JSC FINCA Bank Georgia

Pillar 3 Annual Report

2019

Contents

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

The Bank's Management Board 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 dated 2017 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.

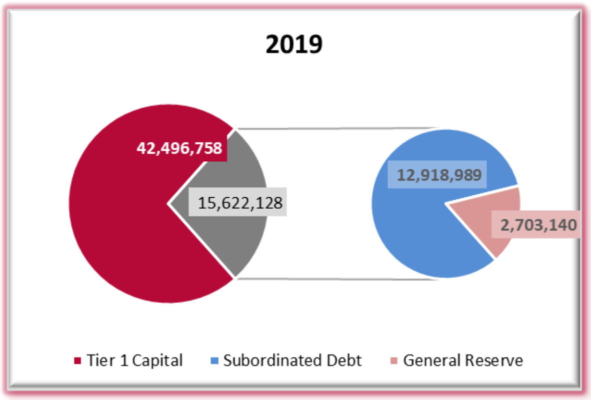
2. Basic Indicators

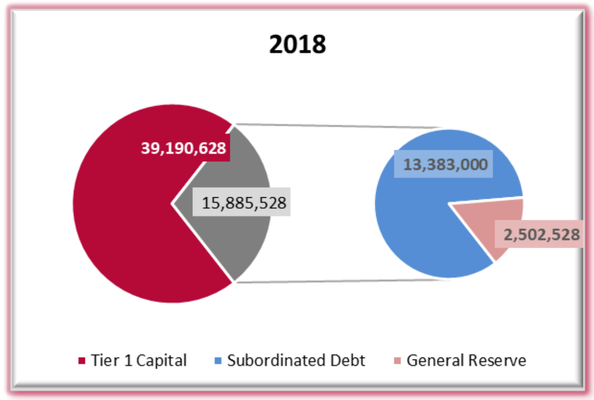
Total regulatory capital ratio

2019:	**20.59%**
2018:	**20.64%**

Total regulatory capital ratio
Regulatory capital ratio remained stable because Capital (with Retained Earnings), as well as Risk Weighted Assets increased by the same proportion. The increase was achieved with preserving the Interest Margin ratio.

Total Capital Split by Tier 1 and Tier 2 (in GEL)





Return on Average Assets (ROAA)

2019:	**1.14%**
2018:	**0.90%**

Return on average assets (ROAA)
The source of higher Return on Average Assets is increased profitability and improved efficiency in 2019.

Return on Average Equity (ROAE)

2019:	**8.23%**
2018:	**6.63%**

Return on Average Equity (ROAE)
The source of higher Return on Average Assets is increased profitability and improved efficiency in 2019.

OPEX Ratio

2019:	**11.16%**
2018:	**12.09%**

OPEX Ratio
The ratio is calculated as operating expenses divided by average loan portfolio. Ratio decreased due to improved efficiency.

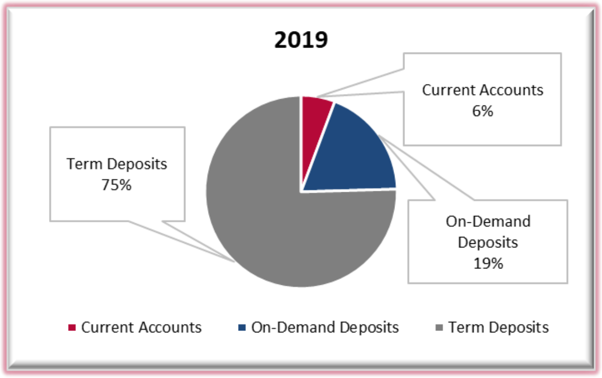
Deposit Ratio

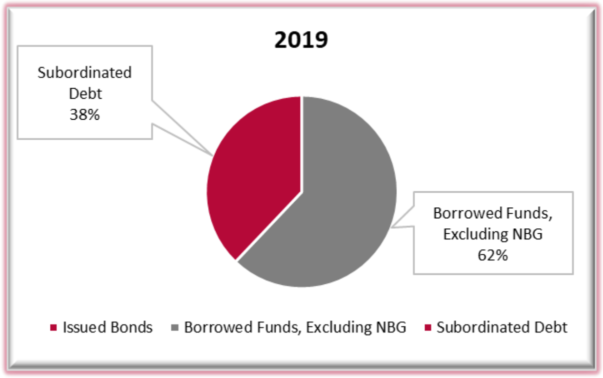
2019:	**81.36%**
2018:	**58.44 %**

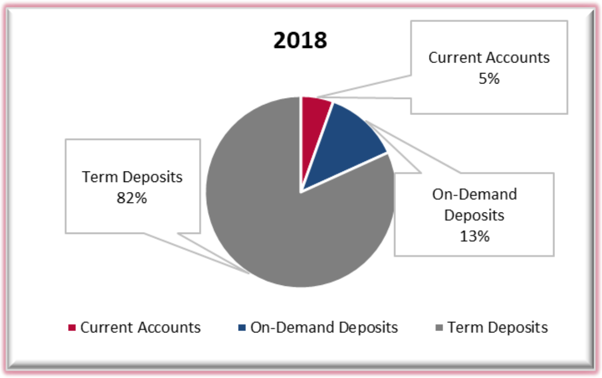
Deposit Ratio

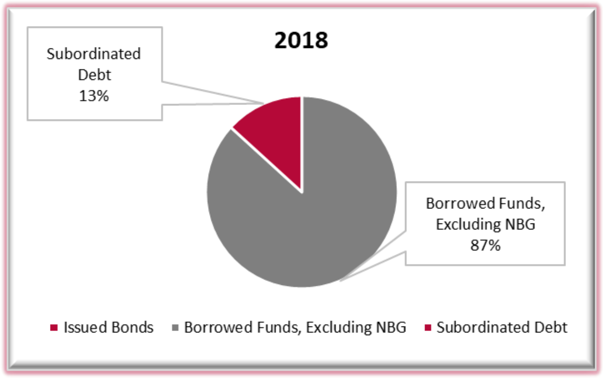
The ratio is calculated as Clients Deposit divided by total Funds. The Bank decreased IFI funding by diversification of financing sources via deposits portfolio in 2019.

Deposits and Borrowed Funds Split by Type





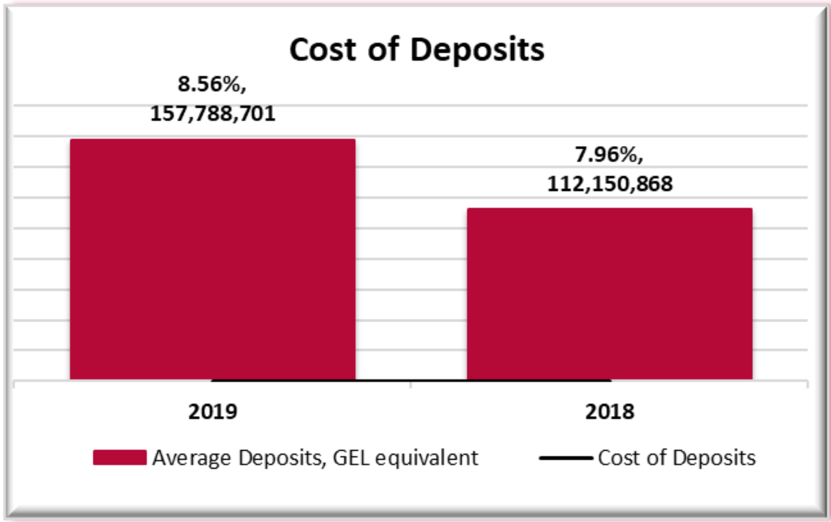




Cost of Deposits

2019:	**8.56 %**
2018:	**7.96 %**

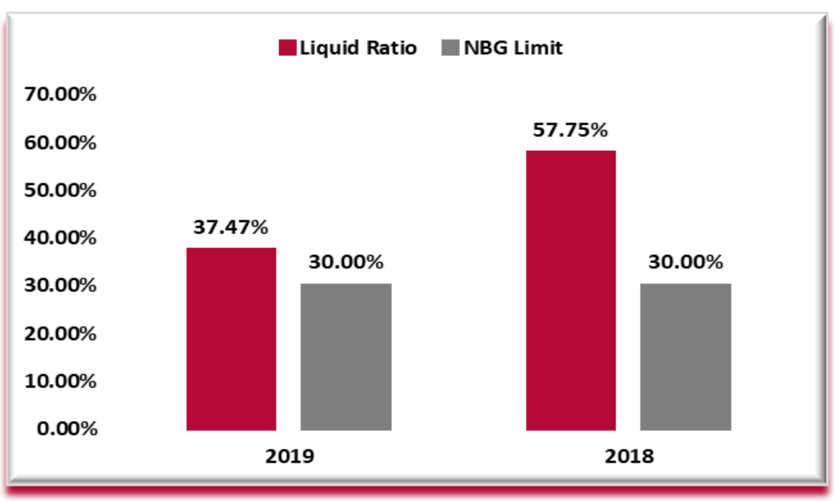
Cost of Deposits
The increase in 2019 is a result of changed deposits structure – GEL Deposits share in total Deposits increased from 2018 December's 70.1% to 2019 December's 76.8%.



Average Liquid Ratio

2019:	**37.47%**
2018:	**57.75%**

Average Liquid Ratio
In 2018 the liquidity ratio growth is derived by accumulating funds in order to finance liabilities in the nearest future.



Balance Sheet (in GEL)

Assets	Reporting Period GEL	Reporting Period FX	Reporting Period Total	Respective period of the previous year GEL	Respective period of the previous year FX	Respective period of the previous year Total
Cash	4,861,486	5,339,414	10,200,900	7,798,263	6,813,453	14,611,716
Due from NBG	10,708,570	21,519,624	32,228,194	12,716,435	18,031,097	30,747,532
Due from Banks	346,078	1,415,578	1,761,656	399,135	5,635,954	6,035,089
Dealing Securities	0	0	0	0	0	0
Investment Securities	18,806,184	0	18,806,184	18,673,161	0	18,673,161
Loans	197,105,809	9,247,562	206,353,371	204,388,992	21,173,486	225,562,477
Less: Loan Loss Reserves	(8,715,055)	(1,433,351)	(10,148,406)	(7,826,883)	(1,786,164)	(9,613,047)
Net Loans	188,390,755	7,814,211	196,204,966	196,562,109	19,387,322	215,949,431
Accrued Interest and Dividends Receivable	3,354,462	62,353	3,416,815	3,345,837	144,317	3,490,154
Other Real Estate Owned & Repossessed Assets	225,548		225,548	160,055		160,055
Equity Investments	0	0	0	0	0	0
Fixed Assets and Intangible Assets	11,895,782		11,895,782	6,342,226		6,342,226
Other Assets	3,040,714	210,070	3,250,784	2,319,153	1,179,775	3,498,929
Total assets	241,629,578	36,361,250	277,990,829	248,316,374	51,191,919	299,508,293
Liabilities						
Due to Banks	0	0	0	5,000,000	0	5,000,000
Current (Accounts) Deposits	6,745,537	2,698,784	9,444,321	5,826,579	1,979,735	7,806,314
Demand Deposits	18,861,429	12,239,870	31,101,299	10,164,149	7,929,921	18,094,070
Time Deposits	101,203,952	23,433,068	124,637,020	83,561,723	32,558,583	116,120,305
Own Debt Securities	0	0	0			0
Borrowings	38,513,195	0	38,513,195	77,144,441	11,241,720	88,386,161
Accrued Interest and Dividends Payable	4,162,262	529,795	4,692,058	3,960,504	902,944	4,863,448
Other Liabilities	6,988,449	3,847,981	10,836,430	4,230,013	799,098	5,029,111
Subordinated Debentures	0	14,338,500	14,338,500	0	13,383,000	13,383,000
Total liabilities	176,474,825	57,087,998	233,562,823	189,887,409	68,795,001	258,682,410
Equity Capital						
Common Stock	25,643,200	0	25,643,200	25,643,200	0	25,643,200
Preferred Stock	0	0	0	0	0	0
Less: Repurchased Shares	0	0	0	0	0	0
Share Premium	0	0	0	0	0	0
General Reserves	0	0	0	0	0	0
Retained Earnings	18,784,805	0	18,784,805	15,182,683	0	15,182,683
Asset Revaluation Reserves	0	0	0	0	0	0
Total Equity Capital	44,428,005	0	44,428,005	40,825,883	0	40,825,883
Total liabilities and Equity Capital	220,902,830	57,087,998	277,990,828	230,713,292	68,795,001	299,508,293

Current Events - COVID19

In 11th March 2020 World Health Organization announced the new COVID-19 as pandemic. The COVID-19 had a huge effect on thousands of people and an economy. Economic impact due to spread of COVID-19 resulted in revision of financial forecasts for the year 2020 and approval of Business Continuity Plan. Most of the countries took measures, which influenced Global Business Operations. Economic impact due to spread of COVID-19 resulted in revision of financial forecasts for the year 2020 and approval of Business Continuity Plan.

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:

1. 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.
2. 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.,
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

Name	Name
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. Based on the royalty fee calculation current method certain percentages of operating revenues is determined. During fiscal year 2019, total royalty fee paid by the Bank amounted GEL 1,561,389 including VAT.

According to the Management Service Agreement signed between FINCA Microfinance Coöperatief U.A.("FMC") and FINCA Bank Georgia (the agreement was terminated by the parties from August 6, 2018), MFC was providing various centralized management services to the Bank on which the Bank payed management service fee. During fiscal year 2018, total management service fee paid by the Bank amounted GEL 1,543,832 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 of 3 (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 are 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.

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.

Chikako Kuno, Member

Chikako Kuno has 30 years of experience working in emerging markets in Eastern Europe, the Commonwealth of Independent States, Africa and Latin America. Before joining FINCA, Ms. Kuno led the Small Business Finance team as a director in the Financial Institutions Group at the European Bank for Reconstruction and Development (EBRD) in London. During her IFI and commercial banking career, Ms. Kuno led teams in investments, project finance, portfolio management, capital markets and syndications.

Ms. Kuno also served as a Peace Corps volunteer in Chile and Honduras. She holds a Master’s Degree in international economics from The Johns Hopkins University School of Advanced International Studies, and a Bachelor of Arts from the University of North Carolina at Chapel Hill.

Sridhar Srinivasan, Independent member

Sridhar Srinivasan joined FINCA as an independent Board member in 2019. Sridhar has been associated with Oliver Wyman, a leading global management consulting firm since 2013. In this role he works with CEOs, Boards of Directors and other senior leaders of top Financial Services companies in India and the Asia Pacific region on topics such as Management Strategy, Client Coverage models, Product and Distribution strategies, Cost Optimisation etc.

Sridhar is a financial services expert with over 30 years of experience gained internationally and in India. He was with Citigroup for 28 years and has worked in 6 countries across Asia, Africa and Europe. Some of the leadership positions he held with Citi included being CEO for three countries, Corporate Bank Head for India, Transaction Services Head for Africa and Bank Services Group Head for Central, Eastern Europe, Middle East and Africa. Sridhar brings deep banking experience and track record from around the globe in areas such as Corporate and Investment Banking, Product management, Risk Management, Governance and Regulatory compliance.

Sridhar is a graduate of Delhi University and is also a Chartered Accountant.

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

1. Richard M. Williamson
2. Monish K. Dutt
3. Johannes Feist
4. Shawn Hassel
5. Robert W. Hatch
6. Andree Simon
7. David Weisman
8. Soula Proxenos
9. Holly Morris

5.2 Committees

FINCA Bank Georgia Supervisory Board appoints an Audit & Risk, 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 & Risk Committee

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

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

Currently the Members of the Audit & Risk Committee are following individuals:

- Chikako Kuno, Chairman;
- Sridhar Srinivasan, Member.

Competence of the Audit & Risk 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.
- To discuss all risk strategies on both an aggregated basis and by type of risk and make recommendations to the supervisory board thereon, and on the bank's overall current and future risk appetite;
- To report on the state of risk culture in the bank and reviews the bank's risk policies at least annually;
- To oversee that management has in place processes to promote the bank's adherence to the approved risk policies;
- To cooperate and monitor the activities of Head of Risk Management;
- To provide recommendations to the Supervisory board regarding the risk strategies and effectiveness of the policies, including distribution and keeping adequate level of capital for identified risks;
- To Monitor the strategies for capital and liquidity management; additionally, all other types of risks including credit, market, operational and reputational risks, in order to ensure adequacy with risk appetite.

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 feature 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, CCO, 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, CCO, 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, CCO, 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") (vacant), Chief Commercial Officer ("CCO") 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 15 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 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 five-year business strategy in consideration of the following:

- Be a reliable partner and Institution of choice in micro-finance 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 process.

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

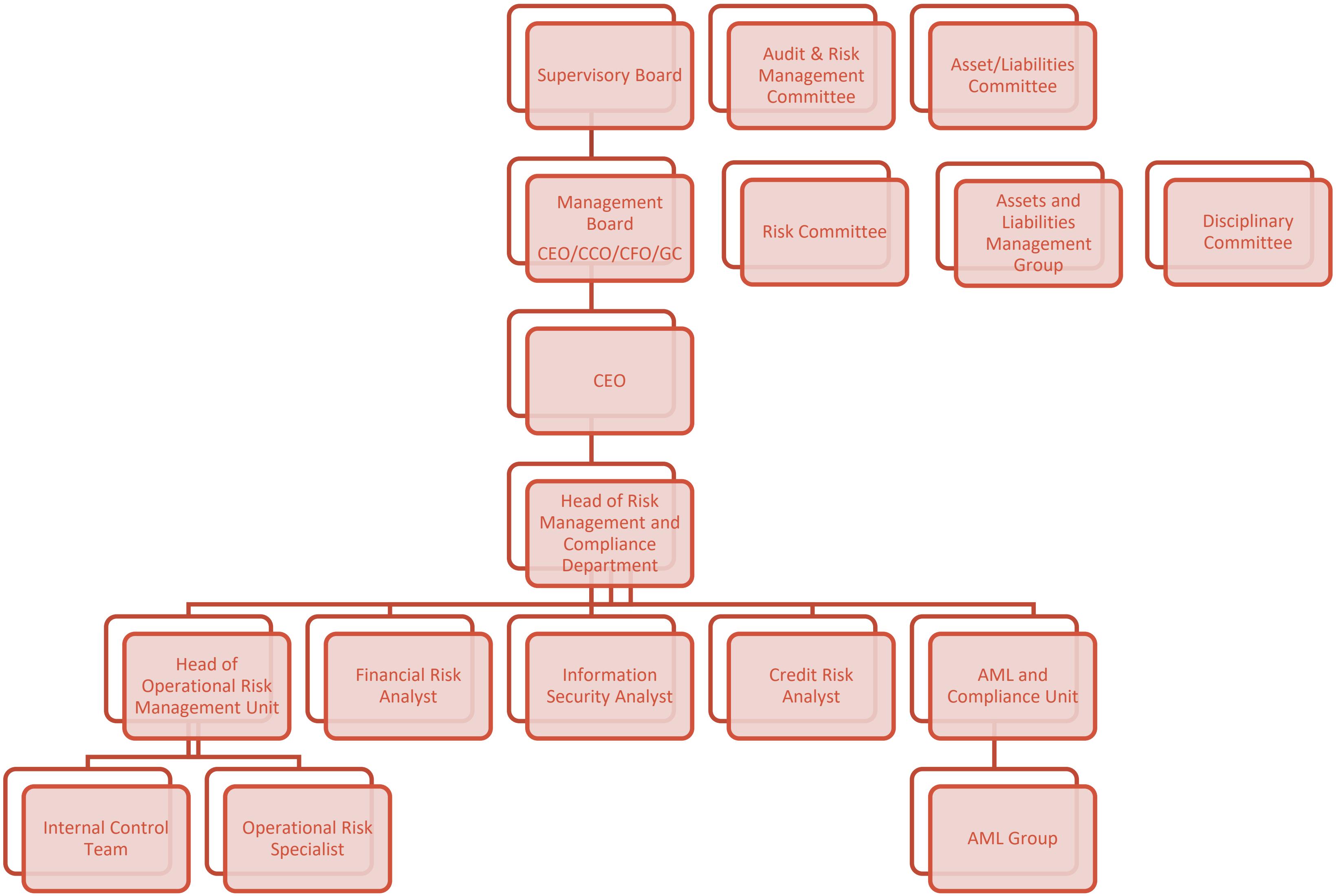
FINCA Bank Georgia's business units bear full responsibility for the risks that arise in their operations. Businesses are responsible for identification, management and ensure that a risk and control environment as part of day to day operations is established. First line of defense is primary responsible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


Supervisory Board
Audit & Risk Management 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

Risk Reporting

Risk Management and Compliance department delivers the risk report to the Supervisory Board level Risk Management and Audit Committee quarterly, where the risk trend and the current risk exposures are being discussed.

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

During the Supervisory Board meeting Bank’s risk framework and risk profile are being discussed accordingly.

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. For the reason to support the Bank's Management to oversee and control the credit risk the bank has established the credit risk function, which is the part of the Risk Management and Compliance department.

The main objectives of the credit risk function:

- Enforce and maintain the responsible financing policy in the Bank.
- Enhancing and enforcing the credit risk control framework.
- Analyses of the credit risk portfolio and mitigation of the credit risk.
- Regular evaluation and monitoring of the Bank's credit risk appetite.

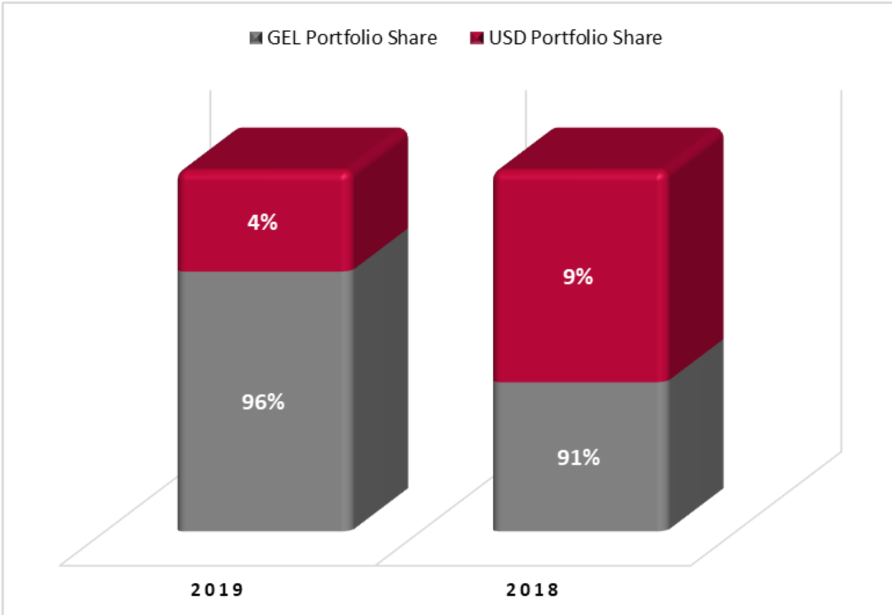
Portfolio Yield

2019:	**24.31%**
2018:	**24.68%**

Portfolio Yield
The reason of decrease is a revision of the pricing policy and compensating the Interest Income with Fee and Commissions income.

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, 2019 was GEL 282,281,378.

LLR/ Average Portfolio		
2019:	4.73%	**Loan Loss Reserve/ Average Portfolio** The ratio is calculated based on regulatory provisioning policy.
2018:	4.20%	

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 distributed among responsible functions and 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.

Type of Loan	Total Loans	By collateral										
		Guaranteed by Georgian Government	Deposit	Guarantees of the Third party	Share Stock	Precious Metals	Real Estate	Transport Equipment	Supply and Finished Products	Equipment	Other	Unsecured
Interbank Loans	0	0	0	0	0	0	0	0	0	0	0	0
Loans to the Retail or Service Sector	7,624,453	0	0	0	0	0	3,320,908	94,055	0	0	0	4,209,490
Loans to the Energy Sector	0	0	0	0	0	0	0	0	0	0	0	0
Loans to the Agriculture and Forestry Sector	514,698	0	0	0	0	0	332,127	0	0	0	0	182,571
Loans to the Construction Sector	291,329	0	0	0	0	0	131,023	0	0	0	0	160,306
Loans to the Mining and Mineral Processing Sector	721,792	0	0	0	0	0	346,820	0	0	0	0	374,972
Loans to the Transportation or Communications Sector	119,881	0	0	0	0	0	30,710	0	0	0	0	89,172
Loans to Individuals	196,977,753	0	1,123,989	0	0	0	30,977,351	4,366,945	0	0	0	160,509,467
Loans to Other Sectors	103,464	0	0	0	0	0	71,794	0	0	0	0	31,671
Total Loans	206,353,371	0	1,123,989	0	0	0	35,210,733	4,461,000	0	0	0	165,557,650

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 - Nominal value	Off-balance sheet exposures post CCF			
Claims or contingent claims on central governments or central banks	51,062,812	0	0	21,521,575	21,521,575	42%
Claims or contingent claims on regional governments or local authorities	0	0	0	0	0	0%
Claims or contingent claims on public sector entities	0	0	0	0	0	0%
Claims or contingent claims on multilateral development banks	0	0	0	0	0	0%
Claims or contingent claims on international organizations/institutions	0	0	0	0	0	0%
Claims or contingent claims on commercial banks	1,761,656	0	0	880,828	880,828	50%
Claims or contingent claims on corporates	0	0	0	0	0	0%
Retail claims or contingent retail claims	202,265,676	4,313,410	2,154,283	178,103,309	178,103,309	87%
Claims or contingent claims secured by mortgages on residential property	0	0	0	0	0	0%
Past due items	1,026,512	0	0	1,049,754	1,049,754	102%
Items belonging to regulatory high-risk categories	0	0	0	0	0	0%
Short-term claims on commercial banks and corporates	0	0	0	0	0	0%
Claims in the form of collective investment undertakings ('CIU')	0	0	0	0	0	0%
Other items	23,641,767	0	0	14,281,410	14,281,410	60%
Total	279,758,423	4,313,410	2,154,283	215,836,875	215,836,875	77%

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 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 close to 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.

6.5.3 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 and etc.);
- 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 rate and etc.) 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.

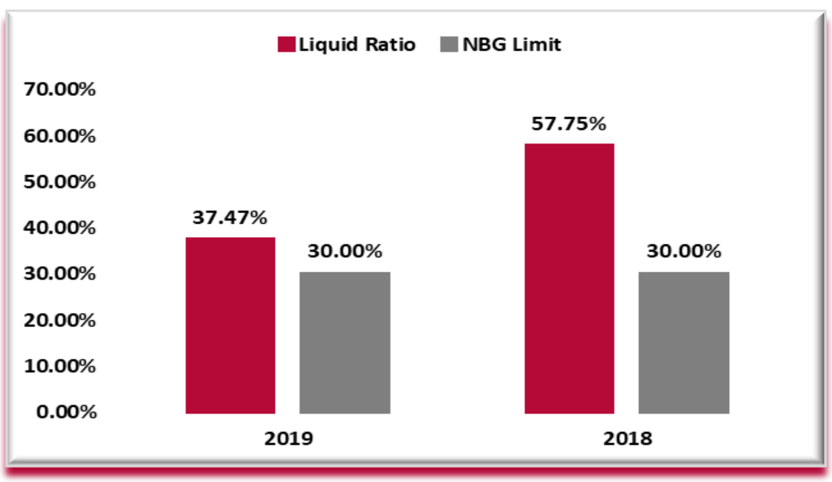
Short term liquidity is generally managed through interbank money market deals, or NBG refinancing facilities.

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

Average Liquid Ratio

2019:	**37.47%**
2018:	**57.75%**

Average Liquid Ratio
In 2018 the liquidity ratio growth is derived by accumulating funds in order to finance liabilities in nearest future.



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.

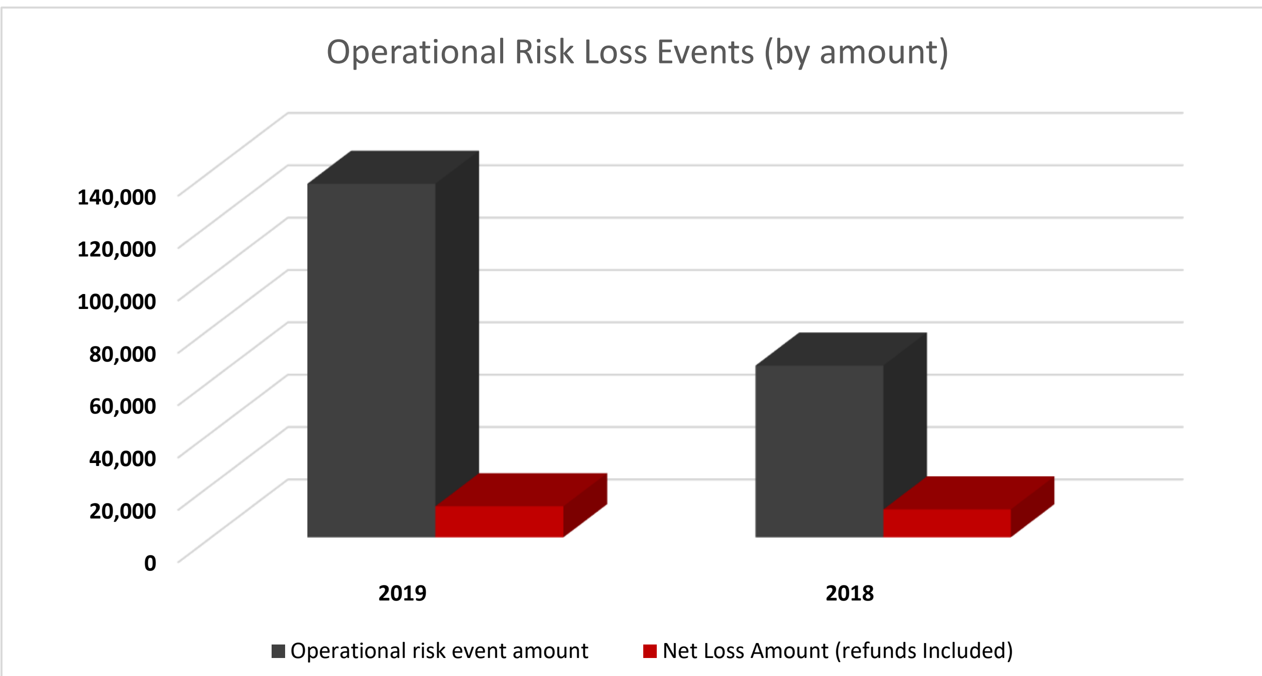
6.5.4. Operational Risk

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 2019 are not material and are within risk appetite limits.



Operational Risk Loss Events (by amount)		
	2019	2018
Operational risk event amount	135,058	65,609
Net Loss Amount (refunds Included)	11,856	10,644

Operational Risk Loss Events (by amount)				
		2019	2018	2017
1	Total amount of Operational risk events	135,058	65,609	96,746
2	Total amount of Operational Risk Events exceeding GEL 10,000	100,000	0	61,053
3	Number of Operational Risk Events exceeding GEL 10,000	1	0	2
4	Total amount of top 5 Operational Risk Events	110,679	21,265	73,862

Operational Risk Basic Indicator Approach						
		2019	2018	2017	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	31,206,325	35,798,922	34,772,826		
2	Total Non-Interest Income	2,611,981	1,335,985	-673,823		
3	less: income (loss) from selling property	61,911	27,261	31,954		
4	**Total income (1+2-3)**	33,756,396	37,107,646	34,067,049	34,977,030	65,581,932

Identification and Measurement

RCSA (Risk and control self-assessment) 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. 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 into 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 for employees may happen once a year, within the approved annual budget and may happen in any month of the year, after approval of Management Board. Exception cases are approved by the CEO.

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 agreed deadline each year;
- Department/Head of Branch Network Development complete salary review request form if salary change applies to not more than 5 person or special prepared excel sheet with employee compensation/salary data if review applies to big number of employees and submits to Head of HR Department Head of HR Department completes its part, compiles data and submits for the review to HR Committee (HR Committee composition – Management Board and Head of HR Department);

- Salary review requests maybe initiated not only by Structural Heads, but also by Head of HR Department 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 Head of HR Department.

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.

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 2019 were as follows:

Remuneration awarded during the reporting period					
			Board of Directors	**Supervisory Board**	**Other material risk takers**
1	Fixed remuneration	Number of employees	3	4	2
2		Total fixed remuneration (3+5+7)	1,194,514	105,669	135,625
3		Of which cash-based	1,194,514	105,669	135,625
4		Of which: deferred			
5		Of which: shares or other share-linked instruments			
6		Of which deferred			
7		Of which other forms			
8		Of which deferred			
9	Variable remuneration	Number of employees	3	4	2
10		Total variable remuneration (11+13+15)	24,780	55,428	1,250
11		Of which cash-based	24,780	55,428	1,250
12		Of which: deferred			
13		Of which shares or other share-linked instruments			
14		Of which deferred			
15		Of which other forms			
16		Of which deferred			
17	**Total remuneration**		1,219,294	161,098	136,875

During 2019 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 2019 fiscal year deferred and retained remuneration and Special payments were not applicable as well. Other form in fixed remuneration is traveling compensation of Directors and Supervisory Board member, respectively.

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

Link between Statement of Financial Position under the Regulatory and IFRS reporting

The following tables provides a reconciliation of the Bank's SOFP as at 31 December 2019 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	34,066,201	34,066,201	34,072,325	
Mandatory reserve with the National Bank of Georgia	10,120,021	10,120,021	10,120,376	
Due from banks	-	-	-	
Loans to customers	202,722,193	202,722,193	199,593,346	Note 1
Held to maturity investments	18,820,711	18,820,711	18,832,667	Note 2
Financial assets at fair value throu	-	-	-	
Property and equipment	9,964,535	9,964,535	9,964,535	
Deferred income tax assets	-	-	560,348	Note 3
Intangible assets	1,931,247	1,931,247	1,931,247	
Current income tax assets	-	-	-	
Other assets	3,000,621	3,000,621	2,915,984	Note 4
Total assets	**280,625,529**	**280,625,529**	**277,990,828**	

' 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 2019.

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 2019.

Column (D): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2019.

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 future expected macroeconomic scenarios, Loss given default is calculated 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 2019 loan loss reserve based on NBG and IFRS amounted GEL 10,148,406 and GEL 19,487,180, 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 once a year, 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: Per IFRS 9 it is required to have loss provision of Held to Maturity Investment instruments, while per NBG it is not required.

Note 3: 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 4: The difference in Other Assets line is due to the Fee Deferral on 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 and amortized based on effective interest method.

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

		f													
Assets (as reported in published IFRS financial statements)	Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)	Reconciliation with standardized regulatory reporting format													
		1	2	3	4	5	6.1	6.2	6	7	8	9	10	11	12
		Cash	Due from NBG	Due from Banks	Dealing Securities	Investment Securities	Total Loans	Less: Loan Loss Reserves	Net Loans	Accrued Interest and Dividends Receivable	Other Real Estate Owned & Repossessed Assets	Equity Investments	Fixed Assets and Intangible Assets	Other Assets	TOTAL ASSETS
Cash and cash equivalents	34,072,325	10,200,900	22,109,768	1,761,656	-	-	-	-	-	-	-	-	-	-	**34,072,325**
Mandatory reserve with the National Bank of Georgia	10,120,376	-	10,118,425	-	-	-	-	-	-	1,951	-	-	-	-	**10,120,376**
Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0**
Loans to customers	199,593,346	-	-	-	-	-	206,353,371	(10,148,406)	196,204,965	3,388,381	-	-	-	-	**199,593,346**
Held to maturity investments	18,832,667	-	-	-	-	18,806,184	-	-	-	26,483	-	-	-	-	**18,832,667**
Financial assets at fair value throu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0**
Property and equipment	9,964,535	-	-	-	-	-	-	-	-	-	-	-	9,964,535	-	**9,964,535**
Deferred income tax assets	560,348	-	-	-	-	-	-	-	-	-	-	-	-	560,348	**560,348**
Intangible assets	1,931,247	-	-	-	-	-	-	-	-	-	-	-	1,931,247	-	**1,931,247**
Current income tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0**
Other assets	2,915,984	-	-	-	-	-	-	-	-	-	215,586	-	-	2,700,399	**2,915,984**
Total assets	**277,990,828**	**10,200,900**	**32,228,194**	**1,761,656**	**0**	**18,806,184**	**206,353,371**	**(10,148,406)**	**196,204,965**	**3,416,815**	**215,586**	**0**	**11,895,782**	**3,260,747**	**277,990,828**

Column (1) to (12): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2019.

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 per local accounting rules under scope of regulatory consolidation (stand-alone)	Notes
Deposits by banks	15,018,976	15,018,976	-	Note 5
Deposits by customers	169,133,192	169,133,192	169,123,348	
Debt securities issued	-	-	-	
Borrowed funds	24,020,550	24,020,550	39,122,489	Note 5
Current income tax liabilities	400,315	400,315	-	Note 6
Other liabilities	7,494,417	7,494,417	10,883,630	Note 7
Subordinated debt	14,269,762	14,269,762	14,433,355	Note 8
Deferred income tax liabilities	375,692	375,692	-	
Total liabilities	**230,712,903**	**230,712,903**	**233,562,823**	

Column (A) and (B): Break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2019.

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 2019.

Column (D): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2019.

Note 5: Refinance loan from NBG in IFRS report is reflected under the heading Deposits by Banks, while in Local Accounting Rules it is reflected under the heading Borrowed Funds. 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. The difference between IFRS and NBG statement is due to 2019 Tax Audit done in 2020, based on which the payable tax amount was clarified and respectively reflected in audited IFRS financial statements, while NBG based financial statements done in December 2019 does not have any liabilities.

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: 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.

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

f											
Liabilities (as reported in published IFRS financial statements)	Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)	Reconciliation with standardized regulatory reporting format									
		13	14	15	16	17	18	19	20	21	22
		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	-	-	-	-	-	-	-	-	-	-	**0**
Deposits by customers	169,123,348	-	9,444,321	31,101,299	124,637,020	-	-	3,940,708	-	-	**169,123,348**
Debt securities issued	-	-	-	-	-	-	-	-	-	-	**0**
Borrowed funds	39,122,489	-	-	-	-	-	38,513,195	609,294	-	-	**39,122,489**
Current income tax liabilities	-	-	-	-	-	-	-	-	-	-	**0**
Other liabilities	10,883,630	-	-	-	-	-	-	47,200	10,836,430	-	**10,883,630**
Subordinated debt	14,433,355	-	-	-	-	-	-	94,855	-	14,338,500	**14,433,355**
Deferred income tax liabilities	-	-	-	-	-	-	-	-	-	-	**0**
Total liabilities	**233,562,823**	**0**	**9,444,321**	**31,101,299**	**124,637,020**	**0**	**38,513,195**	**4,692,058**	**10,836,430**	**14,338,500**	**233,562,823**

Column (13) to (22): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2019.

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.

a	b	c	d	e	f							
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	Reconciliation with standardized regulatory reporting format							
					23	24	25	26	27	28	29	30
					Common Stock	Preferred Stock	Less: Repurchased Shares	Share Premium	General Reserves	Retained Earnings	Asset Revaluation Reserves	Total Equity Capital
Share capital	25,643,200	25,643,200	25,643,200		25,643,200	0	0	0	0	0	0	**25,643,200**
Retained earnings	24,269,427	24,269,427	18,784,805	Note 9	0	0	0	0	0	18,784,805	0	**18,784,805**
Total equity	**49,912,627**	**49,912,627**	**44,428,005**		**25,643,200**	**0**	**0**	**0**	**0**	**18,784,805**	**0**	**44,428,005**

Column (A) and (B): Break down how the amounts reported in the IFRS based audited financial statements for the year ended 31 December 2019.

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 2019.

Column (D): Break down how the amounts reported in the regulatory Balance Sheet as at 31 December 2019.

Note 9: 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 2019 Quarterly Reporting Tables

	Pillar 3 quarterly report	
1	Name of a bank	JSC FINCA Bank Georgia
2	Chairman of the Supervisory Board	Florin Lila
3	CEO of a bank	Vusal Verdiyev
4	Bank's web page	www.finca.ge

Senior management of the bank ensures fair presentation and accuracy of the information provided within Pillar 3 disclosure report. The report is prepared in accordance with internal review and control processes coordinated with the board. The report meets the requirements of the decree N92/04 of the Governor of the National Bank of Georgia on "Disclosure requirements for commercial banks within Pillar 3" and other relevant decrees and regulations of NBG.

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

Table 1 **Key metrics**

N		T	T-1	T-2	T-3	T-4
	Regulatory capital (amounts, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	42,496,758	41,407,442	38,794,145	37,930,260	39,190,628
2	Tier 1	42,496,758	41,407,442	38,794,145	37,930,260	39,190,628
3	Total regulatory capital	58,118,886	58,264,411	55,122,557	53,861,017	55,076,156
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	282,281,378	272,007,253	264,155,146	266,781,860	266,788,410
	Capital ratios as a percentage of RWA					
	Based on Basel III framework					
5	Common equity Tier 1 ratio >=7.86247492482431%	15.05%	15.22%	14.69%	14.22%	14.69%
6	Tier 1 ratio >=9.65054677431827%	15.05%	15.22%	14.69%	14.22%	14.69%
7	Total Regulatory Capital ratio >=15.7740623657577%	20.59%	21.42%	20.87%	20.19%	20.64%
	Income					
8	Total Interest Income /Average Annual Assets	18.41%	18.44%	18.39%	18.09%	19.58%
9	Total Interest Expense / Average Annual Assets	7.91%	8.12%	8.35%	8.31%	7.59%
10	Earnings from Operations / Average Annual Assets	3.37%	3.13%	2.83%	2.67%	3.87%
11	Net Interest Margin	10.50%	10.33%	10.04%	9.78%	11.99%
12	Return on Average Assets (ROAA)	1.14%	0.81%	-0.47%	-2.01%	0.90%
13	Return on Average Equity (ROAE)	8.23%	6.07%	-3.59%	-15.43%	6.63%
	Asset Quality					
14	Non Performed Loans / Total Loans	5.86%	6.17%	6.04%	5.81%	4.75%
15	LLR/Total Loans	4.92%	5.07%	4.99%	4.85%	4.26%
16	FX Loans/Total Loans	4.48%	5.97%	6.53%	7.72%	9.39%
17	FX Assets/Total Assets	13.08%	16.89%	13.29%	15.86%	17.09%
18	Loan Growth-YTD	-8.52%	-9.74%	-2.48%	-1.09%	0.57%
	Liquidity					
19	Liquid Assets/Total Assets	17.21%	20.01%	21.63%	27.60%	23.41%
20	FX Liabilities/Total Liabilities	24.44%	28.82%	26.18%	25.16%	26.59%
21	Current & Demand Deposits/Total Assets	14.59%	12.70%	11.22%	9.11%	8.65%
	Liquidity Coverage Ratio*					
22	Total HQLA	52,541,382	54,240,594	70,588,311	80,913,556	68,500,084
23	Net cash outflow	22,683,829	17,445,681	30,545,626	21,163,344	18,508,591
24	LCR ratio (%)	231.62%	310.91%	231.09%	382.33%	370.10%

*** 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: JSC FINCA Bank Georgia
Date: 31-Dec-19

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

		Reporting Period			Respective period of the previous year		
N	**Assets**	GEL	FX	Total	GEL	FX	Total
1	Cash	4,861,486	5,339,414	10,200,900	7,798,263	6,813,453	14,611,716
2	Due from NBG	10,708,570	21,519,624	32,228,194	12,716,435	18,031,097	30,747,532
3	Due from Banks	346,078	1,415,578	1,761,656	399,135	5,635,954	6,035,089
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	18,806,184	0	18,806,184	18,673,161	0	18,673,161
6.1	Loans	197,105,809	9,247,562	206,353,371	204,388,992	21,173,486	225,562,477
6.2	Less: Loan Loss Reserves	-8,715,055	-1,433,351	-10,148,406	-7,826,883	-1,786,164	-9,613,047
6	Net Loans	188,390,755	7,814,211	196,204,966	196,562,109	19,387,322	215,949,431
7	Accrued Interest and Dividends Receivable	3,354,462	62,353	3,416,815	3,345,837	144,317	3,490,154
8	Other Real Estate Owned & Repossessed Assets	225,548		225,548	160,055		160,055
9	Equity Investments	0	0	0	0	0	0
10	Fixed Assets and Intangible Assets	11,895,782		11,895,782	6,342,226		6,342,226
11	Other Assets	3,040,714	210,070	3,250,784	2,319,153	1,179,775	3,498,929
12	**Total assets**	241,629,578	36,361,250	277,990,829	248,316,374	51,191,919	299,508,293
	Liabilities						
13	Due to Banks	0	0	0	5,000,000	0	5,000,000
14	Current (Accounts) Deposits	6,745,537	2,698,784	9,444,321	5,826,579	1,979,735	7,806,314
15	Demand Deposits	18,861,429	12,239,870	31,101,299	10,164,149	7,929,921	18,094,070
16	Time Deposits	101,203,952	23,433,068	124,637,020	83,561,723	32,558,583	116,120,305
17	Own Debt Securities	0	0	0			0
18	Borrowings	38,513,195	0	38,513,195	77,144,441	11,241,720	88,386,161
19	Accrued Interest and Dividends Payable	4,162,262	529,795	4,692,058	3,960,504	902,944	4,863,448
20	Other Liabilities	6,988,449	3,847,981	10,836,430	4,230,013	799,098	5,029,111
21	Subordinated Debentures	0	14,338,500	14,338,500	0	13,383,000	13,383,000
22	**Total liabilities**	176,474,825	57,087,998	233,562,823	189,887,409	68,795,001	258,682,410
	Equity Capital						
23	Common Stock	25,643,200	0	25,643,200	25,643,200	0	25,643,200
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	18,784,805	0	18,784,805	15,182,683	0	15,182,683
29	Asset Revaluation Reserves	0	0	0	0	0	0
30	**Total Equity Capital**	44,428,005	0	44,428,005	40,825,883	0	40,825,883
31	**Total liabilities and Equity Capital**	220,902,830	57,087,998	277,990,828	230,713,292	68,795,001	299,508,293

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

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	1,028,325	232,159	1,260,484	688,808	150,161	838,969
2	Interest Income from Loans	46,880,830	1,802,556	48,683,387	49,203,218	4,112,246	53,315,464
2.1	from the Interbank Loans	0	0	0	4,982	0	4,982
2.2	from the Retail or Service Sector Loans	1,032,698	398,980	1,431,677	650,972	830,062	1,481,034
2.3	from the Energy Sector Loans	0	0	0	15,150	333	15,483
2.4	from the Agriculture and Forestry Sector Loans	53,159	26,286	79,445	27,787	37,210	64,996
2.5	from the Construction Sector Loans	28,599	5,378	33,977	16,100	9,372	25,472
2.6	from the Mining and Mineral Processing Sector Loans	100,817	46,041	146,858	56,789	70,500	127,290
2.7	from the Transportation or Communications Sector Loans	13,067	7,300	20,367	13,491	19,653	33,144
2.8	from Individuals Loans	45,632,285	1,310,830	46,943,114	48,409,031	3,131,803	51,540,834
2.9	from Other Sectors Loans	20,205	7,743	27,948	8,917	13,312	22,229
3	Fees/penalties income from loans to customers	3,171,695	279,736	3,451,431	2,554,369	635,632	3,190,000
4	Interest and Discount Income from Securities	1,334,775	0	1,334,775	1,112,150	0	1,112,150
5	Other Interest Income	0	0	0	0	0	0
6	**Total Interest Income**	52,415,625	2,314,452	54,730,077	53,558,544	4,898,038	58,456,582
	Interest Expense						
7	Interest Paid on Demand Deposits	1,241,949	113,545	1,355,494	630,607	130,287	760,894
8	Interest Paid on Time Deposits	11,014,376	1,132,968	12,147,344	6,824,086	1,346,558	8,170,644
9	Interest Paid on Banks Deposits	226,305	444	226,749	858,014	14,234	872,248
10	Interest Paid on Own Debt Securities	0	0	0	841,205	0	841,205
11	Interest Paid on Other Borrowings	7,246,063	1,711,343	8,957,406	9,428,018	2,584,651	12,012,669
12	Other Interest Expenses	399,568	437,191	836,759	0	0	0
13	**Total Interest Expense**	20,128,261	3,395,491	23,523,752	18,581,930	4,075,731	22,657,660
14	**Net Interest Income**	32,287,364	-1,081,039	31,206,325	34,976,615	822,307	35,798,922
	Non-Interest Income						
15	Net Fee and Commission Income	4,615,963	-2,325,670	2,290,293	4,873,301	-3,222,828	1,650,473
15.1	Fee and Commission Income	7,481,108	236,953	7,718,062	7,486,040	265,956	7,751,997
15.2	Fee and Commission Expense	2,865,145	2,562,624	5,427,769	2,612,739	3,488,784	6,101,523
16	Dividend Income	0	0	0	0	0	0
17	Gain (Loss) from Dealing Securities	0	0	0	0	0	0
18	Gain (Loss) from Investment Securities	0	0	0	0	0	0
19	Gain (Loss) from Foreign Exchange Trading	-483,571	0	-483,571	575,705	0	575,705
20	Gain (Loss) from Foreign Exchange Translation	-200,885	0	-200,885	-2,107,219	0	-2,107,219
21	Gain (Loss) on Sales of Fixed Assets	61,911	0	61,911	27,261	0	27,261
22	Non-Interest Income from other Banking Operations	0	0	0	0	0	0
23	Other Non-Interest Income	843,257	100,977	944,234	1,106,143	83,622	1,189,765
24	**Total Non-Interest Income**	4,836,675	-2,224,693	2,611,981	4,475,191	-3,139,206	1,335,985
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	121,931	63,410	185,341	114,286	55,923	170,209
26	Bank Development, Consultation and Marketing Expenses	1,519,794	232,803	1,752,597	2,051,715	294,666	2,346,381
27	Personnel Expenses	14,289,450	0	14,289,450	15,329,609	0	15,329,609
28	Operating Costs of Fixed Assets	61,573	0	61,573	68,925	0	68,925
29	Depreciation Expense	4,715,365	0	4,715,365	2,639,380	0	2,639,380
30	Other Non-Interest Expenses	2,610,138	327,259	2,937,397	6,930,171	190,536	7,120,707
31	**Total Non-Interest Expenses**	23,318,251	623,471	23,941,723	27,134,086	541,125	27,675,211
32	**Net Non-Interest Income**	-18,481,576	-2,848,165	-21,329,741	-22,658,894	-3,680,331	-26,339,225
33	**Net Income before Provisions**	13,805,788	-3,929,203	9,876,584	12,317,720	-2,858,024	9,459,696
34	Loan Loss Reserve	5,993,182	0	5,993,182	6,513,013	0	6,513,013
35	Provision for Possible Losses on Investments and Securities	0	0	0	0	0	0
36	Provision for Possible Losses on Other Assets	94,858	0	94,858	190,951	0	190,951
37	**Total Provisions for Possible Losses**	6,088,039	0	6,088,039	6,703,964	0	6,703,964
38	**Net Income before Taxes and Extraordinary Items**	7,717,748	-3,929,203	3,788,545	5,613,756	-2,858,024	2,755,733
39	Taxation	374,984	0	374,984	68,853		68,853
40	**Net Income after Taxation**	7,342,765	-3,929,203	3,413,561	5,544,903	-2,858,024	2,686,879
41	Extraordinary Items	-14,941	0	-14,941	12,951		12,951
42	**Net Income**	7,327,824	-3,929,203	3,398,621	5,557,855	-2,858,024	2,699,831

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

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**	4,298,614	14,796	4,313,410	561,737	45,807	607,544
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	4,298,614	14,796	4,313,410	561,737	45,807	607,544
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**	15,822,000	0	15,822,000	0	987,500	987,500
3.1	Financial assets of the bank	15,822,000	0	15,822,000	0	987,500	987,500
3.2	Non-financial assets of the bank	0	0	0	0	0	0
4	**Guaratees received as security for receivables of the bank**	492,457,589	49,684,680	542,142,268	618,893,803	94,304,069	713,197,872
4.1	Surety, joint liability	492,457,589	49,684,680	542,142,268	618,893,803	94,304,069	713,197,872
4.2	Guarantees	0	0	0	0	0	0
5	**Assets pledged as security for receivables of the bank**	35,631,860	59,399,884	95,031,744	55,214,743	50,345,236	105,559,979
5.1	Cash	1,190,422	101,972	1,292,394	567,588	128,886	696,474
5.2	Precious metals and stones	0	0	0	0	0	0
5.3	Real Estate:	28,741,272	59,262,066	88,003,338	54,431,908	50,105,271	104,537,179
5.3.1	*Residential Property*	23,209,741	47,986,762	71,196,502	45,002,523	39,044,683	84,047,206
5.3.2	*Commercial Property*	2,592,087	4,208,010	6,800,096	4,372,748	5,038,697	9,411,444
5.3.3	*Complex Real Estate*	0	0	0	0	0	0
5.3.4	*Land Parcel*	2,913,861	6,745,163	9,659,024	5,031,054	5,688,930	10,719,984
5.3.5	*Other*	25,584	322,132	347,716	25,584	332,961	358,545
5.4	Movable Property	5,700,166	35,846	5,736,012	215,247	111,079	326,326
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**	-20,006,177	20,715,150	708,973	-750,750	0	-750,750
6.1	Receivables through FX contracts (except options)	0	20,715,150	20,715,150	17,061,300	0	17,061,300
6.2	Payables through FX contracts (except options)	-20,006,177		-20,006,177	-17,812,050	0	-17,812,050
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**	22,815,232	9,291,383	32,106,615	17,984,836	9,814,375	27,799,210
7.1	Principal of receivables derecognized during last 3 month	1,053,138	173,732	1,226,870	1,729,101	532,550	2,261,650
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	255,035	2,766	257,801	471,892	13,162	485,054
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	16,854,730	7,836,347	24,691,077	11,981,176	7,919,704	19,900,879
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	4,652,329	1,278,539	5,930,867	3,802,667	1,348,959	5,151,627
8	**Non-cancelable operating lease**	0	0	0	0	1,862,738	1,862,738
8.1	Through indefinit term agreement	0	0	0	0	0	0
8.2	Within one year	0	0	0	0	674,503	674,503
8.3	From 1 to 2 years	0	0	0	0	674,503	674,503
8.4	From 2 to 3 years	0	0	0	0	513,731	513,731
8.5	From 3 to 4 years	0	0	0	0	0	0
8.6	From 4 to 5 years	0	0	0	0	0	0
8.7	More than 5 years	0	0	0	0	0	0
9	**Capital expenditure commitment**	0	0	0	0	0	0

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

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

N		T	T-1
1	Risk Weighted Assets for Credit Risk	216,251,178	205,486,177
1.1	Balance sheet items	213,682,592	203,351,381
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)	560,348	598,404
1.2	Off-balance sheet items	2,154,283	1,145,530
1.3	Counterparty credit risk	414,303	989,266
2	Risk Weighted Assets for Market Risk	448,268	177,575
3	Risk Weighted Assets for Operational Risk	65,581,932	66,343,502
4	**Total Risk Weighted Assets**	282,281,378	272,007,253

Bank: JSC FINCA Bank Georgia

Date: 31-Dec-19

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

	Members of Supervisory Board	
1	Florin Lila (Chairman)	
2	Chikako Kuno	
3	Volker Renner	
4	SRIDHAR SRINIVASAN	
5		
6		
7		
8		
9		
10		
	Members of Board of Directors	
1	Vusal Verdiyev, CEO	
2	Giorgi Nadareishvili, CCO	
3	David Zarandia, General Counsel & Corporate Secretary	
4		
5		
6		
7		
8		
9		
10		
	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: JSC FINCA Bank Georgia
Date: 31-Dec-19

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	10,200,900		10,200,900
2	Due from NBG	32,228,194		32,228,194
3	Due from Banks	1,761,656		1,761,656
4	Dealing Securities	0		0
5	Investment Securities	18,806,184		18,806,184
6.1	Loans	*206,353,371*		206,353,371
6.2	*Less: Loan Loss Reserves*	*-10,148,406*		-10,148,406
6	Net Loans	196,204,966		196,204,966
7	Accrued Interest and Dividends Receivable	3,416,815		3,416,815
8	Other Real Estate Owned & Repossessed Assets	225,548		225,548
9	Equity Investments	0		0
10	Fixed Assets and Intangible Assets	11,895,782	1,931,247	9,964,535
11	Other Assets	3,250,784		3,250,784
	Total exposures subject to credit risk weighting before adjustments	**277,990,829**	**1,931,247**	**276,059,581**

Bank: JSC FINCA Bank Georgia

Date: 31-Dec-19

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

1	**Total carrying value of balance sheet items subject to credit risk weighting before adjustments**	276,059,581
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	4,313,410
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	20,715,150
3	**Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes**	301,088,141
4	Effect of provisioning rules used for capital adequacy purposes	3,698,843
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-2,159,127
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	-20,300,847
6	Effect of other adjustments	0
7	**Total exposures subject to credit risk weighting**	282,327,010

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

Table 9

Regulatory capital

N		in Lari
1	**Common Equity Tier 1 capital before regulatory adjustments**	44,428,005
2	Common shares that comply with the criteria for Common Equity Tier 1	25,643,200
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)	18,784,805
7	**Regulatory Adjustments of Common Equity Tier 1 capital**	1,931,247
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	1,931,247
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**	42,496,758
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	
31	Reciprocal cross-holdings in Additional Tier 1 instruments	
32	Significant investments in the Additional Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
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)	
34	Regulatory adjustments applied to Additional Tier 1 resulting from shortfall of Tier 2 capital to deduct investments	
35	**Additional Tier 1 Capital**	0
36	**Tier 2 capital before regulatory adjustments**	15,622,128
37	Instruments that comply with the criteria for Tier 2 capital	12,918,989
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	2,703,140
40	**Regulatory Adjustments of Tier 2 Capital**	0
41	Investments in own shares that meet the criteria for Tier 2 capital	
42	Reciprocal cross-holdings in Tier 2 capital	
43	Significant investments in the Tier 2 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
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)	
45	**Tier 2 Capital**	15,622,128

Bank: JSC FINCA Bank Georgia

Date: 31-Dec-19

Table 9.1 **Capital Adequacy Requirements**

	Minimum Requirements	Ratios	Amounts (GEL)
1	**Pillar 1 Requirements**		
1.1	Minimum CET1 Requirement	4.50%	12,702,662
1.2	Minimum Tier 1 Requirement	6.00%	16,936,883
1.3	Minimum Regulatory Capital Requirement	8.00%	22,582,510
2	**Combined Buffer**		
2.1	Capital Conservation Buffer	2.50%	7,057,034
2.2	Countercyclical Buffer	0.00%	-
2.3	Systemic Risk Buffer		-
3	**Pillar 2 Requirements**		
3.1	CET1 Pillar 2 Requirement	0.86%	2,434,606
3.2	Tier 1 Pillar2 Requirement	1.15%	3,247,779
3.3	Regulatory capital Pillar 2 Requirement	5.27%	14,887,696
	Total Requirements	**Ratios**	**Amounts (GEL)**
4	CET1	7.86%	22,194,303
5	Tier 1	9.65%	27,241,696
6	Total regulatory Capital	15.77%	44,527,241

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

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	10,200,900	
2	Due from NBG	32,228,194	
3	Due from Banks	1,761,656	
4	Dealing Securities	0	
5	Investment Securities	18,806,184	
6.1	Loans	*206,353,371*	
6.2	*Less: Loan Loss Reserves*	*-10,148,406*	
6.2.1	*Special Reserve*	*-2,703,140*	
6	Net Loans	196,204,966	
7	Accrued Interest and Dividends Receivable	3,416,815	
8	Other Real Estate Owned & Repossessed Assets	225,548	
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	11,895,782	
10.1	*Of which intangible assets*	-1,931,247	*table 9 (Capital), N10*
11	Other Assets	3,250,784	
12	**Total assets**	**277,990,829**	
13	Due to Banks	0	
14	Current (Accounts) Deposits	9,444,321	
15	Demand Deposits	31,101,299	
16	Time Deposits	124,637,020	
17	Own Debt Securities	0	
18	Borrowings	38,513,195	
19	Accrued Interest and Dividends Payable	4,692,058	
20	Other Liabilities	10,836,430	
20.1	*OFF balance's Special Reserve*	0	
21	Subordinated Debentures	14,338,500	
21.1	*Of which tier II capital qualifying instruments*	*12,918,989*	
22	**Total liabilities**	**233,562,823**	
23	Common Stock	25,643,200	
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	0	
27	General Reserves	0	
28	Retained Earnings	18,784,805	
29	Asset Revaluation Reserves	0	
30	**Total Equity Capital**	**44,428,005**	

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

Credit Risk Weighted Exposures

Table 11 **(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	29,541,237	0	0		0		0		0		21,521,575		0		0		21,521,575
2	Claims or contingent claims on regional governments or local authorities	0	0	0		0		0		0		0		0		0		-
3	Claims or contingent claims on public sector entities	0	0	0		0		0		0		0		0		0		-
4	Claims or contingent claims on multilateral development banks	0	0	0		0		0		0		0		0		0		-
5	Claims or contingent claims on international organizations/institutions	0	0	0		0		0		0		0		0		0		-
6	Claims or contingent claims on commercial banks	0	0	0		0		1,761,656		0		0		0		0		880,828
7	Claims or contingent claims on corporates	0	0	0		0		0		0		0		0		0		-
8	Retail claims or contingent retail claims	0	0	0		0		0		168,649,465		1,924,780	2,154,283	31,691,431		0		178,103,309
9	Claims or contingent claims secured by mortgages on residential property	0	0	0		0		0		0		0		0		0		-
10	Past due items	0	0	0		0		0		0		980,028		46,484		0		1,049,754
11	Items belonging to regulatory high-risk categories	0	0	0		0		0		0		0		0		0		-
12	Short-term claims on commercial banks and corporates	0	0	0		0		0		0		0		0		0		-
13	Claims in the form of collective investment undertakings ('CIU')	0	0	0		0		0		0		0		0		0		-
14	Other items	10,200,800	0	100		0		0		0		12,880,519		0		560,348		14,281,410
	Total	39,742,037	0	100	0	0	0	1,761,656	0	168,649,465	0	37,306,902	2,154,283	31,737,915	0	560,348	0	215,836,875

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

Table 12 **Credit Risk Mitigation**

in Lari

		Funded Credit Protection										**Unfunded Credit Protection**									
		On-balance sheet netting	Cash on deposit with, or cash assimilated instruments	Debt securities issued by central governments or central banks, regional governments or local authorities, public sector entities, multilateral development banks and international organizations/institutions	Debt securities issued by regional governments or local authorities, public sector entities, multilateral development banks and international organizations/institutions	Debt securities issued by other entities, which securities have a credit assessment, which has been determined by NBG to be associated with credit quality step 3 or above under the rules for the risk weighting of exposures to corporates.	Debt securities with a short-term credit assessment, which has been determined by NBG to be associated with credit quality step 3 or above under the rules for the risk weighting of short term exposures	Equities or convertible bonds that are included in a main index	Standard gold bullion or equivalent	Debt securities without credit rating issued by commercial banks	Units in collective investment undertakings	Central governments or central banks	Regional governments or local authorities	Multilateral development banks	International organizations / institutions	Public sector entities	Commercial banks	Other corporate entities that have a credit assessment, which has been determined by NBG to be associated with credit quality step 2 or above under the rules for the risk weighting of exposures to corporates	**Total Credit Risk Mitigation - On-balance sheet**	**Total Credit Risk Mitigation - Off-balance sheet**	**Total Credit Risk Mitigation**
1	Claims or contingent claims on central governments or central banks																				0
2	Claims or contingent claims on regional governments or local authorities																				0
3	Claims or contingent claims on public sector entities																				0
4	Claims or contingent claims on multilateral development banks																				0
5	Claims or contingent claims on international organizations/institutions																				0
6	Claims or contingent claims on commercial banks																				0
7	Claims or contingent claims on corporates																				0
8	Retail claims or contingent retail claims																				0
9	Claims or contingent claims secured by mortgages on residential property																				0
10	Past due items																				0
11	Items belonging to regulatory high-risk categories																				0
12	Short-term claims on commercial banks and corporates																				0
13	Claims in the form of collective investment undertakings																				0
14	Other items																				0
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

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	51,062,812			21,521,575	21,521,575	42%
2	Claims or contingent claims on regional governments or local authorities	0			0	0	0%
3	Claims or contingent claims on public sector entities	0			0	0	0%
4	Claims or contingent claims on multilateral development banks	0			0	0	0%
5	Claims or contingent claims on international organizations/institutions	0			0	0	0%
6	Claims or contingent claims on commercial banks	1,761,656			880,828	880,828	50%
7	Claims or contingent claims on corporates	0			0	0	0%
8	Retail claims or contingent retail claims	202,265,676	4,313,410	2,154,283	178,103,309	178,103,309	87%
9	Claims or contingent claims secured by mortgages on residential property	0			0	0	0%
10	Past due items	1,026,512			1,049,754	1,049,754	102%
11	Items belonging to regulatory high-risk categories	0			0	0	0%
12	Short-term claims on commercial banks and corporates	0			0	0	0%
13	Claims in the form of collective investment undertakings (‘CIU’)	0			0	0	0%
14	Other items	23,641,767			14,281,410	14,281,410	60%
	Total	279,758,423	4,313,410	2,154,283	215,836,875	215,836,875	77%

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

Table 11 **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				21,792,905	30,748,477	52,541,382	19,812,858	17,017,936	36,830,794
Cash outflows										
2	Retail deposits	76,592,731	37,511,084	114,103,814	4,969,003	4,742,771	9,711,774	1,297,321	1,221,069	2,518,390
3	Unsecured wholesale funding	71,101,760	19,611,592	90,713,352	12,436,099	4,449,579	16,885,678	8,743,610	2,917,375	11,660,985
4	Secured wholesale funding	12,358,696	-	12,358,696	-	-	-	-	-	-
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	398,011	1,145	399,156	(2,071,609)	280	(2,071,329)	(2,131,311)	109	(2,131,202)
6	Other contractual funding obligations	-	-	-						
7	Other contingent funding obligations	14,678,263	7,261,835	21,940,098	5,164,172	955,785	6,119,957	5,164,172	955,785	6,119,957
8	**TOTAL CASH OUTFLOWS**	175,129,459	64,385,656	239,515,115	20,497,665	10,148,415	30,646,080	13,073,792	5,094,337	18,168,129
Cash inflows										
9	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	174,034,465	20,101,039	194,135,504	5,709,662	153,980	5,863,642	7,689,709	13,940,784	21,630,493
11	Other cash inflows	3,301,502	20,550,828	23,852,330	-	2,098,609	2,098,609	-	2,098,609	2,098,609
12	**TOTAL CASH INFLOWS**	177,335,968	40,651,866	217,987,834	5,709,662	2,252,590	7,962,251	7,689,709	16,039,393	23,729,102
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				21,792,905	30,748,477	52,541,382	19,812,858	17,017,936	36,830,794
14	Net cash outflow				14,788,003	7,895,826	22,683,829	5,384,083	1,273,584	4,542,032
15	Liquidity coverage ratio (%)				147.37%	389.43%	231.62%	367.99%	1336.22%	810.89%

* 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: JSC FINCA Bank Georgia
Date: 31-Dec-19

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**	20,715,150		414,303	0	0	0	0	0	414,303	0	0	414,303
1.1	Maturity less than 1 year	20,715,150	2.0%	414,303	0	0	0	0	0	414,303	0	0	414,303
1.2	Maturity from 1 year up to 2 years	0	5.0%	0	0	0	0	0	0	0	0	0	0
1.3	Maturity from 2 years up to 3 years	0	8.0%	0	0	0	0	0	0	0	0	0	0
1.4	Maturity from 3 years up to 4 years	0	11.0%	0	0	0	0	0	0	0	0	0	0
1.5	Maturity from 4 years up to 5 years	0	14.0%	0	0	0	0	0	0	0	0	0	0
1.6	Maturity over 5 years	0			0	0	0	0	0	0	0	0	0
2	**Interest rate contracts**	0		0	-	-	-	-	-	-	-	-	0
2.1	Maturity less than 1 year		0.5%	0	0	0	0	0	0	0	0	0	0
2.2	Maturity from 1 year up to 2 years		1.0%	0	0	0	0	0	0	0	0	0	0
2.3	Maturity from 2 years up to 3 years		2.0%	0	0	0	0	0	0	0	0	0	0
2.4	Maturity from 3 years up to 4 years		3.0%	0	0	0	0	0	0	0	0	0	0
2.5	Maturity from 4 years up to 5 years		4.0%	0	0	0	0	0	0	0	0	0	0
2.6	Maturity over 5 years				0	0	0	0	0	0	0	0	0
	Total	**20,715,150**		**414,303**	0	0	0	0	0	414,303	0	0	**414,303**

Bank: JSC FINCA Bank Georgia
Date: 31-Dec-19

Table 15.1 Leverage Ratio

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	281,689,671
2	(Asset amounts deducted in determining Tier 1 capital)	(1,931,247)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	279,758,424
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	-
EU-5a	Exposure determined under Original Exposure Method	414,303
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	414,303
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	4,313,410
18	(Adjustments for conversion to credit equivalent amounts)	(2,159,127)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	2,154,283
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	**Tier 1 capital**	42,496,758
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	282,327,010
Leverage ratio		
22	**Leverage ratio**	15.05%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	