



Banking Sector - June, 2015

Economic Outlook and Indicators

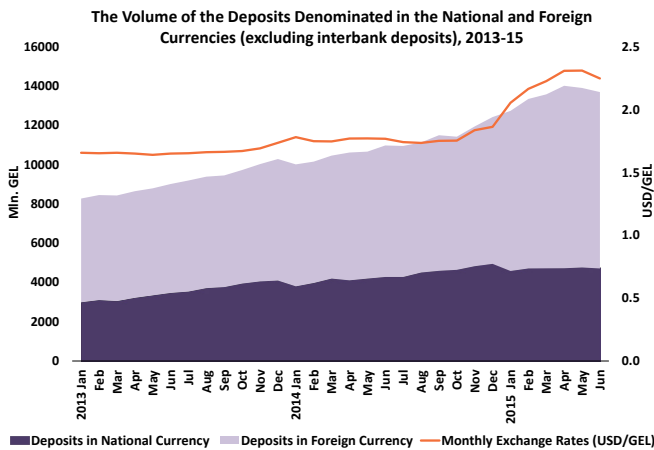
Delivering the Progress

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In June 2015, compared to the corresponding period in 2014:

- The volume of deposits increased (24.8 %; 2 719.5 mln GEL), as well as increased the volume of loans to the national economy (32.6 %; 3 664.7 mln. GEL). Considering the effect of foreign exchange rate, the volume of deposits increased by 7.3 % and the volume of loans to the national economy - by 14.7 %.
- Considering the effect of foreign exchange rate, the share of the deposits denominated in foreign currency decreased by 1.0 % point, while the share of the loans denominated in foreign currency decreased by 2.4 % point.

In January-June 2015, compared to the corresponding period in 2014, the total profit of commercial banks increased by 26.3 % and equals to 243 mln. GEL.



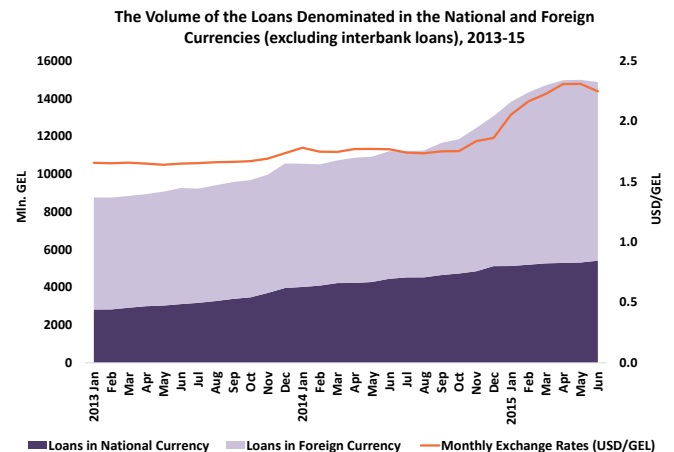
In 2015, the total volume of deposits (excluding interbank deposits) recorded 13 698.3 mln. GEL, which exceeds by 24.8 % the corresponding indicator in 2014. The volume of the deposits denominated in national currency increased by 10.1%. The volume of the deposits denominated in foreign currency in USD increased by 5.6 %, while in GEL - by 34.1 %. This difference is due to the fluctuation of the foreign exchange rate.

In June 2015, the average interest rate on the deposits denominated in the foreign currency is 4.5 %, which is lower (-0.8 % points) than the indicator of June 2014. In this period, the average interest rate on the deposits denominated in the national currency also decreased (-0.8% point) and equals to 7.7 %, but after tightening the monetary politics, it's expected the average interest rate on the deposits denominated in the national currency to increase.

Source: National Bank of Georgia

In June 2015, the volume of loans to the economy (excluding interbank loans) recorded 14 884.8 mln. GEL, which exceeds by 32.6 % the corresponding indicator in June 2014. The volume of the loans denominated in national currency increased by 21.5 %. The volume of the loans denominated in foreign currency in USD increased by 10.2 %, while in GEL - by 40.0 %. This difference is due to the fluctuation of the foreign exchange rate.

In June 2015, the average interest rate on the loans denominated in foreign currency is 11.5 %, which is the same as the indicator of June 2014. In this period, the average interest rate on the loans denominated in national currency declined (-0.8 % point) and recorded 18.4 %.

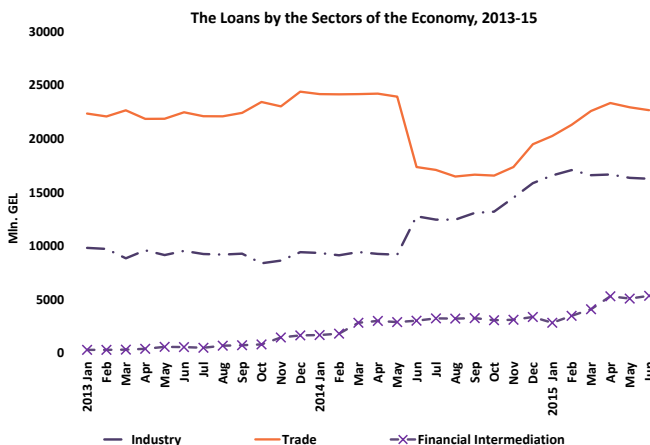


Source: National Bank of Georgia

In June 2015, the largest sectors by the volume of the loans to the economy are trade (31.1%), industry (22.3%) and financial intermediation (7.3%).

In this period, the volume of the loans to the trade sector increased significantly (30.5%; 530.5 mln. GEL) compared to June 2014.

The volume of the loans to the industry (27.4%; 350.6 mln. GEL) and financial intermediation (77.4%; 233.4 mln. GEL) also increased.



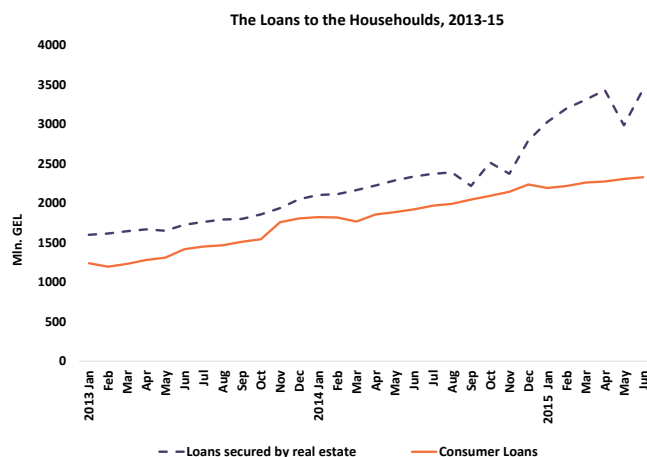
Source: National Bank of Georgia

In June 2015, the largest share in the household loans have consumer loans (34.2 %) and the loans secured by the real estates (50.4 %).

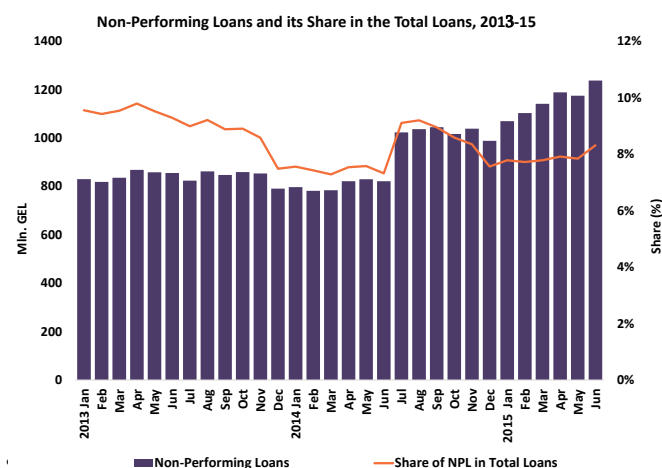
81.2% of the consumer loans is denominated in national currency, while 18.8 % - in foreign currency. The loans secured by the real estates has a different structure, 76.6% is denominated in foreign currency, while 23.4 % - in national currency.

In June 2015, the volume of the consumer loans increased by 21.2 %, Considering the effect of foreign exchange rate the growth equals to 16.4 %.

In this period, the volume of the loans secured by real estate increased by 47.1 % but considering the effect of currency exchange rate the growth equals to 23.1%.



Source: National Bank of Georgia



The quality of the credit portfolio of the commercial banks is determined by share of the non-performing loans and the share of the overdue loans in the total loans.

In June 2015, the volume of the non-performing loans (NPL) increased significantly (50.6%, 415.7 mln. GEL) compared to June 2014 and recorded 1 237.4 mln. GEL. The share of NPL in the total loans also increased (1 % point) and recorded 8.3%. Fluctuations in the foreign exchange rate jeopardized the quality of credit portfolio. In this period, the reserves of NPL covers the 44 % of the non-performing loans.

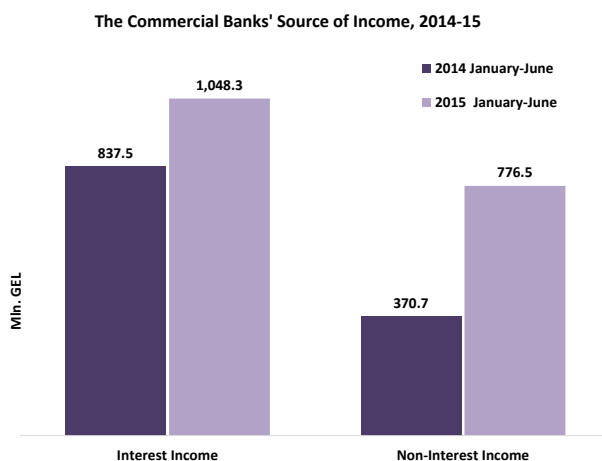
In June 2015, the volume of the overdue loans also increased (29.8 %, 73.6 mln. GEL), but the share of this indicator in the total loans is not change and equals 2.2%.

In January-June 2015, the income of the commercial banks increased significantly (51.0%, 616.5 mln. GEL) compared to the corresponding period of 2014. The interest income increased (25.2%, 210.7 mln. GEL), as well as increased non-interest income (109.5%, 405.8 mln. GEL).

In this period, the largest growth in the interest income category have the income from loans to individuals (22.9%; 104.1 mln. GEL) and legal entities (26.1%; 80.8 mln. GEL).

The largest growth in the non-interest income category have the income from securities trading (3.1 times; 7.7 mln. GEL) and other non-interest income (3.3 times; 418.5 mln. GEL), which includes dividends received, profit/loss from re-evaluation the currency resources, profit/loss from property sale and other income received from bank operations.

It should be noted, that in this period, the commercial banks' net gains from the currency conversion operations is 44.9 mln. GEL, which is less (-20.8%; -11.8 mln. GEL) than the corresponding indicator in 2014.



Source: National Bank of Georgia

Basic Economic Indicators	2012	2013	I 2014*	II 2014*	III 2014*	IV 2014*	2014*	I 2015*
Nominal GDP (mln USD)	15846.8	16139.9	3605.3	4064.1	4320.4	4527.8	16528.5	3298.9
Per capita GDP (USD)	3523.4	3599.6	802.9	905.0	962.1	1 008,3	3680.8	884.5
GDP real growth (%)	6.4%	3.3%	7.2%	5.2%	5.6%	1.8%	4.8%	3.2%
Consumer Price Index (annual average)	99.1	99.5					103.1	
Foreign Direct Investment (USD)	911.6	941.9	265.3*	150.5*	507.5*	349.2*	1 272.5*	175.3
Unemployment Rate (%)	15%	14.6%					12.4%	
External Public Debt (mln USD)	4739	4202		4082				
Poverty level (registered)	9.7%	9.7%					11.6%	

Source: National Statistics Office of Georgia
Ministry of Finance of Georgia
National Bank of Georgia

* Forecasted