

Weekly Market Watch

Weekly Market Watch | Georgia
November 30, 2020

Economy

NPLs at 2.3% in October 2020

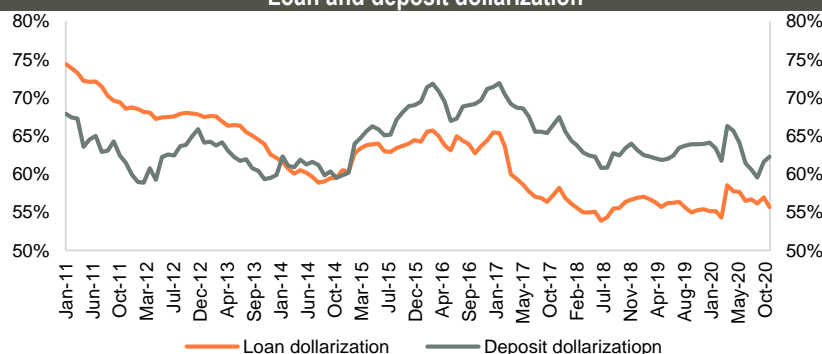
In October 2020, the banking sector loan portfolio increased by 11.4% y/y and 0.9% m/m (exc. FX effect). In unadjusted terms, loan portfolio was up 18.2% y/y and flat m/m amounting to GEL 36.4bn (US\$ 11.2bn). By currency, the GEL-denominated loans growth accelerated to 16.5% y/y (+1.3ppts m/m), after an average 14.6% y/y growth in August-September 2020. Meanwhile, foreign currency loan growth slowed to 7.3% y/y (exc. FX effect), after average growth of 10.0% in August-September 2020. By sector, corporate lending growth slowed to 11.3% y/y and 1.1% m/m, and retail loan growth remained flat at 11.5% y/y (exc. FX effect) in October. Notably, newly issued mortgages increased significantly (+76.0% y/y and +14.1% m/m), bringing mortgages stock growth to 10.8% y/y (exc. FX effects). In October 2020, loan dollarization stood at 55.7% (+0.40ppts y/y and -1.25ppts m/m) and NPLs stood at 2.3% (-0.31ppts y/y and +0.04ppts m/m).

Bank deposits increased by 15.8% y/y and reduced 0.8% m/m (exc. FX effect) to GEL 32.3bn (US\$ 10.0bn) in October 2020. Both, GEL and FX deposit growth slowed in October and deposit dollarization reached 62.2% (-1.66ppts y/y and +0.65ppts m/m).

NBG sold US\$ 46.6mn

On 25 November 2020, the NBG intervened on the FX market and sold US\$ 46.6mn out of offered US\$ 50mn to limit GEL volatility. This was 24th FX intervention YTD for a total sale of US\$ 823.4mn through FX auctions.

Loan and deposit dollarization



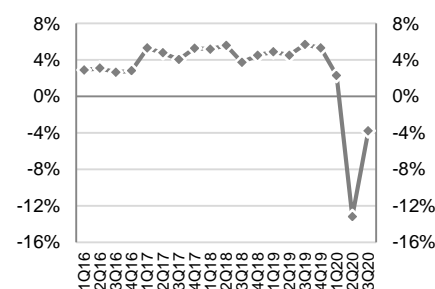
Source: NBG

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

Ease of Doing Business # 7 (Top 10)

Economic Freedom Index # 12 (mostly free)

Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB Stable Affirmed Aug-2020	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Aug-2020	Fitch Ratings BB Negative Affirmed Aug-2020
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 5-year GEL 80.0mn (US\$ 24.2mn) Benchmark Bonds were sold at the auction held at NBG on November 24, 2020. Total demand was c.2.0x higher and the weighted average yield was fixed at 8.265%, down by 0.023ppts from previous auction held in October, 2020. The nearest treasury security auction is scheduled for December 1, 2020, where GEL 70.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 6-month T-bills will be sold.

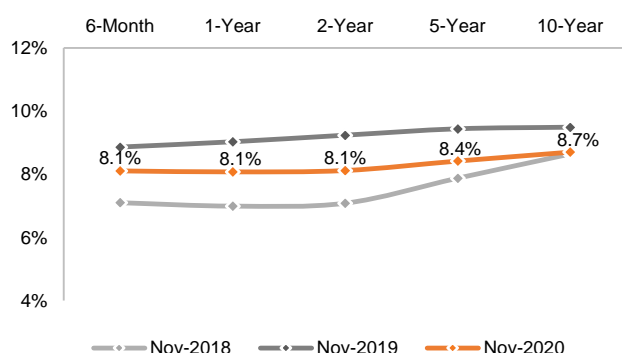
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	330	20	180
1-year	610	50	680
2-year	770	70	1,390
5-year	880	80	2,088
10-year	150	0	1,237
Total	2,740	220	5,575

Source: MoF

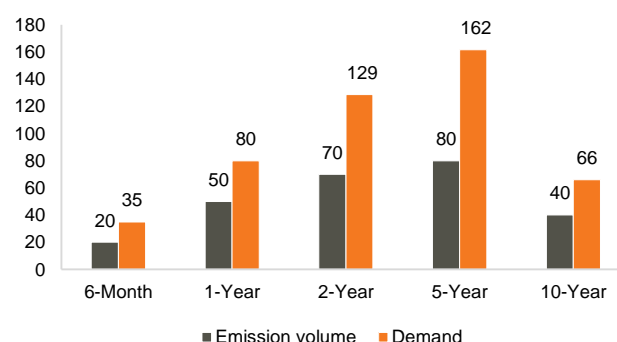
Note: * As of 31 October 2020

T-bills / T-notes, yield curve



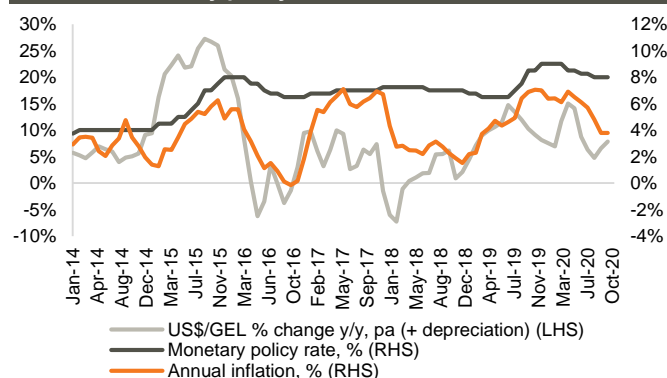
Source: NBG

Emission volume vs. demand on latest T-bill0ls / T-notes auctions, GEL mn



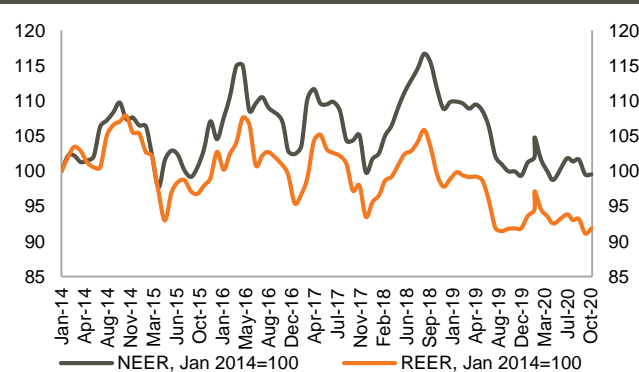
Source: NBG

Monetary policy rate, inflation and FX 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

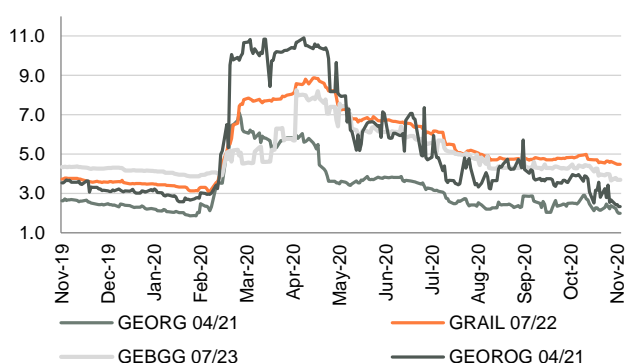
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.44% yield, trading at 106.45 (+0.49% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 99.73 (+0.26% w/w), yielding 6.21%.

GOGC Eurobonds (GEOROG) were trading at 101.86 (+0.16% w/w), yielding 2.08%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.97 (+0.12% w/w), yielding 4.51%.

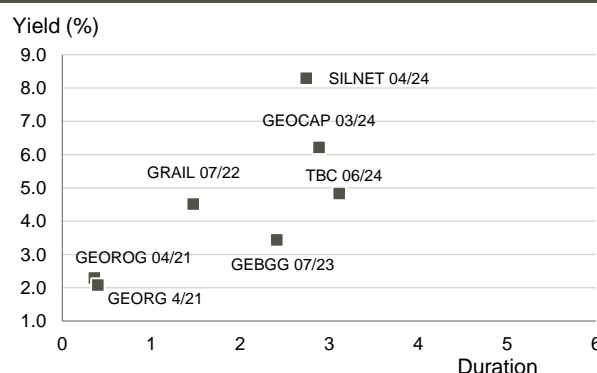
Georgian Sovereign Eurobonds (GEORG) closed at 101.65 (-0.06% w/w) at 2.29% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgian bonds performance

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB-/BB-/Ba2	101.65	2.29	204.85
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.97	4.51	427.36
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB-/-	101.86	2.08	184.00
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/-/Ba2	106.45	3.44	315.70
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	103.92	9.34	947.17
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	99.73	6.21	590.55
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.75	8.29	797.72
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/-/Ba2	102.96	4.83	450.67
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	100.92	9.84	1,013.10
GGU 07/25	US\$	250	7.750%	Jul-25	-B/-/-	101.15	7.45	705.05

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.53	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.86	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.98	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B/-/-	100.00	12.00	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/-B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/-/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/-BB-	n/a	n/a	n/a
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/-B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/-BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	13.25%	Sep-21	B-/-/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-BB	n/a	n/a	n/a

Source: Bloomberg



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Baa2	101.65	2.29	204.85
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.80	1.75	152.10
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	103.42	5.23	497.04
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.99	0.98	62.81
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.95	1.24	95.18
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	101.00	2.54	230.40
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.85	2.53	230.00

Source: Bloomberg



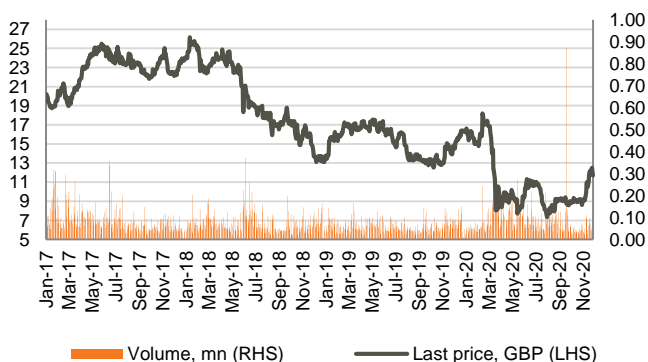
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 11.70/share (-2.82% w/w and +29.00% m/m). More than 355k shares traded in the range of GBP 11.42 - 12.86/share. Average daily traded volume was 62k in the last 4 weeks. The volume of BGEO shares traded was at 0.72% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 4.77/share (+4.27% w/w and +25.39% m/m). More than 243k shares traded in the range of GBP 4.48 - 4.94/share. Average daily traded volume was 64k in the last 4 weeks. The volume of CGEO shares traded was at 0.66% of its capitalization.

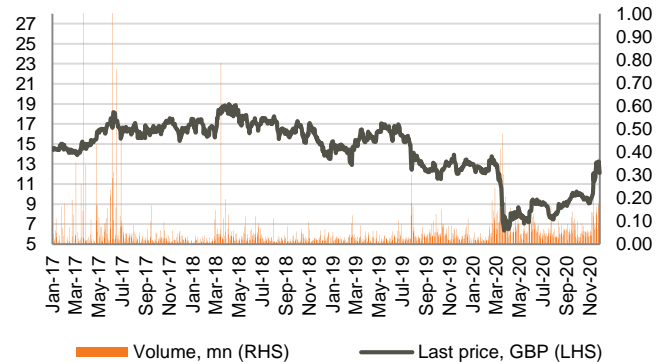
TBC Bank Group (TBCG LN) closed the week at GBP 12.12/share (-3.35% w/w and +28.80% m/m). More than 694k shares changed hands in the range of GBP 11.96 - 13.50/share. Average daily traded volume was 110k in the last 4 weeks. The volume of TBCG shares traded was at 1.26% of its capitalization.

Bank of Georgia Group (BGEO LN)



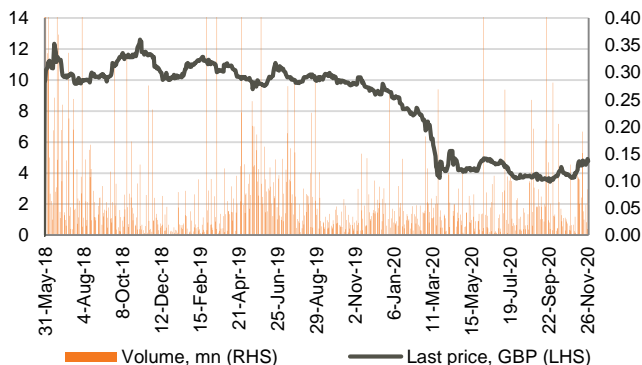
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Capital (CGEO LN)



Source: Bloomberg



Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	11.70	575	31.5%	-18.4%	-28.0%	9.37x	4.96x	0.97x	0.81x
TBC	TBC	GBP	12.12	667	59.5%	-2.6%	-6.8%	9.70x	5.75x	0.99x	0.86x
Halyk Bank	HSBK	US\$	11.60	3,409	18.4%	-14.7%	-13.1%	5.29x	4.41x	0.88x	0.87x
VTB Bank	VTBR	US\$	0.96	6,250	0.9%	-31.5%	-34.1%	7.44x	3.45x	0.36x	0.33x
Akbank	AKBNK	TRY	6.38	33,176	13.9%	-17.6%	-21.3%	5.75x	3.94x	0.56x	0.48x
Garanti	GARAN	TRY	9.18	38,556	20.2%	-8.5%	-17.6%	5.56x	4.02x	0.60x	0.51x
Isbank	ISCTR	TRY	6.80	30,600	39.6%	10.9%	6.1%	4.96x	3.58x	0.46x	0.41x
PKO	PKO	PLN	27.98	34,975	20.9%	-26.1%	-18.8%	12.20x	11.93x	0.79x	0.76x
PEKAO	PEO	PLN	59.34	15,575	7.1%	-42.6%	-40.9%	12.73x	11.54x	0.62x	0.61x
Millennium	MIL	PLN	2.84	3,445	-2.5%	-51.1%	-51.5%	9.88x	9.16x	0.38x	0.38x
Mbank	MBK	PLN	157.00	6,647	-24.4%	-58.1%	-59.7%	19.25x	14.16x	0.39x	0.39x
BRD	BRD	RON	13.32	9,283	10.6%	-12.9%	-15.9%	11.89x	12.00x	1.05x	1.11x
Banca Transilvania	TLV	RON	2.20	11,449	18.9%	-5.9%	-7.0%	12.35x	10.91x	1.57x	1.52x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	13.10x	12.06x	0.73x	0.68x
Komerční	KOMB	CZK	588.00	111,749	11.6%	-26.4%	-29.1%	14.07x	12.30x	0.99x	0.96x
Mean								10.24x	8.28x	0.76x	0.71x
Median								9.88x	9.16x	0.73x	0.68x

Source: Bloomberg, S&P Capital IQ

Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	4.77	175	10.4%	-49.3%	-48.3%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	13.00	355	-0.4%	-2.6%	-2.6%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.99	20,384	16.2%	10.0%	4.7%	4.63x	3.96x	0.57x	0.48x
Deutsche Beteiligungs	DBAN	EUR	33.50	504	15.9%	-17.6%	-15.1%	nmf	12.30x	1.16x	1.09x
Eurazeo	RF	EUR	52.25	4,115	16.1%	-15.7%	-14.3%	31.62x	8.63x	0.76x	0.71x
Carlyle Group	CG	USD	28.62	3,168	1.9%	-4.2%	-10.8%	4.95x	4.16x	4.50x	4.65x
Mean								13.73x	7.26x	1.75x	1.73x
Median								4.95x	6.40x	0.96x	0.90x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge