



FINCA[®] Bank
ფინკა ბანკი

2018

ANNUAL REPORT

LETTER FROM PRESIDENT AND CEO ANDRÉE SIMON

Dear shareholders, clients, colleagues and partners,

I am filled with tremendous pride over how far the clients and staff of FINCA Impact Finance have come. While we have faced challenges and changes, none have diminished the ingenuity, perseverance and sense of mission that are ingrained in this organization's culture. Together, we have confronted a historic financial crisis, an organizational restructure and a business model transformation. In 2018, we delivered solid financial performance for the second consecutive year and did so in service of low-income clients and communities around the world. FINCA Impact Finance is a remarkable network with an extraordinary history and a bright future.

We continue to implement our "touch tech" business model transformation by leveraging digitization while maintaining close relationships with more than 2 million customers across the globe. We are in a stronger position today because of the investments we've made in call centers, data collection and scoring, and because we have successfully diversified our funding base and increased deposit mobilization. We grew our product portfolio with launches and expansions of mobile, online and agency banking services. And, we're delivering greater efficiency to our customers with the implementation of digital field automation (DFA) and central underwriting.

While we did not reach our ambitious financial target for the year, we established a strong platform for future growth of our transforming business. Across our vast network, all 10,000 employees are aligned and focused intently on both delivering shareholder returns and promoting inclusive finance.



The fundamental strength of our network rests on the strong bond we have with our customers and our diversified footprint across five continents, including banking licenses in 12 countries. Our customers deserve faster approvals, right-sized credit decisions, on-demand access to their money and account information and products that promote financial well-being. We look forward to another year meeting those needs and empowering communities large and small by doing what we do best: expanding access to responsible, impactful financial services that enable people to take control of their futures.

Best,

Andrée Simon
President and Chief Executive Officer
FINCA Impact Finance

LETTER FROM FINCA Bank Georgia CEO VUSAL VERDIYEV

Dear friends and colleagues,

The year 2018 was the 20th year of operations in Georgia for FINCA. During these 20 years of our presence in the country FINCA Bank Georgia meets both profit and social performance expectations of its stakeholders, occupying a prominent position in the microfinance market. FINCA Bank Georgia retains a status of the bank of choice for the niche segment (micro/small businesses and agricultural clients, micro-retail segment) and an employer of choice in the employment market, a true family partner that satisfies the financial services needs of its customers through technologically innovative, scalable and value adding solutions.

We retain our customers through innovative channels, diverse range of products and creative bundled offerings. The Bank complements its technology-based outreach through digital literacy programs. FINCA's strong brand loyalty, digital innovation resulting in superior customer experience, convenience and accessibility will differentiate the bank from key competitors.

2018 year was the year with challenges and opportunities, which was reflected in operational as well as financial results. The challenges most impacting the Bank were changes introduced in the regulatory and macroeconomic environment. We responded to the challenges resulting in continued profitability and growth in deposit portfolio.

According to FINCA Bank Georgia's strategy all supporting initiatives were and will be directed in two main directions: 1. increasing competitive positioning of the Bank in the market (through respective products, channels, staffing and reorganizations) and 2. Ensuring high efficiency of internal and external processes, as a standing effort.



We believe these are the times of opportunity in the Georgian market and will also incorporate changes to improve efficiency through digitalization. The Bank targets to increase outreach in rural areas (currently 61% of current customer base is in rural areas) to increase accessibility and diversified offerings to remote areas of the country. For this purpose, FINCA Bank Georgia implements number of initiatives related to customer service improvement such as: modification of loan processing process and procedures aiming at offering quick services to customers, launch of additional sales channels to increase accessibility to clients, development of new banking services and products to ensure that clients remotely get the services and products they need.

FINCA Bank Georgia's long term viability as a niche Bank will be a function of its value proposition in the local market. The commitment of shareholders to future of the institution, combined with proper governance, leadership, corporate culture and skillful execution will consistently evolve and deliver a compelling value proposition that will ensure a prominent long-term place in the Georgia financial services landscape.

Best,
Vusal Verdiyev
Chief Executive Officer
FINCA Bank Georgia

2018 HIGHLIGHTS



Partnerships

1. On April 12th FINCA Bank and GPI Vienna Insurance Group signed the memorandum on partnership.

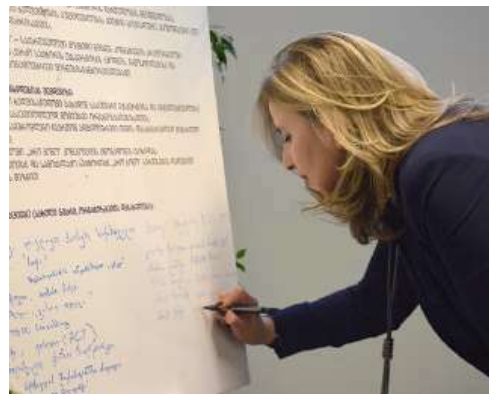
Within this partnership Agro clients will have access to 0% agro installment, also preferential terms and conditions on agro loans and special terms on crops insurance. This partnership is beneficial for farmers and fosters development of agro sector businesses in the country.

2. On June 4th Swiss-based impact investment manager BlueOrchard Finance Ltd and FINCA Bank Georgia signed the memorandum on partnership.

The memorandum was signed by and between FINCA Bank CEO Vusal Verdiyev and Normunds Mizis, Chief Credit Officer of BlueOrchard Finance Ltd regarding 10 million USD loan to be used to further financing of micro and small businesses in the counties. The loan will fully be directed to finance micro and small businesses operating in regions of the country.

3. A loan agreement was signed between Symbiotics and FINCA Bank Georgia by which Symbiotics injected GEL 15 million to further support MSME lending programs of FINCA Bank Georgia in the country.





2018 HIGHLIGHTS

CSR Activities

1. FINCA Bank Georgia became a member of the Pro Bono Network to further its support to small and medium entrepreneurs. More than 10 organizations are the members of the network in Georgia.
2. FINCA Bank took part in campaign initiated by National Bank of Georgia dedicated to Global Money Week 2018 to promote financial literacy in children via special materials and activities organized in all branches of the bank.
3. In cooperation with NGO "Society and Banks" and German Savings Banks Foundation FINCA Bank continued financial literacy workshops and trainings for its clients. Trainings were held in 5 cities for 200 entrepreneurs and farmers. The main topics of the trainings were: banking products, budgeting and finance management, exchange rates, online loans, importance of insurance, etc.
4. FINCA Bank sponsored the innovation camp dedicated to development of savings products and communication platform organized in Zugdidi. The camp was initiated by National Bank of Georgia and Junior Achievement. FINCA Bank's team members were mentors and judges of the event. About 120 children from the west part of Georgia participated in the event.
5. During entire 2018 special rubric dedicated to financial literacy and savings culture was published in children's newspaper "Georgia Today Education" and gifted to schools. The audience of the newspaper are teenagers, circulation of the newspaper is 3 000 a month.
6. FINCA Bank Georgia started to produce its newspaper as a tool to inform and educate clients. The information published in the newspaper is about how to use banking products and services wisely. The total number of published newspapers (all 3 issues) equaled 121 000. The newspaper was distributed free of charge to customers in all regions where FINCA Bank Georgia operates.

2018 EARNINGS HIGHLIGHTS OF FINCA Impact Finance

	2018	2017
Net Income (\$M)	\$6.8	\$10.9
ROE	2.8%	4.7%
ROA	0.6%	1.0%
Cost/Income	82.0%	78.1%
Voluntary Deposits (\$M)	\$406.7	\$361.3
Gross Loan Portfolio (\$M)	\$863.1	\$797.5

- For the consolidated financial statements visit FINCAImpact.com
- For the consolidated financial statements of FINCA Bank Georgia visit www.FINCA.ge

FINCA IMPACT FINANCE GLOBAL NETWORK



LEADERSHIP AND INVESTORS*

FMH BOARD OF DIRECTORS

Richard M. Williamson
(Chairman)

Holly Morris

Monish Dutt

Soula Proxenos

Shawn Hassel

Andrée Simon

Robert W. Hatch

David E. Weisman

EXECUTIVE MANAGEMENT COMMITTEE

Andrée Simon, President and Chief Executive Officer

Roman Hingorani, Vice President and Chief Financial Officer

Jeffrey Smith, Vice President and Global Chief Auditor and Chief Risk and Compliance Officer

P. Daniel Smith, Vice President and General Counsel

Caren Robb, Vice President and Chief Operating Officer
Officer of FINCA Microfinance Global Services, LLC

INVESTORS

FINCA Microfinance Holding Company LLC (FMH) is a social investment partnership that owns and operates the FINCA Impact Finance network. Since 2011, the partners' capital has helped expand FIF's ability to lend to clients and supported the ongoing transformation of its microfinance subsidiaries into fully licensed financial institutions.



*As of September 2019

AT A GLANCE

OUTREACH

FINCA Impact Finance's network of 20 community-based microfinance institutions and banks offers innovative, responsible and impactful financial services to low-income clients.

PURPOSE

To be an unconventional community-based bank that profitably and responsibly provides innovative and impactful financial services to enable low-income individuals and communities to invest in their futures.

PRODUCTS & CHANNELS



Loans



Debit Cards



Savings



Mobile Banking



Insurance



Online Banking



Money Transfers



Agency Banking



2.3 million clients served



11.8% increase
in customer base from 2017



55% of FIF's total transactions are
branchless

As of December 2018

FOLLOW US



FINCAImpact.com



FINCA Impact Finance



@FINCAImpact



FINCA Impact Finance

ADDRESS

1201 15th Street NW, 8th Floor, Washington, DC 20005
+1 202 682 1510 | info@FINCAImpact.com