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CREDO BANK

Pillar 3 Disclosures for JSC Credo Bank

As of December 31, 2017

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1 INTRODUCTION

1.1 Management Statement

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.

1.2 Disclosures according to Pillar 3 of the Basel 3 Capital Framework

The purpose of this Report is to provide Pillar 3 disclosures of JSC Credo Bank as required by the global regulatory framework for capital and liquidity, established by the Basel Committee on Banking Supervision, also known as Basel 3 and as required by the Regulation (EU) N575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms. Based on the requirements of the stated Regulations, National Bank of Georgia has implemented the decree N92/04 on "Disclosure requirements for commercial banks within Pillar 3".

1.3 Main Indicators

Table 1 Regulatory Capital (GEL)

1	Regulatory Capital (GEL)	31.12.2017	31.12.2016
1.1	*COMMON EQUITY TIER 1 (CET 1)*	*112,009,131*	*109,122,208*
1.2	*TIER 1*	*112,009,131*	*109,122,208*
1.3	*TOTAL REGULATORY CAPITAL*	*119,560,809*	*119,319,049*

Compared to 2016, Common equity Tier 1 (CET 1) and Tier 1 have increased by 2.9 mln in 2017. This increase is mainly driven by the retained earnings, as from the Net Income in amount of 14.9 (as of dec'31 2017) 3.5 mln is retained earnings. On the other hand, the total regulatory capital did not increase respectively from 2016 to 2017. The reason is the subordinated loan, that was included in Tier 2 capital in 2016, but in 2017 it was excluded from capital due to the request from NBG.

Table 2 CAR Ratios

2	CAR RATIOS	Requirement	31.12.2017	31.12.2016
2.1	*COMMON EQUITY TIER 1 RATIO (min.req.7%)*	*7.41%*	*14.63%*	*15.24%*
2.2	*TIER 1 RATIO (min.req.8.5%)*	*9.05%*	*14.63%*	*15.24%*
2.3	*TOTAL REGULATORY CAPITAL RATIO (min.req. 10.50%)*	*11.24%*	*15.62%*	*16.67%*

Capital Adequacy Ratios, both in 2016 and 2017, significantly exceed the minimum requirements set by the NBG. The slight decrease of CAR in 2017 compared to the previous year, is caused partly by the increase in total Risk Weighted Assets and by new capital requirements adopted by NBG in December 2017, namely:

On December 18 2017, the NBG published and approved amendments on capital adequacy regulation, (Decree N100/04) according to which minimum capital requirement ratios have been revised and set new Pillar I buffers – Capital Conservation, Systemic Risk and Countercyclical buffers, namely:

Common Equity Tier I Capital (CET I), Tier I Capital (Tier I) and Total Regulatory Capital ratios were revised and set at 4.5%, 6% and 8% respectively.

Capital Conservation and Countercyclical buffers are set at 2.5% and 0% respectively. Systemic risk buffer also set at 0% for "Credo Bank".

On December 18 2017, the NBG also published and approved Pillar II requirements in addition to Pillar I buffers. The requirements include the following capital buffers: Currency Induced Credit Risk (CICR), NET GRAPE, credit Portfolio Concentration Risk and Net-Stress Test buffers. From abovementioned requirements only CICR was in force on 31 December 2017.

Credo Bank satisfies all new capital requirements (see table 2) and its capital ratios well above required levels:

CET I and Tier I ratios are 14.63%, Total Regulatory Capital ratio is 15.62% versus required 7.41%, 9.05% and 11.24% respectively.

Table 3 Risk Weighted Assets (RWA)

3	RWA (in gel)	31.12.2017	31.12.2016
3.1	*CREDIT RWA*	*533,354,101*	*555,910,513*
3.2	*MARKET RWA*	*11,849,806*	*11,363,644*
3.3	*OPERATIONAL RWA*	*220,377,028*	*148,601,650*
3.4	***Total RWA***	***765,580,935***	***715,875,808***

Besides the increase in Total Risk Weighted Assets, the Risk Weighted Assets for Credit Risk has decreased in 2017 by 22mln. It is caused by the improvement of asset allocation, more precisely: funds in foreign currency allocated in commercial banks has decreased by 65mln and the loan portfolio has increased by 58mln from 2016 to 2017.

Also movement CICR from Credit risk weighted assets calculation to the Pillar II requirement, as it was determined by abovementioned amendments in Regulation on Capital Adequacy Requirements for Commercial Banks (Decree N100/04), had significant positive influence in terms of reducing Credit Risk Weighted Assets.

Increase in RWA for Operational Risk is related to the new methodology from NBG on creating capital buffers and calculating capital adequacy ratios, which caused increasing of OPRWA about 31% due the changing regulatory capital ratios adequately (from 10.5% to 8%)

CREDO bank uses long term credit ratings of following ECAIs - S&P, MOODYs, and FITCH. Abovementioned ECAIs are nominated by NBG. Mainly this ratings are used for domestic commercial bank assessment, because currently CREDO has no credit exposures to foreign banks or legal entities.

Table 4 Liquidity Ratios

4	Liquidity Ratios	31.12.2017	31.12.2016
4.1	*LIQUID ASSETS / TOTAL ASSETS*	*10.56%*	*10.50%*
4.2	*LIQUIDITY COVERAGE RATIO (min.req. 100%)*	*331.09%*	*N/A*

Liquid assets constitutes 10% of Total assets of the Bank in both years. Credo Bank satisfies the NBG requirement on Average Liquidity Ratio. As for the LCR (Liquidity Coverage Ratio), it became obligatory for banks from September 2017. At the end of December 2017, LCR is 331.09%, which exceeds the minimum LCR requirement set by NBG by 3.3 times. As Credo Bank received banking license in March 2017, LCR calculation is not available at the end of 2016.

Table 5 Portfolio Quality

5	Liquidity Ratios	31.12.2017	31.12.2016
5.1	*NON PERFORMED LOANS / TOTAL LOANS*	*0.77%*	*1.47%*
5.2	*LLR/TOTAL LOANS*	*2.36%*	*3.80%*

Credo Bank maintains high quality portfolio due its granularity and diversification in sectorial and geographical terms. Compared to 2016, in 2017 the portion of non-performing loans in total loan portfolio has nearly halved. Ratio of loan loss reserves to the total loan portfolio is 2.36%, it is less than a half of the ratio presented in the banking sector.

2 OWNERSHIP STRUCTURE AND SHAREHOLDERS

2.1 Bank Shareholders and Beneficiaries

Established as a foundation in 1997 by World Vision and transformed into Microfinance Organization Credo (Credo) in 2005, Credo was acquired in October 2014 by Access Microfinance Holding (AMH), Berlin (60.2%); two investment funds managed by Triodos Investment Management BV (TIM, 19.8%); responsAbility Participation AG (RAP, 9.34%); and two funds managed by responsAbility Investments AG (RAI, 10.66%). In March 2017 Credo obtained its banking license from the National Bank of Georgia (NBG).

List of Shareholders owning 1% and more of Credo Bank issued capital indicating Shares, is represented below:

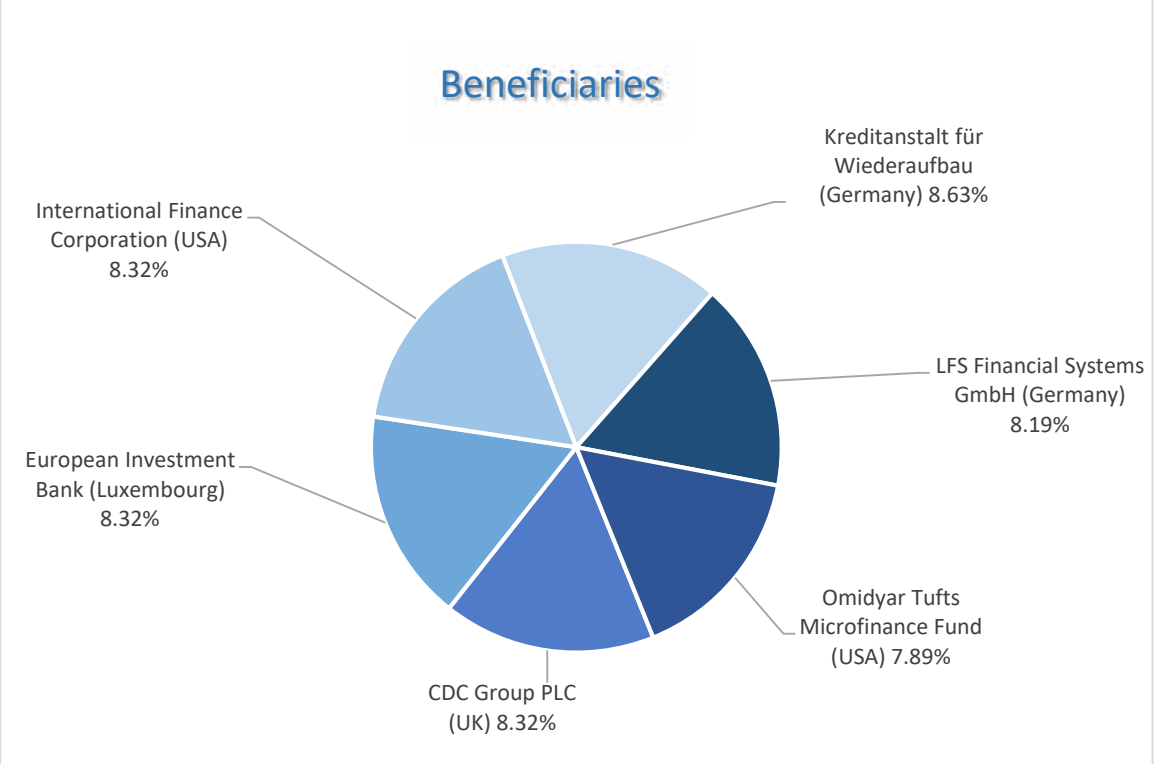
Table 6 Current ownership structure as of December 2017

Shareholder	Number, class and denomination of shares held	Share in Charter Capital
Access Microfinance Holding AG Berlin, Germany	264,880 ordinary shares of 10 GEL each	60.2%
Triodos Custody B.V. in its capacity of custodian of Triodos Fair Share Fund Zeist, The Netherlands	43,560 ordinary shares of 10 GEL each	9.9%
Triodos SICAV II Tríodos Microfinance Fund Zeist, The Netherlands	43,560 ordinary shares of 10 GEL each	9.9%
responsAbility Participations AG Zurich, Switzerland	41,096 ordinary shares of 10 GEL each	9.34%
responsAbility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Microfinance Leaders Luxembourg, Grand Duchy of Luxembourg	8,228 ordinary shares of 10 GEL each	1.87%
Credit Suisse Microfinance Fund Management Company acting in its own name for responsAbility Global Microfinance Fund Luxembourg, Grand Duchy of Luxembourg	38,676 ordinary shares of 10 GEL each	8.79%

The Berlin-based investment company **Access Microfinance Holding AG ("AccessHolding"),** is a public-private partnership established in 2006 with the aim to make equity investments in start-up and early-stage MFIs in developing and transitional countries. Further information is available at www.accessholding.com.

- **responsAbility Investments AG** is one of the world's leading independent asset managers specializing in development-related sectors of emerging economies. They comprise the areas of finance, agriculture, energy, healthcare and education. responsAbility provides debt and equity financing to non-listed companies with business models that target the lower-income section of the population and can thus drive economic growth and social progress. responsAbility offers professionally-managed investment solutions to both institutional and private investors. Founded in 2003, responsAbility currently has USD 2.2 billion of assets under management, which are invested in 500 companies in 90 countries. responsAbility is headquartered in Zurich and has local offices in Paris, Lima, Mumbai and Nairobi. Its shareholders include a broad range of reputable institutions in the Swiss financial market as well as its own employees. responsAbility is registered with the Swiss Financial Market Supervisory Authority FINMA. Further information is available at www.responsAbility.com.
- **Triodos Investment Management** is a wholly owned subsidiary of Triodos Bank, one of the world's leading sustainable banks. Triodos Investment Management is a globally recognised leader in impact investing, managing investment funds in different sustainability themes ranging from renewable energy, to sustainable real estate and to inclusive finance in emerging markets, and had combined assets of EUR 2.5 billion at year-end 2013. Through specialised funds Triodos Investment Management provides finance – both debt and equity - to 112 upcoming and well-established financial institutions in 44 countries. It holds equity stakes in 22 financial institutions; senior staff of Triodos Bank joins the Board of Directors and actively contribute to the governance of these institutions. For more details please visit www.triodos.com.

Chart 1 List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares is as following:



- **CDC Group plc (CDC) 8.32%** - the United Kingdom's official development finance institution, owned by the UK's Department for International Development and based in London;
- **European Investment Bank (EIB) 8.32%** - a financing institution of the European Union, based in Luxembourg;
- **International Finance Corporation (IFC) 8.32%** - the private sector arm of the World Bank group based in Washington D.C.;
- **KfW Development Bank (KfW) 8.63%** - the German development bank based in Frankfurt/Main;
- **LFS Financial Systems GmbH (LFS) 8.19%** - which founded AccessHolding in August 2006 and which is also the technical partner and manager of the company as well as its investees. LFS is an advisory and management firm based in Berlin, specializing in banking and financial sector projects in developing and transition countries with a focus on micro, small and medium enterprise (MSME) finance;
- **Omidyar-Tufts Microfinance Fund (OTMF) 7.89%** - a microfinance investment fund created by Pierre and Pam Omidyar and managed by Tufts University in Boston.

2.2 Shareholders' Rights

The shareholders of the Bank are entitled to do the following:

- Attend or be represented at the General Meeting of Shareholders and take part in the voting (holders of common shares only);
- Receive the information about the activities of the Bank, check their accounts, books and other documentation (according to the provisions of the legislation);
- Participate in the process of profit distribution and receive their pro rata share dividends;
- Dispose of their shares in accordance with the rules defined by law;
- In case of liquidation of the Bank receive their pro rata share of the assets remaining after the payment of the claims of the creditors;
- Holder(s) of 5% (five percent) or more of the outstanding shares are entitled to request a special inspection of the business activities and the annual balance sheet if they believe in their reasonable judgment that material irregularities have taken place. Such request shall be submitted in writing to the Supervisory Board, which shall proceed with said inspection;
- Holder(s) of 5% (five percent) or more of the outstanding shares are entitled to request that an extraordinary General Meeting of Shareholders be convened.
- The shareholders of the Bank shall implement decisions of the General Meeting of Shareholders of the Bank.

3 CORPORATE GOVERNANCE

Governance is defined as the distribution of rights and duties among the stakeholders of an organisation. Key objectives in designing the corporate governance structure of CREDO are to warrant the highest degree of transparency and accountability at all levels, and to incentivize agents (directors, officers) to act in conformity with the objectives of the business and its shareholders.

The governance structure was designed so as to warrant a clear distinction between the functions of the Supervisory Board (SB) and the Management Board (MB), which assigns to the former the definition of CREDO's commercial policies and the supervision of the management (´decision controlling´), and to the latter the responsibility for the operative business (´decision management´). Particular emphasis is also placed on establishing strong and independent supervision and audit structures, and to identify and contain potential conflicts of interest from the outset.

In line with Georgian laws and regulations, the governance structure consists of the following bodies with their respective tasks and functions:

General Meeting of Shareholders - the supreme governing body of the Bank is the General Meeting of Shareholders;

Supervisory Board (SB) - the supervision of the Bank's operations is conducted by the Supervisory Board. Members of the Supervisory Board are elected by the General Meeting of Shareholders;

Management Board - the Bank's day-to-day management and administration is carried out by the Management Board elected/appointed by the Supervisory Board. The Management Board is led by the Chief Executive Officer (the "CEO");

Audit Committee - administratively is subordinated (and reports) to the Supervisory Board. The main function of the Audit Committee include facilitation of activities of internal audit and external auditors.

3.1 General Meeting of Shareholders

The General Meeting of Shareholders conducts two types of meetings: Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders.

Convening of the General Meeting of Shareholders:

- Annual General Meeting of the Shareholders shall be convened by the Supervisory Board annually, not later than 2 (two) months following the completion of the external audit of the Bank's books and in no case later than 6 (six) months from the end of the prior fiscal year;
- An Extraordinary General Meeting of Shareholders may be called from time to time by the Supervisory Board, the Management Board, or by written request of the shareholder(s) holding at least 5 % (five percent) of the Bank's shares.

- The time, place and the agenda of the General Meeting of Shareholders shall be published in printed media and sent to the shareholders at least 20 (twenty) days prior to the date of such General Meeting of Shareholders. Shareholders holding at least 1% (one percent) of the Bank's shares should be notified about the General Meeting of Shareholders via registered mail.
- An Extraordinary General Meeting of Shareholders may be called on a shorter notice, if the interests of the Bank require so. In such case, the notice will be forwarded at least 5 working days prior, provided that, none of the shareholders will object to such procedures by the time the meeting convenes.
- The Supervisory Board determines the record date for the General Meeting of Shareholders in accordance with the applicable laws.
- The General Meeting of Shareholders is authorized to take decisions and the quorum is established if the meeting is attended by the holders or their authorized representatives of at least 70% (seventy) of the voting shares. If the General Meeting of Shareholders is inquorate, a new General Meeting of Shareholders shall convened with the same agenda and within the period determined by the Supervisory Board in accordance with the procedures of applicable laws. The new General Meeting of Shareholders shall be quorate if attended or represented by the holders of at least 50% (fifty) +1 share of the voting shares. If the General Meeting of the Shareholders is still inquorate, a new General Meeting of Shareholders shall be convened with the same agenda and within the period determined by the Supervisory Board in accordance with the procedures of applicable laws. Such General Meeting of the Shareholders shall be deemed quorate irrespective of the number of attending voting shareholders or their representatives;
- The General Meeting of Shareholders shall be presided over by the Chairman of the Supervisory Board, or in his absence by the Vice-Chairman of the Supervisory Board, in the absence of the members of the Supervisory Board, the General Meeting of Shareholders shall be presided over by the CEO;
- The minutes of the meeting shall be drawn up by the Secretary of the General Meeting of Shareholders in English and Georgian language and certified by a notary. The minutes shall be available to any shareholder and to members of the Supervisory Board.

Representation at the General Meeting of the Shareholders:

- All the shareholders registered with the share registrar as of the record date of the General Meeting of Shareholders shall have the right to attend and vote at the meeting;
- A shareholder can assign his/her/its rights to another shareholder, or any third party on the bases of a power-of-attorney certified by a notary. If the representative of the shareholder fails to present such power-of-attorney, he/she/it will be deprived of the right to attend and vote at the meeting. Representation of shareholders at the General Meeting of Shareholders may also be carried out in any other manner unless prohibited by the applicable laws.

Competencies of the General Meeting of Shareholders:

Unless otherwise required by the laws of Georgia, the General Meeting of Shareholders reviews and adopts the following resolutions applying the vote requirements set out below:

- Changes and amendments to the Charter (by 75% of owners' votes);
- Change to the Business (by 75% of owners' votes);
- Increase or decrease in the number of the Shares, changing class of the Shares, giving options (by 75% of owners' votes);
- Imposing restrictions on transfer of the Shares (by 75% of owners' votes);

- Any type of reorganization of the Bank, including transformation, consolidation, merger, amalgamation, winding up or liquidation of the Bank (by 75% of owners' votes);
- Approval of any merger or acquisition (by 75% of owners' votes);
- Purchase of other companies (by 75% of owners' votes);
- Approval of the audit financial statements (by 75% of owners' votes);
- Approval of the liquidators upon dissolution of the Bank, other than in case of insolvency (by 75% of owners' votes);
- Payment of dividends and other dividend related decisions (by 75% of owners' votes);
- Selection and change of the external auditors (by 75% of owners' votes);
- Approving the Regulation of the Supervisory Board of the Bank (by 75% of owners' votes);
- Determination of compensation for the Supervisory Board members (by 75% of owners' votes);
- Election and dismissal of members of the Supervisory Board (by 75% of owners' votes);
- Determination of subscription price/placement value of the Shares in relation to a new issue (by 75% of owners' votes);
- Approval of agreements or transactions with affiliates, related parties or entities having common related parties with the Bank, in the event that such approval is referred to the General Meeting of Shareholders by the Supervisory Board in accordance with Sub-Article (10) of Article "Competencies of the Supervisory Board" below. (By 75% of owners' votes).

The vote requirements shall refer to the issued voting shares.

Decisions on all other issues shall be made by the Supervisory Board and/or Management Board and/or CEO within their respective capacities and subject to applicable laws.

3.2 Supervisory Board

The Supervisory Board consists of at least 5 (five) members but in any case an odd number of members. Members of the Supervisory Board are elected and dismissed by the General Meeting of Shareholders in accordance with the Georgian legislation.

Unless otherwise specified by the General Meeting of Shareholders, each member of the Supervisory Board shall be elected for a period of four years, provided that its authority is continued after the expiration of mentioned period, until the next General Meeting of Shareholders.

Members of the Supervisory Board may not be employees of the Bank.

An individual cannot be a member of the Supervisory Board or he/she shall be dismissed from the Supervisory Board, if he/she does not comply with the criteria for bank administrators set by the National Bank of Georgia.

The Supervisory Board elects the Chairman and the Vice-Chairman from its members in accordance to the Charter and Georgian legislation. The Chairman (in absence of Chairman – the Vice-Chairman) convenes the meeting of the Supervisory Board and determines the agenda. Any member may add items to the agenda or request that a meeting of the Supervisory Board is convened.

Meetings of the Supervisory Board shall be held at least once per quarter at the address of the Bank or any other location as determined by the Chairman. A written notification with the respective agenda shall be sent at least eight working days prior to the anticipated date of the meeting.

The members of the Supervisory Board may be represented by other members of the Supervisory Board. Each member may represent only one other member. The matters requiring approval of the Supervisory Board may be approved by circulation of a written resolution which shall be effective when approved by all members and signed by the Chairman (in absence of Chairman – the Vice-Chairman) except for cases which require notary attestation for effectiveness of such resolution.

The Supervisory Board is deemed quorate and shall be authorized to adopt resolutions if at least three members are attending or represented at the meeting. If the Supervisory Board is not authorized to proceed, the Chairman (in case of his/her absence, the Vice-Chairman) is entitled to call a new meeting within three working days, which shall be authorized to adopt resolutions if attended by at least three members of the Supervisory Board. If the Supervisory Board is not authorized to proceed, then Chairman (in case of his/her absence, the Vice-Chairman) shall convene the General Meeting of Shareholders.

Each member of the Supervisory Board has one vote.

The minutes of the meeting and resolutions of the Supervisory Board shall be drawn up by the Chairman of the Supervisory Board or Corporate Secretary in Georgian and/or English languages. The minutes will be sent to all members of the Supervisory Board and approved at the earlier of (i) written agreement by all members or (ii) approval at a subsequent meeting.

The Supervisory Board may decide by simple majority to create committees. The composition of such committees and their tasks shall be determined by the Supervisory Board. Committees shall report their conclusions and recommendations to the Supervisory Board.

Unless otherwise required by the laws of Georgia, the Supervisory Board passes resolutions by a simple majority of votes of the members attending/participating or represented at the meeting.

Competencies of the Supervisory Board:

(1) Appointing and discharging the CEO and other Management Board members, concluding and terminating service contracts with them;
(2) Approving/changing the Regulation of the Management Board of the Bank;
(3) Preliminary recommendation of decisions to be presented to the General Meeting of Shareholders;
(4) Determination of general principles of business strategy and the business plan of the Bank and the approval of the annual budget;
(5) Acquisition, transfer and encumbrance of real estate and property ownership rights, if such transaction falls outside the scope of routine economic activity of the Bank and the volume of such transaction exceeds USD 10 000 000 (Ten Million);
(6) Borrowing of funds, if such borrowing falls outside the scope of ordinary course of business of the Bank and is in excess of USD 10 000 000 (Ten Million);
(7) Election of a Chairman as well as Vice-Chairman of the Supervisory Board;
(8) Convocation of the General Meetings of Shareholders and extraordinary General Meeting of Shareholders, if necessary, for the Bank's benefit;
(9) Recommendations for the amount of remuneration and compensation to be paid to the external auditors;
(10) Approval of agreements or transactions with affiliates, related parties or entities having common related parties with the Bank; being however specified that, by exception to this rule, such agreements or transactions shall be subject to the approval of the General Meeting

of Shareholders (and not the Supervisory Board's approval) if at least two (2) members of the Supervisory Board request so;

(11) Approval of the Management Board personnel decisions, including approval of their appointment and remuneration as well as contract terms which may refer to performance targets;

(12) Quarterly review and evaluation of performance of the Bank's management team against key operational and financial targets;

(13) Approval of proposals by the Management Board which would foreseeable result in the exceeding of the operating cost budget by more than twenty percent (20%);

(14) Approval of changes in the Bank's product pricing parameters if these lead to material deviations from the product conditions underlying the annual budget;

(15) Establishment and liquidation of branches/service-centres and appointment/dismissal of the branch managers except of heads/managers of service-centres who are appointed/dismissed by the Management Board;

(16) Determination and approval of internal core policies for lending, investing, foreign exchange, assets and liabilities management, their classification and adequate provisioning and other regulatory documents;

(17) Launching new banking activity(ies) or terminating or suspending existing banking activity(ies);

(18) Making decisions in other cases provided by applicable laws.

The Supervisory Board may inspect the Bank's books and property, including without limitation, inspecting the conditions of the Bank's cash, securities and goods personally, or through its members or invited experts.

The Supervisory Board may request reports on the Bank's activities from the Management Board (including dealings with the associated companies and subsidiaries) and review the information provided by internal audit or external inspections.
Certain responsibilities of the Supervisory Board can be delegated to the Management Board to the extent permitted by the law. The responsibilities of the Management Board may not be delegated to the Supervisory Board.

3.3 Management Board / Chief Executive Officer

Management Board:

- The Bank's day-to-day activities are carried out by the Management Board. The CEO leads the activities of the Management Board;
- The Management Board consists of at least 3 (three) members and in any case an odd number of members. Members of the Management Board are elected and dismissed by the Supervisory Board. The rules of nomination and the election of members of the Management Board are according to the Charter and Georgian legislation;
- An individual cannot be a member of the Management Board or he/she shall be dismissed from the Management Board, if he/she does not comply with the criteria for bank administrators set by the National Bank of Georgia;

The Management Board is obliged to:

- Conduct and carry out the Bank's current activities;
- Review all items prior to putting them on the agenda of the General Meeting of Shareholders or Supervisory Board meetings, obtain all necessary information, prepare proposals and draft resolutions;
- After the end of the fiscal year draft and present to the Supervisory Board for approval the business plans for the current year. Such business plan shall include budget, profit and loss forecast and the Bank's investment plan;
- Supervise lending, settlements, financing, cash services, security, accounting and reporting of cash and valuables of the Bank, internal controls and accounting and supervise all other major activities of the Bank;
- Supervise the functioning of the Bank's branches and service centers, ensuring that the managers fulfill their tasks and functions;
- Review the information provided by internal audit or external inspections, the reports submitted by the branch managers and heads of the service centers, and make appropriate decisions based on this information;
- Ensure the fulfillment of resolutions made by the General Meeting of Shareholders and the Supervisory Board;
- Develop policies, office rules and all other regulations and propose such to the Supervisory Board for approval and ensure compliance with such polices, rules and regulations;
- Decide on the selection, dismissal, training and remuneration of staff subject to the restrictions set out in the Charter;
- Deal with any other issue assigned to the Management Board by the Supervisory Board (or its individual members) and/or the General Meeting of Shareholders and Fulfill the requirements set forth in the Charter and the applicable laws.

Chief Executive Officer (CEO):

- The activities of the Management Board are led by the CEO. For this purpose, the CEO delegates tasks to the members of the Management Board;
- The CEO is entitled to act on the Bank's behalf without a power of attorney. In the absence of the CEO one of other members of the Management Board shall act on the Bank's behalf on the basis of a power-of-attorney issued by the CEO;

The CEO is responsible for the following:

- Chairing meetings of the Management Board, supervising the implementation of decisions of the Management Board, Supervisory Board and the General Meeting of Shareholders, organizing tasks among the Management Board members and other managers of the Bank, and issuing relevant orders, instructions and other directives for these purposes;
- Acting independently on the Bank's behalf, subject to any possible consents and approvals of the Supervisory Board provided in the Charter;
- Submitting (where necessary) for approval by the Supervisory Board, recommendations on the remuneration and bonuses of the Bank's Management Board;
- Appointing and dismissing employees in accordance with the employee recruitment plan;
- Carrying out any other activity required for attaining the Bank's goals, except for the functions imposed on to the General Meeting of Shareholders or the Supervisory Board;
- Ensure the fulfillment of the resolutions adopted by the General Meeting of Shareholders or the Supervisory Board.

The CEO has the right to:

- Independently conclude contracts, subject to any possible consents and approval of the Supervisory Board and/or the shareholders;
- Pay bonuses to and impose penalties on the Bank's employees in accordance with the provisions in the Charter and internal policy;
- Prepare all necessary information/reports and present it to the Supervisory Board and General Meeting of Shareholders;
- The CEO of the Bank is entitled to delegate his direct tasks to the Management Board members;

3.4 Supervisory Board Members' Background

Name, Surname	Position	Member Since	Background
Dan Balke	Chairman	2014	Dan Balke has 18 years of banking experience at senior management positions particularly, on institution building projects in the fields of MSME finance, housing finance, and municipal finance. He is managing director and co-owner of LFS Financial Systems GmbH. He holds MBA in finance from Manchester Business School and Ms in Economics from Free University Berlin.
Thomas Engelhardt	Member	2015	Thomas Engelhardt has 18 years of banking experience specifically, on MSME finance projects. He is managing director and co-owner of LFS Financial Systems GmbH, Chairman of board of directors for AccessBank Azerbaidjan, AccessBank Liberia, Accessbank Tajikistan. He held position of CEO at Azerbaijan Microfinance Bank and did MSME downscaling in Uzbekistan, Bosnia and Herzegovina. He holds Master of Economics from University of Berlin.
Franciscus Bernardus Martinus Streppel	Deputy Chairman	2014	Frenk Streppel has 15 years of banking experience. He holds position of Deputy Manager Emerging Markets at Triodos Investment Management and Deputy Managing director at Triodos Investment Management BV. He serves as Director of K-Rep Bank Limited and Bhartiya Samruddhi Finance Ltd. Furthermore, he represents Triodos in the board of Directors of three companies in Africa and at the Dutch National Platform for Microfinance. He worked for Triodos Bank at International Fund Management Department as Investment Officer, ABN AMRO bank in Netherlands, Medecins Sans Frontieres in Sri Lanka. He graduate from University of Applied Sciences Utrecht.
Paul - Catalin Panciu	Member	2015	Paul Panciu has 10 years of banking experience. He holds position of Chief Executive Officer at JV MFO Microinvest LLC in Moldova. He has workef for financial companies in Romania namely, a mortgage firm Domenia Credit, General Electric Money, Credit Europe Bank. He has studied at INSEAD Strategy Execution Programme Fontainebleau, France and holds Masters in International Business from Norwegian School of Economics and Business Administration, Bergen

Johannes Mainhardt	Member	2017	Johannes Mainhardt has over 10 years of banking experience. He holds position of Head of Investment Unit at Access Microfinance Holding AG. His professional experience includes position of Finance and Risk Director and Bank Transformation Manager at Credo Bank, Senior Banking Advisor at LFS FInancial Systems GmbH, position of Chief Credit and Operations Officer (Deputy CEO) at AB Microfinance Bank Nigeria, Financial and Operations Manager at Access Bank Tajikistan, SME Advisor and Branch Manager at Access Bank Liberia, Consultant at Access Bank Azerbaijan, Junior Relationship Manager and other Young Professional positions at Deutsche Bank AG. He holds MBA in Banking from Duale Hochschule Baden-Wrerttemberg, Mannheim, Germany.

3.5 Management Board Members' Background

Name, Surname	Position	Works Since	Background
Zaal Pirtskhelava	CEO	2003	Zaal Pirtskhelava has 17 years of banking experience. Currently, he is Chief Executive Officer for JSC Credo Bank. He has worked as Deputy CEO and Chief Operating Officer at Credo, and as head of Financial Analysis and Planning at Intellect Bank. He holds MBA in Financial Management from Free University of Tbilisi-European School of Business.
Erekle Zatiashvili	Finance Director	2017	Erekle Zatiashvili has 15 years of banking experience. His professional experience includes position of Head of the First Division of Supervision at National Bank of Georgia, Director at JSC Agron Group, Senior Project Manager at Bank of Georgia Holding PLC, Member of Extended Management Board, Head of Finance Division at JSC Procredit Bank, Director at LLC Procredit Properties. He has graduated from Procredit Academy in Germany and Eastern Europe.
Zaza Tkeshelashvili	COO Credit Operations	2003	Zaza Tkeshelashvili has 15 years of banking experience (14 years at Credo). He has hold positions of Deputy COO, Regional Operations Manager, Branch Manager at Credo, as Loan Officer at World Vision International in Georgia. He holds MBA in General Management from Free University of Tbilisi.

3.6 Audit Committee and Internal Controls

The General Meeting of Shareholders shall annually elect/approve the external auditor, which shall be economically and legally independent from the Bank. The obligatory annual audit review conducted by such auditor shall include accounting procedures, balance sheet and business practice of the Bank. Immediately upon the completion of the annual audit, the full report shall be presented to the National Bank of Georgia. The Bank's financial statements and auditor's report shall also be published in accordance with the rules set by the National Bank of Georgia.

The Bank's Audit Committee shall be formed by the Supervisory Board. The Audit Committee is comprised of at least three members, but in any case an odd number, all of whom are appointed by the Supervisory Board.

Rights and obligations of the Audit Committee are as follows:

- Audit Committee shall set the accounting and reporting rules for the Bank, supervise the compliance with such rules and inspect the Bank's books and journals through the internal audit department of the Bank;
- Supervise the compliance of the Bank with the applicable laws;
- Approve the regulations governing the Bank's internal audit department and ensure the functioning of the internal audit department of the Bank;
- Ensure the independence of the internal audit department from the Bank's Management Board;
- Approve the operation plan of the internal audit department for the following fiscal year;
- Review the quarterly reports of the internal audit department, approve and present to the Supervisory Board and the Management Board audit inspections and recommendations;
- Supervise the activities of the internal audit, ensure its compliance with quarterly and annual operation plans;
- Assess the activities carried out by the internal audit department;
- Together with the Bank's Supervisory Board and Management Board ensure the cooperation of the internal audit department with other structural units of the Bank;
- Make recommendations to the Supervisory Board on the employment/dismissal of the head and deputy head of internal audit department;
- Facilitate the activities of the external auditors; and
- As per request of the Supervisory Board of the Bank, submit specific reports to it.

Meetings of the Audit Committee shall be held at least once a quarter. In extraordinary cases, a meeting may be convened upon the request of the Supervisory Board. The Audit Committee passes resolutions by the simple majority of votes. The attending members do not have the right to abstain from voting. The Audit Committee is presided over by the Chairman who is elected by the Supervisory Board.

4 RISK MANAGEMENT

4.1 Bank Strategy

CREDO's strategy has been to provide innovative financial and non-financial products and outstanding quality services throughout Georgia to preferably rural micro and small, entrepreneurs, their families and their employees.

In the short and medium term CREDO will focus on efficiency gains for its clients, with the aim to continue to improve access to financial and non-financial services for the Georgian low and middle income strata. This will entail offering a more diversified spectrum of products and services to meet client needs, and among other offerings will include new insurance products, current and savings accounts, mobile banking, and agricultural training services.

Risk strategy of Credo is derived from its business strategy and all factors of the business model are taken into account for the purpose of defining risk profile of the institution.

Bank plans stable but active growth, which will be mainly expressed in growth of credit portfolio. Bank fully acknowledges risks associated with its business model and active growth and ensures a proper platform for mitigating these risks by setting adequate regulatory and economic capital as well as proper structure, policies, procedures and reporting.

4.2 Risk Owners

Risk management in Credo Bank is performed at three different levels, and each risk category has a responsible structural unit. In the first level, particular risk owners exist for defined risks. At the second level, a specialized risk management unit takes respective actions, and at the third and more macro level, responsibility lies with various committees, the Management Board and the Supervisory Board.

4.3 Functions / Responsibilities of Owners

The first defense level in risk management exists at the following structural levels:

- **Credit Operations** - is the core function in daily communication with customers, is responsible for sales and business targets. This function is supervised by the Chief Operations Officer. Credit Operations is managed by Credit Operations Manager. The credit operation function is regulated by the Operations Policy;
- **Litigation and recovery** - is responsible for loan recovery in compliance with internal procedures and Georgian legislation. The department is also in charge of auctions and the sale of collateral in order to cover defaulted borrowers' liabilities. This function is supervised by the Chief Operations Officer. The litigation and recovery function is regulated by the Operations Policy;

- **The Treasury Department -** ensures the undertaking of operations within established limits related to foreign exchange, interest rates, and liquidity. This function operates under the Chief Executive Officer. Regulations related to treasury activities are approved by the Management Board;
- **Credit Committees** - exist at two hierarchical levels. Depending on different limits and loan types, their composition may vary. Credit Committees may be comprised of both members from business operations as well as from non-business lines (Credit Risk Unit, Management Board, and Supervisory Board). Credit Committees take decisions on loan applications, on the restructuring and refinancing of existing loans, and on actions related to problem loans. Limits to the decision making authority of Credit Committees are regulated by the Operations Policy;

The second line of defense in risk management exists at the following structural levels:

- **Credit Risk Unit -** is responsible for quality targets of the Bank's credit activities and for the independent loan review and approval. The Credit Risk Unit ensures the critical review of loan applications and is responsible for the identification and analysis of credit risks. This function is supervised by the Chief Operations Officer. The Credit Risk Unit is managed by the Head of the Credit Risk Unit, and regulated by the Operations Policy;
- **The Financial Analysis & Risk Unit** - is independent of risk-taking units and reports to the Finance Director. The unit is responsible for the ongoing analysis and regular assessment of risks, reporting on financial and nonfinancial risks, and comparing them with strategic objectives and risk profile. The unit covers market risk, liquidity risk, credit risk and capital planning. It also assesses other risks which might not be material at this stage but may become material for Credo Bank in the future.
- **Operational Risk Unit** – it covers operational risk appetite and KRIs, the classification of operational risk types, business process identification and mapping, operational risk assessment tools and methods, and bank-wide operational risk monitoring, reporting and mitigation. The unit reports to the Chief Executive Director.
- **The Compliance Function** - it exists in various structural areas depending on the type of compliance area. Credo Bank has an AML/CFT compliance, a tax compliance and an NBG regulations compliance function. Compliance functions ensure effective and routine monitoring of the Bank's compliance with laws, regulations, codes and policies, and are regulated by regulations of respective structural units.

The third line of defense in risk management exists at the following levels, with responsibilities outlined below:

Supervisory Board (SB):

- Receives, discusses and approves the Bank's risk appetite and reviews the Bank's risk profile;
- Approves the Risk Management Framework and ICAAP framework annually;
- Reviews the adequacy and effectiveness of the Bank's risk management framework;
- Ensures that ICAAP fully reflects all the material risks inherent to the Bank's strategy, business model and business activities;
- Decides on risk mitigation matters that have been escalated by the Management Board based on the regular risk and ICAAP reports.

Management Board (MB):

- Structures business to reflect risks;
- Ensures adequate segregation of duties;
- Ensures adequate procedures are in place, including final approval of all policies (prior to submission to the Supervisory Board) and procedures before implementation;
- Defines operational responsibilities of subordinated staff;
- Ensures that ICAAP is communicated and implemented throughout the Bank and supported by sufficient decision-making authority and resources;
- Decides on risk mitigation based on the ICAAP reports when judged to be necessary;
- Leads the Banks operations, and is responsible for implementation of strategy and for performance.

Risk committee:

- Monitors the Bank's risk profile;
- Approves minimum control requirements for principal risks, including evaluation, monitoring and limits for the risks;
- Debates and agrees on actions for the risk profile and risk strategy across the Bank;
- Evaluates effectiveness of the Bank's internal control and risk management systems;
- Reviews the risk analysis results and stress tests that are conducted by the Risk Management Unit, and elaborates corresponding recommendations.

ALCO (Asset/Liability Committee):

- Reviews current and prospective liquidity positions and funding sources;
- Reviews maturity/re-pricing schedules with particular attention to the maturity distribution of large amounts of assets and liabilities maturing;
- Develops parameters for the pricing and maturity distributions of deposits, loans and investments;
- Develops alternative strategies deemed appropriate, which take into account changes in interest rate levels and trends, deposit and loan products and related markets, Banking regulations etc.;
- Performs an independent review of the input, assumptions, and output of the ALM model(s) and procedures;
- Approves limits and structure for counterparties subject to limitations established by the Supervisory Board.

Audit Committee:

- As it was mentioned in the section of "Corporate Governance", it is a sub-committee of the Supervisory Board and is the body responsible for overseeing the internal and external audit;
- Reviews the Bank's internal control and risk management system (including Internal Audit department) and makes recommendations to the Supervisory and Management Boards on possible improvements;

- Monitors compliance of the Bank with procedures and controls as well as applicable laws and regulations;
- Receives and discusses activity reports including major findings and recommendations from the Internal Audit department.

Internal Audit:

- Assesses the adequacy and effectiveness of the Bank's system of risk management, internal control and governance structure;
- Prepares periodic reports to the Audit Committee summarizing audit activities, findings and recommendations.

4.4 Main Risks

This section will provide the information on the material risks embedded in the operations of the Bank

Credit risk

The Bank's credit strategy is to create a diversified and profitable loan portfolio in rural as well as urban areas while maintaining a high portfolio quality. In order to build and maintain a healthy portfolio, lending processes and rules were developed in a prudent manner.

Credit risk is obviously the most material type of risk for Credo. Credo uses the following steps to measure and manage credit risk:

- **Establishment of an appropriate credit risk management environment** – This is achieved through written Operations Policy with annexes covering target markets, portfolio mix, price and non-price terms, the structure of limits, approval authorities and exceptions, processing and reporting. Bank emphasis on regular staff trainings in own training academy, on regular workshops and operations meetings to improve controls and quality. Career and promotion paths are linked to portfolio quality. All incentive schemes including management have quality targets components.

  All credit decisions are taken by a credit committee comprising of at least two members or by a dedicated risk management department, i.e. no individual can enforce a loan decision.

  Credit risk is monitored by credit department. There are several levels of approval based on loan amount.

  The Institution seeks to create behavior of prompt loan repayments by rewarding those clients that adhere to loan conditions with the opportunity for further loans. Loan officer's assessment of the client's ability to repay a loan always involves not only calculating the enterprise's cash flows and analyzing its liquidity planning, but also evaluating the figures presented in its official books and/or records (if available).

  A dedicated recovery department staffed with legal advisors supports the recovery activities of problem loans. Credo is using standardized score cards which are regularly updated and reduce the risk of frauds.

- **Operating under a sound credit-granting process -** Credit granting involves consideration of different elements, that is described in the Operations Policy. It also takes into consideration cooperation with insurance companies to reduce default risk (e.g. crop insurance, life insurance etc.). These insurance products serve to mitigate the possible default risk of a loan portfolio. Loan analysis focuses strongly on the prospective client's ability and willingness to pay, primarily through a thorough computation of the cash flows of the businesses. While there is a professional evaluation of the assets pledged as loan security, this aspect of the analysis is awarded only a secondary rank in the decision making hierarchy.

- **Maintenance of appropriate credit administration, measurement and monitoring processes** - This involves regular monitoring of a number of key items related to the condition of individual and group of borrowers. It includes the current financial condition of the borrower or counterparty, compliance with existing covenants and collateral coverage, monitoring of loans in the credit portfolio, monitoring of specific types of borrowers as well as connected borrowers to avoid concentrations of risk. Specific attention is addressed to the risk of refinanced / restructured borrowers, where the Bank applies adequate covenants by setting limits, eligibility criteria, intensified credit control and careful monitoring of refinancing / restructuring behavior to maintain high quality of loan portfolio;

- **Maintenance of appropriate portfolio quality reporting -** Portfolio quality and lending limits determined are regularly reported to the management of the Bank via portfolio reporting. Bank classifies its credit facilities into performing and non-performing loans, and builds adequate provisions for expected loan losses in accordance with local regulations. Portfolio report contains information about the distribution of the portfolio by amounts and types of arrears, by exposures to sectors and regions, by currencies, by products etc.

Registered Collateral – one type of means for mitigation the credit risk is a collateral. The types of collateral used for loans might be: precious metals, movable property, immovable property and third person guarantees. Before using any of the listed types of collateral, it should be properly evaluated by the expert. Operations Policy covers detailed rules, how each of the collateral should be appraised. The immovable property should be owned by the borrower, if it is owned by the third person he/she should become the guarantor if a client. Immovable property is being appraised by the independent expert, independent experts serving concrete service centers are being changed quarterly. Collateral appraisal detailed rules and steps is the integral part of the Credo Bank's Operational Policy. Structure of collateral types are given below in the Table 7.

Table 7. Structure of Collateral

Type of Collateral	**Share %**
Immovable Property (Mortgage)	90.5%
Movable Property	0.8%
Precious Metals	0.1%
Third Person Guarantees	8.6%

Foreign Exchange Induced Credit Risk

Currency-induced credit risk is relevant for the whole portfolio of the Bank denominated in foreign currencies except for cases when the Bank has evidence that the client has income source in the same

currency as the loan. The following rules are implemented into the credit processes in order to reduce foreign exchange risk of the credit portfolio:

- Credo has a conservative approach to the CICR risk - keeping buffers on loans disbursed in foreign currency by dividing client's income by a more conservative foreign exchange rate compared to the actual foreign exchange rate (more conservative debt service ratio compared to loans denominated in local currency).

Counterparty Credit Risk

Risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Counterparty credit risk is interpreted as the credit risk connected to interest rate and foreign-exchange rate derivatives (i.e. futures, forwards, swaps, options, and other off-balance sheet liabilities originating from other similar contracts), according to the CAR.

- The Bank operates counterparty limit system for treasury deals with Bank partners, which is defined by Financial Risk Management Policy and approved by ALCO and Supervisory Board. Limits are reviewed on a yearly basis and in any case when relevant information about the partner is noticed by the Bank. All counterparty limits are approved and regularly reviewed by the Supervisory Board.

Operational Risk

Operational risk may derive from inadequate internal processes or systems, external events, inadequate employee performance or from the breaching of or non-compliance with statutory provisions, contracts and internal regulations. Operational risk includes legal risk but excludes reputational and strategic risk.

To measure and manage operational risk, Credo Bank uses following steps:

- **Risk mapping -** Bank's operational risk policy provides a comprehensive framework for operational risk identification, measurement and management. The policy lays down the principles on how operational risk has to be identified, assessed, monitored, and controlled or mitigated;
- **Operational risk identification, assessment, monitoring and mitigation -** It involves a system of checks to identify strengths and weaknesses of the operational risk environment; provision of sufficient operational risk environment is ensured by effective and independent internal audit/Operational Risk Manager which is adequately trained and well-staffed.

Operational risk activities in the Bank include:

- **Loss data collection** - collection of observed losses through the involvement of business units (decentralized data collection);
- **Self-assessment -** assessment of existing risks and the possible occurrence of losses (frequency and severity also measured) through the involvement of business units and interviews of respective business process risk owners;
- **Definition and monitoring of risk mitigation actions** - based on loss data collection and results of self-assessment.

The operational risk management in the Bank takes place at three levels (business units / departments level, Operational Risk Unit level/ Risk Committee and Audit level), which ensures regular control of operational risk.

Market risk

Two types of market risk are relevant – interest rate risk of the Banking book and foreign exchange risk. Both of them are described in details below.

Interest rate risk of the Banking book - Interest rate risk is taken to be the current or prospective risk to both the earnings and capital of institution arising from adverse movements in interest rates. As Credo does not have a trading book, only Banking book exposures are relevant.

Types of interest rate risks relevant for the Bank:

- re-pricing risk, i.e. risk deriving from the different maturity structure of receivables and payables and from pricing that is based on different interest rates or different periods;
- yield curve risk, i.e. risk originating in changes of the shape and steepness of the yield curve;

A re-pricing risk occurs when there is a mismatch between the maturity structure of assets and liabilities and if pricing takes place at different intervals or at differently based interest rates (e.g. receivables at a fixed interest rate and liabilities at a variable interest rate). Credo manages and monitors its interest rate risk through the interest rate maturity gap.

Foreign exchange risk - It rises from open or imperfectly hedged positions in a particular currency as a result of unexpected movements of foreign exchange rates (that may lead to losses in the home or reporting currency of the Bank).

Foreign exchange positions are managed according to the Financial Risk Management Policy of the Bank. Calculation of the position is executed in line with the Georgian Regulation Setting, Calculating and Maintaining Overall Open Foreign Exchange Position Limit of Commercial Banks.

Liquidity risk

Liquidity is the ability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The fundamental role of Banks in the maturity transformation of short-term deposits into long-term loans makes Banks inherently vulnerable to liquidity risk, both from institution perspective and market perspective as a whole. Virtually every financial transaction or commitment has implications on a Bank's liquidity.

Effective liquidity risk management helps to ensure a Bank's ability to meet cash flow obligations, which are uncertain as they are affected by external events and other stakeholder's behavior. Liquidity risk management is of paramount importance as a liquidity shortfall at a single institution may have system-wide repercussions.

However, relating these general principles to Credo in medium term, deposits will rather play a limited role in funding. The main source of liquidity risk comes from the renewal of institutional

("market") funding. The maturities of these funds are planned and managed in detail, which constitutes the main element of Credo's liquidity risk management:

- Funding decisions are made on regular ALCO meetings that are held at least monthly or more frequently if required;
- Liquidity position is assessed on monthly basis by liquidity ratios that are defined by Financial Risk Management Policy;
- In addition, Bank's Treasury department monitors liquidity position on daily basis and ensures that appropriate liquidity positions are maintained in accordance with the internal limits that are set based on historical data and consider relevant internal and external factors, such as funding cost and disbursement seasonality.
- To avoid holding excessive liquidity, Bank assigns liquidity exposure limits to its counterparts which are approved by the Supervisory Board and regularly reviewed and reported. The Bank tries to diversify its counterparts whenever possible, preferably top rated Banks in Georgia are used.

Reputational risk

Reputational risk is the current or prospective indirect risk to earnings and capital arising from adverse perception of the image of the financial institution by customers, counterparties, shareholders, investors or regulators. It is manifested in the fact that the external opinion on the institution is less favorable than desired.

Reputational risk may originate from the lack of compliance with industry standards, failure to honor commitments, lack of fair market practices, low or inferior service quality, inappropriate business conduct or unfavorable authority opinion and actions.

Reputational risk is managed by several processes and organizational units of the Credo Bank:

- Credo has strong and reputable shareholders and debt investors which ensure high commitment and adherence to best international standards and practices, in particular related to: Customer Protection, AML, Governance, and Environmental and Social Risk Management;
- Access Holding AG, the parent company of Credo, introduced a globally binding customer protection policy in all its institution which requires a regular reporting on customer protection related matters;
- Credo has a strict Environmental and Social Performance Policy which among other topics is regulating employee working conditions, child labor and the investment policy of Credo. Bank's lending activities are limited by the Exclusion List, all potential clients and businesses are screened against the exclusion list prior to funding. Credo is regularly reporting on Environmental and Social issues to its shareholders and majority of its funding partners. The ES policy is regularly updated and reviewed and is subject to frequent due diligence by investors;
- Credo's shareholders impose an Operating Policy which clearly defines minimum standards for the institution related to customer focus, investment policy, credit underwriting standards, the treatment of employees and other external stakeholders, and governance;
- Credo is obliged by its shareholders to select only the top audit companies for the external audit of its financial statements and to maintain insurances with reputable companies covering employee fidelity, cash, electronic fraud, fixed assets, public liability; and directors and officer's liability;

- Credo has a call center unit, which enlarges responsiveness of customers related to feedback and complaints;
- Credo owns a training academy, where it trains and re-trains staff during the whole year. Training areas include mission of Credo, target groups, credit underwriting standards, code of conduct, Environmental and Social management and AML;
- Credo has written detailed customer service standards for its staff and branches. Standards are regularly monitored and evaluated by a dedicated unit for customer service control and annually by external mystery shoppers;
- Credo conducts annual focus group researches and regular researches on market, products and existed clients. The client retention rate is monitored on monthly basis.

Reputational risk is managed by policies and processes, no capital is allocated.

4.5 Stress Tests

Calculation of stress tests and methodology

Stress test framework aims to assess the impact of extraordinary but possible events on the own capital or liquidity of the Bank.

The general stress testing methodology is applied to obtain a so-called "Baseline" scenario that covers the average expected evolution of the economy. Shocks are included in the scenario, if they can be foreseen. The baseline scenario tries to capture the average expected evolution of the Georgian economy; scenarios are taken from NBG minimum stress tests requirements.

Stress Test Methodology of minimum stress test inputs required by NBG

In order to calculate additional capital for stress scenarios the following stress scenarios were used in 2017 that were set by the National Bank of Georgia:

Category	Scenario
Unemployment Growth_ number	5%
Unemployment _ income decrease	10%
Real Estate Price Decline (Balance Sheet)	20%
Real Estate Price Decline	15%
GDP Decline (See by Sector)	5%
Currency Depreciation	20%

In order to assess revenue decline of clients in the GDP stress scenario, the following factors were used for different business sectors:

Sector	Revenue Decrease
Financial Sector	10%
Real Estate Management	25%
Real Estate Development	40%
Consumer Goods and Services	5%
Production / Restaurants, Cafes etc.	10%
Production & Trade of Durable Goods/Automobile Dealers	35%
Tourism	25%
Agriculture	5%
State Sector	5%
Transportation and Communication	5%
All other Sectors	5%

The Stress Test was conducted for the sample equal to 80% of the total portfolio. The final results were extrapolated on the total credit portfolio through business sectors.

Losses that might arise from unemployment growth in the country were calculated as 5% of the randomly chosen retail clients which under the stress assumption are losing their jobs and therefore, are defaulting; all other clients are losing 10% of their incomes.

Real estate price decline was assessed on balance fixed asset price decline that can result in expenses caused by revaluation of these assets and from the collateral perspective of the portfolio. The effect of stress on Real Estate revaluation was too low, actually meaning that losses caused by real estate price decline for on balance sheet assets was not material.

In order to maintain a conservative approach several stress assumptions were applied simultaneously to business client's loan portfolio. Sales declines were used according to their business sector as shown in the table above, currency depreciation of 20% was applied to borrowers that have outstanding debt in foreign currency, thus Credo covers CICR risk in this way; as well as prices of real estate in collateral was declined by 20%. Losses were calculated as growth in NBG provisioning levels. Expert judgment was used to assess which borrowers would default in case if all stress assumptions would realize.

The judgment on provisioning is linked to the debt service coverage ratio (PMT coverage) assumption. At the same time, the portfolio is very homogeneous in terms of loan conditions and client business profile.

In case the stress scenario realizes, Credo has still the possibility to restructure defaulted loans due to the characteristics of portfolio maturity composition. Particularly, restructuring up to 48 months will decrease financial burden for loans and thus, increase repayment capacity. Even though such restructuring option is allowed according to the NBG methodology, Credo disregards this possibility and follows a more conservative approach in its stress test.

The conservative stress loss assumptions linked to the PMT coverage ratio, are justified below:

1. Credo has conservative underwriting standards in its lending operations;
2. The characteristics of Credo's maturity breakdown of portfolio show sufficient capacity for restructuring of defaulted loans;
3. Credo assumes a 100% loss given default (LGD) disregarding any recovery possibilities which translates loan provisions after stress test directly into losses.

We created the matrix that set the provision level for each PMT coverage ratio per client. According to the loss rate received, we created the respective capital buffers that were required to absorb the possible losses taking into considerations all stress parameters defined by the National Bank of Georgia.

5 RISK APPETITE FRAMEWORK

5.1 Stakeholders

Bank determines risk appetite according to regulatory framework and business model of the institution reflected in its business and risk strategy. Therefore, monitoring of operations based on given risk appetite is led by the Management Board assisted by relevant functions which report and assess how close the Bank is to established limits and what additional capacity exists to take additional risks. Risk appetite is a guideline for all level managers in the Bank in order to ensure compliance with the defined risk strategy.

Risk strategy is reflected in limits, giving possibility to managers to analyze each decision they make and to evaluate how they comply with the Bank's risk taking targets and attitude. Risk appetite helps stakeholders such as management, shareholders, employees, rating agencies, regulators and others to assess how much risk the Bank is willing to take, not just how much Bank currently takes.

Risk appetite guides decision making towards the amount of risk a Bank is willing to accept to be in alignment with strategy for the purpose of maximizing value for shareholders and provides a clear reference point to monitor risk taking and to trigger appropriate actions as the limits are approached or breached. It also minimizes the likelihood of "surprises" when adverse risk events occur.

5.2 Factors determining Risk appetite

In determining risk appetite, various external and internal factors are taken into consideration such as:

- Current capital situation of Credo;
- Current risk profile of Credo and limits set to Bank's management;
- Current economic condition, future expectations and forecasts for Georgia and region;
- Competition environment in the sector and shareholders expectations about development of the Banking sector;
- History and experience of the institution regarding performance in various economic and competitive environments;
- Requirements set by regulations of National Bank of Georgia regarding capital adequacy;
- Minimum covenants set by National Bank of Georgia;
- Internal capital adequacy assessment process (ICAAP) annually required from Banks by National Bank of Georgia.

5.3 Risk Appetite statement

Bank is reasonably confident that risk appetite is well communicated and understood by all stakeholders. It is directly linked to Bank's strategy and business model, addresses the Bank's material risks under both normal and stressed market and macroeconomic conditions and sets clear boundaries and expectations by establishing quantitative limits and qualitative statements for risks that are difficult to measure. Credo sets Bank-wide risk appetite and applies aggregate limits to set the overall tone for Bank's approach to risk taking. Although several sub-limits also exists in Bank's various business lines, they are not considered as risk appetite limits, but rather they are management tools to experiment products, segments, sub-sectors etc. under the aggregate risk limits. Key elements of Bank's risk appetite statement are that:

- It is linked with Bank's short and long term strategic, capital and financial plans, as well as compensation programs;
- Establishes the amount of risk Bank is prepared to accept in pursuit of its strategic objectives and business plan, taking in to account the interests of customers, employees, supervisors, shareholders, business partners as well as capital and other regulatory requirements;
- Determines for major risks the maximum level of risk that Bank is willing to operate within, based on its risk appetite, capacity and profile;
- Includes quantitative measures that can be translated into risk limits;
- It is forward looking and subject to scenario and stress testing to ensure that the Bank understands what events might push the Bank outside its risk appetite and/or risk capacity;
- Ensures that the strategy and sub-limits of each business line align with the Bank-wide risk appetite statement as appropriate.

For the purpose of risk appetite, risk limits are the allocation of Bank's aggregate risk appetite statement to specific risk categories, concentrations, and as appropriate, other levels. In order to facilitate effective monitoring and reporting of the risk limits, Credo uses specific, measurable, frequency-based, reportable assumptions. Having measurable risk limits, it assists Credo to prevent unknowingly breaching risk limits as market conditions change and be an effective brake against excessive risk taking.

Risk limits are:

- Set at level to constrain risk-taking within risk appetite based on an estimate of the impact on the interest of customers and shareholders, as well as capital regulatory requirements, in the event that a risk limit is breached and the likelihood that each material risk is realized;
- Expressed relative to capital, liquidity, credit risk and other relevant measures;
- Used to measure material risk concentrations at the Bank-wide level;
- Not strictly based on comparison to peers, default to regulatory limits, be overly complicated, ambiguous, or subjective and be monitored regularly.

The major risk for Credo is credit risk, its appetite is largely expressed in risk limits related to credit operations of the institution defined in this risk appetite statement and aligned with Credit Policy:

- Profitability is a key objective but credit standards must not be compromised in the pursuit of operating income. A well-balanced and high quality credit portfolio is of the highest priority;
- Where borrowing is classed as prohibited, there is no appetite to pursue this type of business, and any exceptions must be referred to the Supervisory Board;

- Unsecured lending will continue in various segments as result of the specific customer base, but the Bank will carefully monitor its share in total credit portfolio;
- Sectorial concentrations in loan portfolio will be an increasingly important area and management will use specific risk limit levels for managing these risks;
- Currency concentrations will be an important focus area and management will use specific risk limit levels for managing these risks.

Bank also puts aggregate limits on other risks such as market (particularly FX risk) and Liquidity risk.

Functions and Responsibilities in Risk Appetite

The Supervisory Board:

- Approves the Bank's RAF and ensures it remains consistent with the Bank's short and long term strategy, business and capital plans, risk capacity as well as compensation programs;
- Holds the CEO and other executive management accountable for the integrity of the RAF, including the timely identification, management and escalation of breaches of established limits and of material risk exposures;
- Ensures that annual business plans are in line with the approved risk appetite and incentives/disincentives are included in the compensation programs to facilitate adherence to risk appetite;
- Includes an assessment of risk appetite in their strategic discussions including decisions regarding growth in business lines or products;
- Regularly reviews and monitors actual versus approved risk limits;
- Discusses and determines actions to be taken, if any, regarding "breaches" of risk limits;
- Obtains if necessary an independent assessment of the design and effectiveness of the RAF and its alignment with supervisory expectations;
- Ensures that there are mechanisms in place to monitor that executive management acts in a timely manner to effectively manage, and where necessary mitigate, material adverse risk exposures, in particular those that are close to or exceed the approved appetite statement and risk limits;
- Ensures that adequate resources and expertise are dedicated to risk management as well as internal audit in order to provide independent assurances to the Supervisory Board and executive management that they are operating within the approved RAF;
- Ensures risk management is supported by adequate IT and MIS to enable identification, measurement, assessment and reporting of risks in timely and accurate manner.

The Management Board:

- Reviews and suggests a prudent risk appetite for the Bank which is consistent with the Bank's short and long-term strategy, business and capital plans, risk capacity, as well as compensation programs and aligns with supervisory expectations;
- Is accountable for the integrity of the RAF, including the timely identification and escalation of breaches of risk limits and of material risk exposures;
- Ensures that the risk appetite is appropriately translated in to risk limits and they are incorporated in the strategic and financial planning, decision making processes and compensation decisions;
- Ensures that the Bank-wide risk appetite statement is implemented by senior management through consistent risk appetite statements or specific risk limits for business lines;
- Provides leadership in communicating the risk appetite to internal and external stakeholders;

- Sets an example by empowering and supporting relevant risk units and departments and effectively incorporating risk appetite in to their decision-making processes;
- Ensures business lines have appropriate processes in place to effectively identify, measure, monitor and report on the risk profile relative to established risk limits on a day to day basis;
- Dedicates sufficient resources and expertise to risk management and IT infrastructure to support effective oversight and adherence to the RAF;
- Notify the Supervisory Board of serious breaches of risk limits and unexpected material risk exposures.

Risk Committees:

- Oversee the Bank's process and policies for determining risk tolerance and review management's measurement and comparison of overall risk tolerance to established levels;
- Receive regular reports from executive management and risk units on the categories of risk that the Bank faces, the exposure in each category, significant concentrations within those risk categories, the matrices used to monitor the exposures and management's view on the acceptable and appropriate levels of those risk exposures;
- Review the adequacy of RAF and RAS.

Risk Management Unit:

- Supports the development of a prudent risk appetite for the Bank that meets the needs of the Bank and aligns with the expectations of Supervisory Board and the supervision authorities;
- Regularly reports to RC and Management Board on the Bank's risk profile relative to risk appetite;
- Actively monitors the Bank's risk profile relative to its risk appetite, strategy, business and capital plans and risk capacity;
- Establishes a process for reporting on risk;
- Establishes appropriate risk limits (in collaboration with MB and SB) that are prudent and consistent with Bank's risk appetite;
- Acts in time to ensure effective management, and where necessary mitigation, of material risk exposures, in particular those that are close to or exceed the approved risk appetite and/or risk limits;
- Escalates immediately to RC and Management Board any material risk limit breach that could seriously put in danger the financial condition, capital and liquidity of the Bank.

Business lines (units):

- Ensure alignment between the approved risk appetite and planning, compensation and decision making process of the business units;
- Incorporate the risk appetite statement and risk limits into their activities and day to day management of the risk to ensure prudent risk taking and adequate risk culture;
- Actively monitor adherence to approved risk limits;
- Cooperate with the risk units and departments not interfering with its independent duties;
- Implement controls and processes to be able to effectively identify, monitor and report against allocated risk limits;

- Independently assesses the design and effectiveness of the RAF and its alignment with supervisory expectations;
- Identify whether breaches in risk limits are appropriately identified, escalated and reported, and report to the Audit committee and Supervisory Board as appropriate.

6 REMUNERATION

Remuneration is one of the most sensitive issues in the human resource policy of an organization. The determination of staff salaries and benefits not only affects the operating expenses of the bank, but also has implications on staff motivation, internal working relationships, and employee propensity to perpetrate fraud.

The remuneration policy of Credo Bank is based on the following principles:

- Job evaluation is based on HAY guide chart profile methodology. Each job has a defined grade and salary scale with minimum and maximum remuneration levels;
- The salary matrix is composed in local currency based on Georgian financial market compensation data to ensure competitive salary levels;
- Salary increases are predefined in a salary matrix for each job and is performance-based, ensuring internal equity in compensation;
- Job grading system is basis for employee benefit programs: each employee benefit is linked to job grade and not individual employee ensuring transparency and fairness of remuneration system.

Salary and employee benefits administration procedures are clearly defined and accessible to all employees.

Selection and Recruitment of Bank Administrators

Administrators of the bank should satisfy the following requirements to be recruited on a certain position:

- He/she should have the higher education in one of these fields: Economics, Finance, Banking, Business Administration, Audit, Accounting, Law and Legal studies etc.;
- The member of Directorate should have minimum 4 years of work experience in the financial sector, from which minimum 2 years should be on managerial position;
- The board members should not be the first or the second order successors of other board members;
- Should not have the negative credit history in any financial institution;
- Should not be convicted for serious or especially serious offense

In case of meeting the above mentioned criteria, the Supervisory Board selects/recruits the members for the Management Board. Other Administrators, after being selected, are recruited upon the approval of management board members.

7 Annex 1 – Pillar 3 Quarterly Report

7.1 Table 1. Key Ratios

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)	112,009,131	107,111,086	116,643,851	113,423,383	
2	Tier 1	112,009,131	107,111,086	116,643,851	113,423,383	
3	Total regulatory capital	119,560,809	114,186,320	123,569,535	121,574,218	
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	765,580,935	733,030,785	719,729,795	824,967,993	
5	Risk-weighted assets (RWA) (Based on Basel I frameworks)	703,342,697	658,921,785	645,144,004	632,385,556	
	Capital ratios as a percentage of RWA					
	Based on Basel III framework					
6	Common equity Tier 1 ratio (≥ 7.0 %)	14.63%	14.61%	16.21%	13.75%	
7	Tier 1 ratio (≥ 8.5 %)	14.63%	14.61%	16.21%	13.75%	
8	Total regulatory capital ratio (≥ 10.5 %)	15.62%	15.58%	17.17%	14.74%	
	Based on Basel I framework					
9	Common equity Tier 1 ratio (≥ 6.4 %)	13.74%	14.65%	17.14%	17.61%	
10	Total regulatory capital ratio (≥ 9.6 %)	17.13%	17.45%	19.28%	19.15%	
	Income					
11	Total Interest Income /Average Annual Assets	18.18%	17.97%	18.78%	18.35%	
12	Total Interest Expense / Average Annual Assets	6.72%	6.58%	6.45%	6.39%	
13	Earnings from Operations / Average Annual Assets	4.25%	4.19%	4.85%	4.83%	
14	Net Interest Margin	11.46%	11.38%	12.33%	11.96%	
15	Return on Average Assets (ROAA)	2.41%	2.21%	1.90%	1.14%	
16	Return on Average Equity (ROAE)	13.05%	11.80%	9.70%	5.77%	
	Asset Quality					
17	Non Performed Loans / Total Loans	0.77%	0.81%	1.01%	3.69%	
18	LLR/Total Loans	2.36%	2.39%	2.58%	5.06%	
19	FX Loans/Total Loans	16.63%	19.12%	21.40%	27.99%	
20	FX Assets/Total Assets	26.12%	27.95%	29.33%	35.17%	
21	Loan Growth-YTD	13.73%	1.31%	1.33%	-0.42%	
	Liquidity					
22	Liquid Assets/Total Assets	**10.56%**	12.27%	13.19%	7.86%	
23	FX Liabilities/Total Liabilities	**32.11%**	34.00%	37.50%	48.66%	
24	Current & Demand Deposits/Total Assets	**0.00%**	0.00%	0.00%	0.00%	
	Liquidity Coverage Ratio**					
25	Total HQLA	58,105,307	49,853,044	71,944,488		
26	Net cash outflow	17,549,864	24,341,190	17,924,671		
27	LCR ratio (%)	331.09%	204.81%	401.37%		

* Significant changes between these two reporting periods is due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from

RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release: https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng

** 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.

7.2 Table 2. Balance Sheet

		Reporting Period			Respective period of the previous year		
N	**Assets**	GEL	FX	Total	GEL	FX	Total
1	Cash	11,321,551	8,073,700	19,395,251			0
2	Due from NBG	4,153,730	19,752,305	23,906,035			0
3	Due from Banks	14,308,649	58,322,362	72,631,012			0
4	Dealing Securities	0	0	0			0
5	Investment Securities	0	0	0			0
6.1	Loans	444,367,503	88,644,802	533,012,305			0
6.2	Less: Loan Loss Reserves	-9,852,411	-2,734,081	-12,586,491			0
6	Net Loans	434,515,092	85,910,721	520,425,814	0	0	0
7	Accrued Interest and Dividends Receivable	7,510,954	1,213,716	8,724,669			0
8	Other Real Estate Owned & Repossessed Assets	357,866	0	357,866			0
9	Equity Investments	0	0	0			0
10	Fixed Assets and Intangible Assets	11,169,782	0	11,169,782			0
11	Other Assets	24,158,543	6,196,013	30,354,556			0
12	**Total assets**	507,496,167	179,468,817	686,964,984	0	0	0
	Liabilities						
13	Due to Banks	53,000,000	1,552,200	54,552,200			0
14	Current (Accounts) Deposits	0	0	0			0
15	Demand Deposits	0	0	0			0
16	Time Deposits	0	0	0			0
17	Own Debt Securities			0			0
18	Borrowings	282,937,407	175,859,547	458,796,954			0
19	Accrued Interest and Dividends Payable	7,096,635	2,494,781	9,591,416			0
20	Other Liabilities	36,350,353	3,407,561	39,757,914			0
21	Subordinated Debentures	8,119,900	0	8,119,900			0
22	**Total liabilities**	387,504,295	183,314,090	570,818,384	0	0	0
	Equity Capital						
23	Common Stock	4,400,000		4,400,000			0
24	Preferred Stock	0		0			0
25	Less: Repurchased Shares	0		0			0
26	Share Premium	0		0			0
27	General Reserves	0		0			0
28	Retained Earnings	111,350,141		111,350,141			0
29	Asset Revaluation Reserves	396,459		396,459			0
30	**Total Equity Capital**	116,146,600		116,146,600			0
31	**Total liabilities and Equity Capital**	503,650,894	183,314,090	686,964,984	0	0	0

7.3 Table 3. Income Statement

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	1,530,817	670,570	2,201,387			0
2	Interest Income from Loans	86,810,292	19,242,589	106,052,880	0	0	0
2.1	from the Interbank Loans	0	0	-			0
2.2	from the Retail or Service Sector Loans	65,575	300,935	366,509			0
2.3	from the Energy Sector Loans	0	0	-			0
2.4	from the Agriculture and Forestry Sector Loans	0	0	-			0
2.5	from the Construction Sector Loans	1,011	16,149	17,160			0
2.6	from the Mining and Mineral Processing Sector Loans	16,552	23,735	40,286			0
2.7	from the Transportation or Communications Sector Loans	16,744	66,393	83,137			0
2.8	from Individuals Loans	86,699,120	18,798,007	105,497,127			0
2.9	from Other Sectors Loans	11,291	37,370	48,661			0
3	Fees/penalties income from loans to customers	3,392,524	1,159,134	4,551,658			0
4	Interest and Discount Income from Securities	0	0	-			0
5	Other Interest Income	0	0	-			0
6	**Total Interest Income**	91,733,633	21,072,292	112,805,925	0	0	0
	Interest Expense						
7	Interest Paid on Demand Deposits	0	0	-			0
8	Interest Paid on Time Deposits	0	0	-			0
9	Interest Paid on Banks Deposits	612,545	4,305	616,851			0
10	Interest Paid on Own Debt Securities	39,885	0	39,885			0
11	Interest Paid on Other Borrowings	27,768,429	13,259,066	41,027,495			0
12	Other Interest Expenses	0	0	-			0
13	**Total Interest Expense**	28,420,859	13,263,372	41,684,231	0	0	0
14	**Net Interest Income**	63,312,774	7,808,920	71,121,694	0	0	0
	Non-Interest Income						
15	Net Fee and Commission Income	28,956,061	2,972,250	31,928,311	0	0	0
15.1	Fee and Commission Income	34,004,472	4,598,657	38,603,129			0
15.2	Fee and Commission Expense	5,048,412	1,626,406	6,674,818			0
16	Dividend Income	0		-			0
17	Gain (Loss) from Dealing Securities	0	0	-			0

18	Gain (Loss) from Investment Securities	0	0	-			0
19	Gain (Loss) from Foreign Exchange Trading	(2,686,434)		(2,686,434)			0
20	Gain (Loss) from Foreign Exchange Translation	2,113,082		2,113,082			0
21	Gain (Loss) on Sales of Fixed Assets	(33,695)	0	(33,695)			0
22	Non-Interest Income from other Banking Operations	317,830	0	317,830			0
23	Other Non-Interest Income	1,127,234	0	1,127,234			0
24	**Total Non-Interest Income**	29,794,078	2,972,250	32,766,328	0	0	0
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	5,803,106	0	5,803,106			0
26	Bank Development, Consultation and Marketing Expenses	3,967,712	224,987	4,192,699			0
27	Personnel Expenses	52,888,865		52,888,865			0
28	Operating Costs of Fixed Assets	7,719,656		7,719,656			0
29	Depreciation Expense	3,345,630		3,345,630			0
30	Other Non-Interest Expenses	1,453,810	17,701	1,471,512			0
31	**Total Non-Interest Expenses**	75,178,779	242,688	75,421,467	0	0	0
32	**Net Non-Interest Income**	(45,384,701)	2,729,562	(42,655,139)	0	0	0
33	**Net Income before Provisions**	17,928,072	10,538,482	28,466,555	0	0	0
34	Loan Loss Reserve	11,690,002		11,690,002			0
35	Provision for Possible Losses on Investments and Securities			-			0
36	Provision for Possible Losses on Other Assets	418,013		418,013			0
37	**Total Provisions for Possible Losses**	12,108,016	0	12,108,016	0	0	0
38	**Net Income before Taxes and Extraordinary Items**	5,820,057	10,538,482	16,358,539	0	0	0
39	Taxation	1,328,836		1,328,836			0
40	**Net Income after Taxation**	4,491,221	10,538,482	15,029,703	0	0	0
41	Extraordinary Items	(65,773)		(65,773)			0
42	**Net Income**	4,425,448	10,538,482	14,963,930	0	0	0

7.4 Table 4. Off-balance sheet

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**			0			0
1.1	Guarantees Issued			0			0
1.2	Letters of credit Issued			0			0
1.3	Undrawn loan commitments	34,912,090		34,912,090			0
1.4	Other Contingent Liabilities			0			0
2	**Guarantees received as security for liabilities of the bank**			0			0
3	**Assets pledged as security for liabilities of the bank**			0			0
3.1	Financial assets of the bank		15,954,620	15,954,620			0
3.2	Non-financial assets of the bank			0			0
4	**Guaratees received as security for receivables of the bank**			0			0
4.1	Surety, joint liability	32,780,459		32,780,459			0
4.2	Guarantees			0			0
5	**Assets pledged as security for receivables of the bank**	**345,193,537**		345,193,537			0
5.1	Cash			0			0
5.2	Precious metals and stones	32,073		32,073			0
5.3	Real Estate:	**342,034,055**		342,034,055			0
5.3.1	*Residential Property*	264,768,936		264,768,936			0
5.3.2	*Commercial Property*	33,332,049		33,332,049			0
5.3.3	*Complex Real Estate*			0			0
5.3.4	*Land Parcel*	43,933,071		43,933,071			0
5.3.5	*Other*			0			0
5.4	Movable Property	3,127,409		3,127,409			0
5.5	Shares Pledged			0			0
5.6	Securities			0			0
5.7	Other			0			0
6	**Derivatives**			0			0
6.1	Receivables through FX contracts (except options)		12,961,000	12,961,000			0
6.2	Payables through FX contracts (except options)	13,527,500		13,527,500			0
6.3	Principal of interest rate contracts (except options)			0			0
6.4	Options sold			0			0
6.5	Options purchased			0			0
6.6	Nominal value of potential receivables through other derivatives			0			0
6.7	Nominal value of potential payables through other derivatives			0			0
7	**Receivables not recognized on-balance**			0			0
7.1	Principal of receivables derecognized during last 3 month	730,871	797,216	1,528,087			0
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	588,885	416,943	1,005,828			0
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	6,232,784	14,817,729	21,050,513			0
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	3,735,229	6,733,959	10,469,188			0
8	**Non-cancelable operating lease**			0			0
8.1	Through indefinit term agreement			0			0
8.2	Within one year			0			0
8.3	From 1 to 2 years			0			0
8.4	More than 3 years			0			0
9	**Capital expenditure commitment**			0			0

7.5 Table 5. Risk Weighted Assets (RWA)

N		T	T-1
1	Risk Weighted Assets for Credit Risk	533,354,101	495,254,066
1.1	Balance sheet items	526,302,748	487,789,947
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)	4,186,620	4,186,620
1.2	Off-balance sheet items	5,236,813	7,464,119
1.3	Currency induced credit risk*		
1.4	Counterparty credit risk	1,814,540	0
2	Risk Weighted Assets for Market Risk	11,849,806	2,172,067
3	Risk Weighted Assets for Operational Risk	220,377,028	164,840,003
4	**Total Risk Weighted Assets**	765,580,935	662,266,136

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

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

	Members of Supervisory Board	
1	Dan Balke (Germany)	
2	Thomas Engelhardt (Germany)	
3	Franciscus Bernardus Martinus Streppel (Netherlands)	
4	Paul-Catalin Panciu (Romania)	
5	Johannes Mainhardt (Germany)	
	Members of Board of Directors	
1	Zaal Pirtskhelava	
2	Erekle Zatiashvili	
3	Zaza Tkheshelashvili	
	List of Shareholders owning 1% and more of issued capital, indicating Shares	
1	Access Microfinance Holding AG (Germany)	60.20%
2	Triodos Custody B.V., Triodos Fair Share Fund (Netherlands)	9.90%
3	Triodos SICAV II, Triodos Microfinance Fund (Luxembourg)	9.90%
4	ResponsAbility Participations AG (Switzerland)	9.34%
5	responsAbility Management Company S.A. acting in its own name for responsAbility Micro and SME Finance Fund (formerly responsAbility Global Microfinance Fund)	8.79%
6	responsAbility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Leaders (formerly responsAbility SICAV (Lux) Microfinance Leaders	1.87%
	List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
1	CDC Group PLC (UK)	8.32%
2	European Investment Bank (Luxembourg)	8.32%
3	International Finance Corporation (USA)	8.32%
4	Kreditanstalt für Wiederaufbau (Germany)	8.63%
5	LFS Financial Systems GmbH (Germany)	8.19%
6	Omidyar Tufts Microfinance Fund (USA)	7.89%

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

		a	b	c
N	Account name of standardized supervisory balance sheet item	Carrying values as reported in published stand-alone financial statements per local accounting rules	Carrying values of items	
			Not subject to capital requirements or subject to deduction from capital	Subject to credit risk weighting
1	Cash	19,395,251		19,395,251
2	Due from NBG	23,906,035		23,906,035
3	Due from Banks	72,631,012		72,631,012
4	Dealing Securities	0		-
5	Investment Securities	0		-
6.1	Loans	*533,012,305*		533,012,305
6.2	*Less: Loan Loss Reserves*	*-12,586,491*		*-12,586,491*
6	Net Loans	520,425,814		520,425,814
7	Accrued Interest and Dividends Receivable	8,724,669		8,724,669
8	Other Real Estate Owned & Repossessed Assets	357,866		357,866
9	Equity Investments	0		-
10	Fixed Assets and Intangible Assets	11,169,782	3,741,010	7,428,772
11	Other Assets	30,354,556		30,354,556
	Total exposures subject to credit risk weighting before adjustments	**686,964,984**	**3,741,010**	**683,223,974**

7.8 Table 8. Differences between carrying values per standardized balance sheet used for regulatory reporting purposes and the exposure amounts used for capital adequacy calculation purposes

1	**Total carrying value of balance sheet items subject to credit risk weighting before adjustments**	683,223,974
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	34,912,090
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	12,961,000
3	**Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes**	731,097,064
4	Effect of provisioning rules used for capital adequacy purposes	10,490,131
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-27,929,672
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	-11,146,460
6	Effect of other adjustments	
7	**Total exposures subject to credit risk weighting**	702,511,063

7.9 Table 9. Regulatory Capital

N		in Lari
1	**Common Equity Tier 1 capital before regulatory adjustments**	116,146,600
2	Common shares that comply with the criteria for Common Equity Tier 1	4,400,000
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	
4	Accumulated other comprehensive income	396,459
5	Other disclosed reserves	
6	Retained earnings (loss)	111,350,141
7	**Regulatory Adjustments of Common Equity Tier 1 capital**	4,137,469
8	Revaluation reserves on assets	396,459
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	
10	Intangible assets	3,741,010
11	Shortfall of the stock of provisions to the provisions based on the Asset Classification	
12	Investments in own shares	
13	Reciprocal cross holdings in the capital of commercial banks, insurance entities and other financial institutions	
14	Cash flow hedge reserve	
15	Deferred tax assets not subject to the threshold deduction (net of related tax liability)	
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	
17	Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	
18	Significant investments in the common shares of commercial banks, insurance entities and other financial institutions (amount above 10% limit)	
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)	
20	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
21	The amount of significant Investments and Deferred Tax Assets which exceed 15% of common equity tier 1	
22	Regulatory adjustments applied to Common Equity Tier 1 resulting from shortfall of Tier 1 and Tier 2 capital to deduct investments	
23	**Common Equity Tier 1**	112,009,131
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	
27	Including: instruments classified as liabilities under the relevant accounting standards	
28	Stock surplus (share premium) that meet the criteria for Additional Tier 1 capital	
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**	7,551,678
37	Instruments that comply with the criteria for Tier 2 capital	
38	Stock surplus (share premium) that meet the criteria for Tier 2 capital	
39	General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	7,551,678
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**	7,551,678

7.10 Table 10. Reconciliation of balance sheet to regulatory capital

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	19,395,251	
2	Due from NBG	23,906,035	
3	Due from Banks	72,631,012	
4	Dealing Securities	0	
5	Investment Securities	0	
6.1	Loans	*533,012,305*	
6.2	*Less: Loan Loss Reserves*	*-12,586,491*	
6.2.1	*Of which general Reserves*	*-7,551,678*	
6	Net Loans	520,425,814	*Table 9 (Capital), C46*
7	Accrued Interest and Dividends Receivable	8,724,669	
8	Other Real Estate Owned & Repossessed Assets	357,866	
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	11,169,782	
10.1	*Of which intangible assets*	3,741,010	*Table 9 (Capital), C15*
11	Other Assets	30,354,556	
12	**Total assets**	**686,964,984**	
13	Due to Banks	54,552,200	
14	Current (Accounts) Deposits	0	
15	Demand Deposits	0	
16	Time Deposits	0	
17	Own Debt Securities	0	
18	Borrowings	466,916,854	
19	Accrued Interest and Dividends Payable	9,591,416	
20	Other Liabilities	39,757,914	
21	Subordinated Debentures	0	
21.1	*Of which tier II capital qualifying instruments*	*0*	
22	**Total liabilities**	**570,818,384**	
23	Common Stock	4,400,000	*Table 9 (Capital), C7*
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	0	
27	General Reserves	0	
28	Retained Earnings	111,350,141	*Table 9 (Capital), C11*
29	Asset Revaluation Reserves	396,459	*Table 9 (Capital), C13*
30	**Total Equity Capital**	**116,146,600**	

7.11 Table 11. Credit risk weighted exposures

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk Weights / Credit Exposure	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	4,153,730										19,752,305						19,752,305
2	Claims or contingent claims on regional governments or local authorities																	-
3	Claims or contingent claims on public sector entities																	-
4	Claims or contingent claims on multilateral development banks																	-
5	Claims or contingent claims on international organizations/institutions																	-
6	Claims or contingent claims on commercial banks			14,314,365				40,905,241				17,494,913						40,810,406
7	Claims or contingent claims on corporates																	-
8	Retail claims or contingent retail claims									515,010,102	6,982,418	1,287,345		20,907,239				424,142,594
9	Claims or contingent claims secured by mortgages on residential property																	-
10	Past due items											2,230,994		109,722				2,395,576
11	Items belonging to regulatory high-risk categories													11,705				17,557
12	Short-term claims on commercial banks and corporates																	-
13	Claims in the form of collective investment undertakings ('CIU')																	-
14	Other items	19,395,251										33,954,574				4,186,620		44,421,123
	Total	23,548,981	0	14,314,365	0	0	0	40,905,241	0	515,010,102	6,982,418	74,720,130	0	21,028,666	0	4,186,620	0	531,539,561

7.12 Table 12. Credit risk mitigation

	Table 12.1	Funded 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
1	Claims or contingent claims on central governments or central banks										
2	Claims or contingent claims on regional governments or local authorities										
3	Claims or contingent claims on public sector entities										
4	Claims or contingent claims on multilateral development banks										
5	Claims or contingent claims on international organizations/institutions										
6	Claims or contingent claims on commercial banks										
7	Claims or contingent claims on corporates										
8	Retail claims or contingent retail claims										
9	Claims or contingent claims secured by mortgages on residential property										
10	Past due items										
11	Items belonging to regulatory high-risk categories										
12	Short-term claims on commercial banks and corporates										
13	Claims in the form of collective investment undertakings										
14	Other items										
	Total	0	0	0	0	0	0	0	0	0	0

	Table 12.2	Unfunded Credit Protection							Total Credit Risk Mitigation - On-balance sheet	Total Credit Risk Mitigation - Off-balance sheet	Total Credit Risk Mitigation
		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			
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

7.13 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	23,906,035			19,752,305	19,752,305	83%
2	Claims or contingent claims on regional governments or local authorities						
3	Claims or contingent claims on public sector entities						
4	Claims or contingent claims on multilateral development banks						
5	Claims or contingent claims on international organizations/institutions						
6	Claims or contingent claims on commercial banks	72,714,519			40,810,406	40,810,406	56%
7	Claims or contingent claims on corporates						
8	Retail claims or contingent retail claims	537,204,686	34,912,090	6,982,418	424,142,594	424,142,594	78%
9	Claims or contingent claims secured by mortgages on residential property						
10	Past due items	2,340,715			2,395,576	2,395,576	102%
11	Items belonging to regulatory high-risk categories	11,705			17,557	17,557	150%
12	Short-term claims on commercial banks and corporates						
13	Claims in the form of collective investment undertakings ('CIU')						
14	Other items	57,536,445			44,421,123	44,421,123	77%
	Total	693,714,105	34,912,090	6,982,418	531,539,561	531,539,561	76%

7.14 Table 14. Liquidity Coverage Ratio

		Total unweighted value (daily average)			Total weighted values according to NBG's methodology (daily average)			Total weighted values according to Basel methodology (daily average)		
		GEL	FX	Total	GEL	FX	Total	GEL	FX	Total
High-quality liquid assets										
1	Total HQLA				21374901.7	36730405	58,105,307	7095102.16	27530769.2	34,625,871
Cash outflows										
2	Retail deposits									
3	Unsecured wholesale funding	344057307.1	178835891.2	522,893,198	3,500,000	3,919,650	7,419,650	3500000	3919650	7,419,650
4	Secured wholesale funding									
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures									
6	Other contractual funding obligations, related to drawdown of undrawn credit facilities within 30 days and not included in abovementioned categories	35258486.28		35,258,486	10,577,546	0	10,577,546	1762924.31	0	1,762,924
7	Other funding obligations	26988523.58	5242287.438	32,230,811	13,867,864	2,655,997	16,523,861	13867864.3	2655997.09	16,523,861
8	**TOTAL CASH OUTFLOWS**	**406,304,317**	**184,078,179**	**590,382,496**	**27,945,410**	**6,575,647**	**34,521,057**	**19,130,789**	**6,575,647**	**25,706,436**
Cash inflows										
9	Secured lending (eg reverse repos)									
10	Other inflows from counterparties	448597222.3	141761172.1	590,358,394	15090601.5	1880592.19	16,971,194	29370401.1	16058118.1	45,428,519
11	Other cash inflows									
12	**TOTAL CASH INFLOWS**	**448,597,222**	**141,761,172**	**590,358,394**	**15,090,601**	**1,880,592**	**16,971,194**	**29,370,401**	**16,058,118**	**45,428,519**
					Total value according to NBG's methodology (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				21,374,902	36,730,405	58,105,307	7,095,102	27,530,769	34,625,871
14	Net cash outflow				12,854,809	4,695,055	17,549,864	4,782,697	1,643,912	6,426,609
15	Liquidity coverage ratio (%)				166.28%	782.32%	331.09%	148.35%	1674.71%	538.79%

* 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 illustrator purposes.

** Instead of daily average, values are given for the last day of reporting period.

7.15 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**	12,961,000		1,814,540	0	0	0	0	0	1,814,540	0	0	1,814,540
1.1	Maturity less than 1 year	0	2.0%	0									0
1.2	Maturity from 1 year up to 2 years	0	5.0%	0									0
1.3	Maturity from 2 years up to 3 years	0	8.0%	0									0
1.4	Maturity from 3 years up to 4 years	0	11.0%	0									0
1.5	Maturity from 4 years up to 5 years	12,961,000	14.0%	1,814,540						1,814,540			1,814,540
1.6	Maturity over 5 years	0											0
2	**Interest rate contracts**	0		0	0	0	0	0	0	0	0	0	0
2.1	Maturity less than 1 year		0.5%	0									0
2.2	Maturity from 1 year up to 2 years		1.0%	0									0
2.3	Maturity from 2 years up to 3 years		2.0%	0									0
2.4	Maturity from 3 years up to 4 years		3.0%	0									0
2.5	Maturity from 4 years up to 5 years		4.0%	0									0
2.6	Maturity over 5 years												0
	Total	**12,961,000**		**1,814,540**	0	0	0	0	0	1,814,540	0	0	**1,814,540**

8 Annex 2

8.1 Table 20. Differences between accounting and regulatory scopes of consolidation

a	b	c	d	e	f											
					Reconciliation with standardized regulatory reporting format											
					1	2	3	4	5	6.1	6.2	6	7	8	9	10	11	12
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	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	52,785,468	52,785,468	52,783,492		19,395,251	4,153,730	29,222,764						11,746					**52,783,492**
Loans and advances to banks	19,752,305	19,752,305	19,752,305			19,752,305												**19,752,305**
Derivative financial assets	3,717,428	3,717,428	43,480,009	*			43,408,248						71,761					**43,480,009**
Loans to customers	514,476,303	514,476,303	529,066,975	**						533,012,305	-12,586,491	520,425,814	8,641,162					**529,066,975**
Intangible assets	3,741,010	3,741,010	3,741,010													3,741,010		**3,741,010**
Property and equipment	7,428,772	7,428,772	7,428,772													7,428,772		**7,428,772**
Deferred income tax assets	577,575	577,575	4,186,620	***													4,186,620	**4,186,620**
Current income tax asset	2,967,102	2,967,102	2,967,102														2,967,102	
Other financial assets	4,877,628	4,877,628	22,630,527	****													22,630,527	**22,630,527**
Other non-financial assets	4,368,647	4,368,647	928,173											357,866			570,307	**928,173**
Total assets	**614,692,238**	**614,692,238**	**686,964,984**	**0**	**19,395,251**	**23,906,035**	**72,631,012**	**0**	**0**	**533,012,305**	**-12,586,491**	**520,425,814**	**8,724,669**	**357,866**	**0**	**11,169,782**	**30,354,556**	**683,997,882**

a	b	c	d	e	f									
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**	**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
Derivative financial liabilities	**609,966**	**609,966**	**39,796,079**	*****	**24,552,200**					**15,000,000**	**243,879**			**39,796,079**
Current income tax liabilities	0	0	0											**0**
Promissory notes issued	0	0	0											**0**
Other liabilities	9,092,223	9,092,223	39,757,914	******								39,757,914		**39,757,914**
Loans from banks and other financial institutions	476,099,935	476,099,935	482,844,280		30,000,000					443,796,954	9,047,325			**482,844,280**
Subordinated debt	8,420,111	8,420,111	8,420,111								300,211		8,119,900	**8,420,111**
														0
Total liabilities	**494,222,235**	**494,222,235**	**570,818,384**	**0**	**54,552,200**	**0**	**0**	**0**	**0**	**458,796,954**	**9,591,416**	**39,757,914**	**8,119,900**	**570,818,384**

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	**4,400,000**	**4,400,000**	**4,400,000**		**4,400,000**							**4,400,000**
Retained earnings	116,070,003	116,070,003	111,746,600	*******						111,350,141	396,459	**111,746,600**
												0
Total equity	**120,470,003**	**120,470,003**	**116,146,600**	**0**	**4,400,000**	**0**	**0**	**0**	**0**	**111,350,141**	**396,459**	**116,146,600**

Disclosure of differences between IFRS and local accounting standard (supervisory reports figures)

*** Derivative financial assets -** Difference caused by netting assets and liabilities under IFRS, while according local accounting standards figures are presented without netting;

**** Loan to customers -** Under IFRS loan drawdown account balances of the borrowers are subtracted from exposure amount. Additionally net deferred disbursement fees are also subtracted from exposure amount;

***** Deferred income tax assets -** Difference is explained by timing issue. Supervisory reports were submitted on 10.01.18 when IFRS report considers reconciled tax amount with tax authority in March 2018;

****** Other financial assets -** Under IFRS net deferred disbursement fees are subtracted from loan portfolio. Net deferred disbursement fees represent deferred loan disbursement fees netted with deferred sales staff disbursement bonus. For other financial assets difference is caused by mentioned "deferred sales staff disbursement bonus" which according to local accounting used for NBG reporting is accounted as prepayments, which is part of “Other financial assets”;

******* Derivative financial liabilities -** Difference caused by netting of derivative assets and liabilities under same contracts. Same as above for Derivative financial assets;

******** Other Liabilities -** Under IFRS net deferred disbursement fees are subtracted from loan portfolio. Net deferred disbursement fees represent deferred loan disbursement fees netted with deferred sales staff disbursement bonus. For other liabilities difference is caused by mentioned "deferred loan disbursement fee" which according to local accounting used for NBG reporting is accounted as advances received which is part of “Other liabilities”;

********* Retained earnings -** Difference caused by provision expenses, cause by difference in provision rates used for IFRS and for NBG reporting;

8.2 Table 21. Consolidation by entities

	Name of Entity	Method of Accounting consolidation	Method of regulatory consolidation				Description
			Full Consolidation	Proportional Consolidation	Neither consolidated nor deducted	Deducted	
1	XXX	Full Consolidation				x	
2	XXX	Proportional Consolidation			x		
3	XXX	Not consolidated				x	

8.3 Table 22. Information about historical operational losses

		T	T-1	T-2
1	Total amount of losses	126,413		
2	Total amount of losses, exceeding GEL 10,000	73,293		
3	Number of events with losses exceeding GEL 10,000	1		
4	Total amount of 5 biggest losses	86,026		

8.4 Table 23. Operational risks - basic indicator approach

		a	b	c	d	e
		T	T-1	T-2	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	80,595,870.34				
2	Total Non-Interest Income	36,893,806.54				
3	less: income (loss) from selling property	-44,738				
4	**Total income (1+2-3)**	117,534,415.10			117,534,415	220,377,028

8.5 Table 24. Remuneration awarded during the reporting period

			Board of Directors	Supervisory Board	Other material risk takers
1	Fixed remuneration	Number of employees	3	5	19
2		Total fixed remuneration (3+5+7)	852,579	133,733	2,329,454
3		Of which cash-based	852,579	133,733	2,329,454
4		Of which: deferred	0	31,467	0
5		Of which: shares or other share-linked instruments	0	0	0
6		Of which deferred	0	0	0
7		Of which other forms	0	0	0
8		Of which deferred	0	0	0
9	Variable remuneration	Number of employees	3	5	19
10		Total variable remuneration (11+13+15)	296,331	0	509,363
11		Of which cash-based	296,331	0	509,363
12		Of which: deferred	296,331	0	509,363
13		Of which shares or other share-linked instruments	0	0	0
14		Of which deferred	0	0	0
15		Of which other forms	0	0	0
16		Of which deferred	0	0	0
17	**Total remuneration**		1,148,910	133,733	2,838,817

8.6 Table 25. Special payments

		Board of Directors	Supervisory Board	Other material risk takers
Guaranteed bonuses	Number of employees	3	5	19
	Total amount	0	0	0
Sign-on awards	Number of employees	1	1	3
	Total amount:	229,877	7,867	182,016
	Of which cash-based	229,877	7,867	182,016
	Of which shares	0	0	0
	Of which share-linked instruments	0	0	0
	Of which other instruments	0	0	0
Severance payments	Number of employees	0	0	0
	Total amount:	0	0	0
	Of which cash-based	0	0	0
	Of which shares	0	0	0
	Of which share-linked instruments	0	0	0
	Of which other instruments	0	0	0

8.7 Table 26. Information about deferred and retained remuneration

		a	b	c	d	e
		Total amount of outstanding deferred remuneration	Of which Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of reduction during the year due to ex post explicit adjustments	Total amount of reduction during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Board of Directors	296,331	125,643	0	0	382,286
2	Cash	296,331	125,643	0	0	382,286
3	Shares	0	0	0	0	0
4	Share-linked instruments	0	0	0	0	0
5	Other	0	0	0	0	0
6	Supervisory Board	31,467	0	0	0	15,733
7	Cash	31,467	0	0	0	15,733
8	Shares	0	0	0	0	0
9	Share-linked instruments	0	0	0	0	0
10	Other	0	0	0	0	0
11	Other material risk takers	509,363	509,363	0	0	652,778
12	Cash	509,363	509,363	0	0	652,778
13	Shares	0	0	0	0	0
14	Share-linked instruments	0	0	0	0	0
15	Other	0	0	0	0	0
16	Total	540,830	509,363	0	0	668,512

8.8 Table 27. Shares owned by senior management

		a	b	c	d	e	f	g	h	I	j	k	l	m
		Amount of shares at the beginning of the reporting period			Changes during the reporting period							Amount of shares at the end of the reporting period		
		Unvested	Vested	Total (a+b)	Awarded during the period		Vesting	Reduction during the period		Other Changes		Unvested (a+d-f-g)	Vested (b+e+f-h+i-j)	Total(k+l)
					Of which: Unvested	Of which: Vested		Unvested	Vested	Purchase	Sell			
	Senior management													
1	Total amount:	0	0	0	0	0	0	0	0	0	0	0	0	0
1.1				0								0	0	0
1.2				0								0	0	0
1.3				0								0	0	0
1.4				0								0	0	0
1.5				0								0	0	0
1.6				0								0	0	0
.....				0								0	0	0
	Other material risk takers													
2	Total amount:											0	0	0