

Georgian Weekly Digest

21 July 2017 - 28 July 2017

Economy

The National Bank of Georgia (NBG) kept its policy rate unchanged at 7.0%.

The central bank noted that a spike in inflation in Q2 2017 was in line with initial forecasts and was mainly driven by one-off items such as increase in certain excise taxes. Annual CPI inflation in June 2017 was 7.1%, while NBG's inflation target for the year is 4.0%. The NBG expects a gradual decrease of annual inflation by the end of the year and convergence with its target in the first half of 2018.

Central bank also highlighted improvements in the underlying economic activity, including rise in export of goods and services, improved flow of remittances and resulting increase in consumption. Despite these improvements, NBG believes that the economic growth is still below the medium-term potential and therefore domestic demand growth does not create upward pressure on prices.

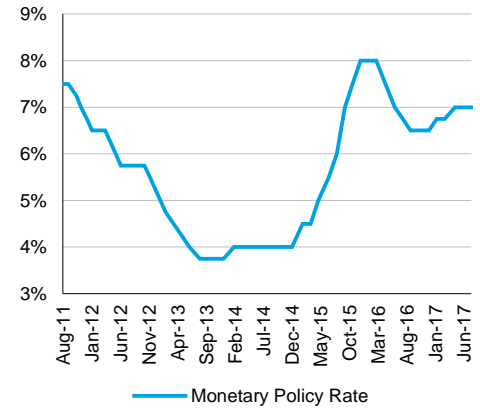
Commercial banks' loan portfolio increased 1.1% m/m to GEL 18.9bn in June 2017 according to the NBG (increased 1.6% m/m excluding exchange rate effect). GEL-denominated loans increased 3.4% m/m while foreign currency denominated loans increased 0.4% m/m (excluding exchange rate effect - increased 0.4% m/m). Larisation ratio for total loan portfolio stood at 41.01% in June 2017.

Non-banking deposits increased 2.8% m/m (increased 3.4% m/m excluding exchange rate effect) to GEL 16.8bn in June 2017. Larisation ratio for total deposits stood at 32.46% in June 2017. Average interest rate on GEL-denominated term deposits stood at 9.3% while average interest rate for foreign currency denominated term deposits was 3.7%. Out of foreign currency denominated deposits 84.1% were in US\$ and 11.7% were in EUR.

Debt and Money Market

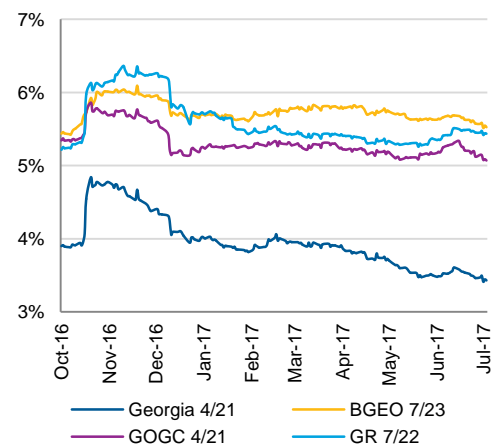
Eurobonds: during the week Georgia's Sovereign Eurobond (GEORG 4/21) price was up 0.1% w/w to 111.9 (YTM 3.4%). BGEO Group JSC (BGEOLN 7/23) price was up 0.2% w/w to 102.4 (YTM 5.5%), Georgian Oil & Gas Corporation (GEOROG 4/21) price was up 0.2% w/w to 105.6 (YTM 5.1%), while Georgian Railway (GRAIL 7/22) price was unchanged at w/w to 109.9 (YTM 5.4%).

Monetary policy rate, 2011-2016



Source: NBG

Eurobond yield performance



Source: Bloomberg

Equity Market

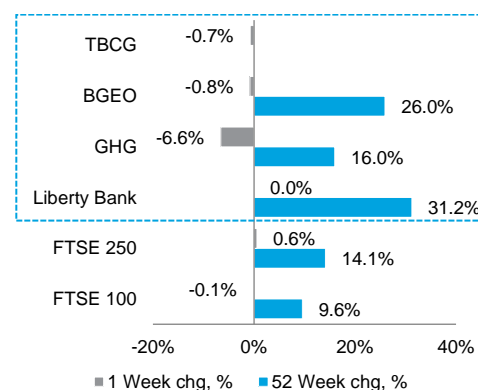
On Friday's trading session, **TBC Bank Group PLC (TBCG LN)** shares closed at GBP 16.15, down by 0.7% w/w. During the week 164.2 thousand shares traded on the London Stock Exchange.

During the week 252.5 thousand of **BGEO Group PLC (BGEO LN)** shares traded, closing at GBP 34.40 (down by 0.8% w/w) on Friday's trading session.

Georgia Healthcare Group PLC (GHG LN) shares were down 6.6% w/w closing at GBP 3.55 on Friday. During the week 42.7 thousand GHG shares changed hands on the LSE.

No trades were recorded on the **Georgian Stock Exchange**.

Georgian stock & index performance



Source: Bloomberg

Georgian Stock Performance

Name	Ccy	Mcap, mn	Price	Change			Multiples		
				1W	YTD	52W	12t P/E	12f P/E	P/B
TBC Bank	GBP	855	16.15	-0.7%	11.2%	n/a	8.41x	6.77x	1.70x
BGEO Group	GBP	1,356	34.40	-0.8%	15.3%	26.0%	9.86x	7.89x	1.86x
Georgia Healthcare Group	GBP	467	3.55	-6.6%	-0.6%	16.0%	28.73x	17.15x	2.94x
Liberty Bank	GEL	116	0.0210	0.0%	23.5%	31.2%	3.67x	n/a	0.93x

Source: Bloomberg, TBC Capital

Georgian and Eastern European Sovereign Eurobond Price Performance

Name	Size, mn	YTM (mid)	Price (mid)	Change			Key Parameters		
				1W	YTD	52W	Dur.	S&P/Moody's/Fitch	Z-Spread, bps
Georgia 6.875% 4/2021	500	3.4%	111.9	0.1%	1.8%	0.1%	3.3	BB-/Ba3/BB-	156
BGEO Group 6.00% 7/2023	350	5.5%	102.4	0.2%	1.8%	1.5%	5.1	-/B1/BB-	351
GOGC 6.75% 4/2021	250	5.1%	105.6	0.2%	0.9%	1.3%	3.3	B+/-/BB-	321
Georgian Railway 7.75% 7/2022	500	5.4%	109.9	0.0%	2.7%	-1.7%	4.2	B+/-/B+	348
Azerbaijan 4.75% 3/2024	1,250	4.4%	102.0	0.4%	2.3%	0.1%	5.7	-/BB+	233
Armenia 6% 9/2020	500	4.1%	105.6	0.3%	1.7%	2.7%	2.9	-/B1/B+	228
Belarus 8.95% 1/2018	800	3.2%	102.7	-0.1%	-1.4%	-2.1%	0.5	B-/Caa1/-	124
Kazakhstan 3.875% 10/2024	1,500	3.5%	102.6	0.4%	2.2%	1.2%	6.3	BBB-/Baa3/BBB	135
Romania 6.75% 2/2022	2,250	2.9%	116.2	-0.2%	1.9%	-2.9%	3.9	BBB-/Baa3/BBB-	104
Russia 5% 4/2020	3,500	2.7%	106.1	0.1%	-0.3%	-0.8%	2.6	BB+/Ba1/BBB-	94
Slovenia 5.5% 10/2022	823	2.5%	114.4	0.0%	3.4%	0.0%	4.6	A+/Baa3/A-	56
Turkey 5.625% 3/2021	2,000	3.3%	109.9	0.0%	2.1%	-1.0%	2.6	NR/Ba1/BB+	157

Source: Bloomberg

Contacts

TBC Capital

7 Marjanishvili Str., Tbilisi 0102, Georgia

Email: research@tbccapital.ge

Web-page: www.tbccapital.ge

Levan Shanidze

Co-Head, Director, TBC Capital

Email: LShanidze@tbccapital.ge

Tel: +995 32 2 272727 ext.6924

Avto Gigineishvili

Co-Head, Director, TBC Capital

Email: AGigineishvili@tbccapital.ge

Tel: +995 32 2 272727 ext.6925

Aleksandre Bluashvili

Economist, TBC Bank

Email: ablushvili@tbcbank.com.ge

Tel. +995 32 2 272727 ext.4188

Levan Gvilava

Senior Analyst, TBC Capital

Email: lg@tbccapital.ge

Tel. +995 32 2 272727 ext.1366

Visit our website at www.tbccapital.ge and subscribe to our weekly digest and research reports on Georgian economy and sectors

Disclaimer

The materials contained in this Digest have been prepared by LLC TBC Capital ("TBC Capital") solely for information purposes and have not been independently verified. No reliance should be placed on the accuracy, completeness or correctness of the information or the opinions contained in this Digest for any purposes whatsoever.

None of the TBC Capital or any of its shareholders, directors, officers, employees, affiliates, advisors and representatives accepts any liability for any loss arising from any use of this Digest or its contents or otherwise arising in connection therewith. Accordingly, no representation, warranty or undertaking, express or implied, is made or given by or on behalf of the TBC Capital or any of its shareholders, directors, officers, employees, affiliates, advisors and representatives as to the accuracy, completeness or correctness of the information or the opinions contained in this Digest. The information in this Digest is subject to verification, completion and change.

The information, statements and opinions contained in this Digest do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments. Information in this Digest relating to the price, at which investments have been bought or sold in the past, or yield on such investments, cannot be relied upon as a guide to the future performance of such investments.

The information in this Digest shall not be reproduced, copied, distributed or published in whole or in part without prior written consent of TBC Capital.

The Digest may contain forward-looking statements, developments in the Georgian economic, political and legal environment, financial risk management and the impact of general business and global economic conditions. None of the future projections, expectations, estimates or prospects in this Digest should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects are based are accurate or exhaustive or, in the case of assumptions, entirely covered in this Digest. These forward-looking statements speak only as of the date they are made and subject to compliance with applicable law and regulations TBC Capital expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in the Digest to reflect actual results, changes in assumptions or changes in factors affecting those statements.