The Offer begins on 30 June, 2016 and will expire on 28 July, 2016, unless the offer is extended or terminated.



Source: NBG

### Key macro indicators

	5M16	2015	2014
GDP (% change)	2.9%	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)	1.1%*	4.9%	2.0%
Gross reserves (US\$ bn)	2.6	2.5	2.7
CAD (% of GDP)	13.1%***	11.8%	10.6%
Fiscal deficit (% of GDP)	....	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

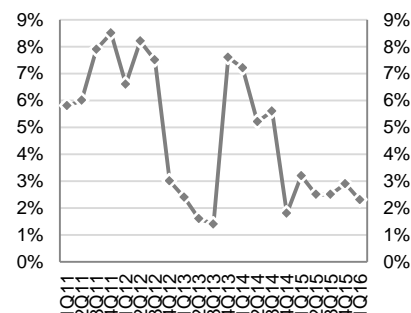
Source: Official data, IMF, G&amp;T

\*As of 6M16

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

\*\*\*As of 1Q16

### 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; POORS</b>  <b>BB-</b> Stable Affirmed Nov-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Apr-2016
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Source: Rating agencies



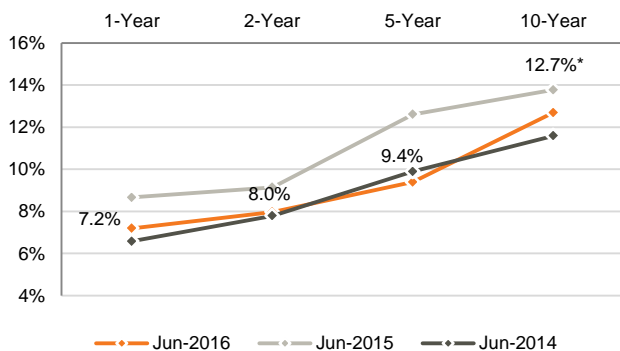
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 300mn (US\$ 128.1mn).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 6.66% (down 51bps from previous issue).

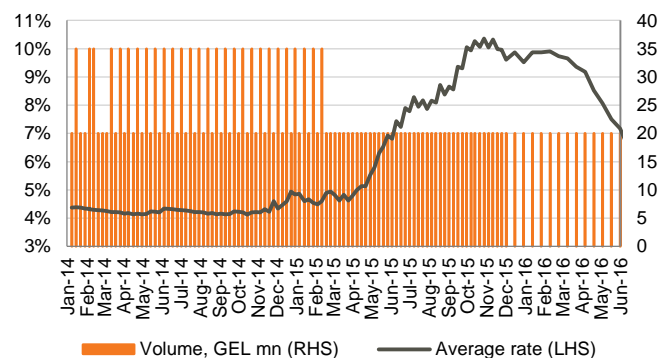
**Ministry of Finance Treasury Notes:** 1-year GEL 75.0mn (US\$ 31.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 29, 2016. The weighted average yield was fixed at 7.181%. The nearest treasury securities auction is scheduled for July 6, 2016, where GEL 30mn nominal value 2-year T-Notes will be sold.

**T-bills / T-notes, yield curve**



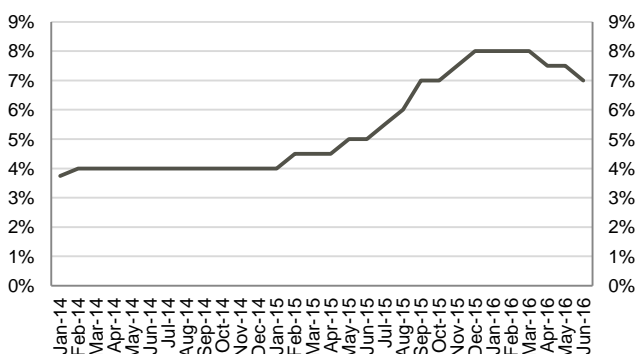
Source: NBG  
\*As of latest auction

**Certificates of Deposits (weighted average rate)**



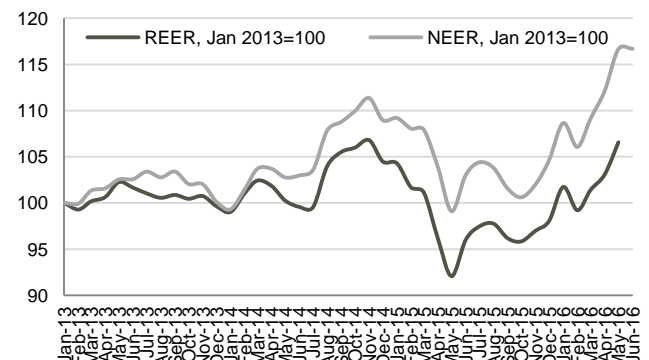
Source: NBG

**Monetary policy rate**



Source: NBG  
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016

**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 3.5% yield, trading at 104.1 (+0.4% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (+0.1% w/w), yielding 4.6% and (GEOROG 04/21) were trading at 103.9 (+0.4% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.0 (+0.4% w/w), yielding 5.6%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 110.6 (+0.6% w/w) at 4.4% yield to maturity.

	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 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	15.000**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/-	BB-/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/-
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	103.9	101.9	104.1	110.6	111.0
Mid yield, %	11.0	15.0	7.75	7.75	8.25	5.8	4.6	3.5	4.4	5.6
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	472.6	323.0	328.6	327.6	456.9

Source: Bloomberg

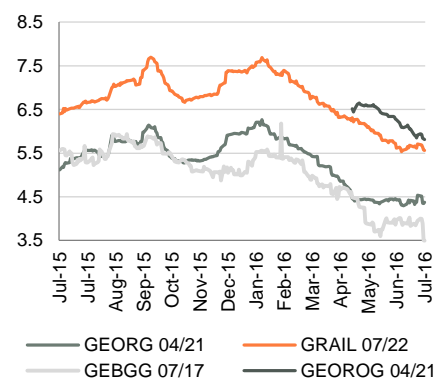
\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% over the NBG's refinancing rate

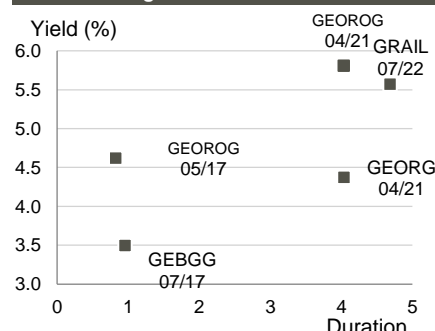
Eastern European sovereign 10-year bond performance							
Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	110.6	4.4	327.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	102.5	4.4	314.4
Bulgaria	323	5.000%	19/07/2021	BBB-/B-	118.7	1.2	-238.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	103.4	3.2	323.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.4	3.1	220.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.0	3.0	204.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	108.4	2.7	172.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	109.4	3.5	243.7

Source: Bloomberg

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



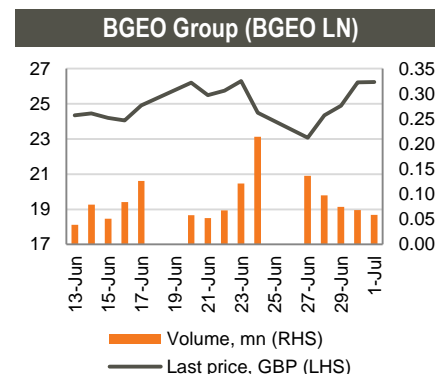
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 26.24/share (+7.10% w/w and +4.46% m/m). More than 436k shares traded in the range of GBP 22.41 – 26.39/share. Average daily traded volume was 85k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 2.36% w/w and lost 3.47% m/m. The volume of BGEO shares traded was at 1.10% of its capitalization.

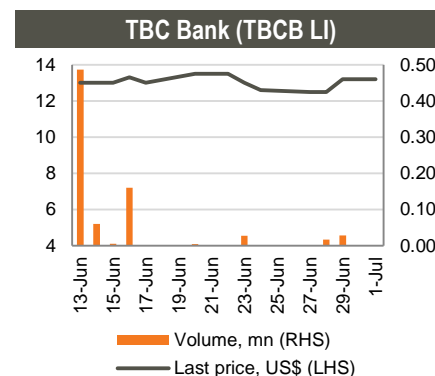
**TBC Bank** (TBCB LI) closed the week at US\$ 13.20 (+4.76% w/w and +7.32% m/m). More than 45k GDRs changed hands in the range of US\$ 12.50 – 13.20/GDR. Average daily traded volume was 56k in the last 4 weeks, more than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 2.91/share (+5.72% w/w and +13.45% m/m). More than 104k shares were traded in the range of GBP 2.75 – 2.95/share. Average daily traded volume was 62k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.

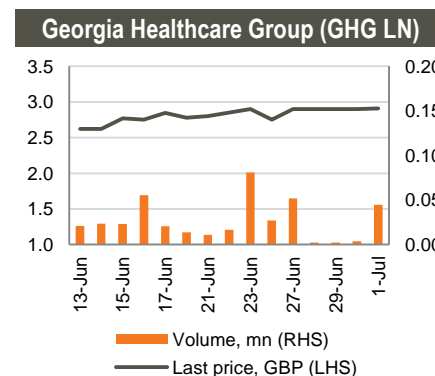
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 36.00 (-2.7% w/w). As a result, the G&T Index went down to 819.99 (-2.7% w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

### Eastern European banks

Eastern European Banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	34.84	1,376	-3.8%	20.5%	24.2%	7.7%	11.5%
TBC	TBC	13.20	661	7.3%	26.9%	30.7%	4.8%	33.3%
Halyk Bank	HSBK	4.90	1,347	2.0%	16.7%	-1.0%	-42.4%	-42.4%
KKB	KKB	1.59	634	0.0%	27.2%	29.8%	-58.2%	-49.0%
VTB Bank	VTBR	2.07	13,401	4.3%	-3.0%	-1.9%	-10.1%	-24.1%
Vozrozhdenie Bank	VZRZ	10.05	239	4.7%	35.1%	21.8%	36.3%	15.0%
Sberbank	SBER	8.87	47,869	6.7%	32.4%	50.9%	119.0%	72.6%

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	3.86	509	4.4%	55.0%	69.2%	nm	nm
Mouwasat	MOUWASAT	34.33	1,716	-0.2%	13.2%	1.8%	4.4%	-9.8%
Fortis	FORH	2.37	1,097	-1.9%	-13.2%	-15.3%	34.9%	-17.0%
Raffles	RFMD	1.14	1,993	-1.1%	1.7%	16.6%	16.6%	1.7%
IHH	IHH	1.66	13,657	8.4%	-2.0%	8.5%	20.5%	6.8%
Bangkok Chain	BCH	0.35	880	9.6%	14.9%	40.6%	46.9%	69.1%
Netcare	NTC	2.11	3,080	-0.6%	-13.0%	-3.7%	-35.9%	-31.4%

Source: Bloomberg

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

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