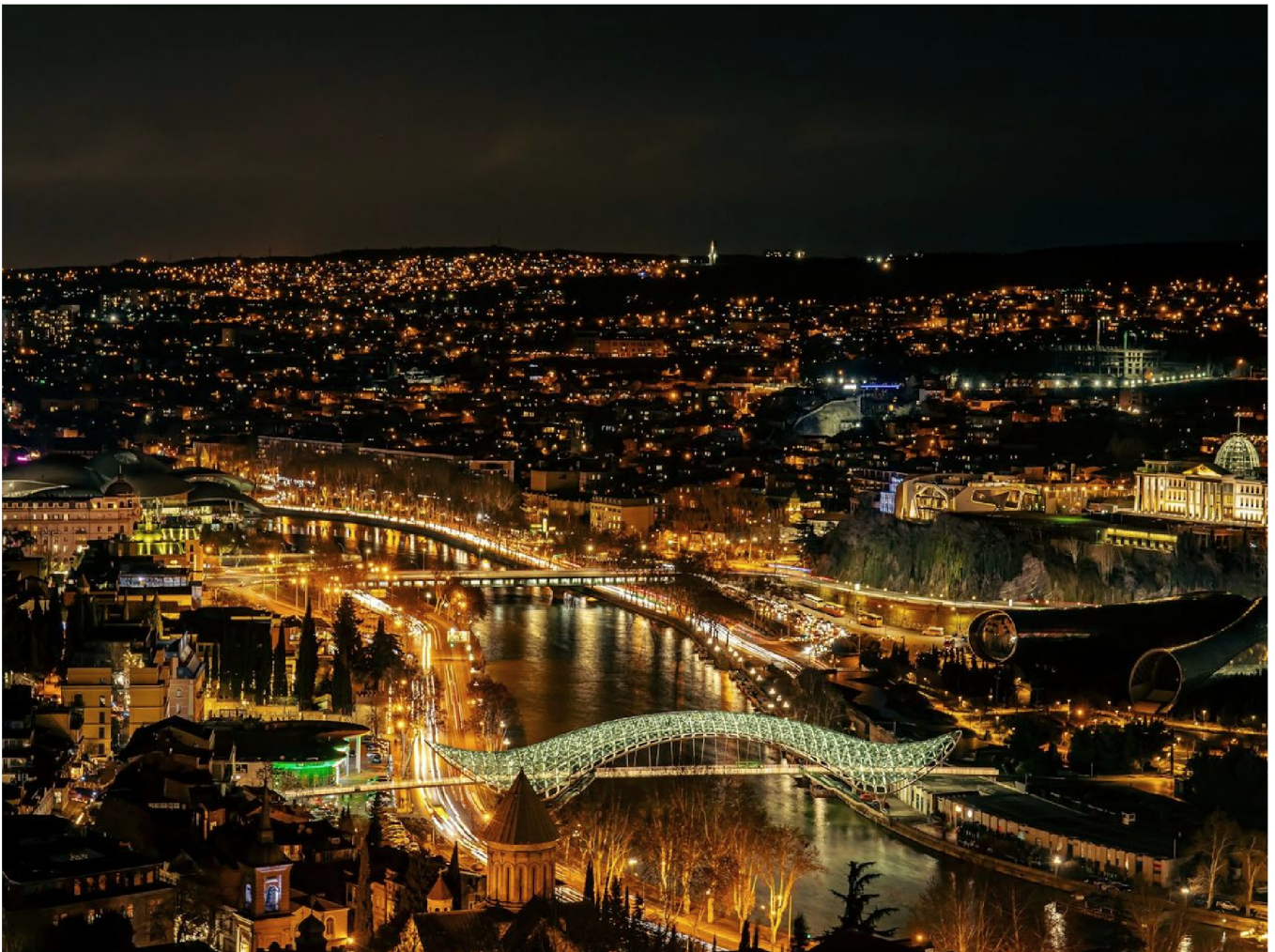


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Georgia's Capital Markets: A Banking System with a Stock Exchange Attached

Georgian finance is two very profitable banks, a local bond market that has started to work, and an equity market that exists mainly in London.

By William Shalva Maisashvili · 10 min read



Tbilisi. Photo by Viktor Solomonik, Unsplash

KEY POINTS

- 1 Bank assets were about 103% of GDP at the end of 2025. Listed corporate bonds were 2.6% of GDP and the equity of the two companies admitted to trading on the Georgian Stock Exchange was 0.6%.
- 2 Georgia's investable equity sits in London. Lion Finance Group, which joined the FTSE 100 in March 2026, TBC Bank Group and Georgia Capital were together worth more than GBP 9bn at 2026 market prices, against roughly USD 234m for the Tbilisi exchange at the end of 2025.
- 3 The lari bond market is where change is happening: record corporate issuance of GEL 1.58bn in 2025 and the government's first syndicated lari bond, GEL 400m, in May 2026.
- 4 Dollarisation has fallen but remains high. Credit dollarisation fell from 55.7% in 2020 to 42.4% in 2025, and political shocks still push depositors back into dollars.
- 5 Sovereign metrics have improved despite the political break with the EU. The main risks for foreign holders of Georgian bank equity are institutional rather than financial.

A system built on two banks

Georgia's financial system is well capitalised and profitable, and almost all of it sits inside commercial banks. At the end of 2025, bank assets were about 103% of GDP, according to the National Bank of Georgia (NBG). Banks held 90% of all financial-sector assets. That share was 95% at its 2019 peak, and the NBG attributes the decline to the growth of the state pension fund, not to capital markets taking business from the banks.

The banking system is also highly concentrated. KPMG Georgia's analysis of NBG data put Bank of Georgia's share of sector assets at 39.5% and TBC Bank's at 37.9% at the end of June 2025: together 77.3%, with a Herfindahl-Hirschman index of 2,989, well inside the range competition authorities treat as highly concentrated. Press reports of NBG loan data for 2026 show the same picture, with the two banks holding about three-quarters of the system's loans. At 1 June 2026 the third-largest lender, Liberty Bank, had a loan portfolio about one-sixth the size of either, according to GBC.

103%

Commercial bank assets as a share of GDP

NBG · end-2025

2.6%

Listed corporate bonds outstanding as a share of GDP

NBG · end-2025

0.6%

Market value of companies admitted to trading on the Georgian Stock Exchange, share of GDP

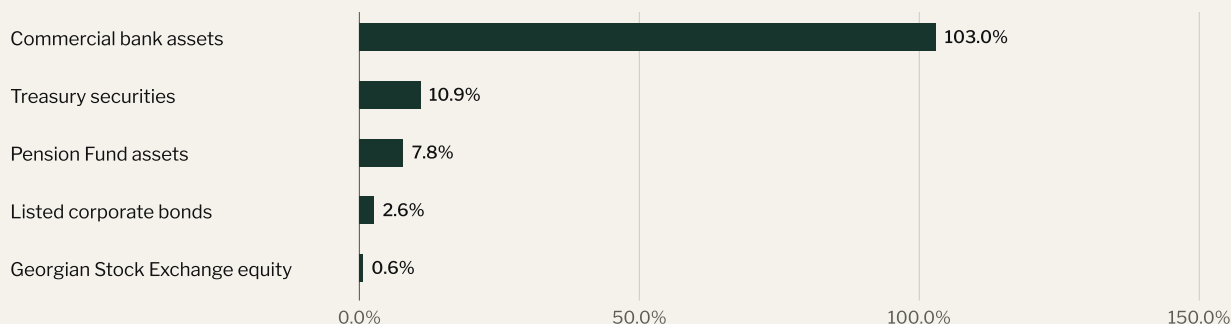
NBG · end-2025

Concentration has not produced weak banks. The sector's return on equity was 22.3% in 2025, according to the NBG, and 22.8% in March 2026, according to the IMF, with a capital adequacy ratio of 22.4% and non-performing loans of 2.5%. Lion Finance Group, the London-listed parent of Bank of Georgia, reported a 2025 return on average equity of 32.0% in its Georgian business. TBC reported 24.3% for Georgia in the second quarter of 2026. Returns of this level, at this level of capitalisation, are high by the standards of any banking system.

For investors, this is the starting point. Georgian finance is not an underdeveloped system waiting for capital markets to arrive. It is a mature, profitable banking duopoly that intermediates almost all domestic savings, and any capital-market development happens inside that structure.

Georgian finance is almost entirely bank balance sheets

Size of each market as a share of GDP, %, end-2025



Source: National Bank of Georgia, Capital Market Overview Q4 2025; Geostat. Pension Fund share is a CIG calculation (GEL 8.2bn assets ÷ GEL 104.6bn GDP).

The stock exchange: two companies

The Georgian Stock Exchange (GSE) was founded in 1999 with USAID support. At the end of 2025, the NBG reported, two companies were admitted to trading with a combined market value of GEL 631m (USD 234m), or 0.6% of GDP. In practice, there is no domestic equity market of any depth.

Georgian equity exists, but it trades in London. Lion Finance Group joined the FTSE 100 after the close on 20 March 2026, the first Georgian company in the index. At 7 October 2026 its market value was about GBP 5.5bn. TBC Bank Group was valued at about GBP 2.7bn in mid-August and Georgia Capital, the investment holding company whose portfolio included 16.9% of Lion Finance at the end of 2025, at about GBP 1.25bn in late July. Even allowing for Georgia Capital's holding in Lion Finance and for Lion Finance's Armenian subsidiary, the London-listed Georgian companies are worth several dozen times everything listed in Tbilisi.

This has a practical consequence. The price of Georgian equity risk is set by London institutional investors, under UK listing rules and UK and US sanctions compliance, not by Georgian savers. Lion Finance's market value rose from GBP 783m at the end of 2021 to GBP 3.96bn at the end of 2025 (StockAnalysis data), a rerating driven by earnings, buybacks and the 2024 acquisition of Ameriabank in Armenia, none of which involved the domestic exchange.

Georgia's equity market is priced in London. The local exchange is a footnote to it.
CIG view

The NBG is open about the gap. Its own capital-market overview estimates that the corporate bond market “should be” about 30 times its current size relative to the economy, and that the optimal stock of government securities would be about 44% of GDP against 11% today. Those are the central bank’s estimates, not CIG’s, but they show how far the authorities think the market is from its potential.

The lari bond market has started to work

The more interesting story is in debt. Listed corporate bonds outstanding rose to GEL 2.7bn at the end of 2025, up 33.3% in a year, from 46 issuers. Issuance reached a record GEL 1.58bn in 2025, according to the NBG, of which 66% was in lari and 79% came from rated issuers. Fourteen companies issued bonds for the first time. The largest 2025 deals included GEL 350m from Georgian Healthcare Group, GEL 260m from Tegeta Motors and GEL 200m from Rico Express.

The government’s own market moved in the same direction. In May 2026 the Ministry of Finance sold its first syndicated lari bond, GEL 400m maturing in April 2032 with a 9.00% coupon, against orders of about GEL 1.8bn, as reported by Interfax. The previous largest single lari government issue had been about GEL 110m. Treasury securities outstanding were GEL 11.4bn, or 10.9% of GDP, at the end of 2025.

International financial institutions remain a large part of the market. IFI bonds issued in lari, mainly by development banks lending into the local economy, totalled GEL 3.07bn at the end of 2025, more than the entire listed corporate stock.

Three features limit how far this should be read as a mature market.

The first is who buys. Banks held 71% of lari Treasury securities at the end of 2025, the pension fund 12%, the NBG 11% and non-residents 3%. The pension fund itself held more than half of its assets in bank deposits and certificates of deposit, according to the NBG. The bond market therefore recycles bank liquidity as much as it creates a new source of funding. Until there is more institutional demand outside the banks, bond issuance will move with bank balance sheets.

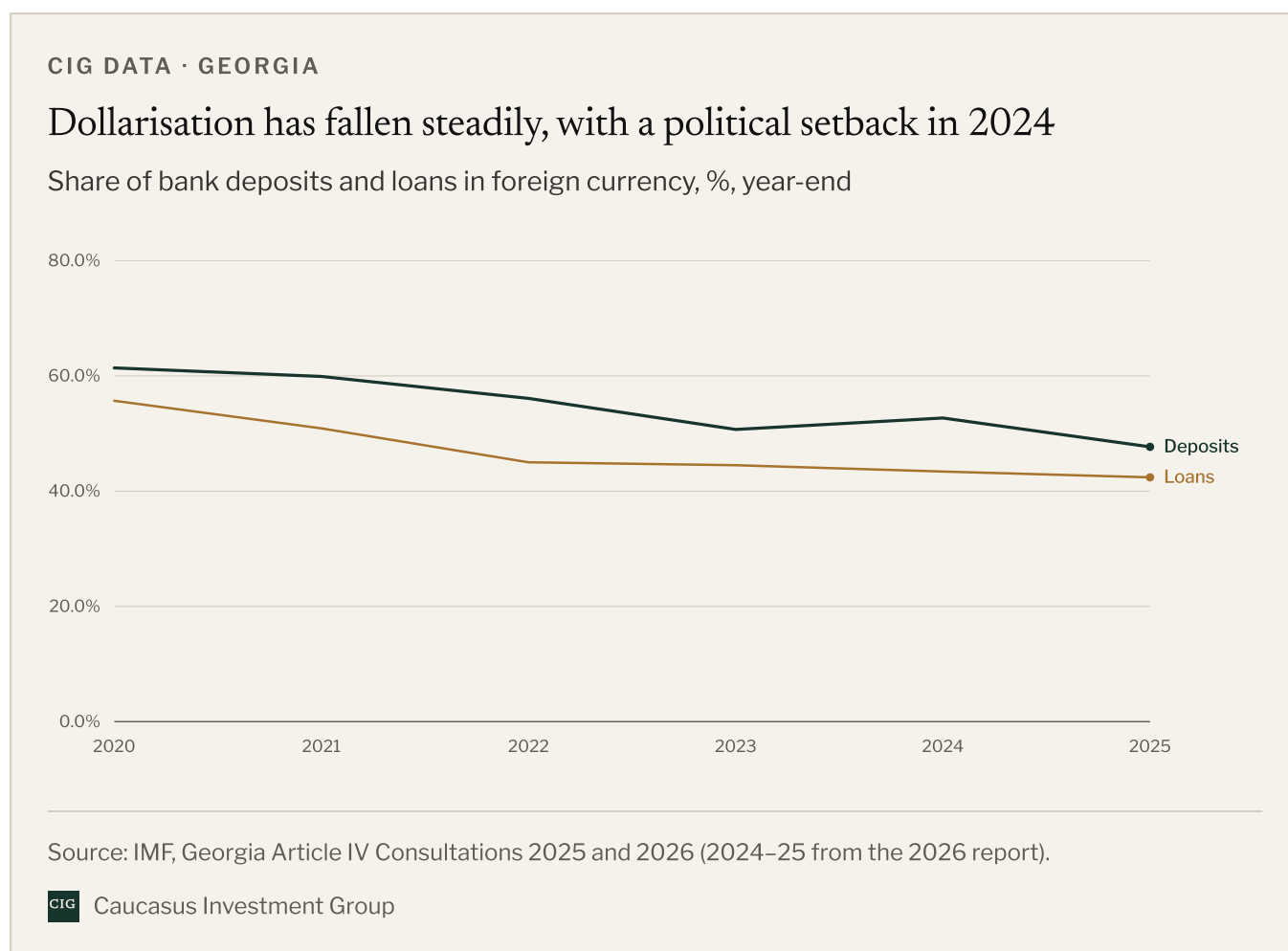
The second is liquidity. The NBG reports annual secondary-market turnover of 1% to 3% of the outstanding stock for Treasuries and 1% to 2% for lari corporate bonds. These are hold-to-maturity instruments in practice.

The third is the role of the state and the banks. Enterprise Georgia, the government’s business support agency, supported GEL 668m, or 42% of new corporate issuance, in 2025. The two large banks’ investment-banking arms led the first syndicated lari Treasury bond and are prominent arrangers of

local deals. A market in which the dominant lenders are also leading arrangers will grow alongside the banks, not as competition to them.

Dollarisation: lower, still structural

Dollarisation is the old constraint on Georgian finance. It has eased steadily. According to IMF data, the share of loans in foreign currency fell from 55.7% at the end of 2020 to 42.4% at the end of 2025, and the share of deposits from 61.4% to 47.7%. The NBG has supported this with prudential rules, including, as reported by Kursiv, raising the minimum size of loan that may be issued in foreign currency from GEL 400,000 to GEL 750,000 in August 2025.



The trend has not been smooth. Deposit dollarisation rose from 50.7% in 2023 to 52.7% in 2024, the year of the foreign-agent law, the disputed October election and the government's November decision to take EU accession talks off the agenda. The lari fell around 4% in November 2024 alone, and NBG reserves fell by a record USD 627m in October 2024, reported at the time by JAMnews. Georgian savers still move into dollars quickly when politics turns. Corporate lending remains around two-thirds in foreign currency, according to press reports of NBG data. A full lari yield curve depends on that changing.

The sovereign has recovered faster than the politics

Since 2024 Georgia's political relationship with the West has deteriorated sharply. The government said it would not pursue EU accession talks until 2028, the European Commission describes the process as on hold, the United States placed the ruling party's founder, Bidzina Ivanishvili, on its sanctions list in December 2024, and the EU suspended visa-free travel for Georgian officials in January 2025.

The macroeconomic data have moved in the opposite direction. Real GDP grew 9.7% in 2024 and 7.5% in 2025, according to Geostat. The current-account deficit fell to 2.6% of GDP in 2025, historically low according to the NBG. International reserves recovered from USD 4.08bn in October 2024 to USD 6.16bn at the end of 2025 and a record USD 6.65bn in February 2026, before easing to USD 6.4bn at the end of April. The NBG bought a net USD 2.1bn of foreign currency in the first half of 2026, according to S&P. Public debt was 34.3% of GDP in 2025, according to the IMF.

5.125%

Coupon on Georgia's USD 500m five-year Eurobond, priced January 2026

Ministry of Finance via Interfax

USD 6.65bn

NBG international reserves at their record high

NBG · February 2026

BB, positive

S&P sovereign rating and outlook

S&P · August 2026

Markets and rating agencies have followed the numbers. In January 2026 the government pre-financed its USD 500m 2026 Eurobond, buying back about USD 394m of it through a tender and issuing a new five-year USD 500m bond at 5.125%, inside initial guidance of 5.375%. S&P raised its outlook on Georgia's BB rating to positive in August 2026. Fitch, which had moved its outlook to negative, returned it to stable in November 2025, citing the recovery in reserves.

The policy rate stands at 8.25% after a 25 basis point increase in May 2026, which the NBG attributed to an energy-price shock linked to the Middle East. Annual inflation was 5.6% in August 2026, above the 3% target. With a real policy rate still positive and the lari supported by reserves, real lari yields are positive, which partly explains why lari bonds have found buyers.

The institutional risk

The risk for foreign holders of Georgian financial assets is less in the balance sheets than in the institutions around them.

The clearest example came in September 2023. After the United States sanctioned Georgia's former prosecutor general, the NBG first froze his accounts, then amended its own rule so that foreign sanctions would apply to Georgian citizens only after a final conviction in a Georgian court. Three of the NBG's four vice-governors resigned. The NBG restated the rule in 2024 after further US designations. TBC and Bank of Georgia, both listed in London, said they would continue to comply with US and UK sanctions.

This creates a potential gap between what a domestic regulator permits and what a London-listed bank must do. It has not yet produced a direct conflict, and both banks continue to report strong results. But it is the main non-financial risk for anyone holding Georgian bank equity or debt, because it sits outside anything the banks can manage themselves. The IMF has said that 2023 changes to the NBG law were inconsistent with its safeguards recommendations and describes reform of the central bank's governance as essential.

Investment implications

The thesis for Georgian finance is clear and somewhat unusual. The listed banks are the market, so exposure to Georgian financial deepening is exposure to Lion Finance and TBC. Their returns depend on the duopoly persisting, credit growing at roughly 14% a year as it did in 2025, and the sovereign staying stable. The bond market is opening a second route, mainly for local institutions and IFIs, and lari bond yields of around 11% to 12% for corporates in 2025, as reported by CBW, offer real returns above inflation for those who can hold to maturity.

What would change the picture? A domestic equity listing of any size would be the clearest signal that the GSE can attract issuers. A pension-fund mandate allowing meaningful local equity investment would create demand. Continued lari issuance by the government at longer maturities would anchor a yield curve. On the downside, a renewed political shock that drives deposits back into dollars, or a direct clash between Georgian sanctions rules and the London-listed banks' obligations, would hit the one part of the market foreign capital owns.

Georgia's financial system is better than its capital markets suggest. The question for the next five years is whether the profits of the banks can be matched by depth outside them.

DISCLOSURES

The authors have no relationships with the entities discussed in this publication.

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METHODOLOGY

Shares of GDP use Geostat's preliminary 2025 nominal GDP of GEL 104.6bn. The Pension Fund's share of GDP is a CIG calculation. London market capitalisations are taken on different dates and are given in sterling; the Tbilisi figure is the NBG's end-2025 value. Market shares of individual banks come from KPMG Georgia and press reports of NBG data, not directly from NBG tables.

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