PILLAR 3 ANNUAL REPORT
PASHA Bank Georgia

as per year end 2018

PASHA Bank

New heights. Together.

MANAGEMENT STATEMENT

The Board of Directors of JSC PASHA Bank Georgia confirms the authenticity and accuracy of all the data and information provided in the given Pillar 3 report. The report is prepared in full compliance with the internal control process as agreed with the Supervisory Board. The given report meets the requirements of the Order N92 / 04 of the Governor of the National Bank of Georgia of June 22, 2017 on Approving the Regulation of Disclosing Information by the Commercial Banks within Pillar 3 as well as other regulations and norms established by the National Bank of Georgia.

FINANCIAL HIGHLIGHTS

Below are some financial highlights of JSC PASHA Bank Georgia for the year ended 31 December 2018 with comparative figures:

Profit and loss	2018 GEL'000	2017 GEL'000
Net interest income	14,615	14,433
Net non-interest income	3,099	2,077
Administrative expenses	(14,673)	(12,133)
Income tax effect	148	(924)
Net profit	**3,189**	**3,453**
Other comprehensive income	-	70
Total comprehensive income	**3,189**	**3,523**

Balance sheet	2018 GEL'000	2017 GEL'000
Cash and interbank placements	109,608	95,353
Loans to customers	188,834	111,679
Investments in securities	20,226	62,033
Other assets	8,389	3,739
Total assets	**327,057**	**272,804**
Amounts due to banks	110,262	106,402
Amounts due to customers	104,539	58,181
Other liabilities	2,014	1,414
Total liabilities	**216,815**	**165,997**
Equity	110,242	106,807
Total liabilities and equity	**327,057**	**272,804**

With ROE of 3% and practically 0% NPLs, 2018 has marked an important phase in PASHA Bank's development. The Bank has increased its gross loan portfolio by 67% by expanding its core corporate business and entering the commercial segment of smaller corporates. The 76% of cost to income ratio (2017: 69%) is built upon shareholders' strategic appetite to foster spending to enable the launch of retail business in 2019, leading the Bank into a significant player on the market with full scale product shelf and some unique propositions.

STRATEGY CHANGE

The Bank has adopted the new strategy for 2018-2020 that has incorporated JSC PASHA Bank Georgia's aspirations to expand in Georgian market through entering commercial and retail segment, while also continuing organic growth in the corporate segment, which remains its core business, by improving corporate banking product suit and internet banking platform, as well as further developing dedicated trade finance offering with an international desk.

In order to enhance its profitability and become more involved in the development of Georgian business sector, in 2018 JSC PASHA Bank Georgia hired a team of skilled professionals and started cooperating with different medium and small size enterprises under its commercial business line. The Bank also plans to launch during 2019 new brand in the retail market by opening new branches and developing credit and deposit products tailored for retail customers' suitability and comfort.

The Bank's corporate culture evolves with its developing strategy, always staying loyal to its core values and adopting new policies and procedures that are in accordance with Georgian legislation.

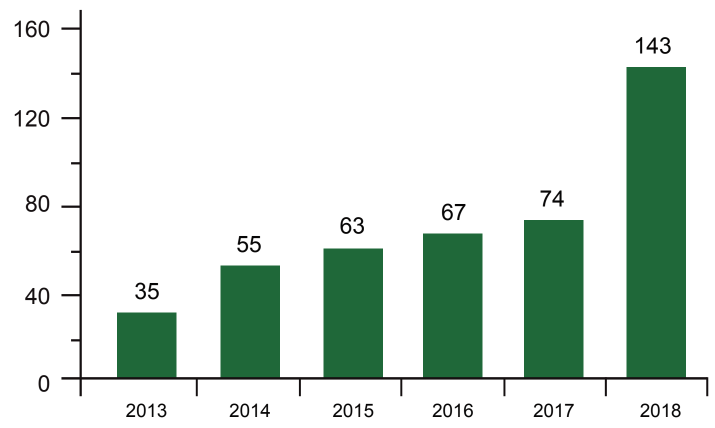
HUMAN RESOURCES

Our People

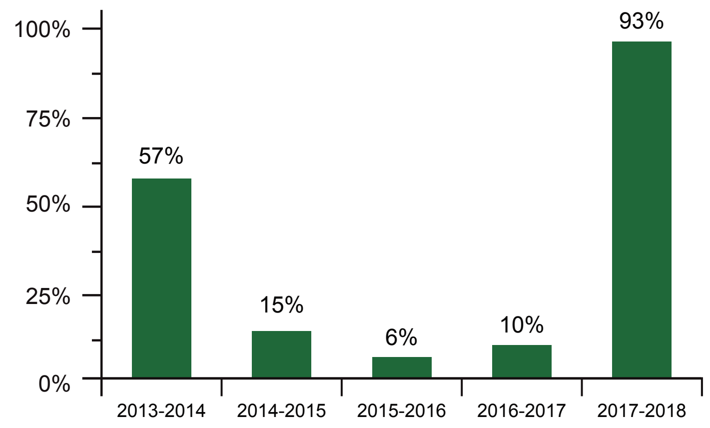
The most important intangible asset for the Bank is human capital. JSC PASHA Bank Georgia promotes the culture of common respect, transparent relations and cooperation, strives to keep work-life balance, supports initiatives and offers opportunity for professional development.

HR strategy for 2018 was mostly dedicated on growing and strengthening the team. Respectively, the recruiting of top talents took the largest proportion of HR tasks. Although the Bank continues to operate in existing HR systems, such as – performance management, job grading, motivation – working on the development of the new frameworks related to employees' development and recognition is in progress.

Number of Employees (2013-2018)

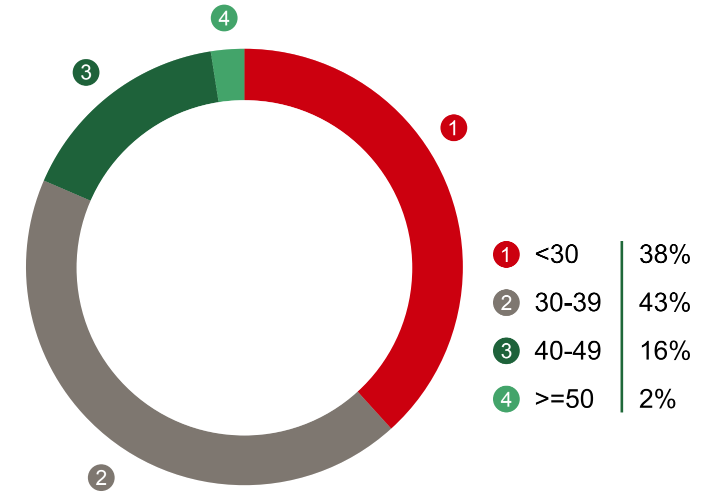


Change In Number of Employees in %

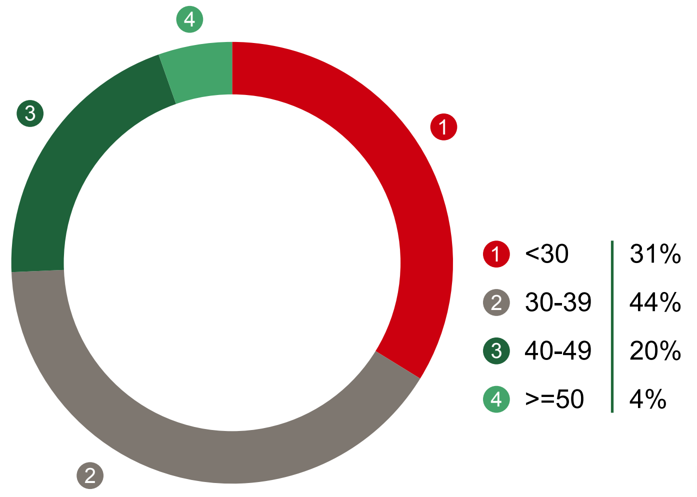


Our aim is to make JSC PASHA Bank Georgia an employer of choice for the recent graduates and mid-career professionals alike.

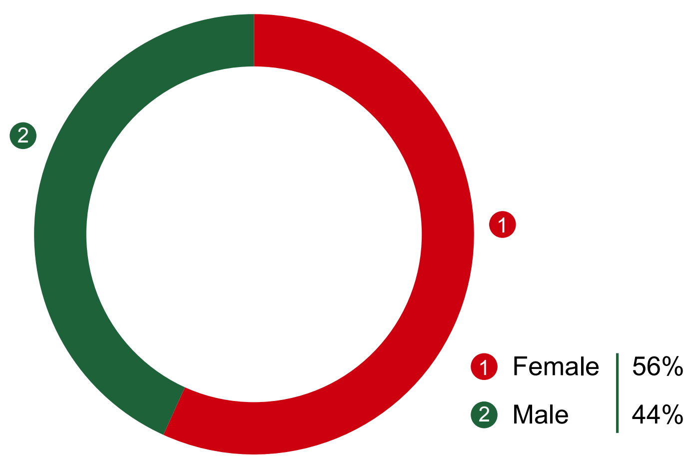
Age Composition (Newcomers 2018)



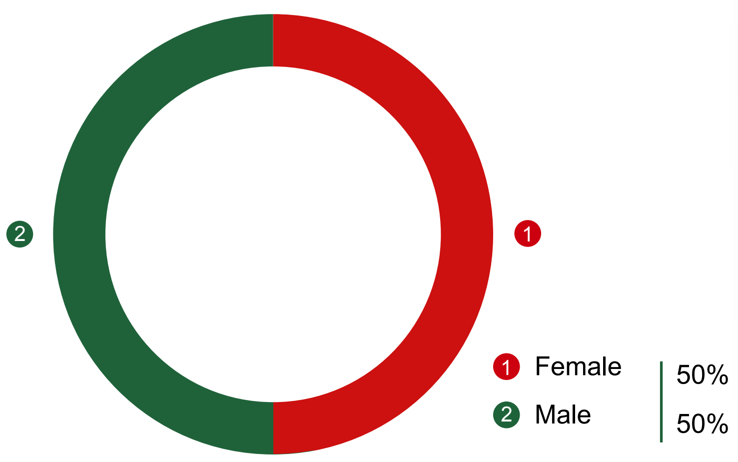
Age Composition (December 2018)



Gender balance (December 2018)



Gender balance in Middle Management (December 2018)



Learning and Development

PASHA Bank's learning culture initiates to identify and meet each employee's learning and development needs. Everyone in the Bank is given the opportunity to learn and develop professional skills. The Bank offers various trainings and development activities for different positions:

Number of people trained (2018)	96
% of people trained abroad	7%
Total training hours of employees	5354.7
Average training hours	55.78

professional trainings on-line, locally and abroad, full coverage of international professional certification costs, access to professional literature, training in Excel, English language courses, etc.

PASHA Bank's internship programs are great start for young talents career. The Bank hosted six interns during 2018 who were employed in various positions later.

Employee engagement and satisfaction

PASHA Bank's aim is to ensure employees' engagement and make them happy with their current jobs. Management believes that engagement promotes increased productivity and in order to understand employees needs and attitudes, initiates satisfaction/engagement surveys.

Since 2014 a survey measuring employee satisfaction was conducted twice a year internally. To keep track on the engagement level and current concerns we continued to conduct survey among employees in 2018, but it was decided to outsource this service to an expert to gain objectivity.

Employee engagement survey – which shows an emotional connection an employee feels towards the organization - was conducted in July. The survey consists of 30 concepts covering different aspects of employee engagement, satisfaction and concerns.

Employee engagement survey provides different concepts for evaluation, such as: team knowledge, team performance, team and managers' feedback, managers' knowledge, goal orientation, process management, decision making, autonomy, entrepreneurship and etc. As a result of the survey, 21 out of 30 concepts were evaluated higher than 70%; out of which team knowledge, employee engagement, manager knowledge and cooperation with the team were the highest scored concepts. Separately, employee engagement result was above average market indicator – 91%.

Remuneration of employees

Remuneration system of PASHA Bank Georgia ensures fair, consistent, competitive and appropriate remuneration and supports attraction, motivation and retention of the employees.

Remuneration of the Bank's employees consists of fixed remuneration, variable remuneration and benefits. Fixed remuneration is paid in the form of monthly base salary. Variable remuneration is performance-based pay, which is paid on different periodicities.

Base pay is determined internally taking into consideration the position grade, position salary range, recent market data for relatively same positions and knowledge/experience of an employee and a potential employee.

Each position has assigned specific job grade. Salary range is scheme of base pay which is linked to the job grade. Salary range is developed internally.

In order to receive valid market trends and data, we participate in Georgian banking sector annual compensation survey conducted by independent company – "HR Expert".

Variable remuneration is performance-based pay. Performance assessment is conducted annually, according to the approved Performance Management Methodology and Performance Management Procedure. Individual performance is evaluated by the line manager who is responsible for providing continuous feedback and fair evaluation.

Disbursement of performance-based variable pay takes place on different periodicities. Despite of different bonus calculation methodologies for various groups/functions of the Bank, all bonus methodologies are performance based, bonuses are disbursed on a regular basis depending on the relevant methodology (monthly, quarterly, yearly), are calculated according to completion of the pre-defined criteria – KPIs and objectives and are paid only if predefined targets are achieved.

Each job in PASHA Bank is eligible for variable pay. Bonus system is performance based and is designed to harmonize high performance and benefits of employees, eliminating conflict of interests at the same time.

Supervisory Board reviews and approves achievement of performance KPIs by the Bank and eligibility to disbursement of the bonus pool for members of BOD and support staff. Disbursement of the bonuses for front office functions is approved by the Board of Directors. All existing bonus methodologies (Board of Directors, support staff, front office functions) are reviewed and approved by the Supervisory Board.

The Bank's Benefit Scheme for employees sets different benefit packages according to job grades. Benefit package includes health insurance, professional literature allowance, international professional certification and membership fees, on-line, internal, local, regional and international trainings, sport allowance, etc.

CORPORATE GOVERNANCE

JSC PASHA Bank Georgia is committed to high standards of corporate governance and recognizes the contribution the corporate governance practices can make to the Bank's success and to creation of long-term shareholder value.

Corporate governance is defined as the set of structures and processes for the direction and supervision of the Bank. JSC PASHA Bank Georgia constantly develops a comprehensive range of policies and systems to ensure that all the internal or external processes are conducted with an effective oversight and control. Sound system of corporate governance is considered as an important contribution to the rule of law in Georgia and an important determinant of the role of the Bank in a modern economy and society.

COMMITMENT TO CORPORATE GOVERNANCE

JSC PASHA Bank Georgia constantly strives to improve its governance standards, to be always compliant with Georgian legislation and review and apply initiatives of the Board with respect to the best corporate governance practices.

In 2018, the National Bank of Georgia, an upper regulatory body which exercises supervision over the financial sector, introduced the Corporate Governance Code for Commercial Banks. The Bank follows the guidance of the Code and is gradually coming into compliance with its requirements.

The Bank demonstrates its commitment to the best corporate governance standards by developing and furthering:

- Responsible, accountable and value-based management;
- Effective oversight and executive bodies that act in the best interests of the Bank, seek to enhance shareholder value in a sustainable manner; and
- Appropriate information disclosure and transparency, as well as an effective system of risk management and internal control.

The Bank honors and recognizes all the general principles of good corporate governance:

- Fairness: The Bank is committed to act in a fair and ethical manner towards all shareholders and stakeholders, as it believes that ethical conduct underpins good corporate governance.
- Accountability and Responsibility: The Supervisory Board is accountable to the shareholders for the way in which it carries out its responsibilities. Similarly, the Board of Directors is responsible for the exercise of powers delegated to them and is accountable to the Supervisory Board for their achievements and performance.
- Transparency: The Bank is committed to providing accurate and understandable information to shareholders and other stakeholders on all material matters regarding the Bank, including its financial condition, performance, and ownership and governance structure in a manner easily accessible to interested parties, without giving away commercially sensitive information.

CODE OF ETHICS

The members of the Supervisory Board and the Board of Directors, as well as all the employees of the Bank are expected to act in accordance with all applicable laws and regulations and, furthermore, comply with ethical standards of business conduct as defined by the Bank's Code of Ethics.

The Bank's Code of Ethics is a set of principles that are actively applied in the Bank's day-to-day activities. The ethical principles of the Bank are established on the following values:

Integrity - At the core of our business stands the unshakeable commitment to integrity. For us, it means doing what is right. Every time. All the time. Even when no one sees us. At the very basic level, it is about respecting the laws and regulations of the country we operate in. It is about upholding our company's code of conduct even in the face of challenges. It means never sacrificing company interests for personal gains. It means being honest with ourselves, our colleagues, clients and partners and earning their trust.

Quality - The outside world will always judge us by the quality of the product or service we deliver. And the quality of our work is directly proportional to the dedication and professionalism of our staff. There is no way around it. That is why we always follow the standards we set. That is why we deliver what we promise - day in, day out - carefully balancing quality with efficiency for optimal results. That is why we try new things and strive to learn and improve - as individuals and as an organization.

Profitability - We generate profits for the benefit of our shareholders and the society at large. We can achieve that only through maintaining the competitive edge. Our staff understands that value comes not only in every dollar earned but also every dollar saved. However, in the pursuit of short-term business goals we never lose sight of our long-term aspiration - to create and maintain a sustainable global business. And this aspiration drives every strategic decision we make.

Collaboration - When we work as one team across departments, business units, and countries we produce phenomenal results. When we collaborate with clients, partners and suppliers we far exceed market expectations. The impact of these synergies far surpasses that of any individual contribution. Collaboration creates a sound working environment and leads to higher efficiency. It accelerates problem-solving and enables innovation. It nurtures trust and respect.

Entrepreneurship - The world around is constantly changing so we often have to operate in ambiguity. We seek new opportunities and are ready to take bold steps - do things and go places others don't dare to. We don't fear challenges but view them as opportunities to grow. We are unafraid to take on a personal responsibility for going an extra mile or doing something new. Our staff treats the company with care, passion, prudence - just like they would treat their own business.

The Code of Ethics sets the below-mentioned requirements:

- The maintenance of professional reputation.
- The highest standards for honest and ethical conduct, including proper and ethical procedures for dealing with conflicts of interest between personal and professional relationships.
- Full, fair, accurate, timely and understandable disclosure in reports and documents that JSC PASHA Bank Georgia files with, or submits to, governmental and regulatory agencies, and in other public communications made by PASHA Bank.
- The compliance with applicable governmental laws, rules and regulations.
- Prompt internal report of any illegal behavior or violations of the Code.
- The provision of methods to communicate violations of the code.

Open-Door Policy

The Code of Ethics incorporates the open-door policy which gives every employee of the Bank an ample opportunity to ask questions and seek advice if he/she is not confident whether a conduct violates the letter and the spirit of the Code of Ethics, and to raise concerns if he/she believes that our Code of Ethics has been violated.

JSC PASHA Bank Georgia strives to reinforce internal as well as external stakeholders' confidence in the Bank's corporate governance and ethical standards by ensuring that unethical and illegal conduct of any internal stakeholder will not be left unattended.

The Code of Ethics is developed in line with the best practices of corporate governance and is adopted by the Supervisory Board.

The document of the Code of Ethics can be viewed on PASHA Bank's website at **www.pashabank.ge**

BOARD AND COMMITTEE CHANGES

During the year, a number of changes took place in the Board and the Board committees' composition. After serving nearly five years as the member and the chairman of the Board, Mr. Mir Jamal Pashayev decided to leave the Board with effect from May 2018. After nearly three years on the Board, Mr. Taleh Kazimov and Mr. Cenk Eynehan resigned from their positions of the Board members in December 2018. The Board members provided invaluable insight to the Board during their tenor and left with the Bank's gratitude and best wishes for the future.

Mr. Shahin Mammadov was appointed as a member of the Supervisory Board in May 2018.

Mr. Farid Mammadov joined the HR and Remuneration Committee as its chairman in April 2018.

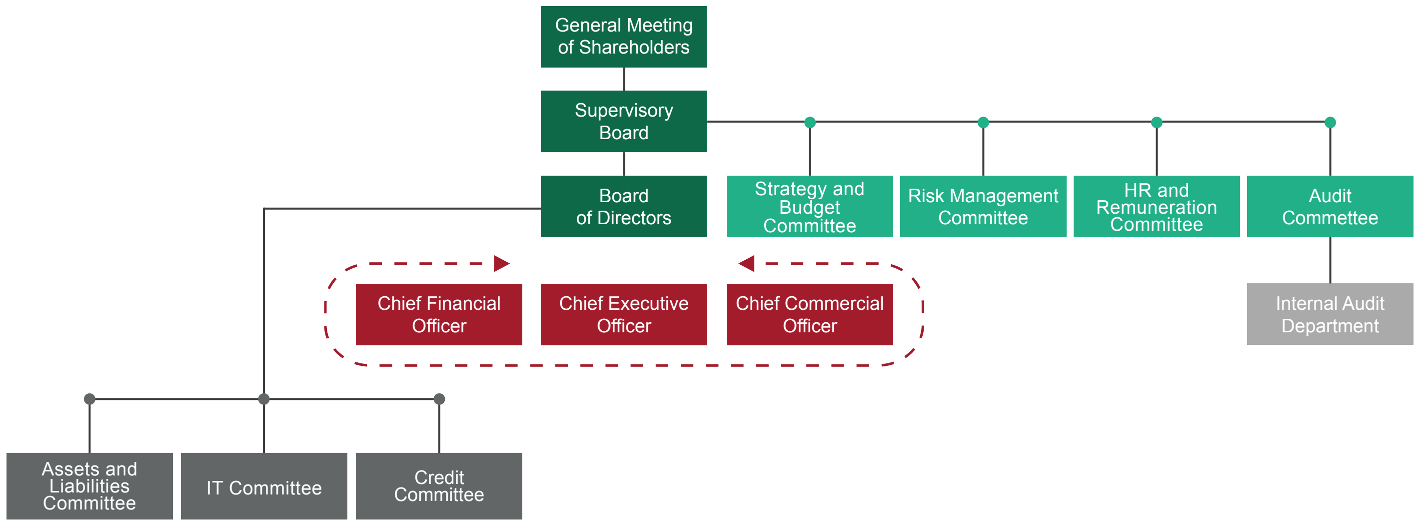
Mr. Arda Arkun was appointed as Chief Executive Officer of JSC PASHA Bank Georgia in February 2018.

Future Changes

Independent Board members, Mr. George Glonti and Mrs. Ebru Ogan Knottnerus will be joining the Board, as well as the Audit Committee, with effect from January 2019.

GOVERNANCE STRUCTURE

JSC PASHA Bank Georgia has the following governance structure:



JSC PASHA Bank Georgia has a two-tier corporate governance structure - the Supervisory Board entirely composed of non-executive directors and responsible for supervision of the Bank and the Board of Directors (management board) entirely composed of executive directors, responsible for day-to-day management of the Bank.

The Supervisory Board of JSC PASHA Bank Georgia consists entirely of non-executive directors and includes:

- Representatives of shareholders;
- Executive directors from other banking strategic assets of the PASHA Holding.

SUPERVISORY BOARD

Farid Mammadov

Chairman of the Supervisory Board

Farid Mammadov is the Chairman of the Supervisory Board effective since June 01, 2017. He is also the Chairman of the HR and Remuneration Committee and the member of the Risk Management Committee.

Experience

Having started his banking career in 1999 as the credit officer at the United Credit Bank CB, Farid Mammadov served as the Director of the Credits Department at OJSC Bank of Baku from 2001 to 2010 and subsequently as the Deputy CEO. He started in 2012 to work as the Risk Director within LLC PASHA Holding and served as a Member of the Board of Directors at OJSC PASHA Bank until June 2013, while maintaining his current duties. From this date until February 2017, he served as the First Deputy CEO at OJSC Kapital Bank. Since February 2017, he has been serving as the Deputy CEO of LLC PASHA Holding and the Director of Business Group. Farid Mammadov has more than 19 years of experience in banking and business management.

Education

Farid Mammadov completed his undergraduate education in Political Science at the Baku Social Management and Political Science Institute and earned a master's degree in Political Science from the Academy of Public Administration under the President of the Republic of Azerbaijan. He is an MBA from IE Business School, Madrid, Spain and has a CFA Charter.

Jalal Gasimov

Member of the Supervisory Board

Jalal Gasimov is a member of the Supervisory Board since October 19th, 2015. He is also the Chairman of the Risk Management Committee, the Chairman of the Strategy and Budget Committee and the Member of the HR and Remuneration Committee.

Experience

Jalal Gasimov started his banking career at OJSC İlkbank, Azerbaijan in 1999. Between years 2002-2003 he held various positions on finance at private sector companies. He worked in Azpetrol Oil Company as Finance Director in 2003-2004 and was the Deputy Chairman of the Board of Directors of Azpetrol Holding from 2004 to 2006. He joined the Moscow Office of McKinsey & Company and served as a Consultant in 2006-2007. He held top management duties: CEO in OJSC Bank of Baku, Finance Director in CRA Group Companies, and CEO and the Chairman of the Executive Board in JSC Unibank between 2007-2015, respectively. Jalal Gasimov joined LLC PASHA Holding as the Head of Banking Group and Deputy CEO in 2015. He also serves as the Chairman of the Supervisory Board of OJSC Kapital Bank. Jalal Gasimov is the member of Board of Directors of PASHA Yatırım Bankası A.Ş.

Education

Jalal Gasimov completed his undergraduate degree in economics at Azerbaijan Economy University, received his graduate degree in Economic Relations, at Higher Diplomatic College of Azerbaijan and an MBA degree at Warwick Business School, UK.

Jalal Gasimov has more than 19 years of experience in banking and business management.

Taleh Kazimov

Member of the Supervisory Board

Taleh Kazimov was appointed as a member of the Supervisory Board of JSC PASHA Bank Georgia on September 17, 2015.

Experience

Taleh Kazimov has an extensive professional experience in commercial and investment banking, loans and risks management. He was appointed as CEO and Chairman of OJSC PASHA Bank Executive Board on July 1, 2015. He is also a member of Supervisory Board of PASHA Yatırım Bankası A.Ş .

Prior to the appointment as CEO of OJSC PASHA Bank, Mr. Kazimov served as the Chief Investment Officer and a member of the Executive Board responsible for business development, FIs, corporate and SME banking. Mr. Kazimov joined OJSC PASHA Bank in 2007 as Risk Manager and then was promoted to the position of Treasury Director in 2009. Mr. Kazimov began his career in financial sector in 2004 as a Leading specialist in Treasury Department at JSC Bank Standard and later as the Head of accounting management and budget planning. He later has been promoted to the Deputy Director of Corporate Loans Department. In 2006 he joined Ernst and Young as an auditor and from 2007 worked as a General Director of "FinEko" Informational Analytical Agency.

Taleh Kazimov has more than 14 years of experience in banking and business management.

Education

Taleh Kazimov holds a bachelor's degree in Automation and Computer engineering from Azerbaijan Technical University. He also pursued MBA from Azerbaijan State Oil Academy and an MBA in Finance from Georgia State University. In addition, Mr. Kazimov successfully completed the executive educational programs of London Business School in 2010 and Harvard Business School in 2012.

H. Cenk Eynehan

Member of the Supervisory Board

Hikmet Cenk Eynehan was appointed as a Member of the Supervisory Board of JSC PASHA Bank Georgia on September 17, 2015.

Experience

Hikmet Cenk Eynehan started his banking career in 1994 and served in various management and business development capacities at DHB Bank (Nederlands) N.V. until 2001. He continued his professional career in non-financial sector during 2002-2004 and joined Şekerbank T.A.Ş. He held executive positions in various departments from 2005 until 2010. He was Deputy General Manager in charge of Corporate Marketing & Sales of Ekspo Factoring A.Ş. from 2011 until 2013.

Mr. Eynehan has been named as General Manager and Board Member of PASHA Yatırım Bankası A.Ş. as effective from August 2, 2013.

He has more than 23 years of experience in banking and business management.

Education

Hikmet Cenk Eynehan earned a two-year degree in economics from Erasmus University in the Netherlands, and bachelor's degree in management from Monroe College in the United States of America and completed Executive MBA program at Koç University, Istanbul.

Shahin Mammadov

Member of the Supervisory Board

Shahin Mammadov is a member of the Supervisory Board since May 2018. He is also the member of the Audit Committee.

Experience

Mr. Mammadov started his career as an accountant in 2003 and was later promoted to Deputy Chief Accountant at Yapi Kredi Bank Azerbaijan (former Kocbank Azerbaijan JSB). He joined Deloitte & Touche in 2005 as Associate Auditor and was subsequently promoted to Audit Manager. In 2009, Mr. Mammadov was assigned to the position of Director of the Financial Management Department at OJSC PASHA Bank and in 2011 he became Chief Financial Officer and member of the Executive Board. In 2013, he joined the Board of Directors of JSC PASHA Bank Georgia supervising the business development function. In July 2014, Mr. Mammadov was appointed the CEO and Chairman of the Board of Directors at JSC PASHA Bank Georgia. Since March 2015, Shahin Mammadov is a Member of the Supervisory Board of PASHA Yatırım Bankası A.Ş.. In January 2018 Mr. Mammadov was assigned to the position of Business Support Director and Deputy CEO at LLC PASHA Holding. On March 1st, 2018 Shahin Mammadov became Member of the Supervisory Board of OJSC PASHA Bank.

Education

Shahin Mammadov graduated from Azerbaijan State Economic University and received a bachelor's degree majoring in Accounting and Audit in 2002. In 2004, he was awarded a master's degree from the same university in Accounting and Audit. In 2010 Mr. Mammadov received his Ph.D. in Economics from Academy of Sciences of the Republic of Azerbaijan. Mr. Mammadov successfully completed several education programs in a number of top business schools as a part of High Potential Leadership Program organized by PASHA Holding in 2013. In 2012 Shahin Mammadov enrolled in Harvard Business School's Program for Leadership Development (Executive Education Program) and in 2013 graduated from this Program completing its Module 1-4. In 2017 he enrolled in and completed Module 5 of Program for Leadership Development of Harvard Business School. Mr. Mammadov obtained Alumni Status from Harvard Business School in July 2017. Shahin Mammadov is a Member of the Association of Chartered Certified Accountants (ACCA) since 2014.

Shahin Mammadov has more than 15 years of experience in banking and business management.

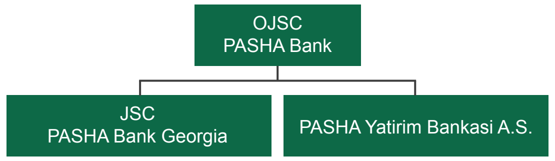
SHAREHOLDER STRUCTURE

Total authorized share capital of JSC PASHA Bank Georgia amounts to GEL 103,000,000 (one hundred and three million Georgian Lari). The Bank is the subsidiary bank and its 100% shares are solely owned by OJSC PASHA Bank.
Ultimate beneficial owners of the Bank are Mrs. Leyla Aliyeva 45%, Mrs. Arzu Aliyeva 45% and Mr. Arif Pashayev 10%.

During the reporting period, there were no changes in the Bank's capital, Charter and the shareholder structure.
The information of the type of income received from JSC PASHA Bank Georgia by the shareholder or beneficiary owner is provided below:

Shareholder/beneficial owner	Type of income	Volume in GEL
OJSC PASHA Bank	Overdraft %, Guarantee / Accreditation fee, correspondent account service fee, interest accrued on interbank deposits	1,079,475
LLC PASHA Holding companies	Service fees, interest accrued on deposits	940,849

Ownership structure is as follows:



GENERAL MEETING OF SHAREHOLDERS

The supreme governing body of the Bank is the General Meeting of Shareholders. The Bank holds Annual General Meetings within two months following the signing of the annual audited financial statements. Other general meetings are summoned if the interests of the Bank require so or if it is required by the Bank's Charter. The General Meetings are summoned by the Board of Directors, the Supervisory Board or the shareholder(s).

The General Meeting is held on the territory of Georgia or abroad, at a time and place that are the most convenient for shareholders. The General Meeting is called within the term of 20 calendar days after the directors have sent a notification to the shareholders. Nothing impedes the shareholders from voting from abroad or by means of the power of attorney issued to another person. The Bank ensures that all valid proxy appointments received for the General Meetings are properly recorded.

The invitation to the General Meeting specifies the information regarding date, time, venue, agenda, project of resolution, and proposals, if any, regarding the amendments to the Charter.

The voting results and other relevant materials are distributed to the shareholders and to the ultimate shareholders.

The Supervisory Board ensures that the Supervisory Board members and all directors are made aware of their shareholders' views, issues and concerns.

ISSUES REQUIRING APPROVAL OF THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting reviews and makes resolutions on the following issues:
a) Approval and amendment of the Bank's Charter;
b) Approval of the Bank's annual audited financial statements;
c)Reorganization of the Bank, which includes mergers, divisions, transformations (change of organizational-legal form) and liquidation of the Bank, full or partial cancellation of pre-emptive rights during the increase of the share capital of the Bank;
d) Issuance of new shares, sale of shares by the existing shareholder(s) or other securities convertible into shares;
e) Accepting or rejecting proposals of the Supervisory Board or the Board of Directors concerning the utilization (including distribution) of profit or to make decisions concerning the utilization of the net profit, if the said bodies fail to make an agreed proposal
f) Approval of reports by the Board of Directors and the Supervisory Board
g) Election and dismissal of members of the Supervisory Board, determining the question of the remuneration of its members and conclusion of contracts with them
h) Approval of the first composition of the Board of Directors of the Bank
i) Approval of the first composition of the Audit Committee of the Bank
j) Making decisions on the participation in court proceedings against the Board of Directors and Supervisory Board members, including the appointment of a representative for such action
k) Adopting resolutions on issuance and sale of shares and other securities in accordance with this Charter and Georgian legislation
l) Making decisions on the acquisition, sale, transfer, exchange (or other transactions to similar effect) or encumbrance of the Bank's properties the value of which is more than 25% of the book value of the Bank
m) Deciding on other matters pursuant to effective Georgian legislation.

ANNUAL GENERAL MEETING OF SHAREHOLDERS OF 2018

In 2018, the Annual General Meeting of Shareholders was held 3 times on the following dates: April 16, 2018, May 3, 2018 and November 16, 2018. The shareholders of the Bank have been represented at the Annual General Meeting of Shareholders by Mr. Mir Jamal Pashayev, under duly notarized and legalized power of attorney (proxy).

AGENDA OF THE ANNUAL MEETING OF SHAREHOLDERS

Independent Auditors' Report
On the meeting of April 16, 2018, General Meeting of Shareholders has approved the annual audited financial statements together with independent auditor's report for the year 2017.
Resolution on dividend distribution
On the meeting of April 16, 2018, General Meeting of Shareholders has decided not to distribute as dividends the accrued profit of the year 2017 in the amount of 4,007,241.64 Georgian Lari.

New composition of the Supervisory Board
On the meeting of May 3, 2018, General Meeting of Shareholders has discussed and approved Mr. Mir Jamal Pashayev's intention to step down from the position of the Supervisory Board member and approved the appointment of Mr. Shahin Mammadov on the position of the Supervisory Board Member.

On the meeting of November 16, 2018, General Meeting of Shareholders approved the resignation of Mr. Taleh Kazimov and Mr. Cenk Eynehan from the positions of the Supervisory Board members. Mr. George Glonti and Mrs. Ebru Ogan Knottnerus were appointed as independent members of the Supervisory Board.

The shareholder did not make any request for the inclusion of any item into the agenda of the General Meeting.

SHAREHOLDER RIGHTS

The rights and responsibilities of the shareholders are mutually determined by the Charter of JSC PASHA Bank Georgia, by the Law of Georgia on Entrepreneurs (as amended from time to time), by the Law of Georgia on Activities of Commercial Banks (as amended from time to time) and by all other relevant laws and regulations, including the regulations issued by the National Bank of Georgia.

The Charter is available on PASHA Bank's website at **www.pashabank.ge**

According to the Article 4, Section 4.2 of the Bank's Charter, the shareholders have the rights to:
a) Attend or be represented at the General Meeting and take part in the voting (holders of common shares only);
b) Be elected in the Supervisory Board;
c) Participate in the distribution of profit and receive pro rata share of dividends;
d) Dispose their shares in accordance with the Georgian legislation and the Bank's Charter;
e) In case of liquidation of the Bank, receive pro rata share of the assets remaining after the payment of the claims of the creditors;
f) Have access to information concerning the economic activities of the Bank;
g) Request the directors of the Bank to specify issues in the agenda of the General Meeting, request an extraordinary General Meeting or add issues for consideration into the agenda of appointed General Meeting;
h) Request special inspection of the Bank's economic activities and annual balance sheet if they believe in their reasonable judgment that material irregularities have taken place;
i) Enjoy pre-emptive right to subscribe for newly issued or existing shares of the Bank on a pro-rata basis in accordance with the terms and conditions of the Bank's Charter;
j) Address the local court or, at the agreement of the parties, private arbitration for the solution of a conflict between themselves and the Bank;
k) Other rights as stipulated by the Georgian legislation and the Bank's Charter.

THE SUPERVISORY BOARD

The Supervisory Board is responsible for general oversight of the Bank and of the Board of Directors. Its members are elected by the shareholders. The Supervisory Board is led by the Chairman, it advises the Board of Directors and is involved in decision-making on all fundamental matters affecting the Bank. It is the key decision-making body of JSC PASHA Bank Georgia, responsible to shareholders for creating and delivering sustainable shareholder value through providing entrepreneurial leadership and direction to the Bank. It determines the Bank's strategic objectives and policies, provides overall strategic direction within a framework of rewards, incentives and controls, demonstrates ethical leadership and promotes the collective vision of the Bank's purpose, values, culture and behaviors.

Members of the Supervisory Board act in a way that they consider, in good faith, will promote the success of the Bank for the benefit of the shareholders as a whole and, while doing so, take into consideration the interests of other stakeholders as well.

According to the Article 7, Section 7.10 of the Bank's Charter, the following activities shall be performed only by the Supervisory Board:

- Strategic supervision and control of the Bank
- Reviewing and approving corporate strategy and strategic objectives
- Reviewing and approving the annual budget and business plan
- Initiation of new banking/commercial activities and termination or suspension of existing activities
- Establishment and liquidation of new enterprises, branches
- Acquisition and disposal of shares in other companies
- Approval of the organizational structure
- Approval of the Code of Ethics and whistleblowing procedures
- Rendering resolutions for implementation of the decision of the General Meeting on admission of the Bank's shares and other securities to the stock market
- Submit proposals for profit distribution to the General Meeting of Shareholders
- Redemption of shares by the Bank as provided under the Georgian legislation
- Perform strategic supervision of risk management activities
- Approval of the risk appetite statement, conducting annual reviews
- Approval of the business continuity plan
- Authorization for conflicts or possible conflicts of interest and related party transactions within the limits established by the Bank
- Approval of policies, standards and procedures in respect to conflicts of interest and related party transactions
- Approval of structure, size and composition of the Board of Directors, including appointments and dismissal of its members
- Determining rights and obligations of members of the Board of Directors, monitoring and supervising their activities, requesting reports from the Board of Directors
- Approval of succession policy and succession planning for members of the Board of Directors
- Concluding the labor agreements and determining remuneration packages for members of the Board of Directors
- Approval of the regulatory framework for determining bonuses and/or additional benefits for employees, including for members of the Board of Directors of the Bank
- Approval of structure, size and composition of the Supervisory Board committees, including appointments and removals of the Supervisory Board committee members; reviewing reports of the Supervisory Board committees
- Election of the external auditors
- Appointment and dismissal of trade representatives (procurators)
- Appointment and dismissal of the Corporate Secretary
- Approval of transactions including but not limited to attraction of borrowings, granting lending and trade finance products, approval of loan restructuring, loan write-off, approval of acquisition and disposal of fixed assets and intangible assets, administrative expenses, cash limits, Implementation of equity investments in public and private companies in case the transaction is above the decision making and signatory authority limits of the Board of Directors
- Approval of the decision making and authority limits of the Board of Directors
- Securing borrowings or any other liabilities of the Bank or any third party, if they fall outside the scope of the regular economic activities of the Bank
- Approval of issuance of bonds
- Approval and amendment of the Bank's statute, framework and policy type of documents
- Determining and approving amount of minimum and maximum interest rates to be used with regard to credit recourses and deposits
- Determining and approving the terms and conditions to be used with regard to credit recourses and deposits to the Bank's employees
- Convening General Meetings, if deemed necessary for the interests of the Bank
- Supervision and representation of the Bank in case of conflict between the members of the Board of Directors
- Based on the decision of the General Meeting, procession of legal dispute against members of the Board of Directors on behalf of the Bank, submission of a claim against members of the Board of Directors without the decision of the General Meeting if the issue is related to the responsibility of members of the Board of Directors
- Supervising implementation of measures in accordance with results of examinations carried out by the External and Internal Audits, as well as the National Bank of Georgia
- Making a decision on such issues that are beyond the scope of the Board of Directors' powers
- Perform any other duties as required by the General Meeting

The Charter of the Bank did not change in 2018. The duties and responsibilities listed in the Article 7, Section 7.10 have not been delegated.

The Bank has introduced following definition of Independent Member in the Corporate Governance Policy.

DEFINITION OF INDEPENDENT SUPERVISORY BOARD MEMBER

All members of the Bank's Supervisory Board and the Supervisory Board committees should act independently when making decisions. It should not be permitted to take into consideration the private interests of a shareholder, customer, contractor, investor, or other related party when making business decisions. Members act independently if they effectively exercise their best judgment for the exclusive benefit of the Bank, judgment that is not clouded by real or perceived conflict of interest.

"Independent member" means a member, when he/she or his/her relatives, who are first and second legal heirs under the Civil Code of Georgia[1]:

1. Is not a relative of administrators of the Bank or of the Bank's related companies;
2. Is not a relative of the person(s), who directly or indirectly hold significant shares of the Bank or of the Bank's related companies;
3. Does not receive additional remuneration from the Bank other than fixed fee for membership of the Supervisory Board and the Supervisory Board committees;
4. Does not receive dividend for owning of the Bank's shares (owning less than 2% of the Bank's shares directly or indirectly);
5. During last two years, did not conduct business or did not have any other types of material business/commercial relationships[2] with the administrators of the Bank or the Bank's related companies;
6. During last two years, did not conduct business or did not have any other types of material business/commercial relationships[2] with the person who directly or indirectly holds significant shares in the Bank or in the Bank's related companies;
7. Does not have any kind of material liability (including financial one) towards the Bank, the Bank's administrators, the Bank's significant shareholder or any other type of material / financial interest (including property, investment) in the Bank or in the Bank's related companies (exception is the case when a person directly or indirectly holds 2% or less shares of the Bank or of the Bank's related companies);
8. During the past five years did not have professional or other kind of working relationship (including business services, etc.) with the Bank and with the Bank's related companies, with the administrators and significant shareholders (exception is the case when a person performs non-executive functions or occupies non-executive position);
9. Has not been employed by the Bank within the last five years other than as member of the Supervisory Board or Supervisory Board committees;
10. Is not related to a non-profit organisation that receives significant funding from the Bank or from the Bank's related companies;
11. Is not, nor in the past five years has been, related to a present or former auditor of the Bank or of a related party[3];
12. Has not served on the Supervisory Board for more than nine years since the date of his first election;
13. The Audit Committee members shall not be considered independent if they and/or their relatives, who are first and second legal heirs under the Civil Code of Georgia, have financial liability to the Bank[4].

The Corporate Governance Policy is available on PASHA Bank's website at **www.pashabank.ge**

{1} "I rank heir" – children (including adopted children), spouse and parents (including adoptive parents); "II rank heir" – siblings.
{2} shall be considered as relationships which can have noticeable financial impact on the Bank.
{3} related party - any person connected to the Bank such as administrators, shareholders and their relatives who represent I and II rank relatives under the Civil Code of Georgia, or persons related to them by business interests and/or any entity that controls, is controlled or is under common control with the Bank (example: Bank's subsidiary, parent or sister organizations).
{4} per article 16, paragraph 1 of the Law of Georgia on Commercial Bank Activities.

SUPERVISORY BOARD MEMBERSHIP CRITERIA

The Bank's Corporate Governance Policy sets the Supervisory Board membership criteria, according to which the Supervisory Board seeks members with extensive experience and expertise and a reputation for integrity. Members of the Supervisory Board should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon contributions they can make to the Supervisory Board and their ability to represent the interests of shareholders. The Supervisory Board will also take into account the diversity of a candidate's perspectives, background and other demographics. The Supervisory Board membership criteria and appointment process is also regulated by the Bank's Standard on Appointment of Administrators, which is developed in compliance with the Regulation on Fit and Proper Criteria for Administrators of Commercial Banks and sets requirements a candidate for the Supervisory Board Membership shall comply with.

In assessing the collective suitability of the Board, the following should be taken into account:

- A member of the Supervisory Board shall have the university education in one of the following fields: economics, finance, banking, business administration, audit, accounting, jurisprudence or other relevant education that enables them to perform their duties;
- A member of the Supervisory Board shall not be an administrator of other commercial bank registered in Georgia, except in case when he/she holds an administrator's position in a bank which is the subsidiary or the parent of the Bank;
- A member of the Supervisory Board shall not be a member of the Supervisory Board or the Board of Directors in more than 7 enterprises registered in Georgia;
- A member of the Supervisory Board shall not be the I or II rank relative of a member of the Board of Directors or the Supervisory Board of the Bank;
- A member of the Supervisory Board shall have the appropriate qualification and professional experience, the composition of the Supervisory Board should ensure a variety of mix of skills, knowledge and experience, which corresponds to the scale and complexity of the Bank's activities.

According to the Corporate Governance Policy, factors considered by the HR and Remuneration Committee and the Supervisory Board in its review of potential candidates include:

- Prominence in business, institutions or professions;
- Integrity, honesty and the ability to generate public confidence;
- Demonstrated sound and independent business judgment;
- Financial literacy and experience with financial institutions;
- Risk management experience;
- The professional experience required to contribute to the Supervisory Board committees;
- The ability to devote sufficient time to the Supervisory Board and committee work;
- Residency in and familiarity with the geographic regions where the Bank carries on business;
- The competencies and skills that the Supervisory Board considers each existing member to possess.

BOARD EFFECTIVENESS REVIEW: EVALUATION OF THE SUPERVISORY BOARD MEMBERS

The Supervisory Board conducts annual effectiveness review in order to evaluate the performance of the Supervisory Board as a whole, the Supervisory Board committees and of its individual members. Annual evaluations are internally facilitated. The performance evaluation process may differ from year to year but will normally take the form of a detailed questionnaire supplemented by individual interviews with members of the Supervisory Board and the Supervisory Board committees. The Chairman may hold private meetings with each member of the Supervisory Board to discuss the evaluation results and individual performance. The Chairmen of the Supervisory Board committees are responsible for the evaluation of their committees.

REVIEW AND ASSESSMENT OF BOARDROOM PRACTICES

The Supervisory Board periodically reviews the Supervisory Board and committees' structure, size and composition and assesses effectiveness of internal governance policies and practices.

After each Supervisory Board meeting, the Corporate Secretary conducts via an online questionnaire the survey of Boardroom Practices to determine the effectiveness of the existing boardroom culture in the Bank. With this survey the Supervisory Board members are given an opportunity to evaluate the Bank's preparation and performance levels of the Board meetings and to propose their suggestions for improvements, as well as to assess their and their colleagues' performances.

Due to the sensitivity of the information, the anonymity of each respondent is strictly protected.

The surveys for 2018 show that the general quality of boardroom practices - which, along with the performance level of boardroom participants, is reflected in the quality of prepared materials and the presentations on the issues discussed during the Board and the technical organization of the Board - was assessed as relatively satisfactory. The satisfaction level increased for the greater part during the last months of 2018, however, there still is a room for further improvements, including in the efficiency of boardroom scheduling and timing that the Bank plans to work on in the future.

CORPORATE GOVERNANCE ASSESSMENT

At least once a year, the Supervisory Board reviews the Bank's corporate governance assessment report prepared by the Corporate Secretary and either separately or as a part of these assessments, periodically reviews the effectiveness of its own governance practices and procedures, determines where improvements are needed and makes necessary changes

In 2017 the Board engaged ICSA The Governance Institute to conduct an externally facilitated corporate governance review. ICSA was asked to assess the extent to which JSC PASHA Bank Georgia complies with the corporate governance provisions of the UK Corporate Governance Code (the "Code"). In performing this task ICSA reviewed the comments and information provided by the Corporate Secretary. In order to understand the context for the Code, ICSA provided some further background and explanation, summarized what it considered to be the main findings in the report, explained the scope and limitations of the report and provided conclusions from the exercise. It was revealed that the Bank largely complies with procedural or structural provisions of the code, which are of real relevance to the Bank. However, they argued that having one or more truly 'independent' non-executive directors could be of considerable value in terms of diversity of opinion and constructive challenge. ICSA, The Governance Institute recommended that having one or more truly 'independent' non-executive directors could be of considerable value in terms of diversity of opinion and constructive challenge and suggested the Board to give thought to this suggestion, it also suggested to develop formal procedures on search, appointment, diversity (including gender diversity), succession planning, written terms of reference and capabilities required for particular appointments, etc., and to introduce formal and rigorous annual evaluation scheme for the board, its individual members, chairmen, committees and the individual members of committees.

On the basis of the proposed recommendations, the Bank has developed an action plan to correct the shortfalls in its corporate governance system and has implemented number of good corporate governance practices throughout the year of 2018.

Starting from 2019, the Supervisory Board will also be represented by two 'independent' non-executive directors.

MEETINGS OF THE SUPERVISORY BOARD

Throughout 2018 the Supervisory Board held 23 board meetings.

Supervisory Board
Members as of 31 December 2018

Name - Surname	Position	Date of Reelection	Other positions	Meetings attended/ eligible to attend	Attendance Rate
Mir Jamal Pashayev*	Board Member	22.10.2012	HR and Remuneration Committee Member	3/4	96%
Farid Mammadov	Board Chairman	01.06.2017	HR and Remuneration Committee Chairman; Risk Management Committee Member	22/23	96%
Jalal Gasimov	Board Member	19.10.2015	Strategy and Budget Committee Chairman; Risk Management Committee Chairman; HR and Remuneration Committee Member	21/22	96%
Cenk Eynehan	Board Member	17.09.2015		19/23	83%
Taleh Kazimov	Board Member	17.09.2015		12/23	52%
Shahin Mammadov**	Board Member	30.05.2018		13/16	81%

* Mr. Mir Jamal Pashayev stepped down from the position of the member of the Supervisory Board and the Supervisory Board committees in May 2018
**Mr. Shahin Mammadov was elected as a member of the Supervisory Board in May 2018.

AGENDA OF SUPERVISORY BOARD MEETINGS

Throughout the year the Supervisory Board has included in its agenda, reviewed and/or approved range of topics concerning corporate governance, operational and organizational risk management, strategic planning and budgeting, and different operational matters, such as approval of credit facilities, and etc.

Corporate governance related items

1. KPIs for members of the Board of Directors for the year 2018
2. Bonus pool for members of the Board of Directors and support staff for the year 2017
3. New composition of the Supervisory Board and of the Supervisory Board Committees
4. Review of IFRS interim condensed audited financial results
5. Review and recommend for approval by the General Meeting of Shareholders the annual audited financial statements together with independent auditor's report
6. Submit proposals for dividend distribution to the General Meeting of Shareholders
7. Appointment of the leading auditor
8. Review of Reports: Evaluation of the Bank's Corporate Governance Practices against UK Corporate Governance Code; Reports on Boardroom Practices of the Bank; Board Reporting Assessment
9. Approval of internal regulatory documents of the Bank: the Bank Related Party Standard, the Bank Related Party Identification Procedure, the Budgeting Policy, the Whistleblowing Procedure, the Corporate Governance Policy, the Code of Ethics, the Administrator Appointment Standard, the IFRS 9 Impairment Methodology, the Annual Bonus Calculation for Support Staff Methodology, the Bonus Calculation Methodology for Deputy Branch Managers, Senior Business Bankers and Business Bankers, the Benefit Package for Members of the Board of Directors Standard, the Decision Making and Signatory Authority Matrix, benefit schemes for the Bank's employees
10. Related party transactions
11. Review of legislative updates
12. Review of Whistleblowing Concerns Registry
13. Review of quarterly financial and other activities reports
14. Review of quarterly Supervisory Board committee reports
15. Review of quarterly reports on critical and high-risk audit findings
16. Review of the Compliance Reports

Risk management related items

1. Review of Risk Management Committee Reports
2. Approval of the Enterprise Risk Management Framework, the Risk Health Index, the Ratios and Terms Glossary, the Risk Appetite Statement, the Financial Institution Assessment and Classification Methodology
3. Approval of waivers for ratios of Risk Appetite Statement

Strategic Planning and Budget related items

1. JSC PASHA Bank Georgia's initiative regarding the strategy change
2. Budget 2019 of JSC PASHA Bank Georgia
3. Macroeconomic Overview of Georgia and Financial performance Overview
4. Macroeconomic and market projections of Georgia for FY 2019
5. Strategy and Budget Committee Reports
6. Office Space Strategy
7. Opening of retail branches

and other operational matters, such as approval of credit facilities.

The Schedule of Matters Reserved for the Supervisory Board Decision can be found on page 28.

THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established four committees under its mandate - the Audit Committee, the Strategy and Budget Committee, the HR and Remuneration and the Risk Management committee.

THE AUDIT COMMITTEE

The Audit Committee of JSC PASHA Bank Georgia was established by and is accountable to the Supervisory Board. The committee is a governing body that establishes and controls internal audit function and monitors the Bank's activities according to the applicable legislation. The committee has the overall responsibility for overseeing the Bank's systems of internal controls by establishing internal audit function. The committee also communicates with the Bank's external auditor and reviews annual and interim IFRS financial statements.

By bringing a systematic approach to the evaluation and improvement of risk management, internal control and governance processes, the committee monitors whether structural units and employees of the Bank follow the requirements of acting legislation.

The committee assists the Supervisory Board and the Board of Directors in ensuring the existence and adequacy of an effective internal control system in the Bank.

The members are appointed for a term of maximum four years, with their re-election not restricted.

The committee meetings should be held at least quarterly and may be held more often if required. During 2018 the committee held 13 meetings.

The decisions of the committee are taken by a simple majority of votes of the members presented at the meeting. Each member has one vote. In case the votes are equal, the vote of the Chairman is considered as decisive vote. Heads of the departments, external auditors or other persons may be invited to the committee meetings, if necessary.

Members on 31 December 2018 and Committee attendance

Name - Surname	Position	Date of Reelection	Meetings attended/ eligible to attend	Attendance Rate
Parvin Ahadzade	Committee Chairman, former committee member	08.06.2015	13/13	100%
Jamil Mammadov	Committee Member	17.10.2014	13/13	100%
Ramil Heydarov	Committee Member	13.01.2017	13/13	100%

For further information, you can view the Audit Committee Statute on the Bank's website at **www.pashabank.ge**

THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee of JSC PASHA Bank Georgia was established by the Supervisory Board in order to advise and assist the Supervisory Board in discharging its duties and responsibilities, to ensure that the processes and capabilities for identification, assessment, measurement, control, reporting and monitoring of risks are effective. The Committee monitors and ensures that the business of the Bank is conducted within the risk guidelines set by the Supervisory Board and that the risk management system is effective and achieves its purpose. The Committee provides information to the Supervisory Board on strategy formulation, requiring the Bank to manage risks within the Supervisory Board guidelines for risk appetite. The Committee reviews the risk management policy and strategy, and the findings of the Internal Audit Department regarding risk management. Furthermore, the Committee reviews the Bank's risk identification and assessment reports, the risk appetite and tolerance statement, the Business Contingency Plan and evaluates the effectiveness of mitigating strategies to address the material risks of the Bank.

The Committee meetings should be held at least quarterly. In case of necessity, additional, out-of-schedule, Committee meetings may be summoned extraordinarily.

Throughout the year of 2018, the Committee held 6 meetings during which various risk management issues were reviewed and, where appropriate, endorsed for the approval by the Supervisory Board. Among many others, the Committee agenda included risk management committee reports, updated and new internal regulatory documents such as: the Risk Appetite Statement, Enterprise Risk Management Framework, Risk Registry (preliminary and inherent risk score) and the analysis on outsourcing of probability risk assessment, IFRS 9 Impairment Methodology, Ratios and Terms Glossary, Risk Health Index, FI Assessment and Classification Methodology.

Members on 31 December 2018 and Committee attendance

Name - Surname	Position	Date of Reelection	Meetings attended/ eligible to attend	Attendance Rate
Jalal Gasimov	Committee Chairman	08.02.2016	6/6	100%
Kamala Nuriyeva	Committee Member	08.02.2016	6/6	100%
Elman Eminov	Committee Member	08.02.2016	4/6	67%
Farid Mammadov	Committee Member	02.10.2017	6/6	100%
Ruslan Mammadov*	Committee Member	30.04.2018	4/4	100%

* Mr. Ruslan Mammadov was elected as member of the Risk Management Committee in April 2018.

For further information, you can view the Risk Management Committee Statute on the Bank's website at **pashabank.ge**

THE STRATEGY AND BUDGET COMMITTEE

The Strategy and Budget Committee is established with the purpose to advise and assist the Supervisory Board in discharging its duties and responsibilities. The Committee provides assurance to the Supervisory Board with respect to preparation of the Bank's Business Plan in accordance with the strategy formulation process and on preparation of the annual budget in accordance with the budgeting process.

The Committee meetings should be held at least quarterly. In case of necessity, additional, out-of-schedule Committee meetings may be summoned extraordinarily.

Throughout the year the Strategy and Budget Committee held 5 meetings. Under the meetings' agendas the Committee reviewed and, where appropriate, endorsed for the approval by the Supervisory Board the range of topics concerning the Bank's strategy and budgeting processes, such as the initiatives regarding the strategy change, key challenges of current strategic period and the Bank's future prospects. It discussed number of reports regarding the status of the Bank's key strategic projects, analyzed reports on financial performance, peer group analysis, KPIs and Budget Execution reports, heard updates on Strategy Change Status Quo, reviewed Macroeconomic and Market overview report and the Bank's financial forecasts for 2020-2021. The Committee also endorsed for the Supervisory Board approval the Budget for 2019.

Members on 31 December 2018 and Committee attendance

Name - Surname	Position	Date of Reelection	Meetings attended/ eligible to attend	Attendance Rate
Jalal Gasimov	Committee Chairman	08.02.2016	5/5	100%
Sarkhan Aliyev	Committee Member	08.02.2016	5/5	100%
Elman Eminov*	Committee Member	30.04.2018	2/3	67%
Ulvyya Abbasova*	Committee Member	30.04.2018	3/3	100%
Vugar Akhundov*	Committee Member	30.04.2018	3/3	100%

* Elected as members of the Strategy and Budget Committee in April 2018

For further information, you can view the Strategy and Budget Committee Statute on the Bank's website at **pashabank.ge**

THE HR AND REMUNERATION COMMITTEE

The HR and Remuneration Committee is established with the purpose to provide to the Supervisory Board preliminary examinations and recommendations with respect to priority tasks of the human resources management and remuneration policies. Notably, the committee reviews the remuneration policy, grading system, recruitment, retention and termination policies as well as proposals to the Supervisory Board with respect to the approval of candidates to the position of Member of the Board of Directors. At least once a year, the Committee, together with the Risk Management Committee, reviews the remuneration process and evaluates the effectiveness of the remuneration system.

The Committee meetings should be held at least quarterly. In case of necessity, additional, out-of-schedule, Committee meetings may be summoned extraordinarily.

Throughout the year the HR and Remuneration Committee held 4 meetings. Under its meeting agenda, the Committee reviewed and, where necessary, endorsed for the subsequent approval by the Supervisory Board the number of issues, including HR activities' reports, the presentation on Main Job clusters, the results of Satisfaction Survey conducted among the Bank's employees, updated KPIs for 2018 for the Board of Directors, the Bank's new internal documents regarding the methodology of bonus calculation for different employee ranges: support staff, deputy branch managers, senior business bankers and business bankers, and the internal standards on benefit packages. It also endorsed for further approval HR Budget for 2019.

Members on 31 December 2018 and Committee attendance

Name - Surname	Position	Date of Reelection	Meetings attended/ eligible to attend	Attendance Rate
Jalal Gasimov	Committee Member	08.02.2016	4/4	100%
Ayten Abbasli	Committee Member	08.02.2016	4/4	100%
Farid Mammadov*	Committee Chairman	30.04.2018	3/3	100%

* Mr. Farid Mammadov was elected as member of the HR and Remuneration Committee in April 30, 2018.

For further information, you can view the HR and Remuneration Committee Statute on the Bank's website at **pashabank.ge**

THE BOARD OF DIRECTORS

The day-to-day operational management of the Bank is carried out by full-time executives, members of the Board of Directors. The Bank's Board of Directors comprises of three directors - Chief Executive Officer, Chief Commercial Officer and Chief Financial Officer. The directors are appointed by the Supervisory Board for a fixed term, typically for four-years which may then be renewable at the end of each four-year period. The position and the scope of activity of each member of the Board of Directors has been determined upon appointment of the respective member.

According to the Bank's Charter and the Board of Directors Statute, the following activities shall be performed by the Board of Directors:

- Carry out the Bank's day-to-day business operations;
- Take all reasonable measures to have up to date information on the financial standing of the Bank and make informed decisions on any matter concerning the operation of the Bank; in co-operation with the other functional units of the Bank, the Board of Directors shall ensure maintenance of the Banks solvency and liquidity and shall also ensure that all measures required for this purpose are taken;
- Develop the corporate strategy, strategic objectives, business plan, annual budget and submit it to the Supervisory Board for approval;
- Present to the Supervisory Board and to the General Meeting of Shareholders audited financial statements together with Independent Auditors Report;
- Submit to the Supervisory Board for approval transactions that go beyond the scope of corporate strategy and strategic objectives, business plan and the budget (non-standard transactions);
- Report on delivery of performance against the corporate strategy and strategic objectives, business plan and budget to the Supervisory Board;
- Approve day-to-day operational banking activities including attraction of borrowings, granting lending and trade finance products, approval of loan restructuring, approval of acquisition and disposal of fixed assets and intangible assets, administrative expenses, cash limits, implementation of equity investments in public companies and sign respective agreements within its decision making and signatory authority limits as approved by the Supervisory Board in Decision Making and Signatory Authority Matrix;
- Approve all kinds of technical assistance, service and purchase agreements and know-how;
- Supervise units and/or departments of the Bank, ensuring that the Bank provides proper service to its customers;
- Solve the issues of the collateral seizure and take other appropriate measures to protect the Bank against losses;
- Take all reasonable measures to have up to date information on the financial standing of the Bank and make informed decisions on any matter concerning the operation of the Bank; in co-operation with the other governing bodies

of the Bank, ensure maintenance of the Bank's solvency and liquidity and ensure that all measures required for this purpose are taken;
- Ensure existence of a proper system of risk control in the Bank in accordance with requirements of Georgian legislation;
- Prepare complete and accurate annual, semiannual, quarterly reports and other financial information;
- Prepare and submit proposals and draft resolutions, reports and any other information or documentation requested by or to be presented to the Supervisory Board or the General Meeting of Shareholders;
- Review information provided by internal or external audit of the Bank, the Audit Committee as well as any expert and/or advisor engaged by the Bank, as well as reports submitted by the managers of the Bank and take appropriate decisions;
- Approve and amend internal regulatory documents of the Bank except those related to privileges of the Supervisory Board;
- Develop internal regulatory documents of the Bank and submit them for the approval to the Supervisory Board;
- Develop and submit for approval to the Supervisory Board the Code of Ethics including whistleblowing procedures;
- Develop and submit the organizational structure of the Bank for approval to the Supervisory Board;
- Approval of structure, size and composition of committees of the Board of Directors, including appointments and removals of the committee members; reviewing reports of the committees;
- Approve job descriptions for the managerial positions, work schedules, collective labor agreements;
- Decide on appointment, dismissal and remuneration of the employees of the Bank, except of members of the Board of Directors, determine any other matter related to the employees of the Bank;
- Recommend and submit for approval to the Supervisory Board the bonus pool for employees of the Bank, except of bonus amount to be disbursed to front-office function;
- Approve disbursement of bonus amount to front-office function;
- Monitor compliance with the legislation, internal normative documentation and implementation of resolutions of the
- General Meeting of Shareholders and the Supervisory Board;
- Execute and implement resolutions rendered by the Supervisory Board and the General Meeting of Shareholders;
- Perform any other duties imposed by the Supervisory Board and the General Meeting of Shareholders.

The Board of Directors is led by the Chairman of the Board of Directors, who at the same time serves as the CEO of PASHA Bank.

The decisions of the Board of Directors are adopted by a simple majority of votes.

Nomination Process. The Supervisory Board is responsible to develop and present for approval to the General Meeting of Shareholders a formal, rigorous and transparent procedure for the appointment of the directors. The procedure of identifying candidates shall be transparent, so that the shareholders would be able to see what type of person the Bank is looking for and why a particular individual is appointed. The search for new members of the Board of Directors is conducted by the HR and Remuneration Committee of the Supervisory Board. The Chairman of the Supervisory Board and members of the HR and Remuneration Committee interview the candidate, before their appointments are recommended to the Supervisory Board for approval. The HR and Remuneration Committee is responsible for considering succession planning for the directors and conduct an annual review of succession planning and propose changes to the process as necessary.

The Board of Directors membership criteria and appointment process is regulated by the Bank's Standard on Appointment of Administrators. The Bank's director's appointment process is in compliance with the banking regulations and contain similar criteria and limitations for the membership of the Board of Directors.

Committees of the Board of Directors

According to the Board of Directors Statute, the Board of Directors may establish standing and/or ad hoc committees, which shall have the obligation of fulfilling the duties determined by the latter. The Board of Directors approve committee statutes, committee size and composition, including appointments and removals of the committee members.
The Board of Directors shall be collectively responsible for decisions made and activities implemented by the committees. The committee shall only exercise such powers that are explicitly attributed or delegated to it and its actions as a whole shall not exceed powers of the Board of Directors.
Periodically the Board of Directors shall receive a report from each committee of its deliberations and findings.
There are currently three committees supporting the Board of Directors:

Credit Committee

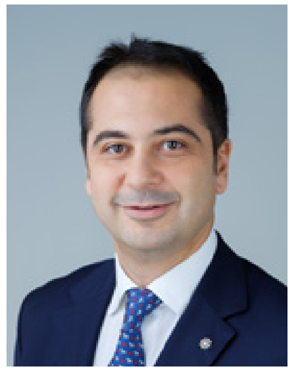
The committee was established to assist the Board of Directors in discharging its duties and responsibilities in specific areas of business activities, the committee monitors credit risk related issues, approves individual or group of credits, or other credit products within the delegated authorities, issues recommendations regarding individual or group of credit exposures, issues recommendations regarding credit risk management, monitors loan portfolio, trade finance portfolio, investment portfolio and collateral portfolio, manages problem loans and ensures the adequacy of loan loss allowance.
The committee has a statute regulating its activities and containing provisions on the scope of authority, competencies, composition, working procedures, as well as its rights and responsibilities.
The committee is composed of five members and includes all executive directors of the Bank.

IT Committee

The committee was established to assist the Board of Directors in discharging its duties and responsibilities in specific areas of business activities, the committee develops the Bank's strategic development plan in terms of the development of the information technologies, defines the appropriateness of IT projects, discusses the impact of business decisions on those projects and monitors their implementation, discusses global problems of IT-based banking activities, discusses periodically the problems that arise in IT service business environment, the impact of IT-based initiatives put forward by the structural units and the application of new IT initiatives, monitors the information systems and other advanced automation in order to ensure their continuous operation, ensures and monitors IT systems fail-safety and data security in the Bank, ensures the development of the Bank's IT and information security policies, guidelines, rules and procedures, reviews periodically the Bank's IT strategy and its tactical plans.
The committee has a statute regulating its activities and containing provisions on the scope of authority, competencies, composition, working procedures, as well as its rights and responsibilities.
The committee is composed of seven members and includes Chief Executive Officer of the Bank.

Assets and Liabilities Committee

The committee was established to assist the Board of Directors in discharging its duties and responsibilities in specific areas of business activities, the committee works to implement the practices of managing the Bank's assets and liabilities in terms of interest rate risks, liquidity risks and market risks. The assets and liabilities management of the Bank is based on policies, providing guidelines on risk appetite, revenue targets and rates of return, as well as risk management. The areas covered include capital ratios, liquidity, asset mix, rate settings for loans and deposits, and investment guidelines for the banking portfolio. The key objectives of the committee include maintaining liquidity positions, capital ratios at the planned minimum, and ensuring safety of the deposit base, maintaining asset and liability mix generating satisfactory revenue stream to satisfy profitability targets.
The committee has a statute regulating its activities and containing provisions on the scope of authority, competencies, composition, working procedures, as well as its rights and responsibilities.
The committee is composed of five members and includes all executive directors of the Bank.



Arda Yusuf Arkun

CEO, Chairman of Board of Directors

Mr. Arkun graduated from Hamilton College, New York in 1998 with a double major in Economics and Mathematics. He is also an alumnus of Robert College, Istanbul.
Mr. Arkun joined JP Morgan's Mergers and Acquisitions team as an analyst in 1998 focusing on Natural Resources and Power industries.
In 2001, Mr. Arkun moved to London, UK and started to work for Inquam Limited, private equity company in telecommunications sector, as a manager in the business development team.
In 2005 Mr. Arkun joined Zapp Mobile (Inquam's subsidiary in Romania) as the Director of Business Development, Marketing and Strategy. He led the transaction to sell Zapp Romania to Cosmote in 2009. After the sale of Zapp Romania, Mr. Arkun was retained by Cosmote as the Strategy advisor to the CEO.
Mr. Arkun moved to Baku, Azerbaijan in 2010 as the Director of Strategy and Business Development at Capital Resources Advisors. He also served on the Board of Directors of Nar Mobile, B&B TV and Aimroc. Mr. Arkun became the CEO of Aimroc, largest mining company in Azerbaijan, in 2014. He led the transaction of selling Aimroc to Azergold in 2017.
Mr. Arkun joined PASHA Holding as an advisor in August 2017.
Mr. Arkun has been appointed as CEO, Chairman of Board of Directors of JSC PASHA Bank Georgia from February 1st, 2018.

George Japaridze

Member of the Board of Directors, CCO

George (Goga) Japaridze graduated from Tbilisi State University in 1996 with a Bachelor of Science degree in Biology. He went on to receive an MBA from Hofstra University's Zarb Business School in 2002. In 2016, he enrolled in and in 2017 graduated from Harvard Business School's Personal Leadership Development Executive Education Program.
Mr. Japaridze began his banking career in 2003 as an associate at Galt and Taggart Securities, the investment banking subsidiary of Bank of Georgia, before taking on the role of senior equity banker at Bank of Georgia in 2005. He held the position of principal banker at the EBRD's private equity facility from 2006 to 2011. He then moved to the role of Head of Corporate Banking at Bank Republic Société Générale Group.

Mr. Japaridze joined JSC PASHA Bank Georgia as CCO in January 2014. Since April 2015, he also became a member of the Board of the Directors at PASHA Bank.

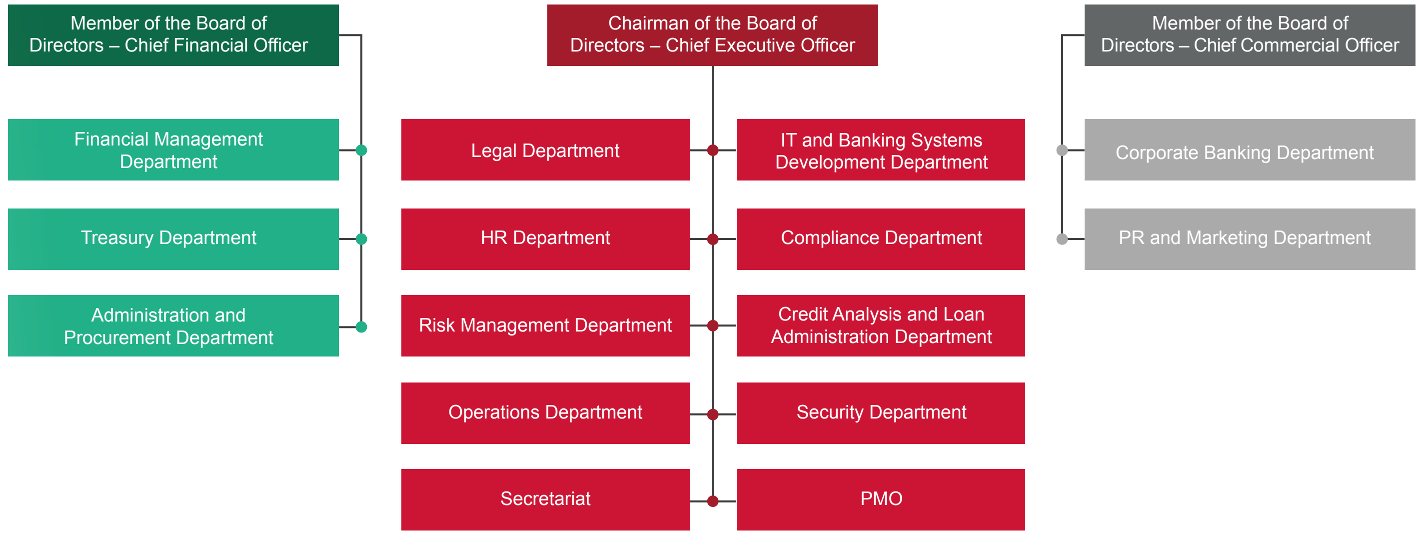
Chingiz Abdullayev

Member of the Board of Directors, CFO

Chingiz Abdullayev obtained his bachelor's degree in Business Administration from the Western University of Baku, Azerbaijan, in 1999, and a Master's degree in Finance from the State Economic University of Azerbaijan in 2005.
He started his career at Baku Stock Exchange as the Head of the Listing Division in 2000. In 2003, he joined the Assurance & Advisory Service of Deloitte and for the following 10 years worked at senior positions with KPMG Russia, Moore Stephens CIS and RSM Georgia with a major focus on financial institutions, energy, trade and other industry sectors.

Chingiz Abdullayev joined JSC PASHA Bank Georgia in 2014 as Head of the Financial Management Department. Since January 13, 2016, Mr. Abdullayev has been CFO and a Member of the Board of Directors.

Reporting line to the members of the Board of Directors is shown on the chart below.



INTERNAL AUDIT DEPARTMENT

The Internal Audit Department of JSC PASHA Bank Georgia is responsible for providing a regular, independent, objective audit of the Bank's risk management, internal control and corporate governance processes. The main objective of the Department is to add value and ensure the improvement of the Bank operations.

The Internal Audit Department is independent of the Bank's management and is reportable directly to the Audit Committee.

The Internal Audit Department Statute, that was revised and approved on 13 October 2017, describes matters related to the Department's purpose, rights and duties, scope of activities, reporting and independence.

The Internal Audit Policies and Procedures Manual approved by the Audit Committee on 26 September 2014 defines a set of comprehensive policies, methodology, procedures and guidance for performing risk based and value-added audits.

The Annual Audit Plan that is based on a documented risk assessment is reviewed and approved by Audit Committee.

Audit findings are communicated to the Audit Committee on a monthly basis.

The department's budget and compensation are determined by the Supervisory Board based on the proposal of the Audit Committee.

The Head of the Internal Audit Department is appointed by the Bank's Supervisory Board based on the nomination and consent of the Audit Committee. All other employees are appointed by the Head of the Department which is agreed with the Audit Committee.

SCHEDULE OF MATTERS RESERVED FOR THE BOARD DECISION

Specific decision-making limits are approved by the Supervisory Board and shown in the Bank's Decision Making and Signatory Authority Matrix

	Duties and Responsibilities	Quorum Required
1.	Strategic supervision and control of the Bank;	N/A
2.	Approval of the corporate strategy and strategic objectives, review of delivery of the strategy and performance against strategic objectives and operational plans;	simple majority
3.	Approval of the business plan, review of delivery of the performance against the business plan;	simple majority
4.	Approval of the annual budget, review of delivery of performance against the annual budget;	simple majority
5.	Initiation of new banking/commercial activities and termination or suspension of existing activities;	simple majority
6.	Establishment and liquidation of new enterprises, branches;	simple majority
7.	Acquisition and disposal of shares in other companies;	simple majority
8.	Approval of the organizational structure;	simple majority
9.	Approval of the Code of Ethics and whistleblowing procedures;	simple majority
10.	Rendering resolutions for implementation of the decision of the General Meeting of Shareholders on admission of the Bank's shares and other securities to the stock market;	simple majority
11.	Declaring an interim dividend and recommending a final dividend;	simple majority
12.	Redemption of shares by the Bank as provided under the Georgian legislation;	simple majority
13.	Perform strategic supervision of risk management activities;	N/A
14.	Approval of the risk appetite statement, conducting annual reviews;	simple majority
15.	Approval of the business continuity plan;	simple majority
16.	Authorization for conflicts or possible conflicts of interest and related party transactions;	simple majority
16.1.	Transactions with related legal entities;	simple majority
16.2.	Transactions with related persons;	simple majority
16.3.	Agreements with related legal entities;	simple majority
16.5.	Approval of cash covered credit products (including trade finance products) to the related party;	simple majority
17.	Approval of policies, standards and procedures in respect to conflicts of interest and related party transactions;	simple majority
18.	Approval of structure, size and composition of the Board of Directors, including appointments and dismissal of its members;	simple majority
19.	Determining rights and obligations of members of the Board of Directors, monitoring and supervising their activities, requesting reports from the Board of Directors;	simple majority
20.	Approval of succession policy and succession planning for members of the Board of Directors;	simple majority
21.	Conclude the labor agreements and determine remuneration packages for members of the Board of Directors;	simple majority
22.	Approval of the regulatory framework for determining bonuses and/or additional benefits for employees, including for members of the Board of Directors of the Bank;	simple majority
23.	Approval of structure, size and composition of the Supervisory Board committees, including appointments and removals of the Supervisory Board committee members; reviewing reports of the Supervisory Board committees;	simple majority
24.	Election of the external auditors;	simple majority
25.	Appointment and dismissal of trade representatives (procurators);	simple majority
26.	Appointment and dismissal of the Corporate Secretary;	simple majority
27.	Attraction of borrowings by the Bank;	simple majority
28.	Securing borrowings or any other liabilities of the Bank or any third party, if they fall outside the scope of the regular economic activities of the Bank;	simple majority
29.	Granting lending and trade finance products (by amount; by maturity);	simple majority
30.	Sale of credit asset, disregard of its amount, if: - It is a collective sale (sale of more than one credit asset at once) of credit assets; - The Bank will receive loss from the sale of credit asset, and - the sale is above the decision-making limits of the Board of Directors;	simple majority
31.	Approval of loan restructuring;	simple majority
32.	Approval of loan write-off;	simple majority
33.	Approval of acquisition and disposal of fixed assets and intangible assets;	simple majority
34.	Approval of issuance of bonds;	simple majority
35.	Approval of administrative expenses;	simple majority
36.	Approval of cash limits;	simple majority
37.	Implementation of equity investments in public companies;	simple majority
38.	Implementation of any equity investments in private companies;	simple majority
39.	Approval and amendment of the Bank's statute, framework and policy type of documents;	simple majority
40.	Determining and approving amount of minimum and maximum interest rates to be used with regard to credit recourses and deposits;	simple majority
41.	Determining and approving the terms and conditions to be used with regard to credit recourses and deposits to the Bank's employees;	simple majority
42.	Convening General Meetings, if deemed necessary for the interests of the Bank;	simple majority
43.	Supervision and representation of the Bank in case of conflict between the members of the Board of Directors;	simple majority
44.	Based on the decision of the General Meeting, procession of legal dispute against members of the Board of Directors on behalf of the Bank, submission of a claim against members of the Board of Directors without the decision of the General Meeting if the issue is related to the responsibility of members of the Board of Directors;	simple majority
45.	Supervising implementation of measures in accordance with results of examinations carried out by the External and Internal Audits, as well as the National Bank of Georgia;	simple majority
46.	Making a decision on such issues that are beyond the scope of the Board of Directors' powers;	simple majority
47.	Perform any other duties as required by the General Meeting.	simple majority

REMUNERATION POLICY FOR DIRECTORS

Remuneration policy of JSC PASHA Bank Georgia ensures fair approach and competitive compensation for key management personnel and all employees of the Bank.

JSC PASHA Bank Georgia defines key management personnel as members of the Supervisory Board and the Board of Directors.

The Supervisory Board consists of five members. Biographies of the Supervisory Board members are provided on page 9.

The Board of Directors consists of three members - Chairman of the Board of Directors, Chief Commercial Officer and Chief Financial Officer. Biographies of the Board of Directors members are provided on page 26.

In addition, according to the Article 6, Section 6.11, Subsection 6.11.7: The General Meeting of Shareholders reviews and makes resolutions on the following issues - election and dismissal of members of the Supervisory Board, determine the remuneration of its members and conclusion of contracts with them.

According to the Article 7, Section 7.9, Subsection 7.9.1: Objectives and the competence of the Supervisory Board include the following - appointment and dismissal of the member of Board of Directors, except for the initial appointment of the member of Board of Directors pursuant to Section 6.11.8 of the Charter; concluding the agreements with the member of Board of Directors, determining their remuneration and working conditions.

Supervisory Board members, apart from the Chairman of the Supervisory Board, are not remunerated. Remuneration of the Chairman of the Supervisory Board consists of monthly fixed pay only.

Remuneration of members of the Board of Directors consists of two components – fixed pay (salary) and variable pay (bonus). The variable pay is based on the results of the Board of Directors members' performance as a team, although also includes individual assessment components. Compensations consist of only monetary component.

The remuneration system for the members of the Board of Directors is set by the Supervisory Board based on the principles of fairness and transparency. The risks associated with management remuneration affect every aspect of the Bank's business, including financial performance, culture, operations, reputation, and governance. To mitigate these risks the Supervisory Board has been committed to maintaining the management remuneration system that ensures strategy alignment, is based on the clear performance matrix and is appropriately governed.

Bonus eligibility

The Bank's Board of Directors is eligible for annual bonuses only in the case of the 75% realization of the annual budgeted net profit amount. The gross bonus amount is calculated based on the following KPIs and their respective weights:

KPI	Weight
Behavioral KPIs	10%
Performance KPIs	85%
Shared Group KPIs	5%

Behavioral KPIs

Behavioral KPIs are the 360-degree assessment of the Board of Directors members' emotional and social Intelligence as the capacity for recognizing their own feelings and those of others, for motivating themselves and for managing emotions effectively in themselves and in others. It describes the behaviors that sustain people in challenging roles, or as their careers become more demanding, and it captures the qualities that help people deal effectively with change.

Performance KPIs

- Interest bearing assets concentration ratio – 20% weight;
- Share of related legal entities funding ratio – 20% weight;
- Trade finance business development ratio – 15% weight;
- NPL ratio – 20%;
- Number of open high-risk internal auditors' findings – 5% weight;
- Launch of installment cards – 20% weight;

Bonus calculation

Each member of the Board of Directors is entitled to a base bonus adjusted depending on the performance, assessed through the KPIs above.

The base bonus is either equal to a % of net profit or a multiple of the Board of Directors' member's monthly gross salary.

The adjustment to the base bonus is calculated based on the following table:

Level of achievement	Score of achievement	Adjustment to Base bonus in %
Exceeds expectations	4.26-5.00	110
Meets expectations	3.00-4.25	100
Almost as expected	2.76-2.99	80
Below expectations	1.75-2.75	60
Extremely below expectations	0.00-1.74	40

RISK AND CONTROLS

The Bank is committed to developing sound, effective and complete risk management strategies and processes in order to assess and maintain, on an on-going basis, the amount, type and distribution of internal capital that the Bank considers adequate to cover the nature and level of the risks to which it is or might be exposed.

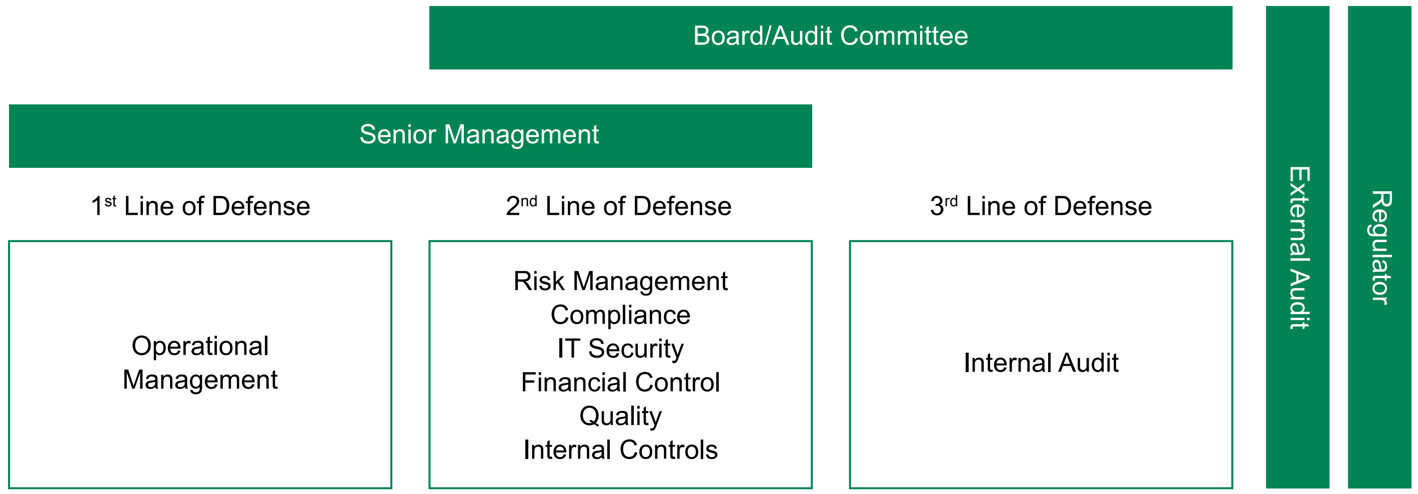
The strategies and processes are subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the Bank's activities. Risk management helps to identify, assess, and manage risks stemming from the Bank's strategy.

The most significant causes of value destruction are embedded in the possibility that the strategy does not support the Bank's mission and vision, and implications from the strategy. Risk management enhances strategy selection. Choosing a strategy calls for structured decision-making that analyses risks and aligns resources with the Bank's mission and vision. Risk management strategy supports the Bank's mission and vision and eliminates the possibility that the Bank may not realize its mission and vision, or may compromise its values, even if a strategy is successfully carried out.

Risk management considers the possibility that the strategy is not aligned with the Bank's mission and vision, or the implications from the strategy chosen. The Supervisory Board and the Board of Directors determine if the strategy works in tandem with the Bank's risk appetite, and how it will help drive the Bank to set objectives and ultimately allocate resources efficiently.

The risk management strategy is derived from the business strategy. All factors of the business strategy are taken into account for the purpose of risk profile analysis. The Bank manages risks following the model of Three Lines of Defence that provides an effective way to enhance communication on risk management and control by clarifying essential roles and duties. The Three Lines of Defence model enhances clarity regarding risks and controls and helps to improve the effectiveness of risk management systems. The Three Lines of Defence model distinguishes among three groups (or lines) involved in effective risk management:

- Functions that own and manage risks;
- Functions that oversee risks;
- Functions that provide independent assurance.



The business lines and operations units execute the activities that create and prevent risk. The first line owns and manages risks and controls through policies, procedures, and monitoring processes within the daily operations that help prevent or mitigate risks. Works collaboratively with the second line to address improvements required to enhance controls and mitigate risks.

The control functions in an organization are carried out by Security, Risk Management, Compliance and Legal support by monitoring and facilitating the implementation of effective risk management practices by operational management and assisting the risk owners in reporting adequate risk related information.

The second line is an oversight function operating under the direction of senior management.

The third line of defence, internal auditors, provide the Board of Directors and senior management with comprehensive assurance from the position of the highest level of independence and objectivity within the organization. This high level of independence is not available in the second line of defence. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.

Risk Appetite

The Risk Appetite setting process seeks to enhance the risk management capabilities of the Bank to ensure better alignment of risk-taking with strategic objectives. Risk appetite objectives define the level of risk that the Bank is willing to accept, provide opportunities for maximization of the value within boundaries, establish systematic control of risks, and enable timely mitigation.

The Risk Appetite Statement (RAS) resides at the heart of an effective risk management program and is linked to the Bank's overall risk management philosophy and strategic ambition. The objective of developing a clearly articulated RAS is to explicitly define the level and nature of the risks that the Bank is willing to take in order to pursue its stated mission on behalf of its shareholders, subject to constraints imposed by shareholders, debt holders, regulator, and other stakeholders. With an RAS in place, the Bank can define specific tolerances around its performance, and in doing so, link its risk management processes to the overall management processes.

General principles of risk taking and risk management set out by the Bank are as follows:

- Prudent risk-taking with comprehensive risk assessment and control environment;
- Application of best practices in line with the complexity and size of the Bank;
- Direct risk management considerations into business planning and project development activities;
- Compliance with the requirements of NBG and guidelines from the Bank's shareholders.

The general principles of risk-taking have to be reflected in all rules and policies and applied consistently throughout the Bank.

In order to set up objective criteria to measure the exposure to relevant risk factors, risk policies are represented by numerical targets/limits within the Bank's risk appetite framework.

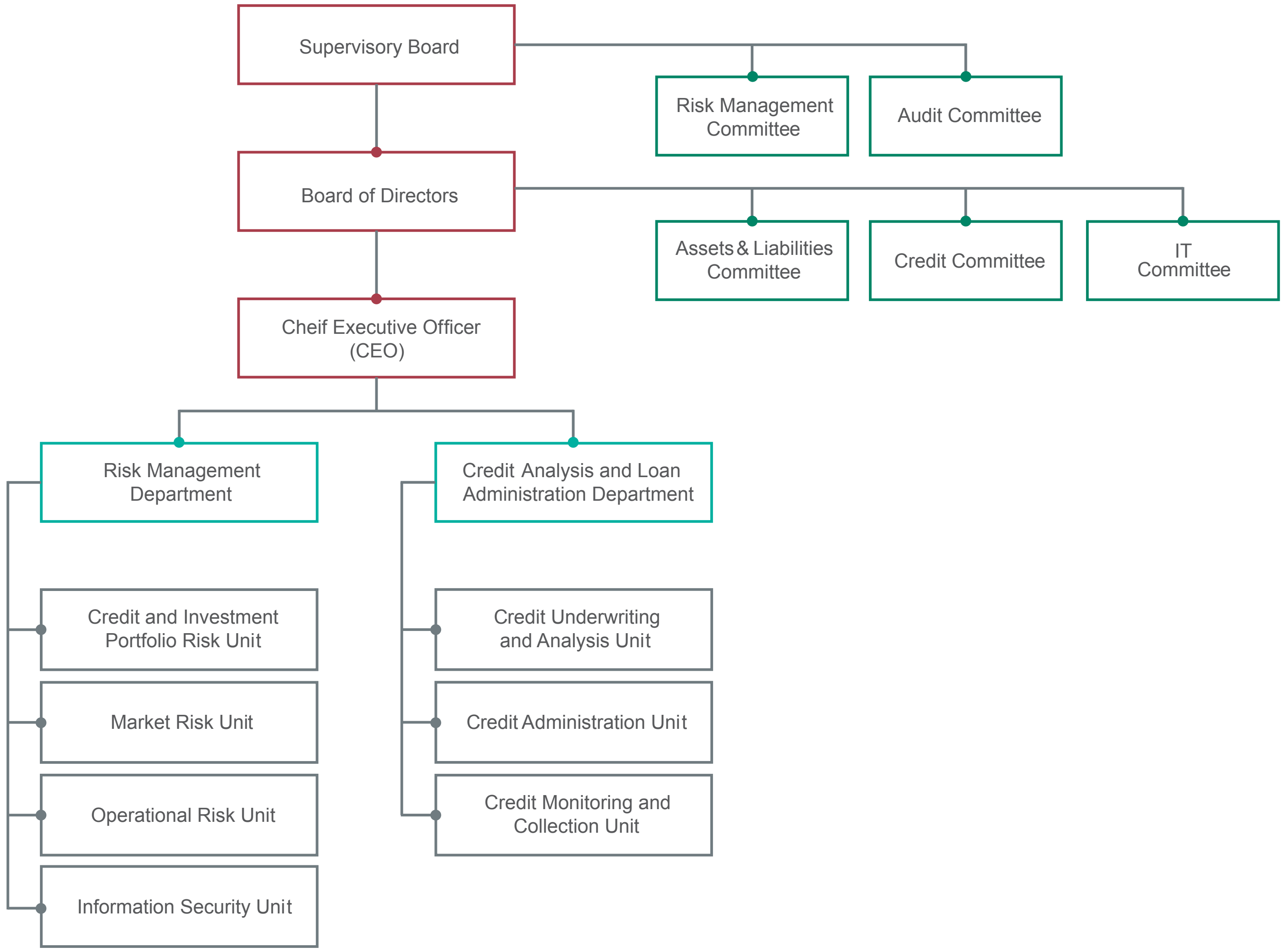
The Bank develops the risk appetite framework based on its business and risk strategy.

The RAS includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures, as appropriate. It also addresses more difficult to quantify risks, such as reputation, money laundering and financing of terrorism risks, as well as business ethics and conduct.

The credit risk appetite is defined by the Credit Policy. The credit risk appetite represents the maximum credit risk level that the Bank is able and willing to accept in order to achieve its business objectives. It contains the following elements:

- Profitability is a key objective, but credit standards must not be compromised in the pursuit of operating income. A well-balanced and high-quality credit portfolio is of the highest priority.
- Where borrowing is classed as prohibited, there is no appetite to pursue this type of business, and any exceptions in this category must be referred to the Supervisory Board. The list below demonstrates an excerpt from RAS of PASHA Bank:
  - Capital/solvency – the Bank will operate with a sufficient and comfortable capital base, not only to fulfil regulatory requirements, but to protect the Bank against potential shocks without hindering the growth potential. The Bank will regularly run stress tests to ensure its capital remains adequate.
  - Profitability/earnings volatility – the Bank aims to maximize its risk-return profile over a long-term period and ensure stability in earnings over the years.
  - Liquidity – the Bank will ensure abundant levels of liquidity to survive a severe short term and medium-term market-wide liquidity stress event and promote diversified and stable funding sources.
  - Credit risk – the Bank aims to keep a well-diversified loan portfolio that delivers positive net income at a consolidated level even during severe but realistic stress events. To do so, the Bank maintains consistent underwriting standards depending on its risk appetite, not on the market opportunities; the Bank applies appropriate concentration limits and runs tight monitoring systems.
  - Market risk – the Bank will ensure to keep its Value at Risk at a desired level, including the VaR under stress scenarios. The Bank will keep its currency position under review at all times to be able to hedge against potential devaluations.
  - Operational risk – the Bank strives to minimize all potential losses stemming from processes, information technology and human resources. To achieve this goal, the Bank tracks operational losses on a daily basis and has minimal tolerance to them.
  - Regulatory risk – the Bank will ensure that the number of open regulatory findings and number of new legal matters will be maintained on an acceptable level.
  - Reputational risk – the Bank has minimal tolerance for headline risk associated with unacceptable business practices, privacy breaches and internal fraud.

Organizational Structure of Risk Management function



The main roles and responsibilities for key stakeholders in the Bank's Risk Management Process are as follows:

Supervisory Board

- Approve the Bank's risk appetite statement and risk management policies;
- Perform risk oversight to incorporate consideration of risk in strategic decision making and to address risk interactions across business units.

Board of Directors

- Assume overall responsibility and accountability for risk management function;
- Ensure a proper balance between risk and return, consistent with the Bank's risk appetite;
- Make available the necessary resources to meet the risk management objectives and targets;
- Maintain commitment to improving risk management performance.

Risk Management Committee

- Review risk management policies, the risk governance model, risk tolerances, impact and likelihood scales, and heat map risk-rating boundaries;
- Accept the risk assessments, issue directives for risk treatment to maintain risk levels within the defined tolerance thresholds and accept risk treatment options;
- Ensure that appropriate processes and capabilities are in place to identify, assess, measure, manage, monitor, and report risks.

Risk Function

- Develop, implement and administer the risk management (RM) program. This entails developing and maintaining RM policies, identifying key risks to be reported at the corporate level, coordinating risk management processes and procedures, tools, and information systems, risk analysis and risk treatment with risk owners, calculating the overall integrated risk portfolio, reporting on corporate risks and the risk portfolio to the Risk Management Committee, monitoring adherence to the risk management program, and improving the risk management capability of the enterprise through communication and training;
- Establish RM communication at all levels. Gather data and develop risk reports for the Risk Management Committee and others as directed by the Risk Committee;
- Provide professional advice on RM. Provide advice and direction on current and developing RM practices, make recommendations, and implement mandated improvements;
- Analyse RM metrics and report performance. Quantify and prioritize risks, validate decision-making analytics, assumptions and methodologies, report risks and ensure that information presented for decision-making and reporting is complete and correct;
- Deploy and maintain quantitative tools and models that assist in estimating the likelihood and severity of risk events such as an event tree model;
- Facilitate the identification, measurement, monitoring and reporting of risks;
- Design/revise the RAS in accordance with the Group RAS;
- Cascade the RAS down to different levels in the organization (i.e. define the "playing field" for units);
- Continuously review/report limit status/breaches and take proactive measures to avoid RAS breaches; In case of RAS breaches, propose and execute a mitigation plan;
- Ensure incentives across the Bank are in line with the RAS;
- Ensure alignment of risk appetite, strategy and capital allocation within the Bank (including budgeting and business planning cycles);
- Assess risk culture at different levels of the Bank.

Risk Types Management And Capital Allocation

Credit Risk

Credit risk refers to the threat of losses that impacts the Bank's profitability and capital position and arises from the non-performance of contractual obligations by the counterparties or from performance that is not compliant with contract conditions.

The Credit Policy and the Credit Standard of the Bank regulate lending process and contain the credit risk management principles and actions to mitigate risks inherent to lending activities. The primary objectives of the Credit Policy are to:

- Protect the Bank from excessive losses from credit activities;
- Define the basic principles of planning and organizing credit activities and building the desired loan portfolio;
- Ensure safe and efficient allocation of the Bank's capital.

The Bank follows the key principles listed below in order to realize its credit policy objectives:

- Segregation of duties: responsibilities must be strictly divided between the back office and the front office;
- Four-eye principle and the principle of prevention of conflict of interests is to be adhered to at all stages of the credit cycle;
- Risk-awareness during the credit assessment processes and, later, during the management of exposures, to avoid excessive losses;
- Operating with a robust and professional risk management approach and control environment as a basis of solid risk-taking and proper risk management.

The primary objectives and key principles of the Credit Policy are achieved through the following course of actions:

- Conducting effective credit policies and procedures;
- Providing appropriate trainings to relevant employees;
- Increasing and diversifying the customer base;
- Ensuring efficiency of the decision-making process;
- Ensuring effective credit risk management;
- Monitoring of external factors which can affect credit decision or portfolio quality;
- Running stress tests on portfolio level;
- Managing the optimal risk and return ratio of credit products,
- Improving and optimizing credit portfolio quality and structure;
- Assessing expected losses of loan portfolio and ensuring the adequate level of LLP;
- Assessing unexpected losses of loan portfolio and ensuring adequate capital allocation.
- Ensuring compliance of the credit process with Georgian legislation and regulations of the National Bank of Georgia.

In all cases of risk-taking, the creditworthiness of the customer is to be assessed and monitored during the lifetime of the credit exposure according to the Credit Policy. Portfolio quality reports are regularly prepared by the Credit Analysis and Loan Administration Department and presented to the Board of Directors.

The capital requirement for credit risk is calculated by the Bank under Basel III requirements based on standardized approach in compliance with the Regulation of the National Bank of Georgia on capital adequacy requirements for commercial banks. To recognize allowance for expected credit losses for all financial assets not held at fair value through profit and loss, the Bank applies the provisions of IFRS 9. Although the Bank considers credit risk as the most material and most important risk type, currently, due to the lack of data, using advanced methodologies for calculation of the credit risk capital requirement would be an excessive exercise for the Bank. The Bank uses internal and external rating providers for credit risk assessment, such as Moody's, Fitch, and S&P.

Foreign Exchange Induced Credit Risk

Foreign Exchange Induced Credit Risk is the risk arising from the movements of foreign currency exchange rates that would deteriorate the creditworthiness of the customer. Individual assessment of customers and transaction level stress test is carried out according to the Credit Policy. Furthermore, the limits outlined by the regulator are applied and a sensitivity analysis is conducted. Currency induced credit risk is built into the capital adequacy requirement calculation by including the open foreign currency position balance into the risk weighted assets pool and adding a currency induced risk (CICR) buffer for unhedged foreign currency denominated exposures into the Pillar 2 level requirement.

Counterparty risk

Counterparty risk is the subset of the credit risk and is mainly estimated for credit derivatives (i.e. futures, forwards, swaps, options, and other off-balance sheet liabilities originating from other similar contracts), according to CAR Article 50. The counterparty risk is the risk that the counterparty to a transaction would default before the final settlement of the transaction's cash flows. The Bank operates counterparty limit system for treasury deals with the Bank's partners (banks, financial institutions) as defined by the Board of Directors. Limits are reviewed at least on a yearly basis and in any case when relevant information about the counterparty is identified. Counterparty risk is accounted for in the capital requirement estimation under Pillar 1 in the pool of risk weighted assets as part of the group of exposures weighted based on their credit risk as defined by CAR.

Country risk

Country risk refers to potential losses that may be generated by an (economic, political, etc.) event that occurs in a specific country, where the event can be controlled by that country (government) but not by the lender/investor. Due to the business strategy of the Bank (serving companies of certain neighbouring countries (eg. Azerbaijan, Turkey) with trade finance and other services, the Bank is exposed to country risk. The Bank's ICAAP defines country risk, although historically it has not been sufficiently material to require additional capital.

Operational risk

Operational risk is defined as the Bank's exposure to potential losses that may impact its profitability and capital position. Operational risk may derive from inadequate internal processes or systems, external events, inadequate employee performance or from breach of, or non-compliance with, statutory provisions, contracts and internal regulations. Operational risk includes legal risk but excludes reputational and strategic risk.

The objective of operational risk management is to find the extent of the Bank's operational risk exposure, understand its drivers, allocate capital and identify trends internally and externally that would help in predicting it. It is vital for the Bank to try to prevent fraud, maintain the integrity of internal control, and reduce errors in transactions. Internal control is usually embedded in the Bank's day-to-day activities and is designed to ensure, to the extent possible, that the Bank's activities are efficient and effective, information is reliable, timely and complete and the Bank is compliant with the applicable laws and regulations. Failure to understand and manage operational risk may increase the likelihood that some risks will go unrecognized and uncontrolled. The Bank conducts adequate operational risk assessment procedures before it launches any new product, activity, process or system, as well as before it outsources core banking and IT system-related activities.

Furthermore, the Bank mitigates operational risks by following strict rules for the assignment of duties and responsibilities among and within the functions, and a system of internal control and supervision. The Bank has in place an Operational Risk Management Policy, Operational Risk Management Procedure and Operational Risk Assessment Methodology. The Bank uses tools for operational risk identification and assessment, such as Data Loss Collection, Audit Findings, Risk Control Self-assessment, Key Risk Indicators, etc., for timely identification and mitigation of risks. Capital requirement under ICAAP is calculated using the Basic Indicator Approach which is also used for the calculation of Pillar 1 capital.

Market risk

Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on positions by currency based on the NBG regulations. Positions are monitored on a daily basis.

Under the Pillar 2 capital calculation, the Bank decided to calculate the capital requirement for FX positions based on historical and delta nominal Value at Risk (VaR) methodology, using a 99% confidence level, 10 days holding period and multiplier based on Basel II.

Interest rate risk

Interest rate risk means the risk of financial losses (damages) resulting from adverse movement of interest rates. The market risk management framework was originally developed based on the methodologies applied by the Group.

The interest rate risk of the banking book is assessed on a monthly basis. The interest rate risk reports positions and gaps by repricing periods for each relevant currency. A limit system is defined by ALCO for the gaps of each repricing period. Furthermore, the duration gap method is used for sensitivity analysis and for the calculation of capital requirement under ICAAP. Under Pillar 1, CAR does not require the Bank to calculate capital requirement to cover the interest rate risk of the banking book. Under the Pillar 2, the Bank decided to use the approach described in the Basel II framework. This method builds on the duration gap approach and quantifies the effect of a 200 basis points parallel shift of the interest rate curve on the net interest income of the Bank. The appropriateness of 200 basis points is back-tested on a regular basis.

When the shock on the interest rate risk shows a potential decrease of the Bank's economic value in excess of 20% of its solvency capital, the Bank covers the limit breach with capital.

Business risk

Business risk is defined as the risk linked to a potential drop in profits or capital due to changes in the operating environment or erroneous corporate decisions, inadequate implementation of decisions or poor reaction to changes in the competitive environment. The Bank considers strategic planning and budgeting processes as a crucial part of risk management.

The Bank has developed detailed processes and regulation on the budgeting processes which ensures meticulous budgeting according to the business strategy of the Bank and also describes the processes to regularly monitor and review the budget. For business risk, a regulatory capital requirement is not calculated. As the risk is defined to be material, the Bank calculates capital requirements to cover business risk under ICAAP. As the Bank has limited historical data to go by, a simplified methodology measuring the deviations from the budget has been developed.

Credit concentration risk

The concentration of credit risks is interpreted as a distribution of exposures to customers and trading partners where potential default by a relatively small group of counterparties or large individual counterparties is driven by a common underlying cause and may jeopardize the "business-as-usual" operation of the Bank. The Bank controls concentration risk via a limit system. The total amount of loans and other exposures with direct and indirect exposures (e.g. via guarantees) is reduced by way of credit risk mitigation techniques based on credit risk capital calculation rules. The Bank regularly monitors the concentration of the portfolio by calculating the HHI index for the whole portfolio of the Bank, using gross exposures. The creation of capital buffers for concentration risk is required by the regulator. Under Pillar 2 calculations, the Bank quantifies the impact of two different stress scenarios that include credit quality worsening of certain top customers. Capital requirement is estimated in line with a more severe scenario.

Settlement risk

Settlement risk is the risk that a transaction executed is not settled as expected through a settlement system. Settlement risk comprises credit risk and liquidity risk elements.

The credit institution bears the risk that while it fulfils its contractual obligations (payment or delivery), the counterparty fails or defaults to do so. Finally, it may lead to the non-performance in further securities transactions of that party. In order to minimize potential losses due to settlement risk, the Bank aims to settle transactions via central counterparties, based on delivery versus payment principles. The exposure to this risk is also limited through internal FI limits. Based on Georgian regulations, (CAR) Pillar 1 capital is not calculated to cover settlement risk. Under Pillar 2, due to the low number of transactions exposed to settlement risk, no capital charge is calculated.

Liquidity risk

Liquidity risk is defined as the risk of inability of the Bank to honour its financial obligations. Liquidity risk comprises both funding liquidity and asset liquidity risk:

- Funding liquidity risk appears with inability to obtain new funding.
- Asset liquidity risk appears when the Bank is not able to sell its assets easily at the market price without avoiding losses because of an illiquid market.

Measuring liquidity risk:
The major tools for measuring liquidity risk are identification of liquidity positions and stress testing;
Liquidity positions are identified on a monthly basis via standardized reporting packages for the regulator, including LCR and NSFR, ALCO and Risk Management Committee.

Stress testing is based on the Bank's cash inflows and cash outflows during the 6-month survival horizon. The target liquidity requirement is then estimated by applying the stress scenario on the expected cash inflows and outflows and the liquidity buffer.

The stress testing scenarios are based on assumptions such as:

- Rapid deterioration of the economic environment, causing disruptions in the expected cash inflows from the Bank's loan portfolio;
- Inaccessibility of the funding market for new funding transactions and termination of all callable funding transactions;
- Adverse changes in foreign exchange rates.

Managing liquidity risk:
The presence of liquidity risk in short-time intervals is considered to be more dangerous for the Bank's operations, because the shorter a term is, the less time the Bank has to make management decisions to adjust to the situation. The longer the time interval, the more controllable liquidity is considered to be, because the Bank has more time to take corrective measures.
Therefore, the limits on short-term cumulative liquidity gaps are usually more conservative than those for longer terms.
The ever-changing financial markets have a direct impact on the availability of funding sources for the Bank.
Therefore, even with constant monitoring of liquidity and funding sources, the Bank recognizes that unforeseen events (for example, changing economic or market conditions, deteriorating loan portfolio quality, or any other situation beyond the control of the Bank) may potentially lead to a short- or long-term crisis situation. Despite the low probability of a significant liquidity crisis, the Bank assesses the potential risk and prepares a clear action plan for liquidity crises. To mitigate the funding liquidity risk, the Bank establishes a liquidity buffer, which may be used to meet payments, obligations while continuing normal banking activities, without obtaining new funding. The Bank additionally ensures that its funding is diversified and that the maturity profile does not create significant gaps. The Bank has access to NBG refinancing facilities to maintain its liquidity in GEL. The Bank developed sound practices to manage liquidity risks which are laid down in the Liquidity Management Policy and Liquidity Management Procedure. Liquidity reports are regularly introduced to ALCO.

Strategic risk

Strategic risks are those that arise from the fundamental decisions that executives make concerning the Bank's objectives. Essentially, strategic risks are the risks of failing to achieve these business objectives.

Strategic risk is managed by operating the proper internal governance system. In order to minimize potential losses due to strategic risk, the Bank established a framework for its internal governance system.

Strategic risk is only managed by processes; no capital is allocated.

Reputational risk

Reputational risk is the current or prospective indirect risk to earnings and capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders, investors, regulators and other stakeholders. It manifests if the external opinion of the Bank is less favourable than desired. Reputational risk is managed by respective processes and organizational units of the Bank.

Reputational risk is only managed by processes; no capital is allocated.

Group risk

Group risk is defined as possible losses due to the fact that the Bank is operating as a member of a group, as a subsidiary company or as a mother company. The Bank has no subsidiary, therefore only the risk of operating as a member of a financial group needs to be assessed. The main assessment factor is to identify those dependencies where a change in the level of parent company support might cause problems for the Bank. This assessment is based on expert judgment, and its result is manifested in the areas where the risk is managed. The Bank has identified two major sources of group risk, which are managed with proper processes defined by the parent company and negotiated with the Bank:
Group governance risk: the parent company operates a holding- level governance system which ensures that the Bank receives methodological support from the mother company;

Own funds supply: planning of own funds and analysis of the possible ways of capital increase are part of the budgeting process, including own funds supply from parent company. As the risk currently is not material, no capital is allocated.

Macroeconomic risk

Macroeconomic risk is the current or prospective risk of losses on on-balance sheet and off-balance sheet positions arising from adverse movements in macroeconomic conditions, such as a fall in GDP growth rates, decline in real estate prices, etc. Management of the risk (processes). As macroeconomic risks are external risks that are beyond the Bank's control, the only tool for its management is stress tests-based capital and liquidity planning. The Bank performs macroeconomic risks-related stress tests based on a methodological guideline (the Guideline) communicated to the Bank by the regulator. For the purposes of internal capital assessment, the Bank applies transaction-level stress tests assessing the effect of FX, concentration and interest induced credit risks. Enterprise-level macroeconomic stress testing is used for capital planning purposes.

Regulatory risk

Regulatory risk is defined as risk stemming from the changing regulatory environment. It incorporates either the amendment of an existing or the enactment of a new national or international law/regulation.

In order to mitigate regulatory risk, the Bank permanently monitors not only the legislation but also prospective changes. A crucial point of the process is that the respective departments, managers and employees affected by the changing legislation are informed by the Legal Department and compliance department. Senior management regularly receives executive summaries about recent regulatory modifications. The Bank makes sure that existing and even significant prospective (if they are likely to be enacted) regulations are reflected in its strategy. To prepare for those significant legislative changes, the Bank applies several techniques: impact study, scenario analysis, action plans or even the modification of the business plan. The Bank conducts regular revision of its internal regulations and ensures that they are compatible with the external regulatory environment.

Regulatory risk is only managed by processes; no capital is allocated.

Risk mitigation strategy

Techniques to mitigate risk are largely dependent on the type of risk that needs to be reduced. Among others, the Bank uses the following types of mitigation techniques:

- Audits - Regular audits from the Internal Audit department may identify problems such as accounting errors or security vulnerabilities before they become larger problems;
- Segregation of duties: responsibilities are strictly divided between the relevant positions;
- The four-eye principle and the principle of prevention of conflict of interests are adhered to at all levels of the business processes;
- Backup – the Bank backs up business information in multiple secure physical locations;
- Business Continuity Plan – the Bank has developed a plan to continue with normal operations in the face of extraordinary events such as natural disasters or security incidents;
- Procedures - control risk through internal procedures or actions that reduce the likelihood of undesirable events;
- Diversification - the process of allocating capital and resources in diverse areas to reduce risk and volatility;
- Due Diligence - the process of investigation before committing to something such as a contract or strategy.
- Basic due diligence, such as checking the financial, environmental, corporate social responsibility and management practices of a potential partner, is a basic step in risk management;
- Communication – regularly communicating a risk factor to line managers serves to reduce it;
- Performance Management - Setting risk reduction goals as part of performance management;
- Policies - Policies designed to reduce the risk of misconduct;
- Standards - Establishing standards to guide business practices and decision-making;
- Training - Training for employees, designed to increase professionalism and skills.

Risk reporting

In order to ensure the timing, quality and informative value of the decision-making process, the Bank's risk management function reports to the Risk Management Committee of the Supervisory Board on a monthly basis. Reports include the loan portfolio report, corporate investment portfolio report, trading book report, related party transactions, off-balance sheet portfolio, collateral portfolio, non-performing loans and write-off report, credit concentrations, deposit portfolio report, FI exposures, liquidity and maturity analysis, market risk analysis, operational risk analysis, incident management, capital adequacy report, etc.

On a quarterly basis, the Risk Management Committee reports to the Supervisory Board on the Bank's risk management activities and the way the committee had discharged its duties and responsibilities.

The risk management function reports to the Board of Directors on a regular basis. These reports include reviews of Credit Committee activities, internal loss data base reports, etc.

Stress Tests and Scenario Analysis

Scenario analysis is an exercise that uses the expert opinions of business and risk managers to identify plausible enterprise loss scenarios to estimate unexpected losses. Generally speaking, scenarios are a forward-looking assessment of key risks or "potential future events" that attempt to derive a reasoned assessment of likelihood, in terms of frequency and severity of plausible losses.

Stress test framework aims to assess the impact of extraordinary but possible events on the own capital or liquidity of the Bank. The Bank elaborated its ICAAP framework in a way which already contains a sensitivity analysis and scenario analysis to measure the exposure to the risks defined to be relevant. The Bank performs macroeconomic risks-related stress tests based on a methodological guideline (the Guideline) communicated to the Bank by NBG. According to the Guideline, stress tests must be performed on the overall Bank level (enterprise- level stress) and transaction level (enterprise-level stress). The transaction level tests assess the creditworthiness of the Bank's top borrowers in the case of the changing external factors. The following risks are managed via stress testing on the enterprise risk level:

- Foreign exchange induced credit risk;
- Interest rate risk of the banking book;
- Foreign exchange rate risk;
- Concentration risk;
- Interest rate risk;
- Regulatory risk;
- Systematic risk.

Enterprise-level stress tests are used by the Bank in the course of its capital and liquidity planning by assessing the effect of various macroeconomic scenarios on the Bank's overall financial performance indicators, such as profitability, asset quality, funding base and liquidity.

Bank: PASHA Bank Georgia
Date: 31.12.2018
Table 1

N	KEY METRICS	4Q2018	3Q2018	2Q2018	1Q2018	4Q2017
	REGULATORY CAPITAL (AMOUNTS, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	105,273,906	106,590,792	105,097,157	104,015,563	99,202,514
2	Tier 1	105,273,906	106,590,792	105,097,157	104,015,563	99,202,514
3	Total regulatory capital	109,314,026	110,474,879	108,658,931	107,558,140	102,158,275
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	364,770,143	350,541,955	321,413,598	283,406,165	283,322,298
	CAPITAL RATIOS AS A PERCENTAGE OF RWA					
	Based on Basel III framework					
5	Common equity Tier 1 ratio >=9.71776595533614%	28.86%	30.41%	32.70%	36.70%	38.59%
6	Tier 1 ratio >=12.1296412184244%	28.86%	30.41%	32.70%	36.70%	38.59%
7	Total Regulatory Capital ratio >=23.7367517617613%	29.97%	31.52%	33.81%	37.95%	39.71%
	INCOME					
8	Total Interest Income /Average Annual Assets	7.08%	7.07%	6.94%	6.49%	7.28%
9	Total Interest Expense / Average Annual Assets	1.68%	1.69%	1.66%	1.64%	1.58%
10	Earnings from Operations / Average Annual Assets	1.48%	2.16%	2.79%	2.90%	1.63%
11	Net Interest Margin	5.40%	5.38%	5.28%	4.85%	5.70%
12	Return on Average Assets (ROAA)	0.88%	1.58%	1.45%	1.29%	1.57%
13	Return on Average Equity (ROAE)	2.40%	4.23%	3.76%	3.29%	3.86%
	ASSET QUALITY					
14	Non Performed Loans / Total Loans	0.03%	0.04%	0.04%	0.05%	0.06%
15	LLR/Total Loans	2.20%	2.24%	2.24%	2.21%	2.22%
16	FX Loans/Total Loans	62.54%	56.03%	54.20%	52.26%	48.27%
17	FX Assets/Total Assets	62.30%	62.22%	57.24%	57.26%	54.82%
18	Loan Growth-YTD	70.71%	34.20%	26.01%	17.16%	16.37%
	LIQUIDITY					
19	Liquid Assets/Total Assets	29.00%	26.09%	20.48%	16.66%	25.43%
20	FX Liabilities/Total Liabilities	86.68%	88.10%	88.05%	86.88%	87.87%
21	Current & Demand Deposits/Total Assets	18.29%	12.71%	10.69%	7.35%	7.07%
	LIQUIDITY COVERAGE RATIO**					
22	Total HQLA	88,492,217	89,187,148	64,331,527	78,025,742	66,612,789
23	Net cash outflow	61,317,323	68,021,872	30,768,823	43,752,908	38,281,363
24	LCR ratio (%)	145.86%	133.61%	228.02%	181.60%	174.01%

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

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

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Date: 31.12.2018
Table 2

	BALANCE SHEET						IN LARI
			Reporting Period			Respective period of the previous year	
N	**Assets**	GEL	FX	Total	GEL	FX	Total
1	Cash	382,451	842,865	1,225,316	178,397	494,665	673,062
2	Due from NBG	266,996	43,132,688	43,399,683	697,035	28,820,074	29,517,108
3	Due from Banks	24,540,206	40,066,290	64,606,496	21,367,329	39,885,754	61,253,083
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	18,463,200	1,297,303	19,760,503	34,665,992	25,922,000	60,587,992
6.1	Loans	71,466,284	119,331,786	190,798,070	57,824,052	53,946,137	111,770,189
6.2	Less: Loan Loss Reserves	-1,817,887	-2,386,636	-4,204,522	-1,155,042	-1,324,554	-2,479,596
6	Net Loans	69,648,398	116,945,150	186,593,548	56,669,010	52,621,583	109,290,593
7	Accrued Interest and Dividends Receivable	880,882	728,554	1,609,436	879,272	1,375,072	2,254,344
8	Other Real Estate Owned & Repossessed Assets	0	0	0	0	0	0
9	Equity Investments	0	0	0	0	0	0
10	Fixed Assets and Intangible Assets	4,648,782	0	4,648,782	3,027,479	0	3,027,479
11	Other Assets	4,057,863	33,157	4,091,020	5,408,649	2,769	5,411,417
12	**Total assets**	122,888,778	203,046,007	325,934,784	122,893,162	149,121,916	272,015,078
	LIABILITIES						
13	Due to Banks	7,048,053	102,850,927	109,898,980	7,028,232	95,921,315	102,949,547
14	Current (Accounts) Deposits	5,257,520	40,139,377	45,396,897	8,101,552	11,132,135	19,233,686
15	Demand Deposits	9,611,123	4,605,413	14,216,536	0	0	0
16	Time Deposits	4,434,285	39,524,212	43,958,497	238,896	38,423,875	38,662,770
17	Own Debt Securities	0	0	0	0	0	0
18	Borrowings	0	202,254	202,254	3,000,000	8,677	3,008,677
19	Accrued Interest and Dividends Payable	15,452	476,733	492,186	10,916	717,561	728,477
20	Other Liabilities	2,694,787	1,288,048	3,982,835	1,856,545	362,765	2,219,310
21	Subordinated Debentures	0	0	0	0	0	0
22	**Total liabilities**	29,061,222	189,086,963	218,148,185	20,236,140	146,566,328	166,802,468
	EQUITY CAPITAL						
23	Common Stock	103,000,000	0	103,000,000	103,000,000	0	103,000,000
24	Preferred Stock	0	0	0	0	0	0
25	Less: Repurchased Shares	0	0	0	0	0	0
26	Share Premium	0	0	0	0	0	0
27	General Reserves	0	0	0	0	0	0
28	Retained Earnings	4,786,599	0	4,786,599	2,212,610	0	2,212,610
29	Asset Revaluation Reserves	0	0	0	0	0	0
30	**Total Equity Capital**	107,786,599	0	107,786,599	105,212,610	0	105,212,610
31	**Total liabilities and Equity Capital**	136,847,821	189,086,963	325,934,784	125,448,750	146,566,328	272,015,078

Bank: Pasha Bank Georgia
Date: 31.12.2018
Table 3

IN LARI

N	INCOME STATEMENT	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	1,583,443	1,295,351	2,878,794	1,083,575	1,116,496	2,200,070
2	Interest Income from Loans	8,103,359	5,688,166	13,791,525	8,185,555	2,648,122	10,833,677
2.1	from the Interbank Loans	2,589	78	2,667	184,685	1	184,686
2.2	from the Retail or Service Sector Loans	4,144,390	2,310,726	6,455,115	3,891,414	1,716,930	5,608,344
2.3	from the Energy Sector Loans	697,137	302,066	999,203	1,266,066	392,010	1,658,076
2.4	from the Agriculture and Forestry Sector Loans			0			0
2.5	from the Construction Sector Loans	328,503	11,448	339,951	359,852	4,637	364,489
2.6	from the Mining and Mineral Processing Sector Loans		195,339	195,339		178,332	178,332
2.7	from the Transportation or Communications Sector Loans		1,163,493	1,163,493	505,559		505,559
2.8	from Individuals Loans	69,491	65,881	135,373	44,313	2,899	47,212
2.9	from Other Sectors Loans	2,861,249	1,639,135	4,500,384	1,933,667	353,313	2,286,980
3	Fees/penalties income from loans to customers	30,834	19,184	50,017	132,411	34,016	166,427
4	Interest and Discount Income from Securities	2,821,527	1,201,797	4,023,324	3,966,123	1,410,985	5,377,108
5	Other Interest Income			0			0
6	**Total Interest Income**	12,539,164	8,204,497	20,743,661	13,367,664	5,209,618	18,577,283
	INTEREST EXPENSE						
7	Interest Paid on Demand Deposits	204,738	192,196	396,934	128,332	25,366	153,698
8	Interest Paid on Time Deposits	22,633	633,586	656,218	41,557	691,568	733,125
9	Interest Paid on Banks Deposits	588,709	3,052,510	3,641,219	442,047	1,989,929	2,431,976
10	Interest Paid on Own Debt Securities			0			0
11	Interest Paid on Other Borrowings	219,699	7,572	227,272	559,847	88,651	648,498
12	Other Interest Expenses	2,792		2,792	45,151	20,366	65,517
13	**Total Interest Expense**	1,038,571	3,885,864	4,924,435	1,216,933	2,815,881	4,032,814
14	**Net Interest Income**	11,500,593	4,318,633	15,819,226	12,150,731	2,393,737	14,544,469
	NON-INTEREST INCOME						
15	Net Fee and Commission Income	-90,659	108,314	17,656	-84,365	38,433	-45,932
15.1	Fee and Commission Income	30,567	231,525	262,092	22,638	125,091	147,729
15.2	Fee and Commission Expense	121,225	123,211	244,436	107,003	86,658	193,661
16	Dividend Income			0			0
17	Gain (Loss) from Dealing Securities			0			0
18	Gain (Loss) from Investment Securities			0		-26,592	-26,592
19	Gain (Loss) from Foreign Exchange Trading	2,483,577	0	2,483,577	1,190,250	0	1,190,250
20	Gain (Loss) from Foreign Exchange Translation	196,781	0	196,781	401,684	0	401,684
21	Gain (Loss) on Sales of Fixed Assets	26,117		26,117	60,820		60,820
22	Non-Interest Income from other Banking Operations	502,379	362,615	864,994	504,174	256,620	760,794
23	Other Non-Interest Income	1,520		1,520	2,336		2,336
24	**Total Non-Interest Income**	3,119,716	470,929	3,590,645	2,074,898	268,461	2,343,359
	NON-INTEREST EXPENSES						
25	Non-Interest Expenses from other Banking Operations	2,238,013	72,629	2,310,643	1,884,979	113,654	1,998,633
26	Bank Development, Consultation and Marketing Expenses	2,790,208		2,790,208	2,984,861		2,984,861
27	Personnel Expenses	8,057,692	0	8,057,692	5,305,606	0	5,305,606
28	Operating Costs of Fixed Assets	3,375	0	3,375	6,408	0	6,408
29	Depreciation Expense	953,112	0	953,112	1,351,208	0	1,351,208
30	Other Non-Interest Expenses	732,597		732,597	648,398		648,398
31	**Total Non-Interest Expenses**	14,774,997	72,629	14,847,626	12,181,459	113,654	12,295,113
32	**Net Non-Interest Income**	-11,655,281	398,300	-11,256,981	-10,106,561	154,806	-9,951,755
33	**Net Income before Provisions**	-154,689	4,716,933	4,562,245	2,044,170	2,548,543	4,592,714
34	Loan Loss Reserve	1,724,926	0	1,724,926	-6,823	0	-6,823
35	Provision for Possible Losses on Investments and Securities		0	0		0	0
36	Provision for Possible Losses on Other Assets	263,329	0	263,329	592,295	0	592,295
37	**Total Provisions for Possible Losses**	1,988,255	0	1,988,255	585,472	0	585,472
38	**Net Income before Taxes and Extraordinary Items**	-2,142,944	4,716,933	2,573,989	1,458,698	2,548,543	4,007,242
39	Taxation		0	0		0	0
40	**Net Income after Taxation**	-2,142,944	4,716,933	2,573,989	1,458,698	2,548,543	4,007,242
41	Extraordinary Items		0	0		0	0
42	**Net Income**	-2,142,944	4,716,933	2,573,989	1,458,698	2,548,543	4,007,242

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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**	33,682,241	27,668,519	61,350,760	30,012,339	17,390,717	47,403,056
1.1	Guarantees Issued	15,896,369	15,905,545	31,801,915	8,941,078	13,625,215	22,566,293
1.2	Letters of credit Issued		3,846,221	3,846,221		1,477,554	1,477,554
1.3	Undrawn loan commitments	17,785,872	7,916,753	25,702,625	21,071,260	2,287,948	23,359,208
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	0	0	0	0
3.1	Financial assets of the bank			0			0
3.2	Non-financial assets of the bank			0			0
4	**Guaratees received as security for receivables of the bank**	36,995,427	41,975,999	78,971,426	49,545,425	62,756,373	112,301,798
4.1	Surety, joint liability	29,050,230	29,210,501	58,260,731	29,910,864	30,479,433	60,390,297
4.2	Guarantees	7,945,197	12,765,498	20,710,695	19,634,561	32,276,940	51,911,502
5	**Assets pledged as security for receivables of the bank**	94,600,464	403,509,268	498,109,732	61,947,561	77,980,410	139,927,971
5.1	Cash	2,053,985	17,028,533	19,082,519	71,896	31,905,756	31,977,651
5.2	Precious metals and stones			0			0
5.3	Real Estate:	49,119,176	310,906,264	360,025,440	46,266,176	14,284,348	60,550,524
5.3.1	Residential Property	2,849,000	13,389,691	16,238,691	33,000	357,205	390,205
5.3.2	Commercial Property	3,855,876	280,261,867	284,117,744	4,233,176	4,249,490	8,482,667
5.3.3	Complex Real Estate	0	5,567,328	5,567,328			0
5.3.4	Land Parcel	414,300	5,313,051	5,727,351	0	4,478,992	4,478,992
5.3.5	Other	42,000,000	6,374,326	48,374,326	42,000,000	5,198,660	47,198,660
5.4	Movable Property	700,000	25,602,742	26,302,742	10,000,000	24,887,355	34,887,355
5.5	Shares Pledged	3,329,662	8	3,329,670	3,329,662	0	3,329,662
5.6	Securities	0	856,512	856,512	0	2,053,022	2,053,022
5.7	Other	39,397,640	49,115,209	88,512,849	2,279,827	4,849,929	7,129,756
6	**Derivatives**	25,857,952	51,909,988	77,767,940	2,654,500	2,592,200	5,246,700
6.1	Receivables through FX contracts (except options)	17,797,330	21,259,801	39,057,131	2,654,500		2,654,500
6.2	Payables through FX contracts (except options)	8,060,622	30,650,188	38,710,809		2,592,200	2,592,200
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**	5,607	8,741,689	8,747,296	5,607	8,390,087	8,395,694
7.1	Principal of receivables derecognized during last 3 month			0			0
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	0	-12,214	-12,214	0	223,932	223,932
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	0	6,883,529	6,883,529	0	6,666,474	6,666,474
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	5,607	1,858,160	1,863,767	5,607	1,723,613	1,729,219
8	**Non-cancelable operating lease**	0	0	0	0	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

Bank: PASHA Bank Georgia
Date: 31.12.2018
Table 5

IN LARI

N	RISK WEIGHTED ASSETS	4Q2018	3Q2018
1	Risk Weighted Assets for Credit Risk	323,209,551	310,726,936
1.1	Balance sheet items	297,158,437	277,989,589
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)		
1.2	Off-balance sheet items	25,269,971	32,051,336
1.3	Counterparty credit risk	781,143	686,011
2	Risk Weighted Assets for Market Risk	8,081,573	9,313,723
3	Risk Weighted Assets for Operational Risk	33,479,019	30,501,295
4	**Total Risk Weighted Assets**	364,770,143	350,541,955

Bank: PASHA Bank Georgia
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Table 6

	INFORMATION ABOUT SUPERVISORY BOARD, DIRECTORATE, BENEFICIARY OWNERS AND SHAREHOLDERS	
	MEMBERS OF SUPERVISORY BOARD	
1	Shahin Mammadov	
2	George Glonti	
3	Jalal Gasimov	
4	Farid Mammadov	
5	Ebru Ogan Knottnerus	
	MEMBERS OF BOARD OF DIRECTORS	
1	George Japaridze	
2	Chingiz Abdullayev	
3	Arda Yusuf Arkun	
	LIST OF SHAREHOLDERS OWNING 1% AND MORE OF ISSUED CAPITAL, INDICATING SHARES	
1	PASHA Bank OJSC	100%
	LIST OF BANK BENEFICIARIES INDICATING NAMES OF DIRECT OR INDIRECT HOLDERS OF 5% OR MORE OF SHARES	
1	Mr. Arif Pashayev	10.00%
2	Mrs. Arzu Aliyeva	45.00%
3	Mrs. Leyla Aliyeva	45.00%

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Table 7

LINKAGES BETWEEN FINANCIAL STATEMENT ASSETS AND BALANCE SHEET ITEMS SUBJECT TO CREDIT RISK WEIGHTING

		a	b	c
			Carrying values of items	
	Account name of standardazed supervisory balance sheet item	Carrying values as reported in published stand-alone financial statements per local accounting rules	Not subject to capital requirements or subject to deduction from capital	Subject to credit risk weighting
1	Cash	1,225,316		1,225,316
2	Due from NBG	43,399,683		43,399,683
3	Due from Banks	64,606,496		64,606,496
4	Dealing Securities	0		0
5	Investment Securities	19,760,503		19,760,503
6.1	Loans	190,798,070		190,798,070
6.2	*Less: Loan Loss Reserves*	-4,204,522		-4,204,522
6	Net Loans	186,593,548		186,593,548
7	Accrued Interest and Dividends Receivable	1,609,436		1,609,436
8	Other Real Estate Owned & Repossessed Assets	0		0
9	Equity Investments	0		0
10	Fixed Assets and Intangible Assets	4,648,782	2,512,693	2,136,089
11	Other Assets	4,091,020		4,091,020
	Total exposures subject to credit risk weighting before adjustments	**325,934,784**	**2,512,693**	**323,422,091**

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Table 8

	DIFFERENCES BETWEEN CARRYING VALUES PER STANDARDIZED BALANCE SHEET USED FOR REGULATORY REPORTING PURPOSES AND THE EXPOSURE AMOUNTS USED FOR CAPITAL ADEQUACY CALCULATION PURPOSES	IN LARI
1	**Total carrying value of balance sheet items subject to credit risk weighting before adjustments**	323,422,091
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	61,350,760
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	39,057,131
3	**Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes**	423,829,982
4	Effect of provisioning rules used for capital adequacy purposes	4,138,128
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-36,080,789
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	-38,275,988
6	Effect of other adjustments	
7	**Total exposures subject to credit risk weighting**	353,611,333

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Table 9

N	REGULATORY CAPITAL	IN LARI
1	**Common Equity Tier 1 capital before regulatory adjustments**	107,786,599
2	Common shares that comply with the criteria for Common Equity Tier 1	103,000,000
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	
4	Accumulated other comprehensive income	
5	Other disclosed reserves	
6	Retained earnings (loss)	4,786,599
7	**Regulatory Adjustments of Common Equity Tier 1 capital**	2,512,693
8	Revaluation reserves on assets	
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	2,512,693
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	0
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**	105,273,906
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**	4,040,119
37	Instruments that comply with the criteria for Tier 2 capital	
38	Stock surplus (share premium) that meet the criteria for Tier 2 capital	
39	General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	4,040,119
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**	4,040,119

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Table 9.1

	CAPITAL ADEQUACY REQUIREMENTS		
	Minimum Requirements	**Ratios**	**Amounts (GEL)**
1	**PILLAR 1 REQUIREMENTS**		
1.1	Minimum CET1 Requirement	4.50%	16414656.42
1.2	Minimum Tier 1 Requirement	6.00%	21886208.57
1.3	Minimum Regulatory Capital Requirement	8.00%	29181611.42
2	**COMBINED BUFFER**		
2.1	Capital Conservation Buffer	2.50%	9119253.569
2.2	Countercyclical Buffer	0.00%	0
2.3	Systemic Risk Buffer		0
3	**PILLAR 2 REQUIREMENTS***		
3.1	CET1 Pillar 2 Requirement	2.72%	9913598.755
3.2	Tier 1 Pillar2 Requirement	3.63%	13239847.45
3.3	Regulatory capital Pillar 2 Requirement	13.24%	48283718.3
	TOTAL REQUIREMENTS	**RATIOS**	**AMOUNTS (GEL)**
4	CET1	9.72%	35447508.75
5	Tier 1	12.13%	44245309.59
6	Total regulatory Capital	23.74%	86,584,583

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Table 10

RECONCILATION OF BALANCE SHEET TO REGULATORY CAPITAL IN LARI

N	ON-BALANCE SHEET ITEMS PER STANDARDIZED REGULATORY REPORT	CARRYING VALUES AS REPORTED IN PUBLISHED STAND-ALONE FINANCIAL STATEMENTS PER LOCAL ACCOUNTING RULES	LINKAGE TO CAPITAL TABLE
1	Cash	1225316.404	
2	Due from NBG	43399683.23	
3	Due from Banks	64606495.74	
4	Dealing Securities	0	
5	Investment Securities	19760503.27	
6.1	Loans	190798069.9	
6.1.1	*Of which reserve Loan*	0	*table 9 (Capital), N17*
6.2	*Less: Loan Loss Reserves*	-4204522.316	
6.2.1	*Of which loan loss general resserve*	3327156.656	*table 9 (Capital), N39*
6	Net Loans	186,593,548	
7	Accrued Interest and Dividends Receivable	1609435.805	
8	Other Real Estate Owned & Repossessed Assets	0	
9	Equity Investments	0	
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	4648782.41	
10.1	*Of which intangible assets*	2512693.27	*table 9 (Capital), N10*
11	Other Assets	4091020	
12	**Total assets**	**325,934,784**	
13	Due to Banks	109898979.6	
14	Current (Accounts) Deposits	45396897.4	
15	Demand Deposits	14216536.2	
16	Time Deposits	43958496.96	
17	Own Debt Securities	0	
18	Borrowings	202254.1311	
19	Accrued Interest and Dividends Payable	492185.5891	
20	Other Liabilities	3982835.097	
20.1	*Of which off balance sheet items general reserve*	712962.7312	*table 9 (Capital), N39*
21	Subordinated Debentures	0	
21.1	*Of which tier II capital qualifying instruments*		
22	**Total liabilities**	**218,148,185**	
23	Common Stock	103,000,000	table 9 (Capital), N 2
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	0	
27	General Reserves	0	
28	Retained Earnings	4,786,599	table 9 (Capital), N 6
29	Asset Revaluation Reserves	0	
30	**Total Equity Capital**	**107,786,599**	

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Table 11

CREDIT RISK WEIGHTED EXPOSURES (ON-BALANCE ITEMS AND OFF-BALANCE ITEMS AFTER CREDIT CONVERSION FACTOR)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk weights		0%		20%		35%		50%		75%		100%		150%		250%	Risk Weighted Exposures before Credit Risk Mitigation
	Exposure classes	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	266.996		0		0		0		0		43.132.644		0		0		43.132.644
2	Claims or contingent claims on regional governments or local authorities	0		0		0		0		0		0		0		0		-
3	Claims or contingent claims on public sector entities	0		0		0		0		0		0		0		0		-
4	Claims or contingent claims on multilateral development banks	0		0		0		0		0		0		0		0		-
5	Claims or contingent claims on international organizations/institutions	0		0		0		0		0		0		0		0		-
6	Claims or contingent claims on commercial banks	0		21,432,146		0		23,527,507		0		20,394,878		0		0		36,445,060
7	Claims or contingent claims on corporates	0		0		0		0		0		210,662,100	25112907.97	0		0		235,775,008
8	Retail claims or contingent retail claims	0		0		0		0		0		771,313	157062.948	0		0		928,376
9	Claims or contingent claims secured by mortgages on residential property	0		0		0		0		0		0		0		0		-
10	Past due items	0		0		0		0		0		0		0		0		-
11	Items belonging to regulatory high-risk categories	0		0		0		0		0		0		0		0		-
12	Short-term claims on commercial banks and corporates	0		0		0		0		0		0		0		0		-
13	Claims in the form of collective investment undertakings ('CIU')	0		0		0		0		0		0		0		0		-
14	Other items	1.225.316		0		0		0		0		6.147.320		0		0		6.147.320
	Total	1,492,312	0	21,432,146	0	0	0	23,527,507	0	0	0	281,108,255	25,269,971	0	0	0	0	322428408.4

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

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Date: 31.12.2018
Table 13

STANDARDIZED APPROACH - EFFECT OF CREDIT RISK MITIGATION

		a	b	c	d	e	f
	Asset Classes	On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
			Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF			
1	Claims or contingent claims on central governments or central banks	43,399,639			43,132,644	43,132,644	99%
2	Claims or contingent claims on regional governments or local authorities						0%
3	Claims or contingent claims on public sector entities						0%
4	Claims or contingent claims on multilateral development banks						0%
5	Claims or contingent claims on international organizations/institutions						0%
6	Claims or contingent claims on commercial banks	65,354,530			36,445,060	36,445,060	56%
7	Claims or contingent claims on corporates	210,662,100	60,565,445	25,112,908	235,775,008	235,775,008	100%
8	Retail claims or contingent retail claims	771,313	785,315	157,063	928,376	928,376	100%
9	Claims or contingent claims secured by mortgages on residential property						0%
10	Past due items						0%
11	Items belonging to regulatory high-risk categories						0%
12	Short-term claims on commercial banks and corporates						0%
13	Claims in the form of collective investment undertakings ('CIU')						0%
14	Other items	7,372,637			6,147,320	6,147,320	83%
	Total	327,560,219	61,350,760	25,269,971	322,428,408	322,428,408	91%

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Table 14

	LIQUIDITY COVERAGE RATIO	Total unweighted value (daily average**)			Total weighted values according to NBG's methodology* (daily average**)			Total weighted values according to Basel methodology (daily average**)		
		GEL	FX	Total	GEL	FX	Total	GEL	FX	Total
	HIGH-QUALITY LIQUID ASSETS									
1	Total HQLA				20,089,242	68,402,975	88,492,217	12,449,241	47,658,311	60,107,552
	CASH OUTFLOWS									
2	Retail deposits	302,738	19,157,715	19,460,453	77,761	9,280,498	9,358,259	17,142	1,844,597	1,861,739
3	Unsecured wholesale funding	13,507,909	168,473,930	181,981,838	10,637,131	41,050,028	51,687,159	10,485,485	41,530,843	52,016,328
4	Secured wholesale funding	913,043	-	913,043	-	-	-	-	-	-
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	17,574,142	72,606,197	90,180,339	5,238,427	39,178,716	44,417,143	2,050,040	33,401,301	35,451,342
6	Other contractual funding obligations	-	-	-	-	-	-	-	-	-
7	Other contingent funding obligations	1,954,097	2,810,457	4,764,554	780,754	854,997	1,635,750	780,754	854,997	1,635,750
8	**TOTAL CASH OUTFLOWS**	34,251,929	263,048,299	297,300,228	16,734,073	90,364,239	107,098,311	13,333,421	77,631,739	90,965,160
	CASH INFLOWS									
9	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	79,837,860	136,797,657	216,635,517	2,492,786	880,692	3,373,478	10,149,689	34,296,574	44,446,263
11	Other cash inflows	10,645,017	67,642,321	78,287,338	143,370	42,264,140	42,407,510	143,370	42,264,140	42,407,510
12	**TOTAL CASH INFLOWS**	90,482,877	204,439,978	294,922,855	2,636,156	43,144,832	45,780,988	10,293,059	76,560,714	86,853,774
					Total value according to NBG's methodology* (with limits)			**Total value according to Basel methodology (with limits)**		
13	Total HQLA				20,089,242	68,402,975	88,492,217	12,449,241	47,658,311	60,107,552
14	Net cash outflow				14,097,916	47,219,407	61,317,323	3,333,355	19,407,935	22,741,290
15	Liquidity coverage ratio (%)				149.96%	148.40%	145.86%	299.32%	248.22%	266.50%

* 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.

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Date: 31.12.2018
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**	39,057,131		781,143									
1.1	Maturity less than 1 year	39,057,131	2.0%	781,143	0	0	0	0	0	781,143	0	0	
1.2	Maturity from 1 year up to 2 years	0	5.0%	0	0	0	0	0	0	0	0	0	
1.3	Maturity from 2 years up to 3 years	0	8.0%	0	0	0	0	0	0	0	0	0	
1.4	Maturity from 3 years up to 4 years	0	11.0%	0	0	0	0	0	0	0	0	0	
1.5	Maturity from 4 years up to 5 years	0	14.0%	0	0	0	0	0	0	0	0	0	
1.6	Maturity over 5 years	0											
2	**Interest rate contracts**	0		0									
2.1	Maturity less than 1 year	0	0.5%	0	0	0	0	0	0	0	0	0	
2.2	Maturity from 1 year up to 2 years	0	1.0%	0	0	0	0	0	0	0	0	0	
2.3	Maturity from 2 years up to 3 years	0	2.0%	0	0	0	0	0	0	0	0	0	
2.4	Maturity from 3 years up to 4 years	0	3.0%	0	0	0	0	0	0	0	0	0	
2.5	Maturity from 4 years up to 5 years	0	4.0%	0	0	0	0	0	0	0	0	0	
2.6	Maturity over 5 years	0			0	0	0	0	0	0	0	0	
	Total	**39,057,131**		**781,143**									

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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)	325,934,784
2	(Asset amounts deducted in determining Tier 1 capital)	(2,512,693)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	323,422,091
	DERIVATIVE EXPOSURES	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	781,143
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)**	781,143
	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	61,350,760
18	(Adjustments for conversion to credit equivalent amounts)	(34,478,844)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	26,871,917
	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**	105,273,906
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	351,075,150
	LEVERAGE RATIO	
22	**Leverage ratio**	29.99%
	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	

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Table 20

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION

a	b	c	d	e	f: Reconciliation with standardized regulatory reporting format														
Assets (as reported in published IFRS financial statements)	**Carrying Values as reported in published IFRS financial statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)**	**Notes**	1 Cash	2 Due from NBG	3 Due from Banks	4 Dealing Securities	5 Investment Securities	6.1 Total Loans	6.2 Less: Loan Loss Reserves	6 Net Loans	7 Accrued Interest and Dividends Receivable	8 Other Real Estate Owned & Repossessed Assets	9 Equity Investments	10 Fixed Assets and Intangible Assets	11 Other Assets	12 TOTAL ASSETS
Cash and cash equivalents	46,503,205	46,503,205	46,503,205		1,225,316.40	398,068.88	44,885,195.74						(5,375.79)					**46,503,205**
Amounts due from credit institutions	63,105,215	63,105,215	63,396,492			43,001,614.35	19,721,300.00						673,577.84					**63,396,492**
Loans to customers	188,834,331	188,834,331	187,200,225							190,798,069.92	(4,204,522.40)	186,593,547.52	606,677.43					**187,200,225**
Investment securities	20,226,333	20,226,333	20,064,487						19,760,503.27				303,984.18					**20,064,487**
Property and equipment	2,136,089.14	2,136,089.14	2,136,089													2,136,089.14		**2,136,089**
Intangible assets	2,512,693	2,512,693	2,512,693													2,512,693.27		**2,512,693**
Deferred income tax assets	148,054	148,054	0															**0**
Other assets	3593301	3593301	4,121,592										30,572.15				4,091,020.00	**4,121,592**
																		0
TOTAL ASSETS	**327,059,221**	**327,059,221**	**325,934,784**	**0**	**1,225,316**	**43,399,683**	**64,606,496**	**0**	**19,760,503**	**190,798,070**	**-4,204,522**	**186,593,548**	**1,609,436**	**0**	**0**	**4,648,782**	**4,091,020**	**325,934,784**

a	b	c	d	e	f: Reconciliation with standardized regulatory reporting format									
Liabilities (as reported in published IFRS financial statements)	**Carrying Values as reported in published IFRS financial statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)**	**Notes**	13 Due to Banks	14 Current (Accounts) Deposits	15 Demand Deposits	16 Time Deposits	17 Own Debt Securities	18 Borrowings	19 Accrued Interest and Dividends Payable	20 Other Liabilities	21 Subordinated Debentures	22 Total Liabilities
Amounts due to credit institutions	110,262,060	110,262,060	110,262,060		109,898,980					202,254	160,826			**110,262,060**
Amounts due to customers	104,538,990	104,538,990	103,903,290			45,396,897	14,216,536	43,958,497			331,360			**103,903,290**
Provisions for guarantees and letters of credit	76,065	76,065	712,963									712,963		**712,963**
Other liabilities	1,942,331	1,942,331	3,269,872									3,269,872		**3,269,872**
														0
														0
														0
														0
														0
														0
TOTAL LIABILITIES	**216,819,445**	**216,819,445**	**218,148,185**	**0**	**109,898,980**	**45,396,897**	**14,216,536**	**43,958,497**	**0**	**202,254**	**492,186**	**3,982,835**	**0**	**218,148,185**

a	b	c	d	e	f: Reconciliation with standardized regulatory reporting format							
Equity (as reported in published IFRS financial statements)	**Carrying Values as reported in published IFRS financial statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)**	**Notes**	23 Common Stock	24 Preferred Stock	25 Less: Repurchased Shares	26 Share Premium	27 General Reserves	28 Retained Earnings	29 Asset Revaluation Reserves	30 Total Equity Capital
Share capital	103,000,000	103,000,000	103,000,000		103,000,000							**103,000,000**
Retained earnings	7,239,776	7,239,776	4,786,599							4,786,599		**4,786,599**
Other reserves												**0**
												0
												0
												0
												0
												0
TOTAL EQUITY	**110,239,776**	**110,239,776**	**107,786,599**	**0**	**103,000,000**	**0**	**0**	**0**	**0**	**4,786,599**	**0**	**107,786,599**

*დამგვალებებიდან გამომდინარე სხვა აქტივები , სხვა ვალდებულებები და გაუნაწილებელი მოგება მცირედით არ ემთხვევა გამოქვეყნებულ ფასს ფინანსურ ანგარიშგებაში მოცემული საბალანსო ღირებულებებს .

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Table 21

CONSOLIDATION BY ENTITIES

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

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Table 22

INFORMATION ABOUT HISTORICAL OPERATIONAL LOSSES

		T-2018	T-2017	T-2016
1	Total amount of losses	0	0	2,391
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	0	0	2,391

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Table 23

OPERATIONAL RISKS - BASIC INDICATOR APPROACH

		a	b	c	d	e
		T-2018	T-2017	T-2016	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	15,819,226	14,544,469	15,968,684		
2	Total Non-Interest Income	3,590,645	2,343,359	1,384,545		
3	less: income (loss) from selling property	26,117	60,820	-2,441		
4	**Total income (1+2-3)**	19,383,754	16,827,007	17,355,670	17,855,477	33,479,019

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Table 24

REMUNERATION AWARDED DURING THE REPORTING PERIOD

			Board of Directors	Supervisory Board	Other material risk takers
1	Fixed remuneration	Number of employees			
2		Total fixed remuneration (3+5+7)	1,102,841	199,839	0
3		Of which cash-based	953,824	199,839	
4		Of which: deferred			
5		Of which: shares or other share-linked instruments			
6		Of which deferred			
7		Of which other forms	149,017		
8		Of which deferred			
9	Variable remuneration	Number of employees	3		
10		Total variable remuneration (11+13+15)	392,070	0	0
11		Of which cash-based	383,033		
12		Of which: deferred			
13		Of which shares or other share-linked instruments			
14		Of which deferred			
15		Of which other forms	9,037		
16		Of which deferred			
17		**Total remuneration**	1,494,911	199,839	0

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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			

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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	0	0	0	0	0
2	Cash					
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

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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		
					Awarded during the period			Reduction during the period		Other Changes				
		Unvested	Vested	Total (a+b)	Of which: Unvested	Of which: Vested	Vesting	Unvested	Vested	Purchase	Sell	Unvested (a+d-f-g)	Vested (b+e+f-h+i-j)	Total(k+l)
	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

PASHA Bank

New heights. Together.