



Dynamic Banking Sector

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- The economic reforms undertaken in the last five years and the progress made in the economic development of Georgia have brought about a considerable improvement in the health of banks and financial institutions in Georgia. Banking is a dominant and one of the fastest growing sectors of the Georgian economy, the share of the banking assets amounted to 42% of the GDP in 2007, and it is expected to reach 60% by the end of 2009.
- The sector has made a marked improvement in the liberalization period in relation to capital adequacy, profitability, asset quality and risk management. Liberal regulations have opened doors for already existing commercial banks and for potential foreign investors to increase revenues by entering into investment banking, insurance, credit cards, depository services, mortgages and securitization.
- The development of the financial sector was largely determined by the country's sustainable macroeconomic development, foreign debt stability and strong financial performance. During the last five years, the number of banking customers has increased very rapidly, with deposits by individuals and companies increasing by 25-35% a year. Banks are experiencing an average return on assets of 3-5% and return on investments of 14-18%.
- Since 2003, Georgia has implemented liberal regulations in order to secure financial stability of the local commercial banks and to promote Georgian banking sector as the favorable investment destination. Favorable bank reforms have increased the interest of large foreign banks in the Georgian banking market. Alone in 2007 three new banks opened in Georgia and in the last three quarters of the same year the foreign direct investment in the banking sector amounted to USD 119 million.
- In July 2007, HSBC obtained an operating license from the National Bank of Georgia. In March 2006 Group "Societe Generale" acquired the controlling stake in Bank Republic. In October 2005, Kazakh bank Turan Alem, one of the largest banks in the CIS acquired the controlling stake in Silk Road Bank. In January 2005, VTB bank of Russia acquired 51% of shares of United Georgian Bank, one of the top three banks in Georgia. In addition, subsidiaries and branches of commercial banks from Greece, Turkey, Azerbaijan and Germany are operating in the Georgian market.

