



### Financial Stability Committee's Decision

**The financial sector remains resilient and continues smooth lending to the economy.** As of February 2024, banks maintain healthy capital and liquidity indicators. Credit activity is at a sustainable level. In February 2024, annual credit growth, excluding the exchange rate effect, amounted to 16.4%, which was mainly driven by the growth in business loans. Credit-to-GDP gap gradually closes. Given these positive dynamics, the NBG continues implementing the long-term strategy of de-dollarization.

**The NBG continues working on reducing the structural risks caused by the high level of financial dollarization.** Despite the significant positive developments, dollarization and related risks remain a significant challenge for the Georgian financial sector. Foreign-currency denominated loans, that are mostly floating interest rate loans, are accompanied by interest and exchange rate risks. The latter is particularly noteworthy, given the high share of unhedged borrowers in foreign currency loans, increased volatility of regional currencies' exchange rates and globally tightened financial conditions. In order to mitigate the abovementioned risks, starting from January 1, 2024, the NBG increased the limit on unhedged foreign currency loans from 200,000 GEL to 300,000 GEL. In consistence with the NBG's policy, the National Bank of Georgia, in coordination with the banking sector, actively continues working on gradually increasing the abovementioned limit, taking into account the macroeconomic environment and risks.

The ongoing macroeconomic and macrofinancial environment creates favorable conditions for implementing the next step of the long-term strategy of de-dollarization. The gradual reduction of the refinancing rate in the wake of decreasing inflation makes the GEL loans even more attractive for the general public and businesses, which positively reflects on credit activity. The funding of GEL remains stable and the banks have enough liquidity to supply credit in local currency. Moreover, given the globally tightened financial conditions, the demand for foreign currency loans is reduced. These developments create favorable conditions to raise the limit on foreign currency loans causing only minimal frictions in the economy. Therefore, the NBG increases the limit on unhedged foreign currency loans from 300,000 GEL to 400,000 GEL starting from May 1, 2024.

The National Bank of Georgia continues monitoring the country's financial stability and assessing domestic and foreign risks. If necessary, it will use all available instruments to minimize the possible risks.

The Financial Stability Committee's next meeting will be held on May 29, 2024.