



საქართველოს ეროვნული ბანკი
National Bank of Georgia

Overview of Georgian Capital Market

Capital Market Supervision
Department

Capital Market Development and Research
Division

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Definitions

BIS	-----	Bank of International Settlements
EBRD	-----	European Bank of Reconstruction and Development
IFI	-----	International Financial Institutions
NBG	-----	National Bank of Georgia
GSE	-----	Georgian Stock Exchange
MOF	-----	Ministry of Finance of Georgia

GEORGIAN CAPITAL MARKET

LOCAL TREASURY BOND MARKET¹

ACTIVE TREASURY BOND MARKET IS ESSENTIAL FOR THE DEVELOPMENT OF THE CORPORATE BOND MARKET:

The treasury bond yield curve serves as a key benchmark for pricing corporate bonds.

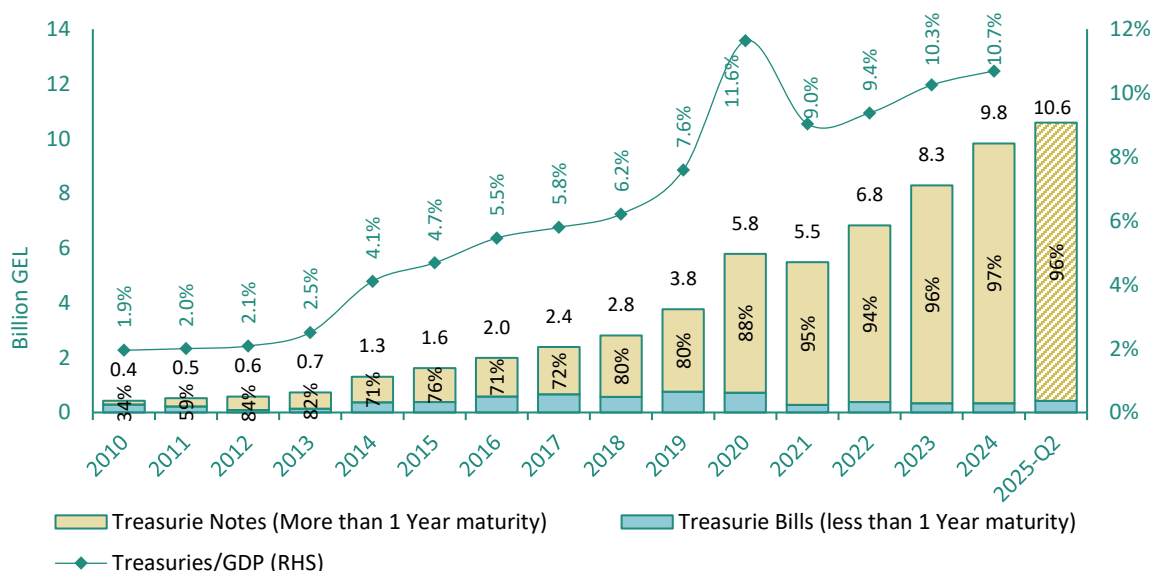
As the least risky securities in the country, treasury bonds are usually a primary financial alternative for investors, after bank deposits.

Generally, treasury bonds are the first to develop as an investment alternative, followed by the subsequent allocation of investor savings into riskier assets, such as the corporate bond market.

TREASURY BONDS HAVE BEEN ACTIVELY ISSUED IN THE GEORGIAN MARKET SINCE 2009, AND THEIR TOTAL VOLUME IS EXPANDING AT A SIGNIFICANT PACE THEREAFTER:

However, in relation to GDP, the market size still remains relatively small - 10.7% at the end of 2024 (See Figure).

FIGURE 1: Local Treasury Bond Market, Outstanding



Sources: NBG, MOF

¹ Under this heading, only treasury bonds and bills issued in GEL on the local market are presented, excluding the \$500 million Eurobond issued abroad.

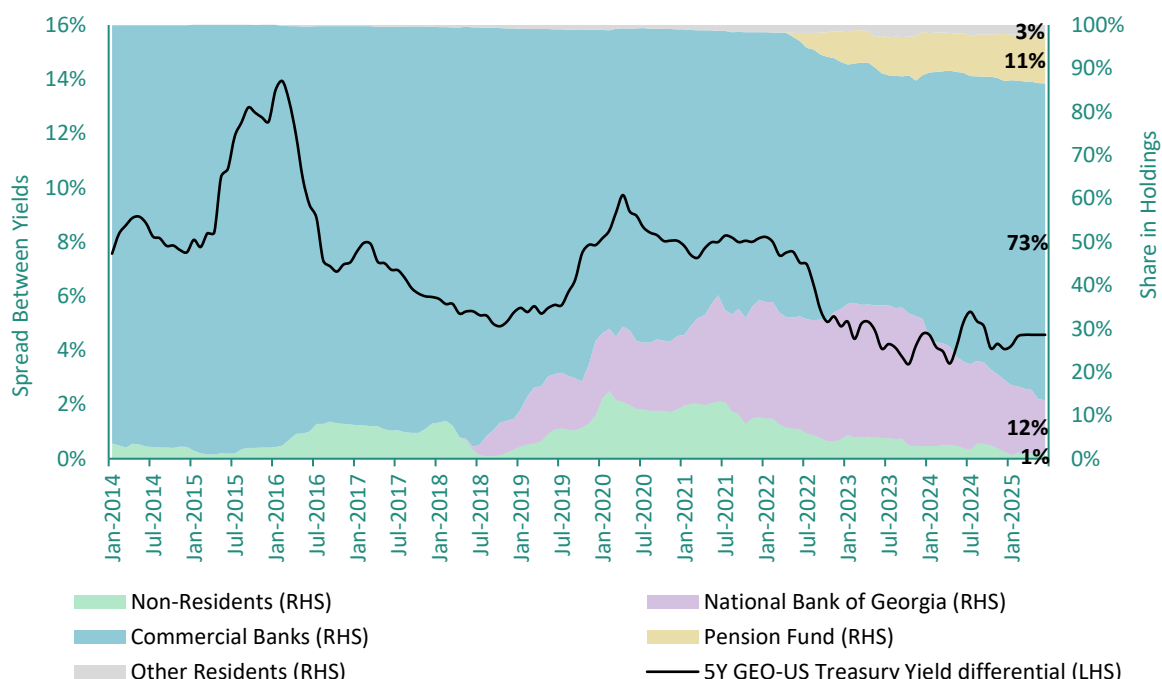
THE OWNERSHIP STRUCTURE OF TREASURY BONDS IS PRIMARILY COMPOSED OF INSTITUTIONAL INVESTORS, WITH A RECENT DECLINE IN THE SHARE HELD BY NON-RESIDENT INVESTORS:

The majority of treasury bonds are held by commercial banks, the National Bank of Georgia², and the Pension Agency of Georgia - who typically prefer to hold these bonds until maturity (See Figure 2). As a result, trading activity in the secondary market is limited.

Consequently, these factors somewhat impede treasury bonds' capacity to effectively serve as a benchmark for the market valuation of corporate bonds.

A decline in the share of non-resident holders is also observed, which could largely be attributed to the narrowing yield differential between Georgian and U.S. treasury bonds of comparable maturities

FIGURE 2: Holders of Local Treasury Bonds



Sources: NBG, MOF

² From 2018 to 2023, the National Bank undertook the purchase of treasury bonds on the secondary market as part of its open market operations; however, these activities are currently suspended.

LOCAL NON-GOVERNMENT BOND MARKET

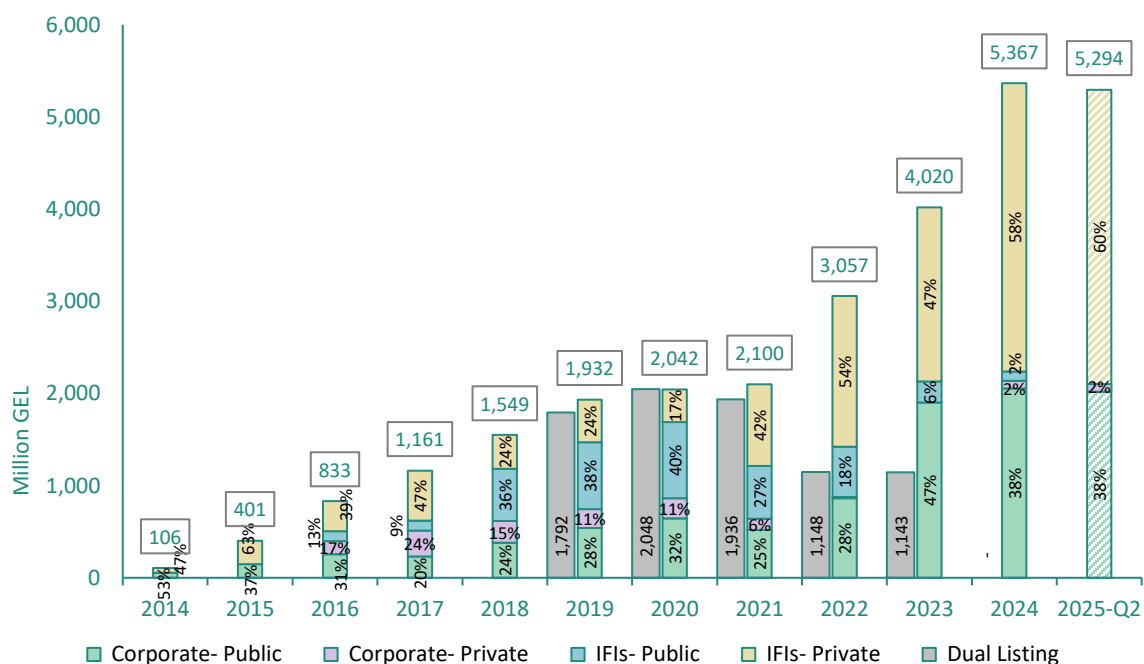
THE LOCAL NON-GOVERNMENT BOND MARKET EXPANDED SUBSTANTIALLY FROM GEL 106 MILLION IN 2014 TO GEL 5.3 BILLION IN 2025:

Public corporate bonds and IFI bonds together make up 98% of the non-government market (38% and 60%, respectively).

Inherent advantages for listed corporate bonds—tax-exemption, transparency, liquidity and others—tilt issuances away from private placements³.

Historically only three offerings—with primary listings in foreign markets—were dual-listed on the Georgian market in 2019, with an aggregate volume of about GEL 1.8 billion.

FIGURE 3: Non-Government Bonds Outstanding



Sources: NBG

³ The data comprises only those Private Corporate Bonds that have ISIN assigned by NBG

LOCAL PUBLIC CORPORATE BOND MARKET

LOCAL CORPORATE BOND MARKET ENTERED AN ACTIVE GROWTH PHASE FROM THE SECOND HALF OF 2022:

Between 2022 and 2023, the Capital Market Support Program (CMS)⁴, co-initiated by the National Bank of Georgia, was implemented by the EBRD with funding from the European Union. Through this program, issuance of bonds totaling 450 million GEL by 7 issuers was supported.

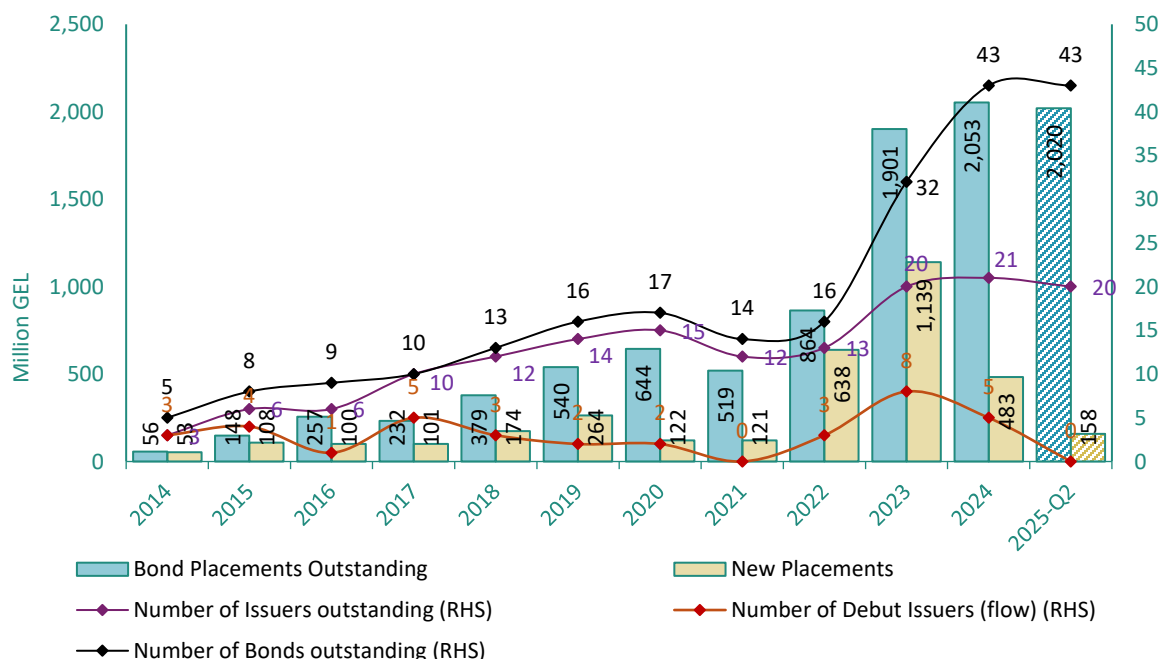
Bonds totaling 1.8 billion GEL were publicly issued during those two years (See Figure 4).

As a result, by the end of 2023, the corporate bond market reached 1.9 billion GEL, representing 2.3% of GDP (See Figure 5).

NEW BOND ISSUANCES SLOWED IN 2024 AS THE MARKET COOLED AFTER THE 2023 SURGE:

21 new bonds were issued publicly by 11 Issuers in 2024, amounting to 483 million GEL, from which, 236 million GEL (8 bonds) was issued with the support of Enterprise Georgia's Capital Market Support State Program.

FIGURE 4: Local Public Corporate Bond market



Sources: NBG

⁴ Under CMS program, underwriting costs were subsidized (including credit rating fees), educational sessions were conducted (eight in total) aimed at enhancing issuer awareness, and costs for Green, Social, Sustainability, and Sustainability-Linked (GSSS) certifications were covered.

THE FIRST HALF OF 2025 SAW HIGHER ISSUANCE ACTIVITY THAN THE PREVIOUS YEAR; HOWEVER, OUTSTANDING VOLUME FELL AS OLDER CORPORATE BONDS REACHED MATURITY AND THE GEL APPRECIATED:

Five new bonds were publicly offered by four issuers in the first half of 2025, raising 158 million GEL—about 2.5 times the 62 million GEL placed in the same period of the previous year (See Figure 4).

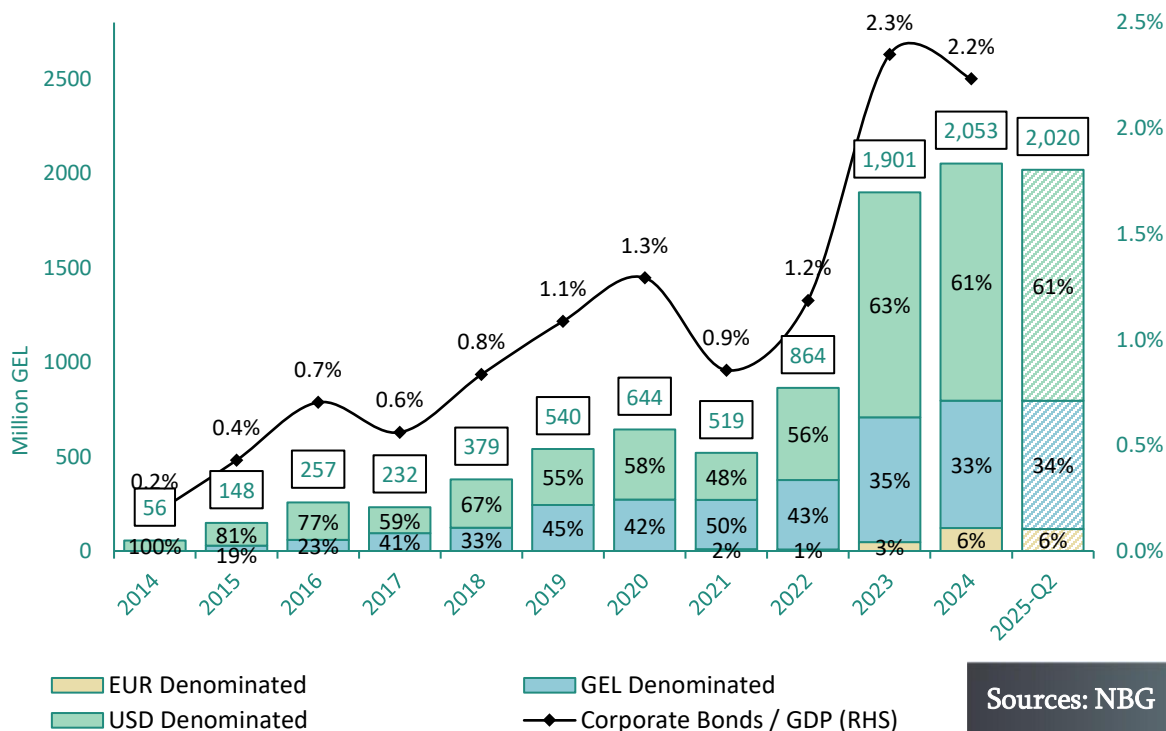
67% (by volume) of new issues, around 106 million GEL, were offered with the support of Enterprise Georgia’s program.

In the same period 5 corporate bonds with the aggregate value of 75 million GEL has reached maturity.

With over 60% of the Georgian corporate bond market denominated in foreign currency, local currency’s 3% appreciation reduced the GEL value of those bonds.

As a result of these factors outstanding volume of corporate bonds declined by 1.5% (compared to 2024) to 2.02 billion GEL.

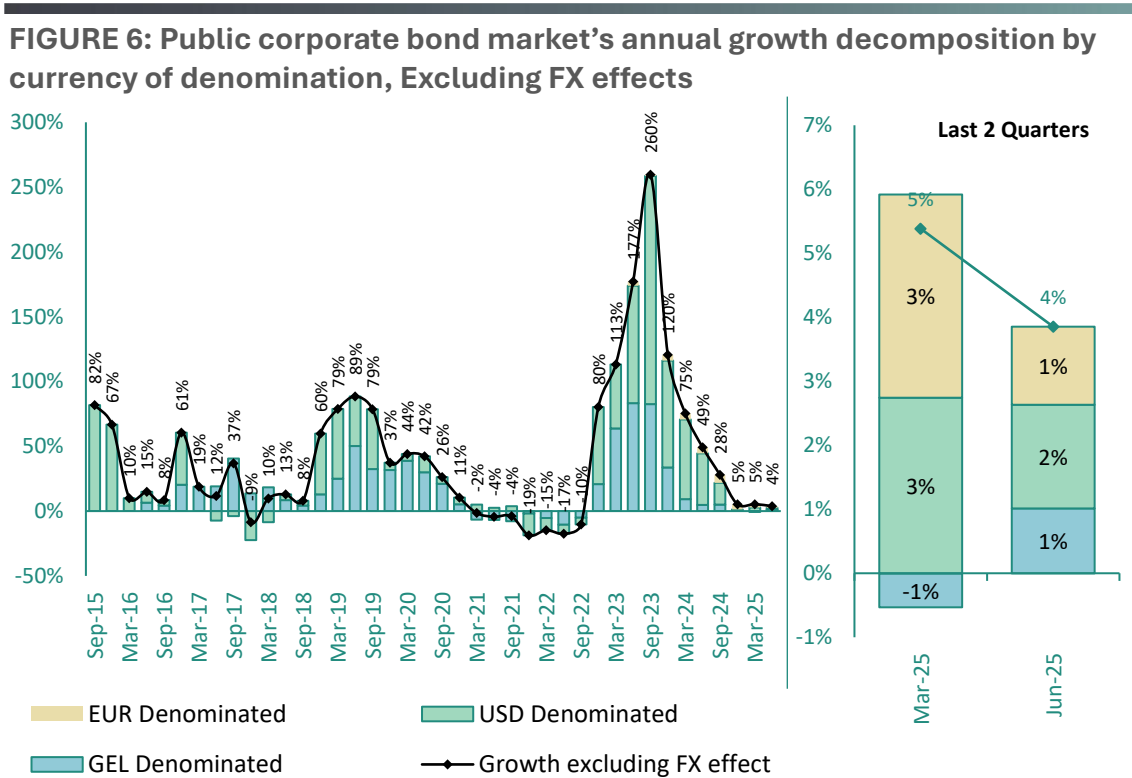
FIGURE 5: Local Public Corporate Bonds Outstanding by Currency



Sources: NBG

ISSUANCE ACTIVITY IS EXPECTED TO PICK UP SIGNIFICANTLY AND THE CURRENCY COMPOSITION OF THE MARKET TO BECOME MORE BALANCED IN THE SECOND HALF OF THE YEAR:

- Over 1 billion GEL new public corporate bond issuances are anticipated in the second half of the year, which would lift 2025 new-issuance activity above 2023 levels.
- From 2023 onward, foreign-currency-denominated bonds accounted for the largest portion of corporate bond market growth (See Figure 6).
- Currency composition of the market is expected to become more balanced by end-2025, as several large GEL-denominated bond issues are anticipated in the second half of the year.



Sources: NBG

LATEST TRENDS ON PUBLIC CORPORATE BOND MARKETS

Maturity Profile: the share of short-term issuances have increased in recent years (See Figure 7)— While separate research is needed to delve into particular reasons of this trend, it can be argued in general that there is a positive correlation between the share of short maturities in the market and market illiquidity. It is in line with the perception that in illiquid markets (p. 19), illiquidity premia rise sharply with maturity.

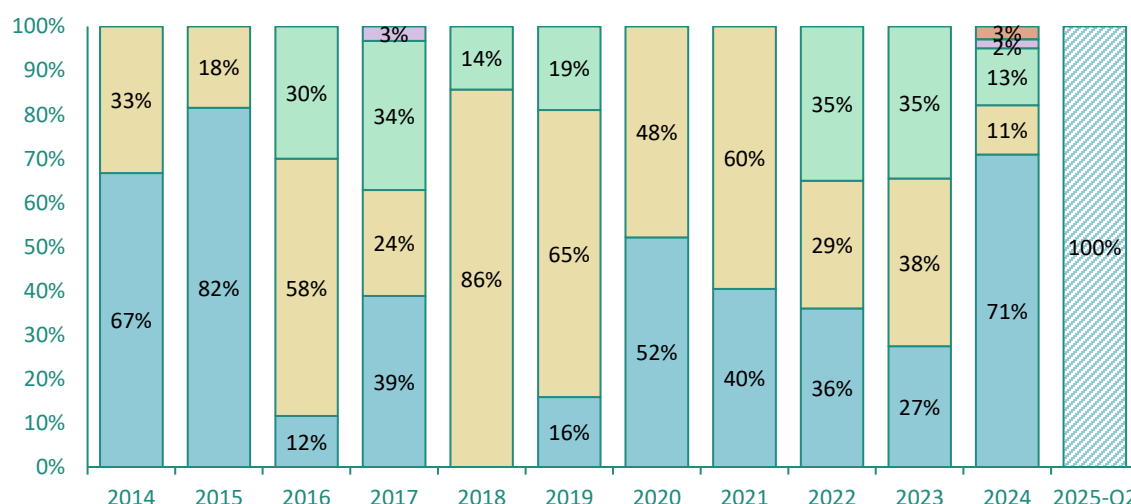
Credit Ratings: Around 50–60% of local corporate issuance (by volume) usually comes from rated issuers (See Figure 8).

- Rating is associated with additional costs; therefore, obtaining one is typically driven by investor demand.
- Issuers of GEL-denominated bonds are more likely to carry ratings, since the investors—commercial banks and the Pension Fund of Georgia—tend to require them (e.g. to satisfy regulatory eligibility).

GSSS⁵ Label: GSSS-labeled bonds represent 48% of outstanding corporate bonds (See Figure 9)

- The first corporate GSSS-labeled (Green) bond was issued in 2022.
- 2023 was the most active year in terms of GSSS-labeled issuances: 44% of new issued (by volume) were GSSS-labeled.
- **Outlook:** several sizeable GSSS offerings are anticipated in the second half of 2025.

FIGURE 7: Public Corporate Bonds' New Placements by Maturity Range



■ From 0 to 2 Years (Including)
 ■ From 2 to 3 Years (Including)
 ■ From 3 to 5 Years (Including)
 ■ More than 5 Years
 ■ Perpetual

Sources: NBG

⁵ GSSS – Green, Social, Sustainable and Sustainability Linked

FIGURE 8: Public Corporate Bonds' New Placements by Issuers' Credit Rating

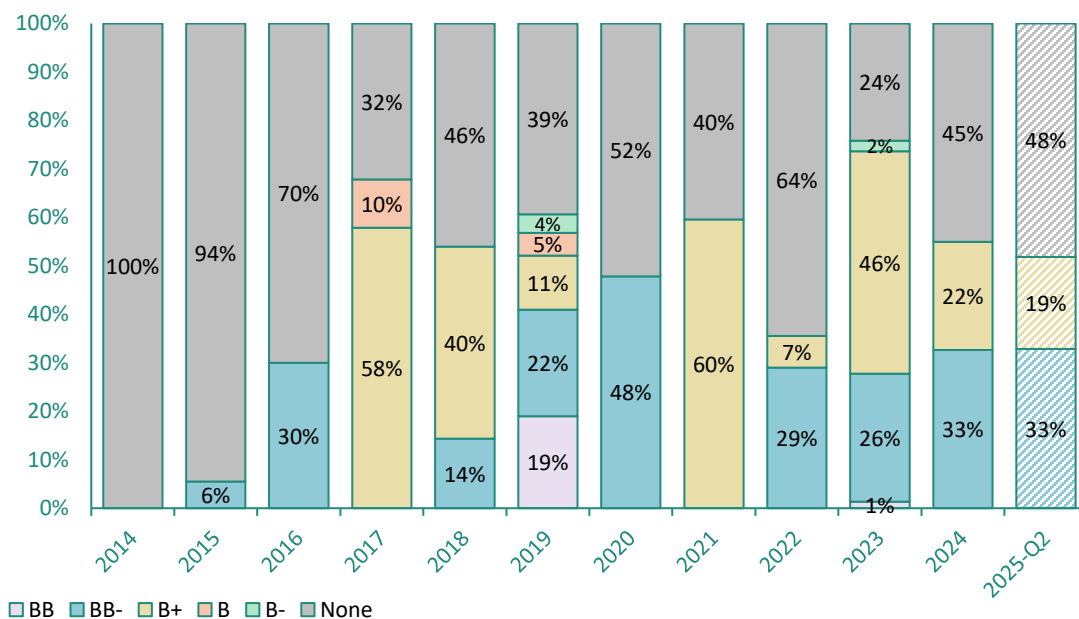
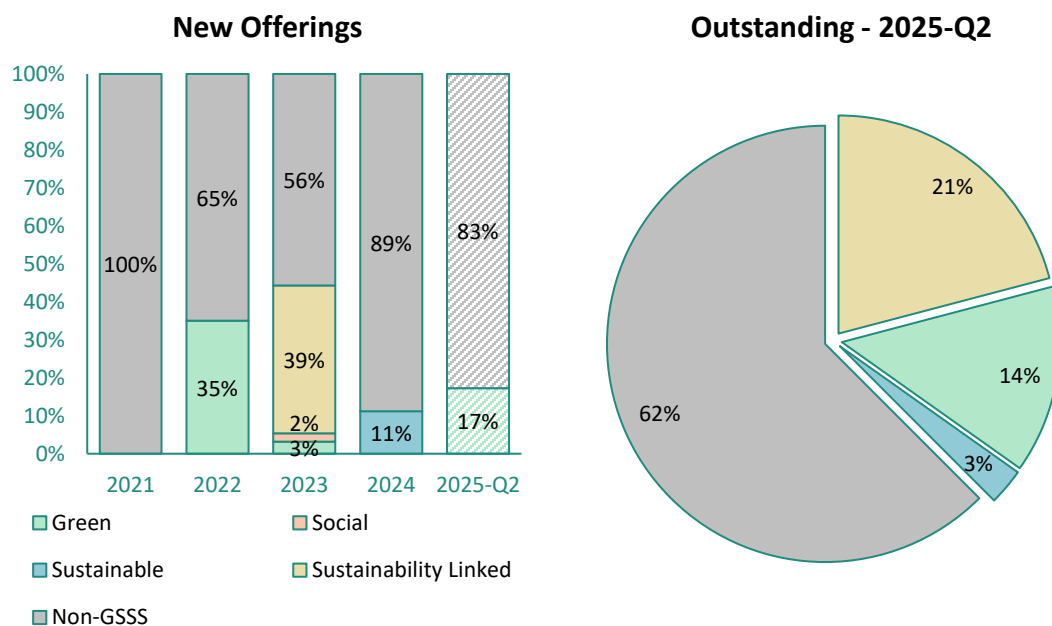


FIGURE 9: Public Corporate Bonds Labeled as GSSS



Sources: NBG

Sector Diversification: Market diversification by sector has consistently improved over time (See Figure 10)

- In 2018, bonds were issued across four sectors, rising to six sectors in 2022, and reaching a historical high of eight sectors by 2023.
- As of the end-Q2 2025, bonds were outstanding across ten sectors; yet just three—private equity/investment, automotive, and energy—represented 50% of total market value.
- Sectoral diversification is set to improve, with several sizable offerings expected in the second half of the year outside these three sectors.

Intended Use of Proceeds⁶: In recent years, prospectuses cite loan refinancing and bond rollovers as the primary intended use of proceeds; in the early phase (2014-2016), intended uses leaned toward business expansion and capital expenditure (See Figure 11).

- This change largely aligns with the market's development and the substitution of bonds for bank financing by issuers.

Issuers' Revenue Category⁷: The market is well diversified by issuer size. Aside from a few outlier years—when I category issuers (> GEL 100 mln) led placements—II Category (20-100 mln) firms have typically dominated issuance volumes (See Figure 12).

- Since 2023, the share of III category (2-20 mln) issuers has also increased, indicating broader access to bond financing. That said, public bond issuance requires transparency, certain level of governance, ongoing disclosures etc.—obligations that III category firms may find relatively difficult to cope with —so, their overall share is not expected to be particularly high.

FIGURE 10: Public Corporate Bonds Sector Distribution

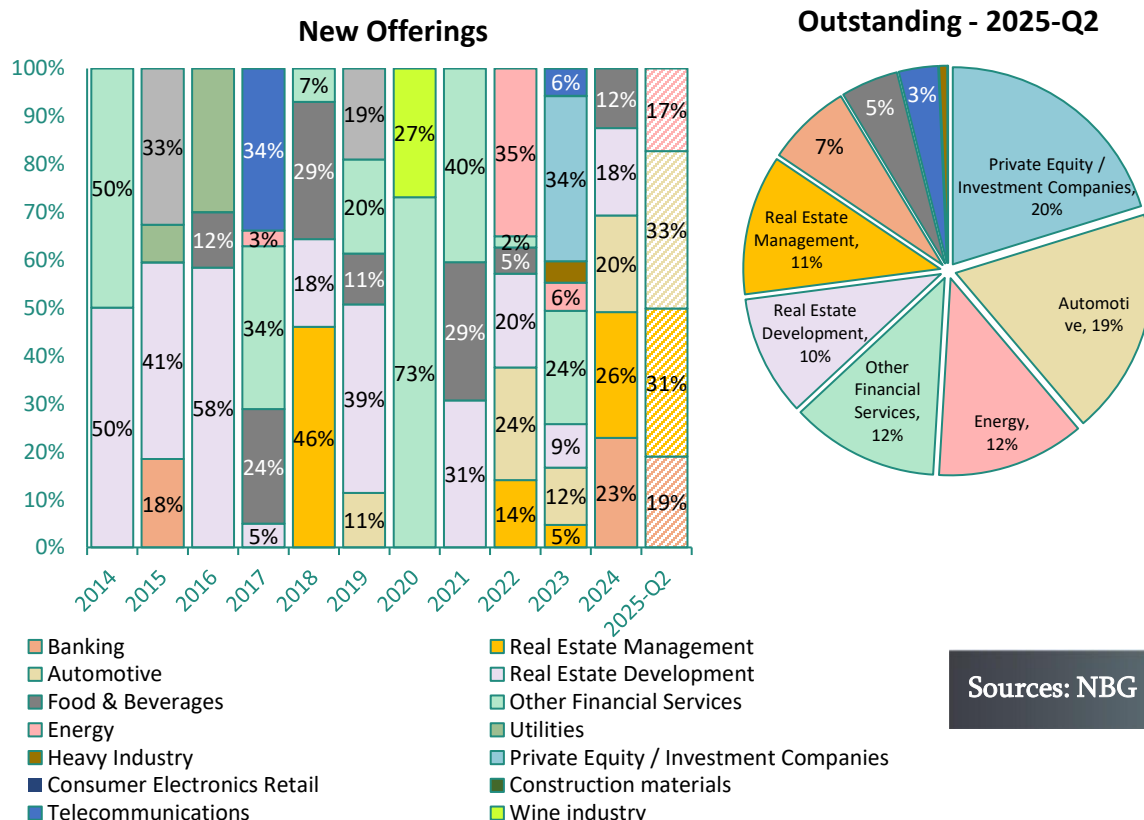
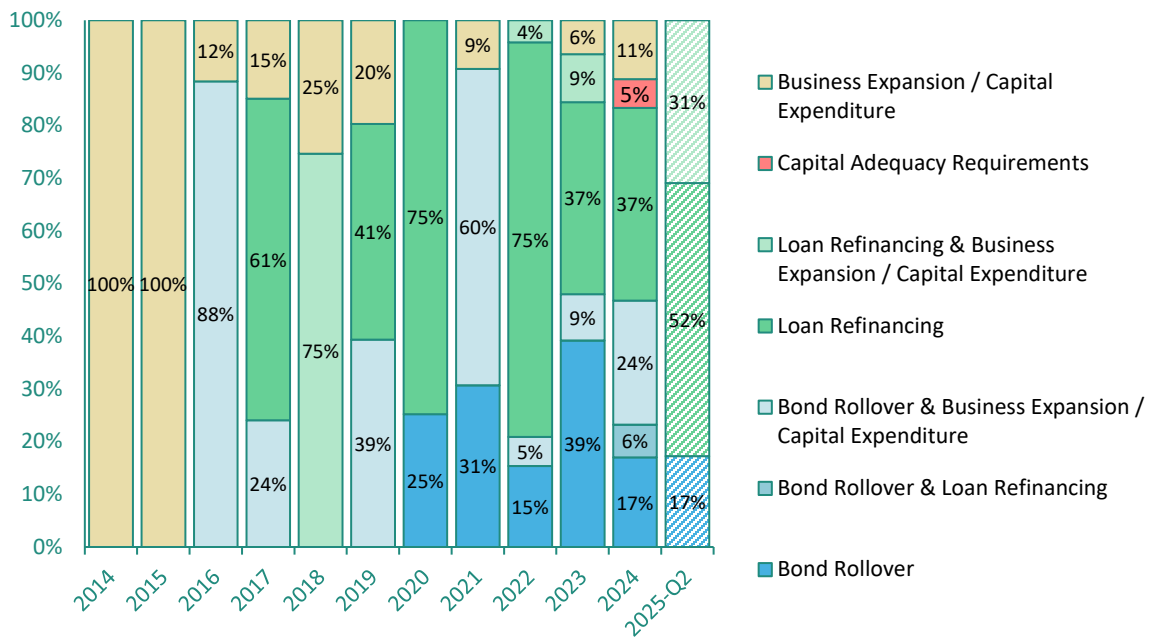
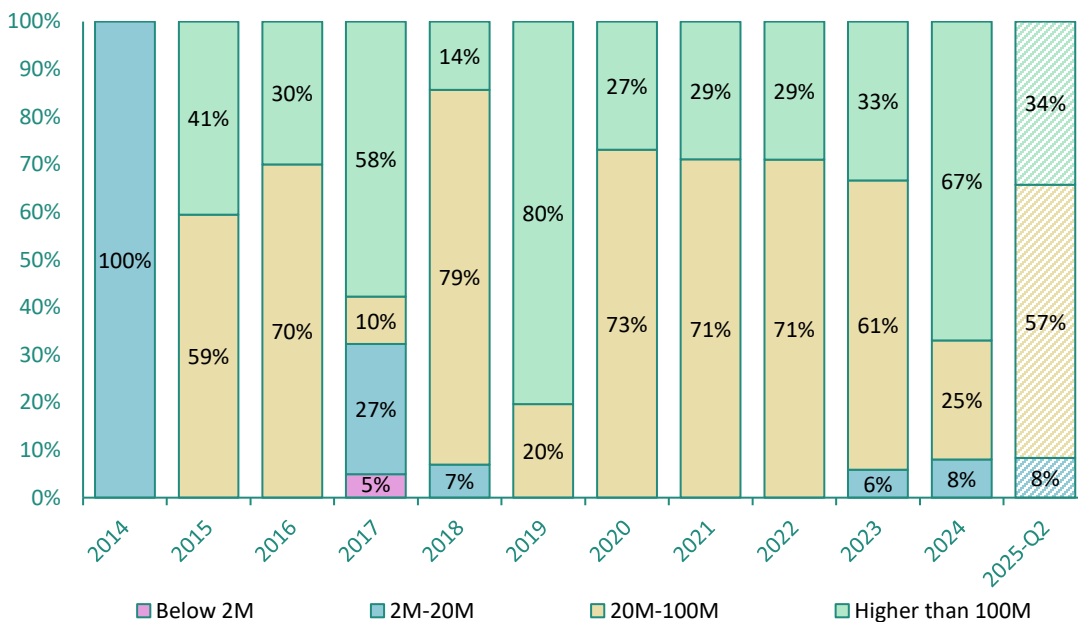


FIGURE 11: Public Corporate Bonds New Placements by the Intended Use of Proceeds⁶



Sources: NBG

FIGURE 12: Public Corporate Bonds New Placements by Issuers Core Revenues⁷



Sources: NBG

⁶ Use-of-proceeds reflects the intentions stated in bond prospectuses; the actual use of proceeds was not verified for the purposes of this report.

⁷ According to the latest available audited financial statements at the date of bond issuance.

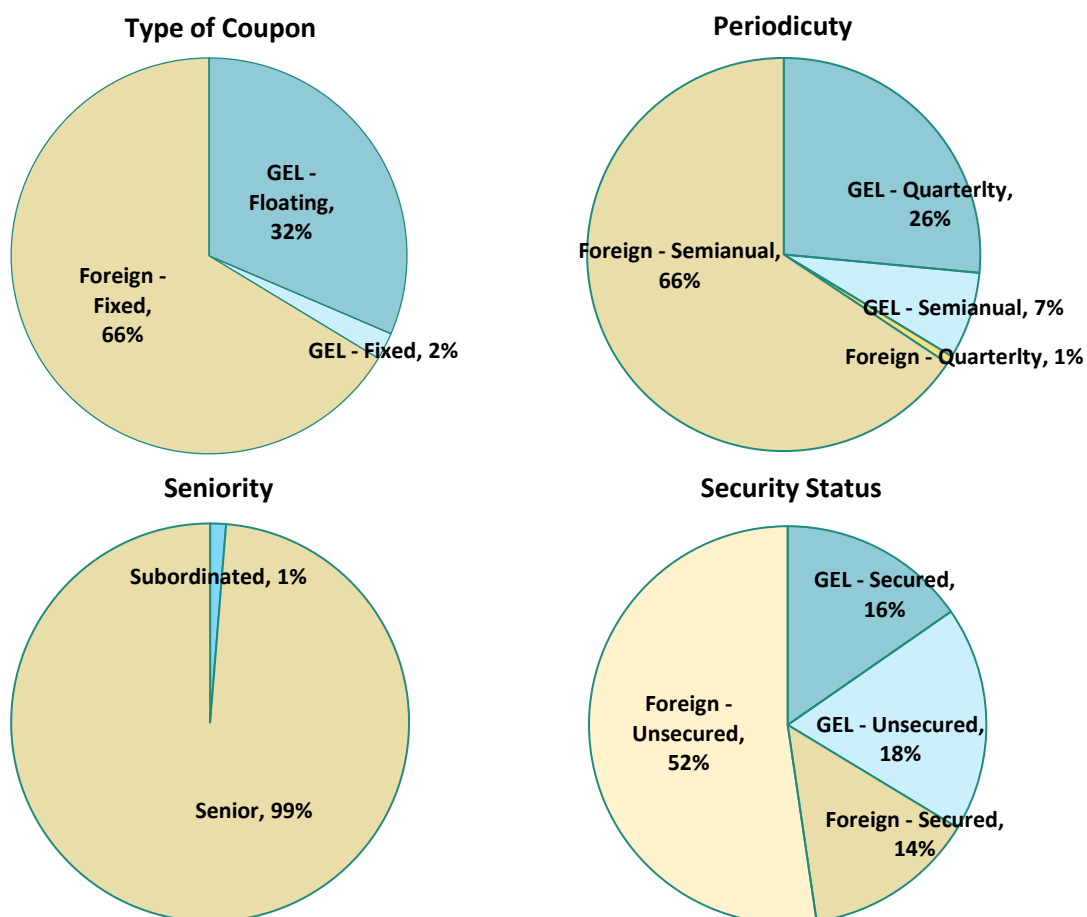
Coupon Type and Periodicity differs by currency of denomination:

- GEL-denominated corporate bonds are predominantly floating-rate with quarterly coupons, while foreign-currency bonds are typically fixed-rate with semiannual coupons (See Figure 13).

Bond Class and security: Corporate bonds on the local market are mostly senior, but security status varies by currency:

- By end-Q2 2025, secured bonds comprised 47% of GEL issues and 21% of foreign-currency issues (by outstanding volume).

FIGURE 13: Public Corporate Bonds' Characteristics. Outstanding at the end of Q2-2025



Sources: NBG

CROSS-COUNTRY CAPITAL MARKET COMPARISON

BOND MARKET

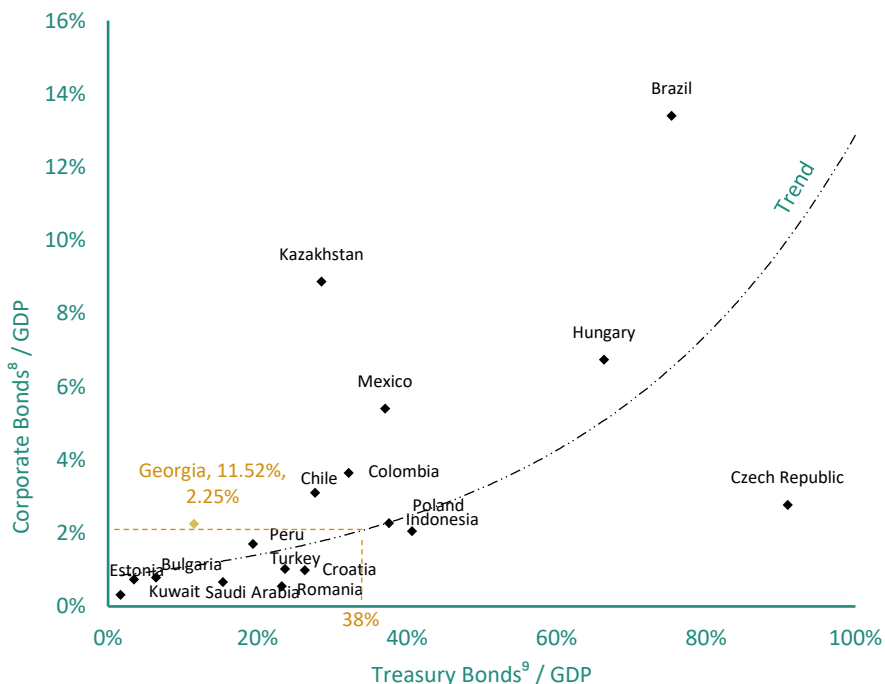
GEORGIAN TREASURY BOND MARKET DEMONSTRATES SIGNIFICANT GROWTH POTENTIAL:

A positive exponential relationship exists between the corporate and the treasury bond markets.

In most countries, treasury bond market is significantly larger than the corporate bond market.

Assuming that the trend observed across emerging countries represents optimal relationship between treasury and corporate bond markets, the ratio of Georgian treasury bonds to GDP should be roughly three times higher (38%) than its current level of 11.5% (See Figure 14).

FIGURE 14: Corporate Vs. Treasury Bonds (2024)



Sources: NBG, Bloomberg

⁸ Publicly issued corporate bonds by local and foreign companies on the local market (excluding IFI and dual-listed bonds).

⁹ Treasury bonds include bills and bonds issued within a country by central and/or regional governments, regardless of the currency of issuance.

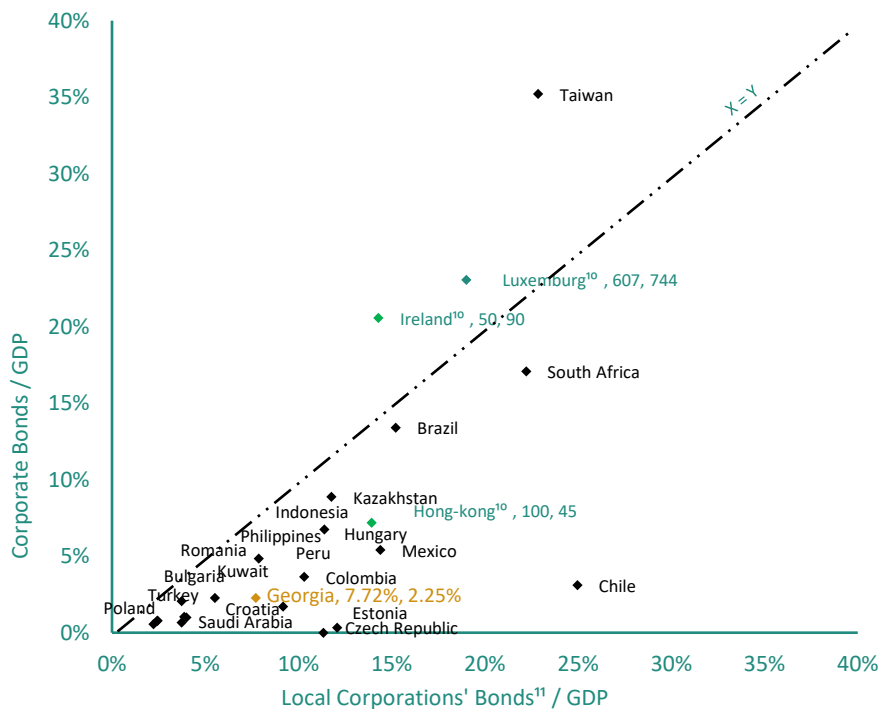
ALONGSIDE THE COUNTRY'S ECONOMIC GROWTH, THE REENTRY OF GEORGIAN COMPANIES INTO THE DOMESTIC CORPORATE BOND MARKET IS EXPECTED:

In emerging countries, the total volume of bonds issued by local companies in both local and foreign markets significantly exceeds the size of the domestic bond market (See Figure 15).

Conversely, in regional hubs such as Ireland, Luxembourg, and Taiwan (positioned above the 45° axis), the domestic market attracts a greater volume of foreign bond issuances than the amount issued abroad by local companies.

On Figure 15, Georgia is positioned below the 45° axis

FIGURE 15: Local Corporate Bond market Vs. Corporate Bonds of Local Companies (2024)



Sources: NBG, Bloomberg

¹⁰ For clarity, the data for Luxembourg, Ireland, and Hong Kong have been proportionally scaled down. Exact numbers are provided next to the country names on the chart.

¹¹ Corporate bonds publicly issued by local corporations on both local and international markets in any currency.

STOCK MARKET

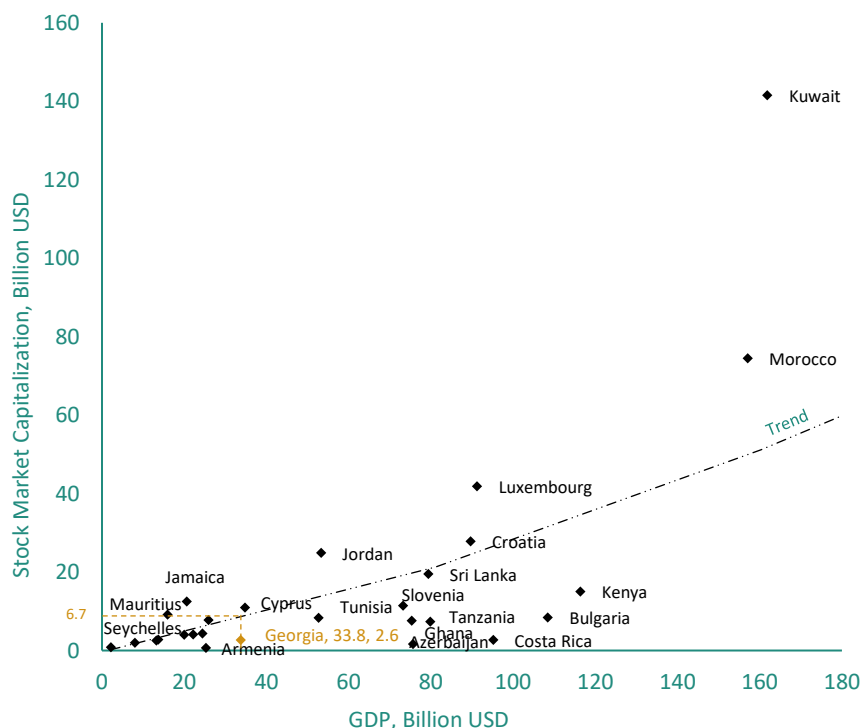
TOTAL MARKET CAPITALIZATION OF LISTED STOCKS ON THE GEORGIAN STOCK EXCHANGE IS SUBSTANTIALLY LOWER COMPARED TO THE SIZE OF THE NATIONAL ECONOMY:

By the end of 2024, shares of five companies were admitted for trading on the exchange, collectively representing a market capitalization of 7.3 billion GEL (2.6 billion USD).

A positive correlation exists between GDP and Stock market capitalization (See Figure 16).

Assuming that the trend observed across 71 stock markets represents the optimal relationship between GDP and stock market size, Given a GDP of \$33.8 billion in 2024, Georgia’s stock market should be 2.5 times larger than \$2.6 billion, reaching \$6.7 billion (18.7 billion GEL).

FIGURE 16¹²: Stock Market Capitalization Vs. GDP (2024)



Sources: NBG, Bloomberg

¹² Figures 16 and 17 are based on data from 78 stock exchanges, covering a total of 97 countries. For better visualization, the Figures are zoomed in and do not display every observation point; however, the trends are derived from the entire dataset.

ONLY A SMALL PORTION OF THE SHARES LISTED ON THE GEORGIAN STOCK EXCHANGE ARE FREE FLOATING:

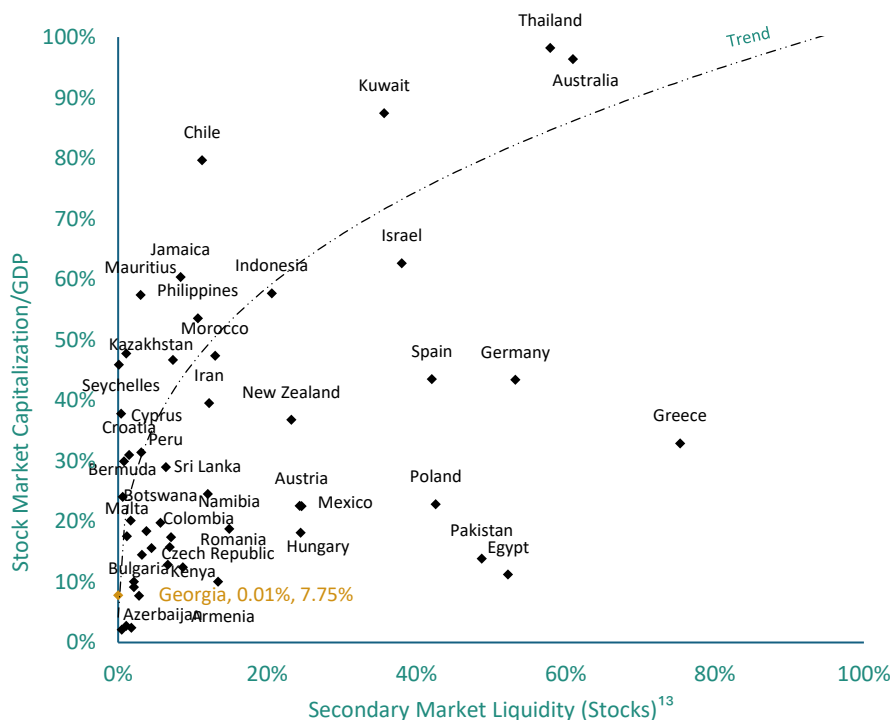
As a result, in 2024, the volume of tradable shares was significantly below the reported 7.3 billion GEL.

GIVEN THE LIMITED SIZE OF THE STOCK MARKET, SECONDARY MARKET ACTIVITY SHOWS LITTLE GROWTH:

While there is a positive relationship between the size of a stock market and its liquidity, market liquidity shows minimal growth during the early stages of development.

The activity level¹³ in the Georgian secondary stock market accounts for only 0.01%, making it one of the lowest among the 78 stock markets analyzed (See Figure 17). However, given the market's small size, this is not unexpected

FIGURE 17: Stock Market Capitalization Vs. Secondary Market Activity (2024)



Sources: NBG, Bloomberg

¹³ Secondary market activity is measured by the ratio of transactions carried out during the year to the average market capitalization for 2022 and 2023..

INVESTOR BASE AND SECONDARY MARKET ACTIVITY

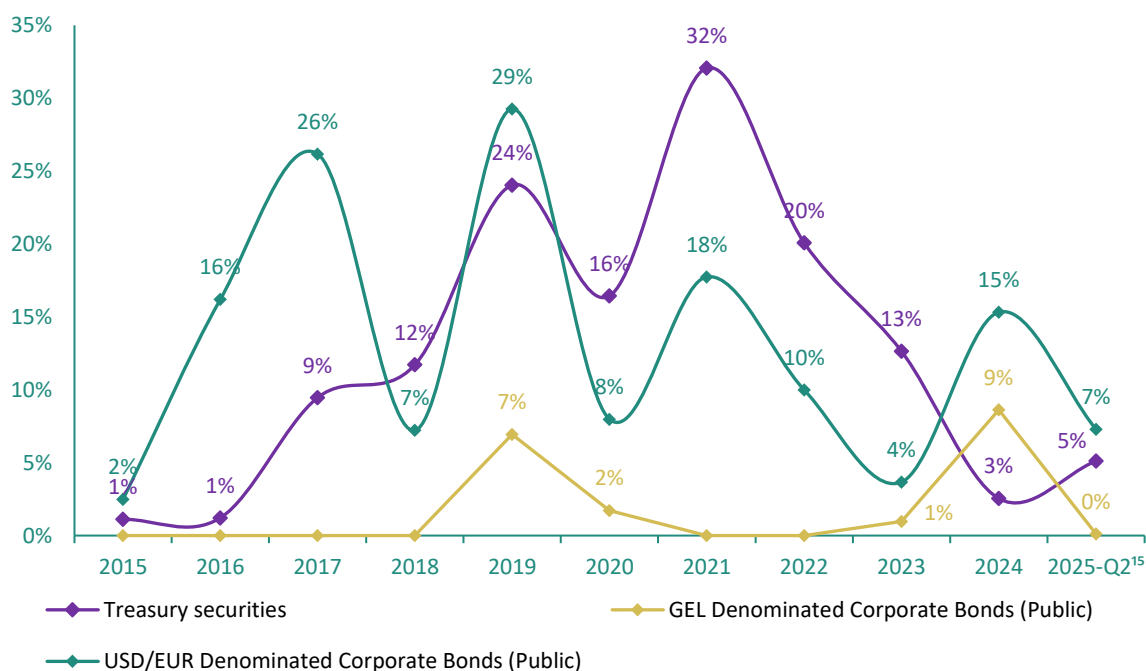
ACTIVITY IN THE SECONDARY MARKET OF BONDS IN GEORGIA VARIES SIGNIFICANTLY DEPENDING ON THE ISSUANCE CURRENCY AND THE TYPE OF ISSUER:

Corporate bonds issued in foreign currencies tend to show relatively higher levels of secondary market activity (See figure 18).

The treasury bond market, by contrast, generally experiences lower levels of activity.

Corporate bonds issued in GEL are seldom traded on the secondary market, with the high activity in 2024 driven by a few one-off transactions.

FIGURE 18: Georgian Secondary Bond Market Activity¹⁴



Sources: NBG, GSE, MOF

¹⁴ Activity Level is calculated as the ratio of total annual transactions to the average annual balance. For corporate bonds, the data includes both exchange-traded and OTC transactions..

¹⁵ 2025-Q2 activity levels are annualized for better comparison.

DIFFERENCES IN LEVELS OF MARKET ACTIVITY ACROSS DIFFERENT MARKET SEGMENTS CAN BE TRACED BACK TO VARIATIONS IN OWNERSHIP STRUCTURES:

Although retail holdings of GEL-denominated corporate bonds increased last year, buy-and-hold investors—namely commercial banks and, since 2022, the pension fund—remain the dominant holders, accounting for around 70-75% of GEL-denominated bonds outstanding.

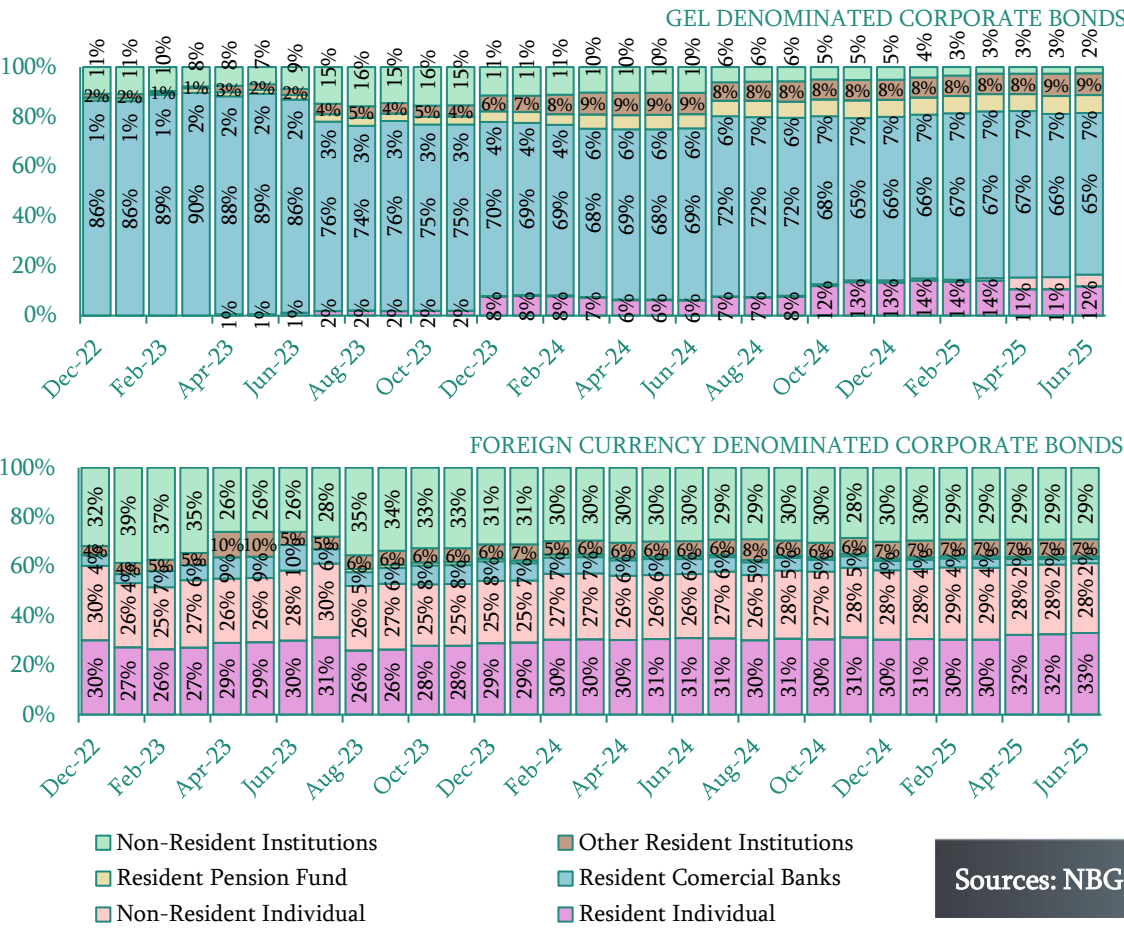
By contrast, holders of foreign currency-denominated bonds are more diverse, with a higher proportion of retail investors, which supports relatively greater secondary market liquidity.

Figure 2 illustrates the ownership structure of treasury bonds (Page 4).

CAUSALITY EXISTS BETWEEN RETAIL INVESTOR PARTICIPATION AND SECONDARY MARKET ACTIVITY:

In an inactive market, bid-ask spreads tend to be higher, discouraging both resident and non-resident retail investors. These markets are dominated by local, long-term investors employing a 'buy-and-hold' strategy.

FIGURE 19: Corporate Bonds’ Holding Structure by Currency



GEL INTEREST RATE ENVIRONMENT

ALTHOUGH GEL DENOMINATED CORPORATE BONDS ISSUED AFTER 2022 HAVE RELATIVELY HIGHER YIELDS, RETAIL INVESTORS HAVE SHOWN LIMITED INTEREST IN THEM:

POTENTIAL REASONS:

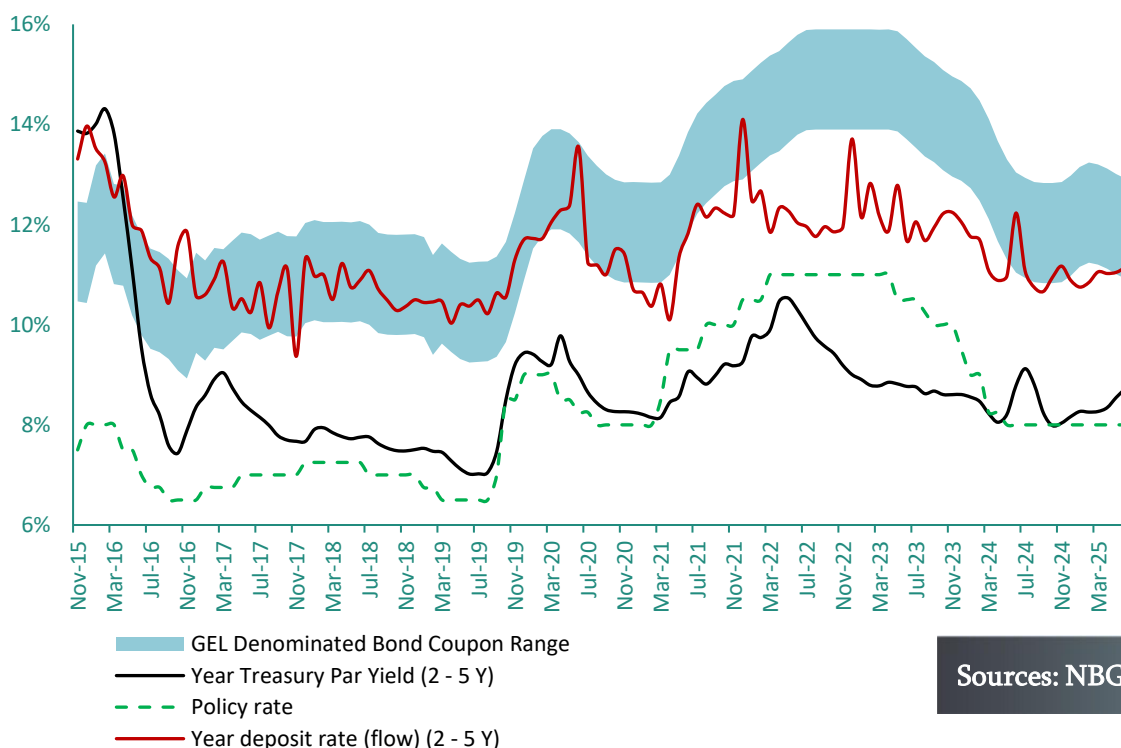
Despite the ongoing de-dollarization trend, the U.S. dollar remains the primary savings instrument for many households.

Limited financial literacy among the population.

The spread between bond and deposit yields may be insufficient to compensate for risk premium.

Taking into account the risk and liquidity premium, the spread between long term deposit rates and treasury bond yields is relatively high compared to other countries. This factor reduces retail investor interest in treasury bonds and negatively affects secondary market activity.

FIGURE 20: GEL Interest rate Environment



HIGH SPREADS BETWEEN DEPOSIT RATES AND TREASURY YIELDS CAN BE A RESULT OF TWO MAIN FACTORS:

- Higher yields on GEL-denominated deposits, driven by the disparity in dollarization levels between loans and deposits.
- Lower yields on treasury bonds, caused by high demand from institutional investors such as commercial banks and the pension fund.

FIGURE 21: Spread between the returns on deposits¹⁶ and par yields on treasury bonds with comparable maturities

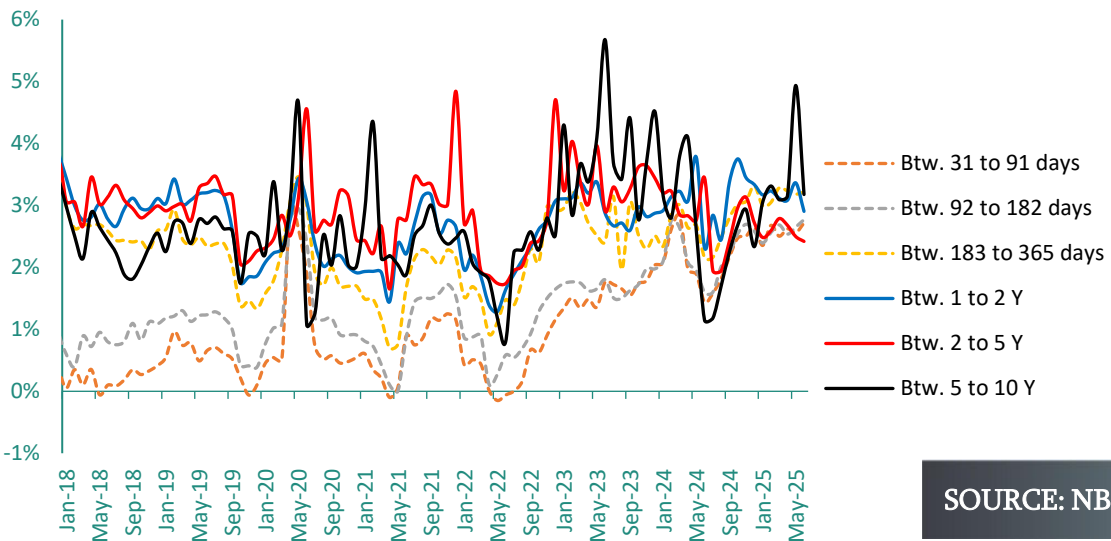
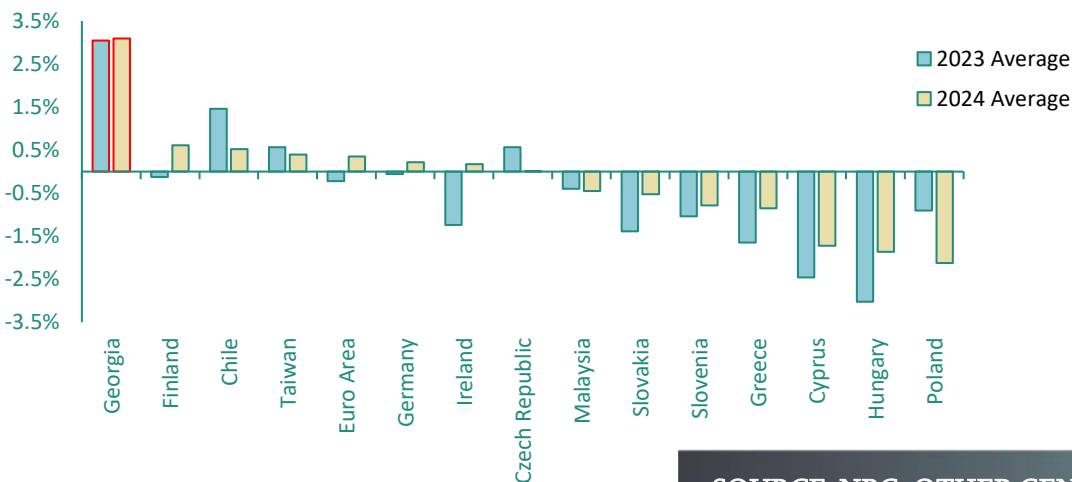


FIGURE 22: Spread between the returns on long-term deposits (with maturities exceeding one year) and the par yields on treasury bonds in other countries.



¹⁶ As we are examining the interest rate environment from the perspective of retail investors, the deposit rates considered include only GEL deposits (including CDs) newly placed by households in banks during the specified month. Longer-term deposits typically have a higher proportion of CDs.

FINANCIAL SECTOR¹⁷

FINANCIAL SECTOR REVIEW

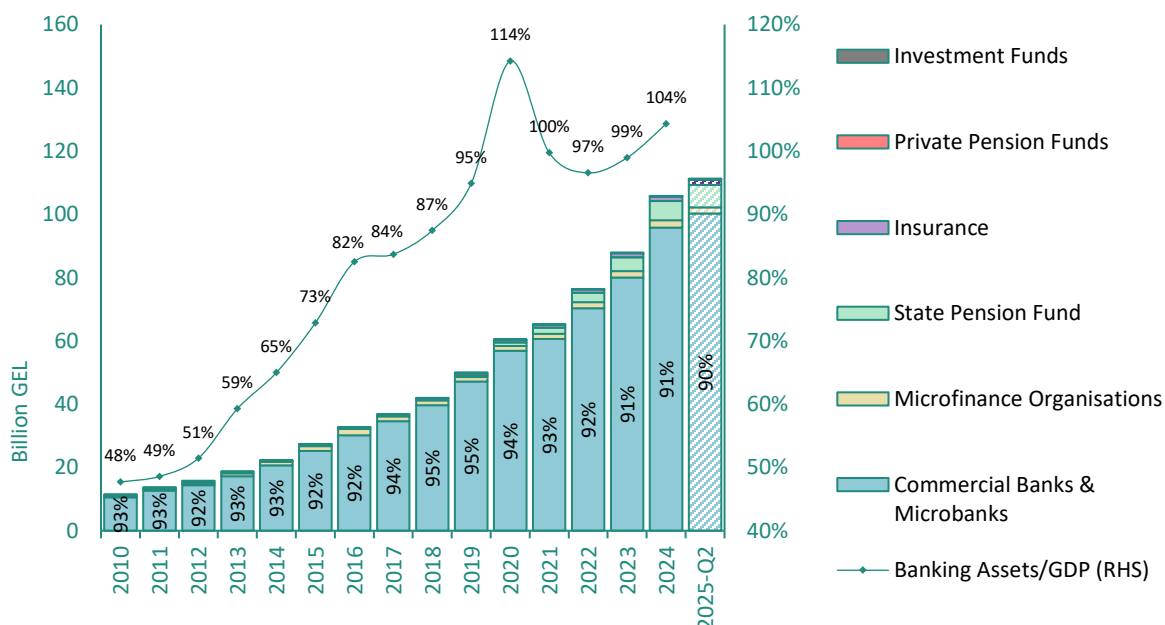
COMMERCIAL BANKS REMAIN THE LARGEST PLAYERS IN GEORGIA'S FINANCIAL SECTOR, THOUGH BANKS' ASSET SHARE IN THE SECTOR HAS BEEN ON A DOWNWARD TREND:

Banks' share of total financial-sector assets peaked at 95% in 2019.

Following the establishment of the Pension Fund of Georgia, the share has declined to 90% by end-Q2 2025 (See Figure 23).

After spiking to 114% during the pandemic, largely due to the 2020 GDP contraction, the commercial-bank assets-to-GDP ratio has returned to a normal growth trajectory.

FIGURE 23: Financial Sector Asset Distribution



Sources: NBG

¹⁷ For the purposes of this chapter, the “financial sector” includes only institutions that deploy funds at their own discretion (e.g., decide investment allocations or extend loans). Brokerages that act on a non-discretionary, client-directed basis are excluded.

INVESTMENT FUNDS

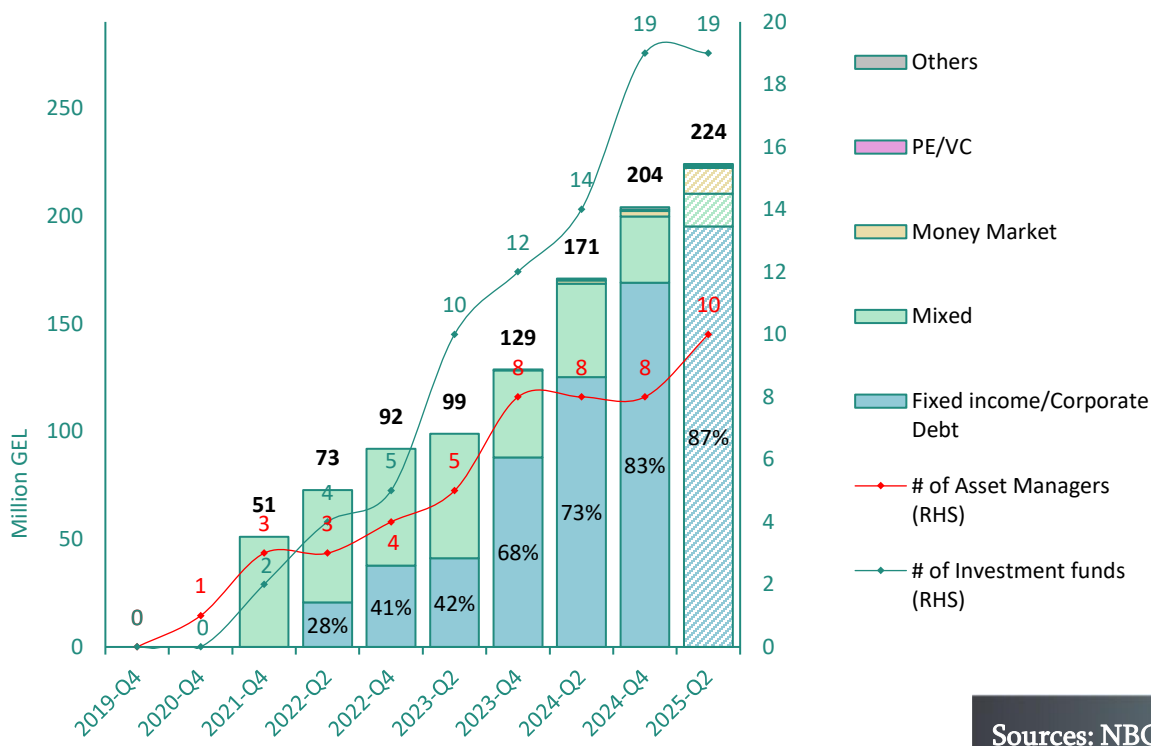
AS OF JUNE 2025, THERE WERE 10 ASSET MANAGEMENT COMPANIES AND 19 INVESTMENT FUNDS OPERATING IN GEORGIA, WITH A COMBINED TOTAL OF 224 MILLION GEL IN ASSETS UNDER MANAGEMENT:

Of 19 investment funds, 10 are fixed-income/corporate-debt funds, and they account for 87% of total AUM (See Figure 24)

In 2024, the first public (authorized) Money Market Fund (MMF) was established, which fully allocates its assets to GEL-denominated financial assets.

Investment funds promote savings by offering alternative investment options; they also stimulate demand for securities and support the market’s overall development.

FIGURE 24: Investment Funds Asset Allocation



Sources: NBG

PENSION FUND OF GEORGIA

AS OF Q2 2025, THE PENSION FUND’S ASSETS STOOD AT 7.1 BILLION GEL, WITH TOTAL RETURNS REACHING 1.8 BILLION GEL:

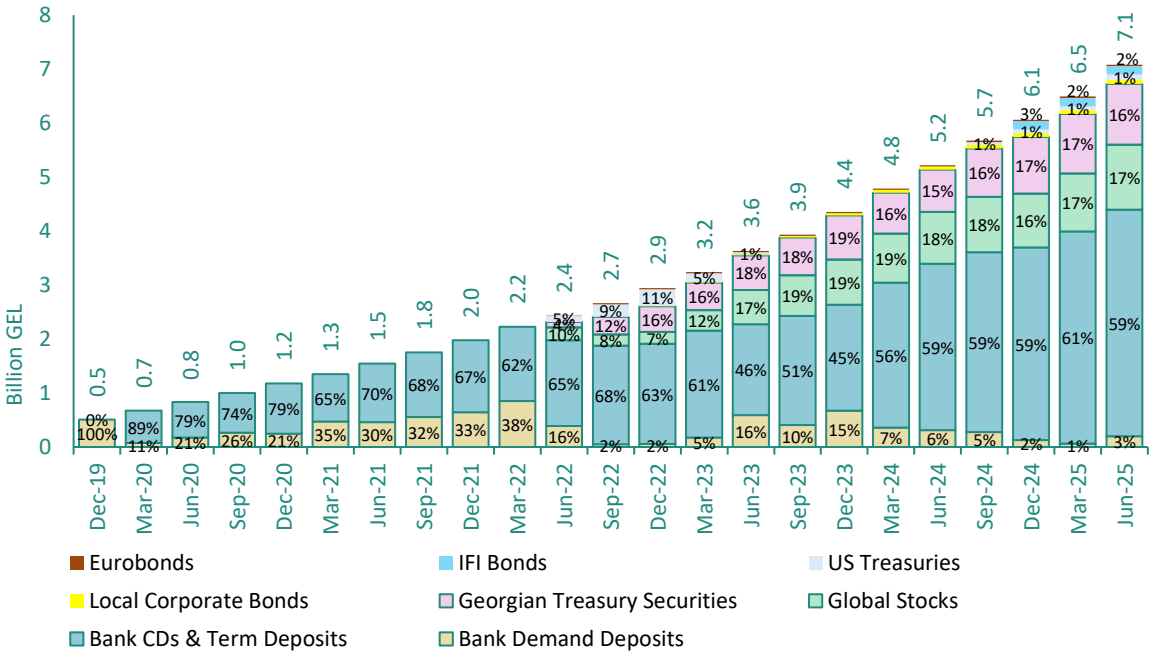
The largest - Conservative - portfolio which makes up 99% of total assets delivered an annualized net nominal return of 9.95% from inception through June 2025, corresponding to a real annualized return of 3.97%.

By the end of the Q2 2025, 0.82% of the pension fund’s total portfolio (58 million GEL) was allocated to GEL-denominated corporate bonds (See Figure 25), accounting for 7% of the entire GEL-denominated corporate bond market (See Figure 19).

Allocation to the foreign-currency corporate bonds was relatively modest: 16 million GEL, equal to 0.26% of the pension fund’s total portfolio and 1.2% of the foreign currency denominated corporate-bond market.

As a large, long-term institutional investor, the pension fund helps drive demand for GEL-denominated debt securities and fosters stronger corporate governance practices among issuers.

FIGURE 25: Asset Allocation of Pension Fund of Georgia



Sources: NBG

FUNDING SOURCES OF GEORGIAN NON-FINANCIAL CORPORATIONS

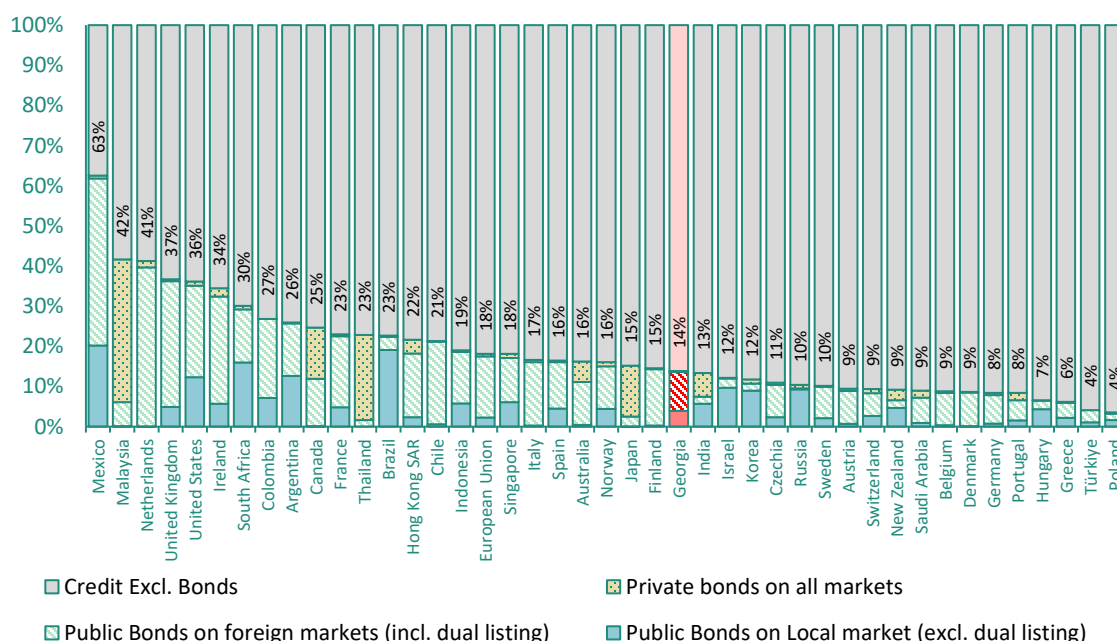
GEORGIAN NON-FINANCIAL CORPORATE BOND MARKET DEMONSTRATES SIGNIFICANT GROWTH POTENTIAL:

As of end-Q2 2025, non-financial issuers accounted for 61% of outstanding public corporate bonds in Georgia (See Figure 10).

The share of all types of corporate bonds issued by Georgian non-financial companies (both public and private offerings, in local and foreign markets) constitutes only 14% of their total debt financing.

Although the volume of corporate bond issuances is on the rise, the gap with some other developed and emerging markets remains notably large.

FIGURE 26: Debt Financing Sources of Non-Financial Corporations (2024)



Sources: NBG, BIS, Bloomberg

