

JSC Halyk Bank Georgia

Pillar III – Annual Report



2019

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Introduction

The Report prepared by JSC HALYK BANK meets Pillar 3 Disclosure Requirements of Basel Committee on Banking Supervision and the requirements of EU Directive N575/2013, the relevant provisions of which are elaborated and approved by Order N92/04 of the Governor of the National Bank of Georgia "Regulation on Disclosure Requirements for Commercial Banks under Pillar 3 framework" dated April 2017.

Forward-Looking Statements

The Bank's Board of Directors certifies the accuracy and fairness of all the data and information outlined in the given Pillar 3 Report. The Report is prepared in compliance with the internal control process agreed with the Supervisory Board. The present Report meets the requirements of Order N92/04 of the Governor of the National Bank of Georgia "Regulation on Disclosure Requirements for Commercial Banks under Pillar 3 framework" dated April 2017 and other rules and requirements established by the National Bank of Georgia.

Bank Brief History, Key Figures and Development Plans

JSC "Halyk Bank Georgia" (hereinafter referred to as the "Bank") is a subsidiary of Halyk Bank Kazakhstan operating in the Georgian market since 2008.

In 2009, the Bank's main activity was to create the essential environment to start selling banking products, including building the banking infrastructure, hiring qualified workforce, and forming an internal normative base for operational and lending activities.

The Bank has its own eight well-developed representative offices (branches) as well as ATM's and POS's Network. Two of out of eight are regional branch offices located in Batumi and Kutaisi. Remaining six branches situated in the capital city of Georgia - Tbilisi. The bank's target is to have sustainable and continuous activities in all key directions of the market including, retail banking, small & medium business, as well as corporate banking. To this end, the Bank offers its customers a wide range of services - a large variety of credit products, payroll projects, various options for current accounts and term deposits, card products, remote banking services and documentary operations. The Bank has made significant investments in the development of information technology and payment systems and continues to excel at innovative banking products of the market. The Bank has developed international correspondent relations that allow make transactions over the globe. The Bank participates in the SWIFT system and the Real Time Gross Settlement (the RTGS) system operated by the National Bank of Georgia (the "NBG").

One of the key directions of the bank's future development is permanent update and functional enhancement of digital channels. Instant implementation of modern technologies in the banking products will give the bank's customers a unique opportunity to use various banking services more efficiently.

The bank has strong internal control and risk management system. It allows identifying acceptable level of risks evaluates and efficiently reports risk occurrences at a different times beyond the fulfillment of strategic plans.



Nikoloz Geguchadze

General Director

Education

- PhD in Business Administration
- 1998 - Bachelor of finances, currency circulation and credit; post - graduate of Tbilisi state university.
- 1991 - 1996 Economic faculty of Tbilisi state university

Working Experience

- 2008.01 - the Director General of JSC "Halyk Bank Georgia"
- From July of 2003 to July of 2007 - the head of financial monitoring service of Georgia.
- From 25th to 31st of March of 2007 - the financial evaluator, evaluation of MONEYVAL on third place concerning countermeasures of money laundering and terrorism financing in former Yugoslavian Republic of Macedonia.
- February of 2002 the deputy head of banking supervision and regulation department.
- November of 2001- the deputy head of non-banking depository organizations' supervision and regulation department.
- January of 2000 - the head of division of banking politics of banking supervision and regulation department
- March of 1999 - the head division of accounts of banking supervision and regulation department
- March of 1998 - the chief economist of documentary examination of banking supervision and regulation department
- February of 1996 - the economist of banking supervision and regulation department
- From 2002 till now - the head of Georgian delegation in the Committee of Experts on the Evaluation of Anti-Money Laundering Measures of EC (MONEYVAL)
- 1999 - 2001 - the secretary of Trans Caucasus and central Asian regional central group of banking supervision Basel committee. CB "Bank of Georgia"
- January of 1995 - the chief economist of currency division
- July of 1994 - the leading economist of monetary - credit division
- February of 1993 - the accountant



Marina Tankarova

Deputy General Director

Education

- 1988 - 1993 years. Kazakhstan, the State Academy of Management, Economics, Faculty - Finance and Credit

Working Experience

- 2014.04 - JSC "Halyk Bank Georgia" - Deputy Director General;
- 2010.10 - 2014.04 - JSC "Halyk Bank of Kazakhstan", Retail Sales and Agency Services Department - Retail and Card Products Division
- 2009.06 - 2010.10 - JSC "Halyk Bank of Kazakhstan", the bank's products and Agency Services Department - Division of retail products
- 2006.02 - 2009.06 - JSC "Halyk Bank of Kazakhstan", Retail Sales Department - Agency services and reporting to the Head of Department, Head of Retail Sales
- 1997.04 - 2006.02 - JSC "Halyk Bank of Kazakhstan", Retail Business Department - Chief Specialist, Manager, Senior Manager, Chief Manager.
- 1996.05 - 1997.04 - JSC "Halyk Bank of Kazakhstan", storage controller, a leading economist, chief economist at the cash flow department.
- 1994.09 - 1996.05 - the National Bank of the Republic of Kazakhstan, Almaty's main territorial divisions Economist
- 1993.06 - 1997.09 - Kazkombank "Kainar", The Economist.



Tamar Goderzishvili

Deputy General Director

Education

- 2014/08 The George Washington University, Project Management, Certified Master,
- 2004/03 ESM (Free University) – JSCB TbilUniversalBank, Strategy Management, Certified, Completed successfully, Tbilisi, Georgia,
- 2004/03 ESM (Free University) – JSCB TbilUniversalBank, Business Communications, Certified, Completed successfully, Tbilisi, Georgia,
- 2004/03 ESM (Free University) – JSCB TbilUniversalBank, Marketing Management, Certified, Completed successfully, Tbilisi, Georgia,
- 2004/03 JSCB TbilUniversalBank, Corporate Finance, training course Certified, Completed successfully, Tbilisi, Georgia,
- 1998-2001/09 Iv. Javakhishvili State University, applied for PhD, course graduate, Faculty - Commerce and Marketing in International Trading, Tbilisi, Georgia,
- 2001/08 EBRD trainings in finance , Certificate of Completion, Hotel Palace Metekhi, Tbilisi, Georgia,
- 2001/01 Banking Finance Academy, Accounting, Certificate of Completion, Tbilisi, Georgia,
- 2000/04 Banking Finance Academy, Customer Service, Certificate of Completion, Tbilisi, Georgia,
- 1993-1998 Iv. Javakhishvili State University, Faculty - Commerce and Marketing in International Trading, Diploma of Highest Qualification, Tbilisi, Georgia,
- 1996/12 Institute of Mathematics, Financial Mathematics, Certified, Completed successfully, Tbilisi, Georgia.

Working Experience

- 2017/10 - Present The Deputy of General Director JSC "Halyk Bank Georgia"
- 2015/01 - 2017/10 Head of Credit Analysis Department JSCB Halyk Bank Georgia,
- 2013/01 - 2014/12 Head of Medium and Corporate Business Lending Department JSCB Halyk Bank Georgia,
- 2011/01 - 2012/12 Acting Head of Medium and Corporate Business Lending Department JSCB Halyk Bank Georgia,
- 2010/07 - 2012/12 Head of Small Business Lending Department JSCB Halyk Bank Georgia,
- 2008/02 - 2010/02 Central Branch Manager/ Deputy Tbilisi Regional Manager MFO FINCA Georgia,
- 2006/07 - 2007/01 Branch Manager MFO FINCA Georgia,
- 2004/08 - 2007/01 Senior Credit Methodologist Expert JSCB ProCreditBank,
- 2002/03 - 2004/07 Senior Loan Officer, Member of Credit Committee JSCB TbilUniversalBank,

- 2001/03 - 2003/02 Loan Officer JSCB TbilUniversalBank,
- 2003/03 - 2004/07 Service+ Trainer JSCB TbilUniversalBank,
- 1998/08 - 2001/02 Account Manager JSCB TbilComBank.

Information on the Capital

On 11 June 2019, the bank issued additional ordinary shares (14,000 ordinary shares, each with a par value of GEL 1,000). The bank has no repurchased shares. Currently, the bank has issued one class of ordinary shares that are fully paid and amount to GEL 76,000,000. The Bank does not have preference shares in issue.

Halyk Bank Georgia's capital ratios for the current and previous year are as follows:

Capital Ratios according to Basel III Framework	31 December 2019	31 December 2018
Common Equity Tier 1 capital ratio \geq 9.50%	19.33%	15.87%
Tier 1 capital ratio \geq 11.84%	19.33%	15.87%
Regulatory capital ratio \geq 18.01%	22.61%	20.14%

*This implies the minimum requirements (4.5%, 6% and 8%) as defined in Article 8 of the Regulation on Requirements for the Capital Adequacy of Commercial Banks and the total requirement of the Capital Conservation Buffer (2.5%).

The Bank's total equity amounts to GEL 108,027,152 whereas ordinary shares at the end of the year amounted to GEL 76,000,000.

As of 31 December 2019 the Bank fully complied with the requirements of the NBG. In particular:

- Tier I capital amounted to GEL 102,860 thousand versus the required GEL 50,558 thousand.
- Total Tier I capital amounted to GEL 102,860 thousand versus the required GEL 63,034 thousand.
- Total regulatory capital amounted to GEL 120,353 thousand versus the required GEL 95,869 thousand.

Risk management activities performed under the unified risk management system. Clear segregation of competencies, effective communication between various individuals, and involvement of all managerial roles in the process gives, as a result, a clear definition of strategic plans and risk management where all acceptable risk level indicators are followed and reasonably managed.

The Bank's governance structure ensures adequate oversight and accountability, as well as clear segregation of duties. The Supervisory Board has overall responsibility to set the tone at the top of the Board of Directors (the "Board") and monitor compliance with the established objectives, while the Board governs and directs the Bank's daily activities.

Risk-weighted positions based on Basel III Framework is equal to GEL 532,259,005 wherefrom breakdown is as follows:

Positions of weighted risks according to the risk	31 December 2019	31 December 2018
Weighted risk positions based on credit risk	481,784,667	460,060,321
Weighted risk positions based on market risk	794,476	4,002,188
Weighted risk positions based on operation risk	49,679,862	46,403,225
Weighted risk positions according to total risks	532,259,005	510,465,734

Additional ratios related to assets quality:

Additional ratios	31 December 2019	31 December 2018
Non-performing loans (NPL) / total loans	9.17%	4.78%
LLP* / total loans	5.32%	4.63%

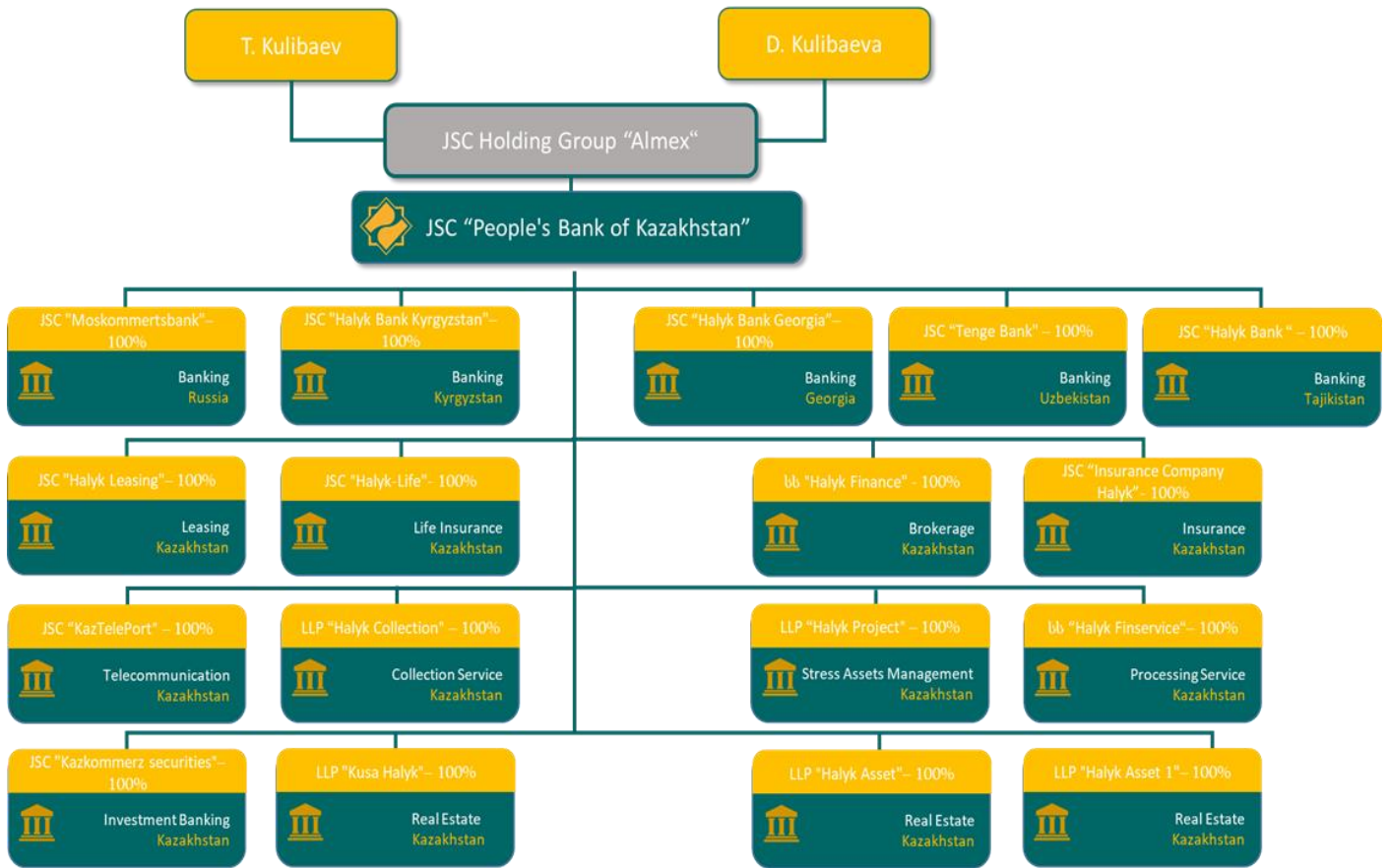
*LLP is the Loan Loss Provision provided by the bank's balance sheet, which is created by the Bank to cover possible losses of loans for the unidentifiable and identifiable losses;

Liquidity ratios

Liquidity ratios	31 December 2019	31 December 2018
Liquid assets / total assets	13.68%	13.26%
Term and call deposits / total assets	14.27%	10.56%

Bank Group Structure

Information about the Bank owners and the group structure is presented in the chart below:



General Meeting of the Bank Shareholders

The General Meeting of Shareholders is the Bank's highest decision-making body. Decisions relating to the issues that fall within the competence of the General Meeting of the Shareholders according to the applicable legislation and the Bank's Charter shall be made solely by such shareholder in writing.

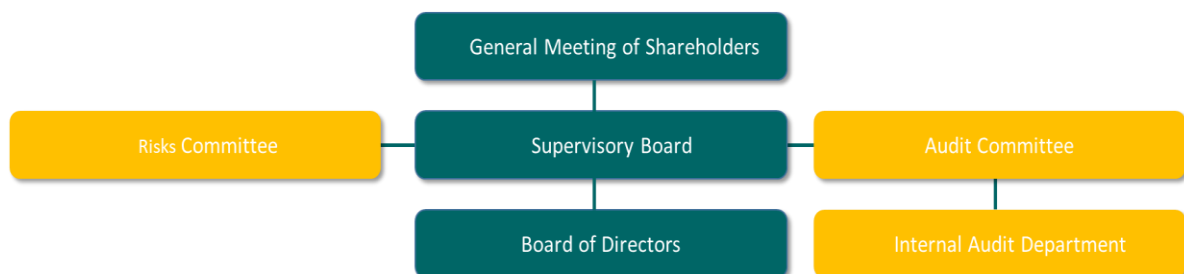
A regular General Meeting of Shareholders is held within a period of not more than two months after disclosure of the annual balance sheet

The Annual General Meeting of Shareholders of the Bank shall approve the annual balance sheet of the Bank, determine the rules net income distribution coming from last fiscal year, calculate the amount of dividends in one ordinary share of the Bank and other issues in accordance with the agenda of the General Meeting of Shareholders.

The General Meeting shall be entitled to:

- 1) Make changes to the Bank's Charter;
- 2) Make decisions on reorganization or liquidation of the Bank;
- 3) Cancel entirely or partially the shareholder's pre-emption right to acquire securities (through issuance of securities in case of capital increase);
- 4) Accept or refuse the use of the net profit on the proposal of the Supervisory Board or the Board of Directors, and if the above bodies do not receive a single proposal on distribution of net profit, make a decision on distribution of the total profit of the Bank;
- 5) Elect members of the Supervisory Board or dismiss them from the Supervisory Board in order to determine the term of election of a member of the Supervisory Board;
- 6) Approve the Report of the Board of Directors and the Supervisory Board;
- 7) Decide on the issue of remuneration of members of the Supervisory Board;
- 8) Appoint an auditor;
- 9) Make decisions about participation in the proceedings initiated against the Supervisory Board and the Board of Directors, including appointment of a representative for such proceeding;
- 10) Make decisions regarding the alienation and encumbrance in any other form whatsoever of the Bank's assets (or transactions related to each other) the value of which is more than half of the value of the Bank's assets, except for the transactions that are normally generated;
- 11) Other issues concerning decisions made by the Georgian legislation or the present Charter may be subject to the special competence of the Bank's General Meeting of Shareholders.

Organogram of Joint-Stock Company "Halyk Bank Georgia"



Corporate Governance

The **Supervisory Board** of JSC "Halyk Bank Georgia" is the Bank's body supervising the Bank's activities.

The Supervisory Board consists of 5 (five) members:

Chairperson - Ivane Vakhtangishvili

Member - Alia Karpikova

Member - Evgenia Shaimarden

Independent member - Arman Dunayev

Independent member - Nana Ghvaladze

Making decisions on the following issues shall fall within the special competence of the **Supervisory Board**:

- 1) Determining the strategic goals of the Bank, establishing its policies, and control over execution thereof by the executive body of the Bank;
- 2) Approval of annual budget and business plan, taking long-term liabilities by the Bank;
- 3) Determining the procedures regulating the Bank's internal policies and internal activities, including credit, investment, currency management policies and procedures, management of assets and liabilities, asset assessment, their classification and creation of adequate reserves for possible losses, economic activity, supervision of the Georgian legislation, including other issues related to the competence of the Supervisory Board, except for the documents that the Bank's Board of Directors takes for organizing the Bank's activities;
- 4) Determination of the composition of the Bank's Board of Directors, as well as early termination of their authority (at any time), determining the terms and conditions of remuneration, conclusion and termination of contracts therewith;
- 5) Determination of the scope of authorities of the Board of Directors;
- 6) Control over execution of the decisions of the General Meeting of the Shareholders of the Bank;
- 7) Approval of the Bank's Audit Committee and the Staff Composition of the Bank's Internal Audit Service, determining the terms and conditions of remuneration of employees of the Internal Audit Service Staff and Audit Committee members;
- 8) Approval of the Bank's organizational structure;
- 9) Taking decision on creation of the Bank's branches, representations and other similar subdivisions, and termination of their activities,
- 10) Review of results of audit conducted by the external auditor, internal audit service, audit committee and authorized body and taking the appropriate measures;
- 11) Determination of the rules for use of the Bank's reserve capital;
- 12) Acquisition and alienation of 50% of shares in enterprises according to the procedure provided by the legislation of Georgia
- 13) Taking decisions on transactions with persons having special relations with the Bank;
- 14) Control over operation of the risk management and internal control system in the Bank, including by approving the relevant documents defined by the legislation;
- 15) Establishment of a system for identification and settlement of corporate conflicts arising between the shareholders and the bodies, the bank officials and the shareholders in the Bank in accordance with the internal regulations of the Bank;
- 16) Holding a continuous dialogue with the Bank's shareholders;
- 17) Establishing other bodies and committees of the Supervisory Body and selecting their members, defining their number, personal composition and the scope of their powers;
- 18) Determination and approval of the minimum and maximum amount of interest rates that the Bank uses for credit resources and deposits;

Board of Directors and Committees

The **Audit Committee** of the Joint Stock Company " Halyk Bank Georgia" consists of 3 members of the Supervisory Board and its majority is independent members. Its main function is to facilitate the operation of the internal audit and external auditors of the Bank.

The Committee facilitates the Supervisory Board in the complete and accurate preparation of financial statements, the effectiveness and adequacy of internal control and risk management systems, and coordinates the work of the internal audit (participates in consideration of the Bank Internal Audit reports).

Chairperson - Nana Ghvaladze (Independent Member of the Supervisory Board)

Member - Arman Dunayev (Independent Member of the Supervisory Board)

Member – Alia Karpikova (Member of the Supervisory Board)

5 meetings of the committee were held during 2019.

A new **Risk Committee** has been set up under the Bank's Supervisory Board to do following: review risk strategies for both aggregate and individual risk, provide relevant recommendations to the Supervisory Board, to prepare and to submit to the same Board a report on the risk culture in the Bank; review the Bank's risk policies; monitor appropriate adherence of procedures by the Board of Directors and compliance with risk policies; provide recommendations concerning effectiveness of risk strategies and policies to the Supervisory Board, including the maintenance and distribution of sufficient capital for identified risks; monitor capital and liquidity management strategies, as well as all types of risks, such as credit, market, operating, and reputation risks, to ensure that their risk is consistent with the appetite.

The Committee is composed of 3 members of the Supervisory Board and its majority is independent members.

Chairman - Arman Dunayev (Independent Member of the Supervisory Board)

Member - Evgenia Shaimarden (Member of the Supervisory Board)

Member - Nana Ghvaladze (Independent Member of the Supervisory Board)

1 committee meeting was held during 2019.

The **Board of Directors** is a collegiate executive body of the Bank which carries out the current management and representation of the Bank.

Chairman of the Board of Directors - Nikoloz Geguchadze, General Director;

Member of the Board of Directors - Konstantine Gordeziani, Deputy General Director;

Member of the Board of Directors - Shota Chkoidze, Deputy General Director;

Member of the Board of Directors - Marina Tankarova, Deputy General Director;

Member of the Board of Directors - Tamar Goderdzishvili, Deputy General Director.

The **Board of Directors** ensures execution of decisions of the Bank's General Meeting of Shareholders, Supervisory Board and is authorized to make decisions on all issues except the issues that fall within the exclusive competence of the Bank's General Meeting of Shareholders and the Supervisory Board. In order to determine independent members, the Bank is governed by the Georgian legislation and the Bank's Corporate Governance Code. 164 meetings were held within a period of 2019.

The member of the **Bank's Supervisory Board** fully meets the bank's administrator appropriateness criteria - qualification, professional experience, competence and bonafide in the work.

The members of the Bank's Supervisory Board have relevant higher education in Economics, Finance and International Business Management.

Members of the Bank's Supervisory Board have relevant qualifications and professional experience. The combination of their experience and skills corresponds to the scale and complexity of the Bank's activities. Their competence includes but not limited to the following: financial analysis, financial stability problems, financial statements, information technologies, strategic planning, risk management, corporate governance, etc.

The Supervisory Board has the ability to reasonably perceive local, regional and global economic impacts. Professional experience and education of the Board members allocated reasonably in order to reduce the dominant entity's risk.

The Bank's Supervisory Board shall define and approve:

- Long-term (three-year) strategic business plans and monitor their performance by the Bank's Board of Directors on annual basis.
- Short-term annual budget and ensure adjustment thereof, if necessary.

The budget adjustment is made based on the results of the first half of the year and/or in case of the significant change of external conditions and strategic changes of the Group.

The Bank has an appropriate controlling and monitoring system to monitor transactions of related parties regardless of its size and complexity. The supervisory board reviews transactions of related parties on an annual basis and submits to the National Bank of Georgia.

- The meetings of the Supervisory Board are held every month at least once.
- The meetings of the Audit Committee are held at least twice a year upon completion of the scheduled audit report.
- The majority of the members shall attend the Supervisory Board meetings. During 2019, 16 absentees and 1 attending council meetings were held.
- The issues discussed at the Board Meeting shall cover discussion of daily activities of the Bank, approval of large transaction and consideration of risky transactions, risk appetite, risk profile and strategy development, approval of various policies, etc.

The Annual General Meeting of Shareholders shall evaluate the Supervisory Board's performance.

The Supervisory Board should undertake a formal and rigorous annual evaluation of its own performance, including individual assessments of its subordinate committees and collegial bodies. According to the code of Corporate Governance, the Chairman of the Supervisory Board makes an analysis of the results related to the activities of the Board and afterwards identifies its strengths and weaknesses. In turn, the Supervisory Board assesses the work of the Board of Directors through the approved KPI fulfillment.

In addition to the rights granted by the Georgian legislation and the Bank's charter, the Supervisory Board delegates to the directorate to independently make decisions, whether approve or reject small and medium-sized business loan applications, which are beyond pre-defined normative and includes following criteria:

- Incompatible age of the borrower, the co-borrower and the guarantor;
- Cancellation of collateral insurance and accident insurance of the borrower, co-borrower, and guarantor.
- 120-day term of eliminating legal remarks.

The Supervisory Board grants the Board of Directors with the following rights:

- In case of full repayment of 3 months accrued interest of principal debt and deposit, the directorate is eligible to make decisions independently and lend standard and Non-standard projects covered by cash.
- Individually review credit applications in all segments of business lending (retail, small, medium and corporate) and independently reduce base rates by 2%.

In addition, in early 2019, the Supervisory Board granted the right to the Board of Directors to delegate changes and additions to retail lending procedures for both secured and unsecured loans, as well as credit cards and overdrafts.

Bank Committees

Credit Committees:

Expanded Credit Committee

Chairman of the Committee - Nikoloz Geguchadze, General Director

Deputy Chairman of the Committee - Konstantine Gordeziani, Deputy Director General

Committee Member - Shota Chkoidze, Deputy General Director

Committee Member - Marina Tankarova, Deputy General Director

Committee Member - Tamar Goderdzishvili, Deputy General Director

Committee Member - Head of Legal Division

Small Credit Committee

Chairman of the Committee - Tamar Goderdzishvili, Deputy General Director

Committee Member - Head of Credit Risk Division

Committee Member - Head of Small and Medium Business Lending Division

Committee Member - Head of Legal Division

Retail Credit Committee

Committee Chairman - Marina Tankarova, Deputy General Director

Committee Member - Head of Credit Risk Division

Committee Member - Head of Legal Division

Other Committees

Asset Liability Committee (ALCO)

Chairman of the Committee - Nikoloz Geguchadze, General Director

Deputy Chairman of the Committee - Shota Chkoidze, Deputy General Director

Committee Member - Konstantine Gordeziani, Deputy General Director

Committee Member - Marina Tankarova, Deputy General Director

Committee Member - Tamar Goderdzishvili, Deputy General Director

Committee Member - Head of the Treasury

Committee Member - Head of JSC "People's Bank of Kazakhstan"

Committee Member - Head of Financial Risk and Portfolio Analysis Division

Risk Management Committee

Chairman of the Committee - Arman Dunayev, Independent Member of the Supervisory Board

Member of the Committee - Evgenia Shaimarden, Member of the Supervisory Board

Member of the Committee - Nana Ghvaladze, Independent Member of the Supervisory Board

Tariff Committee

Chairman of the Committee - Tamar Goderdzishvili, Deputy General Director

Deputy Chairman - Shota Chkoidze, Deputy General Director

Committee Member - Marina Tankarova, Deputy General Director

Committee Member - Head of Operations Division

Committee Member - Senior Manager of Marketing and Public Relations Division

Information Security Committee

Chairman of the Committee - Nikoloz Geguchadze, General Director

Committee Member - Shota Chkoidze, Deputy General Director

Committee Member - Head of Security Division

Committee Member - Head of Software Division

Committee Member - IT Security Manager of the Security Division

Committee Member - Head of Financial Risk and Portfolio Analysis Division

Committee Member - Head of Distance Services Development Division

Committee Member - Head of IT Infrastructure Division

The Supervisory Board has developed a policy for selecting members to the Board of Directors. During the first stage the Board examines the internal resources of the bank and before appointment of such person it determines, whether the applicant complies with the Georgian legislation and the compatibility criteria of the administrators determined by the Bank's Charter.

Prior to the appointment, the Board shall collect the documents required by the Regulation and provide a detailed examination of the veracity and accuracy of the information contained therein.

In order to determine compliance with the criteria of the person before his/her appointment, the Board shall collect the documentation established by the Regulations and provide a thorough examination of the accuracy and fairness of the information contained therein.

The Board of Directors and their supervisory responsibilities:

Chairman - Nikoloz Geguchadze, General Director

Legal Division, Administrative Office, Evaluation Division, Security Division, Financial Monitoring Division, Logistics Division, HR Division

Member of the Board of Directors - Konstantine Gordeziani, Deputy General Director

Credit Risk Division, Financial Risk Division, Credit Administration Division

Member of the Board of Directors - Shota Chkoidze, Deputy Director General

Information Technology Division, Accounting and Reporting Division, Financial Division

Software Division, Remote Service Development Division, Information Technology Infrastructure Division

Member of the Board of Directors - Marina Tankarova, Deputy General Director

Retail Sales Division, Retail Products Development Division, Banking Cards Division, Marketing, Operations Division, Contact Center

Member of the Board of Directors - Tamar Goderdzishvili, Deputy General Director

Corporate Sales Division, Small and Medium Business Lending Division, Credit Analysis Division, Treasury

Risk Management

The Bank has a Risk Management Policy that defines the main concepts and types of risks arising from the bank's activities, as well as the basic principles, methods and means of risk management in the bank, defines the bodies and units responsible for their implementation. The Policy aims at the following:

- Formulation and description of the general approach of the bank to risk management and distribution of the duties between the bank's services;
- Obtaining the maximum income of the bank at the risk management level;
- Building the integrated system of risk management.

The risk management process consists of the following interrelated stages: 1) risk identification; 2) risk measurement or assessment; 3) risk control and monitoring; 4) corrective measures.

Risk identification: Risk identification occurs at the level of independent structural subdivisions of the Risk Management Service and Bank Business Operations. All existing business processes and risks characteristic of the Bank are described and regulated by relevant Internal Regulations that define risks and their management rules. In the case of introduction of a new, previously non-existent business process,

the relevant initiatives will pass risk assessment and analysis procedure together with risk management service.

Risk measurement or assessment: The key objective of risk assessment is to determine the adequacy of the Bank's business capital for coverage of potential losses incurred by the various types of risk typical to the Bank's activity, comparison of the risks with the possible yields, provision of the information about the potential losses to the Bank's management to take as far as possible well-founded business decisions.

The Bank uses the following quantitative and qualitative methods of risk measurement:

- Credit risk – determining the required amount of provisions, defaults, as well as statistics on overdue and restructuring for more than 30 and 90 days, weighting assets by credit risk, determining the internal rating of borrowers (if necessary), analysts' expert findings, stress-tests, etc.
- Market risk - VAR (value at risk) and stop-loss indicators, limits on open currency positions, exchange rate, percentage GAP analysis, exchange rate volatility, early warning indicators, simulation, asset weighting according to market risk quality, stress-tests, etc.
- Operational risk – --statistics of losses generated after its realization, expert conclusions of the divisions involved in the internal processes / products coordination process, etc.
- Liquidity risk – Liquidity GAP analysis, liquidity ratios, early warning indicators, stress-tests, etc.
- Legal risk, collateral risk, reputation risk, compliance risk - Expert conclusions of the bank's subdivisions / bodies.

Risk Control and Monitoring is carried out as follows:

- Monitoring of various limits, indicators and prudential norms;
- Regulation of operations, development of operations and business operations procedures in order to ensure regular control and monitoring of risk
- Risk documenting
- Regular reporting

Making corrective business decisions based on risk analysis:

- Insurance, hedging (a method of preventing possible losses by making a balanced deal).
- Reserving (formation of sufficient levels of provisions to cover losses).
- Risk coverage (risk distribution between the parties to a transaction through a guarantee, collateral, bilateral penalty sanctions system).
- Diversification (placing more financial assets into more than one type of property which prices or income are poorly correlated).
- Risks limiting (determining the maximum acceptable, marginal mark for risk bank).

Integrated risk management processes in the Bank include - control and monitoring of limits performance; quantitative measurement of potential risks; determining the amount of capital that will cover all types of potential bank risks. Quantitative determination of potential risks allows each transaction to be able to choose the best possible efficiency between income and risk at the level of various segments of portfolios throughout the entire portfolio.

Risk management services carry out the calculation of limits, which is approved by the collegial bodies of the bank (Asset – Liability Committee (ALCO), credit committees, Board of Directors, etc.) within the scope of their competence.

The risk management organization includes the functions of independent services and collegial bodies in risk assessment, control and monitoring, as well as the redistribution of powers and responsibilities between them.

In terms of risk management, the - Risk Committee provides significant assistance to the Supervisory Board. The functions of Risk committee include: reviewing risk management policies, as well as reviewing the reports of the Board of Directors on the bank's risk culture and risk appetite and developing recommendations, monitoring the activities of the Board of Directors in terms of compliance with risk policies / procedures, etc.

The Bank operates **three** levels of risk management and control:

Level I: includes the relevant business units that are carrying out banking operations, and are responsible for the risk management control policy, as well as the knowledge and use of relevant internal documents regulating the risk management process, risk control and management within their competence.

The body responsible for realization of all types of banking risk management policies is the Board of Directors, which determines the basic principles of risk management and ensures control over their implementation, through co-operation with business units and the relevant committees of the Bank.

All policies of risk management must be accepted by the Bank's Supervisory Board, which, in turn, checks their compliance with the organization's goals and strategies.

Level II: Risk management services that are responsible for organizing the risk management system and ensure the identification, evaluation and control of all risks in the bank, which may arise before the bank and the banking group participants.

Furthermore, committees are established in the Bank, which will be granted the different types of rights to take decisions within the scope of the risk control and risk management policy, including credit committees (head office/branches); the Assets and Liabilities Committee (ALCO); audit committee, information security committee, tariff committee.

In order to prevent illegal revenue and terrorism financing, the Bank is set up with the Financial Monitoring and Compliance Service, which is an independent service and is subordinate to the Director General.

The committees act on the basis of the relevant provisions and are accountable to the Bank's Board of Directors or the Supervisory Board in accordance with the Bank's internal documents.

Level III: Internal Audit Service - an independent structure aimed at checking the bank's operations and expressing independent opinions and recommendations to the bank's Board of Directors regarding the adequacy and effectiveness of risk control measures.

Risk Management Departments and Internal Audit Office act on the basis of relevant regulations. Risk management units are subordinated to the Deputy Director General of the Bank in the risk sphere, while the Internal Audit Office is subordinated to the Bank Supervisory Board.

More specifically, the management of individual risks is carried out in the Bank as follows:

- Detailed analysis of the restructured portfolio;
- Detailed information on the utilization/protection of the limits set for business financing targeted sectors, according to directions

The Financial Risk and Portfolio Analysis Division quarterly submits to the Board of Directors the quarterly results on the composition and quality of the credit portfolio, according to the sectors, compared to market. The Committee shall be informed about the normative changes and their impact during the quarter, as well as the novelties introduced in the Bank in context of a specific risk management.

Financial Institutions and Country Credit Risk:

The Bank performs operations with the financial institutions with the corresponding limits of specific operations (deposits-nostros, commercial, off-balance, conversion) approved by ALCO. The limits are based on the need / requirement of Operations Division or the Treasury Department and detailed analysis of the counterparty conducted by Financial Risk and Portfolio Analysis Division, that is accompanied by a positive assessment of the Department responsible for the Prevention of Illicit Income Legalization. Similarly, in which country the counterparty operates, assessing the country and approving the limits on the country is taken place. The daily control of financial institutions and country limits is performed by the Operations Division and the additionally monitoring – by the Financial Risk and Portfolio Analysis Division, which submits results monthly to ALCO.

Liquidity Risk:

For the effective control of liquidity, the Bank divides the liquidity management into the following parts: current / short-term and medium-term / long-term.

In order to manage liquidity risk, the Bank:

- Establishes the risk level - through the authorized collective body - sets the limits as well as the maximum margins on liquidity ratios and early warning indicators.
- Periodically conducts monitoring of the established limits and indicators;
- In case of increasing the level of risks, takes decisions regarding the correction thereof in timely manner

A more detailed description of the liquidity risk assessment, limitation, monitoring and reporting methodology is determined in the policies and methods dedicated to this risk measurement and control. In particular, the Bank has a GAP reporting methodology for liquidity risk management and has internal limits. Based on these, the Financial Risk and Portfolio Analysis Division analyzes the risk of liquidity and monitors the established limits and submits the results to ALCO.

In addition to the risk control, the Risk Management Committee provides independent recommendations to -ALCO on the current / short-term liquidity management, taking action, increase or decrease of the minimal "liquidity buffer" in case of providing the proposals by Treasury, as well as in situations when the prudential regulations or the liquidity of the internal rate of liquidity reaches a limit;

Setting restrictions on the minimum value of current / short-term liquidity is the competence of the Asset Liability Management Committee. Operating management of the current / short-term liquidity of the Bank is delegated to the Treasury.

The decision on restricting, limiting and management of medium / long-term liquidity falls only within the competence of ALCO. In addition, it has the following functions of risk management

- Study and analysis of the relevant Proposals of initiating unit and recommendations of Risk Management Divisions related to the Liquidity Risk Measures and Restrictions (Limits);
- Establishment of liquidity GAP limits, review of transactions risking liquidity (loss) of the bank and making decisions about them;
- Regular reporting of liquidity risks and control of the bank's respective departments in terms of adequate risk of liquidity risk and corrective measures if necessary

Market Risk:

The decision-making on the market risks in the bank falls within the special competence of the Asset-Liability Management Committee (ALCO). In particular, it is responsible for the following functions:

- Study and analysis of relevant recommendations of Risk Management Divisions and proposals of the initiative Subdivisions for Market Risk approval;
- Acceptance of decisions on the approval / absence of transactions / operations containing market risk. Approvals of market-based operations, position limits;
- Review regular accounts with market risks, control over the respective subdivisions of the bank with adequacy of market risks and corrective measures if required.

The Bank has a Market Risk Management Policy that ensures the maximum loss caused by changes in the exchange rate and interest rates in pre-determined borders with different methods, including limits on open currency position, VaR (Value at Risk) and Stop-Loss in terms of USD, EUR and in consolidated manner. The limits are established for the interest rate GAP. The Risk Division regularly monitors and analyzes market risks and delivers the results to the ALCO. In addition, it is responsible for minimizing risks to presenting recommendations on individual operations / liabilities / market positions with market risks.

Operational Risk:

Operating Risk Management is an integral part of the bank's daily activities. Risk Division daily monitors operational risks and by its recommendations contributes to their prevention or hedging/mitigation. For this purpose, operational risks characteristics of the products and processes are evaluated and analysed, as well as recommendations are elaborated and submitted to the Bank's Board of Directors, while the document of matrix of the software access rights is evaluated and approved by the Information Security Committee. To find information needed to determine risk assessment, control effectiveness and identification of potential problems, the following instruments are used in the Bank:

- Operational loss databases
- Procedures for the approval of new products / processes and their substitution changes
- Risk Self-Assessment Procedure
- Key risk indicators
- Testing a business continuity plan

In addition, the Operational Risk Assessment Form is submitted to the National Bank of Georgia once a month. The Financial Risk and Portfolio Analysis Division, - at least once a year, provides information on operational risks limits and information about operational risks during the year to the Board of Directors, including on the violation of limits (and promptly informs the management, if any) and offers their

reduction and mitigation / hedging recommendations. Also, annual risk management matrix /card is prepared for divisions and their working process changes are monitored.

Reputational Risk

Reputational risks that accompanies clients, products, bank processes are the responsibilities of the relevant structural subdivisions, which are in charge of their management.. In addition, the Bank's Independent Services (e.g. Internal Audit, Risk Management Departments, Security Service, etc.) are also responsible for initiating the issue in case of detecting reputational risk facts and submitting to the authorized bodies for consideration. Issues related to the bank's name and reputation protection by risk levels are considered and decided by the Supervisory Board and the Board of Directors

Strategic Risk

The Board of Directors and the Supervisory Board of the Bank are responsible for strategic risk management.

The Board of Directors of the Bank and the Supervisory Board perform strategic risk management through developing the bank's development strategy and business plan. The Bank's development strategy, business plan is developed by the Board of Directors and approved by the Supervisory Board in accordance with the Bank's internal documents.

Development strategy is drawn up for a period of not less than 3 years and, if necessary, is adjusted by considering the achieved results and changes in market conditions.

Legal and Compliance Risks

The main principle of legal risk management is the compliance of the Bank's activities with the legislation of Georgia, in relation to non-residents - compliance with the laws of other states and the bank's internal documents.

The legal departments of the Bank and its branches are responsible for the reduction of legal risk in the bank's activities. In order to reduce the legal risks in the Bank's activities, the Bank's units shall carry out their activities in compliance with the Georgian legislation, Internal Regulations and documents of the Bank.

The Risk Management Divisions, as well as the Bank's Financial Monitoring and Compliance Service are responsible for reducing the compliance risk in the bank's activities.

ICAAP and Stress-Tests

An important role in the risk management is attributed to the ICAAP (Internal Capital Adequacy Assessment Process) where different risk models are used and capital buffers are measured for different risks. Stress tests are also conducted on the Bank's loan portfolio, profitability, market risks using the supervisory macro scenarios which shows the vulnerability of the Bank to the different risks and the required level of capital buffers for them.

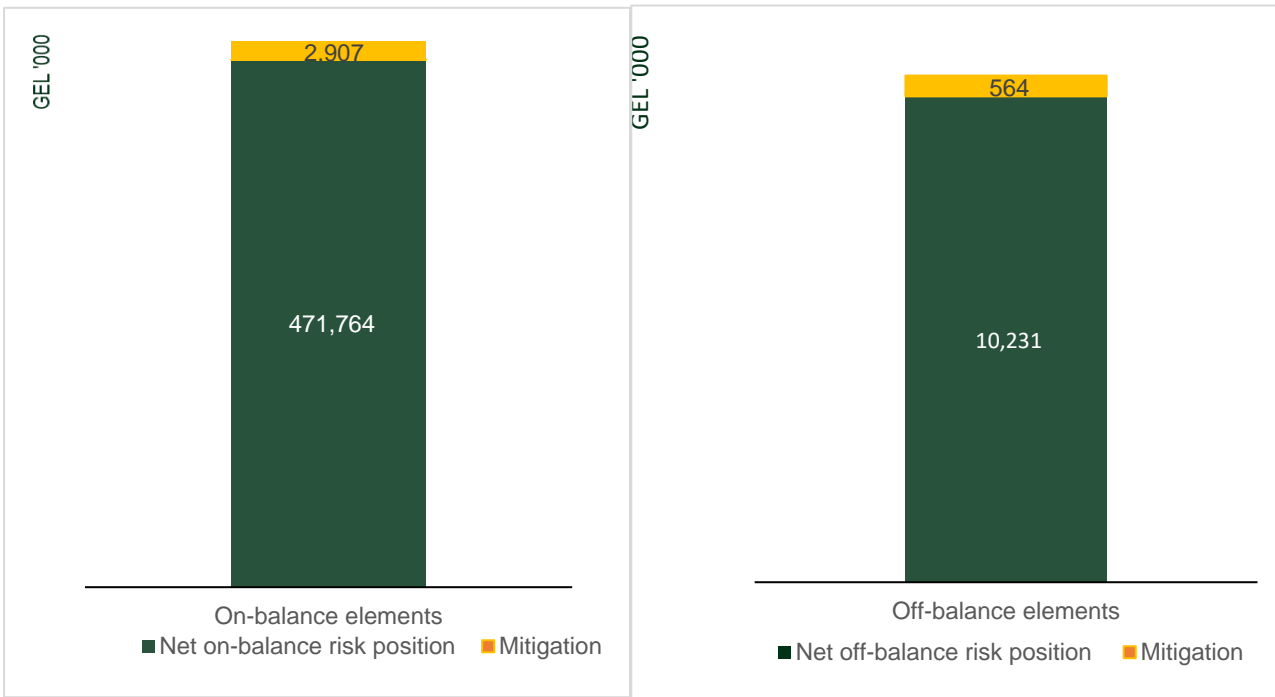
Risk Appetites

In order to manage risks, risk appetite indicators were identified for all major material risks (credit, liquidity, market, operating, reputation, efficiency, weighted assets as a whole), which are determined

annually by the Supervisory Board, no later than the 1st of October, based on report of Board of Directors and recommendation of Risk Committee. The Board of Directors is responsible for measuring risk appetite indicators. The risk appetites are monitored by the Financial Risk and Portfolio Analysis Division, which submits quarterly reports to the Board of Directors. In its turn, the Board of Directors is accountable to the Risk Committee, which develops further recommendations for the Supervisory Board.

Credit Risk Mitigation

The well-developed Collateral Assessment System plays an important role in terms of credit risk mitigations, in particular, assessment ensures that in accordance with the requirements of the International Valuation Standards (IVS), determination of the pledge value using the marginalized coefficient presented at the Regulation based on the market value which changes according to the type of property. The pledged immovable and movable property are evaluated by professional internal assessors, regardless of the market value of the assessment property, so the employees involved in the assessment of customer satisfaction / credit assessment do not participate in the real estate assessment process. If the borrower is the General Director of the Bank or the employee of the Assessment Department, the assessment is carried out by external evaluators. Also, the external assessor assesses property owned by the Bank. The immovable / movable property inspection is carried out by a certified appraiser and the property condition and other price factors are fixed. Real estate re-evaluation is carried out no less than 12 months, the time revision is carried out if the loan is restructured or the change of physical condition of the property is present. Furthermore, the credit risk mitigation tool is the cash deposits placed on the deposit account. At December 31, the total market value of mitigation instruments amounted to GEL 3.47 mln. By using this instrument, the Bank carries out a 1% mitigation of the total risk position.



External Credit Rating Agencies

To assess credit risk against financial institutions and sovereign countries, the bank actively uses credit ratings published by international financial agencies, namely FITCH, S&P and Moody's. Among them the most conservative or the most recent assessment are usually selected. The ratings are used for the purpose of capital adequacy when calculating risk weighted assets (RWA) and formations of reserves by IFRS 9. In addition, the credit ratings of Creditinfo Georgia are taken into account when analyzing retail loans.

Remuneration Policy

The Supervisory Board determines the remuneration policy of the Board of Directors. Prior to the final decision, the Board agrees the advance payments to the head office staff and the Group Management Department of the Group. On the other hand, HR Department recommends on the issue of remuneration of the Board of Directors within compensation scheme approved the Supervisory Board. The Bank's remuneration system is the main component of personnel management and is based on the specifics of bank activity, corporate values, goals and strategies. Remuneration system promotes the following basic goals and tasks: attraction/ maintenance of the skillful staff provided that they do not impede healthy accumulation of the capital, stimulation of professional achievements of the employees, building a common corporate standard for labour remuneration, staff stability, protection and strengthening the sense of care by the organization. The staff remuneration system consists of three components - labor remuneration, quarterly bonuses and compensation/benefits:

Labour remuneration consists of:

- 1) Guaranteed remuneration;
- 2) Bonus generated by annual performance;

Quarterly motivation bonuses - which constitutes 11% of the fixed monthly salary to be paid once a quarter and depends on the performance of the staff activity in the structural units during the reporting period. This system applies to all employees of the Bank except for supervisory management (Supervisory Board and the Board of Directors) and technical or support staff.

In determining employees' labour remuneration, the Bank is guided by the following key factors:

- 1) Labor Market Analysis, which gives an opportunity to assess the salaries of the bank employees with the relevant market indicators of the specialty of the regional labor market. For this purpose, the Bank participates in 20 independent market-based surveys conducted by companies. According to the changes in the labor market, the Bank manages the adjustment of the labor remuneration range.
- 2) Ranking positions that allows to determine the value of a particular position (valuation) for the bank.

Salary Determination Procedure:

The Bank's Board of Directors independently approves the maximum and minimum wages of the head office and branch offices, the so called schemes. The amount of specific salary is determined within the framework of the approved scheme and depends on the difficulty of the occupational position, the qualification and the performance of the work. In order to encourage employees to work efficiently, the Bank will issue premium on the results (performance factor) of the year. The main condition of this is the performance of the Bank's planned financial results and business plan parameters not less than 90%. Basic indicators (financial outcomes and business plan parameters) of the results of the activity are approved by the yearly balanced index system and are listed as the instrument of higher management and overall banking.

Retail and business lending, card acquiring and treasury departments belong to the front-office and the amount of bonuses of their structural units exceeds the amount of bonuses of the employees of other back-office structures.

Employee's bonus is calculated individually on the basis of a bonus scheme, based on the position and subdivision and will be calculated in proportion to the worked period, according to the changes in the wage, position and subdivision.

Approval of bonuses for employees (except the Board of Directors, Audit Committee and Internal Audit) shall be provided by the Board of Directors of the Bank and the amount of bonuses for employees of the Board of Directors, Audit Committee and the Internal Audit Department shall be approved by the Supervisory Board.

By the end of 2019, according to the provisions of the Corporate Governance Code, changes have been made in the bank's payroll and other risk-taking policy: material change has affected the principles of deferment and restraint.

- **Principle of restraints** - non-refundable part of the variable remuneration, which is issued in the form of a deposit certificate, is subject to a period of at least 1 year of restraint.
- **Deferral principle** - Payment of at least 40% of the variable part of the annual salary will be deferred for a period of up to 5 years.
- **Payment forms** - A maximum of 50% of both the deferred and non-deferred portion of the variable payment will be issued in cash and the rest to be paid as a deposit certificate.

The information about the remuneration awarded to the Bank Board of Directors, Supervisory Board and other persons responsible for material risks during 2019 is given in the Annex - Table N24.

Information about the deferred payments in 2019 is given in the Annex - Table N26.

Table 1 **Key metrics**

N		4 Q 2019	3 Q 2019	2 Q 2019	1 Q 2019	4 Q 2018
	Regulatory capital (amounts, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	102,860,283	100,237,286	97,149,520	78,495,629	81,014,417
2	Tier 1	102,860,283	100,237,286	97,149,520	78,495,629	81,014,417
3	Total regulatory capital	120,353,391	118,139,699	120,252,540	100,239,775	102,824,771
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	532,259,005	533,632,200	520,628,079	500,258,639	510,465,734
	Capital ratios as a percentage of RWA					
	Based on Basel III framework					
5	Common equity Tier 1 ratio $\geq 9.438\%$	19.33%	18.78%	18.66%	15.69%	15.87%
6	Tier 1 ratio $\geq 11.762\%$	19.33%	18.78%	18.66%	15.69%	15.87%
7	Total Regulatory Capital ratio $\geq 17.809\%$	22.61%	22.14%	23.10%	20.04%	20.14%
	Income					
8	Total Interest Income / Average Annual Assets	7.96%	7.81%	7.85%	7.76%	8.05%
9	Total Interest Expense / Average Annual Assets	3.15%	3.19%	3.24%	3.23%	2.74%
10	Earnings from Operations / Average Annual Assets	2.74%	2.42%	2.20%	2.18%	2.94%
11	Net Interest Margin	4.81%	4.61%	4.61%	4.53%	5.31%
12	Return on Average Assets (ROAA)	1.53%	1.35%	0.82%	-2.15%	1.99%
13	Return on Average Equity (ROAE)	7.96%	7.14%	4.51%	-12.07%	11.07%
	Asset Quality					
14	Non Performed Loans / Total Loans	9.17%	9.61%	10.24%	10.65%	4.78%
15	LLR/Total Loans	5.32%	5.51%	5.66%	6.03%	4.63%
16	FX Loans/Total Loans	76.92%	75.87%	76.02%	77.36%	77.05%
17	FX Assets/Total Assets	69.34%	69.02%	68.70%	70.20%	72.31%
18	Loan Growth-YTD	4.92%	13.97%	13.24%	23.23%	22.67%
	Liquidity					
19	Liquid Assets/Total Assets	13.68%	18.10%	18.57%	16.17%	13.26%
20	FX Liabilities/Total Liabilities	87.18%	88.89%	89.79%	89.46%	91.08%
21	Current & Demand Deposits/Total Assets	14.27%	12.30%	11.76%	11.34%	10.56%
	Liquidity Coverage Ratio***					
22	Total HQLA	104,216,413	93,249,303	92,280,727	74,716,744	67,220,404
23	Net cash outflow	65,286,014	54,518,949	53,555,060	54,654,924	44,088,779
24	LCR ratio (%)	160%	171%	172%	137%	152%

*** 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 illustrative purposes.

Table 2

Balance Sheet

in Lari

N	Assets	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Cash	3,486,619	3,514,549	7,001,168	2,411,527	2,990,013	5,401,540
2	Due from NBG	4,754,232	34,020,100	38,774,332	3,443,439	26,605,721	30,049,160
3	Due from Banks	16,694,767	6,668,676	23,363,443	807,322	16,789,784	17,597,106
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	13,633,029	0	13,633,029	16,216,936	0	16,216,936
6.1	Loans	98,318,007	327,680,922	425,998,929	93,183,786	312,828,957	406,012,743
6.2	Less: Loan Loss Reserves	-4,016,417	-18,638,741	-22,655,158	-3,795,378	-15,018,796	-18,814,174
6	Net Loans	94,301,590	309,042,181	403,343,771	89,388,408	297,810,161	387,198,569
7	Accrued Interest and Dividends Receivable	1,175,773	1,276,965	2,452,738	1,229,084	1,119,199	2,348,283
8	Other Real Estate Owned & Repossessed Assets	477,491	0	477,491	492,146	0	492,146
9	Equity Investments	54,000	0	54,000	54,000	0	54,000
10	Fixed Assets and Intangible Assets	19,200,419	0	19,200,419	16,995,567	0	16,995,567
11	Other Assets	3,600,048	1,395,079	4,995,127	1,326,687	378,326	1,705,013
12	Total assets	157,377,968	355,917,550	513,295,518	132,365,116	345,693,204	478,058,319
	Liabilities						
13	Due to Banks	0	92,707,575	92,707,575	0	38,121,107	38,121,107
14	Current (Accounts) Deposits	40,760,747	24,398,364	65,159,110	18,486,661	25,349,841	43,836,502
15	Demand Deposits	3,130,176	4,980,925	8,111,101	4,050,943	2,607,947	6,658,890
16	Time Deposits	5,346,041	30,727,791	36,073,832	9,346,948	25,743,164	35,090,112
17	Own Debt Securities			0	0	0	0
18	Borrowings	0	164,892,750	164,892,750	0	227,511,000	227,511,000
19	Accrued Interest and Dividends Payable	266,957	3,842,393	4,109,350	397,247	9,215,301	9,612,548
20	Other Liabilities	2,466,915	3,070,733	5,537,648	2,670,157	1,412,261	4,082,418
21	Subordinated Debentures	0	28,677,000	28,677,000	0	26,766,000	26,766,000
22	Total liabilities	51,970,836	353,297,530	405,268,366	34,951,957	356,726,621	391,678,578
	Equity Capital						
23	Common Stock	76,000,000		76,000,000	62,000,000		62,000,000
24	Preferred Stock	0		0	0		0
25	Less: Repurchased Shares	0		0	0		0
26	Share Premium	0		0	0		0
27	General Reserves	1	0	0	0		0
28	Retained Earnings	30,431,320		30,431,320	22,765,452		22,765,452
29	Asset Revaluation Reserves	1,595,832		1,595,832	1,614,290		1,614,290
30	Total Equity Capital	108,027,152		108,027,152	86,379,742		86,379,742
31	Total liabilities and Equity Capital	159,997,988	353,297,530	513,295,518	121,331,698	356,726,621	478,058,319

Table 3 **Income statement**

in Lari

N	N	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
		Interest Income					
1	Interest Income from Bank's "Nostro" and Deposit Accounts	1,837,829	248,444	2,086,273	691,547	356,748	1,048,295
2	Interest Income from Loans	11,082,081	22,687,200	33,769,281	8,509,392	22,493,971	31,003,364
2.1	from the Interbank Loans	0	0	-	0	0	-
2.2	from the Retail or Service Sector Loans	3,811,565	11,936,019	15,747,584	3,548,434	11,748,222	15,296,655
2.3	from the Energy Sector Loans		384,972	384,972		377,965	377,965
2.4	from the Agriculture and Forestry Sector Loans	63,245	1,304,989	1,368,234	14,839	916,050	930,889
2.5	from the Construction Sector Loans	259,369	2,732,678	2,992,047	354,098	2,879,778	3,233,876
2.6	from the Mining and Mineral Processing Sector Loans		85,002	85,002		663,313	663,313
2.7	from the Transportation or Communications Sector Loans	4,400	9,920	14,320		19,468	19,468
2.8	from Individuals Loans	5,623,615	5,454,387	11,078,002	4,458,800	5,180,106	9,638,906
2.9	from Other Sectors Loans	1,319,888	779,233	2,099,121	133,222	709,069	842,290
3	Fees/penalties income from loans to customers	1,525,788	440,067	1,965,855	332,384	998,454	1,330,838
4	Interest and Discount Income from Securities	1,613,304	0	1,613,304	1,796,509	0	1,796,509
5	Other Interest Income	195,870	83,991	279,861	255,181	85,807	340,988
6	Total Interest Income	16,254,872	23,459,702	39,714,574	11,585,013	23,934,981	35,519,994
		Interest Expense					
7	Interest Paid on Demand Deposits	2,803,394	263,587	3,066,981	933,799	82,132	1,015,931
8	Interest Paid on Time Deposits	414,524	924,051	1,338,575	398,777	661,229	1,060,006
9	Interest Paid on Banks Deposits	14,397	2,263,674	2,278,071	0	3,887,575	3,887,575
10	Interest Paid on Own Debt Securities	0	0	-	0	0	-
11	Interest Paid on Other Borrowings	0	8,802,580	8,802,580	0	5,568,233	5,568,233
12	Other Interest Expenses	150,464	81,042	231,506	475,291	81,163	556,454
13	Total Interest Expense	3,382,779	12,334,934	15,717,713	1,807,867	10,280,332	12,088,199
14	Net Interest Income	12,872,093	11,124,768	23,996,861	9,777,146	13,654,649	23,431,795
		Non-Interest Income					
15	Net Fee and Commission Income	805,777	909,912	1,715,689	594,568	801,290	1,395,858
15.1	Fee and Commission Income	1,121,713	1,732,989	2,854,702	839,170	1,431,261	2,270,431
15.2	Fee and Commission Expense	315,936	823,077	1,139,013	244,602	629,971	874,573
16	Dividend Income	0	0	-	0	0	-
17	Gain (Loss) from Dealing Securities	0	0	-	0	0	-
18	Gain (Loss) from Investment Securities	0	0	-	0	0	-
19	Gain (Loss) from Foreign Exchange Trading	1,735,664		1,735,664	626,230		626,230
20	Gain (Loss) from Foreign Exchange Translation	(554,966)		(554,966)	477,221		477,221
21	Gain (Loss) on Sales of Fixed Assets	(5,541)		(5,541)	9,900		9,900
22	Non-Interest Income from other Banking Operations	2,102	316	2,418	7,287	525	7,812
23	Other Non-Interest Income	108,155	1,351	109,506	172,851	11,204	184,055
24	Total Non-Interest Income	2,091,191	911,579	3,002,770	1,888,057	813,019	2,701,076
		Non-Interest Expenses					
25	Non-Interest Expenses from other Banking Operations	750,324		750,324	676,156		676,156
26	Bank Development, Consultation and Marketing Expenses	482,715	53,481	536,196	394,422	46,783	441,205
27	Personnel Expenses	7,933,045		7,933,045	7,906,340		7,906,340
28	Operating Costs of Fixed Assets	29,794		29,794	29,682		29,682
29	Depreciation Expense	1,692,330		1,692,330	1,112,416		1,112,416
30	Other Non-Interest Expenses	1,810,151	1,140,617	2,950,768	1,606,113	917,606	2,523,719
31	Total Non-Interest Expenses	12,698,359	1,194,098	13,892,457	11,725,129	964,389	12,689,518
32	Net Non-Interest Income	(10,607,168)	(282,519)	(10,889,687)	(9,837,072)	(151,370)	(9,988,443)
33	Net Income before Provisions	2,264,925	10,842,249	13,107,174	(59,926)	13,503,278	13,443,352
34	Loan Loss Reserve	3,667,663		3,667,663	3,484,701		3,484,701
35	Provision for Possible Losses on Investments and Securities	0		-	0		-
36	Provision for Possible Losses on Other Assets	806,540		806,540	(1,772)		(1,772)
37	Total Provisions for Possible Losses	4,474,203	0	4,474,203	3,482,929	0	3,482,929
38	Net Income before Taxes and Extraordinary Items	(2,209,278)	10,842,249	8,632,971	(3,542,855)	13,503,278	9,960,423
39	Taxation	985,563		985,563	1,190,866		1,190,866
40	Net Income after Taxation	(3,194,841)	10,842,249	7,647,408	(4,733,721)	13,503,278	8,769,557
41	Extraordinary Items			-			-
42	Net Income	(3,194,841)	10,842,249	7,647,408	(4,733,721)	13,503,278	8,769,557

Table 4

in Lari

N	On-balance sheet items per standardized regulatory report	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Contingent Liabilities and Commitments			0			0
1.1	Guarantees Issued	5,348,645	1,797,800	7,146,445	7,856,540	1,336,599	9,193,139
1.2	Letters of credit Issued			0			0
1.3	Undrawn loan commitments	18,775,858	13,641,680	32,417,538	7,064,738	18,253,110	25,317,848
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			0			0
3.2	Non-financial assets of the bank			0			0
4	Guarantees received as security for receivables of the bank			0			0
4.1	Surety, joint liability	5,675,558	269,401,050	275,076,608	6,388,185	258,428,137	264,816,322
4.2	Guarantees			0			0
5	Assets pledged as security for receivables of the bank			0			0
5.1	Cash	762,534	4,078,838	4,841,372	2,571,317	2,397,757	4,969,074
5.2	Precious metals and stones			0			0
5.3	Real Estate:			0			0
5.3.1	Residential Property	27,039,252	215,332,981	242,372,233	31,199,649	191,607,831	222,807,480
5.3.2	Commercial Property	451,959	293,291,976	293,743,935	2,216,289	263,308,410	265,524,699
5.3.3	Complex Real Estate	0	582,057	582,057	0	620,275	620,275
5.3.4	Land Parcel	3,371,122	118,492,055	121,863,177	5,339,344	103,376,715	108,716,059
5.3.5	Other	33,784	55,013,349	55,047,133	29,046	575,397	604,443
5.4	Movable Property	1,518,657	10,390,661	11,909,318	2,156,003	10,829,459	12,985,462
5.5	Shares Pledged	0	0	0	0	22,215,780	22,215,780
5.6	Securities			0			0
5.7	Other			0			0
6	Derivatives			0			0
6.1	Receivables through FX contracts (except options)		17,720,659	17,720,659			0
6.2	Payables through FX contracts (except options)		17,206,200	17,206,200			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	0	0	0	11,426	0	11,426
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	181,932	1,145,762	1,327,694	138,904	1,434,903	1,573,807
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	19,179	74,000	93,179	21,051	69,069	90,120
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3	235,742	1,784,656	2,020,398	155,087	1,764,774	1,919,861
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	From 2 to 3 years			0			0
8.5	From 3 to 4 years			0			0
8.6	From 4 to 5 years			0			0
8.7	More than 5 years			0			0
9	Capital expenditure commitment			0			0

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

N		4Q 2019	3Q 2019
1	Risk Weighted Assets for Credit Risk	481,784,667	486,529,028
1.1	Balance sheet items	471,763,510	471,831,367
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)		
1.2	Off-balance sheet items	9,666,744	14,578,319
1.3	Counterparty credit risk	354,413	119,342
2	Risk Weighted Assets for Market Risk	794,476	699,946
3	Risk Weighted Assets for Operational Risk	49,679,862	46,403,225
4	Total Risk Weighted Assets	532,259,005	533,632,200

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

Members of Supervisory Board		
1	Ivan Vakhtangishvili -Chairman of the Supervisory Board	
2	Evgenia Shaimerdeni-Member of the Supervisory Board	
3	Alia Karpikova Member of the Supervisory Board	
4	Arman Dunaev - Independent member of the Supervisory Board	
5	Nana Gvaladze - Independent member of the Supervisory Board	
6		
7		
8		
9		
10		
Members of Board of Directors		
1	Nikoloz Geguchadze- General Director	
2	Konstantin Gordeziani- Deputy General Director	
3	Shota Chkoidze- Deputy General Director	
4	Marina Tankarova- Deputy General Director	
5	Tamar Goderdzishvili- Deputy General Director	
6		
7		
8		
9		
10		
List of Shareholders owning 1% and more of issued capital, indicating Shares		
1	JSC " Halyk Bank of Kazakhstan"	100.00%
List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares		
1	Timur Kulibayev	5 32.26%
2	Dinara Kulibayeva	32.26%

Table 7

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

		a	b	c
	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	7,001,168		7,001,168
2	Due from NBG	38,774,332		38,774,332
3	Due from Banks	23,363,443		23,363,443
4	Dealing Securities			0
5	Investment Securities	13,633,029		13,633,029
6.1	Loans	425,998,929		425,998,929
6.2	<i>Less: Loan Loss Reserves</i>	<i>-22,655,158</i>		<i>-22,655,158</i>
6	Net Loans	403,343,771		403,343,771
7	Accrued Interest and Dividends Receivable	2,452,738		2,452,738
8	Other Real Estate Owned & Repossessed Assets	477,491		477,491
9	Equity Investments	54,000		54,000
10	Fixed Assets and Intangible Assets	19,200,419	3,571,037	15,629,382
11	Other Assets	4,995,127		4,995,127
	Total exposures subject to credit risk weighting before adjustments	513,295,518	3,571,037	509,724,481

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

1	Total carrying value of balance sheet items subject to credit risk weighting before adjustments	509,724,481
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	39,391,921
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	
3	Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes	549,116,402
4	Effect of provisioning rules used for capital adequacy purposes	7,240,934
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-29,161,276
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	
6	Effect of other adjustments	
7	Total exposures subject to credit risk weighting	527,196,060

Table 9

Regulatory capital

N		in Lari
1	Common Equity Tier 1 capital before regulatory adjustments	108,027,152
2	Common shares that comply with the criteria for Common Equity Tier 1	76,000,000
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	
4	Accumulated other comprehensive income	1,595,832
5	Other disclosed reserves	
6	Retained earnings (loss)	30,431,320
7	Regulatory Adjustments of Common Equity Tier 1 capital	5,166,869
8	Revaluation reserves on assets	1,595,832
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	3,571,037
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	102,860,283
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	17,493,108
37	Instruments that comply with the criteria for Tier 2 capital	11,470,800
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	6,022,308
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	17,493,108

Table 9.1 Capital Adequacy Requirements

Minimum Requirements		Ratios	Amounts (GEL)
1	Pillar 1 Requirements		
1.1	Minimum CET1 Requirement	4.50%	23,951,655.20
1.2	Minimum Tier 1 Requirement	6.00%	31,935,540.27
1.3	Minimum Regulatory Capital Requirement	8.00%	42,580,720.36
2	Combined Buffer		
2.1	Capital Conservation Buffer	2.50%	13,306,475.11
2.2	Countercyclical Buffer	0.00%	-
2.3	Systemic Risk Buffer		-
3	Pillar 2 Requirements		
3.1	CET1 Pillar 2 Requirement	2.44%	12,977,710.67
3.2	Tier 1 Pillar2 Requirement	3.26%	17,361,683.92
3.3	Regulatory capital Pillar 2 Requirement	7.31%	38,900,916.23
Total Requirements		Ratios	Amounts (GEL)
4	CET1	9.44%	50,235,840.98
5	Tier 1	11.76%	62,603,699.30
6	Total regulatory Capital	17.81%	94,788,111.70

Table 10

Reconciliation of balance sheet to regulatory capital

in Lari

N	On-balance sheet items per standardized regulatory report	Carrying values as reported in published stand-alone financial statements per local accounting rules	linkage to capital table
1	Cash	7,001,168	
2	Due from NBG	38,774,332	
3	Due from Banks	23,363,443	
4	Dealing Securities		
5	Investment Securities	13,633,029	
6.1	Loans	425,998,929	
6.2	Less: Loan Loss Reserves	-22,655,158	
6.2.1	Of which 2% Loan Loss Reserves	6,022,308	
6	Net Loans	403,343,771	
7	Accrued Interest and Dividends Receivable	2,452,738	
8	Other Real Estate Owned & Repossessed Assets	477,491	
9	Equity Investments	54,000	
9.1	Of which above 10% equity holdings in financial institutions		
9.2	Of which significant investments subject to limited recognition		
9.3	Of which below 10% equity holdings subject to limited recognition		
10	Fixed Assets and Intangible Assets	19,200,419	
10.1	Of which intangible assets	3,571,037	table 9 (Capital), N10
11	Other Assets	4,995,127	
12	Total assets	513,295,518	
13	Due to Banks	92,707,575	
14	Current (Accounts) Deposits	65,159,110	
15	Demand Deposits	8,111,101	
16	Time Deposits	36,073,832	
17	Own Debt Securities		
18	Borrowings	164,892,750	
19	Accrued Interest and Dividends Payable	4,109,350	
20	Other Liabilities	5,537,648	
20.1	Of which above Other Off Balance		
21	Subordinated Debentures	28,677,000	
21.1	Of which tier II capital qualifying instruments	11,470,800	
22	Total liabilities	405,268,366	
23	Common Stock	76,000,000	
24	Preferred Stock		
25	Less: Repurchased Shares		
26	Share Premium		
27	General Reserves		
28	Retained Earnings	30,431,320	
29	Asset Revaluation Reserves	1,595,832	
30	Total Equity Capital	108,027,152	

Table 11 Credit Risk Weighted Exposures (On-balance items and off-balance items after credit conversion factor)

	Risk weights Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		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	18,387,261										34,020,100						34,020,100
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			18,592,330				4,739,708				31,405						6,119,725
7	Claims or contingent claims on corporates											301,398,363	9,659,834					311,058,197
8	Retail claims or contingent retail claims																	-
9	Claims or contingent claims secured by mortgages on residential property																	-
10	Past due items											16,000,631	524					16,001,155
11	Items belonging to regulatory high-risk categories											19,043,909	83,690	674,331				20,139,096
12	Short-term claims on commercial banks and corporates																	-
13	Claims in the form of collective investment undertakings ('CIU')																	-
14	Other items	7,001,168										97,076,209	486,597					97,562,805
	Total	25,388,429	0	18,592,330	0	0	0	4,739,708	0	0	0	467,570,616	10,230,645	674,331	0	0	0	484,901,078

Table 12 Credit Risk Mitigation

in Lari

		Funded Credit Protection										Unfunded Credit Protection								Total Credit Risk Mitigation On-balance sheet	Total Credit Risk Mitigation - Off-balance sheet	Total Credit Risk Mitigation
		On-balance sheet netting	Cash on deposit with, or cash assimilated instruments	Debt securities issued by central governments or central banks, regional governments or local authorities, public sector entities, multilateral development banks and international organizations/institutions	Debt securities issued by regional governments or local authorities, public sector entities, multilateral development banks and international organizations/institutions	Debt securities issued by other entities, which securities have a credit assessment, which has been determined by NBG to be associated with credit quality step 3 or above under the rules for the risk weighting of exposures to corporates.	Debt securities with a short-term credit assessment, which has been determined by NBG to be associated with credit quality step 3 or above under the rules for the risk weighting of short term exposures	Equities or convertible bonds that are included in a main index	Standard gold bullion or equivalent	Debt securities without credit rating issued by commercial banks	Units in collective investment undertakings	Central governments or central banks	Regional governments or local authorities	Multilateral development banks	International organizations / institutions	Public sector entities	Commercial banks	Other corporate entities that have a credit assessment, which has been determined by NBG to be associated with credit quality step 2 or above under the rules for the risk weighting of exposures to corporates				
1	Claims or contingent claims on central governments or central banks																	0		0		
2	Claims or contingent claims on regional governments or local authorities																	0		0		
3	Claims or contingent claims on public sector entities																	0		0		
4	Claims or contingent claims on multilateral development banks																	0		0		
5	Claims or contingent claims on international organizations/institutions																	0		0		
6	Claims or contingent claims on commercial banks																	0		0		
7	Claims or contingent claims on corporates		2,175,558															1,611,657	563,901	2,175,558		
8	Retail claims or contingent retail claims																	0		0		
9	Claims or contingent claims secured by mortgages on residential property																	0		0		
10	Past due items																	0		0		
11	Items belonging to regulatory high-risk categories																	0		0		
12	Short-term claims on commercial banks and corporates																	0		0		
13	Claims in the form of collective investment undertakings																	0		0		
14	Other items		1,295,266															1,295,266		1,295,266		
	Total	0	3,470,824	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,906,923	563,901	3,470,824		

Table 13 Standardized approach - Effect of credit risk mitigation

		a	b	c	d	e	f
		On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
Asset Classes			Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF			
1	Claims or contingent claims on central governments or central banks	52,407,361			34,020,100	34,020,100	65%
2	Claims or contingent claims on regional governments or local authorities	0	0	0	0	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	23,363,443			6,119,725	6,119,725	26%
7	Claims or contingent claims on corporates	301,398,363	37,755,544	9,659,834	311,058,197	308,882,639	99%
8	Retail claims or contingent retail claims				0		
9	Claims or contingent claims secured by mortgages on residential property				0		
10	Past due items	16,000,631	1,048	524	16,001,155	16,001,155	100%
11	Items belonging to regulatory high-risk categories	19,718,240	242,745	83,690	20,139,096	20,139,096	102%
12	Short-term claims on commercial banks and corporates				0		
13	Claims in the form of collective investment undertakings ('CIU')				0		
14	Other items	104,077,377	1,392,584	486,597	97,562,805	96,267,539	92%
	Total	516,965,414	39,391,921	10,230,645	484,901,078	481,430,254	91%

Table 11

Liquidity Coverage Ratio

		Total unweighted value (daily average)			Total weighted values according to NBG's methodology* (daily average)			Total weighted values according to Basel methodology (daily average)		
		GEL	FX	Total	GEL	FX	Total	GEL	FX	Total
High-quality liquid assets										
1	Total HQLA				53,019,296	51,197,117	104,216,413	22,475,481	45,412,002	67,887,483
Cash outflows										
2	Retail deposits	5,063,921	27,893,179	32,957,101	26,931,708	19,945,375	46,877,083	277,047	1,829,905	2,106,952
3	Unsecured wholesale funding	47,499,034	322,438,463	369,937,497	1,049,248	7,651,119	8,700,367	17,833,699	21,571,967	39,405,666
4	Secured wholesale funding			-			-			-
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	14,881,017	23,488,390	38,369,408	4,319,314	9,437,208	13,756,521	1,172,550	2,254,490	3,427,040
6	Other contractual funding obligations			-			-			-
7	Other contingent funding obligations	2,039,648	6,439,937	8,479,585	321,321	1,463,567	1,784,888	321,321	1,463,567	1,784,888
8	TOTAL CASH OUTFLOWS	69,483,621	380,259,969	449,743,590	32,621,590	38,497,268	71,118,859	19,604,618	27,119,929	46,724,546
Cash inflows										
9	Secured lending (eg reverse repos)			-			-			-
10	Inflows from fully performing exposures	118,613,150	263,750,464	382,363,614	3,329,127	2,502,706	5,831,833	33,872,942	9,582,295	43,455,237
11	Other cash inflows	1,868,408	4,955,027	6,823,435	1,012	-	1,012	1,012	-	1,012
12	TOTAL CASH INFLOWS	120,481,558	268,705,491	389,187,049	3,330,139	2,502,706	5,832,845	33,873,954	9,582,295	43,456,249
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				53,019,296	51,197,117	104,216,413	22,475,481	45,412,002	67,887,483
14	Net cash outflow				29,291,451	35,994,563	65,286,014	4,901,154	17,537,633	11,681,137
15	Liquidity coverage ratio (%)				181%	142%	160%	459%	259%	581%

* 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.

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	17,720,659		354,413	0	0	0	0	0	354,413	0	0	354,413
1.1	Maturity less than 1 year	17,720,659	2.0%	354,413						354,413			354,413
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	0	14.0%	0									0
1.6	Maturity over 5 years	0											0
2	Interest rate contracts	0		0	0	0	0	0	0	0	0	0	0
2.1	Maturity less than 1 year		0.5%	0									0
2.2	Maturity from 1 year up to 2 years		1.0%	0									0
2.3	Maturity from 2 years up to 3 years		2.0%	0									0
2.4	Maturity from 3 years up to 4 years		3.0%	0									0
2.5	Maturity from 4 years up to 5 years		4.0%	0									0
2.6	Maturity over 5 years												0
	Total	17,720,659		354,413	0	0	0	0	0	354,413	0	0	354,413

Table 15.1 Leverage Ratio

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	520,536,451
2	(Asset amounts deducted in determining Tier 1 capital)	(5,166,869)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	515,369,582
Derivative exposures		
4	Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	354,413
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	354,413
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	39,391,921
18	(Adjustments for conversion to credit equivalent amounts)	(29,161,276)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	10,230,645
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	Tier 1 capital	102,860,283
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	525,954,641
Leverage ratio		
22	Leverage ratio	19.56%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table 20 Differences between accounting and regulatory scopes of consoli

Assets (as reported in published IFRS financial statements)	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
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	35,251,000	35,251,000	33,576,224		7,001,168	5,085,281	21,465,880						23,895				33,576,224	
Mandatory cash balance with the NBG	33,686,000	33,686,000	33,689,051		0	33,689,051	0										33,689,051	
Due from banks	1,897,000	1,897,000	1,897,563				1,897,563										1,897,563	
Loans to customers	420,972,000	420,972,000	405,210,890		0					425,998,929	-22,655,158	403,343,771	1,867,119				405,210,890	
Investments in equity instruments	54,000	54,000	54,000												54,000		54,000	
Investments held to maturity	14,170,000	14,170,000	14,188,133						13,633,029				555,104				14,188,133	
Property and equipment	15,630,000	15,630,000	15,629,382													15,629,382	15,629,382	
Intangible assets	3,571,000	3,571,000	3,571,037													3,571,037	3,571,037	
Other assets	4,792,000	4,792,000	5,479,238		0								6,620	477,491		4,995,127	5,479,238	
Total assets	530,023,000	530,023,000	513,295,518	0	7,001,168	38,774,332	23,363,443	0	13,633,029	425,998,929	-22,655,158	403,343,771	2,452,738	477,491	54,000	19,200,419	4,995,127	513,295,518

Liabilities (as reported in published IFRS financial statements)	a	b	c	d	e	f											
						Reconciliation with standardized regulatory reporting format											
						13	14	15	16	17	18	19	20	21	22		
Due to Banks	Current (Accounts) Deposits	Demand Deposits	Time Deposits	Own Debt Securities	Borrowings	Accrued Interest and Dividends Payable	Other Liabilities	Subordinated Debentures	Total Liabilities								
Deposits by banks	260,574,000	260,574,000	260,574,323		92,707,575					164,892,750	2,973,998						260,574,323
Deposits by customers	110,379,000	110,379,000	110,379,026			65,159,110	8,111,101	36,073,832	0	0	1,034,983						110,379,026
Income Tax Liability	14,000	14,000	0														0
Lease liability	2,049,000	2,049,000	0														0
DEFERRED TAX LIABILITY	3,040,000	3,040,000	358,261												358,261		358,261
Other liabilities	1,763,000	1,763,000	5,179,387		0										5,179,387		5,179,387
Subordinated debt	28,777,000	28,777,000	28,777,370								100,370				28,677,000		28,777,370
Provisions	211,000	211,000			0												0
																	0
																	0
Total liabilities	406,807,000	406,807,000	405,268,366	0	92,707,575	65,159,110	8,111,101	36,073,832	0	164,892,750	4,109,350	5,537,648	28,677,000	405,268,366			

Equity (as reported in published IFRS financial statements)	a	b	c	d	e	f							
						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	76,000,000	76,000,000	76,000,000		76,000,000								76,000,000
Revaluation reserve	1,596,000	1,596,000	1,595,832									1,595,832	1,595,832
Retained Earnings	45,620,000	45,620,000	30,431,320							30,431,320			30,431,320
													0
													0
													0
													0
Total equity	123,216,000	123,216,000	108,027,152	0	76,000,000	0	0	0	0	30,431,320	1,595,832	108,027,152	

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	

Table 22 **Information about historical operational losses**

	2019	2018	2017
1 Total amount of losses	0	1,300	0
2 Total amount of losses, exceeding GEL 10,000			
3 Number of events with losses exceeding GEL 10,000			
4 Total amount of 5 biggest losses			

Table 23 **Operational risks - basic indicator approach**

		a	b	c	d	e
		2019	2018	2017	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	23,996,861	23,431,795	22,771,338		
2	Total Non-Interest Income	3,002,770	2,701,076	3,595,354		
3	less: income (loss) from selling property	-5,541	9,900	7,056		
4	Total income (1+2-3)	27,005,172	26,122,971	26,359,636	26,495,926	49,679,862

Table 24 Remuneration awarded during the reporting period

			Board of Directors	Supervisory Board	Other material risk takers
1	Fixed remuneration	Number of employees	5	1	
2		Total fixed remuneration (3+5+7)	709,407	246,107	0
3		Of which cash-based	709,407	246,107	
4		Of which: deferred			
5		Of which: shares or other share-linked instruments			
6		Of which deferred			
7		Of which other forms			
8		Of which deferred			
9	Variable remuneration	Number of employees			
10		Total variable remuneration (11+13+15)	229,577	0	0
11		Of which cash-based	229,577		
12		Of which: deferred	229,577		
13		Of which shares or other share-linked instruments			
14		Of which deferred			
15		Of which other forms			
16	Of which deferred				
17	Total remuneration		938,984	246,107	0

Table 25

Special payments

		Board of Directors	Supervisory Board	Other material risk takers
Guaranteed bonuses	Number of employees			
	Total amount			
Sign-on awards	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			
Severance payments	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			

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	229,577	0	0	0	258,129
2	Cash	229,577				258,129
3	Shares					
4	Share-linked instruments					
5	Other					
6	Supervisory Board	0	0	0	0	0
7	Cash					
8	Shares					
9	Share-linked instruments					
10	Other					
11	Other material risk takers	0	0	0	0	0
12	Cash					
13	Shares					
14	Share-linked instruments					
15	Other					
16	Total	0	0	0	0	0

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	