JSC "Ziraat Bank Georgia"

Financial Statements
As at 31 December 2018
and
Independent Auditor's Report

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF JSC "ZIRAAT BANK GEORGIA"
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JSC "Ziraat Bank Georgia" (the Company) which comprise the statement of financial position as at 31, December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Additional Information

Management is responsible for the other information. Other information comprises Management Report prepared in accordance with the Law of Georgia on Accounting, Reporting and Auditing (but does not include this financial information and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report. Our opinion on this financial information does not cover the other information, including the Management Report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we are required to express an opinion whether certain parts of Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

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using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is David Gvetadze.

March 30, 2019
Tbilisi, Georgia

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FINANCIAL STATEMENTS

JSC "Ziraat Bank Georgia"
Statement of Comprehensive income
As at 31 December 2018
Amounts are express in "GEL"

	Note	2018	2017
Interest income	5	4,583,755	3,408,489
Interest expense	5	(217,811)	(350,100)
Net interest income		**4,365,944**	**3,058,388**
Change in provision for loan impairment	15	225,690	(266,649)
Net interest income after provision for loan impairment		**4,591,634**	**2,791,739**
Fee and commission income		1,188,478	1,117,388
Fee and commission expense		(629,112)	(536,608)
Income from foreign currency operations		1,519,978	1,799,643
General and administrative expenses	6	(3,815,284)	(3,534,389)
Other income		159,225	180,662
Change in provision for guarantees issued	15	198,535	(139,217)
Change in provision for other assets		32,997	
Foreign exchange gain/(loss)		(102,310)	(137,982)
Profit before tax		**3,144,141**	**1,541,237**
Income tax expense		(28,166)	(62,201)
PROFIT FOR THE YEAR		**3,115,975**	**1,479,036**

On behalf of the Management:

General Director
Mehmet Ucar

M. Ucar

Chief accountant
Sophio Jlantiashvili

JSC ZIRAAT BANK GEORGIA
ZİRAAT BANKASI A.Ş. GÜRCİSTAN
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March 30, 2019
Tbilisi, Georgia

The notes on pages 10-28 form an integral part of these financial statements. The Independent Auditors' Report is on pages 3-4.

JSC "Ziraat Bank Georgia"
Statement of Financial Position
As at 31 December 2018
Amounts are express in "GEL"

	Note	31-Dec-2018	31-Dec-2017
Assets			
Cash and cash equivalents	8	35,291,560	49,165,684
Mandatory reserve with the NBG	9	10,372,884	6,735,692
Loans to customers	10	34,190,175	17,917,715
Held-to-maturity investments	11	28,705,073	15,815,783
Trade receivables		1,865,585	-
Other assets		205,395	253,373
Property and equipment	12	4,038,931	3,540,429
Intangible assets		311,517	221,460
Total assets		**114,981,120**	**93,650,135**
Liabilities			
Customer accounts	13	59,563,749	61,630,939
Due to other branches of the bank		2,023,209	783,621
Provision for guarantees issued		29,871	228,406
Other liabilities		274,714	142,964
Tax liabilities		-	27,178
Total liabilities		**61,891,543**	**62,813,109**
Equity			
Owner's capital	14	50,000,000	30,000,000
Retained earnings		3,089,577	833,037
Other reserve		-	3,989
Total equity		**53,089,577**	**30,837,026**
Total liabilities and Equity		**114,981,120**	**93,650,135**

On behalf of the Management:

General Director
Mehmet Ucar

Chief accountant
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JSC "Ziraat Bank Georgia"
Statement of Changes in Equity
As at 31 December 2018
Amounts are express in "GEL"

	Share capital	Retained earnings	Other reserve	Total equity
Balance as at 1 January 2017	**15,204,182**	**6,440,789**	**7,989**	**21,652,960**
Decrease in capital	(15,204,182)	-	-	**(15,204,182)**
Increase in capital	30,000,000	(4,775,496)	-	**25,224,504**
Increase in capital		646,780	-	**646,780**
Amortization		-	(4,000)	**(4,000)**
Period Result		(1,479,036)		**(1,479,036)**
Balance as at 31 December 2017	**30,000,000**	**833,037**	**3,989**	**30,837,026**
Decrease in capital	-	(859,435)	-	**(859,435)**
Increase in capital	20,000,000	-	-	**20,000,000**
Amortization	-	-	(3,989)	**(3,989)**
Period Result	-	3,115,975	-	**3,115,975**
Balance as at 31 December 2018	**50,000,000**	**3,089,577**	**-**	**53,089,577**

On behalf of the Management:

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Chief accountant
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JSC "Ziraat Bank Georgia"
Statement of Cash Flows
As at 31 December 2018
Amounts are express in "GEL"

	2018	2017
Cash flows from operating activities		
Profit before taxation	**3,144,141**	**1,541,237**
Adjustments for:		
- Depreciation and amortization	467,406	524,509
- Change in provisions	(198,535)	80,908
Increase/Decrease in mandatory reserve with the NBG	(3,637,192)	3,741,945
Increase/Decrease in loans to customers	(16,272,460)	(3,280,065)
Decrease/Increase in held-to-maturity investments	(12,889,291)	(5,663,606)
Decrease/increase in other assets	47,978	(106,279)
Decrease/increase in trade receivables	(1,865,585)	-
Increase/decrease in customer accounts	(2,067,190)	16,572,894
Decrease/increase in other liabilities	(66,785)	26,438
Decrease/increase in Tax liabilities	(27,178)	27,178
Cash generated from / (used in) operations	**(33,364,691)**	**13,465,158**
Income taxes paid	-	(260,643)
Net cash from / (used in) operating activities	**(33,364,691)**	**13,204,515**
Cash flow from investing activities		
Purchase of property and equipment and intangible assets	(588,559)	355,580
Net cash used in investing activities	**(588,559)**	**355,580**
Cash flows from financing activities		
Owner's capital	18,839,539	7,642,830
Repayment of amounts due to other branches of the bank	1,239,587	405,271
Net cash used in financing activities	**20,079,126**	**8,048,101**
Net increase in cash and cash equivalents	**(13,874,124)**	**21,608,195**
Cash and cash equivalents at beginning of period	**49,165,684**	**27,557,490**
Cash and cash equivalents at end of period	**35,291,560**	**49,165,684**

On behalf of the Management:
General Director
Mehmet Ucar

Chief accountant
Sophio Jlantiashvili

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March 30, 2019
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1. Introduction

Ziraat Bank Tbilisi Branch was incorporated in 1998. According to the Order No. 386 received in 27th April of 2017, the company has received a banking license and has therefore changed the identification code, but the sphere of activity remains unchanged and continues to function as "Zirat Bank Bank Georgia".

JSC "Ziraat Bank Georgia" (hereafter the "Bank") was incorporated on 23 March 2017 and is domiciled in Georgia. The Bank is a joint stock company limited by shares and was set up in accordance with Georgian regulations. The company is registered at the following address: Georgia, Tbilisi, Old Tbilisi District, Sanapiro Street N-6. The Bank with its service centres in Tbilisi, Batumi and Marnelle operates under a general banking license issued by the National Bank of Georgia (the NBG).

The principal business activity of the company is providing the banking services for the individuals and legal entities.

The company is registered at the following address: Georgia, Tbilisi, Old Tbilisi District, Sanapiro Street N-6.

Head:

General director	Mehmet Ucar
Deputy general director	Haluk cengiz
Director	Mert Kozacioglu

Presentation currency

The financial statements are presented in Georgian Lari ("GEL"), which is the Company's functional and presentation currency. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are recognized in the income statement.

The exchange courses used for converting foreign currency monetary balances are as follows:

	31-Dec-2018	31-Dec-2017
1 USD/GEL	2.6766	2.5922
1 TRY/GEL	0.5076	0.6874
1 EUR/GEL	3.0701	3.1044

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2018.

The financial statements comprise a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes.

Basis of measurement

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost generally based on the fair value of the consideration has given in exchange for assets.

Fair value is the price that would receive to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Bank uses market observable data to the extent possible. If fair value of an asset or a liability has not been directly observable, the Bank would estimate it. Working closely with external qualified valuer, using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items. discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/ liability that market participants would take into account.

Going Concern

The Board of Directors of JSC "Ziraat bank Georgia" has prepared these financial statements on a going concern basis. In making this judgement the management considered the company's financial position, current intentions, profitability of operations and access to financial resources as required for the following minimum 12 months after reporting period. The management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

The Bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments recognized when the Bank becomes a party to the contractual provisions of the instrument.

Financial instruments have recognized initially at fair value plus transactions costs that is directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss and have initially measured at fair value, excluding transaction costs (which has recognized in profit or loss).

Equity instruments, for which fair value is not determinable, has measured at cost and has classified as available-for-sale financial assets.

Subsequent measurement of financial instruments depends on their classification on initial recognition. During the reporting period, the Bank classified financial instruments in the following categories:

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, amounts due from the National Bank of Georgia (NBG), excluding mandatory reserves, and all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost.

Mandatory cash balances with the National Bank of Georgia

Mandatory cash balances with the NBG are carried at amortized cost and represent mandatory reserve deposits that are not available to finance the company's day to day operations.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that has not quoted in an active market. Assets that the Bank intends to sell immediately or in the near term have not classified in this category. These assets are carried at amortized cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or collectability.

Besides loans to customers, bank balances and cash have also classified in this category.

Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Bank designates as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to loans and receivables, these assets have carried at amortized cost using the effective interest method minus any reduction for impairment or collectability.

Due to other branches of the bank

Amounts due from other banks are recorded when the company advances money to counterparty banks with original maturity of more than three months and with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortized cost.

Subsequent measurement of financial liabilities

During the reporting period, the Bank did not classify any financial liabilities as held for trading or designated as at fair value through profit or loss. All the other financial liabilities are carried at amortized cost using the effective interest method. Customer accounts and due to other banks are classified in this category.

Interest income and expenses

For all financial instruments measured at amortized cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate.

Impairment of financial assets

At the end of each reporting period, the Bank assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

In addition, for loans to customers that are assessed not to be impaired individually, the Bank assesses them collectively for impairment, based on the Bank's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

The carrying amount of loans to customers is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Offsetting and recognition of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or transferred and the Bank has transferred substantially all risk and rewards of ownership.

Financial liabilities have derecognized only when the liability has discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognized and the consideration paid has recognized in profit or loss.

Property, plant and equipment

All property and equipment assets have stated at cost less accumulated depreciation and impairment losses.

Land and construction in progress are not depreciated. Depreciation of property and equipment has provided to write off the cost, less residual value, on a reduced balance method over the estimated useful life.

Name	Useful life (Years)
Buildings	50
Computer and equipment	4
Furniture and fittings	6
Leasehold improvements	5
Other	4-5

Residual values, remaining useful lives and depreciation methods has reviewed annually and adjusted if these are appropriate.

Gains or losses on disposal are included in profit or loss

Intangible assets

Intangible assets acquired separately have shown at historical cost less accumulated amortization and impairment losses. Amortization has charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with an indefinite useful life have tested for impairment annually. Intangible assets are amortized from the date they are available for use. The useful life is 10 year. Amortization periods and methods have been reviewed annually and adjusted, if appropriate.

Customer accounts

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortized cost.

Impairment of financial assets

A financial asset or a group of financial assets, other than those categorized at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Bank ascertains that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment, and moreover to determine when a loss event has occurred might involve the exercise of significant judgement.

The amount of impairment loss recognized for financial assets carried at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Impairment of non-financial assets

The Bank assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to it carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount an impairment loss is recognized immediately in profit or loss. unless the asset is carried at a revalued amount, in which case the impairment loss is recognized as revaluation decrease.

Taxation

Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period, as there are some items that may never be taxable or deductible for tax and other items that may be deductible or taxable in other periods. Income tax for the period is calculated using the current ruling tax rate.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognized if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Provision

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Foreign currencies

Foreign currency monetary assets and liabilities are translated into the functional currency of the Bank (Georgian Lari, "") using the exchange rates officially published by the National Bank of Georgia at the reporting date:

	31-Dec-2018	31-Dec-2017
1 USD/GEL	2.6766	2.5922
1 TRY/GEL	0.5076	0.6874
1 EUR/GEL	3.0701	3.1044

Gains and losses arising from changes in exchange rates after the date of the transaction are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Owner's capital

Owner's capital investment is recognized at par value and classified as owner's capital in equity. Dividends are recognized as a liability in the year in which they are declared.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorized for issue are disclosed in the subsequent events note.

Staff costs and related contributions

Wages, salaries, contributions to the Georgian Republic state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

Related party transactions

In the normal course of business, the Company enters into transactions with its related parties. Judgment is applied in determining if transactions are priced at market or non-market prices, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties.

4. NEW ACCOUNTING PRONOUNCEMENTS

IFRS 9 "Financial Instruments

Financial assets are required to be classified into three measurement categories: (i) those to be measured subsequently at amortized cost, (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI) and (iii) those to be measured subsequently at fair value through profit or loss (FVPL).

The classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments in line with the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, the management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key difference is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stages' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12- month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). In case of a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align more closely the accounting with the risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 9 is effective for annual periods starting from January 1, 2018 and is also permitted earlier. Retrospective use is obligatory, but no comparable information is required; On the date of transition (January 1, 2018) the effect shall be recorded in the retained earnings. Acceptance of IFR 9 is expected to affect the classification and evaluation of the financial assets of the company but will not affect the classification and evaluation of the financial liabilities of the company. The company expects a significant impact on its equity due to the introduction of IFR 9 requirements for impairment, but it will require additional detailed analysis to determine the scale of impact, including all reasonable and supporting information, including forecast elements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018)

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. No material effect is expected on the Company due to introduction of the new standard.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements.

IFRIC 22 "Foreign currency transactions and advance consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018)

This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or received consideration in advance for foreign currency-denominated contracts. The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. No material effect is expected on the Company due to introduction of the new standard

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company is currently assessing the impact of the interpretation on its financial statements.

5. Interest income and expenses

Interest income	2018	2017
Interest income from held-to-maturity investments	1,742,707	968,386
Interest income from loans to legal entities	1,182,507	823,533
Interest income from loans to individuals	969,447	974,596
Interest income from deposits in resident banks	610,402	632,074
Interest income from deposits in non-resident banks	78,692	9,900
Total Interest income	**4,583,755**	**3,408,489**

Interest expense	2018	2017
Interest expense of deposits from legal entities	120,642	178,674
Interest expense of deposits from non-resident banks	60,846	115,167
Interest expense of deposits from individuals	31,285	44,057
Interest expense of deposits from resident banks	5,038	12,202
Total Interest expense	**217,811**	**350,100**

6. General and administrative expenses

	2018	2017
Salary	2,279,997	2,068,834
Depreciation and amortization	467,406	524,509
Professional services	200,743	85,734
Rent	166,248	162,866
Security	142,771	119,937
Utilities	129,992	82,523
Representative	73,243	51,682
Property insurance	69,875	52,568
Taxes other than income tax	37,653	44,006
Transaction insurance	16,217	100,000
Other expenses	231,139	241,730
	3,815,284	**3,534,389**

7. Income Tax

Differences between IFRS and statutory taxation regulations in Georgia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

On 13 May 2016 the Government of Georgia enacted the changes in the Tax Code of Georgia effective from 1 January 2019, for commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops and from 1 January 2017 for other entities. The new code impacts the recognition and measurement principles of the Group's income tax and it also affects the Group's deferred income tax assets/liabilities. Companies do not have to pay income tax on their profit before tax (earned since 1 January 2017 or 1 January 2019 for commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops) until that profit is distributed in a form of dividend or other forms of profit distributions. Once dividend is paid, 15% income tax is payable at the moment of the dividend payment, regardless of whether in monetary or non-monetary form, to the foreign non-resident legal entities and foreign and domestic individuals. The dividends paid out to the resident legal entities are tax exempted. Apart from dividends' distribution, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of goods/services and/or transfer of funds and representation costs that exceed the maximum amount determined by the Income Tax Code of Georgia, in the same month they are incurred.

8. Cash and cash equivalent

Cash and cash equivalents	31-Dec-2018	31-Dec-2017
Deposits in other banks	31,114,763	27,553,200
Cash on hand	3,181,834	4,395,931
Current accounts in other banks	660,012	15,884,447
Cash in cash dispensers	332,480	397,461
Current accounts in NBG, excluding mandatory reserve	2,471	934,645
Total Cash and cash equivalents	**35,291,560**	**49,165,684**

Cash balances on bank accounts can be classified as risk free, considering the fact that the banks where the Company has current accounts are reliable and well-known Georgian credit institutions.

9. Mandatory reserves with NBG

Mandatory reserves with NBG	31-Dec-2018	31-Dec-2017
Mandatory reserve with the NBG	10,372,884	6,735,692
Total Mandatory reserves with NBG	**10,372,884**	**6,735,692**

Mandatory cash balances with the National Bank of Georgia ("NBG") represent amounts deposited with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions.

10. Loans to customers

Loans to customers	31-Dec-2018	31-Dec-2017
Long-term Loans to customers operating in trade and service sector	19,056,068	5,383,525
Long-term Loans to individuals	10,645,070	9,702,570
Short-term Loans to customers operating in trade and service sector	2,693,113	995,574
Short-term Loans to customers operating in construction sector	996,981	145,001
Long-term Loans to customers operating in construction sector	682,078	1,961,356
Short-term Loans to individuals	442,985	295,131
Long-term Loans to customers operating in other sectors	18,026	66,935
	34,534,321	**18,550,092**
Accrued interest	240,276	155,250
Overdue loans	119,866	142,061
Accrued penalties and fines on Short-term Loans to individuals	14	-
Accrued penalties and fines on Long-term Loans to individuals	105	408
	34,894,581	**18,847,811**

There is no material difference between the fair value of loans to customers and their carrying amount.

A reconciliation of the allowance for impairment of loans to customers was as follows:

Opening balance	(930,096)	(660,821)
Charge for the year	225,690	(269,274)
Closing balance	**(704,406)**	**(930,096)**
Total Loans to customers	**34,190,175**	**17,917,715**

Collateral

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. The effect of collateral is determined by comparing the fair value of collateral to outstanding gross loans and advances in the reporting date

Collateral	**31-Dec-2018**	**31-Dec-2017**
Real estate	28,828,722	17,106,255
Third party guarantee	5,254,963	1,119,670
Unsecured	576,031	466,228
Total Collateral	**34,659,716**	**18,692,153**

**The collateral table given above did not include interest*

The effect of collateral as of 31 December 2018:

	Real estate		Third party guarantee		Unsecured			
	Carrying amount	Collateral amount	Carrying amount	Collateral amount	Carrying amount	TOTAL PORTFOLIO	TOTAL COLLATERAL	LTV
Business loans	10,307,821	33,074,782	-	38,639,581	-	10,307,821	71,714,363	14.37%
Consumer loans	2,807,510	10,994,005	286,555	2,801,279	579,483	3,673,548	13,795,283	26.63%
Corporate loans	10,656,188	38,529,042	5,029,055	39,804,778	-	15,685,243	78,333,819	20.02%
Hypothec loans	5,227,970	12,576,521	-	4,303,169	-	5,227,970	16,879,689	30.97%
TOTAL	**28,999,489**	**95,174,349**	**5,315,610**	**85,548,805**	**579,483**	**34,894,581**	**180,723,155**	**19.31%**

Credit quality

The bank's policy for credit risk management purposes is to classify each loan with the indication of the impairment or without indication of impairment.

Credit quality	**31-Dec-2018**	**31-Dec-2017**
Loans without indications of impairment	33,705,664	17,097,004
Loans with indications of impairment	954,052	1,595,149
Total Credit Quality	**34,659,716**	**18,692,153**

**The credit quality table given above did not include interest*

The tables below provide an analysis of the loan portfolio based on credit quality as of 31 December 2018:

31-Dec-2018	**Business loans**	**Consumer loans**	**Corporate loans**	**Hypothec loans**	**Total**
- Borrowers with credit history over two years	1,311,122	1,507,419	834,913	3,744,678	**7,398,132**
- New borrowers	8,276,103	2,166,053	15,571,044	1,483,249	**27,496,449**
Total loans without impairment	**9,587,225**	**3,673,472**	**16,405,957**	**5,227,927**	**34,894,581**

Past due					
- 0 to 30 days overdue	9,500,486	3,608,796	16,032,344	5,031,351	**34,172,977**
- 31 to 90 days overdue	-	-	-	224,984	**224,984**
- 91 to 180 days overdue	-	-	-	-	**-**
- 181 to 360 days overdue	-	29,075	-	-	**29,075**
- More than 360 days overdue	39,906	14,805	-	172,558	**227,269**
Total past due	**9,540,392**	**3,652,676**	**16,032,344**	**5,428,893**	**34,654,305**
Accrued interest	46,833	20,796	148,629	24,018	**240,276**
Total Past due without impairment	**9,587,225**	**3,673,472**	**16,180,973**	**5,452,911**	**34,894,581**

From the beginning of 2018 year Delloit & Touche LLC implemented IFR9 in JSC Ziraat bank Georgia and used ECL model for calculating provisions. All the loans with indications of impairment are properly secured. The difference between their carrying amount and the present value of estimated future cash flows (discounted at the original effective interest rate) is lower than the allowance for impairment created by the Bank. The allowance has been created in accordance with the IFRS 9.

The table below shows the Allowance for impairment of loans to customers as at 31, December 2018:

ECL (Expected Credit Loss)		**Stage 1***	**Stage 2***	**Stage 3***	**Total**
Loans to customers					
Segment_1	Mortgage	5,045,048	2,603	185,731	**5,233,382**
Segment_2	Consumer loans	3,405,342	43,963	224,243	**3,673,548**
Segment_3-4	Business loan and Credit line	25,517,860	-	469,791	**25,987,651**
Total Loans to customers		**33,968,250**	**46,566**	**879,765**	**34,894,581**

Provision rates		**Stage 1***	**Stage 2***	**Stage 3***	**Total**
Segment_1	Mortgage	0.15%	40.49%	75.45%	**2.84%**
Segment_2	Consumer loans	0.62%	40.48%	70.56%	**5.37%**
Segment_3-4	Business loan and Credit line	0.11%	0.00%	70.44%	**1.38%**
Total		**0.17%**	**40.48%**	**71.53%**	**2.02%**

ECL (GEL)		**Stage 1***	**Stage 2***	**Stage 3***	**Total**
Segment_1	Mortgage	7,444	1,054	140,129	**148,627**
Segment_2	Consumer loans	21,241	17,797	158,222	**197,260**
Segment_3-4	Business loan and Credit line	27,584	-	330,935	**358,519**
Total ECL in GEL		**56,269**	**18,851**	**629,286**	**704,406**

* **Stage 1** - includes financial instruments that have not bad a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date

* **Stage 2** - includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment

* **Stage 3** - includes financial assets that have objective evidence of impairment at the reporting date

11. Held-to-maturity investment

Held-to-maturity investment	31-Dec-2018	31-Dec-2017
Certificates of deposit of the NBG	21,750,575	12,849,614
Treasury bills of the Ministry of Finance of Georgia	6,954,498	2,966,168
Total Held-to-maturity investment	**28,705,073**	**15,815,782**

All debt securities except for corporate bonds are issued by the Government of Georgia and National Bank of Georgia.

The movements in held-to-maturity investment carried at amortized cost are as follows:

Held-to-maturity investment as at 01.01.2017	**10,152,177**
Purchases	25,500,000
Redemption at maturity	19,800,000
discount	(36,395)
Held-to-maturity investment as at 31.12.2017	**15,815,782**
Purchases	56,895,000
Redemption at maturity	43,681,000
discount	(324,709)
Held-to-maturity investment as at 31.12.2018	**28,705,073**

12. Property, plant and equipment

	Land and building	Computers and office equipment	Furniture and fittings	Leasehold improvements	Another P&E	Total
Cost						
Balance as at 1 January 2017	**2,297,063**	**770,838**	**1,021,435**	**1,036,318**	**252,171**	**5,377,825**
Addition	-	18,733	13,686	-	71,031	**103,450**
Transfer	-	500,717	371,160	-	-	**871,877**
Disposal	-	592,381	413,124	-	-	**1,005,505**
Balance as at 31 December 2017	**297,063**	**697,907**	**993,158**	**1,036,318**	**323,202**	**5,347,647**
Addition	644,851	147,052	243,277	535,304	45,714	**1,616,198**
Disposal	(156,557)	(1,310)	-	(535,304)	-	**(693,171)**
Balance as at 31 December 2018	**2,785,357**	**843,650**	**1,236,435**	**1,036,318**	**368,915**	**6,270,675**
Accumulated Depreciation						
Balance as at 1 January 2017	**18,019**	**638,124**	**390,192**	**436,732**	**40,682**	**1,523,749**
Depreciation	31,619	80,648	427,645	584,537	31,602	1,156,052
Transfer	-	107	-	-	-	107
Correction	-	17,353	185,805	429,312	-	632,470
Disposal	-	94,198	145,807	-	-	240,005
Balance as at 31 December 2017	**49,638**	**607,114**	**486,226**	**591,957**	**72,284**	**1,807,219**
Depreciation	37,286	52,508	152,920	135,206	47,194	425,114
Disposal	-	(589)	-	-	-	(589)
Balance as at 31 December 2018	**86,924**	**659,034**	**639,145**	**727,163**	**119,478**	**2,231,744**

1-Jan-17	**2,279,044**	**132,714**	**631,244**	**599,586**	**211,488**	**3,854,076**
1-Jan-18	**2,247,425**	**90,793**	**506,933**	**444,361**	**250,917**	**3,540,429**
31-Dec-18	**2,698,433**	**184,616**	**597,290**	**309,155**	**249,437**	**4,038,931**

13. Customer accounts

Customer Account	**31-Dec-2018**	**31-Dec-2017**
Current accounts of legal entities	42,010,683	32,230,817
Deposits of legal entities	8,332,483	18,375,974
	50,343,166	**50,606,791**
Current accounts of individuals	6,616,240	9,419,448
Deposits of individuals	2,576,606	1,566,571
	9,192,846	**10,986,019**
	59,536,012	**61,592,810**
Interest payable	27,737	38,129
Total Customer accounts	**59,563,749**	**61,630,939**

Economic sector concentrations within customer accounts are as follows:

		31-Dec-18		**31-Dec-17**
	Amount	%		%
Construction	29,996,198	50%	36,632,330	59%
Trade and Commerce	12,303,921	21%	8,520,103	14%
Individuals	9,192,843	15%	10,986,018	18%
Mining	4,177,316	7%	2,867,707	5%
Other	3,865,734	6%	2,586,652	4%
	59,536,012	**100%**	**61,592,810**	**100%**

14. Equity

The company's share capital for the 01 January 2018 was 30,000 thousand GEL. The company increased capital with the amount of 20,000 thousand GEL in 2018 and at the end of 31 December 2018 the amount was 50,000 Thousand GEL.

15. Loan loss and guarantee issued provision

Loan reserves

Beginning balance	**(930,096)**
Change in provision for loans issued for current year (as old standard)	(115,966)
The effect on profit and loss according to IFRS 9	341,656
Ending balance	**(704,406)**

Guarantee reserves

Beginning balance	**(228,406)**
Change in provision for guarantee issued for current year (as old standard)	(304,686)
The effect on profit and loss according to IFRS 9	503,221
Ending balance	**(29,871)**

According to IFRS 9, the effect of change on profits-loss is totally 844,877 GEL. From which, 341,656 GEL belongs to Change in provision for loans issued and the remained 503,221 GEL to Change in provision for guarantee issued

16. Credit related commitments-guarantees issues

The primary purpose of guarantees issued is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

General impairment approaches for guarantees and letters of credit include 1-th and 3rd phases of the expected credit loss assessment unless a particular loan is not mechanically classified as the 2nd phase financial instrument.

The standard demands that the expected credit loss for financial guarantees should be assessed immediately when the company has an irrevocable liability

At 31 December 2018 there was no indication that the Bank would be required to make payments for these guarantees and those payments would become impaired. Thus, The whole portfolio is classified in the stage 1*.

Stage 1*

Guarantees issued	**Guarantees issued**	**Provision**	**%**
Corporate	22,004,738	24,651	0.11%
SME	4,649,862	5,220	0.11%
Total	26,654,600	29,871	0.11%

17. Capital management

The Bank's objectives, when managing capital are (I) to comply with the capital requirements set by the NBG, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain the minimum requirement levels stated in borrowing agreements (if any).

Bank calculates the minimum amount of supervisory capital in (within Pillar II) accordance with the instructions of the National Bank of Georgia and the Basel's original recommendations.
The bodies responsible for the adequacy of the Bank's internal capital are the Bank's Directorates, which is assisted by various structural units in the Bank for the fulfillment of this responsibility. The bank annually reviews and approves an internal capital adequacy valuation process. It also facilitates the adequacy of valuation process of the capital and determines all material risk.

According to the Order N61 / 04 of the President of the National Bank of Georgia " On determining the minimum amount of supervisory capital for the commercial banks" issues in 3rd of May 2017, minimum regulatory capital requirement of legal entity, interested in receiving a banking license and licensed commercial banks is 50 million GEL .The term of fulfillment of the request for licensed commercial banks is divided into three phases in particular, the minimum regulatory capital of those

At the request of NBG, banks must maintain their capital adequacy ratio, of 9,6% of the weighted assets and 6,4% of the capital adequacy coefficient.

The table below shows the calculation of capital adequacy ratio in accordance with the NBG regulations as for 2017 and 2018 years According to the basel I frame:

Basel II/III

The calculation of capital adequacy coefficient of the bank as at 31 December 2017 and 2018, according to the basel III regulations. In the table below are included the amendments made in the "Regulations on Capital Adequacy Requirements of Commercial Banks" for 2017 and 2018 period

	2018	2017
Owner's capital	50,000,000	30,000,000
Retained earnings according to the NBG regulations	2,271,094	859,435
Less: intangible assets	(311,517)	(221,460)
Primary capital	**51,959,577**	**30,637,975**
General reserves according to the NBG regulations	1,207,097	570,237
Secondary capital	1,207,097	570,237
Regulatory capital	**53,166,674**	**31,208,212**
Risk weighted assets according to the NBG regulations (RWA)	**95,184,281**	**62,018,876**
Primary capital ratio (Primary capital I RWA)	**54.59%**	**49.4%**
Regulatory capital ratio (Regulatory capital I RWA)* **	**55.86%**	**50.3%**

***According to the changes in the methodology of calculation of risk position, Credit risk caused from the currency fluctuation does not take part in risk positions. Which led to the changes of risk position and capital adequacy ratio calculated based on Basel-III

18. Related parties

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;

(b) Associates – enterprises on which the Company has significant influence, and which is neither a subsidiary nor a joint venture of the investor;

(c) Joint ventures in which the Company is a venture;

(d) Members of key management personnel of the Company or its parent;

(e) Close members of the family of any individuals referred to in (a) or (d)

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) Post-employment benefit plans for the benefit of employees of the Company, or of any entity that is a related party of the Company.

As of 31 December 2017and 2018, the outstanding balances with related parties were as follows:

	2018	2017
Current accounts in head office of Ziraat Bank	588,881	15,574,949
Deposits in the head office Ziraat Bank	14,453,640	-
Loans to key management	105,142	209,867
Loans to other related parties	55,352	119,679
Due to other branches of the bank	2,026,055	783,621
Customer accounts of key management	38,772	11,075
Customer accounts of other related parties	13,040	10,567
Management Compensation	868,286	579,251

19. Information on financial risks

In performing its operating, investing and financing activities, the Bank has exposed to the following financial risks:

Credit risk

the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Bank.

Liquidity risk

the risk that the Bank may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.

Market risk

the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result, of a fluctuation in market prices. The Bank has exposed to interest rate risk and currency risk.

In order to, effectively manage those risks the Bank has approved specific strategies for the management of financial risks, which are in line with corporate objectives. These strategies set up guidelines for the short and long-term objectives and action has to be taken in order to manage the financial risks that the Bank faces. Internal audits have conducted to ensure that the Bank's policies and procedures have followed in practice.

The following table summarizes the carrying amount of financial assets and financial liabilities:

financial assets and financial liabilities	2018	2017
Cash and cash equivalents	35,291,560	49,165,684
Mandatory reserve with the NBG	10,372,885	6,735,692
Loans to customers before allowance for impairment	34,894,581	18,842,401
Held-to-maturity investments	28,705,072	15,815,783
	109,264,098	**90,559,560**
Customer accounts	59,563,749	61,630,939
Due to other branches of the bank	2,023,209	783,621
	61,586,958	**62,414,560**

19.1 Credit risk

	2018	2017
Cash and cash equivalents less cash in hand and cash in cash dispensers	31,777,243	44,372,290
Mandatory reserve with the NBG	10,372,885	6,735,692
Loans to customers before allowance for impairment	34,894,581	18,842,401
Held-to-maturity investments	28,705,072	15,815,783
	105,749,781	**85,766,166**

19.2 Liquidity risk-financial liabilities' maturity analysis

The Bank manages liquidity risk on the basis of expected maturity dates.

The following tables analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

31-Dec-2018	**Due or due in less than 1 month**	**Between 1-3 months**	**Between 1-3 months**	**Between 6-12 months**	**More than 1 year**	**TOTAL**
Customer accounts	53,981,899	2,094,385	575,319	1,703,183	1,208,963	59,563,749
Due to other branches of the bank	-	-	-	-	2,023,209	2,023,209
	53,981,899	**2,094,385**	**575,319**	**1,703,183**	**3,232,172**	**61,586,958**

31-Dec-2017	**Due or due in less than 1 month**	**Between 1-3 months**	**Between 1-3 months**	**Between 6-12 months**	**More than 1 year**	**TOTAL**
Customer accounts	59,693,598	837,608	527,162	289,284	283,286	61,630,938
Due to other branches of the bank	5,561	-	401	129,610	648,050	783,621
	59,699,159	**837,608**	**527,563**	**418,894**	**931,336**	**62,414,560**

19.3 Interest rate risk

The Bank does not have financial assets and liabilities with floating rate.

19.4 Foreign currency risk

Foreign currency denominated assets and liabilities give rise to foreign exchange exposure.

Financial assets by currency as at 31 December 2018:

2018	**GEL**	**USD**	**EUR**	**OTHER**	**TOTAL**
Cash and cash equivalents	17,995,655	16,326,670	730,198	239,036	**35,291,560**
Mandatory reserve with the NBG	-	9,974,773	398,112	-	**10,372,885**
Loans to customers before allowance for impairment	19,751,272	15,143,309	-	-	**34,894,581**
Held-to-maturity investments	28,705,072	-	-	-	**28,705,072**
	66,451,999	**41,444,752**	**1,128,310**	**239,036**	**109,264,098**

2017	**GEL**	**USD**	**EUR**	**OTHER**	**TOTAL**
Cash and cash equivalents	13,733,702	34,707,098	655,756	69,129	**49,165,685**

Mandatory reserve with the NBG	-	6,322,267	413,425	-	**6,735,692**
Loans to customers before allowance for impairment	7,625,342	11,217,059	-	-	**18,842,401**
Held-to-maturity investments	15,815,783	-	-	-	**15,815,783**
	37,174,827	**52,246,424**	**1,069,181**	**69,129**	**90,559,561**

20. Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet repayment terms of banking facilities and other liabilities.

21. Events after the statement of financial position date

This report was ready to issue at March 30th, 2019

No significant transactions have been identified for disclosure after the reporting date.