JSC FINCA Bank Georgia

Pillar 3 Annual Report 2017

Contents

1. Bank Management's statement on the accuracy of information provided in the report

The Bank's Board of Directors confirms the accuracy of all the data and information outlined in the given Pillar 3 report. Report has been prepared in compliance with internal control processes which are agreed with the Supervisory Board. The Report is based on National Bank of Georgia's Decree #92/04 about the Pillar 3 information disclosure requirements for commercial Banks. According to the regulation the audit of the information published within the framework of the Pillar 3 is not mandatory.

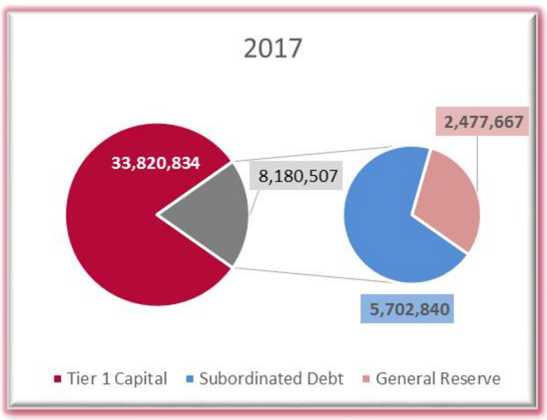
2. Basic Indicators

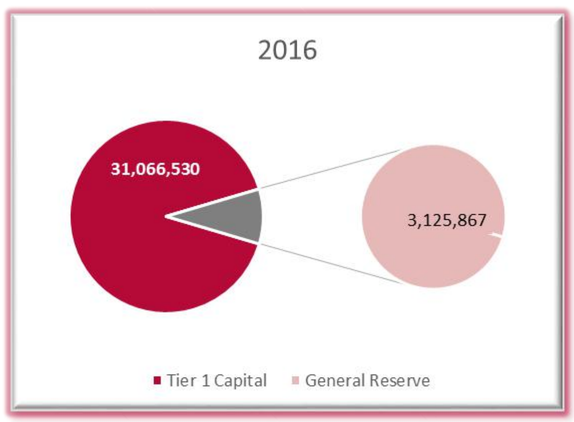
Total regulatory capital ratio

2017:	**15.83%**
2016:	**11.38%**

Total regulatory capital ratio
The source of improved ratio is higher profitability and lower risk exposure in 2017. The Bank had strengthened the capital base via increased profitability, issued new subordinated debt in 2017 and decreased foreign currency risk weighted assets.

Total Capital Split by Tier 1 and Tier 2





Return on Average Assets (ROAA)

2017:	**0.75%**
2016:	**-0.14%**

Return on average assets (ROAA)
The source of higher Return on Average Assets is increased profitability in 2017, which is result of improved efficiency - the Bank achieved higher operating revenue through lower operating expenses.

Return on Average Equity (ROAE)

2017:	6.22%
2016:	-1.00%

Return on Average Equity (ROAE)
The source of higher Return on Average Equity is increased profitability in 2017, which is result of improved efficiency - the Bank achieved higher operating revenue through lower operating expenses.

Opex Ratio

2017:	11.91 %
2016:	15.06%

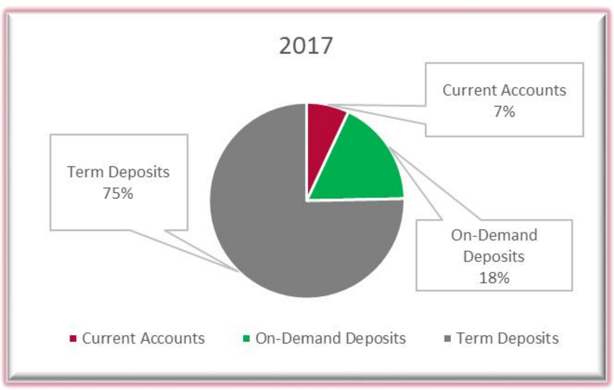
Opex Ratio
The ratio is calculated as operating expenses divided by average loan portfolio. The main reason of improvement is decreased operating expenses and increased loan portfolio.

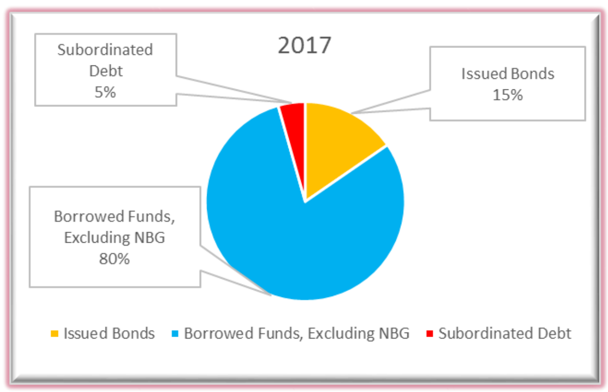
Deposit Ratio

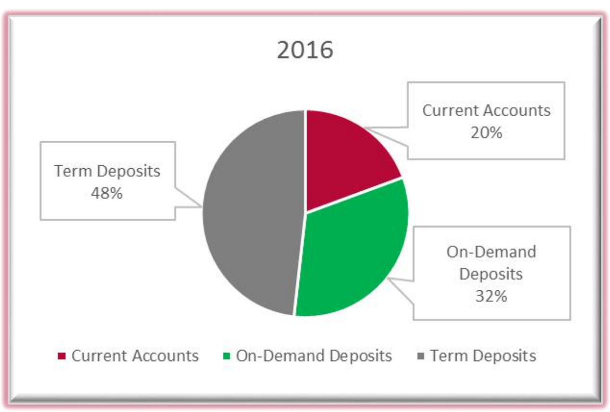
2017:	74.05 %
2016:	71.35%

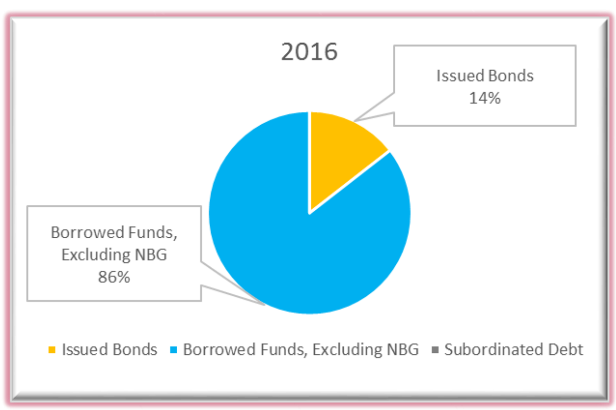
Deposit Ratio
The ratio is calculated as Clients Deposit divided by Borrowed Funds. The Bank decreased IFI funding by diversification of financing sources via deposits portfolio in 2017.

Deposits and Borrowed Funds Split by Type





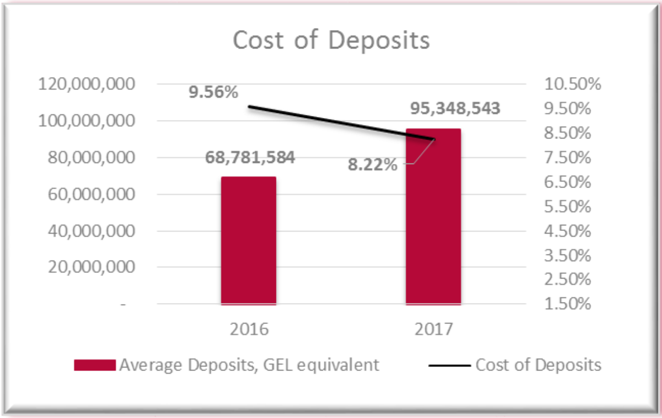




Cost of Deposits

2017:	**8.22 %**
2016:	**9.56%**

Cost of Deposits
The Bank decreased interest expenses on the deposit portfolio by diversification client base and introducing new deposit products.



LLR/ Average Portfolio

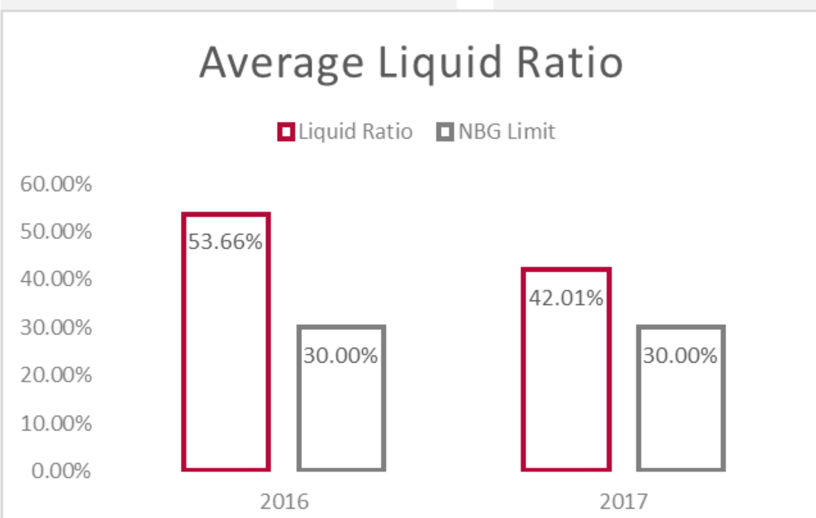
2017:	**3.95%**
2016:	**4.11%**

Loan Loss Reserve/ Average Portfolio
The ratio is calculated based on regulatory provisioning policy.

Average Liquid Ratio

2017:	**42.01%**
2016:	**53.66%**

Average Liquid Ratio
The Bank further optimized the liquidity management.



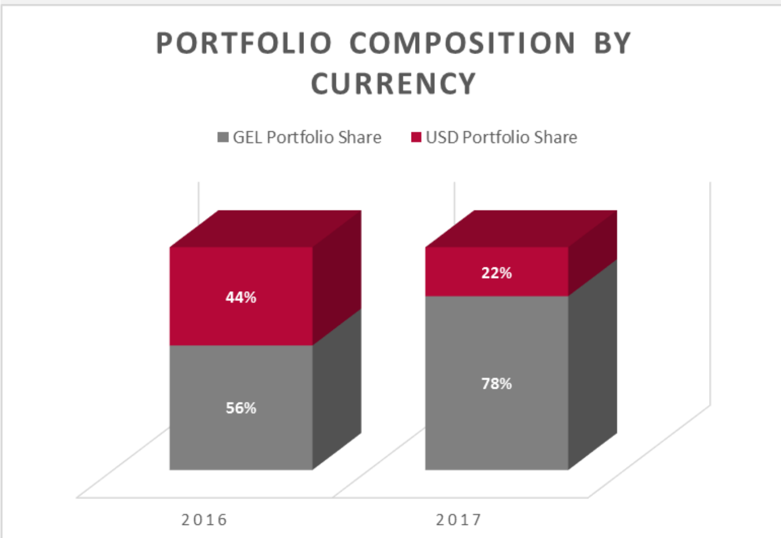
Portfolio Yield

2017:	**24.47%**
2016:	**28.19%**

Portfolio Yield
There is general decreasing trend of interest rates on the market and the Bank always offers competitive loan products at competitive interest rates.

Portfolio by Currency

Portfolio by Currency
The Bank increased lending in local currency which is in line with "larizasion" process in the country.



Balance Sheet *in Georgian Lari*

		Reporting Period			Respective period of the previous year		
N	**Assets**	GEL	FX	Total	GEL	FX	Total
1	Cash	5,180,357	7,125,683	12,306,040	5,885,414	7,282,677	13,168,091
2	Due from NBG	9,483,447	19,854,124	29,337,571	10,987,698	19,384,781	30,372,478
3	Due from Banks	265,632	5,322,489	5,588,121	16,383	4,335,686	4,352,070
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	18,899,921	0	18,899,921	19,191,492	0	19,191,492
6.1	Loans	174,988,103	49,290,135	224,278,238	115,055,004	90,769,693	205,824,697
6.2	Less: Loan Loss Reserves	-5,833,711	-2,814,781	-8,648,492	-4,017,888	-3,568,488	-7,586,376
6	Net Loans	169,154,392	46,475,354	215,629,746	111,037,116	87,201,205	198,238,321
7	Accrued Interest and Dividends Receivable	2,733,130	407,886	3,141,016	2,124,162	807,587	2,931,750
8	Other Real Estate Owned & Repossessed Assets	204,604	0	204,604	169,945	0	169,945
9	Equity Investments	0	0	0	0	0	0
10	Fixed Assets and Intangible Assets	6,227,401	0	6,227,401	7,133,022	0	7,133,022
11	Other Assets	2,178,135	199,430	2,377,565	2,576,745	94,020	2,670,765
12	**Total assets**	214,327,018	79,384,965	293,711,984	159,121,978	119,105,956	278,227,934
	Liabilities						
13	Due to Banks	0	620,880	620,880	0	0	0
14	Current (Accounts) Deposits	5,088,290	1,659,432	6,747,722	17,249,097	1,857,568	19,106,665
15	Demand Deposits	7,684,996	9,328,759	17,013,756	23,113,060	8,796,383	31,909,443
16	Time Deposits	38,607,143	33,920,988	72,528,131	17,272,881	30,229,030	47,501,911
17	Own Debt Securities	20,000,000	0	20,000,000	20,000,000	0	20,000,000
18	Borrowings	70,063,229	57,253,057	127,316,286	40,786,515	77,286,560	118,073,075
19	Accrued Interest and Dividends Payable	2,161,980	1,353,834	3,515,814	1,575,822	1,544,057	3,119,879
20	Other Liabilities	3,836,314	246,368	4,082,683	3,756,634	599,123	4,355,757
21	Subordinated Debentures	0	5,702,840	5,702,840	0	0	0
22	**Total liabilities**	147,441,952	110,086,159	257,528,112	123,754,010	120,312,721	244,066,731
	Equity Capital						
23	Common Stock	20,213,600	0	20,213,600	20,213,600	0	20,213,600
24	Preferred Stock	0	0	0	0	0	0
25	Less: Repurchased Shares	0	0	0	0	0	0
26	Share Premium	0	0	0	0	0	0
27	General Reserves	0	0	0	0	0	0
28	Retained Earnings	15,970,272	0	15,970,272	13,947,604	0	13,947,604
29	Asset Revaluation Reserves	0	0	0	0	0	0
30	**Total Equity Capital**	36,183,872	0	36,183,872	34,161,204	0	34,161,204
31	**Total liabilities and Equity Capital**	183,625,825	110,086,159	293,711,984	157,915,214	120,312,721	278,227,934

3. Shareholder Structure

FINCA Bank Georgia JSC is 100% owned by FINCA Microfinance Coöperatief U.A. a cooperative registered in the Netherlands with the trade register of the Chamber of Commerce of Amsterdam under number 53004698 and having its official seat in Amsterdam (the "Cooperative").

The members of the Cooperative are:

- FINCA MICROFINANCE HOLDING COMPANY LLC, a limited liability company registered under the laws of the State of Delaware, United States of America and having its registered address at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States of America. FINCA MICROFINANCE HOLDING COMPANY LLC holds 99 voting rights.
- FINCA INTERNATIONAL LLC, a limited liability company registered under the laws of the State of Maryland, United States of America and having its registered address at 11 East Chase Street, Baltimore, Maryland 21202, United States of America. FINCA INTERNATIONAL LLC holds 1 voting right.

The Shareholders of FINCA MICROFINANCE HOLDING COMPANY LLC are as follows:

- FINCA International, Inc. – Majority Shareholder
- International Finance Corporation (IFC)
- KfW
- FMO (Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V)
- Credit Suisse Microfinance Fund Management Company, acting for responsAbility Global Microfinance Fund
- Triodos Investment Management
- Triple Jump, acting for ASN-NOVIB FONDS

FINCA International, Inc. is a not-for-profit corporation under the laws of the State of New York and as such, its Members hold no ownership in FINCA International, Inc. and have no economic rights. As of this date, the Members of FINCA International, Inc. are as follows:

- Rupert Scofield
- John Hatch
- Robert Hatch
- Richard Williamson

Other subsidiaries of the holding company

FINCA Micro-Credit Deposit Organization LLC	Specialized Micro Loans (Pvt Sh Co)
FINCA Tanzania Limited	FINCA Micro-Credit Company CJSC
FINCA Uganda Limited	FINCA Plus LLC
Fundacion Internacional Para La Asistencia Comunitaria de Guatemala	Foundation for International Community Assistance (FINCA Limited)
FINCA Africa IT Service Center Ltd	FINCA Afghanistan (FINCA Afghanistan JSC)
FINCA Zambia Limited	FINCA Capital Fund LLC
FINCAServicios - Latinoamerica SA	FINCA Universal Credit Organization CJSC
FINCA Zambia Holding Limited	FINCA Charity Foundation
Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V.	FINCA Azerbaijan LLC
MFSI Guatemala SA	Micro-Finance Solutions, Inc (MFSI)
FINCAServices USA LLC	FINCA D.R. Congo sarl
FINCA Microfinanzas, SA	Banco Para La Assistencia Comunitaria FINCA SA
FINCA Microfinance Bank Limited	Fundacion Internacional Para La Asistencia Comunitaria del Ecuador
FINCA Haiti SA	Foundation for International Community Assistance
FINCA Microfinance Bank Limited	Financiera FINCA Nicaragua, SA
FINCA Haiti	FINCA Kosovo S.h.A.
FINCA Honduras	
(Sociedad) Financiera FINCA Honduras, SA	

4. Shareholders Related Issues

4.1 Shareholders Rights

The General Meeting of Shareholders is the supreme body for the management of the Bank. A General Meeting of Shareholders is convened either for annual or extraordinary meetings. The annual meeting shall be held within two months following the closing of the Annual Audited Financial Statement.

The General Meeting of Shareholders is authorized:

a) to amend the Charter of the Bank, including any change in share capital, to amend the commercial name of the Bank, or to decide on the issue of liquidation of the Bank;

b) to make the decision on the merger or division;

c) to cancel completely or partially the right of the pre-emptive purchase of the shares upon the increase of the charter capital, sale of the shares by the other shareholders or the issuance of other securities by the Bank;

d) to accept or reject proposals of the Supervisory Board or the Management Board members concerning the utilization of profit or to make decisions concerning the utilization of net profit, if the said bodies fail to make an agreed proposal;

e) to approve the reports by the Officers and the Supervisory Board;

f) to elect and dismiss the members of the Supervisory Board, determine the question of the remuneration of the members of the Supervisory Board and conclusion of contracts with them;

g) to elect the auditor and special controller;

h) to make decisions on the participation in court proceedings against the Officers and the Supervisory Board members; to appoint its representative for the above action;

i) to adopt resolutions on the issuance and sale of shares and other securities in accordance with this Charter and Georgian legislation.

4.2 Revenue Received by Shareholder

Pursuant to the terms of the Intellectual Property License Agreement made by and between FINCA Microfinance Cooperatief U.A ("FMC") and FINCA Bank Georgia JSC dated November 18, 2011 the parties agreed that the Bank shall pay FMC a royalty payment on all future interest income. On August 6, 2013 royalty fee calculation method was determined as the following percentages of operating revenues: 0%, 1.5%, 2% and 3% respectively, if operating revenue is less than USD 500,000, within the range of USD 500,000 and USD 1,000,000, within the range of USD 1,000,000 and USD 2,500,000 and greater than USD 2,500,000. During fiscal year 2017, total royalty fee paid by the Bank amounted GEL 819,981 including VAT.

According to the Management Service Agreement signed between FINCA Microfinance Coöperatief U.A.("FMC") and FINCA Bank Georgia, MFC provides various centralized management services to the Bank on which the Bank pays management service fee. During fiscal year 2017, total management service fee paid by the Bank amounted GEL 2,923,184 including VAT.

5. Corporate Governance

FINCA Bank Georgia's corporate governing bodies are the General Meeting of Shareholders, the Supervisory Board and the Management Board, each having its own responsibilities and authorities in accordance with Georgian law and the Bank's Charter.

5.1 Supervisory Board

FINCA Bank Georgia's Supervisory Board's primary responsibilities are to manage risk, to ensure the Bank has a system of internal controls that operates effectively, and to provide oversight of the Bank on behalf of the Shareholders and independent of the FINCA Bank Georgia Management, including with respect to carrying out FINCA's mission, strategy implementation and alignment with the FINCA Network, financial performance, social performance, and compliance with applicable law and regulations. The Supervisory Board is also responsible for overseeing and evaluating the operations of FINCA Bank Georgia in accordance with the Bank's foundational documents, other applicable documents or standards.

The General Meeting of Shareholders elects a Supervisory Board consisting of3 (three) to 21 (twenty one) members. Each member of the Supervisory Board shall be elected for the term of four years. The General Meeting may, at any time remove any members or re-elect the Supervisory Board member before the expiry of their term. At the same time, any member may resign at any time. The Supervisory Board elects its Chairman and Deputy Chairman from amongst its members. The meetings of the Supervisory Board are conducted at least once in 3 (three) months.

The Supervisory Board conducts self-evaluation regarding compliance with Board activities, existing processes, effectiveness, composition and on fit and proper criteria of the Members on an annual basis. The results of the evaluation is considered by the Shareholder.

Objectives and the authority of the Supervisory Board are as follows:

a) Supervises the activities of the Officers;
b) Appoints and dismisses the Officers, concludes service agreements determining their remuneration and working conditions;
c) Determines the rights and obligations of the Officers;
d) Requests reports from the Officers concerning all activities of the Bank;
e) Controls the Bank's accounting books and entries, the cash, property and other securities, may assign this task to the experts;
f) Convenes special general meetings of shareholders if it is deemed necessary for the Bank's interests;
g) Checks the annual financial report, proposal on profit distribution and the information on the Bank's standing and presents its opinion to the General Meeting;
h) Prepares its own report to be presented to the General Meeting;
i) Represents the Bank in legal proceedings against the Officers;
j) Fulfills other responsibilities envisaged by the Georgian legislation.

The following activities shall be performed only with the written consent of the Supervisory Board:

a) Making new investments, founding new enterprises;
b) Purchase and sale of property, mortgage of the Bank's immovable property and similar encumbrance;
c) Taking loans or credits by the Bank;
d) Establishment and liquidation of branches, divisions (service centers) and representative offices;
e) Approving branch, divisions (service centers) and representative offices managers proposed by the Officers;
f) Making investments, except in the normal course of business;
g) Initiation of new commercial activities;
h) Determination of economic and financial policies and objectives;
i) Definition of principles for general working conditions, employees' rights, and provision of pensions for Officers and all other employees;

j) Appointment and dismissal of trade representatives (procurators);

k) Implement the decision of the General Meeting on admission of the Bank's shares and other securities to the stock market;

l) Determination of the principles of participation of the managers in the profits and other related relations as well as definition of pension principles for them and presentation to the General Meeting of Shareholders for approval;

m) Approval of all kinds of technical assistance agreements, know-how and license agreements.

Bank policy papers include. risk management policies are reviewed and approved by the Supervisory Board while ordinary or special meeting as needed.

FINCA Bank Georgia Supervisory Board consists of following members:

Florin Lila, Chairman

Florin Lila joined FINCA in 2012, first as Deputy Regional Director and then as Chief Executive Officer in FINCA Kosovo. In his current position as Vice President and Regional Director for Eurasia, he is in the process of being appointed as Chair of the Board of Directors for Armenia, Georgia, Kyrgyzstan and Tajikistan, and is responsible for the oversight and development of all FINCA subsidiaries in the Eurasia region. He is also a member of the Management Team (MT) of FINCA Impact Finance.

Florin brings a wealth of banking experience and distinguished academic background. Prior to joining FINCA, he had 13 years of experience in the banking sector including multiple roles at Executive Management and Board of Directors level, both in Kosovo and Ghana.

He holds an MA degree in Economics for Business Analysis from Staffordshire University, United Kingdom.

Dane Steven McGuire, Deputy Chairman

Throughout his career, Steve McGuire has focused on managing participation in professional markets both in developed and emerging markets. He has also gained significant experience in the financial control of commercial banking units, as well as adherence to banking and regulatory requirements. Before joining FINCA, he served at Global Head of Central Banks at ABN Amro Bank, NV., culminating a 12-year career with the bank as its UK Treasurer and Regional Treasurer in Latin America. Prior to this role, he held the position of UK Treasurer of Credit Lyonnais in the UK for a period of six years, preceded by a decade with Citibank in Ecuador, Venezuela, London, and Copenhagen, in different country and regional roles, ranging from credit and corporate relationship management to investment banking. Mr. McGuire also served as a US Peace Corps Volunteer in Guatemala from 1971 to 1973. He received his M.A. in International Studies from the Johns Hopkins University School of Advanced International Studies, in Washington, DC, and a B.A. in Political Science from The Citadel in Charleston, SC.

Volker Renner, Member

Volker Renner has over 20 years of senior management experience in microfinance in four continents. From 2004 to 2016 he served FINCA International as Vice President for Credit and Savings, Global COO and Regional Director for FINCA Eurasia. Prior to joining FINCA Volker held positions as CEO of ProCredit Bank (Ukraine) and advisor to banks in Russia and Ukraine. Volker has served as board chairman, board member and audit committee member in numerous microfinance institutions and banks.

Olga Tomash, Member

Olga has 20+ years of experience in banking and audit including in international audit firms and international banks. Olga joined FINCA as the Eurasia Regional Internal Control Manager in 2013 and after two years moved on to the position of the Regional Banking Services Manager for Eurasia. Before joining FINCA, Olga had 10 years of managerial experience in banks, first as the head of Internal Audit, then as an Executive Director. For several years Olga was lecturing “Staff Management” at Eastern Europe ProCredit Academy in Macedonia and “Risk Management”, “Internal Audit and Controls” at Deloitte Academy in Kyiv. Olga holds a diploma in Accounting and Audit in Banks from Kyiv State University of Economics and Trade. She is a Fellow member of ACCA (Association of Certified Chartered Accountants) since 2004.

Paul Russell Clark, External member

Paul Clark joined FINCA as an external Board member in mid-2012. Paul has been a management consultant for nearly 30 years, starting out in North America through 1991 and then moving to Western, Central and Southeast Europe. He has been providing advisory services to Georgian companies and institutions since 2000. His clients in Georgia include small to very large companies in more than 20 sectors ranging from energy to financial services to production. Other clients in Georgia are IFIs, diplomatic missions, NGOs and a variety of donor projects. Paul is a graduate from Stanford University (two engineering degrees) and the University Of Chicago Booth School Of Business (MBA in finance).

FINCA Microfinance Holding Company Board of Directors consists of following members:

1. Richard M. Williamson
2. Michael Barth
3. Monish K. Dutt
4. Johannes Feist
5. Shawn Hassel
6. Robert W. Hatch
7. Rupert W. Scofield
8. David Weisman

5.2 Committees

FINCA Bank Georgia Supervisory Board appoints an Audit Committee, an Asset-Liability Committee ("ALCO") and Risk Committee. The Committees are required to report to the Supervisory Board on matters within their respective scopes of authority (as defined in their Committee Charters) and provide recommendations to the Supervisory Board.

Audit Committee

The Supervisory Board appoints the members of the Audit Committee for a period of 4 years (From June 1, 2018 Audit Committee will be comprised from Supervisory Board Members). The authority of the Audit Committee member shall be prolonged until duly replaced. The appointment can be renewed for one or more additional terms.

The Audit Committee consists of up to 3 (three) members. Regular Meeting of the Audit Committee shall be held at least once every quarter. Extraordinary meetings shall be held upon the request of the Supervisory Board or Audit Committee Chairman.

Currently the Members of the Audit Committee are following individuals:

- Chikako Kuno, Chairman
- Florian Dervishi, Deputy Chairman
- Gevorg Ter-Hovhannisyan, Member

Competence of the Audit Committee:

- To establish appropriate rules for accounting controls and to oversee their observance and to conduct inspection of reporting and accounting records through the Bank's Internal Audit Department;
- To supervise the Bank's compliance with applicable law;
- To approve the Internal Auditing policies and to organize the operations of the Bank's Internal Audit Department;
- To ensure that the Internal Audit Department is objective and independent from the Bank's Management Board and its Supervisory Board;
- To approve the work plan of the Internal Audit Department for the coming fiscal year;
- To review all quarterly reports of the Internal Audit Department and to approve and report audit findings and recommendations to the Supervisory Board and the Management Board;

- To monitor the activities of the Internal Audit Department, comparing its actual performance against its Work Plan for each quarter and year;
- To evaluate the performance of the Officer of the Internal Audit Department and of individual internal auditors.

ALCO

ALCO governs and monitors Financial Risk, including but not limited to Liquidity Risk, Funding Risk, Counterparty Credit Risk, Foreign Exchange Risk, and Interest Rate Risk. It also monitors other relevant risks such as Lending, Credit and Operational risk, and makes recommendations for remediating exceptions, funding mobilization and asset allocation. ALCO evaluates and recommends capital structure decisions and manages capital adequacy, in the context of its risk management activities as well as ensures the compliance with existing covenants from the NBG and IFIs.

ALCO committee meets on a monthly basis. ALCO members are: CEO (Chair), CFO (Secretary), Regional Director, Hub Representative (prepares agenda and gathers materials for distribution), Capital Markets Group representative and Treasurer. ALCO meetings can be also attended by other guests periodically invited for special topics as determined by the Committee Chair.

The Committee shall provide a report to the Supervisory Board (following each meeting held) summarizing risk issues and key areas discussed recommendations to the board, and decisions taken by the Committee.

Risk& Compliance Committee

Supervisory Board appoints Management Board Level Risk & Compliance Committee for the purpose of overseeing and approving the company-wide risk management practices. Risks to be considered by the risk Committee include credit, market, liquidity, operational, compliance and reputational risk of the Bank. Risk Committee assists the Supervisory Board in overseeing FINCA Bank Georgia’s risk governance structure, risk management and risk assessment guidelines and policies, risk tolerance, capital and funding practices.

Primary purposes of the Risk Committee are:

- To monitor the risk framework of the Bank, promote effective management of all risk categories, and foster the establishment and maintenance of an effective risk management culture throughout the Bank;
- Oversee that the executive management has identified and assessed all the risks that the organization faces and has established a risk management infrastructure capable of addressing those risks;

- Make recommendations to the Board, including recommendation of the Bank's risk Strategy, Appetite, risk mitigation actions and on any measures that are required to enhance risk management system (including trainings, structure, new products features and other relevant issues);
- Oversee the compliance function of the Bank.

Other Committees

Credit Committee

The Credit Committee of FINCA Bank Georgia has the authority to review and make a final decision on approval or rejections of all proposed loan applications. It is also discussing the necessity of loan restructuring, level of collateral and any other related issues.

Credit Committee may include following members: CEO, COO, Regional Operations Manager, Service Center Manager, Credit Manager, Lawyer, and Internal Control Department Manager. Credit Committee meets daily when required and its exact composition depends on the respective loan size.

HR Committee

HR committee meets quarterly, its composition is as follows: Regional Eurasia HR Director, Head of HR Department FINCA Bank Georgia, FINCA Bank Georgia Executive Management – CEO, COO, CFO and GC.

HR committee functions are as follows:

- Review and approve for recommendation to the Supervisory Board the organizational chart (annually, or as changes are proposed).
- Review and approve for recommendation to the Supervisory Board the Company's annual plan and budget relative to all aspects of Human Resources (staffing, recruitment, training and development, performance incentives, and other aspects).
- Review and approve for recommendation to the Board the salary, benefit and incentive compensation structures for all personnel.
- Oversee the succession plan for management positions and make recommendations to the Board regarding key executives and succession plans.
- Monitor staff turnover rates by position, and report on turnover trends in regular reports to the Supervisory Board, making recommendations for addressing retention issues as appropriate.
- Conduct a review of Human Resources policies and procedures, including HR Policies Manual, Employee Handbook, and any other documentation.

- Deliberate and approve any disciplinary actions to be taken against persons employed in any of the core managerial position.
- Review the results of the annual Climate Survey, and provide feedback and recommendations to management and the Supervisory Board as appropriate.
- Oversee talent management and development, including processes for performance management and career pathing, coaching, mentoring, and training, as well as management's efforts to support wider FINCA network objectives.

Disciplinary Committee

Disciplinary committee reviews FINCA Bank Georgia employees' disciplinary cases should any employee misconduct notification be submitted to members of disciplinary committee.

Disciplinary committee members are: Executive Management – CEO, COO, CFO, GC Head of HR Department and Head of Risk Management.

Other functional lines

FINCA Bank Georgia has various functional managers level that provide oversight of certain operations and procedures, including the technical areas of finance, operations, risk management, internal audit, legal, governance, human resources, marketing communications, and information services. These functional managers ensure that critical Supervisory Board and management information is sufficiently complete, accurate and timely, to enable appropriate decision making, and provide the control mechanisms to ensure that strategies, directions and instructions from both the Supervisory Board and Management Board are carried out systematically and effectively.

5.3 Management Board

The Management Board of FINCA Bank Georgia consists of Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), Chief Operating Officer (“COO”) and General Counsel & Corporate Secretary. Each member is appointed by the Supervisory Board for a 4-year term, but the authority of the members continues after expiration of the term until the Supervisory Board appoints the new Member(s) of the Management Board. The Management Board shall be responsible for the management and the execution of the Bank's activities and Board members shall be eligible for re-election on one or more additional terms.

Vusal Verdiyev, Chief Executive Officer of FINCA Bank Georgia, has over 10 years of executive leadership in banking, microfinance, project management. Vusal Verdiyev joined FINCA Georgia from 2008 in COO role and from 2009 is appointed as CEO. He leads FINCA Bank Georgia management team, provides strategic leadership in risk management, human resources management, product development, marketing, project management, operations, finance, information technology. Mr. Verdiyev led transformation process, development of core banking software and other initiatives. Prior joining FINCA Georgia, he worked in FINCA Azerbaijan, Citizens Development Corps, Netherlands Management Cooperation programs and CHF. He holds MBA in Agriculture Economics and Management and ABA Stonier National Graduate School of Banking, University of Pennsylvania.

Giorgi Mirotadze, Chief Financial Officer of FINCA Bank Georgia, has over 15 years of executive experience in banking, microfinance and business consulting. He joined FINCA Georgia since year 2007, where his responsibilities included all aspects of financial management, budgeting, taxation, also active participation in the banking transformation as well as banking software implementation. Prior to joining FINCA, he served as Director, Finance and Information Technology at Cascade Bank Georgia. Before he served as Director, Treasury and Strategic Development at Bank Republic. His previous career includes senior positions at business consulting companies (CERMA/The Recovery Group funded by World Bank, and Sibley International/Georgia Accounting Reform Project funded by USAID). He holds an MBA degree major in Banking and Finance from Hofstra University, Hempstead, New York. He also graduated from ABA Stonier National Graduate School of Banking, University of Pennsylvania in 2010.

Giorgi Nadareishvili, Chief Commercial Officer of FINCA Bank Georgia, has over 15 years of senior-level experience managing microfinance banks throughout Georgia, Ukraine and Armenia. He has a solid background in MSME lending, branch network development, as well as non-credit operations management.

He joined FINCA Georgia in 2018 as Chief Commercial Officer. Prior to joining FINCA Bank Georgia, Giorgi worked as Chief Operating Officer of FINCA Armenia. For several years Giorgi worked for TBC Bank Constanta as a Chief Operations Officer, Chief Executive Officer and finally as a Chief Risk Officer. Before this role Giorgi worked for TBC Group, Georgia and gained valuable experience managing various functions ranging from sales, marketing and operations to customer service and back office.

Giorgi has also served for ProCreditBank in Georgia and Ukraine. He held the position of a Central Branch Manager at ProCreditBank Ukraine, as well as the position of a Chief Regional Officer at ProCreditBank Georgia for almost 7 years.

Giorgi Nadareishvili holds Master's degree in Economics from the Ivane Javakhishvili Tbilisi State University, Georgia. In 2008 he also graduated from the ABA Stonier Graduate School of Banking at the University of Pennsylvania. Since 2014 he has been a candidate for MBA degree Edinburgh Business School Herriot Watt University at the executive program.

David Zarandia, General Counsel & Corporate Secretary of FINCA Bank Georgia, has over 8 years of experience in managerial positions in the field of legal affairs of the financial sector.

David Zarandia joined FINCA Georgia in 2006 and during 11 years he was in charge of ensuring compliance of FINCA Georgia activities with respective legal requirements. He actively participated in the key transformation processes of the company – FINCA transformation into microfinance organization in 2007 and transformation from microfinance organization into a commercial bank in 2013.

For several years David led legal support and problem loans management functions. As a bank corporate secretary, he worked on an implementation of the modern corporate management model. Prior to his career in FINCA Georgia David's activity covered legal consulting and litigation in finance, energy, and medical law fields.

David Zarandia graduated from Ivane Javakhishvili Tbilisi State University, Georgia. He holds a Master's Degree in Law (LL.M.) from Köln University (Germany). As of 2006 he is a member of the Georgian Bar Association.

Conflicts of Interest

None of the members of the Supervisory Board and the Management Board is engaged in any activity that is, or could be reasonably perceived to be, in conflict with the interests of the FINCA Bank Georgia.

6. Risk Management

6.1 Bank's Strategy

According to the FINCA Bank Georgia's business strategy the Bank aims to maintain stable development trend in middle term. In order to increase the shareholder's equity and to use opportunities in the existing economic environment FINCA Bank defined its business strategy in consideration of the following:

- Be a reliable partner and Institution of choice in micro-finance and SME banking
- Ambitious growth in core segments of the bank, primarily in the rural areas
- Superior customer experience for both – internal and external customers
- Growth and diversification of retail deposit portfolio
- Innovative and digital solutions, to serve the customer base more conveniently
- Maintaining concentration on core segment and on social responsibility by diversification, effectiveness and increase of the competitiveness of the Bank.
- Optimization of the cost structure

When implementing its strategic goals the bank will be governed by its vision and goals and will exercise social responsibility by achieving a positive impact on the country's society as a whole, the specific communities it works in, as well as each individual customer.

FINCA Bank Georgia's long term viability as a niche bank will be a function of its value proposition in the local market.

Bank's Business Strategy is approved by the Supervisory Board. The Supervisory Board oversees respectively alignment with the Business Strategy.

6.2 Risk Management Strategy

Bank's Risk Strategy sets risks appetite levels and controls the alignment with approved limit in order to support Bank's Management Board in execution of the Bank's Business Strategy.

Risk appetite is the level of risk that the bank chooses to take in pursuit of its strategic objectives. It also reflects the bank's capacity to sustain potential losses at varying levels of probability, based on available capital resources. The bank's risk appetite is approved by the Supervisory Board and combines a top-down view of the bank's capacity to take risk with a bottom-up view of the risk profile provided by each business line. In order to control risk exposure Bank defines limits per all relevant types of risk (such as credit, market, operational and other risks). This annual setting of risk appetite considers the bank's ability to support business growth. Performance against risk appetite is measured and reported to the Management and Supervisory board quarterly.

The bank regularly monitors the level of potential deviation from expected financial performance that it is prepared to sustain at relevant points on the risk profile. It is established with reference to the strategic objectives and to the business plans of the bank, including the achievement of annual financial targets.

FINCA Bank's Risk Strategy targets accomplishment of the following tasks:

- Protect Bank's financial stability and profitability;
- Protect Bank's digital products and infrastructure;
- Protect the Bank from the reputational risk;
- Take part in new product approval process in order to ensure healthy risk –return decisions;

Bank's Risk Strategy and appetite is approved by the Supervisory board. The risk management committee oversees the alignment with the risk strategy and appetite levels. Risk Appetite is reflect in the Bank's respective policies, procedures and limits. Bank's Business units are functioning within those limits.

6.3 Risk Culture

Central to the Bank's risk management and governance is its risk culture. The risk culture is defined by the tone being set from the top. Risk culture is incorporated in the Bank's risk strategy, risk appetite statement, and in a daily processes.

Risk Management Department regularly performs trainings for the functional units. Bank has implemented risk awareness trainings for different risk directions such as operational risk, credit risk, information security risk and compliance risk.

Code of Conduct

Our Integrity. FINCA Bank's Code of Conduct is approved by the Management Board. According to the code it is the policy of FINCA that all employees conduct their activities according to the highest ethical and professional standards. In order to reaffirm this policy, the Board of Directors and the Members have adopted this Code of Conduct, to which FINCA Persons - every employee, Board or Advisory Board member, consultants and volunteers, and others acting on behalf of FINCA, wherever located, must adhere. Failure to conduct activity in keeping with this Code of Conduct is grounds for immediate termination of employment or other relationships with FINCA.

Our Policies - The Code of Conduct describes the ethical standards expected of all those associated with FINCA and its affiliates. Code of conduct does not describe every possible situation but sets the policy and ethics standards. Details as to specific requirements and policies are included in the FINCA Personnel Manual (Employee Handbook), and in other policies established by FINCA.

Compliance with law - No one has the authority to violate any law or governmental regulation or to direct another employee or any other person to violate any law or regulation on behalf of FINCA.

Public Perception and Fair Dealing - FINCA is conducting its activities fairly with its clients, vendors, partners and employees and in such a way that, if disclosed to the public, would bring credit on FINCA.

6.4 Risk Management Structure

The Bank has efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives.

The Management Board has overall responsibility for the determination of the Bank's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the organizations finance function.

The overall objective of the Management Board is to set polices that seek to reduce risks as far as possible without unduly affecting the Bank's competitiveness and flexibility. Through the risk management framework, the Bank manages above stated risks.

The risk management framework combines tools, actions, resources and systems with the aim to effectively identify, assess and manage risks.

Management Board level Risk Committee is established to oversee and monitor risk management process, risk framework, risk appetite and risk policies.

The supervisory board is responsible for the overall risk management of the FINCA Bank Georgia. The supervisory board approves the Bank's strategies and policies that are recommended by the management board. The Management Board is responsible to implement the strategic direction set by the supervisory board in the shape of policies and procedures and to institute an effective hierarchy to execute these policies.

The monitoring and implementation of the Bank's risk management function is split among four principal risk management bodies: the Management Board, the Risk Committee, the Assets and Liabilities Management Committee (the ALCO) and Risk Management Department. Head of Risk Management Department subordinates directly to the CEO and reports to Risk Committee and to the Supervisory board. Head of Risk Management is responsible for supervising all risk management activities across the Bank's business.

Risk Management Committee

Members of the Risk Management Committee

- CEO
- CCO
- CFO
- General Counsel & Corporate Secretary
- Head of Risk Management and Compliance Department

Risk management committee oversees effectiveness of the risk management framework. As well as alignment of the existing processes and limits with the risk appetite and strategy of the Bank. Risk Management Committee assesses risks and takes decision about the mitigation measures.

Accountability for risk management is structured by the three lines of defense principles to achieve effective governance of Risk Management.

I. First line of defense

FINCA Bank Georgia's business units bear full responsibility for the risks that arise in their operations. Businesses are responsible for identification, management and ensure that a risk and control environment as part of day to day operations is established. First line of defense is primary responsible for any losses resulted in their business areas.

II. Second line of defense

Risk Management Function – Oversees and controls risk management processes in organization. Risk Management Department sets risk management framework and establishes risk limits. Risk management department performs independent monitoring of the risk profile and supports business in developing of the risk mitigation procedures, tools and policies. Additionally, risk management function makes recommendations about the mitigation actions of the particular risks. Risk Management and Compliance Unit reports directly to the CEO and the Supervisory Board.

III. Third line of defense

Internal Audit - an independent review function directly reports to the Audit Committee and Supervisory Board.

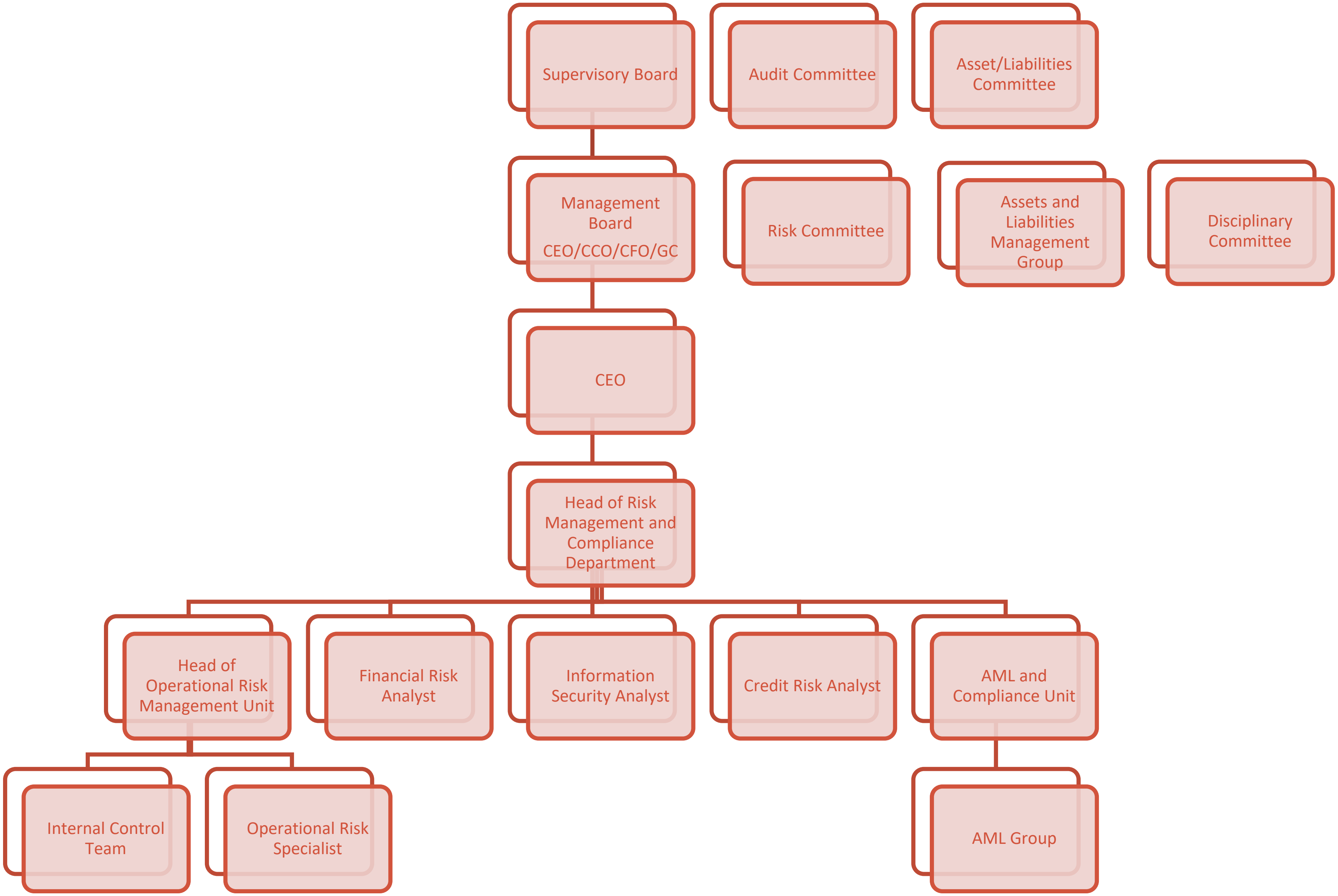
Risk Reporting

Risk Management and Compliance department prepares risk report to the Risk Management Committee monthly, where the risk trend and the current risk exposures are being discussed.

Comprehensive risks report including all material risk such as credit risk, market risk, liquidity risk, operational risk and compliance risk is delivered to the Supervisory Board on the quarterly basis.

The risk report presents alignment with the risk appetite limits and KRY's trend for all material risk types.

The Head of the risk management and compliance department presents the report to the Supervisory Board. During the Supervisory Board meeting Bank's risk framework and risk profile is being discussed accordingly.


Supervisory Board
Audit Committee
Asset/Liabilities Committee
Management Board CEO/CCO/CFO/GC
Risk Committee
Assets and Liabilities Management Group
Disciplinary Committee
CEO
Head of Risk Management and Compliance Department
Head of Operational Risk Management Unit
Financial Risk Analyst
Information Security Analyst
Credit Risk Analyst
AML and Compliance Unit
Internal Control Team
Operational Risk Specialist
AML Group

6.5 General Risks

6.5.1. Credit Risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The main business of the Bank is to provide micro-loans. To avoid significant financial damage caused by this the Bank uses various methods to identify and manage effectively the credit risks.

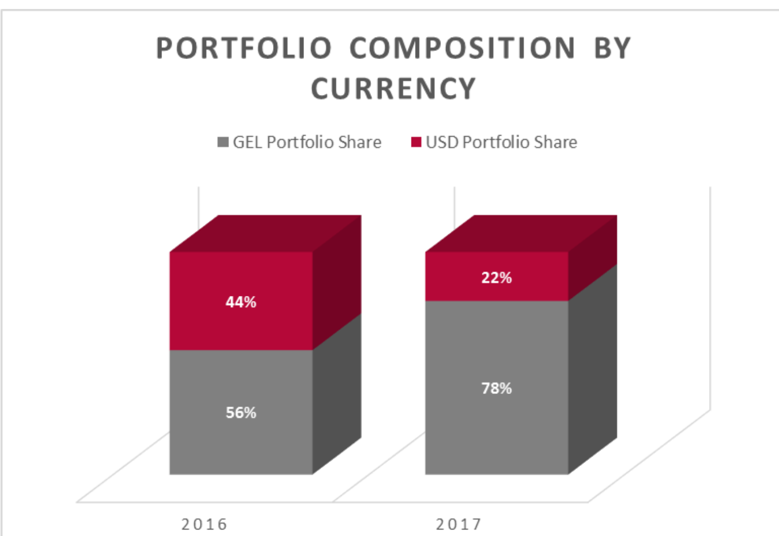
Portfolio Yield

2017:	**24.47%**
2016:	**28.19%**

Portfolio Yield
There is general decreasing trend of interest rates on the market and the Bank always offers competitive loan products at competitive interest rates.

Portfolio by Currency

Portfolio by Currency
The Bank increased lending in local currency which is in line with "larizasion" process in the country.



The Bank's credit policy and lending control is determined by the Credit Manual, where all the related procedures and requirements, along with respective controls are clearly defined, including loan disbursement, monitoring of delinquent loans, etc.

The Bank focuses principally on micro-credit to low income entrepreneurs with cash flows from income generating activities (including trade, production, agriculture, and others). The Bank also expanded credit offering to small and medium enterprises in the service of market demand.

Bank's practices individual lending methodology in its loan products. Where appropriate, and in the case of most loans, the Bank obtains personal guarantee and/or collateral. However, a significant portion of loans is personal lending, where no such facilities can be obtained. All applicants' credit history is checked in credit bureau with their consent.

The Credit Committee is the analytical body responsible for analyzing the information in the loan applications. It is the independent body authorized to make the final decision about financing or rejecting the loan application and changing in the conditions of loan, including restructuring.

FINCA Bank Georgia's low risk in its credit portfolio is confirmed by low level of overdue as well as a low number of customers with payment problems or identified future problems.

Stress tests indicate that FINCA Bank Georgia would have high resilience in an economic downturn. Also past experience of successfully coping with crisis confirms this.

The total credit risk weighted risk exposure for FINCA Bank Georgia as of December 31, 2017 was GEL 198,137,337.

LLR/ Average Portfolio

2017:	**3.95%**
2016:	**4.11%**

Loan Loss Reserve/ Average Portfolio
The ratio is calculated based on regulatory provisioning policy.

Credit Risk Control

Credit risk is principally controlled by establishing and enforcing authorization limits and very low maximum loan limit. Decision making process workflow of credit committee is fully computerized. Decision making limits are controlled by the MIS automatically based on the predefined access levels. Regular monitoring ensures that limits are not exceeded.

Loans are monitored by the Bank's service centers on the monthly basis. External events that can have negative effect on the loan portfolio is discussed on the risk committee. Risk committee takes decision about the mitigation actions needed for particular loans.

Loan portfolio risk also monitored regularly by the credit risk function. The credit portfolio and key credit risk indicators are assessed as well, including: sector, product, region, branch and credit rating of the client. Results are reported to the risk management committee and to the Supervisory Board.

In order to better assess agro loans and mitigate credit risk the "Technical cards" are used, which help the business to define loan disbursement limit for particular agro sector and the client.

The high quality of the procedures are ensured also by the sound credit practices which is developed by FINCA International's professionals during 30 years.

Internal Control Team which is a part of the Operational Risk unit performs regular checks of credit analyses quality.

The Bank continues to follow a prudential lending policy. All credit activities strive towards a long-term customer relationship to achieve solid profitability and avoid credit expansion that may endanger long-term stability.

Concentration Risk

Refers to an exposure with the potential to produce losses large enough to threaten a financial institution's health or ability to maintain its core operations.

Bank assesses various concentration dimensions including industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Bank applies the HHI (Herfindahl-Hirschman Index) to analyze its concentration risk.

The concentration of portfolio on individual borrower's level are very limited due to high granularity of portfolio. Risk assessment shows that overall concentration risk in the Bank is low.

Collateral appraisal

FINCA Bank Georgia has in place formal Procedure for the Collateral Appraisal and Pledge/Mortgage Registration. The aim of the procedure is to define the types of property acceptable for securing of loan, methods and procedures of collateral appraisal, collateral registration, agreement drafting, and procedures of mortgage/pledge registration and annulment of the registration, other terms and conditions related to the above issues.

Loan collateral represents the tool of credit risk reduction for the Bank and is considered to be an alternative source of loan repayment in case of non-payment of the loan by the Client.

The loan collateral acceptable for the Bank shall include the following property owned by the owner or a third person:

a) Real estate
b) Movable property

In case the market conditions undergo significant changes the collateral is being reappraised.

	0	0	0	0	0	0	0	0	0	0	0	0
	11,561,634	0	50,000	0	0	0	7,594,645	0	0	0	0	3,916,989
	296,243	0	0	0	0	0	296,243	0	0	0	0	0
	356,136	0	0	0	0	0	249,655	0	0	0	0	106,481
	271,882	0	0	0	0	0	162,188	0	0	0	0	109,694
	948,347	0	0	0	0	0	550,498	0	0	0	0	397,850
	347,441	0	0	0	0	0	291,566	0	0	0	0	55,875
	210,274,518	0	276,628	0	0	0	49,350,105	343,547	0	0	0	160,304,238
	222,036	0	8,100	0	0	0	144,914	0	0	0	0	69,022
	224,278,238	0	334,728	0	0	0	58,639,814	343,547	0	0	0	164,960,149

Collateral is not used as a risk mitigation for the standardized approach.

Standardized approach - Effect of credit risk mitigation

Asset Classes	On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
		Off-balance sheet exposures -	Off-balance sheet exposures			
Claims or contingent claims on central governments or central banks	48,315,504	0	0	19,070,755	19,070,755	39.47%
Claims or contingent claims on regional governments or local authorities	0	0	0	0	0	0.00%
Claims or contingent claims on public sector entities	0	0	0	0	0	0.00%
Claims or contingent claims on multilateral development banks	0	0	0	0	0	0.00%
Claims or contingent claims on international organizations/institutions	0	0	0	0	0	0.00%
Claims or contingent claims on commercial banks	5,588,121	0	0	2,794,060	2,794,060	50.00%
Claims or contingent claims on corporates	0	0	0	0	0	0.00%
Retail claims or contingent retail claims	221,836,421	613,997	304,060	166,653,768	166,653,768	75.02%
Claims or contingent claims secured by mortgages on residential property	0	0	0	0	0	0.00%
Past due items	1,021,019	0	0	1,021,019	1,021,019	100.00%
Items belonging to regulatory high-risk categories	0	0	0	0	0	0.00%
Short-term claims on commercial banks and corporates	0	0	0	0	0	0.00%
Claims in the form of collective investment undertakings (‘CIU’)	0	0	0	0	0	0.00%
Other items	18,790,694	0	0	7,146,103	7,146,103	38.03%
Total	295,551,759	613,997	304,060	196,685,705	196,685,705	66.48%

During the fiscal year the Bank used credit ratings of following International Rating Agencies: FITCH, Standard & Poor’s and Mood’s. Credit ratings are used to calculated risk weighted assets in risk weighted risk exposure, namely risk weighted assets of Due from Banks. The minimum rating is used.

6.5.2 Market Risk

Market risk is that the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, commodity prices and equity prices that the Bank is exposed to. There have been no changes as to the way the Bank measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

Major market risks that the Bank is exposed are currency and interest rate risks.

Interest Rate Risk

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Bank's management conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability.

FINCA Bank Georgia monitors and manages its financial exposure to changing market interest rates such that to be maintained at least requisite minimum capital.

An interest rate risk is measured using the earning and economic value approaches. One of the major inputs for both models is interest rate shocks. The parameters of interest rate shocks were selected as changes for assets/liabilities in foreign and local currency. The shock parameter for GEL was chosen based on 99% VaR of TIBR1 daily rates annual changes for the last 3 years. TIBR1 data is available daily and partially, reflects the trends of fluctuations of interest rates. The earning approach model of interest rate risk calculates the impact of interest rate shock on the Bank's earnings for the next 12 months based on maturity and reprising structure of interest bearing assets/liabilities.

Another model used is modified duration method to calculate the impact of interest rate shocks on economic value of the Bank. Shock parameters are the same. Besides, average weighted cost of fund is used to calculate the modified duration.

Identification & Measurement

FINCA Bank Georgia monitors and manages its financial exposure to changing market interest rates such that to be maintained at least requisite minimum capital.

The method for assessing the impact of changes in interest rates on a Bank is maturity gap analysis.

Bank mitigates IRR within the policies established by the ALCO Framework. Changes in a Bank's mix of assets and liabilities in order to mitigate IRR shall be approved by the Bank's ALCO and must include approval from the Bank's Regional Director, the F/I CFO and the F/I Treasurer.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank strives to maintain almost closed open currency position that is monitored on daily basis.

To assess the market risks, the bank has created the models for each specific risk. To measure the currency risk, the Bank uses 99% VaR model of daily changes of GEL/USD exchange rates for last few years (covering whole economic cycle). The results are recalculated for 30 days holding period.

Identification and measurement

In management of market risk the Bank takes into account only foreign-exchange risk.

FINCA Bank Georgia measures FX Risk as consolidated overall open foreign currency position according to "Regulation Setting, Calculating and Maintaining Overall Open Foreign Exchange Position Limit of Commercial Banks".

Control & Mitigation

It is the responsibility of Treasury Department to keep the currency position close to zero at all times, and manage OCP efficiently at low cost. Major changes in the structure of assets and liabilities denominated in foreign currency and their impact is taken into consideration before trades are executed by Treasury.

FX risk ratios (OCP limits) set by National Bank of Georgia, ALCO as well as Bank's lenders (whichever is stricter) should be maintained at all times as required.

6.5.2 Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. The main body in the Bank, dealing with the liquidity management is ALCO that takes place at least monthly.

Among other issues, for liquidity management purposes, during the meetings, ALCO considers Liquidity Schedule and forecast and funding schedule. ALCO discussions related to liquidity are resulting in: identification of future funding need (timing, amount, currency), identification of possible liquidity sources (direct attraction of funds from international financial institutions, using money market instruments – interbank deposits, cross currency swaps etc.) and action plan. Besides, ALCO sets internal limits on no loan liquidity (unrestricted Cash and Cash Equivalents) to manage the liquidity risk.

Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

ALCO reports presented on the meeting include detailed forecast of BS, IS and Cash Flow items for the period of at least upcoming 18 months, resulting in the precise identification of future funding needs. Based on the current developments (evolving information), projections used in ALCO files are updated at least monthly. During the meetings, among other issues, ALCO discusses in details following topics:

- Liquidity Schedule and forecast
  - Bank Cash Flows and liquidity coverage summary
  - Consolidated Cash Flows and liquidity coverage
  - Saving/ Deposit growth and concentration

- Funding Schedule: Upcoming Transactions
  - Capital Markets Conditions
  - Bank liquidity Summary
  - Consolidated Credit Exposure and Funding
  - Investor Relations Activities

ALCO discussions related to liquidity are resulting in:

- Identification of future funding need (timing, amount, currency)
- Identification of possible liquidity sources (direct attraction of funds from IFIs, using money market instruments – interbank deposits, cross currency swaps…)
- Action plan (agreement on communication plan)

IFI funding

In case funds are attracted from IFIs, Bank’s CFO negotiates with each lender the funding conditions (Bank’s treasury, reporting and financial analysis are involved as supportive functions). After terms (amount currency, maturity, interest arte…) are agreed on the Bank’s level, ALCO and subsequently Supervisory Board approval are required for each of the single borrowing. After mentioned approvals are obtained, Loan agreements with respective lenders are signed and executed.

Role of Treasury

Liquidity management is one of the main functions of Bank's Treasury Department. Besides ALCO reports, Treasury uses separate liquidity forecasts (projected cash in/outflow), which are updated at least weekly.

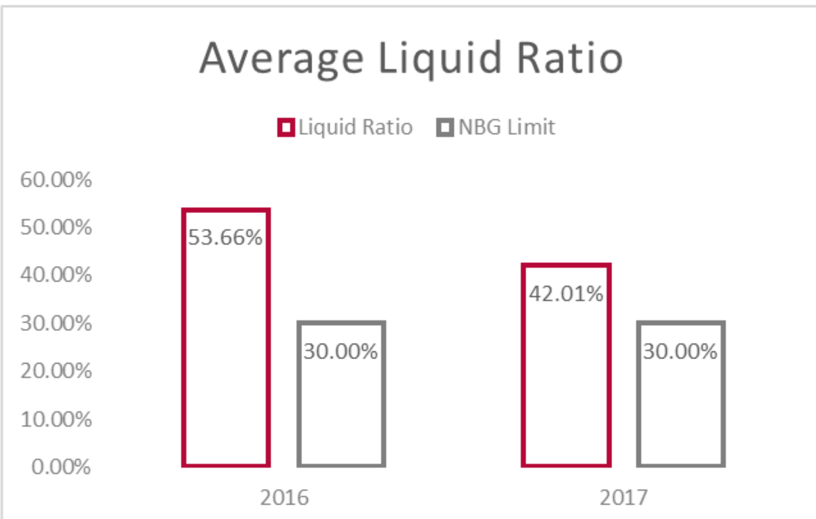
Short term liquidity is generally managed through interbank money market deals, or NBG refinancing facilities.

Long term liquidity is managed by the decisions of the ALCO.

Average Liquid Ratio

2017:	**42.01%**
2016:	**53.66%**

Average Liquid Ratio
The Bank further optimized the liquidity management.



Forward looking planning

Financial indicators planning process includes liquidity planning also. It means that 5-year budget is built such way that bank always plans to meet as regulatory liquidity requirement as internal one.

The Bank also monitors internal liquidity covenants and ensures compliance with them. The Bank manages existing funds to finance current business operations in order to maintain sufficient level of cash and its equivalents.

6.5.4. Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks.

The management of the operational risk lies within business units as operational risk is a part of their day to day activities and is reflected in strategic and operational decision making. Operational Risk Unit helps business lines to identify and manage operational risk by providing them with relevant tools and experience.

Risk Management Committee regularly discusses the operational risk profile and development trend of the Key Risk Indicators. The risk committee also oversees the operational risk management process across the organization and proposes the Operational Risk policy to the Supervisory Board for approval.

Operational risk losses during the year 2017 are not material and are within risk appetite limits.

Information about historical operational losses			
	2017	2016	2015
Total amount of losses	96,746	83,448	168,471
Total amount of losses, exceeding GEL 10,000	61,053	32,786	34,204
Number of events with losses exceeding GEL 10,000	2	1	2
Total amount of 5 biggest losses	73,862	61,139	49,445

Operational risks - basic indicator approach					
	2017	**2016**	**2015**	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
Net interest income	34,772,826	35,194,561	35,150,081		
Total Non-Interest Income	(673,823)	(221,037)	1,364,248		
less: income (loss) from selling property	31,954	(1,383)	(11,756)		
Total income (1+2-3)	34,067,049	34,974,908	36,526,085	35,189,347	65,980,026

Identification & Measurement

Risk maps are used to assess the risks of the existing processes and products and to determine the adequate levels of controls. In this process, various business units, organizational functions or process flows are mapped by risk type. This exercise reveals areas of weaknesses and helps prioritize subsequent management actions.

Key Risk Indicators are used as an early warning signals to assess potential operational risk.

Through the Key Risk Indicators, the Bank monitors the factors which increase Operational Risk. The Risk Indicator's report is quarterly presented to the Bank's Supervisory Board.

The Operational Risk Database is used to analyze risk losses caused by operational risks events and to plan preventive measures in order to avoid further reoccurrence of the similar events.

To ensure that appropriate responsibility is allocated to the management, reporting and escalation of operational risk, the Bank operates a ‘three lines of defense’ model.

For the measurement of Operational Risk Basic Indicator Approach is used.

Control and Mitigation

Mitigation of operational risk is achieved through following strategies:

Incident cause analysis – to avoid re-occurrence of the material losses, the procedure is implemented which implies analyzing the flaws of the system and carrying out correcting activities.

Insurance – Insurance policies are used to transfer the risk of “low frequency, high severity” nature to third party.

Adequate procedures – The Bank has policies, processes and procedures to control and mitigate material operational risks.

Accountability and segregation of duties – assessment of the current conflicts of interest, reducing them to the extent possible for a given staffing model and application of mitigating controls is performed on a regular basis and before assigning any new function.

Business continuity plans – business continuity plans are used to ensure Bank’s ability to operate on an on-going basis and limit losses in the event of severe business disruption.

Operational risk limits – limits are set on high risk transactions to minimize risk exposure on particular products/services (such as cash limits, treasury limits and operational limits).

6.6 Stress Testing

FINCA Bank uses stress testing to access Bank's resilience to the external shock factors.

Stress testing is performed on the Bank level where various macro-economic scenarios are used.

Stress Testing is performed on bank's portfolio based on the parameters provided by the National Bank of Georgia (NBG). Stress-tests are done on enterprise-level, so covering all aspects of impact of each stress parameters. Credit risk stress test uses number of parameters such as break down by sectors, salary loans, national currency depreciation and devaluation of the fixed assets. For these purposes methodology of loan selection and test description provided by NBG was used. Due to high granularity of FINCA Bank Georgia's portfolio, any exposure in portfolio are less than 1% of supervisory capital. Therefore, bank uses the selection method for stress tests, in particular, loan selection and test description methodology provided by supervisor.

If as a result of the stress test the category of the loan deteriorates the standard procedure of the restructuring could be performed. In this case the category of the loan will be adjusted to the category what was received during the stress tests.

For the rest of the loans (staff and consumer loans) the simplified stress testing method is used as these kind of loans comprise only 1.1% of the total loan portfolio. In this method the default factor is also considered. Stress is applied to the bank's fixed assets (buildings and land) and investments in financial and non-financial assets.

Bank conducts stress test on open currency position by stressing the Georgian Lari depreciation rate.

Additionally the Interest Risk stress testing is performed taking in to the consideration of the rate increase on USD and GEL in the one year period.

Results of the stress tests are presented to the Risk Committee and the Management Board.

The stress tests indicate that the Bank would have high resilience in an economic downturn. Also past experience of successfully coping with crisis confirms this.

7. Information about Remuneration

7.1 Remuneration Policy

FINCA Bank Georgia follows the FINCA Network standards of corporate governance and procedures, as well as standards of Human Resources (HR) practices and procedures.

The Network's overall compensation strategy is to offer total compensation that attracts the best available talent and is competitive with the market.

FINCA Bank has developed a salary structure which includes salary grade ranges for all positions. The salary structure is developed taking into consideration essential duties and responsibilities, local salary survey data (if available), and relative worth for each position. The salary structure is reviewed at least once a year.

Approval of the Subsidiary salary structure is the responsibility of the Subsidiary Supervisory Board (SB).

The budget for annual salary increases for Bank's staff (excluding MB) is proposed based on criteria including company performance, market research, and industry and local practices. The final budget is approved by the Subsidiary MB and SB.

The HR Manager presents recommendations for salary increases / adjustments based on the salary increase process set forth by the Bank.

FINCA Bank fully complies with Georgian legal requirements related to payroll administration, taxation and immigration.

Payroll procedures are formally documented and are in compliance with local regulations and procedures.

Salary reviews shall happen once a year, in March, new salaries are processed for payment during March payroll, if not otherwise waived by Management Board.

FINCA Georgia budget needs are to be taken into consideration when implementing annual salary reviews along with other factors such as maintenance of market competitiveness, staff rewarding, reinforcing desired behaviours and results, compensation and benefits practices in place.

- HR Manager prepares salary survey report for all positions, total compensation and benefits market analysis in order to evaluate market competitiveness and submits report to Management Board by 15th of February each year
- Department/Regional Managers complete salary review request form and submits to HR Manager by 15th of February each year
- HR Manager completes its part, compiles data and submits for the review to HR Committee (HR Committee composition – Management Board and HR Manager).
- Salary review requests maybe initiated not only by Structural Heads but by HR Manager and Management Board based on results of internal and market analysis.

- HR Committee reviews salary change proposals.
- CEO reporting employees salary changes and reviewed by CEO and HR Manager

FINCA Subsidiaries believe in fostering long-term, client-focused relationships over the achievement of short-term targets. As such, employee short-term incentive programs are generally not considered to be consistent with network values. It is preferable that managers use a holistic approach to performance management to achieve objectives which begins with supporting a positive work environment, establishing smart goals, training, mentoring, and ongoing coaching and feedback. If a Subsidiary would like to implement an incentive program, the program must appropriately balance the objectives of motivating staff to meet performance requirements while supporting alignment with the core values and the brand attributes of the organization.

All incentive programs and modifications to existing plans is pre-approved by the Global HR before being presented to the Board for approval. Subsidiary MB incentive programs and modifications is approved by the Executive Management Committee.

Modifications to the incentive plans is documented and communicated to the employees.

For the time being FINCA Bank is using only fixed salary system for all positions in the Bank.

Remuneration of Risk Management and Compliance Department

Remuneration of Risk Management and Compliance Department is governed by general FINCA Georgia remuneration policy regulation. Based on market salary surveys, FINCA Georgia ensures that employees in Risks department are remunerated competitively, based on employees job knowledge and qualification, in order to ensure objective performance of the function.

7.2 Remuneration Tables

Remuneration awarded during 2017 were as follows:

		Board of Directors	Supervisory Board	Other material risk takers
Fixed remuneration	Number of employees	3	5	0
	Total fixed remuneration (3+5+7)	969,315	96,580	0
	Of which cash-based	969,315	96,580	0
	Of which: deferred	0	0	0
	Of which: shares or other share-linked instruments	0	0	0
	Of which deferred	0	0	0
	Of which other forms	0	0	0
	Of which deferred	0	0	0
Variable remuneration	Number of employees	0	0	0
	Total variable remuneration (11+13+15)	0	0	0
	Of which cash-based	0	0	0
	Of which: deferred	0	0	0
	Of which shares or other share-linked instruments	0	0	0
	Of which deferred	0	0	0
	Of which other forms	0	0	0
	Of which deferred	0	0	0
Total remuneration		969,315	96,580	0

During 2017 there were no shares under the management’s ownership, thus filling respective tables showing detailed information on the shares owned by the senior management is not applicable. During 2017 fiscal year deferred and retained remuneration and Special payments were not applicable as well.

8. Appendix, which includes Tables not linked to quantitative information

BALANCE SHEET UNDER THE REGULATORY AND IFRS SCOPE 9

The following tables provides a reconciliation of the Bank's balance sheet as at 31 December 2017 under the regulatory and International Financial Reporting Standards ("IFRS") scope.

Table 1: Difference between the Bank's Assets under the regulatory and IFRS scope.

A	B	C	D	E
Assets as reported in published IFRS financial statements	Carrying values as reported in published IFRS Financial Statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)	Notes
Cash and cash equivalents	28,032,175	28,032,175	28,032,175	
Mandatory reserve with the NBG*	18,221,518	18,221,518	18,221,518	
Due from banks	979,602	979,602	979,602	
Loans to customers	221,417,607	221,417,607	218,692,750	**Note 1**
Held to maturity investments	18,976,370	18,976,370	18,976,370	
Financial assets at fair value through profit or loss	162,770	162,770	298,520	
Property and equipment	3,864,363	3,864,363	3,864,363	
Deferred income tax assets	-	-	440,966	**Note 2**
Intangible assets	2,363,038	2,363,038	2,363,038	
Other assets	1,336,822	1,336,822	1,842,682	**Note 3**
Total Assets	**295,354,265**	**295,354,265**	**293,711,984**	

' NBG – The National Bank of Georgia*

Column (A) and (B): Break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2017.

Column (C): Due to the fact that the Bank does not have any subsidiaries and there is no issue for consolidation, Amounts presented in Column (C) and (B).are the same, which shows a break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2017.

Column (D): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2017.

Note 1: Based on IFRS Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The difference between regulatory and IFRS loans to customers is due to the following:

- Assets classification and provisioning policy based on IFRS and regulatory requirements are different. Based on the IFRS Provisioning policy, for loans and receivables that are assessed not to be impaired individually are assessed for impairment on a collective basis. To estimate impairment allowance for collectively assessed pools, the Bank calculates probability of default based on historical experience and loss given default based on write off and recovery analyses. There are five risk categories in the NBG Provisioning policy. The accounting program automatically calculates loan loss reserve per each loan based on the overdue days, collateral, restructured status, act. As at 31 December 2017 loan loss reserve based on IFRS and NBG amounted GEL 3,672,120 and GEL 8,648,492, respectively.
- Based on the regulations of the NBG accrued interest and penalty on loans to customers overdue more than 30 days should be moved to Off-balance and excluded from interest income. In IFRS there is no such restriction, thus off-balance interest and penalty in IFRS based financial statements are included in total exposure of the loans to customers.
- Loan disbursement fee is paid by the Client totally at the time of the loan issuance. Based on the IFRS any income generated should be allocated during the LiveCycle of the loan. Fee deferral is recorded in the NBG based financial statements on annual basis in March, after issuance of audited report, while in IFRS adjustment is recorded in the respective reporting month. Fee deferral account on loans to customers by nature is liability and in NBG based financial statements is included in Liabilities side.

Note 2: Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

In the NBG based financial statements deferred tax is calculated based on temporary differences between the carrying amounts of assets and liabilities in the NBG Balance sheet and the corresponding taxable Balance Sheet, while in IFRS based financial statements temporary differences are calculated between IFRS Balance sheet and corresponding taxable Balance Sheet.

Note 3: The difference in Other Assets line is due to the Fee Deferral on Borrowed Funds and Debt Securities Issued. By Nature Fee Deferral account of the Instrument is Asset and in the NBG based financial statements is included in Other Assets line, while in IFRS based financial statements Fee Deferral is included in each category and amortized based on effective interest method.

Table 2: Table below shows reconciliation of Assets with standardized regulatory reporting format.

						2017							
A	D	1	2	3	5	6.1	6.2	6	7	8	10	11	12
						Reconciliation with standardized regulatory reporting format							
Assets as reported in published IFRS financial statements	**Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)**	**Cash**	**Due from NBG**	**Due from Banks**	**Investment Securities**	**Total Loans**	**Less: Loan Loss Reserves**	**Net Loans**	**Accrued Interest and Dividends Receivable**	**Other Real Estate Owned & Repossessed Assets**	**Fixed Assets and Intangible Assets**	**Other Assets**	**TOTAL ASSETS**
Cash and cash equivalents	28,032,175	12,306,040	10,137,786	5,588,121					228				**28,032,175**
Mandatory reserve with the NBG*	18,221,518		18,220,183						1,335				**18,221,518**
Due from banks	979,602		979,602										**979,602**
Loans to customers	218,692,750					224,278,238	(8,648,492)	215,629,746	3,063,004				**218,692,750**
Held to maturity investments	18,976,370				18,899,921				76,449				**18,976,370**
Financial assets at fair value through profit or loss	298,520											298,520	**298,520**
Property and equipment	3,864,363										3,864,363		**3,864,363**
Deferred income tax	440,966											440,966	**440,966**
Intangible assets	2,363,038										2,363,038		**2,363,038**
Other assets	1,842,682									204,604		1,638,078	**1,842,682**
Total Assets	**293,711,984**	**12,306,040**	**29,337,571**	**5,588,121**	**18,899,921**	**224,278,238**	**(8,648,492)**	**215,629,746**	**3,141,016**	**204,604**	**6,227,401**	**2,377,564**	**293,711,984**

Column (1) to (12): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2017.

Table 3: Difference between the Bank's Liabilities under the regulatory and IFRS scope.

A	B	C	D	E
Liabilities (as reported in published IFRS financial statements)	**Carrying values as reported in published IFRS Financial Statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)**	**Notes**
Deposits by banks	23,625,199	23,625,199	23,625,199	
Deposits by customers	97,929,163	97,929,163	97,929,163	
Debt securities issued	20,141,138	20,141,138	20,166,027	**Note 4**
Borrowed funds	98,652,729	98,652,729	99,172,519	**Note 5**
Current income tax liabilities	83,650	83,650	-	**Note 6**
Other liabilities	825,548	825,548	4,082,683	**Note 7**
Subordinated debt	12,552,520	12,552,520	12,552,520	
Deferred income tax liabilities	490,280	490,280	-	**Note 8**
Total Liabilities	**254,300,227**	**254,300,227**	**257,528,111**	

Column (A) and (B): Break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2017.

Column (C): Due to the fact that the Bank does not have any subsidiaries and there is no issue for consolidation, Amounts presented in Column (C) and (B).are the same, which shows a break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2017.

Column (D): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2017.

Note 4: The difference is immaterial and due to the Fee Deferral of Debt Securities issued. By Nature Fee Deferral account of the Instrument is Asset and in the NBG based financial statements is included in Other Assets line, while in IFRS based financial statements Fee Deferral is included in each category. Please see Note 3 as well.

Note 5: The difference is due to the Fee Deferral of Borrowed Funds. By Nature Fee Deferral account of the Instrument is Asset and in the NBG based financial statements is included in Other Assets line, while in IFRS based financial statements Fee Deferral is included in each category. Please see Note 3 as well.

Note 6: The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. According to the NBG based financial statements the Bank recognized Deferred Tax Assets, thus income tax payable is zero. Please see Note 2 as well.

Note 7: The difference is due to the Fee deferral on loans to customers, by nature the account is liability and in NBG based financial statements is included in Liabilities side, namely in Other Liabilities line. In IFRS Based financial statements Fee Deferral on loans to customers is included in Loans to Customers Section. Please see Note 1 as well.

Note 8: : Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

In the NBG based financial statements deferred tax is calculated based on temporary differences between the carrying amounts of assets and liabilities in the NBG Balance sheet and the corresponding taxable Balance Sheet, while in IFRS based financial statements temporary differences are calculated between IFRS Balance sheet and corresponding taxable Balance Sheet.

Table 4: Table below shows reconciliation of Liabilities with standardized regulatory reporting format.

		2017									
A	**D**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**
		Reconciliation with standardized regulatory reporting format									
Liabilities as reported in published IFRS financial statements	**Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)**	**Due to Banks**	**Current (Accounts) Deposits**	**Demand Deposits**	**Time Deposits**	**Own Debt Securities**	**Borrowings**	**Accrued Interest and Dividends Payable**	**Other Liabilities**	**Subordinated Debentures**	**Total Liabilities**
Deposits by banks	23,625,199	620,880					22,990,000	14,319			23,625,199
Deposits by customers	97,929,163		6,747,722	17,013,756	72,528,131			1,639,554			97,929,163
Debt securities issued	20,166,027					20,000,000		166,027			20,166,027
Borrowed funds	99,172,519						97,874,986	1,297,533			99,172,519
Current income tax liabilities	-										-
Other liabilities	4,082,683								4,082,683		4,082,683
Subordinated debt	12,552,520						6,451,300	398,380		5,702,840	12,552,520
Deferred income tax liabilities	-										-
Total Liabilities	**257,528,111**	620,880	**6,747,722**	**17,013,756**	**72,528,131**	**20,000,000**	**127,316,286**	**3,515,813**	**4,082,683**	**5,702,840**	**257,528,111**

Table 5: **Difference between the Bank's Equity under the regulatory and IFRS scope. Table also shows reconciliation of Equity with standardized regulatory reporting format.**

2017							
A	D	13	14	15	16	17	18
					Reconciliation with standardized regulatory reporting format		
Equity (as reported in published IFRS financial statements)	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)	Notes	Common Stock	Retained Earnings	Total Equity Capital
Share capital	20,213,600	20,213,600	20,213,600		20,213,600		20,213,600
Retained earnings	20,840,438	20,840,438	15,970,272	Note 9		15,970,272	15,970,272
Total Equity	**41,054,038**	**41,054,038**	**36,183,872**		**20,213,600**	**15,970,272**	**36,183,872**

Column (A) and (B): Break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2017.

Column (C): Due to the fact that the Bank does not have any subsidiaries and there is no issue for consolidation, Amounts presented in Column (C) and (B).are the same, which shows a break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2017.

Column (D): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2017.

Note 10: Retained earnings per NBG and per IFRS is different due to the different accounting principles and procedures. For the details of each adjustment please refer to the above indicated Notes (Note 1 – Note 8).

9. Appendix, 4Q 2017 Quarterly Reporting Tables

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 1 **Key metrics**

N		31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16
	Regulatory capital (amounts, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	33,820,834	32,840,362	31,480,919	31,492,738	31,066,530
2	Tier 1	33,820,834	32,840,362	31,480,919	31,492,738	31,066,530
3	Total regulatory capital	42,001,341	41,284,796	39,925,335	34,526,606	34,192,397
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	265,267,661	290,666,351	303,248,403	293,892,537	300,501,741
5	Risk-weighted assets (RWA) (Based on Basel I frameworks)	274,468,294	278,825,890	295,697,874	280,829,718	285,370,297
	Capital ratios as a percentage of RWA					
	Based on Basel III framework					
6	Common equity Tier 1 ratio (≥ 7.0 %) **	12.75%	11.30%	10.38%	10.72%	10.34%
7	Tier 1 ratio (≥ 8.5 %) **	12.75%	11.30%	10.38%	10.72%	10.34%
8	Total regulatory capital ratio (≥ 10.5 %) **	15.83%	14.20%	13.17%	11.75%	11.38%
	Based on Basel I framework					
9	Common equity Tier 1 ratio (≥ 6.4 %)	11.54%	11.30%	10.61%	11.11%	11.01%
10	Total regulatory capital ratio (≥ 9.6 %)	15.67%	15.00%	13.71%	12.48%	12.15%
	Income					
11	Total Interest Income /Average Annual Assets	19.33%	19.33%	19.30%	19.17%	21.31%
12	Total Interest Expense / Average Annual Assets	7.19%	7.20%	7.13%	7.09%	7.41%
13	Earnings from Operations / Average Annual Assets	3.16%	3.16%	3.18%	3.26%	2.84%
14	Net Interest Margin	12.13%	12.12%	12.17%	12.09%	13.90%
15	Return on Average Assets (ROAA)	0.75%	0.62%	0.08%	0.41%	-0.14%
16	Return on Average Equity (ROAE)	6.22%	5.17%	0.63%	3.33%	-1.00%
	Asset Quality					
17	Non Performed Loans / Total Loans	3.74%	3.38%	3.34%	3.27%	3.22%
18	LLR/Total Loans	3.86%	3.72%	3.71%	3.70%	3.69%
19	FX Loans/Total Loans	21.98%	27.01%	30.74%	35.11%	44.10%
20	FX Assets/Total Assets	27.03%	30.22%	32.79%	38.19%	42.81%
21	Loan Growth-YTD	8.97%	7.49%	12.07%	2.66%	16.38%
	Liquidity					
22	Liquid Assets/Total Assets	15.54%	15.44%	13.90%	16.35%	23.98%
23	FX Liabilities/Total Liabilities	42.75%	41.25%	40.81%	44.48%	49.30%
24	Current & Demand Deposits/Total Assets	8.09%	9.73%	15.29%	18.51%	18.34%
	Liquidity Coverage Ratio*					
25	Total HQLA	38,507,032				
26	Net cash outflow	10,737,894				
27	LCR ratio (%)	358.61%				

* Significant changes between these two reporting periods is due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release:
https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng

** These includes Minimum capital requirements (4.5%, 6%, 8%) and Capital Conservation Buffer (2.5%) according to article 8 of the regulation on Capital Adequacy Requirements for Commercial Banks.

*** LCR calculated according to NBG's methodology which is more focused on local risks than Basel framework. See the table 14. LCR; Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 2 **Balance Sheet** *in Lari*

		Reporting Period			Respective period of the previous year		
N	**Assets**	GEL	FX	Total	GEL	FX	Total
1	Cash	5,180,357	7,125,683	12,306,040	5,885,414	7,282,677	13,168,091
2	Due from NBG	9,483,447	19,854,124	29,337,571	10,987,698	19,384,781	30,372,478
3	Due from Banks	265,632	5,322,489	5,588,121	16,383	4,335,686	4,352,070
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	18,899,921	0	18,899,921	19,191,492	0	19,191,492
6.1	Loans	174,988,103	49,290,135	224,278,238	115,055,004	90,769,693	205,824,697
6.2	Less: Loan Loss Reserves	-5,833,711	-2,814,781	-8,648,492	-4,017,888	-3,568,488	-7,586,376
6	Net Loans	169,154,392	46,475,354	215,629,746	111,037,116	87,201,205	198,238,321
7	Accrued Interest and Dividends Receivable	2,733,130	407,886	3,141,016	2,124,162	807,587	2,931,750
8	Other Real Estate Owned & Repossessed Assets	204,604	0	204,604	169,945	0	169,945
9	Equity Investments	0	0	0	0	0	0
10	Fixed Assets and Intangible Assets	6,227,401	0	6,227,401	7,133,022	0	7,133,022
11	Other Assets	2,178,135	199,430	2,377,565	2,576,745	94,020	2,670,765
12	**Total assets**	214,327,018	79,384,965	293,711,984	159,121,978	119,105,956	278,227,934
	Liabilities						
13	Due to Banks	0	620,880	620,880	0	0	0
14	Current (Accounts) Deposits	5,088,290	1,659,432	6,747,722	17,249,097	1,857,568	19,106,665
15	Demand Deposits	7,684,996	9,328,759	17,013,756	23,113,060	8,796,383	31,909,443
16	Time Deposits	38,607,143	33,920,988	72,528,131	17,272,881	30,229,030	47,501,911
17	Own Debt Securities	20,000,000	0	20,000,000	20,000,000	0	20,000,000
18	Borrowings	70,063,229	57,253,057	127,316,286	40,786,515	77,286,560	118,073,075
19	Accrued Interest and Dividends Payable	2,161,980	1,353,834	3,515,814	1,575,822	1,544,057	3,119,879
20	Other Liabilities	3,836,314	246,368	4,082,683	3,756,634	599,123	4,355,757
21	Subordinated Debentures	0	5,702,840	5,702,840	0	0	0
22	**Total liabilities**	147,441,952	110,086,159	257,528,112	123,754,010	120,312,721	244,066,731
	Equity Capital						
23	Common Stock	20,213,600	0	20,213,600	20,213,600	0	20,213,600
24	Preferred Stock	0	0	0	0	0	0
25	Less: Repurchased Shares	0	0	0	0	0	0
26	Share Premium	0	0	0	0	0	0
27	General Reserves	0	0	0	0	0	0
28	Retained Earnings	15,970,272	0	15,970,272	13,947,604	0	13,947,604
29	Asset Revaluation Reserves	0	0	0	0	0	0
30	**Total Equity Capital**	36,183,872	0	36,183,872	34,161,204	0	34,161,204
31	**Total liabilities and Equity Capital**	183,625,825	110,086,159	293,711,984	157,915,214	120,312,721	278,227,934

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 3 **Income statement** *in Lari*

N		Reporting Period			Respective period of the previous year		
N		GEL	FX	Total	GEL	FX	Total
	Interest Income						
1	Interest Income from Bank's "Nostro" and Deposit Accounts	365,699	115,583	481,282	1,145,679	70,705	1,216,384
2	Interest Income from Loans	40,516,971	9,661,289	50,178,260	36,835,317	12,122,327	48,957,645
2.1	from the Interbank Loans	-	-	-	-	2,822	2,822
2.2	from the Retail or Service Sector Loans	287,181	840,685	1,127,866	57,548	359,898	417,446
2.3	from the Energy Sector Loans	22,615	2,990	25,605	2,518	1,121	3,639
2.4	from the Agriculture and Forestry Sector Loans	32,649	34,827	67,475	5,803	10,417	16,220
2.5	from the Construction Sector Loans	13,528	16,396	29,925	911	19,343	20,255
2.6	from the Mining and Mineral Processing Sector Loans	41,169	60,996	102,164	13,059	34,550	47,609
2.7	from the Transportation or Communications Sector Loans	9,611	24,077	33,688	3,193	11,306	14,499
2.8	from Individuals Loans	40,098,055	8,675,026	48,773,081	36,752,284	11,682,840	48,435,124
2.9	from Other Sectors Loans	12,163	6,293	18,457	-	31	31
3	Fees/penalties income from loans to customers	2,246,801	1,169,734	3,416,535	2,021,005	1,048,453	3,069,458
4	Interest and Discount Income from Securities	1,314,134	-	1,314,134	726,753	-	726,753
5	Other Interest Income	-	-	-	-	-	-
6	**Total Interest Income**	44,443,604	10,946,607	55,390,211	40,728,755	13,241,486	53,970,241
	Interest Expense						
7	Interest Paid on Demand Deposits	2,991,024	170,040	3,161,064	3,470,065	167,885	3,637,950
8	Interest Paid on Time Deposits	3,217,928	1,459,852	4,677,780	1,732,170	1,204,615	2,936,785
9	Interest Paid on Banks Deposits	136,265	47,225	183,491	619,976	142,792	762,768
10	Interest Paid on Own Debt Securities	2,020,000	-	2,020,000	2,025,534	-	2,025,534
11	Interest Paid on Other Borrowings	6,614,864	3,960,186	10,575,050	5,110,166	4,302,476	9,412,642
12	Other Interest Expenses	-	-	-	-	-	-
13	**Total Interest Expense**	14,980,081	5,637,304	20,617,385	12,957,911	5,817,768	18,775,679
14	**Net Interest Income**	29,463,523	5,309,303	34,772,826	27,770,843	7,423,718	35,194,561
	Non-Interest Income						
15	Net Fee and Commission Income	3,563,347	(4,440,225)	(876,878)	2,351,549	(3,890,747)	(1,539,199)
15.1	Fee and Commission Income	5,669,506	324,558	5,994,064	4,211,397	1,116,175	5,327,572
15.2	Fee and Commission Expense	2,106,159	4,764,783	6,870,942	1,859,849	5,006,922	6,866,771
16	Dividend Income	-	-	-	-	-	-
17	Gain (Loss) from Dealing Securities	-	-	-	-	-	-
18	Gain (Loss) from Investment Securities	-	-	-	-	-	-
19	Gain (Loss) from Foreign Exchange Trading	423,982	-	423,982	684,673	-	684,673
20	Gain (Loss) from Foreign Exchange Translation	(1,063,376)	-	(1,063,376)	(11,667)	-	(11,667)
21	Gain (Loss) on Sales of Fixed Assets	31,954	-	31,954	(1,383)	-	(1,383)
22	Non-Interest Income from other Banking Operations	-	-	-	-	-	-
23	Other Non-Interest Income	583,918	226,576	810,494	575,515	71,024	646,540
24	**Total Non-Interest Income**	3,539,826	(4,213,649)	(673,823)	3,598,687	(3,819,723)	(221,037)
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	81,303	-	81,303	81,471	-	81,471
26	Bank Development, Consultation and Marketing Expenses	1,072,676	158,869	1,231,544	2,322,399	165,577	2,487,976
27	Personnel Expenses	15,007,029	-	15,007,029	15,438,086	-	15,438,086
28	Operating Costs of Fixed Assets	65,515	-	65,515	73,423	-	73,423
29	Depreciation Expense	2,463,123	-	2,463,123	2,473,731	-	2,473,731
30	Other Non-Interest Expenses	6,965,529	273,159	7,238,688	7,089,487	157,791	7,247,278
31	**Total Non-Interest Expenses**	25,655,175	432,027	26,087,202	27,478,597	323,368	27,801,965
32	**Net Non-Interest Income**	(22,115,349)	(4,645,676)	(26,761,025)	(23,879,910)	(4,143,092)	(28,023,002)
33	**Net Income before Provisions**	7,348,174	663,627	8,011,801	3,890,933	3,280,626	7,171,559
34	Loan Loss Reserve	5,553,793	-	5,553,793	7,457,331	-	7,457,331
35	Provision for Possible Losses on Investments and Securities	-	-	-	-	-	-
36	Provision for Possible Losses on Other Assets	50,711	-	50,711	65,795	-	65,795
37	**Total Provisions for Possible Losses**	5,604,504	-	5,604,504	7,523,126	-	7,523,126
38	**Net Income before Taxes and Extraordinary Items**	1,743,670	663,627	2,407,296	(3,632,193)	3,280,626	(351,567)
39	Taxation	260,137	-	260,137	-	-	-
40	**Net Income after Taxation**	1,483,532	663,627	2,147,159	(3,632,193)	3,280,626	(351,567)
41	Extraordinary Items	10,626	-	10,626	1,887	-	1,887
42	**Net Income**	1,494,159	663,627	2,157,785	(3,630,306)	3,280,626	(349,680)

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 4 *in Lari*

N	On-balance sheet items per standardized regulatory report	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	**Contingent Liabilities and Commitments**	551,287	62,710	613,997	317,966	196,386	514,352
1.1	Guarantees Issued	0	0	0	0	0	0
1.2	Letters of credit Issued	0	0	0	0	0	0
1.3	Undrawn loan commitments	551,287	62,710	613,997	317,966	196,386	514,352
1.4	Other Contingent Liabilities	0	0	0	0	0	0
2	**Guarantees received as security for liabilities of the bank**	0	0	0	0	0	0
3	**Assets pledged as security for liabilities of the bank**	24,214,000	979,602	25,193,602	0	0	0
3.1	Financial assets of the bank	24,214,000	979,602	25,193,602	0	0	0
3.2	Non-financial assets of the bank	0	0	0	0	0	0
4	**Guaratees received as security for receivables of the bank**	421,514,441	170,506,430	592,020,871	198,558,956	223,256,682	421,815,639
4.1	Surety, joint liability	421,514,441	170,506,430	592,020,871	198,558,956	223,256,682	421,815,639
4.2	Guarantees	0	0	0	0	0	0
5	**Assets pledged as security for receivables of the bank**	38,791,537	87,696,761	126,488,299	13,970,462	95,368,734	109,339,196
5.1	Cash	343,908	41,493	385,401	20,967	173,389	194,355
5.2	Precious metals and stones	0	0	0	0	0	0
5.3	Real Estate:	38,239,030	87,340,316	125,579,346	13,899,995	94,743,317	108,643,312
5.3.1	*Residential Property*	30,760,604	65,140,952	95,901,556	10,327,254	71,784,530	82,111,784
5.3.2	*Commercial Property*	2,470,435	11,658,751	14,129,186	1,494,395	11,656,446	13,150,841
5.3.3	*Complex Real Estate*	0	0	0	0	0	0
5.3.4	*Land Parcel*	4,796,943	9,786,549	14,583,492	2,068,346	10,346,779	12,415,125
5.3.5	*Other*	211,048	754,063	965,111	10,000	955,561	965,561
5.4	Movable Property	208,600	314,952	523,552	49,500	452,028	501,528
5.5	Shares Pledged	0	0	0	0	0	0
5.6	Securities	0	0	0	0	0	0
5.7	Other	0	0	0	0	0	0
6	**Derivatives**	162,770	0	162,770	0	0	0
6.1	Receivables through FX contracts (except options)	32,110,100	0	32,110,100	0	0	0
6.2	Payables through FX contracts (except options)	-31,947,330	0	-31,947,330	0	0	0
6.3	Principal of interest rate contracts (except options)	0	0	0	0	0	0
6.4	Options sold	0	0	0	0	0	0
6.5	Options purchased	0	0	0	0	0	0
6.6	Nominal value of potential receivables through other derivatives	0	0	0	0	0	0
6.7	Nominal value of potential payables through other derivatives	0	0	0	0	0	0
7	**Receivables not recognized on-balance**	15,684,020	9,533,863	25,217,884	12,106,737	8,312,920	20,419,657
7.1	Principal of receivables derecognized during last 3 month	925,876	300,758	1,226,635	933,299	706,372	1,639,670
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	314,760	68,538	383,298	301,312	101,250	402,562
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	12,276,260	8,080,292	20,356,552	9,465,613	6,961,968	16,427,581
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	3,407,760	1,453,572	4,861,332	2,641,124	1,350,952	3,992,076
8	**Non-cancelable operating lease**	996,084	2,969,656	3,965,740	157,796	4,350,386	4,508,183
8.1	Through indefinit term agreement	996,084	1,880,932	2,877,016	157,796	2,571,737	2,729,533
8.2	Within one year		653,234	653,234		666,994	666,994
8.3	From 1 to 2 years		435,490	435,490		666,994	666,994
8.4	From 2 to 3 years			0		444,662	444,662
8.5	From 3 to 4 years			0			0
8.6	From 4 to 5 years			0			0
8.7	More than 5 years			0			0
9	**Capital expenditure commitment**			0			0

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 5 **Risk Weighted Assets** *in Lari*

N		31-Dec-17	30-Sep-17
1	Risk Weighted Assets for Credit Risk	198,137,337	239,655,536
1.1	Balance sheet items	196,457,660	194,761,952
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)	440,966	580,865
1.2	Off-balance sheet items	228,045	302,930
1.3	Currency induced credit risk*		44,060,641
1.4	Counterparty credit risk	1,451,632	530,014
2	Risk Weighted Assets for Market Risk	1,150,297	1,003,251
3	Risk Weighted Assets for Operational Risk	65,980,026	50,007,563
4	**Total Risk Weighted Assets**	265,267,661	290,666,351

* CICR is excluded from RWA due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release:

https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 6 **Information about supervisory board, directorate, beneficiary owners and shareholders**

	Members of Supervisory Board	
1	Florin Lila (Chairman)	
2	Dane Steven McGuire	
3	Olga Tomash	
4	Volker Renner	
5	Paul Russell Clark	
	Members of Board of Directors	
1	Vusal Verdiyev, CEO	
2	Giorgi Mirotadze, CFO	
3	Giorgi Samadashvili, COO	
	List of Shareholders owning 1% and more of issued capital, indicating Shares	
1	FINCA Microfinance Coöperatief U.A. (Netherlands)	100%
	List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
1	FINCA Microfinance Holding Company LLC (Delaware, USA)	99 Voting right of FINCA Microfinance Coöperatief U.A.
2	FINCA International, Inc (New York, USA)	62.93% of FINCA Microfinance Holding Company LLC (Delaware, USA)
3	International Finance Corporation (IFC)	14.27% of FINCA Microfinance Holding Company LLC (Delaware, USA)
4	KfW	8.87% of FINCA Microfinance Holding Company LLC (Delaware, USA)
5	FMO (Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V)	7.25% of FINCA Microfinance Holding Company LLC (Delaware, USA)

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 7 **Linkages between financial statement assets and balance sheet items subject to credit risk weighting**

		a	b	c
			Carrying values of items	
	Account name of standardazed supervisory balance sheet item	**Carrying values as reported in published stand-alone financial statements per local accounting rules**	**Not subject to capital requirements or subject to deduction from capital**	**Subject to credit risk weighting**
1	Cash	12,306,040		12,306,040
2	Due from NBG	29,337,571		29,337,571
3	Due from Banks	5,588,121		5,588,121
4	Dealing Securities	0		0
5	Investment Securities	18,899,921		18,899,921
6.1	Loans	*224,278,238*		224,278,238
6.2	*Less: Loan Loss Reserves*	*-8,648,492*		-8,648,492
6	Net Loans	215,629,746		215,629,746
7	Accrued Interest and Dividends Receivable	3,141,016		3,141,016
8	Other Real Estate Owned & Repossessed Assets	204,604		204,604
9	Equity Investments	0		0
10	Fixed Assets and Intangible Assets	6,227,401	2,363,038	3,864,363
11	Other Assets	2,377,565		2,377,565
	Total exposures subject to credit risk weighting before adjustments	**293,711,984**	**2,363,038**	**291,348,946**

Bank: **FINCA Bank Georgia JSC**

Date: **31-Dec-17**

Table 8 **Differences between carrying values per standardized balance sheet used for regulatory reporting purposes and the exposure amount** *in Lari*

1	**Total carrying value of balance sheet items subject to credit risk weighting before adjustments**	291,348,946
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	613,997
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	29,032,640
3	**Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes**	320,995,582
4	Effect of provisioning rules used for capital adequacy purposes	4,202,814
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-309,936
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	-27,581,008
6	Effect of other adjustments	0
7	**Total exposures subject to credit risk weighting**	297,307,452

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 9 **Regulatory capital**

N		in Lari
1	**Common Equity Tier 1 capital before regulatory adjustments**	36,183,872
2	Common shares that comply with the criteria for Common Equity Tier 1	20,213,600
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	0
4	Accumulated other comprehensive income	0
5	Other disclosed reserves	0
6	Retained earnings (loss)	15,970,272
7	**Regulatory Adjustments of Common Equity Tier 1 capital**	2,363,038
8	Revaluation reserves on assets	0
9	Accumulated unrealized revaluation gains on assets through profit and loss to the extent that they exceed accumulated unrealized revaluation losses through profit and loss	0
10	Intangible assets	2,363,038
11	Shortfall of the stock of provisions to the provisions based on the Asset Classification	0
12	Investments in own shares	0
13	Reciprocal cross holdings in the capital of commercial banks, insurance entities and other financial institutions	0
14	Cash flow hedge reserve	0
15	Deferred tax assets not subject to the threshold deduction (net of related tax liability)	0
16	Significant investments in the common equity tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions that are outside the scope of regulatory consolidation	0
17	Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	0
18	Significant investments in the common shares of commercial banks, insurance entities and other financial institutions (amount above 10% limit)	0
19	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	0
20	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0
21	The amount of significant Investments and Deferred Tax Assets which exceed 15% of common equity tier 1	0
22	Regulatory adjustments applied to Common Equity Tier 1 resulting from shortfall of Tier 1 and Tier 2 capital to deduct investments	0
23	**Common Equity Tier 1**	33,820,834
24	**Additional tier 1 capital before regulatory adjustments**	0
25	Instruments that comply with the criteria for Additional tier 1 capital	0
26	Including:instruments classified as equity under the relevant accounting standards	0
27	Including: instruments classified as liabilities under the relevant accounting standards	0
28	Stock surplus (share premium) that meet the criteria for Additional Tier 1 capital	0
29	**Regulatory Adjustments of Additional Tier 1 capital**	0
30	Investments in own Additional Tier 1 instruments	0
31	Reciprocal cross-holdings in Additional Tier 1 instruments	0
32	Significant investments in the Additional Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	0
33	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	0
34	Regulatory adjustments applied to Additional Tier 1 resulting from shortfall of Tier 2 capital to deduct investments	0
35	**Additional Tier 1 Capital**	0
36	**Tier 2 capital before regulatory adjustments**	8,180,507
37	Instruments that comply with the criteria for Tier 2 capital	5,702,840
38	Stock surplus (share premium) that meet the criteria for Tier 2 capital	0
39	General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	2,477,667
40	**Regulatory Adjustments of Tier 2 Capital**	0
41	Investments in own shares that meet the criteria for Tier 2 capital	0
42	Reciprocal cross-holdings in Tier 2 capital	0
43	Significant investments in the Tier 2 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	0
44	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	0
45	**Tier 2 Capital**	8,180,507

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 10 **Reconcilation of balance sheet to regulatory capital** *in Lari*

N	On-balance sheet items per standardized regulatory report	Carrying values as reported in published stand-alone financial statements per local accounting rules	linkage to capital table
1	Cash	12,306,040	
2	Due from NBG	29,337,571	
3	Due from Banks	5,588,121	
4	Dealing Securities	0	
5	Investment Securities	18,899,921	
6.1	Loans	*224,278,238*	
6.2	*Less: Loan Loss Reserves*	*-8,648,492*	
6.2.1	*Special Reserve*	*-2,477,667*	*table 9 (Capital), N40*
6	Net Loans	215,629,746	
7	Accrued Interest and Dividends Receivable	3,141,016	
8	Other Real Estate Owned & Repossessed Assets	204,604	
9	Equity Investments	0	
9.1	*Of which above 10% equity holdings in financial institutions*	*0*	
9.2	*Of which significant investments subject to limited recognition*	*0*	
9.3	*Of which below 10% equity holdings subject to limited recognition*	*0*	
10	Fixed Assets and Intangible Assets	6,227,401	
10.1	*Of which intangible assets*	-2,363,038	*table 9 (Capital), N10*
11	Other Assets	2,377,565	
12	**Total assets**	**293,711,984**	
13	Due to Banks	620,880	
14	Current (Accounts) Deposits	6,747,722	
15	Demand Deposits	17,013,756	
16	Time Deposits	72,528,131	
17	Own Debt Securities	20,000,000	
18	Borrowings	127,316,286	
19	Accrued Interest and Dividends Payable	3,515,814	
20	Other Liabilities	4,082,683	
21	Subordinated Debentures	5,702,840	
21.1	*Of which tier II capital qualifying instruments*	*5,702,840*	*table 9 (Capital), N37*
22	**Total liabilities**	**257,528,112**	
23	Common Stock	20,213,600	*table 9 (Capital), N2*
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	0	
27	General Reserves	0	
28	Retained Earnings	15,970,272	*table 9 (Capital), N36*
29	Asset Revaluation Reserves	0	
30	**Total Equity Capital**	**36,183,872**	

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 11

Credit Risk Weighted Exposures
(On-balance items and off-balance items after credit conversion factor)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk weights / Exposure classes	0%		20%		35%		50%		75%		100%		150%		250%		Risk Weighted Exposures before Credit Risk Mitigation
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	
1	Claims or contingent claims on central governments or central banks	28,459,817	-	981,165	-	-	-	-	-	-	-	18,874,522	-	-	-	-	-	19,070,755
2	Claims or contingent claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Claims or contingent claims on public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Claims or contingent claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Claims or contingent claims on international organizations/institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Claims or contingent claims on commercial banks	-	-	-	-	-	-	5,588,121	-	-	-	-	-	-	-	-	-	2,794,060
7	Claims or contingent claims on corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail claims or contingent retail claims	-	-	-	-	-	-	-	-	221,771,879	304,060	-	-	64,542	-	-	-	166,653,768
9	Claims or contingent claims secured by mortgages on residential property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Past due items	-	-	-	-	-	-	-	-	-	-	1,021,019	-	-	-	-	-	1,021,019
11	Items belonging to regulatory high-risk categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Short-term claims on commercial banks and corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Claims in the form of collective investment undertakings ('CIU')	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Other items	12,306,040	-	-	-	-	-	-	-	-	-	6,043,689	-	-	-	440,966	-	7,146,103
	Total	40,765,857	0	981,165	0	0	0	5,588,121	0	221,771,879	304,060	25,939,230	0	64,542	0	440,966	0	196,685,705

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 13 **Standardized approach - Effect of credit risk mitigation**

		a	b	c	d	e	f
			Off-balance sheet exposures				
	Asset Classes	On-balance sheet exposures	Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF	RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
1	Claims or contingent claims on central governments or central banks	48,315,504	0	0	19,070,755	19,070,755	39.47%
2	Claims or contingent claims on regional governments or local authorities	0	0	0	0	0	0.00%
3	Claims or contingent claims on public sector entities	0	0	0	0	0	0.00%
4	Claims or contingent claims on multilateral development banks	0	0	0	0	0	0.00%
5	Claims or contingent claims on international organizations/institutions	0	0	0	0	0	0.00%
6	Claims or contingent claims on commercial banks	5,588,121	0	0	2,794,060	2,794,060	50.00%
7	Claims or contingent claims on corporates	0	0	0	0	0	0.00%
8	Retail claims or contingent retail claims	221,836,421	613,997	304,060	166,653,768	166,653,768	75.02%
9	Claims or contingent claims secured by mortgages on residential property	0	0	0	0	0	0.00%
10	Past due items	1,021,019	0	0	1,021,019	1,021,019	100.00%
11	Items belonging to regulatory high-risk categories	0	0	0	0	0	0.00%
12	Short-term claims on commercial banks and corporates	0	0	0	0	0	0.00%
13	Claims in the form of collective investment undertakings ('CIU')	0	0	0	0	0	0.00%
14	Other items	18,790,694	0	0	7,146,103	7,146,103	38.03%
	Total	295,551,759	613,997	304,060	196,685,705	196,685,705	66.48%

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 14 **Liquidity Coverage Ratio**

		Total unweighted value (daily average**)			Total weighted values according to NBG's methodology* (daily average**)			Total weighted values according to Basel methodology (daily average**)		
		GEL	FX	Total	GEL	FX	Total	GEL	FX	Total
High-quality liquid assets										
1	Total HQLA				12,049,550	26,457,482	38,507,032	11,783,918	25,853,624	37,637,542
Cash outflows										
2	Retail deposits	18,331,673	37,458,843	55,790,517	2,525,366	5,695,597	8,220,963	469,169	1,470,372	1,939,541
3	Unsecured wholesale funding	100,121,985	71,027,113	171,149,098	2,920,730	4,369,129	7,289,859	512,418	364,039	876,457
4	Secured wholesale funding	22,990,000	-	22,990,000	-	-	-	-	-	-
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	93,601	7,311	100,912	18,755	1,464	20,219	4,715	367	5,082
6	Other contractual funding obligations	-	-	-	-	-	-	-	-	-
7	Other contingent funding obligations	5,437,487	1,601,345	7,038,832	986,541	120,979	1,107,520	3,042,738	4,346,204	7,388,942
8	**TOTAL CASH OUTFLOWS**	146,974,746	110,094,613	257,069,359	6,451,393	10,187,169	16,638,562	4,029,040	6,180,982	10,210,022
Cash inflows										
9	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	165,836,515	46,789,441	212,625,956	4,993,803	906,865	5,900,668	5,259,435	6,229,354	11,488,789
11	Other cash inflows	841,052	203,499	1,044,551	-	-	-	-	-	-
12	**TOTAL CASH INFLOWS**	166,677,567	46,992,940	213,670,507	4,993,803	906,865	5,900,668	5,259,435	6,229,354	11,488,789
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				12,049,550	26,457,482	38,507,032	11,783,918	25,853,624	37,637,542
14	Net cash outflow				1,612,848	9,280,304	10,737,894	1,007,260	1,545,246	2,552,506
15	Liquidity coverage ratio (%)				747.10%	285.09%	358.61%	1169.90%	1673.11%	1474.53%

* Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.
** Instead of daily average, values are given for the last day of reporting period

Bank: **FINCA Bank Georgia JSC**
Date: **31-Dec-17**

Table 15 **Counterparty credit risk**

		a	b	c	d	e	f	g	h	i	j	k	l
		Nominal amount	Percentage	Exposure value	0%	20%	35%	50%	75%	100%	150%	250%	Counterparty Credit Risk Weighted Exposures
1	**FX contracts**	29,032,640		1,451,632	0	0	0	0	0	1,451,632	0	0	1,451,632
1.1	Maturity less than 1 year	0	2.0%	0									0
1.2	Maturity from 1 year up to 2 years	29,032,640	5.0%	1,451,632						1,451,632			1,451,632
1.3	Maturity from 2 years up to 3 years	0	8.0%	0									0
1.4	Maturity from 3 years up to 4 years	0	11.0%	0									0
1.5	Maturity from 4 years up to 5 years	0	14.0%	0									0
1.6	Maturity over 5 years	0											0
2	**Interest rate contracts**	0		0	0	0	0	0	0	0	0	0	0
2.1	Maturity less than 1 year		0.5%	0									0
2.2	Maturity from 1 year up to 2 years		1.0%	0									0
2.3	Maturity from 2 years up to 3 years		2.0%	0									0
2.4	Maturity from 3 years up to 4 years		3.0%	0									0
2.5	Maturity from 4 years up to 5 years		4.0%	0									0
2.6	Maturity over 5 years												0
	Total	**29,032,640**		**1,451,632**	0	0	0	0	0	1,451,632	0	0	**1,451,632**