

# Weekly Market Watch

Weekly Market Watch | Georgia  
October 31, 2016

## Economy

### NPLs at 3.8% y/y in September 2016

In September 2016, the banking sector loan portfolio increased 6.7% y/y after growing 8.2% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 5.2% y/y and 0.5% m/m to GEL 16.5bn (US\$ 7.1bn). Deposits were up 9.7% y/y to GEL 14.9bn (US\$ 6.4bn), excluding the exchange rate effect. In unadjusted terms deposits were up 7.8% y/y and up 2.4% m/m. As FX-denominated deposits drove growth, deposit dollarization increased slightly to 69.2% in September from 69.0% in previous month. NPLs stood at 3.8% in September 2016, up 0.9ppts y/y and down 0.2ppts m/m.

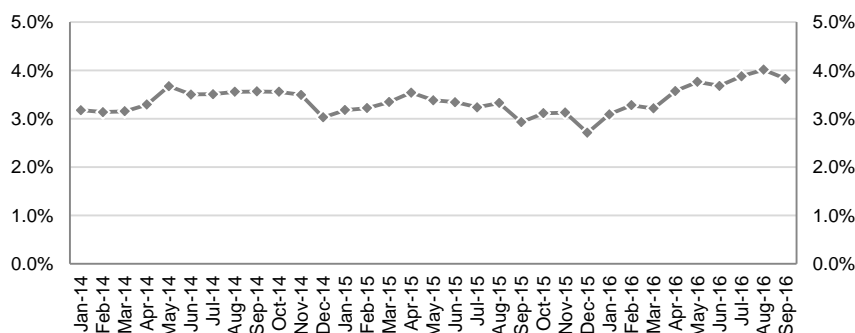
### NBG keeps its policy rate unchanged at 6.5%

At its meeting on 26 October 2016, NBG's monetary policy committee decided to keep the policy rate unchanged at 6.5%, despite the decline in annual inflation to 0.1% in September 2016, well below the NBG's target of 5.0% for 2016. NBG cited that the monetary policy decision is based on the macroeconomic forecast, according to which weak aggregate demand and lower inflation expectations indicate the need to decrease the monetary policy rate to its neutral level of 6.0% in the medium term. However, the reductions in the policy rate implemented in the previous periods have not fully passed through the economy according to NBG, and it expects to reduce its policy rate within the next two quarters. The next committee meeting is scheduled for December 14, 2016.

### Georgia named top improver globally for the 4th time in the past 12 years

According to the World Bank 2017 Doing Business report, Georgia has improved its position by 7 places and ranks 16<sup>th</sup> out of 190 countries. Georgia is one of the regional leaders by total count of reforms according to the latest report, implementing 5 reforms out of 10 directions as measured by Doing Business. Georgia is in the 3<sup>rd</sup> position globally in registering property, 7<sup>th</sup> in protecting minority investors, 22<sup>nd</sup> in paying taxes, 39<sup>th</sup> on ease of getting electricity, and 54<sup>th</sup> in trading across borders; its lowest ranking (106<sup>th</sup>) was recorded for resolving insolvency.

### NPLs



Source: NBG

### Key macro indicators

	9M16	2015	2014
GDP (% change)	2.7% <sup>(3)</sup>	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	3,676
Population (mn)	3.7 <sup>(1)</sup>	3.7 <sup>(1)</sup>	4.5
Inflation (eop)	0.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.4% <sup>(2)</sup>	11.8%	10.6%
Fiscal deficit (% of GDP)	....	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

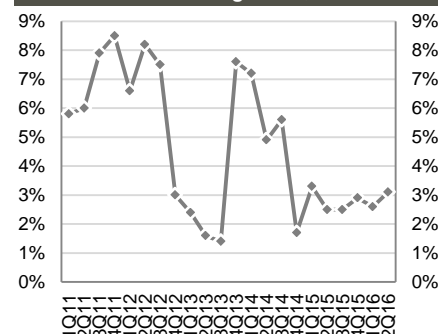
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 2Q16

(3) As of 8M16

### Real GDP growth, %



Source: GeoStat

### International ranking of Georgia, 2016

Ease of Doing Business # 16 (Top 20)  
 Economic Freedom Index # 23 (mostly free)  
 Global Competitiveness Index # 59 (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 May-2016	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Sep-2016
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Source: Rating agencies

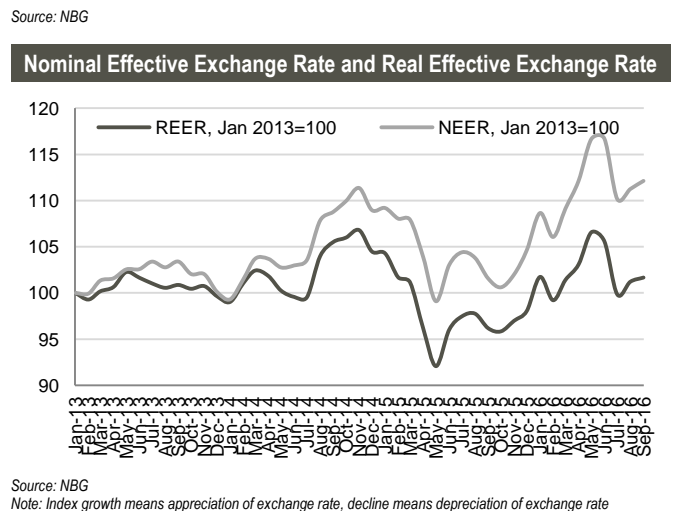
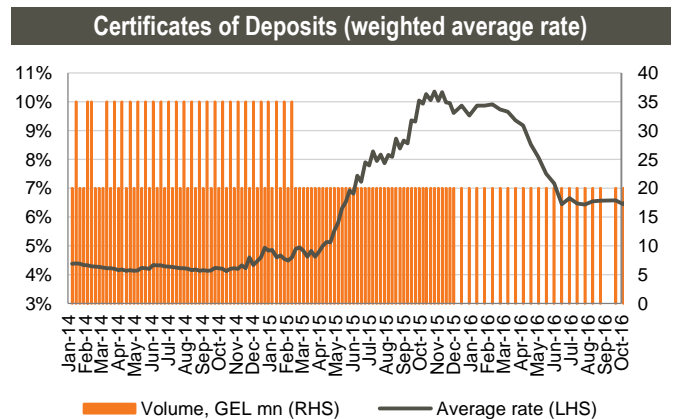
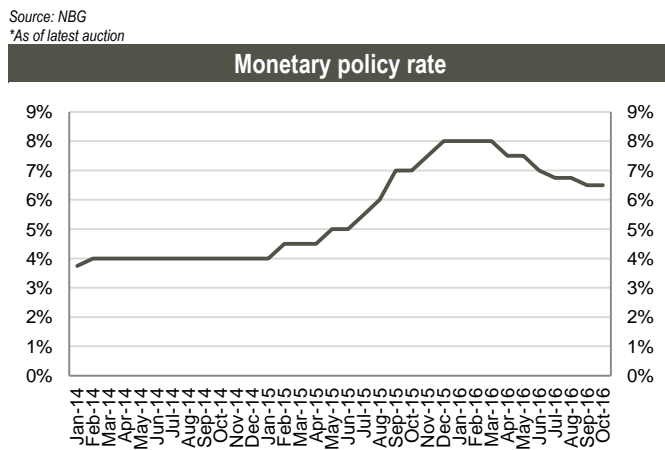
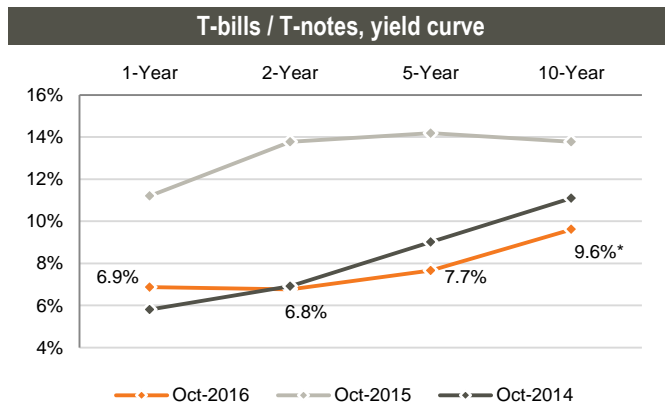


# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,146mn (US\$ 475.7mn).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 6.72% (up by 14bps from previous issue).

**Ministry of Finance Treasury Notes:** 1-year GEL 50mn (US\$ 20.9mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on October 26, 2016. The weighted average yield was fixed at 6.866%. The nearest treasury securities auction is scheduled for November 2, 2016, where GEL 45mn nominal value 2-year T-Notes will be sold.

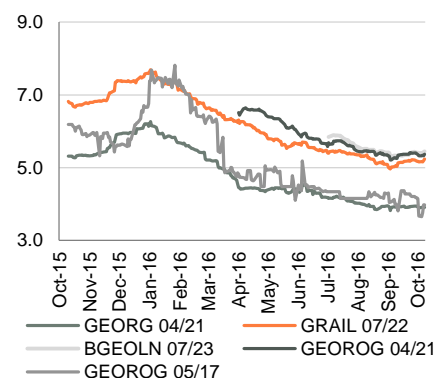


# Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobond (BGEOLN) closed at 5.4% yield, trading at 103.1 (-0.2% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.7 (unchanged w/w), yielding 3.7% and GEOROG 04/21 traded at 105.4 (-0.2% w/w), yielding 5.4%. Georgian Railway Eurobond (GRAIL) traded at a premium at 112.3 (-0.3% w/w), yielding 5.2%.

**Georgian Sovereign Eurobond (GEORG)** closed at 112.0 (-0.1% w/w) at 3.9% yield to maturity.

**Georgia Eurobonds, YTM (%)**



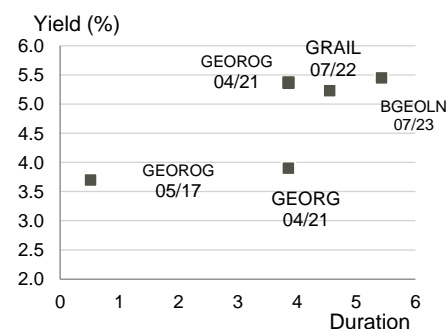
	Local bonds					Eurobonds				
	M2RE 10/19	Nikora 03/18	GWP 12/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	25	5	6*	15	10	250	53.5	350	500	500
Issue date	10/16	03/16	12/15	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	10/19	03/18	12/17	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	7.50	11.00	14.00**	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	BB-/	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	101.3	102.9	100.0*	101.6	101.3	105.4	101.7	103.1	112.0	112.3
Mid yield, %	7.00	8.750	14.0	6.50	7.25	5.4	3.7	5.4	3.9	5.2
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	393.9	187.4	391.8	250.8	386.1

Source: Bloomberg

\*GWP 12/17 bonds are in Georgian lari

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

**Georgian Eurobond universe**



**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	112.0	3.9	250.8
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	103.5	4.2	261.7
Bulgaria	323	5.000%	19/07/2021	BBB-/	121.1	0.5	-221.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.2	2.3	219.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.1	2.7	138.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.8	2.9	146.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.8	2.9	162.3
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.1	4.1	279.1

Source: Bloomberg

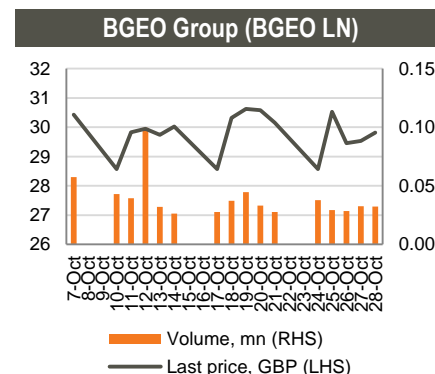
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 29.82/share (-1.13% w/w and +2.51% m/m). More than 160k shares traded in the range of GBP 29.07 – 30.65/share. Average daily traded volume was 42k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 1.56% w/w and lost 0.78% m/m. The volume of BGEO shares traded was at 0.41% of its capitalization.

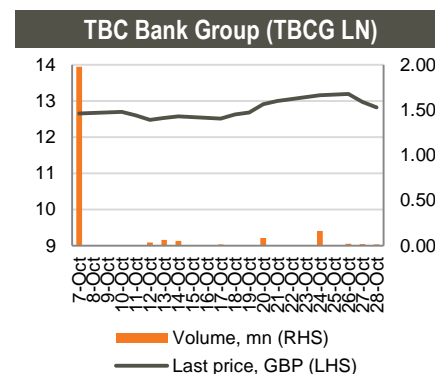
**TBC Bank Group** (TBCG LN) closed the week at GBP 12.83 (-1.35% w/w and +4.69% m/m). More than 208k shares changed hands in the range of GBP 12.75 – 13.25/share. Averaged daily traded volume was 145k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.60/share (+6.19% w/w and +16.50% m/m). More than 284k shares were traded in the range of GBP 3.30 – 3.80/share. Average daily traded volume was 30k in the last 4 weeks. The volume of GHG shares traded was at 0.22% of its capitalization.

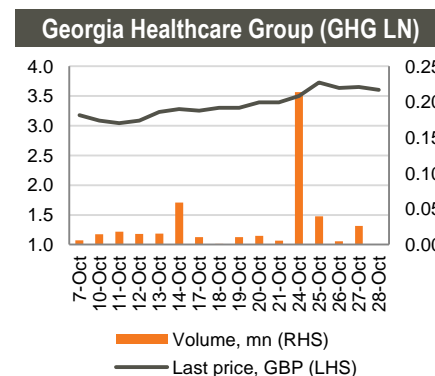
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 908.54 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

### Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	36.21	1,430	-4.3%	2.2%	8.7%	29.1%	18.1%
	TBC*	15.57	812	-3.3%	18.0%	48.3%	54.2%	77.0%
	Halyk Bank	HSBK	6.65	1,828	3.9%	34.3%	74.8%	6.4%
	KKB	KKB	1.38	550	-1.4%	-13.2%	2.2%	-52.2%
	VTB Bank	VTBR	2.13	13,809	-4.3%	7.0%	-0.1%	-3.1%
	Vozrozhdenie Bank	VZRZ	11.10	264	-0.7%	14.9%	41.6%	16.5%
	Sberbank	SBER	9.62	51,917	2.1%	12.6%	19.0%	59.5%

Source: Bloomberg

\*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

### Healthcare Sector Peers

Healthcare Sector - 1998								
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	GHG*	GHG	4.37	576	8.8%	7.3%	56.0%	91.4%
	Mouwasat	MOUWASAT	32.00	1,600	4.5%	-8.0%	-10.0%	7.4%
	Fortis	FORH	2.67	1,238	2.3%	2.8%	-0.9%	10.2%
	Raffles	RFMD	1.08	1,892	-3.3%	-6.9%	-6.9%	4.2%
	IHH	IHH	1.53	12,587	-0.1%	-5.8%	-9.6%	1.6%
	Bangkok Chain	BCH	0.37	918	4.3%	-3.6%	22.7%	93.0%
	Netcare	NTC	2.49	3,636	3.2%	11.1%	-1.2%	-14.6%

Source: Bloomberg

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

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