PILLAR 3 ANNUAL REPORT
JSC PASHA Bank Georgia

2019

PASHA Bank
New heights. Together.

CONTENT

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.

FOREWORD BY CHIEF EXECUTIVE OFFICER

Arda Yusuf Arkun
CEO, Chairman of Board of Directors

PASHA Bank has been operating in Georgia since February 2013, providing high quality services to its large corporate banking customers.

2019 was a year of new beginnings and challenges for PASHA Bank. In order to become a more diversified player in the market, we decided to replicate our success in serving larger corporates by starting to serve smaller corporates as well. We provide high-quality and personalized customer service to our clients in our newly opened state of the art branch at Saarbrucken Square. We have expanded our loan portfolio by 58% during 2019 thanks to our loyal and growing corporate customer base.

As PASHA Bank, we consider high-quality service as the cornerstone of relationship with our customers. According to surveys conducted by IPM Market Intelligence Caucasus, 91% of PASHA Bank's corporate clients would recommend the Bank to others, and 92% of clients from our newly added segment of smaller corporates consider us to be a reliable partner. Gaining this level of satisfaction and trust from our customers motivates us to perform even better with each passing year.

As part of our growth and diversification strategy, on August 9, 2019 we launched our retail banking business under our sub-brand – Re|Bank. We believe there is a unique opportunity for Re|Bank in serving retail customers even in a very well-developed and competitive market like Georgia. Re|Bank's mission is to provide continuous innovation and excellence in customer experience and to bring changes in the banking habits of Georgian people, hence our slogan – "For Changes". We introduced our first innovative product Top|Card, a 0% installment card with no hidden fees with which our customers can delay their payments in over 1,000 partner merchants throughout Georgia.

In order to provide the best customer service to Re|Bank's customers, we opened seven branches in Tbilisi, Kutaisi, Batumi, Zugdidi, and Gori. We also established a customer service center that serves Re|Bank's customers 24/7. We also developed remote banking channels and will continue to improve our digital presence to make our customers' daily lives easier and happier.

Last but not least, moving to our new head office was another highlight of 2019. Our long-term commitment to Georgia, along with our ambitious growth strategy both in Corporate/SME segments and our newly launched retail brand – Re|Bank, prompted us to create a larger, modern workspace for our team in order to foster innovation. In terms of location, we chose Axis Towers, and we are delighted to provide our employees with this world-class work environment.

I would like to thank all employees of PASHA Bank Georgia for coming to work every day with passion, motivation, and innovation in their minds to improve the day-to-day lives of our customers.

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FINANCIAL HIGHLIGHTS

Below are some financial highlights of JSC PASHA Bank Georgia for the year ended 31 December 2019 with comparative figures:

Profit and loss	2019 GEL'000	2018 GEL'000
Net interest income after impairment losses	14,295	14,615
Non-interest income	5,006	3,099
Non-interest expenses	(27,783)	(14,673)
Income tax (expense)/benefit	(578)	148
Net Loss/ profit	**(9,060)**	**3,189**
Other comprehensive income	-	-
Total comprehensive (loss)/income	**(9,060)**	**3,189**

Balance sheet	31 December 2019 GEL'000	31 December 2018 GEL'000
Cash and cash equivalents and Amounts due from credit institutions	147,621	109,608
Loans to customers	297,785	188,834
Investments in securities	26,480	20,226
Other assets	20,402	8,389
Total assets	**492,288**	**327,057**
Amounts due to credit institutions	110,130	110,262
Amounts due to customers	241,708	104,539
Other liabilities	38,113	2,014
Total liabilities	**389,951**	**216,815**
Equity	102,337	110,242
Total equity and liabilities	**492,288**	**327,057**

In 2019, PASHA Bank Georgia started full-scale implementation of strategic initiatives relating to the launch of a retail business line, and continued its active expansion into the commercial segment of smaller corporate clients. The direct effect of these actions has been a 59% increase in its gross loan portfolio, a 36% increase in interest income, and a significant growth in retail-related investments in human capital, branch development, and technology, translating into the cost to income ratio of 121%. The loss of 9 million GEL was mainly due to initial investments for our newly launched retail business, Re|Bank, which we believe will result in increased sustainable profitability of the Bank going forward. The shareholders and management remain determined to develop the Bank into a leading player on the Georgian retail market while continuing to expand its well-established corporate and commercial business and therefore, accepting a certain level of costs that are necessary for achieving the planned strategic objectives. At the end of 2019 the Bank continues to maintain a remarkably low level of NPLs.

The Audited Financial Statement of 2019 can be viewed at the Bank website: pashabank.ge

STRATEGY CHANGE

The Bank has been following the 2018-2020 strategy, which incorporates JSC PASHA Bank Georgia's aspirations to expand in the Georgian market by entering the commercial and retail segment, while also continuing an organic growth in the corporate segment, which remains its core business, by improving the corporate banking product suit and the internet banking platform, as well as further developing a dedicated trade finance offering with an international desk. In order to enhance its profitability and become more involved in the development of the Georgian business sector, 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 launched its new brand in the retail market – Re|Bank. Last year, seven branches were opened, offering credit and deposit products tailored for retail customers and their comfort. The mission of the Re|Bank brand is to provide win-win financial solutions with no hidden fees, to bring changes in the banking habits of people, and make their everyday lives happier. Along with Blitz|Loan and Maxi|Deposit, the Bank entered the Georgian market with an innovative product – Top|Card. This is an installment card that represents the core offer from the brand and offers a comfortable shopping experience with more than 1000 partners throughout Georgia. 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

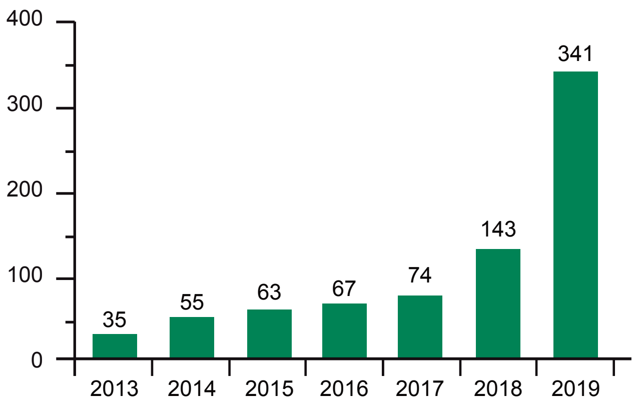
OUR PEOPLE

JSC PASHA Bank Georgia is a workplace with a unique culture that values people. We believe that our employees are the most important asset that shape the Bank's culture.

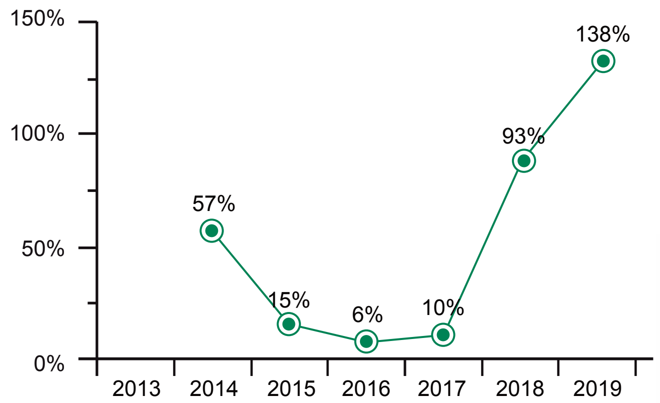
We fully support our people in their professional development, encourage their initiatives, promote transparent cooperation, and strive to keep a good work-life balance.

The HR strategy for 2019 was mostly focused on supporting the Bank's new business direction by attracting and retaining top talents, as well as by motivating and strengthening the existing team.

Number of Employees (2013-2019)

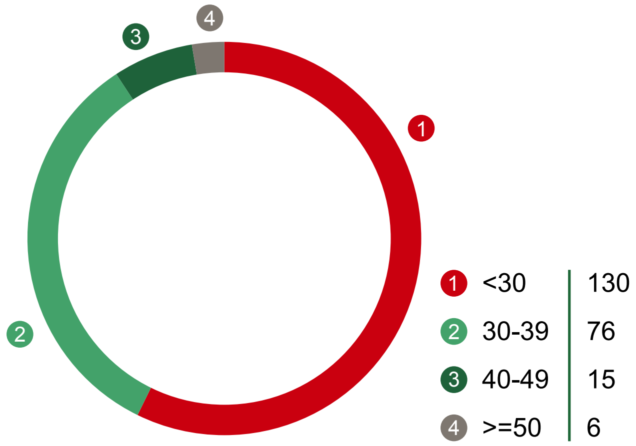


Change in Number of Employees in % (2013-2019)

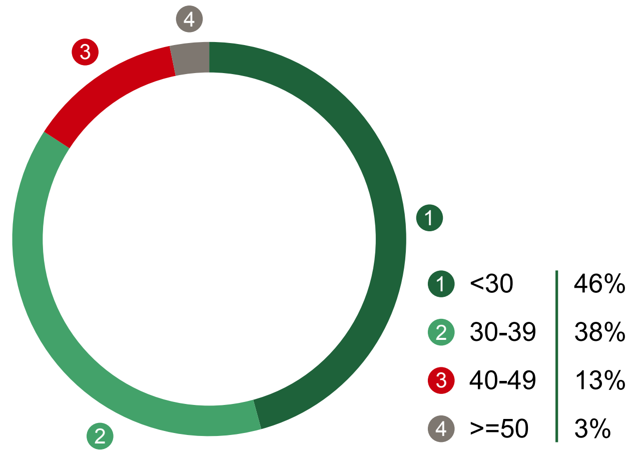


Our aim is to make JSC PASHA Bank Georgia an employer of choice for recent graduates and mid-career professionals alike.

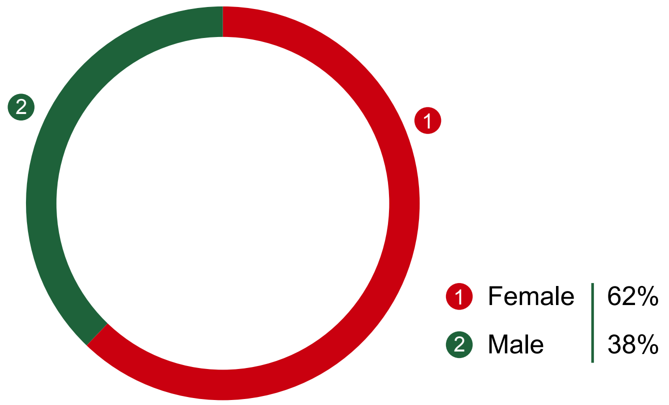
Age Composition (Newcomers 2019)



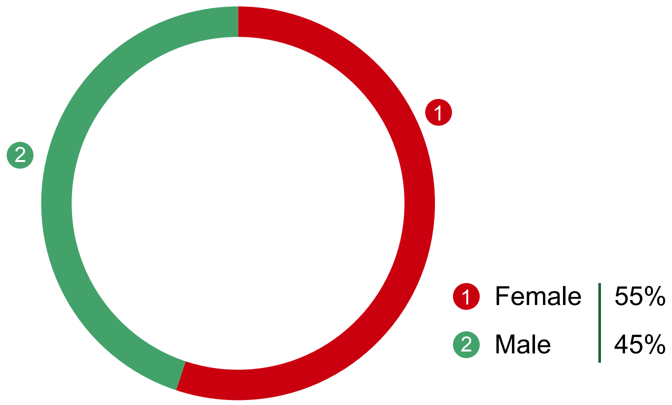
Age Composition of all staff % (December 2019)



Gender balance (December 2019)



Gender balance in MM (December 2019)



LEARNING AND DEVELOPMENT

We believe that employee development is essential for the Bank and support sustainable learning activities for our people. The Bank's learning culture enables the employees to gain different professional skills and knowledge. Various learning opportunities are available, such as online, local and abroad professional trainings, full coverage of international professional certification costs, access to professional literature, language courses, etc.

Number of People Trained (2019)	172	Total Training Hours of Employees (2019)	6775
% of People Trained Abroad (2019)	10%	Average Training Hours (2019)	18

PASHA Bank's internship programs are a great start for the career advancement of young talents. The Bank hosted fourteen interns/trainees during 2019 and most of them were employed on various positions afterwards.

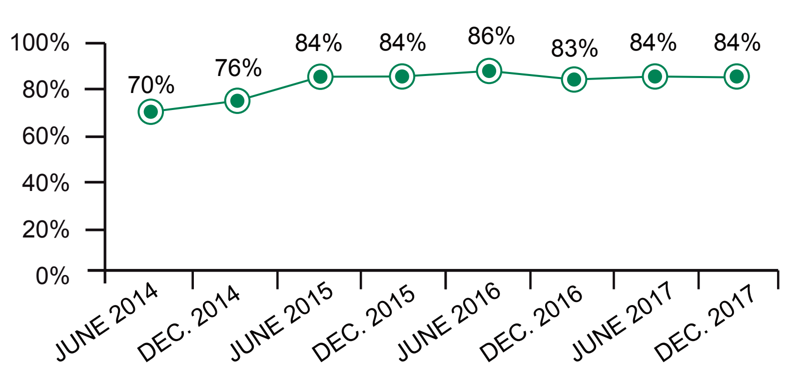
EMPLOYEE ENGAGEMENT AND SATISFACTION

PASHA Bank strives to create a supportive, motivating, collaborative, and positive work environment where employees are engaged and happy with their jobs. We believe that engagement drives performance and we conduct surveys in order to understand the needs of our employees.

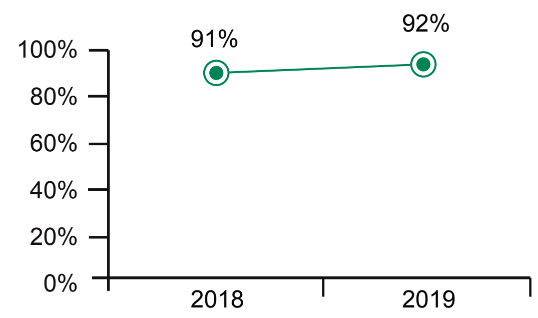
The Bank conducted an internal survey to measure employee satisfaction for 2014-2017. In 2018, a decision was made to outsource this activity. Subsequently, an independent expert was hired to conduct annual employee engagement surveys, which show the extent of emotional connection employees feel towards the organization. The survey consists of thirty-one concepts that cover different aspects of employee engagement, satisfaction, and concerns.

The employee engagement survey provides different concepts for evaluation, including team knowledge, team performance, team and managers' feedback, managers' knowledge, goal orientation, process and performance management, decision making, autonomy, entrepreneurship, work-life balance, etc. In the framework of the 2019 survey, nineteen out of thirty-one concepts were given an assessment of higher than 70%, out of which employee engagement, helping colleagues, autonomy, and team cooperation were the highest rated concepts. Employee engagement, as a general concept, scored higher than in 2018 (91%) and above the average market indicator, hitting the 92% marker.

Satisfaction %



Engagement %



REMUNERATION OF EMPLOYEES

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

The Bank operates according to the Employee Remuneration Policy approved by the Supervisory Board. Remuneration Policy is designed to provide compliance with the Bank's remuneration system and risk culture, long-term business strategy and risk appetite, the Bank's activities, and legislative/supervisory requirements. It is the responsibility of the HR and Remuneration Committee to ensure the latter.

Individual remuneration in the Bank is determined by the principle of equal pay and aims to ensure equal compensation opportunities for relatively similar jobs.

The remuneration system ensures that the structure of remuneration for control function employees (risk management, compliance, and internal audit functions), including performance-based components, does not compromise the independence of these employees in carrying out their functions. Remuneration of control function employees is not based on the financial results of the business line they oversee or monitor.

The Bank's remuneration consists of fixed and variable remuneration, together with benefits. Fixed remuneration is given to employees on a monthly basis, and variable remuneration is an additional, performance-based pay distributed at different periodicities.

Salary range and grade of the given position, individual knowledge/experience, and recent market tendencies are taken into consideration when determining the fixed remuneration.

Salary range is an internally developed base pay scheme linked to the job grade. Each position in the Bank is assigned a level – a job grade. A specific job grade is assigned after analyzing each position according to different responsibilities. In order to receive updated market data and stay competitive, we participate in annual compensation surveys of the Georgian banking sector conducted by the company "HR Expert".

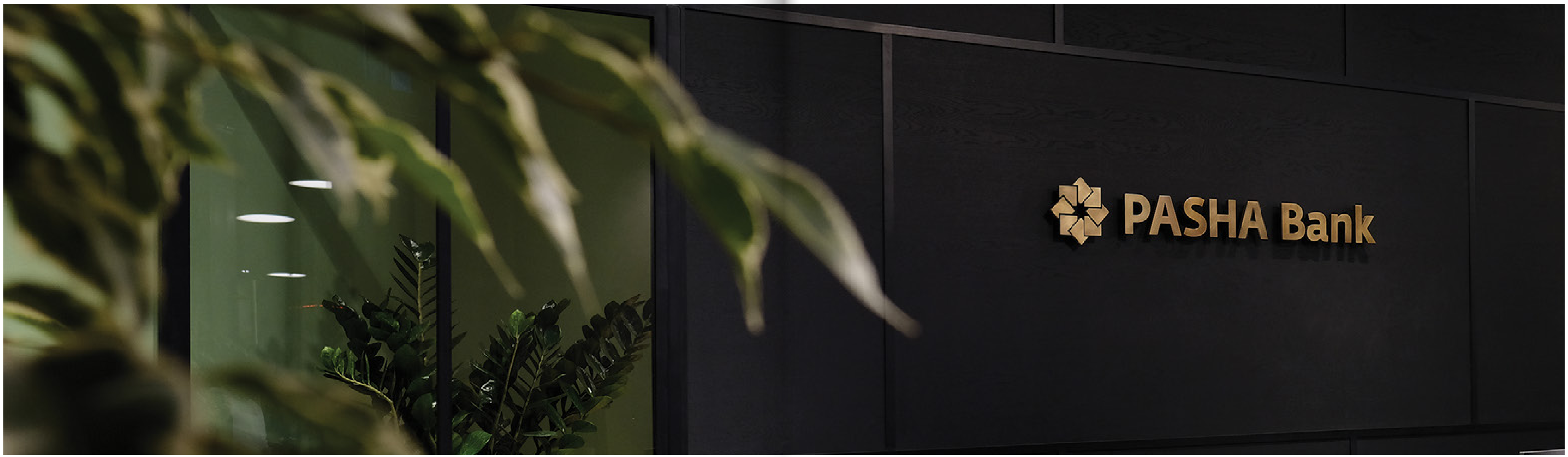
Variable remuneration is a performance-based pay offered in addition to the employee's base pay. The line manager evaluates individual performance of each employee annually according to the approved Performance Management Methodology and the Performance Management Procedure.

Disbursement of the performance-based variable pay takes place at different periodicities. In spite 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), and calculated based on the fulfillment of pre-defined criteria – KPIs and objectives and are paid only if the predefined targets are achieved.

Each job in JSC PASHA Bank Georgia is eligible for variable pay. The bonus system is performance-based and is designed to harmonize high performance and benefits, simultaneously eliminating conflicts of interest.

The Supervisory Board reviews and approves the Bank's achievement of performance KPIs, and bonus eligibility for members of the BOD and the support staff. Supervisory Board takes into account the need for balancing business risks against opportunities and conflicts of interest for defining KPIs for the Bank's bonus eligibility. The Board of Directors approves bonus disbursement for the front office functions. All existing bonus methodologies are reviewed and approved by the Supervisory Board.

The Bank offers various benefits to the employees. The Benefit Scheme is determined by the job grade and includes different benefit packages, such as health insurance, sport allowance, professional literature allowance, international professional certification and membership fees, diverse range of learning and development activities, etc.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

JSC PASHA Bank Georgia is committed to high standards of corporate governance and recognizes the importance of corporate governance practices for enhancing the Bank's success and creating long-term shareholder value.

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

COMMITMENT TO CORPORATE GOVERNANCE

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

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 the 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 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 how 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.

The Corporate Governance Code for Commercial Banks was adopted and introduced on September 26, 2018 by Decree № 215/04 of the Governor of the National Bank of Georgia, the highest administrative body responsible for the supervision of the financial sector.

The purpose of the Corporate Governance Code for Commercial Banks has been described as the definition of the core corporate governance principles for commercial banks, the establishment of efficient and sound corporate governance that promotes successful functioning and stability of the financial and banking sectors. The requirements laid down in the Code were compulsory for commercial banks.
The Bank has adopted the guidelines of the Code and has complied with its specifications.

CODE OF ETHICS

Members of the Supervisory Board and the Board of Directors, as well as all employees of the Bank are expected to act in accordance with all applicable laws and regulations, and to 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 based on the following values:

Integrity - At the core of our business stands 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 most 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 only achieve that by maintaining a 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 do not dare to. We do not 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 following requirements:
- 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 of the Bank.
- Compliance with applicable governmental laws, rules, and regulations.
- Prompt internal reporting of any illegal behavior or violations of the Code.
- Provision of methods to communicate violations of the code.

Open-Door Policy

The Code of Ethics incorporates an open-door policy, which gives each 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 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.

Any member of the governance structure with any material concern about the overall corporate governance of the Bank can report to the Supervisory Board.

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, several changes took place in the Board and the composition of the Board committees.

After nearly three years on the Board, Mr. Taleh Kazimov and Mr. Cenk Eynehan resigned from their positions as Board members in December 2018. They provided invaluable insights to the Board during their tenure; the Bank is grateful for their service and wishes them the best for the future.

The General Meeting of Shareholders approved the candidacies of Mr. George Glonti and Mrs. Ebru Ogan Knottnerus as independent Members of the Supervisory Board, effective from December 31, 2018.

With this decision, the Bank complied with the Corporate Governance Code for Commercial Banks, approved on September 26, 2018 by Decree № 215/04 of the Governor of the National Bank of Georgia, Article 5: "Composition of the Supervisory Board", Paragraph 4, which states that "one third of supervisory board members but no less than 2 should be independent. Besides, the independent members of the supervisory board of a parent company and/or subsidiary banks of the group may also be considered to be independent on the supervisory board of the subsidiary bank if these members satisfy the independence criteria set by the present Code and/or the best international practices", and Article 5, Paragraph 8, which states that "the supervisory board members should have a range of knowledge and experience in relevant areas and have varied backgrounds to promote diversity of views. Moreover, at least 20% (at least 1 member) of the supervisory board members should be female".

The Supervisory Board approved the candidacy of Mr. George Glonti on the position of the Senior Independent Member and Deputy Chairperson of the Supervisory Board effective from 31st December, 2019.

With this decision, the Bank complied with the Corporate Governance Code for Commercial Banks, approved on September 26, 2018 by Decree № 215/04 of the Governor of the National Bank of Georgia, Article 6: "Chairperson of the Supervisory Board", Paragraph 2, which states that "If a chairperson is not independent supervisory board member as defined by paragraph "b" of Article 2 of the Code, from independent members of the supervisory board a senior independent member must be chosen, who shall be responsible for avoiding and removing any concerns regarding the conflict of interests. The senior independent member shall be simultaneously appointed as deputy chairperson of the supervisory board. The senior independent board member serves as a chairperson while making decision on the issues when the chairperson might face conflicts of interests".

The Supervisory Board approved independent member of the Supervisory Board, Mr. George Glonti, on the position of the Chairperson of the Audit Committee, independent member of the Supervisory Board, Mrs. Ebru Ogan Knottnerus, and member of the Supervisory Board, Mr. Shahin Mammadov, on the positions of members of the Audit Committee, effective from January 01, 2019.

The Supervisory Board approved independent member of the Supervisory Board, Mrs. Ebru Ogan Knottnerus, on the position of the Chairperson of the Risk Management Committee, independent member of the Supervisory Board, Mr. George Glonti, and member of the Supervisory Board, Mr. Farid Mammadov, on the positions of members of the Risk Management Committee, effective from December 31, 2019.

With these decisions, the Bank complied with the Corporate Governance Code for Commercial Banks, approved on September 26, 2018 by Decree № 215/04 of the Governor of the National Bank of Georgia, Article 7: "The Committees of the Supervisory Board", Paragraph 6, which states that "the committee chair should be an independent supervisory board member. Besides, committees should have a sufficient number of independent members who play a leading role in committees. Each committee should consist of at least 3 supervisory board members and their responsibilities should give them the power to adequately perform their duties. The chairperson of the risk committee should be independent and should not be the chairperson of the supervisory board or any other committees. Additionally, risk committee should comprise of at least 3 members, the majority of which should be independent members of the supervisory board".

During 2019, the Supervisory Board approved changes in the composition of the Strategy and Budget Committee twice. On February 25, 2019, Mr. Sarkhan Aliyev resigned from the position of a member of the Strategy and Budget Committee and Mr. Nijat Rasulov was elected as a new member of the Strategy and Budget Committee.

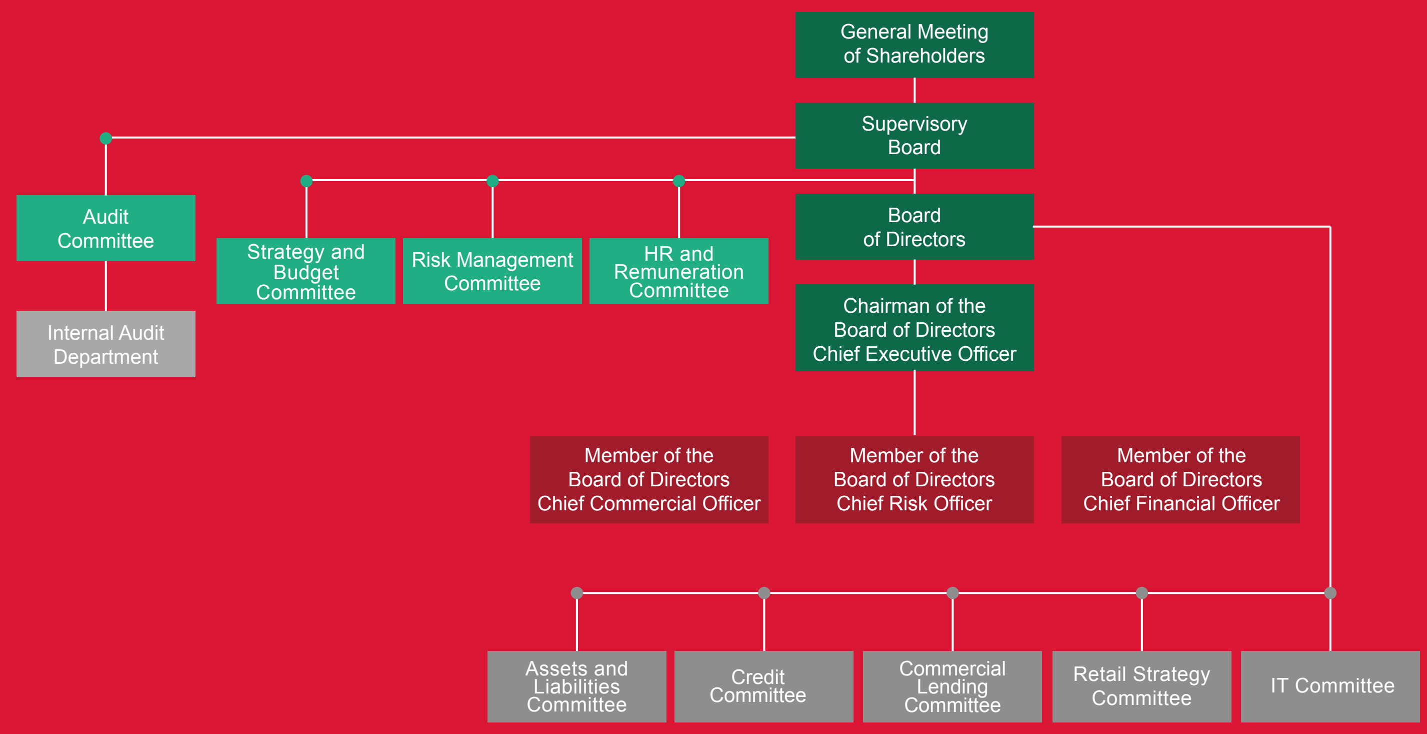
On November 13, 2019, Mrs. Ulviyya Abbasova and Mr. Nijat Rasulov resigned from their positions as members of the Strategy and Budget Committee, and Mr. Murad Suleymanov and Mr. Teymur Huseynov were elected as new members of the Strategy and Budget Committee.

Senior Independent Member c

GOVERNANCE STRUCTURE

The governance structure of the JSC PASHA Bank Georgia is adequate taking into consideration its business nature, scale, and complexity. The organizational and corporate structure of the Bank eliminates conflicts of interest and ensures that no one has unfettered decision-making rights.

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



MEMBERS OF THE 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 a member of the Risk Management Committee.

Experience

Having started his banking career in 1999 as a 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 Deputy CEO. In 2012, he started working 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. From this date until February 2017, he served as First Deputy CEO at OJSC Kapital Bank. Since February 2017, he has been serving as Deputy CEO of LLC PASHA Holding and the Director of Business Group.
Farid Mammadov has more than twenty years of experience in banking and business management.

Education

Farid Mammadov completed his undergraduate education in Political Science at 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 has an MBA from IE Business School, Spain and is a CFA Charterholder.

George Glonti

Senior Independent Member of the Supervisory Board

George Glonti is an Independent Member of the Supervisory Board effective from December 31, 2018. He is also the Chairman of the Audit Committee and a member of the Risk Management Committee.

Experience

Having started his banking career in 1992 as an Assistant in International Operations and Documentary Transactions Department at Iberia Bank, George Glonti became the Head of the same department in 1994 and held this position until 1995. Between 1995 and 1996 he continued his career as the Financial Director of TBC Group and Alma TBC. At the time, he also served as a member of the Board of Directors and the Credit Committee of TBC Bank. From 1996 to 1999, he held the position of the Head of International Division in TbilUniversalBank. Between the years of 1999 and 2003 George Glonti was a Managing Partner, the CEO, and a Shareholder of the UBC International LTD (Audit & Consulting), a company associated with PwC. In 2003-2005 he was Deputy CEO of People's Bank of Georgia. In 2005-2008, George Glonti became the Vice President of the National Bank of Georgia and a member of the NBG Council. From 2008 to 2009 he was the CEO of the People's Bank of Georgia (presently "Liberty"). In 2009, he became the CEO of Kor Standard Bank (presently "Tera Bank") and held the position until 2013. In 2013-2014 Glonti was the Managing Partner and the CEO of the Phoenix Capital. From 2014, he continued his career as the CEO of the Super TV cable television. Since 2014 until the present, he has held the position of the Non-Executive Vice President of GFTC (SWIFT Service Bureau). In 2018, he became the Managing Partner at the RSM Georgia Management & Consulting.
George Glonti has more than twenty-five years of experience in banking and business management.

Education

George Glonti completed his BA and MBA in Finance and Economics, with a specialization in Banking, at Tbilisi State University, Georgia.

Ebru Ogan Knottnerus

Independent Member of the Supervisory Board

Ebru Ogan Knottnerus is an Independent Member of the Supervisory Board effective since December 31, 2018. She is also the Chairperson of the Risk Management Committee and a member of the Audit Committee.

Experience

Ebru Ogan Knottnerus started her banking career in 1991 in the Internal Audit Department of PAMUKBANK. Between the years of 1993 and 1997, she worked as the Financial Control and Budget Planning Manager for FINANSBANK. She held the Manager's position in Foreign Investments Department for DEMIRBANK between 1997 and 1999. In 1999, Ebru Ogan Knottnerus joined OTTOMAN Bank and worked as the Head of Risk Management and Internal Control Departments until 2001. She continued her career at the BBVA Group - GARANTI Bank AŞ as the Head of Subsidiaries' Risk Management Department between 2001 and 2003, and from 2016 to 2018 she held the position of the Head of Risk Management. In 2018, Ebru Ogan Knottnerus joined PASHA Investment Bank Turkey as an Independent Board member. Ebru Ogan Knottnerus has more than twenty-five years of experience in banking and business management.

Education

Ebru Ogan Knottnerus earned her bachelor's degree in Business Administration at the Middle East Technical University (METU) in Ankara, Turkey. She also completed various executive education programs, such as Authentic Leadership Development Programme at Harvard Business School, Strategic Development Programme at London Business School, and High Impact Leadership Programme at Columbia University, USA.

Jalal Gasimov

Member of the Supervisory Board

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

Experience

Jalal Gasimov started his banking career at OJSC İlkbank, Azerbaijan in 1999. Between 2000 and 2003 he held various positions in finance at private companies. He worked at Azpetrol Oil Company as the Finance Director in 2003-2004, and was 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 performed top management duties as the CEO of OJSC Bank of Baku, the Finance Director at CRA Group Companies, and the CEO and the Chairman of the Executive Board in JSC Unibank between 2007 and 2015. 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 a member of the Board of Directors at PASHA Yatırım Bankası A.Ş. He was appointed as Chief Executive Officer of PASHA Holding effective from 26.12.2019. Jalal Gasimov has more than twenty years of experience in banking and business management.

Education

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

Shahin Mammadov

Member of the Supervisory Board

Shahin Mammadov has been a member of the Supervisory Board since May 2018. He is also a 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 an Associate Auditor and was subsequently promoted to the position of Audit Manager.

In 2009, Mr. Mammadov was assigned to the position of the Director of the Financial Management Department at OJSC PASHA Bank and in 2011 he became the Chief Financial Officer and a 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 the Chairman of the Board of Directors at JSC PASHA Bank Georgia. Since March 2015, Shahin Mammadov has been a member of the Supervisory Board at PASHA Yatırım Bankası A.Ş. Since January 2018 he has been serving as the Business Support Director and Deputy CEO at LLC PASHA Holding. On March 1, 2018 Shahin Mammadov became a member of the Supervisory Board at OJSC PASHA Bank. Shahin Mammadov has more than sixteen years of experience in banking and business management.

Education

Shahin Mammadov graduated from the Azerbaijan State Economic University and received a bachelor's degree 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 the Academy of Sciences of the Republic of Azerbaijan. He successfully completed several education programs in a number of top business schools as part of the High Potential Leadership Program organized by PASHA Holding in 2013. In 2012, Shahin Mammadov enrolled in the Program for Leadership Development (Executive Education Program) at Harvard Business School and completed Modules 1 to 4 in 2013. In 2017, he completed Module 5 of the same Program. Mr. Mammadov obtained the status of an Alumnus from the Harvard Business School in July 2017. He has been a member of the Association of Chartered Certified Accountants (ACCA) since 2014.

SHAREHOLDER STRUCTURE AND SHARE CAPITAL

JSC PASHA Bank Georgia operates under the General Banking License issued by the National Bank of Georgia on January 17, 2013.
Total authorized share capital of JSC PASHA Bank Georgia amounts to GEL 103,000,000 (one hundred and three million Georgian Lari).

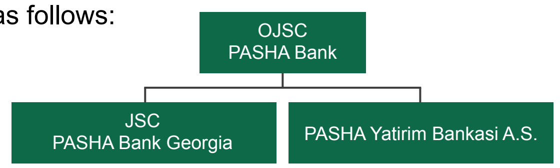
The Bank's total authorized share capital is divided into 103,000,000 (one hundred and three million) common shares. Nominal value per share is GEL 1.00 (one Georgian Lari). Each common share entitles one vote to its owner at the General Meeting of Shareholders.
The Bank is a subsidiary bank. As of December 31, 2019, 100% of the shares emitted by the Bank was solely owned by OJSC PASHA Bank.

Ultimate Beneficial Owner	%
Leyla Aliyeva	45%
Arzu Aliyeva	45%
Arif Pashayev	10%

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

Shareholder/beneficial owner	Type of income	Volume in GEL
OJSC PASHA Bank	Fee and commission income	80,000
	Interest income	803,000
LLC PASHA Holding companies	Fee and commission income	2,000
	Interest income	1,569,000

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. 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 most convenient for the shareholders. The General Meeting is called within the term of twenty calendar days after the Directors have sent a notification to the shareholders. Nothing impedes the shareholders from voting from abroad or through 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 the date, time, venue, agenda, project of resolution, and proposals, if any, regarding amendments to the Charter.

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

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 a increase in 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 making decisions concerning the utilization of net profit, if the said bodies fail to agree on a 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 member remuneration, and conclusion of member contracts;
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 the Supervisory Board members, including the appointment of a representative for such action;
k) Adopting resolutions on the issuance and sale of shares and other securities under 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 according to effective Georgian legislation.

General Meeting of Shareholders

In 2019, the General Meeting of Shareholders was conducted three times on the following dates: January 28, 2019; May 13, 2019; and November 4, 2019. At the General Meeting of Shareholders, Mr. Mir Jamal Pashayev represented the Bank's shareholder, under a duly notarized and legalized power of attorney (proxy).

Agenda of the Annual Meeting of Shareholders

Resolution on Change of Legal Address
At the meeting of January 28, 2019, the General Meeting of Shareholders approved the change of legal address of the Headquarters of JSC PASHA Bank Georgia from 15 Rustaveli Ave. Tbilisi 0108, Georgia to 2 Leonidze St. / 1 G. Tabidze St., Tbilisi 0105, Georgia. The Chairman of the Board of Directors was authorized to amend the Charter of the Bank respectively.

Independent Auditors' Report
At the meeting of May 13, 2019, the General Meeting of Shareholders approved the annual audited financial statements together with an independent auditor's report for the year 2018.

Resolution on Dividend Distribution
At the meeting of May 13, 2019, the General Meeting of Shareholders decided not to distribute as dividends the accrued profit of the year 2018 in the amount of 2,573,989 Georgian Lari.

Resolution on Delegation of Decision-Making Authority
At the meeting of May 13, 2019, the General Meeting of Shareholders accepted the proposal of the Supervisory Board to delegate to the Board of Directors the decision-making authority to determine and approve the amount of minimum and maximum interest rates to be used concerning credit resources and deposits. The Chairman of the Board of Directors was authorized to amend the Charter of the Bank respectively.

Approval of the Directors' Remuneration Policy
At the meeting of May 13, 2019, the General Meeting of Shareholders approved the Remuneration Policy for Directors. The Policy was developed to establish guiding principles for decisions concerning remuneration of the Bank's executive and non-executive Directors.

Resolution on Change of Legal Address
At the meeting of November 04, 2019, the General Meeting of Shareholders approved the change of legal address of the Headquarters of JSC PASHA Bank Georgia from 2 Leonidze Str./ 1 G.Tabidze St., Tbilisi 0105, Georgia to 37M Ilia Chavchavadze Ave., Tbilisi 0179, Georgia. The Chairman of the Board of Directors was authorized to amend the Charter of the Bank respectively.

SHAREHOLDER RIGHTS

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

The Charter is available on PASHA Bank's website at www.pashabank.ge
According to Article 4, Section 4.2 of the Bank Charter, shareholders have the right to:
a) Attend or be represented at the General Meeting and take part in the voting process (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 the dividends;
d) Dispose their shares in accordance with Georgian legislation and the Bank Charter;
e) In case of the Bank's liquidation, receive pro rata share of the assets remaining after the payment of the creditors' claims;
f) Have access to information concerning economic activities of the Bank;
g) Appeal to the Directors of the Bank to specify issues in the General Meeting agenda, request an extraordinary General Meeting, or add issues for consideration to the agenda of an already appointed General Meeting;
h) Request a special inspection of the Bank's economic activities and annual balance sheets if they have a reasonable doubt that material irregularities have taken place;
i) Preemptively 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 Charter;
j) Appeal to a local court or, by agreement of the parties, seek private arbitration for the solution of a conflict between themselves and the Bank;
k) Other rights as stipulated by Georgian legislation and the Bank Charter.

THE SUPERVISORY BOARD

The Supervisory Board is responsible for the general oversight of the Bank and of the Board of Directors. Its members are elected by the shareholders. The Supervisory Board is led by a 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 the Bank, responsible to the 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 the overall strategic direction within a framework of rewards, incentives and controls, demonstrates ethical leadership, and promotes a 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 Article 7, Section 7.10 of the Bank Charter, the following activities shall be performed only by the Supervisory Board:

- Strategic supervision and control of the Bank;
- Review and approval of corporate strategy and strategic objectives;
- Review and approval of annual budget and business plan;
- Initiation of new banking/commercial activities and termination or suspension of existing activities;
- Establishment and liquidation of new enterprises and branches;
- Acquisition and disposal of shares in other companies;
- Approval of the organizational structure;
- Approval of the Code of Ethics and whistleblowing procedures;
- Adoption of resolutions for implementing the General Meeting decision to admit the Bank's shares and other securities to the stock market;
- Submission of proposals for profit distribution to the General Meeting of shareholders;
- Redemption of shares by the Bank as mandated under Georgian legislation;
- Strategic supervision of risk management activities;
- Approval of the risk appetite statement, conduction of annual reviews;
- Approval of the business continuity plan;
- Authorization of (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 appointment and dismissal of its members;
- Determination of rights and obligations of members of the Board of Directors, monitoring and supervision of their activities, request of reports from the Board of Directors;
- Approval of succession policy and succession planning for members of the Board of Directors;
- Conclusion of labor agreements and determination of remuneration packages for members of the Board of Directors;
- Approval of regulatory framework for determining bonuses and/or additional benefits for employees, including members of the Board of Directors;
- Approval of structure, size, and composition of the Supervisory Board committees, including appointment and removal of the Supervisory Board committee members and review of reports by the Supervisory Board committees;
- Election of 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 decision-making and authority limits of the Board of Directors;
- Securing of 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 documents;
- Determination and approval of terms and conditions to be used with regard to credit recourses and deposits to the Bank's employees;
- Convention of the General Meeting, if deemed necessary for the interests of the Bank;
- Supervision and representation of the Bank in case of conflict between members of the Board of Directors;
- Based on the decision of the General Meeting, procession of a 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;
- Supervision of interventions in accordance with the results of examinations carried out by External and Internal Audits, as well as the National Bank of Georgia;
- Resolution of issues that are beyond the scope of the Board of Directors' authority;
- Performance of any other duties as required by the General Meeting.

The Supervisory Board members are collectively responsible for the Bank's interests and have a fiduciary duty towards the Bank. The Chairperson is appointed from the members of the Supervisory Board. He is responsible for its effective overall functioning, including maintenance of a relationship of trust and collegiality with the Supervisory Board members, as well as facilitation of coordination and cooperation between the Supervisory Board and the management.

The Charter of the Bank changed in 2019. Duties and responsibilities stated in Article 7 (The following activities shall be performed only with the written approval of the Supervisory Board), Section 7.10.32 – "Determination and approval of terms and conditions to be used with regard to credit recourses and deposits to the Bank's employees" has been delegated to the Board of Directors. Article 1 (General Provisions), Section 1.4 (the legal address of the Bank is 15 Shota Rustaveli Ave., Tbilisi 0108, Georgia) was amended to indicate the legal address of the Bank as 37M Ilia Chavchavadze Ave., Tbilisi 0179, Georgia.

DEFINITION OF AN 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 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, a judgment that is not clouded by a real or perceived conflict of interest.

Independence of a person recommended by the Bank on the position of a Supervisory Board member shall be verified by the Bank before the appointment in accordance with the National Bank of Georgia's Questionnaire on Independence and compliance analysis as stipulated by the Regulation on Fit and Proper Criteria for Administrators of Commercial Banks.

An "Independent Member" is a person who or whose relative, defined as first and second legal heir under the Civil Code of Georgia[1]:

1. Is not a relative of the Bank's administrators or companies related to the Bank;
2. Is not a relative of the person(s), who directly or indirectly hold significant shares of the Bank or companies related to the Bank;
3. Does not receive additional remuneration from the Bank other than the fixed fee for membership of the Supervisory Board and the Supervisory Board committees;
4. Does not receive dividends for owning the Bank's shares (owning less than 2% of the Bank's shares directly or indirectly);
5. During the 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 companies related to the Bank;
6. During the 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 companies related to the Bank;
7. Does not have any kind of material liability (including a financial one) towards the Bank, the Bank's administrators, and the Bank's significant shareholders; or does not have any other type of material/financial interests (including property, investment) in the Bank or companies related to the Bank (with the exception of a person who directly or indirectly holds 2% or less shares of the Bank or companies related to the Bank);
8. During the past five years did not have professional or other kind of working relationship (including business services, etc.) with the Bank and companies related to the Bank, with the administrators and significant shareholders (with the exception of a person who performs non-executive functions or occupies a non-executive position);
9. Has not been employed by the Bank within the last five years other than as a member of the Supervisory Board or the Supervisory Board committees;
10. Is not related to a non-profit organization that receives significant funding from the Bank or companies related to the Bank;
11. Is not, nor in the past five years has been, related to a present or former auditor of the Bank of a related party;
12. Has not served on the Supervisory Board for more than nine years since the date of his/her 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 a 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 companies or institutions with which they are affiliated, and be selected based on contributions they can make to the Supervisory Board, and their ability to represent the shareholders' interests. 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 are 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 that 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 university education in one of the following fields: economics, finance, banking, business administration, audit, accounting, jurisprudence, or other relevant education that enables him/her to perform his/her duties;
- A member of the Supervisory Board shall not be an administrator of another commercial bank registered in Georgia, except in the case when he/she holds an administrator's position in a bank that is a subsidiary or a 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 seven enterprises registered in Georgia;
- A member of the Supervisory Board shall not be a 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 appropriate qualification and professional experience, the composition of the Supervisory Board should ensure a variety skills, knowledge, and experience, which correspond 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 the 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;
- Professional experience required to contribute to the Supervisory Board committees;
- Ability to devote sufficient time to the Supervisory Board and the committee work;
- Residency in and familiarity with the geographic region where the Bank carries on business;
- Competencies and skills that the Supervisory Board expects from each existing member.

Independence of a Supervisory Board member is confirmed by the Bank prior to his/her appointment as dictated by the Independence Questionnaire elaborated by NBG and a compliance analysis is submitted to NBG.

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 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 structure, size, and composition of the Supervisory Board and the committees, and assesses the effectiveness of internal governance policies and practices.
After each Supervisory Board meeting, the Corporate Secretary conducts an online 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 level of the Bank's preparedness and the Board meeting performance, and to propose their suggestions for improvement, as well as to assess their and their colleagues' performance.
Due to the sensitivity of the information, the anonymity of each respondent is strictly protected.

The 2019 surveys 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 presentations on issues discussed in the Board meetings, and technical organization of the Board – was assessed as relatively satisfactory. The satisfaction level increased during 2019, however, there is still room for further improvement, including the quality of board papers, the efficiency of boardroom scheduling, and the timing for the future.

INDEPENDENT ASSESSMENT

In February 2020, Boards and Committees Performance Assessment administered by an independent consultant, Deloitte, was released. In the Performance Assessment, Deloitte used the board effectiveness framework. The work focused on how the board discharges three key roles:
- Gaining insight and foresight – the board as a whole, and individual board members, are aware of the key policy, legislation, and economic drivers alongside the current and future needs of the key stakeholders, opportunities, and threats, and the extent to which the organization can effectively respond to these stakeholder needs and environmental conditions.
- Clarifying priorities and defining expectations – the board has debated, agreed, and clearly communicated a set of strategic priorities for the organization and how it expects these priorities to be delivered.
- Holding to account and seeking assurance – the board is able to understand and critically appraise performance information, holds the management to account, and is reasonably assured that the management is delivering on these priorities in line with its expectations.

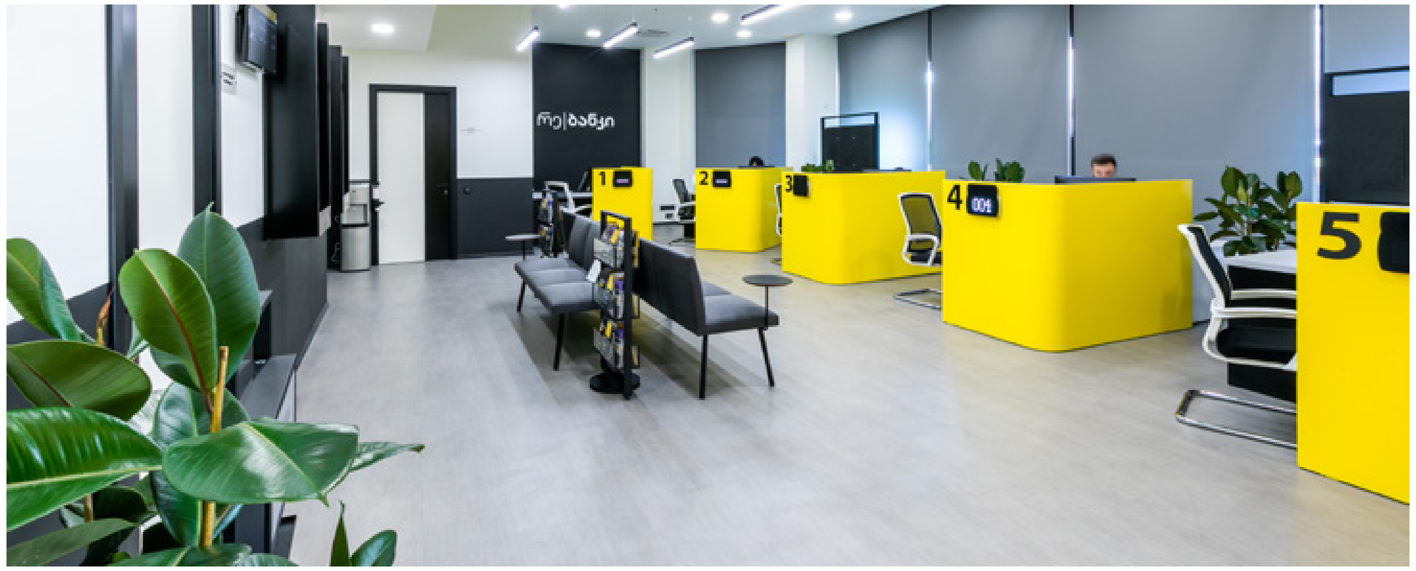
Deloitte carried out the following work for the assessment:
- Review of documentation;

- Distribution of an online survey to all Board members;
- Interviews with the Board members, C-suite executives, and some key stakeholders who regularly interact with the board; and
- Observation of some Board and committee meetings in September, October, November, and December of 2019.

Based on the assessment results, it can be concluded that the Bank has achieved a good level of integrity, transparency, and loyalty by continuously working on its corporate governance. Significant efforts have been made to strengthen the performance of boards and committees over the past several years, with noticeable results.

A number of strengths were identified in the way that the Board operates, including instances when the Board demonstrates leading practices when compared to its peers. The Board exhibits a number of positive features in terms of skills and behaviors. There are a number of areas, however, where the Bank would benefit from the relevant best practice recommendations stated in the UK Corporate Governance Code regarding board structure and composition, agendas, reporting, engagement, evaluation, and training.

The strengths of the Board were identified as follows:
- Approach to governance: The Bank takes the Board effectiveness and wider governance seriously, as evidenced by the regular board evaluation process and the robust corporate governance policy.
- Strong professional background of members: The Board members are former or current executives of banks, including those outside of Azerbaijan. The Board members have substantial experience in senior executive roles, the majority of them within the Azerbaijani financial industry in general and PASHA Holding in particular.
- Positive assessment of the Board dynamics: The Board team dynamics were described positively, with interviewees referring to a culture of open, extensive, informal, and robust debate conducive to a productive exchange of views and opinions.
- High level of participation: The Board members were reported to attend the meetings regularly and to be actively involved in boardroom discussions.
- High level of engagement from Independent Members: The degree of Independent Member engagement and personal commitment to the Bank is a strength of the Board. Deloitte considers the alignment of individual Independent Board members to strategic initiatives and the high level of interaction between Executive Directors and Independent Board Members outside of the Board meetings to be in line with the best practices.
- Cohesiveness: The Board is collegial and cohesive. Members have a good working relationship with each other, helped by the engagement described above, and the management is willing to spend time with Independent Board Members.



MEETINGS OF THE SUPERVISORY BOARD

Throughout 2019, the Supervisory Board held thirty-three Board meetings, including nine ordinary meetings and twenty-two extraordinary meetings held via email communication.

Supervisory Board
Members as of 31 December 2019

Name - Surname	Position	Date of Reelection	Other Positions	Meetings Attended/ Eligible to Attend	Attendance Rate
Farid Mammadov	Board Chairman	01.06.2017	HR and Remuneration Committee Chairman; Risk Management Committee Member	33/33	100%
George Glonti	Senior Independent Member	31.12.2018	Audit Committee Chairman; Risk Management Committee Member	33/33	100%
Ebru Ogan Knottnerus	Independent Member	31.12.2018	Risk Management Committee Chairperson; Audit Committee Member	33/33	100%
Jalal Gasimov	Board Member	19.10.2015	Strategy and Budget Committee Chairman; HR and Remuneration Committee Member;	29/32	91%
Shahin Mammadov	Board Member	30.05.2018	Audit Committee Member	30/31	97%

AGENDA OF SUPERVISORY BOARD MEETINGS

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

Items Related to Corporate Governance

1. Performance and strategic KPIs for 2019-2020;
2. Performance KPIs of the Board of Directors related to financial statement issuance process;
3. Bonus pool for members of the Board of Directors and Support Staff for the year 2018;
4. Fulfillment of performance KPIs and the Bank's eligibility for the bonus pool;
5. Interim Condensed Financial Statements;
6. Annual audited financial statements together with an independent auditor's report;
7. New composition of the Strategy and Budget Committee;
8. Approval of the Chairperson and new composition of the Risk Management Committee;
9. Approval of the Senior Independent Member and Deputy Chairperson of the Supervisory Board;
10. Approval of the Chief Risk Officer, a member of the Board of Directors of JSC PASHA Bank Georgia;
11. Approval of a candidacy on the position of Senior Auditor;
12. Related party transactions;
13. Review of the Bank's Progress Reports to make sure they comply with the Corporate Governance Code for Commercial Banks, approved on September 26, 2018 by Decree No 215/04 of the Governor of the National Bank of Georgia;
14. Approval of internal regulatory documents of the Bank: the Commercial Lending Committee Statute, the Contingency Funding Plan, the Bonus Calculation for Commercial Banking Department Methodology, the Corporate Banking Department Bonus Calculation Methodology, the Employee Remuneration Policy, supported for approval by the General Meeting of Shareholders the Remuneration Policy for Directors, the Credit Committee (Commercial) Decision-Making Limits, the Retail Strategy Committee Statute, the Decision Making and Signature Authority Matrix, IFRS 9 Impairment Methodology, the Procurement Policy, the Employee Recruiting, Selection and Onboarding Procedure;

15. Quarterly reports on financial and other activities;
16. Quarterly reports on critical and high-risk audit findings;
17. Follow-up reports on critical and high-risk audit findings resolved per management representation;
18. Retail business updates;
19. Quarterly reports on related party transactions;
20. Quarterly reports on the Supervisory Board Committee;
21. Semi-annual Compliance Reports;
22. Quarterly abridged reports on boardroom practices.

Items Related to Risk Management

1. Risk Management Committee Reports;
2. Approval of the Enterprise Risk Management Framework, the System Downtime Methodology, the Cyber Security Framework, the Operational Loss Management Standard, and the Review of the Risk Health Index.

Items Related to Strategic Planning and Budget

1. Budget of JSC PASHA Bank Georgia for 2020;
2. The change of legal address supported for approval by GMS;
3. Strategy and Budget Outlook for 2019;
4. Strategy change proposal;
5. Retail risk strategy.

And other operational matters, such as approval of credit facilities, changes in terms and conditions of existing credit facilities, waivers, bond purchases, minimum and maximum interest rates on credit resources and deposits, intangible assets' write off, administrative expenses, etc. Meeting minutes for the respective decisions of the Supervisory Board and its committees were appropriately drafted and authorized by the Corporate Secretary. The Meeting Minutes include information on the final decision, as well as arguments of members voting against the resolutions. The Meeting Minutes were provided to NBG not later than ten days after the meeting date and respective excerpts were distributed to relevant internal stakeholders.

The Supervisory Board regularly meets with senior management and internal control functions to review policies and regulations that identify material risks and issues that are subject to impediments. The Board questions and critically reviews explanations and information provided by the senior management.

The Schedule of Matters Reserved for the Supervisory Board Decision can be found on **Page 49.**

THE SUPERVISORY BOARD COMMITTEES

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

Members are appointed for a term of maximum four years, with non-restricted reelection.

The Committee meetings should be held at least quarterly and may be held more often if required. During 2019, the committee held ten meetings.

The Committee makes decisions based on a simple majority of votes of members present. Each member has one vote. In case the votes are equal, the vote of the Chairman is considered a decisive vote. Heads of departments, external auditors, or other persons may be invited to the Committee meetings, if necessary.

Members on 31 December 2019 and Committee attendance

Name - Surname	Position	Date of Reelection	Meetings attended/ eligible to attend	Attendance Rate
George Glonti	Committee Chairman; Senior Independent Member of the Supervisory Board	01.01.2019	10/10	100%
Ebru Ogan Knottnerus	Committee Member; Independent Member of the Supervisory Board	01.01.2019	10/10	100%
Shahin Mammadov	Committee Member; Member of the Supervisory Board	01.01.2019	9/10	90%

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

Remuneration of the Bank's external auditor

Remuneration of the Bank's external auditor for the years ended December 31, 2019 and 2018 comprises (net of VAT):

	2019	2018
Fees for the audit of the Bank's annual financial statements for the year ended December 31	124	105
Expenditures for other assurance services	52	52
Expenditures for other professional services	6	12
Total fees and expenditures	**182**	**169**

Fees and expenditures payable to other auditors and audit firms in respect to other professional services comprised GEL 37 thousand (2018: GEL 23 thousand).

The Risk Management Committee

The Risk Management Committee of JSC PASHA Bank Georgia was established by the Supervisory Board to advise and assist the Board in discharging its duties and responsibilities, and 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 Bank's business is conducted according to 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, which requires the Bank to manage risks within the Board guidelines for risk appetite. The Committee reviews risk management policy and strategy, and the findings of the Internal Audit Department regarding risk management. Furthermore, it reviews the Bank's risk identification and assessment reports, the risk appetite and tolerance statement, and the Business Contingency Plan, and evaluates the effectiveness of mitigating strategies to address material risks of the Bank.

The Risk Management Committee has free and unfettered access to senior management, risk and financial control personnel, and other parties (internal and external) in carrying out its duties.

The Chairperson of the Risk Management Committee is independent and is not the Chairperson of the Supervisory Board or any other committees. The Risk Management Committee comprises three members, the majority of which are independent members of the Supervisory Board.

The Risk Management Committee liaises regularly with the CRO to ensure the development and on-going maintenance of a risk management system that is effective and proportionate to the nature, scale, and complexity of the risks inherent in the business. The Risk Management Committee invites the CRO to attend the meetings of the Committee.

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

Throughout 2019, the Committee held six meetings during which various risk management issues were reviewed and, where appropriate, endorsed for approval by the Supervisory Board. Among others, the Committee agenda included a risk report and presentations, review of deliverables for the retail risk strategy project, risk management committee reports, retail fraud cases, action plan to correct deficiencies outlined by the external auditor as per 2018 YE audit, results of self-assessment with respect to compliance with the Cyber Security Framework, BCP test results, risk registry 2019 per ERM Framework, update and endorsement of new internal regulatory documents such as the Retail Risk Strategy (alternative offers, RBP and RBL models, monitoring and reporting, credit risk collection), the System Downtime Methodology, the Cyber Security Framework, the IFRS 9 Impairment Methodology, changes to the Risk Appetite Statement 2020, the Operational Loss Management Standard, the Risk Health Index, the Enterprise Risk Management Framework, the Risk Registry (preliminary and inherent risk score), and the analysis on outsourcing the Probabilistic Risk Assessment.

Members as of December 31, 2019 and Committee Attendance

Name - Surname	Position	Date of Reelection	Meetings attended / eligible to attend	Attendance Rate
Jalal Gasimov	Committee Chairman	08.02.2016	5/6	83%
Kamala Nuriyeva	Committee Member	08.02.2016	5/6	83%
Elman Eminov	Committee Member	08.02.2016	6/6	100%
Farid Mammadov	Committee Member	02.10.2017	5/6	83%
Ruslan Mammadov	Committee Member	30.04.2018	6/6	100%

Effective from December 31, 2019, the following Risk Management Committee members resigned from their position as Members of the Risk Management Committee: Mr. Jalal Gasimov, Mrs. Kamala Nuriyeva, Mr. Ruslan Mammadov, and Mr. Elman Eminov. Effective from December 31, 2019, the new composition of the Risk Management Committee was approved as follows: the Chairman of the Risk Management Committee, Mrs. Ebru Ogan Knottnerus; Member of the Risk Management Committee, Mr. Farid Mammadov; Member of the Risk Management Committee, Mr. George Glonti.

For further information, you can view the Risk Management Committee Statute on the Bank's website at **www.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 the preparation of the Bank's Business Plan in accordance with the strategy formulation process, and the preparation of 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 seven meetings. The Committee reviewed and, where appropriate, endorsed for approval by the Supervisory Board a range of topics concerning the Bank's strategy and budgeting processes, such as the key challenges of the current strategic period and the Bank's prospects. It discussed a 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, reviewed the Budget and Strategic Outlook for 2019, Strategy and Budget Committee reports, Strategic KPIs for 2019-2020, the Bank's action plans on subordinated loan attractions, micro-economic projections and expected credit loss for Georgia, and endorsed the 2020 Budget for the Supervisory Board's approval.

Members as of December 31, 2019 and Committee Attendance

Name - Surname	Position	Date of Reelection	Meetings attended / eligible to attend	Attendance Rate
Jalal Gasimov	Committee Chairman	08.02.2016	6/7	86%
Sarkhan Aliyev*	Committee Member	08.02.2016	1/1	100%
Elman Eminov	Committee Member	30.04.2018	7/7	100%
Ulvyya Abbasova*	Committee Member	30.04.2018	4/5	80%
Vugar Akhundov	Committee Member	30.04.2018	7/7	100%
Nijat Rasulov*	Committee Member	25.02.2019	3/4	75%
Murad Suleymanov*	Committee Member	13.11.2019	2/2	100%
Teymur Huseynov*	Committee Member	13.11.2019	2/2	100%

*Note The composition of the Strategy and Budget Committee has changed twice during 2019.
On February 25, 2019, Mr. Sarkhan Aliyev resigned and Mr. Nijat Rasulov was elected as a new Member of the Strategy and Budget Committee.
On November 13, 2019, Mrs. Ulviyya Abbasova and Mr. Nijat Rasulov resigned and Mr. Murad Suleymanov and Mr. Teymur Huseynov were elected as new Members of the Strategy and Budget Committee.

For further information, you can view the Strategy and Budget Committee Statute on the Bank's website at **www.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 in 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 as Members 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 seven meetings. The Committee reviewed and, where necessary, endorsed for subsequent approval by the Supervisory Board a number of issues, including HR activities' reports, grading implementation and performance management improvement action-plans, CRO recruitment process, recruitment framework, HR related (high-risk) audit findings and respective action plans, 2019 performance KPIs for members of the Board of Directors, the Commercial Banking Department Bonus Calculation Methodology, the Corporate Banking Department Bonus Calculation Methodology, the Employee Remuneration Policy, the Remuneration Policy for Directors, fulfillment of performance KPIs and the Bank's eligibility for the bonus pool, 2018 bonus pool for members of the Board of Directors and support staff, and the Board of Directors' performance KPIs related to the issuance of financial statements.

Members as of December 31, 2019 and Committee Attendance

Name - Surname	Position	Date of Reelection	Meetings attended/ eligible to attend	Attendance Rate
Jalal Gasimov	Committee Member	08.02.2016	6/7	86%
Ayten Abbasli	Committee Member	08.02.2016	6/7	86%
Farid Mammadov	Committee Chairman	30.04.2018	7/7	100%

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

THE BOARD OF DIRECTORS

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 four directors: Chief Executive Officer, Chief Risk Officer, Chief Commercial Officer, and Chief Financial Officer. The directors are appointed by the Supervisory Board for a fixed term, typically for four- years, with the possibility of renewal at the end of the term. The position and the scope of activity for each member of the Board is determined upon appointment.

Senior management plays an important role in ensuring effective governance and is therefore responsible for effective management consistent with the Supervisory Board policy. All administrators comply with the requirements of the Corporate Governance Code for Commercial Banks and the existing legislation, including the Regulation on Fit and Proper Criteria for Administrators of Commercial Banks approved by Decree No 50/04 of the Governor of NBG on June 17, 2014.

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 matters concerning the operation of the Bank; in cooperation with other functional units of the Bank, the Board of Directors shall ensure maintenance of the Bank's solvency and liquidity, and shall ensure that all measures required for this purpose are taken;
- Develop corporate strategy, strategic objectives, business plan, annual budget, and submit it to the Supervisory Board for approval;
- Present to the Supervisory Board and the General Meeting of Shareholders audited financial statements together with Independent Auditors Reports;
- 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 to the Supervisory Board any performance against the corporate strategy and strategic objectives, business plan and budget;
- 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 the limits of its decision-making and signatory authority as approved by the Supervisory Board in the Decision Making and Signatory Authority Matrix;
- Determine and approve minimum and maximum interest rates to be used for credit recourses and deposits;
- Approve all forms of technical assistance, service, purchase agreements, and know- how;
- Supervise units and/or departments of the Bank, ensuring that the Bank provides proper services to its customers;
- Solve issues of collateral seizure and take other appropriate measures to protect the Bank against losses;
- Ensure the existence of a proper system of risk control in the Bank following the 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 and external audit of the Bank, the Audit Committee, and any expert and/or advisor engaged by the Bank, as well as reports submitted by managers of the Bank, and make appropriate decisions;
- Approve and amend internal regulatory documents of the Bank except those related to the Supervisory Board privileges;
- Develop and submit for approval to the Supervisory Board internal regulatory documents of the Bank;
- Develop and submit for approval to the Supervisory Board the Code of Ethics, including whistleblowing procedures;
- Develop and submit for approval to the Supervisory Board organizational structure of the Bank;
- Approve structure, size, and composition of the Board of Directors committees, including appointment and removal of committee members; review committee reports;
- Approve job descriptions for managerial positions, work schedules, and collective labor agreements;
- Decide on appointment, dismissal, and remuneration of the Bank employees, except members of the Board of Directors; determine any other matter related to the Bank employees;
- Recommend and submit for approval to the Supervisory Board bonus pool for the Bank employees, except bonus amounts to be disbursed to front-office function;
- Approve disbursement of bonus amount to front-office function;
- Monitor compliance with legislation, internal normative documentation, and implementation of resolutions of the General Meeting of Shareholders and the Supervisory Board;
- Execute and implement resolutions issued 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 simultaneously serves as the CEO of PASHA Bank. Decisions of the Board of Directors are made by a simple majority of votes.

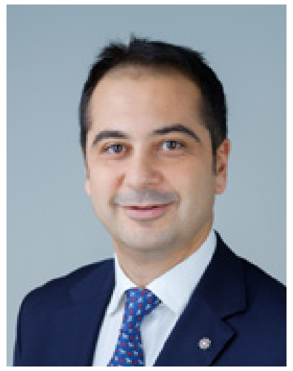
Nomination Process

The Supervisory Board is responsible for developing and presenting for approval to the General Meeting of Shareholders a formal, rigorous, and transparent procedure for the appointment of directors. The procedure for identifying candidates shall be transparent, so that shareholders are able to see what type of person the Bank is looking for and why a particular individual is appointed. The HR and Remuneration Committee of the Supervisory Board is responsible for the search of new members of the Board of Directors. The Chairman of the Supervisory Board and members of the HR and Remuneration Committee interview the candidate before his/her appointment is recommended to the Supervisory Board for approval. The HR and Remuneration Committee is responsible for considering succession planning for the directors, conducting an annual review of succession planning, and proposing 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 process for appointing the Bank's director corresponds to banking regulations, and follows criteria and limitations similar to those established for members of the Board of Directors.

On November 13, 2019 the HR and Remuneration Committee of the Supervisory Board nominated the candidacy of Mr. Asaf Huseynov for the position of the Chief Risk Officer and a Member of the Board of Directors of JSC PASHA Bank Georgia. The Supervisory Board approved the candidacy.

MEMBERS OF THE BOARD OF DIRECTORS



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 working for Inquam Limited, a private equity company in the telecommunications sector, as a manager in the business development team. In 2005, Mr. Arkun joined Zapp Mobile (Inquam's subsidiary in Romania) as 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 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, the largest mining company in Azerbaijan, in 2014. He led the transaction to sell Aimroc to Azergold in 2017.
Mr. Arkun joined PASHA Holding as an advisor in August 2017. He has been the CEO and the Chairman of the Board of Directors of JSC PASHA Bank Georgia since February 1, 2018.

Asaf Huseynov
CRO, Member of the Board of Directors

Mr. Asaf Huseynov graduated from Baku State University in 2005 with a bachelor's degree in Economic Cybernetics. Mr. Huseynov began his banking career as a leading specialist at Access Bank, Azerbaijan in December 2006. He moved to Central Bank of Azerbaijan as a specialist in the Department of Banking Supervision in January 2009. He held the position of the Head of Bank Group in the Department of Banking Supervision at Central Bank in 2012. From December 2015, he continued his career in Unibank, Azerbaijan as a member of the Management Board before taking on the role of the CRO and Deputy CEO at Unibank, Azerbaijan in November 2016. From July 2017, he worked as the CRO and First Deputy CEO at Unibank, Azerbaijan. Mr. Huseynov was a member of the Management Board at the Baku Stock Exchange, Azerbaijan from December 2016 to January 2020. From May 2018 to December 2019 he was Head of the Supervisory Board at the Azerbaijan Credit Bureau. Mr. Huseynov has an eleven-year professional experience of working in banking and finance sectors, from which he served as the Head of Banking Group in the Supervision Department of Central Bank of Azerbaijan for seven years, and as the First Deputy CEO and Chief Risk Officer of OJSC Unibank (Azerbaijan) for four years.

Mr. Huseynov was involved in various projects during his banking career, including review and amendment of normative documents of the banking system, development of software and establishment of a Scoring System for the Azerbaijan Credit Bureau, institution of Management Information System for Central Bank of Azerbaijan, creation and development of a Scoring System, performance evaluation of internal control system for the Bank's anti-money laundering activities, development of Deposit Insurance System for commercial banks for the preparation of a resolution frame for the banking sector. In August 2014, Mr. Huseynov received his ACCA Diploma in International Financial Reporting. He has been a member of the Global Association of Risk Professionals (GARP) Since 2009.

Mr. Huseynov joined JSC PASHA Bank Georgia in November 2019. The Supervisory Board appointed him as the Chief Risk Officer and a member of the Board of Directors of JSC PASHA Bank Georgia on November 13, 2019.

George Japaridze
Member of the Board of Directors, CCO

George (Goga) Japaridze graduated from Tbilisi State University in 1996 with a Bachelor of Science in Biology. He went on to receive an MBA from the Zarb Business School of Hofstra University in 2002. In 2017, he graduated from the Personal Leadership Development Executive Education Program at Harvard Business School.

Mr. Japaridze began his banking career in 2003 as an associate at Galt and Taggart Securities, an investment banking subsidiary of the Bank of Georgia, before taking on the role of the Senior Equity Banker at the Bank of Georgia in 2005. He held the position of the Principal Banker at the EBRD's private equity facility from 2006 to 2011. He then moved to the role of the Head of Corporate Banking at Bank Republic Société Générale Group.

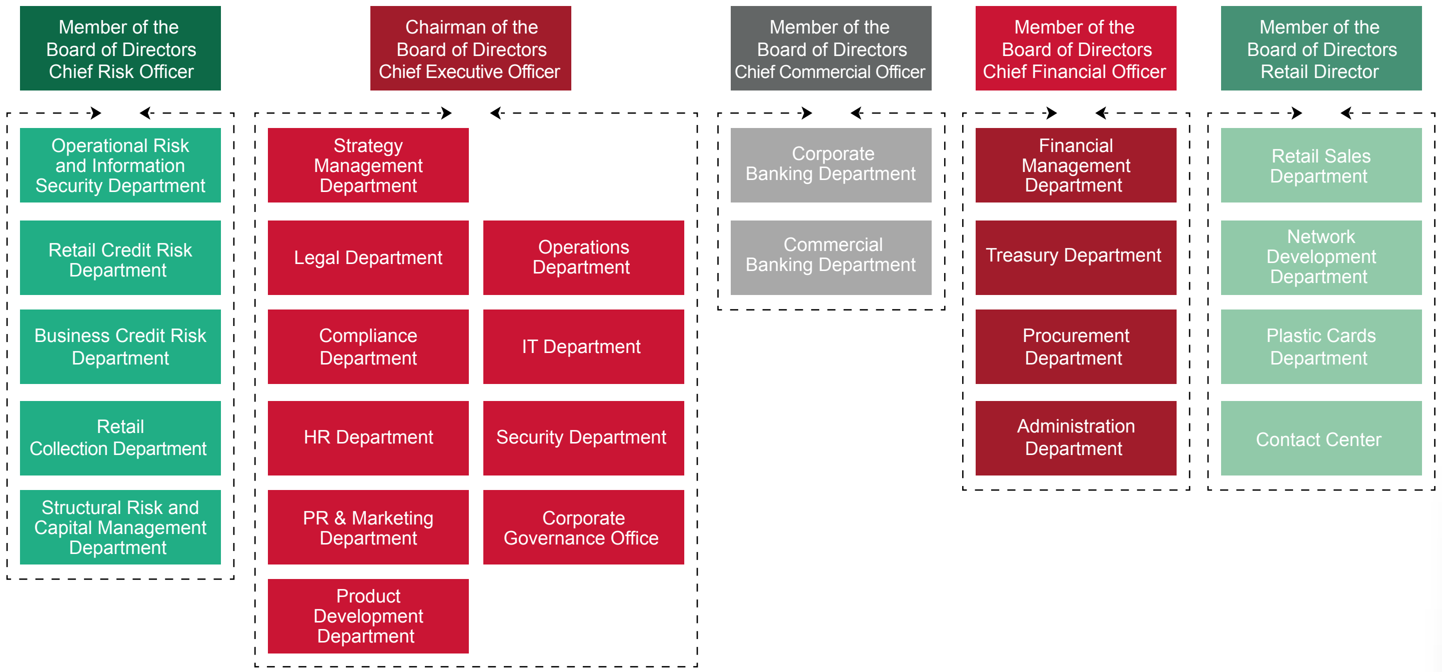
Mr. Japaridze joined JSC PASHA Bank Georgia as the CCO in January 2014. In April 2015, he also became a member of the Board of the Directors at PASHA Bank.

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 the 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 ten years he 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 the Head of the Financial Management Department. Since January 13, 2016, Mr. Abdullayev has been the 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.



The Bank has a well-defined organizational structure, which ensures allocation of responsibilities, effective identification of risks, management/monitoring and reporting procedures, adequate internal control mechanisms, including robust administrative and accounting procedures, effective IT systems and controls for risk management, remuneration policies/procedures.

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 to fulfill duties determined by the latter. The Board of Directors approves committee statutes, committee size and composition, including appointment and removal of committee members.

The Board of Directors shall be collectively responsible for decisions made and activities implemented by the committees. The committees shall only exercise powers that are explicitly attributed or delegated to them and their 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 regarding its deliberations and findings.
There are currently five 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 credits, or other credit products within delegated authority, issues recommendations regarding individual or group 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 that regulates its activities and contains provisions on the scope of authority, competencies, composition, working procedures, rights and responsibilities.

The committee is composed of six members and includes all executive directors of the Bank.

Commercial Lending 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 adopts decisions, releases recommendations, and monitors credit risk related issues with respect to commercial lending within delegated authority; it approves individual or group credits, or other credit products, issues recommendations regarding individual or group credit exposures, monitors commercial loan portfolio, commercial trade finance portfolio and collateral portfolio, manages problem loans, and ensures the adequacy of loan loss allowance. The Committee is accountable to the Board of Directors and works within the powers conferred to it by the Board of Directors.

The committee has a statute that regulates its activities and contains provisions on the scope of authority, competencies, composition, working procedures, rights and responsibilities.

The committee is composed of three members.

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 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, periodically discusses problems that arise in the IT service business environment, measures the impact of IT-based initiatives put forward by the structural units and monitors the application of new IT initiatives, monitors 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, periodically reviews the Bank's IT strategy and its tactical plans.

The committee has a statute that regulates its activities and contains provisions on the scope of authority, competencies, composition, working procedures, rights and responsibilities.

The committee is composed of seven members, including the Chairman of the Board of Directors.

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 practices for 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, guidelines on risk appetite, revenue targets and rates of return, as well as risk management. The covered areas 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 that regulates its activities and contains provisions on the scope of authority, competencies, composition, working procedures, rights and responsibilities.

The committee is composed of seven members and includes all executive directors of the Bank.

Retail 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 adopts decisions, releases recommendations and monitors retail business activities within delegated authority; it develops, periodically reviews or modifies, where appropriate, the Bank's retail strategy and annual retail business plan and submits for endorsement to the Strategy and Budget Committee and subsequently to the Supervisory Board for approval, guides the Bank's management to ensure that the retail strategy and business plan adhere to the organization standards, monitors the Bank's implementation of its annual retail business plan and achievement of its strategic goals and provides feedback and advice to the Bank's management with respect thereto, reviews retail strategy risks and opportunities as identified by the Bank's approved Retail Strategy document, risk assessment and other processes, including those resulting from competitive activity, consumer demography and preferences, government/legislative activities and macroeconomic and capital market conditions, adopts decisions regarding sales, marketing, financial resource allocation, new retail products development, branch strategy, etc.

The committee has a statute that regulates its activities and contains provisions on the scope of authority, competencies, composition, working procedures, rights and responsibilities.

The committee is composed of six members, including the Chairman of the Board of Directors of the Bank.

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 and 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 describes matters related to the Department's purpose, rights and duties, scope of activities, reporting, and independence. The Internal Audit Policies and Procedures Manual defines a set of comprehensive policies, methodology, procedures, and guidance for performing risk based and value-added audits.

The Annual Audit Plan, which is based on a documented risk assessment, is reviewed and approved by the Audit Committee. Audit findings are communicated to the Audit Committee. 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 in agreement with the Audit Committee.

REMUNERATION POLICY FOR DIRECTORS

On May 13, 2019 the General Meeting of Shareholders approved the Remuneration Policy for Directors (the "Policy"). The Policy establishes guiding principles for decisions concerning remuneration of the Bank's executive and non-executive directors that ensure fair, risk based, aligned to corporate culture, competitive, and appropriate remuneration for the market in which the Bank operates. The Policy ensures that the remuneration is appropriate to attract, motivate, retain, and fairly reward executive and non-executive directors of the Bank and is consistent with the Corporate Governance Code for Commercial Banks approved by Decree № 215/04 by the Governor of the National Bank of Georgia.

Principles Of Remuneration For Non-executive Directors
Concerning remuneration of non-executive directors, the Policy adopts the following principles:
- Non-executive directors of the Bank are remunerated only in the form of fixed remuneration.

- Non-executive directors are not provided with performance-based remuneration bonuses.
- Each non-executive director is reimbursed for all reasonable expenses (travel expenses, travel insurance, accommodation, etc.) incurred in connection with their attendance of the Supervisory Board or other meetings of the governing bodies as these meetings can be held on the territory of Georgia or abroad.
- Each non-executive director, in performing his/her duties as a member of the Supervisory Board or other governing body, has the statutory right to request independent consultancy services and costs of such services shall be reimbursed by the Bank.
- The Bank is prohibited from concluding any type of consultancy agreements with non- executive directors and from paying extra for services provided to the Bank to avoid compromising independence of non-executive directors.

When preparing recommendations to the General Meeting of Shareholders regarding base remuneration for non-executive directors, the HR and Remuneration Committee considers time commitment, additional responsibilities, country-specific remuneration benchmarks, residency, and active legislation. The HR and Remuneration Committee is led by the principle of equal pay. Remuneration is determined in a way that does not compromise independence of non-executive directors. The HR and Remuneration Committee shall review remuneration of non-executive directors periodically, at least annually, to ensure remuneration levels are maintained in line with market expectations. The HR and Remuneration Committee shall inform the General Meeting of Shareholders of all cases when deviations from the Policy take place, indicating reasons for deviations.

Principles Of Remuneration For Executive Directors
Concerning remuneration of executive directors, the Policy adopts the following principles:
- Executive directors' remuneration consists of fixed and performance-based variable remuneration and other benefits.
- Executive directors are eligible for an annual bonus pool provided that they meet their performance KPIs.
- The Bank's remuneration system should not jeopardize its standing in terms of compliance with regulatory capital requirements. If such material risk persists, consideration should be given to refraining from payment of variable remuneration to directors.
- The annual amount of performance-based variable remuneration for each executive director should not exceed 100% of the amount of his/her fixed annual remuneration with any reasonable exception approved by the General Meeting of Shareholders, but only to a maximum limit of 200%.

When preparing recommendations to the Supervisory Board regarding base remuneration for an executive director, the HR and Remuneration Committee shall consider responsibilities, country-specific remuneration benchmarks, residency, and active legislation. The HR and Remuneration Committee shall be led by the principle of equal pay. Difference in pay might derive from "material factors", such as geographical variations in the rates of pay determined by the cost of living. The state of the job market may also lead to different remuneration for executive directors and might constitute an objectively justified economic ground for a difference in pay. The HR and Remuneration Committee shall review remuneration of executive directors periodically, at least annually, to ensure remuneration levels are maintained in line with market expectations. Deductions from remuneration are permitted only in the order defined by Georgian legislation. The HR and Remuneration Committee shall inform the General Meeting of Shareholders on all cases when deviations from the Policy take place, indicating reasons for deviations.

Variable remuneration might become subject to clawback and malus arrangements. Remuneration can be adjusted (reduced or reversed) taking into consideration the realized risks of the Bank before or at the time of vesting. Remuneration can be adjusted (reduced or reversed) after vesting, due to misreporting, or failure to comply with internal policies or other legal requirements, or for other breaches as defined by the Bank. Early termination of employment agreement with an executive director shall not be the basis for change of deferral period or cause any remuneration adjustments unless there are other reasons for adjusting variable remuneration. In case of resignation of an executive director, the HR and Remuneration Committee should assess the reason for resignation to remunerate the executive director for performance and not reward him/her for failure. Risks associated with 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 a remuneration system that ensures strategy alignment, is based on a 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 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 KPI

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

Performance KPIs

- Number of active installment cards – 20% weight;
- Gross retail loan portfolio – 20% weight;
- Gross corporate and commercial loan portfolio – 20% weight;
- NPL ratio – 25% weight;
- Customer acquisition cost – 10% weight;
- Number of open high-risk internal auditors' findings – 5% weight;

Bonus Calculation

Each member of the Board of Directors is entitled to a base bonus adjusted depending on their performance as assessed through the KPIs above. The base bonus is either equal to a % of the net profit or a multiple of the Board of Directors member's monthly gross salary.

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

Remuneration Awarded During The Reporting Period GEL

		Board of Directors	Supervisory Board	Other material risk takers
Fixed remuneration	Number of employees[1]	4	3	
	Total fixed remuneration	1,101,764	428,346	0
	Of which cash-based	967,238	428,346	
	Of which deferred			
	Of which shares or other share-linked instruments			
	Of which deferred			
	Of which other forms[2]	134,526		
	Of which deferred			
Variable remuneration	Number of employees	3	2	
	Total variable remuneration	427,901	26,734*	0
	Of which cash-based[3]	409,812		
	Of which deferred			
	Of which shares or other share-linked instruments			
	Of which deferred			
	Of which other forms[4]	18,089		
	Of which deferred			
Total Remuneration		**1,529,665**	**455,079**	**0**

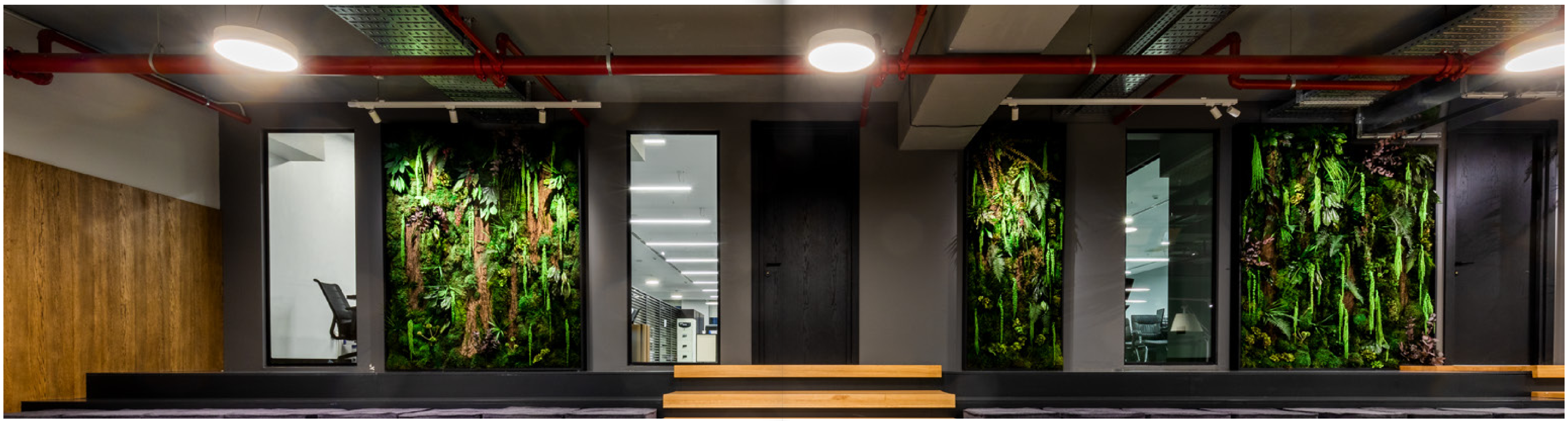
[1] Member of the Board of Directors, Mr. Asaf Huseynov (director) was registered as as member of the Board internally on the basis of the CEO's Order from December 26, 2019, on the date of candidate's registration in the Register of Entrepreneurs and Non-Entrepreneurial (non-commercial) Legal Persons - for persons subject to registration. Fixed remuneration of the directors is therefore provided for the remaining days of the month.

[2] Insurance and other expenses as determined by an agreement with the director.

[3] Bonus accrued in 2019 but to be disbursed in 2020.

[4] Benefits.

* Costs related to the attendance to Board meetings (travel-related costs).



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 corporate strategy and strategic objectives, review of strategy delivery and performance against strategic objectives and operational plans;	simple majority
3.	Approval of business plan, review of performance delivery against the business plan;	simple majority
4.	Approval of annual budget, review of performance delivery 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 organizational structure;	simple majority
9.	Approval of the Code of Ethics and whistleblowing procedures;	simple majority
10.	Passing resolutions for implementing decisions of the General Meeting of Shareholders regarding the admission of the Bank's shares and other securities to the stock market;	simple majority
11.	Declaration of an interim dividend and recommendation of a final dividend;	simple majority
12.	Redemption of shares by the Bank as provided under Georgian legislation;	simple majority
13.	Performance of strategic supervision of risk management activities;	N/A
14.	Approval of risk appetite statement, conducting annual reviews;	simple majority
15.	Approval of 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 a 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 appointment 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.	Conclusion of labor agreements and determination of remuneration packages for members of the Board of Directors;	simple majority
22.	Approval of regulatory framework for determining bonuses and/or additional benefits for employees, including for members of the Board of Directors;	simple majority
23.	Approval of structure, size and composition of the Supervisory Board committees, including appointment and removal of the Supervisory Board committee members; review of reports by the Supervisory Board committees;	simple majority
24.	Election of 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 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 assets, regardless of the 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

	Duties and Responsibilities	Quorum Required
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 bond issuance;	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 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.	Approval and determination of terms and conditions to be used with regard to credit recourses and deposits to the Bank's employees;	simple majority
41.	Convening General Meetings, if deemed necessary for the interests of the Bank;	simple majority
42.	Supervision and representation of the Bank in case of conflict between members of the Board of Directors;	simple majority
43.	Based on the decision of the General Meeting, procession of legal disputes against members of the Board of Directors on behalf of the Bank, submission of claims 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
44.	Supervision of implementation of measures in accordance with the results of examinations carried out by External and Internal Audits, as well as the National Bank of Georgia;	simple majority
45.	Settlement of issues that are beyond the scope of the Board of Directors' powers;	simple majority
46.	Performance of other duties as required by the General Meeting.	simple majority

RISK AND CONTROLS

RISK AND CONTROLS

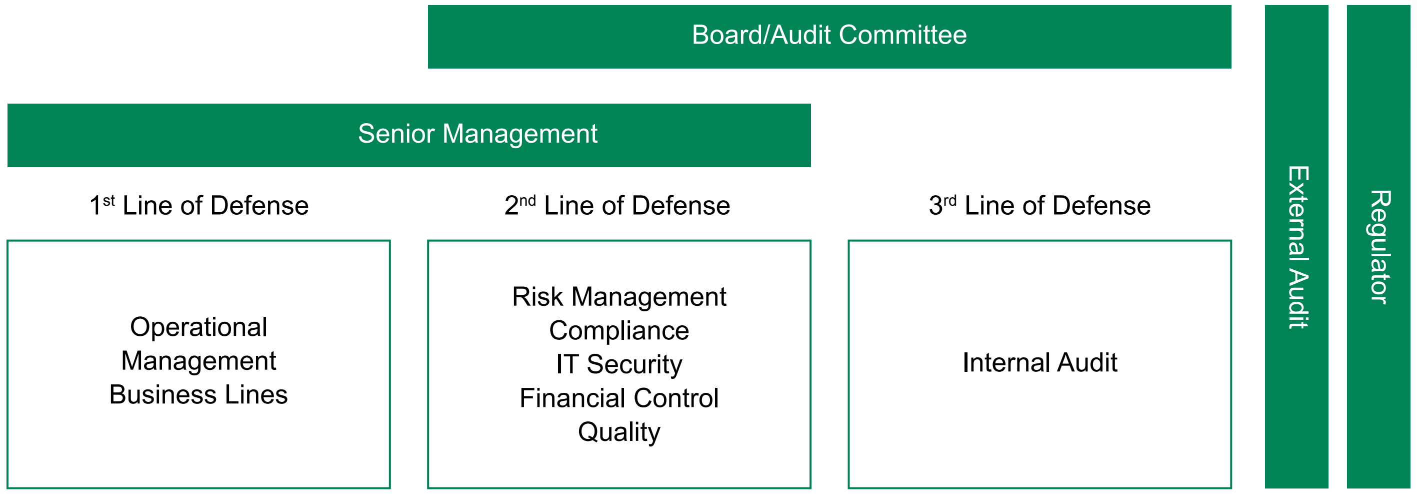
The Bank is committed to developing sound, effective, and complete risk management strategies and processes in order to assess and maintain, on an ongoing basis, the amount, type, and distribution of internal capital that the Bank considers adequate to cover the nature and level of risks to which it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

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 cause of value destruction is an incompatibility between a strategy and the Bank's mission and vision, and implications of such strategy. Risk management enhances strategy selection. Choosing a strategy calls for a 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 a strategy, or implications thereof, is not aligned with the Bank's mission and vision. The Supervisory Board and the Board of Directors determine if a strategy works in tandem with the Bank's risk appetite, how it will help drive the Bank to set objectives, and ultimately, to allocate resources efficiently.

Risk management strategy is derived from business strategy. All factors of business strategy are taken into account for the purpose of risk profile analysis. The Bank manages risks following the Three Lines of Defense model, which provides an effective way to enhance communication on risk management and control by clarifying essential roles and duties. The Three Lines of Defense model enhances clarity regarding risks and controls and helps to improve the effectiveness of risk management systems. The Three Lines of Defense model distinguishes between three groups (or lines) involved in effective risk management:
- Functions that own and manage risks;
- Functions that oversee risks;
- Functions that provide independent assurance.



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

Security, Risk Management, Compliance, and Legal Support carries out control functions by monitoring and facilitating implementation of effective risk management practices by operational management and assisting 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 defense – Internal Audit, provides the Board of Directors and senior management with comprehensive assurance from the perspective of the highest level of independence and objectivity in the organization. This high level of independence is not available in the second line of defense. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the degree to which first and second lines of defense achieve risk management and control objectives.

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 risk management objectives and targets;
- Maintain commitment to improving risk management performance.

Risk Management Committee
- Review risk management policies, risk governance model, risk tolerances, impact and likelihood scales, and heat map risk-rating boundaries;
- Accept 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 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 an 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 risk management capability of the enterprise through communication and training;
- Establish RM communication at all levels. Gather data and develop risk reports for the RM Committee and others as directed by the RM Committee;
- Provide professional advice on RM. Provide advice and direction on current and evolving RM practices, make recommendations, and implement mandated improvements;
- Analyze 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 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 that incentives across the Bank are in line with the RAS;
- Ensure alignment of risk appetite, strategy, and capital allocation in the Bank (including budgeting and business planning cycles);
- Assess risk culture at different levels of the Bank.

Risk Appetite

The process of setting Risk Appetite seeks to enhance risk management capabilities of the Bank to ensure a 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 value within boundaries, establish systematic control of risks, and enable timely mitigation.

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 risks that the Bank is willing to take in order to pursue its stated mission on behalf of its shareholders, which is 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 to the overall management processes.

General principles of risk taking and risk management established 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.

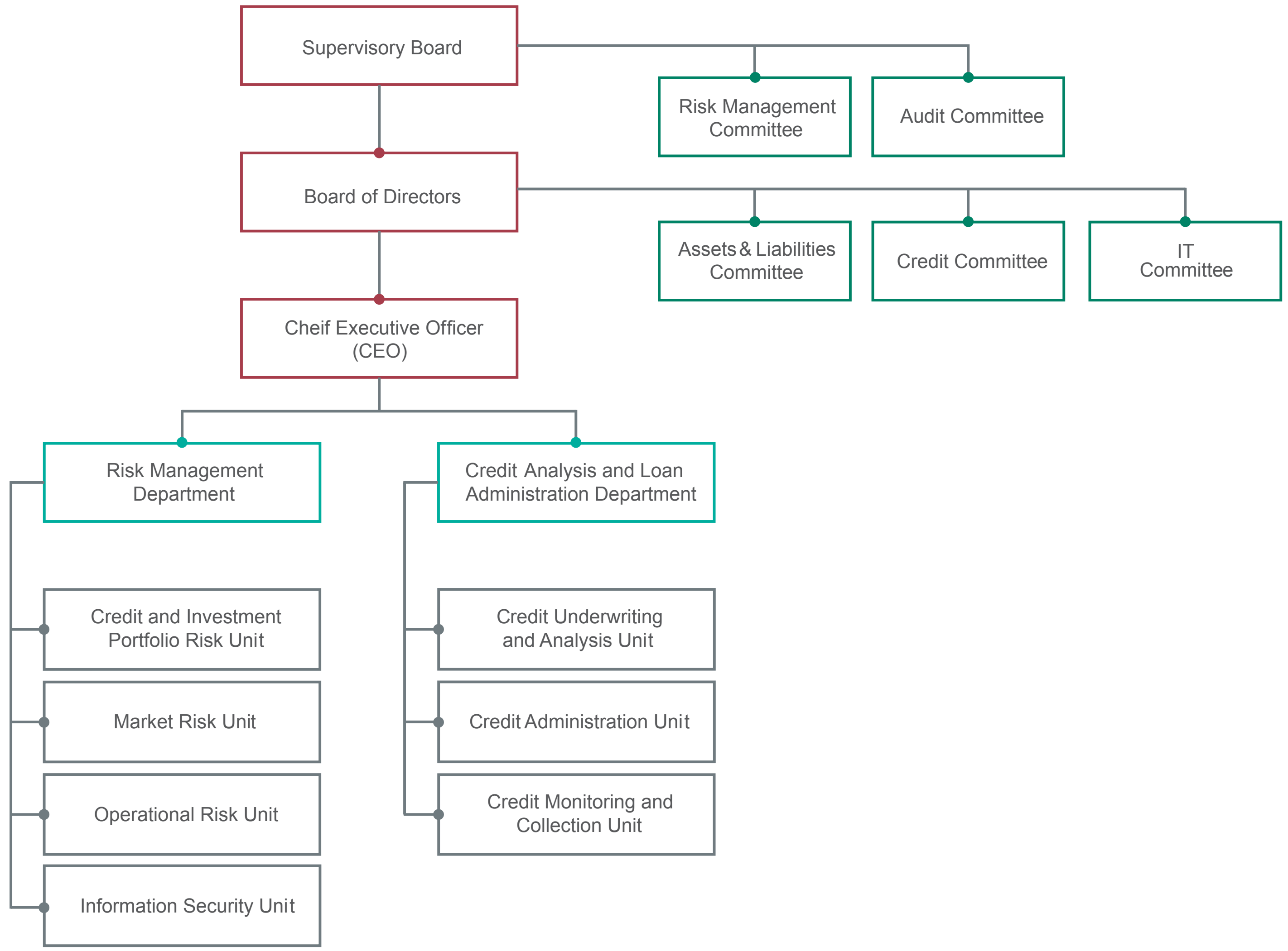
In order to institute objective criteria to measure exposure to relevant risk factors, risk policies are represented by numerical targets/limits within the Bank’s risk appetite framework. The Bank develops a risk appetite framework based on its business and risk strategy. The RAS includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity, and other relevant measures, as appropriate. It also addresses risks that are more difficult to quantify, such as reputation, money laundering, and financing of terrorism, as well as business ethics and conduct.

Risk appetite statement includes the following elements:

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

  - Capital/solvency – the Bank will operate with a sufficient and comfortable capital base, not only to fulfill regulatory requirements, but also to protect the Bank from potential shocks without hindering its growth potential. The Bank will regularly run stress tests to ensure the adequacy of its capital remains.
  - Profitability/earnings volatility – the Bank aims to maximize its risk-return profile over a long-term period and to ensure stability in earnings over the years.
  - Liquidity – the Bank will ensure abundant levels of liquidity to survive severe short-term and medium-term market-wide liquidity stress event and to 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 rather than market opportunities; the Bank applies appropriate concentration limits and runs tight monitoring systems.
  - Market risk – the Bank will ensure that its Value at Risk is 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 from processes, information technology, and human resources. To achieve this goal, the Bank has minimal tolerance towards operational losses and tracks them a daily basis.
  - Regulatory risk – the Bank will ensure that the number of open regulatory findings and the 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.

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.

RISK MANAGEMENT AND CAPITAL ALLOCATION

Credit Risk

Credit risk refers to a threat of losses that impacts the Bank's profitability and capital position and arises from non-performance of contractual obligations by 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 credit risk management principles and actions to mitigate risks inherent in lending activities. The primary objectives of the Credit Policy are to:

- Protect the Bank from excessive losses from credit activities;
- Define 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 credit assessment processes and, later, during management of exposures, to avoid excessive losses;
- Operation with a robust and professional risk management approach and control environment as the 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 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 a 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 a risk arising from the movement 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 an 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 to the Pillar 2-level requirement.

Counterparty Risk

Counterparty risk is a subset of 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. Counterparty risk is a risk that counterparty to a transaction would default before the final settlement of the transaction's cash flows. The Bank operates a 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 an annual basis and in cases 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 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 neighboring countries, i.e. 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 a 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 Currency 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 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 the 99% confidence level, ten days holding period, and multiplier based on Basel II.

Interest Rate Risk

Interest rate risk means the risk of financial loss (damage) resulting from an adverse movement of interest rates. Market risk management framework was originally developed based on methodologies applied by the Group.

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 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 an interest rate shock 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 a competitive environment. The Bank considers strategic planning and budgeting processes as a crucial part of risk management.
The Bank has developed detailed processes and budgeting regulations that ensure meticulous budgeting according to the business strategy of the Bank, and describe 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 the risk under ICAAP. As the Bank has limited historical data to go by, a simplified methodology measuring deviations from the budget has been developed.

Credit Concentration Risk

Credit concentration risk 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 credit 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, which include credit quality worsening for 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.

A credit institution bears the risk that while it fulfills its contractual obligations (payment or delivery), a counterparty fails or defaults to do so. Finally, it may lead to non-performance in further security 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. 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 honor its financial obligations. Liquidity risk comprises both funding liquidity and asset liquidity risks:

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

Measuring Liquidity Risk

Primary 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 a six-month survival horizon. The target liquidity requirement is then estimated by applying a stress scenario to the expected cash inflows and outflows, and the liquidity buffer.

Stress testing scenarios are based on the following assumptions:

- Rapid deterioration of 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, limits on short-term cumulative liquidity gaps are usually more conservative than those on longer terms gaps.
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 a funding liquidity risk, the Bank establishes a liquidity buffer, which may be used to meet payment 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 the Liquidity Management Procedure. Liquidity reports are regularly introduced to ALCO.

Strategic Risk

Strategic risks arise from fundamental decisions that executives make concerning the Bank's objectives. Essentially, strategic risks are the risks of failing to achieve these business objectives. Strategic risks are managed by operating a proper internal governance system. In order to minimize potential losses due to strategic risks, the Bank established a framework for its internal governance system. Strategic risks are only managed via processes; no capital is allocated for the purpose.

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 when external opinions about the Bank are less favorable 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 for the purpose.

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 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 results are manifested in areas where the risk is managed. The Bank has identified two major sources of group risk, which are managed via 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 possible ways of capital increase are part of the budgeting process, including supply of own funds from the parent company. As the current risk is not material, no capital is allocated for the purpose.

Macroeconomic Risk

Macroeconomic risk is the current or prospective risk of loss on on-balance sheet and off-balance sheet positions arising from adverse movements in macroeconomic conditions, such as a fall in the GDP growth rates, decline in real estate prices, etc. As macroeconomic risks are external risks that are beyond the Bank's control, the only tool for their 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 the risk stemming from a changing regulatory environment. It incorporates either an amendment of the existing or an 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 in the process is that 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 significant legislative changes, the Bank applies several techniques: impact study, scenario analysis, action plans, or even 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 for the purpose.

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 – the Bank adheres to these principles at all levels of 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 – the Bank controls 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 a contract or strategy. Basic due diligence, such as checking financial, environmental, corporate social responsibility, and management practices of a potential partner, is a basic step in risk management;
- Communication – regularly communicating risk factors 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 timely, quality, and informative decision-making process, the Bank's risk management function reports to the Risk Management Committee of the Supervisory Board on a monthly basis. The reports include 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 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 database reports, etc.

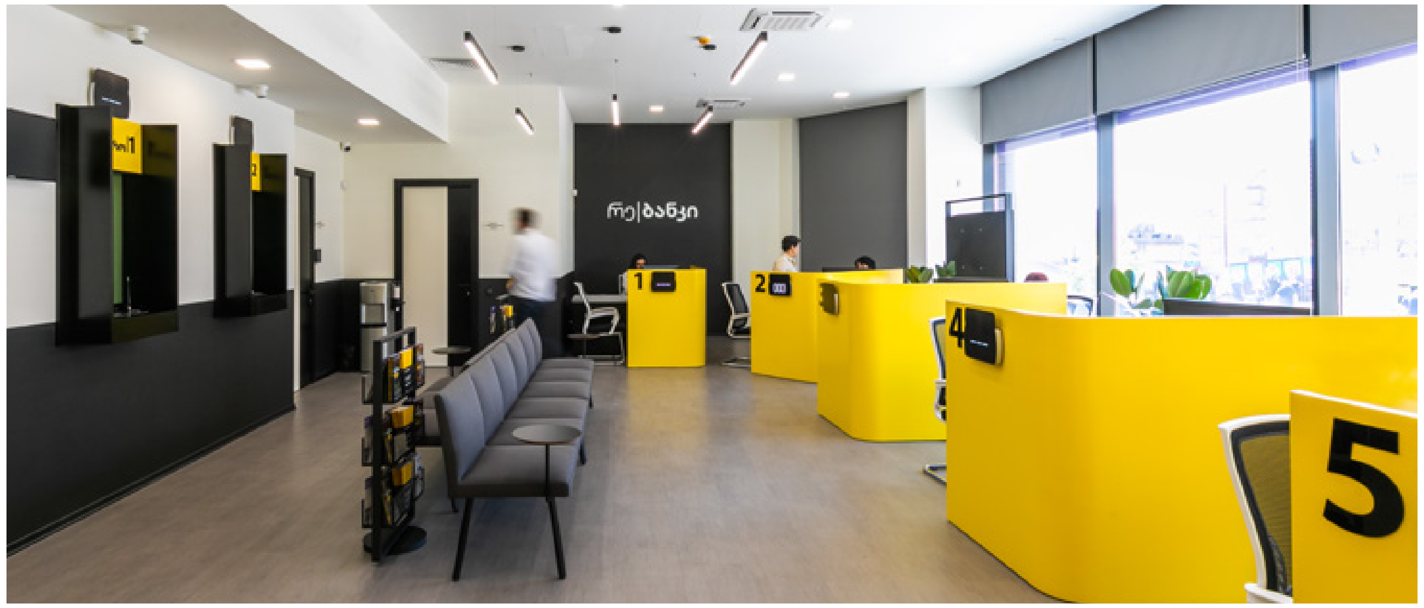
STRESS TESTS AND SCENARIO ANALYSIS

Scenario analysis is an exercise that uses 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 the 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 capital or liquidity of the Bank. The Bank elaborated its ICAAP framework in a way that already contains a sensitivity analysis and scenario analysis to measure exposure to risks that are defined as 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 (transaction-level stress). The transaction level tests assess the creditworthiness of the Bank's top borrowers in the case of 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.



Financial Disclosures

Bank: PASHA Bank Georgia
Date: 31-Dec-2019
Table 20

Differences Between Accounting and Regulatory Scopes of Consolidation

a	b	c	d	e														f
					Reconciliation with standardized regulatory reporting format													
					1	2	3	4	5	6.1	6.2	6	7	8	9	10	11	12
Assets (as reported in published IFRS financial statements)	**Carrying Values as reported in published IFRS financial statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)**	**Notes**	Cash	Due from NBG	Due from Banks	Dealing Securities	Investment Securities	Total Loans	Less: Loan Loss Reserves	Net Loans	Accrued Interest and Dividends Receivable	Other Real Estate Owned & Repossessed Assets	Equity Investments	Fixed Assets and Intangible Assets	Other Assets	TOTAL ASSETS
Cash and cash equivalents	88,950,990	88,950,990	88,959,289		4,608,058.96	2,741,802.98	81,560,579.98						48,847.52					**88,959,289**
Amounts due from credit institutions	58,669,826	58,669,826	58,669,826			58,669,826.17												**58,669,826**
Loans to customers	297,785,491	297,785,491	296,998,249							302,529,867.83	(6,981,833.07	295,548,034.76	1,325,740.99				124,473.45	**296,998,249**
Investment securities	26,479,921	26,479,921	26,349,186						25,825,523.26				523,663.13					**26,349,186**
Property and equipment	8,876,470.41	8,876,470.41	8,876,470													8,876,470.41		**8,876,470**
Right of use assets	5,239,895.61	5,239,895.61	5,239,896													5,239,895.61		**5,239,896**
Intangible assets	4,607,476	4,607,476	4,607,476													4,607,475.92		**4,607,476**
Income tax asset	182,989	182,989	182,989														182,989.00	**182,989**
Deferred income tax assets	0	0	0															**0**
Other assets	1494877	1494877	5,358,705										38,677.60				5,320,027.81	**5,358,705**
																		0
Total assets	**492,287,936**	**492,287,936**	**495,242,088**	**0**	**4,608,059**	**61,411,629**	**81,560,580**	**0**	**25,825,523**	**302,529,868**	**-6,981,833**	**295,548,035**	**1,936,929**	**0**	**0**	**18,723,842**	**5,627,490**	**495,242,088**

a	b	c	d	e									f
					Reconciliation with standardized regulatory reporting format								
					13	14	15	16	17	18	19	20	21	22
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**	Due to Banks	Current (Accounts) Deposits	Demand Deposits	Time Deposits	Own Debt Securities	Borrowings	Accrued Interest and Dividends Payable	Other Liabilities	Subordinated Debentures	Total Liabilities
Amounts due to credit institutions	110,130,446	110,130,446	110,130,446		86,296,037			7,000,000		16,079,375	755,034			**110,130,446**
Amounts due to customers	241,708,079	241,708,079	241,708,079			67,963,238	32,361,219	140,820,636			562,986			**241,708,079**
Provisions for guarantees and letters of credit	416,473	416,473	19,592									19,592		**19,592**
Deferred income tax liability	63,551	63,551	0											**0**
Lease Liabilities	5,574,564	5,574,564	5,574,564								31,565	5,542,999		**5,574,564**
Other liabilities	4,469,545	4,469,545	9,873,426									9,873,426		**9,873,426**
Subordinated debt	27,588,906	27,588,906	28,724,795								47,795		28,677,000	**28,724,795**
														0
Total liabilities	**389,951,564**	**389,951,564**	**396,030,902**	**0**	**86,296,037**	**67,963,238**	**32,361,219**	**147,820,636**	**0**	**16,079,375**	**1,397,380**	**15,436,017**	**28,677,000**	**396,030,902**

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	24	25	26	27	28	29	30
					Common Stock	Preferred Stock	Less: Repurchased Shares	Share Premium	General Reserves	Retained Earnings	Asset Revaluation Reserves	Total Equity Capital
Share capital	103,000,000	103,000,000	103,000,000		103,000,000							**103,000,000**
Additional paid-in capital	1,154,911	1,154,911										
Retained earnings	-1,818,538	-1,818,538	-3,788,815							-3,788,815		**-3,788,815**
Other reserves												**0**
												0
												0
												0
												0
												0
Total Equity	**102,336,372**	**102,336,372**	**99,211,185**	**0**	**103,000,000**	**0**	**0**	**0**	**0**	**-3,788,815**	**0**	**99,211,185**

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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					

Bank: Pasha Bank Georgia
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Table 22

Information About Historical Operational Losses

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

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Table 23

Operational Risks - Basic Indicator Approach

		a	b	c	d	e
		T-2019	T-2018	T-2017	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	18,266,981	15,819,22	14,544,46		
2	Total Non-Interest Income	4,877,017	3,590,645	2,343,359		
3	Less: income (loss) from selling property	-639,670	26,117	60,820		
4	**Total income (1+2-3)**	23,783,668	19,383,75	16,827,00	19,998,143	37,496,518

Bank: PASHA Bank Georgia
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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	4	3	
2		Total fixed remuneration (3+5+7)	1,101,764	428,346	0
3		Of which cash-based	967,238	428,346	
4		Of which: deferred			
5		Of which: shares or other share-linked instruments			
6		Of which deferred			
7		Of which other forms	134,526		
8		Of which deferred			
9	**Variable remuneration**	Number of employees	3	2	
10		Total variable remuneration (11+13+15)	427,901	26,734	0
11		Of which cash-based	409,812	26,734	
12		Of which: deferred			
13		Of which shares or other share-linked instruments			
14		Of which deferred			
15		Of which other forms	18,089		
16		Of which deferred			
17	**Total remuneration**		1,529,665	455,079	0

Bank: Pasha Bank Georgia
Date: 31-Dec-2019
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

Bank: Pasha Bank Georgia
Date: 31-Dec-2019
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		Vesting	Reduction during the peri		Other Changes				
		Unvested	Vested	Total (a+b)	Of which: Unvested	Of which: Vested		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

Bank: PASHA Bank Georgia
Date: 31.12.2019
Table 1

KEY METRICS

		4Q2019	3Q2019	2Q2019	1Q2019	4Q2018
	Regulatory capital (amounts, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	94,603,709	99,141,620	100,991,825	104,092,544	105,273,906
2	Tier 1	94,603,709	99,141,620	100,991,825	104,092,544	105,273,906
3	Total regulatory capital	128,956,192	104,896,462	106,059,925	108,556,471	109,314,026
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	495,553,546	497,745,548	444,080,923	397,551,274	364,770,143
	Capital ratios as a percentage of RWA					
	Based on Basel III framework					
5	Common equity Tier 1 ratio >=9.16727623263973%	19.11%	19.92%	22.74%	26.18%	29.10%
6	Tier 1 ratio >=11.3970756068843%	19.11%	19.92%	22.74%	26.18%	29.10%
7	Total Regulatory Capital ratio >=18.9018582585564%	26.05%	21.07%	23.88%	27.31%	30.21%
	Income					
8	Total Interest Income /Average Annual Assets	6.72%	6.64%	6.82%	6.97%	7.08%
9	Total Interest Expense / Average Annual Assets	2.43%	2.20%	2.13%	2.19%	1.68%
10	Earnings from Operations / Average Annual Assets	-0.95%	-0.34%	-1.02%	0.51%	1.48%
11	Net Interest Margin	4.29%	4.43%	4.69%	4.78%	5.40%
12	Return on Average Assets (ROAA)	-1.93%	-1.74%	-1.88%	-0.97%	0.88%
13	Return on Average Equity (ROAE)	-7.86%	-6.66%	-6.58%	-3.21%	2.40%
	Asset Quality					
14	Non Performed Loans / Total Loans	0.21%	0.21%	0.24%	0.34%	0.03%
15	LLR/Total Loans	2.31%	2.28%	2.29%	2.36%	2.20%
16	FX Loans/Total Loans	64.26%	67.48%	67.55%	69.18%	62.54%
17	FX Assets/Total Assets	63.65%	71.14%	65.69%	64.44%	62.30%
18	Loan Growth-YTD	58.56%	50.28%	24.46%	12.00%	70.71%
	Liquidity					
19	Liquid Assets/Total Assets	25.76%	27.97%	29.54%	24.72%	29.00%
20	FX Liabilities/Total Liabilities	75.23%	87.74%	91.77%	89.23%	86.65%
21	Current & Demand Deposits/Total Assets	20.26%	17.42%	15.41%	20.84%	18.29%
	Liquidity Coverage Ratio**					
22	Total HQLA	168,509,641	144,169,789	109,245,317	113,652,797	88,492,217
23	Net cash outflow	94,698,659	111,557,296	80,829,375	82,559,150	61,317,323
24	LCR ratio (%)	178.55%	133.10%	135.49%	137.95%	145.86%

** 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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Table 2

BALANCE SHEET

GEL

		Reporting Period			Respective period of the previous year		
N	**ASSETS**	**GEL**	**FX**	**Total**	**GEL**	**FX**	**Total**
1	Cash	1,303,841	3,304,218	4,608,059	382,451	842,865	1,225,316
2	Due from NBG	2,718,949	58,692,680	61,411,629	266,996	43,132,688	43,399,683
3	Due from Banks	21,058,408	60,502,172	81,560,580	24,540,206	40,066,290	64,606,496
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	24,432,660	1,392,863	25,825,523	18,463,200	1,297,303	19,760,503
6.1	Loans	108,111,002	194,418,866	302,529,868	71,466,284	119,331,786	190,798,070
6.2	Less: Loan Loss Reserves	-2,949,195	-4,032,638	-6,981,833	-1,817,887	-2,386,636	-4,204,522
6	Net Loans	105,161,807	190,386,228	295,548,035	69,648,398	116,945,150	186,593,548
7	Accrued Interest and Dividends Receivable	1,202,559	734,370	1,936,929	880,882	728,554	1,609,436
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	18,723,842	0	18,723,842	4,648,782	0	4,648,782
11	Other Assets	5,440,291	187,199	5,627,490	4,057,863	33,157	4,091,020
12	**Total assets**	180,042,357	315,199,730	495,242,088	122,888,778	203,046,007	325,934,784
	LIABILITIES						
13	Due to Banks	6,057,389	80,238,648	86,296,037	7,048,053	102,850,927	109,898,980
14	Current (Accounts) Deposits	11,648,072	56,315,166	67,963,238	5,257,520	40,139,377	45,396,897
15	Demand Deposits	30,361,258	1,999,961	32,361,219	9,611,123	4,605,413	14,216,536
16	Time Deposits	40,918,618	106,902,018	147,820,636	4,434,285	39,524,212	43,958,497
17	Own Debt Securities	0	0	0	0	0	0
18	Borrowings	0	16,079,375	16,079,375	0	202,254	202,254
19	Accrued Interest and Dividends Payable	260,479	1,136,901	1,397,380	15,452	476,733	492,186
20	Other Liabilities	8,865,742	6,570,275	15,436,017	2,694,787	1,288,048	3,982,835
21	Subordinated Debentures	0	28,677,000	28,677,000	0	0	0
22	**Total liabilities**	98,111,557	297,919,345	396,030,902	29,061,222	189,086,963	218,148,185
	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	-3,788,815	0	-3,788,815	4,786,599	0	4,786,599
29	Asset Revaluation Reserves	0	0	0	0	0	0
30	**Total Equity Capital**	99,211,185	0	99,211,185	107,786,599	0	107,786,599
31	**Total liabilities and Equity Capital**	197,322,742	297,919,345	495,242,088	136,847,821	189,086,963	325,934,784

Bank: PASHA Bank Georgia
Date: 31.12.2019
Table 3

	INCOME STATEMENT						GEL
		GEL	FX	Total	GEL	FX	Total
	Interest Income						
1	Interest Income from Bank's "Nostro" and Deposit Accounts	1,319,166	1,520,040	2,839,206	1,583,443	1,295,351	2,878,794
2	Interest Income from Loans	10,529,228	11,949,245	22,478,474	8,103,359	5,688,166	13,791,525
2.1	from the Interbank Loans			0	2,589	78	2,667
2.2	from the Retail or Service Sector Loans	6,053,524	5,168,403	11,221,927	4,144,390	2,310,726	6,455,115
2.3	from the Energy Sector Loans	691,681	72,482	764,163	697,137	302,066	999,203
2.4	from the Agriculture and Forestry Sector Loans	9,176		9,176			0
2.5	from the Construction Sector Loans	180,699	1,279,678	1,460,376	328,503	11,448	339,951
2.6	from the Mining and Mineral Processing Sector Loans	1,338	51,185	52,523		195,339	195,339
2.7	from the Transportation or Communications Sector Loans		400,221	400,221		1,163,493	1,163,493
2.8	from Individuals Loans	374,431	928,682	1,303,113	69,491	65,881	135,373
2.9	from Other Sectors Loans	3,218,379	4,048,595	7,266,974	2,861,249	1,639,135	4,500,384
3	Fees/penalties income from loans to customers	48,962	565,009	613,972	30,834	19,184	50,017
4	Interest and Discount Income from Securities	2,585,795	89,178	2,674,972	2,821,527	1,201,797	4,023,324
5	Other Interest Income			0			0
6	**Total Interest Income**	14,483,152	14,123,472	28,606,624	12,539,164	8,204,497	20,743,661
	Interest Expense						
7	Interest Paid on Demand Deposits	269,352	126,399	395,751	204,738	192,196	396,934
8	Interest Paid on Time Deposits	1,917,448	2,102,547	4,019,995	22,633	633,586	656,218
9	Interest Paid on Banks Deposits	501,710	4,369,890	4,871,601	588,709	3,052,510	3,641,219
10	Interest Paid on Own Debt Securities	274,163	212,364	486,528			0
11	Interest Paid on Other Borrowings		565,768	565,768	219,699	7,572	227,272
12	Other Interest Expenses			0	2,792		2,792
13	**Total Interest Expense**	2,962,674	7,376,969	10,339,643	1,038,571	3,885,864	4,924,435
14	**Net Interest Income**	11,520,478	6,746,503	18,266,981	11,500,593	4,318,633	15,819,226
	Non-Interest Income						
15	Net Fee and Commission Income	-58,914	85,755	26,840	-90,659	108,314	17,656
15.1	Fee and Commission Income	77,688	323,129	400,818	30,567	231,525	262,092
15.2	Fee and Commission Expense	136,602	237,375	373,977	121,225	123,211	244,436
16	Dividend Income			0			0
17	Gain (Loss) from Dealing Securities			0			0
18	Gain (Loss) from Investment Securities			0			0
19	Gain (Loss) from Foreign Exchange Trading	4,240,191	0	4,240,191	2,483,577	0	2,483,577
20	Gain (Loss) from Foreign Exchange Translation	-114,692	0	-114,692	196,781	0	196,781
21	Gain (Loss) on Sales of Fixed Assets	-639,670		-639,670	26,117		26,117
22	Non-Interest Income from other Banking Operations	415,486	654,595	1,070,082	502,379	362,615	864,994
23	Other Non-Interest Income	294,267		294,267	1,520		1,520
24	**Total Non-Interest Income**	4,136,668	740,350	4,877,017	3,119,716	470,929	3,590,645
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	1,676,002	598,590	2,274,592	2,238,013	72,629	2,310,643
26	Bank Development, Consultation and Marketing Expenses	5,503,887		5,503,887	2,790,208		2,790,208
27	Personnel Expenses	14,885,107	0	14,885,107	8,057,692	0	8,057,692
28	Operating Costs of Fixed Assets	7,139	0	7,139	3,375	0	3,375
29	Depreciation Expense	3,424,281	0	3,424,281	953,112	0	953,112
30	Other Non-Interest Expenses	1,835,853		1,835,853	732,597		732,597
31	**Total Non-Interest Expenses**	27,332,269	598,590	27,930,859	14,774,997	72,629	14,847,626
32	**Net Non-Interest Income**	-23,195,601	141,760	-23,053,841	-11,655,281	398,300	-11,256,981
33	**Net Income before Provisions**	-11,675,123	6,888,263	-4,786,861	-154,689	4,716,933	4,562,245
34	Loan Loss Reserve	2,848,444	0	2,848,444	1,724,926	0	1,724,926
35	Provision for Possible Losses on Investments and Securities		0	0		0	0
36	Provision for Possible Losses on Other Assets	574,131		574,131	263,329		263,329
37	**Total Provisions for Possible Losses**	3,422,576	0	3,422,576	1,988,255	0	1,988,255
38	**Net Income before Taxes and Extraordinary Items**	-15,097,699	6,888,263	-8,209,436	-2,142,944	4,716,933	2,573,989
39	Taxation		0	0		0	0
40	**Net Income after Taxation**	-15,097,699	6,888,263	-8,209,436	-2,142,944	4,716,933	2,573,989
41	Extraordinary Items		0	0		0	0
42	**Net Income**	-15,097,699	6,888,263	-8,209,436	-2,142,944	4,716,933	2,573,989

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Table 4

GEL

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**	34,934,906	41,116,888	76,051,794	33,682,241	27,668,519	61,350,760
1.1	Guarantees Issued	18,431,925	18,822,919	37,254,845	15,896,369	15,905,545	31,801,915
1.2	Letters of credit Issued		979,605	979,605		3,846,221	3,846,221
1.3	Undrawn loan commitments	16,502,981	21,314,364	37,817,344	17,785,872	7,916,753	25,702,625
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**	62,713,646	314,994,040	377,707,686	36,995,427	41,975,999	78,971,426
4.1	Surety, joint liability	56,834,191	298,653,126	355,487,317	29,050,230	29,210,501	58,260,731
4.2	Guarantees	5,879,455	16,340,914	22,220,369	7,945,197	12,765,498	20,710,695
5	**Assets pledged as security for receivables of the bank**	93,494,413	927,535,036	1,021,029,449	94,600,464	403,509,268	498,109,732
5.1	Cash	6,770,000	16,204,570	22,974,570	2,053,985	17,028,533	19,082,519
5.2	Precious metals and stones			0			0
5.3	Real Estate:	40,219,176	780,006,415	820,225,592	49,119,176	310,906,264	360,025,440
5.3.1	*Residential Property*	0	84,265,756	84,265,756	2,849,000	13,389,691	16,238,691
5.3.2	*Commercial Property*	3,855,876	658,783,212	662,639,088	3,855,876	280,261,867	284,117,744
5.3.3	*Complex Real Estate*	0	4,731,705	4,731,705	0	5,567,328	5,567,328
5.3.4	*Land Parcel*	363,300	28,042,623	28,405,923	414,300	5,313,051	5,727,351
5.3.5	*Other*	36,000,000	4,183,120	40,183,120	42,000,000	6,374,326	48,374,326
5.4	Movable Property	2,180,910	31,239,812	33,420,722	700,000	25,602,742	26,302,742
5.5	Shares Pledged	0	23,526,628	23,526,628	3,329,662	8	3,329,670
5.6	Securities			0	0	856,512	856,512
5.7	Other	44,324,327	76,557,610	120,881,937	39,397,640	49,115,209	88,512,849
6	**Derivatives**	24,698,801	176,881,633	201,580,435	25,857,952	51,909,988	77,767,940
6.1	Receivables through FX contracts (except options)	24,698,801	76,187,304	100,886,106	17,797,330	21,259,801	39,057,131
6.2	Payables through FX contracts (except options)		100,694,329	100,694,329	8,060,622	30,650,188	38,710,809
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**	108,096	9,365,816	9,473,912	5,607	8,741,689	8,747,296
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	24,374	-6,957	17,417	0	-12,214	-12,214
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	69,960	7,374,990	7,444,950	0	6,883,529	6,883,529
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	38,136	1,990,826	2,028,962	5,607	1,858,160	1,863,767
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

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Table 5

	RISK WEIGHTED ASSETS		GEL
		4Q2019	3Q2019
1	Risk Weighted Assets for Credit Risk	454,038,587	460,387,351
1.1	Balance sheet items	424,451,021	437,777,852
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)		
1.2	Off-balance sheet items	27,569,844	20,737,197
1.3	Counterparty credit risk	2,017,722	1,872,302
2	Risk Weighted Assets for Market Risk	3,576,291	3,879,178
3	Risk Weighted Assets for Operational Risk	37,496,518	33,479,019
4	**Total Risk Weighted Assets**	495,111,396	497,745,548

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Table 6

	INFORMATION ABOUT SUPERVISORY BOARD, DIRECTORATE, BENEFICIARY OWNERS AND SHAREHOLDERS	
	Members of Supervisory Board	
1	Shahin Mammadov	
2	Jalal Gasimov	
3	Farid Mammadov	
4	George Glonti	
5	Ebru Ogan Knottnerus	
6		
7		
8		
9		
10		
	Members of Board of Directors	
1	George Japaridze	
2	Chingiz Abdullayev	
3	Arda Yusuf Arkun	
4	Asaf Huseynov	
5		
6		
7		
8		
9		
10		
	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	4,608,059		4,608,059
2	Due from NBG	61,411,629		61,411,629
3	Due from Banks	81,560,580		81,560,580
4	Dealing Securities	0		0
5	Investment Securities	25,825,523		25,825,523
6.1	Loans	302,529,868		302,529,868
6.2	*Less: Loan Loss Reserves*	-6,981,833		-6,981,833
6	Net Loans	295,548,035		295,548,035
7	Accrued Interest and Dividends Receivable	1,936,929		1,936,929
8	Other Real Estate Owned & Repossessed Assets	0		0
9	Equity Investments	0		0
10	Fixed Assets and Intangible Assets	18,723,842	4,607,476	14,116,366
11	Other Assets	5,627,490		5,627,490
	Total exposures subject to credit risk weighting before adjustments	**495,242,088**	**4,607,476**	**490,634,612**

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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	GEL
1	**Total carrying value of balance sheet items subject to credit risk weighting before adjustments**	490,634,612
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	78,749,288
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	100,886,106
3	**Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes**	670,270,005
4	Effect of provisioning rules used for capital adequacy purposes	6,408,818
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-51,179,443
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	-98,868,383
6	Effect of other adjustments	
7	**Total exposures subject to credit risk weighting**	526,630,996

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Table 9

N	REGULATORY CAPITAL	GEL
1	**Common Equity Tier 1 capital before regulatory adjustments**	99,211,185
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)	-3,788,815
7	**Regulatory Adjustments of Common Equity Tier 1 capital**	4,607,476
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	4,607,476
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**	94,603,709
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**	34,352,482
37	Instruments that comply with the criteria for Tier 2 capital	28,677,000
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	5,675,482
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**	34,352,482

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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%	22,280,013
1.2	Minimum Tier 1 Requirement	6.00%	29,706,684
1.3	Minimum Regulatory Capital Requirement	8.00%	39,608,912
2	**Combined Buffer**		
2.1	Capital Conservation Buffer	2.50%	12,377,785
2.2	Countercyclical Buffer	0.00%	0
2.3	Systemic Risk Buffer		0
3	**Pillar 2 Requirements***		
3.1	CET1 Pillar 2 Requirement	2.17%	10,730,432
3.2	Tier 1 Pillar2 Requirement	2.90%	14,343,751
3.3	Regulatory capital Pillar 2 Requirement	8.40%	41,598,558
	Total Requirements	**Ratios**	**Amounts (GEL)**
4	CET1	9.17%	45,388,229
5	Tier 1	11.40%	56,428,220
6	Total regulatory Capital	18.90%	93,585,254

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Table 10

	RECONCILATION OF BALANCE SHEET TO REGULATORY CAPITAL		GEL
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	4608058.961	
2	Due from NBG	61411629.15	
3	Due from Banks	81560579.98	
4	Dealing Securities	0	
5	Investment Securities	25825523.26	
6.1	Loans	302529867.8	
6.1.1	*Of which reserve Loan*	0	*table 9 (Capital), N17*
6.2	*Less: Loan Loss Reserves*	-6981833.068	
6.2.1	*Of which loan loss general resserve*	4976859.37	*table 9 (Capital), N39*
6	Net Loans	295,548,035	
7	Accrued Interest and Dividends Receivable	1936929.242	
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	18723841.94	
10.1	*Of which intangible assets*	4607475.92	*table 9 (Capital), N10*
11	Other Assets	5627490.257	
12	**Total assets**	**495,242,088**	
13	Due to Banks	86296037.24	
14	Current (Accounts) Deposits	67963237.75	
15	Demand Deposits	32361218.87	
16	Time Deposits	147820636.1	
17	Own Debt Securities	0	
18	Borrowings	16079374.61	
19	Accrued Interest and Dividends Payable	1397380.294	
20	Other Liabilities	15436017.48	
20.1	*Of which off balance sheet items general reserve*	698622.9684	*table 9 (Capital), N39*
21	Subordinated Debentures	28677000	*table 9 (Capital), N37*
21.1	*Of which tier II capital qualifying instruments*		
22	**Total liabilities**	**367,353,902**	
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	-3,788,815	table 9 (Capital), N 6
29	Asset Revaluation Reserves	0	
30	**Total Equity Capital**	**99,211,185**	

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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	2,718,949		0		0		0		0		58,692,878		0		0		58,692,878
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		76,549,495		0		8,051,611		0		791,761		0		0		20,127,466
7	Claims or contingent claims on corporates	0		0		0		0		0		328,056,599	27257871.39	0		0		355,314,470
8	Retail claims or contingent retail claims	0		0		0		0		0		0	309972.906	0		0		309,973
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	4,608,059		0		0		0		0		17,574,078		0		0		17,574,078
	Total	7,327,008	0	76,549,495	0	0	0	8,051,611	0	0	0	405,115,316	27,567,844	0	0	0	0	452018865

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Table 12

CREDIT RISK MITIGATION

GEL

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

Bank: PASHA Bank Georgia
Date: 31.12.2019
Table 13

STANDARDIZED APPROACH - EFFECT OF CREDIT RISK MITIGATION

		a	b	c	d	e	f
			Off-balance sheet exposures				
	Asset Classes	On-balance sheet exposures	Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF	RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
1	Claims or contingent claims on central governments or central banks	61,411,827			58,692,878	58,692,878	96%
2	Claims or contingent claims on regional governments or local authorities	0			0	0	#DIV/0!
3	Claims or contingent claims on public sector entities	0			0	0	#DIV/0!
4	Claims or contingent claims on multilateral development banks	0			0	0	#DIV/0!
5	Claims or contingent claims on international organizations/institutions	0			0	0	#DIV/0!
6	Claims or contingent claims on commercial banks	85,392,867			20,127,466	20,127,466	24%
7	Claims or contingent claims on corporates	328,056,599	73,472,976	27,259,871	355,316,470	355,316,470	100%
8	Retail claims or contingent retail claims	0	5,276,311	309,973	309,973	309,973	100%
9	Claims or contingent claims secured by mortgages on residential property	0			0	0	#DIV/0!
10	Past due items	0			0	0	#DIV/0!
11	Items belonging to regulatory high-risk categories	0			0	0	#DIV/0!
12	Short-term claims on commercial banks and corporates	0			0	0	#DIV/0!
13	Claims in the form of collective investment undertakings ('CIU')	0			0	0	#DIV/0!
14	Other items	22,182,137			17,574,078	17,574,078	79%
	Total	497,043,431	78,749,288	27,569,844	452,020,865	452,020,865	86%

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