

**German Economic Team Georgia - Press release**

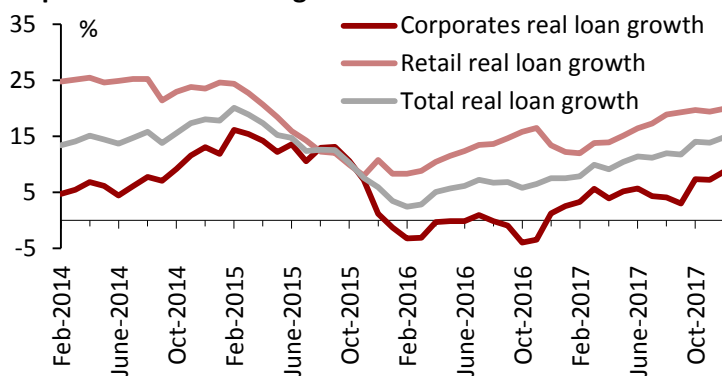
**Banking sector assessment reveals strengths and also identifies key challenges in market development**

The German Economic Team Georgia today presented its annual banking sector monitor. This product is consistently done in several countries in the region, and revealed that the sector is a major asset in the investment environment.

Key findings are:

- The banking sector has further consolidated. Declining margins in lending and improving efficiency in the sector suggest competition is working well.
- Corporate governance practice is underpinned by the foreign listings of the two largest banks. The government should further strengthen the local law in this regard.
- The system has withstood well the fluctuations in the exchange rate, and ample buffers in banks' capital ratios are reassuring.
- Access to credit is good overall, even though growth in credit to SMEs has not kept pace with that observed in retail lending.

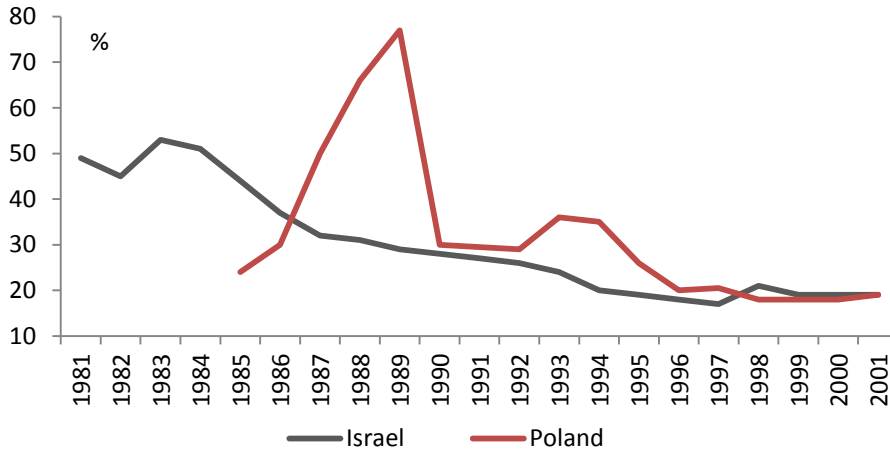
**Corporate vs retail loan growth**



Dr. Ricardo Giucci, Leader of GET Georgia said:

*“With the introduction of the inflation targeting regime the National Bank has laid the foundation for a gradual reduction in the country’s use of foreign currency in the financial system. The recently announced regulatory measures will further support this process. The experience from other emerging markets underlines that this takes time, and that the development of local currency capital markets is also essential.”*

### Deposit dollarisation ratio in Israel and Poland



Dr. Alexander Lehmann, Financial Sector Expert added:

*“Over the coming years Georgia is committed to converge to the EU regime in financial services. This is a major regulatory upgrade that will reassure international investors. But the market is still young, and financial stability concerns need to be balanced against the need to have a conducive environment for market development”.*

**About the German Economic Team Georgia:** The German Economic Team advises the Government of Georgia on economic policy issues since 2014. It is funded by the German Federal Ministry for Economic Affairs and Energy and implemented by the consulting firm Berlin Economics.